

Self-Insurance Estimating Conference
State Employees' Group Health Self-Insurance Trust Fund
Executive Summary
August 5, 2020

The Outlook for the State Employees' Group Health Self-Insurance Trust Fund has been revised to reflect actual enrollment and cash flows through June 2020; revised growth factors for Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) pharmacy claims; revised growth factors for PPO and HMO medical claims for FY 2020-21; inclusion of new employer insurance premium contribution rates effective December 2020 for January 2021; revised projections for the Shared Savings program; inclusion of the reestablished Patient-Centered Outcomes Research Institute (PCORI) Fee. The fund is now expected to remain solvent through FY 2022-23, with increases in the ending cash balance for FY 2019-20 through FY 2024-25 when compared to the January 2020 Outlook. This is a substantial improvement from the last forecast where the Trust Fund was only expected to be solvent through FY 2020-21.

After the COVID-19 Public Health Emergency was declared on March 9, 2020, by Executive Order number 20-52, the Division noticed a reduction in medical claims expense and an increase in prescription drug expense in the 4th quarter of FY 2019-20. The reduction in medical claims is assumed to be a result of fewer doctor visits and elective procedures during the initial stages of the pandemic, while the increase in prescription drugs cost is attributed to members refilling prescriptions for longer periods due to stay at home orders and exposure concerns. Currently, there is insufficient data available to determine long-term patterns of utilization due to COVID-19. As a result, this forecast incorporates growth rate projections which are higher than the prior forecast to account for a possible increase in medical utilization later in FY 2020-21 as members seek medical services they delayed due to COVID-19. Additionally, cost assumptions for possible COVID-19 vaccines have not been incorporated at this time due to the uncertainty of the vaccine rollout, who will pay for the vaccine (federal, state or private pay), or what the member cost-share will be. The new forecast also does not consider the effects of the Chief Financial Officer's Directive 2020-05 relating to workers compensation claims due to COVID-19 for "Frontline State Employees," as the impact of claims to date has been minimal, according to the Department of Financial Services, Division of Workers Compensation. The Division of State Group Insurance will continue to track COVID-19 related impacts and will incorporate them as sufficient and material data becomes available.

For FY 2019-20, the ending cash balance increased from \$504.1 million to \$649.3 million. The difference was due to both higher than expected revenues and lower than expected expenses. For FY 2020-21, the ending cash balance increased from \$311.4 million to \$712.2 million; for FY 2021-22, the ending cash balance increased from negative \$103.2 million to positive \$657.8 million; and for FY 2022-23, the ending cash balance increased from negative \$653.4 million to positive \$400.2 million. The forecast for subsequent years shows that expenses are expected to exceed revenues by amounts that generate negative cash balances of \$82.0 million in FY 2023-24 and \$763.9 million in FY 2024-25. The escalating negatives occur even though the Conference assumes that each year's deficit is cleared prior to the beginning of the next year.

A December 2018 analysis of the Trust Fund's medical claims trend over the past five fiscal years relative to other national medical trend rates revealed that the Trust Fund's medical claims trends have closely mirrored the trends reported by CMS for the same time periods. As a result, in each subsequent forecast, the Estimating Conference principals decided to use a blend of medical trend

rates, with forecasted medical trend rates from CMS’s National Health Expenditure Report combined with the more traditional Conference approach, for the Trust Fund’s medical claims projections. The Conference adopted a higher growth rate for FY 2020-21, but no change was made in this forecast to the previously adopted medical trends starting in FY 2021-22.

A complete Executive Summary outlining all of the changes since the January 2020 Conference can be found at the beginning of the *Report on Financial Outlook* used as the conference packet. The following table shows the **major** net changes between the August 2020 and January 2020 forecasts.

Financial Outlook for FY 2019-20 and 2020-21
Changes to Conference Forecast – January 2020 Compared to August 2020
(In Millions)

	FY 2019-20			FY 2020-21		
	20-Jan	20-Aug	Difference	20-Jan	20-Aug	Difference
Beginning Cash Balance	\$554.9	\$554.9	\$0.00	\$504.1	\$649.3	\$145.3
Total Revenues	\$2,740.7	\$2,793.7	\$53.0	\$2,740.4	\$2,881.6	\$141.2
Total Expenses	\$2,737.3	\$2,645.1	(\$92.2)	\$2,933.1	\$2,818.7	(\$114.4)
Ending Cash Balance	\$504.1	\$649.3	\$145.3	\$311.4	\$712.2	\$400.9

Slight differences in results due to rounding.