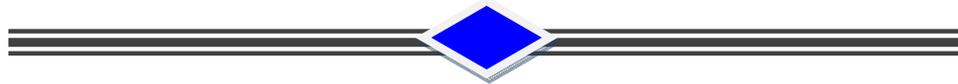
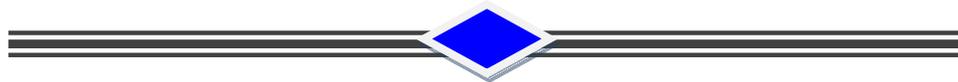


**KANSAS STATE EMPLOYEES
HEALTH CARE COMMISSION**



**ANNUAL
REPORT**



**2010
PLAN YEAR**

Kansas State Employees Health Care Commission 2010 Annual Report

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EXECUTIVE SUMMARY

- Plan Year (PY) 2010 represents the third full plan year of self-funding all of the active employee health plans. As the State and Non State public employers covered by the plan are now responsible for financing all health care costs associated with the State Employee Health Plan (SEHP), the Health Care Commission (HCC) receives quarterly financial reports from the KHPA summarizing plan revenue, plan expenses, and both current and projected fund balances.
- Based upon staff projections and the opinion of the SEHP actuaries, the SEHP fund should have sufficient funds to pay the health care expenses for 2011; however, in PY 2012 plan reserves will be below an actuarially sound level for a self-funded plan covering approximately 96,000 lives. Without adequate reserves, the plan will need to increase revenue, reduce benefits, or implement some combination thereof to maintain long term solvency.
- House Substitute for Senate Bill No. 572 required the director of accounts and reports to transfer \$9,675,000 from the Health Benefits Account (HBA) to the state general fund on July 1, 2010. The bill also required that KHPA and SEHP enter into a three-year contract for a pilot project for health care cost containment and recovery services.
- For PY 2010, a value-based plan design was incorporated into the dental program. Members who have their routine exams and cleanings are rewarded with less out-of-pocket cost if they need basic restorative services.
- Changes to the SEHP for 2011 centered on modifying the benefits to meet the short-term funding objectives for the program.
 - **Plan A** was modified as follows:
 - Increased the deductible from \$150 to \$300 for member only and from \$300 to \$600 for member plus dependent contracts.
 - Increased the annual coinsurance maximums by \$200 (from \$1,200 to \$1,400) for member only and by \$400 (from \$2,400 to \$2,800) for member plus dependent contracts.
 - Increased office visit copays by \$5 to:
 - \$25 for a primary care provider
 - \$45 for a specialist
 - **Plan B** was modified as follows:
 - Added a deductible of \$150 for member only and \$300 for member plus dependent contracts.
 - Increased member coinsurance from 30 percent to 35 percent.
 - Increased the annual coinsurance maximums by \$800 (from \$2,200 to \$3,000) for member only and by \$1,600 (from \$4,400 to \$6,000) for member plus dependent contracts.
 - **Plan C** - No plan design changes were made in 2011.
 - **K.S.A. 40-2249a** requires any new mandated health insurance coverage for specific health services, diseases or providers of health care services to be tested in SEHP for a period of at least one year. Senate Substitute for House Bill No. 2160 established two such pilot programs for Plan Year (PY) 2011 which begins January 1, 2011. No funding was provided to the SEHP to cover the cost of these pilot programs and costs will be paid out of the plan contributions and reserves.
 - The one-year pilot program for Autism Spectrum Disorder provides benefits of up to \$36,000 a year for children from birth to age 7. For children from 7 to 19, the benefit cannot exceed \$27,000 a year. A report on the cost of providing this pilot is due to the legislature in March of 2012.

- The Orally Administered Anti-Cancer Drugs pilot program requires the SEHP to provide the same coverage for anti-cancer drugs as is provided for intravenously administered or injected cancer medications. The pilot begins on January 1, 2011. A report on the cost of providing this pilot is due to the legislature in March of 2011.
- Approximately 33,637 employees utilized the web-based open enrollment system to make their elections for PY 2011. Active employee open enrollment was held from October 1 through October 31. One hundred Open Enrollment meetings were held for employees in thirty-two (32) cities. Staff estimates that approximately 5,956 employees attended these meetings.
- The employee contribution methodology includes a base rate and a discounted rate for non tobacco users and tobacco users who agreed to complete a tobacco cessation program. For PY 2011, a total of 29,761 state employees enrolled as non tobacco users, and 2,132 agreed to complete the tobacco cessation program to receive the non tobacco user discount. A total of 6,197 state employees indicated that they were tobacco users, chose not to disclose their tobacco status, or did not elect a tobacco status during open enrollment and will pay the base rates for 2011.
- For PY 2011, a new limited health care FSA was added for members enrolled in Plan C. The limited benefit FSA can only be used for dental and vision expenses. Total FSA participation for 2011 consists of 9,477 employees who elected to participate in a medical flexible spending account, 17 employees in the new limited health care FSA, and 1,163 employees who elected dependent care flexible spending accounts.

BACKGROUND

The Kansas State Employees Health Care Commission (HCC) was created by the 1984 Legislature through the enactment of K.S.A. 75-6501 et seq. to “develop and provide for the implementation and administration of a state health care benefits program. . . . [It] may provide benefits for persons qualified to participate in the program for hospitalization, medical services, surgical services, nonmedical remedial care and treatment rendered in accordance with a religious method of healing and other health services.” Under K.S.A. 75-6504(b), the HCC is authorized to “negotiate and enter into contracts with qualified insurers, health maintenance organizations and other contracting parties for the purpose of establishing the state health care benefits program.”

The HCC is composed of five (5) members and met six (6) times during 2010. The Secretary of Administration and the Commissioner of Insurance serve as members of the HCC as mandated by statute, while the Governor appoints the other three members. K.S.A. 75-6502 requires one member to be a representative of the general public, one member to be a current state employee in the classified service, and one member to be a retired state employee from the classified service. The Secretary of Administration, Duane Goossen, serves as the Health Care Commission chair. The 2010 HCC members were:

Duane Goossen, Chair and Secretary of Administration
Sandy Praeger, Commissioner of Insurance
Steve Dechant, retired employee from the classified service
Nancy Ruoff, active employee from the classified service
John Staton, representative from the general public

Aon Consulting provides the actuarial and consulting services for the health plan.

An Employee Advisory Committee (EAC) assists the HCC. It is composed of 21 members, 18 of whom are active employees and 3 who participate through Direct Bill. Members are selected on the basis of geographic location, agency, gender, age, and plan participation in order to ensure a balanced membership representing a broad range of employee and Direct Bill member interests. Each member serves a three (3) year term. (See **Exhibit A.**) The EAC met five (5) times during 2010.

The State Employee Health Plan (SEHP) is administered by the Kansas Health Policy Authority (KHPA). The Director of the State Employee Health Benefits Program (SEHBP) reports to the Executive Director of KHPA and is responsible for bringing recommendations for the SEHP to the Health Care Commission and with carrying out the operation of the SEHP according to HCC policy. KHPA staff prepared this report.

I. SUMMARY OF CHANGES AND OTHER ACTIVITIES IN PLAN YEAR 2010

This section provides a summary of improvements, changes, and other activities in the State Employee Health Plan (SEHP) that occurred or took effect in the 2010 plan year (i.e., calendar year 2010). The summary includes a record of the HCC's contracting activities during the year and an overview of the enrollment trends during 2010.

As a package, there were minimal changes in the benefits offering in 2010 with specific changes highlighted below. Enhancements to the HealthQuest program are highlighted separately in Section III of this report. The impact of these plan changes on SEHP finances in 2010 and in future years is summarized in Section IV.

HEALTH PLAN ADMINISTRATION

Beginning with Plan Year (PY) 2008, the SEHP self-insures all of the active employee medical products. PY 2010 represents the third full plan year of self-funding all the health plans. This means that the SEHP no longer transfers the risk of losses to a health insurance company, but instead the State and Non State public employers covered by the plan are now responsible for financing all health care costs associated with the SEHP. SEHP purchases administrative services (e.g., claims administration) and access to a contracted provider network from vendors. This is the second year of the HCC's three-year contract with each vendor for administrative services.

The following vendors provided administrative and network services for the SEHP in 2010:

- Blue Cross and Blue Shield of Kansas (Plan A and Plan B)
- Coventry Health Care of Kansas (Plan A, Plan B and Plan C)
- Preferred Health Systems (Plan A, Plan B and Plan C)
- UMR a UnitedHealthcare Company (Plan A, Plan B and Plan C)

HEALTH PLAN DESIGN

The SEHP offers members a choice of three (3) health plan designs, Plan A, Plan B and Plan C. Plans A and B were available from all four (4) vendors and Plan C, the Qualified High Deductible Health Plan (QHDHP) with Health Saving Account (HSA), was available from Coventry, Preferred Health Systems, and UMR. All plans reflected value-based plan designs which emphasize the use of preventive care. The following benefit changes were implemented in 2010:

Plan A

Network Benefits

- Increased the annual deductible from \$50 to \$150 per person and from \$100 to \$300 per family.
- Increased the coinsurance from 10 percent to 20 percent.
- Increased the coinsurance maximum by \$100 (from \$1,100 to \$1,200) for member only coverage and by \$200 (from \$2,200 to \$2,400) for member plus dependent coverage.
- The Quest Lab Card which provides the plan with savings on outpatient lab charges was added to Plan A. Lab Card has been on Plan B since 2004.

Plans B and C - No Changes.

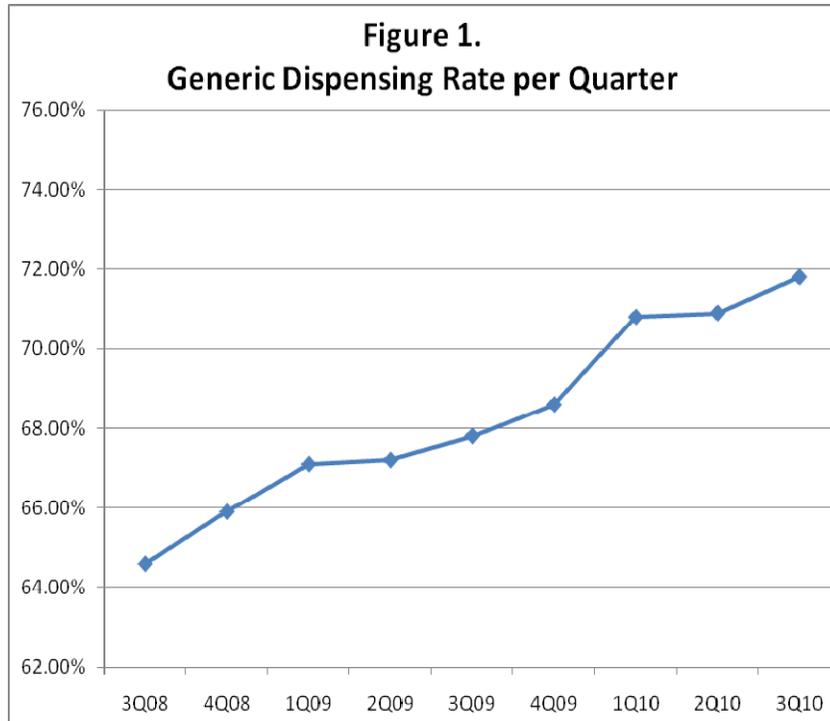
Dental Coverage

- The plan deductible increased \$5 to \$50 per person and a maximum of \$150 per family.
- The plan design was modified to a value-based plan design that provides an incentive to get regular preventive care. Payments on basic restorative services are subject to the basic benefit of 50 percent coinsurance for members who have not had an exam and cleaning in the prior twelve months. Members

who have had a cleaning in the prior twelve months will receive the enhanced benefit. Under the enhanced benefit, the member pays 40 percent coinsurance when a Delta Premier Dentist or non network dentist performs a basic restorative service. The member pays 20 percent coinsurance for basic restorative work with a Delta PPO dentist.

Prescription Drug Coverage

The HCC continued its multi-tiered coinsurance plan design that encourages and rewards cost-effective consumer purchasing. Through proactive plan management, increased consumer awareness, and the introduction of several new generic products, the generic dispensing rate increased from 64.6 percent in the third quarter of 2008 to 71.8 percent for the third quarter of 2010 (see Figure 1).



The performance drug list was implemented for PY 2010. The performance drug list affects members who are using non preferred brand name drugs in three (3) specific classes of prescription drugs. The three classes of prescription drugs include: cholesterol lowering medications (HMGs), proton pump inhibitors (PPIs, which reduce the production of acid in the stomach), and high blood pressure medications (ACE/ARBs). These three classes of drugs contain a large selection of lower costing generic drug options.

Members using HMGs, PPIs and ACE/ARBs will continue to have access to a robust list of both generic and preferred brand name drugs. The performance drug list will only affect members if the member has not tried at least one generic drug before using a non preferred brand name drug. If the member's history for the prior 24 months does not show that a generic has been tried, the pharmacy will receive a message that the claim cannot be processed because the member has not tried a generic first. If they have tried a generic in the prior 24 months, the claim will process normally. Affected members were sent proactive communications to inform them about the change. The communications encouraged members to use lower cost generic and preferred brand alternatives.

Medicare Plans

In addition to the Medicare Part C Advantage plans, Direct Bill members with Medicare could also select the Blue Cross Blue Shield Medicare Supplement Plan C product, Kansas Senior Plan C. The medical plans were available with or without the SilverScript Medicare Part D prescription drug plan.

LONG TERM CARE INSURANCE

The HCC has entered into a contract with Genworth Financial to provide an optional group long term care policy to state employees. An initial enrollment period was held for employees and their family members to enroll in the new Genworth Long Term Care (LTC) insurance plan being offered. Employees were eligible to enroll during this initial enrollment period with no medical underwriting if they were a benefits eligible actively at work employee under age 66, and streamlined underwriting was available for the employee's spouse under age 66. Other family members were also eligible to enroll but were subject to full medical underwriting.

The initial enrollment period was held from August 1, 2010 to September 30, 2010 but was extended to November 2, 2010 to allow employees more time to enroll. Onsite meetings were held in twenty-three (23) locations and staff estimates that 1,535 employees attended. In addition, eleven (11) online webinars were held with 435 employees participating. Genworth reports that they received 2,286 applications during this initial enrollment. Of those received, as of December 1, 2010, 1873 applications have been approved for coverage and policies have been issued. There are 413 applications still pending. This is a significant increase over the prior LTC programs which had only 700 contracts.

Benefits eligible employees, their spouses and other eligible family members will still be able to apply for coverage under the program at any time; however, full medical underwriting will be required for enrollment. New benefits eligible employees under age 66 will be given an initial enrollment period of 30 days to apply for coverage with no medical underwriting and their benefits eligible spouses will be given an initial enrollment period of 30 days to apply for coverage with the streamlined underwriting available. Other family members of new benefits eligible employees can enroll but will be subject to full medical underwriting.

NON STATE ENTITIES

K.S.A. 75-6506(c) authorizes the Kansas State Employees Health Care Commission to designate by rules and regulations the inclusion of public schools and certain local governmental entities into the SEHP. The following chart shows the enrollment by type of eligible group as of January 1, 2011:

| Summary | Number of Groups | Covered Employees |
|--|------------------|-------------------|
| Public Schools | 32 | 3514 |
| Cities | 47 | 587 |
| Counties | 25 | 2283 |
| Townships | 2 | 20 |
| Public Hospitals & Community Mental Health Centers | 18 | 1530 |
| Misc. Local Governmental Entities | 32 | 141 |
| Total | 156 | 8075 |

Thirty (30) new groups were added to the SEHP during 2010 and seven (7) new groups have joined effective January 1, 2011. Two groups will be leaving the plan as of January 1, 2011, as their contracts have expired and they have elected to seek coverage elsewhere.

OPEN ENROLLMENT FOR PLAN YEAR 2011

Active employee open enrollment was held from October 1 through October 31, 2010. Approximately 33,637 employees utilized the online website open enrollment system to make their elections for PY 2011. One hundred

open enrollment meetings were held for employees in thirty-two (32) cities. Staff estimates that approximately 5,956 employees attended these meetings. Non State public employers do not have access to the online web-based enrollment system and must complete paper applications.

Final enrollment numbers as of November 30, 2010, for State and Non State active employees were as follows:

| Vendor | Plan A | Plan B | Plan C | Waived |
|----------------------------------|---------------|--------------|------------|-------------|
| Blue Cross Blue Shield of Kansas | 37,656 | 2,655 | n/a | |
| Coventry HealthCare of Kansas | 1,061 | 141 | 215 | |
| Preferred Health Systems | 1,931 | 180 | 173 | |
| UMR | 493 | 133 | 111 | |
| Elected not to participate | | | | 2641 |
| Total | 41,141 | 3,109 | 499 | 2641 |

Total Active State and Non State Plan Enrollment for 2011: 44,749

Enrollment in the voluntary vision plan through Superior Vision as of November 30, 2010:

| <u>Vision Coverage</u> | <u>Enrolled</u> |
|------------------------|-----------------|
| Basic Plan | 10,953 |
| Enhanced Plan | 27,104 |
| Total Enrolled | 38,057 |

For PY 2011, a new limited health care FSA was added for members enrolled in Plan C. The limited benefit FSA can only be used for dental and vision expenses. Total FSA participation for PY 2011 consists of 9,477 employees who elected to participate in a medical flexible spending account, 17 employees in the new limited health care FSA, and 1,163 employees who elected dependent care flexible spending accounts.

Direct Bill open enrollment for retirees began November 15 and continued through December 15. Enrollment numbers for the Direct Bill program are not available at this time. The Direct Bill call center staff conducted twenty-seven (27) Direct Bill open enrollment meetings between November 1 and November 12, 2010, in fourteen (14) locations throughout the state.

The American Recovery and Reinvestment Act of 2009

Continuation coverage provided by the SEHP under the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA, were affected by the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA provided for premium reductions and additional election opportunities for health benefits under COBRA. These benefits were available for employees who experienced involuntary terminations between September 1, 2008 and May 31, 2010.

Eligible employees under ARRA were eligible to receive reduced COBRA premiums. SEHP worked with the Department of Administration, Division of Accounts and Reports to prepare the appropriate documentation to obtain the tax credits from the federal government to reimburse the State for the cost of the subsidy provided to the employees.

RE-CONTRACTING FOR HEALTH PLAN VENDORS AND SERVICES

On January 13, 2010, the HCC released Request for Proposal (RFP) 12713 to obtain competitive proposals from qualified vendors for administrative services for the prescription drug plan. Ten (10) bids were received. The HCC awarded a three-year contract to CVS Caremark.

On January 27, 2010, the HCC released RFP 12715 to obtain competitive proposals from qualified vendors for a discount lab card program. One (1) qualified bid was received from Quest. The HCC elected to renew the current contract with Quest for one year and to re-bid the contract in 2011.

On January 29, 2010, the HCC released RFP 12714 to obtain competitive proposals from qualified vendors for administration of a comprehensive Dependent Care and Health Care Flexible Spending Account program. Four (4) bids were received. The HCC awarded a three-year contract to ASI Flex.

On July 1, 2010, the HCC released RFP 13132 to obtain competitive proposals from qualified vendors for a fully insured Medicare Part D prescription drug plan. Three (3) qualified bids were received. The HCC awarded a three-year contract to SilverScript.

On September 22, 2010, KHPA released RFP EVT0000146 to obtain competitive proposals from qualified bidders to provide for health care cost containment and recovery services. This RFP for cost recovery services is issued pursuant to provisions of the State of Kansas FY 2011 budget (House Substitute for Senate Bill No. 572, signed by the Governor on May 27, 2010) directing the KHPA to establish a pilot project to be implemented regarding programs of state agencies or programs responsible for payment of medical or pharmacy claims including KHPA, the Department of Social and Rehabilitation Services, Juvenile Justice Authority (JJA), Department on Aging (KDOA), Department of Labor (KDOL), Department of Health and Environment (KDHE), and the State Employee Health Plan (SEHP). Two bids were received and the contract was awarded to HealthDataInsights (HDI).

II. SUMMARY OF CHANGES IN PLAN YEAR 2011

This section includes a summary of health plan improvements developed and approved in 2010 for implementation in Plan Year (PY) 2011, which began January 1, 2011. As a package, the 2011 plan changes focus on reducing the State's cost. The projected impact of these plan changes on SEHP finances in 2011 and in future years is summarized in Section IV of this report.

HEALTH PLAN DESIGN

Providing plan choice to employees and their dependents continues to be highly valued by the HCC. The following vendors will provide administrative services for Plans A, B and C and network services for 2011:

- Blue Cross and Blue Shield of Kansas (Plans A and B)
- Coventry Health Care of Kansas (Plans A, B and C)
- Preferred Health Systems (Plans A, B and C)
- UMR a UnitedHealthcare Company (Plans A, B and C)

Changes in plan design for Plan A and Plan B emphasize reducing plan expenditures by increasing the cost share by the members. In addition to plan design changes, member health plan contributions were increased on average eight (8) percent effective January 1, 2011. State agencies' contributions toward the cost of coverage will increase fifteen (15) percent effective July 1, 2011. In addition to increased contributions, the following plan design changes for Plan A have been made:

Plan A

- The annual deductible for network services increased from \$150 to \$300 per person and from \$300 to \$600 per family.
- The annual coinsurance maximum increased from \$1,200 to \$1,400 per person and from \$2,400 to \$2,800 per family.
- The office visit copay increased by \$5 to \$25 for a primary care provider and \$45 for a specialist.

Plan B

- A deductible of \$150 per person and \$300 per family was added.
- The member coinsurance increased from 30 percent to 35 percent.
- The annual coinsurance maximum increased from \$2,200 to \$3,000 per person and from \$4,400 to \$6,000 per family.

Plan C – No changes.

LEGISLATIVE PILOT PROGRAMS

K.S.A. 40-2249a requires any new mandated health insurance coverage for specific health services, diseases or providers of health care services to be tested in SEHP for a period of at least one year. Senate Substitute for House Bill No. 2160 established two such pilot programs for PY 2011. No funding was provided to cover the cost of these pilot programs and costs will be paid out of the employee and agency/employer contributions and the plan reserves.

Beginning January 1, 2011, the SEHP will begin a one-year pilot program that provides coverage for Autism Spectrum Disorder. Benefits for diagnosis and treatment of Autism Spectrum Disorder are limited to \$36,000 a year for children from birth to age 7. For children from 7 to 19, the benefit cannot exceed \$27,000 a year. A report on the cost of providing this pilot is due to the legislature in March of 2012.

The second pilot provides coverage for orally administered anti-cancer drugs that is the same as the coverage provided for intravenously administered or injected cancer medications. The pilot begins on January 1, 2011. A report on the cost of providing this pilot is due to the legislature in March of 2011.

III. PROGRAM HIGHLIGHT: BUILDING A MODEL WELLNESS PROGRAM THROUGH HEALTHQUEST

A comprehensive review of HealthQuest completed in 2007 resulted in a new offering of services and incentives promoting employee health, wellness, and preventive care. The Health Care Commission has adopted changes in the health plans and the employee incentives to encourage wellness and preventive care. The changes made in the HealthQuest program are consistent with the KHPA's statutory charge to coordinate a statewide health policy agenda incorporating effective purchasing with health promotion strategies. The review was designed to create, through HealthQuest, a health and wellness program that will serve as a model for other employers and health care purchasers across the state. The new program was implemented in January 2008, beginning with an introductory letter from the Governor and the KHPA Executive Director and a promotional flier describing the programs.

In 2010, HealthQuest program components included statewide health screening events, an online health assessment, a 24/7 Nurse Line, condition and disease management programs, health coaching, an online health and wellness portal, a \$50 gift card incentive to increase participation, a tobacco cessation program tied to the non tobacco user discount program, an employee assistance program, a wellness blog, wellness presentations, and wellness contests.

PROGRAM HIGHLIGHTS

Statewide Health Screening Events

As part of the commitment to help participants lead healthier lifestyles, the HealthQuest program offered 87 health screening events during business hours in 40 cities across the state. The screening included the following tests and measurements: total cholesterol, HDL, LDL, total cholesterol to HDL ratio, triglycerides, blood glucose, blood pressure, measured height and weight, and body mass index (BMI) calculation. In 2010, the health screening was completed by 10,927 individuals. Additional screening locations are being added in 2011 to reach the goal of 14,000 screened individuals.

Personal Health Assessment and \$50 Gift Card

The online health assessment helps participants get an accurate picture of their current health status and take an active role in managing their health and well-being. In 2010, 12,303 individuals completed the health assessment. Participants who completed the health assessment received a \$50 gift card.

24/7 Nurse Line/Health Coaching Programs

Through the Nurse Line and Health Coaching programs, plan members may talk by phone with a health coach 24 hours a day, 7 days a week. Health coaches are specially trained professionals (such as nurses, respiratory therapists, or registered dietitians) who can answer health questions that participants may have concerning their health or their family's health. Members may also work with their own personal health coach to help manage ongoing conditions such as diabetes, coronary artery disease, heart failure, chronic obstructive pulmonary disease (COPD), and asthma. Eligible individuals can receive home monitoring devices for COPD, diabetes, and/or heart failure.

When participants call a health coach, they receive the following:

- Personal education and support
- Health information that is provided 24/7
- Questions to discuss with their doctor
- Educational DVDs and printed materials mailed to their home
- A workbook and support from a personal coach for weight loss, physical activity, stress management, confidence building, energy management, and nutrition

Tobacco Cessation Program

In 2010, 2,875 individuals enrolled in the program and 1,222 completed it. Of the total enrolled, 2,347 employees participated in the non tobacco user discount program offered during the open enrollment process and 528 self-referrals enrolled but were not eligible for the tobacco cessation discount. A 39.1 percent quit rate was achieved after 6 months of completing the program.

Employee Assistance Program (EAP)

HealthQuest continues to provide mental health support, short-term personal counseling, legal advice and discounts, personal money management assistance, eldercare and childcare information and referral, and life coaching. Confidential services are available to employees and their dependents 24 hours a day, 7 days a week.

Wellness Champion Network

A Wellness Champion Network was instituted to play a vital role in our long-range wellness education and communication strategy to enhance visibility, support, utilization, and evaluation of HealthQuest programs. Wellness Champions and committees at each agency provide onsite wellness programming such as brown bag lunch presentations, walking clubs, fitness events, and health fairs. Champions participate in monthly webinars and receive promotional materials to help them raise health awareness at their worksite. To date, 86 Wellness Champions from 60 agencies are in the network.

Additional Services

Wellness Blog – HealthQuest has been producing a wellness blog since 2003. The blog features mini videos on healthy eating, links to wellness resources, and inspirational information to promote a healthy lifestyle. Currently, 2,800 individuals subscribe to the blog.

Member Portal – 16,838 eligible individuals have registered, 5,113 have participated in the healthy living programs, 2,842 have completed the online seminars, and 703 have participated in the wellness challenges.

Contests – To date, 1,050 individuals have participated in the Virtual Race Across Kansas (nutrition and fitness challenge) and 461 have participated in the Scavenger Hunt (online educational tool).

PLANS FOR 2011

In 2011, HealthQuest will continue to offer the suite of programs described above. HealthQuest will also continue to develop the Wellness Champion Network and build a social networking strategy to enhance participation. In addition to the programs listed above, program offerings will include new wellness challenges, a Know Your Numbers Campaign, and a more robust credits tracking system.

As part of the HealthQuest organizational strategy to build a culture of health, a comprehensive plan is being developed to engage all levels of state leaders, agency heads and directors, Wellness Champions, employees, retirees and other plan members. Webinars are currently being developed for the various stakeholder groups. HealthQuest is implementing a comprehensive feedback process that will include management and employee surveys and focus groups. Other feedback loops are being built into the telephonic and web-based programs.

IV. FINANCING

In 2010, the HCC continued to receive periodic financial reports summarizing plan revenues, expenditures, and both current and projected balances in SEHP funds. Based on staff projections and the opinion of SEHP actuaries, KHPA reported that the fund has sufficient funds for Plan Year (PY) 2011 but will be below recommended reserve levels for a self-funded plan in PY 2012. In PY 2017 the fund will not have sufficient monies to cover expenses without additional changes to plan design or an increase in plan funding. This section summarizes the financial status of the SEHP, including a discussion of funding balances, revenue, and expenses.

BEGINNING BALANCE

The beginning balances shown at the top of Table 1 and Table 2 indicate the total amounts of cash in the various funds available to the SEHP. Funds available to the SEHP are referred to as the "*Plan Reserve*," and the beginning balance of the Plan Reserve represents the funds available at the beginning of each year. The beginning balances in these funds totaled \$72.3 million in FY 2000 (Table 1).

Available monies for plan expenses are managed in two funds. One fund is a dedicated, interest-bearing reserve that totals approximately \$11.9 million called "*Reserve Fund*." This fund was created by the 1993 contract with Blue Cross and Blue Shield of Kansas to provide a reserve for self-funded claims payments. The fund has continued to exist and grows by interest compounded monthly within the Pooled Money Investment Board. During PY 2009, the fund experienced falling rates. Based on past experience it is estimated the interest earned on the Reserve Fund will be 3.1 percent over the long-term even though the current actual rate is about 0.94 percent. The fund balances include the presumption that the plan will be able to begin receiving the earned interest on all the Plan Reserves beginning in 2015.

The second fund, called "*Remittance to Providers*," on Table 1 and Table 2 represents monies remaining from payroll collections (employees and state agencies), direct-billed contributions from retirees and COBRA continuers, and Non State public employer contributions. These have been reported as incurred expenditures that would be paid to the health insurance carriers for health claims that will be paid in the future.

PLAN REVENUES

Plan revenues are the sums received from contributions by State Agencies, Non State employers, employees, and retirees, plus interest earned by the plan. Past experience with fund balances, revenues, and expenses are represented in a historical chart (**Figure 2**) based upon fiscal years running from July 1 to June 30. Projected balances, revenues, and expenses are based upon plan years running from January 1 to December 31. In 2010, the employer contributions increased by 12.5 percent and the employee contributions increased by 8.0 percent.

The Plan Revenues future projection (**Table 2**) is based upon a 15 percent increase in the contributions of agencies and Non State public employers and an 8 percent increase in employee contributions for PY 2011, changing to an annual contribution increase of 10 percent for agencies and Non State public employers and 7.5 percent for employees in all future years. The agency and Non State public employers' contributions will be adjusted on the first of July each year. The employee contributions are adjusted January 1 of each year. The projections shown in Table 2 incorporate the estimated impacts of contribution rates and benefit design changes in effect for PY 2011, as described above, including the increased employer contribution for dependents. Structural differences between Plan A and Plan B resulted in most members choosing Plan A in PY 2010. In 2010, plan design changes were made to maintain long term plan financial solvency.

PLAN EXPENSES

Plan expenses are payments for medical, dental, and drug claims, plus related contract administration fees that are paid by the plan. The historical plan expenses (**Table 1**) represent actual experience, whereas projected plan expenses (**Table 2**) are estimates reflecting a long-term 9.5 percent managed health care cost trend.

The total annualized cost of the SEHP for PY 2010 is estimated to be approximately \$431,333,371. This is 2.6 percent higher than the PY 2009 cost of \$420,593,007. The annual total cost estimate is revised each year as more recent claims experience is collected.

CONTRIBUTIONS AND RATES

Beginning in PY 2009, the HCC voted to implement a base rate contribution strategy for employee coverage. Employees who are tobacco users or those who choose not to disclose their tobacco status pay the base rates for health coverage. Non tobacco users and those who are tobacco users but who agree to complete a tobacco cessation course through HealthQuest receive a discount of \$20 per pay period or \$40 per month off the base rate. In compliance with the Health Insurance Portability and Accountability Act (HIPAA), tobacco users will be able to elect to participate in the tobacco control program on an annual basis to receive the discount regardless of whether they cease tobacco use.

During open enrollment each year, employees are asked to disclose their tobacco status. Employees who took no action during open enrollment were defaulted as not disclosing their tobacco status and will pay the base rates for PY 2011. Because of potential conflict with federal requirements, the discount was not available to those enrolling in the Medicare specialty products. The following is a summary of the tobacco use disclosures made for PY 2011:

| Tobacco Status | State | Non State | Direct Bill |
|---------------------------------------|--------------|------------------|--------------------|
| Non Tobacco User | 30,318 | 6,211 | 1,987 |
| Tobacco User with cessation course | 2,210 | 553 | 44 |
| Tobacco User (no discount) | 931 | 358 | 43 |
| Do not wish to disclose (no discount) | 2,494 | 519 | 254 |

The HCC has approved a contribution of fifty-five (55) percent toward the cost of dependent coverage. The actual employer contribution toward the cost of dependent coverage covers approximately forty-nine (49) percent of the cost to provide dependent coverage. The difference between the employer contribution and the approved contribution is paid out of the plan reserves.

In PY 2010, the plan received a one-time payment of approximately \$20 million as a result of changes in the timing of receipt of contributions to the plan that resulted from a conversion to the new Statewide Management, Accounting and Reporting Tool (SMART) accounting system. The plan also had a reduction of \$9.675 million in contributions from legislative action requiring the plan to enter into an agreement with a claims auditing company.

HealthyKIDS

The HCC decided to continue the HealthyKIDS pilot program for PY 2010 and to increase the family income to 250 percent of the federal poverty level to match a similar change in the HealthWave program. The program covers children who meet the income guidelines for the State's HealthWave program but who are prohibited from enrolling

in HealthWave by federal rules that are designed to prevent states from shifting insurance benefits onto the federally-subsidized HealthWave program. For HealthyKIDS families, the HCC has approved a contribution of 90 percent of the cost of dependent children's coverage. The actual contribution rate received from State agencies covers 68 percent of the contribution (instead of the typical 49 percent average) and the employee pays only 10 percent for their eligible dependent children. The remaining 22 percent of the contribution comes out of the plan reserve. In 2010, there were over 2,200 state employees covering 5,142 children in the health care plan through HealthyKIDS.

CLAIM PAYMENTS PER MEMBER

The claim payments per member per month (Exhibit E) decreased 0.9 percent in third quarter 2010 as compared to third quarter 2009. The active State employees' claim payments (Exhibit F) decreased 4.1 percent while the Non State employees' claim payments increased 5.7 percent when comparing third quarter 2010 to third quarter 2009.

ADMINISTRATION

Administration is the cost to maintain the program, including salaries, consulting fees, wellness programs and other expenses. It is assumed in the projections that costs will grow 2.7 percent annually. SEHP administrative costs represent less than 1 percent of health plan expenditures.

PLAN RESERVES

The target reserve (at the end of the year) is a target minimum reserve amount to cover unexpected future SEHP expenditures should they (temporarily) exceed revenue. In effect, target reserves represent the capitalization required to self-insure for all covered health care expenses. Reserves held by the SEHP are analyzed periodically to ensure they are adequate to cover:

- Incurred But Not Reported (IBNR) claim liability, i.e., the cost of medical care delivered but not yet billed to the SEHP. These bills would continue to arrive at the plan for payment even if, for some unforeseen reason, benefits and associated premium revenue were terminated.
- Unexpected contingencies, such as a spike in health care costs that arrives before plan revenues can be adjusted upward.

Table 1 and Figure 2 show SEHP balances, revenues, and expenditures from state Fiscal Year (FY) 2000 through 2010. These reserves reflect actual historical experience as reported in the Statewide Cost Allocation Plan documents for each state fiscal year and the single state financial audit reports for those years. The growth in the balances is due to several factors. During fiscal years 2004 and 2005, agency and employee contributions were increased. Due to reductions in the benefit design, claims experience within the plan remained essentially flat. In FY 2005 alone, the SEHP collected \$76 million more than needed to fund expenditures. That amount was added to the beginning balance of \$50.4 million. In PY 2009, legislative action resulted in state agencies not contributing the employer contribution for seven pay periods in FY 2009, resulting in a \$64 million decrease in the fund balance.

Table 2 shows the projected target reserve for each year based upon a function of Plan Revenue, Plan Expenses, and health care cost trend. The HCC's funding objective in managing the SEHP over the long term is to have a target reserve equal to the actuarially-calculated IBNR, plus a reasonable contingency to account for unforeseen and unexpected growth in health costs that could arrive before plan revenue can be adjusted. The target reserve will be adjusted for health cost trend over time. The estimated target reserve for health claims in PY 2010 was \$49.4 million (Table 2).

Target reserves are projected to rise over time with health costs. Based on a set of assumptions that take into account expected health costs, plan management, and future revenues, total plan reserves will fall below the target

level starting in PY 2012. If additional revenue or plan coverage reductions are not made, it is anticipated that the plan reserves will be depleted by 2017. (See Figure 3, the Reserve Balance Projection chart on page 19.) As the SEHP is a self-funded plan, this funding issue affects not only State employees and agencies but also the Non State public employers covered by the plan.

SUMMARY

In PY 2010, healthcare costs increased less than what was originally expected. Plan management is still the key to the continued success of the plan and future changes will need to be made to maintain an actuarially sound plan.

Table 1

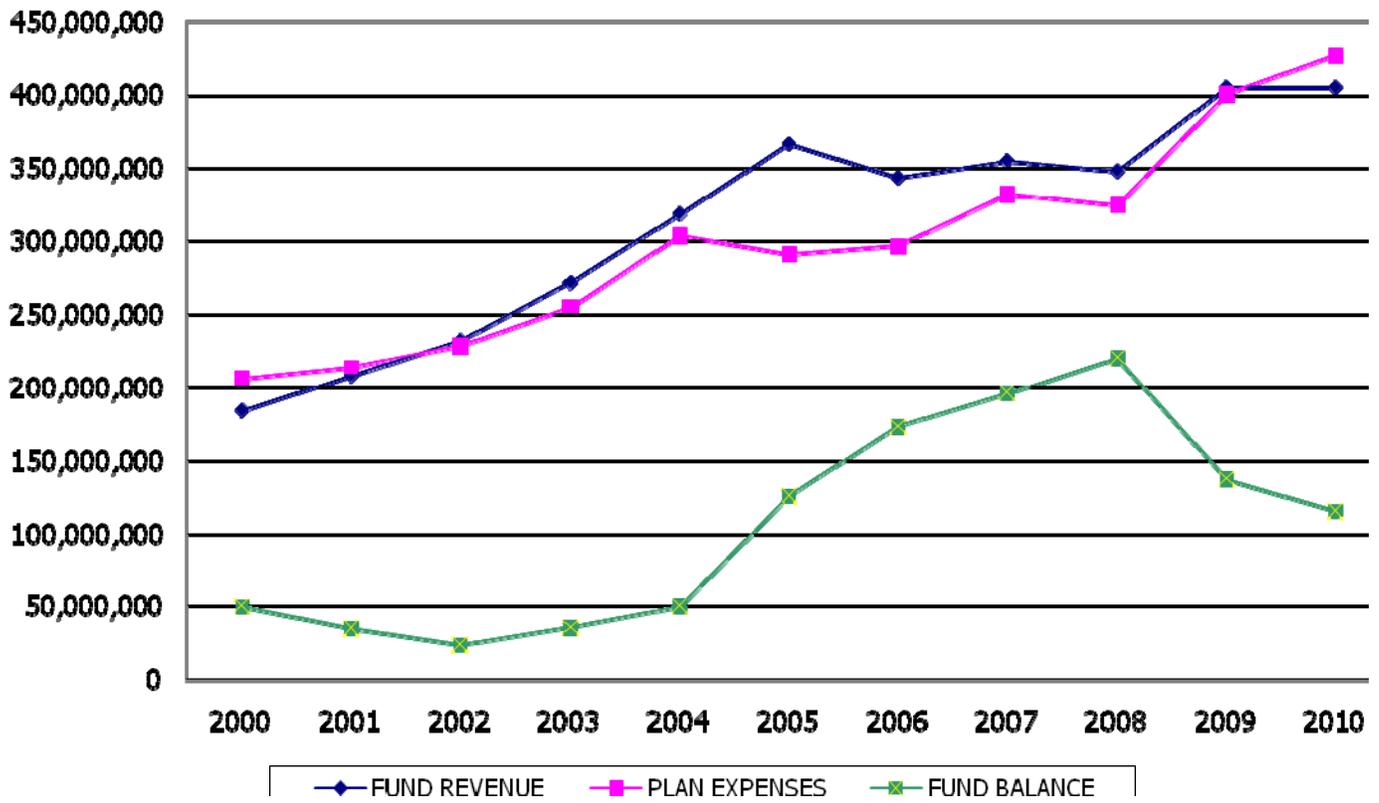
State Employees' Health Benefits Plan

Plan History FY 2000 to FY 2010

| | FISCAL YEAR | | | | | | | | | | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| REMITTANCE & RESERVE FUND | | | | | | | | | | | |
| Begin Balance: | | | | | | | | | | | |
| Reserve Fund | 39,055,152 | 39,050,785 | 29,254,282 | 14,559,934 | 9,746,634 | 9,855,595 | 10,052,400 | 10,448,122 | 10,989,553 | 11,487,866 | 11,796,538 |
| Remittance to Providers | 33,328,129 | 11,164,815 | 5,918,447 | 9,339,489 | 26,024,764 | 40,544,796 | 116,122,477 | 162,849,763 | 185,410,396 | 209,178,243 | 125,842,927 |
| Total Beginning Balance | 72,383,281 | 50,215,599 | 35,172,728 | 23,899,423 | 35,771,399 | 50,400,391 | 126,174,877 | 173,297,884 | 196,399,949 | 220,666,109 | 137,639,465 |
| Revenue: | | | | | | | | | | | |
| Agency Contributions | 99,803,602 | 108,589,670 | 120,510,567 | 149,576,276 | 163,216,145 | 198,132,780 | 197,551,160 | 200,451,184 | 204,132,341 | 164,516,992 | 218,026,528 |
| Participant Contributions | 78,610,262 | 88,787,339 | 94,488,623 | 114,184,273 | 152,728,660 | 166,020,286 | 163,486,857 | 152,788,942 | 144,255,736 | 152,987,257 | 175,445,171 |
| SMART Contribution (7/1/2010) | | | | | | | | | | 20,050,000 | |
| RAC (SB 572 Sec 76(f)) Eff (7/1/2010) | | | | | | | | | | | (9,675,000) |
| Other - rebates, penalties, etc. | 5,799,060 | 11,200,121 | 17,348,028 | 8,052,414 | 2,696,776 | 2,925,131 | -17,344,739 | 1,925,082 | -96,375 | 1,593 | 1,282,735 |
| Total Revenue | 184,212,925 | 208,577,130 | 232,347,217 | 271,812,963 | 318,641,581 | 367,078,197 | 343,693,278 | 355,165,209 | 348,291,703 | 317,505,842 | 405,129,434 |
| Reserve Fund Interest/Transfers | -4,367 | -9,796,503 | -14,694,348 | -4,813,299 | 108,960 | 196,805 | 395,722 | 541,431 | 498,312 | 308,672 | 152,541 |
| Expenses: | | | | | | | | | | | |
| Premiums, Claims & ASO Payments | 205,889,093 | 213,380,345 | 228,294,048 | 254,739,933 | 303,875,532 | 291,260,896 | 296,727,542 | 332,269,889 | 322,992,585 | 393,735,340 | 422,526,782 |
| Contracts/Other Payments | 487,145 | 443,153 | 632,127 | 387,755 | 246,017 | 239,621 | 238,450 | 334,686 | 2,101,171 | 7,105,820 | 4,840,861 |
| Total Expenses | 206,376,239 | 213,823,498 | 228,926,175 | 255,127,688 | 304,121,549 | 291,500,517 | 296,965,992 | 332,604,575 | 325,093,756 | 400,841,160 | 427,367,643 |
| End Balance: | | | | | | | | | | | |
| Reserve Fund | 39,050,785 | 29,254,282 | 14,559,934 | 9,746,634 | 9,855,595 | 10,052,400 | 10,448,122 | 10,989,553 | 11,487,866 | 11,796,538 | 11,949,080 |
| Remittance to Providers | 11,164,815 | 5,918,447 | 9,339,489 | 26,024,764 | 40,544,796 | 116,122,477 | 162,849,763 | 185,410,396 | 209,178,243 | 125,842,927 | 103,604,717 |
| End Balance | 50,215,599 | 35,172,728 | 23,899,423 | 35,771,399 | 50,400,391 | 126,174,877 | 173,297,884 | 196,399,949 | 220,666,109 | 137,639,465 | 115,553,797 |
| ADMINISTRATION | | | | | | | | | | | |
| Begin Balance: | 1,484,187 | 2,201,536 | 2,936,054 | 3,237,339 | 756,276 | 405,462 | 858,454 | 1,611,873 | 2,598,534 | 3,617,167 | 3,186,826 |
| Revenues: | | | | | | | | | | | |
| Cafeteria Fund | 2,155,544 | 2,155,550 | 1,944,921 | 168,534 | 2,010,441 | 2,016,100 | 2,010,918 | 2,035,464 | 2,490,006 | 2,179,871 | 3,171,368 |
| Wellness Fund | 617,147 | 617,149 | 579,952 | -253 | 528,004 | 576,924 | 605,259 | 645,828 | 781,433 | 686,226 | 798,133 |
| Total Revenues | 2,772,691 | 2,772,699 | 2,524,873 | 168,281 | 2,538,446 | 2,593,024 | 2,616,178 | 2,681,292 | 3,271,439 | 2,866,097 | 3,969,501 |
| Expenses: | | | | | | | | | | | |
| Admin Expenses | 2,067,406 | 2,040,150 | 2,222,192 | 2,664,746 | 2,897,189 | 2,133,582 | 1,864,679 | 1,694,631 | 2,252,806 | 3,296,439 | 3,422,948 |
| Other Payments | 2,067,406 | 2,040,150 | 2,222,192 | 2,664,746 | 2,897,189 | 2,133,582 | 1,864,679 | 1,694,631 | 2,252,806 | 3,296,439 | 3,455,514 |
| Total Admin Expenses | 2,067,406 | 2,040,150 | 2,222,192 | 2,664,746 | 2,897,189 | 2,133,582 | 1,864,679 | 1,694,631 | 2,252,806 | 3,296,439 | 3,455,514 |
| Ending Balance | 2,189,472 | 2,934,085 | 3,238,736 | 740,874 | 397,533 | 864,904 | 1,609,952 | 2,598,534 | 3,617,167 | 3,186,826 | 3,700,812 |

Information for FY2000-FY2009 was obtained from the Statewide Cost Allocation (SWCAP) documents
Information for FY 2010 is preliminary information from STARS until the SWCAP is completed in March 2011

Figure 2
History of State Employee Health Plan



Note: Legislative action resulted in state agencies not contributing the employer contribution for seven pay periods in FY2009, resulting in a \$64 million decrease in the fund balance.

| Table 2 | | | | | | | | | | | | | | |
|--|----------------------|--------------------------|-------------------------|--------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Kansas Health Policy Authority | | | | | | | | | | | | | | |
| Reserve Calculation | | | | | | | | | | | | | | |
| Medical, Pharmacy, Dental and Vision | | | | | | | | | | | | | | |
| Year | 2009 | 2010 Original Projection | 2010 Updated Projection | Difference | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Reserve Fund | 11,657,437 | 11,880,073 | 11,880,073 | 0 | 11,992,333 | 12,364,095 | 12,747,382 | 13,142,551 | 33,636,037 | 21,658,196 | 7,806,988 | 0 | 0 | 0 |
| Reimburse to Providers | 183,032,836 | 78,295,832 | 78,295,832 | 0 | 68,562,639 | 52,881,998 | 43,127,334 | 32,285,447 | 0 | 0 | 0 | (7,835,281) | (25,142,914) | (43,929,628) |
| Total Beginning Balance | 194,690,273 | 90,175,905 | 90,175,905 | 0 | 80,554,972 | 65,246,094 | 55,874,717 | 45,427,998 | 33,836,037 | 21,658,196 | 7,806,988 | (7,835,281) | (25,142,914) | (43,929,628) |
| Agency Contributions | 0 | 292,296,478 | 287,787,250 | (4,509,228) | 328,422,181 | 368,902,124 | 405,792,337 | 446,371,570 | 491,008,727 | 540,109,600 | 594,120,560 | 653,532,616 | 718,885,878 | 790,774,465 |
| Participant Contributions | 0 | 118,994,506 | 123,437,928 | 4,443,422 | 127,091,673 | 136,235,002 | 146,203,957 | 156,913,889 | 168,420,130 | 180,782,278 | 194,064,315 | 208,335,036 | 223,669,390 | 240,143,888 |
| SMART Contributions (7/1/2010) | 0 | 20,050,000 | 20,050,000 | 20,050,000 | | | | | | | | | | |
| Total Revenue | 315,656,003 | 411,290,984 | 431,275,178 | 19,984,194 | 455,513,854 | 505,137,126 | 551,996,293 | 603,285,439 | 659,428,857 | 720,891,878 | 788,184,875 | 861,867,652 | 942,554,268 | 1,030,918,333 |
| RAC (SB 572 Sec 76(f)) Eff(7/1/2010) | | | (9,675,000) | (9,675,000) | | | | | | | | | | |
| Total Expenses | 420,593,007 | 447,842,038 | 431,333,371 | 16,508,667 | 471,194,495 | 514,891,790 | 562,838,181 | 615,284,820 | 672,655,615 | 735,414,490 | 804,069,162 | 879,175,285 | 961,340,981 | 1,051,231,802 |
| Interest on Reserves | 222,635 | 368,282 | 112,260 | (256,022) | 371,762 | 383,287 | 395,169 | 407,419 | 1,048,917 | 671,404 | 242,017 | 0 | 0 | 0 |
| Net Cash flow | (104,514,369) | (36,182,772) | (9,620,933) | 26,561,839 | (15,308,878) | (9,371,377) | (10,446,719) | (11,591,961) | (12,177,841) | (13,851,207) | (15,642,270) | (17,307,633) | (18,786,714) | (20,313,469) |
| Ending Available Balance (Reserve Ending Balance) | 90,175,905 | 53,993,133 | 80,554,972 | 26,561,839 | 65,246,094 | 55,874,717 | 45,427,998 | 33,836,037 | 21,658,196 | 7,806,988 | (7,835,281) | (25,142,914) | (43,929,628) | (64,243,097) |
| Target Reserve | 63,088,951 | 51,542,000 | 49,384,000 | 2,158,000 | 54,076,000 | 59,213,000 | 64,839,000 | 70,998,000 | 77,743,000 | 85,128,000 | 93,216,000 | 102,071,000 | 111,768,000 | 122,386,000 |
| "Ending Reserve" - "Target Reserve" | 27,086,953 | 2,451,133 | 31,170,972 | (28,719,839) | 11,170,094 | (3,338,283) | (19,411,002) | (37,161,963) | (56,084,804) | (77,321,012) | (101,051,281) | (127,213,914) | (155,697,628) | (186,629,097) |
| Ending Balance as a Percent of Claims | 21.4% | 12.4% | 18.7% | | 13.8% | 10.9% | 8.1% | 5.5% | 3.2% | 1.1% | -1.0% | -2.9% | -4.6% | -6.1% |

**Figure 3
Reserve Balance Projection**

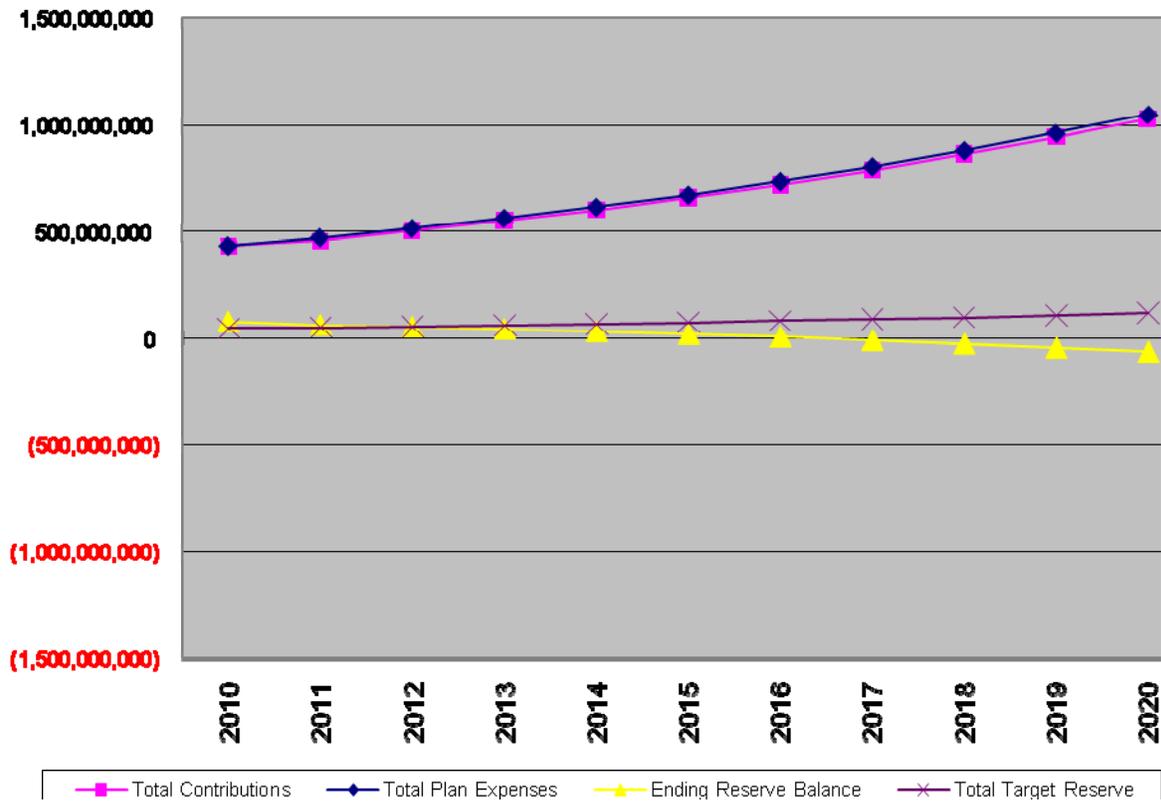


Exhibit A
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**2010 GROUP HEALTH INSURANCE ENROLLMENT
BY TYPE OF PARTICIPANT**

| Grand Total Covered Lives (State & Non-State Active, Direct Bill, & COBRA) | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Type of Participant | Jan-10 | Apr-10 | Jul-10 | Oct-10 | Average |
| Active State Employees | 36,427 | 36,197 | 35,556 | 36,070 | 36,063 |
| Active State EE Dependents | 34,657 | 34,512 | 34,098 | 34,780 | 34,512 |
| Total Covered Lives | 71,084 | 70,709 | 69,654 | 70,850 | 70,574 |
| Direct Bill State Retirees | 10,330 | 10,305 | 10,343 | 10,374 | 10,338 |
| Direct Bill State Ret Dependents | 405 | 389 | 388 | 381 | 391 |
| Total Covered Lives | 10,735 | 10,694 | 10,731 | 10,755 | 10,729 |
| COBRA State Participants | 227 | 235 | 234 | 221 | 229 |
| COBRA State Dependents | 76 | 101 | 101 | 96 | 94 |
| Total Covered Lives | 303 | 336 | 335 | 317 | 323 |
| Active Educational Employees | 3,209 | 3,180 | 3,129 | 3,099 | 3,154 |
| Active Educational EE Dependents | 2,951 | 2,938 | 2,914 | 2,853 | 2,914 |
| Total Covered Lives | 6,160 | 6,118 | 6,043 | 5,952 | 6,068 |
| Direct Bill Educational Retirees | 392 | 388 | 392 | 405 | 394 |
| Direct Bill Educational Ret Dependents | 64 | 58 | 58 | 64 | 61 |
| Total Covered Lives | 456 | 446 | 450 | 469 | 455 |
| COBRA Educational Participants | 20 | 20 | 18 | 22 | 20 |
| COBRA Educational Dependents | 12 | 14 | 15 | 22 | 16 |
| Total Covered Lives | 32 | 34 | 33 | 44 | 36 |
| Active City/County/Township Employees | 2,710 | 2,702 | 2,733 | 2,761 | 2,727 |
| Active City/County/Township EE Dependents | 3,198 | 3,203 | 3,239 | 3,325 | 3,241 |
| Total Covered Lives | 5,908 | 5,905 | 5,972 | 6,086 | 5,968 |
| Direct Bill City/County/Township Retirees | 75 | 83 | 86 | 80 | 81 |
| Direct Bill City/County/Township Ret Deps | 13 | 17 | 16 | 15 | 15 |
| Total Covered Lives | 88 | 100 | 102 | 95 | 96 |
| COBRA City/County/Township Participants | 21 | 20 | 18 | 18 | 19 |
| COBRA City/County/Township Dependents | 3 | 7 | 3 | 3 | 4 |
| Total Covered Lives | 24 | 27 | 21 | 21 | 23 |
| Active Hospital or Mental Hlth Center Employees | 1,387 | 1,395 | 1,379 | 1,509 | 1,418 |
| Active Hospital or Mental Hlth Center EE Deps | 1,328 | 1,342 | 1,317 | 1,425 | 1,353 |
| Total Covered Lives | 2,715 | 2,737 | 2,696 | 2,934 | 2,771 |
| Direct Bill Hospital or Mental Hlth Center Retirees | 6 | 10 | 9 | 14 | 10 |
| Direct Bill Hospital or Mental Hlth Center Ret Deps | 0 | 2 | 0 | 0 | 1 |
| Total Covered Lives | 6 | 12 | 9 | 14 | 10 |
| COBRA Hospital or Mental Hlth Center Participants | 14 | 19 | 23 | 25 | 20 |
| COBRA Hospital or Mental Hlth Center Dependents | 2 | 0 | 6 | 11 | 5 |
| Total Covered Lives | 16 | 19 | 29 | 36 | 25 |
| Active All Other Non-State Employees | 57 | 77 | 138 | 130 | 101 |
| Active All Other Non-State EE Dependents | 28 | 47 | 112 | 104 | 73 |
| Total Covered Lives | 85 | 124 | 250 | 234 | 173 |
| Direct Bill All Other Non-State Retirees | 3 | 3 | 3 | 4 | 3 |
| Direct Bill All Other Non-State Ret Deps | 1 | 1 | 1 | 1 | 1 |
| Total Covered Lives | 4 | 4 | 4 | 5 | 4 |
| COBRA All Other Non-State Participants | 0 | 0 | 0 | 1 | 0 |
| COBRA All Other Non-State Dependents | 0 | 0 | 0 | 4 | 1 |
| Total Covered Lives | 0 | 0 | 0 | 5 | 1 |
| Total Contracts | 54,878 | 54,634 | 54,061 | 54,733 | 54,577 |
| Total Covered Lives | 97,616 | 97,265 | 96,329 | 97,817 | 97,257 |

Reflects dependents on medical coverage

Number of participants may not match totals in census tables due to the lag time between when all queries are completed.

Exhibit C

**State of Kansas Employee Health Plan
Average Members by Population Group**

| Population Group | QTR 3 2009 | QTR 4 2009 | QTR 1 2010 | QTR 2 2010 | QTR 3 2010 | % Change from QTR3 2009 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|
| Active State of Kansas | 70,132 | 70,353 | 70,739 | 70,366 | 69,505 | -0.9% |
| Active Non State Groups | 14,107 | 14,552 | 14,835 | 14,917 | 14,890 | 5.6% |
| COBRA Continuees | 389 | 403 | 390 | 425 | 451 | 15.9% |
| Retired Employees | 11,327 | 11,313 | 11,205 | 11,175 | 11,281 | -0.4% |
| Total All Groups | 95,956 | 96,621 | 97,169 | 96,884 | 96,127 | 0.2% |
| | QTR 3 2008 | QTR 4 2008 | QTR 1 2009 | QTR 2 2009 | QTR 3 2009 | |
| Prior Year Total All Groups | 92,375 | 93,581 | 96,121 | 96,623 | 95,956 | |
| Percent change | 3.9% | 3.2% | 1.1% | 0.3% | | |

Reflects covered participants and dependents
Retroactive enrollment changes are not reflected

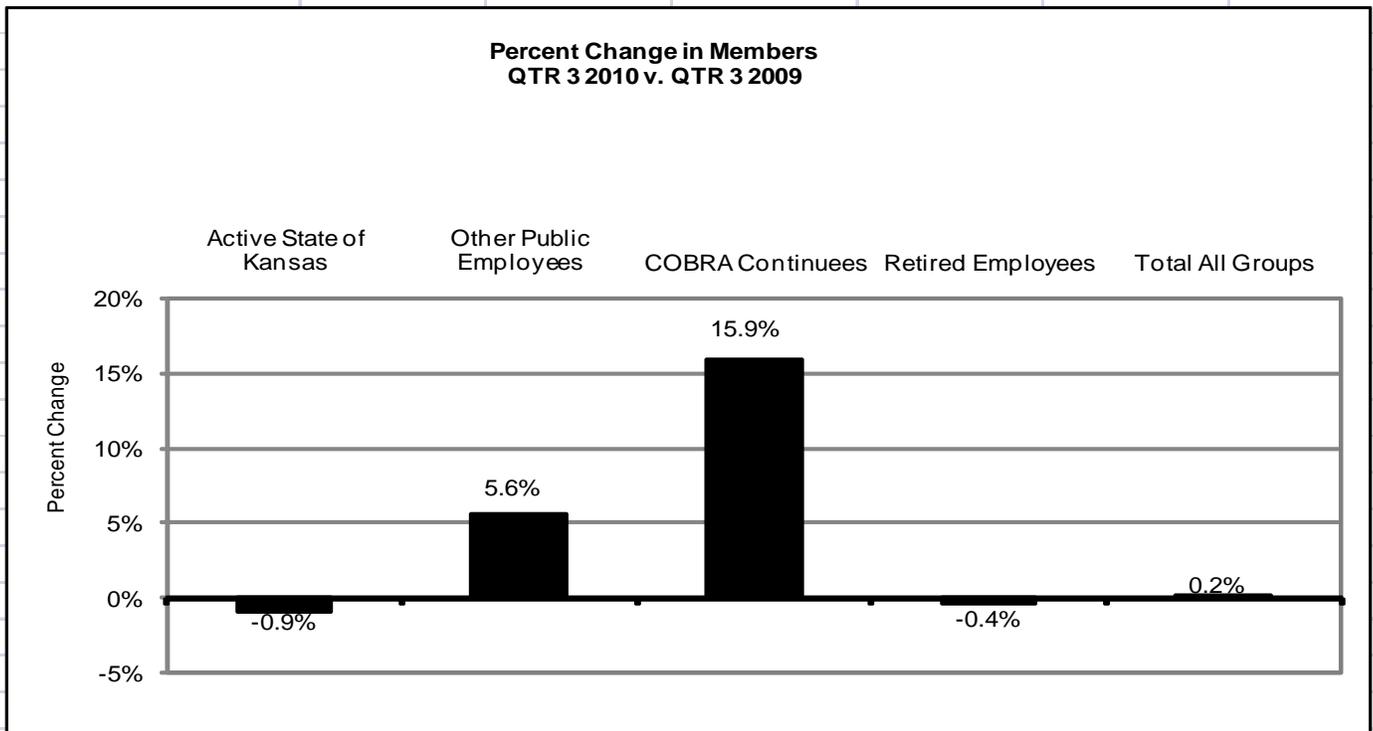


Exhibit D

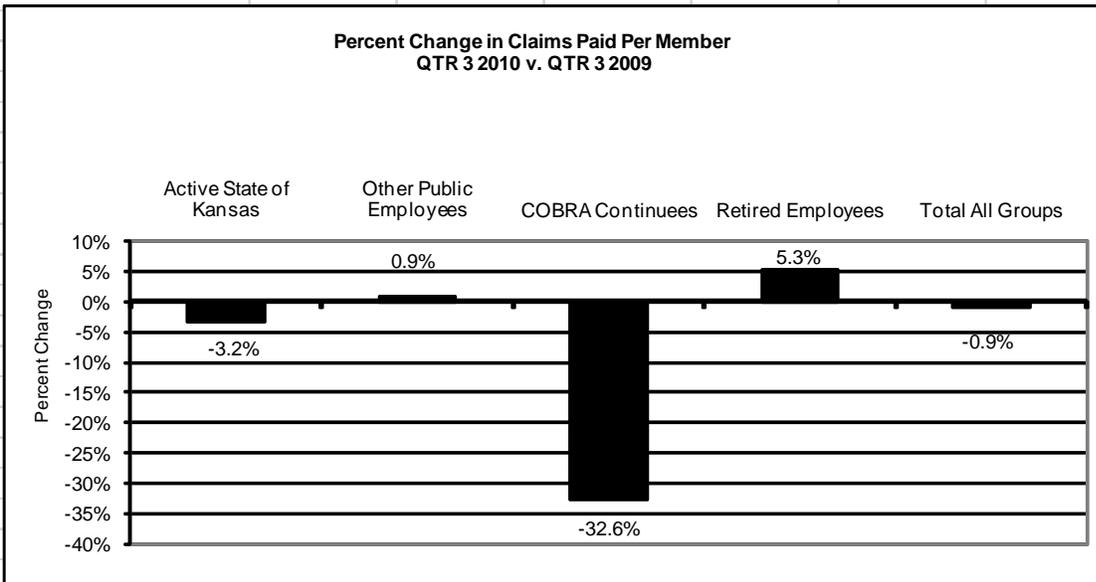
2010 Non State Entities Enrollment

| Effective Date | Name | Type |
|-----------------------|---|---------------------------|
| 1/1/2010 | City of Hoisington | City |
| 1/1/2010 | Franklin County | County |
| 1/1/2010 | Barton County | County |
| 1/1/2010 | Independent Living Resource Center | Hospital/Mental Health |
| 1/1/2010 | Ness County Hospital | Hospital/Mental Health |
| 1/1/2010 | Independence, Inc. | Hospital/Mental Health |
| 1/1/2010 | Oakley Housing Authority | Housing Authorities |
| 3/1/2010 | City of Towanda | City |
| 3/1/2010 | City of Blue Rapids | City |
| 3/1/2010 | City of Sylvan Grove | City |
| 3/1/2010 | Southwest Guidance Center, Inc. | Hospital/Mental Health |
| 3/1/2010 | Atchison Housing Authority | Housing Authorities |
| 3/1/2010 | Cherryvale Housing Authority | Housing Authorities |
| 3/1/2010 | Public Housing Agency of South Hutchinson | Housing Authorities |
| 3/1/2010 | Howard Housing Authority | Housing Authorities |
| 3/1/2010 | Housing Authority of Seneca | Housing Authorities |
| 5/1/2010 | City of Milford | City |
| 5/1/2010 | Hamilton County | County |
| 6/1/2010 | Kansas Housing Resources Corp | Local Governmental Entity |
| 7/1/2010 | City of Claflin | City |
| 7/1/2010 | City of Holcomb | City |
| 7/1/2010 | Riley Co.Extension Council | Extension Councils |
| 7/1/2010 | Central Kansas Extension Dist. 3 | Extension Councils |
| 7/1/2010 | Geary County Ext. | Extension Councils |
| 7/1/2010 | Leavenworth County Ext. | Extension Councils |
| 7/1/2010 | Reno County Ext. | Extension Councils |
| 7/1/2010 | River Valley Ext. #4 | Extension Councils |
| 7/1/2010 | Dickinson County Ext. | Extension Councils |
| 7/1/2010 | Meadowlark Ext. | Extension Councils |
| 7/1/2010 | Coldwater-Wilmore Library | Library |
| 7/1/2010 | Horton Public Library | Library |
| 7/1/2010 | Frank Carlson Library | Library |
| 7/1/2010 | Council Grove Public Library | Library |
| 7/1/2010 | KS Development Financial Authority | Local Governmental Entity |
| 8/1/2010 | City of Brewster | City |
| 8/1/2010 | Resource Center for Independent Living | Hospital/Mental Health |
| 9/1/2010 | City of Bird City | City |
| 10/1/2010 | Southeast KS Mental Health Center | Hospital/Mental Health |
| 11/1/2010 | City of Silver Lake | City |

**State of Kansas Employee Health Plan
Claim Payments Made by the Plans Per Member Per Month by Population Group**

| Population Group | QTR 3 2009 | QTR 4 2009 | QTR 1 2010 | QTR 2 2010 | QTR 3 2010 | % Change from QTR3 2009 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|
| Active State of Kansas | \$341 | \$349 | \$324 | \$320 | \$330 | -3.2% |
| Active Non State Groups | \$316 | \$318 | \$301 | \$300 | \$319 | 0.9% |
| COBRA Continuees | \$865 | \$637 | \$544 | \$525 | \$583 | -32.6% |
| Retired Employees | \$412 | \$436 | \$397 | \$420 | \$434 | 5.3% |
| Total All Groups including untagged | \$345 | \$352 | \$327 | \$326 | \$342 | -0.9% |
| | QTR 3 2008 | QTR 4 2008 | QTR 1 2009 | QTR 2 2009 | QTR 3 2009 | |
| Prior Year Total All Groups including untagged | \$316 | \$339 | \$316 | \$319 | \$345 | |
| Percent Change | 9.2% | 3.8% | 3.5% | 2.2% | -0.9% | |

Claims payment refer to dollars paid by the health plans only and do not include any out of pocket expenses paid by members.
 Claims payments include medical, dental and prescription drug
 Claims payments do not include administrative fees or premium amounts



State of Kansas Employee Health Plan

Total Claim Payments Made by the Plans by Population Group

| Population Group | QTR 3 2009 | QTR 4 2009 | QTR 1 2010 | QTR 2 2010 | QTR 3 2010 | % Change from QTR3 2009 |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|-------------------------|
| Active State of Kansas | \$73,904,202 | \$75,962,438 | \$70,866,661 | \$69,507,859 | \$70,910,854 | -4.1% |
| Active Non State Groups | \$14,099,811 | \$14,639,206 | \$14,046,068 | \$14,034,383 | \$14,901,301 | 5.7% |
| COBRA Continuees | \$1,050,347 | \$800,038 | \$659,889 | \$694,585 | \$822,035 | -21.7% |
| Retired Employees | \$14,045,530 | \$14,854,081 | \$13,431,901 | \$14,167,763 | \$14,795,872 | 5.3% |
| Total All Groups | \$103,225,594 | \$106,343,421 | \$99,237,456 | \$97,515,197 | \$101,536,724 | -1.6% |
| | QTR 3 2008 | QTR 4 2008 | QTR 1 2009 | QTR 2 2009 | QTR 3 2009 | |
| Prior Year Total All Groups including untagged | \$90,573,421 | \$98,491,072 | \$93,952,210 | \$95,287,094 | \$103,225,594 | |
| Percent Change | 14.0% | 8.0% | 5.6% | 2.3% | -1.6% | |

Claims payment refer to dollars paid by the health plans only and do not include any out of pocket expenses paid by members.
 Claims payments include medical, dental and prescription drug
 Claims payments do not include administrative fees or premium amounts
 Total Dollars summed by group may not add to Total All Groups due to untagged claims.

Percent Change in Total Claims Paid
 QTR 3 2010 v. QTR 3 2009

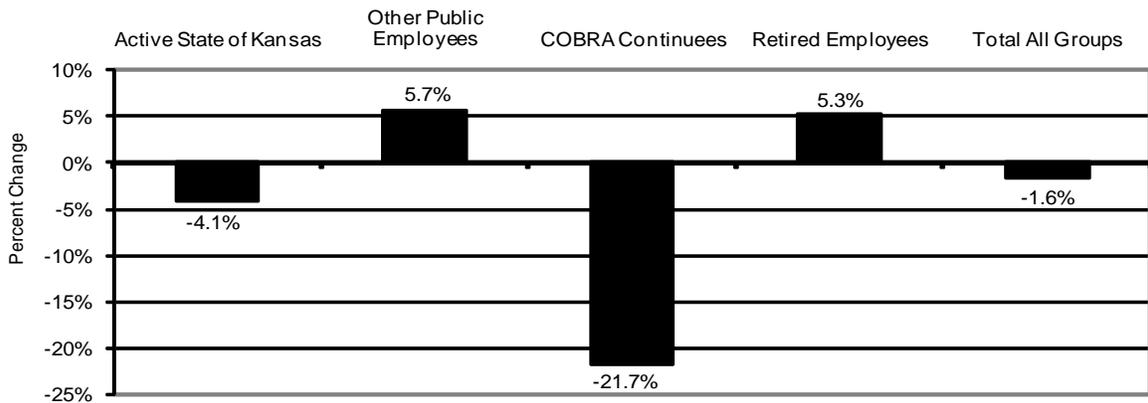


Exhibit G
Kansas State Employees Health Care Commission
2010 Comparison of Actual to Projected
Health Plan Costs (Unaudited)

| | <u>Actual 2010 Year-to-Date</u> | <u>Annualized¹</u> |
|--|-------------------------------------|-------------------------------|
| 1. <u>2010 Projected Total Cost</u> | \$420,290,000 | \$431,333,371 |
| 2. <u>2010 Actual Total Cost</u> | | |
| a. Blue Cross/Blue Shield | \$253,980,000 | \$258,980,000 |
| b. Coventry | \$ 8,858,000 | \$ 9,053,000 |
| c. Preferred Health | \$ 15,571,000 | \$ 15,844,000 |
| d. UMR | \$ 3,786,000 | \$ 3,852,000 |
| e. Humana | \$ 127,000 | \$ 127,000 |
| f. Kansas Senior Plan C | \$ 15,409,000 | \$ 16,810,000 |
| g. Coventry Advantra PPO | \$ 465,000 | \$ 507,000 |
| h. Delta Dental | \$ 25,061,000 | \$ 25,501,000 |
| i. Caremark/Silverscript Rx Claims | \$ 74,521,000 | \$ 74,521,000 |
| j. Superior Vision Premiums | \$ 4,101,000 | \$ 4,474,000 |
| k. ASO/Administrative Fees | \$ 14,024,000 | \$ 15,299,000 |
| l. Contract Fees | \$ 4,387,000 | \$ 4,807,000 |
| TOTAL | \$420,290,000 | \$429,775,000 |
| 3. 2010 State and Non State Employee, COBRA, Direct Bill Contributions | | \$123,438,000 |
| 4. <u>2010 State of Kansas and Non State Employer Contributions</u> | | |
| a. Projected (Before Legislative action SB 572 Sec 76(f) in May 2010) | | \$292,296,000 |
| b. Projected (After Legislative action SB 572 Sec 76(f) in May 2010) | | \$282,621,000 |
| c. Actual | | \$287,787,000 |
| d. % Difference (Compared to projections after Legislative action in May 2010) | | 1.80% |

¹These values were developed by annualizing data received through November 2010. Intra-year trend, deductible leveraging, and migration were not considered. Data has not been audited further.