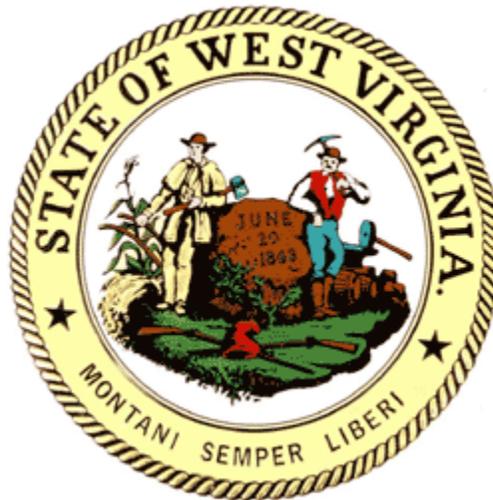




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

Financial Plan

Fiscal Years 2011-2015

December 2010



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Finance Board
West Virginia Public Employees Insurance Agency
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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”).

CCRC Actuaries has been retained by the West Virginia Public Employees Insurance Agency Finance Board (“Board”) to assist it as provided under Code of the West Virginia 1931 (“Code”), as amended. The Board has asked CCRC Actuaries to review the financial plan prepared and proposed by the Board in December 2010 for the fiscal year ending June 30, 2011 (“FY 2011”) and to provide quarterly financial reports thereafter. Our analysis is developed on an accrued and incurred reporting basis for a projection period of five years.

Under the statutory Code provisions, it is the Board’s responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all insurance program and administrative costs of the West Virginia Public Employees Insurance Agency (“PEIA”). The Board is required to provide a financing plan in which the State Fund revenue costs are financed 80% by state employers and 20% by state employees in FY 2011 and in subsequent fiscal years. In FY 2011, general compliance was achieved through a transfer of employer funds to the West Virginia Retiree Health Benefit Trust Fund. (“Trust Fund” or “RHBT”) In subsequent fiscal years, future transfers of employer funds may be needed to obtain the 80% and 20% split between employer and employee, depending on future enrollment and coverage elections by insureds.

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA for the fiscal year are met. We have been asked 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 PEIA through FY 2015.

The Medicaid / PEIA Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide PEIA with hospital charge savings through discounts for all 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 periods. Additionally, PEIA has been granted direct transfers of \$3,500,000 in FY 2011 and FY 2012 to offset employee premium increases.

CCRC Actuaries has provided preliminary forecasts for the 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”). Our 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 financial plan adopted in December 2010. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the Trust Fund.

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 PEIA, 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 and covering children coverage to age 26 is a total of \$9 million dollars in FY 2012.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - August 2010”. In the circumstances and subject to the conditions described herein, 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 PEIA. In addition, we are forecasting that PEIA will meet the 80% employer cost share and 20% employee cost share requirement for state revenue in FY 2011 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2010.

The conclusion of long-term solvency for the program over the five-year forecast 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.

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 of the framework of the managed care options, as are contemplated in the Board's proposed plan, increase the level of uncertainty of such estimates. As such, the estimate of insurance program costs contains considerable uncertainty and variability and actual experience may not conform to the assumptions used.

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 Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2011 – FY 2015

OVERVIEW

This report analyzes revenues and expenses related to funding the health and life insurance benefits of active employees of the State 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 PEIA'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 PEIA. 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 the Board meetings, which has been used in arriving at our conclusions.

The Code of the West Virginia establishes the actuarial reporting requirements for PEIA 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 separation of employees into two funds: Active Local Employee Fund and State Employee Fund. The Active Local Fund represents local governmental agencies, county governmental agencies and other public entities. The State Fund represents active state employees, college and university employees and county boards of education employees. The Active Local Fund and the State Fund are allocated administrative costs based on each fund's proportionate total revenue levels.

KEY ASSUMPTIONS

A. Enrollment Changes

These projections include the assumption that Preferred Provider Benefit (“PPB”) and managed care enrollment will not change from December 2010 enrollment levels for the duration of these forecasts for active employees.

In aggregate, December 2010 enrollment for active employees has increased by 82 coverages since the end of FY 2010. Aggregate PPB enrollment has increased by 2,629 in total over the same period, while managed care enrollment experienced a decrease of 2,547 coverages.

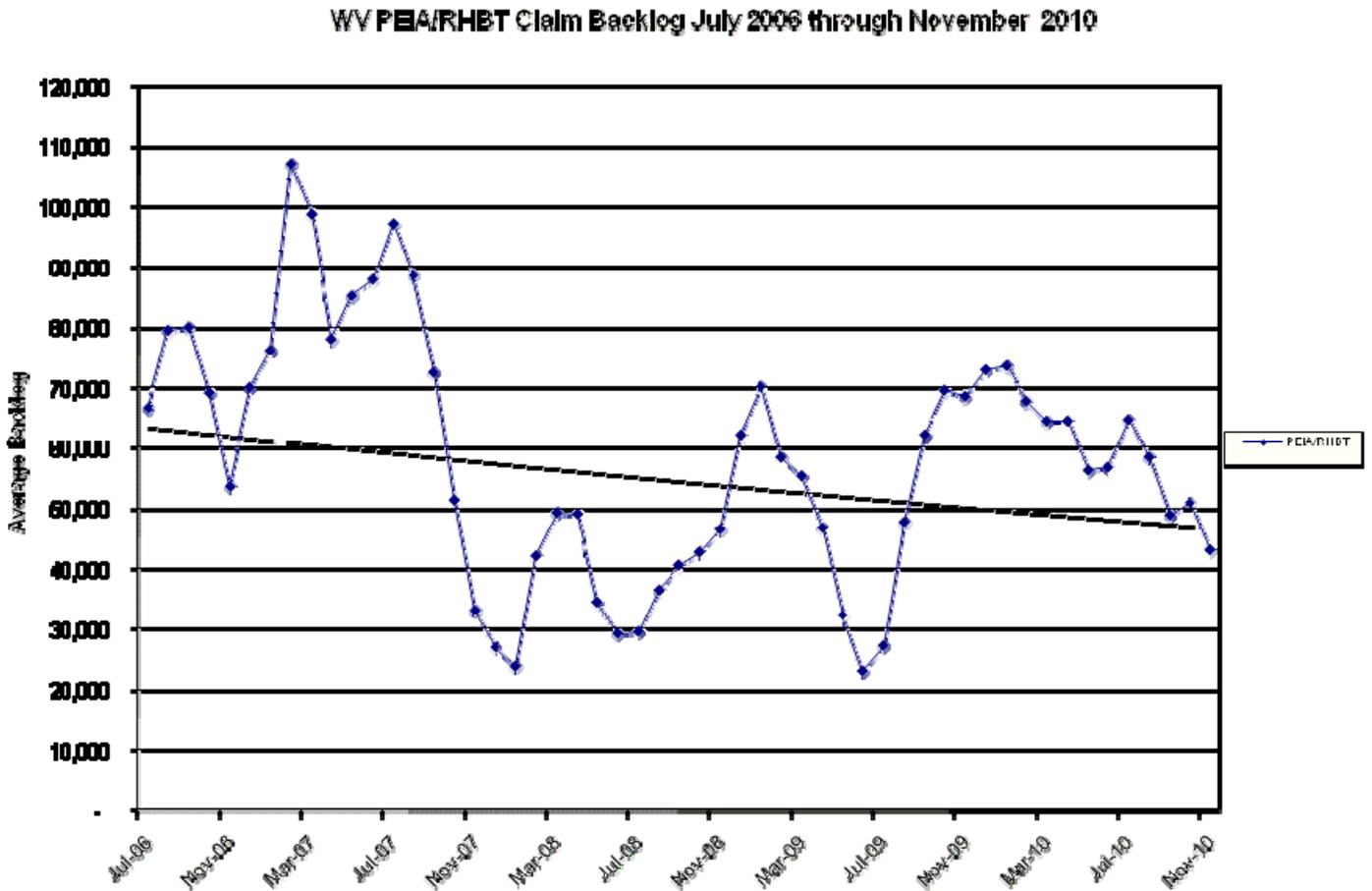
In the State Fund, there continues to be a transfer of coverage from managed care to PPB coverage with overall active State enrollment decreased by 9 coverages from the end of FY 2010 to December 2010. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by 91 coverages from the end of FY 2010 to December 2010.

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:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-09	Jun-10	Dec-10	Jun-09	Jun-10	Dec-10
State Active	Single	19,897	21,391	22,650	3,255	3,259	1,799
	Children	5,538	5,524	5,742	695	653	503
	Family	30,292	29,705	30,480	3,835	3,598	2,947
	Total	55,727	56,620	58,872	7,785	7,510	5,249
Local Active	Single	4,442	4,859	5,020	361	424	249
	Children	745	771	855	165	140	78
	Family	5,185	5,033	5,165	130	145	96
	Total	10,372	10,663	11,040	656	709	423
Plan Total		66,099	67,283	69,912	8,441	8,219	5,672
Grand Total					74,540	75,502	75,584

B. Changes in Claim Backlog

It should be noted that beginning in July 2007, all retirees have been transferred to the RHBT. While the chart below, which has not been adjusted to reflect the smaller risk pool, indicates a lower backlog, the duration of claim payment has actually been stable for the self-insured block of non-Medicare coverages, though the backlog showed an increase since June 2009.



C. Trend Analysis

PEIA has experienced favorable medical and prescription drug trends most recently. 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 in the following table:

Claim Type	Previous Assumption FY 2011 Trend	Updated Assumption FY 2011 Trend
Active Local – Medical	6.5%	5.5%
State – Medical	6.5%	5.5%
Active Local – Drugs	11.5%	9.0%
State – 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 the 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.

PEIA Historical Trends (Active Local and State)

Fiscal Year	Active Local Medical	State Medical	Active Local Drugs	State Drugs	Total
2003	12%	14%	19%	15%	10%
2004	-1%	12%	9%	7%	9%
2005	16%	7%	7%	20%	11%
2006	1%	2%	18%	7%	4%
2007	15%	2%	13%	8%	5%
2008	5%	10%	-6%	-2%	5%
2009	-4%	8%	10%	9%	7%
2010	10%	1%	9%	9%	4%
2011*	10%	3%	15%	12%	6%

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

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through November 2010 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the State Fund and the Local 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 claims 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
State	PPB	58,640	\$ 471	\$ 119	\$ 413	\$ 149	
	Managed Care	5,218	\$ 485	\$ 124			\$ 542
	Total	63,858					
Local	PPB	11,016	\$ 597	\$ -	\$ 414	\$ 131	
	Managed Care	420	\$ 454	\$ -			\$ 532
	Total	11,436					

Projected plan revenues, administrative expenses, life insurance premiums, and the amount to be spent on wellness programs were provided by PEIA. Interest income is currently allocated to each fund based on average reserve levels for each fund. The following chart summarizes the additional revenues from employers, employees and direct transfers assumed in the report.

Board Decisions – December 2010

Source	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Additional State Employer Revenue	\$18,000,000	\$0	\$58,000,000	\$60,000,000	\$60,000,000
Additional Local Agency Revenue	\$0	\$0	\$5,000,000	\$13,500,000	\$20,500,000
Additional Employee Premiums	\$4,500,000	\$0	\$18,000,000	\$15,000,000	\$15,000,000
Direct Transfer	\$3,500,000	\$3,500,000	\$0	\$0	\$0
Provider/Benefit Reductions	\$13,100,000	\$0	\$0	\$0	\$0
PPACA Cost Adjustment	\$0	\$9,000,000	\$0	\$0	\$0
Pay Go Premium Transfer	\$145,176,757	\$149,919,642	\$186,376,185	\$206,076,511	\$235,471,696

The \$13,100,000 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	\$7.1 M
Increase Lifetime Maximum to \$1.5M	-\$1.1 M
Move Plan B to IRS High Deductible Plan	\$1.4 M
Implement ESI High Performance Formulary	\$5.7 M

The \$9,000,000 PPACA/Health Care Reform requirements in Fiscal Year 2012 are comprised of the following changes:

	<u>Change in 2012 Claim Cost</u>
Eliminating Lifetime Limitations	\$2.0 M
Covering Children coverage to Age 26	\$7.0 M

Future fiscal year state revenue increases will require legislative appropriation. Additional local agency revenue represents premium increases to be charged to local agencies. Additional employee premiums represent employee premiums paid by active employees participating in the State Fund.

In FY 2011 and future years, the Pay Go premium will continue to increase each year based on a formula from the difference between retiree premiums and retiree program costs including claims, capitations and administrative costs of the program, based on the financial plan approved by the Board in December 2010.

E. Provider Reimbursement Changes

Beyond the extension of the Medicaid / PEIA Hospital Bill throughout the forecast, there are no assumed changes in provider reimbursement for physicians, hospitals and pharmaceutical charges beyond the annual cost updates that PEIA has implemented historically.

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 \$559,458,579 and incurred plan expenses of \$534,476,912 to produce a fiscal year surplus of \$24,981,667.

Under the Baseline Scenario, FY 2011 is projected to end with a reserve of \$198,585,850 and the FY 2012 expenditures of \$580,156,514, which represents 34% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$203,412,628 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$193,786,355.

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 \$556,735,100 and incurred plan expenses of \$580,156,514 to produce a fiscal year deficit of (\$23,421,414).

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$175,164,436 and the FY 2013 expenditures of \$618,061,905, which represents 28% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$195,012,176 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$155,179,225.

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 \$596,851,583 and incurred plan expenses of \$618,061,905 to produce a fiscal year deficit of (\$21,210,322).

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$153,954,115 and the FY 2014 expenditures of \$661,314,601, which represents 23% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$200,668,114 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$106,324,950.

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 \$664,994,244 and incurred plan expenses of \$661,314,601 to produce a fiscal year surplus of \$3,679,643.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$157,633,758 and the FY 2015 expenditures of \$710,663,938, which represents 22% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$245,154,712 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$67,276,363.

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 \$732,107,071 and incurred plan expenses of \$710,663,938 to produce a fiscal year surplus of \$21,443,133.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$179,076,892 and the FY 2016 expenditures of \$767,040,156, which represents 25% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$323,869,944 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$27,710,430.

LITIGATION

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

SUMMARY

With projected changes to the plan as adopted by the PEIA Finance Board, we are forecasting that the plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2015 using the Baseline assumptions. These projections are based on significant revenue increases projected by PEIA 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 universal health insurance initiatives 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
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2011**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 78,914,028	\$ 331,763,121	\$ 410,677,149
Employer Premiums - MCO	2,288,823	30,380,659	32,669,482
Employee Premiums - PPB	-	83,584,204	83,584,204
Employee Premiums - MCO	-	7,766,809	7,766,809
Direct Transfers	-	3,500,000	3,500,000
Investment Income	2,603,568	12,412,354	15,015,922
COBRA Premiums	325,681	1,352,282	1,677,963
Administrative Fees	647,913	3,919,137	4,567,050
Total Revenue	\$ 84,780,013	\$ 474,678,566	\$ 559,458,579
<u>Program Expenses</u>			
Medical Claims	\$ 54,724,098	\$ 290,550,903	\$ 345,275,001
Prescription Drug Claims	17,259,250	104,745,086	122,004,336
Managed Care Capitations	2,680,516	33,960,293	36,640,809
Administration	3,313,546	19,540,334	22,853,880
Life Insurance	676,211	4,623,484	5,299,695
Wellness	225,211	1,328,096	1,553,307
Director's Discretionary Fund	130,923	718,961	849,884
Total Expenses	\$ 79,009,755	\$ 455,467,157	\$ 534,476,912
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2010	-	-	-
Fiscal Year Results	\$ 5,770,258	\$ 19,211,409	\$ 24,981,667
Beginning Plan Reserve	31,211,010	142,393,173	173,604,183
Ending Plan Reserve	\$ 36,981,268	\$ 161,604,582	\$ 198,585,850

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 18,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 4,500,000	Active Local	5.5%	9.0%
Direct Transfers	\$ 3,500,000	State	5.5%	9.0%
		Capitations		8.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2012**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 78,217,081	\$ 328,818,023	\$ 407,035,104
Employer Premiums - MCO	2,268,609	30,110,966	32,379,575
Employee Premiums - PPB	-	82,842,218	82,842,218
Employee Premiums - MCO	-	7,697,862	7,697,862
Direct Transfers	-	3,500,000	3,500,000
Investment Income	3,040,830	14,009,382	17,050,212
COBRA Premiums	322,792	1,340,287	1,663,079
Administrative Fees	647,913	3,919,137	4,567,050
Total Revenue	\$ 84,497,225	\$ 472,237,875	\$ 556,735,100
<u>Program Expenses</u>			
Medical Claims	\$ 58,986,775	\$ 313,527,502	\$ 372,514,277
Prescription Drug Claims	19,220,326	116,774,124	135,994,450
Managed Care Capitations	2,841,347	35,997,911	38,839,258
Administration	3,479,223	20,517,351	23,996,574
Life Insurance	710,022	4,854,658	5,564,680
Wellness	225,211	1,328,096	1,553,307
Director's Discretionary Fund	260,527	1,433,441	1,693,968
Total Expenses	\$ 85,723,430	\$ 494,433,083	\$ 580,156,514
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2011	-	-	-
Fiscal Year Results	\$ (1,226,205)	\$ (22,195,208)	\$ (23,421,414)
Beginning Plan Reserve	36,981,268	161,604,582	198,585,850
Ending Plan Reserve	\$ 35,755,063	\$ 139,409,374	\$ 175,164,436

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	5.5%	9.0%
Direct Transfers	\$ 3,500,000	State	5.5%	9.0%
		Capitations		6.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2013**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 77,719,022	\$ 359,912,033	\$ 437,631,055
Employer Premiums - MCO	2,254,163	32,958,349	35,212,512
Employee Premiums - PPB	-	93,011,808	93,011,808
Employee Premiums - MCO	-	8,642,840	8,642,840
Direct Transfers	-	-	-
Investment Income	3,030,699	12,952,756	15,983,455
COBRA Premiums	349,923	1,452,940	1,802,863
Administrative Fees	647,913	3,919,137	4,567,050
Total Revenue	\$ 84,001,720	\$ 512,849,863	\$ 596,851,583
<u>Program Expenses</u>			
Medical Claims	\$ 62,391,995	\$ 331,626,985	\$ 394,018,980
Prescription Drug Claims	21,002,859	127,604,002	148,606,861
Managed Care Capitations	3,011,827	38,157,786	41,169,613
Administration	3,653,184	21,543,218	25,196,402
Life Insurance	745,523	5,097,391	5,842,914
Wellness	225,211	1,328,096	1,553,307
Director's Discretionary Fund	257,247	1,416,581	1,673,828
Total Expenses	\$ 91,287,846	\$ 526,774,059	\$ 618,061,905
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2012	-	-	-
Fiscal Year Results	\$ (7,286,126)	\$ (13,924,196)	\$ (21,210,322)
Beginning Plan Reserve	35,755,063	139,409,374	175,164,437
Ending Plan Reserve	\$ 28,468,937	\$ 125,485,178	\$ 153,954,115

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 58,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 5,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 18,000,000	Active Local	6.0%	9.5%
Direct Transfers	\$ -	State	6.0%	9.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2014**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 87,943,628	\$ 402,616,951	\$ 490,560,579
Employer Premiums - MCO	2,550,718	36,868,981	39,419,699
Employee Premiums - PPB	-	103,683,167	103,683,167
Employee Premiums - MCO	-	9,634,444	9,634,444
Direct Transfers	-	-	-
Investment Income	2,634,265	12,476,273	15,110,538
COBRA Premiums	391,828	1,626,939	2,018,767
Administrative Fees	647,913	3,919,137	4,567,050
Total Revenue	\$ 94,168,352	\$ 570,825,892	\$ 664,994,244
<u>Program Expenses</u>			
Medical Claims	\$ 66,305,876	\$ 352,430,112	\$ 418,735,987
Prescription Drug Claims	23,055,763	140,076,528	163,132,290
Managed Care Capitations	3,192,537	40,447,253	43,639,790
Administration	3,835,844	22,620,379	26,456,223
Life Insurance	782,799	5,352,261	6,135,060
Wellness	225,211	1,328,096	1,553,307
Director's Discretionary Fund	255,236	1,406,707	1,661,943
Total Expenses	\$ 97,653,265	\$ 563,661,335	\$ 661,314,601
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2013	-	-	-
Fiscal Year Results	\$ (3,484,913)	\$ 7,164,557	\$ 3,679,643
Beginning Plan Reserve	28,468,937	125,485,178	153,954,115
Ending Plan Reserve	\$ 24,984,024	\$ 132,649,735	\$ 157,633,758

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 60,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 13,500,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 15,000,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.5%	10.0%
		State	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

**APPENDIX - BASELINE SCENARIO
PEIA - ACTIVE LOCAL AND STATE**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2015**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 103,546,314	\$ 439,326,324	\$ 542,872,638
Employer Premiums - MCO	3,003,258	40,230,581	43,233,839
Employee Premiums - PPB	-	112,813,386	112,813,386
Employee Premiums - MCO	-	10,482,842	10,482,842
Direct Transfers	-	-	-
Investment Income	2,493,330	13,417,772	15,911,102
COBRA Premiums	432,092	1,794,122	2,226,214
Administrative Fees	647,913	3,919,137	4,567,050
Total Revenue	\$ 110,122,907	\$ 621,984,164	\$ 732,107,071
<u>Program Expenses</u>			
Medical Claims	\$ 70,796,935	\$ 376,301,069	\$ 447,098,004
Prescription Drug Claims	25,424,648	154,468,816	179,893,464
Managed Care Capitations	3,384,089	42,874,088	46,258,177
Administration	4,027,636	23,751,398	27,779,034
Life Insurance	821,939	5,619,874	6,441,813
Wellness	225,211	1,328,096	1,553,307
Director's Discretionary Fund	251,705	1,388,434	1,640,139
Total Expenses	\$ 104,932,163	\$ 605,731,775	\$ 710,663,938
Initial UAAL OPEB Funding	\$ -	\$ -	\$ -
PEIA Mandatory Transfer to WV RHBT 2014	-	-	-
Fiscal Year Results	\$ 5,190,744	\$ 16,252,389	\$ 21,443,133
Beginning Plan Reserve	24,984,024	132,649,735	157,633,759
Ending Plan Reserve	\$ 30,174,768	\$ 148,902,124	\$ 179,076,892

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 60,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 20,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 15,000,000	Active Local	7.0%	10.5%
Direct Transfers	\$ -	State	7.0%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**Attachment - PEIA
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>
Local Medical	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Medical	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
Local Drugs	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Drugs	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
Local Medical	<u>\$139.63</u>	<u>\$135.89</u>	<u>\$146.61</u>	<u>\$163.09</u>	<u>\$146.00</u>	<u>\$155.18</u>	<u>\$175.22</u>	<u>\$162.70</u>	<u>\$188.49</u>	<u>\$185.75</u>	<u>\$165.54</u>	<u>\$194.23</u>
State Medical	<u>157.57</u>	<u>170.03</u>	<u>160.01</u>	<u>180.48</u>	<u>155.13</u>	<u>171.27</u>	<u>178.14</u>	<u>174.76</u>	<u>205.69</u>	<u>198.41</u>	<u>189.66</u>	<u>238.12</u>
Local Drugs	<u>38.31</u>	<u>50.67</u>	<u>53.89</u>	<u>59.09</u>	<u>53.71</u>	<u>60.35</u>	<u>60.67</u>	<u>57.25</u>	<u>61.83</u>	<u>59.62</u>	<u>59.64</u>	<u>65.16</u>
State Drugs	<u>42.46</u>	<u>54.41</u>	<u>59.46</u>	<u>62.38</u>	<u>59.62</u>	<u>66.27</u>	<u>64.17</u>	<u>60.11</u>	<u>67.70</u>	<u>65.37</u>	<u>64.46</u>	<u>75.94</u>
Total	<u>\$377.96</u>	<u>\$411.00</u>	<u>\$419.97</u>	<u>\$465.03</u>	<u>\$414.46</u>	<u>\$453.07</u>	<u>\$478.21</u>	<u>\$454.82</u>	<u>\$523.70</u>	<u>\$509.15</u>	<u>\$479.30</u>	<u>\$573.46</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	-11.5%	-13.9%	1.0%	-11.4%	-8.2%	8.6%	-12.4%	-1.4%	9.8%	-6.2%	-8.9%	13.4%
State Medical	14.5%	-1.9%	14.2%	6.6%	-4.5%	16.5%	-0.1%	4.7%	16.6%	5.8%	1.4%	19.4%
Local Drugs	25.1%	5.7%	48.1%	33.8%	-2.1%	15.1%	6.0%	-0.4%	7.4%	5.6%	0.0%	4.9%
State Drugs	<u>24.4%</u>	<u>0.9%</u>	<u>38.8%</u>	<u>32.0%</u>	<u>2.1%</u>	<u>10.1%</u>	<u>0.3%</u>	<u>-3.5%</u>	<u>6.2%</u>	<u>4.2%</u>	<u>-0.8%</u>	<u>10.9%</u>
Total	<u>5.0%</u>	<u>-5.1%</u>	<u>15.2%</u>	<u>4.6%</u>	<u>-4.7%</u>	<u>12.6%</u>	<u>-4.3%</u>	<u>0.7%</u>	<u>11.5%</u>	<u>0.9%</u>	<u>-2.9%</u>	<u>14.4%</u>
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-8.4%			-4.4%			-1.9%			-1.0%
State Medical			8.1%			5.9%			7.1%			9.1%
Local Drugs			24.3%			14.3%			4.3%			3.5%
State Drugs			<u>19.4%</u>			<u>13.5%</u>			<u>1.0%</u>			<u>4.9%</u>
Total			4.4%			4.0%			2.5%			4.2%
Change From Prior Year - Year to Year Analysis												
Local Medical			0.8%			0.2%			-1.7%			-3.7%
State Medical			9.4%			8.8%			8.1%			7.6%
Local Drugs			-5.9%			2.7%			7.0%			10.3%
State Drugs			<u>-3.0%</u>			<u>4.3%</u>			<u>6.4%</u>			<u>8.7%</u>
Total			2.5%			4.2%			4.0%			3.7%

**Attachment - PEIA
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>
Local Medical	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231	21,810	21,970
State Medical	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,170	125,224	123,353
Local Drugs	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231	21,810	21,970
State Drugs	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,170	125,224	123,353
Local Medical	<u>\$155.46</u>	<u>\$160.41</u>	<u>\$163.26</u>	<u>\$166.59</u>	<u>\$175.04</u>	<u>\$169.83</u>	<u>\$161.08</u>	<u>\$165.83</u>	<u>\$215.51</u>	<u>\$204.11</u>	<u>\$191.89</u>	<u>\$217.42</u>
State Medical	<u>\$167.30</u>	<u>\$166.55</u>	<u>\$166.77</u>	<u>\$173.93</u>	<u>\$174.79</u>	<u>\$167.11</u>	<u>\$173.88</u>	<u>\$181.16</u>	<u>\$205.73</u>	<u>\$199.80</u>	<u>\$194.78</u>	<u>\$237.34</u>
Local Drugs	<u>\$37.82</u>	<u>\$50.82</u>	<u>\$55.50</u>	<u>\$60.06</u>	<u>\$59.08</u>	<u>\$63.70</u>	<u>\$62.44</u>	<u>\$61.28</u>	<u>\$72.37</u>	<u>\$68.07</u>	<u>\$69.02</u>	<u>\$78.41</u>
State Drugs	<u>44.34</u>	<u>58.55</u>	<u>63.34</u>	<u>68.31</u>	<u>64.73</u>	<u>69.47</u>	<u>66.98</u>	<u>66.25</u>	<u>76.29</u>	<u>72.80</u>	<u>73.05</u>	<u>85.21</u>
Total	<u>\$404.93</u>	<u>\$436.32</u>	<u>\$448.86</u>	<u>\$468.88</u>	<u>\$473.63</u>	<u>\$470.12</u>	<u>\$464.38</u>	<u>\$474.52</u>	<u>\$569.90</u>	<u>\$544.78</u>	<u>\$528.73</u>	<u>\$618.38</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	11.3%	18.0%	11.4%	2.1%	19.9%	9.4%	-8.1%	1.9%	14.3%	9.9%	15.9%	11.9%
State Medical	6.2%	-2.1%	4.2%	-3.6%	12.7%	-2.4%	-2.4%	3.7%	0.0%	0.7%	2.7%	-0.3%
Local Drugs	-1.3%	0.3%	3.0%	1.6%	10.0%	5.6%	2.9%	7.1%	17.0%	14.2%	15.7%	20.3%
State Drugs	<u>4.4%</u>	<u>7.6%</u>	<u>6.5%</u>	<u>9.5%</u>	<u>8.6%</u>	<u>4.8%</u>	<u>4.4%</u>	<u>10.2%</u>	<u>12.7%</u>	<u>11.4%</u>	<u>13.3%</u>	<u>12.2%</u>
Total	7.1%	6.2%	6.9%	0.8%	14.3%	3.8%	-2.9%	4.3%	8.8%	7.0%	10.3%	7.8%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			13.5%			10.2%			3.0%			12.4%
State Medical			2.7%			1.8%			0.4%			0.9%
Local Drugs			0.9%			5.6%			9.1%			16.9%
State Drugs			<u>6.3%</u>			<u>7.6%</u>			<u>9.1%</u>			<u>12.3%</u>
Total			6.7%			6.0%			3.6%			8.3%
Change From Prior Year - Year to Year Analysis												
Local Medical			1.0%			4.5%			5.8%			9.6%
State Medical			6.3%			5.3%			3.6%			1.4%
Local Drugs			5.7%			3.7%			5.0%			8.6%
State Drugs			<u>6.2%</u>			<u>4.9%</u>			<u>7.0%</u>			<u>9.0%</u>
Total			4.3%			4.8%			5.0%			6.2%

**Attachment - PEIA
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>
Local Medical	22,597	22,569	22,603	22,608	22,655
State Medical	127,260	126,578	124,811	126,188	126,966
Local Drugs	22,597	22,569	22,603	22,608	22,655
State Drugs	127,260	126,578	124,811	126,188	126,966
	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>
Local Medical	\$165.74	\$172.12	\$179.07	\$196.72	\$188.63
State Medical	\$152.78	\$175.20	\$183.84	\$195.38	\$191.75
Local Drugs	\$43.86	\$59.39	\$63.00	\$63.37	\$70.85
State Drugs	<u>47.73</u>	<u>65.61</u>	<u>69.31</u>	<u>70.78</u>	<u>77.84</u>
Total	\$410.11	\$472.32	\$495.22	\$526.25	\$529.07
Change From Prior Year - Month to Month Analysis					
Local Medical	6.6%	7.3%	9.7%	18.1%	7.8%
State Medical	-8.7%	5.2%	10.2%	12.3%	9.7%
Local Drugs	16.0%	16.9%	13.5%	5.5%	19.9%
State Drugs	<u>7.6%</u>	<u>12.1%</u>	<u>9.4%</u>	<u>3.6%</u>	<u>20.2%</u>
Total	1.3%	8.3%	10.3%	12.2%	11.7%
Change From Prior Year - Quarter to Quarter Analysis					
Local Medical			7.9%		
State Medical			2.2%		
Local Drugs			15.3%		
State Drugs			<u>9.9%</u>		
Total			6.8%		
Change From Prior Year - Year to Year Analysis					
Local Medical			8.4%		
State Medical			1.3%		
Local Drugs			11.6%		
State Drugs			<u>9.8%</u>		
Total			6.2%		