



























**SCHEDULE A**

**RESULTS OF THE VALUATION  
AND THE BENEFITS OF ADVANCE FUNDING  
PREPARED AS OF SEPTEMBER 30, 2018**

		<b>5.00% Discount Rate (Current Funding Level)</b>	<b>7.00% Discount Rate (Contribute Full ADC Annually)</b>
<b>1.</b>	<b>PAYROLL</b>	\$ 6,756,474,151	\$ 6,756,474,151
<b>2.</b>	<b>ACTUARIAL ACCRUED LIABILITY</b>		
	Present value of prospective benefits payable in respect of:		
(a)	Present active members:	\$ 4,864,022,877	\$ 3,454,187,624
(b)	Present retired members and surviving spouses:	<u>3,802,948,623</u>	<u>3,130,390,923</u>
(c)	Total actuarial accrued liability	\$ 8,666,971,500	\$ 6,584,578,547
<b>3.</b>	<b>PRESENT ASSETS FOR VALUATION PURPOSES</b>	\$ 1,428,803,000	\$ 1,428,803,000
<b>4.</b>	<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY [(2)(C) minus (3)]</b>	\$ 7,238,168,500	\$ 5,155,775,547
<b>5.</b>	<b>AMORTIZATION PERIOD</b>	23	23
<b>6.</b>	<b>NORMAL CONTRIBUTION</b>	\$ 256,444,070	\$ 150,313,826
<b>7.</b>	<b>ACCRUED LIABILITY CONTRIBUTION</b>	<u>385,696,543</u>	<u>330,215,029</u>
<b>8.</b>	<b>TOTAL CONTRIBUTION (6) + (7)</b>	\$ 642,140,613	\$ 480,528,855
<b>9.</b>	<b>TOTAL CONTRIBUTION AS A PERCENT OF PAYROLL (8) ÷ (1)</b>	9.50%	7.11%



### GAIN/LOSS

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the gain (loss) for the year ended September 30, 2018 is shown below.

Gain/Loss		
1.	<b>UNFUNDED ACCRUED LIABILITY (UAL) 9/30/2017</b>	\$ 7,133,280,503
2.	<b>NORMAL COST 9/30/2017</b>	258,538,092
3.	<b>ACTUAL EMPLOYER CONTRIBUTIONS</b>	245,545,000
4.	<b>INTEREST ACCRUAL</b> [(1) + (2)] X .05 – [(3) X .025]	<u>363,452,305</u>
5.	<b>EXPECTED UAL 9/30/2018</b> (1) + (2) - (3) + (4)	\$ 7,509,725,900
6.	<b>GAIN DUE TO CLAIMS AND PREMIUM EXPERIENCE</b>	<u>(256,096,483)</u>
7.	<b>EXPECTED UAL 9/30/2018 AFTER CHANGES</b> (5) + (6) + (7)	\$ 7,253,629,417
8.	<b>ACTUAL UAL AS OF 9/30/2018</b>	\$ 7,238,168,500
9.	<b>EXPERIENCE (GAIN)/LOSS</b> (9) - (8)	\$ (15,460,917)
10.	<b>EXPERIENCE (GAIN)/LOSS AS % OF ACTUARIAL ACCRUED LIABILITY AT 9/30/2018</b>	(0.18%)



**EXPERIENCE (GAIN)/ LOSS BY SOURCE  
FOR THE YEAR ENDING SEPTEMBER 30, 2018**  
(Dollar amounts in millions)

<b>SOURCE</b>	<b>Total</b>	<b>% of 9/30/2018 Actuarial Accrued Liability</b>
<b>Age and Service Retirements.</b> Generally, earlier retirements cause losses and later retirements cause gains.	\$ (3.8)	(0.05)%
<b>Withdrawal.</b> More withdrawals than expected usually cause gains and less withdrawals than expected cause losses.	5.7	0.07%
<b>Disability Retirements.</b> More disabilities receiving health benefits than expected generally cause losses and less disabilities receiving health benefits than expected cause gains.	(4.4)	(0.05)%
<b>Death-In-Service Benefits.</b> If survivor claims are less than assumed, there is a gain. If claims are more than assumed, there is a loss.	8.6	0.10%
<b>New Members/Rehires.</b> Any past service causes losses, however pre-Medicare retirees returning to active service can cause a gain.	24.3	0.28%
<b>Retiree Mortality.</b> More deaths than expected cause gains, less than expected cause losses.	(5.0)	(0.06)%
<b>Investment Return.</b> Investment income greater than expected causes gains while investment income less than expected cause losses.	(47.9)	(0.55)%
<b>Other.</b> Miscellaneous gains and losses resulting from data corrections, timing of financial transactions, actual benefit payments and premiums different from expected, rounding of age and service for sliding scale calculations, changes in valuation software, etc.	7.0	0.08%
<b>Total (Gain)/Loss</b>	\$ (15.5)	(0.18)%



## SCHEDULE B

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### PLAN ASSETS

Plan assets are resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan. The Alabama Retired Education Employees' Health Care Trust has been established and, as of the valuation date, the market value of assets amounted to \$1,428,803,000. The development of the market value of assets is shown in the following table.

#### Market Value of Assets as of September 30, 2018

(Amounts in Thousands)

Asset Summary Based on Market Value	
Market Value September 30, 2017	\$ 1,348,563
Contributions	245,545
Benefits, administrative fees and other disbursements	<u>(279,806)</u>
Cash flow	\$ (34,261)
Investment Income	<u>114,501</u>
Market Value September 30, 2018	\$ 1,428,803





**SCHEDULE C**

**OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016, and are reasonable expectations of anticipated experience under the Plan. The assumptions were used in the retiree health care valuation for consistency and are under PEEHIP Board jurisdiction.

**VALUATION DATE:** September 30, 2018

**DISCOUNT RATE:** 5.00% per annum, compounded annually.

**PAYROLL GROWTH:** 3.00% per annum, compounded annually.

**HEALTH CARE COST TREND RATES:** Health care cost trend rates reflect the change in per capita health costs over time due to factors such as inflation, utilization, plan design, and technology improvements which are detailed in the "Annual Increase in Medical/Prescription Drug/Optional Plan Costs" below.

Annual Increase in Medical/Prescription Drug/Optional Plan Costs			
Year	Pre-Medicare Medical Trend*	Medicare-Eligible Medical Trend*	Optional Plans Trend
2018	6.75%	**	2.0%
2019	6.50%	5.00%	2.0%
2020	6.25%	5.00%	2.0%
2021	6.00%	5.00%	2.0%
2022	5.75%	5.00%	2.0%
2023	5.50%	5.00%	2.0%
2024	5.25%	4.75%	2.0%
2025	5.00%	4.75%	2.0%
2026	4.75%	4.75%	2.0%

\* Also applies to sliding scale age and years of service premium to be contributed by retirees, surviving dependent contributions, University Contributions and the PEEHIP Supplemental Plan cost.

\*\* No trend is applied to the MAPD until 2019 because the rates are guaranteed through 2019.

The "Annual Increase in Base Contributions Received from Covered Members" details how the expected increase in the amounts contributed from covered retirees and dependents will increase over time. The trend rates are detailed below and apply to the base rate retiree premiums only. The sliding scale premiums are assumed to increase with health care trend. The premiums for surviving dependents are assumed to approximate the assumed claims cost over time.

Annual Increase in Base Contributions Received from Covered Members	
Retiree Share of Premium	Retiree Optional Plans Premium
2.0%	2.0%



**AGE RELATED MORBIDITY:** Per capita costs are adjusted to reflect expected cost changes related to age. The increase to the net incurred claims was assumed to be:

Participant Age	Annual Increase*
< 40	0.0%
40 – 44	2.6%
45 – 49	2.6%
50 – 54	3.2%
55 – 59	3.4%
60 - 64	3.7%
65 – 69	3.2%
70 – 74	2.4%
75 – 79	1.8%
80 – 84	1.3%
85 and over	0.0%

*\*Optional and Supplemental Plan costs are not age adjusted.*

**ANTICIPATED PLAN PARTICIPATION:** The assumed annual rates of plan participation and spouse coverage are as follows:

Medical	Under 65	Over 65
Disabled Retirement*	100%	n/a
Service Retirement	80%	80%
Spouse Coverage	50%	50%

*\* 100% of current disabled retirees and future disabled retirees who are not also eligible for service retirement are assumed to qualify for Social Security Disability benefits and thus would be exempt from sliding scale contributions.*

Optional Plans	
Plan	Participation
Hospital Indemnity	10%
Dental	40%
Cancer	10%
Vision	10%

Wives are assumed to be three years younger than husbands.

We assume 15% of males and 10% of females pay the \$50 monthly tobacco surcharge. This applies to both retirees and spouses.

We assume 100% of pre-Medicare eligible retirees and covered spouses will qualify for the wellness credit.



**ANNUAL EXPECTED MEDICAL/PRESCRIPTION DRUGS CLAIMS (AGE 65):** Following is a chart detailing expected per member per year medical/prescription drugs claims for pre-65 members for the year following the valuation date. Post-65 claims are based on the adjusted premium rate for the MAPD plan. Claims are age-adjusted to age 65.

Medical/Prescription Drugs	
Pre-65	\$11,440
Post-65	\$2,185

**ANNUAL EXPECTED OPTIONAL PLAN CLAIMS:** Following is a chart detailing expected Optional Plan claims for the year following the valuation date. Optional Plan claims are not age-adjusted.

Dental Plan	Vision Plan	Cancer Plan	Hospital Indemnity Plan
\$526	\$80	\$155	\$219

**ACTUARIAL METHOD:** Costs were determined using the Entry Age Normal Cost Method. Under this method, the normal cost is determined as a level percentage of payroll which, if applied for the average new member during the entire period of his/her anticipated covered service from hire date through full retirement eligibility date, would be required to meet the cost of all benefits payable on behalf of the member. The unfunded accrued liability is determined by subtracting the present value of future normal costs together with the actuarial value of assets from the present value of expected benefits to be paid by the Plan.

**ASSET VALUATION METHOD:** Market value.



The following decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of death, disability, and withdrawal are as follows:

Age	Annual Rate of						
	Death*	Disability**		Withdrawal***			
		Tier I Years of Service	Tier II	Years of Service			
	10-24	25+	10+	0-4	5-9	10-19	20+
<b>Male</b>							
20	0.0293%	0.0008%		0.0008%	25.00%		
25	0.0319	0.0250		0.0250	14.80	11.00%	
30	0.0376	0.0425		0.0425	13.80	5.40	3.50%
35	0.0655	0.1300		0.1300	13.50	5.40	2.50
40	0.0914	0.1700		0.1700	13.00	5.40	2.25
45	0.1278	0.2700	0.2000%	0.2700	13.00	5.40	2.25
50	0.1812	0.6000	0.2000	0.6000	12.00	5.00	2.50
55	0.2567	0.9000	0.2000	0.9000	11.50	5.00	2.50
60	0.3815	0.5000	0.5000	1.3000	12.00	4.50	2.50
65	0.5353	0.5000	0.5000	0.5000	12.00	6.00	
69	0.6326	0.5000	0.5000	0.5000	12.00	6.25	
<b>Female</b>							
20	0.0108%	0.0100%		0.0100%	25.00%		
25	0.0117	0.0275		0.0275	12.75	9.00%	
30	0.0149	0.0425		0.0425	13.50	5.80	4.30%
35	0.0268	0.1000		0.1000	13.50	5.00	2.60
40	0.0399	0.2000		0.2000	11.50	4.75	2.00
45	0.0635	0.3500	0.2000%	0.3500	10.75	4.10	2.00
50	0.0947	0.6500	0.2000	0.6500	10.75	3.90	2.20
55	0.1371	1.0500	0.2000	1.0500	11.00	4.20	2.40
60	0.1929	0.5000	0.5000	1.4000	12.00	4.50	2.70
65	0.2743	0.5000	0.5000	0.5000	15.00	6.75	
69	0.3435	0.5000	0.5000	0.5000	15.00	7.25	

\*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Employee Mortality Table (with the sex distinct RP-2000 Combined Mortality Table used for ages over 70) projected with Scale BB to 2020 with an adjustment factor of 90% for males and 60% for females.

\*\*No rates of disability are assumed for members with less than 10 years of service.

\*\*\*No rates of withdrawal are assumed after eligibility for service retirement.



**SERVICE RETIREMENT:**

The assumed annual rates of service retirement for **Tier I** members are as follows:

For Tier I members upon attaining 25 years of service, rates are as follows:

<u>Age Group</u>	<u>Annual Rate</u>	
	<u>Male*</u>	<u>Female**</u>
47 & Under	25.0%	28.0%
48	25.0	20.0
49	20.0	17.0
50	16.5	13.0
51 to 53	16.0	15.0
54	16.0	17.0
55	16.0	18.0
56-57	16.0	19.0
58	16.0	21.0
59	20.0	22.0
60	20.0	30.0
61	20.0	27.5
62	35.0	45.0
63	30.0	35.0
64	23.0	32.0
65	28.0	38.0
66	27.0	40.0
67	22.0	35.0
68	22.0	37.0
69 to 70	22.0	30.0
71-74	20.0	30.0
75	100.0	100.0

*\*For males, retirement rates are increased by 5% in the year first attaining 25 years of service from age 51 through age 60.*

*\*\*For females, retirement rates are increased by 9% in the year first attaining 25 years of service from age 50 through age 59.*



For Tier I members first eligible for unreduced pension benefits before attaining 25 years of service, the rates are as follows:

<u>Age Group</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
60	12.5%	17.0%
61	11.0	13.5
62	25.0	23.5
63	18.5	18.0
64	15.0	17.0
65	28.0	28.0
66	27.0	28.0
67	22.0	23.0
68	22.0	27.0
69	22.0	22.0
70	22.0	26.0
71 to 74	20.0	24.0
75 & Above	100.0	100.0

The assumed annual rates of service retirement for **Tier II** members are as follows:

<u>Age Group</u>	<u>Annual Rate</u>			
	<u>Male*</u>		<u>Female**</u>	
	<u>Less than 25</u> <u>years of service</u>	<u>25 or more years</u> <u>of service</u>	<u>Less than 25</u> <u>years of service</u>	<u>25 or more years</u> <u>of service</u>
62	50.0%	60.0%	50.0%	70.0%
63	18.5	30.0	18.0	35.0
64	15.0	23.0	17.0	32.0
65	28.0	28.0	28.0	38.0
66	27.0	27.0	28.0	40.0
67	22.0	22.0	23.0	35.0
68	22.0	22.0	27.0	37.0
69	22.0	22.0	22.0	30.0
70	22.0	22.0	26.0	30.0
71 to 74	20.0	20.0	24.0	30.0
75 & above	100.0	100.0	100.0	100.0

\* For FLC Tier II members, rates on or after age 60 are the same as those for Tier I, while rates from ages 56 to 59 are equal to 0.20 for service less than 25 years and 0.30 for service greater than or equal to 25 years.

\*\* For FLC Tier II members, rates on or after age 60 are the same as those for Tier I, while rates from ages 56 to 59 are equal to 0.20 for service less than 25 years and 0.40 for service greater than or equal to 25 years.



**DEATHS AFTER RETIREMENT:** Rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females. Representative values of assumed mortality are as follows:

<u>Age</u>	<u>Service Retirement</u>		<u>Disability Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	0.3575%	0.2339%	3.5044%	1.7959%
60	0.5579	0.3825	3.8359	2.1434
65	0.9991	0.6795	4.1382	2.6417
70	1.6384	1.1928	4.8570	3.5474
75	2.8589	2.0200	6.3692	4.9231
80	5.0501	3.7900	8.4883	6.8160
85	8.8966	6.5271	10.9897	9.4450
90	16.4327	11.3249	15.4359	13.4706

**SALARY INCREASES:** Representative values of the assumed annual rates of future salary increases are as follows:

<b>Service</b>	<b>Annual Rate</b>
	2017 Valuation and later*
0	5.000 %
1-5	4.000
6-10	3.750
11-15	3.500
16 & Over	3.250

*\*Includes wage inflation at 3.000% per annum.*



## SCHEDULE D

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### SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

**ELIGIBILITY:** Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from the Teachers' Retirement System of Alabama.

**RETIREE CONTRIBUTIONS:** Retiree contributions vary based on plan election, dependent coverage, Medicare eligibility and election, tobacco usage and, for non-Medicare eligible retirees and spouses, wellness credits.

In November 2004, the Alabama Legislature enacted legislation (Act 2004-649) that required the Public Education Employees' Insurance Board to implement a sliding scale premium for all employees retiring after September 30, 2005, based on their years of service at retirement.

The premium for retiree coverage is broken down into the employer share (what PEEHIP pays) and the retiree share. Under the sliding scale, the retiree will still be responsible for the retiree share, however, the employer share will increase or decrease based upon a retiree's years of service. For those employees retiring with 25 years of service, the employer would pay 100% of the employer share of the premium. For each year less than 25, the employer share would be reduced by 2% and the retiree share will be increased accordingly. For each year over 25, the employer share would be increased by 2% and the retiree share is reduced accordingly.

The sliding scale premium will not apply to disability retirements for twenty-four (24) months from the member's date of retirement, provided the member submits to PEEHIP proof of application for Social Security Disability benefits. The exemption from the sliding scale premium can be extended beyond twenty-four (24) months from the member's date of retirement if the member qualifies for Social Security Disability benefits during the twenty-four (24) months following the member's date of retirement.

For members retiring on or after January 1, 2012, Act 2011-704 establishes changes to the sliding scale premium calculation. Under the law there are three major changes to the retiree sliding scale premium. These changes are related to a retiree's years of service (Service Premium Component), age at the time of retirement (Age Component) and subsidy premium (Subsidy Component).

- **Service Premium Component:** An employee who retires with less than 25 years of service will contribute 4% of the employer share for each year under 25 years of service instead of 2% under the current law. The Service Premium Component continues for the retiree's lifetime.
- **Age Component:** An employee who retires before becoming Medicare eligible will contribute 1% of the employer share for each year less than 65. Upon Medicare entitlement, the age component will be removed.
- **Subsidy Component:** An employee will contribute the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). The Fiscal Year 2019 subsidy premium amount is \$162.93 per month. Upon Medicare entitlement, the subsidy component will be removed.





## Retired Members

The following health insurance premiums are the base rates set by the PEEHIP Board. Base rates are before the wellness premiums, tobacco premiums, or the retiree sliding scale adjustments are applied, if applicable. The monthly premiums for members who retired prior to October 1, 2005, or members who retired on or after October 1, 2005, and before January 1, 2012, with 25 years of service are listed in the chart below and show a retiree's out-of-pocket cost after subtracting the retiree insurance contribution.

Sample Premium Rates 2018-2019 Plan Year			
Type of Contract	*Retiree Monthly Out-of-Pocket Premium	Premium if One Covered Dependent is ME Spouse	Premium if One Covered Dependent is NME Spouse
Individual Coverage / NME Retired Member	\$166	N/A	N/A
Family Coverage / NME Retired Member & More Than 1 Dependent or Only Dependent NME	\$421	\$451	\$521
Family/NME Retired Member with Only 1 Dependent who is their Spouse	N/A	\$305	\$496
Family Coverage/ NME Retired Members & Only Dependent ME	\$280	\$310	N/A
Individual Coverage / ME Retired Member	\$25	N/A	N/A
Family Coverage / ME Retired Member & More Than 1 Dependent or Only Dependent NME	\$280	\$310	\$380
Family/ME Retired Member with Only 1 Dependent who is their Spouse	N/A	\$164	\$355
Family Coverage / ME Retired Member & Only Dependent ME	\$139	\$169	N/A

*\* This rate applies to the PEEHIP Hospital Medical or the VIVA Health Plan and is the monthly amount that will be deducted from a retiree's check. The VIVA Health Plan is not available to retired members who are Medicare eligible or retired members who have dependents who are Medicare eligible.*

The premium rates above do not include the \$50 monthly tobacco surcharge for both retirees and their spouses.

Retirees participating in the PEEHIP Supplemental Plan were assumed to cost \$149 monthly effective October 1, 2018.

The University System makes a contribution to PEEHIP for every University retiree participating in PEEHIP plans regardless of age or plan tier election. For Fiscal Year 2019, the monthly amount is \$338 per retiree.



The State per member per month funding can be used to purchase the PEEHIP Supplemental Plan or two optional plans at no cost to the retiree if the retiree is not purchasing one of the hospital medical plans. Additional optional plans can be purchased for \$38.00 per month per plan.

**Optional Coverage: Active and Retired Members**

Cancer	\$38.00/month Individual or Family Coverage
Indemnity	\$38.00/month Individual or Family Coverage
Dental	\$38.00/month Individual Coverage \$50.00/month Family Coverage
Vision	\$38.00/month Individual or Family Coverage

Retiree premiums for the four optional plans, Hospital Indemnity, Dental, Cancer and Vision, are \$38 per retiree per month. Since these plans can be purchased for \$0 in lieu of taking the hospital medical coverage, it is assumed that 75% of future participants in the Dental plan and 50% of future participants in the other optional plans will make the \$38 per month (\$50 for Family Dental) contributions.

**Surviving Dependent**

The following health insurance premiums are the base rates set by law and approved by the PEEHIP Board. Base rates are before wellness and tobacco premiums are applied, if applicable. These rates begin the first of the month following the member's date of death.

Premium Rates 2018-2019 Plan Year	
Type of Contract	Monthly Premium for PEEHIP Hospital Medical or VIVA Health Plan
Individual Coverage/Non-Medicare-eligible (NME) Survivor	\$826
Family Coverage/NME Survivor & More Than 1 Dependent or Only Dependent NME	\$1,098
Family Coverage/NME Survivor & Only Dependent Medicare-eligible (ME)	\$1,002
Individual Coverage/ME Survivor	\$355
Family Coverage/ME Survivor & More Than 1 Dependent or Only Dependent NME	\$705
Family Coverage/Medicare-eligible Survivor & Only Dependent ME	\$609
Supplemental Medical Plan (Single or Family)	\$149
Optional (Each) – Cancer, Indemnity, Vision, and Single Dental	\$38
Optional – Family Dental Premium	\$50
Tobacco Premium for Survivor Enrolling in Hospital Medical	\$50
Wellness Premium/NME Survivor	\$50



## Benefit Policy and Premium Changes

Effective October 1, 2018

*(Unless otherwise notated)*

### Teladoc<sup>®</sup>

- ◆ All members who are enrolled in the PEEHIP Hospital Medical Plan Group #14000 have access to Teladoc<sup>®</sup>, which provides consultations with board-certified doctors via phone or video 24 hours a day/7 days a week. This service is available at zero copay and can be used to speak with a doctor about a variety of issues such as cold, flu, allergies, infections, and more. Plus, when necessary, the doctor can even prescribe the appropriate medication needed for treatment. This exciting new benefit can be used in place of the emergency room or urgent care for non-emergency situations.

### Applied Behavior Analysis (ABA) Therapy Copay Reduction

- ◆ PEEHIP covers Applied Behavior Analysis (ABA) Therapy for children ages 0 through 18 at 100% of the Blue Cross Blue Shield of Alabama allowance, subject to a **\$15** copay per visit and the annual dollar maximum limits of \$40,000 for ages 0 through 9, \$30,000 for ages 10 through 13, and \$20,000 for ages 14 through 18, for in-network and out-of-network enrolled providers, **effective retroactively to January 1, 2018.**

### Flexible Spending Account (FSA) Plan Changes

- ◆ The Flex debit card will be allowed for all eligible expenses for medical, dental, vision as well as pharmacy claims; the automatic bump reimbursement option will be eliminated.
- ◆ The annual maximum Health FSA contribution amount increased to **\$2,650** beginning fiscal year October 1, 2018. This is a benefit enhancement.
- ◆ The Dependent Care Reimbursement Account (DCRA) annual maximum contribution remains unchanged at \$5,000 (\$2,500 each if married filing separately).

### VIVA Health Plan Benefit Changes

- ◆ PEEHIP members covered by the VIVA Health Plan have access to teleconsultation through Teladoc<sup>®</sup> just like members covered under the PEEHIP Hospital Medical Plan Group #14000 administered by Blue Cross Blue Shield of Alabama. The copay for VIVA members is increasing to **\$45** per consult effective October 1, 2018.
- ◆ The combined medical and prescription drug in-network maximum annual out-of-pocket amounts will increase to **\$7,350** for individual and **\$14,700** per family for the 2018-2019 benefits. Maximum out-of-pocket amounts are a benefit to members because they limit the total amount members will pay out-of-pocket for their in-network healthcare expenses.
- ◆ VIVA will also begin covering ABA therapy effective October 1, 2018, and coverage will be at 80% of the allowed amount after members meet the deductible. The calendar year deductible remains unchanged at \$500 for individual and \$1,500 per family contract for the 2019 fiscal year. ABA therapy will be available to those members with a diagnosis of autism, autism spectrum disorder, or pervasive developmental delay.
- ◆ VIVA benefits have always included Diabetic Self-Management Education (DSME) with no limit. This benefit was previously billed by a hospital as an outpatient claim, causing the applicable member cost-sharing and deductible. DSME will not be a new benefit category, which is a benefit enhancement because the deductible no longer applies.



### **Maximum Annual Out-of-Pocket Amounts**

- ◆ The combined medical and prescription drug in-network maximum annual out-of-pocket amounts will increase to **\$7,900** per individual and **\$15,800** per family per calendar year effective January 1, 2019.

### **Supplemental Medical Changes**

- ◆ The annual maximum amount of claims paid under Group #61000 will increase to **\$7,900** per individual and per calendar year effective January 1, 2019. This is a benefit enhancement.

### **Blue Distinction Centers for Bariatric Surgery**

- ◆ Since both quality of care and cost of care vary significantly among the broad choice of providers in Alabama, Blue Cross Blue Shield of Alabama has established Blue Distinction Centers as facilities within the state that are proven to show the best healthcare outcomes for certain procedures. To ensure members covered under the PEEHIP Hospital Medical Plan Group receive the safest and highest level of care when seeking treatment for surgery for morbid obesity or related bariatric procedures, coverage for these procedures is available only at Alabama Blue Distinction Center facilities effective January 1, 2018. No coverage is available for these procedures when done at a non-Alabama Blue Distinction Center. By using these facilities with proven results of better outcomes, members will experience less avoidable complications and re-admissions. Higher quality care and less complications equates to lower costs for the plan.
- ◆ Any in-network facility within the state can become a Blue Distinction Center if they meet certain quality of care criteria as set by Blue Cross Blue Shield of Alabama.

### **Pharmacy Changes**

- ◆ Due to the fast-moving nature of both new drugs becoming available and price changes amongst existing drugs, PEEHIP implements various utilization management programs throughout the plan year to the commercial plan formulary, including prior authorizations, step therapy, quantity limits and the exclusion of some drugs to drive utilization to lower cost therapeutic alternative medications. This is to ensure that the PEEHIP formulary covers the most effective drugs at the most reasonable price. No changes were made to the drug copay tiers.