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 in the Cooper’s Rock Conference Room No. 1203 at 601 57th Street SE, Charleston, WV 25304, on Thursday, September 22, 2022 at 1:00 p.m., pursuant to the online notice filed with the Office of West Virginia Secretary of State Mac Warner. The meeting was held in person and via teleconference.

BOARD MEMBERS PRESENT:
Mark Scott, Chairman
Amanda Meadows
William “Bill” Milam
Damita Johnson
Michael Cook
Jared Robertson – via Google Meet

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

TOPIC: Approval of Minutes from the June 23, 2022, Board Meeting
MOTION: A motion was offered by Bill Milam, to approve the June 23, 2022 minutes.
SECOND: Amanda Meadows agreed to second the motion.
ACTION: The motion to approve the minutes was passed unanimously.

TOPIC: Financial Plan Updates – Fiscal Year 2022
DISCUSSION: Chris Borcik, Continuing Care Actuaries
Chris Borcik gave an update on the financial statements for PEIA. He explained the losses reflected are not unique to PEIA, but a nationwide issue. As trends are being monitored, it shows there will be improvement.
Chairman Mark Scott questioned what the improvements are based upon.
Dave Bond responded saying that while FY22 was bad, the remainder of calendar year 22 is showing improvement.
Chairman Scott then noted COVID had a negative impact on healthcare but now people seem to be seeking medical attention more often. He questioned if this will show a positive trend.
Dave Bond answered by stating there have been some initial improvements. Chairman Scott asked if this specifically meant for improvement with claims. Chris Borcik answered the question saying there is a 1-2% decline in trends so far.

Chris Borcik went on to complete his financial update.

Mr. Borcik then explained PEIA requested CCA perform a review of the actuarially recommended reserve percentage. He mentioned that after their review, they are recommending a 12.5% reserve for the portion of self-insured costs rather than a 15% reserve on self-insured costs. Insured costs will remain reserved at 10%.

Mr. Borcik continued with a review of the RHBT side. He stated there was a poor FY22, with $227 million below budgeted FY22. He mentioned the gain share through Humana for capitations, which was about $26 million. This leaves the total fund balance at $1.6 billion.

Chairman Mark Scott asked for a brief explanation of capitations. Chris Borcik responded saying capitations are the Medicare retirees that are covered through Humana’s capitated plan. We pay a rate to cover retirees on that side.

Mr. Haught said there operating revenue had a small increase which was caused by the adjustment to the paygo midyear. He noted that while this year may not have been great, the prior year was a good year. Chairman Scott wanted to clarify that expenses for medical are down a bit by about $20 million.

April Taylor added that you find out the worst-case scenario. The numbers for 23 year will be better than the original projections and you can see evidence on the balance sheets. The approximations were higher than the actual amount.

Mr. Haught then moved on to present further financial statement information. The first interim statement of FY23 shows a decrease from the prior year. He then mentioned a discussion with the Investment Management Board and they are recommending mixing in more equity in PEIA’s investments. It is currently fixed income heavy. He went on to point out that there is an increase in IBNR, but hoping to reduce that to help claims expenses.
We see a positive in interest and investment income, which is something we don’t see often, but it will be short lived as it will likely not be there next month. When we look at the expenses there are some savings but it will need to be confirmed. It is something to take a closer look at to make sure it is accurate. On the claims expenses, we are currently showing ahead of budget.

Mr. Haught then reviewed the RHBT financials. You will notice a dramatic drop in Humana MAPB; 54 million better on deductions. As previously mentioned, while FY22 was not good, FY21 was great. We managed to stay in the black after these two years. To finish up the year, there is a $1.6 billion dollar reserve. Mr. Haught continued his presentation and stated that we are starting FY23 on a positive note with what looks like will be a better outcome than FY22. There is an additional $20 million we don’t have to budget for or accumulate revenue. We have $27.7 million gain share. FY24 currently has a $20 million dollar paygo. We are currently budgeted to move $20 million to the RHBT side in 2024. The plan will recommend no transfer of paygo to RHBT. We will be able to maintain the amount of revenue on RHBT. As a result, this will end up saving on the PEIA side to reduce revenue increase requirements.

There were no questions from the board.

PUBLIC COMMENTS AND QUESTIONS:

Jim Hawley spoke on behalf of state employees that are 65 year and older. He wants to clarify his position on benefits received. Mr. Hawley stated that PEIA cannot reduce your benefits based on age. He claims this is age discrimination and your life insurance coverage should continue as is regardless of age. He then states that he has been seeing a decrease in what the state offers and he would have spoken up sooner had he known his life insurance benefit was being decreased. Ultimately, Mr. Hawley would like to see this reviewed and updated so no state employee sees these changes as their age increases.

RESPONSE: Jason Haught assured Mr. Hawley that this would be reviewed.
RESPONSE: Chairman Mark Scott agreed that this needs to be looked into.
RESPONSE: Board Member Bill Milam spoke up and mentioned that this something he knew when he was hired but would like to see it come back up rather than the current decreases.

Dale Lee voiced his concerns about premium increases after Justice’s term. He stated that he has no doubt that Governor Justice will send enough funding to avoid premium increases, but his concern is, where do we go from there? It is his belief that we will be put in a difficult position in a few years. He hopes a plan can be discussed for funding PEIA in the years to come as to avoid any premium increases. He also praised PEIA for their discussion of the FY23 financials and is happy we are off to a good start.

TOPIC: Old Business
DISCUSSION: None.
TOPIC: New Business
DISCUSSION: Chairman Mark Scott asked if we would need to vote for the amount of the reserve decrease. Jason Haught responded that since per code it is based on the actuary’s recommendation, there would not be a need to vote. Chairman Scott also reiterated that he would like Mr. Hawley’s question to be handled. Mr. Haught assured him it would be.
Chairman Scott took this time to welcome our new board members.

TOPIC: Next Meeting
DISCUSSION: October 20, 2022

TOPIC: Adjourn
ACTION: There being no further business, the September 22, 2022 meeting of the West Virginia RHBT Fund and PEIA Finance Board adjourned at approximately 2:02 p.m.
MOTION: A motion to adjourn the Finance Board was made by Chairman Mark Scott.
ACTION: The motion to adjourn passed unanimously.

These minutes were transcribed from recording by Erika Crump, Finance Board Secretary and are respectfully submitted on the 22th day of September 2022.