The Oklahoma State and Education Employees Group Insurance Board

HealthChoice Highlights

As of August, 2009

A Word from the Chairman

The Oklahoma State and Education Employees Group Insurance Board has faced challenging years in the past but none as challenging as 2009.

Although the transition to a new claims administrator proved more problematic than anyone could have anticipated, the increased reporting capabilities provided by new processing systems will provide OSEEGIB with a better grasp of the factors that are driving up claim costs and enable us to take targeted action to help control those costs.

The Board faced additional challenges in July 2009, when the actuaries presented the preliminary premium rates for plan year 2010 indicating the need for an overall 12% increase in premiums. The decision to minimize the premium increase by increasing office visit and pharmacy copays was a difficult one but necessary in light of the projected budget shortfall and frozen appropriations being faced by state agencies, school districts, and other entities.

Despite the many challenges during 2009, the board looks forward to the improved claims processing and reporting capabilities the new claims processing system will provide and will continue to seek out the improvements and innovations that will keep this Plan competitive.

Our Mission

In an ever-changing environment, we are committed to serving Oklahoma by providing, with the highest degree of efficiency, a wide range of quality insurance benefits that are competitively priced and uniquely designed to meet the needs of our members.

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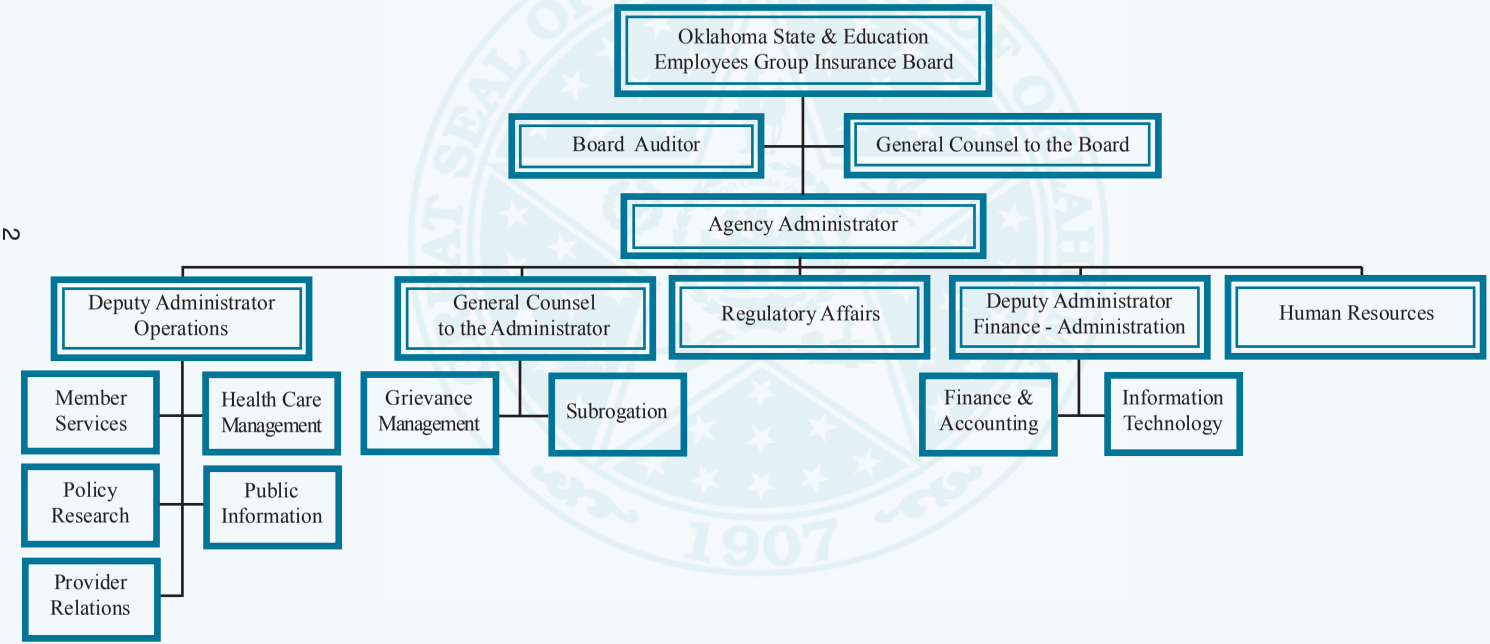
Oklahoma State and Education Employees Group Insurance Board

EXECUTIVE ORGANIZATIONAL CHART



Oklahoma State and Education Employees Group Insurance Board

LIST OF PRINCIPAL OFFICIALS

Administrator

Bill Crain

Deputy Administrators

Frank Wilson	Finance
Paul King	Operations

Senior Staff

Paul Duncan	General Counsel to the Board
Joe McCoy	Board Auditor
Kathy Pendarvis	General Counsel to the Administrator
Lynne Bajema	Finance and Accounting
Bo Reese	Information Technology
Dana Webb	Regulatory Affairs
Yasmine Barve	Health Care Management
Bonita McCoy	Policy Research
Gene Krier	Human Resources
Victoria Goodwin	Member Services
Teresa Robinson	Public Information/ Wellness
Teresa South	Provider Relations

Members of the Board

Richard N. Womack, Chairman
Appointed by the Senate Pro Tempore

Eugene P. Reding, Vice-Chairman
Appointed by the Governor

W. R. Moon, Secretary
Appointed by the Speaker of the House

V. David Miller
Appointed by the Governor

Cody Graves
Appointed by the Speaker of the House

Kim Holland, Ex Officio
State Insurance Commissioner

Members of the Board, continued

Michael Clingman
Appointed by the Governor

Steven Mattachione
Appointed by the President Pro Tempore

The meetings of the Board are regularly scheduled on the fourth Friday of each month at the OSEEGIB office located at 3545 NW 58th Street, Oklahoma City.

Advisory Council

Chairman	**Norman W. Cooper** *Retired Education Employees*
Vice Chairman	**Dr. Larry Bridges** *Providers*
Secretary	**Jamie McCoy** *Active Education Employees*
Member	**Dixie Jackson** *Active State Employees*

Currently there are three vacant positions on the Advisory Council.

The quarterly meetings of the Advisory Council are scheduled on the second Tuesday of the first month of each quarter at the OSEEGIB office located at 3545 N.W. 58th Street, Oklahoma City.

The History of OSEEGIB

1968 The State of Oklahoma first offered group health insurance to state employees.

1978 The Group Health Insurance Program becomes self-insured.

1982 Dental coverage is offered to members.

1986 Disability coverage is offered to state employees.

1988 Education employees are offered health and dental coverage.

1989 OSEEGIB becomes an independent agency.

1990 The Basic Hospital and separate Major Medical Plans are converted to a comprehensive health plan.

2000 The HealthChoice High and Low Option Health Plans are introduced replacing the Standard and High Deductible Plans.

2004 The HealthChoice Basic Plan is introduced to replace the Low Option Health Plan.

2006 The HealthChoice Medicare Supplement Plan With Part D benefits is introduced to provide Medicare prescription drug benefits to members.

2007 Pre-Medicare premiums for current and former members are blended.

2008 HealthChoice introduces the S-Account Plan, a high deductible health plan to be used with a Health Savings Account.

Participating Employer Groups

HealthChoice serves approximately 1,000 employer groups [1] consisting of:

- All state agencies
- 566 public school districts, interlocal co-ops, and education associations
- 28 vocational technical schools
- 24 colleges and universities
- 47 of 77 county governments
- 69 cities and towns
- 188 rural water districts, local government employers, and other eligible not-for-profit groups

The following table illustrates the available coverage by participant group:

Type of Employee	Health	Dental	Life	Disability	Medicare Supplement
State	X	X	X	X	
Education	X	X	X		
Local Government	X	X	X	X	
Retirees	X	X	X		X
Survivors	X	X	X		X
COBRA	X	X			X

[1] Employer groups as of June 30, 2009

2008 Financial Highlights

Claims History

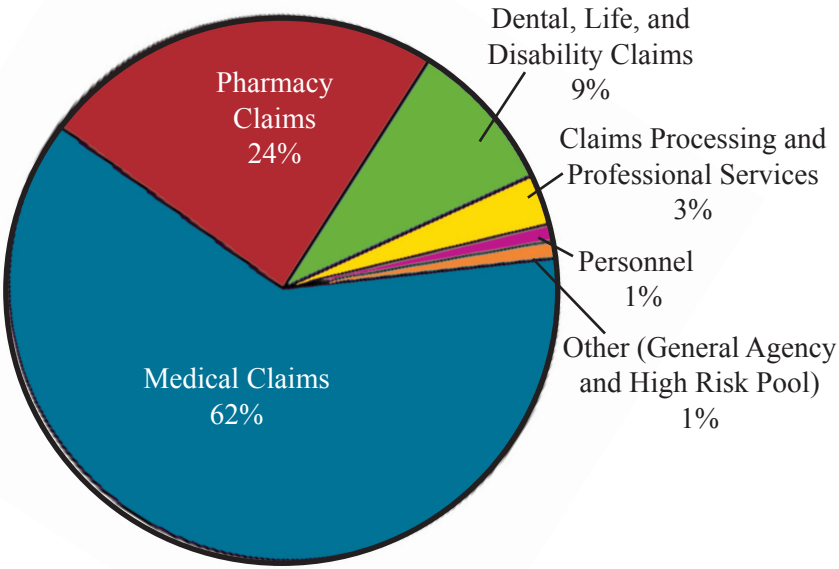
OSEEGIB provides health (medical and prescription drug), dental, life, and disability insurance benefits. In 2008, OSEEGIB paid out:

- $508 million representing 2.7 million health claims for 181,000 covered lives
- $195 million representing 3.3 million pharmacy claims for 181,000 covered lives
- $54 million representing 349,000 dental claims for 180,000 covered lives
- $2.3 million representing 9,000 disability claims for 41,000 covered lives
- $20 million representing 1,100 life claims for 150,000 covered lives

Administrative Costs

OSEEGIB is a component unit of the State of Oklahoma and operates as a special-purpose government entity engaged solely in business type activities, more specifically an insurance enterprise. In 2008, approximately 95% of premium contributions were paid out for member claims. The Plan's 5% administrative cost ratio has historically compared very favorably to other public and private plan ratios of 11-18% or more.

2008 Total HealthChoice Expenses[1][2]



[1] Chart does not include booking or amortization of premium deficiency reserve.

[2] The HealthChoice expense for payment of health, pharmacy, dental, life, and disability claims was 95%. Only 5% of the agency's total expenses were for administrative costs. Of that 5%, 50% went directly to claims processing. These costs are per member and increase as plan membership grows.

Efficiency

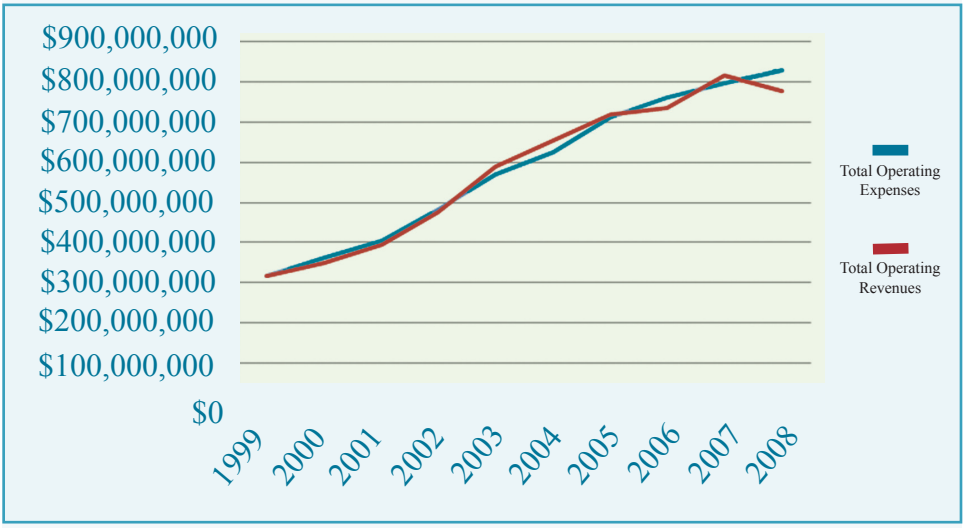
A Medical Cost Ratio indicates what percentage of premium revenue goes to compensate physicians, hospitals, pharmaceutical firms, and other providers and suppliers of medical services. The table below indicates the percentages of premium dollars paid directly to providers, as opposed to being spent on administrative costs or profit margins, as with private companies.*

HealthChoice	95.0%
CIGNA Corp.	63.3%
Aetna, Inc.	81.9%
United HealthCare Group	83.2%
Humana, Inc.	85.0%
Health Net, Inc.	85.3%

*Only 2nd quarter data for 2008 available

Revenues and Expenses

Operating Revenues and Expenses Over the Last Ten Years[1]



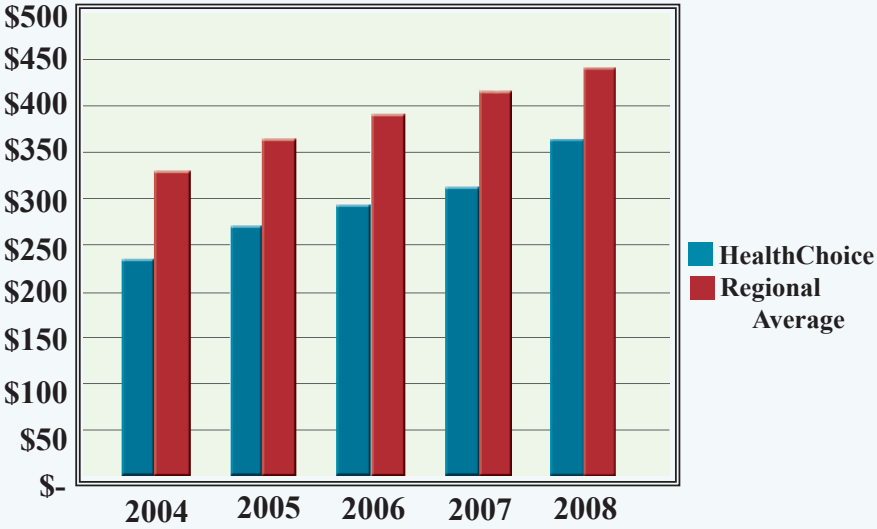
Revenues and expenses have increased as HealthChoice membership has grown and as healthcare costs have increased.

For 2008, the overall nationwide health trend for employer sponsored plans, according to AON Consulting, OSEEGIB's actuarial firm, was 10.7% for PPO plans with pharmacy benefits. The national trend for Medicare supplement plans was 6.6% for 2008. Historically, OSEEGIB's cost trends have tracked below national averages. As a large self-funded plan, OSEEGIB's cost trends are cyclical in nature and vary during any given plan year. OSEEGIB experienced an average medical trend of 9% for 2007; however, the average medical trend for 2008 rose to 10.4% for active members and retirees under age 65. OSEEGIB's trend for the Medicare Supplement Plan was 2.7%.

[1] The revenues and expenses reflected above do not include the booking or amortizing of premium deficiency reserve liability.

Comparison of Active State Employee Premiums

Regional States are Arkansas, Kansas, Louisiana, Missouri, and Texas



Premium Comparison

In 2008, the average monthly premium for the southern region of the country, which included Oklahoma, was $430; however, Oklahoma's self-insured plan, HealthChoice, had a 2008 employee premium of $364.

According to a 2008-2009 national benefit comparison, the average monthly health insurance premium for employee coverage was $510.

The national comparison listed nine states with a lower monthly employee premium than HealthChoice. Some states have shifted a large portion of the costs to their members by using a plan design that incorporates higher individual deductibles for network and non-network services.

Members Enrolled Per Plan

Health Coverage Enrollments by Employer
Current Employees and Dependents[1]
(Over the Last 5 Years)

State and Local Government			Education Entities		
Year Ended	Employees	Dependents	Employees	Dependents	Total
2008	33,487	28,979	52,180	20,798	135,444
2007	33,328	25,976	56,622	22,588	138,514
2006	34,415	26,447	56,758	24,279	141,899
2005	34,973	25,965	55,375	24,926	141,239
2004	32,510	23,649	55,953	27,976	140,088

Health Coverage Enrollments by Employer
Former Employees and Dependents[1]
(Over the Last 5 Years)

State and Local Government			Education Entities		
Year Ended	Employees	Dependents	Employees	Dependents	Total
2008	14,571	3,140	24,055	4,067	45,833
2007	14,460	3,088	24,637	4,273	46,458
2006	14,368	3,144	24,279	4,315	46,106
2005	14,867	3,325	24,825	4,490	47,507
2004	14,202	3,340	24,864	4,670	47,076

(1) These statistics were obtained from participant count data as of the year-end and are maintained for actuarial reserve-setting purposes and exclude any members and dependents participating in an HMO.

Dental Coverage Enrollments by Employer
Current and Former Employees and Dependents[1]
(Over the Last 5 Years)

State and Local Government			Education Entities		
Year Ended	Employees	Dependents	Employees	Dependents	Total
2008	46,222	36,223	63,566	33,885	179,896
2007	45,987	34,337	62,205	33,124	175,653
2006	45,689	32,755	61,536	33,346	173,326
2005	46,783	32,817	62,042	34,315	175,957
2004	49,322	34,707	62,849	35,468	182,346

Note: Dental participation is not tracked separately for active employees or retirees.

Life Coverage Enrollments by Employer
Current and Former Employees and Dependents[1]
(Over the Last 5 Years)

State and Local Government			Education Entities		
Year Ended	Employees	Dependents	Employees	Dependents	Total
2008	59,815	49,941	28,819	18,860	157,435
2007	58,721	46,990	27,263	17,267	150,241
2006	56,404	44,069	24,646	15,337	140,456
2005	55,969	43,296	22,536	13,891	135,692
2004	55,057	42,796	20,033	12,281	130,167

Note: Life participation is not tracked separately for active employees or retirees.

Disability Coverage Enrollments[1]
(Over the Last 5 Years)

State and Local Government	
Year Ended	Employees
2008	40,600
2007	40,336
2006	39,518
2005	38,809
2004	38,108

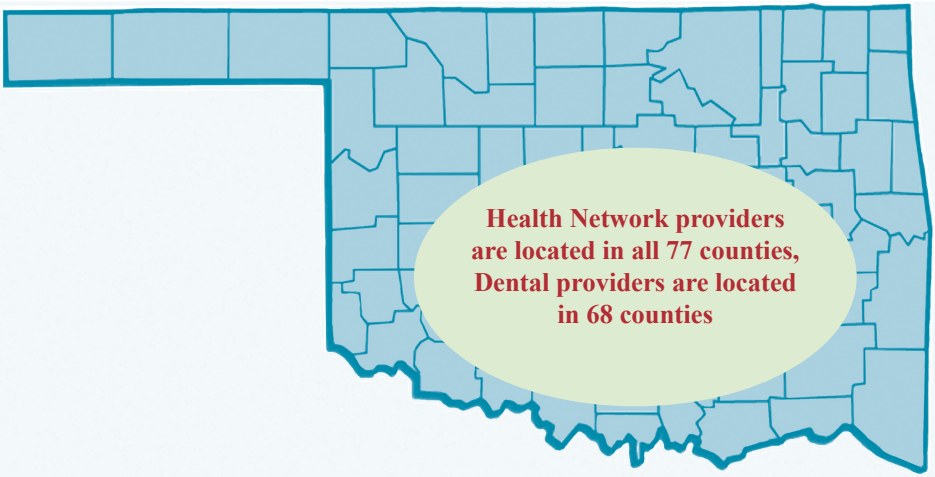
(1) These statistics were obtained from participant count data as of the year-end and are maintained for actuarial reserve-setting purposes.
Note: Disability coverage is not available to education entities.

Provider Networks

The HealthChoice Provider Network is one of the largest in Oklahoma with more than 15,000 healthcare providers, in excess of 1,000 dental providers, and nearly 200 hospitals[1].

Members realize substantial savings by using the healthcare professionals and facilities participating in the HealthChoice Provider Network. Network providers have agreed to accept set dollar amounts which are communicated to the providers through the fee schedule that is established by the Plan for covered services.

There are Network medical professionals and facilities located in all 77 Oklahoma counties. Network Dental providers are practicing in 68 counties. The Oklahoma Board of Dentistry reports there are currently no licensed dentists in Cimarron, Cotton, Dewey, Grant, and Harmon counties.



[1]Represents data as of June 30, 2009

Highlights of HealthChoice Plans

For Plan Year 2009, HealthChoice health plans provide the following benefits:

- ***High Option Plan:*** Based on Allowed Charges, Network benefits pay 80% and non-Network benefits pay 50% on covered services once the $500 calendar year deductible is met.

- ***Basic Plan:*** The Plan pays 100% of the first $500 of Allowed Charges for covered services. The next $500 of Allowed Charges is owed by the member as a deductible. The member and Plan then share the cost of the next $10,000 of Allowed Charges at 50% each.

- ***USA Plan:*** This plan is only available to current employees who receive an employment assignment outside Oklahoma and Arkansas for more than 90 consecutive days and to non-Medicare former employees who live outside those two states. A national provider network is available to members that includes approximately 450,000 providers located throughout all 50 states.

- ***S-Account Plan:*** This is a high deductible health plan to be used exclusively with a Health Savings Account (HSA). Enrollees must provide proof that an HSA has been established. Benefits are the same as the High Option Plan once the combined medical/pharmacy deductible is met.

- ***Medicare Supplement Plans With and Without Part D:*** The Medicare supplement plans cover the Part A deductible, the Part B coinsurance, and Part D prescription drug coverage.

Note: HealthChoice Plan benefits are subject to conditions, limitations, and exclusions that are described and located in Oklahoma Statutes, OSEEGIB Rules, and Administrative Procedures adopted by the Plan Administrator. The information provided in this booklet is only a SUMMARY and is not to be considered an all-inclusive description of any plan.

For Plan Year 2009, the HealthChoice Dental Plan provides the following benefits:

- **Dental** benefits of $2,000 are available annually to covered individuals. These benefits are based on Allowed Charges.

- **Orthodontia** benefits are available to members under age 19 or those age 19 and older with TMD. There is no deductible and the Plan pays 50% of Allowed Charges.

The HealthChoice Life Plan is available to employees and eligible dependents.

- **Basic Life** is available to current employees in the amount of $20,000.

- **Supplemental Life** is available in units of $20,000 up to a maximum of five times the member's annual salary or $300,000, whichever is less. A Life Insurance Application may be required. Participating retirees may retain all or part of their life insurance in $5,000 increments.

- **Dependent Life** is available as a unit-priced option for full family coverage to current employees who may select either the Premier, Standard, or Low option. Participating retirees may retain dependent life coverage in $500 increments.

The HealthChoice Disability Plan offers short-term and long-term disability coverage to current employees of participating employers. Based on 60% of the member's base salary (less offsets), the plan will pay:

- **Short-term** maximum monthly benefits of $2,500 for up to 150 days following a 30-day elimination period.

- **Long-term** maximum monthly benefits of $3,000.

Plan Changes For 2009

HealthChoice High Option Plan Changes

The number of visits allowed without prior authorization for occupational and speech therapy increased from 15 visits to 20 visits. There is a limit of 60 visits per year for each type of therapy. The maximum of three services per visit was removed.

The number of visits allowed without prior authorization for physical therapy/physical medicine and chiropractic therapy increased from 15 visits to 20 visits. There is a limit of 60 visits per year. The maximum of three services per visit was removed.

The health, dental, and life claims administrator for HealthChoice changed to EDS Administrative Services and the certification administrator changed to APS Healthcare.

Pharmacy Benefit Changes

Most prescription antihistamines, decongestants, and cough suppressants, including all non-sedating antihistamines are no longer covered medications.

Specialty pharmacy medications must be purchased through Accredo Health Group and members must pay the applicable copay for every 30-day fill.

Dental Plan Changes

The coinsurance for Network orthodontia services was changed to 50%.

The $50 orthodontia deductible for Network services and the $150 orthodontia deductible for non-Network services was removed.

The $1,800 lifetime maximum for orthodontia benefits was removed.

Advances in Technology

The Oklahoma State and Education Employees Group Insurance Board is constantly looking to improve the benefits and services we provide to Oklahoma's public employees.

Upgrades to the OSEEGIB eligibility system include increased reporting efficiency and simplification of the billing and premium accounting features. The system provides eligibility confirmations as well as reporting capabilities. The ability to perform certain electronic file transfers eliminates the need for paper eligibility reporting to HMOs. The system's user friendly, web-based data entry capabilities make Option Period changes simple for our Insurance Coordinators. In 2008, over 67% of Option Period transactions were handled electronically.

Unique member ID numbers were adopted by OSEEGIB in response to concerns about the increasing danger of identity theft. The identification numbers replaced members' Social Security numbers that were previously used.

CDs are being produced to reduce the number of training manuals printed for Insurance Coordinators and employees.

In response to the increasing availability of online access, HealthChoice is continually looking for ways to provide services via the web. Following are descriptions of some of these services:

ClaimLink gives members and providers easy online access to check the status of medical and dental claims, confirm or check deductible amounts, view and print details of medical and dental claims, print temporary health ID cards, and confirm eligibility. ClaimLink allows members secure access to important information about their health and dental claims and eligibility 24 hours a day, 7 days a week. An additional feature available to providers allows access to claims processing rationale.

The Frequently Asked Questions section of the website can be accessed at www.healthchoiceok.com. This feature provides access to general plan information 24 hours a day, seven days a week. Visitors

to the website can search the extensive knowledge base for plan information and submit questions directly to the HealthChoice Member Services Division.

The online Materials Request Form, allows Insurance Coordinators to easily request member materials from all the health, dental, and vision plans participating with OSEEGIB.

The Network Provider Fee Schedule gives Network Providers easy online access to the majority of HealthChoice's Allowed Charges for covered medical procedures and services.

Additional Responsibilities

Interagency Cooperation

Through annually renewed Interagency Agreements, the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) contracts with the Oklahoma Department of Rehabilitation Services and the Oklahoma Department of Corrections to provide network management and claims processing services.

Since November of 1998, OSEEGIB has developed and separately managed the Department of Rehabilitation Services (DRS) Provider Network which includes more than 4,500 providers in over 6,600 locations across Oklahoma. OSEEGIB also provides DRS, and its approximately 8,000 clients, with a myriad of other services such as claims processing, customer service, reporting, drug utilization, and quality assurance.

Since March of 2001, OSEEGIB has developed and managed the Department of Corrections (DOC) Provider Network which includes more than 3,000 providers across Oklahoma. OSEEGIB also provides additional services for DOC and its inmates including claims processing, customer service, reporting, and quality assurance.

Rate Setting Process

Base Period Claim Costs

Once a base period is determined, taking into account claims run off, unusual claim payment patterns, and backlog changes, the total claims incurred by plan, by category, and by class are calculated. Total incurred claims are divided by the average census to determine the base period cost per billing unit per month.

Trend

A trend rate is determined based on the Plan's actual experience and monthly incurred claim cost for the past 24 months. A rolling average of 12 months of incurred claim cost is calculated and the trend factor is measured from the beginning to the end of the 12-month average. The trend is refined for unusual or emerging patterns, as well as past history.

The trend factor is calculated by multiplying the trend rate to the nth power by the number of months for the projection (typically 18 to 26 months). The trend rate is then compared to national trends for reasonableness and possible adjustment.

Projected Incurred Claim Costs

These costs are calculated by multiplying the base period incurred claim costs by the trend factor. These costs may be refined for any plan design changes, fee schedule changes, or other appropriate factors. Costs are determined separately for medical and pharmacy and then added back together for a total projected incurred claim cost.

Net General and Administrative Costs

Administration determines costs based on the budget amounts submitted to the Office of State Finance. Projected risk adjustment income and rebate income are used to reduce costs. Net general and administrative (G&A) costs are spread evenly over all billing units to determine the monthly cost per billing unit.

"As Rated" Premium

This sum reflects the projected incurred claim costs by member and dependent categories, plus the allocated net G&A costs. The premium is then adjusted for the blending of inactive non-Medicare member costs with those of active member costs.

Plan Design Changes and Subsidization

Any savings or cost shifts due to plan design changes are actuarially determined and applied to the specific category and class impacted. Historically, the Board has approved actuarially prudent premium subsidization which has been spread evenly to each rate class.

HealthChoice Health High Option Plan Insurance Premiums

Active Employee Premiums				
Year	Member	Spouse	Child	Children
2009	$409.12	$587.92	$199.98	$343.10
2008	$364.24	$496.61	$181.44	$290.22
2007*	$364.24	$554.18	$189.04	$298.60
2006	$310.46	$450.22	$157.10	$250.40
2005	$313.86	$450.22	$157.10	$250.40

Former Employee, Pre-Medicare Premiums				
Year	Member	Spouse	Child	Children
2009	$409.12	$587.92	$199.98	$343.10
2008	$364.24	$496.61	$181.44	$290.22
2007*	$364.24	$554.18	$189.04	$298.60
2006	$400.46	$583.68	$157.10	$250.40
2005	$403.86	$583.68	$157.10	$250.40

Former Employee, Medicare Premiums				
Year	Member	Spouse	Child	Children
2009	$279.28	$279.28	$279.28	$279.28
2008	$245.80	$245.80	$245.80	$245.80
2007	$245.80	$245.80	$245.80	$245.80
2006	$251.84	$261.40	$139.62	$226.02
2005	$288.16	$284.80	$157.10	$250.40

*SB 1601 mandated premiums for active & pre-Medicare be blended

HealthChoice Plan Identification Information

Plan Administrator:	Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) 3545 N.W. 58th Street, Suite 110 Oklahoma City, OK 73112 1-405-717-8701 or 1-800-543-6044
Member Services:	Member Services / Provider Directory 1-405-717-8780 or 1-800-752-9475 TDD 1-405-949-2281 or 1-866-447-0436 Members With Part D 1-405-717-8699 or 1-800-865-5142 TDD 1-405-949-2281 or 1-866-447-0436 Website www.healthchoiceok.com
Health, Dental, and Life Claims Administrator:	EDS Administrative Services, LLC P. O. Box 24870 Oklahoma City, OK 73124-0870 1-405-416-1800 or 1-800-782-5218 TDD 1-405-416-1525 or 1-800-941-2160
Pharmacy Benefits Manager:	Medco Health Solutions 1-800-903-8113 or TDD 1-800-825-1230 Members With Part D 1-800-590-6828 or TDD 1-800-716-3231 Accredo Health Specialty Pharmacy 1-800-501-7260 or TDD 1-800-759-1089
Certification Administrator:	APS Healthcare 1-800-848-8121 or TDD 1-877-267-6367
Disability Claims Administrator:	GHS Property & Casualty Company 3401 N.W. 63rd Street Oklahoma City, OK 73116 1-405-841-9686 or 1-800-722-2567 TDD 1-800-863-5488