



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Fiscal Year 2015
Financial Report**

Fiscal Years 2015-2020

September 2015



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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 2014 for the fiscal year 2016 (“FY 2016”) and to provide quarterly financial reports for current FY 2015 and thereafter. Our analysis is developed on an accrued and incurred reporting basis for a projection period of five years as required by the Code.

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 2015 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 2020.

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 2015 and subsequently. We are assuming that the Bill will continue throughout the five year forecast period.

CCRC Actuaries has provided financial report for fiscal year ending June 30, 2015 (“FY 2015”), and preliminary forecasts for June 30, 2016 (“FY 2016”), June 30, 2017 (“FY 2017”), June 30, 2018 (“FY 2018”), June 30, 2019 (“FY 2019”) and fiscal years ending June 30, 2020 (“FY 2020”). Our opinion of plan adequacy is based on the projections through FY 2020 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2014. 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, 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. The enclosed forecasts include anticipated changes from the federal statute Patient Protection and Affordable Care Act (“PPACA”) signed into law on March 23, 2010. Additional details of the benefit reductions can be found later in this report. In addition, it is noteworthy that some current PEIA members may become eligible for the West Virginia Children Health Insurance Plan effective in Fiscal Year 2015. This report does not include anticipated savings from this eligibility change since the proposal has not been finalized and approved by CMS.

In FY 2015 the Pay Go is equivalent to \$307 per retiree per month. In future years, the Pay Go premium may increase by a maximum of 3% per retiree per year, indexed to the initial fixed subsidy determined in FY 2013. The new Pay Go premium formula is based on the financial plan approved by the Financial Board in December 2014.

This report includes the claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2014”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2015 through FY 2020 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 2016 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2014.

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 2020 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., F.C.A., M.A.A.A.
Managing Partner



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

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2015 – FY 2020

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 August 2015 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 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 September 2015 enrollment levels for the duration of these forecasts for active employees.

In aggregate, September 2015 enrollment for active employees experienced a decrease by 1,094 coverages since the end of FY 2015. Aggregate PPB enrollment decreased by 1,184 coverages in total over the same period, while managed care enrollment increased by 90 coverages.

In the State Fund, the overall active State enrollment decreased by 834 coverages from the end of FY 2015 to September 2015. And in the Local Fund, the overall active Local enrollment decreased by 260 coverages from the end of FY 2015 to September 2015.

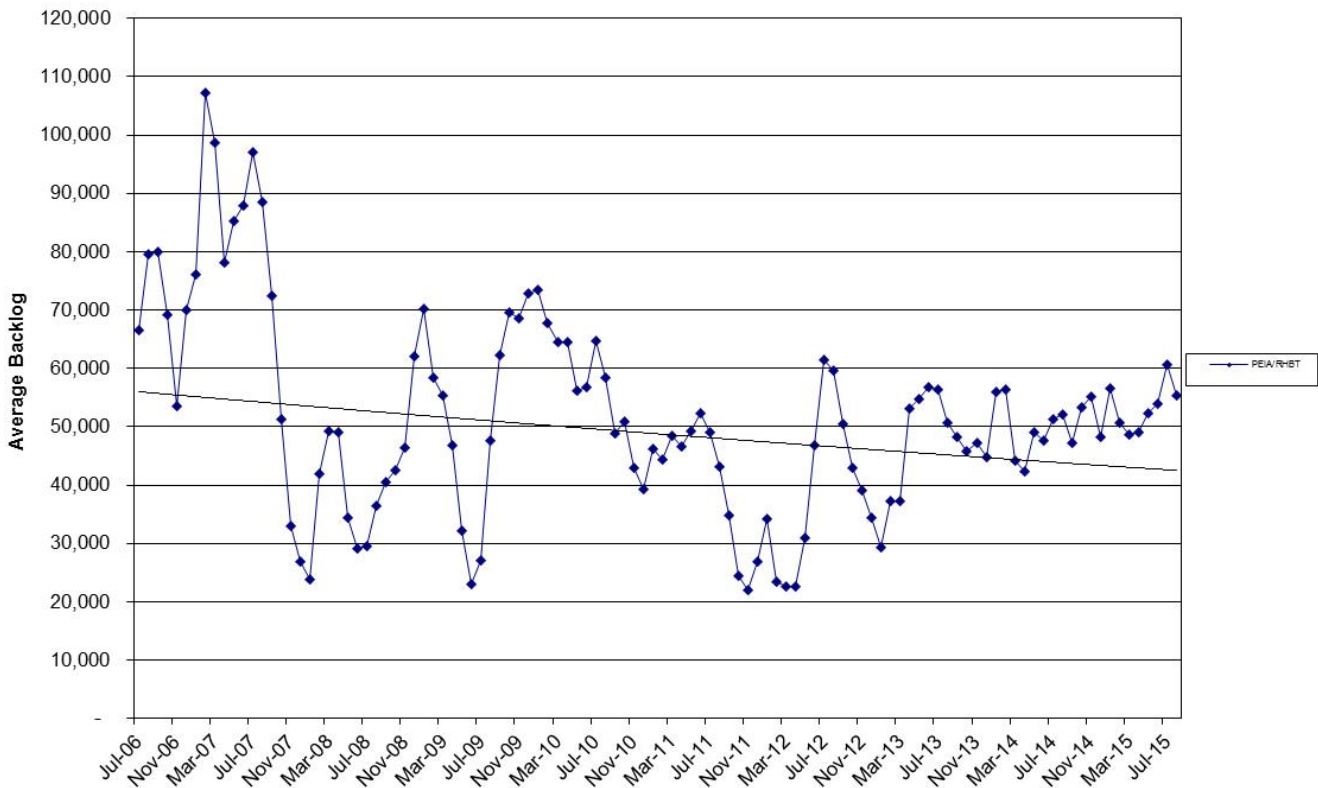
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2014, June 2015 and September 2015 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-14	Jun-15	Sep-15	Jun-14	Jun-15	Sep-15
State Active	Single	22,043	22,080	21,802	1,903	1,889	1,886
	Children	6,582	6,295	6,172	627	571	568
	Family	30,446	30,344	29,919	2,817	2,759	2,757
	Total	59,071	58,719	57,893	5,347	5,219	5,211
Local Active	Single	5,207	5,474	5,171	372	371	421
	Children	975	1,013	926	112	102	106
	Family	5,511	5,720	5,752	156	149	193
	Total	11,693	12,207	11,849	640	622	720
Plan Total		70,764	70,926	69,742	5,987	5,841	5,931
Grand Total					76,751	76,767	75,673

B. Changes in Claim Backlog

It should be noted that on July 1, 2006, all retirees were transferred to the RHBT. The chart below has not been adjusted to reflect the smaller risk pool. It has displayed the duration of claim payments that has been gradually declining for the self-insured block of non-Medicare coverages. Backlog has shown an overall decreasing trend since July 2006. However, it indicates an upward trend since the beginning of FY 2015.

WV PEIA&RHBT Claim Backlog July 2006 through August 2015



C. Trend Analysis

CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2014”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, the FY 2016 medical claim trend is 5.5% and the prescription drugs trend is 8.5%.

The current trends projection is shown in the following table:

Claim Type	FY 2016 Trend
Active Local – Medical	5.5%
State – Medical	5.5%
Active Local – Drugs	8.5%
State – Drugs	8.5%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2017. 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 August 2015. 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
2004	-1%	12%	9%	7%	9%
2005	16%	7%	7%	20%	11%
2006	1%	2%	18%	7%	4%
2007	15%	2%	13%	8%	5%
2008	3%	8%	-14%	-10%	2%
2009	-8%	3%	5%	4%	2%
2010	10%	1%	9%	9%	4%
2011	10%	8%	15%	15%	8%
2012	5%	5%	8%	6%	5%
2013	-3%	-3%	2%	6%	-3%
2014	8%	6%	9%	7%	7%
2015	6%	11%	14%	10%	10%
2016*	5%	11%	14%	10%	9%

* Fiscal Year 2016 results are through first two months ending August 2015.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through August 2015 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 2015 and the projection of FY 2016 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2015 Result			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	58,727	\$ 481	\$ 122	\$ 508	\$ 159	
	<u>Managed Care</u>	<u>5,218</u>	\$ 495	\$ 143			\$ 570
	Total	63,945					
Local	PPB	12,067	\$ 590	\$ -	\$ 469	\$ 125	
	<u>Managed Care</u>	<u>634</u>	\$ 494	\$ -			\$ 461
	Total	12,701					

*Net of rebates and subsidies.

Fiscal Year 2016 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	57,937	\$ 486	\$ 123	\$ 496	\$ 156	
	<u>Managed Care</u>	<u>5,213</u>	\$ 503	\$ 141			\$ 522
	Total	63,150					
Local	PPB	11,837	\$ 572	\$ -	\$ 472	\$ 124	
	<u>Managed Care</u>	<u>716</u>	\$ 444	\$ -			\$ 466
	Total	12,553					

*Net of rebates and subsidies.

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 2014

Source	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Additional State Employer Revenue	\$0	\$0	\$85,000,000	\$29,000,000	\$43,000,000	\$44,000,000
Additional Local Agency Revenue	(\$1,200,000)	(\$3,000,000)	\$0	\$18,000,000	\$18,000,000	\$10,000,000
Additional Employee Premium	(\$5,400,000)	\$0	\$18,800,000	\$7,300,000	\$10,800,000	\$11,000,000
Benefit Reductions/(Increase) - Active State	\$0	\$26,200,000	\$0	\$0	\$0	\$0
Benefit Reductions/(Increase) - Active Local	\$0	\$3,700,000	\$0	\$0	\$0	\$0
Benefit Reductions/(Increase) - Managed Care Capitations	\$0	\$4,889,416	\$0	\$0	\$0	\$0
PPACA Reinsurance Contributions (Cost)	(\$8,497,316)	(\$5,400,000)	(\$1,800,000)	\$0	\$0	\$0
PPACA Comparative Effectiveness Research Fees (Cost)	(\$315,963)	(\$315,682)	(\$315,469)	(\$315,327)	(\$315,258)	\$0
Pay Go Premium Transfer	\$150,549,744	\$150,000,000	\$180,000,000	\$195,000,000	\$210,000,000	\$220,000,000

The \$26,200,000 of Active State benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>2016 Claim Cost Savings</u>
Medical Claims	\$15.5 M
Drug Claims	\$10.7 M

The \$3,700,000 of Active Local benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>2016 Claim Cost Savings</u>
Medical Claims	\$1.9 M
Drug Claims	\$1.8 M

The \$4,889,416 of Managed Care Capitation benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>2016 Capitation Savings</u>
Active State	\$5.2 M
Active Local	-\$0.3 M

A detailed list of the benefit reductions for the Active Employee plan as voted on by the Board consists of the following:

	<u>Savings</u>
Increase Primary Care Office Visit copayment from \$15 to \$20 per visit	\$1.1 M
Increase Specialist Office Visit copayment from \$25 to \$40 per visit	\$3.9 M
Increase deductible by \$25 for single coverage and \$50 for family coverage	\$2.1 M
Increase outpatient surgery copay from \$50 to \$100	\$1.9 M
Increase emergency room copay to \$100 with no discount	\$0.5 M
Increase family out-of-pocket maximum for PEIA PPB Plans A and D to twice the employee only amount	\$6.75 M
Add \$100 copay per admission to existing deductible and 20% coinsurance for inpatient hospital care	\$1.1 M
Increase Generic Drug Copay for 30 day supply from \$5 to \$10 and for 90 day supply (maintenance only) from \$10 to \$20	\$9.4 M
Increase Preferred Brand Drug Copay for 30 day supply from \$15 to \$25 and for 90 day supply (maintenance only) from \$30 to \$50	\$3.1 M

Beginning March 1, 2015, PEIA returned to Aetna Signature Administrators as the PPB plans' out of state health care network provider. This new arrangement is to achieve savings in relation to the FY 2015 claims costs. The anticipated trend for FY2016 reflects these assumptions.

The Centers for Medicare & Medicaid Services ("CMS") and the United States Department of Health and Human Services ("HHS") released the final rule containing further detail and parameters related to the risk adjustment, reinsurance, and risk corridors programs in the ACA on November 26, 2012. Section 1341 of the ACA provides that health insurance issuers and third party administrators on behalf of group health plans must make payments to an applicable reinsurance entity.

Under the final rule, issuers would be required to pay a reinsurance contribution of \$5.25 per member per month to HHS in 2014. The \$5.25 contribution rate would gradually decrease in 2015 and 2016. From 2017 and beyond, no further reinsurance contributions will be collected. PEIA will not receive any benefit payments from the national reinsurance program. PEIA will be subject to paying the reinsurance contributions through FY 2017 and the projected expenses of the reinsurance contributions are included in the current financial plan. The total reinsurance contributions for the financial projection are estimated to be approximately \$15,700,000, with \$8,497,316 in FY 2015.

The Treasury Department and the Internal Revenue Service recently issued a final rule implementing a new tax added by the Affordable Care Act: The Comparative Effectiveness Research Fees. These fees are currently expected to be paid by health insurers and plan sponsors of self-insured group health plans.

The Affordable Care Act created a new Patient-Centered Outcomes Research Institute (PCORI) to conduct research evaluating and comparing health outcomes, and assess the clinical effectiveness, risks and benefits of medical treatments. The PCORI's work will be paid for by a new Patient-Centered Outcomes Research Trust Fund, which will be funded in part through the comparative effectiveness research fees.

It is anticipated that PEIA would accrue and pay these fees in FY 2014 through FY 2019. The fee would be \$2 per member per year. The total comparative effectiveness research fees for the financial projection are estimated to be approximately \$1,600,000, with \$315,963 in FY 2015.

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 2015 the Pay Go is equivalent to \$307 per retiree per month. In future years, the Pay Go premium may increase by a maximum of 3% per retiree per year, indexed to the initial fixed subsidy determined in FY 2013. The new Pay Go premium formula is based on the financial plan approved by the Financial Board in December 2014.

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 2015 RESULT

The financial result for FY 2015 under the Baseline scenario is presented in the Appendix. The Baseline result for FY 2015 projects accrued revenue of \$718,621,453 and incurred plan expenses of \$776,494,303 to produce a fiscal year deficit of (\$57,872,850). It should be noted that this is an increase in deficit from the projected deficit of (\$53,932,310) in the PEIA March 31, 2015 Quarterly Report due to the higher medical claims experience at the end of FY 2015. The PEIA local and state agencies Pay Go premiums for FY 2015 are \$150,549,744.

Under the Baseline Scenario, FY 2015 ends with a reserve of \$171,506,732 and the FY 2016 expenditures of \$752,350,710, which represents 23% of projected expenditures. This reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

FISCAL YEAR 2016 FORECAST

The financial forecast for FY 2016 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2016 projects accrued revenue of \$716,376,727 and incurred plan expenses of \$752,350,710 to produce a fiscal year deficit of (\$35,973,983). The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$150,000,000.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$135,532,749 and the FY 2017 expenditures of \$815,830,937, 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 \$141,078,913 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$130,018,057.

FISCAL YEAR 2017 FORECAST

The financial forecast for FY 2017 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2017 projects accrued revenue of \$820,632,784 and incurred plan expenses of \$815,830,937 to produce a fiscal year surplus of \$4,801,847. The PEIA local and state agencies Pay Go premiums for FY 2017 are assumed to be \$180,000,000.

Under the Baseline Scenario, FY 2017 is projected to end with a reserve of \$140,334,596 and the FY 2018 expenditures of \$871,788,452, 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 \$162,641,523 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$117,872,690.

FISCAL YEAR 2018 FORECAST

The financial forecast for FY 2018 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2018 projects accrued revenue of \$875,687,480 and incurred plan expenses of \$871,788,452 to produce a fiscal year surplus of \$3,899,028. The PEIA local and state agencies Pay Go premiums for FY 2018 are assumed to be \$195,000,000.

Under the Baseline Scenario, FY 2018 is projected to end with a reserve of \$144,233,624 and the FY 2019 expenditures of \$938,403,419, 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 \$196,236,492 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$91,203,315.

FISCAL YEAR 2019 FORECAST

The financial forecast for FY 2019 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2019 projects accrued revenue of \$948,294,190 and incurred plan expenses of \$938,403,419 to produce a fiscal year surplus of \$9,890,771. The PEIA local and state agencies Pay Go premiums for FY 2019 are assumed to be \$210,000,000.

Under the Baseline Scenario, FY 2019 is projected to end with a reserve of \$154,124,395 and the FY 2020 expenditures of \$1,004,215,423, 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 \$250,834,271 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$54,245,108.

FISCAL YEAR 2020 FORECAST

The financial forecast for FY 2020 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2020 projects accrued revenue of \$1,014,362,332 and incurred plan expenses of \$1,004,215,423 to produce a fiscal year surplus of \$10,146,909. The PEIA local and state agencies Pay Go premiums for FY 2020 are assumed to be \$220,000,000.

Under the Baseline Scenario, FY 2020 is projected to end with a reserve of \$164,271,304 and the FY 2021 expenditures of \$1,078,418,799, which represents 15% of projected expenditures. This projected reserve meets the 15% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$323,197,319 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$1,967,338).

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 minimum 10% reserve target set by West Virginia Statute and the 15% actuarial reserve target through the projection period ending with the Fiscal Year 2020 using the Baseline assumptions. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in December 2014 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 RESULT
FISCAL YEAR 2015**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 109,394,319	\$ 430,417,765	\$ 539,812,084
Employer Premiums - MCO	4,813,269	39,400,005	44,213,274
Employee Premiums - PPB	-	109,087,330	109,087,330
Employee Premiums - MCO	-	11,347,675	11,347,675
Life Insurance	344,986	1,782,970	2,127,956
Investment Income	872,713	3,421,717	4,294,430
Litigation Settlement	126,044	651,429	777,473
COBRA Premiums	394,700	1,638,865	2,033,565
Administrative Fees	753,385	4,174,281	4,927,666
Total Revenue	\$ 116,699,416	\$ 601,922,037	\$ 718,621,453
<u>Program Expenses</u>			
Medical Claims	\$ 67,983,880	\$ 357,726,807	\$ 425,710,687
Prescription Drug Claims	18,132,386	112,227,731	130,360,117
Managed Care Capitations	3,506,082	35,679,780	39,185,862
Administration	2,904,866	15,013,058	17,917,924
Life Insurance	346,106	1,788,759	2,134,865
Wellness	295,355	1,526,470	1,821,825
ACA Reinsurance Contributions	1,377,591	7,119,725	8,497,316
ACA Comparative Effectiveness Research Fees	47,214	268,749	315,963
Director's Discretionary Fund	-	-	-
WV RHBT Pay Go Premiums	24,946,923	125,602,821	150,549,744
Total Expenses	\$ 119,540,404	\$ 656,953,899	\$ 776,494,303
Fiscal Year Results	\$ (2,840,988)	\$ (55,031,862)	\$ (57,872,850)
Beginning Plan Reserve	49,188,353	180,191,229	229,379,582
Ending Plan Reserve	\$ 46,347,365	\$ 125,159,367	\$ 171,506,732

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ (1,200,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ (5,400,000)	Active Local	5.0%	8.0%
Direct Transfers	\$ -	State	5.0%	8.0%
		Capitations		2.9%
		Administrative Expense		-0.5%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL RESULT
FISCAL YEAR 2015**

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 109,394,319	\$ -	\$ 109,394,319
Employer Premiums - MCO	4,813,269	-	4,813,269
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	344,986		344,986
Investment Income	872,713		872,713
Litigation Settlement	126,044		126,044
COBRA Premiums	394,700		394,700
Administrative Fees	753,385		753,385
Total Revenue	\$ 116,699,416	\$ -	\$ 116,699,416
<u>Program Expenses</u>			
Medical Claims	\$ 67,983,880	\$ -	\$ 67,983,880
Prescription Drug Claims	18,132,386	-	18,132,386
Managed Care Capitations	3,506,082		3,506,082
Administration	2,904,866		2,904,866
Life Insurance	346,106		346,106
Wellness	295,355		295,355
ACA Reinsurance Contributions	1,377,591		1,377,591
ACA Comparative Effectiveness Research Fees	47,214		47,214
Director's Discretionary Fund	-		-
WV RHBT Pay Go Premiums	24,946,920		24,946,920
Total Expenses	\$ 119,540,400	\$ -	\$ 119,540,400
Fiscal Year Results	\$ (2,840,984)		\$ (2,840,984)
Beginning Plan Reserve	49,188,353		49,188,353
Ending Plan Reserve	\$ 46,347,369		\$ 46,347,369

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ (1,200,000)	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.0%	8.0%
		Capitations		2.9%
		Administrative Expense		-0.5%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL RESULT
FISCAL YEAR 2015**

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 430,417,765	\$ -	\$ 430,417,765
Employer Premiums - MCO	39,400,005	-	39,400,005
Employee Premiums - PPB	109,087,330	-	109,087,330
Employee Premiums - MCO	11,347,675	-	11,347,675
Life Insurance	1,782,970		1,782,970
Investment Income	3,421,717		3,421,717
Litigation Settlement	651,429		651,429
COBRA Premiums	1,638,865		1,638,865
Administrative Fees	4,174,281		4,174,281
Total Revenue	\$ 601,922,037	\$ -	\$ 601,922,037
<u>Program Expenses</u>			
Medical Claims	\$ 357,726,807	\$ -	\$ 357,726,807
Prescription Drug Claims	112,227,731	-	112,227,731
Managed Care Capitations	35,679,780		35,679,780
Administration	15,013,058		15,013,058
Life Insurance	1,788,759		1,788,759
Wellness	1,526,470		1,526,470
ACA Reinsurance Contributions	7,119,725		7,119,725
ACA Comparative Effectiveness Research Fees	268,749		268,749
Director's Discretionary Fund	-		-
WV RHBT Pay Go Premiums	125,602,820		125,602,820
Total Expenses	\$ 656,953,899	\$ -	\$ 656,953,899
Fiscal Year Results	\$ (55,031,862)		\$ (55,031,862)
Beginning Plan Reserve	180,191,229		180,191,229
Ending Plan Reserve	\$ 125,159,367		\$ 125,159,367

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ (5,400,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	5.0%	8.0%
		Capitations		2.9%
		Administrative Expense		-0.5%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2016**

PERIOD 7/1/2015 - 6/30/2016

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,993,908	\$ 429,405,737	\$ 534,399,645
Employer Premiums - MCO	4,927,869	39,974,374	44,902,243
Employee Premiums - PPB	-	108,667,660	108,667,660
Employee Premiums - MCO	-	11,226,790	11,226,790
Life Insurance	362,235	1,872,119	2,234,354
Investment Income	1,930,383	6,069,617	8,000,000
Litigation Settlement	-	-	-
COBRA Premiums	391,751	1,626,618	2,018,369
Administrative Fees	753,385	4,174,281	4,927,666
Total Revenue	\$ 113,359,531	\$ 603,017,196	\$ 716,376,727
<u>Program Expenses</u>			
Medical Claims	\$ 66,989,594	\$ 344,612,245	\$ 411,601,839
Prescription Drug Claims	17,544,144	108,264,708	125,808,852
Managed Care Capitations	4,004,245	32,643,353	36,647,598
Administration	2,661,111	14,155,809	16,816,920
Life Insurance	363,411	1,878,197	2,241,608
Wellness	295,355	1,526,470	1,821,825
ACA Reinsurance Contributions	800,000	4,600,000	5,400,000
ACA Comparative Effectiveness Research Fees	48,832	266,850	315,682
Director's Discretionary Fund	266,838	1,429,548	1,696,386
WV RHBT Pay Go Premiums	24,855,830	125,144,170	150,000,000
Total Expenses	\$ 117,829,360	\$ 634,521,350	\$ 752,350,710
Fiscal Year Results	\$ (4,469,829)	\$ (31,504,154)	\$ (35,973,983)
Beginning Plan Reserve	46,347,365	125,159,367	171,506,732
Ending Plan Reserve	\$ 41,877,536	\$ 93,655,213	\$ 135,532,749

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	5.5%	8.5%
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		-6.5%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2016**

PERIOD 7/1/2015 - 6/30/2016

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,993,908	\$ -	\$ 104,993,908
Employer Premiums - MCO	4,927,869	-	4,927,869
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	362,235		362,235
Investment Income	1,930,383		1,930,383
Litigation Settlement	-		-
COBRA Premiums	391,751		391,751
Administrative Fees	753,385		753,385
Total Revenue	\$ 113,359,531	\$ -	\$ 113,359,531
<u>Program Expenses</u>			
Medical Claims	\$ 70,911,594	\$ (3,922,000)	\$ 66,989,594
Prescription Drug Claims	19,344,144	(1,800,000)	17,544,144
Managed Care Capitations	3,716,447	287,798	4,004,245
Administration	2,661,111		2,661,111
Life Insurance	363,411		363,411
Wellness	295,355		295,355
ACA Reinsurance Contributions	800,000		800,000
ACA Comparative Effectiveness Research Fees	48,832		48,832
Director's Discretionary Fund	266,838		266,838
WV RHBT Pay Go Premiums	24,855,830		24,855,830
Total Expenses	\$ 123,263,562	\$ (5,434,202)	\$ 117,829,360
Fiscal Year Results	\$ (9,904,031)		\$ (4,469,829)
Beginning Plan Reserve	46,347,369		46,347,369
Ending Plan Reserve	\$ 36,443,338		\$ 41,877,540

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.5%	8.5%
		Capitations		-6.5%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2016**

PERIOD 7/1/2015 - 6/30/2016

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 429,405,737	\$ -	\$ 429,405,737
Employer Premiums - MCO	39,974,374	-	39,974,374
Employee Premiums - PPB	108,667,660	-	108,667,660
Employee Premiums - MCO	11,226,790	-	11,226,790
Life Insurance	1,872,119	-	1,872,119
Investment Income	6,069,617	-	6,069,617
Litigation Settlement	-	-	-
COBRA Premiums	1,626,618	-	1,626,618
Administrative Fees	4,174,281	-	4,174,281
Total Revenue	\$ 603,017,196	\$ -	\$ 603,017,196
<u>Program Expenses</u>			
Medical Claims	\$ 370,750,245	\$ (26,138,000)	\$ 344,612,245
Prescription Drug Claims	118,964,708	(10,700,000)	108,264,708
Managed Care Capitations	37,820,567	(5,177,214)	32,643,353
Administration	14,155,809	-	14,155,809
Life Insurance	1,878,197	-	1,878,197
Wellness	1,526,470	-	1,526,470
ACA Reinsurance Contributions	4,600,000	-	4,600,000
ACA Comparative Effectiveness Research Fees	266,850	-	266,850
Director's Discretionary Fund	1,429,548	-	1,429,548
WV RHBT Pay Go Premiums	125,144,170	-	125,144,170
Total Expenses	\$ 676,536,564	\$ (42,015,214)	\$ 634,521,350
Fiscal Year Results	\$ (73,519,368)		\$ (31,504,154)
Beginning Plan Reserve	125,159,367		125,159,367
Ending Plan Reserve	\$ 51,639,999		\$ 93,655,213

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		-6.5%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2017**

PERIOD 7/1/2016 - 6/30/2017

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,993,908	\$ 507,166,782	\$ 612,160,690
Employer Premiums - MCO	4,927,869	47,213,330	52,141,199
Employee Premiums - PPB	-	125,707,247	125,707,247
Employee Premiums - MCO	-	12,987,203	12,987,203
Life Insurance	380,347	1,965,725	2,346,072
Investment Income	2,088,134	5,956,564	8,044,698
Litigation Settlement	-	-	-
COBRA Premiums	449,909	1,868,100	2,318,009
Administrative Fees	753,385	4,174,281	4,927,666
Total Revenue	\$ 113,593,552	\$ 707,039,232	\$ 820,632,784
<u>Program Expenses</u>			
Medical Claims	\$ 70,932,353	\$ 364,172,573	\$ 435,104,926
Prescription Drug Claims	19,103,568	117,657,398	136,760,966
Managed Care Capitations	4,244,500	34,601,954	38,846,454
Administration	2,371,949	14,763,699	17,135,648
Life Insurance	381,582	1,972,107	2,353,689
Wellness	295,355	1,526,470	1,821,825
ACA Reinsurance Contributions	300,000	1,500,000	1,800,000
ACA Comparative Effectiveness Research Fees	50,505	264,964	315,469
Director's Discretionary Fund	266,386	1,425,574	1,691,960
WV RHBT Pay Go Premiums	29,826,990	150,173,010	180,000,000
Total Expenses	\$ 127,773,188	\$ 688,057,750	\$ 815,830,937
Fiscal Year Results	\$ (14,179,636)	\$ 18,981,482	\$ 4,801,847
Beginning Plan Reserve	41,877,536	93,655,213	135,532,749
Ending Plan Reserve	\$ 27,697,901	\$ 112,636,695	\$ 140,334,596

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 85,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 18,800,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.0%	9.0%
		State	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2017**

PERIOD 7/1/2016 - 6/30/2017

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,993,908	\$ -	\$ 104,993,908
Employer Premiums - MCO	4,927,869	-	4,927,869
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	380,347		380,347
Investment Income	2,088,134		2,088,134
Litigation Settlement	-		-
COBRA Premiums	449,909		449,909
Administrative Fees	753,385		753,385
Total Revenue	\$ 113,593,552	\$ -	\$ 113,593,552
<u>Program Expenses</u>			
Medical Claims	\$ 70,932,353	\$ -	\$ 70,932,353
Prescription Drug Claims	19,103,568	\$ -	19,103,568
Managed Care Capitations	4,244,500		4,244,500
Administration	2,371,949		2,371,949
Life Insurance	381,582		381,582
Wellness	295,355		295,355
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	50,505		50,505
Director's Discretionary Fund	266,386		266,386
WV RHBT Pay Go Premiums	29,826,990		29,826,990
Total Expenses	\$ 127,773,188	\$ -	\$ 127,773,188
Fiscal Year Results	\$ (14,179,636)		\$ (14,179,636)
Beginning Plan Reserve	41,877,540		41,877,540
Ending Plan Reserve	\$ 27,697,904		\$ 27,697,904

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2017**

PERIOD 7/1/2016 - 6/30/2017

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 429,405,737	\$ 77,761,044	\$ 507,166,781
Employer Premiums - MCO	39,974,374	7,238,956	47,213,330
Employee Premiums - PPB	108,667,660	17,039,588	125,707,248
Employee Premiums - MCO	11,226,790	1,760,412	12,987,202
Life Insurance	1,965,725		1,965,725
Investment Income	5,956,564		5,956,564
Litigation Settlement	-		-
COBRA Premiums	1,868,100		1,868,100
Administrative Fees	4,174,281		4,174,281
Total Revenue	\$ 603,239,231	\$ 103,800,000	\$ 707,039,231
<u>Program Expenses</u>			
Medical Claims	\$ 364,172,573	\$ -	\$ 364,172,573
Prescription Drug Claims	117,657,398	\$ -	117,657,398
Managed Care Capitations	34,601,954		34,601,954
Administration	14,763,699		14,763,699
Life Insurance	1,972,107		1,972,107
Wellness	1,526,470		1,526,470
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	264,964		264,964
Director's Discretionary Fund	1,425,574		1,425,574
WV RHBT Pay Go Premiums	150,173,010		150,173,010
Total Expenses	\$ 688,057,749	\$ -	\$ 688,057,749
Fiscal Year Results	\$ (84,818,518)		\$ 18,981,482
Beginning Plan Reserve	93,655,213		93,655,213
Ending Plan Reserve	\$ 8,836,695		\$ 112,636,695

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 85,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 18,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2018**

PERIOD 7/1/2017 - 6/30/2018

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 122,186,956	\$ 533,697,020	\$ 655,883,976
Employer Premiums - MCO	5,734,821	49,683,091	55,417,912
Employee Premiums - PPB	-	132,323,683	132,323,683
Employee Premiums - MCO	-	13,670,767	13,670,767
Life Insurance	399,364	2,064,011	2,463,375
Investment Income	1,566,035	6,959,309	8,525,344
Litigation Settlement	-	-	-
COBRA Premiums	480,333	1,994,424	2,474,757
Administrative Fees	753,385	4,174,281	4,927,666
Total Revenue	\$ 131,120,894	\$ 744,566,586	\$ 875,687,480
<u>Program Expenses</u>			
Medical Claims	\$ 75,381,975	\$ 387,017,301	\$ 462,399,276
Prescription Drug Claims	20,875,273	128,569,192	149,444,465
Managed Care Capitations	4,499,170	36,678,071	41,177,241
Administration	2,616,064	14,855,254	17,471,318
Life Insurance	400,661	2,070,712	2,471,373
Wellness	295,355	1,526,470	1,821,825
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	52,236	263,092	315,328
Director's Discretionary Fund	265,503	1,422,123	1,687,626
WV RHBT Pay Go Premiums	32,312,580	162,687,420	195,000,000
Total Expenses	\$ 136,698,817	\$ 735,089,635	\$ 871,788,452
Fiscal Year Results	\$ (5,577,923)	\$ 9,476,951	\$ 3,899,028
Beginning Plan Reserve	27,697,901	112,636,695	140,334,596
Ending Plan Reserve	\$ 22,119,978	\$ 122,113,646	\$ 144,233,624

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 29,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 18,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 7,300,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.5%	9.5%
		State	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2018**

PERIOD 7/1/2017 - 6/30/2018

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,993,908	\$ 17,193,048	\$ 122,186,956
Employer Premiums - MCO	4,927,869	806,952	5,734,821
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	399,364		399,364
Investment Income	1,566,035		1,566,035
Litigation Settlement	-		-
COBRA Premiums	480,333		480,333
Administrative Fees	753,385		753,385
Total Revenue	\$ 113,120,894	\$ 18,000,000	\$ 131,120,894
<u>Program Expenses</u>			
Medical Claims	\$ 75,381,975		\$ 75,381,975
Prescription Drug Claims	20,875,273		20,875,273
Managed Care Capitations	4,499,170		4,499,170
Administration	2,616,064		2,616,064
Life Insurance	400,661		400,661
Wellness	295,355		295,355
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	52,236		52,236
Director's Discretionary Fund	265,503		265,503
WV RHBT Pay Go Premiums	32,312,580		32,312,580
Total Expenses	\$ 136,698,817	\$ -	\$ 136,698,817
Fiscal Year Results	\$ (23,577,923)		\$ (5,577,923)
Beginning Plan Reserve	27,697,904		27,697,904
Ending Plan Reserve	\$ 4,119,981		\$ 22,119,981

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 18,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2018**

PERIOD 7/1/2017 - 6/30/2018

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 507,166,782	\$ 26,530,239	\$ 533,697,021
Employer Premiums - MCO	47,213,330	2,469,761	49,683,091
Employee Premiums - PPB	125,707,247	6,616,436	132,323,683
Employee Premiums - MCO	12,987,203	683,564	13,670,767
Life Insurance	2,064,011		2,064,011
Investment Income	6,959,309		6,959,309
Litigation Settlement	-		-
COBRA Premiums	1,994,424		1,994,424
Administrative Fees	4,174,281		4,174,281
Total Revenue	\$ 708,266,587	\$ 36,300,000	\$ 744,566,587
<u>Program Expenses</u>			
Medical Claims	\$ 387,017,301		\$ 387,017,301
Prescription Drug Claims	128,569,192		128,569,192
Managed Care Capitations	36,678,071		36,678,071
Administration	14,855,254		14,855,254
Life Insurance	2,070,712		2,070,712
Wellness	1,526,470		1,526,470
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	263,092		263,092
Director's Discretionary Fund	1,422,123		1,422,123
WV RHBT Pay Go Premiums	162,687,420		162,687,420
Total Expenses	\$ 735,089,635	\$ -	\$ 735,089,635
Fiscal Year Results	\$ (26,823,048)		\$ 9,476,952
Beginning Plan Reserve	112,636,695		112,636,695
Ending Plan Reserve	\$ 85,813,647		\$ 122,113,647

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 29,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 7,300,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2019**

PERIOD 7/1/2018 - 6/30/2019

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 139,380,003	\$ 573,034,960	\$ 712,414,963
Employer Premiums - MCO	6,541,774	53,345,151	59,886,925
Employee Premiums - PPB	-	142,112,382	142,112,382
Employee Premiums - MCO	-	14,682,068	14,682,068
Life Insurance	419,332	2,167,212	2,586,544
Investment Income	1,392,923	7,608,698	9,001,621
Litigation Settlement	-	-	-
COBRA Premiums	520,561	2,161,460	2,682,021
Administrative Fees	753,385	4,174,281	4,927,666
Total Revenue	\$ 149,007,978	\$ 799,286,212	\$ 948,294,190
<u>Program Expenses</u>			
Medical Claims	\$ 80,487,781	\$ 413,230,933	\$ 493,718,714
Prescription Drug Claims	22,915,705	141,136,060	164,051,765
Managed Care Capitations	4,769,120	38,878,755	43,647,875
Administration	3,232,187	17,337,612	20,569,799
Life Insurance	420,694	2,174,248	2,594,942
Wellness	295,355	1,526,470	1,821,825
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	54,025	261,232	315,257
Director's Discretionary Fund	264,611	1,418,631	1,683,242
WV RHBT Pay Go Premiums	34,798,160	175,201,840	210,000,000
Total Expenses	\$ 147,237,638	\$ 791,165,781	\$ 938,403,419
Fiscal Year Results	\$ 1,770,340	\$ 8,120,431	\$ 9,890,771
Beginning Plan Reserve	22,119,978	122,113,646	144,233,624
Ending Plan Reserve	\$ 23,890,318	\$ 130,234,077	\$ 154,124,395

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 43,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 18,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 10,800,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	7.0%	10.0%
		State	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2019**

PERIOD 7/1/2018 - 6/30/2019

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 122,186,956	\$ 17,193,048	\$ 139,380,004
Employer Premiums - MCO	5,734,821	806,952	6,541,773
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	419,332		419,332
Investment Income	1,392,923		1,392,923
Litigation Settlement	-		-
COBRA Premiums	520,561		520,561
Administrative Fees	753,385		753,385
Total Revenue	\$ 131,007,978	\$ 18,000,000	\$ 149,007,978
<u>Program Expenses</u>			
Medical Claims	\$ 80,487,781		\$ 80,487,781
Prescription Drug Claims	22,915,705		22,915,705
Managed Care Capitations	4,769,120		4,769,120
Administration	3,232,187		3,232,187
Life Insurance	420,694		420,694
Wellness	295,355		295,355
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	54,025		54,025
Director's Discretionary Fund	264,611		264,611
WV RHBT Pay Go Premiums	34,798,160		34,798,160
Total Expenses	\$ 147,237,638	\$ -	\$ 147,237,638
Fiscal Year Results	\$ (16,229,660)		\$ 1,770,340
Beginning Plan Reserve	22,119,981		22,119,981
Ending Plan Reserve	\$ 5,890,321		\$ 23,890,321

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 18,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2019**

PERIOD 7/1/2018 - 6/30/2019

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 533,697,020	\$ 39,337,940	\$ 573,034,960
Employer Premiums - MCO	49,683,091	3,662,060	53,345,151
Employee Premiums - PPB	132,323,683	9,788,699	142,112,382
Employee Premiums - MCO	13,670,767	1,011,301	14,682,068
Life Insurance	2,167,212		2,167,212
Investment Income	7,608,698		7,608,698
Litigation Settlement	-		-
COBRA Premiums	2,161,460		2,161,460
Administrative Fees	4,174,281		4,174,281
Total Revenue	\$ 745,486,212	\$ 53,800,000	\$ 799,286,212
<u>Program Expenses</u>			
Medical Claims	\$ 413,230,933		\$ 413,230,933
Prescription Drug Claims	141,136,060		141,136,060
Managed Care Capitations	38,878,755		38,878,755
Administration	17,337,612		17,337,612
Life Insurance	2,174,248		2,174,248
Wellness	1,526,470		1,526,470
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	261,232		261,232
Director's Discretionary Fund	1,418,631		1,418,631
WV RHBT Pay Go Premiums	175,201,840		175,201,840
Total Expenses	\$ 791,165,781	\$ -	\$ 791,165,781
Fiscal Year Results	\$ (45,679,569)		\$ 8,120,431
Beginning Plan Reserve	122,113,647		122,113,647
Ending Plan Reserve	\$ 76,434,078		\$ 130,234,078

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 43,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 10,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2020**

PERIOD 7/1/2019 - 6/30/2020

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 148,931,696	\$ 613,287,736	\$ 762,219,432
Employer Premiums - MCO	6,990,080	57,092,375	64,082,455
Employee Premiums - PPB	-	152,082,354	152,082,354
Employee Premiums - MCO	-	15,712,096	15,712,096
Life Insurance	440,299	2,275,572	2,715,871
Investment Income	1,519,194	8,233,607	9,752,801
Litigation Settlement	-	-	-
COBRA Premiums	556,980	2,312,677	2,869,657
Administrative Fees	753,385	4,174,281	4,927,666
Total Revenue	\$ 159,191,634	\$ 855,170,698	\$ 1,014,362,332
<u>Program Expenses</u>			
Medical Claims	\$ 86,342,012	\$ 443,287,038	\$ 529,629,050
Prescription Drug Claims	25,270,200	155,637,211	180,907,411
Managed Care Capitations	5,055,267	41,211,481	46,266,748
Administration	3,325,021	17,861,872	21,186,893
Life Insurance	441,728	2,282,960	2,724,688
Wellness	295,355	1,526,470	1,821,825
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	-	-	-
Director's Discretionary Fund	263,710	1,415,098	1,678,808
WV RHBT Pay Go Premiums	36,455,210	183,544,790	220,000,000
Total Expenses	\$ 157,448,503	\$ 846,766,920	\$ 1,004,215,423
Fiscal Year Results	\$ 1,743,131	\$ 8,403,778	\$ 10,146,909
Beginning Plan Reserve	23,890,318	130,234,077	154,124,395
Ending Plan Reserve	\$ 25,633,449	\$ 138,637,855	\$ 164,271,304

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 44,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 10,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 11,000,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	7.5%	10.5%
		State	7.5%	10.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2020**

PERIOD 7/1/2019 - 6/30/2020

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 139,380,003	\$ 9,551,693	\$ 148,931,696
Employer Premiums - MCO	6,541,774	448,307	6,990,081
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	440,299		440,299
Investment Income	1,519,194		1,519,194
Litigation Settlement	-		-
COBRA Premiums	556,980		556,980
Administrative Fees	753,385		753,385
Total Revenue	\$ 149,191,635	\$ 10,000,000	\$ 159,191,635
<u>Program Expenses</u>			
Medical Claims	\$ 86,342,012		\$ 86,342,012
Prescription Drug Claims	25,270,200		25,270,200
Managed Care Capitations	5,055,267		5,055,267
Administration	3,325,021		3,325,021
Life Insurance	441,728		441,728
Wellness	295,355		295,355
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	263,710		263,710
WV RHBT Pay Go Premiums	36,455,210		36,455,210
Total Expenses	\$ 157,448,503	\$ -	\$ 157,448,503
Fiscal Year Results	\$ (8,256,868)		\$ 1,743,132
Beginning Plan Reserve	23,890,321		23,890,321
Ending Plan Reserve	\$ 15,633,453		\$ 25,633,453

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 10,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.5%	10.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2020**

PERIOD 7/1/2019 - 6/30/2020

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 573,034,960	\$ 40,252,776	\$ 613,287,736
Employer Premiums - MCO	53,345,151	3,747,224	57,092,375
Employee Premiums - PPB	142,112,382	9,969,972	152,082,354
Employee Premiums - MCO	14,682,068	1,030,028	15,712,096
Life Insurance	2,275,572		2,275,572
Investment Income	8,233,607		8,233,607
Litigation Settlement	-		-
COBRA Premiums	2,312,677		2,312,677
Administrative Fees	4,174,281		4,174,281
Total Revenue	\$ 800,170,698	\$ 55,000,000	\$ 855,170,698
<u>Program Expenses</u>			
Medical Claims	\$ 443,287,038		\$ 443,287,038
Prescription Drug Claims	155,637,211		155,637,211
Managed Care Capitations	41,211,481		41,211,481
Administration	17,861,872		17,861,872
Life Insurance	2,282,960		2,282,960
Wellness	1,526,470		1,526,470
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	1,415,098		1,415,098
WV RHBT Pay Go Premiums	183,544,790		183,544,790
Total Expenses	\$ 846,766,920	\$ -	\$ 846,766,920
Fiscal Year Results	\$ (46,596,222)		\$ 8,403,778
Beginning Plan Reserve	130,234,078		130,234,078
Ending Plan Reserve	\$ 83,637,856		\$ 138,637,856

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 44,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 11,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.5%	10.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2015 to FY 2016**

Fiscal Year 2015												
Exposure	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>
Local Medical	25,820	25,754	25,731	25,764	25,823	25,823	26,080	26,460	26,446	26,453	26,349	26,318
State Medical	132,621	132,295	132,029	133,050	133,053	133,126	133,227	133,139	133,103	133,069	132,908	132,644
Local Drugs	25,820	25,754	25,731	25,764	25,823	25,823	26,080	26,460	26,446	26,453	26,349	26,318
State Drugs	132,621	132,295	132,029	133,050	133,053	133,126	133,227	133,139	133,103	133,069	132,908	132,644
	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>
Local Medical	\$193.77	\$188.79	\$204.79	\$219.48	\$212.18	\$223.15	\$207.36	\$212.19	\$224.74	\$225.63	\$239.87	\$201.66
State Medical	\$202.82	\$196.31	\$216.96	\$228.17	\$190.05	\$228.03	\$226.38	\$207.01	\$229.62	\$234.89	\$231.15	\$271.40
Local Drugs	\$50.60	\$63.24	\$69.16	\$73.05	\$69.14	\$82.61	\$81.22	\$72.11	\$80.72	\$82.61	\$81.93	\$92.46
State Drugs	<u>61.26</u>	<u>71.45</u>	<u>73.90</u>	<u>76.53</u>	<u>72.09</u>	<u>84.00</u>	<u>83.30</u>	<u>77.39</u>	<u>86.86</u>	<u>84.94</u>	<u>85.22</u>	<u>95.23</u>
Total	\$508.45	\$519.78	\$564.82	\$597.23	\$543.46	\$617.80	\$598.26	\$568.70	\$621.95	\$628.07	\$638.17	\$660.75
Change From Prior Year - Month to Month Analysis												
Local Medical	17.2%	9.4%	-5.7%	1.2%	26.7%	38.6%	2.5%	14.6%	0.9%	-4.8%	4.1%	-8.1%
State Medical	15.5%	4.0%	17.4%	19.9%	1.4%	24.3%	9.3%	9.0%	9.9%	7.6%	11.4%	11.1%
Local Drugs	13.5%	11.3%	22.6%	9.9%	14.2%	19.9%	13.6%	12.1%	12.5%	13.7%	9.1%	12.1%
State Drugs	<u>11.7%</u>	<u>7.8%</u>	<u>13.2%</u>	<u>8.7%</u>	<u>6.4%</u>	<u>11.3%</u>	<u>7.3%</u>	<u>12.0%</u>	<u>12.9%</u>	<u>7.9%</u>	<u>6.9%</u>	<u>9.3%</u>
Total	15.5%	7.3%	7.9%	9.8%	12.5%	26.4%	7.1%	11.8%	7.2%	3.5%	7.7%	4.3%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			5.8%			20.1%			5.6%			-2.9%
State Medical			12.2%			15.2%			9.4%			10.0%
Local Drugs			16.0%			14.8%			12.8%			11.6%
State Drugs			<u>10.8%</u>			<u>8.9%</u>			<u>10.7%</u>			<u>8.1%</u>
Total			10.0%			16.0%			8.6%			5.1%
Change From Prior Year - Year to Year Analysis												
Local Medical			7.2%			11.7%			12.0%			6.5%
State Medical			6.0%			8.4%			10.4%			11.6%
Local Drugs			11.7%			14.2%			14.9%			13.6%
State Drugs			<u>8.2%</u>			<u>9.7%</u>			<u>10.4%</u>			<u>9.5%</u>
Total			7.4%			10.5%			11.5%			9.7%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2015 to FY 2016**

Fiscal Year 2016

Exposure

	<u>Jul-15</u>	<u>Aug-15</u>
Local Medical	25,512	25,655
State Medical	131,127	130,578
Local Drugs	25,512	25,655
State Drugs	131,127	130,578

	<u>Jul-15</u>	<u>Aug-15</u>
Local Medical	\$151.57	\$218.77
State Medical	\$183.71	\$219.88
Local Drugs	\$56.38	\$62.53
State Drugs	<u>62.38</u>	<u>69.82</u>
Total	\$454.05	\$571.00

Change From Prior Year - Month to Month Analysis

Local Medical	-21.8%	15.9%
State Medical	-9.4%	12.0%
Local Drugs	11.4%	-1.1%
State Drugs	<u>1.8%</u>	<u>-2.3%</u>
Total	-10.7%	9.9%

Change From Prior Year - Quarter to Quarter Analysis

Local Medical
State Medical
Local Drugs
State Drugs
Total

Change From Prior Year - Year to Year Analysis

Local Medical
State Medical
Local Drugs
State Drugs
Total