



THE FLORIDA LEGISLATURE

OFFICE OF ECONOMIC AND DEMOGRAPHIC RESEARCH

Edward Montanaro, Coordinator



MEMORANDUM

TO: Interested Parties

FROM: Pam Johnson *PJ*  
Economic and Demographic Research

DATE: July 7, 2000

SUBJECT: State Employees' Health Insurance Trust Fund, Post-Session Outlook

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Attached for your information are materials outlining the outlook for the State Employees' Health Insurance Trust Fund, adjusted for 2000 session impacts. The trust fund ending balance is expected to be \$109.9 million for 2000-01 and \$49.2 million for 2001-02. The attached materials outline the legislated changes, as well as their impacts.

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STATE OF FLORIDA  
DIVISION OF STATE GROUP INSURANCE


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BARBARA L. GONZALES, DIRECTOR

MEMORANDUM

**TO:** Interested Parties

**FROM:**  Jeff Dykes, Chief  
Bureau of Accounting & Financial Management

**SUBJECT:** "Post-Session" Outlook –  
State Employees' Group Health Self-Insurance Trust Fund

**DATE:** July 5, 2000

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Attached is the "Post-Session" outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2000, 2001 & 2002. The "Post-Session" outlook updates the "Pre-Session" outlook resulting from the Consensus Estimating Conference held in February. Please note that the "Post-Session" outlook has been prepared, in part, for presentation to the principles and participants associated with the economic forecasting process.

The purpose of the "Post-Session" outlook is to reflect the estimated fiscal impact that legislative actions have on specific revenue and expense items, as well as the estimated effect to the overall financial position of the Trust Fund. Therefore, the "Pre-Session" outlook has been updated to reflect the following actions.

- Estimated savings in annual prescription drug payments in the State Employees' PPO Plan. The savings are primarily attributable to increases in co-payments for certain brand name drugs resulting from the implementation of a preferred brand name drug list and increases in the mail order co-payments equal to 150% of the retail co-payments effective January 1, 2001. [Conference Report on House Bill 2145 (Fiscal Year 2000-01 General Appropriations Act)]. The savings are estimated to be \$7.3 million for fiscal year 2000-01 and \$18.1 million for fiscal year 2001-02.

Following is a table comparing the current and new PPO Plan pharmacy co-payments.

	Retail		Mail Order	
	From	To	From	To
Generic	\$7.00	\$7.00	\$7.00	\$10.50
Brand – Preferred	\$20.00	\$20.00	\$20.00	\$30.00
Brand – Non-Preferred	N/A	\$35.00	N/A	\$52.50

- An estimated increase of \$300,000 annually in medical claim payments in the State Employees' PPO Plan for enhanced coverage associated with newborn hearing screening effective July 1, 2000 (House Bill 399 - Newborn Hearing Screening).

The preceding updates have been made without change or alteration to previous enrollment, utilization and payment assumptions.

The estimated cumulative effect of the legislative actions increase the Trust Fund's cash position by \$7.0 million during fiscal year 2000-01, thus providing for a structural balance between revenues and expenses. The ending cash balance is increased from \$102.9 million to \$109.9 million. The estimated cumulative effect of the legislative actions further increase the Trust Fund's cash position by \$18.4 million for fiscal year 2001-02, decreasing the margin of expenses over revenues from \$79.1 million to \$60.7 million. As noticed, a structural imbalance continues to occur between revenues and expenses for the fiscal year. The accumulated ending cash balance is increased from \$23.8 million to \$49.2 million.

Please be advised that the results of our analyses to arrive at the estimated fiscal impact of legislative actions are highly sensitive to the assumptions used for the "Pre-Session" outlook. Cash positions could differ from the results presented to the extent that actual experience varies from that which was assumed. Nevertheless, we believe that the results of our analyses, and the related "Post-Session" outlook, reasonably present the Trust Fund's financial outlook through the forecasted period.

Attachments

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

**Financial Outlook <sup>(1)</sup>**

Fiscal Year 1999-00

(In Millions)

	(A) Estimating Conference Outlook <u>February '00</u>	(B) Post-Session Outlook <u>July '00</u>	(B) - (A)  Difference
<b>BEGINNING CASH BALANCE <sup>(2)</sup></b>	\$ 86.0	\$ 86.0	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
State Contributions	521.9	521.9	0.0
Employee Contributions	112.2	112.2	0.0
Medicare Contributions	36.1	36.1	0.0
Early Retiree Contributions	18.9	18.9	0.0
COBRA Contributions	4.5	4.5	0.0
Interest on Investments	3.5	3.5	0.0
TPA Refunds/Rebates	7.0	7.0	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.2	0.2	0.0
<b>TOTAL REVENUES</b>	\$ 715.3	\$ 715.3	\$ 0.0
<b>TOTAL CASH AVAILABLE</b>	801.3	801.3	0.0
<b>EXPENSES:</b>			
Medical Claims - BCBSF	\$ 285.1	\$ 285.1	\$ 0.0
Prescription Drug Claims	98.6	98.6	0.0
HMO Premiums	270.6	270.6	0.0
ASO Fee - BCBSF	28.5	28.5	0.0
ASO Fee - EHS	0.1	0.1	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.8	0.8	0.0
<b>TOTAL EXPENSES</b>	\$ 691.8	\$ 691.8	\$ 0.0
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 23.5	\$ 23.5	\$ 0.0
<b>ENDING CASH BALANCE <sup>(2)</sup></b>	\$ 109.5	\$ 109.5	\$ 0.0
<u>Projected Average Eligible Enrollment</u>			
PPO Plan	96,273	96,273	0
HMO Plans	66,498	66,498	0
Total	162,771	162,771	0

**Notes:**

(1) Up-dated (7-00) to reflect 2000 legislative actions.

(2) Excludes Certificate of Deposit (\$3.5 million) and cash balances (\$4.5 million) maintained in bank accounts.

Financial Outlook <sup>(1)</sup>

Fiscal Year 2000-01

(In Millions)

	(A) Estimating Conference Outlook <u>February '00</u>	(B) Post-Session Outlook <u>July '00</u>	(B) - (A) Difference
<b>BEGINNING CASH BALANCE <sup>(2)</sup></b>	\$ 109.5	\$ 109.5	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
State Contributions	549.3	549.3	0.0
Employee Contributions	117.9	117.9	0.0
Medicare Contributions	40.5	40.5	0.0
Early Retiree Contributions	20.0	20.0	0.0
COBRA Contributions	4.5	4.5	0.0
Interest on Investments	4.3	4.3	0.0
TPA Refunds/Rebates	7.4	7.4	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.0	0.0
<b>TOTAL REVENUES</b>	<b>\$ 754.9</b>	<b>\$ 754.9</b>	<b>\$ 0.0</b>
<b>TOTAL CASH AVAILABLE</b>	<b>864.4</b>	<b>864.4</b>	<b>(0.0)</b>
<b>EXPENSES:</b>			
Medical Claims - BCBSF <sup>(3)</sup>	\$ 306.1	\$ 306.4	\$ 0.3
Prescription Drug Claims <sup>(4)</sup>	123.0	115.7	(7.3)
HMO Premiums <sup>(5)</sup>	292.9	292.9	0.0
ASO Fee - BCBSF	30.5	30.5	0.0
ASO Fee - PBM	0.1	0.1	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.8	0.8	0.0
<b>TOTAL EXPENSES</b>	<b>\$ 761.5</b>	<b>\$ 754.5</b>	<b>\$ (7.0)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (6.6)</b>	<b>\$ 0.4</b>	<b>\$ 7.0</b>
<b>ENDING CASH BALANCE <sup>(2)</sup></b>	<b>\$ 102.9</b>	<b>\$ 109.9</b>	<b>\$ 7.0</b>
<u>Projected Average Eligible Enrollment</u>			
PPO Plan	99,702	99,702	0
HMO Plans	65,038	65,038	0
Total	164,740	164,740	0

**Notes:**

- (1) Up-dated (7-00) to reflect 2000 legislative actions.
- (2) Excludes Certificate of Deposit (\$3.5 million) and cash balances (\$4.5 million) maintained in bank accounts.
- (3) Includes estimated fiscal impact resulting from House Bill 399 (enhanced coverage for newborn hearing screening) effective July 1, 2000.
- (4) Includes estimated savings due to increases in co-payments for certain brand name drugs resulting from the implementation of a preferred brand name drug list and increases in the mail order co-payments equal to 150% of retail co-payments effective January 1, 2001.
- (5) Continues to include an estimated 9.6% increase in overall HMO premiums effective January 2001.

Financial Outlook <sup>(1)</sup>

Fiscal Year 2001-02

(In Millions)

	(A) Estimating Conference Outlook <u>February '00</u>	(B) Post-Session Outlook <u>July '00</u>	(B) - (A) Difference
<b>BEGINNING CASH BALANCE <sup>(2)</sup></b>	\$ 102.9	\$ 109.9	\$ 7.0
<b>REVENUES:</b>			
Insurance Premiums:			
State Contributions	554.2	554.2	0.0
Employee Contributions	119.0	119.0	0.0
Medicare Contributions	43.0	43.0	0.0
Early Retiree Contributions	20.0	20.0	0.0
COBRA Contributions	4.2	4.2	0.0
Interest on Investments	2.7	3.3	0.6
TPA Refunds/Rebates	7.4	7.4	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.0	0.0
<b>TOTAL REVENUES</b>	<b>\$ 761.5</b>	<b>\$ 762.1</b>	<b>\$ 0.6</b>
<b>TOTAL CASH AVAILABLE</b>	<b>864.4</b>	<b>872.0</b>	<b>7.6</b>
<b>EXPENSES:</b>			
Medical Claims - BCBSF <sup>(3)</sup>	\$ 323.9	\$ 324.2	\$ 0.3
Prescription Drug Claims <sup>(4)</sup>	154.7	136.6	(18.1)
HMO Premiums <sup>(5)</sup>	320.8	320.8	0.0
ASO Fee - TPA	32.1	32.1	0.0
ASO Fee - PBM	0.2	0.2	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.8	0.8	0.0
<b>TOTAL EXPENSES</b>	<b>\$ 840.6</b>	<b>\$ 822.8</b>	<b>\$ (17.8)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (79.1)</b>	<b>\$ (60.7)</b>	<b>\$ 18.4</b>
<b>ENDING CASH BALANCE <sup>(2)</sup></b>	<b>\$ 23.8</b>	<b>\$ 49.2</b>	<b>\$ 25.4</b>
<u>Projected Average Eligible Enrollment</u>			
PPO Plan	101,722	101,722	0
HMO Plans	65,091	65,091	0
Total	166,813	166,813	0

**Notes:**

- (1) Up-dated (7-00) to reflect 2000 legislative actions.
- (2) Excludes Certificate of Deposit (\$3.5 million) and cash balances (\$4.5 million) maintained in bank accounts.
- (3) Includes estimated fiscal impact resulting from House Bill 399 (enhanced coverage for newborn hearing screening) effective July 1, 2000.
- (4) Includes estimated savings due to increases in co-payments for certain brand name drugs resulting from the implementation of a preferred brand name drug list and increases in the mail order co-payments equal to 150% of retail co-payments effective January 1, 2001.
- (5) Continues to include an estimated 9.6% increase in overall HMO premiums effective January 2002.