



## DEPARTMENT OF ADMINISTRATION

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DIRECTOR

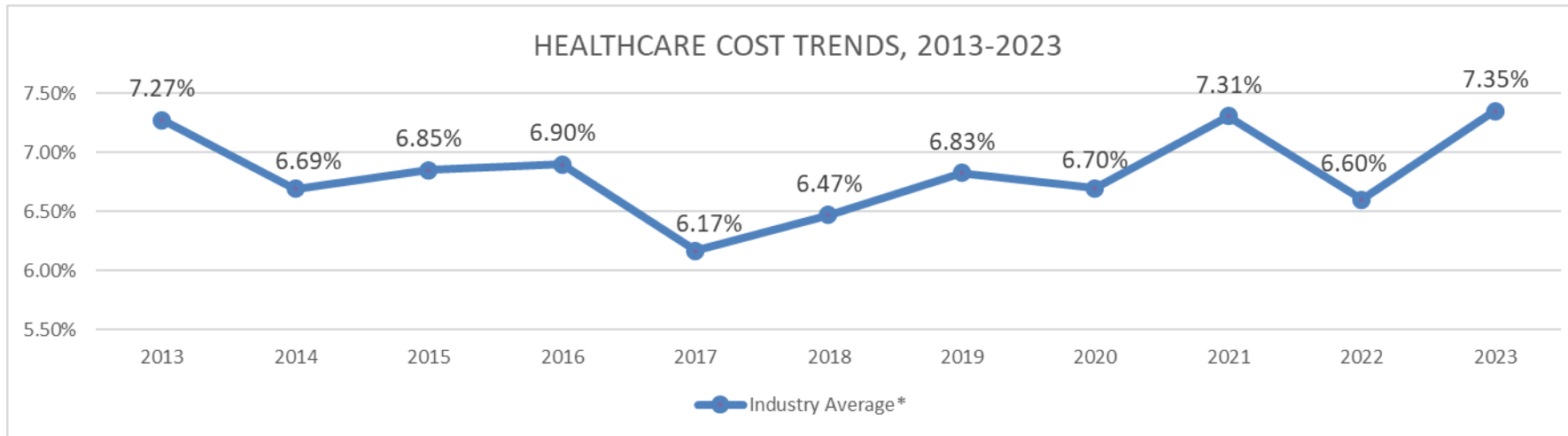
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March 2024

# Employee Group Benefits Plan – Industry Healthcare Trends



Annualized 10-yr trend  
Healthcare: 6.83%  
CPI-U: 2.63%

Healthcare costs continue to outpace inflation due to a variety of factors

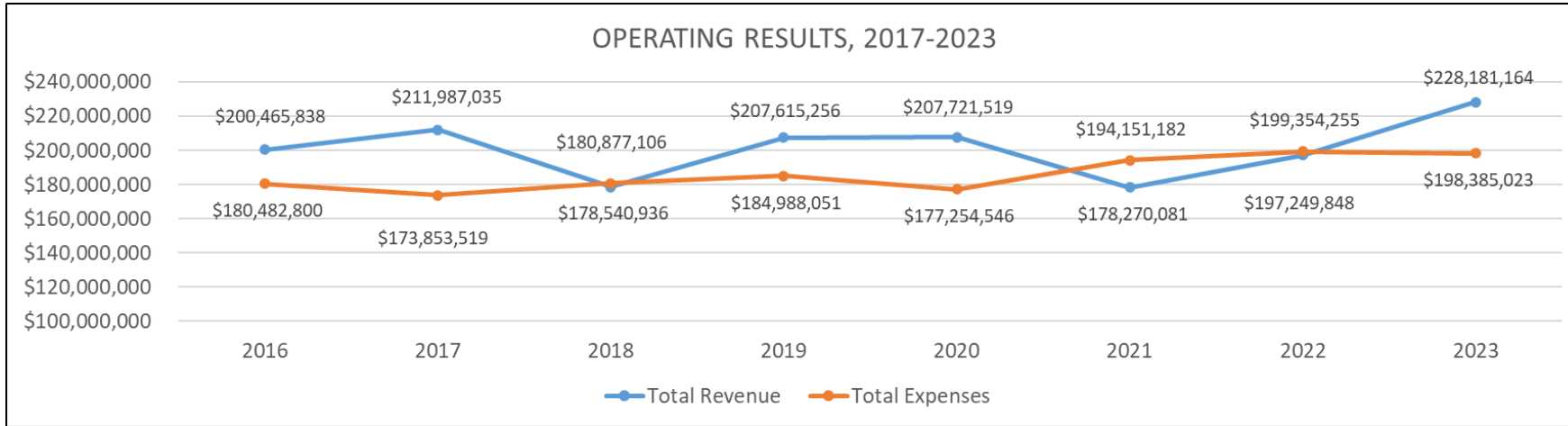
- Inflationary pressures
- Labor shortages
- Residual effects of COVID-19
- Provider consolidation
- Specialty pharmaceuticals
- Behavioral health
- Cost-shifting
- Declining population health
- New medical technology

Healthcare trends for 2024 projected to be higher than 2023

\* Price Waterhouse Coopers Medical Cost Trend: Behind the Numbers 2024  
2024 Segal Health Plan Cost Trend Survey Report  
2024 Global Medical Trends Survey (US), Willis Towers Watson



# Employee Group Benefits Plan - Operating Results



## Revenue Adjustments

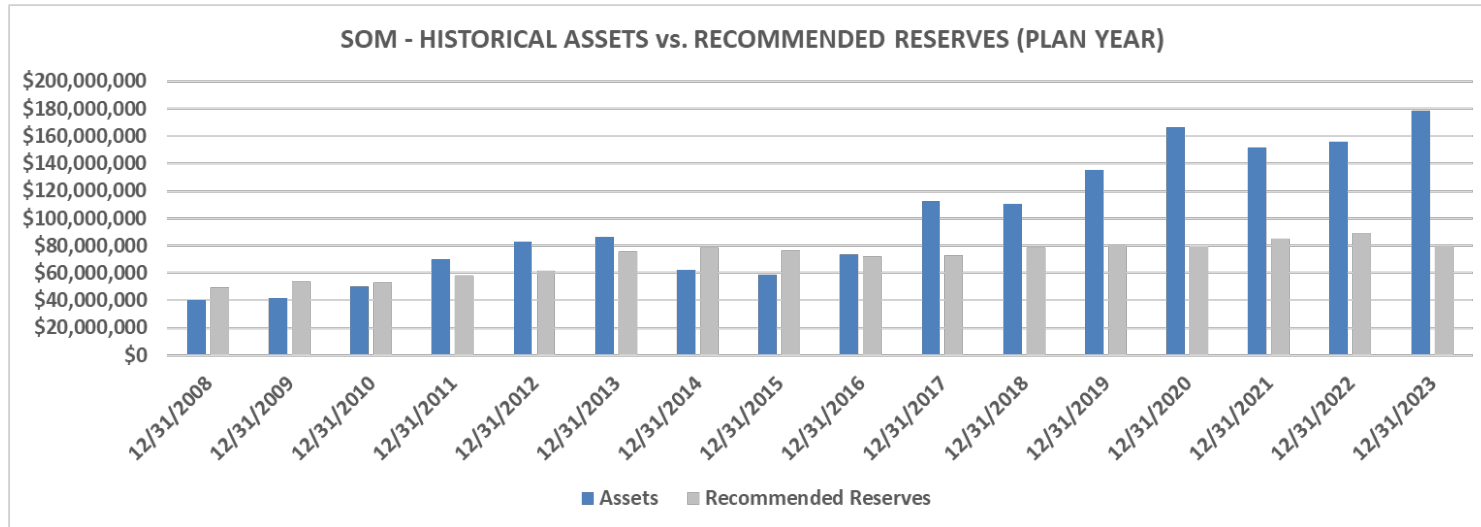
- 2016: Last EE Contribution increase
- 2017: Last State Share increase
- 2018: State Share holiday (-\$26 million)
- 2021: State Share holiday (-\$25 million)
- 2023: One-Time infusion (+\$30 million)

## Cost-Saving Initiatives

- 2016: New TPA contract, Reference Based Pricing, Renegotiate Montana Health Centers contract
- 2017: Renegotiate PBM contract, New EGWP Medicare drug program
- 2018: Renegotiated Montana Health Centers contract
- 2019: New pharmacy program, Upgraded Live Life Well incentive program, New tobacco surcharge
- 2020: Manage effects of COVID, Renegotiate PBM contract & Consultant contract, New pharmacy program
- 2021: Renegotiate Montana Health Centers contract
- 2022: New Life & LTD Carrier, Renegotiate Dental contract, New pharmacy programs, New Retiree benefits education contract
- 2023: New TPA contract, New Vision contract, New EAP contract, New musculoskeletal program, Cash-flow investing



# Employee Group Benefits Plan - Reserves



Assets as a % of ACL fluctuated from a low of 197% (2015) to a high of 844% (2023).

## Incurred But Not Reported (IBNR) Reserves

- Reflects claims incurred during the reporting period that have not yet been paid by the plan
- IBNR reserve as of December 31, 2023 is \$17.2 million

## General or Contingency Reserves

- Protects the plan against unanticipated events or unusually high claims experience
- Based on NAIC model for insurance companies, requiring assets greater than 200% of the Authorized Control Level (ACL)
- State employee plan sets minimum general reserves at 300% of ACL
  - State contribution set each biennium
  - Rate adjustments occur only once per year
  - Cannot access capital like insurance companies
- Assets as of December 31, 2023 are at 844% of ACL

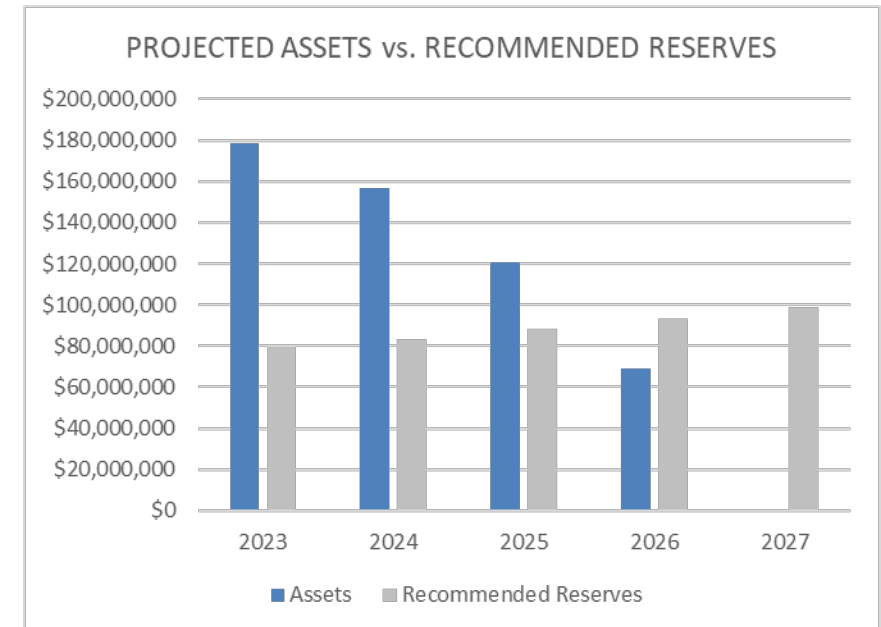
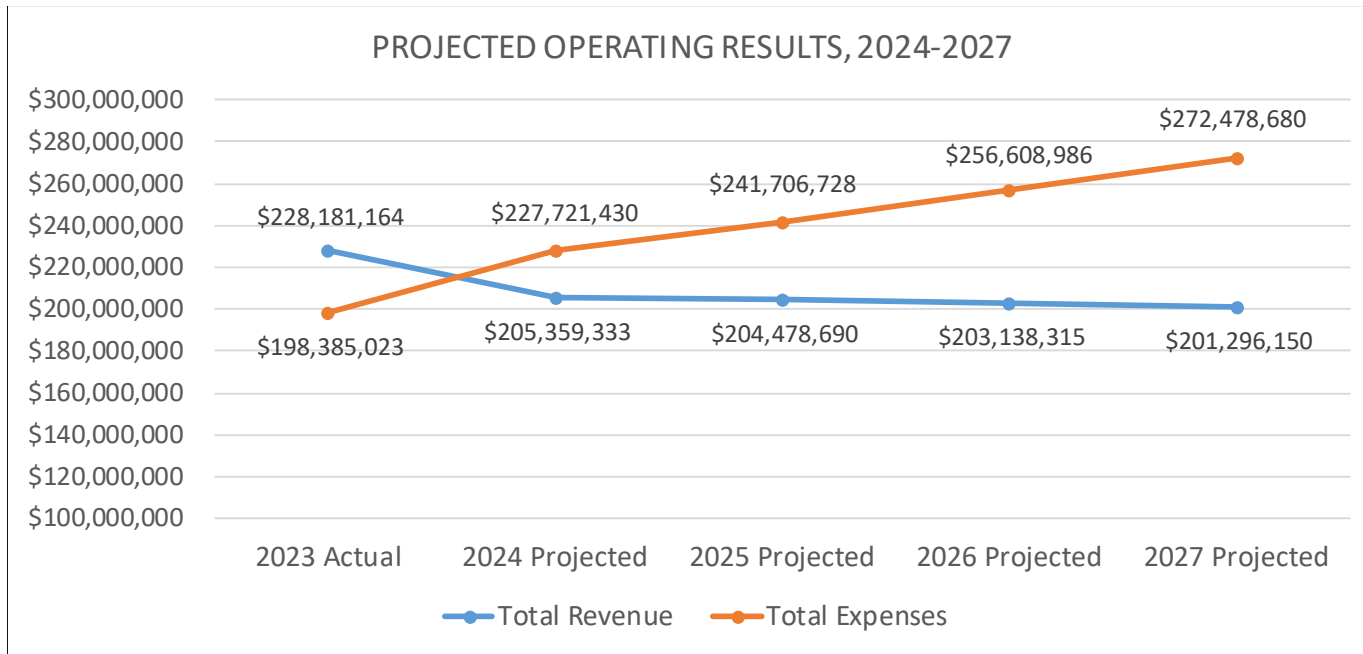


# Employee Group Benefits Plan - Projected Operating Results

Projected calendar year results assume no changes to State Share, employee contributions, or benefits, and low trend scenario claim and administrative fee increases

By the end of calendar year 2025, assets are projected at 461% of ACL with plan year losses of \$37 million

At the end of 2027, contingency reserves will be exhausted with a revenue shortfall of \$71 million



Assets as % ACL	2023	2024	2025	2026	2027
	844%	686%	461%	185%	(137%)



# Other Post-Employment Benefits (OPEB) Liability

Calculation of liability for Other Post-Employment Benefits (OPEB), primarily retiree medical and dental

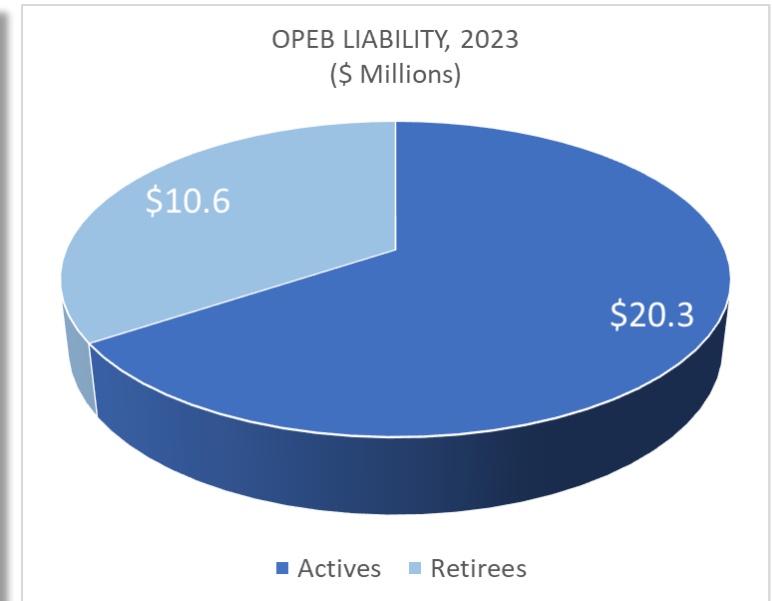
Governed by Government Accounting Standards Board #75

Full actuarial valuation performed biennially, with Roll-forward valuation in interim year provided there are no material plan changes

Liabilities determined for current retirees and future retirees (actives)

OPEB liability affected by :

- Retiree rate subsidies (implicit and explicit)
- Retiree participation and lapse rates
- Long-term discount rate
- Retirement / withdrawal / disability rates
- Healthcare trend rates



SOM Rate Increases	2017	2018	2019	2020	2021	2022	2023	2024
Actives	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-Medicare	8.4%	0.0%	0.0%	8.9%	0.0%	0.0%	4.0%	4.0%
Medicare	5.6%	0.0%	0.0%	4.6%	0.0%	0.0%	4.0%	4.0%





THANK YOU