

HEALTH CARE REPORT 2005
HIGHWAY PATROL RETIREMENT SYSTEM
R. A. CURTIS – EXECUTIVE DIRECTOR



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TO: Ohio Retirement Study Council
Ohio House Banking, Pensions & Securities Committee
Ohio Senate Health, Human Services and Aging Committee

FROM: Richard A. Curtis, Executive Director

RE: Reporting requirements under ORC Section 5505.12 (E)

DATE: For the year 2005

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 Sections 5505.28 (Medical benefits and Medicare B reimbursement) and 5505.33 (Long-term care).

"(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 medical and prescription drug coverage. The prescription drug coverage is included for those enrolled under the HPRS medical plan. The medical and prescription drug programs are self-funded by HPRS and premiums and plan designs are evaluated each year.

Annually the prescription drug plan design and claims are reviewed and the PBM (Pharmacy Benefit Manager) makes recommendations concerning co-pays, coverages and policies. The PBM also advises as to what brands will go off patent and become generic or over-the-counter. HPRS made no changes to the co-payments or the day supply limits for the year 2005. HPRS continues to work with PBM (Pharmacy Benefit Manager) to utilize their programs such as Smart and Traditional Prior Authorization and Rational Med to help with drug safety issues.

In 2003 and 2004, the Board implemented two policies. Those working retirees and covered spouses who have medical insurance available through their employer are required to enroll under their employer's medical insurance and HPRS would become secondary. Approximate half the new retirees have their primary insurance through their new employer and only about half cover a spouse.

The HPRS health care plan benefits include preferred provider organizations that 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 the 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 ages 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 upon proof of coverage. The basic premium increased from \$66.60 in 2004 to \$78.20 for 2005 with an average of 465 benefit recipients being reimbursed monthly. 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. Premiums and plan designs are evaluated and adjusted 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 initially offered to all HPRS retirees upon retirement without medical underwriting if enrollment takes place within 90 days of retirement. Retirees who have been retired more than 90 days, eligible dependents, or 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 insurer 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, 2005, there were 1,958 retirees and covered dependents enrolled under the HPRS medical plan. HPRS has 33 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, 2005, 689 dependents were enrolled under the HPRS medical 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 3.50%, 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 for approximately 15 years. 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.

§ 5505.28. Health insurance.

(A) The state highway patrol retirement board may enter into an agreement with insurance companies, health insuring corporations, 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) 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.A. 1395j, as amended, an amount established by board rule not exceeding the basic premium for such coverage.

(C) 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, Ohio police and fire pension fund, state teachers retirement system, or school employees retirement system.

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

HISTORY: RC § 5505.20.2, 135 v H 430 (Eff 11-20-73); 136 v H 269 (Eff 8-20-76); 139 v H 236 (Eff 2-2-82); 140 v H 631 (Eff 3-28-85); 142 v S 124 (Eff 10-1-87); RC § 5505.28, 142 v H 54 (Eff 10-20-87); 142 v H 708 (Eff 4-19-88); 144 v H 382 (Eff 6-30-91); 145 v S 306 (Eff 9-21-94); 146 v S 82 (Eff 3-7-97); 147 v S 67 (Eff 6-4-97); 147 v H 648 (Eff 9-16-98); 148 v H 222 (Eff 11-2-99); 149 v S 247. Eff 10-1-2002.

HPRS SUMMARY OF HEALTH CARE BENEFITS
 (Effective January 1, 2005)
 Non-Medicare Eligible

ATTACHMENT B

BENEFIT COVERAGE	OUT-OF-AREA BASIC PLAN	NETWORK BENEFITS	OUT-OF-NETWORK BENEFITS
MAJOR PLAN FEATURES			
Health Providers	Use any Provider	Use Network Provider	Use any Provider
Deductible (Per Plan Year)	\$100 per person	\$100 per person	\$1,000 per person
Out of Pocket (Per Plan Year)	\$ 750 Single \$1,500 Family	\$ 750 Single \$1,500 Family	\$5,000 Single \$10,000 Family
LifeTime Maximum	\$2,000,000	\$2,000,000	\$2,000,000
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 Primary Care	80% UCR	100% after \$15 Co-pay	60% UCR
Specialist Physician		\$25 Co-pay	
*Diagnostic x-ray/lab	80% UCR	80%	60% UCR
*Surgeon/Consultation	80% UCR	80%	60% UCR
*Specialist not Generally Available in Network	80% UCR	80%	80% UCR
*Surgeons/Surgery Fees	80% UCR	80%	60% UCR
*OB/Maternity Visits & Delivery	80% UCR	80%	60% UCR
Hospital Services			
*Admission Deductible	\$100	\$100	\$100 Co-pay
*Inpatient Coinsurance	100%	100%	60%
*OutPatient Coinsurance			
Pre-Admission Testing	100%	100%	60%
Surgery	100%	100%	60%
All Other Medical Services	80%	80%	60%
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
Mental Health			
*Inpatient			
Mental/Nervous	100%	100%	60%
Alcoholism	100%	100%	60%
*Outpatient			
Mental/Nervous	80%	80%	60%
Alcoholism	80% annual maximum \$550	80% annual maximum \$550	60% annual maximum \$550

BENEFIT COVERAGE	OUT-OF-AREA BASIC PLAN	NETWORK BENEFITS	OUT-OF-NETWORK BENEFITS
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	60% 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	60% 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	60% 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	60% UCR;\$100 maximum per calendar year
Other Covered Expenses			
*Chiropractors & Physical Therapists	80% UCR	80%	60% UCR
*Acupuncturists	80% UCR in lieu of anesthesiologist	80% in lieu of anesthesiologists	60% 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 maximum	60% medical/80% hospital; up to \$10,000 lifetime maximum
*Private Duty Nurse, Durable Medical Equipment	80%	80%	60% 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 60% 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	60% up to \$5,000
*Hearing Aids	80% maximum \$1,000 every 3 yrs	80% maximum \$1,000 every 3 yrs	60% 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 1-01-2005

1. Medco Retail Pharmacy Program (Maximum of a 34 day supply or 100 units)

(Mandatory mail after 2 scripts for same maintenance medications)

\$30.00 Co-pay (If not on the RX Selection Formulary)

\$10.00 Co-pay Brand (If on the RX Selection Formulary)

\$5.00 Co-pay Generic

2. Paper Claim filed with PAID Prescriptions at 60% coverage

3. Medco By Mail - Home Delivery (Maximum 90 day supply)

\$30.00 Co-pay (If not on the RX Selection Formulary)

\$10.00 Co-pay Brand (If on the RX Selection Formulary)

\$ 5.00 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 and spouse) 1-614-293-2800 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 ATTACHMENT C
EFFECTIVE January 1, 2005
 Medicare Eligible (A & B)
 (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	\$2,000,000
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

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 Mammographies	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 1-01-2002)

1. MedcoRetail Pharmacy Program (Maximum of a 34 day supply or 100 units)
(Mandatory mial after 2 scripts for same maintenance medications)
\$30.00 Co-pay (If not on the RX Selection Formulary)
\$10.00 Co-pay Brand (If on the RX Selection Formulary)
\$ 5.00 Co-pay Generic
2. Paper Claim filed with PAID Prescriptions at 60% coverage
3. Medco By Mail - Home Delivery (Maximum 90 day supply)
\$30.00 Co-pay Brand (If not on the RX Selection Formulary)
\$10.00 Co-pay Brand (If on the RX Selection Formulary)
\$ 5.00 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 and spouse) 1-614-293-2800 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 ATTACHMENT D
2000-2005

	2005	2004	2003	2002	2001	2000
ASSETS						
Cash and Short-Term Investments	\$1,210,221	\$1,541,368	\$1,846,137	\$1,860,161	\$4,534,084	\$12,290,858
Receivables						
Contributions	177,189	110,873	266,648	303,696	423,357	390,547
Employer	0	0	0	0	0	0
Employee	150,563	398,050	197,813	174,364	245,208	287,729
Accrued Investment Income	13,945	9,393	10,166	13,281	5,976	779
Tenant Rent Receivable						
TOTAL RECEIVABLES	341,697	518,316	474,627	491,341	674,541	679,055
Investments, at Fair Value						
Domestic Equity	56,782,876	53,103,188	47,005,444	34,657,036	41,598,598	34,507,863
Fixed Income	20,844,717	20,394,968	18,538,426	18,109,235	17,486,844	17,154,031
International Equity	16,248,753	14,414,449	12,733,103	8,189,885	8,306,207	14,964,311
Real Estate	5,258,005	7,551,209	9,176,171	11,518,800	12,173,481	10,561,036
Collateral on Loaned Securities	26,344,906	29,443,877	23,973,979	16,020,976	2,509,938	1,447,002
TOTAL INVESTMENTS	125,479,257	124,907,691	111,427,123	88,495,932	82,075,068	78,634,243
Prepaid Expense	0	821	9,698	6,239	6,729	2,660
Property and Equipment, Net	4,401	4,370	5,944	19,603	27,439	25,271
TOTAL ASSETS	127,035,576	126,972,566	113,763,529	90,873,276	87,317,861	91,632,087
LIABILITIES						
Accrued Health Care Benefits	1,266,148	698,681	823,684	914,094	881,217	676,166
Accounts Payable	174,257	166,077	183,494	168,062	166,718	99,553
Other Liabilities	6,659	6,694	10,064	7,331	5,339	6,890
Accrued Payroll and Withholdings	21,340	20,232	20,185	17,263	12,753	12,544
Obligations under Securities Lending	26,344,906	29,443,877	23,973,979	16,020,976	2,509,938	1,447,002
TOTAL LIABILITIES	27,813,310	30,335,561	25,011,406	17,127,726	3,575,965	2,242,155
NET ASSETS HELD IN TRUST FOR PENSION AND POSTEMPLOYMENT HEALTH CARE BENEFITS	\$99,222,266	\$96,637,005	\$88,752,123	\$73,745,550	\$83,741,896	\$89,389,932

COMBINING STATEMENTS OF CHANGES IN PLAN NET A
HEALTH CARE
2000-2005 ATTACHMENT E

	2005	2004	2003	2002	2001	2000
ADDITIONS						
Contributions:						
Employer	\$3,006,385	\$2,867,602	\$3,395,749	\$3,780,715	\$3,521,665	\$3,346,581
Employee	0	0	0	0	0	0
State of Ohio	0	0	0	0	0	4,554
Transfer from Other Systems	0	0	0	0	0	0
TOTAL CONTRIBUTIONS	3,006,385	2,867,602	3,395,749	3,780,715	3,521,665	3,351,135
Investment income:						
Net Appreciation in Fair Value of Investments	7,787,741	10,114,097	17,291,445	(8,604,560)	(4,816,062)	(4,781,860)
Interest & Dividend Income	1,611,890	2,376,002	1,931,465	2,196,103	2,205,112	1,807,052
Security Lending Income	39,716	27,477	27,466	10,692	4,660	6,336
Real Estate Operating Income, Net	26,223	27,296	32,981	55,095	46,893	63,234
	9,465,570	12,544,872	19,283,357	(6,342,670)	(2,559,397)	(2,905,238)
Less Investment Expense	467,500	492,911	397,635	330,713	340,786	209,742
NET INVESTMENT INCOME	8,998,070	12,051,961	18,885,722	(6,673,383)	(2,900,183)	(3,114,980)
TOTAL ADDITIONS	12,004,455	14,919,563	22,281,471	(2,892,668)	621,482	236,155
DEDUCTIONS						
Benefits Paid Directly to Participants	8,932,259	6,948,650	7,181,129	7,025,043	6,179,096	4,720,260
Refunds of Employee Contributions	0	0	0	0	0	0
Administrative Expenses	92,344	86,031	93,769	78,635	90,422	95,423
Transfers to Other Systems	0	0	0	0	0	0
TOTAL DEDUCTIONS	9,024,603	7,034,681	7,274,898	7,103,678	6,269,518	4,815,683
NET INCREASE	2,979,852	7,884,882	15,006,573	(9,996,346)	(5,648,036)	(4,579,528)
Prior Period Adjustment	(394,591)					262,497
BALANCE, AT END OF YEAR	\$99,222,266	\$96,637,005	\$88,752,123	\$73,745,550	\$83,741,896	\$89,389,932