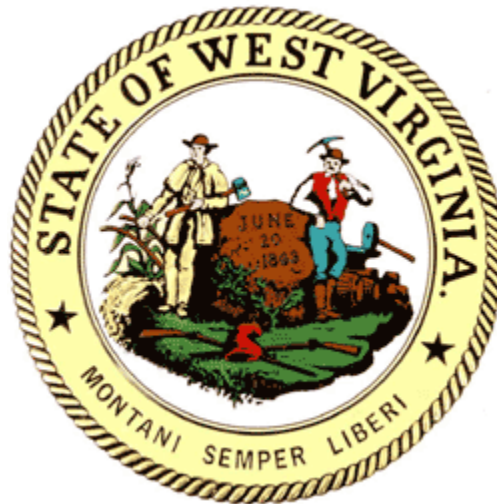




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Fiscal Year 2010
Financial Report**

Fiscal Years 2010-2015

November 2010



415 Main Street
Reisterstown, MD 21136

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

Email: info@ccrcactuaries.com

Finance Board
West Virginia Public Employees Insurance Agency
601 57th St., SE, Suite 2
Charleston, West Virginia 25304-2345

Ladies and Gentlemen:

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and the Managing Partner in the firm of 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 Trust Fund. (“Trust Fund” or “RHBT”) 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 2015.

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 2011 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”), June 30, 2014 (“FY 2014”) and June 30, 2015 (“FY 2015”). Our opinion of plan adequacy is based on the projections through FY 2015 using updated future revenue and plan modifications provided by the Board in the 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. The enclosed forecasts include anticipated changes from the federal statute Patient Protection and Affordable Care Act (“PPACA”) signed into law on March 23, 2010. Based on the PPACA/Health Care Reform requirements to expand coverage, the estimated cost of eliminating lifetime limitations and covering children coverage to age 26 is a total of \$9 million dollars in FY 2012.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - August 2010”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2010 through FY 2015 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of 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 2011 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 2015 as approved by the Board.

We would like to note that this report is based on substantial revenue increases in FY 2012. As a result of these assumptions, this forecast includes the trigger of excess reserve funds from PEIA to RHBT in FY 2014 and FY 2015. The Finance Board is currently constructing a new Financial Plan, which includes substantially no FY 2012 revenue increases. Under the assumptions of no revenue increases in FY 2012, we anticipate that the reserve transfer will not be necessary.

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



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

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2010 – FY 2015

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 October 2010 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 October 2010 enrollment levels for the duration of these forecasts for active employees.

In aggregate, October 2010 enrollment for active employees has decreased by 493 coverages since the end of FY 2010. Aggregate PPB enrollment has increased by 2,081 in total over the same period, while managed care enrollment experienced a decrease of 2,574 coverages.

In the State Fund, there continues to be a transfer of coverage from managed care to PPB coverage with overall active State enrollment decreased by 514 coverages from the end of FY 2010 to October 2010. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by 21 coverages from the end of FY 2010 to October 2010.

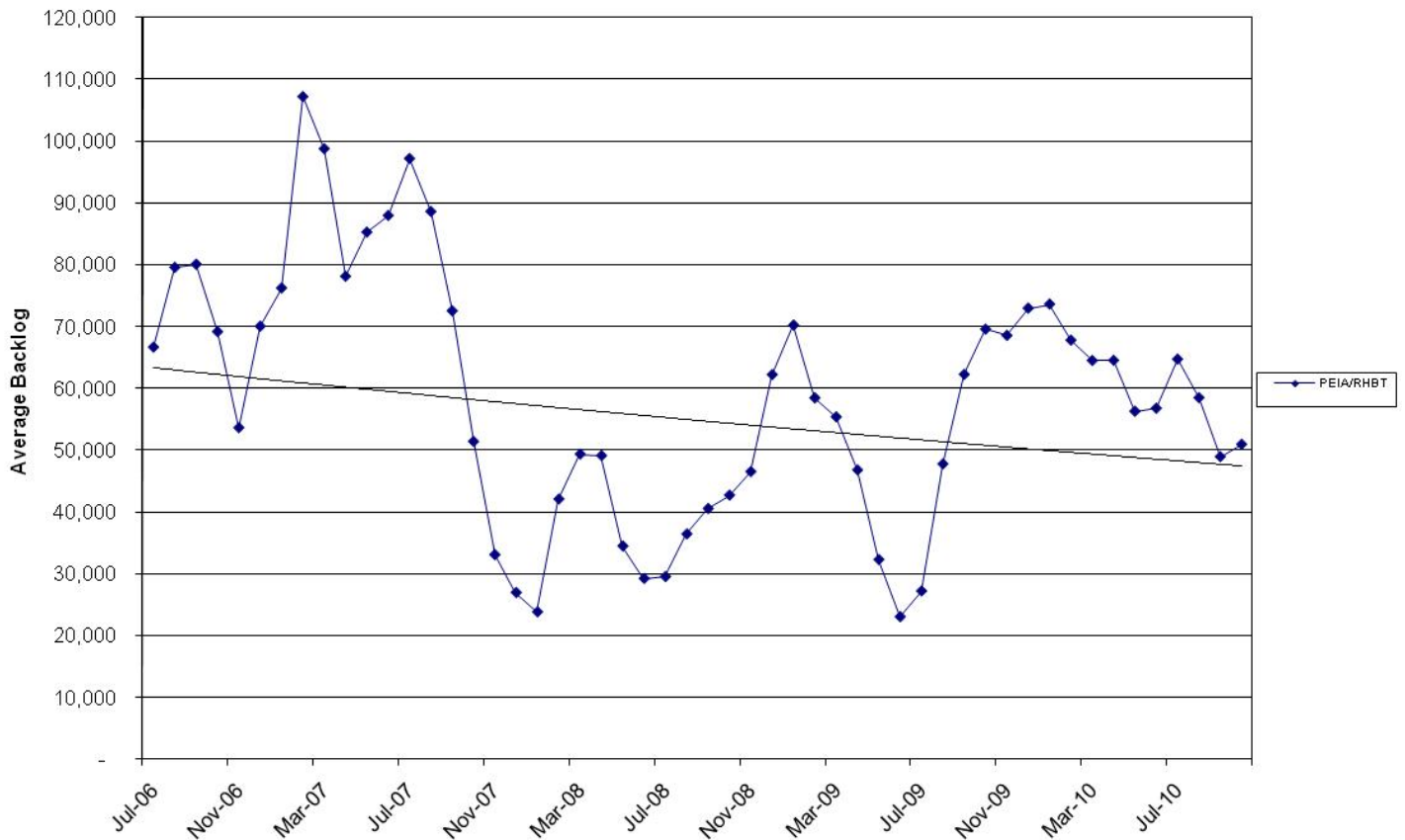
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2009, June 2010 and October 2010 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-09	Jun-10	Oct-10	Jun-09	Jun-10	Oct-10
State Active	Single	19,897	21,391	22,619	3,255	3,259	1,810
	Children	5,538	5,524	5,594	695	653	480
	Family	30,292	29,705	30,181	3,835	3,598	2,932
	Total	55,727	56,620	58,394	7,785	7,510	5,222
Local Active	Single	4,442	4,859	4,984	361	424	245
	Children	745	771	857	165	140	78
	Family	5,185	5,033	5,129	130	145	100
	Total	10,372	10,663	10,970	656	709	423
Plan Total		66,099	67,283	69,364	8,441	8,219	5,645
Grand Total					74,540	75,502	75,009

B. Changes in Claim Backlog

It should be noted that beginning in July 2007, all Medicare retirees have been transferred to the MAPD Plan. While the chart below, which has not been adjusted to reflect the smaller risk pool, indicates a lower backlog, the duration of claim payment has actually been stable for the self-insured block of non-Medicare coverages, though the backlog showed an increase since June 2009.

WV PEIA/RHBT Claim Backlog July 2006 through October 2010



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 - August 2010". This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2011 and FY 2012 Non-Medicare medical claim trend to 5.5%. Additionally, due to PEIA's favorable prescription drug experience, we have reduced our trend assumption for all prescription drugs coverage to 9.0% in FY 2011 and FY 2012.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2011 Trend	Updated Assumption FY 2011 Trend
Active Local – Medical	6.5%	5.5%
State – Medical	6.5%	5.5%
Active Local – Drugs	11.5%	9.0%
State – Drugs	11.5%	9.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2013. At the Board's request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through October 2010. 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%	12%	8%	5%
2008	5%	10%	-13%	-9%	4%
2009	-4%	8%	10%	9%	7%
2010	10%	1%	8%	9%	4%
2011*	10%	2%	13%	12%	6%

* Fiscal Year 2011 results are through the first four months ending October 2010.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through October 2010 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 2010 and the projection of FY 2011 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2010 Result			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	56,196	\$ 475	\$ 121	\$ 400	\$ 136	
	<u>Managed Care</u>	7,454	\$ 461	\$ 129			\$ 573
	Total	63,650					
Local	PPB	10,612	\$ 631	\$ -	\$ 402	\$ 119	
	<u>Managed Care</u>	668	\$ 542	\$ -			\$ 504
	Total	11,280					

Fiscal Year 2011 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	58,337	\$ 472	\$ 119	\$ 405	\$ 139	
	<u>Managed Care</u>	5,200	\$ 486	\$ 124			\$ 539
	Total	63,537					
Local	PPB	10,973	\$ 599	\$ -	\$ 408	\$ 122	
	<u>Managed Care</u>	421	\$ 458	\$ -			\$ 525
	Total	11,394					

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	Fiscal Year 2015
Additional State Employer Revenue	\$27,000,000	\$18,000,000	\$55,000,000	\$56,000,000	\$57,000,000	\$64,000,000
Additional Local Agency Revenue	\$10,000,000	\$0	\$0	\$8,000,000	\$9,000,000	\$13,000,000
Additional Employee Premiums	\$8,800,000	\$4,500,000	\$13,800,000	\$14,000,000	\$14,300,000	\$16,000,000
Direct Transfer	\$0	\$3,500,000	\$0	\$0	\$0	\$0
Provider/Benefit Reductions	\$0	\$13,100,000	\$0	\$0	\$0	\$0
PPACA Cost Adjustment	\$0	\$0	\$9,000,000	\$0	\$0	\$0
Pay Go Premium Transfer	\$125,752,020	\$145,176,757	\$149,919,644	\$166,768,766	\$186,768,318	\$210,663,393

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	\$5.7 M

The \$9,000,000 PPACA/Health Care Reform requirements in Fiscal Year 2012 are comprised of the following changes:

	<u>Change in 2012 Claim Cost</u>
Eliminating Lifetime Limitations	\$2.0 M
Covering Children coverage to Age 26	\$7.0 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. In future years, the Pay Go premium will continue to increase each year based on a formula from the difference between retiree premiums and retiree program costs including claims, capitations and administrative costs of the program, based on the financial plan approved by the Board in December 2009.

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 RESULT

The financial result for FY 2010 under the Baseline scenario is presented in the Appendix. The Baseline result for FY 2010 shows accrued revenue of \$562,199,560 and incurred plan expenses of \$513,415,655 to produce a fiscal year surplus of \$48,783,905.

Under the Baseline Scenario, FY 2010 is resulted to end with a reserve of \$173,604,183 and the FY 2011 expenditures of \$520,243,232, which represents 33% of projected expenditures. This reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

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 \$558,599,671 and incurred plan expenses of \$520,243,232 to produce a fiscal year surplus of \$38,356,439.

Under the Baseline Scenario, FY 2011 is projected to end with a reserve of \$211,960,622 and the FY 2012 expenditures of \$561,805,804, which represents 38% 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 \$216,608,864 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$207,338,740.

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 \$622,296,283 and incurred plan expenses of \$561,805,804 to produce a fiscal year surplus of \$60,490,479.

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$272,451,101 and the FY 2013 expenditures of \$598,256,864, which represents 46% 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 \$291,536,399 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$253,233,796.

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 \$688,059,825 and incurred plan expenses of \$598,256,864 to produce a fiscal year surplus of \$89,802,961.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$362,254,062 and the FY 2014 expenditures of \$639,830,985, which represents 57% 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 \$383,243,782 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$316,475,365.

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 \$754,925,235 and incurred plan expenses of \$639,830,985 to produce a fiscal year surplus of \$115,094,250.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$409,999,891 and the FY 2015 expenditures of \$687,242,731, which represents 60% 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 \$437,218,228 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$379,896,150.

FISCAL YEAR 2015 FORECAST

The financial forecast for FY 2015 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2015 projects accrued revenue of \$827,949,461 and incurred plan expenses of \$687,242,731 to produce a fiscal year surplus of \$140,706,730.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$460,359,160 and the FY 2016 expenditures of \$741,380,047, which represents 67% 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 \$497,425,967 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$420,674,190.

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 2015 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 REPORT
FISCAL YEAR 2010**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 80,316,336	\$ 320,311,697	\$ 400,628,033
Employer Premiums - MCO	4,341,667	41,252,990	45,594,657
Employee Premiums - PPB	-	81,564,393	81,564,393
Employee Premiums - MCO	-	11,564,279	11,564,279
Direct Transfers	-	-	-
Investment Income	2,352,954	13,770,791	16,123,745
COBRA Premiums	385,430	1,600,373	1,985,803
Administrative Fees	672,257	4,066,393	4,738,650
Total Revenue	\$ 88,068,644	\$ 474,130,916	\$ 562,199,560
<u>Program Expenses</u>			
Medical Claims	\$ 51,200,270	\$ 269,641,387	\$ 320,841,657
Prescription Drug Claims	15,134,100	91,946,612	107,080,712
Managed Care Capitations	4,043,955	51,234,137	55,278,092
Administration	3,248,983	19,159,599	22,408,582
Life Insurance	718,794	4,914,638	5,633,432
Wellness	315,086	1,858,094	2,173,180
Director's Discretionary Fund	-	-	-
Total Expenses	\$ 74,661,188	\$ 438,754,467	\$ 513,415,655
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2009	-	-	-
Fiscal Year Results	\$ 13,407,456	\$ 35,376,449	\$ 48,783,905
Beginning Plan Reserve	17,803,554	107,016,724	124,820,278
Ending Plan Reserve	\$ 31,211,010	\$ 142,393,173	\$ 173,604,183

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 27,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 10,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 8,800,000	Active Local	6.0%	11.0%
Direct Transfers	\$ -	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	\$ 78,849,024	\$ 330,596,736	\$ 409,445,760
Employer Premiums - MCO	2,312,419	30,336,439	32,648,858
Employee Premiums - PPB	-	83,520,013	83,520,013
Employee Premiums - MCO	-	7,766,646	7,766,646
Direct Transfers	-	3,500,000	3,500,000
Investment Income	2,606,813	12,409,109	15,015,922
COBRA Premiums	381,164	1,582,658	1,963,822
Administrative Fees	672,257	4,066,393	4,738,650
Total Revenue	\$ 84,821,677	\$ 473,777,994	\$ 558,599,671
<u>Program Expenses</u>			
Medical Claims	\$ 53,782,777	\$ 283,398,097	\$ 337,180,874
Prescription Drug Claims	16,030,550	97,437,570	113,468,120
Managed Care Capitations	2,653,962	33,623,874	36,277,836
Administration	3,411,432	20,117,579	23,529,011
Life Insurance	754,734	5,160,370	5,915,104
Wellness	315,086	1,858,094	2,173,180
Director's Discretionary Fund	263,221	1,435,886	1,699,107
Total Expenses	\$ 77,211,762	\$ 443,031,470	\$ 520,243,232
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2010	-	-	-
Fiscal Year Results	\$ 7,609,915	\$ 30,746,524	\$ 38,356,439
Beginning Plan Reserve	31,211,010	142,393,173	173,604,183
Ending Plan Reserve	\$ 38,820,925	\$ 173,139,697	\$ 211,960,622

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 18,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 4,500,000	Active Local	5.5%	9.0%
Direct Transfers	\$ 3,500,000	State	5.5%	9.0%
		Capitations		8.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 78,152,297	\$ 378,015,008	\$ 456,167,305
Employer Premiums - MCO	2,291,985	34,687,666	36,979,651
Employee Premiums - PPB	-	95,418,346	95,418,346
Employee Premiums - MCO	-	8,873,089	8,873,089
Direct Transfers	-	-	-
Investment Income	3,164,709	14,754,863	17,919,572
COBRA Premiums	426,940	1,772,730	2,199,670
Administrative Fees	672,257	4,066,393	4,738,650
Total Revenue	\$ 84,708,188	\$ 537,588,095	\$ 622,296,283
<u>Program Expenses</u>			
Medical Claims	\$ 57,836,965	\$ 304,687,974	\$ 362,524,939
Prescription Drug Claims	17,810,810	108,233,313	126,044,123
Managed Care Capitations	2,813,200	35,641,307	38,454,507
Administration	3,582,004	21,123,458	24,705,462
Life Insurance	792,470	5,418,388	6,210,858
Wellness	315,086	1,858,094	2,173,180
Director's Discretionary Fund	262,095	1,430,640	1,692,735
Total Expenses	\$ 83,412,630	\$ 478,393,174	\$ 561,805,804
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2011	-	-	-
Fiscal Year Results	\$ 1,295,558	\$ 59,194,921	\$ 60,490,479
Beginning Plan Reserve	38,820,925	173,139,697	211,960,622
Ending Plan Reserve	\$ 40,116,483	\$ 232,334,618	\$ 272,451,101

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 13,800,000	Active Local	5.5%	9.0%
Direct Transfers	\$ -	State	5.5%	9.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 83,449,238	\$ 418,829,386	\$ 502,278,624
Employer Premiums - MCO	2,447,330	38,432,903	40,880,233
Employee Premiums - PPB	-	105,609,623	105,609,623
Employee Premiums - MCO	-	9,820,790	9,820,790
Direct Transfers	-	-	-
Investment Income	3,318,941	18,988,146	22,307,087
COBRA Premiums	470,640	1,954,178	2,424,818
Administrative Fees	672,257	4,066,393	4,738,650
Total Revenue	\$ 90,358,406	\$ 597,701,419	\$ 688,059,825
<u>Program Expenses</u>			
Medical Claims	\$ 61,175,809	\$ 322,277,164	\$ 383,452,973
Prescription Drug Claims	19,462,622	118,271,097	137,733,719
Managed Care Capitations	2,981,992	37,779,785	40,761,777
Administration	3,761,104	22,179,631	25,940,735
Life Insurance	832,094	5,689,308	6,521,402
Wellness	315,086	1,858,094	2,173,180
Director's Discretionary Fund	258,860	1,414,218	1,673,078
Total Expenses	\$ 88,787,567	\$ 509,469,297	\$ 598,256,864
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2012	-	-	-
Fiscal Year Results	\$ 1,570,839	\$ 88,232,122	\$ 89,802,961
Beginning Plan Reserve	40,116,483	232,334,618	272,451,101
Ending Plan Reserve	\$ 41,687,322	\$ 320,566,740	\$ 362,254,062

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 56,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 8,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 14,000,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.0%	9.5%
		State	6.0%	9.5%
		Capitations		6.0%
		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	\$ 89,254,890	\$ 458,610,675	\$ 547,865,565
Employer Premiums - MCO	2,617,593	42,083,340	44,700,933
Employee Premiums - PPB	-	115,575,672	115,575,672
Employee Premiums - MCO	-	10,747,548	10,747,548
Direct Transfers	-	-	-
Investment Income	3,498,706	25,151,328	28,650,034
COBRA Premiums	513,731	2,133,102	2,646,833
Administrative Fees	672,257	4,066,393	4,738,650
Total Revenue	\$ 96,557,177	\$ 658,368,058	\$ 754,925,235
<u>Program Expenses</u>			
Medical Claims	\$ 65,013,398	\$ 342,493,771	\$ 407,507,169
Prescription Drug Claims	21,364,977	129,831,388	151,196,364
Managed Care Capitations	3,160,911	40,046,572	43,207,483
Administration	3,949,159	23,288,613	27,237,772
Life Insurance	873,699	5,973,773	6,847,472
Wellness	315,086	1,858,094	2,173,180
Director's Discretionary Fund	256,883	1,404,661	1,661,544
Total Expenses	\$ 94,934,112	\$ 544,896,872	\$ 639,830,985
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2013	7,071,822	60,276,600	67,348,421
Fiscal Year Results	\$ 1,623,065	\$ 113,471,186	\$ 115,094,250
Beginning Plan Reserve	41,687,322	320,566,740	362,254,062
Ending Plan Reserve	\$ 36,238,565	\$ 373,761,326	\$ 409,999,891

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	6.5%	10.0%
		State	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 98,374,327	\$ 502,374,712	\$ 600,749,039
Employer Premiums - MCO	2,885,041	46,099,245	48,984,286
Employee Premiums - PPB	-	126,498,081	126,498,081
Employee Premiums - MCO	-	11,763,238	11,763,238
Direct Transfers	-	-	-
Investment Income	3,230,667	29,084,233	32,314,900
COBRA Premiums	563,115	2,338,152	2,901,267
Administrative Fees	672,257	4,066,393	4,738,650
Total Revenue	\$ 105,725,407	\$ 722,224,054	\$ 827,949,461
<u>Program Expenses</u>			
Medical Claims	\$ 69,416,915	\$ 365,691,716	\$ 435,108,631
Prescription Drug Claims	23,560,140	143,171,030	166,731,170
Managed Care Capitations	3,350,566	42,449,366	45,799,932
Administration	4,146,617	24,453,043	28,599,660
Life Insurance	917,384	6,272,462	7,189,846
Wellness	315,086	1,858,094	2,173,180
Director's Discretionary Fund	253,409	1,386,903	1,640,312
Total Expenses	\$ 101,960,117	\$ 585,282,614	\$ 687,242,731
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2014	9,486,802	80,860,659	90,347,461
Fiscal Year Results	\$ 3,765,290	\$ 136,941,440	\$ 140,706,730
Beginning Plan Reserve	36,238,565	373,761,326	409,999,891
Ending Plan Reserve	\$ 30,517,053	\$ 429,842,107	\$ 460,359,160

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 64,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 13,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 16,000,000	Active Local	7.0%	10.5%
Direct Transfers	\$ -	State	7.0%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

Fiscal Year 2009												
Exposure	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
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>\$139.66</u>	<u>\$135.93</u>	<u>\$146.64</u>	<u>\$163.17</u>	<u>\$146.16</u>	<u>\$155.18</u>	<u>\$175.38</u>	<u>\$162.75</u>	<u>\$188.60</u>	<u>\$185.73</u>	<u>\$165.49</u>	<u>\$194.21</u>
State Medical	<u>157.56</u>	<u>170.02</u>	<u>160.00</u>	<u>180.46</u>	<u>155.08</u>	<u>171.04</u>	<u>178.03</u>	<u>174.66</u>	<u>205.41</u>	<u>198.29</u>	<u>189.51</u>	<u>238.05</u>
Local Drugs	<u>38.50</u>	<u>50.96</u>	<u>54.21</u>	<u>59.33</u>	<u>53.94</u>	<u>60.59</u>	<u>60.88</u>	<u>57.45</u>	<u>61.92</u>	<u>59.75</u>	<u>59.72</u>	<u>65.38</u>
State Drugs	<u>42.65</u>	<u>54.67</u>	<u>59.75</u>	<u>62.65</u>	<u>59.85</u>	<u>66.51</u>	<u>64.42</u>	<u>60.30</u>	<u>67.92</u>	<u>65.60</u>	<u>64.67</u>	<u>76.23</u>
Total	<u>\$378.38</u>	<u>\$411.58</u>	<u>\$420.61</u>	<u>\$465.61</u>	<u>\$415.03</u>	<u>\$453.33</u>	<u>\$478.70</u>	<u>\$455.17</u>	<u>\$523.85</u>	<u>\$509.37</u>	<u>\$479.40</u>	<u>\$573.86</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	-11.5%	-13.9%	1.0%	-11.3%	-8.1%	8.6%	-12.3%	-1.4%	9.8%	-6.2%	-9.0%	13.4%
State Medical	14.5%	-1.9%	14.2%	6.6%	-4.5%	16.3%	-0.1%	4.8%	16.4%	5.7%	1.3%	19.4%
Local Drugs	25.7%	6.3%	49.0%	34.3%	-1.8%	15.2%	6.0%	-0.4%	7.2%	5.4%	-0.3%	4.7%
State Drugs	<u>25.0%</u>	<u>1.4%</u>	<u>39.5%</u>	<u>32.6%</u>	<u>2.2%</u>	<u>10.2%</u>	<u>0.3%</u>	<u>-3.6%</u>	<u>6.1%</u>	<u>4.2%</u>	<u>-0.9%</u>	<u>10.8%</u>
Total	<u>5.1%</u>	<u>-4.9%</u>	<u>15.4%</u>	<u>4.7%</u>	<u>-4.6%</u>	<u>12.5%</u>	<u>-4.3%</u>	<u>0.7%</u>	<u>11.5%</u>	<u>0.8%</u>	<u>-2.9%</u>	<u>14.3%</u>
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-8.4%			-4.4%			-1.9%			-1.0%
State Medical			8.1%			5.8%			7.1%			9.0%
Local Drugs			25.0%			14.6%			4.2%			3.3%
State Drugs			<u>20.0%</u>			<u>13.8%</u>			<u>1.0%</u>			<u>4.8%</u>
Total			4.6%			4.0%			2.5%			4.1%
Change From Prior Year - Year to Year Analysis												
Local Medical			0.9%			0.2%			-1.7%			-3.7%
State Medical			9.3%			8.7%			8.1%			7.6%
Local Drugs			-5.5%			3.1%			7.3%			10.4%
State Drugs			<u>-2.6%</u>			<u>4.7%</u>			<u>6.6%</u>			<u>8.8%</u>
Total			2.6%			4.3%			4.1%			3.8%

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

Fiscal Year 2010												
Exposure	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>
Local Medical	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231	21,810	21,970
State Medical	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,170	125,224	123,353
Local Drugs	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231	21,810	21,970
State Drugs	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,170	125,224	123,353
Local Medical	<u>\$155.28</u>	<u>\$160.39</u>	<u>\$162.90</u>	<u>\$166.61</u>	<u>\$175.29</u>	<u>\$170.09</u>	<u>\$161.46</u>	<u>\$166.10</u>	<u>\$215.65</u>	<u>\$204.50</u>	<u>\$193.09</u>	<u>\$220.46</u>
State Medical	<u>\$167.68</u>	<u>\$166.49</u>	<u>\$166.77</u>	<u>\$174.16</u>	<u>\$174.16</u>	<u>\$166.89</u>	<u>\$173.76</u>	<u>\$180.88</u>	<u>\$205.99</u>	<u>\$199.28</u>	<u>\$195.83</u>	<u>\$234.00</u>
Local Drugs	<u>\$37.88</u>	<u>\$51.03</u>	<u>\$55.67</u>	<u>\$60.29</u>	<u>\$59.33</u>	<u>\$63.70</u>	<u>\$62.74</u>	<u>\$60.79</u>	<u>\$72.71</u>	<u>\$68.51</u>	<u>\$68.85</u>	<u>\$78.79</u>
State Drugs	<u>44.42</u>	<u>58.77</u>	<u>63.58</u>	<u>68.59</u>	<u>65.01</u>	<u>69.85</u>	<u>67.30</u>	<u>66.86</u>	<u>76.65</u>	<u>73.03</u>	<u>73.56</u>	<u>85.61</u>
Total	<u>\$405.26</u>	<u>\$436.68</u>	<u>\$448.91</u>	<u>\$469.66</u>	<u>\$473.80</u>	<u>\$470.52</u>	<u>\$465.26</u>	<u>\$474.62</u>	<u>\$571.00</u>	<u>\$545.31</u>	<u>\$531.33</u>	<u>\$618.86</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	11.2%	18.0%	11.1%	2.1%	19.9%	9.6%	-7.9%	2.1%	14.3%	10.1%	16.7%	13.5%
State Medical	6.4%	-2.1%	4.2%	-3.5%	12.3%	-2.4%	-2.4%	3.6%	0.3%	0.5%	3.3%	-1.7%
Local Drugs	-1.6%	0.1%	2.7%	1.6%	10.0%	5.1%	3.1%	5.8%	17.4%	14.7%	15.3%	20.5%
State Drugs	<u>4.1%</u>	<u>7.5%</u>	<u>6.4%</u>	<u>9.5%</u>	<u>8.6%</u>	<u>5.0%</u>	<u>4.5%</u>	<u>10.9%</u>	<u>12.9%</u>	<u>11.3%</u>	<u>13.7%</u>	<u>12.3%</u>
Total	7.1%	6.1%	6.7%	0.9%	14.2%	3.8%	-2.8%	4.3%	9.0%	7.1%	10.8%	7.8%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			13.3%			10.2%			3.1%			13.3%
State Medical			2.7%			1.7%			0.5%			0.5%
Local Drugs			0.6%			5.4%			8.9%			16.9%
State Drugs			<u>6.2%</u>			<u>7.6%</u>			<u>9.4%</u>			<u>12.4%</u>
Total			6.6%			6.0%			3.6%			8.5%
Change From Prior Year - Year to Year Analysis												
Local Medical			1.0%			4.5%			5.8%			9.8%
State Medical			6.3%			5.3%			3.6%			1.3%
Local Drugs			5.6%			3.5%			4.8%			8.4%
State Drugs			<u>6.2%</u>			<u>4.8%</u>			<u>7.0%</u>			<u>9.1%</u>
Total			4.2%			4.7%			5.0%			6.2%

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

Fiscal Year 2011

Exposure

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>
Local Medical	22,597	22,569	22,603	22,608
State Medical	127,260	126,578	124,811	126,190
Local Drugs	22,597	22,569	22,603	22,608
State Drugs	127,260	126,578	124,811	126,190

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>
Local Medical	\$162.81	\$174.62	\$189.59	\$187.71
State Medical	\$149.59	\$177.61	\$186.95	\$189.90
Local Drugs	\$44.07	\$58.94	\$62.97	\$74.92
State Drugs	<u>47.96</u>	<u>65.42</u>	<u>69.31</u>	<u>89.66</u>
Total	\$404.43	\$476.59	\$508.82	\$542.19

Change From Prior Year - Month to Month Analysis

Local Medical	4.8%	8.9%	16.4%	12.7%
State Medical	-10.8%	6.7%	12.1%	9.0%
Local Drugs	16.3%	15.5%	13.1%	24.3%
State Drugs	<u>8.0%</u>	<u>11.3%</u>	<u>9.0%</u>	<u>30.7%</u>
Total	-0.2%	9.1%	13.3%	15.4%

Change From Prior Year - Quarter to Quarter Analysis

Local Medical	10.1%
State Medical	2.6%
Local Drugs	14.8%
State Drugs	<u>9.5%</u>
Total	7.7%

Change From Prior Year - Year to Year Analysis

Local Medical	9.2%
State Medical	1.3%
Local Drugs	11.4%
State Drugs	<u>9.8%</u>
Total	6.5%