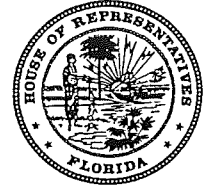




THE FLORIDA LEGISLATURE


OFFICE OF ECONOMIC AND DEMOGRAPHIC RESEARCH

Edward Montanaro, Coordinator



MEMORANDUM

TO: Interested Parties

FROM: Pam Johnson 
Economic and Demographic Research

DATE: October 23, 2000

SUBJECT: State Employee's Health Insurance Trust Fund conference, 10/23/00

Attached for your information are tables and text outlining the results of the State Employees' Health Insurance Trust Fund conference held on 10/23/00. The conference is projecting that the trust fund will have an ending balance of \$93.2 million for fiscal year 2000-01, and a deficit of \$14.9 million at the end of 2001-02. More importantly, the 2001-02 end of year deficit results from an operating loss of \$108.1 million, which is 14.7% of total premiums. It is also important to note that the department feels it necessary to maintain monthly cash balances above \$45.0 million in order to ensure timely payments of routine program obligations. This would suggest a need to increase the revenues (or reduce expenditures) of the trust fund by at least \$59.9 million (the cash deficit of \$14.9 million plus the necessary cash balance of \$45.0 million) by the end of 2001-02.

DR PAM JOHNSON
ECONOMIC AND DEMOGRAPHIC RESEARCH
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**State Employees' Group
Health Self-Insurance
Trust Fund**

**Report on the Financial Outlook
For the Fiscal Years Ending June 30, 2001 & 2002**

October 23, 2000

**Prepared by: Department of Management Services
Division of State Group Insurance
Bureau of Accounting & Financial Management**

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EXECUTIVE SUMMARY

Provided is the current financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2001 & 2002. We have also included a comparison of cash position estimates to actual experience for fiscal year 1999-00. In accordance with Sec. 216.136(11), *Florida Statutes*, this report has been prepared for presentation to the principals and participants associated with the Self-Insurance Estimating Conference. The entire report should be read for a comprehensive understanding of the underlying assumptions, methodologies and information used to support our projections and comments. Furthermore, please note that risk has been shared equally across all enrollment risk pools in projecting expenses for the individual health plans.

Outcome of Fiscal Year 1999-00

The Trust Fund expended \$700.3 million during fiscal year 1999-00 for the State Employees' Preferred Provider Organization (PPO) Plan's medical and prescription drug claim payments, Health Maintenance Organization (HMO) premium payments, and administrative costs. The Trust Fund ended the year with a cash balance of \$115.2 million. The ending cash balance was \$5.7 million higher than projected for the "Pre-Session" conference held in February 2000 and \$6.3 million higher than projected for the conference held in November 1999. Several factors contributed to the minor difference in the ending cash position. The primary drivers were slightly higher than expected premium collections and TPA refunds/PBM rebates offsetting slightly higher than expected medical costs in the PPO Plan. Variance in enrollment projections to actual enrollment experience, for the PPO and HMO Plans and in total, was less than .3% (.003). Reference Exhibit I (Comparison of Cash Position Estimates to Actual) for further information.

Outlook for Fiscal Years 2000-01 and 2001-02

For both fiscal years, our current outlook unfavorably revises the projected ending cash positions of the Trust Fund resulting from the "Post-Session" outlook (Memorandum dated July 5, 2000). Our current projected ending cash balance for fiscal year 2000-01 is \$93.2 million, down \$16.7 million from our previous projection of \$109.9 million. Premium collections and other revenues are projected to fall short of program expenses by \$22.0 million, or 2.8%, for the year. Reference Exhibit III (Financial Outlook) for further information.

Our current projected ending cash balance for fiscal year 2001-02 is (\$14.9) million, down \$64.1 million from our previous projection of \$49.2 million. Premium collections and other revenues are projected to fall substantially below expenses by \$108.1 million, or 12.4%, for the year. This loss ratio (114.2%) represents an average monthly cash shortfall of approximately \$9 million. Our projections further indicate that the Trust Fund will begin experiencing cash deficits by May 2002. It is important to note that monthly cash balances above \$45.0 million are necessary to ensure timely payments of routine Program obligations. Reference Exhibit IV (Financial Outlook) for further information.

Although an outlook to fiscal year 2002-03 will not be addressed until the "Pre-Session" conference in early 2001, immediate attention must be given to the emerging structural imbalance between Program revenues and expenses. As previously mentioned, premium collections and other revenues are projected to fall substantially below expenses by \$108.1 million, or 12.4%, for fiscal year 2001-02. Because the Trust Fund is projected to have a beginning cash balance of \$93.2 million for the year, this sizable surplus will help sustain solvency for a short period of time. However, recognizing that PPO Plan costs and HMO premiums will most likely continue increasing at current rates during fiscal year 2002-03, Program expenses could exceed premium collections and other revenues by a staggering amount. Consequently, assuming that the beginning cash balance for fiscal year 2002-03 is much lower than the beginning cash balance for fiscal year 2001-02, and if premium rates remain at current levels, the Trust Fund could clearly experience serious solvency challenges.

Comparison of Annual Plan Disbursements to Premium Collections

PPO Plan – During fiscal year 2001-02, the projected average annual cost per enrollee is \$5,102, while the projected average annual premium collection is \$4,248. The projected premium shortfall per enrollee is approximately \$854, or \$86.2 million annually.

HMO Plan – During fiscal year 2001-02, the projected average annual cost per enrollee is \$5,218, while the projected average annual premium collection is \$4,784. The projected premium shortfall per enrollee is approximately \$434, or \$28.1 million annually.

The projected total premium shortfall between the two plans for fiscal year 2001-02 is approximately \$114 million. In order for the Trust Fund to sustain a structural balance between premium collections and Program experience, premium rates would need to be adjusted accordingly and timely. Reference Exhibit VII (Comparison of Annual Plan Cash Disbursements to Premium Collections) for further information.

Comparison of Annual Cash Disbursements Between the PPO and HMO Plans

According to the results of recent surveys of employer sponsored healthcare programs, PPO Plan costs are increasing at an average of 9% annually, while HMO Plan costs are increasing at an average of 10% annually. During the forecasted period, the projected average increase in the annual cost per enrollee is 9.75% in the PPO Plan and 13.0% in the HMO Plan. A comparison of the projected average annual cost per enrollee between the PPO Plan (\$5,102) and the HMO Plan (\$5,218) for fiscal year 2001-02, shows that the HMO Plan is projected to cost the Trust Fund approximately \$116, or 2.3%, more per enrollee than the PPO Plan. Historically, the average annual cost per enrollee in the PPO Plan has exceeded the average annual cost per enrollee in the HMO Plan. Reference Exhibit V (Comparison of Annual Cash Disbursements By Plan Type) for further information.

Factors Significantly Impacting the Projected Cash Position

Variances in the projected cash positions for fiscal year 2000-01, and 2001-02, are driven by several changes in expense assumptions and results of actual events, while premium rates remain

level. Most prevalent of these changes are the increases in PPO Plan medical costs and utilization assumptions, adjustments to previous savings estimates for the implementation of a three-tier copayment structure in the pharmacy program, and increases in HMO premiums due to actual rate increases for calendar year 2001 exceeding assumed rate increases. Exhibit II (Summary of Financial Outlooks) of this report further describes the variances.

In addition to the previously mentioned changes effecting variances in projections, there are contributing factors that favorably and unfavorably influence the financial position of the Trust Fund. These factors are not necessarily unique to the State Group Insurance Program. While a detailed discussion of these issues is beyond the scope of this report, we have provided the following bullets highlighting those factors significantly impacting the projected cash position.

PPO Plan – Medical Component

- The medical care component of the Consumer Price Index (CPI) showed steady decreases in medical care prices throughout most of the 1990's. Since the late 1990's, medical care prices have been back on the rise. The medical care price index for 2000 (as of August) indicates a 4.2% increase in costs. However, according to the results of recent surveys of employer sponsored healthcare programs, PPO Plan medical costs are expected to increase at an average of 7-9% annually. Although cost increase assumptions of 5% have been used for previous outlooks, directional cost indicators associated with the PPO Plan medical paid claims experience is now suggesting an overall increase in medical claims cost of 9% (as administered by Blue Cross and Blue Shield of Florida, Inc.). This adjustment accounts for increasing prices, but primarily for increasing utilization.
- Blue Cross and Blue Shield of Florida, Inc. (PPO Plan Third-Party Administrator – Medical Component) is currently operating under a 4-year contract with the State of Florida, which expires on December 31, 2001. The outcome of the contract renewal negotiations (administrative fee payment) will directly impact the Trust Fund. However, insufficient information is available at this time to estimate the change in the per enrollee cost (up or down) to arrive at an estimated administrative fee payment. Consequently, we assumed no change in the enrollee cost used for 2001.

PPO Plan – Pharmacy Component

- Prescription drug costs continue to rise at substantial rates. The spiraling cost of pharmaceutical benefits represents a significant factor contributing to increasing costs in both the PPO and HMO plans. The genesis of this situation is essentially national in nature and it will only get worse. The aging of the Program's population and its increased use of drugs; the product development and direct to consumer advertising strategies adopted by the pharmaceutical companies; new, high cost drugs for previously untreatable diseases and new, higher cost drugs to compete with older, lower cost drugs, have all combined to create this cost problem. Healthcare economists predict prescription drug costs will continue to increase over the next five years, although the rate of growth is expected to be lower due to speculation of political pressure on the pharmaceutical manufacturers.

- Analyzing current cost and utilization experience, which reflects the impact of increasing copayments from \$5/\$15 to \$7/\$20 on October 1, 1999, indicates that the Trust Fund realized savings greater than \$5 million the first year of implementation, which is comparable to earlier projections. In addition, it appears as though utilization of various brand name drugs was slightly impacted as well.
- Prescription drug costs in the PPO Plan are estimated to represent 28.0% of total PPO Plan medical and prescription drug costs for fiscal year 2000-01 and 29.2% for fiscal year 2001-02, which is higher than the industry average of approximately 20%. Reference Exhibit VI (State Employees' PPO Plan – Annual Component Cash Disbursements & Trends) for further information.

HMO Plan

- The results of recent negotiations with the participating HMO vendors ended with an overall increase in premium rates of 15.0% for calendar year 2001. Since 1998, the HMO plan has experienced overall increases in premium payments to the HMO vendors of 14.5% (1999), 13.3% (2000), and 15.0% (2001). Although HMO vendors did not significantly withdraw coverage in various counties, or from the Program entirely, as previously experienced, there remains a concern for future periods. Because of increasing pharmaceutical costs, increasing government mandated benefits, provider contract restructuring, enrollee demographics, among other issues, some HMO vendors continue to incur underwriting losses and further withdrawals could be forthcoming.

For this outlook, projected HMO premium payments are assumed to increase 10%, effective January 1, 2002, consistent with average national trends. However, preliminary information from participating HMO vendors, including informal discussions with principals of the HMO plans, suggests a higher rate increase may be necessary. Consequently, the outcome of the HMO contract negotiations to be conducted in spring of 2001 will determine the actual increase. The 10% increase rate assumption impacts the ending cash position of the Trust Fund by approximately \$16 million for fiscal year 2001-02. The assumed premium rate increase excludes potential savings to the Trust Fund that could be achieved through changes in enrollee cost sharing responsibilities or other alternatives.

Enrollment

A comparison of our previous enrollment projections to actual enrollment experience suggests a need for slight adjustment to our enrollment projections. We have decreased our projected HMO Plan enrollment by .1% (.001) for fiscal year 2000-01 and by .4% (.004) for fiscal year 2001-02. We have also decreased our projected PPO Plan enrollment by .2% (.002) and .8% (.008), respectively. Although these adjustments slightly decrease our overall enrollment projection by .2% (.002) for fiscal year 2000-01 and by .6% (.006) for fiscal year 2000-01, overall Program enrollment is still projected to increase, but at a slower rate (.85% annually). For fiscal year 2000-01, PPO Plan enrollment is projected to represent 61% of total Program enrollment while the HMO Plan is projected to represent 39%.

The adjustments to the enrollment projections account for anticipated enrollment shifts between the PPO Plan and HMO Plans occurring during the 2000 Open Enrollment, primarily due to the withdrawal of an HMO Plan in two counties. However, enrollment patterns continue to suggest that new enrollees entering the Program during the year will select the PPO Plan and HMO Plans at a ratio of 3:7. Conversely, increased net enrollment resulting from Open Enrollment will distribute solely to the PPO Plan, as experienced over the last three years. As expected, enrollment patterns further indicate that the retiree risk pool will continue increasing in count at a faster rate than the employee risk pool, thus increasing the ratio of retiree enrollment to all enrollment.

Because our current enrollment projections were developed before the results of Open Enrollment could be obtained, actual Open Enrollment results may differ from what has been assumed. Consequently, actual Open Enrollment results will be considered in the preparation of future outlooks.

Please be advised that the results of our projections to arrive at the ending cash positions are highly sensitive to the assumptions used. 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 projections reasonably present the Trust Fund's financial outlook through the forecasted period.

Financial Outlook Supervised by:
Jeff Dykes, Chief, Bureau of Accounting & Financial Management

Financial Outlook Prepared by:
Leticia Nazario-Braddock, Senior Analyst

Exhibit I
Comparison of Cash Position Estimates to Actual
 Fiscal Year 1999-00
 (In Millions)

	Estimate		Actual	Difference
	November '99	February '00	Fiscal Year	
BEGINNING CASH BALANCE ⁽¹⁾	\$ 86.0	\$ 86.0	\$ 86.0	\$ 0.0
REVENUES:				
Insurance Premiums:				
State Contributions	520.0	521.9	523.0	1.1
Employee Contributions	113.8	112.2	113.3	1.1
Medicare Contributions	35.9	36.1	40.8	4.7
Early Retiree Contributions	18.5	18.9	19.1	0.2
COBRA Contributions	4.4	4.5	4.5	0.0
Interest on Investments	3.3	3.5	4.0	0.5
TPA Refunds/PBM Rebates	7.0	7.0	11.2	4.2
Pre-Tax Trust Fund Transfer	11.0	11.0	12.6	1.6
Other Revenues	0.2	0.2	0.0	(0.2)
TOTAL REVENUES	\$ 714.1	\$ 715.3	\$ 728.5	\$ 13.2
TOTAL CASH AVAILABLE	800.1	801.3	814.5	13.2
EXPENSES:				
PPO Plan - Medical Claims	\$ 281.9	\$ 285.1	\$ 289.5	\$ 4.4
PPO Plan - Prescription Drug Claims	97.2	98.6	100.9	2.3
HMO Premiums	274.6	270.6	272.6	2.0
ASO Fee - TPA	28.5	28.5	28.3	(0.2)
ASO Fee - PBM	0.1	0.1	0.1	0.0
DSGI Administrative Costs	6.9	6.9	7.0	0.1
Premium Refunds	1.2	1.2	1.5	0.3
Other Expenses	0.8	0.8	0.4	(0.4)
TOTAL EXPENSES	\$ 691.2	\$ 691.8	\$ 700.3	\$ 8.5
EXCESS OF REVENUES OVER EXPENSES	\$ 22.9	\$ 23.5	\$ 28.2	\$ 4.7
Plus Cash Transfer ⁽²⁾	\$ 0.0	\$ 0.0	\$ 1.0	\$ 1.0
ENDING CASH BALANCE ⁽¹⁾	\$ 108.9	\$ 109.5	\$ 115.2	\$ 5.7
<hr/>				
<u>Projected Average Enrollment</u>				
PPO Plan	95,251	96,273	96,262	(11)
HMO Plans	67,444	66,498	66,702	204
Total	<u>162,695</u>	<u>162,771</u>	<u>162,964</u>	<u>193</u>

Notes:

(1) Excludes Zero Interest Certificate of Deposit (\$3.5 million) and cash balances (\$3.5 million) maintained in bank accounts.

(2) Zero Interest Certificate of Deposit was reduced from \$4.5 million to \$3.5 million.

Exhibit II
Summary of Financial Outlooks

Fiscal Year 2000-01

(In Millions)

\$ 109.9	Previously Forecasted Ending Cash Balance (Post-Session Outlook)
5.7	Increase in Actual Ending Cash Balance for Fiscal Year 1999-00
8.3	Estimated Increase in Forecasted Revenues
	<ul style="list-style-type: none"> \$ 3.3 - Increase in premium collections to reflect adjustment to calculation model. Increase more than offsets premiums lost due to decreasing enrollment. \$ 2.0 - Increase in interest earnings due to an increased interest rate assumption. \$ 2.0 - Increase in TPA refunds primarily due to the implementation of an enhanced claim overpayment recovery system by BCBSF. \$ 1.0 - Increase in Pre-Tax Trust Fund transfer.
(30.7)	Estimated Increase in Forecasted Expenses
	<ul style="list-style-type: none"> \$ (13.3) - Increase in PPO Plan medical claims costs primarily due to increased utilization and costs. \$ (8.4) - Increase in PPO Plan prescription drug costs primarily due to a revised co-pay savings calculation. \$ (9.5) - Increase in HMO premiums due to actual rate increases exceeding assumptions. \$ 0.5 - Decrease in DSGI administrative costs.
\$ 93.2	Current Forecasted Ending Cash Balance

Fiscal Year 2001-02

(In Millions)

\$ 49.2	Previously Forecasted Ending Cash Balance (Post-Session Outlook)
(16.7)	Funding and expense activity as listed above
0.8	Estimated Increase in Forecasted Revenues
	<ul style="list-style-type: none"> \$ (1.5) - Decrease in premium collections primarily due to decreased enrollment. Decreased enrollment more than offsets premiums gained through the model adjustment. \$ (0.7) - Decrease in interest earnings primarily due to lower cash balances. \$ 2.0 - Increase in TPA refunds primarily due to the implementation of an enhanced claim overpayment recovery system by BCBSF. \$ 1.0 - Increase in Pre-Tax Trust Fund transfer.
(48.2)	Estimated Increase in Forecasted Expenses
	<ul style="list-style-type: none"> \$ (24.2) - Increase in PPO Plan medical claims costs primarily due to increased utilization and costs. \$ (7.4) - Increase in PPO Plan prescription drug costs primarily due to a revised co-pay savings calculation. \$ (17.6) - Increase in HMO premiums due to an increased payment base. \$ 0.3 - Decrease in the TPA ASO Fees due to decreased enrollment. \$ 0.2 - Decrease in the PBM ASO Fees due to decreased enrollment and payment arrangements with new PBM. \$ 0.5 - Decrease in DSGI administrative costs.
\$ (14.9)	Current Forecasted Ending Cash Balance

- It should be noted that changes in enrollment projections inherently impact certain revenue and expense items.

- Reference "Assumptions and Methodologies" Section for discussion of cost increases.

Exhibit III
Financial Outlook
 Fiscal Year 2000-01
 (In Millions)

	(A) Post-Session Outlook July '00	(B) Financial Outlook October '00	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽¹⁾	\$ 109.5	\$ 115.2	\$ 5.7
REVENUES:			
Insurance Premiums:			
State Contributions	549.3	551.6	2.3
Employee Contributions	117.9	117.7	(0.2)
Medicare Contributions	40.5	39.7	(0.8)
Early Retiree Contributions	20.0	22.1	2.1
COBRA Contributions	4.5	4.4	(0.1)
Interest on Investments	4.3	6.3	2.0
TPA Refunds/PBM Rebates	7.4	9.4	2.0
Pre-Tax Trust Fund Transfer	11.0	12.0	1.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 754.9	\$ 763.2	\$ 8.3
TOTAL CASH AVAILABLE	864.4	878.4	14.0
EXPENSES:			
PPO Plan - Medical Claims	\$ 306.4	\$ 319.7	\$ 13.3
PPO Plan - Prescription Drug Claims	115.7	124.1	8.4
HMO Premiums	292.9	302.4	9.5
ASO Fee - TPA	30.5	30.5	0.0
ASO Fee - PBM	0.1	0.1	0.0
DSGI Administrative Costs	6.9	6.4	(0.5)
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.8	0.8	0.0
TOTAL EXPENSES	\$ 754.5	\$ 785.2	\$ 30.7
EXCESS OF REVENUES OVER EXPENSES	\$ 0.4	\$ (22.0)	\$ (22.4)
ENDING CASH BALANCE ⁽¹⁾	\$ 109.9	\$ 93.2	\$ (16.7)
<u>Projected Average Eligible Enrollment</u>			
PPO Plan	99,702	99,499	(203)
HMO Plans	65,038	64,948	(90)
Total	164,740	164,447	(293)

Note:

(1) Excludes Zero Interest Certificate of Deposit (\$3.5 million) and cash balances (\$3.5 million) maintained in bank accounts.

Exhibit IV
Financial Outlook
 Fiscal Year 2001-02
 (In Millions)

	(A) Post-Session Outlook July '00	(B) Financial Outlook October '00	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽¹⁾	\$ 109.9	\$ 93.2	\$ (16.7)
REVENUES:			
Insurance Premiums:			
State Contributions	554.2	550.7	(3.5)
Employee Contributions	119.0	118.1	(0.9)
Medicare Contributions	43.0	43.5	0.5
Early Retiree Contributions	20.0	22.2	2.2
COBRA Contributions	4.2	4.4	0.2
Interest on Investments	3.3	2.6	(0.7)
TPA Refunds/PBM Rebates	7.4	9.4	2.0
Pre-Tax Trust Fund Transfer	11.0	12.0	1.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 762.1	\$ 762.9	\$ 0.8
TOTAL CASH AVAILABLE	872.0	856.1	(15.9)
EXPENSES:			
PPO Plan - Medical Claims	\$ 324.2	\$ 348.4	\$ 24.2
PPO Plan - Prescription Drug Claims	136.6	144.0	7.4
HMO Premiums	320.8	338.4	17.6
ASO Fee - TPA	32.1	31.8	(0.3)
ASO Fee - PBM	0.2	0.0	(0.2)
DSGI Administrative Costs	6.9	6.4	(0.5)
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.8	0.8	0.0
TOTAL EXPENSES	\$ 822.8	\$ 871.0	\$ 48.2
EXCESS OF REVENUES OVER EXPENSES	\$ (60.7)	\$ (108.1)	\$ (47.4)
ENDING CASH BALANCE ⁽¹⁾	\$ 49.2	\$ (14.9)	\$ (64.1)
Projected Average Eligible Enrollment			
PPO Plan	101,722	100,894	(828)
HMO Plans	65,091	64,858	(233)
Total	166,813	165,752	(1,061)

Note:

(1) Excludes Zero Interest Certificate of Deposit (\$3.5 million) and cash balances (\$3.5 million) maintained in bank accounts.

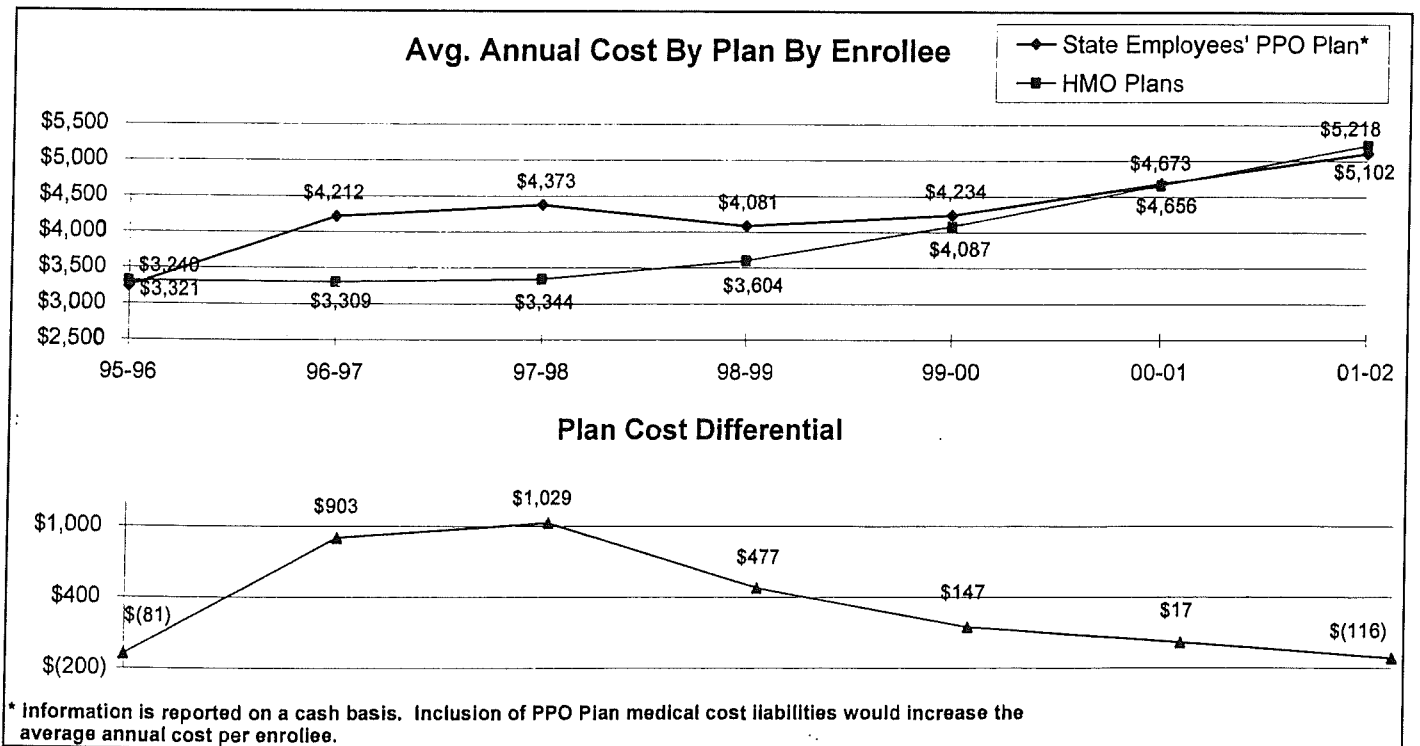
For this outlook, projected HMO premium payments are assumed to increase 10%, effective January 1, 2002, consistent with average national trends. However, preliminary information from participating HMO vendors, including informal discussions with principals of the HMO plans, suggests a higher rate increase may be necessary. Consequently, the outcome of the HMO contract negotiations to be conducted in spring of 2001 will determine the actual increase.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Exhibit V
 Comparison of Annual Cash Disbursements By Plan Type ⁽¹⁾
 (In Millions)

State Employees' PPO Plan Costs							
	95-96	96-97	97-98	98-99	99-00	00-01	01-02
Paid Medical Claims	\$ 270.4	\$ 331.8	\$ 319.7	\$ 275.6	\$ 289.5	\$ 319.7	\$ 348.4
Paid Prescription Drug Claims	53.3	56.5	68.1	85.1	100.9	124.1	144.0
ASO Fee - TPA	15.3	9.1	19.6	30.1	28.3	30.5	31.8
ASO Fee - PBM	0.9	0.4	0.1	0.1	0.1	0.1	0.0
Total Claims Paid and ASO Fees	\$ 339.9	\$ 397.8	\$ 407.5	\$ 390.9	\$ 418.8	\$ 474.4	\$ 524.2
Avg. Number of Enrollees	102,619	92,838	91,263	93,350	96,262	99,499	100,894
Avg. Annual Gross Cost Per Enrollee	\$ 3,312	\$ 4,285	\$ 4,465	\$ 4,187	\$ 4,351	\$ 4,768	\$ 5,196
Total Claims Paid and ASO Fees	\$ 339.9	\$ 397.8	\$ 407.5	\$ 390.9	\$ 418.8	\$ 474.4	\$ 524.2
Less: Refunds & Rebates	(7.4)	(6.8)	(8.4)	(9.9)	(11.2)	(9.4)	(9.4)
Total Net Cost	\$ 332.5	\$ 391.0	\$ 399.1	\$ 381.0	\$ 407.6	\$ 465.0	\$ 514.8
Avg. Number of Enrollees	102,619	92,838	91,263	93,350	96,262	99,499	100,894
Avg. Annual Net Cost Per Enrollee	\$ 3,240	\$ 4,212	\$ 4,373	\$ 4,081	\$ 4,234	\$ 4,673	\$ 5,102

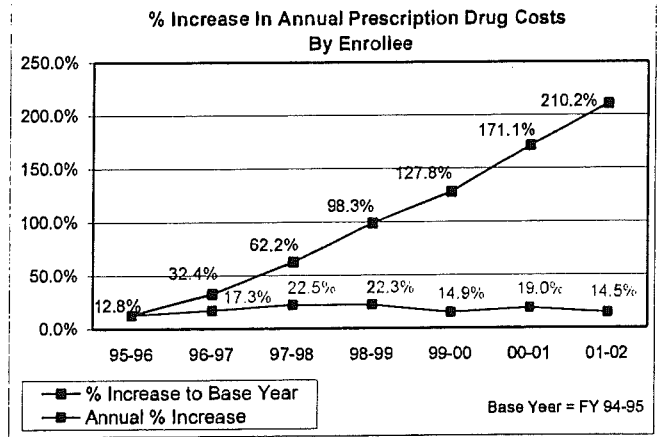
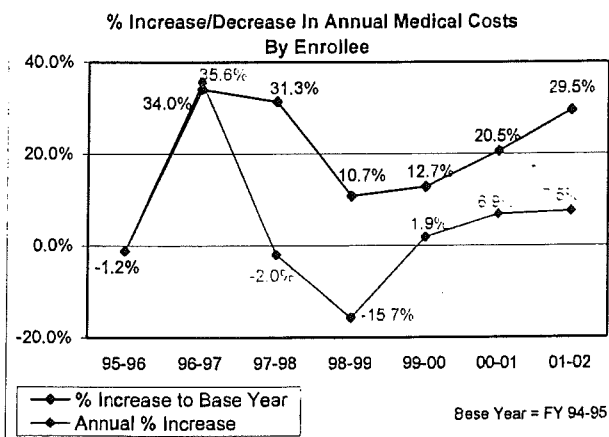
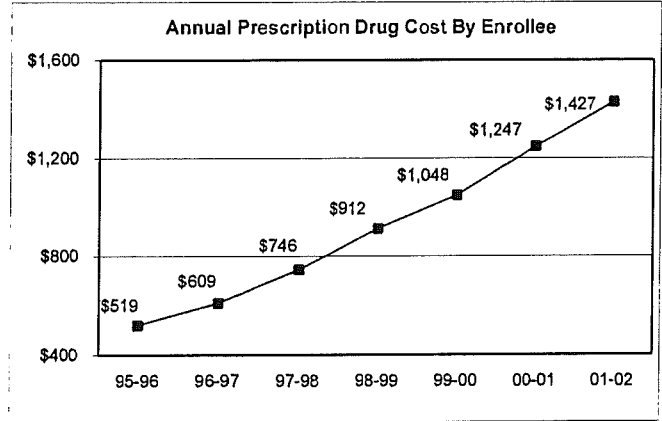
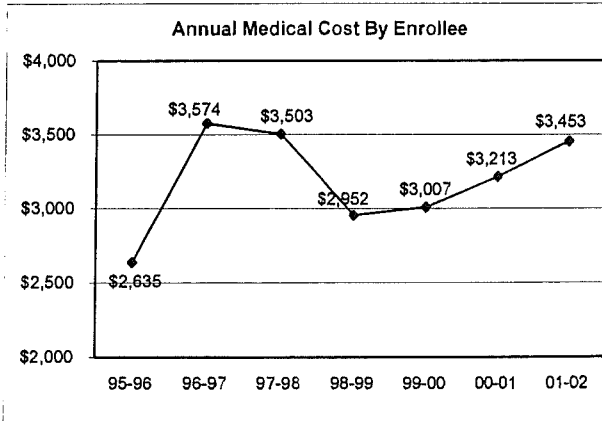
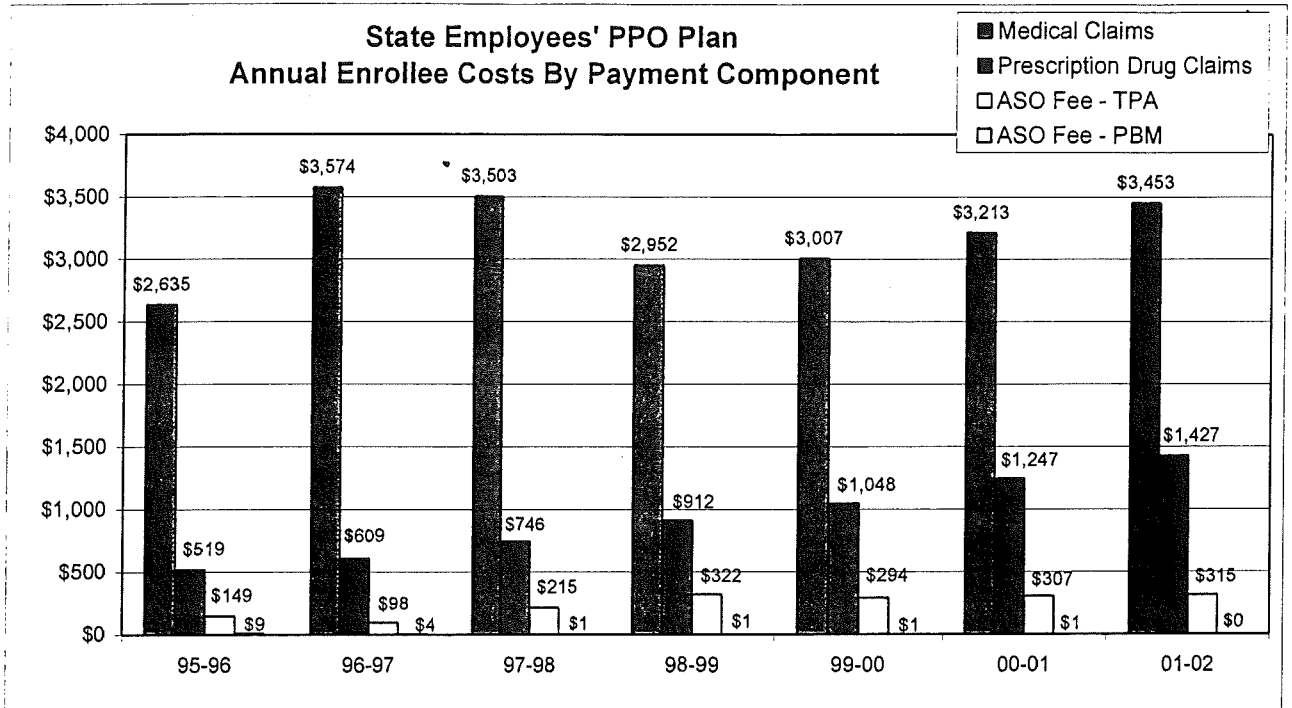
HMO Plan Cost							
	95-96	96-97	97-98	98-99	99-00	00-01	00-01
HMO Premiums	\$ 178.0	\$ 211.9	\$ 226.4	\$ 244.3	\$ 272.6	\$ 302.4	\$ 338.4
Avg. Number of Enrollees	53,592	64,042	67,710	67,777	66,702	64,948	64,858
Avg. Annual Cost Per Enrollee	\$ 3,321	\$ 3,309	\$ 3,344	\$ 3,604	\$ 4,087	\$ 4,656	\$ 5,218



Note:

(1) Costs exclude enrollees out-of-pocket expenses, such as deductibles, coinsurance and copayments.

Exhibit VI
 State Employees' PPO Plan
 Annual Component Cash Disbursements & Trends (1)(2)
 (Actual/Estimate)



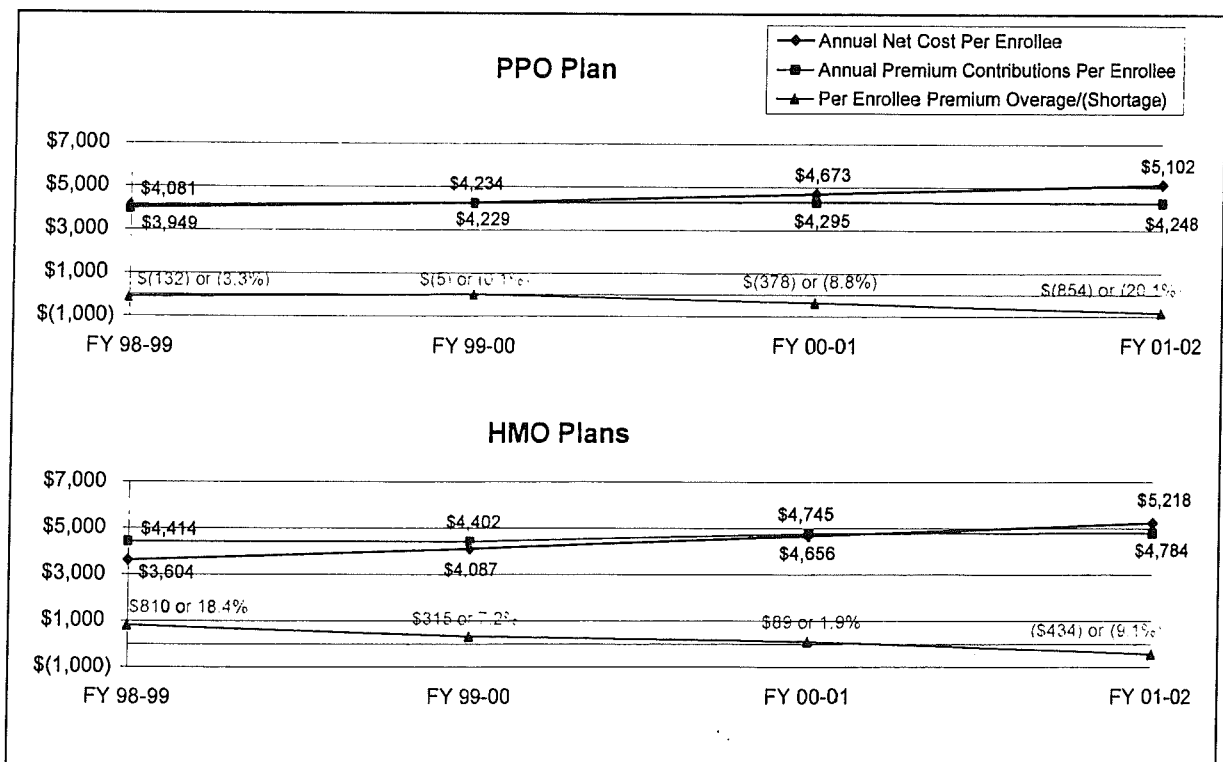
Notes:

- (1) Information is reported on a cash basis. Inclusion of PPO Plan medical cost liabilities would increase the average annual cost per enrollee.
- (2) Costs exclude enrollees out-of-pocket expenses, such as deductibles, coinsurance and copayments.

Exhibit VII
 Comparison of Annual Plan Cash Disbursements to Premium Collections ⁽¹⁾
 (In Millions)

Annual Costs				
	98-99	99-00	00-01	01-02
PPO Plan				
Total Net Cost	\$ 381.0	\$ 407.6	\$ 465.0	\$ 514.8
Avg. Number of Enrollees	93,350	96,262	99,499	100,894
Avg. Annual Net Cost Per Enrollee ⁽¹⁾	\$ 4,081	\$ 4,234	\$ 4,673	\$ 5,102
HMO Plans				
Total Premium Payments	\$ 244.3	\$ 272.6	\$ 302.4	\$ 338.4
Avg. Number of Enrollees	67,777	66,702	64,948	64,858
Avg. Annual Cost Per Enrollee	\$ 3,604	\$ 4,087	\$ 4,656	\$ 5,218

Annual Premium Contributions				
	98-99	99-00	00-01	01-02
PPO Plan				
Total Premium Contributions	\$ 368.7	\$ 407.1	\$ 427.3	\$ 428.6
Avg. Number of Enrollees	93,350	96,262	99,499	100,894
Avg. Annual Premium Contributions Per Enrollee	\$ 3,949	\$ 4,229	\$ 4,295	\$ 4,248
HMO Plans				
Total Premium Contributions	\$ 299.2	\$ 293.6	\$ 308.2	\$ 310.3
Avg. Number of Enrollees	67,777	66,702	64,948	64,858
Avg. Annual Premium Contributions Per Enrollee	\$ 4,414	\$ 4,402	\$ 4,745	\$ 4,784



Note:

(1) Information is reported on a cash basis. Inclusion of PPO Plan medical cost liabilities would increase the average annual net cost per enrollee.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Exhibit VIII
Premium Rate Table

Effective October 1, 1999								
Category	Coverage		Biweekly Contribution			Monthly Contribution		
	Type	Code	State	Enrollee	Total	State	Enrollee	Total
Active Full-Time Employee	Single	01	\$95.76	\$16.15	\$111.91	\$191.52	\$32.30	\$223.82
	Family	02	\$195.80	\$58.10	\$253.90	\$391.60	\$116.20	\$507.80
	Spouse	22	\$126.95	\$0.00	\$126.95	\$253.90	\$0.00	\$253.90
	Spouse	89	\$126.95	\$0.00	\$126.95	\$253.90	\$0.00	\$253.90

Effective January 1, 2000								
Category	Coverage		Biweekly Contribution			Monthly Contribution		
	Type	Code	State	Enrollee	Total	State	Enrollee	Total
COBRA Participants	Single	9	\$0.00	\$0.00	\$0.00	\$0.00	\$228.30	\$228.30
	Family	10	\$0.00	\$0.00	\$0.00	\$0.00	\$517.96	\$517.96
Early Retirees ⁽²⁾	Single	61	\$0.00	\$0.00	\$0.00	\$0.00	\$223.82	\$223.82
	Family	62	\$0.00	\$0.00	\$0.00	\$0.00	\$507.80	\$507.80
Medicare Participants ⁽²⁾	(I) One Eligible	63	\$0.00	\$0.00	\$0.00	\$0.00	\$119.03	\$119.03
	(II) One Under/Over	64	\$0.00	\$0.00	\$0.00	\$0.00	\$342.86	\$342.86
	(III) Both Eligible	65	\$0.00	\$0.00	\$0.00	\$0.00	\$238.05	\$238.05

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) The actual premium rate for some retirees participating in an HMO plan may differ than what is presented.

Assumptions and Methodologies

Enrollment ⁽¹⁾

Average Program enrollment, by fiscal year, is as follows:

	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01*	FY 01-02*
PPO Plan	102,619	92,838	91,263	93,350	96,262	99,499	100,894
HMO Plans	53,592	64,042	67,710	67,777	66,702	64,948	64,858
Total	156,214	156,880	158,973	161,127	162,964	164,447	165,752
% Change	N/A	4.26%	1.34%	1.35%	1.14%	0.91%	0.79%

* Projected

Assumptions

- Program enrollment will continue to increase (measured by net enrollment) at an average rate of 0.85% annually. The overall increase recognizes (conservatively at this time) the Governor's state employees workforce reduction initiative. Although the rate of growth assumption is lower than previous years, it is important to note that retiree enrollment has increased 4.2% (924 enrollees) per year in the last five years, while active employee enrollment has increased 0.6% (796 enrollees) per year during the same period. (Detailed enrollment reports can be provided upon request.)
- As a result of normal monthly growth (slightly adjusted to reflect the workforce reduction initiative) and category shifting, Program enrollment will increase by an average of 462 (.03%) enrollees during the year.
 - New enrollees will select the PPO Plan and HMO Plans at a ratio of 3 to 7.
 - New enrollees will further distribute by enrollment category and enrollment coverage based on historical Program demographics.
- As a result of each Open Enrollment, Program enrollment will increase by an average of 906 (.05%) enrollees each January 1st (slightly adjusted to reflect the workforce reduction initiative), as determined by the average of this increase over the last three years. Included in the enrollment projections are approximately 670 members currently enrolled in Health Plan Southeast (HPSE) in Bay and Gulf counties that are assumed will default to the PPO Plan due to HPSE dropping coverage in those counties effective January 1, 2001.
 - Increased net enrollment will distribute solely to the PPO Plan consistent with the last three years.

- New enrollees will further distribute by enrollment category and enrollment coverage based on historical Program demographics.

Methodology

Using September '00 Program enrollment as the base:

- Increase and distribute monthly Program enrollment based on the aforementioned assumptions for October through December 2000.
- For CY 2001 and CY 2002, increase the overall calculated Program enrollment for the month of January by 932 enrollees and by 881 enrollees, respectively, to account for the assumptions associated with the net increase in new and shifting enrollment. Apply annual enrollment increase and distribution assumptions to the adjusted enrollment base to arrive at monthly Program enrollment.

-
- (1) Enrollment, for projection purposes, continues to be based on eligible enrollment (i.e., enrollees with fully paid premiums).

Revenues

Insurance Premiums

- Monthly Program enrollment projections are entered into a premium calculation model to estimate monthly contributions by plan, by category, by coverage, and by state and enrollee share during the forecasted period.
- For the period of September 2000 through June 2002, monthly contributions for the projected Medicare participants enrolled in HMO Plans were calculated based on actual and projected HMO premium payments.
- The monthly premiums calculated by the model are adjusted to reflect specific issues affecting the actual amount and timing of contribution collections, such as the timing of bi-weekly contributions, double premium deductions for SUS members during certain months out of the year to cover other months for which there are no premium deductions, etc.

Interest on Investments

- It is assumed that interest revenue will be earned at a rate of approximately 6% annually. A calculated monthly rate (.005) is applied to the estimated ending cash balance of the previous month to arrive at the forecasted month's interest earnings.

TPA Refunds/Rebates

- *Rebates* - Based on actual FY 1999-00 rebate collections received as well as the management, performance and payment arrangements recently contracted with Caremark, Inc. (Pharmacy

Benefits Manager) effective January 1, 2001, it is estimated that approximately \$2.3 million will be rebated annually to the Trust Fund during the projected period.

- *TPA Refunds* - Based on actual FY 1999-00 refund collections received, it is estimated that approximately \$7.1 million will be refunded to the Trust Fund during the projected period.

Pre-Tax Trust Fund Transfer

- It is assumed that \$12.0 million will continue to be transferred to the Trust Fund annually.

Other Revenues

- No material collections are anticipated.

Expenses

Medical Claims - BCBSF

Paid claims experience (on a per enrollee basis) for FY 1999-00 indicates the following utilization and cost information:

	FY 1999-00
Average state cost per claim	\$ 143.65
Average number of claims per enrollee per month	1.67
Calculated per enrollee per month state cost	\$ 239.79
Calculated per enrollee per year state cost	\$ 2,877.51

Some calculations are rounded.

Assumptions

- Beginning with October 2000, annual utilization (measured by the average # of claims paid per enrollee) and costs (measured by the average state cost per claim) will increase, in total, by approximately 9% consistent with national and regional trends. This assumption reflects a 4% increase in the total cost and utilization trends previously estimated. The increase is primarily driven by increasing utilization.
- Utilization by new enrollees coming into the PPO Plan will be similar to the current population's experience.
- Risk is shared equally across all enrollment categories.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Methodology

- Industry standard formulas are used to calculate monthly estimated state costs. Following are the results of the calculations:

	FY 99-00	FY 00-01	%Chg.	FY 01-02	%Chg.
Actual/Projected average enrollment	96,262	99,499	3.4%	100,894	1.4%
Actual/Calculated per enrollee per month state cost	\$ 239.79	\$ 261.37	9.0%	\$ 284.90	9.0%
Actual/Calculated per enrollee per month state cost (Adj. to Cash)	\$ 250.59	\$ 267.76	6.9%	\$ 287.75	7.5%
Actual/Calculated per enrollee per year state cost	\$ 3,007	\$ 3,213	6.9%	\$ 3,453	7.5%
Total Actual/Projected Cost (In millions)	\$ 289.5	\$ 319.7	10.4%	\$ 348.4	9.0%

Some calculations are rounded.

Prescription Drug Claims - PBM

Paid scripts experience (on a per enrollee basis) for FY 1999-00 indicates the following utilization and cost information:

	FY 1999-00
Average state cost per claim	\$ 38.08
Average number of claims per enrollee per month	2.33
Calculated per enrollee per month state cost	\$ 88.89
Calculated per enrollee per year state cost	\$ 1,066.64

Some calculations are rounded.

After a competitive procurement process that occurred earlier in the year, Caremark, Inc. was awarded a contract by the Department as the State's new Pharmacy Benefits Manager, effective January 1, 2001. Prescription drug cost projections have been developed based on a number of factors involving this contract. Such factors include, but are not limited to, the negotiated discount arrangement used in the calculation to determine ingredient costs for generic and brand name prescription drugs (retail and mail order environment), and the guaranteed and general savings to be achieved by implementing new management and clinical programs (\$2.6 million annually) to help stabilize costs.

Assumptions

- Beginning with September 2000, annual utilization (measured by the average # of claims paid per enrollee) and costs (measured by the average state cost per claim) will increase, in 6-month increments, by approximately 3% and 8%, respectively, for an estimated annual increase in total **program** per enrollee cost of 18.5% for FY 2000-01 and 23.2% for FY

2001-02. The estimated increases have been developed prior to adjusting for the three-tier co-payment structure, savings resulting from new PBM management and clinical programs to be implemented January 1, 2001, and associated "Run-Out" experience of the exiting PBM beginning January 1, 2001.

- Prescription drug co-payments in the retail environment will increase from \$7/\$20 to \$7/\$20/\$35 and from \$7/\$20 to \$10.50/\$30.00/\$52.50 in the mail order environment, effective January 1, 2001. Estimated savings attributable to the three-tier co-payment structure have been adjusted since the last forecast and are currently estimated at \$5.0 million for FY 2000-01 and \$10.0 million for FY 2001-02.
- It is assumed that estimated savings attributable to new management and clinical programs contractually required of Caremark, Inc. (beginning January 1, 2001) will amount to \$1.3 million for FY 2000-01 and \$2.6 million for FY 2001-02.
- It is assumed that "Run-Out" experience of the exiting PBM will amount to approximately \$4.5 million beginning January 1, 2001.
- Adjusting for the fiscal impact caused by the aforementioned cost activities, **Trust Fund** costs per enrollee are estimated to increase by 19.0% for FY 2000-01 and 14.5% for FY 2001-02, while total **program** costs per enrollee are estimated to increase by 18.5 % for FY 2000-01 and 23.2% for FY 2001-02.
- The results of earlier actuarial estimates indicated that the PPO Plan would experience savings of approximately \$18 million annually by implementing a three-tier copayment structure. However, results of more recent analyses indicate that the annual savings will be closer to approximately \$10 million annually. Consequently, the prescription drug cost projections have been adjusted accordingly.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Methodology

- Industry standard formulas are used to calculate monthly estimated state costs. Following are the results of the calculations:

	FY 99-00	FY 00-01	% Chg.	FY 01-02	% Chg.
Actual/projected avg. enrollment	96,262	99,499	3.4%	100,894	1.4%
Actual/projected avg. state cost per claim	\$ 38.08	\$ 43.25	13.6%	\$ 50.34	16.4%
Actual/projected avg. # of claims per enrollee per month	2.33	2.44	4.7%	2.58	5.7%
Actual/calculated per enrollee per month cost	\$ 88.89	\$ 105.4	18.5%	\$ 129.8	23.2%
Actual/calculated per enrollee per month cost (Adj. to cash)	\$ 87.34	\$ 105.4	20.7%	\$ 129.8	23.2%
Actual/calculated per enrollee per year state cost	\$ 1,048	\$ 1,264	20.7%	\$ 1,557	18.9%
Plus: Projected EHS run-out-claims	N/A	\$ 46	N/A	\$ 0	N/A
Less: Estimated savings due to increase in co-pays	N/A	\$ (50)	N/A	\$ (103)	106%
Estimated savings due to new clinical programs	N/A	\$ (13)	N/A	\$ (27)	107%
Actual/projected adjusted per enrollee per year cost	\$ 1,048	\$ 1,247	19.0%	\$ 1,427	14.5%
Actual/projected adjusted projected cost (In millions)	\$ 100.9	\$ 124.1	23.0%	\$ 144.0	16.0%

Some calculations are rounded.

HMO Premium Payments

Assumption

- For this outlook, projected HMO premium payments are assumed to increase 10%, effective January 1, 2002. The increased rate assumption impacts the ending cash position of the Trust Fund by approximately \$16 million for fiscal year 2001-02.

Methodology

- Monthly HMO Plan enrollment projections are entered into an HMO premium payment model to estimate monthly premium payments by HMO Plan, by coverage and enrollee category for the forecasted period.
- For CY 2001, actual HMO premium rates resulting from recent negotiations, by enrollment coverage and category, are entered into the model.

ASO FeesBCBSF

- Through the forecasted period, multiplied the projected monthly PPO Plan enrollment by the per enrollee monthly base administrative charge. Added to the per enrollee monthly base administrative charge is a calculated per enrollee quarterly incentive payment for the previous quarter.

Base Administrative Fee Schedule

<u>Calendar Year</u>	<u>Monthly per Enrollee Fee</u>
2000	\$ 21.32
2001	\$ 22.38

Incentive Payment Schedule

<u>Calendar Year</u>	<u>Monthly per Enrollee Incentive Fee</u>
2000	\$ 3.76
2001	\$ 3.95

- Although Division management expects changes to the fee schedule effective January 1, 2002, the Base Administrative Fee Schedule and the Incentive Payment Schedule for CY 2001 (as used for BCBSF) were assumed to apply to CY 2002. (The initial four year ASO contract between BCBSF and the state expires on December 31, 2001.)

PBM

- For the months of July 2000 through December 2000, multiplied the projected monthly PPO Plan enrollment by the per enrollee monthly base administrative charge (\$.125), as required under current contract with EHS.
- No monthly base administrative fee payment for Caremark, Inc. was projected for CY 2001 & CY 2002 because of the nature of the contract between the State and Caremark, Inc. (The initial four year contract between Eckerd Health Services and the state expires on December 31, 2000.)

DSGI Administrative Costs

- The Division's current operating budget as presented in the recent General Appropriation Act is assumed to continue through the forecasted period.

Premium Refunds

- Current trends indicate approximately \$.1 million of premium refunds are occurring on a monthly basis. This trend is expected to continue through the forecasted period.

Other Expenses

- Routine payments for administrative hearings, patient auditor refunds, risk insurance and other administrative activities, indicate that annual payments will not exceed \$800,000.