



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
March 31, 2013**

Fiscal Years 2013-2017

June 2013

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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 2012 for the fiscal year 2014 (“FY 2014”) and to provide quarterly financial reports for current FY 2013 and 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 2013 and in subsequent fiscal years. In subsequent fiscal years, future transfers of employer funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA for the fiscal year are met. We have been asked to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of PEIA through FY 2017.

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 2013 and subsequently. We are assuming that the Bill will continue throughout the forecast periods. Additionally, PEIA has been granted direct transfers of \$3,500,000 in FY 2014 and subsequent years to offset employee premium increases. There is also an additional one-time \$4,000,000 direct transfer in FY 2014.

CCRC Actuaries has provided preliminary forecasts for the fiscal years ending June 30, 2013 (“FY 2013”), June 30, 2014 (“FY 2014”), June 30, 2015 (“FY 2015”), June 30, 2016 (“FY 2016”) and June 30, 2017 (“FY 2017”). Our opinion of plan adequacy is based on the projections through FY 2017 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2012. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the Trust Fund.

In reviewing the plan, CCRC Actuaries utilized information concerning the plan’s prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by PEIA, the plan’s third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not perform any due diligence on the information. The enclosed forecasts include anticipated changes from the federal statute Patient Protection and Affordable Care Act (“PPACA”) signed into law on March 23, 2010. Based on the PPACA requirements to expand coverage, the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children to age 26 is approximately \$9.5 million in FY 2013 and \$9.2 million in FY 2014. In addition, the estimated cost of the Autism expansion bill enacted by the state legislature is \$3 million in FY 2013. The PEIA benefit reductions passed by the Finance Board on December 13, 2011 are projected to reduce claims by an aggregate of \$22.5 million in FY 2013. Additional details of the benefit reductions can be found later in this report.

In FY 2013 the Pay-Go is equivalent to \$343 per retiree per month. In future years, the Pay Go premium will continue to increase each year by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2012.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2012”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2013 through FY 2017 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 2013 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2012.

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 2017 as approved by the Board.

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

Respectfully,



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



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

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2013 – FY 2017

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 2013 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 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 May 2013 enrollment levels for the duration of these forecasts for active employees.

In aggregate, May 2013 enrollment for active employees has increased by 355 coverages since the end of FY 2012. Aggregate PPB enrollment has increased by 448 in total over the same period, while managed care enrollment experienced a decrease of 93 coverages.

In the State Fund, the overall active State enrollment increased by 38 coverages from the end of FY 2012 to May 2013. And in the Local Fund, the overall active Local enrollment increased by 317 coverages from the end of FY 2012 to May 2013.

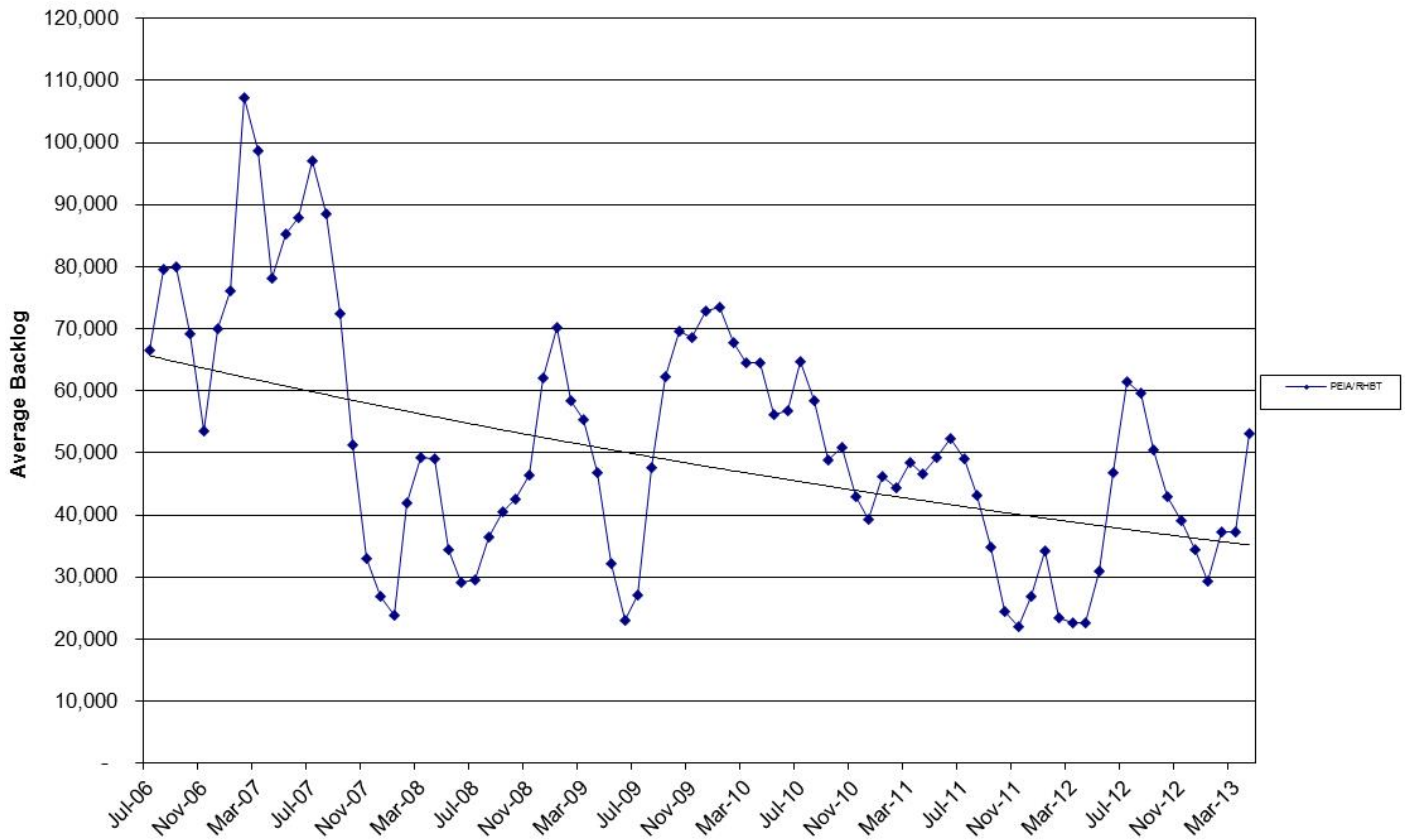
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2011, June 2012 and May 2013 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-11	Jun-12	May-13	Jun-11	Jun-12	May-13
State Active	Single	22,737	22,488	22,352	1,792	1,960	1,886
	Children	5,889	6,247	6,439	535	622	646
	Family	30,651	30,358	30,482	2,943	2,984	2,892
	Total	59,277	59,093	59,273	5,270	5,566	5,424
Local Active	Single	5,036	5,014	5,088	247	300	323
	Children	865	863	954	81	98	106
	Family	5,194	5,208	5,311	98	109	127
	Total	11,095	11,085	11,353	426	507	556
Plan Total		70,372	70,178	70,626	5,696	6,073	5,980
Grand Total					76,068	76,251	76,606

B. Changes in Claim Backlog

It should be noted that on July 1, 2006, all retirees were transferred to the RHBT. While the chart below, which has not been adjusted to reflect the smaller risk pool, indicates a lower backlog, the duration of claim payments has been gradually declining for the self-insured block of non-Medicare coverages, and backlog has shown a decreasing trend since July 2012.

WV PEIA&RHBT Claim Backlog July 2006 through April 2013



C. Trend Analysis

PEIA has experienced favorable medical and prescription drug trends in FY 2012, and over the long term, trends have been favorable. CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2012”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2013 medical claim trend to 5.5%. Additionally, due to PEIA’s favorable FY 2012 prescription drug experience, we have decreased our trend assumption for all prescription drugs coverage to 8.5% in FY 2013.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2013 Trend	Updated Assumption FY 2013 Trend
Active Local – Medical	6.5%	5.5%
State – Medical	6.5%	5.5%
Active Local – Drugs	10.0%	8.5%
State – Drugs	10.0%	8.5%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2014. At the Board’s request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through April 2013. It is important to note that these trends *have not* been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies, nor the changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

PEIA Historical Trends (Active Local and State)

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

* Fiscal Year 2013 results are through the first ten months ending April 2013.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through April 2013 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 2013 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2013 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	59,039	\$ 479	\$ 124	\$ 419	\$ 147	
	Managed Care	5,401	\$ 486	\$ 144			\$ 562
	Total	64,440					
Local	PPB	11,231	\$ 590	\$ -	\$ 419	\$ 125	
	Managed Care	552	\$ 455	\$ -			\$ 446
	Total	11,783					

*Net of rebates and subsidies.

Projected plan revenues, administrative expenses, life insurance premiums, and the amount to be spent on wellness programs were provided by PEIA. Interest income is currently allocated to each fund based on average reserve levels for each fund. The following chart summarizes the additional revenues from employers, employees and direct transfers assumed in the report.

Board Decisions – December 2012

Source	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Additional State Employer Revenue	\$18,500,000	\$0	\$30,000,000	\$40,000,000	\$34,000,000
Additional Local Agency Revenue	\$0	\$0	\$0	\$5,500,000	\$15,500,000
Additional Employee Premium	\$0	\$0	\$900,000	\$10,000,000	\$8,500,000
Direct Transfer	\$0	\$7,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Benefit Reductions/(Increase)	\$22,489,000	\$0	\$0	\$0	\$0
Autism Bill (Cost)	(\$3,000,000)	\$0	\$0	\$0	\$0
PPACA Savings/(Cost)	(\$9,534,000)	\$0	\$0	\$0	\$0
ACA Reinsurance Contributions (Cost)	\$0	(\$4,900,000)	(\$8,500,000)	(\$5,400,000)	(\$1,800,000)
ACA Comparative Effectiveness Research Fees (Cost)	(\$169,511)	(\$341,049)	(\$343,090)	(\$345,142)	(\$347,208)
Pay Go Premium Transfer	\$163,111,603	\$160,822,000	\$169,716,818	\$179,963,312	\$190,139,316

The \$22,489,000 reduction in benefits in Fiscal Year 2013 is comprised of the following changes:

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

The \$9,534,000 of PPACA benefit enhancements is comprised of the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children coverage to age 26. The Autism Bill enacted by the state legislature is estimated to cost \$3 million in Fiscal Year 2013.

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

Under the final rule, issuers would be required to pay a reinsurance contribution of \$5.25 per member per month to HHS in 2014. The \$5.25 contribution rate would gradually decrease in 2015 and 2016. From 2017 and beyond, no further reinsurance contributions will be collected. PEIA will not receive any benefit payments from the national reinsurance program. PEIA will be subject to paying the reinsurance contributions through FY 2017 and the projected expenses of the reinsurance contributions are included in the current financial plan. The total reinsurance contributions for the financial projection are estimated to be \$20,600,000.

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. The fees will 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.

PEIA will pay the fees for the FY 2013 through FY 2019 plan years. In the first year it applies, the fee will be \$1 multiplied by the average number of lives covered under the plan (including dependents). In subsequent years, the multiplier is \$2 times the average number of covered lives, but this number will be reviewed annually and could change. We assume \$2 for future years after FY 2013 in the projection. The total comparative effectiveness research fees for the financial projection are estimated to be \$2,246,664.

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

In FY 2013 the Pay-Go is equivalent to \$343 per retiree per month. In future years, the Pay Go premium will continue to increase each year by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2012.

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 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 \$737,136,076 and incurred plan expenses of \$702,175,082 to produce a fiscal year surplus of \$34,960,994. It should be noted that this is an improvement from the projected surplus of \$7,935,915 in the PEIA December 31, 2012 Quarterly Report due to the increase in investment income and favorable medical and drug claims experience. The PEIA local and state agencies Pay Go premiums for FY 2013 are assumed to be \$163,111,603.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$225,438,670 and the FY 2014 expenditures of \$742,344,944, which represents 30% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

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 \$739,244,653 and incurred plan expenses of \$742,344,944 to produce a fiscal year deficit of (\$3,100,291). The PEIA local and state agencies Pay Go premiums for FY 2014 are assumed to be \$160,822,000.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$222,338,379 and the FY 2015 expenditures of \$794,255,780, which represents 28% 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 \$238,538,795 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$206,061,144.

FISCAL YEAR 2015 FORECAST

The financial forecast for FY 2015 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2015 projects accrued revenue of \$766,726,359 and incurred plan expenses of \$794,255,780 to produce a fiscal year deficit of (\$27,529,421). The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$169,716,819.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$194,808,958 and the FY 2016 expenditures of \$846,348,449, which represents 23% 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 \$235,117,891 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$153,794,819.

FISCAL YEAR 2016 FORECAST

The financial forecast for FY 2016 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2016 projects accrued revenue of \$822,903,947 and incurred plan expenses of \$846,348,449 to produce a fiscal year deficit of (\$23,444,502). The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$179,963,313.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$171,364,456 and the FY 2017 expenditures of \$904,211,321, which represents 19% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$248,706,404 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$91,664,248.

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 \$882,077,884 and incurred plan expenses of \$904,211,321 to produce a fiscal year deficit of (\$22,133,437). The PEIA local and state agencies Pay Go premiums for FY 2017 are assumed to be \$190,139,316.

Under the Baseline Scenario, FY 2017 is projected to end with a reserve of \$149,231,019 and the FY 2018 expenditures of \$972,762,072, which represents 15% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$278,880,847 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$13,914,313.

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 2017 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 2013**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,220,688	\$ 439,460,703	\$ 542,681,391
Employer Premiums - MCO	3,916,732	40,785,701	44,702,433
Employee Premiums - PPB	-	113,967,591	113,967,591
Employee Premiums - MCO	-	12,057,297	12,057,297
Life Insurance	487,370	2,710,599	3,197,969
Direct Transfers	-	-	-
Investment Income	2,609,485	10,941,836	13,551,321
COBRA Premiums	420,390	1,745,533	2,165,923
Administrative Fees	735,724	4,076,427	4,812,151
Total Revenue	\$ 111,390,389	\$ 625,745,687	\$ 737,136,076
<u>Program Expenses</u>			
Medical Claims	\$ 56,408,754	\$ 296,819,238	\$ 353,227,992
Prescription Drug Claims	16,788,414	103,909,411	120,697,825
Managed Care Capitations	2,951,317	36,453,297	39,404,614
Administration	2,929,357	16,292,146	19,221,503
Life Insurance	488,062	2,714,446	3,202,508
Wellness	413,488	2,299,689	2,713,177
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	24,483	145,028	169,511
Director's Discretionary Fund	65,849	360,500	426,349
WV RHBT Pay Go Premiums	24,663,712	138,447,891	163,111,603
Total Expenses	\$ 104,733,436	\$ 597,441,646	\$ 702,175,082
Fiscal Year Results	\$ 6,656,953	\$ 28,304,041	\$ 34,960,994
Beginning Plan Reserve	39,375,010	151,102,666	190,477,676
Ending Plan Reserve	\$ 46,031,963	\$ 179,406,707	\$ 225,438,670

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	5.5%	8.5%
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		1.5%
		Administrative Expense		-5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,220,688	\$ -	\$ 103,220,688
Employer Premiums - MCO	3,916,732	-	3,916,732
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	487,370		487,370
Direct Transfers	-		-
Investment Income	2,609,485		2,609,485
COBRA Premiums	420,390		420,390
Administrative Fees	735,724		735,724
Total Revenue	\$ 111,390,389	\$ -	\$ 111,390,389
<u>Program Expenses</u>			
Medical Claims	\$ 55,803,272	\$ 605,482	\$ 56,408,754
Prescription Drug Claims	18,296,391	(1,507,977)	16,788,414
Managed Care Capitations	2,951,317		2,951,317
Administration	2,929,357		2,929,357
Life Insurance	488,062		488,062
Wellness	413,488		413,488
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	24,483		24,483
Director's Discretionary Fund	65,849		65,849
WV RHBT Pay Go Premiums	24,663,712		24,663,712
Total Expenses	\$ 105,635,931	\$ (902,495)	\$ 104,733,436
Fiscal Year Results	\$ 5,754,458		\$ 6,656,953
Beginning Plan Reserve	39,375,010		39,375,010
Ending Plan Reserve	\$ 45,129,468		\$ 46,031,963

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.5%	8.5%
		Capitations		1.5%
		Administrative Expense		-5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 439,460,703	\$ -	\$ 439,460,703
Employer Premiums - MCO	40,785,701	-	40,785,701
Employee Premiums - PPB	113,967,591	-	113,967,591
Employee Premiums - MCO	12,057,297	-	12,057,297
Life Insurance	2,710,599		2,710,599
Direct Transfers	-		-
Investment Income	10,941,836		10,941,836
COBRA Premiums	1,745,533		1,745,533
Administrative Fees	4,076,427		4,076,427
Total Revenue	\$ 625,745,687	\$ -	\$ 625,745,687
<u>Program Expenses</u>			
Medical Claims	\$ 293,633,232	\$ 3,186,006	\$ 296,819,238
Prescription Drug Claims	116,283,782	(12,374,371)	103,909,411
Managed Care Capitations	36,453,297		36,453,297
Administration	16,292,146		16,292,146
Life Insurance	2,714,446		2,714,446
Wellness	2,299,689		2,299,689
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	145,028		145,028
Director's Discretionary Fund	360,500		360,500
WV RHBT Pay Go Premiums	138,447,891		138,447,891
Total Expenses	\$ 606,630,011	\$ (9,188,365)	\$ 597,441,646
Fiscal Year Results	\$ 19,115,676		\$ 28,304,041
Beginning Plan Reserve	151,102,666		151,102,666
Ending Plan Reserve	\$ 170,218,342		\$ 179,406,707

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		1.5%
		Administrative Expense		-5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,220,688	\$ 439,460,703	\$ 542,681,391
Employer Premiums - MCO	3,916,732	40,785,701	44,702,433
Employee Premiums - PPB	-	113,967,591	113,967,591
Employee Premiums - MCO	-	12,057,297	12,057,297
Life Insurance	511,739	2,846,128	3,357,867
Direct Transfers	-	7,500,000	7,500,000
Investment Income	1,532,452	6,467,548	8,000,000
COBRA Premiums	420,390	1,745,533	2,165,923
Administrative Fees	735,724	4,076,427	4,812,151
Total Revenue	\$ 110,337,725	\$ 628,906,928	\$ 739,244,653
<u>Program Expenses</u>			
Medical Claims	\$ 60,227,175	\$ 314,621,757	\$ 374,848,932
Prescription Drug Claims	18,432,687	113,263,828	131,696,514
Managed Care Capitations	3,128,396	38,640,495	41,768,891
Administration	3,075,825	17,106,753	20,182,578
Life Insurance	512,465	2,850,168	3,362,633
Wellness	413,488	2,299,689	2,713,177
ACA Reinsurance Contributions	700,000	4,200,000	4,900,000
ACA Comparative Effectiveness Research Fees	49,401	291,648	341,049
Director's Discretionary Fund	265,412	1,443,758	1,709,170
WV RHBT Pay Go Premiums	24,317,508	136,504,493	160,822,000
Total Expenses	\$ 111,122,356	\$ 631,222,588	\$ 742,344,944
Fiscal Year Results	\$ (784,631)	\$ (2,315,660)	\$ (3,100,291)
Beginning Plan Reserve	46,031,963	179,406,707	225,438,670
Ending Plan Reserve	\$ 45,247,331	\$ 177,091,047	\$ 222,338,379

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	6.0%	9.0%
Direct Transfers	\$ 7,500,000	State	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,220,688	\$ -	\$ 103,220,688
Employer Premiums - MCO	3,916,732	-	3,916,732
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	511,739		511,739
Direct Transfers	-		-
Investment Income	1,532,452		1,532,452
COBRA Premiums	420,390		420,390
Administrative Fees	735,724		735,724
Total Revenue	\$ 110,337,725	\$ -	\$ 110,337,725
<u>Program Expenses</u>			
Medical Claims	\$ 60,227,175	\$ -	\$ 60,227,175
Prescription Drug Claims	18,432,687	-	18,432,687
Managed Care Capitations	3,128,396		3,128,396
Administration	3,075,825		3,075,825
Life Insurance	512,465		512,465
Wellness	413,488		413,488
ACA Reinsurance Contributions	700,000		700,000
ACA Comparative Effectiveness Research Fees	49,401		49,401
Director's Discretionary Fund	265,412		265,412
WV RHBT Pay Go Premiums	24,317,508		24,317,508
Total Expenses	\$ 111,122,357	\$ -	\$ 111,122,357
Fiscal Year Results	\$ (784,632)		\$ (784,632)
Beginning Plan Reserve	46,031,963		46,031,963
Ending Plan Reserve	\$ 45,247,331		\$ 45,247,331

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 439,460,703	\$ -	\$ 439,460,703
Employer Premiums - MCO	40,785,701	-	40,785,701
Employee Premiums - PPB	113,967,591	-	113,967,591
Employee Premiums - MCO	12,057,297	-	12,057,297
Life Insurance	2,846,128		2,846,128
Direct Transfers	7,500,000		7,500,000
Investment Income	6,467,548		6,467,548
COBRA Premiums	1,745,533		1,745,533
Administrative Fees	4,076,427		4,076,427
Total Revenue	\$ 628,906,928	\$ -	\$ 628,906,928
<u>Program Expenses</u>			
Medical Claims	\$ 314,621,757	\$ -	\$ 314,621,757
Prescription Drug Claims	113,263,828	-	113,263,828
Managed Care Capitations	38,640,495		38,640,495
Administration	17,106,753		17,106,753
Life Insurance	2,850,168		2,850,168
Wellness	2,299,689		2,299,689
ACA Reinsurance Contributions	4,200,000		4,200,000
ACA Comparative Effectiveness Research Fees	291,648		291,648
Director's Discretionary Fund	1,443,758		1,443,758
WV RHBT Pay Go Premiums	136,504,493		136,504,493
Total Expenses	\$ 631,222,589	\$ -	\$ 631,222,589
Fiscal Year Results	\$ (2,315,661)		\$ (2,315,661)
Beginning Plan Reserve	179,406,707		179,406,707
Ending Plan Reserve	\$ 177,091,046		\$ 177,091,046

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	\$ 7,500,000	State	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,220,688	\$ 466,912,905	\$ 570,133,593
Employer Premiums - MCO	3,916,732	43,333,499	47,250,231
Employee Premiums - PPB	-	114,781,484	114,781,484
Employee Premiums - MCO	-	12,143,403	12,143,403
Life Insurance	537,326	2,988,435	3,525,761
Direct Transfers	-	3,500,000	3,500,000
Investment Income	1,579,939	6,740,061	8,320,000
COBRA Premiums	438,599	1,821,137	2,259,736
Administrative Fees	735,724	4,076,427	4,812,151
Total Revenue	\$ 110,429,008	\$ 656,297,351	\$ 766,726,359
<u>Program Expenses</u>			
Medical Claims	\$ 64,005,255	\$ 334,358,137	\$ 398,363,392
Prescription Drug Claims	20,142,173	123,768,153	143,910,326
Managed Care Capitations	3,316,100	40,958,924	44,275,024
Administration	3,229,616	17,962,091	21,191,707
Life Insurance	538,089	2,992,676	3,530,765
Wellness	413,488	2,299,689	2,713,177
ACA Reinsurance Contributions	1,300,000	7,200,000	8,500,000
ACA Comparative Effectiveness Research Fees	49,840	293,250	343,090
Director's Discretionary Fund	265,579	1,445,900	1,711,479
WV RHBT Pay Go Premiums	25,662,472	144,054,347	169,716,819
Total Expenses	\$ 118,922,612	\$ 675,333,167	\$ 794,255,780
Fiscal Year Results	\$ (8,493,604)	\$ (19,035,816)	\$ (27,529,421)
Beginning Plan Reserve	45,247,331	177,091,047	222,338,379
Ending Plan Reserve	\$ 36,753,727	\$ 158,055,231	\$ 194,808,958

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 30,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 900,000	Active Local	6.5%	9.5%
Direct Transfers	\$ 3,500,000	State	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,220,688	\$ -	\$ 103,220,688
Employer Premiums - MCO	3,916,732	-	3,916,732
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	537,326		537,326
Direct Transfers	-		-
Investment Income	1,579,939		1,579,939
COBRA Premiums	438,599		438,599
Administrative Fees	735,724		735,724
Total Revenue	\$ 110,429,008	\$ -	\$ 110,429,008
<u>Program Expenses</u>			
Medical Claims	\$ 64,005,255	\$ -	\$ 64,005,255
Prescription Drug Claims	20,142,173	-	20,142,173
Managed Care Capitations	3,316,100		3,316,100
Administration	3,229,616		3,229,616
Life Insurance	538,089		538,089
Wellness	413,488		413,488
ACA Reinsurance Contributions	1,300,000		1,300,000
ACA Comparative Effectiveness Research Fees	49,840		49,840
Director's Discretionary Fund	265,579		265,579
WV RHBT Pay Go Premiums	25,662,472		25,662,472
Total Expenses	\$ 118,922,612	\$ -	\$ 118,922,612
Fiscal Year Results	\$ (8,493,604)		\$ (8,493,604)
Beginning Plan Reserve	45,247,331		45,247,331
Ending Plan Reserve	\$ 36,753,727		\$ 36,753,727

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 439,460,703	\$ 27,452,202	\$ 466,912,905
Employer Premiums - MCO	40,785,701	2,547,798	43,333,499
Employee Premiums - PPB	113,967,591	813,893	114,781,484
Employee Premiums - MCO	12,057,297	86,107	12,143,404
Life Insurance	2,988,435		2,988,435
Direct Transfers	3,500,000		3,500,000
Investment Income	6,740,061		6,740,061
COBRA Premiums	1,821,137		1,821,137
Administrative Fees	4,076,427		4,076,427
Total Revenue	\$ 625,397,352	\$ 30,900,000	\$ 656,297,352
<u>Program Expenses</u>			
Medical Claims	\$ 334,358,137	\$ -	\$ 334,358,137
Prescription Drug Claims	123,768,153	-	123,768,153
Managed Care Capitations	40,958,924		40,958,924
Administration	17,962,091		17,962,091
Life Insurance	2,992,676		2,992,676
Wellness	2,299,689		2,299,689
ACA Reinsurance Contributions	7,200,000		7,200,000
ACA Comparative Effectiveness Research Fees	293,250		293,250
Director's Discretionary Fund	1,445,900		1,445,900
WV RHBT Pay Go Premiums	144,054,347		144,054,347
Total Expenses	\$ 675,333,167	\$ -	\$ 675,333,167
Fiscal Year Results	\$ (49,935,815)		\$ (19,035,815)
Beginning Plan Reserve	177,091,046		177,091,046
Ending Plan Reserve	\$ 127,155,231		\$ 158,055,231

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 30,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 3,500,000	State	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 108,519,618	\$ 503,515,840	\$ 612,035,458
Employer Premiums - MCO	4,117,802	46,730,564	50,848,366
Employee Premiums - PPB	-	123,824,745	123,824,745
Employee Premiums - MCO	-	13,100,143	13,100,143
Life Insurance	564,192	3,137,857	3,702,049
Direct Transfers	-	3,500,000	3,500,000
Investment Income	1,536,007	7,116,793	8,652,800
COBRA Premiums	471,303	1,956,932	2,428,235
Administrative Fees	735,724	4,076,427	4,812,151
Total Revenue	\$ 115,944,646	\$ 706,959,301	\$ 822,903,947
<u>Program Expenses</u>			
Medical Claims	\$ 68,340,488	\$ 357,005,035	\$ 425,345,523
Prescription Drug Claims	22,110,950	135,865,747	157,976,697
Managed Care Capitations	3,515,066	43,416,460	46,931,526
Administration	3,391,097	18,860,195	22,251,292
Life Insurance	564,993	3,142,310	3,707,303
Wellness	413,488	2,299,689	2,713,177
ACA Reinsurance Contributions	800,000	4,600,000	5,400,000
ACA Comparative Effectiveness Research Fees	50,283	294,860	345,143
Director's Discretionary Fund	265,851	1,448,623	1,714,474
WV RHBT Pay Go Premiums	27,211,820	152,751,494	179,963,313
Total Expenses	\$ 126,664,036	\$ 719,684,413	\$ 846,348,449
Fiscal Year Results	\$ (10,719,390)	\$ (12,725,112)	\$ (23,444,502)
Beginning Plan Reserve	36,753,727	158,055,231	194,808,958
Ending Plan Reserve	\$ 26,034,338	\$ 145,330,119	\$ 171,364,456

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 40,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 5,500,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 10,000,000	<u>Medical</u>		
Direct Transfers	\$ 3,500,000	<u>Drugs</u>		
		Active Local	7.0%	10.0%
		State	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,220,688	\$ 5,298,931	\$ 108,519,619
Employer Premiums - MCO	3,916,732	201,069	4,117,801
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	564,192		564,192
Direct Transfers	-		-
Investment Income	1,536,007		1,536,007
COBRA Premiums	471,303		471,303
Administrative Fees	735,724		735,724
Total Revenue	\$ 110,444,646	\$ 5,500,000	\$ 115,944,646
<u>Program Expenses</u>			
Medical Claims	\$ 68,340,488	\$ -	\$ 68,340,488
Prescription Drug Claims	22,110,950	-	22,110,950
Managed Care Capitations	3,515,066		3,515,066
Administration	3,391,097		3,391,097
Life Insurance	564,993		564,993
Wellness	413,488		413,488
ACA Reinsurance Contributions	800,000		800,000
ACA Comparative Effectiveness Research Fees	50,283		50,283
Director's Discretionary Fund	265,851		265,851
WV RHBT Pay Go Premiums	27,211,820		27,211,820
Total Expenses	\$ 126,664,036	\$ -	\$ 126,664,036
Fiscal Year Results	\$ (16,219,390)		\$ (10,719,390)
Beginning Plan Reserve	36,753,727		36,753,727
Ending Plan Reserve	\$ 20,534,337		\$ 26,034,337

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 5,500,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 466,912,905	\$ 36,602,935	\$ 503,515,840
Employer Premiums - MCO	43,333,499	3,397,065	46,730,564
Employee Premiums - PPB	114,781,484	9,043,261	123,824,745
Employee Premiums - MCO	12,143,403	956,739	13,100,142
Life Insurance	3,137,857		3,137,857
Direct Transfers	3,500,000		3,500,000
Investment Income	7,116,793		7,116,793
COBRA Premiums	1,956,932		1,956,932
Administrative Fees	4,076,427		4,076,427
Total Revenue	\$ 656,959,300	\$ 50,000,000	\$ 706,959,300
<u>Program Expenses</u>			
Medical Claims	\$ 357,005,035	\$ -	\$ 357,005,035
Prescription Drug Claims	135,865,747	-	135,865,747
Managed Care Capitations	43,416,460		43,416,460
Administration	18,860,195		18,860,195
Life Insurance	3,142,310		3,142,310
Wellness	2,299,689		2,299,689
ACA Reinsurance Contributions	4,600,000		4,600,000
ACA Comparative Effectiveness Research Fees	294,860		294,860
Director's Discretionary Fund	1,448,623		1,448,623
WV RHBT Pay Go Premiums	152,751,494		152,751,494
Total Expenses	\$ 719,684,413	\$ -	\$ 719,684,413
Fiscal Year Results	\$ (62,725,113)		\$ (12,725,113)
Beginning Plan Reserve	158,055,231		158,055,231
Ending Plan Reserve	\$ 95,330,118		\$ 145,330,118

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 40,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 10,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 3,500,000	State	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 123,452,969	\$ 534,628,335	\$ 658,081,304
Employer Premiums - MCO	4,684,451	49,618,069	54,302,520
Employee Premiums - PPB	-	131,511,516	131,511,516
Employee Premiums - MCO	-	13,913,371	13,913,371
Life Insurance	592,402	3,294,749	3,887,151
Direct Transfers	-	3,500,000	3,500,000
Investment Income	1,449,073	8,016,473	9,465,546
COBRA Premiums	505,481	2,098,844	2,604,325
Administrative Fees	735,724	4,076,427	4,812,151
Total Revenue	\$ 131,420,100	\$ 750,657,784	\$ 882,077,884
<u>Program Expenses</u>			
Medical Claims	\$ 73,311,193	\$ 382,971,583	\$ 456,282,776
Prescription Drug Claims	24,382,759	149,825,395	174,208,154
Managed Care Capitations	3,725,970	46,021,447	49,747,417
Administration	3,560,652	19,803,205	23,363,857
Life Insurance	593,243	3,299,426	3,892,669
Wellness	413,488	2,299,689	2,713,177
ACA Reinsurance Contributions	300,000	1,500,000	1,800,000
ACA Comparative Effectiveness Research Fees	50,729	296,479	347,208
Director's Discretionary Fund	266,008	1,450,738	1,716,746
WV RHBT Pay Go Premiums	28,750,508	161,388,809	190,139,316
Total Expenses	\$ 135,354,550	\$ 768,856,771	\$ 904,211,321
Fiscal Year Results	\$ (3,934,450)	\$ (18,198,987)	\$ (22,133,437)
Beginning Plan Reserve	26,034,338	145,330,119	171,364,456
Ending Plan Reserve	\$ 22,099,888	\$ 127,131,131	\$ 149,231,019

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 34,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 15,500,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 8,500,000	<u>Medical</u>		
Direct Transfers	\$ 3,500,000	<u>Drugs</u>		
		Active Local	7.5%	10.5%
		State	7.5%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 108,519,618	\$ 14,933,351	\$ 123,452,969
Employer Premiums - MCO	4,117,802	566,649	4,684,451
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	592,402		592,402
Direct Transfers	-		-
Investment Income	1,449,073		1,449,073
COBRA Premiums	505,481		505,481
Administrative Fees	735,724		735,724
Total Revenue	\$ 115,920,100	\$ 15,500,000	\$ 131,420,100
<u>Program Expenses</u>			
Medical Claims	\$ 73,311,193	\$ -	\$ 73,311,193
Prescription Drug Claims	24,382,759	-	24,382,759
Managed Care Capitations	3,725,970		3,725,970
Administration	3,560,652		3,560,652
Life Insurance	593,243		593,243
Wellness	413,488		413,488
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	50,729		50,729
Director's Discretionary Fund	266,008		266,008
WV RHBT Pay Go Premiums	28,750,508		28,750,508
Total Expenses	\$ 135,354,550	\$ -	\$ 135,354,550
Fiscal Year Results	\$ (19,434,450)		\$ (3,934,450)
Beginning Plan Reserve	26,034,337		26,034,337
Ending Plan Reserve	\$ 6,599,887		\$ 22,099,887

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 15,500,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.5%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**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	\$ 503,515,840	\$ 31,112,495	\$ 534,628,335
Employer Premiums - MCO	46,730,564	2,887,505	49,618,069
Employee Premiums - PPB	123,824,745	7,686,772	131,511,517
Employee Premiums - MCO	13,100,143	813,228	13,913,371
Life Insurance	3,294,749		3,294,749
Direct Transfers	3,500,000		3,500,000
Investment Income	8,016,473		8,016,473
COBRA Premiums	2,098,844		2,098,844
Administrative Fees	4,076,427		4,076,427
Total Revenue	\$ 708,157,785	\$ 42,500,000	\$ 750,657,785
<u>Program Expenses</u>			
Medical Claims	\$ 382,971,583	\$ -	\$ 382,971,583
Prescription Drug Claims	149,825,395	-	149,825,395
Managed Care Capitations	46,021,447		46,021,447
Administration	19,803,205		19,803,205
Life Insurance	3,299,426		3,299,426
Wellness	2,299,689		2,299,689
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	296,479		296,479
Director's Discretionary Fund	1,450,738		1,450,738
WV RHBT Pay Go Premiums	161,388,809		161,388,809
Total Expenses	\$ 768,856,771	\$ -	\$ 768,856,771
Fiscal Year Results	\$ (60,698,986)		\$ (18,198,986)
Beginning Plan Reserve	145,330,118		145,330,118
Ending Plan Reserve	\$ 84,631,132		\$ 127,131,132

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 34,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 8,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 3,500,000	State	7.5%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2012 to FY 2013**

Fiscal Year 2012												
Exposure	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>
Local Medical	24,483	24,431	24,394	24,313	24,282	24,232	24,292	24,302	24,262	24,355	24,333	24,313
State Medical	135,664	134,520	134,651	135,322	135,587	135,573	135,784	135,516	135,505	135,458	135,541	135,513
Local Drugs	24,483	24,431	24,394	24,313	24,282	24,232	24,292	24,302	24,262	24,355	24,333	24,313
State Drugs	135,664	134,520	134,651	135,322	135,587	135,573	135,784	135,516	135,505	135,458	135,541	135,513
Local Medical	\$126.85	\$185.67	\$196.61	\$201.56	\$190.70	\$168.05	\$195.92	\$192.98	\$197.96	\$191.61	\$212.77	\$212.09
State Medical	\$157.99	\$190.64	\$166.80	\$179.09	\$186.06	\$182.30	\$193.00	\$200.50	\$206.21	\$200.41	\$210.25	\$227.56
Local Drugs	\$43.18	\$60.81	\$64.91	\$62.80	\$62.00	\$68.65	\$75.56	\$71.07	\$75.53	\$74.90	\$79.43	\$77.43
State Drugs	<u>49.05</u>	<u>67.96</u>	<u>67.32</u>	<u>68.29</u>	<u>67.64</u>	<u>74.00</u>	<u>74.88</u>	<u>76.80</u>	<u>81.43</u>	<u>77.06</u>	<u>83.57</u>	<u>84.99</u>
Total	\$377.07	\$505.09	\$495.64	\$511.74	\$506.40	\$492.99	\$539.35	\$541.34	\$561.13	\$543.98	\$586.02	\$602.07
Change From Prior Year - Month to Month Analysis												
Local Medical	-18.0%	17.6%	20.5%	22.4%	7.8%	6.5%	13.6%	-6.9%	-1.9%	6.8%	4.2%	-5.4%
State Medical	11.3%	13.1%	-3.5%	-0.2%	2.7%	6.3%	5.9%	8.9%	-1.6%	11.4%	11.2%	0.6%
Local Drugs	4.4%	8.8%	9.2%	5.0%	0.4%	4.7%	19.6%	7.8%	5.5%	12.1%	15.3%	4.3%
State Drugs	<u>9.1%</u>	<u>10.0%</u>	<u>2.9%</u>	<u>2.5%</u>	<u>-0.5%</u>	<u>0.6%</u>	<u>5.2%</u>	<u>13.6%</u>	<u>5.0%</u>	<u>7.1%</u>	<u>12.7%</u>	<u>2.4%</u>
Total	-1.5%	13.7%	7.5%	8.7%	3.8%	5.3%	10.3%	3.2%	0.1%	9.2%	9.3%	-0.9%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			7.0%			12.2%			0.9%			1.4%
State Medical			6.6%			2.9%			4.1%			7.2%
Local Drugs			7.8%			3.4%			10.7%			10.4%
State Drugs			<u>7.1%</u>			<u>0.9%</u>			<u>7.8%</u>			<u>7.2%</u>
Total			7.0%			5.9%			4.3%			5.5%
Change From Prior Year - Year to Year Analysis												
Local Medical			7.8%			9.7%			6.0%			5.0%
State Medical			6.5%			4.8%			3.5%			5.2%
Local Drugs			7.4%			5.9%			6.4%			8.2%
State Drugs			<u>7.7%</u>			<u>5.6%</u>			<u>5.2%</u>			<u>5.7%</u>
Total			7.3%			6.8%			5.0%			5.6%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2012 to FY 2013**

Fiscal Year 2013										
Exposure	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>
Local Medical	24,365	24,457	24,504	24,542	24,501	24,513	24,481	24,508	24,661	24,756
State Medical	134,967	134,169	134,046	134,991	135,550	135,655	135,777	135,614	135,757	135,854
Local Drugs	24,365	24,457	24,504	24,542	24,501	24,513	24,481	24,508	24,661	24,756
State Drugs	134,967	134,169	134,046	134,991	135,550	135,655	135,777	135,614	135,757	135,854
Local Medical	\$144.50	\$211.43	\$161.99	\$202.49	\$181.31	\$154.16	\$197.06	\$182.83	\$201.56	\$194.33
State Medical	\$144.47	\$166.01	\$164.06	\$183.30	\$181.77	\$168.10	\$202.59	\$185.24	\$189.08	\$193.45
Local Drugs	\$42.22	\$58.38	\$56.37	\$62.93	\$60.61	\$65.30	\$66.58	\$61.24	\$63.38	\$69.02
State Drugs	48.87	64.89	60.72	70.82	66.56	71.25	72.22	65.77	70.33	75.64
Total	\$380.05	\$500.71	\$443.14	\$519.54	\$490.25	\$458.81	\$538.45	\$495.08	\$524.36	\$532.44
Change From Prior Year - Month to Month Analysis										
Local Medical	13.9%	13.9%	-17.6%	0.5%	-4.9%	-8.3%	0.6%	-5.3%	1.8%	1.4%
State Medical	-8.6%	-12.9%	-1.6%	2.3%	-2.3%	-7.8%	5.0%	-7.6%	-8.3%	-3.5%
Local Drugs	-2.2%	-4.0%	-13.2%	0.2%	-2.2%	-4.9%	-11.9%	-13.8%	-16.1%	-7.8%
State Drugs	<u>-0.4%</u>	<u>-4.5%</u>	<u>-9.8%</u>	<u>3.7%</u>	<u>-1.6%</u>	<u>-3.7%</u>	<u>-3.6%</u>	<u>-14.4%</u>	<u>-13.6%</u>	<u>-1.8%</u>
Total	0.8%	-0.9%	-10.6%	1.5%	-3.2%	-6.9%	-0.2%	-8.5%	-6.6%	-2.1%
Change From Prior Year - Quarter to Quarter Analysis										
Local Medical			1.7%			-4.0%			-0.9%	
State Medical			-7.9%			-2.6%			-3.8%	
Local Drugs			-7.1%			-2.4%			-13.9%	
State Drugs			<u>-5.3%</u>			<u>-0.6%</u>			<u>-10.6%</u>	
Total			-3.9%			-2.8%			-5.1%	
Change From Prior Year - Year to Year Analysis										
Local Medical			3.8%			0.0%			-0.5%	
State Medical			1.9%			0.5%			-1.6%	
Local Drugs			4.9%			3.5%			-3.2%	
State Drugs			<u>3.0%</u>			<u>2.6%</u>			<u>-2.3%</u>	
Total			3.1%			1.0%			-1.5%	