

HEALTH CARE REPORT 2001

HIGHWAY PATROL RETIREMENT SYSTEM

R. A. CURTIS- EXECUTIVE DIRECTOR



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TO: Ohio Retirement Study Council
Ohio House Retirement and Aging Committee
Ohio Senate Ways and Means Committee

FROM: Richard A. Curtis, Executive Director

RE: Reporting requirements under ORC Section 5505.12 (E)

DATE: For the year 2001

The following document fulfills the requirements of the Ohio State Highway Patrol Retirement System (HPRS) as outlined in Ohio Revised Code Section 5505.12, Section E. The section and the System's responses follows:

"(E) The board shall have prepared annually a report giving a full accounting of the revenues and costs relating to the provision of benefits under section 5505.28 of the Revised Code. The report shall be made as of December 31, 1997, and the thirty-first day of December of each year thereafter. The report shall include the following:

(1) A description of the statutory authority for the benefits provided;"

Attachment A is a copy of ORC Sec. 5505.28 (Medical benefits and Medicare B reimbursement).

"(2) A summary of benefits;"

Attachment B is the plan design for non-Medicare enrollees and Attachment C is the plan design for Medicare enrollees. These plan designs include both the medical and prescription drug programs. The medical and prescription drug programs are self-funded by HPRS.

Every benefit recipient and their eligible dependents, if they aren't covered under another retirement system, are eligible for coverage under the HPRS medical plan. The HPRS health care plan benefits include preferred provider organizations which make up a network. Those enrolled can utilize any provider, but if they use a preferred provider, they receive the optimum coverage. When an enrollee becomes eligible for Medicare, the HPRS health care plan becomes secondary to their Medicare coverage and network provision will not apply. If an enrollee is not eligible for Medicare Part A (hospital insurance) then the HPRS plan will be primary. Every enrollee age 65 and over must enroll under Medicare Part B (medical insurance). The HPRS medical plan does not pay for any claims that would have been eligible under Medicare Part B.

If a benefit recipient is not being reimbursed for Medicare Part B from another source, HPRS will reimburse the benefit recipient monthly the basic premium (\$50.00) upon proof of coverage. Proof of coverage is a copy of the benefit recipient's Medicare card.

Currently HPRS does not offer HMO's.

A plan for dental and vision coverage is provided to all HPRS benefit recipients. Benefit recipients can enroll eligible dependents for a monthly premium. There is an open enrollment period each year to add or drop coverage for dependents. They must be covered for a year unless they no longer meet eligibility requirements. These plans are intended to help with the cost of dental and vision expenses. Dental coverage is intended to cover a percentage of the cost of oral examinations, diagnostic services, extractions, crowns, bridges and dentures. The percentage of coverage is based upon service and if a preferred provider is utilized. Vision coverage includes covered amounts for services provided by an ophthalmologist, optometrist or optician for examinations, frames and lenses. HPRS is only liable for the monthly premiums. Premium rates are evaluated by the insurer annually based upon the previous year's claims.

HPRS offers a long term care policy to provide coverage for nursing home care not covered by Medicare or HPRS's medical coverage. Coverage is available to all HPRS retirees upon retirement. Eligible dependents, and parents, can also enroll provided they meet certain medical requirements. This optional program provides a daily cash benefit, an amount selected by the insurer, when the insured is no longer able to independently perform the activities of daily living. Premiums are deducted from the benefit recipient's monthly benefit check.

"(3) A summary of the eligibility requirements for the benefits;"

All benefit recipients and their eligible dependents are eligible for coverage unless they are covered under another retirement system. Eligible dependents includes the spouse; unmarried child(ren) under age 19, or age 23 if attending school and dependent on the benefit recipient's support; and a dependent child, regardless of age, who has a physical or mental handicap, is unable to earn a living, and became incapacitated prior to age 19 (or 23 if attending school).

"(4) A statement of the number of participants eligible for the benefits;"

As of December 31, 2001, there were 1,207 benefit recipients enrolled under the HPRS health care plan. HPRS has 25 benefit recipients that have health care coverage by another public retirement system. The number of eligible dependents cannot be determined, but as of December 31, 2001, 734 dependents were enrolled under the HPRS health care plan.

"(5) A description of the accounting, asset valuation, and funding method used to provide the benefits;"

HPRS' financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measurable. Investment purchases and sales are substantially recorded as of their trade date. HPRS' funding is determined on an actuarial basis using the entry age normal cost method. Accrued year end health care benefits are based upon estimates furnished by each of the claims administrators.

All investments are reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller-that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value. Corporate bonds are valued at the median price by the brokerage firms. Securities traded on a national exchange are valued at the last reported sales price at current exchange rate. The fair value of real estate is based on independent appraisals.

Health care benefits are funded on an actuarial basis. Under this method, a portion of the employer contributions, currently 4.75%, are used to fund health care costs. These contributions along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. This contribution rate is evaluated periodically to see if this amount is relevant.

"(6) A statement of the net assets available for the provision of the benefits as of the last day of the fiscal year;"

See Attachment D, "Statements of Plan Net Assets - Health Care".

"(7) A statement of any changes in the net assets available for the provision of benefits, including participant and employer contributions, net investment income, administrative expenses, and benefits provided to participants, as of the last day of the fiscal year;"

See Attachment E, "Statements of Changes in Plan Net Assets - Health Care".

"(8) For the last six consecutive fiscal years, a schedule of the net assets available for the benefits, the annual cost of benefits, administrative expenses incurred, and annual employer contributions allocated for the provision of benefits;"

See Attachment D, "Statements of Plan Net Assets - Health Care".

"(9) A description of any significant changes that affect the comparability of the report required under this division."

No significant changes affect these reports.

ATTACHMENT A

Sec. 5505.28 State highway patrol retirement board may enter agreement for health, medical, hospital, or surgical benefits.

(A) The state highway patrol retirement board may enter into an agreement with insurance companies, medical or health care corporations, health maintenance organizations, or government agencies authorized to do business in the state for issuance of a policy or contract of health, medical, hospital, or surgical benefits, or any combination thereof, for those persons receiving pensions and subscribing to the plan. Notwithstanding any other provision of this chapter, the policy or contract may also include coverage for any eligible individual's spouse and dependent children and for any of the individual's sponsored dependents as the board considers appropriate.

If all or any portion of the policy or contract premium is to be paid by any individual receiving a service, disability, or survivor pension or benefit, the individual shall, by written authorization, instruct the board to deduct from the individual's pension or benefit the premium agreed to be paid by the individual to the company, corporation or agency.

The board may contract for coverage on the basis of part or all of the cost of the coverage to be paid from appropriate funds of the state highway patrol retirement system. The cost paid from the funds of the system shall be included in the employer's contribution rate as provided by section 5505.15 of the Revised Code.

(B) If the board provides health, medical, hospital, or surgical benefits through any means other than a health maintenance organization, it shall offer to each individual eligible for the benefits the alternative of receiving benefits through enrollment in a health maintenance organization, if all of the following apply:

(1) The health maintenance organization provides services in the geographical area in which the individual lives;

(2) The eligible individual was receiving health care benefits through a health maintenance organization before retirement;

(3) The rate and coverage provided by the health maintenance organization to eligible individuals is comparable to that currently provided by the board under division (A) of this section. If the rate or coverage provided by the health maintenance organization is not comparable to that currently provided by the board under division (A) of this section, the board may deduct the additional cost from the eligible individual's monthly benefit.

The health maintenance organization shall accept as an enrollee any eligible individual who requests enrollment.

The board shall permit each eligible individual to change from one plan to another at least once a year at a time determined by the board.

(C) The board shall, beginning the month following receipt of satisfactory evidence of the payment for coverage, pay monthly to each recipient of a pension under the state highway patrol retirement system, who is eligible for medical insurance coverage under part B of "The Social Security Amendments of 1965," 79 Stat. 301, 42 U.S.C. 1395j, as amended, an amount established by board rule not exceeding the basic premium for such coverage.

(D) The board shall establish by rule requirements for the coordination of any coverage, payment, or benefit provided under this section with any similar coverage, payment, or benefit made available to the same individual by the public employees retirement system, police and firemen's disability and pension fund, state teachers retirement system, or school employees retirement system.

(E) The board shall make all other necessary rules pursuant to the purpose and intent of this section.

HPRS SUMMARY OF HEALTH CARE BENEFITS
(Effective January 1, 2001)
Non-Medicare Eligible

ATTACHMENT B

BENEFIT COVERAGE	OUT-OF-AREA BASIC PLAN	NETWORK BENEFITS	OUT-OF-NETWORK BENEFITS
OR PLAN FEATURES			
Health Providers	Use any Provider	Use Network Provider	Use any Provider
Deductible (Per Plan Year)	\$100 per person	\$100 per person	\$400 per person
Out of Pocket (Per Plan Year)	\$ 750 Single \$1,500 Family	\$ 750 Single \$1,500 Family	\$3,000 Single \$6,000 Family
LifeTime Maximum	\$1,000,000	\$1,000,000	\$1,000,000
Claim Forms	Yes	No	Yes
Pre-Certification/ Utilization Review	Patients Responsibility	Provider (Automatic)	Patients Responsibility
Pre-Certification Penalty Inpatient	\$200 per admission (no coverage if not medically necessary)	None	\$300 per admission (no coverage if not medically necessary)
Outpatient	\$100 (no coverage if not medically necessary)	None	\$100 (no coverage if not medically necessary)
Managed Second Opinion Selected Procedures	\$100	None	\$100
PLAN BENEFITS			
Physicians Services			
Office Visits	80% UCR	100% after \$10 Co-pay	70% UCR
Diagnostic x-ray/lab	80% UCR	80%	70% UCR
Surgeon/Consultation	80% UCR	80%	70% UCR
Specialist not Generally Available in Network	80% UCR	80%	80% UCR
Surgeons/Surgery Fees	80% UCR	80%	70% UCR
OB/Maternity Visits & Delivery	80% UCR	80%	70% UCR
Hospital Services			
Admission Deductible	None	None	\$100 Co-pay
Inpatient Coinsurance	100%	100%	70%
Outpatient Coinsurance			
Pre-Admission Testing	100%	100%	70%
Surgery	100%	100%	70%
All Other Medical Services	80%	80%	70%
Emergency Room			
Emergency Room Use (Co-pay waived if admitted to hospital)	\$50 Co-Pay Facility 80% for remaining charges	\$50 Co-Pay Facility 80% for remaining charges	\$50 Co-Pay Facility 80% remaining charges

BENEFIT COVERAGE	OUT-OF-AREA BASIC PLAN	NETWORK BENEFITS	OUT-OF-NETWORK BENEFITS
Mental Health			
*Inpatient			
Mental/Nervous	100%	100%	70%
Alcoholism	100%	100%	70%
*Outpatient			
Mental/Nervous	80%	80%	70%
Alcoholism	80% annual maximum \$550	80% annual maximum \$550	70% annual maximum \$550
Preventive Care			
*Routine Physical Exams+	80% to \$200 annual	80% to \$200 annual	80% to \$200 annual
*Well Baby/Child Care	80% to Age 9	80% to age 9	70% to age 9
*Prostatic Specific Antigen (PSA) Testing+	80% UCR;\$100 maximum per calendar year	\$10 Co-Pay Physician 80% for lab;\$100 maximum per calendar year	70% UCR;\$100 maximum per calendar year
*Routine Pap Smears+	80% UCR;maximum of one per calendar year	\$10 Co-Pay Physician 80% for lab;maximum one per calendar year	70% UCR;maximum of one per calendar year
*Routine Mammographies+	80% UCR;\$100 maximum per calendar year	\$10 Co-Pay Physician 80% for lab;\$100 maximum per calendar year	70% UCR;\$100 maximum per calendar year
Other Covered Expenses			
*Chiropractors & Physical Therapists	80% UCR	80%	70% UCR
*Acupuncturists	80% UCR in lieu of anesthesiologist	80% in lieu of anesthesiologists	70% UCR in lieu anesthesiologist
*Experimental Benefit (Determined By Carrier)	80% Medical/100% hospital up to \$10,000 lifetime maximum	\$10 Co-Pay Physician 80% other medical 100% hospital up to \$10,000 lifetime max	70% medical/80% hospital; up to \$10,000 lifetime maximum
*Private Duty Nurse, Durable Medical Equipment	80%	80%	70% UCR if available in network
*Ambulance	80%	80%	80%
*Home Health Care	100% for 100 visits 80% for remaining plan year	100% for 100 visits 80% for remaining plan year	90% for 100 visits 70% for remaining plan year
*Skilled Nursing Facility	100% for 365 days	100% for 365 days	90% for 365 days
*Hospice Care			
Inpatient	100% up to 30 days	100% up to 30 days	80% up to 30 days
Outpatient	80% up to \$7,500	80% up to \$7,500	70% up to \$5,000
*Hearing Aids	80% maximum \$1,000 every 3 yrs	80% maximum \$1,000 every 3 yrs	70% maximum \$1,000 every 3 yrs

RX Drugs

Basic Plan Design for all Benefit Recipients and Covered Dependents (One method per prescription) New Co-payments effective 2-01-2001

- PAID Prescription Retail Pharmacy Program (Maximum of a 34 day supply or 100 units)
 - \$15.00 Co-pay Brand (when generic available)
 - \$10.00 Co-pay Brand (when no generic is available)
 - \$5.00 Co-pay Generic
- Paper Claim filed with PAID Prescriptions at 60% coverage
- National Rx Mail Service (Maximum 120 day supply)
 - \$15.00 Co-pay Brand (when generic available)
 - \$10.00 Co-pay Brand (when no generic is available)
 - \$ 2.00 Co-pay Generic

Additional Notes

- * Percentage benefits apply after deductible.
- * Co-pays do not count toward calendar year deductible or out-of-pocket limit.
- * Deductible does not apply to out-of-pocket limit.
- * No penalty of benefits if service is not available "in-network."
- * The basic plan is in effect for out-of-area residents who use non-network providers.
- * Co-insurance paid at usual, customary & reasonable after deductible.
- * Precertification penalty does not apply to deductible or co-insurance.
- + Not subject to calendar year deductible

Graded Exercise Testing/Physician Examination (Retiree's only) 1-800-462-3083 for appointment. The cost of this examination is covered by the annual health and wellness benefit every two years. Show medical ID card and they will file the claim for you.

HPRS SUMMARY OF HEALTH CARE BENEFITS

EFFECTIVE January 1, 2001

Medicare Eligible (A & B)

ATTACHMENT C

(All percentages apply after Medicare and Deductible)

BENEFIT COVERAGE

BASIC PLAN

MAJOR PLAN FEATURES

Health Providers	Use any Provider
Deductible (Per Plan Year)	\$25 per person
Out of Pocket (Per Plan Year)	\$ 750 Single \$1,500 Family
LifeTime Maximum	\$1,000,000
Claim Forms	Yes
Pre-Certification/ Utilization Review	None

PLAN BENEFITS

Physicians Services

*Office Visits	80% UCR
*Diagnostic x-ray/lab	80% UCR
*Surgeon/Consultation	80% UCR
*Specialist	80% UCR
*Surgeons/Surgery Fees	80% UCR

Hospital Services

*Admission Deductible	None
*Inpatient Coinsurance	100%
*OutPatient Coinsurance	
Pre-Admission Testing	100%
Surgery	100%
All Other Medical Services	80%

Emergency Room

*Emergency Room Use	80%
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Mental Health

*Inpatient	
Mental/Nervous	100%
Alcoholism	100%
*Outpatient	
Mental/Nervous	80%
Alcoholism	80% annual maximum \$550

BENEFIT COVERAGE

BASIC PLAN

PLAN BENEFITS (CONT)

Preventive Care

- *Routine Physical Exams+ 80% Up to \$200 annual
- *Well Baby/Child Care 80% to age 9
- *Prostatic Specific Antigen (PSA) Testing 80%UCR;\$100 maximum per calendar year
- *Routine Pap Smears 80% UCR;maximum of one per calendar year
- *Routine Mammorgraphies 80% UCR;\$100 maximum per calendar year

Other Covered Expenses

- *Chiropractors & Physical Therapists 80% UCR
- *Experimental Benefit (Determined By Carrier) 80% Medical/100% hospital up to \$10,000 lifetime maximum
- *Acupuncturists 80% UCR in lieu of anesthesiologist
- *Private Duty Nurse, Durable Medical Equipment 80%
- *Ambulance 80%
- *Home Health Care 100% for 100 visits 80% for remaining plan year
- *Skilled Nursing Facility 100% for 365 days
- *Hospice Care Inpatient 100% up to 30 days Outpatient 80% up to \$7,500
- *Hearing Aids 80% maximum \$1,000 every 3 yrs

RX Drugs

Basic Plan Design for all Benefit Recipients and Covered Dependents (One method per prescription) (New Co-pay amounts effective 2-01-2001)

1. PAID Prescriptions Retail Pharmacy Program (Maximum of a 34 day supply or 100 units)
 - \$15.00 Co-pay Brand (when a generic is available)
 - \$10.00 Co-pay Brand (when a generic is not available)
 - \$ 5.00 Co-pay Generic
2. Paper Claim filed with PAID Prescriptions at 60% coverage
3. National Rx Mail Service (Maximum 120 day supply)
 - \$15.00 Co-pay Brand (when a generic is available)
 - \$10.00 Co-pay Brand (when a generic is not available)
 - \$ 2.00 Co-pay Generic

Additional Notes

- * Percentage benefits apply after deductible.
- * Co-pays do not count toward calendar year deductible or out-of-pocket limit.
- * Deductible does not apply to out-of-pocket limit.
- * Co-insurance paid at usual, customary & reasonable after deductible.
- + Not subject to calendar year deductible

Graded Exercise Testing/Physician Examination (Retiree's only) 1-800-462-3083 for appointment. The cost of this examination is covered by the annual health and wellness benefit every two years. Show medical ID card and they will file the claim for you.

COMBINING STATEMENTS OF PLAN NET ASSETS
HEALTH CARE
1996 - 2001

ATTACHMENT D

	2001	2000	1999	1998	1997	1996
ASSETS						
Cash and Short-Term Investments	\$4,534,084	\$12,290,858	\$5,456,392	\$4,522,378	\$5,071,726	\$5,736,778
Receivables						
Contributions	423,357	390,547	0	206,920	198,541	193,026
Employer	0	0	0	0	0	0
Employee	245,208	287,729	280,491	244,327	209,831	258,419
Accrued Investment Income	5,976	779	1,844	1,874	2,539	4,551
Tenant Rent Receivable						
TOTAL RECEIVABLES	674,541	679,055	282,335	453,121	410,911	455,996
Investments, at Fair Value						
Domestic Equity	41,598,598	34,507,863	34,162,999	45,132,138	43,787,330	36,530,082
Fixed Income	17,486,844	17,154,031	17,297,585	20,912,321	19,620,456	20,844,307
International Equity	8,306,207	14,964,311	26,239,638	9,810,420	14,510,824	10,006,692
Real Estate	12,173,481	10,561,036	11,628,281	8,850,270	5,283,387	3,619,116
Collateral on Loaned Securities	2,509,938	1,447,002	2,436,964	4,231,723	3,672,347	0
TOTAL INVESTMENTS	82,075,068	78,634,243	91,765,467	88,936,872	86,874,344	71,000,197
Prepaid Expense	6,729	2,660	3,729	5,002	2,947	4,778
Property and Equipment, Net	27,439	25,271	26,601	429,665	427,373	452,377
TOTAL ASSETS	87,317,861	91,632,087	97,534,524	94,347,038	92,787,301	77,650,126
LIABILITIES						
Accrued Health Care Benefits	881,217	676,166	972,010	407,267	222,297	267,319
Accounts Payable	166,718	99,553	139,055	76,066	105,714	64,872
Other Liabilities	5,339	6,890	6,493	5,229	4,678	5,781
Accrued Payroll and Withholdings	12,753	12,544	10,542	9,304	10,133	3,455
Obligations under Securities Lending	2,509,938	1,447,002	2,436,964	4,231,723	3,672,347	0
TOTAL LIABILITIES	3,575,965	2,242,155	3,565,064	4,729,589	4,015,169	341,427
NET ASSETS HELD IN TRUST FOR PENSION AND POSTEMPLOYMENT HEALTH CARE BENEFITS	\$83,741,896	\$89,389,932	\$93,969,460	\$89,617,449	\$88,772,132	\$77,308,699

COMBINING STATEMENTS OF CHANGES IN PLAN NET ASSETS
HEALTH CARE
1996 - 2001
ATTACHMENT E

	2001	2000	1999	1998	1997	1996
ADDITIONS						
Contributions:						
Employer	\$3,521,665	\$3,346,581	\$2,783,534	\$2,687,150	\$2,543,372	\$2,530,817
Employee	0	0	0	0	0	0
State of Ohio	0	4,554	4,346	4,961	5,409	5,676
Transfer from Other Systems	0	0	0	0	0	0
TOTAL CONTRIBUTIONS	3,521,665	3,351,135	2,787,880	2,692,111	2,548,781	2,536,493
Investment income:						
Net Appreciation in Fair Value of Investments	(4,816,062)	(4,781,860)	4,842,495	(1,353,684)	9,177,063	6,790,693
Interest Income	1,222,920	1,372,190	1,388,073	2,129,944	2,057,509	2,029,030
Dividend Income	982,192	434,862	869,194	734,498	654,227	522,623
Security Lending, Gross	4,660	6,336	8,036	13,841	7,168	158
Real Estate Operating Income, Net	46,893	63,234	109,630	110,247	101,737	101,887
	(2,559,397)	(2,905,238)	7,217,428	1,634,846	11,997,704	9,444,391
Less Investment Expense	340,786	209,742	338,538	238,374	461,018	0
NET INVESTMENT INCOME	(2,900,183)	(3,114,980)	6,878,890	1,396,472	11,536,686	9,444,391
TOTAL ADDITIONS	621,482	236,155	9,666,770	4,088,583	14,085,467	11,980,884
DEDUCTIONS						
Benefits Paid Directly to Participants	6,179,096	4,720,260	5,498,402	3,128,888	2,499,178	2,022,608
Refunds of Employee Contributions	0	0	0	0	0	0
Administrative Expenses	90,422	95,423	78,854	114,378	122,856	371,996
Transfers to Other Systems	0	0	0	0	0	0
TOTAL DEDUCTIONS	6,269,518	4,815,683	5,577,256	3,243,266	2,622,034	2,394,604
NET INCREASE	(5,648,036)	(4,579,528)	4,089,514	845,317	11,463,433	9,586,280
Prior Period Adjustment			262,497			
BALANCE, AT END OF YEAR	\$83,741,896	\$89,389,932	\$93,969,460	\$89,617,449	\$88,772,132	\$77,308,699

COMBINING STATEMENTS OF PLAN ASSETS, Health Care 01-96.xls

