

Office of the
Legislative Fiscal Analyst

FY 2001 Budget Recommendations

Joint Appropriations Subcommittee for
Commerce and Revenue

Insurance Department
Comprehensive Health Insurance Pool

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1.0 Department of Insurance - Comprehensive Health Insurance Pool

Summary

The 1990 Legislature passed House Bill 67 which created the Comprehensive Health Insurance Pool Act (UCA31A-29) in order to provide access to health insurance coverage to residents of Utah who are denied adequate health insurance and are considered to be uninsurable.

The Pool is funded by 1) appropriations from the Legislature; 2) premiums paid by those insured; 3) premiums paid by employers who do not qualify for other health insurance (at the same rate as employees who do qualify); and 4) interest and dividends. An actuary regularly evaluates the pool to assure adequate funds are available to address the needs of the pool membership.

	Analyst FY 2001 Base	Analyst FY 2001 Changes	Analyst FY 2001 Total
Financing			
General Fund	\$4,135,100	(\$1,000,000)	\$3,135,100
Dedicated Credits Revenue	4,672,000		4,672,000
Beginning Nonlapsing	8,692,300		8,692,300
Closing Nonlapsing	(8,749,100)		(8,749,100)
Total	<u>\$8,750,300</u>	<u>(\$1,000,000)</u>	<u>\$7,750,300</u>
Programs			
Comprehensive Health Insurance Pool	<u>\$8,750,300</u>	<u>(\$1,000,000)</u>	<u>\$7,750,300</u>
Total	<u>\$8,750,300</u>	<u>(\$1,000,000)</u>	<u>\$7,750,300</u>

2.0 Issues: Comprehensive Health Insurance Pool

2.1 Pool Base Funding

The Comprehensive Health Insurance Pool is a self-funding enterprise fund, required to meet the needs of the members. Because of the nature of this Enterprise Fund, an ongoing General Fund appropriation provides a base to keep the pool solvent. While the Pool membership has been growing, the immediate financial need is well below the General Fund level currently in the base funding for the Pool. This year's recommendation assures payments of all claims estimated by the actuary with a carry-over into the next fiscal year of more than \$8,900,000. Last year's estimate of carry-over was exceeded by more than \$1,364,000 when the year actually ended. The estimates for FY 2000 and FY 2001 continue the trend of an increasing carry-over. The increased carry-over balance reflects a growing pool.

The Analyst recommendation is a reduction of \$1,000,000 from the General Fund appropriation to the pool. The effect on the pool is that it will decrease the rate at which the pool has been growing. It is estimated that there will still be some growth to the reserve. This will leave the pool financially sound. It is important that the Subcommittee continue to monitor this account.

General Fund	(\$1,000,000)
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3.1 Programs: Comprehensive Health Insurance Pool

Recommendation The Analyst recommends a total budget of \$7,750,300. This includes General Fund, Dedicated Credits, Beginning Nonlapsing Funds and an estimated Closing Nonlapsing Balance. With the General Fund supplement, the fund is estimated to be able to accept all new applicants that may apply and keep the Pool solvent throughout the year. Based on projected usage, the reserve pool is estimated to continue to grow even after the base reduction.

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$4,135,100	\$4,135,100	\$3,135,100	(\$1,000,000)
Dedicated Credits Revenue	3,878,700	4,672,000	4,672,000	
Beginning Nonlapsing	5,908,300	8,692,300	8,692,300	
Closing Nonlapsing	(8,692,300)	(8,749,100)	(8,749,100)	
Total	\$5,229,800	\$8,750,300	\$7,750,300	(\$1,000,000)
Expenditures				
Out of State Travel	\$1,600	\$1,600	\$1,600	
Current Expense	5,228,200	8,748,700	7,748,700	(1,000,000)
Total	\$5,229,800	\$8,750,300	\$7,750,300	(\$1,000,000)

Purpose The Comprehensive Health Insurance Pool is a self-funded medical insurance pool administered by the State Department of Insurance. This is done with the assistance of a contract firm to process the claims and an actuary to evaluate the Pool’s financial requirements. Increased population and additional publicity have increased public knowledge and usage of the Pool. An executive director has been contracted to manage the business of the program.

Pool Base Funding Due of the nature of this Enterprise Fund, a General Fund supplement is required to keep the pool solvent. Though Pool membership has been growing, the immediate financial need is well below the General Fund supplement currently in the base funding for the Pool.

The average General Fund supplement over the last five years has been approximately \$1,500,000. The FY 2001 recommendation assures payments of all claims estimated by the actuary with a carry-over into the next fiscal year of more than \$8,900,000.

Nonlapsing Balance The Analyst has included a recommendation for FY 2001 Closing Nonlapsing Balance due to the nature of the Comprehensive Health Insurance Pool. It is important that sufficient funds are available for those estimated to be enrolled without depleting the fund to the point that extreme cases will overdraw the fund. Members of this fund are, by the nature of the program, higher risk, and consequently will have higher expenditures.

4.0 Additional Information: Comprehensive Health Insurance Pool

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund		\$5,000,000	\$4,135,100	\$4,135,100	\$3,135,100
Dedicated Credits Revenue	1,894,300	2,787,800	3,878,700	4,672,000	4,672,000
Beginning Nonlapsing	4,544,000	2,866,400	5,908,300	8,692,300	8,692,300
Closing Nonlapsing	(2,866,400)	(6,212,300)	(8,692,300)	(8,749,100)	(8,749,100)
Total	\$3,571,900	\$4,441,900	\$5,229,800	\$8,750,300	\$7,750,300
% Change		24.4%	17.7%	67.3%	-11.4%
Programs					
Comprehensive Health Insurance Pool	\$3,571,900	\$4,441,900	\$5,229,800	\$8,750,300	\$7,750,300
Total	\$3,571,900	\$4,441,900	\$5,229,800	\$8,750,300	\$7,750,300
Expenditures					
In-State Travel		\$1,000			
Out of State Travel		1,100	1,600	1,600	1,600
Current Expense	3,571,900	4,439,800	5,228,200	8,748,700	7,748,700
Total	\$3,571,900	\$4,441,900	\$5,229,800	\$8,750,300	\$7,750,300