

**Self-Insurance Estimating Conference  
State Employees' Health Insurance Trust Fund  
Last conference held: November 13, 2007**

**Executive Summary**

The outlook for the State Employees' Health Insurance Trust Fund has improved slightly from the February forecast. The projected 2007-08 ending balance of the fund gained from \$175.7 million to \$188.2 million, the projected 2008-09 ending balance increased from \$60.7 million to \$73.0 million, and the projected 2009-10 ending balance improved from -\$226.9 million to -\$219.7 million. For 2010-11, the ending balance is slightly more negative than in the July forecast.

Enrollment projections were not changed significantly from the July forecast. Open enrollment results are not yet available and it is expected that the next forecast may show greater modifications to enrollment projections after factoring in open enrollment results.

For income, the biggest changes are in the 2007-08 fiscal year. Both TPA refunds and PBM rebates are increased for that year, but not in future years. Higher than expected TPA refund activity has occurred due to the migration to a new claims processing system, but those increases are not expected to be recurring. The July forecast had anticipated only three PBM rebate payments in 2007-08, but in the current forecast the expectation is that the fund will receive all four payments in 2007-08 and in all subsequent years of the forecast. In the 2008-09 and later fiscal years the most significant change to the revenue forecast is the reduction in expected Medicare Part D subsidy based on the latest actuarial studies.

On the expense side, the most significant changes to the forecast are as a result of the re-enactment of required Personal Injury Protection (PIP) coverage for automobile insurance policy holders. Overall projected expenses were reduced in 2007-08 by \$5.9 million, in 2008-09 by \$9.8 million, in 2009-10 \$9.8 million, and in 2010-11 \$9.9 million, as a result of the PIP re-enactment. These reductions were offset at least partially by a higher than expected trend in the medical claims paid for the last several months. The projected trend for medical claims was increased from the 9.0% contained in the previous forecast to 9.5% in the current forecast. There are some changes to the prescription drug payments due to changes in the projected generic dispensing rates.

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# **State Employees' Group Health Self-Insurance Trust Fund**

**Report on the Financial Outlook  
For the Fiscal Years Ending June 30, 2007 Through 2011**

**Presented November 13, 2007**

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

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# STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

## EXECUTIVE SUMMARY

The Florida Division of State Group Insurance has prepared a financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the Fiscal Years Ending June 30, 2008 through June 30, 2011 to aid in state planning and budgeting in accordance with Section 216.136(9), *Florida Statutes*. The outlook has been prepared using cash basis methods and modeling; is based on the healthcare benefit and funding designs currently in place; and considers premium rate increases effective June 1, 2008. Actual enrollment and cash flow experience through September and October 2007 have been taken into consideration.

The cash position forecast has improved moderately when compared to the cash position presented in July 2007 for the forecast period ending June 30, 2008. The projected ending cash balance for Fiscal Year 2007-08 increased from \$175.7 million to \$188.2 million, up \$12.5 million, or 7.1%. An operating loss of \$11.9 million is estimated, down \$12.5 million from \$24.4 million. The projected ending cash balance for Fiscal Year 2008-09 increased from \$60.7 million to \$73.0 million, up \$12.3 million, or 20.3%.

Following is a summary of the outlook through Fiscal Year 2010-11.

<b>Financial Outlook</b> (Dollars in Millions)	----- Fiscal Year Estimates -----			
	2007-08	2008-09	2009-10	2010-11
BEGINNING CASH BALANCE	200.1	188.2	73.0	0.0
REVENUES	1,535.6	1,601.4	1,604.6	1,613.4
EXPENSES	<u>1,547.5</u>	<u>1,716.6</u>	<u>1,897.3</u>	<u>2,093.0</u>
OPERATING GAIN/ (LOSS)	<u>(11.9)</u>	<u>(115.2)</u>	<u>(292.7)</u>	<u>(479.6)</u>
ENDING CASH BALANCE	<u>188.2</u>	<u>73.0</u>	<u>(219.7)</u>	<u>(479.6)</u>

### **Growth Trends**

An increase in projected revenue coupled with constant expense projections results in a healthier cash position for Fiscal Year 2007-08 as compared to the forecast presented in July 2007. The increase in revenues is mainly attributed to higher than expected TPA Refund and PBM Rebate activity and nominal changes in the other revenue categories. The expense forecast remains at the same level as in last projections due primarily to the netting effect resulting from increases in projected medical costs and decreases in projected prescription drugs. Projected growth trends for the self-insured PPO plans and the state-contracted HMO plans are in close relationship with industry trends.

Recurring growth in benefit expenses (9.8% through the forecast period) with relatively stable revenues upon implementation of the rate increase in June 2008 will cause significant deterioration of the cash position in Fiscal Year 2008-09. Attention to the cash position will be required no later than Fiscal Year 2008-09 in order to sustain sufficient cash balances for operations.

Factors such as changes in hospital and physician negotiations, improvements in technology, general inflation, and market pressures are suggesting the beginning of an increase in the healthcare insurance cost trend cycle. In addition, current benefit attributes have been in place for several years reducing the impact in the lowering of utilization trends. Furthermore, the self-insured PPO plans are experiencing a decline in membership which can be expected to impact the utilization patterns of the group. Actual experience in the self-insured PPO plans is resulting in higher than expected costs. All these factors have been weighted and the current medical growth rate assumption for the forecast period has been increased from 9.0% to 9.5%. The assumed growth rate falls within the expected industry range of 6.1% – 12.0%.

Other dynamics occur in the pharmaceutical environment which provides separate opportunities and challenges. For instance, brand name drugs have been facing generic competition for the last years, increasing the opportunity for generic dispensing. In contrast, new biotech/specialty pharmaceuticals, which are typically higher cost therapies, continue to enter the market at a rapid pace. Specialty pharmaceuticals offer advances in the treatment of complex conditions that are otherwise poorly controlled. Utilization and spending for these therapies are growing rapidly and will continue to be a cost component requiring close attention. The current prescription drug growth rate assumption for the forecast period is consistent with the previous assumption of 8.6%. The assumed growth rate falls within the expected industry range of 8.0% – 12.5%.

The weighted-average increase in premium rates for the state-contracted HMO plans for the forecast period is consistent with the previous assumption of 10.5%. The assumed growth rate falls within the expected industry range of 9.9% – 11.8%.

For Plan Year 2008, fifty-six Florida counties have at least one state-contracted HMO plan offering. In addition, there is a state-contracted HMO offering of the High Deductible Health Plan in those fifty-six counties. The self-insured PPO standard and high deductible health plans remain available statewide.

### **Enrollment**

Results from the 2007 Open Enrollment are not yet available and therefore were not included in the forecast. Enrollment patterns suggest a stable employee subscriber base and a continuous increased growth in the post-employment subscriber population (2.2% per year during the forecast period). As a result, an increase of 3.0% is projected to occur in total subscriber enrollment. Total average enrollment (including subscriber enrollment in a High Deductible Health Plan) is projected to be approximately 176,419 by Fiscal Year 2008-09.

Growth in annual subscriber enrollment has continued to be below 1% since Fiscal Year 2000-01, but is projected to be slightly above 1% for Fiscal Years 2007-08 and 2008-09, as a result of the shifting of TRICARE enrollees to the enrollment base, and subsequently returning to previous patterned growth. Enrollment patterns also suggest that overall plan distribution (by subscriber) will approximate 59% enrollment in the self-insured PPO plans and 41% in the state-contracted HMO plans during Fiscal Year 2007-08.

Subscriber migration and new hire election patterns indicate continuing change in the enrollment distribution between the self-insured PPO plans and the state-contracted HMO plans. Enrollment patterns suggest that overall plan distribution (by subscriber) will approximate 56% enrollment in the self-insured PPO health plans and 44% in the state-contracted HMO plans during Fiscal Year 2010-11; however, plan distribution for the employment subscriber population is projected to approximate 49% in the self-insured PPO plans and 51% in the state-contracted HMO plans during the same period.

The self-insured PPO plans continue to enroll a disproportionate number of post-employment subscribers as compared to the state-contracted HMO plans. Enrollment distribution and subscriber demographics will be closely monitored for cost inefficiencies and risk selection due to inherent differences in health plan cost characteristics and demographic risks.

Of the currently enrolled population, approximately 1,200 subscribers (1,140 employees) are enrolled in a High Deductible Health Plan (0.6% of total enrollment). Approximately 820 employees, or 72%, are participating in the integrated state-sponsored Health Savings Account offering.

### **Exhibits**

The exhibits that follow provide more in-depth information about projected enrollment, expected health care cost growth, cash positions and comparisons to the previous outlook.

**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**Exhibit I**  
**Financial Outlook by Fiscal Year**  
**Highlights of Changes to Forecast - November 2007 vs. July 2007**  
(In Millions)

	FY 07-08			FY 08-09			FY 09-10			FY 10-11		
	Jul '07	Nov '07	Diff	Jul '07	Nov '07	Diff.	Jul '07	Nov '07	Diff.	Jul '07	Nov '07	Diff.
<b>Beginning Cash Balance</b>	\$ 200.1	\$ 200.1	\$ 0.0	\$ 175.7	\$ 188.2	\$ 12.5	\$ 60.7	\$ 73.0	\$ 12.3	\$ 0.0	\$ 0.0	\$ 0.0
<b>Revenues:</b>												
Insurance Premiums	\$ 1,453.3	\$ 1,453.6	\$ 0.3	\$ 1,530.0	\$ 1,529.9	\$ (0.1)	\$ 1,536.0	\$ 1,536.2	\$ 0.2	\$ 1,543.2	\$ 1,543.7	\$ 0.5
Investment Interest	7.0	8.7	1.7	4.4	5.3	0.9	0.2	0.3	0.1	0.0	0.0	0.0
TPA Refunds	12.6	18.2	5.6	12.6	12.6	0.0	12.6	12.6	0.0	12.6	12.6	0.0
PBM Rebates	12.5	17.4	4.9	18.2	18.2	0.0	19.5	19.5	0.0	20.7	20.7	0.0
Medicare Part D	15.7	15.7	0.0	17.7	16.4	(1.3)	19.4	17.0	(2.4)	20.2	17.4	(2.8)
Pretax TF Transfer	22.0	22.0	0.0	19.0	19.0	0.0	19.0	19.0	0.0	19.0	19.0	0.0
<b>Total Revenues</b>	\$ 1,523.1	\$ 1,535.6	\$ 12.5	\$ 1,601.9	\$ 1,601.4	\$ (0.5)	\$ 1,606.7	\$ 1,604.6	\$ (2.1)	\$ 1,615.7	\$ 1,613.4	\$ (2.3)
<b>Total Cash Available</b>	\$ 1,723.2	\$ 1,735.7	\$ 12.5	\$ 1,777.6	\$ 1,789.6	\$ 12.0	\$ 1,667.4	\$ 1,677.6	\$ 10.2	\$ 1,615.7	\$ 1,613.4	\$ (2.3)
<b>Expenses:</b>												
PPO Claim Expenses:												
Medical	\$ 578.9	\$ 582.9	\$ 4.0	\$ 625.5	\$ 625.0	\$ (0.5)	\$ 672.6	\$ 675.8	\$ 3.2	\$ 723.6	\$ 731.1	\$ 7.5
Prescription Drug	230.7	227.3	(3.4)	249.3	251.5	2.2	267.4	269.2	1.8	282.9	283.8	0.9
HMO Premiums	709.2	708.6	(0.6)	811.1	809.2	(1.9)	922.2	920.2	(2.0)	1,048.6	1,046.3	(2.3)
Other Expenses	28.7	28.7	0.0	31.0	30.9	(0.1)	32.1	32.1	0.0	31.8	31.8	0.0
<b>Total Expenses</b>	\$ 1,547.5	\$ 1,547.5	\$ 0.0	\$ 1,716.9	\$ 1,716.6	\$ (0.3)	\$ 1,894.3	\$ 1,897.3	\$ 3.0	\$ 2,086.9	\$ 2,093.0	\$ 6.1
<b>Excess of Revenues over Expenses</b>	\$ (24.4)	\$ (11.9)	\$ 12.5	\$ (115.0)	\$ (115.2)	\$ (0.2)	\$ (287.6)	\$ (292.7)	\$ (5.1)	\$ (471.2)	\$ (479.6)	\$ (8.4)
<b>Ending Cash Balance</b>	\$ 175.7	\$ 188.2	\$ 12.5	\$ 60.7	\$ 73.0	\$ 12.3	\$ (226.9)	\$ (219.7)	\$ 7.2	\$ (471.2)	\$ (479.6)	\$ (8.4)

<sup>(1)</sup> Revenue and Expense categories have been collapsed to present the highlights of changes to forecast.

<sup>(2)</sup> Exhibits II to X present detail forecast information, per fiscal year.

**Highlights of Changes to Forecast**

- Overall, outlook changes are minor but net results are slightly more favorable for most of the forecast period.
- Re-enactment of PIP is projected to reduce expenses (PPO Claims and HMO Premiums) for the forecast period.
- TPA refunds are increased in FY 07-08, but not in subsequent years.
- PBM rebates are increased in FY 07-08, but not in subsequent years.
- Medical claims growth trend is increased from 9.0% to 9.5%.
- Open enrollment results are not yet available.

**STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND**

**Exhibit II  
Financial Outlook  
By Fiscal Year  
(In Millions)**

	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>
	<u>Actual</u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>
<b>BEGINNING CASH BALANCE</b>	\$ 175.8	\$ 200.1	\$ 188.2	\$ 73.0	\$ 0.0
<b>REVENUES:</b>					
Insurance Premiums:					
Employer	\$ 1,033.8	\$ 1,128.3	\$ 1,192.6	\$ 1,195.4	\$ 1,199.0
Employee	154.2	156.0	156.8	157.1	157.5
HSA Contributions <sup>(2)</sup>	0.9	0.8	0.8	0.8	0.8
COBRA	7.2	7.3	7.9	7.9	7.9
Early Retiree	51.9	54.2	58.6	58.7	58.9
Medicare	95.1	104.4	113.2	116.3	119.6
TRICARE Surplus <sup>(3)</sup>	5.6	2.6	0.0	0.0	0.0
Investment Interest	7.9	8.7	5.3	0.3	0.0
TPA Refunds	11.5	18.2	12.6	12.6	12.6
PBM Rebates	11.0	17.4	18.2	19.5	20.7
Pretax Trust Fund Transfer	17.0	22.0	19.0	19.0	19.0
Medicare Part D Subsidy	16.2	15.7	16.4	17.0	17.4
<b>TOTAL REVENUES</b>	\$ 1,412.3	\$ 1,535.6	\$ 1,601.4	\$ 1,604.6	\$ 1,613.4
<b>TOTAL CASH AVAILABLE</b>	\$ 1,588.1	\$ 1,735.7	\$ 1,789.6	\$ 1,677.6	\$ 1,613.4
<b>EXPENSES:</b>					
State PPO Plan: <sup>(3)</sup>					
Medical Claims	\$ 530.5	\$ 582.9 <sup>(4)</sup>	\$ 625.0 <sup>(4)</sup>	\$ 675.8 <sup>(4)</sup>	\$ 731.1 <sup>(4)</sup>
Prescription Drug Claims	214.6	227.3	251.5	269.2	283.8
ASO Fee	27.7	20.3	22.5	23.7	23.4
HMO Premium Payments <sup>(3)</sup>	607.3	708.6 <sup>(4)</sup>	809.2 <sup>(4)</sup>	920.2 <sup>(4)</sup>	1,046.3 <sup>(4)</sup>
HSA Deposits <sup>(2)</sup>	0.9	0.8	0.8	0.8	0.8
Operating Costs & Admin Assessment	3.0	4.0	4.0	4.0	4.0
Premium Refunds	3.9	3.5	3.5	3.5	3.5
Other Expenses	0.1	0.1	0.1	0.1	0.1
<b>TOTAL EXPENSES</b>	\$ 1,388.0	\$ 1,547.5	\$ 1,716.6	\$ 1,897.3	\$ 2,093.0
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 24.3	\$ (11.9)	\$ (115.2)	\$ (292.7)	\$ (479.6)
<b>ENDING CASH BALANCE</b>	\$ 200.1	\$ 188.2	\$ 73.0	\$ (219.7)	\$ (479.6)
<b>Average Enrollment by Plan</b>					
PPO Standard	103,014	101,971	100,964	99,709	98,507
PPO HIHP	729	780	781	781	781
HMO Standard	67,941	71,826	74,308	76,579	78,940
HMO HIHP	337	367	366	366	366
<b>Total</b>	<b>172,021</b>	<b>174,944</b>	<b>176,419</b>	<b>177,435</b>	<b>178,594</b>
<b>Average Enrollment by Coverage Type</b>					
Active Standard	136,248	138,214	138,872	139,174	139,567
Active HIHP	1,003	1,102	1,103	1,103	1,103
Cobra	1,091	1,037	1,079	1,079	1,079
Early Retiree	8,486	8,512	8,542	8,545	8,563
Medicare	25,193	26,079	26,823	27,534	28,282
<b>Total</b>	<b>172,021</b>	<b>174,944</b>	<b>176,419</b>	<b>177,435</b>	<b>178,594</b>
<b>TRICARE Enrollment</b>					
Active	889	484			
Retiree	27	17			
<b>Total</b>	<b>916</b>	<b>501</b>			

<sup>(1)</sup> Actual results may differ from projected values with increasing likelihood of variance in future periods.

<sup>(2)</sup> Contributions approximate an equal split between employer and employee.

<sup>(3)</sup> Includes the estimated impact resulting from the federal prohibition to offer a TRICARE supplemental plan within an employer-sponsored salary reduction cafeteria plan, effective January 1, 2008.

<sup>(4)</sup> Includes the estimated impact of the temporary repeal of the Florida Motor Vehicle No-Fault Law from October 1, 2007 to December 31, 2007 and its re-enactment effective January 1, 2008. (See Exhibits III thru VI for estimated impact to fiscal year outlooks.)

**Exhibit III**  
**Financial Outlook**  
**Fiscal Year 2007-08**  
(In Millions)

	(A) <u>July '07</u>	(B) <u>November '07</u>	(B) - (A) <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 200.1	\$ 200.1	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,128.0	\$ 1,128.3	\$ 0.3
Employee	156.4	156.0	(0.4)
HSA Contributions <sup>(1)</sup>	0.8	0.8	0.0
COBRA	7.6	7.3	(0.3)
Early Retiree	53.7	54.2	0.5
Medicare	104.2	104.4	0.2
TRICARE Surplus <sup>(2)</sup>	2.6	2.6	0.0
Investment Interest	7.0	8.7	1.7
TPA Refunds	12.6	18.2	5.6
PBM Rebates	12.5	17.4	4.9
Pretax Trust Fund Transfer	22.0	22.0	0.0
Medicare Part D Subsidy	15.7	15.7	0.0
<b>TOTAL REVENUES</b>	<b>\$ 1,523.1</b>	<b>\$ 1,535.6</b>	<b>\$ 12.5</b>
<b>TOTAL CASH AVAILABLE</b>	<b>\$ 1,723.2</b>	<b>\$ 1,735.7</b>	<b>\$ 12.5</b>
<b>EXPENSES:</b>			
State PPO Plan: <sup>(2)</sup>			
Medical Claims	\$ 578.9	\$ 582.9 <sup>(3)</sup>	\$ 4.0
Prescription Drug Claims	230.7	227.3	(3.4)
ASO Fee	20.3	20.3	0.0
HMO Premium Payments <sup>(2)</sup>	709.2	708.6 <sup>(3)</sup>	(0.6)
HSA Deposits <sup>(1)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	4.0	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	<b>\$ 1,547.5</b>	<b>\$ 1,547.5</b>	<b>\$ 0.0</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (24.4)</b>	<b>\$ (11.9)</b>	<b>\$ 12.5</b>
<b>ENDING CASH BALANCE</b>	<b>\$ 175.7</b>	<b>\$ 188.2</b>	<b>\$ 12.5</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	102,091	101,971	(120)
PPO HIHP	768	780	12
HMO Standard	71,782	71,826	44
HMO HIHP	370	367	(3)
<b>Total</b>	<b>175,011</b>	<b>174,944</b>	<b>(67)</b>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	138,438	138,214	(224)
Active HIHP	1,088	1,102	14
Cobra	1,080	1,037	(43)
Early Retiree	8,442	8,512	70
Medicare	25,963	26,079	116
<b>Total</b>	<b>175,011</b>	<b>174,944</b>	<b>(67)</b>
<b>TRICARE Enrollment</b>			
Active	484	484	0
Retiree	17	17	0
<b>Total</b>	<b>501</b>	<b>501</b>	<b>0</b>

<sup>(1)</sup> Contributions approximate an equal split between employer and employee.

<sup>(2)</sup> Includes the estimated impact resulting from the federal prohibition to offer a TRICARE supplemental plan within an employer-sponsored salary reduction cafeteria plan, effective January 1, 2008.

<sup>(3)</sup> Includes the estimated impact of the temporary repeal of the Personal Injury Protection (PIP) from October 1, 2007 to December 31, 2007 and its re-enactment effective January 1, 2008. (State PPO plan: \$0.9 (temporary repeal) less \$5.6M (re-enactment) = -\$4.7M; State-contracted HMO plans: -\$1.2M (re-enactment)).

**Exhibit IV**  
**Financial Outlook**  
**Fiscal Year 2008-09**  
(In Millions)

	(A) <u>July '07</u>	(B) <u>November '07</u>	(B) - (A) <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 175.7	\$ 188.2	\$ 12.5
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,193.0	\$ 1,192.6	\$ (0.4)
Employee	157.3	156.8	(0.5)
HSA Contributions <sup>(1)</sup>	0.8	0.8	0.0
COBRA	7.9	7.9	0.0
Early Retiree	58.1	58.6	0.5
Medicare	112.9	113.2	0.3
Investment Interest	4.4	5.3	0.9
TPA Refunds	12.6	12.6	0.0
PBM Rebates	18.2	18.2	0.0
Pretax Trust Fund Transfer	19.0	19.0	0.0
Medicare Part D Subsidy	17.7	16.4	(1.3)
<b>TOTAL REVENUES</b>	<b>\$ 1,601.9</b>	<b>\$ 1,601.4</b>	<b>\$ (0.5)</b>
<b>TOTAL CASH AVAILABLE</b>	<b>\$ 1,777.6</b>	<b>\$ 1,789.6</b>	<b>\$ 12.0</b>
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims <sup>(2)</sup>	\$ 625.5	\$ 625.0 <sup>(3)</sup>	\$ (0.5)
Prescription Drug Claims	249.3	251.5	2.2
ASO Fee	22.6	22.5	(0.1)
HMO Premium Payments <sup>(2)</sup>	811.1	809.2 <sup>(3)</sup>	(1.9)
HSA Deposits <sup>(1)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	4.0	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	<b>\$ 1,716.9</b>	<b>\$ 1,716.6</b>	<b>\$ (0.3)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (115.0)</b>	<b>\$ (115.2)</b>	<b>\$ (0.2)</b>
<b>ENDING CASH BALANCE</b>	<b>\$ 60.7</b>	<b>\$ 73.0</b>	<b>\$ 12.3</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	101,074	100,964	(110)
PPO HIHP	768	781	13
HMO Standard	74,273	74,308	35
HMO HIHP	370	366	(4)
<b>Total</b>	<b>176,485</b>	<b>176,419</b>	<b>(66)</b>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,165	138,872	(293)
Active HIHP	1,088	1,103	15
Cobra	1,080	1,079	(1)
Early Retiree	8,466	8,542	76
Medicare	26,686	26,823	137
<b>Total</b>	<b>176,485</b>	<b>176,419</b>	<b>(66)</b>

<sup>(1)</sup> Contributions approximate an equal split between employer and employee.

<sup>(2)</sup> Includes the estimated impact resulting from the federal prohibition to offer a TRICARE supplemental plan within an employer-sponsored salary reduction cafeteria plan, effective January 1, 2008.

<sup>(3)</sup> Includes the estimated impact of the re-enactment of the Personal Injury Protection (PIP) effective January 1, 2008. (State PPO plan: -\$7.4M; State-contracted HMO plans: -\$2.4M).



**Exhibit V**  
**Financial Outlook**  
**Fiscal Year 2009-10**  
(In Millions)

	<u>(A)</u> <u>July '07</u>	<u>(B)</u> <u>November '07</u>	<u>(B) - (A)</u> <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 60.7	\$ 73.0	\$ 12.3
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,195.6	\$ 1,195.4	\$ (0.2)
Employee	157.6	157.1	(0.5)
HSA Contributions <sup>(1)</sup>	0.8	0.8	0.0
COBRA	7.9	7.9	0.0
Early Retiree	58.1	58.7	0.6
Medicare	116.0	116.3	0.3
Investment Interest	0.2	0.3	0.1
TPA Refunds	12.6	12.6	0.0
PBM Rebates	19.5	19.5	0.0
Pretax Trust Fund Transfer	19.0	19.0	0.0
Medicare Part D Subsidy	19.4	17.0	(2.4)
<b>TOTAL REVENUES</b>	<u>\$ 1,606.7</u>	<u>\$ 1,604.6</u>	<u>\$ (2.1)</u>
<b>TOTAL CASH AVAILABLE</b>	<u>\$ 1,667.4</u>	<u>\$ 1,677.6</u>	<u>\$ 10.2</u>
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 672.6	\$ 675.8 <sup>(2)</sup>	\$ 3.2
Prescription Drug Claims	267.4	269.2	1.8
ASO Fee	23.7	23.7	0.0
HMO Premium Payments	922.2	920.2 <sup>(2)</sup>	(2.0)
HSA Deposits <sup>(1)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	4.0	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	<u>\$ 1,894.3</u>	<u>\$ 1,897.3</u>	<u>\$ 3.0</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ (287.6)</u>	<u>\$ (292.7)</u>	<u>\$ (5.1)</u>
<b>ENDING CASH BALANCE</b>	<u>\$ (226.9)</u>	<u>\$ (219.7)</u>	<u>\$ 7.2</u>
<b>Average Enrollment by Plan</b>			
PPO Standard	99,805	99,709	(96)
PPO HIHP	768	781	13
HMO Standard	76,543	76,579	36
HMO HIHP	370	366	(4)
Total	<u>177,486</u>	<u>177,435</u>	<u>(51)</u>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,458	139,174	(284)
Active HIHP	1,088	1,103	15
Cobra	1,080	1,079	(1)
Early Retiree	8,466	8,545	79
Medicare	27,394	27,534	140
Total	<u>177,486</u>	<u>177,435</u>	<u>(51)</u>

<sup>(1)</sup> Contributions approximate an equal split between employer and employee.

<sup>(2)</sup> Includes the estimated impact of the re-enactment of the Personal Injury Protection (PIP) effective January 1, 2008. (State PPO plan: -\$7.3M; State-contracted HMO plans: -\$2.5M).

**Exhibit VI**  
**Financial Outlook**  
**Fiscal Year 2010-11**  
(In Millions)

	(A) <u>July '07</u>	(B) <u>November '07</u>	(B) - (A) <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 0.0	\$ 0.0	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,199.0	\$ 1,199.0	\$ 0.0
Employee	158.0	157.5	(0.5)
HSA Contributions <sup>(1)</sup>	0.8	0.8	0.0
COBRA	7.9	7.9	0.0
Early Retiree	58.3	58.9	0.6
Medicare	119.2	119.6	0.4
Investment Interest	0.0	0.0	0.0
TPA Refunds	12.6	12.6	0.0
PBM Rebates	20.7	20.7	0.0
Pretax Trust Fund Transfer	19.0	19.0	0.0
Medicare Part D Subsidy	<u>20.2</u>	<u>17.4</u>	<u>(2.8)</u>
<b>TOTAL REVENUES</b>	<b>\$ 1,615.7</b>	<b>\$ 1,613.4</b>	<b>\$ (2.3)</b>
<b>TOTAL CASH AVAILABLE</b>	<b>\$ 1,615.7</b>	<b>\$ 1,613.4</b>	<b>\$ (2.3)</b>
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 723.6	\$ 731.1 <sup>(2)</sup>	\$ 7.5
Prescription Drug Claims	282.9	283.8	0.9
ASO Fee	23.4	23.4	0.0
HMO Premium Payments	1,048.6	1,046.3 <sup>(2)</sup>	(2.3)
HSA Deposits <sup>(1)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	4.0	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
<b>TOTAL EXPENSES</b>	<b>\$ 2,086.9</b>	<b>\$ 2,093.0</b>	<b>\$ 6.1</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (471.2)</b>	<b>\$ (479.6)</b>	<b>\$ (8.4)</b>
<b>ENDING CASH BALANCE</b>	<b>\$ (471.2)</b>	<b>\$ (479.6)</b>	<b>\$ (8.4)</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	98,587	98,507	(80)
PPO HIHP	768	781	13
HMO Standard	78,908	78,940	32
HMO HIHP	<u>370</u>	<u>366</u>	<u>(4)</u>
<b>Total</b>	<b>178,633</b>	<b>178,594</b>	<b>(39)</b>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	139,836	139,567	(269)
Active HIHP	1,088	1,103	15
Cobra	1,080	1,079	(1)
Early Retiree	8,485	8,563	78
Medicare	<u>28,144</u>	<u>28,282</u>	<u>138</u>
<b>Total</b>	<b>178,633</b>	<b>178,594</b>	<b>(39)</b>

<sup>(1)</sup> Contributions approximate an equal split between employer and employee.

<sup>(2)</sup> Includes the estimated impact of the re-enactment of the Personal Injury Protection (PIP) effective January 1, 2008. (State PPO plan: -\$7.2M; State-contracted HMO plans: -\$2.9M).

**Exhibit VII**  
**Comparison of Financial Outlooks**  
**Fiscal Year 2007-08**  
**(In Millions)**

**\$ 175.7 Previous Ending Cash Balance Forecast <sup>(1)</sup>**

0.0 Increase in Beginning Cash Balance Forecast

12.5 Increase in Revenue Forecast

0.3 - Increase in Insurance Premiums due to minor changes across all coverage categories

1.7 - Increase in Investment Interest due to higher projected rate (3.75% to 4.50%) and higher cash balances

5.6 - Increase in TPA refunds due to higher than projected refund activity resulting from the migration to a new claims processing system not expected to be recurring

4.9 - Increase in PBM Rebates due to timing differences resulting in the collection of four (4) rebate quarters, instead of three (3) quarters

0.0 No Net Change in Expense Forecast

4.0 - Increase in PPO Plan Medical Claims

(0.7) - Decrease due to an decrease in projected enrollment (Projected enrollment from 102,859 to 102,751)

1.9 - Increase due to higher than expected costs for first four (4) months

1.9 - Increase due to an increase in projected trend for last eight (8) months from 9.0% to 9.5%

(4.7) - Net decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008 (-\$5.6M) and temporary repeal from October 1, 2007 to December 31, 2007 (+\$0.9M)

5.6 - Increase due to an increase in TPA refund activity not expected to be recurring

(3.4) - Decrease in PPO Plan Prescription Drug Claims

(0.2) - Decrease due to a decrease in projected enrollment (Projected enrollment from 102,859 to 102,751)

(3.2) - Decrease due to an increase in projected generic dispensing rate

(0.6) - Decrease in HMO Premium Payments

0.6 - Increase due to an increase in projected enrollment (Projected enrollment from 72,152 to 72,193)

(1.2) - Decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008

**\$ 188.2 Current Ending Cash Balance Forecast**

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<sup>(1)</sup> July 2007

**Exhibit VIII**  
**Comparison of Financial Outlooks**  
**Fiscal Year 2008-09**  
**(In Millions)**

<b>\$ 60.7</b>	<b>Previous Ending Cash Balance Forecast <sup>(1)</sup></b>
12.5	Increase in Beginning Cash Balance Forecast
(0.5)	Decrease in Revenue Forecast
	(0.1) - Decrease in Insurance Premiums due to minor changes across all coverage categories
	0.9 - Increase in Investment Interest due to a higher projected rate (3.75% to 4.00%) and higher cash balances
	(1.3) - Decrease in Medicare Part D Subsidy due to a decrease in the actuarial projections
(0.3)	Decrease in Expense Forecast
	(0.5) - Decrease in PPO Plan Medical Claims
	(0.5) - Decrease due to an decrease in projected enrollment (Projected enrollment from 101,842 to 101,745)
	3.1 - Increase due to an increase in projected trend from 9.0% to 9.5%
	(7.4) - Decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008
	4.3 - Increase due to a higher claims paid base
	2.2 - Increase in PPO Plan Prescription Drug Claims
	(0.2) - Decrease due to a decrease in projected enrollment (Projected enrollment from 101,842 to 101,745)
	2.4 - Increase due to a decrease in projected generic dispensing rate
	(0.1) - Decrease in ASO Fee due to a decrease in projected enrollment (Projected enrollment from 101,842 to 101,745)
	(1.9) - Decrease in HMO Premium Payments
	0.5 - Increase due to an increase in projected enrollment (Projected enrollment from 74,643 to 74,674)
	(2.4) - Decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008
<b>\$ 73.0</b>	<b>Current Ending Cash Balance Forecast</b>

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<sup>(1)</sup> July 2007

**Exhibit IX**  
**Comparison of Financial Outlooks**  
**Fiscal Year 2009-10**  
**(In Millions)**

**\$ (226.9) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

12.3 Increase in Beginning Cash Balance Forecast

(2.1) Decrease in Revenue Forecast

0.2 - Increase in Insurance Premiums due to minor changes across all coverage categories

0.1 - Increase in Investment Interest due to a higher projected rate (3.75% to 4.00%)

(2.4) - Decrease in Medicare Part D Subsidy due to a decrease in the actuarial projections

3.0 Increase in Expense Forecast

3.2 - Increase in PPO Plan Medical Claims

(0.4) - Decrease due to a decrease in projected enrollment (Projected enrollment from 100,573 to 100,490)

3.2 - Increase due to an increase in projected trend from 9.0% to 9.5%

(7.3) - Decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008

7.7 - Increase due to a higher claims paid base

1.8 - Increase in PPO Plan Prescription Drug Claims

(0.2) - Decrease due to a decrease in projected enrollment (Projected enrollment from 100,573 to 100,490)

2.0 - Increase due to a decrease in projected generic dispensing rate

(2.0) - Decrease in HMO Premium Payments

0.5 - Increase due to an increase in projected enrollment (Projected enrollment from 76,913 to 76,945)

(2.5) - Decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008

**\$ (219.7) Current Ending Cash Balance Forecast**

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<sup>(1)</sup> July 2007

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

**\$ (471.2) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

(2.3) Decrease in Revenue Forecast

0.5 Increase in Insurance Premiums due to minor changes across all coverage categories

(2.8) - Decrease in Medicare Part D Subsidy due to a decrease in the actuarial projections

6.1 Increase in Expense Forecast

7.5 - Increase in PPO Plan Medical Claims

(0.5) - Decrease due to a decrease in projected enrollment (Projected enrollment from 99,355 to 99,288)

3.6 - Increase due to an increase in projected trend from 9.0% to 9.5%

(7.2) - Decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008

11.6 - Increase due to a higher claims paid base

0.9 - Increase in PPO Plan Prescription Drug Claims

(0.2) - Decrease due to a decrease in projected enrollment (Projected enrollment from 99,355 to 99,288)

1.1 - Increase due to a decrease in projected generic dispensing rate

(2.3) - Decrease in HMO Premium Payments

0.6 - Net increase due to an increase in net projected enrollment (Projected enrollment from 79,278 to 79,306)

(2.9) - Decrease due to the re-enactment of Personal Injury Protection (PIP), effective January 1, 2008

**\$ (479.6) Current Ending Cash Balance Forecast**

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<sup>(1)</sup> July 2007

**Exhibit XI**  
**Premium Rate Table**  
**Effective April 2007**

<b>ALL ENROLLEES (Excluding TRICARE Supplemental Plan)</b>							
Category	Coverage Type	PPO/HMO Standard			PPO/HMO HIHP		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees <sup>(1)</sup> (Monthly)	Single	377.86	50.00	427.86	377.86	15.00	392.86
	Family	787.60	180.00	967.60	787.60	64.30	851.90
	Spouse	967.60	0.00	967.60	851.90	0.00	851.90
Full -Time Employees <sup>(1)</sup> (Bi-Weekly)	Single	188.93	25.00	213.93	188.93	7.50	196.43
	Family	393.80	90.00	483.80	393.80	32.15	425.95
	Spouse	483.80	0.00	483.80	425.95	0.00	425.95
COBRA Participants <sup>(2)</sup> (Monthly )	Single	0.00	436.42	436.42	0.00	358.22	358.22
	Family	0.00	986.96	986.96	0.00	783.94	783.94
Early Retirees (Monthly)	Single	0.00	427.86	427.86	0.00	351.20	351.20
	Family	0.00	967.60	967.60	0.00	768.56	768.56
Medicare Participants <sup>(3)</sup> (Monthly)	(I) One Eligible	0.00	227.18	227.18	0.00	169.46	169.46
	(II) One Under/Over	0.00	655.04	655.04	0.00	562.34	562.34
	(III) Both Eligible	0.00	454.36	454.36	0.00	338.92	338.92

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

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

(4) 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.

<b>TRICARE Supplemental Health Insurance Plan</b>							
Category	Coverage Type	Biweekly Contribution			Monthly Contribution		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Active Full-Time Employees <sup>(1)</sup>	Single	188.93	0.00	188.93	377.86	0.00	377.86
	Family	393.80	0.00	393.80	787.60	0.00	787.60
	Spouse <sup>(3)</sup>	393.80	0.00	393.80	787.60	0.00	787.60
COBRA Participants	Single <sup>(2)</sup>	N/A	N/A	N/A	0.00	61.20	61.20
	Family <sup>(2)</sup>	N/A	N/A	N/A	0.00	163.20	163.20
Early Retirees	Single	N/A	N/A	N/A	0.00	60.00	60.00
	Family	N/A	N/A	N/A	0.00	160.00	160.00

**Notes:**

(1) Premium contribution for a Part-Time Employee is to be calculated as follows:

Employer Contribution x FTE% = Calculated Employer Contribution

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

(3) Premium is shared equally between respective agencies.

**Exhibit XII  
Premium Rate Table  
Effective June 2008**

Category	Coverage Type	PPO/HMO Standard			PPO/HMO HIHP		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees <sup>(1)</sup> (Monthly)	Single	399.26	50.00	449.26	399.26	15.00	414.26
	Family	835.98	180.00	1,015.98	835.98	64.30	900.28
	Spouse	1,015.98	0.00	1,015.98	900.28	0.00	900.28
Full -Time Employees <sup>(1)</sup> (Bi-Weekly)	Single	199.63	25.00	224.63	199.63	7.50	207.13
	Family	417.99	90.00	507.99	417.99	32.15	450.14
	Spouse	507.99	0.00	507.99	450.14	0.00	450.14
COBRA Participants <sup>(2)</sup> (Monthly )	Single	0.00	458.25	458.25	0.00	380.05	380.05
	Family	0.00	1,036.30	1,036.30	0.00	833.29	833.29
Early Retirees (Monthly)	Single	0.00	449.26	449.26	0.00	372.60	372.60
	Family	0.00	1,015.98	1,015.98	0.00	816.95	816.95
Medicare Participants <sup>(3)</sup> (Monthly)	(I) One Eligible	0.00	238.54	238.54	0.00	179.80	179.80
	(II) One Under/Over	0.00	687.80	687.80	0.00	594.06	594.06
	(III) Both Eligible	0.00	477.08	477.08	0.00	359.60	359.60

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

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

(4) 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 XIII**  
**Abbreviations**

<b>ASO</b>	.....	Administrative Services Only
<b>COBRA</b>	.....	Consolidated Omnibus Budget Reconciliation Act
<b>DSGI</b>	.....	Division of State Group Insurance
<b>FTE</b>	.....	Full Time Equivalency
<b>FY</b>	.....	Fiscal Year
<b>HIHP</b>	.....	Health Investor Health Plan (i.e., High Deductible Health Plan)
<b>HMO</b>	.....	Health Maintenance Organization
<b>HSA</b>	.....	Health Savings Account
<b>PBM</b>	.....	Pharmacy Benefits Manager
<b>PPO</b>	.....	Preferred Provider Organization
<b>TPA</b>	.....	Third Party Administrator