



WASHINGTON STATE HEALTH
INSURANCE POOL

Monthly Financial Report

January 2021

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

1. 2020 Interim III Assessment Required

An assessment of \$5M is required to adequately fund the pool until the next scheduled assessment in March 2021. This assessment was approved by the Board of Directors on November 10, 2020 and generated on November 23, 2020 with invoices due December 23, 2020; except for the carriers who have installment payment arrangements, at which point the invoices are due in total by February 23, 2021. As of February 28, all \$5M has been collected.

2. Financial Statements – January 2021

Balance Sheet

Cash on hand decreased by \$865K or 9.1% from December 2020 to January 2021. The current cash position is \$8.6M, which is above our current 4-week expense allowance of \$2.7M. As of the end of January 2021, the entire \$8.6M 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 January 2021 is \$4.2M. This is an increase of \$339K or 8.7% from the prior month. Medical IBNR increased \$101K or 2.8% and pharmacy IBNR increased \$238K or 100.4% from December 2020.

As of January 2021, the equity position of WSHIP is a positive \$5.1M.

Income Statement

Total member months for January 2021 YTD are higher by 20 member months or 2.5% higher than January 2020 YTD. Member months are measured as the cumulative monthly member count (PMPM) over a period of time. The total incurred claim loss for January 2021 YTD is \$623K or 18.6% lower than January 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 January 2021 YTD, the medical claims portion is \$142K or 8.3% higher than January 2020 YTD, and the pharmacy claims portion is \$765K or 46.5% lower than January 2020 YTD.

January 2021 YTD administrative expenses are \$15.5K or 12.5% higher than the administrative expenses for January 2020 YTD. The ratio of administrative expenses as a percentage of total cost is 4.9% for January 2021 YTD as compared to 3.6% for

January 2020 YTD of the prior year. Total cost is calculated as total incurred claim loss less pharmacy rebates plus administrative expenses.

3. Budgeted Cash Flow – January 2021

The Budgeted Cash Flow document contains the budget (upper portion) as established in late 2019 and the actual (lower portion) cash flow results year-to-date.

The ending cash balance of \$8.6M is \$163K or 1.9% higher than the budgeted cash balance of \$8.5M. Total net cash receipts for January 2021 are \$6K or 0.4% favorable to budget. Total YTD expenses for January 2021 YTD are \$2.5M or 1.3% favorable to budget. The YTD administrative expenses are \$27K or 17%% favorable to budget. Total YTD medical claims expense is \$12K or 0.7% unfavorable to budget; while total YTD pharmacy claims expense is \$110K or 13.2% favorable to budget.

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

As of January, the YTD Medicare member months total 1,119 and represent 85.3% of the combined WSHIP member months. The YTD Non-Medicare member months total 192 and account for 14.7% of the combined WSHIP member months. The YTD Medicare Loss Ratio is 261% while the YTD Non-Medicare Loss Ratio is 318%. On a cash basis, the YTD Claims PMPM is \$776 for Medicare members and \$7,922 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 September 2020 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 January 2021. For February 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 January 2021, YTD administrative expenses are \$27K or 17.1% favorable to budget (cash basis).

7. Financial Performance

January 2021 YTD member months are 2.8% lower than expected, average premium receipt PMPM is 6.4% higher than expected, average medical claims expense PMPM is 3.5% higher than expected and average pharmacy claims expense PMPM is 10.6% lower than anticipated.

On an incurred basis, the average YTD medical claims expense PMPM is \$2,923 as compared to \$1,265 on a cash basis. Also, on an incurred basis, the average YTD pharmacy claims expense PMPM is \$673 as compared to \$556 on a cash basis.

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Balance Sheet as of January 31, 2021

	<u>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 8,637,023	\$ 5,556,104
Premiums Receivable	957,684	1,252,224
Assessments Receivable	490,705	1,293,422
Grants Receivable	-	-
Prepaid Expense	-	-
Total Assets	<u>\$ 10,085,413</u>	<u>\$ 8,101,751</u>
 Liabilities and Unassigned Surplus:		
Reserve for Unpaid Losses - Medical	\$ 3,756,000	\$ 5,045,000
Reserve for Unpaid Losses - Pharmacy	475,000	257,000
Accrued Loss Adjustment	279,000	292,000
Premiums Received in Advance	118,856	111,545
Assessments Payable	231,604	-
Accrued Expenses	122,951	112,453
Abandoned Claim Reserve	-	-
Total Liabilities	<u>\$ 4,983,411</u>	<u>\$ 5,817,998</u>
Unassigned Surplus	5,102,002	2,283,753
Total Liabilities and Unassigned Surplus	<u>\$ 10,085,413</u>	<u>\$ 8,101,751</u>

WASHINGTON STATE HEALTH INSURANCE POOL

Unaudited Statement of Operations January 1 to January 31

	<u>2021</u>	<u>2020</u>
Total Member Months	1,311	1,441
Premium Income Earned	\$ 1,927,642	\$ 2,606,878
Pharmacy Rebate Income	-	-
Grant Income	-	-
Incurred Claim Loss - Medical	\$ 1,851,591	1,709,193
Incurred Claim Loss - Pharmacy	880,769	1,646,545
Total Incurred Claim Loss	<u>2,732,360</u>	<u>3,355,738</u>
Operating Expenses:		
Fixed (PMPM) Administrative Expense	\$ 74,044	\$ 82,563
Variable Administrative Expense	7,832	6,886
Salary and Benefit Expense	43,072	18,406
Prescription Administrative Expense	360	2,027
Miscellaneous Expense	4,507	8,469
Professional Fee Expense	9,874	5,827
Total Operating Expenses	<u>\$ 139,689</u>	<u>\$ 124,179</u>
Underwriting Gain (Loss)	(944,407)	(873,039)
Investment Income	84	8,891
Other Income	-	-
Changes to Unassigned Surplus	<u>\$ (944,323)</u>	<u>\$ (864,147)</u>

WASHINGTON STATE HEALTH INSURANCE POOL

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

	<u>2021</u>	<u>2020</u>
Unassigned Surplus at Beginning of Year	\$ 6,046,325	\$ 3,147,900
Changes to Unassigned Surplus	(944,323)	(864,147)
Member Assessments	-	-
Unassigned Surplus	<u>\$ 5,102,002</u>	<u>\$ 2,283,753</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)	-	-	-	-	-	-	-	-	-	-	-	(38)
Receipts													
Premium Receipts	19,578												19,578
Grant Revenue	-												-
Pharmacy Rebate Income	-												-
Claim Refunds Receipts	2,793												2,793
Assessment Receipts	-												-
Investment Income	(16)												(16)
Other Income	-												-
Total Receipts	22,355	-	-	-	-	-	-	-	-	-	-	-	22,355
Refunds													
Assessment Refunds	-												-
Premium Refunds	16,012												16,012
Total Refunds	16,012	-	-	-	-	-	-	-	-	-	-	-	16,012
Expenses													
Medical Claims	(11,893)												(11,893)
Pharmacy Claims	110,679												110,679
Fixed (PMPM) Admin	3,587												3,587
Variable Admin	1,676												1,676
Salary and Benefits	6,115												6,115
Prescription Admin	785												785
Miscellaneous	(1,016)												(1,016)
Professional Fees	15,661												15,661
Total Expense	125,594	-	-	-	-	-	-	-	-	-	-	-	125,594
Available Cash Balance	163,961	-	-	-	-	-	-	-	-	-	-	-	
Inc(Dec) in Abandoned Property Reserve													
Month Ending Cash Balance	163,961	-	-	-	-	-	-	-	-	-	-	-	

2020 Budgeted Cashflow Notes

- (1) Assumes a Non-medicare medical claim expense trend of 8%. Assumes a Medicare medical claim expense trend of 6%.
- (2) Assumes a Non-medicare pharmacy claim expense trend of 8%. Assumes a Medicare pharmacy claim expense trend of 1%.
- (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 2020.
- (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													1,119			
Premiums	332,499													332,499			
Medical Claims	763,340													763,340			
RX Claims	105,228													105,228			
Total Claims	868,567	-	-	-	-	-	-	-	-	-	-	-	-	868,567			
Income/Loss	(536,068)	-	-	-	-	-	-	-	-	-	-	-	-	(536,068)			
Loss Ratio	261%														219%	191%	201%
Claims PMPM	776														846	815	792
Non Medicare																	
Enrollment Count	192													192			
Premiums	478,301													478,301			
Medical Claims	897,366													897,366			
RX Claims	623,611													623,611			
Total Claims	1,520,977	-	-	-	-	-	-	-	-	-	-	-	-	1,520,977			
Income/Loss	(1,042,676)	-	-	-	-	-	-	-	-	-	-	-	-	(1,042,676)			
Loss Ratio	318%														471%	350%	434%
Claims PMPM	7,922														7,398	7,047	6,340
Combined Medicare/Non Medicare																	
Enrollment Count	1,311	-	-	-	-	-	-	-	-	-	-	-	-	1,311			
Premiums	810,800	-	-	-	-	-	-	-	-	-	-	-	-	810,800			
Medical Claims	1,660,706	-	-	-	-	-	-	-	-	-	-	-	-	1,660,708			
RX Claims	728,839	-	-	-	-	-	-	-	-	-	-	-	-	728,839			
Total Claims	2,389,545	-	-	-	-	-	-	-	-	-	-	-	-	2,389,547			
Income/Loss	(1,578,744)	-	-	-	-	-	-	-	-	-	-	-	-	(1,578,746)			
Loss Ratio	295%														351%	285%	333%
Claims PMPM	1,823														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

	Forecast												TOTAL
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
Actual													
Enrollment:													
Non-Medicare Enrollment	192	175	174	173	172	171	170	169	168	167	166	165	2,062
Medicare Enrollment	1,119	1,180	1,187	1,194	1,201	1,208	1,215	1,222	1,229	1,236	1,243	1,250	14,484
Total Enrollment Count	1,311	1,355	1,361	1,367	1,373	1,379	1,385	1,391	1,397	1,403	1,409	1,415	16,546
Cash Balance													
BEGINNING OF MONTH	9,501,959	8,637,023	7,592,789	6,135,219	11,105,698	9,762,074	9,481,481	7,470,086	12,430,669	11,871,453	10,359,771	7,898,652	
Receipts													
Premium Receipts	1,087,037	408,061	1,294,275	847,612	293,901	1,473,756	644,745	414,688	1,424,182	569,348	219,094	286,681	8,963,379
Grant Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Pharmacy Rebate Income	-	120,000	-	-	120,000	-	-	120,000	-	-	120,000	-	480,000
Claim Refunds Receipts	2,875	5,755	33,672	32,189	33,499	32,505	33,804	36,408	37,221	39,751	38,113	37,250	363,040
Assessment Receipts	564,858	-	-	6,800,000	850,000	850,000	-	7,200,000	900,000	900,000	-	5,600,000	23,664,858
Investment Income	84	100	100	100	100	100	100	100	100	100	100	100	1,184
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	1,654,854	533,915	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	33,472,461
Refunds													
Assessment Refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium Refunds	0	6,121	19,414	12,714	4,409	22,106	9,671	6,220	21,363	8,540	3,286	4,300	118,145
Total Refunds	0	6,121	19,414	12,714	4,409	22,106	9,671	6,220	21,363	8,540	3,286	4,300	118,145
Expenses													
Medical Claim Expense	1,660,706	1,078,562	1,768,354	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	20,790,737
Pharmacy Claim Expense	728,839	347,948	823,999	802,164	768,067	857,485	885,492	857,276	854,686	829,378	801,529	844,117	9,400,979
PMPM Administrative Expense	72,108	75,243	75,557	75,871	76,185	76,500	76,814	77,128	77,442	77,757	78,071	78,385	917,059
Variable Administrative Expense	6,888	7,996	14,529	9,062	8,094	8,127	8,159	8,192	9,224	8,257	16,790	8,322	113,634
Salary and Benefits Expense	43,072	33,228	33,228	33,228	33,228	33,228	33,374	33,374	33,374	33,374	33,374	33,374	409,457
Prescription Administrative Expense	937	1,728	1,736	1,743	1,750	1,758	1,765	1,772	1,780	1,787	1,794	1,801	20,351
Miscellaneous Expense	4,708	3,567	4,342	3,567	3,692	4,217	4,642	29,383	5,592	14,817	7,692	21,797	108,015
Professional Fees	2,532	23,758	44,458	32,258	23,758	16,258	26,258	18,758	26,258	18,258	18,258	26,258	277,074
Total Expense	2,519,789	1,572,030	2,766,203	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	32,037,306
Available Cash Balance	8,637,023	7,592,789	6,135,219	11,105,698	9,762,074	9,481,481	7,470,086	12,430,669	11,871,453	10,359,771	7,898,652	10,818,970	
Inc(Dec) in Abandoned Property Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Month Ending Cash Balance	8,637,023	7,592,789	6,135,219	11,105,698	9,762,074	9,481,481	7,470,086	12,430,669	11,871,453	10,359,771	7,898,652	10,818,970	

2021 Cashflow Forecast Notes

- (1) Assumes a Non-medicare medical claim expense trend of 8%. Assumes a Medicare medical claim expense trend of 6%.
- (2) Assumes a Non-medicare pharmacy claim expense trend of 8%. Assumes a Medicare pharmacy claim expense trend of 1%.
- (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 2020.
- (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 January 31, 2021			
	Projected	Actual	Variance	% Change
Membership	1,415	1,341	(74)	-5.2%
Avg Premium Receipt PMPM	\$200	\$279	\$79	39.5%
Avg Medical Claim Expense PMPM	\$1,403	\$975	\$428	-30.5%
Avg Pharmacy Claim Expense PMPM	\$597	\$829	(\$232)	38.9%
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,800)	(\$1,525)	\$275	15.3%
Avg Premium Receipt Less Avg Claim Expense Total	(\$2,547,000)	(\$2,045,025)	\$501,975	19.7%
Variance Due to Changes in Membership			\$112,850	
Variance Due to Changes in Claim Expenses			\$389,125	

CASH BASIS	Year-To-Date January 31, 2021			
	Projected	Actual	Variance	% Change
Member Months	1,349	1,311	(38)	-2.8%
Avg Premium Receipt PMPM	\$779	\$829	\$50	6.4%
Avg Medical Claim Expense PMPM	\$1,222	\$1,265	\$43	3.5%
Avg Pharmacy Claim Expense PMPM	\$622	\$556	(\$66)	-10.6%
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$1,065)	(\$992)	\$73	6.9%
Avg Premium Receipt Less Avg Claim Expense Total	(\$1,436,685)	(\$1,300,512)	\$136,173	9.5%
Variance Due to Changes in Membership			\$37,696	
Variance Due to Changes in Claim Expenses			\$98,477	

INCURRED BASIS	Year-To-Date January 31, 2021	Year-To-Date January 31, 2020
	Actual	Actual - Prior Year
Member Months	1,311	1,291
Avg Premium Income PMPM	\$1,470	\$2,019
Avg Medical Claim Expense PMPM (1)	\$2,923	\$2,162
Avg Pharmacy Claim Expense PMPM (2)	\$673	\$882
Avg Premium Receipt Less Avg Claim Expense PMPM	(\$2,126)	(\$1,025)
Avg Premium Receipt Less Avg Claim Expense Total	(\$2,787,186)	(\$1,323,275)

(1) Incurred medical claims data totals \$3,832,051 which is derived from \$76,051 actual paid claims with dates of service between 01-01-21 and 1-31-21 and \$3,756,000 IBNR reserve.

(2) Incurred pharmacy claims data totals \$882,578 which is derived from \$406,578 actual paid claims with dates of service between 01-01-21 and 01-31-21 and \$475,000 IBNR reserve.