

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 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

Funding

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

Commissioner of Higher Education, 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	176,008,746	0	176,008,746	91.83 %	
06009 MUS Flexible Spending Account	0	15,647,512	0	15,647,512	8.16 %	
06010 CHE Wellness Account	0	10,422	0	10,422	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.

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	91.12 %
PL Adjustments	0	0	0	0.00 %	8,106,490	8,904,806	17,011,296	8.88 %
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	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 500501 - Increase in Medical Claims	0.00	0	0	0	5,063,421	0.00	0	0	0	5,788,111
DP 500502 - Increase in Flex Spending Accounts	0.00	0	0	0	3,043,069	0.00	0	0	0	3,116,695
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$8,106,490	0.00	\$0	\$0	\$0	\$8,904,806

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 500501 - Increase in Medical Claims -

This adjustment is estimating a 10% growth rate in medical claims.

DP 500502 - Increase in Flex Spending Accounts -

The adjustment includes an estimated increase in flex spending accounts.

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. 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.