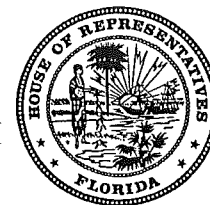


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MEMORANDUM

**TO:** Interested Parties

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

**DATE:** February 26, 1997

**SUBJECT:** Consensus Estimating Conference on the State Employees' Health Insurance Trust Fund--2/26/97

Attached for your information are the results of the Consensus Estimating Conference on State Employees' Health Insurance held on February 26. The new forecast adopted by the conference projects an ending balance for the trust fund of \$27.3 million in 1996-97, down from \$45.9 million in the November forecast, and a deficit of \$67.6 million in 1996-97, up from \$23.5 million in the November forecast. The conference also adopted an initial forecast for the 1998-99 fiscal year, which anticipates a deficit of \$190.7 million.

The majority of the change in the forecast comes as a result in the adjustment in the forecast for medical claims. In spite of the migration of approximately 11,000 active employees from the state self-insured plan to HMO's in January of 1996, neither the medical claims nor the level of claims in the prescription drug program have declined, indicating that the employees who left the state self-insured plan had a lower than average level of utilization of the plan. The projected level of HMO claims was also adjusted upward, due to the higher than expected migration from the self-insured plan into the HMO's during the recent open enrollment period.

Please contact me at 487-8269 with any questions.

State Employees' Health Insurance Trust Fund  
 Analysis of Income and Expenses  
 1996-97

	<u>Nov 96</u> <u>Estimate</u>	<u>Feb 97</u> <u>Estimate</u>	<u>Diff.</u>
<b>BEGINNING BALANCE</b>	\$109.7	\$109.7	\$0.0
<b><u>INCOME</u></b>			
Retired Teachers Appropriation	\$0.0	\$0.0	\$0.0
Premiums--State	\$363.5	\$368.2	\$4.7
Premiums--Employees	\$98.9	\$95.1	(\$3.8)
Premiums--Medicare Patients	\$25.0	\$23.8	(\$1.2)
Premiums--Other Non-employees	\$16.6	\$15.8	(\$0.8)
Interest	\$3.7	\$3.9	\$0.2
Transfer from Pretax Trust Fund	\$10.5	\$10.5	\$0.0
Refunds and Rebates	\$6.2	\$6.5	\$0.3
<b>TOTAL INCOME</b>	<u>\$524.4</u>	<u>\$523.8</u>	<u>(\$0.6)</u>
<b><u>EXPENDITURES</u></b>			
Medical Claims	\$303.0	\$321.0	\$18.0
Prescription Drug Program Claims and Administration	\$58.8	\$57.4	(\$1.4)
HMO Contract Fees	\$210.0	\$212.0	\$2.0
Third-Party Administration	\$11.1	\$9.1	(\$2.0)
Division of State Employees' Insurance Administration	\$3.6	\$4.1	\$0.5
Transfer to Agency for Health Care Administration	\$0.7	\$0.7	\$0.0
Other Expenses	\$1.0	\$1.9	\$0.9
<b>TOTAL EXPENDITURES</b>	<u>\$588.2</u>	<u>\$606.2</u>	<u>\$18.0</u>
<b>NET INCOME (INCOME LESS EXPENDITURES)</b>	(\$63.8)	(\$82.4)	(\$18.6)
<b>ENDING BALANCE</b>	<u>\$45.9</u>	<u>\$27.3</u>	<u>(\$18.6)</u>

State Employees' Health Insurance Trust Fund  
 Analysis of Income and Expenses  
 1997-98

	<u>Nov 96</u> <u>Estimate</u>	<u>Feb 97</u> <u>Estimate</u>	<u>Diff.</u>
BEGINNING BALANCE	\$45.9	\$27.3	(\$18.6)
<b>INCOME</b>			
Retired Teachers Appropriation	\$0.0	\$0.0	\$0.0
Premiums--State	\$363.7	\$370.8	\$7.1
Premiums--Employees	\$99.0	\$95.8	(\$3.2)
Premiums--Medicare Patients	\$26.2	\$24.8	(\$1.4)
Premiums--Other Non-employees	\$17.4	\$16.2	(\$1.2)
Interest	\$0.5	\$0.2	(\$0.3)
Transfer from Pretax Trust Fund	\$10.5	\$10.6	\$0.1
Refunds and Rebates	\$8.9	\$6.5	(\$2.4)
<b>TOTAL INCOME</b>	<u>\$526.2</u>	<u>\$524.9</u>	<u>(\$1.3)</u>
<b>EXPENDITURES</b>			
Medical Claims	\$285.0	\$305.9	\$20.9
Prescription Drug Program Claims and Administration	\$65.3	\$61.3	(\$4.0)
HMO Contract Fees	\$228.8	\$234.9	\$6.1
Third-Party Administration	\$11.2	\$11.0	(\$0.2)
Division of State Employees' Insurance Administration	\$3.6	\$4.1	\$0.5
Transfer to Agency for Health Care Administration	\$0.7	\$0.7	\$0.0
Other Expenses	\$1.0	\$1.9	\$0.9
<b>TOTAL EXPENDITURES</b>	<u>\$595.6</u>	<u>\$619.8</u>	<u>\$24.2</u>
<b>NET INCOME (INCOME LESS EXPENDITURES)</b>	(\$69.4)	(\$94.9)	(\$25.5)
<b>ENDING BALANCE</b>	<u>(\$23.5)</u>	<u>(\$67.6)</u>	<u>(\$44.1)</u>

State Employees' Health Insurance Trust Fund  
Analysis of Income and Expenses  
1998-99

Feb 97  
Estimate

BEGINNING BALANCE

(\$67.6)

Retired Teachers Appropriation  
Premiums--State  
Premiums--Employees  
Premiums--Medicare Patients  
Premiums--Other Non-employees  
Interest  
Transfer from Pretax Trust Fund  
Refunds and Rebates

\$0.0  
\$374.4  
\$96.7  
\$25.7  
\$16.9  
\$0.0  
\$10.7  
\$6.5

TOTAL INCOME

\$530.9

EXPENDITURES

Medical Claims  
Prescription Drug Program Claims and Administration  
HMO Contract Fees  
Third-Party Administration  
Division of State Employees' Insurance Administration  
Transfer to Agency for Health Care Administration  
Other Expenses

\$317.2  
\$66.7  
\$252.7  
\$10.7  
\$4.1  
\$0.7  
\$1.9

TOTAL EXPENDITURES

\$654.0

NET INCOME (INCOME LESS EXPENDITURES)

(\$123.1)

ENDING BALANCE

(\$190.7)

**PROJECTED AVERAGE COST PER ENROLLEE**

1996-97	Nov 96 Estimate	Feb 97 Estimate	% Change
<b>SELF-INSURANCE PLAN</b>			
MEDICAL CLAIMS	\$3,035	\$3,234	6.6%
PRESCRIPTION DRUG CLAIMS	\$631	\$619	-1.9%
MEDICAL ADMINISTRATIVE FEES	\$119	\$98	-17.6%
<b>TOTAL (1)</b>	<b>\$3,784</b>	<b>\$3,951</b>	<b>4.4%</b>
<b>HMO</b>	<b>\$3,313</b>	<b>\$3,312</b>	<b>-0.0%</b>

1997-98	Nov 96 Estimate	Feb 97 Estimate	% Change
<b>SELF-INSURANCE PLAN</b>			
MEDICAL CLAIMS	\$3,167	\$3,459	9.2%
PRESCRIPTION DRUG CLAIMS	\$726	\$693	-4.5%
MEDICAL ADMINISTRATIVE FEES	\$124	\$124	-0.0%
<b>TOTAL</b>	<b>\$4,017</b>	<b>\$4,276</b>	<b>6.5%</b>
<b>HMO</b>	<b>\$3,375</b>	<b>\$3,348</b>	<b>-0.8%</b>

1998-99	Feb 97 Estimate
<b>SELF-INSURANCE PLAN</b>	
MEDICAL CLAIMS	\$3,703
PRESCRIPTION DRUG CLAIMS	\$779
MEDICAL ADMINISTRATIVE FEES	\$125
<b>TOTAL</b>	<b>\$4,606</b>
<b>HMO</b>	<b>\$3,365</b>

(1) For 1996-97 projected average cost per enrollee excludes the impact of those medical claims amounting to approximately \$10 million and outstanding checks amounting to approximately \$11 million which were not paid during the previous fiscal year but are expected to be paid during the 1996-97 fiscal year. By including the \$21 million impact, the average cost per enrollee is increased by \$226 for a total of \$4,177.

Note: Department administrative costs, transfers, and other expenses are excluded.