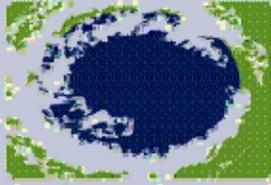


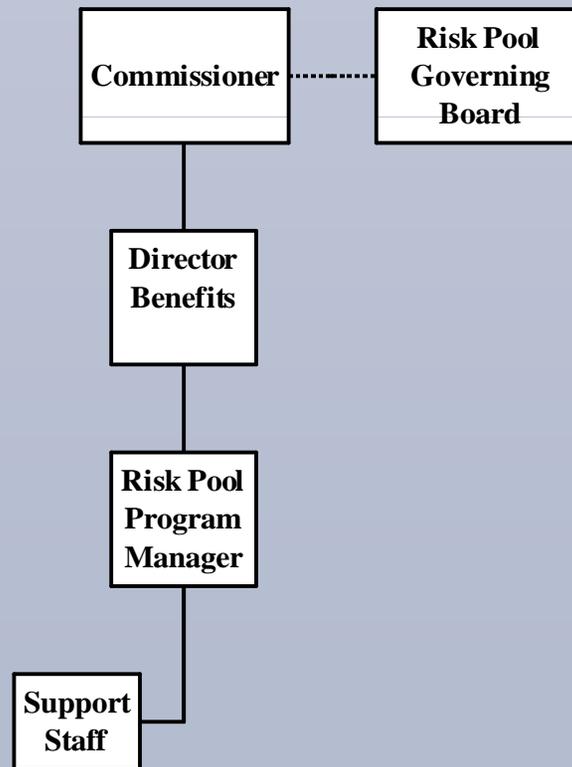
State of South Dakota

Legislative Sunset Review

Summer 2009



SOUTH DAKOTA RISK POOL



Risk Pool

HISTORY

- Guarantee issue policies and the individual insurance market
- June 2003 Special Legislative Session
 - SDCL Title 58
 - ARSD 20:06:48

Risk Pool

COST SHARING



BENEFITS

Risk Pool

IMPLEMENTATION

- August 1st deadline
- Help from the Bureau of Personnel
- Risk Pool up and running in 30 days

BENEFITS

Risk Pool

ADMINISTRATION

- Risk Pool Governing Board
- Advisory Panel
- Bureau of Personnel Staff

VENDORS

- DakotaCare and Express Scripts
- HCMTI

Risk Pool

DAY-TO-DAY ADMINISTRATION

- Application Review
- Eligibility Determination
- Customer Service
- Premium Collection
- Contractor/Vendor Oversight
- Board Meeting Preparation
- Research

Risk Pool

ELIGIBILITY

- South Dakota resident
- Apply within 63 days of losing coverage
- Have at least 12 months of continuous creditable coverage
- Exhausted COBRA or state continuation coverage
- The most recent coverage not terminated due to nonpayment or fraud
- Not be covered or eligible for other coverage

Risk Pool

2006 ELIGIBILITY EXPANSION

- SB 200
- Based on federal funds
- Individual in a closed block of business
- Premiums 200%

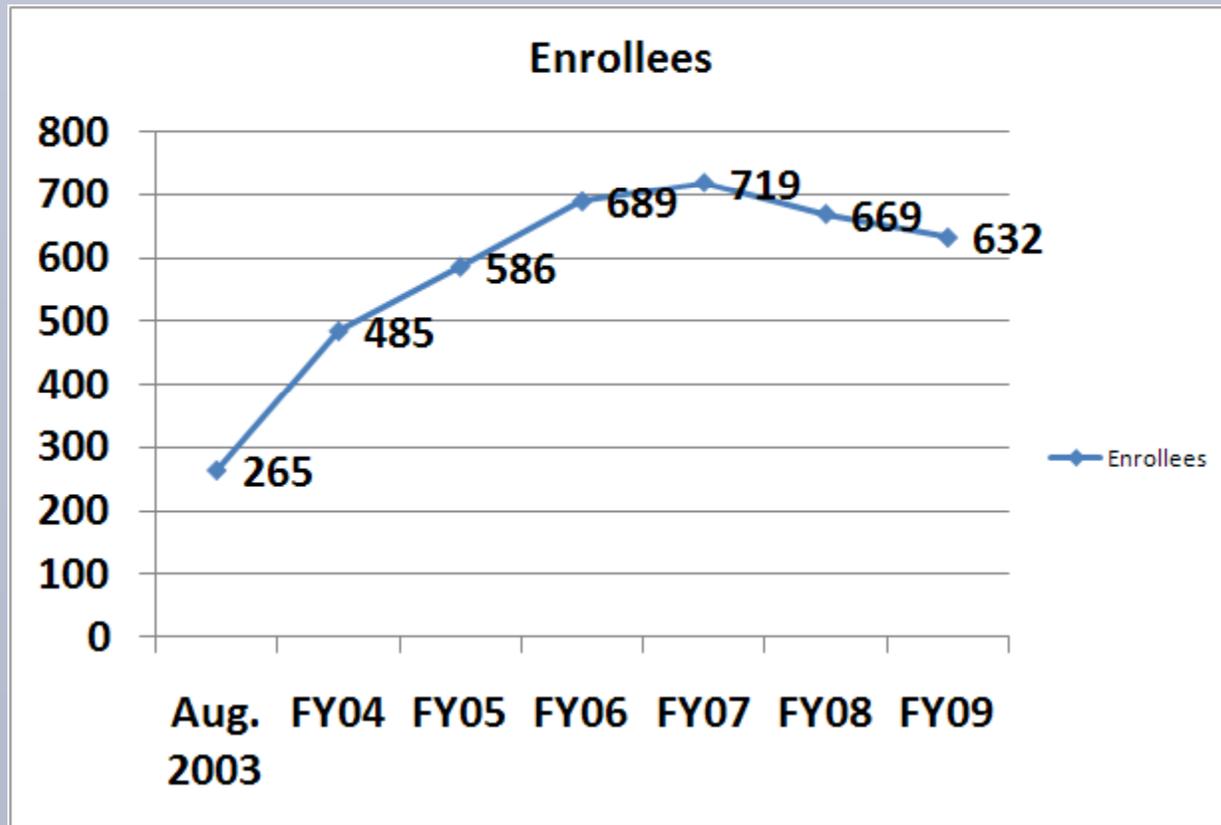
Risk Pool

2009 ELIGIBILITY EXPANSION

- SB 109 – effective July 1, 2009
- Add medically uninsurable children
 - Under age 19
 - US citizen and SD resident
 - Declined coverage by two carriers
 - No coverage in last 6 months
 - Not eligible for coverage elsewhere

Risk Pool

ENROLLMENT



Risk Pool

FY2009

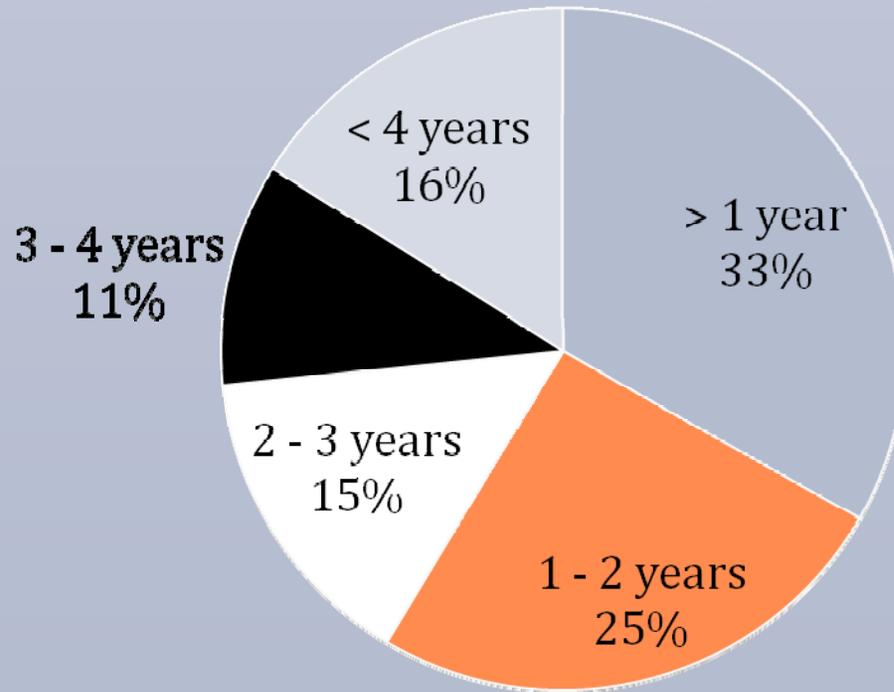
- 632 active members
 - 71 due to SB200
 - 50% men, 50% women
 - Majority over the age of 51

1,700 people benefited
since inception

Risk Pool

Enrollment Duration

August 2003 – July 2008



Average duration 25 months

BENEFITS

Risk Pool – Termination Reasons

August 2003 – June 2009	
Medicare	424
Obtained other Insurance	321
Enrollee's Request	183
Non Payment	42
Deceased	39
Other	20
Medicaid	18
Moved out of State	19
Rate Increase Affordability	13
Total	1079

Risk Pool – Quick Facts

- FY09 - \$6.8 million paid claims
 - 4% of members made up 53% of medical claim costs
 - 50% of members had claims under \$1,500
- Processed 2,112 applications
- Added preventive care services

State of South Dakota

Bureau of Personnel Budget

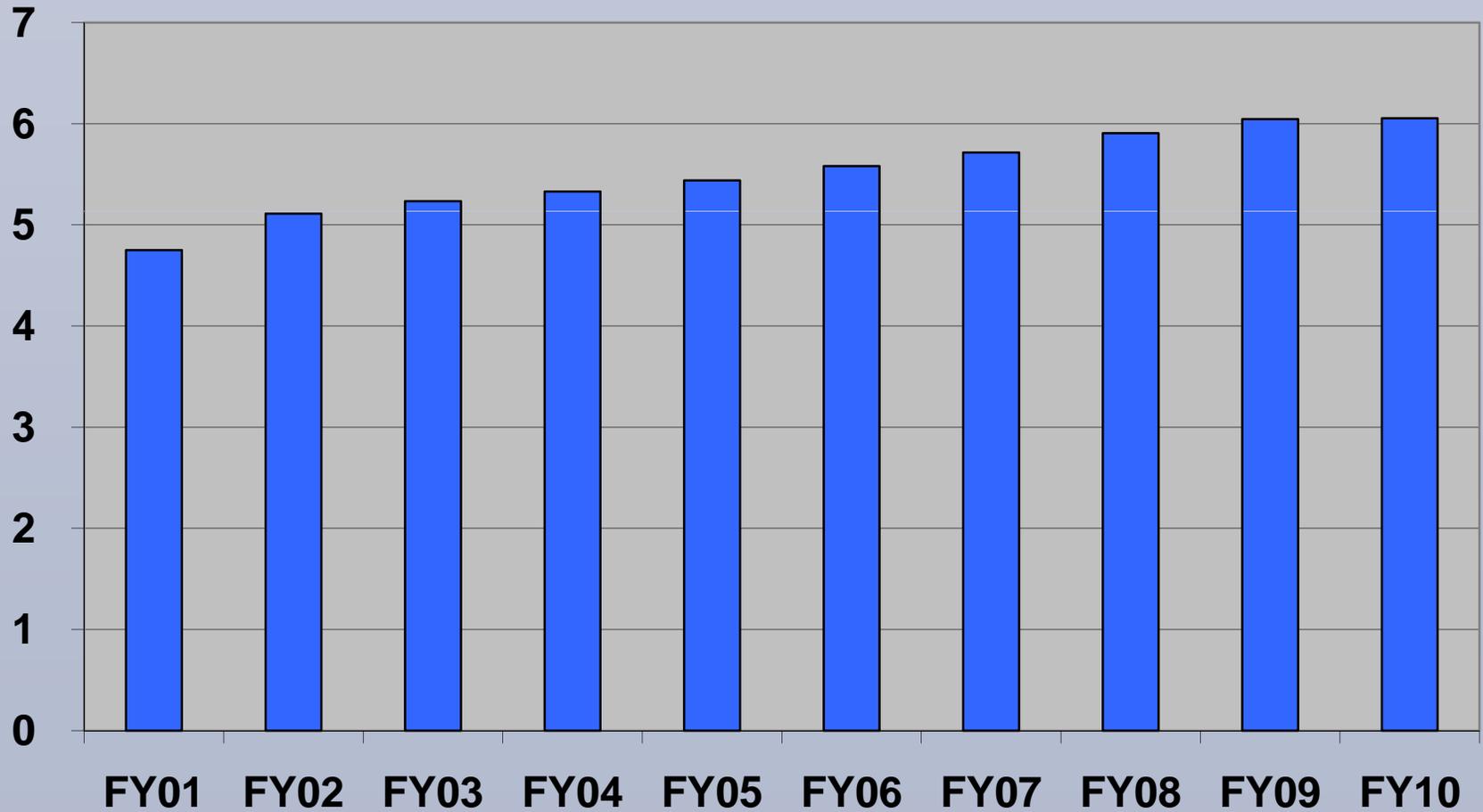
Budget History

MAJOR CHANGES

- FY89 - BOP took over State Benefits
- FY94 - BOP took over State Employee Workers' Compensation Program
- FY97- Human resource agency functions consolidated
- FY98 - Employee training functions consolidated
- FY04 - Risk Pool Program started

Personnel Management/Benefits

Millions

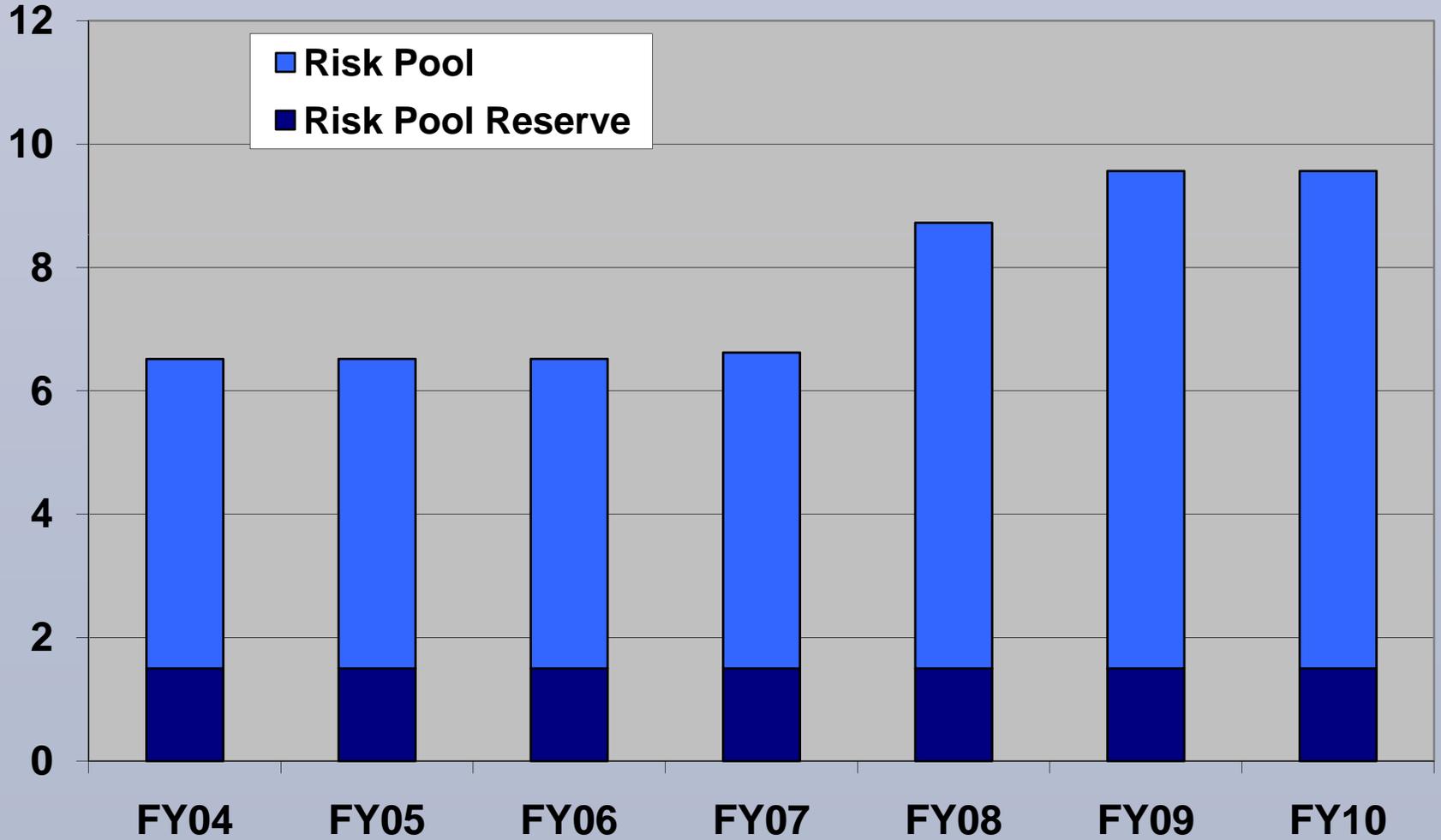


Budget History – Full Time Equivalents

FY01 FY10
68.0 → 71.5

Risk Pool

Millions



State of South Dakota

Developing the Annual Budget for Benefits

Developing the Annual Budget for Benefits

Steps in the Budgeting Process

Step 1 - Estimate Expenses

Step 2 - Estimate Revenue

Step 3 - Closing the Gap (Revenue vs. Expenses)

Step 4 - Proposed Per Employee Rate

Developing the Annual Budget for Benefits

Step 1 - Estimate Expenses

- Total Medical and RX Claims (actuarially determined)
- Administration
- Employer Life Claims

- **Total Expenses**

Developing the Annual Budget for Benefits

Step 2 - Estimate Revenue

- Contributions to Plan
 - Employer Paid – State’s contributions
 - Premiums for Retirees, COBRA, and Dependents
- Refunds
- Interest Revenue
- Administrative Fee

- **Total Revenue**

Developing the Annual Budget for Benefits

Step 3 – Closing the Gap (Revenue vs. Expenses)

- Plan Design Changes
 - Re-negotiate Contracts
 - Changes to co-pays/co-insurance
- Increase Premiums
- Increase Employer Contribution

Developing the Annual Budget for Benefits

Step 4 – Proposed Per Employee Rate

The amount remaining after plan changes and premium changes will be the additional amount the State will contribute

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