

DCH RESPONDS TO GSRA REPORT THAT SHBP IS ‘BROKE’

The Department of Community Health has responded to our June Newsletter report on the financial condition of the State Health Benefit Plan, stating that the \$433 million negative balance we reported (as of April 30) should have been a negative of only \$245 million. DCH reports **that the information provided to GSRA contained incorrect information because:**

The financial expenditures were inflated by \$188 million as a result of the method of recording Health Reimbursement Account Expenditures.

In addition to DCH changing the expenditure amount, it requested additional funds through transfer to the SHBP. In June, the Legislative Fiscal Affairs Committee approved a transfer of \$33.3 million from another program to the SHBP.

When the \$33.3 million transfer from the State Treasury is added to the May 31, 2010, SHBP Balance Sheet the Cash Net Worth is \$19.2 million and the Accrual Net Worth is **negative** by only \$218.5 million. The information supplied by DCH for May 31st plus the \$33.3 million is as follows.

State Health Benefit Plan – Balance Sheet ¹ May 31, 2010	
Assets	\$ 56,029,236
Liabilities (Other than IBNR)	(72,179,668)
Net Cash Worth	(14,150,432)
June Transfer within DCH ²	33,300,000
Net Cash Worth With Transfer	\$ 19,159,568
Incurred But Not Reported Liabilities	(237,631,000)
Net Accrual Balance	\$(218,471,432)

Although DCH states that cash **is available to pay all claims**, the fact remains that by reducing the state contribution, \$980 million that would have been retained by the SHBP has been used for other State budget items. Also, the fact remains that the SHBP is insolvent on an accrual

¹ Provided by DCH.

² Not reflected in the DCH provided Balance Sheet for May because of the June transfer from the treasury.

basis. For the first time since the 1962 inception of the SHBP, there are insufficient reserves to cover the IBNR liabilities. Such policy leaves the plan and members at risk for a surge in claims for which the cash is not available to pay.

GSRA will continue to monitor the financial reports made available by the DCH. When the June 30th information is available, GSRA will provide an update on the Plan.

DCH’s response to GSRA’s June report is contained in a document entitled “SHBP Budget Talking Points” and is reprinted below:

**7/12/2010 ...from Russell Crutchfield
Director of Legislative and External Affairs
Georgia Department of Community Health**

While the State Health Benefit Plan is not currently funded at historical levels, it is important to note that all health benefit claims and plan vendors are being paid.

In order to address declining state revenues, state budgets have been reduced over the last three fiscal years. One strategy to help balance the state budget has been to reduce SHBP reserves through lower contributions to the plan. In addition, the plan has experienced lower revenue growth as a result of employee retirements, layoffs, and furloughs, as well as higher claims costs. As a result, the plan is not currently funded to support all Incurred But Not Reported (IBNR) claim liabilities.

The financial strength of the SHBP and the benefit to employees and retirees is of the highest importance to the Department. The SHBP has taken steps to maintain a positive cash balance while longer-term solutions are being identified, including:

1. *The plan received an additional \$33.3 million from the treasury in June 2010.*
2. *The board approved an increase in employer contributions effective July to September 2010.*
3. *SHBP has applied, through the Early Retiree Reinsurance Program of the Affordable Health*

□ Care Act, for grant money to offset some of the future claims costs of early retirees.

4. The May 31, 2010 unaudited Balance Sheet reflects a Fund Balance of negative \$254 million which includes an unfunded IBNR of \$237.6 million.

The plan's April 30, 2010 Net Worth as reported in the Georgia State Retiree Association June 30, 2010 newsletter is understated by over \$188 million due to a cumulative rather than monthly recording of Health Reimbursement Account expenditures. Once corrected the plan's Net Worth as of April 30, 2010 is negative \$245 million. This negative \$245 million Net Worth represents the lack of funding to cover IBNR liabilities.”

On July 19, 2010, Craig Schneider of the Atlanta Journal-Constitution authored an article regarding the SHBP and the potential impact of its potential inability to pay health insurance claims. The article stated that a spokesman for Governor Sonny Perdue assures the members that the fund would continue to pay all claims. The entire article may be reviewed at <http://www.ajc.com/news/georgias-health-plan-in-573365.html>

LARGEST HOSPITAL IN CENTRAL GEORGIA CANCELS ITS UNITED HEALTH CARE OPEN ACCESS PLAN PROVIDER CONTRACT

GSRA has learned that Macon's Medical Center of Central Georgia (MCCG) has cancelled its provider contract with United Healthcare that is used for the State Health Benefit Plan's OAP option. This action will primarily affect active employees and retirees under age 65. SHBP members who are enrolled in the OAP option and who normally receive medical services (**except for emergencies**) at MCCG are urged to call ahead before seeking medical care at MCCG. Please note that **at the current time** this contract cancellation **does NOT affect** retirees over age 65 and who are enrolled in the **United Healthcare's Medicare Advantage Plan (MAPFFS)**.

SHBP Division Chief Resigns – New Appointee Named

DCH announced at the July 10th Board of Community Health meeting that SHBP Division Chief Nancy Goldstein resigned her position with DCH in mid-July to accept an opportunity in the private sector. The DCH Commissioner appointed Trudie Nacin, formerly Deputy Chief of SHBP, as Division Chief of SHBP.

ANNOUNCING GSRA'S FOURTH ANNUAL MEETING
3RD WEEK IN OCTOBER, 2010 –
Public Safety Training Facility – Forsyth, GA
Date and Time to be announced soon!
Mark Your Calendar – It will be very informative

SHBP Membership Update

A familiar cry in today's political environment is, "cut state spending." Unfortunately, cutting spending means furloughs to reduce the cost of salaries for and reducing the number of employees, teachers, and other school personnel. Such reductions in State Government and local school systems also reduce the state's contribution to the State Health Benefit Plan. In fact, reducing the number creates a double whammy for the SHBP.

In threatened layoffs or furloughs, long-service employees and teachers often decide to retire, allowing the state or school system to employ a less experienced replacement at a lower salary; or to simply leave the position vacant. As a result, total personnel expenditures are reduced. Reduced personnel expenditures mean that the amount of employer contribution to the State Health Benefit Plan (which is calculated as a percentage of salaries paid) decreases. But the cost of continuing to provide retirees' health insurance stays the same. Given these facts, GSRA asked the Department of Community Health for a report showing the enrollment statistics for July, 2010. The following table shows that there was a net loss of 2,836 members (4,781 with dependents) during the last six months. Active members decreased by 5,448 while the number of retirees increased by 2,612.

SHBP Membership Comparison						
Membership Group	July 1, 2010		January 1, 2010		Six-Month Change	
	Active	Retiree	Active	Retiree	Active	Retiree
State Agencies	62,704	30,980	64,279	30,525	(1,575)	455
School Systems	186,546	63,905	190,325	61,748	(3,779)	2,157
Other	1,572	2	1,597	2	(25)	0
COBRA	1,586		1,655		(69)	
Total	252,408	94,887	257,856	92,275	(5,448)	2,612
Grand Total Members	347,295		350,131		(2,836)	
Grand Total Lives	684,594		689,375		(4,781)	

In order to reduce the benefit cost of the SHBP, DCH adopted a goal to persuade members to transfer to Consumer Driven Health Plans—the Health Reimbursement Account (HRA) and the High Deductible Health Plan (HDHP). In addition, DCH changed policy to offer only the CDHP options to new SHBP members and adopted premium policies that drove most Medicare eligible retirees to transfer to a Medicare Advantage Plan Private Fee for Service option on January 1, 2010.

Comparison of Membership (LIVES) by Option								
Option	July 2010						July 2009	
	Active	Retired	% Active	% Retired	Total	% Total	Total	%
OAP/PPO	104,733	29,020	18.99%	21.80%	133,753	19.54%	250,063	36.1%
HMO	253,141	14,748	45.90%	11.08%	267,889	39.13%	319,064	46.0%
HRA	179,862	17,602	32.61%	13.22%	197,464	28.84%	111,313	16.1%
HDHP	13,759	2,151	2.49%	1.62%	15,910	2.32%	6,827	1.0%
MAPFFS		69,578		52.29%	69,578	10.16%	5,912	.9%
Totals	551,495	133,099	100.00%	100.00%	684,594	100.00%	693,179	100.10%

The table above shows that DCH has succeeded in moving members to one of the CDHP plans and transferring retiree's age 65+ to a MAP option. CDHP options now populate 31.16% (28.84% plus 2.32%) and MAP populates 52.29% of all retirees (but 97% of the age 65+).

Employees Retirement System Board of Trustees Secretary Report

Executive Director Pamela Pharris, serving as Secretary to the ERS Board of Trustees, distributed a report to the Board at the June 24th meeting. Although the [full report](#) is posted to the ERS website, a few facts have been extracted from the report with comparative information.

ERS Assets		
5/31/10	3/31/10	% Decrease
\$11.2 billion	\$11.8 billion	(5%)

Although the investments have somewhat recovered, the assets are still less by 5% over the two-month period.

Active Employees		
5/31/10	6/30/09	Decrease
69,513	71,272	(1,759)
Retirees Receiving Benefits		
5/31/10	6/30/09	Increase
38,195	36,968	1,227

Active employees are fewer than in FY 2009; thereby decreasing the employer contribution to ERS; and the number of retirees has increased in FY 2010 resulting in increased pension payments.

GSRA LOCAL CHAPTER ACTIVITIES

The ***GRE (Ga. Retired Educators) Chapter*** welcomed Rep. Pat Gardner as speaker at the July meeting. Rep. Gardner complimented GSRA and its President, Bobbie Jean Bennett for working to educate members and others about SHBP and other retirement issues. She also said that these are tough economic times and that COLAs probably would not be forthcoming, although she would continue to work for equity in COLAs for all the retirement systems. She encouraged each of us to stay politically active and even to run for seats in the State House or Senate. Rep. Gardner spoke of the funding problem with the health plan and said she would work in the next session to correct it (funds being available). In the business session, the GRE Chapter elected the following officers for the year beginning October 1, 2010:

Co-Presidents:	Ed Word & Ellis Bateman
Vice-President:	Janie Smith
Secretary:	Caro Feagin
Treasurer:	Evelyn Mason
Membership Chair:	Jack Brantley

The GRE Chapter is for retired members of the Education Department and others, and is GSRA's only 'statewide' local chapter. For more information, visit www.mygsra.com and click on "Local Chapters."

Two New GSRA Local Chapters Forming Now!

We are pleased to report that local GSRA Chapters will soon be fully established in both the Augusta and Columbus areas.

The ***Augusta Chapter***, recently organized to serve the Augusta area and surrounding counties, will hold its next meeting on Thursday, July 29 from 5 pm to 7 pm, at the Columbia County Government Complex, Bldg A, 630 Ronald Reagan Drive, Evans, GA 30809. For more information, send email to augustagsra@gmail.com. As this Newsletter may not reach you until after the 29th, please visit www.mygsra.com, click on "Local

Chapters" and/or "GSRA Calendar" for notice of the next meeting.

An organizational meeting for a chapter to serve ***Columbus*** and surrounding areas will take place at the Columbus Library, Synovus Room, 3000 Macon Road, Columbus, Georgia 31906, Friday, August 6, from 11:00 am to 2:30 pm. NOTE: Please bring your own lunch and drinks to this meeting. For more information, please call Connie Smith at 706-221-8758.

Join a LOCAL GSRA CHAPTER TODAY!

Local activities and legislative contacts are the best ways to get our message across to your elected officials.

Don't have one in your area? THEN START ONE – It's easy!

FIND OUT MORE: Visit www.mygsra.com today and click on "Local Chapters"

OR send email to: membership@mygsra.com; OR drop a line to:

*Membership Committee
Georgia State Retirees Association
PO Box 108
Bethlehem, GA 30620*

DOES GSRA HAVE YOUR CORRECT CONTACT INFORMATION?

Please be sure to update your email address with GSRA when it changes.

Simply log in to www.mygsra.com using your old email address and password; select "Our Members" and "My Profile", and then change your information using the "edit" feature.

If your mailing address changes, and you do not use a computer, please notify us of your new address by sending a card or letter to the address at the bottom of this page.

Has Your GSRA Membership Expired? Renew today!

BEST way to renew: Online, by credit card!

Just go to www.mygsra.com and point to the "Join Us" button, then click on "GSRA – Membership Renewal". Update your personal information on the next page if you need to, and then click "Submit" at the bottom. On the next page, click on "Credit Card" and follow the instructions.

Don't use credit cards online?

Just click on the "Send Check" option and follow the instructions carefully. Don't forget: Make sure your full name and mailing address, plus the words "MEMBERSHIP RENEWAL" are on the check, payable to "Georgia State Retirees Association" and send the check to:

GSRA, PO Box 2391, Newnan, GA 30264

If you receive GSRA Newsletters by US Mail and not by computer, your membership expiration date is shown above your name on the mailing label. Please renew on time by following the check-mailing instructions above. If the expiration date shown on your mailing label is incorrect, drop a note to GSRA, PO Box 108, Bethlehem, GA 30620

Keep your membership current! Don't miss out on important news and events!!

*****In Memoriam***** **BURTON M. WAMBLE**, 81, of Cumming, passed away June 16, following a long battle with Parkinson's. GSRA members may remember him as a long-term elected State Representative from Grady County and for his many years as Director of Administration of the State Board of Workers Compensation until his retirement in 1990. Services were held in Cairo, GA., on Monday, June 21. Condolences may be expressed online at <http://www.mcdonaldandson.com>.