

STATE GROUP INSURANCE PROGRAM







STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
BENEFITS ADMINISTRATION  
1900 William R. Snodgrass Tennessee Tower  
312 Rosa L. Parks Avenue  
Nashville, TN 37243

Larry B. Martin  
COMMISSIONER

Laurie Lee  
EXECUTIVE DIRECTOR

December 15, 2016

Ladies and Gentlemen:

We are pleased to submit the 2015 Annual Program and Financial Report for Benefits Administration. Under the direction of the State, Local Education and Local Government Insurance Committees, this division of the Department of Finance and Administration manages insurance benefits for more than 137,000 employees and 35,815 Medicare eligible retirees and their families from public sector organizations in Tennessee. At the end of 2015, the state-sponsored plans provided health insurance coverage to more than 308,000 individuals.

The data presented here demonstrate program, statistical and financial trends for the plans. The financial statements reflect the fiscal year ended June 30, 2015.

While the state group insurance program sponsors the coverages and programs reviewed in this report, we work in partnership with 14 contractors and a number of other state agencies to deliver services to program members. The results reported here reflect their contributions and the leadership of the Insurance Committees.

Sincerely,

Laurie Lee, Executive Director

Larry B. Martin, Commissioner



Tennessee Department of Finance and Administration.  
Authorization Number 317238, 100 copies, June 2015. This  
public document was promulgated at a cost of \$1.88 per copy.

## OVERVIEW

Benefits Administration operates within the State of Tennessee’s Department of Finance and Administration. The division administers health, dental, vision, life and long-term care insurance coverages for more than 308,000 public sector employees, retirees and their eligible dependents.

In addition to insurance coverages, the division also administers an employee assistance program and integrated disease management and wellness programs. 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 choose 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.

In 2015, the state offered all members two health insurance options — the Partnership PPO and Standard PPO. Both PPOs are available statewide and members have the choice of two medical insurance carriers — BlueCross BlueShield of Tennessee or Cigna.

A third option is available to participants in the local education and local government plans. The Limited PPO is a high-deductible plan. It is also available statewide with claims and networks administered by either BlueCross BlueShield of Tennessee or Cigna.

The division contracts separately with CVS/caremark for prescription drug coverage and Magellan Health for behavioral health services for all plan options.

The PPOs cover the same services, treatments and products with one important difference — members who choose the Partnership PPO must agree to a partnership promise. The promise requires members to take certain steps to maintain or improve their health. In return, these members pay lower premiums, copays, coinsurance, deductibles and have lower out-of-pocket maximums than those choosing the Standard PPO.

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

Vision coverage is available to all state plan members. Members in the local education and local government plans are also eligible, if coverage is offered by the employing agency. Vision coverage is administered by EyeMed.

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 with basic term life and accidental death and dismemberment coverage, in addition to optional term life and accidental death, underwritten by Minnesota Life.

Long-term care insurance is available to all state plan employees, retirees and eligible family members through MedAmerica Insurance Company. This coverage is also available to local education and local government plan members, if offered by the employing agency.

| Enrollment Highlights            |         |
|----------------------------------|---------|
| Total Group Health Lives         | 272,642 |
| Employees:                       |         |
| State Partnership PPO            | 49,096  |
| State Standard PPO               | 19,897  |
| Local Education Partnership PPO  | 32,304  |
| Local Education Standard PPO     | 12,983  |
| Local Education Limited PPO      | 10,060  |
| Local Government Partnership PPO | 4,882   |
| Local Government Standard PPO    | 3,537   |
| Local Government Limited PPO     | 4,439   |
| Total Employee Group Health      | 137,198 |
| Optional Dental Coverage         | 83,521  |
| Optional Life Insurance Products | 78,672  |
| Optional Long-Term Care Coverage | 2,938   |
| Optional Vision Coverage         | 71,666  |
| Retiree Medicare Supplement      | 35,815  |

Source: State of Tennessee and Partner Vendors

## 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 committee represents the interests of the employer(s) and their employees and retirees in financially separate benefit plans.

### Committee Members

**Larry B. Martin, 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

**Julie Mix McPeak** — S, E  
Commissioner, Department of Commerce and Insurance

**Rebecca Hunter** — S  
Commissioner, Department of Human Resources

**Brenda Cowan** — S  
Employee Representative

**Jeff Hughes** — S  
Employee Representative

**April Preston** — S  
Higher Education Representative

**Gayle Robb** — S  
Tennessee State Employee Association

**Senator Randy McNally** — S  
Chair, Senate Finance, Ways and Means Committee

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 and benefits.

**Representative Charles Sargent** — S  
Chair, House Finance, Ways and Means Committee

**Maryanne Durski** — E  
Designee, Department of Education

**Rebecca Jackman** — E  
Middle Tennessee Teacher Representative

**Janie Holland** — E  
East Tennessee Teacher Representative

**Dane Weaver** — E  
West Tennessee Teacher Representative

**Leigh Mills** — 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 Partnership, Standard and Limited Preferred Provider Organizations (PPOs).

### **Cigna**

Providing administration of healthcare coverage for plan members in the Partnership, Standard and Limited Preferred Provider Organizations (PPOs).

### **CVS/caremark**

Providing pharmacy benefits for all members enrolled in health coverage.

### **Magellan Health**

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

### **Assurant Employee Benefits**

Providing optional prepaid dental insurance to participating plan members statewide.

### **Delta Dental of Tennessee**

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

### **POMCO Group**

Providing administration of retiree Medicare supplement coverage.

### **Minnesota Life**

Providing basic term, accidental death and dismemberment and optional term life insurance to state plan members who choose to enroll in this coverage.

### **MedAmerica Insurance Company**

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

### **EyeMed Vision Care**

Providing vision insurance to plan members and their eligible family members who choose to enroll in this coverage.

### **Healthways**

Providing disease management, lifestyle management and wellness program services for all plan members enrolled in health coverage.

### **Truven Health Analytics**

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

### **Aon Hewitt**

Providing benefits and actuarial consultant services to the division.

### **Jellyvision Lab**

Providing online benefits decision support for members.

## LOOKING BACK

### MISSION AND VISION

Benefits Administration provides health insurance benefits to State of Tennessee employees, retirees and dependents as well as certain employees, retirees and dependents from local education agencies, local governments and grantees of the state.

**Our Mission:** Deliver comprehensive, affordable, dependable and sustainable benefits

**Our Vision:** Healthy members; peace of mind

### OVERVIEW

Benefits Administration delivers value to members by implementing conservative and accountable plan design and fiscal policy to sustain a market competitive benefit. Specifically, the division has a consistent focus on four key levers to deliver value:

- **Purchasing** — Obtain best pricing through competitive procurements that leverage the state's purchasing power and vendor core competencies
- **Plan design** — Balance plan target actuarial value with incentives for management of chronic disease
- **Population health** — Build data-driven health management and wellness supports into the plan design to raise member accountability for health behaviors and improve health outcomes
- **Pay for value** — Increase the accountability of contractors and providers so that we pay for improved quality and competitive cost, not volume

For the period July 1, 2014, to June 2015, all four plans continued to perform better than projected and have an estimated total available solvency reserve above the target solvency reserve set for calendar year 2015. The year over year premium increases for the State, Local Education and Local Government Plans from 2011–2015 have averaged 2.5 percent, 2.4 percent and 3.8 percent, respectively, well below the industry average.

The plans reap the benefits of the integrated population health strategy introduced with the Partnership PPO through consolidated disease management, lifestyle management and wellness services. Evidence of improvements includes reduced inpatient, outpatient and emergency department utilization and increased preventive screening rates. We evaluate the impact of the Partnership PPO incentives and population health contract to determine the overall value of this investment to our plans and members.

### KEY ACTIONS IN 2015

**Purchasing** — In 2015, the Insurance Committees approved the following contract awards and procurement activity. The

Health Savings Account/Flexible Spending Account vendor and communications vendor are new services for Benefits Administration. All other procurements replaced current contracts that were at the completion of their five-year contract terms. With the exception of the member decision support tool, all were the result of competitive procurements.

- **Health Savings Account (HSA)/Flexible Spending Account (FSA).** With the approved addition for 2016 of a HSA-qualified consumer driven health plan (CDHP), the Division procured PayFlex to manage the HSA component. The Division will work closely with the Tennessee Department of Treasury for oversight of the HSA investment portfolio. The procurement also included services and rates for the FSA program, currently managed by Treasury, with the plan to move this function to Benefits Administration in the future.
- **Preferred Dental.** This procurement resulted in a contract with a new vendor, MetLife, for the dental preferred provider organization (DPPO) product. The DPPO provides services with group member coinsurance rates. Any dentist may be used to receive benefits, but member cost is less if an in-network provider is used.
- **Prepaid Dental.** This procurement resulted in a contract with a new vendor, Cigna, for the prepaid dental product. The Prepaid Plan provides services at predetermined copay amounts from a limited network of participating dentists and specialists.
- **Regional Third Party Administrators.** As a self-funded plan, the state group insurance program procures the services of third party administrators (TPAs) for network development, claims processing and the associated member and plan services. The procurement secured two providers for each of the state's three grand divisions. This approach recognizes the geographic price variation across the state and also promotes choice and competition. BlueCross BlueShield of Tennessee and Cigna prevailed in this procurement.
- **Communications.** In 2014 the Insurance Committees approved a 2015 procurement for a contractor to develop a comprehensive approach to inform and educate members and eligible employees about benefits choices, with a particular focus on the new CDHP and HSA. This would include the creation of decision tools to help members understand health plan options and make informed decisions. The Committee voted not to approve the result of the procurement due to cost concerns but approved a limited scope contract to assist members with understanding and selecting their benefits options. This resulted in a sole-source contract with Jellyvision Lab to license ALEX® software for purposes of providing an online benefits decision support tool for members.

## LOOKING BACK

### PLAN DESIGN

**Benefit Changes** — The Insurance Committees approved minimal benefit changes for the Partnership, Standard and Limited Plans for 2015. The changes largely reflected requirements of the Patient Protection and Affordable Care Act (PPACA) for member cost sharing for in-network out-of-pocket maximum costs. The changes in the out-of-pocket maximum amounts were benefit neutral—that is, it neither increased nor decreased the value of the benefit.

**Partnership Promise** — The overall goal of the Partnership Promise is for healthy members to stay healthy and to slow or stop progression of chronic disease in our population. In 2015, members receiving the wellness incentive agreed to:

- Complete the Well-being Assessment (WBA)
- Complete physician screening form and participate in coaching, if identified for coaching
- Keep contract information updated
- Complete the WBA and biometric screening within 120 days of insurance coverage effective, if a new employee

The Partnership Promise is a work in progress, with promising results in many areas, as reported elsewhere in the report.

### PLAN FUNDING

Each year staff recommends to the Insurance Committees what the division believes are appropriate insurance premiums to sufficiently fund the plans. Sufficient funding is required to pay claims expenses, pay administrative and program fees to various contractors and establish sufficient reserves to account for claims incurred but not yet reported and claims fluctuation. The premium rate increases implemented in 2015 were recommended by the consulting actuary, Aon Hewitt, and are based on historical costs per contract, assumptions about expected future cost increases, regulatory requirements and salary increases.

For 2015, the Insurance Committee approved no increase in premiums for all three plans. All plans performed better than the expected and forecasted trend in 2013 and for the first quarter 2014. The medical trend was forecast at 6.5% for the projections, reflecting the continued cost pressures for health plans. However, the plans' solvency reserves supported foregoing a premium increase for 2015, which will result in a spend-down of the plans' surplus reserves over the next three years.

Benefits Administration seeks benefit design options that improve value to members while offering affordable and sustainable benefits. In 2011 we introduced the concept of premium incen-

tives to engage members in both personal health choices and health purchasing decisions. The surcharge for the Standard PPO incents selection of the Partnership PPO, which is designed to improve member health status. The network surcharges reflect the wide price variation among provider networks and encourage members to consider less costly providers. For 2015, there were no changes to the existing premium surcharges.

### OPERATIONS

In 2015, our operations team worked closely with member agencies to ensure they had necessary information for the significant reporting requirements under the PPACA. We continue to identify and manage the PPACA-related changes to ensure compliance.

Our service center and communications team achieved high scores on our agency customer satisfaction survey. In 2015, we implemented “recalibration” training to ensure accurate and consistent service delivery, requiring 100% accuracy in our service center staff training results, resulting in fewer errors and faster problem resolution.

Our communications team created a new, extensive campaign to support the launch of our new CDHP product. This was a significant effort to help our members understand this new product and its potential fit with their health spending.

### ONGOING CHALLENGES

A new challenge to the state group insurance program management emerged in 2015 through the offering of unauthorized, additional plans by many of our participating local education agencies and, to a lesser degree, some local government agencies. These unapproved plans were often sponsored and subsidized by the participating agency and paired with the state's low cost, Limited PPO. The provision and funding of these plans altered the local education plan's performance from the plan's underwriting assumptions and the premium rates adopted by the insurance committees. As a result, the local education plan performed significantly under its forecast for the last half of the year, which will affect the plan's financial outlook going forward.

General medical inflation, coupled with the costs associated with high rates of chronic disease in the public sector plans challenge our mission to provide comprehensive and affordable health coverage. This mission is advanced by our goal to keep all stakeholders accountable in this complex equation, which drives the strategies we are implementing. Specifically, the introduction of the CDHP, our participation in the Governor's payment reform initiative and the continued focus on population health address key cost and quality levers on which we continue to focus our efforts.

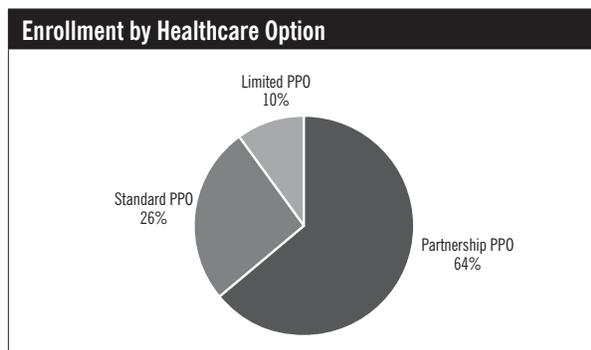
# PARTNERSHIP PPO

The state group insurance program has been facing unparalleled financial challenges, even as we worked to provide comprehensive, affordable, dependable and sustainable health benefits for all of our plan members. The three insurance plans paid out more than \$1.42 billion in healthcare claims in 2015.

Excess disease burden is one of the principal drivers of the growth in costs in the public sector plans. Plan members' prevalence of chronic conditions such as coronary artery disease, congestive heart failure, chronic obstructive pulmonary disease, diabetes, hypertension, osteoarthritis and rheumatoid arthritis is higher than the national and state averages for individuals with insurance. Members also have a higher utilization than other comparable populations such as the insured residents of the nation's southeastern region as a whole.

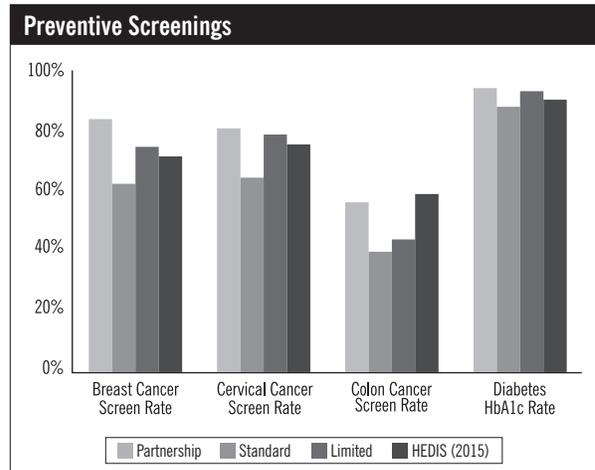
To address this issue, we developed the Partnership PPO in 2011, which rewards members who agree to take responsibility to engage in maintaining or improving their health with lower costs.

During 2015, all Partnership PPO members were required to complete the Healthways Well-Being Assessment™ (online health questionnaire) and keep their contact information current with their employer. Tobacco users were asked to enroll in a tobacco cessation program and the plan required members to participate in coaching and/or case management, if an opportunity to improve their health was identified by the wellness vendor. Because health costs and premium increases are linked to overall plan member health, the Partnership PPO provides a financial incentive for members to exercise responsibility for their own health and well-being.



Source: Truven

A total of 179,922 or 64 percent of members enrolled in the Partnership PPO, 72,916 or 26 percent enrolled in the Standard PPO and 27,430 or 10 percent in the Limited PPO.



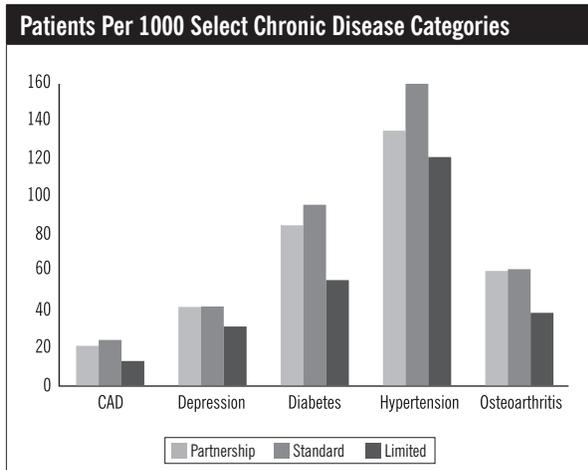
Source: Truven

Partnership PPO members engaged in preventive health activities such as cancer screening more often than members in the Standard and Limited PPOs. Partnership PPO members have been proactive about receiving regular screenings to detect and prevent chronic disease. For plan year 2015, Partnership members' screening rates met or exceeded rates observed in the Healthcare Effectiveness Data and Information Set (HEDIS) for breast cancer, cervical cancer and diabetes HbA1c. The screening rate for colon cancer was slightly below the HEDIS rate but has improved since 2011. HEDIS results are gathered from health plans nationally and are widely accepted benchmarks.

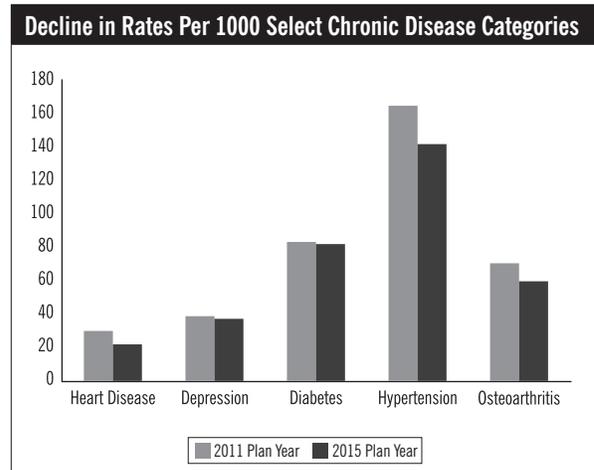
| Time Period:<br>Incurred Year    | 2011 | 2015 | HEDIS<br>(2015) |
|----------------------------------|------|------|-----------------|
| Breast Cancer Screen Rate {QM}   | 73%  | 82%  | 70%             |
| Cervical Cancer Screen Rate {QM} | 74%  | 79%  | 74%             |
| Colon Cancer Screen Rate {QM}    | 48%  | 55%  | 64%             |
| Diabetes HbA1c Test Rate {QM}    | 91%  | 92%  | 88%             |
| MMR Vaccine Rate {QM}            | 88%  | 93%  | 89%             |
| CAD Beta Blk 6 Mo Post MI {QM}   | 66%  | 73%  | 82%             |
| Depression Continu Tx Rate {QM}  | 52%  | 40%  | 51%             |
| URI Tx w/o Antibiotics Rate {QM} | 65%  | 75%  | 85%             |
| Acute Bronchitis Tx Rate {QM}    | 15%  | 21%  | 26%             |

Source: Truven. Measures are for Partnership PPO

# PARTNERSHIP PPO



Source: Truven



Source: Truven

In addition to the Partnership PPO's higher screening rates, there are fewer Partnership PPO patients per 1000 with diagnoses of coronary artery disease, depression, diabetes, hypertension or osteoarthritis than in the Standard PPO.

When combined, members in all healthcare options experienced a drop in the rates of chronic disease from 2011 to 2015. From 2011 to 2015, diagnosis rates of heart disease, hypertension and osteoarthritis declined across all three healthcare options.

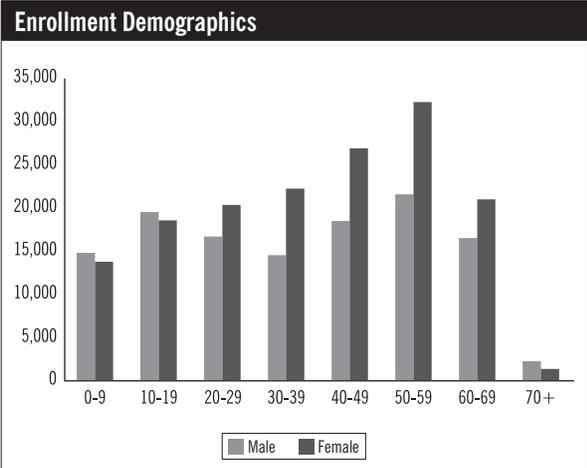
Members in the Partnership PPO experienced healthcare utilization rates lower than those experienced by the public sector plans in 2015 across all indicators, with the exception of physician office visits and a negligible increase in pharmacy. The office visit increase, however, signals a more appropriate use of primary and preventive care, which helps with early disease detection.

As the Partnership PPO is in its fifth year, these early indicators are encouraging signs that the integrated wellness program is having a positive impact on healthcare utilization.

| Utilization Trends                          |             |             |        |          |        |         |        |
|---|-------------|-------------|--------|----------|--------|---------|--------|
|   | All Options | Partnership |        | Standard |        | Limited |        |
|   | 2011        | 2015        | % Chg  | 2015     | % Chg  | 2015    | % Chg  |
| Active and Retiree <65 including Dependents |             |             |        |          |        |         |        |
| Admissions per 1000                         | 70          | 59          | -15.1% | 67       | -3.9%  | 48      | -31.0% |
| Outpatient Facility Visits Per 1000         | 1,761       | 1,358       | -22.9% | 1,378    | -21.7% | 1,008   | -43.0% |
| Office Visits per 1000                      | 8,176       | 8,831       | 8.0%   | 6,956    | -14.9% | 6,156   | -25.0% |
| Days Supply PMPY Rx                         | 552         | 571         | 3.5%   | 552      | 0.0%   | 368     | -33.0% |
| ER Visits per 1000                          | 243         | 209         | -13.9% | 282      | 16.1%  | 205     | -16.0% |
| Patients per 1000 Complications             | 13          | 14          | 7.6%   | 14       | 11.2%  | 10      | -26.0% |
| Readmissions per 1000                       | 5           | 3           | -36.3% | 3        | -25.3% | 2       | -62.0% |

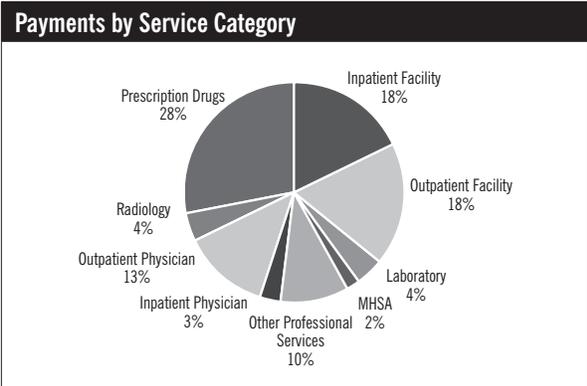
Source: Truven

# COMBINED PLANS



Source: Truven

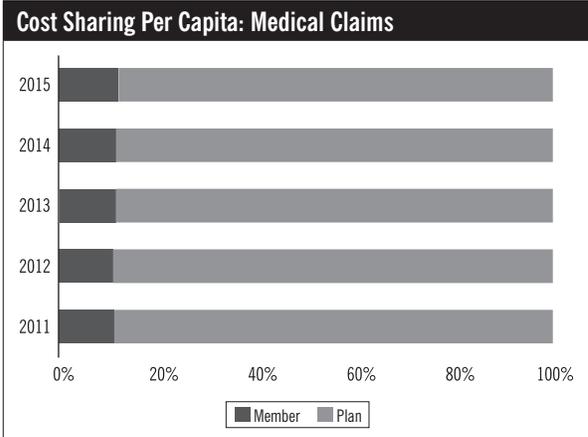
The largest age group was persons between the ages of 50 and 59 — 53,782 persons or 19 percent. Females outnumbered males in all age categories between 20 and 69 with males having the larger populations in 0 through 19 and age 70 up.



Source: Truven

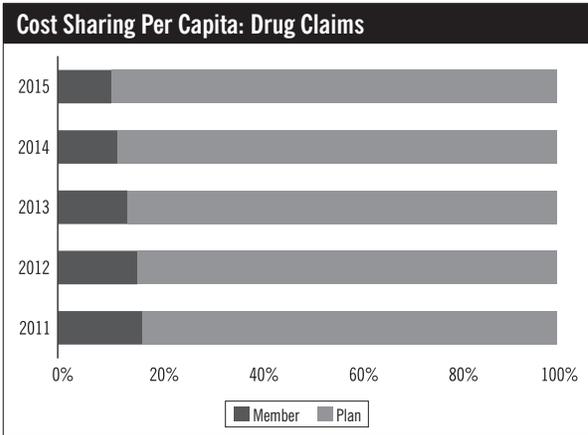
Total payments were more than \$1.42 billion. When broken into service category groups, prescription drugs accounted for the largest amount followed by outpatient facility, inpatient facility and outpatient physician. Prescription drugs’ share of total payments has increased from 22 percent in 2011 to 28 percent in 2015.

Service category groups making up the remaining 23 percent of total payments included radiology, laboratory, inpatient physician, mental health services and other professional services.



Source: Truven

Member out-of-pocket share for medical care shifted slightly to 12 percent, with the plan paying the remaining 88 percent.



Source: Truven

Member out-of-pocket costs for drugs decreased to 11 percent in 2015 compared to 17 percent in 2011. The plan paid the remaining 89 percent. Fewer drugs became available in generic form in 2015 as opposed to previous years, which increased plan spending.

## STATE PLAN

State employees, University of Tennessee and Board of Regents employees comprise the state plan. As measured by contracts, this plan provided coverage for 68,993 active employees, COBRA participants and qualified retirees — 50.2 percent of total plan membership.

| Health Contracts                       |        |       |
|--|--------|-------|
| <b>Partnership PPO — East Region</b>   |        |       |
| BlueCross BlueShield                   | 12,845 | 18.6% |
| Cigna                                  | 4,957  | 7.2%  |
| <b>Partnership PPO — Middle Region</b> |        |       |
| BlueCross BlueShield                   | 14,198 | 20.6% |
| Cigna                                  | 6,846  | 9.9%  |
| <b>Partnership PPO — West Region</b>   |        |       |
| BlueCross BlueShield                   | 1,682  | 2.4%  |
| Cigna                                  | 8,568  | 12.4% |
| <b>Standard PPO — East Region</b>      |        |       |
| BlueCross BlueShield                   | 4,979  | 7.2%  |
| Cigna                                  | 2,068  | 3.0%  |
| <b>Standard PPO — Middle Region</b>    |        |       |
| BlueCross BlueShield                   | 5,423  | 7.9%  |
| Cigna                                  | 2,942  | 4.3%  |
| <b>Standard PPO — West Region</b>      |        |       |
| BlueCross BlueShield                   | 1,053  | 1.5%  |
| Cigna                                  | 3,432  | 5.0%  |

Source: State of Tennessee

Members may choose to participate in optional dental insurance. One prepaid dental plan and one preferred dental plan are available. State employees electing dental coverage totaled 57,111 at year end, an increase of 1 percent over 2014.

Optional vision coverage is also available to all state plan members — one basic plan and one expanded plan. A total of 33,858 members enrolled in coverage.

During 2015, Minnesota Life received more than \$7.2 million in premiums for the basic term life and the accidental death and dismemberment coverages. Expenses reported for 2015 included more than \$7 million in basic term and accidental death and dismemberment claims. Administrative fees were \$110,294, incurred but not reported reserve increases were \$1 million, conversion expenses were \$127,823 and premium taxes were \$127,585.

Employee basic term life benefits exceeded \$5.3 million and were paid on behalf of 144 employees who died during 2015. An additional \$772,928 in employee accidental death and dismemberment benefits were provided by the plan.

At 2015 year end, 20,030 employees were covered under the optional term life insurance plan, in addition to 8,809 spouses. There were also 14,064 child term riders in effect. The coverage for employees exceeded \$2.4 billion, spouse coverage was more than \$211 million and the child term rider amount was \$105 million. Premiums for 2015 were \$9.3 million, while claims totaled \$8.5 million.

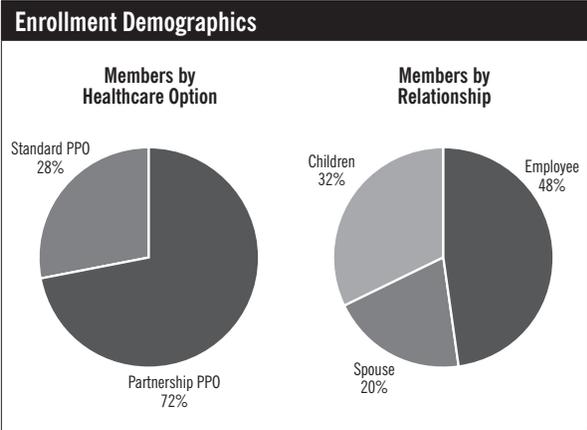
The optional universal life covered 8,927 current and former employees and 1,713 spouses who maintained \$448 million in coverage. Premiums were \$3.3 million, gross claims payments were \$4.3 million and net claims payments were \$2.3 million. At the end of December, the employee cash value had grown to more than \$76 million and spouse cash value to \$3.4 million. Enrollment closed to new members at the end of 2012.

Optional long-term care insurance covered 2,311 individuals at year end. Total premium payments exceeded \$2.7 million while claims payments totaled almost \$1.1 million.

| Optional Insurance Contracts |               |               |
|------------------------------|---------------|---------------|
|                              | DEC. 31, 2015 | DEC. 31, 2014 |
| <b>Dental Insurance</b>      |               |               |
| Prepaid Plan                 | 19,081        | 18,867        |
| Preferred Dental Plan        | 38,030        | 37,617        |
| Total Dental                 | 57,111        | 56,484        |
| <b>Vision Insurance</b>      |               |               |
| Basic Plan                   | 8,575         | 7,768         |
| Expanded Plan                | 25,283        | 24,975        |
| Total Vision                 | 33,858        | 32,743        |
| <b>Life Insurance</b>        |               |               |
| Term Life                    | 42,903        | 45,521        |
| Universal Life               | 10,640        | 11,225        |
| Accidental Death             | 25,067        | 26,372        |
| Perma Plan                   | 62            | 76            |
| Total Life                   | 78,672        | 83,194        |
| <b>Long-Term Care</b>        |               |               |
| Employees                    | 1,726         | 1,704         |
| Retirees                     | 80            | 80            |
| Eligible Family Members      | 505           | 493           |
| Total Long-Term Care         | 2,311         | 2,277         |

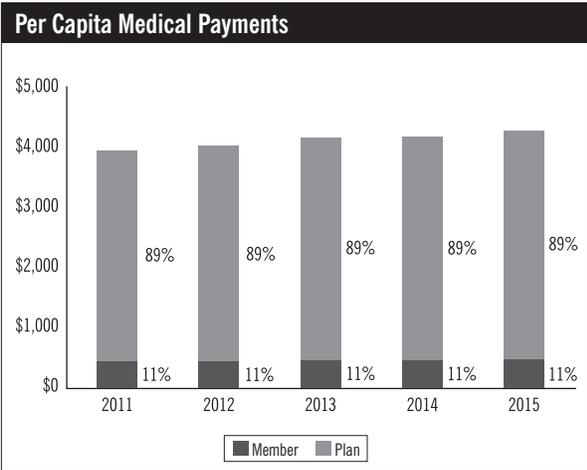
Source: State of Tennessee and Partner Vendors

# STATE PLAN



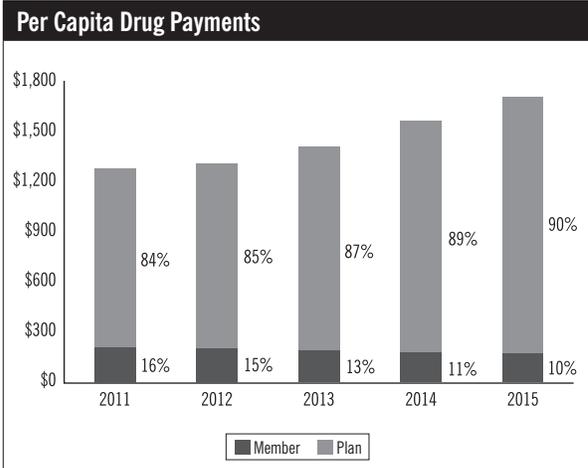
Source: Truven

The majority of state plan members enrolled in the Partnership PPO. To participate, members must agree to take responsibility to engage in maintaining or improving their health. In return, they pay lower premiums and enjoy lower deductibles, copays and coinsurance.



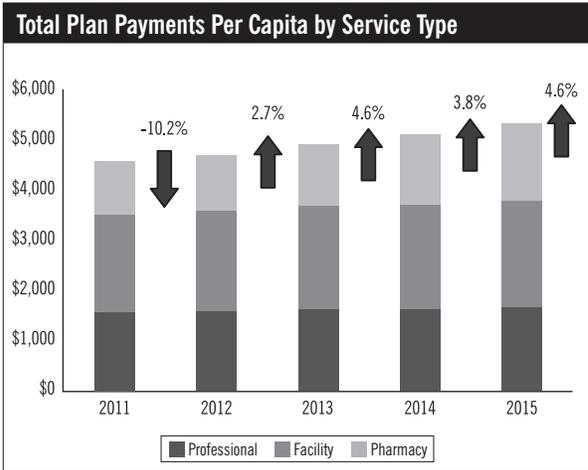
Source: Truven

Total per capita payments for medical claims were \$4,284 per member — an increase of 2.2 percent from 2014 and an increase of 8.4 percent from 2011. The plan has been able to keep the annual medical cost increase low due to aggressive purchasing and care management strategies. During the last five years, the plan paid 89 percent of eligible expenses and the member paid 11 percent.



Source: Truven

Per capita payments for drug claims were \$1,716 per member — an increase of 9.4 percent from 2014 and an increase of 34 percent from 2011. The plan paid 90 percent of eligible expenses with the remaining 10 percent paid by the member. This is a decrease from the percentage that members paid in 2011 (16 percent paid by the member).



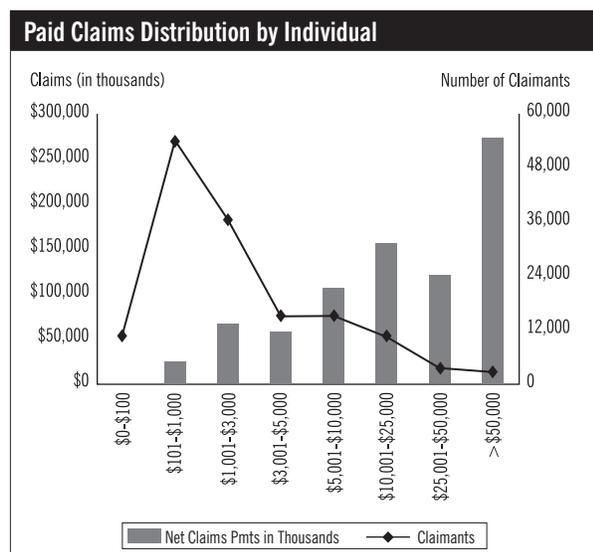
Source: Truven

Plan payments for facility services represented 39.8 percent of total claims while payments for professional services made up 31.4 percent. Pharmacy payments accounted for the remaining 28.9 percent.

There was an increase of 4.6 percent in total benefit payments — from \$5,118 in 2014 to \$5,351 in 2015. Plan payments for facility services increased by 1.2 percent and payments for professional services and pharmacy increased by 3.2 percent and 11.2 percent, respectively.

## STATE PLAN

The five year change in plan payments between 2011 and 2015 showed significant change (16.6 percent), with payments for facility services increasing by 9 percent, pharmacy increasing by 44.2 percent and professional services increasing by 7 percent.



Source: Truven

In 2015, 16,382 or 11 percent of plan members had claims exceeding \$10,000. The average net payment for this group was \$33,611.

There were 2,561 members or 1.7 percent with claims exceeding \$50,000. These members used 35.5 percent of plan benefits at an average net payment of \$106,929 with the other 145,792 members using the remaining 64.5 percent of plan benefits with an average net payment of \$3,669.

### Most Frequently Occurring Diagnoses

|                                   | TOTAL PATIENTS | TOTAL COSTS  |
|-----------------------------------|----------------|--------------|
| Routine General Medical Exam      | 45,156         | \$ 8,402,474 |
| Well-Woman Exam                   | 19,498         | \$ 3,075,047 |
| Mammogram                         | 15,460         | \$ 3,395,038 |
| Well-Child Exam                   | 15,231         | \$ 5,111,477 |
| Encounter for Immunization        | 12,135         | \$ 870,447   |
| Acute Sinusitis                   | 11,044         | \$ 1,079,684 |
| Benign Essential Hypertension     | 10,898         | \$ 1,488,936 |
| Essential Hypertension            | 10,677         | \$ 2,102,613 |
| Acute Upper Respiratory Infection | 9,827          | \$ 1,078,091 |
| Acute Pharyngitis                 | 8,899          | \$ 947,621   |

Source: Truven

The most frequently occurring diagnosis was for a routine medical exam, accounting for more than 45,000 patients. Approximately 35,000 patients had either well-woman or pediatric exams. More than 27,000 patients had other preventative care, such as mammograms and flu vaccines.

### Highest Claims Cost by Condition

|                           | TOTAL PATIENTS | TOTAL COSTS   |
|---------------------------|----------------|---------------|
| Osteoarthritis            | 10,649         | \$ 25,216,795 |
| Coronary Artery Disease   | 3,915          | \$ 19,323,749 |
| Gastrointestinal Disorder | 19,150         | \$ 17,307,878 |
| Respiratory Disorders     | 15,272         | \$ 17,026,206 |
| Joint Disorders           | 29,232         | \$ 15,443,223 |

Source: Truven

In 2015 osteoarthritis was the condition that consumed the most plan resources, followed by coronary artery disease.

# 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 2015 year end, 132 school systems and educational co-ops were participating in the local education plan. Plan enrollment was 55,347 — a slight decrease from 55,398 in 2014.

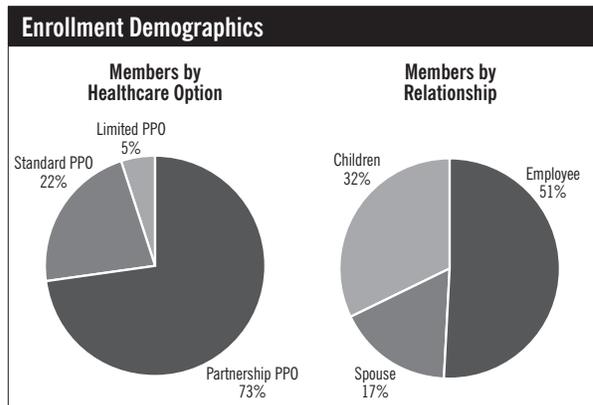
| Health Contracts                       |       |       |
|--|-------|-------|
| <b>Partnership PPO — East Region</b>   |       |       |
| BlueCross BlueShield                   | 9,015 | 16.3% |
| Cigna                                  | 9,153 | 16.5% |
| <b>Partnership PPO — Middle Region</b> |       |       |
| BlueCross BlueShield                   | 6,080 | 11.0% |
| Cigna                                  | 3,565 | 6.4%  |
| <b>Partnership PPO — West Region</b>   |       |       |
| BlueCross BlueShield                   | 1,259 | 2.3%  |
| Cigna                                  | 3,232 | 5.8%  |
| <b>Standard PPO — East Region</b>      |       |       |
| BlueCross BlueShield                   | 2,809 | 5.1%  |
| Cigna                                  | 3,001 | 5.4%  |
| <b>Standard PPO — Middle Region</b>    |       |       |
| BlueCross BlueShield                   | 2,929 | 5.3%  |
| Cigna                                  | 1,812 | 3.3%  |
| <b>Standard PPO — West Region</b>      |       |       |
| BlueCross BlueShield                   | 750   | 1.4%  |
| Cigna                                  | 1,682 | 3.0%  |
| <b>Limited PPO — East Region</b>       |       |       |
| BlueCross BlueShield                   | 2,489 | 4.5%  |
| Cigna                                  | 538   | 1.0%  |
| <b>Limited PPO — Middle Region</b>     |       |       |
| BlueCross BlueShield                   | 3,082 | 5.6%  |
| Cigna                                  | 999   | 1.8%  |
| <b>Limited PPO — West Region</b>       |       |       |
| BlueCross BlueShield                   | 534   | 1.0%  |
| Cigna                                  | 2,418 | 4.4%  |

Source: State of Tennessee

Dental insurance is available as an option to participants in the local education plan, if offered by their agency. Participation in dental coverage increased by almost 1.3 percent. Vision insurance is also available to local education plan members, if their agency chose to participate. A total of 10,166 individuals enrolled in coverage. There were 540 individuals enrolled in optional long-term care coverage. Total premium payments were \$683,516 and paid claims were \$58,412. Life insurance through the state is not an available option to members in the local education plan.

| Optional Insurance Contracts |               |               |
|------------------------------|---------------|---------------|
|                              | DEC. 31, 2015 | DEC. 31, 2014 |
| <b>Dental Insurance</b>      |               |               |
| Prepaid Plan                 | 3,220         | 3,161         |
| Preferred Dental Plan        | 17,490        | 17,285        |
| <b>Total Dental</b>          | <b>20,710</b> | <b>20,446</b> |
| <b>Vision Insurance</b>      |               |               |
| Basic Plan                   | 2,383         | 2,096         |
| Expanded Plan                | 7,783         | 7,458         |
| <b>Total Vision</b>          | <b>10,166</b> | <b>9,554</b>  |
| <b>Long-Term Care</b>        |               |               |
| Employees                    | 452           | 298           |
| Retirees                     | 26            | 23            |
| Eligible Family Members      | 62            | 48            |
| <b>Total Long-Term Care</b>  | <b>540</b>    | <b>369</b>    |

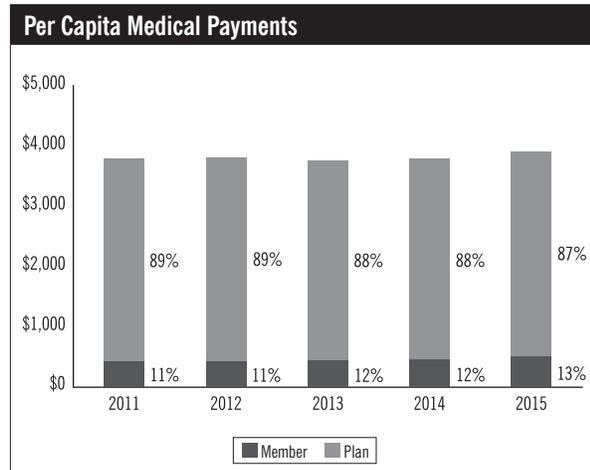
Source: State of Tennessee and Partner Vendors



Source: Truven

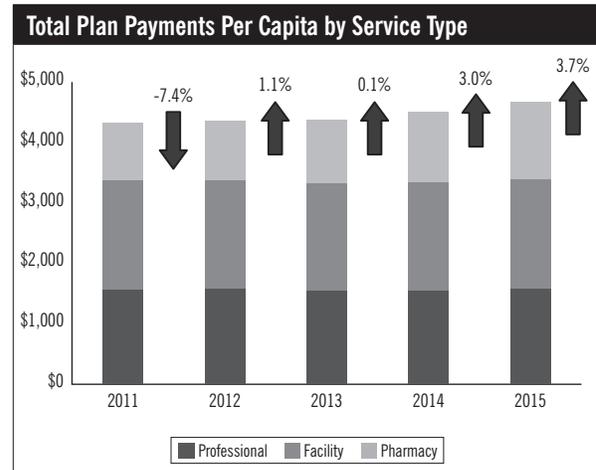
The majority of members enrolled in the Partnership PPO. To participate, members must agree to take responsibility to engage in maintaining or improving their health. In return, they pay lower premiums and enjoy lower deductibles, copays and coinsurance.

# LOCAL EDUCATION PLAN



Source: Truven

Total per capita payments for medical claims were \$3,887 per member — an increase of 2.9 percent from 2014 and an increase of 2.6 percent from 2011. During this period, the members’ share of eligible expenses increased from 12 percent to 13 percent.



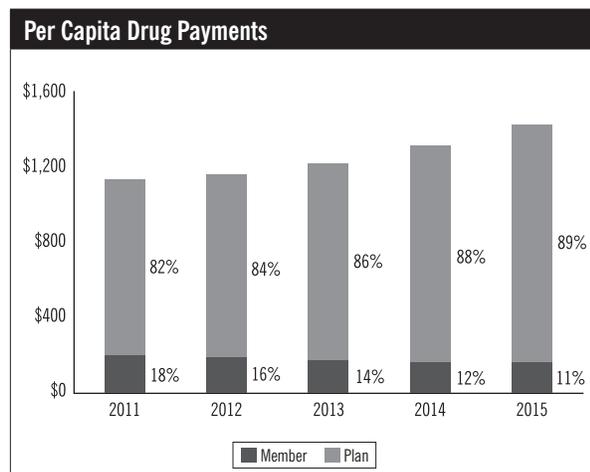
Source: Truven

Plan payments for facility services represented 39.1 percent of total claims while payments for professional services made up 33.7 percent. Pharmacy payments accounted for the remaining 27.2 percent.

There was an increase of 3.7 percent, from \$4,470 to \$4,636, in total benefit payments between 2014 and 2015. Plan payments for facility services increased 18 percent and payments for professional services did not change significantly (1.6 percent). Payments for pharmacy increased by 9.6 percent.

The five year change in plan payments between 2011 and 2015 showed a total increase of 8.1 percent, with payments for facility services increasing by 1 percent, professional services increasing by 0.5 percent and pharmacy services increasing by 34.7 percent.

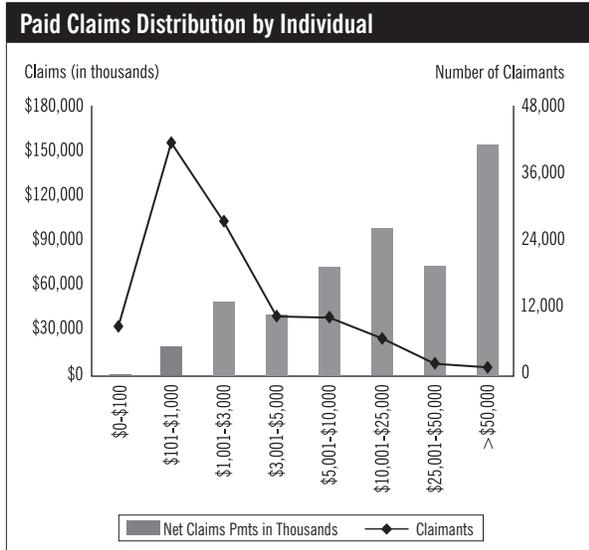
The plan has been able to keep the annual medical cost increase low due to aggressive purchasing and care management strategies.



Source: Truven

Total per capita payments for drug claims were \$1,431 per member — an increase of 8.4 percent from 2014, and an increase of 25.4 percent from 2011. The plan paid 89 percent of eligible expenses with the remaining 11 percent paid by the member. This compares with 12 percent paid by the member in 2014 and 18 percent paid by the member in 2011.

# LOCAL EDUCATION PLAN



Source: Truven

In 2015, 10,207 or 9.3 percent of plan members had claims exceeding \$10,000. The average net payment for this group was \$32,212.

There were 1,451 or 1.3 percent of total plan members with claims exceeding \$50,000. These members used 30.4 percent of plan benefits at an average net payment of \$107,435 with the other 108,119 members using the remaining 69.6 percent of plan benefits at an average net payment of \$3,302.

|                                   | TOTAL PATIENTS | TOTAL COSTS  |
|-----------------------------------|----------------|--------------|
| Routine General Medical Exam      | 27,587         | \$ 4,747,157 |
| Well-Woman Exam                   | 18,092         | \$ 2,850,906 |
| Mammogram                         | 13,322         | \$ 3,151,178 |
| Encounter for Immunization        | 12,518         | \$ 676,757   |
| Well-Child Exam                   | 11,751         | \$ 4,174,335 |
| Acute Sinusitis                   | 11,345         | \$ 1,084,933 |
| Acute Pharyngitis                 | 9,050          | \$ 852,508   |
| Acute Upper Respiratory Infection | 8,671          | \$ 881,802   |
| Cervix Neoplasm Screening         | 8,070          | \$ 542,496   |
| Essential Hypertension            | 7,118          | \$ 1,199,684 |

Source: Truven

The most frequently occurring diagnosis was for a routine general medical exam, accounting for more than 27,000 patients. Approximately 30,000 patients had well-woman or pediatric medical exams and nearly 26,000 patients had other preventative care such as mammograms and flu vaccines.

|                            | TOTAL PATIENTS | TOTAL COSTS   |
|----------------------------|----------------|---------------|
| Osteoarthritis             | 6,575          | \$ 15,962,361 |
| Gastrointestinal Disorders | 13,657         | \$ 12,105,844 |
| Joint Disorders            | 20,328         | \$ 10,337,280 |
| Coronary Artery Disease    | 2,040          | \$ 9,901,296  |
| Respiratory Disorders      | 9,962          | \$ 9,423,926  |

Source: Truven

In 2015, osteoarthritis was the condition that consumed the most plan resources, followed by gastrointestinal disorders.

# LOCAL EDUCATION PLAN

## Participants

|                                   |   |                                    |                                       |
|-----------------------------------|---|------------------------------------|---------------------------------------|
| Achievement School District       | Fayetteville City Schools                             | Knox County Schools                | Paris Special School District         |
| Alamo City Schools                | Fentress County Schools                               | Lake County Schools                | Perry County Schools                  |
| Alcoa City Schools                | Franklin County Schools                               | Lauderdale County Schools          | Pickett County Schools                |
| Anderson County Schools           | Franklin Special School District                      | Lawrence County Schools            | Polk County Board of Education        |
| Athens City Schools               | Frayser Community Schools Freedom Preparatory Academy | LEAD Public Schools                | Promise Academy Spring Hill           |
| Bedford County Board of Education | Gestalt Community School                              | Lebanon – Special School District  | Putnam County Schools                 |
| Bells City Schools                | Gibson County Schools                                 | Lenoir City Schools                | Rhea County Schools                   |
| Benton County Schools             | Giles County Schools                                  | Lewis County Schools               | Richard Hardy Memorial School         |
| Bledsoe County Schools            | GRAD Restart Academies                                | Lexington City Schools             | Roane County Schools                  |
| Bradford Special School District  | Grainger County Schools                               | Libertas School of Memphis         | Robertson County Schools              |
| Bradley County Board of Education | Greene County Schools                                 | Lincoln County Schools             | Rogersville City Schools              |
| Bristol City Schools              | Greeneville City Schools                              | Little TN Valley Education Co-op   | Scott County Schools                  |
| Campbell County Schools           | Grundy County Schools                                 | Loudon County Schools              | Sequatchie County Schools             |
| Cannon County Schools             | Hamblen County Schools                                | Macon County Schools               | Sevier County Schools                 |
| Carroll County Schools            | Hancock County Schools                                | Manchester City Schools            | Smith County Schools                  |
| Carter County Schools             | Hardeman County Schools                               | Marion County Schools              | South Carroll County Special District |
| Cheatham County Schools           | Hardin County Schools                                 | Marshall County Board of Education | Stewart County Schools                |
| Chester County Schools            | Hawkins County Schools                                | Maury County Schools               | Sullivan County Board of Education    |
| Clay County Schools               | Haywood County Schools                                | McKenzie Special School District   | Sweetwater City Schools               |
| Cleveland City Schools            | Henderson County Schools                              | McMinn County Schools              | Tipton County Schools                 |
| Clinton City Schools              | Henry County Board of Education                       | McNairy County School System       | Trenton Special School District       |
| Cocke County Schools              | Hickman County Schools                                | Meigs County Board of Education    | Trousdale County Schools              |
| Coffee County Schools             | Hollow Rock – Bruceton Special School District        | Milan Special School District      | Tullahoma City Schools                |
| Crockett County Schools           | Houston County Schools                                | Monroe County Board of Education   | Unicoi County Schools                 |
| Cumberland County Schools         | Humboldt City Schools                                 | Moore County Schools               | Union City Schools                    |
| Dayton City Schools               | Humphreys County Schools                              | Morgan County Schools              | Union County Schools                  |
| Decatur County Schools            | Huntingdon Special Schools                            | Murfreesboro City Schools          | Van Buren County Schools              |
| Dekalb County Schools             | Jackson County Schools                                | Newport City Schools               | Warren County Schools                 |
| Dickson County Board of Education | Jackson-Madison County Board of Education             | Oak Ridge City Schools             | Washington County Schools             |
| Dyer County Schools               | Jefferson County Schools                              | Obion County Schools               | Wayne County Schools                  |
| Dyersburg City Schools            | Johnson County Board of Education                     | Oneida Special School District     | Weakley County Schools                |
| Elizabethton City Schools         | KIPP Memphis Collegiate Schools                       | Overton County Schools             | West Carroll Special School District  |
| Etowah City Schools               |   |                                    | White County Schools                  |
| Fayette 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 2015 year end, 350 counties, cities and quasi-governmental agencies were participating in the local government plan. Plan enrollment as measured by contracts was 12,858 at year end — an increase from 12,455 in 2014.

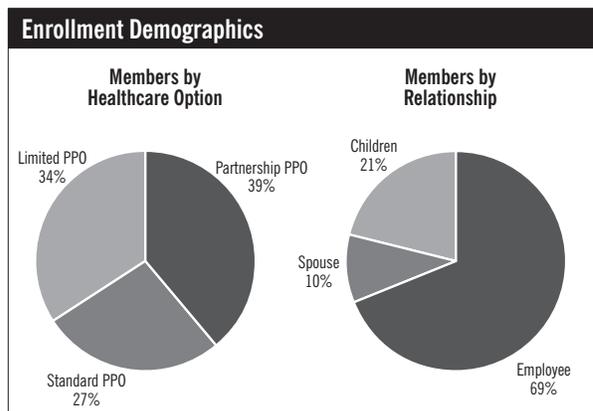
| Health Contracts                       |       |       |
|--|-------|-------|
| <b>Partnership PPO — East Region</b>   |       |       |
| BlueCross BlueShield                   | 661   | 5.1%  |
| Cigna                                  | 788   | 6.1%  |
| <b>Partnership PPO — Middle Region</b> |       |       |
| BlueCross BlueShield                   | 1,315 | 10.2% |
| Cigna                                  | 918   | 7.1%  |
| <b>Partnership PPO — West Region</b>   |       |       |
| BlueCross BlueShield                   | 277   | 2.2%  |
| Cigna                                  | 923   | 7.2%  |
| <b>Standard PPO — East Region</b>      |       |       |
| BlueCross BlueShield                   | 530   | 4.1%  |
| Cigna                                  | 627   | 4.9%  |
| <b>Standard PPO — Middle Region</b>    |       |       |
| BlueCross BlueShield                   | 930   | 7.2%  |
| Cigna                                  | 483   | 3.8%  |
| <b>Standard PPO — West Region</b>      |       |       |
| BlueCross BlueShield                   | 325   | 2.5%  |
| Cigna                                  | 642   | 5.0%  |
| <b>Limited PPO — East Region</b>       |       |       |
| BlueCross BlueShield                   | 1,182 | 9.2%  |
| Cigna                                  | 397   | 3.1%  |
| <b>Limited PPO — Middle Region</b>     |       |       |
| BlueCross BlueShield                   | 1,398 | 10.9% |
| Cigna                                  | 277   | 2.2%  |
| <b>Limited PPO — West Region</b>       |       |       |
| BlueCross BlueShield                   | 459   | 3.6%  |
| Cigna                                  | 726   | 5.6%  |

Source: State of Tennessee

Dental insurance is available as an option to participants in the local government plan, if offered by their agency. Participation in dental coverage decreased 0.2 percent. Vision insurance is also available to local government plan members, if their agency chose to participate. A total of 4,389 individuals enrolled in coverage. There were 87 individuals enrolled in optional long-term care coverage. Total premium payments were \$110,553 and paid claims were \$54,750. Life insurance is not an available option through the state to members in the local government plan.

| Optional Insurance Contracts |               |               |
|------------------------------|---------------|---------------|
|                              | DEC. 31, 2015 | DEC. 31, 2014 |
| <b>Dental Insurance</b>      |               |               |
| Prepaid Plan                 | 1,226         | 1,276         |
| Preferred Dental Plan        | 4,474         | 4,436         |
| <b>Total Dental</b>          | <b>5,700</b>  | <b>5,712</b>  |
| <b>Vision Insurance</b>      |               |               |
| Basic Plan                   | 852           | 746           |
| Expanded Plan                | 3,537         | 3,392         |
| <b>Total Vision</b>          | <b>4,389</b>  | <b>4,138</b>  |
| <b>Long-Term Care</b>        |               |               |
| Employees                    | 75            | 86            |
| Retirees                     | 0             | 0             |
| Eligible Family Members      | 12            | 14            |
| <b>Total Long-Term Care</b>  | <b>87</b>     | <b>100</b>    |

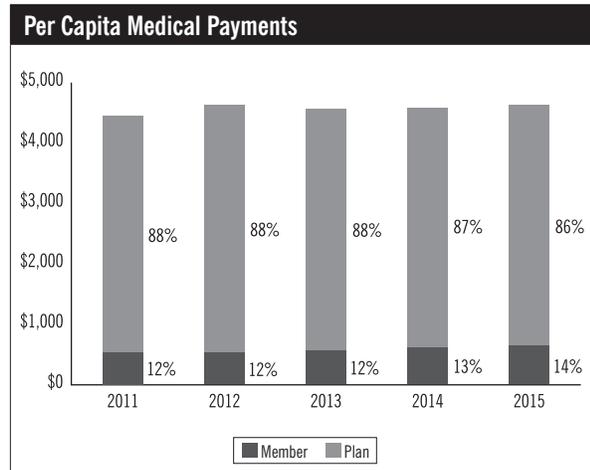
Source: State of Tennessee and Partner Vendors



Source: Truven

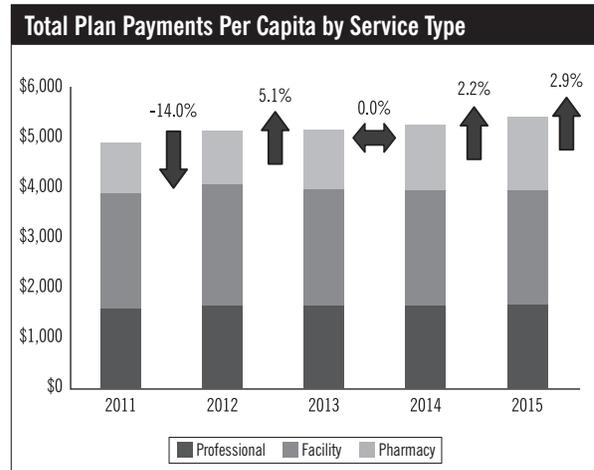
The majority of members enrolled in the Partnership PPO. To participate, members must agree to engage in maintaining or improving their health. In return, they pay lower premiums and enjoy lower deductibles, copays and coinsurance. The percent of members enrolled in the Limited PPO increased from 28 percent in 2014 to 34 percent in 2015.

# LOCAL GOVERNMENT PLAN



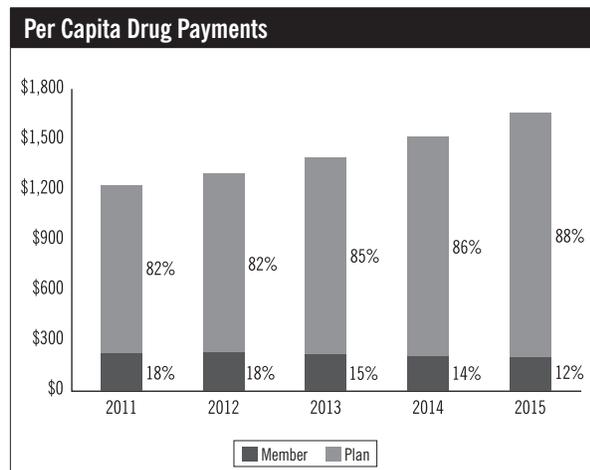
Source: Truven

Total per capita payments for medical claims were \$4,613 per member — an increase of 1 percent from 2014 and an increase of 4 percent from 2011. During this period, the plan paid 86 percent of eligible expenses and the member paid 14 percent.



Source: Truven

Plan payments for facility services represented 42.1 percent of total claims while payments for professional services made up 31 percent. Pharmacy payments accounted for the remaining 26.9 percent.



Source: Truven

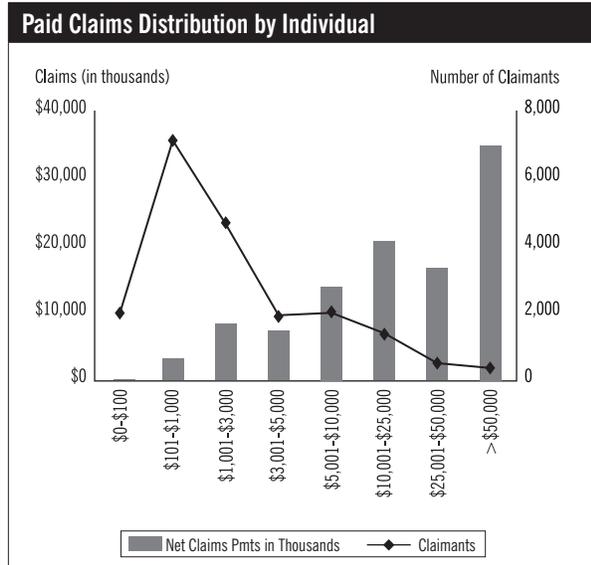
Per capita payments for drug claims were \$1,661 per member — an increase of 9.7 percent from 2014 and an increase of 35.3 percent from 2011. The plan paid 88 percent of eligible expenses with the remaining 12 percent paid by the member as compared with 82 percent paid by the plan and 18 percent paid by the member in 2011.

There was an increase of 2.9 percent in total benefit payments — from \$5,274 in 2014 to \$5,429 in 2015. Plan payments for facility services decreased by 0.9 percent and payments for professional services increased by 1.4 percent. Payments for pharmacy increased by 11.8 percent.

The five year change in plan payments between 2011 and 2015 showed a total increase of 10.5 percent, with payments for facility services decreasing by 0.9 percent, professional services increasing by 5 percent and pharmacy increasing by 45.3 percent.

The plan has been able to keep the annual medical cost increase low due to aggressive purchasing and care management strategies.

# LOCAL GOVERNMENT PLAN



Source: Truven

In 2015, 2,180 or 11 percent of total plan members had claims exceeding \$10,000. The average net payment for this group was \$33,100.

There were 335 members or 1.7 percent with claims exceeding \$50,000. These members used 33.2 percent of plan benefits at an average net payment of \$104,164, with 19,406 members using the remaining 66.8 percent of plan benefits at an average net payment of \$3,617.

|                                   | TOTAL PATIENTS | TOTAL COSTS |
|-----------------------------------|----------------|-------------|
| Routine General Medical Exam      | 4,283          | \$ 726,213  |
| Routine Well-Woman Exam           | 2,435          | \$ 383,007  |
| Essential Hypertension            | 1,955          | \$ 397,166  |
| Mammogram                         | 1,917          | \$ 431,088  |
| Acute Sinusitis                   | 1,880          | \$ 193,791  |
| Benign Essential Hypertension     | 1,783          | \$ 246,830  |
| Encounter for Immunization        | 1,419          | \$ 88,296   |
| Acute Upper Respiratory Infection | 1,415          | \$ 164,947  |
| Diabetes                          | 1,374          | \$ 280,304  |
| Essential (Primary) Hypertension  | 1,268          | \$ 164,887  |

Source: Truven

The most frequently occurring diagnosis was for a routine medical exam, accounting for nearly 4,283 patients. Another 2,435 patients underwent a well-woman exam while 3,336 patients had preventative services such as mammograms and flu vaccines.

|                            | TOTAL PATIENTS | TOTAL COSTS  |
|----------------------------|----------------|--------------|
| Coronary Artery Disease    | 673            | \$ 4,153,835 |
| Osteoarthritis             | 1,492          | \$ 3,359,809 |
| Gastrointestinal Disorders | 2,894          | \$ 2,607,145 |
| Respiratory Disorder       | 2,314          | \$ 2,492,965 |
| Spinal/Back Disorder       | 2,370          | \$ 2,070,005 |

Source: Truven

In 2015, coronary artery disease was the condition that consumed the most plan resources, followed by osteoarthritis.

# LOCAL GOVERNMENT PLAN

## Participants

|   |  |   |   |
|---|--|---|---|
| Aging Services of the Upper Cumberland                  | Center for Independent Living of Middle TN | Disability Resource Center Dismas, Inc.           | Hardeman – Fayette Utility District                 |
| Aid to Distressed Families of Appalachian Counties      | Center for Living and Learning             | Dover, Town of                                    | Hardin County                                       |
| AIM Center, Inc.  | Cerebral Palsy Center                      | Duck River Utility Commission                     | Hardin County 911                                   |
| Alamo, City of  | Chattanooga Housing Authority              | Dyersburg Housing Authority                       | Hardin County Skills, Inc.                          |
| Alpha-Talbot Utility District                           | Chester County                             | Eagleville, City of                               | Hartsville/Trousdale County                         |
| Anderson County CAC                                     | Chester County Highway                     | East TN Development District                      | Hartsville/Trousdale Water and Sewer Utility        |
| Appalachian Education Community Corp.                   | Children's Advocacy Center                 | Easter Seals of TN                                | Henderson, City of                                  |
| ARC of Davidson County                                  | Children's Advocacy Center, 31st JD        | Eastside Utility District                         | Henderson County                                    |
| ARC of Washington County                                | City of Michie Water Systems               | Engstrom Services, Inc.                           | Henderson County Highway                            |
| ARC of Williamson County                                | Clarksville Housing Authority              | Erin, City of                                     | Highland Rim Economic Corporation                   |
| Atoka, Town of  | Clarksville/Montgomery County CAA          | Erin Housing Authority                            | Hixson Utility District                             |
| Atwood, Town of   | Clearfork Utility District                 | Estill Springs, Town of                           | Hohenwald, City of                                  |
| Avalon Center   | Clifton, City of                           | Etheridge, City of                                | Hohenwald Housing Authority                         |
| Bangham Utility District of Putnam and Jackson Counties | Clinchfield Senior Adult Center            | Fairview Utility District                         | Homesafe of Sumner, Wilson and Robertson County     |
| Bedford County  | Clinch-Powell Educational Cooperative      | Fayette County                                    | Hope of East TN                                     |
| Behavioral Health Initiatives                           | Cocaine Alcohol Awareness Program          | Fayette County 911                                | Houston County Highway                              |
| Belle Meade, City of                                    | Cocke County                               | Fayette County Public Works                       | Humboldt, City of                                   |
| Bells, City of  | Cocke County 911                           | Fayetteville Housing Authority                    | Humboldt Housing Authority                          |
| Benton County Highway                                   | Cocke County Highway                       | Fentress County                                   | Humphreys County 911                                |
| Bethlehem Centers of Nashville                          | Coffee County                              | Fentress County Emergency Communications District | Huntingdon, Town of                                 |
| Better Decisions  | Community Development Center               | Fifty Forward                                     | Impact Center, Inc.                                 |
| Big Creek Utility District                              | Community Foundation of Middle TN          | First Utility District of Hardin County           | Jacksboro, Town of                                  |
| Big Sandy, City of                                      | Cookeville Boat Dock Utility               | First Utility District of Hawkins County          | Jackson Area Council on Alcohol and Drug Dependence |
| Blakemore United Methodist Childrens Center             | Coopertown, Town of                        | First Utility District of Tipton County           | Jackson Center for Independent Living               |
| Bledsoe County  | Cordell Hull Utility District              | Forest Hills, City of                             | Jamestown, City of                                  |
| Blount Partnership                                      | Core Services of Northeast TN              | Franklin County                                   | Jason Foundation                                    |
| Blountville Utility District                            | Cornerstone                                | Franklin County Adult Activity Center             | Jasper, Town of                                     |
| Bondecroft Utility                                      | County Officials Association of TN         | Franklin County Consolidated Housing Authority    | Jefferson City Housing                              |
| Bountiful Basket Nutrition Program                      | Crab Orchard Utility District              | Franklin County Highway                           | Jefferson County                                    |
| Bradley/Cleveland Services                              | Crockett County                            | Friendship, City of                               | Jefferson County 911                                |
| Bridges of Williamson County                            | Crockett County Highway                    | Gainesboro, Town of                               | Johnson County                                      |
| Bruceton, Town of                                       | Crockett County Public Utility District    | Gibson County Municipal Water District            | Johnson County 911                                  |
| Burns, City of  | Cross Plains, City of                      | Giles County                                      | Journeys in Community Living                        |
| Cagle-Fredonia Utility District                         | Cumberland Community Options, Inc.         | Giles County 911                                  | Jubilee Community Arts                              |
| Camden, City of   | Cumberland County                          | Gladeville Utility District                       | Kimball, Town of                                    |
| Campbell County 911                                     | Cumberland Utility District                | Gleason, City of                                  | Kings Daughters Day Home                            |
| Care of Savannah, Inc.                                  | Dandridge, Town of                         | Good Neighbor Mission and Crisis Center           | Kingston, City of                                   |
| Carey Counseling Center                                 | Dayton, City of                            | Goodwill Industries Knoxville, Inc.               | Kingston Springs, Town of                           |
| Carroll County  | Decatur County                             | Gordonsville, Town of                             | Knoxville-Knox County CAC                           |
| Carroll County Highway                                  | Decatur County Highway                     | Gorham MacBane Library                            | Lafayette, City of                                  |
| Carthage, Town of                                       | Decherd, City of                           | Grundy County                                     | Lakesite, City of                                   |
| Caryville – Jacksboro Utility                           | Dekalb County                              | Grundy County Highway                             | Launch Tennessee                                    |
| Caryville, Town of                                      | Dekalb County 911                          | Grundy Housing Authority                          | Lawrence County                                     |
| CASA, Inc.  | DeWhite Utility District                   | Habilitation and Training Services                | Lawrence County 911                                 |
| Castalian Springs – Bethpage Utility District           |  | Hancock County                                    | Lawrenceburg Housing Authority                      |
| CEASE, Inc.   |  |   | Lewis County Highway                                |
|   |  |   | Lewisburg Housing Authority                         |
|   |  |   | Lexington Electric System                           |

# LOCAL GOVERNMENT PLAN

|                                |                                |                                |                               |
|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Lincoln County                 | Northwest Dyersburg Utility    | South Carthage, Town of        | TN Primary Care Association   |
| Loretto, City of               | Northwest TN Economic          | South Central TN               | TN Secondary School Athletic  |
| Loudon County Economic         | Development Council            | Development District           | Association                   |
| Development Agency             | Northwest TN Head Start        | South Central TN Workforce     | TN Sports Hall of Fame        |
| Manchester Housing             | Oak Hill, City of              | Alliance                       | TN State Employees            |
| Authority                      | Oak Ridge, City of             | South Pittsburg, City of       | Association                   |
| Marion County                  | Oak Ridge Housing Authority    | South Pittsburg Housing        | TN State Museum               |
| Marion County Highway          | Obion County                   | Authority                      | TN State Veterans Home        |
| Marion County 911              | Orange Grove Center            | Southeast Mental Health        | – Clarksville                 |
| Marion Natural Gas             | Overton County                 | Center                         | TN State Veterans Home        |
| Marshall County                | Overton County Highway         | Southeast TN Development       | – Executive Office            |
| McKenzie, City of              | Overton County Nursing         | District                       | TN State Veterans Home        |
| McMinn County Economic         | Home                           | Southwest TN Development       | – Humboldt                    |
| Development Authority          | Pegram, Town of                | District                       | TN State Veterans Home        |
| McNairy County                 | Perry County                   | St. Joseph, City of            | – Knoxville                   |
| Development Services           | Perry County Highway           | Statewide Independent Living   | TN State Veterans Home        |
| McNairy County Highway         | Perry County Medical Center    | Council of TN                  | – Murfreesboro                |
| McNeilly Center for Children   | Petersburg, Town of            | Stewart County                 | TN Voices for Children        |
| Meigs County                   | Pleasant View, Town of         | Stewart County Highway         | Tracy City Public Utility     |
| Memphis Area Association of    | Portland, City of              | Sullivan County 911            | Troy, Town of                 |
| Governments                    | Prevent Child Abuse TN         | Surgoinsville Utility District | Tuckaleechee Utility District |
| Memphis Area Legal Services    | Professional Care Services of  | TARP, Inc.                     | Tullahoma Housing Authority   |
| Memphis Center for             | West TN                        | Technology Access Center       | Tullahoma Utilities Board     |
| Independent Living             | Progress, Inc.                 | The Development Corp of        | Unicoi, Town of               |
| Mental Health Association of   | Project Return                 | Knox County                    | United Neighborhood Health    |
| Middle TN                      | Puryear, City of               | Tipton County                  | Services                      |
| Meritan, Inc.                  | Reelfoot Lake Regional Utility | Tipton County 911 District     | Upper Cumberland CSA          |
| Michie, City of                | and Planning District          | Tiptonville, City of           | Upper Cumberland              |
| Mid-Cumberland CAA             | Renewal House                  | TN Alliance for Legal Services | Development District          |
| Mid-Cumberland HRA             | Rhea County                    | TN Association of Alcohol,     | Upper East TN Human           |
| Mid-East CAA                   | Rhea Medical Center            | Drug Addiction Services        | Development Agency            |
| Minor Hill Water Utility       | Riceville Utility District     | TN Association of Assessing    | Urban Housing Solutions       |
| District                       | Roane County                   | Officers                       | Vision Coordination           |
| Monteagle, Town of             | Roane County 911               | TN Association of County       | Walden, Town of               |
| Mosheim, Town of               | Rochelle Center                | Executives                     | Warren County                 |
| Murfreesboro Electric          | Samaritan Recovery             | TN Association of Craft        | Wartburg, City of             |
| Department                     | Community, Inc.                | Artists                        | Wartrace, Town of             |
| My Friend's House Family       | Savannah, City of              | TN Association of Rescue       | WDVX Cumberland               |
| and Children's Services        | Scotts Hill, Town of           | Squads                         | Communications                |
| NAMI Davidson County           | Second South Cheatham          | TN Association of Utility      | Weakley County                |
| NAMI TN                        | Utility District               | Districts                      | Weakley County 911            |
| Nashville Cares                | Sequatchie County              | TN Business Enterprises        | West Overton Utility          |
| National Association of Social | Sequatchie County Highway      | TN Community Services          | West TN Forensic Services     |
| Workers                        | Sequatchie Valley Planning     | Agency                         | West TN Legal Services, Inc.  |
| National Healthcare for the    | Serenity Recovery Center       | TN County Highway Officials    | West TN Regional Art Center   |
| Homeless Council               | Sexual Assault Center          | TN County Services             | West Warren-Viola Utility     |
| New Horizons Corporation       | Sharon, City of                | Association                    | Westmoreland, Town of         |
| New Johnsonville, City of      | Shelby County 911              | TN Education Association       | White Bluff, City of          |
| Newbern, City of               | Shelby Residential and         | TN Historical Society          | Whitwell, City of             |
| Nolensville, Town of           | Vocational Services, Inc.      | TN Municipal Bond Fund         | Williamson County Child       |
| North Overton Utility District | Skills Development Services,   | TN Municipal League            | Advocacy Center               |
| North Utility District of Rhea | Inc.                           | TN Municipal League Risk       | Woodbury Housing Authority    |
| County                         | Smith County                   | Management Pool                | Workforce Solutions           |
| Northeast Henry County         | Smith County Highway           | TN Organization of School      |                               |
| Utility                        |                                | Superintendents                |                               |

## EAP, BEHAVIORAL HEALTH AND SUBSTANCE ABUSE

The Employee Assistance Program (EAP) provides counseling and referral services for personal and workplace situations, as well as legal and financial counseling. Eligible employees and their dependents may receive up to five counseling sessions per problem episode at no cost to them. The program is available to all state and higher education employees and dependents who 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 behavioral health or substance abuse coverage.

Overall utilization of both EAP and behavioral health services remained below other peer plans. Magellan Health reported a decrease in the EAP utilization for 2015. There was a slight increase in users contacting the EAP to seek services — 8,052 compared to 7,949 in 2014 — yet fewer of those callers followed through to receive services. Member satisfaction scores remained consistent with previous years as users reported an 85 percent improvement at home, 79 percent improvement at work and a 98 percent satisfaction rate for EAP.

The website recorded a total of 13,791 user sessions in 2015. Online self-referrals decreased to 1,088 compared to 1,153 in 2014. The website recorded 48 legal and financial referrals and an overall increase to 133.40 annualized utilization rate per 1,000 employees, compared to 21.81 per 1,000 employees in 2014. There were 1,921 uses of online tools and 530 e-chat sessions, which were introduced in January 2015. Management EAP consultations and referrals totaled 57.

There were 9,397 counseling and consultation cases — a decrease from 10,090 in 2014. As a percent of total, utilization by plan was 69 percent state, 22 percent local education and 5 percent local government. Four percent of employees had accessed the EAP but were not enrolled in the health plan.

The overall utilization rate for all EAP services was 177.3 per 1,000 members compared to 194.9 per 1,000 members in 2014. There were 6,357 unique counseling and consultation users compared to 7,515 unique users in 2014.

Training programs included employee orientations, supervisory training classes and benefit fairs. There were 107 training programs attended by 2,116 employees along with 22 benefit fairs attended by 5,277 employees and retirees.

Higher levels of care for behavioral health and substance abuse utilization involved a total of 1,426 cases reviewed. The number of admissions for inpatient acute per 1,000 lives was 2.74; for residential 0.9; and for partial hospitalization 0.7. Days of care per 1,000 covered lives were 15 for inpatient acute; 16.33 for residential; 7.5 for partial and 18.4 for intensive outpatient.

Outpatient utilization for the plans showed a total of 14,208 patients reviewed with sessions totaling 400 per 1,000 lives. Intensive outpatient and partial hospitalization services were utilized by 460 patients. Outpatient services requiring authorization included Applied Behavioral Analysis (ABA) and Transcranial Magnetic Stimulation (TMS). ABA increased to 15,694 units of service for a total of \$196,134 compared to 7,696 units of service totaling \$100,965 in 2014. TMS had a decrease to 252 unique claims totaling \$94,374 compared to 421 unique claims totaling \$207,614 in 2014.

Total utilization for the combined plans was 109,677 outpatient sessions with just over \$4.7 million in claims payments. Intensive outpatient and partial hospitalization resulted in claims payments of more than \$1.3 million in claims payments for 4,945 intensive outpatient units and 2,125 partial days. Inpatient acute days were 4,133 with more than \$3.6 million in claims payments. Residential treatment days were 4,476 with more than \$2 million in claims payments.

The state launched a depression management program, *Be Well at Work*, in September 2015. Our data indicates that the plans' chronic disease burden places our population at greater risk for depression. Analysis of our data has confirmed that our members have undiagnosed and untreated depression. This program is expected to provide improvements in the appropriate utilization of behavioral healthcare as well as improve the appropriate utilization of medical healthcare in relation to individuals with high healthcare costs. The *Be Well at Work* program supplements primary care services for depression with a brief web-based depression screening and, for employees who qualify for the program, provides a specialized evidenced-based telephonic coaching program and primary care collaboration.

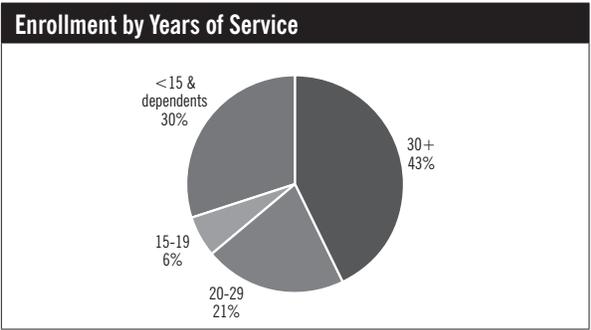
# MEDICARE SUPPLEMENT PROGRAM

Since January 1989, the state has maintained a benefits program for Medicare-eligible retired teachers, state and local government employees who participate in the Tennessee Consolidated Retirement System or higher education optional retirement plans. The program involves two elements: the sponsorship of Medicare supplement coverage and the provision of financial support for eligible retirees.

The division offers a single Medicare supplement plan (The Tennessee Plan) that complies with standard plan requirements

established by the National Association of Insurance Commissioners (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 20 to 29 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 35,815 members.



Source: State of Tennessee

The Tennessee Plan is self-insured, meaning that the state, rather than an insurance company, is financially responsible for paying the plan's expenses. Claims are administered by the POMCO Group.

POMCO's customer service center received more than 13,000 calls in 2015. The customized web portal provides members access to claim information, copies of explanation of benefits forms and direct links to other helpful sites.

## PARTNERS FOR HEALTH WELLNESS PROGRAM

The ParTners for Health Wellness Program is available at no cost to all state group insurance program members, eligible spouses and dependents age 18 and over. Members and their dependents have access to a wide variety of tools and resources to take charge of their health and feel their best.

Healthways currently administers the wellness program. Members enrolled in the Partnership PPO are required to complete certain wellness activities as part of the partnership promise. Wellness participation is an optional benefit for Standard and Limited PPO members.

In 2015, 92 percent of Partnership PPO members completed the Healthways well-being assessment™ (online health questionnaire) taking the first step toward improved well-being. Each year, Healthways summarizes members' well-being assessment results in aggregate form to help determine the key drivers of our population's health. Here are some of the 2015 findings:

- 28.6 percent of plan members have three or more health risks (e.g., body mass index 30 or greater, tobacco user, no exercise, stress, unhealthy eating, high cholesterol, high blood pressure)
- 42.9 percent of active plan members and 44 percent of pre-65 retiree plan members have a body mass index classified as 30 or greater, which is considered obese
- 70.7 percent said they want to lose weight
- 74.2 percent want to focus on eating more fruits and vegetables
- 47.7 percent want to work on coping better with stress
- 5.4 percent self-reported they are smokers — other national data sources indicate the smoking rate in Tennessee is 24 percent, suggesting that our membership smoking rate is underreported
- 42.2 percent of members feel that personal problems or financial stress interfere with their ability to concentrate at work
- Some of our most prevalent self-reported conditions are: migraines, acid reflux/heartburn, chronic back pain, depression, diabetes, asthma and high cholesterol
- Only 57.1 percent get the recommended exercise of 30 minutes or more, 3 days a week

A total of 70,812 plan members participated in a health coaching program. Coaches give members one-on-one support and encouragement over the phone. They help members create a custom plan to address their health needs, reach their goals, better understand their health conditions and learn to manage their overall health and well-being. Members have reported a variety of health coaching success stories.

"This program has been great. The change in my diet and weight loss is the reason I've been able to get off one of my blood pressure medications.

— Randy lost 16 pounds and discontinued the use of one of his blood pressure medications

"I credit my health coach for my improved cholesterol levels, by educating me further on causes of bad cholesterol."

— Patricia avoided being put on cholesterol medication, lowered her LDL by 32 points

"Thank you for helping me through the last 6 months"

— Alex lost 14 pounds and is dealing with personal stress much better

"Having the coaching calls has helped keep us on track. It gave us the incentive to get started."

— Roger has lost 11 pounds while working with his coach and is within 6 pounds of his target weight

"The program provides a good accountability partner and helps keep me on track."

— Becky is maintaining her exercise program, taking nutrition classes and staying positive about her gradual weight loss

### Wellness Challenges

To support and encourage healthy behaviors, members can participate in online wellness challenges. Challenges create friendly competition among coworkers while boosting morale and teamwork. More than 5,000 people participated in one of the quarterly or mini challenges: *Lose the Excuse*, *Wonder Walk*, *Just Add Water*, *Sugar Shaker* and *Training Camp*. Each challenge included a chatter board where participants could offer support and encouragement to one another as well as share tips and ideas. Many used the chatter board to share successes and post comments about their experiences.

"Weight hasn't changed in a while but I'm toning up a lot. I can tell. I am so excited about the difference in such a short time. I could care less what place I make in this challenge because I already feel like a winner."

— Raquel, March 2015, *Lose the Excuse*

"This challenge has been a great motivation for me. After a long hard winter, this has got me up and moving again."

— BoBoe, May 2015, *WonderWalk*

"This challenge has really helped me to become more aware of how much water I am drinking and I have increased my water consumption each day. It is so encouraging to see so many others that are participating as well."

— Thankful, July 2015, *Just Add Water*

"Yesterday I had a personal best of 12,723 steps and 6.25 miles. Until recently, I rarely managed 10,000 steps a day and was usually satisfied with 5,000. Because of this challenge I have raised the bar on what I expect of myself."

— JR2015, October 2015, *Training Camp*

## 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, 2015. 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

### Statements of Net Positions

|                               | 30-JUN-15         | 30-JUN-14         |
|-------------------------------|-------------------|-------------------|
| <b>Assets</b>                 |                   |                   |
| Cash                          | \$ 303,941        | \$ 275,157        |
| Accounts receivable           | 6,960             | 5,337             |
| <b>Total assets</b>           | <b>\$ 310,901</b> | <b>\$ 280,494</b> |
| <b>Liabilities</b>            |                   |                   |
| Accounts payable and accruals | \$ 50,824         | \$ 49,412         |
| Unearned revenue              | 40,988            | 41,666            |
| <b>Total liabilities</b>      | <b>\$ 91,812</b>  | <b>\$ 91,078</b>  |
| <b>Net position</b>           |                   |                   |
| Unrestricted                  | \$ 219,089        | \$ 189,416        |
| <b>Total net position</b>     | <b>\$ 219,089</b> | <b>\$ 189,416</b> |

# STATE PLAN

## Statements of Revenues, Expenses and Changes in Fund Net Position

|                                     | 30-JUN-15         | 30-JUN-14         |
|-------------------------------------|-------------------|-------------------|
| <b>Operating revenues</b>           |                   |                   |
| Premiums                            | \$ 744,002        | \$ 727,928        |
| Other                               | 1,000             | 600               |
| <b>Total operating revenues</b>     | <b>\$ 745,002</b> | <b>\$ 728,528</b> |
| <b>Operating expenses</b>           |                   |                   |
| Benefits                            | \$ 663,872        | \$ 648,627        |
| Contractual services                | 37,872            | 37,192            |
| Other                               | 10,269            | 6,305             |
| <b>Total operating expenses</b>     | <b>\$ 712,013</b> | <b>\$ 692,124</b> |
| Operating income                    | \$ 32,989         | \$ 36,404         |
| <b>Non-operating revenues</b>       |                   |                   |
| Interest income                     | \$ 223            | \$ 198            |
| <b>Total non-operating revenues</b> | <b>\$ 33,212</b>  | <b>\$ 198</b>     |
| Change in net position              | \$ 33,212         | \$ 36,602         |
| Net position, July 1                | 185,877           | 152,814           |
| <b>Net position, June 30</b>        | <b>\$ 219,089</b> | <b>\$ 189,416</b> |

# STATE PLAN

## Statements of Cash Flows

|   | 30-JUN-15         | 30-JUN-14         |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>                                     |                   |                   |
| Receipts from interfund services provided                                       | \$ 417,793        | \$ 411,719        |
| Receipts from fund members  | 361,551           | 350,758           |
| Payments to insurance companies and healthcare providers                        | (748,951)         | (713,209)         |
| Payments for interfund services used  | (1,832)           | (5,418)           |
| <b>Net cash from operating activities</b>                                       | <b>\$ 28,561</b>  | <b>\$ 43,850</b>  |
| <b>Cash flows from investing activities</b>                                     |                   |                   |
| Interest received   | \$ 223            | \$ 198            |
| <b>Net cash from investing activities</b>                                       | <b>\$ 223</b>     | <b>\$ 198</b>     |
| <b>Net increase in cash</b>   | <b>\$ 28,784</b>  | <b>\$ 44,048</b>  |
| Cash, July 1  | 275,157           | 231,109           |
| <b>Cash, June 30</b>  | <b>\$ 303,941</b> | <b>\$ 275,157</b> |
| <b>Reconciliation of operating income to net cash from operating activities</b> |                   |                   |
| Operating income  | \$ 32,989         | \$ 36,404         |
| Adjustments to reconcile operating income to net cash from operating activities |                   |                   |
| Changes in assets and liabilities:  |                   |                   |
| Change in accounts receivable   | \$ (1,623)        | \$ (236)          |
| Change in accounts payable  | (2,126)           | 5,882             |
| Change in unearned revenue  | (679)             | 1,800             |
| <b>Net cash from operating activities</b>                                       | <b>\$ 28,561</b>  | <b>\$ 43,850</b>  |

# LOCAL EDUCATION PLAN

## Statements of Net Positions

|                               | 30-JUN-15         | 30-JUN-14         |
|-------------------------------|-------------------|-------------------|
| <b>Assets</b>                 |                   |                   |
| Cash                          | \$ 204,762        | \$ 186,746        |
| Accounts receivable           | 3,858             | 3,800             |
| <b>Total assets</b>           | <b>\$ 208,620</b> | <b>\$ 190,546</b> |
| <b>Liabilities</b>            |                   |                   |
| Accounts payable and accruals | \$ 30,962         | \$ 30,627         |
| Unearned revenue              | 103               | 56                |
| <b>Total liabilities</b>      | <b>\$ 31,065</b>  | <b>\$ 30,683</b>  |
| <b>Net position</b>           |                   |                   |
| Unrestricted                  | \$ 177,555        | \$ 159,863        |
| <b>Total net position</b>     | <b>\$ 177,555</b> | <b>\$ 159,863</b> |

## Statements of Revenues, Expenses and Changes in Fund Net Position

|                                     | 30-JUN-15         | 30-JUN-14         |
|-------------------------------------|-------------------|-------------------|
| <b>Operating revenues</b>           |                   |                   |
| Premiums                            | \$ 471,207        | \$ 487,995        |
| <b>Total operating revenues</b>     | <b>\$ 471,207</b> | <b>\$ 487,995</b> |
| <b>Operating expenses</b>           |                   |                   |
| Benefits                            | \$ 419,325        | \$ 410,325        |
| Contractual services                | 26,765            | 25,776            |
| Other                               | 7,572             | 6,581             |
| <b>Total operating expenses</b>     | <b>\$ 453,662</b> | <b>\$ 442,682</b> |
| Operating income                    | \$ 17,545         | \$ 45,313         |
| <b>Non-operating revenues</b>       |                   |                   |
| Interest income                     | \$ 147            | \$ 118            |
| <b>Total non-operating revenues</b> | <b>\$ 147</b>     | <b>\$ 118</b>     |
| Change in net position              | \$ 17,692         | \$ 45,431         |
| Net position, July 1                | 159,863           | 114,432           |
| <b>Net position, June 30</b>        | <b>\$ 177,555</b> | <b>\$ 159,863</b> |

# LOCAL EDUCATION PLAN

## Statements of Cash Flows

|  | 30-JUN-15  | 30-JUN-14  |
|--|------------|------------|
| <b>Cash flows from operating activities</b>  |            |            |
| Receipts from fund members   | \$ 478,627 | \$ 495,103 |
| Payments to insurance companies and healthcare providers                               | (460,225)  | (446,688)  |
| Payments for state services  | (533)      | (3,726)    |
| <b>Net cash from operating activities</b>  | \$ 17,869  | \$ 44,689  |
| <b>Cash flows from investing activities</b>  |            |            |
| Interest received  | \$ 147     | \$ 118     |
| <b>Net cash from investing activities</b>  | \$ 147     | \$ 118     |
| <b>Net increase in cash</b>  | \$ 18,016  | \$ 44,807  |
| Cash, July 1   | 186,746    | 141,939    |
| <b>Cash, June 30</b>   | \$ 204,762 | \$ 186,746 |
| <b>Reconciliation of operating income to net cash from operating activities</b>        |            |            |
| Operating income   | \$ 17,545  | \$ 45,313  |
| <b>Adjustments to reconcile operating income to net cash from operating activities</b> |            |            |
| Changes in assets and liabilities:   |            |            |
| Change in accounts receivable  | \$ (59)    | \$ (94)    |
| Change in accounts payable   | 335        | (401)      |
| Change in unearned revenue   | 48         | (129)      |
| <b>Net cash from operating activities</b>  | \$ 17,869  | \$ 44,689  |

## LOCAL EDUCATION PLAN

### 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, 2010, 2011, 2012, 2013, 2014 and 2015 column disclosures below.

### Ten-Year Claims Development Information

|   | 2006    | 2007    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| (1) Required contribution and investment revenue earned (fiscal year)                         | 359,963 | 356,328 | 390,835 | 403,627 | 421,242 | 444,773 | 439,640 | 463,986 | 488,113 | 471,353 |
| (2) Unallocated expenses (fiscal year)  | 21,584  | 17,152  | 16,366  | 21,019  | 23,195  | 26,767  | 26,473  | 27,384  | 29,831  | 34,261  |
| (3) Estimated claims and expenses, end of policy year, net incurred                           | 320,702 | 342,692 | 389,270 | 373,682 | 441,168 | 413,568 | 429,252 | 432,425 | 435,832 | *       |
| (4) Net paid (cumulative) as of:  |         |         |         |         |         |         |         |         |         |         |
| End of policy year  | 295,687 | 313,376 | 359,949 | 347,060 | 408,968 | 383,440 | 401,000 | 404,145 | 408,147 | *       |
| One year later  | 320,503 | 342,800 | 389,645 | 407,483 | 441,224 | 415,724 | 428,201 | 432,124 | *       |         |
| Two years later   | 320,454 | 342,952 | 391,632 | 407,504 | 441,773 | 415,240 | 427,657 | *       |         |         |
| Three years later   | 320,364 | 347,276 | 391,511 | 407,379 | 441,596 | 415,215 | *       |         |         |         |
| Four years later  | 320,364 | 347,253 | 391,490 | 407,330 | 441,568 | *       |         |         |         |         |
| Five years later  | 320,364 | 347,253 | 391,490 | 407,330 | *       |         |         |         |         |         |
| Six years later   | 320,364 | 347,253 | 391,490 | *       |         |         |         |         |         |         |
| Seven years later   | 320,364 | 347,253 | *       |         |         |         |         |         |         |         |
| Eight years later   | 320,364 | *       |         |         |         |         |         |         |         |         |
| Nine years later  | *       |         |         |         |         |         |         |         |         |         |
| (5) Reestimated net incurred claims and expenses:   |         |         |         |         |         |         |         |         |         |         |
| End of policy year  | 320,702 | 342,692 | 389,270 | 373,682 | 441,168 | 413,568 | 429,252 | 432,425 | 435,832 | *       |
| One year later  | 320,646 | 342,865 | 389,163 | 407,718 | 441,247 | 415,256 | 427,805 | 431,846 | *       |         |
| Two years later   | 320,396 | 342,969 | 391,531 | 407,507 | 440,529 | 415,207 | 427,624 | *       |         |         |
| Three years later   | 320,352 | 347,276 | 391,511 | 407,364 | 440,485 | 415,110 | *       |         |         |         |
| Four years later  | 320,364 | 347,276 | 391,511 | 407,364 | 440,485 | *       |         |         |         |         |
| Five years later  | 320,364 | 347,276 | 391,511 | 407,364 | *       |         |         |         |         |         |
| Six years later   | 320,364 | 347,276 | 391,511 | *       |         |         |         |         |         |         |
| Seven years later   | 320,364 | 347,276 | *       |         |         |         |         |         |         |         |
| Eight years later   | 320,364 | *       |         |         |         |         |         |         |         |         |
| Nine years later  | *       |         |         |         |         |         |         |         |         |         |
| (6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year | (338)   | 4,584   | 2,241   | 33,682  | (683)   | 1,542   | (1,628) | (579)   | 0       | *       |

\* Data not available

# LOCAL GOVERNMENT PLAN

## Statements of Net Position

|                               | 30-JUN-15        | 30-JUN-14        |
|-------------------------------|------------------|------------------|
| <b>Assets</b>                 |                  |                  |
| Cash                          | \$ 40,446        | \$ 34,794        |
| Accounts receivable           | 874              | 709              |
| <b>Total assets</b>           | <b>\$ 41,320</b> | <b>\$ 35,503</b> |
| <b>Liabilities</b>            |                  |                  |
| Accounts payable and accruals | \$ 6,502         | \$ 6,739         |
| Unearned revenue              | 28               | 17               |
| <b>Total liabilities</b>      | <b>\$ 6,530</b>  | <b>\$ 6,756</b>  |
| <b>Net position</b>           |                  |                  |
| Unrestricted                  | \$ 34,790        | \$ 28,747        |
| <b>Total net position</b>     | <b>\$ 34,790</b> | <b>\$ 28,747</b> |

## Statements of Revenues, Expenses and Changes in Fund Net Position

|                                     | 30-JUN-15         | 30-JUN-14         |
|-------------------------------------|-------------------|-------------------|
| <b>Operating revenues</b>           |                   |                   |
| Premiums                            | \$ 108,830        | \$ 108,811        |
| <b>Total operating revenues</b>     | <b>\$ 108,830</b> | <b>\$ 108,811</b> |
| <b>Operating expenses</b>           |                   |                   |
| Benefits                            | \$ 95,261         | \$ 94,246         |
| Contractual services                | 6,071             | 5,916             |
| Other                               | 1,484             | 1,248             |
| <b>Total operating expenses</b>     | <b>\$ 102,816</b> | <b>\$ 101,401</b> |
| Operating income                    | \$ 6,014          | \$ 7,401          |
| <b>Non-operating revenues</b>       |                   |                   |
| Interest income                     | \$ 29             | \$ 23             |
| <b>Total non-operating revenues</b> | <b>\$ 29</b>      | <b>\$ 23</b>      |
| Change in net position              | \$ 6,043          | \$ 7,424          |
| Net position, July 1                | 28,747            | 21,323            |
| <b>Net position, June 30</b>        | <b>\$ 34,790</b>  | <b>\$ 28,747</b>  |

# LOCAL GOVERNMENT PLAN

## Statements of Cash Flows

|  | 30-JUN-15        | 30-JUN-14        |
|--|------------------|------------------|
| <b>Cash flows from operating activities</b>  |                  |                  |
| Receipts from fund members   | \$ 110,986       | \$ 110,733       |
| Payments to insurance companies and healthcare providers                               | (105,263)        | (102,923)        |
| Payments for state services  | (100)            | (669)            |
| <b>Net cash from operating activities</b>  | <b>\$ 5,623</b>  | <b>\$ 7,141</b>  |
| <b>Cash flows from investing activities</b>  |                  |                  |
| Interest received  | \$ 29            | \$ 23            |
| <b>Net cash from investing activities</b>  | <b>\$ 29</b>     | <b>\$ 23</b>     |
| <b>Net increase in cash</b>  | <b>\$ 5,652</b>  | <b>\$ 7,164</b>  |
| Cash, July 1   | 34,794           | 27,630           |
| <b>Cash, June 30</b>   | <b>\$ 40,446</b> | <b>\$ 34,794</b> |
| <b>Reconciliation of operating income to net cash from operating activities</b>        |                  |                  |
| Operating income   | \$ 6,014         | \$ 7,401         |
| <b>Adjustments to reconcile operating income to net cash from operating activities</b> |                  |                  |
| Changes in assets and liabilities:   |                  |                  |
| Change in accounts receivable  | \$ (166)         | \$ 94            |
| Change in accounts payable   | (237)            | (337)            |
| Change in unearned revenue   | 12               | (17)             |
| <b>Net cash from operating activities</b>  | <b>\$ 5,623</b>  | <b>\$ 7,141</b>  |

# LOCAL GOVERNMENT PLAN

## 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, 2010, 2011, 2012, 2013, 2014 and 2015 column disclosures below.

## Ten-Year Claims Development Information

|   | 2006   | 2007   | 2008   | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|---|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| (1) Required contribution and investment revenue earned (fiscal year)                         | 96,914 | 89,240 | 96,558 | 103,157 | 104,810 | 102,710 | 103,278 | 105,973 | 108,834 | 108,860 |
| (2) Unallocated expenses (fiscal year)  | 5,038  | 3,398  | 3,500  | 4,348   | 5,921   | 5,473   | 6,010   | 6,135   | 6,645   | 7,535   |
| (3) Estimated claims and expenses, end of policy year, net incurred                           | 87,058 | 91,622 | 94,655 | 100,350 | 107,083 | 91,699  | 94,738  | 96,152  | 99,097  | *       |
| (4) Net paid (cumulative) as of:  |        |        |        |         |         |         |         |         |         |         |
| End of policy year  | 80,519 | 84,836 | 88,265 | 93,456  | 98,709  | 89,231  | 88,026  | 89,634  | 92,792  | *       |
| One year later  | 86,934 | 91,791 | 94,820 | 100,916 | 105,833 | 91,703  | 94,277  | 96,101  | *       |         |
| Two years later   | 86,981 | 91,793 | 95,029 | 101,895 | 107,170 | 91,618  | 94,205  | *       |         |         |
| Three years later   | 86,974 | 93,594 | 94,993 | 100,533 | 107,103 | 91,578  | *       |         |         |         |
| Four years later  | 86,974 | 93,594 | 94,991 | 100,494 | 107,101 | *       |         |         |         |         |
| Five years later  | 86,974 | 93,591 | 94,991 | 100,494 | *       |         |         |         |         |         |
| Six years later   | 86,974 | 93,591 | 94,991 | *       |         |         |         |         |         |         |
| Seven years later   | 86,974 | 93,591 | *      |         |         |         |         |         |         |         |
| Eight years later   | 86,974 | *      |        |         |         |         |         |         |         |         |
| Nine years later  | *      |        |        |         |         |         |         |         |         |         |
| (5) Reestimated net incurred claims and expenses:   |        |        |        |         |         |         |         |         |         |         |
| End of policy year  | 87,058 | 91,622 | 94,655 | 100,350 | 107,083 | 91,699  | 94,738  | 96,152  | 99,097  | *       |
| One year later  | 86,948 | 91,801 | 94,749 | 100,803 | 106,870 | 91,640  | 94,248  | 96,022  | *       |         |
| Two years later   | 86,977 | 91,788 | 94,999 | 101,895 | 106,720 | 91,558  | 94,192  | *       |         |         |
| Three years later   | 86,972 | 93,594 | 94,993 | 100,492 | 106,697 | 91,669  | *       |         |         |         |
| Four years later  | 86,974 | 93,594 | 94,993 | 100,492 | 106,697 | *       |         |         |         |         |
| Five years later  | 86,974 | 93,594 | 94,993 | 100,492 | *       |         |         |         |         |         |
| Six years later   | 86,974 | 93,594 | 94,993 | *       |         |         |         |         |         |         |
| Seven years later   | 86,974 | 93,594 | *      |         |         |         |         |         |         |         |
| Eight years later   | 86,974 | *      |        |         |         |         |         |         |         |         |
| Nine years later  | *      |        |        |         |         |         |         |         |         |         |
| (6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year | (84)   | 1,972  | 338    | 142     | (386)   | (30)    | (546)   | (130)   | 0       | *       |

\* Data not available

## RETIREE PLANS

### Statements of Fiduciary Assets and Liabilities — June 30, 2015, and June 30, 2014

|                                    | 30-JUN-15        | 30-JUN-14        |
|------------------------------------|------------------|------------------|
| <b>Assets</b>                      |                  |                  |
| Current assets:                    |                  |                  |
| Cash                               | \$ 30,646        | \$ 28,753        |
| Accounts receivable                | 2,696            | 1,442            |
| <b>Total assets</b>                | <b>\$ 33,342</b> | <b>\$ 30,195</b> |
| <b>Liabilities</b>                 |                  |                  |
| Current liabilities:               |                  |                  |
| Accounts payable and accruals      | \$ 17,230        | \$ 17,791        |
| Amounts held in custody for others | 16,112           | 12,404           |
| <b>Total liabilities</b>           | <b>\$ 33,342</b> | <b>\$ 30,195</b> |

### Statement of Changes in Fiduciary Assets and Liabilities for the year ended June 30, 2015

|                                    | BALANCE<br>01-JUL-14 | ADDITIONS         | DEDUCTIONS        | BALANCE<br>30-JUN-15 |
|------------------------------------|----------------------|-------------------|-------------------|----------------------|
| <b>Assets</b>                      |                      |                   |                   |                      |
| Cash                               | \$ 28,753            | \$ 241,312        | \$ 239,419        | \$ 30,646            |
| Accounts receivable                | 1,442                | 12,505            | 11,251            | 2,696                |
| <b>Total assets</b>                | <b>\$ 30,195</b>     | <b>\$ 253,817</b> | <b>\$ 250,670</b> | <b>\$ 33,342</b>     |
| <b>Liabilities</b>                 |                      |                   |                   |                      |
| Accounts payable and accruals      | \$ 17,791            | \$ 26,518         | \$ 27,079         | \$ 17,230            |
| Amounts held in custody for others | 12,404               | 244,283           | 240,575           | 16,112               |
| <b>Total liabilities</b>           | <b>\$ 30,195</b>     | <b>\$ 270,801</b> | <b>\$ 267,654</b> | <b>\$ 33,342</b>     |

### Statement of Changes in Fiduciary Assets and Liabilities for the year ended June 30, 2014

|                                    | BALANCE<br>01-JUL-13 | ADDITIONS         | DEDUCTIONS        | BALANCE<br>30-JUN-14 |
|------------------------------------|----------------------|-------------------|-------------------|----------------------|
| <b>Assets</b>                      |                      |                   |                   |                      |
| Cash                               | \$ 20,787            | \$ 238,183        | \$ 230,217        | \$ 28,753            |
| Accounts receivable                | 2,082                | 11,097            | 11,737            | 1,442                |
| <b>Total assets</b>                | <b>\$ 22,869</b>     | <b>\$ 249,280</b> | <b>\$ 241,954</b> | <b>\$ 30,195</b>     |
| <b>Liabilities</b>                 |                      |                   |                   |                      |
| Accounts payable and accruals      | \$ 16,684            | \$ 26,265         | \$ 25,158         | \$ 17,791            |
| Amounts held in custody for others | 6,185                | 239,414           | 233,195           | 12,404               |
| <b>Total liabilities</b>           | <b>\$ 22,869</b>     | <b>\$ 265,679</b> | <b>\$ 258,353</b> | <b>\$ 30,195</b>     |



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