

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

| Program Budget Comparison | | | | | | | | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|-------------------|
| Budget Item | Base Fiscal 2014 | Approp. Fiscal 2015 | Budget Fiscal 2016 | Budget Fiscal 2017 | Biennium Fiscal 14-15 | Biennium Fiscal 16-17 | Biennium Change | Biennium % Change |
| FTE | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 0.00 | 0.00 % |
| Personal Services | 478,190 | 554,453 | 494,454 | 493,450 | 1,032,643 | 987,904 | (44,739) | (4.33)% |
| Operating Expenses | 7,545,763 | 7,515,256 | 7,570,349 | 7,575,402 | 15,061,019 | 15,145,751 | 84,732 | 0.56 % |
| Benefits & Claims | 79,426,708 | 81,564,436 | 87,369,379 | 88,163,646 | 160,991,144 | 175,533,025 | 14,541,881 | 9.03 % |
| Total Costs | \$87,450,661 | \$89,634,145 | \$95,434,182 | \$96,232,498 | \$177,084,806 | \$191,666,680 | \$14,581,874 | 8.23 % |
| Proprietary Funds | 87,450,661 | 89,634,145 | 95,434,182 | 96,232,498 | 177,084,806 | 191,666,680 | 14,581,874 | 8.23 % |
| Total Funds | \$87,450,661 | \$89,634,145 | \$95,434,182 | \$96,232,498 | \$177,084,806 | \$191,666,680 | \$14,581,874 | 8.23 % |

Program Description

The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.

Program Highlights

| MUS Group Insurance Program Major Budget Highlights |
|---|
| <ul style="list-style-type: none"> • The MUS Group Insurance Program is funded with enterprise type proprietary funds and is not included in HB 2 • The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis • HB 13 allocates funding to the MUS for employer contribution increases in the 2017 biennium |

Funding

The following table shows proposed program funding by source from all sources of authority.

| Commissioner of Higher Ed, 05-University System Group Insurance Program Funding by Source of Authority | | | | | | |
|---|------------|--------------------------|-------------------------|----------------------|-------------------|--|
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | |
| General Fund | 0 | 0 | 0 | 0 | 0.00 % | |
| State Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| Federal Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| 06008 MUS Group Insurance Program | 0 | 175,998,292 | 0 | 175,998,292 | 91.83 % | |
| 06009 MUS Flexible Spending Account | 0 | 15,652,634 | 0 | 15,652,634 | 8.17 % | |
| 06010 CHE Wellness Account | 0 | 15,754 | 0 | 15,754 | 0.01 % | |
| Proprietary Total | \$0 | \$191,666,680 | \$0 | \$191,666,680 | 100.00 % | |
| Total All Funds | \$0 | \$191,666,680 | \$0 | \$191,666,680 | | |

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

| Budget Summary by Category | | | | | | | | |
|----------------------------|-------------------------|-------------------------|----------------------------|-------------------|-------------------------|-------------------------|----------------------------|-------------------|
| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
| | Leg. Budget Fiscal 2016 | Leg. Budget Fiscal 2017 | Leg. Biennium Fiscal 16-17 | Percent of Budget | Leg. Budget Fiscal 2016 | Leg. Budget Fiscal 2017 | Leg. Biennium Fiscal 16-17 | Percent of Budget |
| 2015 Budget | 0 | 0 | 0 | 0.00 % | 87,327,692 | 87,327,692 | 174,655,384 | 0.00 % |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | 8,106,490 | 8,904,806 | 17,011,296 | 0.00 % |
| New Proposals | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % |
| Total Budget | \$0 | \$0 | \$0 | | \$95,434,182 | \$96,232,498 | \$191,666,680 | |

Other Issues -

Proprietary Revenues and Expenses

Revenues

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Employee payments to flexible spending accounts
- Prescription rebates

The agency is projecting a slight increase in revenues in the 2017 biennium compared to the base year FY 2014. The revenue projections exclude any premium rate increases or state share increase. The projected increase is due primarily to anticipated growth in retirees age 65 and over. Due to this increase the agency is working to draw down its reserves so that they are not maintaining greater reserves than necessary.

Expenses

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 6 FTE in FY 2014)
- Wellness program expense

The agency non-personnel expenses increased on average 12.2% per year between FY 2012 and FY 2014. The primary cost driver impacting claims expense increases are Rx claims in specialty drugs. These increased to 9.1% in FY 2014 and are projected to increase to 13% in FY 2015. The increase is mostly attributable to Rx spending in the areas of rheumatoid arthritis and multiple sclerosis drugs.

Personnel related administrative costs increased approximately 30% as the 2013 Legislature added 1.35 FTE to assist with the workload to implement and ensure compliance with the Affordable Care Act.

Rate Explanation

The employer-paid portion of the group insurance premium is statutorily established in Section 2-18-703, MCA and is presently \$887 per month per eligible, participating employee. The employee-paid portion of the group insurance premium is adjusted as needed by the Montana University System to cover the premium requirements of a variety of benefit options and to maintain employee group benefit plans on an actuarially sound basis.

Fluctuations in Other Operating Revenues are primarily due to two Affordable Care Act transition programs for employers. Congress implemented these transition programs with the intent to keep employers from removing retirees from coverage. The agency was receiving payments from the programs to continue providing coverage for non-Medicare retirees and a portion of drug costs for Medicare retirees. The programs have ended and final payments are being reconciled. The agency anticipates that Other Operating Revenues will fluctuate less frequently into the 2017 biennium.

| 2017 Biennium Report on Internal Service and Enterprise Funds | | | | | | | |
|---|---|----------------------|----------------|--|------------------|------------------|------------------|
| Agency # 51020 | Agency Name: Commissioner of Higher Ed | | | Program Name: University System Group Insurance Program | | | |
| | Fund | Fund Name | | | | | |
| | 06010 | CHE Wellness Account | | | | | |
| | | Actual FY12 | Actual FY13 | Actual FY14 | Budgeted FY15 | Budgeted FY16 | Budgeted FY17 |
| Operating Revenues: | | | | | | | |
| Fee and Charges | | | | | | | |
| Other Operating Revenue | | | | | | | |
| | | 6,131 | 504 | 167 | 5,211 | 7,877 | 7,877 |
| Total Operating Revenues | | 6,131 | 504 | 167 | 5,211 | 7,877 | 7,877 |
| Expenses: | | | | | | | |
| Other Operating Expenses | | | | | | | |
| | | 5,211 | 8,297 | 7,876 | 5,211 | 7,877 | 7,877 |
| Total Operating Expenses | | 5,211 | 8,297 | 7,876 | 5,211 | 7,877 | 7,877 |
| Operating Income (Loss) | | 920 | (7,793) | (7,709) | - | - | - |
| Nonoperating Revenues: | | | | | | | |
| Nonoperating Expenses: | | | | | | | |
| Total Nonoperating Revenues (Expenses) | | - | - | - | - | - | - |
| Income (Loss) Before Contributions and Transfers | | 920 | (7,793) | (7,709) | - | - | - |
| Change in Net Position | | 920 | (7,793) | (7,709) | - | - | - |
| Beginning Net Position - July 1 | | 63,079 | 63,999 | 56,206 | 48,497 | 48,497 | 48,497 |
| Change in Net Position | | 920 | (7,793) | (7,709) | - | - | - |
| Ending Net Position - June 30 | | 63,999 | 56,206 | 48,497 | 48,497 | 48,497 | 48,497 |
| Net Position (Fund Balance) Analysis | | | | | | | |