



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: November 22, 2011

TO: Legislative Finance Committee Members (LFC)

FROM: Kris Wilkinson, Fiscal Analyst II

RE: State Employee Group Health Care Plan

The state employee group health care plan provides health and dental coverage for approximately 33,500 state employees, legislators, retirees, and dependents. The plan is self-insured and offers options for benefits including:

- Medical
- Dental
- Pharmacy

Employee benefits are funded through employer contributions (state share), payments from employees, retirees, and legislators, and investment income on reserves and equity. According to the Health Care and Benefits Division (HCBD) the health plan contributions are made as follows:

- State Share 78.0%
- Employees 7.6%
- Legislators 0.3%
- Retirees 13.9%
- COBRA 0.2%

Increases to the cost of providing employee benefits are provided either through increases in the amounts charged to participants, reductions in insurance benefits, increases in cost sharing such as deductibles and copayments, or reductions in equity for the fund.

For calendar year 2012 the state employee group health care plan determined it would maintain current benefits while not increasing rates. Based on current projections, existing funding should be adequate to cover the increase costs of providing benefits. HCBD uses an independent actuary to establish recommended reserves and projected expenses for providing insurance benefits. Figure 1 shows the actuarial recommended reserve levels, projected fund balance, and equity for the plan as of FYE 2011.

Figure 1

Department of Administration
Health Care and Benefits Division
State Employee Group Health Care Plan
FYE 2011

Projected Year End IBNR*	Projected Year End General Reserves	Projected Year End Fund Balance	Recommended Reserves	Equity
\$14,300,000	\$54,758,379	\$69,058,379	\$55,690,000	\$13,368,379

* Incurred but not reported

As shown above, the projected year end fund balance was \$13.4 million above the actuarial recommended reserve level resulting in equity. The equity of \$13.4 million may be used to offset increased plan costs for calendar year 2012 if projected revenues are less than anticipated or benefit costs are above projections. Funding projected increases in plan years 2013 and 2014 will require additional revenue, decreases in plan benefits, or a combination.

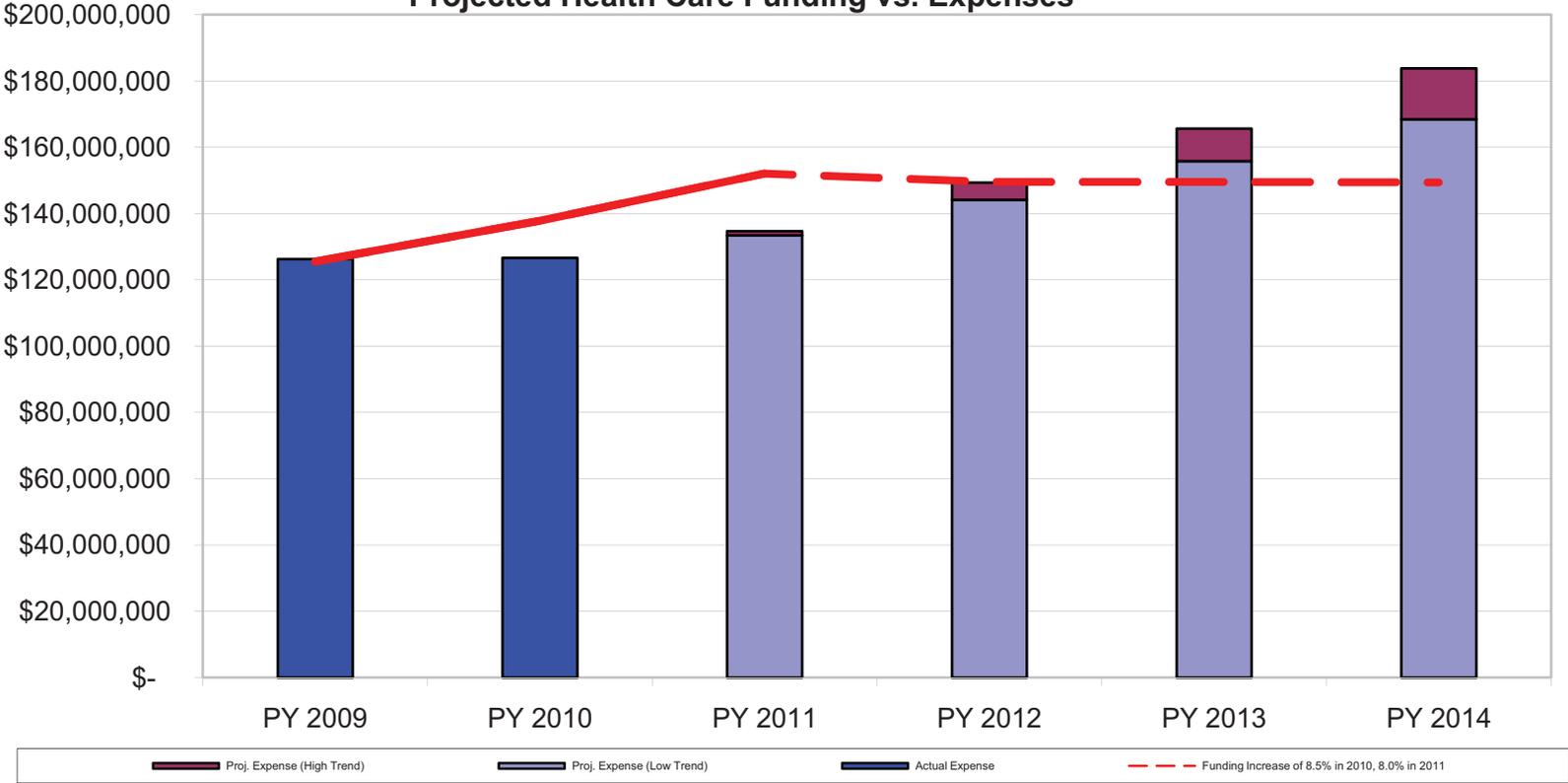
The figure on the following page shows the projected health care funding versus expenses, actual and projected for plan years 2009 through 2014.

As shown, beginning in plan year 2013 (January 1, 2013 through December 31, 2013), the costs of benefits will exceed funding by approximately \$6.3 million at the low estimate and \$16.2 million at the high estimate. Increases for plan year 2014 will exceed funding by approximately \$19.0 million and \$34.6 million, for the low and high estimates respectively.

The legislature may be asked to consider increased support for the health plan in the next legislative session. The LFC may wish to request the Health Care and Benefits Division provide additional information on the impacts of the projected increases for state employees and what potential reductions in plan benefits are being considered.

State of Montana

Projected Health Care Funding vs. Expenses



100.6% Loss **91.9% Loss** **87.7% Loss** **96.4% Loss** **104.2% Loss** **112.8% Loss**
88.6% Loss **99.9% Loss** **110.8% Loss** **123.0% Loss**

Low Trend = 8% Medical and 10% Rx; High Trend = 11% Medical and 13% Rx.