

**Washington State Health Insurance Pool
Treasurer's Report
July 2014 Financial Review**

1. 2014 Interim II Assessment Required

An assessment of \$33.5 M is required in order to adequately carry the pool into the next scheduled assessment in March 2015. This assessment was approved by the Board of Directors and generated on July 18, 2014 with invoices due August 18, 2014 except for the carriers who have installment arrangements, at which point the invoices are due in total by October 18, 2014. Cash receipts resulting from this assessment will enable WSHIP to submit the required \$20.8 M payment to HBE before the end of the year and still maintain positive equity throughout the rest of 2014. Looking ahead as of August 31, 2014, \$27.0 M has been collected leaving \$6.4 M left to collect.

2. Financial Statements – July 2014

Balance Sheet

Cash on hand decreased by \$3.9 K or 18.5% from June 2014 to July 2014. The current cash position is \$17.3 M which is sufficient to cover all liabilities of the pool at this time. As of the end of June 2014, the entire \$17.3 M 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 July 2014 is \$6.5 M. This represents an increase of \$517 K or 8.7% as compared to the prior month. Medical IBNR increased \$395 K or 7.4% and pharmacy IBNR increased \$122 K or 19.1% from June 2014.

As of July 2014, the equity position of WSHIP is a positive \$21.1 M.

Income Statement

Total member months for July 2014 YTD are lower by 11,934 member months or 46.3% lower than July 2013 YTD. Member months are measured as the cumulative monthly member count (PMPM) over a period of time. The total incurred claim loss for July 2014 YTD is \$27.6 M or 48.6% lower than July 2013 YTD. Incurred claim loss represents the total medical and pharmacy claims expense in addition to the change in unpaid losses (IBNR) and accrued loss adjustment for the period. For July 2014 YTD, the medical claims portion is \$12.0 M or 38.0% lower than July 2013 YTD, and the pharmacy claims portion is \$15.6 M or 61.9% lower than July 2013 YTD.

July 2014 YTD administrative expenses are \$300 K or 17.6% lower than the administrative expenses in July 2013 YTD. The ratio of administrative expenses as a percentage of total cost is 4.7% for July 2014 YTD as compared to 2.9% in July of the prior year. Total cost is calculated as total incurred claim loss less pharmacy rebates plus administrative expenses.

3. Budgeted Cash Flow – July 2014

The Budgeted Cash Flow document contains the budget (upper portion) as established in early 2014 and the actual (lower portion) cash flow results year-to-date.

The ending cash balance of \$17.3 M is \$347 K lower than the budgeted cash balance of \$17.7 M. Total net cash receipts for July 2014 are \$3.3 M or 12.2% unfavorable to budget. Total expenses are \$3.0 M or 7.2% favorable to budget. The administrative expenses are \$47 K or 3.3% unfavorable to budget. Total medical claims expense is \$2.4 M or 11.3% unfavorable to budget, while total pharmacy claims expense is \$5.5 M or 29.0% favorable to budget.

4. Cash Flow Forecast – 2014

The 2014 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 June 2014 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 July 2014. For August 2014, the preliminary figures for the key financial drivers (Premium Receipts, Grant Revenue, Assessment Receipts and Refunds, Medical Claims and Pharmacy Claims Expenses) are reported.

Assumptions are noted on this schedule as well as the 2014 assessment projection. To ensure adequate funding, the current 2014 forecast is projecting an assessment of \$43.5 M which is a \$39.5 M or 47.6% decrease from the 2013 assessment of \$83.0 M.

5. Cash Flow Forecast – 2015

Included in this month's financial packet is a draft of the 2015 cash flow forecast. Assumptions are noted on this schedule as well as the 2015 assessment projection. To ensure adequate funding, the current 2015 forecast is projecting an assessment of \$34.0 M which is a \$9.5 M or 21.8% decrease from the 2014 assessment of \$43.5 M.

6. Administrative Expense Budget

For July 2014, administrative expenses are \$47 K or 3.3% unfavorable to budget (cash basis).

7. Financial Performance

July 2014 YTD member months are 1,435 member months or 9% lower than projected in the original budget. Through July 2014, average premium receipt PMPM is 11% higher than anticipated. Average medical claims expense PMPM is 22% higher than anticipated and average pharmacy claims expense PMPM is 22% lower than anticipated.

On an incurred basis, the average medical claims expense PMPM is \$1,482 as compared to \$1,678 on a cash basis. Also on an incurred basis, the average pharmacy claims expense PMPM is \$967 as compared to \$973 on a cash basis.

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Balance Sheet as of July 31

Total Enrollment: 1,815

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------------|-----------------------------|
| Assets: | | |
| Cash | \$ 17,319,052 | \$ 9,806,069 |
| Premiums Receivable | 104,968 | 237,866 |
| Assessments Receivable | 33,439,301 | - |
| Grants Receivable | - | - |
| Other Receivable | - | - |
| Prepaid Expense | - | 406 |
| Total Assets | <u><u>\$ 50,863,321</u></u> | <u><u>\$ 10,044,341</u></u> |
| Liabilities and Unassigned Surplus: | | |
| Reserve for Unpaid Losses - Medical | \$ 5,725,000 | \$ 10,696,000 |
| Reserve for Unpaid Losses - Pharmacy | 760,000 | 2,243,000 |
| Accrued Loss Adjustment | 328,000 | 414,000 |
| Premiums Received in Advance | 1,840,855 | 5,505,392 |
| Assessments Payable | - | - |
| Due to HBE | 20,838,000 | - |
| Accrued Expenses | 199,338 | 303,067 |
| Abandoned Claim Reserve | 65,753 | 69,585 |
| Total Liabilities | <u><u>\$ 29,756,946</u></u> | <u><u>\$ 19,231,044</u></u> |
| Unassigned Surplus | 21,106,375 | (9,186,703) |
| Total Liabilities and Unassigned Surplus | <u><u>\$ 50,863,321</u></u> | <u><u>\$ 10,044,341</u></u> |

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Statement of Operations January 1 to July 31

| | <u>2014</u> | <u>2013</u> |
|---------------------------------------|------------------------|------------------------|
| Total Member Months | 13,826 | 25,760 |
| Premium Income Earned | \$ 8,294,862 | \$ 19,600,454 |
| Pharmacy Rebate Income | 396,991 | 317,269 |
| Grant Income | - | - |
| Incurred Claim Loss - Medical | 19,534,955 | 31,532,141 |
| Incurred Claim Loss - Pharmacy | 9,633,748 | 25,258,117 |
| Total Incurred Claim Loss | <u>29,168,702</u> | <u>56,790,258</u> |
| Operating Expenses: | | |
| Fixed (PMPM) Administrative Expense | \$ 673,383 | \$ 984,525 |
| Variable Administrative Expense | 266,893 | 305,215 |
| Salary and Benefit Expense | 232,350 | 151,403 |
| Prescription Administrative Expense | 22,485 | 50,700 |
| Miscellaneous Expense | 71,919 | 58,094 |
| Professional Fee Expense | 142,991 | 160,567 |
| Total Operating Expenses | <u>\$ 1,410,020</u> | <u>\$ 1,710,504</u> |
| Underwriting Gain (Loss) | (21,886,870) | (38,583,040) |
| Investment Income | 1,481 | 1,238 |
| Other Income | - | 17,471 |
| Changes to Unassigned Surplus | <u>\$ (21,885,389)</u> | <u>\$ (38,564,331)</u> |

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Statement of Changes in Unassigned Surplus January 1 to July 31

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------------|------------------------------|
| Unassigned Surplus at Beginning of Year | \$ 20,329,763 | \$ 9,782,127 |
| Changes to Unassigned Surplus | (21,885,389) | (38,564,331) |
| Member Assessments | 43,500,000 | 19,595,501 |
| HBE Assessment Payment Due | (20,838,000) | - |
| Unassigned Surplus | <u><u>\$ 21,106,375</u></u> | <u><u>\$ (9,186,703)</u></u> |

WSHIP
Budgeted Cashflow 2014

Budget - Updated Feb 2014

| | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JULY YTD | TOTAL |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|
| Enrollment Count | 2,535 | 2,190 | 2,128 | 2,117 | 2,107 | 2,097 | 2,087 | 2,077 | 2,067 | 2,058 | 2,049 | 2,041 | 15,261 | 25,553 |
| Cash Balance | | | | | | | | | | | | | | |
| BEGINNING OF MONTH | 32,118,470 | 27,119,355 | 21,222,908 | 16,800,308 | 25,299,215 | 23,235,391 | 21,110,133 | 17,665,710 | 45,674,693 | 46,573,969 | 47,420,650 | 44,198,174 | | |
| Receipts | | | | | | | | | | | | | | |
| Premium Receipts | 1,876,591 | 1,527,758 | 1,463,324 | 1,449,209 | 1,435,391 | 1,421,865 | 1,408,624 | 1,395,664 | 1,382,977 | 1,370,560 | 1,358,406 | 1,346,510 | 10,582,762 | 17,436,879 |
| Grant Revenue | 71,247 | - | - | - | - | - | - | - | - | - | - | - | 71,247 | 71,247 |
| Pharmacy Rebate Income | - | - | 50,000 | - | - | 50,000 | - | - | 50,000 | - | - | 50,000 | 100,000 | 200,000 |
| Claim Refunds Receipts | 94,955 | 75,788 | 66,210 | 64,536 | 64,866 | 67,340 | 63,844 | 62,550 | 62,297 | 62,262 | 65,177 | 60,655 | 497,539 | 810,480 |
| Assessment Receipts | 3,150,000 | 104,522 | - | 12,000,000 | 1,500,000 | 1,500,000 | - | 14,560,000 | 1,820,000 | 1,820,000 | - | - | 18,254,522 | 36,454,522 |
| Additional Assessment Receipts (HBE) | - | - | - | - | - | - | - | 16,670,400 | 2,083,800 | 2,083,800 | - | - | - | 20,838,000 |
| Investment Income | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 700 | 1,200 |
| Other Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Receipts | 5,192,893 | 1,708,168 | 1,579,634 | 13,513,845 | 3,000,357 | 3,039,305 | 1,472,568 | 32,688,714 | 5,399,174 | 5,336,722 | 1,423,683 | 1,457,265 | 29,506,770 | 75,812,328 |
| Refunds | | | | | | | | | | | | | | |
| Assessment Refunds | - | 912,408 | - | - | - | - | - | - | - | - | - | - | 912,408 | 912,408 |
| Premium Refunds | 54,702 | 53,993 | 782,699 | 50,373 | 49,707 | 49,053 | 48,413 | 47,786 | 47,172 | 46,570 | 45,980 | 45,402 | 1,088,940 | 1,321,850 |
| Total Refunds | 54,702 | 966,401 | 782,699 | 50,373 | 49,707 | 49,053 | 48,413 | 47,786 | 47,172 | 46,570 | 45,980 | 45,402 | 2,001,348 | 2,234,258 |
| Assessment Payments | | | | | | | | | | | | | | |
| HBE Assessment | - | - | - | - | - | - | - | - | - | - | - | 20,838,000 | - | 20,838,000 |
| Expenses | | | | | | | | | | | | | | |
| Medical Claims | 4,090,017 | 3,553,101 | 2,861,576 | 2,731,332 | 2,781,333 | 2,911,786 | 2,647,616 | 2,400,380 | 2,263,971 | 2,248,458 | 2,347,401 | 2,374,687 | 21,576,761 | 33,211,658 |
| Pharmacy Claims | 5,834,658 | 2,866,244 | 2,151,008 | 2,040,266 | 2,037,232 | 2,017,222 | 2,009,961 | 2,014,845 | 1,999,067 | 1,994,979 | 1,989,850 | 1,983,256 | 18,956,591 | 28,938,588 |
| Fixed (PMPM) Admin | 106,787 | 105,691 | 104,637 | 99,887 | 98,874 | 97,901 | 96,928 | 95,997 | 95,065 | 94,134 | 93,243 | 92,394 | 710,705 | 1,181,538 |
| Variable Admin | 33,647 | 32,831 | 32,625 | 26,673 | 26,474 | 28,785 | 28,594 | 25,912 | 25,730 | 25,548 | 58,374 | 25,208 | 209,629 | 370,401 |
| Salary and Benefits | 34,676 | 28,376 | 29,066 | 29,205 | 33,405 | 29,205 | 27,910 | 27,910 | 27,910 | 27,910 | 27,910 | 28,117 | 211,841 | 351,599 |
| Prescription Admin | 5,459 | 5,409 | 5,361 | 5,140 | 5,094 | 5,050 | 5,005 | 4,963 | 4,921 | 4,879 | 4,838 | 4,800 | 36,516 | 60,918 |
| Miscellaneous | 8,305 | 8,305 | 8,305 | 8,305 | 8,305 | 8,305 | 8,305 | 25,180 | 8,305 | 8,305 | 8,305 | 20,680 | 58,135 | 128,910 |
| Professional Fees | 23,758 | 38,258 | 26,958 | 23,758 | 23,758 | 17,258 | 44,258 | 36,758 | 27,758 | 39,258 | 70,258 | 25,258 | 198,003 | 397,291 |
| Total Expense | 10,137,306 | 6,638,214 | 5,219,535 | 4,964,565 | 5,014,474 | 5,115,511 | 4,868,577 | 4,631,945 | 4,452,727 | 4,443,471 | 4,600,179 | 4,554,400 | 41,958,182 | 64,640,903 |
| Month Ending Cash Balance | \$ 27,119,355 | \$ 21,222,908 | \$ 16,800,308 | \$ 25,299,215 | \$ 23,235,391 | \$ 21,110,133 | \$ 17,665,710 | \$ 45,674,693 | \$ 46,573,969 | \$ 47,420,650 | \$ 44,198,174 | \$ 20,217,637 | | |

| Actual | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | TOTAL YTD |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Enrollment Count | 2,534 | 2,095 | 1,938 | 1,841 | 1,799 | 1,804 | 1,815 | | | | | | 13,826 |
| Cash Balance | | | | | | | | | | | | | |
| BEGINNING OF MONTH | 32,118,470 | 30,528,025 | 23,995,643 | 21,247,907 | 25,052,384 | 21,227,587 | 21,258,847 | | | | | | |
| Receipts | | | | | | | | | | | | | |
| Premium Receipts | 3,948,909 | 608,061 | 1,097,722 | 1,900,204 | 453,785 | 2,082,278 | 783,592 | | | | | | 10,874,552 |
| Grant Revenue | - | 71,247 | - | - | - | - | - | | | | | | 71,247 |
| Pharmacy Rebate Income | - | - | 211,139 | - | - | 185,852 | - | | | | | | 396,991 |
| Claim Refunds Receipts | 61,192 | 41,734 | 48,325 | 33,055 | 30,660 | 220,825 | 390,205 | | | | | | 825,996 |
| Assessment Receipts | 2,255,260 | 1,967 | 1,910,815 | 7,606,435 | 876,653 | 1,515,800 | 60,699 | | | | | | 14,227,629 |
| Investment Income | 281 | 225 | 212 | 193 | 209 | 183 | 179 | | | | | | 1,481 |
| Other Income | - | - | - | - | - | - | - | | | | | | - |
| Total Receipts | 6,265,642 | 723,234 | 3,268,214 | 9,539,887 | 1,361,308 | 4,004,937 | 1,234,675 | | | | | | 26,397,897 |
| Refunds | | | | | | | | | | | | | |
| Assessment Refunds | - | 912,408 | - | - | - | - | - | | | | | | 912,408 |
| Premium Refunds | 41,960 | 885,924 | 208,693 | 112,067 | 28,596 | 24,334 | 24,388 | | | | | | 1,325,962 |
| Total Refunds | 41,960 | 1,798,332 | 208,693 | 112,067 | 28,596 | 24,334 | 24,388 | | | | | | 2,238,370 |
| Expenses | | | | | | | | | | | | | |
| Medical Claims | 4,257,882 | 3,444,146 | 3,829,467 | 3,922,194 | 2,703,946 | 2,530,317 | 3,333,872 | | | | | | 24,021,823 |
| Pharmacy Claims | 3,290,997 | 1,952,504 | 1,558,743 | 1,547,953 | 2,230,249 | 1,253,869 | 1,624,559 | | | | | | 13,458,875 |
| Fixed (PMPM) Admin | 153,700 | - | 247,974 | 67,761 | 103,269 | 88,361 | 86,681 | | | | | | 747,745 |
| Variable Admin | 18,488 | - | 100,071 | 29,614 | 34,232 | 30,400 | 39,335 | | | | | | 252,140 |
| Salary and Benefits | 41,811 | 27,429 | 23,389 | 34,342 | 54,776 | 23,251 | 28,657 | | | | | | 233,655 |
| Prescription Admin | 14,837 | 2,845 | 6,289 | 2,195 | 2,411 | - | 4,034 | | | | | | 32,611 |
| Miscellaneous | 16,811 | 8,734 | 10,055 | 5,380 | 6,634 | 8,906 | 5,551 | | | | | | 62,072 |
| Professional Fees | 19,113 | 21,626 | 31,158 | 13,904 | 21,991 | 14,239 | 21,923 | | | | | | 143,955 |
| Total Expense | 7,813,639 | 5,457,285 | 5,807,147 | 5,623,343 | 5,157,509 | 3,949,343 | 5,144,612 | | | | | | 38,952,878 |
| Available Cash Balance | 30,528,513 | 23,995,643 | 21,248,017 | 25,052,384 | 21,227,587 | 21,258,847 | 17,324,521 | | | | | | |
| Inc(Dec) in Abandoned | (488) | - | (109) | - | - | - | (5,469) | | | | | | |
| Property Reserve | - | - | - | - | - | - | - | | | | | | |
| Month Ending Cash Balance | \$ 30,528,025 | \$ 23,995,643 | \$ 21,247,907 | \$ 25,052,384 | \$ 21,227,587 | \$ 21,258,847 | \$ 17,319,052 | \$ - | \$ - | \$ - | \$ - | \$ - | |

WSHIP
Budgeted Cashflow 2014

| Variance to Budget | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | TOTAL YTD |
|----------------------------------|------------------|------------------|------------------|--------------------|--------------------|------------------|------------------|--------|-----------|---------|----------|----------|--------------------|
| Favorable/(Unfavorable) | | | | | | | | | | | | | |
| Enrollment Count | (1) | (95) | (190) | (276) | (308) | (293) | (272) | | | | | | (1,435) |
| Receipts | | | | | | | | | | | | | |
| Premium Receipts | 2,072,318 | (919,697) | (365,602) | 450,995 | (981,606) | 660,413 | (625,032) | | | | | | 291,790 |
| Grant Revenue | (71,247) | 71,247 | - | - | - | - | - | | | | | | - |
| Pharmacy Rebate Income | - | - | 161,139 | - | - | 135,852 | - | | | | | | 296,991 |
| Claim Refunds Receipts | (33,763) | (34,054) | (17,885) | (31,481) | (34,206) | 153,485 | 326,361 | | | | | | 328,457 |
| Assessment Receipts | (894,740) | (102,555) | 1,910,815 | (4,393,565) | (623,347) | 15,800 | 60,699 | | | | | | (4,026,893) |
| Investment Income | 181 | 125 | 112 | 93 | 109 | 83 | 79 | | | | | | 781 |
| Other Income | - | - | - | - | - | - | - | | | | | | - |
| Total Receipts | 1,072,749 | (984,934) | 1,688,580 | (3,973,958) | (1,639,049) | 965,632 | (237,893) | | | | | | (3,108,873) |
| Refunds | | | | | | | | | | | | | |
| Assessment Refunds | - | - | - | - | - | - | - | | | | | | - |
| Premium Refunds | 12,742 | (831,931) | 574,006 | (61,694) | 21,111 | 24,719 | 24,025 | | | | | | (237,022) |
| Total Refunds | 12,742 | (831,931) | 574,006 | (61,694) | 21,111 | 24,719 | 24,025 | | | | | | (237,022) |
| Expenses | | | | | | | | | | | | | |
| Medical Claims | (167,865) | 108,955 | (967,891) | (1,190,862) | 77,387 | 381,469 | (686,256) | | | | | | (2,445,062) |
| Pharmacy Claims | 2,543,661 | 913,740 | 592,265 | 492,313 | (193,017) | 763,353 | 385,402 | | | | | | 5,497,716 |
| Fixed (PMPM) Admin | (46,913) | 105,691 | (143,337) | 32,126 | (4,395) | 9,540 | 10,247 | | | | | | (37,040) |
| Variable Admin | 15,160 | 32,831 | (67,446) | (2,941) | (7,758) | (1,615) | (10,741) | | | | | | (42,511) |
| Salary and Benefits | (7,135) | 947 | 5,676 | (5,137) | (21,372) | 5,954 | (747) | | | | | | (21,814) |
| Prescription Admin | (9,378) | 2,564 | (929) | 2,945 | 2,683 | 5,050 | 971 | | | | | | 3,905 |
| Miscellaneous | (8,506) | (429) | (1,750) | 2,925 | 1,671 | (601) | 2,754 | | | | | | (3,937) |
| Professional Fees | 4,645 | 16,631 | (4,201) | 9,854 | 1,766 | 3,018 | 22,334 | | | | | | 54,048 |
| Total Expense | 2,323,667 | 1,180,929 | (587,612) | (658,778) | (143,035) | 1,166,168 | (276,035) | | | | | | 3,005,304 |
| Available Cash Balance | 3,409,158 | 2,772,734 | 4,447,708 | (246,831) | (2,007,805) | 148,714 | (341,189) | | | | | | |
| Inc(Dec) in Abandoned | | | | | | | | | | | | | |
| Property Reserve | | | | | | | (5,469) | | | | | | |
| Month Ending Cash Balance | 3,409,158 | 2,772,734 | 4,447,708 | (246,831) | (2,007,805) | 148,714 | (346,658) | | | | | | |

- (1) Assumes an annual medical claim expense trend of 10% for Non-Medicare, MC Basic and Basic Plus products.
- (2) Assumes an annual pharmacy claim expense trend of 10% Non-Medicare, 10% MC Basic, and -8% MC Basic Plus.
- (3) Premium rates trended at a 4% increase.
- (4) Assumes EHIP members leave December 31, 2013 except for estimated 275 undocumented immigrants and another 90 members who leave March 31, 2013. Remaining Non-Medicare enrollment drops at a rate of 2% per month. Medicare enrollment is trended to increase at a rate of 4 members per month.
- (5) Assumes assessments on March **(\$15.0 M)**, July **(\$39.0 M)**, November **(\$0 M)** TOTAL **\$54.0 M**. The July assessment includes \$18.2 M to cover pool losses and \$20.8 M for the HBE Assessment payment.
- (6) 3-Week expense allowance is \$4.2 M based upon the projected data for the 12-month period ending in Dec of 2014.
- (7) WSHIP has access to a **\$5 M** line of credit in the event cash on hand is exhausted.
- (8) Assumes **\$20.8 M** HBE assessment payment in December 2014. WSHIP will add \$20.8 M to the Interim II assessment to help fund that payment.

Washington State Health Insurance Pool 2014 Cash Flow Forecast

| Forecast | Actual (Bold) | | | | | | | Forecast | | | | | TOTAL |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------|------------|------------|------------|------------|------------|
| | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | |
| Enrollment | | | | | | | | | | | | | |
| Non-Medicare Enrollment | 1,480 | 1,063 | 884 | 802 | 764 | 750 | 738 | 738 | 730 | 722 | 714 | 706 | 10,091 |
| Medicare Enrollment (Basic and Basic+) | 1,054 | 1,032 | 1,054 | 1,039 | 1,035 | 1,054 | 1,077 | 1,044 | 1,047 | 1,050 | 1,053 | 1,056 | 12,595 |
| Total Enrollment Count | 2,534 | 2,095 | 1,938 | 1,841 | 1,799 | 1,804 | 1,815 | 1,782 | 1,777 | 1,772 | 1,767 | 1,762 | 22,686 |
| Cash Balance | | | | | | | | | | | | | |
| BEGINNING OF MONTH | 32,118,470 | 30,528,025 | 23,995,643 | 21,247,907 | 25,052,384 | 21,227,587 | 21,258,847 | 17,319,052 | 40,604,312 | 41,875,745 | 41,219,407 | 37,891,433 | |
| Receipts | | | | | | | | | | | | | |
| Premium Receipts | 3,948,909 | 608,061 | 1,097,722 | 1,900,204 | 453,785 | 2,082,278 | 783,592 | 420,227 | 1,777,958 | 563,407 | 563,407 | 1,690,222 | 15,889,774 |
| Grant Revenue | - | 71,247 | - | - | - | - | - | - | - | 509,608 | - | - | 580,855 |
| Pharmacy Rebate Income | - | - | 211,139 | - | - | 185,852 | - | - | 50,000 | - | - | 50,000 | 496,991 |
| Claim Refunds Receipts | 61,192 | 41,734 | 48,325 | 33,055 | 30,660 | 220,825 | 390,205 | 62,550 | 62,297 | 62,262 | 65,177 | 60,655 | 1,138,937 |
| Assessment Receipts | 2,255,260 | 1,967 | 1,910,815 | 7,606,435 | 876,653 | 1,515,800 | 60,699 | 10,266,604 | 1,220,165 | 1,220,165 | - | - | 26,934,563 |
| Additional Assessment Receipts (HBE) | - | - | - | - | - | - | - | 16,750,775 | 1,990,796 | 1,990,796 | - | - | 20,732,367 |
| Investment Income | 281 | 225 | 212 | 193 | 209 | 183 | 179 | 100 | 100 | 100 | 100 | 100 | 1,981 |
| Other Income | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Receipts | 6,265,642 | 723,234 | 3,268,214 | 9,539,887 | 1,361,308 | 4,004,937 | 1,234,675 | 27,500,256 | 5,101,316 | 4,346,338 | 628,684 | 1,800,977 | 65,775,469 |
| Refunds | | | | | | | | | | | | | |
| Assessment Refunds | - | 912,408 | - | - | - | - | - | - | - | 1,139,085 | - | - | 2,051,493 |
| Premium Refunds | 41,960 | 885,924 | 208,693 | 112,067 | 28,596 | 24,334 | 24,388 | 47,786 | 47,172 | 46,570 | 45,980 | 45,402 | 1,558,872 |
| Total Refunds | 41,960 | 1,798,332 | 208,693 | 112,067 | 28,596 | 24,334 | 24,388 | 47,786 | 47,172 | 1,185,655 | 45,980 | 45,402 | 3,610,365 |
| Assessment Payments | | | | | | | | | | | | | |
| HBE Assessment | - | - | - | - | - | - | - | - | - | - | - | 20,838,000 | 20,838,000 |
| Expenses | | | | | | | | | | | | | |
| Medical Claim Expense | 4,257,882 | 3,444,146 | 3,829,467 | 3,922,194 | 2,703,946 | 2,530,317 | 3,333,872 | 2,558,392 | 2,054,552 | 2,084,879 | 2,122,007 | 2,089,910 | 34,931,564 |
| Pharmacy Claim Expense | 3,290,997 | 1,952,504 | 1,558,743 | 1,547,953 | 2,230,249 | 1,253,869 | 1,624,559 | 1,392,098 | 1,538,470 | 1,532,109 | 1,525,743 | 1,516,863 | 20,964,159 |
| PMPM Administrative Expense | 153,700 | - | 247,974 | 67,761 | 103,269 | 88,361 | 86,681 | 95,997 | 95,065 | 94,134 | 93,243 | 92,394 | 1,218,578 |
| Variable Administrative Expense | 18,488 | - | 100,071 | 29,614 | 34,232 | 30,400 | 39,335 | 25,912 | 25,730 | 25,548 | 58,374 | 25,208 | 412,912 |
| Salary and Benefits Expense | 41,811 | 27,429 | 23,389 | 34,342 | 54,776 | 23,251 | 28,657 | 27,910 | 27,910 | 27,910 | 27,910 | 28,117 | 373,413 |
| Prescription Administrative Expense | 14,837 | 2,845 | 6,289 | 2,195 | 2,411 | 0 | 4,034 | 4,963 | 4,921 | 4,879 | 4,838 | 4,800 | 57,013 |
| Miscellaneous Expense | 16,811 | 8,734 | 10,055 | 5,380 | 6,634 | 8,906 | 5,551 | 25,180 | 8,305 | 8,305 | 8,305 | 20,680 | 132,847 |
| Professional Fees | 19,113 | 21,626 | 31,158 | 13,904 | 21,991 | 14,239 | 21,923 | 36,758 | 27,758 | 39,258 | 70,258 | 25,258 | 343,243 |
| Total Expense | 7,813,639 | 5,457,285 | 5,807,147 | 5,623,343 | 5,157,509 | 3,949,343 | 5,144,612 | 4,167,210 | 3,782,711 | 3,817,021 | 3,910,679 | 3,803,230 | 58,433,730 |
| Available Cash Balance | 30,528,513 | 23,995,643 | 21,248,016 | 25,052,384 | 21,227,587 | 21,258,847 | 17,324,521 | 40,604,312 | 41,875,745 | 41,219,407 | 37,891,433 | 15,005,777 | |
| Inc(Dec) in Abandoned Property Reserve | (488) | - | (109) | - | - | - | (5,469) | - | - | - | - | - | |
| Month Ending Cash Balance | 30,528,025 | 23,995,643 | 21,247,907 | 25,052,384 | 21,227,587 | 21,258,847 | 17,319,052 | 40,604,312 | 41,875,745 | 41,219,407 | 37,891,433 | 15,005,777 | |

- (1) Assumes an annual medical claim expense trend of 10% for Non-Medicare, MC Basic and Basic Plus products.
- (2) Assumes an annual pharmacy claim expense trend of 10% Non-Medicare, 10% MC Basic, and -8% MC Basic Plus.
- (3) Premium rates trended at a 9% increase.
- (4) Assumes EHIP members leave December 31, 2013 except for estimated 375 undocumented immigrants. Remaining Non-Medicare enrollment drops of at a rate of 10% per month. Medicare enrollment is trended to increase at a rate of 3 members per month.
- (5) Assumes assessments on March (**\$10.0 M**), July (**\$33.5 M**), November (**\$0 M**) TOTAL **\$43.5 M**. The July assessment includes \$9.2 M to cover pool losses and \$20.8 M for the HBE Assessment payment.
- (6) 3-Week expense allowance is **\$3.4 M** based upon the projected data for the 12-month period ending in Dec of 2014.
- (7) WSHIP has access to a **\$5 M** line of credit in the event cash on hand is exhausted.
- (8) Assumes **\$20.8 M** HBE assessment payment in December 2014. WSHIP will add \$20.8 M to the Interim II assessment to help fund that payment.

**Washington State Health Insurance Pool
2014 Administrative Expense
Budget Variance Analysis**

| Budget | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Membership (1) | 2,843 | 2,817 | 2,792 | 2,677 | 2,653 | 2,630 | 2,607 | 2,585 | 2,563 | 2,541 | 2,520 | 2,500 | 31,729 |
| PMPM Administrative Expense (2) | 106,787 | 105,691 | 104,637 | 99,887 | 98,874 | 97,901 | 96,928 | 95,997 | 95,065 | 94,134 | 93,243 | 92,394 | 1,181,538 |
| Variable Administrative Expense (3) | 33,647 | 32,831 | 32,625 | 26,673 | 26,474 | 28,785 | 28,594 | 25,912 | 25,730 | 25,548 | 58,374 | 25,208 | 370,401 |
| Salary and Benefits Expense (4) & (7) | 34,676 | 28,376 | 29,066 | 29,205 | 33,405 | 29,205 | 27,910 | 27,910 | 27,910 | 27,910 | 27,910 | 28,117 | 351,599 |
| RX Benefit Management Fees | 5,459 | 5,409 | 5,361 | 5,140 | 5,094 | 5,050 | 5,005 | 4,963 | 4,921 | 4,879 | 4,838 | 4,800 | 60,918 |
| Miscellaneous Expense (5) | 8,305 | 8,305 | 8,305 | 8,305 | 8,305 | 8,305 | 8,305 | 25,180 | 8,305 | 8,305 | 8,305 | 20,680 | 128,910 |
| Professional Fees (6) | 23,758 | 38,258 | 26,958 | 23,758 | 23,758 | 17,258 | 44,258 | 36,758 | 27,758 | 39,258 | 70,258 | 25,258 | 397,291 |
| Total Budget Operating Expenses | \$212,631 | \$218,869 | \$206,951 | \$192,967 | \$195,909 | \$186,503 | \$211,000 | \$216,720 | \$189,689 | \$200,034 | \$262,928 | \$196,457 | \$2,490,657 |

| Actual | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD Total |
|--|------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------|------------|------------|------------|------------|--------------------|
| Membership (1) | 2,534 | 2,095 | 1,938 | 1,841 | 1,799 | 1,804 | 1,815 | | | | | | 13,826 |
| PMPM Administrative Expense (2) | 153,700 | - | 247,974 | 67,761 | 103,269 | 88,361 | 86,681 | | | | | | 747,745 |
| Variable Administrative Expense (3) | 18,488 | - | 100,071 | 29,614 | 34,232 | 30,400 | 39,335 | | | | | | 252,140 |
| Salary and Benefits Expense (4) & (7) | 41,811 | 27,429 | 23,389 | 34,342 | 54,776 | 23,251 | 28,657 | | | | | | 233,655 |
| RX Benefit Management Fees | 14,837 | 2,845 | 6,289 | 2,195 | 2,411 | 0 | 4,034 | | | | | | 32,611 |
| Miscellaneous Expense (5) | 16,811 | 8,734 | 10,055 | 5,380 | 6,634 | 8,906 | 5,551 | | | | | | 62,072 |
| Professional Fees (6) | 19,113 | 21,626 | 31,158 | 13,904 | 21,991 | 14,239 | 21,923 | | | | | | 143,955 |
| Total Actual Operating Expenses | \$264,760 | \$60,634 | \$418,937 | \$153,195 | \$223,314 | \$165,158 | \$186,182 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,472,180 |

| Variance | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD Total |
|---------------------------------------|-------------------|------------------|--------------------|-----------------|-------------------|-----------------|-----------------|------------|------------|------------|------------|------------|-------------------|
| Membership (1) | (309) | (722) | (854) | (836) | (854) | (826) | (792) | | | | | | (5,194) |
| PMPM Administrative Expense (2) | (46,913) | 105,691 | (143,337) | 32,126 | (4,395) | 9,540 | 10,247 | | | | | | (37,040) |
| Variable Administrative Expense (3) | 15,160 | 32,831 | (67,446) | (2,941) | (7,758) | (1,615) | (10,741) | | | | | | (42,511) |
| Salary and Benefits Expense (4) & (7) | (7,135) | 947 | 5,676 | (5,137) | (21,372) | 5,954 | (747) | | | | | | (21,814) |
| RX Benefit Management Fees | (9,378) | 2,564 | (929) | 2,945 | 2,683 | 5,050 | 971 | | | | | | 3,905 |
| Miscellaneous Expense (5) | (8,506) | (429) | (1,750) | 2,925 | 1,671 | (601) | 2,754 | | | | | | (3,937) |
| Professional Fees (6) | 4,645 | 16,631 | (4,201) | 9,854 | 1,766 | 3,018 | 22,334 | | | | | | 54,048 |
| Total Variance Expenses | (\$52,129) | \$158,235 | (\$211,986) | \$39,772 | (\$27,405) | \$21,345 | \$24,818 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$47,350) |

Notes:

- (1) Assumes EHIP members leave December 31, 2013 except 275 of undocumented immigrants and another 90 members who will leave March 31, 2014. All non-EHIP membership drops off at a rate of 2% per month.
- (2) PMPM Administrative Expense reflects contractual fees and performance bonuses per member for TPA, Utilization Management fees and Network services. The PMPM rate varies by plan and enrollment levels. For the Medicare plan, PMPM = \$31.05. For Non-Medicare, PMPM = \$40.55. The blended rate based on enrollment is \$36.74. Please note that if monthly enrollment falls below 2,500 lives, PMPM administrative expenses will increase according to the agreed upon rate schedule.
- (3) Variable Administrative Expense includes Case Management & Care Coaching, special mailings, misc. system programming, Exchange Transition administration and other miscellaneous.
- (4) Salary and Benefits Expense reflect the combined amounts of the Executive Director, Deputy Executive Director, Executive Assistant and Program Coordinator, as well as Temporary Resources. PCIP-WA will reimburse WSHIP for 25% of salary and benefit costs and these figures reflect those reimbursement
- (5) Miscellaneous expense includes Board expenses, conference travel, insurance, agent commissions, phone/internet charges, and office expenses. PCIP-WA will reimburse WSHIP for 25% of miscellaneous costs and these figures reflect those reimbursements.
- (6) Professional fees include legal fees, auditing fees, actuarial fees, and consulting.

WSHIP Financial Performance

| CASH BASIS | Month Ending July 31, 2014 | | | |
|--|----------------------------|---------------|---------------|----------|
| | Projected | Actual | Variance | % Change |
| Membership | 2,087 | 1,815 | (272) | -13% |
| Avg Premium Receipt PMPM | \$652 | \$418 | (\$234) | -36% |
| Avg Medical Claim Expense PMPM | \$1,238 | \$1,622 | (\$384) | -31% |
| Avg Pharmacy Claim Expense PMPM | \$963 | \$895 | \$68 | 7% |
| Avg Premium Receipt Less Avg Claim Expense PMPM | (\$1,549) | (\$2,099) | (\$550) | -36% |
| Avg Premium Receipt Less Avg Claim Expense Total | (\$3,232,763) | (\$3,809,685) | (\$576,922) | -18% |
| Variance Due to Changes in Membership | | | \$570,928 | |
| Variance Due to Changes in Claim Expenses | | | (\$1,147,850) | |

| CASH BASIS | Year-To-Date July 31, 2014 | | | |
|--|----------------------------|----------------|-------------|----------|
| | Projected | Actual | Variance | % Change |
| Member Months | 15,261 | 13,826 | (1,435) | -9% |
| Avg Premium Receipt PMPM | \$622 | \$691 | \$69 | 11% |
| Avg Medical Claim Expense PMPM | \$1,381 | \$1,678 | (\$297) | -22% |
| Avg Pharmacy Claim Expense PMPM | \$1,242 | \$973 | \$269 | 22% |
| Avg Premium Receipt Less Avg Claim Expense PMPM | (\$2,001) | (\$1,960) | \$41 | 2% |
| Avg Premium Receipt Less Avg Claim Expense Total | (\$30,537,261) | (\$27,098,960) | \$3,438,301 | 11% |
| Variance Due to Changes in Membership | | | \$2,812,600 | |
| Variance Due to Changes in Claim Expenses | | | \$625,701 | |

| INCURRED BASIS | Year-To-Date July 31, 2014 | Year-To-Date July 31, 2013 |
|--|----------------------------|----------------------------|
| | Actual | Actual - Prior Year |
| Member Months | 13,826 | 25,760 |
| Avg Premium Income PMPM | \$622 | \$761 |
| Avg Medical Claim Expense PMPM (1) | \$1,482 | \$1,381 |
| Avg Pharmacy Claim Expense PMPM (2) | \$967 | \$1,085 |
| Avg Premium Receipt Less Avg Claim Expense PMPM | (\$1,827) | (\$1,705) |
| Avg Premium Receipt Less Avg Claim Expense Total | (\$25,260,102) | (\$43,920,800) |

(1) Incurred medical claims data totals \$20,487,026 which is derived from \$14,999,026 actual paid claims with dates of service between 1-1-14 and 7-31-14 and \$5,488,000 IBNR reserve.

(2) Incurred pharmacy claims data totals \$13,368,875 which is derived from \$12,608,875 actual paid claims with dates of service between 1-1-14 and 7-31-14 and \$760,000 IBNR reserve.