

**Self-Insurance Estimating Conference  
State Employees' Health Insurance Trust Fund  
Last conference held: December 7, 2009**

**Executive Summary**

The outlook for the State Employees' Health Insurance Trust Fund has improved slightly since the last conference held in July 2009. For 2009-10, the projected ending balance has increased by \$5.3 million from \$162.5 million to \$167.8 million. For 2010-11 the projected ending balance has improved by \$11.1 million from \$4.6 million to \$15.7 million. The outlook for subsequent years, although improved, shows that expenses will exceed revenues by an amount that generates a negative balance for the fund of \$368.0 million at the end of 2011-12. Further negative cash flow of \$594.0 million 2012-13 is projected, assuming no carry forward of a negative balance from the prior year.

The enrollment forecast has been changed significantly due both to recent trends and the results of open enrollment. Enrollment has been running lower than expected among both active employees and COBRA enrollees, continuing a two year trend of declines, with the reduction concentrated among subscribers with individual coverage. Open enrollment results indicate an increase of .9% overall, with an increase among HMO subscribers and a decrease in PPO subscribers equal to approximately half the growth in HMO subscribers. Combining all of the enrollment information, the resulting enrollment forecast expects a reduction from the current forecast of .8% in 2009-10, .6% in 2010-11, and .5% in both 2011-12 and 2012-13. In each year, although overall projected enrollment has declined from the July estimate, HMO enrollment has been increased, with the decline in the PPO enrollment more than offsetting the increase in HMO enrollment. The expected growth rates from the prior fiscal year in total enrollment are .5% in 2009-10 and 2010-11, and .7% in 2011-12 and 2012-13.

In terms of revenues, the most significant changes have to do with the changes in the enrollment projections. The overall reduction in enrollment has the greatest negative impact on premiums, with shifts among categories accounting for a smaller negative adjustment. The negative adjustment to expected premiums is somewhat offset by small increases in other categories of revenue resulting from the change in enrollment projections and recent experience.

On the PPO expense side, the assumed 9.5% medical trend factor for cost increases is unchanged from July, but lower enrollment and recent experience combine to result in a lower overall forecast for PPO medical claims. The lower enrollment projections also result in a lower projection for ASO fees. For PPO prescription drug claims, the reduction in claims which would result from the lower enrollment forecast and improved financial terms resulting from contract renewal are partially offset by an increase in cost projections.

On the HMO side, the expected negotiated weighted-average premium increases for Plan Years 2010 through 2013 remain unchanged. The forecast for HMO premium payments has been increased due to higher projected HMO enrollment, as well as shifts among the categories of enrollment.

There additionally is an increase in HSA deposits due to higher projected deposit activity, and a reduction in projected operating costs due to a correction in the expected Administrative Assessment expense.

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# **State Employees' Group Health Self-Insurance Trust Fund**

## **Report on the Financial Outlook**

**For the Fiscal Years Ending June 30, 2009 through June 30, 2013**

**Presented December 7, 2009**

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

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**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**EXECUTIVE SUMMARY**

The Florida Division of State Group Insurance has prepared a financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2009 through June 30, 2013 to aid in state planning and budgeting in accordance with Section 216.136(9), *Florida Statutes*. The outlook has been prepared using cash basis methods and modeling and is based on the healthcare benefit and funding designs currently in place. It considers the Open Enrollment results for 2010 and actual enrollment and cash flow experience through October 2009.

As presented in July 2009, the Post-Session Outlook forecast reported and recognized the fiscal impact of the results of the 2010 HMO premium rate negotiations, the additional requirements under federally mandated mental health parity to autism benefits and the 2009 legislative actions listed below:

1. Premium increase of 5%, effective May 1, 2010, keeping employee harmless.
2. Mandatory assignment effective July 1, 2009, pursuant to SB1122.

This financial outlook uses the Post-Session Outlook as the base and reports and recognizes the fiscal impact of the activities and developments listed below:

1. Monthly enrollment activity through October 2009.
2. Open Enrollment results for 2010.
3. Revenue and claims experience through October 2009.
4. Fiscal impact of renewal of Pharmacy Benefits Manager (PBM) contract through December 31, 2011.

The cash position has changed for the forecast period due primarily to the activities mentioned above. The Trust Fund is expected to remain solvent through FY 2009-10. The projected ending cash balance for Fiscal Year 2009-10 slightly increased from \$162.5 million to \$167.8 million, up \$5.3 million; the estimated operating loss decreased from \$43.7 million to \$38.4 million, down \$5.3 million. The projected ending cash balance for Fiscal Year 2010-11 increased from \$4.6 million to \$15.7 million, up \$11.1 million; the estimated operating loss decreased from \$157.9 million to \$152.1 million, down \$5.8 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 167.8 million in FY 09-10 to a projected ending cash deficit of \$368.0 million in Fiscal Year 2011-12. Projected revenue will fall short in meeting health plan cost growth by \$383.7 million.

Following is a summary of the outlook through Fiscal Year 2012-13.

<b>Financial Outlook</b> (Dollars in Millions)	Actual	Actual & Projected	----- Projected -----		
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Beginning Cash Balance	237.7	206.2	167.8	15.7	0.0
Revenues	1,615.6	1,764.6	1,839.9	1,822.9	1,875.0
Expenses	<u>1,647.1</u>	<u>1,803.0</u>	<u>1,992.0</u>	<u>2,206.6</u>	<u>2,469.0</u>
Operating Gain/ (Loss)	<u>(31.5)</u>	<u>(38.4)</u>	<u>(152.1)</u>	<u>(383.7)</u>	<u>(594.0)</u>
Ending Cash Balance	<u>206.2</u>	<u>167.8</u>	<u>15.7</u>	<u>(368.0)</u>	<u>(594.0)</u>

**Growth Trends**

The cash position of the Trust Fund slightly improved from the previous outlook through the forecast period. Changes are primarily from refinements to recognize monthly enrollment activity through October 2009, results of Open Enrollment for 2010, recognition of actual medical and prescription drug experience through October 2009, the fiscal impact of the renewal of the PBM contract and the update of the prescription drug trend.

## **STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

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These adjustments suggest decreases in Insurance Premiums, PPO Medical Costs, ASO Fee, and Prescription Drug and increases in HMO Premium Payments due primarily to enrollment decline and plan/category migration. In addition, the renewal of the PBM contract suggests further decreases in Prescription Drug expenses.

Projected non-premium revenue increases are primarily attributed to an increase in PBM Rebates resulting from the renewal of the PBM contract and increases in Medicare Part D resulting from new actuarial projections.

Recurring growth in benefit expenses (10.0%) through the forecast period with relatively stable revenues upon implementation of the rate increase in May 2010 will cause significant deterioration of the cash position in Fiscal Year 2010-11. Attention to the cash position will be required no later than Fiscal Year 2010-11 in order to maintain sufficient cash balances for operations.

Factors such as improvements in technology and market pressures continue to impact upwards healthcare insurance cost trend cycles. The declining employee membership trend in the Self-Insured Preferred Provider Organization (PPO) Plans and the matured benefit attribute structure continues to impact utilization patterns that ultimately result in higher costs for the state. The medical growth rate for the forecast period is consistent with the previous assumption of 9.5%. The assumed growth rate falls within the expected industry range of 9.0% – 10.7%.

Most notable are improved financial terms and cost-saving initiatives in the self-insured PPO health plans resulting from the renewal of the current contract with the Pharmacy Benefits Manager (Caremark, L.L.C.) through December 31, 2011. Estimated contract savings from deeper price discounts for prescription drugs along with increases in rebates will be realized effective January 1, 2010 and throughout the end of the renewal period.

The prescription drug market continues to provide opportunities for the dispensing of generic drugs. The offering of new and more expensive biotech/specialty drugs counterbalances the trend towards the utilization of less expensive generic drugs. Furthermore, fixed and outdated cost-containment features in the benefit design are adversely impacting the state cost-share of healthcare costs. While cost trends increase, there is not an equivalent increase in the share between the state and subscribers.

The overall cost trend, excluding FY 12-13, has been decreased from 10.6% to 9.6% for the forecast period, primarily due to the improved financial terms from the renewal of the current contract. The assumed growth rate falls within the expected industry range of 7.5% – 10.5%.

The weighted-average increase in premium rates for the Fully-Insured State-contracted Health Maintenance Organization (HMO) Plans for plan years 2011, 2012, and 2013 is consistent with the previous assumption of 10.5%. The assumed growth rate falls within the expected industry range of 10.0% – 12.0%. The outcome of the annual HMO premium renewal process determines the actual increase.

For plan year 2010, all but one county in Florida, will have at least one HMO plan offering. The PPO standard and high deductible health plans remain available statewide.

It is noteworthy that the contractual agreements with the PPO-Pharmacy Benefits Manager and the HMO vendors are due to expire during the forecast period. Assumptions and projected growth rates used for the forecast could be directly impacted by the results of procurement or renewal of these contracts.

### **Enrollment**

Open Enrollment results for 2010 reflect a continuing trend from the PPO plans to the HMO plans resulting in a decrease in the PPO enrollment of approximately 1,400 contracts, or 1.5%, and an increase in the HMO enrollment of approximately 2,900 contracts, or 3.7%.

Enrollment patterns for calendar years 2006 and 2007 presented an increasing average enrollment trend of 0.7% per year. However, the pattern for calendar years 2008 and 2009, except for the Medicare

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population, reversed to a decreasing trend of -0.9% and -0.6%, respectively. The PPO plans continue having a disproportionate higher share of post-employment subscribers as compared to the HMO plans.

Growth in total subscriber enrollment is projected at an annual average of 0.6% through the forecast period. Lower than expected employee enrollment resulting from monthly activity through October 2009, higher than projected migration trend from the PPO plans to the HMO plans, and category shifts are contributing to adjustments to the enrollment projections. The affected revenue and expense components of the outlook have been adjusted accordingly to consider the decrease in enrollment beyond previous projections.

Subscriber migration and new hire election patterns indicate continuing change in the enrollment distribution between the PPO plans and the HMO plans. Fiscal Year 2009-10 total enrollment distribution is projected at 54.2% in the PPO plans and 45.8% in the HMO plans. However, employee enrollment is projected at 47.4% in the PPO plans and 52.6% in the HMO plans, during the same period.

Approximately 1,300 subscribers (1,237 active employees) are currently enrolled in a High Deductible Health Plan (0.7% of total enrollment). Approximately 748 of those active employees, or 62%, are participating in the integrated state-sponsored Health Savings Account offering.

### **Exhibits**

The exhibits that follow provide more in-depth information about projected enrollment, expected health care cost growth, cash positions and comparisons to the previous outlook.

**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**Exhibit I**

**Financial Outlook by Fiscal Year**

**Highlights of Changes to Forecast - Conference December 2009 Compared to July 2009  
(In Millions)**

	FY 09-10			FY 10-11			FY 11-12			FY 12-13		
	Jul '09	Dec '09	Diff.	Jul '09	Dec '09	Diff.	Jul '09	Dec '09	Diff.	Jul '09	Dec '09	Diff.
<b>Beginning Balance</b>	\$ 206.2	\$ 206.2	\$ 0.0	\$ 162.5	\$ 167.8	\$ 5.3	\$ 4.6	\$ 15.7	\$ 11.1	\$ 0.0	\$ 0.0	\$ 0.0
<b>Revenues:</b>												
Insurance Premiums	\$ 1,708.8	\$ 1,696.0	\$ (12.8)	\$ 1,781.5	\$ 1,767.0	\$ (14.5)	\$ 1,756.7	\$ 1,748.8	\$ (7.9)	\$ 1,801.5	\$ 1,799.2	\$ (2.3)
Investment Interest	1.4	2.8	1.4	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBM Rebates	18.4	19.4	1.0	19.3	22.8	3.5	20.2	23.7	3.5	20.2	24.5	4.3
Medicare Part D	17.7	18.8	1.1	18.9	21.2	2.3	19.1	22.8	3.7	19.1	23.7	4.6
Other Revenues	27.6	27.6	0.0	27.6	27.6	0.0	27.6	27.6	0.0	27.6	27.6	0.0
<b>Total Revenues</b>	\$ 1,773.9	\$ 1,764.6	\$ (9.3)	\$ 1,848.6	\$ 1,839.9	\$ (8.7)	\$ 1,823.6	\$ 1,822.9	\$ (0.7)	\$ 1,868.4	\$ 1,875.0	\$ 6.6
<b>Total Available</b>	\$ 1,980.1	\$ 1,970.8	\$ (9.3)	\$ 2,011.1	\$ 2,007.7	\$ (3.4)	\$ 1,828.2	\$ 1,838.6	\$ 10.4	\$ 1,868.4	\$ 1,875.0	\$ 6.6
<b>Expenses:</b>												
PPO Expenses:												
Medical Claims	\$ 629.9	\$ 613.0	\$ (16.9)	\$ 682.5	\$ 657.2	\$ (25.3)	\$ 737.3	\$ 703.4	\$ (33.9)	\$ 796.6	\$ 752.7	\$ (43.9)
ASO Fee	20.6	20.2	(0.4)	20.5	19.9	(0.6)	20.6	19.7	(0.9)	20.4	19.3	(1.1)
Bank Services	0.1	0.1	0.0	0.1	0.0	(0.1)	0.1	0.0	(0.1)	0.1	0.0	(0.1)
Prescription Drug	267.9	261.8	(6.1)	295.2	279.0	(16.2)	318.0	293.2	(24.8)	363.1	331.5	(31.6)
HMO Premiums	891.3	900.1	8.8	1,000.4	1,028.1	27.7	1,134.7	1,182.5	47.8	1,287.1	1,357.7	70.6
HSA Deposits	1.0	1.2	0.2	1.0	1.2	0.2	1.0	1.2	0.2	1.0	1.2	0.2
Oper Costs / Assess	2.9	2.7	(0.2)	2.9	2.7	(0.2)	2.9	2.7	(0.2)	2.9	2.7	(0.2)
Other Expenses	3.9	3.9	0.0	3.9	3.9	0.0	3.9	3.9	0.0	3.9	3.9	0.0
<b>Total Expenses</b>	\$ 1,817.6	\$ 1,803.0	\$ (14.6)	\$ 2,006.5	\$ 1,992.0	\$ (14.5)	\$ 2,218.5	\$ 2,206.6	\$ (11.9)	\$ 2,475.1	\$ 2,469.0	\$ (6.1)
<b>Excess of Revenues over Expenses</b>	\$ (43.7)	\$ (38.4)	\$ 5.3	\$ (157.9)	\$ (152.1)	\$ 5.8	\$ (394.9)	\$ (383.7)	\$ 11.2	\$ (606.7)	\$ (594.0)	\$ 12.7
<b>Ending Balance</b>	\$ 162.5	\$ 167.8	\$ 5.3	\$ 4.6	\$ 15.7	\$ 11.1	\$ (390.3)	\$ (368.0)	\$ 22.3	\$ (606.7)	\$ (594.0)	\$ 12.7

<sup>(1)</sup> Revenue and Expense categories have been collapsed to present the highlights of changes to forecast.

<sup>(2)</sup> Exhibits III to XI present detail forecast information, per fiscal year.

**Highlights of Changes to Forecast**

- Overall, net results of outlook changes are favorable for the forecast period.
- Inclusion of actual enrollment activity through October 2009.
  - \* Lower actual than previously projected enrollment results in a decrease in enrollment projections for the forecast period.
  - \* Impact to revenue and expense components.
- Inclusion of results of Open Enrollment for 2010.
  - \* Higher than previously projected migration from the PPO Plans to the HMO Plans.
  - \* Impact to revenue and expense components.
- Inclusion of actual revenue and expense experience through October 2009.
- Inclusion of the estimated fiscal impact of renewal of Pharmacy Benefits Manager contract through December 30, 2011 (Financial terms effective January 1, 2010.)
- Inclusion of the estimated fiscal impact of Bank Services contract procurement.

**Exhibit II**  
**Financial Outlook**  
**By Fiscal Year**  
**(In Millions)**

	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>
	<u>Actual</u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>
<b>BEGINNING CASH BALANCE</b>	\$ 237.7	\$ 206.2	\$ 167.8	\$ 15.7	\$ 0.0 <sup>(4)</sup>
<b>REVENUES:</b>					
Insurance Premiums:					
Employer	\$ 1,211.2	\$ 1,347.8	\$ 1,409.8	\$ 1,388.7	\$ 1,428.7
Employee	156.7	157.2	158.2	156.6	162.1
HSA Contributions <sup>(2)</sup>	1.0	1.2	1.2	1.2	1.2
COBRA	6.0	6.1	6.3	6.3	6.3
Early Retiree	56.7	60.3	60.2	60.2	60.2
Medicare	111.0	123.4	131.3	135.8	140.7
Investment Interest	4.2	2.8	1.3	0.0	0.0
TPA Refunds	10.7	9.6	9.6	9.6	9.6
PBM Rebates	18.5	19.4	22.8	23.7	24.5
Pretax Trust Fund Transfer	21.0	18.0	18.0	18.0	18.0
Medicare Part D Subsidy	18.4	18.8	21.2	22.8	23.7
Other Revenues	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL REVENUES</b>	\$ 1,615.6	\$ 1,764.6	\$ 1,839.9	\$ 1,822.9	\$ 1,875.0
<b>TOTAL CASH AVAILABLE</b>	\$ 1,853.3	\$ 1,970.8	\$ 2,007.7	\$ 1,838.6	\$ 1,875.0
<b>EXPENSES:</b>					
State PPO Plan:					
Medical Claims	\$ 567.0	\$ 613.0	\$ 657.2	\$ 703.4	\$ 752.7
ASO Fee	20.9	20.2	19.9	19.7	19.3
Bank Services	0.0	0.1	0.0	0.0	0.0
Prescription Drug Claims <sup>(3)</sup>	243.3	261.8	279.0	293.2	331.5
PBM Claims Administration	0.0	0.3	0.3	0.3	0.3
HMO Premium Payments	808.2	900.1	1,028.1	1,182.5	1,357.7
HSA Deposits <sup>(2)</sup>	1.1	1.2	1.2	1.2	1.2
Operating Costs & Admin Assessment	3.1	2.7	2.7	2.7	2.7
Premium Refunds	3.4	3.5	3.5	3.5	3.5
Other Expenses	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
<b>TOTAL EXPENSES</b>	\$ 1,647.1	\$ 1,803.0	\$ 1,992.0	\$ 2,206.6	\$ 2,469.0
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (31.5)	\$ (38.4)	\$ (152.1)	\$ (383.7)	\$ (594.0)
<b>ENDING CASH BALANCE</b>	\$ <b>206.2</b>	\$ <b>167.8</b>	\$ <b>15.7</b>	\$ <b>(368.0)</b>	\$ <b>(594.0)</b>

<b>Average Enrollment by Plan</b>	PPO Standard	97,744	94,786	92,145	90,037	87,988
	PPO HIHP	845	866	856	856	856
	HMO Standard	76,738	80,459	83,908	87,204	90,477
	HMO HIHP	420	435	432	432	432
	<u>Total</u>	<u>175,747</u>	<u>176,546</u>	<u>177,341</u>	<u>178,529</u>	<u>179,753</u>
<b>Average Enrollment by Coverage Type</b>	Active Standard	138,510	138,876	139,219	139,736	140,292
	Active HIHP	1,183	1,222	1,210	1,210	1,210
	COBRA	816	752	752	752	752
	Early Retiree	8,267	7,949	7,704	7,704	7,704
	Medicare	26,971	27,747	28,456	29,127	29,795
	<u>Total</u>	<u>175,747</u>	<u>176,546</u>	<u>177,341</u>	<u>178,529</u>	<u>179,753</u>

<sup>(1)</sup> Actual results may differ from projected values with increasing likelihood of variance in future periods.

<sup>(2)</sup> Contributions approximate a split between employer and employee of 40% and 60%, respectively.

<sup>(3)</sup> Includes the estimated fiscal impact of PBM contract renewal.

<sup>(4)</sup> Assumes no carry forward of negative ending cash balance from prior year.

**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**Exhibit III  
Financial Outlook  
Fiscal Year 2009-10  
(In Millions)**

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Jul '09</u>	<u>Dec '09</u>	<u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 206.2	\$ 206.2	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,353.3	\$ 1,347.8	\$ (5.5)
Employee	158.5	157.2	(1.3)
HSA Contributions <sup>(1)</sup>	1.0	1.2	0.2
COBRA	7.6	6.1	(1.5)
Early Retiree	62.8	60.3	(2.5)
Medicare	125.6	123.4	(2.2)
Investment Interest	1.4	2.8	1.4
TPA Refunds	9.6	9.6	0.0
PBM Rebates	18.4	19.4	1.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	<u>17.7</u>	<u>18.8</u>	<u>1.1</u>
<b>TOTAL REVENUES</b>	\$ 1,773.9	\$ 1,764.6	\$ (9.3)
<b>TOTAL CASH AVAILABLE</b>	\$ 1,980.1	\$ 1,970.8	\$ (9.3)
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 629.9	\$ 613.0	\$ (16.9)
ASO Fee	20.6	20.2	(0.4)
Bank Services	0.1	0.1	0.0
Prescription Drug Claims <sup>(2)</sup>	267.9	261.8	(6.1)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	891.3	900.1	8.8
HSA Deposits <sup>(1)</sup>	1.0	1.2	0.2
Operating Costs & Admin Assessment	2.9	2.7	(0.2)
Premium Refunds	3.5	3.5	0.0
Other Expenses	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
<b>TOTAL EXPENSES</b>	\$ 1,817.6	\$ 1,803.0	\$ (14.6)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (43.7)	\$ (38.4)	\$ 5.3
<b>ENDING CASH BALANCE</b>	\$ <b>162.5</b>	\$ <b>167.8</b>	\$ <b>5.3</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	96,625	94,786	(1,839)
PPO HIHP	805	866	61
HMO Standard	80,178	80,459	281
HMO HIHP	<u>399</u>	<u>435</u>	<u>36</u>
Total	<u>178,007</u>	<u>176,546</u>	<u>(1,461)</u>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,533	138,876	(657)
Active HIHP	1,150	1,222	72
COBRA	1,302	752	(550)
Early Retiree	8,279	7,949	(330)
Medicare	<u>27,743</u>	<u>27,747</u>	<u>4</u>
Total	<u>178,007</u>	<u>176,546</u>	<u>(1,461)</u>

<sup>(1)</sup> Contributions approximate a split between employer and employee of 40% and 60%, respectively.

<sup>(2)</sup> Includes the estimated fiscal impact of PBM contract renewal.



**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**Exhibit IV  
Financial Outlook  
Fiscal Year 2010-11  
(In Millions)**

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Jul '09</u>	<u>Dec '09</u>	<u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 162.5	\$ 167.8	\$ 5.3
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,414.0	\$ 1,409.8	\$ (4.2)
Employee	158.4	158.2	(0.2)
HSA Contributions <sup>(1)</sup>	1.0	1.2	0.2
COBRA	6.8	6.3	(0.5)
Early Retiree	65.8	60.2	(5.6)
Medicare	135.5	131.3	(4.2)
Investment Interest	1.3	1.3	0.0
TPA Refunds	9.6	9.6	0.0
PBM Rebates	19.3	22.8	3.5
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	18.9	21.2	2.3
<b>TOTAL REVENUES</b>	\$ 1,848.6	\$ 1,839.9	\$ (8.7)
<b>TOTAL CASH AVAILABLE</b>	\$ 2,011.1	\$ 2,007.7	\$ (3.4)
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 682.5	\$ 657.2	\$ (25.3)
ASO Fee	20.5	19.9	(0.6)
Bank Services	0.1	0.0 <sup>(2)</sup>	(0.1)
Prescription Drug Claims	295.2	279.0 <sup>(3)</sup>	(16.2)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	1,000.4	1,028.1	27.7
HSA Deposits <sup>(1)</sup>	1.0	1.2	0.2
Operating Costs & Admin Assessment	2.9	2.7	(0.2)
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 2,006.5	\$ 1,992.0	\$ (14.5)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (157.9)	\$ (152.1)	\$ 5.8
<b>ENDING CASH BALANCE</b>	\$ 4.6	\$ 15.7	\$ 11.1
<b>Average Enrollment by Plan</b>			
PPO Standard	94,981	92,145	(2,836)
PPO HIHP	794	856	62
HMO Standard	82,300	83,908	1,608
HMO HIHP	405	432	27
Total	178,480	177,341	(1,139)
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,705	139,219	(486)
Active HIHP	1,145	1,210	65
COBRA	844	752	(92)
Early Retiree	8,297	7,704	(593)
Medicare	28,489	28,456	(33)
Total	178,480	177,341	(1,139)

<sup>(1)</sup> Contributions approximate a split between employer and employee of 40% and 60%, respectively.

<sup>(2)</sup> Includes the estimated fiscal impact of Bank Services contract procurement (Annual cost estimated at \$35,000/year.)

<sup>(3)</sup> Includes the estimated fiscal impact of PBM contract renewal.

**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**Exhibit V  
Financial Outlook  
Fiscal Year 2011-12  
(In Millions)**

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Jul '09</u>	<u>Dec '09</u>	<u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 4.6	\$ 15.7	\$ 11.1
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,386.4	\$ 1,388.7	\$ 2.3
Employee	154.8	156.6	1.8
HSA Contributions <sup>(1)</sup>	1.0	1.2	0.2
COBRA	6.8	6.3	(0.5)
Early Retiree	66.2	60.2	(6.0)
Medicare	141.5	135.8	(5.7)
Investment Interest	0.0	0.0	0.0
TPA Refunds	9.6	9.6	0.0
PBM Rebates	20.2	23.7	3.5
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	19.1	22.8	3.7
<b>TOTAL REVENUES</b>	\$ 1,823.6	\$ 1,822.9	\$ (0.7)
<b>TOTAL CASH AVAILABLE</b>	\$ 1,828.2	\$ 1,838.6	\$ 10.4
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 737.3	\$ 703.4	\$ (33.9)
ASO Fee	20.6	19.7	(0.9)
Bank Services	0.1	0.0 <sup>(2)</sup>	(0.1)
Prescription Drug Claims	318.0	293.2 <sup>(3)</sup>	(24.8)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	1,134.7	1,182.5	47.8
HSA Deposits <sup>(1)</sup>	1.0	1.2	0.2
Operating Costs & Admin Assessment	2.9	2.7	(0.2)
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 2,218.5	\$ 2,206.6	\$ (11.9)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (394.9)	\$ (383.7)	\$ 11.2
<b>ENDING CASH BALANCE</b>	\$ (390.3)	\$ (368.0)	\$ 22.3
<b>Average Enrollment by Plan</b>			
PPO Standard	93,702	90,037	(3,665)
PPO HIHP	783	856	73
HMO Standard	84,607	87,204	2,597
HMO HIHP	411	432	21
Total	179,503	178,529	(974)
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,962	139,736	(226)
Active HIHP	1,140	1,210	70
COBRA	813	752	(61)
Early Retiree	8,327	7,704	(623)
Medicare	29,261	29,127	(134)
Total	179,503	178,529	(974)

<sup>(1)</sup> Contributions approximate a split between employer and employee of 40% and 60%, respectively.

<sup>(2)</sup> Includes the estimated fiscal impact of Bank Services contract procurement (Annual cost estimated at \$35,000/year.)

<sup>(3)</sup> Includes the estimated fiscal impact of PBM contract renewal.

**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

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

	<u>(A)</u> <u>Jul '09</u>	<u>(B)</u> <u>Dec '09</u>	<u>(B) - (A)</u> <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 0.0 <sup>(4)</sup>	\$ 0.0 <sup>(4)</sup>	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,419.6	1,428.7	\$ 9.1
Employee	159.1	162.1	3.0
HSA Contributions <sup>(1)</sup>	1.0	1.2	0.2
COBRA	6.8	6.3	(0.5)
Early Retiree	66.7	60.2	(6.5)
Medicare	148.3	140.7	(7.6)
Investment Interest	0.0	0.0	0.0
TPA Refunds	9.6	9.6	0.0
PBM Rebates	20.2	24.5	4.3
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	19.1	23.7	4.6
<b>TOTAL REVENUES</b>	\$ 1,868.4	\$ 1,875.0	\$ 6.6
<b>TOTAL CASH AVAILABLE</b>	\$ 1,868.4	\$ 1,875.0	\$ 6.6
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 796.6	\$ 752.7	\$ (43.9)
ASO Fee	20.4	19.3	(1.1)
Bank Services	0.1	0.0 <sup>(2)</sup>	(0.1)
Prescription Drug Claims	363.1	331.5 <sup>(3)</sup>	(31.6)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	1,287.1	1,357.7	70.6
HSA Deposits <sup>(1)</sup>	1.0	1.2	0.2
Operating Costs & Admin Assessment	2.9	2.7	(0.2)
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 2,475.1	\$ 2,469.0	\$ (6.1)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (606.7)	\$ (594.0)	\$ 12.7
<b>ENDING CASH BALANCE</b>	\$ (606.7)	\$ (594.0)	\$ 12.7
<b>Average Enrollment by Plan</b>			
PPO Standard	92,504	87,988	(4,516)
PPO HIHP	773	856	83
HMO Standard	87,006	90,477	3,471
HMO HIHP	417	432	15
<b>Total</b>	<b>180,700</b>	<b>179,753</b>	<b>(947)</b>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	140,315	140,292	(23)
Active HIHP	1,136	1,210	74
COBRA	813	752	(61)
Early Retiree	8,370	7,704	(666)
Medicare	30,066	29,795	(271)
<b>Total</b>	<b>180,700</b>	<b>179,753</b>	<b>(947)</b>

(1) Contributions approximate a split between employer and employee of 40% and 60%, respectively.

(2) Includes the estimated fiscal impact of Bank Services contract procurement (Annual cost estimated at \$35,000/year.)

(3) Includes the estimated fiscal impact of PBM contract renewal.

(4) Assumes no carry forward of negative ending cash balance from prior year.

Exhibit VII  
**Comparison of Financial Outlooks**  
**Fiscal Year 2009-10**  
(In Millions)

**\$ 162.5 Previous Ending Cash Balance Forecast <sup>(1)</sup>**

(9.3) Decrease in Revenue Forecast

- (12.0) - Decrease in employer and enrollee Insurance Premiums due to a decrease in the projected enrollment from 178,007 to 176,546
- (1.0) - Decrease in Insurance Premiums due to category shifts
- 0.2 - Increase in HSA deposits due to higher projected deposit activity
- 1.4 - Increase in Investment Interest due to an increase in expected rate of return from 1.0% to 1.5%
- 1.0 - Net Increase in PBM Rebates
  - (0.3) - Decrease due to a decrease in projected enrollment from 97,430 to 95,652
  - (0.3) - Decrease due to a decrease in projected utilization
  - 1.6 - Increase due to improved financial terms from contract renewal
- 1.1 - Increase in Medicare Part D Subsidy due to an increase in the actuarial projections

(14.6) Decrease in Expense Forecast

- (16.9) - Decrease in PPO Plan Medical Claims
  - (11.2) - Decrease due to a decrease in projected enrollment from 97,430 to 95,652
  - (5.3) - Decrease due to lower actual than projected paid claims through October 2009
  - (0.4) - Decrease due to a decrease in projected impact of mandates
- (0.4) - Decrease in ASO fees due to a decrease in projected enrollment from 97,430 to 95,652
- (6.1) - Decrease in PPO Plan Prescription Drug Claims
  - (4.9) - Decrease due to a decrease in projected enrollment from 97,430 to 95,652
  - 4.4 - Increase due to an increase in cost projections
  - (5.6) - Decrease due to improved financial terms resulting from contract renewal
- 8.8 - Increase in HMO Premium Payments
  - 3.5 - Increase due to an increase in projected enrollment from 80,577 to 80,894
  - 5.3 - Increase due to category shifts
- 0.2 - Increase in HSA deposits due to higher projected deposit activity
- (0.2) - Decrease in Operating Costs due to a correction to the Administrative Assessment expense

**\$ 167.8 Current Ending Cash Balance Forecast**

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<sup>(1)</sup> July 2009

**Exhibit VIII**  
**Comparison of Financial Outlooks**  
**Fiscal Year 2010-11**  
(In Millions)

<b>\$</b>	<b>4.6</b>	<b>Previous Ending Cash Balance Forecast <sup>(1)</sup></b>
	5.3	Increase in Beginning Cash Balance Forecast
	(8.7)	Decrease in Revenue Forecast
	(10.3)	- Decrease in employer and enrollee Insurance Premiums due to a decrease in the projected enrollment from 178,480 to 177,341
	(4.4)	- Decrease in Insurance Premiums due to category shifts
	0.2	- Increase in HSA deposits due to higher projected deposit activity
	3.5	- Increase in PBM Rebates
	(0.6)	- Decrease due to a decrease in projected enrollment from 95,775 to 93,001
	(0.6)	- Decrease due to a decrease in projected utilization
	4.7	- Increase due to improved financial terms from contract renewal
	2.3	- Increase in Medicare Part D Subsidy due to an increase in the actuarial projections
	(14.5)	Decrease in Expense Forecast
	(25.3)	- Decrease in PPO Plan Medical Claims
	(19.1)	- Decrease due to a decrease in projected enrollment from 95,775 to 93,001
	(5.7)	- Decrease due to lower base for FY 09-10
	(0.5)	- Decrease due to a decrease in projected impact of mandates
	(0.6)	- Decrease in ASO fees due to a decrease in projected enrollment from 95,775 to 93,001
	(0.1)	- Decrease in Bank Services due to improved financial terms resulting from new contract
	(16.2)	- Decrease in PPO Plan Prescription Drug Claims
	(8.6)	- Decrease due to a decrease in projected enrollment from 95,775 to 93,001
	4.2	- Increase due to increase in cost projections
	(11.8)	- Decrease due to improved financial terms resulting from contract renewal
	27.7	- Increase in HMO Premium Payments
	19.8	- Increase due to an increase in projected enrollment from 82,705 to 84,340
	7.9	- Increase due to category shifts
	0.2	- Increase in HSA deposits due to higher projected deposit activity
	(0.2)	- Decrease in Operating Costs due to a correction to the Administrative Assessment expense
<b>\$</b>	<b>15.7</b>	<b>Current Ending Cash Balance Forecast</b>

<sup>(1)</sup> July 2009

Exhibit IX  
**Comparison of Financial Outlooks**  
**Fiscal Year 2011-12**  
(In Millions)

**\$ (390.3) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

11.1 Increase in Beginning Cash Balance Forecast

(0.7) Decrease in Revenue Forecast

(7.8) - Decrease in employer and enrollee Insurance Premiums due to a decrease in the projected enrollment from 179,503 to 178,529

(0.3) - Decrease in Insurance Premiums due to category shifts

0.2 - Increase in HSA deposits due to higher projected deposit activity

3.5 - Increase in PBM Rebates

(0.8) - Decrease due to a decrease in projected enrollment from 94,485 to 90,893

(0.6) - Decrease due to a decrease in projected utilization

4.9 - Increase due to improved financial terms from contract renewal

3.7 - Increase in Medicare Part D Subsidy due to an increase in the actuarial projections

(11.9) Decrease in Expense Forecast

(33.9) - Decrease in PPO Plan Medical Claims

(27.1) - Decrease due to a decrease in projected enrollment from 94,485 to 90,893

(6.0) - Decrease due to lower base for FY 09-10

(0.8) - Decrease due to a decrease in projected impact of mandates

(0.9) - Decrease in ASO fees due to a decrease in projected enrollment from 94,485 to 90,893

(0.1) - Decrease in Bank Services due to improved financial terms resulting from new contract

(24.8) - Decrease in PPO Plan Prescription Drug Claims

(12.1) - Decrease due to a decrease in projected enrollment from 94,485 to 90,893

(0.2) - Decrease due to a decrease in cost projections

(12.5) - Decrease due to improved financial terms resulting from contract renewal

47.8 - Increase in HMO Premium Payments

34.9 - Increase due to an increase in projected enrollment from 85,018 to 87,636

12.9 - Increase due to category shifts

0.2 - Increase in HSA deposits due to higher projected deposit activity

(0.2) - Decrease in Operating Costs due to a correction to the Administrative Assessment expense

**\$ (368.0) Current Ending Cash Balance Forecast**

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<sup>(1)</sup> July 2009

**Exhibit X**  
**Comparison of Financial Outlooks**  
**Fiscal Year 2012-13**  
**(In Millions)**

**\$ (606.7) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

6.6 Increase in Revenue Forecast

- (6.6) - Decrease in employer and enrollee Insurance Premiums due to a decrease in the projected enrollment from 180,700 to 179,353
- 4.1 - Decrease in Insurance Premiums due to category shifts
- 0.2 - Increase in HSA deposits due to higher projected deposit activity
- 4.3 - Increase in PBM Rebates
  - (1.0) - Decrease due to a decrease in projected enrollment from 93,277 to 88,844
  - 0.2 - Increase due to an increase in projected utilization
  - 5.1 - Increase due to improved financial terms from contract renewal
- 4.6 - Increase in Medicare Part D Subsidy due to an increase in the actuarial projections

(6.1) Decrease in Expense Forecast

- (43.9) - Decrease in PPO Plan Medical Claims
  - (36.7) - Decrease due to a decrease in projected enrollment from 93,277 to 88,844
  - (6.5) - Decrease due to lower base for FY 09-10
  - (0.7) - Decrease due to a decrease in projected impact of mandates
- (1.1) - Decrease in ASO fees due to a decrease in projected enrollment from 93,277 to 88,844
- (0.1) - Decrease in Bank Services due to improved financial terms resulting from new contract
- (31.6) - Decrease in PPO Plan Prescription Drug Claims
  - (17.3) - Decrease due to a decrease in projected enrollment from 93,277 to 88,844
  - (0.7) - Decrease due to a decrease in cost projections
  - (13.6) - Decrease due to improved financial terms resulting from contract renewal
- 70.6 - Increase in HMO Premium Payments
  - 51.3 - Increase due to an increase in projected enrollment from 87,423 to 90,909
  - 19.3 - Increase due to category shifts
- 0.2 - Increase in HSA deposits due to higher projected deposit activity
- (0.2) - Decrease in Operating Costs due to a correction to the Administrative Assessment expenses

**\$ (594.0) Current Ending Cash Balance Forecast**

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<sup>(1)</sup> July 2009

**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**Exhibit XI  
Premium Rate Table  
Effective May 2009**

Category	Coverage Type	PPO/HMO Standard			PPO/HMO HIHP <sup>(4)</sup>		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees <sup>(1)</sup> (Monthly)	Single	448.68	50.00	498.68	448.68	15.00	463.68
	Family	947.74	180.00	1,127.74	947.74	64.30	1,012.04
	Spouse	1,127.74	0.00	1,127.74	1,012.04	0.00	1,012.04
Full -Time Employees <sup>(1)</sup> (Bi-Weekly)	Single	224.34	25.00	249.34	224.34	7.50	231.84
	Family	473.87	90.00	563.87	473.87	32.15	506.02
	Spouse	563.87	0.00	563.87	506.02	0.00	506.02
COBRA Participants <sup>(2)</sup> (Monthly )	Single	0.00	508.65	508.65	0.00	430.45	430.45
	Family	0.00	1,150.29	1,150.29	0.00	947.28	947.28
Early Retirees (Monthly)	Single	0.00	498.68	498.68	0.00	422.02	422.02
	Family	0.00	1,127.74	1,127.74	0.00	928.72	928.72
Medicare Participants <sup>(3)</sup> (Monthly)	(I) One Eligible	0.00	264.78	264.78	0.00	199.58	199.58
	(II) One Under/Over	0.00	763.46	763.46	0.00	659.40	659.40
	(III) Both Eligible	0.00	529.56	529.56	0.00	399.16	399.16
Overage Dependents	Single	0.00	498.68	498.68	0.00	422.02	422.02

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

(4) 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  
Premium Rate Table  
Effective May 2010**

Category	Coverage Type	PPO/HMO Standard			PPO/HMO HIHP		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees <sup>(1)</sup> (Monthly)	Single	473.62	50.00	523.62	473.62	15.00	488.62
	Family	1,004.14	180.00	1,184.14	1,004.14	64.30	1,068.44
	Spouse	1,184.14	0.00	1,184.14	1,068.44	0.00	1,068.44
Full -Time Employees <sup>(1)</sup> (Bi-Weekly)	Single	236.81	25.00	261.81	236.81	7.50	244.31
	Family	502.07	90.00	592.07	502.07	32.15	534.22
	Spouse	592.07	0.00	592.07	534.22	0.00	534.22
COBRA Participants <sup>(2)</sup> (Monthly )	Single	0.00	534.09	534.09	0.00	455.90	455.90
	Family	0.00	1,207.82	1,207.82	0.00	1,004.81	1,004.81
Early Retirees (Monthly)	Single	0.00	523.62	523.62	0.00	446.96	446.96
	Family	0.00	1,184.14	1,184.14	0.00	985.11	985.11
Medicare Participants <sup>(3)</sup> (Monthly)	(I) One Eligible	0.00	278.02	278.02	0.00	209.56	209.56
	(II) One Under/Over	0.00	801.64	801.64	0.00	656.52	656.52
	(III) Both Eligible	0.00	556.04	556.04	0.00	419.12	419.12
Overage Dependents	Single	0.00	523.62	523.62	0.00	446.96	446.96

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

(4) 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 XIII**  
**Abbreviations**

<b>ASO</b>	.....	Administrative Services Only
<b>COBRA</b>	.....	Consolidated Omnibus Budget Reconciliation Act
<b>DSGI</b>	.....	Division of State Group Insurance
<b>FTE</b>	.....	Full Time Equivalency
<b>FY</b>	.....	Fiscal Year
<b>HIHP</b>	.....	Health Investor Health Plan (i.e., High Deductible Health Plan)
<b>HMO</b>	.....	Health Maintenance Organization
<b>HSA</b>	.....	Health Savings Account
<b>PBM</b>	.....	Pharmacy Benefits Manager
<b>PPO</b>	.....	Preferred Provider Organization
<b>TPA</b>	.....	Third Party Administrator