Self-Insurance Estimating Conference
State Employees' Health Insurance Trust Fund
Last conference held: October 12, 2011

Executive Summary

The outlook for the State Employees' Health Insurance Trust Fund has been revised to take into account recent fund experience and the HMO and Pharmacy Benefits Manager (PBM) procurements. The outlook has been improved due to these changes: for 2011-12 the projected ending balance has been increased by $142.4 million from $91.7 million to $234.1 million, while for 2012-13 the projected ending balance has been increased by $354.8 million from -$244.6 million to $110.2 million. The outlook for subsequent years shows that expenses will exceed revenues by an amount that generates a negative cash flow of $303.6 million in 2013-14, and $558.9 million in 2014-15.

Impacting all areas of the forecast are changes to the enrollment forecast, due to recent trends. Overall projected enrollment has been reduced substantially throughout the forecast period, due mainly to recent significant reductions in enrollment among active employees. This decrease was offset somewhat by higher enrollment among early retirees. Overall enrollment is projected to decline by 1.5% in 2011-12, and increase by .3% in 2012-13, .4% in 2013-14, and .3% in 2014-15.

On the revenue side, the forecast for premiums is generally significantly lower due to lower enrollment. However, in 2011-12, overall premium income is not significantly changed due to moving a June 2011 biweekly payroll into July, shifting $33.4 million from 2010-11 to 2011-12, and an accounting transaction of $14.8 million which also shifted income from 2010-11 to 2011-12. Investment interest is somewhat higher due to higher fund balances, and PBM rebates are also projected to be higher than in the old forecast, due to the change in the Pharmacy Benefits Manager. Overall revenues are projected to be lower than the previous forecast by $31.7 million in 2011-12, $38.4 million in 2012-13, $49.1 million in 2013-14, and $59.6 million in 2014-15.

On the expense side, PPO expenses are generally lower than in the previous forecast. For PPO medical claims, a lower 2010-11 base, a reduction in the trend factor from 9.5% in the old forecast to 9.0% in the new forecast, and lower enrollment all combine to produce lower claims throughout the forecast. For PPO prescription drug claims, in 2011-12 projected claims are higher than in the previous forecast but in subsequent years, lower enrollment and savings from the new PBM contract offset the impact of changing the methodology for producing the forecast and the higher 2010-11 base to produce lower forecasts when compared to the previous estimate, resulting in lower projected claims overall.

Arguably the most significant change from the previous forecast results from the recent HMO procurement process, resulting in new contracts effective January 1, 2012. Four of the six HMO vendors will now be operating under a self-insured financial model. Prescription drug services will be also provided under a self-insured model, with the exception of two vendors who will offer Medicare Advantage Prescription Drug Plans to Medicare subscribers under a fully insured model. The number of HMO vendors per county will be limited to one in sixty-one counties and two in the remaining six counties. Overall these changes, combined with lower projected enrollment, result in a reduction in HMO costs from the previous forecast of $150.2 million in 2011-12, $208.4 million in 2012-13, $304.5 million in 2013-14, and $357.9 million in 2014-15.

There were only minor changes in the remaining expense categories.

State Employees' Group Health Self-Insurance Trust Fund

Report on the Financial Outlook

For the Fiscal Years Ending June 30, 2012 through June 30, 2015

Presented October 12, 2011

(Updated October 13, 2011)

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

EXECUTIVE SUMMARY

The Florida Division of State Group Insurance (the Division) has prepared a financial Outlook for the State Employees' Group Health Self-Insurance Trust Fund (the Trust Fund) for the fiscal years ending June 30, 2012 through June 30, 2015 to aid in the State's planning and budgeting in accordance with Section 216.136(9), *Florida Statutes.* The Division prepared the Outlook using cash basis methods and modeling and it is based on the healthcare benefit and funding design currently in place. It considers actual cash flow and enrollment experience through August and September 2011, respectively.

This Outlook uses the July 2011 Post-Session Impact Outlook as the base and reports and recognizes the fiscal impact of these activities:

1. Actual FY 2010-11 enrollment and cash flow activity.
2. FY 2011-12 monthly cash flow and enrollment activity through August and September 2011, respectively.
3. Contract with a new Pharmacy Benefits Administrator (PBM) effective January 1, 2012.
4. New contracts with Health Maintenance Organization (HMO) vendors effective January 1, 2012.
    a. Impact of introduction of self-insured financing model to some HMO contracts.

The cash position has improved for the forecast period due to the activities listed above. The Trust Fund is expected to remain solvent through FY 2012-13. The projected ending cash balance for FY 2011-12 increased from $91.7 million to $234.1 million; the estimated operating deficit of $138.5 million changed to an estimated gain of $36.3 million. The projected ending cash balance for FY 2012-13 increased from a deficit of $244.6 million to a surplus of $110.2 million, up $354.8 million; the estimated operating loss decreased from $336.3 million to $123.9 million, down $212.4 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 $234.1 million in FY 2011-12 to a projected ending cash deficit of $193.4 million in FY 2013-14. Projected FY 2013-14 revenues are estimated to fall short in meeting health plan costs by $303.6 million.

Following is a summary of the Outlook for fiscal years 2010-11 through 2014-15.

Financial Outlook

(Dollars in Millions)	Actual	Projected			
	2010-11	2011-12	2012-13	2013-14	2014-15[(1)]
Beginning Cash Balance	$ 224.6	$ 197.8	$ 234.1	$ 110.2	$ 0.0
Revenues	1,853.2	1,900.9	1,918.4	2,021.7	2,129.5
Expenses	1,880.0	1,864.6	2,042.3	2,325.3	2,688.4
Operating Gain/ (Loss)	$ (26.8)	$ 36.3	$ (123.9)	$ (303.6)	$ (558.9)
Ending Cash Balance	$ 197.8	$ 234.1	$ 110.2	$ (193.4)	$ (558.9)

(1) Assumes no carry forward of negative cash balances from prior year.

A substantial reduction in expenses is contributing to a healthier cash balance through the forecast period. Favorable improvement in the cash position is attributable to a combination of factors supporting the reduction in the expense forecast.

Slowing of medical healthcare costs in the self-insured Preferred Provider Organization (PPO) plans and improved financial terms for prescription drug benefits resulting from the completion of a competitive procurement for the PBM are contributing to the reduction in the expenses forecast. The PBM contract was awarded to Medco Health Solutions Inc.'s (Medco) for an initial term of three years (January 1, 2012 through December 31, 2014) with renewal options for up to three additional years. Estimated contract savings from items such as deeper price discounts for prescription drugs and lower administrative charges will be realized shortly after the contract effective dates and throughout the contract period.

Most notable is the estimated fiscal impact of the new HMO contracts effective January 1, 2012 resulting from the completion of a competitive procurement. The HMO contracts were awarded for an initial term of two years (January 1, 2012 through December 31, 2013) with renewal options for up to three additional years. Medical benefits for four of the awarded HMO vendors were contracted under a self-insured financial model and two HMO vendors were contracted

under a fully-insured model. Prescription drug services are carved-out to Medco under a self-insured financial model, except for two vendors that will offer a Medicare Advantage Prescription Drug Plans to Medicare subscribers under a fully-insured model (see Exhibit 3). Furthermore, the number of HMO vendors offered per county will be limited to one vendor in sixty one counties and two vendors in six counties. Estimated contract savings will be realized shortly after the contracts effective date and throughout the contract period. Adjustments to corresponding revenue and expense categories resulting from the new HMO contracts have been incorporated in this Outlook.

Decreases in employee enrollment resulted in a decline in insurance premiums and corresponding expense categories. Projected non-premium revenue changes are mainly attributed to the impact of actual FY 2010-11 activity and minor changes to the revised actuarial projections for Medicare Part D subsidy. In addition, this Outlook introduces a new revenue category (HMO-PBM Rebates) to recognize estimated rebates resulting from the carve-out of prescription drugs from the HMO vendors to Medco under a self-insured model.

FY 2011-12 total enrollment recognizes actual decreases in employee enrollment and afterwards the growth in total enrollment is projected at an annual average increase of 0.4%. Monthly activity through September 2011 shows a decrease in active employee enrollment and slightly higher than previously projected enrollment in the retiree population. Actual enrollment activity continues to suggest a migration trend from the PPO plans to the HMO plans. These trends, along with category shifts, are contributing to the adjustments to the enrollment projections and corresponding revenue and expense components.

Subscriber migration and new hire election patterns indicate continuing change in the enrollment distribution between the PPO plans and the HMO plans. FY 2011-12 total enrollment distributions are projected at 51.1% in the PPO plans and 48.9% in the HMO plans. However, employee enrollment is projected at 43.8% in the PPO plans and 56.2% in the HMO plans, during the same period. The PPO plans have a disproportionately higher share of retiree subscribers (78.0%) as compared to the HMO plans (22.0%).

Approximately 1,488 subscribers (1,409 active employees) are currently enrolled in a High Deductible Health Plan (0.85% of total enrollment). Approximately 931 of these active employees, or 66.1%, participate in the integrated State-sponsored Health Savings Account offering.

Projected growth in expenses during fiscal years 2012-13 through 2014-15 with relatively stable revenues upon implementation of the premium rate increase in December 2010 for January 2011 coverage will cause significant deterioration of the cash position in FY 2013-14. Attention to the cash position is required to maintain sufficient cash balances for operations.

The declining employee membership trend, coupled with the increasing retiree membership trend continues to impact utilization patterns and costs for the state, as medical costs generally increase with age. After consideration of actual PPO plans medical claims experience the medical growth trend was decrease from 9.5% to 9.0% for the forecast period. The HMO plans medical cost trend for the forecast period is 9.0%. The assumed growth rates fall within the expected industry range of 5.4% to 11.7%.

The prescription drug market continues to provide opportunities to dispense generic drugs. However, the offering of new and more expensive biotech/specialty drugs counterbalances the trend towards utilizing of less expensive generic drugs. The main factors driving changes in prescription drug spending are: (1) membership demographics, (2) utilization, (3) price changes, and (4) changes in the types of drugs used.

With a projected higher retiree enrollment ratio and the State's current position as the primary payer of prescription drugs for Medicare retirees, prescription drug growth rate is expected to continue trending upwards. The overall PPO plans cost trend has remained 9.2% for the forecast period, consistent with previous assumptions. The HMO plans prescription drug trend for the forecast period is 8.9%. The assumed growth rates fall within the expected industry range of 6.5% – 11.0%.

The weighted-average increase in premium rates for the two fully-insured HMO vendors has been established at 9.0%. The assumed growth rate is slightly lower than the expected industry range of 9.2% – 10.6% for traditional HMO offerings. For plan year 2012 all counties in Florida will have at least one HMO plan offering. The PPO standard and high deductible health plans remain available worldwide.

Following is a summary of the trends used in the previous projections and those used for the development of this Outlook.

	February 2011 [1]		October 2011 [2]	
	Trend	Industry Range	Trend	Industry Range
PPO Medical Claims	9.5%	5.9% - 11.7%	9.0%	5.4% - 11.7%
HMO Medical Claims	Not Applicable		9.0%	
PPO Prescription Drug Claims	9.2%	9.2% - 11.3%	9.2%	6.5% - 11.3%
HMO Prescription Drug Claims	Not Applicable		8.9%	
HMO Premium Payments	10.0%	9.4% - 10.6%	9.0%	9.2% - 10.6%

Notes: [1] Survey data for Calendar Year 2011. [2] Survey data for Calendar Years 2011 and 2012.

The Patient Protection and Affordable Care Act (PPACA), enacted on March 23, 2010, as amended by the Health Care and Education Reconciliation Act (HCERA), creates a broad array of issues for employers' health benefit programs and the US health care system. New mandates and changes imposed by the law affect the design, cost, tax treatment, administration, reporting and disclosure of health benefit programs. Some new provisions went into effect in 2010, but many will not take effect for several years.

PPACA imposes new mandates or standards for individual and group health coverage. With a few exceptions, all insured and self-insured group health plans faced a first round of coverage and cost-sharing mandates for plan years beginning on or after March 23, 2010.

The Division retained Mercer to estimate the fiscal impact of PPACA to the trust fund. Estimates are being presented in the Outlook as a single line in the Revenue and Expense categories with supporting detail in appendices 1 and 2 of the Financial Outlook. To develop the estimates Mercer used assumptions and methodologies provided in the report dated February 25, 2011, and updated by the Division for this Outlook. Some key assumptions are listed below:

1. Non-grandfathered status for the State Employees' Group Health Insurance Program (the Program).
2. Baseline dollar figures from the Outlook dated December 9, 2010.
3. Annual increases in costs for medical and prescription drug claims and HMO premium payments are based on Mercer's assumptions, proprietary models and employer marketplace trends.
4. Approximately 770 enrollees will drop participation in the Program and enroll in Medicaid on January 1, 2014 as a result of the implementation of the "Medicaid Expansion and Migration into Exchange" reform.
5. Approximately 21,580 (12,948 permanent employees and 8,632 OPS employees (University OPS employees not included due to unavailability of data at the time of the report was produced)) will elect to participate in the Program on January 1, 2014 as a result of the implementation of the "Individual Mandate with Federal Subsidies" reform.
6. Increase in Insurance Premium contributions effective December 2013 for January 2014 coverage:
    i. Additional employer contributions estimated at $104.3 million and $211.72 million for Fiscal Years 2013-14 and 2014-15, respectively.
    ii. Additional employee contributions estimated at $5.31 million and $10.79 million for Fiscal Years 2013-14 and 2014-15, respectively.
    iii. Total estimated increase in insurance premium contributions of $109.61 million and $222.51 million for fiscal years 2013-14 and 2014-15, respectively.

The State must continually monitor and review PPACA over the next several years, particularly as some regulations are pending. This will ensure that the State fully understands the fiscal impact on the Trust Fund and can make decisions accordingly.

Exhibits

The exhibits that follow provide more in-depth information about the projections, estimated cash positions and comparisons to the previous outlook.

Appendixes

Appendix 1 provides detailed information on the estimated fiscal impact to the forecast as a result of PPACA.
Appendix 2 provides summary information about PPACA reforms and their estimated fiscal impact to the forecast.
Appendix 3 provides summary information about the new HMO contract terms, by vendor, effective January 1, 2012.

Exhibit I

Financial Outlook by Fiscal Year (In Millions)

Highlights of Changes to Forecast - Conference October 2011 Compared to July 2011

(In Millions)

	FY 2010-11			FY 2011-12			FY 2012-13			FY 2013-14			FY 2014-15		
	Jul '11	Oct '11	Diff.	Jul '11	Oct '11	Diff.	Jul '11	Oct '11	Diff.	Jul '11	Oct '11	Diff.	Jul '11	Oct '11	Diff.
BEGINNING CASH BALANCE	$ 224.6	$ 224.6	$ 0.0	$ 230.2	$ 197.8	$ (32.4)	$ 91.7	$ 234.1	$ 142.4	$ 0.0	$ 110.2	$ 110.2	$ 0.0	$ 0.0	$ 0.0
REVENUES:															
Insurance Premiums	$ 1,829.9	$ 1,773.4	$ (56.5)	$ 1,829.3	$ 1,829.7	$ 0.4	$ 1,886.7	$ 1,832.6	$ (54.1)	$ 1,895.7	$ 1,835.9	$ (59.8)	$ 1,905.6	$ 1,839.9	$ (65.7)
Investment Interest	4.5	4.2	(0.3)	3.2	4.6	1.4	0.0	4.4	4.4	0.0	0.4	0.4	0.0	0.0	0.0
Other Revenues	70.1	75.6	5.5	67.7	66.6	(1.1)	70.1	81.4	11.3	175.1	185.4	10.3	283.5	289.6	6.1
TOTAL REVENUES	$ 1,904.5	$ 1,853.2	$ (51.3)	$ 1,900.2	$ 1,900.9	$ 0.7	$ 1,956.8	$ 1,918.4	$ (38.4)	$ 2,070.8	$ 2,021.7	$ (49.1)	$ 2,189.1	$ 2,129.5	$ (59.6)
TOTAL CASH AVAILABLE	$ 2,129.1	$ 2,077.8	$ (51.3)	$ 2,130.4	$ 2,098.7	$ (31.7)	$ 2,048.5	$ 2,152.5	$ 104.0	$ 2,070.8	$ 2,131.9	$ 61.1	$ 2,189.1	$ 2,129.5	$ (59.6)
EXPENSES:															
PPO Plan	$ 895.7	$ 883.9	$ (11.8)	$ 960.4	$ 936.5	$ (23.9)	$ 1,027.4	$ 984.7	$ (42.7)	$ 1,105.3	$ 1,043.9	$ (61.4)	$ 1,189.8	$ 1,108.6	$ (81.2)
HMO Plan	988.4	987.3	(1.1)	1,092.7	942.5	(150.2)	1241.6	1033.2	(208.4)	1406.5	1102.0	(304.5)	1590.7	1232.8	(357.9)
Other Expenses	14.8	8.8	(6.0)	(14.4)	(14.4)	0.0	24.1	24.4	0.3	178.9	179.4	0.5	346.4	347.0	0.6
TOTAL EXPENSES	$ 1,898.9	$ 1,880.0	$ (18.9)	$ 2,038.7	$ 1,864.6	$ (174.1)	$ 2,293.1	$ 2,042.3	$ (250.8)	$ 2,690.7	$ 2,325.3	$ (365.4)	$ 3,126.9	$ 2,688.4	$ (438.5)
EXCESS OF REV. OVER EXP.	$ 5.6	$ (26.8)	$ (32.4)	$ (138.5)	$ 36.3	$ 174.8	$ (336.3)	$ (123.9)	$ 212.4	$ (619.9)	$ (303.6)	$ 316.3	$ (937.8)	$ (558.9)	$ 378.9
ENDING CASH BALANCE	$ 230.2	$ 197.8	$ (32.4)	$ 91.7	$ 234.1	$ 142.4	$ (244.6)	$ 110.2	$ 354.8	$ (619.9)	$ (193.4)	$ 426.5	$ (937.8)	$ (558.9)	$ 378.9
Total Unreported Claims Liability	Not Included	$ 64.5	Not Applicable	Not Included	$ 117.4	Not Applicable	Not Included	$ 124.1	Not Applicable	Not Included	$ 131.1	Not Applicable	Not Included	$ 139.0	Not Applicable

(1) Revenue and Expense categories have been collapsed to present the highlights of changes to forecast.
(2) Exhibits II to XII present detail forecast information, per fiscal year.

Highlights of Changes to Forecast

- Overall, net results of outlook improved for the forecast period, as compared with previous outlook
- Inclusion of actual FY 2010-11 enrollment and cash flow
- Inclusion of actual enrollment through September 2011 and actual cash flow activity through August 2011
- Inclusion of estimated fiscal impact of new contract with Pharmacy Benefits Administrator effective January 1, 2012
- Inclusion of estimated fiscal impact of new contracts with Health Maintenance Organization (HMO) vendors effective January 1, 2012
- Inclusion of Unreported Claim Liabilities
  - PPO Plan - Medical Incurred but Not Reported (IBNR) claims and outstanding drafts
  - HMO Plan - Medical and Prescription Drugs Incurred but Not Reported (IBNR) claims

Exhibit II
Financial Outlook by Fiscal Year (In Millions)

	FY 2010-11 Actual	FY 2011-12 Estimate [1]	FY 2012-13 Estimate [1]	FY 2013-14 Estimate [1]	FY 2014-15 Estimate [1]
BEGINNING CASH BALANCE	$ 224.6	$ 197.8	$ 234.1	$ 110.2	$ 0.0 [2]
REVENUES:					
Insurance Premiums:					
Employer	$ 1,403.3 [3]	$ 1,447.5 [3]	$ 1,447.7	$ 1,447.1	$ 1,446.1
Employee	164.8 [3]	166.4 [3]	166.7	166.9	167.1
HSA Contributions [4]	1.6	1.6	1.6	1.6	1.6
COBRA	5.3	6.1	6.1	6.1	6.1
Early Retiree	62.0	64.7	64.5	64.3	64.2
Medicare	136.4	143.4	146.0	149.9	154.8
Investment Interest	4.2	4.6	4.4	0.4	0.0
PPO-TPA Refunds	8.9	7.2	7.2	7.2	7.2
PPO-PBM Rebates	25.9	22.1	27.5 [5]	24.9 [5]	20.2 [5]
HMO-PBM Rebates	N/A	0.0 [9]	8.1 [9]	8.8 [9]	9.9 [9]
Pretax Trust Fund Transfer	17.0	18.0	18.0	18.0	18.0
PPO-Medicare Part D Subsidy	22.2	19.3	20.6	22.5	23.2
Other Revenues	1.6	0.0	0.0	0.0	0.0
PPACA [6]	0.0	0.0	0.0	104.0	211.1
TOTAL REVENUES	$ 1,853.2	$ 1,900.9	$ 1,918.4	$ 2,021.7	$ 2,129.5
TOTAL CASH AVAILABLE	$ 2,077.8	$ 2,098.7	$ 2,152.5	$ 2,131.9	$ 2,129.5
EXPENSES:					
State PPO Plan: [7]					
Medical Claims	$ 602.5	$ 628.1	$ 668.2	$ 711.7	$ 758.0
ASO Fee	19.8	19.4	18.9	18.5	18.0
Prescription Drug Claims	261.3	288.8 [5]	297.4 [5]	313.5 [5]	332.4 [5]
PBM Claims Administration	0.3	0.2	0.2	0.2	0.2
HMO Plan: [7][8]					
Premium Payments	987.3	632.4 [9]	276.6 [9]	304.1 [9]	340.6 [9]
Medical Claims	N/A	207.7 [9]	544.9 [9]	612.2 [9]	684.7 [9]
Risk Reserve	N/A	23.4 [10]	44.6 [10]	N/A	N/A
ASO Fee	N/A	16.6 [9]	32.2 [9]	35.3 [9]	38.2 [9]
Prescription Drug Claims	N/A	62.4 [5][9]	134.9 [5][9]	150.4 [5][9]	169.3 [5][9]
HSA Deposits [4]	1.6	1.6	1.6	1.6	1.6
Operating Costs & Admin Assessment	2.2	2.6	2.6	2.6	2.6
Premium Refunds	5.0	3.5	3.5	3.5	3.5
Other Expenses	0.0	0.1	0.1	0.1	0.1
PPACA [6]	0.0	(22.2)	16.6	171.6	339.2
TOTAL EXPENSES	$ 1,880.0	$ 1,864.6	$ 2,042.3	$ 2,325.3	$ 2,688.4
EXCESS OF REVENUES OVER EXPENSES	$ (26.8)	$ 36.3	$ (123.9)	$ (303.6)	$ (558.9)
ENDING CASH BALANCE	**$ 197.8**	**$ 234.1**	**$ 110.2**	**$ (193.4)**	**$ (558.9)**
		ADDITONAL INFORMATION			
Total Unreported Claims Liability [11]	$ 64.5	$ 117.4	$ 124.1	$ 131.1	$ 139.0
Average Enrollment by Plan — PPO Standard	91,784	88,233	86,099	84,109 [12]	82,157 [12]
PPO HIHP	979	1,018	1,018	1,018 [12]	1,018 [12]
HMO Standard	83,877	84,819	87,483	90,096 [12]	92,623 [12]
HMO HIHP	470	470	470	470 [12]	470 [12]
Total	177,110	174,540	175,070	175,693	176,268
Average Enrollment by Coverage Type — Active Standard	139,165	135,937	135,821	135,808 [12]	135,745 [12]
Active HIHP	1,371	1,409	1,409	1,409 [12]	1,409 [12]
COBRA	750	680	677	677 [12]	677 [12]
Early Retiree	7,662	7,842	7,866	7,888 [12]	7,912 [12]
Medicare	28,162	28,672	29,297	29,911 [12]	30,525 [12]
Total	177,110	174,540	175,070	175,693	176,268

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

[2] Assumes no carry forward of negative ending cash balance from prior year.

[3] Includes estimated impact of bi-weekly payroll change from June to July 2011.

[4] Contributions approximate a split between employer and employee of 42% and 58%, respectively.

[5] Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

[6] Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

[7] PPO and HMO Bank Services are estimated at approximately $35,000 per year per plan for the projected period, which rounds to $0.0M.

[8] Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0.

[9] Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

[10] Established by Principals for HMO Medical and Prescription Drug Claims. Calculated for fiscal years 2011-12 and 2012-13 at 7.25% and 6.5%, respectively, of total estimated HMO claim costs.

[11] Includes PPO Plan Incurred but not Reported (IBNR) claims and outstanding drafts and HMO IBNR claims. Reference Exhibits IV through VII for detail.

[12] Does not include estimated impact to enrollment of certain PPACA reforms.

Exhibit III

Financial Outlook - Fiscal Year 2010-11 (In Millions)

	(A) Jul '11	(B) Oct '11	(B) - (A) Difference
BEGINNING CASH BALANCE	$ 224.6	$ 224.6	$ 0.0
REVENUES:			
Insurance Premiums:			
Employer	$ 1,453.8	$ 1,403.3 [1][2]	$ (50.5)
Employee	169.7	164.8 [1]	(4.9)
HSA Contributions [3]	1.5	1.6	0.1
COBRA	6.3	5.3	(1.0)
Early Retiree	62.0	62.0	0.0
Medicare	136.6	136.4	(0.2)
Investment Interest	4.5	4.2	(0.3)
PPO-TPA Refunds	8.1	8.9	0.8
PPO-PBM Rebates	25.6	25.9	0.3
Pretax Trust Fund Transfer	15.9	17.0 [4]	1.1
PPO-Medicare Part D Subsidy	20.5	22.2	1.7
Other Revenue	0.0	1.6	1.6
PPACA [5]	0.0	0.0	0.0
TOTAL REVENUES	$ 1,904.5	$ 1,853.2	$ (51.3)
TOTAL CASH AVAILABLE	$ 2,129.1	$ 2,077.8	$ (51.3)
EXPENSES:			
State PPO Plan: [6]			
Medical Claims	$ 618.0	$ 602.5	$ (15.5)
ASO Fee	19.8	19.8	0.0
Prescription Drug Claims	257.6	261.3	3.7
PBM Claims Administration	0.3	0.3	0.0
HMO Premium Payments	988.4	987.3	(1.1)
HSA Deposits [3]	1.5	1.6	0.1
Operating Costs & Admin Assessment	2.6	2.2	(0.4)
Premium Refunds	3.5	5.0	1.5
Other Expenses	0.1	0.0	(0.1)
PPACA [5]	7.1	0.0 [7]	(7.1)
TOTAL EXPENSES	$ 1,898.9	$ 1,880.0	$ (18.9)
EXCESS OF REVENUES OVER EXPENSES	$ 5.6	$ (26.8)	$ (32.4)
ENDING CASH BALANCE	**$ 230.2**	**$ 197.8**	**$ (32.4)**

ADDITONAL INFORMATION

Total Unreported Claims Liability [10]		Not Included	$ 64.5 [8]	Not Applicable
Average Enrollment by Plan	PPO Standard	91,851	91,784	(67)
	PPO HIHP	973	979	6
	HMO Standard	83,971	83,877	(94)
	HMO HIHP	466	470	4
	Total	177,261	177,110	(151)
Average Enrollment by Coverage Type	Active Standard	139,336	139,165	(171)
	Active HIHP	1,360	1,371	11
	COBRA	756	750	(6)
	Early Retiree	7,639	7,662	23
	Medicare	28,170	28,162	(8)
	Total	177,261	177,110	(151)

[1] Includes impact of bi-weekly payroll change from June 2011 to July 2011.

[2] An accounting transaction reduced FY 2010-11 and increased FY 2011-12 insurance premiums in the amount of $14.8M for a net impact of $0.0.

[3] Contributions approximate a split between employer and employee of 42% and 58%, respectively.

[4] Includes adjustment to reconcile Pretax trust fund transfer with accounting records.

[5] Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

[6] PPO and HMO Bank Services are estimated at approximately $35,000 per year per plan for the projected period, which rounds to $0.0M.

[7] Actual claims cost, if any, resulting from Patient Protection and Affordable Care Act (PPACA) effective January 2011, are embedded in the appropriate claims expense category.

[8] Includes PPO Incurred but not Reported (IBNR) claims and outstanding drafts estimated in the amount of $58.3M and $6.2M, respectively.

Exhibit IV

Financial Outlook - Fiscal Year 2011-12 (In Millions)

	(A) Jul '11	(B) Oct '11	(B) - (A) Difference
BEGINNING CASH BALANCE	$ 230.2	$ 197.8	$ (32.4)
REVENUES:			
Insurance Premiums:			
Employer	$ 1,449.1	$ 1,447.5 [1][2]	$ (1.6)
Employee	166.7	166.4 [1]	(0.3)
HSA Contributions [3]	1.5	1.6	0.1
COBRA	6.0	6.1	0.1
Early Retiree	61.4	64.7	3.3
Medicare	144.6	143.4	(1.2)
Investment Interest	3.2	4.6	1.4
PPO-TPA Refunds	7.2	7.2	0.0
PPO-PBM Rebates	22.1	22.1	0.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
PPO-Medicare Part D Subsidy	20.4	19.3	(1.1)
PPACA [4]	0.0	0.0	0.0
TOTAL REVENUES	$ 1,900.2	$ 1,900.9	$ 0.7
TOTAL CASH AVAILABLE	$ 2,130.4	$ 2,098.7	$ (31.7)
EXPENSES:			
State PPO Plan: [5]			
Medical Claims	$ 661.0	$ 628.1	$ (32.9)
ASO Fee	19.7	19.4	(0.3)
Prescription Drug Claims	279.4	288.8 [7]	9.4
PBM Claims Administration	0.3	0.2 [7]	(0.1)
HMO Plan: [5][6]			
Premium Payments	1,092.7	632.4 [8]	(460.3)
Medical Claims	N/A	207.7 [8]	207.7
Risk Reserve	N/A	23.4 [9]	23.4
ASO Fee	N/A	16.6 [8]	16.6
Prescription Drug Claims	N/A	62.4 [7][8]	62.4
HSA Deposits [3]	1.5	1.6	0.1
Operating Costs & Admin Assessment	2.6	2.6	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
PPACA [4]	(22.1)	(22.2)	(0.1)
TOTAL EXPENSES	$ 2,038.7	$ 1,864.6	$ (174.1)
EXCESS OF REVENUES OVER EXPENSES	$ (138.5)	$ 36.3	$ 174.8
ENDING CASH BALANCE	**$ 91.7**	**$ 234.1**	**$ 142.4**

ADDITONAL INFORMATION

Total Unreported PPO Plan Claims Liability	Not Included	$ 64.5 [10]	Not Applicable
Total Unreported HMO Plan Claims Liability	Not Applicable	52.9 [11]	Not Applicable
Total Unreported Claims Liability	Not Applicable	**$ 117.4**	Not Applicable

Average Enrollment by Plan	PPO Standard	89,573	88,233	(1,340)
	PPO HIHP	1,006	1,018	12
	HMO Standard	86,969	84,819	(2,150)
	HMO HIHP	460	470	10
	Total	178,008	174,540	(3,468)
Average Enrollment by Coverage Type	Active Standard	139,807	135,937	(3,870)
	Active HIHP	1,385	1,409	24
	COBRA	678	680	2
	Early Retiree	7,486	7,842	356
	Medicare	28,652	28,672	20
	Total	178,008	174,540	(3,468)

(1) Includes impact of bi-weekly payroll change from June 2011 to July 2011.

(2) An accounting transaction reduced FY 2010-11 and increased FY 2011-12 insurance premiums in the amount of $14.8M for a net impact of $0.0.

(3) Contributions approximate a split between employer and employee of 42% and 58%, respectively.

(4) Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

(5) PPO and HMO Bank Services are estimated at approximately $35,000 per year per plan for the projected period, which rounds to $0.0M.

(6) Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0.

(7) Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

(8) Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

(9) Established by Principals for HMO Medical and Prescription Drug Claims. Calculated at 7.25% of total estimated HMO claim costs.

(10) Includes PPO Incurred but not Reported (IBNR) claims and outstanding drafts estimated in the amount of $58.3M and $6.2M, respectively.

(11) Includes HMO medical and drugs IBNR claims in the amount of $51.2M and $1.7M, respectively.

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

	(A) Jul '11	(B) Oct '11	(B) - (A) Difference
BEGINNING CASH BALANCE	$ 91.7	$ 234.1	$ 142.4
REVENUES:			
Insurance Premiums:			
Employer	$ 1,497.9	$ 1,447.7	$ (50.2)
Employee	172.9	166.7	(6.2)
HSA Contributions [1]	1.5	1.6	0.1
COBRA	6.0	6.1	0.1
Early Retiree	58.9	64.5	5.6
Medicare	149.5	146.0	(3.5)
Investment Interest	0.0	4.4	4.4
PPO-TPA Refunds	7.2	7.2	0.0
PPO-PBM Rebates	22.9	27.5 [2]	4.6
HMO-PBM Rebates	N/A	8.1 [8]	8.1
Pretax Trust Fund Transfer	18.0	18.0	0.0
PPO-Medicare Part D Subsidy	22.0	20.6	(1.4)
PPACA [3]	0.0	0.0	0.0
TOTAL REVENUES	$ 1,956.8	$ 1,918.4	$ (38.4)
TOTAL CASH AVAILABLE	$ 2,048.5	$ 2,152.5	$ 104.0
EXPENSES:			
State PPO Plan: [4]			
Medical Claims	$ 705.4	$ 668.2	$ (37.2)
ASO Fee	19.2	18.9	(0.3)
Prescription Drug Claims	302.5	297.4 [2]	(5.1)
PBM Claims Administration	0.3	0.2 [2]	(0.1)
HMO Plan: [4][5]			
Premium Payments	1,241.6	276.6 [6]	(965.0)
Medical Claims	N/A	544.9 [6]	544.9
Risk Reserve	N/A	44.6 [7]	44.6
ASO Fee	N/A	32.2 [6]	32.2
Prescription Drug Claims	N/A	134.9 [2][6]	134.9
HSA Deposits [1]	1.5	1.6	0.1
Operating Costs & Admin Assessment	2.6	2.6	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
PPACA [3]	16.4	16.6	0.2
TOTAL EXPENSES	$ 2,293.1	$ 2,042.3	$ (250.8)
EXCESS OF REVENUES OVER EXPENSES	$ (336.3)	$ (123.9)	$ 212.4
ENDING CASH BALANCE	**$ (244.6)**	**$ 110.2**	**$ 354.8**

ADDITONAL INFORMATION

Total Unreported PPO Plan Claims Liability		Not Included	$ 64.5 [8]	Not Applicable
Total Unreported HMO Plan Claims Liability		Not Applicable	59.6 [9]	Not Applicable
Total Unreported Claims Liability		Not Applicable	**124.1**	Not Applicable
Average Enrollment by Plan	PPO Standard	87,266	86,099	(1,167)
	PPO HIHP	1,006	1,018	12
	HMO Standard	89,732	87,483	(2,249)
	HMO HIHP	460	470	10
	Total	178,464	175,070	(3,394)
Average Enrollment by Coverage Type	Active Standard	139,878	135,821	(4,057)
	Active HIHP	1,385	1,409	24
	COBRA	678	677	(1)
	Early Retiree	7,257	7,866	609
	Medicare	29,266	29,297	31
	Total	178,464	175,070	(3,394)

(1) Contributions approximate a split between employer and employee of 42% and 58%, respectively.

(2) Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

(3) Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

(4) PPO and HMO Bank Services are estimated at approximately $35,000 per year per plan for the projected period, which rounds to $0.0M.

(5) Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0.

(6) Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

(7) Established by Principals for HMO Medical and Prescription Drug Claims. Calculated at 6.5% of total estimated HMO claim costs.

(8) Includes PPO Incurred but not Reported (IBNR) claims and outstanding drafts estimated in the amount of $58.3M and $6.2M, respectively.

(9) Includes HMO medical and drugs IBNR claims in the amount of $57.7M and $1.9M, respectively.

Exhibit VI
Financial Outlook - Fiscal Year 2013-14 (In Millions)

	(A) Jul '11	(B) Oct '11	(B) - (A) Difference
BEGINNING CASH BALANCE	$ 0.0 [1]	$ 110.2	$ 110.2
REVENUES:			
Insurance Premiums:			
Employer	$ 1,502.5	$ 1,447.1	$ (55.4)
Employee	174.0	166.9	(7.1)
HSA Contributions [2]	1.5	1.6	0.1
COBRA	6.0	6.1	0.1
Early Retiree	56.8	64.3	7.5
Medicare	154.9	149.9	(5.0)
Investment Interest	0.0	0.4	0.4
PPO-TPA Refunds	7.2	7.2	0.0
PPO-PBM Rebates	23.3	24.9 [3]	1.6
HMO-PBM Rebates	N/A	8.8 [8]	8.8
Pretax Trust Fund Transfer	18.0	18.0	0.0
PPO-Medicare Part D Subsidy	22.6	22.5	(0.1)
PPACA [4]	104.0	104.0	0.0
TOTAL REVENUES	$ 2,070.8	$ 2,021.7	$ (49.1)
TOTAL CASH AVAILABLE	$ 2,070.8	$ 2,131.9	$ 61.1
EXPENSES:			
State PPO Plan: [5]			
Medical Claims	$ 753.0	$ 711.7	$ (41.3)
ASO Fee	18.7	18.5	(0.2)
Prescription Drug Claims	333.3 [6]	313.5 [3]	(19.8)
PBM Claims Administration	0.3	0.2 [3]	(0.1)
HMO Plan: [5][7]			
Premium Payments	1,406.5	304.1 [8]	(1,102.4)
Medical Claims	N/A	612.2 [8]	612.2
ASO Fee	N/A	35.3 [8]	35.3
Prescription Drug Claims	N/A	150.4 [3][8]	150.4
HSA Deposits [2]	1.5	1.6	0.1
Operating Costs & Admin Assessment	2.6	2.6	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
PPACA [4]	171.2	171.6	0.4
TOTAL EXPENSES	$ 2,690.7	$ 2,325.3	$ (365.4)
EXCESS OF REVENUES OVER EXPENSES	$ (619.9)	$ (303.6)	$ 316.3
ENDING CASH BALANCE	**$ (619.9)**	**$ (193.4)**	**$ 426.5**

ADDITONAL INFORMATION

Total Unreported PPO Plan Claims Liability		Not Included	$ 64.5 [9]	Not Applicable
Total Unreported HMO Plan Claims Liability		Not Applicable	66.6 [10]	Not Applicable
Total Unreported Claims Liability		Not Applicable	**131.1**	Not Applicable
Average Enrollment [11] by Plan	PPO Standard	85,060	84,109	(951)
	PPO HIHP	1,006	1,018	12
	HMO Standard	92,324	90,096	(2,228)
	HMO HIHP	460	470	10
	Total	178,850	175,693	(3,157)
Average Enrollment by [11] Coverage Type	Active Standard	139,854	135,808	(4,046)
	Active HIHP	1,385	1,409	24
	COBRA	678	677	(1)
	Early Retiree	7,053	7,888	835
	Medicare	29,880	29,911	31
	Total	178,850	175,693	(3,157)

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

(2) Contributions approximate a split between employer and employee of 42% and 58%, respectively.

(3) Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

(4) Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

(5) PPO and HMO Bank Services are estimated at approximately $35,000 per year per plan for the projected period, which rounds to $0.0M.

(6) Includes growth trend for prescription drug claims of 13.0%, consistent with previous outlook.

(7) Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0.

(8) Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

(9) Includes PPO Incurred but not Reported (IBNR) claims and outstanding drafts estimated in the amount of $58.3M and $6.2M, respectively.

(10) Includes HMO medical and drugs IBNR claims in the amount of $64.5M and $2.1M, respectively.

(11) Does not include estimated impact to enrollment of certain PPACA reforms.

Exhibit VII
Financial Outlook - Fiscal Year 2014-15 (In Millions)

	(A) Jul '11	(B) Oct '11	(B) - (A) Difference
BEGINNING CASH BALANCE	$ 0.0 [1]	$ 0.0 [1]	$ 0.0
REVENUES:			
Insurance Premiums:			
Employer	$ 1,507.3	$ 1,446.1	$ (61.2)
Employee	175.0	167.1	(7.9)
HSA Contributions [2]	1.5	1.6	0.1
COBRA	6.0	6.1	0.1
Early Retiree	54.9	64.2	9.3
Medicare	160.9	154.8	(6.1)
Investment Interest	0.0	0.0	0.0
PPO-TPA Refunds	7.2	7.2	0.0
PPO-PBM Rebates	23.9	20.2 [3]	(3.7)
HMO-PBM Rebates	N/A	9.9 [7]	9.9
Pretax Trust Fund Transfer	18.0	18.0	0.0
PPO-Medicare Part D Subsidy	23.3	23.2	(0.1)
PPACA [4]	211.1	211.1	0.0
TOTAL REVENUES	$ 2,189.1	$ 2,129.5	$ (59.6)
TOTAL CASH AVAILABLE	$ 2,189.1	$ 2,129.5	$ (59.6)
EXPENSES:			
State PPO Plan: [5]			
Medical Claims	$ 804.0	$ 758.0	$ (46.0)
ASO Fee	18.2	18.0	(0.2)
Prescription Drug Claims	367.3 [6]	332.4 [3]	(34.9)
PBM Claims Administration	0.3	0.2 [3]	(0.1)
HMO Plan: [5][7]			
Premium Payments	1,590.7	340.6 [8]	(1,250.1)
Medical Claims	N/A	684.7 [8]	684.7
ASO Fee	N/A	38.2 [8]	38.2
Prescription Drug Claims	N/A	169.3 [3][8]	169.3
HSA Deposits [2]	1.5	1.6	0.1
Operating Costs & Admin Assessment	2.6	2.6	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
PPACA [4]	338.7	339.2	0.5
TOTAL EXPENSES	$ 3,126.9	$ 2,688.4	$ (438.5)
EXCESS OF REVENUES OVER EXPENSES	$ (937.8)	$ (558.9)	$ 378.9
ENDING CASH BALANCE	**$ (937.8)**	**$ (558.9)**	**$ 378.9**

ADDITONAL INFORMATION

Total Unreported PPO Plan Claims Liability	Not Included	$ 64.5 [9]	Not Applicable
Total Unreported HMO Plan Claims Liability	Not Applicable	74.5 [10]	Not Applicable
Total Unreported Claims Liability	Not Applicable	**$ 139.0**	Not Applicable

Average Enrollment [11] by Plan	PPO Standard	82,912	82,157	(755)
	PPO HIHP	1,006	1,018	12
	HMO Standard	94,836	92,623	(2,213)
	HMO HIHP	460	470	10
	Total	179,214	176,268	(2,946)
Average Enrollment by [11] Coverage Type	Active Standard	139,780	135,745	(4,035)
	Active HIHP	1,385	1,409	24
	COBRA	678	677	(1)
	Early Retiree	6,877	7,912	1,035
	Medicare	30,494	30,525	31
	Total	179,214	176,268	(2,946)

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

(2) Contributions approximate a split between employer and employee of 42% and 58%, respectively.

(3) Includes estimated fiscal impact of new PBM contract effective January 1, 2012.

(4) Includes estimated fiscal impact of the Federal Patient Protection and Affordable Care Act (PPACA).

(5) PPO and HMO Bank Services are estimated at approximately $35,000 per year per plan for the projected period, which rounds to $0.0M.

(6) Includes growth trend for prescription drug claims of 13.0%, consistent with previous outlook.

(7) Estimated annual HMO PBM claim administration costs are approximately $20,000 and therefore round to $0.0.

(8) Includes estimated fiscal impact of new HMO contracts effective January 1, 2012.

(9) Includes PPO Incurred but not Reported (IBNR) claims and outstanding drafts estimated in the amount of $58.3M and $6.2M, respectively.

(10) Includes HMO medical and drugs IBNR claims in the amount of $72.1M and $2.4M, respectively.

(11) Does not include estimated impact to enrollment of certain PPACA reforms.

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

$ 230.2 Previous Ending Cash Balance Forecast [1]

(51.3) Decrease in Actual Revenue

- (56.5) - Decrease in employer and enrollee Insurance Premiums
  - (33.4) - Decrease due to change of 1st biweekly payroll from June to July and difference between actual vs. previously projected (4.4)
  - (14.8) - An accounting transaction reduced FY 2010-11 and increased FY 2011-12 insurance premiums in the amount of $14.8M for a net impact of $0.0
  - (4.6) - Decrease due to lower actual than projected 1st biweekly payroll projection
  - (3.8) - Decrease due to lower actual than projected enrollment from 177,261 to 177,110 and category shifts
  - 0.1 - Increase in HSA Deposits due to higher actual than projected activity
- (0.3) - Decrease in Investment Interest due to lower actual than projected cash balance
- 0.8 - Increase in PPO-TPA Refunds due to higher actual than projected refund activity
- 0.3 - Increase in PPO-PBM Rebates due to higher actual than projected rebate activity
- 1.1 - Increase in Pretax TF Transfer due to adjustment to reconcile accounting records
- 1.7 - Increase in PPO-Medicare Part D Subsidy due to higher actual than projected receipts
- 1.6 - Increase in Other Revenue due primarily to settlements and penalties

(18.9) Decrease in Actual Expense

- (15.5) - Decrease in PPO Plan Medical Claims
  - (15.1) - Decrease due to lower actual than projected claims experience through June 2011
  - (0.4) - Decrease due to a decrease in projected enrollment from 92,824 to 92,763
- 3.7 - Increase in PPO Plan Prescription Drug Claims
  - 3.9 - Increase due to higher actual than projected paid claims experience
  - (0.2) - Decrease due to a decrease in projected enrollment from 92,824 to 92,763
- (1.1) - Decrease in HMO Premium Payments due to lower actual than projected enrollment from 84,437 to 84,347
- 0.1 - Increase in HSA Deposits due to higher actual than projected activity
- (0.4) - Decrease in Operating Costs due to lower actual than projected activity
- 1.5 - Increase in Premium Refunds primarily due to enhancements implemented by outsourced Benefits Administrator
- (0.1) - Decrease in Other Expenses due to lower actual than projected activity
- (7.1) - Actual claims cost, if any, resulting from Patient Protection and Affordable Care Act (PPACA) effective January 2011, are embedded in the appropriate claims expense category

$ 197.8 Ending Cash Balance

[1] July 2011

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

$ 91.7	**Previous Ending Cash Balance Forecast [1]**
(32.4)	Decrease in Beginning Cash Balance Forecast
0.7	Increase in Revenue Forecast
0.4	- Increase in employer and enrollee Insurance Premiums
(46.8)	- Decrease due to lower actual than projected enrollment from 178,008 to 175,540 and category shifts
(1.1)	- Net decrease in HMO Medicare Insurance Premiums due to lower than projected enrollment and new HMO contracts effective January 1, 2012
33.4	- Increase due to change of 1st biweekly payroll from June to July
14.8	- An accounting transaction reduced FY 2010-11 and increased FY 2011-12 insurance premiums in the amount of $14.8M for a net impact of $0.0
0.1	- Increase in HSA deposits due to higher projected deposit activity
1.4	- Increase in Investment Interest due to a decrease in projected cash balance
(1.1)	- Decrease in PPO-Medicare Part D Subsidy due to a decrease in the actuarial projections
(174.1)	Decrease in Expense Forecast
(23.9)	Decrease in State PPO Plan
(32.9)	- Decrease in PPO Plan Medical Claims
(20.8)	- Decrease due to lower base for FY 2010-11
(9.7)	- Decrease due to a decrease in projected enrollment from 90,579 to 89,251
(0.3)	- Decrease in ASO Fee due to a decrease in projected enrollment from 90,579 to 89,251
9.4	- Increase in PPO Plan Prescription Drug Claims
17.0	- Increase due to a change in methodology for cost projections
4.3	- Increase due to higher base for FY 2010-11
(7.8)	- Decrease due to savings from new PBM contract effective January 1, 2012
(4.1)	- Decrease due to a decrease in projected enrollment from 90,579 to 89,251
(0.1)	- Decrease in PBM Claims Administration due to new contract effective January 1, 2012
(150.2)	Decrease in HMO Plan
(460.3)	- Decrease in HMO Premium Payments
(433.6)	- Decrease due to new HMO contracts effective January 1, 2012
(26.7)	- Decrease due to a decrease in projected enrollment from 87,429 to 85,289
207.7	- Increase in HMO Plan Medical Claims due to new HMO contracts effective January 1, 2012
23.4	- Increase due to establishment by Principals of Risk Reserve for HMO Plan claims costs
16.6	- Increase in HMO Plan ASO Fee due to new HMO contracts effective January 1, 2012
62.4	- Increase in HMO Plan Prescription Drug Claims due to new HMO contracts effective January 1, 2012
0.0	Net Impact in Other Expense Categories
0.1	- Increase in HSA Deposits due to higher actual than projected activity
(0.1)	- Decrease in PPACA due to reallocation of payment of Institute fees (Item #5)
$ 234.1	**Ending Cash Balance**

[1] July 2011

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

$ (244.6)	**Previous Ending Cash Balance Forecast [1]**
142.4	Increase in Beginning Cash Balance Forecast
(38.4)	Decrease in Revenue Forecast
(54.1)	- Decrease in employer and enrollee Insurance Premiums
(50.8)	- Decrease due to lower actual than projected enrollment from 178,464 to 175,070 and category shifts
(3.4)	- Net decrease in HMO Medicare Insurance Premiums due to lower than projected enrollment and new HMO contracts effective January 1, 2012
0.1	- Increase in HSA deposits due to higher projected deposit activity
4.4	- Increase in Investment Interest due to a decrease in projected cash balance
4.6	- Increase in PPO-PBM Rebates due to change in methodology and new PBM contract effective January 1, 2012
8.1	- Increase due to the creation of a new revenue category resulting from the carve-out of prescription drugs from the HMO vendors to Medco effective January 1, 2012
(1.4)	- Decrease in PPO-Medicare Part D Subsidy due to a decrease in the actuarial projections
(250.8)	Decrease in Expense Forecast
(42.7)	Decrease in State PPO Plan
(37.2)	- Decrease in PPO Plan Medical Claims
(22.3)	- Decrease due to lower base for FY 2010-11
(9.2)	- Decrease due to a decrease in projected enrollment from 88,272 to 87,117
(0.3)	- Decrease in ASO Fee due to a decrease in projected enrollment from 88,272 to 87,117
(5.1)	- Decrease in PPO Plan Prescription Drug Claims
10.8	- Increase due to a change in methodology for cost projections
4.6	- Increase due to higher base for FY 2010-11
(16.5)	- Decrease due to savings from new PBM contract effective January 1, 2012
(4.0)	- Decrease due to a decrease in projected enrollment from 88,272 to 87,117
(0.1)	- Decrease in PBM Claims Administration due to new contract effective January 1, 2012
(208.4)	Decrease in HMO Plan
(965.0)	- Decrease in HMO Premium Payments
(934.2)	- Decrease due to new HMO contracts effective January 1, 2012
(30.8)	- Decrease in HMO Premium Payments due to a decrease in projected enrollment from 90,192 to 87,953
544.9	- Increase in HMO Plan Medical Claims due to new HMO contracts effective January 1, 2012
44.6	- Increase due to establishment by Principals of Risk Reserve for HMO Plan claims costs
32.2	- Increase in HMO Plan ASO Fee due to new HMO contracts effective January 1, 2012
134.9	- Increase in HMO Plan Prescription Drug Claims due to new HMO contracts effective January 1, 2012
0.3	Increase in Other Expense Categories
0.1	- Increase in HSA Deposits due to higher actual than projected activity
0.2	- Increase in PPACA due to change in methodology per IRS preliminary guidelines on Institute fees (Item #5)
$ 110.2	**Ending Cash Balance**

[1] July 2011

Exhibit XI
Comparison of Financial Outlooks
Fiscal Year 2013-14
(In Millions)

$ (619.9)	**Previous Ending Cash Balance Forecast [1]**
110.2	Increase in Beginning Cash Balance Forecast
(49.1)	Decrease in Revenue Forecast
(59.8)	- Decrease in employer and enrollee Insurance Premiums due to an increase in
(55.0)	- Decrease due to lower actual than projected enrollment from 178,850 to 175,693 and category shifts
(4.9)	- Net decrease in HMO Medicare Insurance Premiums due to lower than projected enrollment and new HMO contracts effective January 1, 2012
0.1	- Increase in HSA deposits due to higher projected deposit activity
1.6	- Increase in PPO-PBM Rebates due to change in methodology and new PBM contract effective January 1, 2012
0.4	- Increase in Investment Interest due to a decrease in projected cash balance
8.8	- Increase due to the creation of a new revenue category resulting from the carve-out of prescription drugs from the HMO vendors to Medco effective January 1, 2012
(0.1)	- Decrease in PPO-Medicare Part D Subsidy due to an increase in the actuarial projections
(365.4)	Decrease in Expense Forecast
(61.4)	Decrease in State PPO Plan
(41.3)	- Decrease in PPO Plan Medical Claims
(23.8)	- Decrease due to lower base for FY 2010-11
(8.2)	- Decrease due to a decrease in projected enrollment from 86,066 to 85,127
(0.2)	- Decrease in ASO Fee due to a decrease in projected enrollment from 86,066 to 85,127
(19.8)	- Decrease in PPO Plan Prescription Drug Claims
(1.8)	- Decrease due to a change in methodology for cost projections
5.1	- Increase due to higher base for FY 2010-11
(19.5)	- Decrease due to savings from new PBM contract effective January 1, 2012
(3.6)	- Decrease due to a decrease in projected enrollment from 86,066 to 85,127
(0.1)	- Decrease in PBM Claims Administration due to new contract effective January 1, 2012
(304.5)	Decrease in HMO Plan
(1,102.4)	- Decrease in HMO Premium Payments
(1,068.8)	- Decrease due to new HMO contracts effective January 1, 2012
(33.6)	- Decrease in HMO Premium Payments due to a decrease in projected enrollment from 92,784 to 90,566
612.2	- Increase in HMO Plan Medical Claims due to new HMO contracts effective January 1, 2012
35.3	- Increase in HMO Plan ASO Fee due to new HMO contracts effective January 1, 2012
150.4	- Increase in HMO Plan Prescription Drug Claims due to new HMO contracts effective January 1, 2012
0.5	Increase in Other Expense Categories
0.1	- Increase in HSA Deposits due to higher actual than projected activity
0.4	- Increase in PPACA due to change in methodology per IRS preliminary guidelines on Institute fees (Item #5)
(193.4)	**Ending Cash Balance**

[1] July 2011

Exhibit XII
Comparison of Financial Outlooks
Fiscal Year 2014-15
(In Millions)

$ (937.8)	**Previous Ending Cash Balance Forecast [1]**
(59.6)	Decrease in Revenue Forecast
(65.7)	- Decrease in employer and enrollee Insurance Premiums
(59.8)	- Decrease due to a decrease in projected enrollment from 179,214 to 176,268 and category shifts
(6.0)	- Decrease in HMO Medicare Premium Payments due to new HMO contracts effective January 1, 2012
0.1	- Increase in HSA deposits due to higher projected deposit activity
(3.7)	- Decrease in PPO-PBM Rebates due to change in methodology and new PBM contract effective January 1, 2012
9.9	- Increase due to the creation of a new revenue category resulting from the carve-out of prescription drugs from the HMO vendors to Medco effective January 1, 2012
(0.1)	- Decrease in PPO-Medicare Part D Subsidy due to a decrease in the actuarial projections
(438.5)	Decrease in Expense Forecast
(81.2)	Decrease in State PPO Plan
(46.0)	- Decrease in PPO Plan Medical Claims
(25.5)	- Decrease due to lower base for FY 2010-11
(7.1)	- Decrease due to a decrease in projected enrollment from 83,918 to 83,175
(0.2)	- Decrease in ASO Fee due to a decrease in projected enrollment from 83,918 to 83,175
(34.9)	- Decrease in PPO Plan Prescription Drug Claims
(15.3)	- Decrease due to a change in methodology for cost projections
5.6	- Increase due to higher base for FY 2010-11
(21.9)	- Decrease due to savings from new PBM contract effective January 1, 2012
(3.3)	- Decrease due to a decrease in projected enrollment from 83,918 to 83,175
(0.1)	- Decrease in PBM Claims Administration due to new contract effective January 1, 2012
(357.9)	Decrease in HMO Plan
(1,250.1)	- Decrease in HMO Premium Payments
(1,213.3)	- Decrease due to new HMO contracts effective January 1, 2012
(36.8)	- Decrease in HMO Premium Payments due to a decrease in projected enrollment from 95,296 to 93,093
684.7	- Increase in HMO Plan Medical Claims due to new HMO contracts effective January 1, 2012
38.2	- Increase in HMO Plan ASO Fee due to new HMO contracts effective January 1, 2012
169.3	- Increase in HMO Plan Prescription Drug Claims due to new HMO contracts effective January 1, 2012
0.6	Increase in Other Expense Categories
0.1	- Increase in HSA Deposits due to higher projected deposit activity
0.5	- Increase in PPACA due to change in methodology per IRS preliminary guidelines on Institute fees (Item #5)
(558.9)	**Ending Cash Balance**

[1] July 2011

Exhibit XIII

Premium Rate Table

Effective July 2011 for August 2011 Coverage

(Premium rate change ONLY for employer contribution of "Spouse Program")

Subscriber Category / Contribution Cycle		Coverage Type	PPO/HMO Standard			PPO/HMO HIHP		
			Employer	Enrollee	Total	Employer [8]	Enrollee	Total
Career Service	Monthly Full -Time Employees [1]	Single	499.80	50.00	549.80	499.80	15.00	514.80
		Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
		Spouse	1,213.36	30.00	1,243.36	1,097.64	30.00	1,127.64
	Bi-Weekly Full -Time Employees [1]	Single	249.90	25.00	274.90	249.90	7.50	257.40
		Family	531.67	90.00	621.67	531.67	32.15	563.82
		Spouse	606.68	15.00	621.68	548.82	15.00	563.82
"Payalls"	Monthly Full -Time Employees [1,2]	Single	541.46	8.34	549.80	506.46	8.34	514.80
		Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64
	Bi-Weekly Full -Time Employees [1,2]	Single	270.73	4.17	274.90	253.23	4.17	257.40
		Family	606.67	15.00	621.67	548.82	15.00	563.82
COBRA	Monthly [3]	Single	0.00	560.80	560.80	0.00	482.60	482.60
		Family	0.00	1,268.21	1,268.21	0.00	1,065.20	1,065.20
Early Retirees	Monthly	Single	0.00	549.80	549.80	0.00	473.12	473.12
		Family	0.00	1,243.34	1,243.34	0.00	1,044.32	1,044.32
Medicare	Monthly [4]	(I) One Eligible [5]	0.00	305.82	305.82	0.00	230.52	230.52
		(II) One Under/Over [6]	0.00	881.80	881.80	0.00	722.16	722.16
		(III) Both Eligible [7]	0.00	611.64	611.64	0.00	461.04	461.04
Overage Dependents		Single	0.00	549.80	549.80	0.00	473.14	473.14

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) "Payalls" - Includes executive, legislative and judicial branch agencies for employees with enhanced benefits, excluding Spouse Program participants.

(3) Includes an additional 2% for administrative costs as permitted by federal regulations.

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

(5) Single coverage for participant eligible for Medicare Parts A and B.

(6) Family coverage for two or more participants, if at least one participant is eligible for Medicare Parts A and B.

(7) Family coverage for two participants and both are eligible for Medicare Parts A and B.

(8) 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 XIV

Abbreviations / Description of Terms

Accrual Basis	……..	Accounting method in which transactions are recorded when the order is made, the item is delivered, or the services occur, regardless of when the money is actually received or paid. Income is recorded when the sale occurs, and expenses are recorded when goods or services are received.
ASO	……..	Administrative Services Only
Cash Basis	……..	Accounting method in which income is not recorded until cash, check or electronic payment is actually received, and expenses are not recorded until they are actually paid.
Carve-Out	……..	Health insurance benefits that are separated from a contract and paid and administered under a different vendor/arrangement.
COBRA	……..	Consolidated Omnibus Budget Reconciliation Act
DSGI	……..	Division of State Group Insurance
FTE	……..	Full Time Equivalency
FY	……..	Fiscal Year (July 1 through June 30)
HIHP	……..	Health Investor Health Plan (i.e., High Deductible Health Plan)
HMO	……..	Health Maintenance Organization
HSA	……..	Health Savings Account
IBNR	……..	Incurred but not Reported Claims – The IBNR claims liability reflect the estimated total amount owed by the trust fund for valid medical claims incurred by self-insured plan members but not yet reported/submitted by providers to the state's TPA.
Outstanding Draft	……..	Checks which have been written, but have not yet cleared the bank on which they were drawn.
Fully-Insured Plan	……..	A plan where the employer contracts with another organization to assume financial responsibility for the enrollees' medical claims and for all incurred administrative costs.
Medicare Advantage Prescription Drug (MAPD) Plan	……..	A type of Medicare health plan offered by a private company that contracts with Medicare to provide beneficiaries with all Medicare Part A (hospital coverage), Part B (doctors' services, outpatient care, home health services, some preventive services, and other medical services) and Part D (prescription drugs) benefits. MAPDs include Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for-Service Plans, Special Needs Plans, and Medicare Medical Savings Account Plans.
Medicare Part D Subsidy	……..	A federal program passed as part of the Medicare Modernization Act (MMA) in 2003 to subsidize the costs of prescription drugs for Medicare beneficiaries in the United States. By being the primary payer for Medicare eligible subscribers drug claims, the state receives 28 percent of covered charges (net of rebates) between $310 and $6,300 for each Medicare-eligible participant.
Outstanding Drafts	……..	Represent drafts (checks) that have been issued by the PPO plan TPA but have not been presented to the bank account for payment.
N/A	……..	Not applicable.
PBM	……..	Pharmacy Benefits Manager
PPACA	……..	Patient Protection and Affordable Care Act signed into law on March 23, 2010, known as the Federal Health Care Reform
PPO	……..	Preferred Provider Organization
Self-Insured Plan	……..	A plan offered by employers who directly assume the major cost of health insurance for their employees. Some self-insured employers contract with insurance carriers or third party administrators for claims processing and other administrative services; other self-insured plans are self-administered. All types of plans (Conventional Indemnity, Preferred Provider Organizations, Exclusive Provider Organizations, Health Maintenance Organizations, Point of Service, and Physician Hospital Organizations) can be financed on a self-insured basis. Employers may offer both self-insured and fully insured plans to their employees.
TPA	……..	Third Party Administrator

State Employees' Group Health Self-Insurance Trust Fund — **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2011-12 July-December Medical	Drugs	HMO	Total	January-June Medical	Drugs	HMO	Total	FY 2011-12 Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	**-**
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	(15.30)	(4.12)	(6.14)	(25.56)	(6.92)	(1.87)	(2.78)	(11.57)	**(37.13)**
		Net	15.30	4.12	6.14	25.56	6.92	1.87	2.78	11.57	**37.13**
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	**-**
		E	1.38	0.12	-	1.50	1.43	0.13	-	1.56	**3.06**
		Net	(1.38)	(0.12)	-	(1.50)	(1.43)	(0.13)	-	(1.56)	**(3.06)**
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	0.28	0.09	0.45	0.82	0.30	0.10	0.48	0.88	**1.70**
		Net	(0.28)	(0.09)	(0.45)	(0.82)	(0.30)	(0.10)	(0.48)	(0.88)	**(1.70)**
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):		R	-	-	-	-	-	-	-	-	**-**
Pharmaceutical industry fees	Jan 2011	E	-	-	-	-	-	-	-	-	**-**
2.3% excise tax on medical devices	Jan 2013	**Net**	-	-	-	-	-	-	-	-	**-**
Health Insurance Industry fees	Jan 2014										
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	**-**
		E	1.80	0.46	2.69	4.95	1.87	0.48	2.91	5.26	**10.21**
		Net	(1.80)	(0.46)	(2.69)	(4.95)	(1.87)	(0.48)	(2.91)	(5.26)	**(10.21)**
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
12. Individual Mandate with federal subsidies	Jan 2014	R	-	-	-	-	-	-	-	-	**-**
		E	-	-	-	-	-	-	-	-	**-**
		Net	-	-	-	-	-	-	-	-	**-**
TOTAL		R	-	-	-	-	-	-	-	-	-
		E	**(11.84)**	**(3.45)**	**(3.00)**	**(18.29)**	**(3.32)**	**(1.16)**	**0.61**	**(3.87)**	**(22.16)**
		Net	**11.84**	**3.45**	**3.00**	**18.29**	**3.32**	**1.16**	**(0.61)**	**3.87**	**22.16**

Notes:

(1) Exhibit assumes non-grandfathered status of plans.

(2) Exhibit based on available information and legislative guidance available as of February 1, 2011.

(3) "Net" is defined as Revenue less Expense.

(4) FY 2013-14 - The negative expense of $7.08M associated with Item #11, Medicaid Expansion, from January 2014 to June 2014 uses the assumption that there will be a $5.62M loss of revenue due to employees exiting the plan ($4.81M in employer contributions plus $0.81M in employee contributions) for the illustrated level of decreased enrollment in the plan, resulting in savings of $1.46M due to medical and pharmacy inflation.

FY 2014-15 - The negative expense of $14.73M associated with Item #11 for Fiscal Year 2014-15 uses the assumption that there will be a $11.41M loss of revenue due to employees exiting the plan ($9.75M in employer contributions plus $1.66M in employee contributions), resulting in savings of $3.32M.

(5) FY 2013-14 - The expense of $138.08M associated with Item #12, the Individual Mandate, from January 2014 to June 2014 uses the assumption that increased trust fund revenues will be available to offset the current level of costs ($104.30M in employer contributions plus $5.31M in employee contributions) for the illustrated level of increased enrollment in the plan, with the deficit of $28.47M due to medical and pharmacy inflation.

FY 2014-15 - The expense of $287.21M associated with Item #12 for Fiscal Year 2014-15 uses the assumption that increased trust fund revenues will be available to offset the current level of costs ($211.72M in employer contributions plus $10.79M in employee contributions), resulting in a deficit of $64.70M.

(6) Total estimated collections of ERRP from July 2011 through June 2012 will be subject to availability of program funds.

(7) Report prepared by Mercer Consultants on February 25, 2011, modified by the Division to reflect: [1] a change in the assumed collection timing of ERRP subsidies to FY 2011-12 and [2] exclusion of FY 2010-11 from report. [3] Adjustment of institute fees (Item #5) to reflect most recent information available from the Internal Revenue Service.

PPACA Guidelines as of February 1, 2011; October 2011 Estimating Conference

State Employees' Group Health Self-Insurance Trust Fund — **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2012-13 July-December Medical	Drugs	HMO	Total	January-June Medical	Drugs	HMO	Total	FY 2012-13 Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	-
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	1.49	0.13	-	1.62	1.54	0.15	-	1.69	**3.31**
		Net	(1.49)	(0.13)	-	(1.62)	(1.54)	(0.15)	-	(1.69)	**(3.31)**
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	0.30	0.11	0.48	0.89	0.32	0.10	0.53	0.95	**1.84**
		Net	(0.30)	(0.11)	(0.48)	(0.89)	(0.32)	(0.10)	(0.53)	(0.95)	**(1.84)**
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	0.18	-	0.20	0.38	**0.38**
		Net	-	-	-	-	(0.18)	-	(0.20)	(0.38)	**(0.38)**
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):		R	-	-	-	-	-	-	-	-	-
Pharmaceutical industry fees	Jan 2011	E	-	-	-	-	-	-	-	-	-
2.3% excise tax on medical devices	Jan 2013	**Net**	-	-	-	-	-	-	-	-	-
Health Insurance Industry fees	Jan 2014										
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	-
		E	1.94	0.50	2.90	5.34	2.01	0.52	3.15	5.68	**11.02**
		Net	(1.94)	(0.50)	(2.90)	(5.34)	(2.01)	(0.52)	(3.15)	(5.68)	**(11.02)**
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
12. Individual Mandate with federal subsidies	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
TOTAL		R	-	-	-	-	-	-	-	-	-
		E	**3.73**	**0.74**	**3.38**	**7.85**	**4.05**	**0.77**	**3.88**	**8.70**	**16.55**
		Net	**(3.73)**	**(0.74)**	**(3.38)**	**(7.85)**	**(4.05)**	**(0.77)**	**(3.88)**	**(8.70)**	**(16.55)**

Notes:

(1) Exhibit assumes non-grandfathered status of plans.

(2) Exhibit based on available information and legislative guidance available as of February 1, 2011.

(3) "Net" is defined as Revenue less Expense.

(4) FY 2013-14 - The negative expense of $7.08M associated with Item #11, Medicaid Expansion, from January 2014 to June 2014 uses the assumption that there will be a $5.62M loss of revenue due to employees exiting the plan ($4.81M in employer contributions plus $0.81M in employee contributions) for the illustrated level of decreased enrollment in the plan, resulting in savings of $1.46M due to medical and pharmacy inflation.

FY 2014-15 - The negative expense of $14.73M associated with Item #11 for Fiscal Year 2014-15 uses the assumption that there will be a $11.41M loss of revenue due to employees exiting the plan ($9.75M in employer contributions plus $1.66M in employee contributions), resulting in savings of $3.32M.

(5) FY 2013-14 - The expense of $138.08M associated with Item #12, the Individual Mandate, from January 2014 to June 2014 uses the assumption that increased trust fund revenues will be available to offset the current level of costs ($104.30M in employer contributions plus $5.31M in employee contributions) for the illustrated level of increased enrollment in the plan, with the deficit of $28.47M due to medical and pharmacy inflation.

FY 2014-15 - The expense of $287.21M associated with Item #12 for Fiscal Year 2014-15 uses the assumption that increased trust fund revenues will be available to offset the current level of costs ($211.72M in employer contributions plus $10.79M in employee contributions), resulting in a deficit of $64.70M.

(6) Total estimated collections of ERRP from July 2011 through June 2012 will be subject to availability of program funds.

(7) Report prepared by Mercer Consultants on February 25, 2011, modified by the Division to reflect: [(1)] a change in the assumed collection timing of ERRP subsidies to FY 2011-12 and [(2)] exclusion of FY 2010-11 from report. [(3)] Adjustment of institute fees (Item #5) to reflect most recent information available from the Internal Revenue Service.

PPACA Guidelines as of February 1, 2011; October 2011 Estimating Conference

State Employees' Group Health Self-Insurance Trust Fund **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2013-14 July-December Medical	Drugs	HMO	Total	January-June Medical	Drugs	HMO	Total	FY 2013-14 Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	-
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	-	-	-	-	-	-	-	-	-
		Net					-	-	-	-	-
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	1.61	0.14	-	1.75	1.68	0.14	-	1.82	**3.57**
		Net	(1.61)	(0.14)	-	(1.75)	(1.68)	(0.14)	-	(1.82)	**(3.57)**
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-
		E	0.33	0.11	0.52	0.96	0.34	0.11	0.57	1.02	**1.98**
		Net	(0.33)	(0.11)	(0.52)	(0.96)	(0.34)	(0.11)	(0.57)	(1.02)	**(1.98)**
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	0.34	-	0.41	0.75	**0.75**
		Net	-	-	-	-	(0.34)	-	(0.41)	(0.75)	**(0.75)**
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):											
Pharmaceutical industry fees	Jan 2011	R	-	-	-	-	-	-	-	-	-
2.3% excise tax on medical devices	Jan 2013	E	-	-	-	-	7.25	1.87	11.29	20.41	**20.41**
Health Insurance Industry fees	Jan 2014	**Net**	-	-	-	-	(7.25)	(1.87)	(11.29)	(20.41)	**(20.41)**
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	-
		E	2.09	0.54	3.14	5.77	2.09	0.64	3.40	6.13	**11.90**
		Net	(2.09)	(0.54)	(3.14)	(5.77)	(2.09)	(0.64)	(3.40)	(6.13)	**(11.90)**
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	0.69	0.21	1.13	2.03	**2.03**
		Net	-	-	-	-	(0.69)	(0.21)	(1.13)	(2.03)	**(2.03)**
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	-	-	-	-	(1.98)	(0.60)	(3.04)	(5.62)	**(5.62)**
		E	-	-	-	-	(2.50)	(0.75)	(3.83)	(7.08)	**(7.08)**
		Net	-	-	-	-	0.52	0.15	0.79	1.46	**1.46**
12. Individual Mandate with federal subsidies	Jan 2014	R	-	-	-	-	38.61	11.54	59.46	109.61	**109.61**
		E	-	-	-	-	48.64	14.53	74.91	138.08	**138.08**
		Net	-	-	-	-	(10.03)	(2.99)	(15.45)	(28.47)	**(28.47)**
TOTAL		R	-	-	-	-	**36.63**	**10.94**	**56.42**	**103.99**	**103.99**
		E	**4.03**	**0.79**	**3.66**	**8.48**	**58.53**	**16.75**	**87.88**	**163.16**	**171.64**
		Net	**(4.03)**	**(0.79)**	**(3.66)**	**(8.48)**	**(21.90)**	**(5.81)**	**(31.46)**	**(59.17)**	**(67.65)**

Notes:

(1) Exhibit assumes non-grandfathered status of plans.

(2) Exhibit based on available information and legislative guidance available as of February 1, 2011.

(3) "Net" is defined as Revenue less Expense.

(4) FY 2013-14 - The negative expense of $7.08M associated with Item #11, Medicaid Expansion, from January 2014 to June 2014 uses the assumption that there will be a $5.62M loss of revenue due to employees exiting the plan ($4.81M in employer contributions plus $0.81M in employee contributions) for the illustrated level of decreased enrollment in the plan, resulting in savings of $1.46M due to medical and pharmacy inflation.

FY 2014-15 - The negative expense of $14.73M associated with Item #11 for Fiscal Year 2014-15 uses the assumption that there will be a $11.41M loss of revenue due to employees exiting the plan ($9.75M in employer contributions plus $1.66M in employee contributions), resulting in savings of $3.32M.

(5) FY 2013-14 - The expense of $138.08M associated with Item #12, the Individual Mandate, from January 2014 to June 2014 uses the assumption that increased trust fund revenues will be available to offset the current level of costs ($104.30M in employer contributions plus $5.31M in employee contributions) for the illustrated level of increased enrollment in the plan, with the deficit of $28.47M due to medical and pharmacy inflation.

FY 2014-15 - The expense of $287.21M associated with Item #12 for Fiscal Year 2014-15 uses the assumption that increased trust fund revenues will be available to offset the current level of costs ($211.72M in employer contributions plus $10.79M in employee contributions), resulting in a deficit of $64.70M.

(6) Total estimated collections of ERRP from July 2011 through June 2012 will be subject to availability of program funds.

(7) Report prepared by Mercer Consultants on February 25, 2011, modified by the Division to reflect: [(1)] a change in the assumed collection timing of ERRP subsidies to FY 2011-12 and [(2)] exclusion of FY 2010-11 from report. [(3)] Adjustment of institute fees (Item #5) to reflect most recent information available from the Internal Revenue Service.

PPACA Guidelines as of February 1, 2011; October 2011 Estimating Conference

State Employees' Group Health Self-Insurance Trust Fund — **State of Florida DSGI**

Summary of Fiscal Impact to Forecast of Federal Patient Protection Affordable Care Act (PPACA)

(In Millions)

Reform	Effective Date	Revenue(R) Expense (E) Net	Estimated Annual Fiscal Impact FY 2014-15 July-December Medical	Drugs	HMO	Total	January-June Medical	Drugs	HMO	Total	FY 2014-15 Total	FY 2011-12 through FY 2014-15 Grand Total
1. Early retiree medical reinsurance	Jun 2010	R	-	-	-	-	-	-	-	-	-	-
(Illustrative, assumes application is approved and receipts are available through 2013. See Mercer Analysis)		E	-	-	-	-	-	-	-	-	-	(37.13)
		Net					-	-	-	-	-	37.13
2. No lifetime dollar maximum	Jan 2011	R	-	-	-	-	-	-	-	-	-	-
		E	1.74	0.15	-	1.89	1.81	0.16	-	1.97	3.86	13.80
		Net	(1.74)	(0.15)	-	(1.89)	(1.81)	(0.16)	-	(1.97)	(3.86)	(13.80)
3. Restricted annual dollar limits	Jan 2011	R	-	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-	-
4. Eliminate preexisting condition limitations for dependent children under 19	Jan 2011	R	-	-	-	-	-	-	-	-	-	-
		E	0.35	0.12	0.57	1.04	0.37	0.12	0.60	1.09	2.13	7.65
		Net	(0.35)	(0.12)	(0.57)	(1.04)	(0.37)	(0.12)	(0.60)	(1.09)	(2.13)	(7.65)
5. Patient-centered outcomes research institute fees ($1 per participant in first year, $2 in 2nd year, assumes 3rd year is same as 2nd year)	Jan 2012	R	-	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	0.33	-	0.42	0.75	0.75	1.88
		Net	-	-	-	-	(0.33)	-	(0.42)	(0.75)	(0.75)	(1.88)
6. Other pass-through fees include (Illustration assumes cumulative increase to 2014):												
Pharmaceutical industry fees	Jan 2011	R	-	-	-	-	-	-	-	-	-	-
2.3% excise tax on medical devices	Jan 2013	E	7.38	1.90	11.49	20.77	7.83	2.02	12.20	22.05	42.82	63.23
Health Insurance Industry fees	Jan 2014	**Net**	(7.38)	(1.90)	(11.49)	(20.77)	(7.83)	(2.02)	(12.20)	(22.05)	(42.82)	(63.23)
7. Extension of coverage for all adult children until age 26	Jan 2011	R	-	-	-	-				-	-	-
		E	2.22	0.59	3.42	6.23	2.36	0.63	3.64	6.63	12.86	45.99
		Net	(2.22)	(0.59)	(3.42)	(6.23)	(2.36)	(0.63)	(3.64)	(6.63)	(12.86)	(45.99)
8. Eliminate all preexisting condition limitations	Jan 2014	R	-	-	-	-	-	-	-	-	-	-
		E	0.71	0.22	1.16	2.09	0.75	0.23	1.23	2.21	4.30	6.33
		Net	(0.71)	(0.22)	(1.16)	(2.09)	(0.75)	(0.23)	(1.23)	(2.21)	(4.30)	(6.33)
9. Free choice vouchers	Jan 2014	R	-	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-	-
10. Shared responsibility "free rider surcharge"	Jan 2014	R	-	-	-	-	-	-	-	-	-	-
		E	-	-	-	-	-	-	-	-	-	-
		Net	-	-	-	-	-	-	-	-	-	-
11. Medicaid Expansion and migration into Exchange	Jan 2014	R	(1.98)	(0.60)	(3.04)	(5.62)	(2.04)	(0.62)	(3.13)	(5.79)	(11.41)	(17.03)
		E	(2.50)	(0.75)	(3.83)	(7.08)	(2.70)	(0.81)	(4.14)	(7.65)	(14.73)	(21.81)
		Net	0.52	0.15	0.79	1.46	0.66	0.19	1.01	1.86	3.32	4.78
12. Individual Mandate with federal subsidies	Jan 2014	R	38.61	11.54	59.46	109.61	39.77	11.89	61.24	112.90	222.51	332.12
		E	48.64	14.53	74.91	138.08	52.54	15.69	80.90	149.13	287.21	425.29
		Net	(10.03)	(2.99)	(15.45)	(28.47)	(12.77)	(3.80)	(19.66)	(36.23)	(64.70)	(93.17)
TOTAL		R	**36.63**	**10.94**	**56.42**	**103.99**	**37.73**	**11.27**	**58.11**	**107.11**	211.10	315.09
		E	**58.54**	**16.76**	**87.72**	**163.02**	**63.29**	**18.04**	**94.85**	**176.18**	339.20	505.23
		Net	**(21.91)**	**(5.82)**	**(31.30)**	**(59.03)**	**(25.56)**	**(6.77)**	**(36.74)**	**(69.07)**	(128.10)	(190.14)

Notes:

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PPACA Guidelines as of February 1, 2011; October 2011 Estimating Conference

State Employees' Group Health Self-Insurance Trust Fund
Patient Protection and Affordable Care Act (PPACA)
Summary of Reforms and Estimated Fiscal Impact to the Trust Fund
(Mercer Report Dated February 25, 2011 Used as Base for Fiscal Impact Updated By the Division of State Group Insurance for October 2011 Conference)

OVERVIEW

The recently enacted Patient Protection and Affordable Care Act (PPACA), as amended by the Health Care and Education Reconciliation Act (HCERA), creates a broad array of issues for employers' health benefit programs and the US health care system. New mandates and changes imposed by the law affect the design, cost, tax treatment, administration, reporting and disclosure of health benefit programs. Some new provisions go into effect this year; many will not take effect for several years.

PPACA imposes new mandates or standards for individual and group health coverage. With a few exceptions, all insured and self-insured group health plans will face a first round of coverage and cost-sharing mandates for plan years beginning on or after six months after March 23, 2010.

SUMMARY OF REFORMS WITH TOTAL FISCAL IMPACT FOR THE STATE EMPLOYEES' HEALTH INSURANCE PROGRAM (PROGRAM), FY 10-11 THROUGH FY 14-15

1. Early Retiree Reinsurance Program (ERRP) – Interim Final Regulations Effective on June 1, 2010

- **Effective June 2010**
- Total estimated fiscal impact for the Program – Reduction of expenses in the amount of **$37.13 million**. (Estimated fiscal impact modified by Division of State Group Insurance to reflect actual FY 10-11 experience through November 2010 and limited expected availability of funds through 2011.)

Provides reimbursement to participating employment-based plans for a portion of the cost of health benefits for early retirees and their spouses, surviving spouses and dependents.

- 80% Reimbursement for certain claims between $15,000 and $90,000 (with those amounts being indexed for plan years starting on or after October 1, 2011).
- Claims must be for participants ages 55-64 who are not Medicare eligible.
- Payments must be used to lower plan costs (i.e. offsetting future premium increases for all members).

2. No lifetime dollar maximum

- **Effective January 1, 2011**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$13.80 million**.

Plans cannot impose any lifetime dollar limits on benefits.

- Plans may place lifetime limits per beneficiary on specific covered benefits other than "essential health benefits," if the limits are otherwise permitted by federal or state law.

- **Essential health benefits** include items and services in the below listed categories:
  - ambulatory patient services; emergency services; hospital, maternity and newborn care; mental health and substance use disorders, including behavioral health treatment; prescription drugs; rehabilitative services and devices; laboratory services; preventive and wellness services; chronic disease management; and pediatric services, including oral and vision care.

3. Restricted annual dollar limits

- **Effective January 1, 2011**
- **No** estimated fiscal impact to Trust Fund

All insured and self-insured group health plans will face new rules on annual dollar limits. For plan years until 2014, "restricted" annual dollar limits may apply to "essential health benefits" (discussed above).

- The maximum annual dollar limit that may be imposed on essential health benefits until 2014 are:
  - $750,000 for the plan year beginning on or after September 23, 2010 but before September 23, 2011.
  - $1,250,000 for the plan year beginning on or after September 23, 2011 but before September 23, 2012.
  - $2,000,000 for the plan year beginning on or after September 23, 2012 but before January 1, 2014. (No annual dollar limits permitted for plan years on or after January 1, 2014.)
- Plans may impose annual per-beneficiary limits on non-essential benefits.

4. Elimination of preexisting condition for subscribers or dependents under 19 – Interim Final Regulations Issued on June 28, 2010

- **Effective January 1, 2011**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$7.65 million**.

Before 2014, insured and self-insured plans cannot impose preexisting condition exclusions for subscribers and dependents under age 19.

- Until 2014, employers may continue to adopt or retain preexisting condition exclusions for participants ages 19 and older.
- A general ban is effective for all members for plan years starting in 2014. See #8 below.

5. Patient-centered outcome research institute fees

- **Effective October 1, 2012 (Federal Fiscal Year)**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$1.88 million**.

- State of Florida Employees' Group Health Insurance Program - Beginning December 2012, $1 per participant in 1st year.

- $2 in subsequent years, from 2013 thru 2019 (sunset after 2019).

6. Other pass-through fees included

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$62.23 million**.

Fees include pharmaceutical industry fees; 2.3% excise tax on medical devices and health insurance industry fees.

7. Extension of coverage for all adult children until age 26 – Interim Final Regulations Issued on July 12, 2010

- **Effective January 1, 2011**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$45.99 million**.

Applies to fully-insured and self-insured group health plans providing dependent coverage.

- Coverage available until the child's 26th birthday.
- The mandate applies regardless of the typical criteria for dependent status under the tax law, such as whether the adult child resides with the covered employee or is the employee's tax dependent, a full- or part-time student, or married or unmarried.
- Plans may extend coverage beyond the child's 26th birthday – for example, until the end of the plan year in which the child turns 26. However, plans will not have to extend coverage to an adult child's dependents.
- No special-enrollment period required; eligible dependents need not be enrolled until the plan's next open enrollment.

8. Eliminate all preexisting condition limitations – Interim Final Regulations Issued on July 30, 2010

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Increase in expenses in the amount of **$6.33 million**.

Preexisting condition limitation exclusion applies to all plan participants regardless of age as of January 1, 2014. See #4 above.

9. Free-choice vouchers (FCVs)

- **Effective January 1, 2014**
- **No** estimated fiscal impact to Trust Fund.

Employers must offer vouchers to employees with household incomes at or below 400% of the Federal Poverty Level (FPL) if their contribution for employer-sponsored coverage would be 8% to 9.8% of household income. (Note: The highest EE premium share is standard family, $180/month; SOF would not give an FCV unless the person's household income is below $27,000).

- Voucher amount is equal to highest (percentage) employer contribution to any of

its own plans (HIHP ER premium; coverage level depends on the level the member is enrolling in single/family).
- Vouchers provided for purchasing exchange-based coverage; employees can keep any excess amounts.
- Who receives vouchers? Employees who opt out of employer-sponsored coverage, have household income below 400% FPL, and would need to spend 8% or more of household income to participate in the employer plan.
- FCVs are designed to help employees buy coverage on the exchange and to shield employers from mandated penalties ($3,000 per person if no FCV).

10. Shared responsibility "free rider surcharge'

- **Effective January 1, 2014**
- **No** estimated fiscal impact to Trust Fund.

Individuals who fail to maintain coverage will face a penalty (lesser of these amounts):
- National average premium for the year, or the greater of
- 1% AGI or $95 in 2014; 2% AGI or $325 in 2015; 2.5% AGI or $695 in 2016; indexed thereafter.

11. Medicaid expansion and migration to Exchange

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Net savings in the amount of **$4.78 million**.

Medicaid expanded to up to 133% of Federal Poverty Level (FPL), effective 2014 when the State-exchanges come online.

12. Individual mandate with federal subsidies

- **Effective January 1, 2014**
- Total estimated fiscal impact for the Program – Net cost in the amount of **$93.17 million**.

- Subsidies available to anyone on an exchange plan with household income 133-400% FPL (person cannot be Medicaid eligible).
- Income level must be verifiable for the two years prior to the current calendar year of coverage (example, eligibility for affordability assistance for 2016 is based on household income for 2014).
- Assistance in the form of premium credits will be provided for exchange-participants on a sliding scale based on household income. Premium credits will be paid directly to the insurer; individuals will be required to pay insurers any remaining premium amount.
- Employer penalties = $3,000 per year for each employee enrolled in the exchange and receiving subsidy.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Health Maintenance Organization (HMO) Vendors
List of Current and New Contracts
Effective January 1, 2012

HMO Vendors	Current Contracts Through 12-31-12	New Contracts Effective January 1, 2012	
	Medical **With** Prescription Drugs	Medical **Without** [2] Prescription Drugs	
	Fully-Insured	Fully-Insured	Self-Insured
Aetna Health Plan	N/A		X
Capital Health Plan [1]	X	X	
AvMed Health Plans	X		X
Coventry Health Care	X		X
Florida Health Care Plans [1]	X	X	
United Healthcare	X		X

Notes:

(1) Medicare eligible participants enrolled in Capital Health Plan and Florida Health Care Plan will be covered under a fully-insured Medicare Advantage Prescription Drug (MAPD) plan for medical and prescription drugs benefits.

(2) Prescription Drug benefits carved-out to Medco.