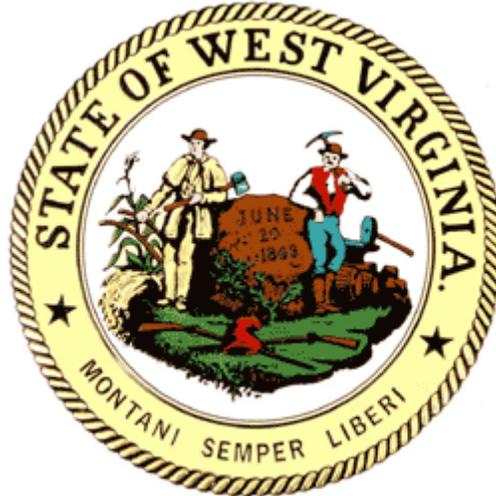




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
March 31, 2011**

Fiscal Years 2011-2015

June 2011



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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 2010 for the fiscal year ending June 30, 2011 (“FY 2011”) and to provide quarterly financial reports thereafter. Our analysis is developed on an accrued and incurred reporting basis for a projection period of five years.

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

The Board is also charged with the responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of PEIA for the fiscal year are met. We have been asked to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of PEIA through FY 2015.

The Medicaid / PEIA Hospital Bill (“Bill”) has been extended and is anticipated to continue to provide PEIA with hospital charge savings through discounts for all non-Medicare coverages. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2011 and subsequently. We are assuming that the Bill will continue throughout the forecast periods. Additionally, PEIA has been granted direct transfers of \$3,500,000 in FY 2011 and FY 2012 to offset employee premium increases.

CCRC Actuaries has provided preliminary forecasts for the fiscal years ending June 30, 2011 (“FY 2011”), June 30, 2012 (“FY 2012”), June 30, 2013 (“FY 2013”), June 30, 2014 (“FY 2014”) and June 30, 2015 (“FY 2015”). Our opinion of plan adequacy is based on the projections through FY 2015 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2010. This forecast is prepared for the Public Employee Insurance Agency, and does not include actuarial projections for the Trust Fund.

In reviewing the plan, CCRC Actuaries utilized information concerning the plan’s prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by PEIA, the plan’s third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not perform any due diligence on the information. The enclosed forecasts include anticipated changes from the federal statute Patient Protection and Affordable Care Act (“PPACA”) signed into law on March 23, 2010. Based on the PPACA/Health Care Reform requirements to expand coverage, the estimated cost of eliminating lifetime limitations and covering children coverage to age 26 is a total of \$9 million dollars in FY 2012.

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - August 2010”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2011 through FY 2015 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of PEIA. In addition, we are forecasting that PEIA will meet the 80% employer cost share and 20% employee cost share requirement for state revenue in FY 2011 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2010.

The conclusion of long-term solvency for the program over the five-year forecast is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2015 as approved by the Board.

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

Respectfully,



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



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

West Virginia Public Employees Insurance Agency

Report of Independent Actuary

Financial Plan for FY 2011 – FY 2015

OVERVIEW

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

This report was compiled utilizing claims data collected by PEIA's third party administrators through April 2011 for prescription drugs and medical claims. Enrollment data, administrative expenses, managed care capitations, and plan revenues were provided at special request from PEIA. Revenue assumptions are based on premium rates, assumed interest income and significant general and special revenue allocations provided by the Governor, some which have not been approved by the West Virginia Legislature. In addition, other information became available through presentations made at the Board meetings, which has been used in arriving at our conclusions.

The Code of the West Virginia establishes the actuarial reporting requirements for PEIA on an incurred basis for medical claims and capitations and on an accrued basis for administrative expenses and revenue for a period not to exceed five years. At the request of the Board, the reporting basis is based upon the separation of employees into two funds: Active Local Employee Fund and State Employee Fund. The Active Local Fund represents local governmental agencies, county governmental agencies and other public entities. The State Fund represents active state employees, college and university employees and county boards of education employees. The Active Local Fund and the State Fund are allocated administrative costs based on each fund's proportionate total revenue levels.

KEY ASSUMPTIONS

A. Enrollment Changes

These projections include the assumption that Preferred Provider Benefit (“PPB”) and managed care enrollment will not change from May 2011 enrollment levels for the duration of these forecasts for active employees.

In aggregate, May 2011 enrollment for active employees has increased by 521 coverages since the end of FY 2010. Aggregate PPB enrollment has increased by 3,052 in total over the same period, while managed care enrollment experienced a decrease of 2,531 coverages.

In the State Fund, there continues to be a transfer of coverage from managed care to PPB coverage with overall active State enrollment increased by 404 coverages from the end of FY 2010 to May 2011. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by 117 coverages from the end of FY 2010 to May 2011.

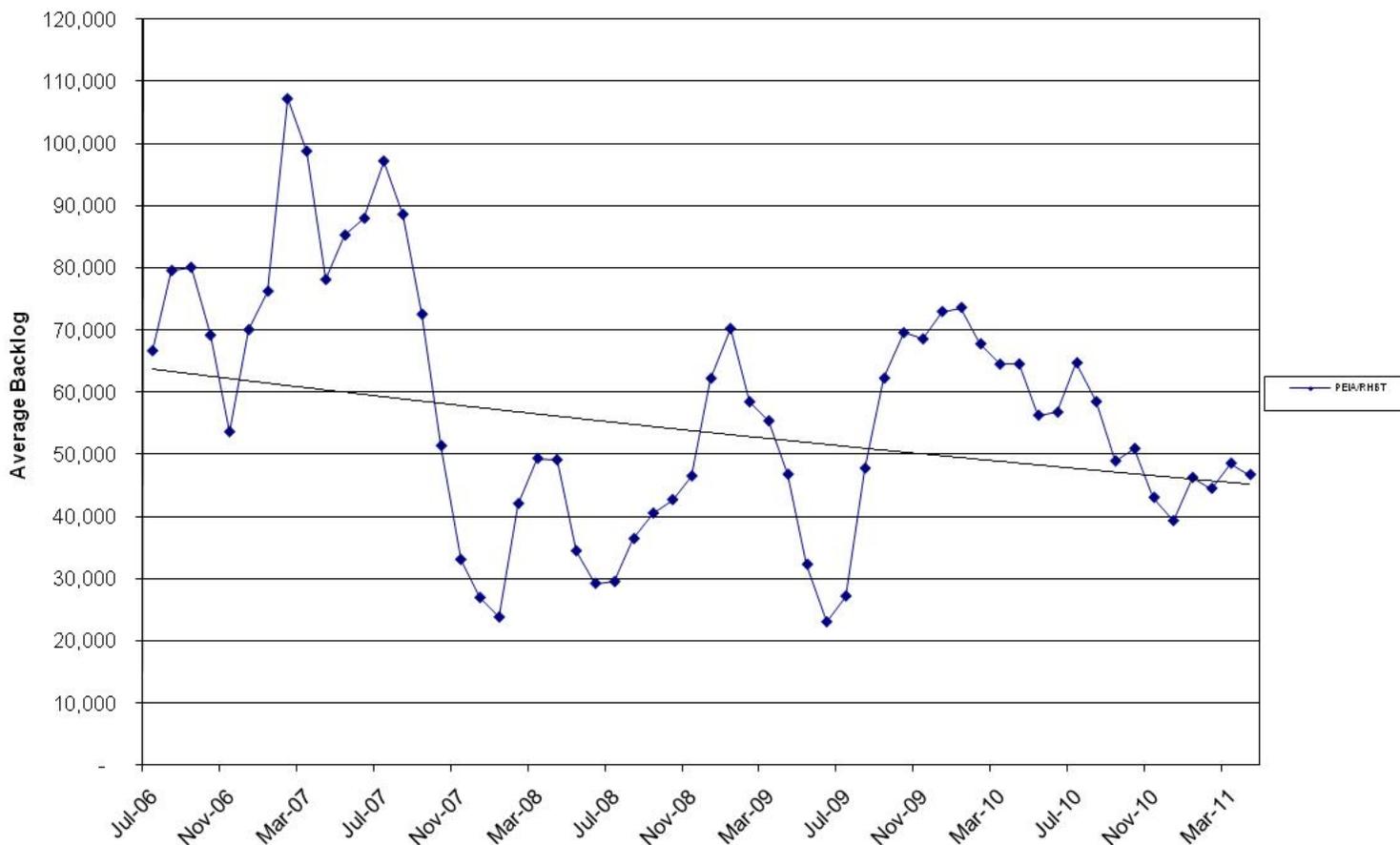
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2009, June 2010 and May 2011 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-09	Jun-10	May-11	Jun-09	Jun-10	May-11
State Active	Single	19,897	21,391	22,782	3,255	3,259	1,791
	Children	5,538	5,524	5,865	695	653	528
	Family	30,292	29,705	30,625	3,835	3,598	2,943
	Total	55,727	56,620	59,272	7,785	7,510	5,262
Local Active	Single	4,442	4,859	5,023	361	424	245
	Children	745	771	865	165	140	82
	Family	5,185	5,033	5,175	130	145	99
	Total	10,372	10,663	11,063	656	709	426
Plan Total		66,099	67,283	70,335	8,441	8,219	5,688
Grand Total					74,540	75,502	76,023

B. Changes in Claim Backlog

It should be noted that beginning in July 2007, all retirees have been transferred to the RHBT. While the chart below, which has not been adjusted to reflect the smaller risk pool, indicates a lower backlog, the duration of claim payment has actually been stable for the self-insured block of non-Medicare coverages, and the backlog showed a decrease since January 2010.

WV PEIA/RHBT Claim Backlog July 2006 through April 2011



C. Trend Analysis

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

The current projection assumes the trends in the following table:

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

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

The following chart summarizes the trend results observed for the plan using data through April 2011. It is important to note that these trends *have not* been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies, nor the changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

PEIA Historical Trends (Active Local and State)

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

* Fiscal Year 2011 results are through the first ten months ending April 2011.

D. Enrollment, Claim, Expense and Revenue Assumptions

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

Fiscal Year 2011 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
State	PPB	58,797	\$ 473	\$ 119	\$ 426	\$ 147	
	Managed Care	5,224	\$ 487	\$ 124			\$ 543
	Total	64,021					
Local	PPB	11,018	\$ 599	\$ -	\$ 387	\$ 127	
	Managed Care	422	\$ 456	\$ -			\$ 531
	Total	11,440					

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

Board Decisions – December 2010

Source	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Additional State Employer Revenue	\$18,000,000	\$0	\$58,000,000	\$60,000,000	\$60,000,000
Additional Local Agency Revenue	\$0	\$0	\$5,000,000	\$13,500,000	\$20,500,000
Additional Employee Premiums	\$4,500,000	\$0	\$18,000,000	\$15,000,000	\$15,000,000
Direct Transfer	\$3,500,000	\$3,500,000	\$0	\$0	\$0
Provider/Benefit Reductions	\$13,100,000	\$0	\$0	\$0	\$0
PPACA Cost Adjustment	\$0	\$9,000,000	\$0	\$0	\$0
Pay Go Premium Transfer	\$145,176,757	\$149,919,642	\$167,833,115	\$183,723,996	\$209,340,123

The \$13,100,000 reduction in benefits in Fiscal Year 2011 are comprised of the following changes:

	<u>Change in 2011 Claim Cost</u>
Increase Family out of pocket to 1.5x Single	\$7.1 M
Increase Lifetime Maximum to \$1.5M	-\$1.1 M
Move Plan B to IRS High Deductible Plan	\$1.4 M
Implement ESI High Performance Formulary	\$5.7 M

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

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

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

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

E. Provider Reimbursement Changes

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

FISCAL YEAR 2011 FORECAST

The financial forecast for FY 2011 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2011 projects accrued revenue of \$707,678,866 and incurred plan expenses of \$685,028,922 to produce a fiscal year surplus of \$22,649,944. It should be noted that this is an improvement from the projected surplus of \$16,426,198 in the PEIA December 31, 2010 Quarterly Report due to lower medical claims expense in recent months. The PEIA local and state agencies Pay Go premiums for FY 2011 are assumed to be \$145,176,757.

Under the Baseline Scenario, FY 2011 is projected to end with a reserve of \$196,254,127 and the FY 2012 expenditures of \$738,858,615, which represents 27% 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 \$199,479,952 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$193,052,903.

FISCAL YEAR 2012 FORECAST

The financial forecast for FY 2012 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2012 projects accrued revenue of \$709,195,583 and incurred plan expenses of \$738,858,615 to produce a fiscal year deficit of (\$29,663,032). The PEIA local and state agencies Pay Go premiums for FY 2012 are assumed to be \$149,919,642.

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$166,591,095 and the FY 2013 expenditures of \$795,139,078, 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 \$183,180,086 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$149,923,973.

FISCAL YEAR 2013 FORECAST

The financial forecast for FY 2013 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2013 projects accrued revenue of \$785,410,323 and incurred plan expenses of \$795,139,078 to produce a fiscal year deficit of (\$9,728,755). The PEIA local and state agencies Pay Go premiums for FY 2013 are assumed to be \$167,833,115.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$156,862,340 and the FY 2014 expenditures of \$854,812,646, 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 \$198,634,860 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$114,367,729.

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 \$873,988,247 and incurred plan expenses of \$854,812,646 to produce a fiscal year surplus of \$19,175,601. The PEIA local and state agencies Pay Go premiums for FY 2014 are assumed to be \$183,723,996.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$176,037,941 and the FY 2015 expenditures of \$930,380,121, which represents 19% 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 \$256,910,021 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$92,736,168.

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 \$971,516,761 and incurred plan expenses of \$930,380,121 to produce a fiscal year surplus of \$41,136,640. The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$209,340,123.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$217,174,581 and the FY 2016 expenditures of \$1,020,939,107, which represents 23% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions. Under the Optimistic Scenario, the ending reserve is expected to increase to \$353,588,979 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$74,897,020.

LITIGATION

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

SUMMARY

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

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 100,487,032	\$ 423,896,333	\$ 524,383,365
Employer Premiums - MCO	2,928,830	38,765,059	41,693,889
Employee Premiums - PPB	-	106,520,930	106,520,930
Employee Premiums - MCO	-	9,890,572	9,890,572
Direct Transfers	-	3,500,000	3,500,000
Investment Income	2,628,557	12,753,376	15,381,933
COBRA Premiums	306,149	1,271,185	1,577,334
Administrative Fees	671,150	4,059,693	4,730,843
Total Revenue	\$ 107,021,718	\$ 600,657,148	\$ 707,678,866
<u>Program Expenses</u>			
Medical Claims	\$ 51,211,978	\$ 300,789,549	\$ 352,001,527
Prescription Drug Claims	16,825,059	103,707,601	120,532,660
Managed Care Capitations	2,686,641	34,037,893	36,724,534
Administration	3,363,465	19,834,716	23,198,181
Life Insurance	681,454	4,659,329	5,340,783
Wellness	235,944	1,391,387	1,627,331
Director's Discretionary Fund	61,502	365,647	427,149
WV RHBT Pay Go Premiums	21,951,827	123,224,930	145,176,757
Total Expenses	\$ 97,017,870	\$ 588,011,052	\$ 685,028,922
Fiscal Year Results	\$ 10,003,848	\$ 12,646,096	\$ 22,649,944
Beginning Plan Reserve	31,211,010	142,393,173	173,604,183
Ending Plan Reserve	\$ 41,214,858	\$ 155,039,269	\$ 196,254,127

KEY ASSUMPTIONS

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

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 100,487,032	\$ 423,896,333	\$ 524,383,365
Employer Premiums - MCO	2,928,830	38,765,059	41,693,889
Employee Premiums - PPB	-	106,520,930	106,520,930
Employee Premiums - MCO	-	9,890,572	9,890,572
Direct Transfers	-	3,500,000	3,500,000
Investment Income	3,273,643	13,625,007	16,898,650
COBRA Premiums	306,149	1,271,185	1,577,334
Administrative Fees	671,150	4,059,693	4,730,843
Total Revenue	\$ 107,666,804	\$ 601,528,779	\$ 709,195,583
<u>Program Expenses</u>			
Medical Claims	\$ 55,407,953	\$ 326,444,627	\$ 381,852,580
Prescription Drug Claims	18,775,054	116,082,894	134,857,948
Managed Care Capitations	2,847,839	36,080,167	38,928,006
Administration	3,531,639	20,826,451	24,358,090
Life Insurance	715,526	4,892,296	5,607,822
Wellness	235,944	1,391,387	1,627,331
Director's Discretionary Fund	245,098	1,462,098	1,707,196
WV RHBT Pay Go Premiums	22,668,988	127,250,654	149,919,642
Total Expenses	\$ 104,428,041	\$ 634,430,574	\$ 738,858,615
Fiscal Year Results	\$ 3,238,763	\$ (32,901,795)	\$ (29,663,032)
Beginning Plan Reserve	41,214,858	155,039,269	196,254,127
Ending Plan Reserve	\$ 44,453,621	\$ 122,137,474	\$ 166,591,095

KEY ASSUMPTIONS

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

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 105,345,428	\$ 477,036,681	\$ 582,382,109
Employer Premiums - MCO	3,070,435	43,624,711	46,695,146
Employee Premiums - PPB	-	122,991,611	122,991,611
Employee Premiums - MCO	-	11,419,890	11,419,890
Direct Transfers	-	-	-
Investment Income	3,549,405	11,876,782	15,426,187
COBRA Premiums	342,484	1,422,053	1,764,537
Administrative Fees	671,150	4,059,693	4,730,843
Total Revenue	\$ 112,978,902	\$ 672,431,421	\$ 785,410,323
<u>Program Expenses</u>			
Medical Claims	\$ 58,606,573	\$ 345,289,797	\$ 403,896,370
Prescription Drug Claims	20,516,292	126,848,666	147,364,958
Managed Care Capitations	3,018,709	38,244,977	41,263,686
Administration	3,708,221	21,867,774	25,575,995
Life Insurance	751,303	5,136,910	5,888,213
Wellness	235,944	1,391,387	1,627,331
Director's Discretionary Fund	242,482	1,446,929	1,689,411
WV RHBT Pay Go Premiums	25,377,641	142,455,474	167,833,115
Total Expenses	\$ 112,457,165	\$ 682,681,913	\$ 795,139,078
Fiscal Year Results	\$ 521,737	\$ (10,250,492)	\$ (9,728,755)
Beginning Plan Reserve	44,453,621	122,137,474	166,591,095
Ending Plan Reserve	\$ 44,975,358	\$ 111,886,982	\$ 156,862,340

KEY ASSUMPTIONS

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

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 118,463,096	\$ 532,009,455	\$ 650,472,551
Employer Premiums - MCO	3,452,767	48,651,937	52,104,704
Employee Premiums - PPB	-	136,717,179	136,717,179
Employee Premiums - MCO	-	12,694,323	12,694,323
Direct Transfers	-	-	-
Investment Income	3,655,718	11,643,855	15,299,573
COBRA Premiums	382,183	1,586,891	1,969,074
Administrative Fees	671,150	4,059,693	4,730,843
Total Revenue	\$ 126,624,914	\$ 747,363,333	\$ 873,988,247
<u>Program Expenses</u>			
Medical Claims	\$ 62,282,993	\$ 366,949,998	\$ 429,232,991
Prescription Drug Claims	22,521,636	139,247,362	161,768,998
Managed Care Capitations	3,199,832	40,539,675	43,739,507
Administration	3,893,632	22,961,163	26,854,795
Life Insurance	788,868	5,393,756	6,182,624
Wellness	235,944	1,391,387	1,627,331
Director's Discretionary Fund	241,413	1,440,991	1,682,404
WV RHBT Pay Go Premiums	27,780,462	155,943,534	183,723,996
Total Expenses	\$ 120,944,780	\$ 733,867,866	\$ 854,812,646
Fiscal Year Results	\$ 5,680,134	\$ 13,495,467	\$ 19,175,601
Beginning Plan Reserve	44,975,358	111,886,982	156,862,340
Ending Plan Reserve	\$ 50,655,492	\$ 125,382,449	\$ 176,037,941

KEY ASSUMPTIONS

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

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

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

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 138,382,517	\$ 586,982,229	\$ 725,364,746
Employer Premiums - MCO	4,033,345	53,679,163	57,712,508
Employee Premiums - PPB	-	150,442,747	150,442,747
Employee Premiums - MCO	-	13,968,755	13,968,755
Direct Transfers	-	-	-
Investment Income	4,105,266	13,002,108	17,107,374
COBRA Premiums	425,022	1,764,766	2,189,788
Administrative Fees	671,150	4,059,693	4,730,843
Total Revenue	\$ 147,617,300	\$ 823,899,461	\$ 971,516,761
<u>Program Expenses</u>			
Medical Claims	\$ 66,501,573	\$ 391,804,423	\$ 458,305,996
Prescription Drug Claims	24,835,642	153,554,457	178,390,099
Managed Care Capitations	3,391,822	42,972,056	46,363,878
Administration	4,088,313	24,109,221	28,197,534
Life Insurance	828,311	5,663,444	6,491,755
Wellness	235,944	1,391,387	1,627,331
Director's Discretionary Fund	238,624	1,424,781	1,663,405
WV RHBT Pay Go Premiums	31,653,815	177,686,308	209,340,123
Total Expenses	\$ 131,774,044	\$ 798,606,077	\$ 930,380,121
Fiscal Year Results	\$ 15,843,256	\$ 25,293,384	\$ 41,136,640
Beginning Plan Reserve	50,655,492	125,382,449	176,037,941
Ending Plan Reserve	\$ 66,498,748	\$ 150,675,833	\$ 217,174,581

KEY ASSUMPTIONS

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

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

Fiscal Year 2009												
Exposure	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
Local Medical	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Medical	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
Local Drugs	19,983	20,235	20,230	20,153	20,164	20,253	20,212	20,165	20,254	20,369	20,369	21,941
State Drugs	120,975	121,524	121,525	122,206	122,315	122,476	122,699	122,837	123,248	123,393	123,583	123,575
	<u>Jul-08</u>	<u>Aug-08</u>	<u>Sep-08</u>	<u>Oct-08</u>	<u>Nov-08</u>	<u>Dec-08</u>	<u>Jan-09</u>	<u>Feb-09</u>	<u>Mar-09</u>	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>
Local Medical	\$139.64	\$135.95	\$146.64	\$163.31	\$146.01	\$155.22	\$175.70	\$162.80	\$188.87	\$186.29	\$165.58	\$194.37
State Medical	157.69	170.20	160.19	180.71	155.26	171.52	178.25	175.03	205.88	198.57	189.96	238.52
Local Drugs	38.31	50.68	53.91	59.10	53.73	60.36	60.69	57.25	61.84	59.63	59.59	65.14
State Drugs	<u>42.46</u>	<u>54.41</u>	<u>59.46</u>	<u>62.37</u>	<u>59.62</u>	<u>66.27</u>	<u>64.18</u>	<u>60.13</u>	<u>67.71</u>	<u>65.38</u>	<u>64.47</u>	<u>75.95</u>
Total	\$378.11	\$411.24	\$420.19	\$465.49	\$414.61	\$453.37	\$478.82	\$455.21	\$524.30	\$509.87	\$479.61	\$573.97
Change From Prior Year - Month to Month Analysis												
Local Medical	-11.5%	-13.9%	1.0%	-11.3%	-8.2%	8.6%	-12.2%	-1.4%	9.9%	-5.9%	-8.9%	13.5%
State Medical	14.6%	-1.8%	14.4%	6.8%	-4.4%	15.5%	0.0%	4.9%	16.7%	5.9%	1.4%	19.5%
Local Drugs	25.1%	5.7%	48.2%	33.8%	-2.0%	15.1%	6.0%	-0.4%	7.5%	5.6%	-0.1%	4.8%
State Drugs	<u>24.4%</u>	<u>0.9%</u>	<u>38.8%</u>	<u>32.0%</u>	<u>2.1%</u>	<u>10.1%</u>	<u>0.3%</u>	<u>-3.5%</u>	<u>6.2%</u>	<u>4.2%</u>	<u>-0.8%</u>	<u>10.9%</u>
Total	5.0%	-5.0%	15.3%	4.7%	-4.6%	12.2%	-4.2%	0.8%	11.7%	1.0%	-2.9%	14.4%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			-8.4%			-4.4%			-1.8%			-0.9%
State Medical			8.2%			5.7%			7.2%			9.1%
Local Drugs			24.3%			14.4%			4.4%			3.4%
State Drugs			<u>19.4%</u>			<u>13.5%</u>			<u>1.0%</u>			<u>4.9%</u>
Total			4.5%			3.9%			2.6%			4.2%
Change From Prior Year - Year to Year Analysis												
Local Medical			0.9%			0.2%			-1.7%			-3.7%
State Medical			9.5%			8.8%			8.1%			7.6%
Local Drugs			-5.9%			2.7%			7.1%			10.3%
State Drugs			<u>-3.0%</u>			<u>4.3%</u>			<u>6.4%</u>			<u>8.7%</u>
Total			2.5%			4.2%			4.1%			3.8%

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

Fiscal Year 2010												
Exposure	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>
Local Medical	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231	21,810	21,970
State Medical	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,170	125,224	123,353
Local Drugs	22,112	22,187	22,245	22,348	22,448	22,578	22,499	22,452	22,429	22,231	21,810	21,970
State Drugs	123,739	122,886	123,002	123,829	124,564	124,790	124,835	124,947	125,085	125,170	125,224	123,353
Local Medical	<u>\$155.50</u>	<u>\$160.40</u>	<u>\$163.18</u>	<u>\$166.41</u>	<u>\$176.95</u>	<u>\$169.31</u>	<u>\$161.09</u>	<u>\$164.76</u>	<u>\$214.70</u>	<u>\$203.95</u>	<u>\$200.20</u>	<u>\$220.62</u>
State Medical	<u>\$167.11</u>	<u>\$166.53</u>	<u>\$166.88</u>	<u>\$173.78</u>	<u>\$174.90</u>	<u>\$166.66</u>	<u>\$174.42</u>	<u>\$180.68</u>	<u>\$205.73</u>	<u>\$200.37</u>	<u>\$192.87</u>	<u>\$235.52</u>
Local Drugs	<u>\$37.82</u>	<u>\$50.79</u>	<u>\$55.49</u>	<u>\$60.05</u>	<u>\$59.06</u>	<u>\$63.71</u>	<u>\$62.49</u>	<u>\$61.35</u>	<u>\$72.42</u>	<u>\$68.16</u>	<u>\$69.13</u>	<u>\$78.53</u>
State Drugs	<u>44.35</u>	<u>58.56</u>	<u>63.35</u>	<u>68.31</u>	<u>64.73</u>	<u>69.49</u>	<u>67.03</u>	<u>66.29</u>	<u>76.35</u>	<u>72.86</u>	<u>73.12</u>	<u>85.29</u>
Total	<u>\$404.79</u>	<u>\$436.30</u>	<u>\$448.90</u>	<u>\$468.55</u>	<u>\$475.65</u>	<u>\$469.16</u>	<u>\$465.03</u>	<u>\$473.08</u>	<u>\$569.20</u>	<u>\$545.35</u>	<u>\$535.31</u>	<u>\$619.97</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	11.4%	18.0%	11.3%	1.9%	21.2%	9.1%	-8.3%	1.2%	13.7%	9.5%	20.9%	13.5%
State Medical	6.0%	-2.2%	4.2%	-3.8%	12.7%	-2.8%	-2.1%	3.2%	-0.1%	0.9%	1.5%	-1.3%
Local Drugs	-1.3%	0.2%	2.9%	1.6%	9.9%	5.5%	3.0%	7.2%	17.1%	14.3%	16.0%	20.6%
State Drugs	<u>4.5%</u>	<u>7.6%</u>	<u>6.5%</u>	<u>9.5%</u>	<u>8.6%</u>	<u>4.9%</u>	<u>4.4%</u>	<u>10.3%</u>	<u>12.8%</u>	<u>11.4%</u>	<u>13.4%</u>	<u>12.3%</u>
Total	7.1%	6.1%	6.8%	0.7%	14.7%	3.5%	-2.9%	3.9%	8.6%	7.0%	11.6%	8.0%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			13.5%			10.4%			2.5%			14.4%
State Medical			2.5%			1.5%			0.3%			0.3%
Local Drugs			0.8%			5.6%			9.2%			17.1%
State Drugs			<u>6.4%</u>			<u>7.6%</u>			<u>9.2%</u>			<u>12.4%</u>
Total			6.7%			6.0%			3.4%			8.8%
Change From Prior Year - Year to Year Analysis												
Local Medical			1.1%			4.6%			5.8%			10.0%
State Medical			6.3%			5.3%			3.5%			1.1%
Local Drugs			5.7%			3.7%			5.0%			8.6%
State Drugs			<u>6.2%</u>			<u>4.9%</u>			<u>7.0%</u>			<u>9.1%</u>
Total			4.3%			4.8%			5.0%			6.2%

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

Fiscal Year 2011										
Exposure	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>
Local Medical	22,597	22,569	22,603	22,608	22,655	22,747	22,678	22,763	22,763	22,809
State Medical	127,260	126,578	124,811	126,188	126,966	127,475	127,808	128,049	128,192	128,243
Local Drugs	22,597	22,569	22,603	22,608	22,655	22,747	22,678	22,763	22,763	22,809
State Drugs	127,260	126,578	124,811	126,188	126,966	127,475	127,808	128,049	128,192	128,243
Local Medical	\$167.76	\$170.58	\$175.85	\$178.30	\$188.07	\$165.61	\$189.68	\$193.26	\$222.20	\$195.92
State Medical	\$151.10	\$181.45	\$185.71	\$193.57	\$195.23	\$186.71	\$203.99	\$199.90	\$232.79	\$201.41
Local Drugs	\$43.95	\$59.52	\$63.30	\$63.75	\$65.92	\$69.88	\$67.26	\$70.75	\$76.08	\$81.69
State Drugs	47.78	65.70	69.72	71.04	72.48	78.42	75.74	72.32	82.77	87.59
Total	\$410.59	\$477.25	\$494.58	\$506.66	\$521.70	\$500.62	\$536.68	\$536.23	\$613.84	\$566.60
Change From Prior Year - Month to Month Analysis										
Local Medical	7.9%	6.3%	7.8%	7.1%	6.3%	-2.2%	17.7%	17.3%	3.5%	-3.9%
State Medical	-9.6%	9.0%	11.3%	11.4%	11.6%	12.0%	17.0%	10.6%	13.2%	0.5%
Local Drugs	16.2%	17.2%	14.1%	6.2%	11.6%	9.7%	7.6%	15.3%	5.0%	19.9%
State Drugs	<u>7.7%</u>	<u>12.2%</u>	<u>10.1%</u>	<u>4.0%</u>	<u>12.0%</u>	<u>12.9%</u>	<u>13.0%</u>	<u>9.1%</u>	<u>8.4%</u>	<u>20.2%</u>
Total	1.4%	9.4%	10.2%	8.1%	9.7%	6.7%	15.4%	13.3%	7.8%	3.9%
Change From Prior Year - Quarter to Quarter Analysis										
Local Medical			7.3%			3.8%			12.0%	
State Medical			3.5%			11.7%			13.5%	
Local Drugs			15.7%			9.2%			9.1%	
State Drugs			<u>10.2%</u>			<u>9.6%</u>			<u>10.1%</u>	
Total			7.2%			8.2%			11.9%	
Change From Prior Year - Year to Year Analysis										
Local Medical			8.7%			7.1%			9.5%	
State Medical			1.3%			3.7%			7.1%	
Local Drugs			11.8%			12.6%			12.5%	
State Drugs			<u>9.9%</u>			<u>10.4%</u>			<u>10.6%</u>	
Total			6.4%			6.9%			9.1%	