



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
December 31, 2014**

Fiscal Years 2015-2019

March 2015

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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 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 2014 for the fiscal year 2016 (“FY 2016”) and to provide quarterly financial reports for current FY 2015 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 2015 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 2019.

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 2015 and subsequently. We are assuming that the Bill will continue throughout the five year forecast period.

CCRC Actuaries has provided preliminary forecasts for fiscal years ending June 30, 2015 (“FY 2015”), June 30, 2016 (“FY 2016”), June 30, 2017 (“FY 2017”), June 30, 2018 (“FY 2018”) and June 30, 2019 (“FY 2019”). Our opinion of plan adequacy is based on the projections through FY 2019 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2014. 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, 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. Additional details of the benefit reductions can be found later in this report. In addition, it is noteworthy that some current PEIA members may become eligible for the West Virginia Children Health Insurance Plan effective in Fiscal Year 2015. This report does not include anticipated savings from this eligibility change since the proposal has not been finalized and approved by CMS.

In FY 2015 the Pay-Go is equivalent to \$305 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 December 2014.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2014”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2015 through FY 2019 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 2015 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2014.

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 2019 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.
Senior Actuarial Consultant

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2015 – FY 2019

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 2015 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 March 2015 enrollment levels for the duration of these forecasts for active employees.

In aggregate, March 2015 enrollment for active employees has increased by 228 coverages since the end of FY 2014. Aggregate PPB enrollment has increased by 355 in total over the same period, while managed care enrollment experienced a decrease of 127 coverages.

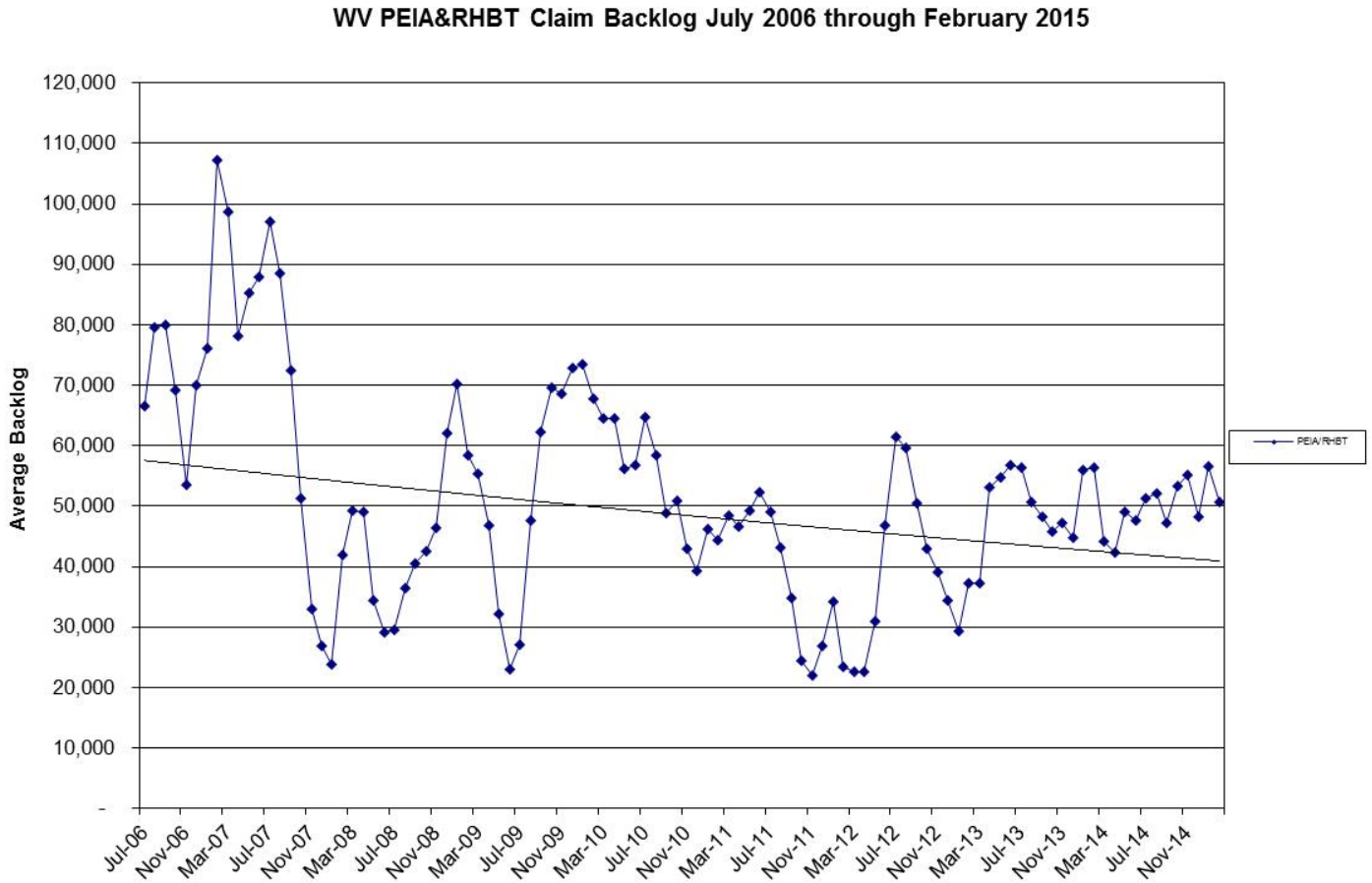
In the State Fund, the overall active State enrollment decreased by 329 coverages from the end of FY 2014 to March 2015. And in the Local Fund, the overall active Local enrollment increased by 557 coverages from the end of FY 2014 to March 2015.

The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2013, June 2014 and March 2015 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-13	Jun-14	Mar-15	Jun-13	Jun-14	Mar-15
State Active	Single	22,367	22,043	22,186	1,887	1,903	1,890
	Children	6,479	6,582	6,226	648	627	561
	Family	30,573	30,446	30,464	2,899	2,817	2,762
	Total	59,419	59,071	58,876	5,434	5,347	5,213
Local Active	Single	5,206	5,207	5,474	322	372	386
	Children	976	975	1,009	106	112	103
	Family	5,352	5,511	5,760	131	156	158
	Total	11,534	11,693	12,243	559	640	647
Plan Total		70,953	70,764	71,119	5,993	5,987	5,860
Grand Total					76,946	76,751	76,979

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 an overall decreasing trend since July 2006. However, it indicates a slightly higher backlog in recent months.



C. Trend Analysis

PEIA experienced favorable medical and prescription drug trends in FY 2014, and over the past few years, trends have been beneficial to the plan. CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2014”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2015 medical claim trend to 5%. Additionally, due to PEIA’s favorable FY 2014 prescription drug experience, we have decreased our trend assumption for all prescription drugs coverage to 8% in FY 2015.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2015 Trend	Updated Assumption FY 2015 Trend
Active Local – Medical	5.5%	5.0%
State – Medical	5.5%	5.0%
Active Local – Drugs	8.5%	8.0%
State – Drugs	8.5%	8.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2016. 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 2015. 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%	-14%	-10%	2%
2009	-8%	3%	5%	4%	2%
2010	10%	1%	9%	9%	4%
2011	10%	8%	15%	15%	8%
2012	5%	5%	8%	6%	5%
2013	-3%	-3%	0%	4%	-3%
2014	8%	6%	8%	7%	7%
2015*	14%	10%	15%	10%	11%

* Fiscal Year 2015 results are through the first eight months ending February 2015.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through February 2015 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 2015 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2015 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	58,745	\$ 481	\$ 120	\$ 503	\$ 167	
	Managed Care	5,215	\$ 495	\$ 141			\$ 570
	Total	63,960					
Local	PPB	12,071	\$ 584	\$ -	\$ 469	\$ 131	
	Managed Care	638	\$ 489	\$ -			\$ 458
	Total	12,709					

*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 – December 2014

Source	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Additional State Employer Revenue	\$0	\$0	\$115,000,000	\$10,000,000	\$44,000,000
Additional Local Agency Revenue	(\$1,200,000)	(\$3,000,000)	\$1,000,000	\$27,000,000	\$10,000,000
Additional Employee Premium	(\$5,400,000)	\$0	\$28,800,000	\$2,500,000	\$11,000,000
Benefit Reductions/(Increase) - SB-22 and Copay Changes	(\$1,600,000)	\$0	\$0	\$0	\$0
Benefit Reductions/(Increase) - Active State	\$0	\$26,200,000	\$0	\$0	\$0
Benefit Reductions/(Increase) - Active Local	\$0	\$3,700,000	\$0	\$0	\$0
Benefit Reductions/(Increase) - Managed Care Capitations	\$0	\$5,121,940	\$0	\$0	\$0
PPACA Reinsurance Contributions (Cost)	(\$8,500,000)	(\$5,400,000)	(\$1,800,000)	\$0	\$0
PPACA Comparative Effectiveness Research Fees (Cost)	(\$344,688)	(\$344,489)	(\$344,367)	(\$344,323)	(\$344,361)
Pay Go Premium Transfer	\$150,000,000	\$150,000,000	\$180,000,000	\$195,000,000	\$210,000,000

The \$1,600,000 increase in benefits in Fiscal Year 2015 is comprised of the following:

	<u>Included in 2015 Claim Cost</u>
SB-22 Dependent Maternity and Contraceptives (Cost)	(\$2.9 M)
Out of State Copayment - Savings	\$850 K
Specialty Drugs Copay - Savings	\$450 K

The \$26,200,000 of Active State benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>Included in 2016 Claim Cost</u>
Medical Claims	(\$15.5 M)
Drug Claims	(\$10.7 M)

The \$3,700,000 of Active Local benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>Included in 2016 Claim Cost</u>
Medical Claims	(\$1.9 M)
Drug Claims	(\$1.8 M)

The \$5,121,940 of Managed Care Capitation benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>Included in 2016 Claim Cost</u>
Active State	(\$4.664 M)
Active Local	(\$0.458 M)

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

	<u>Savings</u>
Increase Primary Care Office Visit copayment from \$15 to \$20 per visit	\$1.1 M
Increase Specialist Office Visit copayment from \$25 to \$40 per visit	\$3.9 M
Increase deductible by \$25 for single coverage and \$50 for family coverage	\$2.1 M
Increase outpatient surgery copay from \$50 to \$100	\$1.9 M
Increase emergency room copay to \$100 with no discount	\$0.5 M
Increase family out-of-pocket maximum for PEIA PPB Plans A and D to twice the employee only amount	\$6.75 M
Add \$100 copay per admission to existing deductible and 20% coinsurance for inpatient hospital care	\$1.1 M
Increase Generic Drug Copay for 30 day supply from \$5 to \$10 and for 90 day supply (maintenance only) from \$10 to \$20	\$9.4 M
Increase Preferred Brand Drug Copay for 30 day supply from \$15 to \$25 and for 90 day supply (maintenance only) from \$30 to \$50	\$3.1 M

Beginning March 1, 2015, PEIA returned to Aetna Signature Administrators as the PPB plans' out of state health care network provider. This new arrangement is to achieve savings in relation to the FY 2015 claims costs. The anticipated trend for FY2016 reflects 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 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 approximately \$15,700,000, with \$8,500,000 in FY 2015.

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 in FY 2014 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 \$1,720,000, with \$344,688 in FY 2015.

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 2015 the Pay-Go is equivalent to \$305 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 December 2014.

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 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 \$715,451,530 and incurred plan expenses of \$780,302,000 to produce a fiscal year deficit of (\$64,850,470). It should be noted that this is an increase in deficit from the projected deficit of (\$58,586,637) in the PEIA Financial Plan FY 2015-2019 Report due to the unfavorable medical claims experience and lower investment income. The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$150,000,000.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$165,245,347 and the FY 2016 expenditures of \$769,030,080, which represents 21% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

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 \$715,748,949 and incurred plan expenses of \$769,030,080 to produce a fiscal year deficit of (\$53,281,131). The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$150,000,000.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$111,964,216 and the FY 2017 expenditures of \$834,288,843, which represents 13% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$133,573,793 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$90,214,337.

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 \$860,176,676 and incurred plan expenses of \$834,288,843 to produce a fiscal year surplus of \$25,887,833. 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 \$137,852,049 and the FY 2018 expenditures of \$891,882,790, 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 \$187,920,419 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$86,815,306.

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 \$901,230,695 and incurred plan expenses of \$891,882,790 to produce a fiscal year surplus of \$9,347,905. The PEIA local and state agencies Pay Go premiums for FY 2018 are assumed to be \$195,000,000.

Under the Baseline Scenario, FY 2018 is projected to end with a reserve of \$147,199,954 and the FY 2019 expenditures of \$957,598,936, 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 \$240,022,551 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$51,370,030.

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 \$967,233,693 and incurred plan expenses of \$957,598,936 to produce a fiscal year surplus of \$9,634,757. The PEIA local and state agencies Pay Go premiums for FY 2019 are assumed to be \$210,000,000.

Under the Baseline Scenario, FY 2019 is projected to end with a reserve of \$156,834,710 and the FY 2020 expenditures of \$1,026,388,837, 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 \$308,976,177 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$2,254,907).

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 2019 using the Baseline assumptions, except in FY 2016 due to unfavorable medical and drug claims experience through February 2015. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in December 2014 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 2015**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 108,455,052	\$ 430,198,071	\$ 538,653,123
Employer Premiums - MCO	4,799,298	39,352,535	44,151,833
Employee Premiums - PPB	-	107,782,906	107,782,906
Employee Premiums - MCO	-	11,204,862	11,204,862
Life Insurance	330,665	1,789,449	2,120,114
Investment Income	976,153	3,823,847	4,800,000
Litigation Settlement	-	-	-
COBRA Premiums	389,886	1,618,874	2,008,760
Administrative Fees	723,154	4,006,778	4,729,932
Total Revenue	\$ 115,674,208	\$ 599,777,322	\$ 715,451,530
<u>Program Expenses</u>			
Medical Claims	\$ 67,972,112	\$ 354,725,262	\$ 422,697,373
Prescription Drug Claims	19,038,977	117,859,114	136,898,091
Managed Care Capitations	3,506,082	35,678,644	39,184,726
Administration	2,835,596	15,345,274	18,180,870
Life Insurance	331,373	1,793,277	2,124,650
Wellness	237,262	1,283,982	1,521,244
ACA Reinsurance Contributions	1,325,710	7,174,290	8,500,000
ACA Comparative Effectiveness Research Fees	51,506	293,182	344,688
Director's Discretionary Fund	132,221	718,136	850,357
WV RHBT Pay Go Premiums	24,864,710	125,135,290	150,000,000
Total Expenses	\$ 120,295,549	\$ 660,006,451	\$ 780,302,000
Fiscal Year Results	\$ (4,621,341)	\$ (60,229,129)	\$ (64,850,470)
Beginning Plan Reserve	49,341,943	180,753,874	230,095,817
Ending Plan Reserve	\$ 44,720,602	\$ 120,524,745	\$ 165,245,347

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ (1,200,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ (5,400,000)	Active Local	5.0%	8.0%
Direct Transfers	\$ -	State	5.0%	8.0%
		Capitations		2.8%
		Administrative Expense		0.9%

**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	\$ 108,455,052	\$ -	\$ 108,455,052
Employer Premiums - MCO	4,799,298	-	4,799,298
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	330,665		330,665
Investment Income	976,153		976,153
Litigation Settlement	-		-
COBRA Premiums	389,886		389,886
Administrative Fees	723,154		723,154
Total Revenue	\$ 115,674,208	\$ -	\$ 115,674,208
<u>Program Expenses</u>			
Medical Claims	\$ 67,691,048	\$ 281,063	\$ 67,972,111
Prescription Drug Claims	19,061,233	(22,255)	19,038,978
Managed Care Capitations	3,506,082		3,506,082
Administration	2,835,596		2,835,596
Life Insurance	331,373		331,373
Wellness	237,262		237,262
ACA Reinsurance Contributions	1,325,710		1,325,710
ACA Comparative Effectiveness Research Fees	51,506		51,506
Director's Discretionary Fund	132,221		132,221
WV RHBT Pay Go Premiums	24,864,710		24,864,710
Total Expenses	\$ 120,036,741	\$ 258,808	\$ 120,295,549
Fiscal Year Results	\$ (4,362,533)		\$ (4,621,341)
Beginning Plan Reserve	49,341,943		49,341,943
Ending Plan Reserve	\$ 44,979,410		\$ 44,720,602

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ (1,200,000)	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.0%	8.0%
		Capitations		2.8%
		Administrative Expense		0.9%

**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	\$ 430,198,071	\$ -	\$ 430,198,071
Employer Premiums - MCO	39,352,535	-	39,352,535
Employee Premiums - PPB	107,782,906	-	107,782,906
Employee Premiums - MCO	11,204,862	-	11,204,862
Life Insurance	1,789,449		1,789,449
Investment Income	3,823,847		3,823,847
Litigation Settlement	-		-
COBRA Premiums	1,618,874		1,618,874
Administrative Fees	4,006,778		4,006,778
Total Revenue	\$ 599,777,322	\$ -	\$ 599,777,322
<u>Program Expenses</u>			
Medical Claims	\$ 353,246,325	\$ 1,478,937	\$ 354,725,262
Prescription Drug Claims	117,996,859	(137,745)	117,859,114
Managed Care Capitations	35,678,644		35,678,644
Administration	15,345,274		15,345,274
Life Insurance	1,793,277		1,793,277
Wellness	1,283,982		1,283,982
ACA Reinsurance Contributions	7,174,290		7,174,290
ACA Comparative Effectiveness Research Fees	293,182		293,182
Director's Discretionary Fund	718,136		718,136
WV RHBT Pay Go Premiums	125,135,290		125,135,290
Total Expenses	\$ 658,665,259	\$ 1,341,192	\$ 660,006,451
Fiscal Year Results	\$ (58,887,937)		\$ (60,229,129)
Beginning Plan Reserve	180,753,874		180,753,874
Ending Plan Reserve	\$ 121,865,937		\$ 120,524,745

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ (5,400,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	5.0%	8.0%
		Capitations		2.8%
		Administrative Expense		0.9%

**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	\$ 105,582,181	\$ 430,198,071	\$ 535,780,252
Employer Premiums - MCO	4,672,169	39,352,535	44,024,704
Employee Premiums - PPB	-	107,782,906	107,782,906
Employee Premiums - MCO	-	11,204,862	11,204,862
Life Insurance	347,199	1,878,921	2,226,120
Investment Income	1,929,099	6,070,901	8,000,000
Litigation Settlement	-	-	-
COBRA Premiums	388,219	1,611,954	2,000,173
Administrative Fees	723,154	4,006,778	4,729,932
Total Revenue	\$ 113,642,021	\$ 602,106,928	\$ 715,748,949
<u>Program Expenses</u>			
Medical Claims	\$ 68,592,043	\$ 347,900,735	\$ 416,492,778
Prescription Drug Claims	19,093,640	117,111,825	136,205,465
Managed Care Capitations	3,258,158	33,155,712	36,413,870
Administration	2,973,241	15,753,055	18,726,296
Life Insurance	347,942	1,882,941	2,230,883
Wellness	237,262	1,283,982	1,521,244
ACA Reinsurance Contributions	800,000	4,600,000	5,400,000
ACA Comparative Effectiveness Research Fees	53,307	291,182	344,489
Director's Discretionary Fund	268,921	1,426,134	1,695,055
WV RHBT Pay Go Premiums	24,864,710	125,135,290	150,000,000
Total Expenses	\$ 120,489,224	\$ 648,540,856	\$ 769,030,080
Fiscal Year Results	\$ (6,847,203)	\$ (46,433,928)	\$ (53,281,131)
Beginning Plan Reserve	44,720,602	120,524,745	165,245,347
Ending Plan Reserve	\$ 37,873,399	\$ 74,090,817	\$ 111,964,216

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ (3,000,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	5.5%	8.5%
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		-7.1%
		Administrative Expense		3.0%

**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	\$ 108,455,052	\$ (2,872,871)	\$ 105,582,181
Employer Premiums - MCO	4,799,298	(127,129)	4,672,169
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	347,199		347,199
Investment Income	1,929,099		1,929,099
Litigation Settlement	-		-
COBRA Premiums	388,219		388,219
Administrative Fees	723,154		723,154
Total Revenue	\$ 116,642,021	\$ (3,000,000)	\$ 113,642,021
<u>Program Expenses</u>			
Medical Claims	\$ 72,528,043	\$ (3,936,000)	\$ 68,592,043
Prescription Drug Claims	20,893,640	(1,800,000)	19,093,640
Managed Care Capitations	3,716,447	(458,289)	3,258,158
Administration	2,973,241		2,973,241
Life Insurance	347,942		347,942
Wellness	237,262		237,262
ACA Reinsurance Contributions	800,000		800,000
ACA Comparative Effectiveness Research Fees	53,307		53,307
Director's Discretionary Fund	268,921		268,921
WV RHBT Pay Go Premiums	24,864,710		24,864,710
Total Expenses	\$ 126,683,513	\$ (6,194,289)	\$ 120,489,224
Fiscal Year Results	\$ (10,041,492)		\$ (6,847,203)
Beginning Plan Reserve	44,720,602		44,720,602
Ending Plan Reserve	\$ 34,679,110		\$ 37,873,399

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ (3,000,000)	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.5%	8.5%
		Capitations		-7.1%
		Administrative Expense		3.0%

**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	\$ 430,198,071	\$ -	\$ 430,198,071
Employer Premiums - MCO	39,352,535	-	39,352,535
Employee Premiums - PPB	107,782,906	-	107,782,906
Employee Premiums - MCO	11,204,862	-	11,204,862
Life Insurance	1,878,921		1,878,921
Investment Income	6,070,901		6,070,901
Litigation Settlement	-		-
COBRA Premiums	1,611,954		1,611,954
Administrative Fees	4,006,778		4,006,778
Total Revenue	\$ 602,106,928	\$ -	\$ 602,106,928
<u>Program Expenses</u>			
Medical Claims	\$ 374,024,735	\$ (26,124,000)	\$ 347,900,735
Prescription Drug Claims	127,811,825	(10,700,000)	117,111,825
Managed Care Capitations	37,819,363	(4,663,651)	33,155,712
Administration	15,753,055		15,753,055
Life Insurance	1,882,941		1,882,941
Wellness	1,283,982		1,283,982
ACA Reinsurance Contributions	4,600,000		4,600,000
ACA Comparative Effectiveness Research Fees	291,182		291,182
Director's Discretionary Fund	1,426,134		1,426,134
WV RHBT Pay Go Premiums	125,135,290		125,135,290
Total Expenses	\$ 690,028,507	\$ (41,487,651)	\$ 648,540,856
Fiscal Year Results	\$ (87,921,579)		\$ (46,433,928)
Beginning Plan Reserve	120,524,745		120,524,745
Ending Plan Reserve	\$ 32,603,166		\$ 74,090,817

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		-7.1%
		Administrative Expense		3.0%

**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	\$ 106,539,805	\$ 535,560,044	\$ 642,099,849
Employer Premiums - MCO	4,714,545	48,990,562	53,705,107
Employee Premiums - PPB	-	133,870,862	133,870,862
Employee Premiums - MCO	-	13,916,906	13,916,906
Life Insurance	364,559	1,972,867	2,337,426
Investment Income	1,930,801	5,171,155	7,101,956
Litigation Settlement	-	-	-
COBRA Premiums	468,664	1,945,974	2,414,638
Administrative Fees	723,154	4,006,778	4,729,932
Total Revenue	\$ 114,741,528	\$ 745,435,148	\$ 860,176,676
<u>Program Expenses</u>			
Medical Claims	\$ 72,552,434	\$ 367,988,079	\$ 440,540,513
Prescription Drug Claims	20,768,865	127,386,901	148,155,766
Managed Care Capitations	3,453,647	35,145,055	38,598,702
Administration	2,572,895	16,715,190	19,288,085
Life Insurance	365,339	1,977,088	2,342,427
Wellness	237,262	1,283,982	1,521,244
ACA Reinsurance Contributions	300,000	1,500,000	1,800,000
ACA Comparative Effectiveness Research Fees	55,171	289,196	344,367
Director's Discretionary Fund	269,129	1,428,610	1,697,739
WV RHBT Pay Go Premiums	29,837,650	150,162,350	180,000,000
Total Expenses	\$ 130,412,393	\$ 703,876,451	\$ 834,288,843
Fiscal Year Results	\$ (15,670,865)	\$ 41,558,697	\$ 25,887,833
Beginning Plan Reserve	37,873,399	74,090,817	111,964,216
Ending Plan Reserve	\$ 22,202,535	\$ 115,649,514	\$ 137,852,049

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 115,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 1,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 28,800,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.0%	9.0%
		State	6.0%	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	\$ 105,582,181	\$ 957,624	\$ 106,539,805
Employer Premiums - MCO	4,672,169	42,376	4,714,545
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	364,559		364,559
Investment Income	1,930,801		1,930,801
Litigation Settlement	-		-
COBRA Premiums	468,664		468,664
Administrative Fees	723,154		723,154
Total Revenue	\$ 113,741,528	\$ 1,000,000	\$ 114,741,528
<u>Program Expenses</u>			
Medical Claims	\$ 72,552,434		\$ 72,552,434
Prescription Drug Claims	20,768,865		20,768,865
Managed Care Capitations	3,453,647		3,453,647
Administration	2,572,895		2,572,895
Life Insurance	365,339		365,339
Wellness	237,262		237,262
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	55,171		55,171
Director's Discretionary Fund	269,129		269,129
WV RHBT Pay Go Premiums	29,837,650		29,837,650
Total Expenses	\$ 130,412,392	\$ -	\$ 130,412,392
Fiscal Year Results	\$ (16,670,864)		\$ (15,670,864)
Beginning Plan Reserve	37,873,399		37,873,399
Ending Plan Reserve	\$ 21,202,535		\$ 22,202,535

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 1,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.0%	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	\$ 430,198,071	\$ 105,361,973	\$ 535,560,044
Employer Premiums - MCO	39,352,535	9,638,027	48,990,562
Employee Premiums - PPB	107,782,906	26,087,956	133,870,862
Employee Premiums - MCO	11,204,862	2,712,044	13,916,906
Life Insurance	1,972,867		1,972,867
Investment Income	5,171,155		5,171,155
Litigation Settlement	-		-
COBRA Premiums	1,945,974		1,945,974
Administrative Fees	4,006,778		4,006,778
Total Revenue	\$ 601,635,148	\$ 143,800,000	\$ 745,435,148
<u>Program Expenses</u>			
Medical Claims	\$ 367,988,079		\$ 367,988,079
Prescription Drug Claims	127,386,901		127,386,901
Managed Care Capitations	35,145,055		35,145,055
Administration	16,715,190		16,715,190
Life Insurance	1,977,088		1,977,088
Wellness	1,283,982		1,283,982
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	289,196		289,196
Director's Discretionary Fund	1,428,610		1,428,610
WV RHBT Pay Go Premiums	150,162,350		150,162,350
Total Expenses	\$ 703,876,451	\$ -	\$ 703,876,451
Fiscal Year Results	\$ (102,241,303)		\$ 41,558,697
Beginning Plan Reserve	74,090,817		74,090,817
Ending Plan Reserve	\$ (28,150,486)		\$ 115,649,514

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 115,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 28,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.0%	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	\$ 132,395,646	\$ 544,721,954	\$ 677,117,600
Employer Premiums - MCO	5,858,704	49,828,652	55,687,356
Employee Premiums - PPB	-	136,135,441	136,135,441
Employee Premiums - MCO	-	14,152,327	14,152,327
Life Insurance	382,787	2,071,510	2,454,297
Investment Income	1,349,334	7,076,708	8,426,042
Litigation Settlement	-	-	-
COBRA Premiums	490,609	2,037,091	2,527,700
Administrative Fees	723,154	4,006,778	4,729,932
Total Revenue	\$ 141,200,234	\$ 760,030,461	\$ 901,230,695
<u>Program Expenses</u>			
Medical Claims	\$ 77,104,398	\$ 391,075,908	\$ 468,180,307
Prescription Drug Claims	22,694,954	139,200,662	161,895,616
Managed Care Capitations	3,660,866	37,253,758	40,914,624
Administration	3,112,618	16,754,110	19,866,728
Life Insurance	383,606	2,075,942	2,459,548
Wellness	237,262	1,283,982	1,521,244
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	57,100	287,223	344,323
Director's Discretionary Fund	269,331	1,431,070	1,700,401
WV RHBT Pay Go Premiums	32,324,120	162,675,880	195,000,000
Total Expenses	\$ 139,844,255	\$ 752,038,535	\$ 891,882,790
Fiscal Year Results	\$ 1,355,979	\$ 7,991,926	\$ 9,347,905
Beginning Plan Reserve	22,202,535	115,649,514	137,852,049
Ending Plan Reserve	\$ 23,558,513	\$ 123,641,440	\$ 147,199,954

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 10,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 27,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 2,500,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.5%	9.5%
		State	6.5%	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	\$ 106,539,805	\$ 25,855,841	\$ 132,395,646
Employer Premiums - MCO	4,714,545	1,144,159	5,858,704
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	382,787		382,787
Investment Income	1,349,334		1,349,334
Litigation Settlement	-		-
COBRA Premiums	490,609		490,609
Administrative Fees	723,154		723,154
Total Revenue	\$ 114,200,234	\$ 27,000,000	\$ 141,200,234
<u>Program Expenses</u>			
Medical Claims	\$ 77,104,398		\$ 77,104,398
Prescription Drug Claims	22,694,954		22,694,954
Managed Care Capitations	3,660,866		3,660,866
Administration	3,112,618		3,112,618
Life Insurance	383,606		383,606
Wellness	237,262		237,262
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	57,100		57,100
Director's Discretionary Fund	269,331		269,331
WV RHBT Pay Go Premiums	32,324,120		32,324,120
Total Expenses	\$ 139,844,255	\$ -	\$ 139,844,255
Fiscal Year Results	\$ (25,644,021)		\$ 1,355,979
Beginning Plan Reserve	22,202,535		22,202,535
Ending Plan Reserve	\$ (3,441,486)		\$ 23,558,514

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 27,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	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	\$ 535,560,044	\$ 9,161,911	\$ 544,721,955
Employer Premiums - MCO	48,990,562	838,089	49,828,651
Employee Premiums - PPB	133,870,862	2,264,580	136,135,442
Employee Premiums - MCO	13,916,906	235,420	14,152,326
Life Insurance	2,071,510		2,071,510
Investment Income	7,076,708		7,076,708
Litigation Settlement	-		-
COBRA Premiums	2,037,091		2,037,091
Administrative Fees	4,006,778		4,006,778
Total Revenue	\$ 747,530,461	\$ 12,500,000	\$ 760,030,461
<u>Program Expenses</u>			
Medical Claims	\$ 391,075,908		\$ 391,075,908
Prescription Drug Claims	139,200,662		139,200,662
Managed Care Capitations	37,253,758		37,253,758
Administration	16,754,110		16,754,110
Life Insurance	2,075,942		2,075,942
Wellness	1,283,982		1,283,982
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	287,223		287,223
Director's Discretionary Fund	1,431,070		1,431,070
WV RHBT Pay Go Premiums	162,675,880		162,675,880
Total Expenses	\$ 752,038,535	\$ -	\$ 752,038,535
Fiscal Year Results	\$ (4,508,074)		\$ 7,991,926
Beginning Plan Reserve	115,649,514		115,649,514
Ending Plan Reserve	\$ 111,141,440		\$ 123,641,440

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 10,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 2,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.5%	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	\$ 141,971,883	\$ 585,034,361	\$ 727,006,244
Employer Premiums - MCO	6,282,467	53,516,245	59,798,712
Employee Premiums - PPB	-	146,099,591	146,099,591
Employee Premiums - MCO	-	15,188,177	15,188,177
Life Insurance	401,926	2,175,086	2,577,012
Investment Income	1,453,887	7,666,387	9,120,274
Litigation Settlement	-	-	-
COBRA Premiums	526,720	2,187,031	2,713,751
Administrative Fees	723,154	4,006,778	4,729,932
Total Revenue	\$ 151,360,037	\$ 815,873,656	\$ 967,233,693
<u>Program Expenses</u>			
Medical Claims	\$ 82,327,627	\$ 417,568,434	\$ 499,896,062
Prescription Drug Claims	24,913,185	152,806,289	177,719,474
Managed Care Capitations	3,880,518	39,488,984	43,369,502
Administration	3,202,163	17,260,567	20,462,730
Life Insurance	402,786	2,179,739	2,582,525
Wellness	237,262	1,283,982	1,521,244
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	59,096	285,264	344,360
Director's Discretionary Fund	269,527	1,433,513	1,703,040
WV RHBT Pay Go Premiums	34,810,590	175,189,410	210,000,000
Total Expenses	\$ 150,102,754	\$ 807,496,182	\$ 957,598,936
Fiscal Year Results	\$ 1,257,283	\$ 8,377,474	\$ 9,634,757
Beginning Plan Reserve	23,558,513	123,641,440	147,199,954
Ending Plan Reserve	\$ 24,815,796	\$ 132,018,914	\$ 156,834,710

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 44,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 10,000,000			
Additional State Employee Premiums	\$ 11,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	Active Local	7.0%	10.0%
		State	7.0%	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	\$ 132,395,646	\$ 9,576,237	\$ 141,971,883
Employer Premiums - MCO	5,858,704	423,763	6,282,467
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	401,926		401,926
Investment Income	1,453,887		1,453,887
Litigation Settlement	-		-
COBRA Premiums	526,720		526,720
Administrative Fees	723,154		723,154
Total Revenue	\$ 141,360,037	\$ 10,000,000	\$ 151,360,037
<u>Program Expenses</u>			
Medical Claims	\$ 82,327,627		\$ 82,327,627
Prescription Drug Claims	24,913,185		24,913,185
Managed Care Capitations	3,880,518		3,880,518
Administration	3,202,163		3,202,163
Life Insurance	402,786		402,786
Wellness	237,262		237,262
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	59,096		59,096
Director's Discretionary Fund	269,527		269,527
WV RHBT Pay Go Premiums	34,810,590		34,810,590
Total Expenses	\$ 150,102,754	\$ -	\$ 150,102,754
Fiscal Year Results	\$ (8,742,717)		\$ 1,257,283
Beginning Plan Reserve	23,558,514		23,558,514
Ending Plan Reserve	\$ 14,815,797		\$ 24,815,797

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 10,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		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	\$ 544,721,954	\$ 40,312,407	\$ 585,034,361
Employer Premiums - MCO	49,828,652	3,687,593	53,516,245
Employee Premiums - PPB	136,135,441	9,964,150	146,099,591
Employee Premiums - MCO	14,152,327	1,035,850	15,188,177
Life Insurance	2,175,086		2,175,086
Investment Income	7,666,387		7,666,387
Litigation Settlement	-		-
COBRA Premiums	2,187,031		2,187,031
Administrative Fees	4,006,778		4,006,778
Total Revenue	\$ 760,873,656	\$ 55,000,000	\$ 815,873,656
<u>Program Expenses</u>			
Medical Claims	\$ 417,568,434		\$ 417,568,434
Prescription Drug Claims	152,806,289		152,806,289
Managed Care Capitations	39,488,984		39,488,984
Administration	17,260,567		17,260,567
Life Insurance	2,179,739		2,179,739
Wellness	1,283,982		1,283,982
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	285,264		285,264
Director's Discretionary Fund	1,433,513		1,433,513
WV RHBT Pay Go Premiums	175,189,410		175,189,410
Total Expenses	\$ 807,496,182	\$ -	\$ 807,496,182
Fiscal Year Results	\$ (46,622,526)		\$ 8,377,474
Beginning Plan Reserve	123,641,440		123,641,440
Ending Plan Reserve	\$ 77,018,914		\$ 132,018,914

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 44,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 11,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2014 to FY 2015**

Fiscal Year 2014												
Exposure	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>
Local Medical	25,169	25,156	25,304	25,259	25,298	25,330	25,439	25,501	25,445	25,375	25,394	25,410
State Medical	134,738	133,576	133,375	134,576	134,717	134,883	135,220	135,002	134,887	134,820	134,554	134,147
Local Drugs	25,169	25,156	25,304	25,259	25,298	25,330	25,439	25,501	25,445	25,375	25,394	25,410
State Drugs	134,738	133,576	133,375	134,576	134,717	134,883	135,220	135,002	134,887	134,820	134,554	134,147
	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>
Local Medical	\$166.19	\$173.10	\$217.99	\$218.35	\$168.14	\$161.84	\$203.15	\$186.07	\$223.86	\$238.65	\$232.33	\$220.55
State Medical	\$175.53	\$188.80	\$184.71	\$190.17	\$187.36	\$183.46	\$206.83	\$189.92	\$206.06	\$218.23	\$207.28	\$243.23
Local Drugs	\$44.56	\$56.78	\$56.37	\$66.40	\$60.49	\$68.88	\$71.42	\$64.18	\$71.50	\$72.35	\$74.79	\$82.12
State Drugs	<u>54.75</u>	<u>66.27</u>	<u>65.23</u>	<u>70.39</u>	<u>67.75</u>	<u>75.42</u>	<u>77.56</u>	<u>68.97</u>	<u>76.75</u>	<u>78.51</u>	<u>79.44</u>	<u>86.87</u>
Total	\$441.03	\$484.95	\$524.31	\$545.31	\$483.74	\$489.60	\$558.96	\$509.14	\$578.18	\$607.74	\$593.83	\$632.78
Change From Prior Year - Month to Month Analysis												
Local Medical	15.7%	-17.5%	35.4%	9.7%	-5.6%	0.8%	0.7%	2.3%	10.5%	15.3%	19.7%	18.5%
State Medical	20.5%	13.2%	12.8%	4.0%	2.2%	8.9%	1.2%	-1.0%	3.2%	5.8%	0.2%	9.5%
Local Drugs	6.5%	-1.7%	1.2%	6.8%	1.0%	6.8%	8.8%	6.3%	14.4%	11.6%	11.1%	24.8%
State Drugs	<u>12.3%</u>	<u>2.5%</u>	<u>7.9%</u>	<u>-0.2%</u>	<u>2.3%</u>	<u>6.5%</u>	<u>8.1%</u>	<u>5.5%</u>	<u>10.1%</u>	<u>10.2%</u>	<u>8.3%</u>	<u>13.9%</u>
Total	16.1%	-2.8%	18.9%	6.0%	-0.8%	5.4%	2.9%	1.9%	8.2%	10.6%	9.6%	15.0%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			8.3%			1.9%			4.6%			17.8%
State Medical			15.3%			4.9%			1.2%			5.3%
Local Drugs			1.5%			4.9%			9.8%			15.8%
State Drugs			<u>7.1%</u>			<u>2.9%</u>			<u>8.0%</u>			<u>10.8%</u>
Total			9.9%			3.5%			4.4%			11.8%
Change From Prior Year - Year to Year Analysis												
Local Medical			-0.7%			0.8%			2.1%			8.3%
State Medical			2.3%			4.0%			4.6%			6.2%
Local Drugs			-8.9%			-6.9%			-0.4%			8.4%
State Drugs			<u>-4.7%</u>			<u>-3.8%</u>			<u>1.2%</u>			<u>7.3%</u>
Total			-1.2%			0.4%			2.6%			7.4%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2014 to FY 2015**

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>
Local Medical	25,820	25,754	25,731	25,764	25,823	25,823	26,080	26,460
State Medical	132,621	132,295	132,029	133,050	133,053	133,126	133,227	133,147
Local Drugs	25,820	25,754	25,731	25,764	25,823	25,823	26,080	26,460
State Drugs	132,621	132,295	132,029	133,050	133,053	133,126	133,227	133,147
	<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>
Local Medical	\$192.75	\$189.68	\$210.70	\$225.21	\$210.67	\$223.70	\$220.08	\$220.16
State Medical	\$198.91	\$196.86	\$215.06	\$223.26	\$192.14	\$239.61	\$225.05	\$218.44
Local Drugs	\$50.25	\$62.99	\$68.79	\$72.65	\$68.80	\$81.76	\$80.31	\$77.11
State Drugs	<u>61.01</u>	<u>71.14</u>	<u>73.54</u>	<u>76.18</u>	<u>71.76</u>	<u>83.58</u>	<u>82.70</u>	<u>81.78</u>
Total	\$502.92	\$520.67	\$568.10	\$597.31	\$543.37	\$628.65	\$608.14	\$597.49
Change From Prior Year - Month to Month Analysis								
Local Medical	16.0%	9.6%	-3.3%	3.1%	25.3%	38.2%	8.3%	18.3%
State Medical	13.3%	4.3%	16.4%	17.4%	2.6%	30.6%	8.8%	15.0%
Local Drugs	12.8%	10.9%	22.0%	9.4%	13.7%	18.7%	12.4%	20.1%
State Drugs	<u>11.4%</u>	<u>7.3%</u>	<u>12.7%</u>	<u>8.2%</u>	<u>5.9%</u>	<u>10.8%</u>	<u>6.6%</u>	<u>18.6%</u>
Total	14.0%	7.4%	8.4%	9.5%	12.3%	28.4%	8.8%	17.4%
Change From Prior Year - Quarter to Quarter Analysis								
Local Medical			6.4%			20.3%		
State Medical			11.3%			16.8%		
Local Drugs			15.4%			14.0%		
State Drugs			<u>10.4%</u>			<u>8.4%</u>		
Total			9.8%			16.5%		
Change From Prior Year - Year to Year Analysis								
Local Medical			7.8%			12.2%		
State Medical			5.6%			8.4%		
Local Drugs			11.4%			13.7%		
State Drugs			<u>8.0%</u>			<u>9.4%</u>		
Total			7.4%			10.6%		