



Department of Transformation and Shared Services

Governor Asa Hutchinson

Secretary Amy Fecher

Director Jake Bleed

Oct. 28, 2022

The Honorable Jason Rapert, Co-Chair
The Honorable Deborah Ferguson, Co-Chair
Arkansas Legislative Council
Employee Benefits Subcommittee
Room 315, State Capitol Building
Little Rock, AR 72201

RE: Employee Benefits Division Quarterly Report for the first quarter of FY2023

Dear Sirs,

The attached Employee Benefits Division Quarterly Report for the three-month period ending Sept. 30, 2022, is hereby submitted to the Arkansas Legislative Council pursuant to Act 113 of 2022.

The report will provide information on items detailed in Ark. Code Ann. § 21-5-419 (b)(2)(C)(i) – (xiii). This report will therefore include financial statements projecting the next five years of performance for the health plans covering state and public school employees. Projections will reflect current operations and assumptions and have been calculated with the assistance of the division's actuarial firm.

Regarding new cost-containment measures, changes in plan options offered under the program, potential funding changes, premium increases or decreases, concerns regarding the reserve balance of the program, changes that would limit or increase benefits under the plan, or changes in benefits, the division has implemented the following measure:

Pursuant to Act 109 of 2022, the Employee Benefits Division adopted a coverage policy for bariatric surgery, with coverage to begin Jan. 1, 2023. This policy will allow coverage for state and public school employees with

Employee Benefits Division

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at least five years' service to the state and whose surgery is performed by surgeons accredited by the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program as determined by the American College of Surgeons and the American Society for Metabolic and Bariatric Surgery.

Attached, please find the most-recent five-year projections as prepared by the EBD actuarial firm, Milliman, Inc., well as month-to-month tracking report for the period in question, year-to-date reporting and an update on existing and anticipated contracting at EBD. These projections are based on information available at the time and do not reflect the impact of new or planned projects which have not yet been implemented. The impact of those measures will be included in projections when they are determined. Updated reports will be submitted to ALC at the appropriate time.

Sincerely,

A handwritten signature in black ink that reads "Jake Bleed". The signature is written in a cursive, flowing style.

Jake Bleed
Director, TSS-EBD

Arkansas State Employees Budget Tracker, 6/1/22 - 9/30/22

Arkansas State Employees (ASE) Financial Statement 2022 Projection Tracking

	Projected				Actuals				Difference			
	1-Jul-22 July	1-Aug-22 August	1-Sep-22 September	YTD Total	1-Jul-22 July	1-Aug-22 August	1-Sep-22 September	YTD Total	1-Jul-22 July	1-Aug-22 August	1-Sep-22 September	YTD Total
ASE Subscribers												
Actives	23,541	23,568	23,542	23,625	23,436	23,343	23,348	23,512	-105	-225	-194	-112
Pre-65 Retirees	2,199	2,185	2,173	2,175	2,134	2,106	2,074	2,134	-65	-79	-99	-42
Post-65 Retirees	11,208	11,261	11,311	11,132	11,029	11,069	11,118	11,015	-179	-192	-193	-117
Total	36,948	37,014	37,025	36,932	36,599	36,518	36,540	36,661	-349	-496	-485	-271
ASE Members												
Actives	40,154	40,200	40,156	40,297	39,849	39,682	39,567	39,999	-305	-518	-589	-297
Pre-65 Retirees	2,917	2,899	2,883	2,886	2,841	2,800	2,751	2,838	-76	-99	-132	-49
Post-65 Retirees	14,302	14,369	14,432	14,204	14,024	14,074	14,131	14,019	-278	-295	-301	-186
Total	57,373	57,469	57,471	57,387	56,714	56,556	56,449	56,856	-659	-913	-1,022	-532
Revenues & Expenditures												
Funding												
State Contribution	\$17,051,000	\$17,051,000	\$17,051,000	\$153,459,000	\$16,663,324	\$16,609,000	\$16,660,500	\$152,260,324	-\$387,676	-\$442,000	-\$390,500	-\$1,198,676
Employee Contribution	\$9,846,127	\$9,877,929	\$9,881,401	\$88,823,958	\$9,716,775	\$9,700,584	\$9,655,068	\$87,915,147	-\$129,352	-\$177,345	-\$226,332	-\$908,812
Other Revenue ¹	\$1,904,430	\$1,914,526	\$1,812,623	\$16,700,657	\$28,769	\$485,167	\$84,139	\$13,509,590	-\$1,875,661	-\$1,429,359	-\$1,728,484	-\$3,191,067
Total Funding	\$28,801,557	\$28,843,455	\$28,745,023	\$258,983,615	\$26,408,868	\$26,794,751	\$26,399,707	\$253,685,060	-\$2,392,689	-\$2,048,704	-\$2,345,316	-\$5,298,554
Expenses												
Medical Expenses												
Claims Expense ²	\$21,134,656	\$17,668,177	\$22,138,016	\$163,232,730	\$20,027,734	\$15,484,525	\$19,608,905	\$155,379,575	-\$1,106,922	-\$2,183,653	-\$2,529,111	-\$7,853,155
Medical Administration Fees	\$1,305,706	\$1,307,879	\$1,307,930	\$11,727,513	\$1,271,095	\$1,267,718	\$1,267,718	\$11,574,459	-\$34,611	-\$40,160	-\$40,212	-\$153,054
Employee Assistance Plan (EAP)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pharmacy Expenses												
RX Claims	\$10,167,679	\$8,116,895	\$9,651,736	\$77,592,716	\$10,088,619	\$8,001,761	\$10,575,026	\$77,129,125	-\$79,060	-\$115,135	\$923,290	-\$463,591
RX Administration	\$133,486	\$133,708	\$133,713	\$1,198,936	\$60,199	\$178,918	\$0	\$969,715	-\$73,287	\$45,210	-\$133,713	-\$229,221
Plan Administration ³	\$165,827	\$168,238	\$172,383	\$1,591,859	\$120,939	\$126,885	\$158,765	\$1,576,254	-\$44,888	-\$41,354	-\$13,618	-\$15,605
Total Expenses	\$32,907,353	\$27,394,898	\$33,403,779	\$255,343,753	\$31,568,585	\$25,059,806	\$31,610,414	\$246,629,127	-\$1,338,768	-\$2,335,092	-\$1,793,364	-\$8,714,626
# of Weekly Payments (Fri PMT)	5	4	5	39	5	4	5	39				
Net Income/ (Loss)	(\$4,105,796)	\$1,448,558	(\$4,658,755)	\$3,639,861	(\$5,159,717)	\$1,734,945	(\$5,210,707)	\$7,055,933	(\$1,053,921)	\$286,388	(\$551,952)	\$3,416,072

1. Other Revenue consists of Pharmacy Rebates, Medicare Part D Subsidy, Performance Guarantees, Other Misc, Interest Income, Tax Set Off.
2. Claims Expense includes refunds.
3. Plan administration includes service charges and fees.

Balance Sheet												
Gross Assets⁴	\$69,353,699	\$70,802,256	\$66,143,501	\$66,143,501	\$71,444,314	\$78,131,344	\$57,171,882	\$57,171,882	\$2,090,615	\$7,329,087	-\$8,971,619	-\$8,971,619
Liabilities												
Health IBNR	\$26,760,000	\$26,760,000	\$26,760,000	\$26,760,000	\$26,760,000	\$26,760,000	\$26,760,000	\$26,760,000	\$0	\$0	\$0	\$0
RX IBNR	\$1,240,000	\$1,240,000	\$1,240,000	\$1,240,000	\$1,240,000	\$1,240,000	\$1,240,000	\$1,240,000	\$0	\$0	\$0	\$0
Total Liabilities	\$28,000,000	\$28,000,000	\$28,000,000	\$28,000,000	\$28,000,000	\$28,000,000	\$28,000,000	\$28,000,000	\$0	\$0	\$0	\$0
Net Assets⁵	\$41,353,699	\$42,802,256	\$38,143,501	\$38,143,501	\$43,444,314	\$50,131,344	\$29,171,882	\$29,171,882	\$2,090,615	\$7,329,087	-\$8,971,619	-\$8,971,619

4. Gross Assets - Total assets less account payable
5. Projected Net Assets include FICA transfer of \$3.5M in June of 2022.

Arkansas Public School Employees Budget Tracker 7/1/22 - 9/30/22

Public-School Employees (PSE) Financial Statement 2022 Projection Tracking

	Projected				Actuals				Difference			
	1-Jul-22	1-Aug-22	1-Sep-22	YTD Total	1-Jul-22	1-Aug-22	1-Sep-22	YTD Total	1-Jul-22	1-Aug-22	1-Sep-22	YTD Total
	July	August	September		July	August	September		July	August	September	
PSE Subscribers												
Actives	46,785	46,482	48,284	47,765	45,754	44,920	46,747	47,266	-1,031	-1,562	-1,537	-498
Pre-65 Retirees	3,607	3,691	3,687	3,410	3,603	3,695	3,686	3,408	-4	4	-1	-3
Post-65 Retirees	15,293	15,405	15,459	15,126	15,250	15,354	15,402	15,077	-43	-51	-57	-49
Total	65,685	65,577	67,430	66,301	64,607	63,969	65,835	65,751	-1,078	-1,608	-1,595	-550
PSE Members												
Actives	79,932	79,413	82,492	81,605	79,140	77,832	80,247	81,155	-792	-1,581	-2,245	-451
Pre-65 Retirees	4,389	4,492	4,487	4,150	4,413	4,515	4,498	4,154	24	23	11	4
Post-65 Retirees	16,640	16,762	16,821	16,459	16,586	16,695	16,751	16,396	-54	-67	-70	-63
Total	100,961	100,667	103,800	102,214	100,139	99,042	101,496	101,705	-822	-1,625	-2,304	-509
Revenues & Expenditures												
Funding												
Per Participating Employee Funding (PPE)	\$8,800,176	\$8,698,396	\$9,103,014	\$81,362,892	\$8,708,602	\$8,516,145	\$8,958,955	\$81,129,743	-\$91,574	-\$182,250	-\$144,058	-\$233,149
Employee Contribution	\$12,445,944	\$12,450,055	\$12,720,822	\$113,164,131	\$12,345,829	\$12,271,585	\$12,529,733	\$112,525,556	-\$100,115	-\$178,470	-\$191,089	-\$638,576
Dept. of Education Funding	\$11,833,333	\$11,833,333	\$11,833,333	\$89,832,479	\$35,500,000	\$0	\$0	\$109,888,335	\$23,666,667	-\$11,833,333	-\$11,833,333	\$20,055,856
Restricted Reserve	\$0	\$0	\$0	\$35,000,000	\$0	\$0	\$0	\$35,000,000	\$0	\$0	\$0	\$0
Other Revenue ¹	\$1,755,823	\$1,741,978	\$1,725,180	\$15,167,249	\$770,058	\$772,543	\$867,580	\$13,508,847	-\$985,766	-\$969,436	-\$857,600	-\$1,658,402
Total Funding	\$34,835,277	\$34,723,762	\$35,382,349	\$334,526,752	\$57,324,489	\$21,560,273	\$22,356,268	\$352,052,481	\$22,489,212	-\$13,163,490	-\$13,026,081	\$17,525,729
Expenses												
Medical Expenses												
Claims Expense ²	\$33,223,475	\$26,650,488	\$31,922,109	\$230,090,590	\$31,265,166	\$24,298,060	\$27,728,253	\$210,690,006	-\$1,958,309	-\$2,352,429	-\$4,193,857	-\$19,400,585
Medical Administration Fees	\$2,298,275	\$2,291,572	\$2,362,897	\$20,897,477	\$2,251,653	\$2,215,614	\$2,215,614	\$20,605,538	-\$46,623	-\$75,958	-\$147,283	-\$291,939
Employee Assistance Plan (EAP)	\$99,333	\$99,124	\$101,989	\$901,546	\$82,786	\$82,786	\$82,786	\$770,904	-\$16,547	-\$16,338	-\$19,203	-\$130,642
Pharmacy Expenses												
RX Claims	\$8,370,420	\$6,504,844	\$7,864,675	\$59,424,926	\$8,022,721	\$6,423,451	\$8,217,668	\$58,651,435	-\$347,699	-\$81,394	\$352,993	-\$773,491
RX Administration	\$183,224	\$182,534	\$188,639	\$1,669,189	\$88,107	\$271,806	\$0	\$1,418,751	-\$95,118	\$89,272	-\$188,639	-\$250,438
Plan Administration ³	\$167,128	\$166,966	\$174,415	\$1,585,486	\$125,344	\$118,876	\$125,760	\$1,634,106	-\$41,783	-\$48,090	-\$48,654	\$48,619
Total Expenses	\$44,341,855	\$35,895,529	\$42,614,725	\$314,569,215	\$41,835,777	\$33,410,592	\$38,370,081	\$293,770,740	-\$2,506,078	-\$2,484,937	-\$4,244,644	-\$20,798,476
# of Weekly Payments (Fri PMT)	5	4	5	39	5	4	5	39				
Net Income/ (Loss)	(\$9,506,579)	(\$1,171,767)	(\$7,232,376)	\$19,957,537	\$15,488,711	(\$11,850,319)	(\$16,013,813)	\$58,281,742	\$24,995,290	(\$10,678,553)	(\$8,781,437)	\$38,324,205

1. Other Revenue consists of Pharmacy Rebates, Performance Guarantees, FICA Savings, Other Misc, Interest Income, Tax Set Off.
2. Claims Expense includes refunds.
3. Plan administration includes service charges and fees.

Balance Sheet												
Assets												
Gross Assets⁴	\$144,095,366	\$142,923,599	\$135,691,223	\$135,691,223	\$196,515,177	\$186,815,667	\$162,707,884	\$162,707,884	\$52,419,811	\$43,892,068	\$27,016,661	\$27,016,661
Liabilities												
Health IBNR	\$34,770,000	\$34,770,000	\$34,770,000	\$34,770,000	\$34,770,000	\$34,770,000	\$34,770,000	\$34,770,000	\$0	\$0	\$0	\$0
RX IBNR	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000	\$0	\$0	\$0	\$0
Total Liabilities	\$35,890,000	\$35,890,000	\$35,890,000	\$35,890,000	\$35,890,000	\$35,890,000	\$35,890,000	\$35,890,000	\$0	\$0	\$0	\$0
Net Assets	\$108,205,366	\$107,033,599	\$99,801,223	\$99,801,223	\$160,625,177	\$150,925,667	\$126,817,884	\$126,817,884	\$52,419,811	\$43,892,068	\$27,016,661	\$27,016,661

4. Gross Assets - Total assets less account payable

Arkansas State Employees (ASE)

Estimated 2022 - 2032 Financials (in Millions)

Assumptions

Funding	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
State Contributions ¹	\$500.00	\$550.00	\$605.00	\$660.00	\$660.00	\$660.00	\$660.00	\$660.00	\$660.00	\$660.00	\$660.00
Budgeted Positions	33,715	33,327	33,327	33,327	33,327	33,327	33,327	33,327	33,327	33,327	33,327
One-time Funding (in millions)	\$10.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Enrollment (Subscribers)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Active	23,661	23,661	23,661	23,661	23,661	23,661	23,661	23,661	23,661	23,661	23,661
Pre-65 Retirees (NME)	2,165	2,121	2,079	2,037	1,997	1,957	1,918	1,879	1,842	1,805	1,769
Post-65 Retirees (ME)	11,214	11,551	11,897	12,254	12,622	13,001	13,391	13,792	14,206	14,632	15,071
Total	37,040	37,333	37,638	37,953	38,280	38,618	38,969	39,333	39,709	40,098	40,501

Income

Participant Contributions	\$119	\$109	\$107	\$105	\$102	\$99	\$99	\$99	\$101	\$107	\$112
State Contributions	\$213	\$220	\$242	\$264	\$264	\$264	\$264	\$264	\$264	\$264	\$264
Other Income	\$23	\$20	\$20	\$20	\$20	\$20	\$19	\$19	\$19	\$20	\$22
Total Income	\$354	\$349	\$369	\$389	\$386	\$383	\$383	\$381	\$384	\$391	\$398

Expenses

Medical	\$222	\$222	\$229	\$236	\$243	\$249	\$256	\$261	\$271	\$283	\$297
Pharmacy	\$104	\$99	\$102	\$105	\$107	\$108	\$109	\$108	\$111	\$120	\$129
MAPD Premiums	\$0	\$10	\$14	\$18	\$24	\$31	\$38	\$47	\$55	\$60	\$66
Admin / Plan Admin	\$19	\$19	\$19	\$19	\$19	\$19	\$19	\$18	\$19	\$19	\$20
Total Expenses	\$345	\$349	\$364	\$378	\$392	\$407	\$421	\$435	\$455	\$482	\$511
Annual Expense Increase %		1.1%	4.1%	3.9%	3.9%	3.7%	3.5%	3.3%	4.6%	6.0%	6.0%
Surplus / Deficit	\$9	(\$1)	\$6	\$11	(\$6)	(\$24)	(\$39)	(\$54)	(\$71)	(\$92)	(\$113)

Assets - End of Year

IBNR	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28
Reserve ²	\$41	\$44	\$53	\$68	\$65	\$44	\$9	(\$41)	(\$109)	(\$197)	(\$307)
Total Assets - End of Year	\$69	\$72	\$81	\$96	\$93	\$72	\$37	(\$13)	(\$81)	(\$169)	(\$279)
Reserve as a % of Expense	12%	13%	15%	18%	17%	11%	2%	-9%	-24%	-41%	-60%
Total Assets as a % of Expense	20%	21%	22%	25%	24%	18%	9%	-3%	-18%	-35%	-55%

¹Per Budgeted Position per Month

²Assume \$3.5M transfer from FICA to reserve annually

Arkansas Public-School Employees (PSE)

Estimated 2022 - 2032 Financials (in Millions)

Assumptions

Funding

Department of Education Funding (in millions)

Minimum District Funding (per Active Enrolled)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Department of Education Funding (in millions)	\$212.00	\$142.00	\$142.00	\$142.00	\$142.00	\$142.00	\$142.00	\$142.00	\$142.00	\$142.00	\$142.00
Minimum District Funding (per Active Enrolled)	\$168.52	\$300.00	\$300.00	\$311.00	\$311.00	\$311.00	\$311.00	\$311.00	\$311.00	\$311.00	\$311.00

Enrollment (Subscribers)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Active	47,912	48,870	49,847	50,844	51,861	52,898	53,956	55,035	56,136	57,259	58,404
Pre-65 Retirees (NME)	3,445	3,514	3,584	3,656	3,729	3,803	3,879	3,957	4,036	4,117	4,199
Post-65 Retirees (ME)	15,385	16,308	17,286	18,323	19,423	20,588	21,824	23,133	24,521	25,992	27,552
Total	66,741	68,691	70,717	72,823	75,013	77,290	79,659	82,125	84,693	87,368	90,155

Income

Participant Contributions	\$166	\$156	\$155	\$154	\$152	\$150	\$159	\$168	\$180	\$195	\$212
Department of Education Funding	\$212	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142	\$142
Minimum District Funding	\$97	\$176	\$179	\$190	\$194	\$197	\$201	\$205	\$210	\$214	\$218
Other Income	\$22	\$23	\$25	\$27	\$28	\$30	\$33	\$35	\$38	\$41	\$44
Total Income	\$497	\$498	\$502	\$512	\$516	\$519	\$535	\$551	\$570	\$592	\$616

Expenses

Medical	\$318	\$342	\$366	\$392	\$418	\$446	\$475	\$505	\$541	\$585	\$632
Pharmacy	\$83	\$91	\$100	\$110	\$121	\$134	\$147	\$162	\$179	\$197	\$217
MAPD Premiums	\$0	\$6	\$9	\$12	\$16	\$21	\$28	\$35	\$42	\$48	\$54
Admin / Plan Admin	\$34	\$34	\$35	\$36	\$37	\$39	\$40	\$41	\$42	\$45	\$47
Total Expenses	\$434	\$473	\$510	\$550	\$593	\$640	\$690	\$743	\$804	\$874	\$950
Annual Expense Increase %		8.8%	7.9%	7.9%	7.9%	7.8%	7.8%	7.8%	8.2%	8.6%	8.7%
Surplus / Deficit	\$63	\$25	(\$8)	(\$38)	(\$77)	(\$120)	(\$155)	(\$193)	(\$235)	(\$282)	(\$334)

Assets - End of Year

IBNR	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36
Reserve	\$143	\$171	\$167	\$132	\$59	(\$58)	(\$210)	(\$399)	(\$630)	(\$909)	(\$1,239)
Total Assets - End of Year	\$179	\$207	\$203	\$168	\$95	(\$22)	(\$174)	(\$363)	(\$594)	(\$873)	(\$1,203)
Reserve as a % of Expense	33%	36%	33%	24%	10%	-9%	-30%	-54%	-78%	-104%	-130%
Total Assets as a % of Expense	41%	44%	40%	31%	16%	-3%	-25%	-49%	-74%	-100%	-127%

¹Per Budgeted Position per Month

CONTRACTS	2023				2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Third Party Administrator (currently HA)												
Current Contract												
Future Contract	DRAFT	AWARDED	IMPLEMENTATION	GO LIVE								
Employee Assistance Program (currently HA)												
Current Contract	RFP	EXPIRES										
Future Contract			GO LIVE									
Medicare Advantage Plan (new)												
Future Contract	Implementation		GO LIVE									
Actuary Services (currently Milliman)												
Current Contract	RFP											
Future Contract			GO LIVE									
Pharmacy Benefits Manager (currently MedImpact)												
Current Contract			EXPIRES?									
Future Contract				GO LIVE								
Plan Administration System (currently Mainstream)												
Current Contract		EXPIRES										
Future Contract		GO LIVE										
Life Insurance (currently Colonial Life)												
Current Contract			RENEW									
Future Contract	GO LIVE											
Evidence Based Medicine (currently EBRx)												
Current Contract			RENEW	RENEW								
Future Contract	RFP	DRAFT	AWARDED	GO LIVE								
Voluntary Products Broker (currently ARSEBA)												
Current Contract			EXPIRES									
Future Contract	DRAFT	AWARDED	IMPLEMENTATION									
Health Savings Account (Optum Financial)												
Current Contract	RENEW?			RENEW?				EXPIRES				
Future Contract												

REFERENCE KEY
Contract Expires
Renewal
Draft New RFP