



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



RETIREE HEALTH BENEFIT TRUST FUND

Financial Plan

Fiscal Years 2012-2016

December 2011



415 Main Street
Reisterstown, MD 21136

Phone: 410-833-4220
Fax: 410-833-4229

Email: info@ccrcactuaries.com

Finance Board
West Virginia Retiree Health Benefit Trust Fund
601 57th St., SE, Suite 2
Charleston, West Virginia 25304-2345

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, 2006.

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 for FY 2013, 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 2016. 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, 2012 (“FY 2012”), June 30, 2013 (“FY 2013”), June 30, 2014 (“FY 2014”), June 30, 2015 (“FY 2015”) and June 30, 2016 (“FY 2016”). This opinion of plan adequacy is based on the projections through FY 2016 using updated future revenue and plan modifications provided by the Board in the plan adopted in December 2011.

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 2012 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 requirements to expand coverage, the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children to age 26 is approximately \$3.7 million in FY 2013. In addition, RHBT is expecting to collect \$10 million through the Early Retiree Reinsurance Program from CMS, and receive \$12 million in PPACA EGWP/Wrap in FY 2013. Additional details of the benefit enhancements and costs can be found later in this report.

In FY 2013 the Pay-Go is equivalent to \$343 per retiree per month. In future years, the Pay Go premium will continue to increase each year by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2011.

Based on our review, and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2012 through FY 2016 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, employee, and retiree premiums in later fiscal years of the plan through FY 2016 as approved by the Board in December 2011.

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, F.S.A., M.A.A.A.
Senior Actuarial Consultant

West Virginia Retiree Health Benefit Trust Fund
Report of Independent Actuary
Financial Plan for FY 2012 – FY 2016

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 2011 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 1,156 retirees from June 2011 to December 2011, approximating our current assumption. CCRC Actuaries has updated the claims analysis based on the enrollment through December 2011.

In aggregate, December 2011 enrollment has increased by 1,156 coverages since the end of FY 2011. Aggregate Preferred Provider Benefit (“PPB”) enrollment has increased by 1,115 in total over the same period, while managed care enrollment continues to cover fewer participants, with a slight increase of 41 coverages. For MAPD Capitations, 37,716 Medicare policyholders were projected 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 2010, June 2011 and December 2011 for purposes of comparison:

Trust Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-10	Jun-11	Dec-11	Jun-10	Jun-11	Dec-11
Retirees	Medicare Single	16,261	16,838	17,183	14	18	26
	<u>Medicare Family</u>	<u>11,202</u>	<u>11,372</u>	<u>11,807</u>	<u>20</u>	<u>16</u>	<u>24</u>
	Medicare Total	27,463	28,210	28,990	34	34	50
	Non Medicare Single	3,363	3,585	3,684	233	160	172
	<u>Non Medicare Family</u>	<u>4,046</u>	<u>4,388</u>	<u>4,624</u>	<u>193</u>	<u>162</u>	<u>175</u>
	Non Medicare Total	7,409	7,973	8,308	426	322	347
	Retiree Total	34,872	36,183	37,298	460	356	397
Grand Total				35,332	36,539	37,695	

B. Changes in Claim Backlog

Detail of the medical claim backlog is presented in the PEIA report titled “PEIA Financial Plan Fiscal Years 2012-2016 Report”.

C. Trend Analysis

While RHBT has experienced unfavorable medical and prescription drug trends in FY 2011, over the long term, trends have been favorable. CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2011”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have increased the FY 2012 and FY 2013 medical claim trend to 6.5%. Additionally, due to PEIA’s unfavorable prescription drug experience, we have increased our trend assumption for all prescription drugs coverage to 10.0% in FY 2012 and FY 2013.

The current projection assumes the trends on the following table:

Claim Type	Previous Assumption FY 2012 Trend	Updated Assumption FY 2012 Trend
Non-Medicare – Medical	5.5%	6.5%
Medicare – Medical	5.5%	6.5%
Non-Medicare – Drugs	9.0%	10.0%
Medicare – Drugs	9.0%	10.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2014. 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 2011. 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)

<u>Fiscal Year</u>	<u>Medical Medicare</u>	<u>Medical Non-Medicare</u>	<u>Drugs Medicare</u>	<u>Drugs Non-Medicare</u>	<u>Total</u>
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	-1%	N/A	5%	N/A
2010	N/A	3%	N/A	7%	N/A
2011	N/A	12%	N/A	15%	N/A
2012*	8%	11%	15%	7%	8%

* Fiscal Year 2012 results are through the first five months ending November 2011.

Effective July 1, 2007, PEIA had contracted with Coventry Advantra Freedom to provide Medicare Advantage/Prescription Drug Plan (“MAPD”) Benefits to Medicare-eligible retired employees and dependents. Under this arrangement, Coventry Advantra Freedom had assumed the financial risk of providing comprehensive medical and prescription drug coverage with limited copayments. This arrangement expired on June 30, 2010. As a result, Fiscal Year 2008 through 2011 Medicare trends are not statistically credible.

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 either the Preferred Provider Benefit or the Managed Care Option.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using aggregate PEIA and Trust Fund paid claim data through November 2011 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 2012 revenue and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2012 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	28,942			\$ 235	\$ 131	
	Non-Medicare	8,426			\$ 627	\$ 259	
	Total	37,368	\$ -	\$ 160			
	Non-Medicare Managed Care	347	\$ -	\$ 544			\$ 1,137
	Total	37,715					

*Net of rebates and subsidies.

Projected plan revenues and administrative expenses were provided by RHBT. The following chart summarizes the Financial Plan adopted by the Board in December 2011. Medicare retirees premium will be increased by approximately \$3.1 million in Fiscal Year 2013, while Non-Medicare retirees premium will not receive an increase. This total retiree premium increase of 4% is an effective increase of 9% for the Medicare retirees.

Board Decisions – December 2011

Source	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Additional Retiree Premium	\$0	\$3,055,115	\$30,924,077	\$24,781,955	\$27,221,095
Benefit Reductions/(Increase)	\$0	(\$3,686,000)	\$687,000	\$0	\$0
PPACA EGWP/Wrap Savings/(Cost)	(\$200,000)	\$12,000,000	\$0	\$0	\$0
Early Retiree Reinsurance Program (CMS)	\$0	\$10,000,000	\$0	\$0	\$0
Pay Go Premium Transfer	\$151,347,651	\$162,000,000	\$172,900,000	\$184,000,000	\$195,200,000
Actuarial Accrued Liability*	\$5,309,600,000	\$5,758,800,000	\$6,254,200,000	\$6,722,800,000	\$7,153,700,000
Funded Status	8.9%	8.6%	8.5%	8.4%	8.5%

*Projected Result

The \$200,000 PPACA requirement in Fiscal Year 2012 is comprised of the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children to age 26. In addition, RHBT is expecting to collect \$10 million through the Early Retiree Reinsurance Program from CMS, reduce benefit coverage with the addition of “grandfathering” cost at approximately -\$3.686 million, and receive \$12 million in PPACA EGWP/Wrap in FY 2013.

The \$3,686,000 of enhancements of benefits in Fiscal Year 2013 is comprised of the following changes:

	<u>Decrease in 2013 Claim Cost</u>
Remove Acupuncture Coverage	\$13 K
Change Physical, Occupational, and Speech Therapy Coverage to Medical Necessary with \$10 Copay	\$0.3 M
Increase Emergency Room Copay to \$100	\$0.4 M
Increase Urgent Care to \$25 Co-Pay	\$0.13 M
Specialty Co-Pay increase to \$25 from \$20	\$0.22 M
Introduce \$500 Copay for Gastric Bypass	\$0.2 M
Introduce \$500 Copay for Dental Procedures that are Medically Necessary	\$0.12 M
Pharmacy Option 75% Copay Tier 3 (\$5/\$15/75%/\$50 Sp)	\$2.02 M
West Virginia Option D Closed Network	\$0.91 M
Cost of Losing Grandfathering Status	-\$7.999 M

In addition, the Finance board elected to delay increasing the out of pocket maximum for families to FY 2014. The estimated savings is projected to be \$0.7M. 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 \$2.5 million in FY 2012 to approximately \$3.4 million in FY 2016, based on the Board’s direction and projected retiree enrollment growth in the financial plan.

In FY 2013 the Pay-Go is equivalent to \$343 per retiree per month. In future years, the Pay Go premium will continue to increase each year by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2011.

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 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 \$239,540,381 and incurred plan expenses of \$240,595,807 to produce a fiscal year deficit of (\$1,055,426). The PEIA local and state agencies Pay Go premiums for FY 2012 are assumed to be \$151,347,651.

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 \$285,125,623 and incurred plan expenses of \$258,490,323 to produce a fiscal year surplus of \$26,635,300. The PEIA local and state agencies Pay Go premiums for FY 2013 are assumed to be \$162,000,000.

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 \$320,273,485 and incurred plan expenses of \$286,942,482 to produce a fiscal year surplus of \$33,331,003. The PEIA local and state agencies Pay Go premiums for FY 2014 are assumed to be \$172,900,000.

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 \$359,845,875 and incurred plan expenses of \$324,240,206 to produce a fiscal year surplus of \$35,605,669. The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$184,000,000.

FISCAL YEAR 2016 FORECAST

The financial forecast for FY 2016 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2016, projects accrued revenue of \$402,260,511 and incurred plan expenses of \$364,220,426 to produce a fiscal year surplus of \$38,040,085. The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$195,200,000.

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 minimum 10% reserve target set by West Virginia Statute through the projection period ending with the Fiscal Year 2016. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in December 2011 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
RHBT - NON-MEDICARE AND MEDICARE**

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

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

	TRUST Total
<u>Revenues</u>	
WV PEIA Pay Go Premiums	\$ 151,347,651
Retiree Premiums - PPB	71,661,396
Retiree Premiums - MCO	2,265,408
Annual Required Contributions	-
Non Par Premiums	3,824,975
Early Retiree Reinsurance Program (CMS)	-
Investment Income	10,440,951
Total Revenue	\$ 239,540,381
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 63,455,546
Non-Medicare Prescription Drug Claims	26,219,538
Medicare Medical Claims	3,681,422
Medicare Prescription Drug Claims (with PDP)	104,592,618
CMS Direct and Low Income Drug Subsidy	(22,907,280)
Non-Medicare Managed Care Capitations	4,734,679
MAPD Capitations	45,531,361
Administration	12,521,367
Life Insurance	-
Retiree Assistance Program	2,467,066
Director's Discretionary Fund	299,490
Total Expenses	\$ 240,595,807
Fiscal Year Results	\$ (1,055,426)
Beginning Plan Reserve	472,078,789
Ending Plan Reserve	\$ 471,023,363
Accrued Actuarial Liability (AAL)	\$ 5,309,600,000
Funded Status	8.9%

KEY ASSUMPTIONS

Pay Go Monthly Premium for Actives	\$ 167.55	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Pay Go PMPM Subsidy for Retirees	\$ 205.39	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		3.6%

**APPENDIX - BASELINE SCENARIO
RHBT - NON-MEDICARE AND MEDICARE**

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

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

	TRUST Total
<u>Revenues</u>	
WV PEIA Pay Go Premiums	\$ 162,000,000
Retiree Premiums - PPB	75,004,562
Retiree Premiums - MCO	2,334,814
Annual Required Contributions	-
Non Par Premiums	4,283,972
Early Retiree Reinsurance Program (CMS)	10,000,000
Investment Income	31,502,275
Total Revenue	\$ 285,125,623
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 76,710,906
Non-Medicare Prescription Drug Claims	29,993,934
Medicare Medical Claims	3,920,714
Medicare Prescription Drug Claims (with PDP)	103,051,880
CMS Direct and Low Income Drug Subsidy	(22,569,836)
Non-Medicare Managed Care Capitations	5,113,454
MAPD Capitations	46,124,963
Administration	13,147,435
Life Insurance	-
Retiree Assistance Program	2,664,431
Director's Discretionary Fund	332,442
Total Expenses	\$ 258,490,323
Fiscal Year Results	\$ 26,635,300
Beginning Plan Reserve	471,023,363
Ending Plan Reserve	\$ 497,658,664
Accrued Actuarial Liability (AAL)	\$ 5,758,800,000
Funded Status	8.6%

KEY ASSUMPTIONS

Pay Go Monthly Premium for Actives	\$ 179.34	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 3,055,115	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Pay Go PMPM Subsidy for Retirees	\$ 210.93	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		7.0%

**APPENDIX - BASELINE SCENARIO
RHBT - NON-MEDICARE AND MEDICARE**

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

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

	TRUST Total
<u>Revenues</u>	
WV PEIA Pay Go Premiums	\$ 172,900,000
Retiree Premiums - PPB	106,294,318
Retiree Premiums - MCO	2,950,116
Annual Required Contributions	-
Non Par Premiums	4,798,048
Early Retiree Reinsurance Program (CMS)	-
Investment Income	33,331,003
Total Revenue	\$ 320,273,485
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 84,650,110
Non-Medicare Prescription Drug Claims	34,450,479
Medicare Medical Claims	4,187,912
Medicare Prescription Drug Claims (with PDP)	113,682,937
CMS Direct and Low Income Drug Subsidy	(24,898,190)
Non-Medicare Managed Care Capitations	5,522,530
MAPD Capitations	52,319,081
Administration	13,804,807
Life Insurance	-
Retiree Assistance Program	2,877,585
Director's Discretionary Fund	345,231
Total Expenses	\$ 286,942,482
Fiscal Year Results	\$ 33,331,003
Beginning Plan Reserve	497,658,664
Ending Plan Reserve	\$ 530,989,667
Accrued Actuarial Liability (AAL)	\$ 6,254,200,000
Funded Status	8.5%

KEY ASSUMPTIONS

Pay Go Monthly Premium for Actives	\$ 191.41	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 30,924,077	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Pay Go PMPM Subsidy for Retirees	\$ 217.91	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		6.7%

**APPENDIX - BASELINE SCENARIO
RHBT - NON-MEDICARE AND MEDICARE**

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

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

	TRUST Total
<u>Revenues</u>	
WV PEIA Pay Go Premiums	\$ 184,000,000
Retiree Premiums - PPB	131,431,374
Retiree Premiums - MCO	3,435,018
Annual Required Contributions	-
Non Par Premiums	5,373,814
Early Retiree Reinsurance Program (CMS)	-
Investment Income	35,605,669
Total Revenue	\$ 359,845,875
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 97,020,453
Non-Medicare Prescription Drug Claims	40,772,015
Medicare Medical Claims	4,494,266
Medicare Prescription Drug Claims (with PDP)	125,979,323
CMS Direct and Low Income Drug Subsidy	(27,591,274)
Non-Medicare Managed Care Capitations	5,964,332
MAPD Capitations	59,633,292
Administration	14,495,047
Life Insurance	-
Retiree Assistance Program	3,107,792
Director's Discretionary Fund	364,960
Total Expenses	\$ 324,240,206
Fiscal Year Results	\$ 35,605,669
Beginning Plan Reserve	530,989,667
Ending Plan Reserve	\$ 566,595,336
Accrued Actuarial Liability (AAL)	\$ 6,722,800,000
Funded Status	8.4%

KEY ASSUMPTIONS

Pay Go Monthly Premium for Actives	\$ 203.70	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 24,781,955	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Pay Go PMPM Subsidy for Retirees	\$ 222.39	Non-Medicare	7.5%	11.0%
		Medicare	7.5%	11.0%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		6.4%

**APPENDIX - BASELINE SCENARIO
RHBT - NON-MEDICARE AND MEDICARE**

**WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST
FINANCIAL FORECAST
FISCAL YEAR 2016**

PERIOD 7/1/2015 - 6/30/2016

	TRUST Total
<u>Revenues</u>	
WV PEIA Pay Go Premiums	\$ 195,200,000
Retiree Premiums - PPB	159,029,141
Retiree Premiums - MCO	3,972,613
Annual Required Contributions	-
Non Par Premiums	6,018,672
Early Retiree Reinsurance Program (CMS)	-
Investment Income	38,040,085
Total Revenue	\$ 402,260,511
<u>Program Expenses</u>	
Non-Medicare Medical Claims	\$ 108,941,714
Non-Medicare Prescription Drug Claims	47,254,810
Medicare Medical Claims	4,845,509
Medicare Prescription Drug Claims (with PDP)	140,235,839
CMS Direct and Low Income Drug Subsidy	(30,713,655)
Non-Medicare Managed Care Capitations	6,441,479
MAPD Capitations	68,260,750
Administration	15,219,799
Life Insurance	-
Retiree Assistance Program	3,356,416
Director's Discretionary Fund	377,765
Total Expenses	\$ 364,220,426
Fiscal Year Results	\$ 38,040,085
Beginning Plan Reserve	566,595,336
Ending Plan Reserve	\$ 604,635,421
Accrued Actuarial Liability (AAL)	\$ 7,153,700,000
Funded Status	8.5%

KEY ASSUMPTIONS

Pay Go Monthly Premium for Actives	\$ 216.10	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 27,221,095	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Pay Go PMPM Subsidy for Retirees	\$ 228.31	Non-Medicare	8.0%	11.5%
		Medicare	8.0%	11.5%
		Capitations		8.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		6.1%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2010 to FY 2012**

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>
NonMed_NonDrug	18,470	19,167	19,133	18,994	19,016	18,991	18,968	18,857	18,836	18,739	18,523	18,333
Med_NonDrug	983	1,130	1,348	1,375	1,664	1,848	2,042	2,259	2,392	2,488	2,667	2,920
NonMed_Drug	17,122	17,761	17,731	17,606	17,625	17,600	17,580	17,478	17,459	17,370	17,171	16,998
Med_Drug	1,024	1,177	1,404	1,432	1,733	1,925	2,127	2,353	2,492	2,592	2,778	3,041
NonMed_NonDrug	<u>\$245.26</u>	<u>\$187.17</u>	<u>\$202.34</u>	<u>\$251.28</u>	<u>\$226.52</u>	<u>\$213.78</u>	<u>\$215.46</u>	<u>\$237.29</u>	<u>\$286.03</u>	<u>\$238.23</u>	<u>\$220.86</u>	<u>\$288.29</u>
Med_NonDrug	226.46	196.07	165.91	182.89	132.37	140.44	186.98	127.37	134.15	137.25	122.23	142.00
NonMed_Drug	75.32	92.74	101.68	103.49	100.71	110.58	102.24	100.93	122.10	112.58	118.51	136.08
Med_Drug	<u>110.26</u>	<u>146.55</u>	<u>160.26</u>	<u>180.07</u>	<u>147.08</u>	<u>174.65</u>	<u>160.89</u>	<u>159.71</u>	<u>179.51</u>	<u>184.37</u>	<u>189.84</u>	<u>215.14</u>
Total	\$657.30	\$622.52	\$630.19	\$717.72	\$606.69	\$639.46	\$665.57	\$625.30	\$721.79	\$672.43	\$651.43	\$781.52
Change From Prior Year - Month to Month Analysis												
NonMed_NonDrug	23.2%	-9.0%	-5.3%	16.4%	14.9%	9.1%	-12.5%	2.0%	7.2%	-5.0%	-9.3%	7.8%
Med_NonDrug	112.3%	-11.3%	-18.7%	-11.6%	-27.5%	-33.4%	-15.9%	-35.5%	-48.0%	-26.2%	-20.8%	-9.1%
NonMed_Drug	4.6%	2.9%	6.2%	-1.8%	5.3%	4.7%	-3.0%	5.5%	12.9%	8.0%	15.6%	15.0%
Med_Drug	<u>19.5%</u>	<u>4.2%</u>	<u>-8.8%</u>	<u>4.9%</u>	<u>-7.3%</u>	<u>-12.6%</u>	<u>-10.0%</u>	<u>-1.4%</u>	<u>-5.6%</u>	<u>11.2%</u>	<u>5.7%</u>	<u>6.4%</u>
Total	39.8%	-5.3%	-8.6%	2.5%	-4.3%	-10.2%	-11.6%	-9.1%	-12.3%	-4.9%	-4.2%	5.0%
Change From Prior Year - Quarter to Quarter Analysis												
NonMed_NonDrug			2.6%			13.6%			-0.9%			-1.9%
Med_NonDrug			10.7%			-24.1%			-33.8%			-19.2%
NonMed_Drug			4.6%			2.6%			5.2%			13.0%
Med_Drug			2.1%			-5.4%			-5.8%			7.7%
Total			5.1%			-4.0%			-11.1%			-1.2%
Change From Prior Year - Year to Year Analysis												
NonMed_NonDrug			-2.2%			2.5%			3.4%			2.8%
Med_NonDrug			58.1%			21.4%			-6.3%			-17.9%
NonMed_Drug			3.5%			1.7%			3.8%			6.5%
Med_Drug			<u>5.6%</u>			<u>0.4%</u>			<u>-0.7%</u>			<u>-0.4%</u>
Total			12.9%			6.3%			-0.1%			-3.2%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2010 to FY 2012**

Fiscal Year 2011

Exposure

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>
NonMed_NonDrug	19,188	19,757	20,465	20,414	20,429	20,477	20,436	20,365	20,304	20,167	20,009	19,821
Med_NonDrug	936	1,130	1,402	1,583	1,755	1,939	2,124	2,308	2,315	2,623	2,784	2,864
NonMed_Drug	17,788	18,313	18,964	18,916	18,931	18,976	18,941	18,884	18,823	18,695	18,548	18,373
Med_Drug	975	1,177	1,461	1,648	1,828	2,020	2,212	2,404	2,411	2,732	2,900	2,983

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>
NonMed_NonDrug	\$215.14	\$189.59	\$203.63	\$222.55	\$231.41	\$199.57	\$271.92	\$214.21	\$273.33	\$297.79	\$277.44	\$291.00
Med_NonDrug	131.50	156.94	122.26	135.85	148.20	119.36	172.33	160.22	176.84	144.29	154.06	133.09
NonMed_Drug	81.82	104.82	106.58	109.18	114.28	114.72	116.36	109.52	128.19	119.40	121.74	138.22
Med_Drug	<u>137.19</u>	<u>173.39</u>	<u>184.09</u>	<u>183.66</u>	<u>180.29</u>	<u>185.91</u>	<u>198.94</u>	<u>176.83</u>	<u>213.64</u>	<u>188.24</u>	<u>223.92</u>	<u>247.82</u>
Total	\$565.64	\$624.74	\$616.57	\$651.25	\$674.18	\$619.55	\$759.55	\$660.79	\$792.00	\$749.72	\$777.16	\$810.13

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	-12.3%	1.3%	0.6%	-11.4%	2.2%	-6.6%	26.2%	-9.7%	-4.4%	25.0%	25.6%	0.9%
Med_NonDrug	-41.9%	-20.0%	-26.3%	-25.7%	12.0%	-15.0%	-7.8%	25.8%	31.8%	5.1%	26.0%	-6.3%
NonMed_Drug	8.6%	13.0%	4.8%	5.5%	13.5%	3.7%	13.8%	8.5%	5.0%	6.1%	2.7%	1.6%
Med_Drug	<u>24.4%</u>	<u>18.3%</u>	<u>14.9%</u>	<u>2.0%</u>	<u>22.6%</u>	<u>6.4%</u>	<u>23.7%</u>	<u>10.7%</u>	<u>19.0%</u>	<u>2.1%</u>	<u>18.0%</u>	<u>15.2%</u>
Total	-13.9%	0.4%	-2.2%	-9.3%	11.1%	-3.1%	14.1%	5.7%	9.7%	11.5%	19.3%	3.7%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug			-4.2%			-5.5%			2.8%			15.9%
Med_NonDrug			-30.2%			-11.5%			13.6%			7.5%
NonMed_Drug			8.7%			7.4%			8.9%			3.3%
Med_Drug			<u>18.6%</u>			<u>9.6%</u>			<u>17.9%</u>			<u>12.0%</u>
Total			-5.4%			-1.0%			9.9%			11.0%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug			1.3%			-3.0%			-2.1%			2.7%
Med_NonDrug			-27.4%			-25.0%			-13.3%			-7.3%
NonMed_Drug			7.4%			8.6%			9.5%			6.9%
Med_Drug			<u>3.0%</u>			<u>6.9%</u>			<u>13.1%</u>			<u>14.2%</u>
Total			-5.5%			-4.8%			0.6%			3.9%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2010 to FY 2012**

Fiscal Year 2012

Exposure

	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>
NonMed_NonDrug	20,498	21,221	21,302	21,202	20,967
Med_NonDrug	913	1,215	1,462	1,726	1,962
NonMed_Drug	18,997	19,666	19,739	19,646	19,427
Med_Drug	951	1,266	1,523	1,798	2,044

	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>
NonMed_NonDrug	\$169.03	\$209.98	\$216.81	\$248.40	\$249.86
Med_NonDrug	132.47	151.12	151.77	163.83	155.39
NonMed_Drug	86.08	110.04	113.07	114.85	77.07
Med_Drug	<u>156.29</u>	<u>225.92</u>	<u>207.85</u>	<u>189.41</u>	<u>123.72</u>
Total	\$543.88	\$697.06	\$689.50	\$716.49	\$606.04

Change From Prior Year - Month to Month Analysis

NonMed_NonDrug	-21.4%	10.8%	6.5%	11.6%	8.0%
Med_NonDrug	0.7%	-3.7%	24.1%	20.6%	4.8%
NonMed_Drug	5.2%	5.0%	6.1%	5.2%	-32.6%
Med_Drug	<u>13.9%</u>	<u>30.3%</u>	<u>12.9%</u>	<u>3.1%</u>	<u>-31.4%</u>
Total	-3.8%	11.6%	11.8%	10.0%	-10.1%

Change From Prior Year - Quarter to Quarter Analysis

NonMed_NonDrug	-2.1%
Med_NonDrug	6.0%
NonMed_Drug	5.4%
Med_Drug	<u>19.3%</u>
Total	6.8%

Change From Prior Year - Year to Year Analysis

NonMed_NonDrug	3.2%
Med_NonDrug	3.7%
NonMed_Drug	6.2%
Med_Drug	<u>14.5%</u>
Total	6.8%