PUBLIC EMPLOYEES HEALTH PROGRAM

RETIREMENT AND INDEPENDENT ENTITIES APPROPRIATIONS SUBCOMMITTEE
STAFF: RICHARD AMON

BUDGET BRIEF

SUMMARY

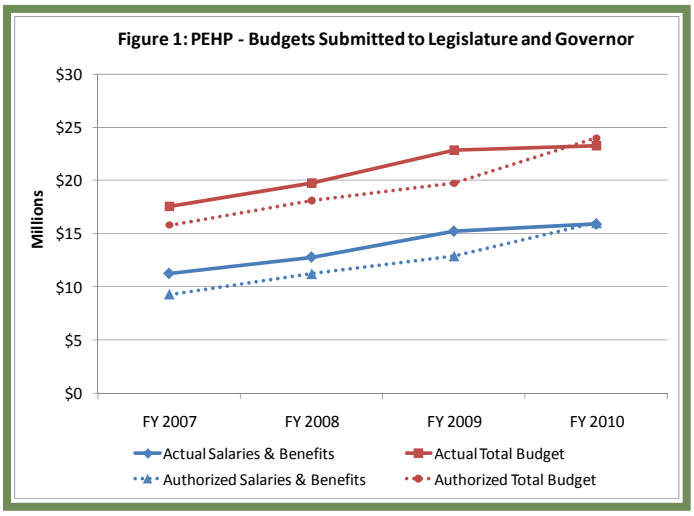
The Public Employees Health Program (PEHP) operates as a program within the Utah Retirement Systems (URS), which is an independent governmental agency. The Legislature established PEHP as a self-insurer of governmental employee health benefit plans and the administrator of those plans. The state, as well as other political subdivisions, participates in the program.

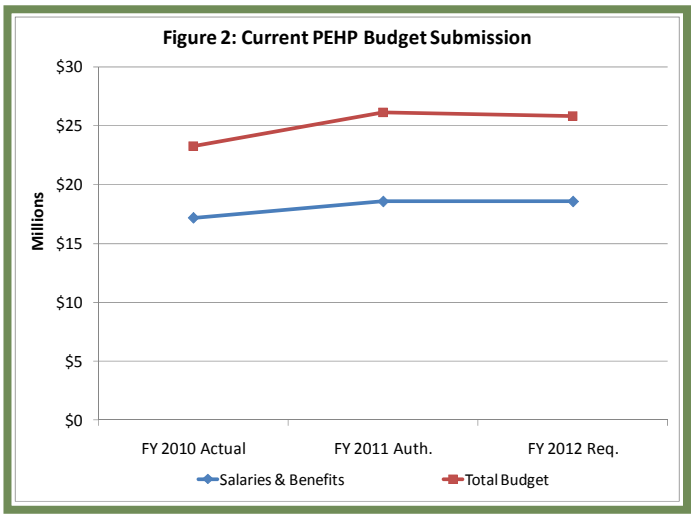
Unlike other state agency budgets, the URS, and therefore PEHP, budget is "subject to legislative and executive department budgetary review and comment," but does not require Legislative appropriations. PEHP, through URS, submits budgets to the governor and the Legislature for the actual, authorized, and requested years after the Utah State Retirement Board approves them.

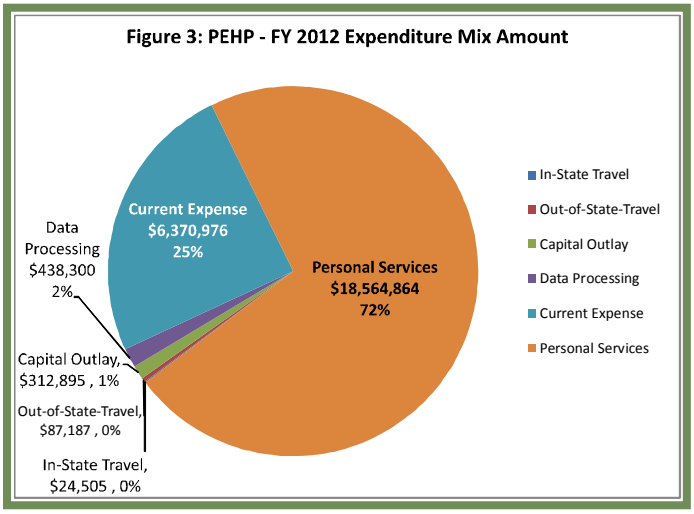
The "Authorized" or current year budgets submitted to the Legislature from previous years did not reflect adjustments made by the Utah Retirement Board. Instead those budgets reflected the requested year budget presented the previous year to the governor and the Legislature. Figure 1 highlights how budgets presented to the Legislature changed from authorized to actual. The Analyst has worked with URS to present budget numbers for FY 2011 that reflect changes made by the Retirement Board. These changes are included in the Budget Detail Table at the end of the brief and are reflected in Figure 2.

Figure 3 shows the components of the FY 2012 requested PEHP budget. The majority of the budget (72%) is for personnel. Of the $6.4 million budgeted for Current Expense:

- $1 million is for postage and mailing,
- $0.55 million is for attorney fees,
- $0.9 million is for professional services,
- $0.9 million is for office rental,
- $0.55 million is for equipment rental.







ISSUES AND RECOMMENDATIONS

Reserve Fund Levels

PEHP manages employee health benefits and costs by seperating employers into several risk pools. A risk pool allocates costs, risks, and premiums among participants. The State of Utah comprises its own risk pool. Each risk pool has a reserve fund which receives excess revenues or pays for higher-than-expected expenditures. The reserve fund is essentially the "retained earnings" of a risk pool and often maintains a certain actuarially-determined balance to provide for unexpected costs. Over the last several years the State's reserve fund has built up to $61 million. PEHP does not currently have an actuarially-determined level of "appropriate" reserves. The Analyst recommends that PEHP return a portion of the fund balance to the state.

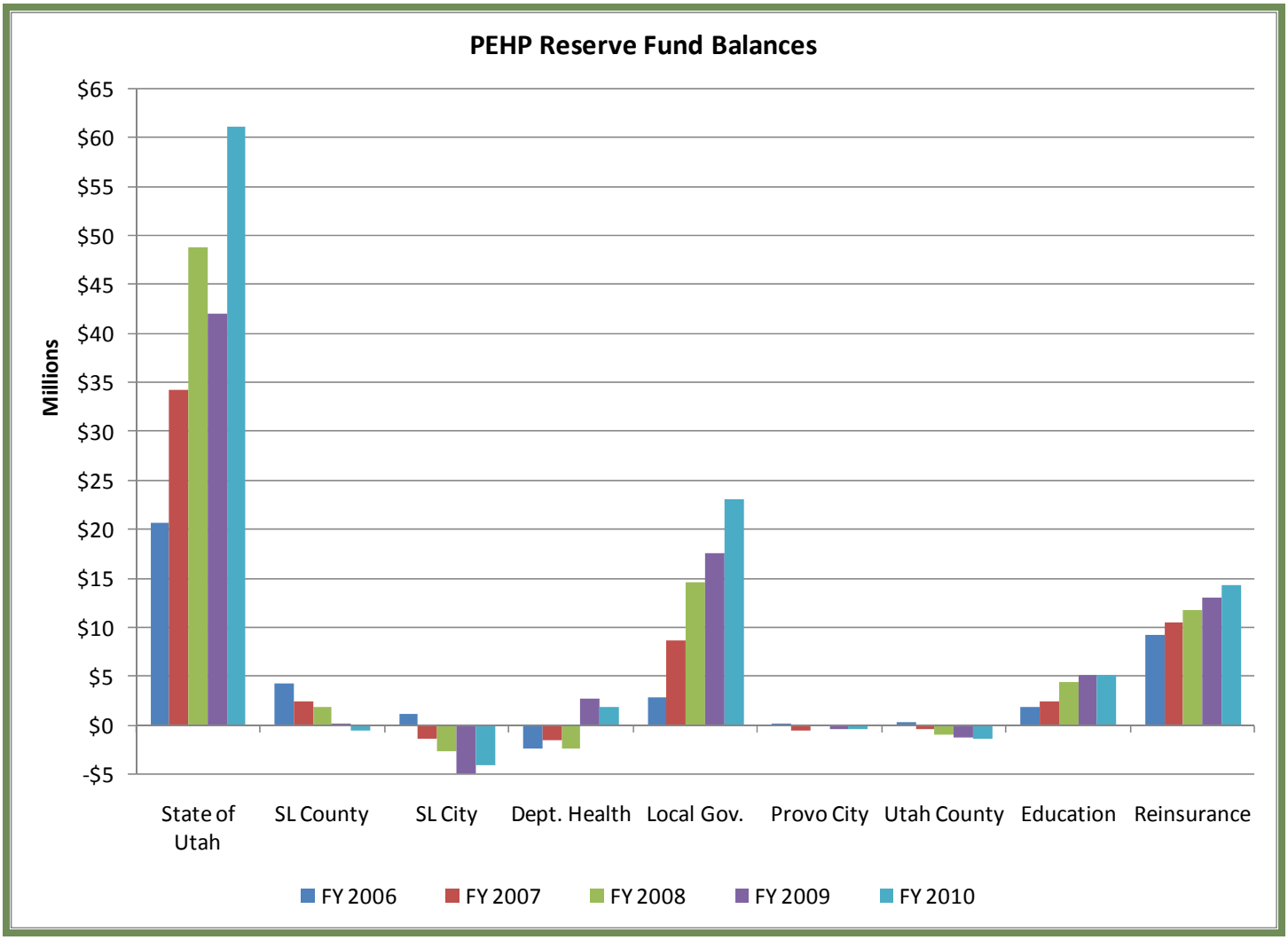


Figure 4

Premium Increases

PEHP revenue comes from premiums charged to employers covered under the health insurance plans. Over the last ten years the state's premiums have more than doubled.

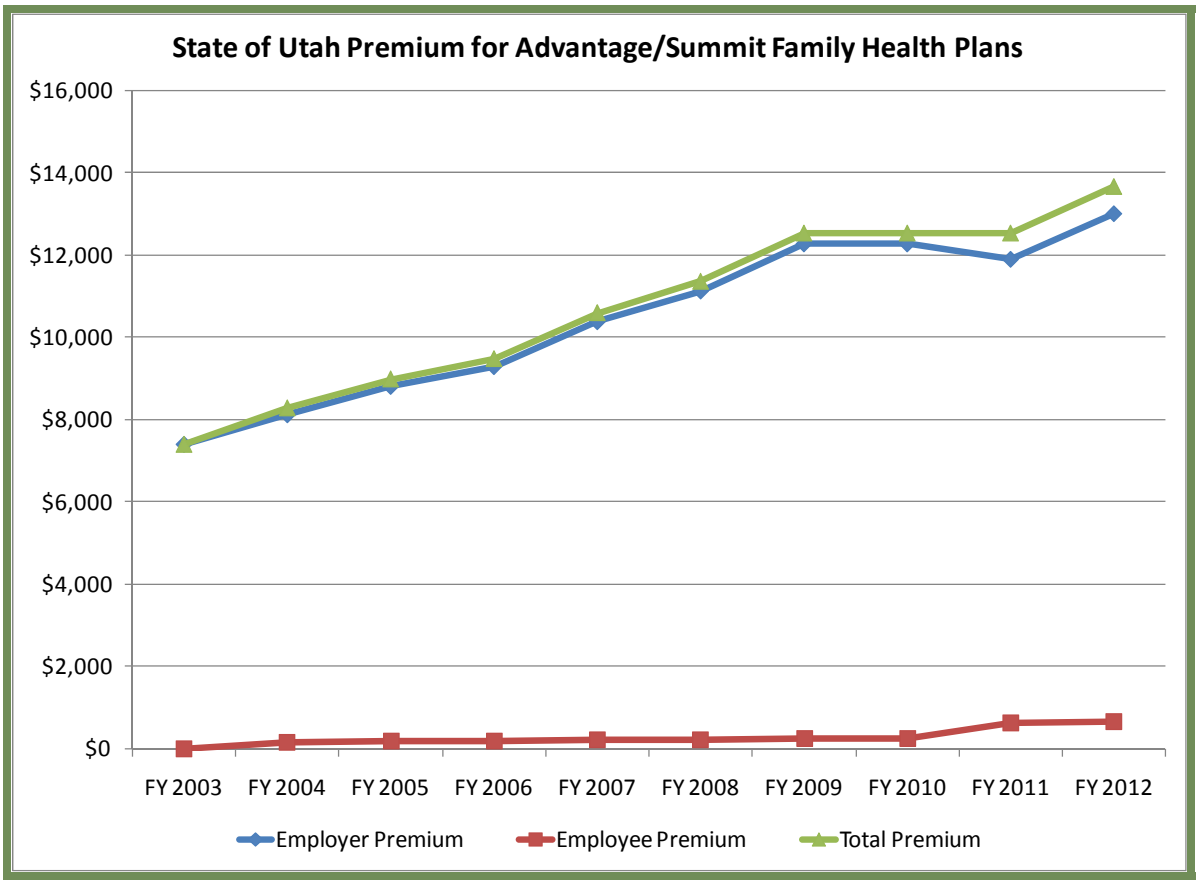


Figure 5

BUDGET DETAIL TABLE

Public Employees Health Program					
Sources of Finance	**FY 2010 Actual**	**Change**	**FY 2011 Authorized**	**Change**	**FY 2012 Requested**
Dedicated Credits	23,248,207	2,862,408	26,110,615	(311,889)	25,798,726
Total	$23,248,207	$2,862,408	$26,110,615	($311,889)	$25,798,726
Programs					
Group Insurance	23,248,207	2,862,408	26,110,615	(311,889)	25,798,726
Total	$23,248,207	$2,862,408	$26,110,615	($311,889)	$25,798,726
Categories of Expenditure					
Personnel Services	17,187,947	1,376,917	18,564,864	0	18,564,864
In-state Travel	14,145	10,670	24,815	(310)	24,505
Out-of-state Travel	40,451	47,091	87,542	(355)	87,187
Current Expense	5,315,261	1,314,527	6,629,788	(258,812)	6,370,976
DP Current Expense	378,103	73,741	451,844	(13,545)	438,299
Capital Outlay Expense	312,300	39,462	351,762	(38,867)	312,895
Total	$23,248,207	$2,862,408	$26,110,615	($311,889)	$25,798,726