

**Self-Insurance Estimating Conference
State Employees' Health Insurance Trust Fund
Last conference held: October 27, 2004**

Executive Summary

The outlook for the State Employees' Health Insurance Trust Fund has improved significantly from the post-session forecast. The fund ended 2003-04 with a balance of \$58.3 million, \$16.1 million higher than the projection of \$42.2 million. The projected 2004-05 ending balance of the fund gained from \$35.3 million to \$81.7 million, and the 2005-06 ending balance changed from a deficit of \$84.8 million to a surplus of \$2.9 million. Projections for revenues were changed only slightly, while the outlook for expenses improved significantly.

One of the primary reasons for the reduced expense forecast is due to a reduction in the forecast for enrollment. Projections for enrollment were reduced due to two major factors. First, the post-session outlook was produced assuming that the approximately 1,400 county employees moving into positions in State government due to Revision 7 to Article V of the Florida Constitution would enroll in the State health insurance plan. The latest figures indicate that significantly fewer enrollees resulted. Second, recent trends in enrollment have shown a downward trend in active employees, and that trend was incorporated into the new forecast.

Aside from the reduced enrollment forecast, the projection for PPO plan medical claims was affected by a slowing in the underlying growth trend, with the projected growth rate dropping from 12.5% to 12.0% in both years of the forecast. Additionally the underlying trend in PPO pharmacy costs was dropped from 16.0% to 15.5% in both years. The net result of reduced enrollment and lower costs is a reduction in projected PPO medical and pharmacy claims by \$19.3 million in 2004-05 and \$24.6 million in 2005-06.

HMO costs were primarily affected by lower contract costs. The post-session forecast assumed that the contracts going into effect on January 1, 2005 and January 1, 2006 would both have statewide increases of 13%. The contracts going into effect on January 1, 2005 will actually show increases of only 9.5%, and the projected increase for 2006 has been reduced to 12%. Overall, projected HMO premiums have been reduced from the post-session forecast by \$12.9 million in 2004-05 and \$23.2 million in 2005-06.

State Employees' Group Health Self-Insurance Trust Fund

Report on the Financial Outlook
For the Fiscal Years Ending June 30, 2005 and 2006

October 27, 2004

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

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FINANCIAL OVERVIEW

The purpose of the financial overview is to provide pertinent information about the outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2005 & 2006. The exhibits that follow provide more in-depth information about projected enrollment and cash positions. Also provided is a comparison of the actual cash position to a previous estimate for Fiscal Year 2003-04. In accordance with Sec. 216.136(11), *Florida Statutes*, this outlook has been prepared for presentation to the principals and participants associated with the Self-Insurance Estimating Conference.

Table 1. Financial Outlook

	FY 2003-04 (Actual) ¹	FY 2004-05 (Estimate)	FY 2005-06 (Estimate)
BEGINNING CASH BALANCE	39.1	58.3	81.7
REVENUES ²	1,076.4	1,205.7	1,258.9
EXPENSES ³	(1,087.2)	(1,182.3)	(1,337.7)
OPERATING GAIN/(LOSS)	<u>(10.8)</u>	<u>23.4</u>	<u>(78.8)</u>
NONOPERATING ADJUSTMENTS	30.0 ⁴	0.0	0.0
ENDING CASH BALANCE	58.3	81.7	2.9

Dollars in Millions

¹ Reference Exhibit I to see a detailed comparison of the actual cash position to estimate.

² Includes a 10% premium increase effective January 1, 2005 (employer only funding for the incremental increase in premium for both individual and family health coverage).

³ Includes medical/pharmacy benefit design changes to both the State self-insured PPO and State-contracted HMO plans (i.e., increased deductibles, coinsurance, copayments, etc.) effective January 1, 2004. Also includes enhancement to the Lifetime Maximum benefit and Preventive Care/Wellness benefits in the State self-insured PPO plan effective July 1, 2004 and January 1, 2005, respectively.

⁴ Transfer from Disability Insurance Trust Fund - Authorized per sec. 61, Conference Report on Senate Bill 2-A.

Total program costs are projected to increase by approximately 11% annually during the forecast period. Health care costs will double in 6.4 years if the Trust Fund sustains year-over-year cost increases at this rate. With implementation of the premium increase effective January 1, 2005, the State as the employer will be contributing 86% of the total required annual employee premium (\$933.7 million of \$1,087.5 million for Fiscal Year 2005-06). The State's contribution has historically been comprised of approximately 70% general revenue and 30% trusts.

Fiscal pressures continue to plague the State Group Health Insurance Program. Since Fiscal Year 1997-98, the program has often faced near-term, mid-term, or long-term cash deficiencies. A combination of cash infusions, temporary loans, double-digit premium increases, and various benefit design changes have been the historical short-term solutions to ensure program solvency

from one budget year to the next, which are actions independent from addressing many factors impacting health care costs.

Although cash balance deficiencies are not projected during the forecast period, continued attention should be given to the structural imbalance of cash in/out flows. In light of the continued rise in the utilization and cost of health care benefits, new strategies and tactics are required to ensure affordability, funding stability/predictability, and continued solvency.

Outlook for Fiscal Year 2004-05

The outlook indicates an ending cash balance of \$81.7 million, up \$46.4 million from the previous outlook of \$35.3 million resulting from the "Post-Session" outlook. An operating gain of \$23.4 million is expected, an improvement of \$30.3 million from the previous outlook that was indicating an operating loss of \$6.9 million.

Exhibits II and III present a detailed comparison between the current and previous outlooks.

Outlook for Fiscal Year 2005-06

The outlook indicates an ending cash balance of \$2.9 million, an improvement of \$87.7 million from the previous deficit projection of \$84.8 million resulting from the "Post-Session" outlook. An operating loss of \$78.8 million is expected, down \$41.3 million from the previous outlook that was indicating an operating loss of \$120.1 million.

Exhibits IV and V present a detailed comparison between the current and previous outlooks.

Variances in Projected Operating and Cash Positions

Variances in projected operating and cash positions - as compared to the "Post-Session" outlook presented June 2004 - are primarily driven by a decrease in the projected enrollment in both the State self-insured PPO and State-contracted HMO plans. Enrollment projections have been changed, in large part, to account for the actual number of personnel that moved from county government to positions in State government as part of the implementation of Revision 7 to Article V of the Florida Constitution (effective July 1, 2004). Other changes include a decreasing growth in estimated PPO plan medical and pharmacy spend, and reduction in the estimated State-contracted HMO premium payments due to decreased annual rate increase assumptions (see the sub-heading "State-Contracted HMOs" below).

Trends and Assumptions

State Self-Insured PPO Plan

Medical - According to the results of recent surveys of large employer-sponsored health plans, as well as information provided by the program's State-contracted health care benefits consultants/actuaries, southern regional PPO plan medical spend is expected to increase by 12.0-14.0% per annum during the forecast period. Cost indicators associated with the State self-insured PPO plan indicates a combined cost and utilization increase of 12.0% per annum during the forecast period, down one-half percent from previous projections.

Rx - According to the results of recent surveys of large employer-sponsored health plans, as well as information provided by the program's State-contracted health care benefits

consultants/actuaries, southern regional PPO plan pharmacy spend is expected to increase by 14.0-16.0% per annum during the forecast period. Pharmacy spend annual trend, inclusive of both utilization and cost, is assumed to increase by 15.5% per annum during the forecast period, down one-half percent from previous projections. (It is important to note that the Trust Fund cost share is increasing at a rate above 15.5% during periods when copayments remain fixed and are not adjusted to inflation trend.)

The overall assumed growth rate for the State self-insured PPO plan, inclusive of medical, Rx, and TPA administrative fees, is approximately 13%. The State self-insured PPO plan remains available statewide.

State-Contracted HMOs

- The overall increase in premiums for State-contracted HMOs was approximately 12.0% for Calendar Year 2004. The overall premium increase requested by the six HMOs was 14.6% after adjusting for the benefit design changes resulting from the 2003 Legislature. There were no service area disruptions for 2004. HMO offerings by vendor by service area were slightly enhanced as compared to 2003. As a result, 39 counties have had at least one State-contracted HMO.
- State-contracted HMOs will experience an overall increase in premiums of 9.5% for Calendar Year 2005. The overall increase in premiums requested by the six HMO plans was 12.6%, slightly below the previously assumed rate of 13.0%. There are no service area disruptions for Calendar Year 2005 or loss of an HMO vendor.
- According to the results of recent surveys of large employer-sponsored health plans, as well as information provided by the program's State-contracted health care benefits consultants/actuaries, southern regional HMO premium increase requests of 12.0-14.0% for Calendar Year 2006 can be expected. The outlook includes an assumption that the HMO offerings for Calendar Year 2006 will be consistent with the 2005 offerings with an increase in the overall premium payment of 12.0%, down one-percent from previous projections.

It is important to note that the outcome of the HMO benefit procurement for the contractual period beginning January 1, 2006 will be the actual determinant of participating State-contracted HMOs, covered service areas/counties, and the overall annual premium payment (see the sub-heading "Procurements" below).

Procurements

It is noteworthy that contractual agreements for Third-Party Administration and Pharmacy Benefits Management in the State self-insured PPO plan, as well as the contractual agreements with the State-contracted HMOs are due to expire during the forecast period. Specifically:

- The original term for all State-contracted HMO agreements expired December 31, 2001. The contracts allow for four, one-year rate renewal options through December 31, 2005. Rate renewal options through December 31, 2005 have been exercised.

- The administrative services only contract for the medical component of the State self-insured PPO plan with Blue Cross and Blue Shield of Florida, Inc. expires December 31, 2005. All contract renewal options have been exercised.
- The original term of the pharmacy benefits management contract for the prescription drug component of the State self-insured PPO plan with Caremark, Inc. expires December 31, 2004. Negotiations are in progress with Caremark to exercise one of the two contractually specified two-year renewal options.

Assumptions used for the financial outlook could be impacted by the required procurements.

Subscriber Enrollment Patterns

- Total subscriber enrollment is projected to increase approximately .4% annually to an average enrollment of 169,185 by Fiscal Year 2004-05 and to 169,848 by Fiscal Year 2005-06. Average subscriber enrollment for Fiscal Year 2003-04 was 168,022. Overall subscriber enrollment growth has continued to be below one-percent since Fiscal Year 2000-01. Enrollment patterns continue to suggest a rather stabilizing employee enrollment base, but increased growth continues to occur in both the pre-Medicare and Medicare eligible retiree populations (3.6% during forecast period). Enrollment patterns also suggest that plan distribution by subscriber will be approximately 63% enrollment in the State self-insured PPO plan and 37% in the State-contracted HMOs by June 2006.
- It is important to highlight the program's aging population. In addition, enrollment patterns continue to suggest that retiree enrollment is increasing in count disproportionately to that of active employees, thus representing an increasing percentage of total enrollment. Consistent with industry norms, retiree medical and pharmacy costs are significantly outpacing the cost for active employees.

Retiree enrollment currently represents 18.8% of total subscriber enrollment as compared to 14.8% five years ago, an increase in retiree enrollment of 32.4%. Retiree enrollment is projected to represent 19.8% of total enrollment by June 2006. Approximately 83% of all participating retirees subscribe to the State self-insured PPO plan, and approximately 73% of all participating retirees are Medicare subscribers.

Because enrollment projections were developed prior to completion of the annual Open Enrollment process, actual Open Enrollment results may differ from what has been assumed. Accordingly, the results of Open Enrollment will be analyzed during preparation of enrollment projections for the "Pre-Session" conference and adjustments will be made, if necessary.

Factors Significantly Impacting Program Costs

There are known factors that are significantly impacting health care costs, such as enrollment demographics and member health risks, types and frequency of services provided, price inflation, utilization of care, technology, and contract restructuring. These factors are not unique to the State Health Program. A detailed discussion of the national and regional health care issues impacting employer-sponsored health insurance plans is beyond the scope of this report; however, there have been several recent public reports released which have addressed this topic,

including reports by the Office of Program Policy Analysis and Government Accountability, Mellon Consultants, Senate Committee on Governmental Oversight and Productivity, Mercer Human Resource Consulting, general industry reports, and previous financial outlook reports.

Please be advised that the projected 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. Actual health care utilization and cost experience vary by enrollment and plan risk pool. We have applied our assumptions to aggregate PPO and HMO plan costs without enrollment or risk pool adjustment. In addition, we have made no adjustment to cost data to account for geographic price differences. Nevertheless, we believe our projections reasonably present the Trust Fund's financial outlook through the forecast period.

Financial Outlook Prepared by:
Steve Leclercq, Senior Analyst

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

Exhibit I
Comparison of Actual Cash Position to Estimate
Fiscal Year 2003-04
(In Millions)

	(A) <u>Estimate</u> <u>February '04</u>	(B) <u>Actual</u> <u>Fiscal Year</u>	(B) - (A) <u>Difference</u>	
BEGINNING CASH BALANCE	\$ 39.1	\$ 39.1	\$ 0.0	
REVENUES:				
Insurance Premiums:				
State Contributions	\$ 788.4	\$ 788.8	\$ 0.4	
Employee Contributions	145.6	145.7	0.1	
Medicare Contributions	66.7	67.1	0.4	
Early Retiree Contributions	40.2	40.2	0.0	
COBRA Contributions	6.7	6.7	0.0	
Interest on Investments	1.0	1.2	0.2	
TPA Refunds/PBM Rebates	12.4	12.0	(0.4)	
Pretax Trust Fund Transfer	13.0	14.2	1.2	
Other Revenues	0.0	0.5	0.5	
TOTAL REVENUES	<u>\$ 1,074.0</u>	<u>\$ 1,076.4</u>	<u>\$ 2.4</u>	
TOTAL CASH AVAILABLE	<u>\$ 1,113.1</u>	<u>\$ 1,115.5</u>	<u>\$ 2.4</u>	
EXPENSES:				
PPO Plan - Medical Claims	\$ 470.1	\$ 458.2	\$ (11.9)	
PPO Plan - Prescription Drug Claims	184.6	184.5	(0.1)	
HMO Premiums	402.9	400.9	(2.0)	
ASO Fee - TPA	37.5	37.4	(0.1)	
DSGI Administrative Costs	3.7	3.8	0.1	
Premium Refunds	2.0	2.3	0.3	
Other Expenses	0.1	0.1	0.0	
TOTAL EXPENSES	<u>\$ 1,100.9</u>	<u>\$ 1,087.2</u>	<u>\$ (13.7)</u>	
EXCESS OF REVENUES OVER EXPENSES	<u>\$ (26.9)</u>	<u>\$ (10.8)</u>	<u>\$ 16.1</u>	
Plus: Transfer from Disability Trust Fund ⁽¹⁾	\$ 30.0	\$ 30.0	\$ 0.0	
ENDING CASH BALANCE	<u>\$ 42.2</u>	<u>\$ 58.3</u>	<u>\$ 16.1</u>	
Average Enrollment by Plan	PPO Plan	108,965	108,950	(15)
	HMO Plans	58,987	59,072	85
	Total	167,952	168,022	70
Average Enrollment by Coverage Type	Active	136,095	136,112	17
	Medicare	22,458	22,527	69
	Early Retirees	8,113	8,110	(3)
	Cobra	1,286	1,273	(13)
	Total	167,952	168,022	70

⁽¹⁾ Authorized per Section 61 - Conference Report on Senate Bill 2-A.

Exhibit II
Financial Outlook ⁽¹⁾
Fiscal Year 2004-05
(In Millions)

	(A) Post Session Outlook <u>June '04</u>	(B) Financial Outlook <u>October '04</u>	(B) - (A) Difference
BEGINNING CASH BALANCE	\$ 42.2	\$ 58.3	\$ 16.1
REVENUES:			
Insurance Premiums:			
State Contributions	\$ 892.5	\$ 889.0	\$ (3.5)
Employee Contributions	155.4	154.7	(0.7)
Medicare Contributions	76.7	77.5	0.8
Early Retiree Contributions	47.5	46.9	(0.6)
COBRA Contributions	7.5	7.3	(0.2)
Interest on Investments	0.6	2.2	1.6
TPA Refunds/PBM Rebates	12.4	14.1	1.7
Pretax Trust Fund Transfer	13.0	14.0	1.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 1,205.6	\$ 1,205.7	\$ 0.1
TOTAL CASH AVAILABLE	\$ 1,247.8	\$ 1,264.0	\$ 16.2
EXPENSES:			
PPO Plan - Medical Claims	\$ 498.6	\$ 482.2	\$ (16.4)
PPO Plan - Prescription Drug Claims	202.1	199.2	(2.9)
HMO Premiums	466.9	454.0	(12.9)
ASO Fee - TPA	38.6	38.6	0.0
DSGI Administrative Costs	4.2	4.2	0.0
Premium Refunds	2.0	4.0	2.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 1,212.5	\$ 1,182.3	\$ (30.2)
EXCESS OF REVENUES OVER EXPENSES	\$ (6.9)	\$ 23.4	\$ 30.3
ENDING CASH BALANCE	\$ 35.3	\$ 81.7	\$ 46.4
Average Enrollment by Plan			
PPO Plan	109,218	108,367	(851)
HMO Plans	61,116	60,818	(298)
Total	170,334	169,185	(1,149)
Average Enrollment by Coverage Type			
Active	137,235	135,959	(1,276)
Medicare	23,255	23,486	231
Early Retirees	8,566	8,492	(74)
Cobra	1,278	1,248	(30)
Total	170,334	169,185	(1,149)

⁽¹⁾ Does not include the potential enrollment and related financial impact due to the newly offered TRICARE health benefit supplement, effective January 1, 2005. (Ref. GAA - Sec.8.2.G)

Exhibit III
Comparison of Financial Outlooks
Fiscal Year 2004-05
(In Millions)

\$ 35.3	Previously Forecasted Ending Cash Balance ⁽¹⁾
16.1	Increase in Beginning Cash Balance
0.1	Estimated Increase in Forecasted Revenues
\$ (6.2)	- Decrease in Insurance Premiums due to a reduction in projected enrollment, category shifting, and a recording adjustment.
\$ 2.0	- Increase in Insurance Premium overpayments by participating entities/subscribers.
\$ 1.6	- Increase in Interest Income due to higher monthly ending cash balances.
\$ 1.7	- Increase in TPA Refunds/PBM Rebates due to an isolated incident where the TPA inadvertently duplicated certain medical claim payments. (A lump sum refund has been received by the State to cover identified claim overpayments.)
\$ 1.0	- Increase in the Pretax Trust Fund Transfer due to increasing employer FICA savings resulting from increased employee participation in pretax benefit plans, increasing premium rates, and FSA forfeitures.
30.2	Estimated Decrease in Forecasted Expenses
\$ 16.4	- Decrease in PPO Plan Medical Spend
\$ 3.9	- Decrease due to a reduction in projected enrollment. (Projected average enrollment from 109,218 to 108,367)
\$ 11.7	- Decrease due to the actual claims paid base being lower than estimated for FYE 2004.
\$ 2.5	- Decrease due to a slightly lower utilization/cost growth rate assumption. (From 12.5% to 12.0%)
\$ (1.7)	- Increase due to an isolated incident where the TPA inadvertently duplicated certain medical claim payments. (A lump sum refund has been received by the State to cover identified claim overpayments.)
\$ 2.9	- Decrease in PPO Plan Prescription Drug Spend
\$ 1.8	- Decrease due to a reduction in projected enrollment. (Projected average enrollment from 109,218 to 108,367)
\$ 1.1	- Decrease due to a slightly lower utilization/cost growth rate assumption. (From 16.0% to 15.5%)
\$ 12.9	- Decrease in HMO Premium Payments
\$ 3.2	- Decrease due to a reduction in projected enrollment. (Projected average enrollment from 61,116 to 60,818)
\$ 9.7	- Decrease due to the actual, aggregate rate increase negotiated for calendar year 2005 being lower than estimated. (From 13.0% to 9.5%)
\$ (2.0)	- Increase in Premium Refunds due to rising premium overpayments.
\$ 81.7	Current Forecasted Ending Cash Balance

⁽¹⁾ June 2004 Post Session Outlook.

Exhibit IV
Financial Outlook ⁽¹⁾
Fiscal Year 2005-06
(In Millions)

	(A) Post Session Outlook <u>June '04</u>	(B) Financial Outlook <u>October '04</u>	(B) - (A) Difference
BEGINNING CASH BALANCE	\$ 35.3	\$ 81.7	\$ 46.4
REVENUES:			
Insurance Premiums:			
State Contributions	\$ 939.7	\$ 933.7	\$ (6.0)
Employee Contributions	154.9	153.8	(1.1)
Medicare Contributions	83.0	83.3	0.3
Early Retiree Contributions	52.5	52.1	(0.4)
COBRA Contributions	7.9	7.7	(0.2)
Interest on Investments	0.0	1.9	1.9
TPA Refunds/PBM Rebates	12.4	12.4	0.0
Pretax Trust Fund Transfer	13.0	14.0	1.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 1,263.4	\$ 1,258.9	\$ (4.5)
TOTAL CASH AVAILABLE	\$ 1,298.7	\$ 1,340.6	\$ 41.9
EXPENSES:			
PPO Plan - Medical Claims	\$ 565.1	\$ 543.8	\$ (21.3)
PPO Plan - Prescription Drug Claims	235.3	232.0	(3.3)
HMO Premiums	538.2	515.0	(23.2)
ASO Fee - TPA	38.6	38.6	0.0
DSGI Administrative Costs	4.2	4.2	0.0
Premium Refunds	2.0	4.0	2.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 1,383.5	\$ 1,337.7	\$ (45.8)
EXCESS OF REVENUES OVER EXPENSES	\$ (120.1)	\$ (78.8)	\$ 41.3
ENDING CASH BALANCE	\$ (84.8)	\$ 2.9	\$ 87.7
Average Enrollment by Plan			
PPO Plan	108,563	107,497	(1,066)
HMO Plans	62,695	62,351	(344)
Total	171,258	169,848	(1,410)
Average Enrollment by Coverage Type			
Active	136,945	135,477	(1,468)
Medicare	23,953	24,124	171
Early Retirees	9,082	8,996	(86)
Cobra	1,278	1,251	(27)
Total	171,258	169,848	(1,410)

(1) Does not include the potential enrollment and related financial impact due to the newly offered TRICARE health benefit supplement, effective January 1, 2005. (Ref. GAA - Sec.8.2.G)

Exhibit V
Comparison of Financial Outlooks
Fiscal Year 2005-06
(In Millions)

\$ (84.8) Previously Forecasted Ending Cash Balance ⁽¹⁾

46.4 Increase in Beginning Cash Balance

(4.5) Estimated Decrease in Forecasted Revenues

- \$ (9.4) - Decrease in Insurance Premiums due to a reduction in projected enrollment and category shifting.
- \$ 2.0 - Increase in Insurance Premium overpayments by participating entities/subscribers.
- \$ 1.9 - Increase in Interest Income due to higher monthly ending cash balances.
- \$ 1.0 - Increase in the Pretax Trust Fund Transfer due to increasing employer FICA savings resulting from increased employee participation in pretax benefit plans, increasing premium rates, and FSA forfeitures.

45.8 Estimated Decrease in Forecasted Expenses

- \$ 21.3 - Decrease in PPO Plan Medical Spend
 - \$ 5.5 - Decrease due to a reduction in projected enrollment. (Projected average enrollment from 108,563 to 107,497)
 - \$ 13.1 - Decrease due to the actual claims paid base being lower than estimated for FYE 2004.
 - \$ 2.7 - Decrease due to a slightly lower utilization/cost growth rate assumption. (From 12.5% to 12.0%)
- \$ 3.3 - Decrease in PPO Plan Prescription Drug Spend
 - \$ 2.3 - Decrease due to a reduction in projected enrollment. (Projected average enrollment from 108,563 to 107,497)
 - \$ 1.0 - Decrease due to a slightly lower utilization/cost growth rate assumption. (From 16.0% to 15.5%)
- \$ 23.2 - Decrease in HMO Premium Payments
 - \$ 3.5 - Decrease due to a reduction in projected enrollment. (Projected average enrollment from 62,695 to 62,351)
 - \$ 17.0 - Decrease due to the actual, aggregate rate increase negotiated for calendar year 2005 being lower than estimated. (From 13.0% to 9.5%)
 - \$ 2.7 - Decrease due to a slightly lower rate increase assumption for calendar year 2006. (From 13.0% to 12.0%)
- \$ (2.0) - Increase in Premium Refunds due to rising premium overpayments.

\$ 2.9 Current Forecasted Ending Cash Balance

⁽¹⁾ June 2004 Post Session Outlook.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

**Exhibit VI
Premium Rate Table**

Effective through December 31, 2004								
Category	Coverage		Biweekly Contribution			Monthly Contribution		
	Type	Code	State	Enrollee	Total	State	Enrollee	Total
Active Full-Time Employees ⁽¹⁾	Single	01	\$ 144.34	\$ 24.34	\$ 168.68	\$ 288.68	\$ 48.68	\$ 337.36
	Family	02	\$ 295.15	\$ 87.57	\$ 382.72	\$ 590.30	\$ 175.14	\$ 765.44
	Spouse	22/89	\$ 382.72	\$ 0.00	\$ 382.72	\$ 765.44	\$ 0.00	\$ 765.44
COBRA Participants	Single ⁽²⁾	9	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 344.11	\$ 344.11
	Family ⁽²⁾	10	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 780.75	\$ 780.75
	Single ⁽³⁾	11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 506.04	\$ 506.04
	Family ⁽³⁾	12	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,148.16	\$ 1,148.16
Early Retirees	Single	61	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 337.36	\$ 337.36
	Family	62	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 765.44	\$ 765.44
Medicare Participants ⁽⁴⁾	(I) One Eligible	63	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 179.42	\$ 179.42
	(II) One Under/Over	64	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 516.78	\$ 516.78
	(III) Both Eligible	65	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 358.84	\$ 358.84

Effective January 1, 2005								
Category	Coverage		Biweekly Contribution			Monthly Contribution		
	Type	Code	State	Enrollee	Total	State	Enrollee	Total
Active Full-Time Employees ⁽¹⁾	Single	01	\$ 161.22	\$ 24.34	\$ 185.56	\$ 322.44	\$ 48.68	\$ 371.12
	Family	02	\$ 333.42	\$ 87.57	\$ 420.99	\$ 666.84	\$ 175.14	\$ 841.98
	Spouse	22/89	\$ 420.99	\$ 0.00	\$ 420.99	\$ 841.98	\$ 0.00	\$ 841.98
COBRA Participants	Single ⁽²⁾	9	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 378.54	\$ 378.54
	Family ⁽²⁾	10	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 858.82	\$ 858.82
	Single ⁽³⁾	11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 556.68	\$ 556.68
	Family ⁽³⁾	12	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,262.96	\$ 1,262.96
Early Retirees	Single	61	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 371.12	\$ 371.12
	Family	62	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 841.98	\$ 841.98
Medicare Participants ⁽⁴⁾	(I) One Eligible	63	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 197.36	\$ 197.36
	(II) One Under/Over	64	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 568.48	\$ 568.48
	(III) Both Eligible	65	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 394.72	\$ 394.72

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

(3) Includes an additional 50% as permitted by federal regulations.

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

Exhibit VII
Abbreviations

Avg.	.....	Average
ASO	.....	Administrative Services Only
COBRA	.....	Consolidated Omnibus Budget Reconciliation Act
DSGI	.....	Division of State Group Insurance
FTE	.....	Full Time Equivalency
FY	.....	Fiscal Year
HMO	.....	Health Maintenance Organization
PBM	.....	Pharmacy Benefits Manager
PPO	.....	Preferred Provider Organization
TPA	.....	Third Party Administrator