

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Fiscal Year 2016
Financial Report**

Fiscal Years 2016-2021

November 2016



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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 Continuing Care Actuaries.

Continuing Care 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 Continuing Care Actuaries to review the financial plan prepared and proposed by the Board in January 2016 for the fiscal year 2017 (“FY 2017”) and to provide quarterly financial reports for current FY 2016 and thereafter. Our analysis is developed on an accrued and incurred reporting basis for a projection period of five years as required by the Code.

Under the statutory Code provisions, it is the Board’s responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all insurance program and administrative costs of the West Virginia Public Employees Insurance Agency (“PEIA”). The Board is required to provide a financing plan in which the State Fund revenue costs are financed 80% by state employers and 20% by state employees in FY 2016 and in subsequent fiscal years. In subsequent fiscal years, future transfers of employer and employee funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA are met for the projection period. We have been asked to review the proposed financial plan, and as supported by our work, to render an actuarial opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of PEIA through FY 2021.

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 2016 and subsequently. We are assuming that the Bill will continue throughout the five year forecast period.

Continuing Care Actuaries has provided financial report for fiscal year ending June 30, 2016 (“FY 2016”), and preliminary forecasts for June 30, 2017 (“FY 2017”), June 30, 2018 (“FY 2018”), June 30, 2019 (“FY 2019”), June 30, 2020 (“FY 2020”) and June 30, 2021 (“FY 2021”). Our opinion of plan adequacy is based on the projections through FY 2021 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in January 2016. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the West Virginia Retiree Health Benefit Trust Fund.

In reviewing the plan, Continuing Care Actuaries utilized information concerning the plan’s prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by PEIA, the plan’s third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not perform any due diligence on the information. The enclosed forecasts include anticipated changes from the federal statute Patient Protection and Affordable Care Act (“PPACA”) signed into law on March 23, 2010. Additional details of the benefit reductions can be found later in this report. In addition, it is noteworthy that some current PEIA members have become eligible for the West Virginia Children Health Insurance Plan effective in Fiscal Year 2016.

In FY 2016 the Pay-Go is equivalent to \$296 per retiree per month. In future years, the Pay Go premium may increase by a maximum of 3% per retiree per year, indexed to the initial fixed subsidy determined in FY 2013. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in January 2016.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2015”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2016 through FY 2021 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of PEIA. In addition, we are forecasting that PEIA will meet the minimum 20% employee cost share requirement for state revenue in FY 2016 based on the scheduled revenue increases of the financial plan approved and amended by the Board in January 2016.

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 2021 as approved by the Board.

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

Respectfully,



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



Chris Borcik, F.S.A., F.C.A., M.A.A.A.
Principal

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2016 – FY 2021

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 Continuing Care Actuaries.

This report was compiled utilizing claims data collected by PEIA's third party administrators through August 2016 for prescription drugs and medical claims. Enrollment data, administrative expenses, managed care capitations, and plan revenues were provided at special request from PEIA. Revenue assumptions are based on premium rates, assumed investment income and significant general and special revenue allocations provided by the Governor, some of which have not been approved by the West Virginia Legislature. In addition, other information became available through presentations made at the Board meetings, which has been used in arriving at our conclusions.

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

KEY ASSUMPTIONS

A. Enrollment Changes

These projections include the assumption that Preferred Provider Benefit (“PPB”) and managed care enrollment will not change from September 2016 enrollment levels for the duration of these forecasts for active employees.

In aggregate, September 2016 enrollment for active employees has decreased by 1,057 coverages since the end of FY 2016. Aggregate PPB enrollment has decreased by 1,342 in total over the same period, while managed care enrollment experienced an increase of 285 coverages.

In the State Fund, the overall active State enrollment decreased by 1,120 coverages from the end of FY 2016 to September 2016. And in the Local Fund, the overall active Local enrollment increased by 63 coverages from the end of FY 2016 to September 2016.

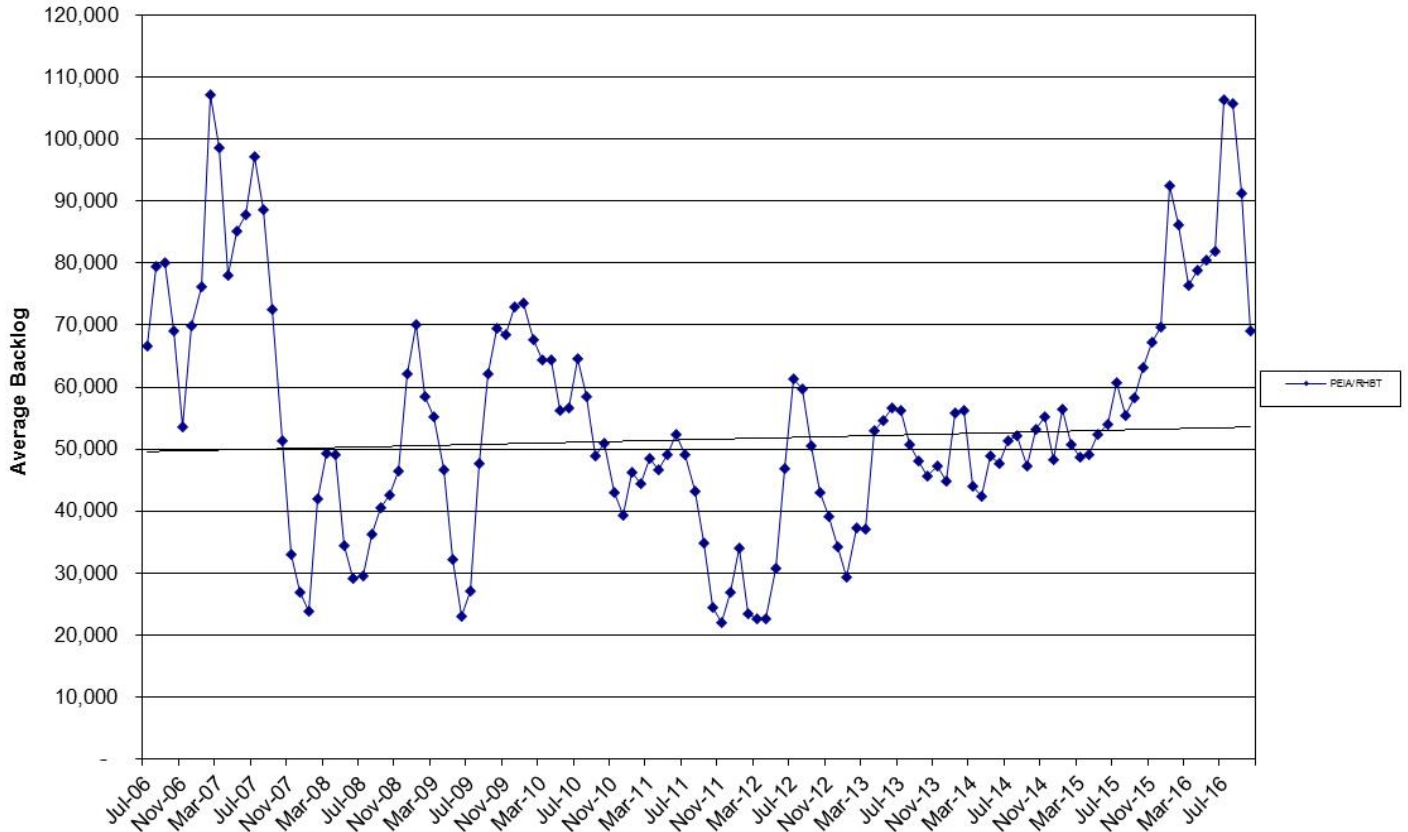
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2015, June 2016 and September 2016 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-15	Jun-16	Sep-16	Jun-15	Jun-16	Sep-16
State Active	Single	22,080	22,035	21,585	1,889	1,946	2,075
	Children	6,295	6,250	5,962	571	591	596
	Family	30,344	29,925	29,293	2,759	2,782	2,898
	Total	58,719	58,210	56,840	5,219	5,319	5,569
Local Active	Single	5,474	5,204	5,232	371	399	424
	Children	1,013	959	948	102	106	106
	Family	5,720	5,724	5,735	149	187	197
	Total	12,207	11,887	11,915	622	692	727
Plan Total		70,926	70,097	68,755	5,841	6,011	6,296
Grand Total					76,767	76,108	75,051

B. Changes in Claim Backlog

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

WV PEIA&RHBT Claim Backlog July 2006 through October 2016



C. Trend Analysis

PEIA experienced slightly higher medical and prescription drug trends in FY 2016, but over the past few years, trends have been beneficial to the plan. Continuing Care Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2015”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, the FY 2017 medical claim trend is 7.0% and the prescription drug claim trend is 9.0%.

The current trend projection is shown in the following table:

Claim Type	FY 2017 Trend
Active Local – Medical	7.0%
State – Medical	7.0%
Active Local – Drugs	9.0%
State – Drugs	9.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2018. At the Board’s request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through August 2016. It is important to note that these trends *have not* been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies, nor the changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

PEIA Historical Trends (Active Local and State)

Fiscal Year	Active Local Medical	State Medical	Active Local Drugs	State Drugs	Total
2004	-1%	12%	9%	7%	9%
2005	16%	7%	7%	20%	11%
2006	1%	2%	18%	7%	3%
2007	15%	2%	13%	8%	5%
2008	3%	8%	-5%	-1%	4%
2009	-8%	3%	5%	4%	2%
2010	10%	1%	9%	9%	4%
2011	11%	8%	16%	15%	8%
2012	5%	5%	8%	6%	5%
2013	-3%	-3%	2%	6%	-3%
2014	8%	6%	9%	7%	7%
2015	6%	10%	14%	10%	10%
2016	8%	10%	12%	13%	11%
2017*	11%	10%	12%	13%	11%

* Fiscal Year 2017 results are through the first two months ending August 2016.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through August 2016 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. Continuing Care Actuaries has developed the claim cost on an adjusted exposure basis using the respective expected claim cost for each coverage type. The adjusted exposure methodology weighs the expected claim cost under each coverage type for single, member and children, and family coverages based on observed differences in health care cost. For example, under this methodology single coverage types are given a weight of 1.0 exposure, whereas member and children coverages are given a greater weighting based on historical expected health care cost relationships. Based on this methodology, the result of FY 2016 and the projection of FY 2017 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2016 Result			Net Revenue Excluding Pay Go		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs*	Monthly Capitation Costs
State	PPB	58,321	\$ 478	\$ 120	\$ 513	\$ 157	
	<u>Managed Care</u>	<u>5,282</u>	\$ 499	\$ 143			\$ 529
	Total	63,603					
Local	PPB	11,856	\$ 570	\$ -	\$ 479	\$ 125	
	<u>Managed Care</u>	<u>697</u>	\$ 455	\$ -			\$ 394
	Total	12,553					

*Net of rebates and subsidies.

Fiscal Year 2017 Projection			Net Revenue Excluding Pay Go		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs*	Monthly Capitation Costs
State	PPB	56,871	\$ 544	\$ 134	\$ 539	\$ 136	
	<u>Managed Care</u>	<u>5,561</u>	\$ 553	\$ 151			\$ 533
	Total	62,432					
Local	PPB	11,915	\$ 567	\$ -	\$ 503	\$ 135	
	<u>Managed Care</u>	<u>726</u>	\$ 474	\$ -			\$ 401
	Total	12,641					

*Net of rebates and subsidies.

Projected plan revenues, administrative expenses, life insurance premiums, and the amount to be spent on wellness programs were provided by PEIA. Investment income is currently allocated to each fund based on average reserve levels for each fund. The following chart summarizes assumptions used in preparation of the attached forecasts.

Board Decisions – January 2016

Source	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Additional State Employer Revenue	\$66,800,000	\$39,000,000	\$29,500,000	\$45,500,000	\$51,500,000
Additional Local Agency Revenue	\$4,150,000	\$12,000,000	\$20,500,000	\$12,000,000	\$14,000,000
Additional Employee Premium	\$14,500,000	\$9,800,000	\$7,400,000	\$11,400,000	\$12,900,000
State Direct Transfer	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Benefit Reductions and Savings / (Increase) - Active State	\$27,475,000	\$0	\$0	\$0	\$0
Benefit Reductions / (Increase) - Active Local	\$825,000	\$0	\$0	\$0	\$0
Benefit Reductions / (Increase) - Managed Care Capitations	\$0	\$0	\$0	\$0	\$0
PPACA Reinsurance Contributions (Cost)	(\$1,800,000)	\$0	\$0	\$0	\$0
PPACA Comparative Effectiveness Research Fees (Cost)	(\$315,469)	(\$315,327)	(\$315,258)	\$0	\$0
Pay Go Premium Transfer	\$180,000,000	\$190,000,000	\$200,000,000	\$210,000,000	\$220,000,000

The \$27,475,000 of Active State benefit reductions and savings in Fiscal Year 2017 is comprised of the following:

	<u>2017 Claim Cost Savings</u>
Medical Claims	\$4.075 M
Drug Claims	\$23.400 M

The \$825,000 of Active Local benefit reductions in Fiscal Year 2017 is comprised of the following:

	<u>2017 Claim Cost Savings</u>
Medical Claims	\$0.825 M
Drug Claims	\$0 M

A detailed list of the 2017 benefit reductions and savings for the Active Employee plan as voted on by the Board consists of the following:

	<u>State Saving</u>	<u>Local Saving</u>
Reference Based Pricing	\$1.700 M	\$0.300 M
Increase Urgent Care Copay to \$50	\$1.275 M	\$0.225 M
<u>Removal of Non-network Out-of-state Benefits</u>	<u>\$1.100 M</u>	<u>\$0.300 M</u>
Total Medical Benefit Reductions	\$4.075 M	\$0.825 M
<u>New CVS Pharmacy Benefit Contract</u>	<u>\$23.400 M</u>	<u>\$0 M</u>
Total Drugs Savings	\$23.400 M	\$0 M
Total Benefit Reductions and Savings	\$27.475 M	\$0.825 M

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

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

Under the final rule, issuers would be required to pay a reinsurance contribution of \$5.25 per member per month to HHS in 2014. The \$5.25 contribution rate would gradually decrease in 2016. From 2017 and beyond, no further reinsurance contributions will be collected. PEIA will not receive any benefit payments from the national reinsurance program. PEIA will be subject to paying the reinsurance contributions through FY 2017 and the projected expenses of the reinsurance contributions are included in the current financial plan. The total reinsurance contributions for the financial projection are estimated to be approximately \$7,140,000, with \$5,340,293 in FY 2016.

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

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

It is anticipated that PEIA would accrue and pay these fees through FY 2019. The fee would be \$2 per member per year. The total comparative effectiveness research fees for the financial projection are estimated to be approximately \$1,270,000, with \$326,680 in FY 2016.

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.

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 2016 RESULT

The financial result for FY 2016 under the Baseline scenario is presented in the Appendix. The Baseline result for FY 2016 ends with accrued revenue of \$700,138,093 and incurred plan expenses of \$766,485,331 to produce a fiscal year deficit of (\$66,347,238). The PEIA local and state agencies Pay Go premiums for FY 2016 are \$148,637,377.

Under the Baseline Scenario, FY 2016 ends with a reserve of \$105,159,494 and the FY 2017 expenditures of \$793,476,540, which represents 13% of projected expenditures. This reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

FISCAL YEAR 2017 FORECAST

The financial forecast for FY 2017 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2017 projects accrued revenue of \$801,919,324 and incurred plan expenses of \$793,476,540 to produce a fiscal year surplus of \$8,442,784. The PEIA local and state agencies Pay Go premiums for FY 2017 are assumed to be \$180,000,000.

Under the Baseline Scenario, FY 2017 is projected to end with a reserve of \$113,602,278 and the FY 2018 expenditures of \$846,370,069, 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 \$119,236,671 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$107,999,424.

FISCAL YEAR 2018 FORECAST

The financial forecast for FY 2018 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2018 projects accrued revenue of \$862,753,800 and incurred plan expenses of \$846,370,069 to produce a fiscal year surplus of \$16,383,731. The PEIA local and state agencies Pay Go premiums for FY 2018 are assumed to be \$190,000,000.

Under the Baseline Scenario, FY 2018 is projected to end with a reserve of \$129,986,008 and the FY 2019 expenditures of \$910,595,346, which represents 14% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$152,822,344 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$106,991,697.

FISCAL YEAR 2019 FORECAST

The financial forecast for FY 2019 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2019 projects accrued revenue of \$921,398,790 and incurred plan expenses of \$910,595,346 to produce a fiscal year surplus of \$10,803,444. The PEIA local and state agencies Pay Go premiums for FY 2019 are assumed to be \$200,000,000.

Under the Baseline Scenario, FY 2019 is projected to end with a reserve of \$140,789,453 and the FY 2020 expenditures of \$979,402,186, which represents 14% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$194,434,492 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$86,090,688.

FISCAL YEAR 2020 FORECAST

The financial forecast for FY 2020 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2020 projects accrued revenue of \$991,382,897 and incurred plan expenses of \$979,402,186 to produce a fiscal year surplus of \$11,980,711. The PEIA local and state agencies Pay Go premiums for FY 2020 are assumed to be \$210,000,000.

Under the Baseline Scenario, FY 2020 is projected to end with a reserve of \$152,770,164 and the FY 2021 expenditures of \$1,057,086,613, which represents 14% of projected expenditures. This projected reserve meets the 15% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$253,296,141 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$48,967,705.

FISCAL YEAR 2021 FORECAST

The financial forecast for FY 2021 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2021 projects accrued revenue of \$1,070,982,917 and incurred plan expenses of \$1,057,086,613 to produce a fiscal year surplus of \$13,896,304. The PEIA local and state agencies Pay Go premiums for FY 2021 are assumed to be \$220,000,000.

Under the Baseline Scenario, FY 2021 is projected to end with a reserve of \$166,666,467 and the FY 2022 expenditures of \$1,144,722,178, which represents 15% of projected expenditures. This projected reserve meets the 15% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$333,123,226 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$7,412,380).

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 2021 using the Baseline assumptions. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in January 2016 and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement, possible changes in methodology of managed care premium calculation, and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as universal health insurance initiatives and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,187,899	\$ 425,574,675	\$ 529,762,574
Employer Premiums - MCO	5,165,805	39,859,691	45,025,496
Employee Premiums - PPB	-	107,001,833	107,001,833
Employee Premiums - MCO	-	11,144,445	11,144,445
Life Insurance	342,553	1,770,395	2,112,948
Direct Transfers	-	-	-
Investment Income	(314,201)	(999,974)	(1,314,175)
Litigation Settlement	-	-	-
COBRA Premiums	295,433	1,226,689	1,522,122
Administrative Fees	746,533	4,136,317	4,882,850
Total Revenue	\$ 110,424,022	\$ 589,714,071	\$ 700,138,093
<u>Program Expenses</u>			
Medical Claims	\$ 68,194,954	\$ 358,837,462	\$ 427,032,416
Prescription Drug Claims	17,767,978	109,972,276	127,740,254
Managed Care Capitations	3,296,214	33,544,049	36,840,263
Administration	2,677,356	13,837,229	16,514,585
Life Insurance	401,146	2,073,222	2,474,368
Wellness	256,004	1,323,091	1,579,095
ACA Reinsurance Contributions	865,772	4,474,521	5,340,293
ACA Comparative Effectiveness Research Fees	48,816	277,864	326,680
Director's Discretionary Fund	-	-	-
WV RHBT Pay Go Premiums	24,500,876	124,136,501	148,637,377
Total Expenses	\$ 118,009,115	\$ 648,476,216	\$ 766,485,331
Fiscal Year Results	\$ (7,585,093)	\$ (58,762,145)	\$ (66,347,238)
Beginning Plan Reserve	46,347,365	125,159,367	171,506,732
Ending Plan Reserve	\$ 38,762,272	\$ 66,397,222	\$ 105,159,494
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

		Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employer Premiums	\$ -	Active Local	6.5%	8.5%
Additional Local Agency Revenue	\$ -	State	6.5%	8.5%
Additional State Employee Premiums	\$ -	Capitations		-6.0%
Direct Transfers	\$ -	Administrative Expense		-7.8%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,187,899	\$ -	\$ 104,187,899
Employer Premiums - MCO	5,165,805	-	5,165,805
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	342,553		342,553
Direct Transfers	-		-
Investment Income	(314,201)		(314,201)
Litigation Settlement	-		-
COBRA Premiums	295,433		295,433
Administrative Fees	746,533		746,533
Total Revenue	\$ 110,424,022	\$ -	\$ 110,424,022
<u>Program Expenses</u>			
Medical Claims	\$ 68,194,954	\$ -	\$ 68,194,954
Prescription Drug Claims	17,767,978	-	17,767,978
Managed Care Capitations	2,588,183	708,031	3,296,214
Administration	2,677,356		2,677,356
Life Insurance	401,146		401,146
Wellness	256,004		256,004
ACA Reinsurance Contributions	865,772		865,772
ACA Comparative Effectiveness Research Fees	48,816		48,816
Director's Discretionary Fund	-		-
WV RHBT Pay Go Premiums	24,500,876		24,500,876
Total Expenses	\$ 117,301,085	\$ 708,031	\$ 118,009,116
Fiscal Year Results	\$ (6,877,063)		\$ (7,585,094)
Beginning Plan Reserve	46,347,365		46,347,365
Ending Plan Reserve	\$ 39,470,302		\$ 38,762,271
Reserve as a Percent of Expenses			28%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	8.5%
		Capitations		-6.0%
		Administrative Expense		-7.8%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 425,574,675	\$ -	\$ 425,574,675
Employer Premiums - MCO	39,859,691	-	39,859,691
Employee Premiums - PPB	107,001,833	-	107,001,833
Employee Premiums - MCO	11,144,445	-	11,144,445
Life Insurance	1,770,395		1,770,395
Direct Transfers	-		-
Investment Income	(999,974)		(999,974)
Litigation Settlement	-		-
COBRA Premiums	1,226,689		1,226,689
Administrative Fees	4,136,317		4,136,317
Total Revenue	\$ 589,714,071	\$ -	\$ 589,714,071
<u>Program Expenses</u>			
Medical Claims	\$ 358,837,462	\$ -	\$ 358,837,462
Prescription Drug Claims	109,972,276	-	109,972,276
Managed Care Capitations	34,444,745	(900,696)	33,544,049
Administration	13,837,229		13,837,229
Life Insurance	2,073,222		2,073,222
Wellness	1,323,091		1,323,091
ACA Reinsurance Contributions	4,474,521		4,474,521
ACA Comparative Effectiveness Research Fees	277,864		277,864
Director's Discretionary Fund	-		-
WV RHBT Pay Go Premiums	124,136,501		124,136,501
Total Expenses	\$ 649,376,912	\$ (900,696)	\$ 648,476,215
Fiscal Year Results	\$ (59,662,841)		\$ (58,762,144)
Beginning Plan Reserve	125,159,367		125,159,367
Ending Plan Reserve	\$ 65,496,526		\$ 66,397,223
Reserve as a Percent of Expenses			9%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.5%	8.5%
		Capitations		-6.0%
		Administrative Expense		-7.8%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 109,592,913	\$ 480,450,228	\$ 590,043,141
Employer Premiums - MCO	5,868,279	47,569,719	53,437,998
Employee Premiums - PPB	-	119,050,810	119,050,810
Employee Premiums - MCO	-	12,738,626	12,738,626
Life Insurance	359,680	1,858,915	2,218,595
Direct Transfers	-	10,000,000	10,000,000
Investment Income	2,257,199	5,591,250	7,848,449
Litigation Settlement	-	-	-
COBRA Premiums	311,933	1,386,922	1,698,855
Administrative Fees	746,533	4,136,317	4,882,850
Total Revenue	\$ 119,136,537	\$ 682,782,787	\$ 801,919,324
<u>Program Expenses</u>			
Medical Claims	\$ 71,848,030	\$ 367,550,030	\$ 439,398,060
Prescription Drug Claims	19,289,322	92,625,196	111,914,518
Managed Care Capitations	3,493,987	35,556,692	39,050,679
Administration	2,447,470	12,649,125	15,096,595
Life Insurance	421,204	2,176,883	2,598,087
Wellness	256,004	1,323,091	1,579,095
ACA Reinsurance Contributions	300,000	1,500,000	1,800,000
ACA Comparative Effectiveness Research Fees	50,505	264,964	315,469
Director's Discretionary Fund	285,000	1,439,037	1,724,037
WV RHBT Pay Go Premiums	30,308,870	149,691,130	180,000,000
Total Expenses	\$ 128,700,392	\$ 664,776,149	\$ 793,476,540
Fiscal Year Results	\$ (9,563,855)	\$ 18,006,638	\$ 8,442,784
Beginning Plan Reserve	38,762,272	66,397,222	105,159,494
Ending Plan Reserve	\$ 29,198,418	\$ 84,403,860	\$ 113,602,278
Reserve as a Percent of Expenses			13%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 66,800,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 4,150,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,500,000	Active Local	7.0%	9.0%
Direct Transfers	\$ 10,000,000	State	7.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 109,592,913	\$ -	\$ 109,592,913
Employer Premiums - MCO	5,868,279	-	5,868,279
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	359,680		359,680
Direct Transfers	-		-
Investment Income	2,257,199		2,257,199
Litigation Settlement	-		-
COBRA Premiums	311,933		311,933
Administrative Fees	746,533		746,533
Total Revenue	\$ 119,136,537	\$ -	\$ 119,136,537
<u>Program Expenses</u>			
Medical Claims	\$ 72,673,030	\$ (825,000)	\$ 71,848,030
Prescription Drug Claims	19,289,322	\$ -	19,289,322
Managed Care Capitations	3,493,987		3,493,987
Administration	2,447,470		2,447,470
Life Insurance	421,204		421,204
Wellness	256,004		256,004
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	50,505		50,505
Director's Discretionary Fund	285,000		285,000
WV RHBT Pay Go Premiums	30,308,870		30,308,870
Total Expenses	\$ 129,525,392	\$ (825,000)	\$ 128,700,392
Fiscal Year Results	\$ (10,388,855)		\$ (9,563,855)
Beginning Plan Reserve	38,762,272		38,762,272
Ending Plan Reserve	\$ 28,373,417		\$ 29,198,417
Reserve as a Percent of Expenses			20%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 4,150,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 480,450,228	\$ -	\$ 480,450,228
Employer Premiums - MCO	47,569,719	-	47,569,719
Employee Premiums - PPB	119,050,810	-	119,050,810
Employee Premiums - MCO	12,738,626	-	12,738,626
Life Insurance	1,858,915		1,858,915
Direct Transfers	10,000,000		10,000,000
Investment Income	5,591,250		5,591,250
Litigation Settlement	-		-
COBRA Premiums	1,386,922		1,386,922
Administrative Fees	4,136,317		4,136,317
Total Revenue	\$ 682,782,787	\$ -	\$ 682,782,787
<u>Program Expenses</u>			
Medical Claims	\$ 371,625,030	\$ (4,075,000)	\$ 367,550,030
Prescription Drug Claims	116,025,196	\$ (23,400,000)	92,625,196
Managed Care Capitations	35,556,692	-	35,556,692
Administration	12,649,125		12,649,125
Life Insurance	2,176,883		2,176,883
Wellness	1,323,091		1,323,091
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	264,964		264,964
Director's Discretionary Fund	1,439,037		1,439,037
WV RHBT Pay Go Premiums	149,691,130		149,691,130
Total Expenses	\$ 692,251,148	\$ (27,475,000)	\$ 664,776,148
Fiscal Year Results	\$ (9,468,361)		\$ 18,006,639
Beginning Plan Reserve	66,397,222		66,397,222
Ending Plan Reserve	\$ 56,928,861		\$ 84,403,861
Reserve as a Percent of Expenses			11%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 66,800,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 14,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	7.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 120,983,017	\$ 515,936,689	\$ 636,919,706
Employer Premiums - MCO	6,478,176	51,083,259	57,561,435
Employee Premiums - PPB	-	127,903,553	127,903,553
Employee Premiums - MCO	-	13,685,883	13,685,883
Life Insurance	377,664	1,951,861	2,329,525
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,679,613	5,957,382	7,636,995
Litigation Settlement	-	-	-
COBRA Premiums	344,353	1,489,500	1,833,853
Administrative Fees	746,533	4,136,317	4,882,850
Total Revenue	\$ 130,609,356	\$ 732,144,444	\$ 862,753,800
<u>Program Expenses</u>			
Medical Claims	\$ 77,068,193	\$ 393,970,600	\$ 471,038,793
Prescription Drug Claims	21,076,720	101,135,794	122,212,513
Managed Care Capitations	3,703,626	37,690,094	41,393,720
Administration	2,491,972	12,879,121	15,371,093
Life Insurance	442,264	2,285,727	2,727,991
Wellness	256,004	1,323,091	1,579,095
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	52,236	263,092	315,328
Director's Discretionary Fund	286,458	1,445,078	1,731,536
WV RHBT Pay Go Premiums	32,659,521	157,340,479	190,000,000
Total Expenses	\$ 138,036,994	\$ 708,333,075	\$ 846,370,069
Fiscal Year Results	\$ (7,427,638)	\$ 23,811,369	\$ 16,383,731
Beginning Plan Reserve	29,198,418	84,403,860	113,602,278
Ending Plan Reserve	\$ 21,770,779	\$ 108,215,229	\$ 129,986,008
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 39,000,000	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	\$ 9,800,000	Active Local	7.5%	9.5%
Direct Transfers	\$ 10,000,000	State	7.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 109,592,913	\$ 11,390,104	\$ 120,983,017
Employer Premiums - MCO	5,868,279	609,896	6,478,175
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	377,664		377,664
Direct Transfers	-		-
Investment Income	1,679,613		1,679,613
Litigation Settlement	-		-
COBRA Premiums	344,353		344,353
Administrative Fees	746,533		746,533
Total Revenue	\$ 118,609,355	\$ 12,000,000	\$ 130,609,355
<u>Program Expenses</u>			
Medical Claims	\$ 77,068,193		\$ 77,068,193
Prescription Drug Claims	21,076,720		21,076,720
Managed Care Capitations	3,703,626		3,703,626
Administration	2,491,972		2,491,972
Life Insurance	442,264		442,264
Wellness	256,004		256,004
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	52,236		52,236
Director's Discretionary Fund	286,458		286,458
WV RHBT Pay Go Premiums	32,659,521		32,659,521
Total Expenses	\$ 138,036,994	\$ -	\$ 138,036,994
Fiscal Year Results	\$ (19,427,639)		\$ (7,427,639)
Beginning Plan Reserve	29,198,418		29,198,418
Ending Plan Reserve	\$ 9,770,779		\$ 21,770,779
Reserve as a Percent of Expenses			14%

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%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 480,450,228	\$ 35,486,460	\$ 515,936,688
Employer Premiums - MCO	47,569,719	3,513,540	51,083,259
Employee Premiums - PPB	119,050,810	8,852,742	127,903,552
Employee Premiums - MCO	12,738,626	947,258	13,685,884
Life Insurance	1,951,861		1,951,861
Direct Transfers	10,000,000		10,000,000
Investment Income	5,957,382		5,957,382
Litigation Settlement	-		-
COBRA Premiums	1,489,500		1,489,500
Administrative Fees	4,136,317		4,136,317
Total Revenue	\$ 683,344,443	\$ 48,800,000	\$ 732,144,443
<u>Program Expenses</u>			
Medical Claims	\$ 393,970,600		\$ 393,970,600
Prescription Drug Claims	101,135,794		101,135,794
Managed Care Capitations	37,690,094		37,690,094
Administration	12,879,121		12,879,121
Life Insurance	2,285,727		2,285,727
Wellness	1,323,091		1,323,091
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	263,092		263,092
Director's Discretionary Fund	1,445,078		1,445,078
WV RHBT Pay Go Premiums	157,340,479		157,340,479
Total Expenses	\$ 708,333,076	\$ -	\$ 708,333,076
Fiscal Year Results	\$ (24,988,633)		\$ 23,811,367
Beginning Plan Reserve	84,403,860		84,403,860
Ending Plan Reserve	\$ 59,415,227		\$ 108,215,227
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 39,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 9,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	7.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 140,441,110	\$ 542,779,011	\$ 683,220,121
Employer Premiums - MCO	7,520,082	53,740,936	61,261,018
Employee Premiums - PPB	-	134,588,277	134,588,277
Employee Premiums - MCO	-	14,401,159	14,401,159
Life Insurance	396,547	2,049,454	2,446,001
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,438,884	7,193,680	8,632,564
Litigation Settlement	-	-	-
COBRA Premiums	399,736	1,567,064	1,966,800
Administrative Fees	746,533	4,136,317	4,882,850
Total Revenue	\$ 150,942,892	\$ 770,455,898	\$ 921,398,790
<u>Program Expenses</u>			
Medical Claims	\$ 83,059,193	\$ 424,596,432	\$ 507,655,625
Prescription Drug Claims	23,136,843	111,021,211	134,158,053
Managed Care Capitations	3,925,843	39,951,499	43,877,342
Administration	2,984,085	15,422,482	18,406,567
Life Insurance	464,377	2,400,013	2,864,390
Wellness	256,004	1,323,091	1,579,095
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	54,025	261,232	315,257
Director's Discretionary Fund	287,742	1,451,274	1,739,016
WV RHBT Pay Go Premiums	35,061,388	164,938,612	200,000,000
Total Expenses	\$ 149,229,500	\$ 761,365,846	\$ 910,595,346
Fiscal Year Results	\$ 1,713,392	\$ 9,090,052	\$ 10,803,444
Beginning Plan Reserve	21,770,779	108,215,229	129,986,008
Ending Plan Reserve	\$ 23,484,172	\$ 117,305,281	\$ 140,789,453
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 29,500,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 20,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 7,400,000	Active Local	8.0%	10.0%
Direct Transfers	\$ 10,000,000	State	8.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 120,983,017	\$ 19,458,094	\$ 140,441,111
Employer Premiums - MCO	6,478,176	1,041,906	7,520,082
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	396,547		396,547
Direct Transfers	-		-
Investment Income	1,438,884		1,438,884
Litigation Settlement	-		-
COBRA Premiums	399,736		399,736
Administrative Fees	746,533		746,533
Total Revenue	\$ 130,442,893	\$ 20,500,000	\$ 150,942,893
<u>Program Expenses</u>			
Medical Claims	\$ 83,059,193		\$ 83,059,193
Prescription Drug Claims	23,136,843		23,136,843
Managed Care Capitations	3,925,843		3,925,843
Administration	2,984,085		2,984,085
Life Insurance	464,377		464,377
Wellness	256,004		256,004
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	54,025		54,025
Director's Discretionary Fund	287,742		287,742
WV RHBT Pay Go Premiums	35,061,388		35,061,388
Total Expenses	\$ 149,229,500	\$ -	\$ 149,229,500
Fiscal Year Results	\$ (18,786,607)		\$ 1,713,393
Beginning Plan Reserve	21,770,779		21,770,779
Ending Plan Reserve	\$ 2,984,172		\$ 23,484,172
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 20,500,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	8.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 515,936,689	\$ 26,842,323	\$ 542,779,012
Employer Premiums - MCO	51,083,259	2,657,677	53,740,936
Employee Premiums - PPB	127,903,553	6,684,724	134,588,277
Employee Premiums - MCO	13,685,883	715,276	14,401,159
Life Insurance	2,049,454		2,049,454
Direct Transfers	10,000,000		10,000,000
Investment Income	7,193,680		7,193,680
Litigation Settlement	-		-
COBRA Premiums	1,567,064		1,567,064
Administrative Fees	4,136,317		4,136,317
Total Revenue	\$ 733,555,899	\$ 36,900,000	\$ 770,455,899
<u>Program Expenses</u>			
Medical Claims	\$ 424,596,432		\$ 424,596,432
Prescription Drug Claims	111,021,211		111,021,211
Managed Care Capitations	39,951,499		39,951,499
Administration	15,422,482		15,422,482
Life Insurance	2,400,013		2,400,013
Wellness	1,323,091		1,323,091
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	261,232		261,232
Director's Discretionary Fund	1,451,274		1,451,274
WV RHBT Pay Go Premiums	164,938,612		164,938,612
Total Expenses	\$ 761,365,846	\$ -	\$ 761,365,846
Fiscal Year Results	\$ (27,809,947)		\$ 9,090,053
Beginning Plan Reserve	108,215,229		108,215,229
Ending Plan Reserve	\$ 80,405,282		\$ 117,305,282
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 29,500,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 7,400,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	8.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 151,831,214	\$ 584,179,882	\$ 736,011,096
Employer Premiums - MCO	8,129,978	57,840,066	65,970,044
Employee Premiums - PPB	-	144,886,365	144,886,365
Employee Premiums - MCO	-	15,503,071	15,503,071
Life Insurance	416,375	2,151,927	2,568,302
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,570,008	7,872,337	9,442,345
Litigation Settlement	-	-	-
COBRA Premiums	432,156	1,686,668	2,118,824
Administrative Fees	746,533	4,136,317	4,882,850
Total Revenue	\$ 163,126,264	\$ 828,256,633	\$ 991,382,897
<u>Program Expenses</u>			
Medical Claims	\$ 89,931,367	\$ 459,726,807	\$ 549,658,173
Prescription Drug Claims	25,514,058	122,428,184	147,942,243
Managed Care Capitations	4,161,394	42,348,589	46,509,983
Administration	3,073,608	15,885,157	18,958,765
Life Insurance	487,596	2,520,014	3,007,610
Wellness	256,004	1,323,091	1,579,095
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	-	-	-
Director's Discretionary Fund	288,997	1,457,320	1,746,317
WV RHBT Pay Go Premiums	37,482,103	172,517,897	210,000,000
Total Expenses	\$ 161,195,127	\$ 818,207,059	\$ 979,402,186
Fiscal Year Results	\$ 1,931,137	\$ 10,049,574	\$ 11,980,711
Beginning Plan Reserve	23,484,172	117,305,281	140,789,453
Ending Plan Reserve	\$ 25,415,309	\$ 127,354,855	\$ 152,770,164
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 45,500,000	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	\$ 11,400,000	Active Local	8.5%	10.5%
Direct Transfers	\$ 10,000,000	State	8.5%	10.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 140,441,110	\$ 11,390,104	\$ 151,831,214
Employer Premiums - MCO	7,520,082	609,896	8,129,978
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	416,375		416,375
Direct Transfers	-		-
Investment Income	1,570,008		1,570,008
Litigation Settlement	-		-
COBRA Premiums	432,156		432,156
Administrative Fees	746,533		746,533
Total Revenue	\$ 151,126,264	\$ 12,000,000	\$ 163,126,264
<u>Program Expenses</u>			
Medical Claims	\$ 89,931,367		\$ 89,931,367
Prescription Drug Claims	25,514,058		25,514,058
Managed Care Capitations	4,161,394		4,161,394
Administration	3,073,608		3,073,608
Life Insurance	487,596		487,596
Wellness	256,004		256,004
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	288,997		288,997
WV RHBT Pay Go Premiums	37,482,103		37,482,103
Total Expenses	\$ 161,195,127	\$ -	\$ 161,195,127
Fiscal Year Results	\$ (10,068,863)		\$ 1,931,137
Beginning Plan Reserve	23,484,172		23,484,172
Ending Plan Reserve	\$ 13,415,309		\$ 25,415,309
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 12,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	8.5%	10.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 542,779,011	\$ 41,400,870	\$ 584,179,881
Employer Premiums - MCO	53,740,936	4,099,130	57,840,066
Employee Premiums - PPB	134,588,277	10,298,088	144,886,365
Employee Premiums - MCO	14,401,159	1,101,912	15,503,071
Life Insurance	2,151,927		2,151,927
Direct Transfers	10,000,000		10,000,000
Investment Income	7,872,337		7,872,337
Litigation Settlement	-		-
COBRA Premiums	1,686,668		1,686,668
Administrative Fees	4,136,317		4,136,317
Total Revenue	\$ 771,356,632	\$ 56,900,000	\$ 828,256,632
<u>Program Expenses</u>			
Medical Claims	\$ 459,726,807		\$ 459,726,807
Prescription Drug Claims	122,428,184		122,428,184
Managed Care Capitations	42,348,589		42,348,589
Administration	15,885,157		15,885,157
Life Insurance	2,520,014		2,520,014
Wellness	1,323,091		1,323,091
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	1,457,320		1,457,320
WV RHBT Pay Go Premiums	172,517,897		172,517,897
Total Expenses	\$ 818,207,059	\$ -	\$ 818,207,059
Fiscal Year Results	\$ (46,850,427)		\$ 10,049,573
Beginning Plan Reserve	117,305,281		117,305,281
Ending Plan Reserve	\$ 70,454,854		\$ 127,354,854
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 45,500,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 11,400,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	8.5%	10.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2021**

PERIOD 7/1/2020 - 6/30/2021

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 165,119,669	\$ 631,040,207	\$ 796,159,876
Employer Premiums - MCO	8,841,524	62,479,740	71,321,264
Employee Premiums - PPB	-	156,539,465	156,539,465
Employee Premiums - MCO	-	16,749,971	16,749,971
Life Insurance	437,194	2,259,523	2,696,717
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,716,739	8,624,019	10,340,758
Litigation Settlement	-	-	-
COBRA Premiums	469,979	1,822,037	2,292,016
Administrative Fees	746,533	4,136,317	4,882,850
Total Revenue	\$ 177,331,638	\$ 893,651,279	\$ 1,070,982,917
<u>Program Expenses</u>			
Medical Claims	\$ 97,821,962	\$ 500,063,324	\$ 597,885,285
Prescription Drug Claims	28,263,141	135,619,550	163,882,691
Managed Care Capitations	4,411,078	44,889,504	49,300,582
Administration	3,165,816	16,361,711	19,527,527
Life Insurance	511,976	2,646,015	3,157,991
Wellness	256,004	1,323,091	1,579,095
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	-	-	-
Director's Discretionary Fund	290,223	1,463,219	1,753,442
WV RHBT Pay Go Premiums	39,850,760	180,149,240	220,000,000
Total Expenses	\$ 174,570,960	\$ 882,515,653	\$ 1,057,086,613
Fiscal Year Results	\$ 2,760,678	\$ 11,135,626	\$ 13,896,304
Beginning Plan Reserve	25,415,309	127,354,855	152,770,164
Ending Plan Reserve	\$ 28,175,986	\$ 138,490,481	\$ 166,666,467
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 51,500,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 14,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 12,900,000	Active Local	9.0%	11.0%
Direct Transfers	\$ 10,000,000	State	9.0%	11.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2021**

PERIOD 7/1/2020 - 6/30/2021

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 151,831,214	\$ 13,288,454	\$ 165,119,668
Employer Premiums - MCO	8,129,978	711,546	8,841,524
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	437,194		437,194
Direct Transfers	-		-
Investment Income	1,716,739		1,716,739
Litigation Settlement	-		-
COBRA Premiums	469,979		469,979
Administrative Fees	746,533		746,533
Total Revenue	\$ 163,331,637	\$ 14,000,000	\$ 177,331,637
<u>Program Expenses</u>			
Medical Claims	\$ 97,821,962		\$ 97,821,962
Prescription Drug Claims	28,263,141		28,263,141
Managed Care Capitations	4,411,078		4,411,078
Administration	3,165,816		3,165,816
Life Insurance	511,976		511,976
Wellness	256,004		256,004
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	290,223		290,223
WV RHBT Pay Go Premiums	39,850,760		39,850,760
Total Expenses	\$ 174,570,960	\$ -	\$ 174,570,960
Fiscal Year Results	\$ (11,239,323)		\$ 2,760,677
Beginning Plan Reserve	25,415,309		25,415,309
Ending Plan Reserve	\$ 14,175,986		\$ 28,175,986
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 14,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	9.0%	11.0%
		Capitations		6.0%
		Administrative Expense		3.0%

APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2021

PERIOD 7/1/2020 - 6/30/2021

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 584,179,882	\$ 46,860,326	\$ 631,040,208
Employer Premiums - MCO	57,840,066	4,639,674	62,479,740
Employee Premiums - PPB	144,886,365	11,653,100	156,539,465
Employee Premiums - MCO	15,503,071	1,246,900	16,749,971
Life Insurance	2,259,523		2,259,523
Direct Transfers	10,000,000		10,000,000
Investment Income	8,624,019		8,624,019
Litigation Settlement	-		-
COBRA Premiums	1,822,037		1,822,037
Administrative Fees	4,136,317		4,136,317
Total Revenue	\$ 829,251,280	\$ 64,400,000	\$ 893,651,280
<u>Program Expenses</u>			
Medical Claims	\$ 500,063,324		\$ 500,063,324
Prescription Drug Claims	135,619,550		135,619,550
Managed Care Capitations	44,889,504		44,889,504
Administration	16,361,711		16,361,711
Life Insurance	2,646,015		2,646,015
Wellness	1,323,091		1,323,091
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	1,463,219		1,463,219
WV RHBT Pay Go Premiums	180,149,240		180,149,240
Total Expenses	\$ 882,515,654	\$ -	\$ 882,515,654
Fiscal Year Results	\$ (53,264,374)		\$ 11,135,626
Beginning Plan Reserve	127,354,855		127,354,855
Ending Plan Reserve	\$ 74,090,481		\$ 138,490,481
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 51,500,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 12,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	9.0%	11.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2016 to FY 2017**

Fiscal Year 2016												
Exposure	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Mar-16</u>	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>
Local Medical	25,512	25,655	25,752	25,676	25,687	25,650	25,727	25,823	25,824	25,808	25,717	25,696
State Medical	131,127	130,588	130,166	130,973	131,327	131,400	131,326	130,961	130,685	130,633	130,558	130,228
Local Drugs	25,512	25,655	25,752	25,676	25,687	25,650	25,727	25,823	25,824	25,808	25,717	25,696
State Drugs	131,127	130,588	130,166	130,973	131,327	131,400	131,326	130,961	130,685	130,633	130,558	130,228
Local Medical	<u>\$162.13</u>	<u>\$172.51</u>	<u>\$189.78</u>	<u>\$182.83</u>	<u>\$190.55</u>	<u>\$199.70</u>	<u>\$195.73</u>	<u>\$233.56</u>	<u>\$255.47</u>	<u>\$281.22</u>	<u>\$262.43</u>	<u>\$256.54</u>
State Medical	<u>\$185.71</u>	<u>\$193.73</u>	<u>\$213.64</u>	<u>\$230.88</u>	<u>\$211.85</u>	<u>\$214.64</u>	<u>\$214.13</u>	<u>\$217.93</u>	<u>\$253.68</u>	<u>\$244.64</u>	<u>\$245.85</u>	<u>\$269.20</u>
Local Drugs	<u>\$56.37</u>	<u>\$65.87</u>	<u>\$69.49</u>	<u>\$74.08</u>	<u>\$72.39</u>	<u>\$79.10</u>	<u>\$76.55</u>	<u>\$79.56</u>	<u>\$85.42</u>	<u>\$81.73</u>	<u>\$85.69</u>	<u>\$87.48</u>
State Drugs	<u>62.30</u>	<u>71.07</u>	<u>74.08</u>	<u>78.30</u>	<u>78.58</u>	<u>84.91</u>	<u>82.19</u>	<u>83.17</u>	<u>92.03</u>	<u>86.43</u>	<u>90.71</u>	<u>98.52</u>
Total	<u>\$466.52</u>	<u>\$503.18</u>	<u>\$546.99</u>	<u>\$566.09</u>	<u>\$553.37</u>	<u>\$578.36</u>	<u>\$568.59</u>	<u>\$614.23</u>	<u>\$686.60</u>	<u>\$694.02</u>	<u>\$684.68</u>	<u>\$711.74</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	-16.1%	-8.8%	-7.1%	-16.6%	-10.1%	-10.2%	-4.9%	10.2%	14.0%	26.6%	11.0%	24.5%
State Medical	-8.0%	-1.0%	-2.3%	1.6%	11.9%	-3.9%	-4.1%	6.7%	11.0%	4.4%	7.4%	2.7%
Local Drugs	11.4%	4.2%	0.5%	1.5%	4.8%	-4.1%	-5.6%	10.6%	6.1%	-0.8%	4.9%	-5.1%
State Drugs	<u>1.7%</u>	<u>-0.5%</u>	<u>0.2%</u>	<u>2.3%</u>	<u>9.0%</u>	<u>1.1%</u>	<u>-1.3%</u>	<u>7.6%</u>	<u>6.1%</u>	<u>1.9%</u>	<u>6.6%</u>	<u>3.6%</u>
Total	-8.0%	-3.1%	-3.4%	-5.0%	2.0%	-5.6%	-4.2%	8.6%	10.8%	11.3%	8.3%	8.6%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-10.6%			-12.3%			6.7%			20.4%
State Medical			-3.8%			2.7%			4.5%			4.7%
Local Drugs			4.8%			0.5%			3.4%			-0.5%
State Drugs			<u>0.4%</u>			<u>3.9%</u>			<u>4.1%</u>			<u>4.0%</u>
Total			-4.8%			-3.0%			5.1%			9.4%
Change From Prior Year - Year to Year Analysis												
Local Medical			2.4%			-5.2%			-4.7%			1.4%
State Medical			6.7%			4.0%			3.1%			2.2%
Local Drugs			11.0%			7.3%			5.0%			1.8%
State Drugs			<u>7.1%</u>			<u>5.9%</u>			<u>4.2%</u>			<u>3.2%</u>
Total			5.7%			1.2%			0.6%			2.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2016 to FY 2017**

Fiscal Year 2017

Exposure

	<u>Jul-16</u>	<u>Aug-16</u>
Local Medical	25,684	25,659
State Medical	127,982	126,855
Local Drugs	25,684	25,659
State Drugs	127,982	126,855

	<u>Jul-16</u>	<u>Aug-16</u>
Local Medical	\$154.73	\$216.97
State Medical	\$176.61	\$213.55
Local Drugs	\$99.40	\$38.52
State Drugs	<u>102.77</u>	<u>42.01</u>
Total	\$533.51	\$511.04

Change From Prior Year - Month to Month Analysis

Local Medical	-4.6%	25.8%
State Medical	-4.9%	10.2%
Local Drugs	76.3%	-41.5%
State Drugs	<u>65.0%</u>	<u>-40.9%</u>
Total	14.4%	1.6%

Change From Prior Year - Quarter to Quarter Analysis

Local Medical

State Medical

Local Drugs

State Drugs

Total

Change From Prior Year - Year to Year Analysis

Local Medical

State Medical

Local Drugs

State Drugs

Total