



**West Virginia Retiree Health Benefit Trust Fund
and
PEIA Finance Board Meeting**

Thursday, March 24, 2022, 1:00 p.m.

Canaan Valley Conference Room, DEP/PEIA Building, 601 57th Street, SE
Charleston, WV 25304

Agenda

- Roll Call
- Call to Order
- Approval of Minutes
- Plan Year 2022 Financial Update
- Update on Legislative Session
- Public Comments
- Old Business
- New Business
- Next Meeting – June 23, 2022

Roll Call

Chairman

Members:

- Mark Scott, Chairman
- Geoff Christian
- Melody A. Duke
- Amanda Meadows
- William “Bill” Milam
- Jason L. Myers
- Jared Robertson
- Michael T. Smith

Approval of Minutes

December 16, 2021

Chairman



Financial Plan Updates

Chris Borcik, Continuing Care Actuaries



West Virginia Public Employee Insurance Agency

| | Fiscal Year 2022 (millions) | | | Fiscal Year 2023 (millions) | | |
|----------------------------|-----------------------------|-----------------|------------------|-----------------------------|------------------|------------------|
| | Financial Plan | Mar-22 Update | Change | Financial Plan | Mar-22 Update | Change |
| Revenue | | | | | | |
| Premiums | \$ 761.4 | \$ 758.9 | \$ (2.5) | \$ 769.0 | \$ 766.5 | \$ (2.5) |
| Investment Income | 12.8 | - | (12.8) | 11.4 | 10.0 | (1.4) |
| Direct Transfers | 21.0 | 21.0 | - | 52.0 | 52.0 | - |
| Other | 7.6 | 7.1 | (0.5) | 7.7 | 7.2 | (0.5) |
| Total | \$ 802.8 | \$ 787.0 | \$ (15.8) | \$ 840.1 | \$ 835.6 | \$ (4.4) |
| Expenses | | | | | | |
| Medical Claims | \$ 491.2 | \$ 509.7 | \$ 18.5 | \$ 523.4 | \$ 543.1 | \$ 19.7 |
| Gross Drug Claims | 306.5 | 321.8 | 15.3 | 340.4 | 357.7 | 17.3 |
| Drug Rebates | (112.2) | (109.0) | 3.2 | (137.1) | (137.1) | 0.0 |
| Capitations | 57.2 | 54.7 | (2.5) | 60.6 | 58.0 | (2.6) |
| Administration & Wellness | 25.3 | 25.6 | 0.3 | 26.2 | 28.2 | 2.0 |
| WV RHBT Pay Go Premiums | 75.0 | 75.0 | - | 60.0 | 60.0 | - |
| ACA Expenses | 0.4 | 0.9 | 0.5 | 0.4 | 0.9 | 0.5 |
| Other Expenses | 4.5 | 3.0 | (1.5) | 4.6 | 4.0 | (0.6) |
| Total | \$ 848.0 | \$ 881.8 | \$ 33.8 | \$ 878.6 | \$ 914.8 | \$ 36.3 |
| Fiscal Year Results | \$ (45.1) | \$ (94.8) | \$ (49.6) | \$ (38.5) | \$ (79.2) | \$ (40.7) |
| Ending Fund Balance | \$ 200.4 | \$ 150.8 | \$ (49.6) | \$ 161.9 | \$ 71.6 | \$ (90.3) |
| Required Reserve | \$ 111.7 | \$ 116.8 | \$ 5.2 | \$ 118.3 | \$ 123.8 | \$ 5.5 |
| Surplus/(Shortfall) | \$ 88.7 | \$ 33.9 | \$ (54.8) | \$ 43.6 | \$ (52.2) | \$ (95.8) |

*The annual Medical Trend through November was 20.7%, Q2 was 12.4%. The FY22 plan assumption is 6.0%

*The annual Gross Drug Trend through November was 19.4%, Q2 was 18.7%. The FY22 plan assumption is 13.5%

PEIA/RHBT Finance Board Meeting

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Historical Trends

| | <u>4 Year</u> | <u>3 Year</u> | <u>2 Year</u> | <u>1 Year</u> |
|---------------------------|---------------|---------------|---------------|---------------|
| <i>Medical</i> | | | | |
| Local | 7.1% | 7.6% | 10.0% | 17.0% |
| <u>State</u> | <u>7.9%</u> | <u>7.9%</u> | <u>8.3%</u> | <u>21.7%</u> |
| Total | 7.7% | 7.8% | 8.6% | 20.7% |
| <i>Prescription Drugs</i> | | | | |
| Local | 13.9% | 16.4% | 16.6% | 22.5% |
| <u>State</u> | <u>14.9%</u> | <u>16.7%</u> | <u>15.7%</u> | <u>18.8%</u> |
| Total | 14.7% | 16.6% | 15.8% | 19.4% |
| PEIA Net Drugs | 11.1% | 14.6% | 16.2% | 15.0% |
| Overall Total | 10.1% | 10.8% | 11.1% | 20.1% |
| Overall Total-NET | 8.6% | 9.6% | 10.6% | 19.0% |

West Virginia Retiree Health Benefit Trust

| | Fiscal Year 2022 (millions) | | | Fiscal Year 2023 (millions) | | |
|---|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Financial Plan | Mar-22 Update | Change | Financial Plan | Mar-22 Update | Change |
| Revenue | | | | | | |
| Premiums | \$ 153.4 | \$ 155.2 | \$ 1.8 | \$ 134.1 | \$ 132.3 | \$ (1.8) |
| Annual Required Contributions | - | - | - | - | - | - |
| Life Insurance | 28.6 | 26.8 | (1.8) | 30.0 | 28.1 | (1.9) |
| Investment Income | 126.1 | 10.0 | (116.1) | 137.9 | 129.1 | (8.8) |
| Transfer from Premium Stabilization Reserve | (200.0) | (200.0) | - | 2.7 | 10.3 | 7.6 |
| General Revenue Transfer | 30.0 | 30.0 | - | 30.0 | 30.0 | - |
| Total | \$ 138.1 | \$ 22.0 | \$ (116.1) | \$ 334.6 | \$ 329.8 | \$ (4.9) |
| Expenses | | | | | | |
| Medical Claims | \$ 52.0 | \$ 57.1 | \$ 5.1 | \$ 55.9 | \$ 61.4 | \$ 5.5 |
| Gross Drug Claims | 45.3 | 42.1 | (3.2) | 50.4 | 47.0 | (3.4) |
| Drug Rebates | (19.2) | (19.1) | 0.2 | (23.5) | (19.3) | 4.2 |
| Capitations | 68.1 | 67.5 | (0.6) | 46.9 | 46.8 | (0.1) |
| Administration & Wellness | 4.8 | 4.5 | (0.3) | 4.9 | 4.6 | (0.3) |
| Life Insurance | 28.7 | 26.9 | (1.8) | 30.2 | 28.3 | (1.9) |
| Retiree Assistance Program | 1.6 | 1.5 | (0.1) | 1.8 | 1.7 | (0.1) |
| ACA Expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Expenses | 0.2 | 0.1 | (0.1) | 0.2 | 0.2 | 0.0 |
| Total | \$ 181.5 | \$ 180.8 | \$ (0.8) | \$ 166.8 | \$ 170.7 | \$ 3.9 |
| Fiscal Year Results | \$ (43.5) | \$ (158.7) | \$ (115.3) | \$ 167.9 | \$ 159.1 | \$ (8.8) |
| Ending Fund Balance | \$ 1,559.8 | \$ 1,444.5 | \$ (115.3) | \$ 1,727.6 | \$ 1,603.6 | \$ (124.1) |

*The annual Non-Med Medical Trend through November was 25.3%, Q1 was 21.1%. The FY22 plan assumption is 6.0%

*The annual Non-Med Gross Drug Trend through November was 16.5%, Q1 was 17.6%. The FY22 plan assumption is 13.5%

Financial Statements Year to Date

- Financial Statements

By: Jason Haught, CFO, PEIA

Public Employees Insurance Agy
West Virginia Public Employees Insurance Agency
Statement of Net Position
Monday, January 31, 2022
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

| | CURRENT YR | PRIOR YR | V A R I A N C E | |
|---|----------------|----------------|------------------|--------------|
| | | | \$ | % |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$20,187 | \$37,609 | (\$17,422) | (46%) |
| Equity position in internal investment pool | 27,370 | 9,125 | 18,245 | 200% |
| Premiums receivable: | | | | |
| Other, less allowance for doubtful accounts | 12,943 | 11,371 | 1,572 | 14% |
| Due From RHBT | 11,880 | 11,865 | 15 | 0% |
| Accounts receivable: | | | | |
| Prescription rebates | 31,821 | 28,624 | 3,197 | 11% |
| Other | 13,677 | 12,793 | 884 | 7% |
| Total current assets | 117,878 | 111,387 | 6,491 | 6% |
| Noncurrent assets: | | | | |
| Equity position in internal investment pools | 211,302 | 287,363 | (76,061) | (26%) |
| Equity position in internal investment pool – restricted | 8,705 | 12,674 | (3,969) | (31%) |
| Capital assets, net of accumulated depreciation | 31 | 70 | (39) | (56%) |
| Total noncurrent assets | 220,038 | 300,107 | (80,069) | (27%) |
| Total assets | 337,916 | 411,494 | (73,578) | (18%) |
| Deferred Outflows of Resources Related to Pensions & OPEB | 706 | 358 | 348 | 97% |
| Liabilities | | | | |
| Current liabilities: | | | | |
| IBNR | 88,540 | 69,890 | 18,650 | 27% |
| Current claims payable | 7,961 | 5,867 | 2,094 | 36% |
| Premium deficiency reserve | 83,166 | 46,535 | 36,631 | 79% |
| Accounts payable | 2,931 | 6,463 | (3,532) | (55%) |
| Unearned revenue | 9,034 | 13,948 | (4,914) | (35%) |
| Other accrued liabilities | 2,448 | 2,538 | (90) | (4%) |
| Total current liabilities | 194,080 | 145,241 | 48,839 | 34% |
| Noncurrent liabilities: | | | | |
| Other Liabilities | 752 | 819 | (67) | (8%) |
| Other accrued liabilities: Premium stabilization fund | 9,403 | 13,817 | (4,414) | (32%) |
| Total liabilities | 204,235 | 159,877 | 44,358 | 28% |
| Deferred Inflows of Resources Related to Pensions & OPEB | 620 | 432 | 188 | 44% |
| Net position | | | | |
| Invested in capital assets | 31 | 70 | (39) | (56%) |
| Actuarially Required Reserve | 111,661 | 104,162 | 7,499 | 7% |
| PEIA PSR, Unrestricted | 22,073 | 147,311 | (125,238) | (85%) |
| Total net position | 133,765 | 251,543 | (117,778) | (47%) |

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the Seven Months Ending Monday, January 31, 2022
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

| ACTUAL | BUDGET | PRIOR YR | | BUDGET VARIANCE | | PRIOR YR VARIANCE | |
|------------------------------|------------------|------------------|--|-------------------|------------------|--------------------|---------------|
| | | | | \$ | % | \$ | % |
| OPERATING REVENUE | | | | | | | |
| Premium Revenue | | | | | | | |
| \$239,380 | \$240,840 | \$223,684 | Health Insurance - State Gov. - Employees | (\$1,460) | (1%) | \$15,696 | 7% |
| 70,452 | 70,378 | 70,546 | Health Insurance - State Gov. - Employees | 74 | 0% | (94) | (0%) |
| 73,780 | 73,227 | 69,162 | Health Insurance - Local Gov. - All | 553 | 1% | 4,618 | 7% |
| 2,794 | 2,710 | 2,774 | Administrative Fees, Net of Refunds | 84 | 3% | 20 | 1% |
| 1,115 | 1,210 | 1,088 | Other Premium Revenue | (95) | (8%) | 27 | 2% |
| 387,521 | 388,365 | 367,254 | Total Operating Revenue | (844) | (0%) | 20,267 | 6% |
| NON-OPERATING REVENUE | | | | | | | |
| 1,324 | 1,877 | 1,581 | Life Insurance | (553) | (29%) | (257) | (16%) |
| 12,250 | 12,250 | 12,250 | Direct Transfer | 0 | 0% | 0 | 0% |
| 370 | 7,378 | 27,023 | Interest and Investment Income | (7,008) | (95%) | (26,653) | (99%) |
| 57,806 | 58,333 | 80,194 | WV RHBT Pay Go Premiums | (527) | (1%) | (22,388) | (28%) |
| 71,750 | 79,838 | 121,048 | Total Non-Operating Revenue | (8,088) | (10%) | (49,298) | (41%) |
| 459,271 | 468,203 | 488,302 | TOTAL REVENUE | (8,932) | (2%) | (29,031) | (6%) |
| EXPENSES | | | | | | | |
| 265,563 | 256,535 | 236,747 | Claims Expense - Medical | (9,028) | (4%) | (28,816) | (12%) |
| 115,869 | 102,792 | 98,008 | Claims Expense - Drugs | (13,077) | (13%) | (17,861) | (18%) |
| 31,937 | 32,857 | 31,287 | Payments to Managed Care Org. | 920 | 3% | (650) | (2%) |
| 12,169 | 12,155 | 11,053 | Administrative Service Fees | (14) | (0%) | (1,116) | (10%) |
| 143 | 1,280 | 131 | Wellness and Disease Management | 1,137 | 89% | (12) | (9%) |
| 2,616 | 2,658 | 3,017 | Other Operating Expenses | 42 | 2% | 401 | 13% |
| 1,232 | 1,297 | 1,486 | Life Insurance Expense | 65 | 5% | 254 | 17% |
| 544 | 238 | 238 | ACA Comparative Effectiveness Fee | (306) | (129%) | (306) | (129%) |
| 57,806 | 58,333 | 80,194 | WV RHBT Pay Go Premiums | 527 | 1% | 22,388 | 28% |
| 487,879 | 468,145 | 462,161 | TOTAL EXPENSES | (19,734) | (4%) | (25,718) | (6%) |
| (28,608) | 58 | 26,141 | YTD Surplus (Deficit) | (28,666) | (49,424%) | (54,749) | (209%) |
| 162,373 | 162,373 | 225,402 | Total Net Position, Beginning of Period | 0 | 0% | (63,029) | (28%) |
| 111,661 | 111,661 | 104,162 | End of Period Net Position, Actuarially Required Reserve | 0 | 0% | 7,499 | (0%) |
| 22,104 | 50,770 | 147,381 | End of Period Net Position, PEIA PSR | (28,666) | (130%) | (125,277) | (85%) |
| \$133,765 | \$162,431 | \$251,543 | Total Net Position, End of Period | (\$28,666) | (21%) | (\$117,778) | (47%) |

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West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF PLAN NET POSITION
Monday, January 31, 2022
In Thousands

| | CURRENT YR | PRIOR YR | VARIANCE | |
|---|--------------------|--------------------|------------------|--------------|
| | | | \$ | % |
| ASSETS | | | | |
| Cash - Operating Fund | \$37,953 | \$44,056 | (\$6,103) | (14%) |
| INVESTMENTS | | | | |
| WV Board of Treasury Investments | 68,570 | 63,520 | 5,050 | 8% |
| WV Investment Management Board | 1,637,157 | 1,370,643 | 266,514 | 19% |
| Total Investments | 1,705,727 | 1,434,163 | 271,564 | 19% |
| Due From / (To) WV PEIA | (11,880) | (13,402) | 1,522 | (11%) |
| PREMIUM ACCOUNTS RECEIVABLE | | | | |
| Premium Accounts Receivable | 2,506 | 3,280 | (774) | (24%) |
| Less: Allowance for Doubtful Accounts | (177) | (143) | (34) | 24% |
| Net - Premium Accounts Receivable | 2,329 | 3,137 | (808) | (26%) |
| Other Receivables | 3,411 | 3,973 | (562) | (14%) |
| TOTAL ASSETS | 1,737,540 | 1,471,927 | 265,613 | 18% |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows of Resources Related to Pension | 249 | 112 | 137 | 122% |
| Deferred Outflows of Resources Related to OPEB | 121 | 79 | 42 | 53% |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 370 | 191 | 179 | 94% |
| LIABILITIES | | | | |
| Claims payable | 10,750 | 8,120 | (2,630) | (32%) |
| Accounts payable | 19 | 18 | (1) | (6%) |
| Accrued Liabilities | 7,046 | 11,607 | 4,561 | 39% |
| TOTAL LIABILITIES | 17,815 | 19,745 | 1,930 | 10% |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows of Resources Related to Pension | 21 | 84 | 63 | 75% |
| Deferred Inflows of Resources Related to OPEB | 313 | 151 | (162) | (107%) |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 334 | 235 | (99) | (42%) |
| Net Position- PSR | 268,107 | 68,107 | 200,000 | 294% |
| Net Position- Restricted | 1,451,654 | 1,384,031 | 67,623 | 5% |
| NET POSITION RESTRICTED | | | | |
| FOR POST EMPLOYMENT BENEFITS | \$1,719,761 | \$1,452,138 | \$267,623 | 18% |

West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
For Seven Months Ending Monday, January 31, 2022
In Thousands

| ACTUAL | BUDGET | PRIOR YR | | BUDGET VARIANCE | | PRIOR YR VARIANCE | |
|---|--------------------|--------------------|---|-------------------|--------------|-------------------|--------------|
| | | | | \$ | % | \$ | % |
| ADDITIONS | | | | | | | |
| Employer Premiums: | | | | | | | |
| \$1,240 | \$1,253 | \$1,286 | Health premiums - Non Par | (\$13) | (1%) | (\$46) | (4%) |
| 6,498 | 6,767 | 7,668 | Health Premiums - RLC Health, Life | (269) | (4%) | (1,170) | (15%) |
| 57,806 | 58,333 | 80,194 | Pay Go Premiums | (527) | (1%) | (22,388) | (28%) |
| 17,500 | 17,500 | 17,500 | State appropriation - OPEB | - | 0% | - | 0% |
| 83,044 | 83,853 | 106,648 | Total Employer Premiums | (809) | (1%) | (23,604) | (22%) |
| Other Additions: | | | | | | | |
| 467 | 583 | 467 | Retiree Drug Subsidy | (116) | (20%) | - | 0% |
| 25,422 | 60,914 | 190,489 | Investment Income | (35,492) | (58%) | (165,067) | (87%) |
| 108,933 | 145,350 | 297,604 | TOTAL ADDITIONS | (36,417) | (25%) | (188,671) | (63%) |
| DEDUCTIONS | | | | | | | |
| 51,391 | 61,730 | 64,781 | Payments to Managed Care Org. | 10,339 | 17% | 13,390 | 21% |
| 15,697 | 16,397 | 16,017 | Life Insurance Expense | 700 | 4% | 320 | 2% |
| 31,513 | 28,700 | 27,038 | Medical Claims Expense | (2,813) | (10%) | (4,475) | (17%) |
| 15,312 | 16,039 | 14,959 | Pharmacy Claims Expense | 727 | 5% | (353) | (2%) |
| 963 | 970 | 882 | Administrative Service Fees (External) | 7 | 1% | (81) | (9%) |
| (38,591) | (41,208) | (39,332) | Member Health premiums | (2,617) | 6% | (741) | 2% |
| (15,634) | (16,701) | (15,907) | Member Life Insurance Premiums | (1,067) | 6% | (273) | 2% |
| 1,545 | 1,879 | 1,670 | Other Operating Expenses | 334 | 18% | 125 | 7% |
| 62,196 | 67,806 | 70,108 | TOTAL DEDUCTIONS | 5,610 | 8% | 7,912 | 11% |
| 46,737 | 77,544 | 227,496 | NET POSITION INCREASE (DECREASE) | (30,807) | (40%) | (180,759) | (79%) |
| Net Position Restricted for Post Employment Benefits | | | | | | | |
| 1,673,024 | 1,673,024 | 1,224,642 | Beginning of Period Total Net Position | - | 0% | 448,382 | 37% |
| 1,451,654 | 1,482,461 | 1,384,031 | End of Period Net Position - Restricted | (30,807) | (2%) | 67,623 | 5% |
| 268,107 | 268,107 | 68,107 | End of Period Net Position - PSR | - | 0% | 200,000 | 294% |
| \$1,719,761 | \$1,750,568 | \$1,452,138 | End of Period Total Net Position | (\$30,807) | (2%) | \$267,623 | 18% |

2022 Regular Legislative Session Update

2022 Regular Legislative Session –
Affecting PEIA as of March 12, 2022

William B. Hicks, General Counsel

2022 Regular Legislative Session Code Changes Affecting PEIA

SB 205 – Expanding PEIA Finance Board membership

- Completed legislative action on March 11, 2022, effective 90 days from passage on June 9, 2022.
- Amends **W. Va. Code §15-16-4** relating to the composition of the PEIA Finance Board.
- Clarifies that Secretary of the Department of Administration or designee who chairs the PEIA Finance Board is a voting member.
- Increases the number of Finance Board members appointed by the Governor from eight to ten.
- Adds one member who shall represent the interests of hospitals, who shall have been employed by a hospital for a period of at least three years prior to his or her appointment and shall remain an employee of a hospital for the duration of his or her appointment to remain eligible to serve on the PEIA Finance Board.
- Adds one member who shall represent the interests of non-hospital health care providers, who shall have owned his or her non-hospital health care provider business for a period of at least three years prior to his or her appointment and shall maintain such ownership of his or her non-hospital health care provider business for the duration of his or her appointment to remain eligible to serve on the PEIA Finance Board.

HB 4112 – Provide consumers a choice for pharmacy services.

- Completed legislative action on March 12, 2022, effective 90 days from passage on June 10, 2022.
- Amends **W. Va. Code §33-51-3, §33-51-8, §33-51-9, and §33-51-11**, all relating to the regulation of Pharmacy Benefit Managers (“PBMs”) and beneficiaries’ access to pharmacies of their choice.
- Specifically adds PEIA as being subject to only subsections (c) and (d) of amended §33-51-9, which respectively prevent PBMs from discriminating against 340B pharmacies in a manner that interferes with a patient’s choice to receive drugs from a such a pharmacy by reimbursing a 340B entity at a rate lower than non-340B pharmacies or by charging discriminatory fees or imposing other restrictions that would interfere with a patient’s choice to utilize such pharmacies.
- The remainder of the bill does not directly impact PEIA, but it does impact the PBMs of and beneficiaries of private insurance plans regulated by the West Virginia Insurance Commissioner.

Public Comments

Chairman



Old Business

New Business

Schedule Next Meeting

Chairman

June 23, 2022

Adjourn

Chairman



If you want to request a copy of today's meeting materials, please contact:

Erika Crump

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Or

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