



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
December 31, 2011**

Fiscal Years 2012-2016

May 2012



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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 2011 for the fiscal year ending June 30, 2012 (“FY 2012”) 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 2012 and in subsequent fiscal years. 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 2016.

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 2012 and subsequently. We are assuming that the Bill will continue throughout the forecast periods. Additionally, PEIA has been granted direct transfers of \$3,500,000 in FY 2012 and FY 2013 to offset employee premium increases.

CCRC Actuaries has provided preliminary forecasts for the fiscal years ending June 30, 2012 (“FY 2012”), June 30, 2013 (“FY 2013”), June 30, 2014 (“FY 2014”), June 30, 2015 (“FY 2015”) and June 30, 2016 (“FY 2016”). Our opinion of plan adequacy is based on the projections through FY 2016 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2011. 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 requirements to expand coverage, the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children to age 26 is approximately \$9.5 million in FY 2013. In addition, the estimated cost of the Autism expansion bill enacted by the state legislature is \$6.2 million in FY 2013. The PEIA benefit reductions passed by the Finance Board on December 13, 2011 are projected to reduce claims by an aggregate of \$27.9 million in FY 2013. Additional details of the benefit reductions can be found later in this report.

In FY 2013 the Pay-Go is equivalent to \$343 per retiree per month. In future years, the Pay Go premium will continue to increase each year by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2011.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2011”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2012 through FY 2016 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 2012 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2011.

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 2016 as approved by the Board.

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

Respectfully,



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



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

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2012 – FY 2016

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 March 2012 for prescription drugs and medical claims. Enrollment data, administrative expenses, managed care capitations, and plan revenues were provided at special request from PEIA. Revenue assumptions are based on premium rates, assumed interest income and significant general and special revenue allocations provided by the Governor, some which have not been approved by the West Virginia Legislature. In addition, other information became available through presentations made at the Board meetings, which has been used in arriving at our conclusions.

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

KEY ASSUMPTIONS

A. Enrollment Changes

These projections include the assumption that Preferred Provider Benefit (“PPB”) and managed care enrollment will not change from March 2012 enrollment levels for the duration of these forecasts for active employees.

In aggregate, March 2012 enrollment for active employees has increased by 27 coverages since the end of FY 2011. Aggregate PPB enrollment has decreased by 295 in total over the same period, while managed care enrollment experienced an increase of 322 coverages.

In the State Fund, there seems to be a moderate transfer of coverage from PPB to managed care coverage between July 2011 and March 2012. Overall active State enrollment increased by 29 coverages from the end of FY 2011 to March 2012. In the Local Fund, the same phenomena have occurred with overall active Local enrollment decreased by 2 coverages from the end of FY 2011 to March 2012.

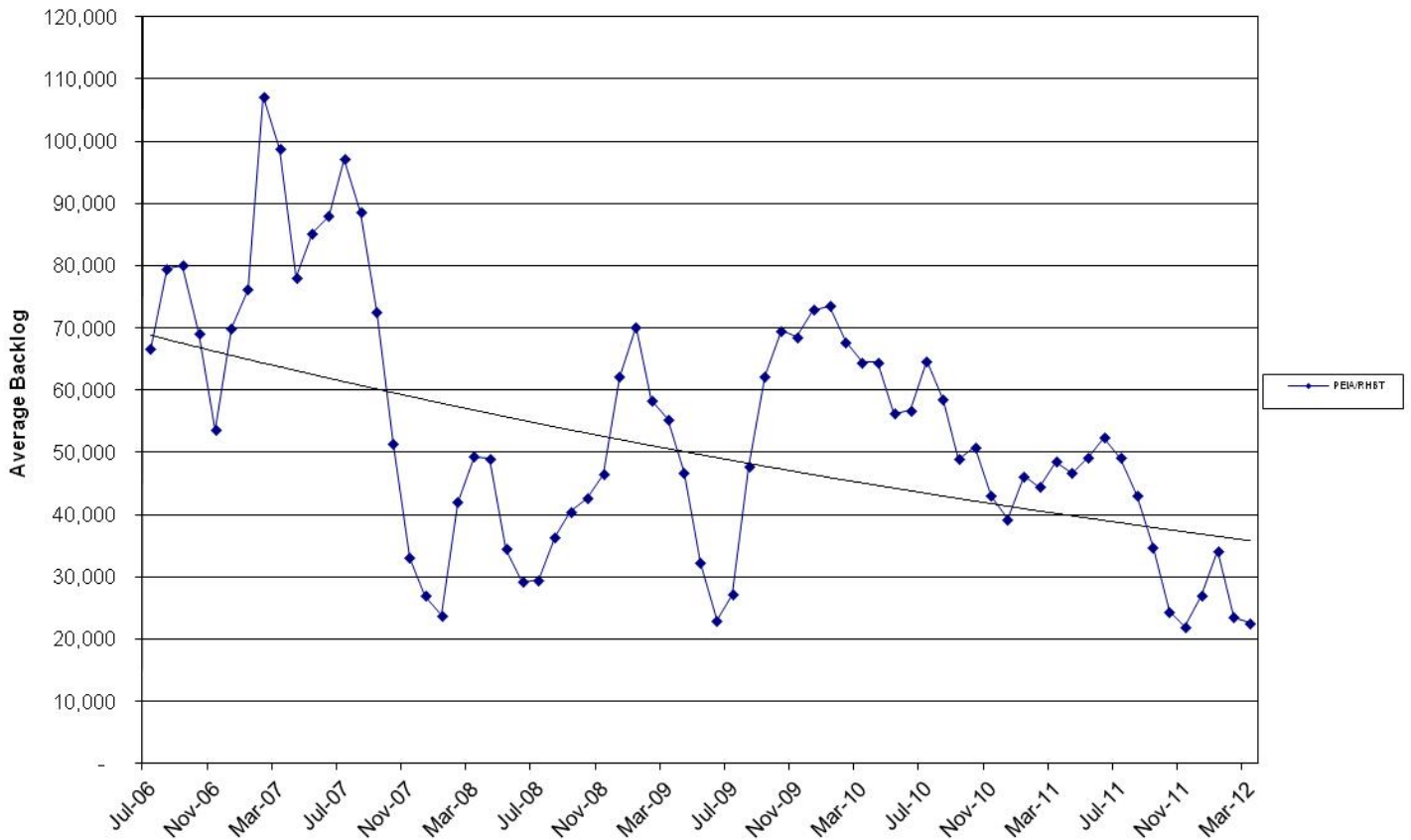
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2010, June 2011 and March 2012 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-10	Jun-11	Mar-12	Jun-10	Jun-11	Mar-12
State Active	Single	21,391	22,737	22,501	3,259	1,792	1,946
	Children	5,524	5,889	6,185	653	535	589
	<u>Family</u>	<u>29,705</u>	<u>30,651</u>	<u>30,365</u>	<u>3,598</u>	<u>2,943</u>	<u>2,990</u>
	Total	56,620	59,277	59,051	7,510	5,270	5,525
Local Active	Single	4,859	5,036	4,940	424	247	290
	Children	771	865	873	140	81	95
	<u>Family</u>	<u>5,033</u>	<u>5,194</u>	<u>5,213</u>	<u>145</u>	<u>98</u>	<u>108</u>
	Total	10,663	11,095	11,026	709	426	493
Plan Total		67,283	70,372	70,077	8,219	5,696	6,018
Grand Total					75,502	76,068	76,095

B. Changes in Claim Backlog

It should be noted that beginning July 1, 2006, all retirees have been transferred to the RHBT. While the chart below, which has not been adjusted to reflect the smaller risk pool, indicates a lower backlog, the duration of claim payments has been gradually declining for the self-insured block of non-Medicare coverages, and as of March 2012, the claim backlogs are near historical lows.

WV PEIA&RHBT Claim Backlog July 2006 through March 2012



C. Trend Analysis

While PEIA has experienced unfavorable medical and prescription drug trends in FY 2011, over the long term, trends have been favorable. CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, "Detailed Medical and Prescription Drug Claim Trend Report - September 2011". This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have increased the FY 2012 and FY 2013 medical claim trend to 6.5%. Additionally, due to PEIA's unfavorable FY 2011 prescription drug experience, we have increased our trend assumption for all prescription drugs coverage to 10.0% in FY 2012 and FY 2013.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2012 Trend	Updated Assumption FY 2012 Trend
Active Local – Medical	5.5%	6.5%
State – Medical	5.5%	6.5%
Active Local – Drugs	9.0%	10.0%
State – Drugs	9.0%	10.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2014. 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 March 2012. 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	12%	14%	19%	15%	10%
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	5%	10%	-6%	-2%	5%
2009	-4%	8%	10%	9%	7%
2010	10%	1%	9%	9%	4%
2011	10%	8%	14%	14%	8%
2012*	9%	5%	9%	7%	5%

* Fiscal Year 2012 results are through the first nine months ending March 2012.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through March 2012 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 projection of FY 2012 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2012 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs*	Monthly Capitation Costs
State	PPB	58,884	\$ 464	\$ 122	\$ 447	\$ 155	
	Managed Care	5,473	\$ 473	\$ 129			\$ 547
	Total	64,357					
Local	PPB	11,042	\$ 597	\$ -	\$ 453	\$ 134	
	Managed Care	485	\$ 447	\$ -			\$ 437
	Total	11,527					

*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. 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 2011

Source	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Additional State Employer Revenue	\$0	\$18,500,000	\$42,000,000	\$60,000,000	\$47,000,000
Additional Local Agency Revenue	\$0	\$0	\$2,000,000	\$12,000,000	\$19,000,000
Additional Employee Premium	\$0	(\$2,428,934)	\$10,500,000	\$15,000,000	\$11,800,000
Direct Transfer	\$3,500,000	\$3,500,000	\$0	\$0	\$0
Benefit Reductions/(Increase)	\$0	\$27,939,000	\$4,085,000	\$0	\$0
Autism Bill (Cost)	\$0	(\$6,200,000)	\$0	\$0	\$0
PPACA Savings/(Cost)	\$0	(\$9,534,000)	\$1,000,000	\$0	\$0
Pay Go Premium Transfer	\$152,046,000	\$162,000,000	\$172,900,000	\$184,000,000	\$195,200,000

The \$27,939,000 reduction in benefits in Fiscal Year 2013 is comprised of the following changes:

	<u>Decrease in 2013 Claim Cost</u>
Remove Acupuncture Coverage	\$75 K
Change Physical, Occupational, and Speech Therapy Coverage to Medical Necessary with \$10 Copay	\$1.8 M
Increase Emergency Room Copay to \$100	\$2.4 M
Increase Urgent Care to \$25 Co-Pay	\$0.8 M
Specialty Co-Pay increase to \$25 from \$20	\$1.4 M
Introduce \$500 Copay for Gastric Bypass	\$0.1 M
Introduce \$500 Copay for Dental Procedures that are Medically Necessary	\$0.7 M
Pharmacy Option 75% Copay Tier 3 (\$5/\$15/75%/\$50 Sp)	\$15.214 M
West Virginia Option D Closed Network	\$5.45 M

In addition, the Finance board elected to delay increasing the out of pocket maximum for families to FY 2014. The estimated savings is projected to be \$4.1M. The \$9,534,000 of PPACA benefit enhancements is comprised of the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children coverage to age 26. The Autism Bill enacted by the state legislature is estimated to cost \$6.2 million in Fiscal Year 2013.

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 2013 the Pay-Go is equivalent to \$343 per retiree per month. In future years, the Pay Go premium will continue to increase each year by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2011.

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 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 \$710,584,000 and incurred plan expenses of \$721,063,194 to produce a fiscal year deficit of (\$10,479,194). It should be noted that this is a decline from the projected deficit of (\$6,394,269) in the PEIA Financial Plan FY 2012-2016 Report mainly due to the lower investment income. The PEIA local and state agencies Pay Go premiums for FY 2012 are assumed to be \$152,046,000.

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$190,335,559 and the FY 2013 expenditures of \$761,284,344, which represents 25% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

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 \$726,853,894 and incurred plan expenses of \$761,284,344 to produce a fiscal year deficit of (\$34,430,450). The PEIA local and state agencies Pay Go premiums for FY 2013 are assumed to be \$162,000,000.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$155,905,109 and the FY 2014 expenditures of \$811,224,707, which represents 19% 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 \$170,320,065 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$137,206,311.

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 \$784,165,542 and incurred plan expenses of \$811,224,707 to produce a fiscal year deficit of (\$27,059,165). The PEIA local and state agencies Pay Go premiums for FY 2014 are assumed to be \$172,900,000.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$128,845,944 and the FY 2015 expenditures of \$872,350,640, 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 \$163,567,207 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$82,732,494.

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 \$870,410,329 and incurred plan expenses of \$872,350,640 to produce a fiscal year deficit of (\$1,940,311). The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$184,000,000.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$126,905,632 and the FY 2016 expenditures of \$940,776,232, which represents 13% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$192,777,047 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$37,579,159.

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 \$949,139,269 and incurred plan expenses of \$940,776,232 to produce a fiscal year surplus of \$8,363,037. The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$195,200,000.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$135,268,669 and the FY 2017 expenditures of \$1,017,827,065, which represents 13% 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 \$245,103,381 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$16,651,524).

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 2016 using the Baseline assumptions. These projections are based on significant revenue increases projected by PEIA and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement, possible changes in methodology of managed care premium calculation, and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as universal health insurance initiatives and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,337,483	\$ 421,015,188	\$ 522,352,671
Employer Premiums - MCO	3,335,417	39,936,228	43,271,645
Employee Premiums - PPB	-	110,527,277	110,527,277
Employee Premiums - MCO	-	10,919,407	10,919,407
Life Insurance	646,786	3,597,214	4,244,000
Direct Transfers	-	3,500,000	3,500,000
Investment Income	1,711,115	7,649,885	9,361,000
COBRA Premiums	319,283	1,325,717	1,645,000
Administrative Fees	728,209	4,034,791	4,763,000
Total Revenue	\$ 108,078,293	\$ 602,505,707	\$ 710,584,000
<u>Program Expenses</u>			
Medical Claims	\$ 60,074,020	\$ 316,105,632	\$ 376,179,652
Prescription Drug Claims	17,701,304	109,559,611	127,260,915
Managed Care Capitations	2,542,256	35,934,744	38,477,000
Administration	3,005,328	16,714,672	19,720,000
Life Insurance	648,005	3,603,995	4,252,000
Wellness	346,405	1,926,595	2,273,000
Director's Discretionary Fund	132,029	722,598	854,627
WV RHBT Pay Go Premiums	22,990,509	129,055,491	152,046,000
Total Expenses	\$ 107,439,856	\$ 613,623,338	\$ 721,063,194
Fiscal Year Results	\$ 638,437	\$ (11,117,631)	\$ (10,479,194)
Beginning Plan Reserve	38,510,998	162,303,755	200,814,753
Ending Plan Reserve	\$ 39,149,435	\$ 151,186,124	\$ 190,335,559

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	6.5%	10.0%
Direct Transfers	\$ 3,500,000	State	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2012

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,337,483	\$ -	\$ 101,337,483
Employer Premiums - MCO	3,335,417	-	3,335,417
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	646,786		646,786
Direct Transfers	-		-
Investment Income	1,711,115		1,711,115
COBRA Premiums	319,283		319,283
Administrative Fees	728,209		728,209
Total Revenue	\$ 108,078,293	\$ -	\$ 108,078,293
<u>Program Expenses</u>			
Medical Claims	\$ 60,074,020	\$ -	\$ 60,074,020
Prescription Drug Claims	17,701,304	-	17,701,304
Managed Care Capitations	2,542,256		2,542,256
Administration	3,005,328		3,005,328
Life Insurance	648,005		648,005
Wellness	346,405		346,405
Director's Discretionary Fund	132,071		132,029
WV RHBT Pay Go Premiums	22,990,509		22,990,509
Total Expenses	\$ 107,439,898	\$ -	\$ 107,439,856
Fiscal Year Results	\$ 638,395		\$ 638,437
Beginning Plan Reserve	38,510,998		38,510,998
Ending Plan Reserve	\$ 39,149,393		\$ 39,149,435

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 421,015,188	\$ -	\$ 421,015,188
Employer Premiums - MCO	39,936,228	-	39,936,228
Employee Premiums - PPB	110,527,277	-	110,527,277
Employee Premiums - MCO	10,919,407	-	10,919,407
Life Insurance	3,597,214		3,597,214
Direct Transfers	3,500,000		3,500,000
Investment Income	7,649,885		7,649,885
COBRA Premiums	1,325,717		1,325,717
Administrative Fees	4,034,791		4,034,791
Total Revenue	\$ 602,505,707	\$ -	\$ 602,505,707
<u>Program Expenses</u>			
Medical Claims	\$ 316,105,632	\$ -	\$ 316,105,632
Prescription Drug Claims	109,559,611	-	109,559,611
Managed Care Capitations	35,934,744		35,934,744
Administration	16,714,672		16,714,672
Life Insurance	3,603,995		3,603,995
Wellness	1,926,595		1,926,595
Director's Discretionary Fund	722,824		722,598
WV RHBT Pay Go Premiums	129,055,491		129,055,491
Total Expenses	\$ 613,623,564	\$ -	\$ 613,623,338
Fiscal Year Results	\$ (11,117,857)		\$ (11,117,631)
Beginning Plan Reserve	162,303,755		162,303,755
Ending Plan Reserve	\$ 151,185,898		\$ 151,186,124

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	\$ 3,500,000	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 2013**

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

	Active Local Fund	State Fund	PEIA Total
Revenues			
Employer Premiums - PPB	\$ 101,337,483	\$ 437,912,372	\$ 539,249,855
Employer Premiums - MCO	3,335,417	41,539,044	44,874,461
Employee Premiums - PPB	-	108,316,731	108,316,731
Employee Premiums - MCO	-	10,701,019	10,701,019
Life Insurance	679,125	3,777,075	4,456,200
Direct Transfers	-	3,500,000	3,500,000
Investment Income	1,779,310	7,499,690	9,279,000
COBRA Premiums	326,751	1,356,727	1,683,478
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 108,190,905	\$ 618,662,989	\$ 726,853,894
Program Expenses			
Medical Claims	\$ 64,093,476	\$ 338,267,038	\$ 402,360,514
Prescription Drug Claims	18,039,611	111,984,456	130,024,067
Managed Care Capitations	2,694,792	38,090,828	40,785,620
Administration	2,757,788	15,337,933	18,095,721
Life Insurance	517,610	2,878,781	3,396,391
Wellness	448,466	2,494,222	2,942,688
Director's Discretionary Fund	259,079	1,420,264	1,679,343
WV RHBT Pay Go Premiums	24,495,629	137,504,371	162,000,000
Total Expenses	\$ 113,306,451	\$ 647,977,893	\$ 761,284,344
Fiscal Year Results	\$ (5,115,546)	\$ (29,314,904)	\$ (34,430,450)
Beginning Plan Reserve	39,149,435	151,186,124	190,335,559
Ending Plan Reserve	\$ 34,033,888	\$ 121,871,220	\$ 155,905,109

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 18,500,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ (2,428,934)	Active Local	6.5%	10.0%
Direct Transfers	\$ 3,500,000	State	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,337,483	\$ -	\$ 101,337,483
Employer Premiums - MCO	3,335,417	-	3,335,417
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	679,125		679,125
Direct Transfers	-		-
Investment Income	1,779,310		1,779,310
COBRA Premiums	326,751		326,751
Administrative Fees	732,819		732,819
Total Revenue	\$ 108,190,905	\$ -	\$ 108,190,905
<u>Program Expenses</u>			
Medical Claims	\$ 63,841,968	\$ 251,509	\$ 64,093,477
Prescription Drug Claims	19,951,997	(1,912,386)	18,039,611
Managed Care Capitations	2,694,792		2,694,792
Administration	2,757,788		2,757,788
Life Insurance	517,610		517,610
Wellness	448,466		448,466
Director's Discretionary Fund	260,814		259,079
WV RHBT Pay Go Premiums	24,495,629		24,495,629
Total Expenses	\$ 114,969,064	\$ (1,660,877)	\$ 113,306,452
Fiscal Year Results	\$ (6,778,159)		\$ (5,115,547)
Beginning Plan Reserve	39,149,393		39,149,435
Ending Plan Reserve	\$ 32,371,234		\$ 34,033,888

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 421,015,188	\$ 16,897,184	\$ 437,912,372
Employer Premiums - MCO	39,936,228	1,602,816	41,539,044
Employee Premiums - PPB	110,527,277	(2,210,546)	108,316,731
Employee Premiums - MCO	10,919,407	(218,388)	10,701,019
Life Insurance	3,777,075		3,777,075
Direct Transfers	3,500,000		3,500,000
Investment Income	7,499,690		7,499,690
COBRA Premiums	1,356,727		1,356,727
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 602,591,923	\$ 16,071,066	\$ 618,662,989
<u>Program Expenses</u>			
Medical Claims	\$ 336,939,648	\$ 1,327,391	\$ 338,267,039
Prescription Drug Claims	123,855,970	(11,871,514)	111,984,456
Managed Care Capitations	38,090,828		38,090,828
Administration	15,337,933		15,337,933
Life Insurance	2,878,781		2,878,781
Wellness	2,494,222		2,494,222
Director's Discretionary Fund	1,434,253		1,420,264
WV RHBT Pay Go Premiums	137,504,371		137,504,371
Total Expenses	\$ 658,536,006	\$ (10,544,123)	\$ 647,977,894
Fiscal Year Results	\$ (55,944,083)		\$ (29,314,905)
Beginning Plan Reserve	151,185,898		151,186,124
Ending Plan Reserve	\$ 95,241,815		\$ 121,871,219

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 18,500,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ (2,428,934)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 3,500,000	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 2014**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,273,753	\$ 476,273,547	\$ 579,547,300
Employer Premiums - MCO	3,399,148	45,177,869	48,577,017
Employee Premiums - PPB	-	117,872,664	117,872,664
Employee Premiums - MCO	-	11,645,086	11,645,086
Life Insurance	713,081	3,965,929	4,679,010
Direct Transfers	-	-	-
Investment Income	2,998,724	12,238,628	15,237,352
COBRA Premiums	352,077	1,461,886	1,813,963
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 111,469,602	\$ 672,695,940	\$ 784,165,542
<u>Program Expenses</u>			
Medical Claims	\$ 67,664,332	\$ 357,112,994	\$ 424,777,326
Prescription Drug Claims	19,858,568	123,275,992	143,134,560
Managed Care Capitations	2,856,479	40,376,278	43,232,757
Administration	2,895,677	16,104,830	19,000,507
Life Insurance	543,491	3,022,720	3,566,211
Wellness	448,466	2,494,222	2,942,688
Director's Discretionary Fund	257,471	1,413,187	1,670,658
WV RHBT Pay Go Premiums	26,143,793	146,756,207	172,900,000
Total Expenses	\$ 120,668,277	\$ 690,556,430	\$ 811,224,707
Fiscal Year Results	\$ (9,198,675)	\$ (17,860,490)	\$ (27,059,165)
Beginning Plan Reserve	34,033,888	121,871,220	155,905,109
Ending Plan Reserve	\$ 24,835,213	\$ 104,010,730	\$ 128,845,944

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 42,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 2,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 10,500,000	Active Local	7.0%	10.5%
Direct Transfers	\$ -	State	7.0%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2014**

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,337,483	\$ 1,936,270	\$ 103,273,753
Employer Premiums - MCO	3,335,417	63,730	3,399,147
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	713,081		713,081
Direct Transfers	-		-
Investment Income	2,998,724		2,998,724
COBRA Premiums	352,077		352,077
Administrative Fees	732,819		732,819
Total Revenue	\$ 109,469,601	\$ 2,000,000	\$ 111,469,601
<u>Program Expenses</u>			
Medical Claims	\$ 68,434,685	\$ (770,353)	\$ 67,664,332
Prescription Drug Claims	19,893,107	(34,539)	19,858,568
Managed Care Capitations	2,856,479		2,856,479
Administration	2,895,677		2,895,677
Life Insurance	543,491		543,491
Wellness	448,466		448,466
Director's Discretionary Fund	257,651		257,471
WV RHBT Pay Go Premiums	26,143,793		26,143,793
Total Expenses	\$ 121,473,349	\$ (804,892)	\$ 120,668,277
Fiscal Year Results	\$ (12,003,748)		\$ (9,198,676)
Beginning Plan Reserve	32,371,234		34,033,888
Ending Plan Reserve	\$ 20,367,486		\$ 24,835,212

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 2,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2014**

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 437,912,372	\$ 38,361,175	\$ 476,273,547
Employer Premiums - MCO	41,539,044	3,638,825	45,177,869
Employee Premiums - PPB	108,316,731	9,555,933	117,872,664
Employee Premiums - MCO	10,701,019	944,067	11,645,086
Life Insurance	3,965,929		3,965,929
Direct Transfers	-		-
Investment Income	12,238,628		12,238,628
COBRA Premiums	1,461,886		1,461,886
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 620,195,940	\$ 52,500,000	\$ 672,695,940
<u>Program Expenses</u>			
Medical Claims	\$ 361,178,696	\$ (4,065,701)	\$ 357,112,995
Prescription Drug Claims	123,490,399	(214,407)	123,275,992
Managed Care Capitations	40,376,278		40,376,278
Administration	16,104,830		16,104,830
Life Insurance	3,022,720		3,022,720
Wellness	2,494,222		2,494,222
Director's Discretionary Fund	1,413,775		1,413,187
WV RHBT Pay Go Premiums	146,756,207		146,756,207
Total Expenses	\$ 694,837,127	\$ (4,280,108)	\$ 690,556,431
Fiscal Year Results	\$ (74,641,187)		\$ (17,860,491)
Beginning Plan Reserve	95,241,815		121,871,219
Ending Plan Reserve	\$ 20,600,628		\$ 104,010,728

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 42,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 10,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.0%	10.5%
		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 2015**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 114,891,371	\$ 531,075,226	\$ 645,966,597
Employer Premiums - MCO	3,781,529	50,376,190	54,157,719
Employee Premiums - PPB	-	131,523,998	131,523,998
Employee Premiums - MCO	-	12,993,752	12,993,752
Life Insurance	748,735	4,164,225	4,912,960
Direct Transfers	-	-	-
Investment Income	2,486,617	11,553,276	14,039,893
COBRA Premiums	392,506	1,629,754	2,022,260
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 123,033,577	\$ 747,376,752	\$ 870,410,329
<u>Program Expenses</u>			
Medical Claims	\$ 72,585,857	\$ 383,087,395	\$ 455,673,252
Prescription Drug Claims	21,998,285	136,558,706	158,556,991
Managed Care Capitations	3,027,868	42,798,855	45,826,723
Administration	3,040,461	16,910,071	19,950,532
Life Insurance	570,665	3,173,856	3,744,521
Wellness	448,466	2,494,222	2,942,688
Director's Discretionary Fund	254,994	1,400,940	1,655,934
WV RHBT Pay Go Premiums	27,822,197	156,177,803	184,000,000
Total Expenses	\$ 129,748,793	\$ 742,601,848	\$ 872,350,640
Fiscal Year Results	\$ (6,715,216)	\$ 4,774,904	\$ (1,940,311)
Beginning Plan Reserve	24,835,213	104,010,730	128,845,944
Ending Plan Reserve	\$ 18,119,998	\$ 108,785,634	\$ 126,905,632

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 60,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 12,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 15,000,000	Active Local	7.5%	11.0%
Direct Transfers	\$ -	State	7.5%	11.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,273,753	\$ 11,617,618	\$ 114,891,371
Employer Premiums - MCO	3,399,148	382,382	3,781,530
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	748,735		748,735
Direct Transfers	-		-
Investment Income	2,486,617		2,486,617
COBRA Premiums	392,506		392,506
Administrative Fees	732,819		732,819
Total Revenue	\$ 111,033,578	\$ 12,000,000	\$ 123,033,578
<u>Program Expenses</u>			
Medical Claims	\$ 72,585,857	\$ -	\$ 72,585,857
Prescription Drug Claims	21,998,285	-	21,998,285
Managed Care Capitations	3,027,868		3,027,868
Administration	3,040,461		3,040,461
Life Insurance	570,665		570,665
Wellness	448,466		448,466
Director's Discretionary Fund	254,994		254,994
WV RHBT Pay Go Premiums	27,822,197		27,822,197
Total Expenses	\$ 129,748,793	\$ -	\$ 129,748,793
Fiscal Year Results	\$ (18,715,215)		\$ (6,715,215)
Beginning Plan Reserve	20,367,486		24,835,212
Ending Plan Reserve	\$ 1,652,271		\$ 18,119,997

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 12,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.5%	11.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 476,273,547	\$ 54,801,678	\$ 531,075,225
Employer Premiums - MCO	45,177,869	5,198,322	50,376,191
Employee Premiums - PPB	117,872,664	13,651,333	131,523,997
Employee Premiums - MCO	11,645,086	1,348,667	12,993,753
Life Insurance	4,164,225		4,164,225
Direct Transfers	-		-
Investment Income	11,553,276		11,553,276
COBRA Premiums	1,629,754		1,629,754
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 672,376,752	\$ 75,000,000	\$ 747,376,752
<u>Program Expenses</u>			
Medical Claims	\$ 383,087,395	\$ -	\$ 383,087,395
Prescription Drug Claims	136,558,706	-	136,558,706
Managed Care Capitations	42,798,855		42,798,855
Administration	16,910,071		16,910,071
Life Insurance	3,173,856		3,173,856
Wellness	2,494,222		2,494,222
Director's Discretionary Fund	1,400,940		1,400,940
WV RHBT Pay Go Premiums	156,177,803		156,177,803
Total Expenses	\$ 742,601,848	\$ -	\$ 742,601,848
Fiscal Year Results	\$ (70,225,096)		\$ 4,774,904
Beginning Plan Reserve	20,600,628		104,010,728
Ending Plan Reserve	\$ (49,624,468)		\$ 108,785,632

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 60,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 15,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.5%	11.0%
		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 2016**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 133,285,934	\$ 574,003,207	\$ 707,289,141
Employer Premiums - MCO	4,386,967	54,448,209	58,835,176
Employee Premiums - PPB	-	142,263,046	142,263,046
Employee Premiums - MCO	-	14,054,704	14,054,704
Life Insurance	786,172	4,372,437	5,158,609
Direct Transfers	-	-	-
Investment Income	2,145,287	12,391,626	14,536,913
COBRA Premiums	428,660	1,779,870	2,208,530
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 141,765,839	\$ 807,373,430	\$ 949,139,269
<u>Program Expenses</u>			
Medical Claims	\$ 78,228,416	\$ 412,867,207	\$ 491,095,623
Prescription Drug Claims	24,478,584	151,955,654	176,434,237
Managed Care Capitations	3,209,540	45,366,786	48,576,326
Administration	3,192,484	17,755,575	20,948,059
Life Insurance	599,198	3,332,549	3,931,747
Wellness	448,466	2,494,222	2,942,688
Director's Discretionary Fund	253,494	1,394,058	1,647,552
WV RHBT Pay Go Premiums	29,515,722	165,684,278	195,200,000
Total Expenses	\$ 139,925,904	\$ 800,850,328	\$ 940,776,232
Fiscal Year Results	\$ 1,839,935	\$ 6,523,102	\$ 8,363,037
Beginning Plan Reserve	18,119,998	108,785,634	126,905,632
Ending Plan Reserve	\$ 19,959,933	\$ 115,308,736	\$ 135,268,669

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 47,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 19,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 11,800,000	Active Local	8.0%	11.5%
Direct Transfers	\$ -	State	8.0%	11.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**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	\$ 114,891,371	\$ 18,394,562	\$ 133,285,933
Employer Premiums - MCO	3,781,529	605,438	4,386,967
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	786,172		786,172
Direct Transfers	-		-
Investment Income	2,145,287		2,145,287
COBRA Premiums	428,660		428,660
Administrative Fees	732,819		732,819
Total Revenue	\$ 122,765,838	\$ 19,000,000	\$ 141,765,838
<u>Program Expenses</u>			
Medical Claims	\$ 78,228,416	\$ -	\$ 78,228,416
Prescription Drug Claims	24,478,584	-	24,478,584
Managed Care Capitations	3,209,540		3,209,540
Administration	3,192,484		3,192,484
Life Insurance	599,198		599,198
Wellness	448,466		448,466
Director's Discretionary Fund	253,494		253,494
WV RHBT Pay Go Premiums	29,515,722		29,515,722
Total Expenses	\$ 139,925,904	\$ -	\$ 139,925,904
Fiscal Year Results	\$ (17,160,066)		\$ 1,839,934
Beginning Plan Reserve	1,652,271		18,119,997
Ending Plan Reserve	\$ (15,507,795)		\$ 19,959,931

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 19,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	8.0%	11.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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	\$ 531,075,226	\$ 42,927,981	\$ 574,003,207
Employer Premiums - MCO	50,376,190	4,072,019	54,448,209
Employee Premiums - PPB	131,523,998	10,739,049	142,263,047
Employee Premiums - MCO	12,993,752	1,060,951	14,054,703
Life Insurance	4,372,437		4,372,437
Direct Transfers	-		-
Investment Income	12,391,626		12,391,626
COBRA Premiums	1,779,870		1,779,870
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 748,573,430	\$ 58,800,000	\$ 807,373,430
<u>Program Expenses</u>			
Medical Claims	\$ 412,867,207	\$ -	\$ 412,867,207
Prescription Drug Claims	151,955,654	-	151,955,654
Managed Care Capitations	45,366,786		45,366,786
Administration	17,755,575		17,755,575
Life Insurance	3,332,549		3,332,549
Wellness	2,494,222		2,494,222
Director's Discretionary Fund	1,394,058		1,394,058
WV RHBT Pay Go Premiums	165,684,278		165,684,278
Total Expenses	\$ 800,850,329	\$ -	\$ 800,850,329
Fiscal Year Results	\$ (52,276,899)		\$ 6,523,101
Beginning Plan Reserve	(49,624,468)		108,785,632
Ending Plan Reserve	\$ (101,901,367)		\$ 115,308,733

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 47,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 11,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	8.0%	11.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2010 to FY 2012**

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	\$155.38	\$160.31	\$163.10	\$166.32	\$176.81	\$169.30	\$160.78	\$164.60	\$214.78	\$203.31	\$200.47	\$219.30
State Medical	\$166.53	\$166.04	\$166.31	\$173.56	\$174.20	\$166.09	\$173.77	\$180.01	\$204.57	\$199.85	\$191.69	\$234.69
Local Drugs	\$37.88	\$50.86	\$55.57	\$60.12	\$59.07	\$63.69	\$62.44	\$61.29	\$72.35	\$68.08	\$69.06	\$78.45
State Drugs	<u>44.39</u>	<u>58.59</u>	<u>63.38</u>	<u>68.29</u>	<u>64.76</u>	<u>69.44</u>	<u>66.97</u>	<u>66.23</u>	<u>76.25</u>	<u>72.77</u>	<u>73.03</u>	<u>85.20</u>
Total	\$404.18	\$435.79	\$448.35	\$468.30	\$474.83	\$468.52	\$463.96	\$472.13	\$567.95	\$544.02	\$534.25	\$617.65
Change From Prior Year - Month to Month Analysis												
Local Medical	11.3%	17.8%	11.2%	1.9%	21.1%	9.1%	-8.6%	1.1%	13.5%	9.1%	21.1%	12.5%
State Medical	5.8%	-2.3%	4.0%	-3.8%	12.4%	-3.0%	-1.5%	3.1%	-0.5%	1.0%	1.3%	-1.3%
Local Drugs	-1.1%	-0.3%	3.0%	1.7%	9.9%	5.5%	2.9%	7.0%	16.7%	14.2%	15.4%	20.4%
State Drugs	<u>4.4%</u>	<u>7.2%</u>	<u>6.5%</u>	<u>9.5%</u>	<u>8.6%</u>	<u>4.8%</u>	<u>4.3%</u>	<u>10.0%</u>	<u>12.6%</u>	<u>11.2%</u>	<u>13.2%</u>	<u>12.2%</u>
Total	7.0%	5.8%	6.8%	0.7%	14.6%	3.4%	-2.8%	3.8%	8.3%	6.8%	11.5%	7.7%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			13.4%			10.3%			2.3%			13.9%
State Medical			2.4%			1.4%			0.3%			0.2%
Local Drugs			0.7%			5.6%			9.0%			16.8%
State Drugs			<u>6.2%</u>			<u>7.5%</u>			<u>9.0%</u>			<u>12.2%</u>
Total			6.5%			5.9%			3.3%			8.6%
Change From Prior Year - Year to Year Analysis												
Local Medical			1.1%			4.6%			5.7%			9.8%
State Medical			6.0%			5.0%			3.4%			1.0%
Local Drugs			5.7%			3.7%			4.9%			8.5%
State Drugs			<u>6.2%</u>			<u>4.9%</u>			<u>7.0%</u>			<u>8.9%</u>
Total			4.2%			4.7%			4.9%			6.1%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2010 to FY 2012**

Fiscal Year 2011												
Exposure	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>
Local Medical	22,597	22,569	22,603	22,608	22,655	22,747	22,678	22,763	22,763	22,809	22,806	22,876
State Medical	127,260	126,578	124,811	126,188	126,966	127,475	127,808	128,049	128,192	128,243	128,343	128,456
Local Drugs	22,597	22,569	22,603	22,608	22,655	22,747	22,678	22,763	22,763	22,809	22,806	22,876
State Drugs	127,260	126,578	124,811	126,188	126,966	127,475	127,808	128,049	128,192	128,243	128,343	128,456
Local Medical	<u>\$165.88</u>	<u>\$169.26</u>	<u>\$174.80</u>	<u>\$176.33</u>	<u>\$189.44</u>	<u>\$168.87</u>	<u>\$184.19</u>	<u>\$221.45</u>	<u>\$216.00</u>	<u>\$191.96</u>	<u>\$218.73</u>	<u>\$239.59</u>
State Medical	<u>\$151.13</u>	<u>\$179.81</u>	<u>\$184.39</u>	<u>\$191.30</u>	<u>\$193.07</u>	<u>\$182.58</u>	<u>\$193.91</u>	<u>\$189.91</u>	<u>\$222.98</u>	<u>\$191.12</u>	<u>\$201.00</u>	<u>\$241.12</u>
Local Drugs	<u>\$43.92</u>	<u>\$59.47</u>	<u>\$63.25</u>	<u>\$63.67</u>	<u>\$65.81</u>	<u>\$69.83</u>	<u>\$67.22</u>	<u>\$70.12</u>	<u>\$76.14</u>	<u>\$71.12</u>	<u>\$73.28</u>	<u>\$78.95</u>
State Drugs	<u>47.73</u>	<u>65.64</u>	<u>69.66</u>	<u>70.94</u>	<u>72.39</u>	<u>78.28</u>	<u>75.65</u>	<u>71.79</u>	<u>82.48</u>	<u>76.47</u>	<u>78.71</u>	<u>88.15</u>
Total	<u>\$408.66</u>	<u>\$474.17</u>	<u>\$492.10</u>	<u>\$502.24</u>	<u>\$520.72</u>	<u>\$499.56</u>	<u>\$520.98</u>	<u>\$553.27</u>	<u>\$597.60</u>	<u>\$530.68</u>	<u>\$571.72</u>	<u>\$647.80</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	6.8%	5.6%	7.2%	6.0%	7.1%	-0.3%	14.6%	34.5%	0.6%	-5.6%	9.1%	9.2%
State Medical	-9.2%	8.3%	10.9%	10.2%	10.8%	9.9%	11.6%	5.5%	9.0%	-4.4%	4.9%	2.7%
Local Drugs	15.9%	16.9%	13.8%	5.9%	11.4%	9.6%	7.7%	14.4%	5.2%	4.5%	6.1%	0.6%
State Drugs	<u>7.5%</u>	<u>12.0%</u>	<u>9.9%</u>	<u>3.9%</u>	<u>11.8%</u>	<u>12.7%</u>	<u>13.0%</u>	<u>8.4%</u>	<u>8.2%</u>	<u>5.1%</u>	<u>7.8%</u>	<u>3.5%</u>
Total	1.1%	8.8%	9.8%	7.2%	9.7%	6.6%	12.3%	17.2%	5.2%	-2.5%	7.0%	4.9%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			6.5%			4.3%			15.1%			4.4%
State Medical			3.3%			10.3%			8.7%			1.1%
Local Drugs			15.5%			9.0%			8.9%			3.6%
State Drugs			<u>10.0%</u>			<u>9.4%</u>			<u>9.8%</u>			<u>5.3%</u>
Total			6.7%			7.9%			11.2%			3.2%
Change From Prior Year - Year to Year Analysis												
Local Medical			8.3%			6.9%			10.2%			7.5%
State Medical			1.2%			3.3%			5.4%			5.7%
Local Drugs			11.6%			12.4%			12.3%			8.7%
State Drugs			<u>9.7%</u>			<u>10.2%</u>			<u>10.4%</u>			<u>8.5%</u>
Total			6.2%			6.6%			8.7%			7.1%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2010 to FY 2012**

Fiscal Year 2012									
Exposure	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>
Local Medical	23,012	22,957	22,938	22,861	22,837	22,802	22,861	22,889	22,858
State Medical	127,873	126,856	127,042	127,711	128,038	128,045	128,289	128,072	128,121
Local Drugs	23,012	22,957	22,938	22,861	22,837	22,802	22,861	22,889	22,858
State Drugs	127,873	126,856	127,042	127,711	128,038	128,045	128,289	128,072	128,121
Local Medical	\$135.50	\$199.22	\$213.20	\$215.71	\$206.14	\$179.06	\$212.38	\$226.94	\$238.24
State Medical	\$167.42	\$203.01	\$177.19	\$189.45	\$198.12	\$194.04	\$209.18	\$212.61	\$231.97
Local Drugs	\$45.72	\$64.51	\$68.82	\$66.59	\$65.55	\$72.92	\$80.40	\$75.49	\$91.51
State Drugs	<u>51.92</u>	<u>71.85</u>	<u>71.18</u>	<u>72.13</u>	<u>71.44</u>	<u>78.24</u>	<u>79.26</u>	<u>81.20</u>	<u>98.13</u>
Total	\$400.55	\$538.58	\$530.39	\$543.88	\$541.24	\$524.26	\$581.23	\$596.24	\$659.85
Change From Prior Year - Month to Month Analysis									
Local Medical	-18.3%	17.7%	22.0%	22.3%	8.8%	6.0%	15.3%	2.5%	10.3%
State Medical	10.8%	12.9%	-3.9%	-1.0%	2.6%	6.3%	7.9%	12.0%	4.0%
Local Drugs	4.1%	8.5%	8.8%	4.6%	-0.4%	4.4%	19.6%	7.7%	20.2%
State Drugs	<u>8.8%</u>	<u>9.5%</u>	<u>2.2%</u>	<u>1.7%</u>	<u>-1.3%</u>	<u>0.0%</u>	<u>4.8%</u>	<u>13.1%</u>	<u>19.0%</u>
Total	-2.0%	13.6%	7.8%	8.3%	3.9%	4.9%	11.6%	7.8%	10.4%
Change From Prior Year - Quarter to Quarter Analysis									
Local Medical			7.4%			12.4%			9.0%
State Medical			6.3%			2.6%			7.7%
Local Drugs			7.4%			2.9%			15.9%
State Drugs			<u>6.5%</u>			<u>0.1%</u>			<u>12.5%</u>
Total			6.9%			5.7%			9.9%
Change From Prior Year - Year to Year Analysis									
Local Medical			7.7%			9.6%			8.2%
State Medical			6.4%			4.5%			4.4%
Local Drugs			7.1%			5.6%			7.5%
State Drugs			<u>7.7%</u>			<u>5.3%</u>			<u>6.1%</u>
Total			7.1%			6.6%			6.4%