

Important to the success of any significant public policy proposal is the intense review of whether the incoming revenue will not only cover the program costs, but provide a reserve for times of economic instability. Jim Keogh, economic policy analyst for the Office of the Insurance Commissioner has completed this business plan showing the viability of Commissioner Kreidler’s Guaranteed Health Benefit Plan.

In order to conduct this analysis, Mr. Keogh had to assume a specific funding mechanism. This business plan assumes a shared payroll assessment – 1 percent paid by employees and 3-5 percent paid by businesses depending on the size of their payroll. In addition, tax credits are given to very small businesses and sole proprietors.

Guaranteed Health Benefit Plan - Costs vs. Revenue Projections for 2011

Costs

(Based on data from the March 2009 Economic and Revenue Forecast Council forecast unless otherwise noted)

Total state population	6,896,017	Projection from the Office of Financial Management.
Minus state/federal prisoners	17,500	2006 population count (assumed static).
Adjusted state population	6,878,517	
Eligible for Guaranteed Health Benefits	4,599,254	State population minus federal, Medicaid and Medicare and corrected for multiple insurance enrollments (adjusted from 2006 Blue Ribbon Commission report).
Minus 75 percent of the WA residents working out of state (plus dependents)	136,928	Assumes these residents have employer-based health care coverage and two dependents (based on 2000 Census count).
Revised eligible	4,462,327	
TOTAL 2011 COSTS	\$7,971,143,472	Revised eligible multiplied by \$148.86 per member per month . ¹

¹ Analysis conducted by Milliman show the claims costs for coverage of the limited preventive and catastrophic coverage to be \$135 per member per month for 2008. This analysis assumes an annual inflation rate of 3.31 percent through 2011 - based on 2009 projections for health care inflation in private plans made by the Office of the Actuary of the federal Centers for Medicare and Medicaid Services.

Guaranteed Health Benefit Plan

Business Plan – Updated April 6, 2009

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Revenue				
(Based on data from the March 2009 Economic and Revenue Forecast Council forecast unless otherwise noted)				
	Wages	Employees	Ave. Wage	Notes
Wages and salaries	\$162,331,120,000	3,324,700	\$48,826	98 percent of forecast.
Minus federal employment	\$4,885,352,786	72,400	\$67,477	Forecast for 2011, average wage adjusted for inflation.
Minus military wages	\$4,486,000,000	NA	NA	
Minus non-WA workers	\$2,256,630,584	46,218	\$48,826	Uses 2006 number for workers, assumes state average pay.
Minus Medicare workers without Guaranteed Health Benefits	\$2,600,862,964	77,287	\$33,652	2006 numbers adjusted for inflation and demographic changes.
Proprietor income	\$5,814,500,000	86,000	\$67,610	Uses 25 percent of forecast as a conservative estimate.
Net	\$153,916,773,666	3,214,795	\$47,878	
Revenue for 2011	\$8,452,256,188	Net payroll multiplied by 5.555 percent (the average tax rate calculated using a 3-5 percent rate on businesses, based on payroll size, plus the 1 percent individual tax); 4 percent for sole proprietor income.		
Minus tax credit for businesses w/less than \$200K in payroll	\$154,710,000	Benefits approximately 110,000 sole proprietors and small businesses (by reducing their effective payroll assessment).		
Net income for 2011	\$8,297,546,188			
Minus costs for 2011	\$7,971,143,472	From page one.		
NET RESERVE	\$326,402,716			
<p>Note: A key factor affecting revenue is the unemployment rate. In 2011 the unemployment rate is forecasted to be 9.53 percent and the business plan above reflects the impact of that increased rate on its reserve. When the unemployment rate in Washington state reached 7.1 percent in late 2008, the Insurance Commissioner's Office projected that the program net reserve level would be approximately \$378 million. Based on projections from both the Insurance Commissioner's Office and Mathematica, the anticipated savings for state health plans as a result of the Guaranteed Health Benefit Plan will readily exceed related administration costs.</p>				