



## Presented to the Senate Finance Committee



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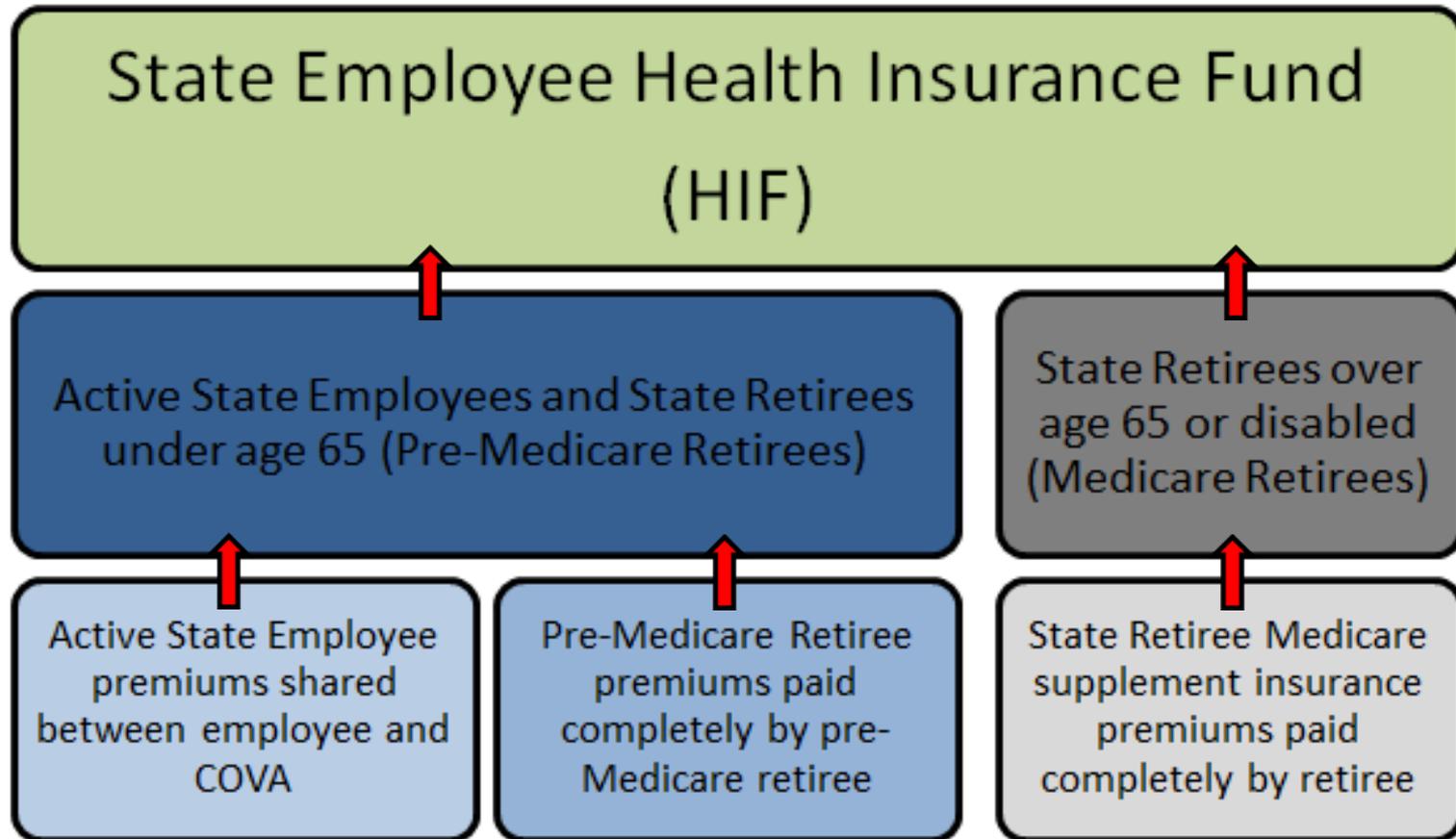
### APA Role

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- The APA performs an annual financial audit of the Health Insurance Fund (HIF).
- Additionally, the 2011 Appropriations Act Chapter 890 requested the APA perform a financial review of the state employee health insurance fund and address the rate setting process and projected expenditures compared to actual expenditures.
- We issued our report in October 2011.



## HIF Background





# HIF Background

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- An actuary assists Virginia in setting insurance premiums to provide sufficient revenue to pay future estimated medical claims.
- The actuary also recommends a HIF cash reserve amount.
- The reserve includes two components:
  - Incurred But Not Received (IBNR) claims
  - Contingency Reserve



# HIF Background

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- The ability of a self-insurance program to meet its actuarially recommended reserve is one measure of its financial stability. For this reason, our audit involved an in-depth examination of the actual HIF cash compared to the actuary reserve.



### HIF Background

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- The HIF was last at risk in 1997 because cash balances were insufficient to pay IBNR claims.
- In response, the Governor and General Assembly provided \$27 million from a surcharge on agency premiums and \$19 million in General Fund appropriations.
- Premiums were increased.



## HIF Background

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HIF Cash at June 30, 2008	\$239
Less: IBNR	<u>86</u>
HIF Cash in excess of IBNR	\$153
Less: Contingency	<u>64</u>
HIF Cash in excess of IBNR and contingency	<u><u>\$89</u></u>



# HIF Background

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2009 actions included:

- 1) transferring earned interest to the General Fund, about \$10 million annually.
- 2) subsidizing premiums for active employees using HIF cash. Employee share of premium not affected, but this reduced the premium portion paid by COVA.



## **2009-2013 Monthly Premium Subsidy**

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	<u>Single</u>	<u>Dual</u>	<u>Family</u>
2009	\$ 41	\$ 77	\$ 113
2010	74	133	195
2011	74	137	200
2012	74	137	200
2013	22	45	64



## Effect of Subsidy on HIF Cash (millions)

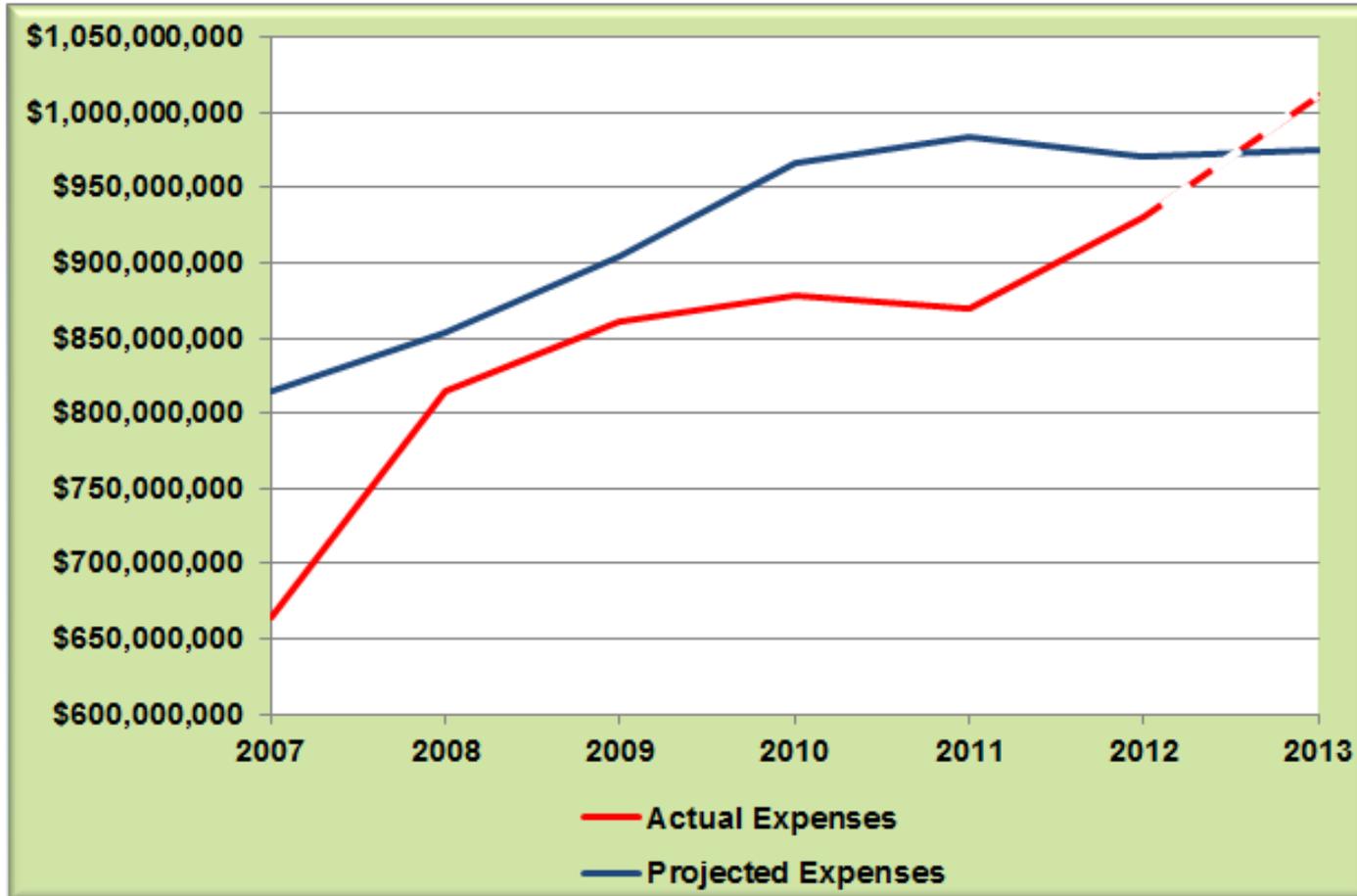
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<u>Year</u>	<u>Expected Burn</u>	<u>Actual Burn</u>
2009	\$ 76	21
2010	131	55
2011	121	23
2012	133	75
2013	43	?

The actual burn averaged \$44 mill. annually from 2009-2012.



## Projected versus Actual HIF Expenses





## HIF Cash (millions)

	2008	2009	2010	2011	2012	Projected 2013
HIF Cash at June 30	\$ 239	\$ 218	\$ 163	\$ 133	\$ 41	\$ 6
Less: IBNR	86	93	84	71	98	98
Cash in excess of (less than) IBNR	\$ 153	\$ 125	\$ 79	\$ 62	\$-57	\$-92
Less: Contingency Reserve	64	69	69	70	76	76
Cash in excess of (less than) IBNR and contingency reserve	\$ 89	\$ 55	\$ 11	\$-8	\$-132	\$-168



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## Review of the State Employees Health Insurance Fund

[www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf](http://www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf)

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