

**Self-Insurance Estimating Conference  
State Employees' Health Insurance Trust Fund  
Last conference held: December 8, 2008**

**Executive Summary**

The outlook for the State Employees' Health Insurance Trust Fund has worsened somewhat since the last conference held in July, 2008. The projected ending balance for 2008-09 has worsened by \$2.7 million from \$169.2 million to \$166.5 million while for 2009-10 the projected ending balance has worsened by \$7.7 million from \$112.4 million to \$104.7 million.

There have been some substantial changes in the enrollment forecast. The forecast takes into account the results of open enrollment taking effect January 1, 2009, which showed a higher than expected migration from the PPO plans to HMO plans, and overall lower net additions to the enrollee base than expected. Additionally, there has been a month-to-month trend downward in enrollment of active employees, resulting in a lower enrollee base from which to grow forward. Overall, total enrollment was reduced by 1,882 subscribers in 2008-09, 1,422 subscribers in 2009-10, 1,685 subscribers in 2010-11, and 2,023 subscribers in 2011-12.

In terms of revenues, the most significant changes have to do with the lower enrollment forecasts, which result in lower premiums, pharmacy benefit manager rebates, and pre-tax transfers. The projections for investment revenues have also been reduced due to lower expected interest rates and lower fund balances. Also, there is a decrease in third party administrators' refunds due to administrative changes, which are balanced by a decrease in medical claims. Offsetting these decreases to some extent are the inclusion of premiums for certain dependents through age 30, and an increase in the Medicare Part D Subsidy. Overall projected revenues have been reduced by \$24.5 million in 2008-09, \$27.5 million in 2009-10, \$33.5 million in 2010-11, and \$28.2 million in 2011-12.

On the PPO expense side, medical claims, prescription drug claims, and administrative services fees have been reduced due to the lower enrollment projections. For medical claims, the forecast is also lower due to lower than projected actual claims experience, although the trend factor for the forecast period was left unchanged at 9.5%. For prescription drug claims, the projected utilization rate has also been reduced, further reducing costs. These reductions are more than offset by an increase in the underlying cost trend for prescription drugs, from 9.0% to 10.6% on average through the forecast period. PPO cost projections have also been adjusted upward for federally mandated mental health benefits and Michelle's Law affecting university students, both effective January 1, 2010, by totals of \$1.4 million in 2009-10, \$3.1 million in 2010-11, and \$3.3 million in 2011-12. Overall PPO expenses have been reduced by \$13.4 million in 2008-09 and \$10.6 million in 2009-10, and increased by \$12.3 million in 2010-11 and \$15.3 million in 2011-12.

On the HMO side, the changes in costs have been due to lower enrollment projections. Cost trends have remained the same as the last forecast at 10.5%. HMO cost projections have also been increased for federally mandated mental health benefits and Michelle's Law affecting university students, both effective January 1, 2010, by totals of \$1.4 million in 2009-10, \$3.1 million in 2010-11, and \$3.6 million in 2011-12. Overall HMO expenses have been reduced by \$8.1 million in 2008-09, \$8.9 million in 2009-10, \$20.6 million in 2010-11, and \$34.3 million in 2011-12.

The plan's operating costs have been reduced by \$.3 million per year due to a decrease in the budget.

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# **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 December 8, 2008**

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

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# STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

## EXECUTIVE SUMMARY

The Florida Division of State Group Insurance has prepared a financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2009 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 and is based on the healthcare benefit and funding designs currently in place. It considers the Open Enrollment results for 2009, actual enrollment and cash flow experience through November 2008, and new federal mandates.

The Post-Session Outlook, presented in July 2008, reported and recognized in the forecast the fiscal impact of the 2008 legislative actions listed below as well as the results of the 2009 HMO premium rate negotiations:

1. Premium increase of 11%, effective May 1, 2009, keeping employee harmless.
2. Extension of coverage to certain dependents through age 30, effective January 1, 2009 – Pursuant to Section 9 of SB 2534.
3. Coverage of eligible individuals with autism spectrum disorder effective January 1, 2010 – Pursuant to SB 2654.

This Outlook uses the Post-Session Outlook as the base and reports and recognizes the fiscal impact of the activities and developments listed below:

1. Monthly enrollment activity through November 2008 and the Open Enrollment results for 2009.
2. Revenue and claims experience through November 2008.
3. Impact of federal mandates.

The cash position has changed for the forecast period due primarily to monthly enrollment activity through November 2008, the Open Enrollment results for 2009, recognition of actual medical and prescription drug experience through November 2008, and a revision of the prescription drug trend. The Trust Fund is expected to remain solvent through FY 2009-10. The projected ending cash balance for Fiscal Year 2008-09 decreased from \$169.2 million to \$166.5 million, down \$2.7 million; the estimated operating loss increased from (\$68.5) million to (\$71.2) million, up (\$2.7) million. The projected ending cash balance for Fiscal Year 2009-10 decreased from \$112.4 million to \$104.7 million, down \$7.7 million; the estimated operating loss increased from (\$56.8) million to (\$61.8) million, up (\$5.0) 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 \$104.7 million in FY 09-10 to a projected ending cash deficit of \$154.2 million in Fiscal Year 2010-11. Projected revenue will fall short in meeting health plan cost growth by \$258.9 million.

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

<b><u>Financial Outlook</u></b> (Dollars in Millions)	Actual	----- Estimates -----			
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Beginning Cash Balance	200.1	237.7	166.5	104.7	0.0
Revenues	1,562.8	1,583.4	1,761.3	1,772.7	1,787.0
Expenses	<u>1,525.2</u>	<u>1,654.6</u>	<u>1,823.1</u>	<u>2,031.6</u>	<u>2,249.8</u>
Operating Gain/ (Loss)	<u>37.6</u>	<u>(71.2)</u>	<u>(61.8)</u>	<u>(258.9)</u>	<u>(462.8)</u>
Ending Cash Balance	<u>237.7</u>	<u>166.5</u>	<u>104.7</u>	<u>(154.2)</u>	<u>(462.8)</u>

### **Federal Mandates**

The estimated impact of the federal mandates listed below has been recognized in the forecast, effective January 1, 2010.

1. The Paul Wellstone and Pete Domenici Mental Health Parity and Addition Equity Act of 2008 (MHPAEA), which includes provisions that require group health plans to provide full parity between mental health benefits and benefits for other medical conditions. It also extends these parity requirements to substance abuse benefits.

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

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- Michelle's Law, which requires most group health plans to continue dependent health coverage during a dependent's medically necessary leave of absence from post-secondary education that would otherwise cause the dependent to lose student status.

### **Growth Trends**

The cash position of the Trust Fund declined from the previous outlook through the forecast period. Changes are primarily from refinements to recognize monthly enrollment activity through November 2008, results of Open Enrollment for 2009, recognition of actual medical and prescription drug experience through November 2008, and a revision of the prescription drug trend. These adjustments suggest decreases in Insurance Premiums, HMO Premium Payments, PPO Medical Costs, and the ASO Fee due primarily to enrollment decline and plan/category migration with higher increases in prescription drug costs.

Projected non-premium revenue decline is primarily attributed to a decrease in TPA Refunds due to the stabilization of recovery activities and a decrease in Investment Interest due to a decrease in the projected rate of return. A decrease in enrollment is also suggesting a decrease in PBM Rebates and Pretax Transfers.

Recurring growth in benefit expenses (9.6%) through the forecast period with relatively stable revenues upon implementation of the rate increase in May 2009 will cause significant deterioration of the cash position in Fiscal Year 2009-10. Attention to the cash position will be required no later than Fiscal Year 2009-10 in order to sustain sufficient cash balances for operations.

Factors such as the current US recession, changes in hospital and physician negotiations, improvements in technology and market pressures continue to impact healthcare insurance cost trend cycles. The declining employee membership trend in the Self-Insured Preferred Provider Organization (PPO) Plans and the matured benefit attribute structure continues to impact utilization patterns that ultimately result in higher costs for the state. 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 5.0% – 11.1%.

The prescription drug market continues to provide opportunities for the dispensing of generic drugs. A spectrum of brand drugs are expected to lose patent expiration within the next few years; however, the process of brand drugs becoming generic is in many instances longer than previously projected, impacting utilization and cost trends. The offering of new and more expensive biotech/specialty drugs counterbalances the trend towards the utilization of less expensive generic drugs. Furthermore, fixed and outdated cost-containment features in the benefit design are adversely impacting the state cost-share of healthcare costs. While cost trends increase, there is not an equivalent increase in the share between the state and subscribers.

While utilization patterns are showing a decreasing trend associated with the current US recession, costs are projected to increase at a higher rate than previously estimated. Postponement of brand drugs losing patent expiration and the increase in the cost borne by the state, due to the fixed deductible structure, are suggesting an overall increase in the drug trend. The overall cost trend has been increased from 9.0% to 10.6% for the forecast period. The assumed growth rate falls within the expected industry range of 6.5% – 12.0%.

The weighted-average increase in premium rates for the Fully-Insured State-contracted Health Maintenance Organization (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 8.5% – 11.1%. The outcome of the annual HMO premium renewal process determines the actual increase.

For plan years 2008 and 2009, fifty-nine Florida counties have at least one HMO plan offering. In addition, there is a HMO offering of the High Deductible Health Plan in those fifty-nine counties. The PPO standard and high deductible health plans remain available statewide.

It is noteworthy that the contractual agreements of the PPO-Third-Party Administrator, PPO-Pharmacy Benefits Manager, and HMO vendors are due to expire during the forecast period. Assumptions and projected growth rates used for the forecast could be directly impacted by the results of procurement or renewal of these contracts.

**Enrollment**

Enrollment patterns for calendar years 2006 and 2007 presented an increasing average enrollment trend of 0.7% per year. However, the pattern for Calendar Year 2008 reversed to a decreasing trend of -1.1% per year, suggesting stabilization in the employee enrollment base with steady increases in the post-employment subscribers' base. The affected revenue and expense components of the outlook have been adjusted accordingly to consider the decrease in enrollment beyond previous projections.

The Open Enrollment results for 2009 reflect a continuing trend from the PPO plans to the HMO plans resulting in a decrease in the PPO enrollment of approximately 1,700 contracts or 1.7% and an increase in the HMO enrollment of approximately 3,100 contracts or 4.2%. In addition, lower than projected dependents (80) through age 30 were enrolled in the plans. Increased growth continues to occur in the post-employment subscriber population (3.4%) during the forecast period. Total average enrollment (including subscriber enrollment in a High Deductible Health Plan) is projected to be approximately 176,000 by Fiscal Year 2008-09.

Growth in total subscriber enrollment is projected at an annual average of 0.7% through the forecast period. Lower than expected employee enrollment resulting from monthly activity through November 2008 and a sustaining increase in the migration trend from the PPO plans to the HMO plans during the Open Enrollment for 2009, are contributing to the adjustment of the enrollment projections.

Subscriber migration and new hire election patterns indicate continuing change in the enrollment distribution between the PPO plans and the HMO plans. Fiscal Year 2008-09 enrollment distribution is projected at approximately 56.2% in the PPO plans and 43.8% in the HMO plans. However, employee enrollment is projected at approximately 49.7% in the PPO plans and 50.3% in the HMO plans, during the same period.

The PPO plans have a disproportionate higher share of post-employment subscribers as compared to the 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.

Approximately 1,170 subscribers (1,114 active employees) are currently enrolled in a High Deductible Health Plan (0.6% of total enrollment). Approximately 750, of those active 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 - Conference November 2008 Compared to July 2008**

(In Millions)

	FY 08-09			FY 09-10			FY 10-11			FY 11-12		
	Jul '08	Dec '08	Diff.	Jul '08	Dec '08	Diff.	Jul '08	Dec '08	Diff.	Jul '08	Dec '08	Diff.
<b>Beginning Cash Balance</b>	\$ 237.7	\$ 237.7	\$ 0.0	\$ 169.2	\$ 166.5	\$ (2.7)	\$ 112.4	\$ 104.7	\$ (7.7)	\$ 0.0	\$ 0.0	\$ 0.0
<b>Revenues:</b>												
Insurance Premiums	\$ 1,535.1	\$ 1,516.3	\$ (18.8)	\$ 1,713.3	\$ 1,696.3	\$ (17.0)	\$ 1,727.3	\$ 1,707.5	\$ (19.8)	\$ 1,743.5	\$ 1,721.0	\$ (22.5)
Investment Interest	6.1	4.0	(2.1)	4.2	2.0	(2.2)	0.9	0.3	(0.6)	0.0	0.0	0.0
TPA Refunds	12.6	9.0	(3.6)	12.6	9.0	(3.6)	12.6	9.0	(3.6)	12.6	9.0	(3.6)
PBM Rebates	17.7	17.4	(0.3)	19.0	18.3	(0.7)	20.3	19.0	(1.3)	21.7	19.9	(1.8)
Medicare Part D	16.4	17.2	0.8	17.0	17.7	0.7	17.4	18.9	1.5	17.4	19.1	1.7
Pretax TF Transfer	20.0	19.5	(0.5)	20.0	18.0	(2.0)	20.0	18.0	(2.0)	20.0	18.0	(2.0)
<b>Total Revenues</b>	\$ 1,607.9	\$ 1,583.4	\$ (24.5)	\$ 1,786.1	\$ 1,761.3	\$ (24.8)	\$ 1,798.5	\$ 1,772.7	\$ (25.8)	\$ 1,815.2	\$ 1,787.0	\$ (28.2)
<b>Total Cash Available</b>	\$ 1,845.6	\$ 1,821.1	\$ (24.5)	\$ 1,955.3	\$ 1,927.8	\$ (27.5)	\$ 1,910.9	\$ 1,877.4	\$ (33.5)	\$ 1,815.2	\$ 1,787.0	\$ (28.2)
<b>Expenses:</b>												
PPO Claim Expenses:												
Medical	\$ 584.9	\$ 573.2	\$ (11.7)	\$ 630.3	\$ 620.6	\$ (9.7)	\$ 679.2	\$ 674.3	\$ (4.9)	\$ 731.6	\$ 729.3	\$ (2.3)
Prescription Drug	245.4	243.9	(1.5)	266.9	266.2	(0.7)	276.1	293.4	17.3	297.5	315.0	17.5
HMO Premiums	815.6	807.5	(8.1)	914.2	905.3	(8.9)	1,053.8	1,033.2	(20.6)	1,209.3	1,175.0	(34.3)
Other Expenses	30.5	30.0	(0.5)	31.5	31.0	(0.5)	31.1	30.7	(0.4)	30.7	30.5	(0.2)
<b>Total Expenses</b>	\$ 1,676.4	\$ 1,654.6	\$ (21.8)	\$ 1,842.9	\$ 1,823.1	\$ (19.8)	\$ 2,040.2	\$ 2,031.6	\$ (8.6)	\$ 2,269.1	\$ 2,249.8	\$ (19.3)
<b>Excess of Revenues over Expenses</b>	\$ (68.5)	\$ (71.2)	\$ (2.7)	\$ (56.8)	\$ (61.8)	\$ (5.0)	\$ (241.7)	\$ (258.9)	\$ (17.2)	\$ (453.9)	\$ (462.8)	\$ (8.9)
<b>Ending Cash Balance</b>	\$ 169.2	\$ 166.5	\$ (2.7)	\$ 112.4	\$ 104.7	\$ (7.7)	\$ (129.3)	\$ (154.2)	\$ (24.9)	\$ (453.9)	\$ (462.8)	\$ (8.9)

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

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

**Highlights of Changes to Forecast**

- Overall, outlook changes result in a decrease in ending cash balances for the forecast period
- Lower actual enrollment through November 2008 results in a decrease in enrollment projections for the forecast period
- Decrease in enrollment projections results in adjustments to affected revenue and expense components
- Open Enrollment for 2009 results in higher than previously projected migration trend from the PPO plans to HMO plans
- TPA refunds are reduced for the forecast period
- Pretax transfers are reduced for the forecast period
- Investment interests are reduced for the forecast period
- Lower actual medical claims through November 2008 results in lower medical claims base
- Prescription drug cost trend and state cost-share are increased for the forecast period
- The estimated fiscal impact of the federal Mental Parity Act of 2008 (MHPAEA) is considered for the forecast period
- The estimated fiscal impact of the federal law, known as Michelle's Law, is considered for the forecast period

**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>Actual</u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>	<u>Estimate <sup>(1)</sup></u>
<b>BEGINNING CASH BALANCE</b>	\$ 200.1	\$ 237.7	\$ 166.5	\$ 104.7	\$ 0.0 <sup>(4)</sup>
<b>REVENUES:</b>					
Insurance Premiums:					
Employer	\$ 1,151.1	\$ 1,184.3	\$ 1,339.5	\$ 1,343.0	\$ 1,347.5
Employee	159.2	153.7	158.0	158.0	158.9
HSA Contributions <sup>(2)</sup>	0.9	0.8	0.8	0.8	0.8
COBRA	6.7	6.6	7.3	7.3	7.3
Early Retiree	53.6	57.7	63.7	64.3	65.0
Medicare	102.4	113.2	127.0	134.1	141.5
TRICARE Surplus <sup>(3)</sup>	2.6	0.0	0.0	0.0	0.0
Investment Interest	9.6	4.0	2.0	0.3	0.0
TPA Refunds	21.3	9.0	9.0	9.0	9.0
PBM Rebates	16.5	17.4	18.3	19.0	19.9
Pretax Trust Fund Transfer	22.0	19.5	18.0	18.0	18.0
Medicare Part D Subsidy	16.6	17.2	17.7	18.9	19.1
Other Revenues	0.3	0.0	0.0	0.0	0.0
<b>TOTAL REVENUES</b>	\$ 1,562.8	\$ 1,583.4	\$ 1,761.3	\$ 1,772.7	\$ 1,787.0
<b>TOTAL CASH AVAILABLE</b>	\$ 1,762.9	\$ 1,821.1	\$ 1,927.8	\$ 1,877.4	\$ 1,787.0
<b>EXPENSES:</b>					
State PPO Plan:					
Medical Claims	\$ 552.9	\$ 573.2	\$ 620.6	\$ 674.3	\$ 729.3
Prescription Drug Claims	226.6	243.9	266.2	293.4	315.0
ASO Fee	19.6	21.9	22.9	22.6	22.4
HMO Premium Payments	718.9	807.5	905.3	1,033.2	1,175.0
HSA Deposits <sup>(3)</sup>	0.9	0.8	0.8	0.8	0.8
Operating Costs & Admin Assessment	3.2	3.7	3.7	3.7	3.7
Premium Refunds	3.0	3.5	3.5	3.5	3.5
Other Expenses	0.1	0.1	0.1	0.1	0.1
<b>TOTAL EXPENSES</b>	\$ 1,525.2	\$ 1,654.6	\$ 1,823.1	\$ 2,031.6	\$ 2,249.8
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 37.6	\$ (71.2)	\$ (61.8)	\$ (258.9)	\$ (462.8)
<b>ENDING CASH BALANCE</b>	\$ 237.7	\$ 166.5	\$ 104.7	\$ (154.2)	\$ (462.8)
<b>Average Enrollment by Plan</b>					
PPO Standard	101,082	97,945	96,478	95,353	94,284
PPO HIHP	817	801	790	779	768
HMO Standard	72,943	76,656	79,984	82,478	85,060
HMO HIHP	389	415	409	417	425
<b>Total</b>	<b>175,231</b>	<b>175,817</b>	<b>177,661</b>	<b>179,027</b>	<b>180,537</b>
<b>Average Enrollment by Coverage Type</b>					
Active Standard	138,575	138,372	139,173	139,527	139,979
Active HIHP	1,130	1,160	1,143	1,140	1,137
COBRA	957	905	919	919	919
Early Retiree	8,446	8,350	8,440	8,516	8,600
Medicare	26,123	27,030	27,986	28,925	29,902
<b>Total</b>	<b>175,231</b>	<b>175,817</b>	<b>177,661</b>	<b>179,027</b>	<b>180,537</b>

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

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

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

<sup>(4)</sup> 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 2008-09  
(In Millions)**

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Jul '08</u>	<u>Dec '08</u>	<u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 237.7	\$ 237.7	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,200.1	\$ 1,184.3	\$ (15.8)
Employee	154.8	153.7	(1.1)
HSA Contributions <sup>(1)</sup>	0.8	0.8	0.0
COBRA	7.7	6.6	(1.1)
Early Retiree	59.0	57.7	(1.3)
Medicare	112.7	113.2	0.5
Investment Interest	6.1	4.0	(2.1)
TPA Refunds	12.6	9.0	(3.6)
PBM Rebates	17.7	17.4	(0.3)
Pretax Trust Fund Transfer	20.0	19.5	(0.5)
Medicare Part D Subsidy	16.4	17.2	0.8
<b>TOTAL REVENUES</b>	\$ 1,607.9	\$ 1,583.4	\$ (24.5)
<b>TOTAL CASH AVAILABLE</b>	\$ 1,845.6	\$ 1,821.1	\$ (24.5)
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 584.9	\$ 573.2 <sup>(2)</sup>	\$ (11.7)
Prescription Drug Claims	245.4	243.9	(1.5)
ASO Fee	22.1	21.9	(0.2)
HMO Premium Payments	815.6	807.5 <sup>(2)</sup>	(8.1)
HSA Deposits <sup>(1)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	3.7	(0.3)
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 1,676.4	\$ 1,654.6	\$ (21.8)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (68.5)	\$ (71.2)	\$ (2.7)
<b>ENDING CASH BALANCE</b>	\$ 169.2	\$ 166.5	\$ (2.7)
<b>Average Enrollment by Plan</b>			
PPO Standard	99,162	97,945	(1,217)
PPO HIHP	774	801	27
HMO Standard	77,369	76,656	(713)
HMO HIHP	394	415	21
Total	177,699	175,817	(1,882)
<b>Average Enrollment by Coverage Type</b>			
Active Standard	140,169	138,372	(1,797)
Active HIHP	1,114	1,160	46
COBRA	1,015	905	(110)
Early Retiree	8,442	8,350	(92)
Medicare	26,959	27,030	71
Total	177,699	175,817	(1,882)

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

<sup>(2)</sup> Includes the estimated impact of federal mandated mental health parity and Michelle's Law.



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

	<u>(A)</u> <u>Jul '08</u>	<u>(B)</u> <u>Dec '08</u>	<u>(B) - (A)</u> <u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 169.2	\$ 166.5	\$ (2.7)
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,354.2	\$ 1,339.5	\$ (14.7)
Employee	158.5	158.0	(0.5)
HSA Contributions <sup>(1)</sup>	0.8	0.8	0.0
COBRA	8.3	7.3	(1.0)
Early Retiree	64.9	63.7	(1.2)
Medicare	126.6	127.0	0.4
Investment Interest	4.2	2.0	(2.2)
TPA Refunds	12.6	9.0	(3.6)
PBM Rebates	19.0	18.3	(0.7)
Pretax Trust Fund Transfer	20.0	18.0	(2.0)
Medicare Part D Subsidy	17.0	17.7	0.7
<b>TOTAL REVENUES</b>	\$ 1,786.1	\$ 1,761.3	\$ (24.8)
<b>TOTAL CASH AVAILABLE</b>	\$ 1,955.3	\$ 1,927.8	\$ (27.5)
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 630.3	\$ 620.6 <sup>(2)</sup>	\$ (9.7)
Prescription Drug Claims	266.9	266.2	(0.7)
ASO Fee	23.1	22.9	(0.2)
HMO Premium Payments	914.2	905.3 <sup>(2)</sup>	(8.9)
HSA Deposits <sup>(1)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	3.7	(0.3)
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 1,842.9	\$ 1,823.1	\$ (19.8)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (56.8)	\$ (61.8)	\$ (5.0)
<b>ENDING CASH BALANCE</b>	\$ 112.4	\$ 104.7	\$ (7.7)
<b>Average Enrollment by Plan</b>			
PPO Standard	97,251	96,478	(773)
PPO HIHP	760	790	30
HMO Standard	80,668	79,984	(684)
HMO HIHP	404	409	5
<b>Total</b>	<b>179,083</b>	<b>177,661</b>	<b>(1,422)</b>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	140,602	139,173	(1,429)
Active HIHP	1,110	1,143	33
COBRA	1,015	919	(96)
Early Retiree	8,509	8,440	(69)
Medicare	27,847	27,986	139
<b>Total</b>	<b>179,083</b>	<b>177,661</b>	<b>(1,422)</b>

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

<sup>(2)</sup> Includes the estimated impact of federal mandated mental health parity and Michelle's Law.

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

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

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Jul '08</u>	<u>Dec '08</u>	<u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 112.4	\$ 104.7	\$ (7.7)
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,360.6	\$ 1,343.0	\$ (17.6)
Employee	159.1	158.0	(1.1)
HSA Contributions <sup>(1)</sup>	0.8	0.8	0.0
COBRA	8.3	7.3	(1.0)
Early Retiree	65.6	64.3	(1.3)
Medicare	132.9	134.1	1.2
Investment Interest	0.9	0.3	(0.6)
TPA Refunds	12.6	9.0	(3.6)
PBM Rebates	20.3	19.0	(1.3)
Pretax Trust Fund Transfer	20.0	18.0	(2.0)
Medicare Part D Subsidy	17.4	18.9	1.5
<b>TOTAL REVENUES</b>	\$ 1,798.5	\$ 1,772.7	\$ (25.8)
<b>TOTAL CASH AVAILABLE</b>	\$ 1,910.9	\$ 1,877.4	\$ (33.5)
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 679.2	\$ 674.3 <sup>(2)</sup>	\$ (4.9)
Prescription Drug Claims	276.1	293.4	17.3
ASO Fee	22.7	22.6	(0.1)
HMO Premium Payments	1,053.8	1,033.2 <sup>(2)</sup>	(20.6)
HSA Deposits <sup>(1)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	3.7	(0.3)
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 2,040.2	\$ 2,031.6	\$ (8.6)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (241.7)	\$ (258.9)	\$ (17.2)
<b>ENDING CASH BALANCE</b>	\$ (129.3)	\$ (154.2)	\$ (24.9)
<b>Average Enrollment by Plan</b>			
PPO Standard	95,438	95,353	(85)
PPO HIHP	746	779	33
HMO Standard	84,113	82,478	(1,635)
HMO HIHP	415	417	2
<b>Total</b>	<b>180,712</b>	<b>179,027</b>	<b>(1,685)</b>
<b>Average Enrollment by Coverage Type</b>			
Active Standard	141,236	139,527	(1,709)
Active HIHP	1,107	1,140	33
COBRA	1,015	919	(96)
Early Retiree	8,583	8,516	(67)
Medicare	28,771	28,925	154
<b>Total</b>	<b>180,712</b>	<b>179,027</b>	<b>(1,685)</b>

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

<sup>(2)</sup> Includes the estimated impact of federal mandated mental health parity and Michelle's Law.

**Exhibit VI  
Financial Outlook  
Fiscal Year 2011-12  
(In Millions)**

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Jul '08</u>	<u>Dec '08</u>	<u>Difference</u>
<b>BEGINNING CASH BALANCE</b>	\$ 0.0 <sup>(1)</sup>	\$ 0.0 <sup>(1)</sup>	\$ 0.0
<b>REVENUES:</b>			
Insurance Premiums:			
Employer	\$ 1,368.3	\$ 1,347.5	\$ (20.8)
Employee	160.0	158.9	(1.1)
HSA Contributions <sup>(2)</sup>	0.8	0.8	0.0
COBRA	8.3	7.3	(1.0)
Early Retiree	66.2	65.0	(1.2)
Medicare	139.9	141.5	1.6
Investment Interest	0.0	0.0	0.0
TPA Refunds	12.6	9.0	(3.6)
PBM Rebates	21.7	19.9	(1.8)
Pretax Trust Fund Transfer	20.0	18.0	(2.0)
Medicare Part D Subsidy	17.4	19.1	1.7
<b>TOTAL REVENUES</b>	\$ 1,815.2	\$ 1,787.0	\$ (28.2)
<b>TOTAL CASH AVAILABLE</b>	\$ 1,815.2	\$ 1,787.0	\$ (28.2)
<b>EXPENSES:</b>			
State PPO Plan:			
Medical Claims	\$ 731.6	\$ 729.3 <sup>(3)</sup>	\$ (2.3)
Prescription Drug Claims	297.5	315.0	17.5
ASO Fee	22.3	22.4	0.1
HMO Premium Payments	1,209.3	1,175.0 <sup>(3)</sup>	(34.3)
HSA Deposits <sup>(2)</sup>	0.8	0.8	0.0
Operating Costs & Admin Assessment	4.0	3.7	(0.3)
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
<b>TOTAL EXPENSES</b>	\$ 2,269.1	\$ 2,249.8	\$ (19.3)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (453.9)	\$ (462.8)	\$ (8.9)
<b>ENDING CASH BALANCE</b>	\$ <b>(453.9)</b>	\$ <b>(462.8)</b>	\$ <b>(8.9)</b>
<b>Average Enrollment by Plan</b>			
PPO Standard	93,881	94,284	403
PPO HIHP	734	768	34
HMO Standard	87,520	85,060	(2,460)
HMO HIHP	425	425	0
Total	182,560	180,537	(2,023)
<b>Average Enrollment by Coverage Type</b>			
Active Standard	142,029	139,979	(2,050)
Active HIHP	1,105	1,137	32
COBRA	1,015	919	(96)
Early Retiree	8,665	8,600	(65)
Medicare	29,746	29,902	156
Total	182,560	180,537	(2,023)

<sup>(1)</sup> Assumes no carry forward of negative ending cash balance from prior year.

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

<sup>(3)</sup> Includes the estimated impact of federal mandated mental health parity and Michelle's Law.

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

**\$ 169.2 Previous Ending Cash Balance Forecast <sup>(1)</sup>**

(24.5) Decrease in Revenue Forecast

- (16.1) - Decrease in employer and enrollee Insurance Premiums due to a decrease in projected enrollment from 177,699 to 175,817 resulting from lower than projected monthly activity through November 2008
- (2.9) - Decrease in Insurance Premiums due to an adjustment to the premium calculation/collection factor
- 0.2 - Increase in Insurance Premiums due to the inclusion of enrollee premiums for certain dependents through age 30
- (2.1) - Decrease in Investment Interest due to lower than expected rates of return from 3.0% to 2.0%
- (3.6) - Decrease in TPA refunds due to lower actual than projected refund activity
- (0.3) - Decrease in PBM Rebates due to a decrease in projected utilization and enrollment
- (0.5) - Decrease in Pretax Transfer due to a decrease in projected enrollment, lower Investment Interest and lower expected forfeitures resulting from the addition of a grace period through March 15th of the following year
- 0.8 - Increase in Medicare Part D Subsidy due to an increase in the actuarial projections

(21.8) Decrease in Expense Forecast

- (11.7) - Decrease in PPO Plan Medical Claims
  - (4.3) - Decrease due to a lower than projected actual claims experience
  - (7.0) - Decrease due to a decrease in projected enrollment from 99,936 to 98,746
  - (0.4) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
- (1.5) - Decrease in PPO Plan Prescription Drug Claims
  - (3.1) - Decrease due to a decrease in projected enrollment from 99,936 to 98,746
  - (0.2) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
  - 5.3 - Increase due to an increase in projected cost trend (\$4.3) and state cost-share (\$1.0)
  - (3.5) - Decrease due to a decrease in projected utilization
- (0.2) - Decrease in ASO fees due to a decrease in projected enrollment from 99,936 to 98,746
- (8.1) - Decrease in HMO Premium Payments
  - (7.3) - Decrease due to a decrease in projected enrollment from 77,763 to 77,071
  - (0.8) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
- (0.3) - Decrease in Operating Costs due to a decrease in budget

**\$ 166.5 Current Ending Cash Balance Forecast**

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<sup>(1)</sup> July 2008

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

**\$ 112.4 Previous Ending Cash Balance Forecast <sup>(1)</sup>**

- (2.7) Decrease in Beginning Cash Balance Forecast
- (24.8) Decrease in Revenue Forecast
  - (14.4) - Decrease in employer and enrollee Insurance Premiums due to a decrease in the projected enrollment from 179,083 to 177,661
  - (3.0) - Decrease in Insurance Premiums due to an adjustment to the premium calculation/collection factor
  - 0.4 - Increase in Insurance Premiums due to the inclusion of enrollee premiums for certain dependents through age 30
  - (3.6) - Decrease in TPA refunds due to lower refund activity base for FY 08-09
  - (0.7) - Decrease in PBM Rebates due to a decrease in projected utilization and enrollment
  - (2.2) - Decrease in Investment Interest due to lower than expected rates of return from 3% to 1.5% and lower fund balances
  - (2.0) - Decrease in Pretax Transfer due to a decrease in projected enrollment, lower Investment Interest and lower expected forfeitures resulting from the addition of a grace period through March 15th of the following year
  - 0.7 - Increase in Medicare Part D Subsidy due to an increase in the actuarial projections
- (19.8) Decrease in Expense Forecast
  - (9.7) - Decrease in PPO Plan Medical Claims
    - (5.3) - Decrease due to a lower claims base for FY 08-09
    - (4.8) - Decrease due to a decrease in projected enrollment from 98,011 to 97,268
    - (1.0) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
    - 1.4 - Increase due to federal mandated mental health benefits (\$0.8) and Michelle's Law (\$0.6), effective January 1, 2010
  - (0.7) - Decrease in PPO Plan Prescription Drug Claims
    - (2.2) - Decrease due to a decrease in projected enrollment from 98,011 to 97,268
    - (0.4) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
    - 10.0 - Increase due to an increase in projected cost trend (\$8.7) and state cost-share (\$1.3)
    - (8.1) - Decrease due to a decrease in projected utilization
  - (0.2) - Decrease in ASO fees due to a decrease in projected enrollment from 98,011 to 97,268
  - (8.9) - Decrease in HMO Premium Payments
    - (8.5) - Decrease due to a decrease in projected enrollment from 81,072 to 80,393
    - (1.8) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
    - 1.4 - Increase due to federal mandated mental health benefits (\$0.8) and Michelle's Law (\$0.6), effective January 1, 2010
  - (0.3) - Decrease in Operating Costs due to a decrease in budget

**\$ 104.7 Current Ending Cash Balance Forecast**

<sup>(1)</sup> July 2008

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

**\$ (129.3) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

- (7.7) Decrease in Beginning Cash Balance Forecast
- (25.8) Decrease in Revenue Forecast
  - (16.9) - Decrease in employer and employee Insurance Premiums due to a decrease in the projected enrollment from 180,712 to 179,027
  - (3.3) - Decrease in Insurance Premiums due to an adjustment to the premium calculation/collection factor
  - 0.4 - Increase in Insurance Premiums due to the inclusion of enrollee premiums for certain dependents through age 30
  - (3.6) - Decrease in TPA refunds due to lower refund activity base for FY 08-09
  - (1.3) - Decrease in PBM Rebates due to a decrease in projected utilization and enrollment
  - (0.6) - Decrease in Investment Interest due to lower than expected rates of return from 3% to 1.5% and lower fund balances
  - (2.0) - Decrease in Pretax Transfer due to a decrease in projected enrollment, lower Investment Interest and lower expected forfeitures resulting from the addition of a grace period through March 15th of the following year
  - 1.5 - Increase in Medicare Part D Subsidy due to an increase in the actuarial projections
- (8.6) Decrease in Expense Forecast
  - (4.9) - Decrease in PPO Plan Medical Claims
    - (6.5) - Decrease due to a lower claims base for FY 08-09
    - (0.4) - Decrease due to a decrease in projected enrollment from 96,184 to 96,132
    - (1.1) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
    - 3.1 - Increase due to federal mandated mental health benefits (\$1.8) and Michelle's Law (\$1.3), effective January 1, 2010
  - 17.3 - Increase in PPO Plan Prescription Drug Claims
    - (0.3) - Decrease due to a decrease in projected enrollment from 96,184 to 96,132
    - (0.4) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
    - 20.0 - Increase due to an increase in projected cost trend (\$17.1) and state cost-share (\$2.9)
    - (10.3) - Decrease due to a decrease in projected utilization
      - 8.3 - Increase due to an increase in projected brand vs. generic dispensing rates
  - (0.1) - Decrease in ASO fees due to a decrease in projected enrollment from 96,184 to 96,132
  - (20.6) - Decrease in HMO Premium Payments
    - (21.8) - Decrease due to a decrease in projected enrollment from 84,528 to 82,895
    - (1.9) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
      - 3.1 - Increase due to federal mandated mental health benefits (\$1.7) and Michelle's Law (\$1.4), effective January 1, 2010
  - (0.3) - Decrease in Operating Costs due to a decrease in budget

**\$ (154.2) Current Ending Cash Balance Forecast**

<sup>(1)</sup> July 2008

**Exhibit X**  
**Comparison of Financial Outlooks**  
**Fiscal Year 2011-12**  
**(In Millions)**

**\$ (453.9) Previous Ending Cash Balance Forecast <sup>(1)</sup>**

(28.2) Decrease in Revenue Forecast

- (19.8) - Decrease in employer and employee Insurance Premiums due to a decrease in the projected enrollment from 182,560 to 180,537
- (3.1) - Decrease in Insurance Premiums due to an adjustment to the premium calculation/collection factor
- 0.4 - Increase in Insurance Premiums due to the inclusion of enrollee premiums for certain dependents through age 30
- (3.6) - Decrease in TPA refunds due to lower refund activity base for FY 08-09
- (1.8) - Decrease in PBM Rebates due to a decrease in projected utilization and enrollment
- (2.0) - Decrease in Pretax Transfer due to a decrease in projected enrollment, lower Investment Interest and lower expected forfeitures resulting from the addition of a grace period through March 15th of the following year
- 1.7 - Increase in Medicare Part D Subsidy due to an increase in the actuarial projections

(19.3) Decrease in Expense Forecast

- (2.3) - Decrease in PPO Plan Medical Claims
  - (7.9) - Decrease due to a lower claims base for FY 08-09
  - 3.4 - Increase due to an increase in projected enrollment from 94,615 to 95,052
  - (1.1) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
  - 3.3 - Increase due to federal mandated mental health benefits (\$1.9) and Michelle's Law (\$1.4), effective January 1, 2010
- 17.5 - Increase in PPO Plan Prescription Drug Claims
  - 1.3 - Increase due to a increase in projected enrollment from 94,615 to 95,052
  - (0.6) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
  - 16.8 - Increase due to an increase in projected cost trend and state cost-share
- 0.1 - Increase in ASO fees due to an increase in projected enrollment from 94,615 to 95,052
- (34.3) - Decrease in HMO Premium Payments
  - (35.8) - Decrease due to a decrease in projected enrollment from 87,945 to 85,485
  - (2.1) - Decrease due to lower actual than projected enrollment in certain dependents through age 30
  - 3.6 - Increase due to federal mandated mental health benefits (\$2.0) and Michelle's Law (\$1.6), effective January 1, 2010
- (0.3) - Decrease in Operating Costs due to a decrease in budget

**\$ (462.8) Current Ending Cash Balance Forecast**

<sup>(1)</sup> July 2008

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

**Exhibit XI  
Premium Rate Table  
Effective May 2009**

Category	Coverage Type	PPO/HMO Standard			PPO/HMO HIHP <sup>(4)</sup>		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees <sup>(1)</sup> (Monthly)	Single	448.68	50.00	498.68	448.68	15.00	463.68
	Family	947.74	180.00	1,127.74	947.74	64.30	1,012.04
	Spouse	1,127.74	0.00	1,127.74	1,012.04	0.00	1,012.04
Full -Time Employees <sup>(1)</sup> (Bi-Weekly)	Single	224.34	25.00	249.34	224.34	7.50	231.84
	Family	473.87	90.00	563.87	473.87	32.15	506.02
	Spouse	563.87	0.00	563.87	506.02	0.00	506.02
COBRA Participants <sup>(2)</sup> (Monthly )	Single	0.00	508.65	508.65	0.00	430.45	430.45
	Family	0.00	1,150.29	1,150.29	0.00	947.28	947.28
Early Retirees (Monthly)	Single	0.00	498.68	498.68	0.00	422.02	422.02
	Family	0.00	1,127.74	1,127.74	0.00	928.72	928.72
Medicare Participants <sup>(3)</sup> (Monthly)	(I) One Eligible	0.00	264.78	264.78	0.00	199.58	199.58
	(II) One Under/Over	0.00	763.46	763.46	0.00	659.40	659.40
	(III) Both Eligible	0.00	529.56	529.56	0.00	399.16	399.16

**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**

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