

---

**State Employees' Group  
Health Self-Insurance  
Trust Fund**

**Report on the Financial Outlook**  
For the Fiscal Years Ending June 30, 2000 & 2001

**November 15, 1999**

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

---

**Index**

Memo to Interested Parties

Comparison of Cash Position Estimates to Actual (Fiscal Year 1998-99).....Exhibit I

Summary of Financial Outlooks.....Exhibit II

Financial Outlook - Fiscal Year 1999-00.....Exhibit III

Financial Outlook - Fiscal Year 2000-01.....Exhibit IV

Comparison of Annual Costs Between Plans.....Exhibit V

State Employees' PPO Plan - Annual Component Costs & Trends.....Exhibit VI

New Premium Rate Table.....Exhibit VII

Abbreviations.....Exhibit VIII

Assumptions and Methodologies:

- ◆ Enrollment
- ◆ Revenues
- ◆ Expenses



STATE OF FLORIDA  
DIVISION OF STATE GROUP INSURANCE


JEB BUSH, GOVERNOR

P.O. Box 5450 • Tallahassee, Florida 32314-5450  
850-921-4600

CHARLES P. SLAVIN, DIRECTOR

MEMORANDUM

**TO:** Interested Parties

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

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

**DATE:** November 15, 1999

---

Attached is the current financial outlook for the State Employees' Group Health Self-Insurance Trust Fund for the fiscal years ending June 30, 2000 & 2001. We have also included a comparison of cash position estimates to actual experience for fiscal year 1998-99. In accordance with Sec. 216.136, *Florida Statutes*, this report has been prepared for presentation to the principles and participants associated with the Economic Estimating Conference. The entire report should be read for a comprehensive understanding of the underlying assumptions, methodologies and information used to support our projections and comments.

The Trust Fund expended \$643.2 million during fiscal year 1998-99 for the State Employees' Preferred Provider Organization (PPO) Plan's medical and prescription drug claim payments, Health Maintenance Organization (HMO) premium payments, and administrative costs. The Trust Fund ended the year with a cash balance of \$86.0 million. The ending cash balance was \$14.8 million higher than projected for the "Pre-Session" conference held in February 1999 and \$20.8 million higher than projected for the conference held in November 1998. Several factors contributed to the differences in ending cash position, however, lower than expected medical utilization and pricing experience in the PPO Plan and slightly higher than expected premium collections were the primary drivers. Variance in enrollment projections to actual enrollment experience, for the PPO and HMO Plans and in total, was less than .3% (.003).

For this fiscal year, and fiscal year 2000-01, our current outlook favorably revises the projected cash positions of the Trust Fund resulting from the "Post-Session" outlook (Memorandum dated August 18<sup>th</sup>). Our current projected ending cash balance for fiscal year 1999-00 is \$108.9 million, up \$33.3 million from our previous projection of \$75.6 million. Premium collections and other revenues are projected to exceed expenses by \$22.9 million for the year. Our current projected ending cash balance for fiscal year 2000-01 is \$107.8 million, up \$55.9 million from our previous projection of \$51.9

million. Premium collections and other revenues are projected to be less than expenses by only (\$1.1) million for the year. Consequently, the outlook indicates that the Trust Fund will remain soundly solvent through the forecasted period.

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

- The first projection for fiscal year 1999-00 was presented for the “Pre-Session” conference held in March of 1998. At that time, we were absent cost and utilization data to reasonably project medical claim payment experience as administered by Blue Cross and Blue Shield of Florida, Inc. (BCBSF). Therefore, projections were based on the PPO Plan’s medical claim payment trends, as administered by Unisys, with adjustment for expected savings attributable to BCBSF’s provider network. We have routinely and conservatively reduced our cost projections, as more data has become available. Because of continued lower than expected utilization and pricing experience, combined with effective plan administration by BCBSF, we have reduced our medical claim payment projection by \$27.0 million for this fiscal year, for a total reduction of \$46.6 million since the first projection was made. These cost reductions are occurring even while enrollment in the PPO Plan has increased slightly. Reference Exhibit II (Summary of Financial Outlooks) for recent adjustments to both fiscal years.
- Prescription drug costs continue to rise at substantial rates. Although the spiraling cost of pharmaceutical benefits represents a significant factor contributing to increasing HMO premium payments, the problem is as severe in the PPO Plan. The genesis of this situation is essentially national in nature and will only get worse. The aging of the Program’s population and its increased use of drugs; the product development and advertising strategies adopted by the pharmaceutical companies; new, high cost drugs for previously untreatable diseases and new, higher cost drugs to compete with older, lower cost drugs, have all combined to create this cost problem. In addition, there are more than 1,000 new drugs currently in the Food and Drug Administration’s approval pipeline to treat cancer, AIDS, heart ailments, Alzheimer’s disease and many other serious illnesses. This volume represents a caseload higher than at any other time in the Administration’s history. A detailed discussion of these issues is beyond the scope of this report; however, we would like to note the following.
  - Although the copayment increase reduced the average annual Trust Fund enrollee cost growth rate in the PPO Plan by approximately 3.5% (1998-99 to 2000-01), current projections for fiscal year 2000-01 still indicate a 20.5% increase in annual enrollee cost.
  - The average annual per enrollee prescription drug cost in the PPO Plan has experienced a history of 20<sup>+</sup>% increases. Based on our projection for fiscal

year 2000-01, prescription drug costs, to the Trust Fund, will have doubled when compared to fiscal year 1996-97 and tripled when compared to fiscal year 1993-94. Reference Exhibit VI (State Employees' PPO Plan – Annual Component Costs & Trends) for further information.

- Considering the copayment increases, prescription drug costs are estimated to represent 28.3% of total PPO Plan medical and prescription drug costs during fiscal year 2000-01, up 4.7% as compared to fiscal year 1998-99 and up 11.9% as compared to fiscal year 1995-96. Reference Exhibit VI (State Employees' PPO Plan – Annual Component Costs & Trends) for further information.
- The average annual cost, per enrollee, for the PPO and HMO Plans, is projected to continue on an upward trend. Because of increases in the HMO premium payments effective January 1, 2000, and as projected for January 1, 2001, the costs of both plans are trending closer to one another, as compared with previous years. Our projection reflects an annual per enrollee cost difference between the PPO Plan and the HMO Plans of \$208 (\$135 including PPO refunds/rebates) for fiscal year 1999-00 and \$254 (\$178 including PPO refunds/rebates) for fiscal year 2000-01, with the PPO Plan remaining higher for both years. Reference Exhibit V (Comparison of Annual Costs Between Plans) for further information.
- Enrollment trends continue to indicate that new employees entering the Program during the year are primarily choosing an HMO Plan, where available, while changes in enrollment during Open Enrollment, distribute between the PPO Plan and an HMO Plan at a ratio of 9 to 1, respectively.
- The PPO Plan represents 58% of Program enrollment with the HMO Plans representing 42%, as compared to a 70/30 split 5 years ago. In addition, the overall average age in the PPO Plan continues to be 50, with active employees averaging the age of 45. The overall average age in the HMO Plans continue to be 42, with active employees averaging the age of 41.

The projections presented for the “Pre-Session” conference held in February 1999, included an increase of approximately 15% to total HMO premium payments, effective January 1, 2000. We also assumed an additional increase of 4% effective January 1, 2001, an assumption which has been applied for this outlook as well. In order to determine the fiscal impact of the recent negotiations with the HMO vendors, we compared the calculated global composite premium rates between calendar year 1999 (\$318.83) and 2000 (\$360.65). Our comparison indicates that the calculated global composite premium rate for calendar year 2000 is approximately 13% higher than the same rate for calendar year 1999. However, our projection indicates that annual HMO premium payments will decrease slightly as compared to the “Post-Session” outlook because of a lower projected enrollment base.

A comparison of our previous enrollment projections to actual enrollment experience suggests a need for slight adjustment to our enrollment projections. We have decreased

our projected HMO Plan enrollment by 1.4% for fiscal year 1999-00 and by 2.7% for fiscal year 2000-01, and we have increased our projected PPO Plan enrollment by .3% and .6%, respectively. Although these adjustments decrease our overall enrollment projection by .4% for fiscal year 1999-00 and by .8% for fiscal year 2000-01, overall enrollment is still increasing, but at a slower rate. However, because our current enrollment projections were developed before the results of Open Enrollment could be obtained, actual Open Enrollment results may differ from what has been assumed. Consequently, actual Open Enrollment results will be considered in the preparation of future outlooks.

It is important to note that the variance in the projected cash positions is partially due to the forecasting process. The purpose of the "Post-Session" outlook was to reflect the estimated fiscal impact of legislative actions (i.e., 8% premium rate increase, prescription drug copayment increases, HMO physician office visit copayment increase), and resulting Division policies, on specific revenue and expense items. Revisions to previous projections were made without change or alteration to enrollment, utilization and payment assumptions. Our current projections include changes in relevant assumptions and minor enhancements to various methodologies. Exhibit II (Summary of Financial Outlooks), of this report, further describes the variances.

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

Financial Outlook Supervised by:  
Jeff Dykes

Financial Outlook Conducted by:  
Leticia Nazario-Braddock

Exhibit I  
**Comparison of Cash Position Estimates to Actual**  
**Fiscal Year 1998-99**  
(In Millions)

	Estimate		Actual	Difference
	November '98	February '99	Fiscal Year	
<b>BEGINNING CASH BALANCE <sup>(1)</sup></b>	\$ 14.4	\$ 14.4	\$ 14.4	\$ 0.0
<b>REVENUES:</b>				
Insurance Premiums:				
State Contributions	502.5	504.6	505.7	1.1
Employee Contributions	104.7	105.0	105.2	0.2
Medicare Contributions	30.4	30.5	33.3	2.8
Early Retiree Contributions	17.4	17.1	18.6	1.5
COBRA Contributions	5.1	5.1	5.1	0.0
Interest on Investments	4.6	4.9	4.7	(0.2)
TPA Refunds/Rebates	7.8	9.4	9.9	0.5
Pre-Tax Trust Fund Transfer	11.0	11.0	10.7	(0.3)
Other Revenues	0.0	0.0	0.2	0.2
<b>TOTAL REVENUES</b>	<b>\$ 683.5</b>	<b>\$ 687.6</b>	<b>\$ 693.4</b>	<b>\$ 5.8</b>
<b>TOTAL CASH AVAILABLE</b>	<b>697.9</b>	<b>702.0</b>	<b>707.8</b>	<b>5.8</b>
<b>EXPENSES:</b>				
Medical Claims - BCBSF	\$ 282.1	\$ 279.7	\$ 267.4	\$ (12.3)
Medical Claims - Unisys	8.5	8.2	8.2	0.0
Prescription Drug Claims	80.8	82.5	85.1	2.6
HMO Premiums	243.8	243.5	244.3	0.8
ASO Fee - BCBSF	28.0	27.3	27.5	0.2
ASO Fee - Unisys	2.7	2.6	2.6	0.0
ASO Fee - EHS	0.1	0.2	0.1	(0.1)
DSGI Administrative Costs	5.0	6.9	5.2	(1.7)
Premium Refunds	1.2	1.2	1.8	0.6
Other Expenses	1.9	0.1	1.0	0.9
<b>TOTAL EXPENSES</b>	<b>\$ 654.1</b>	<b>\$ 652.2</b>	<b>\$ 643.2</b>	<b>\$ (9.0)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 29.4</b>	<b>\$ 35.4</b>	<b>\$ 50.2</b>	<b>\$ 14.8</b>
Plus GR Appropriation <sup>(2)</sup>	\$ 21.4	\$ 21.4	\$ 21.4	\$ 0.0
Plus Cash Transfer <sup>(3)</sup>	50.0	50.0	50.0	0.0
Less Repayment of Cash Transfer	(50.0)	(50.0)	(50.0)	0.0
<b>ENDING CASH BALANCE <sup>(1)</sup></b>	<b>\$ 65.2</b>	<b>\$ 71.2</b>	<b>\$ 86.0</b>	<b>\$ 14.8 <sup>(4)</sup></b>
<b>Projected Average Enrollment</b>				
PPO Plan	93,096	93,416	93,350	(66)
HMO Plans	67,829	67,694	67,777	83
Total	160,925	161,110	161,127	17

**Notes:**

- (1) Excludes Certificate of Deposit (\$4.5 million) and cash balances (\$3.5 million) maintained in bank accounts.  
(2) General Revenue appropriation provided by the 1998 Legislature.  
(3) Temporary transfer from trust funds in the State Treasury pursuant to Sec. 215.18, F.S.  
(4) Difference of \$14.8 million is primarily due to lower than expected medical utilization and pricing experience and slightly higher than expected premium collections.

**Exhibit II**  
**Summary of Financial Outlooks**

**Fiscal Year 1999-00**  
(In Millions)

<b>\$ 75.6</b>	<b>Previously Forecasted Ending Cash Balance (Post-Session Outlook)</b>
14.8	Increase in Actual Ending Cash Balance for Fiscal Year 1998-99
(3.1)	Estimated Decrease in Forecasted Revenues
	\$ (3.1) - Decrease in premium collections due to decreased enrollment and minor changes to collection calculations.
	\$ (0.2) - Decrease in interests earnings due to decreased interest rates.
	\$ 0.2 - Increase in Other Revenues.
21.6	Estimated Decrease in Forecasted Expenses
	\$ 27.0 - Decrease in medical claims costs primarily due to changes in utilization and pricing assumptions.*
	\$ (5.4) - Increase in prescription drug costs primarily due to higher than expected utilization and pricing experience and enrollment increases.*
	\$ 0.6 - Decrease in the HMO premiums due to decreased enrollment.
	\$ 0.1 - Decrease in EHS administrative fees primarily due to the elimination of the Pre-Certification Program.
	\$ (0.7) - Increase in Other Expenses.
<b>\$ <u>108.9</u></b>	<b>Current Forecasted Ending Cash Balance</b>

**Fiscal Year 2000-01**  
(In Millions)

<b>\$ 51.9</b>	<b>Previously Forecasted Ending Cash Balance (Post-Session Outlook)</b>
33.3	Funding and expense activity as listed above
	\$ 14.8 - Increase in actual ending cash balance for Fiscal Year 1998-99.
	\$ 18.5 - Excess of estimated revenues over expenses for Fiscal Year 1999-00.
(4.7)	Estimated Decrease in Forecasted Revenues
	\$ (4.9) - Decrease in premium collections due to decreased enrollment and minor changes to collection calculations.
	\$ 0.2 - Increase in interest earnings due to increased cash balances.
27.3	Estimated Decrease in Forecasted Expenses
	\$ 36.3 - Decrease in medical claims costs primarily due to changes in utilization and pricing assumptions.*
	\$ (11.0) - Increase in prescription drug costs primarily due to higher than expected utilization and pricing experience and enrollment increases.*
	\$ 2.7 - Decrease in HMO premiums due to decreased enrollment.
	\$ (0.1) - Increase in BCBSF administrative fees primarily due to enrollment increases.
	\$ 0.1 - Decrease in EHS administrative fees primarily due to the elimination of the Pre-Certification Program.
	\$ (0.7) - Increase in Other Expenses.
<b>\$ <u>107.8</u></b>	<b>Current Forecasted Ending Cash Balance</b>

\* Reference the Assumptions & Methodologies section for further explanation.

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



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

	(A) Post-Session Outlook <u>August '99</u>	(B) Financial Outlook <u>November '99</u>	(B) - (A)  Difference
<b>BEGINNING CASH BALANCE <sup>(1)</sup></b>	\$ 71.2	\$ 86.0	\$ 14.8
<b>REVENUES:</b>			
Insurance Premiums:			
State Contributions	518.7	520.0	1.3
Employee Contributions	115.2	113.8	(1.4)
Medicare Contributions	35.8	35.9	0.1
Early Retiree Contributions	19.6	18.5	(1.1)
COBRA Contributions	6.4	4.4	(2.0)
Interest on Investments	3.5	3.3	(0.2)
TPA Refunds/Rebates	7.0	7.0	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.2	0.2
<b>TOTAL REVENUES</b>	<b>\$ 717.2</b>	<b>\$ 714.1</b>	<b>\$ (3.1)</b>
<b>TOTAL CASH AVAILABLE</b>	<b>788.4</b>	<b>800.1</b>	<b>11.7</b>
<b>EXPENSES:</b>			
Medical Claims - BCBSF	\$ 308.9	\$ 281.9	\$ (27.0)
Prescription Drug Claims	91.8	97.2	5.4
HMO Premiums	275.2	274.6	(0.6)
ASO Fee - BCBSF	28.5	28.5	0.0
ASO Fee - EHS	0.2	0.1	(0.1)
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.1	0.8	0.7
<b>TOTAL EXPENSES</b>	<b>\$ 712.8</b>	<b>\$ 691.2</b>	<b>\$ (21.6)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 4.4</b>	<b>\$ 22.9</b>	<b>\$ 18.5</b>
<b>ENDING CASH BALANCE <sup>(1)</sup></b>	<b>\$ 75.6</b>	<b>\$ 108.9</b>	<b>\$ 33.3</b>
<u>Projected Average Enrollment</u>			
PPO Plan	94,990	95,251	261
HMO Plans	68,382	67,444	(938)
Total	163,372	162,695	(677)

**Note:**

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

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

	(A) Post-Session Outlook <u>August '99</u>	(B) Financial Outlook <u>November '99</u>	(B) - (A) Difference
<b>BEGINNING CASH BALANCE <sup>(1)</sup></b>	\$ 75.6	\$ 108.9	\$ 33.3
<b>REVENUES:</b>			
Insurance Premiums:			
State Contributions	547.8	550.7	2.9
Employee Contributions	121.7	118.5	(3.2)
Medicare Contributions	39.7	40.3	0.6
Early Retiree Contributions	21.2	19.5	(1.7)
COBRA Contributions	7.4	3.9	(3.5)
Interest on Investments	4.0	4.2	0.2
TPA Refunds/Rebates	7.4	7.4	0.0
Pre-Tax Trust Fund Transfer	11.0	11.0	0.0
Other Revenues	0.0	0.0	0.0
<b>TOTAL REVENUES</b>	\$ 760.2	\$ 755.5	\$ (4.7)
<b>TOTAL CASH AVAILABLE</b>	<u>835.8</u>	<u>864.4</u>	<u>28.6</u>
<b>EXPENSES:</b>			
Medical Claims - BCBSF	\$ 337.9	\$ 301.6	\$ (36.3)
Prescription Drug Claims	108.2	119.2	11.0
HMO Premiums <sup>(2)</sup>	299.7	297.0	(2.7)
ASO Fee - BCBSF	29.7	29.8	0.1
ASO Fee - EHS	0.2	0.1	(0.1)
DSGI Administrative Costs	6.9	6.9	0.0
Premium Refunds	1.2	1.2	0.0
Other Expenses	0.1	0.8	0.7
<b>TOTAL EXPENSES</b>	\$ 783.9	\$ 756.6	\$ (27.3)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (23.7)	\$ (1.1)	\$ 22.6
<b>ENDING CASH BALANCE <sup>(1)</sup></b>	\$ 51.9	\$ 107.8	\$ 55.9
<u>Projected Average Enrollment</u>			
PPO Plan	96,379	96,905	526
HMO Plans	69,421	67,544	(1,877)
Total	<u>165,800</u>	<u>164,449</u>	<u>(1,351)</u>

**Notes:**

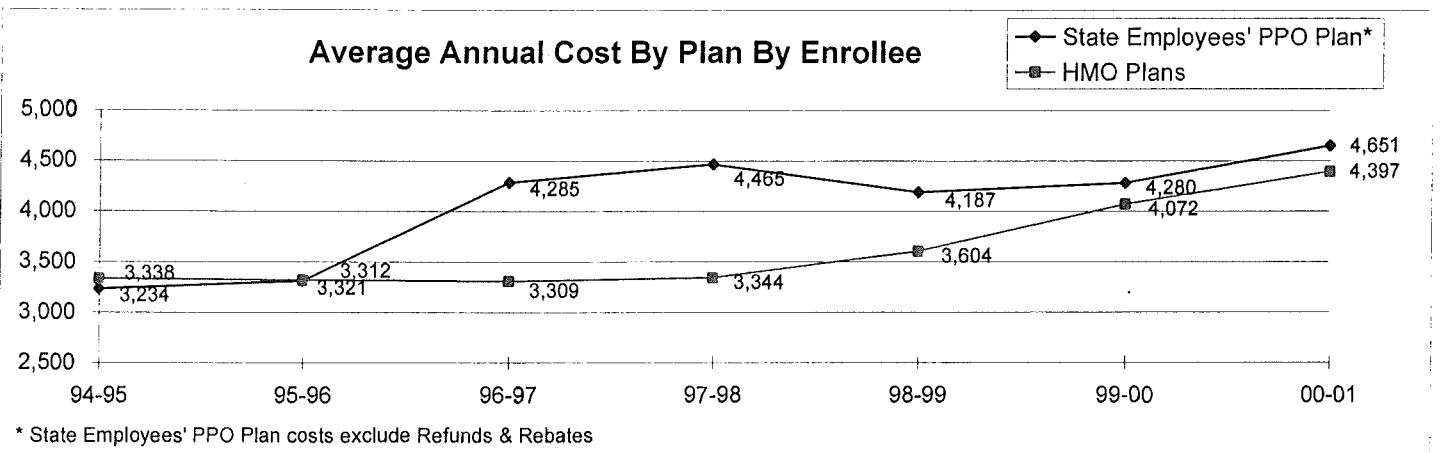
(1) Excludes Certificate of Deposit (\$4.5 million) and cash balances (\$3.5 million) maintained in bank accounts.

(2) Includes an estimated 4% increase in overall HMO premiums effective January 2001.

Exhibit V  
**Comparison of Annual Costs Between Plans**  
(In Millions)

<b>State Employees' PPO Plan Costs</b>							
	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>
Paid Medical Claims	\$ 288.0	\$ 270.4	\$ 331.8	\$ 319.7	\$ 275.6	\$ 281.9	\$ 301.6
Paid Prescription Drug Claims	49.7	53.3	56.5	68.1	85.1	97.2	119.2
ASO Fee - BCBSF	10.7	15.3	9.1	19.6	30.1	28.5	29.8
ASO Fee - EHS	0.9	0.9	0.4	0.1	0.1	0.1	0.1
<b>Total Claims Paid and ASO Fees</b>	<b>\$ 349.3</b>	<b>\$ 339.9</b>	<b>\$ 397.8</b>	<b>\$ 407.5</b>	<b>\$ 390.9</b>	<b>\$ 407.7</b>	<b>\$ 450.7</b>
Average Number of Enrollees	108,008	102,619	92,838	91,263	93,350	95,251	96,905
Average Annual <b>Gross</b> Cost Per Enrollee	<b>\$ 3,234</b>	<b>\$ 3,312</b>	<b>\$ 4,285</b>	<b>\$ 4,465</b>	<b>\$ 4,187</b>	<b>\$ 4,280</b>	<b>\$ 4,651</b>
Total Claims Paid and ASO Fees	\$ 349.3	\$ 339.9	\$ 397.8	\$ 407.5	\$ 390.9	\$ 407.7	\$ 450.7
Less: Refunds & Rebates	(8.6)	(7.4)	(6.8)	(8.4)	(9.9)	(7.0)	(7.4)
<b>Total Net Cost</b>	<b>\$ 340.7</b>	<b>\$ 332.5</b>	<b>\$ 391.0</b>	<b>\$ 399.1</b>	<b>\$ 381.0</b>	<b>\$ 400.7</b>	<b>\$ 443.3</b>
Average Number of Enrollees	108,008	102,619	92,838	91,263	93,350	95,251	96,905
Average Annual <b>Net</b> Cost Per Enrollee	<b>\$ 3,154</b>	<b>\$ 3,240</b>	<b>\$ 4,212</b>	<b>\$ 4,373</b>	<b>\$ 4,081</b>	<b>\$ 4,207</b>	<b>\$ 4,575</b>

<b>HMO Plan Cost</b>							
	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>
HMO Premiums	\$ 148.0	\$ 178.0	\$ 211.9	\$ 226.4	\$ 244.3	\$ 274.6	\$ 297.0
Average Number of Enrollees	44,340	53,592	64,042	67,710	67,777	67,444	67,544
Average Annual Cost Per Enrollee	<b>\$ 3,338</b>	<b>\$ 3,321</b>	<b>\$ 3,309</b>	<b>\$ 3,344</b>	<b>\$ 3,604</b>	<b>\$ 4,072</b>	<b>\$ 4,397</b>

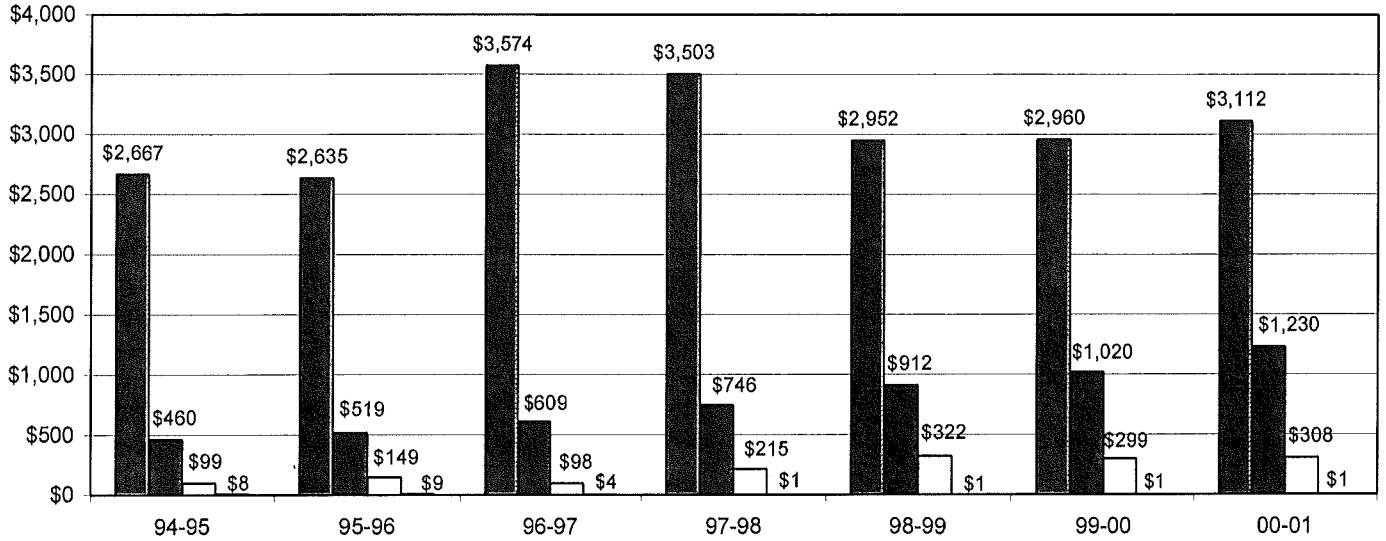
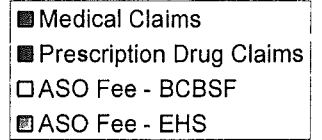


**Notes:**

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

(Actual/Estimated)

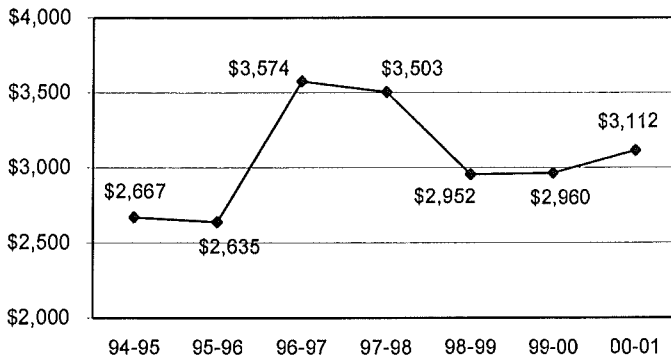
### State Employees' PPO Plan Annual Enrollee Costs By Payment Component



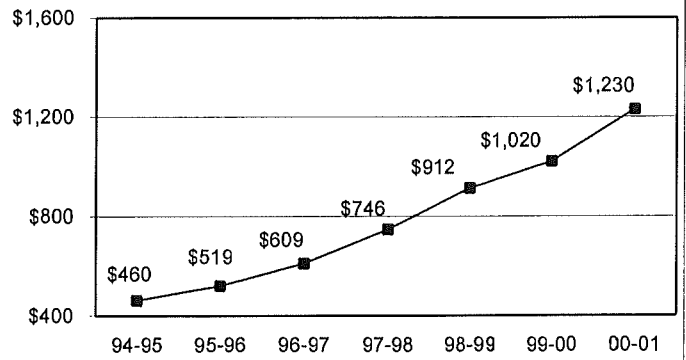
**Notes:**

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

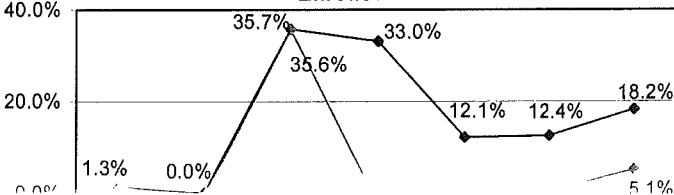
#### Annual Medical Cost by Enrollee



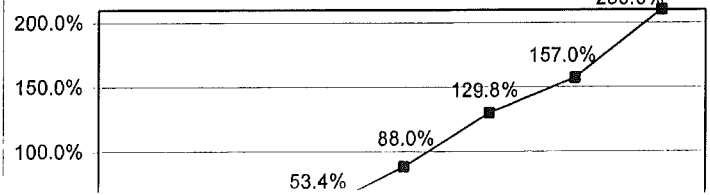
#### Annual Prescription Drug Cost by Enrollee



#### % Increase/Decrease in Annual Medical Costs by Enrollee



#### % Increase in Annual Prescription Drug Costs by Enrollee



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

**Exhibit VII  
New Premium Rate Table**

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

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

**Notes:**

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

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

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

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

Exhibit VIII  
Abbreviations

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

## Enrollment Projections Assumptions/Methodologies

### Assumptions

- Net Program enrollment will continue to increase (measured by net enrollment) at a rate of approximately 1% annually. However, the rate of growth is slightly lower than previously estimated.
- As a result of normal monthly growth, and category shifting, net Program enrollment will increase by approximately 777 (.04%) subscribers during the year.
  - New enrollees will primarily select an HMO Plan as experienced over the last year.
  - New enrollees will further distribute by enrollment category and enrollment coverage based on historical Program demographics.
- As a result of each Open Enrollment, net Program enrollment will increase by approximately 1,027 (.06%) subscribers each January 1<sup>st</sup>, as determined by the average of this increase over the last two years.
  - Increased net enrollment, resulting from Open Enrollment, will distribute between the PPO Plan and HMO Plans at a ratio of 9 to 1, respectively, as measured over the last two years.
  - New enrollees will further distribute by enrollment category and enrollment coverage based on historical Program demographics.
- Due to the unavailability of certain HMO Plans on January 1, 2000, and to other market considerations, approximately 1,763 enrollees will shift to the State Employees' PPO Plan.

### Methodology

Using September '99 Program enrollment as the base:

- Increase and distribute monthly Program enrollment based on the aforementioned assumptions for October through December 1999.
- For CY 2001, increase the overall calculated Program enrollment for the month of January by 1,027 subscribers to account for the assumptions associated with the net increase in new and shifting enrollment. Apply annual enrollment increase and distribution assumptions to the adjusted enrollment base to arrive at monthly Program enrollment.

## Revenue Projections Assumptions/Methodologies

### Insurance Premiums

- Monthly Program enrollment projections were entered into a premium calculation model to estimate monthly contributions by plan, by category, by coverage, and by state and enrollee share during the forecasted period.
- Premium rate increases (8%) for employees and non-employees effective October 1, 1999 and January 1, 2000, respectively, were applied to the premium calculation model.
- For the period of January 2000 through June 2001, monthly contributions for projected Medicare participants enrolled in an HMO Plan were calculated based on negotiated and projected HMO premium payments.
- The monthly results calculated by the model were adjusted to reflect specific issues affecting the actual timing of cash collections. Such issues include the timing of bi-weekly contributions, double premium deductions for SUS members during certain months out of the year to cover other months where there are no premium deductions, etc.

### Interest on Investments

- It is assumed that interest revenue will be earned at a rate of approximately 4% annually. A calculated monthly rate (.003) is applied to the estimated ending cash balance of the previous month to arrive at the forecasted month's interest earnings.

### TPA Refunds/Rebates

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

### Pre-Tax Trust Fund Transfer

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

### Other Revenues

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



## Expense Projections Assumptions/Methodologies

### Medical Claims - BCBSF

Paid claims experience for CY 1999 represents the following;

Average state cost per claim	\$ 147.36
Average number of claims per enrollee per month	1.59
Calculated per enrollee per month state cost	\$ 234.78
Calculated per enrollee per year state cost	\$ 2,817.40

Rounded

### Assumptions

- Beginning with January 2000, the per enrollee per month state cost, computed by multiplying the calculated CY 1999 utilization (measured by the average # of claims per enrollee) to the calculated CY 1999 costs (measured by the average state cost per claim), will increase approximately 5% per year. Down 3% from our previous projections.
- Utilization by the new enrollees coming into the PPO Plan will be similar to the current population's experience.
- Risk is shared equally across all enrollment categories.

### Methodology

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

	FY 1999-00	FY 2000-01	% Change
Projected average enrollment	95,251	96,905	1.7%
Calculated per enrollee per month state cost	\$ 246.67	\$ 259.33	5.1%
Calculated per enrollee per year state cost	\$ 2,960	\$ 3,112	5.1%
Total Projected Cost (In millions)	\$ 281.9	\$ 301.6	7.0%

Rounded

## Expense Projections Assumptions/Methodologies

### Prescription Drug Claims - EHS

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

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

Rounded

Prescription drug co-payments increased from \$5/\$15 to \$7/\$20, effective October 1, 1999. Savings due to the increased co-payments are estimated at \$7.4 million for FY 1999-00 and \$10.8 million for FY 2000-01.

### Assumptions

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

### Methodology

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

	FY 1999-00	FY 2000-01	% Change
Projected average enrollment	95,251	96,905	1.7%
Average state cost per claim	\$ 39.25	\$ 44.22	12.7%
Average number of claims per enrollee per month	2.40	2.60	8.3%
Calculated per enrollee per month cost (Adj. to Cash)	\$ 91.51	\$ 111.79	22.2%
Calculated per enrollee per year state cost	\$ 1,098	\$ 1,341	22.2%
Less: Estimated savings due to increase in co-pays	\$ ( 78)	\$ ( 111)	42.3%
Adjusted per enrollee per year cost	\$ 1,020	\$ 1,230	20.5%
Adjusted projected cost (In millions)	\$ 97.2	\$ 119.2	22.7%

Rounded

## Expense Projections Assumptions/Methodologies

### HMO Premium Payments

- Monthly HMO Plan enrollment projections have been entered into an HMO premium payment model to estimate monthly premium payments by HMO Plan and by coverage for the forecasted period.
- For CY 2000, actual negotiated HMO premium rates, by enrollment category, have been entered into the model.
- For purpose of these estimates, it is assumed that HMO Plan premium payments, by enrollment category and coverage, will increase 4% effective January 2001.

### ASO Fees

#### BCBSF

- Multiplied the projected monthly PPO Plan enrollment by the per enrollee monthly base administrative charge. Beginning October 1999, and every three months thereafter, added to the per enrollee monthly base administrative charge, the calculated per enrollee incentive payment for the previous quarter.

#### Base Administrative Fee Schedule

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

#### Incentive Payment Schedule

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

### EHS

- Multiplied the projected monthly PPO Plan enrollment by the per enrollee monthly base administrative charge (\$.125), as required under current contract.

### DSGI Administrative Costs

- The Division's current operating appropriations, as recorded in administrative cost budget categories, is assumed to continue through the forecasted period.

**Expense Projections**  
**Assumptions/Methodologies**

**Premium Refunds**

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

**Other Expenses**

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