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MEMORANDUM

TO: Interested Parties

FROM: Pam Johnson *PJ*
Economic and Demographic Research

DATE: August 24, 1999

SUBJECT: Post-session outlook for the State Employees' Health Insurance Trust Fund

The attached tables contain the outlook for the State Employees' Health Insurance Trust Fund for 1999-2000 and 2000-01. The new outlook projects an ending balance for the trust fund of \$75.6 million in 1999-2000, and of \$51.9 million in 2000-01, compared to the \$20.5 million and -\$86.6 million contained in the February outlook.

The outlook has changed since the February estimate as a result of three factors.

For the State Employees' PPO plan, prescription drug copayments will increase (effective October 1, 1999) from \$5 to \$7 for generic drugs, and from \$15 to \$20 for brand name drugs. The resulting savings to the trust fund are expected to be \$8.6 million in 1999-2000, and \$13.2 million in 2000-01.

For the HMO plan, the copayment for routine physician office visits will increase from \$5 to \$10 effective October 1, 1999, resulting in savings to the trust fund of \$2.9 million in 1999-2000, and \$5.7 million in 2000-01. Also on that date, HMO prescription drug copayments will increase from \$5 to \$7 for generic drugs, and from \$10 to \$20 for brand name drugs. Although the copayment increases will take effect October 1, 1999, the actual savings to the trust fund will take effect January 1, 2000, since contractual arrangements with HMO vendors are based on the plan (calendar) year. The resulting savings to the trust fund are expected to be \$3.4 million in 1999-2000, and \$6.8 million in 1999-2000.

The Legislature provided a premium increase for active employees, effective October 1, 1999, as follows.

<u>Individual Coverage:</u>	<u>Current</u>	<u>10/1/99</u>
Employee	\$ 29.92	\$ 32.30
State	\$177.33	\$191.52
Total	\$207.25	\$223.82

State Employees' Health Insurance Trust Fund
 Analysis of Income and Expenses
 1999-2000

	<u>Feb 99 Estimate</u>	<u>Aug 99 Estimate</u>	<u>Diff.</u>
BEGINNING BALANCE	\$71.2	\$71.2	\$0.0
<hr/>			
Premiums--State	\$488.3	\$518.7	\$30.4
Premiums--Employees	\$108.4	\$115.2	\$6.8
Premiums--Medicare Patients	\$34.5	\$35.8	\$1.3
Premiums--Early Retirees	\$19.0	\$19.6	\$0.6
Premiums--COBRA	\$6.1	\$6.4	\$0.3
Interest on Investments	\$2.7	\$3.5	\$0.8
TPA Refunds/Rebates	\$7.0	\$7.0	\$0.0
Pre-Tax Trust Fund Transfer	\$11.0	\$11.0	\$0.0
Other Revenues	\$0.0	\$0.0	\$0.0
TOTAL INCOME	<u>\$677.0</u>	<u>\$717.2</u>	<u>\$40.2</u>
<hr/>			
EXPENDITURES			
Medical Claims--BCBSF	\$308.9	\$308.9	\$0.0
Prescription Drug Program Claims	\$100.4	\$91.8	(\$8.6)
HMO Contract Fees	\$281.5	\$275.2	(\$6.3)
ASO Fee--BCBSF	\$28.5	\$28.5	\$0.0
ASO Fee--EHS	\$0.2	\$0.2	\$0.0
DSGI Administrative Costs	\$6.9	\$6.9	\$0.0
Premium Refunds	\$1.2	\$1.2	\$0.0
Other Expenses	\$0.1	\$0.1	\$0.0
TOTAL EXPENDITURES	<u>\$727.7</u>	<u>\$712.8</u>	<u>(\$14.9)</u>
<hr/>			
NET INCOME (INCOME LESS EXPENDITURES)	(\$50.7)	\$4.4	\$55.1
<hr/>			
ENDING BALANCE	<u>\$20.5</u>	<u>\$75.6</u>	<u>\$55.1</u>
<hr/>			
Enrollment Projections:			
Self-Insured Plan	94,990	94,990	0
HMO's	68,382	68,382	0
Total	<u>163,372</u>	<u>163,372</u>	<u>0</u>





STATE OF FLORIDA
DIVISION OF STATE GROUP INSURANCE


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CHARLES P. SLAVIN, DIRECTOR

MEMORANDUM

TO: Interested Parties

FROM:  Jeff Dykes, Chief
Bureau of Accounting & Financial Management

SUBJECT: "Post-Session" Outlook –
State Employees Group Health Self-Insurance Trust Fund

DATE: August 18, 1999

Attached is the "Post-Session" outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 1999, 2000 & 2001. The "Post-Session" outlook updates the "Pre-Session" outlook resulting from the Consensus Estimating Conference held in February. Please note that the "Post-Session" outlook has been prepared, in part, for presentation to the principles and participants associated with the economic forecasting process.

The purpose of the "Post-Session" outlook is to reflect the estimated effect that material legislative actions [1999-00 General Appropriations Act (Senate Bill 2500)] and resulting Division policies have on specific revenue and expense items, as well as the estimated effect to the overall financial position of the Trust Fund. Therefore, the "Pre-Session" outlook has been updated to reflect the following actions.

- An increase in estimated premium revenues due to an 8% rate increase effective October 1, 1999 for employees and effective January 1, 2000 for non-employees (a premium contribution table is attached). For a variety of reasons, it was decided to align the effective date of the premium rate increase for non-employees with the commencement of the plan year (i.e., January 1, 2000, rather than October 1, 1999). In addition, it is important to note that beginning January 1, 2000 the actual premium rate for some retirees participating in an HMO plan may be different than the established rates.
- Estimated savings in prescription drug payments in the State Employees' PPO Plan due to increases in the co-payments for generic and brand name drugs effective October 1, 1999.

- Estimated savings in contracted HMO premiums due to an increase in the co-payment for routine physician office visits effective October 1, 1999. However, it should be noted that actual savings to the Trust Fund will begin January 1, 2000 (contractual arrangements with HMO vendors are based on the plan year).
- Estimated savings in contracted HMO premiums due to increases in the co-payments for generic and brand name prescription drugs effective October 1, 1999. However, it should be noted that actual savings to the Trust Fund will begin January 1, 2000 (contractual arrangements with HMO vendors are based on the plan year).

The preceding updates have been made without change or alteration to previous enrollment, utilization and payment assumptions.

It is estimated that the rate increases will generate approximately \$39.4 million in additional premium revenues during fiscal year 1999-00 and approximately \$53.9 million during fiscal year 2000-01. Following are two tables summarizing the estimated fiscal effect to the Trust Fund resulting from increases in the prescription drug and medical co-payments for the State Employees' PPO Plan and HMO plans.

Table 1.
State Employees' PPO Plan
Effective Date: October 1, 1999

	From	To	FY 99-00	FY 00-01
			Savings ^(*)	Savings ^(*)
Prescription Drug Co-payment - Generic	\$5.00	\$7.00	\$8.6	\$13.2
Prescription Drug Co-payment - Brand	\$15.00	\$20.00		

(*) In Millions

Table 2.
HMO Plans
Effective Date: October 1, 1999

	From	To	FY 99-00	FY 00-01
			Savings ^(*)	Savings ^(*)
Physician Office Visit Co-payment	\$5.00	\$10.00	\$2.9	\$5.7
Prescription Drug Co-payment - Generic	\$5.00	\$7.00	\$3.4	\$6.8
Prescription Drug Co-payment - Brand	\$10.00	\$20.00		
			\$6.3	\$12.5

(*) In Millions

The estimated cumulative effect of the legislative actions and resulting Division policies increase cash flow by \$55.1 million during fiscal year 1999-00, decreasing the margin of expenses over revenues from a \$50.7 million deficit to a \$4.4 million surplus. The ending cash balance is increased from \$20.5 million to \$75.6 million. Looking at the first forecast adopted for fiscal year 2000-01, the estimated cumulative effect of the legislative actions and Division policies increase cash flow by an additional \$83.4 million,

decreasing the margin of expenses over revenues from a \$107.1 million deficit to a \$23.7 million deficit. The accumulated ending cash balance is increased from an \$86.6 million deficit to a \$51.9 million surplus for an estimated overall increase in the cash position of \$138.5 million over the two year period.

Please be advised that the results of our analyses to arrive at the estimated effect of legislative actions and resulting Division policies are highly sensitive to the assumptions used for the "Pre-Session" outlook. Cash positions could differ from the results presented to the extent that actual experience varies from that which was assumed. Nevertheless, we believe that the results of our analyses, and the related "Post-Session" outlook, reasonably present the Trust Fund's financial outlook through the forecasted period.

Attachments

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Financial Outlook ⁽¹⁾

Fiscal Year 1998-99

(In Millions)

	(A) Estimating Conference Outlook February '99	(B) Post-Session Outlook June '99	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽²⁾	\$ 14.4	\$ 14.4	\$ 0.0
REVENUES:			
Insurance Premiums:			
State Contributions	504.6	504.6	0.0
Employee Contributions	105.0	105.0	0.0
Medicare Contributions	30.5	30.5	0.0
Early Retiree Contributions	17.1	17.1	0.0
COBRA Contributions	5.1	5.1	0.0
Interest on Investments	4.9	4.9	0.0
TPA Refunds/Rebates	9.4	9.4	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 687.6	\$ 687.6	\$ 0.0
TOTAL CASH AVAILABLE	702.0	702.0	0.0
EXPENSES:			
Medical Claims - BCBSF	\$ 279.7	\$ 279.7	\$ 0.0
Medical Claims - Unisys	8.2	8.2	0.0
Prescription Drug Claims	82.5	82.5	0.0
HMO Premiums	243.5	243.5	0.0
ASO Fee - BCBSF	27.3	27.3	0.0
ASO Fee - Unisys	2.6	2.6	0.0
ASO Fee - EHS	0.2	0.2	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 652.2	\$ 652.2	\$ 0.0
EXCESS OF REVENUES OVER EXPENSES	\$ 35.4	\$ 35.4	\$ 0.0
Plus GR Appropriation ⁽³⁾	\$ 21.4	\$ 21.4	\$ 0.0
Plus Cash Transfer ⁽⁴⁾	50.0	50.0	0.0
Less Repayment of Cash Transfer	(50.0)	(50.0)	0.0
ENDING CASH BALANCE ⁽²⁾	\$ 71.2	\$ 71.2	\$ 0.0
Projected Average Enrollment			
PPO Plan	93,416	93,416	0
HMO Plans	67,694	67,694	0
Total	161,110	161,110	0

Notes:

(1) Up-dated (8-99) to reflect 1999 legislative actions and resulting Division policies.

(2) Excludes Certificate of Deposit (\$4.5 million) and cash balances (\$3.5 million) maintained in bank accounts.

(3) General revenue appropriation provided by the 1998 Legislature.

(4) Temporary transfer from trust funds in the State Treasury pursuant to Sec. 215.18, F.S.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Financial Outlook ⁽¹⁾

Fiscal Year 1999-00

(In Millions)

	(A) Estimating Conference Outlook February '99	(B) Post-Session Outlook June '99	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽²⁾	\$ 71.2	\$ 71.2	\$ 0.0
REVENUES:			
Insurance Premiums: ⁽³⁾			
State Contributions	488.3	518.7	30.4
Employee Contributions	108.4	115.2	6.8
Medicare Contributions	34.5	35.8	1.3
Early Retiree Contributions	19.0	19.6	0.6
COBRA Contributions	6.1	6.4	0.3
Interest on Investments	2.7	3.5	0.8
TPA Refunds/Rebates	7.0	7.0	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 677.0	\$ 717.2	\$ 40.2
TOTAL CASH AVAILABLE	748.2	788.4	40.2
EXPENSES:			
Medical Claims - BCBSF	\$ 308.9	\$ 308.9	\$ 0.0
Prescription Drug Claims ⁽⁴⁾	100.4	91.8	(8.6)
HMO Premiums ⁽⁵⁾	281.5	275.2	(6.3)
ASO Fee - BCBSF	28.5	28.5	0.0
ASO Fee - EHS	0.2	0.2	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 727.7	\$ 712.8	\$ (14.9)
EXCESS OF REVENUES OVER EXPENSES	\$ (50.7)	\$ 4.4	\$ 55.1
ENDING CASH BALANCE ⁽²⁾	\$ 20.5	\$ 75.6	\$ 55.1
<u>Projected Average Enrollment</u>			
PPO Plan	94,990	94,990	0
HMO Plans	68,382	68,382	0
Total	163,372	163,372	0

Notes:

- (1) Up-dated (8-99) to reflect 1999 legislative actions and resulting Division policies.
- (2) Excludes Certificate of Deposit (\$4.5 million) and cash balances (\$3.5 million) maintained in bank accounts.
- (3) Includes results of an 8% premium rate increase [1999-2000 General Appropriations Act (Senate Bill 2500) and Division policy] effective October 1, 1999 (employees) and January 1, 2000 (non-employees).
- (4) Includes estimated savings due to copayment increases [1999-2000 General Appropriations Act (Senate Bill 2500)] effective October 1, 1999.
- (5) Includes estimated savings due to medical and prescription drug copayment increases [1999-2000 General Appropriations Act (Senate Bill 2500) and Division policy] effective October 1, 1999. Actual savings to the Trust Fund begin January 1, 2000.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Financial Outlook ⁽¹⁾

Fiscal Year 2000-01

(In Millions)

	(A) Revised Estimating Conference Outlook March '99	(B) Post-Session Outlook June '99	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽²⁾	\$ 20.5	\$ 75.6	\$ 55.1
REVENUES:			
Insurance Premiums: ⁽³⁾			
State Contributions	507.3	547.8	40.5
Employee Contributions	112.7	121.7	9.0
Medicare Contributions	37.0	39.7	2.7
Early Retiree Contributions	20.0	21.2	1.2
COBRA Contributions	6.9	7.4	0.5
Interest on Investments	0.2	4.0	3.8
TPA Refunds/Rebates	7.4	7.4	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 702.5	\$ 760.2	\$ 57.7
TOTAL CASH AVAILABLE	723.0	835.8	112.8
EXPENSES:			
Medical Claims - BCBSF	\$ 337.9	\$ 337.9	\$ 0.0
Prescription Drug Claims ⁽⁴⁾	121.4	108.2	(13.2)
HMO Premiums ⁽⁵⁾	312.2	299.7	(12.5)
ASO Fee - BCBSF	29.7	29.7	0.0
ASO Fee - EHS	0.2	0.2	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 809.6	\$ 783.9	\$ (25.7)
EXCESS OF REVENUES OVER EXPENSES	\$ (107.1)	\$ (23.7)	\$ 83.4
ENDING CASH BALANCE ⁽²⁾	\$ (86.6)	\$ 51.9	\$ 138.5
Projected Average Enrollment			
PPO Plan	96,379	96,379	0
HMO Plans	69,421	69,421	0
Total	165,800	165,800	0

Notes:

- (1) Up-dated (8-99) to reflect 1999 legislative actions and resulting Division policies.
- (2) Excludes Certificate of Deposit (\$4.5 million) and cash balances (\$3.5 million) maintained in bank accounts.
- (3) Includes results of an 8% premium rate increase [1999-2000 General Appropriations Act (Senate Bill 2500) and Division policy] effective October 1, 1999 (employees) and January 1, 2000 (non-employees).
- (4) Includes estimated savings due to copayment increases [1999-2000 General Appropriations Act (Senate Bill 2500)] effective October 1, 1999.
- (5) Includes estimated savings due to medical and prescription drug copayment increases [1999-2000 General Appropriations Act (Senate Bill 2500) and Division policy] effective October 1, 1999. Actual savings to the Trust Fund begin January 1, 2000.

Department of Management Services
 Division of State Group Insurance
 State Employees' Group Health Insurance Program

Premium Contribution Table (Revised)

Effective October 1, 1999								
Category	Coverage		Biweekly Contribution			Monthly Contribution		
	Type	Code	State	Enrollee	Total	State	Enrollee	Total
Active Full-Time Employees ⁽¹⁾	Single	01	\$95.76	\$16.15	\$111.91	\$191.52	\$32.30	\$223.82
	Family	02	\$195.80	\$58.10	\$253.90	\$391.60	\$116.20	\$507.80
	Spouse	22	\$126.95	\$0.00	\$126.95	\$253.90	\$0.00	\$253.90
	Spouse	89	\$126.95	\$0.00	\$126.95	\$253.90	\$0.00	\$253.90

Effective January 1, 2000								
Category	Coverage		Biweekly Contribution			Monthly Contribution		
	Type	Code	State	Enrollee	Total	State	Enrollee	Total
COBRA Participants	Single	9	\$0.00	\$0.00	\$0.00	\$0.00	\$228.30	\$228.30
	Family	10	\$0.00	\$0.00	\$0.00	\$0.00	\$517.96	\$517.96
Early Retirees ⁽²⁾	Single	61	\$0.00	\$0.00	\$0.00	\$0.00	\$223.82	\$223.82
	Family	62	\$0.00	\$0.00	\$0.00	\$0.00	\$507.80	\$507.80
Medicare Participants ⁽²⁾	(I) One Eligible	63	\$0.00	\$0.00	\$0.00	\$0.00	\$119.03	\$119.03
	(II) One Under/Over	64	\$0.00	\$0.00	\$0.00	\$0.00	\$342.86	\$342.86
	(III) Both Eligible	65	\$0.00	\$0.00	\$0.00	\$0.00	\$238.05	\$238.05

Notes:

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