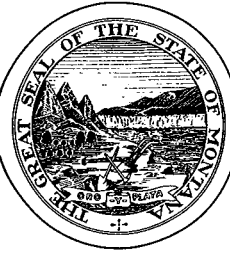


DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE



BRIAN SCHWEITZER, GOVERNOR

JANET R. KELLY, DIRECTOR

STATE OF MONTANA

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125 N. ROBERTS, RM 155
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HELENA, MONTANA 59620-0101

May 18, 2012

Honorable Jim Peterson, Senate President
Honorable Mike Milburn, Speaker of the House
Montana Legislative Branch
P.O. Box 201706
Helena, MT 59620-1706

RE: State of Montana Employee Health Centers

Dear Senator Peterson and Representative Milburn:

I am responding to your letter dated April 23, 2012, to Russ Hill, Administrator of the Department's Health Care and Benefits Division. My response is organized topically, and addresses all your questions related to transparency, scope of services, and financial consideration.

As you know, Governor Schweitzer has asked agencies to focus on finding efficiencies and cost savings. The administration has saved or collected more than \$162 million including:

- **\$4 million** from State Vehicle Reduction
- **\$3 million** negotiating historically low interest rates for outstanding bonds
- **\$79 million** in audit collections by the Department of Revenue
- **\$40 million** in 5% budget reductions
- **\$800,000** biennium savings by extending computer replacement cycle to five years
- **\$3.4 million** renegotiating lease rates for commercial space rented by the state
- **\$11,000** in savings from Governor and Lt. Governor salary decrease
- **\$6 million** in savings from cancelled building projects across the state
- **\$450,000** in estimated savings through efficiency steps taken by the Department of Livestock in the implementation of the Brucellosis Action Plan
- **\$400,000** by rescreening aggregate and using the surplus and obsolete material, rather than crushing new material
- **\$18 million** cancelling the new unemployment insurance (UI) contribution computer system

- **\$4.5 million** cancelling renovations of the unused Receiving Hospital Building on the Montana State Hospital Campus
- **\$2 million** in savings by state government by suspending some wildfire-related equipment purchases and fuels reduction projects in 2010
- **\$600,000** not bailing out Swank Enterprises' clean-up liabilities
- **\$380,000** over the biennium with the elimination of the RDO positions in Commerce
- **\$131,000** in savings from Department of Revenue printing fewer tax booklets
- **\$20,000** in estimated saving by not printing a state phone directory
- **\$155,000** by opening new virtual offices overseas
- **\$150,000** by partnering with Montana University System to reduce IT costs

As a result of these savings, Montana currently has \$497 million in the bank and has been one of only a handful of states to maintain a budget surplus during the recession.

In fact, because of good fiscal leadership by Governor Schweitzer, Montana has maintained record budget surpluses for the last seven years, averaging \$411 million cash balance during that period.

Governor Schweitzer and the State of the Montana continue to challenge every expense. Health Centers are another way to reduce costs for employees and taxpayers, while providing a more efficient, higher quality service. Based on an independent actuarial analysis of the CareHere proposal for the Helena clinic, Montana could save over \$100 million over five years once clinics are up and running statewide. Those savings are why some of the largest Fortune 500 companies like Google, Intel, and Cisco have turned to employee clinics.

Background

The State of Montana is required by statute to establish a program to provide State employees with health benefits. The Department of Administration, through the Health Care and Benefits Division (HCBD), administers the program for State employees, legislators, retirees, and their dependents. The State Employee Health Plan (State Plan) is a self-funded plan with the benefits, rates, and programs designed by the HCBD in conjunction with the State Employee Group Benefits Advisory Council (SEGBAC).

Without any significant increases in revenues, HCBD set about identifying ways to reduce health care costs. HCBD is implementing several programs to reduce health care cost increases. These include implementing new care management programs for chronic health conditions, new wellness programs to help employees stay healthy, new benefit designs, and the development of on-site employee health centers.

Even with the changes being implemented by HCBD, additional funding is needed just to keep up with increasing health care costs. During 2011 the health care trend

for the State Plan had a 12.7% increase; we anticipate increases in future years between 10% and 13% if nothing is done to mitigate cost increases.

HCBD is also responsible for the operational aspects of the State Plan, including interacting with thousands of State employees each year. We hear from State employees about the burden of increasing health care costs, and difficulties in accessing care in a timely manner. Therefore, we evaluated ways to reduce costs and improve access to primary health care and determined that a Health Center is the best method to accomplish both of these goals.

Authority

Title 2, Chapter 18, Parts 7 & 8 of the Montana Code Annotated provides the authority and guidance for the Department of Administration to operate the State Plan for the benefit of State employees, legislators, retirees, and their dependents. Of particular interest are the following components:

- The State Plan is required to operate in an efficient and affordable manner. The Health Centers accomplish both of these requirements.
- The State Plan is required to operate in an actuarially sound manner including maintaining adequate reserves. Attachment A is the latest completed report from our independent actuary that demonstrates that the State Plan is being operated in an actuarially sound manner. The development of on-site employee Health Centers will reduce costs and improve the financial performance of the State Plan in accordance with the requirement to operate in an actuarially sound manner.
- The State Plan has an advisory council (SEGBAC) to provide advice prior to negotiating contracts. HCBD presented information to SEGBAC at its February 28, 2012, meeting. Additionally, all SEGBAC meetings are conducted in accordance with the public meeting laws and the discussion about the Health Centers was transparent.
- The Department of Administration through HCBD is authorized to enter into contracts for the operation of the State Plan.

Procurement laws

The State of Montana procurement laws were followed during the procurement of services for the Health Centers. Several important aspects of the procurement laws are outlined below:

- The underlying purposes of the Montana Procurement Act are to ensure consistent administration of the procurement process, increase public confidence in the procurement process, ensure fair and equitable treatment of all persons seeking to do business with the State of Montana, maximize the value of the public funds, and provide safeguards to ensure quality and integrity in the procurement process. The solicitation of proposals for the Health Center met all the requirements of the procurement laws.

- In order to operate the Health Centers, HCBBD sought competitive proposals from all interested parties. The question has been raised about negotiating directly with local providers to operate the Health Centers. This is not possible because of the procurement laws. Additionally, the procurement laws also prohibit giving preference based on residency.
- The procurement process is very transparent. The scoring of proposals and interviews of candidates are conducted in public meetings, following the public meetings laws. During this solicitation the Department of Administration conducted seven public meetings.
- The Request for Proposal (RFP) for the Health Centers was designed to provide flexibility and efficiency for the development of the Health Centers in multiple locations. As such, the proposals are flexible allowing for each Health Center to be designed with the specific community's needs in mind. The RFP was efficient in that it requested services and pricing that may be required in the future to meet the demands of the patients. In short, the RFP was designed to ensure the State Plan is operating efficiently and effectively.

Services sought

As described in the RFP, HCBBD sought to contract with one company to provide services for all Health Centers throughout Montana. The Health Centers would be an option for employees, legislators, and their dependents; there is no requirement that employees use the Health Centers. The RFP did seek a variety of services that may be offered during the initial operations, or later in the development of the Health Centers. The reason for requesting a wide variety of services was to help HCBBD operate as efficiently as possible. The RFP also stated that each Health Center would be unique, and the specific services offered at each center would vary and would be outlined prior to beginning operations.

According to the RFP, the contractor was requested to describe how they would provide for all the services sought, including primary health care, acute and episodic health care (including hospitalization), wellness services, health screenings, pharmacy services, and other services (including radiology and laboratory services) depending on the State's needs. The RFP also allowed for the contractor to provide alternative means to provide these services, including contracting with other providers. All of the proposers described how they would provide all of the requested services and also alternative approaches for several services, including alternatives for radiology and laboratory services.

Financial considerations

Health Centers are proven to save money for health plans throughout the United States. Health Centers save money by reducing the cost of providing services, and by reducing long-term costs by improving health care outcomes through better care coordination and wellness activities. Historically, medical services have been reimbursed on a fee-for-service basis, meaning the more services that are provided,

the higher the revenues are for providers. The Health Center contractor would be reimbursed based on fixed contracted fees resulting in lower overall costs to the State Plan compared to the current reimbursement methods.

Based on the proposals we received, the Health Centers should result in savings both in terms of lower per-unit costs of operating the Health Centers compared to the current fee for service reimbursement, and lower costs by improving the overall health of State employees and providing assistance in the management of chronic diseases. Attachment B contains the financial projections prepared by HCBD (assumes savings from only the Health Center), and the financial projections from two of the RFP responses. Under both projections, the Health Center is projected to reduce costs for the State Plan, and for State employees who use the Health Center.

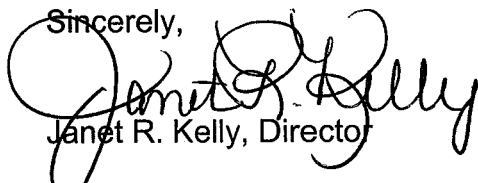
The State Plan's initial investment to achieve these savings is projected to be less than \$500,000, and the first-year savings are projected to repay the investment and generate savings. This type of investment that reduces health care costs now, and in the future, is sustainable and will help the State Plan for many years to come.

To summarize, this information:

- The Department of Administration issued the RFP for the Health Centers in accordance with the applicable procurement laws and the requirements that the State Plan be operated in the most efficient and effective manner possible.
- The HCBD's process has been very transparent in sharing information with the public, including holding eight public meetings related to the Health Centers, beginning in February 2012 and continuing through May 2012.
- The proposed services sought by this proposal are well thought-out, and allow for the efficient operations of Health Centers in the future.
- The savings from Health Centers will provide much-needed relief from ever-increasing health care costs, thereby providing assistance to ensure the long-term success and sustainability of the State Plan.

A frequently-asked-questions document is provided as Attachment C, which should address any other questions you may have.

Sincerely,



Janet R. Kelly, Director

Attachments: 3

cc: Governor Brian Schweitzer
Members of the Montana House of Representatives and State Senate
Susan Byorth Fox

Attachment A

State of Montana Employee Group Benefits Plan

Financial Report for Plan Year Ending
December 31, 2011



Prepared by Actuaries Northwest, LLC

Attachment A

February 17, 2012

Employee Group Benefits Advisory Council
Health Care and Benefits Division
100 North Park, Suite 320
Helena, MT 59620



Re: Financial Report - January 2011 through December 2011

Dear Council Members,

The attached report provides a review of claims experience and financial operation of the Medical, Prescription Drug and Dental programs. Data presented includes data for Plan Year 2011 as well as historical data from Plan Year 2010. The first few pages contain claim and enrollment charts and tables.

Exhibit I outlines plan participation.

Exhibit II and Exhibit III compare income and expense on an aggregate and per capita basis, for the medical plans (combined and separately) and the dental plan.

Exhibit IV illustrates income and claims expense for participants under the combined medical plans, by Actives and Retirees.

Projection A and Projection B illustrate actual PY2009-PY2011 revenue and expenses, followed by annual projected PY2012-PY2014 revenue, expenses, and annual operating surplus/deficit on a per participant basis and in total. Projection A uses 8% medical trend and 10% Rx trend assumptions. Projection B uses 11% medical trend and 13% Rx trend assumptions.

Annualized benefit cost changes for claims paid are as follows:

Comparison of Medical, Rx and Dental Monthly Per-Capita Claims Costs				
Benefit	Jan 11 - Dec 11	Jan 10 - Dec 10	Percentage Change	
Medical	\$ 524.40	\$ 471.35	11.3%	
Rx	\$ 126.41	\$ 106.34	18.9%	
Combined	\$ 650.81	\$ 577.70	12.7%	
Dental	\$ 37.18	\$ 36.83	0.9%	

Please call if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads 'Kelly Grebinsky'.

Kelly Grebinsky, FSA, MAAA, FCA
Principal

Enclosure

Attachment A

Financial Status Summary - Fourth Quarter 2011

Update of State of Montana revenues and expenses:

- Revenues exceeded expenses for the medical plans by 10.0% for the calendar year, including Medicare Part D reimbursements. Medical expenses per eligible are up 8.8% from January through December 2010.
- The dental plan claims experience shows revenue exceeding expenses by 11.6%. For 2011, the loss ratio was targeted to be near 100%.
- For the calendar year, the CHO Medical Plans had low claims experience with a loss ratio of 82.7%. The Traditional Plan had a loss ratio of 102.1%. These loss ratios reflect the minor shift in enrollment towards managed care, as well as expected risk selection between plans.
- Actives are running a medical loss ratio of 84.0%, compared to 81.2% a year ago. Retirees are running a loss ratio of 103.3% compared to 127.9% a year ago.
- The loss ratio for Early Retirees is 147.6% compared to 177.5% a year ago, while Medicare Retirees experienced a loss ratio of 72.6% compared to 92.3% a year ago.

Reserves and fund balance status:

- Fund balance continues to exceed estimated incurred but not reported (IBNR) claim reserves, and currently fall roughly \$4.7 million above recommended reserves.

Report Date	Projected Year End IBNR*	Projected Year End General Reserves	Projected Year End Fund Balance	Recommended Reserves**	Difference
12/31/2010	\$ 13,110,000	\$ 37,317,766	\$ 50,427,766	\$ 52,890,000	\$ (2,462,234)
3/31/2011	\$ 14,100,000	\$ 51,358,795	\$ 65,458,795	\$ 54,890,000	\$ 10,568,795
6/30/2011	\$ 14,300,000	\$ 54,758,379	\$ 69,058,379	\$ 55,690,000	\$ 13,368,379
9/30/2011	\$ 14,100,000	\$ 52,219,014	\$ 66,319,014	\$ 56,590,000	\$ 9,729,014
12/31/2011	\$ 13,970,000	\$ 48,821,235	\$ 62,791,235	\$ 58,060,000	\$ 4,731,235

* IBNR is the IBNR reserve plus the grandfathered benefit reserve.

** Based on actuarial recommendation as of December 31, 2011

Attachment A

Exhibit I: Eligible Participants

Month	Medical				Total	Dental
	Active	Cobra	Retired <65	Retired 65+		
January 2011	12,871	43	815	2,476	16,204	15,655
February 2011	12,789	42	853	2,466	16,148	15,615
March 2011	12,821	41	835	2,476	16,173	15,639
April 2011	12,861	40	828	2,474	16,203	15,690
May 2011	12,875	36	810	2,483	16,202	15,677
June 2011	12,793	37	803	2,488	16,120	15,599
July 2011	12,776	39	802	2,494	16,109	15,593
August 2011	12,711	43	809	2,500	16,063	15,552
September 2011	12,681	42	806	2,499	16,028	15,521
October 2011	12,673	46	807	2,493	16,018	15,518
November 2011	12,713	49	802	2,499	16,062	15,564
December 2011	12,736	44	792	2,506	16,077	15,581
Total	153,296	499	9,758	29,851	193,404	187,200
Average	12,775	42	813	2,488	16,117	15,600
January 1, 2010 to December 31, 2010	12,877	43	840	2,493	16,253	15,692
Percent Change	-0.8%	-2.3%	-3.2%	-0.2%	-0.3%	-0.6%
Average by Plan PY2011						
Traditional	4,612	19	499	2,269	7,399	
Indemnity Total	4,612	19	499	2,269	7,399	
BCBSMT HMO	5,759	13	207	123	6,101	
PEAK HMO	-	-	-	-	-	
NWHP HMO	2,404	9	108	95	2,617	
CHO Total	8,163	22	315	219	8,718	
January 1, 2010 to December 31, 2010						
Traditional	4,775	15	499	2,304	7,593	
Indemnity Total	4,775	15	499	2,304	7,593	
BCBSMT HMO	5,730	13	212	97	6,052	
PEAK HMO	91	1	4	1	96	
NWHP HMO	2,281	15	125	91	2,512	
CHO Total	8,102	29	341	189	8,660	
Percent Change						
Traditional	-3.4%	26.7%	-0.1%	-1.5%	-2.6%	
CHO	0.7%	-24.1%	-7.6%	15.9%	0.7%	

Notes:

Percentage change calculated on YTD average enrollment.
Some figures may not add due to rounding.

Attachment A

Exhibit II: Income & Expense by Combined Medical Plans & Dental Plan

Category	January 1, 2011 through September 30, 2011		October 1, 2011 through December 31, 2011		January 1, 2011 through December 31, 2011		January 1, 2010 through December 31, 2010		January 1, 2009 through December 31, 2009	
	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible
Medical Plan										
Average Eligible	16,139		16,052		16,117		16,253		16,257	
Contributions	\$ 106,468,148	\$ 733.01	\$ 34,728,467	\$ 721.17	\$ 141,196,615	\$ 730.06	\$ 128,150,669	\$ 657.06	\$ 115,695,204	\$ 593.06
Interest Income	\$ 986,943	\$ 6.79	\$ 327,896	\$ 6.81	\$ 1,314,839	\$ 6.80	\$ 1,166,843	\$ 5.98	\$ 1,283,649	\$ 6.58
Total Revenue	\$ 107,455,091	\$ 739.81	\$ 35,056,363	\$ 727.97	\$ 142,511,454	\$ 736.86	\$ 129,317,512	\$ 663.04	\$ 116,978,853	\$ 599.64
Expenses:										
Medical Claims	\$ 74,542,797	\$ 513.21	\$ 26,877,924	\$ 558.14	\$ 101,420,721	\$ 524.40	\$ 91,931,427	\$ 471.35	\$ 86,702,502	\$ 444.44
Rx Claims	\$ 17,739,938	\$ 122.14	\$ 6,708,489	\$ 139.31	\$ 24,448,428	\$ 126.41	\$ 20,740,814	\$ 106.34	\$ 25,599,657	\$ 131.23
Medicare Part D	\$ (3,333,671)	\$ (22.95)	\$ -	\$ -	\$ (3,333,671)	\$ (17.24)	\$ -	\$ -	\$ (3,399,592)	\$ (17.43)
Managed Care	\$ 80,331	\$ 0.55	\$ 43,354	\$ 0.90	\$ 123,685	\$ 0.64	\$ 340,631	\$ 1.75	\$ 531,143	\$ 2.72
Wellness / DM	\$ 452,814	\$ 3.12	\$ 294,576	\$ 6.12	\$ 747,390	\$ 3.86	\$ 1,121,462	\$ 5.75	\$ 1,089,656	\$ 5.59
Payroll Services	\$ 255,646	\$ 1.76	\$ 85,771	\$ 1.78	\$ 341,417	\$ 1.77	\$ 159,484	\$ 0.82	\$ 605,980	\$ 3.11
Admin / Operating	\$ 4,295,059	\$ 29.57	\$ 1,504,493	\$ 31.24	\$ 5,799,552	\$ 29.99	\$ 5,828,658	\$ 29.88	\$ 6,627,307	\$ 33.97
Total Expenses	\$ 94,032,914	\$ 647.40	\$ 35,514,607	\$ 737.49	\$ 129,547,522	\$ 669.83	\$ 120,122,475	\$ 615.89	\$ 117,756,652	\$ 603.63
Estimated Operating Addition / (Deficit)	\$ 13,422,177	\$ 92.41	\$ (458,244)	\$ (9.52)	\$ 12,963,933	\$ 67.03	\$ 9,195,037	\$ 47.14	\$ (777,799)	\$ (3.99)
Dental Plan										
Average Eligible	15,615		15,554		15,600		15,692		15,688	
Contributions	\$ 6,440,813	\$ 45.83	\$ 2,135,118	\$ 45.76	\$ 8,575,931	\$ 45.81	\$ 8,428,317	\$ 44.76	\$ 8,435,179	\$ 44.81
Interest Income	\$ 58,341	\$ 0.42	\$ 20,159	\$ 0.43	\$ 78,500	\$ 0.42	\$ 76,742	\$ 0.41	\$ 93,589	\$ 0.50
Total Revenue	\$ 6,499,154	\$ 46.24	\$ 2,155,277	\$ 46.19	\$ 8,654,431	\$ 46.23	\$ 8,505,059	\$ 45.17	\$ 8,528,768	\$ 45.31
Expenses:										
Dental Claims	\$ 5,234,674	\$ 37.25	\$ 1,725,753	\$ 36.98	\$ 6,960,427	\$ 37.18	\$ 6,935,934	\$ 36.83	\$ 7,023,141	\$ 37.31
Payroll Services	\$ 28,406	\$ 0.20	\$ 9,530	\$ 0.20	\$ 37,936	\$ 0.20	\$ 17,721	\$ 0.09	\$ 67,331	\$ 0.36
Admin / Operating	\$ 572,282	\$ 4.07	\$ 186,052	\$ 3.99	\$ 758,334	\$ 4.05	\$ 782,930	\$ 4.16	\$ 728,358	\$ 3.87
Total Expenses	\$ 5,835,362	\$ 41.52	\$ 1,921,335	\$ 41.18	\$ 7,756,697	\$ 41.44	\$ 7,736,586	\$ 41.09	\$ 7,818,830	\$ 41.53
Estimated Operating Addition / (Deficit)	\$ 663,792	\$ 4.72	\$ 233,942	\$ 5.01	\$ 897,734	\$ 4.80	\$ 768,473	\$ 4.08	\$ 709,938	\$ 3.77
Total										
Contributions	\$ 112,908,961	\$ 778.84	\$ 36,863,585	\$ 766.92	\$ 149,772,546	\$ 775.87	\$ 136,578,986	\$ 701.82	\$ 124,130,383	\$ 637.87
Interest Income	\$ 1,045,284	\$ 7.21	\$ 348,055	\$ 7.24	\$ 1,393,339	\$ 7.22	\$ 1,243,585	\$ 6.39	\$ 1,377,238	\$ 7.08
Total Revenue	\$ 113,954,245	\$ 786.05	\$ 37,211,640	\$ 774.16	\$ 151,165,885	\$ 783.09	\$ 137,822,571	\$ 708.21	\$ 125,507,621	\$ 644.94
Expenses:										
Medical Claims	\$ 97,517,409	\$ 672.60	\$ 35,312,166	\$ 734.43	\$ 132,829,576	\$ 687.99	\$ 119,608,175	\$ 614.53	\$ 119,325,299	\$ 612.97
Medicare Part D	\$ (3,333,671)	\$ (22.95)	\$ -	\$ -	\$ (3,333,671)	\$ (17.24)	\$ -	\$ -	\$ (3,399,592)	\$ (17.43)
Payroll Services	\$ 284,052	\$ 1.96	\$ 95,301	\$ 1.99	\$ 379,363	\$ 1.97	\$ 177,205	\$ 0.91	\$ 673,311	\$ 3.46
Other Costs	\$ 5,400,486	\$ 37.31	\$ 2,028,475	\$ 42.25	\$ 7,428,961	\$ 38.54	\$ 8,073,681	\$ 41.54	\$ 8,976,464	\$ 46.15
Total Expenses	\$ 99,868,276	\$ 688.92	\$ 37,435,942	\$ 778.67	\$ 137,504,219	\$ 711.27	\$ 127,659,062	\$ 656.98	\$ 125,575,483	\$ 645.16
Estimated Operating Addition / (Deficit)	\$ 14,085,969	\$ 97.13	\$ (224,302)	\$ (4.50)	\$ 13,661,667	\$ 71.83	\$ 9,963,509	\$ 51.23	\$ (67,861)	\$ (0.22)

Notes:

Some figures may not add due to rounding.

Rx Claims are net of rebates.

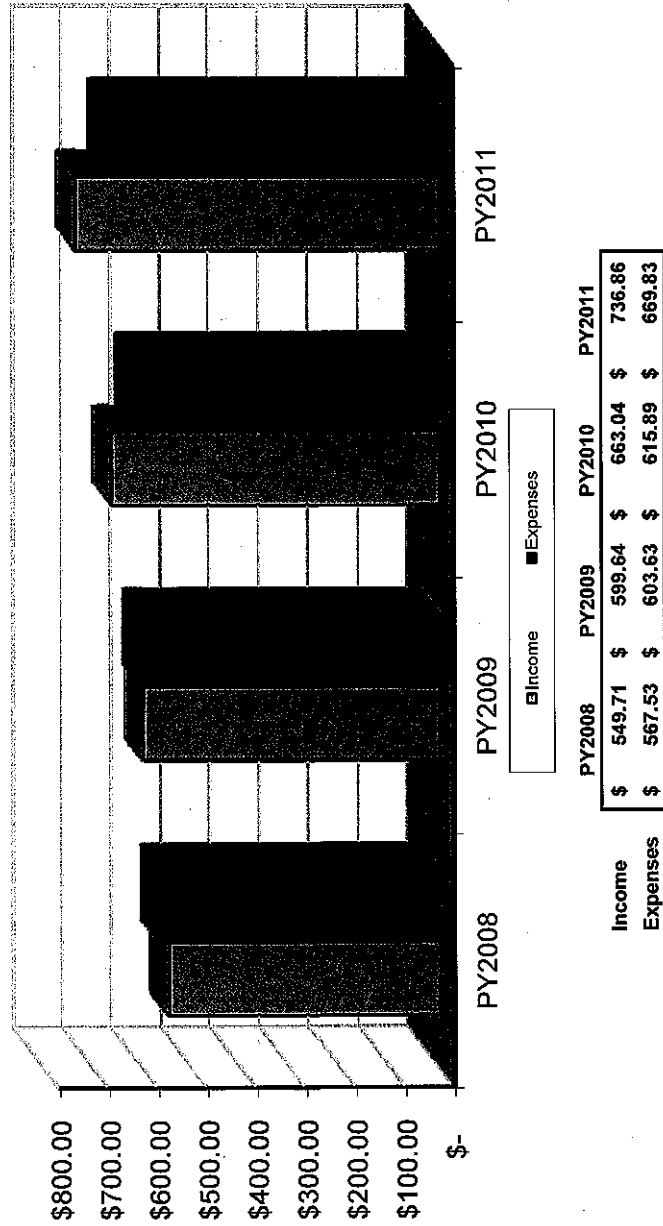
"Managed Care" includes BCBS managed care, certification review and individual managed care.

"Wellness/DM" includes Weight Watchers, smoking cessation, spring fitness, wellness, Well on the Way, EAP and health screenings.

"Admin / Operating" includes claims administration & state operating expenses.

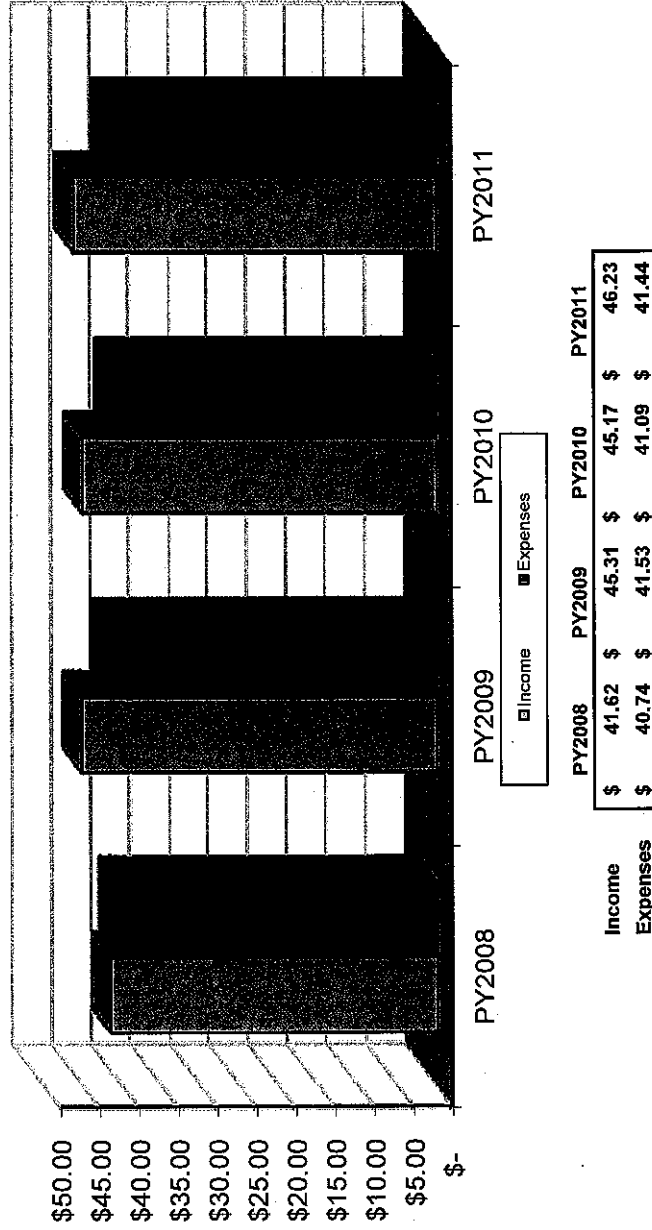
Attachment A

**Per Capita Income vs. Expenses
Medical Plan**



Attachment A

**Per Capita Income vs. Expenses
Dental Plan**



Attachment A

Exhibit III: Income & Expense by Indemnity Medical Plans

Category	January 1, 2011 through September 30, 2011		October 1, 2011 through December 31, 2011		January 1, 2011 through December 31, 2011		January 1, 2010 through December 31, 2010	
	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible
Basic								
Average Eligible		-		-		-		-
Revenues:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses:								
Medical Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rx Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medicare Part D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Managed Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wellness / DM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Admin / Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated Operating Addition / (Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss Ratio		0.0%		0.0%		0.0%		0.0%
Traditional								
Average Eligible		7,423		7,326		7,399		7,593
Revenues:								
Contributions	\$ 45,189,832	\$ 676.41	\$ 14,609,051	\$ 664.73	\$ 59,798,883	\$ 673.52	\$ 55,316,285	\$ 607.13
Interest Income	\$ 419,037	\$ 6.27	\$ 137,935	\$ 6.28	\$ 556,972	\$ 6.27	\$ 503,769	\$ 5.53
Total Revenue	\$ 45,608,869	\$ 682.68	\$ 14,746,986	\$ 671.00	\$ 60,355,855	\$ 679.79	\$ 55,820,054	\$ 612.66
Expenses:								
Medical Claims	\$ 35,282,566	\$ 528.11	\$ 12,109,770	\$ 551.01	\$ 47,392,336	\$ 533.78	\$ 43,021,838	\$ 472.19
Rx Claims	\$ 10,225,412	\$ 153.06	\$ 3,741,793	\$ 170.26	\$ 13,967,206	\$ 157.31	\$ 12,279,257	\$ 134.77
Medicare Part D	\$ (3,025,295)	\$ (45.28)	\$ -	\$ -	\$ (3,025,295)	\$ (34.07)	\$ -	\$ -
Managed Care	\$ 107,287	\$ 1.61	\$ 43,354	\$ 1.97	\$ 150,641	\$ 1.70	\$ 220,426	\$ 2.42
Wellness / DM	\$ 208,142	\$ 3.12	\$ 134,510	\$ 6.12	\$ 342,652	\$ 3.86	\$ 523,746	\$ 5.75
Payroll Services	\$ 117,136	\$ 1.75	\$ 39,078	\$ 1.78	\$ 156,214	\$ 1.76	\$ 74,703	\$ 0.82
Admin / Operating	\$ 1,947,161	\$ 29.15	\$ 678,436	\$ 30.87	\$ 2,625,597	\$ 29.57	\$ 2,192,560	\$ 24.06
Total Expenses	\$ 44,862,409	\$ 671.51	\$ 16,746,941	\$ 762.00	\$ 61,609,349	\$ 693.91	\$ 58,312,529	\$ 640.02
Estimated Operating Addition / (Deficit)	\$ 746,461	\$ 11.17	\$ (1,999,954)	\$ (91.00)	\$ (1,253,494)	\$ (14.12)	\$ (2,492,474)	\$ (27.36)
Loss Ratio		98.4%		113.6%		102.1%		104.5%
Total								
Average Eligible		7,423		7,326		7,399		7,593
Total Revenue	\$ 45,608,869	\$ 682.68	\$ 14,746,986	\$ 671.00	\$ 60,355,855	\$ 679.79	\$ 55,820,054	\$ 612.66
Expenses:								
Claims	\$ 45,507,978	\$ 681.17	\$ 15,851,563	\$ 721.26	\$ 61,359,541	\$ 691.09	\$ 55,301,095	\$ 606.97
Medicare Part D	\$ (3,025,295)	\$ (45.28)	\$ -	\$ -	\$ (3,025,295)	\$ (34.07)	\$ -	\$ -
Payroll Services	\$ 117,136	\$ 1.75	\$ 39,078	\$ 1.78	\$ 156,214	\$ 1.76	\$ 74,703	\$ 0.82
Other Costs	\$ 2,262,589	\$ 33.87	\$ 856,300	\$ 38.96	\$ 3,118,889	\$ 35.13	\$ 2,936,731	\$ 32.23
Total Expenses	\$ 44,862,409	\$ 671.51	\$ 16,746,941	\$ 762.00	\$ 61,609,349	\$ 693.91	\$ 58,312,529	\$ 640.02
Estimated Operating Addition / (Deficit)	\$ 746,461	\$ 11.17	\$ (1,999,954)	\$ (91.00)	\$ (1,253,494)	\$ (14.12)	\$ (2,492,474)	\$ (27.36)
Loss Ratio		98.4%		113.6%		102.1%		104.5%

Notes:

Some figures may not add due to rounding.

Basic Plan not offered after 2003. Claims reported are runout from prior periods.

Rx claims are net of rebates.

Medical claims include capitation costs.

"Managed Care" includes BCBS managed care, certification review and individual managed care.

"Wellness/DM" includes Weight Watchers, smoking cessation, spring fitness, wellness, Well on the Way, EAP and health screenings.

"Admin / Operating" includes claims administration & state operating expenses.

Attachment A

Exhibit IV: Medical Income & Expense by Actives and Retirees								
Category	January 1, 2011 through September 30, 2011		October 1, 2011 through December 31, 2011		January 1, 2011 through December 31, 2011		January 1, 2010 through December 31, 2010	
	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible	Total \$	Monthly Amount Per Eligible
Actives & COBRA								
Average Eligible		12,837		12,753		12,816		12,920
Contributions	\$ 91,231,415	\$ 789.64	\$ 29,751,272	\$ 777.63	\$ 120,982,686	\$ 786.65	\$ 109,703,241	\$ 707.58
Medical Claims	\$ 63,450,971	\$ 549.19	\$ 22,716,214	\$ 593.75	\$ 86,167,185	\$ 560.27	\$ 76,255,506	\$ 491.84
Rx Claims	\$ 11,168,062	\$ 96.66	\$ 4,321,027	\$ 112.94	\$ 15,489,089	\$ 100.71	\$ 12,823,670	\$ 82.71
Total Claims	\$ 74,619,032	\$ 645.85	\$ 27,037,241	\$ 706.69	\$ 101,656,274	\$ 660.99	\$ 89,079,176	\$ 574.55
Loss Ratio		81.8%		90.9%		84.0%		81.2%
Retirees under 65								
Average Eligible		818		800		813		840
Contributions	\$ 6,270,037	\$ 852.08	\$ 2,004,330	\$ 835.31	\$ 8,274,367	\$ 847.96	\$ 7,702,274	\$ 763.93
Medical Claims	\$ 6,270,158	\$ 852.10	\$ 2,611,919	\$ 1,088.53	\$ 8,882,076	\$ 910.24	\$ 10,467,304	\$ 1,038.17
Rx Claims	\$ 2,445,472	\$ 332.33	\$ 883,662	\$ 368.27	\$ 3,329,135	\$ 341.17	\$ 3,206,397	\$ 318.02
Total Claims	\$ 8,715,629	\$ 1,184.43	\$ 3,495,581	\$ 1,456.80	\$ 12,211,211	\$ 1,251.41	\$ 13,673,699	\$ 1,356.18
Loss Ratio		139.0%		174.4%		147.6%		177.5%
Retirees 65+								
Average Eligible		2,484		2,499		2,488		2,493
Contributions	\$ 8,966,696	\$ 401.13	\$ 2,972,865	\$ 396.51	\$ 11,939,561	\$ 399.97	\$ 10,745,153	\$ 359.20
Medical Claims	\$ 4,821,669	\$ 215.70	\$ 1,549,791	\$ 206.71	\$ 6,371,460	\$ 213.44	\$ 5,208,617	\$ 174.12
Rx Claims	\$ 4,126,404	\$ 184.60	\$ 1,503,800	\$ 200.57	\$ 5,630,205	\$ 188.61	\$ 4,710,747	\$ 157.48
Medicare Part D	\$ (3,333,671)	\$ (149.13)	\$ -	\$ -	\$ (3,333,671)	\$ (111.68)	\$ -	\$ -
Total Claims	\$ 5,614,402	\$ 251.16	\$ 3,053,591	\$ 407.28	\$ 8,667,993	\$ 290.38	\$ 9,919,364	\$ 331.60
Loss Ratio		62.6%		102.7%		72.6%		92.3%
Total Retirees								
Average Eligible		3,301		3,299		3,301		3,333
Contributions	\$ 15,236,733	\$ 512.81	\$ 4,977,195	\$ 502.90	\$ 20,213,928	\$ 510.34	\$ 18,447,428	\$ 461.23
Medical Claims	\$ 11,091,826	\$ 373.31	\$ 4,161,710	\$ 420.50	\$ 15,253,536	\$ 385.10	\$ 15,675,921	\$ 391.93
Rx Claims	\$ 6,571,877	\$ 221.19	\$ 2,367,463	\$ 241.23	\$ 8,959,339	\$ 226.19	\$ 7,917,144	\$ 197.95
Medicare Part D	\$ (3,333,671)	\$ (112.20)	\$ -	\$ -	\$ (3,333,671)	\$ (84.18)	\$ -	\$ -
Total Claims	\$ 14,330,032	\$ 482.30	\$ 6,549,172	\$ 661.73	\$ 20,879,204	\$ 527.13	\$ 23,593,065	\$ 589.88
Loss Ratio		94.0%		131.6%		103.3%		127.9%

Notes:

Some figures may not add due to rounding.

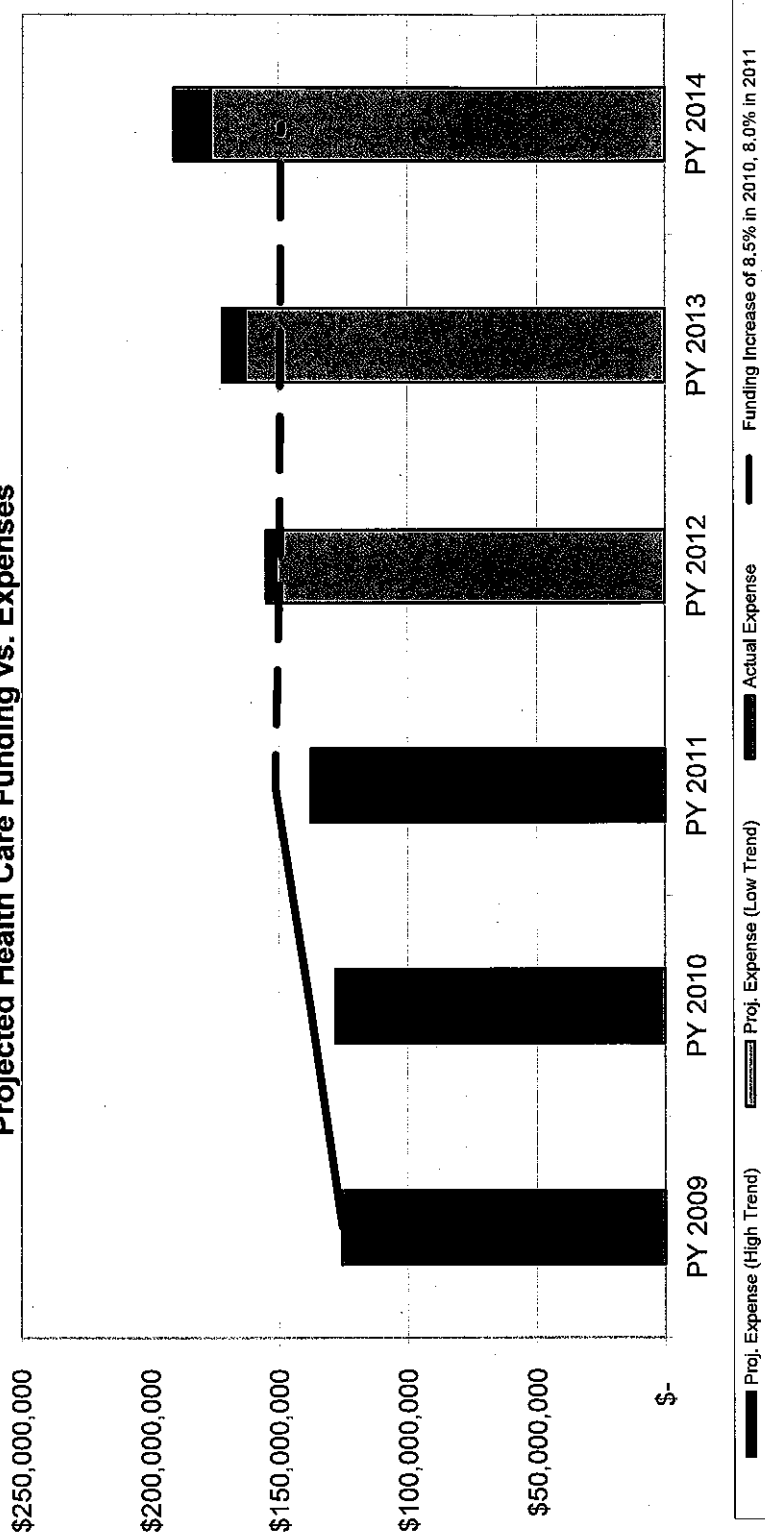
Rx claims are net of rebates.

Medical claims include capitation costs.

Attachment A

State of Montana

Projected Health Care Funding vs. Expenses



100.3% Loss **93% Loss** **91.1% Loss** **101.1% Loss** **109.4% Loss** **118.7% Loss**
103.7% Loss **115.3% Loss** **128.4% Loss**

Low Trend = 8% Medical and 10% Rx; High Trend = 11% Medical and 13% Rx.

Attachment A

State of Montana Projection Assumptions												
	Plan Year 2009		Plan Year 2010		Plan Year 2011		Plan Year 2012		Plan Year 2013		Plan Year 2014	
	Increase	Contribution	Increase	Contribution	Increase	Contribution	Increase	Contribution	Increase	Contribution	Increase	Contribution
Contribution Data and Assumptions												
State Contribution	\$ 36.00	\$ 628.00	\$ 53.00	\$ 679.00	\$ 54.00	\$ 733.00	\$ -	\$ 733.00	\$ -	\$ 733.00	\$ -	\$ 733.00
Stabilization Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Contribution to Core Benefits	\$ -	\$ -	\$ 11.00	\$ -	\$ 14.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Dependent Contribution	\$ -	\$ -	\$ 60%	\$ -	\$ 60%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of EE's with Dependents	60%		60%		60%		60%		60%		60%	
Retirees <65												
Change in Medical Contribution	\$ 36.00	\$ -	\$ 53.00	\$ -	\$ 54.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Dependent Contribution	\$ -	\$ -	\$ 12.00	\$ -	\$ 19.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of Early Retirees with Dependents	50%		50%		50%		50%		50%		50%	
Change in Dental Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retirees 65+												
Medicare Part D	\$ -	\$ -	\$ -	\$ -	\$ 26.62	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Medical Contribution	\$ -	\$ -	\$ 54.00	\$ -	\$ 8.38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Dependent Contribution	\$ -	\$ -	\$ 45%	\$ -	\$ 45%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of Medicare Retirees with Dependents	45%		45%		45%		45%		45%		45%	
Change in Dental Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COBRA												
Change in Medical Contribution	\$ 36.72	\$ -	\$ 54.08	\$ -	\$ 55.08	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Dependent Contribution	\$ -	\$ -	\$ 11.22	\$ -	\$ 15.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of COBRAs with Dependents	50%		50%		50%		50%		50%		50%	
Change in Dental Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Trend Assumptions Scenario A												
Trend Assumptions												
Medical	8.0%	8.4%	8.0%	4.2%	8.0%	11.3%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
RX	10.0%	-3.0%	10.0%	-20.6%	10.0%	18.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Dental	8.0%	1.8%	8.0%	-3.5%	8.0%	1.2%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
EAP	5.0%	3.3%	5.0%	3.4%	5.0%	-98.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Health Screenings	5.0%	130.7%	5.0%	5.7%	5.0%	4.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Managed Care	5.0%	62.2%	5.0%	-35.9%	5.0%	-63.4%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Claims Administration	5.0%	75.8%	5.0%	-24.5%	5.0%	6.4%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
SABRS Administration	5.0%	-5.4%	5.0%	-73.7%	5.0%	115.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Other Operating Expense	5.0%	-16.6%	5.0%	28.8%	5.0%	-10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Wellness Claims	0.0%	0.1%	0.0%	0.9%	0.0%	-28.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Core Life	14.0%	14.1%	14.0%	13.3%	14.0%	0.3%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Medical IBNR %	0.3%	0.2%	0.3%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Rx IBNR %	4.5%	4.2%	4.5%	4.6%	4.5%	7.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Dental IBNR %	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Grandfathered Benefit Reserve Attrition	3.0%	3.0%	3.0%	3.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Investment Returns												
Population Change Assumptions												
Active Employees	188	236	138	52	193	-102	0	0	0	0	0	0
Retirees <65	0	-6	5	-46	0	-27	0	0	0	0	0	0
Retirees 65+	50	28	24	-7	50	-5	0	0	0	0	0	0
COBRA	0	-15	18	-4	0	-2	0	0	0	0	0	0
Plan Change Assumptions												
Plan Change Assumptions	0		(7,184,675)		882,000		0	0	0	0	0	0
Trend Assumptions Scenario B												
Alternate Medical, Rx & Dental Trend												
Medical	11.0%		11.0%		11.0%		11.0%		11.0%		11.0%	
Rx	13.0%		13.0%		13.0%		14.0%		14.0%		14.0%	
Dental	8.0%		8.0%		8.0%		8.0%		8.0%		8.0%	
Med Claim Lag Issue	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Dental Claim Lag Issue	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Health Screenings Benefit Increase	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Why Weight Benefit Increase	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Unallocated Revenue for Exhibit II	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	

State of Montana: Scenario A Medical Trend = 8.0% and Rx Trend = 10.0% with Estimated Impact of Medicare Part D

	Actual			Projected			Projected		
	Plan Year 2009	Plan Year 2010	Plan Year 2011	Plan Year 2012	Plan Year 2013	Plan Year 2014	Participants	Per EE	Total
Revenue									
Active Employees	12,824	12,877	12,775	12,775	12,775	12,775	12,775	12,775	12,775
State Contribution (MDVCL)	\$ 626.00	\$ 678.00	\$ 735.00	\$ 735.00	\$ 735.00	\$ 735.00	\$ 735.00	\$ 735.00	\$ 735.00
Employee Contribution (MCO)	\$ 61.98	\$ 75.13	\$ 90.79	\$ 90.79	\$ 90.79	\$ 90.79	\$ 90.79	\$ 90.79	\$ 90.79
Special State Contribution (2005)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Early Retirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medical/CL	866	840	813	813	813	813	813	813	813
Dental	884	838	817	817	817	817	817	817	817
Medical Expenses	2,500	2,493	2,488	2,488	2,488	2,488	2,488	2,488	2,488
Medical/CL	1,944	1,946	1,978	1,978	1,978	1,978	1,978	1,978	1,978
COBRA	47	33	28	28	28	28	28	28	28
Dental	33	30	28	28	28	28	28	28	28
Interest Income	\$ 1,377,238	\$ 1,246,586	\$ 1,393,336	\$ 1,393,336	\$ 1,393,336	\$ 1,393,336	\$ 1,393,336	\$ 1,393,336	\$ 1,393,336
Other Income	\$ 96,520	\$ (268,712)	\$ 1,595,518	\$ 1,595,518	\$ 1,595,518	\$ 1,595,518	\$ 1,595,518	\$ 1,595,518	\$ 1,595,518
Total Revenue	\$ 643.36	\$ 706.65	\$ 781.61	\$ 772.49	\$ 771.60	\$ 771.60	\$ 771.60	\$ 771.60	\$ 771.60
Expenses									
Medical Claims	\$ 444.44	\$ 86,702,502	\$ 110.03	\$ 110.03	\$ 110.03	\$ 110.03	\$ 110.03	\$ 110.03	\$ 110.03
Rx Claims	\$ 138.59	\$ 27,036,613	\$ (9.68)	\$ (9.68)	\$ (9.68)	\$ (9.68)	\$ (9.68)	\$ (9.68)	\$ (9.68)
Rx Rebutals & Part D Subsidies	\$ (24.79)	\$ (4,836,549)	\$ 35.99	\$ 35.99	\$ 35.99	\$ 35.99	\$ 35.99	\$ 35.99	\$ 35.99
Dental Claims	\$ 36.00	\$ 7,023,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Projected Savings from Benefit Changes	\$ 594.24	\$ 115,925,708	\$ 612.26	\$ 612.26	\$ 612.26	\$ 612.26	\$ 612.26	\$ 612.26	\$ 612.26
Total Claims Expense	\$ 1.50	\$ 370,437	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46
EAP	\$ 0.15	\$ 370,437	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46	\$ 3.46
Health Screenings	\$ 2.72	\$ 570,643	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75
Managed Care	\$ 37.53	\$ 5,373,311	\$ 20.80	\$ 20.80	\$ 20.80	\$ 20.80	\$ 20.80	\$ 20.80	\$ 20.80
Plan Administration	\$ 3.45	\$ 1,995,008	\$ 13.10	\$ 13.10	\$ 13.10	\$ 13.10	\$ 13.10	\$ 13.10	\$ 13.10
Other Operating Expense	\$ 10.18	\$ 62,460	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34
Wellness Claims	\$ 0.42	\$ 82,660	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60
Core Life Insurance Premiums	\$ 1.59	\$ 310,413	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60
Total Expenses	\$ 645.30	\$ 125,885,894	\$ 657.17	\$ 657.17	\$ 657.17	\$ 657.17	\$ 657.17	\$ 657.17	\$ 657.17
Operating Surplus / (Deficit)	\$ (1.94)	\$ (378,274)	\$ 49.48	\$ 69.93	\$ 69.93	\$ 69.93	\$ 69.93	\$ 69.93	\$ 69.93
Fund Balance									
Beginning Balance	\$ 39,994,215	\$ 39,994,215	\$ 39,994,215	\$ 39,994,215	\$ 39,994,215	\$ 39,994,215	\$ 39,994,215	\$ 39,994,215	\$ 39,994,215
Operating Surplus / (Deficit)	\$ (378,274)	\$ (378,274)	\$ 69,930	\$ 69,930	\$ 69,930	\$ 69,930	\$ 69,930	\$ 69,930	\$ 69,930
Ending Balance	\$ 39,615,941	\$ 39,615,941	\$ 40,064,145	\$ 40,064,145	\$ 40,064,145	\$ 40,064,145	\$ 40,064,145	\$ 40,064,145	\$ 40,064,145
IBNR Reserve*	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000
Claims Fluctuation Reserve	\$ 26,505,941	\$ 26,505,941	\$ 26,505,941	\$ 26,505,941	\$ 26,505,941	\$ 26,505,941	\$ 26,505,941	\$ 26,505,941	\$ 26,505,941
Grandfathered Benefit Reserve	\$ 1,510,000	\$ 1,510,000	\$ 1,510,000	\$ 1,510,000	\$ 1,510,000	\$ 1,510,000	\$ 1,510,000	\$ 1,510,000	\$ 1,510,000
IBNR Reserve calculated by Actuarial Northwest									

State of Montana: Scenario B Medical Trend = 1.0% and Rx Trend = 13.3% with Estimated Impact of Medicare Part D

	Actual		Projected		Actual		Projected		Actual		Projected	
	Plan Year 2009		Plan Year 2010		Plan Year 2011		Plan Year 2012		Plan Year 2013		Plan Year 2014	
	Participants	Per EE	Participants	Per EE	Participants	Per EE	Participants	Per EE	Participants	Per EE	Participants	Per EE
Revenue												
Active Employees	12,824	\$ 636.00	\$ 96,337,331		12,775	\$ 733.00	\$ 112,365,968		12,775	\$ 733.00	\$ 112,365,968	
State Contribution (MDF/CL)		\$ 61.98	\$ 9,538,689			\$ 90.79	\$ 13,917,499			\$ 90.79	\$ 13,917,499	
Special State Contribution (MID)												
Employee State Contribution (2009)												
Equity Rollins												
Dental	886	\$ 650.64	\$ 7,294,514		813	\$ 838.12	\$ 8,178,408		813	\$ 838.12	\$ 8,178,408	
Medical/CL	884	\$ 45.95	\$ 407,473		817	\$ 46.23	\$ 453,074		817	\$ 46.23	\$ 453,074	
Medical/Reflex												
Medical/CL	2,500	\$ 302.07	\$ 9,061,626		2,488	\$ 395.49	\$ 11,805,851		2,488	\$ 395.49	\$ 11,805,851	
Dental	1,844	\$ 42.81	\$ 988,549		1,978	\$ 44.07	\$ 1,046,808		1,978	\$ 44.07	\$ 1,046,808	
COBRA												
Medical/CL	47	\$ 638.53	\$ 388,536		42	\$ 786.18	\$ 391,908		42	\$ 786.18	\$ 391,908	
Dental	33	\$ 42.97	\$ 17,146		28	\$ 46.59	\$ 15,514		28	\$ 46.59	\$ 15,514	
Interest Income												
Other Income												
Total Revenue	16,257	\$ 843.36	\$ 125,507,820		16,117	\$ 770.82	\$ 149,079,522		16,117	\$ 767.47	\$ 149,079,522	
Expenses												
Medical Claims		\$ 444.44	\$ 66,702,902			\$ 524.40	\$ 101,425,271			\$ 646.11	\$ 124,950,470	
Rx Claims		\$ 138.59	\$ 27,036,813			\$ 129.85	\$ 25,113,759			\$ 188.76	\$ 32,637,841	
Rx Rebates & Part D Subsidies		\$ (24.79)	\$ (4,836,549)			\$ (20.89)	\$ (3,690,022)			\$ (13.44)	\$ (2,596,351)	
Dental Claims		\$ 36.00	\$ 7,023,141			\$ 35.59	\$ 6,950,427			\$ 41.95	\$ 8,116,542	
Projected Savings from Benefit Changes												
Total Claims Expense		\$ 594.24	\$ 115,925,708			\$ 689.56	\$ 129,465,905			\$ 862.41	\$ 163,119,462	
EAP		\$ 1.00	\$ 370,437			\$ 0.02	\$ 4,281			\$ 0.02	\$ 4,720	
Health Screenings		\$ 2.26	\$ 636,780			\$ 3.60	\$ 696,877			\$ 3.97	\$ 769,307	
Managed Care		\$ 2.72	\$ 531,143			\$ 1.75	\$ 340,630			\$ 0.71	\$ 136,363	
Claims Administration		\$ 27.53	\$ 6,370,855			\$ 22.12	\$ 4,278,273			\$ 24.39	\$ 4,716,736	
Other Services Fee Fixed Cost		\$ 3.45	\$ 673,311			\$ 1.96	\$ 378,353			\$ 1.93	\$ 374,000	
Other Operating Expense		\$ 10.18	\$ 1,985,008			\$ 11.79	\$ 2,279,612			\$ 12.99	\$ 2,519,272	
Wellness Claims		\$ 0.42	\$ 82,460			\$ 0.24	\$ 46,232			\$ 0.26	\$ 50,971	
Core Life Insurance Premiums		\$ 1.59	\$ 310,413			\$ 1.74	\$ 336,959			\$ 1.74	\$ 336,959	
Total Expenses		\$ 645.30	\$ 125,885,894			\$ 711.68	\$ 137,641,066			\$ 889.43	\$ 172,019,939	
Operating Surplus / (Deficit)		\$ (1,944)	\$ (378,274)			\$ 69.83	\$ 13,524,800			\$ (118.61)	\$ (22,940,177)	
Fund Balance												
Beginning Balance			\$ 38,984,215				\$ 49,266,436				\$ 57,197,479	
Operating Surplus / (Deficit)			\$ (378,274)				\$ 62,791,235				\$ (22,940,177)	
Ending Balance			\$ 38,605,941				\$ 62,791,235				\$ 34,257,303	
IBNR Reserve*			\$ 11,600,000				\$ 12,400,000				\$ 17,849,933	
Claims Fluctuation Reserve			\$ 28,505,941				\$ 48,821,235				\$ 14,628,583	
Grandfathered Benefit Reserve			\$ 1,510,000				\$ 1,510,000				\$ 1,724,569	
IBNR Reserves calculated by Actuaries Northwest.												

Attachment B

State of Montana
 On-site employee clinic
 Cost benefit
 Prepared by HCBD

	Year 1	Year 2	Year 3	Year 4	Year 5
Health Center Expenses					
Salaries and benefits	\$ 764,488	\$ 795,785	\$ 829,233	\$ 864,042	\$ 897,643
Wellness screenings	\$ 151,951	\$ 158,029	\$ 164,351	\$ 170,925	\$ 177,762
Supplies	\$ 83,155	\$ 98,768	\$ 115,460	\$ 133,318	\$ 152,353
Professional fees	\$ 100,998	\$ 119,726	\$ 139,790	\$ 161,251	\$ 184,190
Other operating expenses	\$ 62,290	\$ 60,817	\$ 62,777	\$ 64,819	\$ 66,944
Administrative fees	\$ 229,346	\$ 238,736	\$ 248,770	\$ 259,213	\$ 269,293
Total expenses	\$ 1,392,228	\$ 1,471,861	\$ 1,560,381	\$ 1,653,568	\$ 1,748,185
Costs Avoided					
Direct costs avoided	\$ 2,162,267	\$ 2,594,720	\$ 3,065,013	\$ 3,575,849	\$ 4,130,106
Other direct costs	\$ 115,870	\$ 139,044	\$ 164,246	\$ 191,620	\$ 221,321
Indirect costs	\$ 71,064	\$ 81,216	\$ 91,368	\$ 101,520	\$ 111,672
Total costs avoided	\$ 2,349,201	\$ 2,814,980	\$ 3,320,627	\$ 3,868,989	\$ 4,463,098
Total Savings	\$ 956,973	\$ 1,343,119	\$ 1,760,246	\$ 2,215,421	\$ 2,714,913

Cost Drivers

Number of provider visits	7,142	7,499	7,874	8,268	8,681
% population served	35%	40%	45%	50%	55%

Direct costs based on actual historical costs (5% trend)

Other direct costs, ER, urgent care, hospital, specialist - 1% reduction

Indirect costs - reduced time off work due to availability of center and improved health

Doesn't include costs savings from pharmacy, occupational health, or other potential services



5.1.3 Financial Projections. Proposals must include a comprehensive financial projection for all aspects of the services outlined in this RFP, from start-up through the initial term, ending December 2015. The projections should separate initial start-up costs, and include annual estimated costs by calendar year. The projections should also include a cost benefit analysis of operating an On-Site Employee Health Center to the traditional costs of paying for these services. All assumptions for the projections must be included. This information should be labeled Appendix H in your response.

State of Montana

CareHere! On-Site Clinic Projections

Executive Summary

CareHere, LLC is a leader in providing exceptional on-site clinics and provider driven wellness programs. The patient-centered medical home approach practiced by CareHere integrates a vast scope of resources such as on-site primary care, case/disease management, wellness and behavior modification programs, occupational healthcare, wellness improvement tracking applications, and much more. CareHere's on-site services provide companies with the means to significantly decrease claims cost, while improving the overall health and morale of the employees. CareHere clients are experiencing savings in industries consisting of municipalities, manufacturers, service companies, hospitals, educational institutions, and transportation entities. CareHere, LLC operates 120 clinics in 20 states across the country.

The cost savings comes in two waves with the initial wave consisting of increased efficiency of on-site clinics as opposed to the "Retail" system used by organizations today. The second wave of savings comes as the populations health improves and catastrophic claims are reduced in large part due to the wellness, disease management, and chronic care programs offered as a part of the model. In the following projections for The State of Montana, you will see the considerable cost savings each year that the program is in place with an overall savings during the first five years totaling \$28,869,731.

State of Montana

Estimated Clinic Expenses

Medical and Wellness Cost Analysis	
MD/NP/LPN (Pass-Through)	\$ 890,278
Pharmacy Cost (Including Medication Estimate)	\$ 2,874,210
Laboratory/Pathology (Pass-Through)	\$ 137,968
Program Savings Engine	\$ 1,080,000
Management Fee	\$ 13,680
Clinic Set-Up Estimate: Equipment and Supplies (Pass-Through)	\$ 240,977
Corporate Travel Expenses	\$ 20,000
Health Risk Assessment	Included
Wellness Coaches	Included
Electronic Medical Records (EMR)	Included
185 Wellness Programs	Included
Total Medical Cost Year One:	\$ 5,057,113

Clinic Projected Savings

Year One Savings Detail	
Medical Savings	\$ 2,637,775
Pharmaceutical Savings	\$ 274,710
Program Savings Engine/Management Fee	\$ (1,093,680)
Other Expenses	\$ (260,977)
Total Savings	\$ 1,557,828

Accumulative Savings

Accumulative Savings Year 1	\$ 1,557,828
Accumulative Savings Year 3	\$ 10,742,313
Accumulative Savings Year 5	\$ 28,869,731



Medical Data Collection

State of Montana



The data you are providing below includes costs for the health plan year ending on (mm/dd/yy):

6/30/2011

Enter the total number of months included in the current year data below:

12

Add Notes for exceptions, comments, etc.

Total Medical costs should include All Medical, Drug, Work Comp (if applicable)

Total Medical (as given):
Annualized Total Medical Costs:

Year Ending June-11	Year Ending June-10	Year Ending June-09	Notes
---------------------	---------------------	---------------------	-------

\$ 39,809,677		
---------------	--	--

Prescription Costs (as given):
Breakout of Prescription Costs:
Prescription Costs PEPY:
% of Total Medical Claims:

\$ 6,702,092		
\$ 1,320	#DIV/0!	#DIV/0!
16.8%	0.0%	0.0%

Primary Care costs should include Dr/Office visit, Diagnostic & Lab (DXL), ER visits, Prevention

Primary Care Costs (as given):
Annualized Primary Care Costs:
% of Total Medical Claims:

\$ -		
\$ 7,050,040		
17.7%	0.0%	0.0%

Primary Care Office Visits (as given):
Annualized Primary Care Office Visits:
Average Primary Care Office Visit Cost:

34,492		
\$ 204.40	\$ -	\$ -

Total Number of Employees with Medical Benefits:
Total Medical Costs PEPY:
% Increase YoY

Year Ending June-11	Year Ending June-10	Year Ending June-09
5,076		
\$ 7,843	\$ -	\$ -
0.0%	0.0%	

Planned number of Employees for next year:
or expected % increase/decrease:
Average hourly wage per employee:

Year Ending June-12
5,076
0%

Should census vary more than 10% in a 12-month period, this Projection is subject to revision

Analysis Based on Data Given				Analysis Based on National Averages			
Total Office visits	34,492			% of Total Claims is Primary Care?			18%
office visits/employee	6.80			Total Claims	\$	39,809,677	
Cost/Office visit	204.40			Primary Care	\$	7,050,040	
Primary Care as % of Total Costs	17.7%			Office Visits		34,492	
PEPY \$	7,843	\$	7,050,040	Cost/Office Visit	\$	204.40	
Office Visits Used						34,492	
On-site Visits Used						17,246	adj to plan census change, if any



CareHere!

Updated: March 30, 2012
 Proposal effective until: June 28, 2012
 Projected Impact Analysis for:

				State of Montana Medical		
Assumptions	Total Health Plan % Annual Increase:		8%	Estimated Avg Office Visit:	\$ 204.40	
	Primary Care % Annual Increase:		4%	at a	60%	Impact:
	% of Prescriptions CareHere will dispense:		15%	Physician Extender (NP/PA)		30%
	Medical Provider Mix:	Doctors	50%			
Medical Savings Vehicle	Number	Units	Unit Cost	Costs In The Marketplace	Costs Through CareHere	Savings With CareHere
Total Employees	5,076 Ees					
Pharmacy - Onsite Dispensing						
Current Year Pharmacy Costs	\$ 1,320	PEPY				
Next Year Estimated	\$ 1,452	PEPY				
Next Year Estimated Pharmacy Impact	\$ 7,372,301	Annual		\$ 2,948,920		
Pharmacy Impact	40%					
CareHere Cost (Includes Mail Order Option)					\$ 2,211,690	
(Assumption: CareHere can prescribe the same medication at a 30% reduction)					\$ 59,000	
Pharmacy Set Up Cost					\$ 403,520	
Pharmacy Staffing						
				\$ 2,948,920	\$ 2,674,210	\$ 274,710
Clinic Operations						
Average Visits Per Day	24	visits				
Average Time With Doctor (minutes)	20	minutes				
Number of Visits	17,246	visits				
Current Year Cost/Visit	\$ 204.40					
Cost/Visit Next Year	\$ 212.57			\$ 3,666,021		
CareHere Day Units (Assumes 90% Fill Rate)	798	days				
Clinic Hours Per Week:	128	hours				
Doctor Days (50%)	399	days	\$ 1,000		\$ 399,000	
Extender (Nurse Practitioner) Days (50%)	399	days	\$ 600		\$ 239,656	
Registered Nurse / Licensed Practical Nurse (100%)	798	days	\$ 240		\$ 191,622	
Case Manager for Infusion Medication	250	days	\$ 240		\$ 60,000	
Malpractice insurance		annual			Included	
Lab and Supplies Estimates		per visit	\$ 8		\$ 137,968	
				\$ 3,666,021	\$ 1,028,246	\$ 2,637,775
Program Savings Engine (PEPM):	5,000	Employees	\$ 18		\$ 1,080,000	
Program Savings Engine (PEPM):						
All employees exceeding the first 5,000 will be at \$15 PEPM rather than \$18)	76	Employees	\$ 15		\$ 13,680	
Non-Recurring Expenses						
Initial Clinic Set-Up (estimated) - Includes X-Ray and Physical Therapy Equipment					\$ 240,977	
CareHere Corporate Travel					\$ 20,000	
Total Medical Savings (Cost) for Year One:				\$ 6,814,941	\$ 5,057,113	\$ 1,657,828
				Costs In The Marketplace	Costs Through CareHere	Savings With CareHere

*The all in cost for the Program Savings Engine, Staffing, Labs, and Supplies breaks down to \$34.85 per employee per month based on 5,076 employees.

Care Here!





CareHere!

Proposed By:

CareHere!

State of Montana

Health and Wellness Center - Cost Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Estimated Medical Provider Staffing:	\$ 890,278	\$ 925,989	\$ 962,524	\$ 1,004,461	\$ 1,041,899
Labs and Supplies:	\$ 137,968	\$ 143,487	\$ 149,226	\$ 156,195	\$ 161,403
Clinic Set-Up Estimate: Equipment and Supplies	\$ 240,977				
Clinic Set-Up Estimate: Equipment and Supplies	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Program Savings Engine:					
Staffing: Wellness Coaches CareHere Staffing Director of Clinical Operations Care Coordinator/Case Manager Accounting Support Services: 24/7 Call-Center 1,800 Customer Support Education Tools Marketing Information Technology Support HRA Employee Events Medical Health Services: Immunizations Sports Physicals Plan of Care Compliance Patient Medication Adherence	\$ 1,096,416	\$ 1,096,416	\$ 1,096,416	\$ 1,096,416	\$ 1,096,416
Program Savings Engine Total:	\$ 1,096,416	\$ 1,096,416	\$ 1,096,416	\$ 1,096,416	\$ 1,096,416
Management Services:					
Technology: EMR CareHere Connect Information Technology Online Appointment Scheduler Smartphone Application Data Analytics EMR Access and Integration with Outside Spectral/PCP/ER Wellness: Case Management Weight Management Hypertension Management Addiction Intervention Pre-Diabetes Management Lipid Management Stress Management Health Risk Assessments/Biometric Screenings* Clinical/On-site Services: Self-Care Education Tools Reporting Purchasing Coordination Clinic Inventory Management Patient Survey Feedback Clinic Best Practices Sharing Integration of Services ROI Analysis Budget Adherence	\$ 913,690	\$ 913,690	\$ 913,690	\$ 913,690	\$ 913,690
Management Services Total:	\$ 913,690	\$ 913,690	\$ 913,690	\$ 913,690	\$ 913,690
Projected Total:	\$ 5,973,529	\$ 6,041,403	\$ 6,379,941	\$ 6,746,107	\$ 7,130,310

1. Staffing assumes a 4% annual increase to account for market trends. The staffing cost is 100% pass-through, so if the trend remains flat, then there will be no requirement to pay for staffing at an increasing rate.
 2. Labs and Supplies are a 100% pass-through cost. Assumes a 4% annual increase to account for market trends.
 * CareHere provides a health risk assessment (28 panel biometric screening) to all employees and dependents. Tests are provided at no additional charge.

Care Here!



State of Montana ESTIMATED RETURN ON INVESTMENT

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Employee Total	5,076	5,076	5,076	5,076	5,076	
Visits	17,246	17,246	17,246	17,246	17,246	
Medical Claims Savings	\$ 1,544,095	\$ 1,649,606	\$ 1,759,337	\$ 1,873,458	\$ 1,992,144	\$ 8,818,640
Wellness/Case Management/Health Risk Assessments Savings		\$ 1,659,548	\$ 3,521,412	\$ 5,604,527	\$ 7,929,447	\$ 18,714,935
Clinic Set-Up Estimate: Equipment and Supplies	\$ (240,977)					\$ (240,977)
CareHere Corporate Travel	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (100,000)
Pharmaceutical Savings	\$ 274,710	\$ 302,181	\$ 332,398	\$ 365,639	\$ 402,203	\$ 1,677,133
Annual Savings Through CareHere	\$ 1,557,828	\$ 3,591,335	\$ 5,398,149	\$ 7,823,624	\$ 10,303,794	\$ 28,869,731
Market Place Annual Cost	\$ 6,614,941	\$ 8,716,022	\$ 11,054,774	\$ 13,653,315	\$ 16,535,688	\$ 56,574,740
Annual Total Cost	\$ 5,973,529	\$ 6,041,103	\$ 6,378,041	\$ 6,746,107	\$ 7,148,310	\$ 32,287,069
Estimated Return on Investment Ratio:	\$ 1 to \$ 1.11	\$ 1 to \$ 1.44	\$ 1 to \$ 1.73	\$ 1 to \$ 2.02	\$ 1 to \$ 2.31	\$ 1 to \$ 1.75
Accumulative Savings Year 1:	\$ 1,557,828					
Accumulative Savings Year 3:		\$ 10,742,313				
Accumulative Savings Year 5:					\$ 28,869,731	

APPENDIX H: PRO FORMA

Please refer to Section 5.1.3 for description of requirements.



Projected Impact Analysis for:

Updated: March 09, 2012

State of Montana

Assumptions	Total Health Plan % Annual Increase:	2%	Estimated Avg Office Visit:	\$ 113,200
	Primary Care % Annual Increase:	5%	at a	9% Impact.
	Prescriptions % Annual Increase:	2%		
	% of Prescriptions mCARE will dispense:	4%		
	Workers Comp % Annual Increase:	0%		
	% of Office Visits Converted to mCare:	50%		

	Number	Unit Cost	Costs in The Marketplace		
Medical Savings					
Total Employees	5,076				
Pharmacy - Onsite Dispensing					
Current Year Pharmacy Costs		\$ 6,702,092			
Next Year Estimated		\$6,903,455			
Infusion Therapy Savings					\$ 682,312
					\$ 682,312
Clinic Operations					
Average Visits Per Day	24				
Average Time With Doctor (minutes)	20				
Number of Visits	18,442				
Current Year Cost/Visit		\$ 114.38			
Cost/Visit Next Year		\$ 128.10	\$ 2,214,747		
mCare Day Units	768				
Clinic minimum hours per week	118				
On-Site Clinic Staff (3 year average)			\$ 1,258,947		
Lab Services			\$ 138,324		
Misc. Material Fees (Supplies, etc.)			\$ 116,380		
Malpractice Insurance (3 year average)			\$ 19,200		
Health Screenings within Helena			\$ 740,000	\$ 184,952	
Health Screenings outside of Helena			\$ 349,000		
			\$ 2,964,747	\$ 1,898,803	\$ 955,944
mCare of Montana, LLC Admin Fee	Employees: 5,076	\$ 17.00		\$ 1,035,504	
				\$ 1,035,504	\$ (1,035,504)
Total Medical Savings (Costs)			\$ 2,964,747	\$ 3,034,307	\$ 682,312
Time Away From Work Savings					
Average Hourly Employee	\$ 18.00	per hour			
Average Time Away To See Doctor	180	minutes			
mCARE Time To See Doctor	30	minutes			
Net Time Savings	150	minutes			
Net Time Savings Cost	\$ 45.00	per visit			
Lost Productivity (Salary + 50% output)	\$ 67.50				
Total "Time Away" and "Lost Productivity"	\$ 112.50				
Adjustment for "off the clock"	90%				
Adjusted Time & Productivity Savings	\$ 56.25				
Employee Visits (65% of total visits)	11,987				
Total Time Away From Work Savings	\$ 874,287.34			\$ (874,287)	
Other Savings					
Total State of Montana Savings (Cost) for Year One*:			\$ 2,964,747	\$ 2,898,940	\$ 682,312

*Does NOT include HRSA Start Up Costs of Rent



Updated: March 16, 2012

Projected Impact Analysis for:

State of Montana

	Year Ending Jan-11	Year 1 Projected	Year 2 Projected	Year 3 Projected
Medical Healthplan				
Projections without mCARE				
Employees	5,076	5,076	5,076	5,076
Average Cost PEPPY growing at 0%	\$ 7,843	\$ 8,470	\$ 9,148	\$ 9,830
Total Claim Costs without mCARE	\$39,809,677	\$ 42,994,451	\$ 46,434,007	\$ 50,148,728
Projections with mCARE				
Total Claim Cost with mCARE		\$ 42,399,744	\$ 43,571,737	\$ 46,292,041
mCARE Savings		\$ 594,707	\$ 2,762,271	\$ 3,856,687
Inflation Savings		\$ 682,212	\$ 682,212	\$ 682,212
Medical Savings		\$ 659,895	\$ 723,487	\$ 781,366
Time Away from Work Savings		\$ 674,267		
Other Savings		\$ -	\$ -	\$ -
Disease Management, Prevention, & Employee Behavior		\$ (396,184)	\$ 2,392,075	\$ 3,428,513
State of Montana Savings Engine		\$ (1,036,904)	\$ (1,036,904)	\$ (1,036,904)
Employee Cost Per Year		\$ 8,353	\$ 8,604	\$ 9,120
Workers Compensation				
Projections without mCARE				
Average Cost PEPPY growing at 0%	\$ 45	\$ 45	\$ 45	\$ 45
Total Claim Costs without mCARE	\$ 226,231	\$ 226,231	\$ 226,231	\$ 226,231
Projections with mCARE				
Total Claim Cost with mCARE		\$ 203,608	\$ 180,965	\$ 180,965
mCARE Savings		\$ 22,623	\$ 45,266	\$ 45,266
Employee Cost Per Year		\$ 40	\$ 36	\$ 36
Total Medical Healthplan & Workers Compensation				
Projections without mCARE	\$40,035,908	\$ 43,220,682	\$ 46,660,238	\$ 50,374,959
Projections with mCARE				
Total Claim Cost with mCARE		\$ 42,603,352	\$ 43,852,721	\$ 46,473,026
Total mCARE Savings		\$ 617,339	\$ 2,807,517	\$ 3,981,333
Savings Percentage of Total Claims without mCARE		1.4%	6.0%	7.7%
Total Employee Cost Per Year without mCARE		\$ 8,615	\$ 9,192	\$ 9,824
Total Employee Cost Per Year with mCARE		\$ 8,393	\$ 8,639	\$ 9,165

Total 3 Year Projected Savings: \$ 7,388,730

*Does NOT include initial Start Up Costs or Fees

Note:

The projected savings above do not include the added employee benefit from no co-pays or deductibles.

Data Collection Form

For:

State of Missouri



The data you are providing below includes costs for the health plan year ending on (month/year):

2011

Enter the total number of months included in the current year data below:

12

Add Notes for exceptions, comments, etc.

Total Medical Costs should include:

All Medical, Drug, Work Comp (if applicable)

Total Medical (as given):

\$ 30,600,877

\$ -

\$ -

Annualized Total Medical Costs:

\$ 30,600,877

\$ -

\$ -

Prescription Costs (as given):

\$ 6,702,002

\$ -

\$ -

Breakout of Prescription Costs:

\$ 6,702,002

\$ -

\$ -

% of Total Medical Claims:

18.8%

0.0%

0.0%

Primary Care costs should include:

Office Visit, Diagnostic & Lab (DCL), EP Visit, Prevention

Primary Care Costs (as given):

\$ 4,218,585

\$ -

\$ -

Annualized Primary Care Costs:

\$ 4,218,585

\$ -

\$ -

% of Total Medical Claims:

10.8%

0.0%

0.0%

Primary Care Office Visits (as given):

38,883

-

-

Annualized Primary Care Office Visits:

38,883

-

-

Average Primary Care Office Visit Cost:

\$ 114.38

\$ -

\$ -

Total Workers Compensation Costs:

\$ 226,251

\$ -

\$ -

Total Workers Compensation Costs:

\$ 226,251

\$ -

\$ -

WC as % of Total Medical Claims:

0.0%

0.0%

0.0%

Total Number of Employees with Medical Benefits:

5,076

-

-

Total Medical Costs PEPY:

\$ 7,643

\$ -

\$ -

% Increase Yr/Y

0.0%

0.0%

Planned number of Employees for next year:

5,076

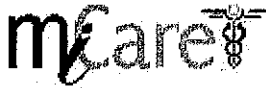
DR expected % increase/decrease:

0%

Average hourly wage per employee:

\$ 18.00

Analysis Based on Data Given		Analysis Based on National Averages	
Total Office Visits	38,883	% of Total Claims in Primary Care?	11%
Office Visits/Employee	7.27	Total Claims	\$ 30,600,877
Cost/Office Visit	114.38	Primary Care	\$ 4,218,585
Primary Care as % of Total Costs	10.8%	Office Visits	38,883
PEPY \$	7,643	Cost/Office Visit	114.38



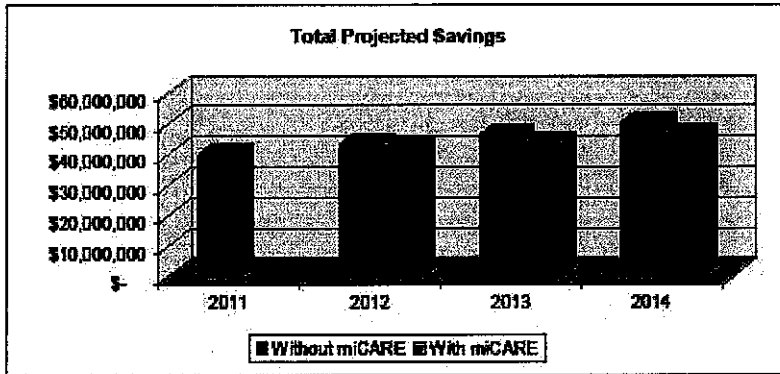
Updated: March 30, 2012

Projected Impact Analysis for:

State of Montana

Total Projected Savings (Costs)

	2011	2012	2013	2014
Without miCARE	\$ 40,035,008	\$ 43,220,882	\$ 46,660,238	\$ 50,374,659
With miCARE		\$ 42,603,352	\$ 43,862,721	\$ 46,473,028



Initial (One-Time) Set Up Fees:

Design/Build Out	\$	576,200
Equipment	\$	66,490
Information Technology	\$	95,650
Set Up for On-site clinic health screenings	\$	45,190
TOTAL START UP FEES	\$	783,530

Total 3 Year Projected Savings (Including Set Up Fees)*:

\$ 6,543,021

*Does NOT include the cost of building rent

**Does include cost of State-Wide Screenings

Attachment C

Employee Health Clinics Frequently Asked Questions

Why is the state of Montana setting up employee health centers?

- Based on an independent actuarial analysis of the CareHere proposal for the Helena clinic, Montana could save over \$100 million over five years once clinics are up and running statewide. The cost savings come in two ways. First, savings will come from the increased efficiency of paying for care at cost instead of fee-for-service. The second level of savings comes as employees' health improves and catastrophic claims are reduced through wellness, disease management, and chronic care programs offered at the clinics.
- The decision to provide clinics for employees reflects a growing trend in America. Employers are turning to workplace health clinics as a way to increase productivity and manage spiraling health-care costs.
- The National Business Group on Health, a nonprofit membership organization that represents large companies on health-care issues conducted a health-care survey among its respective members and clients in 2011. It found that 23 percent of the companies surveyed provided workplace health services, and another 12 percent were planning to offer them in 2012.

What is an employee health center?

- It's a doctor's office that would operate much like other family practice clinics. The following kinds of care will be available at the employee health clinics: primary health care, acute and episodic health care, wellness services, health screenings, pharmacy services, and other services depending on the needs of the local employees. Employees and dependents can also access wellness exams, annual check-ups, or physicals. Appointments and walk-in treatment will both be available.

Will I still be able to see my doctor?

- Yes. Visiting the new clinic is your choice. You can choose to use the new clinic as your primary care provider, keep your current doctors, or do a little of both. Employees who use the optional clinics will see lower or no copayments, less paperwork, better health care, and less time away from work and family.

How will the clinic generate savings for taxpayers and employees?

- The cost savings come in two ways. First, increased efficiency results from paying for care at cost instead of by fee-for-service. The second level of savings comes as employees' health improves and catastrophic claims are reduced through wellness, disease management, and chronic care programs offered at the clinics.
- The health care industry's current "fee-for-service" model allows doctors and other providers to receive a fee for each service—every office visit, test, and

procedure. In regular clinics, health care providers must raise all the revenue to pay for the building, staff paychecks, utilities, and overhead. This can lead to pressure to “make budget” by generating a certain number of visits, tests, etc.—whether they are needed or not. The fee-for-service model is like asking a butcher how much pot roast you should eat.

- The contractor will be paid based on what the care actually costs—at cost—with no markup.
- Physicians and nurse practitioners won’t perform medical tasks that registered nurses or nonmedical staff could do instead (for example, recording weight and taking blood pressure).
- Employees who use the optional clinics see lower copayments, less paperwork, better health care, and less time away from work. The clinics maximize efficiency by consolidating services into one appointment rather than deferring other needed care; the patient who comes in because of a virus may also get a tetanus shot and refill a prescription—resulting in fewer bills.
- Additionally, the health clinic may offer free or reduced-cost services that are valuable to employees, such as health coaches, laboratory analysis, health screening, and dieticians.
- Savings can be realized even if only a small number of employees use the clinics. Right now, about 20 percent of state employees don’t visit a doctor each year. Many more employees are screened for health conditions and never see a doctor for follow up. By keeping more of these employees healthy, we can save money by preventing more costly medical problems down the road.
- The employee health clinic model has been tested in the private sector for many years. Employers have found that employees like the clinics and the savings they provide for employees.

How much taxpayer money will be saved?

- Based on an independent actuarial analysis of the CareHere proposal for the Helena clinic, Montana could save over \$100 million over five years once clinics are up and running statewide.

Is this related to the Affordable Care Act?

- No. This is a cost-saving and health management tactic that has been used by America’s largest employers for decades. Frustrated by runaway health costs, companies are opening employee health clinics to save millions for their bottom line and keep employees on the job. Now, Governor Schweitzer is putting these private sector ideas to work to generate millions in savings for Montana taxpayers. More than one third of the nation’s largest employers offer workplace health services for their employees according to a recent survey.

Is this just for state employees in Helena?

- No. The request for proposal calls for clinics across the state, not just in Helena. Clinics in every community will be tailored to meet community needs. For example, some areas have a lot of people working on swing and night shifts. Other communities have dentist shortages. Other communities may benefit from regularly scheduled travelling clinics.

Who will run the clinics?

- A contractor will supply all staffing and expertise to run the clinics. Six organizations responded to the request for proposal to run the clinics. State procurement laws do not allow request for proposals to give preferential scores for in-state companies. Proposals are scored on affordability, projected cost savings, experience, and ability to provide the necessary services.

How are state employees involved in the process?

- The state employee health plan has an advisory council (SEGBAC) to provide advice prior to negotiating contracts. The Health Care and Benefits Division presented information to SEGBAC at its February 28, 2012, meeting. Additionally, all SEGBAC meetings are public meetings and are conducted in accordance with the public meeting laws.
- A needs assessment will be conducted in each community to determine how to best meet the local health care needs.
- Employees will have the opportunity to participate in the HCBBD Spring Benefits Tour to learn more about the employee clinics. A schedule of these meetings can be found at <http://benefits.mt.gov>.

Does this mean my health insurance is changing?

- No, the employee clinic does not change your health coverage. The State of Montana is a self-funded benefits group. That means that insurance is not purchased, but rather the state contributions and employee out-of-pocket contributions are pooled and used to pay claims. The state does not purchase private health insurance for its employees. Private health insurance companies are contracted to process the paperwork and claims for the health plan. The Montana State Employee Health Plan covers 33,500 employees, retirees, and dependents. There are other changes in the health plan that will be discussed at the HCBBD Spring Benefits Tour described above.

Where is the money to pay for the clinic coming from?

- The State of Montana is a self-funded benefits group. That means that insurance is not purchased, but rather the state contributions and employee contributions are pooled and used to pay claims. As such, the benefits plan has reserves that will be used to fund the initial start-up. The clinics will be built with reserve funds, not by a rate increase for employees. Those funds will be replenished as the clinic begins saving money. This will mean cost savings for taxpayers and state employees.

Does Montana have the authority to establish a clinic without the legislature?

- Yes. Title 2, Chapter 18, Parts 7 & 8 of the Montana Code Annotated provides the authority and guidance for the Department of Administration to operate the State Plan for the benefit of State employees, legislators, retirees, and their dependents. Statutes require the state to establish a program to provide state employees with adequate group hospitalization, health, medical, disability, life, and other related group benefits in an efficient manner and at an affordable cost. The clinic was one of the many ways we ensure we are operating in an efficient and cost-effective manner. The plan has a statutory appropriation of funds.

Won't this compete with private doctors and hospitals?

- The United States healthcare system has been facing a decline in its primary care workforce, infrastructure, and access to primary care services for several years. A number of factors, including poor reimbursements to primary care physicians, low comparative income, and poor quality of work life due to high patient loads, have contributed to more doctors choosing to train and practice in specialty medicine. This trend has led to a shortage of primary care providers across the country—likely contributing to fragmented care, inappropriate use of specialists, and less emphasis on prevention.