Financial Statements, Required Supplementary Information, and Other Supplementary Information

West Virginia Public Employees Insurance Agency
Years Ended June 30, 2024 and 2023
With Report of Independent Auditors

Ernst & Young LLP



West Virginia Public Employees Insurance Agency

Financial Statements, Required Supplementary Information, and Other Supplementary Information

Years Ended June 30, 2024 and 2023

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Report of Independent Auditors

Finance Board and Management
West Virginia Public Employees Insurance Agency

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Virginia Public Employees Insurance Agency (PEIA), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise PEIA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of PEIA at June 30, 2024 and 2023, and the related changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PEIA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PEIA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PEIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PEIA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Ten-Year Claims Development Information be presented to supplement the financial statements. Such information is the responsibility of

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management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PEIA's financial statements. The accompanying other supplementary information: Form 7, Deposits Disclosure; Form 8, Investments Disclosure; Form 8-A, Deposits and Investment Disclosure; Form 9, Accounts Receivable; Form 10, Due (To) From Primary Government; and Form 11, Component Unit – A/R Balances are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 15, 2024 on our consideration of PEIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PEIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PEIA's internal control over financial reporting and compliance.

Ernst & Young LLP

October 15, 2024

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Management's Discussion and Analysis

(Dollars In Thousands)

West Virginia Public Employees Insurance Agency

Management's Discussion and Analysis
(Dollars In Thousands)

This section of the West Virginia Public Employees Insurance Agency's (PEIA) annual financial report presents management's discussion and analysis of its financial performance for the fiscal years ended June 30, 2024 and 2023. Please read it in conjunction with the basic financial statements which follow this section.

Overview of the Financial Statements

PEIA's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities. The primary purpose of PEIA is to provide group health and prescription drug insurance for the employees of State agencies, colleges and universities, county school boards, and other governmental units as set forth in the West Virginia Public Employees Insurance Act of 1971, as amended. PEIA operates in a manner similar to any other insurance company. PEIA is an enterprise fund of the State and is combined with other similar funds to comprise the enterprise funds of the State of West Virginia. The basic financial statements are presented on the accrual basis of accounting. The three basic financial statements presented within the financial statements are as follows:

Statement of Net Position – This statement presents information reflecting PEIA's assets, liabilities, and net position. Net position represents the amount of total assets less total liabilities. The statement of net position is categorized as to current and noncurrent assets and liabilities. For the purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or are collectible or become due within 12 months of the statement date.

Statement of Revenues, Expenses, and Changes in Net Position – This statement reflects PEIA's operating revenues and expenses, as well as nonoperating revenues during the fiscal year. The major source of operating revenues is premium income, while major expense areas include medical and prescription drug claims costs. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, capital, and noncapital financing and investing activities. Cash collections and payments are reflected on this statement to arrive at net increase or decrease in cash for the fiscal year.

Overview of financial condition

PEIA has a statutory requirement to maintain a reserve at no less than 10% of the total plan costs in any fiscal year for the purposes of offsetting unanticipated claims losses. As of June 30, 2024, 2023, and 2022 ending plan reserves as a percentage of plan expenses are reported at 8%, 16%, 19% respectively. The Finance Plan passed in December 2023 projected PEIA would end the 2024 plan year with a 15% reserve as a percentage of Plan expenses.

There are no consequences defined in WV State Code for PEIA if it ends a fiscal year with a deficit to the reserve requirement. Expounding on possible actions that could be taken against PEIA would be speculative. However, within the Code there is a clear call to action for the Board to uphold its fiduciary responsibilities and make amendments to the plan to return PEIA back to the required reserve.

WV Code §5-16-5(c)(1) was amended during the 2023 Regular Legislative Session to require that all PEIA financial plans establish "the minimum level of reimbursement at 110 percent of the Medicare amount for all providers: provided, that the plan shall reimburse a West Virginia hospital that provides inpatient medical care to a beneficiary, covered by the State and Non-State plans, at a minimum rate of 110 percent of the Medicare diagnosis-related group rate for the admission, or the Medicare per diem, per day rate applicable to a critical access hospital." This reimbursement change went into effect July 1, 2024.

PEIA management and its actuaries collaborated on an estimated cost increase to include in the 2024 finance plan. Shifting from a reimbursement level at approximately 59% of Medicare to 110% of Medicare for hospital services introduced considerable volatility to the accuracy of the estimated cost increase. Actual claims experience was $43.8 million or 55% worse than the estimated medical claims expense in the 2024 finance plan. Medical claims expense increased $173,637 million compared to last year due to the reimbursement increase to hospitals.

While PEIA management knew claims costs would increase for medical, they were unaware that a major increase in prescription drug claims costs would also impact 2024. The most pressing economic factor affecting insurers in the nation is the exponential price increase and demand for glucagon-like peptide 1 (GLP-1) prescription drugs. GLP-1 drugs are used to treat both obesity and diabetes. PEIA did not include an increase in utilization and cost for GLP-1 prescription drugs in the finance plan for year 2024 beyond the increase for the drug trend at the time, and the impact to the plan has been staggering.

PEIA's PBM reported, for plan year 2024, GLP-1s accounted for $52.5 million of PEIA's overall cost. As an example, Mounjaro, a GLP-1 used for diabetes and weight loss incurred a 221.7% net plan cost per member per month increase and had 103% more utilizing patients in the in the current year compared to the prior year. The cost and utilization increase for GLP-1s is the primary cost driver of claims being $17 million or 21% worse than the estimated gross drug claims expense in the 2024 finance plan. Drug claims expense increased $76,803 million compared to last year due to the Plans coverage of GLP-1 drugs along with an increase in the overall drug trend.

Effective March 15, 2024, PEIA ceased coverage for weight loss medication. At that time, members who had prior authorizations could continue using weight loss medications until the expiration of the prior authorization period (typically 12 months). PEIA now only covers GLP-1 for diabetes management and PEIA management is working with the PBM to implement cost savings strategies for GLP-1 diabetes products in the future. PEIA should experience savings in 2025 as prior authorizations for weight loss drugs expire.

To offset the rising cost of drugs PEIA contracts with a PBM to negotiate advantageous prescription drug rebates from Drug Manufacturers on its behalf. Each successive year of the current contract with the PBM, Express Scripts (ESI), has an 11% accelerated rebate guarantee per brand script, guaranteeing that rebate revenue will increase annually to offset price inflation. In the finance plan, it was assumed that rebate revenue would increase in plan year 2024. Due to a recent industry focus on improving the accuracy of the identification of 340B drugs, PEIA has experienced unexpected claw backs for rebates paid for drugs that have been identified as 340B. A drug is considered a 340B drug when it is filled at a qualifying 340B entity which receives a discount from Drug Manufacturers. Drug Manufacturers are protected from paying duplicative discounts to both the 340B entity and insurers by Federal Regulation. The impact of better identification of 340B drugs resulted in actual drug rebates being $19.4 million or $24% worse than the finance plan for 2024. Drug rebates increased $7,576 compared to prior year, which is a considerable reduction to the increase expected in the finance plan.

The net effect of both GLP-1 cost increases and 340B drug identification resulted in net drug spend that is $36.4 million or 45% worse than the finance plan adopted for 2024 in December 2023. Net drug claims expense increased $69,227 compared to prior year. PEIA did implement premium increases in 2024 which were included in the 2024 finance plan in the amount of $108 million for State employers, $22.5 million for Non-State employers, and $28.9 million for State employees participating with the plan, for a total of $159.5 million in additional revenue. However, the additional revenue was not enough to absorb the negative experience on medical and prescription drugs claims expense for the year resulting in PEIA ending the 2024 year with a 2% deficit to the statutory reserve level of 10%.

After the submission of the approved Financial Plan to the Governor, the PEIA Finance Board may not increase costs to the participating employers or change the average of premiums, deductibles, and copays for employees, except in the event of an emergency as defined in WV Code 5-16-5g. If the board invokes the emergency provisions, the cost shall be borne between the employers and employees in proportion to the cost-sharing ratio for that plan year. For purposes of this section, "emergency" means that the most recent projections demonstrate that plan expenses will exceed plan revenues by more than one percent in any plan year. The aggregate premium cost-sharing percentages between employers and employees, including the amounts of any subsidization of retired employee benefits, may be offset, in part, by a legislative appropriation for that purpose.

The most recent draft five-year actuarial projection has PEIA's ending reserve on June 30, 2025, at an 8% reserve as a percentage of expenses. This includes premium increases implemented July 1, 2024, in the amount of $101.2 million for employers and employees. Senate Bill 2009 was passed on October 7, 2024, during a special session, amending the enacted budget bill to provide surplus funds to PEIA for $87,000.

See the *Legislative Matters: Domestic pharmacy reimbursement* section for more information about the recently passed legislation that will increases pharmacy reimbursement. Accordingly, claims expense is expected to increase in 2025 in correlation with the pharmacy reimbursement increase and the 2025 financial plan has been updated to include an estimate for this cost. PEIA management has recommended multiple cost saving modifications for the Board to take to public hearing in November 2024. If the plan modifications proposed are approved by the Board in December 2024, PEIA's actuaries project the plan will return to the required statutory reserve by June 30, 2026.

Financial Highlights

The following table summarizes the statement of net position as of June 30:

				Change 2024–2023		Change 2023–2022	
	2024	**2023**	**2022**	**Amount**	**Percentage**	**Amount**	**Percentage**
Assets							
Cash and cash equivalents	**$ 36,069**	$ 6,743	$ 19,256	$ 29,326	434.9%	$ (12,513)	-65.0%
Equity position in – investment pools	**6,976**	41,128	33,612	(34,152)	-83.0%	7,516	22.4%
Premium receivable	**15,538**	16,226	15,616	(688)	-4.2%	610	3.9%
Other current assets	**47,530**	46,169	71,132	1,361	2.9%	(24,963)	-35.1%
Total current assets	**106,113**	110,266	139,616	(4,153)	-3.8%	(29,350)	-21.0%
Equity position in investment pools	**144,301**	131,849	134,812	12,452	9.4%	(2,963)	-2.2%
Equity position in investment pools – restricted	**4,153**	4,165	4,111	(12)	-0.3%	54	1.3%
Capital assets, net	**51**	275	513	(224)	-81.5%	(238)	-46.4%
Postemployment Benefits- Pension & OPEB	**43**	–	933	43		(933)	100.0%
Total assets	**254,661**	246,555	279,985	8,106	3.3%	(33,430)	-11.9%
Total deferred outflows of resources	**286**	495	586	(209)	-42.2%	(91)	-15.5%
Liabilities							
Claims payable	**136,116**	101,279	103,734	34,837	34.4%	(2,455)	-2.4%
Other current liabilities	**33,267**	16,114	77,148	17,153	106.4%	(61,034)	-79.1%
Total current liabilities	**169,383**	117,393	180,882	51,990	44.3%	(63,489)	-35.1%
Noncurrent liabilities:							
Other noncurrent liabilities	**–**	421	490	(421)	-100.0%	(69)	-14.1%
Premium stabilization fund	**4,153**	4,165	4,111	(12)	-0.3%	54	1.3%
Total liabilities	**173,536**	121,979	185,483	51,557	42.3%	(63,504)	-34.2%
Total deferred inflows of resources	**119**	240	1,662	(121)	-50.4%	(1,422)	-85.6%
Net position:							
Net investment in capital assets	**51**	275	513	(224)	-81.5%	(238)	-46.4%
Unrestricted	**81,241**	124,556	92,913	(43,315)	-34.8%	31,643	34.1%
Total net position	**$ 81,292**	$ 124,831	$ 93,426	$ (43,539)	-34.9%	$ 31,405	33.6%

Financial Highlights

The following table summarizes the statement of changes net position for the year ended June 30:

				Change 2024–2023		Change 2023–2022	
	2024	**2023**	**2022**	**Amount**	**Percentage**	**Amount**	**Percentage**
Premium revenue	**$ 916,692**	$ 698,214	$ 685,940	$ 218,478	31.3%	$ 12,274	1.8%
Less payments to managed care organizations and life insurance premiums	**(66,320)**	(56,237)	(56,731)	(10,083)	17.9%	494	-0.9%
Net premium revenue	**850,372**	641,977	629,209	208,395	32.5%	12,768	2.0%
Administrative fees, net	**4,955**	4,969	4,982	(14)	-0.3%	(13)	-0.3%
Total operating revenues	**855,327**	646,946	634,191	208,381	32.2%	12,755	2.0%
Claims expense, net	**885,100**	642,236	684,802	242,864	37.8%	(42,566)	-6.2%
Administrative service fees	**21,796**	27,264	19,681	(5,468)	-20.1%	7,583	38.5%
Other expenses	**6,528**	6,223	3,593	305	4.9%	2,630	73.2%
Total operating expenses	**913,424**	675,723	708,076	237,701	35.2%	(32,353)	-4.6%
Operating loss	**(58,097)**	(28,777)	(73,885)	(29,320)	101.9%	45,108	-61.1%
State appropriation	**–**	52,000	21,000	(52,000)	-100.0%	31,000	147.6%
Net investment income (loss)	**14,558**	8,182	(16,049)	6,376	77.9%	24,231	380.0%
Total nonoperating income	**14,558**	60,182	4,951	(45,624)	-75.8%	55,231	1115.6%
Change in net position	**(43,539)**	31,405	(68,934)	(74,944)	-238.6%	100,339	-145.6%
Net position, beginning of year	**124,831**	93,426	162,360	31,405	33.6%	(68,934)	-42.5%
Net position, end of year	**$ 81,292**	$ 124,831	$ 93,426	$ (43,539)	-34.9%	$ 31,405	33.6%

Cash and Cash Equivalents

Cash and cash equivalents plus the current and restricted portion of equity position in investment pool at the end of the year decreased $5,196 as the result of $6,195 net cash used in operating activities, $750 net cash used in capital and noncapital financing activities, and $1,749 net cash provided by investing activities.

Last year, cash and cash equivalents plus the current and restricted portion of equity position in investment pools at the end of the year decreased $8,736 as the result of $68,860 net cash used in operating activities, $52,772 net cash provided by capital and noncapital financing activities, and $7,352 net cash provided by investing activities.

Equity Position in Investment Pools Current and Noncurrent

A portion of PEIA funds invested in West Virginia Board of Treasury Investments (BTI) pools were liquidated to meet plan obligations decreasing current equity by $34,152. PEIA funds invested in West Virginia Investment Management Board (IMB) pools in noncurrent equity experienced investment gains of $12,452 due to favorable market conditions. A portion of the funds held on behalf of life insurance plan participants in the premium stabilization reserve were liquidated to pay the life insurance carrier resulting in a decrease of $12 in noncurrent equity. The net of these changes in current and noncurrent equity positions results in a decrease of $21,712 in the current year.

Last year, excess funds not needed immediately for plan obligations were invested in BTI increasing current equity by $7,516. PEIA funds invested in IMB pools in noncurrent equity experienced investment depreciation of $2,963 due to unfavorable market conditions. Funds held on behalf of life insurance plan participants in the premium stabilization reserve experienced favorable investment appreciation of $54. The net of these changes in current and noncurrent equity positions results in an increase of $4,607.

Total Assets

Total assets for the current year increased $8,106. The primary cause of the increase was the investment gains of $12,452 in long term equity. The favorable investment gains were offset by a premium receivable decrease of $688 due to improved timing of premium collections at year end, a net cash and cash equivalents plus current equity decrease of $4,826 as funds were liquidated, spent or held to pay current plan obligations, and other minor asset changes. PEIA experienced a shift from the previous pension and other post-employment benefit (OPEB) liabilities to assets in the current year.

Last year, total assets decreased $33,430. This is a favorable decrease from faster prescription rebate collection resulting in a reduction of rebate receivable by $29,847 owed to PEIA at year end. PEIA switched Prescription Benefits Managers (PBMs) from CVS to Express Scripts effective July 1, 2022. PEIA also held $12,513 less cash liquid at year end opting to invest the funds increasing current equity by $7,516. PEIA's other accounts receivable increased $5,653 mostly due to guarantees receivable owed from both the current and previous PBMs at year end. PEIA experienced a shift from the previous pension and OPEB assets to liabilities last year.

Claims Payable

Claims payable increased $34,837 or 34.4% due to $33,030 more in claims Incurred but Not Reported (IBNR) and higher current claims cost of $1,807 for the last claims run of the fiscal year compared to the prior year.

Last year claims payable decreased $2,455 due to $4,780 less claims IBNR and higher current claims cost of $2,325 for the last claims run of the fiscal year compared to the prior year.

Other Current Liabilities

Other current liabilities increased $17,153 or 106.4% in the current year. A premium deficiency reserve (PDR) is required when policies in force as of the financial statement date are expected to produce a loss when claims cost (including IBNR) plus expected claims adjustment expenses are expected to exceed related premiums. In the current year, the PDR increased $661. The balance in unearned revenue is made up of surplus funds held for the Department of Education to offset its budget shortfalls. Unearned revenue increased by $14,108 because the Department of Education transferred excess appropriations to the account to use for future premium obligations to the Plan. Accounts payable increased $1,822 because of slower timing in payments for obligations at year end. A liability to the Fringe Benefits Management Company increased by $562 to reflect an increase in the participant funds held in an outside bank account. These funds are owed to plan participants for flexible spending accounts.

Last year, the PDR decreased $58,649. Unearned revenue decreased by $3,775 because the Department of Education withdrew funds from the account to pay premiums. Both the PDR and unearned revenue changes in aggregate with the changes other minor liabilities make up the overall decrease in other current liabilities of $61,034.

Premium Stabilization Reserve

The premium stabilization reserve (PSR) held by PEIA decreased in the current year by $12 because of payments to the carrier on behalf of participants. There are no reserve funds held by Met Life for combined basic and optional life policies as of June 30, 2024.

The PSR held by PEIA increased last year by $54 because of investment income. As of July 1, 2023, PEIA contracted the services of Met Life to administer life insurance benefits. There were no reserve funds held by Met Life for combined basic and optional life policies as of June 30, 2023.

Total Operating Revenue

In the current year operating revenue increased 32.2%, or $208,381. Premium revenue increased $218,478 in total as PEIA's Finance Board adopted premium increases for both State and Non-State plans and implemented a spousal surcharge for family plans effective July 1, 2023. Payments to managed care organizations and life insurance premiums increased $10,083 because the managed care Health Plan increased premiums for 2024 also. There was no PAYGO contribution billed to employers from RHBT in 2024, so the total health policy premiums went to the PEIA only for all participants.

Last year total operating revenue increased 2.0%, or $12,755. The PAYGO premium decreased approximately $15,000 in the current year redirecting more of the total health policy premium to PEIA. The operating revenue increase is reduced by enrollment migration of PEIA members to lower cost plans.

Claims Expense

Current year total claims expense increased $242,864. Medical claims expenses increased $173,637. Drug claims expense increased $76,803 million compared to last year due to the Plans coverage of GLP-1 drugs along with an increase in the overall drug trend, and this is offset by an increase in drug rebates of $7,576, for an overall net drug claims increase of $69,227. For an in-depth discussion of the matters affecting total claims expense for the 2024 plan year, please see the preceding section, *Overview of Financial Condition*.

Last year total claims expense decreased $42,566. Medical claims expenses decreased $15,181 and drug claims expense decreased $27,385. Medical claims expense was reduced when the premium deficiency reserve was adjusted to $0 resulting in an annual medical claims expense that is lower. Removing the impact of the PDR adjustment results in an increase of $43,468 in medical

claims expense over last year. PEIA has experienced an increase in utilization and higher cost services performed at outpatient facilities.

Net investment income

PEIA's net investment income increased $6,376 primarily because of investment appreciation in long term equity. The bulk of PEIA's investments are held with WVIMB.

Last year, PEIA's net investment income increased $24,231 because of more stable market conditions. PEIA invested the remainder of the $52,000 received in direct transfers from the State and the PEIA rainy day reserve withdraw not immediately needed for operational expenses.

Nonoperating income

PEIA's non-operating income decreased 75.8% to $14,558. PEIA did not receive a rainy-day reserve transfer or a state direct transfer of appropriations in 2024 as it has in other years. The $14,558 in non-operating income at year end is solely attributable to investment gains.

Last year, non-operating income was up 1115% at $60,182. This directly related to the increase of $31,000 for funds received from the PEIA Rainy Day Reserve reported as State Appropriations on the Financial Highlights and investment income of $8,182 generated from better market conditions in 2023.

Net Position

In the current year, PEIA experienced an operating loss of $58,097. Higher than projected claims expense for drug and medical resulted in PEIA finishing the year worse than expected in the 2024 finance plan. For an in-depth discussion of the matters affecting total claims expense for the 2024 plan year, please see the preceding section, *Overview of Financial Condition.* PEIA's investment gains of $14,558 and operating loss of $58,097 combined with beginning net position, result in a total net position of $81,292, down 34.9% to last year.

Last year, the $58,649 decrease in the premium deficiency reserve lowered medical claims expense materially for the year. With the lower medical claims expense, PEIA's operating loss was $28,777, and combined with the $60,182 in non-operating income the final net position increased by $31,405. Because the financial plan projection for plan year 2024 resulted in a surplus, no premium deficiency reserve was required on June 30, 2023.

Economic Conditions and Other Matters

The most pressing economic factor affecting insurers in the nation is the exponential price increase and demand for glucagon-like peptide 1 (GLP-1) prescription drugs. GLP-1 drugs are used to treat both obesity and diabetes. Obesity is a common condition in the United States. The Center for Disease Control (CDC) reports, 23% of U.S. adults with obesity have diabetes. As of September 2023, the CDC's Behavioral Risk Factor Surveillance System reports three states, Louisiana, Oklahoma and West Virginia had an obesity prevalence of 40% or greater: the highest in the nation. As a result of obesity and diabetes prevalence in the U.S., an entire industry has been developed with the sole focus of GLP-1 based weight loss. Industrywide Drug Manufacturers increased research and development initiatives towards generating competitive GLP-1 prescription products and studying the impact of GLP-1 drugs on other disease factors to expand FDA approved uses, thus growing their market share. While insurers do receive drug rebates to offset the cost of these prescriptions, the list price on GLP-1 drugs is approximately $1,000 (in dollars) per month with a rapidly growing patient demand. Several more GLP-1 drugs are expected to hit the market by 2026, and with the likelihood that additional FDA uses will be added in the future, costs for insurers will continue to rise.

Effective March 15, 2024, PEIA ceased coverage for weight loss medication. At that time, members who had prior authorizations could continue using weight loss medications until the expiration of the prior authorization period (typically 12 months). PEIA now only covers GLP-1 for diabetes management and PEIA management is working with the PBM to implement cost savings strategies for GLP-1 diabetes products in the future. PEIA should experience savings in 2025 as prior authorizations for weight loss drugs expire.

Legislative Matters

During the 2024 Legislative session, the following policy changes were enacted and are anticipated to have a fiscal and administrative impact to PEIA. These policy changes are effective July 1, 2024.

Pharmacy reporting, transparency, and contracts

WV Code §5-16-9(f)(4) was amended to enhance reporting elements required by existing pharmacy benefits managers (PBMs) contracted with PEIA and increase the frequency of reporting to the Joint Committee on Health from quarterly to annually. Language previously acknowledging the confidentiality of the proprietary information contained in the report or data collected as well as the nondisclosure of the data collected to persons outside the agency was removed. Language acknowledging the existence of the exemption for trade secret information contained in the West

Virginia Freedom of Information Act was removed. Language stating that only PEIA employees involved in collecting, securing, and analyzing the data for the purpose of preparing the report shall have access to the proprietary data was removed.

WV Code §5-16-9 was amended to add a new WV Code §5-16-9(i), which requires PEIA to amend future requests for proposals and contracts with PBMS to require the disclosure of all and data related to contracting, reimbursement, networks, rebates, fees, and any other information and data requested by the PEIA, the Legislature, and vendors for the purpose of performing study and analysis.

Business intelligence study

WV Code §5-16-9(i) requires a comprehensive pharmacy business intelligence study and analysis to be conducted by an organization with expertise in studying and analyzing PBMs to determine what, if any, changes could be made to facilitate savings with respect to the PEIA's PBM services. A final report, including recommendations, shall be presented no later than December 31, 2024, to PEIA and the Joint Committee on Government and Finance.

Domestic pharmacy reimbursement

WV Code §5-16-9(i) prohibits a PBM from reimbursing a West Virginia pharmacy or pharmacist for a prescription drug or pharmacy service in an amount less than the national average drug acquisition cost (NADAC) for a prescription drug or pharmacy service at the time the drug is administered or dispensed, plus a professional dispensing fee at least equal to the professional dispensing fee paid by West Virginia Medicaid for outpatient drugs. Increases to the professional dispensing fee may be set by the PEIA Director in accordance with this subdivision, provided, that if the NADAC cost is not available at the time a drug is administered or dispensed, a PBM may not reimburse a West Virginia pharmacy or pharmacist in an amount that is less than the wholesale acquisition cost (WAC) of the drug, as defined in 42 U.S.C. § 1395w-3a(c)(6)(B), plus a dispensing fee as described in this subdivision. A West Virginia pharmacy is a domestic business entity as registered with the West Virginia Secretary of State. In compliance with this code, effective July 1, 2024, PEIA's PBM began reimbursing WV domestic pharmacies at NADAC plus a $10.49 (in dollars) dispense fee.

PEIA Rainy day reserve

Senate Bill 1011 was passed with an effective date of May 22, 2024, expiring the funds from the Department of Revenue held for the PEIA Rainy Day Reserve to the unappropriated surplus balance of the State Fund, General Revenue to be available for appropriation during the fiscal year ending June 30, 2024.

Request for Information

This financial report is designed to provide PEIA's customers, governing officials, legislators, citizens, and taxpayers with a general overview of PEIA's accountability for the money it receives. If you have questions about this report or need additional information, contact PEIA's Chief Financial Officer, Jason Haught, at +1 304 558 7850.

West Virginia Public Employees Insurance Agency

Statements of Net Position
(In Thousands)

	June 30 2024	2023
Assets		
Current assets:		
Cash and cash equivalents	**$ 36,069**	$ 6,743
Equity position in investment pool	**6,976**	41,128
Premiums receivable other, net of allowance for doubtful accounts of $75 and $102, respectively	**10,772**	8,827
Premiums due from State of West Virginia	**4,766**	7,399
Accounts receivable:		
Due from RHBT	**8,632**	7,908
Prescription rebates	**33,045**	30,522
Other	**5,853**	7,739
Total current assets	**106,113**	110,266
Noncurrent assets:		
Equity position in investment pool– unrestricted IMB	**144,301**	131,849
Equity position in investment pool – restricted IMB	**4,151**	3,793
Equity position in investment pool – restricted BTI	**2**	372
Capital assets, net of accumulated depreciation	**51**	275
Net Pension & OPEB asset	**43**	–
Total noncurrent assets	**148,548**	136,289
Total assets	**254,661**	246,555
Deferred outflows of resources related to:		
Pension and OPEB	**286**	495
Total deferred outflows of resources	**286**	495
Liabilities		
Current liabilities:		
Claims payable	**136,116**	101,279
Premium deficiency reserve	**661**	–
Accounts payable	**8,233**	6,411
Unearned revenue	**21,525**	7,417
Other accrued liabilities	**2,848**	2,286
Total current liabilities	**169,383**	117,393
Noncurrent liabilities:		
Other noncurrent liabilities	**–**	421
Premium stabilization fund	**4,153**	4,165
Total noncurrent liabilities	**4,153**	4,586
Total liabilities	**173,536**	121,979
Deferred inflows of resources related to:		
Pension and OPEB	**119**	240
Total deferred inflows of resources	**119**	240
Net position		
Net investment in capital assets	**51**	275
Unrestricted	**81,241**	124,556
Total net position	**$ 81,292**	$ 124,831

See accompanying notes.

West Virginia Public Employees Insurance Agency

Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	Year Ended June 30	
	2024	**2023**
Operating revenues:		
Premiums net of recoveries (provisions) of bad debts of ($26) and $64, respectively	**$ 916,692**	$ 698,214
Less:		
Payments to managed care organizations	**(64,226)**	(54,401)
Basic life insurance premiums ceded	**(2,094)**	(1,836)
Net premium revenue	**850,372**	641,977
Administrative fees, net of refunds	**4,955**	4,969
Total operating revenues	**855,327**	646,946
Operating expenses:		
Claims expense, net	**885,100**	642,236
Administrative service fees	**21,796**	27,264
Other expenses	**6,528**	6,223
Total operating expenses	**913,424**	675,723
Operating loss	**(58,097)**	(28,777)
Nonoperating revenues:		
Investment income, net of fees	**14,558**	8,182
State appropriation	**–**	52,000
Total nonoperating income	**14,558**	60,182
Change in net position	**(43,539)**	31,405
Net position:		
Net position, beginning of year	**124,831**	93,426
Net position, end of year	**$ 81,292**	$ 124,831

See accompanying notes.

West Virginia Public Employees Insurance Agency

Statements of Cash Flows
(In Thousands)

	Year Ended June 30 2024	2023
Cash flows from operating activities		
Cash received from participants	**$ 855,303**	$ 670,447
Cash received from pharmacy rebates	**126,808**	151,601
Cash paid to employees for salaries and benefits	**(1,933)**	(3,087)
Cash paid to suppliers and others	**(9,963)**	(32,880)
Cash paid for claims	**(976,410)**	(854,941)
Net cash used in operating activities	**(6,195)**	(68,860)
Cash flows from noncapital financing activities		
Advances to RHBT	**(724)**	750
State appropriation	**–**	52,000
Net cash (used in) provided by noncapital financing activities	**(724)**	52,750
Cash flows from capital and related financing activities		
Purchases and sale of capital assets, net	**(26)**	22
Net cash (used in) provided by capital and related financing activities	**(26)**	22
Cash flows from investing activities		
Purchases of investments	**(27,654)**	(144,139)
Sale of investments	**14,845**	143,309
Investment earnings	**14,558**	8,182
Net cash provided by investing activities	**1,749**	7,352
Net decrease in cash and cash equivalents	**(5,196)**	(8,736)
Cash and cash equivalents at beginning of year	**48,243**	56,979
Cash and cash equivalents at end of year	**$ 43,047**	$ 48,243
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 36,069**	$ 6,743
Equity position in investment pool – current	**6,976**	41,128
Equity position in investment pool – restricted	**2**	372
	$ 43,047	$ 48,243

West Virginia Public Employees Insurance Agency

Statements of Cash Flows (continued)
(In Thousands)

	Year Ended June 30	
	2024	**2023**
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (58,097)**	$ (28,777)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	**249**	216
Provision for uncollectible accounts	**75**	102
Pension and OPEB expense	**43**	(37)
(Increase) decrease in operating assets:		
Premiums receivable	**(2,020)**	(1,359)
Due from State of West Virginia	**2,633**	647
Prescription rebates receivable	**(2,523)**	29,847
Other	**1,886**	(5,634)
(Decrease) increase in operating liabilities:		
Claims payable	**34,837**	(2,455)
Accounts payable	**1,822**	1,879
Premium deficiency	**661**	(58,649)
Unearned revenue	**14,108**	(3,775)
Other accrued liabilities	**562**	(489)
Lease liability	**(244)**	(246)
Premium stabilization fund	**(12)**	54
Deferred outflows of resources, pension, and OPEB	**(175)**	(184)
Total adjustments	**51,902**	(40,083)
Net cash used in operating activities	**$ (6,195)**	$ (68,860)
Noncash investing activities		
Increase in fair value of investments	**$ 12,809**	$ 7,259

See accompanying notes.

1. Reporting Entity

The State of West Virginia Public Employees Insurance Agency (PEIA) was established under the Public Employees Insurance Act of 1971. PEIA is an agency of the State of West Virginia (State) and, accordingly, is reported as an enterprise fund of the primary government in the State's Annual Comprehensive Financial Report (ACFR).

PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active employees of the State and various related State and non-State agencies. Additionally, all participants may elect to purchase life insurance under the optional life insurance policy. All premium rates are established based upon projected coverage costs as reviewed and approved by the PEIA Finance Board. See "Annual Financial Plan" for further discussion of this process. PEIA provides health coverage for 160,374 individuals, including policyholders and their dependents.

During the 2006 Regular Session of the West Virginia Legislature, House Bill 4654 was enacted creating the West Virginia Retiree Health Benefit Trust Fund (RHBT) for the purpose of providing for and administering retiree postemployment health care benefits and the respective revenues and costs of those benefits as a cost-sharing multiple employer plan. As a result of the legislation, health insurance policies covering approximately 43,000 retirees and their dependents, along with the related revenues, claims costs, and expenses, were transferred to the RHBT effective July 1, 2006. The RHBT and PEIA jointly share administrative duties relating to the OPEB operations. Both entities are housed in the same office space and share expenses. Expenses directly attributable to the OPEB plan are charged to the RHBT. Other operating expenses, except personnel, are allocated based on policyholder count between PEIA and the RHBT. Personnel expenses attributable to two dedicated employees are charged in full to the RHBT, while the balance of the combined expense is allocated between the two entities based on estimated time requirements.

The basic financial statements of PEIA are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of PEIA. They do not purport to and do not present fairly the net position of the State as of June 30, 2024 and 2023, or the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

2. Summary of Significant Accounting Policies

Basis of Reporting

PEIA operates as an enterprise fund. Accordingly, the financial statements of PEIA have been prepared on an accrual basis in conformity with GAAP for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB). Operating revenues are derived mainly from premiums earned net of related reinsurance premiums plus administrative fees billed. Operating expenses consist primarily of claims, administrative service fees, and various general and administrative costs. All other items are considered nonoperating.

Annual Financial Plan

WV Code 5-16-5 requires the PEIA Finance Board to prepare a proposed annual financial plan. The plan must be designed to generate sufficient revenues to meet all expected expenses, including insurance, administrative expenses, and incurred but not reported claims (IBNR) of PEIA. Any financial plans developed pursuant to WV Code 5-16-5 may not be submitted to the Governor or to the Legislature without the actuary's written professional opinion that the plan may be reasonably expected to generate sufficient revenues to meet all estimated program and administrative costs for the fiscal year for which the plan is proposed. The financial plan must be presented to the Governor and the Legislature no later than January 1, prior to the beginning of the new plan year.

The PEIA Finance Board establishes PEIA premiums based upon its approved annual financial plan. The financial plan projects the anticipated costs of the program for each fiscal year and the premium levels necessary to meet these costs. Any variances between projected and incurred costs are incorporated into subsequent financial plans and subsequent premiums are adjusted accordingly on a prospective basis. Premiums assessed by PEIA are not subject to retroactive adjustment based upon actual costs incurred.

West Virginia Code Section 5-16-5(d)4 requires the financial plan to be implemented by the director on July 1 of the fiscal year. In addition to each final approved financial plan required under this section, the finance board shall also simultaneously submit financial statements based on generally accepted accounting principles (GAAP) and the final approved plan restated on an accrual basis of accounting, which shall include allowances for incurred but not reported claims. The financial statements and the accrual-based financial plan restatement shall not affect the approved financial plan.

2. Summary of Significant Accounting Policies (continued)

PEIA Reserve Funds

West Virginia Code Section 5-16-25 requires the PEIA Finance Board to maintain a reserve of 10% of projected plan costs for the purpose of offsetting unanticipated claim losses in any fiscal year and to provide future stability. As of June 30, 2024, PEIA has an ending reserve of 8%.There are no consequences defined in WV State Code for PEIA if it ends a fiscal year with a deficit to the reserve requirement. Expounding on possible actions that could be taken against PEIA would be speculative. However, within the Code there is a clear call to action for the Board to uphold its fiduciary responsibilities and make amendments to the plan to return PEIA back to the required reserve.

According to West Virginia Code Section 5-16-5(d)(4), the PEIA finance plan is required to be restated to match PEIA's accrual basis financial statements to include an estimate for the incurred but not reported claims for the year. The PEIA audited financial statements are issued by October 15th with a June 30th statement date annually and the IBNR is not settled until September. When it became known to PEIA management and its Board that PEIA would end the year with a deficit to the reserve requirement, PEIA requested supplemental funding to be legislatively appropriated.

Senate Bill 2009 was passed on October 7, 2024, during a special session, amending the enacted budget bill to provide surplus funds to PEIA for $87,000. This funding is intended to prevent PEIA from exhausting its reserve in fiscal year 2025. Additionally, PEIA management has recommended multiple cost saving modifications for the Board to take to public hearing in November 2024. If the plan modifications proposed are approved by the Board in December 2024, PEIA's actuaries project the plan will return to the required statutory reserve by June 30, 2026. Considering the effect these plan modifications will have on plan participants, PEIA management believes the timeframe anticipated to return the reserve to a statutory level is appropriate. Historically, PEIA has never ended a year below the reserve. The reserve exists to offset unanticipated claims cost in any given year, thus PEIA believes the reserve is acting as intended, and so long as action is taken to return the reserve to the required level, PEIA is in compliance with Code.

West Virginia Code Section 11B-2-15a established a special account, designated as the PEIA Rainy-Day Fund, which is an interest-bearing account administered by the Secretary of Revenue. The PEIA Rainy-Day Fund consists of moneys appropriated by the Legislature, income from investment of moneys held in the special revenue account, and all other sums available for deposit to the account, public or private. The Secretary of Revenue, upon approval of the Governor, may

2. Summary of Significant Accounting Policies (continued)

transfer funds from this account to PEIA in any fiscal year for the purpose of reducing or preventing benefit cuts and premium rate increases. On March 9, 2019, West Virginia House Bill 2665 enacted an appropriation transfer of $105 million from the State's General Revenue Fund to the PEIA Rainy-Day Fund. There was a transfer of $31,000 from the Rainy-Day Fund to PEIA during fiscal year 2023, leaving the remaining principal reserve balance at approximately $74,000 as of June 30, 2023.

Effective May 22, 2024, Senate Bill 1011 was passed expiring the funds from the Department of Revenue held for the PEIA Rainy Day Reserve to the unappropriated surplus balance of the State Fund, General Revenue. The balance, including accrued interest, expired in May 2024 was $83,215.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with the West Virginia State Treasurer's office, outside financial institutions, and amounts deposited in an investment pool managed by the BTI that is reported as part of equity position in investment pool – current – unrestricted and noncurrent – restricted, respectively.

Premiums Receivable

All premiums receivable are reported at their gross premium value due from employers and individual subscribers. The gross value is then reduced by the estimated portion that is expected to be uncollectible based upon management's review of the payment status of the underlying accounts and other economic factors that are deemed necessary in the circumstances.

Accounts Receivable

Accounts receivable include overpayments made by third-party administrators that are due to PEIA and estimated prescription refunds and rebates that are due to PEIA from third-party administrators and other drug companies. The estimated prescription refunds/rebate receivable is based upon actual rebate receipts received subsequent to the financial statement date but prior to the audit report issuance date.

2. Summary of Significant Accounting Policies (continued)

Equity Position in Investment Pools

PEIA owns equity positions in the State government investment pools managed by the WVIMB and the BTI. Some investment pool funds are subject to market risk because of changes in interest rates, bond prices, and stock prices. Investment earnings and losses are allocated to PEIA based on the balance of PEIA's investments maintained in relation to the total investments of all State agencies participating in the Pool. The equity position in investment pools is reported at amortized cost or fair value which is measured based on the units of ownership at a value per unit reported by the respective pool, and changes in fair value are included in investment income.

A 13-member Board of Trustees governs the WVIMB. Three members of the Board of Trustees serve by virtue of their office: the Governor, the Auditor, and the Treasurer. The other ten are appointed by the Governor and confirmed by the State Senate. All appointees must have experience in pension management, institutional management, or financial markets. In addition, one must be an attorney experienced in finance and investment matters and another must be a certified public accountant. Only six of the ten appointed Trustees may be from the same political party. The Governor serves as Chairman of the Board. A Vice-Chairman is elected by the Trustees. A Secretary, who need not be a member of the Board of Trustees, is also elected by the Trustees to keep a record of the proceedings of the Board. Details regarding these investment pools and a copy of the WVIMB financial report can be obtained by contacting West Virginia Investment Management Board, 500 Virginia Street, East, Suite 200, Charleston, West Virginia 25301, or by calling +1 304 645 2672.

A five-member Board of Directors governs the BTI. The Governor, Treasurer, and Auditor serve as ex-officio members of the Board of Directors. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney and both shall have experience in finance, investing, and management. The State Treasurer is Chairman of the Board. The BTI prepares separately issued financial statements covering the pooled fund, which can be obtained from its website or a published copy from the West Virginia Board of Treasury Investments, 315 70th Street, South East, Charleston, West Virginia 25304, or by calling +1 304 340 5030.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Investments are classified in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not considered active, observable inputs other than observable quoted prices for the asset or liability, or inputs derived principally from or corroborated by observable market data.

Level 3 – Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

GAAP does not require external investment pools to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value (NAV) per share practical expedient. All the investments held with the WVBTI and the WVIMB are valued using the NAV per share practical expedient.

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Furniture, equipment, and other capital assets with an initial cost of $500 (in dollars) or greater are recorded at cost. PEIA has assigned a useful life of three to five years for these capital assets. Furniture, equipment, and other capital assets are depreciated in a systematic and rational manner over the useful life of the underlying asset.

Leasing arrangements with a cost greater than $25,000 (in dollars) and subscription-based information technology arrangements (SBITA) with a cost greater than $100,000 (in dollars) annually are recognized as a right-to-use asset in accordance with provisions of GASB 87 and GASB 96 and are presented separately from other capital assets.

Lease assets are measured and recorded at the amount of the initial lease liability, plus any payments made to a lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription assets are measured and recorded at the amount of the initial subscription liability, plus payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor before the commencement of the subscription term. SBITA assets are amortized in a systematic and rational manner over the subscription term.

PEIA has no right to use lease assets or subscription-based information technology assets as of June 30, 2024.

Depreciation expense computed using the straight-line method was $249 and $216 for the years ended June 30, 2024 and 2023, respectively.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented on the statements of net position as aggregations of different types of deferred amounts. Deferred outflows also consisted of other amounts related to differences between projected and

2. Summary of Significant Accounting Policies (continued)

actual earnings on pension plan investments, differences between expected and actual experience related to pension or OPEB, and changes in proportion and differences between PEIA's contributions and proportionate share of contributions.

Claims Payable and Expense

The liability for unpaid claims and claims processing costs is based on an actuarial estimate of the ultimate cost of settling such claims incurred as of the statement of net position date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment, utilization, inflation, and other societal and economic factors. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that the actual results of the settlement of the claims are made and are known. The estimated liability is adjusted annually based on the most current claim incurrence and claim settlement history (see Note 8). Year-end claims payable balances are generally liquidated within the next fiscal year. Claims relating to participants in managed care organizations (MCOs) as well as claims relating to participants covered under the optional life insurance plan are not considered in the liability as PEIA has no liability for the participants who elect such coverage. Additionally, the estimated liability for unpaid claims and claims processing costs is recorded net of amounts ceded to reinsurers for basic life benefits as management believes these reinsured risks are fully recoverable. However, in the event a reinsurer is unable financially to satisfy an obligation, PEIA is responsible for such liability.

Premium Deficiency Reserve

Premium deficiency is required when policies in force as of the financial statement date are expected to produce a loss when claims cost (including IBNR) plus expected claims adjustment expenses are expected to exceed related premiums. In making its determination, management took into consideration anticipated premium revenue and claims costs. PEIA did not include anticipated investment income in determining whether a premium deficiency exists. Adjustments to the estimated premium deficiency liability are reflected as a change in estimate in the year the actual results are known. Management has determined a premium deficiency reserve of $661 and $0 is necessary as of June 30, 2024 and 2023, respectively.

2. Summary of Significant Accounting Policies (continued)

PEIA participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to PEIA. If the assets of PEIA were to be exhausted, participants would not be responsible for the liabilities.

Unearned Revenue

Unearned revenue includes premium revenues collected for future contract periods. These revenues will be recognized in the operating periods in which they are earned.

Compensated Absences, Including Postemployment Benefits

Employees fully vest in all earned but unused annual leave and PEIA accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with State personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time any unused compensated absence time can be converted into employer paid premiums for postemployment health care coverage through the RHBT or be converted into a greater retirement benefit under the State's Public Employees' Retirement System. Employees hired after July 1, 2001, are not eligible to convert unused time to employer paid premiums.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented on the statements of net position as aggregations of different types of deferred amounts. Deferred inflows on the statements of net position are composed of amounts related to differences between projected and actual earnings on pension investments, changes in proportion and differences of PEIA's contributions, and the proportionate share of contributions and differences in assumptions. Deferred inflows of resources related to OPEB relate to differences between expected and actual experience, net different between expected and actual earnings on OPEB plan investments and changes in proportion, and differences between employer contributions and the proportionate share of contributions.

2. Summary of Significant Accounting Policies (continued)

Insurance Programs and Related Premium Revenues

PEIA offers the following types of coverage to its participants: health coverage through a self-insured preferred provider benefit (PPB) plan, health coverage through external MCOs, and life and accidental death and dismemberment (AD&D) insurance benefits under basic and optional plans. PEIA collects premiums for participants in the PPB plan and uses these premiums in the administration of the plan. Additionally, PEIA has the statutory authority to raise additional revenues in the form of premiums without the need for external (legislative) action.

For participants who elect coverage through MCOs, PEIA collects premiums from employers and remits a capitation fee to an MCO carrier. The capitation fees paid by PEIA to each MCO are in accordance with their respective contracts. Benefits are the responsibility of each MCO carrier. The premiums earned by PEIA have been included in gross premium revenue while the capitation fees submitted to each MCO carrier are reflected as a reduction in premium revenue on the financial statements.

Effective July 1, 2017, the Finance Board approved that opt-out employers (OPEB ineligible) were no longer required to pay a retiree subsidy contribution to RHBT, but instead would be responsible for the equivalent full active health PEIA premium. Accordingly, all payments received by opt-out employers subsequent to July 1, 2017, are recorded as PEIA premiums.

As of the June 2023 coverage month, PEIA provided health coverage to 168 State agency divisions with approximately 20,259 primary participants (not including dependents), 55 county school boards and 4 multi-county vocational centers with approximately 29,324 primary participants, 707 local government entities with approximately 15,065 primary participants and 24 college and university entities with approximately 9,935 primary participants. Approximately 85,791 dependents participated in PEIA health plans as well.

Employees covered through PEIA are eligible to obtain decreasing term life insurance under a basic and optional life insurance plan. Basic life benefits, which include AD&D average in cost $1.98 (in dollars) a month for a $10,000 (in dollars) policy, are available to active State employees at no cost to the employee. No AD&D benefits are available to retirees. Basic life benefits are available to retirees with coverage ranging from $5.56 (in dollars) to $11.14 (in dollars) per month for a $2,500 (in dollars) or $5,000 (in dollars) policy, depending on age. PEIA has reinsured 100% of these basic benefits; however, PEIA remains contingently liable in the event the insurer does

2. Summary of Significant Accounting Policies (continued)

not honor its obligation. The premiums earned for basic life insurance are reflected in gross premiums and the related amounts ceded to the reinsurer are reflected as a reduction in premium revenue on the financial statements.

Active employees may elect to obtain additional optional coverage for both life and AD&D with coverage from $0.30 (in dollars) to $444 (in dollars) per month that decreases with age. Active employees may also elect dependent optional life coverage and AD&D at a level up to $40,000 (in dollars) per spouse and $15,000 (in dollars) per child ranging from $3.00 (in dollars) to $20.00 (in dollars) per month. Retirees may obtain optional life insurance coverage from $0.40 (in dollars) to $501 (in dollars) per month depending on age; however, optional AD&D insurance is not available to retirees. Retirees may also elect dependent optional life coverage at levels up to $40,000 (in dollars) for a spouse and $15,000 (in dollars) per child ranging from $9.00 (in dollars) to $68.00 (in dollars); however, dependent optional AD&D insurance is not available to retirees. Amounts collected by PEIA acting in an agency capacity from employee coverage totaled $1,844 (in dollars) and $1,836 (in dollars) during the fiscal years ended June 30, 2024 and 2023, respectively, and were remitted directly to the carrier. Accordingly, such amounts do not impact the financial statements.

Administrative Service Fees

PEIA contracts with and pays administrative service fees to two third-party administrators. Services include processing of insurance claims, precertification reviews, utilization reviews, and various other duties. The majority of related fees are assessed each month based upon the number of covered participants or claims processed at predetermined rates without regard to the period in which a claim is incurred, processed, or settled.

Operating Revenues and Expenses

Balances classified as operating revenues and expenses are those that comprise PEIA’s ongoing operations. Principal operating revenues include health insurance premiums, life insurance premiums, and insurance administration fees, less amounts paid to MCOs and life insurance reinsurers. The administration fee is based on the participating entities’ number of employees enrolled in the plan and is charged to all employers. Operating expenses include the cost of medical claims, drug claims, claims adjudication, administration, and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

2. Summary of Significant Accounting Policies (continued)

Net Position

PEIA reports net position in three components, if applicable: net investment in capital assets, restricted, and unrestricted.

Net investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. There are no restrictions at June 30, 2024 or 2023.

Unrestricted Assets – Unrestricted assets consist of assets that do not meet the definition of "restricted" or "net investment in capital assets." In the governmental environment, assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statements of net position.

New Accounting Pronouncements

The GASB issued Statement No. 102 (GASB 102), *Certain Risk Disclosures* in December 2023. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a

2. Summary of Significant Accounting Policies (continued)

liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. PEIA has not yet evaluated the effect, if any, this statement will have on its financial reporting as of June 30, 2024.

The GASB issued Statement No.103 (GASB 103), *Financial Reporting Model Improvements* in April 2024. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also provide clarity regarding what information should be presented in MD&A. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. PEIA has not yet evaluated the effect, if any, this statement will have on its financial reporting as of June 30, 2024.

3. Cash and Cash Equivalents

Following is a summary of PEIA's cash and cash equivalents as of June 30:

	2024	**2023**
Cash and cash equivalents on deposit with State Treasurer	**$ 32,732**	$ 3,936
Deposits with outside financial institutions	**3,337**	2,807
Cash and cash equivalents reported on statement of net assets	**36,069**	6,743
Equity position in investment pool with BTI – current – unrestricted	**6,976**	41,128
Equity position in investment pool with BTI – noncurrent – restricted	**2**	372
Total cash and cash equivalents	**$ 43,047**	$ 48,243

4. Deposit and Investment Disclosures

Deposits With Outside Financial Institutions

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, PEIA's deposits might not be recovered. PEIA has no deposit policy for custodial credit risk.

As of June 30, 2024 and 2023, the carrying amount of PEIA's outside bank deposits was $3,337 and $2,807, and the bank balances totaled $3,337 and $2,807, respectively.

Equity Position in Investment Pools Managed by BTI

West Virginia Money Market Pool

PEIA participates in the BTI's West Virginia Money Market Pool, which is reported at amortized cost. The criteria specify that the pool must transact with its participants at a stable NAV per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place limitations or restrictions on participant withdrawals from the pool, such as redemption notice periods or maximum transaction amounts, or any authority to impose liquidity fees or redemption gates. Accordingly, as a pool participant PEIA measures its investment in this pool at amortized cost, which approximates fair value of $6,978 and $41,500 on June 30, 2024, and 2023, respectively. These deposits are reported as equity position in investment pools. Investment income earned is prorated to PEIA at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all State agencies participating in the Pool. Such funds are available to PEIA with overnight notice. The BTI's audited financial statements, including the West Virginia Money Market Pool, are available on its website, wvbti.com.

Credit Risk, Interest Rate Risk, and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest

4. Deposit and Investment Disclosures (continued)

principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts have been rated for credit risk by any organization. The West Virginia Money Market Pool is subject to credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PEIA does not have a policy to limit interest rate risk.

Custodial credit risk of cash deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The BTI does not have a deposit policy for custodial credit risk. BTI management does not believe any of its proprietary fund's deposits are exposed to custodial credit risk. PEIA does not have a policy for custodial credit risk.

Equity Position in Investment Pools Managed by the WVIMB

PEIA's investments in the following investment pools are managed by the WVIMB. Such investments, which are stated at fair value (actual asset allocation), are reported as part of equity position in investment pools on the statements of net position. PEIA can withdraw directly from the short-term fixed income pool. If additional funds are requested, the WVIMB would need to liquidate holdings in the individual investment.

	Asset Value at June 30	
	2024	**2023**
Asset allocation (actual):		
TIPS pool	**$ 22,135**	$ 25,089
Domestic equity – large cap	**16,579**	14,924
Domestic equity – non-large cap	**2,958**	2,802
International nonqualified pool	**3,604**	3,876
International equity pool	**7,869**	6,745
Total return fixed income	**39,376**	33,833
Core fixed income	**16,932**	14,118
Private Market	**6,457**	6,454
Hedge fund	**32,541**	27,800
Short-term fixed income pool	**1**	1
Total	**$ 148,452**	$ 135,642

4. Deposit and Investment Disclosures (continued)

Asset Allocation

Based upon WVIMB's determination of the appropriate risk tolerance for the fund, WVIMB has adopted the following broad asset allocation guidelines for the assets managed for PEIA. (Policy targets have been established on a market value basis.)

	Policy Target		Strategic Allocation	
Asset Class	**2024**	**2023**	**2024**	**2023**
Equity	**20%**	20%	**20%**	20%
Fixed income	**80**	80	**40**	40
Private Markets:				
Private Credit and Income	–	–	**1**	1
Private Equity	–	–	**2**	2
Real Estate	–	–	**2**	2
TIPS	–	–	**15**	15
Hedge funds	–	–	**20**	20
Total	**100%**	100%	**100%**	100%
Cash		*		*

* *WVIMB staff has authority to change the cash allocation plus or minus 10%, as necessary, in consultation with the appropriate representatives with PEIA. Not all cash is invested with the WVIMB.*

Redemption

The Short-Term Fixed Income Pool is a stable dollar fund that is used to hold monies awaiting withdrawal or investment. Redemptions from the Short-Term Fixed Income Pool may be completed on any WVIMB business day to the extent there are funds available. For cash to be available for withdrawal from the Short-Term Fixed Income Pool, redemptions will be required from the primary, long-term investment pools based on the notification requirements in the following paragraph.

4. Deposit and Investment Disclosures (continued)

If the PEIA plans to withdraw funds beyond the established cash target, if any, then advance notice is required to allow the WVIMB to raise the cash for the investment redemption request. Advanced notice is required to be provided to the WVIMB by the 18th day of the preceding month to effectuate the transactions required to raise the cash. As an example, for cash to be available for withdrawal in the month of April, notice should be provided before March 18.

Cash withdrawn from the primary, long term investment pools will be deposited into the WVIMB's Short Term Fixed Income Pool until an Investment Redemption request is submitted.

Credit Risk, Interest Rate Risk, and Custodial Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. Each of the WVIMB investments are pooled investments and are unrated. PEIA does not have a policy to limit credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PEIA does not have a policy to limit interest rate risk.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, PEIA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The WVIMB investments, which are pooled investments, are exempt from custodial credit disclosure. PEIA does not have a policy for custodial credit risk.

Investment Objectives

PEIA's investments with WVIMB's objective is to provide adequate liquidity to meet cash flow requirements and allow for growth of assets in an amount at least equal to inflation. The following is additional information of each pool's investment objective:

U.S. Treasury Inflation Protected Securities (TIPS)

The pool was established to offer an additional level of diversification over and above the nominal fixed-income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide

4. Deposit and Investment Disclosures (continued)

investment income and stability of principal and to diversify interest rate exposure. Through May 31, 2023, the Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three-to-five-year periods, gross of fees. As of June 1, 2023, the Pool's performance is measured against the Bloomberg 1-10 Year Treasury Inflation Protected Securities Index on an annualized basis over rolling three-to-five-year periods, gross of fees.

Large Cap Domestic Equity Pool

On July 1, 2020, the IMB created the Large Cap Domestic Equity Pool to invest in U.S. equities of large-cap growth and value stocks. This Pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Index over three- to five-year periods. The Pool invests in the Black Rock Equity Index Fund B (BlackRock). BlackRock uses a replication indexing approach to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P 500 Index.

Non-Large Cap Domestic Equity Pool

On July 1, 2020, the IMB created the Non-Large Cap Domestic Equity Pool to invest in U.S. equities of small- and mid-cap growth and value stocks. This pool's objective is to equal or exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods. Assets are managed by Cooper Creek Partners Management and Westfield Capital Management.

International Non-Qualified Pool

This pool invests in a commingled equity fund, specifically The Silchester International Investors International Value Equity Trust (Silchester). The pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. The pool exists for participants who are not "qualified" (as defined by the Internal Revenue Code). Silchester invests in a diversified portfolio of equity securities of companies incorporated in any country other than the United States, with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country.

4. Deposit and Investment Disclosures (continued)

International Equity Pool

This pool invests in the equities of international companies. The objective of the pool is to outperform the international equity market as measured by Morgan Stanley Capital International's All Country World Free Ex US Index over a full market cycle (three to five years), net of external investment management fees.

Total Return Fixed Income Pool

This pool's objective is to generate investment income, provide stability, and enhance diversification but not at the expense of total return. The pool's investment objective is to outperform the Bloomberg U.S. Universal Bond Index over three- to five-year periods, net of external investment management fees.

Core Fixed Income Pool

The main objective of this pool is to generate investment income, provide stability, and enhance diversification but not at the expense of the total return. The pool's investment objective is to outperform the Bloomberg U.S. Aggregate Bond Index over three- to five-year periods, net of external investment management fees.

Short Term Fixed Income

The main objective of the Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other WVIMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investments management fees, is the FTSE 3 Month US T-Bill Index.

Hedge Fund Pool

This pool was established to hold the WVIMB's investments in hedge funds. The objective of the pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the FTSE 3 Month US T-Bill Index plus 500 basis points.

4. Deposit and Investment Disclosures (continued)

Private Markets Pool

This pool was established to hold the WVIMB's investments in private credit and income funds, private equity funds, real estate investment trusts (REITs), and real estate limited partnership funds. The objective of the Pool is to enhance the diversification and stability of the portfolio, while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk-reduction through diversification.

5. Equity Position in Investment Pool – Restricted (Premium Stabilization Fund) Managed by BTI and Minnesota Life

Optional life insurance premiums are funded entirely by program participants. The premium stabilization fund consists of accumulated dividends and interest on the participant optional life insurance policies. The premium stabilization fund is invested in both the BTI Money Market Pool and a with PEIA's long-term investments held in WVIMB pools. (see Note 4 for investment disclosures related to these Pools). To the extent that these policyholder premiums are refunded to PEIA in the form of dividends and interest by the life insurance company, the funds are refunded to the related optional life policyholders by way of reductions in future premium increases. This account is utilized to track the accumulated balance due to optional life policyholders. Noncurrent assets include $4,153 and $4,165 as of June 30, 2024 and 2023, respectively, restricted to meet this obligation.

The following table represents changes in the premium stabilization fund for the years ended June 30:

	2024	2023
Premium stabilization fund – beginning of year	**$ 4,165**	$ 4,111
Life insurance dividends, interest received, and pool results	**(12)**	54
Premium stabilization fund – end of year	**$ 4,153**	$ 4,165

6. Capital Assets

Capital asset activity was as follows:

Assets	June 30, 2023	Additions	Disposals	June 30, 2024
Intangible assets	$ 9,026	$ -	$ -	**$ 9,026**
Equipment	1,313	24	-	**1,337**
Right to use	996	-	-	**996**
Total capital assets	11,335	24	-	**11,359**
Intangible assets	(8,815)	-	-	**(8,815)**
Equipment	(1,484)	(13)	-	**(1,497)**
Leases	(761)	(235)	-	**(996)**
Total accumulated depreciation	(11,060)	(248)		**(11,308)**
Total capital assets, net	$ 275	$ (223)	$ -	**$ 51**

Assets	June 30, 2022	Additions	Disposals	June 30, 2023
Intangible assets	$ 9,026	$ –	$ –	$ 9,026
Equipment	1,335	10	(32)	1,313
Right to use	996	–	–	996
Total capital assets	11,357	10	(32)	11,335
Intangible assets	(8,815)	–	–	(8,815)
Equipment	(1,504)	(12)	32	(1,484)
Leases	(525)	(236)	–	(761)
Total accumulated depreciation	(10,844)	(248)	32	(11,060)
Total capital assets, net	$ 513	$ (238)	$ –	$ 275

7. Unpaid Claims Liabilities

As discussed in Note 2, PEIA establishes a liability for both reported and unreported insured events, which includes an estimate of future payments of losses. The following represents changes in those aggregate liabilities for PEIA for the years ended June 30:

Rating	2024	2023
Claims payable, beginning of year:	**$ 101,279**	$ 103,734
Incurred claims expenses:		
Provision for insured events of the current year	**889,794**	707,565
Decrease in provision for insured events of prior years	**(3,480)**	(6,680)
Total incurred claims expense	**886,314**	700,885
Payments:		
Claim payments, net of rebates, attributable to insured events of:		
Current year	**771,576**	615,350
Prior years	**79,901**	87,990
Total payments, net	**851,477**	703,340
Claims payable, end of year	**$ 136,116**	$ 101,279

The above payments are net of pharmacy rebates earned of $129,331 and $121,754 for the years ended June 30, 2024 and 2023, respectively.

8. Other Postemployment Benefits (OPEB)

Plan Description

PEIA participates in the West Virginia Other Postemployment Benefit Plan (the Plan) a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the PEIA and the RHBT staff. Plan benefits are established and revised by PEIA

8. Other Postemployment Benefits (OPEB) (continued)

and the RHBT management with approval of the Finance Board. The Finance Board comprises nine members. Finance Board members are appointed by the Governor, serve a term of four years, and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Six members represent labor, education, public employees, public retirees, hospitals, and non-hospital health care providers. The four remaining members represent the public at large. The Plan had approximately 43,000 policyholders and 63,000 covered lives at June 30, 2023.

Active employees who retire are eligible for the PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008, forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the nonparticipating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium himself or herself. Active employees who are members of the Teacher's Defined Contribution Retirement (TDCR) plan must be either 55 years of age and have 12 or more years of credited service or be at least 60 years of age with five years of service, and their last employer immediately prior to retirement must be a participating employer under TDCR plan, or the CPRB system to qualify to continue PEIA insurance benefits upon retirement. Employees who participate in non-State retirement systems but are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and similar plans), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teacher's Retirement System and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

For additional financial information, please refer to the audited financial statements of the RHBT. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at peia.wv.gov. If you have any questions about this report or need additional information, contact the RHBT Controller, Jennifer Priddy, at +1 304 558 7850, ext. 20298. You can also submit your questions in writing to West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, West Virginia 25304.

8. Other Postemployment Benefits (OPEB) (continued)

Benefits Provided

The Plan provides Medical and prescription drug insurance and life insurance.

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External MCOs – primarily for Medicare-eligible retirees and spouses

Contributions

Contributions into the RHBT include PayGo, retiree leave conversion billings, and other matters, including billing adjustments. PayGo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. PEIA's contributions to the RHBT were $0, and $25 for the fiscal years ended June 30, 2024 and 2023 respectively.

OPEB Asset (Liabilities) and OPEB Expense

On June 30, 2024, and 2023, PEIA reported an OPEB asset of $38 and an OPEB liability of $28, respectively, for its proportionate share of the net OPEB asset (liability). PEIA's proportion of the net OPEB asset (liability) each year is based on PEIA's share of contributions to the OPEB plan relative to the contributions of all employers participating in the RHBT for the respective year. At June 30, 2024, PEIA's proportionate share was 0.02423%, which was an decrease of 0.00129% from its proportionate share as of June 30, 2023.

For the years ended June 30, 2024, and 2023, PEIA recognized OPEB expense of $(114) and $(119), respectively.

8. Other Postemployment Benefits (OPEB) (continued)

Sensitivity of PEIA's Proportionate Share of the Net OPEB asset (liability) to Changes in the Discount Rate

A single discount rate of 7.40% was used to measure the total OPEB asset (liability). The following presents PEIA's proportionate share of the net OPEB asset (liability) calculated using the discount rate of 7.40%, as well as what PEIA's proportionate share of the net OPEB asset (liability) would be if it were calculated using a discount rate that is one percentage point lower (6.40)% or one percentage point higher (8.40)% than the current rate:

	1.00% Decrease (6.40)%	Discount Rate (7.40)%	1.00% Increase (8.40)%
PEIA's proportionate share of net OPEB asset	$ 6	$ 38	$ 73

Sensitivity of the Net OPEB asset (liability) to Changes in the Health Care Cost Trend Rates
The following presents PEIA's proportionate share of the net OPEB asset (liability) of the Plan, as well as what PEIA's net OPEB asset (liability) would be if it were calculated using health care cost trend rates that are 1 percentage point lower:

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Net OPEB asset (liability)	$ 98	$ 38	$ (32)*

9. Pension Plan

Plan Description

All full-time PEIA employees are eligible to participate in the State's Public Employees' Retirement System (PERS), a multiple-employer defined benefit cost-sharing public employee retirement system administered by the West Virginia CPRB. Chapter 5, Article 10 of the West

9. Pension Plan (continued)

Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Benefits under PERS include deferred retirement, early retirement, and death and disability benefits and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements and actuarial information for PERS that may be obtained at wvretirement.com.

Benefits Provided

Employees are eligible for normal retirement at age 60 with 5 or more years of credited service, or at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with 30 or more years of service. The straight-life annuity retirement benefit, established by State statute, is equivalent to 2% of the employee's final average salary multiplied by years of service. Final average salary is the average of the 3 consecutive highest annual earnings out of the last 15 years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the 5 consecutive highest annual earnings out of the last 15 years of earnings. Terminated members with at least 5 years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, who have separated from employment with a participating PERS agency prior to retirement, the retirement age increases to age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. The funding policy required employer contributions of 9.0% for each of the years ended June 30, 2024, 2023, and 2022. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015, the employee contribution increased to 6.0%. PEIA's contributions to the plan were $175, $159, and $162 for the fiscal years ended June 30, 2024, 2023, and 2022, respectively.

9. Pension Plan (continued)

Pension Asset (Liability) and Pension Expense

On June 30, 2024, and 2023, PEIA reported an asset of $5 and liability of $149, respectively, for its proportionate share of the net pension asset (liability). PEIA's proportion of the net pension asset (liability) was based on PEIA's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2023. As of June 30, 2024, PEIA's proportionate share was 0.10390%, which was an increase of 0.00417% for its proportionate share measured as of June 30, 2023. The total proportionate share of the pension contribution reported by PERS for PEIA and RHBT combined has been reallocated based on the appropriate ratio of personnel expenses charged to each agency. For the years ended June 30, 2024 and 2023, PEIA's proportion of personnel expenses was 65%.

For the years ended June 30, 2024, and 2023, PEIA recognized pension expense of $153 and $83, respectively.

Sensitivity of PEIA's Proportionate Share of the Net pension asset (liability) to Changes in the Discount Rate

The discount rate used to measure the total Pension Liability (Asset) was 7.25%. The following presents the proportionate share of the net pension asset (liability) of PEIA, calculated using the discount rate of 7.25%, as well as what PEIA's net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25)% or 1 percentage point higher (8.25)% than the current rate:

Net pension asset (liability)		
1.00% Decrease 6.25%	**Current Discount Rate 7.25%**	**1.00% Increase 8.25%**
$ (965)*	$ 5	$ 823

* *A negative number represents a pension liability.*

10. Litigation

PEIA is engaged in various legal actions that it deems to be in the ordinary course of business. The ultimate outcome of these matters is unknown. PEIA believes that it has adequately provided for probable costs of current litigation, as these legal actions are resolved; however, PEIA could realize positive and/or negative impact to financial performance in the period in which these legal actions are ultimately decided.

Required Supplementary Information
(In Thousands)

West Virginia Public Employees Insurance Agency

Ten-Year Claims Development Information
(In Thousands)

The table below illustrates how PEIA's earned premiums (net of reinsurance) and investment income compare with related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by PEIA as of the end of each of the years presented. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned and ceded premiums, administrative fees, other operating income, State appropriations, and investment income net of fees. (2) This line shows each fiscal year's other operating costs of PEIA, including overhead and unallocated claims expense not allocable to individual claims. (3) This line shows PEIA's incurred and ceded claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage occurred (called accident year). (4) These lines show the cumulative amounts paid as of the end of successive years for each accident year. (5) This line shows the most current estimate of losses assumed by reinsurers for each accident year. (6) These lines show how each accident year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims and reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (7) This line compares the latest re-estimated net incurred claims amount with the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual accident years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature accident years. The columns of the table show data for successive accident years.

	Year Ended June 30									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
1) Premiums, investment, and other revenues:										
Earned	$ 578,350	$ 562,179	$ 652,785	$ 626,836	$ 641,618	$ 647,938	$ 694,621	$ 685,940	$ 698,214	$ 916,692
Ceded	51,599	51,176	48,953	44,457	47,942	51,664	56,514	56,731	56,237	66,320
Net earned	526,751	511,003	603,832	582,379	593,676	596,274	638,107	629,209	641,977	850,372
2) Unallocated expenses	28,553	22,421	18,199	18,580	19,169	26,223	23,294	23,274	33,487	28,324
3) Estimated incurred claims and allocated claims adjustment expense, end of accident year:										
Incurred	607,350	608,128	591,410	557,883	580,267	593,274	706,884	770,370	763,802	956,114
Ceded	51,599	51,176	48,953	44,457	47,942	51,664	56,514	56,731	56,237	66,320
Net incurred	555,751	556,952	542,457	513,426	532,325	541,610	650,370	713,639	707,565	889,794
4) Paid (cumulative) claims and allocated claims adjustment expense as of:										
End of accident year	474,120	500,897	480,228	460,173	484,495	462,582	564,186	617,247	615,350	771,576
One year later	532,549	571,120	535,595	507,701	551,304	514,885	650,611	617,247	615,350	
Two years later	532,549	571,120	535,595	507,701	551,304	514,885	650,611	617,247		
Three years later	532,549	571,120	535,595	507,701	551,304	514,885	650,611			
Four years later	532,549	571,120	535,595	507,701	551,304	514,885				
Five years later	532,549	571,120	535,595	507,701	551,304					
Six years later	532,549	571,120	535,595	507,701						
Seven years later	532,549	571,120	535,595							
Eight years later	532,549	571,120								
Nine years later	532,549									

West Virginia Public Employees Insurance Agency

Ten-Year Claims Development Information (continued)

(In Thousands)

	Year Ended June 30									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
5) Re-estimated ceded claims and expenses	$ 51,599	$ 51,176	$ 48,953	$ 44,457	$ 47,942	$ 51,664	$ 56,514	$ 56,731	$ 56,237	**$** –
6) Re-estimated net incurred claims and allocated claims adjustment expense:										
End of accident year	555,751	556,952	542,457	513,426	532,325	541,610	650,370	713,639	707,565	**889,794**
One year later	557,931	553,322	546,787	509,436	529,555	528,990	648,040	708,579	**700,795**	
Two years later	557,931	554,012	547,687	508,636	535,785	542,550	648,960	**715,689**		
Three years later	557,981	554,092	547,507	508,636	529,395	541,470	**651,190**			
Four years later	557,981	554,092	547,507	508,636	532,255	**542,030**				
Five years later	557,981	554,092	547,507	508,636	**532,255**					
Six years later	557,981	554,092	547,507	**508,636**						
Seven years later	557,981	554,092	**547,507**							
Eight years later	557,981	**554,092**								
Nine years later	**557,981**									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of accident year	2,230	(2,860)	5,050	(4,790)	(70)	420	820	2,050	(6,770)	–

Note: The above financial data is summarized for individual contract periods. Subsequent premium and related expense adjustments and reserve developments are recorded in the year incurred for fiscal year financial reporting but are included in the applicable contract year for purposes of the above schedule. Accordingly, components of change in net assets as determined on a contract-year basis will differ from that included in PEIA's fiscal year financial statements.

Other Supplementary Information

(In Thousands)

West Virginia Public Employees Insurance Agency

Form 7, Deposits Disclosure
(In Thousands)

June 30, 2024

		Carrying Amount	
Cash with State Treasurer	$	32,732	
Deposit in transit		3,337	
Cash in outside bank accounts			
Total carrying amount of deposits		36,069	
Cash equivalents (with BTI and Met Life)		6,978	
Total cash	$	43,047	(1)(3)

See independent auditor's report on other financial information.

(1) Agrees to audited statement of net position as follows:

Cash and cash equivalents	$	36,069	(2)
Equity position in investment pool – current		6,976	(2)
Equity position in investment pool – noncurrent and restricted		2	(2)
Total cash equivalents	$	43,047	(2)(3)

(2) Agrees to audited statement of cash flows.

(3) Agrees to Note 4, cash and cash equivalents.

West Virginia Public Employees Insurance Agency

Form 8, Investments Disclosure

(In Thousands)

June 30, 2024

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value
West Virginia Board of Treasury Investments (BTI):				
WV Money Market Pool	$ 6,976	$ 2	$ 6,978	$ 6,978
Total equity position in investment pool with BTI	$ 6,976	$ 2 [3]	$ 6,978	$ 6,978 [5]
Met Life Insurance:				
Cash and cash equivalents	$ –	$ – [3]	$ –	$ –
West Virginia Investment Management Board (IMB) Investment Pools:				
Total return fixed income	$ 35,225	$ 4,151	$ 39,376	$ 39,376
Core fixed income	16,932		16,932	16,932
TIPS	22,135		22,135	22,135
Domestic equity – Large Cap	16,579		16,579	16,579
Domestic equity – Non-Large Cap	2,958		2,958	2,958
International nonqualified	3,604		3,604	3,604
Hedge fund	32,541		32,541	32,541
Private Markets	6,457		6,457	6,457
Short-Term fixed income	1		1	1
International equity	7,869		7,869	7,869
Total equity position in investment pools with IMB	$ 144,301	$ 4,151	$ 148,452	$ 148,452 [1]

[1] Agrees to the audited statement of net position.

(2) Agrees to audited statement of net position as follows:

Equity position in investment pool – current	$ 6,976 [1]
Equity position in investment pool – noncurrent and restricted	148,454 [1]
Total	$ 155,430 [4]

(3) Agrees to audited statement of net position as follows:

Total equity position in investment pool with BTI	$ 6,978
Cash and cash equivalents	36,069
Total	$ 43,047 [1]

[4] Agrees to Form 8a.

[5] Amortized cost approximates fair value.

West Virginia Public Employees Insurance Agency

Form 8-A, Deposits and Investments Disclosure
(In Thousands)

June 30, 2024

Reconciliation of cash and cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnotes:

Cash and cash equivalents as reported	$ 36,069	(1)(2)
Equity position in investment pools as reported	$ 155,430	(3)

See independent auditor's report on other financial information.

(1) Agrees to audited statement of net position.

(2) Agrees to Form 7.

(3) Agrees to Form 8.

West Virginia Public Employees Insurance Agency

Form 9, Accounts Receivable
(In Thousands)

June 30, 2024

Total accounts receivable	$	63,143	[1]
Less allowance for doubtful accounts		(75)	[1]
Total accounts receivable, net	$	63,068	

See independent auditor's report on other financial information.

[1] Agrees to audited statement of net position as follows:

Premium receivable:			
Due from State of West Virginia	$	4,766	[2]
Other, net		10,772	[2]
Accounts receivable:			
Due from RHBT		8,632	[2]
Prescription rebates		33,045	[2]
Other		5,853	[2]
Total accounts receivable, net	$	63,068	

[2] Agrees to the audited statement of net position.

West Virginia Public Employees Insurance Agency

Form 10, Due (To) From Primary Government
(In Thousands)

June 30, 2024

Agency	Total
Workforce WV / Payroll-05303	$ (10)
	(10)
WV PERS State	3
WV Teachers Retirement Board	–
Separated Pre-Retirement	1
	4
ABC Commission	1
Adjutant General	1
Administration, Dept of	2
Aeronautics Commission	(1)
Agriculture	(4)
Anthony Correctional Center	(2)
Architects, Board of	(1)
Auditor's Office	(1)
Board of Medicine	(13)
Board of Respiratory Care	(1)
Bureau of Senior Services	(2)
Commerce, Office of Secretary, Dept Of	(37)
Corrections/Denmar Facility, Dept of	(1)
Corrections/Salem Corr, Dept of	(7)
Culture and History	(46)
DCR-Rubenstein Juvenile Center	(1)
DCR-Central Regional Jail	(1)
DCR-Donald Kuhn Juvenile Center	(3)
DCR-Eastern Regional Jail	1
DCR-Lorrie Yeager Juvenile Center	(1)
DCR-North Central Regional Jail	(1)
DCR-Beckley Correctional Center	(1)
DCR-Southern Regional Jail	(1)
DCR-Southwestern Regional Jail	1
DCR-Western Regional Jail	1
DCR-Youth Reporting Centers	(3)
Department of Corrections	(1)
Department of Education	(25)
Department of Labor	(18)
Environmental Protection, Department of	(1)
Examiners/Registered Nurses, Board of	1
Health Care Authority	(2)
Health Dept	(24)

West Virginia Public Employees Insurance Agency

Form 10, Due (To) From Primary Government (continued)

(In Thousands)

Agency		Total
Highways, Dept of	$	16
Homeland Security – Emergency Management		(3)
Hopemont State Hospital		(1)
House of Delegates (Staff)		(5)
Human Rights Commission		(9)
Human Services, Dept of		(27)
Huttonsville Correctional Center		(2)
Insurance Commission		(1)
Jackie Withrow Hospital		(3)
John Manchin Sr. Health Care		(1)
Joint Comm on Govt & Finance		1
Lakin State Hospital		(5)
Library Commission		(2)
Mildred Mitchell-Bateman Hospital		(14)
Military Authority		(8)
Motor Vehicles		3
Mt Olive Correctional Facility		2
National Coal Heritage Area Authority		(1)
Natural Resources		(43)
Northern Correctional Facility		(3)
Off of Miners Health, Safety & Training		(33)
Professional Surveyors, WV Board of		(1)
Public Safety		(26)
Public Service Commission		(58)
Public Transit		(1)
Real Estate Appraiser/Lic Cert Bd		(1)
Real Estate Commission		(10)
Rehabilitation Services, Division of		2
Secondary Schools Activities comm		4
Secretary of State		(2)
Senate		(43)
Senate Staff		(2)
Supreme Court / Judicial		2
Tax Dept		(8)
Tourism, Division of		(1)
Treasurer of State’s Office		(3)
Veteran’s Affairs		(11)
Welch Emergency Hospital		(24)
William R Sharpe Jr Hospital		(5)
WV Board of Barbers and C		(9)
WV Center for Nursing		(3)

West Virginia Public Employees Insurance Agency

Form 10, Due (To) From Primary Government (continued)

(In Thousands)

Agency		Total	
WV Enterprise Planning Board	$	(1)	
WV Massage Therapy Licensure Bd		(3)	
WV Multimodal Transportation		(1)	
WV Office of Tax Appeals		(1)	
WV Parole Board		(1)	
WV School for the Deaf and Blind		2	
WV State Bd of Examiners for LPNs		(11)	
		(546)	
Total primary government		(552)	
Total component units		5,318	(2)
Due from State of West Virginia, net	$	4,766	(1)

See independent auditor's report on other financial information.

(1) Agrees to the audited statement of net position.

(2) Agrees to Form 11.

West Virginia Public Employees Insurance Agency

Form 11, Component Unit – A/R Balances
(In Thousands)

June 30, 2024

Unit		Amount
Assoc of Rehabilitation Facilities	$	4
Blue Ridge Community & Te		(15)
Bluefield State College		10
BridgeValley Community & Technical College		(1)
Concord College		(24)
Development Office		(15)
Division of Corrections and Rehabilitation		(3)
Eastern WV Community & Technical College		(1)
Educational Broadcasting		(8)
Fairmont State University		(27)
Glenville State College		(36)
Greenbrier Valley Economic Dev Auth		4
Higher Education Policy Commission		(3)
Housing Development Corporation		32
Kanawha Valley CTC		(1)
Marshall University		33
Mountwest Community & Tec		(22)
New River Comm. & Tech.		(29)
Public Defender 12th Judicial Cercuit		2
Public Defender Corp 4th Circuit		13
Public Defender Corp/15th Judicial		14
Public Defender Corp/30th Jud Circuit		6
Public Defender/28th Jud.Ct.		4
Public Devender/7th Judicial Circuit		5
Public Defender-13th Curcuit		24
Racing Commission		(1)
Railroad Maintenance Authority		(3)
Reg Jail & Correctional Fac Auth		(23)
School Building Authority		(1)
School of Osteopathic Medicine		(9)
Shepherd University		(28)
Water Development Authority		(7)
West Liberty State College		(2)
West Virginia Lottery Commission		(1)
West Virginia University		5,242
WV Network for Education Telecom		(3)
WV Northern Community College		(13)
WV Parkways Econ. Dev. & Tourism Auth.		1
WV Southern Community College		2

West Virginia Public Employees Insurance Agency

Form 11, Component Unit – A/R Balances
(In Thousands)

June 30, 2024

Unit	Amount	
WV State University	$ (11)	
WVU Parkersburg	209	
Total component units	$ 5,318	(1)

See independent auditor's report on other financial information.

(1) Agrees to Form 10.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Finance Board and Management
West Virginia Public Employees Insurance Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Public Employees Insurance Agency (PEIA), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PEIA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PEIA's internal control. Accordingly, we do not express an opinion on the effectiveness of PEIA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PEIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

October 15, 2024

A member firm of Ernst & Young Global Limited