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MEMORANDUM

**TO:** Interested Parties

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

**DATE:** November 10, 1997

**SUBJECT:** Consensus Estimating Conference on the State Employees' Health Insurance Trust Fund--Results

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Attached for your information are the results of the conference held November 10 concerning the outlook for the State Employees' Health Insurance Trust Fund. The conference has projected a deficit of \$54.8 million for the 1997-98 fiscal year, and an additional deficit \$134.5 million for 1998-99. There are several significant changes from the forecast released in early August. First, the conference recognized that an \$8.0 million balance in bank accounts maintained by the Department for paying of self-insurance claims is not actually in the Trust Fund and therefore not immediately available to the Department. The preliminary results of the open enrollment held in October were recognized, with the small shift in enrollment from HMO's into the State Self-Insured Plan resulting in reduced projected expenditures for HMO contract fees and increased projected expenditures for self-insured medical and prescription drug claims. Recognizing increased utilization resulted in additional increases in the expected level of prescription drug claims. More information concerning claims as yet unpaid by Unisys was made available, increasing the projection of medical claims for the current fiscal year as that activity is caught up. Finally, the increase in third-party administrative fees as a result of the return to Blue Cross/Blue Shield as the administrator was recognized.

Please call me if you have any questions.

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

	<u>July 97</u> <u>Estimate</u>	<u>Oct 97</u> <u>Estimate</u>	<u>Diff.</u>
BEGINNING BALANCE	\$40.0	\$40.0	\$0.0
Less required compensating balance	\$0.0	\$8.0	\$8.0
BEGINNING CASH FUNDS AVAILABLE	\$40.0	\$32.0	(\$8.0)
<b>INCOME</b>			
Retired Teachers Appropriation	\$0.0	\$0.0	\$0.0
Premiums--State *	\$359.8	\$364.0	\$4.2
Premiums--Employees *	\$92.9	\$94.1	\$1.2
Premiums--Medicare Patients	\$24.8	\$24.5	(\$0.3)
Premiums--Other Non-employees	\$16.2	\$17.2	\$1.0
Interest	\$0.2	\$1.3	\$1.1
Transfer from Pretax Trust Fund	\$10.6	\$11.0	\$0.4
Refunds and Rebates	\$6.5	\$6.5	\$0.0
Direct Appropriation, GR	\$49.2	\$49.2	\$0.0
Direct Appropriation, Trust	\$18.4	\$18.4	\$0.0
Specialized Claims Audit Proceeds	\$13.4	\$0.0	(\$13.4)
Other Revenues	\$0.0	\$0.8	\$0.8
<b>TOTAL INCOME</b>	<u>\$592.0</u>	<u>\$587.0</u>	<u>(\$5.0)</u>
<b>EXPENDITURES</b>			
Medical Claims	\$305.9	\$349.6	\$43.7
Prescription Drug Program Claims and Administration	\$61.3	\$66.5	\$5.2
HMO Contract Fees	\$234.9	\$225.7	(\$9.2)
Third-Party Administration	\$11.0	\$23.9	\$12.9
Division of State Employees' Insurance Administration	\$4.1	\$5.0	\$0.9
Transfer to Agency for Health Care Administration	\$0.7	\$0.0	(\$0.7)
Other Expenses	\$1.9	\$3.1	\$1.2
<b>TOTAL EXPENDITURES</b>	<u>\$619.8</u>	<u>\$673.8</u>	<u>\$54.0</u>
<b>NET INCOME (INCOME LESS EXPENDITURES)</b>	(\$27.8)	(\$86.8)	(\$59.0)
<b>ENDING BALANCE</b>	<u>\$12.2</u>	<u>(\$54.8)</u>	<u>(\$67.0)</u>

\* Adjusted to reflect a bi-weekly payment of \$13.9 million, attributable to July, which was made in June of 1997 and therefore appeared in the 1996-97 premium totals.

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

	<u>July 97 Estimate</u>	<u>Oct 97 Estimate</u>	<u>Diff.</u>
<b>BEGINNING BALANCE</b>	\$12.2	(\$54.8)	(\$67.0)
<b>Retired Teachers Appropriation</b>	\$0.0	\$0.0	\$0.0
<b>Premiums--State</b>	\$374.4	\$376.6	\$2.2
<b>Premiums--Employees</b>	\$96.7	\$97.3	\$0.6
<b>Premiums--Medicare Patients</b>	\$25.7	\$26.0	\$0.3
<b>Premiums--Other Non-employees</b>	\$16.9	\$19.0	\$2.1
<b>Interest</b>	\$0.0	\$1.2	\$1.2
<b>Transfer from Pretax Trust Fund</b>	\$10.7	\$11.0	\$0.3
<b>Refunds and Rebates</b>	\$6.5	\$6.5	\$0.0
<b>Specialized Claims Audit Proceeds</b>	\$4.7	\$0.0	(\$4.7)
<b>TOTAL INCOME</b>	<u>\$535.6</u>	<u>\$537.6</u>	<u>\$2.0</u>
<b>EXPENDITURES</b>			
<b>Medical Claims</b>	\$317.2	\$331.7	\$14.5
<b>Prescription Drug Program Claims and Administration</b>	\$66.7	\$79.1	\$12.4
<b>HMO Contract Fees</b>	\$252.7	\$227.4	(\$25.3)
<b>Third-Party Administration</b>	\$10.7	\$25.8	\$15.1
<b>Division of State Employees' Insurance Administration</b>	\$4.1	\$5.0	\$0.9
<b>Transfer to Agency for Health Care Administration</b>	\$0.7	\$0.0	(\$0.7)
<b>Other Expenses</b>	\$1.9	\$3.1	\$1.2
<b>TOTAL EXPENDITURES</b>	<u>\$654.0</u>	<u>\$672.1</u>	<u>\$18.1</u>
<b>NET INCOME (INCOME LESS EXPENDITURES)</b>	(\$118.4)	(\$134.5)	(\$16.1)
<b>ENDING BALANCE</b>	<u>(\$106.2)</u>	<u>(\$189.3)</u>	<u>(\$83.1)</u>

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