

Group Health Insurance Program Reserve Status

Item 12 – Group Insurance Board

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Division of Trust Finance

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Informational Item Only

No Board action is required.

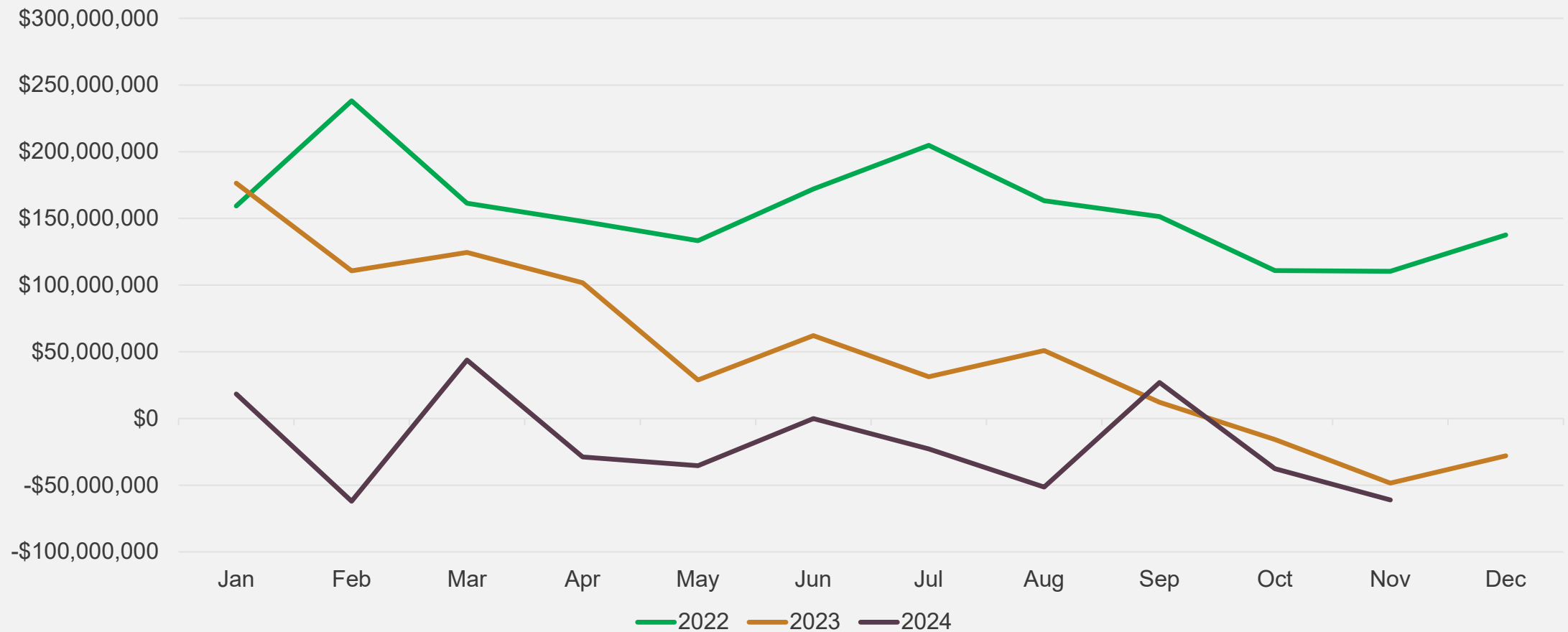
Background

- GHIP began experiencing negative cash flows in Q4 2023.
- Negative cash flows month over month continued throughout 2024, though some months are positive (due to timing of receiving rebates and subsidies).
- Negative cash flow results in GHIP borrowing from, and paying interest to, Core Trust Fund (i.e., will be allocated negative investment earnings for 2024).

Contributing Factors

- Reserves projected on an accrual basis (i.e., considering receivables which is cash to be received in future) versus cash basis.
- Pharmacy costs continue to increase (and actual costs have been greater than projected).
- 2023 rate buy-down of ~\$91m.
- 2024 rates did not include any cash buy-up.
- Reserve policy did not address negative cash position or being below a minimum cash target.

Health Funds Cash Balance, Calendar Years 2022 - 2024



CY2023 Financials

Statement of Net Position

December 31, 2023 (in Thousands)

Assets and Liabilities	Health Insurance (HI)	State Retiree HI	Local Retiree HI	Total
Current Assets:				
• Investment In Core Fund	\$(16,722)	0	0	\$(16,722)
• Prepaid Items	603	210	23	836
• Rebates Receivable	72,480	41,900	3,086	117,466
• Federal Subsidy Receivable	0	23,346	1,837	25,183
• Contributions Receivable	2	0	0	2
• Due From Other Benefit Programs	106,723	65,092	3,847	175,662
• Benefit Overpayments Receivable	6	311	53	370
• Miscellaneous Receivables	54	29	2	85
Total Current Assets	163,146	130,888	8,848	302,882
Noncurrent Assets:				
• Capital Assets, Net	1,481	528	36	2,045
Total Noncurrent Assets	1,481	528	36	2,045
Total Assets	164,627	131,416	8,884	304,927
Current Liabilities:				
• Benefits Payable	14,219	6,912	545	21,676
• Premiums Payable	7,038	2,072	0	9,110
• Unearned Revenue	21,881	21,276	1,629	44,786
• Due To Other Benefit Programs	71,383	100,262	6,575	178,220
• Miscellaneous Payables	2,199	638	135	2,972
• Estimated Future Benefits	1,450	256	0	1,706
Total Current Liabilities	118,170	131,416	8,884	258,470
Total Liabilities	118,170	131,416	8,884	258,470
Net Position Restricted (Unrestricted) For Benefits	\$46,457	\$0	\$0	\$46,457

- Significant amount of pharmacy receivables to be received over next two years.
- Investment in Core balance as of 12/31/2024 projected to be negative.

Statement of Change in Net Position

December 31, 2023 (in Thousands)

Revenues and Expenses	Health Insurance	State Retiree Health Insurance	Local Retiree Health Insurance	Total
Operating Revenues:				
• Contributions	\$1,482,279	\$271,195	\$22,699	\$1,776,173
• Federal Subsidy	0	37,013	2,399	39,412
• Miscellaneous Income	0	8	5	13
Total Operating Revenues	1,482,279	308,216	25,103	1,815,598
Operating Expenses:				
• Benefit Expenses	1,582,095	292,728	24,170	1,898,993
• Carrier Administrative Expenses	12,843	7,527	455	20,825
• Administrative Expenses	14,693	5,241	359	20,293
Total Operating Expenses	1,609,631	305,496	24,984	1,940,111
Operating Income (Loss)	(127,352)	2,720	119	(124,513)
Nonoperating Revenues:				
• Investment Income	14,195	(2,836)	(119)	11,240
• Penalties and Fees	9	116	0	125
Total Nonoperating Revenues	14,204	(2,720)	(119)	11,365
Net Income (Loss)	(113,148)	0	0	(113,148)
Total Net Position - Beginning of Year	159,605	0	0	159,605
Total Net Position - End of Year	\$46,457	\$0	\$0	\$46,457

- Contributions less than benefit expense primarily because of draw down (use of reserves).

Considerations

- Premium stabilization credit (i.e. buy up of ~\$17m) approved as part of 2025 rates will help to return the program to a positive cash position.
- Settlement payment will be needed for Dean Health Plan for 2024 plan year (to be paid in 2025).
- Increased administrative costs due to insurance administration system (IAS) implementation.

Next Steps

- ETF and Segal will work on alternate projections for reserve position, considering monthly reserves needed for monthly operations.
- Preliminary 2026 rate negotiations discussion scheduled for February.
- ETF will review and propose reserve policy changes.

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Questions?