



WASHINGTON STATE HEALTH
INSURANCE POOL

Monthly Financial Report

February 2021

**Washington State Health Insurance Pool
Treasurer's Report
February 2021
Financial Review**

1. 2021 Interim I Assessment Required

An assessment of \$8.5M is required to adequately fund the pool until the next scheduled assessment in July 2021. This assessment was approved by the Board of Directors on March 10, 2021 and generated on March 23, 2021 with invoices due April 23, 2021; except for the carriers who have installment payment arrangements, at which point the invoices are due in total by June 23, 2021.

2. Financial Statements – February 2021

Balance Sheet

Cash on hand decreased by \$1M or 11.8% from January 2021 to February 2021. The current cash position is \$7.6M, which is above our current 4-week expense allowance of \$2.7M. As of the end of February 2021, the entire \$7.6M of cash is fully secured either through the FDIC insurance or by collateralized securities pledged by KeyBank. Cash position is discussed further in the Budgeted Cash Flow section below.

Total IBNR as of February 2021 is \$4.3M. This is an increase of \$113K or 2.7% from the prior month. Medical IBNR increased \$228K or 6.1% and pharmacy IBNR decreased \$115K or 24.2% from January 2021.

As of February 2021, the equity position of WSHIP is a positive \$3.3M.

Income Statement

Total member months for February 2021 YTD are lower by 35 member months or 1.4% lower than February 2020 YTD. Member months are measured as the cumulative monthly member count (PMPM) over a period of time. The total incurred claim loss for February 2021 YTD is \$791K or 14.7% lower than February 2020 YTD. Incurred claim loss represents the total medical and pharmacy claims expense as well as the change in unpaid losses (IBNR) and accrued loss adjustment for the period. For February 2021 YTD, the medical claims portion is \$223K or 6.5% lower than February 2020 YTD, and the pharmacy claims portion is \$568K or 29.5% lower than February 2020 YTD.

February 2021 YTD administrative expenses are \$368 or 0.1% lower than the administrative expenses for February 2020 YTD. The ratio of administrative expenses

as a percentage of total cost is 5.4% for February 2021 YTD as compared to 4.7% for February YTD of the prior year. Total cost is calculated as total incurred claim loss less pharmacy rebates plus administrative expenses.

3. Budgeted Cash Flow – February 2021

The Budgeted Cash Flow document contains the budget (upper portion) as established in late 2020 and the actual (lower portion) cash flow results year-to-date.

The ending cash balance of \$7.6M is \$1.2M or 18.5% higher than the budgeted cash balance of \$6.4M. Total net cash receipts for February 2021 are \$456K or 22.4% favorable to budget. Total YTD expenses for February 2021 YTD are \$882K or 16.7% favorable to budget. The YTD administrative expenses are \$45K or 14.7% favorable to budget. Total YTD medical claims expense is \$615K or 18.2% favorable to budget; while total YTD pharmacy claims expense is \$223K or 14% favorable to budget.

4. Medicare vs. Non-Medicare Cash Flow – February 2021

As of February, the YTD Medicare member months total 2,236 and represent 85.3% of the combined WSHIP member months. The YTD Non-Medicare member months total 384 and account for 14.7% of the combined WSHIP member months. The YTD Medicare Loss Ratio is 226% while the YTD Non-Medicare Loss Ratio is 496%. On a cash basis, the YTD Claims PMPM is \$693 for Medicare members and \$6,725 for Non-Medicare members.

5. Cash Flow Forecast – 2021

The 2021 cash flow forecast was developed using the assumptions developed by Leif & Associates for membership, premium receipts, pharmacy and medical claim cost projections. The key drivers (membership, premiums, medical claims and pharmacy claims) in the budget portion were updated in March 2021 to reflect new projections from Liz Leif. All other projections were trended from previous years with the best information available as of current.

The cash flow re-forecast is a dynamic document and changes are made as better financial information is obtained. Actual results are illustrated through February 2021. For March 2021, preliminary figures for the key financial drivers (Premium Receipts, Assessment Receipts and Refunds, Medical Claims and Pharmacy Claims Expenses) are reported.

Assumptions are noted on this schedule as well as the 2021 assessment projection. To ensure adequate funding the current 2021 forecast is projecting an assessment of \$24.5M which matches the 2020 assessment of \$24.5M

6. Administrative Expense Budget

For February 2021, YTD administrative expenses are \$368K or 0.1% favorable to budget (cash basis).

7. Financial Performance

February 2021 YTD member months are 3.1% lower than expected, average premium receipt PMPM is 13.7% higher than expected, average medical claims expense PMPM is 15.8% lower than expected and average pharmacy claims expense PMPM is 11.3% lower than anticipated.

On an incurred basis, the average YTD medical claims expense PMPM is \$1,626 as compared to \$1,052 on a cash basis. Also, on an incurred basis, the average YTD pharmacy claims expense PMPM is \$519 as compared to \$586 on a cash basis.

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Balance Sheet as of February 28, 2021

	<u>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 7,620,197	\$ 4,399,095
Premiums Receivable	711,637	699,592
Assessments Receivable	102,958	656,577
Grants Receivable	-	-
Prepaid Expense	-	-
Total Assets	<u>\$ 8,434,791</u>	<u>\$ 5,755,264</u>
 Liabilities and Unassigned Surplus:		
Reserve for Unpaid Losses - Medical	\$ 3,984,000	\$ 4,702,000
Reserve for Unpaid Losses - Pharmacy	360,000	455,000
Accrued Loss Adjustment	279,000	276,000
Premiums Received in Advance	116,839	167,693
Assessments Payable	231,604	-
Accrued Expenses	122,403	110,679
Abandoned Claim Reserve	-	-
Total Liabilities	<u>\$ 5,093,846</u>	<u>\$ 5,711,372</u>
Unassigned Surplus	3,340,946	43,893
Total Liabilities and Unassigned Surplus	<u>\$ 8,434,791</u>	<u>\$ 5,755,264</u>

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Statement of Operations January 1 to February 28

	<u>2021</u>	<u>2020</u>
Total Member Months	2,620	2,585
Premium Income Earned	\$ 2,078,300	\$ 2,425,919
Pharmacy Rebate Income	60,467	90,479
Grant Income	-	-
Incurred Claim Loss - Medical	\$ 3,215,743	3,438,476
Incurred Claim Loss - Pharmacy	1,361,619	1,930,061
Total Incurred Claim Loss	<u>4,577,363</u>	<u>5,368,538</u>
Operating Expenses:		
Fixed (PMPM) Administrative Expense	\$ 147,441	\$ 163,669
Variable Administrative Expense	14,161	18,205
Salary and Benefit Expense	76,094	59,167
Prescription Administrative Expense	2,479	2,894
Miscellaneous Expense	8,052	11,948
Professional Fee Expense	18,706	11,420
Total Operating Expenses	<u>\$ 266,933</u>	<u>\$ 267,302</u>
Underwriting Gain (Loss)	(2,705,530)	(3,119,441)
Investment Income	150	15,434
Other Income	-	-
Changes to Unassigned Surplus	<u>\$ (2,705,379)</u>	<u>\$ (3,104,007)</u>

WASHINGTON STATE HEALTH INSURANCE POOL

**Unaudited Statement of Changes in Unassigned Surplus
January 1 to February 28**

	<u>2021</u>	<u>2020</u>
Unassigned Surplus at Beginning of Year	\$ 6,046,325	\$ 3,147,900
Changes to Unassigned Surplus	(2,705,379)	(3,104,007)
Member Assessments	-	-
Unassigned Surplus	<u>\$ 3,340,946</u>	<u>\$ 43,893</u>

**Washington State Health Insurance Pool
2021 Budgeted Cashflow**

Variance to Budget	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YTD
Favorable/(Unfavorable)													
Enrollment Count	(38)	(46)	-	-	-	-	-	-	-	-	-	-	(84)
Receipts													
Premium Receipts	19,578	107,495											127,073
Grant Revenue	-	-											-
Pharmacy Rebate Income	-	(59,533)											(59,533)
Claim Refunds Receipts	2,793	5,121											7,914
Assessment Receipts	-	387,747											387,747
Investment Income	(16)	(33)											(50)
Other Income	-	-											-
Total Receipts	22,355	440,796	-	-	-	-	-	-	-	-	-	-	463,151
Refunds													
Assessment Refunds	-	-											-
Premium Refunds	16,012	(8,861)											7,151
Total Refunds	16,012	(8,861)	-	-	-	-	-	-	-	-	-	-	7,151
Expenses													
Medical Claims	(11,893)	627,003											615,110
Pharmacy Claims	110,679	111,928											222,607
Fixed (PMPM) Admin	3,587	1,199											4,786
Variable Admin	1,676	164											1,840
Salary and Benefits	6,115	206											6,321
Prescription Admin	785	738											1,522
Miscellaneous	(1,016)	(996)											(2,012)
Professional Fees	15,661	16,416											32,077
Total Expense	125,594	756,657	-	-	-	-	-	-	-	-	-	-	882,251
Available Cash Balance	163,961	1,188,592	-	-	-	-	-	-	-	-	-	-	
Inc(Dec) in Abandoned Property Reserve													
Month Ending Cash Balance	163,961	1,188,592	-	-	-	-	-	-	-	-	-	-	

2021 Budgeted Cashflow Notes

- (1) Assumes a Non-medicare medical claim expense trend of 8%. Assumes a Medicare medical claim expense trend of 8%
- (2) Assumes a Non-medicare pharmacy claim expense trend of 8%. Assumes a Medicare pharmacy claim expense trend of 8%
- (3) Assumes a Non-medicare premium rate trended at a 41.4% decrease. Assumes a Medicare premium rate increase of 5%
- (4) Non-medicare enrollment projected to decrease by 2 members per month. Medicare enrollment projected to increase by 3 members per month
- (5) Assumes assessments in March (\$8.5 M), July (\$9.0 M) and November (\$7.0 M) TOTAL \$24.5 M
- (6) 4-Week expense allowance is \$2.7 M based upon the projected data for the 12-month period ending in Dec of 2021
- (7) WSHIP has access to a \$5 M line of credit in the event cash on hand is exhausted

Washington State Health Insurance Pool
2021 Medicare vs. Non-Medicare Cash Flow

	January	February	March	April	May	June	July	August	September	October	November	December	YTD	Historical Annual			
														2019	2018	2017	
Medicare																	
Enrollment Count	1,119	1,117												2,236			
Premiums	332,499	354,155												686,654			
Medical Claims	763,340	633,291												1,396,630			
RX Claims	105,228	48,297												153,525			
Total Claims	868,567	681,587	-	-	-	-	-	-	-	-	-	-	-	1,550,155			
Income/Loss	(536,068)	(327,433)	-	-	-	-	-	-	-	-	-	-	-	(863,501)			
Loss Ratio	261%	192%												226%	219%	191%	201%
Claims PMPM	776	610												693	846	815	792
Non Medicare																	
Enrollment Count	192	192												384			
Premiums	478,301	42,193												520,494			
Medical Claims	897,366	476,498												1,373,864			
RX Claims	623,611	584,793												1,208,404			
Total Claims	1,520,977	1,061,291	-	-	-	-	-	-	-	-	-	-	-	2,582,268			
Income/Loss	(1,042,676)	(1,019,098)	-	-	-	-	-	-	-	-	-	-	-	(2,061,774)			
Loss Ratio	318%	2515%												496%	471%	350%	434%
Claims PMPM	7,922	5,528												6,725	7,398	7,047	6,340
Combined Medicare/Non Medicare																	
Enrollment Count	1,311	1,309	-	-	-	-	-	-	-	-	-	-	-	2,620			
Premiums	810,800	396,348	-	-	-	-	-	-	-	-	-	-	-	1,207,148			
Medical Claims	1,660,706	1,109,788	-	-	-	-	-	-	-	-	-	-	-	2,770,496			
RX Claims	728,839	633,090	-	-	-	-	-	-	-	-	-	-	-	1,361,929			
Total Claims	2,389,545	1,742,879	-	-	-	-	-	-	-	-	-	-	-	4,132,425			
Income/Loss	(1,578,744)	(1,346,531)	-	-	-	-	-	-	-	-	-	-	-	(2,925,277)			
Loss Ratio	295%	440%												342%	351%	285%	333%
Claims PMPM	1,823	1,331												1,577	2,250	2,277	2,235

Medicare vs NonMedicare Notes:

1) Premiums, Medical Claims and RX Claims are cash basis figures.

Washington State Health Insurance Pool 2021 Cash Flow Forecast

	Actual					Forecast							TOTAL
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
Enrollment:													
Non-Medicare Enrollment	192	192	174	173	172	171	170	169	168	167	166	165	2,079
Medicare Enrollment	1,119	1,117	1,187	1,194	1,201	1,208	1,215	1,222	1,229	1,236	1,243	1,250	14,421
Total Enrollment Count	1,311	1,309	1,361	1,367	1,373	1,379	1,385	1,391	1,397	1,403	1,409	1,415	16,500
Cash Balance													
BEGINNING OF MONTH	9,501,959	8,637,023	7,620,197	7,368,908	12,339,387	10,995,763	10,715,170	8,703,775	13,664,358	13,105,142	11,593,460	9,132,341	
Receipts													
Premium Receipts	1,087,037	408,058	1,294,275	847,612	293,901	1,473,756	644,745	414,688	1,424,182	569,348	219,094	286,681	8,963,376
Grant Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Pharmacy Rebate Income	-	60,467	-	-	120,000	-	-	120,000	-	-	120,000	-	420,467
Claim Refunds Receipts	2,875	10,876	33,672	32,189	33,499	32,505	33,804	36,408	37,221	39,751	38,113	37,250	368,161
Assessment Receipts	564,858	387,747	-	6,800,000	850,000	850,000	-	7,200,000	900,000	900,000	-	5,600,000	24,052,606
Investment Income	84	67	100	100	100	100	100	100	100	100	100	100	1,150
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	1,654,854	867,214	1,328,046	7,679,901	1,297,499	2,356,361	678,649	7,771,195	2,361,503	1,509,199	377,307	5,924,031	33,805,760
Refunds													
Assessment Refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium Refunds	0	13,370	19,414	12,714	4,409	22,106	9,671	6,220	21,363	8,540	3,286	4,300	125,394
Total Refunds	0	13,370	19,414	12,714	4,409	22,106	9,671	6,220	21,363	8,540	3,286	4,300	125,394
Expenses													
Medical Claim Expense	1,660,706	1,109,788	808,210	1,738,815	1,721,942	1,617,275	1,643,868	1,778,510	1,891,000	2,028,713	1,877,632	1,985,359	19,861,818
Pharmacy Claim Expense	728,839	633,090	577,863	802,164	768,067	857,485	885,492	857,276	854,686	829,378	801,529	844,117	9,439,985
PMPM Administrative Expense	72,108	74,044	75,557	75,871	76,185	76,500	76,814	77,128	77,442	77,757	78,071	78,385	915,860
Variable Administrative Expense	6,888	7,832	14,529	9,062	8,094	8,127	8,159	8,192	9,224	8,257	16,790	8,322	113,470
Salary and Benefits Expense	43,072	33,022	33,228	33,228	33,228	33,228	33,374	33,374	33,374	33,374	33,374	33,374	409,251
Prescription Administrative Expense	937	991	1,736	1,743	1,750	1,758	1,765	1,772	1,780	1,787	1,794	1,801	19,613
Miscellaneous Expense	4,708	4,563	4,342	3,567	3,692	4,217	4,642	29,383	5,592	14,817	7,692	21,797	109,011
Professional Fees	2,532	7,342	44,458	32,258	23,758	16,258	26,258	18,758	26,258	18,258	18,258	26,258	260,658
Total Expense	2,519,789	1,870,671	1,559,922	2,696,707	2,636,715	2,614,847	2,680,372	2,804,393	2,899,356	3,012,341	2,835,139	2,999,413	31,129,667
Available Cash Balance	8,637,023	7,620,197	7,368,908	12,339,387	10,995,763	10,715,170	8,703,775	13,664,358	13,105,142	11,593,460	9,132,341	12,052,659	
Inc(Dec) in Abandoned Property Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Month Ending Cash Balance	8,637,023	7,620,197	7,368,908	12,339,387	10,995,763	10,715,170	8,703,775	13,664,358	13,105,142	11,593,460	9,132,341	12,052,659	

2021 Cashflow Forecast Notes

- (1) Assumes a Non-medicare medical claim expense trend of 8%. Assumes a Medicare medical claim expense trend of 8%.
- (2) Assumes a Non-medicare pharmacy claim expense trend of 8%. Assumes a Medicare pharmacy claim expense trend of 8%.
- (3) Assumes a Non-medicare premium rate trended at a 41.4% decrease. Assumes a Medicare premium rate increase of 5%.
- (4) Non-medicare enrollment projected to decrease by 2 members per month. Medicare enrollment projected to increase by 3 members per month
- (5) Assumes assessments in March (\$8.5 M), July (\$9.0 M) and November (\$7.0 M) TOTAL \$24.5 M
- (6) 4-Week expense allowance is \$2.7 M based upon the projected data for the 12-month period ending in Dec of 2021.
- (7) WSHIP has access to a \$5 M line of credit in the event cash on hand is exhausted.

Washington State Health Insurance Pool 2021 Financial Performance

CASH BASIS	Month Ending February 28, 2021			
	Projected	Actual	Variance	% Change
Membership	1,355	1,309	(46)	-3.4%
Avg Premium Receipt PMPM	\$218	\$302	\$84	38.5%
Avg Medical Claim Expense PMPM	\$1,282	\$840	\$442	-34.5%
Avg Pharmacy Claim Expense PMPM	\$550	\$484	\$66	-12.0%
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,614)	(\$1,022)	\$592	36.7%
Avg Premium Receipt Less Avg Claim Expense Total	(\$2,186,970)	(\$1,337,798)	\$849,172	38.8%
Variance Due to Changes in Membership			\$47,012	
Variance Due to Changes in Claim Expenses			\$802,160	

CASH BASIS	Year-To-Date February 28, 2021			
	Projected	Actual	Variance	% Change
Member Months	2,704	2,620	(84)	-3.1%
Avg Premium Receipt PMPM	\$498	\$566	\$68	13.7%
Avg Medical Claim Expense PMPM	\$1,250	\$1,052	(\$198)	-15.8%
Avg Pharmacy Claim Expense PMPM	\$586	\$520	(\$66)	-11.3%
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,338)	(\$1,006)	\$332	24.8%
Avg Premium Receipt Less Avg Claim Expense Total	(\$3,617,952)	(\$2,635,720)	\$982,232	27.1%
Variance Due to Changes in Membership			\$84,504	
Variance Due to Changes in Claim Expenses			\$897,728	

INCURRED BASIS	Year-To-Date February 28, 2021	Year-To-Date February 28, 2020
	Actual	Actual - Prior Year
Member Months	2,620	2,585
Avg Premium Income PMPM	\$736	\$938
Avg Medical Claim Expense PMPM (1)	\$1,626	\$1,687
Avg Pharmacy Claim Expense PMPM (2)	\$519	\$841
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,409)	(\$1,590)
Avg Premium Receipt Less Avg Claim Expense Total	(\$3,691,580)	(\$4,110,150)

(1) Incurred medical claims data totals \$4,261,290 which is derived from \$277,290 actual paid claims with dates of service between 01-01-21 and 2-28-21 and \$3,984,000 IBNR reserve.

(2) Incurred pharmacy claims data totals \$1,359,231 which is derived from \$999,321 actual paid claims with dates of service between 01-01-21 and 02-28-21 and \$360,000 IBNR reserve.