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Correspondence Memorandum

Date: July 30, 2021

To: Group Insurance Board

From: Eileen Mallow, Director
Office of Strategic Health Policy

Subject: Health Plan Rate Recommendations for 2022 Plan Year

The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the recommended health plan, pharmacy and dental rates as presented by Segal Consulting (Segal) for the 2022 plan year and adjust the State Maintenance Plan (SMP) rates to reflect actual program costs. ETF also requests that the Board select a reserve spend down from among the options presented.

Following the June 21, 2021 discussion with the Board, ETF and Segal revisited the tiering model. Using data from the Data Analytics and Insights (DAISI) data warehouse, ETF reviewed plan-specific data on costs and utilization. Adjustments were made to the modelling tool to reflect changes in utilization (decreased) and costs (largely increased) due to COVID-19. Notices with initial tier placement and requested pricing adjustments were distributed to health plans on June 25, 2021.

ETF and Segal met individually with each interested health plan during the week of July 5 to explain model changes, quality scores, and the rate target to achieve Tier 1 status. Best and Final Offers (BAFOs) were due July 15, 2021; we received a Tier 1 bid for each plan offering in the state pool. Florence County is the only SMP county in the state pool for 2022. In the local pool, we are down to seven SMP counties with current enrollment under 200 members.

As ETF and Segal continue to look at options to improve local program offerings, rate relativities between the Access plan and SMP were reviewed. Early indication is that the model used to establish rate setting parameters needs to be refined. The contracted vendor reported to us a $20 million loss on their business which is not sustainable. State statutes created SMP as a mandatory option in counties that do not have an available Tier 1 HMO plan. Separately, the Access plan was established by the Board to give members options if they were not interested or could not choose an HMO plan (for example, a child attending college out of state). Currently, in counties where SMP is

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy
Eileen K Mallow Electronically Signed 08/12/21

Board	Mtg Date	Item #
GIB	8.18.21	4D

offered, it is at a significantly lower price than the Access plan, even though it is managed by the same insurer and has the same benefits and provider network. Enrollment in SMP in 2021 is high enough to provide an actuarily sound population to estimate a cost based premium.

Segal and ETF recommend that for 2022, the SMP rate be adjusted to better reflect plan costs. For 2022 it will result in a significant rate increase (22.5%) for 200 estimated number of members expected to enroll in the SMP. As an offset, the proposed rate increase for the Access plan would be low (2.5%). SMP is proposed to move from a current range of $546 - $675 per member per month (PMPM) (single coverage and depending on plan option selected by employer) to a range of $669 - $827 PMPM. Access plan rates are proposed to move from a current range of $852 – $1052 PMPM to $873 – $1078 PMPM. Right now, the Access plan is subsidizing SMP as the rates are blended between the two plans. The pros for this would be future better alignment of SMP premiums with actual costs that could be accomplished during a year that the expected impact would be minimal. The con is primarily the large rate adjustment for the affected members.

An alternative would be to delay the rate structure adjustment until 2022. This would allow another year to evaluate cost data and better explain the need for changes. However, this problem has existed for several years so is not likely to change and it would continue the financial stress on a vendor partner. Until premium bids are received for any given year, we do not know how many members may be affected in any given rate year. In 2021 we have more than 1000 members in SMP, but enrollment has fluctuated over the past several years.

Pharmacy and dental claims are self-funded, meaning the Group Health Insurance Program (GHIP) accepts the risk for all claims. Segal's discussion on reserve targets will discuss how we estimate needed reserves differently for self-funded versus fully insured coverage in more detail. The dental portion of the overall rate is recommended for a 0% increase, given the much lower than forecast spend on dental claims in 2020 due to Covid. While claims have returned to pre-COVID-19 levels, staff accept the Segal recommendation to maintain current premiums. Dental claims represent approximately 4% of overall claims expenses.

Pharmacy claims are forecast to continue to increase for 2022. While ETF and Navitus continue to look for better ways to manage pharmacy expenses, ETF recommends the Board accept the Segal estimate for pharmacy claims. Pharmacy claims represent approximately 22% of the overall GHIP spend. Staff will report to the Board progress on various initiatives to manage pharmacy costs at the November meeting.

The Board is also presented with an updated reserve estimate. The reserve balance for the state increased at the end of 2020, primarily due to earnings on fund balances that were much better than projected. ETF recommends the Board choose from among four

options for the reserve spend for the state pool and three options for the reserve spend for the local pool. The local pool does not have reserves on the same scale as the state pool; one of the options presented will take the local pool balance to the forecast low end of the reserve target range, rather than the mid-point.

Finally, ETF was able to negotiate significant rate reductions for the Medicare Advantage plan. Using data from the DAISI data warehouse that showed claims were significantly lower than projections, we negotiated a reduction from the initial bid of $99 PMPM to $55. UnitedHealthcare also offered a two-year rate guarantee and a gain-sharing arrangement that will allow for funds to be returned to the program in the event of another low-cost year. We believe this is a good outcome for our retiree members enrolled in Medicare Advantage.

Segal and ETF will be available at the Board meeting to answer any questions.

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Correspondence Memorandum

Date: August 18, 2021

To: Group Insurance Board

From: Segal Consulting

Subject: Health Plan Service Area Qualification for 2022

Segal Consulting (Segal), in consultation with ETF, recommends the Group Insurance Board (Board) accept the qualification recommendations for the 2022 plan year described in this memo. Highlights of the 2022 recommendations include**:**

- No Tier 2/3 designation in the State program.
- Tier 2/3 designation in the Local program for the following plans: Aspirus, HealthPartners, Robin with Health Partners, Medical Associates, Quartz Central, WEA Trust East, WEA Trust West – Mayo Clinic, WEA Trust West – Chippewa Valley.

Segal and ETF also request Board approval to make any additional minor adjustments to the service areas, as they are reviewed and finalized with each health plan.

Background
Qualification criteria ensure that participating health plans offer an adequate provider base and have sufficient operating experience to serve members. The qualification process incorporates access standards, allowing plans additional ways to meet the qualification requirements.

To be qualified in a county, the plans must meet at least 90% geo-access in the county for the inpatient hospitals, primary care physicians (includes Internal Medicine, Family Medicine and General Medicine) and chiropractors, or the following minimum requirements in the county:

1. The ratio of full-time equivalent primary physicians accepting new patients to total participants in a county is at least one per two thousand (1.0/2,000) with a minimum of five (5) primary care physicians per county. The PCPs counted for

Board	Mtg Date	Item #
GIB	8.18.21	4D

this requirement must be able to admit patients to an in-network hospital in the county.
2. The plan must have at least one (1) general hospital under contract and/or routinely utilized by in-network providers available per county. For counties with no hospital, plans must sufficiently describe how they provide access to providers.
3. A chiropractor must be available in each county.

Although this has not occurred this year, ETF staff may also determine a plan is non-qualified in a county in the following situations:

1. The plan does not meet the provider access standards and has at least one (1) PCP in the county and/or major city.
2. The plan meets the provider access standards, and the staff determines the plan is not effectively administering the State of Wisconsin Group Health Insurance Program.

Segal sent each health plan a standard network submission workbook that included network access standards by county, as well as a requirement to provide the network provider detail. Segal analyzed this data against the qualification criteria to determine each health plan's qualification status for each county. If a county has no qualified Tier 1 health plan, the State Maintenance Plan (SMP) is offered in that county.

Based on the requirements noted above, each year the Board takes formal action on "qualifying" alternate health plans for each county in Wisconsin.

Prior to this meeting, all participating plans were notified of the qualification status recommendations staff planned to present to the Board.

Qualification and Non-Qualification
A Tier 1 health plan is considered "qualified" if it meets all qualification criteria that ensures adequate provider coverage and operating experience for State and Local members. If a Tier 1 health plan does not meet all qualification criteria, but meets minimum requirements, the health plan will be "listed" in open enrollment materials as having limited provider availability.

State Health Plan Tiering Status for 2022
For 2022, ETF recommends Tier 1 designation in the State program for all health plans. Based on the qualification criteria, every county has at least one qualified Tier 1 State plan. The SMP is offered in counties in which there is not a qualified Tier 1 health plan. SMP will be offered in one county, Florence County, under the State Plan in 2022.

Local Health Plan Tiering Status for 2022
For 2022, Segal and ETF recommend Tier 2/3 designation in the Local program for the following health plans: Aspirus, HealthPartners, Robin with Health Partners, Medical Associates, Quartz Central, WEA Trust East, WEA Trust West – Mayo Clinic, WEA Trust West – Chippewa Valley.

The premium bids provided by these plans for the Local program were deemed at the top of the acceptable range at which they could bid. While the bids were acceptable for continued participation in the Local program, lack of claims experience, very low enrollment, and/or unjustified higher premiums place these plans in Tier 2/3.

Overall, this recommendation will affect 70 of the 72 Wisconsin counties. The Tier 2/3 plans cover and are qualified in these 70 counties.

The following 28 counties where these Tier 2/3 plans participate will have at least two qualified Tier 1 plans:

- Brown
- Buffalo
- Chippewa
- Columbia
- Crawford
- Dodge
- Door
- Eau Claire
- Fond du Lac
- Grant
- Green
- Green Lake
- Iowa
- Jefferson
- Juneau
- Kewaunee
- Lafeyette
- Manitowoc
- Marquette
- Oconto
- Pepin
- Rock
- Sauk
- Shawano
- Sheboygan
- Vernon
- Walworth
- Waukesha

The following 36 counties will have only one qualified Tier 1 plan:

- Adams
- Ashland
- Barron
- Bayfield
- Burnett
- Calumet
- Clark
- Douglas
- Dunn
- Iron
- Jackson
- Kenosha
- La Crosse
- Langlade
- Lincoln
- Marathon
- Marinette
- Menominee
- Milwaukee
- Monroe
- Oneida
- Outagamie
- Ozaukee
- Portage
- Price
- Racine
- Richland
- Sawyer
- Taylor
- Trempealeau
- Vilas
- Washburn
- Washington
- Waupaca
- Waushara
- Winnebago

While the plans affected by this recommendation have a presence in 6 additional counties, there are no qualified Tier 1 plans in these counties. The SMP will be offered in these counties, as discussed later in this memo:

- Forest
- Pierce
- Polk
- Rusk
- St. Croix
- Wood

The Tier 2/3 plans will either not cover or are not qualified in the following 1 county:

- Dane
- Florence

There is at least one qualified Tier 1 plan in Dane, but not in Florence. Therefore, the SMP will be offered in Florence County in 2022 – bringing the total to 7.

SMP Placement
The SMP is offered in counties in which there is not a qualified Tier 1 health plan. There is one county in which the SMP will be available in the State Plan for 2022. There are seven counties in which the SMP will be available in the Local Plan for 2022.

County	WEA/Local SMP 2022	State SMP 2022	WEA/Local SMP 2021	State SMP 2021
Buffalo			X	
Crawford			X	
Florence	X	X	X	
Forest	X			
Jackson			X	
LaCrosse			X	
Monroe			X	
Pepin			X	
Pierce	X		X	
Polk	X		X	
Rusk	X		X	
St. Croix	X		X	
Trempealeau			X	
Wood	X			

Staff will be at the Board meeting to answer any questions.

Attachment: 2022 GIB Health Plan Qualification Summary

2022 Program Renewals

August 18, 2021

Segal Consulting

1. **Overview**
2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2022 Premium Alternatives

2022 Renewal Process

- Medical (Fully-Insured)
  - Process
    - IYC Health Plans (HMOs) followed a managed competition model, using a tier structure
    - IYC Access Plan, Medicare Plus and State Maintenance Plan (SMP) followed a traditional renewal approach, utilizing standard actuarial/underwriting techniques
    - Medicare Advantage Plan rates were reduced through rate negotiations.
    - Met with majority of plans to discuss tier placement and long-term strategy
- Pharmacy (Self-Insured)
  - Received and reviewed claims experience
  - Met with Navitus to discuss trends and program management strategies
- Dental (Self-Insured)
  - Received and reviewed claims experience
  - Met with Delta Dental to discuss trends and program benefit and network changes
- Reserve Fund
  - In Year 2 of the 3-year buy-down strategy implemented by the Board last year—to reach the recommended target reserve by 2023 using gradual buy-downs
  - Projected year end 2021 reserve balance remains on course – investment gains offset losses from the Pharmacy
- COVID-19 impacted several aspects of the renewal this year

1. Overview
2. **Medical Plans**
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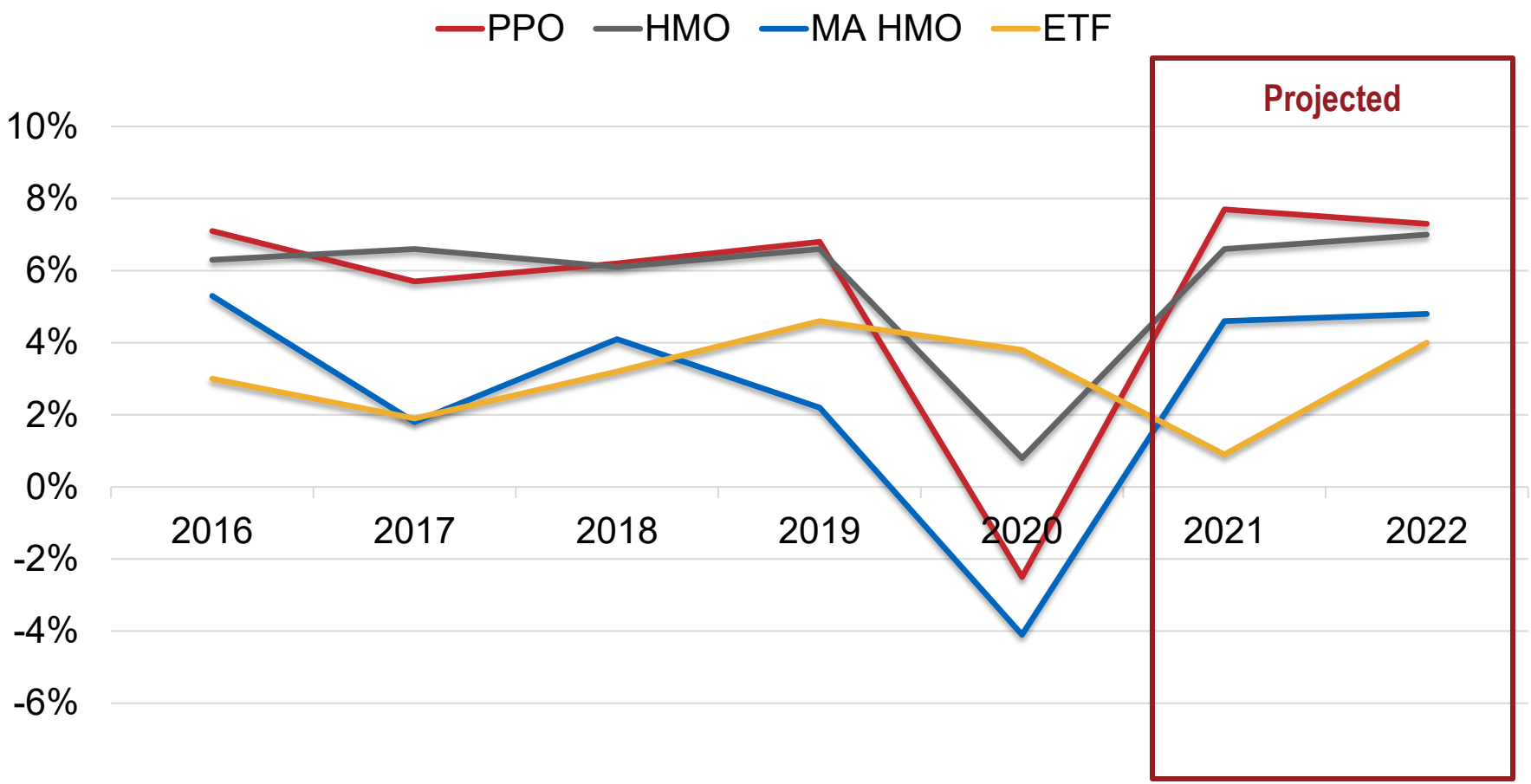
Historical Medical Trends – Comparison to ETF



The COVID-19 experience was realized by most programs in 2020, while ETF's was negotiated into the 2021 renewal.

Source: 2022 *Segal Health Plan Cost Trend Survey*
2016 ETF trend adjusted to reflect a 4% benefit change

Medical Plans – Fully Insured Renewals

- IYC Health Plans (HMOs)
  - Primarily designed for in-state members
  - Renewal consistent with process from last 7 years
  - Administered by: Aspirus, Dean, GHC—Eau Claire, GHC—SCW, HealthPartners, Medical Associates, MercyCare, Network, Quartz, WEA Trust
  - Tier model “managed competition” approach
- IYC Access Plan, Medicare Plus and State Maintenance Plan (SMP)
  - Mostly utilized for out of state members and in-state members in counties without qualified, Tier 1 plan option.
  - Moved to fully-insured in 2018
  - Administered by: WEA Trust
  - Traditional underwriting approach
- Medicare Advantage (MA)
  - Covers Medicare retirees only
  - Designed for in and out of state members
  - Administered by: UnitedHealthcare (UHC)
  - Traditional underwriting approach now that data is credible.

Alternate Plans (HMO's) Overall Renewal Process

- Renewal process was primarily unchanged for plan year 2022
- The negotiation process involved the following:
  - March: Segal prepared addendum collection requirements
  - April: ETF reviewed requirements and requested data from Plans
  - April 30: Addendum data submitted to Segal
  - May: Segal compiled data and calculated tier breakpoints
  - May 14: Preliminary Rate Quotes submitted to Segal
  - June: Segal compiled rates and placed Plans into premium tiers
  - June 25: Plans notified of their tier placement and offered renewal meeting to discuss
  - July 6 – 12: Renewal meetings held with Plans
  - July 15: Best and Final Offers received from Plans

Collect Addendum Reports & Data

- Plans are required to provide addendum reports for each group separately: State (Non-Medicare, Medicare, Grads), Local (Non-Medicare, Medicare), High Deductible Health Plan (HDHP), Total Organization (Non-Medicare, Medicare)
- The reports include:
  - Enrollment and membership demographics
  - FFS claims and capitation encounter experience
  - Medical trend assumptions
  - Administrative expenses
  - Rate development
  - Medical loss ratio report
  - Large claimant information
  - Actuarial certification
- Similar to last year, addendum claims and capitation reports were validated using IBM-Watson data warehouse (DAISI)
- Network adequacy reports required to determine which plans are qualified in each county

Tier Breakpoint Development – Based on Addendum

- Incurred claims and capitation experience are compiled for each plan
- Health Plans required PMPMs were adjusted based on overstated/understated Cost Per Service from pre-pandemic numbers based on DAISI analysis.
- Adjusted base period claims per member per month (PMPM) are trended forward with projected “limited” trends
- Administrative costs are added up to a threshold— 3% increase from 2021 amount.
- Total PMPMs are then risk adjusted, combining three factors:
  1. Retrospective DAISI risk score (30%)
  2. Age/sex score (20%)
  3. Region factor (50%)
     - Region factors were updated using the latest marketplace premium variances
- This results in risk-adjusted normalized PMPMs from which to reasonably compare performance between plans
- Breakpoints are then set for Tiers 1, 2 and 3 taking into account normalized costs by plan and program budget
- The Breakpoints were increased 3.2%— based on decrease in 2020 for anticipated savings due to COVID-19.

Plan Tier Distribution – Based on Experience

- From experience alone, plan results are reasonably spread across Tiers.

	Number of Plans			Non-Medicare Members		
	State		Local	State		Local
Tier	Dane	Non-Dane	All	Dane	Non-Dane	All
1	0	5	3	0	19,477	11,788
2	2	2	3	66,491	1,959	7,361
3	1	5	9	7,648	43,082	10,546
Total	**3**	**12**	**15**	**74,139**	**64,518**	**29,695**

- Experience can vary between plans for numerous reasons, including:
  - Size of the plan
  - Contracting and competitive arrangements
  - Medical management practices
  - Pooling arrangements
  - Risk components accuracy
- The overall Tier 1 breakpoint increase was estimated to be 4.0% for State and 0.4% for Locals.

Compile Tier Placement From Preliminary Bid

- Plans submit their Preliminary Bids knowing there is an opportunity for negotiations and movement to Tier 1.
- Tier placement is performed using the State Non-Medicare group only. Negotiations of other groups follow by design.
- Bids are converted to a PMPM and risk adjusted using an overall risk score comprised of prospective DAISI risk score (30%), age/sex (20%) and region (50%)—similar to experience adjustment except risk is prospective vs. retrospective.
- Credits are then applied to reflect quality and catastrophic claims experience.
- The final adjusted rates are compared to the tier breakpoints developed from the Addendum experience rate projections.
- Plans are notified of their tier placement and given the opportunity to meet and discuss results.

There is no direct link from the Addendum projected rates to the Preliminary Bid.

WPE (Locals) Tier Placement From Preliminary Bids

- Two years ago, a tier process, similar to that utilized by the State, was implemented for the Locals. The primary difference is that Locals, due to their size, combine Dane and Non-Dane to produce one overall statewide model.
- The variability in size necessitates additional smoothing techniques and limitations.
- Catastrophic claims were given additional weight in the development.
- Consistent with last year, limitations (adjusted for quality credits) were placed on rate increases and % of State Rate for plans to be in Tier 1/2/3.

State HMO Renewal

- Below is a summary of the preliminary bids by assigned Tier:

	Number of Plans		Non-Medicare Members	
Tier	**Dane**	**Non-Dane**	**Dane**	**Non-Dane**
1	0	5	0	6,964
2	1	4	25,522	47,194
3	2	4	48,617	10,360
Total	**3**	**13**	**74,139**	**64,518**

- Similar initial Tier distribution as last year
- All plans moved into Tier 1

	2021 Rates	BAFO 2022 Rates	Change From Current	%
Medical Costs (in Millions)				
Dane	$530.7	$557.7	$27.0	5.1%
Non-Dane	$520.5	$536.2	$15.6	3.0%
Total State	**$1,051.3**	**$1,073.5**	**$22.2**	**4.1%**

Local HMO Renewal

- Below is a summary of the preliminary bids by assigned Tier:

	Number of Plans	Non-Medicare Members
Tier	**All**	**All**
1	6	20,712
2	3	5,877
3	7	3,106
Total	**16**	**29,695**

- The 8.9% total increase for 2022 is due to the 5.7% renewal with a 3.2% increase in Local Enrollment because of Quartz West picking up SMP membership in several counties.
- A number of plans did not move to Tier 1 during negotiations:
  - Aspirus
  - HealthPartners Perform & Robin
  - Medical Associates
  - Quartz – Central
  - WEA Trust East
  - WEA Trust West – Chippewa Valley & Mayo Clinic

	2021 Rates	BAFO 2022 Rates	Change From Current	%
Medical Costs (in Millions)				
Locals	**$175.4**	**$191.0**	**$15.6**	**8.9%**

IYC Access Plan, Medicare Plus and SMP Renewals

- WEA Trust manages the fully-insured IYC Access Plan, Medicare Plus and SMP plans.
- Risk pool was divided into three groups this year:
  - Non-Medicare IYC Access
  - SMP
  - Medicare Plus
- The Non-Medicare pool rates increased 2.5%
- SMP increased 22.5%
  - Decoupling Access & SMP pools aligns rates closer to actual risk and helped save $4M from initial blended rate action.
- Medicare Plus increased 3.0%
- The significant decrease in local costs is due to major decline in membership attributed to those enrolled no longer being offered the SMP. ***Quartz West is expected to pick up these members in 2022.***

	2021 Rates	BAFO 2022 Rates	Change from Current	%
Medical Costs (in Millions)				
State	$51.2	$52.6	$1.4	2.6%
Local	$7.4	$1.2	($6.2)	-83.3%
Total	**$58.6**	**$53.8**	**($4.8)**	**-8.3%**

LAHP Rate Increase

- For 2021, the Board approved a 30% non-Medicare premium increase above plan renewals to address the demographic risk in LAHP.
  - LAHP is completely made up of retirees, thus much more costly than the active dominated Non-Medicare risk pool.
- The Board agreed to review LAHP's claims experience again for 2022, to determine if another such increase was merited.
- DAISI found that the medical loss ratio for year ending November 2020 was 159.2%, helping support increase.
  - Large claim activity with this group consistent compared to entire population.
- Recommend a non-Medicare premium increase by a factor of 1.3 (above calculated 2022 increases from the health plans), to meet targeted spread.
- LAHP insured 372 non-Medicare subscribers in the base period.
- Compared to the Marketplace, LAHP continues to offer rich benefits at a relatively low cost.

Medicare Advantage Renewal

- ETF contracted with UnitedHealthcare (UHC) for a Medicare Advantage plan starting in 2019.
- This year we had sufficient data to conduct a traditional renewal, however there were challenges to due to COVID-19.
- UHC negotiated in good faith this year and reduced the final rate by an additional $25 PMPM from their preliminary rate proposal for a total decrease of $43.64 PMPM from current rates.
- In addition, they offered a new Gain Share Arrangement, which will allow ETF a settlement if the plans MLR is under 90%.

	2021 Rates	BAFO 2022 Rates	Change from Current	%
Medical Costs (in Millions)				
State	$12.7	$7.1	($5.6)	-44.0%
Local	$0.5	$0.3	($0.2)	-44.0%
Total	**$13.2**	**$7.4**	**($5.8)**	**-44.0%**

2022 Overall Medical Increase by Product

- Overall, State increased 3.4% and Local increased 5.0%, a total of 3.7%.

	2021 Inforce Rates *	2022 Prelim Bids	Negotiation Savings	%	2022 BAFO Rates**	Change From Inforce	%
State							
Medicare Advantage	$12.7	$10.3	($3.2)	-31.0%	$7.1	($5.6)	-44.0%
Statewide	$51.2	$56.7	($4.1)	-7.2%	$52.6	$1.4	2.6%
HMO	$1,051.3	$1,164.6	($70.7)	-6.1%	$1,093.9	$42.6	4.1%
Total State	**$1,115.1**	**$1,231.5**	**($78.0)**	**-6.3%**	**$1,153.5**	**$38.4**	**3.4%**
	2021 Inforce Rates *	**2022 Prelim Bids**	**Negotiation Savings**	**%**	**2022 BAFO Rates****	**Change From Inforce**	**%**
Local							
Medicare Advantage	$0.5	$0.4	($0.1)	-31.0%	$0.3	($0.2)	-44.0%
Statewide	$7.4	$1.2	$0.0	0.7%	$1.2	($6.2)	-83.3%
HMO	$175.4	$199.7	($8.7)	-4.4%	$191.0	$15.6	8.9%
Total Local	**$183.4**	**$201.4**	**($8.9)**	**-4.4%**	**$192.5**	**$9.1**	**5.0%**
	2021 Inforce Rates *	**2022 Prelim Bids**	**Negotiation Savings**	**%**	**2022 BAFO Rates****	**Change From Inforce**	**%**
Total							
Medicare Advantage	$13.2	$10.7	($3.3)	-31.0%	$7.4	($5.8)	-44.0%
Statewide	$58.6	$57.9	($4.1)	-7.1%	$53.8	($4.8)	-8.3%
HMO	$1,226.7	$1,364.3	($79.4)	-5.8%	$1,284.9	$58.2	4.7%
Grand Total	**$1,298.6**	**$1,432.9**	**($86.9)**	**-6.1%**	**$1,346.1**	**$47.5**	**3.7%**

* Medicare includes HDHP Medicare and Family 1 contracts

** 2021 Inforce Rates are pre-buydown

*** 2022 BAFO rates are pre-buydown

2022 Overall Medical Increase by Group

- Renewal process resulted in a $86.9 million savings, a 6.1% reduction from 2022 Preliminary Bids (6.3% for State and 4.4% for Locals).

	2021 Inforce Rates **	2022 Prelim Bids	Negotiation Savings	%	2022 BAFO Rates***	Change From Inforce	%
State							
Non-Medicare	$847.0	$938.0	($57.3)	-6.1%	$880.6	$33.6	4.0%
Medicare*	$86.8	$91.3	($7.1)	-7.7%	$84.3	($2.5)	-2.9%
Grads	$46.0	$52.2	($4.3)	-8.2%	$47.9	$2.0	4.3%
HDHP	$135.4	$150.0	($9.3)	-6.2%	$140.7	$5.3	3.9%
Total State	**$1,115.1**	**$1,231.5**	**($78.0)**	**-6.3%**	**$1,153.5**	**$38.4**	**3.4%**
Local							
Non-Medicare	$171.6	$187.2	($6.9)	-3.7%	$180.3	$8.6	5.0%
Medicare*	$4.9	$6.3	($1.3)	-21.1%	$5.0	$0.1	1.9%
HDHP	$6.9	$7.9	($0.6)	-7.7%	$7.3	$0.4	5.6%
Total Local	**$183.4**	**$201.4**	**($8.9)**	**-4.4%**	**$192.5**	**$9.1**	**5.0%**
Grand Total	**$1,298.6**	**$1,432.9**	**($86.9)**	**-6.1%**	**$1,346.1**	**$47.5**	**3.7%**

* Medicare includes HDHP Medicare and Family 1 contracts

** 2021 Inforce Rates are pre-buydown

*** 2022 BAFO rates are pre-buydown

Network Access Qualification

- A plan must meet at least 90% geo-access in the county for the inpatient hospitals, primary care physicians (includes Internal Medicine, Family Medicine and General Medicine) and chiropractors.
- If a geo-access requirement above is not met, the plan can alternatively meet the qualification requirement for any county by:
  - Inpatient Hospitals: the plan must have at least one (1) general hospital under contract and/or routinely utilized by in-network providers available per county
  - Primary Care Physicians: the ratio of full-time equivalent primary physicians accepting new patients to total participants in a county or major city is at least one per two thousand (1.0/2,000) with a minimum of five (5) primary care physicians per county
  - Chiropractors: one (1) chiropractor must be available in each county
- For a plan to be fully qualified, the plan must also be Tier 1.
- If no plans meet the requirements above for a given country, the SMP will be available.

State Maintenance Plan (SMP)

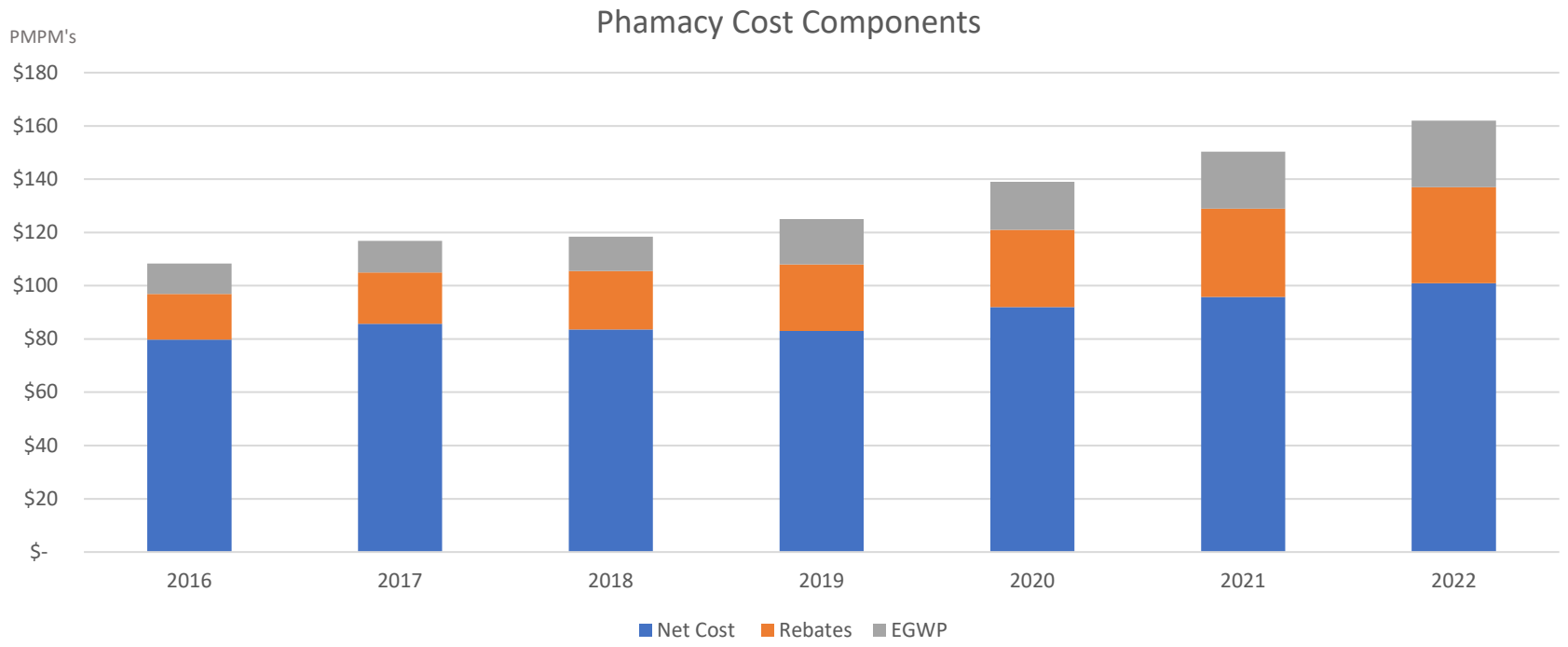
- SMP is the designated Tier 1 plan in every county where there is no other qualified Tier 1 plan.
- SMP will be offered in 1 county in 2022 for State (0 counties in 2021)
  - Florence County
- SMP will be offered in 7 counties in 2022 for Local (down from 12 counties in 2021):
  - Florence County
  - Forest County
  - Pierce County
  - Polk County
  - Rusk County
  - St. Croix County
  - Wood County

The vast majority of 2021 Local SMP membership will no longer be SMP in 2022.

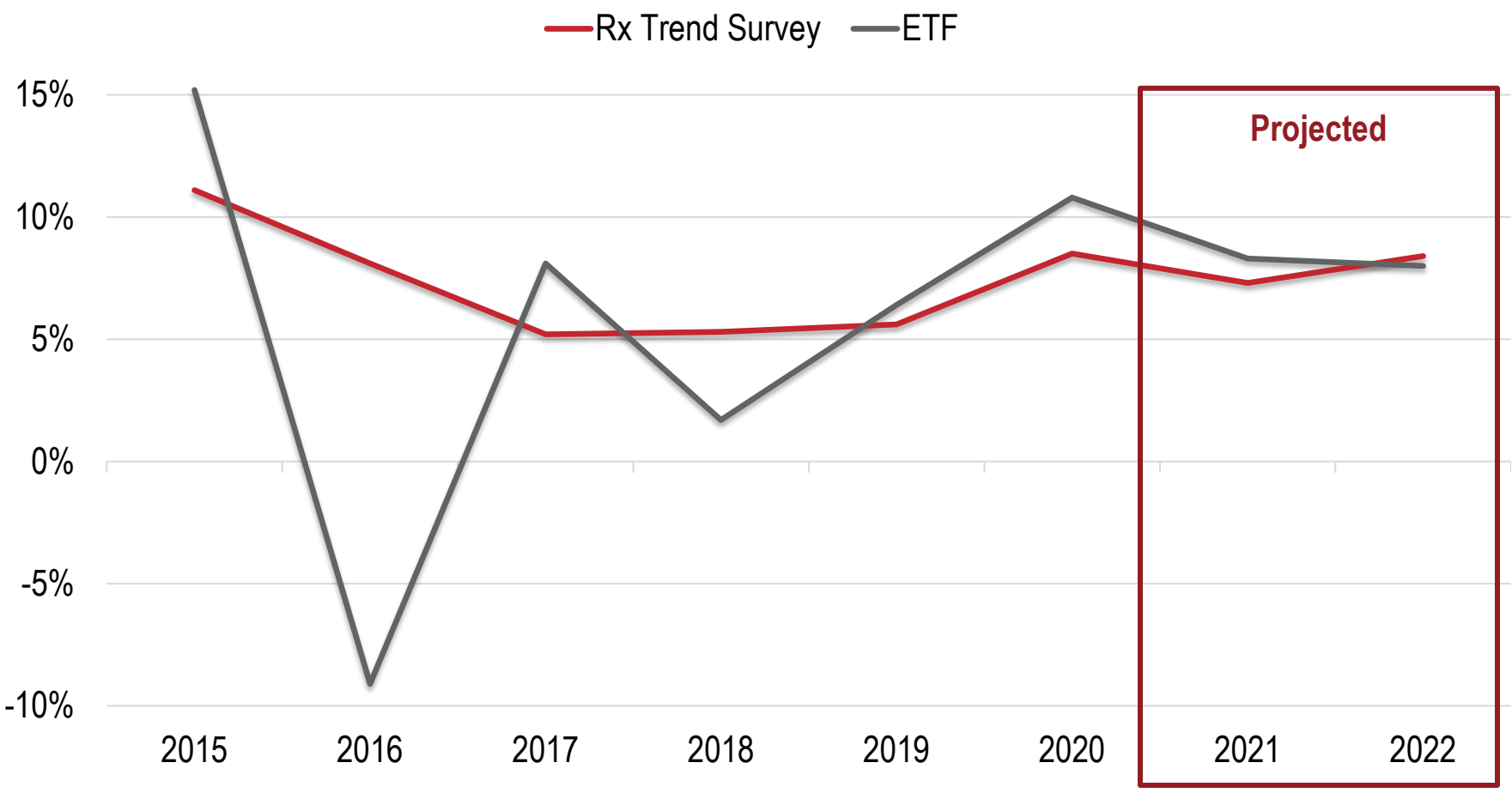
1. Overview
2. Medical Plans
3. **Prescription Drug Plan**
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2022 Premium Alternatives

Historical Pharmacy Spend – PMPM

- "Top Line" claims (before credits) have trended at a 4-year average of 8.4%, while Rebates and EGWP subsides have increased at 15.2%.
- The net impact is a 4-year total average increase of 4.9% annually.



Historical Pharmacy "Top Line" Trends – Comparison to ETF



ETF Increases have generally been similar to norms over past 4 years.

Source: 2022 *Segal Health Plan Cost Trend Survey*

Prescription Drug Plan

- Rating groups below are necessary to minimize volatility:
  - **State:** Regular, Grads, and Medicare
  - **Local:** Regular and Medicare
- Claims data was received from Navitus and used in our analysis. Baseline data utilized the most recent 12 months of claims, June 2020 through May 2021.
- Annual trend of 8.0% was derived from the weighted average of the Navitus projected claims trends for 2020 and 2021 and the Segal trend survey.
- We received and utilized administrative expenses, expected rebates and Medicare Part D subsidies provided by Navitus for the rate development.
- As opposed to prior years, the actual net prescription costs were higher than Navitus assumptions, yielding a loss.
- The Navitus recast of 2021 and 2022 cost assumptions further drove the composite rate increase of 9.6%.

Prescription Drug Plans Rates

- Aggregate rate increase of 9.1% for State.

	2021 Single Rate	2022 Single Rate	% Change
State			
HMO Regular	$108.54	$119.94	10.5%
HMO Grads	$48.60	$56.20	15.6%
HMO Medicare	$130.24	$140.40	7.8%
HDHP Regular	$93.34	$103.14	10.5%
IYC Access	$108.54	$119.94	10.5%
IYC Access Grads	$48.60	$56.20	15.6%
IYC Access HDHP	$93.34	$103.14	10.5%
State Maintenance Plan (SMP)	$108.54	$119.94	10.5%
State Maintenance Plan (SMP) Grads	$48.60	$56.20	15.6%
State Maintenance Plan (SMP) HDHP	$93.34	$103.14	10.5%
Medicare Plus (IYC Access & SMP)	$130.24	$140.40	7.8%
Overall			**9.1%**

- Grey categories now blended with creditable major groups

Prescription Drug Plans Rates *continued*

- Aggregate rate increase of 12.7% for Local.

	2021 Single Rate	2022 Single Rate	% Change
Local			
HMO Regular	$118.06	$130.90	10.9%
HMO / HDHP Medicare	$133.16	$186.38	40.0%
HDHP Regular	$95.62	$106.02	10.9%
IYC Access	$118.06	$130.90	10.9%
IYC Access HDHP	$95.62	$106.02	10.9%
State Maintenance Plan	$118.06	$130.90	10.9%
State Maintenance Plan HDHP	$95.62	$106.02	10.9%
Medicare Plus (IYC Access & SMP)	$133.16	$186.38	40.0%
Overall			**12.7%**

- Grey categories now blended with creditable major groups

Prescription Drug Plans Rates

- Overall, the recommended rate increase for the prescription drug plan is 9.6%.

	2021 Inforce (Pre BD)	2022 Premium (Pre BD)	$ Change	% Change
State				
Non-Medicare, Non-Grad	$141.2	$155.0	$13.8	9.8%
Medicare*	$52.6	$56.4	$3.8	7.2%
Grad Assistants	$5.1	$5.5	$0.4	8.3%
HDHP	$22.2	$24.3	$2.0	9.1%
Total State	**$221.1**	**$241.2**	**$20.1**	**9.1%**
Local				
Non-Medicare, Non-Grad	$31.6	$35.0	$3.5	10.9%
Medicare*	$2.6	$3.6	$0.9	34.8%
HDHP	$1.2	$1.3	$0.1	9.7%
Total Local	**$35.4**	**$39.9**	**$4.5**	**12.7%**
Grand Total	**$256.5**	**$281.0**	**$24.5**	**9.6%**

* Medicare includes Family 1 contracts

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. **Dental Plan**
5. Aggregate Renewal
6. Fund Balance/Reserve
7. 2022 Premium Alternatives

Dental Plan Rates (State and Local)

- The self-insured dental plan was procured in 2015 and Delta Dental was awarded the contract for a 2016 start date. Delta won a recent RFP to continue services starting 1/1/2022.
- Claims data (January 2017 – April 2021) was received from Delta Dental and used in our analysis.
  - Experience period used was 2020 incurred claims (runout thru April 2021).
  - Claims experience was adjusted to take into account the lower experience due to COVID-19.
- Assumptions
  - Annual Trend 3.8% (Segal Trend Survey)
  - Delta Dental's Projected 2022 Plan Design Change Impact 4.1% (Add coverage for composite fillings on posterior teeth)
- Continued favorable experience offsets the trend and plan design change impact.

	2021 Rates	2022 Rates	% Change
Self-Insured Rates			
Single	$30.20	$30.20	0.0%
Family	$75.50	$75.50	0.0%

Dental Total Cost

- Overall, the recommended rate action for the dental plan is 0.0%.

	2021 Inforce (Pre BD)	2022 Premium (Pre BD)	$ Change	% Change
State				
Non-Medicare, Non-Grad	$38.1	$38.1	$0.0	0.0%
Medicare*	$10.5	$10.5	$0.0	0.0%
Grad Assistants	$2.8	$2.8	$0.0	0.0%
HDHP	$6.9	$6.9	$0.0	0.0%
Total State	**$58.3**	**$58.3**	**$0.0**	**0.0%**
Local				
Non-Medicare, Non-Grad	$1.7	$1.7	$0.0	0.0%
Medicare*	$0.1	$0.1	$0.0	0.0%
HDHP	$0.1	$0.1	$0.0	0.0%
Total Local	**$1.9**	**$1.9**	**$0.0**	**0.0%**
Grand Total	**$60.1**	**$60.1**	**$0.0**	**0.0%**

* Medicare includes Family 1 contracts

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. Dental
5. **Aggregate Renewal**
6. Fund Balance/Reserve
7. 2022 Premium Alternatives

2022 Aggregate Renewal - Medical, Rx, and Dental

- Renewal process resulted in a $70.6 million Total Premium increase, a 4.3% increase from 2021 Inforce Rates (4.0% for State and 6.0% for Locals).

	2021 Inforce (Pre BD)	2022 Premium (Pre BD)	$ Change	% Change
State				
Medical	$1,115.1	$1,153.5	$38.4	3.4%
Pharmacy	$221.1	$241.2	$20.1	9.1%
Dental	$58.3	$58.3	$0.0	0.0%
Admin	$28.2	$27.0	($1.3)	-4.5%
Total	**$1,422.8**	**$1,480.0**	**$57.2**	**4.0%**
Local				
Medical	$183.4	$192.5	$9.1	5.0%
Pharmacy	$35.4	$39.9	$4.5	12.7%
Dental	$1.9	$1.9	$0.0	N/A
Admin	$3.7	$3.5	($0.2)	-4.5%
Total	**$224.4**	**$237.8**	**$13.4**	**6.0%**
Grand Total	**$1,647.2**	**$1,717.8**	**$70.6**	**4.3%**

* Medicare includes HDHP Medicare and Family 1 contracts

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. **Fund Balance/Reserve**
7. 2022 Premium Alternatives

Fund Balance
State

- The fund balance decreased $5.3M in 2020 and is projected to decrease by $4.2M in 2021.

State Health Reserve (in millions)										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beg of Year										
Medical	56.8	61.4	66.7	69.4	74.8	76.9	84.7	62.0	73.5	86.3
Pharmacy	103.7	77.9	63.1	30.8	6.7	60.1	121.8	134.7	132.4	100.1
Dental	0.0	0.0	0.0	0.0	0.0	(1.2)	0.2	3.5	5.5	19.6
Total	**160.5**	**139.3**	**129.8**	**100.1**	**81.5**	**135.8**	**206.6**	**200.2**	**211.4**	**206.1**
Gain/(Loss)										
Medical	4.6	5.3	2.7	5.4	2.1	7.8	(22.7)	11.5	12.9	9.6
Pharmacy	(25.7)	(14.9)	(32.3)	(24.1)	53.4	61.6	13.0	(2.4)	(32.2)	(17.9)
Dental	0.0	0.0	0.0	0.0	(1.2)	1.4	3.3	2.0	14.1	4.1
Total	**(21.2)**	**(9.6)**	**(29.6)**	**(18.7)**	**54.3**	**70.8**	**(6.4)**	**11.1**	**(5.3)**	**(4.2)**
End of Year										
Medical	61.4	66.7	69.4	74.8	76.9	84.7	62.0	73.5	86.3	95.9
Pharmacy	77.9	63.1	30.8	6.7	60.1	121.8	134.7	132.4	100.1	82.3
Dental	0.0	0.0	0.0	0.0	(1.2)	0.2	3.5	5.5	19.6	23.6
Total	**139.3**	**129.8**	**100.1**	**81.5**	**135.8**	**206.6**	**200.2**	**211.4**	**206.1**	**201.8**

* Reserves inclusive of investment income

Fund Balance
Local

- The fund balance decreased $4.3 M in 2020 and is projected to decrease $0.1M in 2021.

Local Health Reserve (in millions)										
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Beg of Year										
Medical	1.8	1.7	0.6	0.7	0.6	(0.1)	(0.8)	(1.5)	(2.0)	(2.3)
Pharmacy	18.4	17.0	20.5	15.6	8.4	14.3	19.9	23.7	21.0	16.8
Dental	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.2)	(0.2)	0.1
Total	**20.1**	**18.7**	**21.1**	**16.3**	**9.0**	**14.2**	**18.9**	**22.1**	**18.9**	**14.6**
Gain/(Loss)										
Medical	(0.0)	(1.1)	0.0	(0.0)	(0.7)	(0.8)	(0.7)	(0.5)	(0.3)	0.5
Pharmacy	(1.4)	3.5	(4.9)	(7.2)	5.9	5.6	3.8	(2.7)	(4.2)	(0.6)
Dental	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.0	0.0	0.3	(0.0)
Total	**(1.4)**	**2.4**	**(4.9)**	**(7.2)**	**5.1**	**4.7**	**3.1**	**(3.2)**	**(4.2)**	**(0.1)**
End of Year										
Medical	1.7	0.6	0.7	0.6	(0.1)	(0.8)	(1.5)	(2.0)	(2.3)	(1.7)
Pharmacy	17.0	20.5	15.6	8.4	14.3	19.9	23.7	21.0	16.8	16.2
Dental	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.2)	(0.2)	0.1	0.1
Total	**18.7**	**21.1**	**16.3**	**9.0**	**14.2**	**18.9**	**22.1**	**18.9**	**14.6**	**14.6**

* Reserves inclusive of investment income

Fund Balance
State (Projected 12/31/2021)

- Using ETF transactional data through 6/30/2021, Segal projected the ending fund balance.

State Health Reserve (in milions)				
	Medical	**Pharmacy**	**Dental**	**Total**
Balance 1/1/2021	86.3	100.1	19.6	206.1
Revenue				
Premiums	1,171.4	213.2	61.3	1,445.9
EGWP Subsidy		57.4		57.4
Investment Income	6.2	6.2	1.5	13.8
Total Revenue	**1,177.6**	**276.7**	**62.7**	**1,517.0**
Expenses				
Paid Claims	1,150.1	368.5	57.4	1,576.0
Admin Costs	17.9	9.0	1.2	28.2
Rebates		(82.9)		(82.9)
Total Expenses	**1168.0**	**294.6**	**58.6**	**1,521.3**
2021 Change in Budget	9.6	(17.9)	4.1	(4.2)
Balance 12/31/2021	**95.9**	**82.3**	**23.6**	**201.8**
2020 Projection				**198.0**

A net gain of $3.8M

Fund Balance
Local (Projected 12/31/2021)

- Using ETF transactional data through 6/30/2021, Segal projected the ending fund balance.

Local Health Reserve (in millions)				
	Medical	**Pharmacy**	**Dental**	**Total**
Balance 1/1/2021	(2.3)	16.8	0.1	14.6
Revenue				
Premiums	183.2	34.4	1.9	219.5
EGWP Subsidy		3.1		3.1
Investment Income	(0.1)	1.1	0.0	1.0
Total Revenue	**183.1**	**38.6**	**2.0**	**223.7**
Expenses				
Paid Claims	180.4	49.8	2.0	232.2
Admin Costs	2.1	0.9	0.0	3.0
Rebates		(11.4)		(11.4)
Total Expenses	**182.6**	**39.2**	**2.0**	**223.7**
2021 Change in Budget	0.5	(0.6)	(0.0)	(0.1)
Balance 12/31/2021	**(1.7)**	**16.2**	**0.1**	**14.6**
2020 Projection				**15.3**

A net loss of $0.7M

Gain/(Loss) Summary

- Last's years projections remain on track. Poor pharmacy experience was offset by a gain in investment income and dental experience.

Projected 12/31/2021 Reserve Gain/(Loss) Analysis (in millions)		
	State	**Local**
2020 Projected	198.0	15.3
2021 Projected	201.8	14.6
Total Reserve Gain	**3.8**	**-0.7**
Gain from:		
Investment Income	17.0	1.5
Pharmacy Experience	(17.2)	(2.2)
2020 Dental Covid Exp	4.1	(0.0)

Reserve Policy

- In August 2017, Segal was asked to review the reserve policy in place and recommended some modifications at the August 30, 2018 Board meeting.
- The proposed policy looked at a number of factors and recommended reducing the reserve levels for the self-insured pharmacy and dental programs.
- The new policy, approved by the Board, sets reserves at:
  - Medical: 3% to 5% of premiums
  - Pharmacy: 8% to 10% of projected claims
  - Dental: 3% to 5% of projected claims
- It was proposed to move to the midpoint of the new policy over a 4-year period to minimize premium fluctuations—with 2021 being the last year of the phase-in.
- In December 2018, Lewis & Ellis completed an audit of the reserve methodology. They recommended increasing the dental reserve 2%, resulting in 5% to 7% of projected claims. It was also recommended to incorporate the State's internal rate of return in the projection.
- Last year the board, based on the reserve at that time, approved moving to the new policy over the three year period ending in 2023.

Reserve Surplus Calculation

- Based on the mid-point reserve target, the State has a surplus of $116.4M. Locals also have a surplus of $1.9M.

Projected Reserve (in millions)								
	State				Local			
	Medical	Rx	Dental	Total	Medical	Rx	Dental	Total
Projected Fund Balance 12/31/2021	95.9	82.3	23.6	201.8	(1.7)	16.2	0.1	14.6
Projected 2022 Claims (SI)		397.2	59.6	456.8		53.5	2.0	55.5
Projected 2022 Premiums (FI)	1,153.5			1,153.5	192.5			192.5
New Policy Reserve Target								
3% Medical, 8% Rx, 5% Dental	34.6	31.8	3.0	69.4	5.8	4.3	0.1	10.2
5% Medical, 10% Rx, 7% Dental	57.7	39.7	4.2	101.6	9.6	5.3	0.1	15.1
Mid-Point Reserve	46.1	35.8	3.6	85.5	7.7	4.8	0.1	12.6
Surplus New Policy	**49.8**	**46.5**	**20.1**	**116.4**	**(9.4)**	**11.4**	**(0.0)**	**1.9**

- Segal recommends the State and Local plans utilize a portion of the surplus to buy down premiums.

Historical Fund Balance Buy-Downs

- Since 2007 there have been frequent buy-downs to move toward the Board Reserve Policy.

Fund Buy-Down (in millions)

	State				Local			
Premium Year	Medical	Rx	Dental	Total	Medical	Rx	Dental	Total
2024(TBD)								
2023(TBD)								
2022(TBD)								
2021	0.0	10.5	0.0	10.5	0.0	1.7	0.0	1.7
2020	0.0	33.0	0.0	33.0	0.0	6.5	0.0	6.5
2019	0.0	49.1	0.0	49.1	0.0	7.8	0.0	7.8
2018	13.0	16.0	0.0	29.0	0.0	0.0	0.0	0.0
2017	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2016	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015	0.0	20.0	0.0	20.0	0.0	5.0	0.0	5.0
2014	0.0	20.5	0.0	20.5	0.0	3.1	0.0	3.1
2013	0.0	32.8	0.0	32.8	0.2	1.0	0.0	1.2
2012	0.0	30.0	0.0	30.0	0.0	1.0	0.0	1.0

- Buy-downs require additional premium in the future years to make up the amount

The buy-down is applied by taking a % of the Rx premium rates across all groups

Multi-Year Reserve Draw Strategy – State Option 1

- The table below illustrates targets no overall increase in 2022.
- In 2023, the remaining surplus is applied to get to the target (6.4%).
- No additional draw in 2024 (8.8%).

State Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw
2022	$201.8	$85.5	5.3%	$116.4	$69.4
2023	$141.7	$89.7	5.3%	$52.0	$53.6
2024	$94.3	$94.2	5.3%	$0.0	$0.0

[1] Assumes 7% investment return and no additional gains or losses that would impact the fund balance.
[2] Reserve Target assumed to increase at 5% per year.
[3] The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – State Option 2

- The table below targets a 1% increase in 2022.
- In 2023, an equivalent draw amount is used to reduce the rate increase (5.2%).
- In 2024, the remaining surplus is applied to get to the target (7.9%).

State Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw
2022	$201.8	$85.5	5.3%	$116.4	$55.3
2023	$156.8	$89.7	5.3%	$67.0	$55.3
2024	$108.6	$94.2	5.3%	$14.4	$14.4

1 Assumes 7% investment return and no additional gains or losses that would impact the fund balance.
2 Reserve Policy assumed to increase at 5% per year.
3 The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – State Option 3

- The table below targets a 2% increase in 2022.
- In 2023 and 2024, a draw was utilized to level the premiums over those years (5%).

State Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw
2022	$201.8	$85.5	5.3%	$116.4	$41.2
2023	$171.9	$89.7	5.3%	$82.1	$42.6
2024	$138.3	$94.2	5.3%	$44.1	$44.1

1 Assumes 7% investment return and no additional gains or losses that would impact the fund balance.
2 Reserve Policy assumed to increase at 5% per year.
3 The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – State Option 4

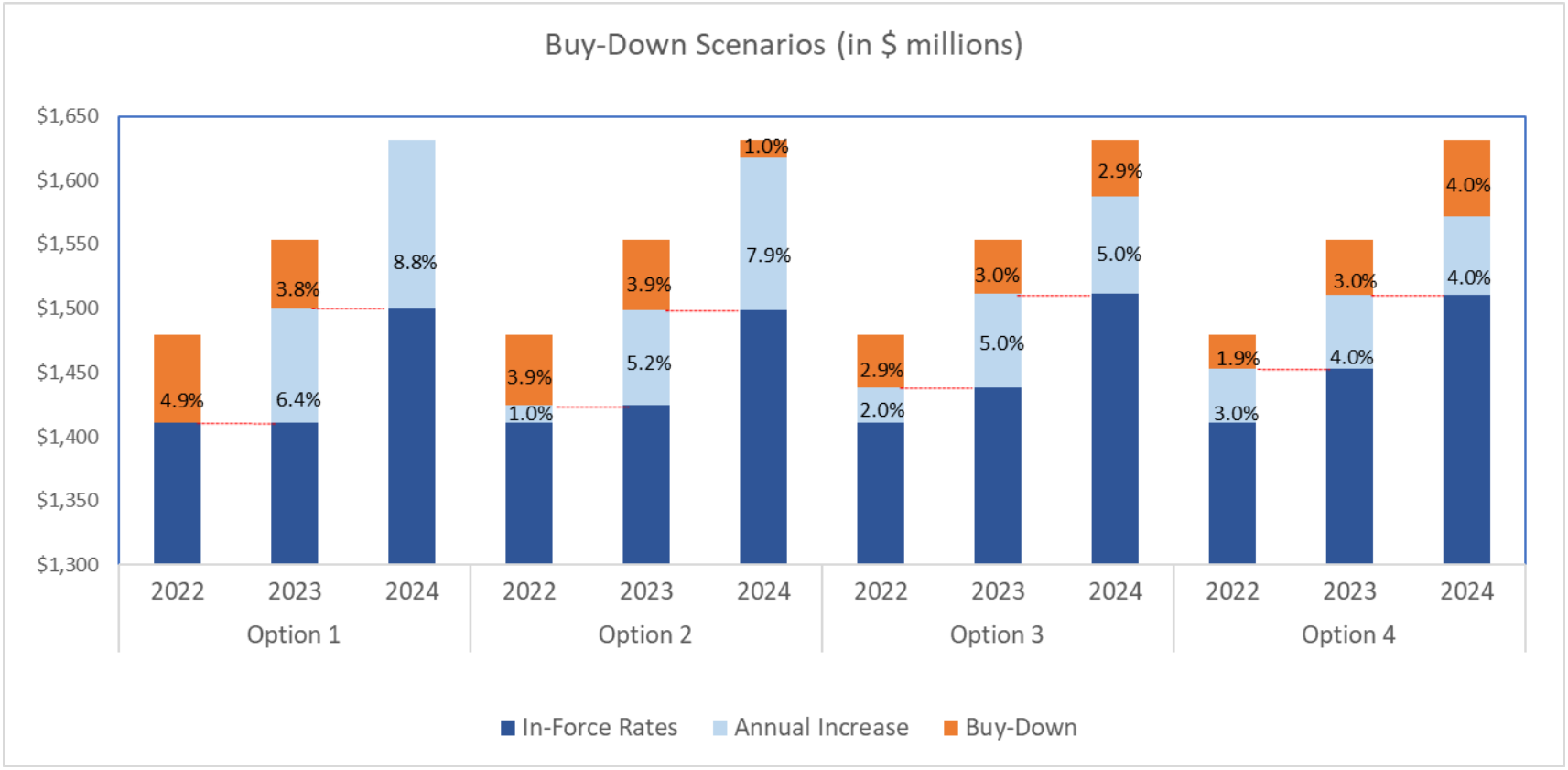
- The table below targets a 3% increase in 2022.
- In 2023 and 2024, a draw was utilized to level the premiums over those years (4%).

State Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw
2022	$201.8	$85.5	5.3%	$116.4	$27.0
2023	$187.1	$89.7	5.3%	$97.3	$43.0
2024	$154.1	$94.2	5.3%	$59.9	$59.9

1 Assumes 7% investment return and no additional gains or losses that would impact the fund balance.
2 Reserve Policy assumed to increase at 5% per year.
3 The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Projected State Premium Increases – Options 1 through 4

- Depending on the option, there will be an additional increases over trend in the future to compensate for the underfunding in prior years.



- As the Option “number” grows, the increase is greater upfront, with lower increases in subsequent years. For example, Option 4 is the smoothest.
- Each option produces the same 3-year overall increase of 5.0%

Multi-Year Reserve Draw Strategy – Local Option 1

- The table below illustrates targets a 5.8% increase in 2022.
- In 2023, the remaining surplus is applied to get to the target (6.1%).
- No additional draw in 2024 (5.0%).

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw
2022	$14.6	$12.6	5.1%	$1.9	$2.5
2023	$13.0	$13.3	5.1%	-$0.3	$0.0
2024	$13.9	$13.9	5.1%	$0.0	$0.0

[1] Assumes 7% investment return and no additional gains or losses that would impact the fund balance.
[2] Reserve Target assumed to increase at 5% per year.
[3] The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – Local Option 2

- The table below targets a 6.4% increase in 2022.
- In 2023 and 2024, a draw was utilized to level the premiums over those years (5.2%).

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw
2022	$14.6	$12.6	5.1%	$1.9	$1.3
2023	$14.2	$13.3	5.1%	$1.0	$0.8
2024	$14.4	$13.9	5.1%	$0.4	$0.4

1 Assumes 7% investment return and no additional gains or losses that would impact the fund balance.
2 Reserve Policy assumed to increase at 5% per year.
3 The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Multi-Year Reserve Draw Strategy – Local Option 3

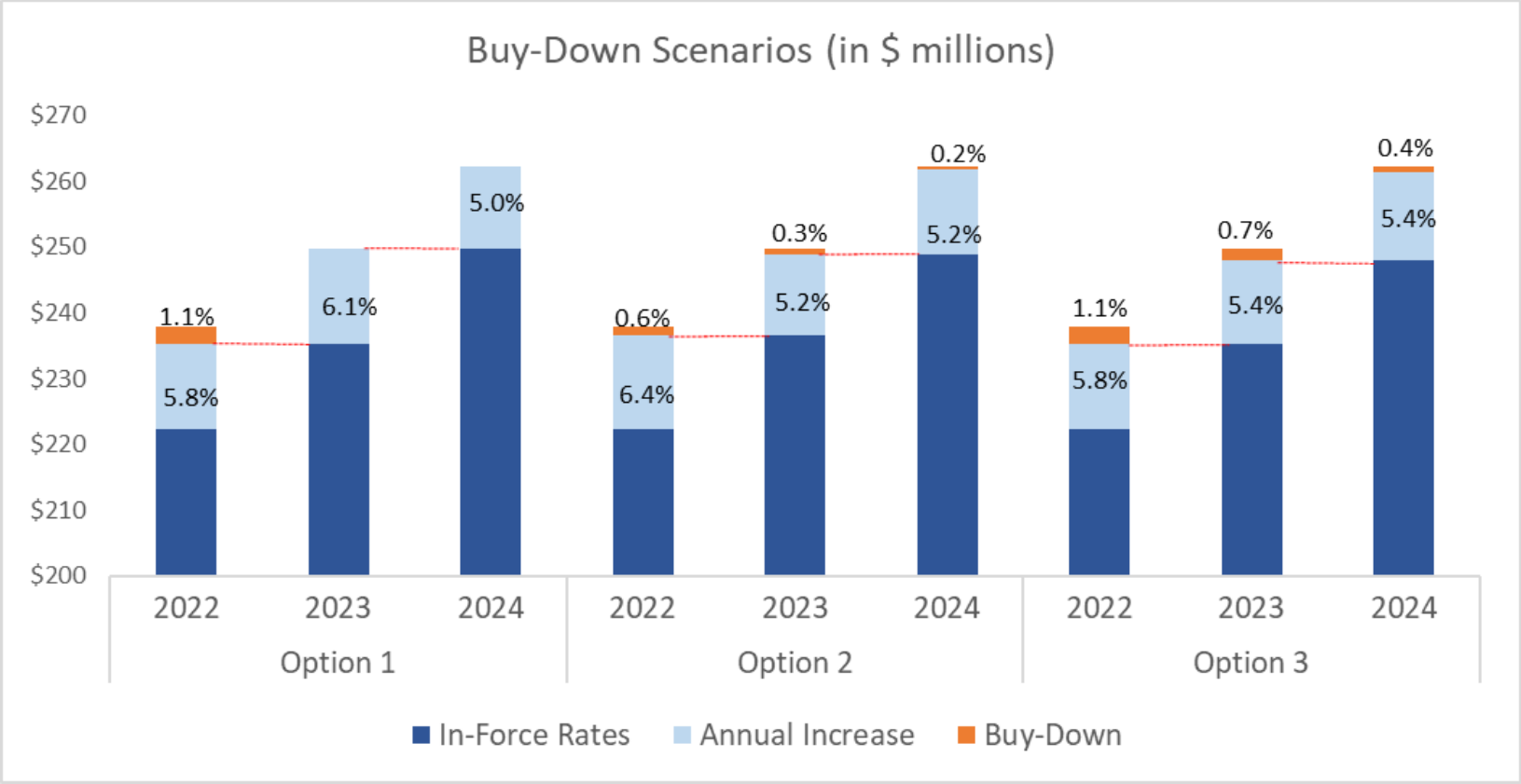
- Note the target is lower than previous options – now using the low end of the range rather than the midpoint. This increases the surplus $2.5M allowing for larger draw.
- The table below targets a 5.8% increase in 2022.
- In 2023 and 2024, a draw was utilized to level the premiums over those years (5.4%).

Local Reserve Multi-year Strategy					
	Balance[1]	Target[2]	% of Claims/ FI Premium	Surplus[3]	Draw
2022	$14.6	$10.2	5.1%	$4.4	$2.5
2023	$13.0	$10.7	5.1%	$2.3	$1.7
2024	$12.1	$11.2	5.1%	$0.9	$0.9

[1] Assumes 7% investment return and no additional gains or losses that would impact the fund balance.
[2] Reserve Policy assumed to increase at 5% per year.
[3] The Surplus refers to the money in the fund that exceeds the Low End of the Target Reserve at beginning of year.

Projected Local Premium Increases – Option 1 vs. 2 vs. 3

- Depending on the option, there will be an additional increases over trend in the future to compensate for the underfunding in prior years.



- Not as much variation in options due to limited reserve surplus
- Each option produces the same 3-year overall increase of 5.6%

1. Overview
2. Medical Plans
3. Prescription Drug Plan
4. Dental Plan
5. Aggregate Renewal
6. Fund Balance/Reserve
7. **2022 Premium Alternatives**

2022 Premium Rates – With No Reserve Draw
Total Premium by Group

- The 2021 premiums reflect a $12.2 million buy-down for State and $2.0 million for Locals.
- The 2021 inforce after buy-down premiums are expected to increase 4.9% in 2022 before further reserve draw down. Locals increase is 7.0%.
- Premiums include medical, pharmacy, dental, and admin.

	2021 Inforce (Pre BD)	2021 Inforce (Post BD)	2021 BD	2022 Premium (Pre BD)	2022 Need	%
State						
Non-Medicare, Non-Grad	$1,042.7	$1,035.1	$7.5	$1,089.4	$54.2	5.2%
Medicare*	$156.8	$154.0	$2.8	$157.7	$3.7	2.4%
Grad Assistants	$55.7	$55.1	$0.6	$58.0	$2.9	5.2%
HDHP	$167.6	$166.3	$1.3	$174.8	$8.5	5.1%
Total	**$1,422.8**	**$1,410.6**	**$12.2**	**$1,480.0**	**$69.4**	**4.9%**
Local						
Non-Medicare, Non-Grad	$208.1	$206.4	$1.8	$220.1	$13.7	6.6%
Medicare*	$7.9	$7.7	$0.2	$8.9	$1.2	15.4%
HDHP	$8.3	$8.3	$0.1	$8.8	$0.6	6.8%
Total	**$224.4**	**$222.4**	**$2.0**	**$237.8**	**$15.5**	**7.0%**
Grand Total	**$1,647.2**	**$1,633.0**	**$14.2**	**$1,717.8**	**$84.8**	**5.2%**

* Medicare includes Family 1 contracts

2022 Premium Rates – With Option 1 Reserve Draw

- Recommending that State draws down the reserve $69.4. million to reduce the overall increase to 0.0% from 4.9% increase.
- Recommending that Locals draws down the reserve $2.5 million to reduce the overall increase to 5.8% from 7.0% increase.
- Aggregate increase after buy-down is 0.8%.

	2021 Inforce (Post BD)	2022 Premium (Pre BD)	2022 Buydown	2022 Premium (Post BD)	$ Change	% Change
State						
Non-Medicare, Non-Grad	$1,035.1	$1,089.4	($44.6)	$1,044.8	$9.6	0.9%
Medicare*	$154.0	$157.7	($16.2)	$141.5	($12.5)	-8.1%
Grad Assistants	$55.1	$58.0	($1.6)	$56.4	$1.3	2.3%
HDHP	$166.3	$174.8	($7.0)	$167.8	$1.5	0.9%
Total	**$1,410.6**	**$1,480.0**	**($69.4)**	**$1,410.6**	**($0.0)**	**0.0%**
Local						
Non-Medicare, Non-Grad	$206.4	$220.1	($2.2)	$217.9	$11.5	5.6%
Medicare*	$7.7	$8.9	($0.2)	$8.7	$1.0	12.5%
HDHP	$8.3	$8.8	($0.1)	$8.8	$0.5	5.8%
Total	**$222.4**	**$237.8**	**($2.5)**	**$235.3**	**$13.0**	**5.8%**
Grand Total	**$1,633.0**	**$1,717.8**	**($71.9)**	**$1,645.9**	**$12.9**	**0.8%**

* Medicare includes Family 1 contracts

2022 Premium Rates – With Option 2 Reserve Draw

- Recommending that State draws down the reserve $55.3 million to reduce the overall increase to 1.0% from 4.9% increase.
- Recommending that Locals draws down the reserve $1.3 million to reduce the overall increase to 6.4% from 7.0% increase.
- Aggregate increase after buy-down is 1.7%.

	2021 Inforce (Post BD)	2022 Premium (Pre BD)	2022 Buydown	2022 Premium (Post BD)	$ Change	% Change
State						
Non-Medicare, Non-Grad	$1,035.1	$1,089.4	($35.5)	$1,053.9	$18.7	1.8%
Medicare*	$154.0	$157.7	($12.9)	$144.8	($9.2)	-6.0%
Grad Assistants	$55.1	$58.0	($1.3)	$56.8	$1.6	2.9%
HDHP	$166.3	$174.8	($5.6)	$169.3	$2.9	1.8%
Total	**$1,410.6**	**$1,480.0**	**($55.3)**	**$1,424.7**	**$14.1**	**1.0%**
Local						
Non-Medicare, Non-Grad	$206.4	$220.1	($1.1)	$218.9	$12.6	6.1%
Medicare*	$7.7	$8.9	($0.1)	$8.8	$1.1	13.9%
HDHP	$8.3	$8.8	($0.0)	$8.8	$0.5	6.3%
Total	**$222.4**	**$237.8**	**($1.3)**	**$236.5**	**$14.2**	**6.4%**
Grand Total	**$1,633.0**	**$1,717.8**	**($56.6)**	**$1,661.2**	**$28.3**	**1.7%**

* Medicare includes Family 1 contracts

2022 Premium Rates – With Option 3 Reserve Draw

- Recommending that State draws down the reserve $41.2 million to reduce the overall increase to 2.0% from 4.9% increase.
- Recommending that Locals draws down the reserve $2.5 million to reduce the overall increase to 5.8% from 7.0% increase.
- Aggregate increase after buy-down is 2.5%.

	2021 Inforce (Post BD)	2022 Premium (Pre BD)	2022 Buydown	2022 Premium (Post BD)	$ Change	% Change
State						
Non-Medicare, Non-Grad	$1,035.1	$1,089.4	($26.4)	$1,062.9	$27.8	2.7%
Medicare*	$154.0	$157.7	($9.6)	$148.1	($5.9)	-3.8%
Grad Assistants	$55.1	$58.0	($0.9)	$57.1	$1.9	3.5%
HDHP	$166.3	$174.8	($4.1)	$170.7	$4.4	2.6%
Total	**$1,410.6**	**$1,480.0**	**($41.2)**	**$1,438.8**	**$28.2**	**2.0%**
Local						
Non-Medicare, Non-Grad	$206.4	$220.1	($2.2)	$217.9	$11.5	5.6%
Medicare*	$7.7	$8.9	($0.2)	$8.7	$1.0	12.5%
HDHP	$8.3	$8.8	($0.1)	$8.8	$0.5	5.8%
Total	**$222.4**	**$237.8**	**($2.5)**	**$235.3**	**$13.0**	**5.8%**
Grand Total	**$1,633.0**	**$1,717.8**	**($43.7)**	**$1,674.1**	**$41.2**	**2.5%**

* Medicare includes Family 1 contracts

2022 Premium Rates – With Option 4 Reserve Draw

- Recommending that State draws down the reserve $27.0 million to reduce the overall increase to 3.0% from 4.9% increase.
- Recommending that Locals draws down the reserve $2.5 million to reduce the overall increase to 5.8% from 7.0% increase (same as Option 3).
- Aggregate increase after buy-down is 3.4%.

	2021 Inforce (Post BD)	2022 Premium (Pre BD)	2022 Buydown	2022 Premium (Post BD)	$ Change	% Change
State						
Non-Medicare, Non-Grad	$1,035.1	$1,089.4	($17.4)	$1,072.0	$36.9	3.6%
Medicare*	$154.0	$157.7	($6.3)	$151.4	($2.6)	-1.7%
Grad Assistants	$55.1	$58.0	($0.6)	$57.4	$2.3	4.1%
HDHP	$166.3	$174.8	($2.7)	$172.1	$5.8	3.5%
Total	**$1,410.6**	**$1,480.0**	**($27.0)**	**$1,452.9**	**$42.3**	**3.0%**
Local						
Non-Medicare, Non-Grad	$206.4	$220.1	($2.2)	$217.9	$11.5	5.6%
Medicare*	$7.7	$8.9	($0.2)	$8.7	$1.0	12.5%
HDHP	$8.3	$8.8	($0.1)	$8.8	$0.5	5.8%
Total	**$222.4**	**$237.8**	**($2.5)**	**$235.3**	**$13.0**	**5.8%**
Grand Total	**$1,633.0**	**$1,717.8**	**($29.5)**	**$1,688.2**	**$55.3**	**3.4%**

* Medicare includes Family 1 contracts

Questions & Discussion

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