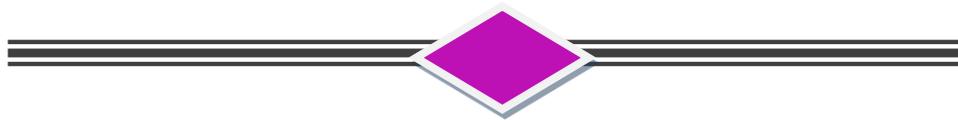


# KANSAS STATE EMPLOYEES HEALTH CARE COMMISSION



## ANNUAL REPORT



PLAN YEAR  
2015

**Kansas State Employees Health Care Commission  
2015 Annual Report**

<b>Table of Contents</b>
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<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>BACKGROUND .....</b>	<b>2</b>
<b>I. SUMMARY OF CHANGES AND OTHER ACTIVITIES IN PLAN YEAR 2015 .....</b>	<b>3</b>
Health Plan Administration .....	3
Health Plan Design .....	3
Re-Contracting for Health Plan Vendors and Services .....	6
<b>II. SUMMARY OF CHANGES FOR PLAN YEAR 2016 .....</b>	<b>8</b>
Health Plan Design .....	8
Open Enrollment for Plan Year 2016 .....	8
Non State Public Employers.....	9
<b>III. PROGRAM HIGHLIGHT: SEHP HEALTHQUEST PROGRAM .....</b>	<b>10</b>
Program Highlights.....	10
<b>IV. FINANCING .....</b>	<b>11</b>
Beginning Balance .....	11
Plan Revenues.....	11
Plan Expenses .....	11
Administration .....	11
Plan Reserves.....	12
Summary.....	12
Table 1: Reserve Calculation .....	13
Table 2: Plan History FY 2006 to FY 2015.....	14
Figure 2: History of State Employee Health Plan .....	15
Figure 3: Projected Reserve Balance.....	16
<b>EXHIBITS .....</b>	<b>17</b>
A. Employee Advisory Committee Members.....	17
B. 2015 Group Health Insurance Enrollment by Type of Participant.....	19
C. 2015 Non State Entities Enrollment.....	21
D. 2015 Comparison of Actual to Projected Health Plan Costs (Unaudited).....	22

## EXECUTIVE SUMMARY

- Based upon staff projections and the opinion of the State Employee Health Plan (SEHP) actuaries, the SEHP fund should have sufficient funds to pay the health care expenses for a self-funded plan covering approximately 100,000 lives for 2016.
- Active employee Open Enrollment was held from October 1 through October 31. There were 26,572 employees who utilized the online Open Enrollment system for State employees to review their health plan coverage and save their health plan elections for Plan Year (PY) 2016. Eighty-four (84) Open Enrollment meetings were held for employees in thirty-three (33) cities, and twelve (12) online Open Enrollment webinars for State employees and four (4) for Non State public employees were held. Staff estimates that approximately 5,500 employees attended these meetings.
- For PY 2015, the Plan B health plan design was eliminated and the number of health plan administrators offering coverage was reduced to two (2). Employees have two (2) plan design options from which to choose: Plan A, a preferred provider organization (PPO), and Plan C, the Qualified High Deductible Health Plan (QHDHP). Both Plan A and Plan C are available from both health plan administrators: Aetna and Blue Cross Blue Shield of Kansas. Plan C members that are not eligible for a Health Savings Account are now able to elect Plan C with a Health Reimbursement Account (HRA). The salary based premium tiers were eliminated beginning in PY 2015. All members now pay the same contributions for their health coverage.).
- Beginning with Plan Year (PY) 2015, employees may roll up to \$500 of the health care flexible spending account or limited flexible spending account funds into the next plan year and use them anytime during that year. This change is a result of recent changes in the I.R.S. rules that govern flexible spending accounts and was approved by the HCC to replace the current grace period.
- To earn the HealthQuest (HQ) Rewards Program premium incentive discount for PY 2016, employees needed to complete the health assessment questionnaire worth 10 credits and earn an additional 20 credits by participating in health and wellness activities. Over 70 percent of eligible State and Non State employees covered under the SEHP earned the \$480 premium incentive discount for PY 2016. Beginning in PY 2017, the premium incentive discount will be reduced to \$240 per year.
- The Health Care Commission voted to require Medicare-eligible Direct Bill members (retirees) to be enrolled in either an insured Blue Cross Blue Shield Plan C Medicare Supplement program or the Coventry Medicare Part C Advantage insurance plans. This change was effective with PY 2016 and was communicated to all Medicare-eligible Direct Bill members that had remained covered under the SEHP's self insured options Plan A or Plan C.

## 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 2015. 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 2015 HCC members were:

**Jim Clark**, Chair and Secretary of Administration (through July 2015)

**Sarah Shipman**, Chair and Acting Secretary of Administration (beginning in August 2015)

**J. Scott Day**, representative from the general public

**Steve Dechant**, retired employee from the classified service

**Kenneth Selzer**, Commissioner of Insurance

**Heather Young**, active employee from the classified service

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 two (2) times during 2015.

Effective July 1, 2011, the staff that administer the State Employee Health Plan (SEHP) became part of the Division of Health Care Finance within the Kansas Department of Health and Environment (KDHE). The Director of the State Employee Health Benefits Program (SEHBP) reports to the Director of the Division of Health Care Finance. The SEHP is responsible for bringing recommendations to the HCC and with carrying out the operation of the SEHP according to HCC policy. SEHP staff prepared this report. Aon Consulting provided the actuarial and consulting services for the health plan.

## I. SUMMARY OF CHANGES AND OTHER ACTIVITIES IN PLAN YEAR 2015

This section provides a summary of improvements, changes, and other activities in the State Employee Health Plan (SEHP) that occurred or took effect in Plan Year (PY) 2015 (i.e., calendar year 2015). The summary includes a record of the HCC's contracting activities during the year and an overview of the enrollment trends during 2015. As a package, there were minimal changes in the benefits offered in 2015 with specific changes highlighted below. The HealthQuest program is highlighted separately in Section III of this report. The impact of these plan changes on SEHP finances in 2015 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 2015 represents the eighth full plan year of self-funding all the active employee medical plans. This was the first 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 2015:

- Aetna (Plans A & C)
- Blue Cross and Blue Shield of Kansas (Plans A & C)

The SEHP Membership Administration Portal (MAP) for enrollment and membership allows for all enrollment activities to be done online and has eliminated paper enrollments. The portal provides human resource officers enhanced resources for viewing, tracking, reporting and updating employee records. Both Active employees and Direct Bill members utilized the web portal for making their annual open enrollment selections. The MAP system is designed to improve the efficiency of the enrollment process.

### HEALTH PLAN DESIGN

The SEHP offered members a choice of two (2) health plan designs available from two (2) health plan administrators. All plans reflected value-based plan designs which emphasize the use of preventive care. Changes made to the SEHP for 2015 centered on modifying the benefits for program efficiency and to ensure compliance with State and Federal laws. The changes included the following:

- For Plan A only:
  - The Out Of Pocket (OOP) for network medical and pharmacy were combined. The new OOP for an individual is \$4,750 and \$9,500 for a family.
- For Plan C only:
  - Plan C deductibles increased to \$2,600 for an individual and \$5,200 for a family.
  - Employees not eligible for a Health Savings Account (HSA) are now eligible to take Plan C with a Health Reimbursement Account (HRA).
- For Plans A and C:
  - Salary tiers for employee premium contributions were eliminated.
  - Coverage for durable medical equipment was modified to allow for coverage of motorized wheelchairs if medically necessary.
  - Coverage for prosthetics was modified to allow for assistive electronic components if medically necessary.
  - Autism coverage was modified to comply with HB 2744.
  - Preventive care coverage for breast cancer medications for at risk women was added.
  - Adult screening of Hepatitis C virus for at risk persons was added.

Complete plan design and benefit information, as well as the health plan comparison chart are located on the web at: <http://www.kdheks.gov/hcf/sehp/PY2015Info.htm>

As of December 1, 2014, the State and Non State active employee enrollment was as follows:

Vendor	Plan A	Plan C	Waived
Blue Cross and Blue Shield of Kansas	26,573	12,466	
Aetna	1,069	546	
Waived Coverage			3,279
Total	27,642	13,012	3,279

Waived Coverage	
State Employees	2,767
Non State Employees	512
Total	3,279

**Dental Coverage**

No changes were made in the value-based dental plan design that encourages members to use preventive care services. This plan design has resulted in the plan experiencing a positive trend of increased usage of preventive office visits and cleanings. Members who have their routine exams and cleanings are rewarded with less out-of-pocket cost if they need basic restorative services.

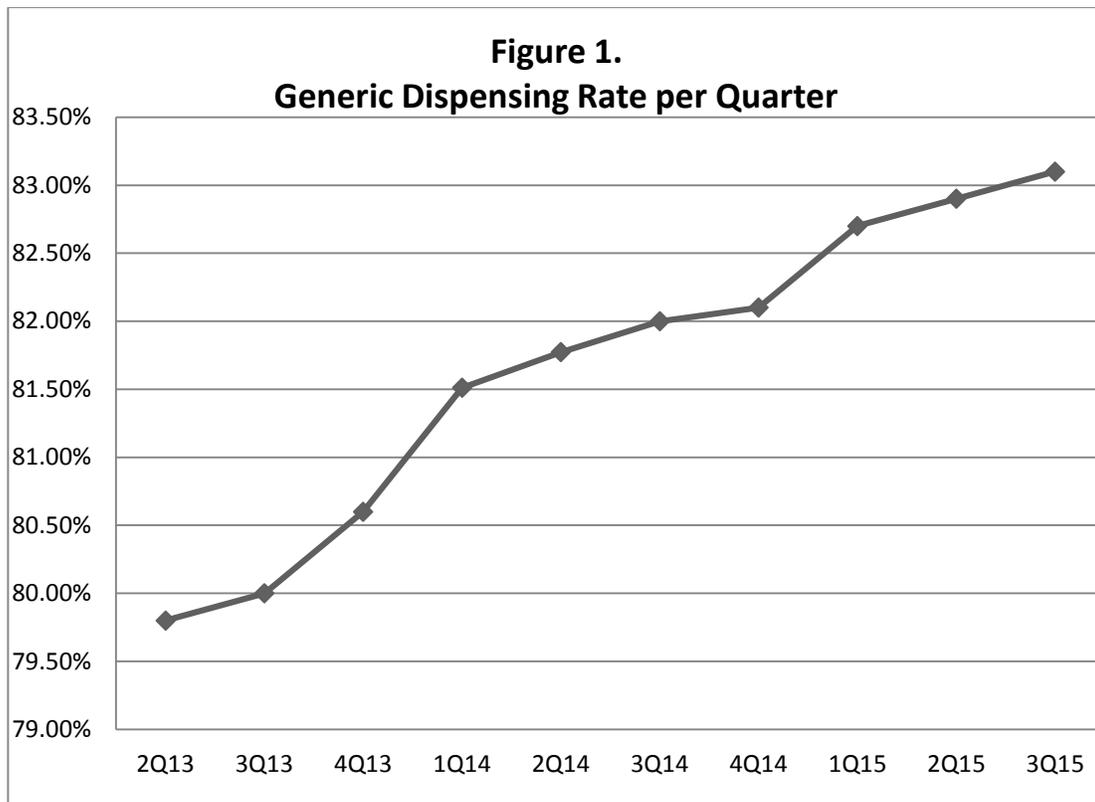
**Preferred Lab Services**

Members on Plan A have the option of using a preferred lab vendor for covered lab services. The SEHP has negotiated discounts with these preferred labs and, as a result, covered charges are paid at 100 percent by the plan. This benefit results in a cost savings to the health plan and the member. Beginning in 2012, two (2) preferred lab vendors have been available to members. Quest Labs continues to be the statewide and nationwide preferred lab vendor. Stormont-Vail Labs is the regional preferred lab vendor. The preferred lab benefit is optional and members have coverage for lab services provided by other lab providers; however, those services are subject to the plan deductible and coinsurance.

Beginning April 1, 2014, a preferred lab benefit was added to Plan C. The benefit works differently on Plan C due to federal guidelines that govern qualified high deductible health plans (QHDHPs) like Plan C. For Plan C, members that use either of the preferred lab vendors for covered lab work will receive a discount on the price of the lab services. This benefits the member in the deductible phase and the SEHP once the deductible has been satisfied.

**Prescription Drug Coverage**

The HCC continued its multi-tiered coinsurance plan design for the standard prescription drug plan used for Plan A. The standard plan encourages and rewards cost-effective consumer purchasing through a coinsurance plan design. On Plan C, prescriptions are treated like any other medical service and are subject to the plan deductible and coinsurance. Through proactive plan management, increased consumer awareness, and the introduction of several new generic products, the generic dispensing rate increased from 80 percent in the third quarter of 2013 to 83 percent for the third quarter of 2015 (see Figure 1).



**Medicare Plans**

Direct Bill members with Medicare had the option of a fully insured Medicare Part C Advantage Plan, or the Blue Cross and Blue Shield Medicare Supplement Plan C insured product, Kansas Senior Plan C. Senior Plan C is available with or without the fully insured First Health Medicare Part D prescription drug plan.

Premium billing for the Non State and Direct Bill members is done through a jointly administered contract with Medicaid for third-party billing services. Premium billing for the Medicare Part D Prescription Drug plan was done by First Health directly.

**Long Term Care Insurance**

The SEHP offers a Voluntary Group Long Term Care Insurance Program through Genworth Life Insurance Company. The program is offered to State of Kansas benefits-eligible active employees, retired employees, and their family members. The long term care insurance is entirely employee-paid coverage and is not available through payroll deduction.

**Section 125 Plan**

The SEHP implemented a Section 125 Pre-Tax Premium Option in July 1986. Employees have the option to have their health care premiums deducted from their paycheck using a pre-tax option. This pre-tax deduction reduces the employee's taxable income and reduces the amount of FICA tax owed by the State. Over 97 percent of active employees with group health insurance participate in this option.

The SEHP established Health Care Flexible Spending Accounts (HCFSA) and Dependent Care Flexible Spending Accounts (DCFSA) effective February 1, 1991. In 2011, a limited purpose Flexible Spending Account (FSA) program was added for employees enrolled in Plan C. As Plan C has a Health Savings Account (HSA), the limited purpose FSA provides members the ability to set aside money on a pre-tax basis for eligible anticipated out-of-pocket expenses for dental and vision claims. The administration of the flexible spending accounts is through NueSynergy located in Leawood, KS.

Beginning with Plan Year (PY) 2015, employees may roll up to \$500 of the health care flexible spending account or limited flexible spending account funds into the next plan year and use them anytime during that year. This change is a result of

recent changes in the I.R.S. rules that govern flexible spending accounts and was approved by the HCC to replace the prior grace period approach.

### **Transparency Tools**

The SEHP has contracts with two vendors for transparency tools to assist employees in understanding their health, health care costs and quality.

- **Rx Savings Solutions** launched their SEHP pharmacy transparency tool in June 2014. Members who sign up are notified of savings opportunities in their prescription drug usage. Rx Savings provides the member with the relevant information so that they can discuss the prescription drug options with their physician. Members have the option of receiving text alerts or phone calls from Rx Savings and have the option of discussing their prescription drugs with a pharmacist or pharmacy technician.
- **Castlight Health Solutions** launched their SEHP pharmacy transparency tool in January 2015. Castlight is an online tool that makes it easy to shop for medical care and compare all of the network provider options, so the member knows what options are available, quality ratings of the providers and the price. Castlight is completely customized for the member, so any search conducted takes into account the health plan the member is enrolled in, and the pricing reflects the member's health plan's allowed charges for that service and the member's deductible and out-of-pocket costs. Members also have access to quality information about the doctors and facilities based on quality data from the Centers for Medicare and Medicaid Services (CMS), Leapfrog and other organizations that provide health care quality ratings.

### **Plan Audits**

Plan audits for all health plan administrators (medical, drug and dental) were begun in 2015 and audits will be continuing during 2016. An audit of the health plan contributions received is in progress and a dependent verification audit will be conducted in second quarter 2016.

### **RE-CONTRACTING FOR HEALTH PLAN VENDORS AND SERVICES**

The following Requests for Proposals were negotiated during 2015:

Request for Proposal EVT0003380 for long term care insurance was released October 13, 2014, and closed on November 14, 2014. Five (5) bids were received from ACSIA Partners, J. Manning & Associates, LTCl Partners, Life Secure, and TransAmerica and three (3) bidders were invited to negotiations. The HCC elected to issue a three-year contract to ACSIA Partners.

Request for Proposal EVT0003433 for administration of the dental program was released November 17, 2014, and closed on January 8, 2015. Three (3) bids were received and all three (3) bidders, Blue Cross Blue Shield of Kansas, Delta Dental and Liberty Dental were invited in for negotiations. The HCC elected to issue a three-year contract to Delta Dental.

Request for Proposal EVT0003434 for an insured voluntary vision program was released November 7, 2014, and closed on January 2, 2015. Six (6) bids were received from Aetna, MetLife, OptiCare, Superior Vision, Surency Life and Health, and VSP and four (4) vendors were invited in for negotiations. The HCC elected to issue a three-year contract to Surency.

Request for Proposal EVT0003437 to provide actuarial and consulting services was released November 12, 2014, and closed on December 14, 2014. Three (3) bids were received and all three (3) bidders, Aon Hewitt, Segal Consulting, and Wakely Consulting Group, were invited in for negotiations. The HCC elected to issue a three-year contract to Segal Consulting.

Request for Proposal EVT0003542 to provide banking services for Health Reimbursement and Health Savings Accounts was released January 14, 2015, and closed on February 19, 2015. Ten (10) bids were received from ASIFlex, ConnectYourCare LLC, Discovery Benefits, HealthEquity Inc., HSA Bank, NueSynergy, PayFlex, Surency, US Bank and

WageWorks and four (4) bidders were invited in for negotiations. The HCC elected to issue a three-year contract to US Bank.

Request for Proposal EVT0003603 for an insured Plan C Medicare Supplement policy was released February 26, 2015, and closed on April 2, 2015. One (1) bid was received from Blue Cross Blue Shield of Kansas (BCBS) and BCBS was invited in for negotiations. The HCC elected to issue a three-year contract to BCBS.

Request for Proposal EVT0003618 for COBRA administration was released February 26, 2015, and closed on April 21, 2015. Six (6) bids were received from ASI COBRA, COBRAGuard, Discovery Benefits, PayFlex, TASC and WageWorks. Negotiations were held with five (5) vendors. The HCC elected to issue a three-year contract to COBRAGuard.

Request for Proposal EVT0003784 for an insured Medicare Part C Advantage Plan was released May 7, 2015, and closed on June 25, 2015. One (1) bid was received from Coventry Health Care of Kansas, Inc., and Coventry was invited in for negotiations. The HCC elected to issue a three-year contract to Coventry.

## II. SUMMARY OF CHANGES FOR PLAN YEAR 2016

This section includes a summary of health plan improvements developed and approved in 2015 for implementation in Plan Year (PY) 2016, which began January 1, 2016.

### HEALTH PLAN DESIGN

The HCC voted to reduce the premium subsidies provided on coverage of dependent spouses, Direct Bill members and Plans C rates for plan year 2016. As a result, many members saw their contribution rates increase for PY 2016. Complete plan design and benefit information, as well as the health plan comparison chart, are located on the web at: <http://www.kdheks.gov/hcf/sehp/default.htm>. The HCC also made a policy change effective January 1, 2016, to end member's coverage on the last day of employment; previously, coverage ended on the last day of the month. This change was made to reduce plan costs for the employer.

- **Plan A –**
  - The office visit copays for both Primary Care Providers and Specialists were increased \$5 to \$30 and \$50 respectively.
  - The network deductible increased by \$100 for an individual (\$400) and \$200 for a family (\$800).
  - The non network deductible increased \$100 for an individual (\$600) and \$300 for a family (\$1,800).
- **Plan C –**
  - The network and non network deductibles increased by \$150 for an individual (\$2,750) and \$300 for a family (\$5,500).

### OPEN ENROLLMENT FOR PLAN YEAR 2016

Active employee Open Enrollment was held from October 1 through October 31. Eighty-four (84) Open Enrollment meetings were held for employees in thirty-three (33) cities, and twelve (12) online Open Enrollment webinars for State employees and four (4) for Non State public employees were held. Staff estimates that approximately 5,500 employees attended these meetings.

There were 26,572 employees who utilized the online Open Enrollment system for State employees to review their health plan coverage and save their health plan elections for Plan Year (PY) 2016. Non State Groups also enrolled online and 4,497 Non State employees made health care elections. Final enrollment as of November 30, 2015, for State and Non State active employees was as follows:

<b>Vendor</b>	<b>Plan A</b>	<b>Plan C</b>	<b>Waived</b>
Blue Cross and Blue Shield of Kansas	24,775	14,848	
Aetna	1,082	552	
Waived Coverage			3,644
<b>Total</b>	<b>25,857</b>	<b>15,400</b>	<b>3,644</b>

Flexible Spending Accounts (FSAs) require an annual election, and 4,667 State employees elected a medical FSA, Plan C members elected 1,202 limited purpose FSAs, and 1,366 members elected a dependent care FSA. Enrollment in the voluntary vision plan through Surency for Active and Non State Members:

<u>Coverage Level</u>	<u>Enrolled</u>
Basic Plan	10,128
Enhanced Plan	23,244
<b>Total Enrolled</b>	<b>33,372</b>

**Direct Bill**

The Direct Bill open enrollment for retirees was held from October 16 through November 15, 2015. The Direct Bill call center staff conducted twenty-three (23) Direct Bill open enrollment meetings at eleven (11) locations throughout the state and ten (10) online webinars. There were 1,595 individuals attending these meetings.

There were 351 Medicare-eligible Direct Bill members that needed to make a new health plan election for plan year 2016. For all other Direct Bill members, their current election rolled forward unless they requested a change. Enrollment numbers as of December 2, 2015:

**Direct Bill Pre-Medicare Population**

Vendor	Plan A	Plan C	Total
Aetna	43	6	49
BCBS of Kansas	1,352	536	1,888
<b>Total</b>	<b>1,395</b>	<b>542</b>	<b>1,937</b>

**Direct Bill Medicare-Eligible Population**

Vendor	Ks. Senior Plan C	Advantra Freedom PPO	Advantra Liberty PPO	Total
BCBS of Kansas	8,496			8,496
Coventry		768	13	781
Aetna Part D	3,324	71	4	3,399

**All Direct Bill Members**

Vendor	Dental	Basic Vision	Enhanced Vision	Total
Delta Dental	10,567			10,567
Surency		1,484	4,215	5,699

**NON STATE PUBLIC EMPLOYERS**

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, 2016:

Summary	Number of Groups	Covered Employees
Educational Entities	32	3,113
Cities	51	492
Counties	29	2,750
Townships	2	17
Public Hospitals & Community Mental Health Centers	16	1,350
Misc. Local Governmental Entities	44	209
<b>Total</b>	<b>174</b>	<b>7,931</b>

### III. PROGRAM HIGHLIGHT: SEHP HEALTHQUEST PROGRAM

#### PROGRAM HIGHLIGHTS

The SEHP's HealthQuest (HQ) program goal continues to be improving the health of members and decreasing overall health costs. The HealthQuest wellness program offers members access to a 24-hour-a-day nurse line for members to ask questions about their health. Health coaches and condition management programs are available to provide information and support to help members manage and improve their health. In addition, free biometric health screenings are offered throughout the state. The screenings provide employees with basic biometric information about their health. Employees whose values are outside the normal range are referred to their personal physician for follow-up care. The biometric values can also be used to complete the health assessment questionnaire which provides additional information and feedback to the employee about their health and ways to improve it. At-home test kits are also available to obtain the biometric information for members who are unable to attend a health screening event. Members may participate in a variety of wellness challenges and activities throughout the year. A wellness portal is available at: [www.kansashealthquest.com](http://www.kansashealthquest.com).

Beginning with PY 2013, the HQ program has offered the HQ Rewards premium incentive discount program. The rewards program includes a health assessment questionnaire and encompasses a wide variety of health awareness and improvement programs. The goal of the program is to engage employees in a discussion about their health and wellness. Improving the health of the plan members reduces the number and severity of claims and saves the plan and employees money in the long run. Participation in the new HQ Rewards Program is optional. Employees who elect not to participate in the HQ Rewards Program are still eligible for coverage under the SEHP and pay the full employee premium rate. Complete program details are available at: <http://www.kdheks.gov/hcf/healthquest/rewards.html>

The qualification period to earn the HQ Rewards premium incentive discount for PY 2016 was November 16, 2014, through November 15, 2015. The plan year was adjusted so that the end of the program occurred after Open Enrollment. Employees were able to see in the Open Enrollment portal whether or not they had the discount for 2016. If they did not, they still had time to complete the program requirements. To earn the incentive discount, employees had to complete the online or paper health assessment questionnaire worth 10 credits and earn an additional 20 credits by participating in other programs. Employees could select from a wide variety of activities to earn additional credits. Those who completed the online health assessment and earned twenty (20) additional credits by November 15, 2015, earned the HQ Rewards premium incentive discount of \$40 per month toward their PY 2016 premium. For PY 2016, 70 percent of State and Non State employees participated in the HQ Rewards Program and earned the premium incentive discount

The fifth year of the HQ Rewards Program began on November 16, 2015, and runs through November 15, 2016. The HCC voted to reduce the discount from \$40 a month (\$480) to \$20 a month (\$240) starting with PY 2017. The credits for the program were also modified and additional credit offerings have been included. Participating in one of the onsite health screening events is now worth 5 credits. To earn the HQ reward for Plan Year 2016, employees will need to complete the health assessment questionnaire for 5 credits and earn 25 additional credits by November 15, 2016. Credits are tracked on the wellness portal at [www.KansasHealthQuest.com](http://www.KansasHealthQuest.com).

## IV. FINANCING

In 2015, the HCC continued to receive periodic financial reports summarizing plan revenues, expenditures, and both current and projected balances in SEHP funds. 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. Table 1 is the SEHP ten (10) year projection sheet that is reviewed and approved on an annual basis by the HCC. Funds available to the SEHP are referred to as the “**Reserves**,” and the beginning balance of the Plan Reserve represents the funds available at the beginning of each year.

Available monies for plan expenses were managed in two funds. One fund was a dedicated, interest-bearing reserve that totals approximately \$12.0 million called “**Reserve Fund**” on **Table 2** and “**Beginning Reserve Earning Interest**” on **Table 1**. 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. Since PY 2009, the fund has experienced decreasing interest rates.

The second fund, called “**Remittance to Providers**” on **Table 2** and called “**Beginning Reserve not Earning Interest**” on **Table 1**, represents monies remaining from payroll collections (employees and state agencies), Direct Bill contributions from retirees, COBRA continuers, and Non State public employer contributions after all expenses have been paid. An audit finding of the U.S. Department of Health and Human Services resulted in an order that the State of Kansas pay the federal government for interest income on these SEHP funds that was allocated to the State’s general fund. As a result, the funds were combined into the “**Reserve Earning Interest**” in 2014 and this fund was dissolved. The third installment payment of \$3,003,354.13 to Health and Human Services as a result of this finding was made from the SEHP fund balance in 2015. Based on past experience, it is estimated that the interest earned on the Reserve Fund will be one (1) percent over the long term even though the FY 2015 rate is less than 1 percent.

### PLAN REVENUES

Plan revenues are the sums received from contributions by State agencies, Non State public 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.

The “**Total Contributions**” figure on **Table 1** for PY 2015 is based upon the contributions made by State agencies, Non State public employers, and employees. The State agency and Non State public employer contributions are adjusted on the first of July each year. The employee contributions are adjusted January 1 of each year. The projections shown in **Table 1** incorporate the estimated impacts of contribution rates in effect for PY 2015, as described above.

### 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 2**) represent actual experience, whereas projected plan expenses (**Table 1**) are estimates reflecting a long-term managed health care cost trend. The total annualized cost of the SEHP for PY 2015 is estimated to be approximately \$523,609,000 per Exhibit D. Past experience and future projections for the plan contributions, expenses, ending reserve balances and target reserve are represented in the Projected Reserve Balance (**Figure 3**) that is calculated on the health plan year which is January 1 through December 31.

### ADMINISTRATION

Administration is the cost to maintain the program, including employee salaries, consulting fees, and other expenses. It is assumed in the projections that costs will grow 2.0 percent annually. SEHP administrative costs represent less than 1 percent of health plan expenditures.

## PLAN RESERVES

The HCC's funding objective in managing the SEHP over the long term is to have a target reserve equal to the actuarially-calculated claims Incurred But Not Reported (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. **Table 1** shows the projected target reserve for each year based upon a function of Plan Contributions, Plan Expenses, and health care cost trend. The estimated target reserve for health claims in PY 2015 was \$56.7 million (**Table 1**). Target reserves are projected to rise over time based upon health cost trend.

**Table 2** and **Figure 2** show SEHP balances, revenues, and expenditures from state Fiscal Year (FY) 2001 through 2015. 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. 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. In FY 2010, legislative action reduced the fund by \$9.675 million per S.B. 572.

## SUMMARY

In Plan Year 2015, healthcare costs increased less than what was originally projected. 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 a self-funded plan covering approximately 100,000 lives for 2016.

**Table 1**  
**Division of Healthcare Finance**  
**Reserve Calculation**  
**Medical, Pharmacy, Dental and Vision**

Plan Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Factors and Assumptions</b>												
Interest Rate on Reserves	0.1%	0.3%	0.3%	0.5%	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%
Admin/Contract Fee Trend	0.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Kansas Healthcare cost trend rate	7.5%	5.9%	5.9%	6.2%	6.0%	6.3%	6.2%	6.5%	6.5%	6.5%	6.5%	6.5%
<b>Policy Choices</b>												
State Employer Contr. % inc. (eff. July 1)	-2.0%	-8.5%	0.0%	27.0%	7.0%	6.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Non-State Employer Contr. % inc. (eff. July 1)	-2.0%	0.0%	6.0%	27.0%	7.0%	6.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Dependent Contr. % inc. (eff. Jan 1)	-2.0%	0.0%	6.4%	27.0%	7.0%	6.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Direct Bill Contr. % inc. (eff. Jan 1)	-2.0%	0.0%	36.7%	27.0%	7.0%	6.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Plan design changes % impact on expenses	0.5%	0.0%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>												
Beginning reserve earning interest	12,043,877	194,886,301	133,364,418	85,006,624	39,223,505	58,784,525	84,806,936	112,143,178	132,595,217	142,512,671	140,489,545	124,987,038
Beginning reserve not earning interest	198,004,608	0	0	0	0	0	0	0	0	0	0	0
<b>Beginning Total Reserve Balance</b>	<b>210,048,485</b>	<b>194,886,301</b>	<b>133,364,418</b>	<b>85,006,624</b>	<b>39,223,505</b>	<b>58,784,525</b>	<b>84,806,936</b>	<b>112,143,178</b>	<b>132,595,217</b>	<b>142,512,671</b>	<b>140,489,545</b>	<b>124,987,038</b>
<b>Projected Cash Flow</b>												
Total Employer Contributions	363,183,109	348,265,911	337,506,757	385,083,817	446,745,573	476,036,932	502,427,529	525,202,848	546,413,601	568,472,785	591,414,336	615,273,549
Total Participant Contributions	118,499,577	108,571,500	131,644,128	155,164,488	165,717,281	175,722,571	184,888,507	193,122,879	201,731,855	210,733,542	220,146,980	229,992,189
Total Contributions	481,682,685	456,837,411	469,150,885	540,228,305	612,462,855	651,759,503	687,316,036	718,325,727	748,145,456	779,206,327	811,561,315	845,265,737
Total Plan Expenses (Claims, ASO fees & contracted expenses)	497,077,244	518,625,930	537,843,121	566,335,451	593,196,011	626,178,976	660,514,839	698,714,761	739,222,466	782,298,299	826,107,494	876,825,984
Interest on Reserves	12,375	486,666	333,411	325,028	294,178	440,894	636,045	941,074	994,484	1,069,845	1,053,672	937,478
<b>Net Cash flow</b>	<b>(15,382,184)</b>	<b>(61,301,853)</b>	<b>(68,388,824)</b>	<b>(26,782,119)</b>	<b>19,561,020</b>	<b>26,021,411</b>	<b>27,337,242</b>	<b>20,452,040</b>	<b>9,917,454</b>	<b>(2,023,126)</b>	<b>(15,492,507)</b>	<b>(30,622,769)</b>
<b>Projected Reserve Balance</b>												
Reserve Ending Balance	194,666,301	133,364,418	65,006,624	39,223,506	58,784,526	84,806,936	112,143,178	132,595,218	142,512,671	140,489,545	124,987,038	94,374,269
Target Reserve	54,724,865	56,747,277	58,769,776	61,818,598	65,203,874	69,185,754	73,348,924	77,986,940	82,880,638	88,109,098	93,672,646	99,592,919

Table 2  
**State Employees' Health Benefit Program**  
 Statement of Operations History  
 Fiscal Years 2006 - 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>BEGIN FUND BALANCES:</b>										
Remittance to Providers	112,917,181.92	159,319,106.65	182,798,948.98	206,746,753.59	123,559,984.80	69,530,845.20	81,888,882.66	131,933,160.19	182,011,936.57	209,364,315.17
Non-State	1,951,927.10	1,941,796.34	1,325,995.14	1,228,899.42	1,033,749.12	949,959.71	798,404.79	662,532.53	1,026,614.66	1,506,026.82
Direct Bill & LWC	1,643,897.63	1,588,637.68	1,286,107.84	1,198,500.40	1,199,601.67	1,188,591.42	1,194,079.64	1,201,913.79	1,203,348.95	1,209,883.98
Reserve Fund	10,052,400.06	10,446,121.75	10,959,553.38	11,487,865.80	11,796,559.98	11,994,079.64	12,522,075.16	12,023,143.95	12,038,205.44	12,049,883.98
Flex Spending	2,045,512.26	2,061,016.84	1,854,210.61	1,212,919.45	1,838,226.10	2,522,075.16	3,201,504.75	3,802,352.61	4,279,051.64	4,662,857.54
Cafeteria	4,201,238.96	6,105,035.30	1,416,668.55	2,001,101.62	2,066,949.31	3,018,954.53	4,107,883.47	5,643,695.90	6,201,883.80	5,519,153.04
Wellness	438,217.08	92,867.47	1,181,870.55	1,616,006.39	1,099,816.28	681,857.71	915,191.10	1,141,168.12	1,335,336.74	1,140,201.25
Other/ASR Funds	555,296.86	20,971,867.16	22,188,588.23	21,715,988.41	4,763,223.45	967.45	967.45	53.13	31,269.97	140,445.79
	129,634,139.89	197,954,641.19	223,051,782.28	247,211,764.08	147,447,739.71	109,831,330.82	102,926,428.01	155,206,106.43	207,524,278.82	234,357,546.35
<b>REVENUES:</b>										
State RR	197,551,159.58	200,451,184.18	204,132,341.36	147,723,060.55	218,407,099.81	247,100,335.65	279,018,233.20	300,747,872.76	292,977,587.87	292,188,919.88
Non-State	70,217,660.43	63,596,126.23	56,841,777.43	53,917,172.32	58,484,338.72	63,469,299.25	65,937,871.81	63,655,929.05	59,483,669.04	53,425,865.98
Direct Bill	45,974,853.72	45,672,232.53	45,640,877.90	45,466,928.24	45,440,727.53	46,089,821.12	46,089,715.19	46,587,130.00	47,547,541.22	43,357,447.56
Reserve Fund	47,297,943.03	43,520,083.53	41,773,081.03	43,603,156.39	46,745,346.89	50,510,944.12	46,307,263.11	46,587,130.00	47,547,541.22	43,357,447.56
Kaizer-Allen Reserve	395,721.67	541,431.63	486,312.42	393,672.18	152,541.66	64,534.15	9,530.16	15,061.49	11,778.54	16,410.06
Flex	12,720,816.29	13,511,389.36	14,491,861.42	15,747,895.56	16,947,256.81	17,573,602.24	17,467,336.19	15,718,094.81	13,452,131.00	11,892,944.83
Cafeteria	2,010,918.46	2,035,464.31	2,480,005.61	2,179,871.49	3,171,883.12	3,161,405.11	3,150,560.10	1,997,627.75	1,099,706.93	1,134,645.01
Wellness	603,096.20	645,828.02	781,432.97	666,225.79	798,133.34	788,134.57	743,461.40	725,040.58	501,354.35	720,304.40
Other	3,906,459.87	3,138,488.00	781,432.97	1,572.37	68,137.91	-8,711,181.42	197,188.14	288,525.45	804,985.18	1,276,633.21
	380,675,039.25	373,112,707.79	366,649,690.14	319,634,554.89	410,215,382.79	447,061,894.79	498,911,159.30	517,105,181.91	501,522,969.78	485,977,082.73
<b>EXPENSES:</b>										
Claims	296,727,516.20	191,517,575.74	228,416,734.16	360,373,462.22	378,316,901.41	382,820,392.86	381,580,142.08	401,653,631.49	412,354,362.33	466,579,206.24
Other	238,430.00	338,683.81	2,101,171.33	7,103,819.36	4,112,813.00	3,327,699.53	3,624,143.21	3,182,824.47	3,063,786.12	7,444,844.49
ASO/Premiums	140,723,313.72	140,723,313.72	97,575,838.37	53,520,011.02	44,660,104.36	46,297,827.11	40,038,493.21	40,785,233.97	41,088,503.95	42,713,588.18
Flex	12,028,292.69	12,781,080.60	13,704,233.73	14,689,029.57	16,029,601.12	16,619,511.19	16,539,479.45	14,894,670.98	17,718,111.89	11,754,563.20
Reserve Admin	2,553,384.43	2,629,910.77	3,691,638.55	3,505,976.89	3,712,342.59	2,904,976.81	2,479,220.93	2,346,546.61	2,854,257.28	2,895,543.11
	311,527,076.32	348,015,566.70	342,489,708.34	419,396,579.28	447,831,791.88	453,966,797.60	446,651,480.88	464,877,009.52	474,689,702.25	531,388,443.22
<b>END FUND BALANCES:</b>										
Remittance to Providers	159,319,126.65	182,798,342.98	206,746,753.59	123,559,984.80	89,530,946.20	81,888,882.66	131,933,160.19	182,011,936.57	209,364,315.17	177,004,732.94
Non-State	1,941,796.34	1,325,995.14	1,222,899.42	1,083,740.12	943,959.71	798,404.79	662,532.53	662,532.53	1,506,026.82	1,395,728.08
Direct Bill & LWC	1,588,637.68	1,286,107.84	1,198,500.40	1,199,601.67	1,183,591.42	0.00	0.00	0.00	0.00	0.00
Reserve Fund	10,446,121.75	10,989,553.38	11,487,865.80	11,796,557.98	11,949,079.64	12,015,613.79	12,023,143.95	12,038,205.44	12,049,983.98	12,060,983.98
Flex Spending	2,067,016.84	1,864,710.61	1,212,919.45	1,885,226.10	2,522,075.16	3,201,504.75	3,802,352.61	4,279,051.64	4,662,857.54	4,553,056.96
Cafeteria	819,005.30	1,416,668.55	2,001,101.62	2,098,949.31	3,018,954.53	4,107,883.47	5,643,695.90	6,201,883.80	5,519,153.04	4,925,153.04
Wellness	792,867.47	1,181,870.55	1,616,006.39	1,616,006.39	681,857.71	915,191.10	1,141,168.12	1,141,168.12	1,114,201.25	918,751.04
Other/ASR Funds	21,804,728.79	22,188,588.23	21,715,988.41	4,763,223.45	967.45	967.45	53.13	31,269.97	140,445.79	148,212.32
	198,781,502.82	223,051,782.28	247,211,764.08	147,447,739.71	109,831,330.82	102,926,428.01	155,206,106.43	207,524,278.82	234,357,546.35	188,946,183.86

Figure 2

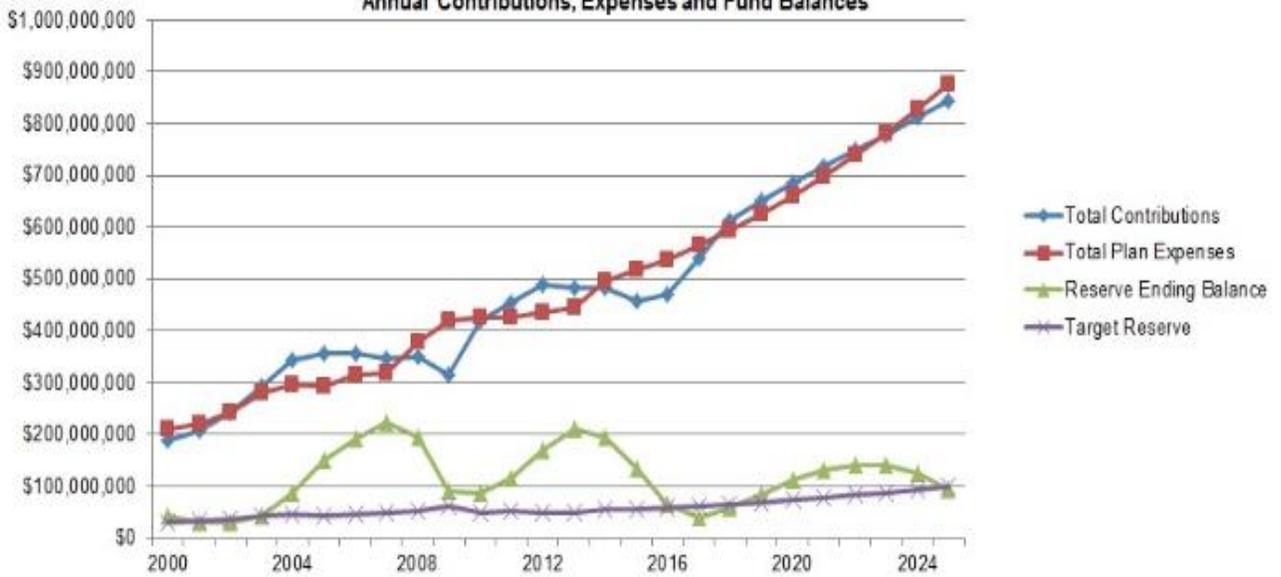
### History of State Employee Health Plan



**Notes:**

1. 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.
2. In FY 2010, legislative action reduced the fund by \$9.675 million per S.B. 572.

**Figure 3**  
**Projected Reserve Balance**  
**Annual Contributions, Expenses and Fund Balances**



**Exhibit A**  
**2015 Employee Advisory Committee\***

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\* One vacant position due to employee midyear resignation

**Exhibit B**  
**2015 State Employee Health Plan**  
**Enrollment by Group & By Participant Type**

<u>Type of Participant</u>	<u>Jan-15</u>	<u>Apr-15</u>	<u>Jul-15</u>	<u>Oct-15</u>
Active State Employees	34,746	34,712	34,435	34,140
Active State EE Dependents	38,501	38,514	38,539	38,467
<b>Total Covered Lives</b>	<b>73,247</b>	<b>73,226</b>	<b>72,974</b>	<b>72,607</b>
Direct Bill State Retirees	10,751	10,705	10,691	10,719
Direct Bill State Ret Dependents	719	676	612	592
<b>Total Covered Lives</b>	<b>11,470</b>	<b>11,381</b>	<b>11,303</b>	<b>11,311</b>
COBRA State Participants	72	75	106	164
COBRA State Dependents	124	144	222	366
<b>Total Covered Lives</b>	<b>196</b>	<b>219</b>	<b>328</b>	<b>530</b>
Active Educational Employees	2,776	2,877	2,817	2,663
Active Educational EE Dependents	4,281	4,455	4,438	4,236
<b>Total Covered Lives</b>	<b>7,057</b>	<b>7,332</b>	<b>7,255</b>	<b>6,899</b>
Direct Bill Educational Retirees	411	430	436	462
Direct Bill Educational Ret Dependents	81	97	99	120
<b>Total Covered Lives</b>	<b>492</b>	<b>527</b>	<b>535</b>	<b>582</b>
COBRA Educational Participants	2		4	14
COBRA Educational Dependents	2		2	25
<b>Total Covered Lives</b>	<b>4</b>	<b>0</b>	<b>6</b>	<b>39</b>
Active City/County/Township Employees	2,771	2,772	2,772	2,865
Active City/County/Township EE Dependents	5,337	5,352	5,319	5,495
<b>Total Covered Lives</b>	<b>8,108</b>	<b>8,124</b>	<b>8,091</b>	<b>8,360</b>
Direct Bill City/County/Township Retirees	133	132	136	145
Direct Bill City/County/Township Ret Deps	18	16	16	24
<b>Total Covered Lives</b>	<b>151</b>	<b>148</b>	<b>152</b>	<b>169</b>
COBRA City/County/Township Participants	8	6	11	14
COBRA City/County/Township Dependents	11	5	8	16
<b>Total Covered Lives</b>	<b>19</b>	<b>11</b>	<b>19</b>	<b>30</b>

Active Hospital or Mental Hlth Center Employees	1,147	1,131	1,146	1,123
Active Hospital or Mental Hlth Center EE Dependents	1,695	1,705	1,713	1,689
<b>Total Covered Lives</b>	<b>2,842</b>	<b>2,836</b>	<b>2,859</b>	<b>2,812</b>
Direct Bill Hospital or Mental Hlth Center Retirees	16	15	15	15
Direct Bill Hospital or Mental Hlth Center Ret Deps	2			7
<b>Total Covered Lives</b>	<b>18</b>	<b>15</b>	<b>15</b>	<b>22</b>
COBRA Hospital or Mental Hlth Center Participants	7	7	7	9
COBRA Hospital or Mental Hlth Center Dependents	4	6	6	6
<b>Total Covered Lives</b>	<b>11</b>	<b>13</b>	<b>13</b>	<b>15</b>
Active All Other Non-State Employees	200	204	198	190
Active All Other Non-State EE Dependents	324	326	308	300
<b>Total Covered Lives</b>	<b>524</b>	<b>530</b>	<b>506</b>	<b>490</b>
Direct Bill All Other Non-State Retirees	17	18	18	16
Direct Bill All Other Non-State Ret Deps	2	2	2	2
<b>Total Covered Lives</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>18</b>
COBRA All Other Non-State Participants	1	1	1	7
COBRA All Other Non-State Dependents	2	2	2	16
<b>Total Covered Lives</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>23</b>
<b>Total Contracts</b>	<b>53,058</b>	<b>53,085</b>	<b>52,793</b>	<b>52,546</b>
<b>Total Covered Lives</b>	<b>104,161</b>	<b>104,385</b>	<b>104,079</b>	<b>103,907</b>

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Reflects dependents on medical coverage.

**Exhibit C**  
**2015 Non State Entities Enrollment**

<b>Effective Date</b>	<b>Group Name</b>	<b>Type</b>
3/1/2015	Colby USD 315	Education
3/1/2015	Information Network of Kansas (INK)	Local Govt. Entity
7/1/2015	Jackson County	County
7/1/2015	City of Bazine	City

**Exhibit D**  
**Kansas State Employees Health Care Commission**  
**Plan Year 2015 Estimated Annualized Costs (Unaudited)**

		<u>Estimate</u> <u>2015 Costs</u>
	<b><u>Annualized</u></b>	
1.	<b>2015 Projected Total Cost<sup>1</sup></b>	\$ 518,625,930
2.	<b>2015 Estimated Total Cost<sup>2</sup></b>	
	a. Blue Cross Blue Shield of Kansas (BCBS)	\$ 328,238,000
	b. Coventry Health Care of Kansas	\$ 1,512,000
	c. Aetna	\$ 9,105,000
	d. First Health Medicare Part D	\$ 1,318,000
	e. UnitedHealthcare (UHC)	\$ 837,000
	f. BCBS Kansas Senior Plan C	\$ 19,146,000
	g. Coventry Advantra PPO	\$ 1,602,000
	h. Delta Dental of Kansas	\$ 30,036,000
	i. Caremark Rx Claims	\$ 86,457,000
	j. Superior Vision Premiums	\$ 5,886,000
	k. Federal Fees	\$ 3,003,000
	l. Affordable Care Act Fees	\$ 4,637,000
	m. Contract Fees	\$ 7,626,000
	n. Health Savings/Health Reimbursement	\$ 24,206,000
	<b>TOTAL</b>	<b>\$ 523,609,000</b>
3.	<b>2015 State and Non State Employee, COBRA, Direct Bill Contributions<sup>2</sup></b>	\$ 109,511,000
4.	<b>2015 State of Kansas and Non State Employer Contributions<sup>1,2</sup></b>	
	a. Projected	\$ 348,265,911
	b. Actual	\$ 344,369,078
	c. Percent Difference	1.12%

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<sup>1</sup> 2015 Projected Totals come from the 10-year projection sheet presented and approved at the August 31, 2015, Health Care Commission Meeting.

<sup>2</sup> These values were developed by annualizing data received through November 2015. Intra-year trend, deductible leveraging, and migration were not considered. Data has not been audited further.