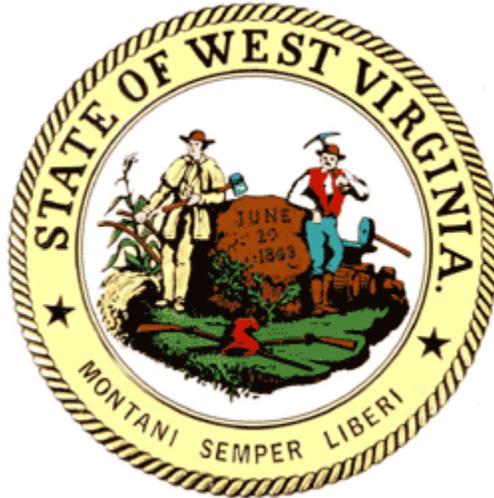




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

Financial Plan

Fiscal Years 2015-2019

December 2014



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Finance Board
West Virginia Public Employees Insurance Agency
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”).

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 2014 for the fiscal year 2016 (“FY 2016”) and to provide quarterly financial reports for current FY 2015 and thereafter. Our analysis is developed on an accrued and incurred reporting basis for a projection period of five years as required by the Code.

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 2015 and in subsequent fiscal years. In subsequent fiscal years, future transfers of employer and employee 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 are met for the projection period. We have been asked to review the proposed financial plan, and as supported by our work, to render an actuarial 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 2019.

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 2015 and subsequently. We are assuming that the Bill will continue throughout the five year forecast period.

CCRC Actuaries has provided preliminary forecasts for fiscal years ending June 30, 2015 (“FY 2015”), June 30, 2016 (“FY 2016”), June 30, 2017 (“FY 2017”), June 30, 2018 (“FY 2018”) and June 30, 2019 (“FY 2019”). Our opinion of plan adequacy is based on the projections through FY 2019 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2014. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the West Virginia Retiree Health Benefit 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. Additional details of the benefit reductions can be found later in this report. In addition, it is noteworthy that some current PEIA members may become eligible for the West Virginia Children Health Insurance Plan effective in Fiscal Year 2015. This report does not include anticipated savings from this eligibility change since the proposal has not been finalized and approved by CMS.

In FY 2015 the Pay-Go is equivalent to \$305 per retiree per month. In future years, the Pay Go premium may increase by a maximum of 3% per retiree per year, indexed to the initial fixed subsidy determined in FY 2013. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2014.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2014”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2015 through FY 2019 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 minimum 20% employee cost share requirement for state revenue in FY 2015 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2014.

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 2019 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., F.C.A., M.A.A.A.
Managing Partner



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

West Virginia Public Employees Insurance Agency
Report of Independent Actuary
Financial Plan for FY 2015 – FY 2019

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 2014 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 investment income and significant general and special revenue allocations provided by the Governor, some of 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 State of 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 2014 enrollment levels for the duration of these forecasts for active employees.

In aggregate, December 2014 enrollment for active employees has decreased by 67 coverages since the end of FY 2014. Aggregate PPB enrollment has increased by 58 in total over the same period, while managed care enrollment experienced a decrease of 125 coverages.

In the State Fund, the overall active State enrollment decreased by 334 coverages from the end of FY 2014 to December 2014. And in the Local Fund, the overall active Local enrollment increased by 267 coverages from the end of FY 2014 to December 2014.

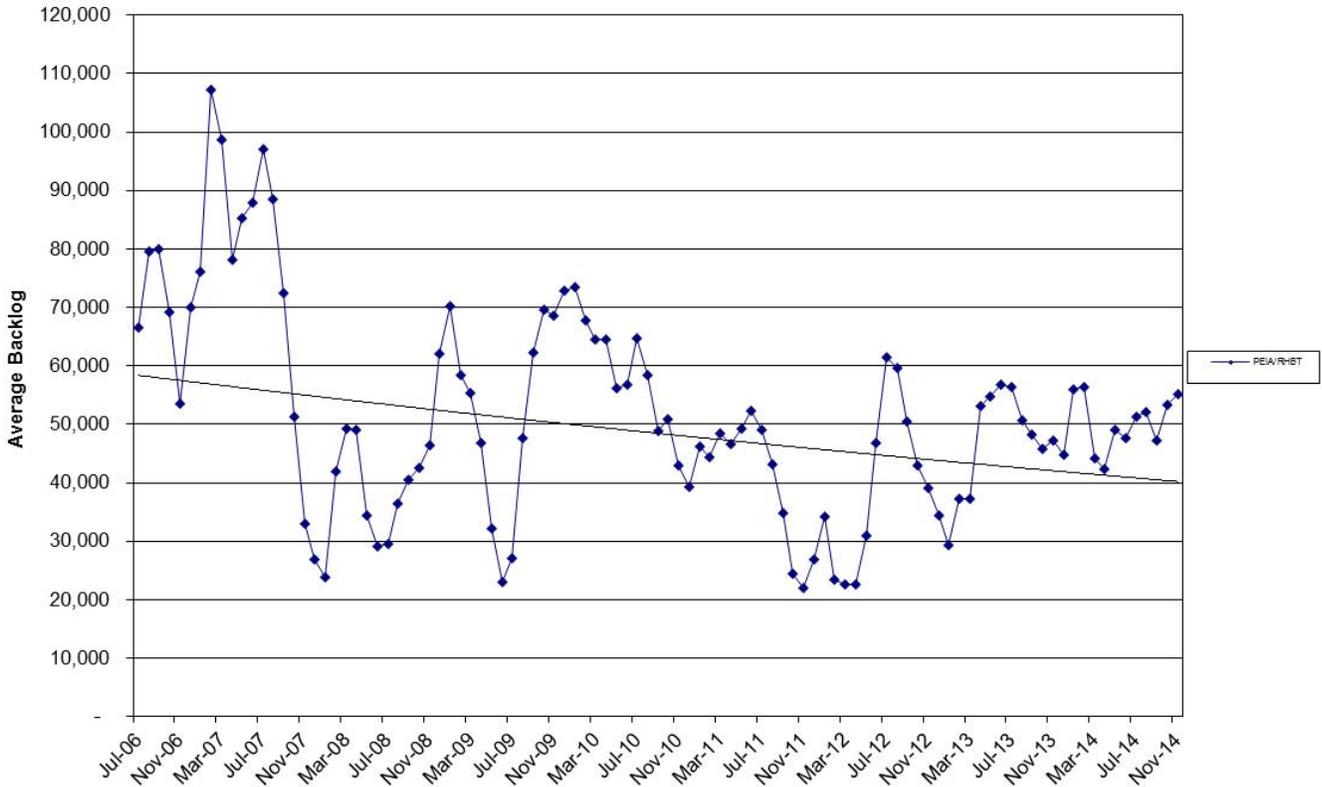
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2013, June 2014 and December 2014 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-13	Jun-14	Dec-14	Jun-13	Jun-14	Dec-14
State Active	Single	22,367	22,043	22,235	1,887	1,903	1,896
	Children	6,479	6,582	6,225	648	627	561
	Family	30,573	30,446	30,393	2,899	2,817	2,774
	Total	59,419	59,071	58,853	5,434	5,347	5,231
Local Active	Single	5,206	5,207	5,395	322	372	377
	Children	976	975	971	106	112	101
	Family	5,352	5,511	5,603	131	156	153
	Total	11,534	11,693	11,969	559	640	631
Plan Total		70,953	70,764	70,822	5,993	5,987	5,862
Grand Total					76,946	76,751	76,684

B. Changes in Claim Backlog

It should be noted that on July 1, 2006, all retirees were transferred to the RHBT. While the chart below, which has not been adjusted to reflect the smaller risk pool, has displayed the duration of claim payments has been gradually declining for the self-insured block of non-Medicare coverages and backlog has shown an overall decreasing trend since July 2006, it indicates a slightly higher backlog in recent months.

WV PEIA&RHBT Claim Backlog July 2006 through November 2014



C. Trend Analysis

PEIA experienced favorable medical and prescription drug trends in FY 2014, and over the past few years, trends have been beneficial to the plan. CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2014”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2015 medical claim trend to 5%. Additionally, due to PEIA’s favorable FY 2014 prescription drug experience, we have decreased our trend assumption for all prescription drugs coverage to 8% in FY 2015.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2015 Trend	Updated Assumption FY 2015 Trend
Active Local – Medical	5.5%	5.0%
State – Medical	5.5%	5.0%
Active Local – Drugs	8.5%	8.0%
State – Drugs	8.5%	8.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2016. 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 2014. 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
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	3%	8%	-14%	-10%	2%
2009	-8%	3%	5%	4%	2%
2010	10%	1%	9%	9%	4%
2011	10%	8%	15%	15%	8%
2012	5%	5%	8%	6%	5%
2013	-2%	-3%	1%	4%	-3%
2014	8%	6%	9%	8%	7%
2015*	7%	8%	14%	10%	9%

* Fiscal Year 2015 results are through the first five months ending November 2014.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through November 2014 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 2015 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2015 Projection			Net Revenue Excluding Pay Go		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs*	Monthly Capitation Costs
State	PPB	58,733	\$ 479	\$ 120	\$ 496	\$ 171	
	<u>Managed Care</u>	<u>5,225</u>	\$ 494	\$ 141			\$ 567
	Total	63,958					
Local	PPB	11,948	\$ 583	\$ -	\$ 463	\$ 136	
	<u>Managed Care</u>	<u>631</u>	\$ 489	\$ -			\$ 463
	Total	12,579					

*Net of rebates and subsidies.

Projected plan revenues, administrative expenses, life insurance premiums, and the amount to be spent on wellness programs were provided by PEIA. Investment income is currently allocated to each fund based on average reserve levels for each fund. The following chart summarizes assumptions used in preparation of the attached forecasts.

Board Decisions – December 2014

Source	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Additional State Employer Revenue	\$0	\$0	\$125,000,000	\$8,000,000	\$45,000,000
Additional Local Agency Revenue	(\$1,200,000)	(\$3,000,000)	\$0	\$29,000,000	\$10,000,000
Additional Employee Premium	(\$5,400,000)	\$0	\$31,300,000	\$2,000,000	\$11,300,000
Benefit Reductions/(Increase) - SB-22 and Copay Changes	(\$1,600,000)	\$0	\$0	\$0	\$0
Benefit Reductions/(Increase) - Active State	\$0	\$26,200,000	\$0	\$0	\$0
Benefit Reductions/(Increase) - Active Local	\$0	\$3,700,000	\$0	\$0	\$0
Benefit Reductions/(Increase) - Managed Care Capitations	\$0	\$5,100,769	\$0	\$0	\$0
PPACA Reinsurance Contributions (Cost)	(\$8,500,000)	(\$5,400,000)	(\$1,800,000)	\$0	\$0
PPACA Comparative Effectiveness Research Fees (Cost)	(\$345,000)	(\$344,245)	(\$343,534)	(\$342,869)	(\$342,249)
Pay Go Premium Transfer	\$150,000,000	\$150,000,000	\$180,000,000	\$195,000,000	\$210,000,000

The \$1,600,000 increase in benefits in Fiscal Year 2015 is comprised of the following:

	<u>Included in 2015 Claim Cost</u>
SB-22 Dependent Maternity and Contraceptives (Cost)	(\$2.9 M)
Out of State Copayment - Savings	\$850 K
Specialty Drugs Copay - Savings	\$450 K

The \$26,200,000 of Active State benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>Included in 2016 Claim Cost</u>
Medical Claims	(\$15.5 M)
Drug Claims	(\$10.7 M)

The \$3,700,000 of Active Local benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>Included in 2016 Claim Cost</u>
Medical Claims	(\$1.9 M)
Drug Claims	(\$1.8 M)

The \$5,100,769 of Managed Care Capitation benefit reductions in Fiscal Year 2016 is comprised of the following:

	<u>Included in 2016 Claim Cost</u>
Active State	(\$4.64 M)
Active Local	(\$0.46 M)

A detailed list of the benefit reductions for the Active Employee plan as voted on by the Board consists of the following:

	<u>Savings</u>
Increase Primary Care Office Visit copayment from \$15 to \$20 per visit	\$1.1 M
Increase Specialist Office Visit copayment from \$25 to \$40 per visit	\$3.9 M
Increase deductible by \$25 for single coverage and \$50 for family coverage	\$2.1 M
Increase outpatient surgery copay from \$50 to \$100	\$1.9 M
Increase emergency room copay to \$100 with no discount	\$0.5 M
Increase family out-of-pocket maximum for PEIA PPB Plans A and D to twice the employee only amount	\$6.75 M
Add \$100 copay per admission to existing deductible and 20% coinsurance for inpatient hospital care	\$1.1 M
Increase Generic Drug Copay for 30 day supply from \$5 to \$10 and for 90 day supply (maintenance only) from \$10 to \$20	\$9.4 M
Increase Preferred Brand Drug Copay for 30 day supply from \$15 to \$25 and for 90 day supply (maintenance only) from \$30 to \$50	\$3.1 M

The Centers for Medicare & Medicaid Services (“CMS”) and the United States Department of Health and Human Services (“HHS”) released the final rule containing further detail and parameters related to the risk adjustment, reinsurance, and risk corridors programs in the ACA on November 26, 2012. Section 1341 of the ACA provides that health insurance issuers and third party administrators on behalf of group health plans must make payments to an applicable reinsurance entity.

Under the final rule, issuers would be required to pay a reinsurance contribution of \$5.25 per member per month to HHS in 2014. The \$5.25 contribution rate would gradually decrease in 2015 and 2016. From 2017 and beyond, no further reinsurance contributions will be collected. PEIA will not receive any benefit payments from the national reinsurance program. PEIA will be subject to paying the reinsurance contributions through FY 2017 and the projected expenses of the reinsurance contributions are included in the current financial plan. The total reinsurance contributions for the financial projection are estimated to be approximately \$15,700,000, with \$8,500,000 in FY 2015.

The Treasury Department and the Internal Revenue Service recently issued a final rule implementing a new tax added by the Affordable Care Act: The Comparative Effectiveness Research Fees. These fees are currently expected to be paid by health insurers and plan sponsors of self-insured group health plans.

The Affordable Care Act created a new Patient-Centered Outcomes Research Institute (PCORI) to conduct research evaluating and comparing health outcomes and assess the clinical effectiveness, risks and benefits of medical treatments. The PCORI's work will be paid for by a new Patient-Centered Outcomes Research Trust Fund, which will be funded in part through the comparative effectiveness research fees.

It is anticipated that PEIA would accrue and pay these fees in FY 2014 through FY 2019. The fee would be \$2 per member per year. The total comparative effectiveness research fees for the financial projection are estimated to be approximately \$1,720,000, with \$345,000 in FY 2015.

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 2015 the Pay-Go is equivalent to \$305 per retiree per month. In future years, the Pay Go premium may increase by a maximum of 3% per retiree per year, indexed to the initial fixed subsidy determined in FY 2013. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2014.

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 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 \$718,773,000 and incurred plan expenses of \$777,359,637 to produce a fiscal year deficit of (\$58,586,637). It should be noted that this is a decrease from the projected deficit of (\$41,507,851) in the PEIA Fiscal Year 2014 Financial Report due to the unfavorable medical and drug claims experience. The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$150,000,000.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$171,509,180 and the FY 2016 expenditures of \$777,065,073, which represents 22% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

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 \$715,461,968 and incurred plan expenses of \$777,065,073 to produce a fiscal year deficit of (\$61,603,105). The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$150,000,000.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$109,906,075 and the FY 2017 expenditures of \$842,887,771, which represents 13% 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 \$132,157,400 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$87,503,848.

FISCAL YEAR 2017 FORECAST

The financial forecast for FY 2017 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2017 projects accrued revenue of \$870,227,104 and incurred plan expenses of \$842,887,771 to produce a fiscal year surplus of \$27,339,333. The PEIA local and state agencies Pay Go premiums for FY 2017 are assumed to be \$180,000,000.

Under the Baseline Scenario, FY 2017 is projected to end with a reserve of \$137,245,408 and the FY 2018 expenditures of \$901,130,083, which represents 15% 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 \$188,607,895 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$84,874,372.

FISCAL YEAR 2018 FORECAST

The financial forecast for FY 2018 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2018 projects accrued revenue of \$910,865,259 and incurred plan expenses of \$901,130,083 to produce a fiscal year surplus of \$9,735,176. The PEIA local and state agencies Pay Go premiums for FY 2018 are assumed to be \$195,000,000.

Under the Baseline Scenario, FY 2018 is projected to end with a reserve of \$146,980,584 and the FY 2019 expenditures of \$967,591,716, which represents 15% 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 \$241,986,881 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$48,867,878.

FISCAL YEAR 2019 FORECAST

The financial forecast for FY 2019 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2019 projects accrued revenue of \$978,234,307 and incurred plan expenses of \$967,591,716 to produce a fiscal year surplus of \$10,642,591. The PEIA local and state agencies Pay Go premiums for FY 2019 are assumed to be \$210,000,000.

Under the Baseline Scenario, FY 2019 is projected to end with a reserve of \$157,623,174 and the FY 2020 expenditures of \$1,037,238,240, which represents 15% 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 \$313,113,889 and under the Pessimistic Scenario, the ending reserve is expected to decrease to (\$5,015,786).

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 minimum 10% reserve target set by West Virginia Statute and the 15% actuarial reserve target through the projection period ending with the Fiscal Year 2019 using the Baseline assumptions, except in FY 2016 due to the unexpected high medical and drug claims experience through November 2014. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in December 2014 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 2015**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 107,260,137	\$ 429,377,600	\$ 536,637,737
Employer Premiums - MCO	4,750,863	39,360,400	44,111,263
Employee Premiums - PPB	-	107,871,870	107,871,870
Employee Premiums - MCO	-	11,255,130	11,255,130
Life Insurance	330,336	1,787,664	2,118,000
Investment Income	1,956,621	7,673,379	9,630,000
Litigation Settlement	-	-	-
COBRA Premiums	485,038	2,013,962	2,499,000
Administrative Fees	710,933	3,939,067	4,650,000
Total Revenue	\$ 115,493,928	\$ 603,279,072	\$ 718,773,000
<u>Program Expenses</u>			
Medical Claims	\$ 66,440,792	\$ 349,607,174	\$ 416,047,966
Prescription Drug Claims	19,505,191	120,724,504	140,229,696
Managed Care Capitations	3,506,082	35,574,918	39,081,000
Administration	2,855,580	15,453,420	18,309,000
Life Insurance	332,207	1,797,793	2,130,000
Wellness	225,995	1,223,005	1,449,000
ACA Reinsurance Contributions	1,325,710	7,174,290	8,500,000
ACA Comparative Effectiveness Research Fees	51,553	293,447	345,000
Director's Discretionary Fund	195,905	1,072,070	1,267,975
WV RHBT Pay Go Premiums	24,653,050	125,346,950	150,000,000
Total Expenses	\$ 119,092,065	\$ 658,267,572	\$ 777,359,637
Fiscal Year Results	\$ (3,598,137)	\$ (54,988,500)	\$ (58,586,637)
Beginning Plan Reserve	49,341,943	180,753,874	230,095,817
Ending Plan Reserve	\$ 45,743,806	\$ 125,765,374	\$ 171,509,180

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ (1,200,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ (5,400,000)	Active Local	5.0%	8.0%
Direct Transfers	\$ -	State	5.0%	8.0%
		Capitations		2.6%
		Administrative Expense		1.6%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 107,260,137	\$ -	\$ 107,260,137
Employer Premiums - MCO	4,750,863	-	4,750,863
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	330,336		330,336
Investment Income	1,956,621		1,956,621
Litigation Settlement	-		-
COBRA Premiums	485,038		485,038
Administrative Fees	710,933		710,933
Total Revenue	\$ 115,493,928	\$ -	\$ 115,493,928
<u>Program Expenses</u>			
Medical Claims	\$ 66,159,728	\$ 281,063	\$ 66,440,791
Prescription Drug Claims	19,527,447	(22,255)	19,505,192
Managed Care Capitations	3,506,082		3,506,082
Administration	2,855,580		2,855,580
Life Insurance	332,207		332,207
Wellness	225,995		225,995
ACA Reinsurance Contributions	1,325,710		1,325,710
ACA Comparative Effectiveness Research Fees	51,553		51,553
Director's Discretionary Fund	195,905		195,905
WV RHBT Pay Go Premiums	24,653,050		24,653,050
Total Expenses	\$ 118,833,257	\$ 258,808	\$ 119,092,065
Fiscal Year Results	\$ (3,339,329)		\$ (3,598,137)
Beginning Plan Reserve	49,341,943		49,341,943
Ending Plan Reserve	\$ 46,002,614		\$ 45,743,806

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ (1,200,000)	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.0%	8.0%
		Capitations		2.6%
		Administrative Expense		1.6%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 429,377,600	\$ -	\$ 429,377,600
Employer Premiums - MCO	39,360,400	-	39,360,400
Employee Premiums - PPB	107,871,870	-	107,871,870
Employee Premiums - MCO	11,255,130	-	11,255,130
Life Insurance	1,787,664		1,787,664
Investment Income	7,673,379		7,673,379
Litigation Settlement	-		-
COBRA Premiums	2,013,962		2,013,962
Administrative Fees	3,939,067		3,939,067
Total Revenue	\$ 603,279,072	\$ -	\$ 603,279,072
<u>Program Expenses</u>			
Medical Claims	\$ 348,128,238	\$ 1,478,937	\$ 349,607,174
Prescription Drug Claims	120,862,249	(137,745)	120,724,504
Managed Care Capitations	35,574,918		35,574,918
Administration	15,453,420		15,453,420
Life Insurance	1,797,793		1,797,793
Wellness	1,223,005		1,223,005
ACA Reinsurance Contributions	7,174,290		7,174,290
ACA Comparative Effectiveness Research Fees	293,447		293,447
Director's Discretionary Fund	1,072,070		1,072,070
WV RHBT Pay Go Premiums	125,346,950		125,346,950
Total Expenses	\$ 656,926,380	\$ 1,341,192	\$ 658,267,571
Fiscal Year Results	\$ (53,647,308)		\$ (54,988,500)
Beginning Plan Reserve	180,753,874		180,753,874
Ending Plan Reserve	\$ 127,106,566		\$ 125,765,374

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ (5,400,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	5.0%	8.0%
		Capitations		2.6%
		Administrative Expense		1.6%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2016**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,387,379	\$ 429,377,600	\$ 533,764,979
Employer Premiums - MCO	4,623,621	39,360,400	43,984,021
Employee Premiums - PPB	-	107,871,870	107,871,870
Employee Premiums - MCO	-	11,255,130	11,255,130
Life Insurance	346,853	1,877,047	2,223,900
Investment Income	2,198,233	7,025,547	9,223,780
Litigation Settlement	-	-	-
COBRA Premiums	482,959	2,005,329	2,488,288
Administrative Fees	710,933	3,939,067	4,650,000
Total Revenue	\$ 112,749,978	\$ 602,711,990	\$ 715,461,968
<u>Program Expenses</u>			
Medical Claims	\$ 68,094,637	\$ 353,118,121	\$ 421,212,758
Prescription Drug Claims	19,334,020	120,215,679	139,549,699
Managed Care Capitations	3,258,841	33,066,251	36,325,092
Administration	2,971,883	15,886,387	18,858,270
Life Insurance	348,818	1,887,682	2,236,500
Wellness	225,995	1,223,005	1,449,000
ACA Reinsurance Contributions	800,000	4,600,000	5,400,000
ACA Comparative Effectiveness Research Fees	52,810	291,435	344,245
Director's Discretionary Fund	263,412	1,426,097	1,689,509
WV RHBT Pay Go Premiums	24,653,050	125,346,950	150,000,000
Total Expenses	\$ 120,003,466	\$ 657,061,607	\$ 777,065,073
Fiscal Year Results	\$ (7,253,488)	\$ (54,349,617)	\$ (61,603,105)
Beginning Plan Reserve	45,743,806	125,765,374	171,509,180
Ending Plan Reserve	\$ 38,490,318	\$ 71,415,757	\$ 109,906,075

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ (3,000,000)	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	5.5%	8.5%
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		-7.1%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2016**

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 107,260,137	\$ (2,872,757)	\$ 104,387,380
Employer Premiums - MCO	4,750,863	(127,243)	4,623,620
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	346,853		346,853
Investment Income	2,198,233		2,198,233
Litigation Settlement	-		-
COBRA Premiums	482,959		482,959
Administrative Fees	710,933		710,933
Total Revenue	\$ 115,749,978	\$ (3,000,000)	\$ 112,749,978
<u>Program Expenses</u>			
Medical Claims	\$ 69,994,637	\$ (1,900,000)	\$ 68,094,637
Prescription Drug Claims	21,134,020	(1,800,000)	19,334,020
Managed Care Capitations	3,716,447	(457,606)	3,258,841
Administration	2,971,883		2,971,883
Life Insurance	348,818		348,818
Wellness	225,995		225,995
ACA Reinsurance Contributions	800,000		800,000
ACA Comparative Effectiveness Research Fees	52,810		52,810
Director's Discretionary Fund	263,412		263,412
WV RHBT Pay Go Premiums	24,653,050		24,653,050
Total Expenses	\$ 124,161,072	\$ (4,157,606)	\$ 120,003,466
Fiscal Year Results	\$ (8,411,094)		\$ (7,253,488)
Beginning Plan Reserve	45,743,806		45,743,806
Ending Plan Reserve	\$ 37,332,712		\$ 38,490,318

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ (3,000,000)	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.5%	8.5%
		Capitations		-7.1%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2016**

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 429,377,600	\$ -	\$ 429,377,600
Employer Premiums - MCO	39,360,400	-	39,360,400
Employee Premiums - PPB	107,871,870	-	107,871,870
Employee Premiums - MCO	11,255,130	-	11,255,130
Life Insurance	1,877,047		1,877,047
Investment Income	7,025,547		7,025,547
Litigation Settlement	-		-
COBRA Premiums	2,005,329		2,005,329
Administrative Fees	3,939,067		3,939,067
Total Revenue	\$ 602,711,990	\$ -	\$ 602,711,990
<u>Program Expenses</u>			
Medical Claims	\$ 368,618,121	\$ (15,500,000)	\$ 353,118,121
Prescription Drug Claims	130,915,679	(10,700,000)	120,215,679
Managed Care Capitations	37,709,413	(4,643,162)	33,066,251
Administration	15,886,387		15,886,387
Life Insurance	1,887,682		1,887,682
Wellness	1,223,005		1,223,005
ACA Reinsurance Contributions	4,600,000		4,600,000
ACA Comparative Effectiveness Research Fees	291,435		291,435
Director's Discretionary Fund	1,426,097		1,426,097
WV RHBT Pay Go Premiums	125,346,950		125,346,950
Total Expenses	\$ 687,904,769	\$ (30,843,162)	\$ 657,061,607
Fiscal Year Results	\$ (85,192,779)		\$ (54,349,617)
Beginning Plan Reserve	125,765,374		125,765,374
Ending Plan Reserve	\$ 40,572,595		\$ 71,415,757

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ -	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		-7.1%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2017**

PERIOD 7/1/2016 - 6/30/2017

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,387,379	\$ 543,881,225	\$ 648,268,604
Employer Premiums - MCO	4,623,621	49,856,775	54,480,396
Employee Premiums - PPB	-	136,214,643	136,214,643
Employee Premiums - MCO	-	14,212,357	14,212,357
Life Insurance	364,195	1,970,900	2,335,095
Investment Income	1,948,307	5,071,324	7,019,631
Litigation Settlement	-	-	-
COBRA Premiums	591,280	2,455,098	3,046,378
Administrative Fees	710,933	3,939,067	4,650,000
Total Revenue	\$ 112,625,715	\$ 757,601,389	\$ 870,227,104
<u>Program Expenses</u>			
Medical Claims	\$ 72,026,314	\$ 373,506,657	\$ 445,532,971
Prescription Drug Claims	21,030,336	130,763,088	151,793,424
Managed Care Capitations	3,454,371	35,050,226	38,504,597
Administration	2,513,877	16,910,141	19,424,018
Life Insurance	366,259	1,982,066	2,348,325
Wellness	225,995	1,223,005	1,449,000
ACA Reinsurance Contributions	300,000	1,500,000	1,800,000
ACA Comparative Effectiveness Research Fees	54,098	289,436	343,534
Director's Discretionary Fund	263,579	1,428,324	1,691,903
WV RHBT Pay Go Premiums	29,583,660	150,416,340	180,000,000
Total Expenses	\$ 129,818,489	\$ 713,069,282	\$ 842,887,771
Fiscal Year Results	\$ (17,192,774)	\$ 44,532,107	\$ 27,339,333
Beginning Plan Reserve	38,490,318	71,415,757	109,906,075
Ending Plan Reserve	\$ 21,297,544	\$ 115,947,864	\$ 137,245,408

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 125,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 31,300,000	<u>Active Local</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.0%	9.0%
		Capitations	6.0%	6.0%
		Administrative Expense	3.0%	3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2017**

PERIOD 7/1/2016 - 6/30/2017

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,387,379	\$ -	\$ 104,387,379
Employer Premiums - MCO	4,623,621	-	4,623,621
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	364,195		364,195
Investment Income	1,948,307		1,948,307
Litigation Settlement	-		-
COBRA Premiums	591,280		591,280
Administrative Fees	710,933		710,933
Total Revenue	\$ 112,625,715	\$ -	\$ 112,625,715
<u>Program Expenses</u>			
Medical Claims	\$ 72,026,314		\$ 72,026,314
Prescription Drug Claims	21,030,336		21,030,336
Managed Care Capitations	3,454,371		3,454,371
Administration	2,513,877		2,513,877
Life Insurance	366,259		366,259
Wellness	225,995		225,995
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	54,098		54,098
Director's Discretionary Fund	263,579		263,579
WV RHBT Pay Go Premiums	29,583,660		29,583,660
Total Expenses	\$ 129,818,489	\$ -	\$ 129,818,489
Fiscal Year Results	\$ (17,192,774)		\$ (17,192,774)
Beginning Plan Reserve	38,490,318		38,490,318
Ending Plan Reserve	\$ 21,297,544		\$ 21,297,544

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2017**

PERIOD 7/1/2016 - 6/30/2017

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 429,377,600	\$ 114,503,625	\$ 543,881,225
Employer Premiums - MCO	39,360,400	10,496,375	49,856,775
Employee Premiums - PPB	107,871,870	28,342,773	136,214,643
Employee Premiums - MCO	11,255,130	2,957,227	14,212,357
Life Insurance	1,970,900		1,970,900
Investment Income	5,071,324		5,071,324
Litigation Settlement	-		-
COBRA Premiums	2,455,098		2,455,098
Administrative Fees	3,939,067		3,939,067
Total Revenue	\$ 601,301,389	\$ 156,300,000	\$ 757,601,389
<u>Program Expenses</u>			
Medical Claims	\$ 373,506,657		\$ 373,506,657
Prescription Drug Claims	130,763,087		130,763,087
Managed Care Capitations	35,050,226		35,050,226
Administration	16,910,141		16,910,141
Life Insurance	1,982,066		1,982,066
Wellness	1,223,005		1,223,005
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	289,436		289,436
Director's Discretionary Fund	1,428,324		1,428,324
WV RHBT Pay Go Premiums	150,416,340		150,416,340
Total Expenses	\$ 713,069,282	\$ -	\$ 713,069,282
Fiscal Year Results	\$ (111,767,893)		\$ 44,532,107
Beginning Plan Reserve	71,415,757		71,415,757
Ending Plan Reserve	\$ (40,352,136)		\$ 115,947,864

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 125,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 31,300,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.0%	9.0%
		Capitations		6.0%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2018**

PERIOD 7/1/2017 - 6/30/2018

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 132,157,366	\$ 551,209,457	\$ 683,366,823
Employer Premiums - MCO	5,853,634	50,528,543	56,382,177
Employee Premiums - PPB	-	138,025,683	138,025,683
Employee Premiums - MCO	-	14,401,317	14,401,317
Life Insurance	382,405	2,069,445	2,451,850
Investment Income	1,305,194	7,096,582	8,401,776
Litigation Settlement	-	-	-
COBRA Premiums	618,309	2,567,324	3,185,633
Administrative Fees	710,933	3,939,067	4,650,000
Total Revenue	\$ 141,027,841	\$ 769,837,418	\$ 910,865,259
<u>Program Expenses</u>			
Medical Claims	\$ 76,545,274	\$ 396,940,670	\$ 473,485,943
Prescription Drug Claims	22,980,674	142,889,963	165,870,637
Managed Care Capitations	3,661,633	37,153,239	40,814,872
Administration	3,097,612	16,909,127	20,006,739
Life Insurance	384,572	2,081,170	2,465,742
Wellness	225,995	1,223,005	1,449,000
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	55,417	287,452	342,869
Director's Discretionary Fund	263,741	1,430,539	1,694,280
WV RHBT Pay Go Premiums	32,048,970	162,951,030	195,000,000
Total Expenses	\$ 139,263,888	\$ 761,866,195	\$ 901,130,083
Fiscal Year Results	\$ 1,763,953	\$ 7,971,223	\$ 9,735,176
Beginning Plan Reserve	21,297,544	115,947,864	137,245,408
Ending Plan Reserve	\$ 23,061,497	\$ 123,919,087	\$ 146,980,584

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 8,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 29,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 2,000,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	6.5%	9.5%
		State	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2018**

PERIOD 7/1/2017 - 6/30/2018

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 104,387,379	\$ 27,769,987	\$ 132,157,366
Employer Premiums - MCO	4,623,621	1,230,013	5,853,634
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	382,405		382,405
Investment Income	1,305,194		1,305,194
Litigation Settlement	-		-
COBRA Premiums	618,309		618,309
Administrative Fees	710,933		710,933
Total Revenue	\$ 112,027,841	\$ 29,000,000	\$ 141,027,841
<u>Program Expenses</u>			
Medical Claims	\$ 76,545,273		\$ 76,545,273
Prescription Drug Claims	22,980,675		22,980,675
Managed Care Capitations	3,661,633		3,661,633
Administration	3,097,612		3,097,612
Life Insurance	384,572		384,572
Wellness	225,995		225,995
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	55,417		55,417
Director's Discretionary Fund	263,741		263,741
WV RHBT Pay Go Premiums	32,048,970		32,048,970
Total Expenses	\$ 139,263,888	\$ -	\$ 139,263,888
Fiscal Year Results	\$ (27,236,047)		\$ 1,763,953
Beginning Plan Reserve	21,297,544		21,297,544
Ending Plan Reserve	\$ (5,938,503)		\$ 23,061,497

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 29,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2018**

PERIOD 7/1/2017 - 6/30/2018

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 543,881,225	\$ 7,328,232	\$ 551,209,457
Employer Premiums - MCO	49,856,775	671,768	50,528,543
Employee Premiums - PPB	136,214,643	1,811,040	138,025,683
Employee Premiums - MCO	14,212,357	188,960	14,401,317
Life Insurance	2,069,445		2,069,445
Investment Income	7,096,582		7,096,582
Litigation Settlement	-		-
COBRA Premiums	2,567,324		2,567,324
Administrative Fees	3,939,067		3,939,067
Total Revenue	\$ 759,837,418	\$ 10,000,000	\$ 769,837,418
<u>Program Expenses</u>			
Medical Claims	\$ 396,940,669		\$ 396,940,669
Prescription Drug Claims	142,889,963		142,889,963
Managed Care Capitations	37,153,239		37,153,239
Administration	16,909,127		16,909,127
Life Insurance	2,081,170		2,081,170
Wellness	1,223,005		1,223,005
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	287,452		287,452
Director's Discretionary Fund	1,430,539		1,430,539
WV RHBT Pay Go Premiums	162,951,030		162,951,030
Total Expenses	\$ 761,866,194	\$ -	\$ 761,866,194
Fiscal Year Results	\$ (2,028,776)		\$ 7,971,224
Beginning Plan Reserve	115,947,864		115,947,864
Ending Plan Reserve	\$ 113,919,088		\$ 123,919,088

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 8,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 2,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	6.5%	9.5%
		Capitations		6.0%
		Administrative Expense		3.0%

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

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2019**

PERIOD 7/1/2018 - 6/30/2019

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 141,733,223	\$ 592,430,762	\$ 734,163,985
Employer Premiums - MCO	6,277,777	54,307,238	60,585,015
Employee Premiums - PPB	-	148,258,057	148,258,057
Employee Premiums - MCO	-	15,468,943	15,468,943
Life Insurance	401,525	2,172,917	2,574,442
Investment Income	1,425,214	7,686,285	9,111,499
Litigation Settlement	-	-	-
COBRA Premiums	664,257	2,758,109	3,422,366
Administrative Fees	710,933	3,939,067	4,650,000
Total Revenue	\$ 151,212,929	\$ 827,021,378	\$ 978,234,307
<u>Program Expenses</u>			
Medical Claims	\$ 81,730,632	\$ 423,830,430	\$ 505,561,062
Prescription Drug Claims	25,226,832	156,856,197	182,083,030
Managed Care Capitations	3,881,331	39,382,434	43,263,765
Administration	3,185,368	17,421,573	20,606,941
Life Insurance	403,800	2,185,228	2,589,028
Wellness	225,995	1,223,005	1,449,000
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	56,768	285,481	342,249
Director's Discretionary Fund	263,899	1,432,742	1,696,641
WV RHBT Pay Go Premiums	34,514,270	175,485,730	210,000,000
Total Expenses	\$ 149,488,896	\$ 818,102,821	\$ 967,591,716
Fiscal Year Results	\$ 1,724,033	\$ 8,918,557	\$ 10,642,591
Beginning Plan Reserve	23,061,497	123,919,087	146,980,584
Ending Plan Reserve	\$ 24,785,530	\$ 132,837,644	\$ 157,623,174

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 45,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 10,000,000	<u>Eligibility</u>		
Additional State Employee Premiums	\$ 11,300,000	<u>Medical</u>		
Direct Transfers	\$ -	<u>Drugs</u>		
		Active Local	7.0%	10.0%
		State	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2019**

PERIOD 7/1/2018 - 6/30/2019

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 132,157,366	\$ 9,575,857	\$ 141,733,223
Employer Premiums - MCO	5,853,634	424,143	6,277,777
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	401,525		401,525
Investment Income	1,425,214		1,425,214
Litigation Settlement	-		-
COBRA Premiums	664,257		664,257
Administrative Fees	710,933		710,933
Total Revenue	\$ 141,212,929	\$ 10,000,000	\$ 151,212,929
<u>Program Expenses</u>			
Medical Claims	\$ 81,730,632		\$ 81,730,632
Prescription Drug Claims	25,226,833		25,226,833
Managed Care Capitations	3,881,331		3,881,331
Administration	3,185,368		3,185,368
Life Insurance	403,800		403,800
Wellness	225,995		225,995
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	56,768		56,768
Director's Discretionary Fund	263,899		263,899
WV RHBT Pay Go Premiums	34,514,270		34,514,270
Total Expenses	\$ 149,488,896	\$ -	\$ 149,488,896
Fiscal Year Results	\$ (8,275,967)		\$ 1,724,033
Beginning Plan Reserve	23,061,497		23,061,497
Ending Plan Reserve	\$ 14,785,530		\$ 24,785,530

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 10,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**APPENDIX - BASELINE SCENARIO
PEIA - STATE FUND**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2019**

PERIOD 7/1/2018 - 6/30/2019

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 551,209,457	\$ 41,221,305	\$ 592,430,762
Employer Premiums - MCO	50,528,543	3,778,695	54,307,238
Employee Premiums - PPB	138,025,683	10,232,375	148,258,058
Employee Premiums - MCO	14,401,317	1,067,625	15,468,942
Life Insurance	2,172,917		2,172,917
Investment Income	7,686,285		7,686,285
Litigation Settlement	-		-
COBRA Premiums	2,758,109		2,758,109
Administrative Fees	3,939,067		3,939,067
Total Revenue	\$ 770,721,378	\$ 56,300,000	\$ 827,021,378
<u>Program Expenses</u>			
Medical Claims	\$ 423,830,430		\$ 423,830,430
Prescription Drug Claims	156,856,197		156,856,197
Managed Care Capitations	39,382,434		39,382,434
Administration	17,421,573		17,421,573
Life Insurance	2,185,228		2,185,228
Wellness	1,223,005		1,223,005
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	285,481		285,481
Director's Discretionary Fund	1,432,742		1,432,742
WV RHBT Pay Go Premiums	175,485,730		175,485,730
Total Expenses	\$ 818,102,820	\$ -	\$ 818,102,820
Fiscal Year Results	\$ (47,381,442)		\$ 8,918,558
Beginning Plan Reserve	123,919,088		123,919,088
Ending Plan Reserve	\$ 76,537,646		\$ 132,837,646

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 45,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 11,300,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.0%	10.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2014 to FY 2015**

Fiscal Year 2014												
Exposure	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>
Local Medical	25,169	25,156	25,304	25,259	25,298	25,330	25,439	25,501	25,445	25,375	25,394	25,410
State Medical	134,738	133,576	133,375	134,576	134,717	134,883	135,220	135,002	134,887	134,820	134,554	134,147
Local Drugs	25,169	25,156	25,304	25,259	25,298	25,330	25,439	25,501	25,445	25,375	25,394	25,410
State Drugs	134,738	133,576	133,375	134,576	134,717	134,883	135,220	135,002	134,887	134,820	134,554	134,147
	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>
Local Medical	\$165.63	\$173.00	\$218.26	\$218.04	\$168.21	\$162.19	\$203.60	\$186.24	\$216.55	\$238.56	\$230.00	\$220.04
State Medical	\$175.56	\$188.78	\$184.78	\$190.26	\$187.28	\$183.08	\$207.02	\$190.05	\$206.85	\$220.15	\$208.83	\$241.97
Local Drugs	\$44.58	\$56.81	\$56.41	\$66.55	\$60.73	\$69.32	\$71.62	\$64.45	\$71.71	\$72.64	\$75.09	\$82.45
State Drugs	<u>54.80</u>	<u>66.32</u>	<u>65.31</u>	<u>70.49</u>	<u>67.95</u>	<u>75.77</u>	<u>77.94</u>	<u>69.18</u>	<u>76.98</u>	<u>78.77</u>	<u>79.73</u>	<u>87.20</u>
Total	\$440.57	\$484.91	\$524.75	\$545.33	\$484.16	\$490.36	\$560.18	\$509.91	\$572.09	\$610.13	\$593.66	\$631.66
Change From Prior Year - Month to Month Analysis												
Local Medical	15.3%	-17.6%	35.6%	9.4%	-5.8%	0.8%	0.8%	2.2%	6.8%	14.6%	17.9%	17.7%
State Medical	20.5%	13.2%	12.8%	4.0%	2.1%	8.8%	1.4%	-0.8%	3.6%	6.8%	1.0%	9.0%
Local Drugs	6.6%	-1.6%	1.2%	7.1%	1.5%	7.4%	9.1%	6.7%	14.7%	12.0%	11.5%	25.2%
State Drugs	<u>12.4%</u>	<u>2.6%</u>	<u>8.0%</u>	<u>0.0%</u>	<u>2.6%</u>	<u>6.9%</u>	<u>8.6%</u>	<u>5.8%</u>	<u>10.4%</u>	<u>10.5%</u>	<u>8.7%</u>	<u>14.2%</u>
Total	16.0%	-2.8%	19.0%	5.9%	-0.8%	5.5%	3.0%	2.0%	7.0%	10.9%	9.4%	14.6%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			8.3%			1.8%			3.3%			16.7%
State Medical			15.3%			4.9%			1.4%			5.7%
Local Drugs			1.6%			5.4%			10.2%			16.2%
State Drugs			<u>7.2%</u>			<u>3.2%</u>			<u>8.3%</u>			<u>11.2%</u>
Total			9.9%			3.6%			4.1%			11.6%
Change From Prior Year - Year to Year Analysis												
Local Medical			-0.4%			1.0%			1.9%			7.6%
State Medical			2.3%			4.0%			4.6%			6.4%
Local Drugs			-8.8%			-6.8%			-0.2%			8.8%
State Drugs			<u>-4.7%</u>			<u>-3.7%</u>			<u>1.4%</u>			<u>7.6%</u>
Total			-1.1%			0.4%			2.6%			7.3%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2014 to FY 2015**

Fiscal Year 2015					
Exposure					
	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>
Local Medical	25,820	25,754	25,731	25,764	25,823
State Medical	132,621	132,295	132,029	133,050	133,053
Local Drugs	25,820	25,754	25,731	25,764	25,823
State Drugs	132,621	132,295	132,029	133,050	133,053
	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>
Local Medical	\$178.65	\$190.43	\$201.31	\$214.61	\$207.80
State Medical	\$197.18	\$198.87	\$221.84	\$224.74	\$211.21
Local Drugs	\$50.41	\$63.26	\$69.02	\$72.89	\$75.69
State Drugs	<u>61.23</u>	<u>71.45</u>	<u>73.83</u>	<u>76.38</u>	<u>77.19</u>
Total	\$487.48	\$524.00	\$566.00	\$588.63	\$571.89
Change From Prior Year - Month to Month Analysis					
Local Medical	7.9%	10.1%	-7.8%	-1.6%	23.5%
State Medical	12.3%	5.3%	20.1%	18.1%	12.8%
Local Drugs	13.1%	11.3%	22.4%	9.5%	24.6%
State Drugs	<u>11.7%</u>	<u>7.7%</u>	<u>13.1%</u>	<u>8.4%</u>	<u>13.6%</u>
Total	10.6%	8.1%	7.9%	7.9%	18.1%
Change From Prior Year - Quarter to Quarter Analysis					
Local Medical			2.4%		
State Medical			12.5%		
Local Drugs			15.8%		
State Drugs			<u>10.8%</u>		
Total			8.8%		
Change From Prior Year - Year to Year Analysis					
Local Medical			6.2%		
State Medical			6.0%		
Local Drugs			11.8%		
State Drugs			<u>8.4%</u>		
Total			7.1%		