

West Virginia
PEIA/RHBT Finance Board
Thursday September 19, 2019
DEP Building, Coopers Rock Room, 601 57th Street, SE, Charleston, WV 25304

MINUTES

PLACE OF MEETING:

The meeting of the Finance Board of the West Virginia Public Employees Insurance Agency (PEIA) and Retiree Health Benefits Trust (RHBT) Fund was held at 601 57th Street, S.E., Charleston, WV 25304, on September 19, 2019, 1:00 p.m., pursuant to the online notice filed with the Office of West Virginia Secretary of State Mac Warner.

BOARD MEMBERS PRESENT:

Allan McVey, Chairman
Michael "Mike" Smith via Conference Call
Jason Myers
Amanda Meadows
Jared Robertson
William "Bill" Milam
Lee Diznoff

MEETING BEGAN AT APPROXIMATELY 1:00 P.M. WITH A QUORUM PRESENT

TOPIC: Approval of Minutes from the June 27, 2019 Board Meeting

DISCUSSION: None.

MOTION: A motion was offered by Jason Myers to approve the June 27, 2019 minutes. That motion was seconded by Bill Milam.

ACTION: The motion to approve the minutes was passed unanimously.

TOPIC: Discussion of the FY 2019 Finance Plan Update – Dave Bond

DISCUSSION: Dave Bond gave an overview from CCA of the Financial update for PEIA and RHBT.

West Virginia Public Employee Insurance Agency

	Fiscal Year 2019 (millions)			Fiscal Year 2020 (millions)		
	Financial Plan	Sep-19 Update	Change	Financial Plan	Sep-19 Update	Change
Revenue						
Premiums	\$ 744.4	\$ 744.8	\$ 0.4	\$ 741.4	\$ 742.7	\$ 1.3
Investment Income	(1.5)	12.2	13.7	10.9	11.9	1.0
Other	36.9	37.0	0.1	15.9	37.1	21.1
Total	\$ 779.8	\$ 794.1	\$ 14.3	\$ 768.2	\$ 791.6	\$ 23.5
Expenses						
Medical Claims	\$ 405.2	\$ 391.8	\$ (13.5)	\$ 440.0	\$ 425.7	\$ (14.3)
Drug Claims	137.1	137.5	0.4	154.9	155.2	0.3
Capitations	46.4	46.7	0.4	49.1	49.5	0.4
Administration & Wellness	16.7	18.8	2.2	20.7	27.7	7.0
WV RHBT Pay Go Premiums	152.2	152.5	0.3	140.0	140.0	-
ACA Expenses	0.3	0.3	-	-	-	-
Other Expenses	2.5	1.2	(1.3)	3.0	3.1	0.0
Total	\$ 760.4	\$ 748.9	\$ (11.5)	\$ 807.8	\$ 801.2	\$ (6.6)
Fiscal Year Results	\$ 19.4	\$ 45.2	\$ 25.8	\$ (39.6)	\$ (9.5)	\$ 30.1
Ending Fund Balance	\$ 214.0	\$ 239.7	\$ 25.8	\$ 174.3	\$ 230.2	\$ 55.9
Required Reserve	\$ 117.2	\$ 112.7	\$ (4.4)	\$ 126.1	\$ 122.2	\$ (3.9)
Surplus/(Shortfall)	\$ 96.8	\$ 127.0	\$ 30.2	\$ 48.3	\$ 108.0	\$ 59.8

West Virginia Retiree Health Benefit Trust

	Fiscal Year 2019 (millions)			Fiscal Year 2020 (millions)		
	Financial Plan	Sep-19 Update	Change	Financial Plan	Sep-19 Update	Change
Revenue						
Premiums	\$ 241.2	\$ 240.6	\$ (0.6)	\$ 231.1	\$ 228.2	\$ (2.9)
Annual Required Contributions	0.0	-	(0.0)	-	-	-
Life Insurance	23.7	23.8	0.1	24.9	25.0	0.1
Investment Income	(5.8)	53.5	59.3	61.3	65.9	4.6
Transfer from Premium Stabilization Reserve	-	-	-	-	-	-
General Revenue Transfer	35.0	35.0	-	35.0	35.0	-
Total	\$ 294.0	\$ 352.9	\$ 58.8	\$ 352.3	\$ 354.1	\$ 1.8
Expenses						
Medical Claims	\$ 63.9	\$ 52.0	\$ (11.9)	\$ 68.5	\$ 54.8	\$ (13.7)
Drug Claims	27.0	24.1	(2.9)	30.2	25.7	(4.5)
Capitations	124.7	122.1	(2.7)	114.0	116.2	2.2
Administration	4.7	4.3	(0.4)	5.3	5.2	(0.1)
Life Insurance	23.7	23.7	0.0	24.9	24.9	0.0
Retiree Assistance Program	1.8	1.9	0.2	1.9	2.1	0.2
ACA Expenses	0.0	0.0	0.0	-	-	-
Other Expenses	0.2	-	(0.2)	0.3	0.2	(0.0)
Total	\$ 246.0	\$ 228.2	\$ (17.8)	\$ 245.1	\$ 229.2	\$ (15.9)
Fiscal Year Results	\$ 48.0	\$ 124.7	\$ 76.6	\$ 107.2	\$ 125.0	\$ 17.8
Ending Fund Balance	\$ 973.0	\$ 1,049.7	\$ 76.6	\$ 1,080.3	\$ 1,174.7	\$ 94.4

TOPIC: Discussion of Financial Statements Year-to-Date – Jason Haught

DISCUSSION: Jason Haught gave an overview of the Financial Statements for PEIA and RHBT.

West Virginia Public Employees Insurance Agency
Statement of Net Position
 Sunday, June 30, 2019
 (Dollars in Thousands)
 (Unaudited-For Internal Use Only)

	CURRENT YR	PRIOR YR	VARIANCE	
			\$	%
Assets				
Current assets:				
Cash and cash equivalents	\$11,957	\$7,832	\$4,125	53%
Equity position in internal investment pool	36,592	21,049	15,543	74%
Premiums receivable:				
Other, less allowance for doubtful accounts	8,643	8,231	412	5%
Due From RHBT	10,533	16,537	(6,004)	(36%)
Accounts receivable:				
Provider refunds, less allowance for doubtful accounts	585	960	(375)	(39%)
Prescription rebates	31,683	27,098	4,585	17%
Other	1,197	2,983	(1,784)	(60%)
Total current assets	101,190	84,870	16,320	20%
Noncurrent assets:				
Equity position in internal investment pools	225,314	198,826	26,488	13%
Equity position in internal investment pool – restricted	12,774	15,089	(2,315)	(15%)
Capital assets, net of accumulated depreciation	146	196	(50)	(26%)
Total noncurrent assets	238,234	214,111	24,123	11%
Total assets	339,424	298,981	40,441	14%
OPEB	432	562	(130)	(23%)
Liabilities				
Current liabilities:				
IBNR	59,690	51,760	7,930	15%
Current claims payable	5,207	15,846	(10,639)	(67%)
Premium deficiency reserve	13,359		13,359	0%
Accounts payable	4,546	4,385	161	4%
Unearned revenue	13,614	13,661	(47)	(0%)
Other accrued liabilities	2,842	2,320	522	23%
Total current liabilities	99,258	87,972	11,286	13%
Noncurrent liabilities:				
Other Liabilities	938	1,151	(213)	(19%)
Other accrued liabilities: Premium stabilization fund	12,774	15,089	(2,315)	(15%)
Total liabilities	112,970	104,212	8,758	8%
Deferred Inflows of Resources Related to Pensions & OPEB	499	577	(78)	(14%)
Net position				
Invested in capital assets	146	196	(50)	(26%)
Actuarially Required Reserve	116,127	114,295	1,832	2%
PEIA PSR, Unrestricted	110,114	80,063	30,051	38%
Total net position	226,387	194,554	31,833	16%

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the Twelve Months Ending Sunday, June 30, 2019- DRAFT
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

ACTUAL	BUDGET	PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
			OPERATING REVENUE				
			Premium Revenue				
\$368,446	\$382,536	\$374,032	Health Insurance - State Gov. - Employees	(\$14,090)	(4%)	(\$5,586)	(1%)
122,596	127,092	126,892	Health Insurance - State Gov. - Employees	(4,496)	(4%)	(4,296)	(3%)
99,439	97,562	100,081	Health Insurance - Local Gov. - All	1,877	2%	(642)	(1%)
4,775	4,523	4,782	Administrative Fees, Net of Refunds	252	6%	(7)	(0%)
1,894	2,228	2,296	Other Premium Revenue	(334)	(15%)	(403)	(18%)
\$97,150	613,341	608,083	Total Operating Revenue	(16,791)	(3%)	(10,334)	(2%)
			NON-OPERATING REVENUE				
1,227	1,294	1,228	Life Insurance	(67)	(5%)	(1)	(0%)
31,000	31,000	10,000	Direct Transfer	0	0%	21,000	210%
12,241	4,407	7,525	Interest and Investment Income	7,834	178%	4,716	63%
0	154,000	0	WV RHBT Pay Go Premiums	(154,000)	(100%)	0	0%
44,468	190,701	18,753	Total Non-Operating Revenue	(146,233)	(77%)	25,715	137%
641,618	804,642	626,836	TOTAL REVENUE	(163,024)	(20%)	14,781	2%
			EXPENSES				
405,153	403,786	387,660	Claims Expense - Medical	(1,367)	(0%)	(17,493)	(5%)
137,521	187,855	130,836	Claims Expense - Drugs	50,334	27%	(6,685)	(5%)
46,714	45,762	43,220	Payments to Managed Care Org.	(952)	(2%)	(3,494)	(8%)
11,829	11,498	11,222	Administrative Service Fees	(331)	(3%)	(607)	(5%)
558	1,045	949	Wellness and Disease Management	487	47%	391	41%
6,461	4,907	6,030	Other Operating Expenses	(1,554)	(32%)	(431)	(7%)
1,228	1,084	1,237	Life Insurance Expense	(144)	(13%)	9	1%
321	321	379	ACA Comparative Effectiveness Fee	0	0%	58	15%
0	154,000	0	WV RHBT Pay Go Premiums	154,000	100%	0	0%
609,785	810,258	581,533	TOTAL EXPENSES	200,473	25%	(28,252)	(5%)
31,833	(5,616)	45,303	YTD Surplus (Deficit)	37,449	(667%)	(13,470)	(30%)
194,554	194,554	149,251	Total Net Position, Beginning of Period	194,554	0%	45,303	30%
116,127	116,127	114,251	End of Period Net Position, Actuarially Required Reserve	0	0%	1,876	2%
110,260	72,811	80,303	End of Period Net Position, PEIA PSR	0	0%	29,957	37%
\$226,387	\$188,938	\$194,554	Total Net Position, End of Period	\$37,449	20%	\$31,833	16%

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West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF PLAN NET POSITION
Sunday, June 30, 2019
In Thousands
PRELIMINARY

	CURRENT YR	PRIOR YR	VARIANCE	
			\$	%
ASSETS				
Cash - Operating Fund	\$3,805	\$2,124	\$1,681	79%
INVESTMENTS				
WV Board of Treasury Investments	107,183	57,942	49,241	85%
WV Investment Management Board	995,532	903,813	91,719	10%
Total Investments	1,102,715	961,755	140,960	15%
Due From / (To) WV PEIA	(10,532)	(16,537)	6,005	(36%)
PREMIUM ACCOUNTS RECEIVABLE				
Premium Accounts Receivable	3,064	3,576	(512)	14%
Less: Allowance for Doubtful Accounts	(468)	(468)	-	0%
Net - Premium Accounts Receivable	2,596	3,108	(512)	(16%)
Other Receivables	9,558	24,224	(14,666)	(61%)
TOTAL ASSETS	1,108,142	974,674	133,468	14%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to Pension	179	269	(90)	(33%)
Deferred Outflows of Resources Related to OPEB	69	34	35	0%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	248	303	(55)	(18%)
LIABILITIES				
Claims payable	7,700	9,730	(2,030)	(21%)
Accounts payable	20	38	(18)	(47%)
Accrued Liabilities	12,609	1,778	10,831	609%
TOTAL LIABILITIES	20,329	11,546	8,783	76%
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pension	171	239	(68)	(28%)
Deferred Inflows of Resources Related to OPEB	103	77	26	0%
TOTAL DEFERRED INFLOWS OF RESOURCES	274	316	(42)	(13%)
Net Position- PSR	38,107	38,107	-	0%
Net Position- Restricted	1,049,680	924,905	124,775	13%
NET POSITION RESTRICTED FOR POST EMPLOYMENT BENEFITS	\$1,087,787	\$963,115	\$124,672	13%

West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
For the Twelve Months Ending Sunday, June 30, 2019
In Thousands
PRELIMINARY

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE		PRIOR YR VARIANCE	
			\$	%	\$	%
ADDITIONS						
Employer Premiums:						
\$3,022	\$2,992	\$3,082	\$30	1%	(\$60)	(2%)
15,439	15,860	17,316	(421)	(3%)	(1,877)	(11%)
152,462	154,000	148,837	(1,538)	(1%)	3,625	2%
30,000	30,000	30,000	-	0%	-	0%
5,000	5,000	5,000	-	0%	-	0%
205,923	207,852	204,235	(1,929)	(1%)	1,688	1%
Other Additions:						
838	1,200	1,572	(362)	(30%)	(734)	(47%)
53,460	57,711	74,048	(4,251)	(7%)	(20,588)	(28%)
260,221	266,763	279,855	(6,542)	(2%)	(19,634)	(7%)
DEDUCTIONS						
122,076	150,301	121,489	28,225	19%	(587)	(0%)
23,725	24,386	23,189	661	3%	(536)	(2%)
52,032	62,316	56,541	10,284	17%	4,509	8%
24,113	29,441	26,417	5,328	18%	2,304	9%
35	33	32	(2)	(6%)	(3)	(9%)
1,436	1,422	1,342	(14)	(1%)	(94)	(7%)
(66,899)	(69,874)	(68,089)	(2,975)	4%	(1,190)	2%
(23,834)	(24,758)	(23,227)	(924)	4%	607	(3%)
2,865	2,931	3,061	66	2%	196	6%
135,549	176,198	140,755	40,649	23%	5,206	4%
124,672	90,565	139,100	34,107	38%	(14,428)	(10%)
NET POSITION INCREASE						
Net Position Restricted for Post Employment Benefits						
963,115	963,115	824,015	-	0%	139,100	17%
1,049,680	1,015,573	925,008	34,107	3%	124,672	13%
38,107	38,107	38,107	-	0%	-	0%
\$1,087,787	\$1,053,680	\$963,115	\$34,107	3%	\$124,672	13%

TOPIC: Discussion of PEIA FY 2021 Plan Discussion

DISCUSSION: Director Ted Cheatham discussed potential premium and benefit changes for the FY 2021 Plan.

Mr. Cheatham informed the Board that tentative approval has been given by the Department of Revenue to remove money from the Rainy-Day Fund to offset any additional revenue needed. As a result, PEIA is proposing to move money over to PEIA to allow for no increase in premiums to the FY 2021 premiums for active employees.

Mr. Cheatham advised that the non-state agencies have a significant reserve. Mr. Cheatham discussed PEIA's desire to reduce premiums for non-state employers. This would be done in a phased-in approach within the next 2-3 years. Jason Hought and the actuaries are working on a plan for a phased-in approach to reduce premiums. The benefits will stay the same.

Medicare is doing very well so there will be no premium increase for either set of retirees, pre-65 or Medicare.

Optional life and basic life premiums are going to be increased. The rates being billed by Securian are not going up. There has been a surplus for several years. Reserves have been spent down to offer a subsidized rate to allow a benefit to the people who have caused the reserve to occur. Rates have been lowered for the last few years with the extra money built up in the reserve. Reserve has now been spent so the rates are going to be moved up in order to bill our employees what we are being billed. In other words, PEIA is no longer subsidizing the rate.

Mr. Cheatham explained a few things PEIA would like to do. PEIA would like to take these out to public hearing potentially.

First, a study by Aetna shows that early access to chiropractic visits for lower back pain will reduce surgeries and long-time specialist care. PEIA would like to offer two free chiropractic visits specifically for back pain only and see if it will affect our long-term plan.

Second, studies show acupuncture works for headaches. We are thinking about opening acupuncture back up for headaches, only, to see if that will help.

Third, an oversight last year, we forgot to put no out-of-network coverage in the benefits book for Plan C. We are correcting the book for Plan C as it is for Plans A, B, and D that if you go out of state, out of network, there is no coverage at all.

Mr. Cheatham discussed some updates to the Wellness Program beginning with an introduction of Brittany Cochran, PEIA's new Wellness Employee who will be managing the Weight Management Program and the Diabetes Face to Face Program.

Mr. Cheatham explained PEIA will be launching three pilots in January. The first program is a year long program for weight management and pre-diabetic management. The second program is Naturally Slim. It will be open enrollment in the January time frame which will run for one year. The last one, Verta, is a physician-directed diabetic program to be run by Cabin Creek Clinic. This is a study to help people who are diabetic to be better managed through a doctor system.

Mr. Cheatham spoke about specialty medication. PEIA is exploring a couple companies that are doing programs that move patients into foundations for specialty drugs to allow us to get free specialty drugs. There is a potential for a \$10 to \$20 million in savings, especially for medications, should this plan work. It has several issues. PEIA doing its due diligence by discussing it with CVS and both companies that do this, along with the Governor's office. Mr. Cheatham does not know when, or if this will launch; has no specific details or time frame, other than PEIA is currently working on researching this potential program.

PEIA is having an Obesity Summit on October 24, 2019 to listen to providers in the State of West Virginia and evaluate where PEIA's obesity programs are today. PEIA is looking at things such as what surgeries should be covered and what should not; obesity drugs and their value; psychiatric care and counseling and its value, etc. PEIA will report back to the Finance Board on any findings as a result of the Obesity Summit.

- TOPIC:** **October Finance Board Meeting and tentative PEIA Plan outlined by Director Cheatham.**
- MOTION:** A motion to cancel the October Finance Board Meeting and approve the tentative plain to take to the public hearings in November made by Geoff Christian and seconded by Bill Milam.
- DISCUSSION:** None.
- ACTION:** **The motion passed unanimously.**

- TOPIC:** **Public Comment**
- DISCUSSION:** None.

- TOPIC:** **Old Business**
- DISCUSSION:** Kathy Wiseman was asked how the transition to UMR has been going. She stated overall staffing is full and calls are normal. Some of the providers are lagging a little behind because of catching up on where things should be directed but not a great amount. Some benefit clarifications have had to be done, particularly for some of our hospital fee schedules but that has been worked through and will continue to be worked through. Prior to today's meeting she received UMR's Promotor Scores which are hitting over 70 which is excellent for customer service. The Charleston office is one of the top four highest offices of all offices across the country. Inventory and calls are normalizing. It's been a fairly smooth transition.

TOPIC: New Business

DISCUSSION: Obesity Summit Director Cheatham spoke about earlier scheduled for October 24, 2019. Everyone is welcome to attend.

TOPIC: New Business

DISCUSSION: CAMC has given notice they are going to terminate their contract with the Health Plan effective December 31, 2019. Director Cheatham has met with CFO at CAMC who agreed to keep The Health Plan contract for PEIA members through June 30, 2020. President of The Health Plan has given confirmation in writing that he will honor PEIA's contract with CAMC through June 30, 2020. PEIA members should not see any disruption at all through this plan year ending June 30, 2020.

TOPIC: Schedule Next Meeting – Chairman Allan McVey

DISCUSSION: The next scheduled meeting is December 5, 2019 at 1:00 p.m.

TOPIC: Adjourn

ACTION: There being no further business, the September 19, 2019 meeting of the West Virginia RHBT Fund and PEIA Finance Board adjourned at approximately 1:40 p.m.

MOTION: A motion to adjourn the Finance Board was made by Jason Myers and seconded by Geoff Christian.

ACTION: A motion to adjourn passed unanimously.

These minutes were transcribed from recording by Kenna DeRaimo, Administrative Secretary to the Finance Board, and are respectfully submitted.