

# Montana State Fund

2016 BOARD APPROVED BUDGET  
CALENDAR YEAR PERIOD

January 1, 2016 - December 31, 2016



# MSF Approved Budget Summary

**Calendar Year 2016  
January 1 - December 31, 2016**

Total Operational Expenditures	\$55,710,812
Claim and Benefit Payments - MSF	<u>126,297,835</u>
<b>TOTAL 2016 BUDGET REQUEST</b>	<b>\$182,008,647</b>

FTE	306.50
Positions	309



# MSF CY16 Budget

## Claim Benefit Payments

Indemnity	\$38,421,735
Medical	\$87,876,100

<b>Total Claim Benefit Payments</b>	<b><u>\$126,297,835</u></b>
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<b>FTE</b>	<b>306.50</b>
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## Operational Expenditures

Personal Services	\$28,001,309
Operating Expense	23,677,291
Equip & Int Assets	206,056
ALAE	3,826,156

<b>Total Operational Expenditures</b>	<b><u>\$55,710,812</u></b>
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<b>Total Budget Request</b>	<b><u>\$182,008,647</u></b>
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# MSF Income & Expenditures

(000s)	FY15 <u>Actuals</u>	FY16 <u>Budget</u>	CY16 change <u>from FY16</u>	CY16 <u>Budget</u>
Net Earned Premium	\$164,557	\$157,107	3.1%	\$162,010
Investment Income /Gain *	<u>50,708</u>	<u>47,620</u>	<u>-7.3%</u>	<u>44,147</u>
<b>TOTAL INCOME</b>	<b>\$215,265</b>	<b>\$204,726</b>	<b>0.7%</b>	<b>\$206,157</b>
Operational Budgets	\$50,700	\$53,061	5.0%	\$55,711
Claim Benefits Payments	<u>114,428</u>	<u>125,271</u>	<u>0.8%</u>	<u>126,298</u>
<b>TOTAL EXPENDITURES</b>	<b>\$165,128</b>	<b>\$178,332</b>	<b>2.1%</b>	<b>\$182,009</b>

*CY16 estimated premium is a 3.1% increase from the FY16 Budget.*

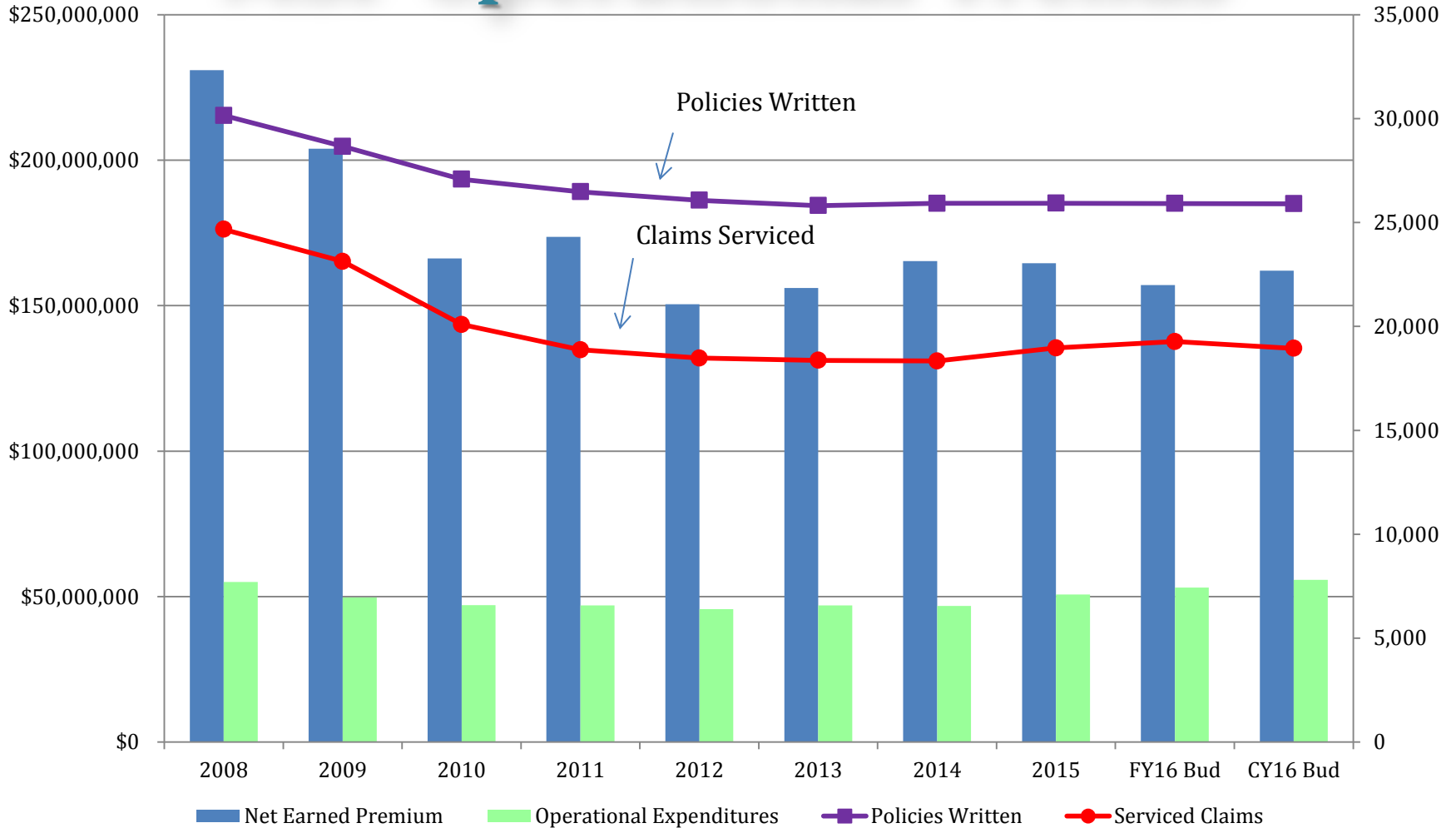
*CY16 Operational Budget is 5.0% more than the FY16 Budget.*

*CY16 Claim Benefits Payments increase 0.8% as compared to the FY16 Budget.*

*\* Investment Income is based on a weighted average investment income return and includes realized gains.*



# MSF Operational Trends



# Comparative Expense Ratios

## Largest Montana Carriers compared to MSF

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>FY15.5</u>
Average of Largest MT Carriers*	36.6%	37.3%	36.8%	36.71%	n/a	n/a
Montana State Fund	36.5%	31.2%	34.1%	22.0%	23.2%	27.3%

## 2015 A. M. Best's Aggregates & Averages (Most current available data from 2014)

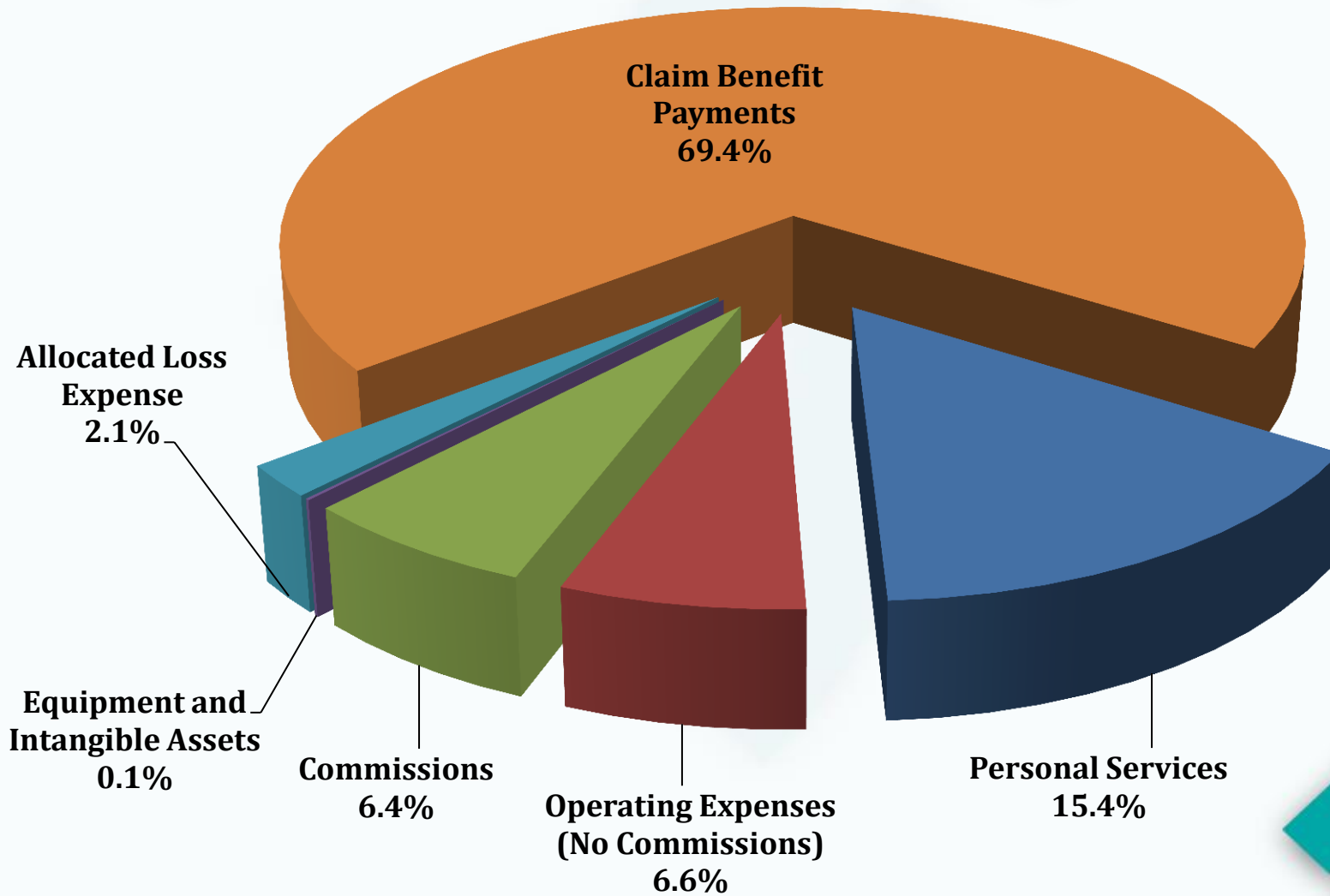
<u>Population</u>	<u>2014</u>
Total US PC Industry	39.8%
Work Comp Composit	36.7%
Total US PC- State Funds	33.8%

*MSF CY16 budgeted expense ratio is 28.5% -- MSF FY16 budgeted expense ratio is 28.2%*

*\*2014 is the most current year for which data is available and amounts shown reflects the total average for MT workers compensation carriers. The highest expense ratio in this grouping was 41.5% and the lowest was 30.3%*

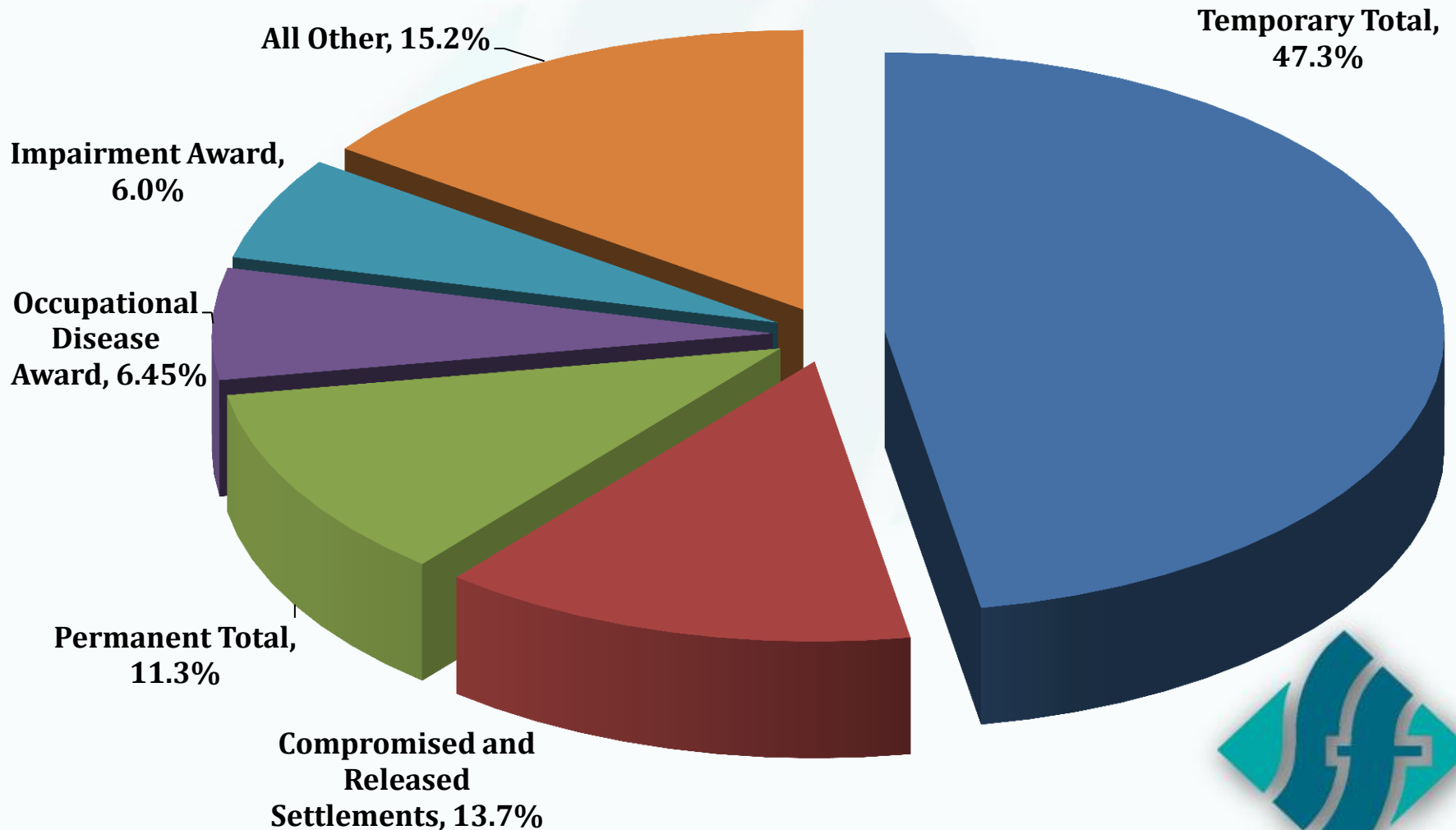


# MSF CY16 Budget



# CY16 Indemnity Claim Payments

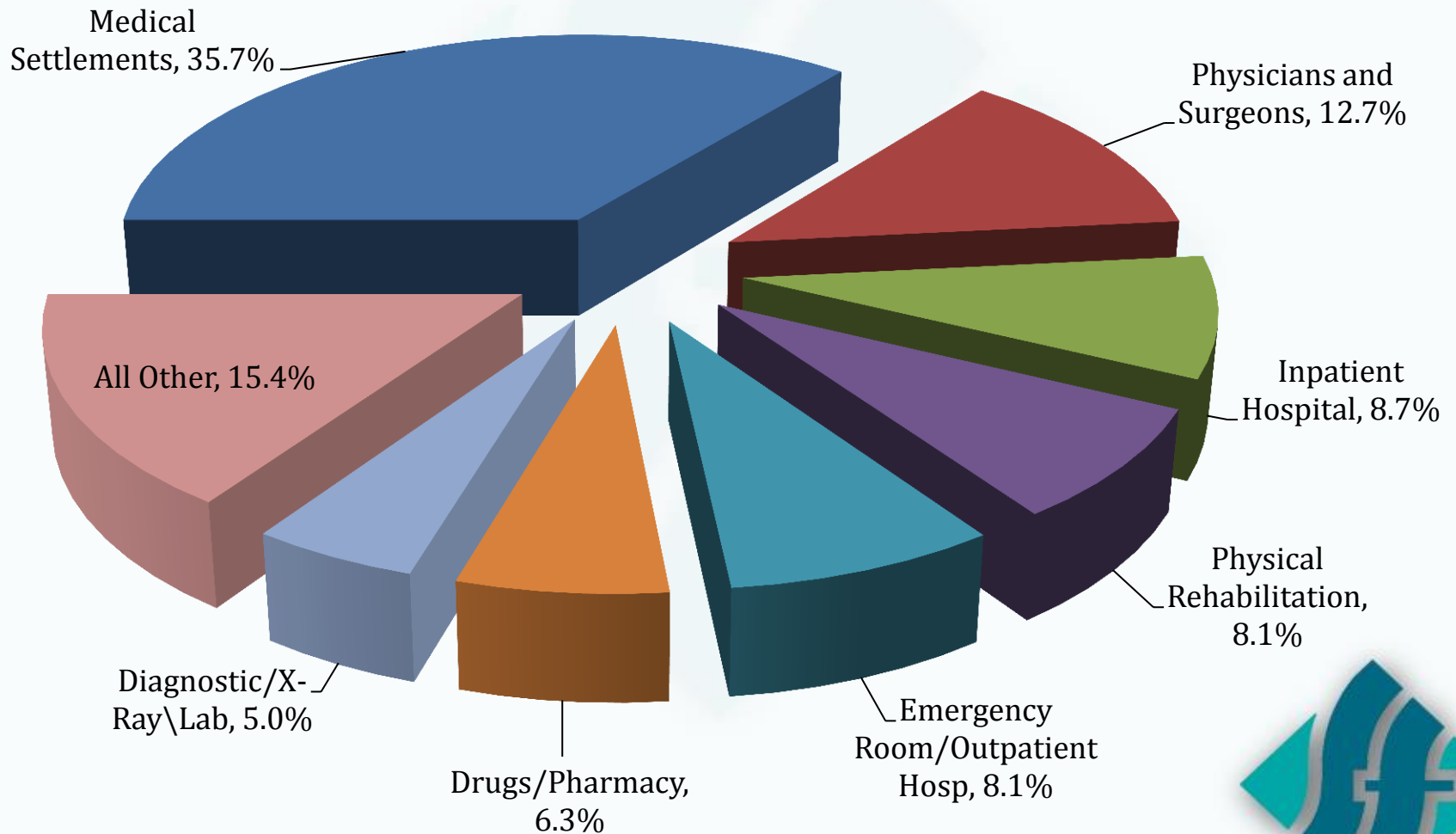
\$38.4 million – 21.1% of Aggregate Budget





# CY16 Medical Claim Payments

\$87.9 million – 48.4% of Aggregate Budget

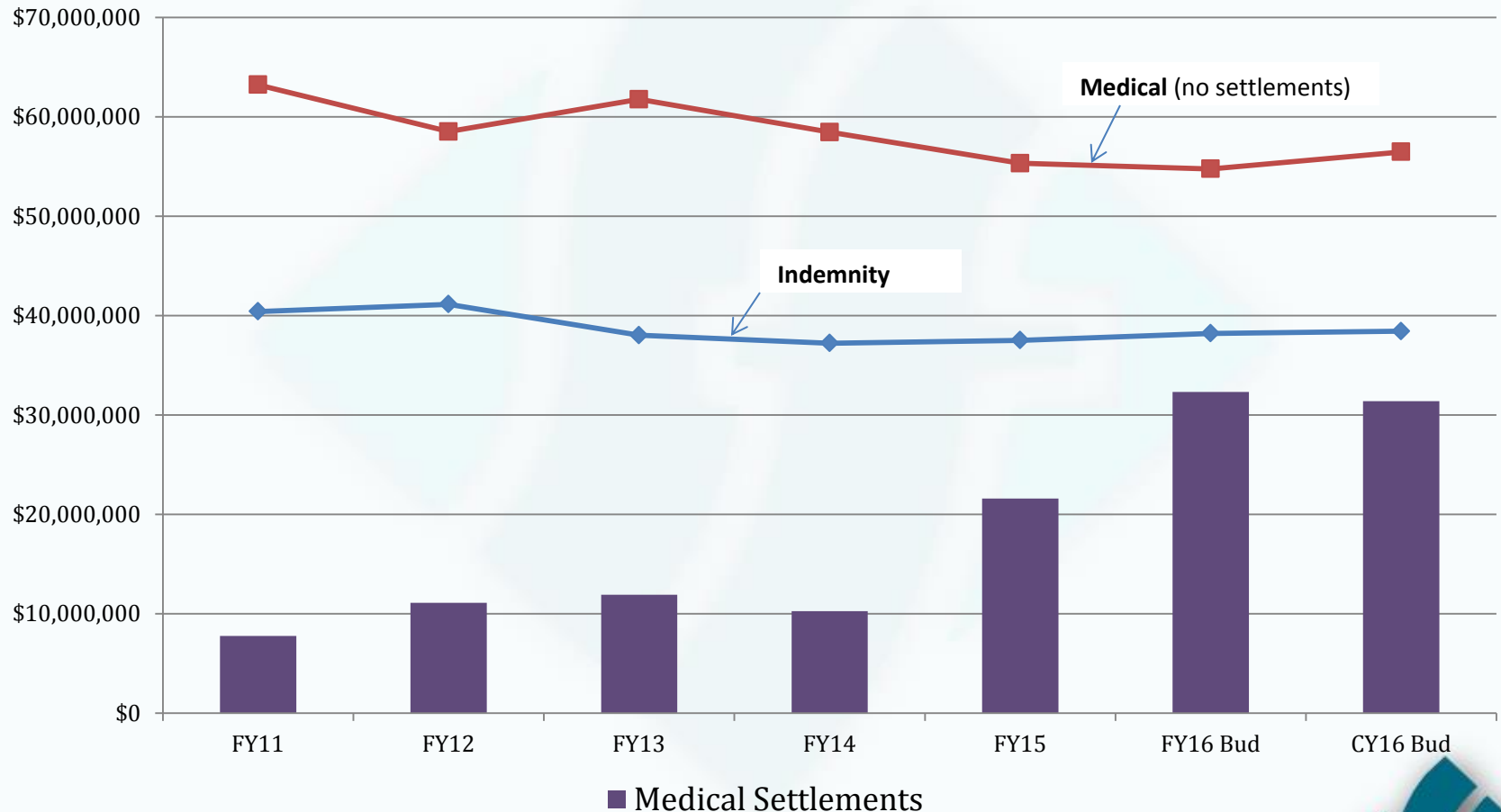


# Claim Benefit Payments

	<u>FY15 Actuals</u>	<u>FY16 Budget</u>	<u>CY16 Budget</u>	<u>CY16 from FY16 Budget</u>		<u>FY15.5 Projection (1Q)</u>
				<u>\$ Change</u>	<u>% Change</u>	
Indemnity	\$37,514,296	\$38,210,181	\$38,421,735	\$211,555	0.6%	\$18,328,372
Medical (no settlements)	<u>55,316,625</u>	<u>54,751,012</u>	<u>56,472,504</u>	<u>1,721,491</u>	<u>3.1%</u>	<u>23,619,800</u>
sub-total	\$92,830,921	\$92,961,193	\$94,894,239	\$1,933,046	2.1%	\$41,948,172
Medical Settlements	<u>\$21,597,491</u>	<u>\$32,310,029</u>	<u>\$31,403,596</u>	<u>(\$906,433)</u>	<u>-2.8%</u>	<u>\$14,991,169</u>
<b>Total Claim</b>						
<b>Benefit Payments</b>	<u><b>\$114,428,412</b></u>	<u><b>\$125,271,222</b></u>	<u><b>\$126,297,835</b></u>	<u><b>\$1,026,613</b></u>	<u><b>0.8%</b></u>	<u><b>\$56,939,341</b></u>

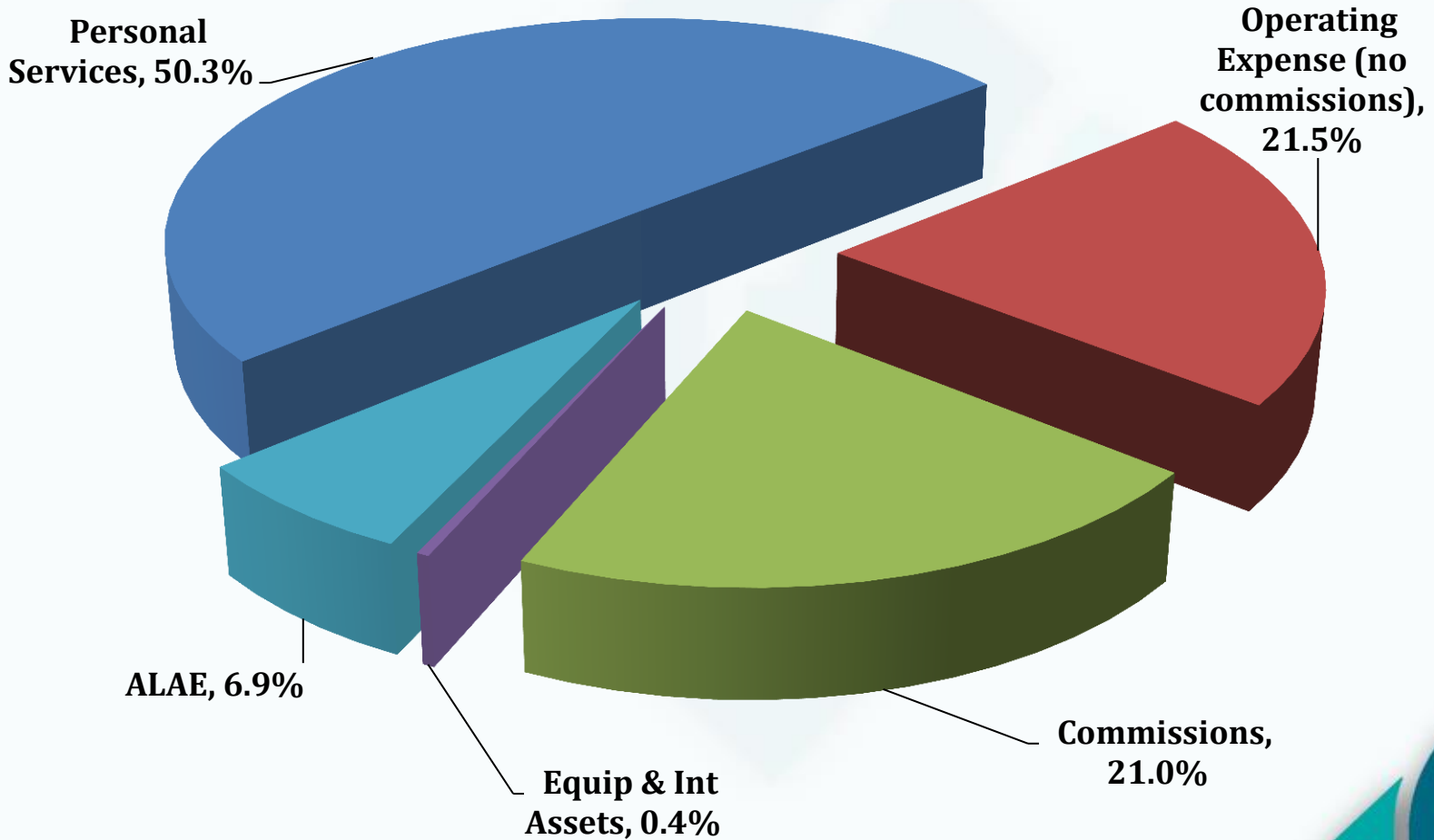


# Claim Benefit Payments



# CY16 Operational Expenditures

\$55.7 million – 30.6% of Aggregate Budget



# CY16 Personal Services

	FY14 <u>Actuals</u>	FY15 <u>Actuals</u>	FY16 <u>Budget</u>	CY16 <u>Budget</u>
Salaries				
Base Salary with Merit	\$17,515,160	\$18,814,174	\$20,905,341	\$21,291,913
Retirement & Termination Payments	\$129,939	\$209,806	158,108	135,641
PLP Excess Leave Payments	148,465	195,592	143,722	131,385
Overtime	<u>25,350</u>	<u>30,202</u>	<u>22,943</u>	<u>20,922</u>
Total Salaries	\$17,818,914	\$19,249,774	\$21,230,115	\$21,579,861
Employee Taxes & Benefits				
FICA - 7.65%	\$1,282,172	\$1,401,196	\$1,575,587	\$1,632,454
PERS - 8.37%	1,357,403	1,575,564	1,775,045	1,814,483
Group Insurance - \$11,178 / Empl	2,551,812	2,905,385	3,442,824	3,613,152
Work Comp Premium - 0.852%	227,828	153,186	181,083	184,716
SUT - 0.15%	63,809	84,037	32,716	32,338
Total Employee Taxes & Benefits	\$5,483,024	\$6,119,368	\$7,007,255	\$7,277,143
Vacancy Savings			(\$835,438)	(\$855,695)
<b>Total Personal Services Budget</b>	<b>\$23,301,937</b>	<b>\$25,369,142</b>	<b>\$27,401,932</b>	<b>\$28,001,309</b>



# Operating Expenses, Equipment, and Intangible Assets

	FY15	FY16	CY16	Change CY16 from FY16 Budget	
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>	<u>Amount</u>	<u>Percent</u>
Other Services	\$16,278,473	\$16,334,991	\$17,950,515	\$1,615,524	9.9%
Supplies and Materials	597,329	615,643	677,754	62,111	10.1%
Communications	1,109,787	1,269,039	1,341,815	72,776	5.7%
Travel	205,184	297,317	331,420	34,103	11.5%
Rent	438,939	362,274	371,658	9,384	2.6%
Utilities	218,771	224,000	234,000	10,000	4.5%
Repairs and Maintenance	1,436,461	1,376,356	1,324,711	(51,645)	-3.8%
Other Expenses	1,005,940	1,417,145	1,445,418	28,273	2.0%
Equip. & Intang. Assets.	<u>896,360</u>	<u>337,265</u>	<u>206,056</u>	<u>(131,209)</u>	<u>-38.9%</u>
<b>Total</b>	<b><u>\$22,187,244</u></b>	<b><u>\$22,234,031</u></b>	<b><u>\$23,883,347</u></b>	<b><u>\$1,649,316</u></b>	<b><u>7.4%</u></b>

# CY16 Allocated Loss Adjustment Expense

	FY15	FY16	CY16	CY16 from FY16 Budget	
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>	<u>\$ Change</u>	<u>% Change</u>
Legal & Investigation	\$1,592,304	\$1,704,310	\$1,814,496	\$110,186	6.5%
Medical Invoice Processing	1,137,315	1,229,618	1,411,064	181,446	14.8%
Medical Consultants	125,412	316,895	413,450	96,555	30.5%
Contract Adjusters	<u>288,183</u>	<u>173,816</u>	<u>187,147</u>	<u>13,330</u>	<u>7.7%</u>
<b>Total ALAE</b>	<b>\$3,143,214</b>	<b>\$3,424,640</b>	<b>\$3,826,156</b>	<b>\$401,517</b>	<b>11.7%</b>



# CY16 ABP / ESPM Projects

## **CY16 Annual Business Plan Projects**

### **External Cost**

### SB-123

Regulation	\$389,680
Calendar Year Conversion	105,000
Change Management & Communication	82,399
Rates and Rate Filing	26,500

Total SB-123 \$603,579

Policy and Billing System Replacement \$333,000

**Total ABP Projects** \$936,579

## **CY16 Enterprise Strategy and Project Management Projects (ESPM)**

### **External Cost**

WorkSafe Champions	\$204,379
Succession Planning	198,861

**Total ESPM Projects** \$403,240

**Total All CY16 Projects** \$1,339,819





## Expenditures As A Percent of Premium

