

**Self-Insurance Estimating Conference
State Employees' Health Insurance Trust Fund
Last conference held: February 28, 2008**

Executive Summary

The outlook for the State Employees' Health Insurance Trust Fund has changed only slightly from the November 2007 forecast. The projected 2007-08 ending balance of the fund gained from \$188.2 million to \$191.0 million, the projected 2008-09 ending balance increased from \$73.0 million to \$77.1 million, the projected 2009-10 ending balance declined from -\$219.7 million to -\$223.2 million, and the projected 2010-11 ending balance declined from -\$479.6 million to -\$489.4 million.

Enrollment projections were changed significantly from the November forecast due to the results of open enrollment. There was a higher than expected net increase in the number of enrollees, and additionally a greater than expected migration from the PPO plan to the HMO plans. This results in an increase in overall projected enrollment, by 578 in 2007-08 and 1,280 in 2008-09, and additionally an acceleration of the increasing percentage of enrollees in the HMO plans as opposed to the PPO plan. The result is that between 2007-08 and 2011-12, the percentage of enrollees who are enrolled in an HMO plan is expected to increase from 41.3% to 48.2%.

For income, beyond the 2007-08 fiscal year, the only significant changes are higher premiums due to the increased enrollment projections, with other slight modifications including a somewhat larger transfer from the Pretax Trust Fund due to increased participation in the Pretax program. In 2007-08, TPA refunds are also expected to be \$3.2 million higher than in the previous forecast, but those are balanced by an equal adjustment on the expense side.

On the expense side, the most significant changes are also due to the change in the enrollment projections, with lower Medical and Prescription drug costs being more than offset by increased HMO premiums. Overall expenses are only slightly higher than the previous forecast in the first two years, but become more significantly higher in the subsequent years. This is a result of higher HMO enrollment combined with HMO premiums cost trends increasing more rapidly than cost trends in the PPO plan.

State Employees' Group Health Self-Insurance Trust Fund

Report on the Financial Outlook

For the Fiscal Years Ending June 30, 2008 through June 30, 2012

Presented February 28, 2008

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

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, 2012 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; 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 January 2008 have been taken into consideration.

The cash position forecast for fiscal years 2007-08 and 2008-09 slightly improved when compared to the outlook presented in November 2007. The projected ending cash balance for Fiscal Year 2007-08 increased from \$188.2 million to \$191.0 million, up \$2.8 million; the estimated operating loss decreased from \$11.9 million to \$9.1 million, an improvement of \$2.8 million. The projected ending cash balance for Fiscal Year 2008-09 increased from \$73.0 million to \$77.1 million, up \$4.1 million; the estimated operating loss decreased from \$115.2 million to \$113.9 million, an improvement of \$1.3 million.

With no change to benefit attributes, covered services, premium rates, or other plan factors, the Trust Fund is projected to go from a cash surplus of \$191.0 million in Fiscal Year 2007-08 to a projected ending cash deficit of \$223.2 million in Fiscal Year 2009-10. Projected revenue will fall short in meeting health plan cost growth by \$300.3 million, representing approximately 18.6% of premium revenue; the projected ending cash deficit of \$223.2 million represents approximately 13.8% of premium revenue.

Following is a summary of the outlook through Fiscal Year 2011-12.

Financial Outlook (Dollars in Millions)	----- Estimates -----				
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
BEGINNING CASH BALANCE	200.1	191.0	77.1	0.0	0.0
REVENUES	1,540.0	1,608.1	1,615.3	1,629.7	1,646.6
EXPENSES	<u>1,549.1</u>	<u>1,722.0</u>	<u>1,915.6</u>	<u>2,119.1</u>	<u>2,358.7</u>
OPERATING GAIN/ (LOSS)	<u>(9.1)</u>	<u>(113.9)</u>	<u>(300.3)</u>	<u>(489.4)</u>	<u>(712.1)</u>
ENDING CASH BALANCE	<u>191.0</u>	<u>77.1</u>	<u>(223.2)</u>	<u>(489.4)</u>	<u>(712.1)</u>

Growth Trends

The cash position of the Trust Fund improved marginally from the previous outlook for fiscal years 2007-08 and 2008-09, while declining for fiscal years 2009-10 and 2010-11. Changes are primarily from the refinement to previous enrollment projections to recognize 2007 Open Enrollment results and monthly enrollment activity subsequent to the previous outlook. These adjustments suggest increases in premium revenue due to enrollment growth and plan/category migration with higher increases to healthcare costs and migration from PPO plans to HMO plans. Changes result in a disproportionate increase in HMO premium payments when compared with the increases in premium revenue and decreases in PPO costs with a compound effect thru the forecast period.

Projected non-premium revenue growth is attributed to an increase in non-recurring recovery activity for Fiscal Year 2007-08, a slight decrease in projected rebates, and higher transfers from the Pretax Benefits Trust for fiscal years 2008-09 thru 2010-11.

Recurring growth in benefit expenses (9.9% 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 continue suggesting the beginning of an increase in the healthcare

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

insurance cost trend cycle. In addition, the declining trend in the PPO Plan membership and the matured plan benefit attribute structure can be expected to impact utilization and cost patterns of the group. The medical growth rate for the forecast period is consistent with the previous assumption of 9.5%. The assumed growth rate falls within the expected industry range of 5.7% – 10.6%.

Prescription drug market continues providing opportunities for dispensing of generic drugs and research & development of biotech/specialty pharmaceuticals. The offering of new and more expensive biotech/specialty drugs counterbalances the trend towards the utilization of less expensive generic drugs. Actual utilization for Fiscal Year 07-08 was lower than expected, however, because of the fixed deductible structure the overall drug trend for the state has been slightly increased from 8.6% to 8.7%. The assumed growth rate falls within the expected industry range of 5.2% – 12.0%.

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 8.3% – 11.1%. The outcome of the annual HMO premium renewal process determines the actual increase.

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

Enrollment patterns have historically suggested a rather stabilized employee subscriber base. However, the 2007 Open Enrollment results indicate an increase in the employee subscriber population beyond previous projections. (The affected revenue and expense components of the outlook have been adjusted accordingly.) Increased growth continues to occur in the post-employment subscriber population (3.0 percent during the forecast period). As a result, an increase of 2.8 percent 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 178,000 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 one-percent for fiscal years 2007-08 and 2008-09, subsequently returning to the 1% trend. Higher than expected employee enrollment resulting from the 2007 Open Enrollment and a sustaining increase in the migration trend from the PPO plan to HMO plans are contributing to the adjustments to the enrollment projection.

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. Plan distribution (by subscriber) is projected in approximately 56 percent enrollment in a self-insured PPO health plan and 44 percent in a state-contracted HMO plan during Fiscal Year 2008-09. However, plan distribution for the employment subscriber population is projected at approximately 49.7% in the self-insured PPO plans and 50.3% 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 1,170 subscribers (1,114 employees) are enrolled in a High Deductible Health Plan (0.6% of total enrollment). Approximately 750, of those employees, or 66%, 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 - February 2008 vs. November 2007
(In Millions)**

	FY 07-08			FY 08-09			FY 09-10			FY 10-11		
	Nov '07	Feb '08	Diff	Nov '07	Feb '08	Diff	Nov '07	Feb '08	Diff	Nov '07	Feb '08	Diff
Beginning Cash Balance	\$ 200.1	\$ 200.1	\$ 0.0	\$ 188.2	\$ 191.0	\$ 2.8	\$ 73.0	\$ 77.1	\$ 4.1	\$ 0.0	\$ 0.0	\$ 0.0
Revenues:												
Insurance Premiums	\$ 1,453.6	\$ 1,455.5	\$ 1.9	\$ 1,529.9	\$ 1,536.0	\$ 6.1	\$ 1,536.2	\$ 1,546.4	\$ 10.2	\$ 1,543.7	\$ 1,559.4	\$ 15.7
Investment Interest	8.7	8.7	0.0	5.3	5.4	0.1	0.3	0.3	0.0	0.0	0.0	0.0
TPA Refunds	18.2	21.4	3.2	12.6	12.6	0.0	12.6	12.6	0.0	12.6	12.6	0.0
PBM Rebates	17.4	16.5	(0.9)	18.2	17.7	(0.5)	19.5	19.0	(0.5)	20.7	20.3	(0.4)
Medicare Part D	15.7	15.9	0.2	16.4	16.4	0.0	17.0	17.0	0.0	17.4	17.4	0.0
Pretax TF Transfer	22.0	22.0	0.0	19.0	20.0	1.0	19.0	20.0	1.0	19.0	20.0	1.0
Total Revenues	\$ 1,535.6	\$ 1,540.0	\$ 4.4	\$ 1,601.4	\$ 1,608.1	\$ 6.7	\$ 1,604.6	\$ 1,615.3	\$ 10.7	\$ 1,613.4	\$ 1,629.7	\$ 16.3
Total Cash Available	\$ 1,735.7	\$ 1,740.1	\$ 4.4	\$ 1,789.6	\$ 1,799.1	\$ 9.5	\$ 1,677.6	\$ 1,692.4	\$ 14.8	\$ 1,613.4	\$ 1,629.7	\$ 16.3
Expenses:												
PPO Claim Expenses:												
Medical	\$ 582.9	\$ 579.1	\$ (3.8)	\$ 625.0	\$ 611.5	\$ (13.5)	\$ 675.8	\$ 656.7	\$ (19.1)	\$ 731.1	\$ 705.7	\$ (25.4)
Prescription Drug	227.3	220.5	(6.8)	251.5	238.2	(13.3)	269.2	258.8	(10.4)	283.8	267.8	(16.0)
HMO Premiums	708.6	721.0	12.4	809.2	841.8	32.6	920.2	968.6	48.4	1,046.3	1,114.5	68.2
Other Expenses	28.7	28.5	(0.2)	30.9	30.5	(0.4)	32.1	31.5	(0.6)	31.8	31.1	(0.7)
Total Expenses	\$ 1,547.5	\$ 1,549.1	\$ 1.6	\$ 1,716.6	\$ 1,722.0	\$ 5.4	\$ 1,897.3	\$ 1,915.6	\$ 18.3	\$ 2,093.0	\$ 2,119.1	\$ 26.1
Excess of Revenues over Expenses	\$ (11.9)	\$ (9.1)	\$ 2.8	\$ (115.2)	\$ (113.9)	\$ 1.3	\$ (292.7)	\$ (300.3)	\$ (7.6)	\$ (479.6)	\$ (489.4)	\$ (9.8)
Ending Cash Balance	\$ 188.2	\$ 191.0	\$ 2.8	\$ 73.0	\$ 77.1	\$ 4.1	\$ (219.7)	\$ (223.2)	\$ (3.5)	\$ (479.6)	\$ (489.4)	\$ (9.8)
Average Enrollment:												
PPO	102,751	102,053	(698)	101,745	99,936	(1,809)	100,490	98,011	(2,479)	99,288	96,184	(3,104)
HMO	72,193	73,469	1,276	74,674	77,763	3,089	76,945	81,072	4,127	79,306	84,528	5,222
Total	174,944	175,522	578	176,419	177,699	1,280	177,435	179,083	1,648	178,594	180,712	2,118

Highlights of Changes to Forecast Projections

- Changes are primarily from the outcome of 2007 Open Enrollment and additional months of actual experience
- Fiscal years 07-08 and 08-09 are more favorable and fiscal years 09-10 and 10-11 are less favorable
- Impact of 2007 Open Enrollment:
 - Increase in actual enrollment and growth trend
 - * Decrease in PPO enrollment
 - * Greater increase in HMO enrollment
 - Increase in migration trend from the PPO plans to HMO plans
 - Increase in insurance premiums
 - Decrease in PPO Medical Claims and Prescription Drug Costs
 - Increase in HMO Premium Payments greater than changes in other revenue and expense categories
- Impact of inclusion of additional months of actual experience of Fiscal Year 07-08:
 - Increase in non-recurring TPA Refunds and PPO Medical Claims due to higher refund activity
 - Decrease in PPO Prescription Drug Costs due to lower utilization and member size that carries forward throughout the forecast period
 - Increase in Pretax Trust Fund transfers for fiscal years 08-09 thru 10-11 due to higher pretax premium collections
- Other changes
 - Adjustment of Medicare insurance premiums due to an adjustment to the forecasting model used to calculate Medicare HMO premium collections
 - Addition of Fiscal Year 11-12 outlook to the forecast

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

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

	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>
	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>
BEGINNING CASH BALANCE	\$ 200.1	\$ 191.0	\$ 77.1	\$ 0.0 ⁽⁴⁾	\$ 0.0 ⁽⁴⁾
REVENUES:					
Insurance Premiums:					
Employer	\$ 1,132.0	\$ 1,200.3	\$ 1,204.1	\$ 1,209.8	\$ 1,216.8
Employee	156.8	158.1	158.5	159.1	160.0
HSA Contributions ⁽²⁾	0.8	0.8	0.8	0.8	0.8
COBRA	7.1	7.5	7.5	7.5	7.5
Early Retiree	53.6	57.9	58.5	59.0	59.6
Medicare	102.6	111.4	117.0	123.2	130.2
TRICARE Surplus ⁽³⁾	2.6	0.0	0.0	0.0	0.0
Investment Interest	8.7	5.4	0.3	0.0	0.0
TPA Refunds	21.4	12.6	12.6	12.6	12.6
PBM Rebates	16.5	17.7	19.0	20.3	21.7
Pretax Trust Fund Transfer	22.0	20.0	20.0	20.0	20.0
Medicare Part D Subsidy	15.9	16.4	17.0	17.4	17.4
TOTAL REVENUES	\$ 1,540.0	\$ 1,608.1	\$ 1,615.3	\$ 1,629.7	\$ 1,646.6
TOTAL CASH AVAILABLE	\$ 1,740.1	\$ 1,799.1	\$ 1,692.4	\$ 1,629.7	\$ 1,646.6
EXPENSES:					
State PPO Plan:					
Medical Claims	\$ 579.1	\$ 611.5	\$ 656.7	\$ 705.7	\$ 760.1
Prescription Drug Claims	220.5	238.2	258.8	267.8	288.5
ASO Fee	20.1	22.1	23.1	22.7	22.3
HMO Premium Payments	721.0	841.8	968.6	1,114.5	1,279.4
HSA Deposits ⁽²⁾	0.8	0.8	0.8	0.8	0.8
Operating Costs & Admin Assessment	4.0	4.0	4.0	4.0	4.0
Premium Refunds	3.5	3.5	3.5	3.5	3.5
Other Expenses	0.1	0.1	0.1	0.1	0.1
TOTAL EXPENSES	\$ 1,549.1	\$ 1,722.0	\$ 1,915.6	\$ 2,119.1	\$ 2,358.7
EXCESS OF REVENUES OVER EXPENSES	\$ (9.1)	\$ (113.9)	\$ (300.3)	\$ (489.4)	\$ (712.1)
ENDING CASH BALANCE	\$ 191.0	\$ 77.1	\$ (223.2)	\$ (489.4)	\$ (712.1)

Average Enrollment by Plan	PPO Standard	101,268	99,162	97,251	95,438	93,881
	PPO HIHP	785	774	760	746	734
	HMO Standard	73,087	77,369	80,668	84,113	87,520
	HMO HIHP	382	394	404	415	425
	<u>Total</u>	<u>175,522</u>	<u>177,699</u>	<u>179,083</u>	<u>180,712</u>	<u>182,560</u>
Average Enrollment by Coverage Type	Active Standard	138,889	140,169	140,602	141,236	142,029
	Active HIHP	1,114	1,114	1,110	1,107	1,105
	Cobra	1,004	1,015	1,015	1,015	1,015
	Early Retiree	8,423	8,442	8,509	8,583	8,665
	Medicare	26,092	26,959	27,847	28,771	29,746
	<u>Total</u>	<u>175,522</u>	<u>177,699</u>	<u>179,083</u>	<u>180,712</u>	<u>182,560</u>
TRICARE Enrollment	Active	474				
	Retiree	16				
	<u>Total</u>	<u>490</u>				

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

⁽²⁾ Contributions approximate an equal split between employer and employee.

⁽³⁾ 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.

⁽⁴⁾ Assumes no carry forward of negative ending cash balance from prior year.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

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

	<u>(A)</u> <u>November '07</u>	<u>(B)</u> <u>February '08</u>	<u>(B) - (A)</u> <u>Difference</u>
BEGINNING CASH BALANCE	\$ 200.1	\$ 200.1	\$ 0.0
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,128.3	\$ 1,132.0	\$ 3.7
Employee	156.0	156.8	0.8
HSA Contributions ⁽¹⁾	0.8	0.8	0.0
COBRA	7.3	7.1	(0.2)
Early Retiree	54.2	53.6	(0.6)
Medicare	104.4	102.6	(1.8)
TRICARE Surplus ⁽²⁾	2.6	2.6	0.0
Investment Interest	8.7	8.7	0.0
TPA Refunds	18.2	21.4	3.2
PBM Rebates	17.4	16.5	(0.9)
Pretax Trust Fund Transfer	22.0	22.0	0.0
Medicare Part D Subsidy	15.7	15.9	0.2
TOTAL REVENUES	\$ 1,535.6	\$ 1,540.0	\$ 4.4
TOTAL CASH AVAILABLE	\$ 1,735.7	\$ 1,740.1	\$ 4.4
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 582.9	\$ 579.1	\$ (3.8)
Prescription Drug Claims	227.3	220.5	(6.8)
ASO Fee	20.3	20.1	(0.2)
HMO Premium Payments	708.6	721.0	12.4
HSA Deposits ⁽¹⁾	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
TOTAL EXPENSES	\$ 1,547.5	\$ 1,549.1	\$ 1.6
EXCESS OF REVENUES OVER EXPENSES	\$ (11.9)	\$ (9.1)	\$ 2.8
ENDING CASH BALANCE	\$ 188.2	\$ 191.0	\$ 2.8
Average Enrollment by Plan			
PPO Standard	101,971	101,268	(703)
PPO HIHP	780	785	5
HMO Standard	71,826	73,087	1,261
HMO HIHP	367	382	15
Total	174,944	175,522	578
Average Enrollment by Coverage Type			
Active Standard	138,214	138,889	675
Active HIHP	1,102	1,114	12
Cobra	1,037	1,004	(33)
Early Retiree	8,512	8,423	(89)
Medicare	26,079	26,092	13
Total	174,944	175,522	578
TRICARE Enrollment			
Active	484	474	(10)
Retiree	17	16	(1)
Total	501	490	(11)

⁽¹⁾ Contributions approximate an equal split between employer and employee.

⁽²⁾ 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.

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

	<u>(A)</u> <u>November '07</u>	<u>(B)</u> <u>February '08</u>	<u>(B) - (A)</u> <u>Difference</u>
BEGINNING CASH BALANCE	\$ 188.2	\$ 191.0	\$ 2.8
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,192.6	\$ 1,200.3	\$ 7.7
Employee	156.8	158.1	1.3
HSA Contributions ⁽¹⁾	0.8	0.8	0.0
COBRA	7.9	7.5	(0.4)
Early Retiree	58.6	57.9	(0.7)
Medicare	113.2	111.4	(1.8)
Investment Interest	5.3	5.4	0.1
TPA Refunds	12.6	12.6	0.0
PBM Rebates	18.2	17.7	(0.5)
Pretax Trust Fund Transfer	19.0	20.0	1.0
Medicare Part D Subsidy	16.4	16.4	0.0
TOTAL REVENUES	\$ 1,601.4	\$ 1,608.1	\$ 6.7
TOTAL CASH AVAILABLE	\$ 1,789.6	\$ 1,799.1	\$ 9.5
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 625.0	\$ 611.5	\$ (13.5)
Prescription Drug Claims	251.5	238.2	(13.3)
ASO Fee	22.5	22.1	(0.4)
HMO Premium Payments	809.2	841.8	32.6
HSA Deposits ⁽¹⁾	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
TOTAL EXPENSES	\$ 1,716.6	\$ 1,722.0	\$ 5.4
EXCESS OF REVENUES OVER EXPENSES	\$ (115.2)	\$ (113.9)	\$ 1.3
ENDING CASH BALANCE	\$ 73.0	\$ 77.1	\$ 4.1
Average Enrollment by Plan			
PPO Standard	100,964	99,162	(1,802)
PPO HIHP	781	774	(7)
HMO Standard	74,308	77,369	3,061
HMO HIHP	366	394	28
Total	176,419	177,699	1,280
Average Enrollment by Coverage Type			
Active Standard	138,872	140,169	1,297
Active HIHP	1,103	1,114	11
Cobra	1,079	1,015	(64)
Early Retiree	8,542	8,442	(100)
Medicare	26,823	26,959	136
Total	176,419	177,699	1,280

⁽¹⁾ Contributions approximate an equal split between employer and employee.

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

	<u>(A)</u> <u>November '07</u>	<u>(B)</u> <u>February '08</u>	<u>(B) - (A)</u> <u>Difference</u>
BEGINNING CASH BALANCE	\$ 73.0	\$ 77.1	\$ 4.1
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,195.4	\$ 1,204.1	\$ 8.7
Employee	157.1	158.5	1.4
HSA Contributions ⁽¹⁾	0.8	0.8	0.0
COBRA	7.9	7.5	(0.4)
Early Retiree	58.7	58.5	(0.2)
Medicare	116.3	117.0	0.7
Investment Interest	0.3	0.3	0.0
TPA Refunds	12.6	12.6	0.0
PBM Rebates	19.5	19.0	(0.5)
Pretax Trust Fund Transfer	19.0	20.0	1.0
Medicare Part D Subsidy	17.0	17.0	0.0
TOTAL REVENUES	\$ 1,604.6	\$ 1,615.3	\$ 10.7
TOTAL CASH AVAILABLE	\$ 1,677.6	\$ 1,692.4	\$ 14.8
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 675.8	\$ 656.7	\$ (19.1)
Prescription Drug Claims	269.2	258.8	(10.4)
ASO Fee	23.7	23.1	(0.6)
HMO Premium Payments	920.2	968.6	48.4
HSA Deposits ⁽¹⁾	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
TOTAL EXPENSES	\$ 1,897.3	\$ 1,915.6	\$ 18.3
EXCESS OF REVENUES OVER EXPENSES	\$ (292.7)	\$ (300.3)	\$ (7.6)
ENDING CASH BALANCE	\$ (219.7)	\$ (223.2)	\$ (3.5)
Average Enrollment by Plan			
PPO Standard	99,709	97,251	(2,458)
PPO HIHP	781	760	(21)
HMO Standard	76,579	80,668	4,089
HMO HIHP	366	404	38
Total	177,435	179,083	1,648
Average Enrollment by Coverage Type			
Active Standard	139,174	140,602	1,428
Active HIHP	1,103	1,110	7
Cobra	1,079	1,015	(64)
Early Retiree	8,545	8,509	(36)
Medicare	27,534	27,847	313
Total	177,435	179,083	1,648

⁽¹⁾ Contributions approximate an equal split between employer and employee.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

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

	<u>(A)</u> <u>November '07</u>	<u>(B)</u> <u>February '08</u>	<u>(B) - (A)</u> <u>Difference</u>
BEGINNING CASH BALANCE	\$ 0.0 ⁽²⁾	\$ 0.0 ⁽²⁾	\$ 0.0
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,199.0	\$ 1,209.8	\$ 10.8
Employee	157.5	159.1	1.6
HSA Contributions ⁽¹⁾	0.8	0.8	0.0
COBRA	7.9	7.5	(0.4)
Early Retiree	58.9	59.0	0.1
Medicare	119.6	123.2	3.6
Investment Interest	0.0	0.0	0.0
TPA Refunds	12.6	12.6	0.0
PBM Rebates	20.7	20.3	(0.4)
Pretax Trust Fund Transfer	19.0	20.0	1.0
Medicare Part D Subsidy	<u>17.4</u>	<u>17.4</u>	<u>0.0</u>
TOTAL REVENUES	\$ 1,613.4	\$ 1,629.7	\$ 16.3
TOTAL CASH AVAILABLE	\$ <u>1,613.4</u>	\$ <u>1,629.7</u>	\$ <u>16.3</u>
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 731.1	\$ 705.7	\$ (25.4)
Prescription Drug Claims	283.8	267.8	(16.0)
ASO Fee	23.4	22.7	(0.7)
HMO Premium Payments	1,046.3	1,114.5	68.2
HSA Deposits ⁽¹⁾	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>
TOTAL EXPENSES	\$ <u>2,093.0</u>	\$ <u>2,119.1</u>	\$ <u>26.1</u>
EXCESS OF REVENUES OVER EXPENSES	\$ <u>(479.6)</u>	\$ <u>(489.4)</u>	\$ <u>(9.8)</u>
ENDING CASH BALANCE	\$ <u>(479.6)</u>	\$ <u>(489.4)</u>	\$ <u>(9.8)</u>
Average Enrollment by Plan			
PPO Standard	98,507	95,438	(3,069)
PPO HIHP	781	746	(35)
HMO Standard	78,940	84,113	5,173
HMO HIHP	366	415	49
<u>Total</u>	<u>178,594</u>	<u>180,712</u>	<u>2,118</u>
Average Enrollment by Coverage Type			
Active Standard	139,567	141,236	1,669
Active HIHP	1,103	1,107	4
Cobra	1,079	1,015	(64)
Early Retiree	<u>8,563</u>	<u>8,583</u>	<u>20</u>
Medicare	<u>28,282</u>	<u>28,771</u>	<u>489</u>
<u>Total</u>	<u>178,594</u>	<u>180,712</u>	<u>2,118</u>

⁽¹⁾ Contributions approximate an equal split between employer and employee.

⁽²⁾ Assumes no carry forward of negative ending cash balance from prior year.

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

\$ 188.2 Previous Ending Cash Balance Forecast ⁽¹⁾

4.4 Increase in Revenue Forecast

- 4.5 - Increase in employer and employee insurance premiums due to an increase in enrollment from 139,316 to 140,003 resulting from the 2007 Open Enrollment
- (0.8) - Decrease in COBRA & early retiree insurance premiums due to actual enrollment being slightly lower than expected
- (1.8) - Net decrease in Medicare insurance premiums due to a decrease from adjustment to the forecasting model used to calculate HMO premium collections and a slight increase in projected enrollment
- 3.2 - Increase in TPA refunds due to actual non-recurring refund activity being higher than expected as a result of the migration to a new claims processing system
- (0.9) - Decrease in PBM Rebates due to lower incurred rebates than previously projected and a decrease in PPO plan enrollment
- 0.2 - Increase in Medicare Part D Subsidy due to higher than expected collections

1.6 Increase in Expense Forecast

- (3.8) - Decrease in PPO Plan Medical Claims
 - (4.0) - Decrease due to a decrease in projected enrollment from 102,751 to 102,053
 - (3.0) - Decrease due to actual experience being lower than expected
 - 3.2 - Increase due to actual non-recurring TPA refund activity being higher than expected as a result of the migration to a new claims processing system
- (6.8) - Decrease in PPO Plan Prescription Drug Claims
 - (1.5) - Decrease due to a decrease in projected enrollment from 102,751 to 102,053
 - (1.0) - Decrease due to a decrease in the member population size
 - (4.3) - Decrease due to actual utilization being lower than expected
- (0.2) - Decrease in ASO Fee due to a decrease in projected enrollment from 102,751 to 102,053
- 12.4 - Increase in HMO Premium Payments due to an increase in projected enrollment from 72,193 to 73,469

\$ 191.0 Current Ending Cash Balance Forecast

⁽¹⁾ November 2007

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

\$ 73.0 Previous Ending Cash Balance Forecast ⁽¹⁾

2.8 Increase in Beginning Cash Balance Forecast

6.7 Increase in Revenue Forecast

9.0 - Increase in employer and employee insurance premiums due to an increase in enrollment from 139,975 to 141,283

(1.1) - Decrease in COBRA & early retiree insurance premiums due to a decrease in projected enrollment

(1.8) - Net decrease in Medicare insurance premiums due to a decrease from an adjustment to the forecasting model used to calculate HMO premium collections and an increase in projected enrollment

0.1 - Increase in Investment Interest due to higher than projected cash balances

(0.5) - Decrease in PBM Rebates due to lower incurred rebates than previously projected and a decrease in PPO plan enrollment

1.0 - Increase in the Pretax Trust Fund Transfer due to higher than previously projected pretax premium activity

5.4 Increase in Expense Forecast

(13.5) - Decrease in PPO Plan Medical Claims

(11.1) - Decrease due to a decrease in projected enrollment from 101,745 to 99,936

(2.4) - Decrease due to a lower claims base for Fiscal Year 07-08

(13.3) - Decrease in PPO Plan Prescription Drug Claims

(4.4) - Decrease due to a decrease in projected enrollment from 101,745 to 99,936

(1.2) - Decrease due to a decrease in the member population size

(3.1) - Decrease due to an increase in the projected generic dispensing rate caused by earlier than estimated expiration of certain brand name drug patent protection beyond PBM control

(4.6) - Decrease due to a lower utilization base for Fiscal Year 07-08

(0.4) - Decrease in ASO Fee due to a decrease in projected enrollment from 101,745 to 99,936

32.6 - Increase in HMO Premium Payments due to an increase in projected enrollment from 74,674 to 77,763

\$ 77.1 Current Ending Cash Balance Forecast

⁽¹⁾ November 2007

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

\$ (219.7) Previous Ending Cash Balance Forecast ⁽¹⁾

- 4.1 Increase in Beginning Cash Balance Forecast
- 10.7 Increase in Revenue Forecast
 - 10.1 - Increase in employer and employee insurance premiums due to an increase in enrollment from 140,277 to 141,712
 - (0.6) - Decrease in COBRA & early retiree insurance premiums due to a decrease in projected enrollment
 - 0.7 - Net Increase in Medicare insurance premiums due to an increase in projected enrollment and a decrease from an adjustment to the forecasting model used to calculate the HMO premium collections
 - (0.5) - Decrease in PBM Rebates due to lower incurred rebates than previously projected and a decrease in PPO plan enrollment
 - 1.0 - Increase in the Pretax Trust Fund Transfer due to higher than previously projected pretax premium activity
- 18.3 Increase in Expense Forecast
 - (19.1) - Decrease in PPO Plan Medical Claims
 - (16.7) - Decrease due to a decrease in projected enrollment from 100,490 to 98,011
 - (2.4) - Decrease due to a lower claims base for Fiscal Year 08-09
 - (10.4) - Decrease in PPO Plan Prescription Drug Claims
 - (6.6) - Decrease due to a decrease in projected enrollment from 100,490 to 98,011
 - (1.3) - Decrease due to a decrease in the member population size
 - 2.6 - Increase due to a decrease in the projected generic dispensing rate caused by longer than estimated expiration of certain brand name drug patent protection beyond PBM control
 - (5.1) - Decrease due to a lower utilization base for Fiscal Year 08-09
 - (0.6) - Decrease in ASO Fee due to a decrease in projected enrollment from 100,490 to 98,011
 - 48.4 - Increase in HMO Premium Payments due to an increase in projected enrollment from 76,945 to 81,072

\$ (223.2) Current Ending Cash Balance Forecast

⁽¹⁾ November 2007

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

\$ (479.6) Previous Ending Cash Balance Forecast ⁽¹⁾

- Increase in Beginning Cash Balance Forecast

16.3 Increase in Revenue Forecast

12.4 - Increase in employer and employee insurance premiums due to an increase in enrollment from 140,670 to 142,343

(0.3) - Decrease in COBRA & early retiree insurance premiums due to a decrease in projected enrollment

3.6 - Increase in Medicare insurance premiums due to an increase in projected enrollment and an increase from an adjustment to the forecasting model used to calculate the HMO premium collections

(0.4) - Decrease in PBM Rebates due to lower incurred rebates than previously projected and a decrease in PPO plan enrollment

1.0 - Increase in the Pretax Trust Fund Transfer due to higher than previously projected pretax premium activity

26.1 Increase in Expense Forecast

(25.4) - Decrease in PPO Plan Medical Claims

(22.9) - Decrease due to a decrease in projected enrollment from 99,288 to 96,184

(2.5) - Decrease due to a lower claims base for Fiscal Year 09-10

(16.0) - Decrease in PPO Plan Prescription Drug Claims

(8.7) - Decrease due to a decrease in projected enrollment from 101,745 to 99,936

(1.3) - Decrease due to a decrease in the member population size

(0.7) - Decrease due to an increase in the projected generic dispensing rate caused by earlier than estimated expiration of certain brand name drug patent protection beyond PBM control

(5.3) - Decrease due to a lower utilization base for Fiscal Year 09-10

(0.7) - Decrease in ASO Fee due to a decrease in projected enrollment from 99,288 to 96,184

68.2 - Increase in HMO Premium Payments due to an increase in projected enrollment from 79,306 to 84,528

\$ (489.4) Current Ending Cash Balance Forecast

⁽¹⁾ November 2007

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

**Exhibit XI
Premium Rate Table**

Effective June 2008

Category	Coverage Type	PPO/HMO Standard			PPO/HMO HIHP		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees ⁽¹⁾ (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 ⁽¹⁾ (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 ⁽²⁾ (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 ⁽³⁾ (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 XII
Abbreviations

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