

# **Financial Update**

Presentation to Committee on Employee  
Hospital and Medical Benefits

September 16, 2009

# Presentation Outline

- Financial Results for FY 2008-09
- Year to Date Results for FY 2009-10
- Update to 2009-11 Biennial Forecast
- Next Steps
- Take Away Points

# Financial Comparison

## Fiscal Year 2008-2009

### Actual vs. Budgeted

	<b>FY 08-09 Actual</b>	<b>FY 08-09 Recasted Budget</b>	<b>Variance Over/(Under) Budget</b>
Beginning Cash Balance	\$139.7 m	\$139.7 m	\$0.0 m
Plan Revenue	\$2.675 b	\$2.330 b	\$345.1 m
Net Claims Payment	\$2.459 b	\$2.426 b	\$33.4 m
Net Admin. Expenses	<u>\$165.8 m</u>	<u>\$168.6 m</u>	<u>(\$2.8 m)</u>
Total Plan Expense	\$2.625 b	\$2.594 b	\$30.6 m
Net Income/(Loss)	\$50.1 m	(\$264.4 m)	\$314.5 m
Ending Cash Balance	\$189.9 m	(\$124.6 m)	\$314.5 m

# Fiscal Year 2008-2009

## Notes to Financial Report

- Results include impact of \$250 million appropriation from Savings Reserve Account
  - Without appropriation, net loss = \$200 million
- In June received \$52 million in premium payments for July coverage (i.e. receipts budgeted in FY 2009-10)
  - Without prepayment, net loss of \$2 million
- In summary, the Plan's total revenues, net income and ending cash balance were impacted by \$302 million as noted above.
- Setting aside the impact of the \$302 million, the Plan's net income and ending cash balance for FY 08-09 were within \$12.5 million of the budgeted amounts.
- Higher than projected membership contributed to higher than projected total premium collections as well as higher than projected total claims payments.

# Financial Comparison

## Fiscal Year 2008-2009

### Per Member Per Month (PMPM)\*

	<b>Actual</b>	<b>Recasted Budget</b>	<b>Variance Over/(Under) Budget</b>
Plan Revenue	\$297.85	\$299.49	(\$1.65)
Claims Payment	\$310.01	\$311.80	(\$1.79)
Net Admin. Expenses	<u>\$20.90</u>	<u>\$21.68</u>	<u>(\$0.78)</u>
Total Plan Expense	\$330.91	\$333.48	(\$2.57)
Net Income/(Loss)	(\$33.06)	(\$33.98)	\$0.92

\* Adjusted for \$250 million appropriation and \$52 million prepaid premiums (i.e. those amounts are not reflected in actual Plan Revenue PMPM amount)

# Financial Comparison

## Fiscal Year 2009-2010 Year to Date

### Actual vs. Budgeted

	<b>Actual thru August 2009</b>	<b>Certified Budget (per SL 2009-16)</b>	<b>Variance Over/(Under) Budget</b>
Beginning Cash Balance	\$189.9 m	146.8 m	\$43.0 m
Plan Revenue	\$382.9 m	\$422.0 m	(\$39.1 m)
Net Claims Payment	\$419.2 m	\$387.3 m	\$31.8 m
Net Admin. Expenses	<u>\$27.3 m</u>	<u>\$30.9m</u>	<u>(\$3.6 m)</u>
Total Plan Expense	\$446.5 m	\$418.2 m	\$28.2 m
Net Income/(Loss)	(\$63.5 m)	\$3.8 m	(\$67.4 m)
Ending Cash Balance	\$126.3 m	\$150.6 m	(\$24.3m)

# Fiscal Year 2009-2010

## Notes to YTD Financial Report

- Revenue variance due to July premium payments received in June (\$52 million)
- Expense variance attributed to \$30 to \$38 million spike in June incurred claims
  - Cash payments for June services spread over several months
  - Most impact in July and August, residual in September and beyond

# 2009-2011 Biennium Forecast

## Certified vs. Updated Fiscal Year 2009-2010

<b>1<sup>st</sup> Year</b>	<b>Certified Budget</b> (per SL 2009-16)	<b>Updated Aon Consulting</b> Aug 18, 2009	<b>Difference Increase/ (Decrease)</b>
Beginning Cash Balance	\$146.8 m	\$189.9 m	(\$43.1 m)
Plan Revenue	\$2.501 b	\$2.500 b	(\$1.0 m)
Net Claims Payment	\$2.300 b	\$2.373 b	\$73.0 m
Net Admin. Expenses	<u>\$185.6 m</u>	<u>181.5 m</u>	<u>(\$4.1 m)</u>
Total Plan Expense	\$2.486 b	\$2.554 b	\$68.0 m
Net Income/(Loss)	\$14.7 m	(\$54.1 m)	(\$68.8 m)
Ending Cash Balance	\$161.6 m	\$135.7 m	(\$25.9 m)

# 2009-2011 Biennium Forecast

## Certified vs. Updated Fiscal Year 2010-2011

<b>2<sup>nd</sup> Year</b>	<b>Certified Budget</b> (per SL 2009-16)	<b>Updated Aon Consulting</b> Aug 18, 2009	<b>Difference Increase/ (Decrease)</b>
Beginning Cash Balance	\$161.6 m	\$135.7 m	(\$25.9 m)
Plan Revenue	\$2.712 b	\$2.758 b	\$46.0 m
Net Claims Payment	\$2.490 b	\$2.534 b	\$44.0 m
Net Admin. Expenses	<u>\$191.7 m</u>	<u>191.7 m</u>	<u>\$0.0 m</u>
Total Plan Expense	\$2.681 b	\$2.725 b	\$44.0 m
Net Income/(Loss)	\$30.6 m	\$32.6 m	\$2.0 m
Ending Cash Balance	\$192.2 m	\$168.4 m	(\$23.8m)

# 2009-2011 Fiscal Biennium

## Notes to Updated Forecast

- September 2011 cash balance is currently forecasted to be:
  - \$26 million less than the certified budget and
  - \$30 million less than the revised targeted stabilization reserve amount.
- At this time, insufficient information to determine if July and August claims experience is in line with the certified budget

# Financial Update

## Next Steps

- Aon Consulting will provide another updated forecast in October
- Will know July incurred claims by then
- Will include projection for 2011-2013 fiscal biennium

# Take Away Points

At this time,

- Cash balance is projected to be \$24 million less than budgeted by the end of the biennium.
  - \$168.4 million ending balance will equate to slightly more than 3 weeks of operating expenses
  - Variance result of June 2009 spike in incurred claims
- Too early to tell whether the Plan's FY 09-10 and FY 10-11 claims experience will exceed budgeted levels
- Will know more in late October

# Questions

State Health Plan for Teachers and State Employees

[www.shpnc.org](http://www.shpnc.org)

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