



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



RETIREE HEALTH BENEFIT TRUST FUND

**Quarterly Report
March 31, 2011**

Fiscal Years 2011-2015

June 2011



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Finance Board
West Virginia Retiree Health Benefit Trust Fund
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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” 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 (“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 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 2015. 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, 2011 ("FY 2011"), June 30, 2012 ("FY 2012"), June 30, 2013 ("FY 2013"), June 30, 2014 ("FY 2014") and June 30, 2015 ("FY 2015"). This opinion of plan adequacy is based on the projections through FY 2015 using updated future revenue and plan modifications provided by the Board in the plan adopted in December 2010.

Effective July 1, 2010, RHBT has contracted Humana to provide Medicare Advantage/Prescription Drug Plan ("MAPD") benefits to Medicare-eligible retired employees and dependents. In addition, plan members can coordinate their prescription drug benefits through RHBT's Prescription Drug Plan ("PDP"). Under this arrangement, Humana has assumed the financial risk of providing comprehensive medical coverage with limited copayments. Non-Medicare retirees are currently enrolled in PEIA's Health Plan.

Current Medicare coverages are 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, 2011, 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 PDP program.

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 2011 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. The enclosed forecasts include anticipated changes from the federal statute Patient Protection and Affordable Care Act ("PPACA") signed into law on March 23, 2010. Based on the PPACA/Health Care Reform requirements to expand coverage, the estimated cost of eliminating lifetime limitations is a total of \$200,000 in FY 2012. In addition, RHBT is expecting to collect an additional drug rebate of \$10 million in FY 2012 from its payment of drug claims through the Medicare Part D coverage gap, informally known as the Medicare donut hole.

Since the adoption of the financial plan in December 2010, RHBT has experienced unfavorable 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 2011 through FY 2015 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 2015 as approved by the Board in December 2010.

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



Chris Borcik, A.S.A., M.A.A.A.
Senior Actuarial Consultant

West Virginia Retiree Health Benefit Trust Fund
Report of Independent Actuary
Financial Plan for FY 2011 – FY 2015

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 April 2011 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 observed a net increase of 740 retirees from June 2009 to June 2010, approximating our current assumption. CCRC Actuaries has updated the claims analysis based on the enrollment through May 2011.

In aggregate, May 2011 enrollment has increased by 1,223 coverages since the end of FY 2010. Aggregate Preferred Provider Benefit (“PPB”) enrollment has increased by 1,329 in total over the same period, while managed care enrollment continues to cover fewer participants, with a slight decrease of 106 coverages. For MAPD Capitations, 36,400 Medicare policyholders were provided by RHBT management to forecast the monthly capitation cost shown on Page 8 of this report.

The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2009, June 2010 and May 2011 for purposes of comparison:

Trust Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-09	Jun-10	May-11	Jun-09	Jun-10	May-11
Retirees	Medicare Single	16,090	16,261	16,784	11	14	17
	<u>Medicare Family</u>	<u>10,842</u>	<u>11,202</u>	<u>11,356</u>	<u>9</u>	<u>20</u>	<u>13</u>
	Medicare Total	26,932	27,463	28,140	20	34	30
	Non Medicare Single	3,247	3,363	3,636	222	233	164
	<u>Non Medicare Family</u>	<u>3,969</u>	<u>4,046</u>	<u>4,425</u>	<u>202</u>	<u>193</u>	<u>160</u>
	Non Medicare Total	7,216	7,409	8,061	424	426	324
	Retiree Total	34,148	34,872	36,201	444	460	354
Grand Total				34,592	35,332	36,555	

B. Changes in Claim Backlog

Detail of the medical claim backlog is presented in the PEIA report titled “PEIA March 31, 2011 Quarterly Report”.

C. Trend Analysis

While RHBT has experienced unfavorable medical and prescription drug trends in FY 2011, over the long term, trends have been favorable. CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - August 2010”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2011 and FY 2012 medical claim trend to 5.5%. Additionally, due to PEIA’s favorable prescription drug experience, we have reduced our trend assumption for all prescription drugs coverage to 9.0% in FY 2011 and FY 2012.

The current projection assumes the trends on the following table:

Claim Type	Previous Assumption FY 2011 Trend	Updated Assumption FY 2011 Trend
Non-Medicare – Medical	6.5%	5.5%
Medicare – Medical	6.5%	5.5%
Non-Medicare – Drugs	11.5%	9.0%
Medicare – Drugs	11.5%	9.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2013. 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 April 2011. 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)

<u>Fiscal Year</u>	<u>Medical Medicare</u>	<u>Medical Non-Medicare</u>	<u>Drugs Medicare</u>	<u>Drugs Non-Medicare</u>	<u>Total</u>
2003	-5%	-9%	11%	1%	3%
2004	9%	2%	3%	-2%	6%
2005	6%	-2%	16%	1%	8%
2006	6%	5%	11%	17%	9%
2007	6%	1%	6%	6%	5%
2008	N/A	6%	N/A	-2%	N/A
2009	N/A	-2%	N/A	5%	N/A
2010	N/A	3%	N/A	7%	N/A
2011*	N/A	6%	N/A	18%	N/A

* Fiscal Year 2011 results are through the first ten months ending April 2011.

Effective July 1, 2010, RHBT has contracted Humana to provide MAPD benefits to Medicare-eligible retired employees and dependents. In addition, plan members can coordinate their prescription drug benefits through RHBT's PDP. Under this arrangement, Humana has assumed the financial risk of providing comprehensive medical coverage with limited copayments. Non-Medicare retirees are currently enrolled in PEIA's Health Plan. As a result, Fiscal Year 2008 through 2011 Medicare trends are non-credible.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using aggregate PEIA and Trust Fund paid claim data through April 2011 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 2011 revenue and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2011 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 Express Scripts	28,006			\$ 283	\$ 93	
	Non-Medicare	8,108			\$ 590	\$ 239	
	Total	36,114	\$ -	\$ 157			
	Non-Medicare Managed Care	314	\$ -	\$ 512			\$ 1,151
	Total	36,428					

Projected plan revenues and administrative expenses were provided by RHBT. The following chart summarizes the Financial Plan adopted by the Board in December 2010. Non-Medicare retirees premium will be increased by approximately \$2.5 million in Fiscal Year 2011, while Medicare retirees premium will not receive an increase.

Board Decisions – December 2010

Source	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Additional Retiree Premiums	\$2,500,000	\$0	\$10,900,000	\$9,200,000	\$9,200,000
Provider/Benefit Reductions	\$7,000,000	\$0	\$0	\$0	\$0
PPACA Cost Adjustment	\$0	\$200,000	\$0	\$0	\$0
Medicare Part D Coverage Gap (Rebate)	\$0	(\$10,000,000)	\$0	\$0	\$0
Pay Go Premium Transfer	\$145,176,757	\$149,919,642	\$167,833,115	\$183,723,996	\$209,340,123
Actuarial Accrued Liability*	\$8,718,100,000	\$9,397,200,000	\$10,108,000,000	\$10,848,500,000	\$11,619,900,000
Funded Status	5.5%	5.4%	5.4%	5.3%	5.3%

*Projected Result

The \$7,000,000 reduction in benefits in Fiscal Year 2011 are comprised of the following changes:

	<u>Change in 2011 Claim Cost</u>
Increase Family out of pocket to 1.5x Single and \$25 increase to deductible	\$5.0 M
Implement ESI High Performance Formulary	\$2.0 M

The \$200,000 PPACA/Health Care Reform requirement in Fiscal Year 2012 is comprised of the following change:

	<u>Change in 2012 Claim Cost</u>
Eliminating Lifetime Limitations	\$200,000

The \$10,000,000 rebate of Medicare Part D coverage gap in Fiscal Year 2012 is comprised of the following change:

	<u>Change in 2012 Claim Cost</u>
Medicare donut hole rebate	-\$10,000,000

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 \$1.9 million in FY 2011 to approximately \$2.5 million in FY 2015, based on the Board's direction and projected retiree enrollment growth in the financial plan.

In FY2011 and future years, the Pay Go premium will continue to increase each year based on retiree subsidy for FY 2011 through FY 2015, based on the financial plan approved by the Board in December 2010.

E. Provider Reimbursement Changes

Effective July 1, 2010, RHBT has contracted Humana to provide MAPD benefits to Medicare-eligible retired employees and dependents. In addition, plan members can coordinate their prescription drug benefits through RHBT's PDP. Under this arrangement, Humana has assumed the financial risk of providing comprehensive medical coverage with limited copayments. Non-Medicare retirees are currently enrolled in PEIA's Health Plan.

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 \$271,139,211 and incurred plan expenses of \$213,065,516 to produce a fiscal year surplus of \$58,073,695. It should be noted that this is an improvement from the projected surplus of \$26,380,712 in the RHBT December 31, 2010 Quarterly Report due to higher investment income and lower Non-Medicare medical claims expense in recent months. The PEIA local and state agencies Pay Go premiums for FY 2011 are assumed to be \$145,176,757.

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 \$256,024,445 and incurred plan expenses of \$227,133,033 to produce a fiscal year surplus of \$28,891,412. The PEIA local and state agencies Pay Go premiums for FY 2012 are assumed to be \$149,919,642.

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 \$287,686,015 and incurred plan expenses of \$253,676,197 to produce a fiscal year surplus of \$34,009,818. The PEIA local and state agencies Pay Go premiums for FY 2013 are assumed to be \$167,833,115.

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 \$315,892,013 and incurred plan expenses of \$279,574,125 to produce a fiscal year surplus of \$36,317,888. The PEIA local and state agencies Pay Go premiums for FY 2014 are assumed to be \$183,723,996.

FISCAL YEAR 2015 FORECAST

The financial forecast for FY 2015 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2015, projects accrued revenue of \$354,059,802 and incurred plan expenses of \$315,273,099 to produce a fiscal year surplus of \$38,786,703. The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$209,340,123.

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 2015. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in December 2010 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. 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 2011

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

	TRUST Total
<u>Revenues</u>	
WV PEIA Pay Go Premiums	\$ 145,176,757
Retiree Premiums - PPB	68,142,903
Retiree Premiums - MCO	1,930,884
Annual Required Contributions	1,500,000
Non Par Premiums	3,426,667
Investment Income	50,962,000
Total Revenue	\$ 271,139,211
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 57,371,094
Non-Medicare Prescription Drug Claims	23,219,429
Medicare Medical Claims	3,352,116
Medicare Prescription Drug Claims (with PDP)	95,100,240
CMS Direct and Low Income Drug Subsidy	(23,982,667)
Non-Medicare Managed Care Capitations	4,337,333
MAPD Capitations	40,577,333
Administration	11,154,667
Life Insurance	-
Retiree Assistance Program	1,863,120
Director's Discretionary Fund	72,851
Total Expenses	\$ 213,065,516
Fiscal Year Results	\$ 58,073,695
Beginning Plan Reserve	422,635,842
Ending Plan Reserve	\$ 480,709,537
Accrued Actuarial Liability (AAL)	\$ 8,718,100,000
Funded Status	5.5%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 160.72	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 2,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	5.5%	9.0%
		Medicare	5.5%	9.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		15.4%

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>	
WV PEIA Pay Go Premiums	\$ 149,919,642
Retiree Premiums - PPB	68,287,846
Retiree Premiums - MCO	1,934,991
Annual Required Contributions	-
Non Par Premiums	3,837,867
Investment Income	32,044,099
Total Revenue	\$ 256,024,445
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 62,605,799
Non-Medicare Prescription Drug Claims	26,016,019
Medicare Medical Claims	3,544,512
Medicare Prescription Drug Claims (with PDP)	94,140,516
CMS Direct and Low Income Drug Subsidy	(23,740,640)
Non-Medicare Managed Care Capitations	4,684,320
MAPD Capitations	44,789,933
Administration	12,787,600
Life Insurance	-
Retiree Assistance Program	2,012,170
Director's Discretionary Fund	292,804
Total Expenses	\$ 227,133,033
Fiscal Year Results	\$ 28,891,412
Beginning Plan Reserve	480,709,537
Ending Plan Reserve	\$ 509,600,949
Accrued Actuarial Liability (AAL)	\$ 9,397,200,000
Funded Status	5.4%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 165.97	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	5.5%	9.0%
		Medicare	5.5%	9.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		3.3%

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>	
WV PEIA Pay Go Premiums	\$ 167,833,115
Retiree Premiums - PPB	79,297,707
Retiree Premiums - MCO	2,246,964
Annual Required Contributions	-
Non Par Premiums	4,298,411
Investment Income	34,009,818
Total Revenue	\$ 287,686,015
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 70,905,415
Non-Medicare Prescription Drug Claims	30,440,741
Medicare Medical Claims	3,750,672
Medicare Prescription Drug Claims (with PDP)	102,912,068
CMS Direct and Low Income Drug Subsidy	(25,952,677)
Non-Medicare Managed Care Capitations	5,059,066
MAPD Capitations	50,650,200
Administration	13,426,980
Life Insurance	-
Retiree Assistance Program	2,173,143
Director's Discretionary Fund	310,589
Total Expenses	\$ 253,676,197
Fiscal Year Results	\$ 34,009,818
Beginning Plan Reserve	509,600,949
Ending Plan Reserve	\$ 543,610,768
Accrued Actuarial Liability (AAL)	\$ 10,108,000,000
Funded Status	5.4%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 185.80	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 10,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	6.0%	9.5%
		Medicare	6.0%	9.5%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		11.9%

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>	
WV PEIA Pay Go Premiums	\$ 183,723,996
Retiree Premiums - PPB	88,527,412
Retiree Premiums - MCO	2,508,495
Annual Required Contributions	-
Non Par Premiums	4,814,220
Investment Income	36,317,890
Total Revenue	\$ 315,892,013
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 77,290,720
Non-Medicare Prescription Drug Claims	34,275,807
Medicare Medical Claims	3,987,583
Medicare Prescription Drug Claims (with PDP)	113,015,644
CMS Direct and Low Income Drug Subsidy	(28,500,627)
Non-Medicare Managed Care Capitations	5,463,791
MAPD Capitations	57,278,287
Administration	14,098,329
Life Insurance	-
Retiree Assistance Program	2,346,995
Director's Discretionary Fund	317,596
Total Expenses	\$ 279,574,125
Fiscal Year Results	\$ 36,317,888
Beginning Plan Reserve	543,610,768
Ending Plan Reserve	\$ 579,928,656
Accrued Actuarial Liability (AAL)	\$ 10,848,500,000
Funded Status	5.3%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 203.39	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 9,100,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	6.5%	10.0%
		Medicare	6.5%	10.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		9.5%

APPENDIX - BASELINE SCENARIO

**WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST
FINANCIAL FORECAST
FISCAL YEAR 2015**

PERIOD 7/1/2014 - 6/30/2015

	TRUST Total
<u>Revenues</u>	
WV PEIA Pay Go Premiums	\$ 209,340,123
Retiree Premiums - PPB	97,770,641
Retiree Premiums - MCO	2,770,409
Annual Required Contributions	-
Non Par Premiums	5,391,926
Investment Income	38,786,703
Total Revenue	\$ 354,059,802
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 88,365,027
Non-Medicare Prescription Drug Claims	40,472,483
Medicare Medical Claims	4,259,403
Medicare Prescription Drug Claims (with PDP)	124,676,423
CMS Direct and Low Income Drug Subsidy	(31,441,278)
Non-Medicare Managed Care Capitations	5,900,894
MAPD Capitations	65,365,552
Administration	14,803,246
Life Insurance	-
Retiree Assistance Program	2,534,754
Director's Discretionary Fund	336,595
Total Expenses	\$ 315,273,099
Fiscal Year Results	\$ 38,786,703
Beginning Plan Reserve	579,928,656
Ending Plan Reserve	\$ 618,715,359
Accrued Actuarial Liability (AAL)	\$ 11,619,900,000
Funded Status	5.3%

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 231.75	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 9,100,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	7.0%	10.5%
		Medicare	7.0%	10.5%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		13.9%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2009 to FY 2011**

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	1,025	822	1,031	1,204	1,357	1,520	1,740	1,951	2,116	2,391	2,459	2,648
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	1,068	856	1,074	1,254	1,414	1,583	1,812	2,033	2,204	2,490	2,561	2,759

	<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	\$199.09	\$205.82	\$213.62	\$215.85	\$197.19	\$195.91	\$246.13	\$232.43	\$266.61	\$250.14	\$243.34	\$267.20
Med_NonDrug	107.72	221.22	217.15	207.80	182.84	210.76	222.35	197.68	257.85	186.02	154.89	156.25
NonMed_Drug	72.03	89.34	95.44	105.44	95.63	105.60	105.40	95.63	108.16	104.23	102.54	118.28
Med_Drug	<u>92.25</u>	<u>140.37</u>	<u>175.58</u>	<u>171.72</u>	<u>158.75</u>	<u>199.81</u>	<u>178.67</u>	<u>162.02</u>	<u>190.14</u>	<u>165.78</u>	<u>179.60</u>	<u>202.11</u>
Total	\$471.08	\$656.75	\$701.78	\$700.80	\$634.41	\$712.09	\$752.55	\$687.76	\$822.76	\$706.17	\$680.38	\$743.85

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	7.2%	-4.1%	19.4%	-12.9%	-4.0%	-4.8%	-7.4%	-6.8%	2.7%	-0.8%	-5.2%	5.5%
Med_NonDrug	226.0%	215.4%	538.3%	139.9%	213.0%	72.8%	78.7%	63.4%	89.5%	61.9%	37.6%	69.4%
NonMed_Drug	7.5%	-6.0%	33.6%	29.7%	-2.8%	8.0%	-4.9%	-6.1%	2.2%	2.8%	0.5%	5.3%
Med_Drug	<u>-93.1%</u>	<u>98.8%</u>	<u>95.6%</u>	<u>71.8%</u>	<u>-11.9%</u>	<u>10.9%</u>	<u>-1.6%</u>	<u>-1.6%</u>	<u>-1.8%</u>	<u>-0.4%</u>	<u>6.1%</u>	<u>16.3%</u>
Total	-71.0%	45.8%	87.6%	35.9%	16.9%	17.6%	10.3%	8.0%	18.4%	11.2%	6.2%	17.7%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug		6.8%				-7.6%			-3.8%			-0.2%
Med_NonDrug			298.0%			125.3%			77.7%			55.5%
NonMed_Drug			10.0%			10.5%			-2.9%			2.9%
Med_Drug			<u>-72.8%</u>			<u>15.2%</u>			<u>-1.7%</u>			<u>7.4%</u>
Total			-25.4%			23.0%			12.3%			11.7%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			7.6%			4.8%			0.2%			-1.5%
Med_NonDrug			13.1%			49.2%			81.3%			110.1%
NonMed_Drug			-5.0%			2.4%			2.5%			4.6%
Med_Drug			<u>-42.4%</u>			<u>-37.6%</u>			<u>-36.9%</u>			<u>-33.0%</u>
Total			-12.9%			-5.3%			-1.9%			2.9%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2009 to FY 2011**

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>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>
NonMed_NonDrug	18,470	19,167	19,133	18,994	19,016	18,991	18,968	18,857	18,836	18,739	18,523	18,333
Med_NonDrug	983	1,130	1,348	1,375	1,664	1,848	2,042	2,259	2,392	2,488	2,667	2,920
NonMed_Drug	17,122	17,761	17,731	17,606	17,625	17,600	17,580	17,478	17,459	17,370	17,171	16,998
Med_Drug	1,024	1,177	1,404	1,432	1,733	1,925	2,127	2,353	2,492	2,592	2,778	3,041
NonMed_NonDrug	<u>\$244.90</u>	<u>\$186.96</u>	<u>\$201.93</u>	<u>\$250.85</u>	<u>\$225.66</u>	<u>\$213.70</u>	<u>\$215.43</u>	<u>\$237.49</u>	<u>\$281.52</u>	<u>\$238.02</u>	<u>\$222.46</u>	<u>\$290.41</u>
Med_NonDrug	226.45	197.97	166.46	182.73	135.72	138.73	186.31	127.39	133.06	136.31	119.36	130.50
NonMed_Drug	75.31	92.59	101.57	103.37	100.60	110.58	102.24	100.92	122.09	112.56	118.57	136.08
Med_Drug	<u>110.26</u>	<u>146.55</u>	<u>160.26</u>	<u>180.40</u>	<u>147.09</u>	<u>174.65</u>	<u>160.89</u>	<u>159.71</u>	<u>179.52</u>	<u>184.41</u>	<u>189.88</u>	<u>215.19</u>
Total	\$656.92	\$624.06	\$630.23	\$717.35	\$609.06	\$637.65	\$664.87	\$625.51	\$716.20	\$671.30	\$650.27	\$772.17
Change From Prior Year - Month to Month Analysis												
NonMed_NonDrug	23.0%	-9.2%	-5.5%	16.2%	14.4%	9.1%	-12.5%	2.2%	5.6%	-4.8%	-8.6%	8.7%
Med_NonDrug	110.2%	-10.5%	-23.3%	-12.1%	-25.8%	-34.2%	-16.2%	-35.6%	-48.4%	-26.7%	-22.9%	-16.5%
NonMed_Drug	4.6%	3.6%	6.4%	-2.0%	5.2%	4.7%	-3.0%	5.5%	12.9%	8.0%	15.6%	15.0%
Med_Drug	<u>19.5%</u>	<u>4.4%</u>	<u>-8.7%</u>	<u>5.1%</u>	<u>-7.3%</u>	<u>-12.6%</u>	<u>-10.0%</u>	<u>-1.4%</u>	<u>-5.6%</u>	<u>11.2%</u>	<u>5.7%</u>	<u>6.5%</u>
Total	39.5%	-5.0%	-10.2%	2.4%	-4.0%	-10.5%	-11.7%	-9.1%	-13.0%	-4.9%	-4.4%	3.8%
Change From Prior Year - Quarter to Quarter Analysis												
NonMed_NonDrug			2.5%			13.3%			-1.4%			-1.3%
Med_NonDrug			8.2%			-24.0%			-34.1%			-22.3%
NonMed_Drug			4.9%			2.6%			5.2%			13.0%
Med_Drug			<u>2.2%</u>			<u>-5.3%</u>			<u>-5.8%</u>			<u>7.7%</u>
Total			4.5%			-4.1%			-11.3%			-1.7%
Change From Prior Year - Year to Year Analysis												
NonMed_NonDrug			-2.3%			2.4%			3.1%			2.8%
Med_NonDrug			56.3%			20.3%			-7.1%			-19.0%
NonMed_Drug			3.6%			1.7%			3.9%			6.6%
Med_Drug			<u>5.6%</u>			<u>0.5%</u>			<u>-0.6%</u>			<u>-0.4%</u>
Total			12.6%			6.0%			-0.4%			-3.6%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2009 to FY 2011**

Fiscal Year 2011

Exposure

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>
NonMed_NonDrug	19,188	19,757	20,465	20,414	20,429	20,477	20,436	20,365	20,304	20,167
Med_NonDrug	936	1,130	1,402	1,583	1,755	1,939	2,124	2,308	2,315	2,623
NonMed_Drug	17,788	18,313	18,964	18,916	18,931	18,976	18,941	18,884	18,823	18,695
Med_Drug	975	1,177	1,461	1,648	1,828	2,020	2,212	2,404	2,411	2,732

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>
NonMed_NonDrug	\$217.93	\$191.43	\$205.21	\$220.73	\$233.18	\$203.97	\$269.73	\$218.65	\$263.23	\$241.23
Med_NonDrug	128.53	159.41	121.34	130.39	146.40	127.72	190.49	166.19	164.18	155.97
NonMed_Drug	81.81	104.82	106.57	109.04	114.27	114.69	116.29	110.73	128.36	137.92
Med_Drug	<u>137.22</u>	<u>173.48</u>	<u>184.20</u>	<u>183.81</u>	<u>180.47</u>	<u>186.09</u>	<u>197.74</u>	<u>175.35</u>	<u>211.33</u>	<u>213.94</u>
Total	\$565.50	\$629.13	\$617.32	\$643.97	\$674.31	\$632.46	\$774.25	\$670.93	\$767.11	\$749.06

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	-11.0%	2.4%	1.6%	-12.0%	3.3%	-4.5%	25.2%	-7.9%	-6.5%	1.3%
Med_NonDrug	-43.2%	-19.5%	-27.1%	-28.6%	7.9%	-7.9%	2.2%	30.5%	23.4%	14.4%
NonMed_Drug	8.6%	13.2%	4.9%	5.5%	13.6%	3.7%	13.7%	9.7%	5.1%	22.5%
Med_Drug	<u>24.4%</u>	<u>18.4%</u>	<u>14.9%</u>	<u>1.9%</u>	<u>22.7%</u>	<u>6.5%</u>	<u>22.9%</u>	<u>9.8%</u>	<u>17.7%</u>	<u>16.0%</u>
Total	-13.9%	0.8%	-2.0%	-10.2%	10.7%	-0.8%	16.5%	7.3%	7.1%	11.6%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug		-3.0%				-4.7%			2.3%
Med_NonDrug			-30.7%			-11.5%			16.6%
NonMed_Drug			8.8%			7.5%			9.3%
Med_Drug			<u>18.7%</u>			<u>9.6%</u>			<u>16.9%</u>
Total			-5.2%			-0.7%			10.3%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			1.5%			-2.5%			-1.6%
Med_NonDrug			-28.2%			-25.9%			-13.6%
NonMed_Drug			7.4%			8.7%			9.7%
Med_Drug			<u>3.0%</u>			<u>6.9%</u>			<u>12.8%</u>
Total			-5.7%			-4.9%			0.7%