Minimum Actuarial Value Certification

State of Tennessee

2024 Plan Year

Preparation of This Actuarial Report

State of Tennessee

This report has been prepared to present our analysis of the minimum value (MV) of State of Tennessee's medical benefits. The purpose of this analysis is to demonstrate that State of Tennessee's programs satisfy the MV requirements of the Affordable Care Act (ACA) as required by 45 CFR Section 156.145 and 26 U.S. Code Section 36B for the plan year beginning January 1, 2024. This analysis was determined based on your plan benefits and coverage data. Unless otherwise noted in the methodology, the analysis uses the standard population, utilization and continuance tables published by the U.S. Department of Health and Human Services (HHS) for the purpose of MV valuation. The use of this report for purposes other than those expressed here may not be appropriate.

In conducting the analysis, we have relied on plan design information supplied by State of Tennessee. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the requirements of the ACA, and related regulations and guidance.

The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

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Background

Under the ACA, penalties are assessed on applicable large employer members if: (1) the applicable large employer member fails to offer to at least 95 percent of its full-time employees (and their non-spouse dependents) the opportunity to enroll in minimum essential coverage (MEC) or the applicable large employer member offers coverage that does not meet MV or is unaffordable, and (2) the full-time employee receives a premium tax credit to purchase coverage through the Health Insurance Marketplace or Exchange. Employers need to report a plan's MV status on a plan's Summary of Benefits and Coverage (SBC).

Minimum Essential Coverage

Almost any employer-provided coverage that is not an excepted benefit, including retiree plans and COBRA coverage, qualifies as MEC.

Minimum Value

Final regulations issued by HHS in February 2013 regarding essential health benefits established the methods that employer-sponsored plans may use to determine MV: the MV calculator, safe harbor plan designs established by HHS and the Internal Revenue Service (IRS) and safe harbor checklists, or an actuarial certification. To date, no safe harbor checklists have been released.

At the same time, HHS also released the MV calculator. The most recent version of the MV calculator was released in April 2013. Plan sponsors must use the MV calculator to measure standard plan features (unless a safe harbor applies), but the percentage may be adjusted based on an actuarial analysis of plan features that are outside the parameters of the calculator.

Proposed regulations issued by the IRS in May 2013 state that certain safe harbor plan designs satisfy MV. The following safe harbor plan designs have been identified:

- A plan with a $3,500 integrated medical and drug deductible, 80 percent plan cost sharing and a $6,000 maximum out-of-pocket limit for employee cost sharing
- A plan with a $4,500 integrated medical and drug deductible, 70 percent plan cost sharing, a $6,400 maximum out-of-pocket limit and a $500 employer contribution to a Health Savings Account (HSA)
- A plan with a $3,500 medical deductible, $0 drug deductible, 60 percent plan medical expense cost sharing, 75 percent plan drug expense cost sharing, a $6,400 maximum out-of-pocket limit and drug copayments of $10/$20/$50 for the first, second, and third prescription drug tiers, with 75 percent coinsurance for specialty drugs

A plan that covers all core benefits included in the MV calculator (including physician and inpatient hospital services) and has a benefit plan design at least as generous as these safe harbor plan designs will be considered to meet the MV requirements.

The HHS final regulations require plans with nonstandard features that cannot determine MV using the MV calculator or a safe harbor to use the actuarial certification method. The actuary must be a member of the American Academy of Actuaries and must perform the analysis in accordance with generally accepted actuarial principles and methodologies, Actuarial Standard of Practice 50 (ASOP 50 — Determining Minimum Value and Actuarial Value under the Affordable Care Act) and any additional standards that subsequent guidance requires.

Minimum Value Determination

In 2024, State of Tennessee will sponsor five medical benefit options (the State of Tennessee options). The provisions of these options are described in the Plan Provisions section of this document. All of State of Tennessee's options provide MEC. As shown below, each of the State of Tennessee options satisfies the MV requirements based on Aon's understanding of the published guidance.

Testing Options	Test Method	Results
Premier PPO	MV Calculator	Pass
Standard PPO	MV Calculator	Pass
State CDHP/HSA	MV Calculator	Pass
Limited PPO	MV Calculator	Pass
Local Education and Local Government CDHP/HSA	MV Calculator	Pass

Premier PPO: The Minimum Value for this option was calculated using the MV Calculator. The option has two tier specialty drug structure, which could not be modeled directly in the MV Calculator. Even so, adjusting the MV Calculator output for this provision will not materially change whether the option meets the MV threshold. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Standard PPO: The Minimum Value for this option was calculated using the MV Calculator. The option has two tier specialty drug structure, which could not be modeled directly in the MV Calculator. Even so, adjusting the MV Calculator output for this provision will not materially change whether the option meets the MV threshold. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

State CDHP/HSA: The Minimum Value for this option was calculated using the MV Calculator. The option has an aggregate deductible for family coverage, which could not be modeled directly in the MV Calculator. Even so, adjusting the MV Calculator output for this provision will not materially change whether the option meets the MV threshold. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Limited PPO: The Minimum Value for this option was calculated using the MV Calculator. The option has two tier specialty drug structure, which could not be modeled directly in the MV Calculator. Even so, adjusting the MV Calculator output for this provision will not materially change whether the option meets the MV threshold. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Local Education & Local Government CDHP/HSA: The Minimum Value for this option was calculated using the MV Calculator. The option has an aggregate deductible for family coverage, which could not be modeled directly in the MV Calculator. Even so, adjusting the MV Calculator output for this provision will not materially change whether the option meets the MV threshold. This option does not offer any Essential Health Benefits outside the parameters of the MV Calculator. Based on these assumptions and methodology, this plan option **meets the 60 percent threshold** required for employer-sponsored plans.

Plan Provisions

	Premier PPO		Standard PPO		State CDHP/HSA		Limited PPO		Local Ed & Local Gov CDHP/HSA	
	In-Network	Out of Network	In-Network	Out of Network	In-Network	Out of Network	In-Network	Out of Network	In-Network	Out of Network
Health Saving Account (Individual/Family)	N/A		N/A		$500 / $1,000		N/A		$0	
Deductible (Individual/Family)	$750 / $1,875	$1,500 / $3,750	$1,300 / $3,250	$2,600 / $6,500	$1,700 / $3,400	$3,400 / $6,800	$1,800 / $3,600	$3,600 / $7,200	$2,000 / $4,000	$4,000 / $8,000
Out of Pocket Maximum (Individual/Family)	$3,600 / $9,000	$7,200 / $18,000	$4,400 / $11,000	$8,800 / $22,000	$2,800 / $5,600	$5,600 / $11,200	$6,800 / $13,600	$13,600 / $27,200	$5,000 / $10,000	$10,000 / $20,000
Co-insurance	15%	40%	20%	40%	20%	40%	30%	50%	30%	50%
Primary Care Physician	$25	$45	$30	$50	20%	40%	$35	$55	30%	50%
Specialist Office Visit	$45	$70	$50	$75	20%	40%	$55	$80	30%	50%
Urgent Care	$45	$70	$50	$75	20%	40%	$55	$80	30%	50%
Emergency Room	15%	15%	20%	20%	20%	20%	30%	30%	30%	30%
Prescription Drug Benefits										
Retail Drug Network										
Generic	$7	Copay plus amount exceeding MAC	$14	Copay plus amount exceeding MAC	20%	40% plus amount exceeding MAC	$14	Copay plus amount exceeding MAC	30%	50% plus amount exceeding MAC
Brand	$40		$50		20%		$60		30%	
Non-Preferred Brand	$90		$100		20%		$110		30%	
Mail Order Prescription (90-day supply)										
Generic	$14	N/A - no network	$28	N/A - no network	20%	N/A - no network	$28	N/A - no network	30%	N/A - no network
Brand	$80		$100		20%		$120		30%	
Non-Preferred Brand	$180		$200		20%		$220		30%	
Maintenance Drug (90-day supply)										
Generic	$7	N/A - no network	$14	N/A - no network	10%	N/A - no network	$14	N/A - no network	20%	N/A - no network
Brand	$40		$50		10%		$60		20%	
Non-Preferred Brand	$160		$180		10%		$200		20%	
Specialty Drug										
Tier 1	20%, min $100, max $200	N/A - no network	20%, min $100, max $200	N/A - no network	20%	N/A - no network	20%, min $100, max $200	N/A - no network	30%	N/A - no network
Tier 2	30%, min $200, max $400	N/A - no network	30%, min $200, max $400	N/A - no network	20%	N/A - no network	30%, min $200, max $400	N/A - no network	30%	N/A - no network

Disclosures and Limitation

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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