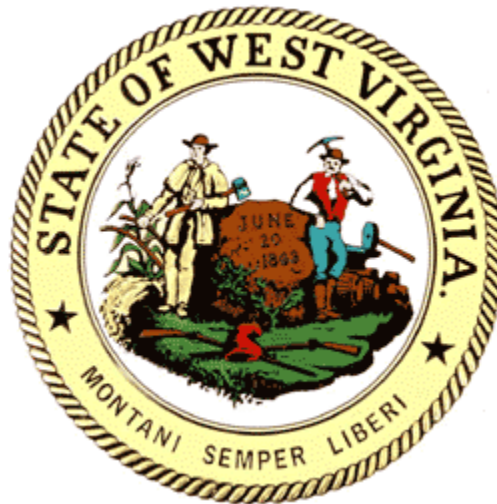




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



RETIREE HEALTH BENEFIT TRUST FUND

**Quarterly Report
December 31, 2007**

Fiscal Years 2008-2012

May 2008



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Finance Board
West Virginia Retiree Health Benefit Trust Fund
State Capitol Complex
Building 5, Room 1001
1900 Kanawha Boulevard, East
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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”).

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”) 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 will assume the financial liabilities of the retiree programs currently under the PEIA effective July 1, 2007.

The provisions of the Code of West Virginia (“Code”), 1931, 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 PEIA, including incurred but unreported claims, for the fiscal year for which the plan is proposed. CCRC Actuaries has been retained by the PEIA 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 2012. 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. Additionally, during the 2007 Regular Session, the West Virginia Legislature enacted House Bill 2007 (“HB 2007”) requiring an appropriation of \$39,674,000 to the Other Post Employment Benefit (“OPEB”) Contribution Accumulation Fund in FY 2008. It should be noted that \$30,730,000 from the General Revenue Fund and \$46,600,000 from the Excess Lottery Revenue Fund will be transferred to the OPEB Contribution Accumulation Fund in FY 2009. A transfer from the Debt Reduction Fund Revenue is assumed into the OPEB Contribution Accumulation Fund of \$5,800,000 in FY 2008, and then \$13,700,000 in FY 2009 and thereafter.

In accordance with the Code provisions, in FY 2008, PEIA is projected to transfer excess reserves to the Trust Fund in the amount of \$27,679,595 and \$80,487,422 for FY 2006 and FY 2007, respectively.

CCRC Actuaries has provided preliminary forecasts for the Trust Fund for 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”). This 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 plan adopted in December 2007.

Effective July 1, 2007, PEIA 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.

Current Medicare coverages were transferred from a self-insured secondary basis by PEIA to 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. In addition to newly eligible Medicare retirees, PEIA will continue to provide coverage under the original self-insured secondary basis for those Medicare retirees with access issues to the Coventry Advantra Freedom program.

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 retiree 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.

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.

Since the adoption of the financial plan in December 2007, PEIA 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 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 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 2012 as approved by the Board in December 2007.

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 2008 – FY 2012

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 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 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 PEIA 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. While we have recently observed a net increase of 1,018 retirees from June 2006 to June 2007, we note that from June 2005 through June 2007, the average annual increase in retirees was 1,006, approximating our current assumption.

In aggregate, March 2008 enrollment has decreased by 422 coverages since the end of FY 2007. Aggregate Preferred Provider Benefit (“PPB”) enrollment has decreased by 419 in total over the same period, while managed care enrollment continues to cover fewer participants, with a slight decrease of 3 coverages.

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:

Trust Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-06	Jun-07	Mar-08	Jun-06	Jun-07	Mar-08
Retirees	Medicare Single	16,007	16,273	15,584	-	-	-
	Medicare Family	9,385	9,636	9,623	-	-	-
	Medicare Total	25,392	25,909	25,207	-	-	-
	Non Medicare Single	2,914	3,120	3,191	191	214	214
	Non Medicare Family	4,234	4,491	4,703	181	196	193
	Non Medicare Total	7,148	7,611	7,894	372	410	407
	Retiree Total	32,540	33,520	33,101	372	410	407
	Grand Total				32,912	33,930	33,508

B. Changes in Claim Backlog

Detail of the medical claim backlog is presented in the PEIA report titled “PEIA Quarterly Report December 31, 2007”.

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 in aggregate for both PEIA and Trust Fund experience by medical and prescription drugs category and whether the PEIA, the Trust Fund or Medicare was primary. Based on the analysis, we have retained the FY 2008 Non-Medicare medical claim trend to 6.0%, and the FY 2008 Medicare medical claim trend at 6.0%. Based on Trust Fund’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 on the following table:

Claim Type	Previous Assumption FY 2008 Trend	Current Assumption FY 2008 Trend
Non-Medicare – Medical	6.0%	6.0%
Medicare – Medical	6.0%	6.0%
Non-Medicare – Drugs	12.0%	12.0%
Medicare – 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 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*	4%	N/A	-5%	N/A	N/A

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

PEIA has contracted with Coventry Advantra Freedom to provide 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. As a result, Fiscal Year 2008 Medicare trends are non-credible.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using aggregate Trust Fund paid claim data through February 2008 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 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
Retiree	Medicare Coventry Advantra Freedom	25,234					\$ 135
	Non-Medicare	7,936			\$ 489	\$ 208	
	Total	33,170	\$ -	\$ 140			
	Non-Medicare Managed Care	408	\$ -	\$ 495			\$ 922
	Total	33,578					

Projected plan revenues and administrative expenses were provided by PEIA. The following chart summarizes the additional revenues from retirees, Medicare Part D reimbursements and Mandatory Transfer From General Revenue under the West Virginia Legislature enacted House Bill 2007.

Board Decisions – December 2007

Source	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Additional Retiree Premiums	(\$9,200,000)	\$0	\$6,700,000	\$10,900,000	\$11,100,000
Medicare Part D Revenue	\$0	\$0	\$0	\$0	\$0
Debt Reduction Fund	\$5,800,000	\$13,700,000	\$13,700,000	\$13,700,000	\$13,700,000
Mandatory Transfer From General Revenue	\$39,674,000	\$77,330,000	\$0	\$0	\$0

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, PEIA 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 \$2.1 million in FY 2008 to approximately \$2.9 million in FY 2012, based on the Board's direction and projected retiree enrollment growth in the financial plan.

E. Provider Reimbursement Changes

Effective July 1, 2007, PEIA 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.

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 \$386,393,854 and incurred plan expenses of \$143,724,504 to produce a fiscal year surplus of \$242,669,350.

FISCAL YEAR 2009 FORECAST

The financial forecast for FY 2009 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2009, projects accrued revenue of \$310,066,911 and incurred plan expenses of \$166,968,168 to produce a fiscal year surplus of \$143,098,743.

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 \$261,956,297 and incurred plan expenses of \$188,387,707 to produce a fiscal year surplus of \$73,568,590.

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 \$293,565,391 and incurred plan expenses of \$213,155,680 to produce a fiscal year surplus of \$80,409,711.

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 \$327,393,713 and incurred plan expenses of \$241,911,555 to produce a fiscal year surplus of \$85,482,158.

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 2012. These projections are based on significant MAPD savings effective in FY 2008 and 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 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 FORECAST
FISCAL YEAR 2008**

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 17,254,370
State Agencies Employers - Pay Go Premiums	91,527,844
State Agencies Employees - Pay Go Premiums	21,625,749
Retiree Premiums - PPB	55,630,312
Retiree Premiums - MCO	2,424,937
Local Agencies - Initial UAAL OPEB Funding	4,761,728
State Agencies - Initial UAAL OPEB Funding	34,000,000
Debt Reduction Fund	5,800,000
Mandatory Transfer from General Revenue	39,674,000
PEIA Mandatory Transfer to WV RHBT 2007	80,487,422
PEIA Mandatory Transfer to WV RHBT 2006	27,679,595
Non Par Premiums	3,715,594
Investment Income	1,812,303
Total Revenue	\$ 386,393,854
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 46,525,875
Non-Medicare Prescription Drug Claims	19,831,870
Medicare Medical Claims	963,630
Medicare Prescription Drug Claims	2,120,488
Non-Medicare Managed Care Capitations	4,514,573
MAPD Capitations	58,320,000
Administration	9,181,463
Retiree Assistance Program	2,117,772
Director's Discretionary Fund	148,833
Total Expenses	\$ 143,724,504
Fiscal Year Results	\$ 242,669,350
Beginning Plan Reserve	3,166,951
Ending Plan Reserve	\$ 245,836,301

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 151.08	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ (9,200,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	6.0%	12.0%
		Medicare	6.0%	12.0%
		Capitations		5.0%
		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 2009**

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 18,979,808
State Agencies Employers - Pay Go Premiums	100,680,628
State Agencies Employees - Pay Go Premiums	23,788,324
Retiree Premiums - PPB	55,792,657
Retiree Premiums - MCO	2,432,014
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Debt Reduction Fund	13,700,000
Mandatory Transfer from General Revenue	30,730,000
Mandatory Transfer from Excess Lottery	46,600,000
PEIA Mandatory Transfer to WV RHBT 2008	-
Non Par Premiums	4,161,465
Investment Income	13,202,015
Total Revenue	\$ 310,066,911
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 52,901,651
Non-Medicare Prescription Drug Claims	23,944,555
Medicare Medical Claims	1,024,405
Medicare Prescription Drug Claims	2,381,500
Non-Medicare Managed Care Capitations	9,966,030
MAPD Capitations	64,507,466
Administration	9,640,536
Retiree Assistance Program	2,287,194
Director's Discretionary Fund	314,831
Total Expenses	\$ 166,968,168
Fiscal Year Results	\$ 143,098,743
Beginning Plan Reserve	245,836,301
Ending Plan Reserve	\$ 388,935,045

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	6.5%	12.5%
		Medicare	6.5%	12.5%
		Capitations		10.0%
		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	\$ 20,877,788
State Agencies Employers - Pay Go Premiums	110,257,154
State Agencies Employees - Pay Go Premiums	26,658,694
Retiree Premiums - PPB	62,615,332
Retiree Premiums - MCO	2,729,415
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Debt Reduction Fund	13,700,000
Mandatory Transfer from General Revenue	-
Mandatory Transfer from Excess Lottery	-
PEIA Mandatory Transfer to WV RHBT 2009	-
Non Par Premiums	4,660,840
Investment Income	20,457,074
Total Revenue	\$ 261,956,297
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 60,213,066
Non-Medicare Prescription Drug Claims	28,917,742
Medicare Medical Claims	1,094,137
Medicare Prescription Drug Claims	2,686,551
Non-Medicare Managed Care Capitations	10,962,633
MAPD Capitations	71,587,422
Administration	10,122,563
Retiree Assistance Program	2,470,169
Director's Discretionary Fund	333,424
Total Expenses	\$ 188,387,707
Fiscal Year Results	\$ 73,568,590
Beginning Plan Reserve	388,935,045
Ending Plan Reserve	\$ 462,503,635

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 182.81	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 6,700,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	7.0%	13.0%
		Medicare	7.0%	13.0%
		Capitations		10.0%
		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 2011**

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 22,965,567
State Agencies Employers - Pay Go Premiums	121,186,392
State Agencies Employees - Pay Go Premiums	29,421,040
Retiree Premiums - PPB	73,616,647
Retiree Premiums - MCO	3,208,965
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Debt Reduction Fund	13,700,000
Mandatory Transfer from General Revenue	-
Mandatory Transfer from Excess Lottery	-
PEIA Mandatory Transfer to WV RHBT 2010	-
Non Par Premiums	5,220,141
Investment Income	24,246,639
Total Revenue	\$ 293,565,391
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 68,592,057
Non-Medicare Prescription Drug Claims	34,925,038
Medicare Medical Claims	1,174,089
Medicare Prescription Drug Claims	3,044,115
Non-Medicare Managed Care Capitations	12,058,897
MAPD Capitations	79,713,244
Administration	10,628,691
Retiree Assistance Program	2,667,783
Director's Discretionary Fund	351,766
Total Expenses	\$ 213,155,680
Fiscal Year Results	\$ 80,409,711
Beginning Plan Reserve	462,503,635
Ending Plan Reserve	\$ 542,913,346

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 201.09	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 10,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	7.5%	13.5%
		Medicare	7.5%	13.5%
		Capitations		10.0%
		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 2012**

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 25,262,124
State Agencies Employers - Pay Go Premiums	133,219,782
State Agencies Employees - Pay Go Premiums	32,448,395
Retiree Premiums - PPB	84,828,669
Retiree Premiums - MCO	3,697,700
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Debt Reduction Fund	13,700,000
Mandatory Transfer from General Revenue	-
Mandatory Transfer from Excess Lottery	-
PEIA Mandatory Transfer to WV RHBT 2011	-
Non Par Premiums	5,846,558
Investment Income	28,390,485
Total Revenue	\$ 327,393,713
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 78,234,483
Non-Medicare Prescription Drug Claims	42,203,232
Medicare Medical Claims	1,265,755
Medicare Prescription Drug Claims	3,464,494
Non-Medicare Managed Care Capitations	13,264,786
MAPD Capitations	89,067,611
Administration	11,160,126
Retiree Assistance Program	2,881,205
Director's Discretionary Fund	369,863
Total Expenses	\$ 241,911,555
Fiscal Year Results	\$ 85,482,158
Beginning Plan Reserve	542,913,346
Ending Plan Reserve	\$ 628,395,504

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 221.20	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 11,100,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	8.0%	14.0%
		Medicare	8.0%	14.0%
		Capitations		10.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.0%

**Attachment - Trust Fund
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>
NonMed_NonDrug	12,281	12,519	12,636	11,939	11,800	13,119	13,132	13,089	13,172	13,171	13,569	13,366
Med_NonDrug	29,617	29,510	29,369	29,825	29,932	30,087	30,146	30,193	30,217	30,197	31,151	30,560
NonMed_Drug	11,388	11,611	11,722	11,073	10,941	12,155	12,168	12,129	12,203	12,202	12,572	12,382
Med_Drug	30,795	30,683	30,536	31,014	31,125	31,287	31,350	31,400	31,424	31,401	32,398	31,785

	<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>
NonMed_NonDrug	\$175.84	\$165.40	\$208.39	\$253.85	\$199.27	\$217.17	\$213.86	\$215.01	\$241.38	\$187.46	\$210.29	\$222.55
Med_NonDrug	96.46	94.43	102.25	106.45	92.90	100.40	137.17	113.01	129.09	116.90	107.12	113.57
NonMed_Drug	56.39	76.22	81.46	93.40	86.51	115.68	85.05	81.85	90.92	87.63	77.21	81.84
Med_Drug	<u>80.56</u>	<u>136.99</u>	<u>115.91</u>	<u>154.85</u>	<u>141.87</u>	<u>206.25</u>	<u>156.84</u>	<u>145.44</u>	<u>165.67</u>	<u>160.01</u>	<u>138.69</u>	<u>97.30</u>
Total	\$409.25	\$473.04	\$508.02	\$608.54	\$520.54	\$639.49	\$592.92	\$555.31	\$627.05	\$552.00	\$533.31	\$515.26

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	6.5%	-12.1%	10.6%	15.2%	-11.0%	23.8%	-13.0%	7.7%	1.1%	3.0%	-15.1%	-1.4%
Med_NonDrug	5.7%	4.4%	14.0%	11.1%	2.7%	11.1%	13.3%	19.3%	17.0%	12.6%	-0.2%	10.7%
NonMed_Drug	-4.3%	-10.1%	-2.5%	2.8%	0.7%	26.4%	-6.1%	2.4%	1.3%	9.8%	-19.4%	-17.8%
Med_Drug	<u>-14.0%</u>	<u>4.8%</u>	<u>-10.8%</u>	<u>10.4%</u>	<u>5.0%</u>	<u>40.5%</u>	<u>8.3%</u>	<u>10.9%</u>	<u>14.7%</u>	<u>15.5%</u>	<u>-10.2%</u>	<u>-39.2%</u>
Total	0.0%	-4.3%	3.3%	11.2%	-2.8%	26.8%	-1.5%	9.9%	7.5%	9.5%	-11.9%	-12.3%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug			1.5%			8.2%			-2.0%			-5.4%
Med_NonDrug			8.0%			8.3%			16.3%			7.6%
NonMed_Drug			-5.8%			10.2%			-0.9%			-10.3%
Med_Drug			<u>-5.9%</u>			<u>19.1%</u>			<u>11.3%</u>			<u>-12.6%</u>
Total			-0.3%			11.5%			5.0%			-5.7%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			-11.2%			-5.0%			-2.2%			0.4%
Med_NonDrug			4.1%			6.7%			10.7%			10.3%
NonMed_Drug			-2.2%			0.2%			0.1%			-1.6%
Med_Drug			<u>5.9%</u>			<u>7.7%</u>			<u>8.5%</u>			<u>3.1%</u>
Total			-3.1%			1.0%			3.2%			2.6%

**Attachment - Trust Fund
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>
NonMed_NonDrug	13,923	14,586	14,603	14,608	14,677	14,699	14,636	14,677	14,667	14,523	14,444	14,416
Med_NonDrug	30,671	30,821	30,934	31,117	31,106	31,109	31,241	31,264	31,267	31,401	31,412	31,457
NonMed_Drug	12,897	13,506	13,523	13,527	13,592	13,612	13,553	13,591	13,585	13,451	13,376	13,353
Med_Drug	31,901	32,058	32,175	32,367	32,356	32,361	32,500	32,524	32,527	32,679	32,690	32,739

	<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>
NonMed_NonDrug	\$176.59	\$185.92	\$192.00	\$180.48	\$192.01	\$183.80	\$217.27	\$215.91	\$241.28	\$206.20	\$218.32	\$255.62
Med_NonDrug	101.19	106.39	106.92	105.83	104.05	102.13	143.24	125.42	131.52	121.95	121.31	120.02
NonMed_Drug	70.13	77.09	94.73	71.40	90.87	102.08	93.88	87.98	78.57	72.18	92.83	90.00
Med_Drug	<u>107.55</u>	<u>143.58</u>	<u>180.98</u>	<u>136.83</u>	<u>167.95</u>	<u>187.16</u>	<u>169.71</u>	<u>157.75</u>	<u>181.65</u>	<u>174.18</u>	<u>180.00</u>	<u>187.05</u>
Total	\$455.46	\$512.97	\$574.64	\$494.54	\$554.89	\$575.16	\$624.10	\$587.06	\$633.00	\$574.51	\$612.47	\$652.70

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	0.4%	12.4%	-7.9%	-28.9%	-3.6%	-15.4%	1.6%	0.4%	0.0%	10.0%	3.8%	14.9%
Med_NonDrug	4.9%	12.7%	4.6%	-0.6%	12.0%	1.7%	4.4%	11.0%	1.9%	4.3%	13.2%	5.7%
NonMed_Drug	24.4%	1.1%	16.3%	-23.5%	5.0%	-11.8%	10.4%	7.5%	-13.6%	-17.6%	20.2%	10.0%
Med_Drug	<u>33.5%</u>	<u>4.8%</u>	<u>56.1%</u>	<u>-11.6%</u>	<u>18.4%</u>	<u>-9.3%</u>	<u>8.2%</u>	<u>8.5%</u>	<u>9.6%</u>	<u>8.9%</u>	<u>29.8%</u>	<u>92.2%</u>
Total	11.3%	8.4%	13.1%	-18.7%	6.6%	-10.1%	5.3%	5.7%	0.9%	4.1%	14.8%	26.7%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug			0.9%			-17.0%			0.6%			9.6%
Med_NonDrug			7.3%			4.1%			5.5%			7.6%
NonMed_Drug			13.0%			-10.6%			1.0%			3.4%
Med_Drug			<u>29.6%</u>			<u>-2.2%</u>			<u>8.8%</u>			<u>36.7%</u>
Total			11.0%			-8.1%			3.9%			14.9%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			0.3%			-6.2%			-5.5%			-1.8%
Med_NonDrug			10.0%			9.0%			6.1%			6.1%
NonMed_Drug			2.4%			-3.3%			-2.8%			0.7%
Med_Drug			<u>10.4%</u>			<u>4.6%</u>			<u>4.1%</u>			<u>16.1%</u>
Total			5.1%			-0.1%			-0.3%			4.8%

**Attachment - Trust Fund
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>
NonMed_NonDrug	14,864	15,500	15,616	15,455	15,454	15,534	15,496	15,694	15,588	15,382	15,357	15,358
Med_NonDrug	31,544	31,669	31,771	31,901	31,968	32,040	32,050	32,081	32,107	32,174	32,183	32,149
NonMed_Drug	13,767	14,356	14,463	14,312	14,314	14,389	14,353	14,534	14,440	14,248	14,226	14,229
Med_Drug	32,828	32,961	33,067	33,204	33,275	33,350	33,360	33,393	33,422	33,491	33,497	33,463

	<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>
NonMed_NonDrug	\$179.37	\$264.62	\$196.31	\$213.57	\$198.47	\$209.34	\$210.80	\$219.05	\$240.85	\$197.50	\$246.23	\$217.96
Med_NonDrug	102.93	116.34	111.73	117.89	113.92	109.65	156.36	125.62	138.19	123.37	128.18	123.29
NonMed_Drug	48.48	95.14	94.71	98.01	101.17	106.09	102.84	98.06	111.88	103.55	115.67	119.47
Med_Drug	<u>124.19</u>	<u>177.43</u>	<u>176.67</u>	<u>179.57</u>	<u>182.55</u>	<u>193.31</u>	<u>186.22</u>	<u>175.05</u>	<u>198.01</u>	<u>181.79</u>	<u>202.86</u>	<u>204.52</u>
Total	\$454.97	\$653.53	\$579.42	\$609.04	\$596.10	\$618.39	\$656.22	\$617.78	\$688.93	\$606.22	\$692.95	\$665.24

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	1.6%	42.3%	2.2%	18.3%	3.4%	13.9%	-3.0%	1.5%	-0.2%	-4.2%	12.8%	-14.7%
Med_NonDrug	1.7%	9.4%	4.5%	11.4%	9.5%	7.4%	9.2%	0.2%	5.1%	1.2%	5.7%	2.7%
NonMed_Drug	-30.9%	23.4%	0.0%	37.3%	11.3%	3.9%	9.5%	11.5%	42.4%	43.5%	24.6%	32.7%
Med_Drug	<u>15.5%</u>	<u>23.6%</u>	<u>-2.4%</u>	<u>31.2%</u>	<u>8.7%</u>	<u>3.3%</u>	<u>9.7%</u>	<u>11.0%</u>	<u>9.0%</u>	<u>4.4%</u>	<u>12.7%</u>	<u>9.3%</u>
Total	-0.1%	27.4%	0.8%	23.2%	7.4%	7.5%	5.1%	5.2%	8.8%	5.5%	13.1%	1.9%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug		15.5%				11.7%			-0.6%			-2.7%
Med_NonDrug		5.2%				9.4%			5.0%			3.2%
NonMed_Drug			-1.5%			15.5%			20.1%			32.8%
Med_Drug			10.7%			12.9%			9.9%			8.9%
Total			9.4%			12.2%			6.4%			6.8%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			1.4%			9.0%			8.6%			5.2%
Med_NonDrug			5.7%			6.9%			6.7%			5.6%
NonMed_Drug			-2.3%			4.8%			9.7%			17.0%
Med_Drug			12.3%			16.6%			16.7%			10.5%
Total			4.6%			10.0%			10.6%			8.6%

**Attachment - Trust Fund
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>
NonMed_NonDrug	15,718	16,375	16,476	16,472	16,483	15,710	16,604	16,581	16,525	16,454	16,279	16,317
Med_NonDrug	32,311	32,405	32,483	32,493	32,556	30,649	32,675	32,685	32,697	32,644	32,642	32,847
NonMed_Drug	14,559	15,171	15,265	15,262	15,272	14,554	15,385	15,365	15,312	15,247	15,086	15,119
Med_Drug	33,633	33,734	33,816	33,827	33,894	31,890	34,021	34,034	34,046	33,988	33,984	34,196

	<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>
NonMed_NonDrug	\$176.77	\$214.28	\$184.53	\$198.91	\$205.36	\$234.48	\$250.06	\$203.90	\$225.24	\$241.03	\$238.72	\$235.75
Med_NonDrug	109.99	123.12	115.56	124.24	117.98	123.32	167.73	126.50	143.50	133.30	135.74	127.27
NonMed_Drug	55.53	102.97	105.88	109.19	109.39	119.83	113.28	100.82	114.78	109.32	112.71	108.27
Med_Drug	<u>100.01</u>	<u>191.71</u>	<u>185.36</u>	<u>197.39</u>	<u>194.28</u>	<u>212.41</u>	<u>203.36</u>	<u>182.55</u>	<u>208.02</u>	<u>199.34</u>	<u>207.30</u>	<u>226.61</u>
Total	\$442.29	\$632.08	\$591.33	\$629.73	\$627.02	\$690.04	\$734.42	\$613.77	\$691.54	\$683.00	\$694.47	\$697.90

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	-1.5%	-19.0%	-6.0%	-6.9%	3.5%	12.0%	18.6%	-6.9%	-6.5%	22.0%	-3.0%	8.2%
Med_NonDrug	6.9%	5.8%	3.4%	5.4%	3.6%	12.5%	7.3%	0.7%	3.8%	8.1%	5.9%	3.2%
NonMed_Drug	14.5%	8.2%	11.8%	11.4%	8.1%	13.0%	10.1%	2.8%	2.6%	5.6%	-2.6%	-9.4%
Med_Drug	<u>-19.5%</u>	<u>8.1%</u>	<u>4.9%</u>	<u>9.9%</u>	<u>6.4%</u>	<u>9.9%</u>	<u>9.2%</u>	<u>4.3%</u>	<u>5.1%</u>	<u>9.7%</u>	<u>2.2%</u>	<u>10.8%</u>
Total	-2.8%	-3.3%	2.1%	3.4%	5.2%	11.6%	11.9%	-0.6%	0.4%	12.7%	0.2%	4.9%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug			-10.1%			2.8%			1.3%			8.1%
Med_NonDrug			5.3%			7.1%			4.2%			5.7%
NonMed_Drug			10.9%			10.9%			5.2%			-2.5%
Med_Drug			<u>-0.3%</u>			<u>8.8%</u>			<u>6.2%</u>			<u>7.5%</u>
Total			-1.3%			6.8%			3.9%			5.6%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			-0.9%			-2.7%			-2.2%			0.6%
Med_NonDrug			5.6%			5.1%			4.9%			5.5%
NonMed_Drug			19.9%			18.4%			14.3%			5.6%
Med_Drug			<u>7.9%</u>			<u>7.0%</u>			<u>6.1%</u>			<u>5.8%</u>
Total			6.0%			4.8%			4.1%			3.9%

**Attachment - Trust Fund
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>
NonMed_NonDrug	16,517	17,132	17,058	17,191	17,185	17,061	17,040	17,025
Med_NonDrug	562	623	685	747	808	870	932	993
NonMed_Drug	15,304	15,874	15,805	15,928	15,920	15,807	15,785	15,770
Med_Drug	562	623	685	747	808	870	932	993

	<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>
NonMed_NonDrug	\$177.36	\$215.39	\$178.61	\$248.65	\$205.90	\$209.25	\$259.63	\$227.84
Med_NonDrug	19.88	24.73	16.65	33.83	51.05	52.05	22.08	0.00
NonMed_Drug	67.04	95.04	71.70	81.28	98.50	97.87	110.90	108.48
Med_Drug	<u>863.10</u>	<u>52.59</u>	<u>74.37</u>	<u>56.06</u>	<u>91.74</u>	<u>132.53</u>	<u>184.44</u>	<u>219.31</u>
Total	\$1,127.38	\$387.75	\$341.33	\$419.82	\$447.18	\$491.70	\$577.06	\$555.62

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	0.3%	0.5%	-3.2%	25.0%	0.3%	-10.8%	3.8%	11.7%
Med_NonDrug	-81.9%	-79.9%	-85.6%	-72.8%	-56.7%	-57.8%	-86.8%	-100.0%
NonMed_Drug	20.7%	-7.7%	-32.3%	-25.6%	-10.0%	-18.3%	-2.1%	7.6%
Med_Drug	<u>763.0%</u>	<u>-72.6%</u>	<u>-59.9%</u>	<u>-71.6%</u>	<u>-52.8%</u>	<u>-37.6%</u>	<u>-9.3%</u>	<u>20.1%</u>
Total	154.9%	-38.7%	-42.3%	-33.3%	-28.7%	-28.7%	-21.4%	-9.5%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug	-0.7%	3.9%
Med_NonDrug	-82.4%	-62.5%
NonMed_Drug	-11.6%	-18.0%
Med_Drug	<u>107.5%</u>	<u>-53.6%</u>
Total	11.5%	-30.2%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug	3.0%	3.3%
Med_NonDrug	-15.1%	-31.6%
NonMed_Drug	0.8%	-6.7%
Med_Drug	<u>29.4%</u>	<u>12.0%</u>
Total	6.8%	-2.8%