



CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



PUBLIC EMPLOYEES INSURANCE AGENCY

**Quarterly Report
March 31, 2012**

Fiscal Years 2012-2016

July 2012



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Finance Board
West Virginia Public Employees Insurance Agency
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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 2011 for the fiscal year ending June 30, 2012 (“FY 2012”) 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 2012 and in subsequent fiscal years. 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 2016.

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 2012 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 2012 and FY 2013 to offset employee premium increases.

CCRC Actuaries has provided preliminary forecasts for the fiscal years ending June 30, 2012 (“FY 2012”), June 30, 2013 (“FY 2013”), June 30, 2014 (“FY 2014”), June 30, 2015 (“FY 2015”) and June 30, 2016 (“FY 2016”). Our opinion of plan adequacy is based on the projections through FY 2016 using updated future revenue and plan modifications provided by the Board in the financial plan adopted in December 2011. 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 requirements to expand coverage, the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children to age 26 is approximately \$9.5 million in FY 2013. In addition, the estimated cost of the Autism expansion bill enacted by the state legislature is \$6.2 million in FY 2013. The PEIA benefit reductions passed by the Finance Board on December 13, 2011 are projected to reduce claims by an aggregate of \$22.5 million in FY 2013. Additional details of the benefit reductions can be found later in this report.

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

This report includes updated claim trend assumptions as recommended in the report titled, “Detailed Medical and Prescription Drug Claim Trend Report - September 2011”. In the circumstances and subject to the conditions described herein, we believe the financial plan approved by the Board for FY 2012 through FY 2016 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of 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 2012 based on the scheduled revenue increases of the financial plan approved and amended by the Board in December 2011.

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 2016 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 2012 – FY 2016

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 May 2012 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 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 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 June 2012 enrollment levels for the duration of these forecasts for active employees.

In aggregate, June 2012 enrollment for active employees has increased by 183 coverages since the end of FY 2011. Aggregate PPB enrollment has decreased by 194 in total over the same period, while managed care enrollment experienced an increase of 377 coverages.

In the State Fund, there seems to be a moderate transfer of coverage from PPB to managed care coverage between July 2011 and June 2012. Overall active State enrollment increased by 112 coverages from the end of FY 2011 to June 2012. In the Local Fund, the same phenomena have occurred with overall active Local enrollment increased by 71 coverages from the end of FY 2011 to June 2012.

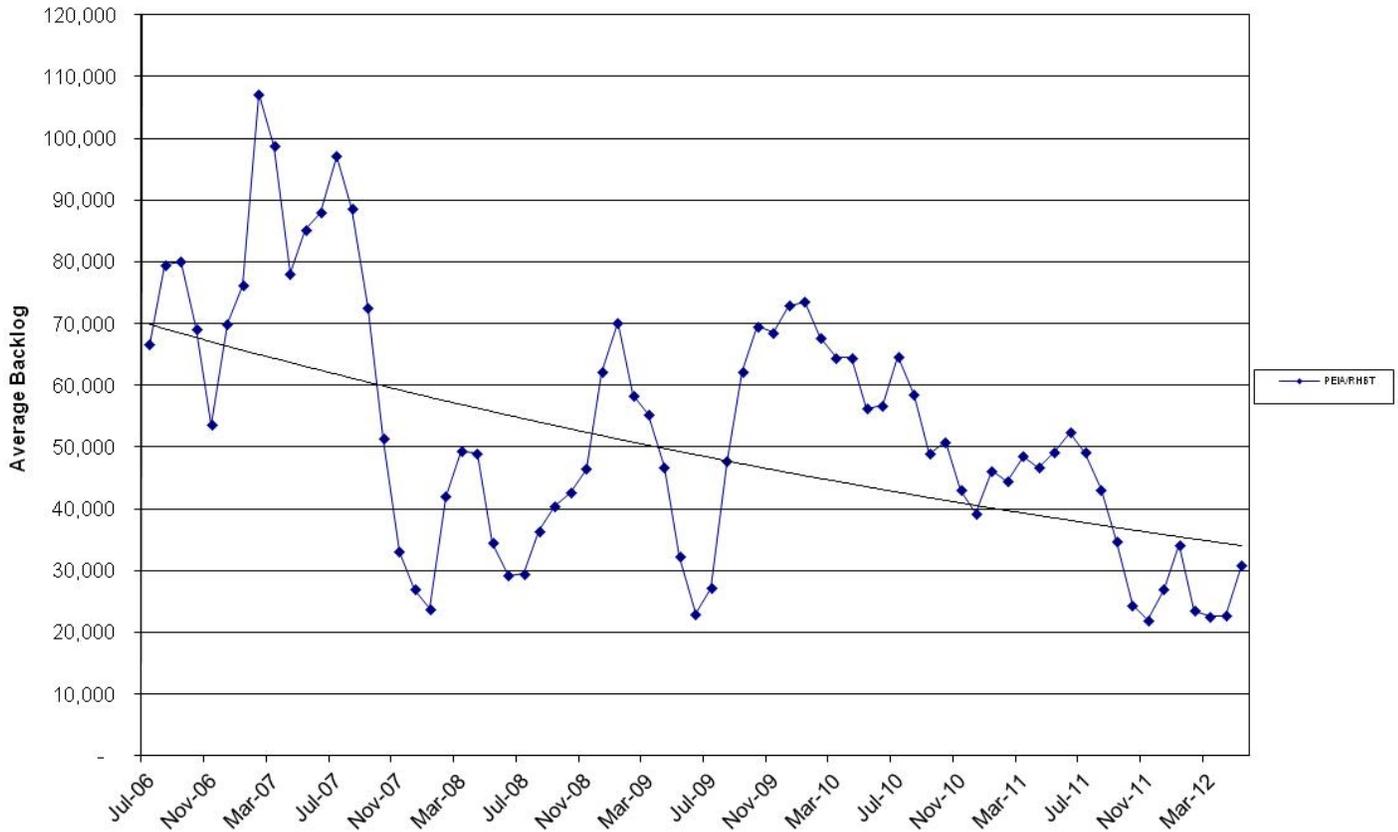
The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2010, June 2011 and June 2012 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-10	Jun-11	Jun-12	Jun-10	Jun-11	Jun-12
State Active	Single	21,391	22,737	22,488	3,259	1,792	1,960
	Children	5,524	5,889	6,247	653	535	622
	Family	29,705	30,651	30,358	3,598	2,943	2,984
	Total	56,620	59,277	59,093	7,510	5,270	5,566
Local Active	Single	4,859	5,036	5,014	424	247	300
	Children	771	865	863	140	81	98
	Family	5,033	5,194	5,208	145	98	109
	Total	10,663	11,095	11,085	709	426	507
Plan Total		67,283	70,372	70,178	8,219	5,696	6,073
Grand Total					75,502	76,068	76,251

B. Changes in Claim Backlog

It should be noted that beginning July 1, 2006, 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 payments has been gradually declining for the self-insured block of non-Medicare coverages, and as of May 2012, the claim backlogs are near historical lows.

WV PEIA&RHBT Claim Backlog July 2006 through May 2012



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 - September 2011”. This report includes the detailed trend analysis of PEIA experience by medical and prescription drugs. Based on the analysis, we have increased the FY 2012 and FY 2013 medical claim trend to 6.5%. Additionally, due to PEIA’s unfavorable FY 2011 prescription drug experience, we have increased our trend assumption for all prescription drugs coverage to 10.0% in FY 2012 and FY 2013.

The current projection assumes the trends in the following table:

Claim Type	Previous Assumption FY 2012 Trend	Updated Assumption FY 2012 Trend
Active Local – Medical	5.5%	6.5%
State – Medical	5.5%	6.5%
Active Local – Drugs	9.0%	10.0%
State – Drugs	9.0%	10.0%

In addition, we have assumed that trends will increase by 0.5% in each successive fiscal year beginning in FY 2014. At the Board’s request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through May 2012. 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	3%	8%	-8%	-3%	3%
2009	-8%	3%	5%	4%	2%
2010	10%	1%	9%	9%	4%
2011	10%	8%	14%	14%	8%
2012*	6%	5%	8%	6%	6%

* Fiscal Year 2012 results are through the first eleven months ending May 2012.

D. Enrollment, Claim, Expense and Revenue Assumptions

Using PEIA paid claim data through May 2012 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 2012 claims and expenses are summarized in the following chart. It should be noted that the chart reflects per policy information.

Fiscal Year 2012 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs*	Monthly Capitation Costs
State	PPB	58,893	\$ 464	\$ 122	\$ 433	\$ 153	
	Managed Care	5,480	\$ 473	\$ 129			\$ 544
	Total	64,373					
Local	PPB	11,057	\$ 597	\$ -	\$ 438	\$ 132	
	Managed Care	488	\$ 446	\$ -			\$ 432
	Total	11,545					

*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. 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 2011

Source	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Additional State Employer Revenue	\$0	\$18,500,000	\$19,500,000	\$67,000,000	\$52,000,000
Additional Local Agency Revenue	\$0	\$0	\$0	\$12,000,000	\$16,000,000
Additional Employee Premium	\$0	\$0	\$4,900,000	\$16,800,000	\$13,000,000
Direct Transfer	\$3,500,000	\$3,500,000	\$0	\$0	\$0
Benefit Reductions/(Increase)	\$0	\$22,489,000	\$4,085,000	\$0	\$0
Autism Bill (Cost)	\$0	(\$6,200,000)	\$0	\$0	\$0
PPACA Savings/(Cost)	\$0	(\$9,534,000)	\$1,000,000	\$0	\$0
Pay Go Premium Transfer	\$152,261,858	\$158,120,257	\$168,004,019	\$178,973,055	\$190,181,211

The \$22,489,000 reduction in benefits in Fiscal Year 2013 is comprised of the following changes:

	<u>Decrease in 2013 Claim Cost</u>
Remove Acupuncture Coverage	\$75 K
Change Physical, Occupational, and Speech Therapy Coverage to Medical Necessary with \$10 Copay	\$1.8 M
Increase Emergency Room Copay to \$100	\$2.4 M
Increase Urgent Care to \$25 Co-Pay	\$0.8 M
Specialty Co-Pay increase to \$25 from \$20	\$1.4 M
Introduce \$500 Copay for Gastric Bypass	\$0.1 M
Introduce \$500 Copay for Dental Procedures that are Medically Necessary	\$0.7 M
Pharmacy Option 75% Copay Tier 3 (\$5/\$15/75%/\$50 Sp)	\$15.214 M

In addition, the Finance board elected to delay increasing the out of pocket maximum for families to FY 2014. The estimated savings is projected to be \$4.1M. The \$9,534,000 of PPACA benefit enhancements is comprised of the estimated “grandfathering” cost of eliminating lifetime limitations, offering free preventive services, and covering children coverage to age 26. The Autism Bill enacted by the state legislature is estimated to cost \$6.2 million in Fiscal Year 2013.

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

E. Provider Reimbursement Changes

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 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 \$709,381,033 and incurred plan expenses of \$708,157,887 to produce a fiscal year surplus of \$1,223,146. It should be noted that this is an increase from the projected deficit of (\$10,479,194) in the PEIA December 31, 2011 Quarterly Report mainly due to the lower medical and prescription drug claims expenses. The PEIA local and state agencies Pay Go premiums for FY 2012 are assumed to be \$152,261,858.

Under the Baseline Scenario, FY 2012 is projected to end with a reserve of \$202,037,899 and the FY 2013 expenditures of \$748,463,333, which represents 27% of projected expenditures. This projected reserve meets the 10% of program expense requirement under the Baseline Scenario assumptions.

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 \$729,720,586 and incurred plan expenses of \$748,463,333 to produce a fiscal year deficit of (\$18,742,747). The PEIA local and state agencies Pay Go premiums for FY 2013 are assumed to be \$158,120,257.

Under the Baseline Scenario, FY 2013 is projected to end with a reserve of \$183,295,152 and the FY 2014 expenditures of \$796,727,018, 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 \$198,348,964 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$168,182,183.

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 \$758,639,935 and incurred plan expenses of \$796,727,018 to produce a fiscal year deficit of (\$38,087,083). The PEIA local and state agencies Pay Go premiums for FY 2014 are assumed to be \$168,004,020.

Under the Baseline Scenario, FY 2014 is projected to end with a reserve of \$145,208,069 and the FY 2015 expenditures of \$856,970,727, which represents 17% 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 \$184,628,109 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$105,146,552.

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 \$852,985,907 and incurred plan expenses of \$856,970,727 to produce a fiscal year deficit of (\$3,984,820). The PEIA local and state agencies Pay Go premiums for FY 2015 are assumed to be \$178,973,056.

Under the Baseline Scenario, FY 2015 is projected to end with a reserve of \$141,223,249 and the FY 2016 expenditures of \$924,534,348, 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 \$219,202,117 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$60,989,624.

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 \$934,787,076 and incurred plan expenses of \$924,534,348 to produce a fiscal year surplus of \$10,252,728. The PEIA local and state agencies Pay Go premiums for FY 2016 are assumed to be \$190,181,212.

Under the Baseline Scenario, FY 2016 is projected to end with a reserve of \$151,475,977 and the FY 2017 expenditures of \$1,001,536,758, 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 \$285,001,640 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$12,371,639.

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 2016 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 2012**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,463,596	\$ 421,265,693	\$ 522,729,289
Employer Premiums - MCO	3,347,513	39,997,839	43,345,352
Employee Premiums - PPB	-	110,518,945	110,518,945
Employee Premiums - MCO	-	10,927,623	10,927,623
Life Insurance	647,562	3,601,535	4,249,097
Direct Transfers	-	3,500,000	3,500,000
Investment Income	1,401,410	6,266,138	7,667,548
COBRA Premiums	314,824	1,307,204	1,622,028
Administrative Fees	737,100	4,084,051	4,821,151
Total Revenue	\$ 107,912,005	\$ 601,469,028	\$ 709,381,033
<u>Program Expenses</u>			
Medical Claims	\$ 58,149,440	\$ 305,978,617	\$ 364,128,057
Prescription Drug Claims	17,506,528	108,354,073	125,860,601
Managed Care Capitations	2,528,755	35,743,901	38,272,656
Administration	3,142,352	17,476,756	20,619,108
Life Insurance	648,749	3,608,134	4,256,883
Wellness	355,329	1,976,228	2,331,557
Director's Discretionary Fund	65,956	361,211	427,167
WV RHBT Pay Go Premiums	23,023,148	129,238,710	152,261,858
Total Expenses	\$ 105,420,257	\$ 602,737,630	\$ 708,157,887
Fiscal Year Results	\$ 2,491,748	\$ (1,268,602)	\$ 1,223,146
Beginning Plan Reserve	38,510,998	162,303,755	200,814,753
Ending Plan Reserve	\$ 41,002,746	\$ 161,035,153	\$ 202,037,899

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	6.5%	10.0%
Direct Transfers	\$ 3,500,000	State	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,463,596	\$ -	\$ 101,463,596
Employer Premiums - MCO	3,347,513	-	3,347,513
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	647,562		647,562
Direct Transfers	-		-
Investment Income	1,401,410		1,401,410
COBRA Premiums	314,824		314,824
Administrative Fees	737,100		737,100
Total Revenue	\$ 107,912,005	\$ -	\$ 107,912,005
<u>Program Expenses</u>			
Medical Claims	\$ 58,149,440	\$ -	\$ 58,149,440
Prescription Drug Claims	17,506,528	-	17,506,528
Managed Care Capitations	2,528,755		2,528,755
Administration	3,142,352		3,142,352
Life Insurance	648,749		648,749
Wellness	355,329		355,329
Director's Discretionary Fund	65,956		65,956
WV RHBT Pay Go Premiums	23,023,148		23,023,148
Total Expenses	\$ 105,420,257	\$ -	\$ 105,420,257
Fiscal Year Results	\$ 2,491,748		\$ 2,491,748
Beginning Plan Reserve	38,510,998		38,510,998
Ending Plan Reserve	\$ 41,002,746		\$ 41,002,746

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 421,265,693	\$ -	\$ 421,265,693
Employer Premiums - MCO	39,997,839	-	39,997,839
Employee Premiums - PPB	110,518,945	-	110,518,945
Employee Premiums - MCO	10,927,623	-	10,927,623
Life Insurance	3,601,535		3,601,535
Direct Transfers	3,500,000		3,500,000
Investment Income	6,266,138		6,266,138
COBRA Premiums	1,307,204		1,307,204
Administrative Fees	4,084,051		4,084,051
Total Revenue	\$ 601,469,028	\$ -	\$ 601,469,028
<u>Program Expenses</u>			
Medical Claims	\$ 305,978,617	\$ -	\$ 305,978,617
Prescription Drug Claims	108,354,073	-	108,354,073
Managed Care Capitations	35,743,901		35,743,901
Administration	17,476,756		17,476,756
Life Insurance	3,608,134		3,608,134
Wellness	1,976,228		1,976,228
Director's Discretionary Fund	361,211		361,211
WV RHBT Pay Go Premiums	129,238,710		129,238,710
Total Expenses	\$ 602,737,630	\$ -	\$ 602,737,630
Fiscal Year Results	\$ (1,268,602)		\$ (1,268,602)
Beginning Plan Reserve	162,303,755		162,303,755
Ending Plan Reserve	\$ 161,035,153		\$ 161,035,153

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	\$ 3,500,000	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 2013**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,463,596	\$ 438,161,490	\$ 539,625,086
Employer Premiums - MCO	3,347,513	41,602,042	44,949,555
Employee Premiums - PPB	-	110,518,945	110,518,945
Employee Premiums - MCO	-	10,927,623	10,927,623
Life Insurance	679,941	3,781,612	4,461,553
Direct Transfers	-	3,500,000	3,500,000
Investment Income	1,766,340	7,512,660	9,279,000
COBRA Premiums	323,295	1,342,379	1,665,674
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 108,313,504	\$ 621,407,082	\$ 729,720,586
<u>Program Expenses</u>			
Medical Claims	\$ 63,001,227	\$ 332,101,827	\$ 395,103,054
Prescription Drug Claims	17,844,670	110,641,790	128,486,460
Managed Care Capitations	2,680,480	37,888,535	40,569,015
Administration	2,757,788	15,337,933	18,095,721
Life Insurance	518,391	2,883,127	3,401,518
Wellness	457,390	2,543,855	3,001,245
Director's Discretionary Fund	260,340	1,425,723	1,686,063
WV RHBT Pay Go Premiums	23,908,983	134,211,274	158,120,257
Total Expenses	\$ 111,429,269	\$ 637,034,064	\$ 748,463,333
Fiscal Year Results	\$ (3,115,765)	\$ (15,626,982)	\$ (18,742,747)
Beginning Plan Reserve	41,002,746	161,035,153	202,037,899
Ending Plan Reserve	\$ 37,886,981	\$ 145,408,171	\$ 183,295,152

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 18,500,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Active Local	6.5%	10.0%
Direct Transfers	\$ 3,500,000	State	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

APPENDIX - BASELINE SCENARIO
PEIA - LOCAL FUND

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
FINANCIAL FORECAST
FISCAL YEAR 2013

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

Local Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,463,596	\$ -	\$ 101,463,596
Employer Premiums - MCO	3,347,513	-	3,347,513
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	679,941		679,941
Direct Transfers	-		-
Investment Income	1,766,340		1,766,340
COBRA Premiums	323,295		323,295
Administrative Fees	732,819		732,819
Total Revenue	\$ 108,313,504	\$ -	\$ 108,313,504
<u>Program Expenses</u>			
Medical Claims	\$ 61,880,433	\$ 1,120,794	\$ 63,001,227
Prescription Drug Claims	19,759,028	(1,914,358)	17,844,670
Managed Care Capitations	2,680,480		2,680,480
Administration	2,757,788		2,757,788
Life Insurance	518,391		518,391
Wellness	457,390		457,390
Director's Discretionary Fund	260,340		260,340
WV RHBT Pay Go Premiums	23,908,983		23,908,983
Total Expenses	\$ 112,222,833	\$ (793,564)	\$ 111,429,269
Fiscal Year Results	\$ (3,909,329)		\$ (3,115,765)
Beginning Plan Reserve	41,002,746		41,002,746
Ending Plan Reserve	\$ 37,093,417		\$ 37,886,981

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	6.5%	10.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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

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

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

State Fund	Baseline Projection	Board Decision	Ending Projection
<u>Revenues</u>			
Employer Premiums - PPB	\$ 421,265,693	\$ 16,895,798	\$ 438,161,491
Employer Premiums - MCO	39,997,839	1,604,202	41,602,041
Employee Premiums - PPB	110,518,945	-	110,518,945
Employee Premiums - MCO	10,927,623	-	10,927,623
Life Insurance	3,781,612		3,781,612
Direct Transfers	3,500,000		3,500,000
Investment Income	7,512,660		7,512,660
COBRA Premiums	1,342,379		1,342,379
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 602,907,082	\$ 18,500,000	\$ 621,407,082
<u>Program Expenses</u>			
Medical Claims	\$ 326,193,722	\$ 5,908,106	\$ 332,101,828
Prescription Drug Claims	122,511,331	(11,869,542)	110,641,789
Managed Care Capitations	37,888,535		37,888,535
Administration	15,337,933		15,337,933
Life Insurance	2,883,127		2,883,127
Wellness	2,543,855		2,543,855
Director's Discretionary Fund	1,425,723		1,425,723
WV RHBT Pay Go Premiums	134,211,274		134,211,274
Total Expenses	\$ 642,995,500	\$ (5,961,436)	\$ 637,034,064
Fiscal Year Results	\$ (40,088,418)		\$ (15,626,982)
Beginning Plan Reserve	161,035,153		161,035,153
Ending Plan Reserve	\$ 120,946,735		\$ 145,408,171

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 18,500,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ 3,500,000	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 2014**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 101,463,596	\$ 455,970,574	\$ 557,434,170
Employer Premiums - MCO	3,347,513	43,292,958	46,640,471
Employee Premiums - PPB	-	114,978,049	114,978,049
Employee Premiums - MCO	-	11,368,519	11,368,519
Life Insurance	713,938	3,970,692	4,684,630
Direct Transfers	-	-	-
Investment Income	3,249,847	13,767,859	17,017,706
COBRA Premiums	334,469	1,388,771	1,723,240
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 109,842,182	\$ 648,797,753	\$ 758,639,935
<u>Program Expenses</u>			
Medical Claims	\$ 66,496,852	\$ 350,528,506	\$ 417,025,357
Prescription Drug Claims	19,643,971	121,797,943	141,441,914
Managed Care Capitations	2,841,309	40,161,847	43,003,156
Administration	2,895,677	16,104,830	19,000,507
Life Insurance	544,311	3,027,284	3,571,595
Wellness	457,390	2,543,855	3,001,245
Director's Discretionary Fund	259,012	1,420,211	1,679,223
WV RHBT Pay Go Premiums	25,403,484	142,600,537	168,004,020
Total Expenses	\$ 118,542,005	\$ 678,185,012	\$ 796,727,018
Fiscal Year Results	\$ (8,699,823)	\$ (29,387,259)	\$ (38,087,083)
Beginning Plan Reserve	37,886,981	145,408,171	183,295,152
Ending Plan Reserve	\$ 29,187,157	\$ 116,020,912	\$ 145,208,069

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 19,500,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ -	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 4,900,000	Active Local	7.0%	10.5%
Direct Transfers	\$ -	State	7.0%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**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	\$ 101,463,596	\$ -	\$ 101,463,596
Employer Premiums - MCO	3,347,513	-	3,347,513
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	713,938		713,938
Direct Transfers	-		-
Investment Income	3,249,847		3,249,847
COBRA Premiums	334,469		334,469
Administrative Fees	732,819		732,819
Total Revenue	\$ 109,842,182	\$ -	\$ 109,842,182
<u>Program Expenses</u>			
Medical Claims	\$ 67,268,455	\$ (771,603)	\$ 66,496,852
Prescription Drug Claims	19,678,137	(34,166)	19,643,971
Managed Care Capitations	2,841,309		2,841,309
Administration	2,895,677		2,895,677
Life Insurance	544,311		544,311
Wellness	457,390		457,390
Director's Discretionary Fund	259,012		259,012
WV RHBT Pay Go Premiums	25,403,484		25,403,484
Total Expenses	\$ 119,347,775	\$ (805,769)	\$ 118,542,006
Fiscal Year Results	\$ (9,505,593)		\$ (8,699,824)
Beginning Plan Reserve	37,093,417		37,886,981
Ending Plan Reserve	\$ 27,587,824		\$ 29,187,157

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ -	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.0%	10.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**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	\$ 438,161,490	\$ 17,809,084	\$ 455,970,574
Employer Premiums - MCO	41,602,042	1,690,916	43,292,958
Employee Premiums - PPB	110,518,945	4,459,104	114,978,049
Employee Premiums - MCO	10,927,623	440,896	11,368,519
Life Insurance	3,970,692		3,970,692
Direct Transfers	-		-
Investment Income	13,767,859		13,767,859
COBRA Premiums	1,388,771		1,388,771
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 624,397,753	\$ 24,400,000	\$ 648,797,753
<u>Program Expenses</u>			
Medical Claims	\$ 354,595,900	\$ (4,067,394)	\$ 350,528,506
Prescription Drug Claims	122,009,780	(211,837)	121,797,943
Managed Care Capitations	40,161,847		40,161,847
Administration	16,104,830		16,104,830
Life Insurance	3,027,284		3,027,284
Wellness	2,543,855		2,543,855
Director's Discretionary Fund	1,420,211		1,420,211
WV RHBT Pay Go Premiums	142,600,537		142,600,537
Total Expenses	\$ 682,464,244	\$ (4,279,231)	\$ 678,185,013
Fiscal Year Results	\$ (58,066,491)		\$ (29,387,260)
Beginning Plan Reserve	120,946,735		145,408,171
Ending Plan Reserve	\$ 62,880,244		\$ 116,020,911

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 19,500,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 4,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.0%	10.5%
		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 2015**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 113,080,334	\$ 517,160,760	\$ 630,241,094
Employer Premiums - MCO	3,730,775	49,102,771	52,833,546
Employee Premiums - PPB	-	130,266,404	130,266,404
Employee Premiums - MCO	-	12,880,164	12,880,164
Life Insurance	749,634	4,169,227	4,918,861
Direct Transfers	-	-	-
Investment Income	2,770,236	12,333,196	15,103,432
COBRA Premiums	378,337	1,570,919	1,949,256
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 121,442,135	\$ 731,543,772	\$ 852,985,907
<u>Program Expenses</u>			
Medical Claims	\$ 71,333,461	\$ 376,023,987	\$ 447,357,448
Prescription Drug Claims	21,760,565	134,921,401	156,681,966
Managed Care Capitations	3,011,787	42,571,558	45,583,345
Administration	3,040,461	16,910,071	19,950,532
Life Insurance	571,527	3,178,648	3,750,175
Wellness	457,390	2,543,855	3,001,245
Director's Discretionary Fund	257,835	1,415,125	1,672,960
WV RHBT Pay Go Premiums	27,062,085	151,910,971	178,973,056
Total Expenses	\$ 127,495,111	\$ 729,475,616	\$ 856,970,727
Fiscal Year Results	\$ (6,052,976)	\$ 2,068,156	\$ (3,984,820)
Beginning Plan Reserve	29,187,157	116,020,912	145,208,069
Ending Plan Reserve	\$ 23,134,182	\$ 118,089,067	\$ 141,223,249

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 67,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 12,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 16,800,000	Active Local	7.5%	11.0%
Direct Transfers	\$ -	State	7.5%	11.0%
		Capitations		6.0%
		Administrative Expense		5.0%

**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	\$ 101,463,596	\$ 11,616,738	\$ 113,080,334
Employer Premiums - MCO	3,347,513	383,262	3,730,775
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	749,634		749,634
Direct Transfers	-		-
Investment Income	2,770,236		2,770,236
COBRA Premiums	378,337		378,337
Administrative Fees	732,819		732,819
Total Revenue	\$ 109,442,135	\$ 12,000,000	\$ 121,442,135
<u>Program Expenses</u>			
Medical Claims	\$ 71,333,461	\$ -	\$ 71,333,461
Prescription Drug Claims	21,760,565	-	21,760,565
Managed Care Capitations	3,011,787		3,011,787
Administration	3,040,461		3,040,461
Life Insurance	571,527		571,527
Wellness	457,390		457,390
Director's Discretionary Fund	257,835		257,835
WV RHBT Pay Go Premiums	27,062,085		27,062,085
Total Expenses	\$ 127,495,111	\$ -	\$ 127,495,111
Fiscal Year Results	\$ (18,052,976)		\$ (6,052,976)
Beginning Plan Reserve	27,587,824		29,187,157
Ending Plan Reserve	\$ 9,534,848		\$ 23,134,181

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 12,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	7.5%	11.0%
		Capitations		6.0%
		Administrative Expense		5.0%

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	\$ 455,970,574	\$ 61,190,186	\$ 517,160,760
Employer Premiums - MCO	43,292,958	5,809,814	49,102,772
Employee Premiums - PPB	114,978,049	15,288,355	130,266,404
Employee Premiums - MCO	11,368,519	1,511,645	12,880,164
Life Insurance	4,169,227		4,169,227
Direct Transfers	-		-
Investment Income	12,333,196		12,333,196
COBRA Premiums	1,570,919		1,570,919
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 647,743,773	\$ 83,800,000	\$ 731,543,773
<u>Program Expenses</u>			
Medical Claims	\$ 376,023,987	\$ -	\$ 376,023,987
Prescription Drug Claims	134,921,401	-	134,921,401
Managed Care Capitations	42,571,558		42,571,558
Administration	16,910,071		16,910,071
Life Insurance	3,178,648		3,178,648
Wellness	2,543,855		2,543,855
Director's Discretionary Fund	1,415,125		1,415,125
WV RHBT Pay Go Premiums	151,910,971		151,910,971
Total Expenses	\$ 729,475,616	\$ -	\$ 729,475,616
Fiscal Year Results	\$ (81,731,843)		\$ 2,068,157
Beginning Plan Reserve	62,880,244		116,020,911
Ending Plan Reserve	\$ (18,851,599)		\$ 118,089,068

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 67,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 16,800,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	7.5%	11.0%
		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 2016**

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

	Active Local Fund	State Fund	PEIA Total
<u>Revenues</u>			
Employer Premiums - PPB	\$ 128,569,318	\$ 564,651,651	\$ 693,220,969
Employer Premiums - MCO	4,241,792	53,611,881	57,853,673
Employee Premiums - PPB	-	142,096,679	142,096,679
Employee Premiums - MCO	-	14,049,889	14,049,889
Life Insurance	787,116	4,377,688	5,164,804
Direct Transfers	-	-	-
Investment Income	2,472,030	12,995,529	15,467,559
COBRA Premiums	415,427	1,724,926	2,140,353
Administrative Fees	732,819	4,060,331	4,793,150
Total Revenue	\$ 137,218,502	\$ 797,568,574	\$ 934,787,076
<u>Program Expenses</u>			
Medical Claims	\$ 76,878,663	\$ 405,254,716	\$ 482,133,379
Prescription Drug Claims	24,214,061	150,133,743	174,347,804
Managed Care Capitations	3,192,495	45,125,852	48,318,347
Administration	3,192,484	17,755,575	20,948,059
Life Insurance	600,103	3,337,580	3,937,683
Wellness	457,390	2,543,855	3,001,245
Director's Discretionary Fund	256,646	1,409,973	1,666,619
WV RHBT Pay Go Premiums	28,756,843	161,424,369	190,181,212
Total Expenses	\$ 137,548,685	\$ 786,985,663	\$ 924,534,348
Fiscal Year Results	\$ (330,183)	\$ 10,582,911	\$ 10,252,728
Beginning Plan Reserve	23,134,182	118,089,067	141,223,249
Ending Plan Reserve	\$ 22,803,998	\$ 128,671,979	\$ 151,475,977

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 52,000,000	Claim and Other Expense Trends		
Additional Local Agency Revenue	\$ 16,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 13,000,000	Active Local	8.0%	11.5%
Direct Transfers	\$ -	State	8.0%	11.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**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	\$ 113,080,334	\$ 15,488,983	\$ 128,569,317
Employer Premiums - MCO	3,730,775	511,017	4,241,792
Employee Premiums - PPB	-	-	-
Employee Premiums - MCO	-	-	-
Life Insurance	787,116		787,116
Direct Transfers	-		-
Investment Income	2,472,030		2,472,030
COBRA Premiums	415,427		415,427
Administrative Fees	732,819		732,819
Total Revenue	\$ 121,218,501	\$ 16,000,000	\$ 137,218,501
<u>Program Expenses</u>			
Medical Claims	\$ 76,878,663	\$ -	\$ 76,878,663
Prescription Drug Claims	24,214,061	-	24,214,061
Managed Care Capitations	3,192,495		3,192,495
Administration	3,192,484		3,192,484
Life Insurance	600,103		600,103
Wellness	457,390		457,390
Director's Discretionary Fund	256,646		256,646
WV RHBT Pay Go Premiums	28,756,843		28,756,843
Total Expenses	\$ 137,548,685	\$ -	\$ 137,548,685
Fiscal Year Results	\$ (16,330,184)		\$ (330,184)
Beginning Plan Reserve	9,534,848		23,134,181
Ending Plan Reserve	\$ (6,795,336)		\$ 22,803,997

KEY ASSUMPTIONS

Additional Local Agency Revenue	\$ 16,000,000	Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
		Local	8.0%	11.5%
		Capitations		6.0%
		Administrative Expense		5.0%

**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	\$ 517,160,760	\$ 47,490,891	\$ 564,651,651
Employer Premiums - MCO	49,102,771	4,509,109	53,611,880
Employee Premiums - PPB	130,266,404	11,830,275	142,096,679
Employee Premiums - MCO	12,880,164	1,169,725	14,049,889
Life Insurance	4,377,688		4,377,688
Direct Transfers	-		-
Investment Income	12,995,529		12,995,529
COBRA Premiums	1,724,926		1,724,926
Administrative Fees	4,060,331		4,060,331
Total Revenue	\$ 732,568,573	\$ 65,000,000	\$ 797,568,573
<u>Program Expenses</u>			
Medical Claims	\$ 405,254,716	\$ -	\$ 405,254,716
Prescription Drug Claims	150,133,743	-	150,133,743
Managed Care Capitations	45,125,852		45,125,852
Administration	17,755,575		17,755,575
Life Insurance	3,337,580		3,337,580
Wellness	2,543,855		2,543,855
Director's Discretionary Fund	1,409,973		1,409,973
WV RHBT Pay Go Premiums	161,424,369		161,424,369
Total Expenses	\$ 786,985,663	\$ -	\$ 786,985,663
Fiscal Year Results	\$ (54,417,090)		\$ 10,582,910
Beginning Plan Reserve	(18,851,599)		118,089,068
Ending Plan Reserve	\$ (73,268,689)		\$ 128,671,978

KEY ASSUMPTIONS

Additional State Employer Premiums	\$ 52,000,000	Claim and Other Expense Trends		
Additional State Employee Premiums	\$ 13,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Direct Transfers	\$ -	State	8.0%	11.5%
		Capitations		6.0%
		Administrative Expense		5.0%

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

Fiscal Year 2010												
Exposure	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>	<u>Oct-09</u>	<u>Nov-09</u>	<u>Dec-09</u>	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Apr-10</u>	<u>May-10</u>	<u>Jun-10</u>
Local Medical	23,646	23,734	23,799	23,903	23,995	24,118	24,041	23,976	23,967	23,760	23,377	23,527
State Medical	131,773	130,804	130,900	131,758	132,507	132,739	132,765	132,841	132,937	132,986	133,044	131,529
Local Drugs	23,646	23,734	23,799	23,903	23,995	24,118	24,041	23,976	23,967	23,760	23,377	23,527
State Drugs	131,773	130,804	130,900	131,758	132,507	132,739	132,765	132,841	132,937	132,986	133,044	131,529
	<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	\$145.30	\$149.88	\$152.46	\$155.47	\$165.41	\$158.48	\$150.40	\$154.14	\$201.01	\$190.20	\$186.96	\$204.72
State Medical	\$156.41	\$156.00	\$156.32	\$163.13	\$163.75	\$156.14	\$163.39	\$169.30	\$192.46	\$188.09	\$180.45	\$220.06
Local Drugs	\$35.42	\$47.55	\$51.94	\$56.22	\$55.26	\$59.63	\$58.46	\$57.42	\$67.74	\$63.73	\$64.46	\$73.29
State Drugs	<u>41.68</u>	<u>55.04</u>	<u>59.55</u>	<u>64.18</u>	<u>60.87</u>	<u>65.29</u>	<u>62.98</u>	<u>62.30</u>	<u>71.75</u>	<u>68.50</u>	<u>68.75</u>	<u>79.91</u>
Total	\$378.81	\$408.47	\$420.26	\$439.00	\$445.29	\$439.53	\$435.23	\$443.15	\$532.96	\$510.52	\$500.61	\$577.99
Change From Prior Year - Month to Month Analysis												
Local Medical	11.6%	18.0%	11.5%	2.2%	21.5%	9.5%	-8.4%	1.5%	13.8%	9.3%	21.0%	12.3%
State Medical	6.0%	-2.1%	4.3%	-3.5%	12.6%	-2.8%	-1.3%	3.3%	-0.2%	1.1%	1.4%	-1.4%
Local Drugs	-0.9%	-0.1%	3.3%	2.0%	10.3%	5.9%	3.2%	7.5%	17.1%	14.5%	15.6%	20.3%
State Drugs	<u>4.6%</u>	<u>7.4%</u>	<u>6.8%</u>	<u>9.7%</u>	<u>8.9%</u>	<u>5.0%</u>	<u>4.6%</u>	<u>10.3%</u>	<u>12.9%</u>	<u>11.5%</u>	<u>13.8%</u>	<u>12.1%</u>
Total	7.2%	6.0%	7.0%	1.0%	14.9%	3.7%	-2.5%	4.1%	8.6%	7.0%	11.6%	7.5%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			13.6%			10.7%			2.6%			13.9%
State Medical			2.6%			1.7%			0.6%			0.3%
Local Drugs			0.9%			5.9%			9.3%			16.9%
State Drugs			<u>6.4%</u>			<u>7.8%</u>			<u>9.3%</u>			<u>12.5%</u>
Total			6.7%			6.2%			3.5%			8.6%
Change From Prior Year - Year to Year Analysis												
Local Medical			-2.4%			2.8%			6.0%			10.0%
State Medical			2.8%			3.5%			3.6%			1.2%
Local Drugs			2.1%			2.0%			5.2%			8.8%
State Drugs			<u>2.9%</u>			<u>3.3%</u>			<u>7.2%</u>			<u>9.2%</u>
Total			0.8%			3.0%			5.1%			6.3%

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

Fiscal Year 2011												
Exposure	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>	<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>
Local Medical	24,133	24,099	24,123	24,114	24,163	24,258	24,185	24,258	24,257	24,293	24,294	24,368
State Medical	135,619	134,817	133,297	134,605	135,312	135,771	136,098	136,272	136,412	136,443	136,510	136,582
Local Drugs	24,133	24,099	24,123	24,114	24,163	24,258	24,185	24,258	24,257	24,293	24,294	24,368
State Drugs	135,619	134,817	133,297	134,605	135,312	135,771	136,098	136,272	136,412	136,443	136,510	136,582
Local Medical	<u>\$155.34</u>	<u>\$158.46</u>	<u>\$163.76</u>	<u>\$165.37</u>	<u>\$177.71</u>	<u>\$158.43</u>	<u>\$173.10</u>	<u>\$207.80</u>	<u>\$202.67</u>	<u>\$180.25</u>	<u>\$204.93</u>	<u>\$225.04</u>
State Medical	<u>\$141.80</u>	<u>\$168.79</u>	<u>\$172.62</u>	<u>\$179.31</u>	<u>\$181.30</u>	<u>\$171.39</u>	<u>\$182.02</u>	<u>\$183.87</u>	<u>\$209.38</u>	<u>\$180.62</u>	<u>\$190.24</u>	<u>\$227.73</u>
Local Drugs	<u>\$41.14</u>	<u>\$55.72</u>	<u>\$59.30</u>	<u>\$59.72</u>	<u>\$61.73</u>	<u>\$65.51</u>	<u>\$63.06</u>	<u>\$65.83</u>	<u>\$71.48</u>	<u>\$66.81</u>	<u>\$68.82</u>	<u>\$74.15</u>
State Drugs	<u>44.79</u>	<u>61.63</u>	<u>65.23</u>	<u>66.51</u>	<u>67.93</u>	<u>73.47</u>	<u>71.04</u>	<u>67.46</u>	<u>77.52</u>	<u>71.89</u>	<u>74.00</u>	<u>82.91</u>
Total	<u>\$383.07</u>	<u>\$444.60</u>	<u>\$460.91</u>	<u>\$470.91</u>	<u>\$488.67</u>	<u>\$468.80</u>	<u>\$489.22</u>	<u>\$524.95</u>	<u>\$561.06</u>	<u>\$499.57</u>	<u>\$538.00</u>	<u>\$609.82</u>
Change From Prior Year - Month to Month Analysis												
Local Medical	6.9%	5.7%	7.4%	6.4%	7.4%	0.0%	15.1%	34.8%	0.8%	-5.2%	9.6%	9.9%
State Medical	-9.3%	8.2%	10.4%	9.9%	10.7%	9.8%	11.4%	8.6%	8.8%	-4.0%	5.4%	3.5%
Local Drugs	16.1%	17.2%	14.2%	6.2%	11.7%	9.9%	7.9%	14.7%	5.5%	4.8%	6.8%	1.2%
State Drugs	<u>7.5%</u>	<u>12.0%</u>	<u>9.5%</u>	<u>3.6%</u>	<u>11.6%</u>	<u>12.5%</u>	<u>12.8%</u>	<u>8.3%</u>	<u>8.0%</u>	<u>4.9%</u>	<u>7.6%</u>	<u>3.8%</u>
Total	1.1%	8.8%	9.7%	7.3%	9.7%	6.7%	12.4%	18.5%	5.3%	-2.1%	7.5%	5.5%
Change From Prior Year - Quarter to Quarter Analysis												
Local Medical			6.7%			4.6%			15.4%			4.9%
State Medical			3.1%			10.1%			9.5%			1.7%
Local Drugs			15.7%			9.3%			9.1%			4.1%
State Drugs			<u>9.8%</u>			<u>9.2%</u>			<u>9.6%</u>			<u>5.4%</u>
Total			6.7%			7.9%			11.6%			3.7%
Change From Prior Year - Year to Year Analysis												
Local Medical			8.5%			7.0%			10.3%			7.9%
State Medical			1.3%			3.3%			5.6%			6.0%
Local Drugs			11.9%			12.7%			12.5%			9.0%
State Drugs			<u>9.9%</u>			<u>10.2%</u>			<u>10.3%</u>			<u>8.4%</u>
Total			6.3%			6.7%			8.8%			7.4%

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

Fiscal Year 2012											
Exposure	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>
Local Medical	24,483	24,431	24,394	24,313	24,282	24,232	24,292	24,302	24,262	24,355	24,333
State Medical	135,664	134,520	134,651	135,322	135,587	135,573	135,784	135,516	135,505	135,458	135,520
Local Drugs	24,483	24,431	24,394	24,313	24,282	24,232	24,292	24,302	24,262	24,355	24,333
State Drugs	135,664	134,520	134,651	135,322	135,587	135,573	135,784	135,516	135,505	135,458	135,520
	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>
Local Medical	\$127.19	\$186.57	\$199.66	\$202.75	\$192.40	\$167.15	\$189.46	\$192.43	\$203.38	\$197.71	\$192.32
State Medical	\$158.75	\$191.93	\$167.22	\$180.94	\$189.77	\$184.79	\$194.10	\$203.27	\$210.64	\$195.30	\$189.62
Local Drugs	\$42.99	\$60.64	\$64.74	\$62.65	\$61.68	\$68.45	\$75.42	\$71.11	\$75.67	\$74.81	\$76.19
State Drugs	<u>48.95</u>	<u>67.76</u>	<u>67.16</u>	<u>68.08</u>	<u>67.47</u>	<u>73.82</u>	<u>74.74</u>	<u>76.73</u>	<u>81.42</u>	<u>76.95</u>	<u>78.89</u>
Total	\$377.86	\$506.90	\$498.79	\$514.42	\$511.31	\$494.21	\$533.71	\$543.52	\$571.11	\$544.77	\$537.03
Change From Prior Year - Month to Month Analysis											
Local Medical	-18.1%	17.7%	21.9%	22.6%	8.3%	5.5%	9.4%	-7.4%	0.4%	9.7%	-6.2%
State Medical	11.9%	13.7%	-3.1%	0.9%	4.7%	7.8%	6.6%	10.5%	0.6%	8.1%	-0.3%
Local Drugs	4.5%	8.8%	9.2%	4.9%	-0.1%	4.5%	19.6%	8.0%	5.9%	12.0%	10.7%
State Drugs	<u>9.3%</u>	<u>9.9%</u>	<u>3.0%</u>	<u>2.4%</u>	<u>-0.7%</u>	<u>0.5%</u>	<u>5.2%</u>	<u>13.7%</u>	<u>5.0%</u>	<u>7.0%</u>	<u>6.6%</u>
Total	-1.4%	14.0%	8.2%	9.2%	4.6%	5.4%	9.1%	3.5%	1.8%	9.0%	-0.2%
Change From Prior Year - Quarter to Quarter Analysis											
Local Medical			7.5%			12.1%			0.3%		
State Medical			7.2%			4.4%			5.7%		
Local Drugs			7.8%			3.1%			10.9%		
State Drugs			<u>7.1%</u>			<u>0.7%</u>			<u>7.8%</u>		
Total			7.4%			6.4%			4.6%		
Change From Prior Year - Year to Year Analysis											
Local Medical			8.0%			9.8%			5.9%		
State Medical			6.9%			5.6%			4.6%		
Local Drugs			7.5%			5.9%			6.5%		
State Drugs			<u>7.8%</u>			<u>5.6%</u>			<u>5.2%</u>		
Total			7.5%			7.1%			5.4%		