



**CCRC**  
Actuaries, LLC

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# STATE OF WEST VIRGINIA



## **PUBLIC EMPLOYEES INSURANCE AGENCY**

**Quarterly Report  
March 31, 2010**

**Fiscal Years 2010-2014**

*May 2010*



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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 Fund. In subsequent fiscal years, future transfers of employer funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA for the fiscal year are met. We have been asked to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of PEIA through FY 2014.

The Medicaid / PEIA Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide PEIA with hospital charge savings through discounts for all non-Medicare coverages. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2010 and subsequently. We are assuming that the Bill will continue throughout the forecast and PEIA will not receive any future direct transfers in lieu of the savings resulting from the Legislation.

CCRC Actuaries has provided preliminary forecasts for the fiscal years ending June 30, 2010 (“FY 2010”), June 30, 2011 (“FY 2011”), June 30, 2012 (“FY 2012”), June 30, 2013 (“FY 2013”) and June 30, 2014 (“FY 2014”). Our opinion of plan adequacy is based on the projections through FY 2014 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2009. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the Trust Fund.

In reviewing the plan, CCRC Actuaries utilized information concerning the plan’s prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by PEIA, the plan’s third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not perform any due diligence on the information. The enclosed forecasts do not include any anticipated changes from the federal statute Patient Protection and Affordable Care Act signed into law on March 23, 2010.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2009”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2010 through FY 2014 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of PEIA. In addition, we are forecasting that PEIA will meet the 80% employer cost share and 20% employee cost share requirement for state revenue in FY 2010 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2009.

The conclusion of long-term solvency for the program over the five-year forecast is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2014 as approved by the Board.

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

Respectfully,



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

Managing Partner



Bradley Paulis

Reviewing Partner

# **West Virginia Public Employees Insurance Agency**

## **Report of Independent Actuary**

### **Financial Plan for FY 2010 – FY 2014**

#### **OVERVIEW**

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

This report was compiled utilizing claims data collected by PEIA's third party administrators through April 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 May 2010 enrollment levels for the duration of these forecasts for active employees.

In aggregate, May 2010 enrollment for active employees has increased by 946 coverages since the end of FY 2009. Aggregate PPB enrollment has increased by 1,166 in total over the same period, while managed care enrollment experienced a decrease of 220 coverages.

In the State Fund, there continues to be a transfer of coverage from managed care to PPB coverage with overall active State enrollment increased by 659 coverages from the end of FY 2009 to May 2010. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by 287 coverages from the end of FY 2009 to May 2010.

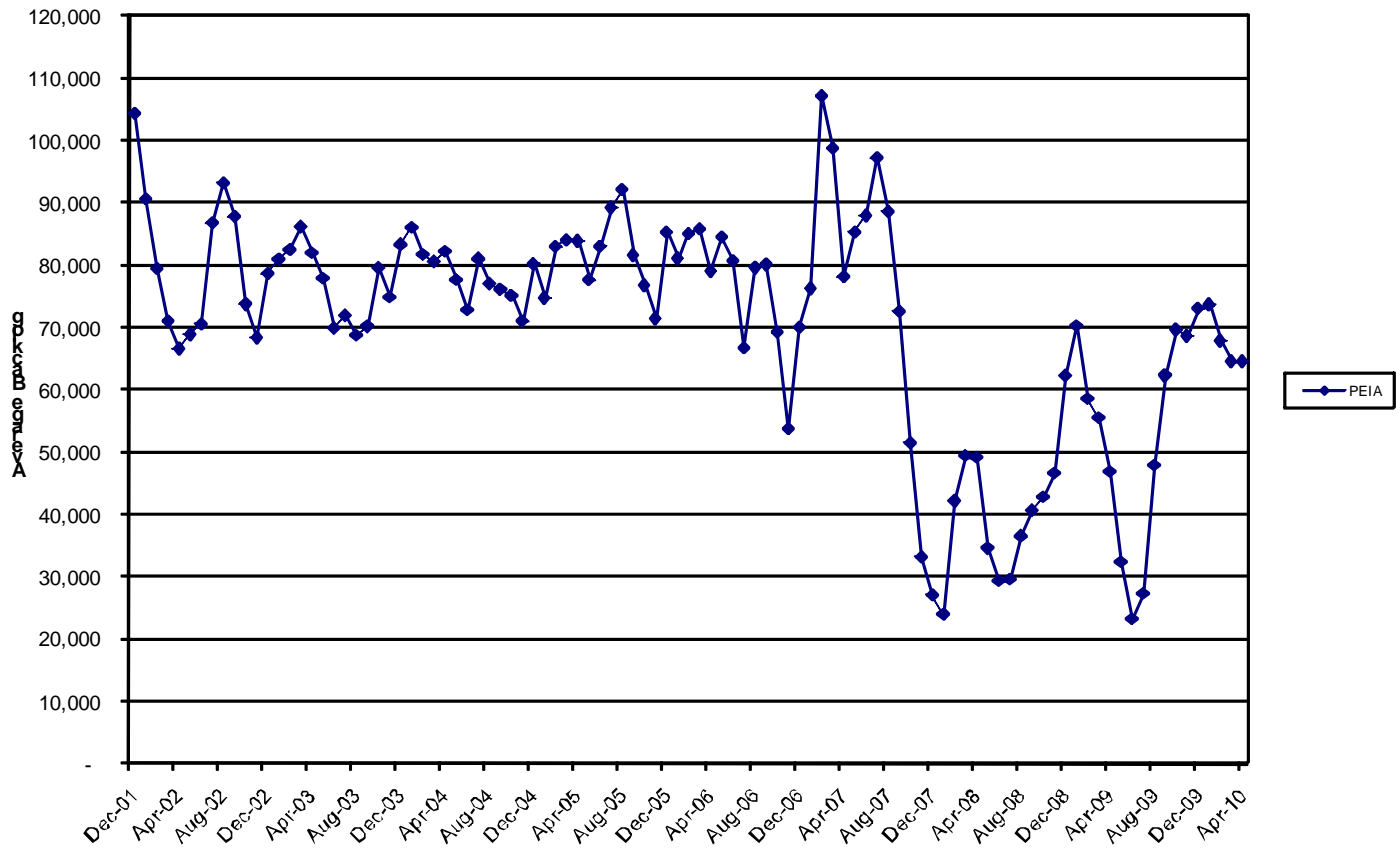
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2008, June 2009 and May 2010 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-08	Jun-09	May-10	Jun-08	Jun-09	May-10
State Active	Single	19,436	19,897	20,423	3,381	3,255	3,082
	Children	5,338	5,538	5,762	718	695	685
	Family	30,023	30,292	30,465	3,970	3,835	3,754
	Total	54,797	55,727	56,650	8,069	7,785	7,521
Local Active	Single	4,033	4,442	4,871	377	361	424
	Children	628	745	751	162	165	139
	Family	4,820	5,185	4,993	123	130	137
	Total	9,481	10,372	10,615	662	656	700
Plan Total		64,278	66,099	67,265	8,731	8,441	8,221
Grand Total					73,009	74,540	75,486

## 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 Claim Backlog through April 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 - September 2009". This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2010 Non-Medicare medical claim trend to 6.0%. Additionally, due to PEIA's favorable prescription drug experience, we have reduced our trend assumption for all prescription drugs coverage to 11.0% in FY 2010.

The current projection assumes the trends in the following table:

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

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

The following chart summarizes the trend results observed for the plan using data through April 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)**

<b>Fiscal Year</b>	<b>Active Local Medical</b>	<b>State Medical</b>	<b>Active Local Drugs</b>	<b>State Drugs</b>	<b>Total</b>
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%	3%	3%	6%	4%

\* Fiscal Year 2010 results are through the first ten months ending April 2010.

**D. Enrollment, Claim, Expense and Revenue Assumptions**

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

<b>Fiscal Year 2010 Projection</b>			<b>Revenue</b>		<b>Expenses</b>		
<b>Fund</b>	<b>Program</b>	<b>Policies</b>	<b>Monthly Employer Premiums</b>	<b>Monthly Employee Premiums</b>	<b>Monthly Medical Costs</b>	<b>Monthly Drugs Costs</b>	<b>Monthly Capitation Costs</b>
State	PPB	56,199	\$ 475	\$ 121	\$ 413	\$ 134	
	<u>Managed Care</u>	7,454	\$ 462	\$ 129			\$ 578
	Total	63,653					
Local	PPB	10,608	\$ 630	\$ -	\$ 400	\$ 115	
	<u>Managed Care</u>	667	\$ 541	\$ -			\$ 435
	Total	11,275					

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

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

	<u>Change in 2011 Claim Cost</u>
Increase Family out of pocket to 1.5x Single	\$7.1 M
Increase Lifetime Maximum to \$1.5M	-\$1.1 M
Move Plan B to IRS High Deductible Plan	\$1.4 M
Implement ESI High Performance Formulary	\$5.7 M

Future fiscal year state revenue increases will require legislative appropriation. Additional local agency revenue represents premium increases to be charged to local agencies. Additional employee premiums represent employee premiums paid by active employees participating in the State Fund.

It should be noted that the Pay Go premium in FY 2010 was reduced due to the investment losses for PEIA. As a result, Local Agencies benefited from the lower assessments, resulting in lower premium requirements. FY 2009 Pay Go premiums have been reduced by approximately 16% in FY 2010. 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 FORECAST**

The financial forecast for FY 2010 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2010 projects accrued revenue of \$562,109,207 and incurred plan expenses of \$521,727,345 to produce a fiscal year surplus of \$40,381,862. This compares favorably to the Fiscal Year 2009 Financial Report of \$11,881,900 for FY 2010 due to the favorable claims experience, higher investment return and overall premiums increase.

Under the Baseline Scenario, FY 2010 is projected to end with a reserve of \$165,202,142 and the FY 2011 expenditures of \$549,344,297, which represents 30% 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 \$168,152,324 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$162,274,312.

### **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 \$572,998,174 and incurred plan expenses of \$549,344,297 to produce a fiscal year surplus of \$23,653,877.

Under the Baseline Scenario, FY 2011 is projected to end with a reserve of \$188,856,018 and the FY 2012 expenditures of \$592,025,778, which represents 32% 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 \$203,582,529 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$174,063,252.

### **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 \$614,526,070 and incurred plan expenses of \$592,025,778 to produce a fiscal year surplus of \$22,500,292.

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$211,356,310 and the FY 2013 expenditures of \$640,743,138, which represents 33% 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 \$237,056,879 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$173,305,070.

## **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 \$674,245,805 and incurred plan expenses of \$640,743,138 to produce a fiscal year surplus of \$33,502,667.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$244,858,977 and the FY 2014 expenditures of \$696,436,549, which represents 35% 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 \$271,114,790 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$169,192,426.

## **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 \$732,675,561 and incurred plan expenses of \$696,436,549 to produce a fiscal year surplus of \$36,239,012.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$281,097,988 and the FY 2015 expenditures of \$760,227,841, which represents 37% 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 \$355,316,840 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$149,781,884.

## **LITIGATION**

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

## **SUMMARY**

With projected changes to the plan as adopted by the PEIA Finance Board, we are forecasting that the plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2014 using the Baseline assumptions. These projections are based on significant revenue increases projected by PEIA and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement, possible changes in methodology of managed care premium calculation, and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as universal health insurance initiatives and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.

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

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

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

	<b>Active Local Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>			
Employer Premiums - PPB	\$ 80,196,291	\$ 320,377,934	\$ 400,574,225
Employer Premiums - MCO	4,330,641	41,281,399	45,612,040
Employee Premiums - PPB	-	81,619,778	81,619,778
Employee Premiums - MCO	-	11,579,125	11,579,125
Direct Transfers	-	-	-
Investment Income	2,372,841	14,017,578	16,390,419
COBRA Premiums	323,091	1,341,529	1,664,620
Administrative Fees	662,376	4,006,624	4,669,000
<b>Total Revenue</b>	<b>\$ 87,885,240</b>	<b>\$ 474,223,967</b>	<b>\$ 562,109,207</b>
<u>Program Expenses</u>			
Medical Claims	\$ 50,858,656	\$ 278,428,428	\$ 329,287,084
Prescription Drug Claims	14,577,007	90,475,423	105,052,430
Managed Care Capitations	3,479,821	51,678,397	55,158,218
Administration	3,489,242	20,576,430	24,065,672
Life Insurance	716,808	4,901,057	5,617,865
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	63,579	358,435	422,014
<b>Total Expenses</b>	<b>\$ 73,493,077</b>	<b>\$ 448,234,269</b>	<b>\$ 521,727,345</b>
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2009	-	-	-
<b>Fiscal Year Results</b>	<b>\$ 14,392,163</b>	<b>\$ 25,989,698</b>	<b>\$ 40,381,862</b>
Beginning Plan Reserve	17,803,554	107,016,726	124,820,280
Ending Plan Reserve	\$ 32,195,717	\$ 133,006,424	\$ 165,202,142

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 27,000,000	<b>Claim and Other Expense Trends</b>		
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**

	<b>Active Local Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>			
Employer Premiums - PPB	\$ 77,400,115	\$ 324,650,169	\$ 402,050,284
Employer Premiums - MCO	4,179,646	41,831,886	46,011,532
Employee Premiums - PPB	-	82,612,499	82,612,499
Employee Premiums - MCO	-	11,719,959	11,719,959
Direct Transfers	-	3,500,000	3,500,000
Investment Income	3,815,142	16,945,852	20,760,994
COBRA Premiums	324,893	1,349,013	1,673,906
Administrative Fees	662,376	4,006,624	4,669,000
<b>Total Revenue</b>	<b>\$ 86,382,172</b>	<b>\$ 486,616,002</b>	<b>\$ 572,998,174</b>
<u>Program Expenses</u>			
Medical Claims	\$ 51,851,639	\$ 291,536,308	\$ 343,387,947
Prescription Drug Claims	15,106,107	96,281,201	111,387,308
Managed Care Capitations	3,758,207	55,812,668	59,570,875
Administration	3,663,704	21,605,252	25,268,956
Life Insurance	752,648	5,146,110	5,898,758
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	251,236	1,455,154	1,706,390
<b>Total Expenses</b>	<b>\$ 75,691,505</b>	<b>\$ 473,652,792</b>	<b>\$ 549,344,297</b>
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2010	-	-	-
<b>Fiscal Year Results</b>	<b>\$ 10,690,667</b>	<b>\$ 12,963,210</b>	<b>\$ 23,653,877</b>
Beginning Plan Reserve	32,195,717	133,006,424	165,202,141
Ending Plan Reserve	\$ 42,886,384	\$ 145,969,634	\$ 188,856,018

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 18,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 4,500,000	Active Local	6.5%	11.5%
Direct Transfers	\$ 3,500,000	State	6.5%	11.5%
		Capitations		8.0%
		Administrative Expense		5.0%

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

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

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

	<b>Active Local Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>			
Employer Premiums - PPB	\$ 73,567,736	\$ 357,341,414	\$ 430,909,150
Employer Premiums - MCO	3,972,695	46,044,224	50,016,919
Employee Premiums - PPB	-	90,688,700	90,688,700
Employee Premiums - MCO	-	12,865,703	12,865,703
Direct Transfers	-	-	-
Investment Income	4,922,850	18,649,957	23,572,807
COBRA Premiums	350,103	1,453,688	1,803,791
Administrative Fees	662,376	4,006,624	4,669,000
<b>Total Revenue</b>	<b>\$ 83,475,760</b>	<b>\$ 531,050,310</b>	<b>\$ 614,526,070</b>
<u>Program Expenses</u>			
Medical Claims	\$ 55,363,678	\$ 311,282,778	\$ 366,646,456
Prescription Drug Claims	16,884,874	107,618,459	124,503,333
Managed Care Capitations	4,058,864	60,277,682	64,336,546
Administration	3,846,889	22,685,515	26,532,404
Life Insurance	790,281	5,403,416	6,193,697
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	248,494	1,440,785	1,689,279
<b>Total Expenses</b>	<b>\$ 81,501,044</b>	<b>\$ 510,524,734</b>	<b>\$ 592,025,778</b>
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2011	-	-	-
<b>Fiscal Year Results</b>	<b>\$ 1,974,716</b>	<b>\$ 20,525,576</b>	<b>\$ 22,500,292</b>
Beginning Plan Reserve	42,886,384	145,969,634	188,856,018
Ending Plan Reserve	\$ 44,861,100	\$ 166,495,210	\$ 211,356,310

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 55,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 13,800,000	Active Local	7.0%	12.0%
Direct Transfers	\$ -	State	7.0%	12.0%
		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 2013**

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

	<b>Active Local Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>			
Employer Premiums - PPB	\$ 78,114,374	\$ 394,196,022	\$ 472,310,396
Employer Premiums - MCO	4,218,216	50,793,022	55,011,238
Employee Premiums - PPB	-	99,787,502	99,787,502
Employee Premiums - MCO	-	14,156,519	14,156,519
Direct Transfers	-	-	-
Investment Income	5,199,322	21,132,790	26,332,112
COBRA Premiums	384,117	1,594,921	1,979,038
Administrative Fees	662,376	4,006,624	4,669,000
<b>Total Revenue</b>	<b>\$ 88,578,405</b>	<b>\$ 585,667,400</b>	<b>\$ 674,245,805</b>
<u>Program Expenses</u>			
Medical Claims	\$ 59,390,522	\$ 333,923,745	\$ 393,314,267
Prescription Drug Claims	18,957,550	120,828,988	139,786,538
Managed Care Capitations	4,383,573	65,099,896	69,483,469
Administration	4,039,233	23,819,790	27,859,023
Life Insurance	829,795	5,673,586	6,503,381
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	245,787	1,426,610	1,672,397
<b>Total Expenses</b>	<b>\$ 88,154,424</b>	<b>\$ 552,588,715</b>	<b>\$ 640,743,138</b>
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2012	-	-	-
<b>Fiscal Year Results</b>	<b>\$ 423,981</b>	<b>\$ 33,078,685</b>	<b>\$ 33,502,667</b>
Beginning Plan Reserve	44,861,100	166,495,210	211,356,310
Ending Plan Reserve	\$ 45,285,081	\$ 199,573,895	\$ 244,858,977

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 56,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 8,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,000,000	Active Local	7.5%	12.5%
Direct Transfers	\$ -	State	7.5%	12.5%
		Capitations		8.0%
		Administrative Expense		5.0%



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

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

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

	<b>Active Local Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>			
Employer Premiums - PPB	\$ 82,934,422	\$ 429,123,155	\$ 512,057,577
Employer Premiums - MCO	4,478,501	55,293,459	59,771,960
Employee Premiums - PPB	-	108,430,964	108,430,964
Employee Premiums - MCO	-	15,382,738	15,382,738
Direct Transfers	-	-	-
Investment Income	5,335,776	24,880,691	30,216,467
COBRA Premiums	416,689	1,730,166	2,146,855
Administrative Fees	662,376	4,006,624	4,669,000
<b>Total Revenue</b>	<b>\$ 93,827,764</b>	<b>\$ 638,847,797</b>	<b>\$ 732,675,561</b>
<u>Program Expenses</u>			
Medical Claims	\$ 64,007,324	\$ 359,881,756	\$ 423,889,079
Prescription Drug Claims	21,379,476	136,265,524	157,645,000
Managed Care Capitations	4,734,259	70,307,888	75,042,147
Administration	4,241,195	25,010,780	29,251,975
Life Insurance	871,284	5,957,266	6,828,550
Wellness	307,964	1,816,099	2,124,063
Director's Discretionary Fund	243,112	1,412,623	1,655,735
<b>Total Expenses</b>	<b>\$ 95,784,614</b>	<b>\$ 600,651,935</b>	<b>\$ 696,436,549</b>
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2013	-	-	-
<b>Fiscal Year Results</b>	<b>\$ (1,956,850)</b>	<b>\$ 38,195,862</b>	<b>\$ 36,239,012</b>
Beginning Plan Reserve	45,285,081	199,573,895	244,858,976
Ending Plan Reserve	\$ 43,328,231	\$ 237,769,757	\$ 281,097,988

**KEY ASSUMPTIONS**

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

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

Fiscal Year 2008												
Exposure	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>
Local Medical	19,524	19,549	19,539	19,555	19,755	19,787	19,920	20,013	20,107	20,143	20,131	20,132
State Medical	121,132	120,340	120,040	120,675	121,571	121,732	121,883	121,950	122,022	122,060	122,030	121,799
Local Drugs	19,524	19,549	19,539	19,555	19,755	19,787	19,920	20,013	20,107	20,143	20,131	20,132
State Drugs	121,132	120,340	120,040	120,675	121,571	121,732	121,883	121,950	122,022	122,060	122,030	121,799
	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>
Local Medical	\$157.94	\$158.11	\$145.50	\$184.24	\$159.45	\$143.08	\$200.43	\$165.32	\$172.08	\$198.41	\$182.23	\$171.77
State Medical	137.65	173.32	140.12	169.27	162.47	147.11	177.78	166.69	176.57	187.69	187.11	199.54
Local Drugs	30.46	47.83	36.19	43.90	54.70	52.36	57.23	57.38	57.53	56.35	59.38	62.12
State Drugs	<u>33.97</u>	<u>53.80</u>	<u>42.59</u>	<u>46.95</u>	<u>58.31</u>	<u>60.10</u>	<u>63.99</u>	<u>62.21</u>	<u>63.76</u>	<u>62.65</u>	<u>64.83</u>	<u>68.42</u>
Total	\$360.02	\$433.06	\$364.40	\$444.36	\$434.93	\$402.65	\$499.43	\$451.59	\$469.94	\$505.09	\$493.56	\$501.84
<b>Change From Prior Year - Month to Month Analysis</b>												
Local Medical	35.8%	-0.6%	2.6%	11.1%	6.4%	-20.2%	13.9%	0.8%	2.3%	21.6%	-1.5%	2.8%
State Medical	8.2%	14.0%	7.5%	20.2%	4.4%	1.0%	9.7%	12.9%	6.3%	14.1%	10.8%	8.9%
Local Drugs	23.8%	-10.8%	-34.8%	-27.0%	-11.2%	-20.3%	-12.0%	-3.3%	-14.5%	-9.6%	-10.4%	-0.4%
State Drugs	<u>14.5%</u>	<u>-6.2%</u>	<u>-29.6%</u>	<u>-26.0%</u>	<u>-7.6%</u>	<u>-12.7%</u>	<u>-6.4%</u>	<u>0.0%</u>	<u>-10.5%</u>	<u>-5.7%</u>	<u>-4.0%</u>	<u>0.6%</u>
Total	20.9%	2.6%	-6.1%	3.3%	1.1%	-12.4%	5.9%	4.3%	-0.6%	10.6%	1.2%	4.4%
<b>Change From Prior Year - Quarter to Quarter Analysis</b>												
Local Medical			10.7%			-1.7%			5.8%			7.2%
State Medical			10.1%			8.3%			9.5%			11.2%
Local Drugs			-14.4%			-19.5%			-10.2%			-6.9%
State Drugs			<u>-11.6%</u>			<u>-15.3%</u>			<u>-5.9%</u>			<u>-3.0%</u>
Total			4.5%			-2.9%			3.2%			5.3%
<b>Change From Prior Year - Year to Year Analysis</b>												
Local Medical			15.1%			8.8%			6.8%			5.3%
State Medical			5.6%			6.7%			8.0%			9.8%
Local Drugs			7.8%			-3.1%			-9.4%			-12.6%
State Drugs			<u>3.7%</u>			<u>-3.7%</u>			<u>-7.4%</u>			<u>-8.7%</u>
Total			9.0%			4.6%			3.0%			2.5%

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

Fiscal Year 2009												
Exposure	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
Local Medical	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Medical	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
Local Drugs	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Drugs	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
<b>Local Medical</b>	<b>\$139.99</b>	<b>\$136.30</b>	<b>\$146.69</b>	<b>\$163.74</b>	<b>\$146.88</b>	<b>\$155.89</b>	<b>\$176.29</b>	<b>\$163.17</b>	<b>\$188.98</b>	<b>\$186.25</b>	<b>\$165.88</b>	<b>\$195.63</b>
<b>State Medical</b>	<b>157.64</b>	<b>170.25</b>	<b>160.11</b>	<b>180.61</b>	<b>155.25</b>	<b>171.13</b>	<b>178.27</b>	<b>175.13</b>	<b>205.90</b>	<b>198.19</b>	<b>189.20</b>	<b>238.11</b>
<b>Local Drugs</b>	<b>38.20</b>	<b>50.68</b>	<b>53.87</b>	<b>59.00</b>	<b>53.57</b>	<b>60.28</b>	<b>60.54</b>	<b>57.12</b>	<b>61.62</b>	<b>59.43</b>	<b>59.38</b>	<b>65.01</b>
<b>State Drugs</b>	<b><u>42.36</u></b>	<b><u>54.37</u></b>	<b><u>59.38</u></b>	<b><u>62.28</u></b>	<b><u>59.52</u></b>	<b><u>66.15</u></b>	<b><u>64.07</u></b>	<b><u>59.96</u></b>	<b><u>67.55</u></b>	<b><u>65.23</u></b>	<b><u>64.32</u></b>	<b><u>75.81</u></b>
<b>Total</b>	<b>\$378.19</b>	<b>\$411.60</b>	<b>\$420.05</b>	<b>\$465.63</b>	<b>\$415.22</b>	<b>\$453.45</b>	<b>\$479.17</b>	<b>\$455.38</b>	<b>\$524.06</b>	<b>\$509.11</b>	<b>\$478.78</b>	<b>\$574.56</b>
<b>Change From Prior Year - Month to Month Analysis</b>												
Local Medical	-11.4%	-13.8%	0.8%	-11.1%	-7.9%	8.9%	-12.0%	-1.3%	9.8%	-6.1%	-9.0%	13.9%
State Medical	14.5%	-1.8%	14.3%	6.7%	-4.4%	16.3%	0.3%	5.1%	16.6%	5.6%	1.1%	19.3%
Local Drugs	25.4%	6.0%	48.9%	34.4%	-2.1%	15.1%	5.8%	-0.5%	7.1%	5.5%	0.0%	4.6%
State Drugs	<u>24.7%</u>	<u>1.1%</u>	<u>39.4%</u>	<u>32.6%</u>	<u>2.1%</u>	<u>10.1%</u>	<u>0.1%</u>	<u>-3.6%</u>	<u>6.0%</u>	<u>4.1%</u>	<u>-0.8%</u>	<u>10.8%</u>
Total	5.0%	-5.0%	15.3%	4.8%	-4.5%	12.6%	-4.1%	0.8%	11.5%	0.8%	-3.0%	14.5%
<b>Change From Prior Year - Quarter to Quarter Analysis</b>												
Local Medical			-8.4%			-4.2%			-1.7%			-0.8%
State Medical			8.2%			5.9%			7.3%			8.9%
Local Drugs			24.7%			14.5%			4.1%			3.4%
State Drugs			<u>19.7%</u>			<u>13.7%</u>			<u>0.9%</u>			<u>4.8%</u>
Total			4.5%			4.1%			2.6%			4.1%
<b>Change From Prior Year - Year to Year Analysis</b>												
Local Medical			1.0%			0.4%			-1.6%			-3.6%
State Medical			9.4%			8.7%			8.2%			7.6%
Local Drugs			-6.0%			2.7%			7.0%			10.3%
State Drugs			<u>-3.0%</u>			<u>4.3%</u>			<u>6.4%</u>			<u>8.7%</u>
Total			2.5%			4.3%			4.1%			3.8%

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

<b>Fiscal Year 2010</b>										
<b>Exposure</b>	<b><u>Jul-09</u></b>	<b><u>Aug-09</u></b>	<b><u>Sep-09</u></b>	<b><u>Oct-09</u></b>	<b><u>Nov-09</u></b>	<b><u>Dec-09</u></b>	<b><u>Jan-10</u></b>	<b><u>Feb-10</u></b>	<b><u>Mar-10</u></b>	<b><u>Apr-10</u></b>
<b>Local Medical</b>	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231
<b>State Medical</b>	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,178
<b>Local Drugs</b>	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231
<b>State Drugs</b>	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,178
<b>Local Medical</b>	<u>\$156.31</u>	<u>\$162.23</u>	<u>\$164.51</u>	<u>\$168.01</u>	<u>\$181.44</u>	<u>\$179.27</u>	<u>\$176.44</u>	<u>\$198.33</u>	<u>\$235.67</u>	<u>\$183.95</u>
<b>State Medical</b>	<u>\$166.75</u>	<u>\$166.68</u>	<u>\$167.95</u>	<u>\$177.68</u>	<u>\$175.35</u>	<u>\$174.07</u>	<u>\$183.77</u>	<u>\$185.03</u>	<u>\$217.72</u>	<u>\$193.08</u>
<b>Local Drugs</b>	<u>\$37.68</u>	<u>\$50.83</u>	<u>\$55.37</u>	<u>\$59.96</u>	<u>\$58.95</u>	<u>\$63.68</u>	<u>\$62.40</u>	<u>\$60.43</u>	<u>\$72.32</u>	<u>\$53.58</u>
<b>State Drugs</b>	<u>44.19</u>	<u>58.43</u>	<u>63.25</u>	<u>68.16</u>	<u>64.62</u>	<u>69.41</u>	<u>66.94</u>	<u>66.49</u>	<u>76.28</u>	<u>58.45</u>
<b>Total</b>	<u>\$404.92</u>	<u>\$438.17</u>	<u>\$451.09</u>	<u>\$473.81</u>	<u>\$480.37</u>	<u>\$486.43</u>	<u>\$489.54</u>	<u>\$510.29</u>	<u>\$601.98</u>	<u>\$489.06</u>
<b>Change From Prior Year - Month to Month Analysis</b>										
<b>Local Medical</b>	11.7%	19.0%	12.1%	2.6%	23.5%	15.0%	0.1%	21.5%	24.7%	-1.2%
<b>State Medical</b>	5.8%	-2.1%	4.9%	-1.6%	12.9%	1.7%	3.1%	5.7%	5.7%	-2.6%
<b>Local Drugs</b>	-1.4%	0.3%	2.8%	1.6%	10.0%	5.6%	3.1%	5.8%	17.4%	-9.8%
<b>State Drugs</b>	<u>4.3%</u>	<u>7.5%</u>	<u>6.5%</u>	<u>9.4%</u>	<u>8.6%</u>	<u>4.9%</u>	<u>4.5%</u>	<u>10.9%</u>	<u>12.9%</u>	<u>-10.4%</u>
<b>Total</b>	7.1%	6.5%	7.4%	1.8%	15.7%	7.3%	2.2%	12.1%	14.9%	-3.9%
<b>Change From Prior Year - Quarter to Quarter Analysis</b>										
<b>Local Medical</b>			14.2%			13.3%			15.5%	
<b>State Medical</b>			2.7%			4.0%			4.9%	
<b>Local Drugs</b>			0.8%			5.6%			8.9%	
<b>State Drugs</b>			<u>6.3%</u>			<u>7.6%</u>			<u>9.5%</u>	
<b>Total</b>			7.0%			8.0%			9.8%	
<b>Change From Prior Year - Year to Year Analysis</b>										
<b>Local Medical</b>			1.3%			5.5%			10.1%	
<b>State Medical</b>			6.3%			5.9%			5.3%	
<b>Local Drugs</b>			5.6%			3.6%			4.9%	
<b>State Drugs</b>			<u>6.1%</u>			<u>4.8%</u>			<u>7.1%</u>	
<b>Total</b>			4.4%			5.3%			7.2%	