

Commonwealth of Kentucky
2025 Calendar Year KEHP Premium Equivalent Rate Estimates,
2025 Budget, KEHP Subsidy, and Employee Contribution Rates,
and 1994 KY Kare Standard

This document provides Aon's best estimate of calendar year 2025 aggregate expenditures to be recognized by the Commonwealth of Kentucky's (Commonwealth) Kentucky Employee Health Plan (KEHP) based on the claims data provided by the KEHP's third party data warehouse (Truven database), medical vendor Anthem, pharmacy vendor CVS/Caremark and other information provided by the KEHP as of the time of this writing. The document also provides the 2025 calendar year budget rates, KEHP subsidy rates, and employee contribution rates, and an evaluation of the plans' compliance with the KRS 1994 Kentucky Kare Standard Plan requirements (Appendix B).

This document has been prepared based on the plan options and plan designs presented to and discussed with the Commonwealth of Kentucky Department of Employee Insurance (DEI) as presented in Appendix A, which will be implemented for calendar year (plan year) 2025.

Expenditures were estimated for the calendar year period January 1, 2025, through December 31, 2025. This document also provides a comprehensive outline of the assumptions used to estimate expenditures for this calendar year.

It should be recognized that future events frequently do not occur exactly as expected, and there are usually differences between estimated and actual results. Accordingly, there can be no assurance that actual experience will match Aon's best estimates as presented here.

Definitions Used In This Report

Several sets of rates are provided in this report. These rates are defined below.

- **Premium Equivalent Rates:** Actuarial estimates of expected claims and administrative fee costs. These estimates change over time as more historic claims information becomes available. These rates are developed such that each plan would be independently self-supportive if funded at these rates.
- **Budget Rates:** The budget rates reflect the rates communicated by KEHP to the various participating groups as the cost basis for the plan options. These are the "financing rates" used to fund the expected actuarial premium equivalent rates noted above. These rates are intended to be sufficient to cover the expected costs (premium equivalent rates) and expected DEI administrative costs. These rates, once established, are not intended to change during the course of the calendar year to which they apply. These rates, in aggregate, are considered sufficient to fund the Plan. However, some specific plan options may operate on a gain or loss when viewed in isolation.
- **KEHP Subsidy:** The amount that KEHP contributes toward the budget rate costs. These rates, once established, are not intended to change during the course of the calendar year to which they apply.

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- **Employee Contributions:** The amount that employees contribute toward the budget rate costs. These rates, once established, are not intended to change during the course of the calendar year to which they apply. The combination of the KEHP subsidy and employee contributions equals the budget rates.

Data Utilized

The following information was used in the development of the calendar year 2025 KEHP premium equivalent rates:

- Claims data were provided by Anthem and CVS/Caremark from April 2023 to March 2024. Incurred and paid claims were provided based on the month of incurral for the period April 2023 to March 2024. Claims data were reported separately for the medical and prescription drug benefits, split by plan option (LivingWell Basic, LivingWell PPO and LivingWell CDHP).
- Monthly enrollment counts for the period April 2023 to March 2024 were provided by KEHP and through Truven database, reported separately by plan option and coverage tier (single, couple, parent plus children, family, and cross reference).
- Per employee per month administrative fees for the medical and prescription drug benefits were provided by KEHP as documented in contracts with Anthem and CVS/Caremark, respectively for 2025.
- The expected prescription drug rebates to be paid by CVS/Caremark to the KEHP for 2025 based on expected rebate levels for 2025.

Methodology: All Plan Options

The development of the estimated calendar year 2025 premium equivalent rates followed generally accepted actuarial principals, and included the following steps:

- For the period April 2023 to March 2024, monthly incurred and paid claims were reported, split by plan option and by medical versus prescription drug claims. Incurred but not reported (IBNR) claims for April 2023 to March 2024 on a monthly basis were estimated based on KEHP historic experience, using generally accepted actuarial completion factor lag approaches, based on historic claims run-out patterns for the period April 2023 to March 2024. There was sufficient enrollment and historic claims data for each plan option for the data to be considered actuarially credible. The combination of the incurred and paid claims plus the IBNR claims estimates, by month, plan option, and medical versus drug benefit, were produced to generate the expected incurred claims for the 2024 year-to-date period.
- For April 2023 to March 2024 the average PEPM incurred claims were determined by plan option, split between medical and prescription drugs, based on the monthly incurred claims.

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- The PEPM claims estimates above were adjusted to account for the new plan designs, expected healthcare inflation (medical and prescription drug) to 2025. Below is the trend used:

Benefit	Annual Trend
Medical (PPO)	8.5%
Prescription Drug	8.5%
Blended	8.5%

These healthcare trend assumptions were based on research conducted by Aon.

- Adjustments to the rates were made to account for expected prescription drug rebates. CVS/Caremark provided the actual drug rebates in 2023. The projected 2025 prescription drug rebate amounts were estimated and were included as offsets to expected prescription drug claims expressed in terms of a PEPM amount.
- The administrative fees for calendar year 2025 were added to the trended 2025 PEPM claims amounts to produce expected 2025 PEPM cost amounts.
- The medical administrative fees were loaded with administrative fee related to the health care and dependent care flexible spending accounts (FSAs). The FSA administrative fee is assessed on a per FSA-participant per month basis. It has been assumed that a consistent FSA enrollment will occur in 2025. Total FSA administrative fees were uniformly spread across the premium equivalent rates.
- The resulting 2025 PEPM premium equivalent rates for the new plans were distributed across the coverage tiers.

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2025 Premium Equivalent Rates

Based on the above rate development, the plan design changes for 2025, and assumptions made, the resulting monthly 2025 premium equivalent rates are:

Calendar Year 2025 Premium Equivalent Rates					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$178.43	\$368.94	\$244.53	\$409.90	\$209.40
LivingWell Basic	\$337.53	\$697.90	\$462.56	\$775.38	\$396.10
LivingWell PPO	\$1,165.26	\$2,433.09	\$1,621.23	\$2,683.77	\$1,382.88
LivingWell CDHP	\$973.14	\$1,951.21	\$1,327.07	\$2,172.69	\$1,117.31

Enrollment in the 2025 plan options is based on average 2024 enrollment data between January 2024 and March 2024 and migration assumptions between plans.

Calendar Year 2025 Average Enrollment						
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref*	Total
High Deductible**	1,350	1	14	0	0	1,365
LivingWell Basic	7,436	597	1,701	666	483	10,883
LivingWell PPO	34,975	2,910	6,960	3,335	3,232	51,412
LivingWell CDHP	40,025	7,057	14,318	13,128	9,081	83,609
Total	83,786	10,565	22,993	17,129	12,796	147,269

*Cross reference enrollment includes all employees enrolled in the health plan.

** Projected enrollment for the new High Deductible plan

Additional Comments

The development of the estimated 2025 PEPM premium equivalent rates has also been predicated on the following assumptions.

- KEHP’s healthcare current total enrollment data is a consistent estimator of total enrollment for calendar year 2025.
- No new groups of individuals will be added to those eligible to participate in the KEHP’s healthcare program.

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The following cost items normally considered in the budget rate process have been excluded from the premium equivalent rate development.

- HRA claims utilization associated with HRA funding provided to employees who waive health care coverage (i.e., the "Stand-Alone" HRA plan);
- PEPM admin fees associated with the HRA funding provided to employees who waive health care coverage;
- Adjustments to reflect prior year self-insured plan surpluses or deficits; and
- Adjustments to reflect other sources of funding outside of the KEHP program.

CY2025 Budget Rates

The calendar year 2025 budget rates reflect the rates communicated by KEHP to the various participating groups as the cost basis for the plan in 2025. These are the “financing rates” used to fund the expected actuarial premium equivalent rate noted above.

Calendar Year 2025 Budget Rates					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$835.42	\$1,727.36	\$1,144.86	\$1,919.14	\$980.38
LivingWell Basic	\$901.04	\$1,863.04	\$1,234.80	\$2,069.88	\$1,057.40
LivingWell PPO	\$949.04	\$1,981.62	\$1,320.40	\$2,185.78	\$1,126.28
LivingWell CDHP	\$930.76	\$1,866.24	\$1,269.28	\$2,078.08	\$1,068.66

The corresponding KEHP subsidy rates and employee contribution rates have been set by the DEI and are noted below:

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CY2025 KEHP Subsidy Rates – Completing LivingWell Promise

Calendar Year 2025 KEHP Subsidy Rates - Non-Smoker - Completing LW Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$814.54	\$1,476.90	\$1,088.76	\$1,617.84	\$951.18
LivingWell Basic	\$872.70	\$1,581.62	\$1,167.28	\$1,732.20	\$1,025.90
LivingWell PPO	\$859.90	\$1,409.86	\$1,066.30	\$1,469.14	\$955.80
LivingWell CDHP	\$877.30	\$1,526.90	\$1,132.22	\$1,679.16	\$981.76

Calendar Year 2025 KEHP Subsidy Rates - Smoker - Completing LW Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$774.54	\$1,396.90	\$1,008.76	\$1,537.84	\$911.18
LivingWell Basic	\$832.70	\$1,501.62	\$1,087.28	\$1,652.20	\$985.90
LivingWell PPO	\$819.90	\$1,329.86	\$986.30	\$1,389.14	\$915.80
LivingWell CDHP	\$837.30	\$1,446.90	\$1,052.22	\$1,599.16	\$941.76

CY2025 Employee Contribution Rates – Completing LivingWell Promise

2025 Employee Contribution Rates - Non-Smoker - Completing LivingWell Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$20.88	\$250.46	\$56.10	\$301.30	\$29.20
LivingWell Basic	\$28.34	\$281.42	\$67.52	\$337.68	\$31.50
LivingWell PPO	\$89.14	\$571.76	\$254.10	\$716.64	\$170.48
LivingWell CDHP	\$53.46	\$339.34	\$137.06	\$398.92	\$86.90

2025 Employee Contribution Rates - Smoker - Completing LivingWell Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$60.88	\$330.46	\$136.10	\$381.30	\$69.20
LivingWell Basic	\$68.34	\$361.42	\$147.52	\$417.68	\$71.50
LivingWell PPO	\$129.14	\$651.76	\$334.10	\$796.64	\$210.48
LivingWell CDHP	\$93.46	\$419.34	\$217.06	\$478.92	\$126.90

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CY2025 KEHP Subsidy Rates – Not Completing LivingWell Promise

2025 KEHP Subsidy Rates - Non-Smoker – Not Completing LW Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$774.54	\$1,436.90	\$1,048.76	\$1,577.84	\$911.18
LivingWell Basic	\$832.70	\$1,541.62	\$1,127.28	\$1,692.20	\$985.90
LivingWell PPO	\$819.90	\$1,369.86	\$1,026.30	\$1,429.14	\$915.80
LivingWell CDHP	\$837.30	\$1,486.90	\$1,092.22	\$1,639.16	\$941.76

2025 KEHP Subsidy Rates - Smoker - Not Completing LW Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$734.54	\$1,356.90	\$968.76	\$1,497.84	\$871.18
LivingWell Basic	\$792.70	\$1,461.62	\$1,047.28	\$1,612.20	\$945.90
LivingWell PPO	\$779.90	\$1,289.86	\$946.30	\$1,349.14	\$875.80
LivingWell CDHP	\$797.30	\$1,406.90	\$1,012.22	\$1,559.16	\$901.76

CY2025 Employee Contribution Rates – Not Completing LivingWell Promise

2025 Employee Contribution Rates - Non-Smoker - Not Completing LW Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$60.88	\$290.46	\$96.10	\$341.30	\$69.20
LivingWell Basic	\$68.34	\$321.42	\$107.52	\$377.68	\$71.50
LivingWell PPO	\$129.14	\$611.76	\$294.10	\$756.64	\$210.48
LivingWell CDHP	\$93.46	\$379.34	\$177.06	\$438.92	\$126.90

2025 Employee Contribution Rates - Smoker - Not Completing LW Promise					
Plan Option	Single	Couple	Parent Plus	Family	Cross Ref
High Deductible	\$100.88	\$370.46	\$176.10	\$421.30	\$109.20
LivingWell Basic	\$108.34	\$401.42	\$187.52	\$457.68	\$111.50
LivingWell PPO	\$169.14	\$691.76	\$374.10	\$836.64	\$250.48
LivingWell CDHP	\$133.46	\$459.34	\$257.06	\$518.92	\$166.90

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Appendix A – KEHP 2025 Plan Design

High Deductible		
Provision	Network	2025 Provision
Coinsurance	In/Out Network	30%/50%
Deductible	In-Network	\$2,000 Single \$4,000 Family
Deductible	Out-of-Network	\$4,000 Single \$8,000 Family
Maximum Out-of-Pocket	In-Network	\$8,050 Single \$16,100 Family
Maximum Out-of-Pocket	Out-of-Network	\$16,100 Single \$32,200 Family
LivingWell Basic		
Health Reimbursement Account	\$250 Single / \$500 Family	
Coinsurance	In/Out Network	30%/50%
Deductible	In-Network	\$2,000 Single \$3,750 Family
Deductible	Out-of-Network	\$3,250 Single \$6,250 Family
Maximum Out-of-Pocket	In-Network	\$4,000 Single \$7,750 Family
Maximum Out-of-Pocket	Out-of-Network	\$7,750 Single \$11,250 Family
LivingWell CDHP		
Health Reimbursement Account	\$500 Single / \$1,000 Family	
Coinsurance	In/Out Network	20%/50%
Deductible	In-Network	\$1,500 Single \$2,750 Family
Deductible	Out-of-Network	\$2,750 Single \$5,250 Family
Maximum Out-of-Pocket	In-Network	\$3,000 Single \$5,750 Family
Maximum Out-of-Pocket	Out-of-Network	\$5,750 Single \$11,250 Family

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LivingWell PPO		
Coinsurance	In/Out Network	25%/50%
Deductible	In-Network	\$1,000 Single \$1,750 Family
Deductible	Out-of-Network	\$1,750 Single \$3,250 Family
Maximum Out-of-Pocket	In-Network	\$3,000 Single \$5,750 Family
Maximum Out-of-Pocket	Out-of-Network	\$5,750 Single \$11,250 Family
PCP Co-pay		\$25
Specialist Co-pay		\$50
Emergency Room Co-pay		\$150 copay then deductible then 25%
Urgent Care		\$50
Prescription Drugs		
Maximum Out-of-Pocket	In-Network	\$2,500 Single \$5,000 Family
Maximum Out-of-Pocket	Out-of-Network	\$5,000 Single \$10,000 Family
30-Day Supply	Tier 1 - Generic	\$20
	Tier 2 - Formulary	\$40
90-Day Supply	Tier 1 - Generic	\$40
	Tier 2 - Formulary	\$80

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1994 Kentucky Kare Standard Plan

KRS Chapter 18A, Section 225(2)(a) states:

"Health insurance coverage provided to state employees under this section shall, at a minimum, contain the same benefits as provided under Kentucky Kare Standard as of January 1, 1994, and shall include a mail-order drug option as provided in subsection (13) of this section. All employees and other persons for whom the health care coverage is provided or made available shall annually be given an option to elect health care coverage through a self-funded plan offered by the Commonwealth."

In assessing whether the benefits provided under the 2025 plan options meet the above standard, actuarial relative plan values were determined for the 2025 plan options and the 1994 Kentucky Kare Standard Plan as if it were offered at a reasonably similar actuarial value in 2025. This report provides the results of this actuarial assessment in order to document our understanding of whether the plans meet the above requirement.

Actuarially benefit "value" is defined by expected average claims payments for the year. "Value" does not include any subjective components such as access to specific doctors or services (other than mail order prescription drugs per KRS Chapter 18A, Section 225(2)(a)) or member satisfaction. This analysis was conducted by an evaluation of each plan option's benefits using Aon's proprietary benefit valuation modeling tool. The model determines health plan benefit values by evaluating plan provisions (such as deductibles, copays, coinsurance, etc.) for covered pharmacy and medical services and producing the expected cost of coverage for the plan, based on an underlying database of expected medical and pharmacy claims. The underlying claims database is based on the full book of business for UnitedHealthcare, and is comprised of experience for more than 9 million members.

Plans with higher relative values are actuarially expected, on average, to pay more claims than plans with lower relative values. Relative values are impacted by prevailing negotiated discounts and in-network utilization. We have assumed that the use of the term "benefits" in KRS Chapter 18A, Section 225(2)(a), means that we can apply the same assumptions on discounts and in-network utilization to all plans rather than try to synthesize the prevailing discount levels available in 1994. We are also assuming that, per the KRS Chapter 18A, Section 225(2)(a) use of the phrase "provided to", the conditions are met as long as at least one of the plan options offered in 2025 has a relative value equal to or greater than that of the Kentucky Kare Standard plan.

Based on the above, we have estimated the following relative values for the 2025 plan option designs provided to Aon and for the 1994 KY Kare plan options:

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2025 PEPM Relative Values	
Plan Option	Plan Value
High Deductible	0.91
LivingWell Basic	0.98
LivingWell PPO	0.99
LivingWell CDHP	1.02
1994 Kentucky Kare Standard Plan	1.00

The 2025 LivingWell CDHP option has a relative value higher than that of the 1994 Kentucky Kare plans. It therefore appears that the 2025 plan options meet the KRS 1994 Kentucky Kare Standard Plan requirements, per our understanding.