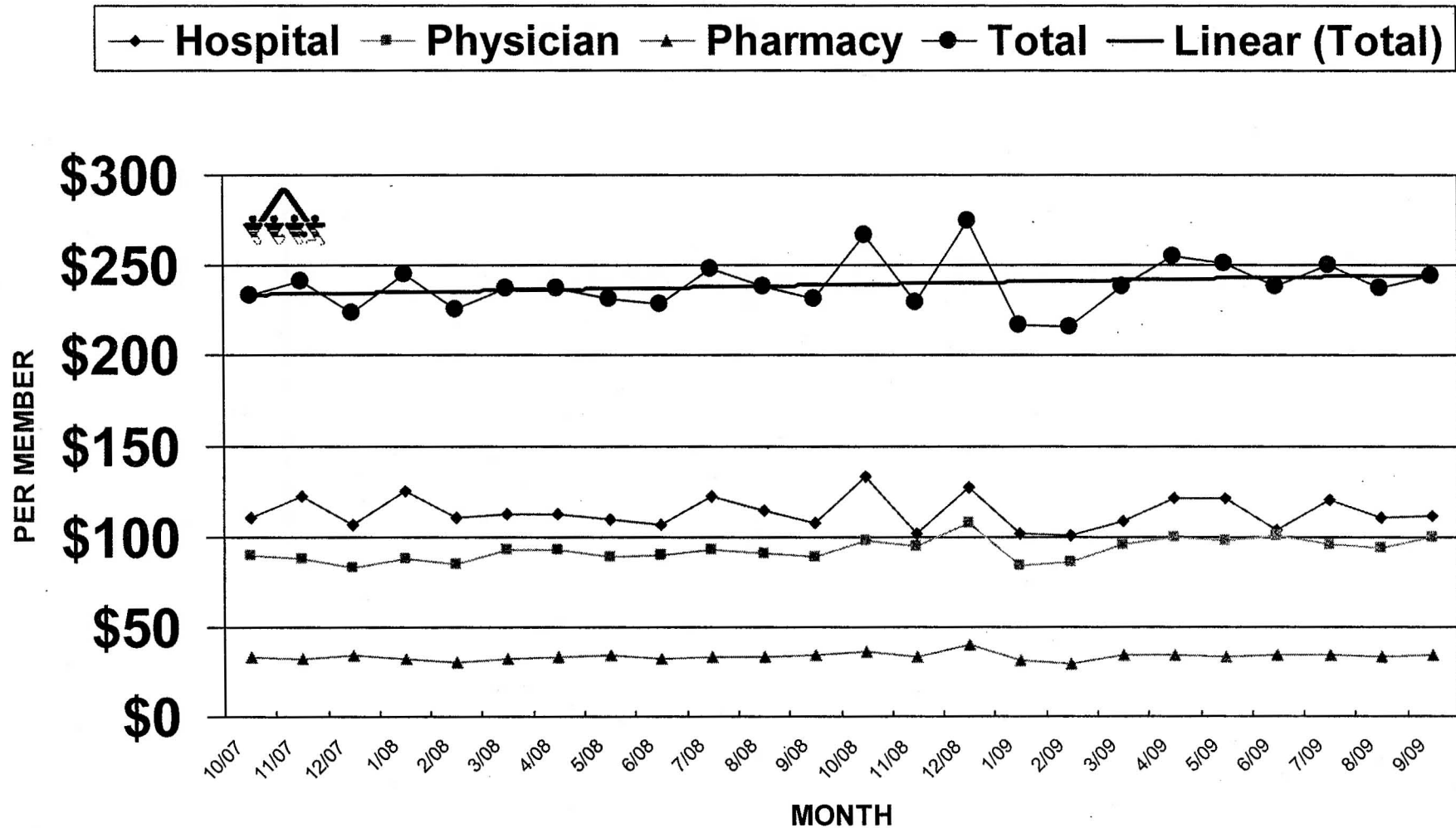


PERS Health Plan Update

Legislative Employee Benefits
Committee

NDPERS HEALTH INSURANCE PLAN

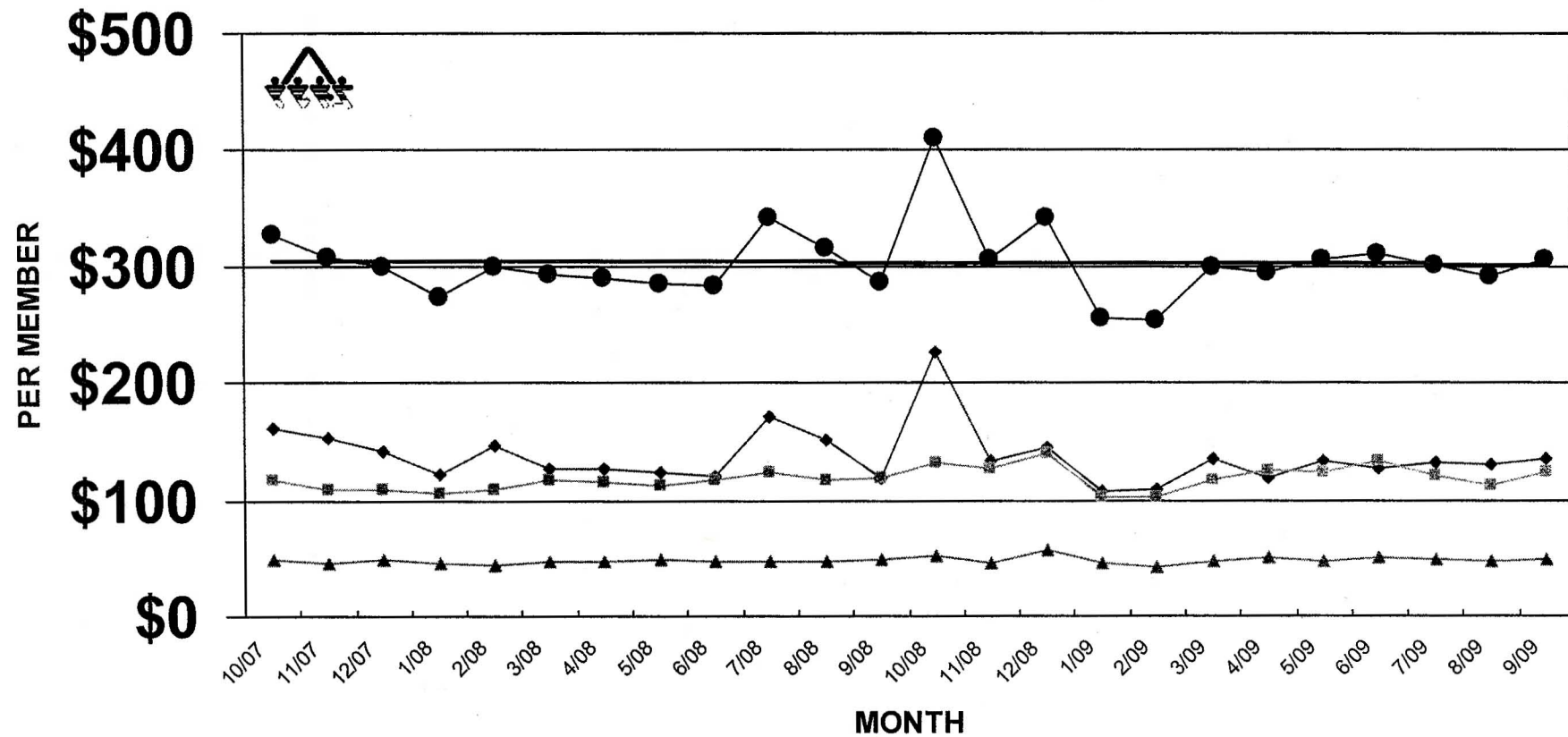
TOTAL MEMBERSHIP



NDPERS HEALTH INSURANCE PLAN

ACTIVE EMPLOYEES

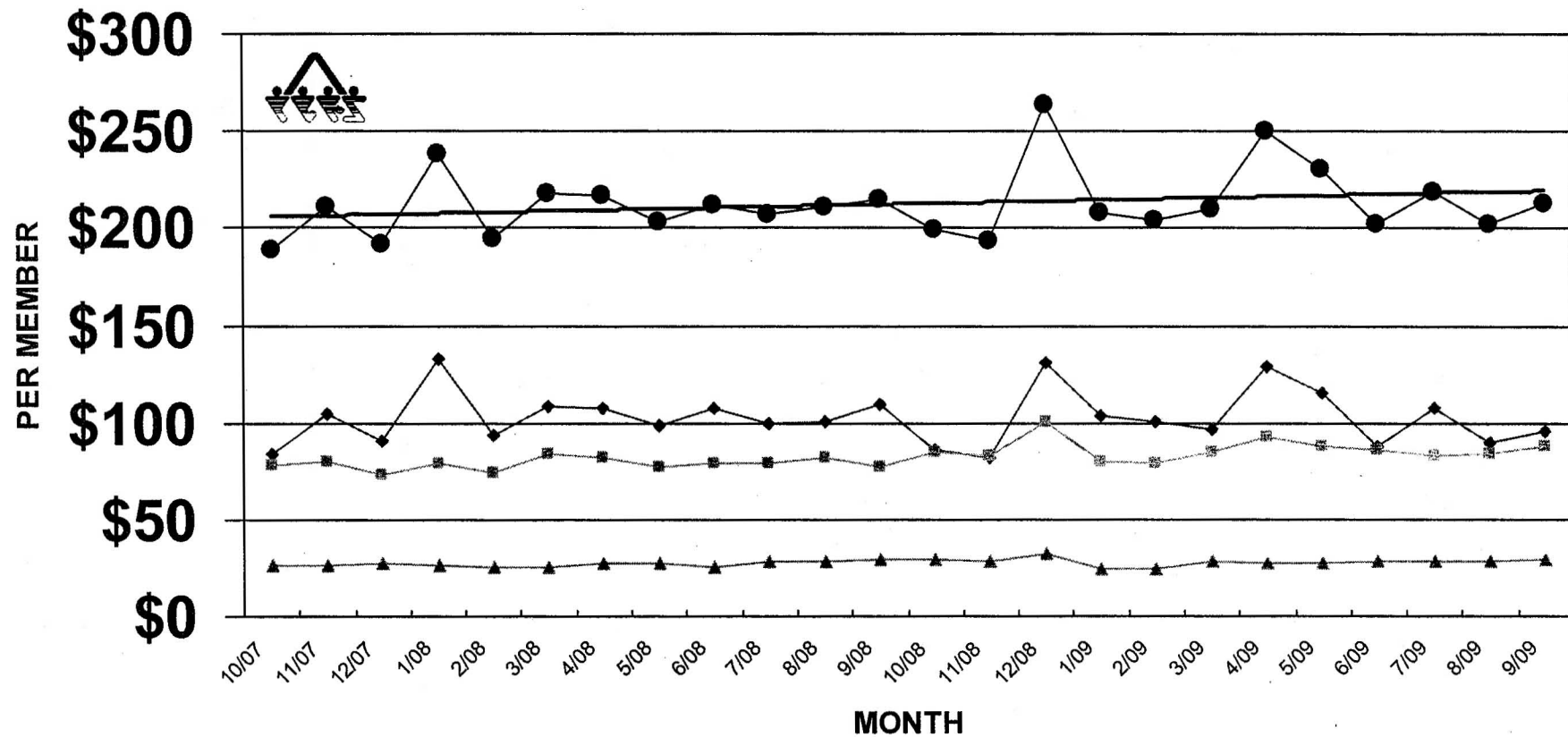
◆ Hospital ■ Physician ▲ Pharmacy ● Total — Linear (Total)



NDPERS HEALTH INSURANCE PLAN

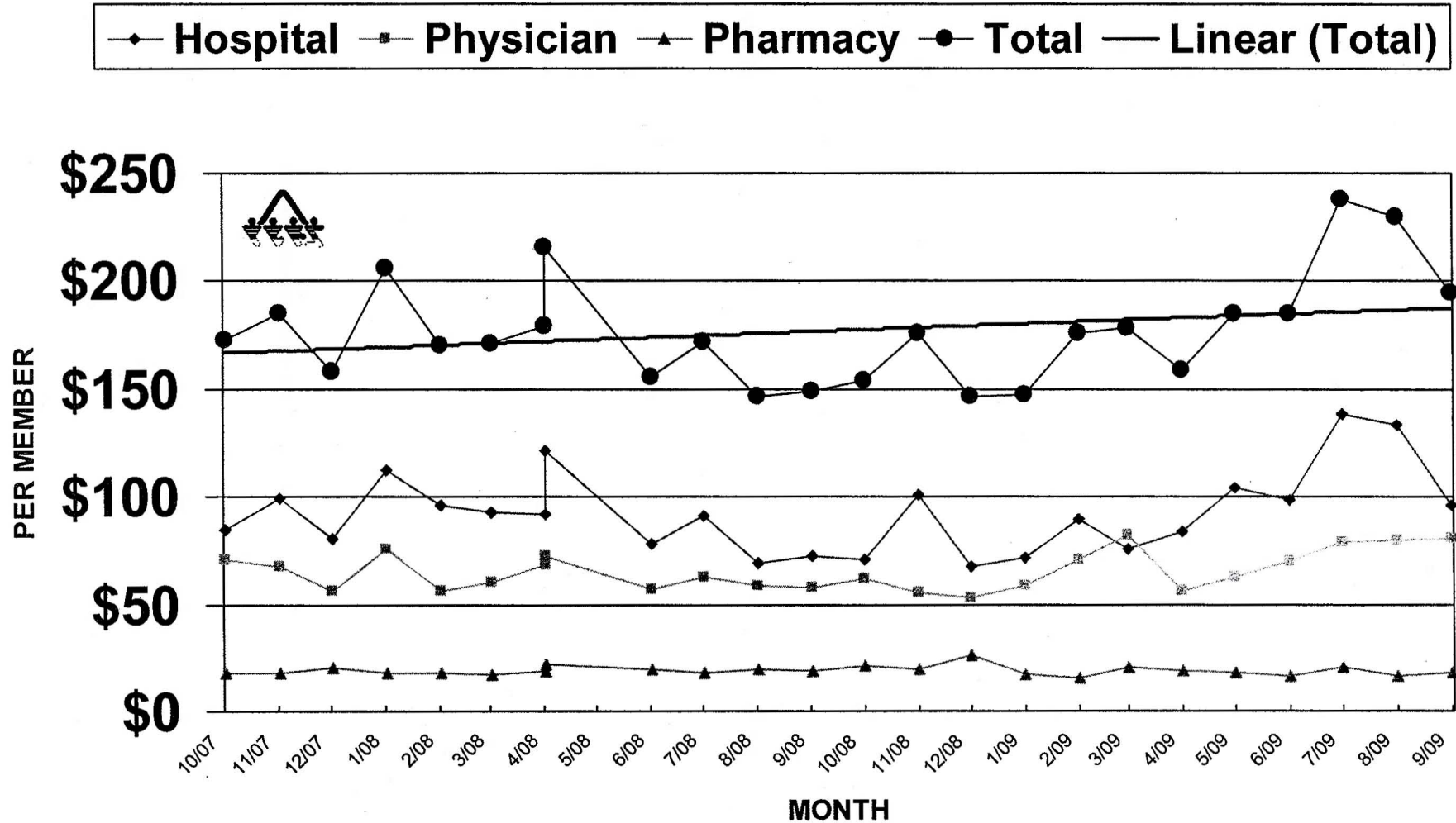
ACTIVE DEPEND. 2017

◆ Hospital ■ Physician ▲ Pharmacy ● Total — Linear (Total)



NDPERS HEALTH INSURANCE PLAN

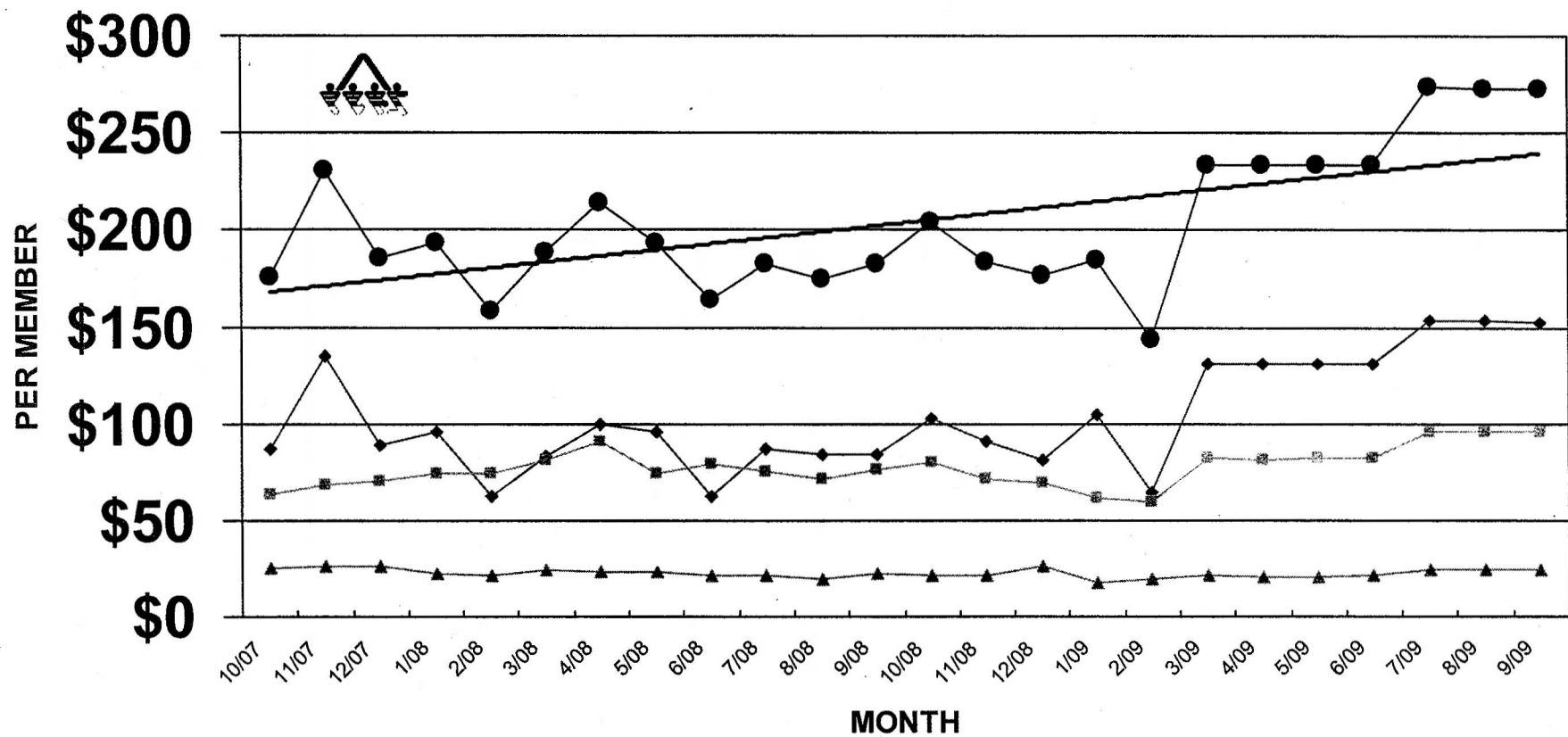
RETIRED EMPLOYEES



NDPERS HEALTH INSURANCE PLAN

RETIRED DEPENDENT

◆ Hospital ■ Physician ▲ Pharmacy ● Total — Linear (Total)



Expected Timing/Workplan

**North Dakota Public Employees Retirement System
Health Plan Actuarial Review Request for Proposal (RFP) Process
Proposed Workplan / Timeline and Key Dates**

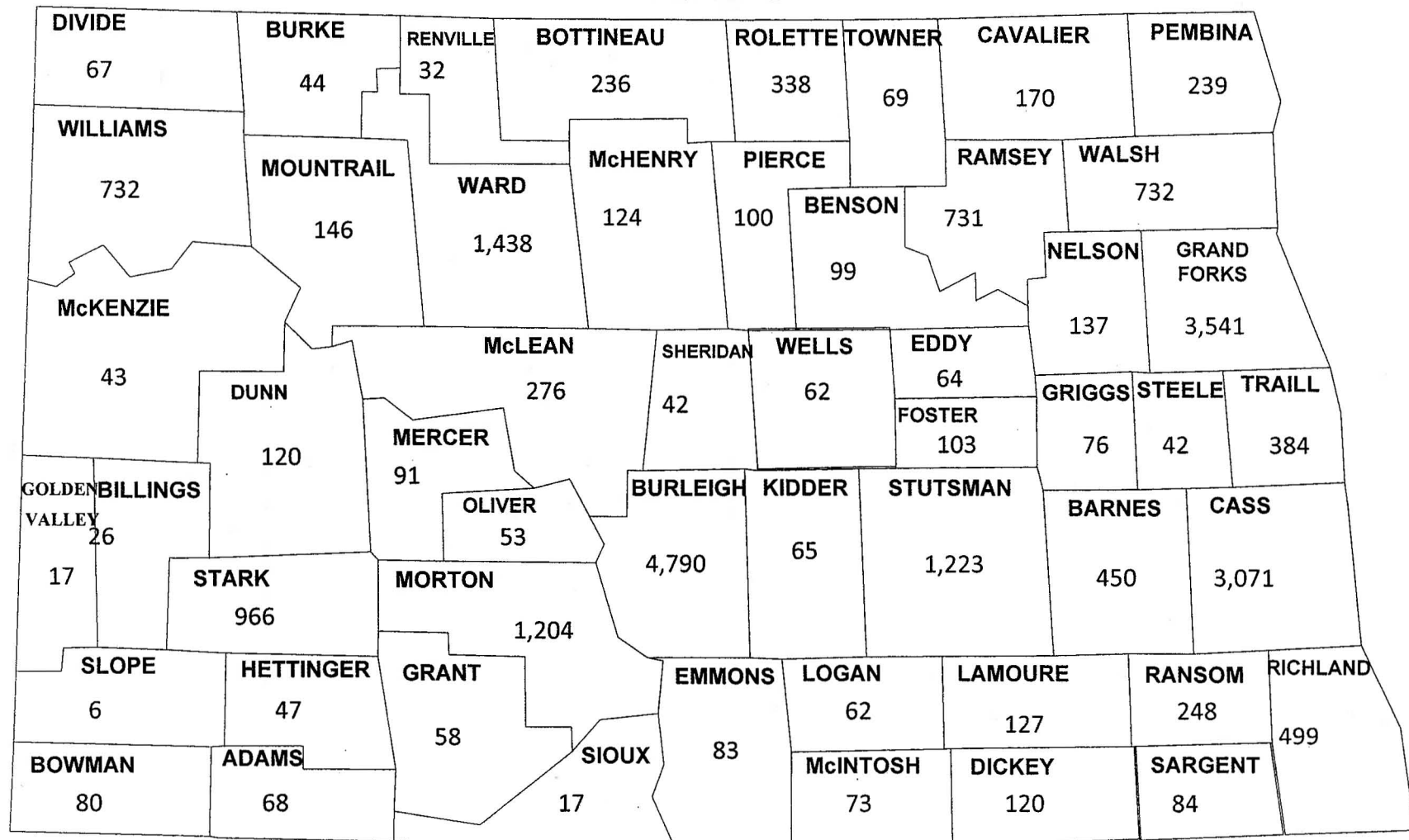
Tasks	2010											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Meet with NDPERS to review & refine workplan and timeline	1/26											
Review opportunities to Improve Group Health Plan and bid process with NDPERS staff			3/2									
Begin RFP work: review bid process; gather and compile data; draft RFP												
Board Updates			3/25	4/7								
Draft RFP to NDPERS staff for review												
Meet with potential carriers				4/20								
Submit final RFP to NDPERS Board for final approval					4/29							
Teleconference or video conference with NDPERS Board to review and answer questions					5/20							
Prepare final RFP and data packets for distribution												
Issue and distribute RFP												
Independent claims/premium projections												
Proposals Due												
Proposal analysis and recommendations/Best and Final												
Review proposal analysis and recommendations with NDPERS Board								X 8/26				
Finalist interviews												
Final decision												

Plan Design — 2010

Plan Features	2007 – 2009	
	Basic/Self Referral	PPO
Deductible for Non-Physician Services Single (individual) Family	\$400 \$1,200	\$400 \$1,200
Copayment Amounts Office Visits Emergency Room Visits Diagnostic Services (per service)	\$30 \$50	\$25 \$50
Coinsurance	75%/25%	80%/20%
Coinsurance Maximum Single (individual) Family	\$1,250 \$2,500	\$750 \$1,500
Total Out-of-Pocket per Benefit Period Single (individual) Family	\$1,650 \$3,700	\$1,150 \$2,700
Lifetime Annual Maximum Per Insured	\$2,000,000	
Prescription Drugs Generic Prescription Brand name Prescription Nonformulary Prescription Prescription Drug Coinsurance Maximum	\$5 copay, 15% coinsurance \$20 copay, 25% coinsurance \$25 copay, 50% coinsurance \$1,000	

■ \$200 per member per year Wellness

NDPERS Health Contracts — January 2010



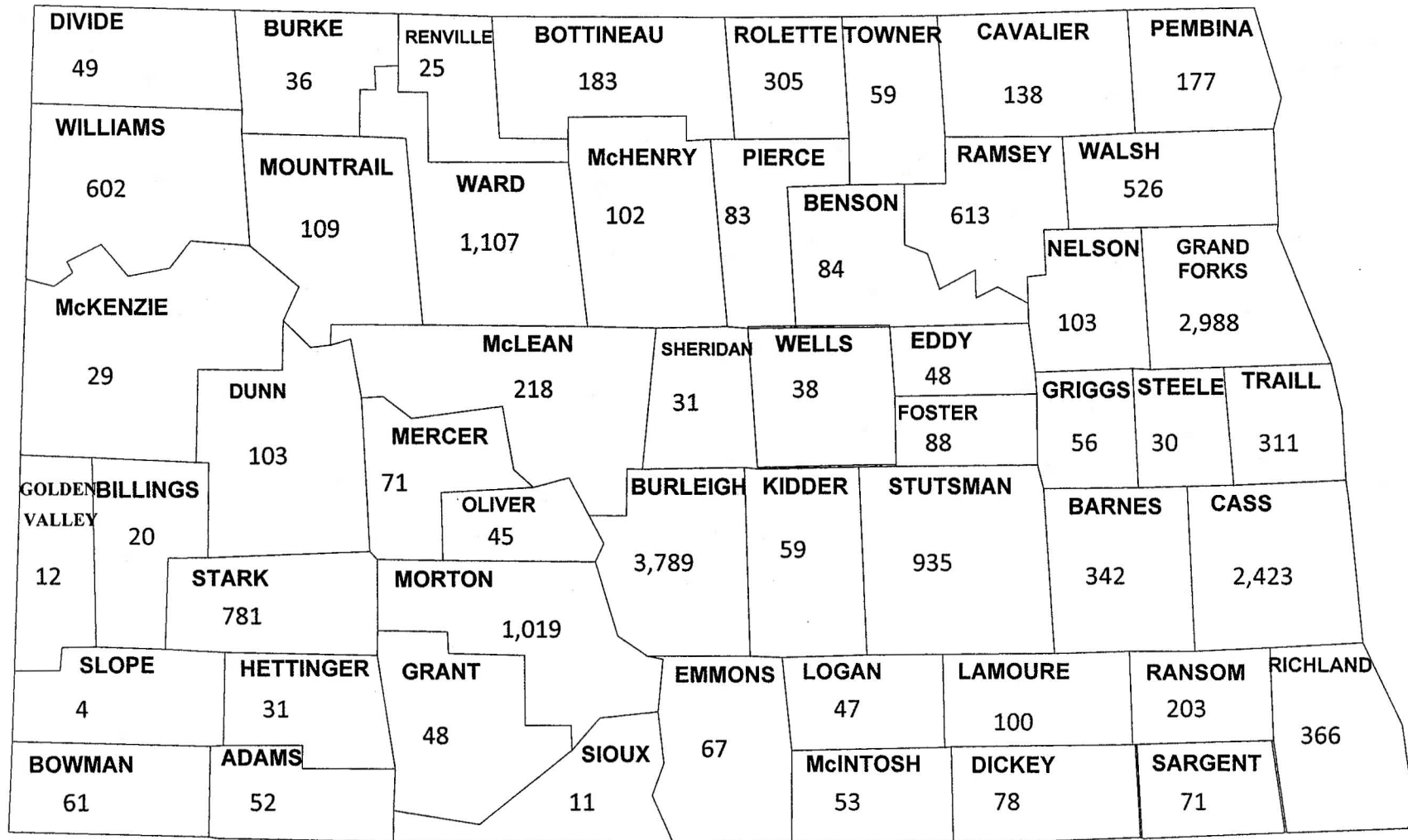
Out-of-State – 2,046

Total – 25,760

Average Contract Size = 2.24

NDPERS Health Contracts – Age < 65 –

January 2010



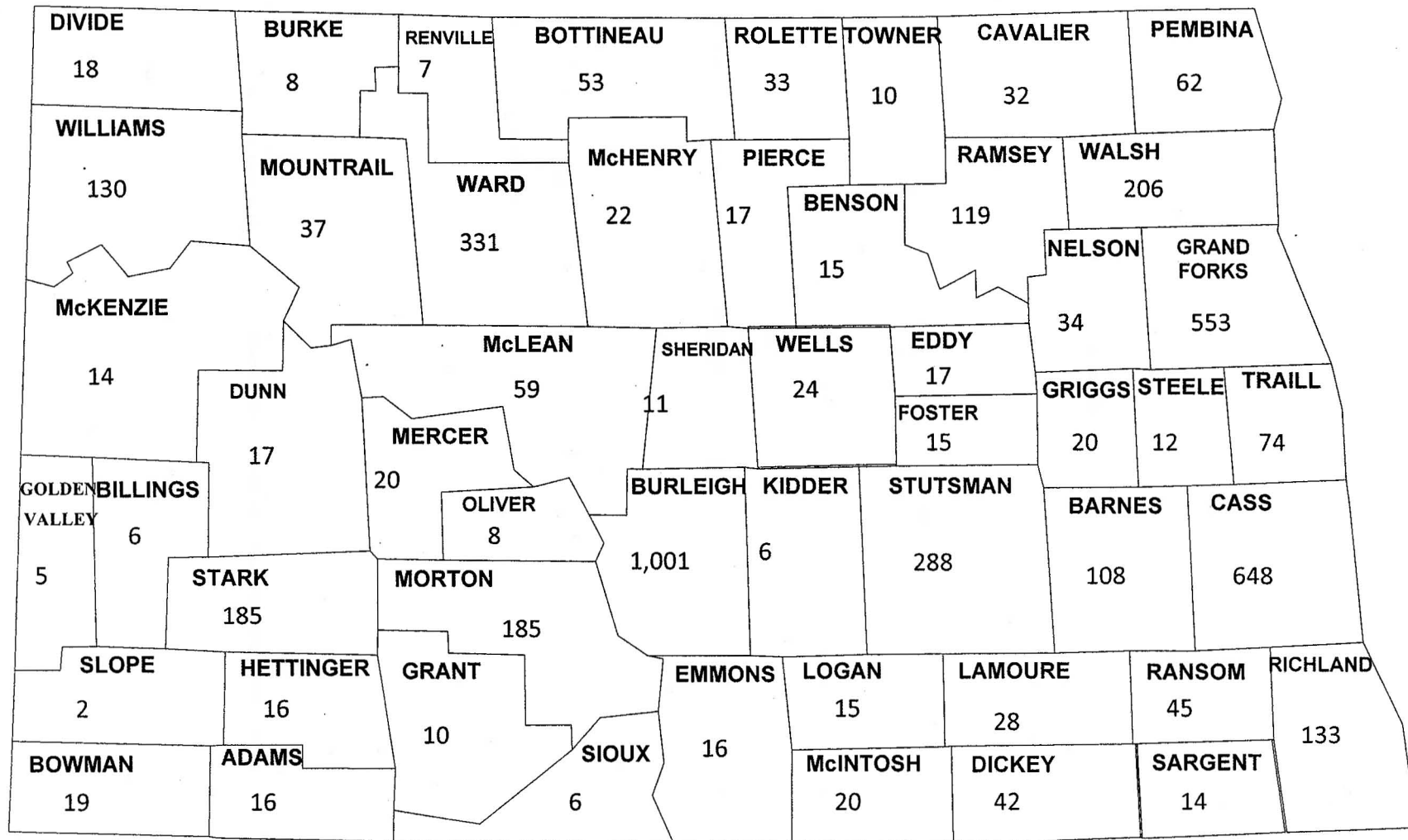
Out-of-State – 1,305

Total – 20,230

Average Contract Size = 2.47

NDPERS Health Contracts – Age 65+ –

January 2010



Out-of-State – 742

Total – 5,530

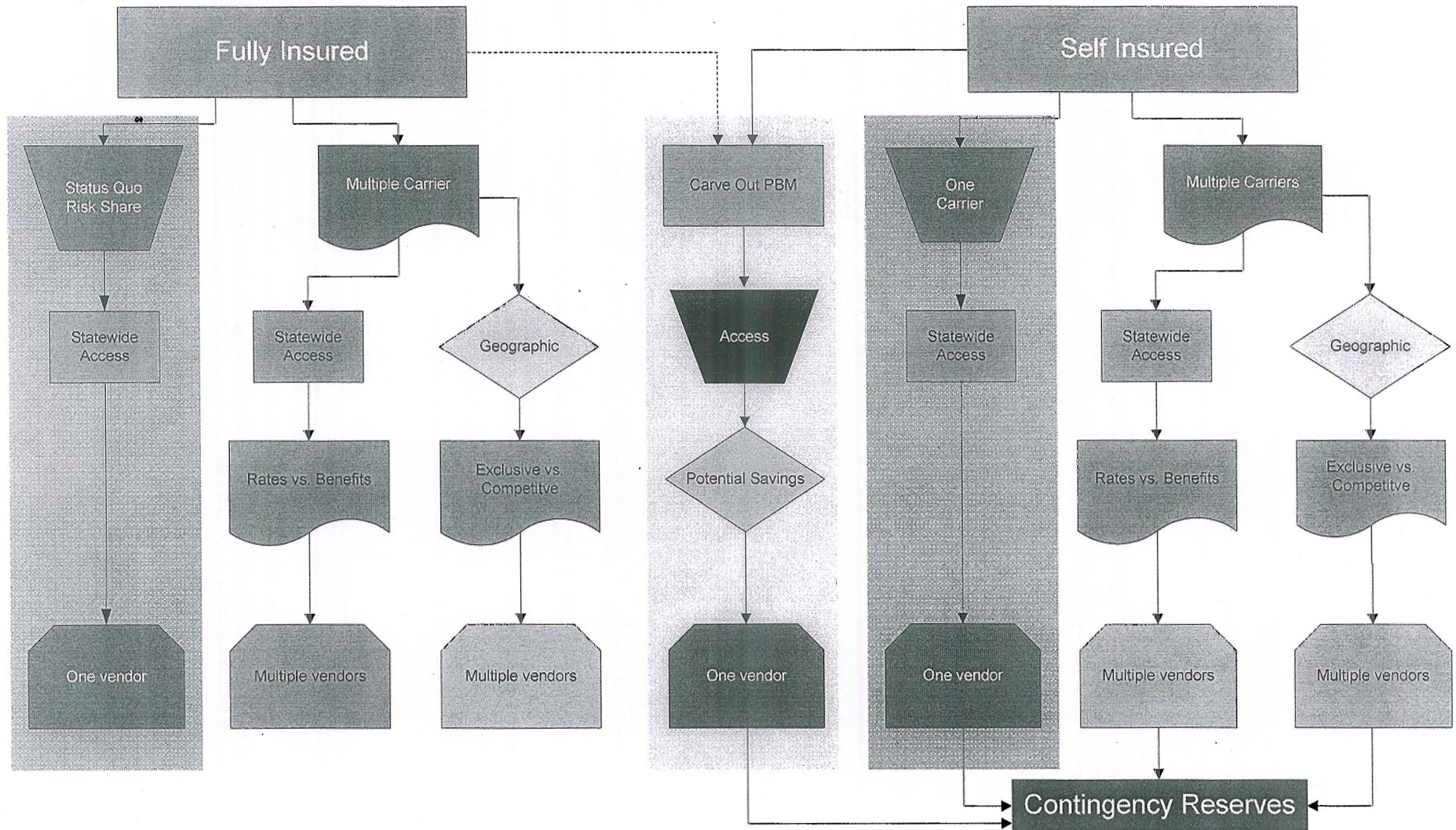
Average Contract Size = 1.38

RFP Options

Option	
■ Fully Insured Status Quo	MEDICARE (Break apart)
■ Fully Insured Multiple Carrier <ul style="list-style-type: none">– Introduce Competition– Potential Savings Geographically	
■ Self Insured One Carrier	
■ Self Insured Multiple Carrier <ul style="list-style-type: none">– One Risk Pool– Introduce Competition– Potential Savings Geographically	
■ PBM Carve Out <ul style="list-style-type: none">– Single Formulary if Multiple Carrier– Lower Cost– Transparency potential	

Resulting RFP and options will be subject to PERS Board approval and may vary from today's discussion.

Possible Options/Strategies Overview



Option 1: Fully Insured Status Quo

Process	Decision Variables
<ul style="list-style-type: none"> ■ Require current PPO and basic plan design <ul style="list-style-type: none"> – Combined medical and Rx – Include wellness programs ■ Require fully insured proposal <ul style="list-style-type: none"> – Risk sharing arrangement ■ Require aggregate discount/repricing data ■ Require separate medical and Rx premiums for Medicare Retirees ■ Independent development of claims/premiums ■ Group PDP <ul style="list-style-type: none"> – Timing 	<ul style="list-style-type: none"> ■ Meet minimum requirements ■ Technical proposal evaluation ■ Comparison to Deloitte independent projections <ul style="list-style-type: none"> – Establishes benchmark ■ Compare fully insured premiums (lowest cost) ■ Network match/Geo access <ul style="list-style-type: none"> – PPO/basic ■ Provider discount comparison ■ Risk share analysis ■ PDP Option

Option 2: Fully Insured Multiple Carrier

Process	Decision Variables
<ul style="list-style-type: none">■ Require current PPO and basic plan design<ul style="list-style-type: none">– 2A Combined medical and Rx– 2B Medical only■ Include wellness programs■ Request PPO/preferred network■ Require fully insured proposal<ul style="list-style-type: none">– Optional risk share arrangement■ Require provider specific discount/repricing data■ Require separate medical and Rx premiums for Medicare retirees■ If bid on option 1, must bid on option 2■ Best and final bids<ul style="list-style-type: none">– Incentive to use less costly plans through improved plan design■ Group PDP<ul style="list-style-type: none">– Timing	<ul style="list-style-type: none">■ Meet minimum requirements■ Technical proposal evaluation■ Individual proposal compared to Option 1■ Statewide/geographic provider access■ Provider specific discount analysis<ul style="list-style-type: none">– Demonstrated lower cost■ Compare overall cost of all qualified proposals combined to Option 1■ Overall cost compared to Deloitte independent projection■ PDP Option

Option 3: Self Insured One Carrier

Process	Decision Variables
<ul style="list-style-type: none"> ■ Require current PPO and basic plan design <ul style="list-style-type: none"> – 3A – Combined medical and Rx – 3B – Medical only – Include wellness programs ■ Require aggregate discount/repricing data ■ Require separate medical and Rx premiums for Medicare retirees ■ Require specific and aggregate stop-loss ■ Require discount guarantees ■ Medicare retiree drug options <ul style="list-style-type: none"> – Retiree drug subsidy – Direct contract PDP – Timing 	<ul style="list-style-type: none"> ■ Meet minimum requirements ■ Technical proposal evaluation ■ Overall cost compared to Option 1 ■ Network Match/Geo access ■ Evaluate separate PBM ■ Overall cost compared to Deloitte independent projection ■ PDP /Subsidy Options

Option 4: Self Insured Multiple Carrier

Process	Decision Variables
<ul style="list-style-type: none"> ■ Require current PPO and basic plan design <ul style="list-style-type: none"> – 3A - Combined medical and Rx – 3B – Medical only – Include wellness programs ■ Require provider specific discount/repricing data ■ Require separate medical and Rx premiums for Medicare retirees ■ Require specific and aggregate stop-loss ■ Require discount guarantees ■ Incentive to use less costly plans ■ Medicare retiree drug options <ul style="list-style-type: none"> – Retiree drug subsidy – Direct contract PDP – Timing 	<ul style="list-style-type: none"> ■ Meet minimum requirements ■ Technical proposal evaluation ■ Overall cost compared to Option 1 ■ Statewide/geographic provider access ■ Provider specific discount analysis ■ Evaluate separate PBM ■ Overall cost compared to Deloitte independent projection ■ PDP /Subsidy Options

Option 5: PBM Carve Out

Process		Decision Variables
<ul style="list-style-type: none"> ■ Current Rx plan design ■ Require transparent arrangement ■ Require actual drug claim repricing (non-Medicare) ■ Gather Medicare Rx data ■ Medicare retiree drug options <ul style="list-style-type: none"> – Retiree drug subsidy – Direct contract PDP – Timing 		<ul style="list-style-type: none"> ■ Meet minimum criteria ■ Technical proposal evaluation ■ Pharmacy access ■ Evaluate discounts, dispensing fees, administrative fees and rebates ■ Analysis of drug repricing ■ In event of multiple carriers, permits common formulary and network ■ Comparison of combined medical/PBM costs to Option 1 ■ Overall cost compared to Deloitte independent projection

Issues

Contingency Reserve Fund

54-52.1-04.3. Contingency reserve fund - Continuing appropriation. The board shall establish under a self-insurance plan a contingency reserve fund to provide for adverse fluctuations in future charges, claims, costs, or expenses of the uniform group insurance program. ***The board shall determine the amount necessary to provide a balance in the contingency reserve fund equal to three and one-half months of claims paid*** based on the average monthly claims paid during the twelve-month period immediately preceding March first of each year. The board may arrange for the services of an actuarial consultant to assist the board in making the determination. All moneys in the contingency reserve fund, not otherwise appropriated, are appropriated for the payment of claims and other costs of the uniform group insurance program during periods of adverse claims or cost fluctuations.

Approximately \$40 million

Board will be reviewing these issues this week and will determine how to proceed

Health Reform

- Grandfather Provision
- ???

Other Efforts

- Vision Plan 2010 – Jan 2011
- LTC Plan 2010/2011 –Summer 2011
 - CLASS Act
- Deferred Comp/DC Plan –Summer 2011
- Life Plan – Summer of 2011