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MEMORANDUM

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**TO:** Interested Parties

**FROM:** Pam Johnson *PJ*  
Division of Economic and Demographic Research

**SUBJECT:** Results of the February 22, 1995 Consensus Estimating Conference on State Employees' Health Insurance

**DATE:** February 22, 1995

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Attached for your information are the results of the February 22 Consensus Estimating Conference on the State Employees' Health Insurance Trust Fund. The conference revised the outlook positively for the Trust Fund, due to improved expectations for costs related to both the self-insured plan and Health Maintenance Organizations. The attached tables show an expected ending balance for the current fiscal year of \$103.1 million and for 1995-96 of \$91.4 million.

The outlook for the Trust Fund, however, is complicated by the passage during the 1993 Legislative session of CS/SB 1914, 2006, 1784, & 406, which provided for the Agency for Health Care Administration to purchase health care for state employees through community health purchasing alliances as long as benefits are not reduced and costs are not increased. Presently, it is planned that employees will be offered these new benefits during the fall 1995 open enrollment period, with the new services in place effective January 1, 1996. Although recurring outflows from the Trust Fund are expected to be no greater than under the plan as currently administered, there will be a nonrecurring cost of approximately \$3.5 million during the early months of 1996, should a new administrator be chosen for the self-insured plan. These funds will be necessary to allow Blue Cross/Blue Shield to process the remaining claims from the current calendar year. This \$3.5 million may be partially or fully offset by any savings achieved relative to the current situation as a result of cost savings achieved through the contract process. The Conference will meet after the 1995 Legislative Session to more fully assess the impact of the changes in the plan structure and to provide a forecast for the 1996-97 fiscal year.

State Employees' Health Insurance Trust Fund  
 Analysis of Income and Expenses  
 1994-95

	Nov 1994 Estimate	Feb 95 Estimate	Diff.
BEGINNING BALANCE	\$88.2	\$88.2	\$0.0
<u>INCOME</u>			
Retired Teachers Appropriation	\$3.9	\$3.9	\$0.0
Premiums--State	\$357.4	\$357.6	\$0.2
Premiums--Employees	\$92.4	\$92.5	\$0.1
Premiums--Medicare Patients	\$21.6	\$21.6	\$0.0
Premiums--Other Non-employees	\$15.6	\$15.6	\$0.0
Interest	\$3.2	\$3.4	\$0.2
Transfer from Pretax Trust Fund	\$9.8	\$10.1	\$0.3
Other (COB's, audits and overpayment returns)	\$8.5	\$8.8	\$0.3
<b>TOTAL INCOME</b>	<u>\$512.4</u>	<u>\$513.5</u>	<u>\$1.1</u>
<u>EXPENDITURES</u>			
Blue Cross/Blue Shield Administered Claims	\$298.7	\$287.3	(\$11.4)
Prescription Drug Program Claims and Administration	\$49.2	\$48.2	(\$1.0)
HMO Payments	\$146.3	\$147.6	\$1.3
Blue Cross/Blue Shield Administration	\$10.7	\$10.7	\$0.0
Division of State Employees' Insurance Administration	\$4.1	\$4.1	\$0.0
Transfer to Agency for Health Care Administration	\$0.7	\$0.7	\$0.0
<b>TOTAL EXPENDITURES</b>	<u>\$509.7</u>	<u>\$498.6</u>	<u>(\$11.1)</u>
<b>NET INCOME (INCOME LESS EXPENDITURES)</b>	\$2.7	\$14.9	\$12.2
<b>ENDING BALANCE</b>	<u><u>\$90.9</u></u>	<u><u>\$103.1</u></u>	<u><u>\$12.2</u></u>

State Employees' Health Insurance Trust Fund  
 Analysis of Income and Expenses  
 1995-96

	<u>Nov 1994</u> <u>Estimate</u>	<u>Feb 95</u> <u>Estimate</u>	<u>Diff.</u>
BEGINNING BALANCE	\$90.9	\$103.1	\$12.2
<u>INCOME</u>			
Retired Teachers Appropriation	\$3.9	\$2.2	(\$1.7)
Premiums--State	\$369.4	\$369.7	\$0.3
Premiums--Employees	\$95.4	\$95.5	\$0.1
Premiums--Medicare Patients	\$23.2	\$23.1	(\$0.1)
Premiums--Other Non-employees	\$16.3	\$16.3	\$0.0
Interest	\$2.5	\$2.9	\$0.4
Transfer from Pretax Trust Fund	\$10.3	\$10.4	\$0.1
Other (COB's, audits and overpayment returns)	\$8.5	\$9.1	\$0.6
TOTAL INCOME	<u>\$529.5</u>	<u>\$529.2</u>	<u>(\$0.3)</u>
<u>EXPENDITURES</u>			
Blue Cross/Blue Shield Administered Claims	\$320.0	\$304.5	(\$15.5)
Prescription Drug Program Claims and Administration	\$55.3	\$55.3	\$0.0
HMO Payments	\$168.7	\$164.1	(\$4.6)
Blue Cross/Blue Shield Administration	\$11.9	\$11.9	\$0.0
Division of State Employees' Insurance Administration	\$4.1	\$4.3	\$0.2
Transfer to Agency for Health Care Administration	\$0.7	\$0.8	\$0.1
TOTAL EXPENDITURES	<u>\$560.7</u>	<u>\$540.9</u>	<u>(\$19.8)</u>
NET INCOME (INCOME LESS EXPENDITURES)	(\$31.2)	(\$11.7)	\$19.5
ENDING BALANCE	<u><u>\$59.7</u></u>	<u><u>\$91.4</u></u>	<u><u>\$31.7</u></u>