



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
December 31, 2012**

Fiscal Years 2013-2017

March 2013

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Finance Board
West Virginia Public Employees Insurance Agency
601 57th St., SE, Suite 2
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Ladies and Gentlemen:

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and the Managing Partner in the firm of CCRC Actuaries, LLC (“CCRC Actuaries”).

CCRC Actuaries has been retained by the West Virginia Public Employees Insurance Agency Finance Board (“Board”) to assist it as provided under Code of the West Virginia 1931 (“Code”), as amended. The Board has asked CCRC Actuaries to review the financial plan prepared and proposed by the Board in December 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 2013 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 February 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 March 2013 enrollment levels for the duration of these forecasts for active employees.

In aggregate, March 2013 enrollment for active employees has increased by 331 coverages since the end of FY 2012. Aggregate PPB enrollment has increased by 419 in total over the same period, while managed care enrollment experienced a decrease of 88 coverages.

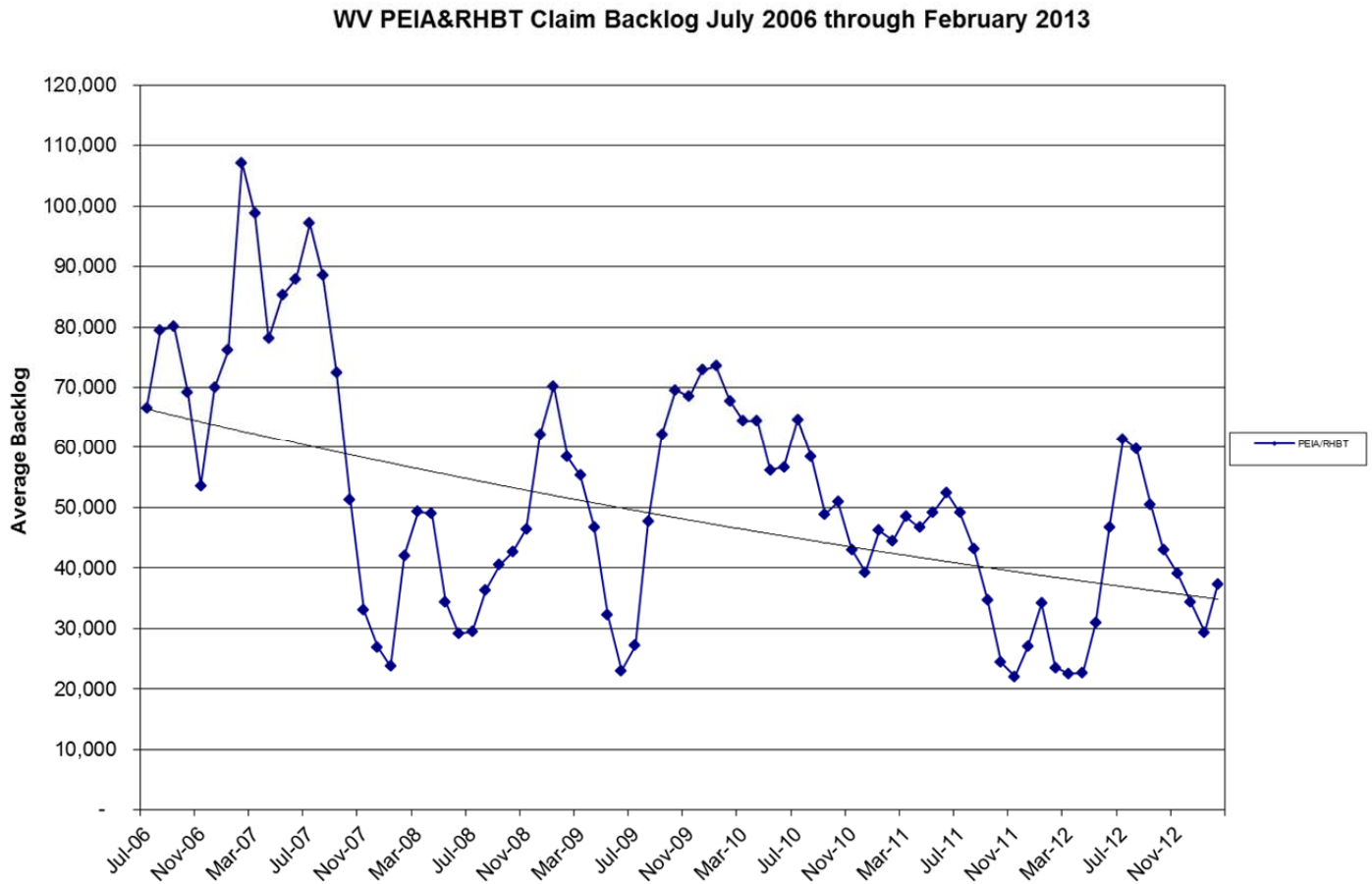
In the State Fund, the overall active State enrollment increased by 63 coverages from the end of FY 2012 to March 2013. And in the Local Fund, the overall active Local enrollment increased by 268 coverages from the end of FY 2012 to March 2013.

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

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-11	Jun-12	Mar-13	Jun-11	Jun-12	Mar-13
State Active	Single	22,737	22,488	22,368	1,792	1,960	1,888
	Children	5,889	6,247	6,392	535	622	641
	Family	30,651	30,358	30,542	2,943	2,984	2,891
	Total	59,277	59,093	59,302	5,270	5,566	5,420
Local Active	Single	5,036	5,014	5,094	247	300	333
	Children	865	863	927	81	98	106
	Family	5,194	5,208	5,274	98	109	126
	Total	11,095	11,085	11,295	426	507	565
Plan Total		70,372	70,178	70,597	5,696	6,073	5,985
Grand Total					76,068	76,251	76,582

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 been decreasing since July 2012.



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 February 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%	-1%	5%	6%	0%

* Fiscal Year 2013 results are through the first eight months ending February 2013.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through February 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	59,037	\$ 478	\$ 124	\$ 445	\$ 148	
	Managed Care	5,399	\$ 485	\$ 144			\$ 562
	Total	64,436					
Local	PPB	11,218	\$ 589	\$ -	\$ 445	\$ 126	
	Managed Care	554	\$ 454	\$ -			\$ 388
	Total	11,772					

*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	\$45,000,000	\$55,000,000	\$38,000,000
Additional Local Agency Revenue	\$0	\$0	\$0	\$13,000,000	\$15,500,000
Additional Employee Premium	\$0	\$0	\$4,700,000	\$13,800,000	\$9,500,000
Direct Transfer	\$3,500,000	\$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	\$162,818,000	\$160,822,000	\$169,796,566	\$180,473,485	\$190,699,021

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 \$736,616,999 and incurred plan expenses of \$725,181,084 to produce a fiscal year surplus of \$11,435,915. It should be noted that this is an improvement from the projected deficit of (\$18,179,502) in the PEIA Financial Plan Fiscal Years 2013-2017 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 \$162,818,000.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$201,913,591 and the FY 2014 expenditures of \$766,865,073, which represents 26% 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 \$743,694,063 and incurred plan expenses of \$766,865,073 to produce a fiscal year deficit of (\$23,171,010). 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 \$178,742,581 and the FY 2015 expenditures of \$820,436,227, which represents 22% 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 \$197,477,294 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$159,902,430.

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 \$792,939,372 and incurred plan expenses of \$820,436,227 to produce a fiscal year deficit of (\$27,496,855). The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$169,796,567.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$151,245,726 and the FY 2016 expenditures of \$874,771,375, which represents 17% 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 \$196,899,593 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$104,758,250.

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 \$873,942,120 and incurred plan expenses of \$874,771,375 to produce a fiscal year deficit of (\$829,255). The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$180,473,486.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$150,416,471 and the FY 2017 expenditures of \$934,767,179, which represents 16% 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 \$237,536,483 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$60,591,593.

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 \$937,911,721 and incurred plan expenses of \$934,767,179 to produce a fiscal year surplus of \$3,144,542. The PEIA local and state agencies Pay Go premiums for FY 2017 are assumed to be \$190,699,021.

Under the Baseline Scenario, FY 2017 is projected to end with a reserve of \$153,561,013 and the FY 2018 expenditures of \$1,006,082,141, 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 \$299,402,345 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$1,301,017.

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	\$ 103,055,625	\$ 438,766,670	\$ 541,822,295
Employer Premiums - MCO	3,919,375	40,708,388	44,627,763
Employee Premiums - PPB	-	113,913,593	113,913,593
Employee Premiums - MCO	-	12,054,348	12,054,348
Life Insurance	486,461	2,705,539	3,192,000
Direct Transfers	-	3,500,000	3,500,000
Investment Income	2,138,824	8,965,176	11,104,000
COBRA Premiums	322,776	1,340,224	1,663,000
Administrative Fees	724,693	4,015,307	4,740,000
Total Revenue	\$ 110,647,754	\$ 625,969,245	\$ 736,616,999
<u>Program Expenses</u>			
Medical Claims	\$ 59,936,830	\$ 315,383,743	\$ 375,320,573
Prescription Drug Claims	16,936,252	104,824,433	121,760,685
Managed Care Capitations	2,578,199	36,442,801	39,021,000
Administration	2,967,076	16,501,924	19,469,000
Life Insurance	486,918	2,708,082	3,195,000
Wellness	392,125	2,180,875	2,573,000
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	24,483	145,028	169,511
Director's Discretionary Fund	132,119	722,196	854,315
WV RHBT Pay Go Premiums	24,619,317	138,198,683	162,818,000
Total Expenses	\$ 108,073,319	\$ 617,107,765	\$ 725,181,084
Fiscal Year Results	\$ 2,574,435	\$ 8,861,480	\$ 11,435,915
Beginning Plan Reserve	39,375,010	151,102,666	190,477,676
Ending Plan Reserve	\$ 41,949,445	\$ 159,964,146	\$ 201,913,591

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	\$ 3,500,000	State	5.5%	8.5%
		Capitations		1.5%
		Administrative Expense		-3.8%

**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	\$ 103,055,625	\$ -	\$ 103,055,625
Employer Premiums - MCO	3,919,375	-	3,919,375
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	486,461		486,461
Direct Transfers	-		-
Investment Income	2,138,824		2,138,824
COBRA Premiums	322,776		322,776
Administrative Fees	724,693		724,693
Total Revenue	\$ 110,647,754	\$ -	\$ 110,647,754
<u>Program Expenses</u>			
Medical Claims	\$ 59,293,479	\$ 643,351	\$ 59,936,830
Prescription Drug Claims	18,457,508	(1,521,256)	16,936,252
Managed Care Capitations	2,578,199		2,578,199
Administration	2,967,076		2,967,076
Life Insurance	486,918		486,918
Wellness	392,125		392,125
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	24,483		24,483
Director's Discretionary Fund	132,119		132,119
WV RHBT Pay Go Premiums	24,619,317		24,619,317
Total Expenses	\$ 108,951,224	\$ (877,905)	\$ 108,073,319
Fiscal Year Results	\$ 1,696,530		\$ 2,574,435
Beginning Plan Reserve	39,375,010		39,375,010
Ending Plan Reserve	\$ 41,071,540		\$ 41,949,445

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		-3.8%

**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	\$ 438,766,670	\$ -	\$ 438,766,670
Employer Premiums - MCO	40,708,388	-	40,708,388
Employee Premiums - PPB	113,913,593	-	113,913,593
Employee Premiums - MCO	12,054,348	-	12,054,348
Life Insurance	2,705,539		2,705,539
Direct Transfers	3,500,000		3,500,000
Investment Income	8,965,176		8,965,176
COBRA Premiums	1,340,224		1,340,224
Administrative Fees	4,015,307		4,015,307
Total Revenue	\$ 625,969,245	\$ -	\$ 625,969,245
<u>Program Expenses</u>			
Medical Claims	\$ 311,998,469	\$ 3,385,274	\$ 315,383,743
Prescription Drug Claims	117,307,773	(12,483,340)	104,824,433
Managed Care Capitations	36,442,801		36,442,801
Administration	16,501,924		16,501,924
Life Insurance	2,708,082		2,708,082
Wellness	2,180,875		2,180,875
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	145,028		145,028
Director's Discretionary Fund	722,196		722,196
WV RHBT Pay Go Premiums	138,198,683		138,198,683
Total Expenses	\$ 626,205,831	\$ (9,098,066)	\$ 617,107,765
Fiscal Year Results	\$ (236,586)		\$ 8,861,480
Beginning Plan Reserve	151,102,666		151,102,666
Ending Plan Reserve	\$ 150,866,080		\$ 159,964,146

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 3,500,000	State	5.5%	8.5%
		Capitations		1.5%
		Administrative Expense		-3.8%

**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	\$ 103,055,625	\$ 438,766,670	\$ 541,822,295
Employer Premiums - MCO	3,919,375	40,708,388	44,627,763
Employee Premiums - PPB	-	113,913,593	113,913,593
Employee Premiums - MCO	-	12,054,348	12,054,348
Life Insurance	510,784	2,840,816	3,351,600
Direct Transfers	-	7,500,000	7,500,000
Investment Income	2,704,836	11,316,628	14,021,464
COBRA Premiums	322,776	1,340,224	1,663,000
Administrative Fees	724,693	4,015,307	4,740,000
Total Revenue	\$ 111,238,089	\$ 632,455,974	\$ 743,694,063
<u>Program Expenses</u>			
Medical Claims	\$ 63,698,382	\$ 334,741,688	\$ 398,440,070
Prescription Drug Claims	18,509,353	114,411,914	132,921,267
Managed Care Capitations	2,732,891	38,629,369	41,362,260
Administration	3,115,429	17,327,021	20,442,450
Life Insurance	511,264	2,843,486	3,354,750
Wellness	392,125	2,180,875	2,573,000
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	264,282	1,443,945	1,708,227
WV RHBT Pay Go Premiums	24,317,508	136,504,493	160,822,000
Total Expenses	\$ 114,290,634	\$ 652,574,439	\$ 766,865,073
Fiscal Year Results	\$ (3,052,545)	\$ (20,118,465)	\$ (23,171,010)
Beginning Plan Reserve	41,949,445	159,964,146	201,913,591
Ending Plan Reserve	\$ 38,896,899	\$ 139,845,682	\$ 178,742,581

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	\$ 103,055,625	\$ -	\$ 103,055,625
Employer Premiums - MCO	3,919,375	-	3,919,375
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	510,784		510,784
Direct Transfers	-		-
Investment Income	2,704,836		2,704,836
COBRA Premiums	322,776		322,776
Administrative Fees	724,693		724,693
Total Revenue	\$ 111,238,089	\$ -	\$ 111,238,089
<u>Program Expenses</u>			
Medical Claims	\$ 63,698,382	\$ -	\$ 63,698,382
Prescription Drug Claims	18,509,353	-	18,509,353
Managed Care Capitations	2,732,891		2,732,891
Administration	3,115,429		3,115,429
Life Insurance	511,264		511,264
Wellness	392,125		392,125
ACA Reinsurance Contributions	700,000		700,000
ACA Comparative Effectiveness Research Fees	49,401		49,401
Director's Discretionary Fund	264,282		264,282
WV RHBT Pay Go Premiums	24,317,508		24,317,508
Total Expenses	\$ 114,290,635	\$ -	\$ 114,290,635
Fiscal Year Results	\$ (3,052,546)		\$ (3,052,546)
Beginning Plan Reserve	41,949,445		41,949,445
Ending Plan Reserve	\$ 38,896,899		\$ 38,896,899

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	\$ 438,766,670	\$ -	\$ 438,766,670
Employer Premiums - MCO	40,708,388	-	40,708,388
Employee Premiums - PPB	113,913,593	-	113,913,593
Employee Premiums - MCO	12,054,348	-	12,054,348
Life Insurance	2,840,816		2,840,816
Direct Transfers	7,500,000		7,500,000
Investment Income	11,316,628		11,316,628
COBRA Premiums	1,340,224		1,340,224
Administrative Fees	4,015,307		4,015,307
Total Revenue	\$ 632,455,974	\$ -	\$ 632,455,974
<u>Program Expenses</u>			
Medical Claims	\$ 334,741,688	\$ -	\$ 334,741,688
Prescription Drug Claims	114,411,914	-	114,411,914
Managed Care Capitations	38,629,369		38,629,369
Administration	17,327,021		17,327,021
Life Insurance	2,843,486		2,843,486
Wellness	2,180,875		2,180,875
ACA Reinsurance Contributions	4,200,000		4,200,000
ACA Comparative Effectiveness Research Fees	291,648		291,648
Director's Discretionary Fund	1,443,945		1,443,945
WV RHBT Pay Go Premiums	136,504,493		136,504,493
Total Expenses	\$ 652,574,439	\$ -	\$ 652,574,439
Fiscal Year Results	\$ (20,118,465)		\$ (20,118,465)
Beginning Plan Reserve	159,964,146		159,964,146
Ending Plan Reserve	\$ 139,845,681		\$ 139,845,681

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	\$ 103,055,625	\$ 479,946,081	\$ 583,001,706
Employer Premiums - MCO	3,919,375	44,528,978	48,448,353
Employee Premiums - PPB	-	118,163,833	118,163,833
Employee Premiums - MCO	-	12,504,109	12,504,109
Life Insurance	536,323	2,982,857	3,519,180
Direct Transfers	-	3,500,000	3,500,000
Investment Income	3,404,111	13,879,065	17,283,176
COBRA Premiums	345,294	1,433,721	1,779,015
Administrative Fees	724,693	4,015,307	4,740,000
Total Revenue	\$ 111,985,421	\$ 680,953,951	\$ 792,939,372
<u>Program Expenses</u>			
Medical Claims	\$ 67,694,213	\$ 355,740,201	\$ 423,434,414
Prescription Drug Claims	20,225,949	125,022,716	145,248,665
Managed Care Capitations	2,896,865	40,947,131	43,843,996
Administration	3,271,201	18,193,372	21,464,573
Life Insurance	536,827	2,985,660	3,522,487
Wellness	392,125	2,180,875	2,573,000
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	264,284	1,445,151	1,709,435
WV RHBT Pay Go Premiums	25,674,530	144,122,037	169,796,567
Total Expenses	\$ 122,305,835	\$ 698,130,393	\$ 820,436,227
Fiscal Year Results	\$ (10,320,414)	\$ (17,176,442)	\$ (27,496,855)
Beginning Plan Reserve	38,896,899	139,845,682	178,742,581
Ending Plan Reserve	\$ 28,576,486	\$ 122,669,240	\$ 151,245,726

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 45,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 4,700,000	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	\$ 103,055,625	\$ -	\$ 103,055,625
Employer Premiums - MCO	3,919,375	-	3,919,375
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	536,323		536,323
Direct Transfers	-		-
Investment Income	3,404,111		3,404,111
COBRA Premiums	345,294		345,294
Administrative Fees	724,693		724,693
Total Revenue	\$ 111,985,421	\$ -	\$ 111,985,421
<u>Program Expenses</u>			
Medical Claims	\$ 67,694,213	\$ -	\$ 67,694,213
Prescription Drug Claims	20,225,949	-	20,225,949
Managed Care Capitations	2,896,865		2,896,865
Administration	3,271,201		3,271,201
Life Insurance	536,827		536,827
Wellness	392,125		392,125
ACA Reinsurance Contributions	1,300,000		1,300,000
ACA Comparative Effectiveness Research Fees	49,840		49,840
Director's Discretionary Fund	264,284		264,284
WV RHBT Pay Go Premiums	25,674,530		25,674,530
Total Expenses	\$ 122,305,834	\$ -	\$ 122,305,834
Fiscal Year Results	\$ (10,320,413)		\$ (10,320,413)
Beginning Plan Reserve	38,896,899		38,896,899
Ending Plan Reserve	\$ 28,576,486		\$ 28,576,486

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	\$ 438,766,670	\$ 41,179,410	\$ 479,946,080
Employer Premiums - MCO	40,708,388	3,820,590	44,528,978
Employee Premiums - PPB	113,913,593	4,250,239	118,163,832
Employee Premiums - MCO	12,054,348	449,761	12,504,109
Life Insurance	2,982,857		2,982,857
Direct Transfers	3,500,000		3,500,000
Investment Income	13,879,065		13,879,065
COBRA Premiums	1,433,721		1,433,721
Administrative Fees	4,015,307		4,015,307
Total Revenue	\$ 631,253,949	\$ 49,700,000	\$ 680,953,949
<u>Program Expenses</u>			
Medical Claims	\$ 355,740,201	\$ -	\$ 355,740,201
Prescription Drug Claims	125,022,716	-	125,022,716
Managed Care Capitations	40,947,131		40,947,131
Administration	18,193,372		18,193,372
Life Insurance	2,985,660		2,985,660
Wellness	2,180,875		2,180,875
ACA Reinsurance Contributions	7,200,000		7,200,000
ACA Comparative Effectiveness Research Fees	293,250		293,250
Director's Discretionary Fund	1,445,151		1,445,151
WV RHBT Pay Go Premiums	144,122,037		144,122,037
Total Expenses	\$ 698,130,393	\$ -	\$ 698,130,393
Fiscal Year Results	\$ (66,876,444)		\$ (17,176,444)
Beginning Plan Reserve	139,845,681		139,845,681
Ending Plan Reserve	\$ 72,969,237		\$ 122,669,237

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 45,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 4,700,000	<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	\$ 115,579,328	\$ 530,276,471	\$ 645,855,799
Employer Premiums - MCO	4,395,672	49,198,588	53,594,260
Employee Premiums - PPB	-	130,643,259	130,643,259
Employee Premiums - MCO	-	13,824,683	13,824,683
Life Insurance	563,139	3,132,000	3,695,139
Direct Transfers	-	3,500,000	3,500,000
Investment Income	2,828,935	13,290,084	16,119,019
COBRA Premiums	382,355	1,587,606	1,969,961
Administrative Fees	724,693	4,015,307	4,740,000
Total Revenue	\$ 124,474,122	\$ 749,467,998	\$ 873,942,120
<u>Program Expenses</u>			
Medical Claims	\$ 72,279,309	\$ 379,835,358	\$ 452,114,667
Prescription Drug Claims	22,202,914	137,242,936	159,445,850
Managed Care Capitations	3,070,677	43,403,958	46,474,635
Administration	3,434,761	19,103,040	22,537,801
Life Insurance	563,668	3,134,943	3,698,611
Wellness	392,125	2,180,875	2,573,000
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	263,903	1,444,278	1,708,181
WV RHBT Pay Go Premiums	27,288,962	153,184,525	180,473,486
Total Expenses	\$ 130,346,601	\$ 744,424,774	\$ 874,771,375
Fiscal Year Results	\$ (5,872,479)	\$ 5,043,224	\$ (829,255)
Beginning Plan Reserve	28,576,486	122,669,240	151,245,726
Ending Plan Reserve	\$ 22,704,006	\$ 127,712,465	\$ 150,416,471

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 13,000,000			
Additional State Employee Premiums	\$ 13,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 3,500,000	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	\$ 103,055,625	\$ 12,523,703	\$ 115,579,328
Employer Premiums - MCO	3,919,375	476,297	4,395,672
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	563,139		563,139
Direct Transfers	-		-
Investment Income	2,828,935		2,828,935
COBRA Premiums	382,355		382,355
Administrative Fees	724,693		724,693
Total Revenue	\$ 111,474,122	\$ 13,000,000	\$ 124,474,122
<u>Program Expenses</u>			
Medical Claims	\$ 72,279,309	\$ -	\$ 72,279,309
Prescription Drug Claims	22,202,914	-	22,202,914
Managed Care Capitations	3,070,677		3,070,677
Administration	3,434,761		3,434,761
Life Insurance	563,668		563,668
Wellness	392,125		392,125
ACA Reinsurance Contributions	800,000		800,000
ACA Comparative Effectiveness Research Fees	50,283		50,283
Director's Discretionary Fund	263,903		263,903
WV RHBT Pay Go Premiums	27,288,962		27,288,962
Total Expenses	\$ 130,346,602	\$ -	\$ 130,346,602
Fiscal Year Results	\$ (18,872,480)		\$ (5,872,480)
Beginning Plan Reserve	28,576,486		28,576,486
Ending Plan Reserve	\$ 9,704,006		\$ 22,704,006

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 13,000,000	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	\$ 479,946,081	\$ 50,330,390	\$ 530,276,471
Employer Premiums - MCO	44,528,978	4,669,610	49,198,588
Employee Premiums - PPB	118,163,833	12,479,426	130,643,259
Employee Premiums - MCO	12,504,109	1,320,574	13,824,683
Life Insurance	3,132,000		3,132,000
Direct Transfers	3,500,000		3,500,000
Investment Income	13,290,084		13,290,084
COBRA Premiums	1,587,606		1,587,606
Administrative Fees	4,015,307		4,015,307
Total Revenue	\$ 680,667,998	\$ 68,800,000	\$ 749,467,998
<u>Program Expenses</u>			
Medical Claims	\$ 379,835,358	\$ -	\$ 379,835,358
Prescription Drug Claims	137,242,936	-	137,242,936
Managed Care Capitations	43,403,958		43,403,958
Administration	19,103,040		19,103,040
Life Insurance	3,134,943		3,134,943
Wellness	2,180,875		2,180,875
ACA Reinsurance Contributions	4,600,000		4,600,000
ACA Comparative Effectiveness Research Fees	294,860		294,860
Director's Discretionary Fund	1,444,278		1,444,278
WV RHBT Pay Go Premiums	153,184,525		153,184,525
Total Expenses	\$ 744,424,773	\$ -	\$ 744,424,773
Fiscal Year Results	\$ (63,756,775)		\$ 5,043,225
Beginning Plan Reserve	122,669,237		122,669,237
Ending Plan Reserve	\$ 58,912,462		\$ 127,712,462

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 13,800,000	<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	\$ 130,511,436	\$ 565,050,195	\$ 695,561,631
Employer Premiums - MCO	4,963,564	52,424,863	57,388,427
Employee Premiums - PPB	-	139,234,168	139,234,168
Employee Premiums - MCO	-	14,733,774	14,733,774
Life Insurance	591,296	3,288,600	3,879,896
Direct Transfers	-	3,500,000	3,500,000
Investment Income	2,553,314	14,203,489	16,756,803
COBRA Premiums	410,899	1,706,123	2,117,022
Administrative Fees	724,693	4,015,307	4,740,000
Total Revenue	\$ 139,755,202	\$ 798,156,519	\$ 937,911,721
<u>Program Expenses</u>			
Medical Claims	\$ 77,536,501	\$ 407,462,457	\$ 484,998,958
Prescription Drug Claims	24,484,172	151,344,085	175,828,257
Managed Care Capitations	3,254,917	46,008,196	49,263,113
Administration	3,606,499	20,058,192	23,664,691
Life Insurance	591,852	3,291,691	3,883,543
Wellness	392,125	2,180,875	2,573,000
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	263,901	1,445,487	1,709,388
WV RHBT Pay Go Premiums	28,835,139	161,863,882	190,699,021
Total Expenses	\$ 139,315,836	\$ 795,451,343	\$ 934,767,179
Fiscal Year Results	\$ 439,366	\$ 2,705,176	\$ 3,144,542
Beginning Plan Reserve	22,704,006	127,712,465	150,416,471
Ending Plan Reserve	\$ 23,143,373	\$ 130,417,640	\$ 153,561,013

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 38,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 15,500,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 9,500,000	<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	\$ 115,579,328	\$ 14,932,107	\$ 130,511,435
Employer Premiums - MCO	4,395,672	567,893	4,963,565
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	591,296		591,296
Direct Transfers	-		-
Investment Income	2,553,314		2,553,314
COBRA Premiums	410,899		410,899
Administrative Fees	724,693		724,693
Total Revenue	\$ 124,255,202	\$ 15,500,000	\$ 139,755,202
<u>Program Expenses</u>			
Medical Claims	\$ 77,536,501	\$ -	\$ 77,536,501
Prescription Drug Claims	24,484,172	-	24,484,172
Managed Care Capitations	3,254,917		3,254,917
Administration	3,606,499		3,606,499
Life Insurance	591,852		591,852
Wellness	392,125		392,125
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	50,729		50,729
Director's Discretionary Fund	263,901		263,901
WV RHBT Pay Go Premiums	28,835,139		28,835,139
Total Expenses	\$ 139,315,835	\$ -	\$ 139,315,835
Fiscal Year Results	\$ (15,060,633)		\$ 439,367
Beginning Plan Reserve	22,704,006		22,704,006
Ending Plan Reserve	\$ 7,643,373		\$ 23,143,373

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	\$ 530,276,471	\$ 34,773,724	\$ 565,050,195
Employer Premiums - MCO	49,198,588	3,226,276	52,424,864
Employee Premiums - PPB	130,643,259	8,590,909	139,234,168
Employee Premiums - MCO	13,824,683	909,091	14,733,774
Life Insurance	3,288,600		3,288,600
Direct Transfers	3,500,000		3,500,000
Investment Income	14,203,489		14,203,489
COBRA Premiums	1,706,123		1,706,123
Administrative Fees	4,015,307		4,015,307
Total Revenue	\$ 750,656,520	\$ 47,500,000	\$ 798,156,520
<u>Program Expenses</u>			
Medical Claims	\$ 407,462,457	\$ -	\$ 407,462,457
Prescription Drug Claims	151,344,085	-	151,344,085
Managed Care Capitations	46,008,196		46,008,196
Administration	20,058,192		20,058,192
Life Insurance	3,291,691		3,291,691
Wellness	2,180,875		2,180,875
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	296,479		296,479
Director's Discretionary Fund	1,445,487		1,445,487
WV RHBT Pay Go Premiums	161,863,882		161,863,882
Total Expenses	\$ 795,451,344	\$ -	\$ 795,451,344
Fiscal Year Results	\$ (44,794,824)		\$ 2,705,176
Beginning Plan Reserve	127,712,462		127,712,462
Ending Plan Reserve	\$ 82,917,638		\$ 130,417,638

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 38,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 9,500,000	<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	<u>\$127.13</u>	<u>\$186.08</u>	<u>\$196.86</u>	<u>\$202.06</u>	<u>\$191.04</u>	<u>\$168.43</u>	<u>\$196.18</u>	<u>\$193.37</u>	<u>\$198.22</u>	<u>\$191.86</u>	<u>\$213.13</u>	<u>\$212.90</u>
State Medical	<u>\$158.08</u>	<u>\$190.67</u>	<u>\$166.87</u>	<u>\$179.17</u>	<u>\$186.15</u>	<u>\$182.46</u>	<u>\$193.14</u>	<u>\$200.67</u>	<u>\$206.57</u>	<u>\$200.42</u>	<u>\$210.25</u>	<u>\$227.85</u>
Local Drugs	<u>\$43.17</u>	<u>\$60.82</u>	<u>\$64.89</u>	<u>\$62.80</u>	<u>\$61.97</u>	<u>\$68.62</u>	<u>\$75.54</u>	<u>\$71.05</u>	<u>\$75.50</u>	<u>\$74.86</u>	<u>\$79.39</u>	<u>\$77.41</u>
State Drugs	<u>49.06</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>77.07</u>	<u>83.58</u>	<u>84.99</u>
Total	<u>\$377.45</u>	<u>\$505.53</u>	<u>\$495.94</u>	<u>\$512.32</u>	<u>\$506.80</u>	<u>\$493.51</u>	<u>\$539.74</u>	<u>\$541.89</u>	<u>\$561.72</u>	<u>\$544.21</u>	<u>\$586.35</u>	<u>\$603.16</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	-18.0%	17.6%	20.4%	22.4%	7.7%	6.6%	13.5%	-6.9%	-2.0%	6.7%	4.2%	-5.3%
State Medical	11.3%	12.8%	-3.5%	-0.3%	2.7%	6.3%	5.8%	8.9%	-1.5%	11.3%	11.1%	0.6%
Local Drugs	4.4%	8.8%	9.1%	5.0%	0.3%	4.6%	19.6%	7.8%	5.5%	12.0%	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%	13.6%	7.5%	8.8%	3.8%	5.3%	10.2%	3.2%	0.1%	9.1%	9.2%	-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%			4.2%			7.2%
Local Drugs			7.8%			3.3%			10.7%			10.3%
State Drugs			<u>7.1%</u>			<u>0.9%</u>			<u>7.8%</u>			<u>7.2%</u>
Total			6.9%			5.9%			4.3%			5.5%
Change From Prior Year - Year to Year Analysis												
Local Medical			7.9%			9.7%			6.0%			5.0%
State Medical			6.6%			4.9%			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>
Local Medical	24,365	24,457	24,504	24,542	24,501	24,513	24,481	24,508
State Medical	134,967	134,169	134,046	134,991	135,550	135,655	135,777	135,643
Local Drugs	24,365	24,457	24,504	24,542	24,501	24,513	24,481	24,508
State Drugs	134,967	134,169	134,046	134,991	135,550	135,655	135,777	135,643
Local Medical	\$145.29	\$212.51	\$162.59	\$202.83	\$188.28	\$163.84	\$200.10	\$196.99
State Medical	\$144.52	\$165.53	\$164.03	\$181.43	\$174.04	\$170.71	\$195.33	\$193.38
Local Drugs	\$42.20	\$58.36	\$56.37	\$62.92	\$60.59	\$65.18	\$66.37	\$52.96
State Drugs	48.88	64.91	60.71	70.79	66.55	71.17	72.30	57.97
Total	\$380.88	\$501.32	\$443.70	\$517.97	\$489.47	\$470.89	\$534.09	\$501.29
Change From Prior Year - Month to Month Analysis								
Local Medical	14.3%	14.2%	-17.4%	0.4%	-1.4%	-2.7%	2.0%	1.9%
State Medical	-8.6%	-13.2%	-1.7%	1.3%	-6.5%	-6.4%	1.1%	-3.6%
Local Drugs	-2.3%	-4.0%	-13.1%	0.2%	-2.2%	-5.0%	-12.1%	-25.5%
State Drugs	<u>-0.4%</u>	<u>-4.5%</u>	<u>-9.8%</u>	<u>3.7%</u>	<u>-1.6%</u>	<u>-3.8%</u>	<u>-3.5%</u>	<u>-24.5%</u>
Total	0.9%	-0.8%	-10.5%	1.1%	-3.4%	-4.6%	-1.0%	-7.5%
Change From Prior Year - Quarter to Quarter Analysis								
Local Medical			2.0%			-1.2%		
State Medical			-8.1%			-3.9%		
Local Drugs			-7.1%			-2.4%		
State Drugs			<u>-5.3%</u>			<u>-0.7%</u>		
Total			-3.8%			-2.3%		
Change From Prior Year - Year to Year Analysis								
Local Medical			3.9%			0.8%		
State Medical			1.8%			0.2%		
Local Drugs			4.9%			3.4%		
State Drugs			<u>3.0%</u>			<u>2.6%</u>		
Total			3.1%			1.1%		