NEBRASKA
AS
AdministrativeServices

Gerry A. Oligmueller
Acting Director

Dave Heineman, Governor

November 27, 2013

Senator Heath Mello
Appropriations Committee, Chairperson
PO Box 94604
State Capital Building
Lincoln, NE 68509

Dear Chairman Mello:

The Department of Administrative Services is pleased to submit the State of Nebraska Health Insurance Plan Annual Report for the plan year July 1, 2012 to June 30, 2013. This submission is pursuant to Nebraska Revised Statute 50-502.

This report provides an overview of the financial management, participation and outcomes for the State's most recent health plan year. It also includes a brief summary of changes made for the current health plan year (July 1, 2013 to June 30, 2014) and a glossary of health insurance terminology used throughout the report.

We appreciate the committee's interest in the State's health insurance program and look forward to answering any of the committee's questions concerning this report at a future date and time.

Sincerely,

Gerry A. Oligmueller, Acting Director
Department of Administrative Services

cc: Members of the Appropriations Committee

State of Nebraska
Health Insurance Plan
Annual Report

Presented to the

Legislature's Appropriations Committee

November 2013

For the Plan Year

July 1, 2012 to June 30, 2013

Prepared by

State of Nebraska

Department of Administrative Services

NEBRASKA AS AdministrativeServices

Introduction

The Nebraska Department of Administrative Services (DAS) submits this annual report pursuant to Nebraska Revised Statute 50-502. The agency assures the State's health plans and all other benefits programs comply with state and federal guidelines; provides assistance to state agencies and employees regarding wellness and benefit issues; manages third party administrators and actuarial consultants; provides financial management to the health plan; and continuously researches health care and benefit program trends to assure the State continues to offer a competitive employment package to State employees.

Providing employees health insurance is one of the largest costs of doing business in the modern economy. This is no exception for the State of Nebraska. After several years of double-digit health care cost increases, the annual health care cost experience has stabilized in recent years.

In order to manage costs and ensure the program is on solid financial footing, substantial plan design changes have been implemented over the last several years including but not limited to: increasing deductibles, adjusting copays and coinsurance, and increasing maximum out-of-pocket expenses for employees.

And like many businesses, in 2009, the State of Nebraska began focusing on employee wellness as a means to contain health care costs and improve the health of employees and their spouses. The State created a Wellness health plan, becoming one of the first states to launch an integrated plan for health coverage tied to wellness program participation. The Wellness health plan, in conjunction with its wellness program, called **wellnessoptions**, is a unique value-based package which emphasizes smart use of health care along with individually tailored wellness programs.

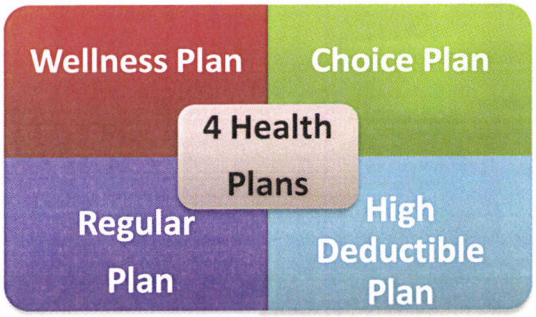
The State of Nebraska has set a standard for others in the public sector to follow. Since its implementation, the State of Nebraska has earned several prestigious national awards, including:

- 2010 and 2012 Gold Well Workplace by the Wellness Council of America
- 2011 Innovations Award from The Council of State Governments
- 2012 C. Everett Koop National Health Award

DAS will continue to evaluate programs and take steps to control costs, which benefits agencies, employees, and taxpayers across the state. A glossary of commonly used health plan terms used throughout this report has been added at the end of this document.

Report Contents

Health Plan Overview



For 2012-2013, the State of Nebraska's health insurance program consisted of four (4) self-insured health plans that included the Wellness Plan, Regular Plan, Choice Plan and High Deductible Plan.

Each plan included medical and pharmacy coverage for in-network and out-of-network providers, as well as wellness benefits. The plan year ran from July 1, 2012 through June 30, 2013 with open enrollment running from May 25, 2012 – June 8, 2012. All employees who chose to participate were required to enroll or re-enroll during Open Enrollment.

Coverage was offered to eligible State of Nebraska employees and COBRA participants. (Please see Enrollment and Eligibility on page 5 for additional enrollment information.) There were no prerequisites or requirements for employees to participate in the Choice Plan, Regular Plan or High Deductible Plan. To enroll in the Wellness Health Plan, employees and spouses were required to complete the following three (3) steps during the annual wellness cycle. New employees were able to participate in the Wellness Health Plan (with the completion of an online health assessment) until they go through Open Enrollment and then must complete these steps:

STEP 1 – Enroll in and complete a wellness program
STEP 2 – Complete biometric screening
STEP 3 – Complete the Insight Health Assessment (online)

When covered employees and their dependents incurred medical claims, health providers (hospitals, doctors, etc.) sent claims to the State's third party administrators. For the 2012-2013 plan year, United Healthcare (UHC) was the third party administrator for health care claims and its subsidiary, OptumRx, was the third party administrator for pharmacy claims. UHC and OptumRx assured that submitted claims were adjudicated correctly under the provisions outlined in the plan documents set forth by the State of Nebraska. UHC and OptumRx then paid the providers, and once payment cleared the bank, the State reimbursed UHC or OptumRx for the claims through the State Employee Insurance Fund.

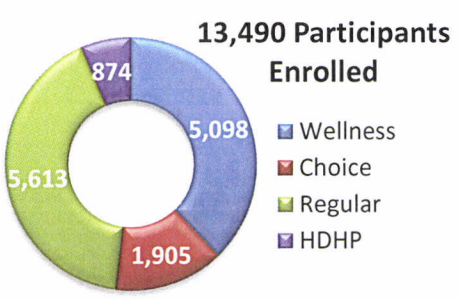
What does Self-Insured mean?

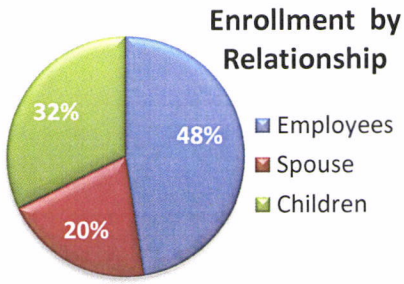
The State assumes the financial risk for providing health care benefits to its employees and contracts with United Healthcare (UHC) to process the claims. Instead of paying fixed premiums to UHC, which are inflated to include profit margins and taxes, the State collects contributions from employees and State agencies which are deposited in to a trust fund and used to pay for health care claims for plan participants after copays and deductibles.

Enrollment & Eligibility

State statute 84-1601 and statute 84-1604 allows for permanent full-time and part-time employees who work a minimum of 20 hours per week to participate in the State health plans. These employees are eligible for coverage the first of the month following 30 days of employment. In addition, state statute 84-1601 and statute 84-1604 also allows temporary employees working a minimum of 20 hours per week and hired into an assignment that is 6 months or longer to also be eligible for coverage in the State health plans after the regular waiting period. State of Nebraska retirees can continue coverage in a State health insurance plan until they are Medicare eligible, which is age 65, as allowed in State of Nebraska Personnel Rules and Regulations, Chapter 17.014; and the NAPE/AFSCME and State of Nebraska Labor Contract, Article 13.2.

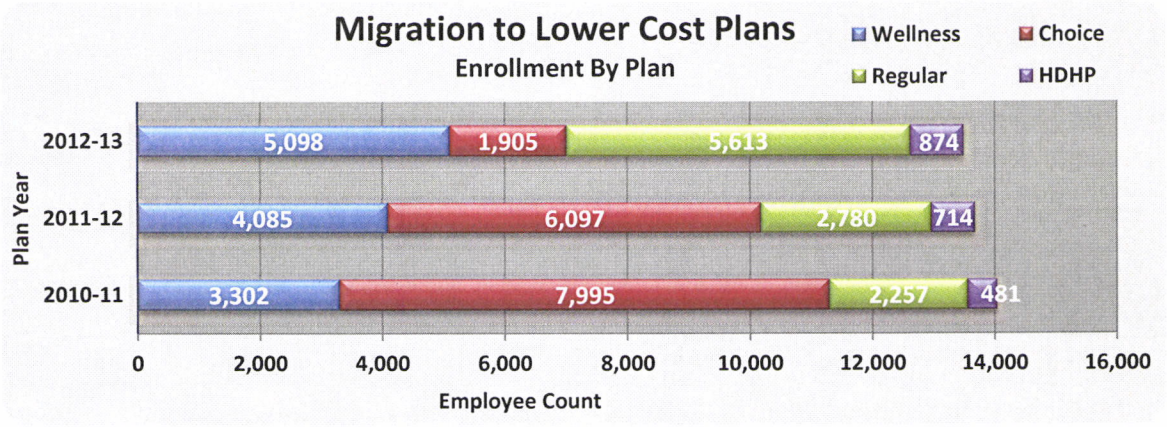
As of June 30, 2013, the plan had 13,490 employees enrolled, which included about 350 retirees and 70 COBRA participants. The total number of covered lives was 28,374, with 48% employees and 52% dependents.





Approximately 53% of participants were female and 47% were male. The average age of employees enrolled in the plan was 47.9, which according to UHC was higher than other public entity plans across the country.

Total enrollment in the State Health Insurance Plan over the past three years has fluctuated less than 1%; however, individual plan enrollments have changed significantly. Over the past three years, more employees have migrated from the Choice plan to the Regular, Wellness or High Deductible plan. Enrollment in lower cost plans like Wellness, Regular, and High Deductible, saves money for the employee and the State.



Plan Management & Fund Management

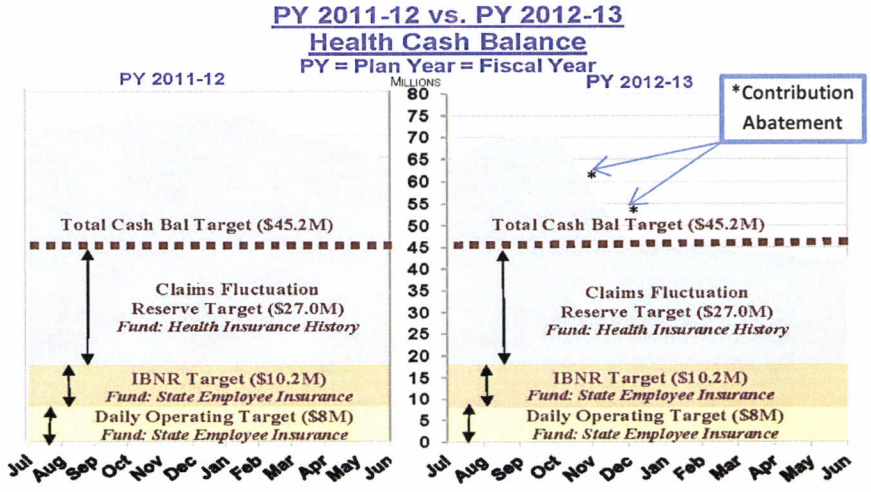
State statute 84-1613 established the State Employees Insurance Fund #68960 to pay medical and pharmacy claims, administrative fees and wellness program fees. This fund was administered by DAS and reserve targets were adjusted annually using cost projections from the State's actuary and health care consulting firm. For the 2012-2013 plan year the actuary and health care consultant was Aon Hewitt.

Reserves are imperative to successful management of a self-insured health plan for over 25,000 covered lives. The Health Insurance History Fund #68922 is a subsidiary fund of the State Employees Insurance Fund #68960 and contained the Claims Fluctuation Reserve (CFR). Health Insurance History Fund #68922 is designed to pay for the costs of coverage of unusual or high volume claims that may occur. Health Insurance History Fund #68922 also contains the amount to finance the operation of Program 606, Wellness and Benefits Administration, as approved by and stated in the biennium budget bill. The amount required for Program 606 operation was transferred by the State Treasurer from Fund Health Insurance History Fund #68922 to Health and Life Benefit Administration Fund #28010, established in state statute 84-1616.

The State of Nebraska purchased an Individual Stop Loss insurance policy through UHC with a $1 million deductible to protect the plan from catastrophic claims. As a result, the State was only responsible for the first $1 million of claims paid for an individual participant for the plan year.

Aon Hewitt in conjunction with DAS prepared an Incurred But Not Reported (IBNR) Analysis Report, Premium Rate Analysis Report, and Claims Fluctuation Reserve (CFR) Analysis Report for the State. These reports were reviewed at meetings conducted between the Wellness and Benefits Administrator, Personnel Director, Director of DAS, Budget Division, and the Governor to establish plan contribution funding, effective plan designs, and set targets for the plan year.

On June 30, 2012, the combined health plan cash balance was near $64 million. Since the November and December 2012 contribution abatement (see Health Plan Contributions for explanation), the combined balance of State Employees Insurance Fund #68960



and Health Insurance History Fund #68922 hovered around the targeted cash balance of $45.2 million range. It is important to note that the abatement resulted in savings to both the employee and taxpayers as agency budgets were reduced by an amount equal to their portion of the abatement.

For plan year 2012-2013, Aon Hewitt recommended a CFR of at least $27.0 million above the IBNR of $10.2 million. The State has established a targeted balance of $18.2 million in State Employees Insurance Fund #68960 to cover daily expenses and IBNR plus an additional CFR cash balance target of $27.0 million in Health Insurance History Fund #68922.

A summary of activities in State Employees Insurance Fund #68960 for the plan years ending June 30, 2012 and June 30, 2013 are shown below.

State of Nebraska Health Insurance Fund
Summary of State Employees Insurance Fund #68960 Activity
Comparison of Plan Years Ending June 30, 2013 and 2012

	Plan Year 2012-2013	Plan Year 2011-2012	Change	
Contributions			**Dollars**	**Percent**
Contributions*	$132,320,783	$174,122,318	-$41,801,535	-24%
Investment Income	$430,843	$1,076,841	-$645,998	-60%
Total Contributions	$132,751,626	$175,199,159	-$42,447,533	-24%
Distributions				
Medical Claims & IBNR	$113,681,448	$122,036,924	-$19,166,737	-16%
Pharmacy Claims	$28,762,371	$33,662,885	-$4,900,514	-15%
Wellness-Health Fitness	$2,978,609	$2,417,624	$560,985	23%
Administration Fees	$8,488,762	$9,096,155	-$607,393	-7%
Total Distributions	$153,911,190	$180,122,511	-$26,211,321	-15%
Net Difference	**-$21,159,564**	**-$4,923,352**	**-$16,236,212**	**330%**

***Contributions understated due to Nov & Dec 2012 contribution abatement.**

State of Nebraska Health Insurance Funds
As of June 30, 2013

	6/30/2013	As of 6/30/12	$ Change	% Change
State Employees Insurance Fund #68960	$12,242,015	$19,487,542	-$7,245,528	-37%
Health Insurance History Fund #68922	$29,845,726	$44,443,990	-$14,598,263	-33%
Total Reserves	**$42,087,741***	**$63,931,532**	**-$21,843,791**	**-34%**

***6/30/13 reserves decreased due to Nov & Dec 2012 contribution abatement.**

Health Plan Contributions

The State Employees Insurance Fund #68960 is funded by health plan contributions from participants and the State. Contributions are collected from employees through payroll deductions and combined with State contributions.

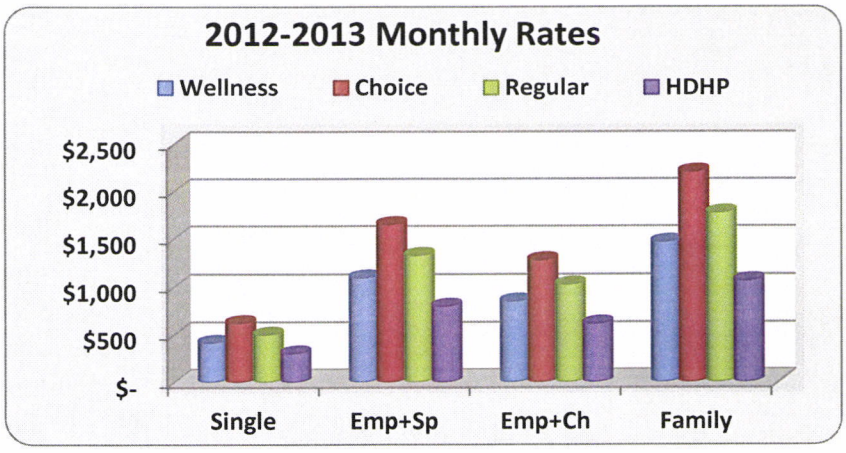
In accordance with state statute 84-1611, the State pays 79% of monthly rates and active, full-time employees pay 21%. Statute 84-1604 requires that part-time employees (21-39 hours a week) pay 21% of the monthly rate plus a pro-rated amount of the State's share. Retirees pay 100% of the monthly rate and COBRA participants pay 100% of the monthly rate plus a 2% administration fee.

Health plan contributions are reviewed each year. During the third quarter of the previous plan year (January -March 2012), Aon Hewitt provided the Wellness and Benefits Administrator with a Preliminary Premium Rate Analysis Report for the current plan year (July 1, 2012 – June 30, 2013). The Wellness and Benefits Administrator, Personnel Director, and Director of DAS reviewed the report along with the State Budget Division and Governor. The Director of DAS made a recommendation to the Governor who approved the contributions for the current plan year. Changes to contributions were communicated to employees prior to and during Open Enrollment and implemented on July 1, 2012.

Contributions to the plan decreased from $174 million to $132 million, driven by two factors:

> 2012 Contribution Abatement – The Plan collected no contributions from employees or State agencies during November and December of 2012. The abatement helped reduce the cash balance of the State Employee Insurance Fund by approximately $26 million to bring it down to the targeted cash balance of $45.2 million. Prior to the abatement, the reserve funds had hovered around $63 million for more than 2 years. The abatement resulted in a savings for employees and agency budgets as well as Nebraska taxpayers.
>
> Plan Enrollment Migration – For 2011-2012, almost two-thirds of Choice plan participants elected a less expensive plan for 2012-2013, reducing contributions for both the employee and the State. (See migration chart on page 5.)

The State health plans had no rate increases for 2012-2013 driven by projected cost savings from (1) UHC's network discounts; (2) plan design changes; and (3) migration to lower cost plans. The chart to the right shows monthly rates for each plan.



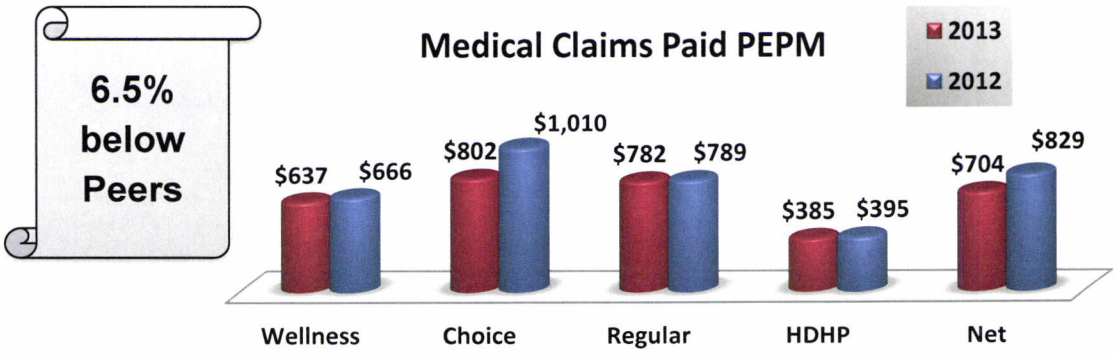
Medical Claims Review

Medical claims were administered by UHC and include costs associated with hospital stays, outpatient services, emergency care, behavior health care, physician office visits and preventive health care, among other services.

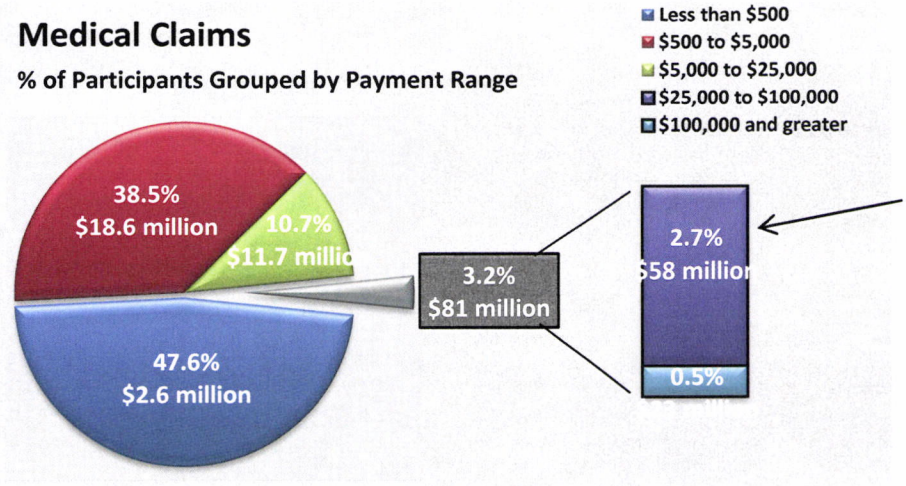
The State Employees Insurance Fund #68960 paid about $114 million of medical claims during plan year 2012-2013, which reflected a 16% decrease from the prior year. UHC network discounts, changes made to plan design, and participants enrolling in lower cost plans all added to the reduction of claims.

Treatment for neoplasms (cancer), circulatory (heart disease), and musculoskeletal conditions were the top cost driver of medical claims. Cancer was the top diagnosis for high-cost claimants, paying $41.78 per employee per month (PEPM) and 40% of high cost claims spend.

Overall, the average cost per employee on the plan decreased 15% from the previous year, from $826 PEPM to $704 PEPM, which was 6.5% below industry averages according to UHC.



Consistent with other group health plans, a small percentage of participants incurred a high proportion of total medical claims paid. Of the $114 million spent on medical claims, the plan paid over $81 million for just 3.2% (907 lives) of the total plan participation of 28,374. To further breakdown this group, about $58 million was spent on 2.7% (777 lives) of those enrolled in the plan. An additional $23 million was spent on just 0.5% (130 lives) of the participants and each of these participants had over $100,000 of claims.

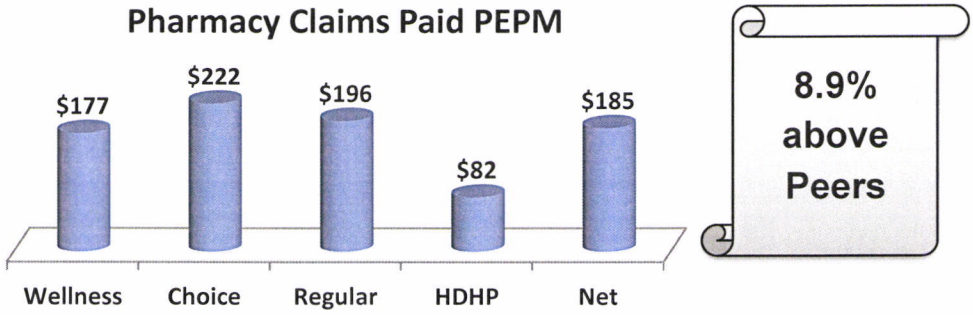


In contrast, the plan paid just $2.6 million for 47.6% (13,509 lives) of all plan participants.

Pharmacy Claims Review

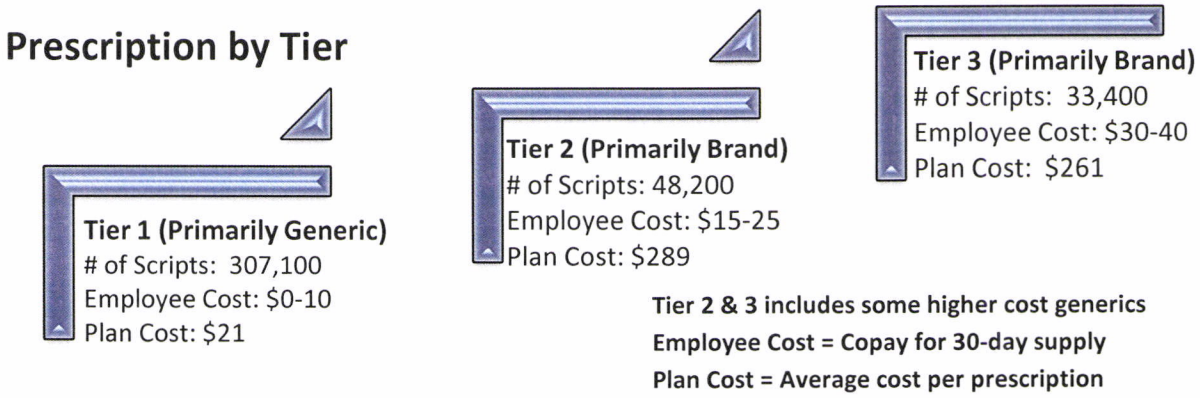
Pharmacy claims were administered by OptumRx, an affiliate of UHC. The plan paid about $29 million for prescription claims in 2012-2013, a savings of 15% savings from the previous year. The cost paid by the plan per employee was 8.9% higher than the peer group due to higher utilization, according to UHC.

Over 23,500 participants utilized pharmacy benefits in the health plan, filling about 388,000 prescriptions. The average cost per prescription of $77 was lower than the average cost of $92 paid the prior year. On average, each participant had 13.7 prescriptions annually compared to 11.9 industry average and participants on the Choice Plan filled more prescriptions than the other three State health plans.



	Wellness	Choice	Regular	HDHP	Net	Prior
Net Paid PMPM	$80	$115	$95	$42	$88	$99
Annual Scripts per Participant	12.0	18.2	14.8	8.0	13.7	13.0
Avg. Cost per Prescription	$80	$76	$77	$63	$77	$92
Generic Utilization	80%	79%	78%	81%	79%	74%

Participants used a generic drug 79% of the time, which was an increase from 74% the previous plan year and higher than UHC's industry norm of 76%. UHC's plan breaks drugs in to 3 tiers by cost. Tier 1 includes mostly generic plus some low-cost brand name drugs. Encouraging participants to choose generic prescriptions, primarily in Tier 1, reduces costs for both the employee and the plan as shown below.



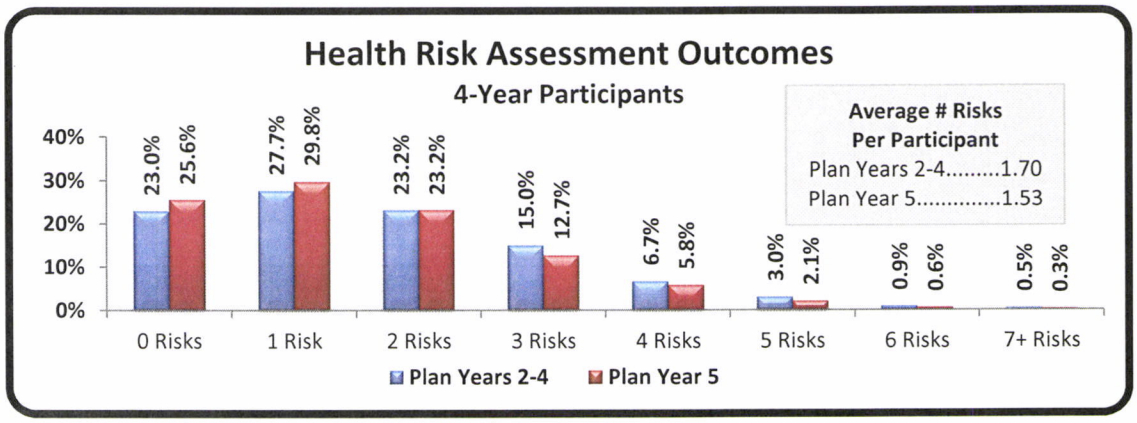
Wellness Program - wellnessoptions

The State's wellness program was administered by *HealthFitness™*, which provided the State with two dedicated, onsite Wellness employees. Wellness program fees were paid through the State Employees Insurance Fund #68960 and cost about $2.9 million for the plan year ending June 30, 2013. This reflects a 23% increase over previous plan year, driven by an increase in wellness program participation. The monthly rate per employee (PEPM) for wellness was about $18. These costs, shared by the State and employees enrolled in the State health plans, provided a comprehensive wellness program that yielded positive health and economic benefits now and likely will in the future.

Wellness Programs

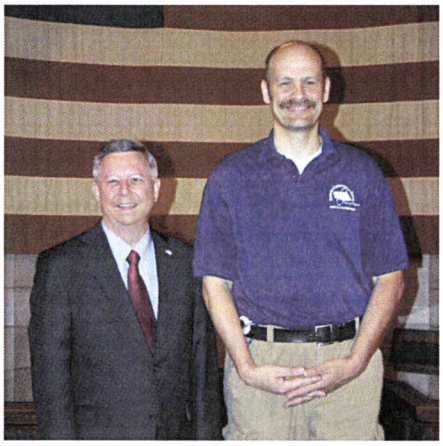
Interactive Health Platform
EMPOWERED Coaching
Biometric Screenings
Health Risk Assessment
Walk This Way
Cardio Log
NutriSum
Preventive Reminders
Chronic Care Reminders
Online Resources

Over 7,600 employees and spouses participated in wellnessoptions health screenings and health risk assessments offered during April through May 2013. Outcomes for these 7,600 participants show wellnessoptions participants averaged 1.65 health risks per participants which were healthier than HealthFitness' book of business of over 250,000 participants who averaged 1.68 health risks per participant. Even more important, employees and spouses who participated in wellness for the past four years saw their number of health risks reduce from an average of 1.70 to 1.53 (see chart below).



Below are other indicators that show how our health and wellness programs are improving the lives of State of Nebraska employees through preventive check-ups, screenings, and increased activity levels:

- 154 participants quit using tobacco
- 74% now exercise 3+ days per week
- 80% now consume 3+ fruits and vegetables a day
- Over 200,000 cardio log activities submitted
- Participants walked over 6 billion steps
- High Blood Pressure - 783 cases diagnosed
- High Cholesterol - 964 cases diagnosed
- Colorectal screenings detected 626 cases of benign polyps
- Cervical screenings detected 117 cases of pre-cancerous lesions
- Breast exams detected 9 cases of early stage cancer



State of Nebraska honors employees who share personal stories about how wellnessoptions has influenced their personal health. Following is one of several testimonials the Wellness and Benefits team has received from State employees.

Aaron Kurtzhals has been employed with the State since 2005 with the Department of Corrections. He was honored on the Wellness Wall of Fame and recognized by Governor Heineman for sharing his progress to leading a healthier lifestyle.

Aaron's story:

In April of 2011, I decided to sign up for the wellness program. At the time I was overweight at 318 pounds and had high cholesterol of 260. I ate fatty foods, felt sick most of the time, couldn't sleep at night, was highly stressed and just basically didn't feel good. After 2 very difficult years and a divorce, I had no self-esteem and felt I had lost everything. My family and children kept telling me I was getting fat and slow and were worried that I would die of a heart attack.

One day, I got mad and said "enough". I signed up for Walk This Way and started by walking two to five miles every day. I loved how I felt after I walked, so I continued to walk and increased my steps every day. It was tough at first, but I stuck with it. I kept a journal and wrote down everything I did and saw during my walks. I also changed my eating habits. I worked with my doctor and came up with a good plan. I increased my whole grains and ate a lot of oatmeal and rice to help bring down my cholesterol, and ate healthy proteins. I stayed away from caffeine and sugars. Keeping a notebook and logging everything helps you to be honest with yourself and really see what your old eating habits are.

TEN MILLION STEPS later…….I have lost 78 pounds, my waist went from 45 down to 39, my cholesterol reduced to 180. I can now run and catch up with my two daughters. My children are the most precious thing I have in this world and their smiles are payment enough to keep me working hard to stay healthy. My co-worker, Chan Taylor encouraged me often to help me reach my goals. If I can do it, anyone can do it. You can do it! I have faith that you can do it. Tell yourself that you are a leader and/or you are doing it for your family. You know in your heart that you are a tiger. You know you are the best. Very positive thinking comes from this. I challenge whoever reads this to try to beat my step total! I believe in you and you can ask me anything you need for encouragement. I am here to help!

The State of Nebraska Wellness program, Walk This Way was the challenge I needed. I took that challenge and surpassed it. It was so easy to qualify for the program. I read somewhere that walking 5 miles per day is the minimum that you should do to be healthy. You can do this in your office, or before work, or after work, or a combination of these. And the cost savings of the wellness plan is tremendous. A single parent has a lot of hardships…..don't let your health be one of those hardships.

When I was asked how important it was to me that the State of Nebraska provides a wellness program – my response was "This is a no brainer!" Not only do I pay less, but Nebraska pays less on insurance. There is so much to take advantage of; from walking programs to coaching programs and so much more. And all at no cost! I have never seen any program like this anywhere. You have fun, you eat healthy, you exercise, you can explore nature, you are sick less - you feel better!!! Don't miss out!

Snapshot of 2012-2013 Health Program Outcomes

Financial

- Medical PEPM was 6.5% below peer group.
- Pharmacy PEPM was 8.9% above peer group.
- Wellness Health Plan had costs 14.4% lower than the other 3 plans combined
- Emergency Room utilization was 31% lower than Peer Group.
- Age/gender factor was 11.3% above peer group.
- Osteoarthritis costs were 56% higher than Peer.
- Diabetics driving 21.3% of total costs; 28% of high cost claimant spend.
- Inpatient admissions 7.5% higher than Peer.

Clinical

- Prevalence of diabetes, heart disease, COPD, and back pain were higher than public peers and UHC norm.
- Prevalence of chronic conditions was highest in Choice plan.
- Intervertebral disc disorders was the top clinical cost driver.
- 9% of membership was diabetic. An estimated 413 participants are pre-diabetic.
- 75.6% of health assessment participants had 0-2 health risks, better than HealthFitness Book of Business.
- Wellness programs are reducing health risks of health plan participants.

Engagement

- Over 7,600 participants were engaged in **wellnessoptions** programs.
- 1,406 participants were actively engaged in UHC clinical program.
- Primary Care Physician visits per 1,000 was 22% lower than Peer.
- Participants in the Wellness Plan option had higher utilization of wellness visits and cancer screenings.

Looking Ahead

The State continues to focus on providing employees with a quality health insurance program integrated with wellness. According to Aon Hewitt, projected national healthcare cost trend for 2013 was 7.5% for medical and 6% for pharmacy. For the State, Aon Hewitt provided the State with cost projections and the following increases for year 2013-2014 were made starting July 1, 2013. Contribution increases for the State were below the national trend in anticipation more employees enroll in lower cost plans, changes to plan design, and health management initiatives.

2013-2014 Contribution Increases				
	Single	Employee & Spouse	Employee & Children	Family
Wellness	2.0%	2.0%	2.0%	2.0%
Choice	5.0%	5.0%	5.0%	5.0%
Regular*	0.0%	0.0%	0.0%	0.0%
High Deductible	3.6%	3.6%	3.6%	3.6%

*Per NAPE labor contract provision

For 2013-2014, HealthFitness continues to administer **wellnessoptions** and offer programs designed to help employees manage the risk of the top health conditions experienced by 2012-2013 claims: diabetes, heart disease, back pain, and older workforce. The following changes were implemented on July 1, 2013:

- ✓ Added 5 new Personalized Lifestyle Management programs to help employees manage weight, quit smoking, increase physical activity, improve nutrition, and manage stress.
- ✓ Increased the number of steps to 800,000 in Walk This Way program using a new pedometer that measures steps, aerobic steps, distance, calories, and fat grams burned.
- ✓ Increased Cardio Log to 50 workouts to qualify for Wellness Health Program.
- ✓ EMPOWERED Coaching will be accessible from mobile phone's browser 24/7.

The provision of health care in this country is at a crossroads, and decisions made in Washington, D.C., and across the nation will have an impact on how employers such as the State of Nebraska will provide health insurance to employees in the future. The State is continually monitoring health care trends in the industry and partnering with groups such as Aon Hewitt, UHC and others to seek out, analyze and provide the best features and options for employees and taxpayers.

The State also recognizes the total health of our workforce extends beyond physical well-being to also include other personal and economic needs. In addition to a competitive health and wellness program, DAS also works to ensure that employees and their families are able to participate in other group benefits including dental, vision, employee assistance program, flexible spending accounts, life and long term disability. We offer a quality benefit package designed to attract and retain a best in class State of Nebraska workforce.

Glossary

Aon Hewitt – An independent, nationally recognized actuary and health care consulting firm.

Brand Name Drug - A drug that has a trade name and is protected by a patent (It can be produced and sold only by the company holding the patent).

CFR (Claims Fluctuation Reserve) - An amount of money set aside (reserved) to pay for an unusually high volume of claims or unexpected number of claims.

Chronic Conditions - A diagnosis of diabetes mellitus, migraine, hypertension, hypertensive heart disease, heart failure, chronic bronchitis, asthma, etc.

Claimant - A unique participant for whom a claim was submitted for payment.

Claims Fluctuation Reserve Report – Report illustrating the appropriate level for various claim fluctuation reserves developed through simulation modeling of expected claims.

COBRA (Consolidated Omnibus Budget Reconciliation Act) - An option for a worker to continue group health benefits for a limited time following the termination of those benefits due to job loss, reduction in work hours, etc.

Employee - The primary subscriber of the health benefits. Employee includes active employees, retirees, and COBRA participants.

Generic Drug - Drug which contains the same active ingredients as brand-name medications but often cost less. Once the patent of a brand-name medication ends, the FDA can approve a generic version with the same active ingredients.

HealthFitness™ - Administrator of the State's wellness program, **wellnessoptions**.

High Cost Claimant - A claimant whose total net payments for a given time period are equal to or in excess of $100,000.

IBNR (Incurred But Not Reported) - Estimate of health plan claims for a time period for which payments have not been processed.

IBNR Analysis Report – Report prepared by Aon Hewitt for the State which provides an estimate of medical and pharmacy claims incurred as of the last day of the plan year but not yet processed for payment.

Glossary (continued)

NAPE – Nebraska Association of Public Employees, Local 61, labor union who represents several groups of employees who work at the State of Nebraska.

Net Paid - The total amount paid by the plan, after the application of discounts and after any member responsibility and coordination of benefits.

Network Discount Percent - Amount of reduction from billed amount that the third party administrator has negotiated with the provider.

Network Utilization - Eligible charges incurred using in-network providers.

OptumRx – Pharmacy benefit manager affiliated with UHC and administrator of the State's pharmacy benefit plan.

Norm - Based on a peer group average and not adjusted for characteristics of covered population.

Participant - A person eligible for plan benefits. A participant may be an employee, covered spouse or other legal dependent.

Premium Rate Analysis Report – Report used to project contribution rates for the upcoming plan year(s) based on claims experience and participant data.

Peer Group - A group of city, state, and county public employers selected by UHC.

PEPM (Per Employee Per Month) - The average revenues, expense, or utilization of services for one employee for one month.

PMPM (Per Member Per Month) - The average revenues, expense or utilization of services for one participant for one month.

Preventive Visits - Professional office visits considered precautionary.

United Healthcare (UHC) – Administrator of the State's health insurance program.

Wellnessoptions - The State of Nebraska's wellness program, administered by HealthFitness™.