

Office of the  
Legislative Fiscal Analyst

## **FY 2002 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 for employees 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.

	<b>Analyst FY 2002 Base</b>	<b>Analyst FY 2002 Changes</b>	<b>Analyst FY 2002 Total</b>
<b>Financing</b>			
General Fund	\$3,135,000	\$0	\$3,135,000
Dedicated Credits Revenue	5,044,000		5,044,000
Beginning Nonlapsing	11,603,300		11,603,300
Closing Nonlapsing	(11,148,700)		(11,148,700)
<b>Total</b>	<u>\$8,633,600</u>	<u>\$0</u>	<u>\$8,633,600</u>
<b>Programs</b>			
Comprehensive Health Ins.Pool	\$8,633,600	\$0	\$8,633,600
<b>Total</b>	<u>\$8,633,600</u>	<u>\$0</u>	<u>\$8,633,600</u>
<b>FTE/Other</b>			

## **2.0 Issues: Comprehensive Health Insurance Pool**

### **2.1 Maintain Base Pool 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. The Legislature has reduced the base General Fund appropriation, but the Pool has remained solvent and continues to build. The Analyst recommends that the base funding be maintained at current levels. This will maintain the Pool and give the board the latitude to adjust benefits if it chooses to do so.

**3.1 Programs: Comprehensive Health Insurance Pool**

**Recommendation** The Analyst recommends a total budget of \$8,633,600. This includes General Fund, Dedicated Credits, Beginning Nonlapsing Funds and an estimated Closing Nonlapsing Balance. With the General Fund base budget, the fund is estimated to be able to accept all new applicants that may apply and keep the Pool solvent throughout the year. Benefits could also be increased to a degree. Based on projected usage, the reserve pool is determined to remain stable.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
General Fund	\$3,135,100	\$3,135,100	\$3,135,000	(\$100)
Dedicated Credits Revenue	5,099,700	5,189,000	5,044,000	(145,000)
Beginning Nonlapsing	8,430,200	11,032,600	11,603,300	570,700
Closing Nonlapsing	(11,032,600)	(11,603,300)	(11,148,700)	454,600
<b>Total</b>	<u>\$5,632,400</u>	<u>\$7,753,400</u>	<u>\$8,633,600</u>	<u>\$880,200</u>
<b>Expenditures</b>				
Out of State Travel	\$200	\$1,600	\$4,000	\$2,400
Current Expense	5,632,200	7,751,500	8,628,600	877,100
DP Current Expense		300	1,000	700
<b>Total</b>	<u>\$5,632,400</u>	<u>\$7,753,400</u>	<u>\$8,633,600</u>	<u>\$880,200</u>
<b>FTE/Other</b>				

**Purpose** The Comprehensive Health Insurance Pool is a self-funded health insurance pool administered by a statutory board appointed by the Governor. 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 base appropriation is required to keep the pool solvent. Though Pool membership has been growing, the immediate financial need is well within the General Fund appropriation currently in the base funding for the Pool.

The average General Fund supplement over the last five years has been approximately \$1,500,000 and decreasing this last year. The FY 2002 recommendation assures payments of all claims estimated by the actuary with an estimated carry-over into the next fiscal year of more than \$11,100,000. The base General Fund appropriation should continue to grow the Pool.

**Nonlapsing Balance** The Analyst has included a recommendation for FY 2002 Closing Nonlapsing Balance due to the nature of the Comprehensive Health Insurance Pool. It is important that sufficient funds be 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.

**Recommendation** The Analyst recommendation maintains the pool at current levels. Usage will not decrease the pool significantly. The board increased benefits for FY 2001 and has considered further increasing the subsidy to enhance the financial benefit to more clients. **The Analyst recommends that the board continue to evaluate the pool and increase benefits within the funds available.**

**Contract Processing** Blue Cross / Blue Shield of Utah has the contract to process the claims made to the fund. The contract authorizes payment of \$40.00 per claim for processing. This is an increase of \$10.00 per claim over last year. There could be as many as 22,400 claims submitted in a year.

**Major Pool Expenditures**

The major expenditures of the Pool for FY 2002 are:

Processing Contract	\$612,000
Professional / Technical Support	78,300
Claims / Damages	<u>7,943,300</u>
TOTAL	<u>\$8,633,600</u>

**Performance Measures** The Comprehensive Health Insurance Pool Board prepares an annual report for the Legislature which includes performance measures. This report will be distributed by the Insurance Department at the budget hearing. The key elements are to assure enrollment to all who qualify and quick and efficient processing of every claim.

Program enrollment as of:

12/31/00	1,343	27.66% increase over prior year
12/31/99	1,052	8.23 % increase over prior year
12/31/98	972	15.71 % increase over prior year
12/31/97	840	34.40 % increase over prior year
12/31/96	625	

Enrollment in the Pool is a key element. Enrollment levels could be limited by funding. Current projections indicate that enrollment will increase and the Pool base will also continue to increase. The Analyst monitors enrollment and expenditures to assure adequate funding to meet enrollment needs. The Analyst estimates that the Pool fund will continue to grow with the current funding recommendation.

**4.0 Additional Information: Comprehensive Health Insurance Pool**

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
General Fund	\$5,000,000	\$4,135,100	\$3,135,100	\$3,135,100	\$3,135,000
Dedicated Credits Revenue	2,787,800	3,878,700	5,099,700	5,189,000	5,044,000
Beginning Nonlapsing	2,866,400	5,908,300	8,430,200	11,032,600	11,603,300
Closing Nonlapsing	(6,212,300)	(8,692,300)	(11,032,600)	(11,603,300)	(11,148,700)
<b>Total</b>	<u>\$4,441,900</u>	<u>\$5,229,800</u>	<u>\$5,632,400</u>	<u>\$7,753,400</u>	<u>\$8,633,600</u>
<b>Programs</b>					
Comprehensive Health Ins.Pool	\$4,441,900	\$5,229,800	\$5,632,400	\$7,753,400	\$8,633,600
<b>Total</b>	<u>\$4,441,900</u>	<u>\$5,229,800</u>	<u>\$5,632,400</u>	<u>\$7,753,400</u>	<u>\$8,633,600</u>
<b>Expenditures</b>					
In-State Travel	\$1,000				
Out of State Travel	1,100	\$1,600	\$200	\$1,600	\$4,000
Current Expense	4,439,800	5,228,200	5,632,200	7,751,500	8,628,600
DP Current Expense				300	1,000
<b>Total</b>	<u>\$4,441,900</u>	<u>\$5,229,800</u>	<u>\$5,632,400</u>	<u>\$7,753,400</u>	<u>\$8,633,600</u>
<b>FTE/Other</b>					

Note – The beginning and closing nonlapsing balances do not match for several historical years due to the use of the calendar year. The shift has been made starting in FY 2000 of using the fiscal year to resolve this problem.