



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
December 31, 2007**

Fiscal Years 2008-2012

May 2008



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Finance Board
West Virginia Public Employees Insurance Agency
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Ladies and Gentlemen:

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and the Managing Partner in the firm of CCRC Actuaries, LLC (“CCRC Actuaries”).

CCRC Actuaries has been retained by the West Virginia Public Employees Insurance Agency Finance Board (“Board”) to assist it as provided under Code of the West Virginia 1931 (“Code”), as amended. The Board has asked CCRC Actuaries to review the financial plan prepared and proposed by the Board in December 2007 for the fiscal year ending June 30, 2008 (“FY 2008”) and to provide quarterly financial reports thereafter. Our analysis is developed on an accrued and incurred reporting basis for a projection period of five years.

Under the statutory Code provisions, it is the Board’s responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all insurance program and administrative costs of the West Virginia Public Employees Insurance Agency (“PEIA”). The Board is required to provide a financing plan in which the State Fund revenue costs are financed 80% by state employers and 20% by state employees in FY 2008 and in subsequent fiscal years. In FY 2008, general compliance was achieved through a transfer of employer funds to the West Virginia Retiree Health Benefit Fund. In subsequent fiscal years, future transfers of employer funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA for the fiscal year are met. We have been asked to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of PEIA through FY 2012.

In accordance with the Code provisions, at the beginning of FY 2008, PEIA transferred excess reserves to the West Virginia Health Benefit Fund in the amounts of \$27,679,595 and \$80,487,422 for FY 2006 and FY 2007, respectively.

The Medicaid / PEIA Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide PEIA with hospital charge savings through discounts for all non-Medicare coverages. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2008 and subsequently. We are assuming that the Bill will continue throughout the forecast and PEIA will not receive any future direct transfers in lieu of the savings resulting from the Bill.

Effective July 1, 2007, current Medicare coverages were transferred from a self-insured secondary basis by PEIA to Coventry Advantra Freedom, which is a Medicare Advantage/Prescription Drug Plan (“MAPD”). However, it should be noted that new Medicare eligible retirees, who become Medicare eligible between July 1, 2007 and June 30, 2008, will be covered on a secondary basis by the PPB Plan until July 1, 2008, at which time they will be covered under the MAPD. For the purposes of these projections we have assumed that the MAPD remains in effect throughout the forecast.

CCRC Actuaries has provided preliminary forecasts for the fiscal years ending June 30, 2008 (“FY 2008”), June 30, 2009 (“FY 2009”), June 30, 2010 (“FY 2010”), June 30, 2011 (“FY 2011”), and June 30, 2012 (“FY 2012”). Our opinion of plan adequacy is based on the projections through FY 2012 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2007. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the Trust Fund.

In reviewing the plan, CCRC Actuaries utilized information concerning the plan’s prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by PEIA, the plan’s third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not perform any due diligence on the information.

It should be noted that throughout Fiscal Year 2007 and the first eight months of Fiscal Year 2008, PEIA has experienced favorable claim expense compared to historical trends. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2008 through FY 2012 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of PEIA. In addition, we are forecasting that PEIA will meet the 80% employer cost share and 20% employee cost share requirement for state revenue in FY 2008 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2007.

The conclusion of long-term solvency for the program over the five-year forecast is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2012 as approved by the Board.

The preparation of any estimate of future health costs requires consideration of a broad array of complex social and economic events. Changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, and the continuing evolution of the framework of the managed care options, as are contemplated in the Board's proposed plan, increase the level of uncertainty of such estimates. As such, the estimate of insurance program costs contains considerable uncertainty and variability and actual experience may not conform to the assumptions used.

Respectfully,



Dave Bond, F.S.A., M.A.A.A.
Managing Partner



Bradley Paulis
Reviewing Partner

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2008 – FY 2012

OVERVIEW

This report analyzes revenues and expenses related to funding the health and life insurance benefits of active employees of the State and various Local Agencies, together with their dependents. This report is intended for the sole use of the Board, and any other use requires written approval by CCRC Actuaries.

This report was compiled utilizing claims data collected by PEIA's third party administrators through February 2008 for prescription drugs and medical claims. Enrollment data, administrative expenses, managed care capitations, and plan revenues were provided at special request from PEIA. Revenue assumptions are based on premium rates, assumed interest income and significant general and special revenue allocations provided by the Governor, some which have not been approved by the West Virginia Legislature. In addition, other information became available through presentations made at the Board meetings, which has been used in arriving at our conclusions.

The Code of the West Virginia establishes the actuarial reporting requirements for PEIA on an incurred basis for medical claims and capitations and on an accrued basis for administrative expenses and revenue for a period not to exceed five years. At the request of the Board, the reporting basis is based upon the separation of employees into two funds: Active Local Employee Fund and State Employee Fund. The Active Local Fund represents local governmental agencies, county governmental agencies and other public entities. The State Fund represents active state employees, college and university employees and county boards of education employees. The Active Local Fund and the State Fund are allocated administrative costs based on each fund's proportionate total revenue levels.

KEY ASSUMPTIONS

A. Enrollment Changes

These projections include the assumption that Preferred Provider Benefit (“PPB”) and managed care enrollment will not change from March 2008 enrollment levels for the duration of these forecasts for active employees.

In aggregate, March 2008 enrollment for active employees has increased by 609 coverages since the end of FY 2007. Aggregate PPB enrollment has increased by 601 in total over the same period, while managed care enrollment experienced an increase with 8 coverages.

In the State Fund, there continues to be a transfer of coverage from managed care to PPB coverage with overall active State enrollment increased by 332 coverages from the end of FY 2007 to March 2008. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by 277 coverages from the end of FY 2007 to March 2008.

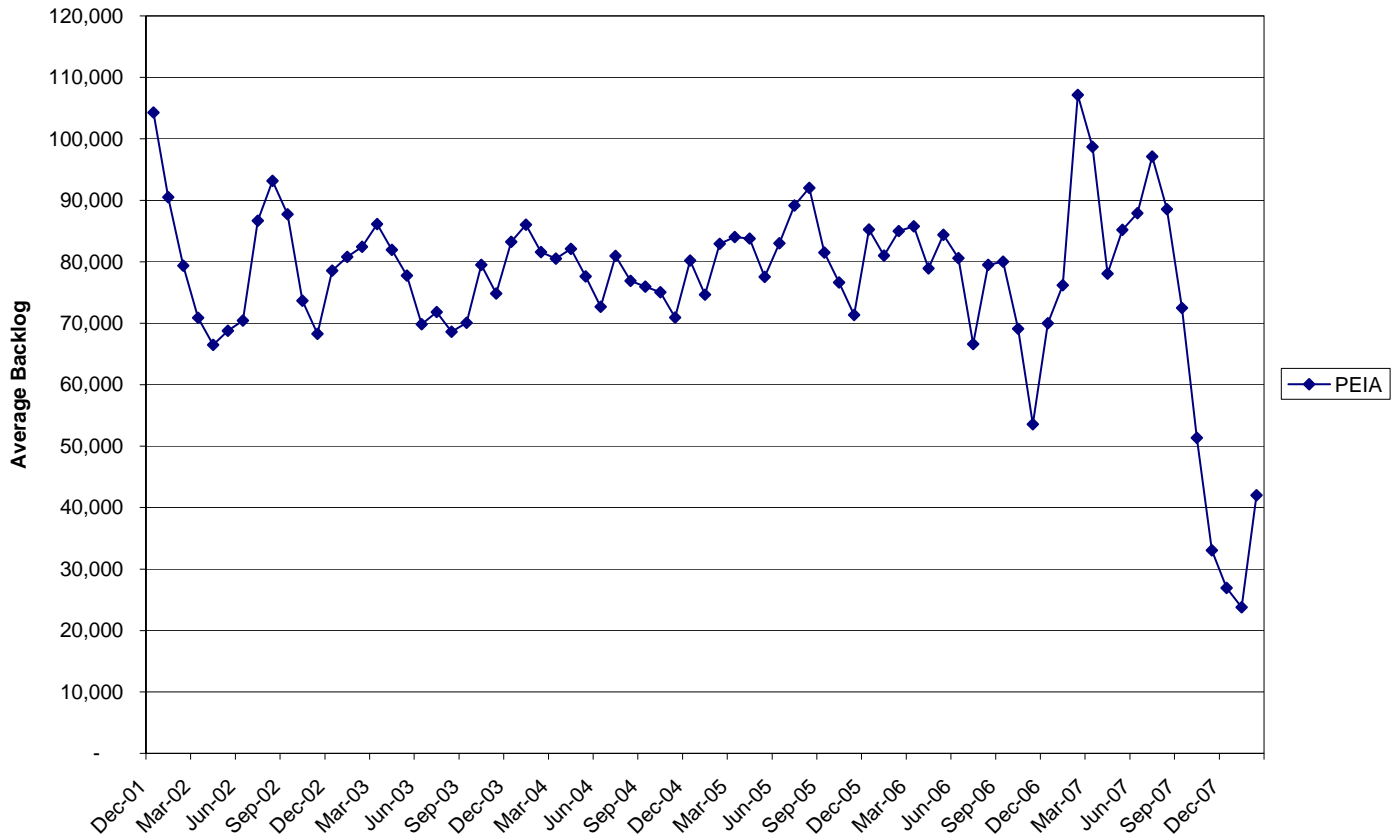
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2006, June 2007 and March 2008 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-06	Jun-07	Mar-08	Jun-06	Jun-07	Mar-08
State Active	Single	18,838	19,363	19,446	3,388	3,449	3,402
	Children	4,933	4,990	5,297	673	644	701
	<u>Family</u>	<u>30,737</u>	<u>30,179</u>	<u>30,129</u>	<u>4,105</u>	<u>3,984</u>	<u>3,966</u>
	Total	54,508	54,532	54,872	8,166	8,077	8,069
Local Active	Single	3,767	3,930	4,018	376	380	385
	Children	594	575	616	157	154	157
	<u>Family</u>	<u>4,503</u>	<u>4,695</u>	<u>4,827</u>	<u>119</u>	<u>118</u>	<u>126</u>
	Total	8,864	9,200	9,461	652	652	668
Plan Total		63,372	63,732	64,333	8,818	8,729	8,737
Grand Total					72,190	72,461	73,070

B. Changes in Claim Backlog

It should be noted that beginning in July 2007, all Medicare retirees have been transferred to the MAPD Plan. While the chart below, which has not been adjusted to reflect the smaller risk pool, indicates a lower backlog, the duration of claim payment has actually been stable for the self-insured block of non-Medicare coverages.

WV PEIA Claim Backlog through February 2008



C. Trend Analysis

CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Medical & Prescription Drugs Claims Trend Report - October 2007”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have retained the FY 2008 Non-Medicare medical claim trend at 6.0%. Additionally, due to PEIA’s favorable prescription drug experience, we have retained our trend assumption for all prescription drugs coverage at 12.0% in FY 2008.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2008 Trend	Current Assumption FY 2008 Trend
Active Local – Medical	6.0%	6.0%
State – Medical	6.0%	6.0%
Active Local – Drugs	12.0%	12.0%
State – Drugs	12.0%	12.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2009. At the Board’s request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through February 2008. It is important to note that these trends ***have not*** been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies, nor the changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

Aggregate PEIA Historical Trends (Active Local and State)

Fiscal Year	Active Local Medical	State Medical	Active Local Drugs	State Drugs	Total
2003	2%	4%	19%	14%	7%
2004	-3%	10%	9%	7%	8%
2005	16%	7%	7%	20%	11%
2006	1%	2%	18%	7%	3%
2007	15%	2%	13%	8%	5%
2008*	8%	7%	-4%	-3%	5%

* Fiscal Year 2008 results are through the first 8 months.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using aggregate PEIA paid claim data through February 2008 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the State Fund and the Local Fund for both self-funded and managed care coverages. CCRC Actuaries has developed the claim cost on an adjusted exposure basis using the respective expected claim cost for each coverage type. The adjusted exposure methodology weighs the expected claim cost under each coverage type for single, member and children, and family coverages based on observed differences in health care cost. For example, under this methodology single coverage types are given a weight of 1.0 exposure, whereas member and children coverages are given a greater weighting based on historical expected health care cost relationships. Based on this methodology, the projection of FY 2008 claims and expenses are summarized in the following charts. It should be noted that the chart reflects per policy information.

Fiscal Year 2008 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	54,568	\$ 435	\$ 100	\$ 370	\$ 124	
	<u>Managed Care</u>	8,004	\$ 418	\$ 115			\$ 536
	Total	62,572					
Local	PPB	9,336	\$ 493	\$ -	\$ 394	\$ 109	
	<u>Managed Care</u>	662	\$ 440	\$ -			\$ 436
	Total	9,998					

Projected plan revenues, administrative expenses, life insurance premiums, and the amount to be spent on wellness programs were provided by PEIA. Interest income is currently allocated to each fund based on average reserve levels for each fund. The following chart summarizes the additional revenues from employers, employees and direct transfers assumed in the report.

Board Decisions – December 2007

Source	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Additional State Employer Revenue	\$0	\$0	\$36,000,000	\$55,000,000	\$55,000,000
Additional Local Agency Revenue	\$0	\$6,000,000	\$12,000,000	\$12,000,000	\$11,000,000
Additional Employee Premiums	\$0	\$0	\$11,000,000	\$13,800,000	\$13,800,000
Direct Transfer	\$0	\$0	\$0	\$0	\$0

Future fiscal year state revenue increases will require legislative appropriation. Additional local agency revenue represents premium increases to be charged to local agencies. Additional employee premiums represent employee premiums paid by active employees participating in the State Fund.

E. Provider Reimbursement Changes

Beyond the extension of the Medicaid / PEIA Hospital Bill throughout the forecast, there are no assumed changes in provider reimbursement for physicians, hospitals and pharmaceutical charges beyond the annual cost updates that PEIA has implemented historically.

FISCAL YEAR 2008 FORECAST

The financial forecast for FY 2008 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2008 projects accrued revenue of \$480,436,535 and incurred plan expenses of \$462,621,693 to produce a fiscal year surplus of \$17,814,842. This compares slightly unfavorable to the Financial Plan Fiscal Years 2008-2012 Report for Fiscal Year 2008, which had projected a fiscal year surplus of \$19,504,047.

Under the Baseline Scenario, FY 2008 is projected to end with a reserve of \$153,127,683 and the FY 2009 expenditures of \$502,059,162, which represents 30% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$156,881,868 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$149,395,294.

FISCAL YEAR 2009 FORECAST

The financial forecast for FY 2009 under the Baseline scenario is presented in the Appendix. The Board eliminated employer and employee revenue increases which was previously in the Financial Plan for FY 2009, with the exception of Local Agencies Fund, which was not maintaining the minimum required reserves, necessitating a premium increase. The Baseline forecast for FY 2009 projects accrued revenue of \$470,440,905 and incurred plan expenses of \$502,059,162 to produce a fiscal year deficit of (\$31,618,257).

Under the Baseline Scenario, FY 2009 is projected to end with a reserve of \$121,509,425 and the FY 2010 expenditures of \$543,603,238, which represents 22% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$137,068,589 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$105,846,893.

FISCAL YEAR 2010 FORECAST

The financial forecast for FY 2010 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2010 projects accrued revenue of \$513,908,805 and incurred plan expenses of \$543,603,238 to produce a fiscal year deficit of (\$29,694,433).

Under the Baseline Scenario, FY 2010 is projected to end with a reserve of \$91,814,992 and the FY 2011 expenditures of \$591,169,612, which represents 16% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$128,723,500 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$54,194,896.

FISCAL YEAR 2011 FORECAST

The financial forecast for FY 2011 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2011 projects accrued revenue of \$577,933,830 and incurred plan expenses of \$591,169,612 to produce a fiscal year deficit of (\$13,235,782).

Under the Baseline Scenario, FY 2011 is projected to end with a reserve of \$78,579,211 and the FY 2012 expenditures of \$645,718,716, which represents 12% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$148,217,040 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$6,704,742.

FISCAL YEAR 2012 FORECAST

The financial forecast for FY 2012 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2012 projects accrued revenue of \$640,224,835 and incurred plan expenses of \$645,718,716 to produce a fiscal year deficit of (\$5,493,881).

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$73,085,331 and the FY 2013 expenditures of \$708,398,873, which represents 10% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$189,068,011 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$48,137,327).

LITIGATION

The forecasts presented in the attached tables do not contemplate any additional revenues or expenses to be generated from litigation activities.

SUMMARY

With projected changes to the plan as adopted by the PEIA Finance Board, we are forecasting that the plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2012 using the Baseline assumptions. While Local Agencies are not projected to independently meet the reserve requirements in the early years of the projection, the Board has chosen to grade in the required increases over a three-year period, whereby the Local Agency Fund will meet the 10% reserve target in FY 2012. These projections are based on significant revenue increases projected by PEIA and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement, possible changes in methodology of managed care premium calculation, and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as universal health insurance initiatives and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2008**

PERIOD 7/1/2007 - 6/30/2008

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 55,221,541	\$ 284,848,470	\$ 340,070,011
Employer Premiums - MCO	3,491,693	40,155,135	43,646,828
Employee Premiums - PPB	-	65,744,926	65,744,926
Employee Premiums - MCO	-	11,045,329	11,045,329
Direct Transfers	-	-	-
Investment Income	1,223,596	11,573,888	12,797,484
COBRA Premiums	301,416	1,251,532	1,552,948
Administrative Fees	409,767	5,169,242	5,579,009
Total Revenue	\$ 60,648,013	\$ 419,788,522	\$ 480,436,535
<u>Program Expenses</u>			
Medical Claims	\$ 44,096,474	\$ 242,155,751	\$ 286,252,225
Prescription Drug Claims	12,182,387	81,060,070	93,242,457
Managed Care Capitations	3,464,645	51,453,019	54,917,664
Administration	2,426,355	16,794,549	19,220,904
Life Insurance	799,850	5,536,339	6,336,189
Wellness	227,361	1,573,726	1,801,087
Director's Discretionary Fund	126,228	724,939	851,167
Total Expenses	\$ 63,323,300	\$ 399,298,393	\$ 462,621,693
Initial UAAL OPEB Funding	\$ 4,761,728	\$ 34,000,000	\$ 38,761,728
PEIA Mandatory Transfer to WV RHBT 2007	8,451,463	72,035,959	80,487,422
PEIA Mandatory Transfer to WV RHBT 2006	2,906,455	24,773,140	27,679,595
Fiscal Year Results	\$ (2,675,287)	\$ 20,490,129	\$ 17,814,842
Beginning Plan Reserve	24,887,745	257,353,841	282,241,586
Ending Plan Reserve	6,092,812	147,034,870	\$ 153,127,683

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>		
Additional State Employee Premiums	\$ -	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.0%	12.0%
		State	6.0%	12.0%
		Capitations		5.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2009**

PERIOD 7/1/2008 - 6/30/2009

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 59,241,894	\$ 276,826,539	\$ 336,068,433
Employer Premiums - MCO	3,745,902	39,024,282	42,770,184
Employee Premiums - PPB	-	63,893,410	63,893,410
Employee Premiums - MCO	-	10,734,270	10,734,270
Direct Transfers	-	-	-
Investment Income	634,227	9,232,167	9,866,394
COBRA Premiums	296,808	1,232,397	1,529,205
Administrative Fees	409,767	5,169,242	5,579,009
Total Revenue	\$ 64,328,598	\$ 406,112,307	\$ 470,440,905
<u>Program Expenses</u>			
Medical Claims	\$ 47,485,689	\$ 258,554,688	\$ 306,040,376
Prescription Drug Claims	13,857,116	91,431,035	105,288,152
Managed Care Capitations	3,811,110	56,598,320	60,409,430
Administration	2,547,673	17,634,276	20,181,949
Life Insurance	839,843	5,813,156	6,652,999
Wellness	227,361	1,573,726	1,801,087
Director's Discretionary Fund	251,315	1,433,854	1,685,169
Total Expenses	\$ 69,020,107	\$ 433,039,055	\$ 502,059,162
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2008	-	-	-
Fiscal Year Results	\$ (4,691,509)	\$ (26,926,748)	\$ (31,618,257)
Beginning Plan Reserve	6,092,812	147,034,870	153,127,682
Ending Plan Reserve	\$ 1,401,303	\$ 120,108,122	\$ 121,509,425

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 6,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ -	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.5%	12.5%
		State	6.5%	12.5%
		Capitations		10.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2010**

PERIOD 7/1/2009 - 6/30/2010

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 68,743,144	\$ 299,985,316	\$ 368,728,460
Employer Premiums - MCO	4,346,672	42,288,979	46,635,651
Employee Premiums - PPB	-	70,853,694	70,853,694
Employee Premiums - MCO	-	11,903,616	11,903,616
Direct Transfers	-	-	-
Investment Income	435,296	8,093,286	8,528,582
COBRA Premiums	326,036	1,353,757	1,679,793
Administrative Fees	409,767	5,169,242	5,579,009
Total Revenue	\$ 74,260,915	\$ 439,647,890	\$ 513,908,805
<u>Program Expenses</u>			
Medical Claims	\$ 50,702,011	\$ 276,067,232	\$ 326,769,243
Prescription Drug Claims	15,627,435	103,111,829	118,739,264
Managed Care Capitations	4,192,221	62,258,153	66,450,374
Administration	2,675,056	18,515,990	21,191,046
Life Insurance	881,835	6,103,813	6,985,648
Wellness	227,361	1,573,726	1,801,087
Director's Discretionary Fund	248,128	1,418,448	1,666,576
Total Expenses	\$ 74,554,047	\$ 469,049,190	\$ 543,603,238
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2009	-	-	-
Fiscal Year Results	\$ (293,132)	\$ (29,401,300)	\$ (29,694,433)
Beginning Plan Reserve	1,401,303	120,108,122	121,509,425
Ending Plan Reserve	\$ 1,108,171	\$ 90,706,822	\$ 91,814,992

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 36,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 12,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 11,000,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	7.0%	13.0%
		State	7.0%	13.0%
		Capitations		10.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2011**

PERIOD 7/1/2010 - 6/30/2011

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 78,065,882	\$ 338,611,008	\$ 416,676,890
Employer Premiums - MCO	4,936,155	47,734,049	52,670,204
Employee Premiums - PPB	-	80,303,717	80,303,717
Employee Premiums - MCO	-	13,491,247	13,491,247
Direct Transfers	-	-	-
Investment Income	460,124	6,853,579	7,313,703
COBRA Premiums	368,594	1,530,466	1,899,060
Administrative Fees	409,767	5,169,242	5,579,009
Total Revenue	\$ 84,240,522	\$ 493,693,308	\$ 577,933,830
<u>Program Expenses</u>			
Medical Claims	\$ 54,389,791	\$ 296,146,817	\$ 350,536,609
Prescription Drug Claims	17,702,088	116,800,653	134,502,741
Managed Care Capitations	4,611,443	68,483,968	73,095,411
Administration	2,808,809	19,441,790	22,250,599
Life Insurance	925,927	6,409,004	7,334,931
Wellness	227,361	1,573,726	1,801,087
Director's Discretionary Fund	244,979	1,403,255	1,648,234
Total Expenses	\$ 80,910,398	\$ 510,259,213	\$ 591,169,612
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2010	-	-	-
Fiscal Year Results	\$ 3,330,124	\$ (16,565,905)	\$ (13,235,782)
Beginning Plan Reserve	1,108,171	90,706,822	91,814,993
Ending Plan Reserve	\$ 4,438,295	\$ 74,140,917	\$ 78,579,211

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 12,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 13,800,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	7.5%	13.5%
		State	7.5%	13.5%
		Capitations		10.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2012**

PERIOD 7/1/2011 - 6/30/2012

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 86,251,729	\$ 376,268,969	\$ 462,520,698
Employer Premiums - MCO	5,453,751	53,042,698	58,496,449
Employee Premiums - PPB	-	89,526,851	89,526,851
Employee Premiums - MCO	-	15,040,758	15,040,758
Direct Transfers	-	-	-
Investment Income	670,366	6,281,072	6,951,438
COBRA Premiums	409,464	1,700,168	2,109,632
Administrative Fees	409,767	5,169,242	5,579,009
Total Revenue	\$ 93,195,077	\$ 547,029,758	\$ 640,224,835
<u>Program Expenses</u>			
Medical Claims	\$ 58,617,855	\$ 319,168,187	\$ 377,786,042
Prescription Drug Claims	20,140,708	132,890,984	153,031,692
Managed Care Capitations	5,072,587	75,332,365	80,404,952
Administration	2,949,250	20,413,879	23,363,129
Life Insurance	972,223	6,729,454	7,701,677
Wellness	227,361	1,573,726	1,801,087
Director's Discretionary Fund	241,867	1,388,270	1,630,137
Total Expenses	\$ 88,221,851	\$ 557,496,865	\$ 645,718,716
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2011	-	-	-
Fiscal Year Results	\$ 4,973,226	\$ (10,467,107)	\$ (5,493,881)
Beginning Plan Reserve	4,438,295	74,140,917	78,579,212
Ending Plan Reserve	\$ 9,411,521	\$ 63,673,810	\$ 73,085,331

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 11,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 13,800,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	8.0%	14.0%
		State	8.0%	14.0%
		Capitations		10.0%
		Administrative Expense		5.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2004 to FY 2008**

Fiscal Year 2004												
Exposure												
	<u>Jul-03</u>	<u>Aug-03</u>	<u>Sep-03</u>	<u>Oct-03</u>	<u>Nov-03</u>	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>
Local Medical	18,570	18,760	18,857	18,772	18,947	19,019	18,994	18,920	18,945	19,120	18,407	18,411
State Medical	120,687	120,102	120,226	120,850	121,139	119,665	119,945	119,896	119,922	120,013	120,053	119,944
Local Drugs	18,570	18,760	18,857	18,772	18,947	19,019	18,994	18,920	18,945	19,120	18,407	18,411
State Drugs	120,687	120,102	120,226	120,850	121,139	119,665	119,945	119,896	119,922	120,013	120,053	119,944
Local Medical	<u>\$117.42</u>	<u>\$101.01</u>	<u>\$108.28</u>	<u>\$122.59</u>	<u>\$105.85</u>	<u>\$102.43</u>	<u>\$116.92</u>	<u>\$121.08</u>	<u>\$142.25</u>	<u>\$129.97</u>	<u>\$133.04</u>	<u>\$145.49</u>
State Medical	114.50	133.61	117.09	134.32	117.78	136.15	135.26	132.75	157.24	144.76	146.55	171.25
Local Drugs	22.34	33.72	39.04	41.72	38.24	55.37	44.36	42.57	49.25	45.84	43.32	40.64
State Drugs	<u>21.44</u>	<u>40.32</u>	<u>35.23</u>	<u>48.13</u>	<u>46.05</u>	<u>66.71</u>	<u>51.22</u>	<u>49.17</u>	<u>56.07</u>	<u>51.29</u>	<u>47.06</u>	<u>31.49</u>
Total	\$275.70	\$308.66	\$299.65	\$346.76	\$307.92	\$360.66	\$347.77	\$345.57	\$404.80	\$371.86	\$369.97	\$388.87
Change From Prior Year - Month to Month Analysis												
Local Medical	14.8%	-13.6%	-6.7%	0.1%	-0.8%	-19.3%	-9.1%	-4.9%	7.6%	12.3%	-11.3%	4.1%
State Medical	0.8%	14.7%	3.5%	11.7%	0.0%	20.0%	2.1%	14.1%	16.8%	8.2%	11.3%	17.0%
Local Drugs	12.7%	9.6%	16.3%	9.9%	4.5%	34.8%	5.9%	11.1%	13.9%	15.2%	-3.4%	-16.5%
State Drugs	<u>-9.5%</u>	<u>10.7%</u>	<u>-11.8%</u>	<u>12.9%</u>	<u>10.1%</u>	<u>45.7%</u>	<u>12.7%</u>	<u>18.3%</u>	<u>19.3%</u>	<u>11.4%</u>	<u>-2.6%</u>	<u>-39.5%</u>
Total	6.3%	2.7%	-1.0%	7.2%	1.7%	10.2%	-0.2%	6.8%	13.4%	10.9%	-1.3%	0.5%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-2.5%			-7.1%			-2.1%			0.8%
State Medical			6.4%			10.5%			10.9%			12.3%
Local Drugs			13.0%			17.0%			10.3%			-2.6%
State Drugs			<u>-3.1%</u>			<u>23.5%</u>			<u>16.7%</u>			<u>-11.3%</u>
Total			2.5%			6.5%			6.7%			3.1%
Change From Prior Year - Year to Year Analysis												
Local Medical			0.4%			-2.9%			-2.2%			-2.6%
State Medical			4.0%			6.6%			7.7%			10.2%
Local Drugs			17.3%			16.8%			14.3%			8.7%
State Drugs			<u>9.1%</u>			<u>11.2%</u>			<u>12.9%</u>			<u>6.5%</u>
Total			4.6%			4.6%			5.4%			4.7%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2004 to FY 2008**

Fiscal Year 2005												
Exposure												
	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>
Local Medical	18,373	18,414	18,320	18,319	18,306	18,299	18,246	18,257	18,212	18,273	18,323	18,285
State Medical	122,468	121,480	121,782	122,279	122,346	122,599	122,844	122,799	122,800	122,948	123,051	123,004
Local Drugs	18,373	18,414	18,320	18,319	18,306	18,299	18,246	18,257	18,212	18,273	18,323	18,285
State Drugs	122,468	121,480	121,782	122,279	122,346	122,599	122,844	122,799	122,800	122,948	123,051	123,004
Local Medical	<u>\$127.75</u>	<u>\$119.87</u>	<u>\$151.10</u>	<u>\$132.74</u>	<u>\$130.13</u>	<u>\$117.05</u>	<u>\$128.14</u>	<u>\$128.54</u>	<u>\$134.93</u>	<u>\$145.62</u>	<u>\$164.56</u>	<u>\$192.84</u>
State Medical	128.52	143.59	135.32	130.47	139.08	142.61	146.97	153.81	154.38	152.59	154.78	180.16
Local Drugs	33.78	38.01	50.73	38.01	46.78	54.05	48.22	47.82	43.21	35.91	37.80	55.91
State Drugs	<u>52.31</u>	<u>42.67</u>	<u>54.75</u>	<u>42.56</u>	<u>53.25</u>	<u>59.37</u>	<u>54.62</u>	<u>53.59</u>	<u>60.01</u>	<u>55.88</u>	<u>57.71</u>	<u>63.97</u>
Total	<u>\$342.35</u>	<u>\$344.15</u>	<u>\$391.90</u>	<u>\$343.78</u>	<u>\$369.24</u>	<u>\$373.07</u>	<u>\$377.96</u>	<u>\$383.77</u>	<u>\$392.53</u>	<u>\$390.00</u>	<u>\$414.85</u>	<u>\$492.88</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	8.8%	18.7%	39.5%	8.3%	22.9%	14.3%	9.6%	6.2%	-5.1%	12.0%	23.7%	32.5%
State Medical	12.2%	7.5%	15.6%	-2.9%	18.1%	4.7%	8.7%	15.9%	-1.8%	5.4%	5.6%	5.2%
Local Drugs	51.2%	12.7%	30.0%	-8.9%	22.3%	-2.4%	8.7%	12.3%	-12.3%	-21.7%	-12.7%	37.6%
State Drugs	<u>143.9%</u>	<u>5.8%</u>	<u>55.4%</u>	<u>-11.6%</u>	<u>15.6%</u>	<u>-11.0%</u>	<u>6.6%</u>	<u>9.0%</u>	<u>7.0%</u>	<u>8.9%</u>	<u>22.6%</u>	<u>103.2%</u>
Total	24.2%	11.5%	30.8%	-0.9%	19.9%	3.4%	8.7%	11.1%	-3.0%	4.9%	12.1%	26.7%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			22.0%			14.8%			3.0%			23.1%
State Medical			11.6%			6.2%			7.0%			5.4%
Local Drugs			28.8%			2.6%			2.3%			-0.1%
State Drugs			<u>54.4%</u>			<u>-3.6%</u>			<u>7.5%</u>			<u>36.8%</u>
Total			22.0%			7.0%			5.1%			14.8%
Change From Prior Year - Year to Year Analysis												
Local Medical			2.8%			8.0%			9.4%			15.7%
State Medical			11.3%			10.2%			9.2%			7.4%
Local Drugs			12.1%			8.3%			6.1%			6.8%
State Drugs			<u>17.6%</u>			<u>9.8%</u>			<u>7.5%</u>			<u>19.6%</u>
Total			9.1%			9.1%			8.7%			11.8%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2004 to FY 2008**

Fiscal Year 2006												
Exposure												
	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>
Local Medical	18,398	18,387	18,285	18,385	18,333	18,668	18,733	18,741	18,849	18,784	18,820	18,826
State Medical	122,500	121,838	121,777	122,675	122,882	122,768	122,200	122,059	122,144	122,294	122,315	122,251
Local Drugs	18,398	18,387	18,285	18,385	18,333	18,668	18,733	18,741	18,849	18,784	18,820	18,826
State Drugs	122,500	121,838	121,777	122,675	122,882	122,768	122,200	122,059	122,144	122,294	122,315	122,251
Local Medical	<u>\$106.54</u>	<u>\$145.10</u>	<u>\$127.85</u>	<u>\$142.39</u>	<u>\$120.30</u>	<u>\$138.71</u>	<u>\$144.57</u>	<u>\$141.71</u>	<u>\$164.54</u>	<u>\$153.24</u>	<u>\$150.28</u>	<u>\$149.12</u>
State Medical	129.41	152.51	141.90	138.51	139.23	148.40	151.44	141.95	162.99	145.65	167.09	179.46
Local Drugs	29.20	46.36	48.56	49.30	51.02	53.15	53.91	53.91	59.54	54.48	60.50	65.82
State Drugs	<u>33.96</u>	<u>50.78</u>	<u>53.16</u>	<u>55.40</u>	<u>56.90</u>	<u>60.51</u>	<u>60.88</u>	<u>58.37</u>	<u>65.76</u>	<u>61.13</u>	<u>66.17</u>	<u>71.04</u>
Total	\$299.11	\$394.75	\$371.47	\$385.60	\$367.44	\$400.77	\$410.79	\$395.95	\$452.82	\$414.50	\$444.04	\$465.44
Change From Prior Year - Month to Month Analysis												
Local Medical	-16.6%	21.0%	-15.4%	7.3%	-7.6%	18.5%	12.8%	10.2%	21.9%	5.2%	-8.7%	-22.7%
State Medical	0.7%	6.2%	4.9%	6.2%	0.1%	4.1%	3.0%	-7.7%	5.6%	-4.5%	8.0%	-0.4%
Local Drugs	-13.5%	22.0%	-4.3%	29.7%	9.0%	-1.7%	11.8%	12.7%	37.8%	51.7%	60.1%	17.7%
State Drugs	<u>-35.1%</u>	<u>19.0%</u>	<u>-2.9%</u>	<u>30.2%</u>	<u>6.9%</u>	<u>1.9%</u>	<u>11.5%</u>	<u>8.9%</u>	<u>9.6%</u>	<u>9.4%</u>	<u>14.7%</u>	<u>11.1%</u>
Total	-12.6%	14.7%	-5.2%	12.2%	-0.5%	7.4%	8.7%	3.2%	15.4%	6.3%	7.0%	-5.6%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-4.8%			5.7%			15.1%			-10.0%
State Medical			4.0%			3.4%			0.3%			1.0%
Local Drugs			1.3%			10.5%			20.2%			39.5%
State Drugs			<u>-7.9%</u>			<u>11.4%</u>			<u>10.0%</u>			<u>11.7%</u>
Total			-1.2%			6.2%			9.1%			2.0%
Change From Prior Year - Year to Year Analysis												
Local Medical			8.9%			6.9%			9.9%			0.7%
State Medical			5.7%			5.0%			3.3%			2.1%
Local Drugs			1.5%			3.6%			8.3%			18.0%
State Drugs			<u>7.0%</u>			<u>11.0%</u>			<u>11.7%</u>			<u>6.7%</u>
Total			6.5%			6.3%			7.3%			4.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2004 to FY 2008**

Fiscal Year 2007												
Exposure	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>
Local Medical	18,635	18,808	18,731	18,817	18,930	17,424	18,993	19,027	19,093	19,120	19,113	19,516
State Medical	121,253	120,597	120,348	121,654	121,847	117,391	121,513	121,498	121,574	121,648	121,670	121,266
Local Drugs	18,635	18,808	18,731	18,817	18,930	17,424	18,993	19,027	19,093	19,120	19,113	19,516
State Drugs	121,253	120,597	120,348	121,654	121,847	117,391	121,513	121,498	121,574	121,648	121,670	121,266
Local Medical	\$116.10	\$157.90	\$141.52	\$164.54	\$150.60	\$180.17	\$177.05	\$162.03	\$168.72	\$163.38	\$184.58	\$167.87
State Medical	127.12	151.33	130.61	140.36	155.66	145.06	162.58	147.08	165.37	164.47	168.46	182.09
Local Drugs	24.64	53.60	55.53	60.24	61.66	65.76	65.07	59.38	67.39	62.37	66.33	62.40
State Drugs	29.67	57.38	60.52	63.50	63.14	68.84	68.42	62.26	71.27	66.52	67.59	68.24
Total	\$297.52	\$420.21	\$388.18	\$428.65	\$431.06	\$459.82	\$473.12	\$430.74	\$472.75	\$456.74	\$486.96	\$480.60
Change From Prior Year - Month to Month Analysis												
Local Medical	9.0%	8.8%	10.7%	15.6%	25.2%	29.9%	22.5%	14.3%	2.5%	6.6%	22.8%	12.6%
State Medical	-1.8%	-0.8%	-8.0%	1.3%	11.8%	-2.3%	7.4%	3.6%	1.5%	12.9%	0.8%	1.5%
Local Drugs	-15.6%	15.6%	14.3%	22.2%	20.9%	23.7%	20.7%	10.1%	13.2%	14.5%	9.6%	-5.2%
State Drugs	-12.7%	13.0%	13.9%	14.6%	11.0%	13.8%	12.4%	6.7%	8.4%	8.8%	2.1%	-3.9%
Total	-0.5%	6.4%	4.5%	11.2%	17.3%	14.7%	15.2%	8.8%	4.4%	10.2%	9.7%	3.3%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			9.5%			23.4%			12.6%			14.0%
State Medical			-3.5%			3.5%			4.1%			4.6%
Local Drugs			7.8%			22.3%			14.6%			5.7%
State Drugs			7.0%			13.1%			9.2%			2.0%
Total			3.8%			14.4%			9.3%			7.6%
Change From Prior Year - Year to Year Analysis												
Local Medical			4.0%			8.3%			7.9%			14.8%
State Medical			0.3%			0.3%			1.3%			2.3%
Local Drugs			19.5%			22.5%			20.8%			12.6%
State Drugs			10.2%			10.6%			10.4%			7.7%
Total			5.2%			7.2%			7.3%			8.8%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2004 to FY 2008**

Fiscal Year 2008								
Exposure								
	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>
Local Medical	19,524	19,549	19,539	19,555	19,755	19,787	19,920	20,013
State Medical	121,132	120,340	120,040	120,675	121,571	121,732	121,883	121,959
Local Drugs	19,524	19,549	19,539	19,555	19,755	19,787	19,920	20,013
State Drugs	121,132	120,340	120,040	120,675	121,571	121,732	121,883	121,959
	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>
Local Medical	\$159.50	\$154.14	\$146.57	\$182.35	\$163.03	\$164.15	\$186.39	\$172.69
State Medical	136.90	173.38	140.01	168.21	157.46	150.77	174.67	166.06
Local Drugs	30.56	47.88	36.24	43.99	54.73	52.40	56.91	60.42
State Drugs	34.08	53.91	42.71	47.07	58.37	60.27	64.05	66.37
Total	\$361.04	\$429.31	\$365.53	\$441.62	\$433.59	\$427.59	\$482.03	\$465.55
Change From Prior Year - Month to Month Analysis								
Local Medical	37.4%	-2.4%	3.6%	10.8%	8.3%	-8.9%	5.3%	6.6%
State Medical	7.7%	14.6%	7.2%	19.8%	1.2%	3.9%	7.4%	12.9%
Local Drugs	24.0%	-10.7%	-34.7%	-27.0%	-11.2%	-20.3%	-12.5%	1.8%
State Drugs	14.9%	-6.1%	-29.4%	-25.9%	-7.5%	-12.4%	-6.4%	6.6%
Total	21.3%	2.2%	-5.8%	3.0%	0.6%	-7.0%	1.9%	8.1%
Change From Prior Year - Quarter to Quarter Analysis								
Local Medical			10.8%			2.9%		
State Medical			10.1%			8.0%		
Local Drugs			-14.3%			-19.5%		
State Drugs			-11.4%			-15.2%		
Total			4.5%			-1.3%		
Change From Prior Year - Year to Year Analysis								
Local Medical			15.0%			9.9%		
State Medical			5.5%			6.6%		
Local Drugs			7.9%			-3.1%		
State Drugs			3.8%			-3.5%		
Total			8.9%			5.0%		