

Self-Insurance Estimating Conference
State Employees' Health Insurance Trust Fund
Last conference held: December 2, 2005

Executive Summary

The outlook for the State Employees' Health Insurance Trust Fund has improved significantly from the post-session forecast. The projected 2005-06 ending balance of the fund gained from \$113.0 million to \$157.4 million, and the 2006-07 ending balance changed from -\$20.6 million to \$116.0 million.

The enrollment projections were changed significantly, mainly in the breakout between PPO and HMO participants, and in the number of participants choosing to participate in the new HIHP (Health Investor Health Plan). More enrollees than anticipated migrated from the PPO plan into HMO's, due primarily to the more widespread availability of HMO coverage. Fewer participants than were anticipated moved into the new lower cost HIHP coverage.

Changes in the projections for revenues were minor with a couple of exceptions. The adjustments to premium revenue were due only to the changes in the enrollment projections. The forecast for the transfer from the Pre-Tax Trust Fund was increased due to higher prior year accumulations, greater than expected flexible benefit forfeitures, and higher pre-tax benefit activity. In 2006-07, the forecast also contains previously unrecognized Medicare Part D subsidies, due to the state's participation in the federal program to reimburse prescription costs of Medicare participants.

There are significant adjustments to the expense forecasts. The decrease in medical claims is due mainly to the reduced forecast for enrollment in the PPO plan, with the growth rate assumption remaining at the 11% underlying the previous forecast. In the prescription drug program, however, the decrease is due partially to lower projected enrollment, but also due to a lower growth rate assumption of 12.5% as opposed to the previous assumption of 13.5%. HMO premium payments are projected to be lower than in the old forecast, in spite of higher projected enrollment, due to the lower than forecast negotiated rates for plan year 2006.

State Employees' Group Health Self-Insurance Trust Fund

Report on the Financial Outlook
For the Fiscal Years Ending June 30, 2006 and 2007

Presented December 2, 2005

EXECUTIVE SUMMARY

Background:

The Florida Department of Management Services has prepared a financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the Fiscal Years Ending June 30, 2006 and 2007 to aid in state planning and budgeting in accordance with sec. 216.136(11), *Florida Statutes*. The outlook has been prepared using cash basis modeling and based on the existing benefit and funding design for the period ending December 31, 2005, then adjusting for the benefit and funding redesign effective January 1, 2006 resulting from the 2005 Legislature - General Appropriations Act (Conference Report on Senate Bill 2600, Section 8, paragraph 2), and ch. 2005-97, *Laws of Florida*, (Committee Substitute for Senate Bill 424).

In summary, benefit attributes and covered services currently offered by the self-insured PPO health plan and the fully insured State-contracted HMO plans will continue without change. There will be a 7.4% increase in employer contribution rates and a slight increase of 2.7% in employee contribution rates. Total premium will increase by approximately 6.5% with resultant increases to non-active employee contribution rates. Program enhancements include, in general, a low premium, high deductible self-insured PPO health plan with a Health Savings Account (HSA) option, and a low premium, high deductible State-contracted HMO plans (where available) also with an HSA option – referred to as the Health Investor Health Plans (HIHP). The benefit attributes for these plans will differ as compared to the standard health plans, but the covered services will be the same. Active employees electing participation in one of the Health Investor Health Plans and electing participation in the State-sponsored Health Savings Account will receive an employer contribution into their HSA of up to \$500 for individual coverage per year (\$41.66 per month) or up to \$1,000 for family coverage per year (\$83.33 per month).

The employer contribution rate for individual and family coverage is uniform for all plans (except for participants of the Spouse Program). The employer required HSA contribution for employees enrolling in an HIHP, and electing to have a State-sponsored HSA, is included in the employer contribution rate. Employees and non-employees enrolling in an HIHP will have contribution rates significantly lower than those for the standard health plans. The new premium rates by enrollment category and coverage tier for all health plans and a schedule of benefit attributes by health plan are enclosed for reference purposes.

Financial Outlook:

The cash position of the Trust Fund has improved significantly from the previous outlook. An increase in non-premium revenue coupled with a reduction in expenses will directly contribute to a healthy cash balance through the forecast period. Growth rates for medical and prescription drug spend in the self-insured PPO health plans and the weighted-average increase in premium rates for the fully insured State-contracted HMO plans are expected to continue to be within industry expectations. Enrollment (by health plan) beginning January 1, 2006 resulting from the 2005 annual Open Enrollment has been used as the base line for projecting future enrollment migration.

Slight increases in projected interest earnings and increased transfers from the Pretax Benefits Trust Fund pooled with the actuarial estimate of \$17.3 million in collections by the self-insured PPO health plan due to participation in the Medicare Part D subsidy arrangement resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) are primarily driving revenue growth.

The significant improvement in cash position is due primarily to a combination of factors directly affecting the expense forecast. First, a reduction in the growth rate assumption used for the prescription drug spend component of the self-insured PPO health plan. Second, realization of the actual HMO premium rate increase for Plan Year 2006. Third, elimination of explicit forecast margin used by contracted actuaries in an effort to ensure Trust Fund solvency in light of various cost and utilization uncertainties that are inherent in financial forecasts for a health program redesign like that for the State Health Program. Finally, a reduction in the employer HSA contributions and ASO fee payments due to the actual enrollment in the self-insured PPO health plans.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Base line enrollment data resulting from the 2005 annual Open Enrollment indicates a higher than estimated subscriber migration from the self-insured PPO health plan to a State-contracted HMO plan. An update to the previous forecast for expenses relating to the State-contracted HMO plans, and the self-insured PPO health plans and related administrative fees is necessary to reflect actual enrollment migration.

Table 1. Financial Outlook

	FY 2004-05 Actual	FY 2005-06 Estimate	FY 2006-07 Estimate
BEGINNING CASH BALANCE	58.3	115.9	157.4
REVENUES	1,204.0	1,304.9	1,365.6
EXPENSES	(1,146.4)	(1,263.4)	(1,407.0)
OPERATING GAIN/(LOSS)	<u>57.6</u>	<u>41.5</u>	<u>(41.4)</u>
ENDING CASH BALANCE	<u>115.9</u>	<u>157.4</u>	<u>116.0</u>

Dollars in Millions

The projected ending cash balance for Fiscal Year 2005-06 is increased from \$113.0 million to \$157.4 million, up \$44.4 million. An operating gain of \$41.5 million is estimated, up \$37.9 million. The projected ending cash balance for Fiscal Year 2006-07 is increased from (\$20.6) million to \$116.0 million, an improvement of \$136.6 million. An operating loss of \$41.4 million is estimated, down \$92.2 million from \$133.6 million. Although cash balance deficiencies are not projected during the forecast period, continued attention should be given to rising Program costs (approximately 10.8% during the forecast period) and its impact to cash surpluses absent offsetting revenue.

Consistent with industry norms, factors such as market pressures, benefit design changes, new cost control mechanisms, provider contract renegotiations, TPA contractual performance measures, etc. are some of the factors influencing favorable impact to medical spend in a self-insured PPO health care environment. However, competing forces such as enrollment demographics and member health risks, types and frequency of services rendered, price inflation, technology, etc. remain apparent and continue to prevent a sharp curving of cost and utilization growth rates. The current growth rate assumption for the forecast period is consistent with the previous assumption of 11.0%. The assumed growth rate falls within the expected industry range of 9.0 – 11.0%.

Key indicators used to measure prescription drug cost and utilization is indicating greater savings than previously estimated from the price reductions negotiated with the contracted Pharmacy Benefits Manager effective January 2005, reduction in utilization, increased utilization of lower cost alternatives, and continued savings from the co-payments changes. These factors, combined with the expiring patents of a number of heavily utilized Brand Drugs in Plan Years 2005 and 2006 collectively support a continued reduction in the growth rate assumption to 12.5% for the forecast period. The projected growth rate falls within the expected industry range of 12.0 - 14.0%.

As mentioned earlier, base line enrollment data resulting from the 2005 annual Open Enrollment indicates a higher than estimated subscriber migration from the self-insured PPO health plan to a State-contracted HMO plan. In Plan Year 2006, there will be a State-contracted HMO plan in 15 counties where one does not presently exist, and an additional 25 counties will have more than one State-contracted HMO plan option. There will be 54 counties with at least one State-contracted HMO plan offering for Plan Year 2006.

An update to the previous forecast for premium payments is necessary due to the increased overall State-contracted HMO plan enrollment combined with lower than previously projected premium rates for

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

Plan Year 2006 (inclusive of the affect that the lower premium rates will have for Plan Year 2007). Previous forecasts assumed a weighted-average increase in premium rate of 12.0% for Plan Year 2006. The actual, weighted-average increase in rate is 9.7%. The increase is projected to be 12.0% for Plan Year 2007. The rate increase assumption falls within the expected industry range of 10.0 – 13.0%.

Base line enrollment data resulting from the 2005 annual Open Enrollment and historical enrollment patterns continue to suggest a rather stabilizing employee enrollment base, but increased growth continues to occur in both the pre-Medicare and Medicare eligible retiree populations (4.3% during the forecast period). As a result, a two-year average increase of .9% is projected in total subscriber enrollment. Total average enrollment is projected to be 169,741 for Fiscal Year 2005-06 and 171,215 for Fiscal Year 2006-07 – inclusive of the enrollment for the HIHP. Growth in annual subscriber enrollment has continued to be below one-percent since Fiscal Year 2000-01 and is being driven by a sustaining increase in pre-Medicare and Medicare enrollment. Enrollment patterns also suggest that plan distribution by subscriber will approximate 63% enrollment in a self-insured PPO Health plan and 37% in a State-contracted HMO plan during the forecast period.

Of the enrolled population, approximately 800 subscribers (730 employees) enrolled in a newly offered HIHP (.5% of covered population). Approximately 650, or 81%, of the HIHP subscribers elected participation in the State-sponsored HSA.

It is noteworthy that the contractual agreements for Third-Party Administration and Pharmacy Benefits Management for the self-insured PPO health plans are scheduled to expire during the forecast period. Projected enrollment migration and growth rates used for the forecast could be directly impacted by the results of the procurements and contractual arrangements.

The exhibits that follow provide more in-depth information about projected enrollment, cash position, and comparisons to the previous forecast.

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

	<u>FY 04-05</u> <u>Actual</u>	<u>FY 05-06</u> <u>Estimate</u>	<u>FY 06-07</u> <u>Estimate</u>
BEGINNING CASH BALANCE	\$ 58.3	\$ 115.9	\$ 157.4
REVENUES:			
Insurance Premiums:			
Employer Plan Contributions	\$ 888.3	\$ 960.2	\$ 991.6
Employer HSA Contributions ⁽¹⁾	0.0	0.3	0.6
Employee Contributions	154.7	154.7	156.2
COBRA Contributions	7.3	8.3	8.4
Early Retiree Contributions	45.4	47.6	52.3
Medicare Contributions	77.6	87.7	95.2
Interest on Investments	2.6	3.8	4.3
TPA Refunds/PBM Rebates	15.1	20.0	20.0
Pretax Trust Fund Transfer	13.0	18.0	17.0
Medicare Part D Subsidy ⁽²⁾	0.0	0.0	17.3
Transfer: TRICARE Surplus ⁽³⁾	<u>0.0</u>	<u>4.3</u>	<u>2.7</u>
TOTAL REVENUES	\$ 1,204.0	\$ 1,304.9	\$ 1,365.6
TOTAL CASH AVAILABLE	\$ <u>1,262.3</u>	\$ <u>1,420.8</u>	\$ <u>1,523.0</u>
EXPENSES:			
PPO Plan - Medical Claims	\$ 464.2	\$ 509.3	\$ 559.0
PPO Plan - Prescription Drug Claims	187.2	200.8	222.3
HMO Premiums	451.1	509.5	585.6
Employer HSA Contributions ⁽¹⁾	0.0	0.3	0.6
ASO Fee - TPA	37.9	35.7	32.7
DSGI Administrative Costs	3.8	4.7	3.7
Premium Refunds	2.2	3.0	3.0
Other Expenses	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>
TOTAL EXPENSES	\$ 1,146.4	\$ 1,263.4	\$ 1,407.0
EXCESS OF REVENUES OVER EXPENSES	\$ <u>57.6</u>	\$ <u>41.5</u>	\$ <u>(41.4)</u>
ENDING CASH BALANCE	\$ <u>115.9</u>	\$ <u>157.4</u>	\$ <u>116.0</u>

Enrollment by Plan	PPO Standard	108,475	106,574	105,332
	PPO HIHP	0	578	578
	HMO Standard	60,400	62,353	65,069
	HMO HIHP	<u>0</u>	<u>236</u>	<u>236</u>
	Total	<u>168,875</u>	<u>169,741</u>	<u>171,215</u>
Enrollment by Coverage Type	Active Standard	135,796	134,739	134,892
	Active HIHP	0	734	734
	Cobra	1,251	1,275	1,252
	Early Retiree	8,262	8,414	8,643
	Medicare	<u>23,566</u>	<u>24,579</u>	<u>25,694</u>
	Total	<u>168,875</u>	<u>169,741</u>	<u>171,215</u>

⁽¹⁾ Subscriber HSA contributions have been intentionally excluded. Subscriber deposited HSA contributions will quickly pass-through the Trust to the custodian with no estimated impact to ending cash position.

⁽²⁾ Actuarial estimate per participation in the Prescription Drug subsidy arrangement resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA), effective January 1, 2006. The subsidy collection estimation is \$550 to \$600 per eligible member not enrolled in Medicare Part D, or \$13M per year, \$1.08M per month. Subsidy amounts accrued in FY 2005-06 are assumed to be collected in FY 2006-07.

⁽³⁾ Transfer of the TRICARE supplemental health benefit plan surplus from Cash Account 2668004.

Exhibit II
Financial Outlook
Fiscal Year 2005-06

	(In Millions)		(B) - (A) Difference
	(A)	(B)	
	Post-Session July '05 ⁽¹⁾	Outlook November '05	
BEGINNING CASH BALANCE	\$ 109.4	\$ 115.9	\$ 6.5
REVENUES:			
Insurance Premiums:			
Employer Plan Contributions	\$ 965.7	\$ 960.2	\$ (5.5)
Employer HSA Contributions ⁽²⁾	0.0	0.3	0.3
Employee Contributions	154.1	154.7	0.6
COBRA Contributions	7.1	8.3	1.2
Early Retiree Contributions	51.3	47.6	(3.7)
Medicare Contributions	84.4	87.7	3.3
Interest on Investments	3.2	3.8	0.6
TPA Refunds/PBM Rebates	19.5	20.0	0.5
Pretax Trust Fund Transfer	14.0	18.0	4.0
Medicare Part D Subsidy ⁽³⁾	0.0	0.0	0.0
Transfer: TRICARE Surplus ⁽⁴⁾	1.6	4.3	2.7
TOTAL REVENUES	\$ 1,300.9	\$ 1,304.9	\$ 4.0
TOTAL CASH AVAILABLE	\$ 1,410.3	\$ 1,420.8	\$ 10.5
EXPENSES:			
PPO Plan - Medical Claims	\$ 521.3	\$ 509.3	\$ (12.0)
PPO Plan - Prescription Drug Claims	214.7	200.8	(13.9)
HMO Premiums	511.2	509.5	(1.7)
Employer HSA Contributions ⁽²⁾	2.7	0.3	(2.4)
ASO Fee - TPA	38.6	35.7	(2.9)
DSGI Administrative Costs	4.7	4.7	0.0
Premium Refunds	4.0	3.0	(1.0)
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 1,297.3	\$ 1,263.4	\$ (33.9)
EXCESS OF REVENUES OVER EXPENSES	\$ 3.6	\$ 41.5	\$ 37.9
ENDING CASH BALANCE	\$ 113.0	\$ 157.4	\$ 44.4
Enrollment by Plan			
PPO Standard	102,973	106,574	3,601
PPO HIHP	6,695	578	(6,117)
HMO Standard	59,757	62,353	2,596
HMO HIHP	1,083	236	(847)
Total	170,508	169,741	(767)
Enrollment by Coverage Type			
Active	136,523	135,473	(1,050)
Cobra	1,724	1,275	(449)
Early Retiree	8,654	8,414	(240)
Medicare	23,607	24,579	972
Total	170,508	169,741	(767)

(1) Enrollment migration and the financial forecast were prepared by contracted consultants in connection with the State Health Program redesign – Conference Report on SB 2600, Sec. 8, paragraph 2.

(2) Subscriber HSA contributions have been intentionally excluded. Subscriber deposited HSA contributions will quickly pass-through the Trust to the custodian with no estimated impact to ending cash position.

(3) Actuarial estimate per participation in the Prescription Drug subsidy arrangement resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA), effective January 1, 2006. The subsidy collection estimation is \$550 to \$600 per eligible member not enrolled in Medicare Part D, or \$13M per year, \$1.08M per month. Subsidy amounts accrued in FY 2005-06 are assumed to be collected in FY 2006-07.

(4) Transfer of the TRICARE supplemental health benefit plan surplus from Cash Account 2668004.

Exhibit III
Comparison of Financial Outlooks
Fiscal Year 2005-06
(In Millions)

\$ 113.0 Previous Ending Cash Balance Forecast ⁽¹⁾

6.5 Increase in Beginning Cash Balance Forecast

4.0 Increase in Revenue Forecast

(3.8) - Decrease in Insurance Premiums due to a decrease in projected enrollment

0.6 - Increase in Interest Income due to higher projected cash balances

0.5 - Increase in TPA Refunds due to experience

4.0 Increase in the Pre-Tax Trust Fund Transfer due to prior year accumulations and greater than estimated flexible benefit forfeitures

2.7 - Align transfer of the TRICARE supplemental health benefit plan surplus from Cash Account 2668004 in the year incurred

33.9 Decrease in Expense Forecast

12.0 - Decrease in PPO Plan Medical Spend

12.0 - Decrease due to a decrease in projected enrollment
(Projected enrollment from 109,668 to 107,152)

(3.0) - Increase due to a lower enrollment migration to the HIHP than previously projected

3.0 Decrease due to elimination of consultant forecast margin

13.9 - Decrease in PPO Plan Prescription Drug Spend

4.9 - Decrease due to a decrease in projected enrollment
(Projected enrollment from 109,668 to 107,152)

7.7 Decrease due to a lower growth rate assumption (12.5%)

1.3 - Decrease due to elimination of consultant forecast margin

1.7 - Decrease in HMO Premium Payments

(14.2) - Increase due to an increase in projected enrollment
(Projected enrollment from 60,840 to 62,589)

12.9 - Decrease due to the actual, weighted-average rate increase negotiated for Plan Year 2006 being lower than estimated
(From 13.5% to 9.7%)

3.0 - Decrease due to elimination of consultant forecast margin

2.4 - Decrease in Employer HSA Contributions due to a decrease in projected HSA enrollment

2.9 - Decrease in ASO Fees due to a decrease in projected enrollment and the per subscriber rate (from \$29.56 to \$25.70, effective January 1, 2006)

1.0 - Decrease in Premium Refunds due to an estimated decrease in premium overpayments

\$ 157.4 Current Ending Cash Balance Forecast

⁽¹⁾ July 2005 Post-Session Outlook

Exhibit IV
Financial Outlook
Fiscal Year 2006-07
(In Millions)

	(A) Post-Session July '05 ⁽¹⁾	(B) Outlook November '05	(B) - (A) Difference
BEGINNING CASH BALANCE	\$ 113.0	\$ 157.4	\$ 44.4
REVENUES:			
Insurance Premiums:			
Employer Plan Contributions	\$ 994.9	\$ 991.6	\$ (3.3)
Employer HSA Contributions ⁽²⁾	0.0	0.6	0.6
Employee Contributions	156.7	156.2	(0.5)
COBRA Contributions	7.1	8.4	1.3
Early Retiree Contributions	53.9	52.3	(1.6)
Medicare Contributions	86.8	95.2	8.4
Interest on Investments	1.0	4.3	3.3
TPA Refunds/PBM Rebates	20.8	20.0	(0.8)
Pretax Trust Fund Transfer	14.0	17.0	3.0
Medicare Part D Subsidy ⁽³⁾	0.0	17.3	17.3
Transfer: TRICARE Surplus ⁽⁴⁾	2.7	2.7	0.0
TOTAL REVENUES	\$ 1,337.9	\$ 1,365.6	\$ 27.7
TOTAL CASH AVAILABLE	\$ 1,450.9	\$ 1,523.0	\$ 72.1
EXPENSES:			
PPO Plan - Medical Claims	\$ 578.7	\$ 559.0	\$ (19.7)
PPO Plan - Prescription Drug Claims	252.3	222.3	(30.0)
HMO Premiums	588.7	585.6	(3.1)
Employer HSA Contributions ⁽²⁾	5.4	0.6	(4.8)
ASO Fee - TPA	38.6	32.7	(5.9)
DSGI Administrative Costs	3.7	3.7	0.0
Premium Refunds	4.0	3.0	(1.0)
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 1,471.5	\$ 1,407.0	\$ (64.5)
EXCESS OF REVENUES OVER EXPENSES	\$ (133.6)	\$ (41.4)	\$ 92.2
ENDING CASH BALANCE	\$ (20.6)	\$ 116.0	\$ 136.6
Enrollment by Plan			
PPO Standard	102,973	105,332	2,359
PPO HIHP	6,695	578	(6,117)
HMO Standard	59,757	65,069	5,312
HMO HIHP	1,083	236	(847)
Total	170,508	171,215	707
Enrollment by Coverage Type			
Active	136,523	135,626	(897)
Cobra	1,724	1,252	(472)
Early Retiree	8,654	8,643	(11)
Medicare	23,607	25,694	2,087
Total	170,508	171,215	707

⁽¹⁾ Enrollment migration and the financial forecast were prepared by contracted consultants in connection with the State Health Program redesign – Conference Report on SB 2600, Sec. 8, paragraph 2.

⁽²⁾ Subscriber HSA contributions have been intentionally excluded. Subscriber deposited HSA contributions will quickly pass-through the Trust to the custodian with no estimated impact to ending cash position.

⁽³⁾ Actuarial estimate per participation in the Prescription Drug subsidy arrangement resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA), effective January 1, 2006. The subsidy collection estimation is \$550 to \$600 per eligible member not enrolled in Medicare Part D, or \$13M per year, \$1.08M per month. Subsidy amounts accrued in FY 2005-06 are assumed to be collected in FY 2006-07.

⁽⁴⁾ Transfer of the TRICARE supplemental health benefit plan surplus from Cash Account 2668004.

Exhibit V
Comparison of Financial Outlooks
Fiscal Year 2006-07
(In Millions)

\$ (20.6) Previous Ending Cash Balance Forecast ⁽¹⁾

44.4 Increase in Beginning Cash Balance Forecast

27.7 Increase in Revenue Forecast

4.9 - Increase in Insurance Premiums due to an increase in projected enrollment

3.3 - Increase in Interest Income due to higher projected cash balances

(0.8) - Decrease in PBM Rebates due to experience

3.0 Increase in the Pre-Tax Trust Fund Transfer due to higher pre-tax benefit activity

17.3 Actuarial estimate per participation in the Prescription Drug subsidy arrangement resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA)

64.5 Decrease in Expense Forecast

19.7 - Decrease in PPO Plan Medical Spend

19.5 - Decrease due to a decrease in projected enrollment
(Projected enrollment from 109,668 to 105,910)

(3.3) - Increase due to a higher claims paid base than estimated for
FY 2005-06 resulting from lower enrollment migration to the
HIHP than previously projected

(5.6) - Increase due to a lower enrollment migration to the HIHP
than previously projected

9.1 Decrease due to elimination of consultant forecast margin

30.0 - Decrease in PPO Plan Prescription Drug Spend

9.0 - Decrease due to a decrease in projected enrollment
(Projected enrollment from 109,668 to 105,910)

8.7 - Decrease due to a lower claims paid base than
estimated for FY 2005-06

8.3 - Decrease due to a lower growth rate assumption (12.5%)

4.0 - Decrease due to elimination of consultant forecast margin

3.1 - Decrease in HMO Premium Payments

(40.0) - Increase due to an increase in projected enrollment
(Projected enrollment from 60,840 to 65,305)

14.4 - Decrease due to a lower claims paid base than
estimated for FY 2005-06

19.4 - Decrease due to a reduction in the growth rate assumption
(From 13.5% to 12.0%)

9.3 - Decrease due to elimination of consultant forecast margin

4.8 - Decrease in Employer HSA Contributions due to a decrease in projected
HSA enrollment

5.9 - Decrease in ASO Fees due to a decrease in projected enrollment and the per
subscriber rate (from \$29.56 to \$25.70, effective January 1, 2006)

1.0 - Decrease in Premium Refunds due to an estimated decrease in premium
overpayments

\$ 116.0 Current Ending Cash Balance Forecast

⁽¹⁾ July 2005 Post-Session Outlook

Exhibit VI
Comparison of Actual Cash Position to Estimate
Fiscal Year 2004-05
(In Millions)

	(A) <u>Outlook</u> <u>March '05</u>	(B) <u>Actual</u>	(B) - (A) <u>Difference</u>
BEGINNING CASH BALANCE	\$ 58.3	\$ 58.3	\$ 0.0
REVENUES:			
Insurance Premiums:			
Employer Contributions	\$ 888.1	\$ 888.3	\$ 0.2
Employee Contributions	155.0	154.7	(0.3)
COBRA Contributions	6.8	7.3	0.5
Early Retiree Contributions	45.6	45.4	(0.2)
Medicare Contributions	77.4	77.6	0.2
Interest on Investments	2.6	2.6	0.0
TPA Refunds/PBM Rebates	14.1	15.1	1.0
Pretax Trust Fund Transfer	14.0	13.0	(1.0)
TOTAL REVENUES	\$ 1,203.6	\$ 1,204.0	\$ 0.4
TOTAL CASH AVAILABLE	\$ 1,261.9	\$ 1,262.3	\$ 0.4
EXPENSES:			
PPO Plan - Medical Claims	\$ 470.0	\$ 464.2	\$ (5.8)
PPO Plan - Prescription Drug Claims	183.8	187.2	3.4
HMO Premiums	451.8	451.1	(0.7)
ASO Fee - TPA	38.6	37.9	(0.7)
DSGI Administrative Costs	4.2	3.8	(0.4)
Premium Refunds	4.0	2.2	(1.8)
Other Expenses	0.1	0.0	(0.1)
TOTAL EXPENSES	\$ 1,152.5	\$ 1,146.4	\$ (6.1)
EXCESS OF REVENUES OVER EXPENSES	\$ 51.1	\$ 57.6	\$ 6.5
ENDING CASH BALANCE	\$ 109.4	\$ 115.9	\$ 6.5
Average Enrollment by Plan			
PPO Plan	108,532	108,475	(57)
HMO Plans	60,500	60,400	(100)
Total	169,032	168,875	(157)
Average Enrollment by Coverage Type			
Active	135,984	135,796	(188)
Cobra	1,179	1,251	72
Early Retirees	8,305	8,262	(43)
Medicare	23,564	23,566	2
Total	169,032	168,875	(157)

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

**Exhibit VII
Premium Rate Table**

ALL ENROLLEES (Excluding TRICARE Supplemental Plan)							
Category	Coverage Type	PPO/HMO Standard			PPO/HMO HIHP ⁽⁴⁾		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees ⁽¹⁾ (Monthly)	Single	346.16	50.00	396.16	346.16	15.00	361.16
	Family	715.92	180.00	895.92	715.92	64.30	780.22
	Spouse	895.92	0.00	895.92	780.22	0.00	780.22
Full -Time Employees ⁽¹⁾ (Bi-Weekly)	Single	173.08	25.00	198.08	173.08	7.50	180.58
	Family	357.96	90.00	447.96	357.96	32.15	390.11
	Spouse	447.96	0.00	447.96	390.11	0.00	390.11
COBRA Participants ⁽²⁾ (Monthly)	Single	0.00	404.08	404.08	0.00	325.88	325.88
	Family	0.00	913.84	913.84	0.00	710.82	710.82
Early Retirees (Monthly)	Single	0.00	396.16	396.16	0.00	319.48	319.48
	Family	0.00	895.92	895.92	0.00	696.88	696.88
Medicare Participants ⁽³⁾ (Monthly)	(I) One Eligible	0.00	210.34	210.34	0.00	154.16	154.16
	(II) One Under/Over	0.00	606.50	606.50	0.00	515.32	515.32
	(III) Both Eligible	0.00	420.69	420.69	0.00	308.32	308.32

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.

TRICARE Supplemental Health Insurance Plan							
Category	Coverage Type	Biweekly Contribution			Monthly Contribution		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Active Full-Time Employees ⁽¹⁾	Single	173.08	0.00	173.08	346.16	0.00	346.16
	Family	357.96	0.00	357.96	715.92	0.00	715.92
	Spouse ⁽³⁾	357.96	0.00	357.96	715.92	0.00	715.92
COBRA Participants	Single ⁽²⁾	N/A	N/A	N/A	0.00	61.20	61.20
	Family ⁽²⁾	N/A	N/A	N/A	0.00	163.20	163.20
Early Retirees ⁽⁴⁾	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.

(4) Medicare participants are ineligible for participation.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

**Exhibit VIII
2006 Plan Designs**

Attribute	Current Plan				New Plan Option			
	PPO		HMO		HIHP I (PPO)		HIHP II (HMO)	
	Network	Out-of-Network	Network	Out-of-Network	Network	Out-of-Network	Network	Out-of-Network
HSA								
Individual		N/A		N/A	\$500		\$500	
Family		N/A		N/A	\$1,000		\$1,000	
Annual Deductible					<i>Aggregate Family Deductible</i>			
Individual	\$250	\$750	N/A	N/A	\$1,250	\$2,500	\$1,250	N/A
Family	\$500	\$1,500	N/A	N/A	\$2,500	\$5,000	\$2,500	N/A
Coinsurance	20%	40%	N/A	N/A	20%	40%	20%	N/A
Coinsurance Maximum								
Individual	\$2,500	Embedded	N/A	N/A	\$3,000	\$7,500	\$3,000	N/A
Family	\$5,000	Embedded	N/A	N/A	\$6,000	\$15,000	\$6,000	N/A
Office Visit Coinsurance - PCP	\$15	40%	\$15	N/A	20%	40%	20%	N/A
Office Visit Coinsurance - SCP	\$25	40%	\$25	N/A	20%	40%	20%	N/A
Hospital Admission Copay	\$250, then coinsurance	\$500, then coinsurance	\$250	N/A	20%	\$1,000, then coinsurance	20%	N/A
Emergency Room Copay	\$ 50 (waived if admitted)	30%	\$ 50 (waived if admitted)	N/A	20%	40%	20%	N/A
Preventive Care	Enhanced	30%	Included	N/A	Enhanced	40%	Included	N/A
Prescription Drugs (Retail)	Copay		Copay		After Deductible		After Deductible	
Generic	\$10	N/A	\$10	N/A	30%	N/A	30%	N/A
Preferred Brand	\$25	N/A	\$25	N/A	30%	N/A	30%	N/A
Non-Preferred Brand	\$40	N/A	\$40	N/A	50%	N/A	50%	N/A
Prescription Drugs (Mail)					After Deductible		After Deductible	
Generic	\$20	N/A	N/A	N/A	30%	N/A	30%	N/A
Preferred Brand	\$50	N/A	N/A	N/A	30%	N/A	30%	N/A
Non-Preferred Brand	\$80	N/A	N/A	N/A	50%	N/A	50%	N/A
Lifetime Maximum	\$2,000,000		Unlimited		\$2,000,000		Unlimited	

**Exhibit IX
Abbreviations**

ASO	.....	Administrative Services Only
CMS	.....	Centers for Medicare & Medicaid Services
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
PCP	.....	Primary Care Physician
PPO	.....	Preferred Provider Organization
SCP	.....	Specialty Care Physician
TPA	.....	Third Party Administrator