



CCRC

Actuaries, LLC

STATE OF WEST VIRGINIA



RETIREE HEALTH BENEFIT TRUST FUND

**Fiscal Year 2009
Financial Report**

Fiscal Years 2009-2014

February 2010



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Finance Board
West Virginia Retiree Health Benefit Trust Fund
601 57th St., SE, Suite 2
Charleston, West Virginia 25304-2345

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”).

During the 2006 Regular Session of the West Virginia Legislature, House Bill 4654 was enacted creating the West Virginia Retiree Health Benefit Trust Fund (“Trust Fund” or “RHBT”) for the purpose of providing for and administering retiree post-employment health care benefits, and the respective revenues and costs of those benefits as a cost sharing multiple employer plan. The Public Employees Insurance Agency (“PEIA”), on behalf of the Public Employees Insurance Agency Finance Board (“Board”), is responsible for the day-to-day operation of the Trust Fund, including all administrative functions.

Statutory provisions governing the Trust Fund require the actuary retained by the PEIA to provide technical advice regarding the operation of the Trust Fund. Using the actuarial assumptions most recently adopted by the Board, the actuary is required to develop actuarial valuations of normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for the West Virginia plan for other post-employment benefits including health insurance. Consequently, the Board has requested CCRC Actuaries to prepare a report separating the actuarial projections for the Trust Fund from the PEIA forecast report. The West Virginia Retiree Health Benefit Trust Fund has assumed the financial liabilities of the retiree programs previously under the PEIA effective July 1, 2007.

The provisions of the Code of West Virginia 1931 (“Code”), as amended, charge the Board with the responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all estimated program and administrative costs of the RHBT, including incurred but unreported claims, for the fiscal year for which the plan is proposed. CCRC Actuaries has been retained by the RHBT 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 the plan through FY 2014. The analysis is to be prepared on an accrued and incurred reporting basis for a projection period not to exceed five years.

The Code provisions also require the Board to establish and maintain a reserve fund for PEIA for the purposes of offsetting unanticipated claim losses in any fiscal year. Beginning with the Fiscal Year 2002 plan and for each succeeding fiscal year plan, the Board shall transfer ten percent of the projected total plan costs for that year into the reserve fund, which is to be certified by the actuary and included in the final, approved financial plan submitted to the Governor and Legislature in accordance with the provisions of the Code. Any moneys saved in a plan year shall be transferred into the reserve fund. At the close of any fiscal year in which the balance in the reserve fund exceeds the recommended reserve amount by fifteen percent, these excess funds shall be transferred to the West Virginia Retiree Health Benefit Trust Fund.

CCRC Actuaries has provided preliminary forecasts for the Trust Fund for fiscal years ending June 30, 2009 (“FY 2009”), June 30, 2010 (“FY 2010”), June 30, 2011 (“FY 2011”), June 30, 2012 (“FY 2012”), June 30, 2013 (“FY 2013”) and June 30, 2014 (“FY 2014”). This opinion of plan adequacy is based on the projections through FY 2014 using updated future revenue and plan modifications provided by the Board in the plan adopted in December 2008.

Effective July 1, 2007, RHBT has contracted with Coventry Advantra Freedom to provide Medicare Advantage/Prescription Drug Plan (“MAPD”) Benefits to Medicare-eligible retired employees and dependents. Under this arrangement, Coventry Advantra Freedom has assumed the financial risk of providing comprehensive medical and prescription drug coverage with limited copayments. Accordingly, this report assumes that the Trust Fund will not continue to participate in the Retiree Drug Subsidy (“RDS”) program under CMS Medicare Part D, the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, after Fiscal Year 2007.

Effective January 1, 2010, RHBT will contract with Humana and Coventry to provide Medicare Advantage/Prescription Drug Plan (“MAPD”) Benefits to Medicare-eligible retired employees and dependents. Under this arrangement, Humana and Coventry will assume the financial risk of providing comprehensive medical and prescription drug coverage with limited copayments.

Current Medicare coverages were transferred from a self-insured secondary basis by RHBT to MAPD. However, it should be noted that new Medicare eligible retirees, who became Medicare eligible during the plan year, which ends each June, 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. In addition to newly eligible Medicare retirees, RHBT will continue to provide coverage under the original self-insured secondary basis for those Medicare retirees with access issues to the Humana and Coventry program. The projection of the Trust assumes that there will be no MAPD savings beginning in FY 2012.

The Medicaid / RHBT Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide RHBT with hospital charge savings through discounts for all retiree non-Medicare coverages. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2010 and subsequently. We are assuming that the Bill will continue throughout the forecast and RHBT will not receive any future direct transfers in lieu of the savings resulting from the Bill.

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 RHBT, 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.

Since the adoption of the financial plan in December 2008, RHBT has experienced favorable claim expense. In the circumstances, and subject to the conditions described herein, based on our review, we believe the financial plan approved by the Board for FY 2009 through FY 2014 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of the Trust Fund.

This conclusion is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2014 as approved by the Board in December 2008.

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 and changes of the framework of MAPD and other managed care options impacting Non-Medicare retirees, as are contemplated in the Board's proposed plan, increase the level of uncertainty of such estimates. As such, the estimate costs of insurance program contain considerable uncertainty and variability and actual experience may not conform to the assumptions utilized in this report.

Respectfully,



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



Bradley Paulis
Reviewing Partner

West Virginia Retiree Health Benefit Trust Fund

Report of Independent Actuary

Financial Plan for FY 2009 – FY 2014

OVERVIEW

This report analyzes revenues and expenses related to funding the health insurance benefits of retired employees of the State of West Virginia 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 RHBT's third party administrators through December 2009 for prescription drugs and medical claims. Enrollment data, administrative expenses, managed care capitations, and plan revenues were provided at special request from RHBT. 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 Board meetings, which has been used in arriving at our conclusions.

The Code of West Virginia establishes the actuarial reporting requirements for the Trust Fund 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 Trust Fund. The Trust Fund represents all state and local agency retirees and their survivors. The Trust Fund has been allocated the anticipated administrative costs incurred by RHBT for retiree coverages.

KEY ASSUMPTIONS

A. Enrollment Changes

The Board has requested that the projection assume retiree enrollment growth consistent with the experience of the plan. These projections assume that the Trust Fund will annually have 1,000 additional retirees. We have recently observed a net increase of 722 retirees from June 2008 to June 2009, approximating our current assumption. CCRC Actuaries has updated the claims analysis based on the enrollment through December 2009.

In aggregate, December 2009 enrollment has increased by 726 coverages since the end of FY 2009. Aggregate Preferred Provider Benefit (“PPB”) enrollment has increased by 721 in total over the same period, while managed care enrollment continues to cover fewer participants, with a slight increase of 5 coverage.

The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2008, June 2009 and December 2009 for purposes of comparison:

Trust Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-08	Jun-09	Dec-09	Jun-08	Jun-09	Dec-09
Retirees	Medicare Single	15,878	16,090	16,219	5	11	13
	<u>Medicare Family</u>	<u>10,622</u>	<u>10,842</u>	<u>11,037</u>	<u>1</u>	<u>9</u>	<u>14</u>
	Medicare Total	26,500	26,932	27,256	6	20	27
	Non Medicare Single	3,168	3,247	3,399	210	222	226
	<u>Non Medicare Family</u>	<u>3,795</u>	<u>3,969</u>	<u>4,214</u>	<u>191</u>	<u>202</u>	<u>196</u>
	Non Medicare Total	6,963	7,216	7,613	401	424	422
	Retiree Total	33,463	34,148	34,869	407	444	449
	Grand Total				33,870	34,592	35,318

B. Changes in Claim Backlog

Detail of the medical claim backlog is presented in the PEIA report titled “PEIA Fiscal Year 2009 Financial Report – Fiscal Years 2009 – 2014.”

C. Trend Analysis

CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2009”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2010 Non-Medicare medical claim trend to 6.0%. Additionally, due to PEIA’s favorable prescription drug experience, we have reduced our trend assumption for all prescription drugs coverage to 11.0% in FY 2010.

The current projection assumes the trends on the following table:

Claim Type	Previous Assumption FY 2010 Trend	Updated Assumption FY 2010 Trend
Non-Medicare – Medical	7.5%	6.0%
Medicare – Medical	7.5%	6.0%
Non-Medicare – Drugs	12.5%	11.0%
Medicare – Drugs	12.5%	11.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2011. 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 December 2009. 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 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 Trust Fund Historical Trends (Retirees)

Fiscal Year	Non-Medicare Medical	Medicare Medical	Non-Medicare Drugs	Medicare Drugs	Total
2003	-18%	3%	0%	11%	0%
2004	0%	10%	-2%	3%	5%
2005	-2%	6%	1%	16%	8%
2006	5%	6%	17%	11%	9%
2007	1%	6%	6%	6%	5%
2008	6%	N/A	-10%	N/A	N/A
2009	-1%	N/A	4%	N/A	N/A
2010*	-1%	N/A	1%	N/A	N/A

* Fiscal Year 2010 results are through the first six months.

RHBT has contracted with Coventry Advantra Freedom and RHBT will contract with Humana and Coventry to provide MAPD Benefits to Medicare-eligible retired employees and dependents. Under this arrangement, Humana and Coventry has assumed the financial risk of providing comprehensive medical and prescription drug coverage with limited copayments. As a result, Fiscal Year 2008 through 2010 Medicare trends are non-credible.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using aggregate PEIA and Trust Fund paid claim data through December 2009 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the Trust 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 reporting of FY 2009 and the projection of FY 2010 revenue and expenses are summarized in the following charts. It should be noted that the chart reflects per policy information.

Fiscal Year 2009 Results			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
Retiree	Medicare Humana and Coventry	26,841					\$ 165
	<u>Non-Medicare</u>	<u>7,336</u>			\$ 607	\$ 234	
	Total	34,177	\$ -	\$ 147			
	<u>Non-Medicare Managed Care</u>	<u>423</u>	\$ -	\$ 529			\$ 1,069
	Total	34,600					

Fiscal Year 2010 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
Retiree	Medicare Humana and Coventry	27,276					\$ 227
	<u>Non-Medicare</u>	<u>7,683</u>			\$ 642	\$ 259	
	Total	34,959	\$ -	\$ 150			
	<u>Non-Medicare Managed Care</u>	<u>421</u>	\$ -	\$ 556			\$ 1,219
	Total	35,380					

Projected plan revenues and administrative expenses were provided by RHBT. The following chart summarizes the Financial Plan adopted by the Board in December 2008. Non-Medicare retirees premium will be increased by approximately \$2.7 million in Fiscal Year 2010, while Medicare retirees premium will not receive an increase.

Board Decisions – December 2008

Source	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Additional Retiree Premiums	\$0	\$2,694,586	\$10,900,000	\$8,100,000	\$8,200,000	\$11,400,000
Debt Reduction Fund	\$13,700,000	\$0	\$0	\$0	\$0	\$0
Mandatory Transfer From General Revenue	\$77,330,000	\$0	\$0	\$0	\$0	\$0
Pay Go Premium Transfer	\$144,107,174	\$123,265,857	\$145,671,197	\$172,384,997	\$193,599,816	\$219,522,230
*Actuarial Accrued Liability	\$7,080,000,000	\$7,854,000,000	\$8,704,000,000	\$9,643,000,000	\$10,682,000,000	\$11,835,000,000
Funded Status	5.6%	5.3%	5.1%	4.9%	4.9%	5.1%

*Projected Result

Future fiscal year State revenue increases will require legislative appropriation. Additional retiree premiums represent premiums paid by retirees either directly or through sick and annual leave conversion credits. Additionally, RHBT management has assumed that the Retiree Premium Assistance Program will grow as a direct result from the required retiree premium increases in the financial plan. The program's cost is currently projected to grow from approximately \$1.3 million in FY 2009 to approximately \$1.9 million in FY 2014, based on the Board's direction and projected retiree enrollment growth in the financial plan.

It should be noted that we have adjusted the Pay Go premium transfers in FY 2010 and later years to cover the investment losses for RHBT. FY 2009 Pay Go premiums have been reduced by approximately 16% in FY 2010. In future years, the Pay Go premium will continue to increase each year based on retiree subsidy for FY 2011 through FY 2014.

E. Provider Reimbursement Changes

Effective July 1, 2007, RHBT has contracted with Coventry Advantra Freedom to provide Medicare Advantage/Prescription Drug Plan (“MAPD”) Benefits to Medicare-eligible retired employees and dependents. Under this arrangement, Coventry Advantra Freedom has assumed the financial risk of providing comprehensive medical and prescription drug coverage with limited copayments. Accordingly, this report assumes that the Trust Fund will not continue to participate in the Retiree Drug Subsidy (“RDS”) program under CMS Medicare Part D, the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, after Fiscal Year 2007.

Effective January 1, 2010, RHBT will contract with Humana and Coventry to provide Medicare Advantage/Prescription Drug Plan (“MAPD”) Benefits to Medicare-eligible retired employees and dependents. Under this arrangement, Humana and Coventry will assume the financial risk of providing comprehensive medical and prescription drug coverage with limited copayments.

FISCAL YEAR 2009 FINANCIAL RESULT

The financial result for FY 2009 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2009, projects accrued revenue of \$304,457,755 and incurred plan expenses of \$161,861,205 to produce a fiscal year surplus of \$142,596,550.

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 \$218,630,479 and incurred plan expenses of \$199,510,892 to produce a fiscal year surplus of \$19,119,587.

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 \$254,184,444 and incurred plan expenses of \$224,725,740 to produce a fiscal year surplus of \$29,458,704.

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 \$291,869,177 and incurred plan expenses of \$261,555,142 to produce a fiscal year surplus of \$30,314,035.

FISCAL YEAR 2013 FORECAST

The financial forecast for FY 2013 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2013, projects accrued revenue of \$336,128,048 and incurred plan expenses of \$293,319,753 to produce a fiscal year surplus of \$42,808,295.

FISCAL YEAR 2014 FORECAST

The financial forecast for FY 2014 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2014, projects accrued revenue of \$415,414,094 and incurred plan expenses of \$330,268,891 to produce a fiscal year surplus of \$85,145,203.

LITIGATION

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

SUMMARY

It should be noted that the aggregate PEIA and Trust Fund reserves will meet or exceed the 10% of program expense requirement under the Baseline Scenario assumptions. With projected changes to the plan as adopted in the Board, we are forecasting that the plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2014. These projections are based on significant MAPD savings effective in FY 2009 and significant revenue increases projected by RHBT 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 Medicare and Medicaid reform. On the national level, it would not be surprising to see significant changes in the MAPD program, which will impact Trust Fund financial projections. 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

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL REPORT FISCAL YEAR 2009

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 19,672,031
State Agencies Employers - Pay Go Premiums	99,886,028
State Agencies Employees - Pay Go Premiums	24,549,115
Retiree Premiums - PPB	60,238,467
Retiree Premiums - MCO	2,683,219
Debt Reduction Fund	13,700,000
Mandatory Transfer from General Revenue	30,730,000
Mandatory Transfer from Excess Lottery	46,600,000
Non Par Premiums	3,259,591
Investment Income	3,139,304
Total Revenue	\$ 304,457,755
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 53,416,262
Non-Medicare Prescription Drug Claims	20,556,120
Medicare Medical Claims	3,697,870
Medicare Prescription Drug Claims	3,664,280
Non-Medicare Managed Care Capitations	5,425,340
MAPD Capitations	70,521,417
Administration	3,313,174
Retiree Assistance Program	1,266,742
Director's Discretionary Fund	-
Total Expenses	\$ 161,861,205
Fiscal Year Results	\$ 142,596,550
Beginning Plan Reserve	254,817,736
Ending Plan Reserve	\$ 397,414,286
Accrued Actuarial Liability (AAL)	\$ 7,080,000,000
Funded Status	5.6%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 166.19	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	7.0%	12.0%
		Medicare	7.0%	12.0%
		Capitations		18.4%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.0%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2010

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 18,671,390
State Agencies Employers - Pay Go Premiums	83,630,455
State Agencies Employees - Pay Go Premiums	20,964,012
Retiree Premiums - PPB	63,024,548
Retiree Premiums - MCO	2,806,482
Non Par Premiums	3,192,284
Investment Income	26,341,308
Total Revenue	\$ 218,630,479
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 59,232,369
Non-Medicare Prescription Drug Claims	23,859,927
Medicare Medical Claims	3,739,537
Medicare Prescription Drug Claims	3,879,525
Non-Medicare Managed Care Capitations	6,157,761
MAPD Capitations	97,479,598
Administration	3,478,833
Retiree Assistance Program	1,368,081
Director's Discretionary Fund	315,261
Total Expenses	\$ 199,510,892
Fiscal Year Results	\$ 19,119,587
Beginning Plan Reserve	397,414,286
Ending Plan Reserve	\$ 416,533,873
Accrued Actuarial Liability (AAL)	\$ 7,854,000,000
Funded Status	5.3%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 139.69	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 2,694,586	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	6.0%	11.0%
		Medicare	6.0%	11.0%
		Capitations		13.5%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		-15.9%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST

FINANCIAL FORECAST

FISCAL YEAR 2011

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 22,065,183
State Agencies Employers - Pay Go Premiums	98,838,787
State Agencies Employees - Pay Go Premiums	24,767,227
Retiree Premiums - PPB	74,002,374
Retiree Premiums - MCO	3,295,403
Non Par Premiums	3,575,358
Investment Income	27,640,112
Total Revenue	\$ 254,184,444
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 66,981,287
Non-Medicare Prescription Drug Claims	28,382,810
Medicare Medical Claims	3,820,315
Medicare Prescription Drug Claims	4,153,600
Non-Medicare Managed Care Capitations	6,650,382
MAPD Capitations	109,275,135
Administration	3,652,774
Retiree Assistance Program	1,477,528
Director's Discretionary Fund	331,909
Total Expenses	\$ 224,725,740
Fiscal Year Results	\$ 29,458,704
Beginning Plan Reserve	416,533,873
Ending Plan Reserve	\$ 445,992,577
Accrued Actuarial Liability (AAL)	\$ 8,704,000,000
Funded Status	5.1%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 165.08	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 10,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	6.5%	11.5%
		Medicare	6.5%	11.5%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		18.2%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2012

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 26,111,590
State Agencies Employers - Pay Go Premiums	116,961,292
State Agencies Employees - Pay Go Premiums	29,312,115
Retiree Premiums - PPB	82,202,083
Retiree Premiums - MCO	3,660,573
Non Par Premiums	4,004,401
Investment Income	29,617,123
Total Revenue	\$ 291,869,177
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 75,775,293
Non-Medicare Prescription Drug Claims	33,753,065
Medicare Medical Claims	50,522,630
Medicare Prescription Drug Claims	85,541,399
Non-Medicare Managed Care Capitations	7,182,412
MAPD Capitations	-
Administration	6,835,413
Retiree Assistance Program	1,595,730
Director's Discretionary Fund	349,200
Total Expenses	\$ 261,555,142
Fiscal Year Results	\$ 30,314,035
Beginning Plan Reserve	445,992,577
Ending Plan Reserve	\$ 476,306,613
Accrued Actuarial Liability (AAL)	\$ 9,643,000,000
Funded Status	4.9%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 195.35	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 8,100,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	7.0%	12.0%
		Medicare	7.0%	12.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		18.3%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2013

PERIOD 7/1/2012 - 6/30/2013

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 29,325,052
State Agencies Employers - Pay Go Premiums	131,361,109
State Agencies Employees - Pay Go Premiums	32,913,655
Retiree Premiums - PPB	90,511,396
Retiree Premiums - MCO	4,030,619
Non Par Premiums	4,484,929
Investment Income	31,656,572
Total Revenue	\$ 336,128,048
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 85,853,606
Non-Medicare Prescription Drug Claims	40,173,464
Medicare Medical Claims	54,208,374
Medicare Prescription Drug Claims	96,060,492
Non-Medicare Managed Care Capitations	7,757,005
MAPD Capitations	-
Administration	7,177,184
Retiree Assistance Program	1,723,389
Director's Discretionary Fund	366,239
Total Expenses	\$ 293,319,753
Fiscal Year Results	\$ 42,808,295
Beginning Plan Reserve	476,306,613
Ending Plan Reserve	\$ 519,114,908
Accrued Actuarial Liability (AAL)	\$ 10,682,000,000
Funded Status	4.9%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 219.40	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 8,200,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	7.5%	12.5%
		Medicare	7.5%	12.5%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		12.3%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST

FINANCIAL FORECAST

FISCAL YEAR 2014

PERIOD 7/1/2013 - 6/30/2014

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 33,251,585
State Agencies Employers - Pay Go Premiums	148,948,570
State Agencies Employees - Pay Go Premiums	37,322,075
Retiree Premiums - PPB	102,009,472
Retiree Premiums - MCO	4,542,697
Non Par Premiums	5,023,121
Investment Income	34,515,742
Total Revenue	\$ 415,414,094
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 97,449,404
Non-Medicare Prescription Drug Claims	47,873,840
Medicare Medical Claims	58,434,146
Medicare Prescription Drug Claims	108,353,601
Non-Medicare Managed Care Capitations	8,377,565
MAPD Capitations	-
Administration	7,536,043
Retiree Assistance Program	1,861,260
Director's Discretionary Fund	383,032
Total Expenses	\$ 330,268,891
Fiscal Year Results	\$ 85,145,203
Beginning Plan Reserve	519,114,908
Ending Plan Reserve	\$ 604,260,111
Accrued Actuarial Liability (AAL)	\$ 11,835,000,000
Funded Status	5.1%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 248.77	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 11,400,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	8.0%	13.0%
		Medicare	8.0%	13.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		13.4%

Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2008 to FY 2010

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>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>
NonMed_NonDrug	16,517	17,132	17,058	17,191	17,185	17,061	17,040	17,025	17,009	17,582	17,456	17,210
Med_NonDrug	31,992	31,988	32,095	32,135	32,069	32,147	32,252	32,193	32,135	35,090	35,073	35,210
NonMed_Drug	15,304	15,874	15,805	15,928	15,920	15,807	15,785	15,770	15,755	16,301	16,186	15,957
Med_Drug	33,322	33,320	33,431	33,475	33,407	33,490	33,603	33,543	33,482	36,463	36,447	36,591

	<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>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>
NonMed_NonDrug	\$185.47	\$214.59	\$179.59	\$247.78	\$205.39	\$205.82	\$264.21	\$249.53	\$258.81	\$251.82	\$256.94	\$252.67
Med_NonDrug	0.38	0.95	0.74	1.13	2.05	2.24	3.44	3.88	4.72	5.11	5.84	5.23
NonMed_Drug	66.83	94.88	71.39	78.29	98.38	97.68	110.72	101.28	105.25	100.65	101.36	111.58
Med_Drug	<u>14.55</u>	<u>0.98</u>	<u>1.52</u>	<u>1.25</u>	<u>2.26</u>	<u>3.44</u>	<u>5.14</u>	<u>5.36</u>	<u>7.65</u>	<u>7.46</u>	<u>8.65</u>	<u>9.64</u>
Total	\$267.24	\$311.40	\$253.25	\$328.46	\$308.09	\$309.19	\$383.50	\$360.05	\$376.43	\$365.04	\$372.79	\$379.12

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	5.0%	0.3%	-2.7%	24.5%	0.1%	-12.1%	6.1%	21.2%	14.2%	4.3%	7.3%	7.1%
Med_NonDrug	-99.7%	-99.2%	-99.4%	-99.1%	-98.3%	-98.2%	-97.9%	-96.9%	-96.7%	-96.2%	-95.7%	-95.9%
NonMed_Drug	20.4%	-7.8%	-32.5%	-28.3%	-10.1%	-18.4%	-2.2%	0.5%	-8.2%	-7.8%	-10.0%	3.3%
Med_Drug	<u>-85.5%</u>	<u>-99.5%</u>	<u>-99.2%</u>	<u>-99.4%</u>	<u>-98.8%</u>	<u>-98.4%</u>	<u>-97.5%</u>	<u>-97.1%</u>	<u>-96.3%</u>	<u>-96.3%</u>	<u>-95.8%</u>	<u>-95.7%</u>
Total	-39.5%	-50.7%	-57.2%	-47.8%	-50.9%	-55.2%	-47.7%	-41.5%	-45.7%	-46.6%	-46.4%	-45.7%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug		0.8%				3.2%			13.4%			6.2%
Med_NonDrug			-99.4%			-98.5%			-97.2%			-95.9%
NonMed_Drug			-11.8%			-18.9%			-3.4%			-4.9%
Med_Drug			<u>-96.4%</u>			<u>-98.8%</u>			<u>-96.9%</u>			<u>-95.9%</u>
Total			-50.0%			-51.4%			-45.1%			-46.2%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			3.5%			3.6%			6.7%			6.1%
Med_NonDrug			-19.0%			-44.2%			-72.7%			-97.7%
NonMed_Drug			0.7%			-7.0%			-9.1%			-9.7%
Med_Drug			<u>-15.3%</u>			<u>-43.9%</u>			<u>-70.2%</u>			<u>-97.1%</u>
Total			-7.0%			-21.8%			-34.7%			-48.1%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2008 to FY 2010**

Fiscal Year 2009

Exposure

	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
NonMed_NonDrug	17,556	18,378	18,417	18,315	18,328	18,427	18,412	18,412	18,272	18,108	18,057	17,932
Med_NonDrug	35,424	35,489	35,569	35,642	35,667	35,728	35,747	35,783	35,795	35,806	35,813	35,822
NonMed_Drug	16,273	17,038	17,071	16,977	16,989	17,081	17,066	17,069	16,940	16,788	16,739	16,623
Med_Drug	36,812	36,882	36,966	37,042	37,069	37,133	37,152	37,191	37,206	37,216	37,223	37,232

	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
NonMed_NonDrug	\$199.28	\$205.82	\$215.05	\$215.68	\$197.50	\$196.21	\$246.60	\$233.76	\$267.39	\$252.29	\$242.14	\$264.01
Med_NonDrug	3.40	4.13	6.09	7.23	6.37	8.69	10.42	10.35	14.07	11.55	9.65	10.35
NonMed_Drug	71.51	88.81	94.77	104.63	94.96	104.88	104.52	94.91	107.27	103.33	101.77	117.43
Med_Drug	<u>2.68</u>	<u>3.26</u>	<u>5.10</u>	<u>5.82</u>	<u>6.07</u>	<u>8.52</u>	<u>8.71</u>	<u>8.88</u>	<u>11.26</u>	<u>11.08</u>	<u>12.34</u>	<u>14.97</u>
Total	\$276.87	\$302.02	\$321.02	\$333.36	\$304.89	\$318.31	\$370.24	\$347.90	\$399.98	\$378.26	\$365.90	\$406.76

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	7.4%	-4.1%	19.7%	-13.0%	-3.8%	-4.7%	-6.7%	-6.3%	3.3%	0.2%	-5.8%	4.5%
Med_NonDrug	792.4%	337.0%	720.7%	536.8%	210.2%	287.6%	202.9%	166.7%	197.9%	126.2%	65.2%	97.8%
NonMed_Drug	7.0%	-6.4%	32.7%	33.7%	-3.5%	7.4%	-5.6%	-6.3%	1.9%	2.7%	0.4%	5.2%
Med_Drug	<u>-81.6%</u>	<u>232.1%</u>	<u>234.7%</u>	<u>365.7%</u>	<u>168.0%</u>	<u>147.5%</u>	<u>69.6%</u>	<u>65.8%</u>	<u>47.2%</u>	<u>48.6%</u>	<u>42.7%</u>	<u>55.3%</u>
Total	3.6%	-3.0%	26.8%	1.5%	-1.0%	2.9%	-3.5%	-3.4%	6.3%	3.6%	-1.8%	7.3%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug	7.0%					-7.5%			-3.2%			-0.4%
Med_NonDrug			558.6%			310.4%			189.3%			95.0%
NonMed_Drug			9.4%			11.0%			-3.3%			2.9%
Med_Drug			<u>-35.3%</u>			<u>193.4%</u>			<u>59.0%</u>			<u>49.1%</u>
Total			8.2%			1.1%			-0.2%			3.0%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug	7.5%					4.8%			0.4%			-1.3%
Med_NonDrug			-96.1%			-92.4%			-79.2%			186.4%
NonMed_Drug			-5.6%			2.1%			2.2%			4.4%
Med_Drug			<u>-96.7%</u>			<u>-94.0%</u>			<u>-87.3%</u>			<u>45.3%</u>
Total			-40.8%			-30.6%			-17.8%			2.8%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2008 to FY 2010**

Fiscal Year 2010

Exposure

	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>
NonMed_NonDrug	18,470	19,167	19,133	18,994	19,016	18,991
Med_NonDrug	35,963	36,042	36,164	36,207	36,249	36,306
NonMed_Drug	17,122	17,761	17,731	17,606	17,625	17,600
Med_Drug	37,379	37,464	37,593	37,639	37,682	37,741

	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>
NonMed_NonDrug	\$221.79	\$186.25	\$201.92	\$211.00	\$182.80	\$235.72
Med_NonDrug	5.42	5.38	3.74	2.61	6.67	8.54
NonMed_Drug	74.67	91.70	100.69	102.39	99.74	106.36
Med_Drug	<u>3.02</u>	<u>4.60</u>	<u>6.01</u>	<u>6.86</u>	<u>6.73</u>	<u>8.82</u>
Total	\$304.91	\$287.93	\$312.36	\$322.86	\$295.94	\$359.44

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	11.3%	-9.5%	-6.1%	-2.2%	-7.4%	20.1%
Med_NonDrug	59.5%	30.1%	-38.6%	-63.9%	4.8%	-1.8%
NonMed_Drug	4.4%	3.3%	6.2%	-2.1%	5.0%	1.4%
Med_Drug	<u>12.7%</u>	<u>41.0%</u>	<u>17.8%</u>	<u>17.9%</u>	<u>10.9%</u>	<u>3.6%</u>
Total	10.1%	-4.7%	-2.7%	-3.2%	-2.9%	12.9%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug	-1.6%	3.3%
Med_NonDrug	6.7%	-20.0%
NonMed_Drug	4.7%	1.3%
Med_Drug	<u>23.4%</u>	<u>9.9%</u>
Total	0.6%	2.3%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug	-3.1%	-0.6%
Med_NonDrug	118.3%	54.0%
NonMed_Drug	3.5%	1.2%
Med_Drug	<u>63.6%</u>	<u>37.1%</u>
Total	1.2%	1.4%