

3 SUMMARY OF RESULTS

3.1. Key Definitions

Fund balance, cash basis:

The fund balance on a cash basis refers to the amount of money available in the PFML Account at a specific point in time, based strictly on cash transactions (cash inflows and outflows).

Fund balance net of reserves:

This represents the remaining balance in a fund after deducting specific reserves that have been set aside for various purposes, such as incurred premiums not yet received and incurred claims not yet paid.

Reserve for premiums not yet received:

This reserve accounts for premiums that have been earned by the Program but have not yet been received in cash. It represents the anticipated amount to be received in the future.

Reserve for outstanding claims payments:

This reserve accounts for the estimated amount of money that the Program should set aside to pay out for claims that have been reported but not yet settled or paid.

Reconciliation of Fund balance net of reserves:

A process that ensures the accuracy of the fund balance after adjusting for all relevant reserves, based on adding net financial activity for the period to the beginning of period fund balance and comparing against calculated net fund balance at the end of the period.

Net activity:

Overall financial impact of activity during the period, defined as the difference between revenue and expenses for the period .

Assumed premium rate:

The assumed premium rate is the rate expected to be established for the Program, for the specific calendar year under consideration. Currently the rate is set each year, as defined in legislation, based on a review of current fund balance and expense for the most recent year.

3.2. Five Year Financial Projection

The projected baseline results (on a calendar year basis) for the years 2024 to 2028 are shown below.

Total revenue in 2024 is expected to be \$1.8 billion and is projected to grow to \$2.6 billion in 2028. Total expenses are projected to grow from \$1.8 billion in 2024 to \$2.6 billion in 2028, resulting in net income that is close to break-even during each year of the five-year projection shown in this report.

Figures shown in \$ millions

1 Income Statement						
	2024	2025	2026	2027	2028	
Paid Premiums	\$1,745	\$2,205	\$2,342	\$2,389	\$2,528	
Change in Reserve	\$5	\$113	\$6	\$9	\$32	
Investment Income	\$0	\$0	\$0	\$0	\$0	
Total Revenue	\$1,750	\$2,318	\$2,348	\$2,398	\$2,560	
Claims	(\$1,759)	(\$1,905)	(\$2,055)	(\$2,203)	(\$2,329)	
Reserve	(\$10)	(\$24)	(\$56)	(\$105)	(\$191)	
Expenses	(\$77)	(\$85)	(\$92)	(\$100)	(\$109)	
Total Expenses	(\$1,846)	(\$2,014)	(\$2,203)	(\$2,408)	(\$2,629)	
Net Income	(\$96)	\$304	\$145	(\$10)	(\$69)	
2 Fund Balance Net of Reserves						
	12.31.2023	12.31.2024	12.31.2025	12.31.2026	12.31.2027	12.31.2028
EOY Fund Balance (Cash Basis)	\$284	\$193	\$408	\$603	\$689	\$779
Reserve for premiums not yet received	\$341	\$346	\$459	\$465	\$474	\$506
Reserve for outstanding claims payments	(\$256)	(\$266)	(\$290)	(\$346)	(\$451)	(\$642)
EOY Fund Balance Net of Reserves	\$369	\$273	\$577	\$722	\$712	\$643
3 Fund Balance (Cash Basis)						
	2024	2025	2026	2027	2028	
BOY Fund Balance	\$284	\$193	\$408	\$603	\$689	
Revenue	\$1,745	\$2,205	\$2,342	\$2,389	\$2,528	
Expense	(\$1,836)	(\$1,990)	(\$2,147)	(\$2,303)	(\$2,438)	
EOY Fund Balance	\$193	\$408	\$603	\$689	\$779	
4 Reconciliation of Fund Balance Net of Reserves						
	2024	2025	2026	2027	2028	
BOY Fund Balance	\$369	\$273	\$577	\$722	\$712	
Net Activity	(\$96)	\$304	\$145	(\$10)	(\$69)	
EOY Fund Balance	\$273	\$577	\$722	\$712	\$643	
5 Assumed Premium Rate						
	2024	2025	2026	2027	2028	
Assumed premium rate	0.74%	0.94%	0.91%	0.88%	0.90%	

Notes:

Figures may not add due to rounding.

Assumed rates consider the 3-month reserve cap. "Three-month reserve" means the average monthly expenses, including the total amount of benefits paid and the department's administrative costs, in the prior 12 calendar months from the date of the calculation in this subsection multiplied by three.

3.3. Sensitivity Analysis

The sensitivity of program financials to various impacts on premium and contributions are shown below. *The results shown for each of the scenarios explored reflect potential changes to the Program due to each of the change factors involved.*

Comparison

Figures shown in \$ millions

	2024	2025	2026	2027	2028
Baseline					
Net Income	(\$96)	\$304	\$145	(\$10)	(\$69)
EOY Fund Balance (Cash Basis)	\$193	\$408	\$603	\$689	\$779
EOY Fund Balance Net of Reserves	\$273	\$577	\$722	\$712	\$643
Premium Rate	0.74%	0.94%	0.91%	0.88%	0.90%

Impact of each scenario compared to baseline:

Scenario 1: Claims are 5% higher throughout the projection period

Change in Net Income	(\$88)	\$90	\$72	\$5	(\$22)
Change in EOY Fund Balance (Cash Basis)	(\$88)	(\$35)	\$39	\$56	\$38
Change in EOY Fund Balance Net of Reserves	(\$88)	\$2	\$74	\$79	\$57
Change in Premium Rate	0.00%	0.08%	0.07%	0.04%	0.04%

Scenario 2: Claims in 2025 and 2026 are 10% higher, no other changes

Change in Net Income	\$0	(\$193)	\$47	\$416	(\$33)
Change in EOY Fund Balance (Cash Basis)	\$0	(\$164)	(\$124)	\$283	\$380
Change in EOY Fund Balance Net of Reserves	\$0	(\$193)	(\$146)	\$270	\$237
Change in Premium Rate	0.00%	0.00%	0.10%	0.15%	-0.01%

Scenario 3: Claims in 2026 are 25% higher, no other changes

Change in Net Income	\$0	\$0	(\$528)	\$700	\$370
Change in EOY Fund Balance (Cash Basis)	\$0	\$0	(\$441)	\$147	\$631
Change in EOY Fund Balance Net of Reserves	\$0	\$0	(\$528)	\$172	\$542
Change in Premium Rate	0.00%	0.00%	0.00%	0.26%	0.13%

Notes:

Figures may not add due to rounding.

Assumed rates consider the 3-month reserve cap. "Three-month reserve" means the average monthly expenses, including the total amount of benefits paid and the department's administrative costs, in the prior 12 calendar months from the date of the calculation in this subsection multiplied by three.

Sensitivity Analysis (Continued)

Comparison

Figures shown in \$ millions

	2024	2025	2026	2027	2028
Baseline					
Net Income	(\$96)	\$304	\$145	(\$10)	(\$69)
EOY Fund Balance (Cash Basis)	\$193	\$408	\$603	\$689	\$779
EOY Fund Balance Net of Reserves	\$273	\$577	\$722	\$712	\$643
Premium Rate	0.74%	0.94%	0.91%	0.88%	0.90%

Impact of each scenario compared to baseline:

Scenario 4: Covered employee population decreases by 5% throughout the projection period, no change in claims					
Change in Net Income	(\$84)	(\$62)	\$0	\$21	\$6
Change in EOY Fund Balance (Cash Basis)	(\$68)	(\$133)	(\$146)	(\$130)	(\$121)
Change in EOY Fund Balance Net of Reserves	(\$84)	(\$146)	(\$146)	(\$125)	(\$119)
Change in Premium Rate	0.00%	0.02%	0.05%	0.05%	0.05%

Scenario 5: Covered employee population decreases by 10% in 2025 and 2026, no change in claims					
Change in Net Income	\$0	(\$211)	(\$98)	\$259	\$149
Change in EOY Fund Balance (Cash Basis)	\$0	(\$169)	(\$289)	(\$102)	\$69
Change in EOY Fund Balance Net of Reserves	\$0	(\$211)	(\$309)	(\$50)	\$99
Change in Premium Rate	0.00%	0.00%	0.05%	0.10%	0.05%

Scenario 6: Covered employee population decreases by 10% in 2025 and 2026, and claims are 10% higher in 2025 and 2026					
Change in Net Income	\$0	(\$404)	(\$74)	\$690	\$128
Change in EOY Fund Balance (Cash Basis)	\$0	(\$333)	(\$432)	\$171	\$451
Change in EOY Fund Balance Net of Reserves	\$0	(\$404)	(\$478)	\$212	\$340
Change in Premium Rate	0.00%	0.00%	0.15%	0.25%	0.05%

Scenario 7: State wage growth at a higher rate than social security maximum					
Change in Net Income	\$0	(\$26)	(\$23)	(\$1)	\$2
Change in EOY Fund Balance (Cash Basis)	\$0	(\$22)	(\$41)	(\$31)	\$17
Change in EOY Fund Balance Net of Reserves	\$0	(\$26)	(\$49)	(\$50)	(\$48)
Change in Premium Rate	0.00%	-0.01%	-0.01%	0.00%	0.00%

Notes:

Figures may not add due to rounding.

Assumed rates consider the 3-month reserve cap. "Three-month reserve" means the average monthly expenses, including the total amount of benefits paid and the department's administrative costs, in the prior 12 calendar months from the date of the calculation in this subsection multiplied by three.

"Scenario 7: State wage growth at a higher rate than social security maximum" assumes higher wage growth at an average rate of 5.4% per year