

**Self-Insurance Estimating Conference
State Employees' Health Insurance Trust Fund
Last conference held: February 25, 2009**

Executive Summary

The outlook for the State Employees' Health Insurance Trust Fund has improved since the last conference held on December 2008. The projected ending balance for 2008-09 has improved by \$11.2 million from \$166.5 million to \$177.7 million while for 2009-10 the projected ending balance has improved by \$22.4 million from \$104.7 million to \$127.1 million. The outlook for subsequent years, although improved, shows that expenses will exceed revenues by an amount that generates a negative balance for the fund of \$118.8 million at the end of 2010-11. Further negative cash flow of \$449.6 million in 2011-12 and \$696.4 million in 2012-13 are projected, assuming no carry forward of negative balances from the prior year.

There have been some changes in the enrollment forecast. Based on recent trends and the impact of the federal American Economic Recovery and Reinvestment Plan (the "Act"), which provides for a subsidy for COBRA coverage for involuntarily terminated employees, the expected number of enrollees has been increased slightly for 2008-09 and 2009-10, and decreased slightly for 2010-11. Additionally there have been some shifts among categories.

In terms of revenues, the most significant changes have to do with the revised enrollment forecasts. Premium income is expected to decline (as compared with previous estimates) by \$.1 million in 2008-09, \$1.1 million in 2009-10, \$4.8 million in 2010-11, and \$9.2 million in 2011-12. Layered onto these trends is the effect of the Act. For those employees who are terminated involuntarily during the time period of September 1, 2008 through December 31, 2009, employers who provide COBRA benefits must pay 65% of the cost of coverage on behalf of the covered involuntarily terminated individuals who choose to elect coverage, with those individuals paying only 35% of their premium, as opposed to 100% under normal circumstances. This is expected to result in larger numbers of COBRA covered individuals in the plan from March 2009 through the end of September 2010. On the revenue side, premiums into the Trust Fund on behalf of these individuals will result in an additional \$1.3 million in 2008-09, \$3.9 million in 2009-10, and \$.3 million in 2010-11.

The revised enrollment projections also result in lower overall PPO costs and HMO premium payments. The projections for investment revenues have also been modified due to changes in expected interest rates. There has been a slight increase in third party administrators' refunds due to higher refund activity. Overall projected revenues have been increased by \$1.8 million in 2008-09, and \$2.8 million in 2009-10, while reduced by \$3.5 million in 2010-11 and by \$8.6 million in 2011-12.

On the PPO expense side, the projection for medical claims has been reduced due to lower actual claims through January of 2009, with the projected trend factor of 9.5% being unchanged from the previous forecast. Prescription drug claims have been revised due to changes in the prescription drug dispensing rates, which shows higher generic utilization in the short run, but lower beginning in 2011-12. The underlying trend growth rate has been left unchanged from the 10.6% on average through 2011-12, but higher for 2012-13. The renegotiation of the third party benefits administrator contract resulted in reduced ASO Fee projected costs. Overall PPO costs were reduced from the previous forecast by \$11.3 million in 2008-09, \$10.6 million in 2009-10, \$15.5 million in 2010-11, and \$17.0 million in 2011-12.

On the HMO side, the changes in costs have been due to changed enrollment projections, combined with the impact of the Act. Cost trends have remained the same as the last forecast at 10.5%. Overall HMO expenses have been increased from the previous forecast by \$1.7 million in

2008-09 and by \$2.0 million in 2009-10, and reduced by \$1.2 million in 2010-11 and \$5.0 million in 2011-12.

Costs were increased slightly (\$.2 million per year) due to increased expected HSA deposits.

State Employees' Group Health Self-Insurance Trust Fund

Report on the Financial Outlook

For the Fiscal Years Ending June 30, 2009 through June 30, 2013

Presented February 25, 2009

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

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

EXECUTIVE SUMMARY

The Florida Division of State Group Insurance has prepared a financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2009 through June 30, 2013 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 considers premium rate increases effective May 1, 2009. Actual enrollment and cash flow experience through January 2009 have been taken into consideration.

The Fall Outlook, presented in December 2008, reported and recognized 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 expenditure activity through November 2008.
3. Impact of federal mandates, i.e., Mental Health Parity and Michelle's Law.

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

1. Monthly enrollment activity through January 2009.
2. Revenue and expenditure activity through January 2009.
3. Renegotiation of the Third-Party Administrator (TPA) contract.
4. Impact of the federal American Economic Recovery and Reinvestment Plan, enacted on February 17, 2009.
5. Inclusion of projections for FY 12-13.

The cash position has improved for the forecast period due primarily to recognition of monthly enrollment activity, medical claims experience, adjustments to prescription drugs dispensing rates, and results of the renegotiation of the TPA contract. The Trust Fund is expected to remain solvent through FY 2009-10. The projected ending cash balance for Fiscal Year 2008-09 increased from \$166.5 million to \$177.7 million, up \$11.2 million; the estimated operating loss decreased from (\$71.2) million to (\$60.0) million, down \$11.2 million. The projected ending cash balance for Fiscal Year 2009-10 increased from \$104.7 million to \$127.1 million, up \$22.4 million; the estimated operating loss decreased from (\$61.8) million to (\$50.6) million, down \$11.2 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 \$127.1 million in FY 09-10 to a projected ending cash deficit of \$118.8 million in Fiscal Year 2010-11. Projected revenue will fall short in meeting health plan cost growth by \$245.9 million.

Following is a summary of the outlook through Fiscal Year 2011-13.

<u>Financial Outlook</u> (Dollars in Millions)	----- Estimates -----				
	FY 2008-09	FY 2009-10	FY 2010-11	FY * 2011-12	FY * 2012-13
Beginning Cash Balance	237.7	177.7	127.1	0.0	0.0
Revenues	1,585.2	1,764.1	1,769.2	1,778.4	1,789.2
Expenses	<u>1,645.2</u>	<u>1,814.7</u>	<u>2,015.1</u>	<u>2,228.0</u>	<u>2,485.6</u>
Operating Gain/ (Loss)	<u>(60.0)</u>	<u>(50.6)</u>	<u>(245.9)</u>	<u>(449.6)</u>	<u>(696.4)</u>
Ending Cash Balance	<u>177.7</u>	<u>127.1</u>	<u>(118.8)</u>	<u>(449.6)</u>	<u>(696.4)</u>

* Assumes no carry forward of negative ending cash balance from prior year.

Enrollment

Growth in total subscriber enrollment is projected at an annual average of 0.6% through the forecast period. Lower than expected employee enrollment resulting from monthly activity through January 2009 and a continuous migration trend from the PPO plans to the HMO plans are contributing to a minor adjustment to 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 total enrollment distribution is projected at 56.1%

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

in the PPO plans and 43.9% in the HMO plans. However, employee enrollment is projected at 49.6% in the PPO plans and 50.4% 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 1,240 subscribers (1,160 active employees) are currently enrolled in a High Deductible Health Plan (0.7% of total enrollment). Approximately 840 of those active employees, or 68%, are participating in the integrated state-sponsored Health Savings Account offering.

Growth Trends

The cash position of the Trust Fund improved from the previous outlook through the forecast period. Overall, adjustments suggest minor decreases in Revenues along with greater decreases in Expenses, primarily from refinements to recognize monthly enrollment activity, medical claims experience, adjustments to prescription drugs dispensing rates, and results of the renegotiation of the TPA contract.

Projected non-premium revenue remains at the same level, with a minor increase in TPA Refunds due to increased refund activity and adjustments to Investment Interest to recognize volatility of the financial market.

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. Close attention to cash position will be required during Fiscal Year 2009-10 in order to sustain sufficient cash balances for operations.

Factors such as the current recession, changes in hospital and physician negotiations, and improvements in technology and market pressures continue to impact healthcare insurance cost trends. The declining employee membership trend in the Self-Insured 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 prescription drug costs. While cost trends increase, there is not an equivalent increase in the share between the state and subscribers.

Utilization patterns are showing a stable lower trend, while prescription drug costs keep increasing at a fast rate. The average cost trend for fiscal years 2008-09 through 2011-12 slightly decreased from 10.6% to 10.5%, primarily due to a favorable change in the projected dispensing rate. However, as a result of the inclusion of FY 2012-13 to the forecast, the overall cost trend increased from 10.6% to 11.5%. 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 8.4% – 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-Pharmacy Benefits Manager and the 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.

Renegotiation of TPA Contract

Cost-saving initiatives in the self-insured PPO health plans resulted in renegotiation of the TPA contract. Improved financial terms, including but not limited to a decrease in monthly per subscriber ASO Fee and an extension of the contract for four (4) consecutive years are the primary results of the initiative. The incumbent TPA (Blue Cross Blue Shield of Florida, Inc.) will remain as the state-contracted vendor through December 31, 2014.

American Economic Recovery and Reinvestment Plan (the "Act")

In summary, the Act provides federal Government funded COBRA premium assistance ("COBRA Subsidy") equal to 65% of the COBRA premium to qualified beneficiaries receiving COBRA by virtue of the covered employee's involuntary termination of employment occurring between September 1, 2008 and December 31, 2009 ("Assistance Eligible Individuals") extending to up to 9 months. Employers are required to cover the federal Government for the COBRA Subsidy until such time as the federal Government reimburses employers 100% for their share of the COBRA Subsidy. Enrollment and affected revenue and expense components of the outlook have been adjusted accordingly to consider the impact of the Act.

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 February 2009 Compared to December 2008

(In Millions)

	FY 08-09			FY 09-10			FY 10-11			FY 11-12		
	Dec '08	Feb '09	Diff.	Dec '08	Feb '09	Diff.	Dec '08	Feb '09	Diff.	Dec '08	Feb '09	Diff.
Beginning Balance	\$ 237.7	\$ 237.7	\$ 0.0	\$ 166.5	\$ 177.7	\$ 11.2	\$ 104.7	\$ 127.1	\$ 22.4	\$ 0.0	\$ 0.0	\$ 0.0
Revenues:												
Insurance Premiums	\$ 1,516.3	\$ 1,517.5	\$ 1.2	\$ 1,696.3	\$ 1,699.1	\$ 2.8	\$ 1,707.5	\$ 1,703.0	\$ (4.5)	\$ 1,721.0	\$ 1,711.8	\$ (9.2)
Investment Interest	4.0	4.0	0.0	2.0	1.4	(0.6)	0.3	0.7	0.4	0.0	0.0	0.0
TPA Refunds	9.0	9.6	0.6	9.0	9.6	0.6	9.0	9.6	0.6	9.0	9.6	0.6
Other Revenue	54.1	54.1	0.0	54.0	54.0	0.0	55.9	55.9	0.0	57.0	57.0	0.0
Total Revenues	\$ 1,583.4	\$ 1,585.2	\$ 1.8	\$ 1,761.3	\$ 1,764.1	\$ 2.8	\$ 1,772.7	\$ 1,769.2	\$ (3.5)	\$ 1,787.0	\$ 1,778.4	\$ (8.6)
Total Available	\$ 1,821.1	\$ 1,822.9	\$ 1.8	\$ 1,927.8	\$ 1,941.8	\$ 14.0	\$ 1,877.4	\$ 1,896.3	\$ 18.9	\$ 1,787.0	\$ 1,778.4	\$ (8.6)
Expenses:												
PPO Expenses:												
Medical Claims	\$ 573.2	\$ 566.6	\$ (6.6)	\$ 620.6	\$ 614.2	\$ (6.4)	\$ 674.3	\$ 663.3	\$ (11.0)	\$ 729.3	\$ 715.8	\$ (13.5)
Prescription Drug	243.9	240.2	(3.7)	266.2	264.3	(1.9)	293.4	291.0	(2.4)	315.0	313.3	(1.7)
ASO Fee	21.9	20.9	(1.0)	22.9	20.6	(2.3)	22.6	20.5	(2.1)	22.4	20.6	(1.8)
HMO Premiums	807.5	809.2	1.7	905.3	907.3	2.0	1,033.2	1,032.0	(1.2)	1,175.0	1,170.0	(5.0)
HSA Deposits	0.8	1.0	0.2	0.8	1.0	0.2	0.8	1.0	0.2	0.8	1.0	0.2
Other Expenses	7.3	7.3	0.0	7.3	7.3	0.0	7.3	7.3	0.0	7.3	7.3	0.0
Total Expenses	\$ 1,654.6	\$ 1,645.2	\$ (9.4)	\$ 1,823.1	\$ 1,814.7	\$ (8.4)	\$ 2,031.6	\$ 2,015.1	\$ (16.5)	\$ 2,249.8	\$ 2,228.0	\$ (21.8)
Excess of Revenues over Expenses	\$ (71.2)	\$ (60.0)	\$ 11.2	\$ (61.8)	\$ (50.6)	\$ 11.2	\$ (258.9)	\$ (245.9)	\$ 13.0	\$ (462.8)	\$ (449.6)	\$ 13.2
Ending Balance	\$ 166.5	\$ 177.7	\$ 11.2	\$ 104.7	\$ 127.1	\$ 22.4	\$ (154.2)	\$ (118.8)	\$ 35.4	\$ (462.8)	\$ (449.6)	\$ 13.2

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

⁽²⁾ Exhibits III to X present detail forecast information, per fiscal year.

Highlights of Changes to Forecast

- Overall, outlook changes are minor but net results are more favorable for the forecast period
- Decrease in enrollment projections results in adjustments to affected revenue and expense components
- Adjustment to investment interest
- Minor adjustment to TPA Refunds
- Lower actual medical claims through January 2009 results in lower medical claims base
- Adjustment to projected prescription drugs dispensing rates
- Impact to ASO Fee of renegotiation of TPA contract
- Minor adjustment to HSA Contribution/Deposits
- Impact of the federal American Economic Recovery and Reinvestment Plan enacted on February 17, 2009

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

	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>FY 12-13</u>
	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>	<u>Estimate ⁽¹⁾</u>
BEGINNING CASH BALANCE	\$ 237.7	\$ 177.7	\$ 127.1	\$ 0.0 ⁽⁴⁾	\$ 0.0 ⁽⁴⁾
REVENUES:					
Insurance Premiums:					
Employer ⁽²⁾	\$ 1,187.4	\$ 1,345.5	\$ 1,344.6	\$ 1,347.0	\$ 1,350.5
Employee	153.9	158.3	158.4	158.7	159.1
HSA Contributions ⁽³⁾	1.0	1.0	1.0	1.0	1.0
COBRA ⁽²⁾	6.5	7.5	6.6	6.5	6.5
Early Retiree	57.2	62.2	62.4	62.6	62.9
Medicare	111.5	124.6	130.0	136.0	142.6
Investment Interest	4.0	1.4	0.7	0.0	0.0
TPA Refunds	9.6	9.6	9.6	9.6	9.6
PBM Rebates	17.4	18.3	19.0	19.9	19.9
Pretax Trust Fund Transfer	19.5	18.0	18.0	18.0	18.0
Medicare Part D Subsidy	17.2	17.7	18.9	19.1	19.1
TOTAL REVENUES	\$ 1,585.2	\$ 1,764.1	\$ 1,769.2	\$ 1,778.4	\$ 1,789.2
TOTAL CASH AVAILABLE	\$ 1,822.9	\$ 1,941.8	\$ 1,896.3	\$ 1,778.4	\$ 1,789.2
EXPENSES:					
State PPO Plan: ⁽²⁾					
Medical Claims	\$ 566.6	\$ 614.2	\$ 663.3	\$ 715.8	\$ 772.5
Prescription Drug Claims	240.2	264.3	291.0	313.3	357.8
ASO Fee ⁽⁵⁾	20.9	20.6	20.5	20.6	20.4
HMO Premium Payments ⁽²⁾	809.2	907.3	1,032.0	1,170.0	1,326.6
HSA Deposits ⁽³⁾	1.0	1.0	1.0	1.0	1.0
Operating Costs & Admin Assessment	3.7	3.7	3.7	3.7	3.7
Premium Refunds	3.5	3.5	3.5	3.5	3.5
Other Expenses	0.1	0.1	0.1	0.1	0.1
TOTAL EXPENSES	\$ 1,645.2	\$ 1,814.7	\$ 2,015.1	\$ 2,228.0	\$ 2,485.6
EXCESS OF REVENUES OVER EXPENSES	\$ (60.0)	\$ (50.6)	\$ (245.9)	\$ (449.6)	\$ (696.4)
ENDING CASH BALANCE	\$ 177.7	\$ 127.1	\$ (118.8)	\$ (449.6)	\$ (696.4)
Average Enrollment by Plan					
PPO Standard ⁽²⁾	98,030	96,625	94,981	93,702	92,504
PPO HIHP	810	805	794	783	773
HMO Standard ⁽²⁾	76,807	80,178	82,300	84,607	87,006
HMO HIHP	410	399	405	411	417
Total	176,057	178,007	178,480	179,503	180,700
Average Enrollment by Coverage Type					
Active Standard	138,605	139,533	139,705	139,962	140,315
Active HIHP	1,165	1,150	1,145	1,140	1,136
COBRA ⁽²⁾	1,021	1,302	844	813	813
Early Retiree	8,286	8,279	8,297	8,327	8,370
Medicare	26,980	27,743	28,489	29,261	30,066
Total	176,057	178,007	178,480	179,503	180,700

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

⁽²⁾ Includes the estimated impact of the federal American Economic Recovery and Reinvestment Plan.

⁽³⁾ Contributions approximate an equal split between employer and employee.

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

⁽⁵⁾ Includes the impact of renegotiation of TPA contract.

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

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Dec '08</u>	<u>Feb '09</u>	<u>Difference</u>
BEGINNING CASH BALANCE	\$ 237.7	\$ 237.7	\$ 0.0
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,184.3	\$ 1,187.4 ⁽²⁾	\$ 3.1
Employee	153.7	153.9	0.2
HSA Contributions ⁽¹⁾	0.8	1.0	0.2
COBRA	6.6	6.5 ⁽²⁾	(0.1)
Early Retiree	57.7	57.2	(0.5)
Medicare	113.2	111.5	(1.7)
Investment Interest	4.0	4.0	0.0
TPA Refunds	9.0	9.6	0.6
PBM Rebates	17.4	17.4	0.0
Pretax Trust Fund Transfer	19.5	19.5	0.0
Medicare Part D Subsidy	17.2	17.2	0.0
TOTAL REVENUES	\$ 1,583.4	\$ 1,585.2	\$ 1.8
TOTAL CASH AVAILABLE	\$ 1,821.1	\$ 1,822.9	\$ 1.8
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 573.2	\$ 566.6 ⁽²⁾	\$ (6.6)
Prescription Drug Claims	243.9	240.2 ⁽²⁾	(3.7)
ASO Fee	21.9	20.9 ⁽³⁾	(1.0)
HMO Premium Payments	807.5	809.2 ⁽²⁾	1.7
HSA Deposits ⁽¹⁾	0.8	1.0	0.2
Operating Costs & Admin Assessment	3.7	3.7	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 1,654.6	\$ 1,645.2	\$ (9.4)
EXCESS OF REVENUES OVER EXPENSES	\$ (71.2)	\$ (60.0)	\$ 11.2
ENDING CASH BALANCE	\$ 166.5	\$ 177.7	\$ 11.2
Average Enrollment by Plan			
PPO Standard	97,945	98,030 ⁽²⁾	85
PPO HIHP	801	810	9
HMO Standard	76,656	76,807 ⁽²⁾	151
HMO HIHP	415	410	(5)
Total	175,817	176,057	240
Average Enrollment by Coverage Type			
Active Standard	138,372	138,605	233
Active HIHP	1,160	1,165	5
COBRA	905	1,021 ⁽²⁾	116
Early Retiree	8,350	8,286	(64)
Medicare	27,030	26,980	(50)
Total	175,817	176,057	240

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

⁽²⁾ Includes the estimated impact of the federal American Economic Recovery and Reinvestment Plan.

⁽³⁾ Includes the impact of renegotiation of TPA contract.

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

	<u>(A)</u> <u>Dec '08</u>	<u>(B)</u> <u>Feb '09</u>	<u>(B) - (A)</u> <u>Difference</u>
BEGINNING CASH BALANCE	\$ 166.5	\$ 177.7	\$ 11.2
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,339.5	\$ 1,345.5 ⁽²⁾	\$ 6.0
Employee	158.0	158.3	0.3
HSA Contributions ⁽¹⁾	0.8	1.0	0.2
COBRA	7.3	7.5 ⁽²⁾	0.2
Early Retiree	63.7	62.2	(1.5)
Medicare	127.0	124.6	(2.4)
Investment Interest	2.0	1.4	(0.6)
TPA Refunds	9.0	9.6	0.6
PBM Rebates	18.3	18.3	0.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	17.7	17.7	0.0
TOTAL REVENUES	\$ 1,761.3	\$ 1,764.1	\$ 2.8
TOTAL CASH AVAILABLE	\$ 1,927.8	\$ 1,941.8	\$ 14.0
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 620.6	\$ 614.2 ⁽²⁾	\$ (6.4)
Prescription Drug Claims	266.2	264.3 ⁽²⁾	(1.9)
ASO Fee	22.9	20.6 ⁽²⁾⁽³⁾	(2.3)
HMO Premium Payments	905.3	907.3 ⁽²⁾	2.0
HSA Deposits ⁽¹⁾	0.8	1.0	0.2
Operating Costs & Admin Assessment	3.7	3.7	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 1,823.1	\$ 1,814.7	\$ (8.4)
EXCESS OF REVENUES OVER EXPENSES	\$ (61.8)	\$ (50.6)	\$ 11.2
ENDING CASH BALANCE	\$ 104.7	\$ 127.1	\$ 22.4
Average Enrollment by Plan			
PPO Standard	96,478	96,625 ⁽²⁾	147
PPO HIHP	790	805	15
HMO Standard	79,984	80,178 ⁽²⁾	194
HMO HIHP	409	399	(10)
Total	177,661	178,007	346
Average Enrollment by Coverage Type			
Active Standard	139,173	139,533	360
Active HIHP	1,143	1,150	7
COBRA	919	1,302 ⁽²⁾	383
Early Retiree	8,440	8,279	(161)
Medicare	27,986	27,743	(243)
Total	177,661	178,007	346

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

⁽²⁾ Includes the estimated impact of the federal American Economic Recovery and Reinvestment Plan.

⁽³⁾ Includes the impact of renegotiation of TPA contract.

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

	<u>(A)</u> <u>Dec '08</u>	<u>(B)</u> <u>Feb '09</u>	<u>(B) - (A)</u> <u>Difference</u>
BEGINNING CASH BALANCE	\$ 104.7	\$ 127.1	\$ 22.4
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,343.0	\$ 1,344.6 ⁽²⁾	\$ 1.6
Employee	158.0	158.4	0.4
HSA Contributions ⁽¹⁾	0.8	1.0	0.2
COBRA	7.3	6.6 ⁽²⁾	(0.7)
Early Retiree	64.3	62.4	(1.9)
Medicare	134.1	130.0	(4.1)
Investment Interest	0.3	0.7	0.4
TPA Refunds	9.0	9.6	0.6
PBM Rebates	19.0	19.0	0.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	18.9	18.9	0.0
TOTAL REVENUES	\$ 1,772.7	\$ 1,769.2	\$ (3.5)
TOTAL CASH AVAILABLE	\$ 1,877.4	\$ 1,896.3	\$ 18.9
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 674.3	\$ 663.3 ⁽²⁾	\$ (11.0)
Prescription Drug Claims	293.4	291.0 ⁽²⁾	(2.4)
ASO Fee	22.6	20.5 ⁽³⁾	(2.1)
HMO Premium Payments	1,033.2	1,032.0 ⁽²⁾	(1.2)
HSA Deposits ⁽¹⁾	0.8	1.0	0.2
Operating Costs & Admin Assessment	3.7	3.7	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 2,031.6	\$ 2,015.1	\$ (16.5)
EXCESS OF REVENUES OVER EXPENSES	\$ (258.9)	\$ (245.9)	\$ 13.0
ENDING CASH BALANCE	\$ (154.2)	\$ (118.8)	\$ 35.4
Average Enrollment by Plan			
PPO Standard	95,353	94,981 ⁽²⁾	(372)
PPO HIHP	779	794	15
HMO Standard	82,478	82,300 ⁽²⁾	(178)
HMO HIHP	417	405	(12)
Total	179,027	178,480	(547)
Average Enrollment by Coverage Type			
Active Standard	139,527	139,705	178
Active HIHP	1,140	1,145	5
COBRA	919	844 ⁽²⁾	(75)
Early Retiree	8,516	8,297	(219)
Medicare	28,925	28,489	(436)
Total	179,027	178,480	(547)

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

⁽²⁾ Includes the estimated impact of the federal American Economic Recovery and Reinvestment Plan.

⁽³⁾ Includes the impact of renegotiation of TPA contract.

STATE EMPLOYEES' GROUP HEALTH SELF-INSURANCE TRUST FUND

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

	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>
	<u>Dec '08</u>	<u>Feb '09</u>	<u>Difference</u>
BEGINNING CASH BALANCE	\$ 0.0 ⁽¹⁾	\$ 0.0 ⁽¹⁾	\$ 0.0
REVENUES:			
Insurance Premiums:			
Employer	\$ 1,347.5	\$ 1,347.0	\$ (0.5)
Employee	158.9	158.7	(0.2)
HSA Contributions ⁽²⁾	0.8	1.0	0.2
COBRA	7.3	6.5	(0.8)
Early Retiree	65.0	62.6	(2.4)
Medicare	141.5	136.0	(5.5)
Investment Interest	0.0	0.0	0.0
TPA Refunds	9.0	9.6	0.6
PBM Rebates	19.9	19.9	0.0
Pretax Trust Fund Transfer	18.0	18.0	0.0
Medicare Part D Subsidy	19.1	19.1	0.0
TOTAL REVENUES	\$ 1,787.0	\$ 1,778.4	\$ (8.6)
TOTAL CASH AVAILABLE	\$ 1,787.0	\$ 1,778.4	\$ (8.6)
EXPENSES:			
State PPO Plan:			
Medical Claims	\$ 729.3	\$ 715.8	\$ (13.5)
Prescription Drug Claims	315.0	313.3	(1.7)
ASO Fee	22.4	20.6 ⁽³⁾	(1.8)
HMO Premium Payments	1,175.0	1,170.0	(5.0)
HSA Deposits ⁽²⁾	0.8	1.0	0.2
Operating Costs & Admin Assessment	3.7	3.7	0.0
Premium Refunds	3.5	3.5	0.0
Other Expenses	0.1	0.1	0.0
TOTAL EXPENSES	\$ 2,249.8	\$ 2,228.0	\$ (21.8)
EXCESS OF REVENUES OVER EXPENSES	\$ (462.8)	\$ (449.6)	\$ 13.2
ENDING CASH BALANCE	\$ (462.8)	\$ (449.6)	\$ 13.2
Average Enrollment by Plan			
PPO Standard	94,284	93,702	(582)
PPO HIHP	768	783	15
HMO Standard	85,060	84,607	(453)
HMO HIHP	425	411	(14)
<u>Total</u>	<u>180,537</u>	<u>179,503</u>	<u>(1,034)</u>
Average Enrollment by Coverage Type			
Active Standard	139,979	139,962	(17)
Active HIHP	1,137	1,140	3
COBRA	919	813	(106)
Early Retiree	8,600	8,327	(273)
Medicare	29,902	29,261	(641)
<u>Total</u>	<u>180,537</u>	<u>179,503</u>	<u>(1,034)</u>

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

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

⁽³⁾ Includes the impact of renegotiation of TPA contract.

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

\$ 166.5 Previous Ending Cash Balance Forecast ⁽¹⁾

1.8 Increase in Revenue Forecast

(0.1) - Net decrease in Insurance Premiums due to slight fluctuations in projected enrollment and category shifts

1.3 - Increase in employer and COBRA Insurance Premiums due to an increase in enrollment resulting from the federal American Economic Recovery and Investment Plan ("the Act")

0.6 - Increase in TPA refunds due to higher than projected actual refund activity

(9.4) Decrease in Expense Forecast

(6.6) - Decrease in PPO Plan Medical Claims

(7.3) - Decrease due to lower than projected actual claims experience

(0.2) - Decrease due to a decrease in projected enrollment from 98,746 to 98,712 (excludes COBRA increase)

0.9 - Increase due to an increase in COBRA enrollment resulting from the Act

(3.7) - Decrease in PPO Plan Prescription Drug Claims

(0.1) - Decrease due to a decrease in projected enrollment 98,746 to 98,712 (excludes COBRA increase)

(4.0) - Decrease due to a favorable change in projected dispensing rates

0.4 - Increase due to an increase in COBRA enrollment resulting from the Act

(1.0) - Decrease in ASO fees due to renegotiation of contract

1.7 - Increase in HMO Premium Payments

1.3 - Increase due to an increase in projected enrollment from 77,071 to 77,172 (excludes COBRA increase)

0.4 - Increase due to an increase in COBRA enrollment resulting from the Act

0.2 - Increase in HSA deposits due to higher than projected actual deposit activity

\$ 177.7 Current Ending Cash Balance Forecast

⁽¹⁾ December 2008

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

\$ 104.7 Previous Ending Cash Balance Forecast ⁽¹⁾

11.2 Increase in Beginning Cash Balance Forecast

2.8 Increase in Revenue Forecast

(1.1) - Net decrease in Insurance Premiums due to a decrease in projected enrollment from 177,661 to 177,518 (excludes COBRA increase)

3.9 - Increase in employer and COBRA Insurance Premiums due to an increase in enrollment resulting from the federal American Economic Recovery and Investment Plan ("the Act")

0.6 - Increase in TPA refunds due to higher refund activity for FY 08-09

(0.6) - Net decrease in Investment Interest due to a decrease in expected rate of return from 1.5% to 1.0% (-\$0.8) and an increase from higher fund balances (\$ 0.2)

(8.4) Decrease in Expense Forecast

(6.4) - Decrease in PPO Plan Medical Claims

(7.9) - Decrease due to lower claims base for FY 08-09

(1.2) - Decrease due to a decrease in projected enrollment from 97,268 to 97,069 (excludes COBRA increase)

2.7 - Increase due to an increase in COBRA enrollment resulting from the Act

(1.9) - Decrease in PPO Plan Prescription Drug Claims

(0.6) - Decrease due to a decrease in projected enrollment from 97,268 to 97,069 (excludes COBRA increase)

(2.5) - Decrease due to a favorable change in projected dispensing rates

1.2 - Increase due to an increase in COBRA enrollment resulting from the Act

(2.3) - Net decrease in ASO fees due to renegotiation of contract (\$2.3), decrease in projected enrollment (excludes COBRA increase)(\$-0.1) and an increase resulting from the Act (\$ 0.1)

2.0 - Increase in HMO Premium Payments

0.9 - Increase due to an increase in projected enrollment from 80,393 to 80,449 (excludes COBRA increase)

1.1 - Increase due to an increase in COBRA enrollment resulting from the Act

0.2 - Increase in HSA deposits due to higher deposit activity for FY 08-09

\$ 127.1 Current Ending Cash Balance Forecast

⁽¹⁾ December 2008

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

\$ (154.2) Previous Ending Cash Balance Forecast ⁽¹⁾

22.4 Increase in Beginning Cash Balance Forecast

(3.5) Decrease in Revenue Forecast

(4.8) - Net decrease in Insurance Premiums due to a decrease in projected enrollment from 179,027 to 178,449 (excludes COBRA increase)

0.3 - Increase in employer and COBRA Insurance Premiums due to an increase in enrollment resulting from the federal American Economic Recovery and Investment Plan ("the Act")

0.6 - Increase in TPA refunds due to higher refund activity for FY 08-09

0.4 - Increase in Investment Interest due to an increase in expected rate of return from 1.5% to 2.0% (\$0.2) and an increase from higher fund balances (\$ 0.2)

(16.5) Decrease in Expense Forecast

(11.0) - Decrease in PPO Plan Medical Claims

(8.6) - Decrease due to a lower claims base for FY 08-09

(2.6) - Decrease due to a decrease in projected enrollment from 96,132 to 95,752 (excludes COBRA increase)

0.2 - Increase due to an increase in COBRA enrollment resulting from the Act

(2.4) - Decrease in PPO Plan Prescription Drug Claims

(1.2) - Decrease due to a decrease in projected enrollment from 96,132 to 95,752 (excludes COBRA increase)

(1.3) - Decrease due to a favorable change in projected dispensing rates

0.1 - Increase due to an increase in COBRA enrollment resulting from the Act

(2.1) - Net decrease in ASO fees due to renegotiation of contract (-\$2.0) and a decrease in projected enrollment (excludes COBRA increase) from 96,132 to 95,752 (-\$0.1)

(1.2) - Decrease in HMO Premium Payments

(1.3) - Decrease due to a decrease in projected enrollment from 82,895 to 82,697 (excludes COBRA increase)

0.1 - Increase due to an increase in COBRA enrollment resulting from the Act

0.2 - Increase in HSA deposits due to higher deposit activity for FY 08-09

\$ (118.8) Current Ending Cash Balance Forecast

⁽¹⁾ December 2008

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

\$ (462.8) Previous Ending Cash Balance Forecast ⁽¹⁾

(8.6) Decrease in Revenue Forecast

(9.2) - Decrease in Insurance Premiums due to a decrease in projected enrollment from 180,537 to 179,503

0.6 - Increase in TPA refunds due to higher refund activity for FY 08-09

(21.8) Decrease in Expense Forecast

(13.5) - Decrease in PPO Plan Medical Claims

(9.2) - Decrease due to a lower claims base for FY 08-09

(4.3) - Decrease due to a decrease in projected enrollment from 95,052 to 94,485

(1.7) - Decrease in PPO Plan Prescription Drug Claims

(1.9) - Decrease due to a decrease in projected enrollment 95,052 to 94,485

0.2 - Increase due to an unfavorable change in projected dispensing rates

(1.8) - Decrease in ASO fees due to renegotiation of contract (-\$1.7) and a decrease in projected enrollment from 95,052 to 94,485 (-\$0.1)

(5.0) - Decrease in HMO Premium Payments due to a decrease in projected enrollment from 85,485 to 85,018

0.2 - Increase in HSA deposits due to higher deposit activity for FY 08-09

\$ (449.6) Current Ending Cash Balance Forecast

⁽¹⁾ December 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 ⁽⁴⁾		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Full -Time Employees ⁽¹⁾ (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 ⁽¹⁾ (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 ⁽²⁾ (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 ⁽³⁾ (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
Overage Dependents	Single	0.00	498.68	498.68	0.00	422.02	422.02

Notes:

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

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

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

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

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

(4) The employer monthly HSA contribution of \$41.66/single (\$500 annually) and \$83.33/family (\$1,000 annually) is included in the listed employer rates.

Exhibit XII
Abbreviations

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