Self-Insurance Estimating Conference
State Employees' Health Insurance Trust Fund
Last conference held: January 4, 2012

Executive Summary

The outlook for the State Employees' Health Insurance Trust Fund has been revised to take into account recent fund experience, including open enrollment. The outlook in the short run is slightly less optimistic due to these changes: for 2011-12 the projected ending balance has been reduced by $7.0 million from $234.1 million to $227.1 million, while for 2012-13 the projected ending balance has been reduced by $3.5 million from $110.2 million to $106.7 million. The outlook for subsequent years shows that expenses will exceed revenues by an amount that generates a negative cash flow of $301.0 million in 2013-14, $554.0 million in 2014-15, and $759.3 million in 2015-16.

Impacting all areas of the forecast are changes to the enrollment forecast, due to recent trends. Overall projected enrollment has been reduced substantially throughout the forecast period, due to recent significant reductions in enrollment among active employees and to the results of open enrollment. Enrollment for Medicare members and early retirees has also been reduced. Overall enrollment is projected to decline by 2.3% in 2011-12 over 2010-11, and by .4% in 2012-13, and then to level of with declines of less than .1% for the three remaining years of the forecast period. The decline is concentrated in HMO enrollment, with PPO enrollment actually projected to be slightly higher than in the previous forecast.

On the revenue side, the forecast for premiums is lower due to lower projected enrollment. In 2011-12, the premium reduction is offset somewhat by higher than previously projected amounts for PPO TPA refunds and PPO PBM rebates, but in general revenues are lower due to lower enrollment and lower fund balances.

On the expense side, PPO expenses are generally higher than in the previous forecast, due to higher projected enrollment, and for medical claims, higher recent experience than previously expected. However, HMO expenses are lower than in the previous forecast as a result of lower projected enrollment, and overall expenses are lower than in the October forecast. Also with regard to expenses, in 2011-12 the forecast incorporates a decrease in expected Early Retiree Reinsurance Program collections of $11.5 million from the previous forecast.

State Employees' Group Health Self-Insurance Trust Fund

Report on the Financial Outlook

For the Fiscal Years Ending June 30, 2012 through June 30, 2016

Presented January 4, 2012

Prepared by: Florida Department of Management Services
Division of State Group Insurance

EXECUTIVE SUMMARY

The Florida Division of State Group Insurance (the Division) has prepared a financial Outlook for the State Employees' Group Health Self-Insurance Trust Fund (the Trust Fund) for the fiscal years ending June 30, 2012 through June 30, 2016 to aid in the state's planning and budgeting in accordance with Section 216.136(9), *Florida Statutes.* The Division prepared the Outlook using cash basis methods and modeling based on the healthcare benefit and funding design currently in place.

The October 2011 Outlook reported and recognized the fiscal impact of the activities listed below:

1. Actual Fiscal Year 2010-11 enrollment and cash flow experience.
2. Fiscal Year 2011-12 monthly cash flow and enrollment movements through August and September 2011, respectively.
3. Contract with a new Pharmacy Benefits Manager (PBM) effective January 1, 2012.
4. New contracts with Health Maintenance Organization (HMO) vendors effective January 1, 2012.
    a. Impact of introduction of self-insured financing model to some HMO contracts.

This Outlook uses the October 2011 Outlook as the base. In addition to including the projections for Fiscal Year 2015-16, this Outlook reports and recognizes the fiscal impact of these activities:

1. Actual enrollment through December 2011.
2. Actual cash flow through October 2011.
3. Open Enrollment results for Plan Year 2012.

The cash position for the forecast period changed slightly; however, the Trust Fund is expected to remain solvent through Fiscal Year 2012-13. The projected ending cash balance for Fiscal Year 2011-12 decreased from $234.1 million to $227.1 million; the estimated operating surplus of $36.3 million changed to $29.3 million, down $7.0 million. The projected ending cash balance for Fiscal Year 2012-13 decreased from a surplus of $110.2 million to $106.7 million, down $3.5 million; the estimated operating deficit decreased from $123.9 million to $120.4 million, down $3.5 million.

With no changes to benefit attributes, covered services, premium rates, or other plan factors, the Trust Fund is projected to go from a cash surplus of $227.1 million in Fiscal Year 2011-12 to a projected ending cash deficit of $194.3 million in Fiscal Year 2013-14. Projected Fiscal Year 2013-14 revenues are estimated to fall short in meeting health plan costs by $301.0 million.

Following is a summary of the Outlook for fiscal years 2011-12 through 2015-16.

Financial Outlook

(Dollars in Millions)

	Projected				
	2011-12	2012-13	2013-14	2014-15[(1)]	2015-16[(1)]
Beginning Cash Balance	$ 197.8	$ 227.1	$ 106.7	$ 0.0	$ 0.0
Revenues	1,886.4	1,883.7	1,976.5	2,073.4	2,065.7
Expenses	1,857.1	2,004.1	2,277.5	2,627.4	2,825.0
Operating Gain/ (Loss)	$ 29.3	$ (120.4)	$ (301.0)	$ (554.0)	$ (759.3)
Ending Cash Balance	$ 227.1	$ 106.7	$ (194.3)	$ (554.0)	$ (759.3)

[(1)] Assumes no carry forward of negative cash balances from prior year.

Enrollment

Open Enrollment (OE) results for 2012 reflect a change in the migration trend from the PPO plans to the HMO plans experienced in last four years, where PPO plans enrollment decreased by an annual average of 1,495 contracts and HMO plans enrollment increased by an annual average of 3,022 contracts. Instead, OE results for 2012 reflect a slight increase in total employee enrollment in the PPO and HMO plans of 132 and 366 contracts, respectively. Furthermore, the number of employees electing to participate in the Program decreased from an annual average of 1,528 new contracts to 498 new contracts.

Lower than previously projected new OE subscribers and a decrease in the employee population from March through December 2011 has resulted in adjustments to enrollment projections for the forecast period. Total subscriber enrollment is projected to decrease at an annual average of 0.6 percent through the forecast period. The affected revenue and expense components of the Outlook have been adjusted accordingly to consider the decrease in enrollment beyond previous projections.

Fiscal Year 2011-12 total enrollment distribution is projected at 51.7 percent in the PPO plans and 48.3 percent in the HMO plans. However, employee enrollment is projected at 44.4 percent in the PPO plans and 55.6 percent in the HMO plans, during the same period.

Approximately 1,504 subscribers (1,423 active employees) are currently enrolled in a High Deductible Health Plan (0.87 percent of total enrollment). Approximately 929 of those active employees, or 65.3 percent, are participating in the integrated state-sponsored Health Savings Account offering.

Growth Trends

Projected growth in expenses during fiscal years 2012-13 through 2015-16 with relatively stable revenues upon implementation of the premium rate increase in July 2011 for August 2011 coverage will cause significant deterioration of the cash position in Fiscal Year 2013-14. Attention to the cash position is required to maintain sufficient cash balances for operations.

The declining employee membership trend, coupled with the increasing retiree membership trend continues to impact utilization patterns and costs for the state, as medical costs generally increase with age. The PPO plan's medical growth trend remained at 9.0 percent for the forecast period, consistent with previous assumptions. The HMO plan's medical cost trend for the forecast period is 9.0 percent. The assumed growth rates fall within the expected industry range of 5.4 percent to 11.7 percent.

The prescription drug market continues to provide opportunities to dispense generic drugs. However, the offering of new and more expensive biotech/specialty drugs counter balances the trend towards utilizing less expensive generic drugs. The main factors driving changes in prescription drug spending are: (1) membership demographics, (2) utilization, (3) price changes, and (4) changes in the types of drugs used.

With a projected higher retiree enrollment ratio and the state's current position as the primary payer of prescription drugs for Medicare retirees, prescription drug growth rate is expected to continue trending upwards. The overall PPO plans' cost trend has decreased from 9.2 percent to 8.9 percent for the forecast period. The HMO plans' prescription drug trend for the forecast period decreased from 8.9 percent to 8.6 percent. Decreases in the prescription drugs trends are mainly due to the reduction in enrollment and the inclusion of Fiscal Year 2015-16. The assumed growth rates fall within the expected industry range of 6.5 percent – 11.3 percent.

The weighted-average increase in premium rates for the two fully-insured HMO vendors has been established at 9.0 percent. The assumed growth rate is slightly lower than the expected industry range of 9.2 percent – 10.6 percent for traditional HMO offerings. For plan year 2012, all counties in Florida will have at least one HMO plan offering. The PPO standard and high deductible health plans remain available worldwide.

Following is a summary of the trends used in the previous projections and those used for the development of this Outlook.

	October 2011		January 2012	
	Trend	Industry Range	Trend	Industry Range
PPO Medical Claims	9.0%	5.4% - 11.7%	9.0%	5.4% - 11.7%
HMO Medical Claims	9.0%		9.0%	
PPO Prescription Drug Claims	9.2%	6.5% - 11.3%	8.9%	6.5% - 11.3%
HMO Prescription Drug Claims	8.9%		8.6%	
HMO Premium Payments	9.0%	9.2% - 10.6%	9.0%	9.2% - 10.6%

* Survey data for Calendar Years 2011 and 2012.

Federal Patient Protection and Affordable Care Act (PPACA)

The Patient Protection and Affordable Care Act (PPACA), enacted on March 23, 2010, as amended by the Health Care and Education Reconciliation Act (HCERA), creates a broad array of issues for employers' health benefit programs and the US health care system. New mandates and changes imposed by the law affect the design, cost, tax treatment, administration, reporting and disclosure of health benefit programs. Some new provisions went into effect in 2010, but many will not take effect for several years.

PPACA imposes new mandates or standards for individual and group health coverage. With a few exceptions, all insured and self-insured group health plans faced a first round of coverage and cost-sharing mandates for plan years beginning on or after March 23, 2010.

The Division retained Mercer to estimate the fiscal impact of PPACA to the trust fund. Estimates are being presented in the Outlook as a single line in the Revenue and Expense categories with supporting detail in appendices 1 and 2 of the Financial Outlook. To develop the estimates, Mercer used the assumptions and methodologies provided in their report dated February 25, 2011. The Division updated the projections to reflect revised PPACA guidelines regarding the "Patient-centered Outcomes Research Institutes Fees" and actual and revised projected collections of the "Early Retiree Medical Reinsurance" subsidy. Key assumptions for the development of the projections are listed below:

1. Non-grandfathered status for the State Employees' Group Health Insurance Program (the Program).
2. Baseline dollar figures from the Outlook dated December 9, 2010.
3. Annual increases in costs for medical and prescription drug claims and HMO premium payments are based on Mercer's assumptions, proprietary models and employer marketplace trends.
4. Approximately 770 enrollees will drop participation in the Program and enroll in Medicaid on January 1, 2014 as a result of the implementation of the "Medicaid Expansion and Migration into Exchange" reform.
5. Approximately 21,580 employees ((12,948 permanent employees and 8,632 OPS employees) (University OPS employees not included due to unavailability of data at the time of the report was produced)) will elect to participate in the Program on January 1, 2014 as a result of the implementation of the "Individual Mandate with Federal Subsidies" reform.
6. Increase in Insurance Premium contributions effective December 2013 for January 2014 coverage:
    i. Additional employer contributions estimated at $104.3 million and $211.72 million for Fiscal Years 2013-14 and 2014-15, respectively.
    ii. Additional employee contributions estimated at $5.31 million and $10.79 million for Fiscal Years 2013-14 and 2014-15, respectively.
    iii. Total estimated increase in insurance premium contributions of $109.61 million and $222.51 million for fiscal years 2013-14 and 2014-15, respectively.

The state must continually monitor and review PPACA over the next several years, particularly as some regulations are pending. This will ensure that the state fully understands the fiscal impact on the Trust Fund and can make decisions accordingly.

Exhibits

The exhibits that follow provide more in-depth information about the projections, estimated cash positions and comparisons to the previous Outlook.

Appendixes

Appendix 1 provides detailed information on the estimated fiscal impact to the forecast as a result of PPACA.
Appendix 2 provides summary information about PPACA reforms and their estimated fiscal impact to the forecast.

Exhibit I

Financial Outlook by Fiscal Year

Highlights of Changes to Forecast - Conference January 2012 Compared to October 2011

(In Millions)

	FY 2011-12			FY 2012-13			FY 2013-14			FY 2014-15		
	Oct '11	Jan '12	Diff.	Oct '11	Jan '12	Diff.	Oct '11	Jan '12	Diff.	Oct '11	Jan '12	Diff.
BEGINNING CASH BALANCE	$ 197.8	$ 197.8	$ 0.0	$ 234.1	$ 227.1	$ (7.0)	$ 110.2	$ 106.7	$ (3.5)	$ 0.0	$ 0.0	$ 0.0
REVENUES:												
Insurance Premiums	$ 1,829.7	$ 1,811.3	$ (18.4)	$ 1,832.6	$ 1,800.1	$ (32.5)	$ 1,835.9	$ 1,792.4	$ (43.5)	$ 1,839.9	$ 1,784.0	$ (55.9)
Investment Interest	4.6	4.2	(0.4)	4.4	3.3	(1.1)	0.4	0.0	(0.4)	-	-	-
PPO-TPA Refunds	7.2	10.6	3.4	7.2	7.2	-	7.2	7.2	-	7.2	7.2	-
PPO-PBM Rebates	22.1	23.0	0.9	27.5	27.5	-	24.9	24.9	-	20.2	21.7	1.5
HMO-PBM Rebates	-	-	-	8.1	7.0	(1.1)	8.8	7.5	(1.3)	9.9	8.2	(1.7)
Other Revenues	37.3	37.3	-	38.6	38.6	-	144.5	144.5	-	252.3	252.3	-
TOTAL REVENUES	$ 1,900.9	$ 1,886.4	$ (14.5)	$ 1,918.4	$ 1,883.7	$ (34.7)	$ 2,021.7	$ 1,976.5	$ (45.2)	$ 2,129.5	$ 2,073.4	$ (56.1)
TOTAL CASH AVAILABLE	$ 2,098.7	$ 2,084.2	$ (14.5)	$ 2,152.5	$ 2,110.8	$ (41.7)	$ 2,131.9	$ 2,083.2	$ (48.7)	$ 2,129.5	$ 2,073.4	$ (56.1)
EXPENSES:												
PPO Plan	$ 936.5	$ 940.6	$ 4.1	$ 984.7	$ 999.1	$ 14.4	$ 1,043.9	$ 1,069.7	$ 25.8	$ 1,108.6	$ 1,147.1	$ 38.5
HMO Plan	942.5	919.4	(23.1)	1033.2	980.6	(52.6)	1102.0	1028.4	(73.6)	1232.8	1133.3	(99.5)
Other Expenses	7.8	7.8	-	7.8	7.8	-	7.8	7.8	-	7.8	7.8	-
PPACA	(22.2)	(10.7)	11.5	16.6	16.6	-	171.6	171.6	-	339.2	339.2	-
TOTAL EXPENSES	$ 1,864.6	$ 1,857.1	$ (7.5)	$ 2,042.3	$ 2,004.1	$ (38.2)	$ 2,325.3	$ 2,277.5	$ (47.8)	$ 2,688.4	$ 2,627.4	$ (61.0)
EXCESS OF REV. OVER EXP.	$ 36.3	$ 29.3	$ (7.0)	$ (123.9)	$ (120.4)	$ 3.5	$ (303.6)	$ (301.0)	$ 2.6	$ (558.9)	$ (554.0)	$ 4.9
ENDING CASH BALANCE	**$ 234.1**	**$ 227.1**	**$ (7.0)**	**$ 110.2**	**$ 106.7**	**$ (3.5)**	**$ (193.4)**	**$ (194.3)**	**$ (0.9)**	**$ (558.9)**	**$ (554.0)**	**$ 4.9**
ADDITONAL INFORMATION												
Total Unreported Claims Liability	**$ 117.4**	**$ 115.2**	**$ (2.2)**	**$ 124.1**	**$ 120.6**	**$ (3.5)**	**$ 131.1**	**$ 126.5**	**$ (4.6)**	**$ 139.0**	**$ 132.8**	**$ (6.2)**

Revenue and Expense categories have been collapsed to present the highlights of changes to forecast.
Exhibits II through X present detail forecast information per fiscal year.

Highlights of Changes to Forecast

- Inclusion of actual enrollment through December 2011
- Inclusion of actual cash flow activity through October 2011
- Inclusion of Open Enrollment results for Plan Year 2012

Exhibit II

Financial Outlook by Fiscal Year [1] (In Millions)

		FY 2011-12 Estimate	FY 2012-13 Estimate	FY 2013-14 Estimate	FY 2014-15 Estimate	FY 2015-16 Estimate
BEGINNING CASH BALANCE		$ 197.8	$ 227.1	$ 106.7	$ 0.0 [2]	$ 0.0 [2]
REVENUES:						
Insurance Premiums:						
Employer		$ 1,431.4	$ 1,419.8	$ 1,410.8	$ 1,401.8	$ 1,392.7
Employee		165.3	163.9	163.0	162.0	161.1
HSA Contributions [3]		1.6	1.6	1.6	1.6	1.6
COBRA		6.2	6.2	6.2	6.2	6.2
Early Retiree		63.5	62.9	62.7	62.6	62.5
Medicare		143.3	145.7	148.1	149.8	153.2
Investment Interest		4.2	3.3	0.0	0.0	0.0
PPO-TPA Refunds		10.6	7.2	7.2	7.2	7.2
PPO-PBM Rebates [4]		23.0	27.5	24.9	21.7	20.2
HMO-PBM Rebates [5]		0.0	7.0	7.5	8.2	9.1
Pretax Trust Fund Transfer		18.0	18.0	18.0	18.0	18.0
PPO-Medicare Part D Subsidy		19.3	20.6	22.5	23.2	22.8
PPACA [6]		0.0	0.0	104.0	211.1	211.1
TOTAL REVENUES		$ 1,886.4	$ 1,883.7	$ 1,976.5	$ 2,073.4	$ 2,065.7
TOTAL CASH AVAILABLE		$ 2,084.2	$ 2,110.8	$ 2,083.2	$ 2,073.4	$ 2,065.7
EXPENSES:						
State PPO Plan: [7]						
Medical Claims		$ 631.5	$ 678.6	$ 730.0	$ 785.3	$ 844.7
ASO Fee		19.4	19.1	18.9	18.7	18.5
Prescription Drug Claims [4]		289.5	301.2	320.6	342.9	365.7
PBM Claims Administration		0.2	0.2	0.2	0.2	0.2
HMO Plan: [5][8]						
Premium Payments		626.3	266.6	288.0	317.7	350.3
Medical Claims		199.9	520.6	575.6	635.1	700.8
Risk Reserve [9]		22.3	42.1	N/A	N/A	N/A
ASO Fee		14.3	30.2	32.6	34.7	36.9
Prescription Drug Claims [4]		56.6	121.1	132.2	145.8	160.9
HSA Deposits [3]		1.6	1.6	1.6	1.6	1.6
Operating Costs & Admin Assessment		2.6	2.6	2.6	2.6	2.6
Premium Refunds		3.5	3.5	3.5	3.5	3.5
Other Expenses		0.1	0.1	0.1	0.1	0.1
PPACA [6]		(10.7)	16.6	171.6	339.2	339.2
TOTAL EXPENSES		$ 1,857.1	$ 2,004.1	$ 2,277.5	$ 2,627.4	$ 2,825.0
EXCESS OF REVENUES OVER EXPENSES		$ 29.3	$ (120.4)	$ (301.0)	$ (554.0)	$ (759.3)
ENDING CASH BALANCE		**$ 227.1**	**$ 106.7**	**$ (194.3)**	**$ (554.0)**	**$ (759.3)**
ADDITONAL INFORMATION						
Total Unreported Claims Liability [10]		$ 115.2	$ 120.6	$ 126.5	$ 132.8	$ 139.9
Average Enrollment by Plan [11]	PPO Standard	88,391	87,083	85,940	84,797	83,661
	PPO HIHP	1,067	1,111	1,111	1,111	1,111
	HMO Standard	83,197	83,805	84,850	85,904	86,960
	HMO HIHP	450	429	429	429	429
	Total	173,105	172,428	172,330	172,241	172,161
Average Enrollment by Coverage Type [11]	Active Standard	134,636	133,450	132,831	132,212	131,593
	Active HIHP	1,432	1,451	1,451	1,451	1,451
	COBRA	691	699	699	699	699
	Early Retiree	7,704	7,657	7,672	7,696	7,729
	Medicare	28,642	29,171	29,677	30,183	30,689
	Total	173,105	172,428	172,330	172,241	172,161

[1] Actual results may differ from projected values with increasing likelihood of variance in future periods.

[2] Assumes no carry forward of negative ending cash balance from prior year.

[3] Contributions approximate a split between employer and employee of 42% and 58%, respectively.

[4] Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

[5] Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

[6] Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

[7] PPO bank services are estimated at approximately $35,000 per year for the projected period, which rounds to $0.0M.

[8] Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0M.

[9] Established by Principals of the Revenue Estimating Conference for HMO medical and prescription drug claims. Calculated for Fiscal Years 2011-12 and 2012-13 at 7.25% and 6.5%, respectively, of total estimated HMO claim costs.

[10] Includes estimated PPO Plan and HMO Plan Incurred but not Reported (IBNR) claims and PPO Plan outstanding drafts.

[11] Excludes estimated impact to enrollment of certain PPACA reforms.

Exhibit III

Financial Outlook - Fiscal Year 2011-12 (In Millions)

		(A) Oct '11	(B) Jan '12	(B) - (A) Difference
BEGINNING CASH BALANCE		$ 197.8	$ 197.8	$ 0.0
REVENUES:				
Insurance Premiums:				
Employer		$ 1,447.5	$ 1,431.4	$ (16.1)
Employee		166.4	165.3	(1.1)
HSA Contributions [1]		1.6	1.6	0.0
COBRA		6.1	6.2	0.1
Early Retiree		64.7	63.5	(1.2)
Medicare		143.4	143.3	(0.1)
Investment Interest		4.6	4.2	(0.4)
PPO-TPA Refunds		7.2	10.6	3.4
PPO-PBM Rebates		22.1	23.0	0.9
HMO-PBM Rebates [2][3]		0.0	0.0	0.0
Pretax Trust Fund Transfer		18.0	18.0	0.0
PPO-Medicare Part D Subsidy		19.3	19.3	0.0
PPACA [4]		0.0	0.0	0.0
TOTAL REVENUES		$ 1,900.9	$ 1,886.4	$ (14.5)
TOTAL CASH AVAILABLE		$ 2,098.7	$ 2,084.2	$ (14.5)
EXPENSES:				
State PPO Plan: [5]				
Medical Claims		$ 628.1	$ 631.5	$ 3.4
ASO Fee		19.4	19.4	0.0
Prescription Drug Claims [3]		288.8	289.5	0.7
PBM Claims Administration [3]		0.2	0.2	0.0
HMO Plan: [2][6]				
Premium Payments		632.4	626.3	(6.1)
Medical Claims		207.7	199.9	(7.8)
Risk Reserve [7]		23.4	22.3	(1.1)
ASO Fee		16.6	14.3	(2.3)
Prescription Drug Claims [5]		62.4	56.6	(5.8)
HSA Deposits [1]		1.6	1.6	0.0
Operating Costs & Admin Assessment		2.6	2.6	0.0
Premium Refunds		3.5	3.5	0.0
Other Expenses		0.1	0.1	0.0
PPACA [4]		(22.2)	(10.7)	11.5
TOTAL EXPENSES		$ 1,864.6	$ 1,857.1	$ (7.5)
EXCESS OF REVENUES OVER EXPENSES		$ 36.3	$ 29.3	$ (7.0)
ENDING CASH BALANCE		**$ 234.1**	**$ 227.1**	**$ (7.0)**
ADDITONAL INFORMATION				
Total Unreported PPO Plan Claims Liability [8]		$ 64.5	$ 64.5	$ 0.0
Total Unreported HMO Plan Claims Liability [9]		52.9	50.7	(2.2)
Total Unreported Claims Liability		$ 117.4	$ 115.2	$ (2.2)
Average Enrollment by Plan	PPO Standard	88,233	88,391	158
	PPO HIHP	1,018	1,067	49
	HMO Standard	84,819	83,197	(1,622)
	HMO HIHP	470	450	(20)
	Total	174,540	173,105	(1,435)
Average Enrollment by Coverage Type	Active Standard	135,937	134,636	(1,301)
	Active HIHP	1,409	1,432	23
	COBRA	680	691	11
	Early Retiree	7,842	7,704	(138)
	Medicare	28,672	28,642	(30)
	Total	174,540	173,105	(1,435)

[1] Contributions approximate a split between employer and employee of 42% and 58%, respectively.

[2] Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

[3] Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

[4] Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

[5] PPO bank services are estimated at approximately $35,000 per year for the projected period, which rounds to $0.0M.

[6] Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0M.

[7] Established by Principals of the Revenue Estimating Conference for HMO medical and prescription drug claims. Calculated at 7.25% of total estimated HMO claim costs.

[8] Includes estimated PPO Incurred but not Reported (IBNR) claims of $58.3M and outstanding drafts of $6.2M.

[9] Includes estimated HMO IBNR medical claims of $49.1M and drug claims of $1.6M.

Exhibit IV
Financial Outlook - Fiscal Year 2012-13 (In Millions)

		(A) Oct '11	(B) Jan '12	(B) - (A) Difference
BEGINNING CASH BALANCE		$ 234.1	$ 227.1	$ (7.0)
REVENUES:				
Insurance Premiums:				
Employer		$ 1,447.7	$ 1,419.8	$ (27.9)
Employee		166.7	163.9	(2.8)
HSA Contributions [1]		1.6	1.6	0.0
COBRA		6.1	6.2	0.1
Early Retiree		64.5	62.9	(1.6)
Medicare		146.0	145.7	(0.3)
Investment Interest		4.4	3.3	(1.1)
PPO-TPA Refunds		7.2	7.2	0.0
PPO-PBM Rebates [2]		27.5	27.5	0.0
HMO-PBM Rebates [2][3]		8.1	7.0	(1.1)
Pretax Trust Fund Transfer		18.0	18.0	0.0
PPO-Medicare Part D Subsidy		20.6	20.6	0.0
PPACA [4]		0.0	0.0	0.0
TOTAL REVENUES		$ 1,918.4	$ 1,883.7	$ (34.7)
TOTAL CASH AVAILABLE		$ 2,152.5	$ 2,110.8	$ (41.7)
EXPENSES:				
State PPO Plan: [5]				
Medical Claims		$ 668.2	$ 678.6	$ 10.4
ASO Fee		18.9	19.1	0.2
Prescription Drug Claims [2]		297.4	301.2	3.8
PBM Claims Administration [2]		0.2	0.2	0.0
HMO Plan: [3][6]				
Premium Payments		276.6	266.6	(10.0)
Medical Claims		544.9	520.6	(24.3)
Risk Reserve [7]		44.6	42.1	(2.5)
ASO Fee		32.2	30.2	(2.0)
Prescription Drug Claims [2]		134.9	121.1	(13.8)
HSA Deposits [1]		1.6	1.6	0.0
Operating Costs & Admin Assessment		2.6	2.6	0.0
Premium Refunds		3.5	3.5	0.0
Other Expenses		0.1	0.1	0.0
PPACA [4]		16.6	16.6	0.0
TOTAL EXPENSES		$ 2,042.3	$ 2,004.1	$ (38.2)
EXCESS OF REVENUES OVER EXPENSES		$ (123.9)	$ (120.4)	$ 3.5
ENDING CASH BALANCE		**$ 110.2**	**$ 106.7**	**$ (3.5)**
ADDITONAL INFORMATION				
Total Unreported PPO Plan Claims Liability [8]		$ 64.5	$ 64.5	$ 0.0
Total Unreported HMO Plan Claims Liability [9]		59.6	56.1	(3.5)
Total Unreported Claims Liability		$ 124.1	$ 120.6	$ (3.5)
Average Enrollment by Plan	PPO Standard	86,099	87,083	984
	PPO HIHP	1,018	1,111	93
	HMO Standard	87,483	83,805	(3,678)
	HMO HIHP	470	429	(41)
	Total	175,070	172,428	(2,642)
Average Enrollment by Coverage Type	Active Standard	135,821	133,450	(2,371)
	Active HIHP	1,409	1,451	42
	COBRA	677	699	22
	Early Retiree	7,866	7,657	(209)
	Medicare	29,297	29,171	(126)
	Total	175,070	172,428	(2,642)

[1] Contributions approximate a split between employer and employee of 42% and 58%, respectively.

[2] Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

[3] Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

[4] Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

[5] PPO bank services are estimated at approximately $35,000 per year for the projected period, which rounds to $0.0M.

[6] Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0M.

[7] Established by Principals of the Revenue Estimating Conference for HMO medical and prescription drug claims. Calculated at 6.5% of total estimated HMO claim costs.

[8] Includes estimated PPO Incurred but not Reported (IBNR) claims of $58.3M and outstanding drafts of $6.2M.

[9] Includes estimated HMO IBNR medical claims of $54.4M and drug claims of $1.7M.

Exhibit V

Financial Outlook - Fiscal Year 2013-14 (In Millions)

		(A) Oct '11	(B) Jan '12	(B) - (A) Difference
BEGINNING CASH BALANCE		$ 110.2	$ 106.7	$ (3.5)
REVENUES:				
Insurance Premiums:				
Employer		$ 1,447.1	$ 1,410.8	$ (36.3)
Employee		166.9	163.0	(3.9)
HSA Contributions [1]		1.6	1.6	0.0
COBRA		6.1	6.2	0.1
Early Retiree		64.3	62.7	(1.6)
Medicare		149.9	148.1	(1.8)
Investment Interest		0.4	0.0	(0.4)
PPO-TPA Refunds		7.2	7.2	0.0
PPO-PBM Rebates [2]		24.9	24.9	0.0
HMO-PBM Rebates [2][3]		8.8	7.5	(1.3)
Pretax Trust Fund Transfer		18.0	18.0	0.0
PPO-Medicare Part D Subsidy		22.5	22.5	0.0
PPACA [4]		104.0	104.0	0.0
TOTAL REVENUES		$ 2,021.7	$ 1,976.5	$ (45.2)
TOTAL CASH AVAILABLE		$ 2,131.9	$ 2,083.2	$ (48.7)
EXPENSES:				
State PPO Plan: [5]				
Medical Claims		$ 711.7	$ 730.0	$ 18.3
ASO Fee		18.5	18.9	0.4
Prescription Drug Claims [2]		313.5	320.6	7.1
PBM Claims Administration [2]		0.2	0.2	0.0
HMO Plan: [3][6]				
Premium Payments		304.1	288.0	(16.1)
Medical Claims		612.2	575.6	(36.6)
ASO Fee		35.3	32.6	(2.7)
Prescription Drug Claims [2]		150.4	132.2	(18.2)
HSA Deposits [1]		1.6	1.6	0.0
Operating Costs & Admin Assessment		2.6	2.6	0.0
Premium Refunds		3.5	3.5	0.0
Other Expenses		0.1	0.1	0.0
PPACA [4]		171.6	171.6	0.0
TOTAL EXPENSES		$ 2,325.3	$ 2,277.5	$ (47.8)
EXCESS OF REVENUES OVER EXPENSES		$ (303.6)	$ (301.0)	$ 2.6
ENDING CASH BALANCE		**$ (193.4)**	**$ (194.3)**	**$ (0.9)**
ADDITONAL INFORMATION				
Total Unreported PPO Plan Claims Liability [7]		$ 64.5	$ 64.5	$ 0.0
Total Unreported HMO Plan Claims Liability [8]		66.6	62.0	(4.6)
Total Unreported Claims Liability		$ 131.1	$ 126.5	$ (4.6)
Average Enrollment by Plan [9]	PPO Standard	84,109	85,940	1,831
	PPO HIHP	1,018	1,111	93
	HMO Standard	90,096	84,850	(5,246)
	HMO HIHP	470	429	(41)
	Total	175,693	172,330	(3,363)
Average Enrollment by Coverage Type [9]	Active Standard	135,808	132,831	(2,977)
	Active HIHP	1,409	1,451	42
	COBRA	677	699	22
	Early Retiree	7,888	7,672	(216)
	Medicare	29,911	29,677	(234)
	Total	175,693	172,330	(3,363)

[1] Contributions approximate a split between employer and employee of 42% and 58%, respectively.

[2] Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

[3] Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

[4] Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

[5] PPO bank services are estimated at approximately $35,000 per year for the projected period, which rounds to $0.0M.

[6] Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0M.

[7] Includes estimated PPO Incurred but not Reported (IBNR) claims of $58.3M and outstanding drafts of $6.2M.

[8] Includes estimated HMO IBNR medical claims of $60.1M and drug claims of $1.9M.

[9] Excludes estimated impact to enrollment of certain PPACA reforms.

Exhibit VI
Financial Outlook - Fiscal Year 2014-15 (In Millions)

		(A) Oct '11	(B) Jan '12	(B) - (A) Difference
BEGINNING CASH BALANCE		$ 0.0 [1]	$ 0.0 [1]	$ 0.0
REVENUES:				
Insurance Premiums:				
Employer		$ 1,446.1	$ 1,401.8	$ (44.3)
Employee		167.1	162.0	(5.1)
HSA Contributions [2]		1.6	1.6	0.0
COBRA		6.1	6.2	0.1
Early Retiree		64.2	62.6	(1.6)
Medicare		154.8	149.8	(5.0)
Investment Interest		0.0	0.0	0.0
PPO-TPA Refunds [3]		7.2	7.2	0.0
PPO-PBM Rebates [3][4]		20.2	21.7	1.5
HMO-PBM Rebates		9.9	8.2	(1.7)
Pretax Trust Fund Transfer		18.0	18.0	0.0
PPO-Medicare Part D Subsidy		23.2	23.2	0.0
PPACA [5]		211.1	211.1	0.0
TOTAL REVENUES		$ 2,129.5	$ 2,073.4	$ (56.1)
TOTAL CASH AVAILABLE		$ 2,129.5	$ 2,073.4	$ (56.1)
EXPENSES:				
State PPO Plan: [6]				
Medical Claims		$ 758.0	$ 785.3	$ 27.3
ASO Fee		18.0	18.7	0.7
Prescription Drug Claims [3]		332.4	342.9	10.5
PBM Claims Administration [3]		0.2	0.2	0.0
HMO Plan: [4][7]				
Premium Payments		340.6	317.7	(22.9)
Medical Claims		684.7	635.1	(49.6)
ASO Fee		38.2	34.7	(3.5)
Prescription Drug Claims [3]		169.3	145.8	(23.5)
HSA Deposits [2]		1.6	1.6	0.0
Operating Costs & Admin Assessment		2.6	2.6	0.0
Premium Refunds		3.5	3.5	0.0
Other Expenses		0.1	0.1	0.0
PPACA [5]		339.2	339.2	0.0
TOTAL EXPENSES		$ 2,688.4	$ 2,627.4	$ (61.0)
EXCESS OF REVENUES OVER EXPENSES		$ (558.9)	$ (554.0)	$ 4.9
ENDING CASH BALANCE		**$ (558.9)**	**$ (554.0)**	**$ 4.9**
ADDITONAL INFORMATION				
Total Unreported PPO Plan Claims Liability [8]		$ 64.5	$ 64.5	$ 0.0
Total Unreported HMO Plan Claims Liability [9]		74.5	68.3	(6.2)
Total Unreported Claims Liability		$ 139.0	$ 132.8	$ (6.2)
Average Enrollment by Plan [10]	PPO Standard	82,157	84,797	2,640
	PPO HIHP	1,018	1,111	93
	HMO Standard	92,623	85,904	(6,719)
	HMO HIHP	470	429	(41)
	Total	176,268	172,241	(4,027)
Average Enrollment by Coverage Type [10]	Active Standard	135,745	132,212	(3,533)
	Active HIHP	1,409	1,451	42
	COBRA	677	699	22
	Early Retiree	7,912	7,696	(216)
	Medicare	30,525	30,183	(342)
	Total	176,268	172,241	(4,027)

[1] Assumes no carry forward of negative ending cash balance from prior year.

[2] Contributions approximate a split between employer and employee of 42% and 58%, respectively.

[3] Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

[4] Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

[5] Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

[6] PPO bank services are estimated at approximately $35,000 per year for the projected period, which rounds to $0.0M.

[7] Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0M.

[8] Includes estimated PPO Incurred but not Reported (IBNR) claims of $58.3M and outstanding drafts of $6.2M.

[9] Includes estimated HMO IBNR medical claims of $66.3M and drug claims of $2.0M.

[10] Excludes estimated impact to enrollment of certain PPACA reforms.

Exhibit VII

Comparison of Financial Outlooks

Fiscal Year 2011-12

(In Millions)

$ 234.1 Previous Ending Cash Balance Forecast [1]

(14.5) Decrease in Revenue Forecast

- (18.4) - Decrease in employer and enrollee Insurance Premiums due to lower projected enrollment from 174,540 to 173,105 and category shifts
- (0.4) - Decrease in Investment Interest due to a decrease in projected cash balance
- 3.4 - Increase in PPO-TPA Refunds due to higher projected nonrecurring activity
- 0.9 - Increase in PPO-PBM Rebates due to higher projected activity

(7.5) Decrease in Expense Forecast

4.1 Increase in State PPO Plan

- 3.4 - Increase in Medical Claims due to an increase in projected enrollment from 89,251 to 89,458 and category shifts
  - 1.5 - Increase due to higher projected enrollment through June 2012
  - 1.9 - Increase due to higher projected claims experience
- 0.7 - Increase in Prescription Drug Claims due to an increase in projected enrollment

(23.1) Decrease in HMO Plan

- (6.1) - Decrease in Premium Payments due to a decrease in projected enrollment from 85,289 to 83,647 and category shifts
- (7.8) - Decrease in Medical Claims due to a decrease in projected enrollment
- (1.1) - Decrease in Risk Reserve due to a decrease in projected enrollment
- (2.3) - Decrease in ASO Fee due to a decrease in projected enrollment
- (5.8) - Decrease in Prescription Drug Claims due to a decrease in projected enrollment

11.5 Increase in PPACA due to a decrease in expected Early Retiree Reinsurance Program collections

$ 227.1 Ending Cash Balance

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[1] Revenue Estimating Conference held in October 2011.

Exhibit VIII

Comparison of Financial Outlooks

Fiscal Year 2012-13

(In Millions)

$ 110.2 Previous Ending Cash Balance Forecast [1]

(7.0) Decrease in Beginning Cash Balance Forecast

(34.7) Decrease in Revenue Forecast

- (32.5) - Decrease in employer and enrollee Insurance Premiums due to lower projected enrollment from 175,070 to 172,428 and category shifts
- (1.1) - Decrease in Investment Interest due to a decrease in projected cash balance
- (1.1) - Decrease in HMO-PBM Rebates due to a decrease in projected enrollment

(38.2) Decrease in Expense Forecast

14.4 Increase in State PPO Plan

- 10.4 - Increase in Medical Claims due to an increase in projected enrollment from 87,117 to 88,194 and category shifts
  - 8.3 - Increase due to higher projected enrollment
  - 2.1 - Increase due to higher base for FY 2011-12
- 0.2 - Increase in ASO Fee due to an increase in projected enrollment
- 3.8 - Increase in Prescription Drug Claims due to an increase in projected enrollment

(52.6) Decrease in HMO Plan

- (10.0) - Decrease in Premium Payments due to a decrease in projected enrollment from 87,953 to 84,234 and category shifts
- (24.3) - Decrease in Medical Claims due to a decrease in projected enrollment
- (2.5) - Decrease in Risk Reserve due to a decrease in projected enrollment
- (2.0) - Decrease in ASO Fee due to a decrease in projected enrollment
- (13.8) - Decrease in Prescription Drug Claims due to a decrease in projected enrollment

$ 106.7 Ending Cash Balance

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[1] Revenue Estimating Conference held in October 2011.

Exhibit IX
Comparison of Financial Outlooks
Fiscal Year 2013-14
(In Millions)

$ (193.4)	**Previous Ending Cash Balance Forecast [1]**
(3.5)	Decrease in Beginning Cash Balance Forecast
(45.2)	Decrease in Revenue Forecast
(43.5)	- Decrease in employer and enrollee Insurance Premiums due to lower projected enrollment from 175,693 to 172,330 and category shifts
(0.4)	- Decrease in Investment Interest due to a decrease in projected cash balance
(1.3)	- Decrease in HMO-PBM Rebates due to a decrease in projected enrollment
(47.8)	Decrease in Expense Forecast
25.8	Increase in State PPO Plan
18.3	- Increase in Medical Claims due to an increase in projected enrollment from 85,127 to 87,051 and category shifts
16.1	- Increase due to higher projected enrollment
2.3	- Increase due to higher base for FY 2011-12
0.4	- Increase in ASO Fee due to an increase in projected enrollment
7.1	- Increase in Prescription Drug Claims due to an increase in projected enrollment
(73.6)	Decrease in HMO Plan
(16.1)	- Decrease in Payments due to a decrease in projected enrollment from 90,566 to 85,279 and category shifts
(36.6)	- Decrease in Medical Claims due to a decrease in projected enrollment
(2.7)	- Decrease in ASO Fee due to a decrease in projected enrollment
(18.2)	- Decrease in Prescription Drug Claims due to a decrease in projected enrollment
(194.3)	**Ending Cash Balance**

[1] Revenue Estimating Conference held in October 2011.

Exhibit X
Comparison of Financial Outlooks
Fiscal Year 2014-15
(In Millions)

$ (558.9)	**Previous Ending Cash Balance Forecast [1]**
(56.1)	Decrease in Revenue Forecast
(55.9)	- Decrease in employer and enrollee Insurance Premiums due to lower projected enrollment from 176,268 to 172,241 and category shifts
1.5	- Increase in PPO-PBM Rebates due to an increase in projected enrollment
(1.7)	- Decrease in HMO-PBM Rebates due to a decrease in projected enrollment
(61.0)	Decrease in Expense Forecast
38.5	Increase in State PPO Plan
27.3	- Increase in Medical Claims due to an increase in projected enrollment from 83,175 to 85,908 and category shifts
24.9	- Increase due to higher projected enrollment
2.4	- Increase due to higher base for FY 2011-12
0.7	- Increase in ASO Fee due to an increase in projected enrollment
10.5	- Increase in Prescription Drug Claims due to an increase in projected enrollment
(99.5)	Decrease in HMO Plan
(22.9)	- Decrease in Payments due to a decrease in projected enrollment from 93,093 to 86,333 and category shifts
(49.6)	- Decrease in Medical Claims due to a decrease in projected enrollment
(3.5)	- Decrease in HMO Plan ASO Fee due to a decrease in projected enrollment
(23.5)	- Decrease in HMO Plan Prescription Drug Claims due to a decrease in projected enrollment
(554.0)	**Ending Cash Balance**

[1] Revenue Estimating Conference held in October 2011.

Exhibit XI

Premium Rate Table

Effective July 2011 for August 2011 Coverage

(Premium rate change ONLY for employer contribution of "Spouse Program")

Subscriber Category / Contribution Cycle		Coverage Type	PPO/HMO Standard			PPO/HMO HIHP		
			Employer	Enrollee	Total	Employer [8]	Enrollee	Total
Career Service	Monthly Full -Time Employees [1]	Single	499.80	50.00	549.80	499.80	15.00	514.80
		Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
		Spouse	1,213.36	30.00	1,243.36	1,097.64	30.00	1,127.64
	Bi-Weekly Full -Time Employees [1]	Single	249.90	25.00	274.90	249.90	7.50	257.40
		Family	531.67	90.00	621.67	531.67	32.15	563.82
		Spouse	606.68	15.00	621.68	548.82	15.00	563.82
"Payalls"	Monthly Full -Time Employees [1,2]	Single	541.46	8.34	549.80	506.46	8.34	514.80
		Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64
	Bi-Weekly Full -Time Employees [1,2]	Single	270.73	4.17	274.90	253.23	4.17	257.40
		Family	606.67	15.00	621.67	548.82	15.00	563.82
COBRA	Monthly [3]	Single	0.00	560.80	560.80	0.00	482.60	482.60
		Family	0.00	1,268.21	1,268.21	0.00	1,065.20	1,065.20
Early Retirees	Monthly	Single	0.00	549.80	549.80	0.00	473.12	473.12
		Family	0.00	1,243.34	1,243.34	0.00	1,044.32	1,044.32
Medicare	Monthly [4]	(I) One Eligible [5]	0.00	305.82	305.82	0.00	230.52	230.52
		(II) One Under/Over [6]	0.00	881.80	881.80	0.00	722.16	722.16
		(III) Both Eligible [7]	0.00	611.64	611.64	0.00	461.04	461.04
Overage Dependents		Single	0.00	549.80	549.80	0.00	473.14	473.14

Notes:

(1) Premium contribution for Part-Time Employees is to be calculated as follows:
Step 1. State Contribution x FTE% = Calculated State Contribution
Step 2. Total Contribution - Calculated State Contribution = Employee Contribution

(2) "Payalls" - Includes executive, legislative, and judicial branch agencies for employees with enhanced benefits, excluding Spouse Program participants.

(3) Includes an additional 2% for administrative costs as permitted by federal regulations.

(4) The actual premium rate for Medicare participants enrolled in an HMO plan may differ from what is presented.

(5) Single coverage for participant eligible for Medicare Parts A and B.

(6) Family coverage for two or more participants, if at least one participant is eligible for Medicare Parts A and B.

(7) Family coverage for two participants and both are eligible for Medicare Parts A and B.

(8) The employer monthly HSA contribution of $41.66/single ($500 annually) and $83.33/family ($1,000 annually) is included in the listed employer rates.

Exhibit XII

Abbreviations / Description of Terms

Accrual Basis	…….	Accounting method in which transactions are recorded when the order is made, the item is delivered, or the services occur, regardless of when the money is actually received or paid. Income is recorded when the sale occurs, and expenses are recorded when goods or services are received.
ASO	…….	Administrative Services Only
Cash Basis	…….	Accounting method in which income is not recorded until cash, check or electronic payment is actually received, and expenses are not recorded until they are actually paid.
Carve-Out	…….	Health insurance benefits that are separated from a contract and paid and administered under a different vendor/arrangement.
COBRA	…….	Consolidated Omnibus Budget Reconciliation Act
DSGI	…….	Division of State Group Insurance
FTE	…….	Full Time Equivalency
FY	…….	Fiscal Year (July 1 through June 30)
HIHP	…….	Health Investor Health Plan (i.e., High Deductible Health Plan)
HMO	…….	Health Maintenance Organization
HSA	…….	Health Savings Account
IBNR	…….	Incurred but not Reported Claims – The IBNR claims liability reflect the estimated total amount owed by the trust fund for valid medical claims incurred by self-insured plan members but not yet reported/submitted by providers to the state's TPA.
Fully-Insured Plan	…….	A plan where the employer contracts with another organization to assume financial responsibility for the enrollees' medical claims and for all incurred administrative costs.
Medicare Advantage Prescription Drug (MAPD) Plan	…….	A type of Medicare health plan offered by a private company that contracts with Medicare to provide beneficiaries with all Medicare Part A (hospital coverage), Part B (doctors' services, outpatient care, home health services, some preventive services, and other medical services) and Part D (prescription drugs) benefits. MAPDs include Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for-Service Plans, Special Needs Plans, and Medicare Medical Savings Account Plans.
Medicare Part D Subsidy	…….	A federal program passed as part of the Medicare Modernization Act (MMA) in 2003 to subsidize the costs of prescription drugs for Medicare beneficiaries in the United States. By being the primary payer for Medicare eligible subscribers drug claims, the state receives 28 percent of covered charges (net of rebates) between $310 and $6,300 for each Medicare-eligible participant.
Outstanding Drafts	…….	Represent drafts (checks) that have been issued by the PPO plan TPA but have not been presented to the bank account for payment.
N/A	…….	Not applicable.
PBM	…….	Pharmacy Benefits Manager
PPACA	…….	Patient Protection and Affordable Care Act signed into law on March 23, 2010, known as the Federal Health Care Reform
PPO	…….	Preferred Provider Organization
Self-Insured Plan	…….	A plan offered by employers who directly assume the major cost of health insurance for their employees. Some self-insured employers contract with insurance carriers or third party administrators for claims processing and other administrative services; other self-insured plans are self-administered. All types of plans (Conventional Indemnity, Preferred Provider Organizations, Exclusive Provider Organizations, Health Maintenance Organizations, Point of Service, and Physician Hospital Organizations) can be financed on a self-insured basis. Employers may offer both self-insured and fully insured plans to their employees.
TPA	…….	Third Party Administrator

State Employees' Group Health Self-Insurance Trust Fund — **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2011-12 July-December Medical	Drugs	HMO	Total	January-June Medical	Drugs	HMO	Total	FY 2011-12 Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	-
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	-	-	-	-	-	-	-	(25.66)	**(25.66)**
		Net	-	-	-	-	-	-	-	25.66	**25.66**
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	1.38	0.12	-	1.50	1.43	0.13	-	1.56	**3.06**
		Net	(1.38)	(0.12)	-	(1.50)	(1.43)	(0.13)	-	(1.56)	**(3.06)**
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	0.28	0.09	0.45	0.82	0.30	0.10	0.48	0.88	**1.70**
		Net	(0.28)	(0.09)	(0.45)	(0.82)	(0.30)	(0.10)	(0.48)	(0.88)	**(1.70)**
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):		R	-	-	-	-	-	-	-	-	-
Pharmaceutical industry fees	Jan 2011	E	-	-	-	-	-	-	-	-	-
2.3% excise tax on medical devices	Jan 2013	**Net**	-	-	-	-	-	-	-	-	-
Health Insurance Industry fees	Jan 2014										
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	-
		E	1.80	0.46	2.69	4.95	1.87	0.48	2.91	5.26	**10.21**
		Net	(1.80)	(0.46)	(2.69)	(4.95)	(1.87)	(0.48)	(2.91)	(5.26)	**(10.21)**
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
12. Individual Mandate with federal subsidies	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
TOTAL		R	-	-	-	-	-	-	-	-	-
		E	**3.46**	**0.67**	**3.14**	**7.27**	**3.60**	**0.71**	**3.39**	**(17.96)**	**(10.69)**
		Net	**(3.46)**	**(0.67)**	**(3.14)**	**(7.27)**	**(3.60)**	**(0.71)**	**(3.39)**	**17.96**	**10.69**

Notes:

(1) Assumes non-grandfathered status of plans.

(2) Based on available information and legislative guidance as of February 1, 2011.

(3) "Net" is defined as Revenue less Expense.

(4) FY 2013-14 - The negative expense of $7.08M associated with Item #11, Medicaid Expansion, from January 2014 to June 2014, assumes that there will be a $5.62M loss of revenue due to employees exiting the plan ($4.81M in employer contributions plus $0.81M in employee contributions) for the illustrated level of decreased enrollment in the plan, resulting in savings of $1.46M due to medical and pharmacy inflation.

FY 2014-15 - The negative expense of $14.73M associated with Item #11 for Fiscal Year 2014-15, assumes that there will be a $11.41M loss of revenue due to employees exiting the plan ($9.75M in employer contributions plus $1.66M in employee contributions), resulting in savings of $3.32M.

(5) FY 2013-14 - The expense of $138.08M associated with Item #12, the Individual Mandate, from January 2014 to June 2014, assumes that increased trust fund revenues will be available to offset the current level of costs ($104.30M in employer contributions plus $5.31M in employee contributions) for the illustrated level of increased enrollment in the plan, with the deficit of $28.47M due to medical and pharmacy inflation.

FY 2014-15 - The expense of $287.21M associated with Item #12 for Fiscal Year 2014-15, assumes that increased trust fund revenues will be available to offset the current level of costs ($211.72M in employer contributions plus $10.79M in employee contributions), resulting in a deficit of $64.70M.

(6) Total estimated collections of ERRP from July 2011 through June 2012, will be subject to availability of program funds.

(7) Report prepared by Mercer Consultants on February 25, 2011, modified by the Division to reflect: a change in the assumed collection amount and timing of FY 2011-2012 ERRP subsidies; exclusion of FY 2010-11 from report; and, adjustment of institute fees (Item #5) to reflect most recent information available from the Internal Revenue Service.

PPACA Guidelines as of February 1, 2011; January 2012 Estimating Conference

State Employees' Group Health Self-Insurance Trust Fund — **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2012-13 July-December Medical	Drugs	HMO	Total	January-June Medical	Drugs	HMO	Total	FY 2012-13 Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	-
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	1.49	0.13	-	1.62	1.54	0.15	-	1.69	**3.31**
		Net	(1.49)	(0.13)	-	(1.62)	(1.54)	(0.15)	-	(1.69)	**(3.31)**
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	0.30	0.11	0.48	0.89	0.32	0.10	0.53	0.95	**1.84**
		Net	(0.30)	(0.11)	(0.48)	(0.89)	(0.32)	(0.10)	(0.53)	(0.95)	**(1.84)**
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	0.18	-	0.20	0.38	**0.38**
		Net	-	-	-	-	(0.18)	-	(0.20)	(0.38)	**(0.38)**
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):		R	-	-	-	-	-	-	-	-	-
Pharmaceutical industry fees	Jan 2011	E	-	-	-	-	-	-	-	-	-
2.3% excise tax on medical devices	Jan 2013	**Net**	-	-	-	-	-	-	-	-	-
Health Insurance Industry fees	Jan 2014										
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	-
		E	1.94	0.50	2.90	5.34	2.01	0.52	3.15	5.68	**11.02**
		Net	(1.94)	(0.50)	(2.90)	(5.34)	(2.01)	(0.52)	(3.15)	(5.68)	**(11.02)**
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
12. Individual Mandate with federal subsidies	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
TOTAL		R	-	-	-	-	-	-	-	-	-
		E	**3.73**	**0.74**	**3.38**	**7.85**	**4.05**	**0.77**	**3.88**	**8.70**	**16.55**
		Net	**(3.73)**	**(0.74)**	**(3.38)**	**(7.85)**	**(4.05)**	**(0.77)**	**(3.88)**	**(8.70)**	**(16.55)**

Notes:

(1) Assumes non-grandfathered status of plans.

(2) Based on available information and legislative guidance as of February 1, 2011.

(3) "Net" is defined as Revenue less Expense.

(4) FY 2013-14 - The negative expense of $7.08M associated with Item #11, Medicaid Expansion, from January 2014 to June 2014, assumes that there will be a $5.62M loss of revenue due to employees exiting the plan ($4.81M in employer contributions plus $0.81M in employee contributions) for the illustrated level of decreased enrollment in the plan, resulting in savings of $1.46M due to medical and pharmacy inflation.

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(5) FY 2013-14 - The expense of $138.08M associated with Item #12, the Individual Mandate, from January 2014 to June 2014, assumes that increased trust fund revenues will be available to offset the current level of costs ($104.30M in employer contributions plus $5.31M in employee contributions) for the illustrated level of increased enrollment in the plan, with the deficit of $28.47M due to medical and pharmacy inflation.

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PPACA Guidelines as of February 1, 2011; January 2012 Estimating Conference

State Employees' Group Health Self-Insurance Trust Fund — **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2013-14 July-December Medical	Drugs	HMO	Total	January-June Medical	Drugs	HMO	Total	FY 2013-14 Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	**-**
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	**-**
		E	1.61	0.14	-	1.75	1.68	0.14	-	1.82	**3.57**
		Net	(1.61)	(0.14)	-	(1.75)	(1.68)	(0.14)	-	(1.82)	**(3.57)**
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	0.33	0.11	0.52	0.96	0.34	0.11	0.57	1.02	**1.98**
		Net	(0.33)	(0.11)	(0.52)	(0.96)	(0.34)	(0.11)	(0.57)	(1.02)	**(1.98)**
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	0.34	-	0.41	0.75	**0.75**
		Net	-	-	-	-	(0.34)	-	(0.41)	(0.75)	**(0.75)**
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):											
Pharmaceutical industry fees	Jan 2011	R	-	-	-	-	-	-	-	-	**-**
2.3% excise tax on medical devices	Jan 2013	E	-	-	-	-	7.25	1.87	11.29	20.41	**20.41**
Health Insurance Industry fees	Jan 2014	**Net**	-	-	-	-	(7.25)	(1.87)	(11.29)	(20.41)	**(20.41)**
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	**-**
		E	2.09	0.54	3.14	5.77	2.09	0.64	3.40	6.13	**11.90**
		Net	(2.09)	(0.54)	(3.14)	(5.77)	(2.09)	(0.64)	(3.40)	(6.13)	**(11.90)**
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	0.69	0.21	1.13	2.03	**2.03**
		Net	-	-	-	-	(0.69)	(0.21)	(1.13)	(2.03)	**(2.03)**
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	-	-	-	-	(1.98)	(0.60)	(3.04)	(5.62)	**(5.62)**
		E	-	-	-	-	(2.50)	(0.75)	(3.83)	(7.08)	**(7.08)**
		Net	-	-	-	-	0.52	0.15	0.79	1.46	**1.46**
12. Individual Mandate with federal subsidies	Jan 2014	R	-	-	-	-	38.61	11.54	59.46	109.61	**109.61**
		E	-	-	-	-	48.64	14.53	74.91	138.08	**138.08**
		Net	-	-	-	-	(10.03)	(2.99)	(15.45)	(28.47)	**(28.47)**
TOTAL		R	-	-	-	-	**36.63**	**10.94**	**56.42**	**103.99**	**103.99**
		E	**4.03**	**0.79**	**3.66**	**8.48**	**58.53**	**16.75**	**87.88**	**163.16**	**171.64**
		Net	**(4.03)**	**(0.79)**	**(3.66)**	**(8.48)**	**(21.90)**	**(5.81)**	**(31.46)**	**(59.17)**	**(67.65)**

Notes:

(1) Assumes non-grandfathered status of plans.

(2) Based on available information and legislative guidance as of February 1, 2011.

(3) "Net" is defined as Revenue less Expense.

(4) FY 2013-14 - The negative expense of $7.08M associated with Item #11, Medicaid Expansion, from January 2014 to June 2014, assumes that there will be a $5.62M loss of revenue due to employees exiting the plan ($4.81M in employer contributions plus $0.81M in employee contributions) for the illustrated level of decreased enrollment in the plan, resulting in savings of $1.46M due to medical and pharmacy inflation.

FY 2014-15 - The negative expense of $14.73M associated with Item #11 for Fiscal Year 2014-15, assumes that there will be a $11.41M loss of revenue due to employees exiting the plan ($9.75M in employer contributions plus $1.66M in employee contributions), resulting in savings of $3.32M.

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FY 2014-15 - The expense of $287.21M associated with Item #12 for Fiscal Year 2014-15, assumes that increased trust fund revenues will be available to offset the current level of costs ($211.72M in employer contributions plus $10.79M in employee contributions), resulting in a deficit of $64.70M.

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PPACA Guidelines as of February 1, 2011; January 2012 Estimating Conference

State Employees' Group Health Self-Insurance Trust Fund — **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2014-15 July-December Medical	July-December Drugs	July-December HMO	July-December Total	January-June 0 Medical	January-June 0 Drugs	January-June 0 HMO	January-June 0 Total	FY 2014-15 Total	FY 2011-12 through FY 2014-15 Grand Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	**-**	**-**
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	-	-	-	-	-	-	-	-	**-**	**(25.66)**
		Net	-	-	-	-	-	-	-	-	**-**	**25.66**
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	**-**	**-**
		E	1.74	0.15	-	1.89	1.81	0.16	-	1.97	**3.86**	**13.80**
		Net	(1.74)	(0.15)	-	(1.89)	(1.81)	(0.16)	-	(1.97)	**(3.86)**	**(13.80)**
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	**-**	**-**
		E	-	-	-	-	-	-	-	-	**-**	**-**
		Net	-	-	-	-	-	-	-	-	**-**	**-**
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-	**-**
		E	0.35	0.12	0.57	1.04	0.37	0.12	0.60	1.09	**2.13**	**7.65**
		Net	(0.35)	(0.12)	(0.57)	(1.04)	(0.37)	(0.12)	(0.60)	(1.09)	**(2.13)**	**(7.65)**
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	**-**	**-**
		E	-	-	-	-	0.33	-	0.42	0.75	**0.75**	**1.88**
		Net	-	-	-	-	(0.33)	-	(0.42)	(0.75)	**(0.75)**	**(1.88)**
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):												
Pharmaceutical industry fees	Jan 2011	R	-	-	-	-	-	-	-	-	**-**	**-**
2.3% excise tax on medical devices	Jan 2013	E	7.38	1.90	11.49	20.77	7.83	2.02	12.20	22.05	**42.82**	**63.23**
Health Insurance Industry fees	Jan 2014	**Net**	(7.38)	(1.90)	(11.49)	(20.77)	(7.83)	(2.02)	(12.20)	(22.05)	**(42.82)**	**(63.23)**
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	**-**	**-**
		E	2.22	0.59	3.42	6.23	2.36	0.63	3.64	6.63	**12.86**	**45.99**
		Net	(2.22)	(0.59)	(3.42)	(6.23)	(2.36)	(0.63)	(3.64)	(6.63)	**(12.86)**	**(45.99)**
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	**-**	**-**
		E	0.71	0.22	1.16	2.09	0.75	0.23	1.23	2.21	**4.30**	**6.33**
		Net	(0.71)	(0.22)	(1.16)	(2.09)	(0.75)	(0.23)	(1.23)	(2.21)	**(4.30)**	**(6.33)**
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	**-**	**-**
		E	-	-	-	-	-	-	-	-	**-**	**-**
		Net	-	-	-	-	-	-	-	-	**-**	**-**
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	**-**	**-**
		E	-	-	-	-	-	-	-	-	**-**	**-**
		Net	-	-	-	-	-	-	-	-	**-**	**-**
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	(1.98)	(0.60)	(3.04)	(5.62)	(2.04)	(0.62)	(3.13)	(5.79)	**(11.41)**	**(17.03)**
		E	(2.50)	(0.75)	(3.83)	(7.08)	(2.70)	(0.81)	(4.14)	(7.65)	**(14.73)**	**(21.81)**
		Net	0.52	0.15	0.79	1.46	0.66	0.19	1.01	1.86	**3.32**	**4.78**
12. Individual Mandate with federal subsidies	Jan 2014	R	38.61	11.54	59.46	109.61	39.77	11.89	61.24	112.90	**222.51**	**332.12**
		E	48.64	14.53	74.91	138.08	52.54	15.69	80.90	149.13	**287.21**	**425.29**
		Net	(10.03)	(2.99)	(15.45)	(28.47)	(12.77)	(3.80)	(19.66)	(36.23)	**(64.70)**	**(93.17)**
TOTAL		R	**36.63**	**10.94**	**56.42**	**103.99**	**37.73**	**11.27**	**58.11**	**107.11**	**211.10**	**315.09**
		E	**58.54**	**16.76**	**87.72**	**163.02**	**63.29**	**18.04**	**94.85**	**176.18**	**339.20**	**516.70**
		Net	**(21.91)**	**(5.82)**	**(31.30)**	**(59.03)**	**(25.56)**	**(6.77)**	**(36.74)**	**(69.07)**	**(128.10)**	**(201.61)**

Notes:

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State Employees' Group Health Self-Insurance Trust Fund
Patient Protection and Affordable Care Act (PPACA)
Summary of Reforms and Estimated Fiscal Impact to the Trust Fund
(Mercer Report Dated February 25, 2011 Used as Base for Fiscal Impact Updated By the Division of State Group Insurance for January 2012 Conference)

OVERVIEW

The recently enacted Patient Protection and Affordable Care Act (PPACA), as amended by the Health Care and Education Reconciliation Act (HCERA), creates a broad array of issues for employers' health benefit programs and the US health care system. New mandates and changes imposed by the law affect the design, cost, tax treatment, administration, reporting and disclosure of health benefit programs. Some new provisions go into effect this year; many will not take effect for several years.

PPACA imposes new mandates or standards for individual and group health coverage. With a few exceptions, all insured and self-insured group health plans will face a first round of coverage and cost-sharing mandates for plan years beginning on or after six months after March 23, 2010.

SUMMARY OF REFORMS WITH TOTAL FISCAL IMPACT FOR THE STATE EMPLOYEES' HEALTH INSURANCE PROGRAM (PROGRAM), FY 10-11 THROUGH FY 14-15

1. Early Retiree Reinsurance Program (ERRP) – Interim Final Regulations Effective on June 1, 2010

- **Effective June 2010**
- Total estimated fiscal impact for the Program – Reduction of expenses in the amount of **$25.66 million**. (Estimated fiscal impact modified by Division of State Group Insurance to reflect FY 11-12 collections and limited expected availability of funds through 2012.)

Provides reimbursement to participating employment-based plans for a portion of the cost of health benefits for early retirees and their spouses, surviving spouses and dependents.

- 80% Reimbursement for certain claims between $15,000 and $90,000 (with those amounts being indexed for plan years starting on or after October 1, 2011).
- Claims must be for participants ages 55-64 who are not Medicare eligible.
- Payments must be used to lower plan costs (i.e. offsetting future premium increases for all members).

2. No lifetime dollar maximum

- **Effective January 1, 2011**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$13.80 million**.

Plans cannot impose any lifetime dollar limits on benefits.

- Plans may place lifetime limits per beneficiary on specific covered benefits other than "essential health benefits," if the limits are otherwise permitted by federal or state law.

- **Essential health benefits** include items and services in the below listed categories:
  - ambulatory patient services; emergency services; hospital, maternity and newborn care; mental health and substance use disorders, including behavioral health treatment; prescription drugs; rehabilitative services and devices; laboratory services; preventive and wellness services; chronic disease management; and pediatric services, including oral and vision care.

3. Restricted annual dollar limits

- **Effective January 1, 2011**
- **No** estimated fiscal impact to Trust Fund

All insured and self-insured group health plans will face new rules on annual dollar limits. For plan years until 2014, "restricted" annual dollar limits may apply to "essential health benefits" (discussed above).

- The maximum annual dollar limit that may be imposed on essential health benefits until 2014 are:
  - $750,000 for the plan year beginning on or after September 23, 2010 but before September 23, 2011.
  - $1,250,000 for the plan year beginning on or after September 23, 2011 but before September 23, 2012.
  - $2,000,000 for the plan year beginning on or after September 23, 2012 but before January 1, 2014. (No annual dollar limits permitted for plan years on or after January 1, 2014.)
- Plans may impose annual per-beneficiary limits on non-essential benefits.

4. Elimination of preexisting condition for subscribers or dependents under 19 – Interim Final Regulations Issued on June 28, 2010

- **Effective January 1, 2011**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$7.65 million**.

Before 2014, insured and self-insured plans cannot impose preexisting condition exclusions for subscribers and dependents under age 19.

- Until 2014, employers may continue to adopt or retain preexisting condition exclusions for participants ages 19 and older.
- A general ban is effective for all members for plan years starting in 2014. See #8 below.

5. Patient-centered outcome research institute fees

- **Effective October 1, 2012 (Federal Fiscal Year)**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$1.88 million**.

- State of Florida Employees' Group Health Insurance Program - Beginning December 2012, $1 per participant in 1st year.

- $2 in subsequent years, from 2013 thru 2019 (sunset after 2019).

6. Other pass-through fees included

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$62.23 million**.

Fees include pharmaceutical industry fees; 2.3% excise tax on medical devices and health insurance industry fees.

7. Extension of coverage for all adult children until age 26 – Interim Final Regulations Issued on July 12, 2010

- **Effective January 1, 2011**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$45.99 million**.

Applies to fully-insured and self-insured group health plans providing dependent coverage.

- Coverage available until the child's 26th birthday.
- The mandate applies regardless of the typical criteria for dependent status under the tax law, such as whether the adult child resides with the covered employee or is the employee's tax dependent, a full- or part-time student, or married or unmarried.
- Plans may extend coverage beyond the child's 26th birthday – for example, until the end of the plan year in which the child turns 26. However, plans will not have to extend coverage to an adult child's dependents.
- No special-enrollment period required; eligible dependents need not be enrolled until the plan's next open enrollment.

8. Eliminate all preexisting condition limitations – Interim Final Regulations Issued on July 30, 2010

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$6.33 million**.

Preexisting condition limitation exclusion applies to all plan participants regardless of age as of January 1, 2014. See #4 above.

9. Free-choice vouchers (FCVs)

- **Effective January 1, 2014**
- **No** estimated fiscal impact to Trust Fund.

Employers must offer vouchers to employees with household incomes at or below 400% of the Federal Poverty Level (FPL) if their contribution for employer-sponsored coverage would be 8% to 9.8% of household income. (Note: The highest EE premium share is standard family, $180/month; SOF would not give an FCV unless the person's household income is below $27,000).

- Voucher amount is equal to highest (percentage) employer contribution to any of its own plans (HIHP ER premium; coverage level depends on the level the member is enrolling in single/family).
- Vouchers provided for purchasing exchange-based coverage; employees can keep any excess amounts.
- Who receives vouchers? Employees who opt out of employer-sponsored coverage, have household income below 400% FPL, and would need to spend 8% or more of household income to participate in the employer plan.
- FCVs are designed to help employees buy coverage on the exchange and to shield employers from mandated penalties ($3,000 per person if no FCV).

10. Shared responsibility "free rider surcharge'

- **Effective January 1, 2014**
- **No** estimated fiscal impact to Trust Fund.

Individuals who fail to maintain coverage will face a penalty (lesser of these amounts):

- National average premium for the year, or the greater of
- 1% AGI or $95 in 2014; 2% AGI or $325 in 2015; 2.5% AGI or $695 in 2016; indexed thereafter.

11. Medicaid expansion and migration to Exchange

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Net savings in the amount of **$4.78 million**.

Medicaid expanded to up to 133% of Federal Poverty Level (FPL), effective 2014 when the State-exchanges come online.

12. Individual mandate with federal subsidies

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Net cost in the amount of **$93.17 million**.

- Subsidies available to anyone on an exchange plan with household income 133-400% FPL (person cannot be Medicaid eligible).
- Income level must be verifiable for the two years prior to the current calendar year of coverage (example, eligibility for affordability assistance for 2016 is based on household income for 2014).
- Assistance in the form of premium credits will be provided for exchange-participants on a sliding scale based on household income. Premium credits will be paid directly to the insurer; individuals will be required to pay insurers any remaining premium amount.
- Employer penalties = $3,000 per year for each employee enrolled in the exchange and receiving subsidy.