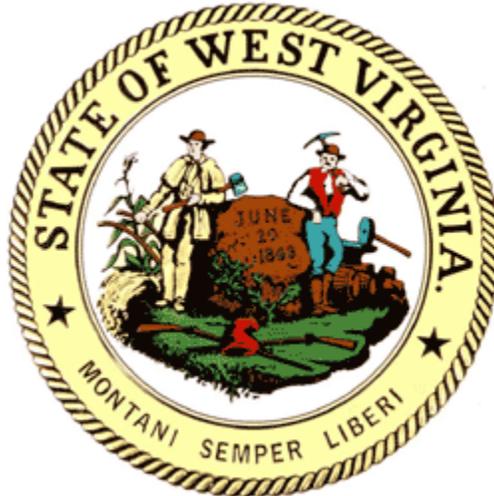




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
December 31, 2013**

Fiscal Years 2014-2018

April 2014



415 Main Street
Reisterstown, MD 21136

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

Email: info@ccrcactuaries.com

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 Actuarial, LLC (“CCRC Actuarial”).

CCRC Actuarial 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 Actuarial to review the financial plan prepared and proposed by the Board in December 2013 for the fiscal year 2015 (“FY 2015”) and to provide quarterly financial reports for current FY 2014 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 2014 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 2018.

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 2014 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, 2014 (“FY 2014”), June 30, 2015 (“FY 2015”), June 30, 2016 (“FY 2016”), June 30, 2017 (“FY 2017”) and June 30, 2018 (“FY 2018”). Our opinion of plan adequacy is based on the projections through FY 2018 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2013. 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 2014 the Pay-Go is equivalent to \$336 per employee per month. In future years, the Pay Go premium may increase by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2013.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drugs Claim Trend Report - September 2013”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2014 through FY 2018 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 2014 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2013.

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 2018 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, F.S.A., M.A.A.A.
Senior Actuarial Consultant

West Virginia Public Employees Insurance Agency
Report of Independent Actuary
Financial Plan for FY 2014 – FY 2018

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 February 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 March 2014 enrollment levels for the duration of these forecasts for active employees.

In aggregate, March 2014 enrollment for active employees has increased by 87 coverages since the end of FY 2013. Aggregate PPB enrollment has increased by 90 in total over the same period, while managed care enrollment experienced a decrease of 3 coverages.

In the State Fund, the overall active State enrollment decreased by 159 coverages from the end of FY 2013 to March 2014. And in the Local Fund, the overall active Local enrollment increased by 246 coverages from the end of FY 2013 to March 2014.

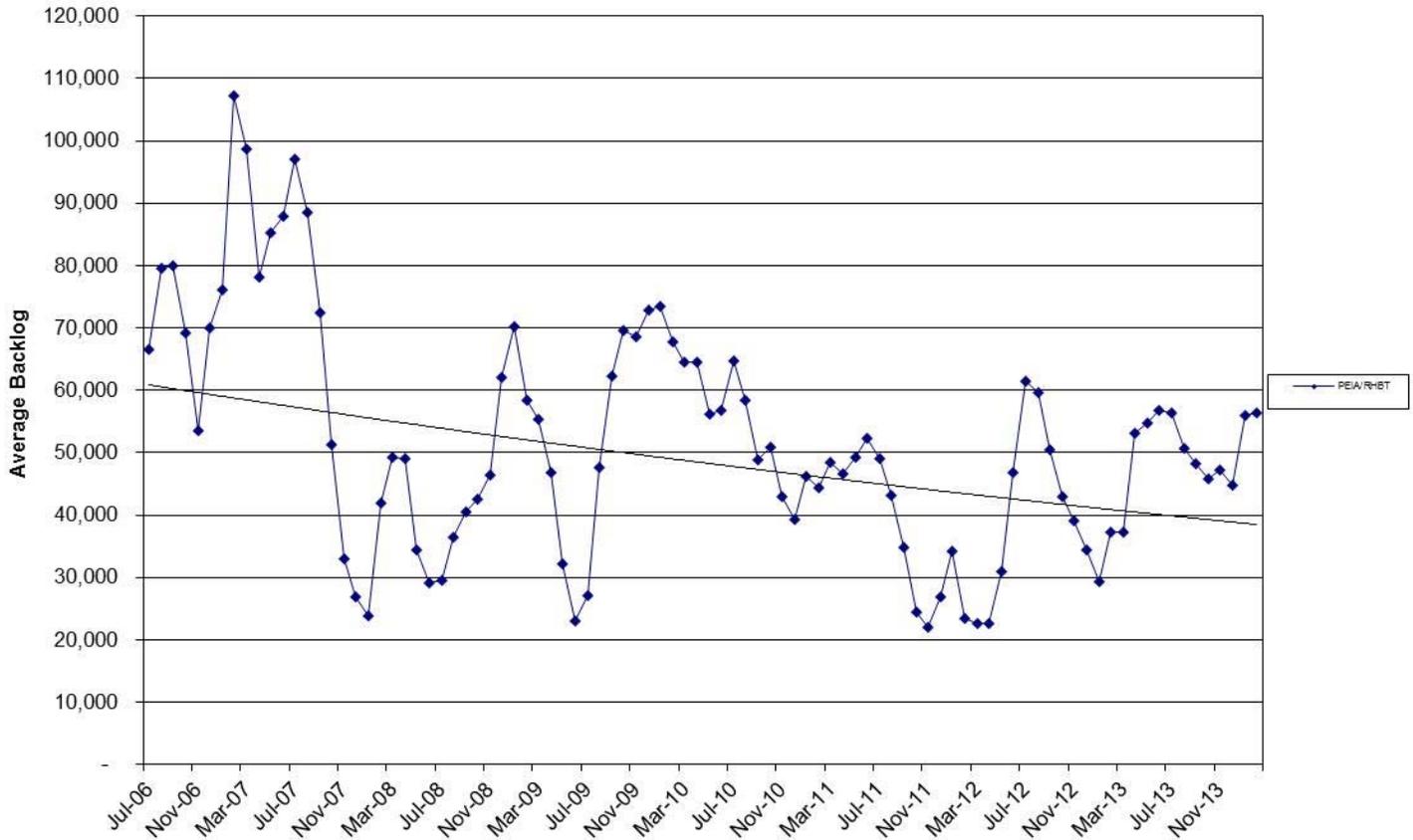
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2012, June 2013 and March 2014 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-12	Jun-13	Mar-14	Jun-12	Jun-13	Mar-14
State Active	Single	22,488	22,367	22,124	1,960	1,887	1,906
	Children	6,247	6,479	6,599	622	648	625
	Family	30,358	30,573	30,607	2,984	2,899	2,833
	Total	59,093	59,419	59,330	5,566	5,434	5,364
Local Active	Single	5,014	5,206	5,217	300	322	358
	Children	863	976	991	98	106	114
	Family	5,208	5,352	5,505	109	131	154
	Total	11,085	11,534	11,713	507	559	626
Plan Total		70,178	70,953	71,043	6,073	5,993	5,990
Grand Total					76,251	76,946	77,033

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 February 2014



C. Trend Analysis

PEIA experienced favorable medical and prescription drug trends in FY 2013, 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 2013”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have decreased the FY 2014 medical claim trend to 5%. Additionally, due to PEIA’s favorable FY 2013 prescription drug experience, we have decreased our trend assumption for all prescription drugs coverage to 8% in FY 2014.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2014 Trend	Updated Assumption FY 2014 Trend
Active Local – Medical	6.0%	5.0%
State – Medical	6.0%	5.0%
Active Local – Drugs	9.0%	8.0%
State – Drugs	9.0%	8.0%

In addition, we have assumed that trends will increase by 0.5% in FY 2015 and FY 2016, and then increase by 1.0% in each successive fiscal year beginning in FY 2017. 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 February 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	8%	6%	9%	8%	7%
2012	5%	5%	8%	6%	5%
2013	-2%	-2%	-10%	-7%	-4%
2014*	3%	5%	-1%	0%	3%

* Fiscal Year 2014 results are through the first eight months ending February 2014.

D. Enrollment, Claim, Expense and Revenue Assumptions

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

Fiscal Year 2014 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	59,090	\$ 474	\$ 126	\$ 455	\$ 148	
	<u>Managed Care</u>	<u>5,337</u>	\$ 487	\$ 135			\$ 546
	Total	64,427					
Local	PPB	11,667	\$ 589	\$ -	\$ 438	\$ 121	
	<u>Managed Care</u>	<u>617</u>	\$ 442	\$ -			\$ 447
	Total	12,284					

*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 the additional revenues from employers, employees and direct transfers assumed in the report.

Board Decisions – December 2013

Source	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Additional State Employer Revenue	\$0	\$0	\$55,000,000	\$51,000,000	\$59,000,000
Additional Local Agency Revenue	\$0	(\$1,200,000)	\$0	\$10,000,000	\$18,500,000
Additional Employee Premium	\$0	(\$5,400,000)	\$13,800,000	\$12,800,000	\$14,800,000
Benefit Reductions/(Increase)	\$0	(\$1,600,000)	(\$1,691,200)	(\$1,804,352)	(\$1,942,945)
PPACA Savings/(Cost)	(\$5,242,636)	(\$8,844,687)	(\$5,746,749)	(\$2,148,824)	(\$350,912)
Pay Go Premium Transfer	\$161,016,316	\$150,000,000	\$153,500,000	\$190,000,000	\$210,000,000

The \$5,242,636 of PPACA benefit enhancements in Fiscal Year 2014 is comprised of the following:

	<u>Included in 2014 Claim Cost</u>
Reinsurance Contributions (Cost)	(\$4.9 M)
Comparative Effectiveness Research Fees (Cost)	(\$342,636)

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 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 \$20,600,000. FY 2014 is projected to be \$4,900,000.

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 will accrue and pay these fees in FY 2014 through FY 2019. The fee will be \$2 per members in FY 2014 and in subsequent years. The total comparative effectiveness research fees for the financial projection are estimated to be \$2,257,122, with an expected \$342,636 in FY 2014.

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 2014 the Pay-Go is equivalent to \$336 per employee per month. In future years, the Pay Go premium may increase by a maximum of 3% per retiree per year. The new Pay-Go premium formula is based on the financial plan approved by the Financial Board in December 2013.

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 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 \$730,243,228 and incurred plan expenses of \$733,331,923 to produce a fiscal year deficit of (\$3,088,695). It should be noted that this is a decrease from the projected deficit of (\$1,267,313) in the PEIA Financial Plan FY2014-2018 Report due to the higher drug claims experience. The PEIA local and state agencies Pay Go premiums for FY 2014 are assumed to be \$161,016,316.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$211,248,864 and the FY 2015 expenditures of \$762,771,506, which represents 28% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

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 \$722,104,314 and incurred plan expenses of \$762,771,506 to produce a fiscal year deficit of (\$40,667,192). 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 \$170,581,672 and the FY 2016 expenditures of \$801,324,852, which represents 21% 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 \$191,188,162 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$149,835,913.

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 \$792,407,901 and incurred plan expenses of \$801,324,852 to produce a fiscal year deficit of (\$8,916,951). The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$153,500,000.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$161,664,721 and the FY 2017 expenditures of \$879,355,309, which represents 18% 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 \$209,951,576 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$112,432,724.

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 \$866,430,699 and incurred plan expenses of \$879,355,309 to produce a fiscal year deficit of (\$12,924,610). The PEIA local and state agencies Pay Go premiums for FY 2017 are assumed to be \$190,000,000.

Under the Baseline Scenario, FY 2017 is projected to end with a reserve of \$148,740,110 and the FY 2018 expenditures of \$952,173,762, which represents 16% 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 \$238,708,381 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$55,839,854.

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 \$958,875,352 and incurred plan expenses of \$952,173,762 to produce a fiscal year surplus of \$6,701,590. The PEIA local and state agencies Pay Go premiums for FY 2018 are assumed to be \$210,000,000.

Under the Baseline Scenario, FY 2018 is projected to end with a reserve of \$155,441,700 and the FY 2019 expenditures of \$1,029,338,687, 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 \$303,574,785 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$519,386.

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 2018 using the Baseline assumptions. These projections are based on significant revenue increases as contained in the Financial Plan adopted by the Board in December 2013 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 2014**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 106,676,323	\$ 434,065,082	\$ 540,741,405
Employer Premiums - MCO	4,228,151	40,277,608	44,505,759
Employee Premiums - PPB	-	115,469,488	115,469,488
Employee Premiums - MCO	-	11,158,678	11,158,678
Life Insurance	331,930	1,790,586	2,122,516
Investment Income	1,912,126	7,876,742	9,788,868
COBRA Premiums	338,569	1,405,795	1,744,364
Administrative Fees	720,435	3,991,715	4,712,150
Total Revenue	\$ 114,207,534	\$ 616,035,694	\$ 730,243,228
<u>Program Expenses</u>			
Medical Claims	\$ 61,293,527	\$ 322,522,596	\$ 383,816,123
Prescription Drug Claims	16,918,381	104,713,823	121,632,204
Managed Care Capitations	3,308,000	34,946,560	38,254,560
Administration	2,830,480	15,268,958	18,099,438
Life Insurance	332,100	1,791,504	2,123,604
Wellness	359,214	1,937,774	2,296,988
ACA Reinsurance Contributions	700,000	4,200,000	4,900,000
ACA Comparative Effectiveness Research Fees	49,631	293,005	342,636
Director's Discretionary Fund	131,535	718,519	850,054
WV RHBT Pay Go Premiums	25,103,217	135,913,099	161,016,316
Total Expenses	\$ 111,026,085	\$ 622,305,838	\$ 733,331,923
Fiscal Year Results	\$ 3,181,449	\$ (6,270,144)	\$ (3,088,695)
Beginning Plan Reserve	43,977,120	170,360,438	214,337,559
Ending Plan Reserve	\$ 47,158,569	\$ 164,090,294	\$ 211,248,864

KEY ASSUMPTIONS

		Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employer Premiums	\$ -			
Additional Local Agency Revenue	\$ -			
Additional State Employee Premiums	\$ -	Active Local	5.0%	8.0%
Direct Transfers	\$ -	State	5.0%	8.0%
		Capitations		-2.2%
		Administrative Expense		-4.9%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 106,676,323	\$ -	\$ 106,676,323
Employer Premiums - MCO	4,228,151	-	4,228,151
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	331,930		331,930
Investment Income	1,912,126		1,912,126
COBRA Premiums	338,569		338,569
Administrative Fees	720,435		720,435
Total Revenue	\$ 114,207,534	\$ -	\$ 114,207,534
<u>Program Expenses</u>			
Medical Claims	\$ 61,293,527	\$ -	\$ 61,293,527
Prescription Drug Claims	16,918,381	-	16,918,381
Managed Care Capitations	3,308,000		3,308,000
Administration	2,830,480		2,830,480
Life Insurance	332,100		332,100
Wellness	359,214		359,214
ACA Reinsurance Contributions	700,000		700,000
ACA Comparative Effectiveness Research Fees	49,631		49,631
Director's Discretionary Fund	131,535		131,535
WV RHBT Pay Go Premiums	25,103,217		25,103,217
Total Expenses	\$ 111,026,085	\$ -	\$ 111,026,085
Fiscal Year Results	\$ 3,181,449		\$ 3,181,449
Beginning Plan Reserve	43,977,120		43,977,120
Ending Plan Reserve	\$ 47,158,569		\$ 47,158,569

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.0%	8.0%
		Capitations		-2.2%
		Administrative Expense		-4.9%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 434,065,082	\$ -	\$ 434,065,082
Employer Premiums - MCO	40,277,608	-	40,277,608
Employee Premiums - PPB	115,469,488	-	115,469,488
Employee Premiums - MCO	11,158,678	-	11,158,678
Life Insurance	1,790,586		1,790,586
Investment Income	7,876,742		7,876,742
COBRA Premiums	1,405,795		1,405,795
Administrative Fees	3,991,715		3,991,715
Total Revenue	\$ 616,035,694	\$ -	\$ 616,035,694
<u>Program Expenses</u>			
Medical Claims	\$ 322,522,596	\$ -	\$ 322,522,596
Prescription Drug Claims	104,713,823	-	104,713,823
Managed Care Capitations	34,946,560		34,946,560
Administration	15,268,958		15,268,958
Life Insurance	1,791,504		1,791,504
Wellness	1,937,774		1,937,774
ACA Reinsurance Contributions	4,200,000		4,200,000
ACA Comparative Effectiveness Research Fees	293,005		293,005
Director's Discretionary Fund	718,519		718,519
WV RHBT Pay Go Premiums	135,913,099		135,913,099
Total Expenses	\$ 622,305,838	\$ -	\$ 622,305,838
Fiscal Year Results	\$ (6,270,144)		\$ (6,270,144)
Beginning Plan Reserve	170,360,438		170,360,438
Ending Plan Reserve	\$ 164,090,294		\$ 164,090,294

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	5.0%	8.0%
		Capitations		-2.2%
		Administrative Expense		-4.9%

**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	\$ 105,522,072	\$ 434,065,082	\$ 539,587,154
Employer Premiums - MCO	4,182,402	40,277,608	44,460,010
Employee Premiums - PPB	-	110,545,345	110,545,345
Employee Premiums - MCO	-	10,682,821	10,682,821
Life Insurance	348,526	1,880,116	2,228,642
Investment Income	1,701,982	6,458,018	8,160,000
COBRA Premiums	335,430	1,392,762	1,728,192
Administrative Fees	720,435	3,991,715	4,712,150
Total Revenue	\$ 112,810,847	\$ 609,293,467	\$ 722,104,314
<u>Program Expenses</u>			
Medical Claims	\$ 65,036,453	\$ 341,654,900	\$ 406,691,353
Prescription Drug Claims	18,360,654	113,454,019	131,814,674
Managed Care Capitations	3,506,082	37,043,354	40,549,436
Administration	2,915,395	15,727,026	18,642,421
Life Insurance	348,705	1,881,079	2,229,784
Wellness	359,214	1,937,774	2,296,988
ACA Reinsurance Contributions	1,300,000	7,200,000	8,500,000
ACA Comparative Effectiveness Research Fees	50,072	294,615	344,687
Director's Discretionary Fund	263,610	1,438,553	1,702,163
WV RHBT Pay Go Premiums	23,385,720	126,614,280	150,000,000
Total Expenses	\$ 115,525,905	\$ 647,245,600	\$ 762,771,506
Fiscal Year Results	\$ (2,715,058)	\$ (37,952,133)	\$ (40,667,192)
Beginning Plan Reserve	47,158,569	164,090,294	211,248,864
Ending Plan Reserve	\$ 44,443,511	\$ 126,138,161	\$ 170,581,672

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	5.5%	8.5%
Direct Transfers	\$ -	State	5.5%	8.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**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	\$ 106,676,323	\$ (1,154,251)	\$ 105,522,072
Employer Premiums - MCO	4,228,151	(45,749)	4,182,402
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	348,526		348,526
Investment Income	1,701,982		1,701,982
COBRA Premiums	335,430		335,430
Administrative Fees	720,435		720,435
Total Revenue	\$ 114,010,847	\$ (1,200,000)	\$ 112,810,847
<u>Program Expenses</u>			
Medical Claims	\$ 64,755,390	\$ 281,063	\$ 65,036,453
Prescription Drug Claims	18,382,909	(22,255)	18,360,654
Managed Care Capitations	3,506,082		3,506,082
Administration	2,915,395		2,915,395
Life Insurance	348,705		348,705
Wellness	359,214		359,214
ACA Reinsurance Contributions	1,300,000		1,300,000
ACA Comparative Effectiveness Research Fees	50,072		50,072
Director's Discretionary Fund	263,610		263,610
WV RHBT Pay Go Premiums	23,385,720		23,385,720
Total Expenses	\$ 115,267,097	\$ 258,808	\$ 115,525,905
Fiscal Year Results	\$ (1,256,250)		\$ (2,715,058)
Beginning Plan Reserve	47,158,570		47,158,570
Ending Plan Reserve	\$ 45,902,320		\$ 44,443,512

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ (1,200,000)	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	5.5%	8.5%
		Capitations		6.0%
		Administrative Expense		3.0%

**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	\$ 434,065,082	\$ -	\$ 434,065,082
Employer Premiums - MCO	40,277,608	-	40,277,608
Employee Premiums - PPB	115,469,488	(4,924,143)	110,545,345
Employee Premiums - MCO	11,158,678	(475,857)	10,682,821
Life Insurance	1,880,116		1,880,116
Investment Income	6,458,018		6,458,018
COBRA Premiums	1,392,762		1,392,762
Administrative Fees	3,991,715		3,991,715
Total Revenue	\$ 614,693,467	\$ (5,400,000)	\$ 609,293,467
<u>Program Expenses</u>			
Medical Claims	\$ 340,175,963	\$ 1,478,937	\$ 341,654,900
Prescription Drug Claims	113,591,764	(137,745)	113,454,019
Managed Care Capitations	37,043,354		37,043,354
Administration	15,727,026		15,727,026
Life Insurance	1,881,079		1,881,079
Wellness	1,937,774		1,937,774
ACA Reinsurance Contributions	7,200,000		7,200,000
ACA Comparative Effectiveness Research Fees	294,615		294,615
Director's Discretionary Fund	1,438,553		1,438,553
WV RHBT Pay Go Premiums	126,614,280		126,614,280
Total Expenses	\$ 645,904,408	\$ 1,341,192	\$ 647,245,600
Fiscal Year Results	\$ (31,210,941)		\$ (37,952,133)
Beginning Plan Reserve	164,090,294		164,090,294
Ending Plan Reserve	\$ 132,879,353		\$ 126,138,161

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	5.5%	8.5%
		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 2016**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 105,522,072	\$ 484,394,896	\$ 589,916,968
Employer Premiums - MCO	4,182,402	44,947,794	49,130,196
Employee Premiums - PPB	-	123,129,266	123,129,266
Employee Premiums - MCO	-	11,898,900	11,898,900
Life Insurance	365,952	1,974,121	2,340,073
Investment Income	2,173,973	7,209,597	9,383,570
COBRA Premiums	368,151	1,528,627	1,896,778
Administrative Fees	720,435	3,991,715	4,712,150
Total Revenue	\$ 113,332,985	\$ 679,074,916	\$ 792,407,901
<u>Program Expenses</u>			
Medical Claims	\$ 68,791,551	\$ 361,381,496	\$ 430,173,047
Prescription Drug Claims	19,971,571	123,408,185	143,379,756
Managed Care Capitations	3,716,447	39,265,955	42,982,402
Administration	3,002,857	16,198,837	19,201,694
Life Insurance	366,140	1,975,133	2,341,273
Wellness	359,214	1,937,774	2,296,988
ACA Reinsurance Contributions	800,000	4,600,000	5,400,000
ACA Comparative Effectiveness Research Fees	50,517	296,232	346,749
Director's Discretionary Fund	263,548	1,439,395	1,702,943
WV RHBT Pay Go Premiums	23,931,386	129,568,614	153,500,000
Total Expenses	\$ 121,253,231	\$ 680,071,621	\$ 801,324,852
Fiscal Year Results	\$ (7,920,246)	\$ (996,705)	\$ (8,916,951)
Beginning Plan Reserve	44,443,511	126,138,161	170,581,672
Ending Plan Reserve	\$ 36,523,264	\$ 125,141,456	\$ 161,664,721

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 13,800,000	Active Local	6.0%	9.0%
Direct Transfers	\$ -	State	6.0%	9.0%
		Capitations		6.0%
		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	\$ 105,522,072	\$ -	\$ 105,522,072
Employer Premiums - MCO	4,182,402	-	4,182,402
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	365,952		365,952
Investment Income	2,173,973		2,173,973
COBRA Premiums	368,151		368,151
Administrative Fees	720,435		720,435
Total Revenue	\$ 113,332,985	\$ -	\$ 113,332,985
<u>Program Expenses</u>			
Medical Claims	\$ 68,493,624	\$ 297,927	\$ 68,791,551
Prescription Drug Claims	19,995,829	(24,258)	19,971,571
Managed Care Capitations	3,716,447		3,716,447
Administration	3,002,857		3,002,857
Life Insurance	366,140		366,140
Wellness	359,214		359,214
ACA Reinsurance Contributions	800,000		800,000
ACA Comparative Effectiveness Research Fees	50,517		50,517
Director's Discretionary Fund	263,548		263,548
WV RHBT Pay Go Premiums	23,931,386		23,931,386
Total Expenses	\$ 120,979,562	\$ 273,669	\$ 121,253,231
Fiscal Year Results	\$ (7,646,577)		\$ (7,920,246)
Beginning Plan Reserve	44,443,512		44,443,512
Ending Plan Reserve	\$ 36,796,935		\$ 36,523,266

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 2016**

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 434,065,082	\$ 50,329,814	\$ 484,394,896
Employer Premiums - MCO	40,277,608	4,670,186	44,947,794
Employee Premiums - PPB	110,545,345	12,583,922	123,129,267
Employee Premiums - MCO	10,682,821	1,216,078	11,898,899
Life Insurance	1,974,121		1,974,121
Investment Income	7,209,597		7,209,597
COBRA Premiums	1,528,627		1,528,627
Administrative Fees	3,991,715		3,991,715
Total Revenue	\$ 610,274,916	\$ 68,800,000	\$ 679,074,916
<u>Program Expenses</u>			
Medical Claims	\$ 359,813,823	\$ 1,567,673	\$ 361,381,496
Prescription Drug Claims	123,558,327	(150,142)	123,408,185
Managed Care Capitations	39,265,955		39,265,955
Administration	16,198,837		16,198,837
Life Insurance	1,975,133		1,975,133
Wellness	1,937,774		1,937,774
ACA Reinsurance Contributions	4,600,000		4,600,000
ACA Comparative Effectiveness Research Fees	296,232		296,232
Director's Discretionary Fund	1,439,395		1,439,395
WV RHBT Pay Go Premiums	129,568,614		129,568,614
Total Expenses	\$ 678,654,090	\$ 1,417,531	\$ 680,071,621
Fiscal Year Results	\$ (68,379,174)		\$ (996,705)
Beginning Plan Reserve	126,138,161		126,138,161
Ending Plan Reserve	\$ 57,758,987		\$ 125,141,456

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 55,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 13,800,000	<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 2017**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 115,140,829	\$ 531,064,360	\$ 646,205,189
Employer Premiums - MCO	4,563,645	49,278,330	53,841,975
Employee Premiums - PPB	-	134,801,310	134,801,310
Employee Premiums - MCO	-	13,026,856	13,026,856
Life Insurance	384,250	2,072,828	2,457,078
Investment Income	1,900,442	7,408,084	9,308,526
COBRA Premiums	403,250	1,674,365	2,077,615
Administrative Fees	720,435	3,991,715	4,712,150
Total Revenue	\$ 123,112,851	\$ 743,317,848	\$ 866,430,699
<u>Program Expenses</u>			
Medical Claims	\$ 73,295,802	\$ 385,043,614	\$ 458,339,416
Prescription Drug Claims	21,878,356	135,190,575	157,068,931
Managed Care Capitations	3,939,434	41,621,912	45,561,346
Administration	3,092,942	16,684,802	19,777,744
Life Insurance	384,447	2,073,890	2,458,337
Wellness	359,214	1,937,774	2,296,988
ACA Reinsurance Contributions	300,000	1,500,000	1,800,000
ACA Comparative Effectiveness Research Fees	50,966	297,859	348,825
Director's Discretionary Fund	263,484	1,440,238	1,703,722
WV RHBT Pay Go Premiums	29,621,912	160,378,089	190,000,000
Total Expenses	\$ 133,186,557	\$ 746,168,753	\$ 879,355,309
Fiscal Year Results	\$ (10,073,706)	\$ (2,850,905)	\$ (12,924,610)
Beginning Plan Reserve	36,523,264	125,141,456	161,664,721
Ending Plan Reserve	\$ 26,449,559	\$ 122,290,551	\$ 148,740,110

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 51,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 10,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 12,800,000	Active Local	7.0%	10.0%
Direct Transfers	\$ -	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 2017**

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 105,522,072	\$ 9,618,757	\$ 115,140,829
Employer Premiums - MCO	4,182,402	381,243	4,563,645
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	384,250		384,250
Investment Income	1,900,442		1,900,442
COBRA Premiums	403,250		403,250
Administrative Fees	720,435		720,435
Total Revenue	\$ 113,112,851	\$ 10,000,000	\$ 123,112,851
<u>Program Expenses</u>			
Medical Claims	\$ 72,977,020	\$ 318,782	\$ 73,295,802
Prescription Drug Claims	21,905,040	(26,684)	21,878,356
Managed Care Capitations	3,939,434		3,939,434
Administration	3,092,942		3,092,942
Life Insurance	384,447		384,447
Wellness	359,214		359,214
ACA Reinsurance Contributions	300,000		300,000
ACA Comparative Effectiveness Research Fees	50,966		50,966
Director's Discretionary Fund	263,484		263,484
WV RHBT Pay Go Premiums	29,621,912		29,621,912
Total Expenses	\$ 132,894,459	\$ 292,098	\$ 133,186,557
Fiscal Year Results	\$ (19,781,608)		\$ (10,073,706)
Beginning Plan Reserve	36,523,266		36,523,266
Ending Plan Reserve	\$ 16,741,658		\$ 26,449,560

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 2017**

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 484,394,896	\$ 46,669,464	\$ 531,064,360
Employer Premiums - MCO	44,947,794	4,330,536	49,278,330
Employee Premiums - PPB	123,129,266	11,672,043	134,801,309
Employee Premiums - MCO	11,898,900	1,127,957	13,026,857
Life Insurance	2,072,828		2,072,828
Investment Income	7,408,084		7,408,084
COBRA Premiums	1,674,365		1,674,365
Administrative Fees	3,991,715		3,991,715
Total Revenue	\$ 679,517,848	\$ 63,800,000	\$ 743,317,848
<u>Program Expenses</u>			
Medical Claims	\$ 383,366,204	\$ 1,677,410	\$ 385,043,614
Prescription Drug Claims	135,355,731	(165,156)	135,190,575
Managed Care Capitations	41,621,912		41,621,912
Administration	16,684,802		16,684,802
Life Insurance	2,073,890		2,073,890
Wellness	1,937,774		1,937,774
ACA Reinsurance Contributions	1,500,000		1,500,000
ACA Comparative Effectiveness Research Fees	297,859		297,859
Director's Discretionary Fund	1,440,238		1,440,238
WV RHBT Pay Go Premiums	160,378,089		160,378,089
Total Expenses	\$ 744,656,499	\$ 1,512,254	\$ 746,168,753
Fiscal Year Results	\$ (65,138,651)		\$ (2,850,905)
Beginning Plan Reserve	125,141,456		125,141,456
Ending Plan Reserve	\$ 60,002,805		\$ 122,290,551

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 51,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 12,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.0%	10.0%
		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	\$ 132,935,530	\$ 585,054,525	\$ 717,990,055
Employer Premiums - MCO	5,268,944	54,288,165	59,557,109
Employee Premiums - PPB	-	148,297,110	148,297,110
Employee Premiums - MCO	-	14,331,056	14,331,056
Life Insurance	403,463	2,176,469	2,579,932
Investment Income	1,545,498	7,558,657	9,104,155
COBRA Premiums	447,148	1,856,637	2,303,785
Administrative Fees	720,435	3,991,715	4,712,150
Total Revenue	\$ 141,321,018	\$ 817,554,334	\$ 958,875,352
<u>Program Expenses</u>			
Medical Claims	\$ 78,828,513	\$ 414,108,529	\$ 492,937,042
Prescription Drug Claims	24,186,141	149,450,822	173,636,964
Managed Care Capitations	4,175,800	44,119,227	48,295,027
Administration	3,185,731	17,185,346	20,371,077
Life Insurance	403,669	2,177,585	2,581,254
Wellness	359,214	1,937,774	2,296,988
ACA Reinsurance Contributions	-	-	-
ACA Comparative Effectiveness Research Fees	51,418	299,494	350,912
Director's Discretionary Fund	263,419	1,441,079	1,704,498
WV RHBT Pay Go Premiums	32,740,007	177,259,993	210,000,000
Total Expenses	\$ 144,193,913	\$ 807,979,849	\$ 952,173,762
Fiscal Year Results	\$ (2,872,895)	\$ 9,574,485	\$ 6,701,590
Beginning Plan Reserve	26,449,559	122,290,551	148,740,110
Ending Plan Reserve	\$ 23,576,664	\$ 131,865,036	\$ 155,441,700

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 59,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 18,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,800,000	Active Local	8.0%	11.0%
Direct Transfers	\$ -	State	8.0%	11.0%
		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	\$ 115,140,829	\$ 17,794,701	\$ 132,935,530
Employer Premiums - MCO	4,563,645	705,299	5,268,944
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	403,463		403,463
Investment Income	1,545,498		1,545,498
COBRA Premiums	447,148		447,148
Administrative Fees	720,435		720,435
Total Revenue	\$ 122,821,018	\$ 18,500,000	\$ 141,321,018
<u>Program Expenses</u>			
Medical Claims	\$ 78,484,229	\$ 344,284	\$ 78,828,513
Prescription Drug Claims	24,215,761	(29,619)	24,186,142
Managed Care Capitations	4,175,800		4,175,800
Administration	3,185,731		3,185,731
Life Insurance	403,669		403,669
Wellness	359,214		359,214
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	51,418		51,418
Director's Discretionary Fund	263,419		263,419
WV RHBT Pay Go Premiums	32,740,007		32,740,007
Total Expenses	\$ 143,879,248	\$ 314,665	\$ 144,193,913
Fiscal Year Results	\$ (21,058,230)		\$ (2,872,895)
Beginning Plan Reserve	26,449,560		26,449,560
Ending Plan Reserve	\$ 5,391,330		\$ 23,576,665

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 18,500,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	8.0%	11.0%
		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	\$ 531,064,360	\$ 53,990,164	\$ 585,054,524
Employer Premiums - MCO	49,278,330	5,009,836	54,288,166
Employee Premiums - PPB	134,801,310	13,495,800	148,297,110
Employee Premiums - MCO	13,026,856	1,304,200	14,331,056
Life Insurance	2,176,469		2,176,469
Investment Income	7,558,657		7,558,657
COBRA Premiums	1,856,637		1,856,637
Administrative Fees	3,991,715		3,991,715
Total Revenue	\$ 743,754,334	\$ 73,800,000	\$ 817,554,334
<u>Program Expenses</u>			
Medical Claims	\$ 412,296,926	\$ 1,811,603	\$ 414,108,529
Prescription Drug Claims	149,634,146	(183,323)	149,450,823
Managed Care Capitations	44,119,227		44,119,227
Administration	17,185,346		17,185,346
Life Insurance	2,177,585		2,177,585
Wellness	1,937,774		1,937,774
ACA Reinsurance Contributions	-		-
ACA Comparative Effectiveness Research Fees	299,494		299,494
Director's Discretionary Fund	1,441,079		1,441,079
WV RHBT Pay Go Premiums	177,259,993		177,259,993
Total Expenses	\$ 806,351,570	\$ 1,628,280	\$ 807,979,850
Fiscal Year Results	\$ (62,597,236)		\$ 9,574,484
Beginning Plan Reserve	122,290,551		122,290,551
Ending Plan Reserve	\$ 59,693,315		\$ 131,865,035

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 59,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 14,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	8.0%	11.0%
		Capitations		6.0%
		Administrative Expense		3.0%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2013 to FY 2014**

Fiscal Year 2013												
Exposure	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>
Local Medical	24,606	24,697	24,745	24,781	24,737	24,762	24,739	24,768	24,934	25,040	25,094	25,125
State Medical	135,434	134,637	134,570	135,532	136,105	136,202	136,338	136,175	136,358	136,477	136,238	135,952
Local Drugs	24,606	24,697	24,745	24,781	24,737	24,762	24,739	24,768	24,934	25,040	25,094	25,125
State Drugs	135,434	134,637	134,570	135,532	136,105	136,202	136,338	136,175	136,358	136,477	136,238	135,952
	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>
Local Medical	\$143.83	\$209.89	\$160.50	\$199.39	\$178.63	\$160.70	\$201.96	\$181.91	\$198.95	\$207.07	\$194.69	\$186.21
State Medical	\$145.58	\$166.66	\$163.73	\$183.09	\$183.41	\$168.32	\$204.06	\$191.85	\$199.68	\$206.35	\$207.15	\$222.90
Local Drugs	\$41.75	\$57.68	\$55.70	\$62.14	\$59.86	\$64.52	\$65.68	\$60.41	\$62.51	\$64.83	\$67.31	\$65.85
State Drugs	<u>48.69</u>	<u>64.66</u>	<u>60.47</u>	<u>70.49</u>	<u>66.24</u>	<u>70.90</u>	<u>71.76</u>	<u>65.41</u>	<u>69.72</u>	<u>71.26</u>	<u>73.38</u>	<u>76.34</u>
Total	\$379.85	\$498.90	\$440.41	\$515.11	\$488.13	\$464.44	\$543.46	\$499.58	\$530.86	\$549.51	\$542.53	\$551.31
Change From Prior Year - Month to Month Analysis												
Local Medical	12.7%	12.6%	-18.7%	-1.5%	-6.6%	-4.7%	2.7%	-6.2%	0.2%	7.5%	-8.6%	-12.7%
State Medical	-7.9%	-12.6%	-1.8%	2.2%	-1.4%	-7.7%	5.6%	-4.4%	-3.2%	2.9%	-1.6%	-2.1%
Local Drugs	-3.1%	-4.9%	-14.0%	-1.0%	-3.4%	-5.9%	-13.0%	-14.9%	-17.1%	-13.3%	-15.1%	-14.8%
State Drugs	<u>-0.6%</u>	<u>-4.7%</u>	<u>-10.1%</u>	<u>3.3%</u>	<u>-2.0%</u>	<u>-4.1%</u>	<u>-4.1%</u>	<u>-14.8%</u>	<u>-14.3%</u>	<u>-7.5%</u>	<u>-12.2%</u>	<u>-10.1%</u>
Total	0.6%	-1.3%	-11.3%	0.5%	-3.7%	-5.9%	0.6%	-7.9%	-5.5%	0.8%	-7.5%	-8.6%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			0.5%			-4.2%			-1.0%			-5.0%
State Medical			-7.7%			-2.3%			-0.8%			-0.4%
Local Drugs			-8.0%			-3.5%			-15.0%			-14.4%
State Drugs			<u>-5.6%</u>			<u>-1.0%</u>			<u>-11.2%</u>			<u>-10.0%</u>
Total			-4.4%			-3.0%			-4.3%			-5.2%
Change From Prior Year - Year to Year Analysis												
Local Medical			3.5%			-0.4%			-0.9%			-2.5%
State Medical			1.9%			0.7%			-0.6%			-2.6%
Local Drugs			4.7%			3.0%			-4.0%			-10.7%
State Drugs			<u>3.0%</u>			<u>2.5%</u>			<u>-2.6%</u>			<u>-7.2%</u>
Total			3.0%			0.8%			-1.4%			-4.3%

**Attachment - PEIA
Historical Monthly Medical and Drug Trends
FY 2013 to FY 2014**

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>
Local Medical	25,169	25,156	25,304	25,259	25,298	25,330	25,439	25,501
State Medical	134,738	133,576	133,375	134,576	134,717	134,883	135,220	135,002
Local Drugs	25,169	25,156	25,304	25,259	25,298	25,330	25,439	25,501
State Drugs	134,738	133,576	133,375	134,576	134,717	134,883	135,220	135,002
	<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>
Local Medical	\$159.66	\$170.87	\$216.50	\$217.55	\$171.87	\$178.81	\$199.43	\$196.80
State Medical	\$175.11	\$188.01	\$181.26	\$193.31	\$188.56	\$179.71	\$202.92	\$201.27
Local Drugs	\$44.58	\$56.81	\$56.42	\$66.62	\$60.82	\$69.53	\$71.73	\$70.98
State Drugs	<u>54.85</u>	<u>66.31</u>	<u>65.31</u>	<u>70.44</u>	<u>67.99</u>	<u>75.71</u>	<u>78.06</u>	<u>77.24</u>
Total	\$434.20	\$482.00	\$519.49	\$547.92	\$489.24	\$503.76	\$552.13	\$546.30
Change From Prior Year - Month to Month Analysis								
Local Medical	11.0%	-18.6%	34.9%	9.1%	-3.8%	11.3%	-1.3%	8.2%
State Medical	20.3%	12.8%	10.7%	5.6%	2.8%	6.8%	-0.6%	4.9%
Local Drugs	6.8%	-1.5%	1.3%	7.2%	1.6%	7.8%	9.2%	17.5%
State Drugs	<u>12.6%</u>	<u>2.5%</u>	<u>8.0%</u>	<u>-0.1%</u>	<u>2.6%</u>	<u>6.8%</u>	<u>8.8%</u>	<u>18.1%</u>
Total	14.3%	-3.4%	18.0%	6.4%	0.2%	8.5%	1.6%	9.4%
Change From Prior Year - Quarter to Quarter Analysis								
Local Medical			6.4%			5.5%		
State Medical			14.4%			5.0%		
Local Drugs			1.7%			5.6%		
State Drugs			<u>7.3%</u>			<u>3.1%</u>		
Total			8.8%			5.0%		
Change From Prior Year - Year to Year Analysis								
Local Medical			-1.2%			1.1%		
State Medical			2.2%			3.9%		
Local Drugs			-8.8%			-6.7%		
State Drugs			<u>-4.7%</u>			<u>-3.7%</u>		
Total			-1.4%			0.5%		