

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
December 31, 2016**

Fiscal Years 2017-2021

Report Date: March 2017

YOUR ACTUARIES FOR THE LONG-TERM!
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Finance Board
West Virginia Public Employees Insurance Agency
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Ladies and Gentlemen:

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and the Managing Partner in the firm of Continuing Care Actuaries.

Continuing Care Actuaries has been retained by the West Virginia Public Employees Insurance Agency Finance Board (“Board”) to assist it as provided under Code of the West Virginia 1931 (“Code”), as amended. The Board has asked Continuing Care Actuaries to review the financial plan prepared and proposed by the Board in December 2016 for the fiscal year 2018 (“FY 2018”) and to provide quarterly financial reports for current FY 2017 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 2017 and in subsequent fiscal years. In subsequent fiscal years, future transfers of employer and employee funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

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

The Medicaid / PEIA Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide PEIA with hospital charge savings through discounts for all non-Medicare coverages. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2017 and subsequently. We are assuming that the Bill will continue throughout the five year forecast period.

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

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

In FY 2017 the Pay-Go is equivalent to \$294 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 2016.

This report includes updated claim trend assumptions as recommended in the report titled, “PEIA FY2016 Detailed Medical and Prescription Drugs Claim Trend Report - November 2016”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2017 through FY 2021 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of PEIA. In addition, we are forecasting that PEIA will meet the minimum 20% employee cost share requirement for state revenue in FY 2017 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2016.

The conclusion of long-term solvency for the program over the five-year forecast is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2021 as approved by the Board.

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

Respectfully,



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



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

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2017 – FY 2021

OVERVIEW

This report analyzes revenues and expenses related to funding the health and life insurance benefits of active employees of the State and various Local Agencies, together with their dependents. This report is intended for the sole use of the Board, and any other use requires written approval by Continuing Care Actuaries.

This report was compiled utilizing claims data collected by PEIA's third party administrators through February 2017 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 2017 enrollment levels for the duration of these forecasts for active employees.

In aggregate, March 2017 enrollment for active employees has decreased by 870 coverages since the end of FY 2016. Aggregate PPB enrollment has decreased by 1,217 in total over the same period, while managed care enrollment experienced an increase of 347 coverages.

In the State Fund, the overall active State enrollment decreased by 1,087 coverages from the end of FY 2016 to March 2017. And in the Local Fund, the overall active Local enrollment increased by 217 coverages from the end of FY 2016 to March 2017.

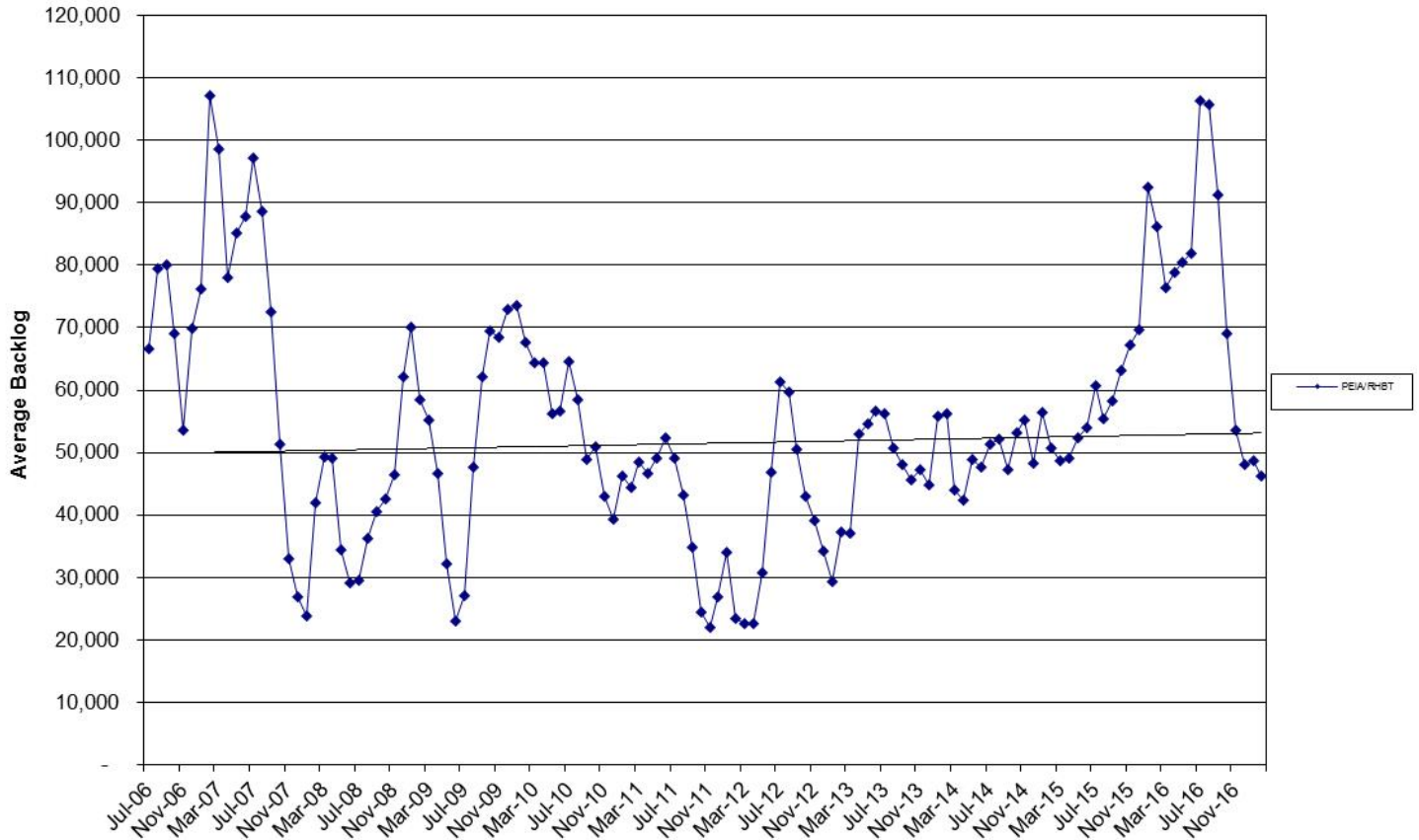
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2015, June 2016 and March 2017 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-15	Jun-16	Mar-17	Jun-15	Jun-16	Mar-17
State Active	Single	22,080	22,035	21,635	1,889	1,946	2,147
	Children	6,295	6,250	6,007	571	591	597
	Family	30,344	29,925	29,172	2,759	2,782	2,884
	Total	58,719	58,210	56,814	5,219	5,319	5,628
Local Active	Single	5,474	5,204	5,377	371	399	432
	Children	1,013	959	972	102	106	103
	Family	5,720	5,724	5,717	149	187	195
	Total	12,207	11,887	12,066	622	692	730
Plan Total		70,926	70,097	68,880	5,841	6,011	6,358
Grand Total					76,767	76,108	75,238

B. Changes in Claim Backlog

It should be noted that on July 1, 2006, all retirees were transferred to the RHBT. The chart below has not been adjusted to reflect the smaller risk pool. It has displayed the duration of claim payments that has been gradually declining for the self-insured block of non-Medicare coverages. Backlog has shown a historically increasing trend since July 2006. However, it indicates a downward trend since the beginning of FY 2017.

WV PEIA&RHBT Claim Backlog July 2006 through February 2017



C. Trend Analysis

PEIA experienced slightly higher medical and prescription drug trends in FY 2016, but over the past few years, trends have been beneficial to the plan. Continuing Care Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “PEIA FY2016 Detailed Medical and Prescription Drugs Claim Trend Report - November 2016”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have maintained the FY 2017 medical claim trend assumption at 7.0%, and we have increased the FY 2017 prescription drug claim trend assumption from 9.0% to 11.0%.

The current trend projection is shown in the following table:

Claim Type	Previous Assumption FY 2017 Trend	Updated Assumption FY 2017 Trend
Active Local – Medical	7.0%	7.0%
State – Medical	7.0%	7.0%
Active Local – Drugs	9.0%	11.0%
State – Drugs	9.0%	11.0%

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

The following chart summarizes the trend results observed for the plan using data through February 2017. It is important to note that these trends have not been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies, nor the changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

PEIA Historical Trends (Active Local and State)

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

* Fiscal Year 2017 results are through the first eight months ending February 2017.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through February 2017 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the State Fund and the Local Fund for both self-funded and managed care coverages. Continuing Care Actuaries has developed the claim cost on an adjusted exposure basis using the respective expected claim cost for each coverage type. The adjusted exposure methodology weighs the expected claim cost under each coverage type for single, member and children, and family coverages based on observed differences in health care cost. For example, under this methodology single coverage types are given a weight of 1.0 exposure, whereas member and children coverages are given a greater weighting based on historical expected health care cost relationships. Based on this methodology, the projection of FY 2017 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2017 Projection			Net Revenue Excluding Pay Go		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs*	Monthly Capitation Costs
State	PPB	56,915	\$ 563	\$ 138	\$ 499	\$ 182	
	<u>Managed Care</u>	<u>5,595</u>	\$ 574	\$ 155			\$ 566
	Total	62,510					
Local	PPB	11,988	\$ 587	\$ -	\$ 485	\$ 165	
	<u>Managed Care</u>	<u>728</u>	\$ 485	\$ -			\$ 427
	Total	12,716					

*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 2016

Source	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Additional State Employer Revenue	\$66,800,000	\$0	\$37,000,000	\$52,000,000	\$55,500,000
Additional Local Agency Revenue	\$4,150,000	\$6,600,000	\$16,000,000	\$16,000,000	\$14,500,000
Additional Employee Premium	\$14,500,000	\$0	\$9,300,000	\$13,000,000	\$13,900,000
State Direct Transfer	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Benefit Reductions and Savings / (Increase) - Active State	\$27,475,000	\$31,765,000	\$0	\$0	\$0
Benefit Reductions and Savings / (Increase) - Active Local	\$825,000	\$7,174,000	\$0	\$0	\$0
PPACA Reinsurance Contributions (Cost)	(\$1,800,000)	\$0	\$0	\$0	\$0
PPACA Comparative Effectiveness Research Fees (Cost)	(\$315,470)	(\$322,586)	(\$320,561)	\$0	\$0
Pay Go Premium Transfer	\$150,000,000	\$160,000,000	\$170,000,000	\$180,000,000	\$190,000,000

The \$31,765,000 of Active State benefit reductions and savings in Fiscal Year 2018 is comprised of the following:

	<u>2018 Claim Cost Savings</u>
Medical Claims	\$23.887 M
Drug Claims	\$7.878 M

The \$7,174,000 of Active Local benefit reductions in Fiscal Year 2018 is comprised of the following:

	<u>2018 Claim Cost Savings</u>
Medical Claims	\$5.560 M
Drug Claims	\$1.614 M

A detailed list of the 2018 benefit reductions and savings for the Active Employee plan as voted on by the Board consists of the following:

	<u>State Saving</u>	<u>Local Saving</u>
Fee Schedules Payment Changes	\$0.929 M	\$0.164 M
Ded/MOOP Increases \$200/400 & \$1,000/2,000	\$19.430 M	\$0 M
Non State \$200/400 & \$1,000/2,000	\$0 M	\$4.320 M
Plan A, B & D Changes	\$3.100 M	\$1.000 M
Office Visits All PCP Copays \$20	<u>\$0.428 M</u>	<u>\$0.076 M</u>
Total Medical Benefit Reductions	\$23.887 M	\$5.560 M
Rx Mandatory Maintenance (90 Days)	\$7.669 M	\$1.571 M
Rx Specialty Copay Increases	<u>\$0.209 M</u>	<u>\$0.043 M</u>
Total Drugs Savings	\$7.878 M	\$1.614 M
Total Benefit Reductions and Savings	\$31.765 M	\$7.174 M

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

Under the final rule, issuers would be required to pay a reinsurance contribution of \$5.25 per member per month to HHS in 2014. The \$5.25 contribution rate would gradually decrease in 2016. From 2017 and beyond, no further reinsurance contributions will be collected. PEIA will not receive any benefit payments from the national reinsurance program. PEIA will be subject to paying the reinsurance contributions through FY 2017 and the projected expenses of the reinsurance contributions are included in the current financial plan. The total reinsurance contributions for the financial projection are estimated to be approximately \$1,800,000 in FY 2017.

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

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

It is anticipated that PEIA would accrue and pay these fees through FY 2019. The fee would be \$2 per member per year. The total comparative effectiveness research fees for the financial projection are estimated to be approximately \$960,000, with \$315,470 in FY 2017.

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

E. Provider Reimbursement Changes

Beyond the extension of the Medicaid / PEIA Hospital Bill throughout the forecast, there are no assumed changes in provider reimbursement for physicians, hospitals and pharmaceutical charges beyond the annual cost updates that PEIA has implemented historically.

FISCAL YEAR 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 \$790,598,468 and incurred plan expenses of \$772,548,685 to produce a fiscal year surplus of \$18,049,783. The PEIA local and state agencies Pay Go premiums for FY 2017 are assumed to be \$150,000,000.

Under the Baseline Scenario, FY 2017 is projected to end with a reserve of \$123,209,277 and the FY 2018 PEIA/RHBT combined, projected plan expenditures of \$904,704,187, which represents 14% of projected expenditures based on the current reserve methodology. The projected reserve meets the minimum actuarial required reserve of \$123,260,744. This reserve is comprised of 15% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending reserve is expected to increase to \$128,664,033 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$117,786,186.

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 \$798,495,090 and incurred plan expenses of \$788,614,578 to produce a fiscal year surplus of \$9,880,512. The PEIA local and state agencies Pay Go premiums for FY 2018 are assumed to be \$160,000,000.

Under the Baseline Scenario, FY 2018 is projected to end with a reserve of \$133,089,790 and the FY 2019 PEIA/RHBT combined, projected plan expenditures of \$916,696,931, which represents 15% of projected expenditures based on the current reserve methodology. The projected reserve meets the minimum actuarial required reserve of \$124,835,470. This reserve is comprised of 15% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending reserve is expected to increase to \$154,606,649 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$111,434,624.

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 \$861,753,105 and incurred plan expenses of \$854,416,644 to produce a fiscal year surplus of \$7,336,461. The PEIA local and state agencies Pay Go premiums for FY 2019 are assumed to be \$170,000,000.

Under the Baseline Scenario, FY 2019 is projected to end with a reserve of \$140,426,250 and the FY 2020 PEIA/RHBT combined, projected plan expenditures of \$1,000,747,703, which represents 14% of projected expenditures based on the current reserve methodology. The projected reserve meets the minimum actuarial required reserve of \$136,230,543. This reserve is comprised of 15% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending reserve is expected to increase to \$191,028,203 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$88,857,025.

FISCAL YEAR 2020 FORECAST

The financial forecast for FY 2020 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2020 projects accrued revenue of \$943,688,675 and incurred plan expenses of \$925,281,003 to produce a fiscal year surplus of \$18,407,672. The PEIA local and state agencies Pay Go premiums for FY 2020 are assumed to be \$180,000,000.

Under the Baseline Scenario, FY 2020 is projected to end with a reserve of \$158,833,922 and the FY 2021 PEIA/RHBT combined, projected plan expenditures of \$1,101,920,785, which represents 14% of projected expenditures based on the current reserve methodology. The projected reserve meets the minimum actuarial required reserve of \$149,799,991. This reserve is comprised of 15% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending reserve is expected to increase to \$254,063,628 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$60,552,618.

FISCAL YEAR 2021 FORECAST

The financial forecast for FY 2021 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2021 projects accrued revenue of \$1,029,017,794 and incurred plan expenses of \$1,005,654,290 to produce a fiscal year surplus of \$23,363,504. The PEIA local and state agencies Pay Go premiums for FY 2021 are assumed to be \$190,000,000.

Under the Baseline Scenario, FY 2021 is projected to end with a reserve of \$182,197,426 and the FY 2022 PEIA/RHBT combined, projected plan expenditures of \$1,219,938,922, which represents 15% of projected expenditures based on the current reserve methodology. The projected reserve meets the minimum actuarial required reserve of \$165,594,737. This reserve is comprised of 15% of self-insured claim expenses, and 10% of all other program expenses under the Baseline Scenario. Under the Optimistic Scenario, the ending reserve is expected to increase to \$340,661,180 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$16,567,678.

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

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 108,343,459	\$ 475,211,247	\$ 583,554,706
Employer Premiums - MCO	5,689,207	47,453,443	53,142,650
Employee Premiums - PPB	-	117,173,418	117,173,418
Employee Premiums - MCO	-	12,627,399	12,627,399
Life Insurance	255,446	1,363,223	1,618,669
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,968,078	4,855,819	6,823,897
Litigation Settlement	-	-	-
COBRA Premiums	316,341	1,313,502	1,629,843
Administrative Fees	615,819	3,412,067	4,027,886
Total Revenue	\$ 117,188,350	\$ 673,410,118	\$ 790,598,468
<u>Program Expenses</u>			
Medical Claims	\$ 69,780,920	\$ 340,695,082	\$ 410,476,002
Prescription Drug Claims	23,719,667	124,528,251	148,247,918
Managed Care Capitations	3,733,934	37,998,529	41,732,463
Administration	2,240,139	11,954,803	14,194,942
Life Insurance	255,754	1,364,863	1,620,617
Wellness	240,766	1,284,878	1,525,644
ACA Reinsurance Contributions	284,063	1,515,937	1,800,000
ACA Comparative Effectiveness Research Fees	48,780	266,690	315,470
Computer Software Reserve	278,743	1,487,549	1,766,292
Director's Discretionary Fund	144,513	724,823	869,336
WV RHBT Pay Go Premiums	25,354,521	124,645,479	150,000,000
Total Expenses	\$ 126,081,800	\$ 646,466,884	\$ 772,548,685
Fiscal Year Results	\$ (8,893,450)	\$ 26,943,234	\$ 18,049,783
Beginning Plan Reserve	38,762,272	66,397,222	105,159,494
Ending Plan Reserve	\$ 29,868,822	\$ 93,340,455	\$ 123,209,277
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 66,800,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 4,150,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,500,000	Active Local	7.0%	11.0%
Direct Transfers	\$ 10,000,000	State	7.0%	11.0%
		Capitations		13.3%
		Administrative Expense		-14.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 108,343,459	\$ -	\$ 108,343,459
Employer Premiums - MCO	5,689,207	-	5,689,207
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	255,446		255,446
Direct Transfers	-		-
Investment Income	1,968,078		1,968,078
Litigation Settlement	-		-
COBRA Premiums	316,341		316,341
Administrative Fees	615,819		615,819
Total Revenue	\$ 117,188,350	\$ -	\$ 117,188,350
<u>Program Expenses</u>			
Medical Claims	\$ 70,605,920	\$ (825,000)	\$ 69,780,920
Prescription Drug Claims	23,719,667	\$ -	23,719,667
Managed Care Capitations	3,733,934		3,733,934
Administration	2,240,139		2,240,139
Life Insurance	255,754		255,754
Wellness	240,766		240,766
ACA Reinsurance Contributions	284,063		284,063
ACA Comparative Effectiveness Research Fees	48,780		48,780
Computer Software Reserve	278,743		278,743
Director's Discretionary Fund	144,513		144,513
WV RHBT Pay Go Premiums	25,354,521		25,354,521
Total Expenses	\$ 126,906,800	\$ (825,000)	\$ 126,081,800
Fiscal Year Results	\$ (9,718,450)		\$ (8,893,450)
Beginning Plan Reserve	38,762,272		38,762,272
Ending Plan Reserve	\$ 29,043,822		\$ 29,868,822
Reserve as a Percent of Expenses			20%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 4,150,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	11.0%
		Capitations		13.3%
		Administrative Expense		-14.0%

**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	\$ 475,211,247	\$ -	\$ 475,211,247
Employer Premiums - MCO	47,453,443	-	47,453,443
Employee Premiums - PPB	117,173,418	-	117,173,418
Employee Premiums - MCO	12,627,399	-	12,627,399
Life Insurance	1,363,223		1,363,223
Direct Transfers	10,000,000		10,000,000
Investment Income	4,855,819		4,855,819
Litigation Settlement	-		-
COBRA Premiums	1,313,502		1,313,502
Administrative Fees	3,412,067		3,412,067
Total Revenue	\$ 673,410,118	\$ -	\$ 673,410,118
<u>Program Expenses</u>			
Medical Claims	\$ 344,770,082	\$ (4,075,000)	\$ 340,695,082
Prescription Drug Claims	147,928,252	\$ (23,400,000)	124,528,252
Managed Care Capitations	37,998,529	-	37,998,529
Administration	11,954,803		11,954,803
Life Insurance	1,364,863		1,364,863
Wellness	1,284,878		1,284,878
ACA Reinsurance Contributions	1,515,937		1,515,937
ACA Comparative Effectiveness Research Fees	266,690		266,690
Computer Software Reserve	1,487,549		1,487,549
Director's Discretionary Fund	724,823		724,823
WV RHBT Pay Go Premiums	124,645,479		124,645,479
Total Expenses	\$ 673,941,885	\$ (27,475,000)	\$ 646,466,885
Fiscal Year Results	\$ (531,767)		\$ 26,943,233
Beginning Plan Reserve	66,397,222		66,397,222
Ending Plan Reserve	\$ 65,865,455		\$ 93,340,455
Reserve as a Percent of Expenses			12%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 66,800,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 14,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	7.0%	11.0%
		Capitations		13.3%
		Administrative Expense		-14.0%

**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	\$ 114,614,178	\$ 475,211,247	\$ 589,825,425
Employer Premiums - MCO	6,018,488	47,453,443	53,471,931
Employee Premiums - PPB	-	117,173,418	117,173,418
Employee Premiums - MCO	-	12,627,399	12,627,399
Life Insurance	268,219	1,431,385	1,699,604
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,711,370	6,309,905	8,021,275
Litigation Settlement	-	-	-
COBRA Premiums	334,650	1,313,502	1,648,152
Administrative Fees	615,819	3,412,067	4,027,886
Total Revenue	\$ 123,562,724	\$ 674,932,366	\$ 798,495,090
<u>Program Expenses</u>			
Medical Claims	\$ 69,507,016	\$ 340,340,518	\$ 409,847,534
Prescription Drug Claims	24,853,922	130,222,452	155,076,373
Managed Care Capitations	3,957,970	40,278,441	44,236,411
Administration	1,959,024	10,454,592	12,413,616
Life Insurance	268,541	1,433,107	1,701,648
Wellness	240,766	1,284,878	1,525,644
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	49,352	273,235	322,587
Computer Software Reserve	278,743	1,487,549	1,766,292
Director's Discretionary Fund	288,044	1,436,428	1,724,472
WV RHBT Pay Go Premiums	27,788,505	132,211,495	160,000,000
Total Expenses	\$ 129,191,883	\$ 659,422,695	\$ 788,614,578
Fiscal Year Results	\$ (5,629,159)	\$ 15,509,671	\$ 9,880,512
Beginning Plan Reserve	29,868,822	93,340,455	123,209,277
Ending Plan Reserve	\$ 24,239,663	\$ 108,850,127	\$ 133,089,790
Reserve as a Percent of Expenses			15%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 6,600,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	7.5%	11.5%
Direct Transfers	\$ 10,000,000	State	7.5%	11.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 108,343,459	\$ 6,270,719	\$ 114,614,178
Employer Premiums - MCO	5,689,207	329,281	6,018,488
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	268,219		268,219
Direct Transfers	-		-
Investment Income	1,711,370		1,711,370
Litigation Settlement	-		-
COBRA Premiums	334,650		334,650
Administrative Fees	615,819		615,819
Total Revenue	\$ 116,962,724	\$ 6,600,000	\$ 123,562,724
<u>Program Expenses</u>			
Medical Claims	\$ 69,507,017		\$ 69,507,017
Prescription Drug Claims	24,853,922		24,853,922
Managed Care Capitations	3,957,970		3,957,970
Administration	1,959,024		1,959,024
Life Insurance	268,541		268,541
Wellness	240,766		240,766
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	49,352		49,352
Computer Software Reserve	278,743		278,743
Director's Discretionary Fund	288,044		288,044
WV RHBT Pay Go Premiums	27,788,505		27,788,505
Total Expenses	\$ 129,191,884	\$ -	\$ 129,191,884
Fiscal Year Results	\$ (12,229,160)		\$ (5,629,160)
Beginning Plan Reserve	29,868,822		29,868,822
Ending Plan Reserve	\$ 17,639,662		\$ 24,239,662
Reserve as a Percent of Expenses			16%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 6,600,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.5%	11.5%
		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	\$ 475,211,247	\$ -	\$ 475,211,247
Employer Premiums - MCO	47,453,443	-	47,453,443
Employee Premiums - PPB	117,173,418	-	117,173,418
Employee Premiums - MCO	12,627,399	-	12,627,399
Life Insurance	1,431,385		1,431,385
Direct Transfers	10,000,000		10,000,000
Investment Income	6,309,905		6,309,905
Litigation Settlement	-		-
COBRA Premiums	1,313,502		1,313,502
Administrative Fees	3,412,067		3,412,067
Total Revenue	\$ 674,932,366	\$ -	\$ 674,932,366
<u>Program Expenses</u>			
Medical Claims	\$ 340,340,518		\$ 340,340,518
Prescription Drug Claims	130,222,451		130,222,451
Managed Care Capitations	40,278,441		40,278,441
Administration	10,454,592		10,454,592
Life Insurance	1,433,107		1,433,107
Wellness	1,284,878		1,284,878
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	273,235		273,235
Computer Software Reserve	1,487,549		1,487,549
Director's Discretionary Fund	1,436,428		1,436,428
WV RHBT Pay Go Premiums	132,211,495		132,211,495
Total Expenses	\$ 659,422,694	\$ -	\$ 659,422,694
Fiscal Year Results	\$ 15,509,672		\$ 15,509,672
Beginning Plan Reserve	93,340,455		93,340,455
Ending Plan Reserve	\$ 108,850,127		\$ 108,850,127
Reserve as a Percent of Expenses			14%

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	\$ 10,000,000	State	7.5%	11.5%
		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	\$ 129,815,921	\$ 508,851,967	\$ 638,667,888
Employer Premiums - MCO	6,816,745	50,812,723	57,629,468
Employee Premiums - PPB	-	125,568,688	125,568,688
Employee Premiums - MCO	-	13,532,129	13,532,129
Life Insurance	281,630	1,502,954	1,784,584
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,542,797	7,213,918	8,756,715
Litigation Settlement	-	-	-
COBRA Premiums	379,036	1,406,711	1,785,747
Administrative Fees	615,819	3,412,067	4,027,886
Total Revenue	\$ 139,451,948	\$ 722,301,157	\$ 861,753,105
<u>Program Expenses</u>			
Medical Claims	\$ 74,910,237	\$ 366,797,345	\$ 441,707,582
Prescription Drug Claims	27,780,509	145,556,344	173,336,853
Managed Care Capitations	4,195,449	42,695,147	46,890,596
Administration	2,424,058	12,936,307	15,360,365
Life Insurance	281,968	1,504,762	1,786,730
Wellness	240,766	1,284,878	1,525,644
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	48,781	271,780	320,561
Computer Software Reserve	278,743	1,487,549	1,766,292
Director's Discretionary Fund	287,517	1,434,505	1,722,022
WV RHBT Pay Go Premiums	30,172,559	139,827,441	170,000,000
Total Expenses	\$ 140,620,587	\$ 713,796,058	\$ 854,416,644
Fiscal Year Results	\$ (1,168,639)	\$ 8,505,099	\$ 7,336,461
Beginning Plan Reserve	24,239,663	108,850,127	133,089,790
Ending Plan Reserve	\$ 23,071,024	\$ 117,355,226	\$ 140,426,250
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 37,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 16,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 9,300,000	Active Local	8.0%	12.0%
Direct Transfers	\$ 10,000,000	State	8.0%	12.0%
		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	\$ 114,614,178	\$ 15,201,743	\$ 129,815,921
Employer Premiums - MCO	6,018,488	798,257	6,816,745
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	281,630		281,630
Direct Transfers	-		-
Investment Income	1,542,797		1,542,797
Litigation Settlement	-		-
COBRA Premiums	379,036		379,036
Administrative Fees	615,819		615,819
Total Revenue	\$ 123,451,948	\$ 16,000,000	\$ 139,451,948
<u>Program Expenses</u>			
Medical Claims	\$ 74,910,237		\$ 74,910,237
Prescription Drug Claims	27,780,509		27,780,509
Managed Care Capitations	4,195,449		4,195,449
Administration	2,424,058		2,424,058
Life Insurance	281,968		281,968
Wellness	240,766		240,766
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	48,781		48,781
Computer Software Reserve	278,743		278,743
Director's Discretionary Fund	287,517		287,517
WV RHBT Pay Go Premiums	30,172,559		30,172,559
Total Expenses	\$ 140,620,587	\$ -	\$ 140,620,587
Fiscal Year Results	\$ (17,168,639)		\$ (1,168,639)
Beginning Plan Reserve	24,239,663		24,239,663
Ending Plan Reserve	\$ 7,071,024		\$ 23,071,024
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 16,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	8.0%	12.0%
		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	\$ 475,211,247	\$ 33,640,719	\$ 508,851,966
Employer Premiums - MCO	47,453,443	3,359,281	50,812,724
Employee Premiums - PPB	117,173,418	8,395,269	125,568,687
Employee Premiums - MCO	12,627,399	904,731	13,532,130
Life Insurance	1,502,954		1,502,954
Direct Transfers	10,000,000		10,000,000
Investment Income	7,213,918		7,213,918
Litigation Settlement	-		-
COBRA Premiums	1,406,711		1,406,711
Administrative Fees	3,412,067		3,412,067
Total Revenue	\$ 676,001,157	\$ 46,300,000	\$ 722,301,157
<u>Program Expenses</u>			
Medical Claims	\$ 366,797,345		\$ 366,797,345
Prescription Drug Claims	145,556,344		145,556,344
Managed Care Capitations	42,695,147		42,695,147
Administration	12,936,307		12,936,307
Life Insurance	1,504,762		1,504,762
Wellness	1,284,878		1,284,878
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	271,780		271,780
Computer Software Reserve	1,487,549		1,487,549
Director's Discretionary Fund	1,434,505		1,434,505
WV RHBT Pay Go Premiums	139,827,441		139,827,441
Total Expenses	\$ 713,796,058	\$ -	\$ 713,796,058
Fiscal Year Results	\$ (37,794,901)		\$ 8,505,099
Beginning Plan Reserve	108,850,127		108,850,127
Ending Plan Reserve	\$ 71,055,226		\$ 117,355,226
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 37,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 9,300,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	8.0%	12.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 145,017,665	\$ 556,130,816	\$ 701,148,481
Employer Premiums - MCO	7,615,001	55,533,874	63,148,875
Employee Premiums - PPB	-	137,304,010	137,304,010
Employee Premiums - MCO	-	14,796,807	14,796,807
Life Insurance	295,711	1,578,101	1,873,812
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,558,842	7,868,975	9,427,817
Litigation Settlement	-	-	-
COBRA Premiums	423,422	1,537,565	1,960,987
Administrative Fees	615,819	3,412,067	4,027,886
Total Revenue	\$ 155,526,460	\$ 788,162,215	\$ 943,688,675
<u>Program Expenses</u>			
Medical Claims	\$ 81,108,181	\$ 397,145,522	\$ 478,253,703
Prescription Drug Claims	31,190,661	163,423,877	194,614,537
Managed Care Capitations	4,447,176	45,256,856	49,704,032
Administration	2,496,779	13,324,396	15,821,175
Life Insurance	296,067	1,580,000	1,876,067
Wellness	240,766	1,284,878	1,525,644
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	-	-	-
Computer Software Reserve	278,743	1,487,549	1,766,292
Director's Discretionary Fund	286,986	1,432,567	1,719,553
WV RHBT Pay Go Premiums	32,605,513	147,394,487	180,000,000
Total Expenses	\$ 152,950,871	\$ 772,330,133	\$ 925,281,003
Fiscal Year Results	\$ 2,575,589	\$ 15,832,082	\$ 18,407,672
Beginning Plan Reserve	23,071,024	117,355,226	140,426,250
Ending Plan Reserve	\$ 25,646,613	\$ 133,187,309	\$ 158,833,922
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 52,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 16,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 13,000,000	Active Local	8.5%	12.5%
Direct Transfers	\$ 10,000,000	State	8.5%	12.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 129,815,921	\$ 15,201,743	\$ 145,017,664
Employer Premiums - MCO	6,816,745	798,257	7,615,002
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	295,711		295,711
Direct Transfers	-		-
Investment Income	1,558,842		1,558,842
Litigation Settlement	-		-
COBRA Premiums	423,422		423,422
Administrative Fees	615,819		615,819
Total Revenue	\$ 139,526,460	\$ 16,000,000	\$ 155,526,460
<u>Program Expenses</u>			
Medical Claims	\$ 81,108,181		\$ 81,108,181
Prescription Drug Claims	31,190,661		31,190,661
Managed Care Capitations	4,447,176		4,447,176
Administration	2,496,779		2,496,779
Life Insurance	296,067		296,067
Wellness	240,766		240,766
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Computer Software Reserve	278,743		278,743
Director's Discretionary Fund	286,986		286,986
WV RHBT Pay Go Premiums	32,605,513		32,605,513
Total Expenses	\$ 152,950,872	\$ -	\$ 152,950,872
Fiscal Year Results	\$ (13,424,412)		\$ 2,575,588
Beginning Plan Reserve	23,071,024		23,071,024
Ending Plan Reserve	\$ 9,646,612		\$ 25,646,612
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 16,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	8.5%	12.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 508,851,967	\$ 47,278,849	\$ 556,130,816
Employer Premiums - MCO	50,812,723	4,721,151	55,533,874
Employee Premiums - PPB	125,568,688	11,735,322	137,304,010
Employee Premiums - MCO	13,532,129	1,264,678	14,796,807
Life Insurance	1,578,101		1,578,101
Direct Transfers	10,000,000		10,000,000
Investment Income	7,868,975		7,868,975
Litigation Settlement	-		-
COBRA Premiums	1,537,565		1,537,565
Administrative Fees	3,412,067		3,412,067
Total Revenue	\$ 723,162,215	\$ 65,000,000	\$ 788,162,215
<u>Program Expenses</u>			
Medical Claims	\$ 397,145,522		\$ 397,145,522
Prescription Drug Claims	163,423,877		163,423,877
Managed Care Capitations	45,256,856		45,256,856
Administration	13,324,396		13,324,396
Life Insurance	1,580,000		1,580,000
Wellness	1,284,878		1,284,878
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Computer Software Reserve	1,487,549		1,487,549
Director's Discretionary Fund	1,432,567		1,432,567
WV RHBT Pay Go Premiums	147,394,487		147,394,487
Total Expenses	\$ 772,330,132	\$ -	\$ 772,330,132
Fiscal Year Results	\$ (49,167,917)		\$ 15,832,083
Beginning Plan Reserve	117,355,226		117,355,226
Ending Plan Reserve	\$ 68,187,309		\$ 133,187,309
Reserve as a Percent of Expenses			15%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 52,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 13,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	8.5%	12.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 158,794,245	\$ 606,591,895	\$ 765,386,140
Employer Premiums - MCO	8,338,421	60,572,795	68,911,216
Employee Premiums - PPB	-	149,851,778	149,851,778
Employee Premiums - MCO	-	16,149,039	16,149,039
Life Insurance	310,497	1,657,007	1,967,504
Direct Transfers	-	10,000,000	10,000,000
Investment Income	1,731,530	8,851,778	10,583,308
Litigation Settlement	-	-	-
COBRA Premiums	463,647	1,677,276	2,140,923
Administrative Fees	615,819	3,412,067	4,027,886
Total Revenue	\$ 170,254,159	\$ 858,763,635	\$ 1,029,017,794
<u>Program Expenses</u>			
Medical Claims	\$ 88,224,628	\$ 431,991,146	\$ 520,215,773
Prescription Drug Claims	35,175,431	184,302,132	219,477,563
Managed Care Capitations	4,714,006	47,972,267	52,686,273
Administration	2,571,683	13,724,128	16,295,811
Life Insurance	310,870	1,659,000	1,969,870
Wellness	240,766	1,284,878	1,525,644
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	-	-	-
Computer Software Reserve	278,743	1,487,549	1,766,292
Director's Discretionary Fund	286,451	1,430,613	1,717,064
WV RHBT Pay Go Premiums	35,030,435	154,969,565	190,000,000
Total Expenses	\$ 166,833,012	\$ 838,821,278	\$ 1,005,654,290
Fiscal Year Results	\$ 3,421,147	\$ 19,942,357	\$ 23,363,504
Beginning Plan Reserve	25,646,613	133,187,309	158,833,922
Ending Plan Reserve	\$ 29,067,760	\$ 153,129,666	\$ 182,197,426
Reserve as a Percent of Expenses			15%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,500,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 14,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 13,900,000	Active Local	9.0%	13.0%
Direct Transfers	\$ 10,000,000	State	9.0%	13.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 145,017,665	\$ 13,776,580	\$ 158,794,245
Employer Premiums - MCO	7,615,001	723,420	8,338,421
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	310,497		310,497
Direct Transfers	-		-
Investment Income	1,731,530		1,731,530
Litigation Settlement	-		-
COBRA Premiums	463,647		463,647
Administrative Fees	615,819		615,819
Total Revenue	\$ 155,754,159	\$ 14,500,000	\$ 170,254,159
<u>Program Expenses</u>			
Medical Claims	\$ 88,224,628		\$ 88,224,628
Prescription Drug Claims	35,175,431		35,175,431
Managed Care Capitations	4,714,006		4,714,006
Administration	2,571,683		2,571,683
Life Insurance	310,870		310,870
Wellness	240,766		240,766
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Computer Software Reserve	278,743		278,743
Director's Discretionary Fund	286,451		286,451
WV RHBT Pay Go Premiums	35,030,435		35,030,435
Total Expenses	\$ 166,833,013	\$ -	\$ 166,833,013
Fiscal Year Results	\$ (11,078,854)		\$ 3,421,146
Beginning Plan Reserve	25,646,613		25,646,613
Ending Plan Reserve	\$ 14,567,759		\$ 29,067,759
Reserve as a Percent of Expenses			14%

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 14,500,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	9.0%	13.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 556,130,816	\$ 50,461,079	\$ 606,591,895
Employer Premiums - MCO	55,533,874	5,038,921	60,572,795
Employee Premiums - PPB	137,304,010	12,547,768	149,851,778
Employee Premiums - MCO	14,796,807	1,352,232	16,149,039
Life Insurance	1,657,007		1,657,007
Direct Transfers	10,000,000		10,000,000
Investment Income	8,851,778		8,851,778
Litigation Settlement	-		-
COBRA Premiums	1,677,276		1,677,276
Administrative Fees	3,412,067		3,412,067
Total Revenue	\$ 789,363,635	\$ 69,400,000	\$ 858,763,635
<u>Program Expenses</u>			
Medical Claims	\$ 431,991,146		\$ 431,991,146
Prescription Drug Claims	184,302,132		184,302,132
Managed Care Capitations	47,972,267		47,972,267
Administration	13,724,128		13,724,128
Life Insurance	1,659,000		1,659,000
Wellness	1,284,878		1,284,878
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	-		-
Computer Software Reserve	1,487,549		1,487,549
Director's Discretionary Fund	1,430,613		1,430,613
WV RHBT Pay Go Premiums	154,969,565		154,969,565
Total Expenses	\$ 838,821,278	\$ -	\$ 838,821,278
Fiscal Year Results	\$ (49,457,643)		\$ 19,942,357
Beginning Plan Reserve	133,187,309		133,187,309
Ending Plan Reserve	\$ 83,729,666		\$ 153,129,666
Reserve as a Percent of Expenses			15%

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,500,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 13,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 10,000,000	State	9.0%	13.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

Fiscal Year 2016												
Exposure	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Mar-16</u>	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>
Local Medical	25,512	25,655	25,752	25,676	25,687	25,650	25,727	25,823	25,824	25,808	25,717	25,696
State Medical	131,127	130,588	130,166	130,973	131,327	131,400	131,326	130,961	130,685	130,633	130,558	130,228
Local Drugs	25,512	25,655	25,752	25,676	25,687	25,650	25,727	25,823	25,824	25,808	25,717	25,696
State Drugs	131,127	130,588	130,166	130,973	131,327	131,400	131,326	130,961	130,685	130,633	130,558	130,228
	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Mar-16</u>	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>
Local Medical	\$162.58	\$172.97	\$191.56	\$183.12	\$190.50	\$200.03	\$196.16	\$233.94	\$270.15	\$277.90	\$253.89	\$274.32
State Medical	\$186.03	\$193.83	\$214.06	\$231.50	\$212.35	\$214.56	\$213.76	\$216.70	\$248.83	\$242.26	\$252.80	\$272.64
Local Drugs	\$56.41	\$65.91	\$69.54	\$74.14	\$72.45	\$79.18	\$76.63	\$79.66	\$85.49	\$81.78	\$85.65	\$87.45
State Drugs	<u>62.32</u>	<u>71.10</u>	<u>74.11</u>	<u>78.34</u>	<u>78.61</u>	<u>84.95</u>	<u>82.23</u>	<u>83.23</u>	<u>92.07</u>	<u>86.43</u>	<u>90.76</u>	<u>98.59</u>
Total	\$467.34	\$503.81	\$549.27	\$567.10	\$553.91	\$578.72	\$568.77	\$613.52	\$696.53	\$688.37	\$683.11	\$733.01
Change From Prior Year - Month to Month Analysis												
Local Medical	-16.0%	-8.6%	-6.4%	-16.6%	-10.1%	-10.0%	-4.8%	10.3%	20.5%	24.8%	6.8%	32.6%
State Medical	-7.9%	-1.1%	-2.2%	1.8%	11.9%	-4.1%	-4.4%	5.9%	8.7%	3.2%	10.1%	3.7%
Local Drugs	11.4%	4.3%	0.6%	1.5%	4.9%	-4.1%	-5.6%	10.7%	6.1%	-0.8%	4.8%	-5.2%
State Drugs	<u>1.7%</u>	<u>-0.5%</u>	<u>0.3%</u>	<u>2.3%</u>	<u>9.0%</u>	<u>1.1%</u>	<u>-1.3%</u>	<u>7.6%</u>	<u>6.1%</u>	<u>1.9%</u>	<u>6.6%</u>	<u>3.6%</u>
Total	-7.9%	-3.1%	-3.1%	-4.9%	2.0%	-5.5%	-4.3%	8.4%	12.2%	10.2%	7.7%	11.5%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-10.3%			-12.3%			9.0%			20.8%
State Medical			-3.7%			2.7%			3.4%			5.6%
Local Drugs			4.8%			0.5%			3.5%			-0.6%
State Drugs			<u>0.4%</u>			<u>4.0%</u>			<u>4.1%</u>			<u>4.0%</u>
Total			-4.6%			-3.0%			5.5%			9.8%
Change From Prior Year - Year to Year Analysis												
Local Medical			2.5%			-5.0%			-4.0%			2.2%
State Medical			6.8%			4.1%			2.9%			2.2%
Local Drugs			11.0%			7.4%			5.1%			1.8%
State Drugs			<u>7.1%</u>			<u>5.9%</u>			<u>4.3%</u>			<u>3.2%</u>
Total			5.8%			1.3%			0.8%			2.3%

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

Fiscal Year 2017								
Exposure	<u>Jul-16</u>	<u>Aug-16</u>	<u>Sep-16</u>	<u>Oct-16</u>	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>
Local Medical	25,684	25,659	25,660	25,722	25,661	25,642	25,521	25,719
State Medical	127,982	126,855	126,815	127,206	126,991	126,883	126,364	126,399
Local Drugs	25,684	25,659	25,660	25,722	25,661	25,642	25,521	25,719
State Drugs	127,982	126,855	126,815	127,206	126,991	126,883	126,364	126,399
Local Medical	\$166.55	\$187.64	\$188.68	\$201.80	\$219.39	\$233.26	\$249.41	\$218.22
State Medical	\$172.52	\$224.79	\$192.11	\$203.94	\$200.50	\$202.30	\$227.81	\$224.66
Local Drugs	\$58.43	\$79.17	\$75.81	\$87.25	\$85.90	\$91.07	\$92.71	\$99.51
State Drugs	<u>64.06</u>	<u>83.06</u>	<u>81.01</u>	<u>90.44</u>	<u>91.73</u>	<u>94.75</u>	<u>99.01</u>	<u>106.20</u>
Total	\$461.55	\$574.66	\$537.61	\$583.42	\$597.51	\$621.38	\$668.95	\$648.59
Change From Prior Year - Month to Month Analysis								
Local Medical	2.4%	8.5%	-1.5%	10.2%	15.2%	16.6%	27.1%	-6.7%
State Medical	-7.3%	16.0%	-10.3%	-11.9%	-5.6%	-5.7%	6.6%	3.7%
Local Drugs	3.6%	20.1%	9.0%	17.7%	18.6%	15.0%	21.0%	24.9%
State Drugs	<u>2.8%</u>	<u>16.8%</u>	<u>9.3%</u>	<u>15.4%</u>	<u>16.7%</u>	<u>11.5%</u>	<u>20.4%</u>	<u>27.6%</u>
Total	-1.2%	14.1%	-2.1%	2.9%	7.9%	7.4%	17.6%	5.7%
Change From Prior Year - Quarter to Quarter Analysis								
Local Medical			3.0%			14.1%		
State Medical			-0.8%			-7.8%		
Local Drugs			11.2%			17.0%		
State Drugs			<u>9.9%</u>			<u>14.5%</u>		
Total			3.5%			6.0%		
Change From Prior Year - Year to Year Analysis								
Local Medical			5.3%			12.2%		
State Medical			2.9%			0.2%		
Local Drugs			3.2%			7.3%		
State Drugs			<u>5.3%</u>			<u>7.9%</u>		
Total			4.1%			6.4%		