



**State Group Insurance Program  
2010 Annual Report**



STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
BENEFITS ADMINISTRATION  
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312 Rosa L. Parks Avenue  
Nashville, TN 37243

Mark A. Emkes  
COMMISSIONER

Laurie Lee  
EXECUTIVE DIRECTOR

June 30, 2011

Ladies and Gentlemen:

We are pleased to submit the 2010 Annual Program and Financial Report for Benefits Administration. Under the direction of the State, Local Education and Local Government Insurance committees, this unit of the Department of Finance and Administration manages insurance benefits for more than 144,000 employees and 27,000 Medicare eligible retirees from public sector organizations in Tennessee. At the end of 2010, the state-sponsored plans provided health insurance coverage to more than 305,000 individuals.

The data presented here demonstrate program, statistical and financial trends for the plans. The financial statements reflect the fiscal year ended June 30, 2010.

While the state group insurance program sponsors the coverages and programs reviewed in this report, we work in partnership with 13 contractors and a number of other state agencies to deliver services to program participants. The results reported here reflect their contributions as well.

During 2010, the Division of Benefits Administration rewrote the rules of the state health plans with a major initiative to secure significant savings over the next five years. In addition, the division quickly assessed and responded to the health care reform bill signed into law on March 23, 2010, the Patient Protection and Affordable Care Act (PPACA). This sweeping legislation makes major changes to the U.S. health care system and will be implemented over the next several years.

Through an aggressive series of competitive procurements, the division put in place changes that we expect will save the plans over \$100 million in 2011 alone over the cost of the state's legacy plans. As the state funds a large portion of these costs, this means real savings to Tennessee taxpayers too.

The expected savings come in two ways 1) redesigning the state's health plans linking future benefits to beneficiaries' personal responsibility for their wellness and health care decisions and 2) creating immediate cost savings through thoughtful and aggressive re-procurement.

In 2010, Benefits Administration redesigned all three of the state's health plans, and competitively re-procured the third-party administrative and pharmacy services for each. The re-procurements will achieve substantial savings through strategic purchasing and value-based benefit design.

Specifically, the redesign will:

- Modernize benefits options design and contribution strategy to give beneficiaries greater financial stake in their health and health care decisions;
- Leverage the state's purchasing power and vendor core competencies to drive costs down;
- Build proven, data-driven cost containment and health management practices into the plan design; and
- Increase the value of the benefits options to the state and members.

The state's actuary, Aon Hewitt., estimated the division's purchasing strategy would save Tennesseans approximately \$750 million over five years. Beyond the purchasing savings, we expect the new plans to achieve additional savings of \$650 million over five years through benefit design that incorporates member incentives for use of high value services and best practices.

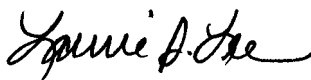
The new plan framework will reward choices that result in improved health status and lower cost to Tennesseans:

- Partnership PPO — a benefit option for members who agree to take responsibility to engage in their health and health care decisions and, in return, pay lower premiums and enjoy lower deductibles and copayments. The Partnership PPO requires the member to complete a health questionnaire and health screening and follow up with the plan's health management services. Changes in premiums are linked to health performance over time in the plan, incentivizing the employees to exercise responsibility for their own health and well-being.
- Standard PPO — covers the same services as the Partnership PPO benefit option for members who elect not to engage in their health and health care decisions as prescribed by the Partnership PPO as well as those who fail to complete the requirements of the partnership promise. Premiums and cost-sharing for these beneficiaries are higher.

These new plan changes required every member to make a new benefit choice for the 2011 plan year. The division executed a comprehensive and aggressive communications campaign to make sure each member understood that major changes were on the way. We worked closely with our partners — Agency Benefits Coordinators (ABCs) — to roll out the new plan design and to enroll every member in one of the new options. And our staff worked tirelessly to complete this enrollment.

These initiatives will establish a framework for continued member engagement and shared responsibility for cost-containment. The state's strategy to engage members and increase provider and contractor accountability will ensure meaningful health care coverage and value for the state and our employer customers. The plan redesign we completed in 2010 lays the groundwork for continued improvement in 2011 and in the future.

Sincerely,



Laurie Lee, Executive Director



Mark A. Emkes, Commissioner

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## OVERVIEW

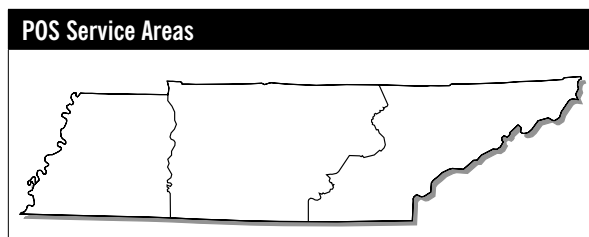
Benefits Administration operates within the State of Tennessee's Department of Finance and Administration. A committed staff administers health, dental, life and long-term care insurance coverages for more than 305,000 public sector employees, retirees and their eligible dependents.

In addition to insurance coverages, the division also administers an employee assistance program and a state employee wellness program. These related programs complement insurance programs by educating employees and their families about prevention and behaviors that can affect their mental and physical health.

State group insurance program participants include state government and higher education employees, as well as employees of local school systems and local government agencies who elect to participate in one of the state-sponsored plans. Various quasi-governmental and nonprofit agencies receiving state support may also elect to participate in the local government plan.

A preferred provider organization (PPO) was available statewide in 2010. This option was administered by BlueCross BlueShield of Tennessee.

A point of service (POS) option was also available statewide. POS offerings in 2010 were administered by CIGNA Healthcare in all service areas.



Health maintenance organizations (HMOs) were offered in 72 of Tennessee's 95 counties. HMO offerings in 2010 were: CIGNA Healthcare Memphis, CIGNA Healthcare Nashville, United Healthcare Chattanooga, United Healthcare Knoxville and United Healthcare Tri-Cities.



Enrollment Highlights	
Total Group Health Lives	277,702
Employees:	
State PPO	22,941
State POSs	28,295
State HMOs	23,341
Local Education PPO	19,323
Local Education POSs	30,015
Local Education HMOs	7,685
Local Government PPO	2,631
Local Government POSs	6,461
Local Government HMOs	2,054
Local Government PPO Limited	1,993
Total Employee Group Health	144,739
Optional Dental Coverage	66,362
Optional Life Insurance Products	78,560
Optional Long-Term Care Coverage	2,600
Retiree Medicare Supplement	27,383

In addition to health insurance, participants in all three plans may enroll in optional dental coverage choosing either the preferred provider plan administered by Delta Dental of Tennessee or the prepaid plan administered by Assurant Employee Benefits.

Medicare supplement coverage is available to Medicare eligible retirees who participate in the TN Consolidated Retirement System and certain state and local education plan members who participate in an optional retirement plan. Coverage is administered by the POMCO Group.

State employees are provided basic term life and accidental death and dismemberment coverage through Dearborn National Life while the optional term and universal life coverages are underwritten by Unum Group.

Long-term care insurance is available to state employees, retirees and eligible family members through MedAmerica Insurance Company.

## GOVERNANCE

The authorization for providing group insurance benefits for public officers, state, local education and local government employees and retirees is found in Chapter 27 of Title 8, Tennessee Code Annotated.

The benefit plans authorized by this legislation are governed separately by three committees identified as the State, Local Education and Local Government Insurance Committees. Each of these committees represents the interests of the employers) and their employees and retirees in financially separate benefit plans.

### Committee Members

**Mike Morrow, Chairman** — S, E, G  
Commissioner, Department of Finance and Administration

**Justin Wilson** — S, E, G  
Comptroller of the Treasury

**David Lillard** — S, E, G  
State Treasurer

**Leslie Newman** — S, E  
Commissioner, Department of Commerce and Insurance

**Deborah Story** — S  
Commissioner, Department of Human Resources

**Cynthia Minnick** — S  
Employee Representative

**Jeff Roberts** — S  
Employee Representative

**Cynthia Brooks** — S  
Higher Education Representative

**Robert O'Connell** — S  
Tennessee State Employee Association

The responsibilities of each committee can be summarized under four broad areas:

- 1) To establish the benefit plans offered.
- 2) To approve premiums necessary to fund plan operations.
- 3) To provide for the administration of certain plan functions through the selection of contractors and monitoring of vendor performance.
- 4) To establish and review policy related to eligibility, benefits and appeals.

**Wesley Robertson** — E  
Designee, Department of Education

**Donna Barber** — E  
Middle Tennessee Teacher Representative

**Barbie Buckner** — E  
East Tennessee Teacher Representative

**Cindy Lumpkin** — E  
West Tennessee Teacher Representative

**Joel Mosley** — E  
Tennessee School Boards Association

**Kevin Krushenski** — G  
Tennessee Municipal League

**Shawn Francisco** — G  
Tennessee County Services Association

S — State Insurance Committee

E — Local Education Insurance Committee

G — Local Government Insurance Committee

## CONTRACT PARTNERS

The division works in partnership with the following entities in the administration of insurance benefits and related administrative functions:

### **BlueCross BlueShield of Tennessee**

Providing administration of healthcare coverage for plan members in the preferred provider organization (PPO) and high-risk PPO limited programs.

### **CIGNA Healthcare**

Providing administration of healthcare coverage for plan members in the point of service (POS) in all service areas and the health maintenance organization (HMO) in Memphis and Nashville.

### **United Healthcare**

Providing administration of healthcare coverage for plan members in the health maintenance organization (HMO) east.

### **POMCO Group**

Providing administration of retiree Medicare supplement coverage.

### **Dearborn National Life Insurance Company**

Providing basic term and accidental death and dismemberment insurance for state plan members enrolled in a healthcare option and medical underwriting services for those applying for coverage as late applicants.

### **Unum Group**

Providing optional term and universal life insurance to state plan members who choose to enroll in this coverage.

### **Assurant Employee Benefits**

Providing optional prepaid dental insurance to participating plan members statewide.

### **Delta Dental of Tennessee**

Providing optional preferred provider dental insurance to participating plan members statewide.

### **Magellan Health Services**

Providing employee assistance program (EAP) services and administration of mental health and substance abuse coverage for plan members.

### **MedAmerica Insurance Company**

Providing long-term care coverage to state plan members and their eligible family members who choose to enroll in this coverage.

### **Healthways**

Providing support for wellness program services for central state plan members enrolled in a healthcare option.

### **Thomson Reuters**

Providing analytical services to assess healthcare utilization and claims-based costs for our population.

### **Aon Hewitt**

Providing benefits and administrative consultant services to the division.

## LOOKING BACK

As part of the division's continuing strategic planning process, restructured health insurance options will be provided to members beginning in 2011. Two new options will be available — a standard PPO and a partnership PPO. Both options will cover the same services; however, the partnership PPO will contain a wellness component to encourage members to take an active part in maintaining or improving their health. Members will be rewarded with incentives to participate in the plan while those who select the standard PPO will not.

The division conducted a competitive procurement to select third-party claims administrators for the three grand divisions of the state to administer the new PPO options. Two claims administrators were selected per region and each will offer both the standard PPO and the partnership PPO to allow members to have more choice. Contracts were awarded to BlueCross BlueShield of Tennessee and CIGNA Healthcare.

For the health and wellness components of the new partnership PPO, a competitive procurement was conducted to secure the services of a single wellness vendor. APS Healthcare was selected as the best evaluated proposal. APS will be responsible for scheduling and conducting health screenings, processing the results from the screenings and assigning a health coach to work with members who are identified as having one or more health risks.

The division greatly improved communications with our agency benefits coordinators to educate them about the new benefit design. Frequent email updates and conference calls were provided. Staff members conducted 18 training sessions in six cities across the state with over 800 individuals attending.

A major component of the health insurance redesign process was the communications effort to educate plan members about the new insurance options available to them. This included monthly newsletters, an interactive website, detailed enrollment decision guides, informational DVD and a 24/7 call center.

The employee self service component of the division's administrative eligibility and enrollment system, Edison, launched in 2010. This allowed state employees to make benefit selections online during the annual enrollment transfer period rather than completing and submitting a paper form. The majority of employees with access to the system chose to use this option when making their benefit choices.

The contracts for optional prepaid and preferred dental plans were set to expire at the end of 2010. The division conducted a competitive procurement to secure new contracts for these options. Contracts were awarded to the incumbent carriers,

Delta Dental for the PDO plan and Assurant Employee Benefits for the prepaid plan.

The contracts for optional term and universal life which would have expired at the end of 2010 were extended into plan year 2011. The negotiated terms of the contract resulted in a 6 percent premium decrease for members in optional term life coverage.

The division closely analyzed the requirements of the federal healthcare reform act and took steps to ensure that the plans comply with the required provisions. This included expanding coverage to include dependent children up to age 26 with no preexisting condition exclusion. Additionally, the first ever open enrollment period was held allowing individuals who had previously declined health coverage the opportunity to enroll. Approximately 1,400 employees and their eligible dependents took advantage of this opportunity and enrolled in coverage.

To meet the federal requirements of mental health parity, the behavioral health and substance abuse benefits will be modified effective 2011.

Due to the overwhelming response to the discount on tobacco quit aids, this benefit continued through June 30, 2010. More than 15,000 members took advantage of reduced copays for tobacco quit support aids. In total, nearly 25,000 prescriptions were filled for quit supports from May 2009 through June 2010.

The initiative to provide an enhanced benefit for individuals with diabetes continued in 2010. Individuals continued to receive diabetic medications and supplies at no cost for tier one and tier two drugs when utilizing in-network providers. This benefit is provided to encourage an increase in compliance with treatment necessary for affected individuals.

Coverage of seasonal flu and pneumococcal (pneumonia) vaccines continued to be provided to members without having to meet a deductible or paying coinsurance or copays.

The financial responsibility for operation of the state employee health clinic shifted from the Department of Health to Benefits Administration. A competitive negotiation resulted in the selection of Aon Hewitt to evaluate the clinic beginning in 2011.

Every three years, an election is held to select two state employee representatives to the State Insurance Committee. Cynthia Minnick from the Commission on Aging and Jeff Roberts from the Department of Human Services were elected to serve effective July 1, 2010.

## LOOKING BACK

### Pharmacy Benefits Carve-Out

On January 27, 2010, the Insurance Committees approved entering into a contract for pharmacy benefits with a single pharmacy benefits manager. CVS Caremark was awarded the contract based upon the results of a competitive procurement. Under the terms of this contract, the public sector plans will pay CVS Caremark a maximum of \$17.5 million in administrative fees over five years. Over the same period of time, our actuaries at Aon Hewitt project that the plans will spend a net amount of \$1.37 billion in pass-through dollars (claims costs) directly to pharmacies. In contrast, our actuaries project that the plans would have spent a net amount of \$1.56 billion under our current contracts. Thus, the plans are projected to spend \$168.3 million less under the new contract with CVS Caremark, which is an average savings of \$33.7 million each year for the next five years. These annual savings are roughly the equivalent of \$230 for each family covered in our plans. With this procurement, the state will have a direct contract with the PBM. This new agreement also contains a number of provisions to ensure both transparency and accountability, including requirements that:

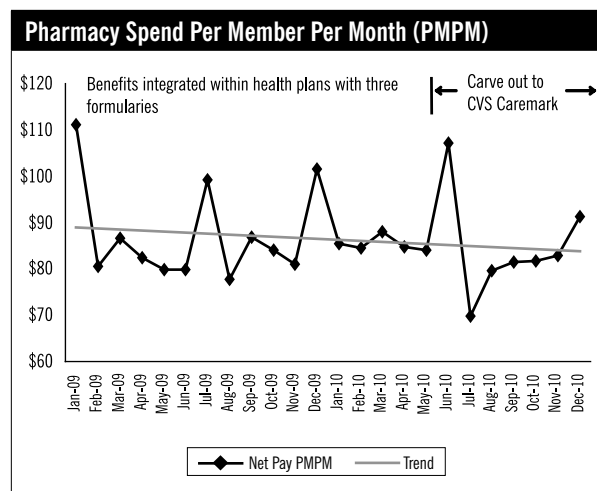
- Ensure pass-through pricing
- Prohibit the use of members' private information
- Protect members against impermissible drug-switching
- Allow any willing provider to join the pharmacy network (in accordance with the State's "Any Willing Provider" law codified at TCA § 56-7-2359)
- Forbid the vendor from requiring members to use mail-order pharmacy
- Allow robust audits of the Contractor

CVS Caremark provides, as part of the contract with the Insurance Committees, clinical programs, pharmacotherapy adherence, formulary management and a state-of-the-art online Point-of-Sale (POS) pharmacy claims processing system. This POS system includes a state-wide retail pharmacy network, prospective/concurrent drug utilization review (DUR), retrospective drug utilization review (Retro-DUR), reporting capabilities, adjudication capabilities, and full pharmacy benefit member services for retail, mail order and specialty pharmacy benefits for members of the Public Sector Plans. CVS Caremark has built networks of 30-day and 90-day pharmacies, has their own mail order pharmacy, and has built a network of specialty pharmacies for high cost specialty drugs. They utilize prescription drug claims data to enhance:

- Drug utilization review
- Pharmacotherapy adherence initiatives
- Therapeutic management initiatives
- Gaps in care analysis

When Benefits Administration carved out the pharmacy benefit to a single PBM, we added quantity limits, prior authorization, and step-therapy requirements for certain drugs to ensure that members are getting the right drug at the right time, in the correct FDA-approved quantities at reasonable member and plan cost. In addition to this, our PBM also ensures that members on certain medications adhere to their drug regimen - for the benefit of both the member and the plan (in future claims costs). This program targets various medications in the following conditions: behavioral health, benign prostate hyperplasia, diabetes, respiratory, heart failure, high blood pressure, high cholesterol, osteoporosis, and Parkinson's Disease.

For the period of July 2009 through March 2010 the plan's actual pharmacy spend was \$220,761,706. For the first nine months after go-live with CVS Caremark (July 2010 through March 2011), the plan spend was \$201,316,289. For the same time period, this was a savings of \$19,445,418. On a per member per month (PMPM) basis for the period of January 2009 through June 2010 — before the pharmacy benefits were carved out — the plan spend was \$88 PMPM on average across the State, Local Education, and Local Government Plans. For the nine months immediately after carving out the pharmacy benefits, the plan spend went down to \$80 PMPM on average.



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## LOOKING AHEAD

Communication efforts regarding the new benefit redesign will continue in 2011 as we work to assist members who elected coverage in the Partnership PPO to meet the requirements of their Partnership Promise. The requirements for 2011 include participating in a free health screening and completing a health questionnaire. APS Healthcare will make a number of outreach efforts to assist members. They will also launch an interactive website to provide a variety of wellness resources and educational materials to members.

We will continue to engage our agency benefits coordinators in a variety of communication forms to ensure they are provided with the most up-to-date benefit information to share with employees in their agencies.

The division plans to implement web-based online training programs for both employees and agency benefits coordinators. A comprehensive training module will be developed first for newly hired employees to provide a complete overview of all benefit options available. Separate training modules will be developed to provide policy and procedure information for our benefits coordinators. Online training as opposed to face-to-face training sessions will negate the need to incur travel expenses, further assisting our office to contain costs wherever possible.

Due to the success of the employee self serve option in Edison which allowed state employees to elect benefit options during 2010, we will make this same option available to other members enrolled in coverage. This will not only allow members the convenience of making changes on their own, but will also relieve agency benefits coordinators and members of the division's service center of the additional work of entering changes in the Edison enrollment system.

With the extensive changes made to our benefits and eligibility and enrollment guidelines, the handbooks provide to newly hired employees to explain available benefit options will be completely rewritten and made available to participating agencies.

Contracts for behavioral health services and medicare supplement coverage will expire at the end of 2011. The division will conduct competitive procurements to secure providers for an effective date of January 1, 2012.

During 2011, coordination of benefits (COB) for pharmacy benefits will be implemented. Individuals identified as having primary coverage through another source and secondary coverage under the state group insurance program will be notified of a change in how claims will be processed. This will ensure that our plans are not paying claims as primary when an individual has primary coverage elsewhere.

Based on the positive outcomes of the Vendor Summit in the fall of 2010, the division will hold a second summit in 2011. The summit is a time for us to gather with our vendor community to discuss the plans overall performance, potential areas for improvement and plan for the future. By bringing these providers together, we are better able to streamline inefficiencies and improve overall services to our members. The exchange of data, brainstorming and collaboration that occurs results in a more effective, efficient delivery of our members' health benefits.

## STATE PLAN

State employees, University of Tennessee and Board of Regents employees comprise the state plan. This plan provided coverage for 74,577 active employees, COBRA participants and qualified retirees.

<b>Health Contracts</b>		
<b>Preferred Provider Organization</b>		
BlueCross BlueShield	22,941	
Percent of Total		30.8%
<b>Health Maintenance Organization</b>		
Nashville — CIGNA Healthcare	7,923	
Percent of Total		10.6%
Memphis — CIGNA Healthcare	3,561	
Percent of Total		4.8%
Knoxville — United Healthcare	6,019	
Percent of Total		8.1%
Chattanooga — United Healthcare	2,515	
Percent of Total		3.4%
Tri-Cities — United Healthcare	3,323	
Percent of Total		4.5%
<b>Point of Service</b>		
East — CIGNA Healthcare	5,582	
Percent of Total		7.5%
Middle — CIGNA Healthcare	14,296	
Percent of Total		19.2%
West — CIGNA Healthcare	8,417	
Percent of Total		11.3%

Employees may choose to participate in optional dental insurance. One prepaid dental plan and one preferred provider dental plan were available. State employees electing dental coverage totaled 47,234 at year end, a decrease of 410 during the calendar year.

During 2010, Dearborn National received more than \$10 million in premiums for the basic term life and the accidental death and dismemberment coverages. Expenses reported for 2010 included \$9 million in basic term and accidental death and dismemberment claims and \$530,153 in optional accidental death and dismemberment claims. Administrative fees were \$116,000, reserves were \$55,000, conversion expenses were \$41,000 and taxes were \$203,000.

Employee term life benefits exceeded \$6.8 million and were paid on behalf of 189 employees who died during 2010. An additional \$1.1 million in employee accidental death and dismemberment benefits were provided by the plan. Employees

received \$407,661 in benefit payments due to the death of a covered dependent and \$243,414 due to an accident involving the death or dismemberment of a dependent.

At 2010 year end, 17,919 employees were covered under the optional term life insurance plan, in addition to 7,836 spouses and 9,064 children. The coverage for employees exceeded \$1.5 billion, spouse coverage was more than \$172 million and the child term rider amount was \$44 million. Premiums for 2010 were \$4.6 million, while claims totaled \$4.4 million.

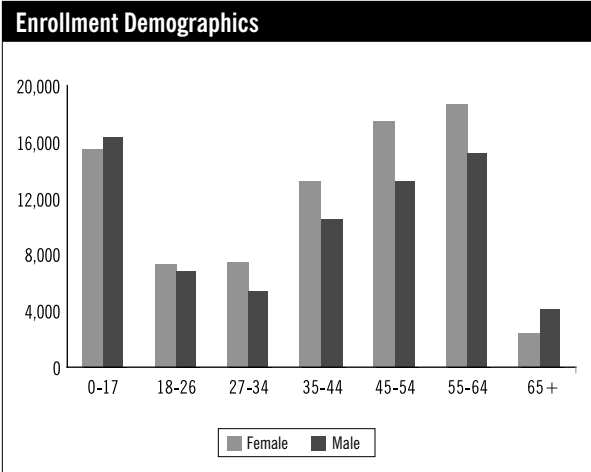
The optional universal life covered 11,402 employees and 2,226 spouses who maintained \$553 million in coverage. Premiums were \$4.1 million, claims payments were \$4.8 million and net claims payments were \$3.1 million. At the end of December, the employee cash value had grown to more than \$72 million and spouse cash value to \$2 million.

Former employees and covered dependents are offered the option to continue optional life insurance coverages under the portability feature of the programs. The data provided in this section includes this population as well.

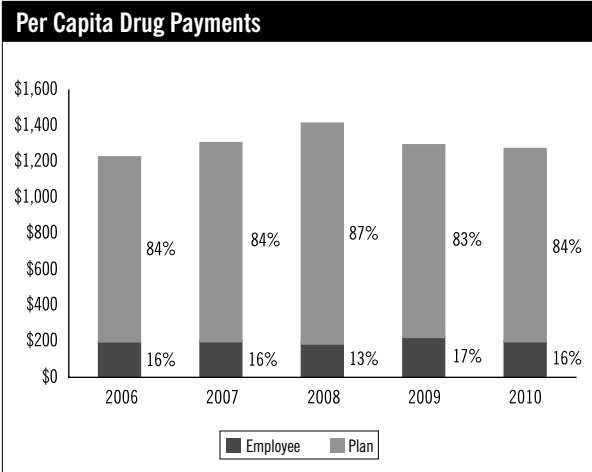
Optional long-term care insurance covered 2,600 individuals at year end. Total premium payments exceeded \$2 million while claims payments totaled \$318,000.

<b>Optional Insurance Contracts</b>		
	DEC. 31, 2010	DEC. 31, 2009
<b>Dental Insurance</b>		
Prepaid Plan	19,779	20,062
Preferred Dental Plan	27,455	27,582
Total Dental	47,234	47,644
<b>Optional Life Coverages</b>		
Term Life	34,819	34,941
Universal Life	13,628	13,780
Accidental Death	29,773	29,033
Perma Plan	340	391
Total Life	78,560	78,145
<b>Long-Term Care</b>		
Employees	1,987	1,966
Retirees	81	78
Eligible Family Members	532	523
Total Long-Term Care	2,600	2,567

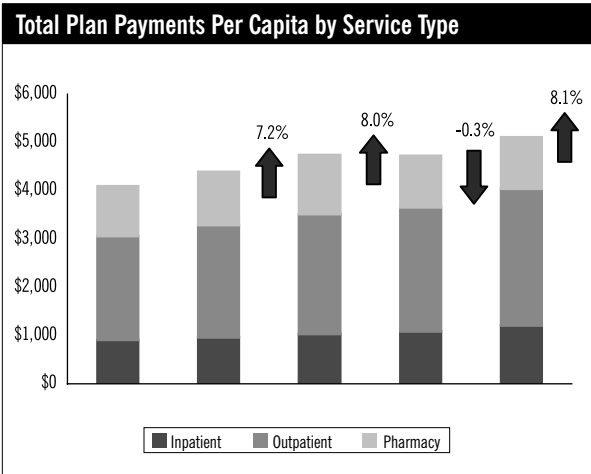
# STATE PLAN



Enrollment demographics for all plan members show the largest age group in 2010 consisted of persons between the ages of 55 and 64 — 33,889 or 22.1 percent. The second largest group was between the ages of 0 and 17 at 31,838 or 20.8 percent. The smallest age group was 65 and older at 4.2 percent or 6,453 persons. Females outnumbered males in every age category except 0 to 17 and 65 and older.

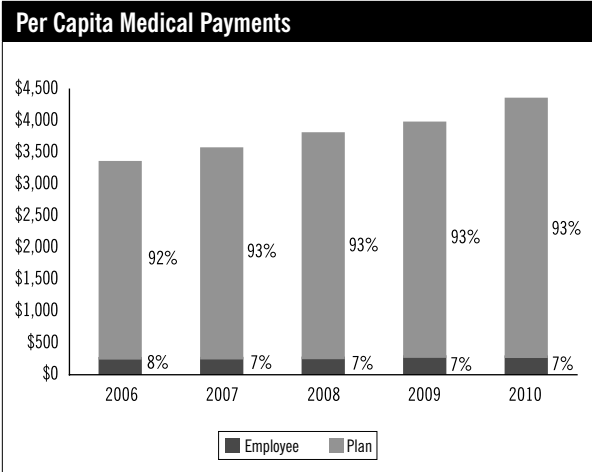


Pharmacy benefits paid by the plan were \$1,069 per member — a 0.3 percent increase from 2009. Total per capita pharmacy payments decreased by 1.6 percent from \$1,292 in 2009 to \$1,271 in 2010. The state plan paid 84 percent of eligible expenses during 2010 while the member paid the remaining 16 percent.



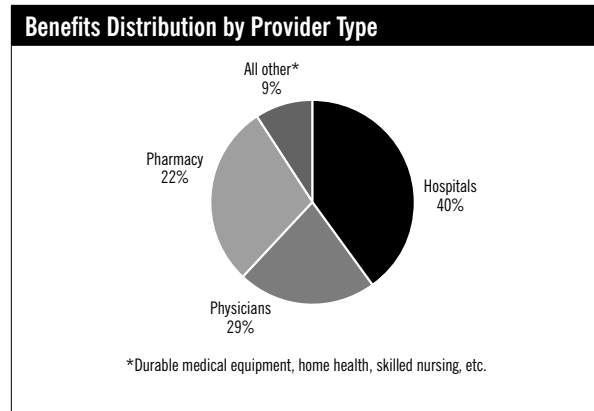
In 2010, there was an increase in total benefit payments by the state plan. Total allowed amounts per member increased 8.1 percent to \$5,105. Plan payments for inpatient services increased by 10.3 percent, outpatient services grew by 10.5 percent and pharmacy services increased 0.3 percent.

For 2010, plan payments for outpatient services represented 55.5 percent of total claims while payments for inpatient services made up 23.5 percent. Pharmacy payments accounted for the remaining 20.9 percent.

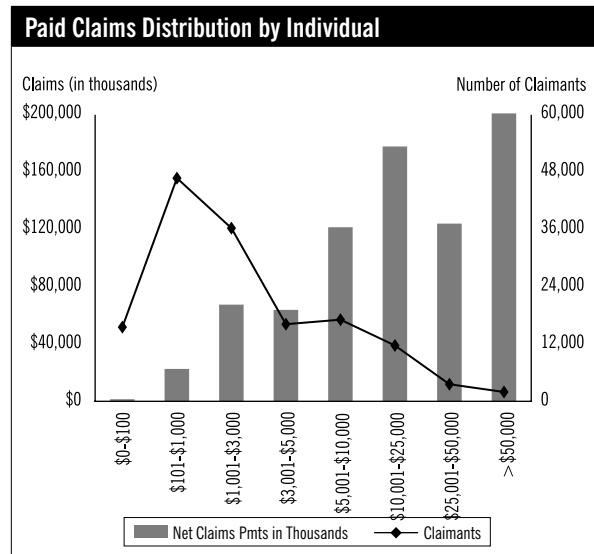


Per capita payments for medical claims in 2010 were \$4,062 per member — a decrease of 10.2 percent in plan payments from 2009. During this period, the state plan paid 93 percent of eligible expenses and the member paid 7 percent. The per capita payment percentages between the plan and the member have remained the same since 2007.

# STATE PLAN



The benefits distribution by provider type for 2010 was 40 percent hospitals, 29 percent physicians and professionals, 22 percent pharmacy and 9 percent all other.



In 2010, 12 percent of plan members (17,290) had total claims expenditures exceeding \$10,000. The average net payment for this group was \$28,996.

Paid claims distribution by individual shows about 1.3 percent of plan members had claims expenditures in excess of \$50,000, which accounted for nearly 26 percent of total benefit payments in 2010. The average net payment for this group was \$101,848.

Diagnosis	TOTAL PATIENTS	TOTAL COSTS
Infections—Ear, Nose, Throat	41,831	\$ 8,354,979
Joint Disorders	30,970	\$ 18,183,998
Hypertension	28,420	\$ 6,212,776
Skin Infection/Inflammation	26,312	\$ 7,398,103
Gastrointestinal Disorders	21,885	\$ 21,182,177
Lipid Disorders	21,466	\$ 2,399,695
Ear, Nose, Throat Disorders	20,417	\$ 7,732,825
Infections—Respiratory	18,215	\$ 3,302,817
Respiratory Disorders	17,319	\$ 19,064,371
Spinal/Back, Low Back	17,069	\$ 18,529,898
Diabetes	14,952	\$ 8,051,968
Gynecological Disorders	12,440	\$ 6,566,208
Osteoarthritis	12,400	\$ 30,441,896
Spinal/Back (excluding lower)	11,380	\$ 11,715,547
Infections	10,771	\$ 5,917,078

As in 2009, ear, nose and throat infections were the most frequently occurring diagnoses in 2010, accounting for over 40,000 patients and over \$8 million in total costs. The most utilized services for 2010 were made up of the same diagnoses as in 2009 with one addition: spinal/back disorders, excluding lower back, with 11,380 patients and almost \$12 million in medical claims.

Condition	TOTAL PATIENTS	TOTAL COSTS
Osteoarthritis	12,400	\$ 30,441,896
Coronary Artery Disease	5,345	\$ 23,979,007
Gastrointestinal Disorders	21,885	\$ 21,182,177
Respiratory Disorders	17,319	\$ 19,064,371
Spinal/Back, Low Back	17,069	\$ 18,529,898

The same five clinical conditions that were the most costly in 2009 continued to be the most costly in 2010. The only change in order was osteoarthritis with 12,400 total patients and over \$30 million in total costs, making it the highest cost medical condition in 2010.

The price of medical services in both inpatient and outpatient settings continues to increase and will continue to affect the cost of plan benefits. Demographic changes, including the aging of the active workforce and the growth in the number of retirees, will continue exerting financial pressure on the plans. The state continues to monitor its plan benefits each year, with the goal of providing maximum value to plan members while sharing benefit expenses appropriately.

# WELLNESS PROGRAM

The State Employee Wellness Program was initiated in 1992. It is designed to improve awareness of the factors that can affect health and longevity, as well as to enable employees to take increased responsibility for their health by adopting healthier lifestyles. The program is funded, in part, through flexible benefits savings. The information on this page provides components and participation for the various programs offered.

### Screenings and Health Risk Assessments

In 2010, 4,924 individuals attended a health screening and completed a health risk assessment (HRA). The average participant age was 48 with 29 percent of participants being male and 71 percent female.

Health Risks by Prevalence			
Health Related Fitness	80%	Blood Pressure	29%
Weight Control	62%	Triglycerides	28%
HDL Cholesterol	61%	Glucose	23%
Smoking	42%	Total Cholesterol	19%
Health Care Practices	41%	Safety	16%
Emotional Health	39%	Preventive Practices	6%
LDL Cholesterol	36%	Alcohol and Substance Abuse	4%

### My HealthIQ

My HealthIQ is an online tool that helps identify health risks and assesses the likelihood of developing chronic conditions such as heart disease, high blood pressure and diabetes. This tool was added to enable employees not able to attend a screening to receive this information and be eligible to participate in the coaching program if identified as having multiple health risks.

### Coaching

Employees participating in the My HealthIQ personal health profile who were identified as having two or more high risks were invited to participate in the wellness coaching or high-risk intervention program — 53 percent of those eligible to participate enrolled. Each participant received intervention and follow-up calls from a qualified health educator or RN over a six-month period. The program was completed by 43 percent of participants and 71 percent eliminated or improved one or more risk factors.

### Toll-Free HealthLine

The HealthLine made 2,074 calls. Health educators answer this line and initiate calls to participants as well.

### Fitness Center Discount Program

Over 130 fitness centers across the state provide membership discounts to participants in the state group insurance program.

### Peel The Pounds

This four week weight loss challenge provided information on healthy eating and exercise to help participants reach and maintain appropriate weight goals. A total of 2,246 participated with an average weight loss of 3 pounds per participant.

## LOCAL EDUCATION PLAN

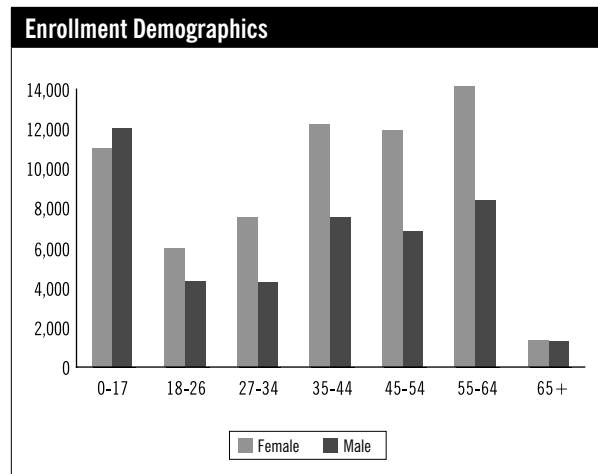
In 1985, the Tennessee General Assembly authorized creation of an insurance plan for local education employees. Funds were appropriated to pay part of the premiums for participating employees beginning January 1, 1986. School systems within the state may join the local education plan or must provide alternative coverage that is equal or superior to the state-sponsored program.

At 2010 year end, 126 school systems and educational co-ops were participating in the local education plan. Plan enrollment was 57,023 — up from 56,110 in 2009.

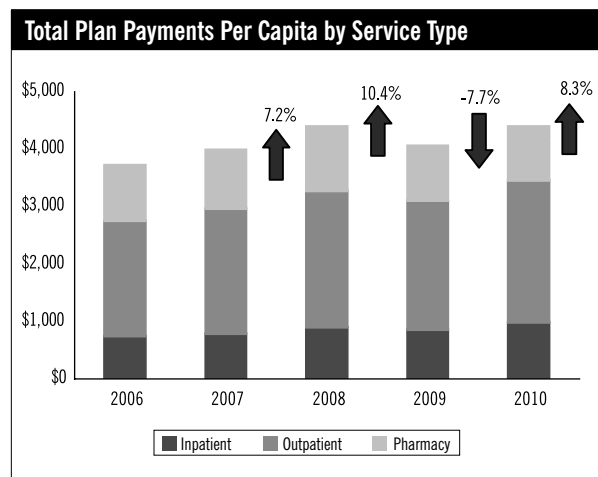
Health Contracts		
<b>Preferred Provider Organization</b>		
BlueCross BlueShield	19,323	
Percent of Total		33.9%
<b>Health Maintenance Organization</b>		
Nashville — CIGNA Healthcare	741	
Percent of Total		1.3%
Memphis — CIGNA Healthcare	257	
Percent of Total		0.5%
Knoxville — United Healthcare	3,735	
Percent of Total		6.5%
Chattanooga — United Healthcare	603	
Percent of Total		1.1%
Tri-Cities — United Healthcare	2,349	
Percent of Total		4.1%
<b>Point of Service</b>		
East — CIGNA Healthcare	11,920	
Percent of Total		20.9%
Middle — CIGNA Healthcare	11,736	
Percent of Total		20.6%
West — CIGNA Healthcare	6,359	
Percent of Total		11.2%

Dental insurance is available as an option to participants in the local education plan. Participation in the dental plan decreased from 14,977 to 14,921. Life insurance and long-term care coverage are not available options to members in the local education plan.

Optional Insurance Contracts		
	DEC. 31, 2010	DEC. 31, 2009
<b>Dental Insurance</b>		
Prepaid Plan	2,943	3,157
Preferred Dental Plan	11,978	11,820
Total Dental	14,921	14,977



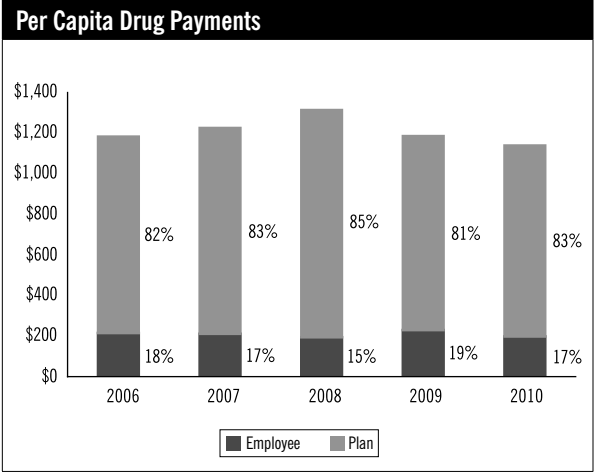
Enrollment demographics for all plan members show the largest age group in 2010 consisted of persons between the ages of 0 to 17 — 23,006 or 21.2 percent. The second largest group was between the ages of 55 to 64 at 22,526 or 20.7 percent. The smallest age group was 65 and older at 2.4 percent with 2,637 persons. Females outnumbered males in every age category except 0 to 17.



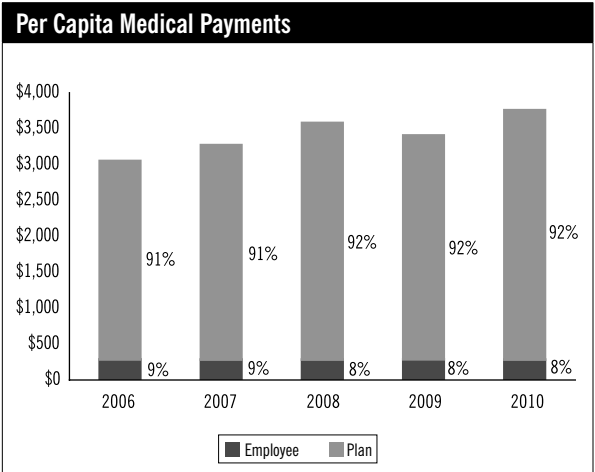
In 2010, there was an increase in total benefit payments by the local education plan. Total allowed amounts per member increased by 8.3 percent to \$4,397. Plan payments for inpatient services increased by 13.6 percent, outpatient services grew by 10.5 percent and pharmacy services decreased 1.5 percent.

# LOCAL EDUCATION PLAN

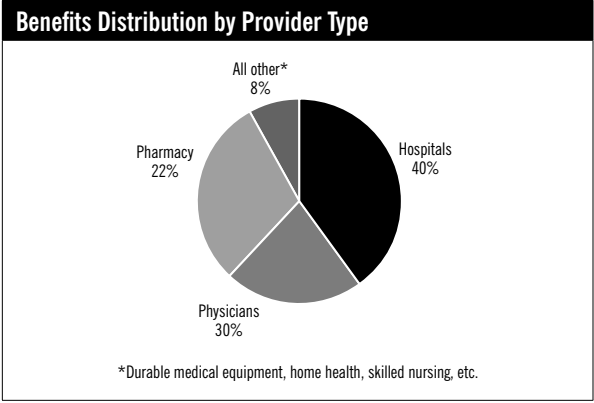
For 2010, plan payments for outpatient services represented 56.3 percent of the total claims while payments for inpatient services made up 22.3 percent. Pharmacy payments accounted for the remaining 21.4 percent.



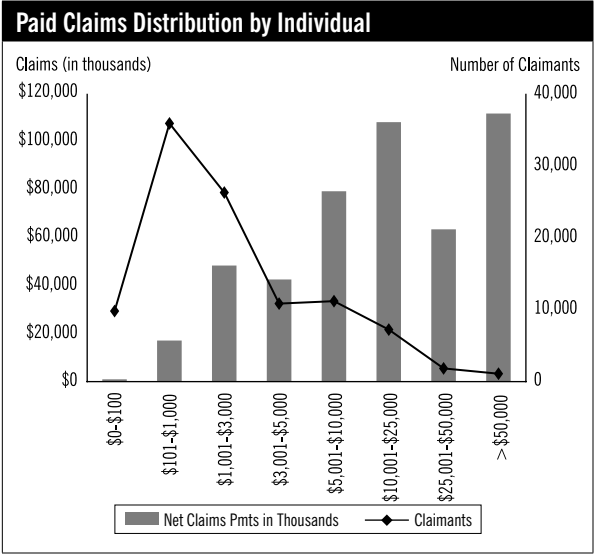
Pharmacy benefits paid by the local education plan were \$941 per member — a 1.5 percent decrease from 2009. Total per capita pharmacy payments decreased by 3.9 percent from \$1,185 in 2009 to \$1,139 in 2010. The local education plan paid 83 percent of eligible expenses during 2010 while the member paid the remaining 17 percent.



Per capita payments for medical claims in 2010 were \$3,757 per member, an increase of 10.3 percent in plan payments from 2009. During this period, the local education plan paid 92 percent of eligible expenses and the member paid the remaining 8 percent. The per capita payment percentages between the plan and the member have remained the same since 2008.



The benefits distribution by provider type in 2010 was 40 percent hospitals, 30 percent physicians and professionals, 22 percent pharmacy and 8 percent all other.



## LOCAL EDUCATION PLAN

In 2010, 10 percent of plan members (10,187) had total claims expenditures exceeding \$10,000. The average net payment for this group was \$27,725.

Paid claims distribution by individual shows about 1.0 percent of plan members had claims expenditures in excess of \$50,000, which accounted for nearly 23.8 percent of total benefit payments in 2010. The average net payment for this group was \$101,802.

Most Frequently Occurring Diagnoses		
	TOTAL PATIENTS	TOTAL COSTS
Infections—Ear, Nose, Throat	37,431	\$ 6,745,670
Joint Disorders	19,321	\$ 11,269,937
Skin Infection/Inflammation	17,798	\$ 3,933,396
Hypertension	16,549	\$ 3,088,203
Ear, Nose, Throat Disorder	15,548	\$ 5,725,499
Gastrointestinal Disorders	13,898	\$ 13,086,473
Infections—Respiratory	13,765	\$ 2,004,616
Lipid Disorders	13,402	\$ 1,965,200
Spinal/Back—Lower	11,561	\$ 12,186,908
Respiratory Disorders	9,737	\$ 9,845,449
Gynecological Disorders	9,141	\$ 4,953,490
Spinal/Back (excluding lower)	8,441	\$ 6,838,639
Diabetes	7,930	\$ 4,583,828
Osteoarthritis	7,377	\$ 17,822,019
Infections	6,851	\$ 3,911,504

As in 2009, ear, nose and throat infections were the most frequently occurring diagnoses in 2010, accounting for over 37,000 patients and nearly \$7 million in total medical claims. The most utilized services for 2010 were made up of the same diagnoses as in 2009 with one addition: Osteoarthritis with 7,377 patients and almost \$18 million in costs.

### Highest Claims Cost by Condition

	TOTAL PATIENTS	TOTAL COSTS
Osteoarthritis	7,377	\$ 17,822,019
Gastrointestinal Disorders	13,898	\$ 13,086,473
Coronary Artery Disease	2,829	\$ 12,286,295
Spinal/Back, Lower Back	11,561	\$ 12,186,908
Joint Disorders	19,321	\$ 11,269,937

The same five clinical conditions that were the most costly in 2009 continued to be the most costly in 2010 and remained in the same order based on total costs. The most costly clinical condition was Osteoarthritis with 7,377 patients and total costs of almost \$18 million.

There were 19,321 or 19 percent of local education plan members diagnosed with joint disorders, 13.7 percent with gastrointestinal disorders and 11.4 percent with lower back disorders.

As indicated previously, the increasing price of medical services in both inpatient and outpatient settings will continue to affect the cost of plan benefits. Demographic changes, including the aging of the active workforce and the growth in the number of retirees, will continue exerting financial pressure on the state group health insurance programs. The state continues to monitor its plan benefits each year, with the goal of providing maximum value to plan members while sharing benefit expenses appropriately.

# LOCAL EDUCATION PLAN

## Participants

Alamo City Schools  
 Alcoa City Schools  
 Anderson County Schools  
 Athens City Schools  
 Bedford County Schools  
 Bells City Schools  
 Benton County Schools  
 Bledsoe County Schools  
 Bradford Special School District  
 Bradley County Board of Education  
 Bristol City Schools  
 Campbell County Schools  
 Cannon County Schools  
 Carroll County Schools  
 Carter County Schools  
 Cheatham County Schools  
 Chester County Schools  
 Clay County Schools  
 Cleveland City Schools  
 Clinton City Schools  
 Cocke County Schools  
 Coffee County Schools  
 Crockett County Schools  
 Cumberland County Schools  
 Dayton City Schools  
 Decatur County Schools  
 DeKalb County Schools  
 Dickson County Board of Education  
 Dyer County Schools  
 Dyersburg City Schools  
 Elizabethton City Schools  
 Etowah City Schools

Fayette County Schools  
 Fayetteville City Schools  
 Fentress County Schools  
 Franklin County Schools  
 Franklin Special School District  
 Gibson County Schools  
 Giles County Schools  
 Grainger County Schools  
 Greene County Schools  
 Greeneville City Schools  
 Grundy County Schools  
 Hamblen County Schools  
 Hancock County Schools  
 Hardeman County Schools  
 Hardin County Schools  
 Hawkins County Schools  
 Haywood County Schools  
 Henderson County Schools  
 Henry County Board of Education  
 Hickman County Schools  
 Hollow Rock – Bruceton Special School District  
 Houston County Schools  
 Humboldt City Schools  
 Humphreys County Schools  
 Huntingdon Special Schools  
 Jackson County Schools  
 Jackson-Madison County Board of Education  
 Jefferson County Schools  
 Kingsport City Schools  
 Knox County Schools  
 Lake County Schools  
 Lauderdale County Schools

Lawrence County Schools  
 Lebanon – Tenth District Schools  
 Lenoir City Schools  
 Lewis County Schools  
 Lexington City Schools  
 Lincoln County Schools  
 Little TN Valley Education Co-op  
 Loudon County Schools  
 Macon County Schools  
 Manchester City Schools  
 Marion County Schools  
 Marshall County Schools  
 Maury County Schools  
 McKenzie Special School District  
 McMinn County Schools  
 McNairy County School System  
 Meigs County Board of Education  
 Milan Special School District  
 Monroe County Board of Education  
 Moore County Schools  
 Morgan County Schools  
 Murfreesboro City Schools  
 Newport City Schools  
 Oak Ridge City Schools  
 Obion County Schools  
 Oneida Special School District  
 Overton County Schools  
 Paris Special School District  
 Perry County Schools  
 Pickett County Schools

Polk County Board of Education  
 Putnam County Schools  
 Rhea County Schools  
 Richard Hardy Memorial School  
 Roane County Schools  
 Robertson County Schools  
 Rogersville City Schools  
 Scott County Schools  
 Sequatchie County Schools  
 Sevier County Schools  
 Smith County Schools  
 South Carroll County Special District  
 Stewart County Schools  
 Sullivan County Board of Education  
 Sumner County Board of Education  
 Sweetwater City Schools  
 Tipton County Schools  
 Trenton Special School District  
 Tri-County Vocational Schools  
 Trousdale County Schools  
 Tullahoma City Schools  
 Unicoi County Schools  
 Union City Schools  
 Union County Schools  
 Van Buren County Schools  
 Warren County Schools  
 Washington County Schools  
 Wayne County Schools  
 Weakley County Schools  
 West Carroll Special School District  
 White County Schools

# LOCAL GOVERNMENT PLAN

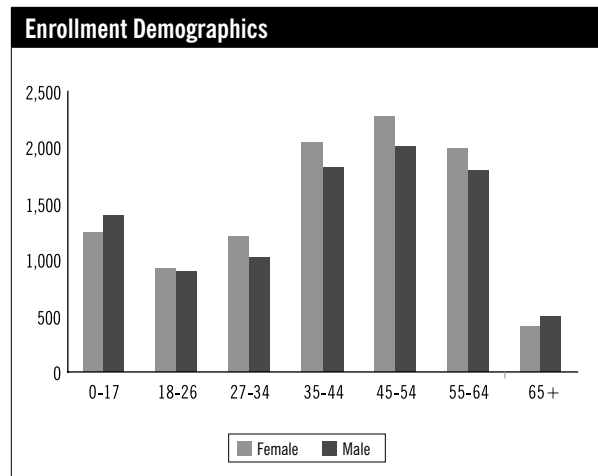
In 1989, the Tennessee General Assembly authorized creation of an insurance plan for local government agency and quasi-governmental agency employees. At 2010 year end, 384 counties, cities and quasi-governmental agencies were participating in the local government plan.

Plan enrollment was 13,139 at year end, an increase from 12,877 in December 2009.

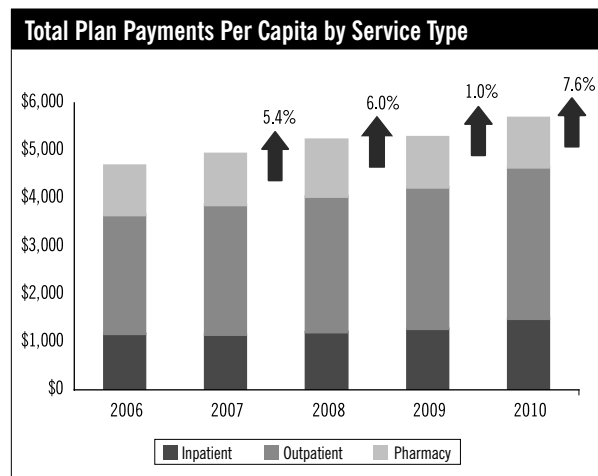
Health Contracts		
<b>Preferred Provider Organization</b>		
BlueCross BlueShield	2,631	
Percent of Total		20.0%
<b>Health Maintenance Organization</b>		
Nashville — CIGNA Healthcare	378	
Percent of Total		2.9%
Memphis — CIGNA Healthcare	433	
Percent of Total		3.3%
Knoxville — United Healthcare	660	
Percent of Total		5.0%
Chattanooga — United Healthcare	257	
Percent of Total		2.0%
Tri-Cities — United Healthcare	326	
Percent of Total		2.5%
<b>Point of Service</b>		
East — CIGNA Healthcare	1,465	
Percent of Total		11.2%
Middle — CIGNA Healthcare	3,144	
Percent of Total		23.9%
West — CIGNA Healthcare	1,852	
Percent of Total		14.1%
<b>Preferred Provider Organization Limited</b>		
BlueCross BlueShield	1,993	
Percent of Total		15.2%

Dental insurance became available as an option to participants in the local government plan in January 1993. Participation in the dental coverage at year end decreased from 4,297 to 4,207. Life insurance and long-term care coverage are not available options to members in the local government plan.

Optional Insurance Contracts		
	DEC. 31, 2010	DEC. 31, 2009
<b>Dental Insurance</b>		
Prepaid Plan	1,285	1,353
Preferred Dental Plan	2,922	2,944
Total Dental	4,207	4,297



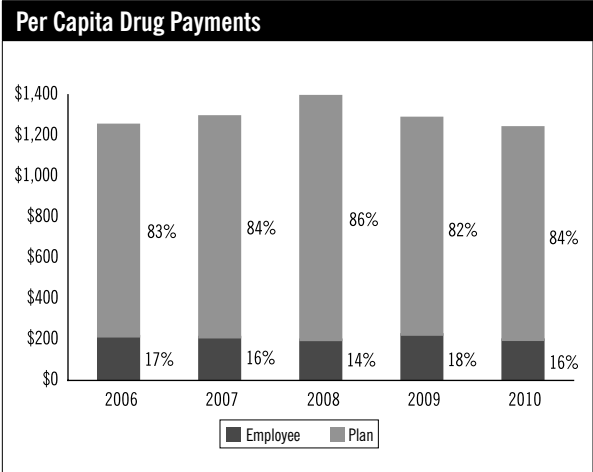
Enrollment demographics for all plan members show the largest age group in 2010 consisted of persons between the ages of 45 and 54 — 4,272 or 21.9 percent. The second largest group was between the ages of 35 and 44 at 3,854 or 19.8 percent. The smallest age group was 65 and older at 4.6 percent with 892 persons. Females outnumbered males in every age category except 0 to 17 and 65 and older.



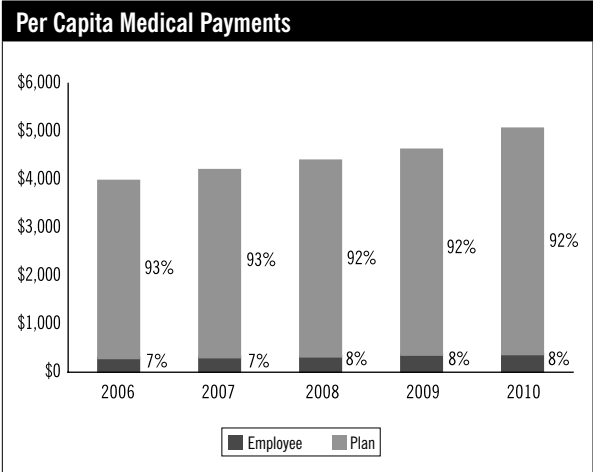
In 2010, total allowed amounts per member increased by 7.6 percent to \$5,692. Plan payments for inpatient services increased by 16.3 percent, outpatient services grew by 7.3 percent and pharmacy services decreased 2.0 percent.

# LOCAL GOVERNMENT PLAN

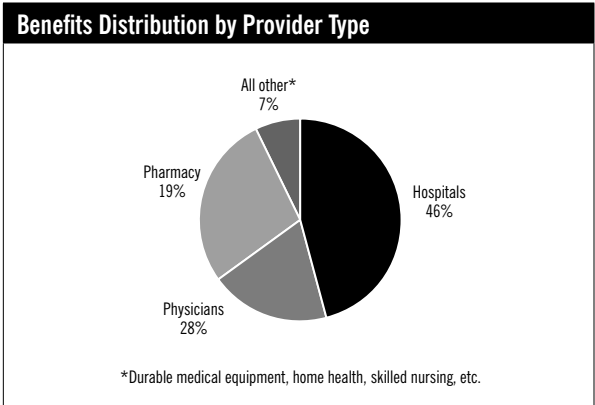
For 2010, plan payments for outpatient services represented 55.5 percent of the total claims while payments for inpatient services made up 26.3 percent. Pharmacy payments accounted for the remaining 18.3 percent.



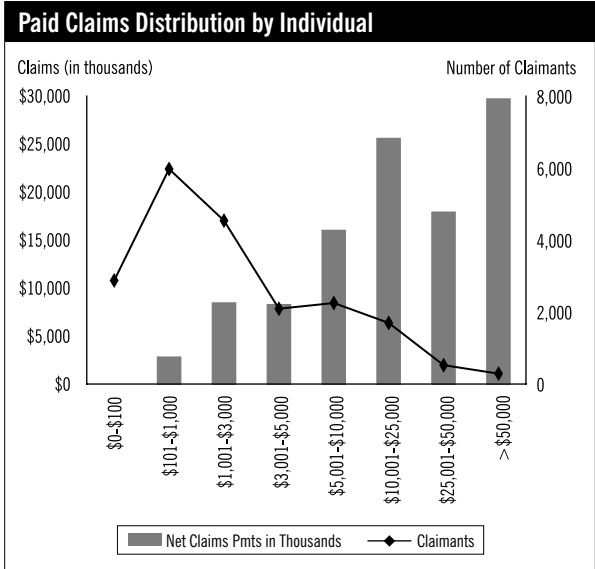
Pharmacy plan benefits paid by the local government plan were \$1,040 per member — a 2.0 percent decrease from 2009. Total per capita pharmacy payments decreased by 3.8 percent from \$1,286 in 2009 to \$1,240 in 2010. The local government plan paid 84 percent of eligible expenses during 2010 while the member paid the remaining 16 percent.



Per capita payments for medical claims in 2010 were \$4,677 per member, an increase of 10.0 percent in plan payments from 2009. During this period, the local government plan paid 92 percent of eligible expenses and the member paid the remaining 8 percent. The per capita payment percentages between the plan and the member have remained the same since 2008.



The benefits distribution by provider type in 2010 was 46 percent hospitals, 28 percent physicians and professionals, 19 percent pharmacy and 7 percent all other.



## LOCAL GOVERNMENT PLAN

In 2010, 12 percent of plan members (2,512) had total claims expenditures exceeding \$10,000. The average net payment for this group was \$29,071.

Paid claims distribution by individual shows about 1.4 percent of plan members had claims expenditures in excess of \$50,000, which accounted for nearly 27.4 percent of total benefit payments in 2010. The average net payment for this group was \$102,235.

Most Frequently Occurring Diagnoses		
	TOTAL PATIENTS	TOTAL COSTS
Infections—Ear, Nose, Throat	6,119	\$ 1,275,931
Hypertension	4,314	\$ 803,243
Joint Disorders	4,175	\$ 2,442,665
Gastrointestinal Disorders	3,218	\$ 3,422,361
Skin Infection/Inflammation	3,133	\$ 827,954
Lipid Disorders	2,801	\$ 323,275
Infections—Respiratory	2,726	\$ 451,856
Respiratory Disorders	2,669	\$ 2,889,932
Spinal/Back, Low	2,667	\$ 2,732,818
Ear, Nose, Throat Disorders	2,362	\$ 738,598
Diabetes	2,183	\$ 1,044,156
Osteoarthritis	1,832	\$ 4,554,281
Spinal/Back (excluding lower)	1,717	\$ 1,626,241
Gynecological Disorders	1,687	\$ 1,257,990
Cardiovascular Disorders	1,488	\$ 1,620,321

As in 2009, ear, nose and throat infections were the most frequently occurring diagnoses in 2010, accounting for over 6,000 patients and over \$1 million in total costs. The most utilized services for 2010 were made up of the same diagnoses as in 2009 with one addition: Cardiovascular Disorders with 1,488 patients and more than \$1.6 million in medical claims.

### Highest Cost Medical Condition

	TOTAL PATIENTS	TOTAL COSTS
Coronary Artery Disease	963	\$ 5,267,760
Osteoarthritis	1,832	\$ 4,554,281
Gastrointestinal Disorders	3,218	\$ 3,422,361
Respiratory Disorders	2,669	\$ 2,889,932
Spinal/Back, Lower Back	2,667	\$ 2,732,818

The same five clinical conditions that were the most costly in 2009 continued to be the most costly in 2010. The most costly clinical condition was coronary artery disease with 963 patients and total costs of almost \$5.3 million.

Over 16 percent of local government plan members had been diagnosed with gastrointestinal disorders and 13.9 percent diagnosed with respiratory disorders and lower back disorders, respectively.

As indicated previously, the increasing price of medical services in both inpatient and outpatient settings will continue to affect the cost of plan benefits. Demographic changes, including the aging of the active workforce and the growth in the number of retirees, will continue exerting financial pressure on the state group health insurance programs. The state continues to monitor its plan benefits each year, with the goal of providing maximum value to plan members while sharing benefit expenses appropriately.

# LOCAL GOVERNMENT PLAN

## Participants

Aging Services of the Upper Cumberland  
 Aid Distressed Families – Anderson County  
 Alamo, City of  
 Alcohol and Drug Council of Middle TN  
 Alpha-Talbot Utility District  
 Anderson County CAC  
 Appalachian Education Community Corp.  
 ARC of Davidson County  
 ARC of Hamilton County  
 ARC of Washington County  
 ARC of Williamson County  
 Atoka, Town of  
 Atwood, Town of  
 Avalon Center  
 Bangham Utility District of Putnam and Jackson Counties  
 Bedford County  
 Behavioral Health Initiatives  
 Belle Meade, City of  
 Bells, City of  
 Benton County  
 Benton County Highway  
 Bethlehem Centers of Nashville  
 Better Decisions  
 Big Creek Utility District  
 Big Sandy, City of  
 Bledsoe County  
 Blount County CAA  
 Bondecroft Utility  
 Bradley/Cleveland CSA  
 Bradley/Cleveland Services  
 Bridge Refugee Services  
 Bridges of Williamson County  
 Bruceston, Town of  
 Burns, City of  
 Camden, City of  
 Campaign for a Healthy and Responsible TN  
 Campbell County 911  
 Care of Savannah, Inc.  
 Carey Counseling Center  
 Carroll County 911  
 Carthage, Town of  
 Caryville – Jacksboro Utility  
 Caryville, Town of  
 CASA – Juvenile Services  
 CASA of the 9th Judicial District  
 CASA of the TN Heartland  
 CASA, Inc.  
 Castalian Springs – Bethpage Utility District  
 CEASE, Inc.

Center for Independent Living of Middle TN  
 Center for Living and Learning  
 Centerville, Town of  
 Chattanooga Cares, Inc.  
 Chattanooga Endeavors, Inc.  
 Chattanooga Housing Authority  
 Cheatham County  
 Cheatham County Highway  
 Chester County  
 Chester County Highway  
 Children's Advocacy Center  
 Clarksville Housing Authority  
 Clarksville/Montgomery County CAA  
 Clearfork Utility District  
 Clifton, City of  
 Clinchfield Senior Center  
 Cocaine Alcohol Awareness Program  
 Cocke County  
 Cocke County 911  
 Cocke County Highway  
 Coffee County  
 Community Anti-Drug Coalition Across TN  
 Community Development Center  
 Community Foundation of Middle TN  
 Community Health Network, Inc.  
 Cornerstone  
 County Officials Association of TN  
 County Wide Utility District  
 Crab Orchard Utility District  
 Crisis Intervention Services  
 Crockett County  
 Crockett County Highway  
 Crockett County Public Utility District  
 Cross Plains, City of  
 Cumberland Community Options, Inc.  
 Cumberland County  
 Cumberland Utility District  
 Cunningham Utility District  
 Dayton, City of  
 Decatur County  
 Decherd, City of  
 Dekalb County  
 Dekalb County 911  
 DeWhite Utility  
 Dickson Electric Department  
 Disability Resource Center  
 Dover, Town of  
 Downtown Ministry Center

Dyersburg Housing Authority  
 East TN Development District  
 Eastside Utility District  
 Engstrom Services, Inc.  
 Erin, City of  
 Erin Housing Authority  
 Estill Springs, Town of  
 Etheridge, City of  
 Fairview Utility District  
 Fayette County  
 Fayette County 911  
 Fayette County Public Works  
 Fayetteville Housing Authority  
 Fayetteville – Lincoln County Library  
 Fentress County  
 Fifty Forward  
 First Utility District of Tipton County  
 First Utility of Hawkins County  
 Four Lake Regional Industrial Development Authority  
 Franklin Consolidated Housing Authority  
 Franklin County  
 Franklin County Adult Activity Center  
 Franklin County Highway  
 Franklin County Industrial Development Board  
 Friendship, City of  
 Gainesboro, Town of  
 Gallatin Housing Authority  
 Gibson County Municipal Water  
 Giles County  
 Giles County 911  
 Gladeville Utility District  
 Gleason, City of  
 Good Neighbor Mission and Crisis Center  
 Goodwill Industries Knoxville, Inc.  
 Gordonsville, Town of  
 Gorham MacBane Library  
 Greenbrier, City of  
 Grundy County  
 Grundy County Highway  
 Grundy Housing Authority  
 Hancock County  
 Hardeman – Fayette Utility District  
 Hardin County  
 Hardin County 911  
 Hardin County Skills, Inc.  
 Harriman, City of  
 Hartsville/Trousdale County  
 Hawkins County

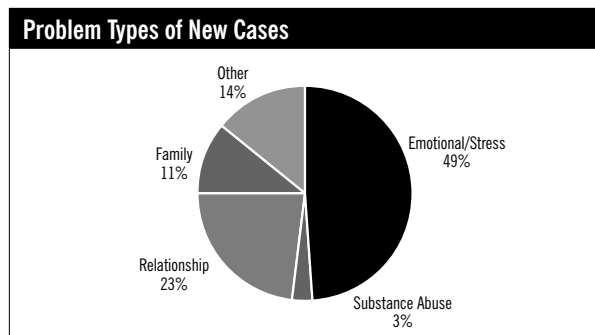
Henderson, City of  
 Henderson County  
 Henderson County Highway  
 Henry County Highway  
 Highland Rim Economic Corporation  
 Hixson Utility District  
 Hohenwald Housing Authority  
 Homesafe of Sumner, Wilson and Robertson County  
 Hope of East TN  
 Humboldt, City of  
 Humboldt Housing Authority  
 Humphreys County  
 Humphreys County 911  
 Huntingdon, Town of  
 Impact Center, Inc.  
 Jacksboro, Town of  
 Jackson Area Council on Alcohol and Drug Dependence  
 Jackson Center for Independent Living  
 James Developmental Center  
 Jasper, Town of  
 Jefferson City Housing  
 Jefferson County  
 Jefferson County 911  
 Johnson County  
 Jubilee Community Arts  
 Kimball, Town of  
 Kings Daughters Day Home  
 Kingsport Housing and Redevelopment Authority  
 Kingston, City of  
 Kingston Springs, Town of  
 Knoxville-Knox County CAC  
 Lafayette, City of  
 Lakeland, City of  
 Lakesite, City of  
 Lakewood, City of  
 Lawrence County  
 Lawrence County 911  
 Lawrence County Chamber of Commerce  
 Lawrenceburg, City of  
 Lawrenceburg Housing Authority  
 Lewis County Highway  
 Lewisburg Housing Authority  
 Lexington, City of  
 Lexington Electric System  
 Lincoln County  
 Linden, City of  
 Loretto, City of  
 Loudon County Economic Development Agency  
 Madison Suburban Utility

# LOCAL GOVERNMENT PLAN

Manchester Housing Authority	Pathfinders, Inc.	Spring City, Town of	TN State Veterans Home – Humboldt
Marion County	Pegram, Town of	St. Joseph, City of	TN State Veterans Home – Knoxville
Marion County Highway	Perry County Highway	Statewide Independent Living Council of TN	TN State Veterans Home – Murfreesboro
Marion County 911	Perry County Medical Center	Stewart County	TN Technology Development Corp.
Marion Natural Gas	Perry County Officials	Stewart County Highway	TN Voices for Children
Mason, Town of	Petersburg, Town of	Street Works	Tracey City Public Utility
McKenzie, City of	Pleasant View, Town of	Sullivan County 911	Tri-Cities/Sullivan Utility District
McNairy County	Portland, City of	Sumner County CASA	Troy, Town of
Development Services	Prevent Child Abuse TN	Surgoinsville Utility District	Tullahoma Housing Authority
McNairy County Highway	Professional Care	TARP, Inc.	Tullahoma Utilities
Memphis and Shelby County CSA	Project Return	TennCare Consumer Advocacy Program	Twenty-first Drug Task Force
Memphis Area Legal Services	Puryear, City of	The Jason Foundation	Unicoi, Town of
Memphis Center for Independent Living	Reelfoot Lake Regional Utility and Planning District	The Renewal House	Union City Electric System
Mental Health Association of Middle TN	Rhea County	Tipton County	Union County Highway
Mid-Cumberland CAA	Rhea Medical Center	Tipton County 911 District	United Cerebral Palsy Center
Mid-Cumberland HRA	Riceville Utility District	Tiptonville, Town of	Upper Cumberland CSA
Mid-East CAA	Ripley, City of	TN Alcohol and Drug Association	Upper Cumberland Development District
Ministerial Association	Ripley Gas/Water	TN Alliance for Legal Services	Upper East TN Human Development Agency
Temporary Shelter	Roane Central Utility	TN Arts Center of Cannon County	Urban Housing Solutions
Minor Hill Water Utility District	Roane County	TN Association of Assessing Officers	Vision Coordination
Monteagle, Town of	Roane County 911	TN Association of County Executives	Vital Center
Mosheim, Town of	Rochelle Center	TN Association of Craft Artists	Volunteer Memphis
Mt. Carmel – Hawkins SCC	Rossville, Town of	TN Association of Utility Districts	Walden, Town of
Murfreesboro Electric Department	Rutherford County Adult Action Center	TN Association of Rescue Squads	Warren County
NAMI TN	Samaritan Recovery Community, Inc.	TN Business Enterprises	Wartburg, City of
Nashville Cares	Savannah, City of	TN Chapter of Children's Advocacy Center	Wartrace, Town of
Nashville Cares – Special Funding	Scotts Hill, Town of	TN Community Services Agency	Waverly, City of
National Association of Social Workers	Second South Cheatham Utility District	TN County Commissioners Association	WDVX Cumberland Communications
National Healthcare for the Homeless Council	Sequatchie County	TN County Highway Officials	Weakley County
New Directions	Sequatchie County Highway	TN County Services Association	Weakley County 911
New Horizons Corporation	Sequatchie Valley Planning	TN Healthcare Campaign	Webb Creek Utility
New Johnsonville, City of	Serenity Recovery Center	TN Historical Society	West Cumberland Utility
Newbern, City of	Sertoma Center	TN Mental Health Consumers Association	West Overton Utility
North Utility of Decatur/Benton County	Sexual Assault Center	TN Municipal Bond Fund	West TN Forensic Services
Northeast Henry County Utility	Sexual Assault Crisis Center	TN Municipal League	West TN Legal Services, Inc.
Northwest Dyersburg Utility	Sharon, City of	TN Organization of School Superintendents	West TN Regional Art Center
Northwest Safeline	Shelby County 911	TN Primary Care Association	West Warren – Viola Utility
Northwest TN Economic Development Council	Shelby Residential and Vocational Services, Inc.	TN School Board Association	Westmoreland, Town of
Northwest TN Head Start	Shelter, Inc.	TN Secondary School Athletic Association	White Bluff, City of
Oak Hill, City of	Smith County	TN State Employees Association	Whitwell, City of
Oak Ridge, City of	Smith County Highway	TN State Museum Foundation	Williamson County Child Advocacy Center
Oak Ridge Housing Authority	Smithville, City of		Women/Men's Resource and Rape Assistance Program
Old Knoxville Highway Water District	Smithville Electric System		Woodbury Housing Authority
Overton County	Soddy-Daisy Falling Water Utility		Workforce Solutions
Overton County Highway	South Carthage, Town of		Youth Emergency Shelter
Overton County Nursing Home	South Central TN Development District		
	South Central TN Workforce Alliance		
	South Pittsburg, City of		
	Southeast Mental Health Center		
	Southwest TN Development District		

## EAP, MENTAL HEALTH AND SUBSTANCE ABUSE

The EAP provides counseling and referral services for personal and workplace situations. Eligible employees and their dependents may receive up to six counseling sessions per problem episode at no direct cost. The program is available to all state and higher education employees and dependents that are eligible to participate in the state group insurance program. Local education and local government employees and their dependents who participate in a state-sponsored health plan are also eligible. If more intensive treatment is needed, individuals may receive care through their insurance plan's mental health or substance abuse coverage.

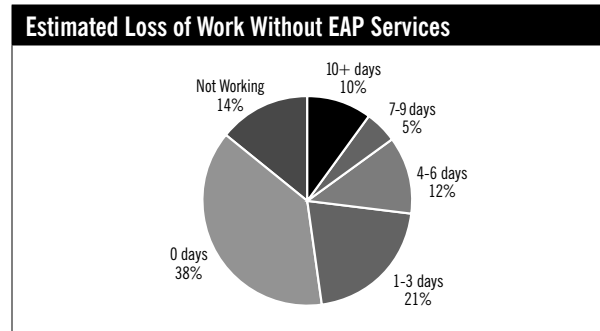


Magellan Health Services reported 13,974 members accessing EAP services in 2010, a slight increase from 2009. As a percent of total, referral utilization by plan was 70 percent state plan, 24 percent local education plan and 5 percent local government plan.

Training programs include employee orientations and supervisory training classes on the EAP services. Personal and professional growth seminars are held in nine locations across the state quarterly and upon request by agencies, departments and schools. There were 143 professional and personal growth seminars offered and attended by 3,858 employees.

Supervisory training sessions are offered to teach supervisors how to use the EAP as one of their managerial tools in promoting good job performance. A total of 38 sessions were provided with attendance totaling 260. Critical stress debriefings occurred on 33 occasions involving 417 employees.

Participation in consultation and training services continues to be in demand. Counseling services were utilized by 3.4 percent of those eligible while training services were utilized by 4 percent of those eligible. A total of 414 hours were spent in training activities reaching 6,348 employees.



A total of 7,652 employees used on-line services at the Magellan website — consistent with last year's utilization rate.

Inpatient utilization involved a total of 1,295 cases reviewed. The number of admissions for inpatient acute per 1,000 covered individuals was 3.0; for residential 0.7; for partial hospitalization 0.4; and for intensive outpatient 1.1. Days of care per 1,000 covered individuals were 17.6 for inpatient acute; 16.4 for residential; 5.1 for partial and 17.6 visits for intensive outpatient.

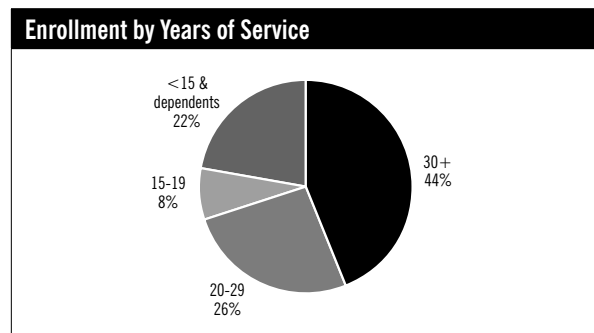
Outpatient utilization for the plans showed a total of 12,837 patients reviewed with sessions totaling 337.2 per 1,000 individuals. Intensive outpatient and partial hospitalization services were utilized by 404 patients with 17.6 visits per 1,000 individuals for intensive outpatient and 5.1 days per 1000 for partial.

Total utilization for the combined plans was 93,875 outpatient sessions with more than \$4.3 million in claims payments. Intensive outpatient and partial hospitalization resulted in claims payments of \$1,181,963 for 4,899 intensive outpatient units and 1,432 partial days. Inpatient days were 4,910 with more than \$4.1 million in claims payments. Residential treatment center days were 4,568 with a total of more than \$1.8 million in claims payments.

## MEDICARE SUPPLEMENT PROGRAM

Since January 1989, the state has maintained a benefits program for Medicare-eligible retired teachers and state employees. The program involves two elements: the sponsorship of Medicare supplement coverage and the provision of financial support for participating retirees.

The Medicare Modernization Act made significant changes to Medicare and to the rules that govern Medicare supplement coverage. It also authorized the new Medicare Part D prescription drug coverage. Based on the restrictions on the benefits that can be provided by Medicare supplement policies, all participants were combined into a single Medicare supplement plan at the beginning of 2006—The Tennessee Plan—with previous pharmacy benefits subsequently discontinued. To comply with standard plan requirements established by the National Association of Insurance Commissions (NAIC), The Tennessee Plan matches the NAIC level D benefits.



The state's financial support is based on a retiree's length of service. Retired teachers and state employees received \$50 per month for 30 or more years of service; \$37.50 for 15 to 19 years of service and \$25 per month for 15 to 19 years of service. This support is provided to Medicare supplement participants and to retired teachers in school districts which sponsor employee medical plans and permit Medicare-eligible retirees to continue coverage during retirement. The Tennessee Plan ended the year with 28,368 members.

Claims are administered by the POMCO Group. Based on the lower administrative fees as compared to the previous provider, POMCO has saved the state group insurance program in excess of \$12 million since the inception of this contract.

Results of the annual member satisfaction survey conducted by POMCO showed 98.4% of members giving an overall satisfaction rating of excellent, very good or good. POMCO's dedicated customer service center received more than 61,000 calls in 2010 — 100 percent of which were answered in an average of 27 seconds. The customized web portal received more than 95,000 hits. The site provides members access to claim information, copies of explanation of benefits forms and direct links to other helpful sites.

POMCO has met or exceeded every performance guarantee required since contract inception.



## STATE PLAN

The following unaudited financial statements for the state plan, local education plan, local government plan and retiree plan disclose the financial position and the results of operations for the year ended June 30, 2010. The state plan, local education plan and local government plan financial statements include only active employees — retirees are disclosed separately. The Department of Finance and Administration, Benefits Administration prepared these statements which summarize transactions for all coverages available through each plan. The complete financial

statements, accompanying notes and supplemental schedules are included in the Comprehensive Annual Financial Report (CAFR) for the State of Tennessee. The CAFR was prepared by the Department of Finance and Administration, Division of Accounts and was audited by the Comptroller of the Treasury, Division of State Audit.

NOTE: Financial data in this section expressed in thousands

### Comparative Statement of Net Assets

	30-JUN-10	30-JUN-09
<b>Assets</b>		
Cash and cash equivalents	\$ 144,333	\$ 249,672
Accounts receivable, net	3,324	5,727
Due from other governments	—	—
<b>Total assets</b>	<b>\$ 147,657</b>	<b>\$ 255,399</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 50,706	\$ 50,247
Deferred revenue	39,681	38,498
<b>Total liabilities</b>	<b>\$ 90,387</b>	<b>\$ 88,745</b>
<b>Net assets</b>		
Unrestricted	\$ 57,270	\$ 166,654
<b>Total net assets</b>	<b>\$ 57,270</b>	<b>\$ 166,654</b>

# STATE PLAN

## Comparative Statement of Revenues, Expenses and Changes in Net Assets

	30-JUN-10	30-JUN-09
<b>Operating revenues</b>		
Premiums	\$ 591,710	\$ 663,100
<b>Total operating revenues</b>	<b>\$ 591,710</b>	<b>\$ 663,100</b>
<b>Operating expenses</b>		
Medical and mental health claims	\$ 667,197	\$ 639,508
Less: insurance recoveries	—	—
Administrative services	5,288	3,480
Contract services	28,472	30,489
Rent and insurance	754	3,652
<b>Total operating expenses</b>	<b>\$ 701,711</b>	<b>\$ 677,129</b>
Operating income (loss)	\$ (110,001)	\$ (14,029)
<b>Non-operating revenues</b>		
Interest income	\$ 617	\$ 4,248
<b>Total non-operating revenues</b>	<b>\$ 617</b>	<b>\$ 4,248</b>
Income (loss) before transfers	\$ (109,384)	\$ —
Transfers from general fund	—	—
Change in net assets	\$ (109,384)	\$ (9,781)
Net assets, July 1	166,654	176,435
<b>Net assets, June 30</b>	<b>\$ 57,270</b>	<b>\$ 166,654</b>

## STATE PLAN

## Comparative Statement of Cash Flows

	30-JUN-10	30-JUN-09
<b>Cash flows from operating activities</b>		
Receipts from internal services provided	\$ 379,455	\$ 420,854
Receipts from customers and users	248,731	262,047
Payments to suppliers	(728,842)	(701,630)
Payments for internal services used	(5,300)	(3,480)
<b>Net cash from (used for) operating activities</b>	<b>\$ (105,956)</b>	<b>\$ (22,209)</b>
<b>Cash flows from noncapital financing activities</b>		
Transfers in	\$ —	\$ —
<b>Net cash from (used for) noncapital financing activities</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Cash flows from investing activities</b>		
Interest received	\$ 617	\$ 4,248
<b>Net cash from (used for) investing activities</b>	<b>\$ 617</b>	<b>\$ 4,248</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (105,339)</b>	<b>\$ (17,961)</b>
Cash and cash equivalents, July 1	249,672	267,633
<b>Cash and cash equivalents, June 30</b>	<b>\$ 144,333</b>	<b>\$ 249,672</b>
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ (110,001)	\$ (14,029)
<b>Adjustments to reconcile operating income (loss) to net cash from operating activities</b>		
(Increase) decrease in accounts receivable	\$ 2,403	\$ (2,216)
Increase (decrease) in accounts payable	459	(2,718)
Increase (decrease) in deferred revenue	1,183	(3,246)
Total adjustments	\$ 4,045	\$ (8,180)
<b>Net cash from (used for) operating activities</b>	<b>\$ (105,956)</b>	<b>\$ (22,209)</b>

# LOCAL EDUCATION PLAN

## Comparative Statement of Net Assets

	30-JUN-10	30-JUN-09
<b>Assets</b>		
Cash and cash equivalents	\$ 131,773	\$ 153,331
Accounts receivable, net	1,919	2,962
<b>Total assets</b>	<b>\$ 133,692</b>	<b>\$ 156,293</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 30,703	\$ 29,124
Deferred revenue	—	—
<b>Total liabilities</b>	<b>\$ 30,703</b>	<b>\$ 29,124</b>
<b>Net assets</b>		
Unrestricted	\$ 102,989	\$ 127,169
<b>Total net assets</b>	<b>\$ 102,989</b>	<b>\$ 127,169</b>

## Comparative Statement of Revenues, Expenses and Changes in Net Assets

	30-JUN-10	30-JUN-09
<b>Operating revenues</b>		
Premiums	\$ 420,751	\$ 401,098
<b>Total operating revenues</b>	<b>420,751</b>	<b>\$ 401,098</b>
<b>Operating expenses</b>		
Medical and mental health claims	\$ 422,228	\$ 392,847
Less: insurance recoveries	—	—
Administrative services	3,213	1,812
Contract services	19,981	19,149
Rent and insurance	—	57
<b>Total operating expenses</b>	<b>\$ 445,422</b>	<b>\$ 413,865</b>
Operating income (loss)	\$ (24,671)	\$ (12,767)
<b>Non-operating revenues</b>		
Interest income	\$ 491	\$ 2,528
<b>Total non-operating revenues</b>	<b>\$ 491</b>	<b>\$ 2,528</b>
Income (loss) before transfers	\$ (24,180)	\$ (10,239)
Transfers from general fund	—	—
Change in net assets	\$ (24,180)	\$ (10,239)
Net assets, July 1	127,169	137,408
<b>Net assets, June 30</b>	<b>\$ 102,989</b>	<b>\$ 127,169</b>

# LOCAL EDUCATION PLAN

## Comparative Statement of Cash Flows

	30-JUN-10	30-JUN-09
<b>Cash flows from operating activities</b>		
Receipts from internal services provided	\$ —	\$ —
Receipts from customers and users	425,734	403,140
Payments to suppliers	(444,570)	(413,608)
Payments for internal services used	(3,213)	(1,812)
<b>Net cash from (used for) operating activities</b>	<b>\$ (22,049)</b>	<b>\$ (12,280)</b>
<b>Cash flows from noncapital financing activities</b>		
Transfers in	\$ —	\$ —
<b>Net cash from (used for) noncapital financing activities</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Cash flows from investing activities</b>		
Interest received	\$ 491	\$ 2,528
<b>Net cash from (used for) investing activities</b>	<b>\$ 491</b>	<b>\$ 2,528</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (21,558)</b>	<b>\$ (9,752)</b>
Cash and cash equivalents, July 1	153,331	163,083
<b>Cash and cash equivalents, June 30</b>	<b>\$ 131,773</b>	<b>\$ 153,331</b>
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ (24,671)	\$ (12,767)
<b>Adjustments to reconcile operating income (loss) to net cash from operating activities</b>		
(Increase) decrease in accounts receivable	\$ 1,044	\$ (648)
Increase (decrease) in accounts payable	1,578	1,922
Increase (decrease) in deferred revenue	—	(787)
Total adjustments	\$ 2,622	\$ 487
<b>Net cash from (used for) operating activities</b>	<b>\$ (22,049)</b>	<b>\$ (12,280)</b>

# LOCAL EDUCATION PLAN

## Required Supplementary Information — Active Employees

The table below illustrates how the local education group insurance fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the local education group insurance fund as of the end of each of the last ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year); some of these amounts are unavailable. (4) This section shows the cumulative net amounts paid as of the end of successive years for each policy year; some of these amounts are unavailable. (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years; some of these

amounts are unavailable. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive fiscal and policy years. Beginning with fiscal year 2007, the plan is reported in accordance with the Governmental Accounting Standards Board's Statement No. 43. Therefore, for accounting and financial reporting purposes, the table below only includes active employees of the local education plan; retirees of the plan are no longer included in the 2007, 2008, 2009 and 2010 column disclosures below.

## Ten-Year Claims Development Information

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Required contribution and investment revenue earned (fiscal year)	166,476	203,669	250,090	287,814	323,053	359,963	356,328	390,835	403,627	421,242
(2) Unallocated expenses (fiscal year)	15,961	19,380	21,271	23,168	23,771	21,584	17,152	16,366	21,019	23,194
(3) Estimated claims and expenses, end of policy year, net incurred	185,219	210,650	248,618	263,345	296,509	320,702	342,692	389,270	373,682	*
(4) Net paid (cumulative) as of:										
End of policy year	162,993	189,585	223,756	238,934	268,863	295,687	313,376	359,949	347,060	*
One year later	182,699	211,337	247,014	263,694	296,441	320,503	342,800	389,645	*	
Two years later	182,569	211,053	246,969	263,699	296,434	320,454	342,952	*		
Three years later	182,461	211,041	246,917	263,759	296,405	320,364	*			
Four years later	182,454	210,953	246,888	263,730	296,347	*				
Five years later	182,446	210,952	246,880	263,720	*					
Six years later	182,444	210,951	246,880	*						
Seven years later	182,441	210,951	*							
Eight years later	182,441	*								
Nine years later	*									
(5) Reestimated net incurred claims and expenses:										
End of policy year	185,219	210,650	248,618	263,345	296,509	320,702	342,692	389,270	373,682	*
One year later	182,581	211,199	247,111	263,738	296,274	320,646	342,865	389,163	*	
Two years later	182,441	211,044	246,949	263,670	296,440	320,396	342,969	*		
Three years later	182,455	210,981	246,917	263,736	296,379	320,352	*			
Four years later	182,449	210,953	246,883	263,728	296,342	*				
Five years later	182,446	210,951	246,880	263,708	*					
Six years later	182,442	210,951	246,880	*						
Seven years later	182,441	210,951	*							
Eight years later	182,441	*								
Nine years later	*									
(6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(2,778)	300	(1,739)	363	(166)	(350)	277	(107)	*	*

\* Data not available

# LOCAL GOVERNMENT PLAN

## Comparative Statement of Net Assets

	30-JUN-10	30-JUN-09
<b>Assets</b>		
Cash and cash equivalents	\$ 17,349	\$ 23,122
Accounts receivable, net	97	1,215
<b>Total assets</b>	<b>\$ 17,446</b>	<b>\$ 24,337</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 7,719	\$ 7,582
Deferred revenue	—	—
<b>Total liabilities</b>	<b>\$ 7,719</b>	<b>\$ 7,582</b>
<b>Net assets</b>		
Unrestricted	\$ 9,727	\$ 16,755
<b>Total net assets</b>	<b>\$ 9,727</b>	<b>\$ 16,755</b>

## Comparative Statement of Revenues, Expenses and Changes in Net Assets

	30-JUN-10	30-JUN-09
<b>Operating revenues</b>		
Premiums	\$ 104,736	\$ 102,882
<b>Total operating revenues</b>	<b>\$ 104,736</b>	<b>\$ 102,882</b>
<b>Operating expenses</b>		
Medical and mental health claims	\$ 105,918	\$ 95,581
Less: insurance recoveries	—	—
Administrative services	716	439
Contract services	5,204	3,908
Rent and insurance	\$ —	\$ —
<b>Total operating expenses</b>	<b>\$ 111,838</b>	<b>\$ 99,928</b>
Operating income (loss)	\$ (7,102)	\$ 2,954
<b>Non-operating revenues</b>		
Interest income	\$ 74	\$ 284
<b>Total non-operating revenues</b>	<b>\$ 74</b>	<b>\$ 284</b>
Income (loss) before transfers	\$ (7,028)	\$ 3,238
Transfers from general fund	—	—
Change in net assets	\$ (7,028)	\$ 3,238
Net assets, July 1	16,755	13,517
<b>Net assets, June 30</b>	<b>\$ 9,727</b>	<b>\$ 16,755</b>

# LOCAL GOVERNMENT PLAN

## Comparative Statement of Cash Flows

	30-JUN-10	30-JUN-09
<b>Cash flows from operating activities</b>		
Receipts from internal services provided	\$ —	\$ —
Receipts from customers and users	106,884	102,770
Payments to suppliers	(112,015)	(98,622)
Payments for internal services used	(716)	(439)
<b>Net cash from (used for) operating activities</b>	\$ (5,847)	\$ 3,709
<b>Cash flows from noncapital financing activities</b>		
Transfers in	\$ —	\$ —
<b>Net cash from (used for) noncapital financing activities</b>	\$ —	\$ —
<b>Cash flows from investing activities</b>		
Interest received	\$ 74	\$ 284
<b>Net cash from (used for) investing activities</b>	\$ 74	\$ 284
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (5,773)	\$ 3,993
Cash and cash equivalents, July 1	23,122	19,129
<b>Cash and cash equivalents, June 30</b>	\$ 17,349	\$ 23,122
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ (7,102)	\$ 2,954
<b>Adjustments to reconcile operating income (loss) to net cash from operating activities</b>		
(Increase) decrease in accounts receivable	\$ 1,118	\$ (605)
Increase (decrease) in accounts payable	137	1,738
Increase (decrease) in deferred revenue	—	(378)
Total adjustments	\$ 1,255	\$ 755
<b>Net cash from (used for) operating activities</b>	\$ (5,847)	\$ 3,709

# LOCAL GOVERNMENT PLAN

## Required Supplementary Information — Active Employees

The table below illustrates how the local government group insurance fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the local government group insurance fund as of the end of each of the last ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year); some of these amounts are unavailable. (4) This section shows the cumulative net amounts paid as of the end of successive years for each policy year; some of these amounts are unavailable. (5) This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years; some of these

amounts are unavailable. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive fiscal and policy years. Beginning with fiscal year 2007, the plan is reported in accordance with the Governmental Accounting Standards Board's Statement No. 43. Therefore, for accounting and financial reporting purposes, the table below only includes active employees of the local government insurance plan; retirees of the plan are no longer included in the 2007, 2008, 2009 and 2010 column disclosures below.

## Ten-Year Claims Development Information

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Required contribution and investment revenue earned (fiscal year)	58,593	91,297	101,219	98,302	103,521	96,914	89,240	96,558	103,157	104,810
(2) Unallocated expenses (fiscal year)	6,315	9,396	8,576	7,194	6,651	5,038	3,398	3,500	4,348	5,921
(3) Estimated claims and expenses, end of policy year, net incurred	84,018	106,617	89,217	82,822	90,559	87,058	91,622	94,655	100,350	*
(4) Net paid (cumulative) as of:										
End of policy year	73,936	94,889	80,295	76,196	81,924	80,519	84,836	88,265	93,456	*
One year later	83,286	104,893	87,967	82,622	90,552	86,934	91,791	94,820	*	
Two years later	83,197	104,751	87,804	82,491	90,528	86,981	91,793	*		
Three years later	83,167	104,718	87,805	82,528	90,522	86,974	*			
Four years later	83,184	104,705	87,802	82,478	90,514	*				
Five years later	83,184	104,704	87,802	82,458	*					
Six years later	83,184	104,704	87,802	*						
Seven years later	83,184	104,704	*							
Eight years later	83,184	*								
Nine years later	*									
(5) Reestimated net incurred claims and expenses:										
End of policy year	84,018	106,617	89,217	82,822	90,559	87,058	91,622	94,655	100,350	*
One year later	83,241	104,826	87,880	82,529	90,476	86,948	91,801	94,749	*	
Two years later	83,183	104,729	87,792	82,485	90,525	86,977	91,788	*		
Three years later	83,186	104,710	87,803	82,481	90,517	86,972	*			
Four years later	83,185	104,705	87,802	82,475	90,514	*				
Five years later	83,184	104,704	87,802	82,454	*					
Six years later	83,184	104,704	87,802	*						
Seven years later	83,184	104,704	*							
Eight years later	83,184	*								
Nine years later	*									
(6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(835)	(1,913)	(1,415)	(368)	(45)	(85)	165	94	*	*

\* Data not available

# RETIREE PLANS

## Comparative Statement of Fiduciary Net Assets

	30-JUN-10	30-JUN-09
<b>Assets</b>		
Cash and cash equivalents	\$ 21,074	\$ 21,486
Accounts receivable	1,188	1,446
<b>Total assets</b>	<b>\$ 22,262</b>	<b>\$ 22,932</b>
<b>Liabilities</b>		
Accounts payable and accruals	\$ 15,434	\$ 17,607
Amounts held in custody for others	6,828	5,325
<b>Total liabilities</b>	<b>\$ 22,262</b>	<b>\$ 22,932</b>

## Comparative Statement of Changes in Assets and Liabilities

	BALANCE 01-JUL-09	ADDITIONS	DEDUCTIONS	BALANCE 30-JUN-10
<b>Assets</b>				
Cash and cash equivalents	\$ 21,486	\$ 224,255	\$ 224,667	\$ 21,074
Accounts receivable	1,446	7,494	7,752	1,188
<b>Total assets</b>	<b>\$ 22,932</b>	<b>\$ 231,749</b>	<b>\$ 232,419</b>	<b>\$ 22,262</b>
<b>Liabilities</b>				
Accounts payable and accruals	\$ 17,607	\$ 29,364	\$ 31,537	\$ 15,434
Amounts held in custody for others	5,325	7,206	5,703	6,828
<b>Total liabilities</b>	<b>\$ 22,932</b>	<b>\$ 36,570</b>	<b>\$ 37,240</b>	<b>\$ 22,262</b>

## Comparative Statement of Changes in Assets and Liabilities

	BALANCE 01-JUL-08	ADDITIONS	DEDUCTIONS	BALANCE 30-JUN-09
<b>Assets</b>				
Cash and cash equivalents	\$ 22,012	\$ 210,001	\$ 210,527	\$ 21,486
Accounts receivable	1,643	4,555	4,752	1,446
<b>Total assets</b>	<b>\$ 23,655</b>	<b>\$ 214,556</b>	<b>\$ 215,279</b>	<b>\$ 22,932</b>
<b>Liabilities</b>				
Accounts payable and accruals	\$ 15,485	\$ 46,921	\$ 44,799	\$ 17,607
Amounts held in custody for others	8,170	16,618	19,463	5,325
<b>Total liabilities</b>	<b>\$ 23,655</b>	<b>\$ 63,539</b>	<b>\$ 64,262</b>	<b>\$ 22,932</b>

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