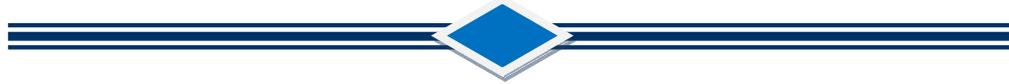


**KANSAS STATE EMPLOYEES  
HEALTH CARE COMMISSION**



**ANNUAL  
REPORT**



**2008**  
**PLAN YEAR**

**Kansas State Employees Health Care Commission  
2008 Annual Report**

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## EXECUTIVE SUMMARY

- Important plan changes in 2008 include the implementation of a value-based plan design for both the medical and prescription drug portions of the State Employee Health Plan (SEHP). The Kansas Health Policy Authority (KHPA) and the Kansas State Employees Health Care Commission (HCC) were awarded the 2008 Value-Based Health (VBH) award by the Institute for Health and Productivity Management. The award recognizes innovative strategies in employee health plan design which promote cost control through healthy lifestyles and personal responsibility.
- Plan year 2008 represents the first full plan year of self-funding all of the active employee health plans. As the State is now the responsible party for financing all health care costs, the HCC began receiving quarterly financial reports from the KHPA summarizing plan revenue, plan expenses, and both current and projected fund balances. Based on staff projections and the opinion of SEHP actuaries, the KHPA reported the fund to be in good financial standing with adequate resources and reserves to support and sustain the plan improvements adopted for 2009.
- Changes to the SEHP for 2009 centered on enhancing the value-based plan designs to provide employees with a clear choice of plan design, coverage, and cost, as well as on ensuring adherence with annual and long-term funding targets.
  - Plan A was modified to meet the long-term funding objectives for the program by adding a deductible, increasing the member coinsurance and increasing the coinsurance maximum.
  - Plan B benefits and rates were modified to provide a family-friendly plan option.
  - The Qualified High Deductible Health Plan (QHDHP) known as Plan C was modified to increase the perceived value of this option.
  - The HCC introduced a new employee contribution methodology that includes a base rate and a discounted rate. A total of 28,887 state employees enrolled as non tobacco users, and 3,067 agreed to complete the tobacco cessation program to receive the non tobacco user discount. A total of 5,051 state employees indicated they were tobacco users or chose not to disclose their tobacco status and will pay the base rates for 2009.
- Changes in benefits and implementation of the non tobacco user discount contributed to the high level of participation in the open enrollment process for plan year (i.e., calendar year) 2009. KHPA staff visited 35 cities around the state and presented to over 7,700 employees. Approximately 32,242 members, or 81.2 percent of eligible employees, utilized the web-based system to make elections for their 2009 SEHP coverage.
- The HCC extended the HealthyKIDS pilot program (for the children of State employees only) through at least 2009. The program provides an employer contribution of 90 percent towards the cost of children's health insurance premiums for low-income families. There are currently 2,025 employees enrolled covering over 3,947 dependents.

## 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 health 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 seven (7) times during 2008. The Secretary of Administration and Commissioner of Insurance serve as members of the HCC as mandated by statute, while the Governor appoints the other three members. The statute 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. Present members are:

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

Mercer Health and Benefits provides the actuarial and consulting services for the State Employee 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. (Exhibit A) The EAC met four (4) times during 2008.

The State Employee Health Plan (SEHP) is administered by the Kansas Health Policy Authority (KHPA), which is charged with coordinating a statewide health policy agenda that incorporates effective purchasing and administration with health promotion strategies. 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 design of 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 2008**

This section provides a summary of improvements, changes, and other activities in the SEHP that occurred or took effect in the 2008 plan year (i.e., calendar year 2008). Numerous changes were implemented in 2008 reflecting a shift from a focus on health care to a focus on wellness. The desired outcome was to engage members in their own health, promote the use of preventive services, reduce tobacco use, provide options to address obesity, and promote compliance with prescription drug usage. The summary includes a record of the HCC's contracting activities during the year and an overview of the enrollment trends during 2008.

A number of important plan changes took effect in 2008 which promote cost control through healthy lifestyles and personal responsibility. Relationships with the three medical benefit plans – Blue Cross and Blue Shield of Kansas (BCBSKS), Preferred Health Systems (PHS), and Coventry Health Care of Kansas – continued unchanged in 2008, the third year in the HCC's three-year contract with each carrier.

As a package, the changes made in 2008 represent a significant step forward in employee benefits, lowering administrative costs and employee contributions, improving benefits to emphasize prevention and wellness, and revamping health plan options to provide better choices to employees across the state. Specific changes are highlighted below. The comprehensive set of program enhancements in the HealthQuest program are highlighted separately in Section III of this report. The impact of these plan changes on SEHP finances in 2008 and in future years is summarized in Section IV.

### **Health Plan Design**

Beginning in 2008, the HCC approved an initiative to self-insure all employee medical benefits. This means that the state employee plan will no longer purchase insurance products from health insurance vendors, but will instead purchase administrative services (e.g., claims administration) and access to a contracted provider network. Prior to 2008, only one medical plan (Kansas Choice), the dental plan, and the prescription drug plans were self-funded. Given the current fund balance in the employee health care fund (see Section IV), KHPA staff determined that additional protection from financial loss was unnecessary and recommended the move to self-funding to save the costs associated with the purchase of insurance. Most large employers/purchasers in Kansas and across the United States self-insure benefits for their employees. Self-funding is designed to give the State more flexibility in the plan design; improve cash flow; simplify the health plan administration rebidding process; and reduce State expenditures for vendor margins, contingency charges, profits, and taxes.

The HCC also approved changes to move away from the traditional Health Maintenance Organization (HMO) model to a value-based benefit design that encourages appropriate use of care through emphasizing preventive care services and the utilization of primary care providers. This is consistent with other large purchasers of health care plans. The new plan designs are all Preferred Provider Organization (PPO), and so the plan names were changed from "HMO" and "PPO" to "Plan A" and "Plan B,"

respectively. The lifetime benefit cap of two (2) million dollars was removed from both Plan A and Plan B. There were no plan design changes for the third plan option, Plan C- the Qualified High Deductible Health Plan (QHDHP) with Health Savings Account (HSA).

The following vendors provided administrative and network services for the SEHP in 2008:

- Blue Cross and Blue Shield of Kansas (Plan A and Plan B)
- Coventry Health Care of Kansas (Plan A, Plan B and the QHDHP)
- Preferred Health Systems (Plan A and Plan B)

### **Medical Plan Redesign**

Changes in Plan A and Plan B reflected a value-based plan design with improvements to emphasize preventive care and the use of primary care providers. The following benefit changes were implemented in 2008:

#### **Plan A**

##### **Network Benefits**

- Removed the HMO referral requirement.
- Expanded the definition of primary care provider.
- Increased the specialist office visit copay from \$30 to \$40. (The \$20 copay for primary care provider office visits was not increased.)
- Expanded the preventive care benefit coverage for colonoscopy screenings and removed the routine diagnosis requirement and the lifetime limit of one.
- Expanded the preventive care benefit coverage for mammography screenings for both routine and medically necessary screenings and removed the annual limit of one.
- Expanded full coverage of immunizations to include all age appropriate immunizations.
- Expanded the coverage for dietician consultation visits to cover all medical diagnoses. Consultations were subject to a 10 percent coinsurance.
- Removed the inpatient services copay of \$200, but maintained 10 percent coinsurance.
- Removed the outpatient surgery copay of \$100.
- Removed the major diagnostic tests copay of \$100.
- Removed the inpatient copay of \$200 on inpatient rehabilitation services.
- Increased the emergency room copay from \$75 to \$100 per visit.
- To encourage the use of cost-effective treatment options, the cap of \$5,000 was removed from Home Health Services.
- To better meet the needs of the terminally ill, the \$7,500 hospice care cap was removed and a time limit on services of 6 months was added.
- Removed the office visit copay from allergy testing.
- To encourage compliance with allergy shots and antigen administration, the office visit copay requirement for such services was removed.
- To provide parity on mental health conditions, the inpatient copay of \$200 was removed along with the 60-day limit on inpatient treatment. For office visits, the

- benefit was designed to match the primary care provider benefit provided for medical services.
- Alcohol and Chemical Dependency
    - Inpatient Care—inpatient copay was removed and the 10 percent coinsurance was applied.
    - Outpatient Care—no change in payment, however, both network and non network services were counted toward the first 25 visits.
  - To encourage members to use their primary care provider, the urgent care center benefit was changed to require both the \$20 copay and 10 percent coinsurance instead of the \$30 copay.

## **Plan A**

### **Non Network Benefit**

- Plan A did not previously offer coverage for out-of-network benefits. To encourage members to use network providers, an annual deductible of \$500 per person/\$1,500 per family was added and care was subject to 50 percent coinsurance to a maximum of \$3,650 per person and \$7,300 per family. The following copays also applied to services:
  - Inpatient services copay—\$600
  - Emergency room copay—\$200
  - Mental health inpatient copay—\$600, and a 60-day limit on services

## **Plan B**

### **Network Benefits**

- Expanded the definition of primary care provider.
- Added copay requirements for both primary care provider office visits (\$20) and specialist office visits (\$40).
- Removed the \$450 maximum allowance on preventive care services.
- Expanded the preventive care benefit coverage for colonoscopy screenings and removed the routine diagnosis requirement and the lifetime limit of one.
- Expanded the preventive care benefit coverage for mammography screenings for both routine and medically necessary screenings and removed the annual limit of one.
- Expanded full coverage of immunizations to include all age appropriate immunizations.
- Expanded the coverage for dietician consultation visits to all medical diagnoses. Consultations were subject to a 10 percent coinsurance.
- Removed the inpatient services copay of \$300.
- To encourage the use of cost-effective treatment options, the cap of \$5,000 was removed from Home Health Services.
- To better meet the needs of the terminally ill, the \$7,500 Hospice Care cap was removed and a time limit on services of 6 months was added.
- To encourage compliance with allergy shots and antigen administration, the office visit copay requirement for such services was removed.
- To provide parity on mental health conditions, the inpatient copay of \$200 was removed along with the 60-day limit on inpatient treatment. For office visits, the

- benefit was designed to match the primary care provider benefit provided for medical services.
- Removed the \$300 copay on inpatient rehabilitation services.
  - Alcohol and Chemical Dependency
    - Inpatient care—removed the inpatient copay.
  - To encourage members to use their primary care provider, the urgent care center benefit was changed to require both the \$20 copay and 35 percent coinsurance instead of only the \$30 copay.

### **Plan C – QHDHP with HSA**

For 2008, no changes were made to Plan C—the QHDHP with HSA.

### **Medicare Options for Direct Bill (Retiree Members)**

Medicare eligible members had access to the plans listed above except for the QHDHP. Medicare eligible direct bill members also had programs designed to complement their Medicare coverage. For 2008, we added the Coventry Advantra Freedom Private Fee for Service (PFFS) program, a Medicare Part C Advantage plan that is available nationwide. The Coventry Advantra PFFS plan was available with or without the Medicare Part D drug coverage. This allowed members greater flexibility in selecting the Medicare Part D drug plan that best met their pharmacy needs.

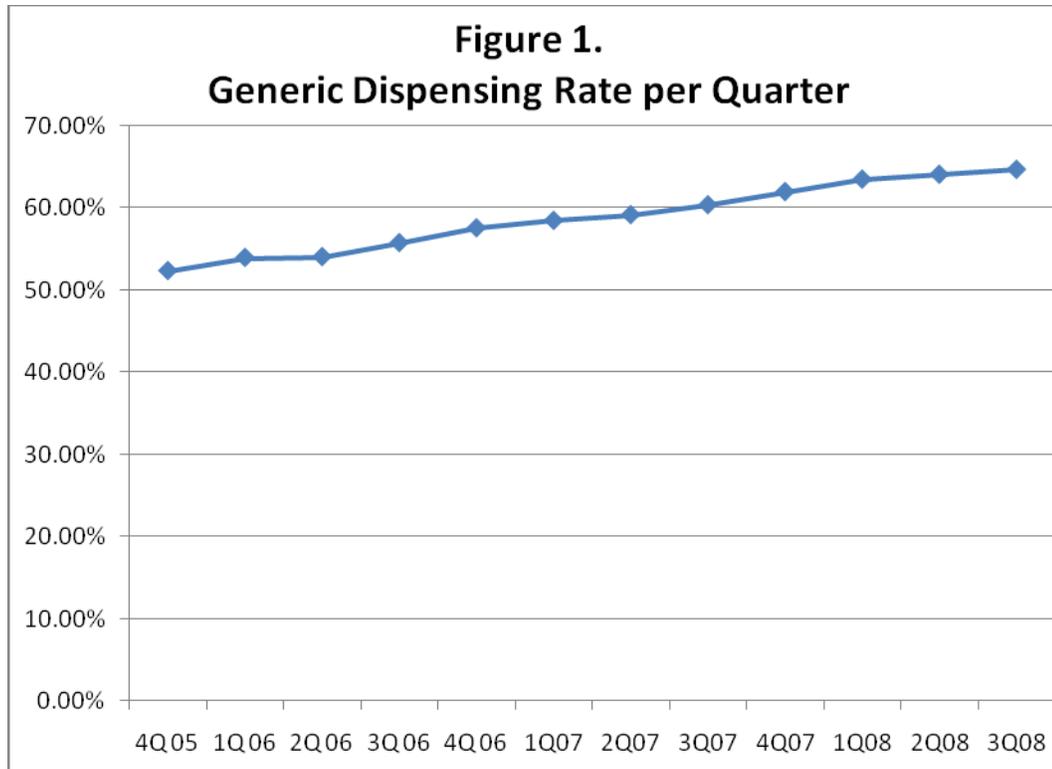
For Direct Bill members with Medicare, 2008 was the second year that members could elect to purchase the Kansas Senior Plan C Medicare Supplement plan with the SilverScript Part D prescription drug coverage. Members still had the option to purchase Kansas Senior Plan C without drug coverage if they preferred. Of those enrolled in Senior Plan C, 4,726 members elected to take the SilverScript Part D drug plan and 2,456 elected to purchase drug coverage from another source.

### **Changes in the Prescription Drug Plan Design**

The HCC continued its multi-tiered coinsurance plan design that encourages and rewards cost-effective consumer purchasing. The overall prescription drug trend of the plan remained favorable as compared to national trends. Through proactive plan management, increased consumer awareness, and the introduction of several new generic products, the generic dispensing rate increased from 60.3 percent in the third quarter of 2007 to 64.6 percent for the third quarter of 2008 (see Figure 1).

Improvements in the prescription drug plan in 2008 also focused on preventive care and wellness. Non-compliance by diabetics and asthmatics with prescription drug therapy increases health risks and plan expenses for preventable complications and emergency room visits. To promote adherence with diabetic and asthma drug therapies the HCC voted to lower the member's out-of-pocket expense for medications to 10 percent (to a maximum of \$10) for generic drugs and 20 percent (to a maximum of \$20) for preferred brand name drugs. Lowering the member cost for these medications should remove a barrier to drug therapy compliance and ultimately lower plan costs for complications and emergency room visits.

To promote member wellness, coverage of up to \$300 per member per year was added for prescription tobacco control products. Coverage was also added for prescription weight loss medications. In prior plan years, these items were only available for a discount under the lifestyle benefit.



### **Participation**

Active state employee contracts increased by 835 contracts between January 2008 and January 2009 (2.3 percent), while covered dependents increased by 1,626 (5 percent). The direct bill program saw an increase of 116 covered members (1.0 percent) between January 2008 and January 2009. (See Exhibit B for a more detailed accounting of SEHP enrollment.)

Interest and enrollment of Non State entities in the SEHP, consisting of school districts, municipalities, and public hospitals, continued to grow in 2008. As of January 2009, 111 groups will be enrolled in the Non State plan with 7,197 contracts, representing 13.2 percent of total enrollment, an increase of 16 groups and 881 contracts over January 2008.

### **Contributions and Rates**

Reflecting the current finances of the SEHP and the desire to place employee benefits more in line with other major employers, the HCC approved an increase in the state contribution towards the cost of dependent coverage from the 2007 average of 45 percent to an average of 55 percent. The State contribution of 95 percent of the cost of employee-only coverage remained unchanged.

Changes to all PPO plan designs provided opportunities for some employees to save on health care premiums. By using PPO plan designs, the State was able to extend all health plan options statewide, making the lowest cost plans available to all state employees. All options are available statewide and nationwide, eliminating the need for multiple rate structures for different areas of the state. All employees in the same salary tier have the same plan options and premium rates regardless of where they live.

The HCC decided to continue in 2008 the HealthyKIDS pilot program that helps eligible lower-income state employees with premium costs for children. The program covers children who meet the income guidelines for the state's HealthWave program (i.e., a family income below 200 percent of the federal poverty level), 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 State covers 90 percent of the premium (instead of the typical 55 percent average) and the employee pays only 10 percent for their eligible dependent children. In 2008, over 3,900 children participated in the health care plan through HealthyKIDS.

### **Re-contracting for the Medical Plan Administration**

On February 21, 2008, the HCC released Request for Proposal (RFP) 11045 to obtain competitive proposals from qualified vendors for administration of Plans A, B and C (QHDHP with HSA) and behavioral health benefits. Five (5) medical plan administrative service only bids and one (1) behavioral health bid were received in response to the RFP. The HCC awarded three-year contracts to 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), and UMR – a UnitedHealthcare Company (Plans A, B, and C).

On May 29, 2008, the HCC released RFP 11047 to obtain competitive proposals from qualified vendors for insured plans or administrative service only contracts for Medicare Supplement or Medicare Advantage Plans. Six (6) bids were received – three (3) bids offering Medicare Supplement plans and three (3) bids offering Medicare Advantage plans. The HCC awarded a three-year contract to Blue Cross and Blue Shield of Kansas for a fully insured Plan C Medicare Supplement program and three-year contracts to both Coventry Health Care of Kansas and Humana for fully insured Medicare Advantage programs.

### **Claims Analysis System**

To monitor health plan performance throughout the year, manage program costs, set premiums, and evaluate health plan options, SEHP staff has access to Thomson Reuters's Medstat decision support system that enables multi-level access to the administrative records generated by employee health care claims.

In addition, the SEHP conducted a number of targeted internal analyses to identify opportunities for potential cost-savings and other program improvements,

including: data comparing medical and pharmacy costs and utilization for employees' preventive medical services, costs and utilization for active members with low back pain, costs and prevalence of chronic kidney disease compared to market, costs and prevalence of mental healthcare, colonoscopy use analysis, and an analysis on the health status of the population in the SEHP using relative risk scores to identify potential improvements in service delivery.

### **Oversight and Plan Management**

Recognizing the need for increased oversight of SEHP spending, the plan approved a number of reviews designed to increase programmatic effectiveness and fiscal integrity. In 2007, the HCC released RFPs to obtain competitive proposals from qualified vendors for reviewing the self-funded medical, dental and prescription drug plans and to obtain competitive proposals for an eligibility process review. Both reviews were awarded to Claim Technologies Incorporated (CTI) and took place in 2008.

The claims review was broken into two segments. One was a review of Kansas Choice, Senior Plan C, dental and drug claims over a one-year period and the other was an implementation audit designed to ensure that the three medical vendors (BCBSKS, PHS, and Coventry) were processing claims in accordance with the new plan designs that took effect January 1, 2008. Overall, the audits confirmed that claims were being processed in accordance with the plan benefits and did not identify any catastrophic issues. Areas of improvement identified in the audits are being discussed with the vendors.

For the eligibility process review, CTI used a continuous quality improvement approach. State agency and non state entity benefit staff were surveyed to determine the process in place for ensuring that only eligible employees and dependents are added to the plan. CTI also reviewed instructions provided and the handling of eligibility information within the SEHP. Based on the information gathered, CTI provided the SEHP with recommendations to improve the handling of eligibility.

### **Health Information Exchange**

The SEHP, in conjunction with the Mid-America Coalition on Health Care, began participating in a pilot personal health record program through the CareEntrust health information exchange (HIE), a not-for-profit, Kansas City employer-based initiative. The goals of the CareEntrust Health Record are to increase members' access to their health information; to prevent adverse drug events and medication overdoses by offering the most up-to-date information; to eliminate redundant procedures and unnecessary hospital admissions; and to aid in the delivery of coordinated, hassle-free care. Market experts predict that increasing provider and member access to existing health information (such as detailed records of each health claim) could transform the marketplace, improving patient awareness, lowering costs, and significantly increasing the effectiveness and timeliness of patient care.

A CareEntrust Health Record collects and organizes health care visit information, including medication and lab data, to create a secure repository for much of what health care providers need to know to effectively treat their patients. The CareEntrust Health Record will offer participants immediate and secure access to their health information and, through provider access across multiple locations, will facilitate communication and enhance coordination among health care providers.

The pilot program began May 21, 2008, and will initially be limited to SEHP members who live in the metropolitan Kansas City area. A total of 12,025 SEHP members and their families are eligible to participate in the CareEntrust project. At this time, 335 have chosen to activate their personal health record.

## II. SUMMARY OF CHANGES IN PLAN YEAR 2009

This section includes a summary of health plan improvements developed and approved in 2008 for implementation in plan year 2009, which began January 1, 2009. As a package, the changes made in 2009 centered on providing employees with a clear choice of plan design, coverage, and cost to ensure adherence with the annual funding targets of the program. The HCC and KHPA Finance Committee monitor monthly the administration and claim costs as well as review the fund projections, targets and reserves. The projected impact of these plan changes on SEHP finances in 2009 and in future years is summarized in Section IV of this report.

The objectives of plan redesign were to: modify Plan A to meet the long term funding objections for the program; modify the benefits and rates for Plan B to provide a family-friendly plan option; and enhance the benefits of Plan C – QHDHP with HSA to increase the perceived value of this option.

### **Health Plan Design**

Providing plan choice to employees and their dependents continues to be highly valued. The following vendors will provide administrative and network services for the SEHP:

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

Changes in plan design for Plans A, B and C reflect the second year of plan design changes that emphasize preventive care services and the concept of using primary care providers. The desired outcome is to engage members in their own health, promote the use of preventive services, decrease tobacco use, and promote compliance with prescription drug therapy. To meet these objectives, the following plan design changes for Plans A, B and C (QHDHP with HSA) have been made for Plan Year 2009:

#### **Plan A**

- Added a \$50 per person, \$100 per family annual deductible.
- Increased the member coinsurance from 10 percent to 20 percent.
- Increased the coinsurance maximum to \$1,100 per person, \$2,200 per family.
- Increased the premium by five (5) percent.

#### **Plan B**

- Decreased the office visit copay for dependent children age 18 and under to \$10 for primary care providers and \$25 for specialists.
- Reduced the member network coinsurance from 35 percent to 30 percent.
- Realigned the premium/benefit relationship with Plan A.

### **Plan C – QHDHP with HSA**

- Removed the cap on preventive care services.
- Covered network preventive care services at 100 percent.
- Reduced the network out-of-pocket maximum to \$3,000 for single and \$6,000 for family.
- Reduced the non network out-of-pocket maximum to \$3,650 for single and \$7,300 for family.
- Increased the coinsurance for non-network services to 50 percent.
- Removed the lifetime benefit maximum.

### **Medicare Options for Direct Bill (Retiree Members)**

Medicare eligible members have access to the plans listed above except the QHDHP. Medicare eligible direct bill members also have programs designed to complement their Medicare coverage. All of the Medicare specialty products are fully insured contracts. The Preferred Provider Organization (PPO) and Private Fee for Service (PFFS) plans are Medicare Part C Advantage plans. The PPO plans are available in limited geographic areas of the State while the PFFS plans are available nationwide. The BCBS Kansas Senior Plan C program is a standardized Plan C Medicare Supplement plan. For 2009, we are offering the following Medicare specialty products:

- Coventry Advantra Freedom PPO with or without Coventry Part D drug plan
- Coventry Advantra Freedom PPO with SilverScript Part D drug plan
- Coventry Advantra Freedom PFFS with or without Coventry Part D drug plan
- Coventry Advantra Freedom PFFS with SilverScript Part D drug plan
- Humana PPO with or without Humana Part D drug plan
- Humana PPO with SilverScript Part D drug plan
- Humana PFFS with or without Humana Part D drug plan
- Humana PFFS with SilverScript Part D drug plan
- BCBS Kansas Senior Plan C with or without SilverScript Part D drug plan

For 2009, direct bill members selecting the PPO or PFFS plans may elect the vendor's drug plan, the SilverScript Part D plan, or a prescription drug plan from the market. This allows members greater flexibility in selecting how they want to finance their prescription drugs.

### **Changes in Prescription Drug Benefits**

Currently, less than half of one (1) percent of SEHP pharmacy claims are for specialty and biotech drugs, yet they account for seven (7) percent of the total drug spend. These medications are treatments designed for specific disease states like cancer, rheumatoid arthritis, and multiple sclerosis. Beginning in 2009, coverage for all specialty products will be exclusively by mail order through the Caremark specialty pharmacy. The majority of these will be handled through Caremark's specialty/biotech pharmacy located in Lenexa, Kansas. In addition to the quality program and patient support described below, the State will also receive enhanced pricing on specialty products through this arrangement.

Caremark’s mail order specialty pharmacy offers members a National Committee for Quality Assurance (NCQA) accredited disease management program to improve quality of care. Each member who utilizes a specialty/biotech drug will have a registered pharmacist case manager assigned to them. The case manager will educate the member on their drug and disease state and provide infusion training, as most specialty/biotech drugs need to be taken intravenously. The case manager and member speak at least once every 30 days to determine the patient’s status and needs. Side effects with specialty and biotech drugs are very common and can be quite severe. The case manager is a resource for the patient to get answers to any questions the member may have about the drug, its use and its side effects. In addition, the patient will have access to a pharmacist 24 hours a day, 7 days a week, 365 days a year to answer questions which may come up during the course of treatment.

Due to changes in the availability of over-the-counter (OTC) non-sedating antihistamine products, prescription products will be moved to the discount only coverage tier for 2009. Caremark estimates that this change will save the State \$1.2 million dollars.

**Long Term Care Insurance**

The SEHP plans to release another RFP in 2009 to try and obtain a qualified group long term care policy.

**Contributions and Rates**

For Plan Year 2009, the HCC voted to implement a new base rate contribution strategy. This new strategy alters the employee contribution, which previously was an average of 5 percent toward the cost of single coverage. The new contribution strategy is shown below:

**State Employee Contribution**

<b>Salary Tier</b>	<b>Base Rate</b>	<b>Discounted Rate</b>
Under \$27,000	11.2%	2.2%
\$27,000 - \$47,000	13.1%	4.4%
\$47,000 and over	15.1%	6.7%
Part-Time	29.6%	22.6%

The employer contribution toward the cost of dependent coverage remains at approximately 55 percent of the cost to provide dependent coverage.

Employees who are tobacco users or those who choose to not disclose their tobacco status will pay the new 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 will 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, employees were 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 plan year 2009. 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 during this period:

<b>Tobacco Status</b>	<b>State</b>	<b>Non State</b>	<b>Direct Bill</b>
Non Tobacco User	28,887	5,614	1,388
Tobacco User with cessation course	3,067	582	84
Tobacco User (no discount)	1,105	243	28
Do not wish to disclose (no discount)	3,946	735	656

The HCC decided to continue in 2009 the HealthyKIDS pilot program. This program helps with premium costs for children of eligible lower-income State employees.

### **Open Enrollment**

Employee participation in open enrollment activities for the 2009 plan year remained at a high level, demonstrating employee interest in the financing of their health care through the SEHP. Open Enrollment for active employees was held from October 1 - October 31, 2008. Ninety-eight (98) Open Enrollment meetings were held for employees in thirty-three (33) cities. Staff estimates that approximately 7,700 employees attended these meetings.

During Open Enrollment, approximately 32,242 employees or 81.2 percent of eligible State employees utilized the web-based open enrollment system to make elections for their 2009 SEHP coverage. This is an increase of 21.1 percent over 2008 online enrollment activity. The increase is the result of employees having to complete the tobacco disclosure to be eligible for the premium discount. Direct bill and non state entities enrollment is currently done on paper.

Flexible spending accounts require an annual election to participate. A total of 8,789 employees elected medical accounts and 1,103 elected dependent care accounts. This represents a 6.8 percent increase in medical accounts and a 9.0 percent increase in dependent care accounts over 2008.

### **Planned Changes to the Claims Analysis System**

The contract with Thomson Reuters for Medstat, the current claims analysis system, will expire in May 2009. A joint procurement of a health data analytic tool was undertaken under the leadership of the Director of Data Policy and Evaluation. Thomson

Reuters was the winning bidder for the new Data Analytic Interface (DAI). Work is currently underway to begin the process of building the DAI system and it is expected to be completed in 2009. As the SEHP currently uses a Thomson Reuters database, the process should be seamless with minimal disruption.

The overall goal of the DAI is to take available data from the three systems (SEHP, Medicaid and Kansas Health Insurance Information System (KHIIS)) and create an analysis workshop. The information contained in these data sets presents an unprecedented opportunity to document, describe, analyze, and diagnose the state of health care in Kansas. This will allow comparative analysis based on episodes of care, disease management, predictive modeling, evaluative analysis, etc., to measure costs and outcome effectiveness. The improved decision analytic capability of the DAI should lead to more efficient use of state health care dollars by managing costs, quality, and access to health care programs.

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

The KHPA initiated a comprehensive review of the HealthQuest program in 2007 to develop a new package of services and incentives promoting employee health, wellness, and preventive care. 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. New HealthQuest program components include health screening events, a Personal Health Assessment (PHA), condition and disease management, health coaching, healthy lifestyle tools and a \$50 gift card incentive to increase participation.

#### **Program Highlights**

##### **Statewide Health Screening Events**

As part of the commitment to help participants lead healthier lifestyles, the HealthQuest program offers onsite health screenings during company time in 37 cities (53 sites) across the state. The program started in January 2008 and includes the following tests and measurements: total cholesterol, HDL, LDL, triglycerides, blood glucose, blood pressure, measured height and weight, and body mass index (BMI) calculation. In 2008, the health screening was completed by 9,113 individuals.

##### **Personal Health Assessment and \$50 Gift Card**

The online Personal 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. Participants who complete the PHA receive a \$50 gift card. In 2008, 15,744 individuals completed the PHA.

##### **Legislative Fitness Day**

The new HealthQuest program was officially launched on January 15, 2008, designated as Legislative Fitness Day for legislators, the Governor, and their staffs. Events included onsite health screening, access to the online Personal Health Assessment, health coaching, and mini health fair activities. In 2008, over three quarters (76 percent) of Kansas State legislators were participants in the State Employee Health Plan.

##### **Health Coaching Program**

Through this program 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 help answer any health questions participants may have concerning their health or their family's health. Members may also work with their own personal health coach who provides support and

information to help participants manage ongoing conditions such as diabetes, heart disease and asthma. 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 materials mailed to their home, at no cost to them
- Workbook and personal coaching support from a personal coach for weight management, tobacco cessation, and stress management.

### **LIFELINE Employee Assistance Program**

HealthQuest LIFELINE continues to provide mental health information, short-term counseling, legal and financial advice, and referrals from licensed counselors and other professionals. Services are available to employees and their dependents, 24 hours a day, 7 days a week.

### **Plans for 2009**

In 2009, a network of Wellness Coordinators will be put in place and will play a vital role in our long-range wellness education and communication strategy to enhance visibility, support, utilization, and evaluation of HealthQuest programs. Wellness coordinators and committees at each agency will provide onsite wellness programming such as brown bag lunch presentations, walking clubs, fitness events, and health fairs. Coordinators will be supported in providing wellness programming on a quarterly basis and will be provided with the educational and promotional materials to do so. These wellness coordinators will also be invited to be site coordinators for the health screening program.

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 and KHPA leaders, agency heads and directors, wellness coordinators, employees, retirees and other plan members. 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 2008, the HCC continued to receive periodic financial reports summarizing plan revenue, expenditures, and both current and projected balances in SEHP funds. Based on staff projections and the opinion of SEHP actuaries, KHPA reported the fund to be in strong financial standing with adequate resources and reserves to support and sustain the plan improvements adopted for Plan Year 2009. This section summarizes the financial status of the state employee plan, 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 \$11.0 million called “Reserve.” 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 2008, the fund experienced falling rates. Based on past experience, the Pooled Money Investment Board estimated the interest earned on the Reserve to be 3.9 percent long-term even though the current actual rate is about 3 percent. The plan will earn interest on all the Plan Reserves by 2015.

The second fund, called “Remittance to Providers,” (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 group 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, since data by plan year is unavailable for those years. Projected balances, revenues, and expenses are based upon plan years running from January 1 to December 31. The Plan Revenues future projection (Table 2) is based upon a health cost trend rate of 6.5 percent plus an additional 1 percent. The employer and agency contributions will be adjusted on the first of July each year starting July 1, 2009. The employee contributions are expected to adjust January 1 of each year starting January 1, 2009.

Due to the sound financial position of the SEHP for FY 2006, contributions were frozen for agencies and employees. This locked in the amount of agency revenue coming into the plan. The employee contributions decreased in plan year 2006 related to two changes. First, the HCC increased the subsidy for dependent insurance from 45 percent to 55 percent. Second, the HCC developed a program to reduce the cost of dependant coverage for employees with family incomes under 200 percent of the federal poverty level. The HealthyKIDS program increased the state contribution for dependent coverage to 90 percent for children.

The projections shown on Table 2 incorporate the estimated impacts of contribution rates and benefit design changes in effect for plan year 2008, as described above, including the increased employer contribution for dependents, the shift in enrollment to Plan A in 2008, and the projected rebalancing of enrollments between Plans A and B beginning in 2009, a shift that will depend on future changes in the plan options.

### **Plan Expenses**

Plan Expenses are payments for medical, dental, and drug claims plus related contract administration fees that have been paid by the plan. The historical plan expenses (Table 1) represent actual experience, whereas projected plan expenses (Table 2) are estimates reflecting the long-term industry standard of 6.5 percent managed health care cost trend. The plan (Table 2) is expected to have a \$15.2 million cash flow savings in 2008 due to the one-time claims lag associated with the shift to self-funding. The projection also assumes a rebalancing of enrollments between Plans A and B beginning in 2009, a shift that will depend on future changes in the plan options.

The total annualized cost of the Kansas SEHP for Plan Year 2008 was approximately \$371,975,000. This is 16 percent higher than the Plan Year 2007 cost of \$321,610,000, which can be attributed to plan design changes. The annual total cost estimate is revised each year as more recent claims experience is collected.

### **Claim Payments Per Member**

The claim payments per member per month (Exhibit E) increased 22.4 percent from third quarter 2008 as compared to third quarter 2007. The increase in cost for 2008 may be attributable in part to the continuing impact of plan design changes such as increasing the dependent contribution from 35 percent to 45 percent, increasing the preventive care coverage from \$450 to unlimited, and increasing the colonoscopy screenings from 1 to unlimited. The active State employees' claim payments actually increased 23.3 percent while the Non State employees' claim payments increased 53.7 percent when comparing third quarter 2008 to third quarter 2007. The Non State increase can be attributed to a 23.9 percent increase in membership.

### **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 percent annually. SEHP administrative costs represent less than 1 percent of health plan expenditures.

### **Plan Reserves**

The Plan 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, Plan 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; and
- 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 2008. By the end of FY 2006, the fund balances grew to \$173.2 million, approximately a 250 percent increase from FY 1999. 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. This growth in the balances is due to several factors in the plan design. During fiscal years 2004 and 2005, agency and employee contributions were increased. At the same time claims experience within the plan remained essentially flat, at least in part due to reductions in the benefit design. 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. As Table 1 indicates, fund balances continued to rise into FY 2008. On a Plan Year (PY) basis, there was a decrease in the Plan Reserve in PY 2008 compared with PY 2007 due to an increase in utilization.

Table 2 shows the projected target reserve for each year based upon a function of Plan Revenue, Plan Expenses, and health cost trend. KHPA'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. KHPA's actuarial consultant, Mercer, estimates the IBNR health claims in Plan Year 2008 to be \$38 million, or about a month and a half of plan expense, and estimates a reasonable contingency of an additional \$15 million. The total target reserve for Plan Year 2008 will be \$53 million (Table 2).

Target reserves are projected to rise slowly over time with health costs and plan enrollment, while fund balances are expected to fall gradually. Based on a set of assumptions that take into account expected health costs, plan management, and future revenues, total plan reserves are expected to fall gradually over the next several years until they meet the target level.

## **Summary**

The 2008 plan year for the State Employee Health Plan was a significant one, with a renewed focus on health and wellness, lower premium contribution requirements for families, and lower prescription drug costs for plan participants. In 2009, the KHPA and the HCC will continue to focus on sound financial management of the SEHP, utilizing new data and analytic capacity with the goal of increased productivity and more efficient use of state health care dollars in order to manage costs, quality, and access to health care programs.

Table 1

State Employees' Health Benefits Plan  
Plan History FY 2000 to FY 2008

	FISCAL YEAR								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REMITTANCE &amp; RESERVE FUND</b>									
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
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
<b>Total Beginning Balance</b>	<b>72,383,281</b>	<b>50,215,599</b>	<b>35,172,728</b>	<b>23,899,423</b>	<b>35,771,399</b>	<b>50,400,391</b>	<b>126,174,877</b>	<b>173,297,884</b>	<b>196,399,949</b>
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	203,583,627
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	145,371,221
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
<b>Total Revenue</b>	<b>184,212,925</b>	<b>208,577,130</b>	<b>232,347,217</b>	<b>271,812,963</b>	<b>318,641,581</b>	<b>367,078,197</b>	<b>343,693,278</b>	<b>355,165,209</b>	<b>348,858,473</b>
Reserve Fund Interest/Transfers	-4,367	-9,796,503	-14,694,348	-4,813,299	108,960	196,805	395,722	541,431	498,313
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
Other Payments	487,145	443,153	632,127	387,755	246,017	239,621	238,450	334,686	2,100,799
<b>Total Expenses</b>	<b>206,376,239</b>	<b>213,823,498</b>	<b>228,926,175</b>	<b>255,127,688</b>	<b>304,121,549</b>	<b>291,500,517</b>	<b>296,965,992</b>	<b>332,604,575</b>	<b>325,093,384</b>
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
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	209,175,485
<b>End Balance</b>	<b>50,215,599</b>	<b>35,172,728</b>	<b>23,899,423</b>	<b>35,771,399</b>	<b>50,400,391</b>	<b>126,174,877</b>	<b>173,297,884</b>	<b>196,399,949</b>	<b>220,663,350</b>
<b>ADMINISTRATION</b>									
Begin Balance:									
Revenues:									
Cafeteria Fund	1,484,187	2,201,536	2,936,054	3,237,339	756,276	405,462	858,454	1,611,873	2,598,534
Wellness 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
	617,147	617,149	579,952	-253	528,004	576,924	605,259	645,828	781,346
<b>Total Revenues</b>	<b>2,772,691</b>	<b>2,772,699</b>	<b>2,524,873</b>	<b>168,281</b>	<b>2,538,446</b>	<b>2,593,024</b>	<b>2,616,178</b>	<b>2,681,292</b>	<b>3,271,352</b>
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	2,167,835
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	84,883
<b>Total Admin Expenses</b>	<b>2,067,406</b>	<b>2,040,150</b>	<b>2,222,192</b>	<b>2,664,746</b>	<b>2,897,189</b>	<b>2,133,582</b>	<b>1,864,679</b>	<b>1,694,631</b>	<b>2,252,719</b>
<b>Ending Balance</b>	<b>2,189,472</b>	<b>2,934,085</b>	<b>3,238,736</b>	<b>740,874</b>	<b>397,533</b>	<b>864,904</b>	<b>1,609,952</b>	<b>2,598,534</b>	<b>3,617,167</b>

Information for FY2000-FY2007 was obtained from the Statewide Cost Allocation (SWCAP) documents  
Information for FY 2008 is preliminary until the SWCAP is completed in March 2009

**Figure 2**  
**History of State Employee Health Plan**

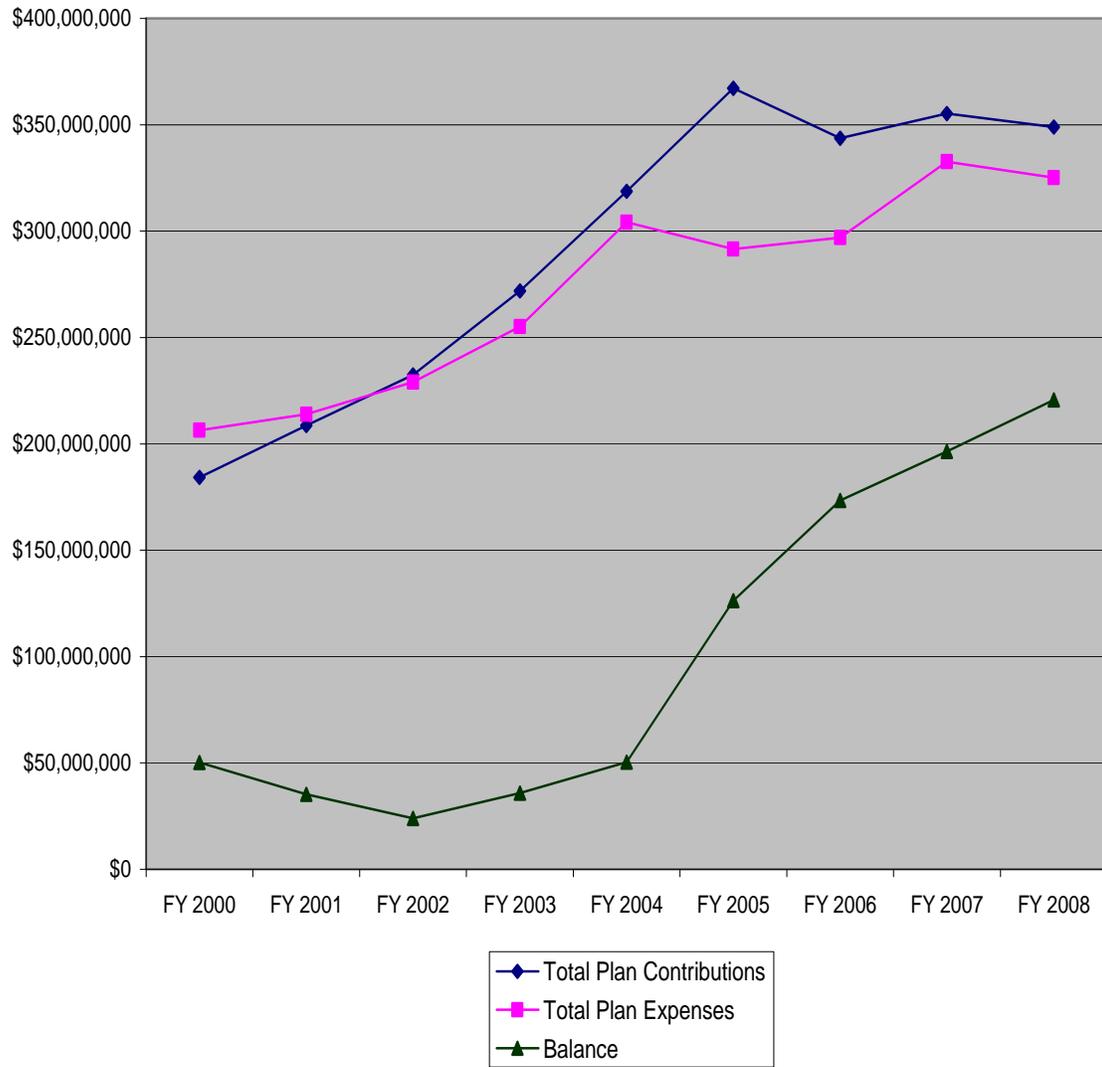


Table 2  
**Kansas Health Policy Authority**  
**Reserve Calculation**  
**Medical, Pharmacy, Dental and Vision**

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Beginning Total Reserve</b>														
Reserve earning interest	10,714,668	11,269,564	11,664,117	12,119,017	12,591,659	13,082,734	13,592,960	14,123,086	14,252,649	78,757,830	85,356,165	93,174,107	102,054,464	110,254,486
Reserve not earning interest	181,189,986	212,102,033	186,505,428	146,516,036	105,632,421	76,911,287	64,714,029	60,605,299	0	0	0	0	0	0
<b>Total Beginning Reserve</b>	191,904,654	223,371,597	198,169,544	158,635,053	118,224,080	89,994,021	78,306,989	74,728,384	74,252,649	78,757,830	85,356,165	93,174,107	102,054,464	110,254,486
<b>Total Employer Contributions</b>	228,190,918	238,990,583	244,668,822	260,035,218	286,947,296	320,444,688	349,044,948	374,319,166	400,521,508	427,826,675	455,939,235	485,575,285	515,885,529	548,061,405
<b>Total Participant Contributions</b>	124,331,527	107,388,199	114,021,016	122,888,255	134,844,569	146,269,787	156,258,171	166,503,045	177,435,316	188,741,831	200,624,058	213,268,971	226,109,623	239,777,113
<b>Total Contributions</b>	352,522,445	346,378,782	358,689,839	382,923,473	421,791,865	466,714,476	505,303,118	540,822,212	577,956,824	616,568,507	656,563,293	698,844,256	741,995,153	787,838,518
<b>Total Plan Expenses</b>	321,610,398	371,975,387	398,679,230	423,807,088	450,512,998	478,911,734	509,411,849	541,848,747	576,347,497	613,041,726	652,074,241	693,597,690	737,775,254	784,781,369
Interest on Reserve Fund	554,896	394,553	454,901	472,642	491,075	510,227	530,125	550,800	2,895,853	3,071,555	3,328,890	3,633,790	3,980,124	4,299,925
<b>Net Cashflow (Contributions- expenses-Interest)</b>	31,466,942	(25,202,053)	(39,534,491)	(40,410,974)	(28,230,059)	(11,687,032)	(3,578,605)	(475,735)	4,505,180	6,598,336	7,817,942	8,880,356	8,200,023	7,357,075
Cashflow as % of expenditures	9.8%	-6.8%	-9.9%	-9.5%	-6.3%	-2.4%	-0.7%	-0.1%	0.8%	1.1%	1.2%	1.3%	1.1%	0.9%
<b>Ending Available Balance (Reserve Ending Balance)</b>	223,371,597	198,169,544	158,635,053	118,224,080	89,994,021	78,306,989	74,728,384	74,252,649	78,757,830	85,356,165	93,174,107	102,054,464	110,254,486	117,611,561
Target Reserve	461,551,010	533,883,000	572,153,327	635,144,012	675,163,303	71,772,291	76,343,202	81,204,371	86,374,539	91,873,734	97,723,357	103,946,284	110,566,972	117,611,561
<b>Factors</b>														
Interest Rate on Reserves	5.0%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Healthcare cost trend rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Agency % increase (eff. July 1)		0.0%	5.0%	7.5%	13.0%	10.5%	7.5%	7.0%	7.0%	6.6%	6.5%	6.5%	6.0%	6.5%
Employee contribution % (eff. J	0.0%	0.0%	5.0%	7.5%	13.0%	10.5%	7.5%	7.0%	7.0%	6.6%	6.5%	6.5%	6.0%	6.5%
Target Reserve Factor	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Employee Contribution Increase %			5.0%	7.5%	13.0%	10.5%	7.5%	7.0%	7.0%	6.6%	6.5%	6.5%	6.0%	6.5%

### Reserve Balance Projection

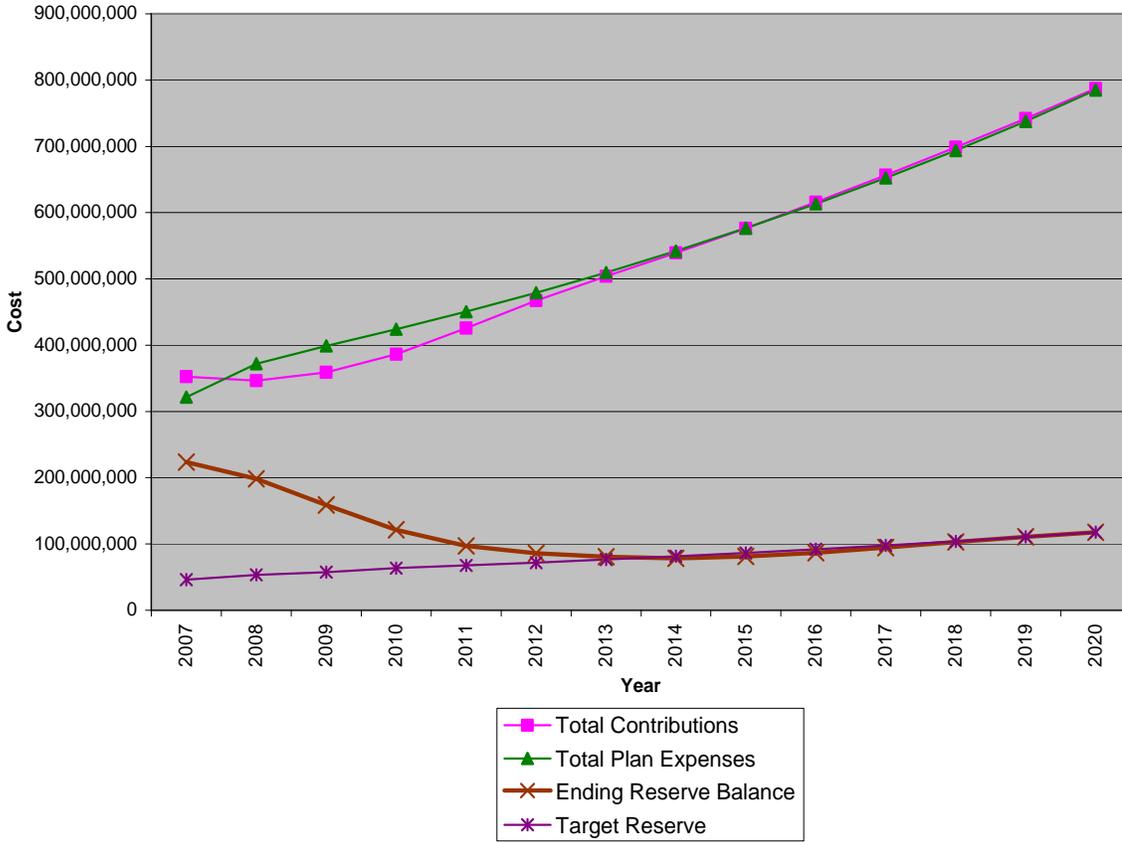


Exhibit A  
**Employee Advisory Committee Members**

**Kyle Austin**

Environmental Scientist II  
Ks. Dept. of Wildlife and Parks  
512 SE 25<sup>th</sup> Avenue  
Pratt, KS 67124  
(620) 672-0794  
Fax: (620) 672-2972  
Email: [kylea@wp.state.ks.us](mailto:kylea@wp.state.ks.us)  
Term expires: 12/31/10

**Barbara Barto**

Scheduling Coordinator  
Pittsburg State University  
1701 South Broadway  
Pittsburg, KS 66762  
(620) 235-4858  
Fax: (620) 235-4059  
Email: [bbarto@pittstate.edu](mailto:bbarto@pittstate.edu)  
Term expires: 12/31/10

**Cheryl Buxton** – Vice President

Deputy Director  
Division of Printing-Dept. of Administration  
201 NW MacVicar  
Topeka, KS 66606-2499  
(785) 296-7276  
Fax: (785) 291-3770  
Email: [Cheryl.Buxton@print.ks.gov](mailto:Cheryl.Buxton@print.ks.gov)  
Term expires: 12/31/10

**Steve Dechant** (Retiree)

521 E. Sherman  
Hutchinson, KS 67501  
(620) 662-5234  
Fax: None  
Email: [dechant@southwind.net](mailto:dechant@southwind.net)  
Term expires: 12/31/09

**Patty Delmott**

Emporia State University  
Programmer/Analyst  
1200 Commercial – CB4018  
Emporia, KS 66801  
(620) 341-5684  
Fax: (620) 341-5662  
Email: [pdelmott@esumail.emporia.edu](mailto:pdelmott@esumail.emporia.edu)  
Term expires: 12/31/09

**Torra Dinkel**

Sr. Administrative Assistant  
Kansas Highway Patrol  
P.O. Box 876  
1821 Frontier Road  
Hays, KS 67601  
(785) 625-3518  
Fax: (785) 625-8766  
Email: [tdinkel@khp.ks.gov](mailto:tdinkel@khp.ks.gov)  
Term expires: 12/31/09

**Kim Fowler**

Assistant Fiscal Officer  
Judicial Branch  
301 SW 10<sup>th</sup> St. Room 337  
Topeka, KS 66612  
(785) 296-2256  
Fax: (785) 368-6573  
Email: [fowlerk@kscourts.org](mailto:fowlerk@kscourts.org)  
Term expires: 12/31/10

**Elizabeth Fultz**

Consultant  
Department of Education  
120 SE 10<sup>th</sup> Avenue  
Topeka, KS 66612  
(785) 296-5138  
Fax: (785) 296-4318  
Email: [bfultz@ksde.org](mailto:bfultz@ksde.org)  
Term expires: 12/31/08

**Claudia Keller**

Wichita State University  
Assistant to the Dean of Education  
1845 Fairmount  
Campus Box 131  
Wichita, Kansas 67260-0131  
(316) 978-6941  
Fax: (316) 978-3302  
Email: [claudia.keller@wichita.edu](mailto:claudia.keller@wichita.edu)  
Term expires: 12/31/08

**Linda Kelly**

Administrative Specialist  
Hutchinson Correctional Facility  
P.O. Box 1568  
Hutchinson, KS 67504  
(620) 728-3343  
Fax: (620) 662-9237  
Email: [LindaKe@KDOC.dc.state.ks.us](mailto:LindaKe@KDOC.dc.state.ks.us)  
Term expires: 12/31/10

**Marjorie Knoll**

Senior Administrative Assistant  
Fort Hays State University  
Rarick Hall – 349  
600 Park Street  
Hays, KS 67601  
(785) 628-5840  
Fax: (785) 628-4426  
Email: [mdknoll@fhsu.edu](mailto:mdknoll@fhsu.edu)  
Term expires: 12/31/08

**Richard Leighty (Retiree)**

4726 SE 21<sup>st</sup> Street  
Tecumseh, KS 66542-2625  
(785) 379-5779  
Fax: None  
Email: [richardl@biltmoretechnology.com](mailto:richardl@biltmoretechnology.com)  
Term expires: 12/31/08

**Ben Middleton**

Engineering Tech Specialist  
KDOT District 3  
1720 N. State  
Iola, KS 66749  
(620) 365-2151  
Fax: (620) 365-2402  
Email: [benedikt@ksdot.org](mailto:benedikt@ksdot.org)  
Term expires: 12/31/08

**John Oswald**

Public Service Administrator II  
Kansas Department of Revenue  
Finney State Office Building  
230 E. William – Suite 7150  
Wichita, KS 67202  
(316) 337-6148  
Fax: (316) 337-6162  
Email: [John\\_oswald@kdor.state.ks.us](mailto:John_oswald@kdor.state.ks.us)  
Term expires: 12/31/10

**Greg Piper**

Ellsworth Correctional Facility  
1607 State  
Ellsworth, KS 67439  
(785) 472-5501  
Fax: None  
Email: [GregoryPi@kdoc.dc.state.ks.us](mailto:GregoryPi@kdoc.dc.state.ks.us)  
Term expires: 12/31/10

**Linda Prothe**

Administrative Specialist  
Osawatomie State Hospital  
P.O. Box 500  
Osawatomie, KS 66064  
(913) 755-7382  
Fax: (913) 755-7159  
Email: [linda.prothe@osh.ks.gov](mailto:linda.prothe@osh.ks.gov)  
Term Expires: 12/31/09

**David Rapson**

Adjutant Generals BCTC  
Maintenance Manager  
8 Sherman Ave  
Ft. Leavenworth, KS 66027  
(913) 758-5401  
Fax: (913) 758-5404  
Email: [david.rapson@conus.army.mil](mailto:david.rapson@conus.army.mil)  
Term expires: 12/31/09

**Sandy Russell**

Public Service Administrator  
Division of the Budget  
LSOB, Room 504  
Topeka, KS 66612  
(785) 296-2436  
Fax: (785) 296-0231  
Email: [sandy.russell@budget.ks.gov](mailto:sandy.russell@budget.ks.gov)  
Term expires: 12/31/08

**Jan O. Sides** – President

(Retiree)  
812 SE Oakridge Lane  
Topeka, KS 66609  
(785) 266-5507  
Cell: (785) 221-0399  
Fax: None  
Email: [jnsides22@cox.net](mailto:jnsides22@cox.net)  
Term expires: 12/31/10

**Elizabeth Smith**

Environmental Scientist I  
Kansas Dept. of Health & Environment  
1000 SW Jackson, Suite 430  
Topeka, KS 66612  
(785) 296-4332  
Fax: (785) 291-3266  
Email: [esmith@kdhe.state.ks.us](mailto:esmith@kdhe.state.ks.us)  
Term expires: 12/31/10

**Susan Warriner**

Human Resource Professional III  
Social and Rehabilitation Services  
Docking State Office Bldg.  
915 SW Harrison, SRS, Rm. 630  
Topeka, KS 66612  
(785) 296-4535  
Fax: (785) 296-2178  
Email: [Susan.Warriner@srs.ks.gov](mailto:Susan.Warriner@srs.ks.gov)  
Term expires: 12/31/08

Exhibit B

**2008 GROUP HEALTH INSURANCE ENROLLMENT BY TYPE OF PARTICIPANT**

Grand Total Covered Lives (State & Non State Active, Direct Bill, & COBRA)

<b>Type of Participant</b>	<b>Jan-08</b>	<b>Apr-08</b>	<b>Jul-08</b>	<b>Oct-08</b>	<b>Average</b>
Active State Employees	36,146	36,356	35,920	36,145	36,142
Active State EE Dependents	32,456	32,773	32,679	33,037	32,737
<b>Total Covered Lives</b>	<b>68,602</b>	<b>69,129</b>	<b>68,599</b>	<b>69,182</b>	<b>68,879</b>
Direct Bill State Retirees	10,287	10,224	10,277	10,300	10,272
Direct Bill State Ret Dependents	649	638	635	622	636
<b>Total Covered Lives</b>	<b>10,936</b>	<b>10,862</b>	<b>10,912</b>	<b>10,922</b>	<b>10,908</b>
COBRA State Participants	160	160	159	186	167
COBRA State Dependents	46	56	42	52	49
<b>Total Covered Lives</b>	<b>206</b>	<b>216</b>	<b>201</b>	<b>238</b>	<b>216</b>
Active Educational Employees	3,540	3,557	3,507	3,465	3,518
Active Educational EE Dependents	3,020	3,076	3,057	3,059	3,053
<b>Total Covered Lives</b>	<b>6,560</b>	<b>6,633</b>	<b>6,564</b>	<b>6,524</b>	<b>6,571</b>
Direct Bill Educational Retirees	345	341	346	389	355
Direct Bill Educational Ret Dependents	70	66	67	81	71
<b>Total Covered Lives</b>	<b>415</b>	<b>407</b>	<b>413</b>	<b>470</b>	<b>426</b>
COBRA Educational Participants	20	14	16	22	18
COBRA Educational Dependents	8	9	11	3	8
<b>Total Covered Lives</b>	<b>28</b>	<b>23</b>	<b>27</b>	<b>25</b>	<b>26</b>
Active City/County/Township Employees	1,778	1,875	1,894	1,912	1,865
Active City/County/Township EE Dependents	2,241	2,356	2,370	2,403	2,343
<b>Total Covered Lives</b>	<b>4,019</b>	<b>4,231</b>	<b>4,264</b>	<b>4,315</b>	<b>4,208</b>
Direct Bill City/County/Township Retirees	56	58	63	69	62
Direct Bill City/County/Township Ret Deps	5	7	9	9	8
<b>Total Covered Lives</b>	<b>61</b>	<b>65</b>	<b>72</b>	<b>78</b>	<b>70</b>
COBRA City/County/Township Participants	5	6	10	9	8
COBRA City/County/Township Dependents	0	0	3	1	1
<b>Total Covered Lives</b>	<b>5</b>	<b>6</b>	<b>13</b>	<b>10</b>	<b>9</b>
Active Hospital or Mental Hlth Center Employees	525	605	645	638	603
Active Hospital or Mental Hlth Center EE Deps	494	581	608	584	567
<b>Total Covered Lives</b>	<b>1,019</b>	<b>1,186</b>	<b>1,253</b>	<b>1,222</b>	<b>1,170</b>
Direct Bill Hospital or Mental Hlth Center Retirees	3	0	4	4	3
Direct Bill Hospital or Mental Hlth Center Ret Deps	0	0	0	0	0
<b>Total Covered Lives</b>	<b>3</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>3</b>
COBRA Hospital or Mental Hlth Center Participants	2	2	3	6	3
COBRA Hospital or Mental Hlth Center Dependents	0	0	3	9	3
<b>Total Covered Lives</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>15</b>	<b>6</b>
Active All Other Non State Employees	41	40	39	53	43
Active All Other Non State EE Dependents	24	24	23	29	25
<b>Total Covered Lives</b>	<b>65</b>	<b>64</b>	<b>62</b>	<b>82</b>	<b>68</b>
Direct Bill All Other Non State Retirees	1	0	0	0	0
Direct Bill All Other Non State Ret Deps	0	0	0	0	0
<b>Total Covered Lives</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
COBRA All Other Non State Participants	0	0	0	1	0
COBRA All Other Non State Dependents	0	0	0	0	0
<b>Total Covered Lives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Total Contracts</b>	<b>52,909</b>	<b>53,238</b>	<b>52,883</b>	<b>53,199</b>	<b>53,059</b>
<b>Total Covered Lives</b>	<b>91,922</b>	<b>92,824</b>	<b>92,390</b>	<b>93,088</b>	<b>92,557</b>

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

Population Group	QTR 3 2007	QTR 4 2007	QTR 1 2008	QTR 2 2008	QTR 3 2008	% Change from prior year
Active State of Kansas	65,862	66,671	68,801	69,099	68,678	<b>4.3%</b>
Non State Employees	9,714	9,883	11,772	12,130	12,037	<b>23.9%</b>
COBRA Continuees	271	231	234	242	279	<b>3.0%</b>
Retired Employees	11,405	11,405	11,330	11,274	11,381	<b>-0.2%</b>
Total All Groups	87,252	88,190	92,136	92,745	92,375	<b>5.9%</b>
Prior Year Total All Groups	87,424	88,069	88,022	88,063	87,252	
Percent change	-0.2%	0.1%	4.7%	5.3%	5.9%	

Reflects covered participants and dependents

Retroactive enrollment changes are not reflected.

Total Members summed by group may not add equal Total All Groups due to untagged claims.

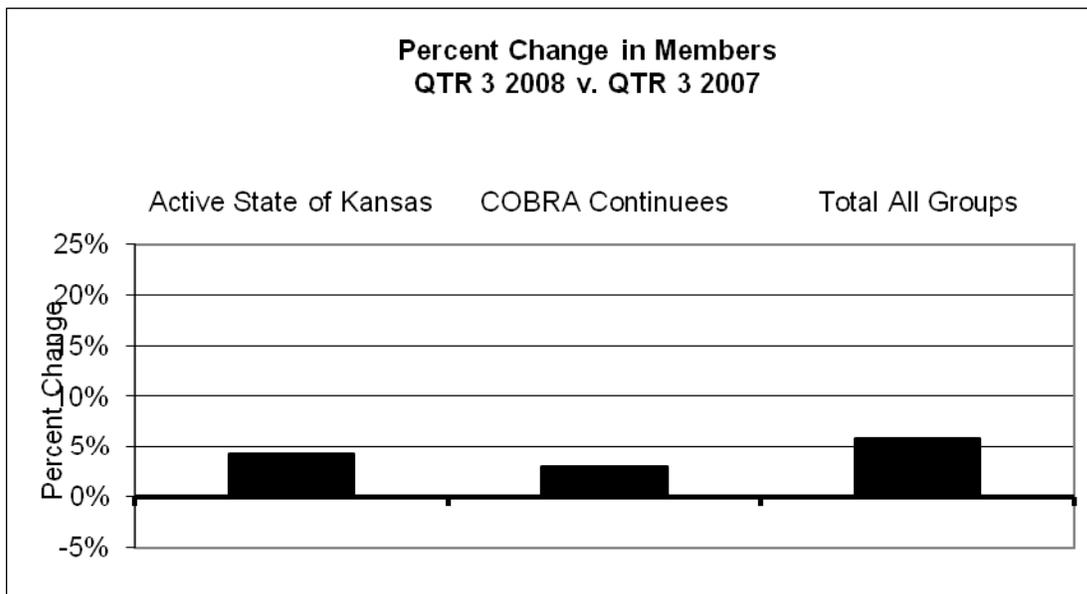


Exhibit D  
**State of Kansas Employee Health Plan**  
**Claim Payments Per Member Per Month by Population Group**

Population Group	QTR 3 2007	QTR 4 2007	QTR 1 2008	QTR 2 2008	QTR 3 2008	% Change from prior year
Active State of Kansas	\$264	\$258	\$292	\$303	\$313	18.7%
Non State Employees	\$225	\$243	\$263	\$263	\$282	25.3%
COBRA Continuees	\$820	\$667	\$643	\$611	\$672	-18.0%
Retired Employees	\$351	\$371	\$355	\$343	\$359	2.3%
Total All Groups	\$272	\$272	\$297	\$304	\$316	16.2%
Prior Year Total All Groups	\$254	\$260	\$273	\$269	\$272	
Percent Change	7.1%	4.6%	8.8%	13.0%	16.2%	

Reflects covered participants and dependents

Claims payments include medical, dental and prescription drug.

Claims payments do not include capitated claims, administrative fees or premium amounts.

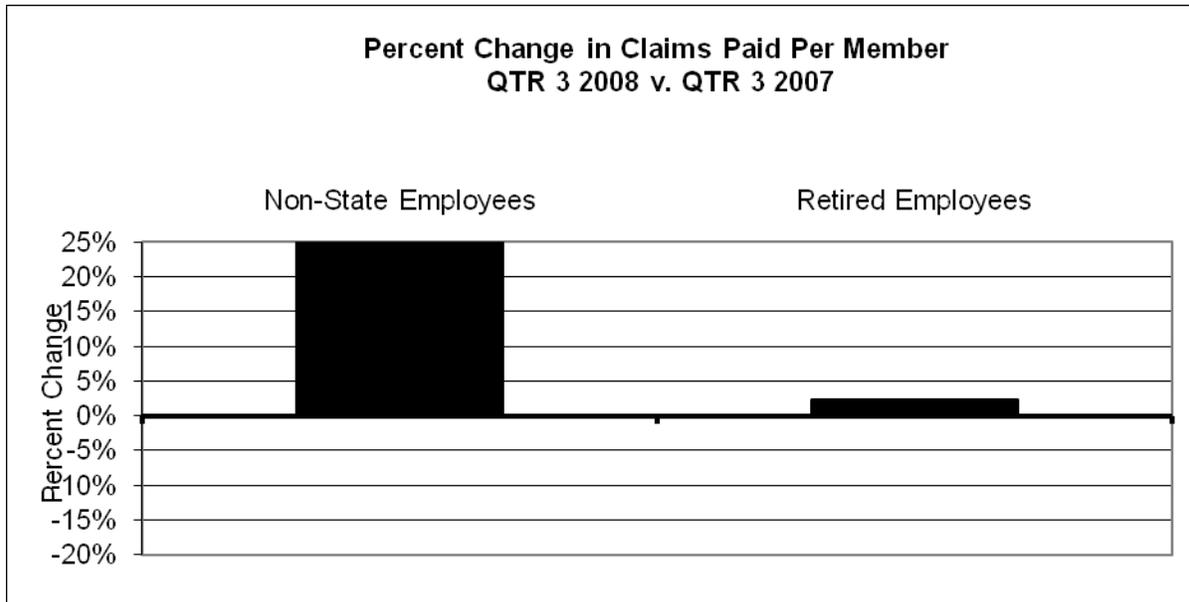


Exhibit E  
**State of Kansas Employee Health Plan**  
**Total Claim Payments by Population Group**

Population Group	QTR 3 2007	QTR 4 2007	QTR 1 2008	QTR 2 2008	QTR 3 2008	% Change from prior year
Active State of Kansas	\$54,167,973	\$53,742,202	\$62,417,323	\$65,070,570	\$66,787,847	23.3%
Non State Employees	\$7,000,427	\$7,695,690	\$9,868,176	\$10,157,750	\$10,762,904	53.7%
COBRA Continuees	\$708,380	\$499,001	\$479,981	\$467,981	\$593,736	-16.2%
Retired Employees	\$12,028,559	\$12,721,238	\$12,089,690	\$11,631,130	\$12,304,685	2.3%
<b>Total All Groups</b>	<b>\$74,022,905</b>	<b>\$74,753,852</b>	<b>\$84,949,095</b>	<b>\$87,580,576</b>	<b>\$90,569,349</b>	<b>22.4%</b>
Prior Year Total All Groups	\$69,287,310	\$71,475,397	\$75,037,573	\$73,921,421	\$74,022,905	
Percent Change	6.8%	4.6%	13.2%	18.5%	22.4%	

Reflects covered participants and dependents

Claims payments include medical, dental and prescription drug.

Claims payments do not include capitated claims, administrative fees or premium amounts.

Total Dollars summed by group may not equal Total All Groups due to untagged claims.

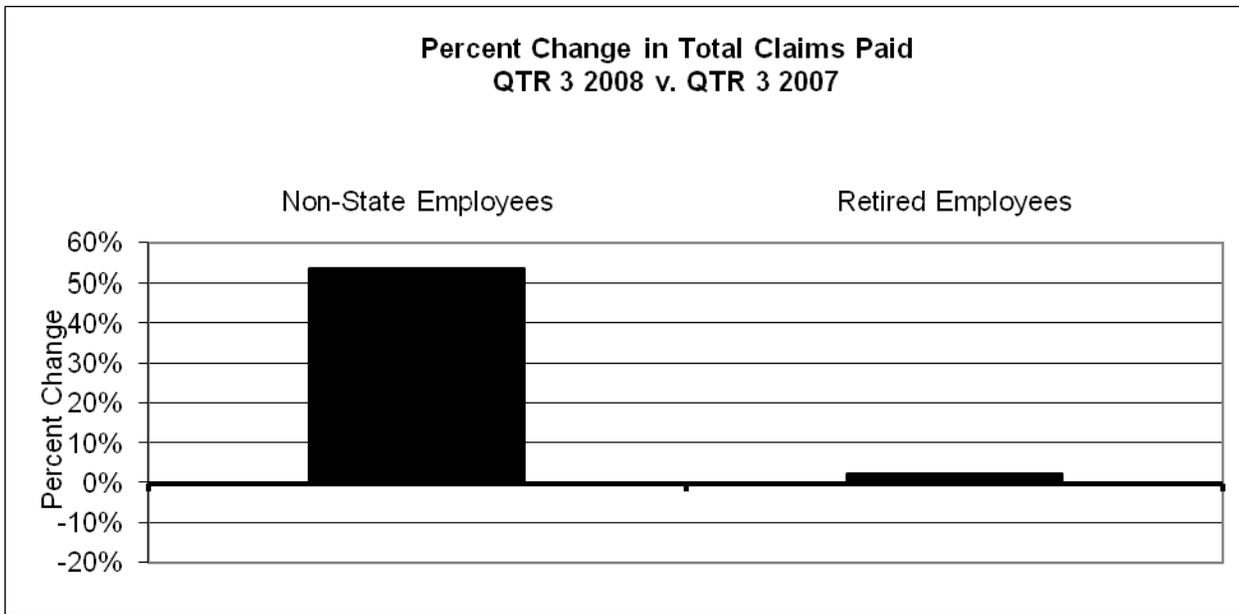


Exhibit F

**Kansas State Employees Health Care Commission  
2008 Comparison of Actual to Projected  
Health Plan Costs (Unaudited)**

	<u>Actual 2008 Year-to-Date</u>	<u>Annualized<sup>1</sup></u>
1. <b><u>2008 Projected Total Cost</u></b>		\$349,114,318
2. <b><u>2008 Actual Total Cost</u></b>		
a. Blue Cross/Blue Shield	\$182,628,000	\$200,631,000
b. Coventry	\$ 6,141,000	\$ 6,333,000
c. Preferred Health	\$ 20,091,000	\$ 22,066,000
d. Kansas Senior Plan C	\$ 13,433,000	\$ 14,865,000
e. Coventry Advantra PPO	\$ 134,000	\$ 153,000
f. Coventry Advantra PFFS	\$ 313,000	\$ 358,000
g. Delta Dental	\$ 21,154,000	\$ 22,283,000
h. Caremark/Silverscript Rx Claims	\$ 55,138,000	\$ 60,291,000
i. Superior Vision Premiums	\$ 3,261,000	\$ 3,587,000
j. ASO/Administrative Fees	\$ 10,953,000	\$ 12,217,000
k. Contract Fees	\$ 2,925,000	\$ 3,191,000
l. Run-out from PY07 paid in PY08 <sup>2</sup>	\$ 25,868,000	\$ 26,000,000
TOTAL	\$342,039,000	\$371,975,000
3. <b>2008 Employee, COBRA, Direct Bill Contributions</b>		\$148,321,000
4. <b><u>2008 State Cost</u></b>		
a. Projected		\$206,473,000
b. Actual		\$206,609,000
c. % Difference		.07%

<sup>1</sup>These values were developed by annualizing data received through November 2008. Intra-year trend, deductible leveraging, and migration were not considered. Data has not been audited further.

<sup>2</sup>Run-out expenses include HMO fees and self-insured claims incurred in 2007, but paid in 2008.