

**Self-Insurance Estimating Conference  
State Employees' Health Insurance Trust Fund  
Last conference held: February 22, 2010**

**Executive Summary**

The outlook for the State Employees' Health Insurance Trust Fund has improved slightly since the last conference held in December of 2009. For 2009-10, the projected ending balance has increased by \$3.0 million from \$167.8 million to \$170.8 million. For 2010-11 the projected ending balance has improved by \$7.3 million from \$15.7 million to \$23.0 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 \$357.1 million at the end of 2011-12, and negative cash flow of \$583.4 million in 2012-13 and \$848.8 million in 2013-14.

The enrollment forecast has been changed slightly due to higher than expected enrollment in November, December, and January. The trend growth rates for enrollment remain unchanged from the last forecast. Overall enrollment has increased from the previous forecast by an average of 679 subscribers (.4%) in 2009-10, and by close to 1,000 subscribers (.6%) in each of the subsequent fiscal years. The expected growth rates from the prior fiscal year in total enrollment are .8% in 2009-10, .6% 2010-11, .7% in 2011-12, .7% in 2012-13, and .7% in 2013-14.

In terms of revenues, the most significant changes have to do with the changes in the enrollment projections, with the overall increase in enrollment having a positive impact on premiums. There is additionally a negative adjustment in 2009-10 only, resulting from a modification in the way that the calculation is done to account for the May 2010 premium increase. There has been a minor negative adjustment to TPA refunds as a result of lower than anticipated activity in the current fiscal year; this adjustment carries forward through all the years of the projections. Additionally the projection for PBM rebates has been adjusted significantly upwards for the 2009-10 fiscal year only. There is a slight increase in the projected earnings on investments for 2010-11 due to slightly higher trust fund balances.

On the PPO expense side, the assumed 9.5% medical trend factor for cost increases is unchanged from December. Recent claims have been a little higher than expected, and that combined with the higher enrollment projections results in higher than previously expected PPO medical claims. In 2009-10, however, that increase is more than offset by a decrease in the projections for the impact of mandatory assignment of claims. The higher enrollment projections also result in a higher projection for ASO fees. For PPO prescription drug claims, the increase in claims which would result from the higher enrollment forecast is more than offset by the impact of lower than expected claims activity over the last several months. The trend factors for prescription drugs used in this forecast are 9.6% in 2009-10, 8.3% in 2010-11, 7.4% in 2011-12, and 13.0% for both 2012-13 and 2013-14.

On the HMO side, the expected negotiated weighted-average premium increases for Plan Years 2011 through 2013 remain unchanged at 10.5%, which is also used for Plan Year 2014. The forecast for HMO premium payments has been increased due to higher projected HMO enrollment.

The other expense components remain unchanged from the previous forecast.

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

## **Report on the Financial Outlook**

**For the Fiscal Years Ending June 30, 2010 through June 30, 2014**

**Presented February 22, 2010**

**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, 2010 through June 30, 2014 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 considers premium rate increases effective May 1, 2010. Actual enrollment and cash flow experience through January 2010 have been taken into consideration.

The December 2009 Outlook reported and recognized 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.

This Outlook uses the December 2009 Outlook as the base and reports and recognizes the fiscal impact of the activities and developments listed below:

1. Monthly enrollment activity through January 2010.
2. Revenue and expenditure activity through December 2009/January 2010.
3. Inclusion of projections for FY 13-14.

The cash position has slightly improved for the forecast period due primarily to recognition of monthly enrollment activity as well as revenue and expenditure activity through December 2009/January 2010. The Trust Fund is expected to remain solvent through FY 09-10. The projected ending cash balance for FY 09-10 increased from \$167.8 million to \$170.8 million, up \$3.0 million; the estimated operating loss decreased from \$38.4 million to \$35.4 million, down \$3.0 million. The projected ending cash balance for FY 10-11 increased from \$15.7 million to \$23.0 million, up \$7.3 million; the estimated operating loss decreased from \$152.1 million to \$147.8 million, down \$4.3 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 \$170.8 million in FY 09-10 and of \$23.0 million in FY 10-11 to a projected ending cash deficit of \$357.1 million in FY 11-12. It is estimated that for FY 10-11 a minimum working capital balance of approximately \$101 million is required to ensure the Trust Fund is able to continue its operations and that it has sufficient funds to satisfy operational expenses. Working capital balance requirement for FY 11-12 is estimated to be approximately \$119 million.

Following is a summary of the outlook through FY 13-14.

<b>Financial Outlook</b> (Dollars in Millions)	Actual & Projected	----- Projected -----			
	FY 09-10	FY 10-11	FY 11-12	FY * 12-13	FY * 13-14
Beginning Cash Balance	206.2	170.8	23.0	0.0	0.0
Revenues	1,766.1	1,849.4	1,832.3	1,884.3	1,902.2
Expenses	<u>1,801.5</u>	<u>1,997.2</u>	<u>2,212.4</u>	<u>2,467.7</u>	<u>2,751.0</u>
Operating Gain/ (Loss)	<u>(35.4)</u>	<u>(147.8)</u>	<u>(380.1)</u>	<u>(583.4)</u>	<u>(848.8)</u>
Ending Cash Balance	<u><u>170.8</u></u>	<u><u>23.0</u></u>	<u><u>(357.1)</u></u>	<u><u>(583.4)</u></u>	<u><u>(848.8)</u></u>

\* Assumes no carry forward of negative cash balances from prior year.

**Enrollment**

Growth in total subscriber enrollment is projected at an annual average of 0.5% through the forecast period. Slightly higher actual than previously projected enrollment resulting from monthly activity through January 2010 and a continuous migration trend from the Self-Insured Preferred Provider Organization (PPO) Plans to the Fully-Insured Health Maintenance Organization (HMO) Plans are contributing to minor adjustments to the enrollment projections.

Subscriber migration and new hire election patterns indicate continuing change in the enrollment distribution between the PPO plans and the HMO plans. FY 09-10 total enrollment distribution is projected at 54.1% in the PPO plans and 45.9% in the HMO plans. However, employee enrollment is projected at 47.4% in the PPO plans and 52.6% in the HMO

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

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plans, during the same period. The PPO plans have a disproportionate higher share of post-employment subscribers (80.5%) as compared to the HMO plans (19.5%).

Approximately 1,309 subscribers (1,232 active employees) are currently enrolled in a High Deductible Health Plan (0.7% of total enrollment). Approximately 859 of those active employees, or 69.7%, are participating in the integrated state-sponsored Health Savings Account.

### **Growth Trends**

The cash position of the Trust Fund slightly improved from the previous outlook through the forecast period. Overall, adjustments suggest minor increases in Revenues along with minor changes in Expenses, primarily from refinements to recognize monthly enrollment activity and its impact to revenue and expense categories and medical and prescription drug claims experience.

Slight changes in projected non-premium revenue categories resulting from recognition of activities through December 2009 result in an increase in PBM Rebates for FY 09-10, minor decreases in TPA Refunds through the forecast period and recognition of impact of changes to Investment Interest.

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 FY 09-10. Close attention to cash position will be required during FY 10-11 in order to sustain sufficient working capital for operations, as indicated above.

Factors such as hospital and physician negotiations, advances in technology, and aging population keep trending healthcare costs upwards. Furthermore, the shifting trend in employee membership from the PPO Plans to the HMO Plans along with the matured benefit design and attribute structure continues impacting the state with higher costs. 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%.

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.

Consistent with previous projections, the assumptions for fiscal years 09-10, 10-11, and 11-12 include, within others, increases in generic dispensing rates (GDR) for retail and mail prescription drugs. The GDR measures the impact of brand drugs losing patent protection and becoming generic. The overall cost trend for fiscal years 09-10, 10-11, and 11-12, has been decreased from 9.6% to 8.8%, primarily due to lower actual than projected costs. The assumed growth rate of 8.8% falls within the expected industry range of 7.5% – 9.5%.

Due to market volatility and uncertainties associated with the launch dates of brand to generic, GDR projections prepared by the PBM for fiscal years 12-13 and 13-14, were kept flat, resulting in an overall cost trend for both years of 15.8%. However, after reviewing the PBM assumptions, the Principals of the Estimating Conference decided to use an average trend of 13.0% for fiscal years 12-13 and 13-14. The 13.0% trend anticipates that actual GDR will be greater than zero.

The weighted-average increase in premium rates for the HMO Plans for the forecast period 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 have at least one HMO Plan offering. PPO Plans (Standard and High Deductible Health Plan) remain available statewide.

It is noteworthy that the contractual agreements of 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.

### **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 <sup>(1) (2)</sup>**

**Highlights of Changes to Forecast - Conference February 2010 Compared to December 2009  
(In Millions)**

	FY 09-10			FY 10-11			FY 11-12			FY 12-13		
	Dec '09	Feb '10	Diff.	Dec '09	Feb '10	Diff.	Dec '09	Feb '10	Diff.	Dec '09	Feb '10	Diff.
<b>Beginning Balance</b>	\$ 206.2	\$ 206.2	\$ 0.0	\$ 167.8	\$ 170.8	\$ 3.0	\$ 15.7	\$ 23.0	\$ 7.3	\$ 0.0	\$ 0.0	\$ 0.0
<b>Revenues:</b>												
Insurance Premiums	\$ 1,696.0	\$ 1,694.5	\$ (1.5)	\$ 1,767.0	\$ 1,777.1	\$ 10.1	\$ 1,748.8	\$ 1,759.0	\$ 10.2	\$ 1,799.2	\$ 1,809.3	\$ 10.1
Investment Interest	2.8	2.8	0.0	1.3	1.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0
TPA Refunds	9.6	8.8	(0.8)	9.6	8.8	(0.8)	9.6	8.8	(0.8)	9.6	8.8	(0.8)
PBM Rebates	19.4	23.2	3.8	22.8	22.8	0.0	23.7	23.7	0.0	24.5	24.5	0.0
Other Revenues	<u>36.8</u>	<u>36.8</u>	<u>0.0</u>	<u>39.2</u>	<u>39.2</u>	<u>0.0</u>	<u>40.8</u>	<u>40.8</u>	<u>0.0</u>	<u>41.7</u>	<u>41.7</u>	<u>0.0</u>
<b>Total Revenues</b>	\$ 1,764.6	\$ 1,766.1	\$ 1.5	\$ 1,839.9	\$ 1,849.4	\$ 9.5	\$ 1,822.9	\$ 1,832.3	\$ 9.4	\$ 1,875.0	\$ 1,884.3	\$ 9.3
<b>Total Available</b>	<u>\$ 1,970.8</u>	<u>\$ 1,972.3</u>	<u>\$ 1.5</u>	<u>\$ 2,007.7</u>	<u>\$ 2,020.2</u>	<u>\$ 12.5</u>	<u>\$ 1,838.6</u>	<u>\$ 1,855.3</u>	<u>\$ 16.7</u>	<u>\$ 1,875.0</u>	<u>\$ 1,884.3</u>	<u>\$ 9.3</u>
<b>Expenses:</b>												
PPO Expenses:												
Medical Claims	\$ 613.0	\$ 609.4	\$ (3.6)	\$ 657.2	\$ 661.6	\$ 4.4	\$ 703.4	\$ 708.1	\$ 4.7	\$ 752.7	\$ 757.8	\$ 5.1
ASO Fee	20.2	20.3	0.1	19.9	19.9	0.0	19.7	19.8	0.1	19.3	19.4	0.1
Bank Services	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prescription Drug	261.8	259.6	(2.2)	279.0	273.6	(5.4)	293.2	287.3	(5.9)	331.5	317.3	(14.2)
HMO Premiums	900.1	904.3	4.2	1,028.1	1,034.3	6.2	1,182.5	1,189.4	6.9	1,357.7	1,365.4	7.7
HSA Deposits	1.2	1.2	0.0	1.2	1.2	0.0	1.2	1.2	0.0	1.2	1.2	0.0
Oper Costs / Assess	2.7	2.7	0.0	2.7	2.7	0.0	2.7	2.7	0.0	2.7	2.7	0.0
Other Expenses	<u>3.9</u>	<u>3.9</u>	<u>0.0</u>	<u>3.9</u>	<u>3.9</u>	<u>0.0</u>	<u>3.9</u>	<u>3.9</u>	<u>0.0</u>	<u>3.9</u>	<u>3.9</u>	<u>0.0</u>
<b>Total Expenses</b>	\$ 1,803.0	\$ 1,801.5	\$ (1.5)	\$ 1,992.0	\$ 1,997.2	\$ 5.2	\$ 2,206.6	\$ 2,212.4	\$ 5.8	\$ 2,469.0	\$ 2,467.7	\$ (1.3)
<b>Excess of Revenues over Expenses</b>	<u>\$ (38.4)</u>	<u>\$ (35.4)</u>	<u>\$ 3.0</u>	<u>\$ (152.1)</u>	<u>\$ (147.8)</u>	<u>\$ 4.3</u>	<u>\$ (383.7)</u>	<u>\$ (380.1)</u>	<u>\$ 3.6</u>	<u>\$ (594.0)</u>	<u>\$ (583.4)</u>	<u>\$ 10.6</u>
<b>Ending Balance</b>	<u>\$ 167.8</u>	<u>\$ 170.8</u>	<u>\$ 3.0</u>	<u>\$ 15.7</u>	<u>\$ 23.0</u>	<u>\$ 7.3</u>	<u>\$ (368.0)</u>	<u>\$ (357.1)</u>	<u>\$ 10.9</u>	<u>\$ (594.0)</u>	<u>\$ (583.4)</u>	<u>\$ 10.6</u>

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

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

**Highlights of Changes to Forecast**

- Overall, net results of outlook changes are more favorable for the forecast period
- Impact of inclusion of additional actual months of enrollment thru January 2010
  - Increases in PPO and HMO enrollment through the forecast period due to higher actual enrollment
  - Adjustments to affected revenue and expense components of the outlook resulting from the increase in enrollment projections
- Impact of inclusion of additional actual claims experience thru December 2009/January 2010
  - Increase in PPO Medical claims costs through the forecast period due to higher actual claims activity
  - Decrease in PPO Prescription Drugs claims costs through the forecast period due to lower actual claims activity
  - Decrease of Mandatory Assignment projections for FY 09-10 to only reflect the remaining 5 months of the fiscal year
- Other changes
  - Adjustment to FY 09-10 insurance premiums to correct impact of premium increase effective May 2010
  - Inclusion of projections for Fiscal Year 13-14

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

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

	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>	<u>FY 13-14</u>
	Estimate <sup>(1)</sup>	Estimate <sup>(1)</sup>	Estimate <sup>(1)</sup>	Estimate <sup>(1)</sup>	Estimate <sup>(1)</sup>
<b>BEGINNING CASH BALANCE</b>	\$ 206.2	\$ 170.8	\$ 23.0	\$ 0.0 <sup>(5)</sup>	\$ 0.0 <sup>(5)</sup>
<b>REVENUES:</b>					
Insurance Premiums:					
Employer	\$ 1,346.9 <sup>(3)</sup>	\$ 1,418.2 <sup>(3)</sup>	\$ 1,397.1 <sup>(3)</sup>	\$ 1,437.0	\$ 1,446.5
Employee	158.3 <sup>(3)</sup>	159.6 <sup>(3)</sup>	158.1 <sup>(3)</sup>	163.5	165.6
HSA Contributions <sup>(2)</sup>	1.2	1.2	1.2	1.2	1.2
COBRA	7.2	7.4	7.4	7.4	7.4
Early Retiree	58.3	60.2	60.2	60.2	60.2
Medicare	122.6	130.5	135.0	140.0	145.5
Investment Interest	2.8	1.5	0.0	0.0	0.0
TPA Refunds	8.8	8.8	8.8	8.8	8.8
PBM Rebates	23.2	22.8	23.7	24.5	24.5
Pretax Trust Fund Transfer	18.0	18.0	18.0	18.0	18.0
Medicare Part D Subsidy	18.8	21.2	22.8	23.7	24.5
Other Revenues	0.0	0.0	0.0	0.0	0.0
<b>TOTAL REVENUES</b>	\$ 1,766.1	\$ 1,849.4	\$ 1,832.3	\$ 1,884.3	\$ 1,902.2
<b>TOTAL CASH AVAILABLE</b>	\$ 1,972.3	\$ 2,020.2	\$ 1,855.3	\$ 1,884.3	\$ 1,902.2
<b>EXPENSES:</b>					
State PPO Plan:					
Medical Claims <sup>(4)</sup>	\$ 609.4	\$ 661.6	\$ 708.1	\$ 757.8	\$ 809.0
ASO Fee	20.3	19.9	19.8	19.4	18.9
Bank Services	0.1	0.0	0.0	0.0	0.0
Prescription Drug Claims	259.6	273.6	287.3	317.3	350.3
PBM Claims Administration	0.3	0.3	0.3	0.3	0.3
HMO Premium Payments	904.3	1,034.3	1,189.4	1,365.4	1,565.0
HSA Deposits <sup>(2)</sup>	1.2	1.2	1.2	1.2	1.2
Operating Costs & Admin Assessment	2.7	2.7	2.7	2.7	2.7
Premium Refunds	3.5	3.5	3.5	3.5	3.5
Other Expenses	0.1	0.1	0.1	0.1	0.1
<b>TOTAL EXPENSES</b>	\$ 1,801.5	\$ 1,997.2	\$ 2,212.4	\$ 2,467.7	\$ 2,751.0
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (35.4)	\$ (147.8)	\$ (380.1)	\$ (583.4)	\$ (848.8)
<b>ENDING CASH BALANCE</b>	\$ 170.8	\$ 23.0	\$ (357.1)	\$ (583.4)	\$ (848.8)

<b>Average Enrollment by Plan</b>	PPO Standard	95,051	92,511	90,400	88,349	86,298
	PPO HIHP	887	892	892	892	892
	HMO Standard	80,850	84,507	87,803	91,076	94,349
	HMO HIHP	437	429	429	429	429
	<b>Total</b>	<b>177,225</b>	<b>178,339</b>	<b>179,524</b>	<b>180,746</b>	<b>181,968</b>
<b>Average Enrollment by Coverage Type</b>	Active Standard	139,466	140,219	140,736	141,291	141,846
	Active HIHP	1,244	1,243	1,243	1,243	1,243
	COBRA	888	874	874	874	874
	Early Retiree	7,950	7,694	7,694	7,694	7,694
	Medicare	27,677	28,309	28,977	29,644	30,311
<b>Total</b>	<b>177,225</b>	<b>178,339</b>	<b>179,524</b>	<b>180,746</b>	<b>181,968</b>	

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

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

(3) Includes estimated impact of early/late receipt of 1<sup>st</sup> bi-weekly payroll of the fiscal year.

(4) Includes estimated fiscal year impact of Autism, Michelle's Law, and Mental Health Parity mandates effective January 1, 2010 and Mandatory Assignment mandate effective July 1, 2009.

(5) 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>Dec '09</u>	<u>Feb '10</u>	<u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 206.2	\$ 206.2	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,347.8	\$ 1,346.9	\$ (0.9)
Employee	157.2	158.3	1.1
HSA Contributions <sup>(1)</sup>	1.2	1.2	0.0
COBRA	6.1	7.2	1.1
Early Retiree	60.3	58.3	(2.0)
Medicare	123.4	122.6	(0.8)
Investment Interest	2.8	2.8	0.0
TPA Refunds	9.6	8.8	(0.8)
PBM Rebates	19.4	23.2	3.8
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	<u>18.8</u>	<u>18.8</u>	<u>0.0</u>
<b>TOTAL REVENUES</b>	\$ 1,764.6	\$ 1,766.1	\$ 1.5
<b>TOTAL CASH AVAILABLE</b>	\$ 1,970.8	\$ 1,972.3	\$ 1.5
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 613.0	\$ 609.4	\$ (3.6)
ASO Fee	20.2	20.3	0.1
Bank Services	0.1	0.1	0.0
Prescription Drug Claims	261.8	259.6	(2.2)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	900.1	904.3	4.2
HSA Deposits <sup>(1)</sup>	1.2	1.2	0.0
Operating Costs & Admin Assessment	2.7	2.7	0.0
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>	\$ 1,803.0	\$ 1,801.5	\$ (1.5)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (38.4)	\$ (35.4)	\$ 3.0
<b>ENDING CASH BALANCE</b>	\$ <b>167.8</b>	\$ <b>170.8</b>	\$ <b>3.0</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	94,786	95,051	265
PPO HIHP	866	887	21
HMO Standard	80,459	80,850	391
HMO HIHP	<u>435</u>	<u>437</u>	<u>2</u>
Total	<u>176,546</u>	<u>177,225</u>	<u>679</u>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	138,876	139,466	590
Active HIHP	1,222	1,244	22
COBRA	752	888	136
Early Retiree	7,949	7,950	1
Medicare	<u>27,747</u>	<u>27,677</u>	<u>(70)</u>
Total	<u>176,546</u>	<u>177,225</u>	<u>679</u>

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

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

	(A) <u>Dec '09</u>	(B) <u>Feb '10</u>	(B) - (A) <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 167.8	\$ 170.8	\$ 3.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,409.8	\$ 1,418.2	\$ 8.4
Employee	158.2	159.6	1.4
HSA Contributions <sup>(1)</sup>	1.2	1.2	0.0
COBRA	6.3	7.4	1.1
Early Retiree	60.2	60.2	0.0
Medicare	131.3	130.5	(0.8)
Investment Interest	1.3	1.5	0.2
TPA Refunds	9.6	8.8	(0.8)
PBM Rebates	22.8	22.8	0.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	21.2	21.2	0.0
<b>TOTAL REVENUES</b>	<b>\$ 1,839.9</b>	<b>\$ 1,849.4</b>	<b>\$ 9.5</b>
<b>TOTAL CASH AVAILABLE</b>	<b>\$ 2,007.7</b>	<b>\$ 2,020.2</b>	<b>\$ 12.5</b>
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 657.2	\$ 661.6	\$ 4.4
ASO Fee	19.9	19.9	0.0
Bank Services <sup>(2)</sup>	0.0	0.0	0.0
Prescription Drug Claims	279.0	273.6	(5.4)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	1,028.1	1,034.3	6.2
HSA Deposits <sup>(1)</sup>	1.2	1.2	0.0
Operating Costs & Admin Assessment	2.7	2.7	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	<b>\$ 1,992.0</b>	<b>\$ 1,997.2</b>	<b>\$ 5.2</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (152.1)</b>	<b>\$ (147.8)</b>	<b>\$ 4.3</b>
<b>ENDING CASH BALANCE</b>	<b>\$ 15.7</b>	<b>\$ 23.0</b>	<b>\$ 7.3</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	92,145	92,511	366
PPO HIHP	856	892	36
HMO Standard	83,908	84,507	599
HMO HIHP	432	429	(3)
<b>Total</b>	<b>177,341</b>	<b>178,339</b>	<b>998</b>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,219	140,219	1,000
Active HIHP	1,210	1,243	33
COBRA	752	874	122
Early Retiree	7,704	7,694	(10)
Medicare	28,456	28,309	(147)
<b>Total</b>	<b>177,341</b>	<b>178,339</b>	<b>998</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.)



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

	(A) <u>Dec '09</u>	(B) <u>Feb '10</u>	(B) - (A) <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 15.7	\$ 23.0	\$ 7.3
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,388.7	\$ 1,397.1	\$ 8.4
Employee	156.6	158.1	1.5
HSA Contributions <sup>(1)</sup>	1.2	1.2	0.0
COBRA	6.3	7.4	1.1
Early Retiree	60.2	60.2	0.0
Medicare	135.8	135.0	(0.8)
Investment Interest	0.0	0.0	0.0
TPA Refunds	9.6	8.8	(0.8)
PBM Rebates	23.7	23.7	0.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	22.8	22.8	0.0
<b>TOTAL REVENUES</b>	<b>\$ 1,822.9</b>	<b>\$ 1,832.3</b>	<b>\$ 9.4</b>
<b>TOTAL CASH AVAILABLE</b>	<b>\$ 1,838.6</b>	<b>\$ 1,855.3</b>	<b>\$ 16.7</b>
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 703.4	\$ 708.1	\$ 4.7
ASO Fee	19.7	19.8	0.1
Bank Services <sup>(2)</sup>	0.0	0.0	0.0
Prescription Drug Claims	293.2	287.3	(5.9)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	1,182.5	1,189.4	6.9
HSA Deposits <sup>(1)</sup>	1.2	1.2	0.0
Operating Costs & Admin Assessment	2.7	2.7	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	<b>\$ 2,206.6</b>	<b>\$ 2,212.4</b>	<b>\$ 5.8</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (383.7)</b>	<b>\$ (380.1)</b>	<b>\$ 3.6</b>
<b>ENDING CASH BALANCE</b>	<b>\$ (368.0)</b>	<b>\$ (357.1)</b>	<b>\$ 10.9</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	90,037	90,400	363
PPO HIHP	856	892	36
HMO Standard	87,204	87,803	599
HMO HIHP	432	429	(3)
Total	178,529	179,524	995
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,736	140,736	1,000
Active HIHP	1,210	1,243	33
COBRA	752	874	122
Early Retiree	7,704	7,694	(10)
Medicare	29,127	28,977	(150)
Total	178,529	179,524	995

<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.)

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

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

	<u>(A)</u> <u>Dec '09</u>	<u>(B)</u> <u>Feb '10</u>	<u>(B) - (A)</u> <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 0.0 <sup>(3)</sup>	\$ 0.0 <sup>(3)</sup>	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,428.7	\$ 1,437.0	\$ 8.3
Employee	162.1	163.5	1.4
HSA Contributions <sup>(1)</sup>	1.2	1.2	0.0
COBRA	6.3	7.4	1.1
Early Retiree	60.2	60.2	0.0
Medicare	140.7	140.0	(0.7)
Investment Interest	0.0	0.0	0.0
TPA Refunds	9.6	8.8	(0.8)
PBM Rebates	24.5	24.5	0.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	23.7	23.7	0.0
<b>TOTAL REVENUES</b>	\$ 1,875.0	\$ 1,884.3	\$ 9.3
<b>TOTAL CASH AVAILABLE</b>	\$ 1,875.0	\$ 1,884.3	\$ 9.3
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 752.7	\$ 757.8	\$ 5.1
ASO Fee	19.3	19.4	0.1
Bank Services <sup>(2)</sup>	0.0	0.0	0.0
Prescription Drug Claims	331.5	317.3	(14.2)
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	1,357.7	1,365.4	7.7
HSA Deposits <sup>(1)</sup>	1.2	1.2	0.0
Operating Costs & Admin Assessment	2.7	2.7	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 2,469.0	\$ 2,467.7	\$ (1.3)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (594.0)	\$ (583.4)	\$ 10.6
<b>ENDING CASH BALANCE</b>	\$ (594.0)	\$ (583.4)	\$ 10.6
<b>Average Enrollment by Plan</b>			
PPO Standard	87,988	88,349	361
PPO HIHP	856	892	36
HMO Standard	90,477	91,076	599
HMO HIHP	432	429	(3)
Total	179,753	180,746	993
<b>Average Enrollment by Coverage Type</b>			
Active Standard	140,292	141,291	999
Active HIHP	1,210	1,243	33
COBRA	752	874	122
Early Retiree	7,704	7,694	(10)
Medicare	29,795	29,644	(151)
Total	179,753	180,746	993

<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> Assumes no carry forward of negative ending cash balance from prior year.

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

**\$ 167.8 Previous Ending Cash Balance Forecast <sup>(1)</sup>**

1.5 Increase in Revenue Forecast

(1.5) - Decrease in employer and enrollee Insurance Premiums:

7.3 - Increase in employer and enrollee Insurance Premiums due to an increase in projected enrollment from 176,546 to 177,225

(8.8) - Decrease due to adjustment to correct impact of premium increases effective May 2010

(0.8) - Decrease in TPA Refunds due to lower actual than projected activity

3.8 - Increase in PBM Rebates due to higher actual than projected rebate activity

(1.5) Decrease in Expense Forecast

(3.6) - Decrease in PPO Plan Medical Claims

1.8 - Increase due to an increase in projected enrollment from 95,652 to 95,938

1.5 - Increase due to higher actual than projected paid claims activity

(6.9) - Decrease of Mandatory Assignment projections to only reflect the remaining 5 months of FY 09-10

0.1 - Increase in ASO fees due to an increase in projected enrollment from 95,652 to 95,938

(2.2) - Decrease in PPO Plan Prescription Drug Claims

0.8 - Increase due to an increase in projected enrollment from 95,652 to 95,938

(3.0) - Decrease due to lower actual than projected paid claims activity

4.2 - Increase in HMO Premium Payments due to an increase in projected enrollment from 80,894 to 81,287

**\$ 170.8 Current Ending Cash Balance Forecast**

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

Exhibit VIII

**Comparison of Financial Outlooks**

**Fiscal Year 2010-11**

(In Millions)

**\$ 15.7 Previous Ending Cash Balance Forecast <sup>(1)</sup>**

3.0 Increase in Beginning Cash Balance Forecast

9.5 Increase in Revenue Forecast

10.1 - Increase in employer and enrollee Insurance Premiums due to an increase in projected enrollment from 177,341 to 178,339

0.2 - Increase in Investment Interest due to an increase in cash balance

(0.8) - Decrease in TPA Refunds due to lower base for FY 09-10

5.2 Increase in Expense Forecast

4.4 - Increase in PPO Plan Medical Claims

2.8 - Increase due to an increase in projected enrollment from 93,001 to 93,403

1.6 - Increase due to higher base for FY 09-10

(5.4) - Decrease in PPO Plan Prescription Drug Claims

1.2 - Increase due to an increase in projected enrollment from 93,001 to 93,403

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

6.2 - Increase in HMO Premium Payments due to an increase in projected enrollment from 84,340 to 84,936

**\$ 23.0 Current Ending Cash Balance Forecast**

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

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

**\$ (368.0) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

7.3 Increase in Beginning Cash Balance Forecast

9.4 Increase in Revenue Forecast

10.2 - Increase in employer and enrollee Insurance Premiums due to an increase in projected enrollment from 178,529 to 179,524

(0.8) - Decrease in TPA Refunds due to lower base for FY 09-10

5.8 Increase in Expense Forecast

4.7 - Increase in PPO Plan Medical Claims

3.0 - Increase due to an increase in projected enrollment from 90,893 to 91,292

1.7 - Increase due to higher base for FY 09-10

0.1 - Increase in ASO fees due to an increase in projected enrollment from 90,893 to 91,292

(5.9) - Decrease in PPO Plan Prescription Drug Claims

1.3 - Increase due to an increase in projected enrollment from 90,893 to 91,292

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

6.9 - Increase in HMO Premium Payments due to an increase in projected enrollment from 87,636 to 88,232

**\$ (357.1) Current Ending Cash Balance Forecast**

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

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

**\$ (594.0) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

9.3 Increase in Revenue Forecast

10.1 - Increase in employer and enrollee Insurance Premiums due to an increase in projected enrollment from 179,353 to 180,746

(0.8) - Decrease in TPA Refunds due to lower base for FY 09-10

(1.3) Decrease in Expense Forecast

5.1 - Increase in PPO Plan Medical Claims

3.3 - Increase due to an increase in projected enrollment from 88,844 to 89,241

1.8 - Increase due to higher base for FY 09-10

0.1 - Increase in ASO fees due to an increase in projected enrollment from 88,844 to 89,241

(14.2) - Decrease in PPO Plan Prescription Drug Claims

1.5 - Increase due to an increase in projected enrollment from 88,844 to 89,241

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

(7.9) - Decrease due to trend reduction from 15.8% to 13.0%

7.7 - Increase in HMO Premium Payments due to an increase in projected enrollment from 90,909 to 91,505

**\$ (583.4) Current Ending Cash Balance Forecast**

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<sup>(1)</sup> December 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