KANSAS STATE EMPLOYEES

HEALTH CARE COMMISSION

ANNUAL REPORT

2007

PLAN YEAR

Kansas State Employees Health Care Commission
2007 Annual Report

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EXECUTIVE SUMMARY

- The HCC approved significant changes to the state employee health plan for 2008 to lower administrative costs, revamp the SEHP's overall approach to wellness and prevention, lower premium contribution requirements for families, and provide greater choice of health plans for employees across the state.
    - All health plans shifted to self-funded status to lower administrative costs.
    - A major health and wellness initiative was set to begin January 2008, strengthening the HealthQuest program by offering healthy lifestyle programs, a personal health assessment, and health screenings.
    - The gatekeeper component of the HMO was eliminated, while costs for preventive services were lowered, providing significant new incentives for health-improving and health –preserving investments in preventive care.
    - The employer contribution for dependent coverage was raised from 45% of an average premium to 55%, following an increase just two years ago from the longstanding contribution rate of 35%.
    - The SEHP moved to statewide health plan options so that all members have access to the same health plan choices and low cost plan options.

- Changes in benefits and improvements in the enrollment process contributed to a significant increase in active participation in the open enrollment process for plan year (i.e., calendar year) 2008. KHPA staff visited 32 cities around the state and presented to over 8,000 employees – double the attendance of the prior year. Approximately 26,612 members, or 81% of eligible employees, utilized the Web based system to make elections for their 2008 SEHP coverage, a significant increase over previous years.

- Important plan changes implemented in 2007 include the application of manufacturer rebates for prescription drugs at the point of sale, giving employees an immediate share of those savings rather than crediting rebates to the SEHP after the purchase. A competitive re-bid of the pharmacy benefit contract yielded a lower overall negotiated price for drugs, generating approximately $8 million dollars in savings during 2007 The generic dispensing rate also continued to increase, further limiting cost growth.

- The HCC extended the HealthyKIDS pilot program (for the children of State employees only), implemented in 2006, through at least 2008. The program provides an employer contribution of 90% towards the cost of children's health insurance premiums for low income families. There are currently 1,373 employees enrolled covering over 3,200 dependents.

- The HCC completed its year by receiving for the first time a quarterly financial report from KHPA summarizing plan revenue, plan expenses, 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 good financial standing with adequate resources and reserves to support and sustain the plan improvements adopted for 2008.

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, non-medical remedial care and treatment rendered in accordance with a religious method of health and other health services." Under K.S.A. 75-6504, 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 members and met seven (7) times during 2007. 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. The State employee in classified service position is currently vacant. Present members are:

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

The Segal Company provided actuarial and consulting services to the HCC beginning in 2000 through May 2007. Mercer Health and Benefits took over actuarial and consulting services beginning in May 2007.

An Employee Advisory Committee (EAC) assists the HCC. It is composed of 21 members, 18 of whom are active employees and three who participate through Direct Bill. Members are selected on the basis of geographic location, agency, gender, age, and plan participation in order to assure a balanced membership representing a broad range of employee and Direct Bill member interests. Each member serves a three-year term. (Exhibit A) The EAC met four (4) times during 2007.

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 Plan (SEHBP) reports to the Executive Director and Deputy 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 2007

This section provides a summary of improvements, changes, and other activities in the SEHP that occurred or took effect in the 2007 plan year (i.e., calendar year 2007). The summary includes a record of the HCC's contracting activities during the year and an overview of the enrollment trends during 2007. A summary of the SEHP's financial experience during 2007 is included in Section IV of this report.

Health Plan Design

A number of important plan changes took effect in 2007 which lowered costs and improved benefits. Relationships with the three medical benefit plans – Blue Cross Blue Shield of Kansas (BCBSKS), Preferred Health System (PHS) and Coventry – continued unchanged in 2007, the second in the HCC's three-year contract with each carrier. Specific changes are highlighted below.

Changes in medical benefits

Two important improvements in health benefits were implemented in 2007, beginning with the inclusion of one routine age-appropriate colonoscopy per person per lifetime as a no-cost preventive care benefit in the HMO and PPO plans. In addition, the state plan began supplementing employee contributions with its own contribution to the Health Savings Account for all participating in the Qualified High Deductible Health Plan (QHDHP).

Changes in Prescription Drug Benefits

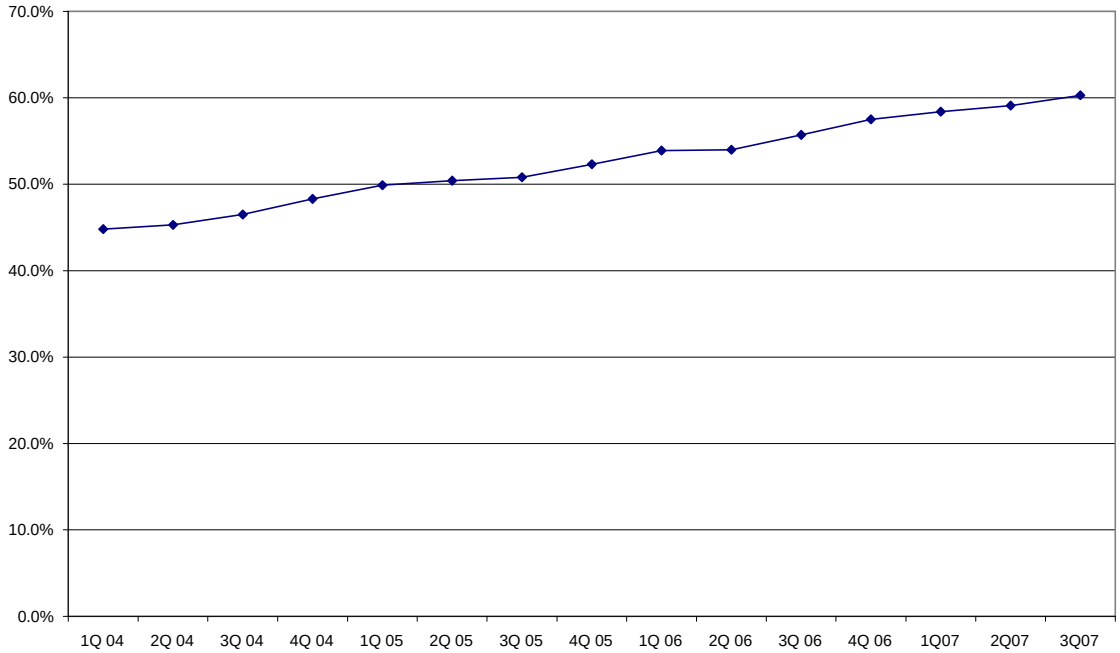
Under the new pharmacy contract for 2007, won again by Caremark, the state received increased discounts on prescription drug prices, yielding estimated annual savings to employees and the state of approximately $8 million dollars. Another important change was to begin applying manufacturer rebates for prescription drugs at the point of sale, giving employees an immediate share of those savings rather than crediting rebates to the SEHP after the purchase. Now, when a member purchases a rebate-eligible drug, the estimated rebate amount is deducted from the allowed amount for the medication before the percentage coinsurance is applied, yielding shared savings for both the member and the SEHP.

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 remains 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 55.7% in PY 2006 to 60.3% in 2007 (see Figure 1).

For Direct Bill members with Medicare, 2007 was the first 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, 3,834 members elected to take the SilverScript Part D drug plan and 2,349 elected to purchase drug coverage from another source.

Figure 1

Generic Dispensing Rate Per Quarter



Changes in Dental Benefits

Coverage for composite (white) resin restorations for posterior teeth was added for 2007 in addition to the coverage for amalgams (silver) restorations. Composite resin fillings were already available for anterior teeth.

Limited coverage was also added for dental implants to allow the member more flexibility in restoration treatment options. Coverage is equal to what would have been provided for the least expensive alternative treatment, which is a three (3) unit bridge.

Recontracting for the Lab card

For the 2007 plan year, the State continued its contract with Quest Diagnostics (formerly LabOne) as a specialty vendor for the Kansas Choice and Coventry PPO plans. Lab card provides members with high quality outpatient lab services covered by the medical plan at 100% with neither copay nor deductible. Each month about 6% of the eligible members use the Lab card program. For 2007, over 70,893 services were completed in 2007 with an estimated savings to employees and the state of $881,056.

On April 19, 2007 the HCC released Requests for Proposal (RFP) 10125 to obtain competitive proposals from qualified vendors for a lab card program. The preferred lab benefit provides discount lab services to the plan members with no cost sharing. Two (2) bids were received in response to the RFP. The HCC award a three (3) year contract to Quest Diagnostics (Lab One).

Long Term Care Insurance

The SEHP's contract with MedAmerica for long term care insurance expired

March 31, 2006. MedAmerica provided notification in February 2006 that they did not wish to extend the contract beyond its original term. The reason given was that despite marketing efforts, enrollment remained flat with 701 enrollments. Individuals who are enrolled in this program were allowed to maintain their coverage; however no new enrollments were taken after March 31, 2006.

The HCC released RFP 10197 on February 16, 2007 to obtain competitive proposals from qualified vendors for a voluntary group long term care (LTC) program. This was the second attempt to obtain a long term care program. No qualified bids were received.

Participation

Active state employee contracts increased by 519 contracts from January 2007 to January 2008 (1.4 %), while covered dependents increased by 1,320 (3.5 %). The direct bill program saw a decrease of 70 covered members (-.6 %) between January 2007 and January 2008. [See Exhibit B for more detailed accounting of SEHP enrollment]

Interest and enrollment of Non State groups, consisting of school districts, municipalities, and public hospitals, continued to grow in 2007. As of January 2008, 95 groups will be enrolled in the Non State plan with 6318 contracts, representing 12% of total enrollment, an increase of 3 groups and 732 contracts (about 11.9 %) over January 2007.

Claims Analysis System

To monitor health plan performance throughout the year, manage program costs, and evaluate health plan options, SEHP staff have access to a web-based decision support system that enables multi-level access to the administrative records generated by employee health care claims.

The SEHP continued to build on the capacity of the system to support data-driven management. In the first quarter of 2007 a new data feed from Caremark was added to our database to capture the prescription drug data from the Silverscript plan offered to Medicare eligible retirees. In the second quarter of 2007 lab results data from Quest Diagnostics were added to help identify, monitor, and manage members who are living with chronic conditions. In the third quarter of 2007 we added the National Provider Identifier (NPI) field from all our vendors to the database.

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 with and without preventive dental services; costs and utilization for active members with low back pain; costs and prevalence of chronic kidney disease compared to market; emergency room 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.

HealthQuest

Since it was established in 1998, the HealthQuest Program has developed considerable employee trust and participation in a range of programs that encourage healthy lifestyles. The program received a comprehensive review in 2007 to develop a new package of incentives and services 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 an overall wellness program that will serve as a model for other employers and health care purchasers across the state.

To help design this initiative, the state plan KHPA released RFP 10300 on March 15, 2007 to obtain competitive proposals from qualified vendors for a prime integrator to offer personal health assessments, health screenings, health coaching, disease management, and other services supporting a health lifestyle. The vendor selected in the process would partner with KHPA to develop the "next generation" health management and productivity initiative. Twenty-one (21) bids were received. The HCC awarded a three year contract to Health Dialog.

In August, HealthQuest began working with Health Dialog to prepare for a January 2008 launch of the new programs. The program kicks off during Legislative Fitness Day 2008, with health screenings followed by health coaches providing legislators and staff with health improvement information.

The HCC also released RFP 10586 on July 2, 2007 to obtain competitive proposals from qualified vendors for a pilot weight loss program. This pilot program was to establish a weight loss program for state employees in the Capital Complex. Three (3) bids were received in response to the RFP however the decision was made not to pursue a contract at this time.

Audit, Oversight, and Plan Management

Beginning in 2007, KHPA contracted with a single actuarial vendor for Medicaid, the SEHP, and the State Self Insurance Fund (state employee workers compensation program), providing a single point of contact to consider options for coordinated purchasing, and to support overall health reform options that may involve multiple programs administered (or proposed to be administered) by KHPA. Examples include the development of options and estimates for the premium assistance program included in SB11, the health reform legislation passed in May 2006, which explicitly ties benefits required by the Center for Medicare and Medicaid Services (CMS) for expansion populations to the actuarial value of the SEHP.

Recognizing the need for increased oversight of SEHP spending, the plan approved a number of audits designed to increase the programmatic effectiveness and fiscal integrity. The HCC released RFP 10126 on March 29, 2007 to obtain competitive proposals from qualified Vendors for a complete audit of self funded medical, dental and prescription drug plans. Nine (9) bids were received in response to the RFP. The HCC awarded a two (2) year contract to Claim Technologies Incorporated (CTI). The HCC

also released RFP 10127 on April 5, 2007 to obtain competitive proposals from qualified vendors for an eligibility audit of the employees and dependents in both State and Non State groups. Five (5) bids were received. The HCC awarded a contract to Claim Technologies Incorporated (CTI) for the project. However, KHPA staff put a temporary hold on this initiative to consider alternative methods of working with human resource staff and employees to ensure appropriate enrollment of qualified dependents. KHPA will present the HCC with options in 2008 before proceeding with this initiative.

II. SUMMARY OF CHANGES IN PLAN YEAR 2008

This section includes a summary of health plan improvements developed and approved in 2007 for implementation in plan year 2008, which began January 1, 2008. As a package, the changes to be 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. The comprehensive set of reforms to the HealthQuest program are highlighted separately in Section III. The projected impact of these plan changes on SEHP finances in 2008 and in future years is summarized in Section IV of this report.

Health Plan Design

Beginning in 2008, the HCC approved an initiative to self-insure all employee benefits. This means that the state employee plan will no longer purchase insurance products from carriers, but rather purchase administrative services (e.g., claims administration) and access to a contracted provider network. Prior to 2008, only one medical plan (Kansas Choice) was self-funded. Given the strong funding balances in the employee health 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 benefit design, improve cash flow, simplify the health plan rebidding process and reduce State expenditures for vendor margins, contingency charges, profits and taxes.

The Commission also approved changes to move away from the traditional HMO model and to develop instead a plan that encourage appropriate use of care through incentives emphasizing preventive care and the concept of a primary care medical home. This is also consistent with other large purchasers of health care plans. The new plan designs more closely resemble PPO, and so the plan labels were switched 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.

The following vendors will continue to provide administrative and network services for the SEHP:

- Blue Cross 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)

The Coventry and PHS plans were moved to broader networks, thus allowing the expansion of these plans on a statewide basis. This is intended to increase competition among the carriers and ultimately provide better pricing for the State. It also expands coverage options for many State employees.

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 compliment their Medicare coverage. For 2008, we are offering the Coventry Advantra Freedom Private Fee for Service program with or without the Medicare Part D drug coverage. This will allow members greater flexibility in selecting the Medicare Part D drug plan that best meets their pharmacy needs.. The Advantra Freedom Private Fee for Service program is a Medicare Part C Advantage plan available nationwide.

Changes in medical benefits

Numerous changes are to be implemented in 2008 reflecting a shift from a focus on health care to a focus on wellness. The desired outcome is to engage members in their own health, promote the use of preventive services, foster tobacco control, provide options to address obesity and promote compliance with prescription drug usage. The following benefit changes are to be implemented in 2008:

Providing plan choice to employees and their dependents continues to be highly valued. Changes in benefit design between Plan A and Plan B reflect the first year of plan design improvements to emphasize preventive care and the concept of a primary care medical home. In future years, it is the goal of the KHPA to work closely with the HCC to ensure significant high quality plan choices are available.

Plan A

Network Benefits

- Removed Primary Care Physician referral requirement.
- The primary care physician benefit was replaced by the Primary Care Medical Home Office Visit and is subject to $20 office visit copay.
- The Specialist office visit copay was increased from $30 to $40.
- Expanded the preventive care benefit coverage for medically appropriate colonoscopy screenings and removed the routine diagnosis requirement and the lifetime limit of one.
- Expanded the preventive care benefit coverage for medically appropriate mammography screenings for both routine and medically necessary screening and removed the annual limit of one.
- Remove the age limit on 100% coverage of immunizations to include all age appropriate immunizations.
- Expanded the coverage for Dietician visits from only those diagnosed with diabetes to cover all medical diagnosis. Care is subject to a 10% coinsurance.
- Removed the Inpatient Services copay of $200, but maintained 10% coinsurance.
- Removed the Outpatient Surgery copay of $100.
- Removed the Major Diagnostic tests copay of $100.
- Removed inpatient copay of $200 on inpatient rehabilitation services
- Increased the Emergency Room copay from $75 to $100 per visit.
- To encourage the use of appropriate and cost effective treatment, 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.

- The office visit copay requirement has been removed to encourage compliance with allergy shots and antigen administration.
- To provide parity on mental health conditions the inpatient copay of $200 was removed along with the 60 day limit on treatment. For office visits the benefit was designed to match the primary care medical home benefit provided for medical care.
- Alcohol and Chemical Dependency
    - Inpatient Care – inpatient copay was removed the 10% coinsurance applies.
    - Outpatient Care – no change in payment however both network and non network services will count toward first 25 visits.
- To encourage members to use their primary care medical home the Urgent Care Center benefit was changed to a $20 copay plus 10% coinsurance instead of a $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, the plan has added an annual deductible of $500 per person and $1,500 per family and care is subject to 50% coinsurance to a max of $3,650 per person and $7.300 per family. The following copays also apply to services:
    - Inpatient Services copay $600
    - Emergency Room copay $200
    - Mental Health Inpatient copay $600 and 60 day limit on services.

Plan B

Network Benefits

- The primary care physician benefit was replaced by the Primary Care Medical Home Office Visit, which is subject to $20 office visit copay.
- The Specialist office visit copay was increased from $30 to $40.
- Removed the $450 maximum allowance on Preventive Care Services.
- Expanded the preventive care benefit coverage for medically appropriate colonoscopy screenings and removed the routine diagnosis requirement and the lifetime limit of one.
- Expanded the preventive care benefit coverage for medically appropriate mammography screenings for both routine and medically necessary screening and removed the annual limit of one.
- Remove the age limit on 100% coverage of immunizations to include all age appropriate immunizations.
- Expanded the coverage for Dietician visits from only those diagnosed with diabetes to cover all medical diagnosis. Care is subject to a 10% coinsurance.
- Removed the Inpatient Services copay of $300.
- To encourage the use of appropriate and cost effective treatment, 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.

- The office visit copay requirement has been removed to encourage compliance with allergy shots and antigen administration.
- To provide parity on mental health conditions the inpatient copay of $200 was removed along with the 60 day limit on treatment. For office visits the benefit was designed to match the primary care medical home benefit provided for medical care.

Rehabilitation Services

  - Inpatient – removed inpatient copay of $300.

- Alcohol and Chemical Dependency
  - Inpatient Care – inpatient copay was removed.
- To encourage members to use their primary care medical home the Urgent Care Center benefit was changed to a $20 copay plus 35% coinsurance instead of a $30 copay.

Plan B

Non Network Benefit

- Alcohol and Chemical Dependency Inpatient copay $100 instead of $600.

Qualified High Deductible Health Plan (QHDHP)

No changes were made to the Qualified High Deductible Health Plan (QHDHP) plan design for 2008.

Changes in Prescription Drug Benefits

Improvements in the prescription drug plan in 2008 were 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 Commission voted to lower the member's out of pocket expense for medications to 10% (to a maximum of $10) for generic drugs and 20% (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 cost 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.

The prescription drug program in 2008 also includes two value-added services from the contracted benefits manager, Caremark. The first, Adherence to Care, is a participant-centric approach to medication therapy compliance. The program gathers plan participant data, identifies influencing factors for participants, stratifies intervention pathways specific to plan participants, and intervenes with personalized care including individualized care plans that help to ensure proper adherence to medication therapy. The second, CustomCare, relies on automated reviews of drug utilization to improve outcomes and provide savings by identifying plan participants who may be at risk for drug interactions or drug-induced disease conditions, or who may otherwise benefit from a simpler or reduced drug regimen.

Employer Contribution and Rates

Reflecting the strong finances of the state employee plan, 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 2006-7 average of 45% to an average of 55%. The State contribution of 95% of the cost of employee-only coverage remains unchanged.

Changes in health plan options also introduced opportunities for member savings. By moving to a Preferred Provider Organization (PPO) plan design for benefits, reflected in both Plan A and Plan B, the State was able to extend all health plan options statewide, making the lowest cost plans available to all state employees. Under the new set of plan offerings, 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 pay the same premium rate regardless of where they live.

The HCC determined 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% 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 2007, over 3,200 children participate in the health care plan through HealthyKids.

Open Enrollment

Employee participation in open enrollment activities for the 2008 plan year increased significantly over previous years, demonstrating interest in the wide range of changes and improvements to the SEHP. Open Enrollment for active employees was held from October 1 -October 31, 2007. Ninety-one (91) Open Enrollment meetings were held for employees in thirty-two (32) cities. Staff estimates that approximately 8,800 employees attended these meetings.

During Open Enrollment, approximately 26,612 employees or eighty one (81) percent of eligible employees utilized the Web-based open enrollment system to make elections for their 2008 SEHP coverage. KanElect Flexible spending accounts require an annual election to participate, and 8,225 employees elected medical accounts and 1,015 elected dependent care accounts, a 11.3 % and 11.7 % increase, respectively over levels of participation in 2007.

To facilitate more informed choices by employees, the HCC released RFP 10436 on May 4, 2007 to obtain competitive proposals from qualified vendors for an online Benefit Calculator (Employee Decision Making tool). Four (4) bids were received in response to the RFP. Subsequent to negotiations, the HCC awarded a three (3) year contract to Asparity Decision Solutions. Asparity's Plan Select online decision support

tool was implemented in 2007. Plan Select is designed to assist employees in making health plan decisions. Employees answer a series of questions about factors related to the health plan options. Based upon their answers, the health plan options are scored. In addition, a benefit calculator is included for determining health spending accounts (HSA) and health care flexible spending accounts (FSA) contributions. Over 8,000 employees took advantage of the new Plan Select tool.

Planned Changes to the Claims Analysis System

The contract with Thomsom Medstat for the claims analysis system will be expiring in 2008. Working with other KHPA programs under the leadership of the Director of Data Policy and Evaluation, a joint re-procurement of a health data analytic tool is underway. The new procurement for a Data Analytic Interface (DAI) will facilitate better coordination of data and analysis with KHPA programs such as Medicaid and Healthwave, and with major datasets managed by the KHPA, in particular the Kansas Health Insurance Information System, which includes comprehensive plan and health claims data for privately insured Kansans. The information contained in these datasets presents an unprecedented opportunity to document, describe, analyze, and diagnose the state of health care in Kansas.

The overall goal is to take currently available data from the three systems and create an analysis workshop. This will allow comparative analysis based on episodes of care of individual beneficiaries, disease management, predictive modeling, evaluative analysis, etc, to measure costs and outcome effectiveness. The improved decision-analytic capability of the DAI should lead to increased productivity and more efficient use of state health care dollars in order to manage costs, quality, and access to health care programs. The Legislature provided full funding for the DAI project in its FY 2008 appropriation including funds for additional staff and for procurement of the system.

Project Update**:** The RFP was issued on July 25, 2007. Bids closed on October 25, 2007. The anticipated contract execution start date is March 2008. The anticipated completion time is one year.

Health Information Exchange

One of KHPA's core purposes is to use its purchasing power to lead the way in market reforms that enhance quality, lower costs, and improve efficiency. 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. The SEHP, in conjunction with the Mid-America Coalition on Health Care, will be participating on a pilot basis in the CareEntrust health information exchange (HIE), a not-for-profit, Kansas City employer-based initiative located in the Kansas City. The pilot program will begin April 1, 2008 and will initially be limited to members in the metropolitan Kansas City area.

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 a health care provider needs to know in order to effectively treat their patients. The CareEntrust

Health Record will offer members immediate and secure access to their own own health information, and through provider access across multiple locations, will facilitate communication and enhance coordination among health care providers. The goals of the CareEntrust Health Record is to increase member access to their health information, to prevent adverse drug events and medication overdoses by offering the most up-to-date information, and to eliminate redundant procedures and unnecessary hospital admissions, and aid in the delivery of coordinated, hassle-free care.

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

KHPA initiated a comprehensive review of the HealthQuest program in 2007 to develop a new package of incentives and services 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 to be 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 will include Healthy Lifestyle tools, health screening events, Personal Health Assessment (PHA) as well as a $50 gift card incentive to increase participation.

Health Lifestyle Program

Through this program plan members will be able to talk by phone with a health coach twenty-four hours a day. Health coaches are specially trained professionals (such as nurses, respiratory therapists, or dietitians) who can help answer any health questions participants may have concerning their health or their family's health. Members communicate with their own health coach who can also provide 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
- Support from a personal coach for nutrition, tobacco cessation, stress management, weight management and more.

Statewide Health Screening Events

As part of the commitment to help participants' lead healthier lifestyles, the HealthQuest program will also offer onsite health screenings during company time in 37 cities (53 sites) across the state. The program starts in January, 2008 and includes the following tests: total cholesterol, HDL, LDL, triglycerides, and glucose, blood pressure, measured height and weight and BMI calculation

Personal Health Assessment (PHA) 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 will receive a $50 gift card.

Personal Health Coaching

Participants will have an opportunity to work with a health coach to design and implement their own personal health action plan. Health Coaches will encourage but not require members to utilize the health screening and the Personal health Assessment tools.

Legislative Fitness Day

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

IV. FINANCING

The HCC completed its year by receiving for the first time a quarterly financial report from KHPA summarizing plan revenue, plan expenses, 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 2008. 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 $72.9 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 within the Pooled Money Investment Board monthly. Interest earned on the Reserve Balance is estimated at 5%. Given the shift to self-fund all SEHP offerings, it is expected that by 2015, the plan will earn interest on all the Plan Reserves.

The second fund called "Remittance to Providers" (Table 1 and Table 2) represents moneys 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.

Plan Revenues

Plan revenues are the amount of money received from contributions by State Agencies, Non State employers, and employees, plus interest earned by the plan. Past experience with fund balances, revenues, and expenses are represented in an historical chart (Figure 3) 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% plus an additional cost trend of 1%. 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 Health Care Commission (HCC) increased the subsidy for dependent insurance from 35% to 45%. Second, the HCC also developed a program to reduce the cost of dependant coverage for employees with family incomes under 200.0 percent of the federal poverty level. The HealthyKids program increased the state contribution for dependent coverage to 90.0 percent for children.

The projections shown on Table 2 incorporate the estimated impacts of contribution rates and benefit design changes going into 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 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 a long-run industry standard 6.5% 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 rebalance 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 2007 was approximately $328,388,000. This is 3.14% higher than the Plan Year 2006 cost of $318,870,000. The annual total cost estimate is revised each year as more recent claims experience is collected. Of the $328.4 million cost of the SEHP, $204.1 million represents current estimated expenditures of the state, while $124.3 million represents cost-sharing responsibilities of members.

Claim Payments Per Member

The claim payments per member per month (Exhibit E) increased 7.3% from 3rd quarter 2007 as compared to 3rd quarter 2006. The increase in cost for 2007 may be attributable in part to the continuing impact of plan design changes such as increased dependent contribution from 35% to 45%, increased preventive care coverage from $300 to $450 and included colonoscopy screenings. The active State employees' claim payments actually increased 12.3% while the Non State employees' claim payments decreased 8.4% when comparing 3rd quarter 2007 to 3rd quarter 2006.

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% annually. SEHP administrative costs represent less than 1% 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 2000 through 2006. By the end of FY 2006, the fund balances grew to $193.2 million, more than a 250 percent increase from FY1999. 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 $82.3 million more than needed to fund expenditures. That amount was added to the beginning balance of $40.4 million. As Table 1 indicates, fund balances continued to rise into FY 2007.

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 could 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 2007 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 2008, 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

History of State Employee Health Benefit Plan Revenues, Expenditures, and Balances

FY 2000 - FY 2007

	FISCAL YEAR							
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
REMITTANCE & RESERVE FUND								
Begin Balance:								
Reserve Fund	39,055,152	39,050,785	29,254,282	14,559,934	9,746,634	9,855,595	10,052,400	10,448,122
Remittance to Providers	33,820,241	11,377,641	6,168,315	9,861,330	26,375,054	41,708,702	116,675,422	184,644,833
Total Beginning Balance	72,875,393	50,428,426	35,422,597	24,421,264	36,121,689	51,564,296	126,727,822	195,092,955
Revenue:								
Agency Contributions	100,256,898	109,024,449	120,769,023	149,696,356	165,754,879	200,726,104	200,135,310	200,097,943
Participant Contributions	77,990,593	88,115,037	93,669,556	114,148,567	148,602,336	163,984,990	139,570,611	152,247,492
Other - rebates, penalties, etc.	5,685,582	11,465,252	18,180,611	7,797,556	5,100,207	1,753,813	25,229,868	3,375,997
Total Revenue	183,933,073	208,604,738	232,619,190	271,642,479	319,457,422	366,464,907	364,935,789	355,721,432
Reserve Fund Interest/Transfers	-4,367	-9,796,503	-14,694,348	-4,813,300	108,960	196,805	395,722	541,431
Expenses:								
Premiums, Claims & ASO Payments	205,888,527	213,380,912	228,294,048	254,741,000	303,877,757	291,258,566	296,727,928	332,269,898
Other Payments or IBNR	487,145	433,153	632,127	387,755	246,017	239,621	238,450	22,693,738
Total Expenses	206,375,672	213,814,065	228,926,175	255,128,755	304,123,774	291,498,187	296,966,378	354,963,636
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
Remittance to Providers	11,377,641	6,168,315	9,861,330	26,375,054	41,708,702	116,675,422	184,644,833	185,402,628
End Balance	**50,428,426**	**35,422,597**	**24,421,264**	**36,121,689**	**51,564,296**	**126,727,822**	**195,092,955**	**196,392,181**
ADMINISTRATION								
Begin Balance:	1,484,187	2,201,536	2,936,054	3,237,339	756,276	405,462	858,454	1,611,873
Revenues:								
Cafeteria Fund	2,167,608	2,157,519	1,943,524	183,936	2,018,370	2,009,650	2,012,839	2,035,464
Wellness Fund	617,147	617,149	579,952	-253	528,004	576,924	605,259	645,828
Total Revenues	2,784,755	2,774,668	2,523,477	183,683	2,546,375	2,586,574	2,618,098	2,681,292
Expenses:								
Total Admin Expenses	2,067,406	2,040,150	2,222,192	2,664,746	2,897,189	2,133,582	1,864,679	2,319,404
Ending Balance	2,201,536	2,936,054	3,237,339	756,276	405,462	858,454	1,611,873	1,973,761

Figure 2

History of State Employee Health Benefit Plan Revenues and Expenditures

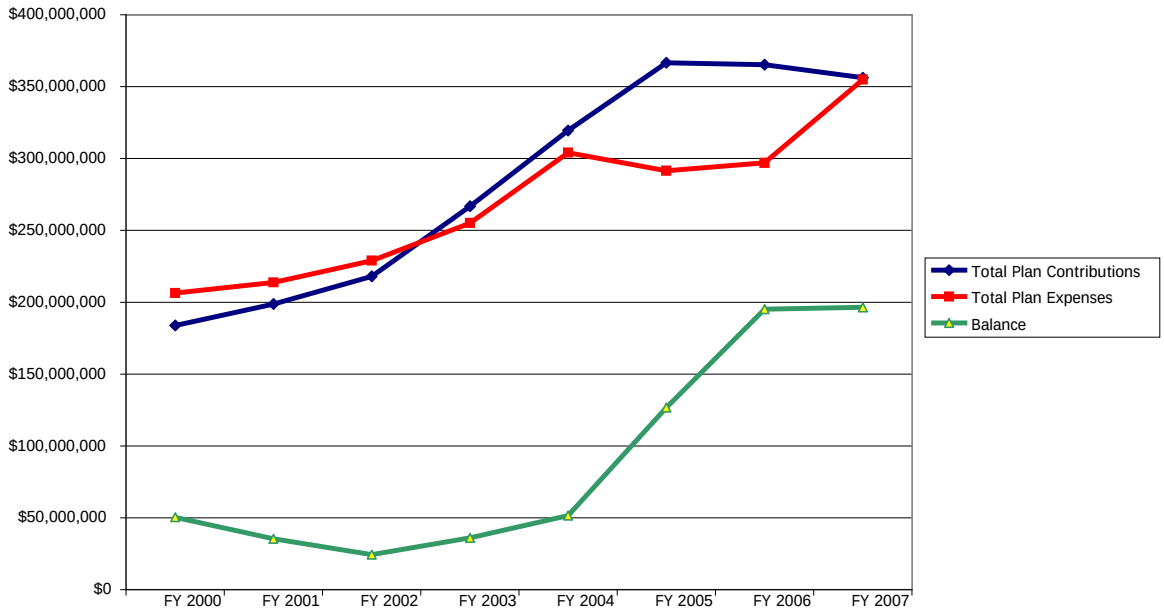


Table 2

Kansas Health Policy Authority
State Employee Health Benefit Plan Reserve Projections
Medical, Pharmacy, Dental and Vision Benefits

Plan Year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Available Funds												
Reserve earning interest	10,714,669	11,271,959	11,835,557	12,427,335	13,048,702	13,701,137	14,386,193	15,105,503	83,315,136	80,308,327	81,624,539	88,137,583
Remittance to Providers	181,155,339	212,433,760	199,272,078	164,680,804	134,411,940	110,162,126	92,903,166	78,506,581	0	0	0	0
Beginning Available Balance	191,870,008	223,705,719	211,107,635	177,108,139	147,460,642	123,863,263	107,289,359	93,612,084	83,315,136	80,308,327	81,624,539	88,137,583
Total Employer Contributions	228,000,000	228,000,000	236,467,485	254,031,387	272,899,868	293,169,828	314,945,364	338,338,303	363,468,780	390,465,853	419,468,166	448,609,462
Total Participant Contributions	124,264,612	102,366,612	109,970,013	118,138,166	126,913,018	136,339,632	146,466,419	157,345,386	169,032,400	181,587,481	195,075,106	207,754,988
Total Contributions	352,264,612	330,366,612	346,437,498	372,169,552	399,812,886	429,509,460	461,411,783	495,683,688	532,501,180	572,053,334	614,543,272	656,364,450
Total Plan Expenses	320,986,191	343,528,293	381,028,771	402,438,417	424,062,700	446,768,420	475,808,368	506,735,911	539,673,746	574,752,539	612,111,454	651,898,699
Interest on Reserve Fund	557,290	563,598	591,778	621,367	652,435	685,057	719,310	755,275	4,165,757	4,015,416	4,081,227	4,406,879
Ending Available Balance (Reserve Ending Balance)	**223,705,719**	**211,107,635**	**177,108,139**	**147,460,642**	**123,863,263**	**107,289,359**	**93,612,084**	**83,315,136**	**80,308,327**	**81,624,539**	**88,137,583**	**97,010,213**
Target Reserve	47,766,530	53,383,000	56,701,574	59,887,582	63,105,530	66,484,409	70,805,896	75,408,279	80,309,817	85,529,955	91,089,402	97,010,213
ADMINISTRATION (Cafeteria and Wellness Fund)												
Beginning Balance	1,171,749	1,251,032	1,367,955	1,957,224	2,288,292	2,476,871	2,581,458	2,605,327	2,551,302	2,421,799	2,218,863	1,955,758
Revenues												
Cafeteria	2,454,977	2,454,977	2,454,977	2,479,527	2,498,123	2,511,863	2,525,678	2,539,569	2,553,537	2,567,581	2,593,257	2,619,190
Wellness	766,988	766,988	766,988	536,892	429,513	386,562	347,906	313,115	281,804	253,623	228,261	205,435
Total Revenues	3,221,965	3,221,965	3,221,965	3,016,418	2,927,637	2,898,425	2,873,584	2,852,685	2,835,341	2,821,205	2,821,518	2,824,625
Administrative Costs	3,142,682	3,105,042	2,632,696	2,685,350	2,739,057	2,793,838	2,849,715	2,906,709	2,964,844	3,024,141	3,084,623	3,146,316
End Balance	1,251,032	1,367,955	1,957,224	2,288,292	2,476,871	2,581,458	2,605,327	2,551,302	2,421,799	2,218,863	1,955,758	1,634,067

Figure 3
State Employee Health Benefit Plan Ending Reserve Balance

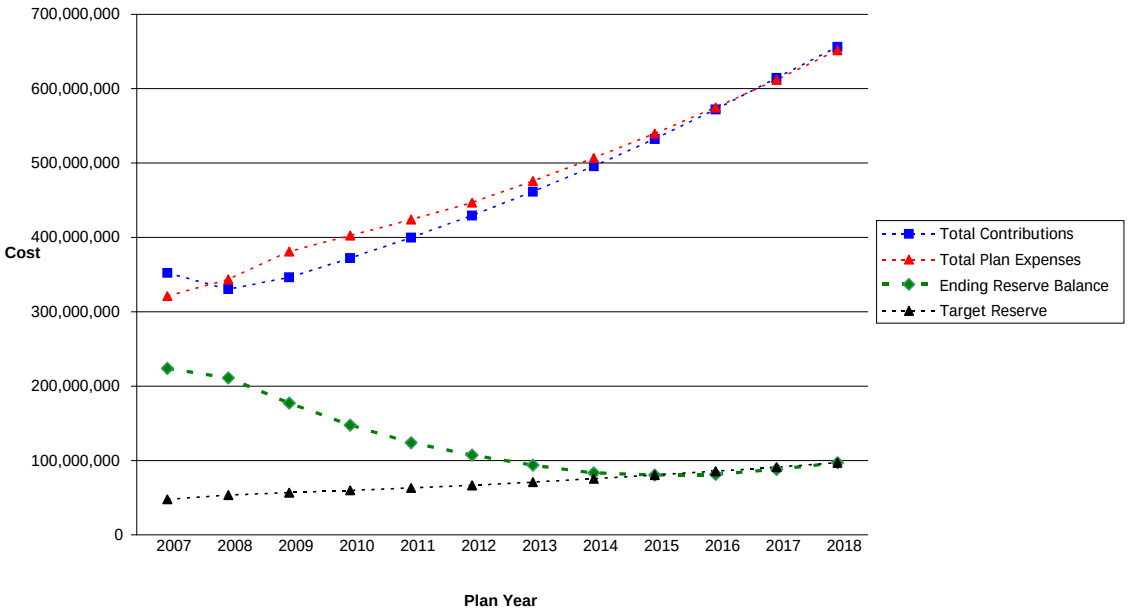


Exhibit A
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Exhibit B
STATE OF KANSAS

2007 GROUP HEALTH INSURANCE ENROLLMENT

BY TYPE OF PARTICIPANT

Grand Total Covered Lives (State & Non-State Active, Direct Bill, & COBRA)					
Type of Participant	Jan-07	Apr-07	Jul-07	Oct-07	Average
Active State Employees	35,627	35,523	35,101	35,219	35,368
Active State EE Dependents	31,136	31,137	31,028	31,106	31,102
Total Covered Lives	**66,763**	**66,660**	**66,129**	**66,325**	**66,469**
Direct Bill State Retirees	10,101	10,041	10,113	10,157	10,103
Direct Bill State Ret Dependents	905	901	881	850	884
Total Covered Lives	**11,006**	**10,942**	**10,994**	**11,007**	**10,987**
COBRA State Participants	123	127	157	168	144
COBRA State Dependents	70	49	55	56	58
Total Covered Lives	**193**	**176**	**212**	**224**	**201**
Active Educational Employees	3,467	3,491	3,409	3,274	3,410
Active Educational EE Dependents	2,650	2,679	2,641	2,628	2,650
Total Covered Lives	**6,117**	**6,170**	**6,050**	**5,902**	**6,060**
Direct Bill Educational Retirees	313	302	310	344	317
Direct Bill Educational Ret Dependents	69	64	65	76	69
Total Covered Lives	**382**	**366**	**375**	**420**	**386**
COBRA Educational Participants	12	11	14	22	15
COBRA Educational Dependents	7	5	5	9	7
Total Covered Lives	**19**	**16**	**19**	**31**	**21**
Active Local Units of Government Employees	1,754	1,769	1,733	1,729	1,746
Active Local Units of Govt EE Dependents	2,070	2,072	2,048	2,085	2,069
Total Covered Lives	**3,824**	**3,841**	**3,781**	**3,814**	**3,815**
Direct Bill Local Units of Government Employees	49	50	54	53	52
Direct Bill Local Units of Govt EE Dependents	9	8	10	4	8
Total Covered Lives	**58**	**58**	**64**	**57**	**59**
COBRA Local Units of Government Employees	5	6	9	6	7
COBRA Local Units of Govt EE Dependents	0	0	2	1	1
Total Covered Lives	**5**	**6**	**11**	**7**	**7**
Grand Total Covered Lives	**88,367**	**88,235**	**87,635**	**87,787**	**88,006**

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

Reflects dependents on medical coverage

Population Group	QTR 3 2006	QTR 4 2006	QTR 1 2007	QTR 2 2007	QTR 3 2007	% Change from prior year
Active State of Kansas	64,841	65,579	66,570	66,553	65,862	1.6%
Other Public Employees	10,658	10,707	9,903	9,953	9,714	-8.9%
COBRA Continuees	303	233	206	230	271	-10.7%
Retired Employees	11,622	11,549	11,343	11,328	11,405	-1.9%
Total All Groups	87,424	88,068	88,022	88,064	87,252	-0.2%
Prior Year Total All Groups	86,663	86,847	87,880	88,166	87,424	0.9%
Percent change	0.9%	1.4%	0.2%	-0.1%	-0.2%	

Reflects covered participants and dependents
Retroactive enrollment changes are not reflected

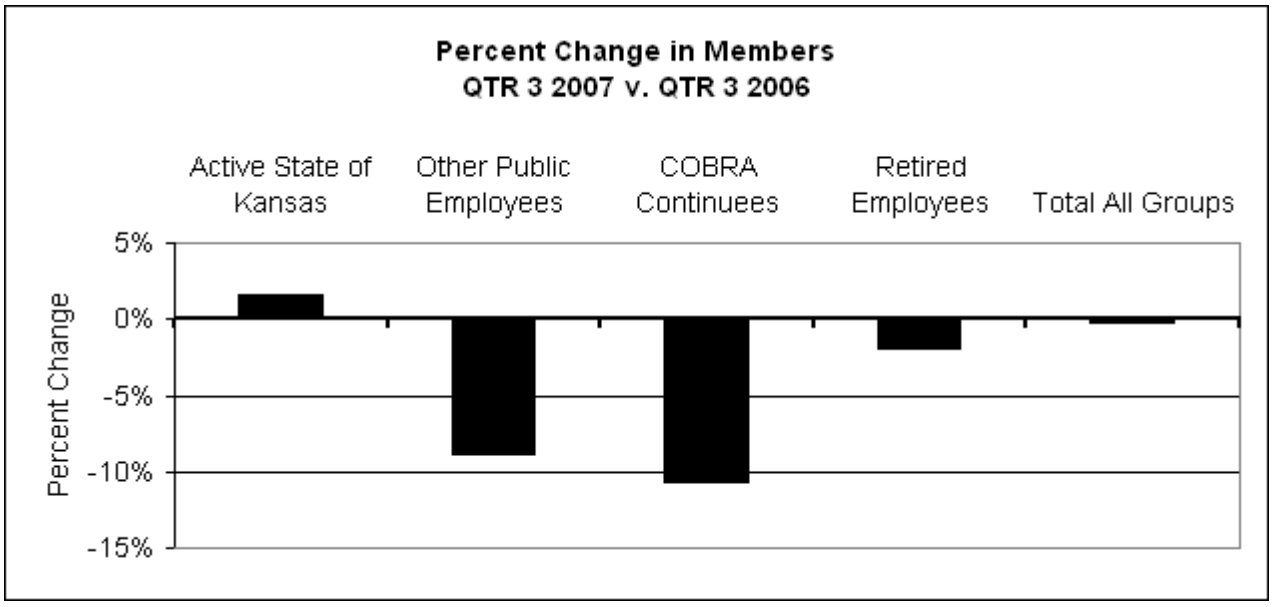

Exhibit D

State of Kansas Employee Health Plan

Claim Payments Per Member Per Month by Population Group

Population Group	QTR 3 2006	QTR 4 2006	QTR 1 2007	QTR 2 2007	QTR 3 2007	% Change from prior year
Active State of Kansas	$235	$248	$264	$258	$264	12.3%
Other Public Employees	$246	$235	$244	$241	$225	-8.4%
COBRA Continuees	$720	$692	$749	$520	$820	13.9%
Retired Employees	$357	$339	$353	$353	$348	-2.5%
Total All Groups	$254	$259	$274	$268	$272	7.3%
Prior Year Total All Groups	$234	$233	$264	$260	$254	8.4%
Percent Change	8.4%	11.3%	3.8%	3.1%	7.3%	

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.

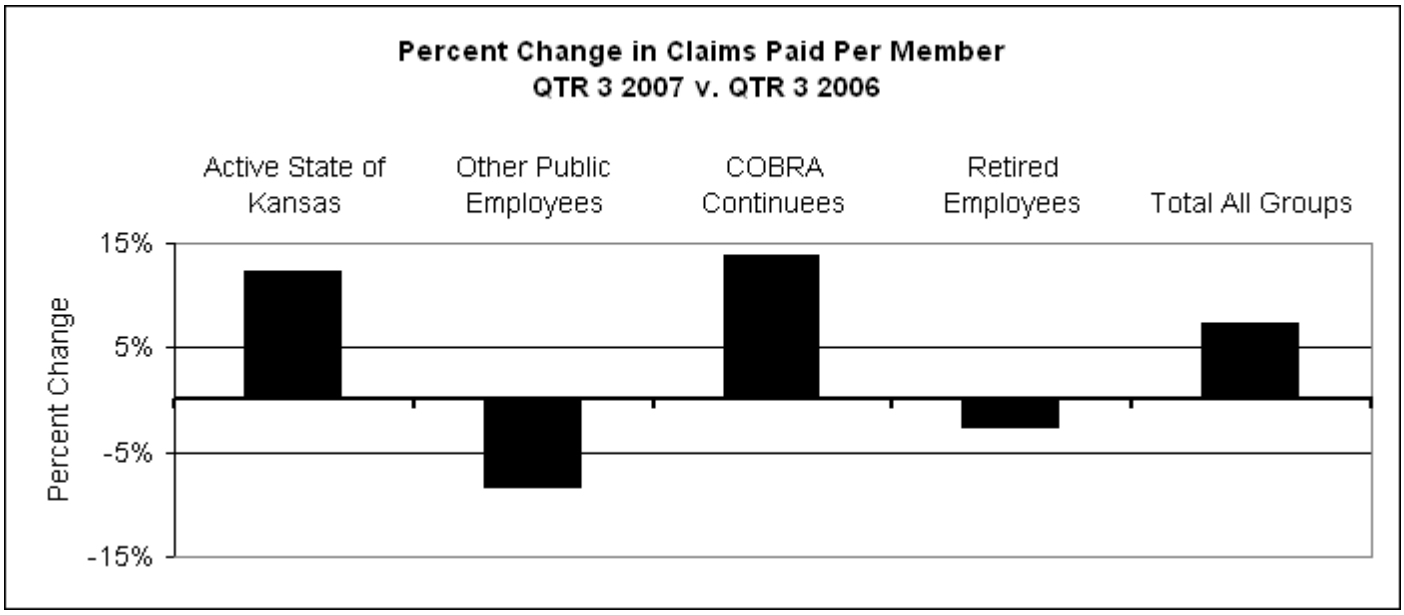

Exhibit E
State of Kansas Employee Health Plan
Total Claim Payments by Population Group

Population Group	QTR 3 2006	QTR 4 2006	QTR 1 2007	QTR 2 2007	QTR 3 2007	% Change from prior year
Active State of Kansas	$47,543,928	$50,817,079	$54,748,444	$53,506,218	$54,213,642	14.0%
Other Public Employees	$8,448,063	$8,152,289	$7,795,407	$7,714,344	$7,000,228	-17.1%
COBRA Continuees	$695,424	$526,176	$502,777	$380,944	$708,446	1.9%
Retired Employees	$12,455,892	$11,785,065	$12,055,990	$12,040,906	$11,943,917	-4.1%
Total All Groups	$69,143,307	$71,280,609	$75,102,618	$73,642,412	$73,866,233	6.8%
Prior Year Total All Groups	$63,379,132	$63,302,364	$72,417,130	$71,666,584	$69,259,150	9.3%
Percent Change	9.1%	12.6%	3.7%	2.8%	6.7%	

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.

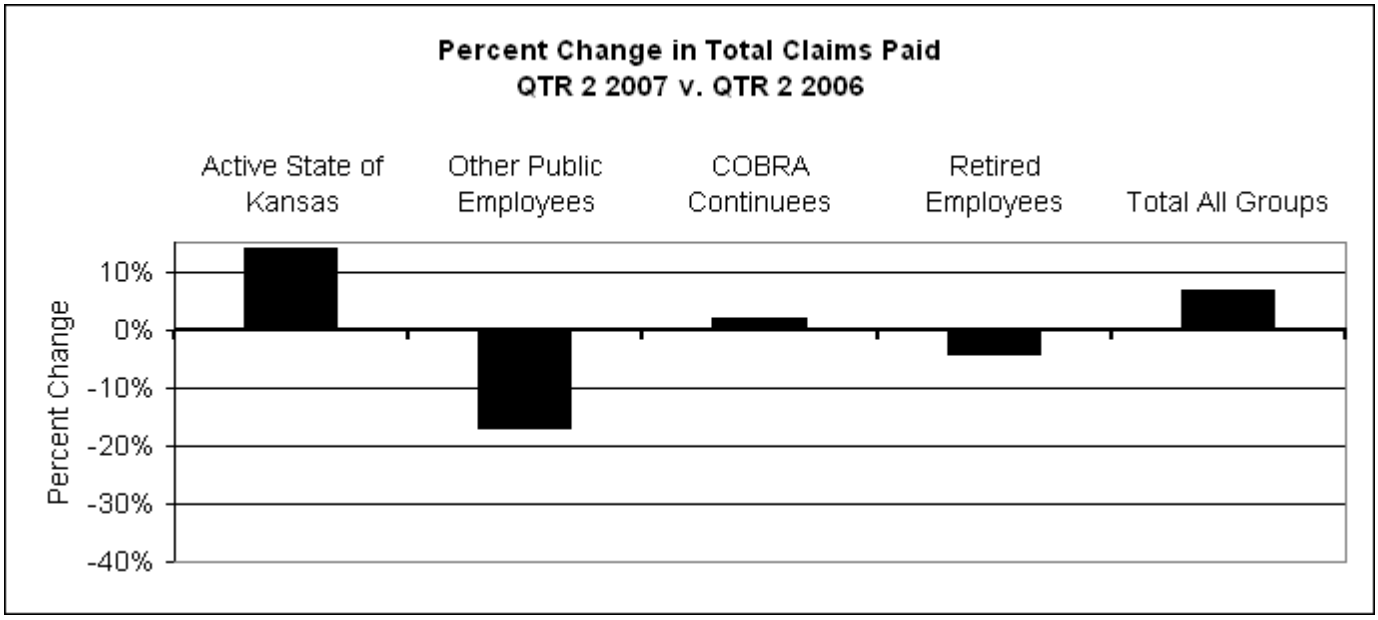

Exhibit F
2007 State of Kansas Annual Report

Kansas State Employees Health Care Commission
2007 Comparison of Actual to projected
Health Plan Costs (Unaudited)

		Actual 2007 Year-To-Date	Annualized[1]
1.	**2007 Projected Total Cost**		$345,907,000
2.	**2007 Actual Total Cost**		
	a. Kansas Choice Self-Insured Claims	$88,802,000	$106,562,000
	b. Kansas Senior Plan C Self-Insured Claims	$1,151,000	$1,381,000
	c. Caremark/Silverscript Rx Claims	$46,220,000	$55,464,000
	d. Delta Dental Claims	$17,222,000	$20,666,000
	e. Superior Vision Premiums	$2,828,000	$3,394,000
	f. Insured HMO/PPO Premiums	$108,728,000	$130,474,000
	g. ASO/Other Administrative Fees	$8,706,000	$10,447,000
	Total	$273,657,000	$328,388,000
3.	**2007 Employee, COBRA, Direct Bill Contributions**		$124,265,000
4.	**2007 State Cost**		
	a. Projected		$208,541,000
	b. Actual [2. - 3.]		$204,123,000
	c. % Difference [4b./4a. -1]		-2.1%

1. These values were developed by annualizing data through October 2007. Intra-year trend, deductible leveraging, and migration were not considered. Data has not been audited further.