

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
March 31, 2016**

Fiscal Years 2016-2020

June 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 2020.

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 preliminary forecasts for fiscal years ending June 30, 2016 (“FY 2016”), June 30, 2017 (“FY 2017”), June 30, 2018 (“FY 2018”), June 30, 2019 (“FY 2019”) and June 30, 2020 (“FY 2020”). Our opinion of plan adequacy is based on the projections through FY 2020 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 2020 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 2020 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 2020

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 May 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 June 2016 enrollment levels for the duration of these forecasts for active employees.

In aggregate, June 2016 enrollment for active employees has decreased by 659 coverages since the end of FY 2015. Aggregate PPB enrollment has decreased by 829 in total over the same period, while managed care enrollment experienced an increase of 170 coverages.

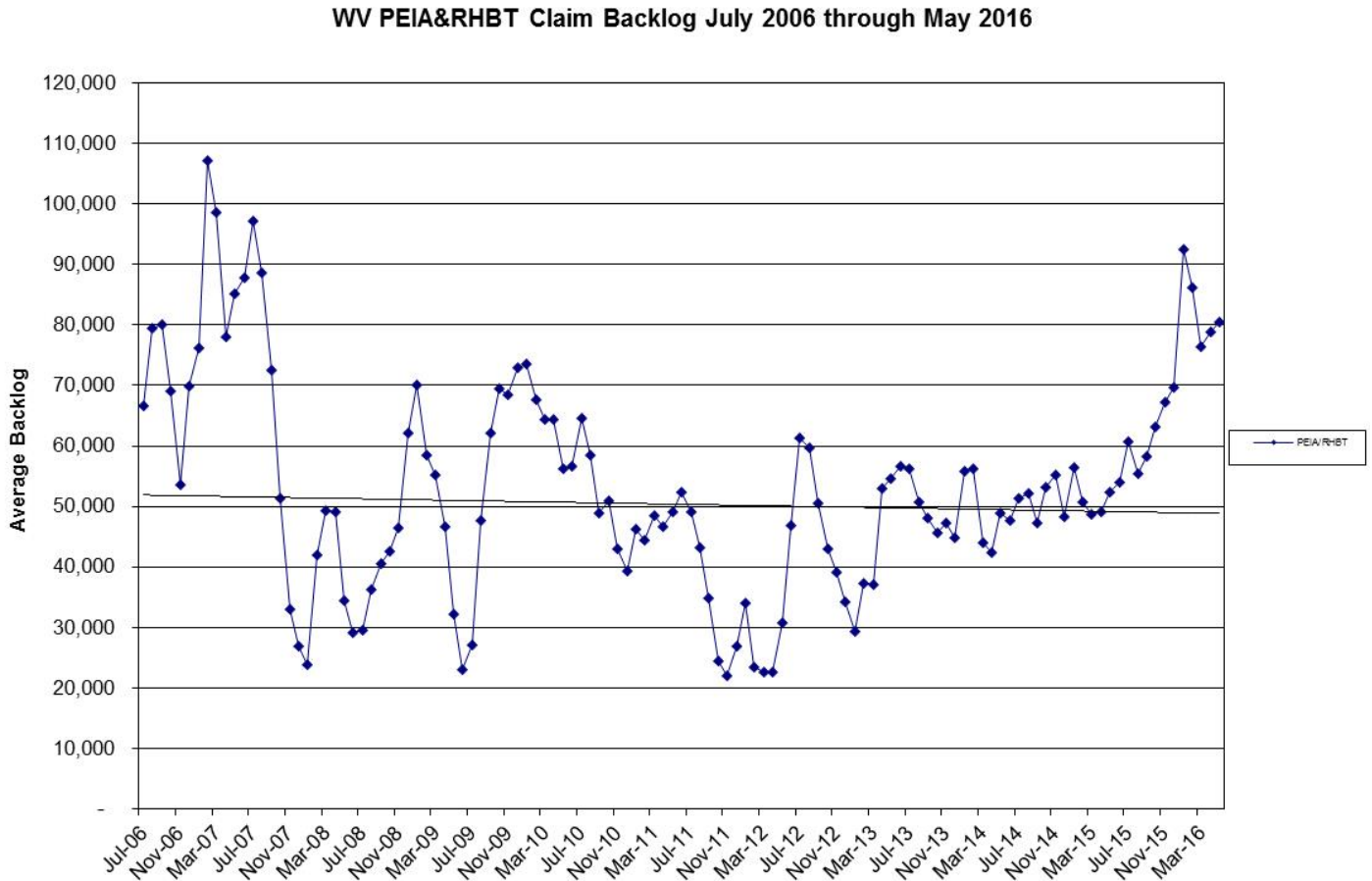
In the State Fund, the overall active State enrollment decreased by 409 coverages from the end of FY 2015 to June 2016. And in the Local Fund, the overall active Local enrollment decreased by 250 coverages from the end of FY 2015 to June 2016.

The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2014, June 2015 and June 2016 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-14	Jun-15	Jun-16	Jun-14	Jun-15	Jun-16
State Active	Single	22,043	22,080	22,035	1,903	1,889	1,946
	Children	6,582	6,295	6,250	627	571	591
	Family	30,446	30,344	29,925	2,817	2,759	2,782
	Total	59,071	58,719	58,210	5,347	5,219	5,319
Local Active	Single	5,207	5,474	5,204	372	371	399
	Children	975	1,013	959	112	102	106
	Family	5,511	5,720	5,724	156	149	187
	Total	11,693	12,207	11,887	640	622	692
Plan Total		70,764	70,926	70,097	5,987	5,841	6,011
Grand Total					76,751	76,767	76,108

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.



C. Trend Analysis

PEIA experienced slightly higher medical and prescription drug trends in FY 2015, 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, we have increased the FY 2016 medical claim trend assumption from 5.5% to 6.5%, and we have maintained the FY 2016 prescription drug claim trend assumption at 8.5%.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2016 Trend	Updated Assumption FY 2016 Trend
Active Local – Medical	5.5%	6.5%
State – Medical	5.5%	6.5%
Active Local – Drugs	8.5%	8.5%
State – Drugs	8.5%	8.5%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2017. 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 May 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*	3%	11%	12%	12%	6%

* Fiscal Year 2016 results are through the first eleven months ending May 2016.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through May 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 projection of FY 2016 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2016 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	58,321	\$ 478	\$ 120	\$ 507	\$ 167	
	Managed Care	5,282	\$ 499	\$ 143			\$ 515
	Total	63,603					
Local	PPB	11,856	\$ 570	\$ -	\$ 475	\$ 133	
	Managed Care	697	\$ 455	\$ -			\$ 479
	Total	12,553					

*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 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Additional State Employer Revenue	\$0	\$66,800,000	\$65,000,000	\$13,000,000	\$46,000,000
Additional Local Agency Revenue	(\$3,000,000)	\$4,150,000	\$21,000,000	\$15,000,000	\$13,000,000
Additional Employee Premium	\$0	\$14,500,000	\$16,300,000	\$3,300,000	\$11,500,000
State Direct Transfer	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Benefit Reductions and Savings / (Increase) - Active State	\$36,838,000	\$27,475,000	\$0	\$0	\$0
Benefit Reductions / (Increase) - Active Local	\$5,722,000	\$825,000	\$0	\$0	\$0
Benefit Reductions / (Increase) - Managed Care Capitations	\$4,889,416	\$0	\$0	\$0	\$0
PPACA Reinsurance Contributions (Cost)	(\$5,400,000)	(\$1,800,000)	\$0	\$0	\$0
PPACA Comparative Effectiveness Research Fees (Cost)	(\$344,692)	(\$315,469)	(\$315,327)	(\$315,258)	\$0
Pay Go Premium Transfer	\$148,564,750	\$180,000,000	\$190,000,000	\$200,000,000	\$210,000,000

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 \$7,200,000, with \$5,400,000 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 \$1,290,000, with \$344,692 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 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 \$704,466,465 and incurred plan expenses of \$770,754,832 to produce a fiscal year deficit of (\$66,288,367). The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$148,564,753.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$105,218,365 and the FY 2017 expenditures of \$810,105,472, which represents 13% of projected expenditures. This projected 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 \$804,959,558 and incurred plan expenses of \$810,105,472 to produce a fiscal year deficit of (\$5,145,914). 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 \$100,072,451 and the FY 2018 expenditures of \$864,837,763, which represents 12% 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 \$116,615,908 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$83,465,226.

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 \$907,785,325 and incurred plan expenses of \$864,837,763 to produce a fiscal year surplus of \$42,947,562. 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 \$143,020,012 and the FY 2019 expenditures of \$930,750,162, 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 \$185,881,217 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$99,455,580.

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 \$941,358,895 and incurred plan expenses of \$930,750,162 to produce a fiscal year surplus of \$10,608,733. 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 \$153,628,745 and the FY 2020 expenditures of \$1,001,500,370, 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 \$237,690,122 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$67,107,775.

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 \$1,013,001,629 and incurred plan expenses of \$1,001,500,370 to produce a fiscal year surplus of \$11,501,259. 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 \$165,130,003 and the FY 2021 expenditures of \$1,081,455,050, 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 \$307,933,270 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$16,275,835.

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 2020 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 FORECAST
FISCAL YEAR 2016**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,219,487	\$ 425,664,258	\$ 529,883,745
Employer Premiums - MCO	5,167,372	39,868,081	45,035,453
Employee Premiums - PPB	-	107,035,334	107,035,334
Employee Premiums - MCO	-	11,147,934	11,147,934
Life Insurance	342,256	1,768,860	2,111,116
Direct Transfers	-	-	-
Investment Income	561,799	1,788,268	2,350,067
Litigation Settlement	-	-	-
COBRA Premiums	408,491	1,696,125	2,104,616
Administrative Fees	733,591	4,064,609	4,798,200
Total Revenue	\$ 111,432,996	\$ 593,033,469	\$ 704,466,465
<u>Program Expenses</u>			
Medical Claims	\$ 67,547,643	\$ 354,873,273	\$ 422,420,916
Prescription Drug Claims	18,887,829	116,903,482	135,791,311
Managed Care Capitations	4,004,245	32,643,353	36,647,598
Administration	2,745,425	14,189,026	16,934,451
Life Insurance	343,136	1,773,413	2,116,549
Wellness	271,216	1,401,713	1,672,929
ACA Reinsurance Contributions	875,452	4,524,548	5,400,000
ACA Comparative Effectiveness Research Fees	51,507	293,185	344,692
Director's Discretionary Fund	133,418	728,215	861,633
WV RHBT Pay Go Premiums	24,488,905	124,075,848	148,564,753
Total Expenses	\$ 119,348,776	\$ 651,406,056	\$ 770,754,832
Fiscal Year Results	\$ (7,915,780)	\$ (58,372,587)	\$ (66,288,367)
Beginning Plan Reserve	46,347,365	125,159,367	171,506,732
Ending Plan Reserve	\$ 38,431,586	\$ 66,786,779	\$ 105,218,365

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		-6.1%
Direct Transfers	\$ -	Administrative Expense		-5.5%

**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	\$ 104,219,487	\$ -	\$ 104,219,487
Employer Premiums - MCO	5,167,372	-	5,167,372
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	342,256		342,256
Direct Transfers	-		-
Investment Income	561,799		561,799
Litigation Settlement	-		-
COBRA Premiums	408,491		408,491
Administrative Fees	733,591		733,591
Total Revenue	\$ 111,432,996	\$ -	\$ 111,432,996
<u>Program Expenses</u>			
Medical Claims	\$ 71,469,643	\$ (3,922,000)	\$ 67,547,643
Prescription Drug Claims	20,687,829	(1,800,000)	18,887,829
Managed Care Capitations	3,716,447	287,798	4,004,245
Administration	2,745,425		2,745,425
Life Insurance	343,136		343,136
Wellness	271,216		271,216
ACA Reinsurance Contributions	875,452		875,452
ACA Comparative Effectiveness Research Fees	51,507		51,507
Director's Discretionary Fund	133,418		133,418
WV RHBT Pay Go Premiums	24,488,905		24,488,905
Total Expenses	\$ 124,782,978	\$ (5,434,202)	\$ 119,348,776
Fiscal Year Results	\$ (13,349,982)		\$ (7,915,780)
Beginning Plan Reserve	46,347,365		46,347,365
Ending Plan Reserve	\$ 32,997,383		\$ 38,431,585

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		-6.1%
		Administrative Expense		-5.5%

**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	\$ 425,664,258	\$ -	\$ 425,664,258
Employer Premiums - MCO	39,868,081	-	39,868,081
Employee Premiums - PPB	107,035,334	-	107,035,334
Employee Premiums - MCO	11,147,934	-	11,147,934
Life Insurance	1,768,860		1,768,860
Direct Transfers	-		-
Investment Income	1,788,268		1,788,268
Litigation Settlement	-		-
COBRA Premiums	1,696,125		1,696,125
Administrative Fees	4,064,609		4,064,609
Total Revenue	\$ 593,033,469	\$ -	\$ 593,033,469
<u>Program Expenses</u>			
Medical Claims	\$ 381,011,273	\$ (26,138,000)	\$ 354,873,273
Prescription Drug Claims	127,603,482	(10,700,000)	116,903,482
Managed Care Capitations	37,820,567	(5,177,214)	32,643,353
Administration	14,189,026		14,189,026
Life Insurance	1,773,413		1,773,413
Wellness	1,401,713		1,401,713
ACA Reinsurance Contributions	4,524,548		4,524,548
ACA Comparative Effectiveness Research Fees	293,185		293,185
Director's Discretionary Fund	728,215		728,215
WV RHBT Pay Go Premiums	124,075,848		124,075,848
Total Expenses	\$ 693,421,271	\$ (42,015,214)	\$ 651,406,056
Fiscal Year Results	\$ (100,387,802)		\$ (58,372,587)
Beginning Plan Reserve	125,159,367		125,159,367
Ending Plan Reserve	\$ 24,771,565		\$ 66,786,780

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		-6.1%
		Administrative Expense		-5.5%

**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	\$ 108,173,444	\$ 486,743,521	\$ 594,916,965
Employer Premiums - MCO	5,363,415	45,588,818	50,952,233
Employee Premiums - PPB	-	120,167,585	120,167,585
Employee Premiums - MCO	-	12,515,683	12,515,683
Life Insurance	359,368	1,857,303	2,216,671
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,992,895	5,035,240	7,028,135
Litigation Settlement	-	-	-
COBRA Premiums	458,852	1,905,234	2,364,086
Administrative Fees	733,591	4,064,609	4,798,200
Total Revenue	\$ 117,081,565	\$ 687,877,993	\$ 804,959,558
<u>Program Expenses</u>			
Medical Claims	\$ 71,254,954	\$ 373,029,237	\$ 444,284,192
Prescription Drug Claims	20,532,629	103,155,346	123,687,975
Managed Care Capitations	4,244,500	34,601,954	38,846,454
Administration	2,259,962	13,277,737	15,537,699
Life Insurance	360,293	1,862,083	2,222,376
Wellness	271,216	1,401,713	1,672,929
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	280,932	1,457,447	1,738,379
WV RHBT Pay Go Premiums	30,478,663	149,521,337	180,000,000
Total Expenses	\$ 130,033,654	\$ 680,071,818	\$ 810,105,472
Fiscal Year Results	\$ (12,952,089)	\$ 7,806,175	\$ (5,145,914)
Beginning Plan Reserve	38,431,586	66,786,779	105,218,365
Ending Plan Reserve	\$ 25,479,497	\$ 74,592,954	\$ 100,072,451

KEY ASSUMPTIONS

		Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employer Premiums	\$ 66,800,000			
Additional Local Agency Revenue	\$ 4,150,000			
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	\$ 104,219,487	\$ 3,953,956	\$ 108,173,443
Employer Premiums - MCO	5,167,372	196,044	5,363,416
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	359,368		359,368
Direct Transfers	-		-
Investment Income	1,992,895		1,992,895
Litigation Settlement	-		-
COBRA Premiums	458,852		458,852
Administrative Fees	733,591		733,591
Total Revenue	\$ 112,931,565	\$ 4,150,000	\$ 117,081,565
<u>Program Expenses</u>			
Medical Claims	\$ 72,079,954	\$ (825,000)	\$ 71,254,954
Prescription Drug Claims	20,532,629	-	20,532,629
Managed Care Capitations	4,244,500		4,244,500
Administration	2,259,962		2,259,962
Life Insurance	360,293		360,293
Wellness	271,216		271,216
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	50,505		50,505
Director's Discretionary Fund	280,932		280,932
WV RHBT Pay Go Premiums	30,478,663		30,478,663
Total Expenses	\$ 130,858,654	\$ (825,000)	\$ 130,033,654
Fiscal Year Results	\$ (17,927,089)		\$ (12,952,089)
Beginning Plan Reserve	38,431,586		38,431,586
Ending Plan Reserve	\$ 20,504,497		\$ 25,479,497

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	\$ 425,664,258	\$ 61,079,264	\$ 486,743,522
Employer Premiums - MCO	39,868,081	5,720,736	45,588,817
Employee Premiums - PPB	107,035,334	13,132,251	120,167,585
Employee Premiums - MCO	11,147,934	1,367,749	12,515,683
Life Insurance	1,857,303		1,857,303
Direct Transfers	10,000,000		10,000,000
Investment Income	5,035,240		5,035,240
Litigation Settlement	-		-
COBRA Premiums	1,905,234		1,905,234
Administrative Fees	4,064,609		4,064,609
Total Revenue	\$ 606,577,993	\$ 81,300,000	\$ 687,877,993
<u>Program Expenses</u>			
Medical Claims	\$ 377,104,237	\$ (4,075,000)	\$ 373,029,237
Prescription Drug Claims	126,555,346	\$ (23,400,000)	103,155,346
Managed Care Capitations	34,601,954	-	34,601,954
Administration	13,277,737		13,277,737
Life Insurance	1,862,083		1,862,083
Wellness	1,401,713		1,401,713
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	264,964		264,964
Director's Discretionary Fund	1,457,447		1,457,447
WV RHBT Pay Go Premiums	149,521,337		149,521,337
Total Expenses	\$ 707,546,818	\$ (27,475,000)	\$ 680,071,818
Fiscal Year Results	\$ (100,968,825)		\$ 7,806,175
Beginning Plan Reserve	66,786,779		66,786,779
Ending Plan Reserve	\$ (34,182,046)		\$ 74,592,954

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	\$ 128,181,416	\$ 546,176,936	\$ 674,358,352
Employer Premiums - MCO	6,355,443	51,155,403	57,510,846
Employee Premiums - PPB	-	134,930,046	134,930,046
Employee Premiums - MCO	-	14,053,222	14,053,222
Life Insurance	377,337	1,950,169	2,327,506
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,524,986	5,607,446	7,132,432
Litigation Settlement	-	-	-
COBRA Premiums	519,144	2,155,577	2,674,721
Administrative Fees	733,591	4,064,609	4,798,200
Total Revenue	\$ 137,691,917	\$ 770,093,408	\$ 907,785,325
<u>Program Expenses</u>			
Medical Claims	\$ 76,437,641	\$ 400,161,296	\$ 476,598,937
Prescription Drug Claims	22,436,868	112,722,189	135,159,057
Managed Care Capitations	4,499,170	36,678,071	41,177,241
Administration	2,400,385	13,425,046	15,825,431
Life Insurance	378,308	1,955,187	2,333,495
Wellness	271,216	1,401,713	1,672,929
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	52,236	263,092	315,328
Director's Discretionary Fund	283,705	1,471,640	1,755,345
WV RHBT Pay Go Premiums	32,955,889	157,044,111	190,000,000
Total Expenses	\$ 139,715,418	\$ 725,122,346	\$ 864,837,763
Fiscal Year Results	\$ (2,023,501)	\$ 44,971,062	\$ 42,947,562
Beginning Plan Reserve	25,479,497	74,592,954	100,072,451
Ending Plan Reserve	\$ 23,455,996	\$ 119,564,016	\$ 143,020,012

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 65,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 21,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 16,300,000	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	\$ 108,173,444	\$ 20,007,972	\$ 128,181,416
Employer Premiums - MCO	5,363,415	992,028	6,355,443
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	377,337		377,337
Direct Transfers	-		-
Investment Income	1,524,986		1,524,986
Litigation Settlement	-		-
COBRA Premiums	519,144		519,144
Administrative Fees	733,591		733,591
Total Revenue	\$ 116,691,917	\$ 21,000,000	\$ 137,691,917
<u>Program Expenses</u>			
Medical Claims	\$ 76,437,641		\$ 76,437,641
Prescription Drug Claims	22,436,868		22,436,868
Managed Care Capitations	4,499,170		4,499,170
Administration	2,400,385		2,400,385
Life Insurance	378,308		378,308
Wellness	271,216		271,216
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	52,236		52,236
Director's Discretionary Fund	283,705		283,705
WV RHBT Pay Go Premiums	32,955,889		32,955,889
Total Expenses	\$ 139,715,418	\$ -	\$ 139,715,418
Fiscal Year Results	\$ (23,023,501)		\$ (2,023,501)
Beginning Plan Reserve	25,479,497		25,479,497
Ending Plan Reserve	\$ 2,455,996		\$ 23,455,996

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 21,000,000	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	\$ 486,743,521	\$ 59,433,415	\$ 546,176,936
Employer Premiums - MCO	45,588,818	5,566,585	51,155,403
Employee Premiums - PPB	120,167,585	14,762,461	134,930,046
Employee Premiums - MCO	12,515,683	1,537,539	14,053,222
Life Insurance	1,950,169		1,950,169
Direct Transfers	10,000,000		10,000,000
Investment Income	5,607,446		5,607,446
Litigation Settlement	-		-
COBRA Premiums	2,155,577		2,155,577
Administrative Fees	4,064,609		4,064,609
Total Revenue	\$ 688,793,408	\$ 81,300,000	\$ 770,093,408
<u>Program Expenses</u>			
Medical Claims	\$ 400,161,296		\$ 400,161,296
Prescription Drug Claims	112,722,189		112,722,189
Managed Care Capitations	36,678,071		36,678,071
Administration	13,425,046		13,425,046
Life Insurance	1,955,187		1,955,187
Wellness	1,401,713		1,401,713
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	263,092		263,092
Director's Discretionary Fund	1,471,640		1,471,640
WV RHBT Pay Go Premiums	157,044,111		157,044,111
Total Expenses	\$ 725,122,345	\$ -	\$ 725,122,345
Fiscal Year Results	\$ (36,328,937)		\$ 44,971,063
Beginning Plan Reserve	74,592,954		74,592,954
Ending Plan Reserve	\$ 38,264,017		\$ 119,564,017

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 65,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 16,300,000	<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	\$ 142,472,825	\$ 558,063,619	\$ 700,536,444
Employer Premiums - MCO	7,064,034	52,268,720	59,332,754
Employee Premiums - PPB	-	137,918,766	137,918,766
Employee Premiums - MCO	-	14,364,502	14,364,502
Life Insurance	396,204	2,047,677	2,443,881
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,499,747	7,694,836	9,194,583
Litigation Settlement	-	-	-
COBRA Premiums	537,592	2,232,173	2,769,765
Administrative Fees	733,591	4,064,609	4,798,200
Total Revenue	\$ 152,703,993	\$ 788,654,902	\$ 941,358,895
<u>Program Expenses</u>			
Medical Claims	\$ 82,379,624	\$ 431,268,371	\$ 513,647,995
Prescription Drug Claims	24,629,937	123,740,107	148,370,044
Managed Care Capitations	4,769,120	38,878,755	43,647,875
Administration	3,061,762	15,812,773	18,874,535
Life Insurance	397,223	2,052,947	2,450,170
Wellness	271,216	1,401,713	1,672,929
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	54,025	261,232	315,257
Director's Discretionary Fund	286,325	1,485,032	1,771,357
WV RHBT Pay Go Premiums	35,531,446	164,468,554	200,000,000
Total Expenses	\$ 151,380,678	\$ 779,369,484	\$ 930,750,162
Fiscal Year Results	\$ 1,323,315	\$ 9,285,418	\$ 10,608,733
Beginning Plan Reserve	23,455,996	119,564,016	143,020,012
Ending Plan Reserve	\$ 24,779,311	\$ 128,849,434	\$ 153,628,745

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 13,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 15,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 3,300,000	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	\$ 128,181,416	\$ 14,291,409	\$ 142,472,825
Employer Premiums - MCO	6,355,443	708,591	7,064,034
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	396,204		396,204
Direct Transfers	-		-
Investment Income	1,499,747		1,499,747
Litigation Settlement	-		-
COBRA Premiums	537,592		537,592
Administrative Fees	733,591		733,591
Total Revenue	\$ 137,703,993	\$ 15,000,000	\$ 152,703,993
<u>Program Expenses</u>			
Medical Claims	\$ 82,379,624		\$ 82,379,624
Prescription Drug Claims	24,629,937		24,629,937
Managed Care Capitations	4,769,120		4,769,120
Administration	3,061,762		3,061,762
Life Insurance	397,223		397,223
Wellness	271,216		271,216
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	54,025		54,025
Director's Discretionary Fund	286,325		286,325
WV RHBT Pay Go Premiums	35,531,446		35,531,446
Total Expenses	\$ 151,380,678	\$ -	\$ 151,380,678
Fiscal Year Results	\$ (13,676,685)		\$ 1,323,315
Beginning Plan Reserve	23,455,996		23,455,996
Ending Plan Reserve	\$ 9,779,311		\$ 24,779,311

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 15,000,000	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	\$ 546,176,936	\$ 11,886,683	\$ 558,063,619
Employer Premiums - MCO	51,155,403	1,113,317	52,268,720
Employee Premiums - PPB	134,930,046	2,988,719	137,918,765
Employee Premiums - MCO	14,053,222	311,281	14,364,503
Life Insurance	2,047,677		2,047,677
Direct Transfers	10,000,000		10,000,000
Investment Income	7,694,836		7,694,836
Litigation Settlement	-		-
COBRA Premiums	2,232,173		2,232,173
Administrative Fees	4,064,609		4,064,609
Total Revenue	\$ 772,354,902	\$ 16,300,000	\$ 788,654,902
<u>Program Expenses</u>			
Medical Claims	\$ 431,268,371		\$ 431,268,371
Prescription Drug Claims	123,740,107		123,740,107
Managed Care Capitations	38,878,755		38,878,755
Administration	15,812,773		15,812,773
Life Insurance	2,052,947		2,052,947
Wellness	1,401,713		1,401,713
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	261,232		261,232
Director's Discretionary Fund	1,485,032		1,485,032
WV RHBT Pay Go Premiums	164,468,554		164,468,554
Total Expenses	\$ 779,369,484	\$ -	\$ 779,369,484
Fiscal Year Results	\$ (7,014,582)		\$ 9,285,418
Beginning Plan Reserve	119,564,016		119,564,016
Ending Plan Reserve	\$ 112,549,434		\$ 128,849,434

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 13,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 3,300,000	<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	\$ 154,858,712	\$ 600,124,190	\$ 754,982,902
Employer Premiums - MCO	7,678,147	56,208,149	63,886,296
Employee Premiums - PPB	-	148,333,999	148,333,999
Employee Premiums - MCO	-	15,449,269	15,449,269
Life Insurance	416,014	2,150,061	2,566,075
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,614,515	8,386,534	10,001,049
Litigation Settlement	-	-	-
COBRA Premiums	579,142	2,404,697	2,983,839
Administrative Fees	733,591	4,064,609	4,798,200
Total Revenue	\$ 165,880,121	\$ 847,121,508	\$ 1,013,001,629
<u>Program Expenses</u>			
Medical Claims	\$ 89,195,571	\$ 466,950,770	\$ 556,146,341
Prescription Drug Claims	27,160,562	136,453,895	163,614,457
Managed Care Capitations	5,055,267	41,211,481	46,266,748
Administration	3,183,447	16,257,323	19,440,770
Life Insurance	417,084	2,155,594	2,572,678
Wellness	271,216	1,401,713	1,672,929
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	-	-	-
Director's Discretionary Fund	288,796	1,497,651	1,786,447
WV RHBT Pay Go Premiums	38,207,804	171,792,196	210,000,000
Total Expenses	\$ 163,779,747	\$ 837,720,623	\$ 1,001,500,370
Fiscal Year Results	\$ 2,100,374	\$ 9,400,885	\$ 11,501,259
Beginning Plan Reserve	24,779,311	128,849,434	153,628,745
Ending Plan Reserve	\$ 26,879,684	\$ 138,250,319	\$ 165,130,003

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 46,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 13,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 11,500,000	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	\$ 142,472,825	\$ 12,385,888	\$ 154,858,713
Employer Premiums - MCO	7,064,034	614,112	7,678,146
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	416,014		416,014
Direct Transfers	-		-
Investment Income	1,614,515		1,614,515
Litigation Settlement	-		-
COBRA Premiums	579,142		579,142
Administrative Fees	733,591		733,591
Total Revenue	\$ 152,880,121	\$ 13,000,000	\$ 165,880,121
<u>Program Expenses</u>			
Medical Claims	\$ 89,195,571		\$ 89,195,571
Prescription Drug Claims	27,160,562		27,160,562
Managed Care Capitations	5,055,267		5,055,267
Administration	3,183,447		3,183,447
Life Insurance	417,084		417,084
Wellness	271,216		271,216
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	288,796		288,796
WV RHBT Pay Go Premiums	38,207,804		38,207,804
Total Expenses	\$ 163,779,747	\$ -	\$ 163,779,747
Fiscal Year Results	\$ (10,899,626)		\$ 2,100,374
Beginning Plan Reserve	24,779,311		24,779,311
Ending Plan Reserve	\$ 13,879,685		\$ 26,879,685

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 13,000,000	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	\$ 558,063,619	\$ 42,060,571	\$ 600,124,190
Employer Premiums - MCO	52,268,720	3,939,429	56,208,149
Employee Premiums - PPB	137,918,766	10,415,234	148,334,000
Employee Premiums - MCO	14,364,502	1,084,766	15,449,268
Life Insurance	2,150,061		2,150,061
Direct Transfers	10,000,000		10,000,000
Investment Income	8,386,534		8,386,534
Litigation Settlement	-		-
COBRA Premiums	2,404,697		2,404,697
Administrative Fees	4,064,609		4,064,609
Total Revenue	\$ 789,621,508	\$ 57,500,000	\$ 847,121,508
<u>Program Expenses</u>			
Medical Claims	\$ 466,950,770		\$ 466,950,770
Prescription Drug Claims	136,453,895		136,453,895
Managed Care Capitations	41,211,481		41,211,481
Administration	16,257,323		16,257,323
Life Insurance	2,155,594		2,155,594
Wellness	1,401,713		1,401,713
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Director's Discretionary Fund	1,497,651		1,497,651
WV RHBT Pay Go Premiums	171,792,196		171,792,196
Total Expenses	\$ 837,720,623	\$ -	\$ 837,720,623
Fiscal Year Results	\$ (48,099,115)		\$ 9,400,885
Beginning Plan Reserve	128,849,434		128,849,434
Ending Plan Reserve	\$ 80,750,319		\$ 138,250,319

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 46,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 11,500,000	<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%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2015 to FY 2016**

Fiscal Year 2015												
Exposure	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>
Local Medical	25,820	25,754	25,731	25,764	25,823	25,823	26,080	26,460	26,446	26,453	26,349	26,318
State Medical	132,621	132,295	132,029	133,050	133,053	133,126	133,227	133,139	133,103	133,069	132,908	132,644
Local Drugs	25,820	25,754	25,731	25,764	25,823	25,823	26,080	26,460	26,446	26,453	26,349	26,318
State Drugs	132,621	132,295	132,029	133,050	133,053	133,126	133,227	133,139	133,103	133,069	132,908	132,644
Local Medical	\$193.25	\$189.09	\$204.41	\$219.14	\$211.96	\$222.59	\$205.79	\$212.25	\$224.22	\$222.26	\$236.71	\$206.32
State Medical	\$201.69	\$195.62	\$218.65	\$227.16	\$189.24	\$223.35	\$223.23	\$204.67	\$229.11	\$234.52	\$229.58	\$262.85
Local Drugs	\$50.60	\$63.20	\$69.13	\$73.00	\$69.04	\$82.49	\$81.11	\$71.92	\$80.52	\$82.39	\$81.66	\$92.17
State Drugs	<u>61.27</u>	<u>71.45</u>	<u>73.89</u>	<u>76.53</u>	<u>72.07</u>	<u>83.97</u>	<u>83.26</u>	<u>77.29</u>	<u>86.72</u>	<u>84.81</u>	<u>85.07</u>	<u>95.08</u>
Total	\$506.80	\$519.36	\$566.08	\$595.82	\$542.31	\$612.41	\$593.39	\$566.14	\$620.56	\$623.98	\$633.01	\$656.42
Change From Prior Year - Month to Month Analysis												
Local Medical	17.1%	9.7%	-5.7%	1.2%	27.1%	38.6%	1.9%	14.9%	0.8%	-6.1%	2.6%	-5.7%
State Medical	14.9%	3.6%	18.5%	19.5%	1.0%	21.9%	8.0%	7.8%	9.7%	7.6%	10.7%	8.0%
Local Drugs	13.5%	11.3%	22.6%	9.9%	14.1%	19.7%	13.5%	11.8%	12.3%	13.4%	8.8%	11.8%
State Drugs	<u>11.8%</u>	<u>7.8%</u>	<u>13.2%</u>	<u>8.7%</u>	<u>6.4%</u>	<u>11.3%</u>	<u>7.2%</u>	<u>11.9%</u>	<u>12.7%</u>	<u>7.7%</u>	<u>6.8%</u>	<u>9.1%</u>
Total	15.2%	7.3%	8.2%	9.6%	12.4%	25.4%	6.4%	11.5%	7.0%	3.0%	6.8%	3.9%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			5.9%			20.2%			5.4%			-3.0%
State Medical			12.3%			14.1%			8.5%			8.7%
Local Drugs			15.9%			14.7%			12.5%			11.3%
State Drugs			<u>10.9%</u>			<u>8.9%</u>			<u>10.6%</u>			<u>7.9%</u>
Total			10.0%			15.6%			8.2%			4.5%
Change From Prior Year - Year to Year Analysis												
Local Medical			7.2%			11.7%			12.0%			6.5%
State Medical			5.9%			8.1%			9.9%			10.7%
Local Drugs			11.7%			14.2%			14.8%			13.4%
State Drugs			<u>8.2%</u>			<u>9.7%</u>			<u>10.4%</u>			<u>9.5%</u>
Total			7.4%			10.4%			11.3%			9.3%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2015 to FY 2016**

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>
Local Medical	25,512	25,655	25,752	25,676	25,687	25,650	25,727	25,823	25,824	25,808	25,717
State Medical	131,127	130,588	130,166	130,973	131,327	131,400	131,326	130,961	130,685	130,633	130,546
Local Drugs	25,512	25,655	25,752	25,676	25,687	25,650	25,727	25,823	25,824	25,808	25,717
State Drugs	131,127	130,588	130,166	130,973	131,327	131,400	131,326	130,961	130,685	130,633	130,546
Local Medical	\$161.29	\$173.38	\$188.13	\$182.90	\$191.38	\$200.94	\$195.86	\$244.24	\$265.42	\$256.06	\$237.10
State Medical	\$186.43	\$194.33	\$214.63	\$230.11	\$214.81	\$218.49	\$215.80	\$223.72	\$272.41	\$251.14	\$233.55
Local Drugs	\$56.36	\$65.86	\$69.48	\$74.08	\$72.38	\$79.01	\$76.51	\$79.41	\$85.25	\$81.57	\$79.76
State Drugs	<u>62.27</u>	<u>71.03</u>	<u>74.06</u>	<u>78.27</u>	<u>78.53</u>	<u>84.78</u>	<u>82.12</u>	<u>83.04</u>	<u>91.74</u>	<u>86.25</u>	<u>86.01</u>
Total	\$466.36	\$504.60	\$546.30	\$565.36	\$557.10	\$583.22	\$570.30	\$630.40	\$714.82	\$675.02	\$636.42
Change From Prior Year - Month to Month Analysis											
Local Medical	-16.5%	-8.3%	-8.0%	-16.5%	-9.7%	-9.7%	-4.8%	15.1%	18.4%	15.2%	0.2%
State Medical	-7.6%	-0.7%	-1.8%	1.3%	13.5%	-2.2%	-3.3%	9.3%	18.9%	7.1%	1.7%
Local Drugs	11.4%	4.2%	0.5%	1.5%	4.8%	-4.2%	-5.7%	10.4%	5.9%	-1.0%	-2.3%
State Drugs	<u>1.6%</u>	<u>-0.6%</u>	<u>0.2%</u>	<u>2.3%</u>	<u>9.0%</u>	<u>1.0%</u>	<u>-1.4%</u>	<u>7.4%</u>	<u>5.8%</u>	<u>1.7%</u>	<u>1.1%</u>
Total	-8.0%	-2.8%	-3.5%	-5.1%	2.7%	-4.8%	-3.9%	11.4%	15.2%	8.2%	0.5%
Change From Prior Year - Quarter to Quarter Analysis											
Local Medical			-10.9%			-12.0%			9.8%		
State Medical			-3.3%			3.7%			8.4%		
Local Drugs			4.8%			0.4%			3.3%		
State Drugs			<u>0.4%</u>			<u>3.9%</u>			<u>3.9%</u>		
Total			-4.7%			-2.6%			7.6%		
Change From Prior Year - Year to Year Analysis											
Local Medical			2.4%			-5.1%			-3.9%		
State Medical			6.9%			4.5%			4.5%		
Local Drugs			11.0%			7.3%			5.0%		
State Drugs			<u>7.1%</u>			<u>5.8%</u>			<u>4.2%</u>		
Total			5.8%			1.4%			1.4%		