Teachers' Retirement Insurance Program & the College Insurance Program

January 2022 Update

Commission on Government Forecasting & Accountability

Commission on Government Forecasting and Accountability

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EXECUTIVE SUMMARY

The TRIP (Teachers' Retirement Insurance Program) and CIP (College Insurance Program) are expected to cover the health needs of approximately 79,881 TRIP and 8,126 CIP lives in FY 2022. At the time of the last CGFA report on these programs (FY 2017), the TRIP and CIP were both holding numerous claims at the Department of Central Management Services (CMS) through to the following fiscal year. Since then, the TRIP has managed to pay off a large portion of claims held (from $132 million in FY 2016 to $20 million projected in FY 2022), though the CIP continues to amass larger held claims year-to-year. While the CIP is a much smaller program and has correspondingly lower total held claims, this growth (from $41 million in FY 2016 to $121 million projected in FY 2022) is concerning. According to data given to the Commission by CMS, these two programs are projected to have a combined $141 million in held claims and $4 million in interest owed on those claims as of the end of June 2022.

Program Component	TRIP CASH FLOW		CIP CASH FLOW	
	FY 2021	FY 2022	FY 2021	FY 2022
Beginning Balance	$11.43	$32.30	$0.69	$1.05
State Contributions (GRF)	$62.63	$99.96	$4.62	$4.83
Participant Contributions	$141.13	$130.59	$12.38	$12.95
Employer Contributions	$101.45	$76.46	$4.74	$4.79
Active Teacher Contributions	$136.73	$102.70	$4.74	$4.79
Medicare Part D	$2.56	$0.70	$0.32	$0.11
Rebates	$14.71	$16.48	$1.73	$1.88
Interest/Other	$0.57	$0.60	$0.47	$0.48
Expenditures	($438.91)	($394.85)	($28.22)	($29.39)
Ending Cash Balance	$32.30	$64.94	$1.47	$1.49
Claims Hold at End of Year	$21.25	$20.27	$105.25	$121.16

Source: CMS
All numbers in Millions. Ending balances are CMS projections. Claims Hold represents claims held at CMS.

According to CMS, TRIP revenue is expected to increase by approximately $37 million in FY 2022. For the period of FY 2018 through FY 2022 (estimated), the expenditures of TRIP have tended to be in line with revenues, though supplemental appropriations were made during this time to pay down existing held bills. During this time, held claims at CMS have been reduced from a high of $248 million in FY 2018 to a projected $20 million in FY 2022. If contributions from the State, employers, and participants continue to keep up with expenditures, held claims should continue to improve. However, lower claims at CMS must coincide with sufficient spending ability at the Comptroller's office to pay down bills and interest payments to ensure long-term stability.

Though it is much smaller in revenues and expenses, CIP expenditures have stayed approximately the same from $26 million in FY 2016 to an estimated $29 million in FY 2022. This translates to an increase of 11.5% from FY 2016 to FY 2022. However, compared to TRIP, CIP has amassed significant unpaid claims and is projected to continue this pattern in FY 2022 ($121 million as of the end of FY 2022).

Illinois introduced a Medicare Advantage program in 2014 to save money on group insurance liabilities by moving all Medicare-eligible group insurance members and their Medicare-eligible dependents onto a Medicare Advantage plan endorsed by the state. As of FY 2022, 6,574 individuals (80.9%) are on a Medicare Advantage plan in the CIP and 64,500 individuals (80.7%) in the TRIP. This decision has resulted in significant savings to the State over traditional plans that had been utilized previously

The Teachers' Retirement Insurance Program is projected to have 79,881 participants at the end of FY 2022, while the CIP is projected to have 8,126 participants. As with the State Employees Group Insurance Program, liabilities for CIP and TRIP continue to see inflationary pressure from medical cost and concomitant insurance rate increases. The estimated liabilities for the TRIP in FY 2022 are $398 million, or a 7.9% decrease over the prior fiscal year, due to a variety of factors, including the increase of members moving to Medicare Advantage plans and the payment of most held claims. The CIP's estimated liability is $48 million, which is a 3.4% decrease compared to the last fiscal year. In the case of the CIP, however, existing held claim totals remain a large burden for future fiscal stability.

TEACHERS' RETIREMENT INSURANCE PROGRAM

(T.R.I.P)

The original insurance program for teachers was authorized by the Teachers' Retirement System in 1980. The original program plan design required;

- 8 years of service
- Major medical and prescription benefits
- 50% subsidy on premiums

The original funding source for TRIP was TRS investment income, which was originally set at $3.6 million. In 1985, the funding maximum was increased to $6 million annually. Likewise, in 1987, the funding level increased to $20 million annually. In 1993, TRS notified the Trustees and the Governor that the teachers' insurance program was going to have a shortfall, and that a change in federal law would necessitate a change in the way TRIP was administered. The Federal government stated that pension investment income could only be used for pension related expenses, not items such as health insurance.

TRIP, as we know it today, was introduced on January 1, 1996. At that time the program was moved from the Teachers' Retirement System to the Department of Central Management Services. In November of 2000, the Commission on Government Forecasting and Accountability (then the Economic and Fiscal Commission) issued a report that discussed the shortfalls that the program was faced with for FY 2002 and beyond. A subsequent report by the Commission estimated the FY 2002 shortfall to be $37 million. A combination of premium increases and increased school district contributions were initiated as a short term solution. In FY 2005, in the interest of finding a long term solution, CMS and the various stakeholders negotiated an agreement with the hopes of continuing the solvency of the program. The following table represents a brief summary of the agreed components of the TRIP agreement reached in FY 2005.

JOINT T.R.I.P AGREEMENT FY 2005
PPO 80%/60%-Changed the out of network co-insurance to 60%
$350 annual plan deductible
Chiropractic limit of $1,000 per year
Increased Rx Copays to $7 (generic) $14 (formulary) $28 (non-formulary)
Annual out of pocket maximum of $1,250
District payroll contributions increases from .50% to.60% in FY 2006
Active teacher payroll contributions increase from .75% to .80% of payroll in FY 2006
The state's contribution matches the active teacher contribution of .80% of payroll in FY 2006, plus $13 million
Weighted premium increases were defined in statute at 6.6% in FY 2005, 9.1% in FY 2006 and 3.9% in FY 2007
Starting in FY 2008 the premium increase could not exceed 5% annually
A committee was created to develop a long term funding solution

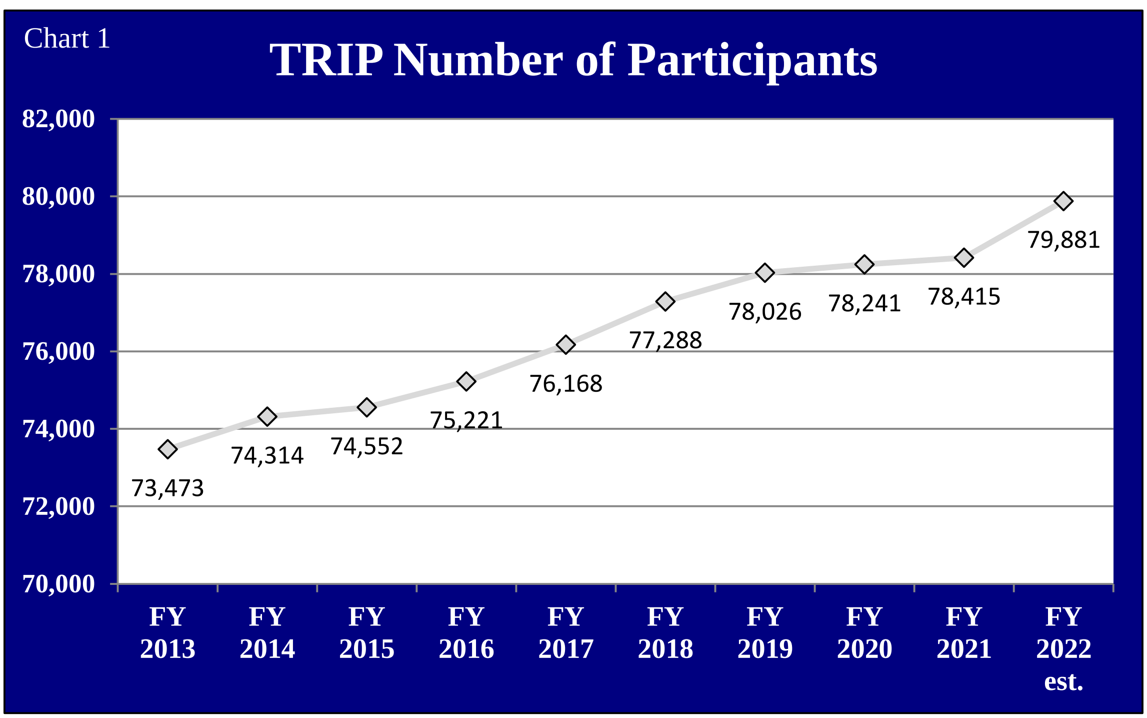
Today, the Teachers' Retirement Insurance Program (TRIP) is a comprehensive program of quality health care coverage for retired teachers and their eligible dependents. The Department of Central Management Services (CMS) is the agency that administers TRIP as set forth in the State Employees Group Insurance Act of 1971. The program offers two types of plans: PPO and managed care. The Teachers' Choice Health Plan (TCHP) is a PPO. You may enroll in TCHP regardless of where you live. In addition, the Medicare Advantage PPO plan allows enrollment regardless of residence. Persons may also enroll in one of several managed care plans. TRIP offers two types of managed care plans: health maintenance organizations (HMOs) and an open access plan. These plans include a Medicare Advantage HMO option. Managed care plans are located throughout Illinois and in some neighboring states. Your place of residence determines which managed care plans are available to you.

In order to join TRIP, you must be receiving a monthly benefit from TRS under the Illinois Pension Code, Article 16, and:

- have at least eight years of creditable service with TRS *or*
- be the survivor of an annuitant or a benefit recipient who had at least eight years of creditable service.

ENROLLMENT

The number of enrollees in TRIP for FY 2021 was 78,415, according to CMS. Overall, membership is expected to increase by 1.87% in FY 2022 to 79,881. In comparison, the number of enrollees in FY 2013 was 73,473 or 8.1% less than the estimated FY 2022 enrollment. The chart below details overall TRIP enrollment.

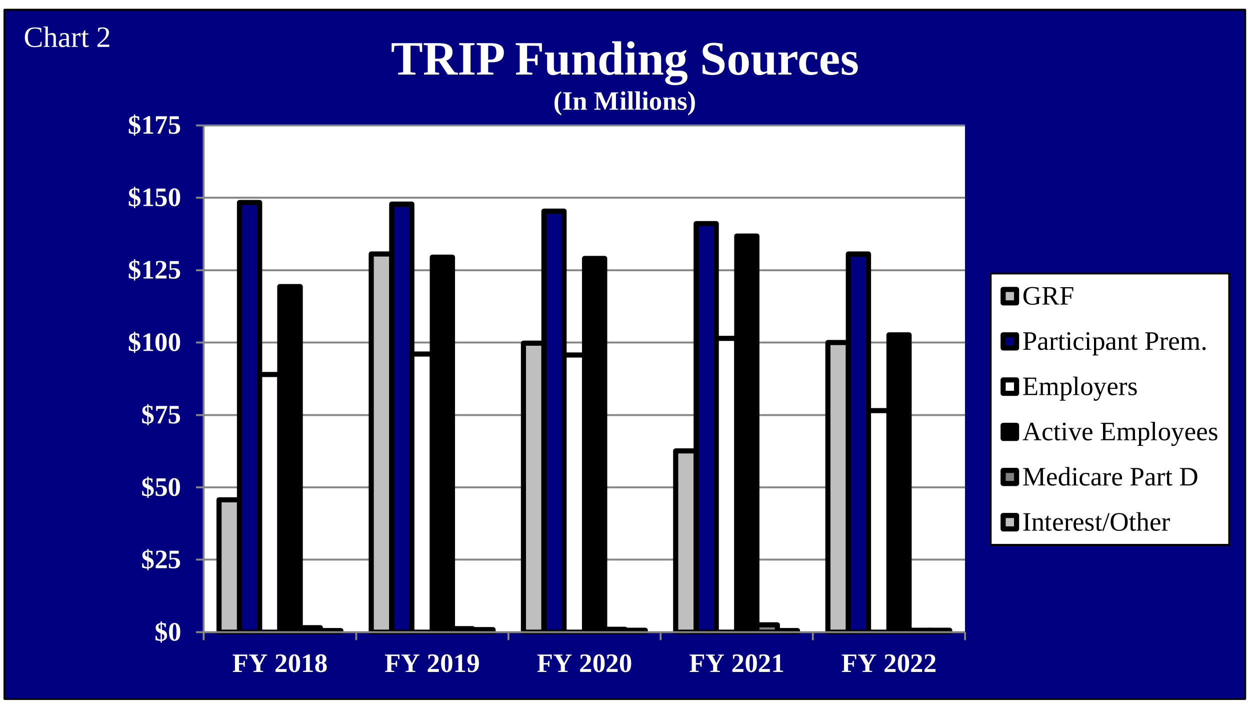


Source: CMS

TRIP has experienced consistently growing enrollment. Since FY 2013, TRIP has experienced an average growth rate of 1.1%. This trend leveled off in recent years, as the average growth rate from FY 2014-FY 2017 was 0.73%. However, FY 2022 represents a 1.87% rate of growth from the prior year. It remains to be seen if this trend will continue.

FUNDING/LIABILITY

TRIP receives funding from a variety of different sources. In FY 2021, $141.1 million (31.7%) of revenue coming into the program came from participant premiums. This is a large decrease from FY 2014 in which the participants paid a total of $178.9 million in overall premiums. The movement of many participants to Medicare advantage plans partly reduced participant premiums. Correspondingly, the FY 2022 participant premiums are projected to total an estimated $130.6 million. Chart 3 below helps identify the various funding sources for TRIP over the last five fiscal years. It is interesting to note the fluctuations in GRF while Active Employee and Employer contributions have risen steadily over the past five years.



Source: CMS.

TRIP is expected to receive approximately $411 million in revenues in FY 2022. This would be the smallest expected revenue total for this program since FY 2018, when this program brought in approximately $404 million in revenues as the FY 2016-FY 2018 Illinois state budget was subject to significant volatility. In order to understand the fluctuations in revenues, it is informative to compare revenues in this program on a year-to-year basis. Therefore, Table 1 lists the revenues that have been received by TRIP in FY 21 and are expected to be received in FY 2022.

Table 1	**FY 2021/2022 TRIP Funding Sources**	
Revenue Source	**FY 2021**	**FY 2022 est.**
State Contributions (GRF)	$62,630,961	$99,959,525
Participant Contributions	$141,132,022	$130,587,158
Employer Contributions	$101,447,545	$76,457,286
Active Teacher Contributions	$136,733,647	$102,703,817
Formulary Rebates	$14,714,961	$16,480,057
Medicare Part D Subsidy	$2,559,620	$699,325
Interest/Other	$565,203	$596,752
Total	**$469,948,956**	**$437,852,217**

Recent years have demonstrated financial stability in the TRIP, especially in terms of paying down the held bills from prior years, which is reflected to a degree in the current funding comparison between FY 2021 and FY 2022. However, these years have limited use in understanding the longer-term cash flow situation for the TRIP. Therefore, Table 2 is included for comparison over a longer period of time.

Table 2

Trip Cash Flow

Program Component	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 (Est.)
Beginning Balance	$38.58	$40.46	$25.53	$11.43	$32.30
State Contributions (GRF)	$45.71	$130.59	$99.76	$62.63	$99.96
Participant Contributions	$148.34	$147.79	$145.37	$141.13	$130.59
Employer Contributions	$88.98	$96.03	$95.74	$101.45	$76.46
Active Teacher Contributions	$119.31	$129.43	$129.04	$136.73	$102.70
Medicare Part D	$1.53	$1.19	$1.01	$2.56	$0.69
Formulary Rebates	$9.67	$14.79	$13.53	$14.72	$16.48
Interest/Other	$0.49	$0.89	$0.59	$0.57	$0.59
Expenditures	($412.15)	($535.66)	($499.15)	($438.91)	($394.85)
Ending Balance	$40.46	$25.53	$11.43	$32.30	$64.94
Claims Hold at End of Year	$247.65	$137.50	$55.65	$21.25	$20.27

Source: CMS
All numbers in Millions

Table 2 shows that the cash flow of TRIP has been fluctuating in recent years, though it appears to be leveling off as held claims have been steadily paid down. If this progress can be maintained in future years, the program should have significantly more stability overall.

In regard to the liabilities of TRIP, the issue of holding claims has been relevant historically. Currently, the expected claims hold for FY 2022 for TRIP is $20.3 million. This amount accounts for approximately 4.6% of projected revenue ($438M) estimated for FY 2022.

Recent claims hold numbers are listed below. From an initial hold of $177 million in 2011, the "held claims" category has fluctuated dramatically up to the current year. An effort to pay down existing held bills in a variety of state programs was made utilizing bond revenue in 2018, which is reflected to a degree in Table 3, as the total amount of held claims has decreased steadily since FY 2018. It remains uncertain how long the current low claims hold level can be maintained in the face of budgetary pressures from the COVID-19 pandemic and various concurrent economic effects on state funding.

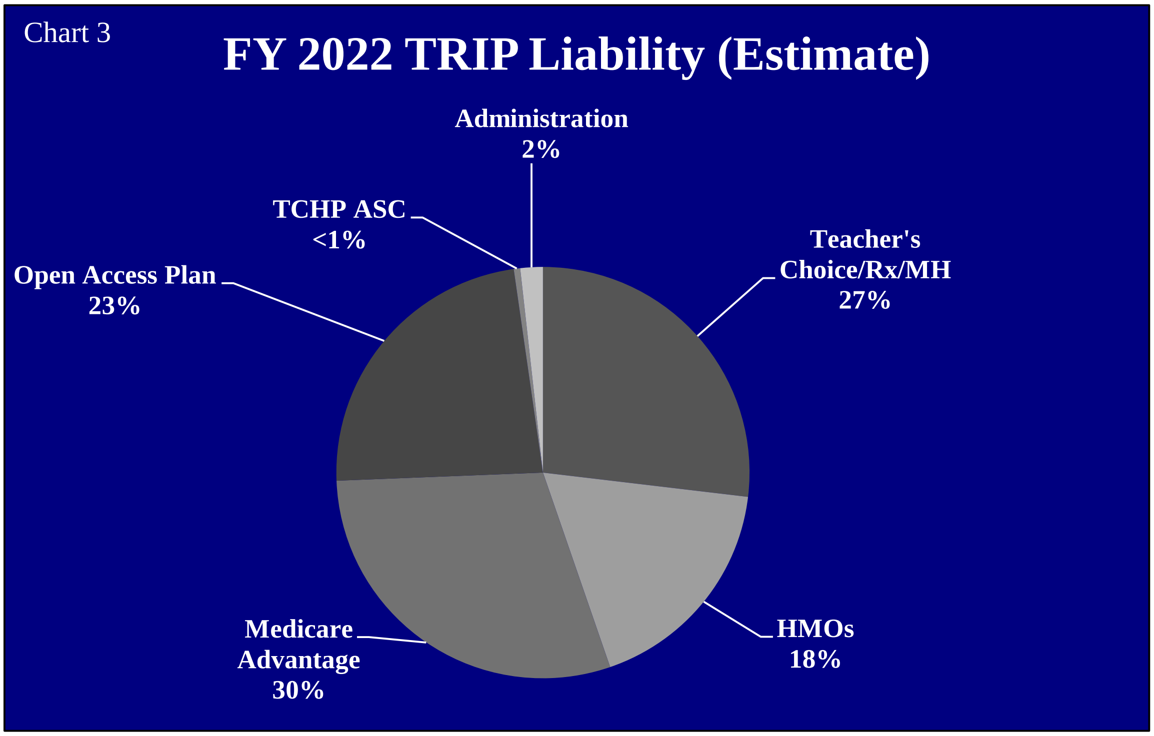
Table 3 **TRIP Historic Claims Holds**		
Fiscal Year	**Claims Hold at end of Fiscal Year (in Millions)**	**Percentage Change**
2018	$247.7	26.9%
2019	$137.5	-44.5%
2020	$55.7	-59.5%
2021	$21.3	-61.8%
2022	$20.3	-4.7%

The table below describes the historic liabilities of TRIP in recent fiscal years. As held bills have been paid off in a timelier manner overall, liabilities have dropped as well. However, as shown above, revenues have also declined, from $520 million in FY 2019 to a projected $427 million in FY 2022. The movement of participants onto Medicare Advantage plans and various other efforts by the State to lower costs have borne fruit, though diligent budgetary oversight will be needed to ensure that held claims do not once again become an issue for this program. Steadily rising healthcare costs and insurance cost projections remain a significant inflationary pressure upon the TRIP.

Table 4 **TRIP HISTORIC LIABILITIES** **FY 2016-FY 2022 (in millions)**							
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 est.
Teachers Choice/Rx	$116	$107	$119	$112	$99	$112	$107
HMO's	$88	$87	$89	$85	$82	$80	$71
Medicare Advantage	$124	$132	$147	$152	$145	$134	$118
Open Access Plan	$101	$100	$99	$96	$91	$95	$93
TCHP Mental Health	$1	$1	$1	$1	$1	$1	$1
TCHP ASC	$3	$3	$3	$2	$2	$2	$2
Administration	$3	$5	$7	$6	$9	$7	$7
Timely Interest	$1	$1	$3	$4	$0	$0	$0
TOTAL	**$437**	**$436**	**$468**	**$458**	**$429**	**$431**	**$399**
% over prior year	2.20%	-0.23%	7.34%	-2.14%	-6.33%	0.47%	-7.42%
Source: CMS							

As shown in Table 4, overall liabilities for TRIP have decreased and are expected to continue that trend through FY 2022. This reverses an upward trend that reached its recent peak in FY 2018, where liabilities topped $468 million. The movement of participants into Medicare Advantage (MA) plans has resulted in lowered liabilities for other insurance options, such as the Teachers' Choice and OAP plans, but leaves the MA option as the largest liability component in the TRIP.

The largest components of TRIP projected for FY 2022 are the Medicare Advantage plan ($118 million) and the Open Access Plan ($93 million), comprising 53% of total liability. The Teachers' Choice plan dropped significantly in FY 2014, though it totals $107 million, or 27% of total estimated liability, when combined with its prescription and mental health components as a component of liability in FY 2022. Unlike previous years, interest penalties are not expected to be a significant component of FY 2022 TRIP liability. Chart 4 shows the various components of the estimated FY 2022 TRIP liability.

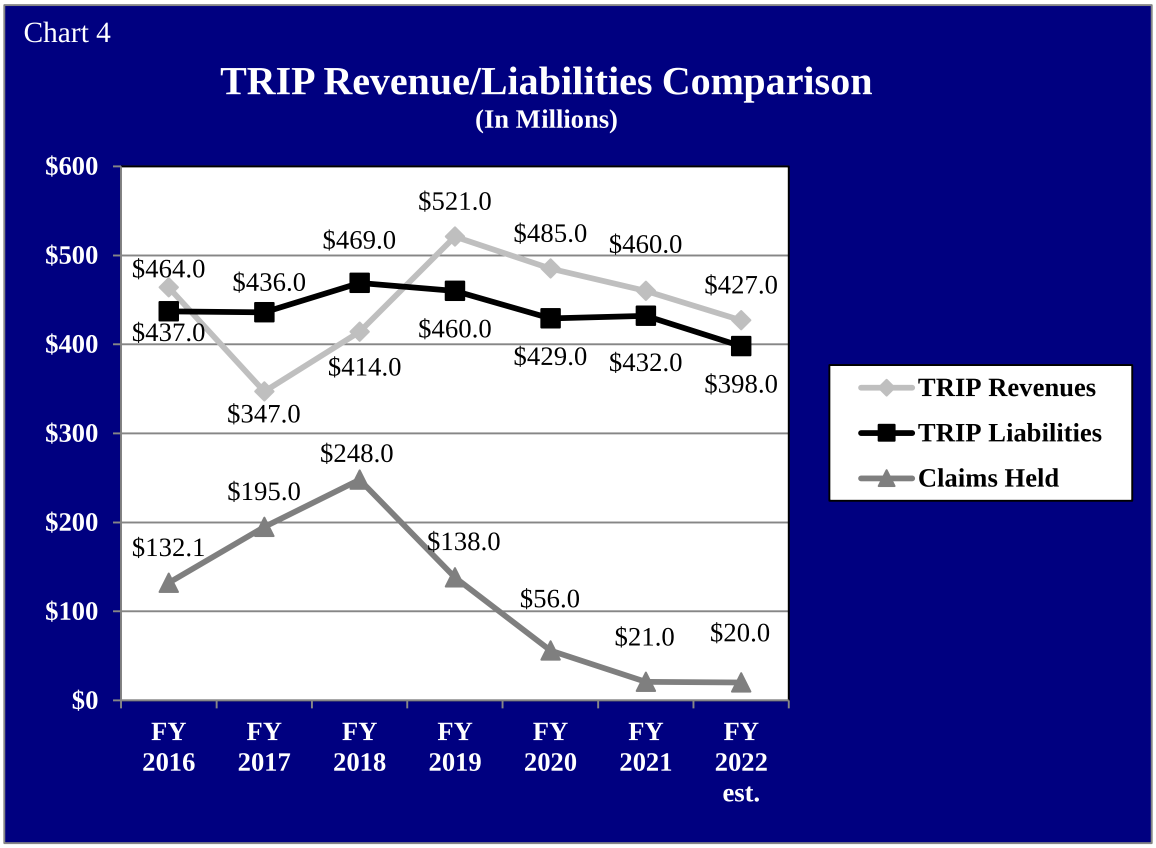


As shown above, four options comprise health insurance utilization within TRIP. The Teacher's Choice option, traditional HMOs, Open Access Plans (OAPs), and Medicare Advantage all comprise 18-30% of the total liability individually. In comparison, the Administration line is two percent of the total liability.

The switch to Medicare Advantage took a larger portion of participants out of the Teacher's Choice plan than either OAPs or HMOs. This was in part due to the self-selection of TRIP members towards plans offering more choice (Teacher's Choice) as members aged. Since Medicare Advantage eligibility is based on age, the Teacher's Choice plan was more likely to be affected than the other two options. The Medicare Advantage line appears to be increasing as a total percentage of liability compared to the FY 2018 TRIP/CIP report, though it is uncertain if this trend will continue.

A point of interest outlined in the 2014 and FY 2018 reports was the issue of a shortfall in TRIP revenues and expenditures. This situation has varied in the ensuing fiscal years. Given the cost contributors to

TRIP, a comparison of revenues and expenditures along with the claims hold on a year-to-year basis presents a picture of budgeting priorities and paying down held bills in recent years. The current situation is illustrated in Chart 5.



Source: CMS

In the chart above, the budgetary volatility of the 2017-2018 fiscal years is illustrated. As a result of increased funding in FY 2019, the claims hold total was reduced significantly and has continued to be reduced through FY 2021 and is expected to be held at a much lower total in FY 2022. Additionally, revenues have steadily kept ahead of total liabilities since FY 2019, further aiding efforts to reduce held bills and concomitant interest payment accumulation.

As noted in the previous report, a significant part of the concern with TRIP liabilities is the limited pool of participants. All participants are retirees, who are usually older individuals who require more medical care (and therefore, more spending) than other insurance pools with younger, healthier participants. Without younger members making payments and utilizing less health care resources, the TRIP participant group is expensive to insure. Also, a significant number of TRIP participants are below the age of Medicare participation. Therefore, these individuals are more expensive to insure as they do not have some of their health care costs taken up by Medicaid, resulting in additional cost to TRIP.

To ensure long-term fiscal stability, certain components should be taken into consideration. Revenues need to be stable and consistently above liabilities in the long term. Liabilities need to be controlled and kept at a reasonable rate of inflation, which is a challenge depending on economic trends and outside fiscal pressures. Finally, the claims hold needs to be kept at a manageable amount, both to contain interest payments, but also to ensure that future additional budgetary allocations are not required.

Historically, discussions have occurred regarding the role of the state as a partial financier of this program. One option that has been noted is the possibility of the state exiting the TRIP and eliminating state financial involvement in this program. If such a move is made, it would potentially reduce (if not eliminate) state involvement in a program with significant potential upward pressure on expenditures. However, if this step is taken, money currently provided by the state out of the General Revenue Fund would have to be replaced, either on the part of the school districts involved, increased participant contributions, or some other option yet to be determined. This discussion has also taken place in regard to the Community College Insurance Program, which is discussed in more detail in the next section of this report.

COMMUNITY COLLEGE INSURANCE PROGRAM

(C.I.P)

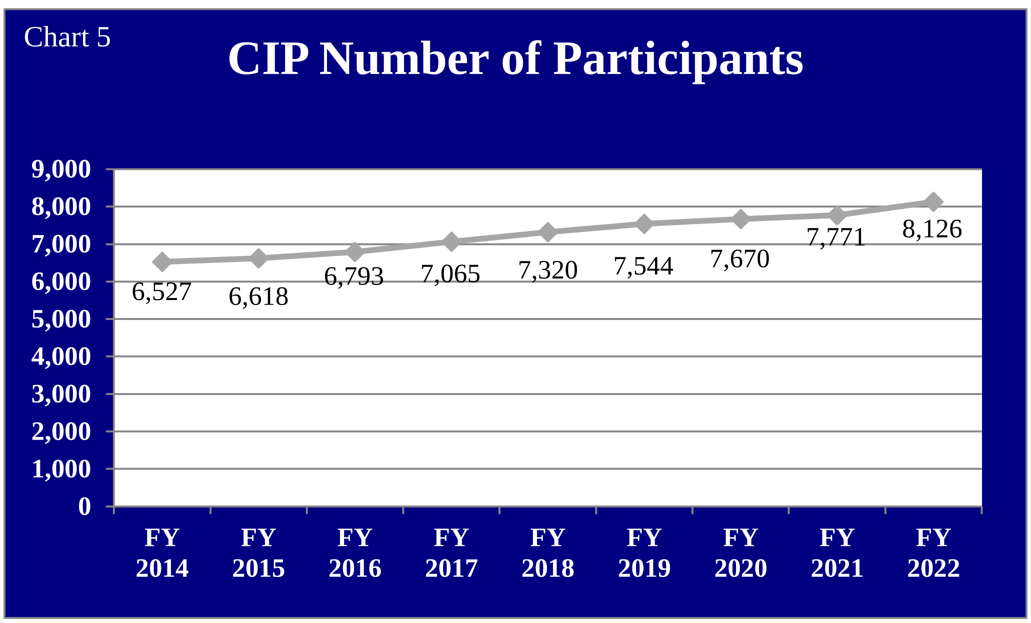
The College Insurance Program was created by P.A 90-0497 (1997). CIP was established as a remedy to the rising health care costs for the retirees of the 39 Illinois Community Colleges. Prior to the implementation of the CIP, 20 of the 39 Illinois Community colleges were unable to provide any health care benefits for their retirees.

In early 1997 Senate Bill 423 (P.A 90-0497) was introduced. The bill contained the provisions of CIP that was patterned after TRIP. The program that was created was called the College Insurance Program and is funded from four sources 1) active community college employees pay 0.5% of their gross pay; 2) community college employers match the employee premiums with a 0.5% gross payroll contribution; 3) the State provides a 0.5% contribution of community college gross payroll as certified by the State University Retirement System; 4) retirees who enroll in the program pay premiums established by CMS.

Today, The College Insurance Program (CIP) is a program of health care coverage for retired community college employees and their eligible dependents. The State Universities Retirement System (SURS) role is to: 1) provide members with basic coverage information, 2) enroll them in the program, and 3) collect the appropriate premiums. The State of Illinois determines coverage benefits, establishes premiums, negotiates contracts with the insurance carriers and resolves coverage and claim issues. The Department of Central Management Services is the agency that administers the College Insurance Program (CIP), as set forth in the State Employees Group Insurance Act of 1971 (Act).

ENROLLMENT

The participation in the CIP has risen steadily over time, though typically less than 4% per year since FY 2014, except in FY 2017 and FY 2022. There has been no pronounced effect from the COVID-19 pandemic on participation trends in this program. The number of enrollees in CIP for FY 2021 was 7,771. Overall, membership is expected to increase in FY 2022 to 8,126 or 4.6%. In comparison, the number of enrollees in FY 2014 was 6,527 representing a 24.5% increase through the expected FY 2022 enrollment. Chart 6 details overall CIP enrollment.

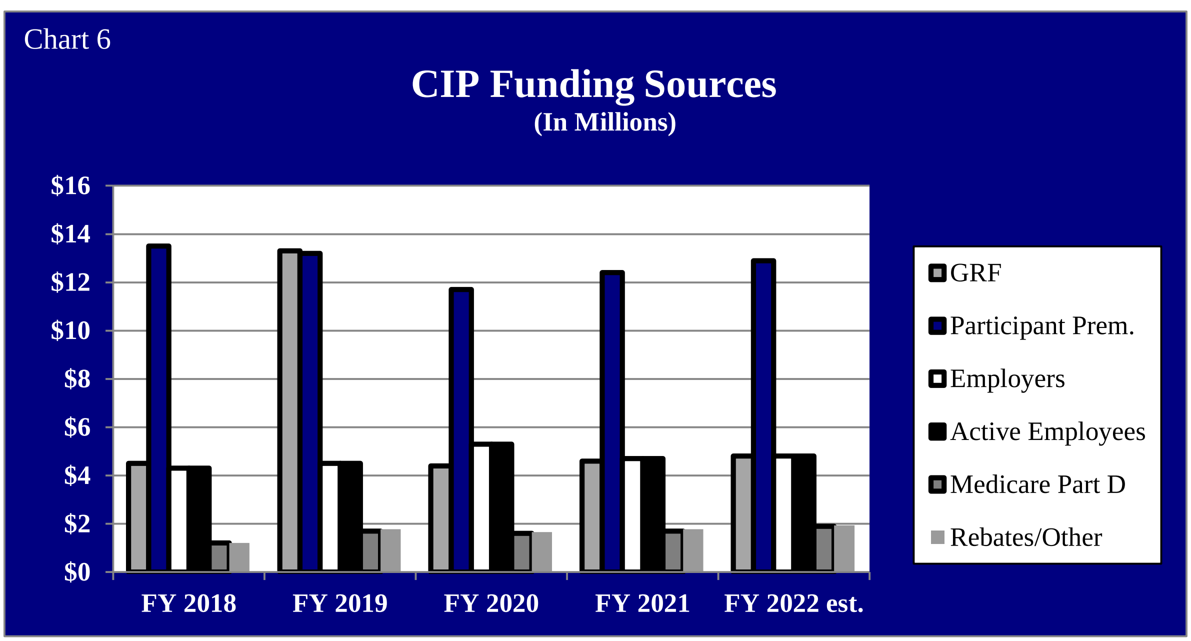


Source: CMS

CIP has experienced consistent enrollment growth. Since FY 2011, CIP has experienced an average growth rate of 3.1%. Taking into account the longevity of participants in this program, the liability of this program is likely to increase in future years as the overall number of participants continues to grow. As with TRIP, the participants in this program are all retirees and their dependents, who (due to their age) typically have higher health care costs due to increased need for medical care. Without a group of younger participants in the program to spread costs out, this is an expensive group of individuals to insure. However, the switch towards Medicare Advantage has resulted in significant savings, which is discussed in the following sections.

FUNDING/LIABILITY

In order to understand the overall financial structure of this program, an analysis of the funding mechanisms of the CIP is provided. CIP receives funding from a variety of different sources. In FY 2018, as in previous years, the majority of revenue coming into the program was from participant contributions. FY 2022 appears, at the time of this report, to be a similar year in regard to the proportion of revenues from participant contributions. FY 2022 participant premiums are projected to total an estimated $12.9 million, which represents a decrease of 4% compared to the total participant premiums in FY 2018. However, employer and active employee contributions have served to narrow the gap in recent years, a trend which is expected to continue in FY 2022. Chart 6 identifies the various funding sources for CIP over the last four fiscal years and projected sources for the current fiscal year. At this time, the funding sources are not adequate to provide funding of this program and pay down existing held claims, which are expected to total $121 million in FY 2022. Year-to-year revenues are increasing slowly, but are far outpaced by year-to-year liability increases, leading to a rapidly increasing claims hold and significant pressure on interest payments until the held claims are paid.



Source: CMS

CIP is expected to receive approximately $29.4 million in revenues in FY 2022. Table 5 lists the revenues that are anticipated to be received by CIP in FY 2021 and FY 2022.

Table 5	FY 2021/2022 CIP Funding Sources	
Revenue Source	**FY 2021**	**FY 2022 est.**
State Contributions (GRF)	$4.62	$4.83
Participant Contributions	$12.38	$12.95
Employer Contributions	$4.74	$4.79
Active Teacher Contributions	$4.74	$4.79
Medicare Part D Subsidy	$0.32	$0.12
Formulary Rebates	$1.73	$1.88
Interest/Other	$0.05	$0.05
Total	**$28.58**	**$29.41**
*ERRP stands for Early Retirement Reinsurance Program		
All numbers are in millions.		

The claims hold issue continues to be a problem for the CIP for reasons described previously, which places pressure on revenues to pay down these claims. On the part of revenues, excepting the one-time surge in FY 2019 due to state bonding action to lower overall debts, the components of CIP funding have remained steady, except for Formulary Rebates, which has increased modestly over time, though not at a sufficient pace to keep up with liabilities. This imbalance plagues the CIP to this day with large, and growing, claims holds awaiting payment. Table 6 describes the year-to-year claims hold situation from FY 2018 to the estimated totals for FY 2022.

Table 6 **CIP Historic Claims Holds**		
Fiscal Year	**Claims Hold at end of Fiscal Year (in Millions)**	**Percentage Change**
2018	$71.3	25.8%
2019	$77.5	8.7%
2020	$89.3	15.2%
2021	$105.3	17.9%
2022 est.	$121.2	15.1%

As shown in the above table, claims have been consistently building year-to-year. In fact, every fiscal year from 2013 onwards has seen significantly higher held claims than the prior year. The continuation of large amounts of bills being held by the state signals higher overall liabilities for CIP over time. The issue of claims being held must be further addressed, as no additional funding was passed to pay down existing held claims from the budget impasse of FY 2017-2018 nor has funding been provided to account for steadily growing liabilities. Additional details about CIP liabilities are provided in the following table.

Table 7

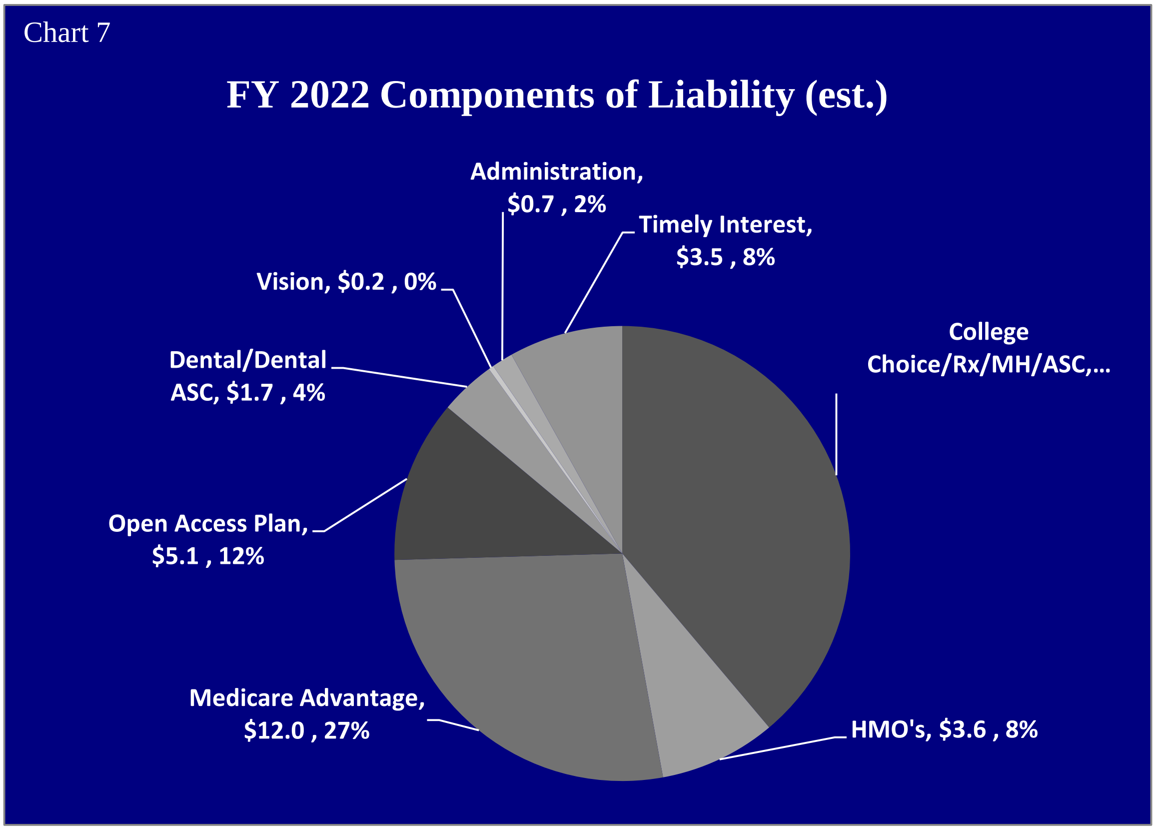
CIP HISTORIC LIABILITITIES

FY 2016-FY 2022 (in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 est.
College Choice/Rx/MH/ASC	$14.98	$13.40	$18.23	$18.45	$16.96	$18.10	$17.02
HMO's	$3.43	$3.70	$3.97	$4.08	$4.13	$4.10	$3.63
Medicare Advantage	$11.74	$12.75	$14.41	$14.97	$14.40	$13.46	$12.01
Open Access Plan	$3.70	$4.63	$3.69	$5.25	$4.92	$4.33	$5.06
Dental	$1.39	$1.41	$1.47	$1.55	$1.28	$1.65	$1.73
Vision	$0.13	$0.14	$0.14	$0.14	$0.15	$0.16	$0.16
Administration	$0.32	$0.44	$0.54	$0.54	$0.83	$0.64	$0.66
Timely Interest	$0.97	$1.08	$1.33	$1.93	$2.28	$2.90	$3.54
TOTAL	**$36.66**	**$37.55**	**$43.78**	**$46.91**	**$44.95**	**$45.34**	**$43.81**
% over prior year	4.64%	2.43%	16.59%	7.15%	15.10%	0.87%	-3.37%

Source: CMS

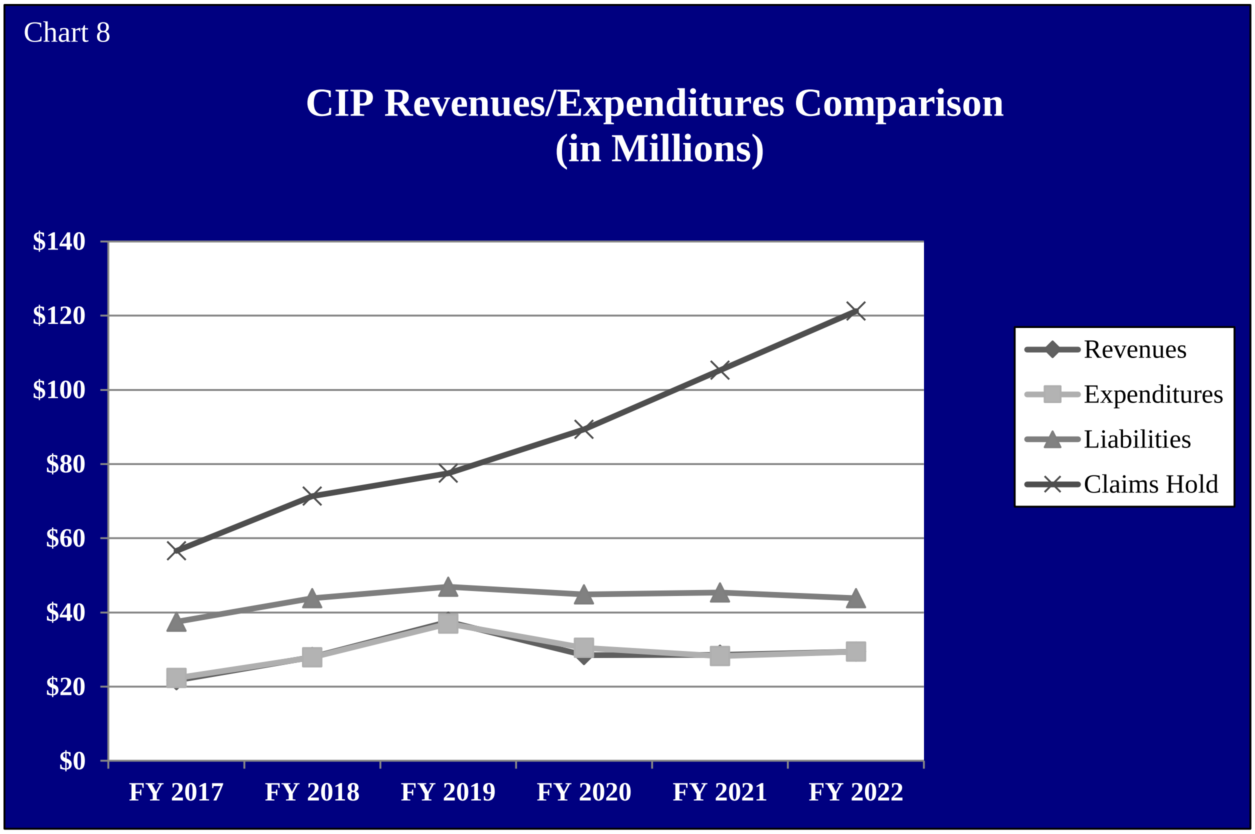
As noted in Table 7, the historic liabilities of the CIP show a rise from FY 2016 onward. Since FY 2016, overall liabilities for CIP have increased from $37 million to a projected $44 million in FY 2022, an increase of 19%. For FY 2022, the largest components of CIP are projected to be the College Choice plan and the Medicare Advantage (MA) Plan, representing 66% of overall liability (compared to 58% in FY 2018). In addition, the HMO line represents 8% of liability in FY 2022 (10% in FY 2018). The Open Access Plan accounts for 12% (compared to 13% in FY 2018). Chart 7 shows various components of FY 2022 CIP liability.



Source: CMS

CIP has an ongoing problem with determining a stable flow of income to cover liabilities. As noted in the FY 2018 report, while expenditures (paid bills) have remained close to total revenues for the last few fiscal years, this has been accomplished primarily by delaying the payment of a large amount of claims (relative to the size of the program). The lack of a state budget in FY 2017-2018 also contributed to the difficulty in paying claims in a timely manner. Without supplemental funding to pay down claims and bring total program revenues in line with yearly liabilities, total held claims are likely to rise. This has traditionally led to concerns with health vendors, as was the pattern for members of the State Employees' Group Insurance Program in past years.

Currently, the claims hold is expected to be approximately $105.3 million as of the end of FY 2021 and is projected to be $121.2 million at the end of FY 2022. This compares to $56.6 million as of the end of FY 2017 (an increase of $64.6 million over 5 years). An illustration of the current cash-flow situation is provided in the chart on the following page.



Source: CMS

In the October 2013 CIP/TRIP report, the Commission noted at the time that the State had taken to holding claims for payment in order to keep total revenues and expenditures close on a year-to-year basis. This practice has not changed for the FY 2022 report. With the given projections, the total claims hold for CIP as of the end of FY 2022 is four times the expected revenues of this program. The revenues for CIP are also expected to total over $14 million less that liabilities in FY 2022. This situation shows no signs of easing in severity without increases in revenues or similar decreases in liabilities.

It is useful to consider the claims hold situation along with revenues and expenditures on a larger scale. While revenues and expenditures dropped significantly in FY 2014 and further in FY 2015 (in the case of expenditures only), this drop does not alleviate the long-term issues with the state of Illinois continuing to hold significant amounts of claims for many months at a time. Table 8 combines all the revenues and expenditures in the CIP along with the claims hold on a year-to-year basis.

Table 8

CIP CASH FLOW					
Program Component	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022 (Est.)**
Beginning Balance	$2.13	$2.21	$2.72	$0.69	$1.05
State Contributions (GRF)	$4.49	$13.34	$4.43	$4.62	$4.83
Participant Contributions	$13.51	$13.22	$11.74	$12.38	$12.95
Employer Contributions	$4.32	$4.48	$5.27	$4.74	$4.79
Active Teacher Contributions	$4.32	$4.48	$5.27	$4.74	$4.79
Medicare Part D	$0.16	$0.17	$0.14	$0.32	$0.11
Formulary Rebates	$1.15	$1.72	$1.55	$1.73	$1.88
Interest/Other	$0.05	$0.06	$0.10	$0.04	$0.04
Expenditures	$27.92	$36.96	$30.53	$28.22	$29.39
Ending Balance	$2.21	$2.72	$0.69	$1.05	$1.05
Claims Hold at End of Year	$71.26	$77.48	$89.27	$105.25	$121.16

Source: CMS
All numbers in Millions

As displayed above, the liabilities of CIP are continuing to rise faster than available revenues. The practice of holding claims cannot solve the overarching issue of medical costs in the long run. Despite reducing costs by moving many recipients and dependents onto Medicare Advantage plans, liabilities are consistently outpacing revenues. This is leading to a continual need to hold additional claims through to the following fiscal year which is resulting in significant interest costs year-to-year. The interest on the held claims has been an issue in years past, and is likely to be an issue for this program in the future.

Extended held claim times and concomitant accumulations could have long-term effects on the services provided by this program and the vendors waiting to be paid. As various vendors suspended services with the state of Illinois during the budget stalemate of FY 2017-2018, the 9-12% interest available for many group insurance claims has kept service provision mostly stable, though smaller providers struggled to pay their own bills while waiting years for the State to pay on claims. Despite timely passage state budgets since those years, growing held claims demonstrate a pressing need and growing budget dilemma.

Claims Hold

In recent years, the deferment of claims for payment into future fiscal years along with the lack of a full budget for the group insurance program as a whole has resulted in a large amount of claims and interest being held by the State for payment. This situation was eventually addressed by the State and has resulted in a dramatic reduction in held claims for the State Employees' Group Insurance Program and a much more timely payment cycle for vendors involved in that particular program. However, as of the end of September 2021, approximately $136 million in claims are being held by CMS with wait times of over 7 months for payment in some cases.

The amount of claims held by CMS in the Teachers' Retirement Insurance Program and College Insurance Program is smaller in comparison to the State Employees' Group Insurance Program, though approximately $136 million in claims from the CIP and TRIP ($16 million from TRIP and $120 million from CIP) are at the Comptroller's office awaiting payment. As of the end of October 2021, approximately $16.6 million in claims and $30,000 in interest in the TRIP was being held by CMS. A further $5.8 million in claims and $2.2 million in interest in the CIP was being held by CMS. The following table compares both programs and their differing financial situations.

Claims Hold Data for TRIP and CIP
(as of October 31, 2021)

Company	Claims Hold		Interest Owed (Including Past Due Interest)	
	TRIP	CIP	TRIP	CIP
Aetna PPO	$0	$0	$0	$549,647
HealthLink OAP	$0	$0	$0	$308,546
Aetna OAP	$0	$0	$0	$429,269
BCBS OAP	$0	$0	$0	$41,010
Magellan	$59,606	$7,744	$29,616	$29,616
CVS/Caremark	$0	$0	$813	$321,993
Delta Dental PPO/etc.	$0	$4,256,910	$0	$532,749
Health Alliance HMO	$2,164,720	$197,135	$0	$0
Aetna HMO	$1,125,486	$81,329	$0	$0
HMO Illinois	$1,695,519	$73,655	$0	$0
Blue Advantage	$1,202,594	$56,351	$0	$0
EyeMed	$0	$13,478	$0	$0
Aetna MAPD	$346,229	$32,974	$0	$0
Humana Benefit Plan MA	$13,896	$688	$0	$0
Humana Health Plan MA	$263,191	$25,177	$0	$0
United Healthcare MA	$9,297,404	$953,428	$0	$0
Health Alliance MA	$162,272	$17,424	$0	$0
Metropolitan Life	$0	$0	$0	$0
Other Fees (ASC/etc.)	$251,750	$36,325	$0	$0
Total	**$16,582,667**	**$5,752,618**	**$30,429**	**$2,212,830**

CONCLUSION

As noted in previous reports, an aging population and medical inflation are drivers of rising medical costs. At least part of this rise in medical costs is the constant development, utilization and distribution of medical technologies that allow people to live longer and healthier lives. The pressing constant in the case of TRIP and CIP is that medical inflation and the rising cost of providing health services will be a problem for the foreseeable future, especially with only retirees in these programs. Progress has been made in containing costs with the utilization of Medicare Advantage plans for eligible retirees and dependents, however, the overall program liabilities continue to rise year-to-year and exceed available revenues.

Perhaps the largest current problem for these two programs (especially the CIP) is the growth in held claims. Year to year, this situation is rapidly worsening. This was a problem cited in the previous report on these programs from 2014/2018 and has continued to worsen since that time. Many vendors continue to struggle, especially those without the wherewithal to sustain their own liabilities until they receive reimbursement from the state, which as mentioned earlier in this report, may be a lengthy time period to wait. For these programs to survive, either revenue must be increased to pay for the rising costs of providing health care services in the TRIP and CIP, or liabilities must be decreased. In the short term, programs such as the Vendor Payment Program or Vendor Support Initiative allow financial entities to purchase claims from vendors and accept payment (and interest) from the state when the claim is finally paid out. This allows vendors to receive at least some payment and maintain operations in the absence of timely state payments. The TRIP and CIP may need to be examined to determine what changes are needed and how they can be accomplished to ensure financial stability and payment of claims in a timely manner.

COMMISSION OVERVIEW

The Commission on Government Forecasting & Accountability is a bipartisan legislative support service agency responsible for advising the Illinois General Assembly on economic and fiscal policy issues and for providing objective policy research for legislators and legislative staff. The Commission's board is comprised of twelve legislators—split evenly between the House and Senate and between Democrats and Republicans. Effective December 10, 2018, pursuant to P.A. 100-1148 the former Legislative Research Unit was merged into the Commission.

The Commission has three internal units—Revenue, Pensions, and Research, each of which has a staff of analysts and researchers who analyze policy proposals, legislation, state revenues & expenditures, and benefit programs, and who provide research services to members and staff of the General Assembly. The Commission's staff fulfills the statutory obligations set forth in the Commission on Government Forecasting and Accountability Act (25 ILCS 155/), the State Debt Impact Note Act (25 ILCS 65/), the Illinois Pension Code (40 ILCS 5/), the Pension Impact Note Act (25 ILCS 55/), the State Facilities Closure Act (30 ILCS 608/), the State Employees Group Insurance Act of 1971 (5 ILCS 375/), the Public Safety Employee Benefits Act (820 ILCS 320/), the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/), and the Reports to the Commission on Government Forecasting and Accountability Act (25 ILCS 110/).

- The **Revenue Unit** issues an annual revenue estimate, reports monthly on the state's financial and economic condition, and prepares bill analyses and debt impact notes on proposed legislation having a financial impact on the State. The Unit publishes a number of statutorily mandated reports, as well as on-demand reports, including the *Monthly Briefing* newsletter and annually, the *Budget Summary*, *Capital Plan Analysis*, *Illinois Economic Forecast Report*, *Wagering in Illinois Update*, and *Liabilities of the State Employees' Group Insurance Program*, among others. The Unit's staff also fulfills the agency's obligations set forth in the State Facilities Closure Act.
- The **Pension Unit** prepares pension impact notes on proposed pension legislation and publishes several statutorily mandated reports including the *Financial Condition of the Illinois State Retirement Systems*, the *Financial Condition of Illinois Public Pension Systems* and the *Fiscal Analysis of the Downstate Police & Fire Pension Funds in Illinois*. The Unit's staff also fulfills the statutory responsibilities set forth in the Public Safety Employee Benefits Act.
- The **Research Unit** primarily performs research and provides information as may be requested by members of the General Assembly or legislative staffs. Additionally, the Unit maintains a research library and, per statute, collects information concerning state government and the general welfare of the state, examines the effects of constitutional provisions and previously enacted statutes, and considers public policy issues and questions of state-wide interest. Additionally, the Unit publishes *First Reading*, a quarterly newsletter which includes abstracts of annual reports or special studies from other state agencies, the *Illinois Tax Handbook for Legislators*, *Federal Funds to State Agencies*, various reports detailing appointments to State Boards and Commissions, the *1970 Illinois Constitution Annotated for Legislators*, the *Roster of Illinois Legislators*, and numerous special topic publications.

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