



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

Financial Plan

Fiscal Years 2010-2014

December 2009



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Finance Board
West Virginia Public Employees Insurance Agency
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Ladies and Gentlemen:

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

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 2009 for the fiscal year ending June 30, 2010 (“FY 2010”) 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 2010 and in subsequent fiscal years. In FY 2010, 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 2014.

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 2010 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 Legislation.

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

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2009”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2010 through FY 2014 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of 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 2010 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2009.

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 2014 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 2010 – FY 2014

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 2009 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 December 2009 enrollment levels for the duration of these forecasts for active employees.

In aggregate, December 2009 enrollment for active employees has increased by 734 coverages since the end of FY 2009. Aggregate PPB enrollment has increased by 982 in total over the same period, while managed care enrollment experienced a decrease of 248 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 380 coverages from the end of FY 2009 to December 2009. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by 354 coverages from the end of FY 2009 to December 2009.

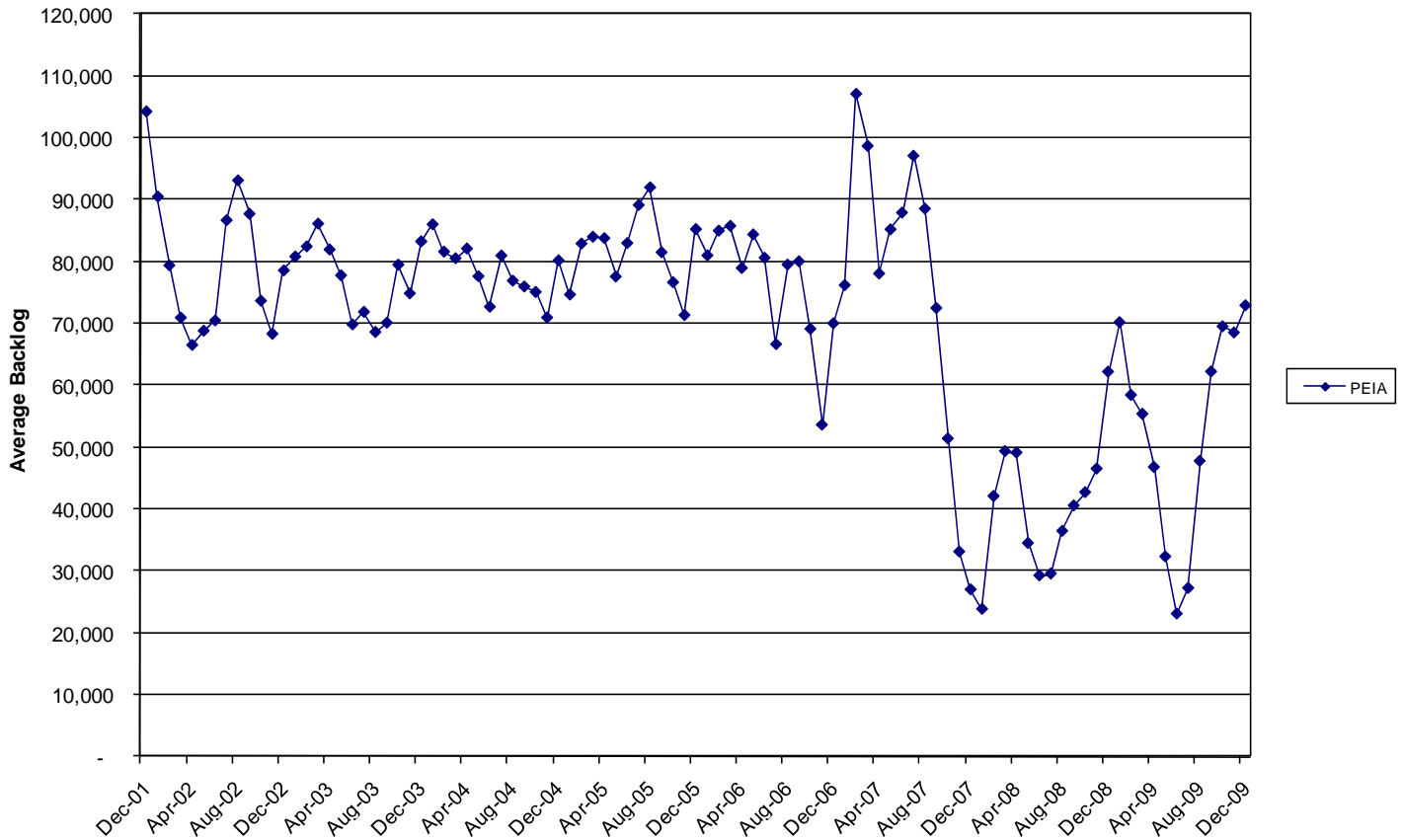
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2008, June 2009 and December 2009 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-08	Jun-09	Dec-09	Jun-08	Jun-09	Dec-09
State Active	Single	19,436	19,897	20,277	3,381	3,255	3,091
	Children	5,338	5,538	5,650	718	695	675
	Family	30,023	30,292	30,455	3,970	3,835	3,744
	Total	54,797	55,727	56,382	8,069	7,785	7,510
Local Active	Single	4,033	4,442	4,610	377	361	380
	Children	628	745	767	162	165	162
	Family	4,820	5,185	5,322	123	130	141
	Total	9,481	10,372	10,699	662	656	683
Plan Total		64,278	66,099	67,081	8,731	8,441	8,193
Grand Total					73,009	74,540	75,274

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 October and December 2009 backlog showed an increase.

WV PEIA Claim Backlog through December 2009



C. Trend Analysis

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

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2010 Trend	Updated Assumption FY 2010 Trend
Active Local – Medical	7.5%	6.0%
State – Medical	7.5%	6.0%
Active Local – Drugs	12.5%	11.0%
State – Drugs	12.5%	11.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2011. At the Board's request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through December 2009. It is important to note that these trends *have not* been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies, nor 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	1%	2%	18%	7%	4%
2007	15%	2%	13%	8%	5%
2008	5%	10%	-13%	-9%	4%
2009	-4%	7%	10%	9%	6%
2010*	-1%	3%	3%	4%	2%

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

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through December 2009 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 result of FY 2009 and the projection of FY 2010 claims and expenses are summarized in the following charts. It should be noted that the chart reflects per policy information.

Fiscal Year 2009 Results			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	55,192	\$ 422	\$ 101	\$ 398	\$ 124	
	<u>Managed Care</u>	<u>7,782</u>	\$ 407	\$ 115			\$ 548
	Total	62,974					
Local	PPB	9,622	\$ 541	\$ -	\$ 333	\$ 107	
	<u>Managed Care</u>	<u>652</u>	\$ 488	\$ -			\$ 441
	Total	10,274					

Fiscal Year 2010 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	56,114	\$ 468	\$ 115	\$ 431	\$ 138	
	<u>Managed Care</u>	<u>7,450</u>	\$ 479	\$ 139			\$ 578
	Total	63,564					
Local	PPB	10,635	\$ 566	\$ -	\$ 360	\$ 119	
	<u>Managed Care</u>	<u>661</u>	\$ 557	\$ -			\$ 438
	Total	11,296					

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 2009

Source	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Additional State Employer Revenue	\$27,000,000	\$18,000,000	\$55,000,000	\$56,000,000	\$57,000,000
Additional Local Agency Revenue	\$10,000,000	\$0	\$0	\$8,000,000	\$9,000,000
Additional Employee Premiums	\$8,800,000	\$4,500,000	\$13,800,000	\$14,000,000	\$14,300,000
Direct Transfer	\$0	\$3,500,000	\$0	\$0	\$0
Provider/Benefit Reductions	\$0	\$13,100,000	\$0	\$0	\$0
Pay Go Premium Transfer	\$123,265,857	\$145,671,196	\$172,384,997	\$193,599,815	\$219,522,230

The \$13,100,000 reduction in benefits in Fiscal Year 2011 are comprised of the following changes:

	<u>Change in 2011 Claim Cost</u>
Increase Family out of pocket to 1.5x Single	\$7.1 M
Increase Lifetime Maximum to \$1.5M	-\$1.1 M
Move Plan B to IRS High Deductible Plan	\$1.4 M
Implement ESI High Performance Formulary	\$5.8 M

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 the Pay Go premium in FY 2010 was reduced due to the investment losses for PEIA. As a result, Local Agencies benefited from the lower assessments, resulting in lower premium requirements. FY 2009 Pay Go premiums have been reduced by 15% in FY 2010. In future years, the Pay Go premium will continue to increase each year based on a formula based on the difference between retiree premiums and retiree program costs including claims, capitations and administrative costs of the program.

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 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 \$542,888,673 and incurred plan expenses of \$531,006,773 to produce a fiscal year surplus of \$11,881,900. This compares favorably to the Fiscal Year 2008 Financial Report of (\$13,482,393) for FY 2010 due to the reduction in administrative costs and the reduction of Pay Go premiums in FY 2009 and the unexpected emergence of investment income in FY 2010.

Under the Baseline Scenario, FY 2010 is projected to end with a reserve of \$136,702,180 and the FY 2011 expenditures of \$559,423,235, which represents 24% 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 \$141,265,055 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$132,164,901.

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 \$547,716,456 and incurred plan expenses of \$559,423,235 to produce a fiscal year deficit of (\$11,706,779).

Under the Baseline Scenario, FY 2011 is projected to end with a reserve of \$124,995,401 and the FY 2012 expenditures of \$603,026,608, which represents 21% 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 \$143,278,418 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$106,589,504.

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 \$585,979,995 and incurred plan expenses of \$603,026,608 to produce a fiscal year deficit of (\$17,046,613).

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$107,948,788 and the FY 2013 expenditures of \$652,818,616, 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 \$151,097,460 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$63,968,023.

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 \$642,141,829 and incurred plan expenses of \$652,818,616 to produce a fiscal year deficit of (\$10,676,787).

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$97,272,001 and the FY 2014 expenditures of \$709,765,567, 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 \$178,728,797 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$13,208,239.

FISCAL YEAR 2014 FORECAST

The financial forecast for FY 2014 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2014 projects accrued revenue of \$696,404,057 and incurred plan expenses of \$709,765,567 to produce a fiscal year deficit of (\$13,361,510).

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$83,910,491 and the FY 2015 expenditures of \$775,020,730, which represents 11% 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 \$219,912,456 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$58,197,165).

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 2014 using the Baseline assumptions. 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 2010**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 72,276,517	\$ 314,946,369	\$ 387,222,886
Employer Premiums - MCO	4,419,702	42,811,998	47,231,700
Employee Premiums - PPB	-	77,298,824	77,298,824
Employee Premiums - MCO	-	12,382,029	12,382,029
Direct Transfers	-	-	-
Investment Income	1,757,415	10,680,170	12,437,585
COBRA Premiums	317,691	1,319,108	1,636,799
Administrative Fees	663,774	4,015,076	4,678,850
Total Revenue	\$ 79,435,099	\$ 463,453,574	\$ 542,888,673
<u>Program Expenses</u>			
Medical Claims	\$ 45,951,538	\$ 289,980,292	\$ 335,931,830
Prescription Drug Claims	15,149,807	92,959,784	108,109,591
Managed Care Capitations	3,477,253	51,640,253	55,117,506
Administration	3,252,804	19,182,136	22,434,940
Life Insurance	715,052	4,889,052	5,604,104
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	231,825	1,452,914	1,684,739
Total Expenses	\$ 69,086,243	\$ 461,920,530	\$ 531,006,773
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2009	-	-	-
Fiscal Year Results	\$ 10,348,856	\$ 1,533,044	\$ 11,881,900
Beginning Plan Reserve	17,803,554	107,016,726	124,820,280
Ending Plan Reserve	\$ 28,152,410	\$ 108,549,770	\$ 136,702,180

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 27,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 10,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 8,800,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.0%	11.0%
		State	6.0%	11.0%
		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 2011**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 69,078,295	\$ 317,408,550	\$ 386,486,845
Employer Premiums - MCO	4,224,131	43,146,694	47,370,825
Employee Premiums - PPB	-	77,894,917	77,894,917
Employee Premiums - MCO	-	12,477,514	12,477,514
Direct Transfers	-	3,500,000	3,500,000
Investment Income	2,565,761	11,104,649	13,670,410
COBRA Premiums	317,748	1,319,347	1,637,095
Administrative Fees	663,774	4,015,076	4,678,850
Total Revenue	\$ 76,849,709	\$ 470,866,747	\$ 547,716,456
<u>Program Expenses</u>			
Medical Claims	\$ 48,100,463	\$ 303,020,877	\$ 351,121,340
Prescription Drug Claims	16,212,962	99,315,629	115,528,591
Managed Care Capitations	3,755,433	55,771,473	59,526,906
Administration	3,415,445	20,141,242	23,556,687
Life Insurance	750,805	5,133,505	5,884,310
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	231,721	1,449,617	1,681,338
Total Expenses	\$ 72,774,793	\$ 486,648,442	\$ 559,423,235
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2010	-	-	-
Fiscal Year Results	\$ 4,074,916	\$ (15,781,695)	\$ (11,706,779)
Beginning Plan Reserve	28,152,410	108,549,770	136,702,180
Ending Plan Reserve	\$ 32,227,326	\$ 92,768,075	\$ 124,995,401

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 18,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 4,500,000	<u>Medical</u>		<u>Drugs</u>
Direct Transfers	\$ 3,500,000	Active Local	6.5%	11.5%
		State	6.5%	11.5%
		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 2012**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 65,265,066	\$ 349,873,537	\$ 415,138,603
Employer Premiums - MCO	3,990,953	47,559,798	51,550,751
Employee Premiums - PPB	-	85,871,683	85,871,683
Employee Premiums - MCO	-	13,755,263	13,755,263
Direct Transfers	-	-	-
Investment Income	2,919,719	10,296,602	13,216,321
COBRA Premiums	343,258	1,425,266	1,768,524
Administrative Fees	663,774	4,015,076	4,678,850
Total Revenue	\$ 73,182,770	\$ 512,797,225	\$ 585,979,995
<u>Program Expenses</u>			
Medical Claims	\$ 51,358,426	\$ 323,545,225	\$ 374,903,651
Prescription Drug Claims	18,122,063	111,010,195	129,132,258
Managed Care Capitations	4,055,868	60,233,191	64,289,059
Administration	3,586,217	21,148,304	24,734,521
Life Insurance	788,345	5,390,180	6,178,525
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	229,453	1,435,078	1,664,531
Total Expenses	\$ 78,448,336	\$ 524,578,272	\$ 603,026,608
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2011	-	-	-
Fiscal Year Results	\$ (5,265,566)	\$ (11,781,047)	\$ (17,046,613)
Beginning Plan Reserve	32,227,326	92,768,075	124,995,401
Ending Plan Reserve	\$ 26,961,760	\$ 80,987,028	\$ 107,948,788

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 13,800,000	<u>Active Local</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.0%	12.0%
		Capitations	7.0%	12.0%
		Administrative Expense	8.0%	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	\$ 69,775,774	\$ 386,495,136	\$ 456,270,910
Employer Premiums - MCO	4,266,782	52,537,927	56,804,709
Employee Premiums - PPB	-	94,834,844	94,834,844
Employee Premiums - MCO	-	15,191,018	15,191,018
Direct Transfers	-	-	-
Investment Income	2,596,030	9,819,612	12,415,642
COBRA Premiums	377,677	1,568,179	1,945,856
Administrative Fees	663,774	4,015,076	4,678,850
Total Revenue	\$ 77,680,037	\$ 564,461,792	\$ 642,141,829
<u>Program Expenses</u>			
Medical Claims	\$ 55,093,950	\$ 347,078,094	\$ 402,172,044
Prescription Drug Claims	20,346,608	124,637,072	144,983,680
Managed Care Capitations	4,380,337	65,051,846	69,432,183
Administration	3,765,528	22,205,720	25,971,248
Life Insurance	827,762	5,659,689	6,487,451
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	227,215	1,420,732	1,647,947
Total Expenses	\$ 84,949,364	\$ 567,869,252	\$ 652,818,616
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2012	-	-	-
Fiscal Year Results	\$ (7,269,327)	\$ (3,407,460)	\$ (10,676,787)
Beginning Plan Reserve	26,961,760	80,987,028	107,948,788
Ending Plan Reserve	\$ 19,692,433	\$ 77,579,568	\$ 97,272,001

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 56,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 8,000,000			
Additional State Employee Premiums	\$ 14,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	Active Local	7.5%	12.5%
		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 2014**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 74,556,877	\$ 421,193,242	\$ 495,750,119
Employer Premiums - MCO	4,559,146	57,254,588	61,813,734
Employee Premiums - PPB	-	103,358,795	103,358,795
Employee Premiums - MCO	-	16,556,418	16,556,418
Direct Transfers	-	-	-
Investment Income	2,132,466	9,998,006	12,130,472
COBRA Premiums	410,636	1,705,033	2,115,669
Administrative Fees	663,774	4,015,076	4,678,850
Total Revenue	\$ 82,322,899	\$ 614,081,158	\$ 696,404,057
<u>Program Expenses</u>			
Medical Claims	\$ 59,376,752	\$ 374,058,675	\$ 433,435,427
Prescription Drug Claims	22,945,993	140,560,110	163,506,104
Managed Care Capitations	4,730,764	70,255,994	74,986,758
Administration	3,953,804	23,316,006	27,269,810
Life Insurance	869,150	5,942,673	6,811,823
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	225,008	1,406,575	1,631,583
Total Expenses	\$ 92,409,435	\$ 617,356,132	\$ 709,765,567
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2013	-	-	-
Fiscal Year Results	\$ (10,086,536)	\$ (3,274,974)	\$ (13,361,510)
Beginning Plan Reserve	19,692,433	77,579,568	97,272,001
Ending Plan Reserve	\$ 9,605,897	\$ 74,304,594	\$ 83,910,491

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 57,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 9,000,000			
Additional State Employee Premiums	\$ 14,300,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	Active Local	8.0%	13.0%
		State	8.0%	13.0%
		Capitations		8.0%
		Administrative Expense		5.0%

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

Fiscal Year 2008												
Exposure	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>
Local Medical	19,524	19,549	19,539	19,555	19,755	19,787	19,920	20,013	20,107	20,143	20,131	20,132
State Medical	121,132	120,340	120,040	120,675	121,571	121,732	121,883	121,950	122,022	122,060	122,030	121,799
Local Drugs	19,524	19,549	19,539	19,555	19,755	19,787	19,920	20,013	20,107	20,143	20,131	20,132
State Drugs	121,132	120,340	120,040	120,675	121,571	121,732	121,883	121,950	122,022	122,060	122,030	121,799
	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>
Local Medical	\$157.74	\$157.83	\$145.27	\$183.81	\$159.15	\$142.95	\$200.12	\$164.85	\$171.61	\$197.72	\$181.92	\$171.04
State Medical	137.63	173.22	139.99	169.16	162.39	146.97	177.61	166.42	176.35	187.44	186.87	199.12
Local Drugs	30.46	47.83	36.19	43.90	54.70	52.35	57.22	57.35	57.50	56.31	59.34	62.06
State Drugs	<u>33.97</u>	<u>53.80</u>	<u>42.59</u>	<u>46.95</u>	<u>58.29</u>	<u>60.10</u>	<u>63.97</u>	<u>62.17</u>	<u>63.73</u>	<u>62.60</u>	<u>64.79</u>	<u>68.37</u>
Total	\$359.81	\$432.68	\$364.04	\$443.81	\$434.53	\$402.37	\$498.92	\$450.80	\$469.19	\$504.08	\$492.91	\$500.60
Change From Prior Year - Month to Month Analysis												
Local Medical	35.7%	-0.8%	2.5%	10.9%	6.2%	-20.3%	13.7%	0.5%	2.1%	21.5%	-1.3%	2.4%
State Medical	8.1%	14.0%	7.4%	20.1%	4.3%	0.9%	9.6%	12.8%	6.2%	14.0%	10.7%	8.8%
Local Drugs	23.8%	-10.8%	-34.8%	-27.0%	-11.2%	-20.3%	-12.0%	-3.3%	-14.6%	-9.7%	-10.5%	-0.4%
State Drugs	<u>14.5%</u>	<u>-6.2%</u>	<u>-29.6%</u>	<u>-26.0%</u>	<u>-7.6%</u>	<u>-12.6%</u>	<u>-6.4%</u>	<u>0.0%</u>	<u>-10.5%</u>	<u>-5.8%</u>	<u>-4.0%</u>	<u>0.5%</u>
Total	20.8%	2.5%	-6.2%	3.2%	1.0%	-12.4%	5.8%	4.1%	-0.7%	10.6%	1.2%	4.2%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			10.5%			-1.8%			5.6%			7.1%
State Medical			10.1%			8.2%			9.4%			11.1%
Local Drugs			-14.4%			-19.5%			-10.2%			-7.0%
State Drugs			<u>-11.6%</u>			<u>-15.4%</u>			<u>-5.9%</u>			<u>-3.1%</u>
Total			4.4%			-3.0%			3.0%			5.2%
Change From Prior Year - Year to Year Analysis												
Local Medical			15.0%			8.6%			6.6%			5.2%
State Medical			5.5%			6.6%			8.0%			9.7%
Local Drugs			7.8%			-3.2%			-9.4%			-12.6%
State Drugs			<u>3.7%</u>			<u>-3.7%</u>			<u>-7.4%</u>			<u>-8.7%</u>
Total			8.9%			4.5%			2.9%			2.4%

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

Fiscal Year 2009												
Exposure	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
Local Medical	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Medical	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
Local Drugs	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Drugs	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
Local Medical	<u>\$139.64</u>	<u>\$136.02</u>	<u>\$146.11</u>	<u>\$162.81</u>	<u>\$146.13</u>	<u>\$155.03</u>	<u>\$175.33</u>	<u>\$162.10</u>	<u>\$185.98</u>	<u>\$185.07</u>	<u>\$164.47</u>	<u>\$192.94</u>
State Medical	<u>157.40</u>	<u>169.91</u>	<u>159.65</u>	<u>179.81</u>	<u>154.85</u>	<u>170.56</u>	<u>177.06</u>	<u>174.12</u>	<u>205.49</u>	<u>197.67</u>	<u>185.76</u>	<u>232.81</u>
Local Drugs	<u>38.22</u>	<u>50.62</u>	<u>53.81</u>	<u>59.00</u>	<u>53.55</u>	<u>60.21</u>	<u>60.46</u>	<u>57.12</u>	<u>61.56</u>	<u>59.38</u>	<u>59.40</u>	<u>64.97</u>
State Drugs	<u>42.32</u>	<u>54.29</u>	<u>59.29</u>	<u>62.19</u>	<u>59.44</u>	<u>66.03</u>	<u>63.94</u>	<u>59.84</u>	<u>67.38</u>	<u>65.09</u>	<u>64.14</u>	<u>75.59</u>
Total	<u>\$377.58</u>	<u>\$410.84</u>	<u>\$418.85</u>	<u>\$463.81</u>	<u>\$413.97</u>	<u>\$451.83</u>	<u>\$476.79</u>	<u>\$453.18</u>	<u>\$520.42</u>	<u>\$507.20</u>	<u>\$473.77</u>	<u>\$566.31</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	-11.5%	-13.8%	0.6%	-11.4%	-8.2%	8.5%	-12.4%	-1.7%	8.4%	-6.4%	-9.6%	12.8%
State Medical	14.4%	-1.9%	14.0%	6.3%	-4.6%	16.1%	-0.3%	4.6%	16.5%	5.5%	-0.6%	16.9%
Local Drugs	25.5%	5.8%	48.7%	34.4%	-2.1%	15.0%	5.7%	-0.4%	7.1%	5.4%	0.1%	4.7%
State Drugs	<u>24.6%</u>	<u>0.9%</u>	<u>39.2%</u>	<u>32.5%</u>	<u>2.0%</u>	<u>9.9%</u>	<u>-0.1%</u>	<u>-3.8%</u>	<u>5.7%</u>	<u>4.0%</u>	<u>-1.0%</u>	<u>10.6%</u>
Total	4.9%	-5.0%	15.1%	4.5%	-4.7%	12.3%	-4.4%	0.5%	10.9%	0.6%	-3.9%	13.1%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-8.5%			-4.5%			-2.5%			-1.5%
State Medical			8.0%			5.6%			7.0%			7.5%
Local Drugs			24.6%			14.4%			4.1%			3.4%
State Drugs			<u>19.6%</u>			<u>13.5%</u>			<u>0.7%</u>			<u>4.6%</u>
Total			4.4%			3.8%			2.2%			3.3%
Change From Prior Year - Year to Year Analysis												
Local Medical			0.9%			0.2%			-1.9%			-4.1%
State Medical			9.2%			8.6%			7.9%			7.0%
Local Drugs			-6.0%			2.6%			7.0%			10.3%
State Drugs			<u>-3.1%</u>			<u>4.2%</u>			<u>6.2%</u>			<u>8.5%</u>
Total			2.4%			4.1%			3.9%			3.4%

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

Fiscal Year 2010						
Exposure						
	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>
Local Medical	22,112	22,187	22,245	22,348	22,448	22,578
State Medical	123,739	122,886	123,002	123,829	124,564	124,794
Local Drugs	22,112	22,187	22,245	22,348	22,448	22,578
State Drugs	123,739	122,886	123,002	123,829	124,564	124,794
	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>
Local Medical	\$143.24	\$144.19	\$150.62	\$154.60	\$129.67	\$169.78
State Medical	\$159.22	\$160.28	\$158.08	\$161.23	\$147.64	\$185.15
Local Drugs	\$37.71	\$50.80	\$55.36	\$59.99	\$58.97	\$61.41
State Drugs	<u>44.07</u>	<u>58.26</u>	<u>63.05</u>	<u>67.96</u>	<u>64.40</u>	<u>67.80</u>
Total	\$384.24	\$413.54	\$427.11	\$443.78	\$400.68	\$484.13
Change From Prior Year - Month to Month Analysis						
Local Medical	2.6%	6.0%	3.1%	-5.0%	-11.3%	9.5%
State Medical	1.2%	-5.7%	-1.0%	-10.3%	-4.7%	8.6%
Local Drugs	-1.3%	0.4%	2.9%	1.7%	10.1%	2.0%
State Drugs	<u>4.1%</u>	<u>7.3%</u>	<u>6.3%</u>	<u>9.3%</u>	<u>8.3%</u>	<u>2.7%</u>
Total	1.8%	0.7%	2.0%	-4.3%	-3.2%	7.1%
Change From Prior Year - Quarter to Quarter Analysis						
Local Medical			3.9%			-2.1%
State Medical			-1.9%			-2.2%
Local Drugs			0.9%			4.4%
State Drugs			<u>6.1%</u>			<u>6.7%</u>
Total			1.5%			-0.1%
Change From Prior Year - Year to Year Analysis						
Local Medical			-1.4%			-0.8%
State Medical			4.7%			2.8%
Local Drugs			5.6%			3.3%
State Drugs			<u>6.0%</u>			<u>4.4%</u>
Total			2.7%			1.8%