Teachers' Retirement Insurance Program & the College Insurance Program

July 2017
Update

Commission on Government Forecasting & Accountability

Commission on Government Forecasting and Accountability

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EXECUTIVE SUMMARY

TRIP (Teachers' Retirement Insurance Program) and CIP (College Insurance Program) are expected to cover the health needs of approximately 83,594 lives in FY 2017. At the time of the last COGFA report on these programs (FY 2013), the TRIP and CIP were not insolvent, but only at the expense of holding numerous claims through to the following fiscal year. This practice has continued for FY 2017. According to data given to the Commission by the Department of Central Management Services (CMS), these programs had a combined $240 million in held claims and $17 million in interest owed on those claims as of the end of June 2017.

Program Component	TRIP CASH FLOW		CIP CASH FLOW	
	FY 2017	FY 2018	FY 2017	FY 2018
Beginning Balance	$68.54	$15.00	$2.72	$1.42
State Contributions (GRF)	$109.70	$114.17	$4.31	$4.13
Participant Contributions	$151.33	$159.60	$12.75	$13.69
Employer Contributions	$88.13	$91.45	$4.60	$4.48
Active Teacher Contributions	$117.51	$112.63	$4.60	$4.48
Medicare Part D	$1.75	$1.58	$0.02	$0.01
EERP Revenue	$10.16	$10.37	$0.00	$0.00
Interest/Other	$0.12	$0.13	$0.03	$0.03
GRF Adjustment	$0.00	$0.00	$0.00	$0.00
Expenditures	($535.26)	($499.92)	($27.64)	($26.25)
Incremental Gain/Loss	($53.54)	$0.00	($1.30)	$0.61
Ending Balance	$15.00	$15.00	$1.42	$2.02
Claims Hold at End of Year	$65.99	$61.78	$53.63	$69.95
Source: CMS				
All numbers in Millions. Ending balances are CMS projections.				

According to CMS, TRIP revenue is expected to increase by approximately $22 million in FY 2017. On average, for the period of FY 2014 through FY 2018 (estimated), the expenditures of TRIP are increasing along with program revenues, though expenditures are projected to be over $56 million above expected revenues. During this time, held claims have continued to be a major liability, as TRIP had $132 million in held claims as of the end of FY 2016, though that number is expected to decline by the end of FY 2018 to approximately $70 million. Significant changes need to be made to either increase revenues or lower liabilities for this program, or the current situation of growing held claims will only increase, to the detriment of healthcare vendors, TRIP participants, and the financial viability of the TRIP program.

Though it is much smaller in revenues and expenses, CIP liabilities have stayed approximately the same from $41.1 million in FY 2014 to an estimated $43.0 million in FY 2018. This translates to an increase of 10.4% from FY 2014 to FY 2018. Similarly to TRIP, CIP is expected to have significant claims held through the end of the fiscal year ($40 million as of the end of FY 2016).

One particular item of relevance for this report is the decision by the State to introduce a Medicare Advantage program in 2014 to save money on group insurance liabilities. This program moved all Medicare-eligible group insurance members and their Medicare-eligible dependents onto a Medicare Advantage plan endorsed by the state. As of FY 2017, 4,886 individuals (69.8%) are on a Medicare Advantage plan in the CIP and 51,457 individuals (67.2%) in the TRIP.

The Teachers' Retirement Insurance Program is projected to have 76,599 participants at the end of FY 2017 while CIP is projected to have 6,995 participants. Overall, liabilities for these programs continue to rise as medical inflation continues. The estimated liabilities for TRIP in FY 2018 are $495 million, or a 6.4% increase over the prior fiscal year. CIP's estimated liability is $43 million, which is a 5.3% increase over the last fiscal year.

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

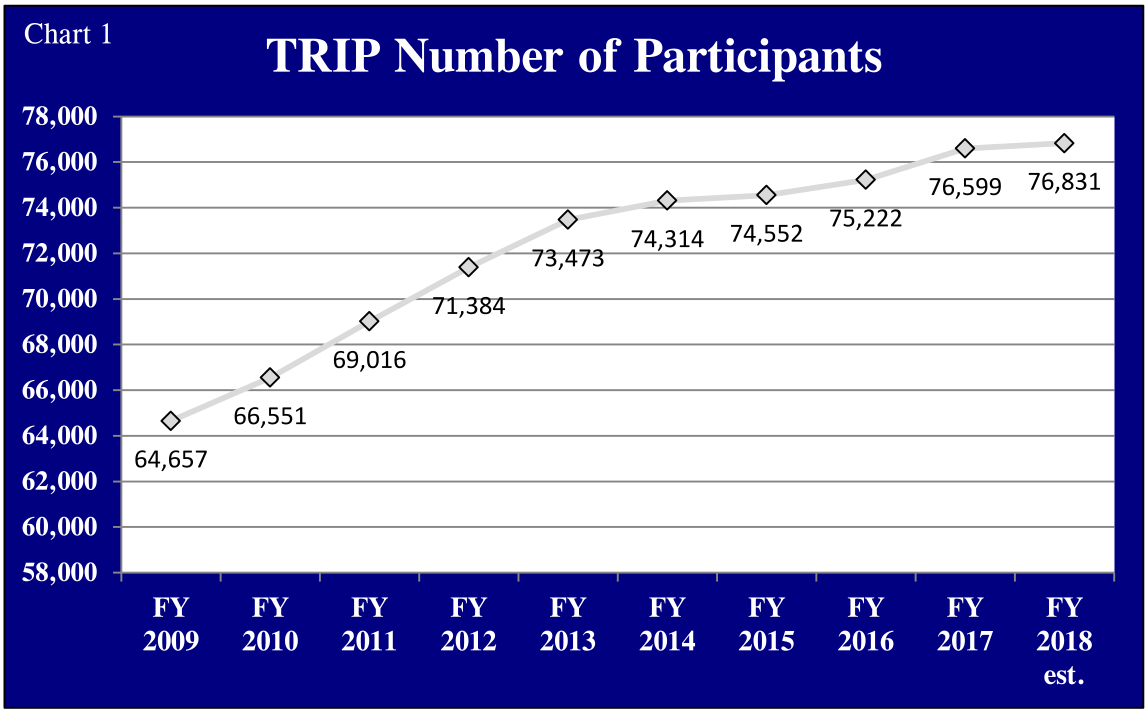
Today, the Teachers' Retirement Insurance Program (TRIP) is a comprehensive program of quality health care coverage for retired teachers and their eligible dependents. The Department of Central Management Services (CMS) is the agency that administers TRIP as set forth in the State Employees Group Insurance 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 2017 was 76,599, according to CMS. Overall, membership is expected to increase by 0.03% in FY 2018 to 76,831. In comparison, the number of enrollees in FY 2009 was 64,657 or 18.8% less than the estimated FY 2018 enrollment. The chart below details overall TRIP enrollment.



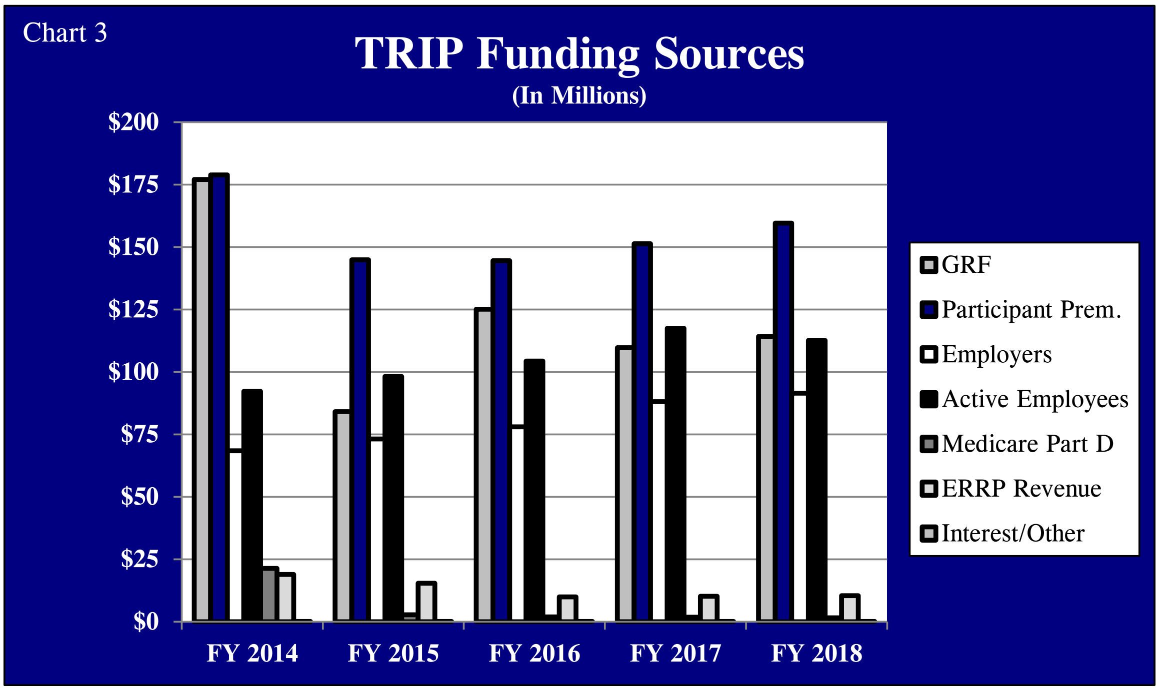
Source: CMS

TRIP has experienced consistently growing enrollment. Since FY 2009, TRIP has experienced an average growth rate of 2.2%. This trend appears to be leveling off in recent years, as the average growth rate from FY 2014-FY 2017 was 1.1%. The lower average growth rate in recent years is beneficial to the overall liabilities of TRIP, though at this time the expected duration of this lower rate is unknown.

It is useful to note that this current rate of population increase is quite limited compared to population changes over time in other programs such as the State Employees Group Insurance Program. As the TRIP primarily covers retirees and their dependents, the population increase in this program is much more reflective of general population increase in the state rather than any particular hiring/layoff trends in other comparable programs or entities.

FUNDING/LIABILITY

TRIP receives funding from a variety of different sources. In FY 2017, the majority of revenue coming into the program is projected to come from participant premiums. In FY 2014 the participants in TRIP paid a total of $178.9 million in overall premiums. Subsequently, the movement of many participants to Medicare advantage plans reduced (in part) participant premiums. As such, the FY 2018 participant premiums are projected to total an estimated $159.6 million. Chart 3 below helps identify the various funding sources for TRIP over the last five fiscal years. It is informative to note the drop in Medicare Part D revenues from FY 2015 onward as many retirees and dependents migrated to Medicare Advantage plans from their existing state plans.



Source: CMS. ERRP revenue stands for Early Retiree Reinsurance Program.

TRIP is expected to receive approximately $500 million in revenues in FY 2018. This would be the largest expected revenue accumulation through this program since FY 2014, when this program brought in approximately $557 million in revenues. In order to understand the gradual rise in revenues, it is informative to compare revenues in this program on a year to year basis. Therefore, Table 1 on the following page lists the revenues that have been received by TRIP in FY 2017 and are expected to be received in FY 2018.

Table 1	FY 2017/2018 TRIP Funding Sources	
Revenue Source	**FY 2017**	**FY 2018 est.**
State Contributions (GRF)	$109,703,000	$114,167,713
Participant Contributions	$151,334,807	$159,596,558
Employer Contributions	$88,131,758	$91,453,180
Active Teacher Contributions	$117,509,011	$112,630,400
Medicare Part D Subsidy	$1,754,601	$1,579,141
EERP Revenue	$10,164,997	$10,368,297
Interest/Other	$124,266	$126,751
Total	**$478,722,440**	**$489,922,040**

FY 2017 and FY 2018 have limited use in understanding the longer term cash flow situation for the TRIP. Therefore, it is informative to include the chart below for comparison and contrast over a longer period of time. While the beginning and ending balances may be the same, overall cash flow has shifted significantly over time.

Table 2					
		Trip Cash Flow			
Program Component	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018 (Est.)**
Beginning Balance	$27.81	$46.73	$38.74	$68.54	$15.00
State Contributions (GRF)	$177.11	$84.15	$125.09	$109.70	$114.17
Participant Contributions	$178.94	$144.91	$144.49	$151.33	$159.60
Employer Contributions	$68.43	$73.17	$78.01	$88.13	$91.45
Active Teacher Contributions	$92.19	$98.20	$104.34	$117.51	$112.63
Medicare Part D	$21.35	$2.82	$1.95	$1.75	$1.58
EERP Revenue	$0.00	$0.00	$0.00	$0.00	$0.00
Interest/Other	$0.15	$0.16	$0.12	$0.12	$0.13
GRF Adjustment	$0.00	$0.00	$0.00	$0.00	$0.00
Expenditures	($538.12)	($426.86)	($434.18)	($532.26)	($499.92)
Ending Balance	$46.73	$38.74	$68.54	$15.00	$15.00
Claims Hold at End of Year	$140.49	$128.80	$132.09	$65.99	$61.78
Source: CMS					
All numbers in Millions					

As shown in the above chart, the cash flow of TRIP has been fluctuating in recent years. As bills continue to build up due to the inability of the State to pay vendors in a sufficiently timely manner, the impact on TRIP is substantial in the long run. While the overall balance between revenues and expenditures does not tend to vary significantly from fiscal year to fiscal year, this is primarily due to the decision to hold large amounts of claims for increasingly longer amounts of time. Without a stable budget for this program, it is unlikely that this situation will change for the better.

In regards to the liabilities of TRIP, the issue of holding claims is especially relevant. Currently, the expected claims hold for FY 2018 for TRIP is $62 million. This amount accounts for approximately 12% of projected revenue. ($500 million estimated for FY 2018).

Recent claims hold numbers are listed below. From an initial hold of $177 million in 2011, the "held claims" category has decreased significantly up to the current year, though it is uncertain how long this will continue absent increases to funding and/or decreases in expenses. It is also necessary to note that the numbers for FY 2017 and FY 2018 are predicated on a newly passed budget providing funding towards paying down the current held claims in a timelier manner than the current situation.

Table 3

TRIP Historic Claims Holds

Fiscal Year	Claims Hold at end of Fiscal Year (in Millions)	Percentage Change
2014	$140.5	-20.8%
2015	$128.8	-8.3%
2016	$132.1	2.6%
2017	$66.0	-50.0%
2018	$61.8	-6.4%

The table below describes the historic liabilities of TRIP in recent fiscal years. Despite the drop in expenditures in 2015, revenues decreased as well. Healthcare costs have been growing in recent fiscal years and are not expected to wane in the future. Action taken by the State, school districts, or the Teachers' Retirement System may help to limit this problem, especially if the existing held claims can be paid off in a timely manner. However, liabilities will likely rise over time as retirees continue to enter TRIP. It is uncertain what steps can be taken to address this fiscal issue.

Table 4

TRIP HISTORIC LIABILITIES

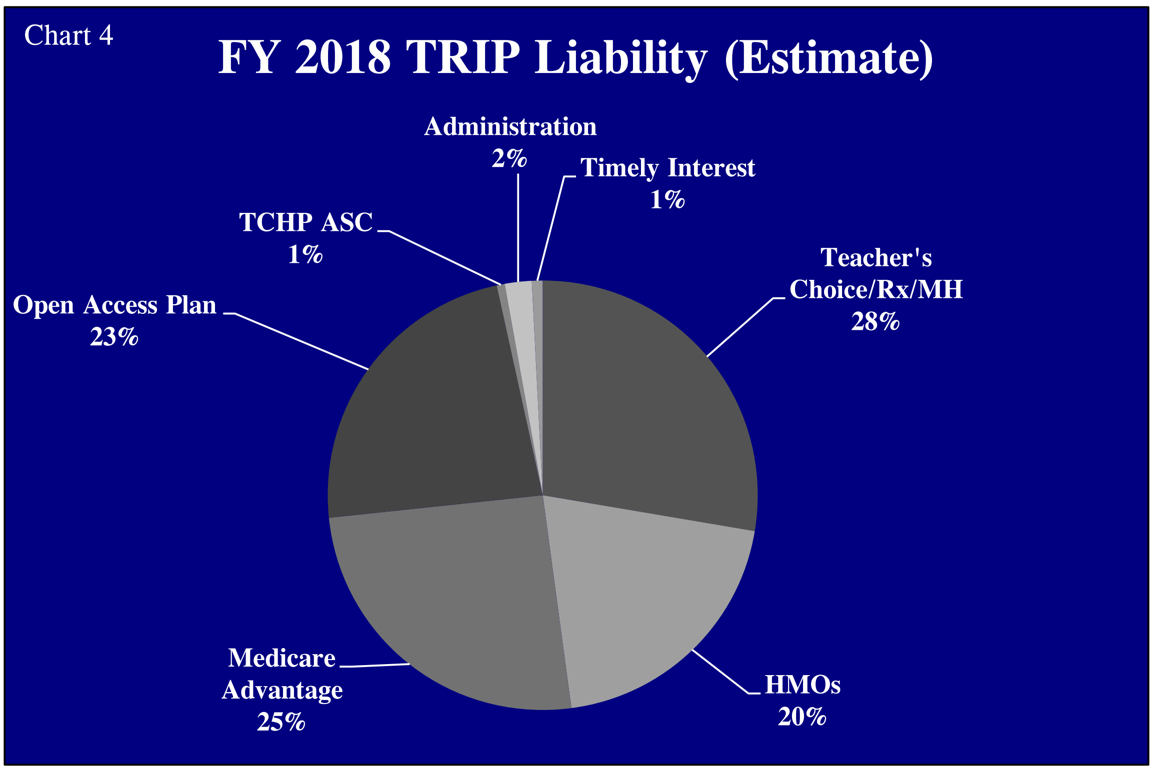
FY 2012-FY 2018 (in millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 est.
Teachers Choice/Rx	$260	$254	$180	$116	$114	$125	$136
HMO's	$115	$124	$113	$90	$88	$93	$100
Medicare Advantage	$0	$0	$44	$111	$124	$128	$126
Open Access Plan	$114	$125	$118	$99	$100	$105	$115
TCHP Mental Health	$2	$1	$1	$1	$1	$1	$1
TCHP ASC	$10	$10	$7	$3	$3	$3	$3
Administration	$3	$3	$4	$4	$4	$7	$10
Timely Interest	$1	$1	$11	$4	$4	$4	$4
TOTAL	**$505**	**$518**	**$478**	**$428**	**$438**	**$466**	**$495**
% over prior year	6.54%	2.57%	-7.72%	-10.46%	2.34%	6.39%	6.22%

Source: CMS

As shown in the table on the previous page, since FY 2012 overall liabilities for TRIP have decreased slightly by 2% through FY 2018. Since FY 2012, liability decreased significantly in FY 2015 to $427 million, but has grown since then to a projected $495 million liability in FY 2018. This upward trend shows no sign of slowing.

The largest components of TRIP projected for FY 2018 are the Medicare Advantage plan ($126 million) and the Open Access Plan ($115 million), composing 48.7% of total liability. The Teachers' Choice plan dropped significantly in FY 2014, but has grown in recent years as a component of the TRIP liability and is now projected to equal HMOs at $100 million as component of liability in FY 2018. Unlike the State Employees Group Insurance Program, interest on payments is not projected to be a large component of overall liability for FY 2018. Chart 4 below shows the various components of the estimated FY 2018 TRIP liability.



As shown above, an almost even four-way split has occurred for health insurance utilization within TRIP. The Teacher's Choice option, traditional HMOs, Open Access Plans (OAPs), and Medicare Advantage all comprise 20-28% of the total liability individually. In comparison, the Administration and Timely Interest lines are less than 3 percent of the total.

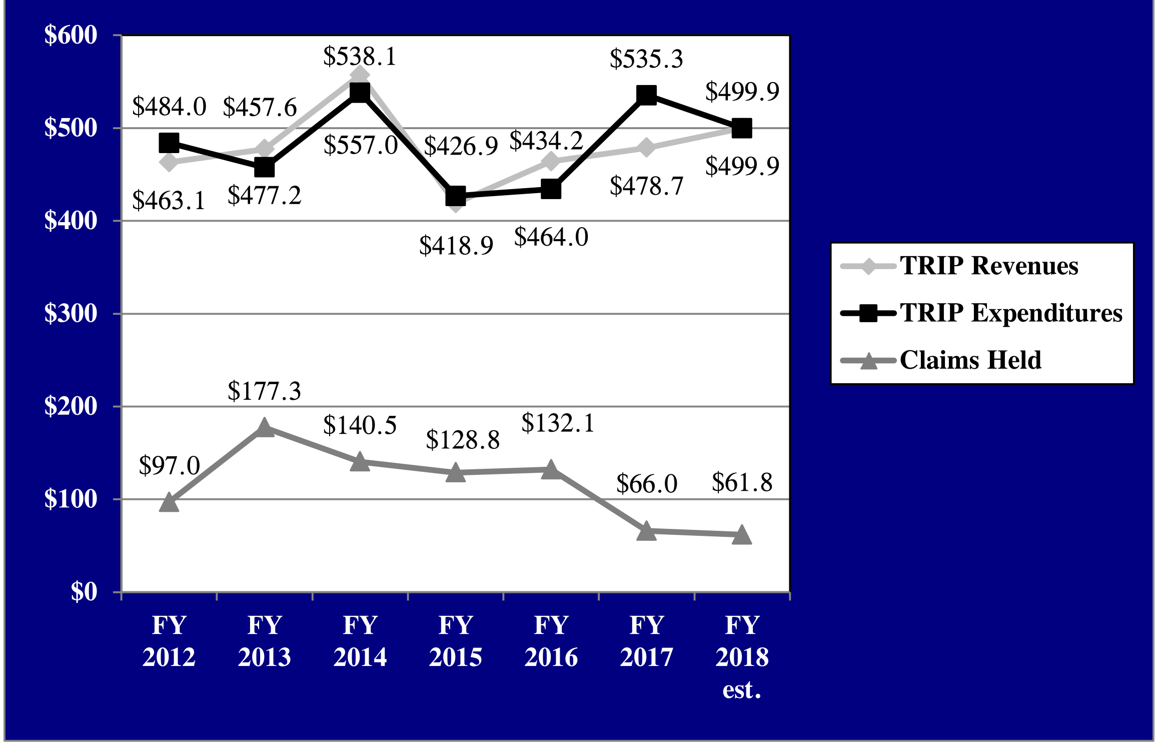
The switch to Medicare Advantage took a larger portion of participants out of the Teacher's Choice plan than either OAPs or HMOs. This was in part due to the self-selection of TRIP members towards plans offering more choice (Teacher's Choice) as members aged. Since Medicare Advantage eligibility is based on age, the Teacher's Choice plan was more likely to be affected than the other two options.

A point of interest outlined in the 2014 report 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 long-term unsustainability. The current situation is illustrated below.

Chart 5

TRIP Revenue/Expenditures Comparison

(In Millions)



Source: CMS

In the chart above, current TRIP revenues are occasionally not meeting the demands of TRIP expenditures, though they are generally expected to be close. The shortfall has been dealt with in recent years by holding claims into the next fiscal year. However, this situation is rapidly becoming unsustainable as the State has been delayed in paying down debts. Even with the passage of a state budget, the held claims will likely take a significant amount of time to fully pay down. Overall, the continued holding of claims will result in interest penalties and adversely affect overall expenditures.

Another part of the problem 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.

With these facts in mind, in order to preserve long-term fiscal stability, certain options will likely be considered. Either revenues must increase significantly more than their current rate, expenditures must decrease (or grow less than their current rate), or a combination of both could occur. Even if a choice is made that keeps revenues and expenditures steady, the negative financial impact of the claims hold must be addressed. As more claims are held by the state, more interest is accumulated that must be paid out as an expenditures, thereby costing the state more to fund this program.

Recently, discussions have taken place regarding the role of the state as a partial financier of this program. At the time of this report (June 2017), one option that has been noted is the possibility of the state exiting the TRIP and eliminating their involvement financially in this program. If such a move can be done, it would potentially reduce if not eliminate state involvement in a program with significant upward pressure on expenditures. However, if this step is taken, the 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 regards 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)

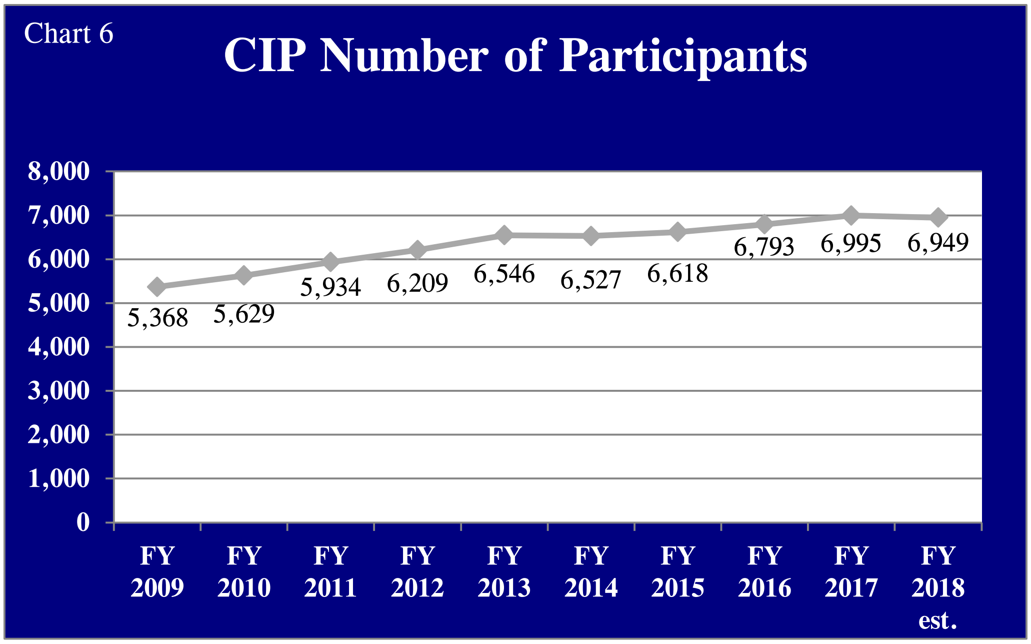
The College Insurance Program was created by P.A 90-0497 (1997). CIP was established as a remedy to the rising health care costs for the retirees of the 39 Illinois Community Colleges. Prior to the implementation of the CIP, 20 of the 39 Illinois Community colleges were unable to provide any health care 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 number of enrollees in CIP for FY 2017 was 6,995. Overall, membership is expected to decrease slightly in FY 2018 to 6,949 or 0.7%. In comparison, the number of enrollees in FY 2009 was 5,368 or a 29.4% increase through the expected FY 2018 enrollment. The chart on the following page details overall CIP enrollment.



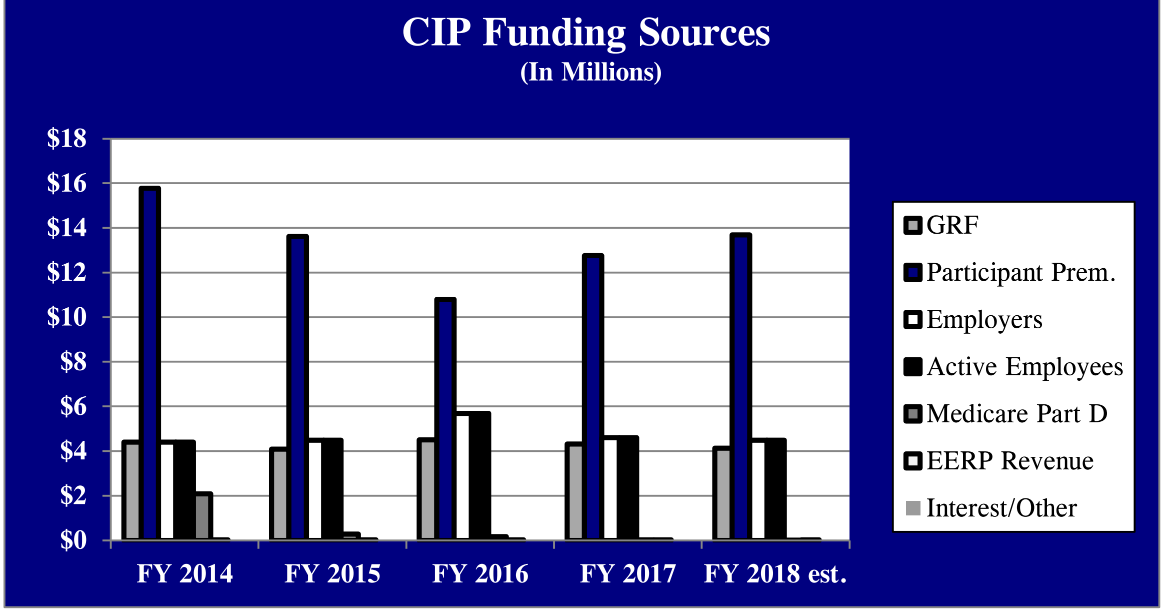
Source: CMS

CIP has experienced consistent enrollment growth. Since FY 2009, CIP has experienced an average growth rate of 2.9%. Given the longevity of participants in this program, the overall liability of this program will be adversely affected 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, which (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 2016, as in previous years, the majority of revenue coming into the program was from participant contributions. FY 2017 appears at the time of the drafting of this report to be a similar year in regards to the proportion of revenues from participant contributions. FY 2018 participant premiums are projected to total an estimated $13.7 million, which represents a decrease of 15% over the total participant premiums in FY 2014. This is in part due to the movement of retirees onto Medicare Advantage plans starting in FY 2014-2015. Chart 8 on the following page helps identify the various funding sources for CIP over the last five fiscal years. At this time, the funding sources are adequate to provide funding of this program primarily due to increasing amounts of claims being held year to year, in the same manner as TRIP. However, this mechanism is only a stop-gap measure that does not alleviate the major financial issues with the CIP.

Chart 7



Source: CMS

CIP is expected to receive approximately $26.9 million in revenues in FY 2018. Table 5 below lists the revenues that are anticipated to be received by CIP in FY 2017 and FY 2018.

Table 5	FY 2017/2018 CIP Funding Sources	
Revenue Source	**FY 2017**	**FY 2018 est.**
State Contributions (GRF)	$4.31	$4.13
Participant Contributions	$12.75	$13.69
Employer Contributions	$4.60	$4.48
Active Teacher Contributions	$4.60	$4.48
Medicare Part D Subsidy	$0.02	$0.01
ERRP Revenue*	$0.03	$0.03
Interest/Other	$0.03	$0.03
Total	**$26.34**	**$26.85**
*ERRP stands for Early Retirement Reinsurance Program		
All numbers are in millions.		

Despite receiving a large bump in state contributions of $42.7 million in the FY 2013 fiscal year, the claims hold issue continues to be a problem for the CIP. The other components of CIP funding have remained steady, except for the Medicare Part D Subsidy (due to the migration of many members and dependents to Medicare Advantage plans). Given the revenue and overall state budget situation, held claims have remained a factor in the overall financial state of the CIP. The table on the next page describes the year to year claims hold situation.

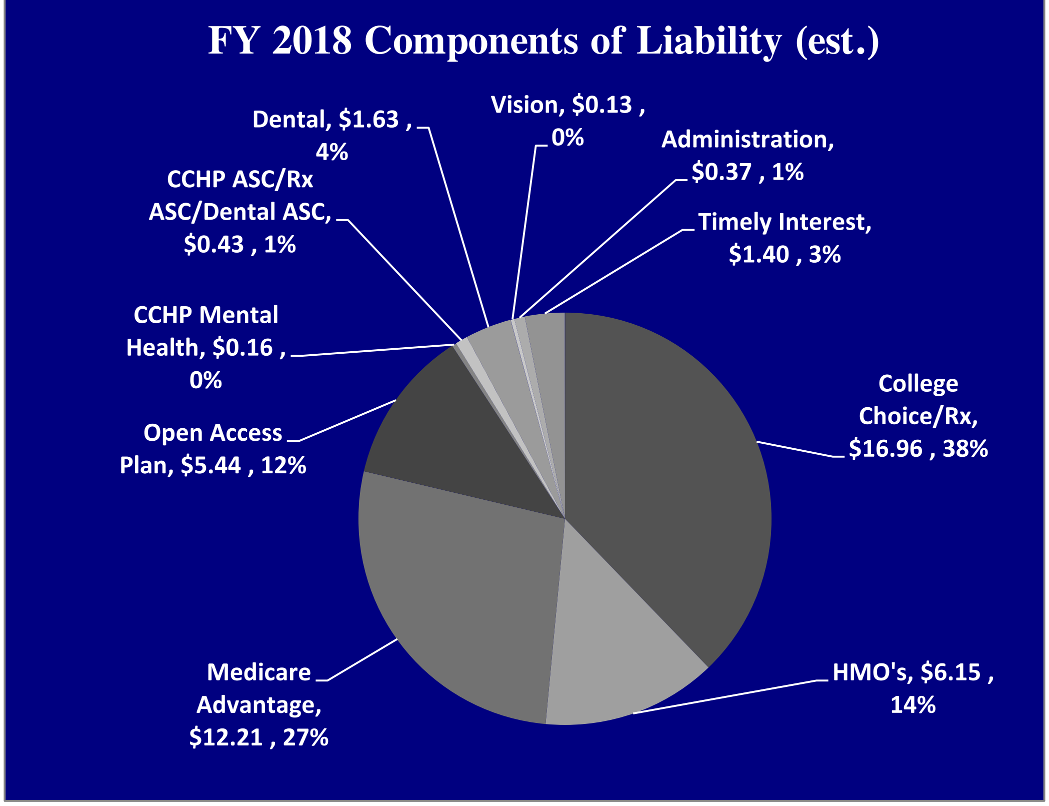
Table 6 **CIP Historic Claims Holds**		
Fiscal Year	**Claims Hold at end of Fiscal Year (in Millions)**	**Percentage Change**
2014	$17.2	19.2%
2015	$29.5	71.5%
2016	$40.5	37.3%
2017	$53.6	32.3%
2018 est.	$69.9	30.4%

As shown in the above table, claims have been building up in increasingly higher increments 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 is a sign of a trend towards higher overall liabilities for CIP over time. Though a state budget has been enacted, the issue of claims being held must be further addressed, as no additional funding was passed to pay down existing held claims. Additional details about CIP liabilities are illustrated in the table below.

Table 7 **CIP HISTORIC LIABILITITIES** **FY 2012-FY 2018 (in millions)**							
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 est.
College Choice/Rx	$30.36	$26.64	$21.51	$14.29	$14.52	$15.71	$16.96
HMO's	$5.68	$5.73	$4.79	$3.40	$3.43	$3.94	$4.26
Medicare Advantage	$0.00	$0.00	$4.09	$10.37	$11.74	$12.20	$12.21
Open Access Plan	$4.95	$5.21	$5.82	$4.66	$4.63	$5.16	$5.44
CCHP Mental Health	$0.12	$0.20	$0.12	$0.10	$0.14	$0.14	$0.16
CCHP ASC/Rx ASC/Dental ASC	$1.44	$1.26	$0.90	$0.43	$0.40	$0.43	$0.43
Dental	$1.22	$1.36	$1.37	$1.40	$1.45	$1.59	$1.63
Vision	$0.10	$0.11	$0.12	$0.13	$0.13	$0.13	$0.13
Administration	$0.48	$0.45	$0.44	$0.32	$0.38	$0.36	$0.37
Timely Interest	$0.36	$3.12	$1.96	$1.01	$0.97	$1.17	$1.40
TOTAL	**$44.71**	**$44.08**	**$41.12**	**$36.11**	**$37.79**	**$40.83**	**$42.99**
% over prior year	15.10%	-1.41%	-6.72%	-12.18%	15.10%	8.04%	5.29%
Source: CMS							

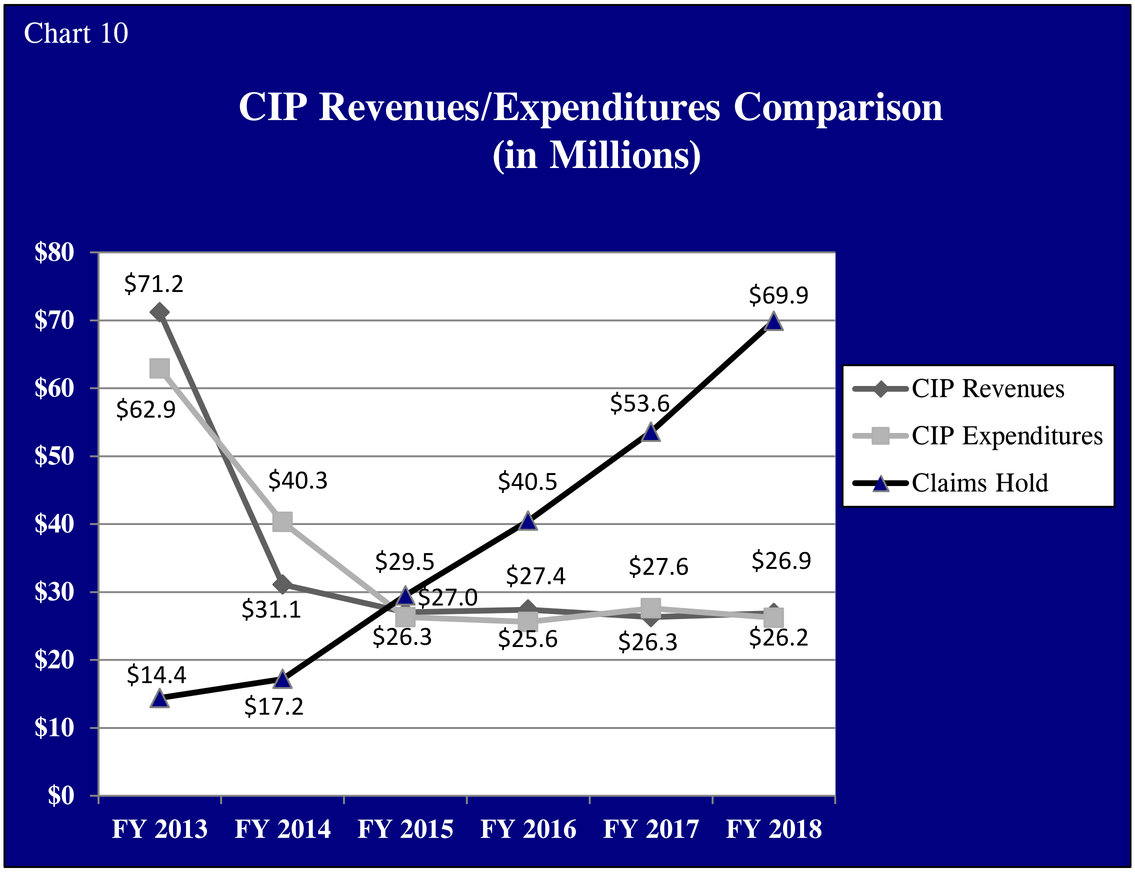
As noted in the prior table, the historic liabilities of the CIP show a rise from FY 2015 onward. Since FY 2015, overall liabilities for CIP have increased from $36 million to a projected $43 million in FY 2018, an increase of 19%. For FY 2018, the largest components of CIP are projected to be the College Choice plan and the Medicare Advantage (MA) Plan, representing 58.1% of overall liability. In addition, the HMO line represents 9.9 % of estimated liability in FY 2018. The Open Access Plan constitutes 12.7% of expected FY 2018 liability, a very slight drop from the FY 2014 report. Chart 9 below shows various components of FY 2018 CIP liability.

Chart 9



Source: CMS

As with TRIP, CIP has an ongoing problem with determining a stable flow of income to cover liabilities. While expenditures 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 also contributed to confusion and difficulty in paying claims in a timely manner, though the recent passage of a budget does not solve the problems with this program. There is no additional funding in the newly passed budget to pay down the existing claims hold, though the full state appropriation is expected to be made towards the yearly operating expenses of this program. Currently, the claims hold is expected to be approximately $53.6 million as of the end of FY 2017. This number is projected to increase to $69.9 million as of the end of FY 2018 unless substantive additional action is taken to pay down these claims. An illustration of the current cash-flow situation is provided in the chart on the following page.



Source: CMS

In the prior CIP/TRIP report, published in October 2013, 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 in recent years, resulting in the claims hold for this program increasing from approximately $6 million in FY 2010 to a projected $70 million in FY 2018. With the given projections, the total claims hold for CIP as of the end of FY 2018 is more than double the expected revenues. Without additional income for this program, the claims hold situation is not likely to improve in future fiscal years.

It is informative 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 holding significant amounts of claims for months at a time. Table 8 on the next page 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 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018 (Est.)**
Beginning Balance	$9.41	$0.24	$0.95	$2.72	$1.42
State Contributions (GRF)	$4.40	$4.09	$4.50	$4.31	$4.13
Participant Contributions	$15.78	$13.62	$10.80	$12.75	$13.69
Employer Contributions	$4.40	$4.48	$5.69	$4.60	$4.48
Active Teacher Contributions	$4.40	$4.48	$5.69	$4.60	$4.48
Medicare Part D	$2.09	$0.28	$0.17	$0.02	$0.01
EERP Revenue	$0.02	$0.02	$0.02	$0.03	$0.03
Interest/Other	$0.02	$0.01	$0.00	$0.03	$0.03
Expenditures	$40.29	$26.25	$25.60	$27.64	$26.25
Ending Balance	$0.24	$0.95	$2.72	$1.42	$2.02
Claims Hold at End of Year	$17.18	$29.53	$40.54	$53.63	$69.95
Source: CMS					
All numbers in Millions					

Simply put, 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 results in significant interest costs. This could have long-term effects on the services provided by this program and the vendors waiting to be paid. As various vendors have suspended services with the state of Illinois during the budget stalemate, the 9-12% interest available for many group insurance claims has kept service provision mostly stable. With the recent passage of a state budget, payments should be able to be processed in a timelier manner, but the overall amount of claims being held is likely to continue to significantly impact the payment of new claims.

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 the ensuing interest) being held by the State for payment. While the amount of held claims in the Teachers' Retirement Insurance Program and College Insurance Program is small in comparison to the State Employees Group Insurance Program, there is still a considerable backlog of claims currently. As of the end of June 2017, approximately $181 million in claims and $16 million in interest (including $15.5 million in past due interest) in the TRIP was being held by the State. A further $44 million in claims, $2.9 million in interest (including $2.0 million in past due interest) in the CIP was being held by the State. The following table compares both programs and their differing financial situations.

Claims Hold Data for TRIP and CIP
(as of June 30, 2017)

Company	Claims Hold		Length of Claims Hold (in days)		Interest Owed (Including Past Due Interest)	
	TRIP	CIP	TRIP	CIP	TRIP	CIP
CIGNA - PPO (and Member)	$9,957,425	$2,223,718	48	83	$119,472	$46,140
CIGNA - Non-PPO	$492,817	$84,483	48	83	$5,914	$1,753
Dental Claims Hold – PPO	$0	$1,503,162	0	414	$0	$140,170
Dental - Non-PPO	$0	$762,241	0	498	$0	$87,086
Magellan (Mental Health) Claims	$0	$0	0	0	$0	$0
Coventry HMO	$4,805,288	$617,978	187	584	$0	$0
Health Alliance HMO	$23,612,888	$2,272,636	187	584	$0	$0
HMO Illinois	$13,686,645	$2,315,099	187	584	$0	$0
Blue Advantage	$6,615,330	$676,259	187	584	$0	$0
HealthLink OAP	$0	$2,814,967	0	332	$0	$91,807
Coventry OAP	$0	$377,047	0	339	$0	$14,872
Medco	$0	$0	512	512	$12,813,441	$1,939,461
CVS/Caremark	$30,711,867	$7,084,715	196	562	$3,356,582	$581,373
Coventry Medicare Advantage (MA)	$2,220,970	$501,093	187	584	$0	$0
Health Alliance MA	$705,385	$159,042	187	584	$0	$0
Humana Benefit Plan MA	$114,010	$13,774	187	584	$0	$0
Humana Health Plan MA	$1,744,877	$340,391	187	584	$0	$0
United Healthcare MA	$83,976,509	$20,718,763	187	555	$0	$0
Fidelity (Vision)	$0	$233,536	0	584	$0	$0
Minnesota Life	$0	$0	0	0	$0	$0
Other Fees (ASC/etc.)	$2,634,992	$830,846	187	523-584	$0	$0
Total	**$181,279,003**	**$43,529,750**	**48-512**	**83-584**	**$16,295,409**	**$2,902,662**

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 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 and has only continued to worsen since that time. 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 one to almost two years. 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 State of Illinois must carefully examine the TRIP and CIP to determine what changes are needed and how they can be accomplished to ensure financial stability and payment of claims in a timely manner. It is certain that without change to these programs, the current funding and spending mechanisms are not viable in the long term.

BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;

2) Analysis of the fiscal impact of revenue bills;

3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;

4) Periodic assessment of capital facility plans;

5) Annual estimates of public pension funding requirements and preparation of pension impact notes;

6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;

7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Bonded Indebtedness Report" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well-being of Illinois. All reports are available on the Commission's website.

These reports are available from:

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http://cgfa.ilga.gov