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Correspondence Memorandum

Date: April 19, 2019

To: Group Insurance Board

From: Eileen Mallow, Director
Office of Strategic Health Policy

Subject: Preliminary Health Insurance Reserves

This item is informational only. No Board action is required.

Below is the preliminary health insurance reserves estimate for the State of Wisconsin Group Health Insurance Program for December 31, 2018. Please note these numbers are unaudited.

The reserve amounts have increased from the year-end 2017 balance. Reserves are below the Segal projections done in August 2018, yet higher than the mid-point of the target range established by the Board.

	State of Wisconsin Group Health Insurance Program Reserves	
	State Health Program	Local Health Program
Segal projected 12/31/2018 balance	\$ 228,300,000	\$ 25,600,000
GIB Midpoint of Target (YE 2019)	\$ 116,000,000	\$ 16,900,000
2019 Range	\$ 87,400,400 – 145,600,000	\$12,700,000 – 21,100,000
ETF Unaudited 12/31/2018 balance	\$ 212,791,300	\$ 21,206,700
12/31/2017 balance	\$ 206,616,878	\$ 18,920,370

Assets for this program are managed by the State of Wisconsin Investment Board (SWIB) and held in the core fund, that had a negative 3.3% return for 2018. Reserves are below the projected amount largely because earnings on the balance are significantly below assumptions made in August 2018. For example, the August

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 5/1/19

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projection assumed 2018 earnings of approximately \$6,500,000 for the state pool, but the actual was (\$8,700,000), a loss, for a change of \$15,200,000.

At the August meeting each year, the Board's actuarial consultants present the reserve status as part of the rate setting discussion. In the past 2 years, reserves have been used to offset premium increases that would have otherwise been passed to employers and employees. In 2017, the Board established targeted reserve amounts and a policy to reduce the reserve balance over a period of 4 years. Reserves at YE 2018 exceeded the midpoint of the target range by approximately \$97,000,000.

Staff will be available at the meeting to answer any questions.