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LAURA RICH
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AGENDA ITEM

Action Item

Information Only

Date: January 23, 2020

Item Number: IV.II.I

Title: Chief Financial Officer Budget Report

Summary

This report addresses the Operational Budget as of September 30, 2019 to include:

1. Budget Status
2. Budget Totals
3. Claims Summary

Budget Account 1338 – Operational Budget – Shown below is a summary of the operational budget account status as of September 30, 2019 with comparisons to the same period in Fiscal Year 2019. The budget status is reported on a cash basis and does not include incurred expenses and income owed to the fund.

The budget status report reflects actual income of \$71.1 million as of September 30, 2019 compared to \$66.4 million as of September 30, 2018 or an increase of 7.0%. Total expenses for the period have increased by \$16.7 million or 19.1% for the same period.

The budget status report shows Realized Funding Available (cash) at \$116.8 million. This compares to \$121.7 million for last year. After subtracting \$58.8 million for reserves for Incurred but not Reported (IBNR) claims, \$42.4 million for the Catastrophic Reserve and \$36.2 million for the HRA Reserve, the remaining balance is a shortfall of \$20.6 million in Excess reserves. The table below reflects the actual revenue and expenditures for the period.

Operational Budget 1338

	FISCAL YEAR 2020			FISCAL YEAR 2019		
	Actual as of 9/30/2019	Work Program	Percent	Actual as of 9/30/2018	Fiscal Year 2019 Close	Percent
Beginning Cash	150,276,433	150,276,433	100%	143,129,728	143,129,728	100%
Premium Income	67,953,334	382,017,605	18%	66,397,649	360,793,540	18%
All Other Income	3,099,925	9,151,598	34%	1,689	52,899,109	0%
Total Income	71,053,260	391,169,203	18%	66,399,338	413,692,649	16%
Personnel Services	537,963	2,835,868	19%	536,762	2,630,988	20%
Operating - Other than Personnel	375,244	2,383,964	16%	494,617	2,103,793	24%
Insurance Program Expenses	103,516,786	391,635,970	26%	86,539,644	360,776,627	24%
All Other Expenses	115,682	669,431	17%	238,381	1,062,125	22%
Total Expenses	104,545,675	397,525,233	26%	87,809,404	366,573,534	24%
Change in Cash	(33,492,416)	(6,356,030)		(21,410,066)	47,119,115	
REALIZED FUNDING AVAILABLE	116,784,017	143,920,403	81%	121,719,662	190,248,843	64%
Incurred But Not Reported Liability	(58,790,000)	(58,790,000)		(51,800,000)	(51,800,000)	
Catastrophic Reserve	(42,400,000)	(42,400,000)		(39,900,000)	(39,900,000)	
HRA Reserve	(36,204,203)	(36,204,203)		(31,676,056)	(31,676,056)	
NET REALIZED FUNDING AVAILABLE	(20,610,186)	6,526,200		(1,656,394)	66,872,787	

Current Budget Projections

The following table represents projections for FY 2020 based on data available as of September 30, 2019. The projection reflects total income to be less than budgeted by 0.9% (\$536.7 million vs \$541.4 million), total expenditures are projected to be less than budgeted by 2.9% (\$386.0 million vs \$397.5 million); total reserves are projected to be more than budgeted by 4.7% (\$150.7 million vs \$143.9 million).

Budgeted and Projected Income (Budget Account 1338)					
Description	Budget	Actual 9/30/19	Projected	Difference	
Carryforward	150,276,433	150,276,433	150,276,433	0	0.0%
State Subsidies	286,540,424	46,389,935	287,051,122	510,698	0.2%
Non-State Subsidies	29,202,769	7,135,067	27,152,668	(2,050,101)	-7.0%
Premium	66,274,412	14,428,332	58,060,376	(8,214,036)	-12.4%
All Other	9,151,598	3,099,925	14,165,353	5,013,755	54.8%
Total	541,445,636	221,329,693	536,705,952	(4,739,684)	-0.9%
Budgeted and Projected Expenses (Budget Account 1338)					
Description	Budget	Actual 9/30/19	Projected	Difference	
Operating	5,889,263	1,028,889	5,382,151	507,112	8.6%
State Employee Ins Cost	294,710,442	81,149,843	278,024,104	16,686,338	5.7%
State Retirees Ins Cost	41,439,426	11,376,930	54,223,908	(12,784,482)	-30.9%
Non-State Employees Ins Cost	140,039	25,782	114,315	25,724	18.4%
Non-State Retirees Ins Cost	15,384,713	2,217,546	10,250,094	5,134,619	33.4%
State Medicare Ret Ins Cost	23,155,087	6,068,306	22,071,110	1,083,977	4.7%
Non-State Medicare Ret Ins Cost	16,806,263	2,678,379	15,930,464	875,799	5.2%
Total Insurance Costs	391,635,970	103,516,786	380,613,994	11,021,976	2.8%
Total Expenses	397,525,233	104,545,675	385,996,145	11,529,088	2.9%
Restricted Reserves	137,394,203	137,394,203	143,261,991	(5,867,788)	-4.3%
Excess Reserves for Benefit Enhancements	6,526,200	(20,610,186)	7,447,816	(921,616)	-14.1%
Total Reserves	143,920,403	116,784,017	150,709,807	(6,789,404)	-4.7%
Total of Expenses and Reserves	541,445,636	221,329,693	536,705,952	4,739,684	0.9%

State Subsidies are projected to be more than the budgeted amount by \$0.5 million (0.2%), Non-State Subsidies are projected to be less than budgeted by \$2.1 million (7.0%), and Premium Income is projected to be less than budgeted by \$8.2 million (12.4%). This overall decrease in projected revenue is due in part to a decrease in actual rates as compared to the budgeted rates as well as a decrease in average enrollment as compared to budgeted enrollment and a change in the mix of plan tiers. The mix of participants is as follows:

- 1.47% fewer state actives,
- 0.54% fewer state non-Medicare retirees,
- 0% fewer non-state actives,
- 2.50% more non-state, non-Medicare retirees
- 3.40% fewer state Medicare retirees, and
- 1.82% fewer non-state Medicare retirees.

Expenses for Fiscal Year 2020 are projected to be \$11.5 million (2.9%) less than budgeted when changes to reserves are excluded. Operating expenses are projected to be less than budgeted by

\$0.5 million (8.6%). Employee and Retiree insurances costs are projected to be less than budgeted by \$11.0 million (2.8%) when taken in total (see table above for specific information).

Total reserves for the year ending September 30, 2019 are projected to be \$150.7 million. Reserves include \$58.8 million for Incurred but not Reported (IBNR) claims, \$42.4 million for the Catastrophic Reserve to insure plan solvency, \$42.1 million in HRA reserves, and a balance in excess of the required reserves of \$7.4 million.

Recommendations

None.