Proprietary Rates

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. The Office of the Commissioner of Higher Education administers the plan with the assistance of recommendations from an inter-unit advisory committee. All university system employees and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits, a flexible spending account option, and a wellness program. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis. The community colleges also participate in this program.

Funding

Total Commissioner Of Higher Education Funding by Source of Authority
2015 Biennium Budget - Mus Group Insurance Program

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
Proprietary Total	**$0**	**$174,541,479**	**$0**	**$174,541,479**	100.0%		
06008 Mus Group Insurance Program	$0	$165,043,309	$0	$165,043,309	94.6%		
06009 Mus Flexible Spending Account	$0	$9,487,748	$0	$9,487,748	5.4%		
06010 Che Wellness Account	$0	$10,422	$0	$10,422	0.0%		
Total All Funds	**$0**	**$174,541,479**	**$0**	**$174,541,479**	100.0%		
Percent - Total All Sources	**0.0%**	**100.0%**	**0.0%**				

This program is funded with three enterprise type proprietary funds: MUS Group Insurance, MUS Flexible Spending, and CHE Wellness Account. 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 reports for the enterprise funds are available in the appendix.

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
- Investment earnings on the program fund

The agency is projecting relatively level revenues in the 2015 biennium compared to the base year FY 2012. 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.

Expenses

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 4.65 FTE in FY 2012)
- Wellness program expense

The agency projects non-personnel expenses to increase on average 10% per year between FY 2012 and FY 2015. The primary cost drivers impacting claims expense increases are medical provider cost increases and increased utilization due to the increasing average age of insured covered in the plan.

Personnel related administrative costs are projected to increase as the executive budget would add 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 $733 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.

LFD COMMENT

The 2015 Biennium Reports on Enterprise Funds in the appendix are presented at the present law level with regard to projected premiums, claims costs, and fund balance. From the present law perspective, the projected fund balance of the Enterprise Fund 06008-MUS Group Insurance is insufficient to cover the projected reserves necessary to pay outstanding claims. In order to generate a sufficient reserve, the program will need to adjust premiums in the 2015 biennium.

Costs that may be incurred due to implementation of the affordable care act are not reflected in the enterprise fund report for the group insurance program. At the time this narrative was written, the agency did not have projections of how these changes from present law could impact the premium revenue, medical claims costs, or reserve requirements of the MUS Group Insurance enterprise fund. As the program implements the health care changes, premiums will need to be adjusted accordingly.

In order to adequately evaluate the anticipated condition of this enterprise fund through the end of FY 2015, the legislature may want to request that the agency develop projections of premium revenue, claims costs, and changes in reserve requirements for the 2015 biennium based upon these changes.