

2019-2020 PLAN YEAR ACTUARIAL REPORT

OKLAHOMA PUBLIC EMPLOYEES HEALTH AND WELFARE TRUST

JANUARY 14, 2019

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Introduction

The Oklahoma Public Employees Health and Welfare Trust (OPEH&W) engaged Oliver Wyman Actuarial Consulting (Oliver Wyman) to perform an annual valuation of medical, drug, and dental benefits for the plan year beginning July 1, 2019. This review includes:

- Development of appropriate premiums for major medical (medical/pharmacy) and dental benefits, including new plan options that will be offered for the plan year beginning July 1, 2019
- Determination of incurred but not reported (IBNR) reserves
- Aggregate funding forecasts

After several years of favorable experience, OPEH&W faced a significant loss in plan year 2015-2016 due to an increase in large claim activity. These losses reduced OPEH&W's surplus, necessitating a shift in product strategy to improve the capital position of the plan. Accordingly, OPEH&W took several measures to reduce claim costs, including: implementing a new provider network with lower provider reimbursement rates, adjusting member cost-sharing, switching to a lower cost durable medical equipment provider, and implementing programs that encourage members to seek medical care at more cost-effective providers (e.g., telehealth services).

Due to the moderation of claim costs based on data through October 2018, the implementation of rate increases, and claim savings initiatives, capital levels have been steadily increasing to pre-plan year 2015-2016 levels. Our initial projections show a moderate rate increase should be implemented for plan year 2019-2020. Table 1 summarizes the recommended premium rate changes.

Table 1

Benefit Plan	Blue Choice	Blue Preferred
Medical/Pharmacy	7.0%	7.0%
Dental	-38.0%	-38.0%
Combined	4.1%	3.9%

Note: Dental premium rates are additive in the calculation of the combined rate change. However, the change in dental premium rates receives greater weight under the Blue Preferred plan relative to the Blue Choice plan, producing a lower combined rate change for the Blue Preferred Network.

The rate changes shown in Table 1 reflect the proposed Premier medical/pharmacy plan and assume no changes in dental benefits relative to current benefit levels. In addition to the Premier benefit plan, we have developed premium rates for two new medical/pharmacy benefit plans at the request of OPEH&W. Additionally, the plan year 2019-2020 medical/pharmacy premium rate projection includes a 2.5% contribution to surplus to help further replenish capital levels,

consistent with the contribution to surplus assumed in the development of the plan year 2018-2019 premiums.

Similar to prior years, the succeeding sections of this report provide greater context to the premium rate projection, including the data sources used, the methodology behind the premium rate projection, and a description of assumptions used.

Section 2 describes the data we received and any issues or inconsistencies we identified.

Section 3 provides a summary of enrollment changes.

Section 4 provides the details underlying the premium rate projections, including an overview of the methodology and a summary of the assumptions used to project the base experience to the rating period.

Section 5 details the impact on premiums of implementing benefit changes and rating tier changes as well as a synopsis of capital and surplus.

Section 6 details the development of the prospective IBNR claim estimate for June 30, 2019.

Section 7 contains the actuarial certification.

Section 8 consists of the appendices, which contain the calculations associated with the premium rate projections.

While not addressed elsewhere in this report, it should be noted that there is uncertainty regarding the impact that the association health plan changes finalized by the Department of Labor¹ will have on the small employer group market in Oklahoma. OPEH&W experienced a decline in enrollment in calendar year 2018, and to the extent more association health plans begin offering coverage to small employer groups, it may become more difficult for OPEH&W to attract smaller government entities. It should be noted that the State Chamber of Oklahoma recently announced it would start offering an association health plan to small employer groups in Oklahoma.²

¹ <https://www.federalregister.gov/documents/2018/06/21/2018-12992/definition-of-employer-under-section-35-of-erisa-association-health-plans>

² <https://www.okstatechamber.com/blog/post/state-chamber-of-oklahoma-launches-association-health-plan>

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Data

We received information from OPEH&W, as supplied by their third-party administrator (TPA) and various vendors, including but not limited to the following:

- A summary of aggregated medical, dental, and pharmacy claim payments by month from July 2012 to November 2018 (referred to as the aggregated claim report)
- Medical claim lag reports for claims paid between July 1, 2014 and October 31, 2018
- Dental claim lag reports for claims paid between July 1, 2014 and October 31, 2018
- Shock or high-cost claimant reports for plan years 2015-2016, 2016-2017, 2017-2018, and 2018-2019 through October 2018
- Financial statements for plan years 2015-2016, 2016-2017, 2017-2018, and 2018-2019 through October 2018
- Detailed medical and dental census information for July 2012 through January 2018
- Summarized medical and dental census information for January 2018 through November 2018
- A list of recent group terminations
- Current OPEH&W Briefing Book
- Current OPEH&W Benefit Book
- Plan Audit Report for plan years 2015-2016 and 2016-2017
- Premium rates for plan years 2015-2016, 2016-2017, 2017-2018, and 2018-2019
- Benefit changes for plan years 2015-2016, 2016-2017, 2017-2018, and 2018-2019
- The medical and dental ASO projections for plan year 2019-2020 as prepared by Blue Cross and Blue Shield of Oklahoma (BCBSOK)
- 2019-2020 plan year vendor fees
 - Plan management fees:
 - \$17.37 per contract per month
 - BCBSOK medical and dental fees:
 - Medical administration fee of \$38.92 per contract per month
 - Dental administration fee of \$2.75 per contract per month
 - Stop-Loss Reinsurance (with an aggregate stop loss component):
 - \$21.40 per contract per month
 - Additional fees
 - \$2.50 per contract per month for Benefits Value Advisor (BVA) services
 - \$0.52 per member per month for virtual visits
- Additional analyses obtained by OPEH&W from various vendors

While the medical ASO projection for plan year 2019-2020 prepared by BCBSOK provided us with an updated view of provider discounts for the Blue Choice and Blue Preferred networks, the projection did not provide us with an updated view of the claim cost relativities between the two networks. We have assumed the claim cost relativities between the Blue Choice and Blue Preferred networks will not change materially for plan year 2019-2020 relative to the historical estimate.

Data Reconciliation

To assess the reasonability of the data, we performed a reconciliation on both the enrollment and paid claims data provided by OPEH&W. To determine the reasonability of the medical and dental paid claims data, we compared the data from the medical and dental lag reports, the aggregated claim report, the ASO projections developed by BCBSOK, and the financial statements. Since lag tables were not provided for pharmacy claims, we compared pharmacy claim information from the aggregated claim report to the financial statements and PBM reports to determine the reasonability of the pharmacy claims data. The PBM reports were provided in support of prior analyses. Pharmacy claims usually process quickly; therefore, paid pharmacy claims typically serve as a sufficient proxy for incurred pharmacy claims. Our reconciliation focused on the time period of data underlying the analysis (i.e., 2016 to 2017 and 2017 to 2018). Any discrepancies outside of the time period of data underlying the analysis are not noted below.

We compared these sources to identify differences in medical, pharmacy, and dental claims. All differences we have identified were also present in the 2018-2019 plan year premium rate development analysis. We observed two large discrepancies in the medical claims data between the lag report and the aggregated claim report. The first medical claim discrepancy appears in November 2016. The lag file shows paid claims in November 2016 of \$2.6 million, but the aggregated claim report shows paid claims of \$3.1 million. The second discrepancy appears in September 2017. The lag report shows medical paid claims of \$2.1 million and the aggregated claim report shows paid claims of \$1.9 million. For both discrepancies, we assumed the medical lag file to be correct since the amounts in the lag file reconcile to the claim amounts shown in the BCBSOK medical ASO projections.

We noted large differences between the aggregated claim report and the ESI PBM reports (from the plan year 2017-2018 analysis) for pharmacy claims paid in December 2015, November 2016, January 2017, and May 2017. OPEH&W has previously stated that the additional data provided by ESI was not adjusted to filter out rejected claims and other claw backs. The aggregate paid claim amounts shown in the most recent analysis completed by ESI and Team Pharmacy Consulting align closely with the amounts from the aggregated claim reports for plan years 2016-2017 and 2017-2018. As a result, we relied on pharmacy data in the aggregated claim report for these months.

We also compared the paid claims data we received for the 2019-2020 plan year rate analysis to the paid claims data we received for the 2018-2019 plan year rate analysis. The medical and pharmacy claim information was consistent for overlapping months; however, there was a large restatement in the dental aggregated claim report for claims paid in September of 2017. In the aggregated claim report we received for the 2018-2019 plan year analysis, the September 2017 dental claim payments were reported as \$346,921. The data received for the 2019-2020 analysis shows a restated amount of \$161,169. We have assumed the restated amount to be correct since it matches the lag report.

We were provided with historical enrollment data from OPEH&W and BCBSOK. To assess the reasonability of the enrollment data, we first compared the detailed enrollment data provided by OPEH&W to the BCBSOK medical and dental ASO projections. While this comparison revealed discrepancies, due to time constraints, we decided the data provided by BCBSOK was suitable, and BCBSOK provided additional enrollment data to supplement the enrollment data included in the ASO projections. This data was used in the rate development, with enrollment data for months prior to January 2018 based upon enrollment data provided by OPEH&W. While the level of detail provided by the enrollment information from BCBSOK was less granular relative to the enrollment information provided by OPEH&W, the data was appropriate for rate development purposes. This meant that unlike previous years, we were unable to develop demographic factors or perform

group-level analyses, including group projections, however, this is not foreseen to be an issue for future years.

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Enrollment

This section provides a summary of groups that have terminated or been added since the 2018-2019 plan year analysis. Six groups have recently left OPEH&W, with an additional group expected to terminate coverage at the end of January 2019. No new groups have been added in the last year. The changes in group mix are expected to have no significant influence on the rate change estimates.

Terminated Groups

The groups shown in Table 2 have recently terminated or are expected to terminate health insurance coverage through OPEH&W:

Table 2

Termination Date	Entity Name	Estimated Number of Employees*
6/30/2018	NEOKE911	19
6/30/2018	City of McAlester	216
6/30/2018	Grady County Jail	85
6/30/2018	City of Weatherford	159
12/31/2018	Custer County	166
12/31/2018	City of Guymon	79
1/31/2019	City of Yukon	396

*Estimated based on the number of employees as of January 2018, the most recent month of data provided at the group level.

New Groups

No groups have recently started offering health insurance coverage through OPEH&W.

Demographics

In estimating plan year 2019-2020 claim costs, we have assumed the demographic composition of the block will not change materially relative to the experience used to develop the premium rates. In recent years, the demographic mix associated with OPEH&W's block of business has generally become more favorable, which has likely reduced claim trends, all else equal. However, based on information through January 2018, the most recent time period for which member-level census data was available, the demographic mix remained relatively constant in calendar year 2017. It is not clear how the rate changes implemented for plan year 2018-2019 may have affected the demographic mix since the rate change for tiers with spousal coverage was significantly greater than the rate change for tiers without spousal coverage. If the demographic mix were to become unfavorable in the upcoming plan year, observed cost trends may increase more than anticipated.

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Premium Rate Development

We utilized a rating approach that is consistent with renewal rating methods employed by insurers in the large group market. Specifically, we developed a projected claim amount per-member-per-month (PMPM), added non-claim expenses to the projected claim amount PMPM, and converted the combined amount PMPM to a premium amount for each subscriber coverage tier (e.g., employee-only). The premium rate calculation was performed separately for medical/pharmacy benefits and dental benefits.

The projected claim amount PMPM was developed from OPEH&W experience for claims incurred between July 2016 and June 2018 and paid through October 2018 (the experience period). The experience was separated into two 12-month periods, July 2016 through June 2017 and July 2017 through June 2018, with each period projected independently and blended together using actuarial credibility methods. The rate projections use incurred claims rather than paid claims as the basis for the plan year 2019-2020 premium rate projection, which is consistent with how we have developed premium rates in the past. An incurred claim basis provides a more accurate alignment of funding and claims liabilities for OPEH&W.

An adjustment was made to the medical and dental claims experience to account for IBNR claims. However, because there are four months of claim run-out, IBNR claims are not significant. Medical claims were also adjusted to remove claims that would have otherwise been recovered through private reinsurance. As noted earlier, we assume paid pharmacy claims are representative of incurred pharmacy claims since there is typically an immaterial lag between when pharmacy claims are incurred and when they are paid, relative to medical and dental claims.

Both the medical and pharmacy claims experience were trended forward to the rating period. An additional adjustment was made to medical claims to adjust the claims experience associated with members utilizing the Blue Choice network to the average claim costs associated with the Blue Preferred network. Pharmacy claims were adjusted to account for anticipated pharmacy rebates. The adjusted trended medical and pharmacy claims were combined and further adjusted to reflect changes in benefits. The adjusted projected medical and pharmacy claims for the two 12-month periods were blended together and adjusted to include expected costs of non-benefit expenses. The initial projected rate development assumes all members will utilize the Blue Preferred network and enroll in the Premier plan.

An adjustment factor was applied to the Blue Preferred network premium rates to develop the Blue Choice network premium rates. The adjustment factor produces the same premium rate relativity between the two network options in plan year 2019-2020 as was included in plan year 2018-2019 rate development. If there have been significant provider reimbursement changes for either the Blue Preferred or Blue Choice networks, this assumption may not be appropriate. Additionally, as noted in the plan year 2018-2019 rate development, if access to the Blue Choice network is limited to specific geographic areas, then it is possible the medical claim cost relativity

between the two provider networks could be materially different from what we are projecting. However, a majority of members currently utilize the Blue Preferred network.

Trend Adjustments

We generated historical trend estimates based on OPEH&W’s experience using incurred claims from September 2015 to August 2018, paid through October 2018. Medical and dental claim amounts were adjusted to reflect IBNR claims. Paid pharmacy claims were not adjusted to reflect IBNR claims because of the shortened lag.

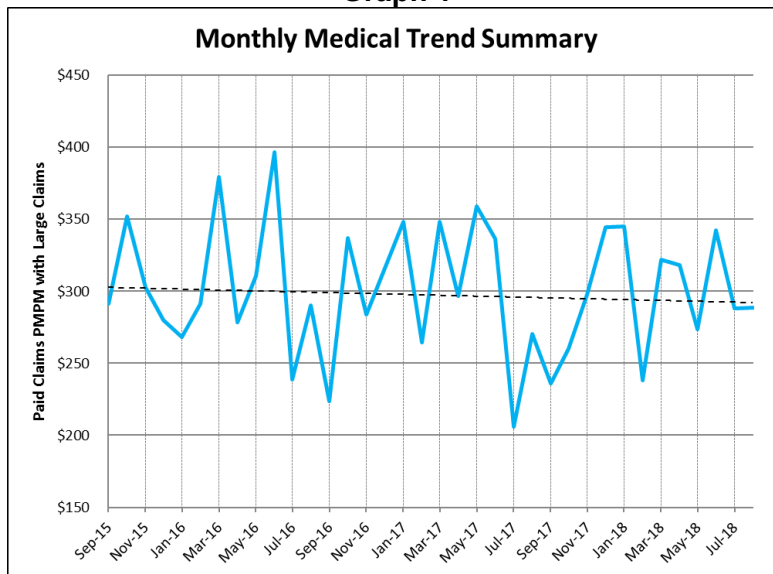
Medical, dental, and pharmacy claims were normalized to remove the impact of changes in member cost-sharing. Medical claims were further normalized to remove the impact of the change to the Blue Preferred network on OPEH&W claim costs. Medical and pharmacy benefit relativities were developed using MarVAL™, Oliver Wyman’s propriety pricing model, and dental benefit relativities were developed using an external dental relative value model.

Trends were not normalized for changes in the demographic mix of the population as we were not provided sufficient membership data to calculate average demographic factors.

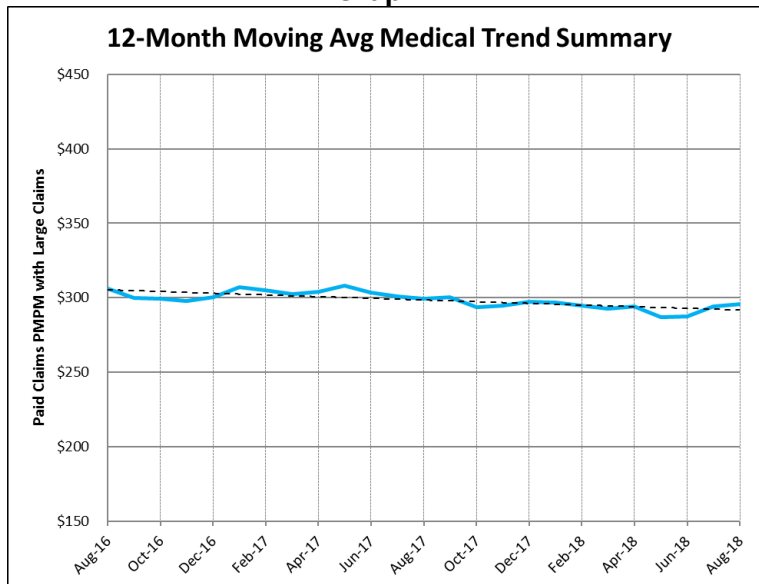
Medical Trends

OPEH&W’s normalized monthly medical claims experience has exhibited volatility. However, given the size of the overall block, such fluctuations may be expected as large claims work their way through the experience. Graph 1 and Graph 2 summarize normalized medical claims PMPM on a monthly and 12-month moving average basis.

Graph 1



Graph 2



Estimating trends from actual experience is more difficult when large claim activity is not stable. Using various trend methodologies (e.g., linear versus exponential; monthly versus 12-month moving averages; 24 months versus 36 months of data), medical trend estimates range from as low as -7% to as high as +1%. Longer range trends (i.e., using 36 months of data) using 12-month moving averages are typically a better indicator of historical trends than shorter range trends, particularly for a smaller base of insureds. However, given the significant presence of large claim activity between September 2015 and June 2016, we believe longer range claim trends may not accurately depict the true underlying trend. Similarly, shorter term trends may be understated as large claim activity decreases.

We compared the trend estimates produced using OPEH&W’s experience to industry standards. Oliver Wyman completes a semi-annual trend survey which reflects responses from carriers and HMOs insuring over 98.5 million group members. The most recent trend survey reflects pricing trends for July 2018. Table 3 summarizes the trend results from the July 2018 Carrier Trend Survey for group PPO policies:

Table 3

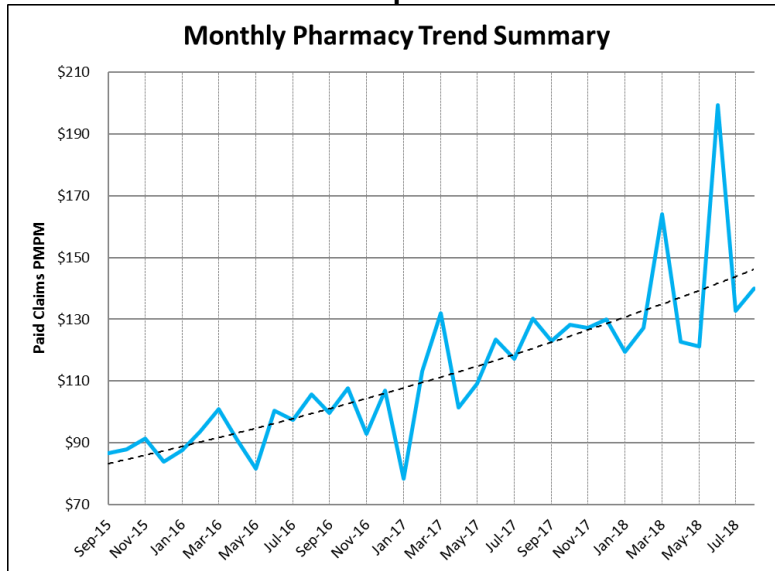
Annual Trend Rate	
Minimum	2.6%
25th Percentile	5.3%
Median	6.9%
75th Percentile	9.5%
Maximum	12.5%

We have elected to use an annualized medical trend rate of 5.5% in the plan year 2019-2020 premium rate projection. This trend factor is towards the lower end of recent pricing trends observed in the market, but it is similar to the medical trend rate of 5.6% assumed in the medical ASO projection provided by BCBSOK. Given the recent measures OPEH&W has taken to reduce claim cost trends, we believe an annualized trend below the median is reasonable. We do not believe the negative medical claim trends recently observed by OPEH&W are sustainable based on current market trends.

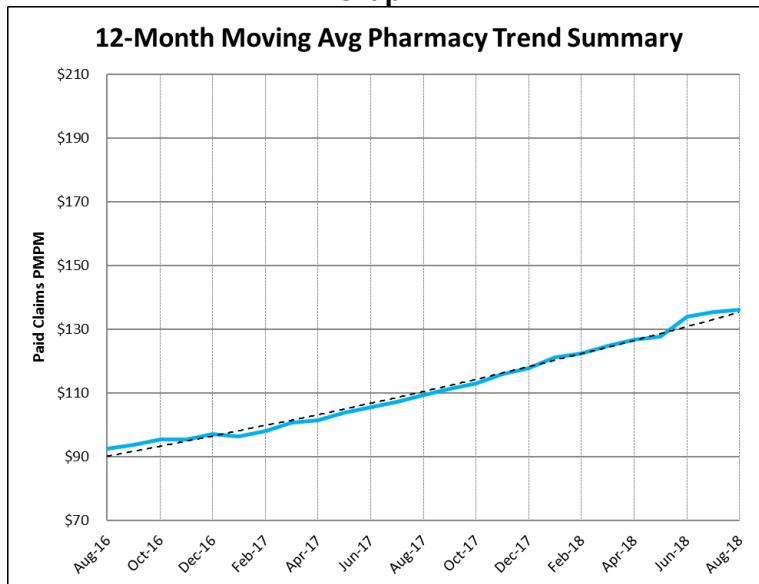
Pharmacy Trends

In July 2015, OPEH&W switched to a new PBM, Express Scripts. Based on information provided by OPEH&W in March 2015, this change was estimated to reduce pharmacy costs between \$1.2 million and \$1.8 million, including the net impact of pharmacy rebates. Despite the switch to the new PBM and the savings expected to follow, OPEH&W’s pharmacy claims costs, prior to pharmacy rebates, have been steadily increasing. Graph 3 and Graph 4 summarize normalized pharmacy claims PMPM on a monthly and 12-month moving average basis.

Graph 3



Graph 4



Graph 3 shows large spikes in pharmacy claim costs occurred in March 2018 and June 2018. For the most recent 36-month period, pharmacy costs have increased at an annualized rate of between 14% and 23%; when smoothing the large spikes in prescription costs observed in March 2018 and June 2019, we estimate pharmacy costs would have increased at an annualized rate of between 11% and 19%. Recent pharmacy trends observed by OPEH&W are significantly higher relative to pharmacy trends observed across ESI’s commercial book of business. ESI estimates that pharmacy spend increased 3.8% in 2016 and 1.5% in 2017; no comparable report was

available for 2018.³ Further, the most recent report published by ESI projects commercial pharmacy spend would increase between 1% and 3% per year from 2018 through 2020.⁴

Table 4 summarizes the pricing trends reported from Oliver Wyman's July 2018 Carrier Trend Survey for prescription drugs:

Table 4

	Annual Trend Rate
Minimum	5.3%
25th Percentile	8.0%
Median	10.5%
75th Percentile	11.9%
Maximum	17.1%

Given that OPEH&W's pharmacy claims have increased significantly over the course of the last 36 months and the recent large spikes in paid claims, we believe a pharmacy trend rate that is more consistent with the July 2018 Carrier Trend Survey is appropriate relative to trends projected by ESI. We have elected to use an annualized pharmacy trend rate of 11% in the plan year 2019-2020 premium rate projection. While this is above the median trend rate, it is lower than the pharmacy trends produced using OPEH&W's emerging pharmacy experience.

Dental Trends

OPEH&W's dental claims experience between September 2015 and August 2018 show more volatile trends relative to the plan year 2018-2019 analysis. Given that OPEH&W's dental block is relatively small, we have relied on dental trend estimates reported in the July 2018 Carrier Trend Survey. Table 5 summarizes the pricing trends reported from the July 2018 Carrier Trend Survey for group dental PPO policies:

Table 5

	Annual Trend Rate
Minimum	0.0%
25th Percentile	3.8%
Median	4.5%
75th Percentile	5.0%
Maximum	6.5%

We have assumed an annualized dental claim trend rate of 4.5%, which is equal to the median trend rate of 4.5% observed in the market according to the July 2018 Carrier Trend Survey. The dental ASO projection provided by BCBSOK assumed a dental trend rate of 5.0%.

Additional Adjustments to Medical Claims

Medical claims from the experience period were adjusted to remove claims that would have otherwise been recovered through specific stop-loss insurance. For simplicity, we have assumed the current stop loss arrangement will be effective for the 2019-2020 plan year, noting that this assumption is consistent with the renewal quote provided by BCBSOK. To estimate the impact of

³ <http://lab.express-scripts.com/lab/drug-trend-report/~media/f47737eb717844079a2f88fd39f1e70a.ashx>

⁴ <http://lab.express-scripts.com/lab/drug-trend-report/~media/2b56ec26c9a04ec2bcc0e9bf1ea8ff1.ashx>

the specific stop loss coverage, we “discounted” the specific stop-loss attachment point to claim levels corresponding to the experience periods. For example, a \$425,000 medical claim in plan year 2019-2020 would have cost about \$382,000 in plan year 2017-2018, assuming a 5.5% medical trend (i.e., $\$425,000 \div (1.055)^2 = \$382,000$). The aggregate stop-loss component was not considered since it is not applicable for the plan year 2019-2020 premium rate development. Using the high-cost claimant reports provided by OPEH&W, we estimate the specific stop-loss insurance recoveries shown in Table 6 would have occurred.

Table 6

	Plan Year	
	2016-2017	2017-2018
Reinsurance Attachment Point (RAP)	\$425,000	\$425,000
Number of Members Exceeding RAP	1	3
Aggregate Dollars Exceeding RAP	\$35,944	\$391,701

Due to the relatively small size of OPEH&W’s membership base and the high stop loss attachment point, additional variation in claim costs below the attachment point could influence the overall financial results of OPEH&W. However, such variations are often difficult to predict. We assume removing claims that would have otherwise been recovered through stop loss coverage and adding the cost of stop loss insurance to the rate development is a sufficient measure for smoothing the impact of large claims. It should be noted that based on the high-cost claimant reports provided by BCBSOK, a majority of the moderation in medical claim costs for plan year 2017-2018 relative to plan year 2018-2019 is attributable to individuals having aggregate medical claim costs under \$50,000. This moderation may be a result of some of the steps taken by OPEH&W in recent plan years to reduce medical claim costs.

Additional Adjustments to Pharmacy Claims

An adjustment was made to pharmacy claims to account for the impact of pharmacy rebates. Pharmacy rebates represented approximately 14.9% of pharmacy claims paid during the plan year ending June 2017 and about 15.8% of claims paid for the plan year ending June 2018. Therefore, we reduced paid pharmacy claims for the plan year ending June 2017 by 14.9% and by 15.8% for the plan year ending June 2018 to reflect the impact of pharmacy rebates. It is important to note that we are using incurred pharmacy claims as the basis for the rate development, which may not include fees assessed by the PBM.

Additional Claim Adjustments

In developing the premium rates, we adjusted claims to account for changes in member cost-sharing that occurred relative to the experience period.

In plan year 2017-2018, the following benefit changes were made:

- **Deductible Changes:**
 - The individual out-of-network medical deductible increased from \$750 to \$1,500
 - The family in-network medical deductible decreased from \$2,250 to \$1,500
 - The family out-of-network medical deductible increased from \$2,250 to \$3,000
- **Out-of-Pocket Maximum Changes:**
 - The individual in-network out-of-pocket maximum increased from \$2,500 to \$5,000
 - The individual out-of-network out-of-pocket maximum increased from \$4,000 to \$10,000
 - The individual drug out-of-pocket-maximum increased from \$1,900 to \$2,000
 - The family in-network out-of-pocket maximum increased from \$7,500 to \$10,000

- The family out-of-network out-of-pocket maximum increased from \$12,000 to \$20,000
- The family drug out-of-pocket maximum decreased from \$5,700 to \$4,000
- Copay Changes:
 - Generic Drug retail copay for a 90-day supply decreased from \$30 to \$25
 - Brand Name Drug retail copay for a 90-day supply decreased from \$135 to \$112
 - Generic Drug mail-order copay for a 90-day supply increased from \$20 to \$25
 - Brand Name Drug mail-order copay for a 90-day supply increased from \$90 to \$112
- Onsite wellness screenings and the resulting \$250 deductible credit that would have been realized in plan year 2018-2019 were eliminated
- Effective in the middle of the plan year, copays for select diabetic medications and ace inhibitors/dihydropyridines increased

In plan year 2018-2019, the following benefit changes were made:

- Orthodontic benefits for dependent children were added to the standard Dental Plan. The plan will pay 50% of allowable charges from an in-network provider up to a \$1,500 lifetime maximum per covered child

For plan year 2019-2020, the following benefit changes to the Premier plan were assumed:

- Non-Preferred Brand Drug copay for a 30-day supply will increase from \$45 to \$60
- Non-Preferred Brand Drug copay for a 90-day supply will increase from \$112 to \$150

The elimination of the wellness screenings in plan year 2017-2018 will effectively decrease the overall richness of the plan for plan year 2018-2019. In the Annual Performance Review completed by BCBSOK, approximately 3,200 individuals participated in the Catapult wellness screenings and were assumed to have received a \$250 deductible credit for plan year 2017-2018. This resulted in the average deductible increasing from approximately \$650 to \$750 in plan year 2018-2019.

Independent of the effect of trend, demographic changes, etc. we estimate the cumulative impact of these benefit changes noted above, in addition to projected benefit levels for the 2019-2020 plan year, will result in a 2.6% decrease in claim costs for the experience underlying plan year 2016-2017 and a 0.5% decrease in claim costs for the experience underlying plan year 2017-2018. The expected decrease in claim costs is driven by an overall increase in the average deductibles and out-of-pocket maximums relative to each experience period.

No adjustments were made to the claims experience to reflect the estimated impact of new or terminating groups. Additionally, similar to the rate development of prior plan years, we have not adjusted the claims experience to reflect monies that may be recovered as a result of subrogation. As was mentioned earlier, we have not adjusted claims for demographic changes as we were not provided membership data at a level of detail sufficient to calculate demographic factors.

Non-Benefit Expenses

The following non-benefit expenses have been incorporated into the medical/pharmacy premium rate projection:

- Medical ASO fees
- Plan management fees
- Stop loss reinsurance fees
- BVA fees
- Telehealth fees

The following non-benefit expenses have been incorporated into the dental premium rate projection:

- Dental ASO fees

In addition to the previously mentioned non-benefit expenses, we also included a 2.5% contribution to surplus into the medical/pharmacy premium rates. This 2.5% of premium translates to roughly \$1.3 million in annual contribution to surplus, provided membership levels are consistent with those observed in November 2018. A discussion regarding the appropriateness of the level of surplus included in the rate development is included in the Surplus Scenarios section.

Proposed Rate Changes

We are proposing a premium rate increase of 7.0% for the Blue Preferred and Blue Choice network plans. We are proposing a premium rate decrease of 38.0% for the dental plan. On a combined basis, the average rate increase is 3.9% for the Blue Preferred network plans and 4.1% for the Blue Choice network plans. The slight difference in the average combined medical/pharmacy and dental rate change between the Blue Preferred and Blue Choice network plans is due to differences in the proportion of total premium represented by the dental plan.

Table 7 summarizes the various components driving the projected rate increase for the Blue Preferred network plan:

Table 7

	Medical/Pharmacy Premium Increase		Combined* Premium Increase	
	% Change	\$ Change	% Change	\$ Change
Claims	1.5%	\$ 8.63	1.4%	\$ 8.37
Carry Over from Last Year	4.6%	26.84	1.8%	11.56
Administrative Costs	0.7%	3.88	0.7%	3.96
Total	7.0%	\$ 39.36	3.9%	\$ 23.88

*Medical/pharmacy plan and dental plan rate change combined

A portion of the projected rate increase is a result of an increase in claim costs relative to the plan year 2018-2019 rate development, but several other components also attribute to the increase. Approximately 4.6% of the medical/pharmacy rate increase is a “carryover” from the recommended 2018-2019 plan year rate increase. The 0.7% increase in administrative costs is driven largely by the increased admin fees, plan management fees, and stop loss premiums, but is partially offset by the elimination of the PCORI fee and no longer offering MDLive. When analyzing the rate increase on a combined basis, the magnitude of the various rate change components is generally similar relative to the medical/pharmacy rate change. However, the Carry Over from Last Year component is significantly less, mostly due to the significant rate decrease

proposed for dental plans. We had recommended a 34.7% decrease to dental premiums for plan year 2018-2019, whereas a 7.8% increase was implemented.

OPEH&W intends to offer two new benefits plans for plan year 2019-2020, the Enhanced and Standard plans, in addition to the current benefit plan option, the Premier plan. Both the Enhanced and Standard plans will use the Blue Preferred network. Based on the member cost-sharing parameters summarized in Appendix A,⁵ we estimate premium rates for the Enhanced plan will be approximately 6.9% lower relative to the proposed premium rates for the Premier plan for the Blue Preferred network and approximately 12.4% lower for the Standard plan relative to the proposed premium rates for the Premier plan for the Blue Preferred network. These estimates were produced using MarVAL™. It is important to note the premium relativities have not been adjusted to reflect the potential for selection that may occur. It is our understanding that each group will only be allowed to offer one plan to its employees, which will significantly reduce the potential for selection. However, in our experience, there will likely be some level of selection between groups when choosing which plan to offer.

Tables 8-11 summarize the proposed medical/pharmacy and dental premium rates as well as a comparison to the current premium rates for each the Blue Preferred and Blue Choice networks. Tables 8 and 9 show information for the proposed Premier plan for the Blue Preferred and Blue Choice networks, and tables 10 and 11 show information for the proposed Enhanced and Standard plans for the Blue Preferred network.

A detailed development of the Premier plan premiums for the Blue Preferred network is shown in Appendix B. As noted earlier, the rate development of the Blue Choice network premiums is based on the development of the Blue Preferred network premiums. Appendix C shows the detailed development of the dental premiums.

⁵ As provided by OPEH&W.

Table 8

Summary of Medical/Pharmacy and Dental Rate Changes - Blue Preferred Network - Premier Plan

Tier	Proposed Rates								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 602.84	\$ 25.24	\$ 628.08	\$ 776.26	\$ 32.51	\$ 808.77	\$ 614.91	\$ 25.75	\$ 640.66
Employee + Child	896.60	38.84	935.44	1,164.00	48.48	1,212.48	914.55	39.63	954.18
Employee + Children	1,081.06	46.87	1,127.93	1,398.21	58.10	1,456.31	1,102.72	47.81	1,150.53
Employee + Spouse	1,321.76	57.05	1,378.80	1,720.49	70.40	1,790.89	1,348.21	58.20	1,406.40
Employee + Spouse + Child	1,615.52	70.65	1,686.17	2,108.23	86.37	2,194.60	1,647.85	72.06	1,719.91
Employee + Spouse + Children	1,799.98	78.67	1,878.65	2,342.44	95.99	2,438.43	1,836.02	80.24	1,916.26

Tier	Current Rates								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 563.48	\$ 40.72	\$ 604.20	\$ 725.58	\$ 52.44	\$ 778.02	\$ 574.76	\$ 41.54	\$ 616.30
Employee + Child	838.06	62.66	900.72	1,088.00	78.20	1,166.20	854.84	63.92	918.76
Employee + Children	1,010.48	75.60	1,086.08	1,306.92	93.72	1,400.64	1,030.72	77.12	1,107.84
Employee + Spouse	1,235.46	92.02	1,327.48	1,608.16	113.56	1,721.72	1,260.18	93.88	1,354.06
Employee + Spouse + Child	1,510.04	113.96	1,624.00	1,970.58	139.32	2,109.90	1,540.26	116.24	1,656.50
Employee + Spouse + Children	1,682.46	126.90	1,809.36	2,189.50	154.84	2,344.34	1,716.14	129.44	1,845.58

Tier	Proposed Changes								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	7.0%	-38.0%	4.0%	7.0%	-38.0%	4.0%	7.0%	-38.0%	4.0%
Employee + Child	7.0%	-38.0%	3.9%	7.0%	-38.0%	4.0%	7.0%	-38.0%	3.9%
Employee + Children	7.0%	-38.0%	3.9%	7.0%	-38.0%	4.0%	7.0%	-38.0%	3.9%
Employee + Spouse	7.0%	-38.0%	3.9%	7.0%	-38.0%	4.0%	7.0%	-38.0%	3.9%
Employee + Spouse + Child	7.0%	-38.0%	3.8%	7.0%	-38.0%	4.0%	7.0%	-38.0%	3.8%
Employee + Spouse + Children	7.0%	-38.0%	3.8%	7.0%	-38.0%	4.0%	7.0%	-38.0%	3.8%

Table 9

Summary of Medical/Pharmacy and Dental Rate Changes - Blue Choice Network - Premier Plan

Tier	Proposed Rates								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 644.93	\$ 25.24	\$ 670.18	\$ 830.42	\$ 32.51	\$ 862.93	\$ 657.86	\$ 25.75	\$ 683.61
Employee + Child	959.19	38.84	998.04	1,245.19	48.48	1,293.66	978.41	39.63	1,018.03
Employee + Children	1,156.52	46.87	1,203.38	1,495.77	58.10	1,553.87	1,179.67	47.81	1,227.48
Employee + Spouse	1,414.05	57.05	1,471.10	1,840.56	70.40	1,910.96	1,442.36	58.20	1,500.56
Employee + Spouse + Child	1,728.31	70.65	1,798.96	2,255.33	86.37	2,341.69	1,762.91	72.06	1,834.97
Employee + Spouse + Children	1,925.64	78.67	2,004.31	2,505.91	95.99	2,601.90	1,964.17	80.24	2,044.42

Tier	Current Rates								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 602.82	\$ 40.72	\$ 643.54	\$ 776.20	\$ 52.44	\$ 828.64	\$ 614.90	\$ 41.54	\$ 656.44
Employee + Child	896.56	62.66	959.22	1,163.88	78.20	1,242.08	914.52	63.92	978.44
Employee + Children	1,081.00	75.60	1,156.60	1,398.10	93.72	1,491.82	1,102.64	77.12	1,179.76
Employee + Spouse	1,321.72	92.02	1,413.74	1,720.38	113.56	1,833.94	1,348.18	93.88	1,442.06
Employee + Spouse + Child	1,615.46	113.96	1,729.42	2,108.06	139.32	2,247.38	1,647.80	116.24	1,764.04
Employee + Spouse + Children	1,799.90	126.90	1,926.80	2,342.28	154.84	2,497.12	1,835.92	129.44	1,965.36

Tier	Proposed Changes								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	7.0%	-38.0%	4.1%	7.0%	-38.0%	4.1%	7.0%	-38.0%	4.1%
Employee + Child	7.0%	-38.0%	4.0%	7.0%	-38.0%	4.2%	7.0%	-38.0%	4.0%
Employee + Children	7.0%	-38.0%	4.0%	7.0%	-38.0%	4.2%	7.0%	-38.0%	4.0%
Employee + Spouse	7.0%	-38.0%	4.1%	7.0%	-38.0%	4.2%	7.0%	-38.0%	4.1%
Employee + Spouse + Child	7.0%	-38.0%	4.0%	7.0%	-38.0%	4.2%	7.0%	-38.0%	4.0%
Employee + Spouse + Children	7.0%	-38.0%	4.0%	7.0%	-38.0%	4.2%	7.0%	-38.0%	4.0%

Table 10

Summary of Medical/Pharmacy and Dental Rate Changes - Blue Preferred Network - Enhanced Plan

Tier	Proposed Rates								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 561.20	\$ 25.24	\$ 586.44	\$ 722.64	\$ 32.51	\$ 755.15	\$ 572.43	\$ 25.75	\$ 598.19
Employee + Child	834.67	38.84	873.51	1,083.60	48.48	1,132.08	851.38	39.63	891.01
Employee + Children	1,006.39	46.87	1,053.26	1,301.63	58.10	1,359.73	1,026.55	47.81	1,074.36
Employee + Spouse	1,230.46	57.05	1,287.51	1,601.65	70.40	1,672.05	1,255.08	58.20	1,313.28
Employee + Spouse + Child	1,503.93	70.65	1,574.58	1,962.61	86.37	2,048.97	1,534.03	72.06	1,606.09
Employee + Spouse + Children	1,675.65	78.67	1,754.32	2,180.64	95.99	2,276.63	1,709.20	80.24	1,789.44

Tier	Current Premier Plan Rates - Blue Preferred Network								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 563.48	\$ 40.72	\$ 604.20	\$ 725.58	\$ 52.44	\$ 778.02	\$ 574.76	\$ 41.54	\$ 616.30
Employee + Child	838.06	62.66	900.72	1,088.00	78.20	1,166.20	854.84	63.92	918.76
Employee + Children	1,010.48	75.60	1,086.08	1,306.92	93.72	1,400.64	1,030.72	77.12	1,107.84
Employee + Spouse	1,235.46	92.02	1,327.48	1,608.16	113.56	1,721.72	1,260.18	93.88	1,354.06
Employee + Spouse + Child	1,510.04	113.96	1,624.00	1,970.58	139.32	2,109.90	1,540.26	116.24	1,656.50
Employee + Spouse + Children	1,682.46	126.90	1,809.36	2,189.50	154.84	2,344.34	1,716.14	129.44	1,845.58

Tier	Proposed Changes								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	-0.4%	-38.0%	-2.9%	-0.4%	-38.0%	-2.9%	-0.4%	-38.0%	-2.9%
Employee + Child	-0.4%	-38.0%	-3.0%	-0.4%	-38.0%	-2.9%	-0.4%	-38.0%	-3.0%
Employee + Children	-0.4%	-38.0%	-3.0%	-0.4%	-38.0%	-2.9%	-0.4%	-38.0%	-3.0%
Employee + Spouse	-0.4%	-38.0%	-3.0%	-0.4%	-38.0%	-2.9%	-0.4%	-38.0%	-3.0%
Employee + Spouse + Child	-0.4%	-38.0%	-3.0%	-0.4%	-38.0%	-2.9%	-0.4%	-38.0%	-3.0%
Employee + Spouse + Children	-0.4%	-38.0%	-3.0%	-0.4%	-38.0%	-2.9%	-0.4%	-38.0%	-3.0%

Table 11

Summary of Medical/Pharmacy and Dental Rate Changes - Blue Preferred Network - Standard Plan

Tier	Proposed Rates								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 528.21	\$ 25.24	\$ 553.45	\$ 680.16	\$ 32.51	\$ 712.67	\$ 538.78	\$ 25.75	\$ 564.53
Employee + Child	785.60	38.84	824.44	1,019.89	48.48	1,068.37	801.33	39.63	840.96
Employee + Children	947.23	46.87	994.09	1,225.11	58.10	1,283.21	966.20	47.81	1,014.01
Employee + Spouse	1,158.12	57.05	1,215.17	1,507.49	70.40	1,577.89	1,181.30	58.20	1,239.50
Employee + Spouse + Child	1,415.52	70.65	1,486.16	1,847.23	86.37	1,933.60	1,443.84	72.06	1,515.90
Employee + Spouse + Children	1,577.14	78.67	1,655.81	2,052.44	95.99	2,148.43	1,608.71	80.24	1,688.96

Tier	Current Premier Plan Rates - Blue Preferred Network								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	\$ 563.48	\$ 40.72	\$ 604.20	\$ 725.58	\$ 52.44	\$ 778.02	\$ 574.76	\$ 41.54	\$ 616.30
Employee + Child	838.06	62.66	900.72	1,088.00	78.20	1,166.20	854.84	63.92	918.76
Employee + Children	1,010.48	75.60	1,086.08	1,306.92	93.72	1,400.64	1,030.72	77.12	1,107.84
Employee + Spouse	1,235.46	92.02	1,327.48	1,608.16	113.56	1,721.72	1,260.18	93.88	1,354.06
Employee + Spouse + Child	1,510.04	113.96	1,624.00	1,970.58	139.32	2,109.90	1,540.26	116.24	1,656.50
Employee + Spouse + Children	1,682.46	126.90	1,809.36	2,189.50	154.84	2,344.34	1,716.14	129.44	1,845.58

Tier	Proposed Changes								
	Non-Retiree			Retiree			COBRA		
	Medical	Dental	Combined	Medical	Dental	Combined	Medical	Dental	Combined
Employee	-6.3%	-38.0%	-8.4%	-6.3%	-38.0%	-8.4%	-6.3%	-38.0%	-8.4%
Employee + Child	-6.3%	-38.0%	-8.5%	-6.3%	-38.0%	-8.4%	-6.3%	-38.0%	-8.5%
Employee + Children	-6.3%	-38.0%	-8.5%	-6.3%	-38.0%	-8.4%	-6.3%	-38.0%	-8.5%
Employee + Spouse	-6.3%	-38.0%	-8.5%	-6.3%	-38.0%	-8.4%	-6.3%	-38.0%	-8.5%
Employee + Spouse + Child	-6.3%	-38.0%	-8.5%	-6.3%	-38.0%	-8.4%	-6.3%	-38.0%	-8.5%
Employee + Spouse + Children	-6.3%	-38.0%	-8.5%	-6.3%	-38.0%	-8.4%	-6.3%	-38.0%	-8.5%

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Surplus Scenarios

Surplus

For the plan year 2019-2020 premium rate development, OPEH&W requested a contribution to surplus of 2.5% be built into the medical/pharmacy premium rates to further build capital levels. For the 2019-2020 plan year, we estimate this margin requirement results in roughly \$1.3 million in annual surplus collected, assuming membership levels observed in November 2018 continue throughout the 2019-2020 plan year. No contribution to surplus was included in the dental premium rates. In Table 12, we summarize OPEH&W's capital position for the past 6 full plan years. This information was based on the financial statements provided by OPEH&W.

Table 12

Capital Position by Plan Year (Amounts in \$1,000)						
	Jul 2012 - Jun 2013	Jul 2013 - Jun 2014	Jul 2014 - Jun 2015	Jul 2015 - Jun 2016	Jul 2016 - Jun 2017	Jul 2017 - Jun 2018
Total Capital (A)	\$5,365	\$6,053	\$6,342	(\$1,552)	(\$1,608)	\$1,530
Total Prem (B)	\$31,218	\$34,281	\$37,537	\$45,128	\$53,004	\$55,089
Active Prem	28,967	31,943	33,771	40,327	49,358	51,744
Cobra Prem	101	73	103	143	447	146
Retiree Prem	2,150	2,265	3,663	4,658	3,199	3,200
Capital % of Prem (A / B)	17.2%	17.7%	16.9%	N/A	N/A	2.8%

The significant losses experienced in plan year 2015-2016 resulted in a depletion of capital. While it is difficult to predict when the next "anomaly" may occur, it will be important for OPEH&W to build up sufficient capital levels over the course of the next several plan years. The inclusion of a 2.5% contribution to surplus will help OPEH&W further replenish capital; however, a greater contribution to surplus should be considered if emerging experience for the 2018-2019 plan year shows signs of deterioration prior to the 2019-2020 plan year premium rates being finalized.

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Incurred But Not Reported Claim Reserves

We estimate incurred but not reported (IBNR) claim reserves for the plan year ending June 30, 2018 to be approximately \$3.0 million. This estimate is based on medical, dental, and pharmacy claims incurred between July 2017 and June 2018 and paid through October 2018. Given that there are four months of claims run-out, the amount required for margin is rather negligible.

OPEH&W has historically requested an IBNR estimate for the current plan year as part of the annual rate review process. The current plan year spans July 1, 2018 to June 30, 2019, and consequently, some claims for the plan year have not yet been incurred or paid. There is significant uncertainty in estimating IBNR claim reserves for future valuation dates, and to do so, we made several broad assumptions:

- The claim payment pattern reflected in the most recently completed plan year (ending June 30, 2018) will be replicated for the current plan year
- The membership levels observed in November 2018 will remain constant for the next seven months (i.e., through June 2019)
- Claims will trend according to the annualized trends specified in the premium rate projections (e.g., 5.5% for medical)
- Claims were adjusted to reflect the impact of benefit changes (i.e., increasing the medical deductible) and pharmacy rebates

Given these caveats, we calculated an estimated IBNR claim reserve for the plan year ending June 30, 2019 to be approximately \$2.9 million. We also recommend a margin of no less than 10% be included to reflect uncertainty associated with claim trends, membership changes, and other unknowns. The projected IBNR claim reserve for the plan year ending June 30, 2019 with margin is \$3.3 million. An alternative that OPEH&W may want to consider is to use a reserve on a PMPM basis for member months associated with the plan year to better reflect changes in enrollment that may occur between December 2018 and June 2019. The IBNR claim reserve estimate PMPM is \$30.08 without margin and \$33.09 with margin.

The IBNR claim reserve 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 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 set up an additional reserve to cover approximately two months of claim processing expenses. If there are any additional administrative expenses beyond TPA expenses (such as general plan expenses, PBM, etc.), OPEH&W should set up a reserve for those as well.

Please note, due to the prospective nature of the IBNR claim reserve, we cannot opine as to the adequacy of the IBNR claim reserve for the plan year ending June 30, 2019. Instead, we can only

provide a general estimate based on the information available to us at this time. Our estimates will not reflect case-specific reserves that may be necessary for known large claimants.

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Actuarial Certification

I, Ryan Mueller, Senior Consultant of Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), have been engaged by Oklahoma Public Employees Health and Welfare Trust (OPEH&W) to prepare this report summarizing the premium rate development for the plan year beginning July 1, 2019. Oliver Wyman is an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers.

The analysis underlying the development of the premium rates included in this report is based on our interpretation of current State and Federal laws and regulations. Should these laws and/or regulations be modified our results could be subject to change. It should be noted that Oliver Wyman is an actuarial consulting firm and is not engaged in the practice of law. Therefore, nothing in this actuarial memorandum should be interpreted as legal advice.

The premium rates developed in this report reflect estimates of future contingent events; actual results will likely vary. The magnitude of differences between projections in this filing and actual observed experience will depend on the extent to which actual experience in the future conforms to the assumptions made in this analysis. It is certain that actual experience will not conform exactly to the assumptions made in this filing.

This report was prepared for the sole use of OPEH&W. Oliver Wyman makes no representation or warranty to any third party regarding the content of this actuarial memorandum and no third party may rely on the information included in this actuarial memorandum that would create any legal duty by Oliver Wyman to any third party.

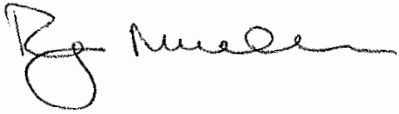
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Reliance

In performing the analyses outlined in this report and arriving at my opinion, I used and relied on information provided by OPEH&W. I used and relied on this information without independent investigation or audit. If this information is inaccurate, incomplete, or out of date, the findings and conclusions noted within this report may need revision. While I have relied on the data provided without independent investigation or audit, I reviewed the data for consistency and reasonableness. Where I found the data inconsistent or unreasonable, I requested clarification.

Actuarial Certification

I am a member of the American Academy of Actuaries (Academy) and I meet the Academy qualification standards for rendering this opinion. I have utilized generally accepted actuarial methodology in reaching this opinion.

A handwritten signature in black ink, appearing to read "Ryan Mueller", is written over a light gray rectangular background.

Ryan Mueller, FSA, MAAA
Senior Consultant
Oliver Wyman Actuarial Consulting, Inc.

January 14, 2019

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Appendices

APPENDIX A

Medical - In-Network	Premier	Premier	Enhanced	Standard
Network	BluePreferred	BlueChoice	BluePreferred	BluePreferred
Deductible - Individual	750	750	1,500	3,000
Deductible - Family	1,500	1,500	3,000	6,000
Max Out-of-Pocket - Individual	5,000	5,000	5,000	5,000
Max Out-of-Pocket - Family	10,000	10,000	10,000	10,000
Coinsurance (%)	20	20	20	20
Primary Care Office Visit Copay	20	20	Deductible & Coinsurance	Deductible & Coinsurance
Urgent Care Office Visit Copay	20	20	Deductible & Coinsurance	Deductible & Coinsurance
Specialist Office Visit Copay	50	50	Deductible & Coinsurance	Deductible & Coinsurance
MDLIVE	YES / 0	YES / 0	YES / 0	YES / 0
ConnectDME	YES	YES	YES	YES
Medical - Out-of-Network				
Deductible - Individual	1,500	1,500	3,000	6,000
Deductible - Family	3,000	3,000	6,000	12,000
Max Out-of-Pocket - Individual	10,000	10,000	10,000	10,000
Max Out-of-Pocket - Family	20,000	20,000	20,000	20,000
Coinsurance (%)	30	30	30	30
Primary Care Office Visit Copay	Deductible & Coinsurance	Deductible & Coinsurance	Deductible & Coinsurance	Deductible & Coinsurance
Urgent Care Office Visit Copay	Deductible & Coinsurance	Deductible & Coinsurance	Deductible & Coinsurance	Deductible & Coinsurance
Specialist Office Visit Copay	Deductible & Coinsurance	Deductible & Coinsurance	Deductible & Coinsurance	Deductible & Coinsurance
Rx				
Brand Deductible	50	50	100	100
Max Out-of-Pocket - Individual	2,000	2,000	2,000	2,000
Max Out-of-Pocket - Family	4,000	4,000	4,000	4,000
30-Day Supply				
Generics	10	10	10	10
Preferred Brands	45	45	25% Coinsurance up to \$80	25% Coinsurance up to \$80
Non-Preferred Brands	60	60	40% Coinsurance up to \$120	40% Coinsurance up to \$120
90-Day Supply				
Generics	25	25	25	25
Preferred Brands	112	112	25% Coinsurance up to \$160	25% Coinsurance up to \$160
Non-Preferred Brands	150	150	40% Coinsurance up to \$240	40% Coinsurance up to \$240
Specialty - 30-Day Supply				
Generics	10	10	10	10
Preferred Brands	60	60	60	60
Non-Preferred Brands	100	100	100	100
Enhancements (30-Day Supply shown - 90-Day Supply @ 2x)				
Contraceptives	0	0	0	0
OTC Acid Reducers	0	0	0	0
Smoking Cessation	0	0	0	0
Generic Diabetics	5	5	5	5
OTC Anti-Histamines	5	5	5	5

APPENDIX B

OPEH&W Health Plan Medical/Pharmacy Experience Rating Renewal Calculation - Blue Preferred Network

Rating Period: 7/1/2019 to 6/30/2020
Pooling Level: \$425,000

	Experience Period 1	Experience Period 2
Experience Period	7/1/2016 to 6/30/2017	7/1/2017 to 6/30/2018
Member Months	109,031	106,598
Contract Months	71,538	68,100
Number of Projection Months	36	24
Member Months/Contract	1.524	1.565

BASE PERIOD MEDICAL/PHARMACY CLAIMS			
1. Medical Claims For Period		\$ 33,968,000	\$ 30,771,941
2. Less Reinsurance Recoveries		\$ 35,944	\$ 391,701
3a. Claims Adjusted for Reinsurance Recoveries (1. - 2.)		\$ 33,932,056	\$ 30,380,240
3b. Adjustment for change in Provider Network		0.9929	0.9933
3c. Large Claim Adjustment		1.0000	1.0000
4. Trend Factor to 01/01/2020 Effective Date @ 5.5%	x	1.1742	x 1.1130
5. Projected Medical Claims (3a. x 3b. x 3c. x 4.)		\$ 39,563,191	\$ 33,585,985
6a. Pharmacy Claims For Period		\$ 11,829,849	\$ 14,346,100
6b. PBM Adjustment		1.0000	1.0000
6c. Pharmacy Rebate Adjustment		0.8512	0.8421
7. Trend Factor to 01/01/2020 Effective Date	x	1.3676	x 1.2321
8. Projected Pharmacy Claims (6a. x 6b. x 6c. x 7.)		\$ 13,771,798	\$ 14,885,607
9. Projected Net Claims (5.+ 8.)		\$ 53,334,989	\$ 48,471,591
10. Member Months	/	109,031	/ 106,598
11. Projected Medical and Drug Costs PMPM (9. / 10.)		\$ 489.17	\$ 454.71
12. Other Multiplicative Adjustment			
Benefit Changes		0.9739	0.9951
Demographic (Adjust to Jan 2018 Demographics)	x	1.0000	x 1.0000
Total		0.9739	0.9951
13. Other Additive Adjustment PMPM	+ \$	-	+ \$ -
14. Adjusted Trended Medical Claims (11. x 12. + 13.)		\$ 476.38	\$ 452.51

PROJECTED CLAIMS PMPM FOR 7/1/2019 to 6/30/2020			
1. Projected Medical and Pharmacy Claims Experience		\$ 476.38	\$ 452.51
2. Period Weightings		0.36	0.64
3. Contributing Claims Experience (1. x 2.)	3a. \$	169.42	3b. \$ 291.58
4. Weighted Projected Medical and Pharmacy Claims (3a. + 3b.)			\$ 461.00

ADMINISTRATIVE/EXPENSE			
1. Projected Medical and Pharmacy Claims			\$ 461.00
2. Fees			
a. BCBSOK Medical ASO Fee	PCPM	\$38.92	\$ 25.11
b. Plan Management Fee	PCPM	\$17.37	11.21
c. BVA Fees	PCPM	\$2.50	1.61
d. Stop Loss Premium	PCPM	\$21.40	13.81
e. Telehealth Fee	PMPM		0.34
f. PCORI	PMPM		-
g. Total Fees			\$ 52.08
* Ratio of Members/Contract for Nov 2018:	1.550		
3. Projected Claims and Expense PMPM (1. + 2h.)			\$ 513.07
4. Contribution to Surplus			2.50%
5. Projected Claims and Contribution to Surplus (3 / (1 - 4.))			\$ 526.23

Convert Premium PMPM to Tier Rates Single Conversion Factor	1.146
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APPENDIX C

OPEH&W Health Plan Dental Experience Rating Renewal Calculation

Rating Period: 7/1/2019 to 6/30/2020

	Experience Period 1	Experience Period 2
Experience Period	7/1/2016 to 6/30/2017	7/1/2017 to 6/30/2018
Member Months	91,801	96,816
Contract Months	61,631	60,226
Number of Projection Months	36	24
Member Months/Contract	1.490	1.608

BASE PERIOD DENTAL CLAIMS			
1. Dental Claims		\$ 1,789,700	\$ 1,825,781
2. Trend Factor to 01/01/2017 Effective Date @ 4%	x	1.141	x 1.092
3. Projected Net Claims (1. x 2.)		\$ 2,042,345	\$ 1,993,799
4. Member Months	/	91,801	/ 96,816
5. Projected Dental Costs PMPM (3. / 4.)		\$ 22.25	\$ 20.59
6. Benefit Adjustment		1.030	1.030
7. Other Additive Adjustment PMPM		\$ -	\$ -
8. Adjusted Trended Dental Claims (5. x 6. + 7.)		\$ 22.92	\$ 21.22

PROJECTED CLAIMS PMPM FOR 7/1/2019 to 6/30/2020			
1. Projected Dental Claims PMPM		\$ 22.92	\$ 21.22
2. Period Weightings		0.34	0.66
3. Contributing Claims Experience (1. x 2.)	3a. \$	7.72	3b. \$ 14.07
4. Weighted Projected Dental Claims (3a. + 3b.)			\$ 21.79

ADMINISTRATIVE/EXPENSE			
1. Projected Dental Claims			\$ 21.79
2. BCBSOK Dental Fee	PCPM	\$2.75	\$1.74
Ratio of Members/Contract for Nov 2018		1.578	
3. Projected Claims and Expense PMPM (1. + 2b.)			\$ 23.53
4. Contribution to Surplus			0.00%
5. Projected Claims and Contribution to Surplus (3 / (1 - 4.))			\$ 23.53

Convert Premium PMPM to Tier Rates		
Single Conversion Factor		1.073



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