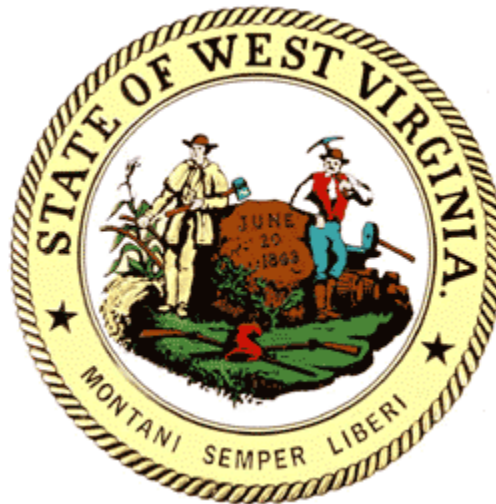




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

Financial Plan

Fiscal Years 2009-2013

December 2008



415 Main Street
Reisterstown, MD 21136

Email: info@ccrcactuaries.com

Phone: 410-833-4220
Fax: 410-833-4229

Finance Board
West Virginia Public Employees Insurance Agency
State Capitol Complex
Building 5, Room 1001
1900 Kanawha Boulevard, East
Charleston, WV 25305-0710

Ladies and Gentlemen:

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

CCRC Actuaries has been retained by the West Virginia Public Employees Insurance Agency Finance Board ("Board") to assist it as provided under Code of the West Virginia 1931 ("Code"), as amended. The Board has asked CCRC Actuaries to review the financial plan prepared and proposed by the Board in December 2008 for the fiscal year ending June 30, 2009 ("FY 2009") and to provide quarterly financial reports thereafter. Our analysis is developed on an accrued and incurred reporting basis for a projection period of five years.

Under the statutory Code provisions, it is the Board's responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all insurance program and administrative costs of the West Virginia Public Employees Insurance Agency ("PEIA"). The Board is required to provide a financing plan in which the State Fund revenue costs are financed 80% by state employers and 20% by state employees in FY 2009 and in subsequent fiscal years. In FY 2009, general compliance was achieved through a transfer of employer funds to the West Virginia Retiree Health Benefit Fund. In subsequent fiscal years, future transfers of employer funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA for the fiscal year are met. We have been asked to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of PEIA through FY 2013.

The Medicaid / PEIA Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide PEIA with hospital charge savings through discounts for all non-Medicare coverages. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2009 and subsequently. We are assuming that the Bill will continue throughout the forecast and PEIA will not receive any future direct transfers in lieu of the savings resulting from the Bill.

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

CCRC Actuaries has provided preliminary forecasts for the fiscal years ending June 30, 2009 (“FY 2009”), June 30, 2010 (“FY 2010”), June 30, 2011 (“FY 2011”), June 30, 2012 (“FY 2012”) and June 30, 2013 (“FY 2013”). Our opinion of plan adequacy is based on the projections through FY 2013 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2008. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the Trust Fund.

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

It should be noted that throughout Fiscal Year 2008 and the first six months of Fiscal Year 2009, PEIA has experienced favorable claim expense compared to historical trends. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2009 through FY 2013 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of PEIA. In addition, we are forecasting that PEIA will meet the 80% employer cost share and 20% employee cost share requirement for state revenue in FY 2009 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2008.

The conclusion of long-term solvency for the program over the five-year forecast is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2013 as approved by the Board.

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

Respectfully,



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

Managing Partner



Bradley Paulis

Reviewing Partner

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2009 – FY 2013

OVERVIEW

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

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

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

KEY ASSUMPTIONS

A. Enrollment Changes

These projections include the assumption that Preferred Provider Benefit (“PPB”) and managed care enrollment will not change from March 2008 enrollment levels for the duration of these forecasts for active employees. It should be noted that PEIA had recently changed the new enrollment system after March 2008, and CCRC Actuaries has based the claims analysis on the prorated enrollment through December 2008.

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

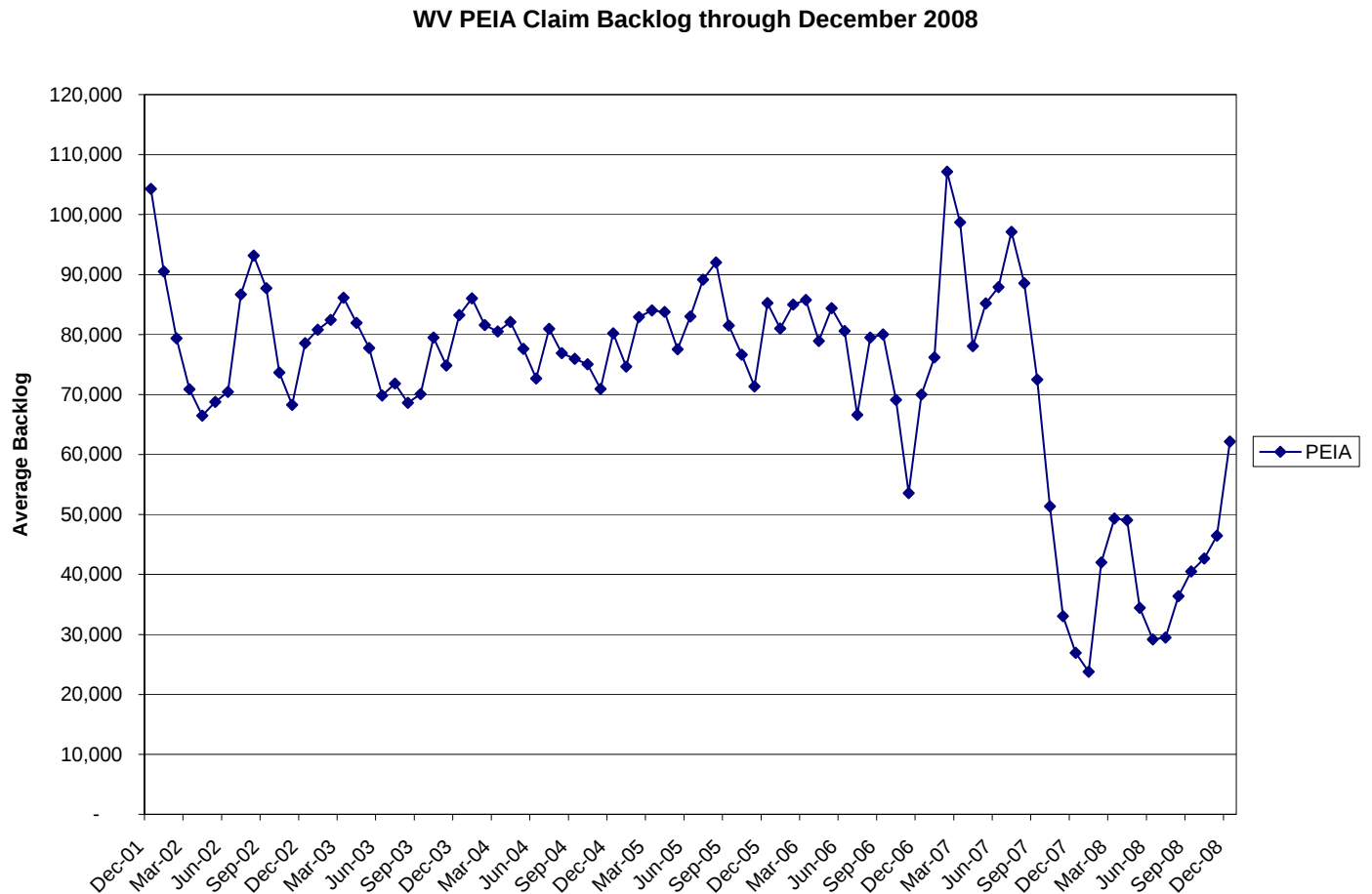
In the State Fund, there continues to be a transfer of coverage from managed care to PPB coverage with overall active State enrollment increased by 332 coverages from the end of FY 2007 to March 2008. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by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

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

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

B. Changes in Claim Backlog

It should be noted that beginning in July 2007, all Medicare retirees have been transferred to the MAPD Plan. While the chart below, which has not been adjusted to reflect the smaller risk pool, indicates a lower backlog, the duration of claim payment has actually been stable for the self-insured block of non-Medicare coverages, though the December 2008 backlog showed an increase.



C. Trend Analysis

CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, "Detailed Medical and Prescription Drug Claim Trend Report - September 2008". This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have increased the FY 2009 Non-Medicare medical claim trend to 7.0%. Additionally, due to PEIA's favorable prescription drug experience, we have reduced our trend assumption for all prescription drugs coverage to 12.0% in FY 2009.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2009 Trend	Updated Assumption FY 2009 Trend
Active Local – Medical	6.5%	7.0%
State – Medical	6.5%	7.0%
Active Local – Drugs	12.5%	12.0%
State – Drugs	12.5%	12.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2010. At the Board's request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

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

PEIA Historical Trends (Active Local and State)

Fiscal Year	Active Local Medical	State Medical	Active Local Drugs	State Drugs	Total
2003	2%	4%	19%	14%	7%
2004	-3%	10%	9%	7%	8%
2005	16%	7%	7%	20%	11%
2006	0%	2%	18%	7%	4%
2007	15%	3%	12%	8%	5%
2008	6%	10%	-13%	-9%	4%
2009*	-2%	8%	1%	4%	5%

* Fiscal Year 2009 results are through the first six months.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through December 2008 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the State Fund and the Local Fund for both self-funded and managed care coverages. CCRC Actuaries has developed the claim cost on an adjusted exposure basis using the respective expected claim cost for each coverage type. The adjusted exposure methodology weighs the expected claim cost under each coverage type for single, member and children, and family coverages based on observed differences in health care cost. For example, under this methodology single coverage types are given a weight of 1.0 exposure, whereas member and children coverages are given a greater weighting based on historical expected health care cost relationships. Based on this methodology, the reporting of FY 2008 and the projection of FY 2009 claims and expenses are summarized in the following charts. It should be noted that the chart reflects per policy information. Due to the implementation of a new enrollment system at PEIA in March 2008, updated enrollment information is not available.

Fiscal Year 2008 Results			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	54,568	\$ 433	\$ 100	\$ 379	\$ 123	
	<u>Managed Care</u>	8,004	\$ 416	\$ 114			\$ 538
	Total	62,572					
Local	PPB	9,336	\$ 492	\$ -	\$ 368	\$ 106	
	<u>Managed Care</u>	662	\$ 477	\$ -			\$ 438
	Total	9,998					

Fiscal Year 2009 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	54,872	\$ 420	\$ 97	\$ 404	\$ 138	
	<u>Managed Care</u>	8,069	\$ 404	\$ 111			\$ 587
	Total	62,941					
Local	PPB	9,461	\$ 523	\$ -	\$ 396	\$ 120	
	<u>Managed Care</u>	668	\$ 476	\$ -			\$ 477
	Total	10,129					

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

Board Decisions – December 2008

Source	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Additional State Employer Revenue	\$0	\$27,000,000	\$70,000,000	\$55,000,000	\$56,000,000
Additional Local Agency Revenue	\$6,000,000	\$10,000,000	\$5,000,000	\$9,000,000	\$12,000,000
Additional Employee Premiums	\$0	\$8,800,000	\$17,500,000	\$13,800,000	\$14,000,000
Direct Transfer	\$0	\$0	\$0	\$0	\$0
Pay Go Premium Transfer	\$144,469,996	\$122,799,496	\$139,991,425	\$159,590,225	\$181,932,857

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.

It should be noted that we have adjusted the Pay Go premium in FY 2010 and later years to cover the investment losses for PEIA. The reduction in the Pay Go amounts provided relief to the Local Agencies reducing some scheduled premium increases. We have reduced FY 2009 Pay Go premium by 15% for FY 2010, and we have assumed that the Pay Go premium will increase by 14% each year for FY 2011 through FY 2013.

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 2009 FORECAST

The financial forecast for FY 2009 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2009 projects accrued revenue of \$460,142,683 and incurred plan expenses of \$506,953,311 to produce a fiscal year deficit of (\$46,810,628). This compares unfavorably to the March 31, 2008 Quarterly Report of (\$35,403,091) for FY 2009 due to the combination of reduction in investment revenue and the projected higher medical claims expense.

Under the Baseline Scenario, FY 2009 is projected to end with a reserve of \$96,009,657 and the FY 2010 expenditures of \$548,601,795, which represents 18% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$100,233,146 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$91,809,648.

FISCAL YEAR 2010 FORECAST

The financial forecast for FY 2010 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2010 projects accrued revenue of \$535,101,760 and incurred plan expenses of \$548,601,795 to produce a fiscal year deficit of (\$13,500,035). This compares favorably to the March 31, 2008 Quarterly Report of (\$32,759,394) for FY 2010 due to the projected higher employer and employee premiums with the reduction in Pay Go premium.

Under the Baseline Scenario, FY 2010 is projected to end with a reserve of \$82,509,622 and the FY 2011 expenditures of \$596,183,647, which represents 14% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$99,759,477 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$65,141,735.

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 \$610,266,952 and incurred plan expenses of \$596,183,647 to produce a fiscal year surplus of \$14,083,305.

Under the Baseline Scenario, FY 2011 is projected to end with a reserve of \$96,592,927 and the FY 2012 expenditures of \$650,649,438, which represents 15% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$137,448,846 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$54,942,610.

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 \$669,674,542 and incurred plan expenses of \$650,649,438 to produce a fiscal year surplus of \$19,025,104.

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$115,618,030 and the FY 2013 expenditures of \$713,135,776, which represents 16% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$192,829,615 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$35,915,459.

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 \$730,823,411 and incurred plan expenses of \$713,135,776 to produce a fiscal year surplus of \$17,687,635.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$133,305,665 and the FY 2014 expenditures of \$785,005,331, which represents 17% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$262,270,234 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$1,503,135).

LITIGATION

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

SUMMARY

With projected changes to the plan as adopted by the PEIA Finance Board, we are forecasting that the plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2013 using the Baseline assumptions. While Local Agencies are not projected to independently meet the reserve requirements in the early years of the projection, the Board has chosen to grade in the required increases over a three-year period, whereby the Local Agency Fund will meet the 10% reserve target in FY 2013. These projections are based on significant revenue increases projected by PEIA and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement, possible changes in methodology of managed care premium calculation, and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as universal health insurance initiatives and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 59,408,946	\$ 276,827,909	\$ 336,236,855
Employer Premiums - MCO	3,812,065	39,137,118	42,949,183
Employee Premiums - PPB	-	64,166,455	64,166,455
Employee Premiums - MCO	-	10,721,746	10,721,746
Direct Transfers	-	-	-
Investment Income	-	-	-
COBRA Premiums	306,945	1,274,488	1,581,433
Administrative Fees	329,562	4,157,449	4,487,011
Total Revenue	\$ 63,857,518	\$ 396,285,165	\$ 460,142,683
<u>Program Expenses</u>			
Medical Claims	\$ 44,980,811	\$ 265,774,370	\$ 310,755,181
Prescription Drug Claims	13,663,553	91,028,766	104,692,319
Managed Care Capitations	3,825,658	56,814,366	60,640,024
Administration	2,669,857	18,252,154	20,922,011
Life Insurance	804,504	5,499,896	6,304,400
Wellness	249,011	1,702,333	1,951,344
Director's Discretionary Fund	238,282	1,449,750	1,688,032
Total Expenses	\$ 66,431,676	\$ 440,521,635	\$ 506,953,311
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2008	-	-	-
Fiscal Year Results	\$ (2,574,158)	\$ (44,236,470)	\$ (46,810,628)
Beginning Plan Reserve	8,675,072	134,145,213	142,820,285
Ending Plan Reserve	\$ 6,100,914	\$ 89,908,743	\$ 96,009,657

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 6,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	7.0%	12.0%
Direct Transfers	\$ -	State	7.0%	12.0%
		Capitations		10.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 71,481,279	\$ 314,144,072	\$ 385,625,351
Employer Premiums - MCO	4,586,705	44,412,768	48,999,473
Employee Premiums - PPB	-	74,475,588	74,475,588
Employee Premiums - MCO	-	12,444,327	12,444,327
Direct Transfers	-	-	-
Investment Income	651,022	6,602,572	7,253,594
COBRA Premiums	352,553	1,463,863	1,816,416
Administrative Fees	329,562	4,157,449	4,487,011
Total Revenue	\$ 77,401,121	\$ 457,700,639	\$ 535,101,760
<u>Program Expenses</u>			
Medical Claims	\$ 48,252,463	\$ 285,105,310	\$ 333,357,774
Prescription Drug Claims	15,340,801	102,202,854	117,543,655
Managed Care Capitations	4,131,710	61,359,515	65,491,225
Administration	2,803,349	19,164,761	21,968,110
Life Insurance	844,729	5,774,891	6,619,620
Wellness	249,011	1,702,333	1,951,344
Director's Discretionary Fund	235,539	1,434,528	1,670,067
Total Expenses	\$ 71,857,602	\$ 476,744,193	\$ 548,601,795
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2009	-	-	-
Fiscal Year Results	\$ 5,543,519	\$ (19,043,554)	\$ (13,500,035)
Beginning Plan Reserve	6,100,914	89,908,743	96,009,657
Ending Plan Reserve	\$ 11,644,433	\$ 70,865,189	\$ 82,509,622

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 27,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 10,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 8,800,000	Active Local	7.5%	12.5%
Direct Transfers	\$ -	State	7.5%	12.5%
		Capitations		8.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 74,057,381	\$ 365,013,888	\$ 439,071,269
Employer Premiums - MCO	4,752,005	51,604,594	56,356,599
Employee Premiums - PPB	-	86,903,931	86,903,931
Employee Premiums - MCO	-	14,521,012	14,521,012
Direct Transfers	-	-	-
Investment Income	965,913	5,882,521	6,848,434
COBRA Premiums	403,460	1,675,236	2,078,696
Administrative Fees	329,562	4,157,449	4,487,011
Total Revenue	\$ 80,508,321	\$ 529,758,631	\$ 610,266,952
<u>Program Expenses</u>			
Medical Claims	\$ 52,003,433	\$ 307,268,354	\$ 359,271,787
Prescription Drug Claims	17,300,668	115,259,804	132,560,472
Managed Care Capitations	4,462,247	66,268,276	70,730,523
Administration	2,943,517	20,122,999	23,066,516
Life Insurance	886,966	6,063,636	6,950,602
Wellness	249,011	1,702,333	1,951,344
Director's Discretionary Fund	232,840	1,419,563	1,652,403
Total Expenses	\$ 78,078,683	\$ 518,104,965	\$ 596,183,647
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2010	-	-	-
Fiscal Year Results	\$ 2,429,638	\$ 11,653,666	\$ 14,083,305
Beginning Plan Reserve	11,644,433	70,865,189	82,509,622
Ending Plan Reserve	\$ 14,074,071	\$ 82,518,855	\$ 96,592,927

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 70,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 5,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 17,500,000	Active Local	8.0%	13.0%
Direct Transfers	\$ -	State	8.0%	13.0%
		Capitations		8.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 80,095,157	\$ 401,262,744	\$ 481,357,901
Employer Premiums - MCO	5,139,428	56,729,351	61,868,779
Employee Premiums - PPB	-	95,817,007	95,817,007
Employee Premiums - MCO	-	16,010,322	16,010,322
Direct Transfers	-	-	-
Investment Income	1,129,215	6,722,910	7,852,125
COBRA Premiums	442,803	1,838,594	2,281,397
Administrative Fees	329,562	4,157,449	4,487,011
Total Revenue	\$ 87,136,165	\$ 582,538,377	\$ 669,674,542
<u>Program Expenses</u>			
Medical Claims	\$ 56,306,108	\$ 332,691,206	\$ 388,997,313
Prescription Drug Claims	19,597,455	130,561,358	150,158,813
Managed Care Capitations	4,819,227	71,569,738	76,388,965
Administration	3,090,693	21,129,149	24,219,842
Life Insurance	931,314	6,366,817	7,298,131
Wellness	249,011	1,702,333	1,951,344
Director's Discretionary Fund	230,183	1,404,847	1,635,030
Total Expenses	\$ 85,223,990	\$ 565,425,448	\$ 650,649,438
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2011	-	-	-
Fiscal Year Results	\$ 1,912,175	\$ 17,112,929	\$ 19,025,104
Beginning Plan Reserve	14,074,071	82,518,855	96,592,926
Ending Plan Reserve	\$ 15,986,246	\$ 99,631,784	\$ 115,618,030

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 9,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 13,800,000	Active Local	8.5%	13.5%
Direct Transfers	\$ -	State	8.5%	13.5%
		Capitations		8.0%
		Administrative Expense		5.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2013**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 88,613,305	\$ 436,706,446	\$ 525,319,751
Employer Premiums - MCO	5,686,007	61,740,278	67,426,285
Employee Premiums - PPB	-	104,503,561	104,503,561
Employee Premiums - MCO	-	17,461,781	17,461,781
Direct Transfers	-	-	-
Investment Income	1,271,194	7,864,658	9,135,852
COBRA Premiums	483,130	2,006,040	2,489,170
Administrative Fees	329,562	4,157,449	4,487,011
Total Revenue	\$ 96,383,198	\$ 634,440,213	\$ 730,823,411
<u>Program Expenses</u>			
Medical Claims	\$ 61,246,416	\$ 361,881,595	\$ 423,128,011
Prescription Drug Claims	22,297,178	148,547,348	170,844,527
Managed Care Capitations	5,204,765	77,295,317	82,500,082
Administration	3,245,227	22,185,607	25,430,834
Life Insurance	977,880	6,685,158	7,663,038
Wellness	249,011	1,702,333	1,951,344
Director's Discretionary Fund	227,567	1,390,373	1,617,940
Total Expenses	\$ 93,448,044	\$ 619,687,731	\$ 713,135,776
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2012	-	-	-
Fiscal Year Results	\$ 2,935,154	\$ 14,752,482	\$ 17,687,635
Beginning Plan Reserve	15,986,246	99,631,784	115,618,030
Ending Plan Reserve	\$ 18,921,400	\$ 114,384,266	\$ 133,305,665

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 56,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 12,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,000,000	Active Local	9.0%	14.0%
Direct Transfers	\$ -	State	9.0%	14.0%
		Capitations		8.0%
		Administrative Expense		5.0%