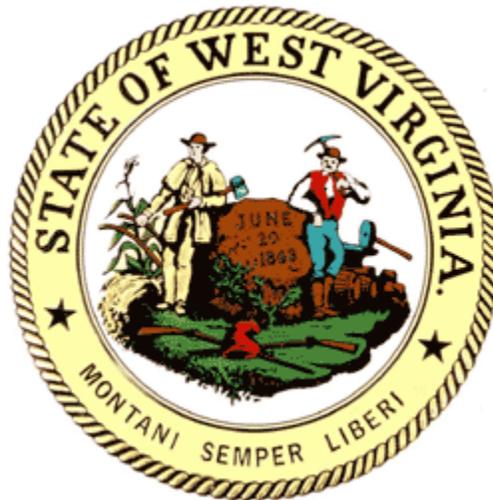




**CCRC**  
Actuaries, LLC

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# STATE OF WEST VIRGINIA



## **RETIREE HEALTH BENEFIT TRUST FUND**

**Financial Plan**

**Fiscal Years 2011-2015**

*December 2010*



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Finance Board  
West Virginia Retiree Health Benefit Trust Fund  
601 57th St., SE, Suite 2  
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Ladies and Gentlemen:

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and the Managing Partner in the firm of CCRC Actuaries, LLC (“CCRC Actuaries”).

During the 2006 Regular Session of the West Virginia Legislature, House Bill 4654 was enacted creating the West Virginia Retiree Health Benefit Trust Fund (“Trust Fund” or “RHBT”) for the purpose of providing for and administering retiree post-employment health care benefits, and the respective revenues and costs of those benefits as a cost sharing multiple employer plan. The Public Employees Insurance Agency (“PEIA”), on behalf of the Public Employees Insurance Agency Finance Board (“Board”), is responsible for the day-to-day operation of the Trust Fund, including all administrative functions.

Statutory provisions governing the Trust Fund require the actuary retained by the PEIA to provide technical advice regarding the operation of the Trust Fund. Using the actuarial assumptions most recently adopted by the Board, the actuary is required to develop actuarial valuations of normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for the West Virginia plan for other post-employment benefits including health insurance. Consequently, the Board has requested CCRC Actuaries to prepare a report separating the actuarial projections for the Trust Fund from the PEIA forecast report. The West Virginia Retiree Health Benefit Trust Fund has assumed the financial liabilities of the retiree programs previously under the PEIA effective July 1, 2007.

The provisions of the Code of West Virginia (“Code”), 1931, as amended, charge the Board with the responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all estimated program and administrative costs of the RHBT, including incurred but unreported claims, for the fiscal year for which the plan is proposed. CCRC Actuaries has been retained by the RHBT to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of the plan through FY 2015. The analysis is to be prepared on an accrued and incurred reporting basis for a projection period not to exceed five years.

The Code provisions also require the Board to establish and maintain a reserve fund for PEIA for the purposes of offsetting unanticipated claim losses in any fiscal year. Beginning with the Fiscal Year 2002 plan and for each succeeding fiscal year plan, the Board shall transfer ten percent of the projected total plan costs for that year into the reserve fund, which is to be certified by the actuary and included in the final, approved financial plan submitted to the Governor and Legislature in accordance with the provisions of the Code. Any moneys saved in a plan year shall be transferred into the reserve fund. At the close of any fiscal year in which the balance in the reserve fund exceeds the recommended reserve amount by fifteen percent, these excess funds shall be transferred to the West Virginia Retiree Health Benefit Trust Fund.

CCRC Actuaries has provided preliminary forecasts for the Trust Fund for fiscal years ending June 30, 2011 (“FY 2011”), June 30, 2012 (“FY 2012”), June 30, 2013 (“FY 2013”), June 30, 2014 (“FY 2014”) and June 30, 2015 (“FY 2015”). This opinion of plan adequacy is based on the projections through FY 2015 using updated future revenue and plan modifications provided by the Board in the plan adopted in December 2010.

Effective July 1, 2010, RHBT has contracted Humana to provide Medicare Advantage/Prescription Drug Plan (“MAPD”) benefits to Medicare-eligible retired employees and dependents. In addition, plan members can coordinate their prescription drug benefits through RHBT’s Prescription Drug Plan (“PDP”). Under this arrangement, Humana has assumed the financial risk of providing comprehensive medical coverage with limited copayments. Non-Medicare retirees are currently enrolled in PEIA’s Health Plan.

Current Medicare coverages are transferred from a self-insured secondary basis by RHBT to MAPD. However, it should be noted that new Medicare eligible retirees, who became Medicare eligible during the plan year, which ends each June, will be covered on a secondary basis by the PPB Plan until July 1, 2011, at which time they will be covered under the MAPD. In addition to newly eligible Medicare retirees, RHBT will continue to provide coverage under the original self-insured secondary basis for those Medicare retirees with access issues to the Humana and PDP program.

The Medicaid / RHBT Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide RHBT with hospital charge savings through discounts for all retiree non-Medicare coverages. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2011 and subsequently. We are assuming that the Bill will continue throughout the forecast and RHBT will not receive any future direct transfers in lieu of the savings resulting from the Bill.

In reviewing the plan, CCRC Actuaries utilized information concerning the plan’s prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by RHBT, the plan’s third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not perform any due diligence on the information. The enclosed forecasts include anticipated changes from the federal statute Patient Protection and Affordable Care Act (“PPACA”) signed into law on March 23, 2010. Based on the PPACA/Health Care Reform requirements to expand coverage, the estimated cost of eliminating lifetime limitations is a total of \$200,000 in FY 2012.

Since the adoption of the financial plan in December 2010, RHBT has experienced favorable claim expense. In the circumstances, and subject to the conditions described herein, based on our review, we believe the financial plan approved by the Board for FY 2011 through FY 2015 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of the Trust Fund.

This conclusion is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2015 as approved by the Board in December 2010.

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

Respectfully,



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



Chris Borcik, A.S.A., M.A.A.A.  
Senior Actuarial Consultant

**West Virginia Retiree Health Benefit Trust Fund**  
**Report of Independent Actuary**  
**Financial Plan for FY 2011 – FY 2015**

**OVERVIEW**

This report analyzes revenues and expenses related to funding the health insurance benefits of retired employees of the State of West Virginia and various local agencies, together with their dependents. This report is intended for the sole use of the Board, and any other use requires written approval by CCRC Actuaries.

This report was compiled utilizing claims data collected by RHBT's third party administrators through November 2010 for prescription drugs and medical claims. Enrollment data, administrative expenses, managed care capitations, and plan revenues were provided at special request from RHBT. Revenue assumptions are based on premium rates, assumed interest income and significant general and special revenue allocations provided by the Governor, some which have not been approved by the West Virginia Legislature. In addition, other information became available through presentations made at Board meetings, which has been used in arriving at our conclusions.

The Code of West Virginia establishes the actuarial reporting requirements for the Trust Fund on an incurred basis for medical claims and capitations and on an accrued basis for administrative expenses and revenue for a period not to exceed five years. At the request of the Board, the reporting basis is based upon the Trust Fund. The Trust Fund represents all state and local agency retirees and their survivors. The Trust Fund has been allocated the anticipated administrative costs incurred by RHBT for retiree coverages.

## KEY ASSUMPTIONS

### A. Enrollment Changes

The Board has requested that the projection assume retiree enrollment growth consistent with the experience of the plan. These projections assume that the Trust Fund will annually have 1,000 additional retirees. We have observed a net increase of 740 retirees from June 2009 to June 2010, approximating our current assumption. CCRC Actuaries has updated the claims analysis based on the enrollment through December 2010.

In aggregate, December 2010 enrollment has increased by 1,235 coverages since the end of FY 2010. Aggregate Preferred Provider Benefit (“PPB”) enrollment has increased by 1,352 in total over the same period, while managed care enrollment continues to cover fewer participants, with a slight decrease of 117 coverages. For MAPD Capitations, 36,932 Medicare policyholders were provided by RHBT management to forecast the monthly capitation cost shown on Page 8 of this report.

The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2009, June 2010 and December 2010 for purposes of comparison:

Trust Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-09	Jun-10	Dec-10	Jun-09	Jun-10	Dec-10
Retirees	Medicare Single	16,090	16,261	16,641	11	14	11
	<u>Medicare Family</u>	<u>10,842</u>	<u>11,202</u>	<u>11,388</u>	<u>9</u>	<u>20</u>	<u>15</u>
	Medicare Total	26,932	27,463	28,029	20	34	26
	Non Medicare Single	3,247	3,363	3,646	222	233	162
	<u>Non Medicare Family</u>	<u>3,969</u>	<u>4,046</u>	<u>4,549</u>	<u>202</u>	<u>193</u>	<u>155</u>
	Non Medicare Total	7,216	7,409	8,195	424	426	317
	Retiree Total	34,148	34,872	36,224	444	460	343
Grand Total				34,592	35,332	36,567	

## B. Changes in Claim Backlog

Detail of the medical claim backlog is presented in the PEIA report titled “PEIA Financial Plan Fiscal Years 2011-2015 Report”.

## C. Trend Analysis

CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - August 2010”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2011 and FY 2012 medical claim trend to 5.5%. Additionally, due to PEIA’s favorable prescription drug experience, we have reduced our trend assumption for all prescription drugs coverage to 9.0% in FY 2011 and FY 2012.

The current projection assumes the trends on the following table:

Claim Type	Previous Assumption FY 2011 Trend	Updated Assumption FY 2011 Trend
Non-Medicare – Medical	6.5%	5.5%
Medicare – Medical	6.5%	5.5%
Non-Medicare – Drugs	11.5%	9.0%
Medicare – Drugs	11.5%	9.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2013. At the Board’s request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through November 2010. It is important to note that these trends ***have not*** been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies nor changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

**Aggregate Trust Fund Historical Trends (Retirees)**

<b><u>Fiscal Year</u></b>	<b><u>Medical Medicare</u></b>	<b><u>Medical Non-Medicare</u></b>	<b><u>Drugs Medicare</u></b>	<b><u>Drugs Non-Medicare</u></b>	<b><u>Total</u></b>
2003	-5%	-9%	11%	1%	3%
2004	9%	2%	3%	-2%	6%
2005	6%	-2%	16%	1%	8%
2006	6%	5%	11%	17%	9%
2007	6%	1%	6%	6%	5%
2008	N/A	6%	N/A	-2%	N/A
2009	N/A	-2%	N/A	5%	N/A
2010	N/A	3%	N/A	7%	N/A
2011*	N/A	2%	N/A	12%	N/A

\* Fiscal Year 2011 results are through the first five months ending November 2010.

Effective July 1, 2010, RHBT has contracted Humana to provide MAPD benefits to Medicare-eligible retired employees and dependents. In addition, plan members can coordinate their prescription drug benefits through RHBT's PDP. Under this arrangement, Humana has assumed the financial risk of providing comprehensive medical coverage with limited copayments. Non-Medicare retirees are currently enrolled in PEIA's Health Plan. As a result, Fiscal Year 2008 through 2011 Medicare trends are non-credible.

**D. Enrollment, Claim, Expense and Revenue Assumptions**

Using aggregate PEIA and Trust Fund paid claim data through November 2010 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the Trust Fund for both self-funded and managed care coverages. CCRC Actuaries has developed the claim cost on an adjusted exposure basis using the respective expected claim cost for each coverage type. The adjusted exposure methodology weighs the expected claim cost under each coverage type for single, member and children, and family coverages based on observed differences in health care cost. For example, under this methodology single coverage types are given a weight of 1.0 exposure, whereas member and children coverages are given a greater weighting based on historical expected health care cost relationships. Based on this methodology, the projection of FY 2011 revenue and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2011 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
Retiree	Medicare Humana and Express Scripts	28,041			\$ 291	\$ 104	
	Non-Medicare	8,201			\$ 597	\$ 242	
	Total	36,242	\$ -	\$ 157			
	Non-Medicare Managed Care	311	\$ -	\$ 511			\$ 1,127
	Total	36,553					

Projected plan revenues and administrative expenses were provided by RHBT. The following chart summarizes the Financial Plan adopted by the Board in December 2010. Non-Medicare retirees premium will be increased by approximately \$2.5 million in Fiscal Year 2011, while Medicare retirees premium will not receive an increase.

#### Board Decisions – December 2010

Source	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
<b>Additional Retiree Premiums</b>	\$2,500,000	\$0	\$10,900,000	\$9,200,000	\$9,200,000
<b>Provider/Benefit Reductions</b>	\$7,000,000	\$0	\$0	\$0	\$0
<b>PPACA Cost Adjustment</b>	\$0	\$200,000	\$0	\$0	\$0
<b>Pay Go Premium Transfer</b>	\$145,176,757	\$149,919,642	\$186,376,185	\$206,076,511	\$235,471,696
<b>Actuarial Accrued Liability*</b>	\$8,718,100,000	\$9,397,200,000	\$10,108,000,000	\$10,848,500,000	\$11,619,900,000
<b>Funded Status</b>	5.2%	4.9%	4.9%	4.9%	4.8%

\*Projected Result

The \$7,000,000 reduction in benefits in Fiscal Year 2011 are comprised of the following changes:

	<u>Change in 2011 Claim Cost</u>
Increase Family out of pocket to 1.5x Single and \$25 increase to deductible	\$5.0 M
Implement ESI High Performance Formulary	\$2.0 M

The \$200,000 PPACA/Health Care Reform requirement in Fiscal Year 2012 is comprised of the following change:

	<u>Change in 2012 Claim Cost</u>
Eliminating Lifetime Limitations	\$200,000

Future fiscal year State revenue increases will require legislative appropriation. Additional retiree premiums represent premiums paid by retirees either directly or through sick and annual leave conversion credits. Additionally, RHBT management has assumed that the Retiree Premium Assistance Program will grow as a direct result from the required retiree premium increases in the financial plan. The program's cost is currently projected to grow from approximately \$2.3 million in FY 2011 to approximately \$3.2 million in FY 2015, based on the Board's direction and projected retiree enrollment growth in the financial plan.

In FY2011 and future years, the Pay Go premium will continue to increase each year based on retiree subsidy for FY 2011 through FY 2015, based on the financial plan approved by the Board in December 2010.

#### **E. Provider Reimbursement Changes**

Effective July 1, 2010, RHBT has contracted Humana to provide MAPD benefits to Medicare-eligible retired employees and dependents. In addition, plan members can coordinate their prescription drug benefits through RHBT's PDP. Under this arrangement, Humana has assumed the financial risk of providing comprehensive medical coverage with limited copayments. Non-Medicare retirees are currently enrolled in PEIA's Health Plan.

#### **FISCAL YEAR 2011 FORECAST**

The financial forecast for FY 2011 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2011, projects accrued revenue of \$250,805,139 and incurred plan expenses of \$221,544,904 to produce a fiscal year surplus of \$29,260,235.

#### **FISCAL YEAR 2012 FORECAST**

The financial forecast for FY 2012 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2012, projects accrued revenue of \$254,667,284 and incurred plan expenses of \$243,606,011 to produce a fiscal year surplus of \$11,061,273.

### **FISCAL YEAR 2013 FORECAST**

The financial forecast for FY 2013 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2013, projects accrued revenue of \$303,780,036 and incurred plan expenses of \$272,802,052 to produce a fiscal year surplus of \$30,977,984.

### **FISCAL YEAR 2014 FORECAST**

The financial forecast for FY 2014 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2014, projects accrued revenue of \$335,771,710 and incurred plan expenses of \$302,682,723 to produce a fiscal year surplus of \$33,088,987.

### **FISCAL YEAR 2015 FORECAST**

The financial forecast for FY 2015 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2015, projects accrued revenue of \$377,688,921 and incurred plan expenses of \$342,340,998 to produce a fiscal year surplus of \$35,347,922.

### **LITIGATION**

The forecasts presented in the attached tables do not contemplate any additional revenues or expenses to be generated from litigation activities.

### **SUMMARY**

It should be noted that the aggregate PEIA and Trust Fund reserves will meet or exceed the 10% of program expense requirement under the Baseline Scenario assumptions. With projected changes to the plan as adopted in the Board, we are forecasting that the plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2015. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in December 2010 and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement; possible changes in methodology of managed care premium calculation; and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as Medicare and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.

## APPENDIX - BASELINE SCENARIO

### WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2011

PERIOD 7/1/2010 - 6/30/2011

	<b>TRUST Total</b>
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 21,951,827
State Agencies Employers - Pay Go Premiums	98,402,766
State Agencies Employees - Pay Go Premiums	24,822,164
Retiree Premiums - PPB	68,436,340
Retiree Premiums - MCO	1,907,492
Annual Required Contributions	1,500,000
Non Par Premiums	3,611,550
Investment Income	30,173,000
<b>Total Revenue</b>	<b>\$ 250,805,139</b>
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 58,757,902
Non-Medicare Prescription Drug Claims	23,778,110
Medicare Medical Claims	2,588,535
Medicare Prescription Drug Claims (with PDP)	97,949,266
CMS Direct and Low Income Drug Subsidy	(25,990,858)
Non-Medicare Managed Care Capitations	4,207,002
MAPD Capitations	45,893,675
Administration	11,822,830
Life Insurance	42,704
Retiree Assistance Program	2,345,622
Director's Discretionary Fund	150,116
<b>Total Expenses</b>	<b>\$ 221,544,904</b>
Fiscal Year Results	\$ 29,260,235
Beginning Plan Reserve	422,635,842
Ending Plan Reserve	\$ 451,896,077
Accrued Actuarial Liability (AAL)	\$ 8,718,100,000
Funded Status	5.2%

#### KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 160.72	<b>Claim and Other Expense Trends</b>		
Additional Retiree Premiums	\$ 2,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	5.5%	9.0%
		Medicare	5.5%	9.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		15.4%

**APPENDIX - BASELINE SCENARIO**

**WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST  
FINANCIAL FORECAST  
FISCAL YEAR 2012**

**PERIOD 7/1/2011 - 6/30/2012**

	<b>TRUST Total</b>
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 22,668,988
State Agencies Employers - Pay Go Premiums	101,617,557
State Agencies Employees - Pay Go Premiums	25,633,097
Retiree Premiums - PPB	68,618,901
Retiree Premiums - MCO	1,912,581
Annual Required Contributions	-
Non Par Premiums	4,044,936
Investment Income	30,171,224
<b>Total Revenue</b>	<b>\$ 254,667,284</b>
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 64,786,595
Non-Medicare Prescription Drug Claims	27,080,454
Medicare Medical Claims	2,737,105
Medicare Prescription Drug Claims (with PDP)	107,007,106
CMS Direct and Low Income Drug Subsidy	(28,394,357)
Non-Medicare Managed Care Capitations	4,543,562
MAPD Capitations	50,547,431
Administration	12,413,972
Life Insurance	44,839
Retiree Assistance Program	2,533,272
Director's Discretionary Fund	306,032
<b>Total Expenses</b>	<b>\$ 243,606,011</b>
Fiscal Year Results	\$ 11,061,273
Beginning Plan Reserve	451,896,077
Ending Plan Reserve	\$ 462,957,350
Accrued Actuarial Liability (AAL)	\$ 9,397,200,000
Funded Status	4.9%

**KEY ASSUMPTIONS**

Pay Go Monthly Premium	\$ 165.97	<b>Claim and Other Expense Trends</b>		
Additional Retiree Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	5.5%	9.0%
		Medicare	5.5%	9.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		3.3%

**APPENDIX - BASELINE SCENARIO**

**WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST  
FINANCIAL FORECAST  
FISCAL YEAR 2013**

**PERIOD 7/1/2012 - 6/30/2013**

	<b>TRUST Total</b>
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 28,181,493
State Agencies Employers - Pay Go Premiums	125,676,164
State Agencies Employees - Pay Go Premiums	32,518,528
Retiree Premiums - PPB	79,674,803
Retiree Premiums - MCO	2,220,736
Annual Required Contributions	-
Non Par Premiums	4,530,328
Investment Income	30,977,984
<b>Total Revenue</b>	<b>\$ 303,780,036</b>
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 73,852,915
Non-Medicare Prescription Drug Claims	31,886,397
Medicare Medical Claims	2,896,301
Medicare Prescription Drug Claims (with PDP)	116,977,431
CMS Direct and Low Income Drug Subsidy	(31,039,985)
Non-Medicare Managed Care Capitations	4,907,047
MAPD Capitations	57,178,089
Administration	13,034,670
Life Insurance	47,081
Retiree Assistance Program	2,735,934
Director's Discretionary Fund	326,172
<b>Total Expenses</b>	<b>\$ 272,802,052</b>
<b>Fiscal Year Results</b>	<b>\$ 30,977,984</b>
Beginning Plan Reserve	462,957,350
Ending Plan Reserve	\$ 493,935,335
Accrued Actuarial Liability (AAL)	\$ 10,108,000,000
Funded Status	4.9%

**KEY ASSUMPTIONS**

Pay Go Monthly Premium	\$ 206.33	<b>Claim and Other Expense Trends</b>		
Additional Retiree Premiums	\$ 10,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	6.0%	9.5%
		Medicare	6.0%	9.5%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		24.3%

**APPENDIX - BASELINE SCENARIO**

**WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST  
FINANCIAL FORECAST  
FISCAL YEAR 2014**

**PERIOD 7/1/2013 - 6/30/2014**

	<b>TRUST Total</b>
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 31,160,332
State Agencies Employers - Pay Go Premiums	139,060,614
State Agencies Employees - Pay Go Premiums	35,855,565
Retiree Premiums - PPB	89,050,192
Retiree Premiums - MCO	2,482,052
Annual Required Contributions	-
Non Par Premiums	5,073,968
Investment Income	33,088,987
<b>Total Revenue</b>	<b>\$ 335,771,710</b>
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 81,857,053
Non-Medicare Prescription Drug Claims	36,501,230
Medicare Medical Claims	3,079,243
Medicare Prescription Drug Claims (with PDP)	128,461,820
CMS Direct and Low Income Drug Subsidy	(34,087,370)
Non-Medicare Managed Care Capitations	5,299,611
MAPD Capitations	64,542,432
Administration	13,686,404
Life Insurance	49,435
Retiree Assistance Program	2,954,808
Director's Discretionary Fund	338,057
<b>Total Expenses</b>	<b>\$ 302,682,723</b>
<b>Fiscal Year Results</b>	<b>\$ 33,088,987</b>
Beginning Plan Reserve	493,935,335
Ending Plan Reserve	\$ 527,024,321
Accrued Actuarial Liability (AAL)	\$ 10,848,500,000
Funded Status	4.9%

**KEY ASSUMPTIONS**

Pay Go Monthly Premium	\$ 228.14	<b>Claim and Other Expense Trends</b>		
Additional Retiree Premiums	\$ 9,200,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	6.5%	10.0%
		Medicare	6.5%	10.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.6%

**APPENDIX - BASELINE SCENARIO**

**WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST  
FINANCIAL FORECAST  
FISCAL YEAR 2015**

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

	<b>TRUST Total</b>
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 35,605,107
State Agencies Employers - Pay Go Premiums	158,989,641
State Agencies Employees - Pay Go Premiums	40,876,948
Retiree Premiums - PPB	98,442,617
Retiree Premiums - MCO	2,743,842
Annual Required Contributions	-
Non Par Premiums	5,682,844
Investment Income	35,347,922
<b>Total Revenue</b>	<b>\$ 377,688,921</b>
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 94,194,776
Non-Medicare Prescription Drug Claims	43,372,533
Medicare Medical Claims	3,289,143
Medicare Prescription Drug Claims (with PDP)	141,716,227
CMS Direct and Low Income Drug Subsidy	(37,604,430)
Non-Medicare Managed Care Capitations	5,723,580
MAPD Capitations	73,675,484
Administration	14,370,724
Life Insurance	51,907
Retiree Assistance Program	3,191,193
Director's Discretionary Fund	359,861
<b>Total Expenses</b>	<b>\$ 342,340,998</b>
Fiscal Year Results	\$ 35,347,922
Beginning Plan Reserve	527,024,321
Ending Plan Reserve	\$ 562,372,243
Accrued Actuarial Liability (AAL)	\$ 11,619,900,000
Funded Status	4.8%

**KEY ASSUMPTIONS**

Pay Go Monthly Premium	\$ 260.68	<b>Claim and Other Expense Trends</b>		
Additional Retiree Premiums	\$ 9,200,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Non-Medicare	7.0%	10.5%
		Medicare	7.0%	10.5%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		14.3%

**Attachment - Trust Fund  
Historical Monthly Medical and Drug Trends  
FY 2009 to FY 2011**

**Fiscal Year 2009**

**Exposure**

	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
<b>NonMed_NonDrug</b>	17,556	18,378	18,417	18,315	18,328	18,427	18,412	18,412	18,272	18,108	18,057	17,932
<b>Med_NonDrug</b>	1,025	822	1,031	1,204	1,357	1,520	1,740	1,951	2,116	2,391	2,459	2,648
<b>NonMed_Drug</b>	16,273	17,038	17,071	16,977	16,989	17,081	17,066	17,069	16,940	16,788	16,739	16,623
<b>Med_Drug</b>	1,068	856	1,074	1,254	1,414	1,583	1,812	2,033	2,204	2,490	2,561	2,759

	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
<b>NonMed_NonDrug</b>	\$199.09	\$205.45	\$213.48	\$215.78	\$197.53	\$196.40	\$246.02	\$232.33	\$266.86	\$250.47	\$243.67	\$266.72
<b>Med_NonDrug</b>	107.73	221.29	217.15	207.92	182.82	210.73	222.52	197.72	258.38	185.36	155.36	155.55
<b>NonMed_Drug</b>	72.04	89.34	95.44	105.44	95.65	105.60	105.39	95.64	108.19	104.23	102.54	118.28
<b>Med_Drug</b>	<u>92.25</u>	<u>140.37</u>	<u>175.58</u>	<u>171.79</u>	<u>158.75</u>	<u>199.81</u>	<u>178.72</u>	<u>162.02</u>	<u>190.18</u>	<u>165.78</u>	<u>179.60</u>	<u>202.15</u>
<b>Total</b>	\$471.11	\$656.45	\$701.65	\$700.93	\$634.75	\$712.55	\$752.65	\$687.71	\$823.60	\$705.83	\$681.17	\$742.70

**Change From Prior Year - Month to Month Analysis**

<b>NonMed_NonDrug</b>	7.2%	-4.3%	19.3%	-13.0%	-3.9%	-4.5%	-7.4%	-6.8%	3.0%	-0.7%	-5.1%	5.3%
<b>Med_NonDrug</b>	226.0%	215.5%	538.3%	140.0%	212.9%	70.0%	78.2%	62.1%	88.7%	61.1%	37.9%	68.6%
<b>NonMed_Drug</b>	7.5%	-6.0%	33.6%	29.7%	-2.8%	8.0%	-4.9%	-6.1%	2.2%	2.8%	0.4%	5.3%
<b>Med_Drug</b>	<u>-93.1%</u>	<u>98.8%</u>	<u>95.6%</u>	<u>71.9%</u>	<u>-11.9%</u>	<u>10.9%</u>	<u>-1.6%</u>	<u>-1.6%</u>	<u>-1.8%</u>	<u>-0.4%</u>	<u>6.1%</u>	<u>16.3%</u>
<b>Total</b>	-71.0%	45.8%	87.5%	35.9%	17.0%	17.3%	10.2%	7.8%	18.4%	11.1%	6.3%	17.6%

**Change From Prior Year - Quarter to Quarter Analysis**

<b>NonMed_NonDrug</b>		6.7%				-7.5%			-3.7%			-0.2%
<b>Med_NonDrug</b>			298.1%			123.6%			76.9%			55.1%
<b>NonMed_Drug</b>			10.0%			10.5%			-2.9%			2.9%
<b>Med_Drug</b>			<u>-72.8%</u>			<u>15.2%</u>			<u>-1.7%</u>			<u>7.4%</u>
<b>Total</b>			-25.4%			22.9%			12.3%			11.6%

**Change From Prior Year - Year to Year Analysis**

<b>NonMed_NonDrug</b>			7.5%			4.8%			0.2%			-1.5%
<b>Med_NonDrug</b>			13.5%			49.1%			80.7%			109.3%
<b>NonMed_Drug</b>			-5.0%			2.4%			2.5%			4.6%
<b>Med_Drug</b>			<u>-42.4%</u>			<u>-37.6%</u>			<u>-36.9%</u>			<u>-33.0%</u>
<b>Total</b>			-12.9%			-5.3%			-2.0%			2.9%

**Attachment - Trust Fund  
Historical Monthly Medical and Drug Trends  
FY 2009 to FY 2011**

**Fiscal Year 2010**

**Exposure**

	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>
<b>NonMed_NonDrug</b>	18,470	19,167	19,133	18,994	19,016	18,991	18,968	18,857	18,836	18,739	18,523	18,333
<b>Med_NonDrug</b>	983	1,130	1,348	1,375	1,664	1,848	2,042	2,259	2,392	2,488	2,667	2,920
<b>NonMed_Drug</b>	17,122	17,761	17,731	17,606	17,625	17,600	17,580	17,478	17,459	17,370	17,171	16,998
<b>Med_Drug</b>	1,024	1,177	1,404	1,432	1,733	1,925	2,127	2,353	2,492	2,592	2,778	3,041

	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>
<b>NonMed_NonDrug</b>	\$245.19	\$186.81	\$202.00	\$248.43	\$224.82	\$213.28	\$214.65	\$237.63	\$282.64	\$240.29	\$222.64	\$286.54
<b>Med_NonDrug</b>	229.41	198.85	170.59	183.16	135.89	142.18	186.62	126.75	128.76	134.74	117.71	109.49
<b>NonMed_Drug</b>	75.31	92.59	101.60	103.37	100.62	110.58	102.17	100.85	122.02	112.49	118.45	135.94
<b>Med_Drug</b>	<u>110.26</u>	<u>146.55</u>	<u>160.26</u>	<u>180.40</u>	<u>147.09</u>	<u>174.61</u>	<u>160.64</u>	<u>159.37</u>	<u>179.28</u>	<u>184.19</u>	<u>189.64</u>	<u>214.91</u>
<b>Total</b>	\$660.18	\$624.79	\$634.45	\$715.37	\$608.42	\$640.66	\$664.08	\$624.60	\$712.70	\$671.71	\$648.43	\$746.88

**Change From Prior Year - Month to Month Analysis**

<b>NonMed_NonDrug</b>	23.2%	-9.1%	-5.4%	15.1%	13.8%	8.6%	-12.8%	2.3%	5.9%	-4.1%	-8.6%	7.4%
<b>Med_NonDrug</b>	112.9%	-10.1%	-21.4%	-11.9%	-25.7%	-32.5%	-16.1%	-35.9%	-50.2%	-27.3%	-24.2%	-29.6%
<b>NonMed_Drug</b>	4.5%	3.6%	6.4%	-2.0%	5.2%	4.7%	-3.1%	5.4%	12.8%	7.9%	15.5%	14.9%
<b>Med_Drug</b>	<u>19.5%</u>	<u>4.4%</u>	<u>-8.7%</u>	<u>5.0%</u>	<u>-7.3%</u>	<u>-12.6%</u>	<u>-10.1%</u>	<u>-1.6%</u>	<u>-5.7%</u>	<u>11.1%</u>	<u>5.6%</u>	<u>6.3%</u>
<b>Total</b>	40.1%	-4.8%	-9.6%	2.1%	-4.1%	-10.1%	-11.8%	-9.2%	-13.5%	-4.8%	-4.8%	0.6%

**Change From Prior Year - Quarter to Quarter Analysis**

<b>NonMed_NonDrug</b>			2.6%			12.6%			-1.4%			-1.5%
<b>Med_NonDrug</b>			9.6%			-23.3%			-34.8%			-27.1%
<b>NonMed_Drug</b>			4.9%			2.6%			5.1%			12.9%
<b>Med_Drug</b>			<u>2.2%</u>			<u>-5.3%</u>			<u>-6.0%</u>			<u>7.5%</u>
<b>Total</b>			4.9%			-4.1%			-11.6%			-2.9%

**Change From Prior Year - Year to Year Analysis**

<b>NonMed_NonDrug</b>			-2.3%			2.3%			3.0%			2.6%
<b>Med_NonDrug</b>			56.4%			20.7%			-6.9%			-19.7%
<b>NonMed_Drug</b>			3.6%			1.7%			3.8%			6.5%
<b>Med_Drug</b>			<u>5.6%</u>			<u>0.5%</u>			<u>-0.7%</u>			<u>-0.5%</u>
<b>Total</b>			12.7%			6.1%			-0.4%			-3.9%

**Attachment - Trust Fund  
Historical Monthly Medical and Drug Trends  
FY 2009 to FY 2011**

**Fiscal Year 2011**

**Exposure**

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>
NonMed_NonDrug	19,188	19,757	20,465	20,414	20,429
Med_NonDrug	936	1,130	1,402	1,583	1,755
NonMed_Drug	17,788	18,313	18,964	18,916	18,931
Med_Drug	975	1,177	1,461	1,648	1,828

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>
NonMed_NonDrug	\$217.49	\$193.66	\$193.15	\$236.54	\$239.67
Med_NonDrug	109.77	115.95	112.69	121.83	122.33
NonMed_Drug	81.75	104.75	105.67	107.67	119.33
Med_Drug	<u>136.73</u>	<u>171.64</u>	<u>181.79</u>	<u>181.41</u>	<u>190.66</u>
Total	\$545.75	\$586.00	\$593.30	\$647.44	\$671.99

**Change From Prior Year - Month to Month Analysis**

NonMed_NonDrug	-11.3%	3.7%	-4.4%	-4.8%	6.6%
Med_NonDrug	-52.2%	-41.7%	-33.9%	-33.5%	-10.0%
NonMed_Drug	8.6%	13.1%	4.0%	4.2%	18.6%
Med_Drug	<u>24.0%</u>	<u>17.1%</u>	<u>13.4%</u>	<u>0.6%</u>	<u>29.6%</u>
Total	-17.3%	-6.2%	-6.5%	-9.5%	10.4%

**Change From Prior Year - Quarter to Quarter Analysis**

NonMed_NonDrug	-4.7%
Med_NonDrug	-43.5%
NonMed_Drug	8.4%
Med_Drug	<u>17.5%</u>
Total	-10.1%

**Change From Prior Year - Year to Year Analysis**

NonMed_NonDrug	0.9%
Med_NonDrug	-32.5%
NonMed_Drug	7.3%
Med_Drug	<u>2.7%</u>
Total	-7.2%