

**Washington State Health Insurance Pool
Treasurer's Report
March 2017 Financial Review**

1. 2017 Interim I Assessment Required

An assessment of \$9.5 M is required to adequately fund the pool until the next scheduled assessment in July 2017. This assessment was approved by the Board of Directors and generated on March 27, 2017 with invoices due April 27, 2017 except for the carriers who have installment payment arrangements, at which point the invoices are due in total by June 27, 2017. As of April 30, 2017, \$5.3 M of assessments have been collected leaving \$4.2 M left to collect.

2. 2017 Interim II Assessment Required

An assessment of \$8.0 M is required to adequately fund the pool until the next scheduled assessment in November 2017.

3. Financial Statements – March 2017

Balance Sheet

Cash on hand decreased by \$1.4 M or 16.9% from February 2017 to March 2017. The current cash position is \$6.9 M which is well above our current 4-week expense allowance of \$3.3 M. As of the end of March 2017, the entire \$6.9 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 March 2017 is \$4.2 M. This is a decrease of \$806 K or 16.2% from the prior month. Medical IBNR decreased \$9 K or less than 1% and pharmacy IBNR decreased \$797 K or 77.8% from February 2017.

As of March 2017, the equity position of WSHIP is a positive \$10.1 M.

Income Statement

Total member months for March 2017 YTD are lower by 58 member months or 1.3% lower than March 2016 YTD. Member months are measured as the cumulative monthly member count (PMPM) over a period of time. The total incurred claim loss for March 2017 YTD is \$1.6 M or 15.5% lower than March 2016 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 March 2017 YTD, the medical claims portion is \$1.2 M or 18.9% lower than March 2016 YTD, and the pharmacy claims portion is \$358 K or 9.6% lower than March 2016 YTD.

March 2017 YTD administrative expenses are \$24 K or 5.2% lower than the administrative expenses for March 2016 YTD. The ratio of administrative expenses as a percentage of total cost is 4.9% for March 2017 YTD as compared to 4.3% for March YTD of the prior year. Total cost is calculated as total incurred claim loss less pharmacy rebates plus administrative expenses.

4. Budgeted Cash Flow – March 2017

The Budgeted Cash Flow document contains the budget (upper portion) as established in early 2017 and the actual (lower portion) cash flow results year-to-date.

The ending cash balance of \$6.9 M is \$1.6 M or 29.9% higher than the budgeted cash balance of \$5.3 M. Total net cash receipts for March 2017 YTD are \$806 K or 21.8% favorable to budget. Total YTD expenses are \$790 K or 7.2% favorable to budget. The YTD administrative expenses are \$63 K or 12.4% favorable to budget. Total YTD medical claims expense is \$859 K or 12.9% favorable to budget; while total YTD pharmacy claims expense is \$132 K or 3.4% unfavorable to budget.

5. Medicare vs. Non-Medicare Cash Flow – March 2017

As of March, the YTD Medicare member months total 3,207 and represents 73% of the combined WSHIP member months. The YTD Non-Medicare member months total 1,184 and account for 27% of the combined WSHIP member months. The YTD Medicare Loss Ratio is 201% while the YTD Non-Medicare Loss Ratio is 225%. On a cash basis, the YTD Claims PMPM is \$862 for Medicare members and \$5,718 for Non-Medicare members.

6. Cash Flow Forecast – 2017

The 2017 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 2017 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 March 2017. For April 2017, preliminary figures for the key financial drivers (Premium Receipts, Grant Revenue, Assessment Receipts and Refunds, Medical Claims and Pharmacy Claims Expenses) are reported.

To ensure adequate funding the current 2017 forecast is projecting an assessment of \$29.0 M which is a \$4.0 M or 12% decrease from the 2016 assessment of \$33.0 M.

7. Administrative Expense Budget

For March 2017, YTD administrative expenses are \$63 K or 12.4% favorable to budget (cash basis).

8. Financial Performance

March 2017 YTD member months are 29 member months or 1% higher than projected in the original budget. Through March 2017, average premium receipt PMPM is 2% higher than anticipated, average medical claims expense PMPM is 16% lower than expected and average pharmacy claims expense PMPM is 3% higher than anticipated.

On an incurred basis, the average YTD medical claims expense PMPM is \$1,396 as compared to \$1,251 on a cash basis. Also on an incurred basis, the average YTD pharmacy claims expense PMPM is \$959 as compared to \$907 on a cash basis.

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Balance Sheet as of March 31

Total Enrollment: 1,450

	<u>2017</u>	<u>2016</u>
Assets:		
Cash	\$ 6,933,338	\$ 6,288,149
Premiums Receivable	34,218	36,722
Assessments Receivable	9,500,000	12,000,000
Grants Receivable	-	-
Prepaid Expense	-	-
Total Assets	<u>\$ 16,467,555</u>	<u>\$ 18,324,872</u>
 Liabilities and Unassigned Surplus:		
Reserve for Unpaid Losses - Medical	\$ 3,940,000	\$ 4,813,000
Reserve for Unpaid Losses - Pharmacy	228,000	843,000
Accrued Loss Adjustment	313,000	323,000
Premiums Received in Advance	1,783,251	1,657,940
Assessments Payable	-	-
Accrued Expenses	130,075	168,260
Abandoned Claim Reserve	19,897	82,681
Total Liabilities	<u>\$ 6,414,223</u>	<u>\$ 7,887,882</u>
Unassigned Surplus	10,053,332	10,436,990
Total Liabilities and Unassigned Surplus	<u>\$ 16,467,555</u>	<u>\$ 18,324,872</u>

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Statement of Operations January 1 to March 31

	<u>2017</u>	<u>2016</u>
Total Member Months	4,391	4,449
Premium Income Earned	\$ 3,042,379	\$ 2,835,292
Pharmacy Rebate Income	15,401	169,882
Grant Income	-	-
Incurred Claim Loss - Medical	5,325,408	6,564,929
Incurred Claim Loss - Pharmacy	3,373,659	3,731,479
Total Incurred Claim Loss	<u>8,699,066</u>	<u>10,296,408</u>
Operating Expenses:		
Fixed (PMPM) Administrative Expense	\$ 232,662	\$ 251,935
Variable Administrative Expense	42,076	56,276
Salary and Benefit Expense	86,108	89,703
Prescription Administrative Expense	8,371	5,676
Miscellaneous Expense	28,901	20,056
Professional Fee Expense	42,054	40,855
Total Operating Expenses	<u>\$ 440,171</u>	<u>\$ 464,502</u>
Underwriting Gain (Loss)	(6,081,458)	(7,755,736)
Investment Income	11,472	4,779
Other Income	-	24
Changes to Unassigned Surplus	<u>\$ (6,069,986)</u>	<u>\$ (7,750,933)</u>

WASHINGTON STATE HEALTH INSURANCE POOL

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

	<u>2017</u>	<u>2016</u>
Unassigned Surplus at Beginning of Year	\$ 6,062,256	\$ 6,187,923
Changes to Unassigned Surplus	(6,069,986)	(7,750,933)
Member Assessments	10,061,063	12,000,000
Unassigned Surplus	<u>\$ 10,053,332</u>	<u>\$ 10,436,990</u>

**WSHIP 2017
Budgeted Cashflow**

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	March YTD	TOTAL
Enrollment Count	1,453	1,454	1,455	1,456	1,457	1,458	1,459	1,460	1,461	1,462	1,463	1,464	4,362	17,502
Cash Balance														
BEGINNING OF MONTH	12,629,341	10,634,486	7,302,839	5,337,432	10,168,036	7,580,657	6,578,084	3,654,398	10,198,375	9,390,433	7,407,086	3,942,775		
Receipts														
Premium Receipts	2,039,141	428,310	1,906,142	681,030	320,973	1,833,069	877,574	319,369	1,830,387	733,166	465,502	441,788	4,373,593	11,876,450
Grant Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pharmacy Rebate Income	-	-	50,000	-	-	50,000	-	-	50,000	-	-	50,000	50,000	200,000
Claim Refunds Receipts	34,100	39,292	39,378	37,941	39,435	37,786	36,531	35,852	36,211	38,451	40,129	39,068	112,770	454,173
Assessment Receipts	70,838	139	-	8,000,000	1,000,000	1,000,000	-	10,000,000	1,250,000	1,250,000	-	10,000,000	70,977	32,570,977
Investment Income	100	100	100	100	100	100	100	100	100	100	100	100	300	1,200
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	2,144,179	467,840	1,995,621	8,719,071	1,360,508	2,920,955	914,205	10,355,321	3,166,698	2,021,717	505,731	10,530,956	4,607,639	45,102,800
Refunds														
Assessment Refunds	797,770	-	-	-	-	-	-	-	-	-	-	-	797,770	797,770
Premium Refunds	50,979	10,708	47,654	17,026	8,024	45,827	21,939	7,984	45,760	18,329	11,638	11,045	109,340	296,911
Total Refunds	848,749	10,708	47,654	17,026	8,024	45,827	21,939	7,984	45,760	18,329	11,638	11,045	907,110	1,094,681
Expenses														
Medical Claims	2,005,884	2,311,268	2,316,360	2,231,806	2,319,730	2,222,702	2,148,868	2,108,946	2,130,053	2,261,814	2,360,506	2,298,114	6,633,512	26,716,052
Pharmacy Claims	1,123,106	1,308,031	1,419,128	1,494,793	1,465,102	1,513,476	1,501,121	1,528,411	1,651,036	1,573,838	1,432,125	1,483,332	3,850,265	17,493,501
Fixed (PMPM) Admin	74,876	75,556	75,585	75,615	75,644	75,674	75,703	75,733	75,762	75,791	75,821	75,850	226,017	907,610
Variable Admin	15,420	22,330	14,840	14,849	14,859	14,869	15,878	14,888	15,897	14,907	21,917	14,925	52,590	195,579
Salary and Benefits	42,523	32,602	31,882	31,882	31,882	31,882	31,882	31,882	31,882	31,882	31,882	32,070	107,007	394,130
Prescription Admin	2,259	2,260	2,261	2,262	2,262	2,265	2,266	2,267	2,268	2,269	2,270	2,271	6,781	27,182
Miscellaneous	8,050	5,400	16,650	5,400	8,050	6,000	5,400	26,900	8,650	5,400	8,050	22,964	30,100	126,914
Professional Fees	18,167	31,333	36,667	14,833	22,333	10,833	34,833	14,333	13,333	20,833	25,833	16,233	86,167	259,567
Total Expense	3,290,286	3,788,780	3,913,373	3,871,441	3,939,864	3,877,701	3,815,951	3,803,360	3,928,881	3,986,734	3,958,404	3,945,760	10,992,439	46,120,534
Month Ending Cash Balance	\$ 10,634,486	\$ 7,302,839	\$ 5,337,432	\$ 10,168,036	\$ 7,580,657	\$ 6,578,084	\$ 3,654,398	\$ 10,198,375	\$ 9,390,433	\$ 7,407,086	\$ 3,942,775	\$ 10,516,926		

Actual	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YTD
Enrollment Count	1,494	1,447	1,450										4,391
Cash Balance													
BEGINNING OF MONTH	12,629,341	10,823,097	8,345,429	6,933,338	6,933,338	6,933,338	6,933,338	6,933,338	6,933,338	6,933,338	6,933,338	6,933,338	
Receipts													
Premium Receipts	2,083,674	476,316	1,836,818										4,396,808
Grant Revenue	-	-	-										-
Pharmacy Rebate Income	-	15,401	-										15,401
Claim Refunds Receipts	47,102	11,429	222,339										280,870
Assessment Receipts	70,838	-	561,202										632,040
Investment Income	4,644	3,498	3,331										11,472
Other Income	-	-	-										-
Total Receipts	2,206,257	506,644	2,623,690										5,336,592
Refunds													
Assessment Refunds	797,770	-	-										797,770
Premium Refunds	496	13,994	17,987										32,478
Total Refunds	798,266	13,994	17,987										830,248
Expenses													
Medical Claims	1,945,700	1,659,997	2,169,194										5,774,890
Pharmacy Claims	1,123,106	1,169,789	1,689,151										3,982,046
Fixed (PMPM) Admin	79,079	79,010	79,674										237,764
Variable Admin	12,793	7,866	18,987										39,646
Salary and Benefits	30,101	37,423	27,678										95,202
Prescription Admin	1,748	-	4,745										6,493
Miscellaneous	8,138	8,482	6,661										23,281
Professional Fees	13,572	7,749	21,704										43,025
Total Expense	3,214,236	2,970,317	4,017,794										10,202,348
Available Cash Balance	10,823,097	8,345,429	6,933,338	6,933,338	6,933,338	6,933,338	6,933,338	6,933,337.72	6,933,338	6,933,338	6,933,338	6,933,338	
Inc(Dec) in Abandoned													
Property Reserve													
Month Ending Cash Balance	\$ 10,823,097	\$ 8,345,429	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	\$ 6,933,338	

**WSHIP 2017
Budgeted Cashflow**

Variance to Budget	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YTD
Favorable/(Unfavorable)													
Enrollment Count	41	(7)	(5)										29
Receipts													
Premium Receipts	44,533	48,006	(69,324)										23,215
Grant Revenue	-	-	-										-
Pharmacy Rebate Income	-	15,401	(50,000)										(34,599)
Claim Refunds Receipts	13,002	(27,862)	182,960										168,100
Assessment Receipts	-	(139)	561,202										561,063
Investment Income	4,544	3,398	3,231										11,172
Other Income	-	-	-										-
Total Receipts	62,079	38,804	628,069										728,952
Refunds													
Assessment Refunds	-	-	-										-
Premium Refunds	50,483	(3,286)	29,666										76,862
Total Refunds	50,483	(3,286)	29,666										76,862
Expenses													
Medical Claims	60,185	651,271	147,166										858,622
Pharmacy Claims	-	138,242	(270,023)										(131,781)
Fixed (PMPM) Admin	(4,203)	(3,454)	(4,089)										(11,747)
Variable Admin	2,627	14,464	(4,147)										12,944
Salary and Benefits	12,422	(4,822)	4,204										11,804
Prescription Admin	511	2,260	(2,484)										288
Miscellaneous	(88)	(3,082)	9,989										6,819
Professional Fees	4,595	23,584	14,962										43,142
Total Expense	76,049	818,462	(104,421)										790,091
Available Cash Balance	188,611	1,042,591	1,595,905										
Inc(Dec) in Abandoned													
Property Reserve													
Month Ending Cash Balance	188,611	1,042,591	1,595,905										

- (1) Assumes a Non-medicare medical claim expense trend of 6%. Assumes an annual Medicare medical claim expense trend of 10%.
- (2) Assumes a Non-medicare pharmacy claim expense trend of 28%. Assumes an annual Medicare pharmacy claim expense trend of 0% for Basic and 2% for Basic Plus.
- (3) Assumes a Non-medicare premium rate trended at a 17% increase. Assumes a Medicare premium rate increase of 8% for Basic and 2% for Basic Plus.
- (4) Non-medicare enrollment projected to decrease by 2 members per month. Medicare Basic enrollment projected to increase 5 members per month, while Medicare Basic+ projected to drop 2 members per month.
- (5) Assumes assessments on March (\$10.0 M), July (\$12.5 M) and November (\$12.5 M) TOTAL \$35.0 M
- (6) 4-Week expense allowance is \$3.5 M based upon the actual data for the 12-month period ending in Dec of 2017.
- (7) WSHIP has access to a \$5 M line of credit in the event cash on hand is exhausted.

WSHIP 2017
Medicare vs. Non-Medicare Cash Flow

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
Medicare													
Enrollment Count	1,087	1,057	1,063										3,207
Premiums	650,072	313,866	409,825										1,373,763
Medical Claims	784,011	749,578	887,496										2,421,084
RX Claims	100,459	114,202	128,598										343,259
Total Claims	884,470	863,780	1,016,093	-	-	-	-	-	-	-	-	-	2,764,343
Income/Loss	(234,398)	(549,914)	(606,268)	-	-	-	-	-	-	-	-	-	(1,390,580)
Loss Ratio	136%	275%	248%										201%
Claims PMPM	814	817	956										862
Non Medicare													
Enrollment Count	407	390	387										1,184
Premiums	1,433,602	162,450	1,409,006										3,005,058
Medical Claims	1,161,689	910,419	1,059,359										3,131,467
RX Claims	1,022,647	1,055,587	1,560,553										3,638,788
Total Claims	2,184,336	1,966,007	2,619,912	-	-	-	-	-	-	-	-	-	6,770,255
Income/Loss	(750,734)	(1,803,557)	(1,210,906)	-	-	-	-	-	-	-	-	-	(3,765,197)
Loss Ratio	152%	1210%	186%										225%
Claims PMPM	5,367	5,041	6,770										5,718
Combined Medicare/Non Medicare													
Enrollment Count	1,494	1,447	1,450	-	-	-	-	-	-	-	-	-	4,391
Premiums	2,083,674	476,316	1,818,831	-	-	-	-	-	-	-	-	-	4,378,820
Medical Claims	1,945,700	1,659,997	1,946,855	-	-	-	-	-	-	-	-	-	5,552,553
RX Claims	1,123,106	1,169,789	1,689,151	-	-	-	-	-	-	-	-	-	3,982,046
Total Claims	3,068,806	2,829,786	3,636,005	-	-	-	-	-	-	-	-	-	9,534,599
Income/Loss	(985,132)	(2,353,471)	(1,817,174)	-	-	-	-	-	-	-	-	-	(5,155,779)
Loss Ratio	147%	594%	200%										218%
Claims PMPM	2,054	1,956	2,508										2,171

Notes:

- 1) Premiums, Medical Claims and RX Claims are cash basis figures.
- 2) Premium amounts include premium refunds.
- 3) Medical Claim amounts include claim refunds.

**Washington State Health Insurance Pool
2017 Cash Flow Forecast**

Forecast - Updated 03/31/2017

	Actual (Bold)			Forecast									TOTAL
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
Enrollment:													
Non-Medicare Enrollment	407	390	387	387	386	385	384	383	382	381	380	379	4,628
Medicare Enrollment (Basic and Basic+)	1,087	1,057	1,063	1,073	1,074	1,075	1,076	1,077	1,078	1,079	1,080	1,081	12,900
Total Enrollment Count	1,494	1,447	1,450	1,460	1,460	1,460	1,460	1,460	1,460	1,460	1,460	1,460	17,528
Cash Balance													
BEGINNING OF MONTH	12,629,341	10,823,097	8,345,429	6,933,338	10,573,233	10,440,205	9,553,091	6,802,513	9,886,897	8,804,055	6,637,812	3,486,607	
Receipts													
Premium Receipts	2,083,674	476,316	1,836,818	726,628	319,328	1,823,674	873,076	317,732	1,821,006	729,408	463,116	439,523	11,910,300
Grant Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Pharmacy Rebate Income	-	15,401	-	-	-	50,000	-	-	50,000	-	-	50,000	165,401
Claim Refunds Receipts	47,102	11,429	222,339	30,298	36,506	35,936	34,585	34,437	36,125	36,653	34,758	36,543	596,711
Assessment Receipts	70,838	-	561,202	5,909,252	3,217,038	950,000	-	6,400,000	800,000	800,000	-	9,200,000	27,908,330
Investment Income	4,644	3,498	3,331	100	100	100	100	100	100	100	100	100	12,372
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	2,206,257	506,644	2,623,690	6,666,278	3,572,971	2,859,710	907,761	6,752,269	2,707,231	1,566,161	497,974	9,726,166	40,593,114
Refunds													
Assessment Refunds	797,770	-	-	-	-	-	-	-	-	-	-	-	797,770
Premium Refunds	496	13,994	17,987	18,166	7,983	45,592	21,827	7,943	45,525	18,235	11,578	10,988	220,314
Total Refunds	798,266	13,994	17,987	18,166	7,983	45,592	21,827	7,943	45,525	18,235	11,578	10,988	1,018,084
Expenses													
Medical Claim Expense	1,945,700	1,659,997	2,169,194	1,782,231	2,147,385	2,113,867	2,034,412	2,025,710	2,125,015	2,156,033	2,044,603	2,149,574	24,353,721
Pharmacy Claim Expense	1,123,106	1,169,789	1,689,151	1,081,146	1,395,600	1,445,841	1,436,138	1,468,229	1,471,741	1,407,054	1,427,225	1,366,407	16,481,428
PMPM Administrative Expense	79,079	79,010	79,674	75,615	75,644	75,674	75,703	75,733	75,762	75,791	75,821	75,850	919,357
Variable Administrative Expense	12,793	7,866	18,987	14,849	14,859	14,869	15,878	14,888	15,897	14,907	21,917	14,925	182,635
Salary and Benefits Expense	30,101	37,423	27,678	31,882	31,882	31,882	31,882	31,882	31,882	31,882	31,882	32,070	382,326
Prescription Administrative Expense	1,748	-	4,745	2,262	2,264	2,265	2,266	2,267	2,268	2,269	2,270	2,271	26,894
Miscellaneous Expense	8,138	8,482	6,661	5,400	8,050	6,000	5,400	26,900	8,650	5,400	8,050	22,964	120,095
Professional Fees	13,572	7,749	21,704	14,833	22,333	10,833	34,833	14,333	13,333	20,833	25,833	16,233	216,425
Total Expense	3,214,236	2,970,317	4,017,794	3,008,218	3,698,017	3,701,231	3,636,512	3,659,942	3,744,548	3,714,169	3,637,601	3,680,294	42,682,880
Available Cash Balance	10,823,097	8,345,429	6,933,338	10,573,233	10,440,205	9,553,091	6,802,513	9,886,897	8,804,055	6,637,812	3,486,607	9,521,491	
Inc(Dec) in Abandoned Property Reserve	-	-	-	-	-	-	-	-	-	-	-	-	
Month Ending Cash Balance	10,823,097	8,345,429	6,933,338	10,573,233	10,440,205	9,553,091	6,802,513	9,886,897	8,804,055	6,637,812	3,486,607	9,521,491	

- (1) Assumes a Non-medicare medical claim expense trend of 6%. Assumes an annual Medicare medical claim expense trend of 6%.
- (2) Assumes a Non-medicare pharmacy claim expense trend of 23%. Assumes an annual Medicare pharmacy claim expense trend of 0% for Basic and 2% for Basic Plus.
- (3) Assumes a Non-medicare premium rate trended at a 17% increase. Assumes a Medicare premium rate increase of 8% for Basic and 2% for Basic Plus.
- (4) Non-medicare enrollment projected to decrease by 1 member per month. Medicare Basic enrollment projected to increase 3 members per month, while Medicare Basic+ projected to drop 2 members per month.
- (5) Assumes assessments on March (\$9.5 M), July (\$8.0 M) and November (\$11.5 M) TOTAL \$29.0 M
- (6) 4-Week expense allowance is \$3.3 M based upon the actual data for the 12-month period ending in Dec of 2017.
- (7) WSHIP has access to a \$5 M line of credit in the event cash on hand is exhausted.

**Washington State Health Insurance Pool
2017 Administrative Expense
Budget Variance Analysis**

Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Member Months: (1)													
Non-Medicare	398	396	394	392	390	388	386	384	382	380	378	376	4,644
Medicare Basic	848	853	858	863	868	873	878	883	888	893	898	903	10,506
Medicare Basic Plus	207	205	203	201	199	197	195	193	191	189	187	185	2,352
Total Membership	1,453	1,454	1,455	1,456	1,457	1,458	1,459	1,460	1,461	1,462	1,463	1,464	17,502
PMPM Administrative Expense (2)	74,876	75,556	75,585	75,615	75,644	75,674	75,703	75,733	75,762	75,791	75,821	75,850	907,610
Variable Administrative Expense (3)	15,420	22,330	14,840	14,849	14,859	14,869	14,878	14,888	15,897	14,907	21,917	14,925	195,579
Salary and Benefits Expense (4)	42,523	32,602	31,882	31,882	31,882	31,882	31,882	31,882	31,882	31,882	31,882	32,070	394,130
RX Benefit Management Fees	2,259	2,260	2,261	2,262	2,264	2,265	2,266	2,267	2,268	2,269	2,270	2,271	27,182
Miscellaneous Expense (5)	8,050	5,400	16,650	5,400	8,050	6,000	5,400	26,900	8,650	5,400	8,050	22,964	126,914
Professional Fees (6)	18,167	31,333	36,667	14,833	22,333	10,833	34,833	14,333	13,333	20,833	25,833	16,233	259,567
Total Budget Operating Expenses	\$161,295	\$169,481	\$177,885	\$144,841	\$155,032	\$141,523	\$165,962	\$166,003	\$147,792	\$151,082	\$165,773	\$164,313	\$1,910,981

Actual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Total
Member Months: (1)													
Non-Medicare	407	390	387										1,184
Medicare Basic	884	858	866										2,608
Medicare Basic Plus	203	199	197										599
Total Membership	1,494	1,447	1,450										4,391
PMPM Administrative Expense (2)	79,079	79,010	79,674										\$237,764
Variable Administrative Expense (3)	12,793	7,866	18,987										\$39,646
Salary and Benefits Expense (4)	30,101	37,423	27,678										\$95,202
RX Benefit Management Fees	1,748	-	4,745										\$6,493
Miscellaneous Expense (5)	8,138	8,482	6,661										\$23,281
Professional Fees (6)	13,572	7,749	21,704										\$43,025
Total Actual Operating Expenses	\$145,430	\$140,531	\$159,449										\$445,411

Variance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Total
Member Months: (1)													
Non-Medicare	9	(6)	(7)										(4)
Medicare Basic	36	5	8										49
Medicare Basic Plus	(4)	(6)	(6)										(16)
Total Membership	41	(7)	(5)										29
PMPM Administrative Expense (2)	(4,203)	(3,454)	(4,089)										(\$11,747)
Variable Administrative Expense (3)	2,627	14,464	(4,147)										\$12,944
Salary and Benefits Expense (4)	12,422	(4,822)	4,204										\$11,804
RX Benefit Management Fees	511	2,260	(2,484)										\$288
Miscellaneous Expense (5)	(88)	(3,082)	9,989										\$6,819
Professional Fees (6)	4,595	23,584	14,963										\$43,142
Total Variance Expenses	\$15,865	\$28,950	\$18,436										\$63,250

Notes:

- (1) Assumes the Non-medicare membership decreases by 2 members per month. Assumes Medicare Basic membership increases by 5 members per month while Medicare Basic Plus decreases by 2 members per month.
- (2) PMPM Administrative Expense includes the combined expenses for Third Party Administration services (including finance and accounting), Provider Network services, and Utilization Management services.
- (3) Variable Administrative Expense includes Case Management & Care Coaching, and miscellaneous administrative expenses such as special mailings.
- (4) Salary and Benefits Expense includes the combined expenses for the Executive Director and staff positions.
- (5) Miscellaneous expense includes:
 - \$38,400 of insurance expenses (D&O, E&O and general liability).
 - \$46,700 for WSHIP Board meeting expenses and travel costs.
 - \$20,000 for bank fees
 - \$21,800 for phone, conference lines and other expenses
- (6) Professional fees includes:
 - \$123,000 of actuarial expenses which covers IBNR calculations, Premium Rate development, Forecast updates and actuarial studies.
 - \$10,000 contingency for actuary expenses for potential legislative study follow up.
 - \$40,000 of legal expenses.
 - \$51,000 of consulting expenses (IRO, Review of PBM Contract, and other consulting expenses).
 - \$35,600 of auditing expenses (Financial audits and PBM audit).

WSHIP Financial Performance

CASH BASIS	Month Ending March 31, 2017			
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Change</u>
Membership	1,455	1,450	(5)	0%
Avg Premium Receipt PMPM	\$1,277	\$1,254	(\$23)	-2%
Avg Medical Claim Expense PMPM	\$1,565	\$1,343	\$222	14%
Avg Pharmacy Claim Expense PMPM	\$975	\$1,165	(\$190)	-19%
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,263)	(\$1,254)	\$9	1%
Avg Premium Receipt Less Avg Claim Expense Total	(\$1,837,665)	(\$1,818,300)	\$19,365	1%
Variance Due to Changes in Membership			\$6,270	
Variance Due to Changes in Claim Expenses			\$13,095	

CASH BASIS	Year-To-Date March 31, 2017			
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Change</u>
Member Months	4,362	4,391	29	1%
Avg Premium Receipt PMPM	\$978	\$994	\$16	2%
Avg Medical Claim Expense PMPM	\$1,495	\$1,251	\$244	16%
Avg Pharmacy Claim Expense PMPM	\$883	\$907	(\$24)	-3%
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,400)	(\$1,164)	\$236	17%
Avg Premium Receipt Less Avg Claim Expense Total	(\$6,106,800)	(\$5,111,124)	\$995,676	16%
Variance Due to Changes in Membership			(\$33,756)	
Variance Due to Changes in Claim Expenses			\$1,029,432	

INCURRED BASIS	Year-To-Date March 31, 2017	Year-To-Date March 31, 2016
	<u>Actual</u>	<u>Actual - Prior Year</u>
Member Months	4,391	4,449
Avg Premium Income PMPM	\$693	\$637
Avg Medical Claim Expense PMPM (1)	\$1,396	\$1,687
Avg Pharmacy Claim Expense PMPM (2)	\$959	\$927
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,662)	(\$1,977)
Avg Premium Receipt Less Avg Claim Expense Total	(\$7,297,842)	(\$8,795,673)

(1) Incurred medical claims data totals \$6,130,034 which is derived from \$2,982,034 actual paid claims with dates of service between 01-01-17 and 03-31-17 and \$3,148,000 IBNR reserve.

(2) Incurred pharmacy claims data totals \$4,209,046 which is derived from \$3,982,046 actual paid claims with dates of service between 01-01-17 and 03-31-17 and \$227,000 IBNR reserve.