

TONI JENNINGS
President

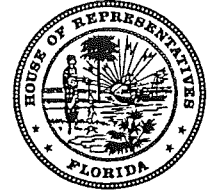
JOHN THRASHER
Speaker



THE FLORIDA LEGISLATURE

OFFICE OF ECONOMIC AND DEMOGRAPHIC RESEARCH

Edward Montanaro, Coordinator



MEMORANDUM

TO: Interested Parties

FROM: Pam Johnson *PJ*
Economic and Demographic Research

DATE: February 17, 2000

SUBJECT: State Employees' Health Insurance Trust Fund Conference, 2/17/2000

Attached for your information are materials from the conference held 2/17/2000 concerning the outlook for the State Employees' Health Insurance Trust Fund. The conference projects ending balances for the fund of \$109.5 million, \$102.9 million, and \$23.8 million for 1999-2000, 2000-01, and 2001-02, respectively.

DR PAM JOHNSON
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State Employees' Group Health Self-Insurance Trust Fund

Report on the Financial Outlook

For the Fiscal Years Ending June 30, 2000, 2001 & 2002

February 17, 2000

**Prepared by: Department of Management Services
Division of State Group Insurance
Bureau of Accounting & Financial Management**

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Assumptions and Methodologies:

- ◆ Enrollment
- ◆ Revenues
- ◆ Expenses



STATE OF FLORIDA
DIVISION OF STATE GROUP INSURANCE

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CHARLES P. SLAVIN, DIRECTOR

MEMORANDUM

TO: Interested Parties

FROM: 33- Jeff Dykes, Chief
Bureau of Accounting & Financial Management

SUBJECT: Financial Outlook – State Employees' Group Health Self-Insurance Trust Fund

DATE: February 17, 2000

Attached is the current financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2000, 2001 & 2002. In accordance with Sec. 216.136, *Florida Statutes*, this report has been prepared for presentation to the principles and participants associated with the Economic Estimating Conference. The entire report should be read for a comprehensive understanding of the underlying assumptions, methodologies and data used to support our projections and comments.

Our current projected ending cash balance for fiscal year 1999-00 is \$109.5 million, up \$.6 million from our previous projection of \$108.9 million presented at the Economic Estimating Conference held on November 15, 1999. Premium collections and other revenues are projected to exceed Program expenses by \$23.5 million, or 3.4%, for the year. Our current projected ending cash balance for fiscal year 2000-01 is \$102.9 million, down \$4.9 million from our previous projection of \$107.8 million. Premium collections and other revenues are projected to fall short of Program expenses by (\$6.6) million, or (.9%), for the year. However, the outlook indicates that the Trust Fund will remain soundly solvent through fiscal year 2000-01.

As required for this conference, we have included a projection for fiscal year 2001-02. Our current projected ending cash balance for fiscal year 2001-02 is \$23.8 million. Applying trend assumptions to fiscal year 2001-02 indicates premium collections and other revenues will fall substantially below Program expenses by (\$79.1) million, or (9.4%), for the year. It is important to note that cash balances above \$30.0 million are necessary to ensure the timely payment of routine Program obligations. In addition, cash balances of approximately \$45 million are necessary to offset recorded liabilities, such as the incurred but not paid claims estimate, to avoid reporting a negative fund balance.

Variances in the projected cash positions for fiscal year 1999-00, and 2000-01, are primarily due to the changes in estimated premium collections and Program expenses caused by changes in enrollment and HMO premium rate assumptions. Exhibit II (Summary of Financial Outlooks) of this report further describes the variances.

There are factors that favorably and unfavorably contribute to the financial position of the Trust Fund, most of which are addressed in the assumptions and methodologies used to calculate our projections. The following is a summary of significant factors that we have noted in the ongoing process of monitoring the financial performance of the Trust Fund.

- Prior to calendar year 1999, HMO premium payments were at, or slightly below, required enrollee premium contributions. This practice allowed the Trust Fund to maintain budget neutrality with respect to the HMO Plans. However, the cost of providing health care to state employees and retirees by the participating HMO vendors was not similarly suppressed and many of these plans incurred significant underwriting losses. As a result of negotiations with the HMO vendors, the overall HMO premium rates increased by 14.5%, effective January 1, 1999, and by 13.3%, effective January 1, 2000, for a compounded increase of 29.7% since 1998. However, HMO vendors have continued to withdraw coverage in various counties, or from the Program entirely, at accelerating rates. Because of increasing pharmaceutical costs and provider contract restructuring, among other things, some HMO vendors continue to incur underwriting losses and further withdrawals could be forthcoming.

Based on research and data analysis computed by the Division, along with the preliminary results of an interim HMO rate survey prepared by William M. Mercer, Inc., projected HMO premium payments assume an overall premium rate increase of approximately 10%, effective January 1, 2001 and 2002. The increased rate assumption impacts the ending cash position of the Trust Fund by \$13.4 million for fiscal year 2000-01 and by \$41.5 million for fiscal year 2001-02. The assumed premium rate increases, and resulting annual premium payments, exclude potential savings to the Trust Fund that could be achieved through changes in enrollee cost sharing responsibilities or other alternatives.

- Prescription drug costs continue to rise at substantial rates. Although the spiraling cost of pharmaceutical benefits represents a significant factor contributing to increasing HMO premium payments, the problem is as severe in the PPO Plan. The genesis of this situation is essentially national in nature and it will only get worse. The aging of the Program's population and its increased use of drugs; the product development and advertising strategies adopted by the pharmaceutical companies; new, high cost drugs for previously untreatable diseases and new, higher cost drugs to compete with older, lower cost drugs, have all combined to create this cost problem. In addition, there are more than 1,000 new drugs currently in the Food and Drug Administration's approval pipeline to treat cancer, AIDS, heart ailments, Alzheimer's

disease and many other serious illnesses. This volume represents a caseload higher than at any other time in the FDA's history. A detailed discussion of these issues is beyond the scope of this report; however, we would like to note the following.

- The annual average prescription drug cost per enrollee in the PPO Plan has increased by 20%. Although the co-payment increase passed by the 1999 Legislature reduced the Trust Fund's risk through cost sharing, current projections still indicate growth rates of 20.5% and 23.3% for fiscal year 2000-01 and 2001-02, respectively. Reference Exhibit VII (State Employees' PPO Plan – Annual Component Costs & Trends) for further information.
- Prescription drug costs in the PPO Plan are estimated to represent 25.7% of total PPO Plan medical and prescription drug costs for fiscal year 1999-00, 28.7% for fiscal year 2000-01, and 32.3% for fiscal year 2001-02. Reference Exhibit VII (State Employees' PPO Plan – Annual Component Costs & Trends) for further information.
- Section 8 of the Governor's Recommended Appropriations Bill (Fiscal Year 2000-01) provides for the Department to create a preferred drug plan to be used in the administration of the Prescription Drug Program subject to collective bargaining negotiations. If passed by the 2000 Legislature, effective January 1, 2001, prescription drug co-payments are recommended to be \$7.00/\$20.00/\$35.00 for retail purchases and \$10.50/\$30.00/\$52.50 for mail order purchases. An actuarial estimate indicates that the PPO Plan will experience savings in excess of \$15 million annually, if implemented.
- The average annual cost per enrollee, for the PPO and HMO Plans, is projected to continue on an upward trend. However, because of increases in the HMO premium payments effective January 1, 1999 (14.5%) and 2000 (13.3%); assumed increases of approximately 10% for January 1, 2001 and 2002; and projected medical claim payments in the PPO Plan trending at less than 5%, the total cost of both plans is trending much closer to one another, as compared with previous years. Our projections indicate a cost differential in the annual per enrollee cost between the PPO Plan and the HMO Plans of \$141 (3.5%) for fiscal year 1999-00, \$33 (.7%) for fiscal year 2000-01, and \$21 (.4%) for fiscal year 2001-02.

Although the per enrollee cost remains higher in the PPO Plan than in the HMO Plans through the forecasted period, total PPO Plan cost, including administrative fees, is projected to trend at 3.2% during fiscal year 1999-00, 7.8% for fiscal year 2000-01, and 9.1% for fiscal year 2001-02. Reference Exhibit VI (Comparison of Annual Costs Between Plans) for further information.

A comparison of our previous enrollment projections to actual enrollment experience suggests a need for slight adjustment to our enrollment projections. We have decreased our projected HMO Plan enrollment by 1.4% for fiscal year 1999-00 and by 3.7% for fiscal year 2000-01, and we have increased our projected PPO Plan enrollment by 1.1% and 2.9%, respectively. These adjustments account for enrollment shifts between the

PPO Plan and HMO Plans occurring during the 1999 Open Enrollment. Enrollment shifting is primarily due to the withdrawal of certain HMO Plans in various counties or from the Program entirely. These adjustments slightly increase our overall enrollment projection by .05% for fiscal year 1999-00 and by .2% for fiscal year 2000-01. Exhibit IX (Open Enrollment Results), of this report, shows net change in enrollment, by Plan type, by HMO vendor, between December – 1999 and January – 2000.

There are several known events that will take place during the forecasted period (July 1, 1999 through June 30, 2002) that will likely have an impact on the Trust Fund, but are not included in the financial projections contained in this report. Although we are certain the events will occur, insufficient data is available at this time to develop reasonable assumptions to estimate the financial impact. However, because of the importance of the events, we have noted them in Exhibit I (Future Events) of this report.

Please be advised that the results of our projections to arrive at the ending cash positions are highly sensitive to the assumptions used. Cash positions could differ from the results presented to the extent that actual experience varies from that which was assumed. Nevertheless, we believe that the results of our projections reasonably present the Trust Fund's financial outlook through the forecasted period.

Financial Outlook Supervised by:
Jeff Dykes

Financial Outlook Conducted by:
Leticia Nazario-Braddock

Exhibit I

Future Events

There are several known events that will take place during the forecasted period (July 1, 1999 through June 30, 2002) that will likely have an impact on the Trust Fund, but are not included in the financial projections contained in this report. Although we are certain the events will occur, insufficient data is available at this time to develop reasonable assumptions to estimate the financial impact. However, because of the importance of the events, we feel they should be noted.

- The initial 4-year term of the contract between the State and Eckerd Health Services, Inc. (PPO Pharmacy Benefit Manager) expires on December 31, 2000. As a result of a likely procurement process that will be administered by the Department during the calendar year, a Pharmacy Benefit Manager will be selected and contractual services will begin effective January 1, 2001. However, the following financial issues are unknown at this time:
 - The discount arrangements the State will receive off of the Average Wholesale Price for dispensed generic and brand name medications.
 - The rebate agreement and method of calculation.
 - The administrative fee.
- The initial 4-year term of the contract between the State and Blue Cross Blue Shield of Florida, Inc. (PPO Third Party Administrator – Medical Claims) expires on December 31, 2001. Depending on decisions made by the Department with respect to renewal options and related negotiations, there will possibly be changes to the administrative fee schedule effective January 1, 2002.

In addition to the above events, Section 8 of the Governor's Recommended Appropriations Bill (Fiscal Year 2000-01) provides for the Department to create a preferred drug plan, to be used in the administration of the Prescription Drug Program, subject to collective bargaining negotiations. If passed by the 2000 Legislature, effective January 1, 2001, prescription drug co-payments are recommended to be \$7.00/\$20.00/\$35.00 for retail purchases and \$10.50/\$30.00/\$52.50 for mail order purchases. The Department's preliminary estimate indicates that the Trust Fund will experience savings in excess of \$15 million annually, if implemented.

Exhibit II
Summary of Financial Outlooks

Fiscal Year 1999-00

(In Millions)

\$ 108.9	Previously Forecasted Ending Cash Balance (Outlook 11-99)
1.2	Estimated Increase in Forecasted Revenues
	\$ 1.0 - Increase in premium collections due to increased enrollment and category shifting.
	\$ 0.2 - Increase in interest earnings due to slightly increased cash balances.
(0.6)	Estimated Increase in Forecasted Expenses
	\$ (3.2) - Increase in medical claims costs primarily due to increased enrollment.
	\$ (1.4) - Increase in prescription drug costs due to increased enrollment.
	\$ 4.0 - Decrease in HMO premiums due to decreased enrollment.
\$ <u>109.5</u>	Current Forecasted Ending Cash Balance

Fiscal Year 2000-01

(In Millions)

\$ 107.8	Previously Forecasted Ending Cash Balance (Outlook 11-99)
0.6	Funding and expense activity as listed above
(0.6)	Estimated Decrease in Forecasted Revenues
	\$ (0.7) - Decrease in premium collections due to category shifting of enrollment.
	\$ 0.1 - Increase in interest earnings due to rounding.
(4.9)	Estimated Increase in Forecasted Expenses
	\$ (4.5) - Increase in medical claims costs due primarily to increased enrollment.
	\$ (3.8) - Increase in prescription drug costs due to increased enrollment.
	\$ 4.1 - Decrease in HMO premiums due to decreased enrollment offsetting increased rate assumptions.
	\$ (0.7) - Increase in BCBSF administrative fees due to increased enrollment.
\$ <u>102.9</u>	Current Forecasted Ending Cash Balance

It should be noted that changes in enrollment projections inherently impact certain revenue and expense items.

Exhibit III
Financial Outlook
 Fiscal Year 1999-00
 (In Millions)

	(A) Financial Outlook <u>November '99</u>	(B) Financial Outlook <u>February '00</u>	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽¹⁾	\$ 86.0	\$ 86.0	\$ 0.0
REVENUES:			
Insurance Premiums:			
State Contributions	520.0	521.9	1.9
Employee Contributions	113.8	112.2	(1.6)
Medicare Contributions	35.9	36.1	0.2
Early Retiree Contributions	18.5	18.9	0.4
COBRA Contributions	4.4	4.5	0.1
Interest on Investments	3.3	3.5	0.2
TPA Refunds/Rebates	7.0	7.0	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.2	0.2	0.0
TOTAL REVENUES	\$ 714.1	\$ 715.3	\$ 1.2
TOTAL CASH AVAILABLE	800.1	801.3	1.2
EXPENSES:			
Medical Claims - BCBSF	\$ 281.9	\$ 285.1	\$ 3.2
Prescription Drug Claims	97.2	98.6	1.4
HMO Premiums	274.6	270.6	(4.0)
ASO Fee - BCBSF	28.5	28.5	0.0
ASO Fee - EHS	0.1	0.1	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.8	0.8	0.0
TOTAL EXPENSES	\$ 691.2	\$ 691.8	\$ 0.6
EXCESS OF REVENUES OVER EXPENSES	\$ 22.9	\$ 23.5	\$ 0.6
ENDING CASH BALANCE ⁽¹⁾	\$ 108.9	\$ 109.5	\$ 0.6
<u>Projected Average Eligible Enrollment</u>			
PPO Plan	95,251	96,273	1,022
HMO Plans	67,444	66,498	(946)
Total	162,695	162,771	76

Note:

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

Exhibit IV
Financial Outlook
 Fiscal Year 2000-01
 (In Millions)

	(A) Financial Outlook <u>November '99</u>	(B) Financial Outlook <u>February '00</u>	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽¹⁾	\$ 108.9	\$ 109.5	\$ 0.6
REVENUES:			
Insurance Premiums:			
State Contributions	550.7	549.3	(1.4)
Employee Contributions	118.5	117.9	(0.6)
Medicare Contributions	40.3	40.5	0.2
Early Retiree Contributions	19.5	20.0	0.5
COBRA Contributions	3.9	4.5	0.6
Interest on Investments	4.2	4.3	0.1
TPA Refunds/Rebates	7.4	7.4	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 755.5	\$ 754.9	\$ (0.6)
TOTAL CASH AVAILABLE	<u>864.4</u>	<u>864.4</u>	<u>(0.0)</u>
EXPENSES:			
Medical Claims - BCBSF	\$ 301.6	\$ 306.1	\$ 4.5
Prescription Drug Claims	119.2	123.0	3.8
HMO Premiums	297.0	292.9	(4.1)
ASO Fee - BCBSF	29.8	30.5	0.7
ASO Fee - PBM	0.1	0.1	0.0
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.8	0.8	0.0
TOTAL EXPENSES	\$ <u>756.6</u>	\$ <u>761.5</u>	\$ <u>4.9</u>
EXCESS OF REVENUES OVER EXPENSES	\$ (1.1)	\$ (6.6)	\$ (5.5)
ENDING CASH BALANCE ⁽¹⁾	\$ <u>107.8</u>	\$ <u>102.9</u>	\$ <u>(4.9)</u>
<u> Projected Average Eligible Enrollment</u>			
PPO Plan	96,905	99,702	2,797
HMO Plans	67,544	65,038	(2,506)
Total	<u>164,449</u>	<u>164,740</u>	<u>291</u>

Note:

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

Exhibit V
Financial Outlook
 Fiscal Year 2001-02
 (In Millions)

	(A) Financial Outlook <u>November '99</u>	(B) Financial Outlook <u>February '00</u>	(B) - (A) Difference
BEGINNING CASH BALANCE ⁽¹⁾	\$ 0.0	\$ 102.9	\$ 102.9
REVENUES:			
Insurance Premiums:			
State Contributions	0.0	554.2	554.2
Employee Contributions	0.0	119.0	119.0
Medicare Contributions	0.0	43.0	43.0
Early Retiree Contributions	0.0	20.0	20.0
COBRA Contributions	0.0	4.2	4.2
Interest on Investments	0.0	2.7	2.7
TPA Refunds/Rebates	0.0	7.4	7.4
Pre-Tax Trust Fund Transfer	0.0	11.0	11.0
Other Revenues	0.0	0.0	0.0
TOTAL REVENUES	\$ 0.0	\$ 761.5	\$ 761.5
TOTAL CASH AVAILABLE	0.0	864.4	864.4
EXPENSES:			
Medical Claims - BCBSF	\$ 0.0	\$ 323.9	\$ 323.9
Prescription Drug Claims	0.0	154.7	154.7
HMO Premiums	0.0	320.8	320.8
ASO Fee - TPA	0.0	32.1	32.1
ASO Fee - PBM	0.0	0.2	0.2
DSGI Administrative Costs	0.0	6.9	6.9
Premium Refunds	0.0	1.2	1.2
Other Expenses	0.0	0.8	0.8
TOTAL EXPENSES	\$ 0.0	\$ 840.6	\$ 840.6
EXCESS OF REVENUES OVER EXPENSES	\$ 0.0	\$ (79.1)	\$ (79.1)
ENDING CASH BALANCE ⁽¹⁾	\$ 0.0	\$ 23.8	\$ 23.8
<u>Projected Average Eligible Enrollment</u>			
PPO Plan	0	101,722	101,722
HMO Plans	0	65,091	65,091
Total	0	166,813	166,813

Note:

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

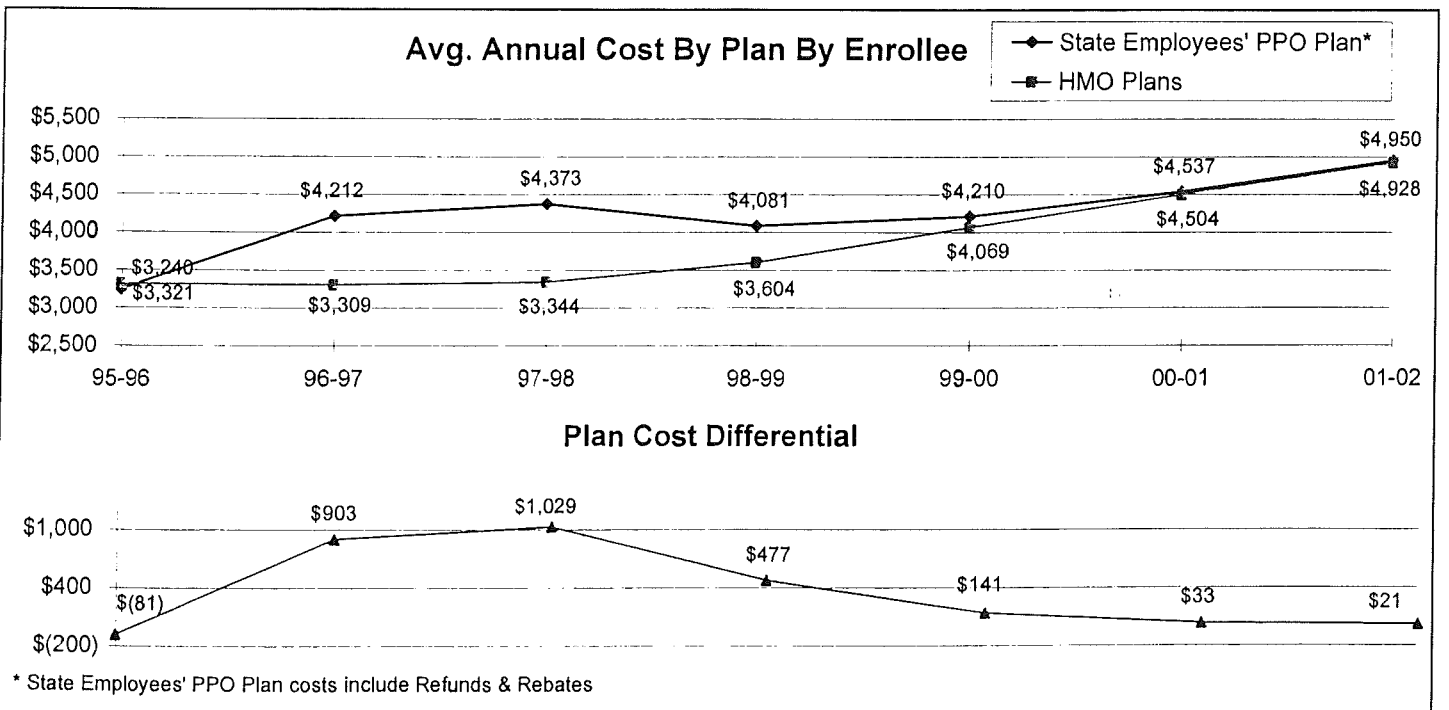
STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

**Exhibit VI
Comparison of Annual Costs Between Plans**

(In Millions)

State Employees' PPO Plan Costs							
	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>
Paid Medical Claims	\$ 270.4	\$ 331.8	\$ 319.7	\$ 275.6	\$ 285.1	\$ 306.1	\$ 323.9
Paid Prescription Drug Claims	53.3	56.5	68.1	85.1	98.6	123.0	154.7
ASO Fee - TPA	15.3	9.1	19.6	30.1	28.5	30.5	32.1
ASO Fee - PBM	0.9	0.4	0.1	0.1	0.1	0.1	0.2
Total Claims Paid and ASO Fees	\$ 339.9	\$ 397.8	\$ 407.5	\$ 390.9	\$ 412.3	\$ 459.7	\$ 510.9
Avg. Number of Enrollees	102,619	92,838	91,263	93,350	96,273	99,702	101,722
Avg. Annual Gross Cost Per Enrollee	\$ 3,312	\$ 4,285	\$ 4,465	\$ 4,187	\$ 4,283	\$ 4,611	\$ 5,023
Total Claims Paid and ASO Fees	\$ 339.9	\$ 397.8	\$ 407.5	\$ 390.9	\$ 412.3	\$ 459.7	\$ 510.9
Less: Refunds & Rebates	(7.4)	(6.8)	(8.4)	(9.9)	(7.0)	(7.4)	(7.4)
Total Net Cost	\$ 332.5	\$ 391.0	\$ 399.1	\$ 381.0	\$ 405.3	\$ 452.3	\$ 503.5
Avg. Number of Enrollees	102,619	92,838	91,263	93,350	96,273	99,702	101,722
Avg. Annual Net Cost Per Enrollee	\$ 3,240	\$ 4,212	\$ 4,373	\$ 4,081	\$ 4,210	\$ 4,537	\$ 4,950

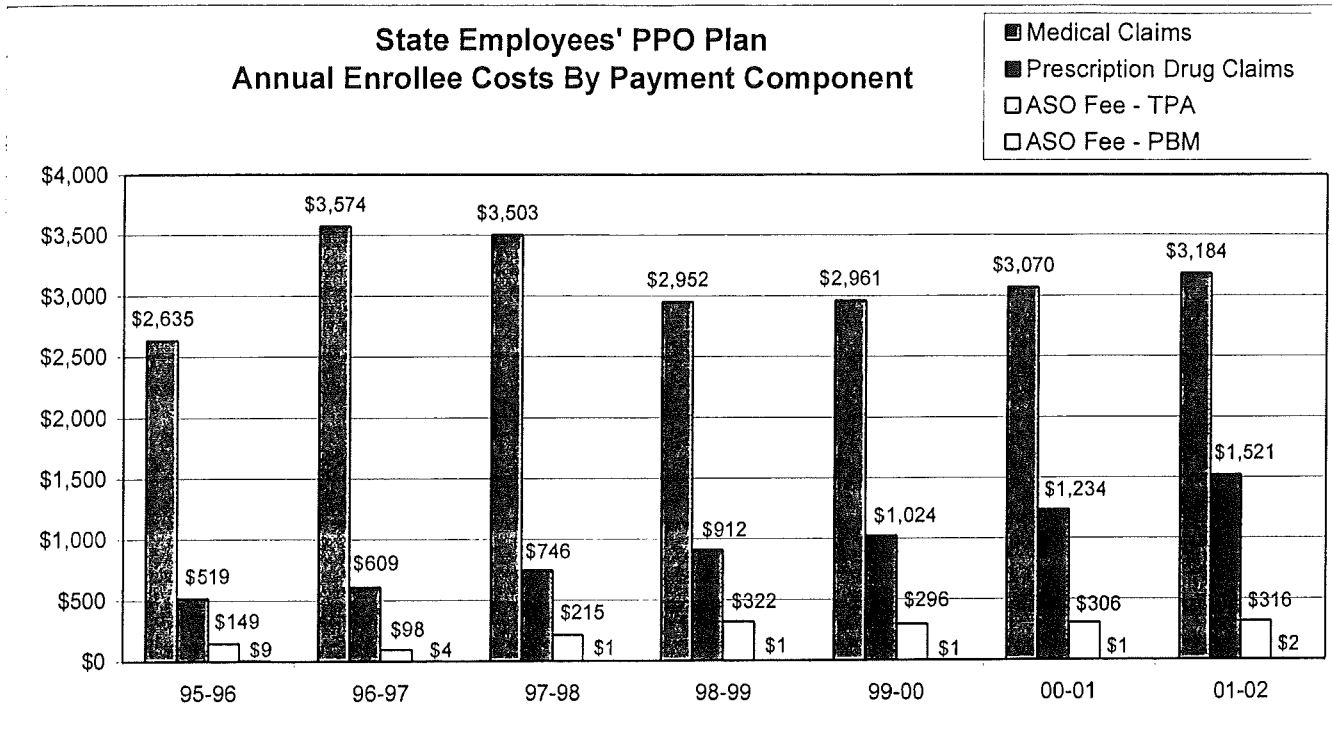
HMO Plan Cost							
	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>00-01</u>
HMO Premiums	\$ 178.0	\$ 211.9	\$ 226.4	\$ 244.3	\$ 270.6	\$ 292.9	\$ 320.8
Avg. Number of Enrollees	53,592	64,042	67,710	67,777	66,498	65,038	65,091
Avg. Annual Cost Per Enrollee	\$ 3,321	\$ 3,309	\$ 3,344	\$ 3,604	\$ 4,069	\$ 4,504	\$ 4,928



Notes:

- (1) Information is reported on a cash basis.
- (2) Costs exclude enrollees out-of-pocket expenses, such as deductibles, coinsurance and copayments.

Exhibit VII
 State Employees' PPO Plan - Annual Component Costs & Trends
 (Actual/Estimate)



Notes:

- (1) Information is reported on a cash basis.
- (2) Costs excludes enrollees out-of-pocket expenses, such as deductibles, coinsurance and copayments.

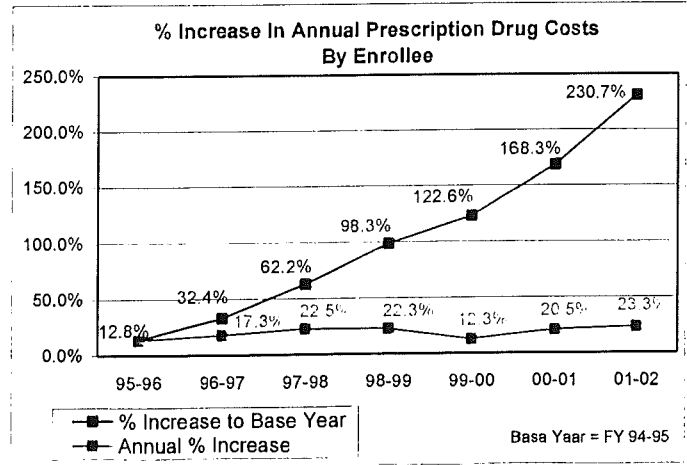
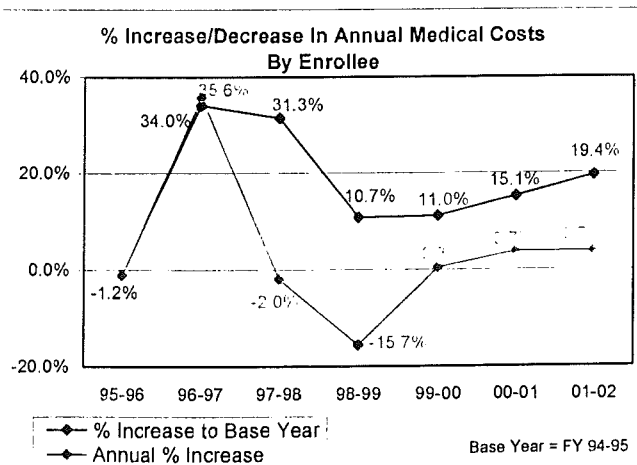
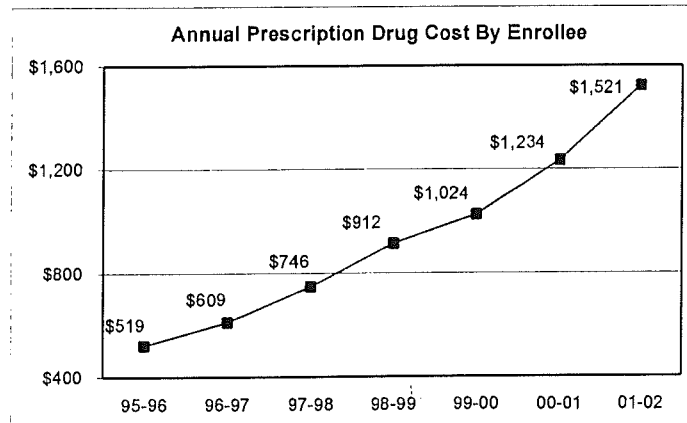
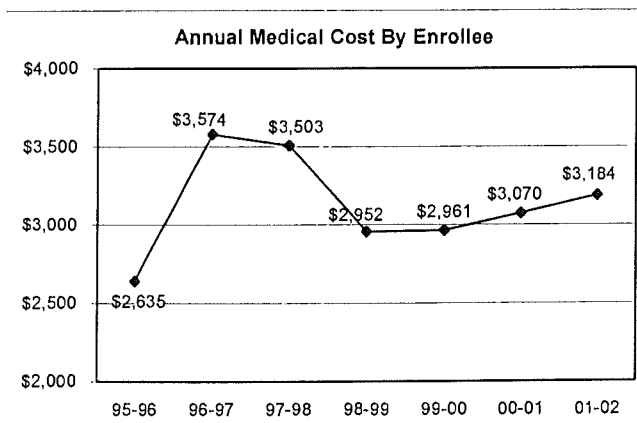


Exhibit VIII
Comparison of Annual Plan Cost to Premium Contributions
(In Millions)

Annual Costs				
	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>
PPO Plan				
Total Net Cost	\$ 381.0	\$ 405.3	\$ 452.3	\$ 503.5
Avg. Number of Enrollees	93,350	96,273	99,702	101,722
Avg. Annual Net Cost Per Enrollee	\$ 4,081	\$ 4,210	\$ 4,537	\$ 4,950
HMO Plans				
Total Premium Payments	\$ 244.3	\$ 270.6	\$ 292.9	\$ 320.8
Avg. Number of Enrollees	67,777	66,498	65,038	65,091
Avg. Annual Cost Per Enrollee	\$ 3,604	\$ 4,069	\$ 4,504	\$ 4,928

Annual Premium Contributions				
	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>
PPO Plan				
Total Premium Contributions	\$ 368.7	\$ 393.3	\$ 425.4	\$ 433.9
Avg. Number of Enrollees	93,350	96,273	99,702	101,722
Avg. Annual Premium Contributions Per Enrollee	\$ 3,949	\$ 4,085	\$ 4,267	\$ 4,265
HMO Plans				
Total Premium Contributions	\$ 299.2	\$ 300.3	\$ 306.8	\$ 306.5
Avg. Number of Enrollees	67,777	66,498	65,038	65,091
Avg. Annual Premium Contributions Per Enrollee	\$ 4,415	\$ 4,516	\$ 4,717	\$ 4,709

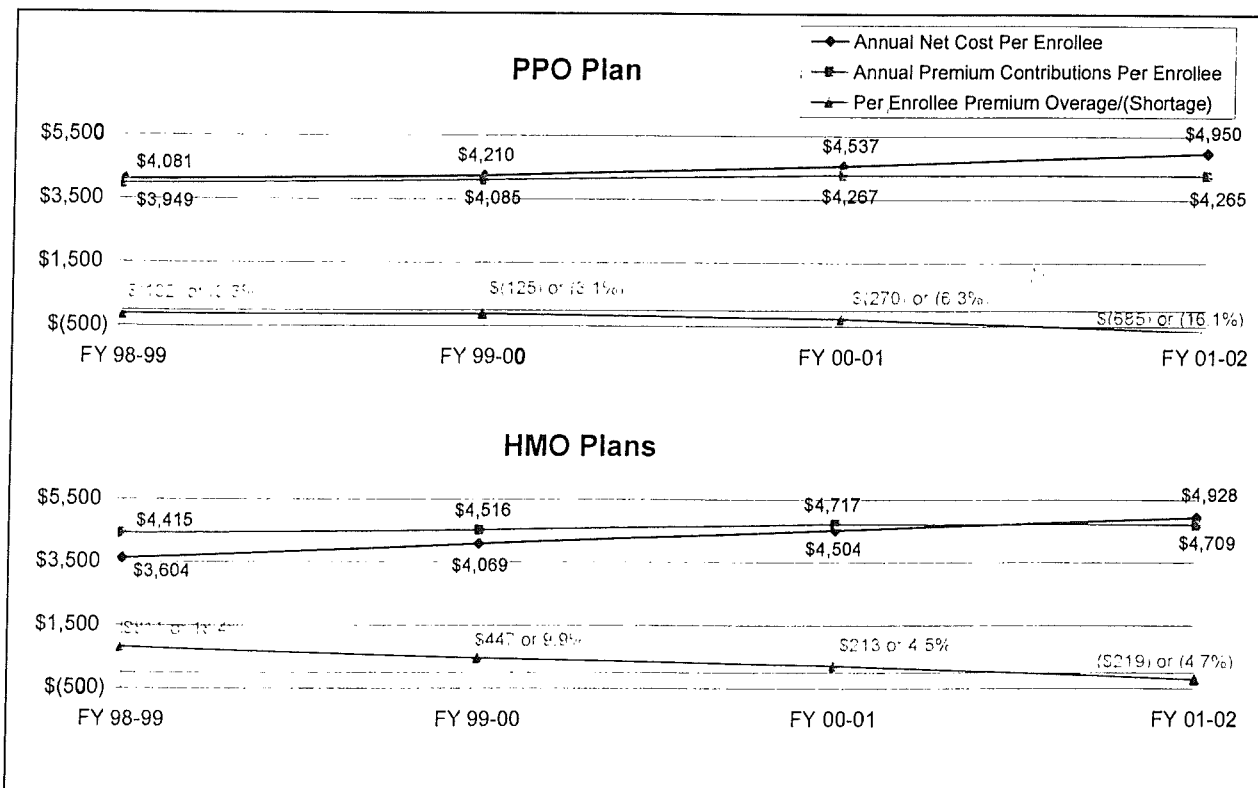


Exhibit IX
Open Enrollment Results
By Plan Type

	Dec-99	Jan-00	Change	
			Net	%
PPO Plan	93,966	98,569	4,603	4.9%
HMO Plan	68,132	64,769	(3,363)	-4.9%
Avmed	15,629	15,870	241	1.5%
Capital Health	18,843	19,419	576	3.1%
Florida Health	1,056	1,286	230	21.8%
Health Plan SE	11,067	10,642	(425)	-3.8%
HIP	1,067	1,424	357	33.5%
JMH	145	244	99	68.3%
Prudential	14,414	15,884	1,470	10.2%
Foundation	1,451	0	(1,451)	-100.0%
PCA Family	661	0	(661)	-100.0%
PCA Health	726	0	(726)	-100.0%
United	440	0	(440)	-100.0%
Humana	2,633	0	(2,633)	-100.0%
Total	162,098	163,338	1,240	0.8%

Exhibit X
Premium Rate Table

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

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

Notes:

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

Step 1. State Contribution x FTE% = Calculated State Contribution

Step 2. Total Contribution - Calculated State Contribution = Employee Contribution

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

Exhibit XI
Abbreviations

Adj.	.....	Adjusted
ASO	.....	Administrative Services Only
BCBSF	.....	Blue Cross Blue Shield of Florida, Inc.
COBRA	.....	Consolidated Omnibus Budget Reconciliation Act of 1985
CY	.....	Calendar Year
DSGI	.....	Division of State Group Insurance
EHS	.....	Eckerd Health Services, Inc.
Est.	.....	Estimate
F.S.	.....	Florida Statutes
FTE	.....	Full Time Equivalent
FY	.....	Fiscal Year
GR	.....	General Revenue
HMO	.....	Health Maintenance Organization
PBM	.....	Pharmacy Benefits Manager
PPO	.....	Preferred Provider Organization
Sec.	.....	Section
TPA	.....	Third Party Administrator

Assumptions and Methodologies

Enrollment ⁽¹⁾

Average Program enrollment, by fiscal year, is as follows:

	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00*	FY 00-01*	FY 01-02*
PPO Plan	102,619	92,838	91,263	93,350	96,273	99,702	101,722
HMO Plans	53,592	64,042	67,710	67,777	66,498	65,038	65,091
Total	156,214	156,880	158,973	161,127	162,771	164,740	166,813

* Projected

Assumptions

- Program enrollment will continue to increase (measured by net enrollment) at a rate of approximately 1% annually. However, the rate of growth is slightly higher than previously estimated.
- As a result of normal monthly growth and category shifting, Program enrollment will increase by approximately 808 (.04%) enrollees during the year.
 - New enrollees will select the PPO Plan and HMO Plans at a ratio of 1 to 1.
 - New enrollees will further distribute by enrollment category and enrollment coverage based on historical Program demographics.
- As a result of each Open Enrollment, Program enrollment will increase by an average of approximately 1,296 (.08%) enrollees each January 1st, as determined by the average of this increase over the last two years.
 - Increased net enrollment will distribute solely to the PPO Plan consistent with the last two years.
 - New enrollees will further distribute by enrollment category and enrollment coverage based on historical Program demographics.

Methodology

Using January '00 Program enrollment as the base:

- Increase and distribute monthly Program enrollment based on the aforementioned assumptions for February through December 2000.

- For CY 2001 and CY 2002, increase the overall calculated Program enrollment for the month of January by 1,279 enrollees and by 1,314 enrollees, respectively, to account for the assumptions associated with the net increase in new and shifting enrollment. Apply annual enrollment increase and distribution assumptions to the adjusted enrollment base to arrive at monthly Program enrollment.
-

- (1) Enrollment, for projection purposes, continues to be based on eligible enrollment (i.e., enrollees with fully paid premiums).

Revenues

Insurance Premiums

- Monthly Program enrollment projections are entered into a premium calculation model to estimate monthly contributions by plan, by category, by coverage, and by state and enrollee share during the forecasted period.
- The premium calculation model was adjusted to calculate the premium rate increase (8%) for non-employees effective January 1, 2000.
- For the period of January 2000 through June 2002, monthly contributions for the projected Medicare participants enrolled in HMO Plans were calculated based on negotiated and projected HMO premium payments.
- The monthly premiums calculated by the model are adjusted to reflect specific issues affecting the actual timing of contribution collections. Such issues include the timing of bi-weekly contributions, double premium deductions for SUS members during certain months out of the year to cover other months where there are no premium deductions, etc.

Interest on Investments

- It is assumed that interest revenue will be earned at a rate of approximately 4% annually. A calculated monthly rate (.0033) is applied to the estimated ending cash balance of the previous month to arrive at the forecasted month's interest earnings.

TPA Refunds/Rebates

- *Rebates* - Based on CY 1999 rebate collections received, it is estimated that approximately \$2.4 million will be rebated to the Trust Fund annually.
- *Refunds* - Based on CY 1999 refund collections received, it is estimated that approximately \$4.8 million will be refunded to the Trust Fund annually.

Pre-Tax Trust Fund Transfer

- It is assumed that \$11.0 million will continue to be transferred to the Trust Fund annually.

Other Revenues

- Other than the \$200,000 already recorded as Other Revenue for FY 1999-00, no other material collections are anticipated.

Expenses**Medical Claims - BCBSF**

Paid claims experience for CY 1999 represents the following:

Average state cost per claim	\$ 144.42
Average number of claims per enrollee per month	1.61
Calculated per enrollee per month state cost	\$ 233.03
Calculated per enrollee per year state cost	\$ 2,796.36

Some calculations are rounded.

Assumptions

- Beginning with January 2000, annual utilization (measured by the average # of claims per enrollee) and costs (measured by the average state cost per claim) will increase, in total, by approximately 5% per year consistent with previous projections.
- Utilization by new enrollees coming into the PPO Plan will be similar to the current population's experience.
- Risk is shared equally across all enrollment categories.

Methodology

- Industry standard formulas are used to calculate monthly estimated state costs. Following are the results of the calculations:

	FY 99-00	FY 00-01	%Chg.	FY 01-02	%Chg
Projected average enrollment	96,273	99,702	3.6%	101,722	2.0%
Calculated per enrollee per month state cost	\$ 238.85	\$ 250.80	5.0%	\$ 263.34	5.0%
Calculated per enrollee per month state cost (Adj. to Cash)	\$ 246.75	\$ 255.83	3.7%	\$ 265.33	3.7%
Calculated per enrollee per year state cost	\$ 2,961	\$ 3,070	3.7%	\$ 3,184	3.7%
Total Projected Cost (In millions)	\$ 285.1	\$ 306.1	7.4%	\$ 323.9	5.8%

Some calculations are rounded.

Prescription Drug Claims - PBM

Paid scripts experience for FY 1998-99 represents the following:

Average state cost per claim	\$ 34.84
Average number of claims per enrollee per month	2.21
Calculated per enrollee per month state cost	\$ 77.05
Calculated per enrollee per year state cost	\$ 924.55

Some calculations are rounded.

Prescription drug co-payments increased from \$5/\$15 to \$7/\$20, effective October 1, 1999. Savings due to the increased co-payments are estimated at \$7.5 million for FY 1999-00, \$11.2 million for FY 2000-01 and \$12.4 million for FY 2001-02.

Assumptions

- Beginning with January 2000, annual utilization (measured by the average # of claims per enrollee) and costs (measured by the average state cost per claim) will increase 8.3% and 12.7%, respectively, consistent with previous projections.

Methodology

- Industry standard formulas are used to calculate monthly estimated state costs. Following are the results of the calculations:

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

	FY 99-00	FY 00-01	% Chg.	FY 01-02	% Chg.
Projected average enrollment	96,273	99,702	3.6%	101,722	2.0%
Average state cost per claim	\$ 39.25	\$ 44.22	12.7%	\$ 49.81	12.7%
Average number of claims per enrollee per month	2.40	2.60	8.3%	2.81	8.3%
Calculated per enrollee per month cost (Adj. to Cash)	\$ 91.83	\$ 112.16	22.1%	\$ 136.92	22.2%
Calculated per enrollee per year state cost	\$ 1,102	\$ 1,346	22.1%	\$ 1,643	22.0%
Less: Estimated savings due to increase in co-pays	\$ (78)	\$ (112)	43.6%	\$ (122)	8.9%
Adjusted per enrollee per year cost	\$ 1,024	\$ 1,234	20.5%	\$ 1,521	23.3%
Adjusted projected cost (In millions)	\$ 98.6	\$ 123.0	24.7%	\$ 154.7	25.8%

Some calculations are rounded.

HMO Premium Payments

- Monthly HMO Plan enrollment projections are entered into an HMO premium payment model to estimate monthly premium payments by HMO Plan, by coverage and enrollee category for the forecasted period.
- For CY 2000, actual negotiated HMO premium rates, by enrollment coverage and category, were entered into the model.
- Based on research and data analysis performed by the Division, along with the preliminary results of an interim HMO rate survey, an overall rate increase of 9.6%, or \$26.8 million, is assumed for CY 2001.
- For purpose of estimating CY 2002, it is assumed that an additional 9.6% increase will be provided to participating HMO vendors.

ASO Fees

BCBSF

- Multiplied the projected monthly PPO Plan enrollment by the per enrollee monthly base administrative charge. Added to the per enrollee monthly base administrative charge is a calculated per enrollee quarterly incentive payment for the previous quarter.

Base Administrative Fee Schedule

<u>Calendar Year</u>	<u>Monthly per Enrollee Fee</u>
1999	\$ 20.31
2000	\$ 21.32
2001	\$ 22.38

Incentive Payment Schedule

<u>Calendar Year</u>	<u>Monthly per Enrollee Incentive Fee</u>
1999	\$ 3.58
2000	\$ 3.76
2001	\$ 3.95

- The Base Administrative Fee Schedule and the Incentive Payment Schedule for CY 2001 were assumed to apply to CY 2002. (The initial four year ASO contract between BCBSF and the state expires on December 31, 2001.)

PBM

- Multiplied the projected monthly PPO Plan enrollment by the per enrollee monthly base administrative charge (\$.125), as required under current contract.
- The monthly base administrative fee (\$.125 per enrollee) was assumed to apply to CY 2001 & CY 2002. (The initial four year contract between Eckerd Health Services and the state expires on December 31, 2000.)

DSGI Administrative Costs

- The Division's current operating budget is assumed to continue through the forecasted period.

Premium Refunds

- Current trends indicate approximately \$.1 million of premium refunds are occurring on a monthly basis. This trend is expected to continue through the forecasted period.

Other Expenses

- Routine payments for administrative hearings, patient auditor refunds, risk insurance and other administrative activities, indicate that annual payments will not exceed \$800,000.