Projected Revenue*

**FY 2011**

$409.6 million or 16.6% **growth** in employee and employer revenues collected in FY 2011 as compared to FY 2010

- **22.5% increase** in current year employer revenue considering:
  - FY 2010 included three months of reduced state and teacher contributions
    - For liquidation of long-term investments
  - FY 2011 front-loads state and teacher percent of payroll for annualized rates of 25.100% and 18.534%
  - FY 2011 increased Non-Certificated Per Member Per Month employer rates from $162.72 to $218.20 (December 2010) and from $218.20 to $246.20 (May 2011)

- **0.8% increase** in member premium revenue:
  - Reflects premium increase and surcharge increases in CY 2011
    - Offset by employee migration to lower premium plan options
  - Reflects revenue from employee migration to dependent tiers due to expanded dependent coverage
    - Federal Health Care Reform requires coverage of dependents aged 19 through 25

* Based on DCH projections - May 2011
Projected Revenue*

FY 2012

($219.5) million or 7.6% decrease in employee and employer revenues collected in FY 2012 as compared to FY 2011

• 11.2% decrease in employer revenue:
  – One month impact of 1.429% teacher employer rate
  – Lower payroll due to retirements, position vacancies, and furloughs

• 4.1% increase in member premium revenue:
  – Reflects premium increase and surcharge increases in Plan Year 2011
  – Assumes 10% employee premium increase in Plan Year 2012
  – Reflects revenue from employee migration to dependent tiers due to expanded dependent coverage
    • Federal Health Care Reform requires coverage of dependents aged 19 through 25

* Based on DCH projections - May 2011
Projected Expense

FY 2011 – ($150.8) million or -5.2% growth
FY 2012 – $135.5 million or 4.9% growth

Assumptions for FY 2011 and FY 2012

• Negative growth for active state employees, teachers, and school employees
• Positive growth for Early Retirees and Medicare Retirees in all groups
• Federal health care reform impact
  – Early Retiree Reinsurance Program (expense offset)
  – 100% preventive care coverage (cost)
  – Expanded dependent care coverage (cost)

* Based on DCH projections - May 2011
## FY 2011-12 Revenue/Expense Statement

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Contributions</td>
<td>$2,203.9</td>
<td>$1,956.8</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Employee Premiums</td>
<td>673.7</td>
<td>701.3</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Total Current Year Revenue</strong></td>
<td>$2,877.6</td>
<td>$2,658.1</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Expense</td>
<td>$2,847.9</td>
<td>$2,957.4</td>
<td>3.8%</td>
</tr>
<tr>
<td>Early Retiree Reinsurance Program</td>
<td>(93.0)</td>
<td>(67.0)</td>
<td>-28%</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>$2,754.9</td>
<td>$2,890.4</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Surplus/(Deficit)</strong></td>
<td>$122.7</td>
<td>($109.6)</td>
<td></td>
</tr>
</tbody>
</table>

* Based on DCH projections - May 2011
Next Steps

• Update projection with survey results from Boards of Education
• Develop Calendar Year 2012 plan changes and budget strategies to address remaining projected deficit
• Submit budget proposal to the board in August with:
  – Updated financial status report
  – Proposed plan changes
• Today’s resolution for the board’s consideration would approve employer contribution rates for FY 2012 based on the FY 2012 Appropriations Act
Presentation on DCH Website

www.dch.georgia.gov

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