



WYOMING STATE  
EMPLOYEES'  
INSURANCE  
BENEFIT PROGRAM  
JAC PRESENTATION  
OCTOBER 2019

# Self-Insured

The State of Wyoming chooses to self-insure its Group Insurance Plan.

The State is the  
“INSURANCE COMPANY”  
for Medical and Dental benefits.

**94% of employers of 5,000 or more workers self-insure their medical programs!**

(2015 Kaiser Family Foundation  
Employer Health Benefits Survey)

# WHAT MAKES UP STATE'S “SELF-FUNDED” PREMIUMS?

- Administration Fees
- Contributions to Reserves
- Claims

*EGL spends less than four cents out of every dollar on administration and earns interest income on claim reserves*

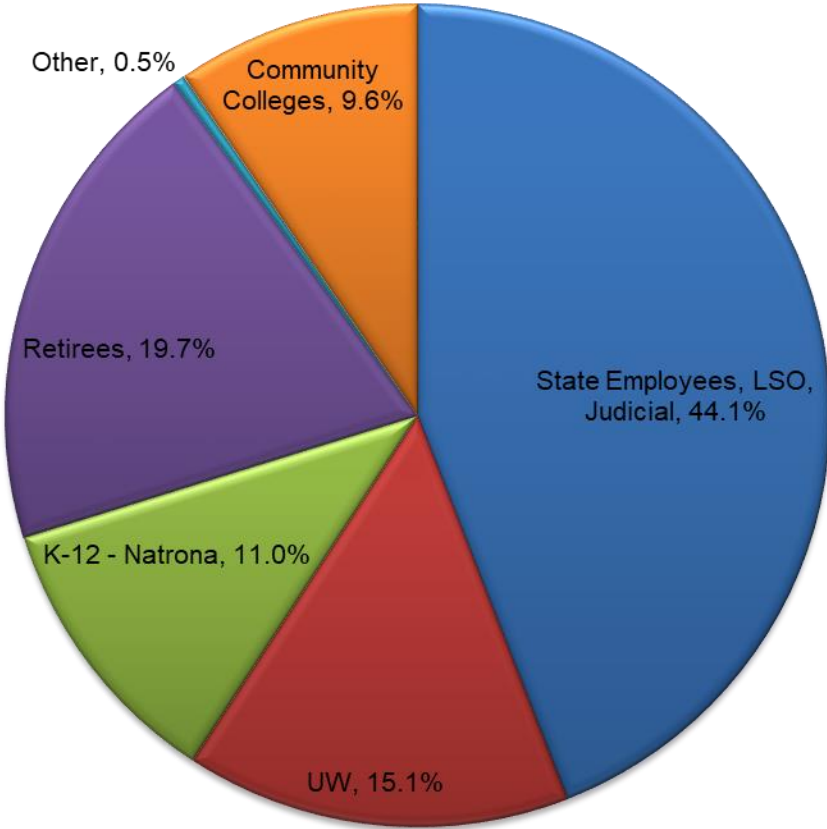
# Rates

- The State's health and dental programs are community rated where the participating entities and their employees have the same rates for the same benefits.
  - This means the entity of 10 employees pays the same as the 2,700 employee entity.
  - This eliminates wide fluctuations in rates based upon an entity's personal claims experience. Small groups are especially prone to fluctuations as the smaller the group the wider the fluctuations.

# Entities Covered

- State of Wyoming (State Employees, LSO, and Judicial)
- University of Wyoming
- Casper College
- Laramie County Community College
- Central Wyoming College
- Eastern Wyoming College
- Northwest College
- Sheridan College
- Western Wyoming Community College
- Natrona County School District
- City of Casper (Effective January 1<sup>st</sup>)

# Health Plan Enrollment Level By Participating Entity Categories



# Receivables

- EGI requires all its entities to pay before the 9th of the benefit month.
- The Executive Branch (State, Judicial, & LSO) pays their members premiums the month prior during the payroll run (generally last week of the month).
  - Premiums for January 2019 were deposited in December 2018.
  - Some of the entities will also pay prior to the 1st of the benefit month (usually fiscal and calendar year ends), but this varies.
- Receipt of early premium (prior to the 1<sup>st</sup> of the month) is unearned income which inflates end of month cash balances.

# Payables

- Medical claims are billed weekly for the prior weeks' paid claims, so there is always a week lag. Pharmacy claims are billed weekly for that weeks' claims paid.
  - Example: Medical May 29, 2019 invoice is for claims paid from May 19, 2019 through May 25, 2019. Pharmacy May 31, 2019 invoice is for claims paid from May 24, 2019 through May 30, 2019.
- Dental Claims are billed once a month for the prior month's claims. May 2019 claims were paid in June 2019.
- Administration fees (Cigna, Delta Dental, MedImpact) and premiums to EGI vendors are all paid within the benefit month, so May 2019 admin fees and premiums are all paid in May 2019.



# End of Month Cash Balance as EGI comparison reference point

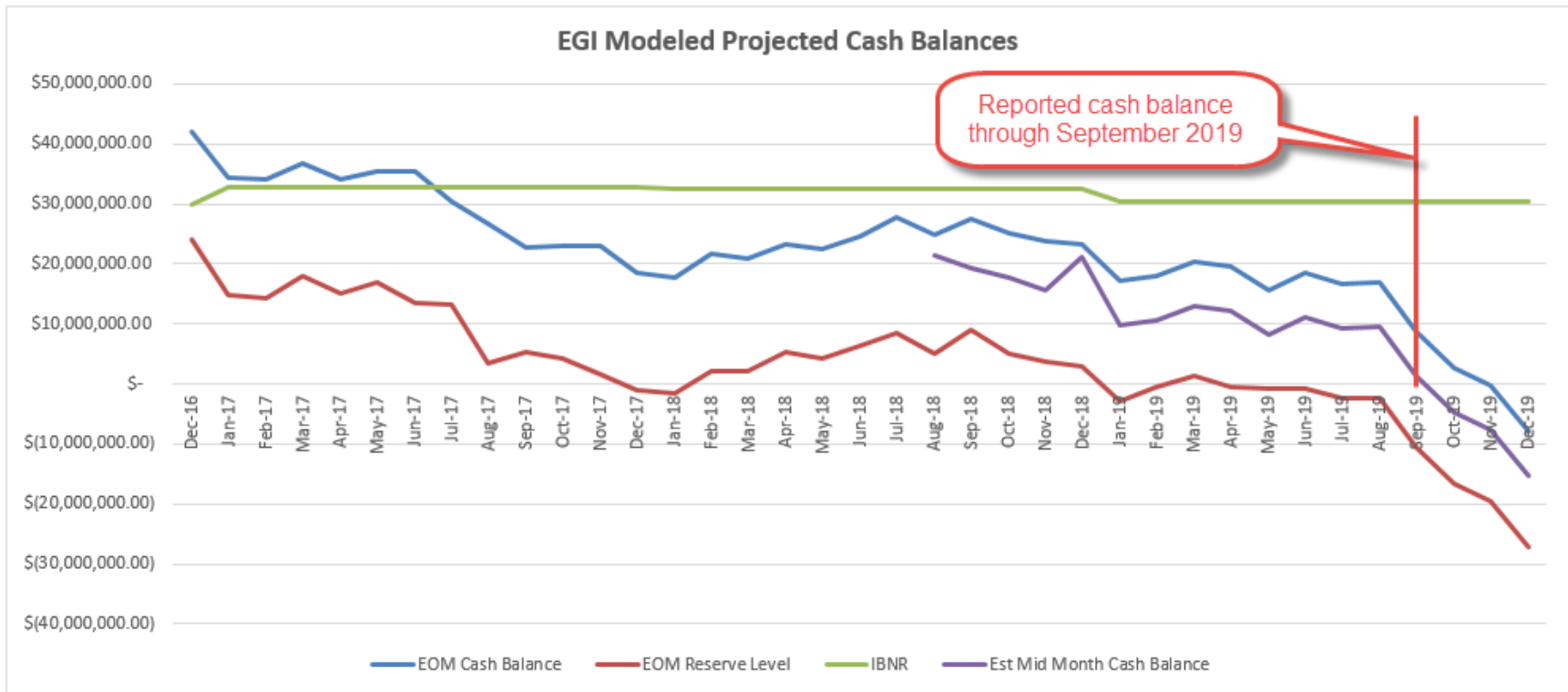
- A&I accounting is providing the accounting records for EGI.
  - The end of month (EOM) cash balance is captured immediately in the morning of the first working day of the succeeding month after all deposits and payments (w/loss transactions) from the reporting month are processed.
  - This information is useful for keeping track of EGI's financial performance and keeping management informed and for use in presentations to upper management and Legislature.
  - EGI cash balances will fluctuate during the month with cash balances typically highest at the first of the month.
  - Cash balances will increase as premium income is received from individuals and participating entities which is typically completed by the 9th of the month.
  - Cash balances will decrease as claims payables and administration expenses are processed.
  - The lowest point of cash balance is generally just prior to EGI's receipt of the early premium payment of the Executive Branch.
  - There are periods when EGI's cash accounts significantly grow on a temporary basis due to early receipt of unearned premium income.
  - Generally, on a monthly basis the Executive Branch pays its premiums prior to the first of the month which results in unearned income in the neighborhood of \$12,800,000.

# End of Month Cash Balance as EGI comparison reference point



- The chart above shows that cash balance significantly change throughout the month with changes occurring in multiple millions of dollars.
- EGI chooses to utilize the last day of the month as its measurement period for the fiscal state of the program.
- However, low points are indicators of the programs ability to meet its payment obligations in any given month or trends which may reach into the future.

# End of Month Cash Balance as EGI comparison reference point



# EGI End of Month Cash Levels 2019

Month 2019	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
524 Health Insurance	(\$3,740,696.83)	\$631,373.43	\$2,301,137.38	\$961,315.44	(\$3,308,333.88)	\$2,235,969.76	\$285,243.55	(\$188,169.71)	(\$8,765,775.10)
525 Administration/Reserve	\$19,711,689.12	\$16,413,102.54	\$17,010,245.62	\$17,548,829.10	\$18,203,305.49	\$15,503,560.70	\$15,816,757.61	\$16,383,869.12	\$17,022,851.47
564 Dental	\$1,122,169.04	\$1,019,854.66	\$983,573.79	\$959,537.14	\$826,424.86	\$720,362.67	\$681,513.74	\$668,682.46	\$481,553.29
<b>Total Cash Balance</b>	<b>\$17,093,161.33</b>	<b>\$18,064,330.63</b>	<b>\$20,294,956.79</b>	<b>\$19,469,681.68</b>	<b>\$15,721,396.47</b>	<b>\$18,459,893.13</b>	<b>\$16,783,514.90</b>	<b>\$16,864,381.87</b>	<b>\$8,738,629.66</b>
Outstanding Health* (Previous Month)	(\$4,888,185.51)	(\$3,191,930.72)	(\$3,737,731.31)	(\$4,717,484.95)	(\$3,216,465.05)	(\$3,396,204.79)	(\$4,174,675.39)	(\$9,133,422.73)	(\$5,832,004.44)
Outstanding Pharmacy* (Previous Month)	(\$1,168,455.00)	(\$1,238,877.45)	(\$1,173,700.03)	(\$1,236,528.64)	(\$1,090,757.91)	(\$955,176.23)	(\$1,128,023.79)	(\$1,147,973.06)	(\$1,235,745.46)
Outstanding Dental** (Previous Month)	(\$1,173,951.18)	(\$1,119,334.08)	(\$1,099,700.13)	(\$1,205,826.13)	(\$1,208,205.38)	(\$1,084,101.96)	(\$1,071,325.43)	(\$1,250,144.40)	(\$1,008,050.28)
Deposit Adjustments for future month	(\$12,806,391.55)	(\$12,901,663.91)	(\$12,879,101.88)	(\$12,877,487.60)	(\$12,859,948.47)	(\$13,369,271.60)	(\$12,746,052.83)	(\$12,742,005.23)	(\$12,805,537.86)
<b>Total Adjustments</b>	<b>(\$20,036,983.24)</b>	<b>(\$18,451,806.16)</b>	<b>(\$18,890,233.35)</b>	<b>(\$20,037,327.32)</b>	<b>(\$18,375,376.81)</b>	<b>(\$18,804,754.58)</b>	<b>(\$19,120,077.44)</b>	<b>(\$24,273,545.42)</b>	<b>(\$20,881,338.04)</b>
<b>Net Reserves</b>	<b>(\$2,943,821.91)</b>	<b>(\$387,475.53)</b>	<b>\$1,404,723.44</b>	<b>(\$567,645.64)</b>	<b>(\$2,653,980.34)</b>	<b>(\$344,861.45)</b>	<b>(\$2,336,562.54)</b>	<b>(\$7,409,163.55)</b>	<b>(\$12,142,708.38)</b>

# Seasonal Variation in health care spending

- Paid medical claims are at their highest in the months of October, November, December, and January due to a combination of individual's deductibles being met (more elective procedures) and moving into winter which impacts the our older population and individuals with chronic care conditions (equates to significant reductions in program cash balances occurring at this time).
- Often individuals not familiar with healthcare maintain that medical claims expenses are not seasonally inclined and are equally distributed across the year (equates to the programs cash balances being the same at the end of December as they are at the end of the fiscal year June).
- Disagreement on the existence of seasonal variation in health cares spending clouds the rate decision making process for Plan renewals.
- Failure to recognize seasonal variations in expenses leads to inflated estimation of the fiscal health of the program with potential negative funding decisions.

# Reserves

- Adequate levels of reserves are essential for member protection and to meet obligations to health care providers. Reserves allows the Plan to withstand unanticipated financial losses, such as those caused by health care cost or utilization trends that exceed projections, unanticipated changes in the financial markets or economy, changes in regulatory requirements, or changes from members.
- The target reserve level is measured at the end of the plan year.
- Premium rate development is carried out in June of each year at a time when cash balances are generally at their highest.
- Generally, the lowest cash balance levels are in January.

# A&I Reserve Policy

- **Reserve Policy Objectives**

It is prudent for a plan administrator of a self-funded benefit program to establish a reserve for the liability for health claims that have been incurred but not yet paid to absorb financial strain brought about by adverse claims experience. The reserve policy is aimed at providing transparency and a path to long term stability and accountability.

- **Reserve Policy and Methodology**

This policy standardizes the reserve setting methodology for the Employees' and Officials' Group Insurance Plan self-funded health and dental plans. The cash balance estimation for the end of the Plan year during June rate development will be utilized for rate development.

Transparency will be maintained through reserve management and its impact upon rate projection development. The target cash balance level at the end of a Plan year will be an amount equal to one and one half (1 ½) months of paid claims. This measurement will be the end-of-month cash balance of the combined accounts to include:

- 524 Health
- 525 Administration/Reserve
- 564 Dental

# Self Funded Reserve Comparison State Employee Benefit Plans

State	Reserves %	Reserve Months
Massachusetts - Group Insurance Commission - Andrew Stern *	0%	0.0
<b>State of Wyoming</b>	<b>1%</b>	<b>0.1</b>
Nebraska (May 2019 Fiscal Report) R J Borer	13%	1.5
South Carolina (2018 Audited Financial Statements SCPEBA)	13%	1.5
Colorado (Segal)	13%	1.5
South Dakota - Scott Bollinger	13%	1.5
Missouri (2018 MCHCP Annual Report)	14%	1.6
Maryland (2017 Annual Personnel Report)	17%	1.6
Utah - Human Resource Management - Debra Valentine	17%	2.0
Indiana - Personnel Department - Chrity Tittle	17%	2.0
Arizona (2017 Health Trust Fund Summary Report)	20%	2.5
Florida - State Group Insurance - Ryan Stokes Director	22%	2.6
Alaska (2018 Fund Financial Statement) - Emily Ricci	22%	2.7
Vermont - Clarke Collins	23%	2.8
Pennsylvania - Michael Newsome - Governor's Office of Admin.	25%	3.0
Delaware (2018 Health Fund Statement) Leighann N. Hinkle	36%	4.4
Oklahoma (2017 Comprehensive Annual Financial Report)	37%	4.5
Nevada (2018 Chief Financial Officer Report)	40%	4.8
Alabama (2018 Annual Report) Sally Coreley	42%	5.0
Texas (GBP Health Plan Financial Status Report 2018)	45%	5.4
Tennessee (2017 State Group Annual Report)	48%	5.7
Virginia - Human Resource Management - Rue Collins White	50%	6.0

\* General fund at risk if funding is insufficient - Employees & other participating entities held harmless in case of shortfall during plan year



# Borrowing Authority

ORIGINAL HOUSE  
BILL NO. HB0001

ENGROSSED

ENROLLED ACT NO. 62, HOUSE OF REPRESENTATIVES

SIXTY-FOURTH LEGISLATURE OF THE STATE OF WYOMING  
2018 BUDGET SESSION

(b) At the recommendation of the director of the department of administration and information and with the approval of the governor, the state auditor and the state treasurer are authorized to borrow from the legislative stabilization reserve account up to twenty-six million two hundred thousand dollars (\$26,200,000.00) as necessary to meet cash flow requirements of the employees' and officials' group health insurance plan. The governor shall report to the joint appropriations committee, the president of the senate and the speaker of the house immediately upon exercise of this authority. The director of the department of administration and information shall report to the joint appropriations committee and the governor within thirty (30) days of exercise of this loan authority with a recommendation on the change of employee payroll deductions, an increase in employer paid premiums, other modifications to the plan or any combination thereof. Interest charged on the amounts borrowed shall be the interest rate earned on pooled fund investments in the previous fiscal year.

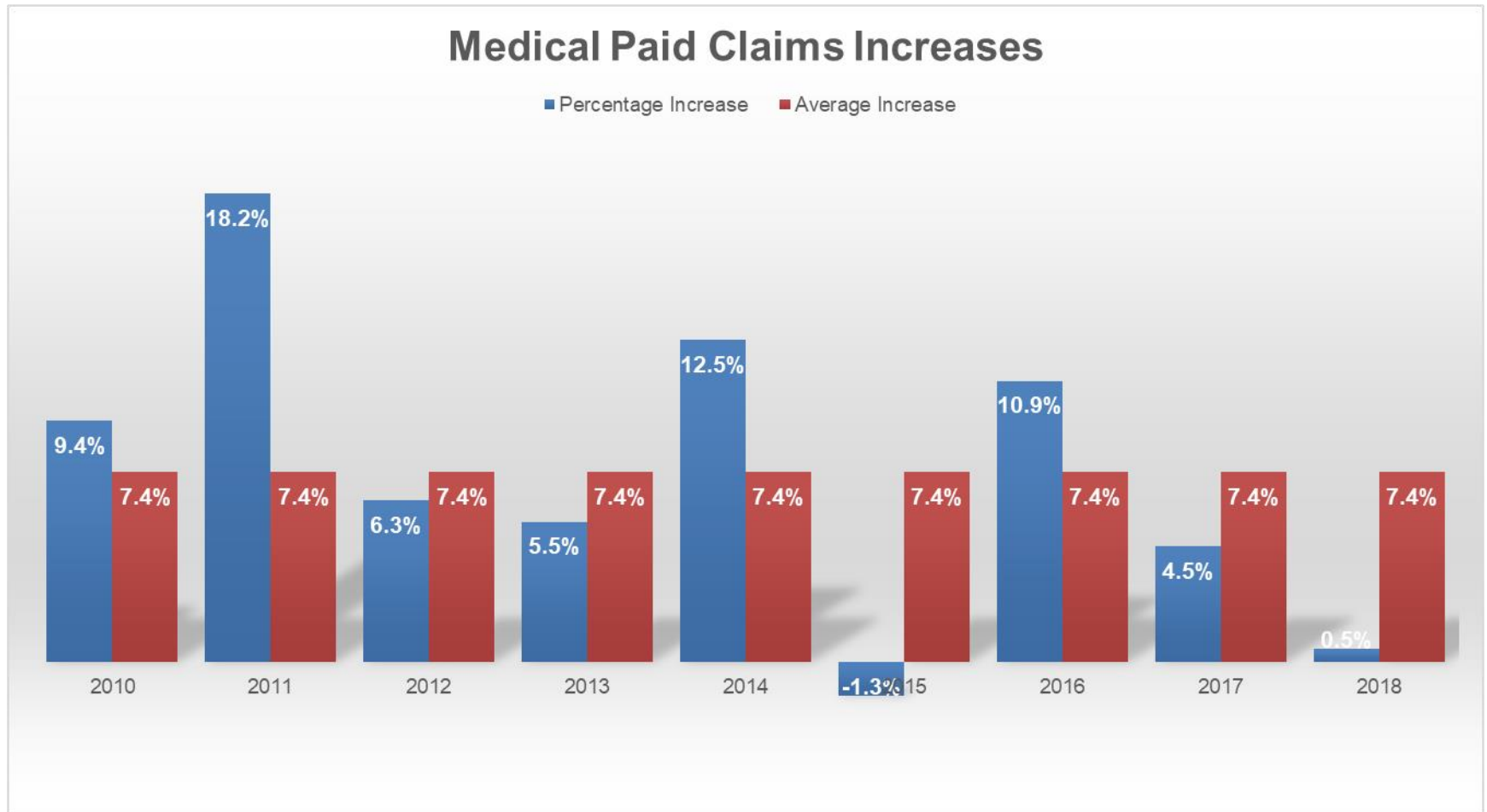
# Carryover Funds

## Section 303.

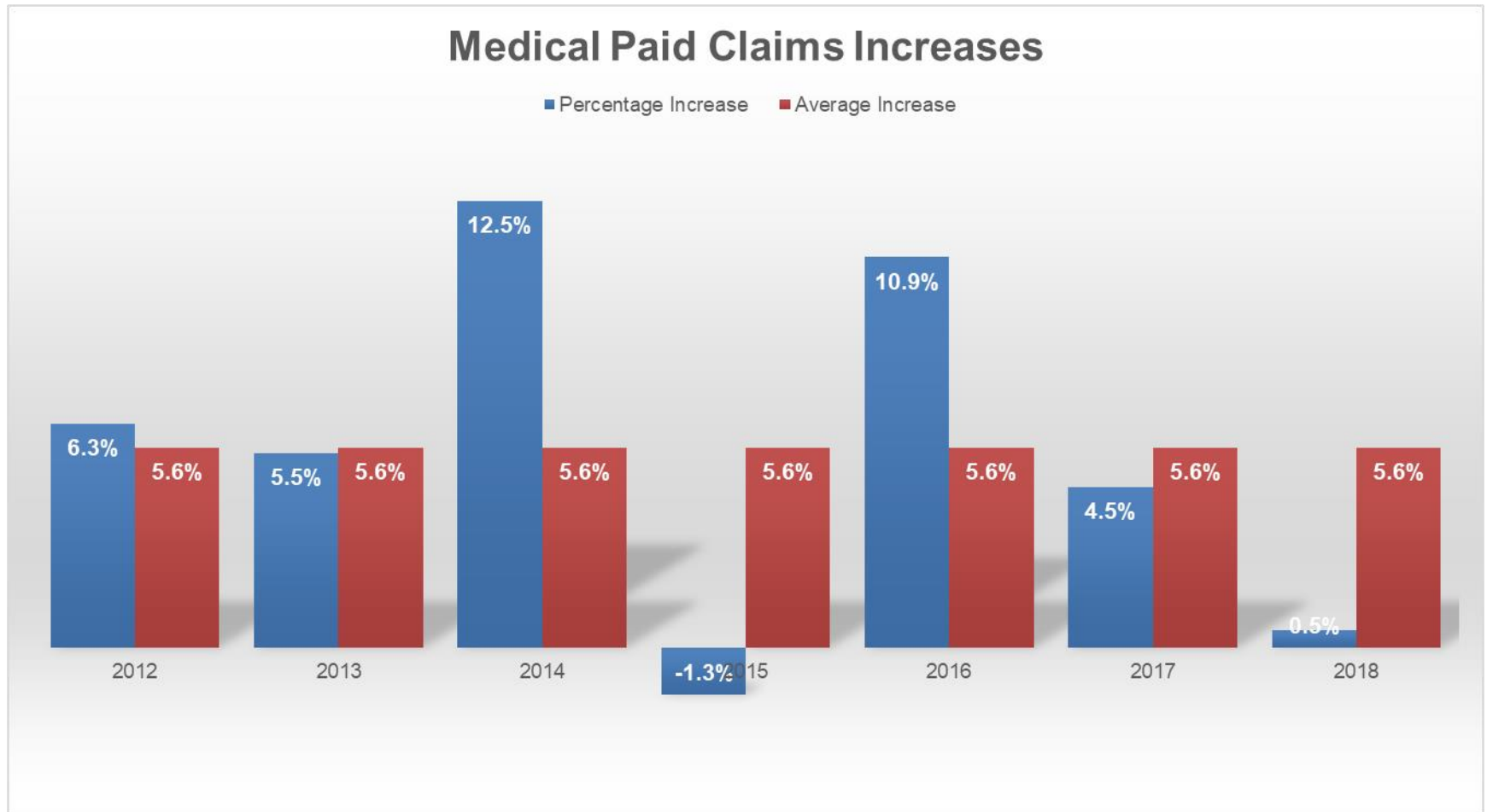
### [EMPLOYEE GROUP HEALTH INSURANCE]

(g) Notwithstanding W.S. 9-2-1008, 9-2-1012(e) and 9-4-207, of unexpended, unobligated monies appropriated for purposes of employer paid health, dental and life insurance benefits under 2016 Wyoming Session Laws, Chapter 31, as amended by 2017 Wyoming Session Laws, Chapter 120 shall not revert on June 30, 2018, and are hereby reappropriated to the state auditor's office for purposes provided for in this subsection. Loans or expenditures may be made from this reappropriation only upon determination by the governor that insufficient funds exist from appropriations in this act and all enacted laws for employee group health, dental and life insurance premium increases during the period beginning July 1, 2018 and ending June 30, 2020. Upon notification from the governor, the state auditor shall transfer funds to agencies for purposes of state employees' and officials' group insurance fund cash flow loans or employee group health, dental and life insurance premium increases. Loans shall be repaid with cash balances in excess of eighteen million five hundred thousand dollars (\$18,500,000.00) within the combined state employees' and officials' group insurance pools. Interest charged on the amounts borrowed shall be equal to the interest rate earned on pooled fund investments in the previous fiscal year. All transfers authorized under this subsection shall be approved by the governor and reported to the joint appropriations committee through the B-11 process as authorized by W.S. 9-2-1005(b) (ii) and reported pursuant to W.S. 9-2-1013(b). This reappropriation shall not be loaned, transferred or expended for any other purpose not specified in this subsection and any unexpended, unobligated funds remaining from this reappropriation shall revert as provided by law on June 30, 2020.

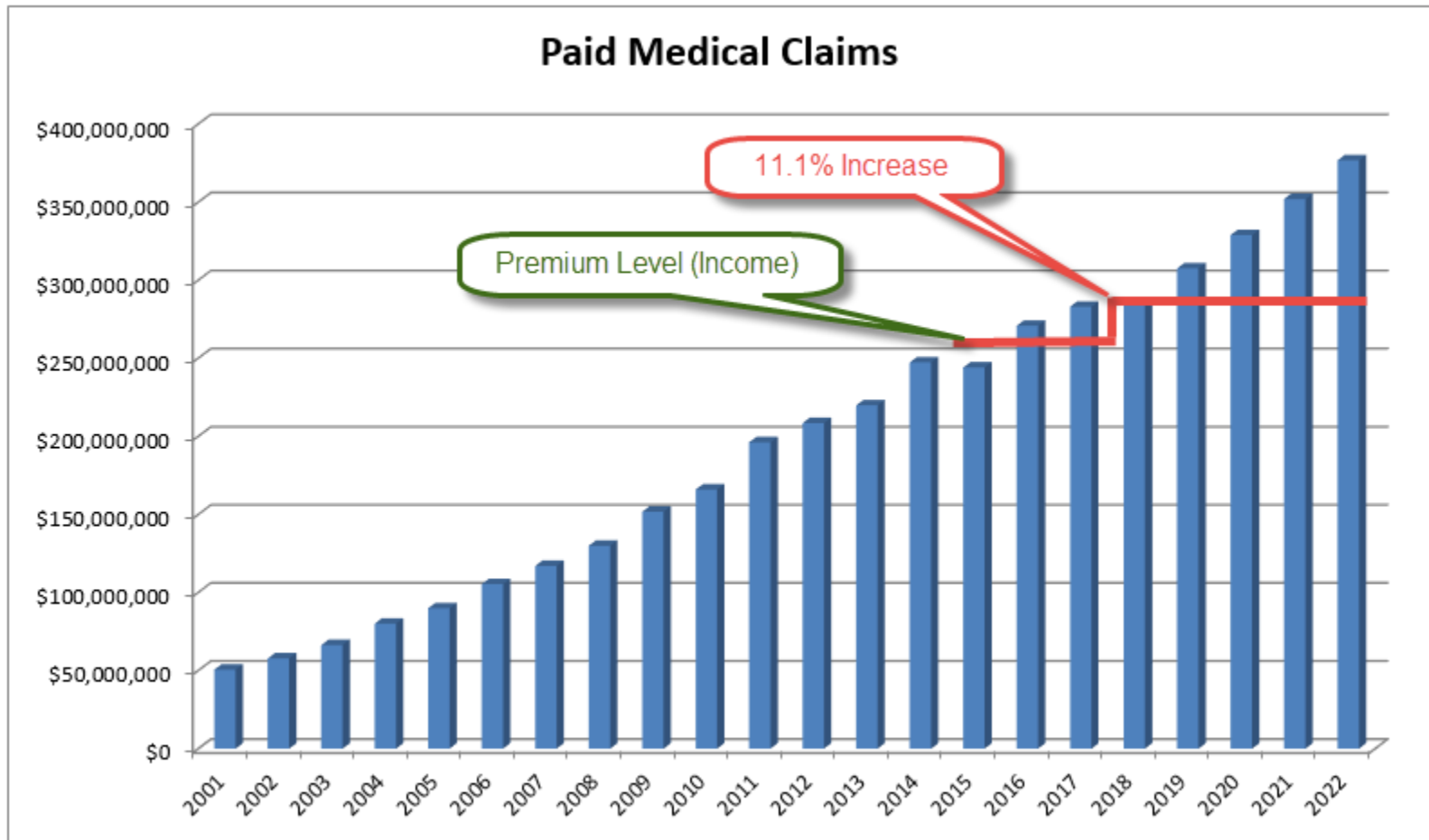
# Paid Medical Claims History



# Paid Medical Claims History



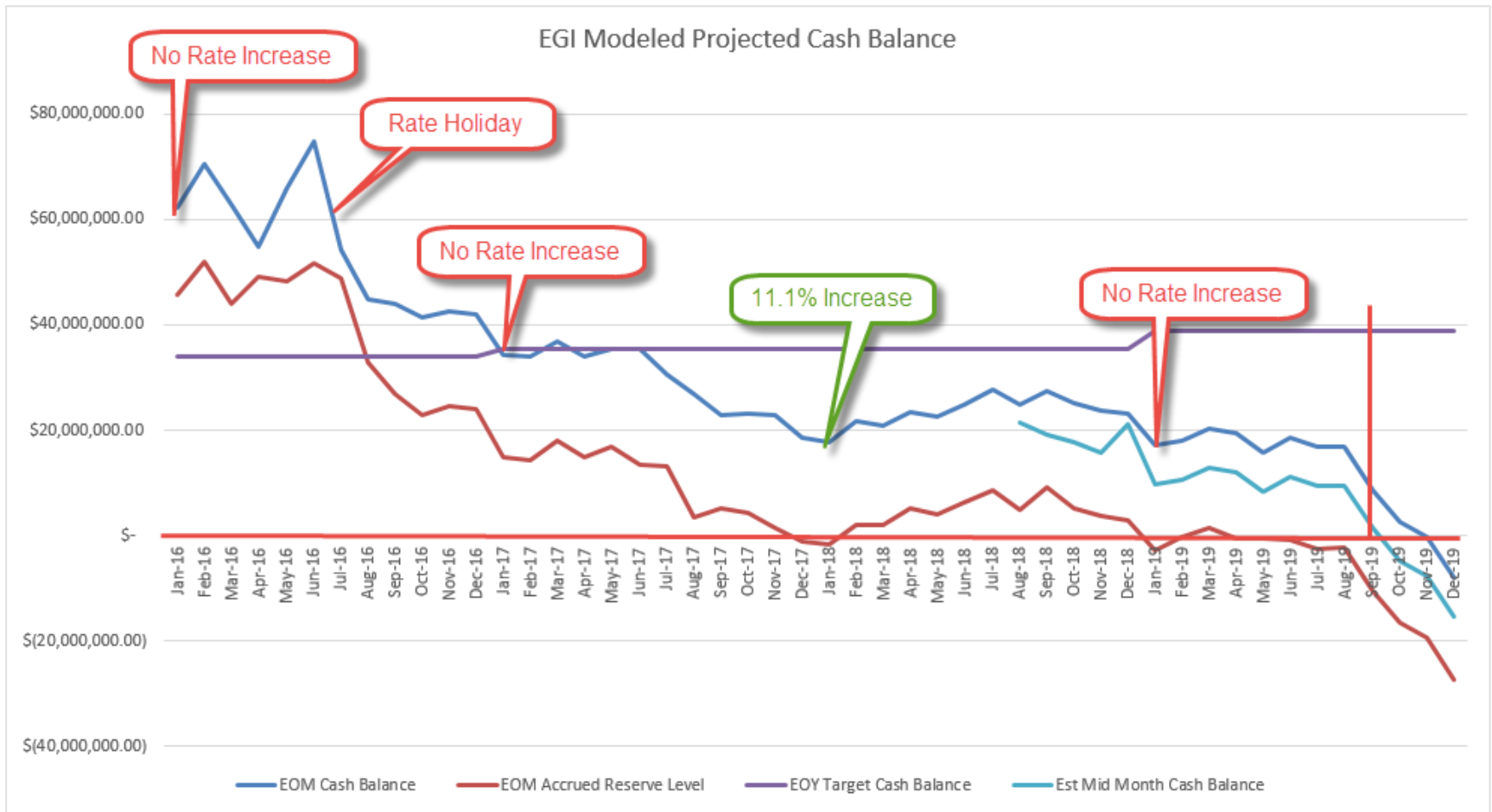
# Income/Medical Paid Claims



# Previous Proposed Rate Increases

Plan Year	EGI Recommended	EGI Alternate	A&I Recommendation	Budget Recommendation	Governor's Decision
2016	6.6% Increase	Change deductibles plus 4.4% Increase		Rate Holiday and no rate increase	Rate Holiday and no rate increase
2017	8.5% Increase	Change deductibles plus 6.6% Increase		No rate increase	No rate increase but increase deductibles
2018	22.0% Increase	Reviewed employer contribution alternatives	14% Sept 20th Memo to Kari Gray from Dean Fausset	6% rate increase	11.1% increase
2019	13.9% Increase	Eliminate lowest deductible, add copays, also 11.6% increase		No rate increase	No rate increase
* the 20.8% increase was designed to prevent program from going into the negative and requiring a 26.8% increase January 1st plus invoking the need for the borrowing authority					

# EGI Cash Balance History



# Balance Sheet

## Employees' Group Insurance Balance Sheet Funds 524, 525, & 564

	April 30, 2019	Estimated December 31, 2019
<b>Assets</b>		
Fund 524 - Health Insurance	\$ 961,315.44	
Fund 525 - Administration/Reserves	\$ 17,548,829.10	
Fund 564 - Dental	\$ 959,537.14	
Cash Balance	\$ 19,469,681.68	\$ (4,520,591.44)
<b>Liabilities</b>		
Current Liabilities		
Outstanding Health (Previous Month)	\$ 4,717,484.95	\$ 3,943,394.85
Outstanding Pharmacy (Previous Month)	\$ 1,236,528.64	\$ 1,092,158.69
Outstanding Dental (Previous Month)	\$ 1,205,826.13	\$ 1,141,320.04
Unearned Premium (Deposit for future months)	\$ 12,877,487.60	\$ 13,437,044.82
Incurred but not reported claims	\$ 30,516,000.00	\$ 33,326,000
Total Liabilities	\$ 50,553,327.32	\$ 52,939,918.41
Fund Equity	\$ (31,083,645.64)	\$ (57,460,509.84)



# Reserve Projections Cash Basis

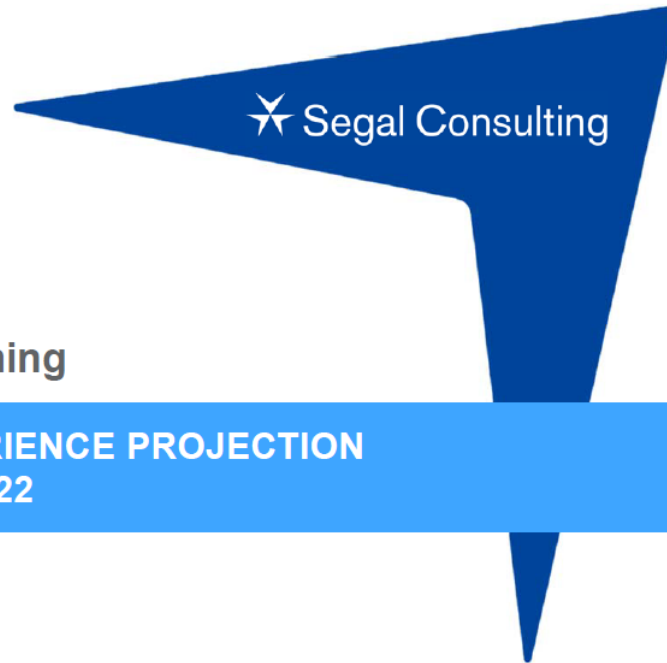
## RESERVE PROJECTIONS CASH BASIS

Target - 1.5 Months of Paid Claims

JUNE 4, 2019

Cash Balance A617 Dept 006 April 30, 2019		2019	2020
Fund 524 - Health Insurance	\$	961,315.44	
Fund 525 - Administration/Reserves	\$	17,548,829.10	
Fund 564 - Dental	\$	959,537.14	
Cash Balance	\$	19,469,681.68	\$ (4,520,591.44)
		Months Left	8
Estimated Additional Premium Income Health 2019	\$	183,576,040.51	
Estimated Additional Premium Income Dental 2019	\$	8,798,945.44	
Estimated Additional Other Income 2019	\$	4,943,162.08	
Estimated Additional Interest Income 2019	\$	384,799.01	
Estimated Additional Rebate Income 2019	\$	3,092,884.90	
Total Estimated Additional Income	\$	200,795,831.93	
Estimated Additional Admin Expenses	\$	(1,183,131.67)	
Estimated Additional Admin Fees (Cigna/Delta)	\$	(4,018,724.24)	
Estimated Additional Medical/Pharmacy Claims 2019	\$	(213,078,347.24)	
Estimated Additional Dental Claims 2019	\$	(9,094,893.48)	
Estimated Claims Adjustment (paid vs incurred (.8%))	\$	\$2,588,991.58	
Total Estimated Additional Expenses	\$	(224,786,105.05)	
<b>Expected gains/loss at current funding levels</b>	<b>\$</b>	<b>(23,990,273.12)</b>	<b>(\$64,415,340.16)</b>
Estimated cash balance level for January 1, 2020	\$	(4,520,591.44)	\$ (68,935,931.60)
Projected Monthly Medical Claims			\$ 27,612,964.58
Projected Monthly Dental Claims			\$1,181,109.75
Total			\$28,794,074.33
A&I Reserve Policy Level - 1 1/2 months of paid claims	\$	43,191,111.50	
Estimated Cash Balance to Target Variance January 1st 2020	\$	(47,711,702.94)	

# Actuarial Review Budget Edition



State of Wyoming

**CLAIMS EXPERIENCE PROJECTION  
CY2019 – CY2022**

April 1, 2019

Nura Patani, PhD, ASA, MAAA  
Senior Consultant and Actuary  
602.381.4033  
[npatani@segalco.com](mailto:npatani@segalco.com)

# New Biennium Budget Projections

- On behalf of the participating entities per 9/3/210 (c) "Each state agency, department or institution, including the University of Wyoming and the community colleges in the state shall estimate the amount required for its participation in the group insurance plan for the next biennium and shall submit the estimate to the state budget officer at the time the state budget officer makes the request." EGI provided budget officer with long term rate and employer contribution projections (2020, 21, & 22) on April 26th (calculated rates and employer contribution based upon the early Segal Consulting actuary numbers).
- On April 29th EGI sent the budget officer a copy of Segal's April 1<sup>st</sup> actuary report at his request.

# Actuarial Review Rates

The logo for Segal Consulting is a large, dark blue, stylized shape resembling a compass needle or a stylized 'S'. It is positioned in the upper right quadrant of the slide. The text 'Segal Consulting' is written in white, sans-serif font, with a white star icon to the left of the word 'Segal'.

★ Segal Consulting

State of Wyoming

**CLAIMS EXPERIENCE PROJECTION  
CY2019 – CY2022**

May 28, 2019

Nura Patani, PhD, ASA, MAAA  
Senior Consultant and Actuary  
602.381.4033  
[npatani@segalco.com](mailto:npatani@segalco.com)

# Actuarial Review (2020 Rates)

## Trends

- Medical 6.5%
- Prescription Drug 9.0%
- Composite Trend 7.0%
  
- Preventive Dental 3.5%
- Optional Dental 3.5%

	<b>2019</b>	<b>2020</b>
Projected Med Claims Base	\$309,930,242	\$331,355,575
Projected Med Claims 95%	\$333,180,986	\$356,116,950
Projected Den Claims Base	\$ 13,693,704	\$ 14,173,317

# 2020 Considerations

- No Rate Increase for 2019
- Program is deficit spending and has no surplus cash balances
- Projected 2019 losses plus or minus \$24 million
- Income/Expense modeling indicated program would not have sufficient cash to pay invoices the third week of October
- December 31, 2019 cash balance is expected to be between negative \$4.5 and \$6.5 million.
- January 1<sup>st</sup> rate increase to bring cash balance back to \$18 to \$19 million and begin rebuilding reserves was calculated to be 26.9%.
- Waiting for January to implement the option above was impractical as EGI cash was expected to be in the negative.
- It is important to note that when end of month cash balances drop to below approximately \$19 million the Employees' and Officials' Group Insurance Program effectively has zero reserves and is operating entirely on cash float.

# 2020 Considerations

- Current enrollment is 37,047 members
- No significant change in participant demographics or shifts in enrollment which had impact upon projections.
- Slight changes in employer contributions create huge increases to employees via cost shifting.

# EGL Rate 2020 Recommendation

- The unusual and extraordinary measure of an early increase was needed to mitigate the severity of the fiscal situation. The concern was that by the second or third week of October, the EGL cash balance would be in the negative. Without a significant increase in premiums, this situation would only get worse.
- EGL recommended implementing a midyear rate increase effective September 1<sup>st</sup> which would stop the hemorrhaging of plan assets, stop the potential need to invoke the borrowing authority in October, and reduces the estimated rate increase of 26.9% to 20.8%.
- EGL recommended that A&I spread the rebuilding of program reserves contribution over a three year period with the 2020 rates above being the first rebuilding year. The recommended rates maintains premium adequacy and begins to reestablish reserve adequacy based upon actuarial valuations and the financial projections.
- EGL included an alternate benefit design which reduces the employer contributions paid by the State and participating entities. Changes include:
  - Eliminate the \$500 deductible option;
  - Increase the HSA plan deductible from \$1,500 to \$1,600;
  - Add office visit copayments for the \$900 and \$2,000 plans:
    - \$35 – Primary care participating physician visits
    - \$55 – Specialist participating physician visits

(note: copayment would not apply to non-participating providers, urgent/acute care, lab work, Rx, and treatment codes beyond office visit)
- The option would shift costs from the State and to the employees



# Comparator Plans

- Comparisons of increases with other plans would not be appropriate because other plans may have had consistent steady increases while EGI has not.
- We did however take a look at other state reserve policies and levels. We found that Wyoming had the second to the lowest reserve percentage policy.

# Notifications

- Advisory Panel was notified of EGI recommended rate increase at July 23<sup>rd</sup> meeting. Representatives from agencies, University of Wyoming, community colleges, and Natrona Co School District were present.
- Retirees were mailed notices on Friday, August 30<sup>th</sup>.
- Human Resources and Benefit Specialists were notified just prior to employee notifications.
- Employees were notified on Tuesday, September 3<sup>rd</sup> after Memorial Day.

# Future implications

- The 18.4% proposed rates were breakeven and would have put the program in a holding pattern before beginning to reestablish reserve adequacy based upon actuarial valuations and the financial projections.
- Without any changes in plans and based on previous projections, additional increases of 12.3% for 2021 and 8.6% for 2022 would have been needed in order to climb out of deficit spending and begin to build our reserves to the level recommended by our contracted actuary and insurance best practice.
- Now that the increase is 12 percent, future increases will have to be monitored and recalculated, which is a normal process as projected claims are not always probable.