

Fiscal Year 2022 Budget Projection

FY22 Monthly Budget Update

Combined SEBC Subcommittee Meeting

June 17, 2021



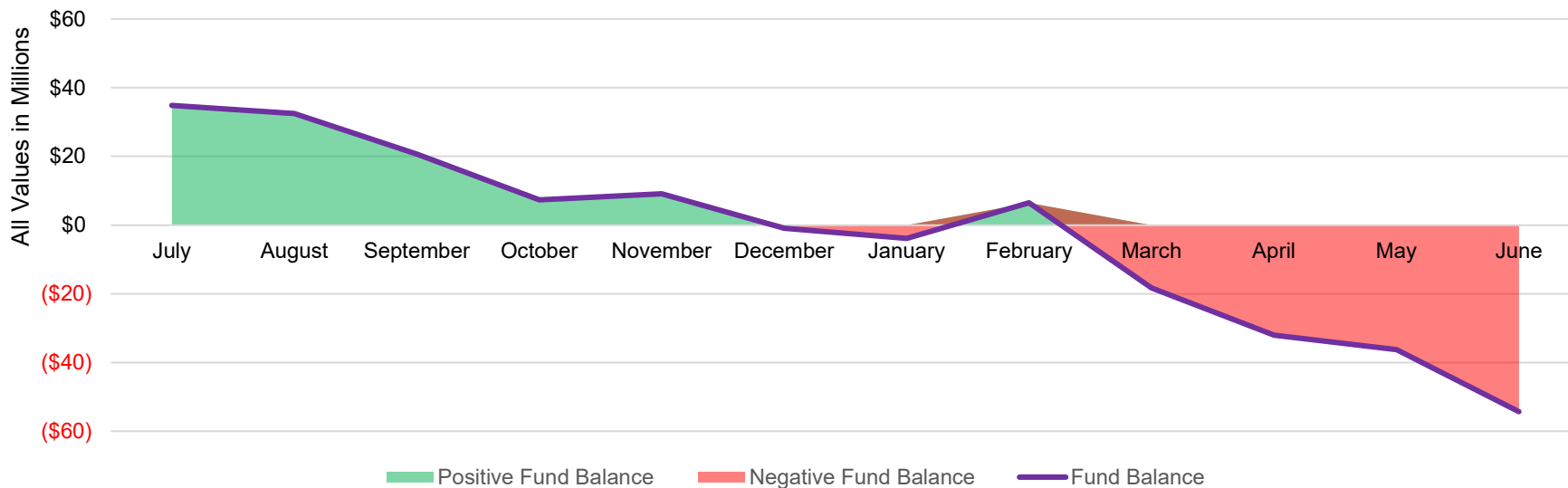
GHIP long term health care cost projections (FY22 monthly budget)

Revised projections

- WTW presented a budget projection to the SEBC on 5/10, reflecting a FY22 deficit of \$47.0M
- Projections have been updated to show FY22 net income on a monthly basis to highlight when the GHIP Fund Equity will reach a deficit during FY22
- FY22 monthly budget also reflects the following updates from FY21 Q3 update presented on 5/10:
 - May claims experience now included in claims projection (\$1.2M deficit to budget in May); June claims still expected at FY21 budgeted level
 - Prior projections reflected full FY22 savings attributable to CVS Health PBM contract (\$30.4M); revised projections reflect savings on a paid basis
 - Assumes six-month lag on rebate payments; Commercial rebates for FY22 Q1 and Q2 expected to be received in FY22 Q3 and Q4
 - EGWP contract effective 1/1/2022; with six-month lag, FY22 rebates not expected to be received until FY23
 - Increases FY22 operating expenses by approximately \$12M
 - Other expenses annualized based on actual FY21 payments through April (prior projection reflected actuals through March)
- FY22 monthly budget and revised long-term projections shown under three scenarios:
 - Scenario 1: excluding potential COVID-19 reimbursements
 - Scenario 2: including anticipated COVID-19 reimbursement of \$23.3M (assumed to be received in July 2021)
 - Scenario 3: including anticipated COVID-19 reimbursement of \$23.3M as well as one-time supplemental bill funding of \$20m (assumed to be received in July 2021)

GHIP long term health care cost projections (Scenario 1)

Projected Monthly Surplus (Deficit) After Reserves (*excludes* COVID-19 reimbursement)



Projected FY22 Surplus (Deficit)¹

	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Operating Revenues	\$76.6M	\$92.1M	\$72.4M	\$72.6M	\$100.3M	\$72.6M	\$87.7M	\$97.6M	\$72.9M	\$81.1M	\$98.1M	\$73.1M
Operating Expenses	(\$87.9M)	(\$94.5M)	(\$84.2M)	(\$85.8M)	(\$98.5M)	(\$82.6M)	(\$90.7M)	(\$87.3M)	(\$97.7M)	(\$94.8M)	(102.3M)	(\$91.2M)
Net Income	(\$11.3M)	(\$2.4M)	(\$11.8M)	(\$13.3M)	\$1.8M	(\$10.0M)	(\$3.0M)	\$10.3M	(\$24.8M)	(\$13.7M)	(\$4.2M)	(\$18.1M)
Project Surplus (Deficit)	\$33.6M	\$31.2M	\$19.4M	\$6.2M	\$7.9M	(\$2.1M)	(\$5.0M)	\$5.3M	(\$19.5M)	(\$33.2M)	(\$37.4M)	(\$55.5M)

1. Projected Surplus/Deficit is cumulative based on a projected FY21 year-end surplus balance of \$27.0m net of reserves and release of \$23.5m COVID-19 reserve as of 7/1/2021

GHIP long term health care cost projections (Scenario 1)

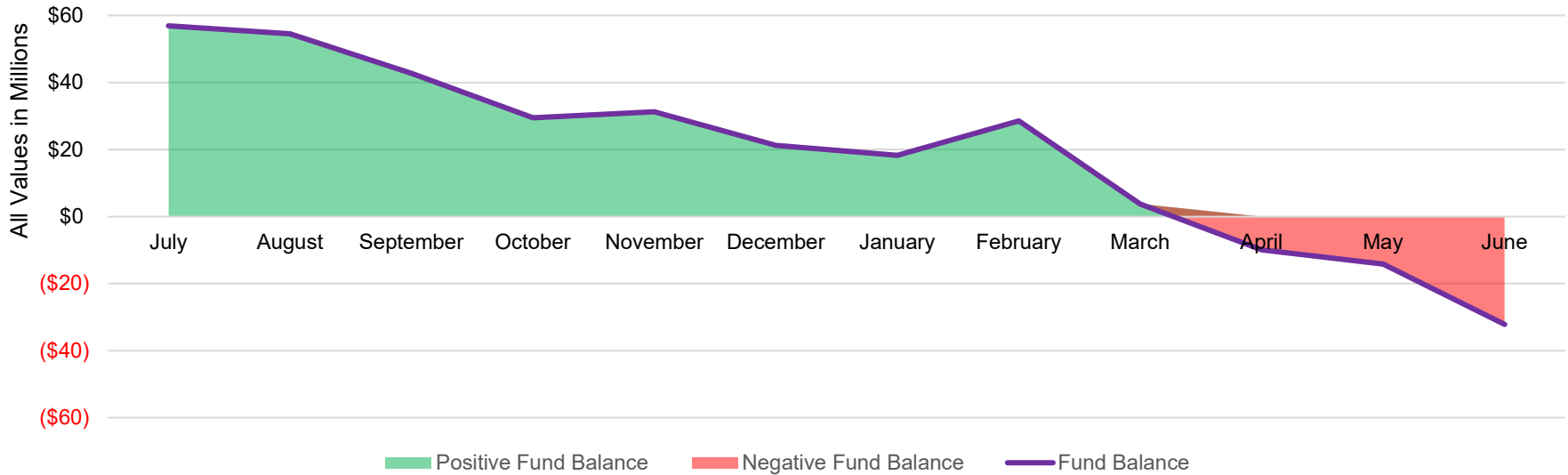
No premium increases FY21-FY26 (**excludes** COVID-19 reimbursement)

GHIP Costs (\$ millions)	FY20 Actual	FY21 Projected ¹	FY22 Projected ¹	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹
Average Enrolled Members	128,531	130,071	131,297	132,610	133,936	135,275	136,628
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$840.7	\$849.2	\$857.7	\$866.3	\$874.9	\$883.7
<i>Hold premium rates flat FY21 and beyond</i>	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$122.8	\$129.4	\$148.0	\$152.3	\$162.2	\$172.8	\$184.1
Total Operating Revenues	\$953.7	\$970.1	\$997.1	\$1,010.0	\$1,028.5	\$1,047.7	\$1,067.8
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,027.5	\$1,097.5	\$1,154.7	\$1,232.7	\$1,316.0	\$1,405.0
% Change Per Member	0.9%	9.5%	5.8%	4.2%	5.7%	5.7%	5.7%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$57.4)	(\$100.4)	(\$144.7)	(\$204.2)	(\$268.3)	(\$337.2)
Balance Forward	\$163.8	\$189.8	\$132.3	\$31.9	(\$112.7)	(\$316.9)	(\$585.2)
Ending Balance	\$189.8	\$132.3	\$31.9	(\$112.7)	(\$316.9)	(\$585.2)	(\$922.4)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.4	\$64.6	\$69.0	\$73.7	\$78.7
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$26.0	\$27.4	\$29.3	\$31.3	\$33.4
- Less COVID-19 Reserve ⁶		\$23.5					
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$27.0	(\$55.5)	(\$204.7)	(\$415.2)	(\$690.2)	(\$1,034.5)

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

GHIP long term health care cost projections (Scenario 2)

Projected Monthly Surplus (Deficit) After Reserves (*includes* COVID-19 reimbursement)



Projected FY22 Surplus (Deficit)¹

	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Operating Revenues	\$99.9M	\$92.1M	\$72.4M	\$72.6M	\$100.3M	\$72.6M	\$87.7M	\$97.6M	\$72.9M	\$81.1M	\$98.1M	\$73.1M
Operating Expenses	(\$87.9M)	(\$94.5M)	(\$84.2M)	(\$85.8M)	(\$98.5M)	(\$82.6M)	(\$90.7M)	(\$87.3M)	(\$97.7M)	(\$94.8M)	(\$102.3M)	(\$91.2M)
Net Income	\$12.0M	(\$2.4M)	(\$11.8M)	(\$13.3M)	\$1.8M	(\$10.0M)	(\$3.0M)	\$10.3M	(\$24.8M)	(\$13.7M)	(\$4.2M)	(\$18.1M)
Project Surplus (Deficit)	\$56.9M	\$54.5M	\$42.7M	\$29.5M	\$31.2M	\$21.2M	\$18.3M	\$28.6M	\$3.8M	(\$9.9M)	(\$14.1M)	(\$32.2M)

1. Projected Surplus/Deficit is cumulative based on a projected FY21 year-end surplus balance of \$27.0m net of reserves and release of \$23.5m COVID-19 reserve as of 7/1/2021

GHIP long term health care cost projections (Scenario 2)

No premium increases FY21-FY26 (*includes* COVID-19 reimbursement)

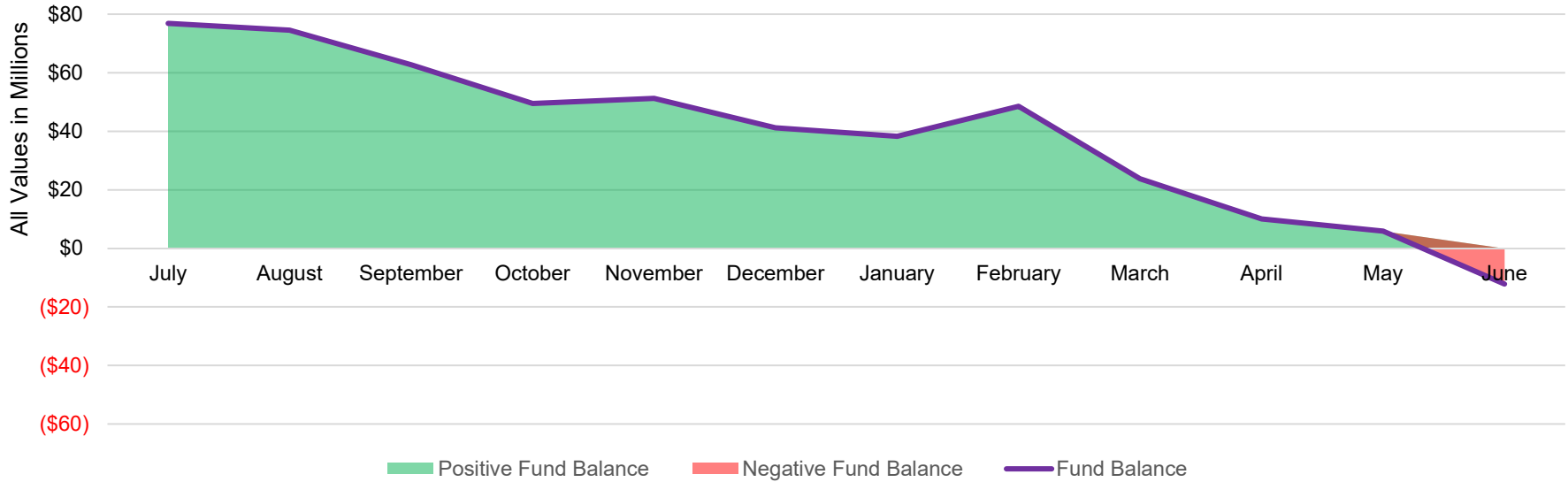
GHIP Costs (\$ millions)	FY20 Actual	FY21 Projected ¹	FY22 Projected ¹	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹
Average Enrolled Members	128,531	130,071	131,297	132,610	133,936	135,275	136,628
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$840.7	\$849.2	\$857.7	\$866.3	\$874.9	\$883.7
<i>Hold premium rates flat FY21 and beyond</i>	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$122.8	\$129.4	\$171.3	\$152.3	\$162.2	\$172.8	\$184.1
Total Operating Revenues	\$953.7	\$970.1	\$1,020.4	\$1,010.0	\$1,028.5	\$1,047.7	\$1,067.8
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,027.5	\$1,097.5	\$1,154.7	\$1,232.7	\$1,316.0	\$1,405.0
% Change Per Member	0.9%	9.5%	5.8%	4.2%	5.7%	5.7%	5.7%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$57.4)	(\$77.1)	(\$144.7)	(\$204.2)	(\$268.3)	(\$337.2)
Balance Forward	\$163.8	\$189.8	\$132.3	\$55.2	(\$89.4)	(\$293.6)	(\$561.9)
Ending Balance	\$189.8	\$132.3	\$55.2	(\$89.4)	(\$293.6)	(\$561.9)	(\$899.1)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.4	\$64.6	\$69.0	\$73.7	\$78.7
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$26.0	\$27.4	\$29.3	\$31.3	\$33.4
- Less COVID-19 Reserve ⁶		\$23.5					
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$27.0	(\$32.2)	(\$181.4)	(\$391.9)	(\$666.9)	(\$1,011.2)

- FY22 Other Revenues (\$171.3m) include one-time COVID-19 expense reimbursement payment of \$23.3m expected to be received in July 2021

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

GHIP long term health care cost projections (Scenario 3)

Projected Monthly Surplus (Deficit) After Reserves (*includes* COVID-19 reimbursement and supp. bill funding)



Projected FY22 Surplus (Deficit)¹

	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Operating Revenues	\$119.9M	\$92.1M	\$72.4M	\$72.6M	\$100.3M	\$72.6M	\$87.7M	\$97.6M	\$72.9M	\$81.1M	\$98.1M	\$73.1M
Operating Expenses	(\$87.9M)	(\$94.5M)	(\$84.2M)	(\$85.8M)	(\$98.5M)	(\$82.6M)	(\$90.7M)	(\$87.3M)	(\$97.7M)	(\$94.8M)	(\$102.3M)	(\$91.2M)
Net Income	\$32.0M	(\$2.4M)	(\$11.8M)	(\$13.3M)	\$1.8M	(\$10.0M)	(\$3.0M)	\$10.3M	(\$24.8M)	(\$13.7M)	(\$4.2M)	(\$18.1M)
Project Surplus (Deficit)	\$76.9M	\$74.5M	\$62.7M	\$49.5M	\$51.2M	\$41.2M	\$38.3M	\$48.6M	\$23.8M	\$10.1M	\$5.9M	(\$12.2M)

1. Projected Surplus/Deficit is cumulative based on a projected FY21 year-end surplus balance of \$27.0m net of reserves and release of \$23.5m COVID-19 reserve as of 7/1/2021

GHIP long term health care cost projections (Scenario 3)

No premium increases FY21-FY26 (*includes* COVID-19 reimbursement and supp. bill funding)

GHIP Costs (\$ millions)	FY20 Actual	FY21 Projected ¹	FY22 Projected ¹	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹
Average Enrolled Members	128,531	130,071	131,297	132,610	133,936	135,275	136,628
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$840.7	\$849.2	\$857.7	\$866.3	\$874.9	\$883.7
<i>Hold premium rates flat FY21 and beyond</i>	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$122.8	\$129.4	\$191.3	\$152.3	\$162.2	\$172.8	\$184.1
Total Operating Revenues	\$953.7	\$970.1	\$1,040.4	\$1,010.0	\$1,028.5	\$1,047.7	\$1,067.8
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,027.5	\$1,097.5	\$1,154.7	\$1,232.7	\$1,316.0	\$1,405.0
% Change Per Member	0.9%	9.5%	5.8%	4.2%	5.7%	5.7%	5.7%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$57.4)	(\$57.1)	(\$144.7)	(\$204.2)	(\$268.3)	(\$337.2)
Balance Forward	\$163.8	\$189.8	\$132.3	\$75.2	(\$69.4)	(\$273.6)	(\$541.9)
Ending Balance	\$189.8	\$132.3	\$75.2	(\$69.4)	(\$273.6)	(\$541.9)	(\$879.1)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.4	\$64.6	\$69.0	\$73.7	\$78.7
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$26.0	\$27.4	\$29.3	\$31.3	\$33.4
- Less COVID-19 Reserve ⁶		\$23.5					
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$27.0	(\$12.2)	(\$161.4)	(\$371.9)	(\$646.9)	(\$991.2)

- FY22 Other Revenues (\$191.3m) include \$23.3m one-time COVID-19 expense reimbursement payment and \$20m supplemental bill funding expected to be received in July 2021

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

GHIP long term health care cost projections (FY22 monthly budget)

Premium increase scenarios

- Excluding potential COVID-19 expense reimbursement, the GHIP is projected to end FY22 with a \$55.5M deficit, first reaching deficit position in December 2021 (Scenario 1)
 - The Fund is projected to first reach deficit position in December 2021, return to a surplus position in February 2022, and ultimately reach deficit position for good in March 2022
- Including anticipated \$23.3M COVID-19 expense reimbursement (to be received July 2021), the GHIP is projected to end FY22 with a \$32.2M deficit, first reaching deficit position in April 2022 (Scenario 2)
- Including \$23.3M COVID-19 expense reimbursement and \$20M supplemental bill funding, the GHIP is projected to end FY22 with a \$12.2M deficit, first reaching deficit position in June 2022 (Scenario 3)
- The table on the following page illustrates the premium increases required to solve for the FY22 deficit by month of rate action, along with the corresponding FY23 deficit assuming no additional premium increases, for each of the three scenarios:

GHIP long term health care cost projections (FY22 monthly budget)

Premium increase scenarios

Effective month of premium increase	Premium Increase %	FY22 Surplus/ (Deficit)	FY23 Surplus/ (Deficit)	7/1/2022 increase to solve for FY23 deficit
Scenario 1: excluding COVID-19 reimbursement				
December 2021	11.2%	\$0.0M	(\$53.4M)	6.2%
January 2022	13.1%	\$0.0M	(\$37.4M)	4.4%
February 2022	15.7%	\$0.1M	(\$14.5M)	1.7%
March 2022	19.6%	\$0.0M	\$18.9M	n/a
Scenario 2: including COVID-19 reimbursement				
January 2022	7.6%	\$0.0M	(\$84.0M)	9.8%
April 2022	15.2%	\$0.1M	(\$18.8M)	2.2%
April 2022	17.0%	\$3.9M	\$0.5M	n/a
Scenario 3: including COVID-19 reimbursement and supplemental bill funding				
January 2022	2.9%	\$0.0M	(\$124.8M)	14.5%
February 2022	3.4%	\$0.0M	(\$119.9M)	14.0%
March 2022	4.3%	\$0.0M	(\$112.6M)	13.1%
April 2022	5.7%	\$0.0M	(\$100.3M)	11.7%
May 2022	8.6%	\$0.0M	(\$75.9M)	8.8%
June 2022	17.1%	\$0.0M	(\$1.7M)	0.2%
July 2022	18.8%	(\$12.2M)	\$0.0M	n/a

FY22 monthly rates and employee/retiree contributions

Illustrative: 18.8% increase effective 7/1/2022

FY22 reflects employee contribution increases of \$5.23 - \$51.30 per employee per month (\$62.76 - \$615.60 per year) and State subsidy increases of \$125.50 - \$338.58 per employee per month (\$1,506.00 - \$4,062.96 per year) effective 7/1/2022

	FY 2021			FY 2022 with 18.8% Increase (effective 7/1/2022)			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$826.09	\$33.07	\$793.02	\$5.23	\$62.76	\$125.50	\$1,506.00
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,709.15	\$68.33	\$1,640.82	\$10.81	\$129.72	\$259.66	\$3,115.92
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,255.74	\$50.20	\$1,205.54	\$7.94	\$95.28	\$190.78	\$2,289.36
Family	\$1,798.42	\$71.92	\$1,726.50	\$2,136.52	\$85.44	\$2,051.08	\$13.52	\$162.24	\$324.58	\$3,894.96
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$854.98	\$42.74	\$812.24	\$6.76	\$81.12	\$128.54	\$1,542.48
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,772.76	\$88.60	\$1,684.16	\$14.02	\$168.24	\$266.52	\$3,198.24
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,306.28	\$65.29	\$1,240.99	\$10.33	\$123.96	\$196.39	\$2,356.68
Family	\$1,895.74	\$94.78	\$1,800.96	\$2,252.14	\$112.60	\$2,139.54	\$17.82	\$213.84	\$338.58	\$4,062.96
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$862.42	\$56.03	\$806.39	\$8.87	\$106.44	\$127.61	\$1,531.32
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,818.33	\$118.21	\$1,700.12	\$18.71	\$224.52	\$269.04	\$3,228.48
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,319.30	\$85.75	\$1,233.55	\$13.57	\$162.84	\$195.21	\$2,342.52
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,268.87	\$147.45	\$2,121.42	\$23.33	\$279.96	\$335.72	\$4,028.64
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$943.11	\$124.95	\$818.16	\$19.77	\$237.24	\$129.48	\$1,553.76
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,957.04	\$259.29	\$1,697.75	\$41.03	\$492.36	\$268.67	\$3,224.04
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,453.47	\$192.55	\$1,260.92	\$30.47	\$365.64	\$199.54	\$2,394.48
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,446.57	\$324.16	\$2,122.41	\$51.30	\$615.60	\$335.87	\$4,030.44