

**West Virginia
PEIA/RHBT Finance Board
Thursday June 27, 2019
DEP Building, Coopers Rock Room, 601 57th Street, SE, Charleston, WV 25304**

MINUTES

PLACE OF MEETING:

The meeting of the Finance Board of the West Virginia Public Employees Insurance Agency (PEIA) and Retiree Health Benefits Trust (RHBT) Fund was held at 601 57th Street, S.E., Charleston, WV 25304, on June 27, 2019, 1:00 p.m., pursuant to the online notice filed with the Office of West Virginia Secretary of State Mac Warner.

BOARD MEMBERS PRESENT:

Allan McVey, Chairman
Michael "Mike" Smith
Jason Myers
Amanda Meadows
Jared Robertson via Conference Call
William "Bill" Milam via Conference Call
Lee Diznoff

MEETING BEGAN AT APPROXIMATELY 1:00 P.M. WITH A QUORUM PRESENT

TOPIC: Approval of Minutes from the March 21, 2019 Board Meeting

DISCUSSION: None.

MOTION: A motion was offered by Jason Myers to approve the March 21, 2019 minutes. That motion was seconded by Michael Smith.

ACTION: The motion to approve the minutes was passed unanimously.

TOPIC: Discussion of the FY 2019 Finance Plan Update – Dave Bond

DISCUSSION: Dave Bond gave an overview from CCA of the Financial update for PEIA and RHBT.

West Virginia Public Employee Insurance Agency

	Fiscal Year 2019 (millions)			Fiscal Year 2020 (millions)		
	Jun-19			Jun-19		
	Financial Plan	Update	Change	Financial Plan	Update	Change
Revenue						
Premiums	\$ 744.4	\$ 744.4	\$ (0.0)	\$ 741.4	\$ 741.3	\$ (0.0)
Investment Income	(1.5)	8.9	10.4	10.9	11.4	0.5
Other	36.9	37.1	0.2	15.9	37.1	21.2
Total	\$ 779.8	\$ 790.4	\$ 10.6	\$ 768.2	\$ 789.8	\$ 21.7
Expenses						
Medical Claims	\$ 405.2	\$ 401.7	\$ (3.6)	\$ 440.0	\$ 435.5	\$ (4.5)
Drug Claims	137.1	138.8	1.7	154.9	156.5	1.6
Capitations	46.4	46.6	0.2	49.1	49.4	0.3
Administration & Wellness	16.7	17.0	0.3	20.7	21.4	0.7
WV RHBT Pay Go Premiums	152.2	152.4	0.2	140.0	140.0	-
ACA Expenses	0.3	0.3	-	-	-	-
Other Expenses	2.5	1.7	(0.9)	3.0	3.0	0.0
Total	\$ 760.4	\$ 758.5	\$ (1.9)	\$ 807.8	\$ 805.9	\$ (1.9)
Fiscal Year Results	\$ 19.4	\$ 31.9	\$ 12.5	\$ (39.6)	\$ (16.0)	\$ 23.6
Ending Fund Balance	\$ 214.0	\$ 226.4	\$ 12.5	\$ 174.3	\$ 210.4	\$ 36.1
Required Reserve	\$ 117.2	\$ 116.1	\$ (1.0)	\$ 126.1	\$ 124.4	\$ (1.7)
Surplus/(Shortfall)	\$ 96.8	\$ 110.3	\$ 13.5	\$ 48.3	\$ 86.0	\$ 37.8

*The annual Medical Trend through May was 6.7%, while the plan assumption was 7.5%

*The annual Gross Drug Trend through May was 15.2%, while the plan assumption was 11.5%

West Virginia Retiree Health Benefit Trust

	Fiscal Year 2019 (millions)			Fiscal Year 2020 (millions)		
	Jun-19			Jun-19		
	Financial Plan	Update	Change	Financial Plan	Update	Change
Revenue						
Premiums	\$ 241.2	\$ 241.3	\$ 0.2	\$ 231.1	\$ 227.4	\$ (3.6)
Annual Required Contributions	0.0	-	(0.0)	-	-	-
Life Insurance	23.7	23.8	0.1	24.9	25.0	0.1
Investment Income	(5.8)	41.3	47.1	61.3	64.4	3.1
Transfer from Premium Stabilization Reserve	-	-	-	-	-	-
General Revenue Transfer	35.0	35.0	-	35.0	35.0	-
Total	\$ 294.0	\$ 341.4	\$ 47.4	\$ 352.3	\$ 351.9	\$ (0.4)
Expenses						
Medical Claims	\$ 63.9	\$ 58.7	\$ (5.2)	\$ 68.5	\$ 60.5	\$ (8.0)
Drug Claims	27.0	27.8	0.9	30.2	29.2	(1.0)
Capitations	124.7	124.7	(0.0)	114.0	114.2	0.2
Administration	4.7	4.4	(0.3)	5.3	5.0	(0.3)
Life Insurance	23.7	23.8	0.0	24.9	24.9	0.0
Retiree Assistance Program	1.8	1.9	0.1	1.9	2.0	0.1
ACA Expenses	0.0	0.0	-	-	-	-
Other Expenses	0.2	0.1	(0.1)	0.3	0.2	(0.0)
Total	\$ 246.0	\$ 241.4	\$ (4.6)	\$ 245.1	\$ 236.2	\$ (8.9)
Fiscal Year Results	\$ 48.0	\$ 100.0	\$ 52.0	\$ 107.2	\$ 115.7	\$ 8.5
Ending Fund Balance	\$ 973.0	\$ 1,025.0	\$ 52.0	\$ 1,080.3	\$ 1,140.7	\$ 60.5

*The annual Non-Med Medical Trend through May was 4.9%, while the plan assumption was 7.5%

*The annual Non-Med Gross Drug Trend through May was 18.8%, while the plan assumption was 11.5%

TOPIC: Discussion of Financial Statements Year-to-Date – Jason Haught

DISCUSSION: Jason Haught gave an overview of the Financial Statements for PEIA and RHBT.

West Virginia Public Employees Insurance Agency
Statement of Net Position
 Tuesday, April 30, 2019
 (Dollars in Thousands)
 (Unaudited-For Internal Use Only)

	CURRENT YR	PRIOR YR	VARIANCE	
			\$	%
Assets				
Current assets:				
Cash and cash equivalents	\$13,621	\$11,953	\$1,668	14%
Equity position in internal investment pool	12,084	34,940	(22,856)	(65%)
Premiums receivable:				
Other, less allowance for doubtful accounts	7,219	9,674	(2,455)	(25%)
Due From RHBT	4,973	9,912	(4,939)	(50%)
Accounts receivable:				
Provider refunds, less allowance for doubtful accounts	472	1,653	(1,181)	(71%)
Prescription rebates	19,200	14,605	4,595	31%
Other	23,634	3,696	19,938	539%
Total current assets	81,203	86,433	(5,230)	(6%)
Noncurrent assets:				
Equity position in internal investment pools	237,086	199,279	37,807	19%
Equity position in internal investment pool – restricted	11,344	16,777	(5,433)	(32%)
Capital assets, net of accumulated depreciation	148	207	(59)	(29%)
Total noncurrent assets	248,578	216,263	32,315	15%
Total assets	329,781	302,696	27,085	9%
Deferred Outflows of Resources Related to Pensions & OPEB	562	575	(13)	(2%)
Liabilities				
Current liabilities:				
IBNR	54,160	52,420	1,740	3%
Current claims payable	6,326	17,737	(11,411)	(64%)
Accounts payable	4,769	4,494	275	6%
Unearned revenue	10,245	7,741	2,504	32%
Other accrued liabilities	2,320	1,996	324	16%
Total current liabilities	77,820	84,388	(6,568)	(8%)
Noncurrent liabilities:				
Other Liabilities	1,151	1,973	(822)	(42%)
Other accrued liabilities: Premium stabilization fund	9,367	14,838	(5,471)	(37%)
Total liabilities	88,338	101,199	(12,861)	(13%)
Deferred Inflows of Resources Related to Pensions & OPEB	577	44	533	1,211%
Net position				
Invested in capital assets	148	207	(59)	(29%)
Actuarially Required Reserve	116,443	115,760	683	(0%)
PEIA PSR, Unrestricted	124,834	86,261	38,573	0%
Total net position	241,425	202,028	39,397	20%

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the Ten Months Ending Tuesday, April 30, 2019
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

ACTUAL	BUDGET	PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
			OPERATING REVENUE				
			Premium Revenue				
\$307,143	\$318,780	\$312,220	Health Insurance - State Gov. - Employers	(\$11,637)	(4%)	(\$5,077)	(2%)
102,231	105,910	105,806	Health Insurance - State Gov. - Employees	(3,679)	(3%)	(3,575)	(3%)
82,802	81,302	83,429	Health Insurance - Local Gov. - All	1,500	2%	(627)	(1%)
3,921	3,769	4,233	Administrative Fees, Net of Refunds	152	4%	(312)	(7%)
1,182	1,856	2,012	Other Premium Revenue	(674)	(36%)	(830)	(41%)
<u>497,279</u>	<u>511,617</u>	<u>507,700</u>	Total Operating Revenue	(14,338)	(3%)	(10,421)	(2%)
			NON-OPERATING REVENUE				
1,133	1,079	1,117	Life Insurance	54	5%	16	1%
25,833	25,833	8,333	Direct Transfer	0	0%	17,500	210%
8,898	3,672	7,877	Interest and Investment Income	5,226	142%	1,021	13%
126,971	128,333	124,113	WV RHBT Pay Go Premiums	(1,362)	(1%)	2,858	2%
<u>162,835</u>	<u>158,917</u>	<u>141,440</u>	Total Non-Operating Revenue	3,918	2%	21,395	15%
<u>660,114</u>	<u>670,534</u>	<u>649,140</u>	TOTAL REVENUE	(10,420)	(2%)	10,974	2%
			EXPENSES				
319,406	325,030	312,141	Claims Expense - Medical	5,624	2%	(7,265)	(2%)
112,578	151,587	108,961	Claims Expense - Drugs	39,009	26%	(3,617)	(3%)
38,835	38,135	36,016	Payments to Managed Care Org.	(700)	(2%)	(2,819)	(8%)
9,776	9,582	9,306	Administrative Service Fees	(194)	(2%)	(470)	(5%)
301	871	389	Wellness and Disease Management	570	65%	88	23%
4,087	4,090	3,931	Other Operating Expenses	3	0%	(156)	(4%)
1,022	903	1,032	Life Insurance Expense	(119)	(13%)	10	1%
267	267	269	ACA Comparative Effectiveness Fee	0	0%	2	1%
126,971	128,333	124,113	WV RHBT Pay Go Premiums	1,362	1%	(2,858)	(2%)
<u>613,243</u>	<u>658,798</u>	<u>596,158</u>	TOTAL EXPENSES	45,555	7%	(17,085)	(3%)
<u>46,871</u>	<u>11,736</u>	<u>52,982</u>	YTD Surplus (Deficit)	35,135	299%	(6,111)	(17%)
194,554	194,554	149,046	Total Net Position, Beginning of Period	0	0%	45,508	31%
116,443		115,760	End of Period Net Position, Actuarially Required Reserve	0	0%	683	0%
124,982		86,268	End of Period Net Position, PEIA PSR	0	0%	38,714	0%
<u>\$241,425</u>	<u>\$206,290</u>	<u>\$202,028</u>	Total Net Position, End of Period	\$35,135	17%	\$39,397	20%

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West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF PLAN NET POSITION
 Tuesday, April 30, 2019
 In Thousands

	CURRENT YR	PRIOR YR	\$	VARIANCE %
ASSETS				
Cash - Operating Fund	\$12,076	\$6,138	\$5,938	97%
INVESTMENTS				
WV Board of Treasury Investments	84,802	60,744	24,058	40%
WV Investment Management Board	983,759	897,516	86,243	10%
Total Investments	1,068,561	958,260	110,301	12%
Due From / (To) WV PEIA	(4,975)	(9,911)	4,936	(50%)
PREMIUM ACCOUNTS RECEIVABLE				
Premium Accounts Receivable	2,623	2,794	(171)	6%
Less: Allowance for Doubtful Accounts	(468)	(104)	(364)	350%
Net - Premium Accounts Receivable	2,155	2,690	(535)	(20%)
Premium A/R - Annual Required Contributions	-	2,216,481	(2,216,481)	(100%)
Less: Allowance for Doubtful Accounts	-	(2,216,481)	2,216,481	(100%)
Net Premium A/R - ARC	-	-	-	0%
Other Receivables	(153)	(1,745)	1,592	(91%)
TOTAL ASSETS	1,077,664	955,432	122,232	13%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to Pension	269	339	(70)	(21%)
Deferred Outflows of Resources Related to OPEB	34	-	34	100%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	303	339	(36)	(11%)
LIABILITIES				
Claims payable	8,120	8,650	(530)	(6%)
Accounts payable	26	48	(22)	(46%)
Accrued Liabilities	12,808	16,088	(3,280)	(20%)
TOTAL LIABILITIES	20,954	24,786	(3,832)	(15%)
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pension	239	25	214	856%
Deferred Inflows of Resources Related to OPEB	77	-	77	100%
TOTAL DEFERRED INFLOWS OF RESOURCES	316	25	291	1,164%
Net Position- PSR	38,107	-	38,107	100%
Net Position- Restricted	1,018,590	930,960	87,630	9%
NET POSITION RESTRICTED				
FOR POST EMPLOYMENT BENEFITS	\$1,056,697	\$930,960	\$125,737	14%

West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
 For the Ten Months Ending Tuesday, April 30, 2019
 In Thousands

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE		PRIOR YR VARIANCE		
			\$	%	\$	%	
ADDITIONS							
Employer Premiums:							
Health premiums - Non Par	\$2,504	\$2,493	\$2,571	\$11	0%	(\$67)	(3%)
Health Premiums - RLC Health, Life	13,010	13,217	14,573	(207)	(2%)	(1,563)	(11%)
Pay Go Premiums	126,971	128,333	124,113	(1,362)	(1%)	2,858	2%
State appropriation - OPEB	25,000	25,000	25,000	-	0%	-	0%
State appropriation - Premium	4,167	4,167	4,167	-	0%	-	0%
Total Employer Premiums	171,652	173,210	170,424	(1,558)	(1%)	1,228	1%
Other Additions:							
Retiree Drug Subsidy	1,209	1,000	1,000	209	21%	209	21%
Investment Income	41,305	48,092	67,553	(6,787)	(14%)	(26,248)	(39%)
TOTAL ADDITIONS	214,166	222,302	238,977	(8,136)	(4%)	(24,811)	(10%)
DEDUCTIONS							
Payments to Managed Care Org.	105,840	125,251	116,072	19,411	15%	10,232	9%
Life Insurance Expense	19,792	20,322	19,347	530	3%	(445)	(2%)
Medical Claims Expense	43,253	51,930	45,032	8,677	17%	1,779	4%
Pharmacy Claims Expense	23,670	24,534	23,361	864	4%	(309)	(1%)
Comparative Effectiveness Research Fee	27	27	27	-	0%	-	0%
Administrative Service Fees (External)	1,212	1,185	1,166	(27)	(2%)	(46)	(4%)
Member Health premiums	(55,823)	(58,228)	(55,863)	(2,405)	4%	(40)	0%
Member Life Insurance Premiums	(19,842)	(20,632)	(19,331)	(790)	4%	511	(3%)
Other Operating Expenses	2,455	2,443	2,117	(12)	(0%)	(338)	(16%)
TOTAL DEDUCTIONS	120,584	146,832	131,928	26,248	18%	11,344	9%
NET POSITION INCREASE	93,582	75,470	107,049	18,112	24%	(13,467)	(13%)
Net Position Restricted for Post Employment Benefits							
Beginning of Period Total Net Position	963,115	963,115	823,911	-	0%	139,204	17%
End of Period Net Position - Restricted	1,018,590	1,000,478	930,960	18,112	2%	87,630	9%
End of Period Net Position - PSR	38,107	38,107	-	-	0%	38,107	100%
End of Period Total Net Position	\$1,056,697	\$1,038,585	\$930,960	\$18,112	2%	\$125,737	14%

TOPIC: Public Comment

DISCUSSION: None

TOPIC: Old Business

DISCUSSION: None.

TOPIC: New Business – Ted Cheatham

DISCUSSION: Ted Cheatham mentioned that PEIA was transitioning from HealthSmart to UMR and spoke briefly on the attendance of the Town Hall meetings.

Ted Cheatham mentioned that the Governor requested that PEIA change the salary tiers again this year due to the teachers' pay raises by \$2,700 each tier. PEIA will await his direction prior to disseminating this information.

Ted Cheatham touched on the upcoming public hearings and that we would schedule them the same as last year if good with the Board. The Board was good with this.

Ted Cheatham mentioned the Charter School Bill and how it allows participation with PEIA as non-state agencies.

Ted Cheatham mentioned that beginning 1/1/20, the MAPD/Humana capitation rate would go down, which would keep Medicare retiree premiums from increasing. However, the health tax is being removed, and Medicare rebates will become effective at point of sale. These are deterrents and will hinder the plan. He will keep an eye on these two items.

TOPIC: Schedule Next Meeting – Chairman Allan McVey

DISCUSSION: The next scheduled meeting is September 19, 2019 at 1:00 p.m.

TOPIC: Adjourn

ACTION: There being no further business, the June 27, 2019 meeting of the West Virginia RHBT Fund and PEIA Finance Board adjourned at approximately 1:45 p.m.

MOTION: A motion to adjourn the Finance Board was made by Mike Smith and seconded by Jason Myers.

ACTION: **A motion to adjourn passed unanimously.**

These minutes were transcribed from recording by Tammy Scarberry, Administrative Secretary to the Finance Board, and are respectfully submitted on the 28th day of June 2019.

Tammy Scarberry
RHBT and PEIA Finance Board Secretary

Allan Mcvey
RHBT and PEIA Finance Board
Chairman Representative