CONTINUING CARE ACTUARIES

STATE OF WEST VIRGINIA

PUBLIC EMPLOYEES INSURANCE AGENCY

Actuarial Study

West Virginia Code 5-16-31

DRAFT

Report Date: June 2024

YOUR ACTUARIES FOR THE LONG-TERM!

CONTINUING CARE ACTUARIES

415 Main Street
Reisterstown, MD 21136-1905
410-833-4220
410-833-4229 (fax)
www.continuingcareactuaries.com

Finance Board
West Virginia Public Employees Insurance Agency
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 Continuing Care Actuaries.

Continuing Care Actuaries ("CCA") has been retained by the West Virginia Public Employees Insurance Agency Finance Board ("Board") to assist the board as provided under the Code of the West Virginia 1931 ("Code"), as amended. The Board has asked CCA to perform an actuarial analysis as mandated by the newly implemented West Virginia §5-16-31. This analysis is to assess the financial solvency of the plan assuming various scenarios including alternatives in plan designs, cost-sharing, provider networks, plan offerings, eligibility, and Non-State Agency policies. CCA used the PEIA 2025 Financial Plan projections for State Fiscal Year 2025 as the benchmark for this analysis. CCA developed the estimated savings, in terms of dollars and percentages, for each of the proposed changes assuming that the savings were implemented for State Fiscal Year 2025.

The PEIA management team sought input from public employees, retirees, providers, and other interested parties and recommended the alternative scenarios to be considered by the legislature. This study shall be presented to the Joint Committee on Government and Finance on or before July 1, 2024.

Under Code provisions, it is the Board's responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all insurance program and administrative costs of the West Virginia Public Employees Insurance Agency ("PEIA"). The Board is required to provide a financing plan in which the State Fund revenue costs are financed 80% by State employers and 20% by State employees in FY 2024 and in subsequent fiscal years. In subsequent fiscal years, future transfers of employer and employee funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA are met for the projection period. We have been asked to review the proposed financial plan, and as supported by our work, to render an actuarial opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of PEIA through FY 2028.

Continuing Care Actuaries has provided the PEIA Financial Plan for fiscal years ending June 30, 2024 ("FY 2024"), June 30, 2025 ("FY 2025"), June 30, 2026 ("FY 2026"), June 30, 2027 ("FY 2027") and June 30, 2028 ("FY 2028"). Our opinion of plan adequacy is based on the projections through FY 2028 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2023. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the West Virginia Retiree Health Benefit Trust Fund.

In reviewing the plan, Continuing Care 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.

This report includes updated claim trend assumptions as developed in the report titled, "PEIA FY2023 Detailed Medical and Prescription Drugs Claim Trend Report". In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2024 through FY 2028 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of PEIA. In addition, we are forecasting that PEIA will meet the minimum 20% employee cost share requirement for State revenue in FY 2024 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2023.

The 2025 PEIA Financial Plan conclusion of long-term solvency for the program over the five-year forecast is based on significant revenue increases in employer and employee premiums and potential benefit modifications in later fiscal years of the plan through FY 2028 as approved by the Board.

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

Respectfully,

DRAFT

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

Managing Partner

DRAFT

Chris Borcik, F.S.A., M.A.A.A.

Principal

CURRENT FISCAL YEAR 2025 PROJECTION

The premiums and benefit structure for Fiscal Year 2025 was approved by the PEIA Finance Board in December 2023. The most recent report and update is as of December 31, 2023.

PEIA enrollment includes 67,927 members under the Preferred Provider Benefit and 6,697 members under the Managed Care Benefit, totaling 74,624 members. The State Fund totals 59,557 members and the Non-State fund totals 15,067 members.

In Fiscal Year 2025, the State Fund is projected to have $842.1 million in revenue and the Non-State Fund is projected to have $189.5 million in revenue, totaling $1,031.6 million.

In Fiscal Year 2025, the State Fund is projected to have $872.4 million in expenses and the Non-State Fund is projected to have $202.2 million in expenses, totaling $1,074.7 million.

In Fiscal Year 2025, the State Fund is projected to have a fiscal year deficit of $30.3 million and the Non-State Fund is projected to have a fiscal year deficit of $12.7 million, totaling a PEIA fiscal year deficit of $43.0 million.

As of the end of Fiscal Year 2025, the State Fund is projected to have a reserve of $63.5 million and the Non-State Fund is projected to have a reserve of $4.3 million, ending the year with a total PEIA Reserve of $67.8 million.

The current projection assumes that State Employer revenue will increase $62.7 million and State Employee revenue will increase by $15.7 million based on projected revenues and expenses. The Non-State fund will increase by $22.8 million. The following sections explore the potential savings from considered alternatives to the plan that would result in reduced revenue requirements.

The current projection assumes that PEIA will be required to transfer $29.0 million in the form of Pay Go Premium Transfer to the West Virginia Retirement Health Benefit Trust ("RHBT"). This amount may change and will be updated based on the requirement of RHBT based on any changes that the plan will experience.

Section I-Plan Design and Cost Sharing Alternatives

Fixed Ratio Rule for Benefits

Deductibles and maximum out-of-pockets have remained unchanged in recent years. This causes leverage in the paid trend, as member level cost sharing is becoming a smaller percentage over time within each plan. Currently, members pay about 22% of allowed medical claims and 15% of allowed gross drug claims. Below is the current projection of claims, with the member out-of-pockets remaining unchanged:

	2024	2025	2026	2027	2028
Non-State					
Medical Claims	$119,588,265	$128,885,029	$139,549,195	$151,793,745	$165,871,934
Gross Prescription Drug Claims	68,787,974	78,952,493	91,013,887	105,373,106	122,524,825
Prescription Drug Rebates	-25,448,716	-26,721,152	-28,057,209	-29,460,070	-30,933,073
State					
Medical Claims	$493,161,044	$531,506,801	$575,492,699	$625,997,314	$684,065,349
Gross Prescription Drug Claims	292,884,569	336,167,466	387,528,220	448,674,380	521,712,672
Prescription Drug Rebates	-111,455,969	-117,028,767	-122,880,206	-129,024,216	-135,475,427
Total					
Medical Claims	$612,749,309	$660,391,830	$715,041,894	$777,791,059	$849,937,283
Gross Prescription Drug Claims	361,672,543	415,119,959	478,542,107	554,047,486	644,237,497
Prescription Drug Rebates	-136,904,685	-143,749,919	-150,937,415	-158,484,286	-166,408,500

If member deductibles and maximum out-of-pocket costs were to increase so that their percentage of allowed claims were to remain the same, the following savings would occur:

	2025	2026	2027	2028	Total
Non-State					
Medical Claims	-$597,941	-$1,288,851	-$2,093,242	-$3,035,883	**-$7,015,917**
Gross Prescription Drug Claims	-343,940	-789,526	-1,365,210	-2,107,467	**-4,606,143**
Prescription Drug Rebates	0	0	0	0	**0**
	-941,881	-2,078,377	-3,458,452	-5,143,350	**-11,622,060**
State					
Medical Claims	-$2,465,805	-$5,315,073	-$8,632,406	-$12,519,980	**-$28,933,264**
Gross Prescription Drug Claims	-1,464,423	-3,361,677	-5,812,932	-8,973,509	**-19,612,541**
Prescription Drug Rebates	0	0	0	0	**0**
	-3,930,228	-8,676,750	-14,445,338	-21,493,488	**-48,545,805**
Total					
Medical Claims	-$3,063,747	-$6,603,924	-$10,725,648	-$15,555,863	**-$35,949,181**
Gross Prescription Drug Claims	-1,808,363	-4,151,203	-7,178,143	-11,080,976	**-24,218,684**
Prescription Drug Rebates	0	0	0	0	**0**
Grand Total	**-$4,872,109**	**-$10,755,127**	**-$17,903,790**	**-$26,636,838**	**-$60,167,865**

This amounts to $60M in savings over four years, $48M for State agencies and $12M for Non-State agencies

Reset and Hold Benefits so that the Employee Pays 20% of Allowed Claims

It is proposed that the member cost share of claims should be no more than 20%, similar to the 80/20 rule for premiums. If this were to occur, member cost share would decrease for medical claims and increase for drug claims. The following cost/(savings) would occur if member cost share were changed to 20% for medical and drug claims:

	2025	2026	2027	2028	Total
Non-State					
Medical Claims	$2,691,471	$2,256,286	$1,745,233	$1,139,400	$**7,832,390**
Gross Prescription Drug Claims	-4,967,972	-6,096,841	-7,483,322	-9,190,841	**-27,738,976**
Prescription Drug Rebates	0	0	0	0	**0**
Total	-2,276,501	-3,840,555	-5,738,089	-8,051,441	**-19,906,586**
State					
Medical Claims	$11,099,349	$9,304,866	$7,197,463	$4,699,132	$**32,300,811**
Gross Prescription Drug Claims	-21,152,837	-25,959,709	-31,863,606	-39,134,636	**-118,110,788**
Prescription Drug Rebates	0	0	0	0	**0**
Total	-10,053,489	-16,654,843	-24,666,142	-34,435,504	**-85,809,978**
Total					
Medical Claims	$13,790,820	$11,561,152	$8,942,696	$5,838,533	$**40,133,201**
Gross Prescription Drug Claims	-26,120,810	-32,056,550	-39,346,928	-48,325,477	**-145,849,765**
Prescription Drug Rebates	0	0	0	0	**0**
Grand Total	**-$12,329,990**	**-$20,495,398**	**-$30,404,231**	**-$42,486,944**	-$**105,716,564**

Total savings over a four-year period is projected to be $106M, $86 for the State plan and $20M for the Non-State plan.

Section II-Provider Network Alternatives

Limited Provider/Pharmacy Network Plans

Possible alternatives to consider include both medical and pharmacy providers under the current PEIA Statute.

PEIA could consider limiting both In-State and Out-of-State medical providers. In-State providers must be paid for services provided at 110% of the Medicare reimbursement rate. The opportunity for savings seems greater for making changes in reimbursement for Out-of-State providers. Reference-Based Pricing is a health plan strategy where the insurer sets a ceiling on the amount it will cover for a procedure rather than having the provider determine the cost. Depending on the structure of a reference-based structure for Out-of-State services, our estimate of savings on those services would range from 5.6% to 9.6%. In Fiscal Year 2025 the estimated savings would range from $10.8 million to $18.5 million. The amount of savings will depend on the additional cost of administration and the aggressiveness of the pricing structure.

Additionally, research has shown that using a limited provider and pharmacy network can reduce plan costs by 3%-5%. CCA applied these range of savings to the latest financial plan projection to calculate the range of possible savings:

Pharmacy Network Savings	2025	2026	2027	2028	Total
Non-State 3%	$1,570,000	$1,890,000	$2,280,000	$2,750,000	**$8,490,000**
Non-State 5%	$2,610,000	$3,150,000	$3,800,000	$4,580,000	**$14,140,000**
State 3%	$6,570,000	$7,940,000	$9,590,000	$11,590,000	**$35,690,000**
State 5%	$10,960,000	$13,230,000	$15,980,000	$19,310,000	**$59,480,000**
Total 3%	$8,140,000	$9,830,000	$11,870,000	$14,340,000	**$44,180,000**
Total 5%	$13,570,000	$16,380,000	$19,780,000	$23,890,000	**$73,620,000**

Medical Provider Network Savings	2025	2026	2027	2028	Total
Non-State 3%	$3,870,000	$4,190,000	$4,550,000	$4,980,000	**$17,590,000**
Non-State 5%	$6,440,000	$6,980,000	$7,590,000	$8,290,000	**$29,300,000**
State 3%	$15,950,000	$17,260,000	$18,780,000	$20,520,000	**$72,510,000**
State 5%	$26,580,000	$28,770,000	$31,300,000	$34,200,000	**$120,850,000**
Total 3%	$19,820,000	$21,450,000	$23,330,000	$25,500,000	**$90,100,000**
Total 5%	$33,020,000	$35,750,000	$38,890,000	$42,490,000	**$150,150,000**

In total, the possible range of savings over the four-year projection is $134M-$223M.

Continued Focus on Inpatient Claims in West Viginia

Inpatient Medical Claims have been increasing in Fiscal Year 2024 for PEIA due to SB268. Initial estimates included an additional $54.4 million in inpatient claims, as a result of the bill. CCA has analyzed data through March to determine the impact of the bill.

INPATIENT EXPERIENCE

Incurred

	FY23	FY24	
July	7,346,886	15,534,105	
August	9,281,948	14,739,968	
September	9,698,045	13,826,578	
October	9,476,259	15,040,264	
November	9,147,225	16,286,034	
December	8,526,513	15,748,024	
January	8,541,620	16,453,756	
February	8,008,238	11,756,858	
March	10,521,599	9,941,641	
April	11,767,477		
May	9,584,886		
June	9,400,584		
			Change
Six Months	$53,476,877	$91,174,974	$37,698,097
Yearly Estimate->	$111,301,281	$189,947,862	$78,646,581
		Trend:	$8,347,596
		Difference:	$70,298,985

CCA annualized the completed data through December to estimate the total inpatient incurred claims for Fiscal Year 2024. Then, we backed out the assumed planned drug trend of 14.5% to estimate the increase in incurred claims due to SB 268.

Data through March indicated that inpatient claims has increased by $70.3M on an annual basis. If this trend continues, State and Non-State premiums would need to increase by $50M more than currently projected in Fiscal Yer 2026. Instead of premium increases, this deficit could be reduced by increasing member cost sharing on inpatient services, or evaluate the current network of inpatient facilities to steer care to only high quality, competitively priced facilities.

Section III-Plan Offering Alternatives

Funded Healthcare Savings Accounts to Promote Consumer Driven Health Plans

Before turning to our analysis of the impact of HSAs/HRAs and CDHPs on healthcare costs, we will first provide some background. CDHPs can be described along a continuum of health plans with varying degrees of employer/sponsor and employee/participant responsibility. Recently, the most common consumer driven model in the marketplace has been a catastrophic, or high deductible, insurance plan combined with a health care spending account. The catastrophic insurance component is intended to cover high-severity, low-incidence health services. The health care spending account is commonly used to cover high-incidence, low-severity health services, such as office visits.

Under a CDHP, employees have an incentive to spend more carefully when purchasing health care services because most plans of this nature allow unused amounts in a HSA to be rolled over and used to cover health expenses in future years. The CDHP is unique, in that employees can benefit from using fewer and less costly services through the HSA's rollover provision. This built-in financial incentive, combined with the availability of consumer decision support tools relating to cost, treatment, and quality is a key cost containment component of the CDHP. However, all of this can be challenging to understand and must be supplemented by an effective communication and education program.

CCA ran several scenarios, using a CDHP design with some funding from the State provided to a healthcare savings account for members. The funding of the healthcare savings accounts was paired with offing a new CDHP PPB plan design that has a combined medical and drug $2,000 single deductible/$4,000 family and employee with child deductible, 30% coinsurance, and a $6,000 single maximum out-of-pocket/$4,000 family and employee with child maximum out-of-pocket. The average national health insurance deductible is $4,890 for a Silver plan purchased on the health insurance marketplace.

Scenario 1 funds each policy with $500 dollars in a healthcare savings account, with all policies in the current PPB plans switching to the new plan design:

1) Amount = Low Funding, Uniform $500

Fund All PPB Policies (Cost)		
	Policies	Funding Level
Single	22,132	$11,066,000
Child	6,929	$3,464,500
Family	23,893	$11,946,500
Total	52,954	$26,477,000

Claim Savings:
$146,200,200
Net Savings:
$119,723,200

Scenario 2 funds each policy with $1,000 dollars in a healthcare savings account, with all policies in the current PPB plans switching to the new plan design:

2) Amount = Higher Funding, Uniform $1,000

Fund All PPB Policies (Cost)		
	Policies	Funding Level
Single	22,132	$22,132,000
Child	6,929	$6,929,000
Family	23,893	$23,893,000
Total	52,954	$52,954,000

Claim Savings:
$146,200,200
Net Savings:
$93,246,200

Scenario 3 funds single policies with $500 dollars and family/employee with child policies with $1,000 in a healthcare savings account, with all policies in the current PPB plans switching to the new plan design:

3) Amount = Low Funding, Single $500, EwCH & Family $1,000

Fund All PPB Policies (Cost)		
	Policies	Funding Level
Single	22,132	$11,066,000
Child	6,929	$6,929,000
Family	23,893	$23,893,000
Total	52,954	$41,888,000

Claim Savings:
$146,200,200
Net Savings:
$104,312,200

Scenario 4 funds single policies with $1,000 dollars and family/employee with child policies with $2,000 in a healthcare savings account, with all policies in the current PPB plans switching to the new plan design:

4) Amount = High Funding, Single $1,000, EwCH & Family $2,000

Fund All PPB Policies (Cost)		
	Policies	Funding Level
Single	22,132	$22,132,000
Child	6,929	$13,858,000
Family	23,893	$47,786,000
Total	52,954	$83,776,000

Claim Savings:
$146,200,200
Net Savings:
$62,424,200

The net savings to the State financial plan range from $62M to $120M, depending on the level of funding provided.

Section IV-Revenue and Eligibility Alternatives

Increase Administrative Fee $2.50 Per Year for Four Years

Currently, the admin fee charged to State and Non-State agencies is $50 per policy. This fee has not increased since inception. PEIA is proposing that the fee increase to $60, by slowly increasing it by $2.50 per year, for the next 4 years. This would generate extra revenue in the next four years:

	Year 1	Year 2	Year 3	Year 4	Total
94,000 Policies	$235,000	$470,000	$705,000	$940,000	$2,350,000

The increase in the administrative fee would result in an additional $2.3M in revenue over four years.

Dedicated Funding Source to Offset Premium Increases from Healthcare Trend

As requested by the Union representatives, this option provides a steady revenue source be dedicated to PEIA to alleviate future premium increases and benefit reductions. Sources of revenue could include a dedicated amount from the West Viginia State general revenue, a charge on hospitals, or another tax on the sale of a certain class of items.

Possible state revenues that could generate additional income sources for PEIA are personal income tax, consumer sales tax, business tax, and lottery revenue.

Collapsing Salary Levels

Currently, the premiums paid by employees are determined by the plan, coverage type, and employee salary level. There are ten different levels of premiums for Plans A, B, and D that are determined by the Salary Index Codes. The members in the higher salary index codes subsidize the members in the low salary index codes. Collapsing the number of salary index codes would allow the plan to be more easily administered, while the total premium amount could be revenue neutral, as has been modeled for this study.

CCA examined the possibility of collapsing the amount of salary index codes from the current ten, to seven, five, three, and one salary index code. The premium levels were determined with the following groupings:

- 7 Index Codes: Combined Index Codes 1-2, 3-4, and 5-6 while keeping 7, 8, 9, and 10 constant.
- 5 Index Codes: Combined Index Codes 1-2, 3-4, 5-6, 7-8 and 9-10.
- 3 Index Codes v1: Combined Index Codes 1-2, 3-5, and 6-10.
- 3 Index Codes v2: Combined Index Codes 1-2, 3-4, and 5-10.
- 1 Index Code: Combined all of the Current Index Codes.

The result of the analysis can be seen in Appendix A.

Expanded Rates for Family Size Exploration

CCA was tasked with determining if premiums should be adjusted so that there is a charge per child in the Family and the Employee with Children policy coverages. CCA examined claim costs by family size for the Employee with Child and the Family policies. The following Charts show the results for the last three complete fiscal years:

FISCAL YEAR 2021			Claims	Claims
Tier: Family		Claims	Above/	Compared
Members	Policies	PPPY	Below Avg	to Average
2	11,098	$19,284	$685	104%
3	8,413	18,838	238	101%
4	9,333	17,248	(1,351)	93%
5+	4,670	19,243	644	103%
Total/Avg	**33,514**	**$18,599**		

FISCAL YEAR 2021			Claims	Claims
Tier: EwCh		Claims	Above/	Compared
Members	Policies	PPPY	Below Avg	to Average
2	3,751	$10,083	($1,326)	88%
3	2,636	12,120	710	106%
4+	886	14,909	3,500	131%
Total/Avg	**7,273**	**$11,409**		

FISCAL YEAR 2021		
Tier: Single		Claims
	Policies	PPPY
	30,466	$6,906

FISCAL YEAR 2022			Claims	Claims
Tier: Family		Claims	Above/	Compared
Members	Policies	PPPY	Below Avg	to Average
2	11,560	$20,383	$347	102%
3	8,438	19,931	(105)	99%
4	9,389	18,808	(1,228)	94%
5+	4,731	21,814	1,778	109%
Total/Avg	**34,118**	**$20,036**		

FISCAL YEAR 2022			Claims	Claims
Tier: EwCh		Claims	Above/	Compared
Members	Policies	PPPY	Below Avg	to Average
2	3,789	$9,748	($1,992)	83%
3	2,614	13,378	1,639	114%
4+	898	15,372	3,633	131%
Total/Avg	**7,301**	**$11,739**		

FISCAL YEAR 2022		
Tier: Single		Claims
	Policies	PPPY
	31,545	$7,453

FISCAL YEAR 2023			Claims	Claims
Tier: Family		Claims	Above/	Compared
Members	Policies	PPPY	Below Avg	to Average
2	11,708	$21,395	$643	103%
3	8,324	20,656	(96)	100%
4	9,435	19,352	(1,399)	93%
5+	4,617	22,153	1,401	107%
Total/Avg	**34,084**	**$20,752**		

FISCAL YEAR 2023			Claims	Claims
Tier: EwCh		Claims	Above/	Compared
Members	Policies	PPPY	Below Avg	to Average
2	3,789	$10,495	($1,442)	88%
3	2,621	12,353	416	103%
4+	907	16,760	4,822	140%
Total/Avg	**7,317**	**$11,937**		

FISCAL YEAR 2023		
Tier: Single		Claims
	Policies	PPPY
	32,043	$7,445

Observations:

- Adding a child to a single policy adds about $3,000 in allowed claim costs per year.
- Adding a spouse to a single policy adds about $13,000 in allowed claim costs per year.
- There is a limited number of policies with more than 3 children. Therefore, we have grouped the results so that all policies with 3 or more children are grouped together.
- Adding children to the family policies does not materially increase the cost per policy. In fact, for most of the years, families of four have incurred less claims per year than families of two or three.
- Adding children to the employee with child policies does increase the cost per policy.

CCA recommends charging, on average, an additional $105 per month in premium, per child, for up to three children. There is a fluctuation in the data when looking at the cost per policy when incrementally adding one child. However, when looking at all the policies, there is an added average cost of approximately $105 when adding children to the policy, and capping the number of children per policy fee at three. Management would need to consider how to apply the charge per child based on salary, plan, and other factors. Also, base premiums would need to be reset so that the amount of premium collected is revenue neutral.

Review if the Employee with Child(ren) Deductible and Maximum Out-of-pocket should be the same as the Family

Currently, the Family and the Employee with Child(ren) coverages have the same Deductible and Maximum Out-of-Pocket cost sharing. In 2025, Family policies are projected to pay $680 more in premium per year than the Employee with Child(ren) policies. Employees will pay $180 and the Employer (State) will pay $500 of the additional $680. Based on the information in the previous chart, the family policies incur about $8,000 more in claims on average than the Employee with Child(ren) policies.

There are a few ways that PEIA can adjust for this difference:

1) Raise Family premiums and lower Employee with Child(ren) premiums so that the differential is greater.
2) Raise Family Deductibles and Out-of-Pocket Maximums and lower Employee with Child(ren) Deductibles and Out-of-Pocket Maximums so that the differential is greater.
3) Implement a combination of options 1 and 2 to close the gap in benefits and premiums for these two policy coverage tiers.

If any changes are made to premium and benefits for these two coverage tiers, the single coverage tier should also be examined to account for premium and benefit differences.

Section V-Non-State or Non-State Agency Alternatives

Options Regarding Continued Non-State Employee Participation in the Plan

The PEIA Finance Board has historically required that the Non-State Agencies be financially independent of the State Fund. Non-State Agency premiums have been required to cover the cost of providing health coverage under PEIA. The State Fund and the Non-State Fund both benefit from the economies of scale of a larger insurance pool and costs are reduced by sharing administrative costs and services. PEIA analyzes the projected costs of the Non-State Fund to set premiums at the appropriate level for the Financial Plan to maintain this principle. In this analysis, alternatives that increase Non-State Agency revenue and decrease Non-State Agency benefit costs accrue to the Non-State Fund and the State Fund does not directly benefit.

It should be noted that in the Marketplace, the State Fund benefits from the presence of the Non-State Fund due to discounts that are based on the size of PEIA for administration and fixed costs. These costs are spread over a larger base should the Non-State Agencies not be part of PEIA. The Current TPA contract allows for a renegotiation of all fees and guarantees upon a 10% change in enrollment. There are additional costs that State agencies would incur if Non-State agencies did not participate in PEIA.

UMR is the current TPA for PEIA. UMR suggests that losing Non-State agencies would cause a 10% increase in administrative costs and a 5% loss in network discounted costs. Using Fiscal Year 2024 data, the additional administrative cost is about $1 million and loss in discount would increase costs by another $1 million.

Additionally, the PEIA State and Non-State agencies mutually benefit through economies of scale within the PEIA staff salary and benefits. PEIA has 2 full-time positions for Non-State agencies at a cost of $116,000. It is also estimated that 25% of the remaining PEIA HR staff salary and benefits can be allocated to the Non-State agencies. This is approximately $950,000. In total, just over $1,000,000 in PEIA staff expenses would be incurred by the State agencies, if Non-State agencies were no longer included in PEIA:

HR costs		Expense
2 full time staff	$	116,000
Remaining Share of all EEs (25% of other FTE)	$	950,000
Total	$	1,066,000

State agencies would also benefit from additional Non-State agencies joining PEIA. The relationship is mutually beneficial. Additional economies of scale would be achieved with a larger Non-State agency pool. This would decrease administrative costs for the State agency pool. This would also help spread administrative costs across the Non-State agencies that pay the full amount of their expenses with no funding from the State.

Another alternative for PEIA to consider is to implement and administer participation requirements at Non-State Agencies to lower the cost of the program. Non-State agencies vary by size and experience. A participation requirement would stabilize fiscal year results. Small group health insurance plans for companies with one-hundred or less employees typically require a minimum percentage of eligible employees to participate. This percentage can vary by state and insurer, but it is often around 70%.

Employees who already have coverage from another source, such as a spouse, usually are not counted towards this percentage.

In the past, PEIA has considered implementing risk-based pricing for Non-State Agencies, reducing the cross subsidization of groups within the Non-State Agency fund, lowering the cost of the program, and providing stability for the Non-State Agency fund. While there are increased administrative costs for PEIA, it is estimated that implementing both alternatives would result in estimated savings of 2% to 4% of claims expense, which would range from $3M to $7M. Minimum employer premium contribution could also be explored to mitigate adverse risk.

Section VI-Summary of Results

DRAFT

Section I-Plan Design and Cost Sharing Alternatives

- Fixed Ratio Rule for Benefits: The estimated savings is $60M over four years.
- Reset and Hold Benefits so that the Employee Pays 20% of Allowed Claims: The estimated savings is $105M over four years.

Section II-Provider Network Alternatives

- Limited Provider/Pharmacy Network Plans: In total, the possible range of savings over the four-year projection is $134M-$223M. Reference-Based Pricing is estimated to save the plan $10.8-$18.5M per year.
- SB268-Inpatient Claims in West Viginia: Data through March indicated that the bill has increased inpatient claims by $70.3M on an annual basis.

Section III-Plan Offering Alternatives

- Funded Healthcare Savings Accounts to Promote Consumer Driven Plans: The range of implementation plans could save the State $62-$119M per year.

Section IV-Revenue and Eligibility Alternatives

- Increase Administrative Fee $2.50 Per Year for Four Years: The increase in the administrative fee would result in an additional $2.3M in revenue over four years.
- Dedicated Funding Source to Offset Premium Increases from Healthcare Trend: A dedicated source of funding would help to alleviate future premium increases and benefit reductions.
- Collapsing Salary Levels: This option would reduce and simplify administration within the plans. All options and premium schedules can be found in Appendix A.
- Expanded Rates for Family Size Exploration: CCA recommends charging, on average, an additional $105 per month in premium, per child, for up to three children. Management would need to consider how to apply the charge per child based on salary, plan, and other factors. Also, base premiums would need to be reset so that the amount of premium collected is revenue neutral.
- Review if the Employee with Child(ren) Deductible and Maximum Out-of-pocket should be the same as the Family: The premium difference charges for the two coverages does not cover the full difference in claims. Premiums and/or out-of-pocket amounts could be adjusted to account for this difference.

Section V-Nonstate or Non-State Agency Alternatives

- Vendor Administrative Charges: Losing Non-State agencies would cause a 10% increase in administrative costs and a 5% loss in discounted costs. Using Fiscal Year 2024 data, the additional administrative cost is about $1 million and loss in discount would increase costs by another $1 million.
- PEIA Administration: Just over $1,000,000 in PEIA staff expenses would be incurred by the state agencies, if Non-State agencies were no longer included in PEIA.
- Participation Requirements: Implementing and administering participation requirements, while also implementing risk-based pricing for Non-State Agencies would result in estimated savings of 2% to 4% of Non-State expenses.

APPENDIX A

Current Premium Structure

Single Coverage

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 30,400	1,883	475	362	80	$ 81	$ 54	$ 103	$ 68
$ 30,401	$ 40,400	3,764	884		144	$ 103	$ 61		$ 85
$ 40,401	$ 46,400	2,464	715		98	$ 112	$ 65		$ 94
$ 46,401	$ 52,400	2,582	887		115	$ 119	$ 68		$ 99
$ 52,401	$ 60,400	2,546	879		91	$ 138	$ 75		$ 117
$ 60,401	$ 72,900	2,208	685		36	$ 168	$ 87		$ 142
$ 72,901	$ 85,400	782	247		19	$ 186	$ 96		$ 157
$ 85,401	$ 110,400	552	194		8	$ 223	$ 111		$ 189
$ 110,401	$ 135,400	131	59		0	$ 278	$ 156		$ 235
$ 135,401	+	92	49		0	$ 317	$ 184		$ 268
Employer Premiums:						$ 648	$ 418	$ 511	$ 546

Employee and Children

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 30,400	502	99	85	19	$ 164	$ 94	$ 217	$ 134
$ 30,401	$ 40,400	967	203		34	$ 195	$ 105		$ 160
$ 40,401	$ 46,400	570	159		36	$ 207	$ 110		$ 170
$ 46,401	$ 52,400	938	291		33	$ 223	$ 115		$ 184
$ 52,401	$ 60,400	1,208	311		17	$ 268	$ 143		$ 221
$ 60,401	$ 72,900	925	218		15	$ 322	$ 185		$ 267
$ 72,901	$ 85,400	304	95		6	$ 364	$ 210		$ 302
$ 85,401	$ 110,400	174	95		4	$ 446	$ 263		$ 371
$ 110,401	$ 135,400	32	26		0	$ 527	$ 331		$ 440
$ 135,401	+	25	16		1	$ 601	$ 382		$ 502
Employer Premiums:						$ 824	$ 545	$ 651	$ 694

Family

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 30,400	925	164	247	33	$ 235	$ 146	$ 373	$ 185
$ 30,401	$ 40,400	1,872	310		48	$ 298	$ 179		$ 238
$ 40,401	$ 46,400	946	277		31	$ 332	$ 196		$ 266
$ 46,401	$ 52,400	1,287	337		28	$ 369	$ 216		$ 296
$ 52,401	$ 60,400	1,478	381		44	$ 433	$ 256		$ 350
$ 60,401	$ 72,900	1,383	331		35	$ 519	$ 310		$ 423
$ 72,901	$ 85,400	499	175		16	$ 562	$ 339		$ 458
$ 85,401	$ 110,400	377	171		7	$ 671	$ 423		$ 549
$ 110,401	$ 135,400	117	66		2	$ 821	$ 532		$ 674
$ 135,401	+	112	57		3	$ 949	$ 616		$ 781
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Employee Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 30,400	139	19	51	4	$ 189	$ 112	$ 315	$ 146
$ 30,401	$ 40,400	573	60		13	$ 236	$ 133		$ 186
$ 40,401	$ 46,400	392	67		15	$ 265	$ 152		$ 210
$ 46,401	$ 52,400	493	87		11	$ 290	$ 164		$ 231
$ 52,401	$ 60,400	659	101		7	$ 344	$ 191		$ 275
$ 60,401	$ 72,900	737	114		11	$ 413	$ 233		$ 334
$ 72,901	$ 85,400	296	57		3	$ 464	$ 270		$ 377
$ 85,401	$ 110,400	171	49		1	$ 585	$ 364		$ 477
$ 110,401	$ 135,400	36	14		0	$ 736	$ 473		$ 603
$ 135,401	+	15	10		0	$ 849	$ 557		$ 698
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Eligible Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 30,400	531	99	76	17	$ 384	$ 285	$ 514	$ 332
$ 30,401	$ 40,400	960	174		27	$ 447	$ 318		$ 385
$ 40,401	$ 46,400	592	153		21	$ 481	$ 335		$ 413
$ 46,401	$ 52,400	907	242		33	$ 518	$ 355		$ 443
$ 52,401	$ 60,400	1,022	298		17	$ 582	$ 395		$ 497
$ 60,401	$ 72,900	833	222		20	$ 668	$ 449		$ 570
$ 72,901	$ 85,400	252	91		7	$ 711	$ 478		$ 605
$ 85,401	$ 110,400	156	74		3	$ 820	$ 562		$ 696
$ 110,401	$ 135,400	40	30		0	$ 970	$ 671		$ 821
$ 135,401	+	24	14		0	$ 1,098	$ 755		$ 928
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

APPENDIX A

7 Salary Index Codes

Single Coverage

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	5,647	1,358	362	224	$ 92	$ 58	$ 103	$ 77
$ 40,401	$ 52,400	5,046	1,602		213	$ 116	$ 66		$ 97
$ 52,401	$ 72,900	4,753	1,563		127	$ 154	$ 81		$ 130
$ 72,901	$ 85,400	782	247		19	$ 187	$ 96		$ 157
$ 85,401	$ 110,400	552	194		8	$ 225	$ 111		$ 190
$ 110,401	$ 135,400	131	59		0	$ 280	$ 156		$ 236
$ 135,401	+	92	49		0	$ 319	$ 185		$ 270
Employer Premiums:						$ 648	$ 418	$ 511	$ 546

Employee and Children

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,469	302	85	53	$ 181	$ 99	$ 217	$ 148
$ 40,401	$ 52,400	1,508	450		69	$ 217	$ 113		$ 178
$ 52,401	$ 72,900	2,133	529		32	$ 297	$ 164		$ 245
$ 72,901	$ 85,400	304	95		6	$ 366	$ 210		$ 303
$ 85,401	$ 110,400	174	95		4	$ 449	$ 263		$ 372
$ 110,401	$ 135,400	32	26		0	$ 531	$ 332		$ 441
$ 135,401	+	25	16		1	$ 606	$ 382		$ 504
Employer Premiums:						$ 824	$ 545	$ 651	$ 694

Family

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	2,797	474	247	81	$ 268	$ 163	$ 373	$ 212
$ 40,401	$ 52,400	2,233	614		59	$ 353	$ 206		$ 283
$ 52,401	$ 72,900	2,861	712		79	$ 480	$ 283		$ 388
$ 72,901	$ 85,400	499	175		16	$ 566	$ 340		$ 460
$ 85,401	$ 110,400	377	171		7	$ 676	$ 424		$ 551
$ 110,401	$ 135,400	117	66		2	$ 827	$ 533		$ 677
$ 135,401	+	112	57		3	$ 956	$ 617		$ 784
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Employee Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	712	79	51	17	$ 214	$ 123	$ 315	$ 167
$ 40,401	$ 52,400	885	154		26	$ 280	$ 158		$ 222
$ 52,401	$ 72,900	1,396	215		18	$ 381	$ 213		$ 306
$ 72,901	$ 85,400	296	57		3	$ 468	$ 271		$ 378
$ 85,401	$ 110,400	171	49		1	$ 589	$ 365		$ 478
$ 110,401	$ 135,400	36	14		0	$ 741	$ 473		$ 605
$ 135,401	+	15	10		0	$ 855	$ 557		$ 701
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Eligible Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,491	273	76	43	$ 417	$ 302	$ 514	$ 359
$ 40,401	$ 52,400	1,499	394		54	$ 502	$ 345		$ 430
$ 52,401	$ 72,900	1,856	520		37	$ 629	$ 422		$ 535
$ 72,901	$ 85,400	252	91		7	$ 715	$ 479		$ 607
$ 85,401	$ 110,400	156	74		3	$ 825	$ 563		$ 698
$ 110,401	$ 135,400	40	30		0	$ 976	$ 672		$ 824
$ 135,401	+	24	14		0	$ 1,105	$ 756		$ 931
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

APPENDIX A

5 Salary Index Codes

Single Coverage

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	5,647	1,358	362	224	$ 92	$ 58	$ 103	$ 77
$ 40,401	$ 52,400	5,046	1,602		213	$ 116	$ 66		$ 97
$ 52,401	$ 72,900	4,753	1,563		127	$ 154	$ 81		$ 129
$ 72,901	$ 110,400	1,334	441		27	$ 205	$ 103		$ 173
$ 110,401	+	224	108		0	$ 299	$ 170		$ 252
Employer Premiums:						$ 648	$ 418	$ 511	$ 546

Employee and Children

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,469	302	85	53	$ 180	$ 99	$ 217	$ 147
$ 40,401	$ 52,400	1,508	450		69	$ 216	$ 113		$ 177
$ 52,401	$ 72,900	2,133	529		32	$ 296	$ 164		$ 244
$ 72,901	$ 110,400	477	190		11	$ 406	$ 236		$ 336
$ 110,401	+	58	41		1	$ 567	$ 356		$ 471
Employer Premiums:						$ 824	$ 545	$ 651	$ 694

Family

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	2,797	474	247	81	$ 267	$ 162	$ 373	$ 211
$ 40,401	$ 52,400	2,233	614		59	$ 352	$ 206		$ 282
$ 52,401	$ 72,900	2,861	712		79	$ 478	$ 282		$ 387
$ 72,901	$ 110,400	876	347		23	$ 619	$ 381		$ 504
$ 110,401	+	229	123		5	$ 888	$ 574		$ 728
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Employee Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	712	79	51	17	$ 213	$ 123	$ 315	$ 166
$ 40,401	$ 52,400	885	154		26	$ 279	$ 158		$ 221
$ 52,401	$ 72,900	1,396	215		18	$ 380	$ 212		$ 305
$ 72,901	$ 110,400	467	106		4	$ 527	$ 317		$ 427
$ 110,401	+	50	24		0	$ 796	$ 514		$ 651
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Eligible Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,491	273	76	43	$ 416	$ 301	$ 514	$ 358
$ 40,401	$ 52,400	1,499	394		54	$ 501	$ 345		$ 429
$ 52,401	$ 72,900	1,856	520		37	$ 627	$ 421		$ 534
$ 72,901	$ 110,400	408	165		11	$ 768	$ 520		$ 651
$ 110,401	+	64	45		0	$ 1,037	$ 713		$ 875
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

APPENDIX A

3 Salary Index Codes V1

Single Coverage

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	5,647	1,358	362	224	$ 85	$ 53	$ 103	$ 71
$ 40,401	$ 60,400	7,592	2,481		304	$ 114	$ 64		$ 97
$ 60,401	+	3,765	1,234		63	$ 217	$ 117		$ 185
Employer Premiums:						$ 648	$ 418	$ 511	$ 546

Employee and Children

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,469	302	85	53	$ 166	$ 91	$ 217	$ 137
$ 40,401	$ 60,400	2,716	761		86	$ 216	$ 113		$ 179
$ 60,401	+	1,460	450		27	$ 419	$ 252		$ 351
Employer Premiums:						$ 824	$ 545	$ 651	$ 694

Family

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	2,797	474	247	81	$ 247	$ 149	$ 373	$ 197
$ 40,401	$ 60,400	3,711	995		103	$ 351	$ 205		$ 284
$ 60,401	+	2,488	801		63	$ 653	$ 409		$ 537
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Employee Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	712	79	51	17	$ 197	$ 113	$ 315	$ 155
$ 40,401	$ 60,400	1,544	255		33	$ 278	$ 156		$ 223
$ 60,401	+	1,254	244		15	$ 565	$ 349		$ 464
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Eligible Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,491	273	76	43	$ 396	$ 288	$ 514	$ 344
$ 40,401	$ 60,400	2,521	693		71	$ 500	$ 344		$ 431
$ 60,401	+	1,306	431		31	$ 802	$ 548		$ 684
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

APPENDIX A

3 Salary Index Codes V2

Single Coverage

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	5,647	1,358	362	224	$ 79	$ 49	$ 103	$ 67
$ 40,401	$ 52,400	5,046	1,602		213	$ 100	$ 57		$ 85
$ 52,401	+	6,311	2,113		154	$ 189	$ 101		$ 162
Employer Premiums:						$ 648	$ 418	$ 511	$ 546

Employee and Children

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,469	302	85	53	$ 155	$ 85	$ 217	$ 129
$ 40,401	$ 52,400	1,508	450		69	$ 186	$ 96		$ 156
$ 52,401	+	2,668	761		44	$ 364	$ 216		$ 308
Employer Premiums:						$ 824	$ 545	$ 651	$ 694

Family

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	2,797	474	247	81	$ 230	$ 139	$ 373	$ 186
$ 40,401	$ 52,400	2,233	614		59	$ 303	$ 177		$ 248
$ 52,401	+	3,966	1,182		107	$ 570	$ 354		$ 474
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Employee Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	712	79	51	17	$ 184	$ 105	$ 315	$ 146
$ 40,401	$ 52,400	885	154		26	$ 240	$ 135		$ 194
$ 52,401	+	1,914	345		22	$ 489	$ 298		$ 405
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Eligible Spouse

Employee Salary		Number of Policies				Employee Premiums			
		Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
$ -	$ 40,400	1,491	273	76	43	$ 379	$ 278	$ 514	$ 333
$ 40,401	$ 52,400	1,499	394		54	$ 452	$ 316		$ 395
$ 52,401	+	2,328	729		48	$ 719	$ 493		$ 621
Employer Premiums:						$ 1,359	$ 903	$ 1,103	$ 1,052

APPENDIX A

1 Premium Schedule

Single Coverage

Employee Salary	Number of Policies				Employee Premiums			
	Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
All Employees	17,004	5,073	362	591	$ 128	$ 74	$ 103	$ 99
Employer Premiums:					$ 648	$ 418	$ 511	$ 546

Employee and Children

Employee Salary	Number of Policies				Employee Premiums			
	Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
All Employees	5,645	1,513	85	166	$ 255	$ 149	$ 217	$ 193
Employer Premiums:					$ 824	$ 545	$ 651	$ 694

Family

Employee Salary	Number of Policies				Employee Premiums			
	Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
All Employees	8,996	2,270	247	248	$ 407	$ 268	$ 373	$ 321
Employer Premiums:					$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Employee Spouse

Employee Salary	Number of Policies				Employee Premiums			
	Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
All Employees	3,511	579	51	66	$ 346	$ 218	$ 315	$ 245
Employer Premiums:					$ 1,359	$ 903	$ 1,103	$ 1,052

Family with Eligible Spouse

Employee Salary	Number of Policies				Employee Premiums			
	Plan A	Plan B	Plan C	Plan D	Plan A	Plan B	Plan C	Plan D
All Employees	5,318	1,397	76	145	$ 548	$ 397	$ 514	$ 453
Employer Premiums:					$ 1,359	$ 903	$ 1,103	$ 1,052

APPENDIX B

West Virginia Public Employees Insurance Agency
Report of Independent Actuary
Financial Plan for FY 2024 – FY 2028

OVERVIEW

The Financial Plan report, issued in December 2023, analyzes revenues and expenses related to funding the health and life insurance benefits of active employees of the State and various Non-State Agencies, together with their dependents.

This report was compiled utilizing claims data collected by PEIA's third party administrators through October 2023 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 investment income and significant general and special revenue allocations provided by the Governor, some of which have not been approved by the West Virginia Legislature. In addition, other information became available through presentations made at the Board meetings, which has been used in arriving at our conclusions.

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

APPENDIX B

KEY ASSUMPTIONS

A. Enrollment Changes

These projections include the assumption that Preferred Provider Benefit ("PPB") and managed care enrollment will not change from March 2024 enrollment levels for the duration of these forecasts for active employees.

In aggregate, March 2024 enrollment for active employees has increased by 613 coverages since the end of FY 2023. Aggregate PPB enrollment has increased by 559 in total over the same period, while managed care enrollment experienced an increase of 54 coverages.

In the State Fund, the overall active State enrollment increased by 356 coverages from the end of FY 2023 to March 2024. And in the Local Fund, the overall active Local enrollment increased by 257 coverages from the end of FY 2023 to March 2024.

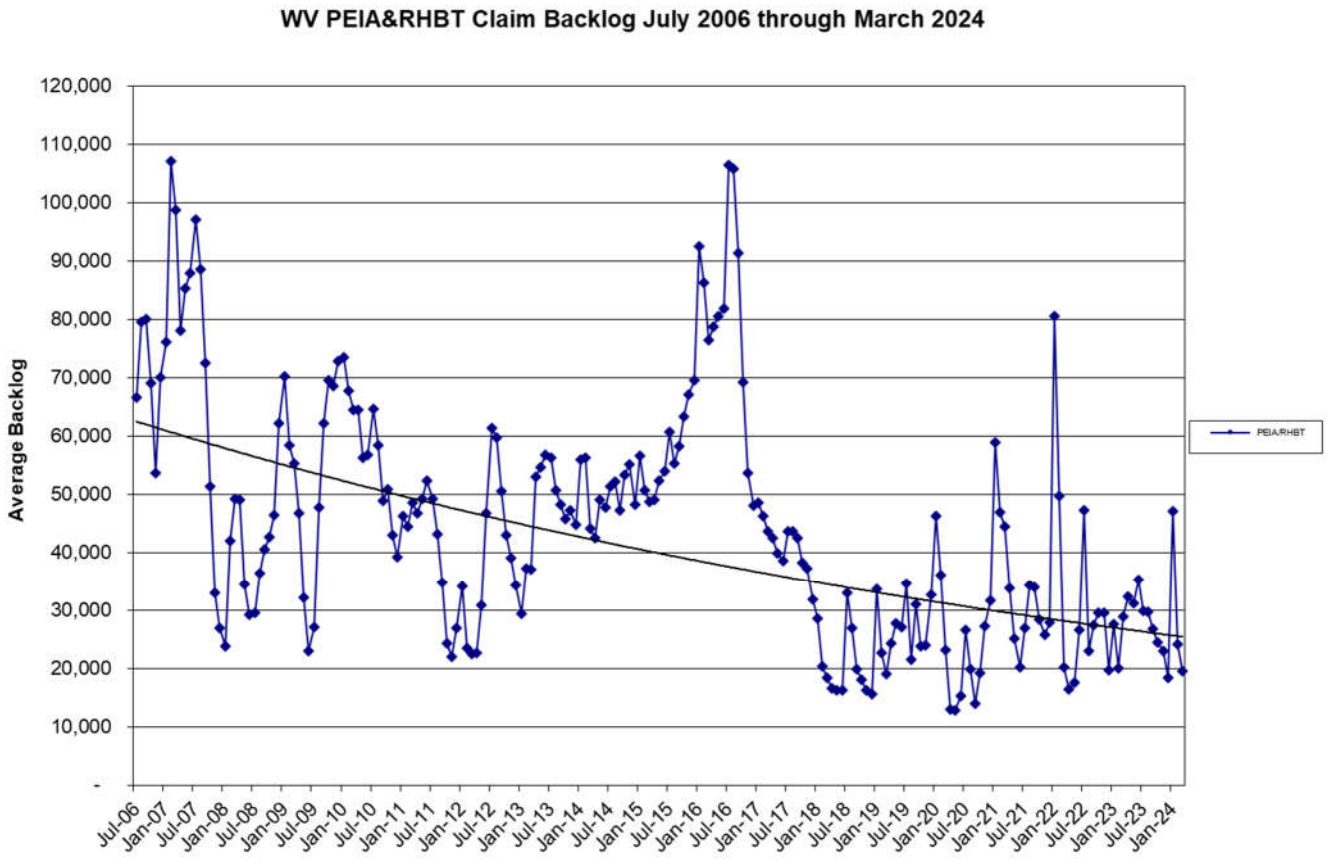
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2022, June 2023, and March 2024 for purposes of comparison:

PEIA		Preferred Provider Benefit			Managed Care		
Fund	Coverage	Jun-22	Jun-23	Mar-24	Jun-22	Jun-23	Mar-24
State Active	Single	21,269	21,381	22,980	2,435	2,444	2,682
	Children	5,821	5,845	7,333	685	703	928
	Family	26,484	26,125	23,299	2,742	2,703	2,335
	Total	53,574	53,351	53,612	5,862	5,850	5,945
Local Active	Single	6,913	6,618	6,980	471	476	459
	Children	1,355	1,276	1,300	105	107	105
	Family	6,557	6,123	6,035	219	210	188
	Total	14,825	14,017	14,315	795	793	752
Plan Total		68,399	67,368	67,927	6,657	6,643	6,697
Grand Total					75,056	74,011	74,624

APPENDIX B

B. Changes in Claim Backlog

It should be noted that on July 1, 2006, all retirees were transferred to the RHBT. The graph below has not been adjusted to reflect the smaller risk pool for the active plan. The graph illustrates that the duration of claim payments has been gradually declining for the self-insured block of non-Medicare coverages. Backlog has shown a negative trend since July 2006, with large fluctuations. However, there has been an upward trend since the beginning of FY 2018.



APPENDIX B

C. Trend Analysis

PEIA experienced a low medical trend and a low prescription drugs trend in FY 2023, and over the past few years, total trends have been beneficial to the plan. Continuing Care Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, "PEIA FY2023 Detailed Medical and Prescription Drugs Claim Trend Report". This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, the FY 2024 medical claim trend is 7.5%, the gross prescription drugs claim trend is 14.5% and the prescription drugs rebate trend is 5.0%. In 2024, there were an additional rebate included in the projection to reflect the new PBM contract with ESI.

The current trend projection is shown in the following table:

Claim Type	Previous Assumption FY 2024 Trend	Updated Assumption FY 2024 Trend
Active Local – Medical	7.5%	7.5%
State – Medical	7.5%	7.5%
Active Local – Gross Drugs	14.5%	14.5%
State – Gross Drugs	14.5%	14.5%
Prescription Drugs Rebate	15.0%	5.0%

In the past, claim trends for the financial plan included a 0.5% margin in future years. CCA has assumed the medical and drugs claim trends for the financial projection will increase by 0.5% in FY 2025 and in each successive fiscal year. Additionally, drug rebates have been trending at approximately 9% over the last two years. As a result, CCA has separated net drugs in the financial plan into gross drugs and drug rebate amounts. Drug rebates trends are set at 5% in the financial plan.

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 2024. It is important to note that these trends ***have not*** been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies, nor the changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

APPENDIX B

PEIA Historical Trends (Active Non-State and State)

Fiscal Year	Active Non-State Medical	State Medical	Active Non-State Drugs	State Drugs	Total
2004	-1%	12%	9%	7%	9%
2005	16%	7%	7%	20%	11%
2006	1%	2%	18%	7%	3%
2007	15%	2%	13%	8%	5%
2008	3%	8%	-5%	-1%	4%
2009	-8%	3%	5%	4%	2%
2010	10%	1%	9%	9%	4%
2011	11%	8%	16%	15%	8%
2012	5%	5%	8%	6%	5%
2013	-3%	-3%	2%	6%	-3%
2014	8%	6%	9%	7%	7%
2015	6%	10%	14%	10%	10%
2016	9%	11%	12%	13%	12%
2017	6%	1%	11%	9%	4%
2018	0%	4%	16%	15%	7%
2019	8%	8%	15%	16%	10%
2020	-8%	0%	10%	15%	3%
2021	31%	17%	16%	13%	17%
2022	5%	9%	19%	18%	11%
2023	0%	5%	-1%	5%	4%
2024*	11%	14%	15%	19%	15%

* Fiscal Year 2024 results are through the first eight months ending February 2024.

APPENDIX B

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through February 2024 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the State Fund and the Local Fund for both self-funded and managed care coverages. Continuing Care 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 2024 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2024 Projection			**Net Revenue Excluding Pay Go**		**Expenses**		
Fund	**Program**	**Policies**	**Monthly Employer Premiums**	**Monthly Employee Premiums**	**Monthly Medical Costs**	**Monthly Drugs Costs***	**Monthly Capitation Costs**
State	PPB	53,407	$843	$208	$770	$283	
	Managed Care	5,884	$857	$214			$826
	Total	59,291					
Local	PPB	14,221	$911	$0	$701	$254	
	Managed Care	757	$885	$0			$631
	Total	14,978					

*Net of rebates and subsidies.

APPENDIX B

Projected plan revenues, administrative expenses, life insurance premiums, and the amount to be spent on wellness programs were provided by PEIA. Investment income is currently allocated to each fund based on average reserve levels for each fund. The following chart summarizes assumptions used in preparation of the attached forecasts.

Board Decisions – December 2023

Source	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Additional State Employer Revenue	$108,100,000	$62,700,000	$71,000,000	$92,000,000	$95,000,000
Additional Local Agency Revenue	$22,500,000	$22,800,000	$20,500,000	$25,500,000	$27,000,000
Additional Employee Premium	$28,900,000	$15,700,000	$17,800,000	$23,000,000	$23,800,000
State Direct Transfers (State Budget Appropriations)	$0	$0	$0	$0	$0
State Direct Transfers (PEIA Rainy Day Fund)	$0	$0	$0	$0	$0
Benefit Reductions and Savings / (Increase) - Active State Medical	$0	$0	$0	$0	$0
Benefit Reductions and Savings / (Increase) - Active State Drugs	$0	$0	$0	$0	$0
Benefit Reductions and Savings / (Increase) - Active Local Medical	$0	$0	$0	$0	$0
Benefit Reductions and Savings / (Increase) - Active Local Drugs	$0	$0	$0	$0	$0
Pay Go Premium Transfer	$0	$29,000,000	$10,000,000	$10,000,000	$0

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

In FY 2024, the ACA PCORI fee is approximately $3.22 per person per year.

West Virginia Senate Bill 268 was signed into law on March 17, 2023. The bill makes three substantial changes to PEIA effective July 1, 2023:

1. Imposes the monthly spouse surcharge for active employee policyholders from State agencies, colleges, universities, and county boards of education whose spouses are offered employer-sponsored insurance coverage but who choose to get coverage through a plan offered by PEIA. This change does not affect Non-State agencies, retirees, spouses who are employed by PEIA-participating agencies or are retired, or spouses whose coverage is through Medicare, Medicaid, or TRICARE.

2. Increases health premiums to get the plan back to an 80/20 employer/employee premium split for State agencies, colleges, universities, and county boards of education by July 1, 2023. This eliminates direct and rainy day fund transfers from the State that were previously part of the financial plan.

3. Increases reimbursement to providers to a minimum of 110% of Medicare's reimbursement. It is estimated that this increase to reimbursement will increase paid claims for PEIA and Non-Medicare retirees in the RHBT by $54.4 million.

E. Provider Reimbursement Changes

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

FISCAL YEAR 2024 FORECAST

The financial forecast for FY 2024 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2024 projects accrued revenue of $930,298,796 and incurred plan expenses of $944,345,528 to produce a fiscal year deficit of ($14,046,732). The PEIA local and state agencies Pay Go premiums for FY 2024 are assumed to be $0.

Under the Baseline Scenario, FY 2024 is projected to end with a Total Fund reserve (State and Local Reserves) of $110,783,201 and projected plan expenditures of $944,345,528. This represents 11.7% of projected expenditures based on the current reserve methodology. The projected reserve does not meet the minimum actuarial required reserve of $115,417,973. This required reserve is comprised of 12.5% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario.

The State Fund in FY 2024 is projected to end with a reserve of $93,764,040, which represents 12.2% of projected expenditures. The projected State Fund reserve meets the minimum actuarial required reserve of $93,616,526.

The Local Fund in FY 2024 is projected to end with a reserve of $17,019,160, which represents 9.6% of projected expenditures. The projected Local Fund reserve does not meet the minimum actuarial required reserve of $21,801,447.

FISCAL YEAR 2025 FORECAST

The financial forecast for FY 2025 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2025 projects accrued revenue of $1,031,643,480 and incurred plan expenses of $1,074,670,468 to produce a fiscal year deficit of ($43,026,988). The PEIA local and state agencies Pay Go premiums for FY 2025 are assumed to be $29,000,000.

Under the Baseline Scenario, FY 2025 is projected to end with a Total Fund reserve (State and Local Reserves) of $67,756,213 and projected plan expenditures of $1,045,670,468. This represents 6.5% of projected expenditures based on the current reserve methodology. The projected reserve does not meet

the minimum actuarial required reserve of $127,906,544. This required reserve is comprised of 12.5% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending Total Fund reserve is expected to increase to $108,095,510 and under the Pessimistic Scenario, the ending Total Fund reserve is expected to decrease to $27,138,560.

The State Fund in FY 2025 is projected to end with a reserve of $63,456,969, which represents 7.5% of projected expenditures. The projected State Fund reserve does not meet the minimum actuarial required reserve of $103,732,429.

The Local Fund in FY 2025 is projected to end with a reserve of $4,299,244, which represents 2.2% of projected expenditures. The projected Local Fund reserve does not meet the minimum actuarial required reserve of $24,174,115.

FISCAL YEAR 2026 FORECAST

The financial forecast for FY 2026 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2026 projects accrued revenue of $1,140,096,692 and incurred plan expenses of $1,171,934,268 to produce a fiscal year deficit of ($31,837,576). The PEIA local and state agencies Pay Go premiums for FY 2026 are assumed to be $10,000,000.

Under the Baseline Scenario, FY 2026 is projected to end with a Total Fund reserve (State and Local Reserves) of $35,918,637 and projected plan expenditures of $1,161,934,268. This represents 3.1% of projected expenditures based on the current reserve methodology. The projected reserve does not meet the minimum actuarial required reserve of $142,305,001. This required reserve is comprised of 12.5% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending Total Fund reserve is expected to increase to $132,193,185 and under the Pessimistic Scenario, the ending Total Fund reserve is expected to decrease to ($62,226,876).

The State Fund in FY 2026 is projected to end with a reserve of $42,351,607, which represents 4.5% of projected expenditures. The projected State Fund reserve does not meet the minimum actuarial required reserve of $115,394,692.

The Local Fund in FY 2026 is projected to end with a reserve of ($6,432,970), which represents -2.9% of projected expenditures. The projected Local Fund reserve does not meet the minimum actuarial required reserve of $26,910,309.

FISCAL YEAR 2027 FORECAST

The financial forecast for FY 2027 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2027 projects accrued revenue of $1,280,281,440 and incurred plan expenses of $1,308,306,975 to produce a fiscal year deficit of ($28,025,535). The PEIA local and state agencies Pay Go premiums for FY 2027 are assumed to be $10,000,000.

Under the Baseline Scenario, FY 2027 is projected to end with a Total Fund reserve (State and Local Reserves) of $7,893,102 and projected plan expenditures of $1,298,306,975. This represents 0.6% of projected expenditures based on the current reserve methodology. The projected reserve does not meet the minimum actuarial required reserve of $159,209,922. This required reserve is comprised of 12.5% of

self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending Total Fund reserve is expected to increase to $191,371,871 and under the Pessimistic Scenario, the ending Total Fund reserve is expected to decrease to ($181,498,135).

The State Fund in FY 2027 is projected to end with a reserve of $25,655,166, which represents 2.4% of projected expenditures. The projected State Fund reserve does not meet the minimum actuarial required reserve of $129,083,975.

The Local Fund in FY 2027 is projected to end with a reserve of ($17,762,063), which represents -7.3% of projected expenditures. The projected Local Fund reserve does not meet the minimum actuarial required reserve of $30,125,947.

FISCAL YEAR 2028 FORECAST

The financial forecast for FY 2028 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2028 projects accrued revenue of $1,426,016,333 and incurred plan expenses of $1,458,686,006 to produce a fiscal year deficit of ($32,669,673). The PEIA local and state agencies Pay Go premiums for FY 2028 are assumed to be $0.

Under the Baseline Scenario, FY 2028 is projected to end with a Total Fund reserve (State and Local Reserves) of ($24,776,571) and projected plan expenditures of $1,458,686,006. This represents -1.7% of projected expenditures based on the current reserve methodology. The projected reserve does not meet the minimum actuarial required reserve of $179,108,084. This required reserve is comprised of 12.5% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending Total Fund reserve is expected to increase to $284,449,077 and under the Pessimistic Scenario, the ending Total Fund reserve is expected to decrease to ($348,007,770).

The State Fund in FY 2028 is projected to end with a reserve of $5,982,999, which represents 0.5% of projected expenditures. The projected State Fund reserve does not meet the minimum actuarial required reserve of $145,193,823.

The Local Fund in FY 2028 is projected to end with a reserve of ($30,759,570), which represents -11.2% of projected expenditures. The projected Local Fund reserve does not meet the minimum actuarial required reserve of $33,914,261.

LITIGATION

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

APPENDIX B

SUMMARY

With projected changes to the plan as adopted by the PEIA Finance Board, we are forecasting that the plan will meet the minimum 10% reserve target set by West Virginia Statute in fiscal year 2024. Starting in fiscal year 2025, the plan will not meet the minimum target of 10%. Additionally, the plan will not meet the minimum actuarial required reserve target in fiscal year 2024. We are currently projecting that the State reserve will be under the minimum actuarial reserve using the baseline assumptions in fiscal years 2025 through 2028; and the Local reserve will be under the minimum actuarial reserve using the baseline assumptions in fiscal years 2024 through 2028. These projections are based on significant revenue increases as contained in the financial plan adopted by the Board in December 2023 and are contingent on legislative approval.

These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement, possible changes in methodology of managed care premium calculation, and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as universal health insurance initiatives and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.