

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
WITH INDEPENDENT AUDITOR'S REPORT

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Review Trustees
Oklahoma Public Employees Health & Welfare Plan
Bartlesville, Oklahoma

We have audited the accompanying financial statements of the Oklahoma Public Employees Health & Welfare Plan, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Public Employees Health and Welfare Plan, as of June 30, 2015 and 2014 and the statement of income and changes in fund balance in accordance with accounting principles generally accepted in the United States of America.

Kevin C. Duke, CPA, PC

Tulsa, Oklahoma
October 30, 2015

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
BALANCE SHEET
JUNE 30, 2015 and 2014

<u>ASSETS</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 313,394	\$ 268,660
Investments (Note 3)	5,245,768	6,668,656
Accounts Receivable - Unpaid Premiums	2,263,666	994,490
Accounts Receivable - Cimarron M.H.	<u>3,188</u>	<u>4,188</u>
Total Current Assets	<u>7,826,016</u>	<u>7,935,994</u>
TOTAL ASSETS	<u>\$ 7,826,016</u>	<u>\$ 7,935,994</u>

LIABILITIES AND FUND BALANCE

Current Liabilities:		
Accounts Payable	\$ 1,483,202	\$ 1,808,544
Unearned Premiums	<u>351</u>	<u>74,194</u>
Total Current Liabilities	<u>1,483,553</u>	<u>1,882,738</u>
Total Liabilities	<u>1,483,553</u>	<u>1,882,738</u>
Fund Balance:		
Unrestricted Fund Balance	<u>6,342,463</u>	<u>6,053,256</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,826,016</u>	<u>\$ 7,935,994</u>

See accompanying notes and auditor's report.

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
STATEMENT OF INCOME
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

<u>REVENUES:</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
Premiums (Note 6)	\$ 37,537,086	\$ 34,281,948
Specific reinsurance (Note 7)	29,459	352,731
Investment income	77,112	127,674
Rebates	294,458	226,512
Subrogation	116,645	0
Performance guarantees	35,471	0
Interest income	<u>796</u>	<u>3,235</u>
 TOTAL REVENUES	 <u>38,091,027</u>	 <u>34,992,100</u>
<u>EXPENSES:</u>		
ACA reinsurance & PCORI	398,830	0
Administrator's fee (Note 8)	1,140,355	817,346
Bank fees	6,507	4,709
Claims paid (Note 4)	31,479,677	29,130,999
Claims supervisor fee (Note 9)	1,869,348	1,825,872
Dues and fees	450	1,264
Fidelity bond expense	11,705	10,403
Interest expense	7,583	0
Legal fees	34,259	13,726
Life insurance	1,634,095	1,456,017
Postage	12,717	11,880
Premium reimbursement	3,276	0
Professional fees	46,213	10,685
Specific reinsurance (Note 7)	539,227	456,821
Storage rental	550	600
Printing	8,087	14,628
Office expense	1,983	3,283
VSP Vision	<u>606,958</u>	<u>545,692</u>
 TOTAL EXPENSES	 <u>37,801,820</u>	 <u>34,303,925</u>
 Net Income (Loss)	 <u>289,207</u>	 <u>688,175</u>
 FUND BALANCE - BEGINNING OF YEAR	 <u>6,053,256</u>	 <u>5,365,081</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 6,342,463</u>	 <u>\$ 6,053,256</u>

See accompanying notes and auditor's report.

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 289,207	\$ 688,175
Adjustment to reconcile net income to net cash provided by operating activities		
Decrease (increase) in accounts receivable	(1,268,176)	(990,490)
Increase (decrease) in accounts payable	(325,342)	888,686
Increase (decrease) in unearned premiums	<u>(73,843)</u>	<u>72,387</u>
Net cash provided by operating activities	<u>(1,378,154)</u>	<u>658,758</u>
Cash Flows from Investing Activities:		
Decrease (increase) in investments	<u>1,422,888</u>	<u>(2,366,428)</u>
Net cash used for investing activities	<u>1,422,888</u>	<u>(2,366,428)</u>
Cash Flows from Financing Activities:		
Decrease (increase) in financing activities	<u>-</u>	<u>-</u>
Net cash provided for financing activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>44,734</u>	<u>(1,707,670)</u>
Cash and Cash Equivalents, Beginning of Year	<u>268,660</u>	<u>1,976,330</u>
Cash and Cash Equivalents, End of Year	<u>\$ 313,394</u>	<u>\$ 268,660</u>

See accompanying notes and auditor's report.

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1:

ORGANIZATION:

The Oklahoma Public Employees Health & Welfare Plan (hereinafter referred to as "The Plan") was organized on February 1, 1992 under the laws of the State of Oklahoma. Also on February 1, 1992, certain governmental agencies (hereinafter referred to as "Participating Agencies") acting under the provisions of Title 51, Oklahoma Statutes, Sections 167, 168, 169 and 172, Title 74 Oklahoma Statutes, Sections 1001, et seq., and other applicable provisions of Oklahoma Law, by their Inter-Local Government Agreement, established the Plan for the purpose of providing major medical, prescription, dental, vision, life and AD&D insurance benefits for the Participating Agencies' eligible employees and their dependents. These benefits are provided through insurance, self-insurance, or by a combination thereof as determined by the trustees pursuant to the terms of the Trust Agreement. As of June 30, 2015 the Participating Agencies in the Plan were thirty-three (33) Oklahoma counties, five (5) schools, twenty-four (24) municipalities, one (1) hospital, six (6) CED's, four (4) COG's, three (3) water districts, three (3) E911's, three (3) local government authorities, and five (5) other organization types.

NOTE 2:

SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents:

The Plan considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Basis Of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income Taxes:

The Plan was organized under the laws of the State of Oklahoma by certain governmental entities' Inter-Local Government Agreement for the purpose of providing group health, dental and group term life insurance benefits, all essential government functions, to participating Oklahoma counties and is, therefore, exempt from federal income taxes under Internal Revenue Code Section 115. The Plan evaluates and accounts for its uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes (formerly FIN 48, Accounting for Uncertainty in Income Taxes), including the Plan's tax position as an exempt entity. It is also possible that some positions might be subject to uncertainty. The Plan evaluates any uncertain tax positions using the provisions of ASC 450, Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgement with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Interest and penalties, if any, resulting from any uncertain tax positions required to be recorded by the Plan would be presented in other expenses in the statement of income. Management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination.

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Currently, the Plan has no open examination with either the Internal Revenue Service or state taxing authorities.

Concentration Of Credit:

The Plan maintains its cash in bank deposit accounts which, at times during the month, may exceed the federally insured limits of \$250,000. The Plan has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Cash in Bank - Arvest	\$ 291,534
Cash in Bank - Bancfirst	<u>21,860</u>
Total Cash and Cash Equivalents	<u>\$ 313,394</u>

Investments: The estimated fair values of investments are as follows:

Fixed Government Securities - Arvest	\$1,434,781
Equity Investments - Arvest	827,661
Intermediate Bonds - Arvest	1,491,323
Short Term Bonds - Arvest	1,389,791
Fixed Income Securities - Arvest	2,212
Certificate of Deposit - Bancfirst	<u>100,000</u>
Total Investments	<u>\$5,245,768</u>

NOTE 4: CLAIMS PAID:

The Plan paid claims for the Participating Agencies' eligible employees and their dependents for health, dental, vision, and life insurance claims as provided for in the Trust Agreement and approved by the Trustees. The Summary Plan description, adopted and approved by the Trustees, is furnished to the Participating Agencies and to all Plan Participants and is controlling and binding upon all persons claiming any right to benefits under the current plan. See the Summary Plan description for complete details of benefits available.

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5: CONTINGENT LIABILITY-CLAIMS INCURRED BUT NOT REPORTED (IBNR):

A contingent liability estimate for claims incurred but not reported (“IBNR) has been made of \$2,530,000. The accuracy of this estimate cannot be determined prior to the ultimate settlement of each claim. Accordingly, the ultimate cost of settling these claims may vary significantly from this contingent liability estimate.

Note 6: PREMIUMS:

Premium revenue reflects amounts received from eligible employees of Participating Agencies as provided for The Plan’s “Benefit Book”, formerly known as the Summary Plan Description.

Note 7: SPECIFIC REINSURANCE:

The Plan maintains an excess risk agreement with an insurance company that provides for a specific stop loss attachment point of \$350,000 per claimant per year as of June 30, 2015. Effective July 1, 2015, the stop loss attachment point is \$425,000 per claimant per year..

Note 8: ADMINISTRATIVE EXPENSES:

The Plan entered into a 24-month administrative agreement on March 30, 2015 with McElroy & Associates to provide administrative services for The Plan as agreed to in the agreement, for a flat fee in the amount of \$10,000 each month or \$14.50 per “Contract” each month, which ever is greater. The agreement is in effect from July 1, 2015 to June 30, 2016.

The Plan signed an addendum to the administrative agreement on October 15, 2015 with McElroy & Associates increasing the per member per month fee by \$.50 from \$14.50 to \$15.00 effective October 1, 2015 until June 30, 2016. The change was necessary to meet the requirements of IRS Forms 1094c and 1095c.

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9: CLAIMS SUPERVISOR FEE:

The Plan's administrative agreement with Blue Cross and Blue Shield provides for the administration of all functions in the claims and payment process of plan benefits. The administrative service fees agreed to were as follows:

	Effective <u>7/1/15 - 6/30/16</u>	Effective <u>7/1/2014 - 6/30/15</u>
Medical Administrative Fee	\$34.21 per contract per month	\$ 34.21 per contract per month
Dental Administrative Fee	\$ 2.39 per contract per month	\$ 2.39 per contract per month

Note 10: DATE OF MANAGEMENT'S REVIEW:

Subsequent events were evaluated through October 30, 2015, which is the date the financial statements were available to be issued.

Note 11: REVOLVING LINE OF CREDIT:

The Plan signed a loan agreement on August 22, 2015 with Arvest Bank which extended the \$1,000,000 line of credit to August 20, 2016. Accrued interest of 4.5% is due and payable monthly on any balance due. No loans were due at June 30, 2015.

Note 12: RISKS AND UNCERTAINTIES:

The plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

KEVIN C. DUKE
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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Review Trustees
Oklahoma Public Employees Health & Welfare Plan
Bartlesville, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Oklahoma Public Employees Health and Welfare Plan statements as of and for the years ended June 30, 2015 and 2014, as listed in the table of contents, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma Public Employees Health and Welfare Plan's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma Public Employees Health and Welfare Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma Public Employees Health and Welfare Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin C. Duke, CPA, PC

Tulsa, Oklahoma
October 30, 2015

**2015-2016 PLAN YEAR ACTUARIAL
REPORT**
OKLAHOMA PUBLIC EMPLOYEES HEALTH
AND WELFARE TRUST
MARCH 16, 2015

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1

Introduction

The Oklahoma Public Employees Health and Welfare Trust (OPEH&W) engaged Oliver Wyman Actuarial Consulting (OW or “we”) to perform an annual valuation of the medical, drug and dental benefits for the plan year beginning July 1, 2015. This review includes:

- Development of appropriate premiums for medical, drug and dental benefits
- Analysis of stop loss alternatives
- Determination of IBNR reserves
- Funding Forecasts

Definitions

We want to ensure a common understanding of terms. “Contract” and “employee” can be used interchangeably. A “contract” is a unit that represents not only the employee, but also all dependents covered by that employee. “Member” represents each individual (employees and dependents) covered. So claims PCPM means claim \$ per contract per month and is generated by dividing total claims by only the number of contracts (or employees) covered. Claims PMPM means claim dollars per member per month and reflects the total claims divided by the number of contracts and dependents covered.

Description of Report

In this section we provide a description of the information contained in the succeeding sections as well as the certification.

The scope, distribution and limitations of the Report are outlined in Section 2.

Section 3 describes the data we received and any issues we identified.

Section 4 describes the enrollment history. OW has identified that one of the drivers of OPEH&W’s historically better-than-market experience pertaining to trends and premium changes is the improving demographics of its pool.

Section 5 details the benefit change pertaining to the maximum out of pocket (MOOP) requirements of the Affordable Care Act. The Affordable Care Act (ACA) requires that plan years beginning on or after January 1, 2015 incorporate drug cost sharing provisions into the MOOP limitations. For 2015 the medical/drug MOOP is \$6,600 for self-only coverage and \$13,200 for family coverage. This benefit enhancement is expected to increase medical/drug claims by 2.6%, all else equal. This equates to an increase in overall claims (medical, drug and dental) of about 2.5%. We have provided alternative cost sharing options for OPEH&W to consider to fully or partially offset this increase. We also provide a discussion of the potential savings resulting from a change in Pharmaceutical Benefit Manager (PBM). The new PBM has

guaranteed that savings between \$1,167,675 and \$1,754,222 will be achieved, depending on whether some drugs are excluded from their analysis.¹

A description of the processes employed to develop the pricing trends is provided in Section 6. Unlike previous years, the emerging experience reflects adverse drug claims. Upon further discussion with OPEH&W, it appears that the entire known OPEH&W Hepatitis C population sought treatment with new, expensive drugs introduced into the market in 2014. These drugs are expected to “cure” individuals with Hepatitis C virus after 12 weeks of treatment. Thus while we have taken into consideration the increase in trends on drugs, we have not incorporated the full impact of specialty drugs as observed during calendar year 2014 as we do not expect the cost of individuals with Hepatitis C to be repeated for plan year 2015-2016.

The trends employed in developing the projected claims are:

Annual Trend	Percentage
Medical	4.0%
Drug	12.0%
Dental	5.0%

We provide a comparison of these trends to those resulting from the January 1, 2015 Oliver Wyman Trend Survey.

Projected experience, recommended 2015-2016 premiums and funding forecasts are shown in Section 7. We also include the impact of increasing the current medical individual stop loss level. OW has incorporated the following non-claim expenses into these projections:

- Plan management fees
- Blue Cross Blue Shield of Oklahoma medical and dental network access fees
- Individual Stop Loss Reinsurance
- Fees required under the Affordable Care Act

Per OPEH&W’s instructions, we have not incorporated any explicit contribution to surplus into our recommended rates. Normally we would recommend a contribution of about 2% just to retain existing reserves/surplus at the same proportion of the plan’s expenses.

The projections result in an increase in the medical/drug premium rates and a decrease in the dental rates. Part of the decrease in the dental rates may be attributed to the fact that OW allocated all the TPA expenses to the medical line of business. Thus, the only administrative costs allocated to the dental line are those associated with the BCBSOK network access fees. The overall increase for all lines, using the existing \$350,000 individual stop loss for medical claims, is approximately 10.5%. This reflects a 2.6% increase in medical/drug claims for the required benefit changes previously described.

¹ E-mail from Ross Naylor to Karen Bender on March 3, 2015.


If the individual stop loss is changed to \$450,000, the corresponding increase for all lines is approximately 10.2%.

Section 8 shows the forecast for each group and in total for the next plan year.

Incurred but not reported reserve estimates are provided in Section 9.

I, Karen Bender, am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions presented in this report. It is my opinion that the recommended rates reflected in this report will, subject to the various caveats described, generate premiums that are sufficient to fund claims and the expenses identified previously for the plan year beginning July 1, 2015.

I have utilized generally accepted actuarial methodology in reaching this opinion.



Karen Bender, FCA, ASA, MAAA
Principal and Consulting Actuary
Oliver Wyman Actuarial Consulting, Inc.

March 16, 2015

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Scope, Distribution and Considerations of the Report

Scope

The only lines of business that OW was engaged to review are medical, drug and dental.

Distribution and Use

This report was prepared for the sole use of OPEH&W for the purpose(s) of evaluating medical, drug and dental benefits for the plan year beginning July 1, 2015. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of OPEH&W.

- Circulation or Publication - This report is not intended for general circulation or publication, nor is it to be used, quoted or distributed to others for any purpose other than those that may be set forth herein or in the written agreement pursuant to which this report has been issued without the prior written consent of Oliver Wyman
- Third Party Reliance and Due Diligence – Oliver Wyman’s consent to any distribution of this report (whether herein or in the written agreement pursuant to which this report has been issued) to parties other than OPEH&W does not constitute advice by Oliver Wyman to any such third parties and shall be solely for informational purposes and not for purposes of reliance by any such third parties. Oliver Wyman assumes no liability related to third party use of this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein. This report should not replace the due diligence on behalf of any such third party.
- Public Dissemination - Neither all nor any part of the contents of this report, any opinions expressed herein, or the firm with which this report is connected, shall be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other public means of communications, without the prior written consent of Oliver Wyman.
- Release of Report - Except as may have otherwise been agreed in the written agreement pursuant to which this report has been issued, our permission is granted for OPEH&W’s release of this report to its directors, officers, employees, auditors, insurance brokers, commercial insurance carriers, reinsurers and consultants who have a need to know and are bound by reasonable obligations of confidentiality, and to OPEH&W’s regulators (if applicable, and only if required or requested through regulatory process). Except as may have otherwise been agreed in the written agreement pursuant to which this report has been issued, distribution to parties other than those specifically mentioned is prohibited without our prior written consent.
- Avoiding Tax Penalty - The actuarial findings contained in this document are not intended to be used, and cannot be used, by OPEH&W for the purpose of avoiding tax penalties that may be imposed on the OPEH&W.

Considerations and Limitations

- **Data Verification (Claim and Exposure)** – For our analysis, we relied on data and information provided by OPEH&W without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. As noted in the subsequent report, we identified issues associated with drug claims and pursued those issues with OPEH&W. It should also be noted that our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions may need to be revised.
- **Prospective Plan Year** – The prospective plan year period estimates developed in this analysis are based on estimated claims and administrative costs and the projected exposures. It should be noted that prospective plan year claim and cost estimates are directly related to the projected exposures. Therefore, if actual exposures differ from the projection, prospective plan year estimates would need to be adjusted accordingly.
- **Supplemental Data** – Where OPEH&W's own historical data was either (i) not available, (ii) not appropriate or (iii) not sufficiently credible to develop our actuarial assumptions, we supplemented it with external information, as we deemed appropriate. Although we believe these external sources may be more predictive of future OPEH&W's experience than any other data of which we are aware, the use of external data adds to the uncertainty associated with our projections.
- **Exclusion of Other Program Costs** – The scope of the project does not include the estimation of any costs other than those described herein. Such ancillary costs may include the costs of trustee, legal, administrative, risk management and actuarial services; fees and assessments; and costs for surety bonds or letters of credit pertaining to claim liabilities.
- **Assumption of Valid Insurance / Reinsurance** – All reinsurance is considered to be valid and fully collectible. We made no assessment, and do not express any opinion, concerning the collectability of any excess insurance or reinsurance. We have not evaluated the financial strength, claims paying ability or any other factors with regard to OPEH&W's past, current, and / or prospective excess insurers / reinsurers.
- **Supporting Assets** – We have not examined, nor do we express any opinion regarding, the assets, if any, that are used to provide for the payment obligations associated with the estimates of unpaid costs presented in this report.
- **Rounding and Accuracy** – Our models may retain more digits than those displayed. In addition, the results of certain calculations may be presented in the exhibits with more or less digits than would be considered significant. As a result, it should be recognized that (i) there may be rounding differences between the results of calculations presented in the exhibits and replications of those calculations based on displayed underlying amounts, and (ii) calculation results may not have been adjusted to reflect the precision of the calculation.
- **Unanticipated Changes** – Our conclusions are based on an analysis of the OPEH&W data and on the estimation of the outcome of many contingent events. Future costs were developed from the historical claim experience and covered exposures, with adjustments for anticipated changes. Our estimates make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in historical databases or which are not yet quantifiable.

- Internal / External Changes – The sources of uncertainty affecting our estimates are numerous and include factors internal and external to OPEH&W and/or its vendors. Internal factors include items such as changes in claim reserving, networks or claim adjudication practices. The most significant external influences include, but are not limited to, changes in the legal, social, or regulatory environment surrounding self-funded health and welfare plans. Uncontrollable factors such as general economic conditions also contribute to the variability.
- Uncertainty Inherent in Projections – While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, no assurance can be given that the emergence of actual losses will correspond to the projections in this analysis.

3

Data

OW received the following information from OPEH&W as supplied by their third party administrator (TPA) and/or other vendors

- Medical and dental claims by contract and groups incurred and paid from July 1, 2012 through December 31, 2014.
- Shock Claims – over \$25k (identified by Employer Group) - Last two full plan years
- Lag Reports for medical and dental claims July 1, 2012 - December 31, 2014
- Drug Claims – Paid claims from July 1, 2012-December 31, 2014
- Financial Report – Current Plan Year through December 31, 2014
- Financial Report – Previous Full Plan Year (July 1, 2013-June 30, 2014)
- Plan Census – July 1, 2012-January 31, 2015
- Current Plan Briefing Book
- Current Benefit (Summary Plan Description, SPD) Book with Amendments
- Current Summary of Benefits & Coverage (SBC)
- Plan Audit for 2013-2014 Plan Year
- Benefit Changes for 2013-2014 and 2014-2015 plan years
- 2015-2016 Plan Year Vendor Fees:
 - Plan Management
\$14.50 per contract per month (unchanged from current levels)
 - Blue Cross and Blue Shield of Oklahoma (BCBSOK) Medical and Dental Fees
Medical: \$34.21 per contract per month; Dental: \$2.39 per contract per month;
for a total of \$36.60 per contract per month (unchanged from current levels)
 - Stop-Loss Reinsurance options

In addition to the above data, OPEH&W provided the details of the July 1, 2015 renewals from BCBSOK for its medical (excluding drug) and dental contracts. As part of these renewals, BCBSOK projected claims costs and ASO fees billed by BCBSOK. OPEH&W also provided three years of aggregated drug experience segregated between generic, brand and specialty drugs.

Claim Reconciliation

OW compared the data from the lag reports, which show medical claims for OPEH&W in aggregate, to the paid claim reports, which show the paid medical claim detail by group, and the Financial Reports provided. The differences between the medical and dental claim reports were immaterial for the purposes of setting rates.

We had more difficulties in reconciling drug claims. We did not request lag tables for drug claims because drug claims are processed quickly and serve as a good proxy for drug claims incurred. Thus we were only able to compare paid drug claim information to the Financial Reports provided. For the twelve month period ending June 30, 2014, the drug paid claims on the paid claims reports were \$226,197 less than the amount shown for the same time period on

the Financial Reports.² For the six month period ending December 31, 2014, the difference is \$1,023,922.³ These differences are material for the purposes of setting rates. We asked OPEH&W for assistance in reconciling these differences. OPEH&W indicated the differences “can be explained by cash flows, billing periods and business processes. We [OPEH&W] don’t show there to be a significant issue here that cannot be explained away by normal business operations. For the purposes of the study, please use the claims numbers as these are the actual amounts incurred.”⁴ We are relying upon the analysis that OPEH&W completed pertaining to the accuracy of the drug claims and, at their direction, used the paid drug claims as reflected in the paid claim files showing claims by group. If the OPEH&W analysis is not correct, then the resulting projections could be materially impacted.

² Total drug claims for the period, according to the Financial Report, were \$5,783,238 compared with \$5,557,041 on the drug paid claim file.

³ Drug claims for this six month period on the Financial Report are \$3,823,261 compared to \$4,847,183 on the detailed claim files.

⁴ February 2, 2015 e-mail from Ross Naylor, Vice President of OPEH&W Health Plan to Karen Bender

4

Enrollment

OPEH&W continues to experience positive growth. This is critical for any multi-employer plan.

Terminated Groups

No groups have terminated as of December 31, 2014.

New Groups

The following groups have recently started offering health insurance coverage through OPEH&W:

- Starting 1/1/2014
 - Coal County - **35** Employee Members
 - Kingfisher, City of - **62** Employee Members
 - Northwest Oklahoma Solid Waste Disposal Authority (NOSWDA) - **7** Employee Members
 - Talihina, City of - **18** Employee Members
 - Woodward County EMS - **17** Employee Members
 - Oklahoma Economic Development Authority (OEDA) - **14** Employee Members
- Starting 7/1/2014
 - Carter, Town of - **2** Employee Members
 - Mustang, City of - **81** Employee Members
 - Okay, Town of - **2** Employee Members
 - Stroud, City of - **42** Employee Members
- Starting 12/1/2014
 - Grady County Criminal Justice Authority - **84** Employee Members
- Starting 1/1/2015
 - OMAG - **25** Employee Members
 - Weatherford, City of - **122** Employee Members
 - Guymon, City of - **111** Employee Members
 - Haskell County - **67** Employee Members

In addition to positive growth, the average age/gender factor for covered members has decreased in recent plan years thus providing some “cushion” against trend. As long as this continues, there will be downward pressure on the underlying trend, all else equal. However, if the demographic mix of the trust stabilizes or begins to generate increasing aggregate age/gender factor, then this “cushion” will disappear and could result in upward pressure on claims in addition to the underlying trend. For the purposes of estimating 2015-2016 plan year claim costs, we have assume that the demographic mix as represented by the January 1, 2015 enrollment will not change over the next plan year.

5

Benefit and Vendor Changes

Benefit Changes

The Affordable Care Act (ACA) requires that plan years beginning on or after January 1, 2015 incorporate maximum out-of-pocket (MOOP) levels for all medical/drug benefits, even if medical and drug benefits are administered by different vendors. For plan years beginning in 2014, the Department of Labor provided a one year waiver for certain plans, of which OPEH&W qualified. The 2015 MOOP limits are \$6,600 for self-only coverage and \$13,200 for family coverage. It is important to note that if a plan has separate MOOPs for medical and pharmacy benefits, the aggregated MOOP for medical and pharmacy benefits combined cannot be greater than the 2015 MOOP limits.

To comply with this new requirement, OPEH&W will implement the following changes in MOOPs effective July 1, 2015:

Type of Service	2015 Maximum-out-of-Pocket
Medical	\$2,500 Self-Only/\$7,500 Family
Drug	\$1,900 Self-Only/\$5,700 Family
Total	\$4,400 Self-Only/13,200 Family

A MOOP is being added to pharmacy benefits to comply with federal regulations. We estimate that incorporating a \$1,900 self-only (\$5,700 family) MOOP to pharmacy benefits will increase overall medical and pharmacy claim costs by 2.6%. The value of this benefit was determined by using our proprietary pricing tool.

In order to reduce the impact of the pharmacy MOOP, OPEH&W could adopt other benefit changes. All of the proposed changes reflect the proposed drug MOOP proposed above. The medical self-only MOOP could be increased (Option B below). Options C and D increase the medical deductible for both self-only and family, but retains the existing medical MOOP. The chart below summarizes possible benefit alternatives that OPEH&W could implement to reduce the impact of the pharmacy MOOP with the proposed plan changes relative to the 2014-2015 plan year benefits noted in red:

Option	Proposed New Benefit	Net Impact* (Med and Rx)
A	\$500 Individual/\$1,500 Family Medical Deductible, Medical MOOP \$2,500 Self-Only/\$7,500 Family; Drug MOOP \$1,900 Self-Only/ \$5,700 Family [Proposed for 2016]	+2.6%
B	\$500 Individual/\$1,500 Family Medical Deductible, Medical MOOP \$3,500 Self-Only/\$7,500 Family; Drug MOOP \$1,900 Self-Only/ \$5,700 Family	+1.0%
C	\$750 Individual/\$2,250 Family Medical Deductible, Medical MOOP \$2,500 Self-Only/\$7,500 Family; Drug MOOP \$1,900 Self-Only/ \$5,700 Family	+1.1%
D	\$1,000 Individual/\$3,000 Family Medical Deductible; Medical MOOP \$2,500 Single/\$7,500 Family; Drug MOOP \$1,900 Self-Only/\$5,700 Family	0.0%

* Includes the impact of the pharmacy MOOP

Note that Option B eliminates the current 3:1 relationship between MOOP for self-only versus family for the medical benefits only. Family deductibles and MOOPs apply when there are three or more enrolled members in a family unit.

ACA MOOPs do not apply to dental.

Vendor Change

OPEH&W has indicated that it will be changing its Pharmaceutical Benefit Manager (PBM) by the next plan year. The new PBM, Express Scripts, is guaranteeing savings that will be either \$1,167,675 or \$1,754,222, depending on whether some drugs are excluded.⁵ We are relying on OPEH&W with regard to the accuracy of the estimates. We have not seen the analysis completed by Express Scripts and we have not completed an independent calculation to verify the reasonableness of the estimates. We note that these savings represent 14% to 21% for projected 2015/2016 plan year drug claims, which is significant. Per OPEH&W's request, we have shown the impact to aggregate costs. The projected costs (claims plus expenses) would decrease between 2.8% and 4.3%, depending upon the option chosen.

⁵ E-mail from Ross Naylor to Karen Bender on March 3, 2015.

6

Trends

We independently generated historical trend estimates based upon OPEH&W emerging experience using data from July 1, 2012 through December 31, 2014.

To develop fully incurred claims for medical and dental, we generated completion factors based upon the information provided by OPEH&W. Since drug claims are almost paid in real time, we used paid claims as a proxy for incurred claims. For medical and drug claims we next “normalized” the claim data for changes in demographics by applying age/gender factors to OPEH&W monthly census. The age/gender factors that were applied were developed using a large commercial database reflecting Oklahoma insured and self-funded group experience. We then compared this monthly factor to the analogous factor using January 2015 census information.⁶ The historic monthly claims were adjusted to reflect the aggregate demographic factor for the January 2015 census. This process allows us to minimize any changes in trend that may otherwise be due to a change in demographics.

Medical trends have exhibited variability, even on a 12-month basis. The following table shows the twelve month moving claims per member per month from June 2013 through October 2014.⁷

⁶ January 2015 was the most recent month at the time this analysis was performed for which demographic information was available and best represents what can be expected in the July 1, 2015-June 30, 2016 plan year.

⁷ We did not include incurred estimates for November and December 2014 because of the large amount of estimation for outstanding claims.

Medical Claims per Member per Month⁸

Twelve Months Ending	Demographically Normalized Claims \$ per Member per Month
June 2013	\$275.33
July	282.26
August	279.58
September	286.87
October	291.53
November	280.36
December	280.96
January 2014	279.55
February	286.56
March	294.33
April	297.03
May	302.63
June	303.87
July	303.99
August	299.44
September	291.02
October	289.95

As can be seen from the above, the allowed PMPMs peak for the twelve-month periods ending October 2013 and July 2014. This is a pattern typical of the presence of large claim(s) as they work their way through the moving averages. Large claims make the trend estimation process more challenging. We analyzed trends using several different methodologies (e.g., monthly, 12-month moving averages; linear regression, exponential regression). The various methodologies yielded a range from -6%, reflecting the downward experience in recent months, to a high of nearly 6%. Since we are using experience period ending June 30, 2013 and June 30, 2014 (the latter of which is almost at the peak of crest of the moving \$PMPMs), we employed a medical trend of 4.0% for developing 2015-2016 plan year rates.

Prescription Drugs

Prescription drug costs have increased materially during the last seven months of 2014. Discussions with OPEH&W indicated that there are seven individuals who have Hepatitis C and all seven opted to treat the disease with new, very expensive, drugs. Their course of treatment should have ended or should be ending shortly. Recently the manufacturers of these Hepatitis C drugs have implemented major price reductions, as much as 46%.⁹ The combination of all the individuals diagnosed with Hepatitis C electing treatment and the price reduction of this drug would seem to imply that the costs for the last seven months of 2014 are an anomaly and that we would not expect these drug costs to be repeated during the next plan year. Therefore, we

⁸ Please remember that “per member per month” is different than “per contract per month.” PMPM reflects the claim dollars for all enrollees, not just employees.

⁹ Max Nisen, Prices for Miracle Drugs that are Curing Hepatitis C Are Collapsing. Feb 5, 2015 <http://qz.com/338840/prices-for-the-miracle-drugs-that-cure-hepatitis-c-are-collapsing/>

based the trend for prescription drugs on the non-specialty drug experience only. These trends were more stable, ranging from 10.5% to over 16%, which is a materially higher trend than OPEH&W has enjoyed during the past several years. These higher trends could be due to a combination of higher drug trends overall, which we have seen, as well as a OPEH&W's experience returning to levels that are more similar to what we have seen in the market in general. We employed a drug trend of 12% for developing 2015-2016 plan year rates.

Medical/Prescription Drug Combined Trend

For the last plan year, prescription drugs represented 20% of medical and drug claims combined. The following chart shows the medical/drug combined trend used for development of 2015 plan year rates.

	Weight	Trend
Medical	80%	4.0%
Drug	20%	12.0%
Combined	100%	5.6%

Dental

Dental claims were not normalized for demographics since the variation due to demographics among dental claims is much smaller than the variation among medical claims because dental benefits have an annual maximum of \$1,500 and exclude orthodontics. Dental trends ranged from under 3% to above 8%. We have used 5% for pricing purposes.

Comparison to Other Sources

OW conducts a semi-annual trend survey that reflects the results of over 100 participating companies, including many of the Blues as well as the major national carriers. The following shows the results of our most recent trend survey, based on pricing trends for January 1, 2015.

Percentile	Medical			Dental	
	POS	PPO	Drug	PPO	Indemnity (No Network)
100%	13.0%	13.1%	21.8%	7.5%	7.5%
75 th	9.5%	8.6%	12.1%	5.5%	5.5%
Median	7.5%	8.1%	11.0%	5.0%	5.0%
25 th	6.3%	6.5%	9.4%	5.0%	3.7%
Zero	3.8%	3.4%	3.0%	0.5%	1.5%

The trends that OW has employed for pricing OPEH&W are in the lower quartile for medical; 75th percentile for drug; and 50th percentile for dental as reflected in the January 2015 OW Trend Survey.

BCBSOK used a medical trend of 6.8% and a dental trend of 5.0%. BCBSOK did not provide any drug trends since OPEH&W uses a separate PBM.

7

Projected Experience

We used a traditional renewal calculation that is typical of methods used by insurers for large groups. This employs developing a projected claim amount PMPM, adding non-claim expenses and converting to the appropriate premium per dependent tier level.

We have used two years of experience to provide additional credibility. To estimate the impact of the specific stop loss level, we “discounted” the value in 2015/2016 dollars to the corresponding experience period. For example, a \$350,000 medical claim in the 2015-2016 plan year would be about \$324,000 in claims in the 2013/2014 plan year assuming a 4% medical trend. $[350,000 \div (1.04)^2 = 324,000]$

We incorporated a demographic adjustment to reflect the differences between the experience period demographics and the estimated 2015-2016 plan year demographics. The January 2015 demographic information was assumed to represent the 2015-2016 plan year demographic mix. The proposed rates reflect the drug MOOP initially requested by OPEH&W (i.e., \$1,900 Individual/\$5,700 Family).

A premium per member per month is generated and converted into an employee-only (i.e., single) rate by using a single conversion factor that was developed using OPEH&W’s January 2015 distribution of employees by tier level and the current relationship in premiums between the tier levels.

Dental rates are developed using the same general process with a couple of differences. The individual stop loss does not apply to dental. There was no need to apply an adjustment to account for benefit changes as there are no benefit changes to the underlying dental plan, and we did not adjust for changes in demographics. The only non-claim expenses charged to the dental premium were those associated with the BCBSOK network access fees.

The following pages show the detailed development of the medical (including drug) recommended rates and dental recommended rates. Please note that we have not incorporated any provision for contribution to reserves/surplus in these rate developments per OPEH&W instructions.

The overall increase using this approach is approximately 10.5% with the current \$350,000 stop loss for medical current PBM and the change in drug MOOP to comply with ACA. An increase in the stop loss to \$450,000 would reduce this to approximately 10.2%.

**OPEH&W Health Plan
Medical/Pharmacy Experience Rating Renewal Calculation**

Rating Period: 7/1/2015 to 6/30/2016
Pooling Level: \$350,000

	Experience Period 1	Experience Period 2
Experience Period	7/1/2012-6/30/2013	7/1/2013-6/30/2014
Member Months	65,013	72,322
Contract Months	46,944	51,371
Number of Projection Months	36	24
Member Months/Contract	1.385	1.408

BASE PERIOD MEDICAL/PHARMACY CLAIMS		
1. Medical Claims For Period	\$ 18,495,891	\$ 22,190,177
2. Less Reinsurance Recoveries	\$ 79,771	\$ 207,463
3. Claims Adjusted for Reinsurance Recoveries (1. - 2.)	\$ 18,416,120	\$ 21,982,714
4. Trend Factor to 07/02/1900 Effective Date @ 4%	x 1.125	x 1.082
5. Projected Medical Claims (3. x 4.)	\$ 20,715,630	\$ 23,776,503
6. Pharmacy Claims For Period	\$ 4,681,520	\$ 5,557,211
7. Trend Factor to 07/02/1900 Effective Date @ 12%	x 1.405	x 1.254
8. Projected Drug Claims (6. x 7.)	\$ 6,577,198	\$ 6,970,965
9. Projected Net Claims (5.+x 8.)	\$ 27,292,828	\$ 30,747,468
10. Member Months	/ 65,013	/ 72,322
11. Projected Medical and Drug Costs PMPM (9. / 10.)	\$ 419.81	\$ 425.15
12. Other Multiplicative Adjustment		
Demographic (Adjust to Jan 2015 Demographics)	0.9543	0.9764
Benefit (Rx MOOP)	x 1.0260	1.0260
Total	0.9791	1.0018
13. Other Additive Adjustment PMPM	+ \$ -	+ \$ -
14. Adjusted Trended Medical Claims (11. x 12. + 13.)	\$ 411.04	\$ 425.91

PROJECTED CLAIMS PMPM FOR 7/1/2015-6/30/2016		
1. Projected Medical and Pharmacy Claims Experience	\$ 411.04	\$ 425.91
2. Period Weightings	0.32	0.68
3. Contributing Claims Experience (1. x 2.)	3a. \$ 132.93	3b. \$ 288.18
4. Weighted Projected Medical and Pharmacy Claims (3a. + 3b.)		\$ 421.10

ADMINISTRATIVE/EXPENSE		
1. Projected Medical and Pharmacy Claims		\$ 421.10
2. Fees		
a. BCBSOK Medical Fee	PCPM \$ 34.21	\$ 23.35
b. Plan Management Fee	PCPM \$ 14.50	9.90
c. Stop Loss Premium	PCPM \$ 13.82	9.43
d. ACA Reinsurance Fee	PMPM \$3.67 PMPM from July-Dec 2015; \$2.25 PMPM from Jan-June 2016	2.96
e. PCORI	PMPM \$0.17 PMPM from July-Sept 2015; \$0.18 PMPM from Oct 2015-June 2016	0.18
f. Total Fees		\$ 45.81
* Ratio of Members/Contract for Jan 2015:	1.466	
3. Projected Claims and Expense PMPM (1. + 2f.)		\$ 466.91

Convert Premium PMPM to Tier Rates Single Conversion Factor	1.158
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Medical/Pharmacy

Assumes \$350,000 Stop-Loss Coverage

Proposed Rates			
Tier	Non-Retiree	Retiree	COBRA
Employee	\$ 540.55	\$ 674.96	\$ 551.36
Employee + Child	\$ 803.93	\$ 1,015.29	\$ 820.01
Employee + Children	\$ 969.32	\$ 1,218.30	\$ 988.70
Employee + Spouse	\$ 1,129.98	\$ 1,421.79	\$ 1,152.57
Employee + Spouse + Child	\$ 1,182.68	\$ 1,489.45	\$ 1,206.33
Employee + Spouse + Children	\$ 1,374.34	\$ 1,732.22	\$ 1,401.82

Current Rates			
Tier	Non-Retiree	Retiree	COBRA
Employee	\$ 476.14	\$ 594.54	\$ 485.66
Employee + Child	\$ 708.14	\$ 894.32	\$ 722.30
Employee + Children	\$ 853.82	\$ 1,073.14	\$ 870.89
Employee + Spouse	\$ 995.34	\$ 1,252.38	\$ 1,015.24
Employee + Spouse + Child	\$ 1,041.76	\$ 1,311.98	\$ 1,062.59
Employee + Spouse + Children	\$ 1,210.58	\$ 1,525.82	\$ 1,234.79

Proposed Rate Change			
Tier	Non-Retiree	Retiree	COBRA
Employee	13.5%	13.5%	13.5%
Employee + Child	13.5%	13.5%	13.5%
Employee + Children	13.5%	13.5%	13.5%
Employee + Spouse	13.5%	13.5%	13.5%
Employee + Spouse + Child	13.5%	13.5%	13.5%
Employee + Spouse + Children	13.5%	13.5%	13.5%

**OPEH&W Health Plan
Dental Experience Rating Renewal Calculation**

Rating Period: 07/1/2015 to 6/30/2015

	Experience Period 1	Experience Period 2
Experience Period	7/1/2012-6/30/2013	7/1/2013-6/30/2014
Member Months	70,983	76,113
Contract Months	48,022	50,752
Number of Projection Months	36	24
Member Months/Contract	1.478	1.500

BASE PERIOD DENTAL CLAIMS		
1. Dental Claims	\$ 1,221,002	\$ 1,367,974
2. Trend Factor to 01/01/2016 Effective Date @ 5%	x 1.158	x 1.103
3. Projected Net Claims (1. x 2.)	\$ 1,413,463	\$ 1,508,191
4. Member Months	/ 70,983	/ 76,113
5. Projected Dental Costs PMPM (3. / 4.)	\$ 19.91	\$ 19.82
6. Other Multiplicative Adjustment	1.0000	1.0000
7. Other Additive Adjustment PMPM	\$ -	\$ -
8. Adjusted Trended Dental Claims (5. x 6. + 7.)	\$ 19.91	\$ 19.82
9. Projected Claims	\$ 1,413,463	\$ 1,508,191

PROJECTED CLAIMS PMPM FOR 7/1/2015-6/30/2016		
1. Projected Dental Claims PMPM	\$ 19.91	\$ 19.82
2. Period Weightings	0.32	0.68
3. Contributing Claims Experience (1. x 2.)	3a. \$ 6.44	3b. \$ 13.41
4. Weighted Projected Dental Claims (3a. + 3b.)		\$ 19.85

ADMINISTRATIVE/EXPENSE		
1. Projected Dental Claims		\$ 19.85
2. BCBSOK Dental Fee	PCPM \$ 2.39	1.57
Ratio of Members/Contract for Jan 2015	1.518	
3. Projected Claims and Expense PMPM (1. + 2b.)		\$ 21.42

Convert Premium PMPM to Tier Rates		
Single Conversion Factor		1.129

Dental

Proposed Rates			
Tier	Non-Retiree	Retiree	COBRA
Employee	\$ 24.18	\$ 30.20	\$ 24.67
Employee + Child	\$ 37.20	\$ 45.17	\$ 37.95
Employee + Children	\$ 44.89	\$ 54.08	\$ 45.79
Employee + Spouse	\$ 52.03	\$ 62.22	\$ 53.07
Employee + Spouse + Child	\$ 54.58	\$ 65.16	\$ 55.67
Employee + Spouse + Children	\$ 65.13	\$ 77.41	\$ 66.44

Current Rates			
Tier	Non-Retiree	Retiree	COBRA
Employee	\$ 34.40	\$ 42.96	\$ 35.09
Employee + Child	\$ 52.92	\$ 64.26	\$ 53.98
Employee + Children	\$ 63.86	\$ 76.94	\$ 65.14
Employee + Spouse	\$ 74.02	\$ 88.52	\$ 75.50
Employee + Spouse + Child	\$ 77.64	\$ 92.70	\$ 79.19
Employee + Spouse + Children	\$ 92.66	\$ 110.12	\$ 94.52

Proposed Rate Change			
Tier	Non-Retiree	Retiree	COBRA
Employee	-29.7%	-29.7%	-29.7%
Employee + Child	-29.7%	-29.7%	-29.7%
Employee + Children	-29.7%	-29.7%	-29.7%
Employee + Spouse	-29.7%	-29.7%	-29.7%
Employee + Spouse + Child	-29.7%	-29.7%	-29.7%
Employee + Spouse + Children	-29.7%	-29.7%	-29.7%

Summary of Medical/Pharmacy and Dental Rate Changes (using \$350,000 stop-loss level)

Proposed Rates									
Tier	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Total	Medical	Dental	Total	Medical	Dental	Total
Employee	\$ 540.55	\$ 24.18	\$ 564.73	\$ 674.96	\$ 30.20	\$ 705.16	\$ 551.36	\$ 24.67	\$ 576.02
Employee + Child	\$ 803.93	\$ 37.20	\$ 841.13	\$ 1,015.29	\$ 45.17	\$ 1,060.47	\$ 820.01	\$ 37.95	\$ 857.95
Employee + Children	\$ 969.32	\$ 44.89	\$ 1,014.21	\$ 1,218.30	\$ 54.08	\$ 1,272.39	\$ 988.70	\$ 45.79	\$ 1,034.49
Employee + Spouse	\$ 1,129.98	\$ 52.03	\$ 1,182.01	\$ 1,421.79	\$ 62.22	\$ 1,484.01	\$ 1,152.57	\$ 53.07	\$ 1,205.65
Employee + Spouse + Child	\$ 1,182.68	\$ 54.58	\$ 1,237.26	\$ 1,489.45	\$ 65.16	\$ 1,554.61	\$ 1,206.33	\$ 55.67	\$ 1,262.00
Employee + Spouse + Children	\$ 1,374.34	\$ 65.13	\$ 1,439.47	\$ 1,732.22	\$ 77.41	\$ 1,809.63	\$ 1,401.82	\$ 66.44	\$ 1,468.26

Current Rates									
Tier	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Total	Medical	Dental	Total	Medical	Dental	Total
Employee	\$ 476.14	\$ 34.40	\$ 510.54	\$ 594.54	\$ 42.96	\$ 637.50	\$ 485.66	\$ 35.09	\$ 520.75
Employee + Child	\$ 708.14	\$ 52.92	\$ 761.06	\$ 894.32	\$ 64.26	\$ 958.58	\$ 722.30	\$ 53.98	\$ 776.28
Employee + Children	\$ 853.82	\$ 63.86	\$ 917.68	\$ 1,073.14	\$ 76.94	\$ 1,150.08	\$ 870.89	\$ 65.14	\$ 936.03
Employee + Spouse	\$ 995.34	\$ 74.02	\$ 1,069.36	\$ 1,252.38	\$ 88.52	\$ 1,340.90	\$ 1,015.24	\$ 75.50	\$ 1,090.74
Employee + Spouse + Child	\$ 1,041.76	\$ 77.64	\$ 1,119.40	\$ 1,311.98	\$ 92.70	\$ 1,404.68	\$ 1,062.59	\$ 79.19	\$ 1,141.78
Employee + Spouse + Children	\$ 1,210.58	\$ 92.66	\$ 1,303.24	\$ 1,525.82	\$ 110.12	\$ 1,635.94	\$ 1,234.79	\$ 94.52	\$ 1,329.31

Proposed Changes									
Tier	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Total	Medical	Dental	Total	Medical	Dental	Total
Employee	13.5%	-29.7%	10.6%	13.5%	-29.7%	10.6%	13.5%	-29.7%	10.6%
Employee + Child	13.5%	-29.7%	10.5%	13.5%	-29.7%	10.6%	13.5%	-29.7%	10.5%
Employee + Children	13.5%	-29.7%	10.5%	13.5%	-29.7%	10.6%	13.5%	-29.7%	10.5%
Employee + Spouse	13.5%	-29.7%	10.5%	13.5%	-29.7%	10.7%	13.5%	-29.7%	10.5%
Employee + Spouse + Child	13.5%	-29.7%	10.5%	13.5%	-29.7%	10.7%	13.5%	-29.7%	10.5%
Employee + Spouse + Children	13.5%	-29.7%	10.5%	13.5%	-29.7%	10.6%	13.5%	-29.7%	10.5%

OPEH&W did not implement any trend increase for the 2014-2015 plan year. All else equal, we would have anticipated the rate increase for the 2015-2016 plan year to be two years of trend. The annualized trend for medical, drug and dental claims combined is 5.6%. Two years of trend at 5.6% equates to about 11.5%. ACA requires inclusion of drug claims into an annual MOOP. The above rates reflect the proposed OPEH&W change in benefits to comply with this ACA requirement, which increased medical claims by 2.6%¹⁰ or about 2.4% of total cost.

The rates on page 21 also reflect the current PBM and have not considered any savings resulting from changing PBMs. The following chart shows how various actions could reduce the 10.5% rate increase.

Actions	% Savings to Total Cost
Increasing medical deductibles while maintaining the drug MOOPs reflected in the previous rates	0.0% to 2.4%
Increasing individual stop loss	0.3%
Savings from new PBM	2.8% to 4.3%

¹⁰ See discussion in Section 5.

8

Forecast

The next pages show the anticipated premium and claims for each group that was effective as of January 1, 2015 for the July 1, 2015 through June 30, 2016 plan year.

The aggregate increase in premium rates after incorporation of the proposed changes in MOOP for drug claims is approximately 10.5%.

As discussed in Section 5, OPEH&W has indicated that it will be changing its PBM by the next plan year. The projected aggregate costs (claims plus expenses) are expected to decrease between 2.8% and 4.3%, depending upon whether some drugs are excluded. We have not seen the analysis completed by the new PBM and we have not completed an independent calculation to verify the reasonableness of the estimates. Per OPEH&W's request, we have shown the impact to aggregate costs.

	ACCO	Adair County	Arnett Public Schools	Atoka County	Beaver County	Beckham County	Bethany, City of	Blanchard, City of	Guymon, City of	Kingfisher, City of
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)										
	ACCO	Adair County	Arnett Public Schools	Atoka County	Beaver County	Beckham County	City of Bethany	City of Blanchard	City of Guymon	City of Kingfisher
Employee	6	10	12	48	45	87	53	28	39	24
Employee + Child	1	1	2	2	6	9	6	3	9	3
Employee + Children	3	0	4	1	4	5	10	1	12	6
Employee + Spouse	2	0	4	0	16	12	10	1	29	12
Employee + Spouse + Child	5	0	0	0	7	1	10	1	4	5
Employee + Spouse + Children	3	0	6	0	13	3	24	0	20	13
Total Medical Employees	20	11	28	51	91	117	113	34	113	63
Total Dental Employees	19	13	34	51	99	117	120	34	0	63
Current Estimated Premium (12 month	\$ 218,375	71,429	291,182	325,007	898,772	905,744	1,141,318	238,316	1,109,413	664,046
Projected Claims										
Medical	\$ 152,180	56,355	201,371	243,097	787,036	704,892	712,857	126,451	828,511	404,553
Pharmacy	45,770	16,949	60,565	73,115	236,712	212,006	214,402	38,032	249,186	121,675
Dental	9,619	3,774	15,880	15,311	44,139	44,092	53,386	10,895	0	29,480
Total Claims	\$ 207,569	77,078	277,817	331,523	1,067,888	960,991	980,644	175,378	1,077,697	555,708
Pharmacy as a % of total claims	22.1%	22.0%	21.8%	22.1%	22.2%	22.1%	21.9%	21.7%	23.1%	21.9%
Dental as a % of total claims	4.6%	4.9%	5.7%	4.6%	4.1%	4.6%	5.4%	6.2%	0.0%	5.3%
Non-Benefit Expenses										
Stop Loss Premium	\$ 3,317	1,824	4,644	8,458	15,091	19,403	18,740	5,639	18,740	10,448
BCBSOK Administrative Fee	8,755	4,889	12,470	22,399	40,197	51,386	49,830	14,933	46,389	27,670
Plan Management Fee	3,480	1,914	4,872	8,874	15,834	20,358	19,662	5,916	19,662	10,962
ACA Reinsurance Fee	1,776	426	2,344	1,954	6,713	6,038	8,916	1,492	9,306	5,328
PCORI Fee	108	26	143	119	408	367	542	91	566	324
Total Non-Benefit Expenses	\$ 17,436	9,079	24,472	41,803	78,244	97,553	97,690	28,070	94,663	54,732
Margin (\$)	\$ -	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	\$ 225,005	86,157	302,289	373,326	1,146,131	1,058,544	1,078,334	203,448	1,172,360	610,440
Net Change	3.0%	20.6%	3.8%	14.9%	27.5%	16.9%	-5.5%	-14.6%	5.7%	-8.1%

	McAlester, City of	Medford, City of	Mustang, City of	Pond Creek, City of	Stroud, City of	Weatherford, City of	Boise City Schools	Bryan County	Cherokee County	Choctaw County
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)	City of McAlester	City of Medford	City of Mustang	City of Pond Creek	City of Stroud	City of Weatherford	Boise City Schools	Bryan County	Cherokee County	Choctaw County
Employee	153	2	27	10	38	104	33	108	97	65
Employee + Child	1	1	2	0	1	4	0	4	5	3
Employee + Children	4	1	2	0	0	7	3	4	3	1
Employee + Spouse	6	1	8	1	2	7	2	5	12	3
Employee + Spouse + Child	2	5	10	0	0	0	3	0	1	0
Employee + Spouse + Children	3	1	27	0	0	1	4	1	1	1
Total Medical Employees	169	11	76	11	41	123	45	122	119	73
Total Dental Employees	164	11	0	11	41	0	62	136	5	76
Current Estimated Premium (12 month)	1,162,614	128,033	811,895	75,999	269,296	800,911	375,239	839,861	805,333	501,648
Projected Claims										
Medical	741,085	102,185	534,222	52,919	178,412	533,928	295,470	567,738	689,516	378,209
Pharmacy	222,892	30,734	160,675	15,916	53,660	160,586	88,867	170,755	207,382	113,752
Dental	58,408	5,787	0	4,506	12,814	0	23,739	43,283	1,968	23,209
Total Claims	1,022,385	138,706	694,897	73,340	244,887	694,515	408,076	781,775	898,865	515,169
Pharmacy as a % of total claims	21.8%	22.2%	23.1%	21.7%	21.9%	23.1%	21.8%	21.8%	23.1%	22.1%
Dental as a % of total claims	5.7%	4.2%	0.0%	6.1%	5.2%	0.0%	5.8%	5.5%	0.2%	4.5%
Non-Benefit Expenses										
Stop Loss Premium	28,027	1,824	12,604	1,824	6,799	20,398	7,463	20,232	19,735	12,106
BCBSOK Administrative Fee	74,081	4,831	31,200	4,831	18,007	50,494	20,252	53,984	48,995	32,148
Plan Management Fee	29,406	1,914	13,224	1,914	7,134	21,402	7,830	21,228	20,706	12,702
ACA Reinsurance Fee	7,175	1,030	7,424	426	1,563	5,470	2,664	5,044	5,257	3,019
PCORI Fee	436	63	451	26	95	333	162	307	320	184
Total Non-Benefit Expenses	139,126	9,662	64,902	9,022	33,599	98,097	38,370	100,795	95,013	60,159
Margin (\$)	0	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	1,161,510	148,368	759,799	82,362	278,485	792,612	446,447	882,570	993,878	575,328
Net Change	-0.1%	15.9%	-6.4%	8.4%	3.4%	-1.0%	19.0%	5.1%	23.4%	14.7%

	Cimarron County	CED 3	Circuit Engineers District # 6	Circuit Engineers District # 7	Circuit Engineers District # 8	Circuit Engineers District # 4	Coal County	Craig County	Custer County	Elk City Schools
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)	Cimarron County	Circuit Engineers District # 3	Circuit Engineers District # 6	Circuit Engineers District # 7	Circuit Engineers District # 8	Circuit Engineers District # 4	Coal County	Craig County	Custer County	Elk City Schools
Employee	50	8	1	11	11	1	25	71	90	177
Employee + Child	0	0	0	3	3	1	0	2	7	14
Employee + Children	0	0	0	3	2	0	0	4	4	25
Employee + Spouse	5	2	0	0	0	5	1	6	12	14
Employee + Spouse + Child	1	1	0	2	0	1	1	3	3	7
Employee + Spouse + Children	0	0	0	0	0	1	1	3	1	8
Total Medical Employees	56	11	1	19	16	9	28	89	117	245
Total Dental Employees	68	11	1	19	16	9	21	98	129	286
Current Estimated Premium (12 month)	399,776	87,737	6,602	155,455	116,814	111,751	193,284	670,830	896,467	1,992,218
Projected Claims										
Medical	289,377	46,308	6,996	97,253	66,115	99,240	142,331	503,921	664,000	1,477,417
Pharmacy	87,034	13,928	2,104	29,250	19,885	29,848	42,808	151,561	199,707	444,354
Dental	23,410	3,672	578	7,332	5,196	5,019	6,545	33,599	46,549	107,670
Total Claims	399,821	63,907	9,679	133,835	91,196	134,107	191,684	689,082	910,256	2,029,441
Pharmacy as a % of total claims	21.8%	21.8%	21.7%	21.9%	21.8%	22.3%	22.3%	22.0%	21.9%	21.9%
Dental as a % of total claims	5.9%	5.7%	6.0%	5.5%	5.7%	3.7%	3.4%	4.9%	5.1%	5.3%
Non-Benefit Expenses										
Stop Loss Premium	9,287	1,824	166	3,151	2,653	1,493	4,644	14,760	19,403	40,631
BCBSOK Administrative Fee	24,939	4,831	439	8,345	7,027	3,953	12,097	39,347	51,731	108,780
Plan Management Fee	9,744	1,914	174	3,306	2,784	1,566	4,872	15,486	20,358	42,630
ACA Reinsurance Fee	2,238	604	36	1,137	888	746	1,208	4,404	5,506	13,213
PCORI Fee	136	37	2	69	54	45	73	268	335	804
Total Non-Benefit Expenses	46,344	9,210	817	16,008	13,407	7,803	22,893	74,265	97,332	206,058
Margin (\$)	0	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	446,165	73,117	10,495	149,843	104,602	141,910	214,578	763,347	1,007,588	2,235,498
Net Change	11.6%	-16.7%	59.0%	-3.6%	-10.5%	27.0%	11.0%	13.8%	12.4%	12.2%

	Ellis County	EODD	Fargo Public Schools	Garfield County	Grady County	Grady County Criminal Justice Authority	Grant County	Greer County	Harper County	Harper County Community Hospital
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)	Ellis County	EODD	Fargo Public Schools	Garfield County	Grady County	Grady County Criminal Justice Authority	Grant County	Greer County	Harper County	Harper County Community Hospital
Employee	38	9	22	152	107	73	60	34	31	27
Employee + Child	11	1	4	6	6	1	1	1	1	3
Employee + Children	4	0	2	11	4	1	0	2	0	2
Employee + Spouse	14	1	2	14	10	5	4	4	18	2
Employee + Spouse + Child	4	2	1	2	7	0	0	3	2	2
Employee + Spouse + Children	12	0	2	0	2	1	0	1	3	1
Total Medical Employees	83	13	33	185	136	81	65	45	55	37
Total Dental Employees	90	14	37	212	155	81	80	53	62	39
Current Estimated Premium (12 month)	814,490	104,484	266,322	1,352,628	1,031,919	552,803	437,999	371,768	518,180	284,738
Projected Claims										
Medical	619,584	73,413	192,385	1,047,209	770,691	362,177	338,119	313,850	505,591	218,019
Pharmacy	186,348	22,080	57,862	314,963	231,796	108,930	101,694	94,395	152,064	65,572
Dental	39,845	4,961	13,478	72,960	56,522	26,893	25,338	21,623	26,745	13,646
Total Claims	845,777	100,454	263,725	1,435,131	1,059,010	498,001	465,151	429,868	684,399	297,238
Pharmacy as a % of total claims	22.0%	22.0%	21.9%	21.9%	21.9%	21.9%	21.9%	22.0%	22.2%	22.1%
Dental as a % of total claims	4.7%	4.9%	5.1%	5.1%	5.3%	5.4%	5.4%	5.0%	3.9%	4.6%
Non-Benefit Expenses										
Stop Loss Premium	13,765	2,156	5,473	30,680	22,554	13,433	10,780	7,463	9,121	6,136
BCBSOK Administrative Fee	36,654	5,738	14,608	82,026	60,276	35,575	28,978	19,993	24,357	16,308
Plan Management Fee	14,442	2,262	5,742	32,190	23,664	14,094	11,310	7,830	9,570	6,438
ACA Reinsurance Fee	6,003	746	1,812	8,276	6,429	3,339	2,557	2,238	3,090	1,954
PCORI Fee	365	45	110	503	391	203	156	136	188	119
Total Non-Benefit Expenses	71,229	10,947	27,745	153,676	113,314	66,644	53,781	37,660	46,326	30,954
Margin (\$)	0	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	917,006	111,401	291,470	1,588,807	1,172,324	564,645	518,932	467,528	730,725	328,192
Net Change	12.6%	6.6%	9.4%	17.5%	13.6%	2.1%	18.5%	25.8%	41.0%	15.3%

	Haskell County	Johnston County	Kingfisher County	Lincoln County	Lincoln County E911 Trust Authority	McCurtain County	McElroy & Associates Inc.	Muskogee County	Muskogee County E911	N.O.D.A
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)										
Employee	61	62	62	98	10	150	2	113	12	12
Employee + Child	4	0	2	6	0	4	0	4	3	0
Employee + Children	0	1	6	1	1	4	0	5	2	2
Employee + Spouse	1	3	8	4	0	8	1	22	1	2
Employee + Spouse + Child	0	0	2	1	0	1	2	9	1	0
Employee + Spouse + Children	0	1	3	3	0	0	2	2	0	1
Total Medical Employees	66	67	83	113	11	167	7	155	19	17
Total Dental Employees	33	71	87	125	11	171	7	162	19	18
Current Estimated Premium (12 month)	413,047	452,550	649,004	792,369	72,630	1,128,137	83,229	1,237,217	148,761	138,885
Projected Claims										
Medical	330,291	316,965	507,130	595,457	39,604	837,936	60,768	949,202	99,281	111,808
Pharmacy	99,340	95,332	152,526	179,092	11,912	252,021	18,277	285,486	29,860	33,628
Dental	12,099	23,626	31,188	43,781	3,418	53,332	3,778	59,039	6,361	6,508
Total Claims	441,730	435,923	690,844	818,330	54,934	1,143,290	82,823	1,293,727	135,502	151,944
Pharmacy as a % of total claims	22.5%	21.9%	22.1%	21.9%	21.7%	22.0%	22.1%	22.1%	22.0%	22.1%
Dental as a % of total claims	2.7%	5.4%	4.5%	5.4%	6.2%	4.7%	4.6%	4.6%	4.7%	4.3%
Non-Benefit Expenses										
Stop Loss Premium	10,945	11,111	13,765	18,740	1,824	27,695	1,161	25,705	3,151	2,819
BCBSOK Administrative Fee	28,041	29,541	36,568	49,974	4,831	73,461	3,074	68,277	8,345	7,495
Plan Management Fee	11,484	11,658	14,442	19,662	1,914	29,058	1,218	26,970	3,306	2,958
ACA Reinsurance Fee	2,486	2,664	4,618	5,008	462	6,678	675	7,885	1,101	995
PCORI Fee	151	162	281	305	28	406	41	480	67	60
Total Non-Benefit Expenses	53,108	55,136	69,673	93,689	9,059	137,298	6,169	129,317	15,970	14,327
Margin (\$)	0	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	494,838	491,060	760,517	912,019	63,993	1,280,588	88,993	1,423,044	151,472	166,271
Net Change	19.8%	8.5%	17.2%	15.1%	-11.9%	13.5%	6.9%	15.0%	1.8%	19.7%

	NOSWDA	Nowata County	OEDA	OMAG	OMRF	OMUSA	Pawnee County	Pittsburg County	Pittsburg County Water Authority	Pontotoc County
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)										
Employee	4	54	11	15	3	6	65	195	1	128
Employee + Child	2	3	0	1	1	0	4	6	0	2
Employee + Children	0	0	1	0	1	0	3	0	1	1
Employee + Spouse	0	0	0	4	2	0	2	3	1	3
Employee + Spouse + Child	1	0	0	2	0	0	0	2	0	2
Employee + Spouse + Children	0	0	0	5	0	1	0	0	3	1
Total Medical Employees	7	57	12	27	7	7	74	206	6	137
Total Dental Employees	7	62	12	27	0	7	83	214	6	151
Current Estimated Premium (12 month)	55,982	361,606	78,050	265,372	59,773	51,699	503,879	1,340,506	76,412	911,698
Projected Claims										
Medical	47,034	300,788	59,408	217,265	56,861	31,923	338,220	903,186	47,266	582,456
Pharmacy	14,146	90,466	17,868	65,345	17,102	9,601	101,725	271,646	14,216	175,182
Dental	2,365	17,958	3,226	12,756	0	1,882	25,798	65,836	3,209	46,932
Total Claims	63,544	409,212	80,502	295,366	73,963	43,406	465,743	1,240,668	64,691	804,570
Pharmacy as a % of total claims	22.3%	22.1%	22.2%	22.1%	23.1%	22.1%	21.8%	21.9%	22.0%	21.8%
Dental as a % of total claims	3.7%	4.4%	4.0%	4.3%	0.0%	4.3%	5.5%	5.3%	5.0%	5.8%
Non-Benefit Expenses										
Stop Loss Premium	1,161	9,453	1,990	4,478	1,161	1,161	12,272	34,163	995	22,720
BCBSOK Administrative Fee	3,074	25,178	5,270	11,858	2,874	3,074	32,759	90,705	2,635	60,572
Plan Management Fee	1,218	9,918	2,088	4,698	1,218	1,218	12,876	35,844	1,044	23,838
ACA Reinsurance Fee	391	2,131	497	2,167	426	355	3,197	7,850	781	5,364
PCORI Fee	24	130	30	132	26	22	194	477	48	326
Total Non-Benefit Expenses	5,868	46,809	9,876	23,333	5,705	5,830	61,298	169,039	5,503	112,820
Margin (\$)	0	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	69,412	456,022	90,378	318,699	79,668	49,236	527,041	1,409,707	70,194	917,390
Net Change	24.0%	26.1%	15.8%	20.1%	33.3%	-4.8%	4.6%	5.2%	-8.1%	0.6%

	Pushmataha County	Roger Mills County	RWD#1 - McCurtain County	RWD#8 - McCurtain County	S.W.O.D.A.	Seminole County	Seminole County - Court Special Programs	Beaver, Town of	Buffalo, Town of	Burns Flat, Town of
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)										
Employee	62	48	8	3	21	106	3	5	1	8
Employee + Child	2	9	0	0	3	1	1	1	1	2
Employee + Children	0	10	0	0	2	3	0	0	2	0
Employee + Spouse	0	16	0	3	4	3	1	0	1	1
Employee + Spouse + Child	1	4	0	0	0	0	0	2	1	0
Employee + Spouse + Children	0	9	0	1	0	0	1	3	2	0
Total Medical Employees	65	96	8	7	30	113	6	11	8	11
Total Dental Employees	39	108	9	0	31	91	6	13	9	10
Current Estimated Premium (12 month)	402,650	915,092	50,074	67,500	240,374	727,153	55,983	114,578	95,211	79,475
Projected Claims										
Medical	334,370	741,436	37,687	45,827	208,673	544,140	35,945	63,927	65,232	56,263
Pharmacy	100,566	222,997	11,335	13,783	62,761	163,658	10,811	19,227	19,619	16,922
Dental	11,313	45,453	2,843	0	11,472	29,318	2,523	5,815	4,564	3,143
Total Claims	446,250	1,009,886	51,865	59,611	282,906	737,115	49,279	88,970	89,416	76,328
Pharmacy as a % of total claims	22.5%	22.1%	21.9%	23.1%	22.2%	22.2%	21.9%	21.6%	21.9%	22.2%
Dental as a % of total claims	2.5%	4.5%	5.5%	0.0%	4.1%	4.0%	5.1%	6.5%	5.1%	4.1%
Non-Benefit Expenses										
Stop Loss Premium	10,780	15,921	1,327	1,161	4,975	18,740	995	1,824	1,327	1,824
BCBSOK Administrative Fee	27,802	42,507	3,542	2,874	13,205	48,999	2,635	4,889	3,542	4,803
Plan Management Fee	11,310	16,704	1,392	1,218	5,220	19,662	1,044	1,914	1,392	1,914
ACA Reinsurance Fee	2,451	6,607	284	426	1,456	4,404	391	1,030	781	497
PCORI Fee	149	402	17	26	89	268	24	63	48	30
Total Non-Benefit Expenses	52,492	82,140	6,562	5,705	24,945	92,073	5,089	9,720	7,090	9,068
Margin (\$)	0	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	498,741	1,092,027	58,428	65,315	307,851	829,188	54,368	98,689	96,506	85,396
Net Change	23.9%	19.3%	16.7%	-3.2%	28.1%	14.0%	-2.9%	-13.9%	1.4%	7.5%

	Carter, Town of	Chattanooga, Town of	Custer City, Town of	Goodwell, Town of	Okay, Town of	Talihina, Town of	Tipton, Town of	Texas County	Vici Public Schools	Washington County
Premium at Current Levels										
Active										
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)										
Employee	0	2	3	6	2	15	5	101	39	51
Employee + Child	1	0	0	0	0	0	0	4	2	11
Employee + Children	0	0	0	2	0	0	0	10	2	6
Employee + Spouse	0	0	0	0	0	1	0	17	0	21
Employee + Spouse + Child	0	0	0	0	0	0	0	3	1	17
Employee + Spouse + Children	0	0	0	0	0	0	0	3	4	12
Total Medical Employees	1	2	3	8	2	16	5	138	48	118
Total Dental Employees	1	2	2	8	2	7	5	154	54	134
Current Estimated Premium (12 month)	8,910	12,253	17,967	58,783	12,253	100,892	30,632	1,094,849	366,610	1,178,099
Projected Claims										
Medical	7,821	7,975	8,221	29,959	11,201	81,132	21,883	873,535	250,610	737,278
Pharmacy	2,352	2,398	2,473	9,011	3,369	24,402	6,582	262,728	75,375	221,747
Dental	269	538	538	2,611	538	2,112	1,344	57,426	18,537	59,424
Total Claims	10,442	10,911	11,232	41,581	15,107	107,646	29,809	1,193,689	344,522	1,018,449
Pharmacy as a % of total claims	22.5%	22.0%	22.0%	21.7%	22.3%	22.7%	22.1%	22.0%	21.9%	21.8%
Dental as a % of total claims	2.6%	4.9%	4.8%	6.3%	3.6%	2.0%	4.5%	4.8%	5.4%	5.8%
Non-Benefit Expenses										
Stop Loss Premium	166	332	498	1,327	332	2,653	829	22,886	7,960	19,569
BCBSOK Administrative Fee	439	878	1,289	3,514	878	6,769	2,196	61,068	21,254	52,284
Plan Management Fee	174	348	522	1,392	348	2,784	870	24,012	8,352	20,532
ACA Reinsurance Fee	71	71	107	426	71	604	178	7,211	2,486	8,809
PCORI Fee	4	4	6	26	4	37	11	438	151	536
Total Non-Benefit Expenses	854	1,633	2,421	6,684	1,633	12,847	4,084	115,615	40,204	101,730
Margin (\$)	0	0	0	0	0	0	0	0	0	0
Projected Claims + Non-Benefit Expenses	11,297	12,544	13,653	48,266	16,741	120,493	33,893	1,309,304	384,726	1,120,180
Net Change	26.8%	2.4%	-24.0%	-17.9%	36.6%	19.4%	10.6%	19.6%	4.9%	-4.9%

	Washita County	Woodward Co. EMS	Total
Premium at Current Levels			
Active			
Employee Counts by Coverage Tier (Medical and Pharmacy Coverage)	Washita County	Woodward Co. EMS	Total
Employee	73	12	3,625
Employee + Child	2	1	211
Employee + Children	4	2	207
Employee + Spouse	6	0	391
Employee + Spouse + Child	6	1	155
Employee + Spouse + Children	6	0	220
Total Medical Employees	97	16	4,809
Total Dental Employees	109	16	4,620
Current Estimated Premium (12 month)	775,295	118,239	\$ 37,344,372
Projected Claims			
Medical	563,256	82,285	\$ 27,366,490
Pharmacy	169,407	24,748	8,230,857
Dental	40,459	5,330	1,670,532
Total Claims	773,123	112,364	\$ 37,267,879
Pharmacy as a % of total claims	21.9%	22.0%	22.1%
Dental as a % of total claims	5.2%	4.7%	4.5%
Non-Benefit Expenses			
Stop Loss Premium	16,086	2,653	\$ 797,525
BCBSOK Administrative Fee	42,947	7,027	2,106,692
Plan Management Fee	16,878	2,784	836,766
ACA Reinsurance Fee	5,364	959	250,203
PCORI Fee	326	58	15,215
Total Non-Benefit Expenses	81,601	13,482	\$ 4,006,401
Margin (\$)	0	0	0
Projected Claims + Non-Benefit Expenses	854,723	125,846	\$ 41,274,279
Net Change	10.2%	6.4%	10.5%

Net change in premium before PBM change	10.5%
Reduction in Rx claims due to change in PBM	
Option 1	\$1,167,675
Option 2	\$1,754,222
Impact on projected claims + non-benefit expenses due to PBM change	
Option 1	-2.8%
Option 2	-4.3%
Net change with changing PBM	
Option 1	7.6%
Option 2	6.0%

9

Incurred But Not Reported Claim Reserves

OW generated incurred but not reported (IBNR) claim reserves for the plan year ending June 30, 2014 to be \$2,000,000. This estimate is based upon claim run-out for the thirty month period beginning July 1, 2012 and ending December 31, 2014. Given that we had six months of run-out, the amount required for margin is negligible.

It is our understanding that OPEH&W has historically requested an IBNR for the current plan year as part of its annual review. The current plan year ends June 30, 2015, so claims have not yet been paid for the entire plan year. It is not preferred to estimate IBNR claim reserves for future valuation dates, and in order to do so, we must make several assumptions. We must assume that the payment pattern reflected for the most recently completed plan year (ending June 30, 2014) will be replicated for the current plan year. We have also assumed that the membership levels observed in January 2015 will continue to be observed for the next six months. We must also trend claims forward to the appropriate period. Given all these caveats, we have calculated an estimated IBNR for the plan year ending June 30, 2015 to be approximately \$2,300,000. We also recommend a margin of no less than 10% be included to reflect uncertainty associated with trend, membership changes, and other unknowns. So the projected IBNR for the plan year ending June 30, 2015 with margin would be \$2, 530,000. Another alternative that OPEH&W may want to consider is to use a reserve per contract per month approach to at least update the IBNR estimate for changes in enrollment. The per contract per month IBNR estimate is \$40.77 without margin and \$44.85 with margin. This includes medical, drug and dental coverages.

The IBNR estimates do not consider what is often referred to as loss adjustment expenses (LAE). These expenses reflect the costs OPEH&W incurs for having the TPA process the IBNR claims. Sometimes these costs are pre-negotiated with the TPA. If so, OPEH&W should use those costs as the LAE. If these have not been negotiated, then OPEH&W should allow for about two months of claim processing expenses. If there are any additional administrative expenses beyond the TPA (such as general plan expenses, PBM, etc.), then OPEH&W should set up a reserve for those as well.

Please note that we cannot opine as to the adequacy of the IBNR reserve as of June 30, 2015 at this time. We can only provide you a general estimate based upon the trends we used in developing 2016 plan rates and January enrollment census.



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