

State Health Benefit Plan

Presentation to
The Board of Community Health
March 10, 2011



Why do we need a Board Resolution?

- **We have a projected deficit for FY12**
- **Five major reasons for the projected deficit**
- **The Board Resolution is one step toward managing the deficit**

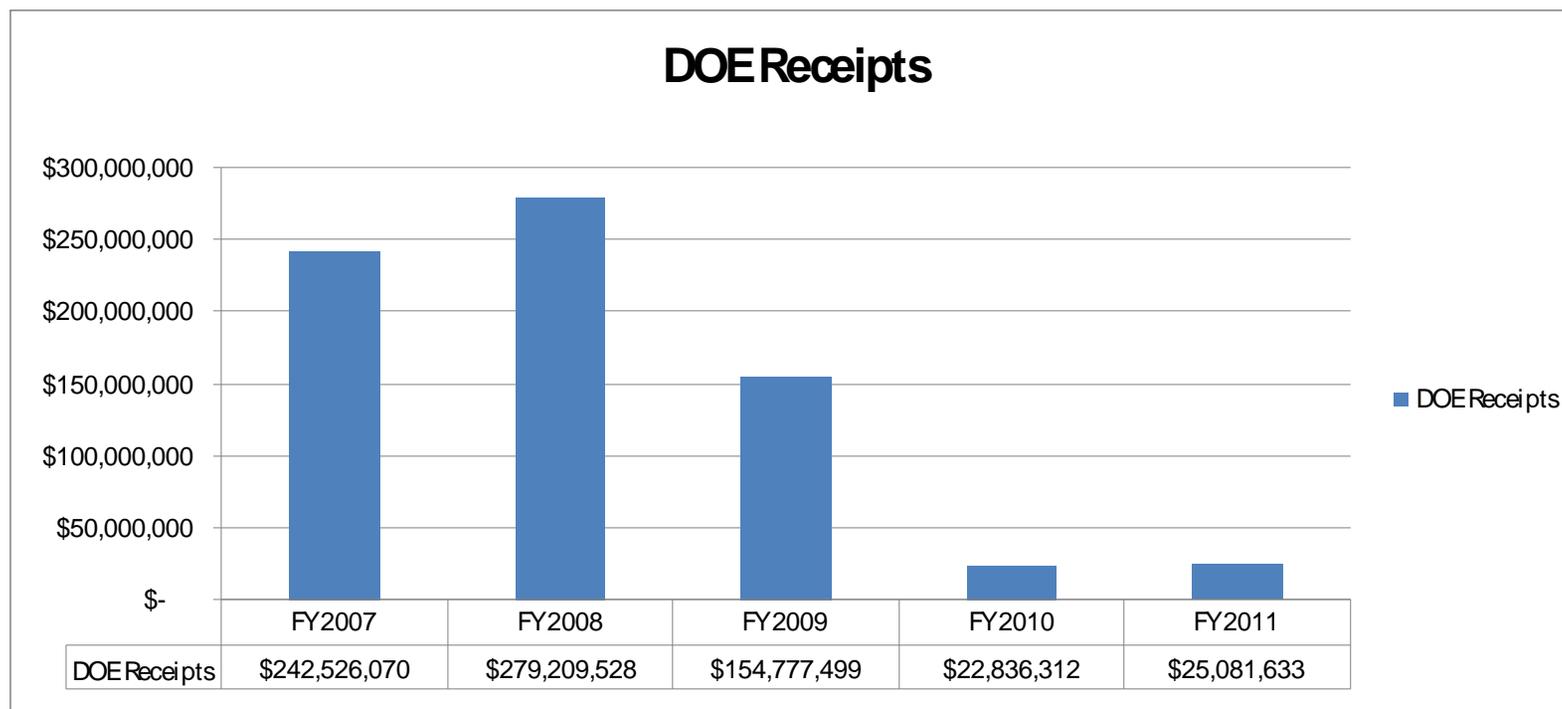


Reason #1

Since FY08, the Department of Education appropriation designated for the Non-certificated SHBP members has decreased from \$279M to \$25M in FY11.



Department of Education Interagency Transfer



Reason #2

- Funding from the Early Retiree Reinsurance Program will be less in FY12 than what was initially projected. The amount will adjust from \$110M to \$67M, with no guarantee the funding will be there.



ERRP

- Congress appropriated \$5 billion for the Early Retiree Reinsurance Program. Currently over 5,000 public and private health plans have been accepted into the program, including the State Health Benefit Plan. Of the 12 state health plans to receive reimbursement so far, the SHBP is third highest in reimbursement received (\$35 million), behind only California and New Jersey.



Reason #3

- For FY11, \$56M for the Non-certificated plan was spread to state agencies as an employer contribution increase, which in turn had an \$86M positive impact on the plan. The appropriation to the Department of Education for FY12 for the Non-Certificated plan is \$30M in FY12, which is \$56M less than in FY11.



Reason #4

- The first month of FY12, we will only receive \$7M from the Teachers Employer Contribution compared to the \$111M we normally would receive. This is due to the timing of the implementation of the Employer Contribution rate change.



Timing Issue Explained

		Employer Non-Cert 73,000 Active Employees	Employer State 63,000 Active Employees	Employer Teacher 112,000 Active Employees
Assumptions				
Jul-Apr Payroll %			25.586%	21.955%
May-Jun Payroll %			22.667%	1.429%
July 2011 Payroll %			22.165%	18.534%
FY 2012 Payroll %			22.165%	18.534%
Month				
Mar-11		\$ 15,983,207	\$ 62,514,975	\$ 113,498,772
Apr-11		\$ 15,969,826	\$ 62,341,247	\$ 112,724,626
May-11		\$ 15,956,456	\$ 62,168,002	\$ 111,955,759
Jun-11		\$ 15,943,098	\$ 54,922,461	\$ 7,237,238
Jul-11		\$ 15,916,280	\$ 53,167,853	\$ 7,188,017
Aug-11		\$ 15,603,495	\$ 50,845,931	\$ 91,317,741

Reason #5

Employees are retiring at a higher rate than in the past, which takes the higher paid employees out of the plan and replaces them with lower paid employees. In addition, due to budget reductions, agencies are not filling all vacancies.



Board Resolution

