

# FY2006 State Health Benefit Plan Budget Proposal



GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH

October 13, 2004



# State Health Benefit Plan FY 2006 Financial Status

## PROJECTED REVENUE:

|                            |    |               |
|----------------------------|----|---------------|
| FY 2005 Projected Revenue  | \$ | 1,854,140,681 |
| FY 2006 Projected Revenue* | \$ | 1,889,134,298 |

|   |           |                   |
|---|-----------|-------------------|
| <b>Expected FY 2006 Revenue Increase:</b> | <b>\$</b> | <b>34,993,617</b> |
| % change over FY 2005                     |           | 1.9%              |

\* Assumes no change to employee contributions;  
assumes 3% for teachers and 2% (9 months) for state employees

## PROJECTED EXPENSE:

|                                |    |               |
|--------------------------------|----|---------------|
| FY 2005 Projected Expenditures | \$ | 2,061,382,837 |
| FY 2006 Projected Expenditures | \$ | 2,335,259,929 |

|   |           |                    |
|---|-----------|--------------------|
| <b>Expected FY 2006 Expenditure Increase:</b> | <b>\$</b> | <b>273,877,092</b> |
| % change over FY 2005                         |           | 13.3%              |

## FY 2006 SURPLUS/DEFICIT:

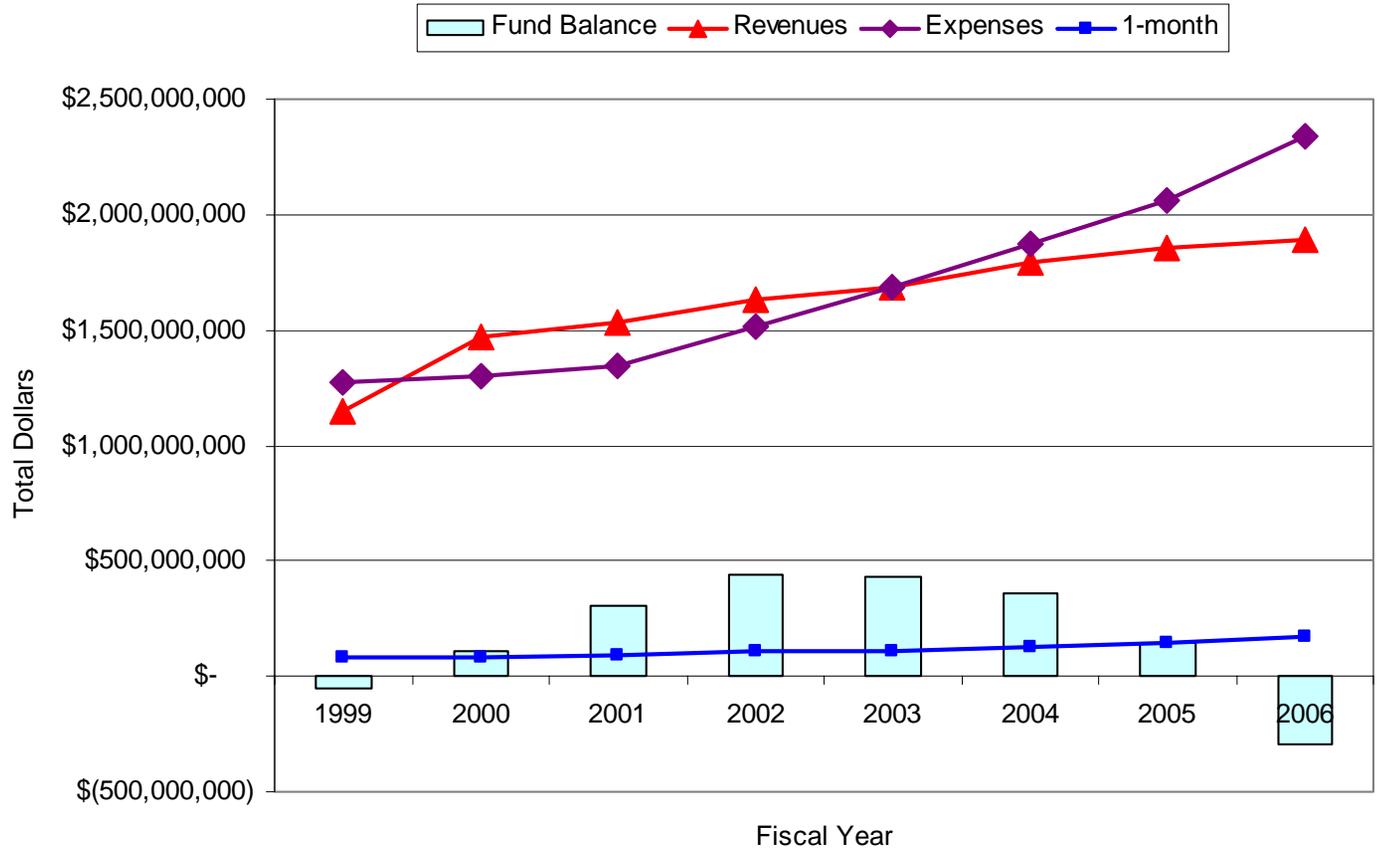
|                        |           |                      |
|------------------------|-----------|----------------------|
| FY2006 Revenue         | \$        | 1,889,134,298        |
| FY2006 Expense         | \$        | 2,335,259,929        |
| <b>Surplus/Deficit</b> | <b>\$</b> | <b>(446,125,631)</b> |

## FUND BALANCE: (Before Surplus or Deficit from FY06 Applied)

|   |           |                     |
|---|-----------|---------------------|
| FY2005 Year End (Projected)                       | \$        | 148,813,681         |
| Necessary to Maintain 1-Month Reserve for FY 2006 | \$        | 169,231,273         |
| <b>Fund Balance Surplus/Deficit</b>               | <b>\$</b> | <b>(20,417,592)</b> |



# State Health Benefit Plan FY 2006 Financial Status





# State Health Benefit Plan FY 2006 Recommendations

**FY 2006 Deficit \$ (446.1)**

| <b>EXPENDITURE CONTROLS</b>  | <u>FY2006</u>   |
|--|-----------------|
| <b>Strategy I: Change plan benefit design</b> <ul style="list-style-type: none"><li>- restructure pharmacy benefits for the Premier and Basic PPO plans</li><li>- align cost sharing/benefits between PPO and HMO</li></ul>  | \$ 103.0        |
| <b>Strategy II: Improve Procurement Strategies</b> <ul style="list-style-type: none"><li>- renegotiate PPO discounts</li><li>- evaluate PBM contract terms</li><li>- consolidate administrative business functions</li><li>- enhance disease and case management</li></ul> | \$ 37.0         |
| <b>Strategy III: Cost Avoid to Other Payers</b> <ul style="list-style-type: none"><li>- reflect Medicare Part D pharmacy savings</li><li>- consider surcharges for smokers, spouses with access to other insurance</li><li>- explore premium purchasing programs</li></ul> | \$ 27.0         |
| <b>Strategy IV: Ensure Appropriate Member Eligibility</b> <ul style="list-style-type: none"><li>- implement a new, member eligibility system</li><li>- enhance dependent audits</li></ul>  | \$ 16.0         |
| <b>Strategy V: Change Payments to Providers</b> <ul style="list-style-type: none"><li>- utilize self-insured HMO products</li></ul>  | \$ 12.0         |
| <b>Strategy VI: Expand Consumer Directed Health Care</b> <ul style="list-style-type: none"><li>- consider an expansion of the CDHP pilot program</li></ul>   | \$ 10.0         |
| <b>SUBTOTAL - EXPENDITURE CONTROLS</b>   | <b>\$ 205.0</b> |



# State Health Benefit Plan FY 2006 Recommendations

**FY 2006 Deficit \$ (446.1)**

**SUBTOTAL - EXPENDITURE CONTROLS \$ 205.0**

## REVENUE ENHANCEMENTS

**Strategy VII: Increase Revenue Sources \$ 241.2**  
- increase employer and employee premium contributions  
- utilize actuarial premiums for COBRA coverage

**SUBTOTAL - REVENUE ENHANCEMENTS \$ 241.2**

**TOTAL AVAILABLE TO OFFSET DEFICIT \$ 446.2**

**Surplus/(Deficit) \$ 0.0**



# State Health Benefit Plan

## FY 2006 Financial Status

### with Recommendations

#### PROJECTED REVENUE:

|   |           |                    |
|---|-----------|--------------------|
| FY 2005 Projected Revenue                 | \$        | 1,854,140,681      |
| FY 2006 Projected Revenue                 | \$        | 2,130,303,923      |
| <b>Expected FY 2006 Revenue Increase:</b> | <b>\$</b> | <b>276,163,242</b> |
| % change over FY 2005                     |           | 14.9%              |

#### PROJECTED EXPENSE:

|   |           |                   |
|---|-----------|-------------------|
| FY 2005 Projected Expenditures                | \$        | 2,061,382,837     |
| FY 2006 Projected Expenditures                | \$        | 2,130,303,923     |
| <b>Expected FY 2006 Expenditure Increase:</b> | <b>\$</b> | <b>68,921,086</b> |
| % change over FY 2005                         |           | 3.3%              |

#### FY 2006 SURPLUS/DEFICIT:

|                        |           |               |
|------------------------|-----------|---------------|
| FY2006 Revenue         | \$        | 2,130,303,923 |
| FY2006 Expense         | \$        | 2,130,303,923 |
| <b>Surplus/Deficit</b> | <b>\$</b> | <b>-</b>      |

#### FUND BALANCE: (Before Surplus or Deficit from FY06 Applied)

|   |           |                     |
|---|-----------|---------------------|
| FY2005 Year End (Projected)                       | \$        | 148,813,681         |
| Necessary to Maintain 1-Month Reserve for FY 2006 | \$        | 169,231,273         |
| <b>Fund Balance Surplus/Deficit</b>               | <b>\$</b> | <b>(20,417,592)</b> |



# State Health Benefit Plan FY 2006 Financial Status with Recommendations

