

KANSAS STATE EMPLOYEES  
HEALTH CARE COMMISSION



ANNUAL  
REPORT



**2012**  
PLAN YEAR

**Kansas State Employees Health Care Commission  
2012 Annual Report**

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## 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 99,000 lives for 2013.
- Active employee open enrollment was held from October 1 through October 31, 2012. Approximately 27,948 employees utilized the online Open Enrollment system for State employees to review their health plan coverage. One hundred (100) Open Enrollment meetings were held for employees in thirty-three (33) cities, and four online Open Enrollment webinars were held. Staff estimates that approximately 5,461 employees attended these meetings.
- This was the second year for Non State Public Employer Groups to use an online open enrollment portal for enrollment, and 5,496 Non State employees made health care elections. Future enhancements of the enrollment portal will add the ability for the Non State groups to provide online enrollment for newly hired members as well as to make changes in eligibility for enrolled members. In addition, new groups joining the SEHP will be able to enroll online for the initial enrollment.
- The SEHP completed a dependent eligibility audit in 2012 to ensure that all dependents currently enrolled in the SEHP meet the eligibility requirements. The audit did not find significant issues with covered dependents. The audit confirmed that the documentation process being used is appropriate.
- The Health Care Commission (HCC) voted to replace the tobacco discount with the new HealthQuest (HQ) Rewards Program beginning with PY 2013. Employees needed to complete a health assessment for 10 credits and earn 10 additional credits by participating in the wellness program by July 31, 2012, in order to qualify for the HQ Rewards premium incentive discount for PY 2013. Three out of four employees completed the requirements and earned the HQ premium incentive discount on their 2013 health plan premium.
- Aon Consulting did an analysis of the HealthQuest program's impact on trend. Their analysis indicated that the risk-adjusted costs of those participating in the program were 15% lower than the risk-adjusted costs of those who did not participate. The report indicates that the SEHP saved approximately \$3.7 million in medical costs with the program and that this translates roughly to a 1% trend reduction.

## 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 five (5) times during 2012. The Secretary of Administration and the Commissioner of Insurance serve as members of the HCC as mandated by statute, while the Governor appoints the other three members. K.S.A. 75-6502 requires one member to be a representative of the general public, one member to be a current state employee in the classified service, and one member to be a retired state employee from the classified service. The Secretary of Administration, Dennis Taylor, served as the Health Care Commission chair. The 2012 HCC members were:

**Dennis Taylor**, Chair and Secretary of Administration  
**Sandy Praeger**, Commissioner of Insurance  
**Steve Dechant**, retired employee from the classified service  
**Nancy Ruoff**, active employee from the classified service  
**J. Scott Day**, representative from the general public

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 three (3) times during 2012.

Effective July 1, 2011, the administration of the State Employee Health Plan (SEHP) moved from the Kansas Health Policy Authority to the Kansas Department of Health and Environment (KDHE). The Director of the State Employee Health Benefits Program (SEHBP) now reports to the Director of the Division of Health Care Finance within KDHE. 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 provides the actuarial and consulting services for the health plan.

## I. SUMMARY OF CHANGES AND OTHER ACTIVITIES IN PLAN YEAR 2012

This section provides a summary of improvements, changes, and other activities in the State Employee Health Plan (SEHP) that occurred or took effect in the 2012 plan year (i.e., calendar year 2012). The summary includes a record of the HCC's contracting activities during the year and an overview of the enrollment trends during 2012.

As a package, there were minimal changes in the benefits offered in 2012 with specific changes highlighted below. Enhancements to the HealthQuest program are highlighted separately in Section III of this report. The impact of these plan changes on SEHP finances in 2012 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 2012 represents the fifth full plan year of self-funding all the health 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 2012:

- Blue Cross and Blue Shield of Kansas (Plan A, Plan B and Plan C)
- Coventry/PHS (Plan A, Plan B and Plan C)
- UnitedHealthcare Company (Plan A, Plan B and Plan C)

In August 2011, the Governor announced a voluntary retirement incentive program (VRIP) for state employees who were retirement eligible. Under the VRIP, employees could select either a cash option or to have their post-retirement SEHP coverage paid for by the State for up to 60 months for member-only coverage or up to 42 months for member-plus-dependent coverage or until the employee reached age 65, whichever comes first. There were 594 employees who elected to take the health plan option for single coverage and 218 who elected the member and dependent coverage option. The SEHP continues to work with the Department of Administration to handle the processing of the agency payments for these early retirees.

### **HEALTH PLAN DESIGN**

The SEHP offered members a choice of three (3) health plan designs available from three (3) vendors. All plans reflected value-based plan designs which emphasize the use of preventive care. Changes made to the SEHP for 2012 centered on modifying the benefits to meet the State's benefit objectives. The following benefit changes were implemented in 2012:

- **Plan A** - No plan design changes were made in 2012.
- **Plan B** - No plan design changes were made in 2012.
- **Plan C** – The pharmacy benefit on Plan C was modified from a copayment structure to a coinsurance structure like the pharmacy benefit offered with Plans A and B.

### **Dental Coverage**

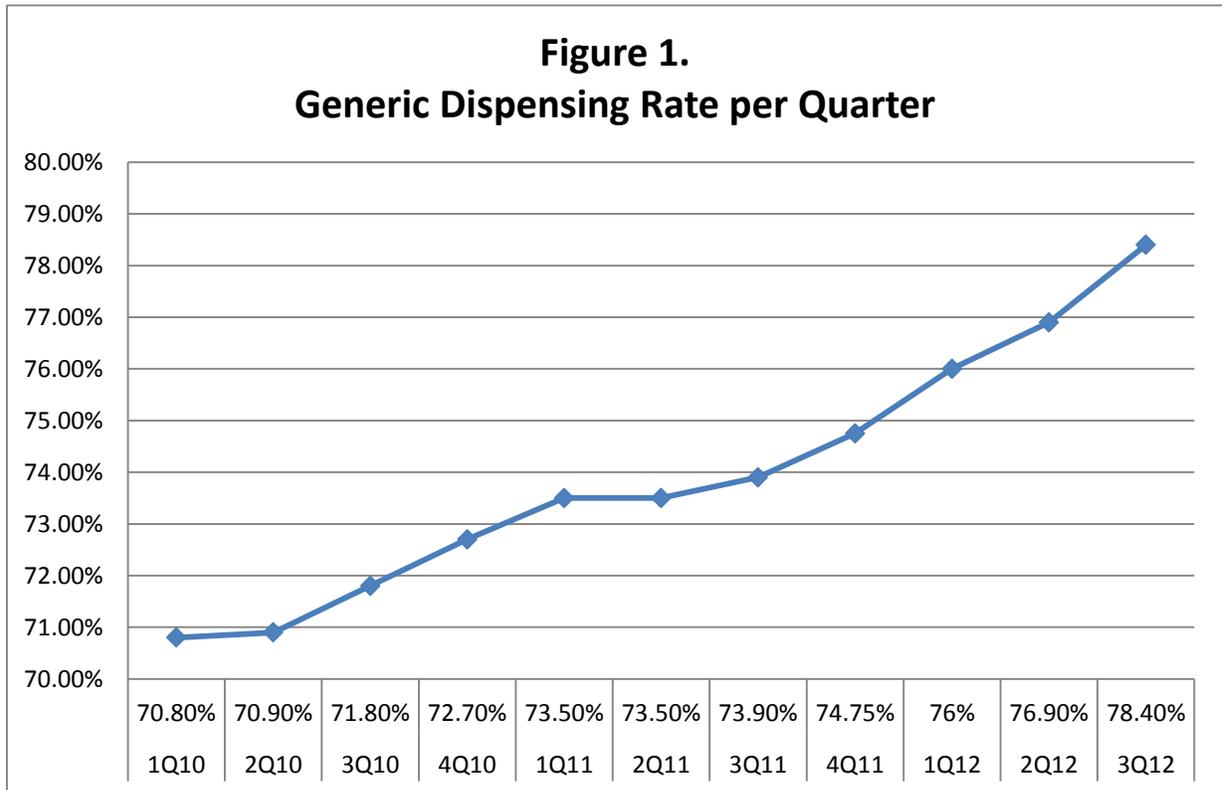
No changes were made in the value-based dental plan design that encourages members to use preventive care services. This plan design has resulted in the plan experiencing a positive trend of increased usage of preventive office visits and cleanings. Members who have their routine exams and cleanings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

### **Preferred Lab Services**

Members on Plans A and B 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. Beginning in 2012, two (2) preferred lab vendors are available to members. Quest Labs continues to be the statewide and nationwide preferred lab vendor. Stormont-Vail Labs were added in 2012 as a new 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.

## Prescription Drug Coverage

The HCC continued its multi-tiered coinsurance plan design that encourages and rewards cost-effective consumer purchasing. Through proactive plan management, increased consumer awareness, and the introduction of several new generic products, the generic dispensing rate increased from 70.8 percent in the first quarter of 2010 to 78.4 percent for the third quarter of 2012 (see Figure 1).



## Medicare Plans

Direct Bill members with Medicare had the option of two fully insured Medicare Part C Advantage plans, or the Blue Cross and Blue Shield Medicare Supplement Plan C insured product, Kansas Senior Plan C. The medical plans were available with or without the fully insured SilverScript 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. In 2011, premium billing for the Medicare Part D plan administered by SilverScript was transitioned to SilverScript in order to comply with Medicare billing requirements.

## Section 125 Plan

The State 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 State established Health Care Flexible Spending Accounts (HCFSA) and Dependent Care Flexible Spending Accounts (DCFSA) effective February 1, 1991. The Cafeteria Benefits Plan is managed by a third-party administrator, Applications Software, Inc. (ASI). 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.

## **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.

## **LEGISLATIVE PILOT PROGRAMS**

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

Beginning January 1, 2011, the SEHP began a pilot program that provides coverage for Autism Spectrum Disorder. Benefits for diagnosis and treatment of Autism Spectrum Disorder are limited to \$36,000 a year for children from birth to age 7. For children from age 7 to less than age 19, the benefit cannot exceed \$27,000 a year. A report on the cost of providing this pilot was provided to the legislature in March of 2012. The HHC voted to continue the Autism benefit pilot for PY 2013.

## **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, 2013:

<b>Summary</b>	<b>Number of Groups</b>	<b>Covered Employees</b>
Public Schools	32	3,312
Cities	49	479
Counties	28	2,594
Townships	2	19
Public Hospitals & Community Mental Health Centers	15	1,031
Misc. Local Governmental Entities	40	177
<b>Total</b>	<b>166</b>	<b>7,612</b>

Thirteen (13) new groups were added to the SEHP during 2012 and one (1) new group joined effective January 1, 2013. Seven (7) groups will be leaving the plan as of January 1, 2013, as their contracts have expired and they have elected to seek coverage elsewhere.

## **OPEN ENROLLMENT FOR PLAN YEAR 2012**

Active employee Open Enrollment was held from October 1 through October 31. One hundred and nine (109) Open Enrollment meetings were held for employees in thirty-two (32) cities, and four online Open Enrollment webinars were held. Staff estimates that approximately 6,586 employees attended these meetings.

Approximately 33,570 employees utilized the online Open Enrollment system for State employees to review their health plan coverage. This was the second year for Non State Groups to use a new online Open Enrollment portal for enrollment, and 7,420 Non State employees made their health care elections online. Enrollment numbers as of November 30, 2011, for State and Non State active employees were as follows:

Vendor	Plan A	Plan B	Plan C	Waived
Blue Cross and Blue Shield of Kansas	35,781	2,842	455	
Coventry Health Care of Kansas	2,337	275	277	
UnitedHealthcare	273	72	91	
Waived Coverage				2,680
Total	38,391	3,189	823	2,680

Flexible Spending Accounts (FSAs) require an annual election to participate, and 9,631 State employees elected the traditional medical FSA, 46 elected the new limited FSA for Plan C members, and 1,241 elected a dependent care FSA.

Enrollment in the voluntary vision plan through Superior Vision as of November 23, 2011:

Vision Coverage	Enrolled
Basic Plan	9,149
Enhanced Plan	24,161
<b>Total Enrolled</b>	<b>33,210</b>

### Direct Bill Open Enrollment

The Direct Bill open enrollment for retirees began November 1 and ran through November 30, 2011. The Direct Bill call center staff conducted twenty seven (27) Direct Bill open enrollment meetings at thirteen (13) locations throughout the state. This was the second year for Direct Bill members to use a new online open enrollment portal for enrollment.

### Dependent Eligibility Audit

The SEHP completed an audit of all dependents covered on the SEHP to validate their eligibility for coverage in 2012. The audit vendor CTI reported it is not uncommon for dependent eligibility audits to return between four (4) percent and eight (8) percent of covered dependents as ineligible for coverage. The SEHP's level of ineligibility was .42 percent which is far less than found in other employer groups. The audit confirmed that the documentation process being used by the SEHP is appropriate.

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

The following Requests for Proposals were released during 2012:

- A request for proposal (RFP) EVT0001371 to provide fully insured Medicare Advantage Plans for the Direct Bill component of the State Employee Health Plan (SEHP) was released on April 12, 2012. The bidding closed on May 31, 2012. Two (2) bidders responded to the RFP and negotiations were held with both bidders. Following negotiations, the HCC accepted the bid of incumbent bidder Coventry Health Care of Kansas to provide the fully insured Coventry Advantra Medicare Advantage (Plan C) program.
- A request for proposal (RFP) EVT0001204 for a fully insured Plan C Medicare Supplement policy was released February 8, 2012. The RFP closed on March 15, 2012. Two (2) bidders responded to the RFP and negotiations were held with both bidders. Following negotiations, the HCC accepted the bid of the incumbent bidder Blue Cross and Blue Shield of Kansas (BCBSKS) for a fully insured Medicare Supplement Plan C policy.

## II. SUMMARY OF CHANGES IN PLAN YEAR 2013

This section includes a summary of health plan improvements developed and approved in 2012 for implementation in Plan Year (PY) 2013, which began January 1, 2013.

### HEALTH PLAN DESIGN

For PY 2013, the HCC expressed a desire to increase enrollment in Plan C, the Qualified High Deductible Health Plan (QHDHP). A survey was sent out to select members and also posted to the website for both members enrolled in Plan C in PY 2012 and those who were enrolled in Plans A or B to provide feedback on why they elected Plan C or why they did not. Based upon the feedback received, the HCC voted to make changes in the benefit design and Health Saving Account funding for PY 2013 to address the concerns expressed. The changes included the following:

- The deductible was increased to \$2,500 for an individual and a maximum of \$5,000 for a family.
- Because of the change in the individual deductible amount, members with member and spouse, member and children or full family coverage no longer have to meet the entire family deductible before any claims are paid. The maximum deductible for any one person is now \$2,500. If others are covered under the plan, their expenses can be pooled for the additional \$2,500 amount with a maximum out-of-pocket for the entire family of \$5,000.
- The State's HSA contribution was increased to \$1,500 for employee only coverage and \$2,250 for employee plus family coverage.
- The timing of the State's HSA contribution was also changed to a one-time deposit which, for most employees, will occur in January 2013.
- Employer HSA contributions for new employees will be pro-rated based upon the start date of their coverage.

There were no changes to Plans A or B for PY 2013. 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 changes identified above to achieve the goal the HCC had set to improve enrollment in Plan C were successful. The enrollment in Plan C increased from 823 at the start of PY 2012 to 4,860 for PY 2013. The following are the enrollment numbers as of November 19, 2012, for State and Non State active employees:

Vendor	Plan A	Plan B	Plan C	Waived
Blue Cross and Blue Shield of Kansas	32,589	2,543	4,384	
Coventry Health Care of Kansas	1,867	232	359	
UnitedHealthcare	273	58	117	
Waived Coverage				3,453
Total	34,729	2,833	4,860	3,453

### 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 health questions. Health coaches and condition management 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 the basic biometric information needed to complete the health assessment questionnaire. 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).

The non tobacco user discount instituted in 2009 continued to be offered to all employees for PY 2012. Those using tobacco were offered an opportunity to participate in a tobacco cessation program in order to receive a \$40 per month premium incentive discount. For PY 2012, a total of 32,177 state employees enrolled as non tobacco users, and 2,222 agreed to complete the tobacco cessation program to receive the non tobacco user incentive discount. A total of 3,331 state employees elected not to disclose their tobacco status, indicated they were tobacco users, or did not elect a tobacco status during open enrollment and paid the full employee premium rate for PY 2012.

Beginning with PY 2013, the tobacco discount program was replaced by the HealthQuest (HQ) Rewards premium incentive discount program. The new rewards program includes a health assessment questionnaire and encompasses a wide variety of health awareness and improvement programs. The goal of the new program is to engage employees in a discussion about their health and wellness. Improving the health of the plan members will help to reduce the number and severity of claims and will save the plan and employees money in the long run. As with the current non tobacco use discount program, participation in the new HQ Rewards program is optional. Employees who elect not to participate in the HQ Rewards program will still be eligible for coverage under the SEHP but will 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 2013 was October 1, 2011, through July 31, 2012. Ten credits had to be earned by completing the online or paper health assessment questionnaire. Employees could then select from a wide variety of online, telephonic and in-person programs to earn additional credits. Those who completed the online health assessment and earned 10 additional credits by July 31, 2012, earned the HQ Rewards premium incentive discount of \$40 per month toward their PY 2013 premium.

For PY 2013, 75% of State and Non State employees took an important step toward making their health a priority in their life by participating in the HQ Rewards Program and earned the premium incentive discount. Aon Consulting did an analysis of the HealthQuest program's impact on trend. Their analysis indicated that the risk-adjusted costs of those participating in the program were 15% lower than the risk-adjusted costs of those who did not participate. The report indicates that the SEHP saved approximately \$3.7 million in medical costs with the program and that this translates roughly to a 1% trend reduction.

The second year of the HQ Rewards Program began on August 1, 2012, and runs through July 31, 2013. To earn the HQ reward for Plan Year 2014, employees will need to complete the Health Assessment Questionnaire for 10 credits and earn 20 additional credits by July 31, 2013. Credits are tracked on the wellness portal at [www.KansasHealthQuest.com](http://www.KansasHealthQuest.com).

## IV. FINANCING

In 2012, 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 health plan 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 "**Plan Reserve**," and the beginning balance of the Plan Reserve represents the funds available at the beginning of each year.

Available monies for plan expenses are managed in two funds. One fund is a dedicated, interest-bearing reserve that totals approximately \$12.0 million called "**Reserve Fund**." This fund was created by the 1993 contract with Blue Cross and Blue Shield of Kansas to provide a reserve for self-funded claims payments. The fund has continued to exist and grows by interest compounded monthly within the Pooled Money Investment Board. Since PY 2009, the fund has experienced decreasing interest rates. 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 2012 rate is about .10 percent. The fund balances include the presumption that the plan will be able to begin receiving the earned interest on all the Plan Reserves beginning in 2015.

The second fund, called "**Remittance to Providers**," on **Table 1** and called "**Beginning Reserve not Earning Interest**" on **Table 2**, 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.

### 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 2** for PY 2013 is based upon no increases in the contributions of agencies, Non State public employers or employee contributions. The 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 2** incorporate the estimated impacts of contribution rates in effect for PY 2013, 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 1**) represent actual experience, whereas projected plan expenses (**Table 2**) are estimates reflecting a long-term managed health care cost trend. The total annualized cost of the SEHP for PY 2012 is estimated to be approximately \$434,434,000 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.

### CONTRIBUTIONS AND RATES

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

In PY 2012, the health plan recovered \$89,297 as a result of vendor errors identified by the Recovery Audit Contract (RAC).

## 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 2.7 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 2** 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 2012 was \$50.3 million (**Table 2**). Target reserves are projected to rise over time based upon health cost trend.

**Table 1** and **Figure 2** show SEHP balances, revenues, and expenditures from state Fiscal Year (FY) 2001 through 2012. 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. During fiscal years 2004 and 2005, agency and employee contributions were increased. In FY 2005 alone, the SEHP collected \$76 million more than needed to fund expenditures. That amount was added to the beginning balance of \$50.4 million. In PY 2009, legislative action resulted in state agencies not contributing the employer contribution for seven pay periods in FY 2009, resulting in a \$64 million decrease in the fund balance. In FY 2010, legislative action reduced the fund by \$9.675 million per S.B. 572

## SUMMARY

In Plan Year 2012, healthcare costs increased less than what was originally expected. 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 2013.

**State Employees' Health Benefit Program**  
Statement of Operations History  
Fiscal Years 2002 - 2012

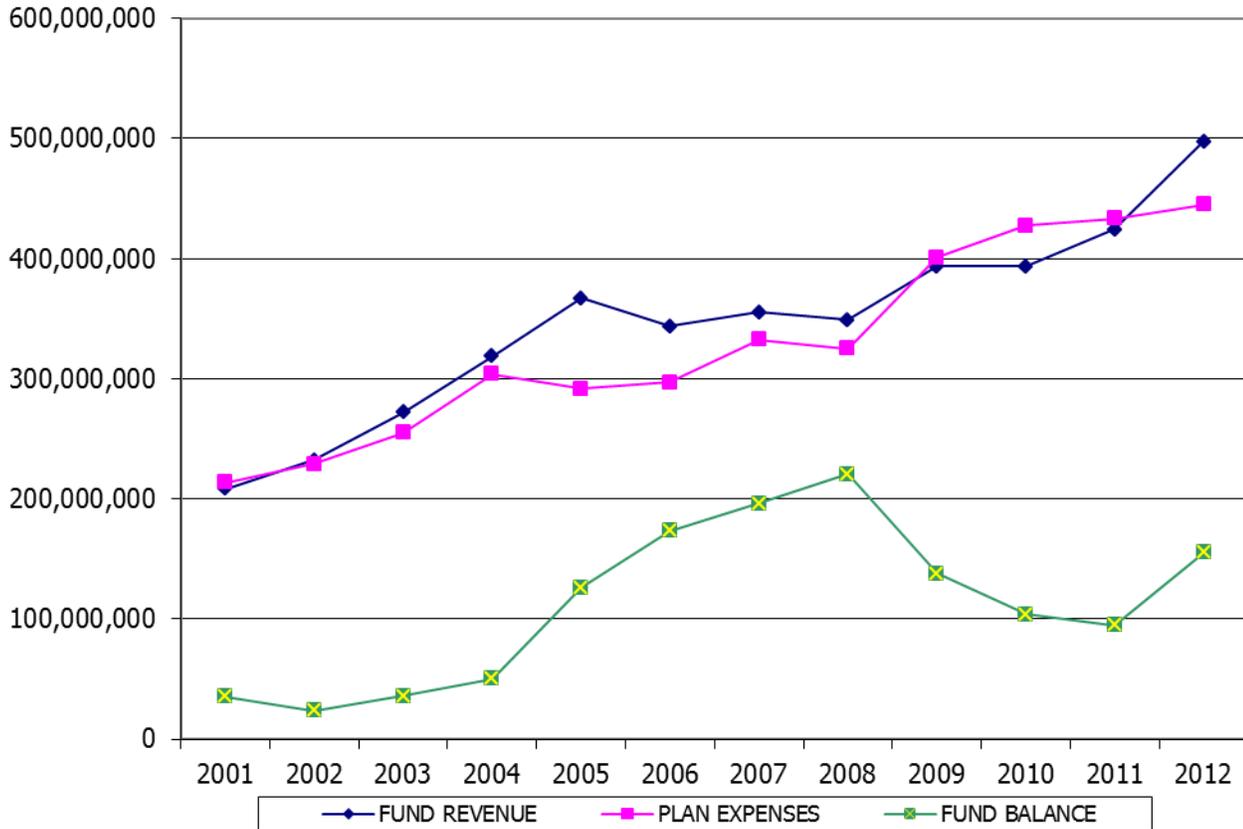
Table 1

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>BEGIN FUND BALANCES:</b>											
Remittance to Providers	4,552,286.42	7,746,957.43	23,128,480.93	14,641,720.08	112,917,181.92	159,319,126.65	182,788,342.98	206,746,753.59	123,559,584.80	89,530,845.20	81,888,882.66
Non-State	108,991.67	468,737.24	1,016,941.50	11,205,604.15	1,561,927.10	1,941,798.34	1,325,945.14	1,232,899.42	1,083,240.12	943,959.71	798,404.79
Direct Bill & WOP	1,297,168.70	1,123,794.15	1,879,341.77	14,697,472.19	1,643,367.63	1,589,897.68	1,286,107.84	1,198,590.40	1,199,601.67	1,183,991.42	0.00
Reserve Fund	29,254,281.52	14,599,934.16	9,746,634.49	9,855,594.59	10,052,400.08	10,448,121.75	10,989,553.38	11,487,865.80	11,795,537.98	11,949,079.64	12,013,613.79
Flex Spending	2,136,119.76	2,002,538.20	1,954,762.82	1,950,594.67	2,045,512.26	1,864,710.61	1,864,710.61	1,212,919.45	1,858,226.10	2,522,075.16	3,201,504.75
Cafeteria	1,790,423.98	1,918,549.31	2,441,446.97	2,754,447.40	4,401,286.96	8,191,005.30	1,416,663.55	2,001,101.62	2,086,949.31	3,018,954.53	4,107,863.47
Wellness	1,145,630.70	1,318,789.69	511,829.03	130,014.49	438,217.08	792,867.47	1,181,870.55	1,616,065.39	1,099,876.28	681,857.71	915,191.10
Other/MAR Funds	252,368.50	524,685.13	352,600.40	1,166,281.01	555,296.86	20,977,867.16	22,188,588.23	21,715,568.41	4,763,223.45	0.00	0.00
	<b>40,497,270.85</b>	<b>29,663,985.31</b>	<b>38,835,037.89</b>	<b>53,922,680.58</b>	<b>129,634,139.89</b>	<b>197,954,641.19</b>	<b>228,051,782.28</b>	<b>247,211,764.08</b>	<b>147,447,739.71</b>	<b>109,830,363.37</b>	<b>102,925,460.56</b>
<b>REVENUES:</b>											
State RR	120,510,567.01	149,576,275.78	163,216,145.11	198,132,780.22	197,551,159.58	200,451,184.18	204,132,341.36	147,564,647.48	218,025,097.15	246,593,459.84	228,249,398.31
State EE	50,507,897.54	56,695,788.67	67,871,501.70	74,779,075.08	70,217,060.43	63,596,126.23	56,841,777.43	53,917,172.32	58,484,338.72	63,949,299.26	65,938,213.81
Non-State	9,193,319.32	17,238,347.23	38,874,021.23	43,226,460.36	45,971,853.72	45,672,732.53	45,640,877.90	55,466,923.24	65,440,727.53	73,089,821.12	85,696,150.08
Direct Bill	34,787,405.66	39,750,166.85	45,983,137.23	48,014,760.97	47,297,943.03	43,520,083.53	41,773,081.03	43,603,156.39	46,745,248.89	50,510,944.12	46,717,594.90
Kansas Reserve	790,573.25	186,700.33	108,960.10	196,805.49	359,721.67	541,431.63	498,311.42	308,672.18	152,541.66	64,594.15	9,530.16
Flex	9,510,457.06	10,957,043.51	12,192,363.91	12,691,092.36	12,720,816.29	13,511,389.36	14,491,861.42	15,747,895.56	16,947,266.81	17,573,602.24	17,457,336.19
Cafeteria	1,944,920.61	1,68,593.71	2,010,441.28	2,016,099.96	2,010,918.46	2,025,464.31	2,490,005.61	2,179,871.48	3,171,868.12	3,162,405.11	3,164,171.63
Wellness	356,844.49	524,685.13	528,292.29	577,233.64	603,096.20	645,828.02	781,432.97	686,225.79	798,133.34	788,194.57	743,461.40
Other	4,141,051.99	2,894,921.98	3,515,941.88	2,306,919.27	3,906,469.87	3,138,468.00	2,472,432.97	1,572,37	68,137.91	-8,711,181.42	-402,603.95
	<b>231,903,046.93</b>	<b>277,967,748.05</b>	<b>334,300,804.73</b>	<b>381,941,207.35</b>	<b>380,675,039.25</b>	<b>373,112,707.79</b>	<b>366,619,690.14</b>	<b>319,476,141.82</b>	<b>409,833,450.13</b>	<b>446,546,018.98</b>	<b>497,573,250.53</b>
<b>EXPENSES:</b>											
Claims	228,294,047.67	254,739,932.53	303,875,532.00	291,260,895.74	296,727,542.20	191,517,575.74	225,416,734.16	360,215,039.15	377,935,935.20	382,304,517.05	380,813,434.04
Other	632,127.34	387,754.97	246,016.88	239,621.24	238,450.00	334,685.81	2,101,171.33	7,105,819.56	5,112,843.00	5,327,669.53	4,886,381.01
ASO/Perfums	8,993,835.01	10,059,665.46	11,530,355.71	12,001,962.67	12,028,299.69	12,811,080.66	13,704,255.73	14,899,029.57	16,029,601.12	16,618,731.19	16,509,479.45
Flex	1,944,920.61	3,603,342.52	3,561,257.65	2,727,288.39	2,553,384.43	2,629,910.77	3,631,686.55	3,505,976.89	3,712,342.59	2,904,976.81	2,464,970.08
Admin	2,871,401.84	2,687,796,695.48	3,192,213,162.04	3,067,229,748.04	3,111,527,676.32	3,481,015,566.70	419,240,166.19	447,450,826.47	453,450,921.79	445,292,657.79	
	<b>242,736,332.47</b>	<b>268,796,695.48</b>	<b>319,213,162.04</b>	<b>306,729,748.04</b>	<b>311,527,676.32</b>	<b>348,015,566.70</b>	<b>347,211,764.08</b>	<b>419,240,166.19</b>	<b>447,450,826.47</b>	<b>453,450,921.79</b>	<b>445,292,657.79</b>
<b>END FUND BALANCES:</b>											
Remittance to Providers	7,746,957.43	23,128,480.93	14,641,720.08	112,917,181.92	159,319,126.65	182,788,342.98	206,746,753.59	123,559,584.80	89,530,845.20	81,888,882.66	131,933,160.19
Non-State	468,737.24	1,016,941.50	11,205,604.15	1,561,927.10	1,941,798.34	1,325,945.14	1,232,899.42	1,083,240.12	943,959.71	798,404.79	662,532.53
Direct Bill & WOP	1,123,794.15	974,634.49	9,855,594.59	10,052,400.08	10,448,121.75	10,989,553.38	11,487,865.80	11,949,079.64	11,949,079.64	12,013,613.79	12,023,143.95
Reserve Fund	14,599,934.16	1,954,762.82	1,950,594.67	2,045,512.26	2,067,016.84	1,864,710.61	1,864,710.61	1,212,919.45	1,858,226.10	2,522,075.16	3,201,504.75
Flex Spending	2,002,538.20	2,441,446.97	2,441,446.97	4,401,286.96	8,191,005.30	1,416,663.55	2,001,101.62	2,086,949.31	3,018,954.53	4,107,863.47	5,802,852.61
Cafeteria	1,918,549.31	2,441,446.97	2,441,446.97	4,401,286.96	8,191,005.30	1,416,663.55	2,001,101.62	2,086,949.31	3,018,954.53	4,107,863.47	5,802,852.61
Wellness	1,318,789.69	511,829.03	130,014.49	438,217.08	792,867.47	1,181,870.55	1,616,065.39	1,099,876.28	681,857.71	915,191.10	1,411,683.12
Other/MAR Funds	524,685.13	352,600.40	1,166,281.01	555,296.86	21,804,728.79	22,188,588.23	21,715,568.41	4,763,223.45	0.00	0.00	0.00
	<b>29,663,985.31</b>	<b>38,835,037.89</b>	<b>53,922,680.58</b>	<b>129,634,139.89</b>	<b>197,954,641.19</b>	<b>228,051,782.28</b>	<b>247,211,764.08</b>	<b>147,447,739.71</b>	<b>109,830,363.37</b>	<b>102,925,460.56</b>	<b>155,206,033.30</b>

Information for FY2002-FY2011 was obtained from the Statewide Cost Allocation Plan (SWCAP) documents.  
Information for FY2012 is preliminary information from SMART until the SWCAP is completed in March 2013.

Figure 2

History of State Employee Health Plan



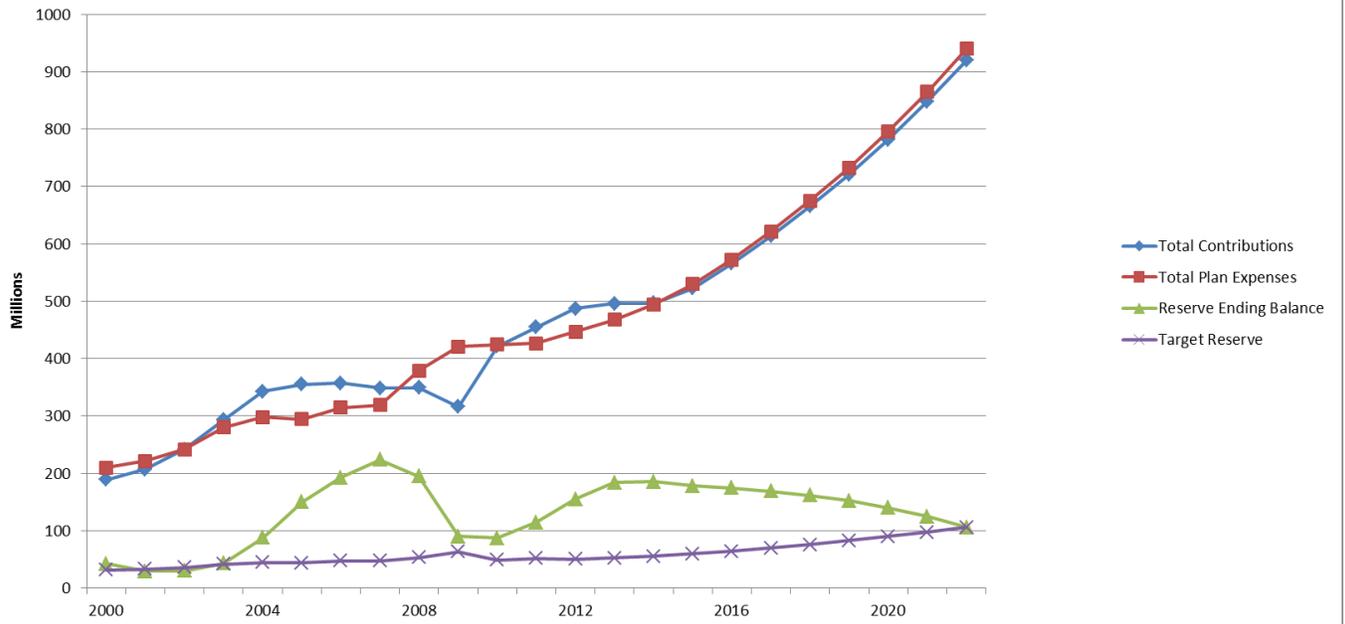
Notes:

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.

Table 2  
 Division of Healthcare Finance  
 Reserve Calculation  
 Medical, Pharmacy, Dental and Vision

Plan Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Actual Factors and Assumptions in PY2011</b>												
Interest Rate on Reserves	0.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Admin/Contract Fee Trend	-4.9%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Healthcare cost trend rate	1.9%	5.0%	5.0%	6.0%	7.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
<b>Policy Choices</b>												
Employer Contr. % Incr. (eff. July 1)	15.0%	7.5%	0.0%	0.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Employee Contr. % Incr. (eff. Jan 1)	8.0%	44.0%	0.0%	0.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Dependent Contr. % Incr. (eff. Jan 1)	8.0%	-7.4%	0.0%	0.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Direct Bill Contr. % Incr. (eff Jan 1)	14.7%	8.2%	0.0%	0.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
<b>Reserves</b>												
Beginning reserve earning interest	11,991,989	12,017,362	12,167,579	12,319,674	12,473,670	178,431,659	174,239,657	168,648,789	161,326,926	151,890,118	139,895,941	124,836,070
Beginning reserve not earning interest	74,866,652	102,929,048	143,157,400	171,283,055	173,261,390	0	0	0	0	0	0	0
<b>Beginning Total Reserve Balance</b>	<b>86,858,641</b>	<b>114,946,410</b>	<b>155,324,979</b>	<b>183,602,729</b>	<b>185,735,060</b>	<b>178,431,659</b>	<b>174,239,657</b>	<b>168,648,789</b>	<b>161,326,926</b>	<b>151,890,118</b>	<b>139,895,941</b>	<b>124,836,070</b>
<b>Projected Cash Flow</b>												
Total Employer Contributions	321,685,237	354,771,632	367,594,703	367,594,703	383,119,259	415,479,663	450,573,409	488,631,369	529,903,918	574,662,579	623,201,807	675,840,931
Total Participant Contributions	129,927,400	131,238,853	127,289,835	129,072,873	139,315,813	150,697,907	163,197,212	176,757,608	191,469,902	207,432,695	224,753,055	243,547,243
Total Contributions	454,670,777	486,010,485	496,032,037	496,667,576	522,435,072	566,177,570	613,770,621	665,388,977	721,373,820	782,095,273	847,954,862	919,388,174
Total Plan Expenses (Claims, ASO Fees & contracted expenses)	426,608,381	446,794,634	467,906,382	494,689,241	529,894,394	572,599,968	621,539,485	674,818,950	732,827,214	795,988,077	864,763,432	939,656,695
Interest on Reserves	25,373	150,217	152,095	153,996	155,921	2,230,396	2,177,996	2,108,110	2,016,587	1,898,626	1,748,699	1,560,451
<b>Net Cash flow</b>	<b>28,087,769</b>	<b>40,378,568</b>	<b>28,277,750</b>	<b>2,132,331</b>	<b>(7,303,401)</b>	<b>(4,192,002)</b>	<b>(5,590,868)</b>	<b>(7,321,863)</b>	<b>(9,436,808)</b>	<b>(11,994,177)</b>	<b>(15,059,871)</b>	<b>(18,708,070)</b>
<b>Projected Reserve Balance</b>												
Reserve Ending Balance	114,946,410	155,324,979	183,602,729	185,735,060	178,431,659	174,239,657	168,648,789	161,326,926	151,890,118	139,895,941	124,836,070	106,128,000
Target Reserve	51,193,006	50,274,000	52,521,000	55,558,000	59,554,000	64,405,000	69,966,000	76,021,000	82,614,000	89,794,000	97,612,000	106,128,000
Difference between the Reserve Ending Balance and Target Reserve	63,118,410	105,050,979	131,081,729	130,177,060	118,877,659	109,834,657	98,682,789	85,305,926	69,276,118	50,101,941	27,224,070	0

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



**Exhibit A**  
**2013 Employee Advisory Committee**

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**Exhibit A**  
**2012 Employee Advisory Committee**

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## STATE OF KANSAS QUARTERLY REPORT

2012 GROUP HEALTH INSURANCE ENROLLMENT  
MEDICAL PARTICIPANT BY QUARTER

Grand Total Covered Lives (State & Non-State Active, Direct Bill & COBRA)								
Type of Participant			Jan-12	Apr-12	Jul-12	Oct-12	Average	
STATE OF KANSAS	Active	Employees	34,980	34,964	34,555	34,853	34,838	
		Dependents	36,692	36,577	36,396	36,504	36,542	
		<b>Total Covered Lives</b>	<b>71,672</b>	<b>71,541</b>	<b>70,951</b>	<b>71,357</b>	<b>71,380</b>	
	Direct Bill	Participants	11,182	11,079	11,080	11,119	11,115	
		Dependents	627	600	599	552	595	
		<b>Total Covered Lives</b>	<b>11,809</b>	<b>11,679</b>	<b>11,679</b>	<b>11,671</b>	<b>11,710</b>	
	COBRA	Participants	110	96	102	135	111	
		Dependents	54	48	39	55	49	
		<b>Total Covered Lives</b>	<b>164</b>	<b>144</b>	<b>141</b>	<b>190</b>	<b>160</b>	
	NON STATE USD	Active	Employees	3,088	3,023	2,989	3,010	3,028
			Dependents	3,046	2,974	3,006	2,961	2,997
			<b>Total Covered Lives</b>	<b>6,134</b>	<b>5,997</b>	<b>5,995</b>	<b>5,971</b>	<b>6,024</b>
Direct Bill		Participants	404	393	399	410	402	
		Dependents	59	50	51	45	51	
		<b>Total Covered Lives</b>	<b>463</b>	<b>443</b>	<b>450</b>	<b>455</b>	<b>453</b>	
COBRA		Participants	14	10	10	13	12	
		Dependents	12	5	5	5	7	
		<b>Total Covered Lives</b>	<b>26</b>	<b>15</b>	<b>15</b>	<b>18</b>	<b>19</b>	
NON STATE CITY/COUNTY/TOWNSHIP	Active	Employees	3,139	3,244	3,233	3,176	3,198	
		Dependents	4,054	4,216	4,197	4,059	4,132	
		<b>Total Covered Lives</b>	<b>7,193</b>	<b>7,460</b>	<b>7,430</b>	<b>7,235</b>	<b>7,330</b>	
	Direct Bill	Participants	100	106	110	111	107	
		Dependents	16	20	15	15	17	
		<b>Total Covered Lives</b>	<b>116</b>	<b>126</b>	<b>125</b>	<b>126</b>	<b>123</b>	
	COBRA	Participants	19	17	21	18	19	
		Dependents	19	4	8	9	10	
		<b>Total Covered Lives</b>	<b>38</b>	<b>21</b>	<b>29</b>	<b>27</b>	<b>29</b>	

**STATE OF KANSAS QUARTERLY REPORT**

**2012 GROUP HEALTH INSURANCE ENROLLMENT  
MEDICAL PARTICIPANT BY QUARTER**

<b>Grand Total Covered Lives (State &amp; Non-State Active, Direct Bill &amp; COBRA)</b>								
<b>Type of Participant</b>			<b>Jan-12</b>	<b>Apr-12</b>	<b>Jul-12</b>	<b>Oct-12</b>	<b>Average</b>	
<b>NON STATE HOSPITAL / MENTAL HEALTH CENTER</b>	<b>Active</b>	Employees	1,234	1,231	1,220	1,200	1,221	
		Dependents	1,191	1,193	1,172	1,134	1,173	
		<b>Total Covered Lives</b>	<b>2,425</b>	<b>2,424</b>	<b>2,392</b>	<b>2,334</b>	<b>2,394</b>	
	<b>Direct Bill</b>	Participants	13	13	12	11	12	
		Dependents	3	4	1	1	2	
		<b>Total Covered Lives</b>	<b>16</b>	<b>17</b>	<b>13</b>	<b>12</b>	<b>15</b>	
	<b>COBRA</b>	Participants	13	9	7	10	10	
		Dependents	12	2	2	2	5	
		<b>Total Covered Lives</b>	<b>25</b>	<b>11</b>	<b>9</b>	<b>12</b>	<b>14</b>	
	<b>NON STATE ALL OTHER (MISC)</b>	<b>Active</b>	Employees	163	165	180	181	172
			Dependents	146	146	171	163	157
			<b>Total Covered Lives</b>	<b>309</b>	<b>311</b>	<b>351</b>	<b>344</b>	<b>329</b>
<b>Direct Bill</b>		Participants	6	5	6	6	6	
		Dependents	2	2	3	3	3	
		<b>Total Covered Lives</b>	<b>8</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>8</b>	
<b>COBRA</b>		Participants	0	0	0	0	0	
		Dependents	0	0	0	0	0	
		<b>Total Covered Lives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTALS FOR ALL GROUPS</b>	<b>Active</b>	Employees/Participants	42,604	42,627	42,177	42,420	42,457	
		Dependents	45,129	45,106	44,942	44,821	45,000	
		<b>Total Covered Lives</b>	<b>87,733</b>	<b>87,733</b>	<b>87,119</b>	<b>87,241</b>	<b>87,457</b>	
	<b>Direct Bill</b>	Employees/Participants	11,705	11,596	11,607	11,657	11,641	
		Dependents	707	676	669	616	667	
		<b>Total Covered Lives</b>	<b>12,412</b>	<b>12,272</b>	<b>12,276</b>	<b>12,273</b>	<b>12,308</b>	
	<b>COBRA</b>	Employees/Participants	156	132	140	176	151	
		Dependents	97	59	54	71	70	
		<b>Total Covered Lives</b>	<b>253</b>	<b>191</b>	<b>194</b>	<b>247</b>	<b>221</b>	
	<b>TOTAL CONTRACTS</b>			<b>54,465</b>	<b>54,355</b>	<b>53,924</b>	<b>54,253</b>	<b>54,249</b>
	<b>TOTAL COVERED LIVES</b>			<b>100,398</b>	<b>100,196</b>	<b>99,589</b>	<b>99,761</b>	<b>99,986</b>

**Exhibit C**  
**2012 Non State Entities Enrollment**

<b>Effective Date</b>	<b>Dept name</b>	<b>Type</b>
4/1/2012	City of Glasco	City
8/1/2012	City of Rolla	City
1/1/2012	Ellis County	County
2/1/2012	Republic County	County
1/1/2012	Northwest Kansas Library System	Library
1/1/2012	Wildcat Extension District #14	Extension Office
1/1/2012	Johnson County Extension Council	Extension Office
1/1/2012	COF Training Services	Developmentally Disabled
1/1/2012	Stevens County Hospital	Hospital/Mental Health
7/1/2012	Holton Housing Authority	Housing Authority
2/1/2012	Logan County Conservation District	Local Governmental Entity
4/1/2012	Cheyenne County Conservation District	Local Governmental Entity
7/1/2012	Kansas Bioscience Authority	Governmental Entity

Exhibit D

Kansas State Employees Health Care Commission  
Plan Year 2012 Estimated Annualized Costs (Unaudited)

	<u>Estimate</u> <u>2012 Costs</u> <u>Annualized</u>
1. <b>2012 Projected Total Cost<sup>1</sup></b>	\$ 446,794,634
2. <b>2012 Estimated Total Cost<sup>2</sup></b>	
a. Blue Cross/Blue Shield	\$ 270,307,000
b. Coventry	\$ 20,924,000
c. UHC	\$ 3,282,000
d. Humana	\$ 166,000
e. Kansas Senior Plan C	\$ 17,544,000
f. Coventry Advantra PPO	\$ 1,022,000
g. Delta Dental	\$ 26,370,000
h. Caremark/SilverScript Rx Claims	\$ 70,413,000
i. Superior Vision Premiums	\$ 4,756,000
j. ASO/Administrative Fees	\$ 15,082,000
k. Contract Fees	\$ 4,568,000
<b>TOTAL</b>	<b>\$ 434,434,000</b>
3. <b>2012 State and Non State Employee, COBRA, Direct Bill Contributions<sup>2</sup></b>	\$ 132,028,475
4. <b>2012 State of Kansas and Non State Employer Contributions<sup>1</sup></b>	
a. Projected	\$ 354,771,632
b. Actual	\$ 357,507,999
c. Percent Difference	.77%

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<sup>1</sup> 2012 Projected Totals come from the 10-year projection sheet presented and approved at the June 11, 2012, Healthcare Commission Meeting.

<sup>2</sup> These values were developed by annualizing data received through November 2012. Intra-year trend, deductible leveraging, and migration were not considered. Data has not been audited further.