



Administration and Oversight of Group Insurance Programs

Department of Employee Trust Funds

Background

The Group Insurance Board (GIB) oversees group insurance programs that the Department of Employee Trust Funds (ETF) administers. These programs, which are available to state employees and certain local government employees, include the Group Health Insurance, Income Continuation Insurance (ICI), and Group Life Insurance programs. Until January 2018, GIB also oversaw the Long-term Disability Insurance program, which is now closed to new benefit claims. The four programs were funded primarily by premiums paid by employers and participants and by investment income earned on program reserves.

Key Findings

We found:

- Expenditures for all four programs totaled \$1.7 billion in 2017.
- ETF did not consistently provide adequate [administration of contracts](#) with the firms that helped administer group insurance programs, or prepare and [provide GIB with the results of its written analyses](#) of key programmatic information provided by the firms.
- [Total Group Health Insurance program reserves](#) increased from \$90.6 million in December 2015 to \$225.5 million in December 2017, or by \$134.9 million. [GIB did not vote to spend any program reserves in 2016 or 2017](#), in part, because it was considering whether all medical benefits should be self-insured.
- In August 2017, [GIB approved a plan to spend](#) Group Health Insurance program reserves in order for program reserves to be at the midpoint of established target ranges after 2021. Program reserves for the state component of the program totaled \$206.6 million as of December 2017, which was [\\$142.4 million more than the midpoint of the target ranges](#).
- Reserves for the [state component of the ICI program](#) were in a deficit each year from December 2008 through December 2017. Funds may be inadequate to pay future benefits if the deficit continues.
- Most state agencies and local governments responding to our survey indicated [satisfaction with the Group Health Insurance program](#) and the [assistance ETF provided them](#).
- ETF has taken steps to improve its administration of the group insurance programs. However, it should [provide GIB with additional information](#) about the performance of program administrators, program actuaries, and auditors. GIB can use this information to make programmatic decisions.

Recommendations

We make a number of [recommendations](#) for further improving program administration and oversight. We also identify three [issues for legislative consideration](#).