West Virginia
Children's Health Insurance Program

Annual Report
2006

West Virginia CHIP Children's Health Insurance Program

West Virginia
Children's Health Insurance Program

2006 Annual Report

Joe Manchin III, Governor

Joe Manchin III, Governor
State of West Virginia

Robert W. Ferguson, Jr., Cabinet Secretary
West Virginia Department of Administration

Sharon L. Carte, Executive Director
West Virginia Children's Health Insurance Program

Prepared by:
Stacey L. Shamblin, MHA
Financial Officer
West Virginia Children's Health Insurance Program

Our Mission

To provide quality health insurance to eligible children and to strive for a health care system in which all West Virginia children have access to health care coverage.

Our Vision

All of West Virginia's children have access to health care coverage.

Table of Contents

STATE OF WEST VIRGINIA
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MONTANI SEMPER LIBERI

Introductory Section

"Fellow citizens, why do you turn and scrape every stone to gather wealth, and take so little care of your children, to whom one day you must relinquish it all?"

-Socrates

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December 1, 2006

Honorable Joe Manchin III, Governor
State of West Virginia

Honorable Members of the
West Virginia Legislature

Board of Directors
West Virginia Children's Health Insurance Program

Robert W. Ferguson, Jr., Cabinet Secretary
West Virginia Department of Administration

Sharon L. Carte, Executive Director
West Virginia Children's Health Insurance Program

Ladies and Gentlemen:

It is a privilege to submit to you the Annual Report of the West Virginia Children's Health Insurance Program (WVCHIP) for the fiscal year ended June 30, 2006. This report was prepared by the Office of the Financial Officer of WVCHIP. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the management of WVCHIP. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to present fairly the financial position and results of operations of WVCHIP. All disclosures necessary to enable the reader to gain an understanding of WVCHIP's financial activities have been included. It should be noted that these financial reports are unaudited and for management purposes only.

This Annual Report is presented in three sections: introductory, financial and statistical. The introductory section contains this transmittal letter, a list of the principal officers of WVCHIP, and WVCHIP's organizational chart. The financial section includes the basic financial statements and footnotes as well as certain supplementary information as required by State Code. Also included

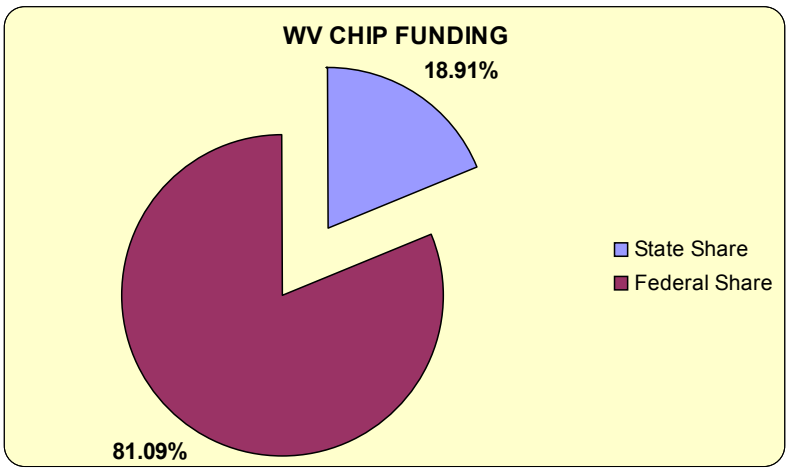
in the financial section is management's discussion and analysis (MD&A) which provides the reader a narrative introduction, overview and further analysis of the financial information presented. The statistical section includes selected financial and statistical data.

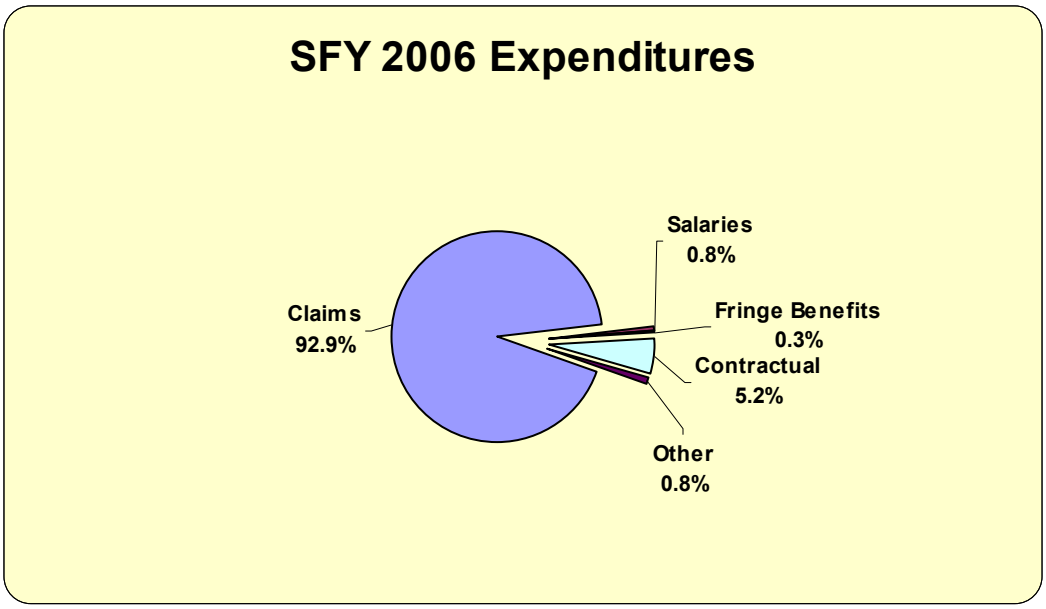
The West Virginia Legislature passed House Bill 4299 on April 19, 1998, to create WVCHIP. Since its inception, it has undergone several changes that include the transfer of the Program from the WV Department of Health and Human Resources to the WV Department of Administration with the passage of Senate Bill 565 in 2000. WVCHIP is governed by a board of up to eleven members. Day-to-day operations of WVCHIP are managed by the Director who is responsible for the implementation of policies and procedures established by the Board of Directors.

FINANCIAL PERFORMANCE AND OUTLOOK

The financial statements of WVCHIP have been prepared on a modified accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as prescribed or permitted by the Governmental Accounting Standards Board (GASB).

WVCHIP's funding is a shared federal/state partnership. The match rates at June 30, 2006, were 81.09% and 18.91%, respectively. WV State Code provides for an actuarial opinion to assure that WVCHIP's estimated program and administrative costs, including incurred but unreported claims, will not exceed 90 percent of the total funding available to the Program. The Actuarial Report dated June 30, 2006, confirmed this requirement will be met through SFY 2011, assuming that state appropriations remain at the current level of $10,966,703, in SFY 2007, and considering increased enrollment and costs projected under the program expansion to 220%FPL. Based on estimated funding, enrollment and costs under the expanded program, the June 30, 2006, Actuarial Report projected federal funding shortfalls of $14.2 million, $26.9 million, $32.1 million, and $38.1 million in state fiscal years (SFY) 2009, 2010, 2011 and 2012 respectively. No federal funding shortfalls were projected for SFY 2007 and 2008. These projected federal funding deficits were reduced in the subsequent September 30, 2006 Actuarial Report, due to the announcement of the FY 2007 federal allotment of $27,516,914. The subsequent report also projects that WVCHIP will meet the requirement that total expenditures not exceed 90% of available funding through 2013.





CASH MANAGEMENT

Cash and cash equivalents consist of funds on deposit in the State Treasurer's Office (WVSTO) and are managed by the West Virginia Board of Treasury Investments. In addition, WVCHIP had funds on deposit with a local financial institution for payment of medical claims processed by WVCHIP's third-party administrator. Cash in this account remained an asset of WVCHIP until such time as claims were paid.

On March 16, 2005, WVCHIP discontinued use of its outside bank account at the behest of the State Treasurer's Office. The account was closed at the end of October 2005, and residual money in the account was transferred back to WVCHIP's fund in the State Treasury. The bank account was part of an efficient payment process for providers of medical claims and also provided the Program with additional interest income. Some efficiencies were lost due to the closure of the outside bank account, most notably the mailing of provider payment checks and remittance advices together. After closure of the outside bank account, medical providers received their checks separate from the remittance advices causing higher volumes of phone calls to the Program's third-party administrator to request second copies of lost remittance advices. In addition, WVCHIP incurred additional costs associated with the separate mailing of provider checks, as well as lost interest income associated with the overnight investment of funds for provider payments that had not yet cleared the bank. This change also affected the payment processes of the Public Employees Insurance Agency (PEIA). PEIA is currently in discussions with the WVSTO to develop a process to mail the provider checks with the remittance advices once again. We are hopeful through their efforts this change will be made in an effort to provide a more efficient process for medical providers than the one currently in place.

INITIATIVES

WVCHIP embarked on a number of special projects this year. These included a collaborative study with the Department of Education to help standardize kindergarten screenings and a partnership with Department of Health and Human Resources to emphasize the importance of developmental checkups.

In an effort to reduce program costs and decrease drug costs trends, the Agency adopted a Preferred Drug List (PDL), as well as chose to cover some over-the-counter medications. Also, WVCHIP continued purchasing vaccines through the State's Immunization Program. The Program was also able to establish the use of Unique Identification Numbers for all members. All initiatives are discussed in more detail in the Major Initiatives section of the Management's Discussion and Analysis found on Page 19 of this report.

OTHER

Title XXI of the Social Security Act, enacted in 1997 by the Balanced Budget Act, authorized Federal grants to states for the provision of child health assistance to uninsured, low-income children. The Centers for Medicare and Medicaid Services (CMS) monitors the operation of WVCHIP. Financial statements are presented for the state fiscal year ended June 30, 2006. The federal fiscal year ends September 30 and further documentation is submitted to CMS based on that period. Certain statistical information such as HEDIS-type reports, by nature, is presented on a calendar year basis as required.

ACKNOWLEDGMENTS

Special thanks are extended to Governor Joe Manchin III and to members of the Legislature for their continued support. Gratitude is expressed to the members of WVCHIP's Board of Directors for their leadership and direction. Our most sincere appreciation is extended to Cabinet Secretary Robert W. Ferguson, Jr., for his hard work in support of the Agency this year. Finally, this report would not have been possible without the dedication and effort of WVCHIP's Executive Director, Sharon L. Carte. Respectfully, we submit this Annual Report for the West Virginia Children's Health Insurance Program for the year ended June 30, 2006.

Sincerely,

Stacey L. Shamblin, MHA
Financial Officer

Principal Officials

Joe Manchin III, Governor
State of West Virginia

Robert W. Ferguson, Jr., Cabinet Secretary
West Virginia Department of Administration

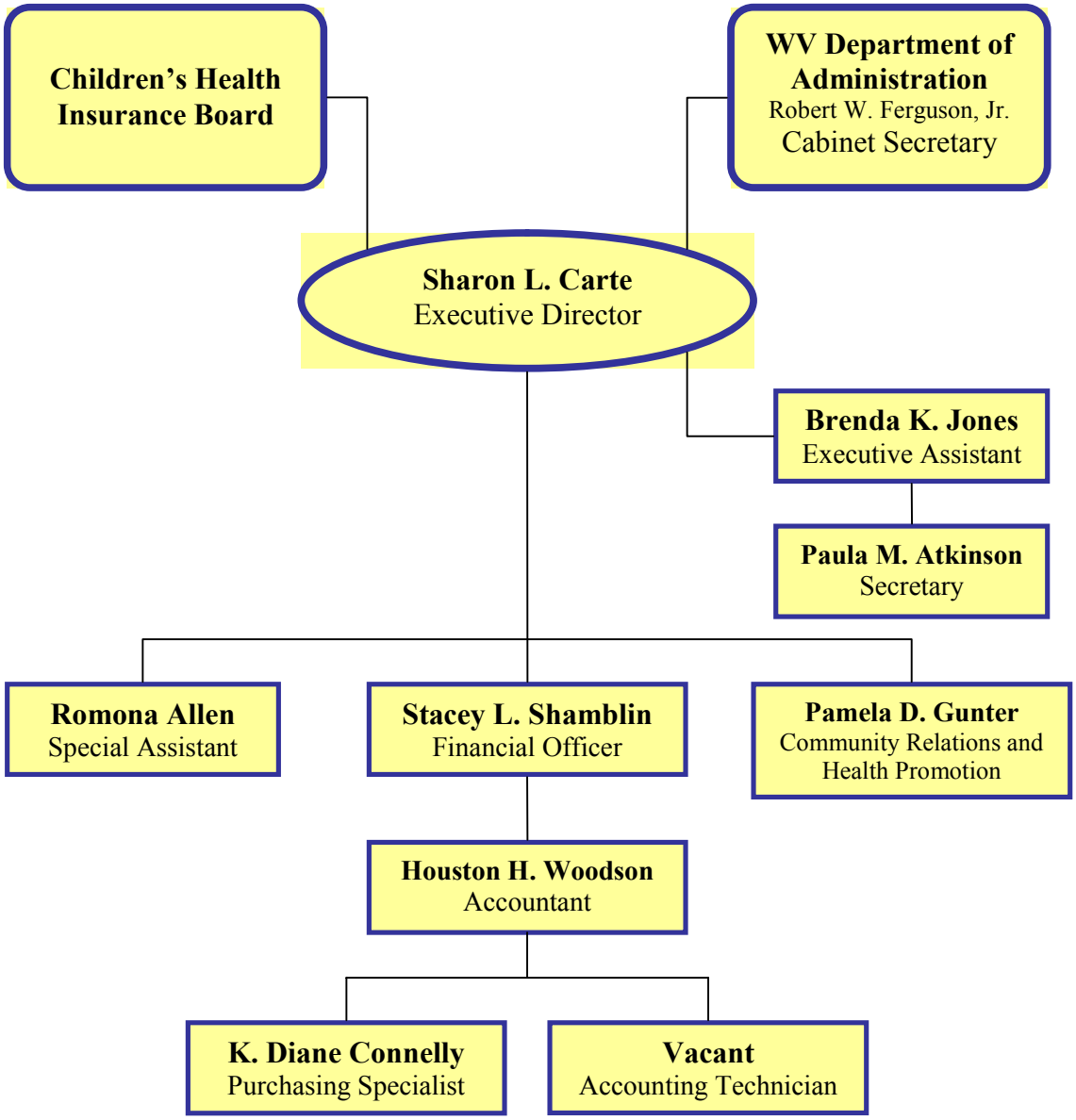
Board Members

Sharon L. Carte, Chair
Ted Cheatham, Public Employees Insurance Agency, Director
Martha Yeager Walker, Department of Health & Human Resources, Cabinet Secretary
The Honorable Roman Prezioso, West Virginia Senate, Ex-Officio
The Honorable Margarette Leach, West Virginia House of Delegates, Ex-Officio
Lynn T. Gunnoe, Citizen Member
Margie Hale, Citizen Member
Travis Hill, Citizen Member
Larry Hudson, Citizen Member
Judith Radcliff, Citizen Member
Debra Sullivan, Citizen Member

Staff

Sharon L. Carte, Executive Director
Romona Allen, Special Assistant
Paula M. Atkinson, Secretary
K. Diane Connelly, Purchasing Specialist
Pamela D. Gunter, Community Relations and Health Promotion
Brenda K. Jones, Executive Assistant
Stacey L. Shamblin, Financial Officer
Houston H. Woodson, Accountant

Staff Organizational Chart



STATE OF WEST VIRGINIA
JUNE 20 1863
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Financial Section

"My children and I are blessed to have this program. Before we got on CHIP, any medical necessity caused additional hardships on our family. Now we don't have to worry about unexpected illnesses and we can afford healthcare. Thank you!"

Comment from a WVCHIP family from the Customer Satisfaction Survey 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST VIRGINIA CHILDREN'S HEALTH INSURANCE PROGRAM
For the Year Ended June 30, 2006

Management of the West Virginia Children's Health Insurance Program (WVCHIP) provides this Management Discussion and Analysis for readers of WVCHIP's financial statements. This narrative overview of the financial statements of WVCHIP is for the year ended June 30, 2006. We encourage readers to consider this information in conjunction with the additional information that is furnished in the footnotes which can be found following the financial statements. It should be noted that these financial statements are unaudited and for management purposes only.

HISTORY AND BACKGROUND

WVCHIP's primary purpose is to provide health insurance coverage to uninsured children in families whose incomes disqualify them from coverage available through the Medicaid Program, but is less than or equal to twice that of the current Federal Poverty Level (FPL). When Congress amended the Social Security Act in 1997 to create Title XXI "State Children's Health Insurance Program", federal funding was authorized to the states for such programs over a ten year period. The West Virginia Legislature established the legal framework for this State's program in legislation enacted in April 1998. Since then, WVCHIP has undergone several changes of its State Plan to reach its current form. These changes included:

- Phase I: In July 1998, the Program began as a Medicaid expansion by covering children from ages 1 to 5 in households with incomes from 131% FPL to 150% FPL.
- Phase II: On April 1, 2000, coverage for children from ages 6 through 18 in households from 100% to 150% FPL was added. WVCHIP also adopted PEIA's Preferred Benefit Plan to serve as the benchmark equivalent coverage program.
- In June 2000, WVCHIP notified the federal government that it was withdrawing the Medicaid expansion program and combining it with Phase II to create a separate state program.
- Phase III: In October 2000, WVCHIP expanded coverage for all children between 151% and 200% FPL.
- In June 2002, WVCHIP modified its co-payment requirements for pharmacy benefits to eliminate co-pays for generic drugs and expand co-pay requirements for brand name drugs. It also adopted an annual benefit limit of $200,000 and a lifetime benefit limit of $1,000,000.
- In January 2006, WVCHIP modified its pharmacy benefits by implementing a Preferred Drug List (PDL) which encouraged utilization of generic drugs and increased the amount of drug rebates received from drug manufacturers.

OVERVIEW OF THE FINANCIAL STATEMENTS

WVCHIP's financial statements have been prepared on a modified accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as prescribed or permitted by the Governmental Accounting Standards Board. As a governmental fund, WVCHIP is required to present two basic statements in this section as follows:

Balance Sheet: This statement reflects WVCHIP's assets, liabilities and fund balance. Assets equal liabilities plus fund balances. The major line item asset consists primarily of funds due from the federal government to cover WVCHIP's major liability, incurred claims.

Statement of Revenues, Expenditures and Changes in Fund Balances: This statement reflects WVCHIP's operating revenues and expenditures. The major source of revenue is federal grant awards while the major expenditure areas include medical, dental, and prescription drug claims costs.

FINANCIAL HIGHLIGHTS

The following financial statements summarize the financial position and the results of operations for the years ended June 30, 2006 and 2005. (See Pages 12 and 13.)

- Total assets have decreased approximately $1,203,307, or 21% in comparison to the previous year end amount. This decrease is primarily a result of decreased ending cash balances and reflects the Program's decreased carry-over funding from prior years. The program has used carry-over funding from prior year's to cover the state's share of program expenditures. This reduction in carry-over funding required the program to ask for additional state appropriations starting in SFY 2007 and future years. Additional funding was approved by the state legislature during the 2006 legislative session.
- Total liabilities have decreased by approximately $1,256,343 during the year. The majority of the decrease is attributable to a decrease in deferred revenues.
- Total fund balance increased approximately $53,036 in comparison to the previous year end amount.
- Total operating revenues decreased approximately $101,673. This is attributable mainly to a decrease in Federal Revenues. Federal Revenues are recognized when a related expense is paid.
- Medical, dental and prescription drug expenditures comprise approximately 93% of WVCHIP's total costs. These expenditures increased slightly by approximately $211,308 over the prior year representing an increase of 1%.
- Administrative costs accounted for 7% of overall expenditures. These expenditures decreased approximately $344,324 representing a decrease of 11%. The decrease is due mainly to completion of the PERM project in September 2005.

West Virginia Children's Health Insurance Program
Comparative Balance Sheet
June 30, 2006 and 2005
(Accrual Basis)

	June 30, 2006	June 30, 2005	Variance	
Assets:				
Cash and Cash Equivalents	$ 876,406	$1,881,159	$(1,004,753)	-53%
Due From Federal Government	3,082,902	3,261,843	(178,941)	-5%
Due From Other Funds	535,419	550,485	(15,066)	-3%
Accrued Interest Receivable	3,640	3,803	(163)	-4%
Fixed Assets, at Historical Cost	75,128	79,512	(4,384)	-6%
Total Assets	$4,573,496	$5,776,803	$(1,203,307)	-21%
Liabilities:				
Due To Other Funds	$ 77,919	$ 229,695	$ (151,776)	-66%
Deferred Revenue	714,710	1,699,389	(984,679)	-58%
Unpaid Insurance Claims Liability	2,753,490	2,873,378	(119,888)	-4%
Total Liabilities	$3,546,119	$4,802,462	$(1,256,343)	-26%
Fund Equity	$1,027,377	$ 974,341	$ 53,036	5%
Total Liabilities and Fund Equity	$4,573,496	$5,776,803	$(1,203,307)	-21%

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2006 and June 30, 2005
(Accrual Basis)

	June 30, 2006	June 30, 2005	Variance	
Revenues:				
Federal Grants	$31,878,421	$31,990,098	$(111,677)	0%
State Appropriations	9,070,795	9,092,134	(21,339)	0%
Investment Earnings	53,036	21,693	31,343	144%
Total Operating Revenues	$41,002,252	$41,103,925	$(101,673)	0%
Operating Expenditures:				
Claims:				
Outpatient Services	$ 9,986,991	$ 9,962,785	$ 24,206	0%
Physician and Surgical	8,722,688	8,535,124	187,564	2%
Prescribed Drugs	7,849,298	7,879,463	(30,165)	0%
Dental	4,787,135	4,768,613	18,522	0%
Inpatient Hospital	2,757,505	2,819,911	(62,406)	-2%
Outpatient Mental Health	1,572,472	1,292,699	279,773	22%
Vision	1,229,655	1,149,972	79,683	7%
Inpatient Mental Hospital	659,722	783,710	(123,988)	-16%
Durable & Disposable Equipment	352,985	447,655	(94,670)	-21%
Therapy	307,361	282,021	25,340	9%
Medical Transportation	225,684	234,195	(8,511)	-4%
Other	102,292	96,308	5,984	6%
Less Collections*	(441,856)	(351,832)	(90,024)	26%
Total Claims	38,111,932	37,900,624	211,308	1%
General and Admin Expenses:				
Enrollment and Claims Processing	1,772,390	1,969,347	(196,957)	-10%
Eligibility	324,120	309,473	14,647	5%
Salaries and Benefits	455,119	448,218	6,901	2%
Current	285,655	454,570	(168,915)	-37%
Total Administrative	2,837,284	3,181,608	(344,324)	-11%
Total Expenditures	40,949,216	41,082,232	(133,016)	0%
Excess of Revenues Over (Under) Expenditures	53,036	21,693	31,343	144%
Fund Equity, Beginning	974,341	952,648	21,693	2%
Fund Equity, Ending	$ 1,027,377	$ 974,341	$ 53,036	5%

* Collections are primarily drug rebates and subrogation

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying general purpose financial statements of the West Virginia Children's Health Insurance Program (WVCHIP) conform to generally accepted accounting principles (GAAP) for governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

The West Virginia Children's Health Insurance Program (WVCHIP) expands access to health services for eligible children. Major revenue sources are federal awards and state appropriations. WVCHIP uses third party administrators to process claims, pay providers, and review utilization of health services. A board of up to eleven members develops plans for health insurance specific to the needs of children and to develop annual financial plans which promote fiscal stability.

Basis of Accounting

WVCHIP follows the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Significant revenues subject to accrual are federal awards. Expenditures are recognized when a related liability is incurred.

Assets and Liabilities

Cash and Cash Equivalents

Cash equivalents principally consist of amounts on deposit in the State Treasurer's Office (STO) that are pooled funds managed by the West Virginia Board of Treasury Investments (BTI). In addition, WVCHIP makes interest-earning deposits in certain investment pools maintained by BTI that are available to WVCHIP with overnight notice. Interest income from these investments is prorated to WVCHIP at rates specified by BTI based on the balance of WVCHIP's deposits maintained in relation to the total deposits of all state agencies participating in the pool. The carrying value of the deposits reflected in the financial statements approximates fair value. WVCHIP also had an outside bank account which was utilized to make provider payments. Cash deposits in the outside bank account were considered to be cash and cash equivalents and were generally carried at fair value. Use of the outside bank account to process provider payments was discontinued in March 2005 and the account closed in October 2005. All cash is now on deposit in the State Treasury.

Deferred Revenue

Receipts to reimburse for program expenditures to be incurred in the future periods are classified as deferred revenue.

Insurance Claims Payable

The liability for unpaid claims is based on an estimate of claims incurred but not yet reported as of the balance sheet date. Offsetting amounts receivable for the federal and state share of these expenditures have been recorded.

Note 2

Cash and Investments

At June 30, 2006, information concerning the amount of deposits with financial institutions, including deposits, of the State Treasurer's Office is as follows:

	Carrying Amount	Bank Balance	Collateralized Amount
Deposits with Treasurer	$ 876,406	———	———
Deposits with third party administrators	0	0	0
Total	$ 876,406	$ 0	$ 0

Investments

	Amount Unrestricted	Fair Value	Investments Pool
Investment with Investment Management Board	$ 776,406	$776,406	Cash Liquidity

Reconciliation of cash and cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits	
Cash and Cash equivalents as reported	$ 876,406
Less: investments disclosed as cash equivalents	(776,406)
Carrying amount of deposits as disclosed in this footnote	$ 100,000
Investments	
Investments as Reported	---------
Add: investments disclosed as cash equivalents	$ 776,406
Carrying value of investments as disclosed in this footnote	$ 776,406

Note 3

Due to other funds:

Public Employees Insurance Agency Piggyback Contracts	$ 32,075
DHHR	31,046
Helpline	0
Other	14,798
Total due to other funds	$ 77,919

Note 4

Risk Management
Unpaid Claims Liabilities

Claims payable, beginning of year	$ 2,873,378
Incurred claims expense	38,111,932
Payments:	
Claim payments for current year	31,328,383
Claim payments for prior year	6,903,437
Claims payable, year to date	$ 2,753,490

Note 5

Contingencies

WVCHIP receives significant financial assistance from the U.S. Government in the form of grants and other federal financial assistance. Entitlement to those resources is generally contingent upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for allowable purposes. Federal financial assistance awards are subject to financial and compliance audits under either the federal Single Audit Act or by grantor agencies of the federal government or their designees. Any obligations that may arise from cost disallowance or sanctions as a result of those audits are not expected to be material to the financial statements of WVCHIP.

West Virginia Children's Health Insurance Program
Budget to Actual Statement
State Fiscal Year 2006
For the Twelve Months Ended June 30, 2006

	Budgeted for Year	Year to Date Budgeted Amt	Year to Date Actual Amt	Year to Date Variance*		Monthly Budgeted Amt	June	May	April
Projected Cost	$43,457,479	$43,457,479	$40,474,410	$2,983,069	7%	$3,621,457	$4,099,311	$3,331,204	$3,068,446
Medical Copays	560,000	$560,000	$568,419	(8,419)	2%	46,667	56,715	50,255	58,829
Drug Copays	475,000	$475,000	$93,332	381,668	-80%	39,583			
Subrogation & Rebates	300,000	$300,000	$563,720	(263,720)	88%	25,000	39,172	13,799	97,631
Net Benefit Cost	42,122,479	$38,612,272	$39,248,938	($636,666)	-2%	3,510,207	4,003,423	3,267,151	2,911,986
Personnel	$489,000	$489,000	$455,416	$33,584	7%	$40,750	$39,305	$39,651	$40,204
Claims Admin	1,935,793	$1,935,793	$1,791,597	144,196	7%	161,316	287,591	24,292	260,795
Eligibility	450,059	$450,059	$316,260	133,799	30%	37,505	8,569	80,645	3,069
Outreach	100,000	$100,000	$219,174	(119,174)	-119%	8,333	9,218	0	2,074
Current Expense	216,128	$216,128	$202,276	13,853	6%	18,011	3,394	16,685	10,909
Total Admin Cost	$3,190,980	$3,190,980	$2,984,722	$206,259	6%	$265,915	$348,077	$161,273	$317,051
Total Program Cost	$45,313,459	$45,313,459	$42,233,660	$3,079,799	7%	$3,776,122	$4,351,500	$3,428,424	$3,229,037
Federal Share 81.09%	36,744,684	$36,744,684	$34,372,085	2,372,599	6%	3,062,057	3,528,632	2,780,109	2,618,426
State Share 18.91%	8,568,775	$8,568,775	$7,861,575	707,200	8%	714,065	822,869	648,315	610,611
Total Program Cost **	$45,313,459	$45,313,459	$42,233,660	$3,079,799	7%	$3,776,122	$4,351,500	$3,428,424	$3,229,037

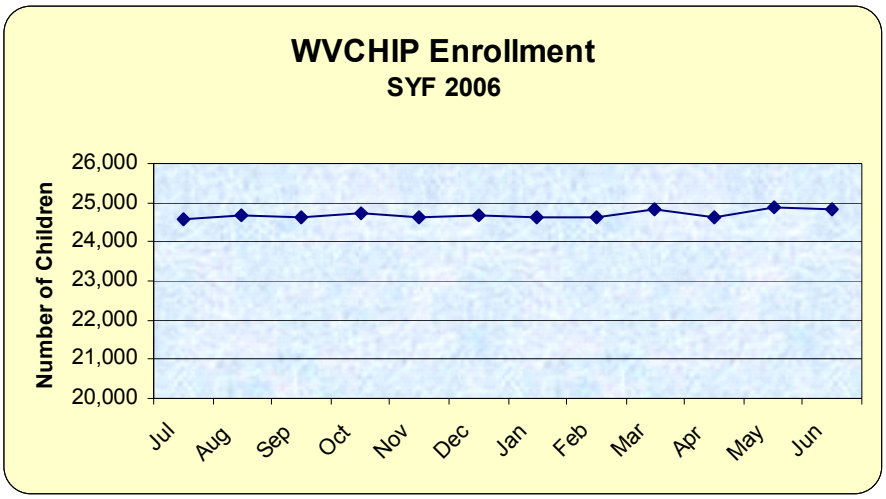
* Positive percentages indicate favorable variances

** Budgeted Year Based on CCRC Actuary 6/30/2005 Report.

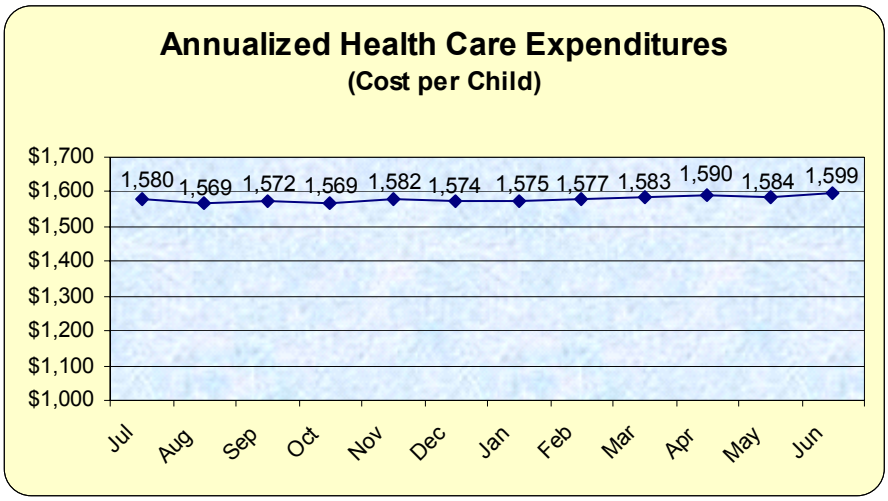
Please note: Medical and Drug Co-pay figures are incomplete.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

An increase in medical, dental, and prescription drug claims costs of 1% is lower than the current rate of medical inflation experienced by health plans nationally, which averaged 6% during the first half of 2006. After adjusting the increase for higher enrollment during the year of 2%, the net decrease of 1% appears to be better than national experience. The slight upward enrollment trend was steady throughout the year, from 24,573 enrollees on July 1 to 24,835 enrollees on June 30, for an increase of 262 participants. Phase III participants, that is, enrollees in households with incomes between 151% and 200% FPL are the smaller of the two groups. Enrollment of Phase III participants remained stable over the course of SFY 2006 versus a 1.9% increase in enrollment for Phase I kids. WVCHIP also continues to experience "pent-up" demands for services. These pent-up costs are illustrated in Table 13 on page 49 in the Statistical Section. All told, the combination enrollment, utilization, and price stabilizations resulted in a slightly lower annual cost per child at June 30, 2006 of $1,599 than at June 30, 2005 of $1,604.



WVCHIP had projected to spend $45.3 million in State Fiscal Year 2006 per the June 30, 2005 Actuarial report. The Program was able to end the year $3.1 million under budget, or 7%. The favorable variance is due to the Program's adoption of the PDL in January 2006 curbing drug cost trends and a stabilization of the level of enrollment. WVCHIP is able to capitalize on operating efficiencies by partnering with WV DHHR for eligibility processing and PEIA for claims processing and program administration. We believe these partnerships will continue to allow the Program to operate in the most cost efficient manner possible.



MAJOR INITIATIVES

Pharmacy Formulary Savings

On January 1, 2006 WVCHIP adopted a new Preferred Drug List and closed its formulary. It was the first SCHIP program in the country to do so. It was estimated that WVCHIP would save $1.1 million annually as a result of this change, along with some other minor pharmacy benefit changes, such as the decision to cover certain over-the-counter medications when prescribed by a physician. The savings would be realized through higher generic drug utilization, as well as higher rebates from drug manufacturers.

An analysis completed on the first half of calendar year 2006, revealed that WVCHIP did realize a savings on drug costs. Generic utilization increased from 48% during the first six months of 2005 to 63% for the first six months of 2006, saving an estimated $347,138. The projected annualized savings based on the first six months of 2006 is $652,654. Rebates from drug manufacturers increased by 93% for the period January 2006 through September 2006 over the same time period in 2005. The program was able to keep drug costs down to practically the same level as 2005 because of this change, even though there was a slight increase in program enrollment and average drug prices.

Immunization Improvements

During the last months of State Fiscal Year 2004, WVCHIP began partnering with the State's Immunization Program to purchase vaccines for WVCHIP children at federally contracted rates provided through the Vaccines for Children program. The program has now completed its first full year under this partnership. WVCHIP entered into this partnership in an effort to encourage providers to report immunizations to the State's Immunization Registry, as well as to achieve a modest savings. The program saved an estimated $71,000 during the course of the year, with virtually no impact on the rate of immunizations for WVCHIP children. (Refer to Table 25 on Page 57.)

Privacy and Billing Improvements

In February 2006, WVCHIP started planning to replace social security numbers as the basis of identification for billing and other purposes with a Unique Identification Number. WVCHIP was able to adopt use of the RAPIDS (Recipient Automated Payment and Information Data System) PIN (Personal Identification Number) assigned to each person that has program eligibility determined through RAPIDS. The purpose of the change was to provide greater protection to WVCHIP members' privacy and also to provide greater efficiencies for provider billing and claims processing. Use of Unique Identification numbers was implemented in October 2006 and all active WVCHIP members were issued new ID cards with the new numbers.

Kindergarten Screening Report

In a major collaborative effort with the Department of Education's Office of Healthy Schools and the Department of Health and Human Resources' Office of Infant, Child and Adolescent Health, a school survey of health screenings prior to kindergarten entry was completed. After release of a report with survey results, the Office of Healthy Schools began the process of standardizing the types of instruments and various screens used for kindergarten entry as required under law. (Refer to "Child Health Screenings for Kindergarten" on Page 35.)

Early Childhood Checkups Awareness

To emphasize the importance of developmental checkups in early childhood, WVCHIP joined with the Department of Health and Human Resources' Office of Infant, Child and Adolescent Health to increase awareness of vision, dental, and early periodic developmental screenings such as those recommended and covered under "HealthCheck", a program that covers the full periodic comprehensive well child visits recommended by pediatricians and for which there is a standardized set of guidelines, by creating health promotion messages. These promotional messages were placed in quarterly copies of *Child Care Provider Quarterly* Magazine which is distributed to all certified child care agencies and registered in home child care providers. (Refer to Oral Health Checkup message on Page 38.)

CONTACTING WVCHIP's MANAGEMENT

This report is designed to provide our enrollees, citizens, governing officials and legislators with a general overview of WVCHIP's finances and accountability. If you have questions about this report or need additional information, contact WVCHIP's Financial Officer at 304-558-2732. General information can also be obtained through our website at http://www.wvchip.org.

Required Supplementary Information

"Having my son in the CHIP program has made a big difference as far as being able to make sure that he gets the proper treatment and care from his doctors. Thank you for having such a program that helps us parents who try to make a living the best way we know how, but can't afford health insurance for our children."

Comment from a WVCHIP family from the Customer Satisfaction Survey 2005

West Virginia Children's Health Insurance Program
Report of Independent Actuary
June 30, 2006 Quarterly Report

OVERVIEW

CCRC Actuaries, LLC ("CCRC Actuaries") was engaged by The West Virginia Children's Health Insurance Program ("CHIP Program") to assist the West Virginia CHIP Board in the analysis of actual and projected plan experience in the current State Fiscal Year 2006 ("FY 2006") through Fiscal Year 2012 ("FY 2012"). West Virginia legislation requires that an actuary provide a written opinion that all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed 90 percent of the funding available to the program for the fiscal year for which the plan is proposed.

CHIP Program management requested CCRC Actuaries to produce the Baseline Scenario included the prescription drugs formulary changes effective beginning January 2006 and West Virginia Governor's recommended FY 2007 State funding of $10,966,703.

In addition to the Baseline Scenario, CHIP Program management asked CCRC Actuaries to analyze an Expansion Scenario assuming the revised CHIP expansion schedule through State Fiscal Year 2012. In addition, we have assumed full Federal funding of the expansion. All other assumptions are consistent with the Baseline Scenario.

Under the proposed expansion schedule, the CHIP expansion will occur in one phase: The assumed monthly enrollment eligibility starts in January 2007 for 200% - 220% FPL groupings. Under the expansion scenario, family premiums are assumed to cover 20% of the policy cost for the 200% - 220% FPL group.

For the purposes of the Expansion Scenario, we have assumed that the initial premium will be unchanged for the first eighteen months starting in January 2007. The assumed benefit structure for CHIP expansion enrollees includes the following major components:

- Medical Copayments: $15 Office Visits
$25 Inpatient & Outpatient Visits
$35 Emergency Room Visits
- Prescription Drugs Copayments: $0 Generic
$10 Brand
- Dental Benefits are limited to $150 Preventative services only
- No Vision services are covered

Under the Baseline Scenario and the Expansion Scenario, the projected cost of the CHIP Program in FY 2006 met the 90% funding requirement and we have assumed the same State funding in FY 2007 for the projected future years as shown in Appendix A and B.

Based on the Baseline Scenario and the 90% expenditure limitation on State funding of the program, we are currently projecting a shortfall in the ending reserve of State funding to reach the 90% funding requirement in FY 2012. We have assumed the same State funding of $10,966,703 in FY 2007 for the projected future years and have not increased the State funding requirements for FY 2008 and beyond to meet the 90% expenditure limitation in subsequent years. Note that we are currently projecting the Federal funding shortfall of approximately $14,155,000 in FY 2009, $26,902,000 in FY 2010, $32,150,000 in FY 2011 and $38,068,000 in FY 2012 based on the Baseline Scenario. We had previously projected that Federal funding would be inadequate in FY 2008 in the March 31, 2006 Quarterly Report.

Based on the Expansion Scenario and the 90% expenditure limitation on State funding of the program, we are currently projecting a shortfall in the ending reserve of State funding to reach the 90% funding requirement in FY 2011 and FY 2012. We have assumed the same State funding in FY 2007 for the projected future years, as shown in Appendix B.

This projection reflects the current information on the availability of Federal funding. We have not assumed the FY 2003 Redistribution in this projection. West Virginia was one of 28 states that received the FY 2002 Redistribution funding. West Virginia CHIP utilized the remaining $4,867,172 of the total $12,081,320 of FY 2001 Redistribution and the total $3,895,443 of FY 2002 Redistribution in Federal funding in the current fiscal year.

The Federal share of program expenditure is currently 81.09% for Federal Fiscal Year 2006. The Federal share of program expenditure is assumed to reduce to 80.97% for Federal Fiscal Year 2007 and future years.

Enrollment for the program as of June 2006 is at one of the highest levels since its inception. Overall enrollment for the CHIP Program in FY 2006 has increased noticeably from FY 2005 levels. The current program enrollment as of June 2006 consists of 24,835 children total: 15,907 children as part of Phase I and Phase II that consists of children whose families are below 150% of the federal poverty level and 8,928 children as part of Phase III that consists of children whose families are between 150% and 200% of the federal poverty level. Phase III children are required to make co-payments as part of the benefit structure of the program. Since the March 31, 2006 Quarterly Report, overall enrollment has increased by 14 children from March 2006 to June 2006, while Phase I and Phase II had decreased enrollment of 9 children, Phase III had increased enrollment of 23 children.

The monitoring and analysis of claim trends is critical to the accurate forecast of future costs of the program. While the program's enrollment continues to escalate, there has been some moderation of cost trends. The analysis of claims has become more critical with the Phase III expansion beginning in October 2000. Current claim trend experience has been financially favorable. We have maintained the Medical claim trend to 8%, the Dental claim trend to 7%, and the Prescription Drugs claim trend to 19% assumed in the March 31, 2006 Quarterly Report, based on trend experience consistent with the assumption.

Administrative expenses are assumed to be $2,984,425 in FY 2006. West Virginia CHIP management team assumes a 5% administrative expense trend will be appropriate for FY 2007 and subsequent years.

Drug Rebates are assumed to be $240,231 in FY 2006 and $383,644 in FY 2007. West Virginia CHIP management team assumes a 4% increase in drug rebates will be appropriate for FY 2008 and subsequent years.

Under the State fiscal year basis, we are now projecting that incurred claim costs under the Baseline Scenario assumptions for FY 2006 will be $39,899,170 compared to the previous projection of $40,447,665 for FY 2006 contained in the March 31, 2006 Quarterly Report. The updated projection for FY 2007 claims is $43,441,415. These decreased program costs are the result of the recent lower paid claims experience in April and May 2006.

PLAN ENROLLMENT

We have updated our projection based on the significant increase in enrollment through June 2006. In fact, Phase II enrollment is at one of the highest level since October 2001 and the enrollment in Phase III is also at one of the highest level since its inception in 2000. The program had enrollment at the end of FY 2005 of 24,515 children, with 15,571 under Phase II and 8,944 under Phase III. Current enrollment as of June 2006 is 24,835 children, with 15,907 under Phase II and 8,928 under Phase III.

The following chart summarizes the enrollment information using end of month enrollment information by Phase II and Phase III and in total:

Date	Phase II	Phase III	Total	Date	Phase II	Phase III	Total
Jul-00	10,349	0	11,839	Jul-03	14,305	7,682	21,987
Aug-00	10,097	0	11,567	Aug-03	14,524	7,718	22,242
Sep-00	10,542	0	12,023	Sep-03	14,784	7,996	22,780
Oct-00	12,060	540	12,600	Oct-03	14,711	7,939	22,650
Nov-00	12,122	1,189	13,311	Nov-03	14,773	7,989	22,762
Dec-00	14,141	1,512	15,653	Dec-03	14,817	8,013	22,830
Jan-01	14,771	2,218	16,989	Jan-04	14,675	8,111	22,786
Feb-01	15,316	2,757	18,073	Feb-04	14,698	8,123	22,821
Mar-01	15,808	3,353	19,161	Mar-04	14,804	8,342	23,146
Apr-01	15,944	3,839	19,783	Apr-04	14,900	8,427	23,327
May-01	16,241	4,257	20,498	May-04	14,885	8,411	23,296
Jun-01	16,375	4,548	20,923	Jun-04	15,015	8,417	23,432
Jul-01	16,462	4,835	21,297	Jul-04	15,149	8,479	23,628
Aug-01	16,447	5,053	21,500	Aug-04	15,290	8,550	23,840
Sep-01	16,145	5,290	21,435	Sep-04	15,437	8,598	24,035
Oct-01	15,895	5,588	21,483	Oct-04	15,371	8,615	23,986
Nov-01	15,373	5,473	20,846	Nov-04	15,433	8,666	24,099
Dec-01	14,968	5,625	20,593	Dec-04	15,582	8,701	24,283
Jan-02	14,565	5,606	20,171	Jan-05	15,547	8,682	24,229
Feb-02	14,551	5,777	20,328	Feb-05	15,585	8,719	24,304
Mar-02	14,297	5,926	20,223	Mar-05	15,526	8,941	24,467
Apr-02	14,287	5,994	20,281	Apr-05	15,493	8,907	24,400
May-02	14,173	6,036	20,209	May-05	15,575	8,965	24,540
Jun-02	14,030	6,013	20,043	Jun-05	15,571	8,944	24,515
Jul-02	14,208	6,377	20,585	Jul-05	15,612	8,961	24,573
Aug-02	14,316	6,508	20,824	Aug-05	15,793	8,898	24,691
Sep-02	14,230	6,728	20,958	Sep-05	15,792	8,857	24,649
Oct-02	14,274	6,942	21,216	Oct-05	15,831	8,917	24,748
Nov-02	14,088	7,092	21,180	Nov-05	15,624	8,983	24,607
Dec-02	14,148	7,199	21,347	Dec-05	15,656	9,000	24,656
Jan-03	14,116	7,166	21,282	Jan-06	15,509	9,109	24,618
Feb-03	14,071	7,097	21,168	Feb-06	15,755	8,899	24,654
Mar-03	14,002	7,300	21,302	Mar-06	15,916	8,905	24,821
Apr-03	14,007	7,429	21,436	Apr-06	15,813	8,830	24,643
May-03	14,112	7,455	21,567	May-06	15,934	8,933	24,867
Jun-03	14,243	7,554	21,797	Jun-06	15,907	8,928	24,835

The Baseline Program enrollment assumptions are summarized in the following table. Note that the assumed enrollment in FY 2006 under the Baseline Scenario has decreased by 10 additional children from the previous report.

Scenario	FY2006	FY2007
Current Baseline	24,697	24,835
Previous Report	24,707	24,821

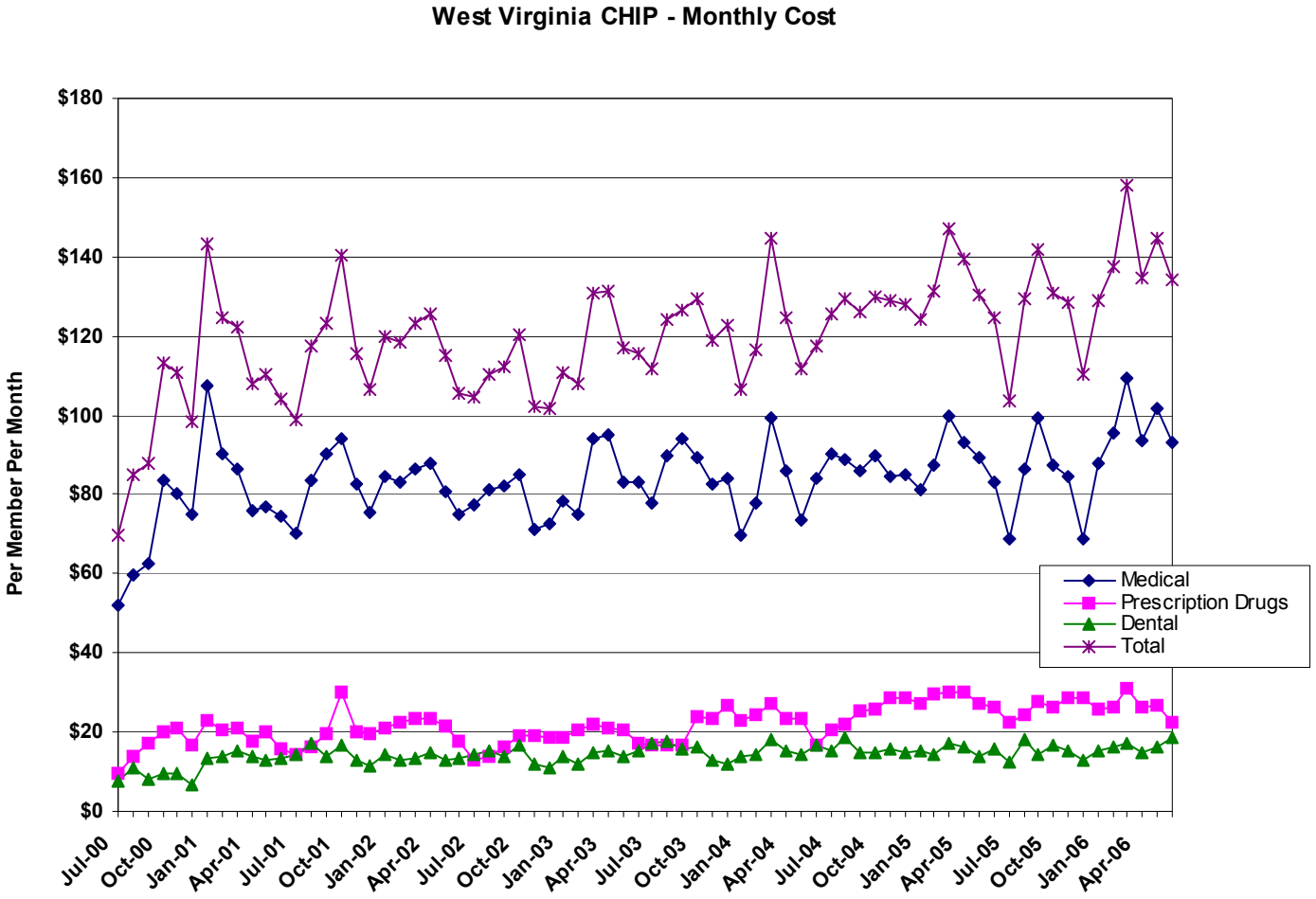
CLAIM COST AND TREND ANALYSIS

We have continued to utilize the trend assumptions from the March 31, 2006 Quarterly Report. These trends are 8% for Medical claims, 7% for Dental claims, and 19% for Prescription Drugs Claims.

The most recent experience remains favorable compared to our trend assumptions. As we review trends over different time periods, the 12 months analysis reflects lower overall trend than the 6 months and 9 months analysis. The table below summarizes WV CHIP experience over the last 6 months, 9 months and 12 months as of June 30, 2006. Overall trend experience has been favorable, with a composite trend of 1.1% over the last 12 months. Note that Prescription Drugs trends are before consideration of drugs rebates.

Trend Period	6 Months	9 Months	12 Months
Medical	8.9%	3.6%	1.8%
Dental	5.8%	4.2%	1.2%
Prescription Drugs	-6.9%	-4.3%	-1.2%
Composite	5.1%	2.0%	1.1%

The following chart summarizes incurred claims on a per member per month ("PMPM") basis for the major categories of Medical, Dental and Prescription Drugs based on information received through June 2006. The attachment at the end of this report shows the trends for Phase II and Phase III and an average for the same three categories.



Detailed claim trends for Medical, Dental and Prescription Drugs are summarized in the Attachment found at the end of the report. The trends for each of the three categories are relatively flat over the six years period.

FINANCIAL PROJECTION – STATE FISCAL YEARS 2006-2012

Under the Baseline Scenario with the prescription drugs formulary changes effective beginning January 2006 and West Virginia Governor's recommended FY 2007 State funding of $10,966,703, the updated incurred claims for FY 2006 is projected to be $40,139,401 based on expected enrollment of 24,697 children and projected incurred claim per member per month cost data assumption of $135.44, as summarized in the following table. In the March 31, 2006 Quarterly Report, the incurred claims for FY 2006 were projected to be $40,899,992 based on expected enrollment of 24,707 children and projected incurred claim per member per month cost data assumption of $137.95.

Category	FY 2006 Baseline Incurred Claims	FY 2006 Baseline Per Member Per Month	3/31/06 Report FY 2006 Baseline Per Member Per Month	12/31/05 Report FY 2006 Baseline Per Member Per Month
Medical	$27,311,409	$ 92.16	$ 94.40	$ 90.62
Prescription Drugs	8,046,097	27.15	27.16	27.86
Dental	4,781,895	16.14	16.40	16.27
Total	$40,139,401	$135.44	$137.95	$134.75

The Baseline Scenario financial forecast for the Federal and State fiscal years 2006 through 2012 can be found in Appendix A. Based on the Baseline Scenario, we are projecting a shortfall in the ending reserve of State funding to reach the 90% funding requirement in FY 2012; and projecting that the Program will need additional Federal funding beginning in FY 2009.

The Expansion Scenario financial forecast for the Federal and State fiscal years 2006 through 2012 can be found in Appendix B. Based on the Expansion Scenario, we are projecting a shortfall in the ending reserve of State funding to reach the 90% funding requirement in FY 2011 and FY 2012; and projecting that the Program will need additional Federal funding beginning in FY 2009.

Appendix A and B contains a seven-year projection period as requested by CHIP management. The first section of the report is the beginning balances of both Federal and State funding sources. The middle section of the report projects and reports on incurred claim, paid claim and administrative expenses, as well as expected Interest earnings and accrued prescription drugs rebates. This section also projects Federal and State shares of paid expenses, as well as incurred but not received ("IBNR") claim liabilities. The last section of the report projects the ending balances of both Federal and State funding sources.

Based on the assumptions developed under Baseline Scenario, we are forecasting a shortfall in State funding and reaching the 90% funding requirement in FY 2012, and projecting a shortfall in Federal funding of approximately $14,155,000 in FY 2009, $26,902,000 in FY 2010, $32,150,000 in FY 2011 and $38,068,000 in FY 2012, compared to the previous projection of Federal funding deficits of approximately $1,758,000 in FY 2008, $23,063,000 in FY 2009 and $27,805,000 in FY 2010 from the March 31, 2006 Quarterly Report.

It should be noted that the Federal Government has not provided projections of expected Federal funding in the final years of the projection and these estimates are subject to change. This projection includes the Federal FY 2001 and FY 2002 Redistribution. Our forecast includes the remaining $4,867,172 of the total $12,081,320 of FY 2001 Redistribution and the total $3,895,443 of FY 2002 Redistribution is spent in the current fiscal year.

Appendix C summarizes the original and restated IBNR claim liabilities for the CHIP Program in Fiscal Year 2004 to 2006. IBNR projections have been recently higher to reflect current claim experience as illustrated.

STATEMENT OF ACTUARIAL OPINION

I, Dave Bond, Managing Partner of CCRC Actuaries, LLC hereby certify that I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the actuarial qualification standards to render Statements of Actuarial Opinion for Children Health Insurance Program and other self-insured entities. I have been retained by CHIP to render a Statement of Actuarial Opinion regarding the methods and underlying assumptions developed and used in this analysis.

This Statement of Actuarial Opinion was prepared in a manner consistent with the Code of Professional Conduct and Qualification Standards of the American Academy of Actuaries, and the Standards of Practice of the Actuarial Standards Board. Concerning the projection of health care expenses, I am of the opinion that the data and assumptions used are appropriate.

In my opinion, all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed 90 percent of the funding available to the program for the future fiscal years 2007 through 2011 based on current enrollment under the Baseline Scenario.

It should be noted that this opinion is based on State funding levels as illustrated in Appendix A and FY 2007 through FY 2012 have not been appropriated by the West Virginia Legislature.

Dave Bond
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries
Managing Partner
CCRC Actuaries, LLC
Finksburg, Maryland
August 16, 2005

Brad Paulis
Reviewing Partner
CCRC Actuaries, LLC
Finksburg, Maryland
August 16, 2005

APPENDIX A *(Baseline Scenario)*

West Virginia Children's Health Insurance Program

June 30, 2006 Quarterly Report

Available Funding - Beginning of the Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Federal 2001 Redistribution	$4,867,172	$0	$0	$0	$0	$0	$0
Federal 2002 Redistribution	3,895,443	0	0	0	0	0	0
Federal 2004	18,760,354	0	0	0	0	0	0
Federal 2005	24,422,724	17,171,386	0	0	0	0	0
Federal 2006	23,349,395	23,349,395	2,808,954	0	0	0	0
Federal 2007	0	23,349,395	23,349,395	0	0	0	0
Federal 2008	0	0	23,349,395	8,081,078	0	0	0
Federal 2009	0	0	0	23,349,395	0	0	0
Federal 2010	0	0	0	0	23,349,395	0	0
Federal 2011	0	0	0	0	0	23,349,395	0
Federal 2012	0	0	0	0	0	0	23,349,395
State Funding 2005	$1,857,675	$0	$0	$0	$0	$0	$0
State Funding 2006	7,128,019	876,406	0	0	0	0	0
State Funding 2007	0	10,966,703	2,979,875	0	0	0	0
State Funding 2008	0	0	10,966,703	4,210,263	0	0	0
State Funding 2009	0	0	0	10,966,703	4,463,317	0	0
State Funding 2010	0	0	0	0	10,966,703	3,619,719	0
State Funding 2011	0	0	0	0	0	10,966,703	1,542,586
State Funding 2012	0	0	0	0	0	0	10,966,703
Program Costs	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Medical Expenses	$27,311,409	$29,661,339	$32,034,247	$34,596,986	$37,364,745	$40,353,925	$43,582,239
Prescription Drug Expenses	8,046,097	9,018,467	10,731,975	12,771,051	15,197,550	18,085,085	21,521,251
Dental Expenses	4,781,895	5,145,253	5,505,420	5,890,800	6,303,156	6,744,377	7,216,483
Administrative Expenses	2,984,425	3,133,647	3,290,329	3,454,845	3,627,587	3,808,966	3,999,414
Program Revenues - Interest	$0	$0	$0	$0	$0	$0	$0
Program Revenues - Drug Rebates	240,231	383,644	398,990	414,950	431,548	448,810	466,762
Net Incurred Program Costs	$42,883,595	$46,575,062	$51,162,981	$56,298,732	$62,061,490	$68,543,542	$75,852,625
Net Paid Program Costs	42,473,595	46,241,062	50,759,981	55,846,732	61,553,490	67,970,542	75,205,625
Federal Share	$34,774,307	$37,711,827	$41,426,666	$45,585,083	$50,251,189	$55,499,706	$61,417,870
State Share of Expenses	8,109,288	8,863,234	9,736,315	10,713,649	11,810,302	13,043,836	14,434,754
Beginning IBNR	$3,230,000	$3,640,000	$3,974,000	$4,377,000	$4,829,000	$5,337,000	$5,910,000
Ending IBNR	3,640,000	3,974,000	4,377,000	4,829,000	5,337,000	5,910,000	14,434,754
Funding Sources - End of the Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Federal 2001 Redistribution	$0	$0	$0	$0	$0	$0	$0
Federal 2002 Redistribution	0	0	0	0	0	0	0
Federal 2004	0	0	0	0	0	0	0
Federal 2005	17,171,386	0	0	0	0	0	0
Federal 2006	23,349,395	2,808,954	0	0	0	0	0
Federal 2007	0	23,349,395	0	0	0	0	0
Federal 2008	0	0	8,081,078	0	0	0	0
Federal 2009	0	0	0	0	0	0	0
Federal 2010	0	0	0	0	0	0	0
Federal 2011	0	0	0	0	0	0	0
Federal 2012	0	0	0	0	0	0	0
Federal Shortfall	***$0***	***$0***	***$0***	***$14,154,610***	***$26,901,794***	***$32,150,311***	***$38,068,475***
State Funding 2005	$0	$0	$0	$0	$0	$0	$0
State Funding 2006	876,406	0	0	0	0	0	0
State Funding 2007	0	2,979,875	0	0	0	0	0
State Funding 2008	0	0	4,210,263	0	0	0	0
State Funding 2009	0	0	0	4,463,317	0	0	0
State Funding 2010	0	0	0	0	3,619,719	0	0
State Funding 2011	0	0	0	0	0	1,542,586	0
State Funding 2012	0	0	0	0	0	0	0
State Shortfall	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$1,925,466***
State Shortfall - 90% Funding Requirement	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$3,357,929***

APPENDIX B *(Expansion Scenario)*

West Virginia Children's Health Insurance Program

June 30, 2006 Quarterly Report

Available Funding - Beginning of the Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Federal 2001 Redistribution	$4,867,172	$0	$0	$0	$0	$0	$0
Federal 2002 Redistribution	3,895,443	0	0	0	0	0	0
Federal 2004	18,760,354	0	0	0	0	0	0
Federal 2005	24,422,724	17,171,386	0	0	0	0	0
Federal 2006	23,349,395	23,349,395	2,737,792	0	0	0	0
Federal 2007 Expansion Funding	0	23,349,395	71,161	0	0	0	0
Federal 2007	0	0	23,349,395	0	0	0	0
Federal 2008 Expansion Funding	0	0	706,284	0	0	0	0
Federal 2008	0	0	23,349,395	8,081,078	0	0	0
Federal 2009 Expansion Funding	0	0	0	1,270,061	0	0	0
Federal 2009	0	0	0	23,349,395	1,641,817	0	0
Federal 2010 Expansion Funding	0	0	0	0	23,349,395	0	0
Federal 2010	0	0	0	0	0	1,844,199	0
Federal 2011 Expansion Funding	0	0	0	0	0	23,349,395	0
Federal 2011	0	0	0	0	0	0	2,043,135
Federal 2012 Expansion Funding	0	0	0	0	0	0	23,349,395
Federal 2012	0	0	0	0			
State Funding 2005	$1,857,675	$0	$0	$0	$0	$0	$0
State Funding 2006	7,128,019	876,406	0	0	0	0	0
State Funding 2007	0	10,966,703	2,963,150	0	0	0	0
State Funding 2008	0	0	10,966,703	4,027,543	0	0	0
State Funding 2009	0	0	0	10,966,703	3,982,101	0	0
State Funding 2010	0	0	0	0	10,966,703	2,752,634	0
State Funding 2011	0	0	0	0	0	10,966,703	242,068
State Funding 2012	0	0	0	0	0	0	10,966,703
Program Costs	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Medical Expenses	$27,311,409	$29,661,339	$32,034,247	$34,596,986	$37,364,745	$40,353,925	$43,582,239
Prescription Drug Expenses	8,046,097	9,018,467	10,731,975	12,771,051	15,197,550	18,085,085	21,521,251
Dental Expenses	4,781,895	5,145,253	5,505,420	5,890,800	6,303,156	6,744,377	7,216,483
Administrative Expenses	2,984,425	3,133,647	3,290,329	3,454,845	3,627,587	3,808,966	3,999,414
Expansion Scenario							
Medical Expenses	$0	$66,832	$660,763	$1,163,150	$1,463,311	$1,605,138	$1,732,072
Prescription Drug Expenses	0	20,540	223,764	434,016	601,629	727,158	864,580
Dental Expenses	0	11,623	113,832	198,525	247,444	268,912	287,492
Administrative Expenses	0	11,595	103,540	185,426	238,885	269,177	299,036
Premiums (Expansion)	0	22,704	229,620	412,560	523,584	592,752	659,856
Program Revenues - Interest	$0	$0	$0	$0	$0	$0	$0
Program Revenues - Drug Rebates	240,231	383,644	398,990	414,950	431,548	448,810	466,762
Net Incurred Program Costs	$42,883,595	$46,662,948	$52,035,260	$57,867,289	$64,089,175	$70,821,175	$78,375,949
Net Paid Program Costs	42,473,595	46,328,948	51,632,260	57,415,289	63,581,175	70,248,175	77,728,949
Federal Share	$34,774,307	$37,782,989	$42,132,950	$46,855,144	$51,893,005	$57,343,905	$63,461,006
State Share of Expenses	8,109,288	8,879,959	9,902,310	11,012,145	12,196,170	13,477,270	14,914,943
Beginning IBNR	$3,230,000	$3,640,000	$3,974,000	$4,377,000	$4,829,000	$5,337,000	$5,910,000
Ending IBNR	3,640,000	3,974,000	4,377,000	4,829,000	5,337,000	5,910,000	6,557,000

APPENDIX B *(Expansion Scenario)*

West Virginia Children's Health Insurance Program

June 30, 2006 Quarterly Report

- Continued -

Funding Sources - End of the Year	2006	2007	2008	2009	2010	2011	2012
Federal 2001 Redistribution	$0	$0	$0	$0	$0	$0	$0
Federal 2002 Redistribution	0	0	0	0	0	0	0
Federal 2004	0	0	0	0	0	0	0
Federal 2005	17,171,386	0	0	0	0	0	0
Federal 2006	23,349,395	2,737,792	0	0	0	0	0
Federal 2007 Expansion Funding	0	71,161	0	0	0	0	0
Federal 2007	0	23,349,395	0	0	0	0	0
Federal 2008 Expansion Funding	0	0	0	0	0	0	0
Federal 2008	0	0	8,081,078	0	0	0	0
Federal 2009 Expansion Funding	0	0	0	0	0	0	0
Federal 2009	0	0	0	0	0	0	0
Federal 2010 Expansion Funding	0	0	0	0	0	0	0
Federal 2010	0	0	0	0	0	0	0
Federal 2011 Expansion Funding	0	0	0	0	0	0	0
Federal 2011	0	0	0	0	0	0	0
Federal 2012 Expansion Funding	0	0	0	0	0	0	0
Federal 2012	0	0	0	0	0	0	0
Federal Shortfall	***$0***	***$0***	***$0***	***$14,154,610***	***$26,901,794***	***$32,150,311***	***$38,068,475***
State Funding 2005	$0	$0	$0	$0	$0	$0	$0
State Funding 2006	876,406	0	0	0	0	0	0
State Funding 2007	0	2,963,150	0	0	0	0	0
State Funding 2008	0	0	4,027,543	0	0	0	0
State Funding 2009	0	0	0	3,982,101	0	0	0
State Funding 2010	0	0	0	0	2,752,634	0	0
State Funding 2011	0	0	0	0	0	242,068	0
State Funding 2012	0	0	0	0	0	0	0
State Shortfall	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$3,706,172***
State Shortfall - 90% Funding Requirement	***$0***	***$0***	***$0***	***$0***	***$0***	***$976,455***	***$5,336,492***

415 Main Street
Reisterstown, MD 21136

Email: info@ccrcactuaries.com

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

December 1, 2006

Ms. Sharon Carte
Director
West Virginia Children's Health Insurance Program
State Capitol Complex, Building 3, Room 554
Charleston, WV 25305

Subject: West Virginia Children's Health Insurance Program – Review of Experience

Dear Sharon:

CCRC Actuaries, LLC was engaged by the management of West Virginia Children's Health Insurance Program ("CHIP Program") to assist the West Virginia CHIP Board in the analysis of actual and projected plan experience and review the claim experience through October 2006. We conclude that the plan will continue to meet the statutory requirement of 10% reserve in FY 2007 based on the updated information.

It is noteworthy that we are not projecting a shortfall in State funding based on funding levels provided by CHIP management. After the September 30, 2006 Quarterly Report was issued in October 2006, several changes have occurred in the program:

- Enrollment for the CHIP Program as of October 2006 was at one of the highest level since its inception. Overall enrollment for the CHIP Program as of October 2006 was 25,383;

- October 2006 claim experience showed the projected incurred FY 2007 expenditure to be $44,585,702, a slight decrease of $835,845 from $ 45,421,547 in the September 30, 2006 Quarterly Report.

- The categories of FY 2007 medical, dental and prescription drug expenses in the current claim experience through October 2006 showed slight improvement over the September 30, 2006 Quarterly Report. Medical PMPM for Fiscal Year 2007 was projected to be $93.31, down from $94.72 in the September 30, 2006 Quarterly Report. Plan Dental costs for Fiscal Year 2007 were projected to be $16.23 on a PMPM basis, slightly down from $16.86 in the September 30, 2006 Quarterly Report. Prescription Drugs PMPM for Fiscal Year 2007 was projected to be $28.32, again, slightly down from the projected $28.46 PMPM cost in the September 30, 2006 Quarterly Report.

The management of the CHIP Program provided the medical, dental and prescription drugs claim lag data, along with the program enrollment. I had reviewed the recent projections based on the gradually increasing enrollment and utilized our trend assumptions with the claim lag data. Actuarial methods, considerations and analyses relied on in forming my opinion conforms to the appropriate standard of practice as promulgated by the Actuarial Standards Board.

Please review this information and if you have any questions or comments about this letter, please feel free to call me at (410) 833-4220.

Sincerely,

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

Program Outreach and Health Awareness

A Continuing Community Partnership

WVCHIP has worked with all types of partners and entities as identified in its State Plan, however, as enrollment has stabilized the focus has evolved toward health awareness and prevention campaigns, such as childhood health screening, immunizations and the importance of a medical home.

A Targeted Approach

Based on survey data from "Health Insurance in West Virginia," WVCHIP continues to prioritize outreach efforts to fifteen (15) counties (shown on Page 37) of the State with either higher numbers or percentages of uninsured children. The impact of these efforts can be seen in the Statistical Section in Tables 9 and 10 (shown on Pages 46 and 47).

Public Awareness

WVCHIP continues to make application and program information available through its Call Center which averages about 2,000 calls a month, through its website at www.wvchip.org, and through community exhibits, as well as being a sponsoring partner for conferences such as the "Growing Healthy Children" Forum held in November 2005 and again in November 2006.

Child Health Screenings for Kindergarten

In a major collaborative effort with the Department of Education's Office of Healthy Schools and DHHR's Office of Infant, Child, and Adolescent Health, WVCHIP sponsored a statewide survey in 2005. The results are reported in a document titled "Health Screening of West Virginia Children for Kindergarten Entry in School Year 2004 – 2005" (also available at www.wvchip.org and at http://wvde.state.wv.us/osshp/main/). Results were shared with West Virginia's Chapter of American Academy of Pediatricians and were also highlighted as part of the "Healthy Kids, Healthy Schools Report 2006" released in October 2006. In 2006, after reporting these results, the Office of Healthy Schools began a process of standardizing the types of instruments and various screens used for kindergarten entry as required under law.

Reducing Emergency Department Usage Project in Cabell County

In 2006, WVCHIP began collaborating with the United Way of the River Cities to implement a project in Cabell County for low-income Spanish speaking families. "What to do When Your Child is Sick" project is designed to help parents learn to be more confident in avoiding unnecessary emergency room visits. This effort is based on the UCLA pilot project in which parents reported a 50% decrease in emergency room visits after having this training. The United Way of the River Cities will implement training using a key textbook titled "What to Do When Your Child Is Sick" by in-home parent support groups versus center based parent training sessions. WVCHIP will provide the textbooks used in the project.

A Faith-Based Emphasis

The faith community plays a vital role in supporting families and nurturing the development of children, by integrating faith, access to care and health of the whole person. Health ministries, parish nurse programs, congregations and other faith-based organizations are getting actively involved in tending directly to the health concerns of their members and the large community. Faith organizations sponsor programs such as childcare centers, food pantries and summer camps must attend to the insistent problems children face.

For this reason, WVCHIP collaborates with the faith community in an effort to educate and support families in obtaining health care coverage and promoting healthy lifestyles. In fiscal year 2006, WVCHIP revised its church bulletin flyer and made it available to all congregations in West Virginia.

Collaborative Initiatives

In 2004, WVCHIP began working with several State agencies and community health programs as a way to refocus WVCHIP's outreach efforts as a leader in health prevention and promoting a healthy lifestyle. Collaborations are important to allow multiple agencies and entities inside and outside state government to integrate efforts related to a statewide mission for to the health of West Virginia's children. WVCHIP prioritizes its prevention efforts to support our State's Healthy People 2010 objectives for children. Initiatives for 2006 included:

- WVCHIP continued partnership efforts to promote healthy lifestyles with the West Virginia Immunization Network, Action for Healthy Kids Coalition, West Virginia Asthma Coalition and the Medical Advisory Council.

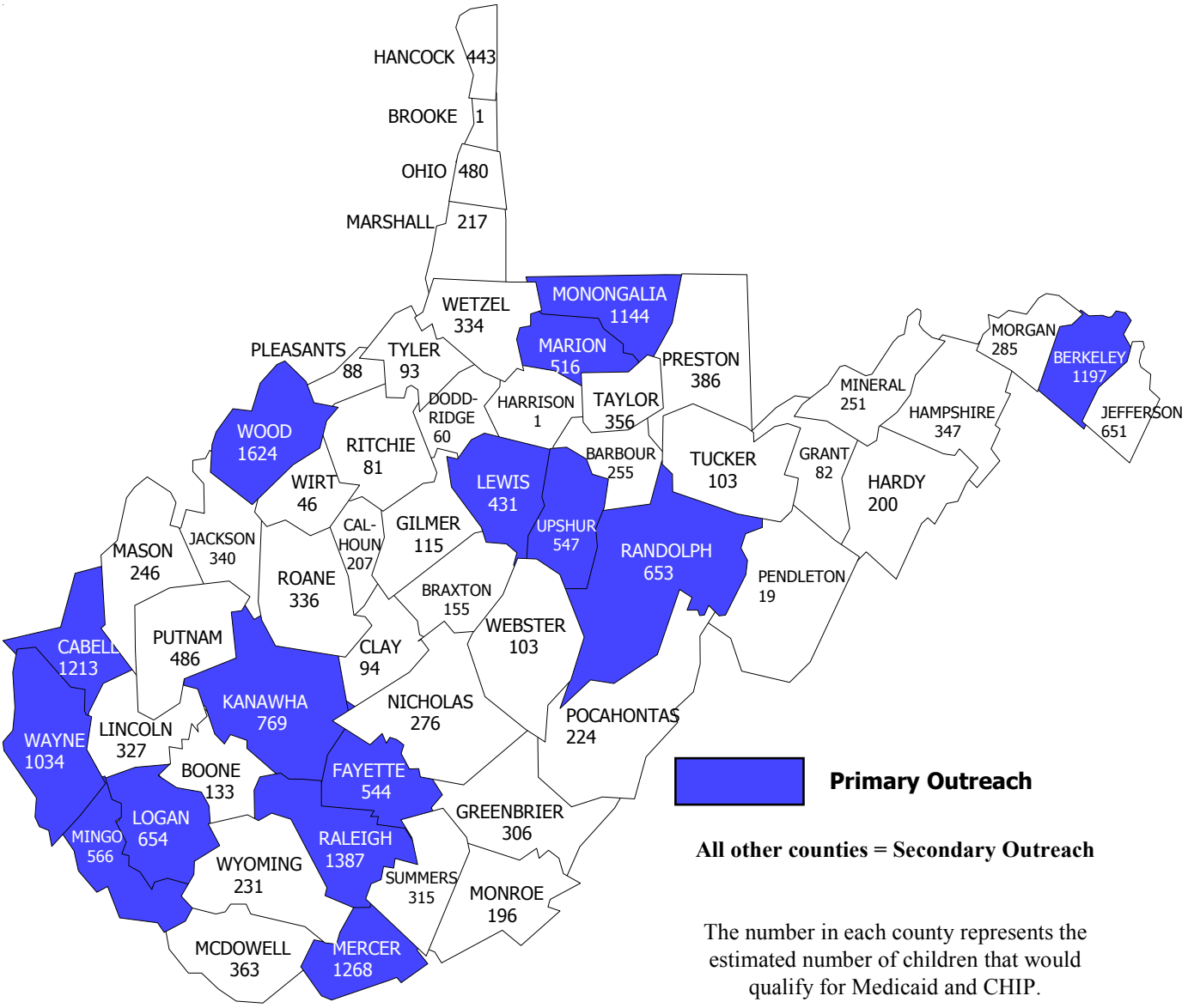
- WVCHIP joined with DHHR's Office of Infant, Child and Adolescent Health to promote full periodic and comprehensive well child visits recommended by pediatricians in a "HealthCheck" Campaign. Health messages focusing on vision, dental, development and hearing screenings appeared in *Child Care Provider Quarterly* Magazine.

- The West Virginia Immunization Network and the State's Immunization Program and WVCHIP began working last year on strategies to implement an immunization campaign targeting adolescents.

- WVCHIP provided flyers and ABC's of Baby Care to include in Day One Packets for distribution to all new mothers at participating West Virginia hospitals.

- WVCHIP materials were included in the State's Immunization Program packets to new mothers through the Right from the Start Coordinators.

Targeted Outreach For Uninsured Children



(Chart developed by the WVCHIP for outreach purposes based on data from "Health Insurance in West Virginia: The Children's Report" - a 2001 survey by The Institute for Health Policy Research at the West Virginia University Robert C. Byrd Science Center)

Most important school supply? --

A Healthy Smile

Make sure your child's dental health is "school-ready"

- ☑ **Have their first dental check-up by their first birthday** as recommended by the American Dental Association
- ☑ **Yearly HealthCheck exams:** a complete well-child check-up with vision, hearing, dental screens and other developmental checks right for her age and stage by her pediatrician or family doctor
- ☑ **Brushing and flossing teeth daily** helps keep your child's smile healthy

Helping your child be school-ready!

West Virginia CHIP Children's Health Insurance Program

Office of Maternal, Child & Family Health West Virginia

www.wvchip.org
www.wvdhhr.org/mcfh/ICAH/healthcheck

Statistical Section

"I am a grandparent with two adopted granddaughters.
If it wasn't for CHIP, I don't have an answer
as to how I could get insurance for the two of them.
It is a wonderful program and I am greatly appreciative
for the fact it's there for my two grandchildren.
Thank you, CHIP!"

Comment from a WVCHIP family from the
Customer Satisfaction Survey 2005

All statistics are for the fiscal year ended June 30, 2006, unless noted otherwise.

Table 1: Enrollment

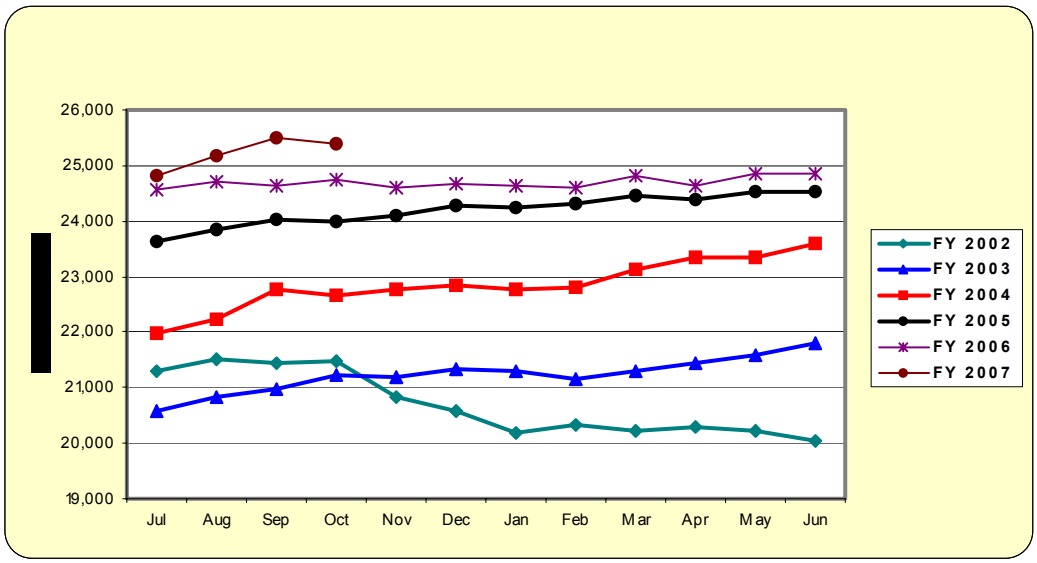


Table 2: Enrollment Detail

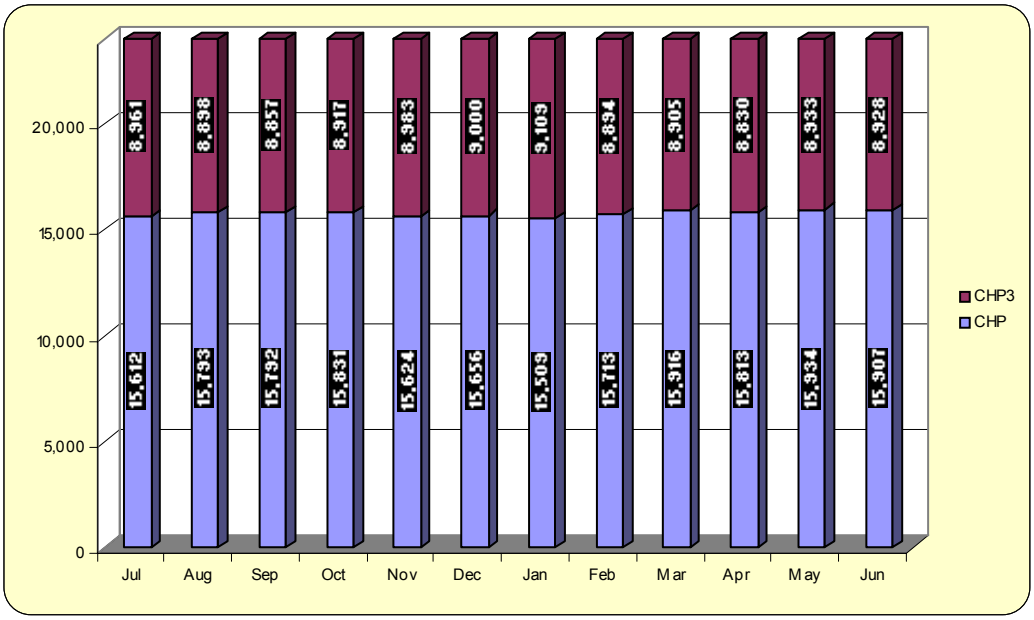
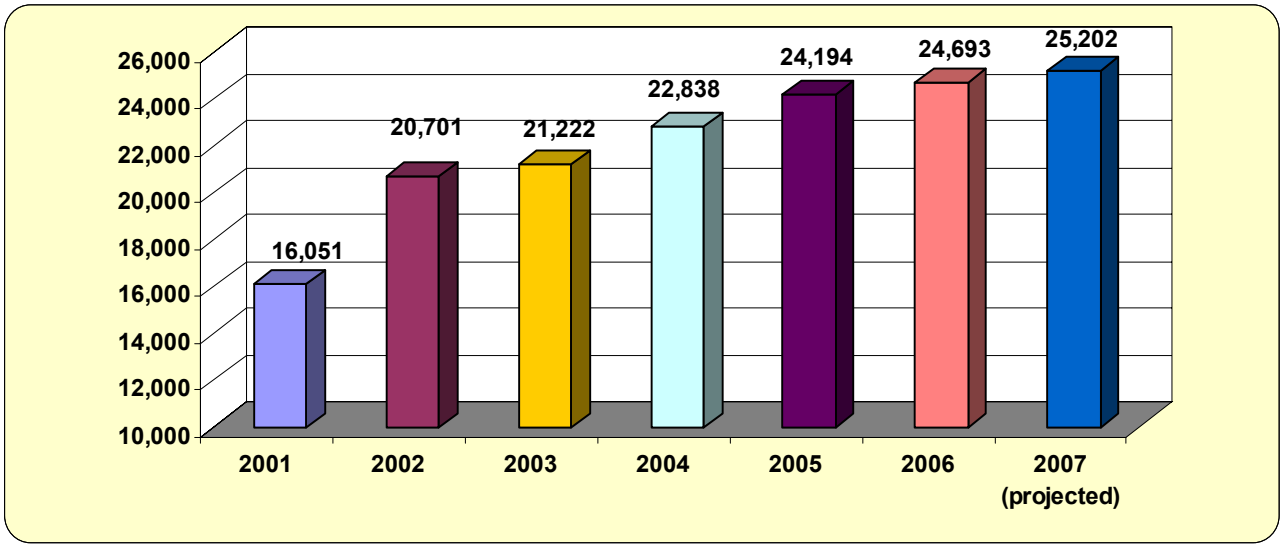


TABLE 3: AVERAGE ENROLLMENT
SFY 1999 - 2006



UNDUPLICATED COUNT OF CHILDREN SERVED IN WVCHIP EACH YEAR ON SEPTEMBER 30

Year	Number	% Change
1999	6,656	
2000	18,416	+177%
2001	33,144	+80%
2002	35,949	+8.5%
2003	35,320	-1.7%
2004	36,906	4.5%
2005	38,614	4.6%
2006	39,855	+3.2%

Total unduplicated number of children enrolled as of September 30, 2006 in WVCHIP since it began:

87,098

Table 4: Enrollment By Gender

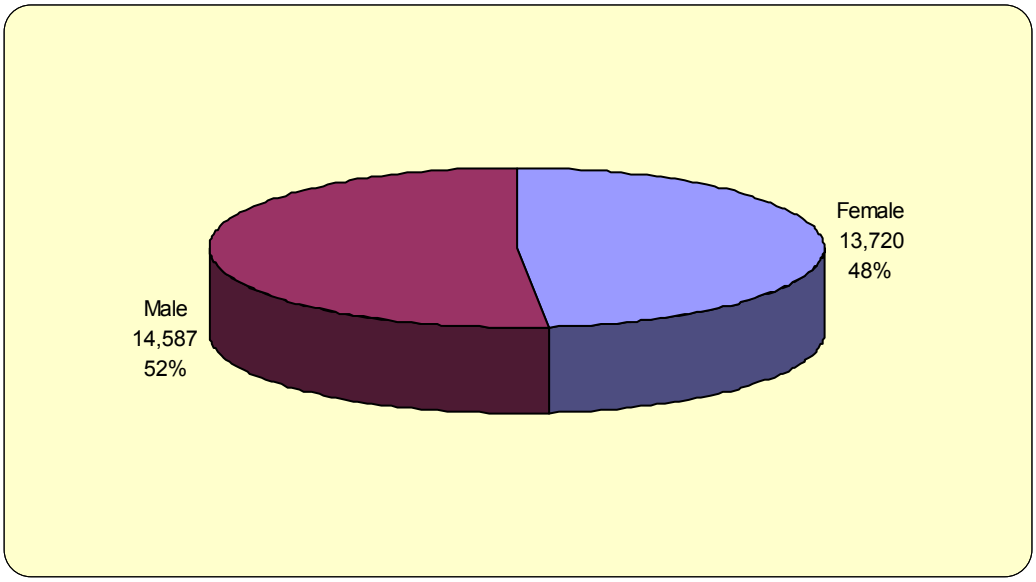


Table 5: Enrollment By Age

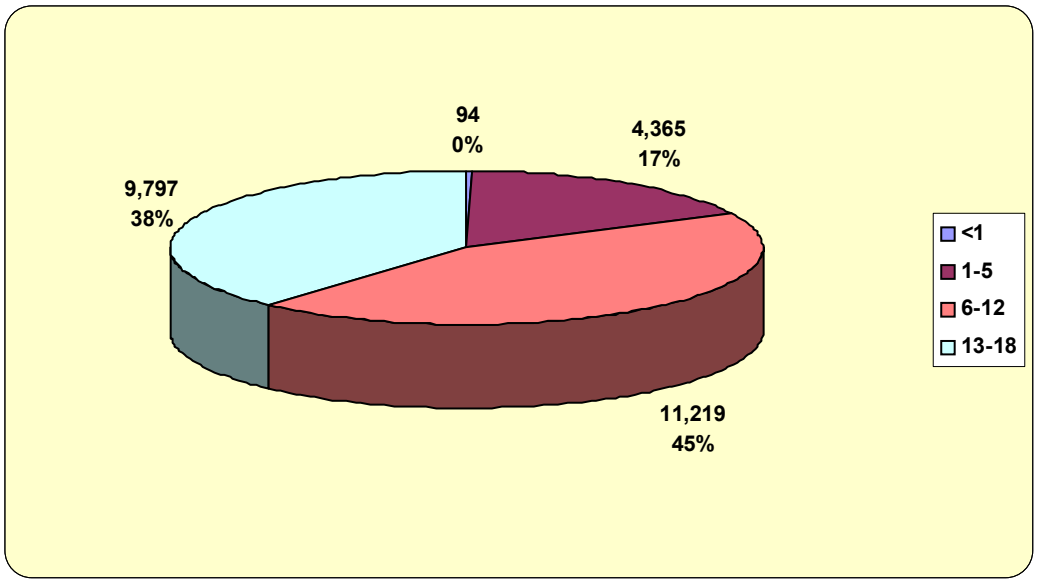
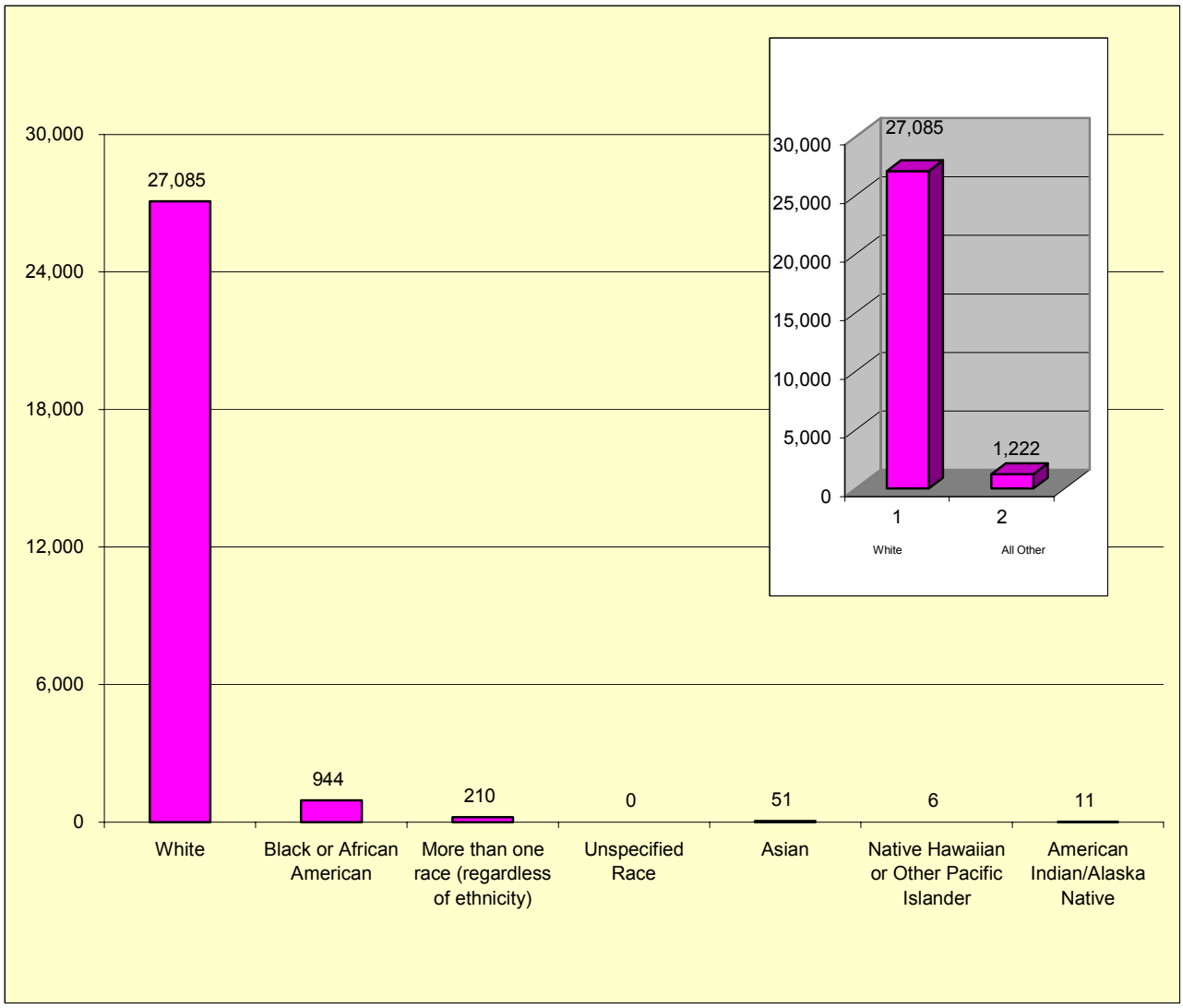
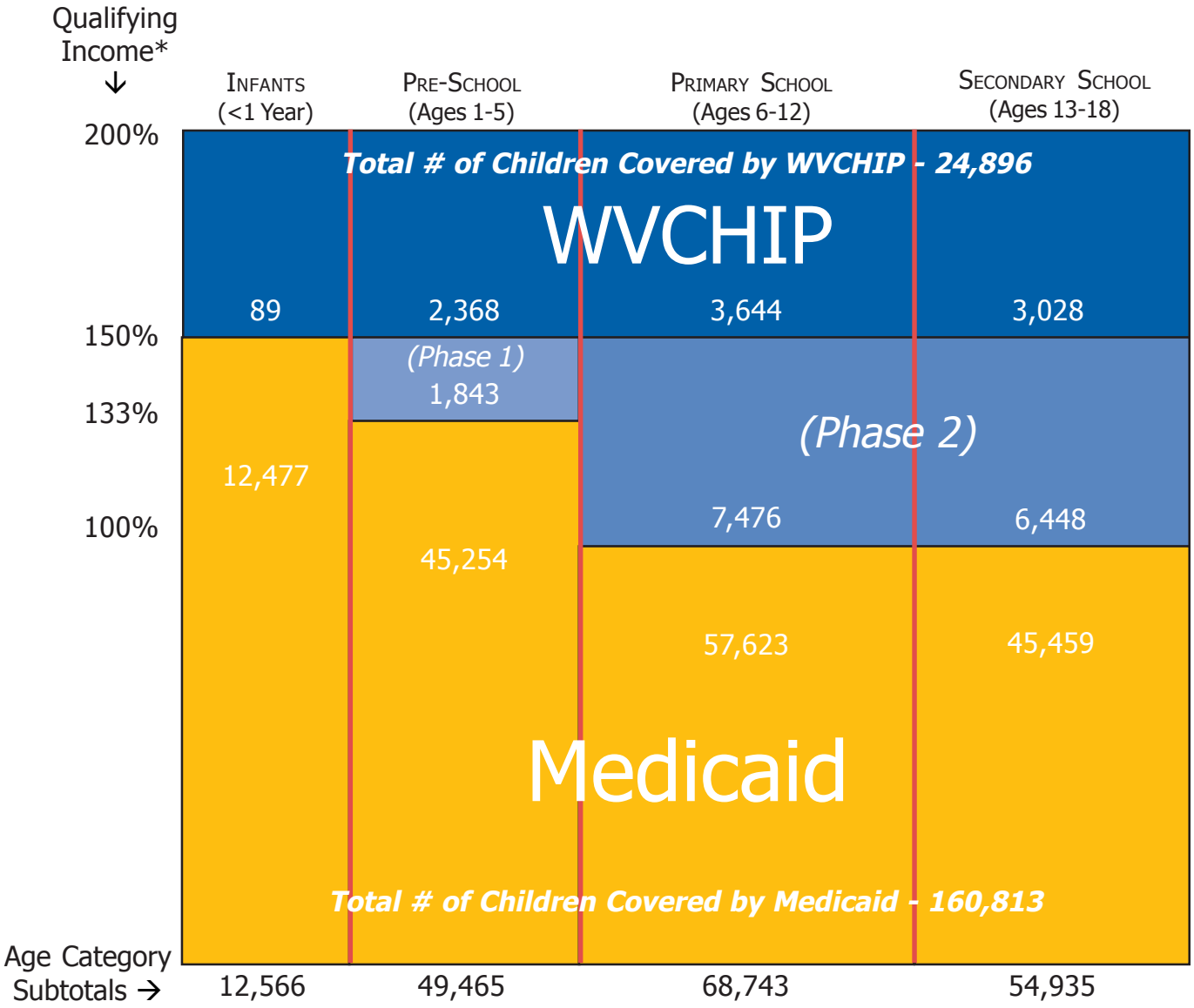


Table 6: Enrollment By Race/Ethnicity



Race/Ethnicity	WV CHIP Population	% of WV CHIP Population	WV Population Under 18 Years	% of WV Population Under 18 Years
White	27,085	95.7%	383,524	94.3%
Black or African American	944	3.3%	12,954	3.2%
More than one race (regardless of ethnicity)	210	0.7%	3,643	0.9%
Asian	51	0.2%	0	0.5%
American Indian/Alaska Native	11	0.0%	0	0.2%
Native Hawaiian or Other Pacific Islander	6	0.0%	81	0.0%
Unspecified Race	0	0.0%	0	0.2%
Total	**28,307**	**100.0%**	**400,202**	**99.3%**

Table 7: Health Coverage Of West Virginia Children By WVCHIP And Medicaid - June 30, 2006 -



*Household incomes through 200% of the Federal Poverty Level (FPL)

Total WVCHIP Enrollment **24,896** **Total WV Medicaid Enrollment** **160,813**

Total # of Children Covered by WVCHIP and Medicaid - 185,709

TABLE 8: ANNUAL RE-ENROLLMENT AND NON-RESPONSES UPON RENEWAL
JULY 2005 THROUGH JUNE 2006

Closure Range by County

Lowest% of AG's Closed - 15.9%

Highest % of AG's Closed - 42.5%

Average % of AG's Closed - 27.9%

County	# of Renewal Forms Mailed Monthly To CHIP Households	# of Closure Notices Mailed For Non-Returned Forms	# of Households Re-Opened (as either CHIP or Medicaid)	% of Households Re-Opened After Closure	# of Households Closed with No Response	% of Households Closed
Tyler	132	32	11	34.4%	21	15.9%
Pendleton	109	34	15	44.1%	19	17.4%
Hancock	314	105	46	43.8%	59	18.8%
Wetzel	223	58	12	20.7%	46	20.6%
Ohio	412	128	41	32.0%	87	21.1%
Pocahontas	142	40	10	25.0%	30	21.1%
Summers	206	65	21	32.3%	44	21.4%
Hardy	125	41	14	34.1%	27	21.6%
Webster	137	41	11	26.8%	30	21.9%
Morgan	402	139	48	34.5%	91	22.6%
Marion	713	230	55	23.9%	175	24.5%
Lincoln	415	137	35	25.5%	102	24.6%
Wyoming	409	142	39	27.5%	103	25.2%
Gilmer	98	36	11	30.6%	25	25.5%
Monroe	192	64	15	23.4%	49	25.5%
Lewis	322	115	32	27.8%	83	25.8%
Roane	271	91	21	23.1%	70	25.8%
Mineral	430	146	33	22.6%	113	26.3%
Brooke	243	83	19	22.9%	64	26.3%
Marshall	341	120	30	25.0%	90	26.4%
Mason	231	80	19	23.8%	61	26.4%
Upshur	356	127	32	25.2%	95	26.7%
Randolph	463	165	41	24.8%	124	26.8%
Harrison	808	290	73	25.2%	217	26.9%
Braxton	211	84	27	32.1%	57	27.0%
Clay	185	62	12	19.4%	50	27.0%
Preston	505	185	48	25.9%	137	27.1%
Mingo	604	226	62	27.4%	164	27.2%
Wood	970	382	115	30.1%	267	27.5%
Boone	312	114	27	23.7%	87	27.9%
Tucker	168	58	11	19.0%	47	28.0%
McDowell	978	387	113	29.2%	274	28.0%
Nicholas	412	166	50	30.1%	116	28.2%
Wayne	514	211	66	31.3%	145	28.2%
Hampshire	251	96	24	25.0%	72	28.7%
Greenbrier	500	202	54	26.7%	148	29.6%
Calhoun	131	54	15	27.8%	39	29.8%
Monongalia	249	88	13	14.8%	75	30.1%
Putnam	599	240	59	24.6%	181	30.2%
Barbour	270	121	38	31.4%	83	30.7%
Taylor	219	91	23	25.3%	68	31.1%
Fayette	827	385	128	33.2%	257	31.1%
Wirt	106	41	8	19.5%	33	31.1%
Kanawha	1,809	773	192	24.8%	581	32.1%
Pleasants	74	33	9	27.3%	24	32.4%
Grant	119	52	13	25.0%	39	32.8%
Jackson	341	168	56	33.3%	112	32.8%
Doddridge	122	54	13	24.1%	41	33.6%
Logan	506	231	58	25.1%	173	34.2%
Raleigh	1,135	504	112	22.2%	392	34.5%
Cabell	826	361	68	18.8%	293	35.5%
Ritchie	134	71	23	32.4%	48	35.8%
Berkeley	1,016	533	158	29.6%	375	36.9%
Mercer	258	130	34	26.2%	96	37.2%
Jefferson	355	193	42	21.8%	151	42.5%
Totals	**22,200**	**8,805**	**2,355**	**26.7%**	**6,450**	**29.1%**
12-Mo. Ave.	***1,850***	***734***	***196***	***26.7%***	***538***	***29.1%***

Table 9: Enrollment Changes By County
As % Difference from July 2005 through June 2006

County	Total Enrollees July 2005	Total Enrollees June 2006	Difference	% Change
Pleasants	82	98	16	16%
Ritchie	143	166	23	14%
Mason	263	294	31	11%
Marshall	374	414	40	10%
Brooke	259	286	27	9%
Grant	132	145	13	9%
Pendleton	119	129	10	8%
Preston	539	579	40	7%
Boone	358	380	22	6%
Roane	314	333	19	6%
Morgan	207	219	12	5%
Hancock	356	375	19	5%
Mineral	286	300	14	5%
Webster	164	172	8	5%
Fayette★	894	935	41	4%
Kanawha★	2,000	2,091	91	4%
Lewis★	331	344	13	4%
Upshur★	426	442	16	4%
Harrison	904	937	33	4%
Mercer★	1,076	1,107	31	3%
Greenbrier	563	579	16	3%
Berkeley★	1,099	1,127	28	2%
Jackson	374	383	9	2%
Ohio	461	468	7	1%
Monongalia★	652	661	9	1%
Jefferson	399	404	5	1%
Braxton	252	254	2	1%
Cabell★	937	944	7	1%
Nicholas	454	456	2	0%
Doddridge	126	126	0	0%
Raleigh★	1,218	1,218	0	0%
Wyoming	462	459	-3	-1%
Hampshire	286	283	-3	-1%
McDowell	428	423	-5	-1%
Wetzel	248	245	-3	-1%
Tucker	181	178	-3	-2%
Wayne★	592	582	-10	-2%
Wood★	1,096	1,075	-21	-2%
Lincoln	465	455	-10	-2%
Marion★	765	748	-17	-2%
Putnam	637	617	-20	-3%
Pocahontas	158	153	-5	-3%
Calhoun	146	139	-7	-5%
Clay	205	195	-10	-5%
Barbour	328	311	-17	-5%
Monroe	260	246	-14	-6%
Logan★	555	525	-30	-6%
Tyler	138	130	-8	-6%
Gilmer	113	106	-7	-7%
Randolph★	519	481	-38	-8%
Mingo★	474	435	-39	-9%
Hardy	145	133	-12	-9%
Summers	233	213	-20	-9%
Wirt	125	112	-13	-12%
Taylor	252	225	-27	-12%
Totals	**24,573**	**24,835**	**262**	**1%**
12-Mo. Ave.	***2,048***	***2,070***	***22***	***1%***

MEDIAN

★Denotes targeted counties as shown on the map on page 37.

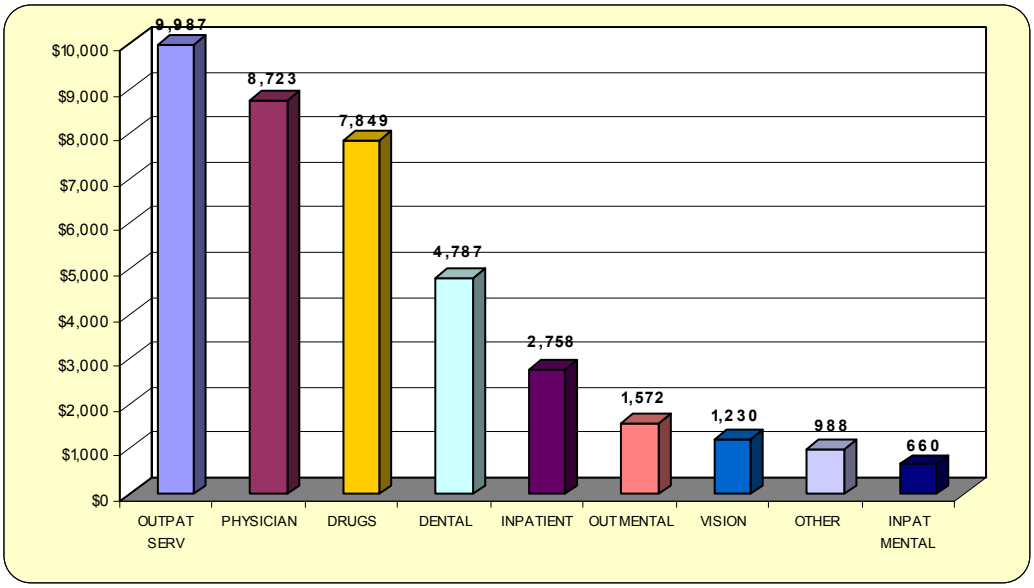
Table 10: Enrollment Changes By County
As % of Children Never Before Enrolled from July 2005 through June 2006

County	Total Enrollees July 2005	Total Enrollees June 2006	New Enrollees Never in Program	New Enrollees As % of June 2006
Pleasants	82	98	60	61%
Hardy	145	133	80	60%
Tyler	138	130	77	59%
Wetzel	248	245	143	58%
Mason	263	294	168	57%
Marshall	374	414	234	57%
Grant	132	145	74	51%
Hampshire	286	283	144	51%
Morgan	207	219	111	51%
Calhoun	146	139	68	49%
Berkeley★	1,099	1,127	547	49%
Wood★	1,096	1,075	517	48%
Mineral	286	300	144	48%
Wirt	125	112	53	47%
Hancock	356	375	174	46%
Boone	358	380	176	46%
Cabell★	937	944	432	46%
Braxton	252	254	116	46%
Greenbrier	563	579	262	45%
Kanawha★	2,000	2,091	942	45%
Mercer★	1,076	1,107	493	45%
Jefferson	399	404	178	44%
Monongalia★	652	661	291	44%
Preston	539	579	254	44%
Harrison	904	937	408	44%
Wayne★	592	582	250	43%
McDowell	428	423	179	42%
Brooke	259	286	118	41%
Fayette★	894	935	377	40%
Barbour	328	311	124	40%
Wyoming	462	459	182	40%
Putnam	637	617	244	40%
Ohio	461	468	183	39%
Marion★	765	748	292	39%
Logan★	555	525	203	39%
Lewis★	331	344	131	38%
Raleigh★	1,218	1,218	458	38%
Mingo★	474	435	162	37%
Roane	314	333	123	37%
Jackson	374	383	140	37%
Pendleton	119	129	47	36%
Monroe	260	246	89	36%
Clay	205	195	70	36%
Ritchie	143	166	59	36%
Webster	164	172	61	35%
Lincoln	465	455	160	35%
Nicholas	454	456	160	35%
Upshur★	426	442	154	35%
Gilmer	113	106	36	34%
Taylor	252	225	75	33%
Doddridge	126	126	41	33%
Pocahontas	158	153	49	32%
Randolph★	519	481	150	31%
Summers	233	213	61	29%
Tucker	181	178	42	24%
Totals	**24,573**	**24,835**	**10,566**	**43%**
12-Mo. Ave.	**2,048**	**2,070**	**881**	**43%**

MEDIAN

★Denotes targeted counties as shown on the map on page 37.

Table 11: Expenditures by Provider Type
Accrual Basis



Expenditures by Provider Type
Accrual Basis

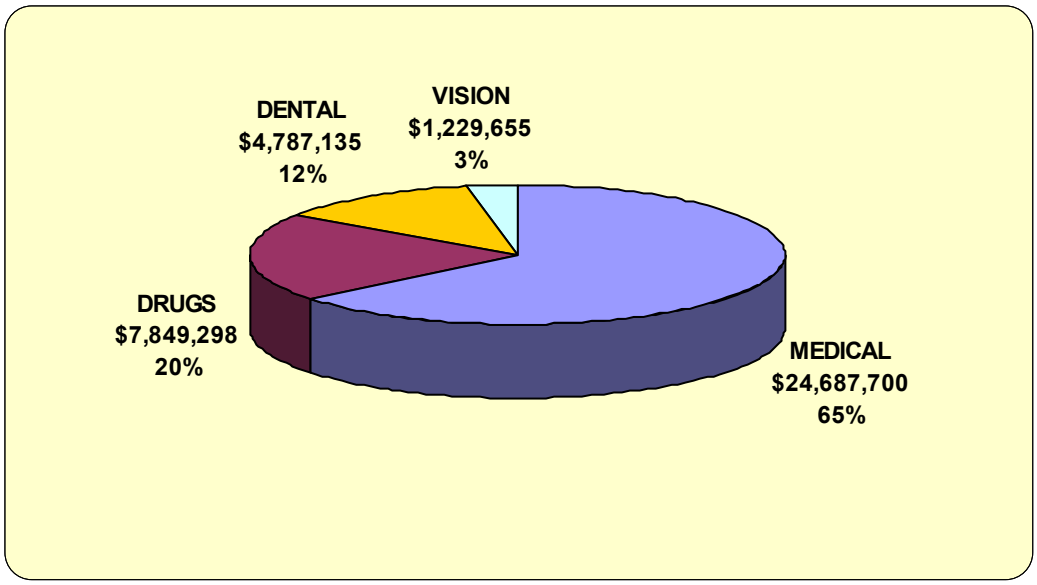


Table 12: Total Program Expenditures

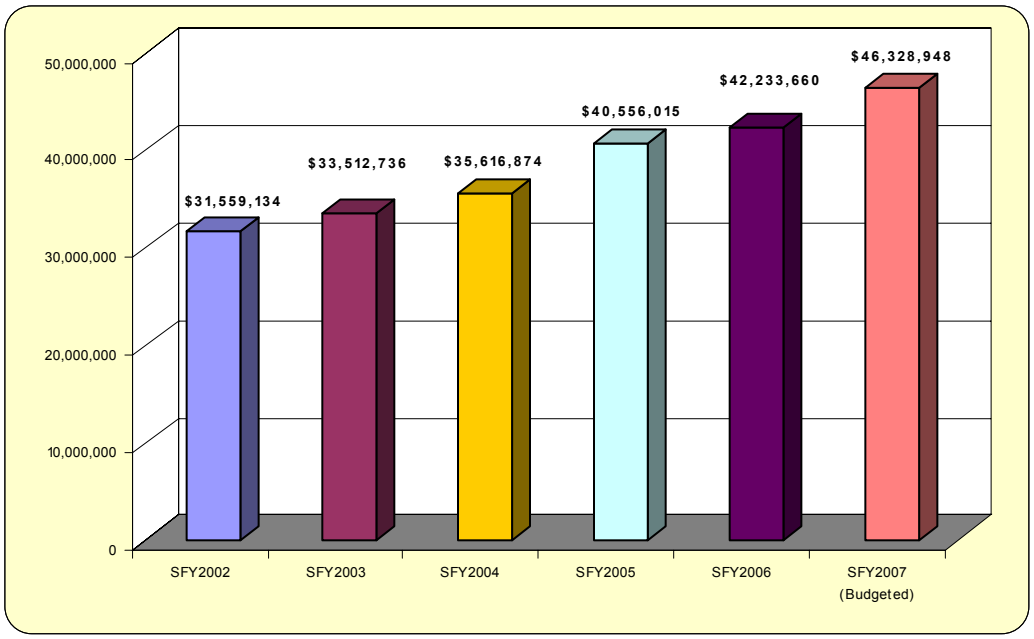
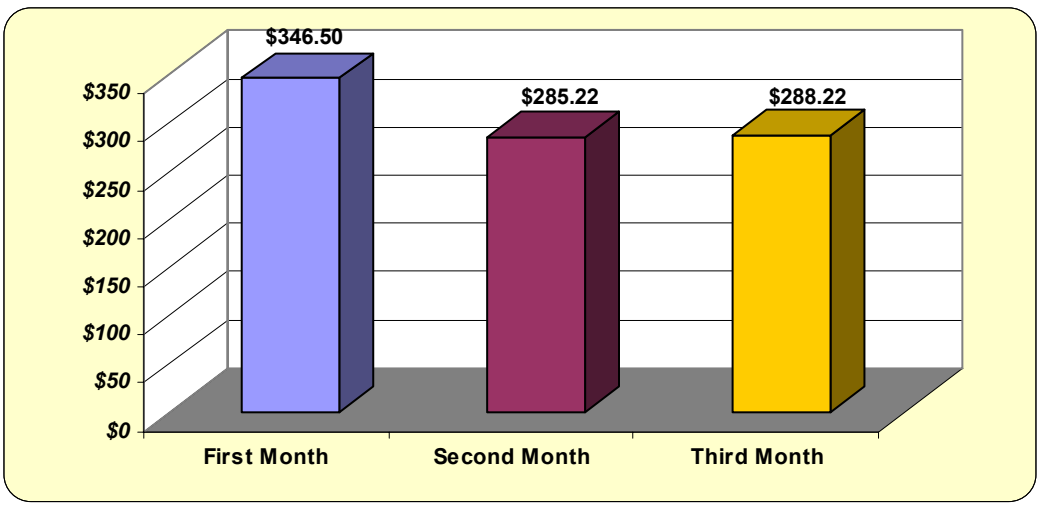


Table 13: Average Claimant Costs in First Three Months

Showing Pent Up Demand For Services Upon Enrollment



The Health Plan Employer Data and Information Set (HEDIS®) - Type Data as Utilized By WVCHIP

HEDIS® is a set of standardized performance measures designed to ensure that purchasers and consumers have the information they need to reliably compare the performance of managed health care plans. However, many states are using HEDIS® to assess services delivered to both Medicaid and State Children's Health Insurance Program (SCHIP) beneficiaries to monitor program performance. Typically, the performance measures in HEDIS® are related to many significant public health issues for adults such as cancer, heart disease, smoking, asthma and diabetes. Child health measures may include preventive and well child visits, immunization status, access to primary care practitioners, dental visits and can include selected chronic conditions.

WVCHIP is utilizing HEDIS®-type measures that identify only those individuals with 12 months of enrollment whose treatment information can be included in calculations of measures assessing the level of services extracted from claims payment in a fee-for-service environment. For HEDIS® measures involving services or treatments delivered in set time frames (e.g., preventive services, screenings, well-care visits), managed care plan members must be enrolled for a minimum of 12 months, with no more than one break of 45 days, to be included in the calculation of the HEDIS® rate. For other measures, the required period of continuous enrollment varies. HEDIS® is sponsored, supported and maintained by the National Committee for Quality Assurance.

The following tables present HEDIS® results for WVCHIP enrollees during calendar year 2005 *(See Tables 14 - 20)*.

Note on Immunizations:

WVCHIP is unable to report a HEDIS® measure for all children receiving the recommended combinations of immunizations prior to age three. This is a combined result of the relatively few children covered by WVCHIP between birth to two years (since children in households with incomes up to 150% FPL are covered by Medicaid and since HEDIS® data only counts those children enrolled for 12 months of a calendar year). For this reason the HEDIS® measure is not particularly meaningful for participants in WVCHIP and has been deleted. For other data of available immunizations for children covered by WVCHIP (including the HEDIS® age group), please see Table 25.

HEDIS-Type Data
January 1, 2005 to December 31, 2005

Table 14: Dental Visits

This measure estimates the number of children enrolled for the entire 2005 calendar year at ages 4 through 18 who had a dental check-up with a dentist for services coded as preventive dental procedures only.

Age Group	Number of Continuously Enrolled Children	Number Having Dental Checkup Visit	% Having Dental Checkup Visit	% Prior Year 04	% Prior Year 03
4 to 6 Years	858	833	97.09%	97.02%	97.76%
7 to 10 Years	2,539	2,468	97.20%	96.71%	97.24%
11 to 14 Years	2,838	2,704	95.28%	95.21%	96.36%
15 to 18 Years	2,228	2,103	94.39%	94.68%	95.48%
Total	**8,463**	**8,108**	**95.81%**	**95.69%**	**96.55%**

Table 15: Vision Visits

This measure estimates the number of children enrolled for the entire 2005 calendar year who received vision services from a physician or ophthalmologist coded for preventive vision services only.

Age Group	Number of Continuously Enrolled Children	Number Having Vision Checkup Visit	% Having Vision Checkup Visit	% Prior Year 04	% Prior Year 03
Under 1 Year	3	-	0.00%	33.33%	NA
1 to 5 Years	1,109	169	15.24%	15.17%	13.25%
6 to 11 Years	3,525	1,096	31.09%	30.45%	33.16%
12 to 18 Years	4,379	1,479	33.77%	33.47%	36.24%
Total	**9,016**	**2,744**	**30.43%**	**30.00%**	**32.42%**

HEDIS-Type Data
January 1, 2005 to December 31, 2005

Tables 16 & 17: Well Child and Adolescent Well Visits

These measures estimate the number of children enrolled for the entire 2005 calendar year from ages birth through six years and from 12 to 21 years of age who have had a well child visit with a physician coded to a prevention or screening services only.

Age Group	Number of Continuously Enrolled Children	Number Having Well Visit	% Having Well Visit	% Prior Year 04	% Prior Year 03
Less Than Or Equal To 15 Months	14	14	100.00%	94.44%	NA
Third Year Of Life	262	246	93.89%	94.72%	67.65%
Fourth Year Of Life	273	258	94.51%	93.58%	64.25%
Fifth Year Of Life	286	271	94.76%	93.77%	70.37%
Sixth Year Of Life	299	283	94.65%	92.76%	54.35%
Total	**1,134**	**1,072**	**94.53%**	**93.70%**	**91.69%**

Age Group	Number of Continuously Enrolled Children	Number Having Well Visit	% Having Well Visit	% Prior Year 04	% Prior Year 03
12 To 21 Years of Age	4,379	3,628	82.85%	NA	NA
Total	**4,379**	**3,628**	**82.85%**	**NA**	**NA**

Table 18: Access To Primary Care

This measure estimates the number of children enrolled for the entire 2005 calendar year from ages 1 to 11 who received office visits/outpatient services for procedures coded to primary care services only.

Age Group	Number of Continuously Enrolled Children	Number Having Primary Care Visit	% Having Primary Care Visit	% Prior Year 04	% Prior Year 03
12 to 24 Months	69	67	97.10%	98.44%	98.44%
25 Months to 6 Years	1,339	1,276	95.29%	94.73%	96.71%
7 to 11 Years	3,326	2,920	87.79%	89.99%	92.69%
Total	**4,734**	**4,263**	**90.05%**	**91.38%**	**94.05%**

HEDIS-Type Data
January 1, 2005 to December 31, 2005

Table 19: Proper Use of Asthma Medications

This measure estimates the number of children enrolled for the entire 2005 calendar year as well as the complete year prior with persistent asthma who were prescribed appropriate medication.

Age Group	Asthma Patients	Number with Proper Use of Medications	Medications Rate	% Prior Year 04	% Prior Year 03
5 to 9 Years	290	269	92.76%	92.55%	91.30%
10 to 18 Years	498	444	89.16%	85.40%	84.15%
Total	**788**	**713**	**90.48%**	**87.78%**	**86.32%**

Table 20: Diabetic Care

This measure estimates the number of children enrolled for the entire 2005 calendar year with type 1 and type 2 diabetes who were shown to have had a hemoglobin A1c (HbA1c) test; a serum cholesterol level (LDL-C) screening; and an eye exam and a screen for kidney disease.

Age Group	Diabetic Patients	HB1C Test	Rate of HB1C Test	Eye Examinations	Rate of Eye Examinations	LDLC Test	Rate of LDLC Test
6 to 11 Years	16	11	68.75%	14	87.50%	0	0.00%
12 to 18 Years	31	27	87.10%	30	96.77%	11	35.48%
Total	**47**	**38**	**80.85%**	**44**	**93.62%**	**11**	**23.40%**
Total % Prior Year 04			**77.27%**		**90.91%**		**29.55%**
Total % Prior Year 03			**82.22%**		**93.33%**		**40.00%**

Selected Utilization Data as Health Status Indicators

WVCHIP currently operates exclusively in a fee-for-service payment structure. The data in Tables 21 - 25 reflect preventive services as extracted from claims payments. The selected preventive services are:

- → Vision
- → Dental
- → Well Child Visits
- → Access to Primary Care
- → Immunizations

Unlike the HEDIS®-type data in the preceding Tables 14 - 20, the health status indicator data reflects services for all WVCHIP enrollees whether they are enrolled for one month or twelve months in the annual measurement period. Also, it captures more specific data for the entire population, which may not be captured in a HEDIS® measure. (e.g. the HEDIS® child immunization measure is specific to a required combined set of several immunizations over a two year period for two year-olds resulting in a "0" measure, whereas the selected immunization data reflect more detail.)

The advantage of having separate HEDIS®-type measures is to allow comparison among managed health care plans and with other states' CHIP or Medicaid programs.

Table 21:
Health Status Indicators
January 1, 2005 to December 31, 2005

Vision Services

Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	95	2	0.02	178.47	1.88
1 to 2 Years	1,637	54	0.03	4,077.16	2.49
3 Years	914	69	0.08	5,502.29	6.02
4 to 5 Years	1,737	291	0.17	22,434.62	12.92
6 to 11 Years	9,404	2,838	0.30	217,017.33	23.08
12 to 18 Years	10,867	3,548	0.33	268,282.75	24.69
Overall	**24,654**	**6,802**	**0.28**	**517,492.62**	**20.99**

Table 22:
Health Status Indicators
January 1, 2005 to December 31, 2005

Dental Services

Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	95	1	0.01	50	0.53
1 to 2 Years	1,637	430	0.26	52,023	31.78
3 Years	914	837	0.92	105,103	114.99
4 to 5 Years	1,737	2,463	1.42	298,791	172.02
6 to 11 Years	9,404	15,213	1.62	1,713,769	182.24
12 to 18 Years	10,867	14,929	1.37	1,891,097	174.02
Overall	**24,654**	**33,873**	**1.37**	**4,060,832**	**164.71**

Table 23:
Health Status Indicators
January 1, 2005 to December 31, 2005

Well Child Visits

Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	95	435	4.58	37,402.48	393.71
1 to 2 Years	1,637	2,396	1.46	242,897.48	148.38
3 Years	914	590	0.65	51,365.62	56.20
4 to 5 Years	1,737	1,294	0.74	130,587.73	75.18
6 to 11 Years	9,404	3,104	0.33	287,825.49	30.61
12 to 18 Years	10,867	3,058	0.28	277,829.99	25.57
	-	-		-	
Overall	**24,654**	**10,877**	**0.44**	**1,027,908.79**	**41.69**

Table 24:
Health Status Indicators
January 1, 2005 to December 31, 2005

Access to Primary Care Services

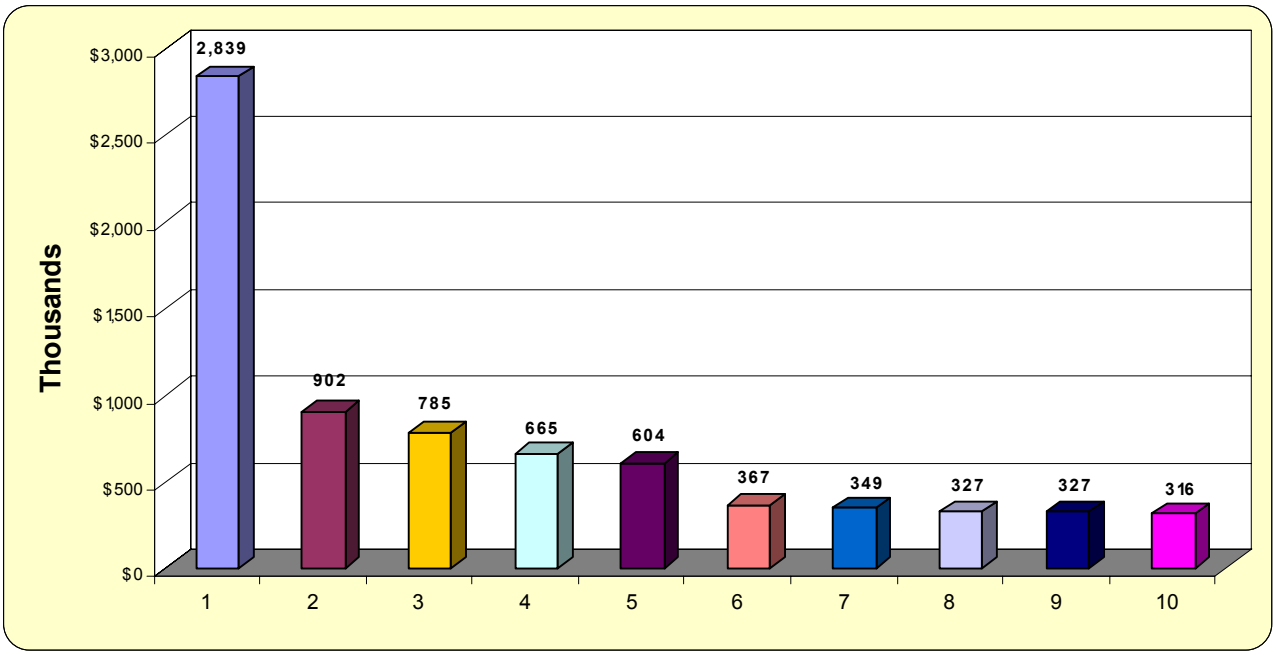
Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	95	961	10.12	63,941.03	673.06
1 to 2 Years	1,637	9,785	5.98	626,634.13	382.79
3 Years	914	3,868	4.23	227,774.65	249.21
4 to 5 Years	1,737	8,117	4.67	491,753.28	283.10
6 to 11 Years	9,404	31,512	3.35	1,908,986.89	203.00
12 to 18 Years	10,867	33,833	3.11	2,026,625.12	186.49
	-	-			
Overall	**24,654**	**88,076**	**3.57**	**5,345,715.10**	**216.83**

TABLE 25:
HEALTH STATUS INDICATORS
JANUARY 1, 2005 TO DECEMBER 31, 2005

IMMUNIZATIONS SERVICES

Age Group	Immunization Type	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	Hib	95	192	2.0211	694.77	7.31
	MMR		3	0.0316	-	-
	VZV		2	0.0211	65.00	0.68
	DTaP		195	2.0526	648.20	6.82
	Administration - Influenza Vaccine		1	0.0105	-	-
	Hepatitus B		14	0.1474	15.00	0.16
	IPV / OPV		45	0.4737	144.18	1.52
		95	***452***	***4.7579***	***1,567.15***	***16.50***
1 to 2 Years	Hib	1,637	510	0.3115	1,361.84	0.83
	MMR		406	0.2480	1,003.80	0.61
	VZV		357	0.2181	8,472.01	5.18
	Measles		2	0.0012	-	-
	Hepatitus B		45	0.0275	112.12	0.07
	Diphtheria		1	0.0006	-	-
	IPV / OPV		113	0.0690	299.71	0.18
	DTaP		626	0.3824	2,089.75	1.28
	Diphtheria and Tetanus		8	0.0049	-	-
	Administration - Pneumococcal Vaccine		2	0.0012	22.25	0.01
	Administration - Influenza Vaccine		19	0.0116	117.43	0.07
		1,637	***2,089***	***1.2761***	***13,478.91***	***8.23***
3 Years	Hib	914	16	0.0175	89.09	0.10
	MMR		10	0.0109	15.00	0.02
	VZV		15	0.0164	289.43	0.32
	DTaP		21	0.0230	141.14	0.15
	IPV / OPV		10	0.0109	-	-
	Hepatitus B		5	0.0055	-	-
	Administration - Influenza Vaccine		6	0.0066	30.79	0.03
		914	***83***	***0.0908***	***565.45***	***0.62***
4 to 5 Years	Hib	1,737	8	0.0046	24.32	0.01
	MMR		672	0.3869	1,348.32	0.78
	VZV		31	0.0178	929.80	0.54
	DTaP		699	0.4024	800.85	0.46
	Measles		3	0.0017	-	-
	IPV / OPV		687	0.3955	1,141.52	0.66
	Hepatitus B		14	0.0081	-	-
	Diphtheria and Tetanus		11	0.0063	-	-
	Administration - Influenza Vaccine		10	0.0058	72.08	0.04
		1,737	***2,135***	***1.2291***	***4,316.89***	***2.49***
6 to 11 Years	Hib	9,404	4	0.0004	-	-
	MMR		14	0.0015	42.94	0.00
	VZV		18	0.0019	484.98	0.05
	DTaP		14	0.0015	24.65	0.00
	Rubella		1	0.0001	5.30	0.00
	Tetanus		26	0.0028	258.66	0.03
	IPV / OPV		12	0.0013	28.28	0.00
	Hepatitus B		16	0.0017	27.05	0.00
	Diphtheria and Tetanus		12	0.0013	29.12	0.00
	Administration - Influenza Vaccine		45	0.0048	284.98	0.03
	Administration - Pneumococcal Vaccine		2	0.0002	13.52	0.00
		9,404	***164***	***0.0174***	***1,199.48***	***0.13***
12 to 18 Years	Hib	10,867	6	0.0006	-	-
	MMR		9	0.0008	14.49	0.00
	VZV		13	0.0012	492.95	0.05
	DTaP		17	0.0016	-	-
	Tetanus		109	0.0100	729.18	0.07
	IPV / OPV		6	0.0006	-	-
	Hepatitus B		230	0.0212	923.40	0.08
	Diphtheria and Tetanus		30	0.0028	12.00	0.00
	Administration - Hepatitus B		1	0.0001	6.35	0.00
	Administration - Influenza Vaccine		51	0.0047	335.39	0.03
		10,867	***472***	***0.0434***	***2,513.76***	***0.23***
	Overall	**24,654**	**5,395**	**0.2188**	**23,641.64**	**0.96**

Table 26: Top Ten Physician Services
By Amounts Paid



Key

		CPT Code*
1	Office/Outpatient Visits Limited	(99213)
2	Individual Psychotherapy	(90806)
3	Office/Outpatient Visits Intermediate	(99214)
4	ER Department Visit Intermediate	(99283)
5	Office/Outpatient Visits Brief	(99212)
6	ER Department Visit Extended	(99284)
7	Periodic Comprehensive Wellness Exam Age 5-11	(99393)
8	Psychiatric Diagnostic Interview	(90801)
9	Periodic Comprehensive Wellness Exam Age 1-4	(99392)
10	Ophthalmological Service	(92014)

**As described in Current Procedure Terminology 2006 by the American Medical Association.*

Table 26: Top Ten Physician Services
By Amounts Paid

CPT Code Description

1 Office/Outpatient Visits Limited: for an established patient taking about 15 minutes or less of face-to-face time with patient and/or family for problems with low to moderate severity; requires 2 of 3 key components: an expanded problem focused history and examination and medical decision making of low complexity *(CPT 99213*)

2 Individual Psychotherapy: requiring a face-to-face visit with a therapist for insight oriented, behavior modifying and/or supportive therapy for 45 to 50 minutes *(CPT 90806)*

3 Office/Outpatient Visits Intermediate: for an established patient taking about 25 minutes of face-to-face time with the patient and/or family for problem(s) of moderate to high severity; 2 of 3 required visit components are a detailed history and examination and medical decision making of moderate complexity *(CPT 99214)*

4 ER Department Visit Intermediate: requiring 1) an expanded problem-focused history; 2) an expanded problem focused examination; and 3) medical decision making of moderate complexity - usually for a problem of moderate severity *(CPT 99283)*

5 Office/Outpatient Visits Brief: for an established patient taking about ten minutes or less of face-to-face time with patient and/or family for self limiting or minor problems; 2 of 3 required visit components are a problem focused history and examination and straightforward medical decision making *(CPT 99212)*

6 ER Department Visit Extended: requiring 1) a detailed history; 2) a detailed examination; and 3) medical decision making of moderate coplexity - usually when urgent evaluation is needed for a problem of high severity *(CPT 99284)*

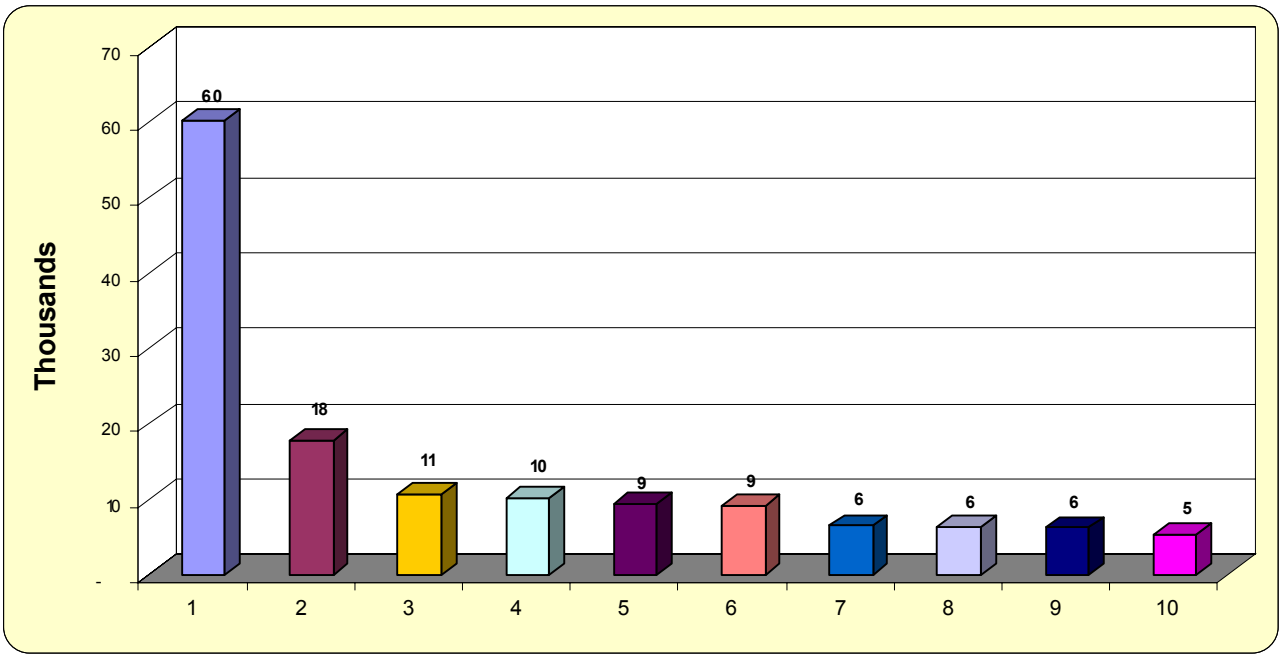
7 Periodic Comprehensive Wellness Exam Age 5-11: An age and gender specific preventive medical exam that includes appropriate history, exam, any needed counseling/anticipatory guidance/risk factor reduction interventions as well as ordering of appropriate immunizations and laboratory tests for an established patient. These exams are coded to the correct age/stage period and are guided by criteria established by the American Academy of Pediatrics *(CPT 99393)*

8 Psychiatric Diagnostic Interview: an examination which includes a history, mental status, and a disposition; may include communication with family or other sources, ordering and interpreting other medical or diagostic studies *(CPT 90801)*

9 Periodic Comprehensive Wellness Exam Age 1-4: An age and gender specific preventive medical exam that includes appropriate history, exam, any needed counseling/anticipatory guidance/risk factor reduction interventions as well as ordering of appropriate immunizations and laboratory tests for an established patient. These exams are coded to the correct age/stage period and are guided by criteria established by the American Academy of Pediatrics *(CPT 99392)*

10 Ophthalmological Service: for an established patient at an intermediate level in a face-to-face encounter by the physician for a general evaluation of the complete visual system including history, general medical observation, external and ophthalmological examinations, gross visual fields and basic sensorimotor examination. It need not be performed all in one session *(CPT 92014)*

Table 27: Top Ten Physician Services
By Number of Transactions



Key

		CPT Code*
1	Office Visits Limited	(99213)
2	Office Visits Brief	(99212)
3	Individual Psychotherapy	(90806)
4	Office Visits Intermediate	(99214)
5	Complete Blood Count	(85025)
6	ER Department Visit Intermediate	(99283)
7	Test For Streptococcus	(87880)
8	Immunization Administration	(90471)
9	Therapeutic Procedures, One or More Areas, Each 15 Minutes	(97110)
10	Pharmacologic Management	(90862)

**As described in Current Procedure Terminology 2006 by the American Medical Association.*

Table 27: Top Ten Physician Services
By Number of Transactions

CPT Code Description

1 Office/Outpatient Visits Limited: for an established patient taking about 15 minutes or less of face-to-face time with patient and/or family for problems with low to moderate severity; requires 2 of 3 key components: an expanded problem focused history and examination and medical decision making of low complexity *(CPT 99213*)

2 Office/Outpatient Visits Brief: for an established patient taking about ten minutes or less of face-to-face time with patient and/or family for self limiting or minor problems; 2 of 3 required visit components are a problem focused history and examination and straightforward medical decision making *(CPT 99212)*

3 Individual Psychotherapy: requiring a face-to-face visit with a therapist for insight oriented, behavior modifying and/or supportive therapy for 45 to 50 minutes *(CPT 90806)*

4 Office/Outpatient Visits Intermediate: for an established patient taking about 25 minutes of face-to-face time with the patient and/or family for problem(s) of moderate to high severity; 2 of 3 required visit components are a detailed history and examination and medical decision making of moderate complexity *(CPT 99214)*

5 Complete Blood Count: automated (Hgb, Hct, RBC, WBC and platelet count) and automated differential WBC count *(CPT 85025)*

6 ER Department Visit Intermediate: requiring 1) an expanded problem-focused history; 2) an expanded problem focused examination; and 3) medical decision making of moderate complexity - usually for a problem of moderate severity *(CPT 99283)*

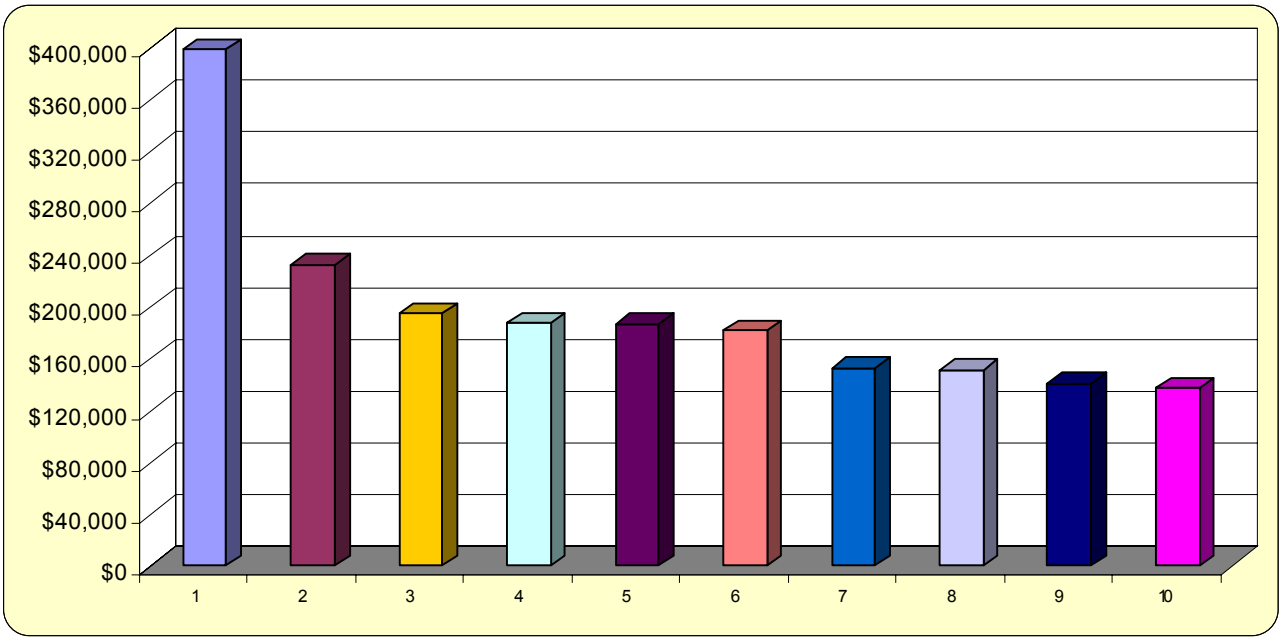
7 Test For Streptococcus: laboratory testing for Streptococcus bacteria group A as identified by colony morphology, growth on selective media *(CPT 87880)*

8 Immunization Administration: injection of a vaccine (single or combination toxoid) whether percutaneous, intradermal, subcutaneous, or intramuscular *(CPT 90471)*

9 Therapeutic Procedures, One or More Areas, Each 15 Minutes: the application of a therapeutic exercise to develop strength and endurance, range of motion and flexibility; requires direct patient contact by a physician or therapist *(CPT 97110)*

10 Pharmacologic Management: a psychiatric review of prescription and use with no more than minimal psychotherapy required *(CPT 90862)*

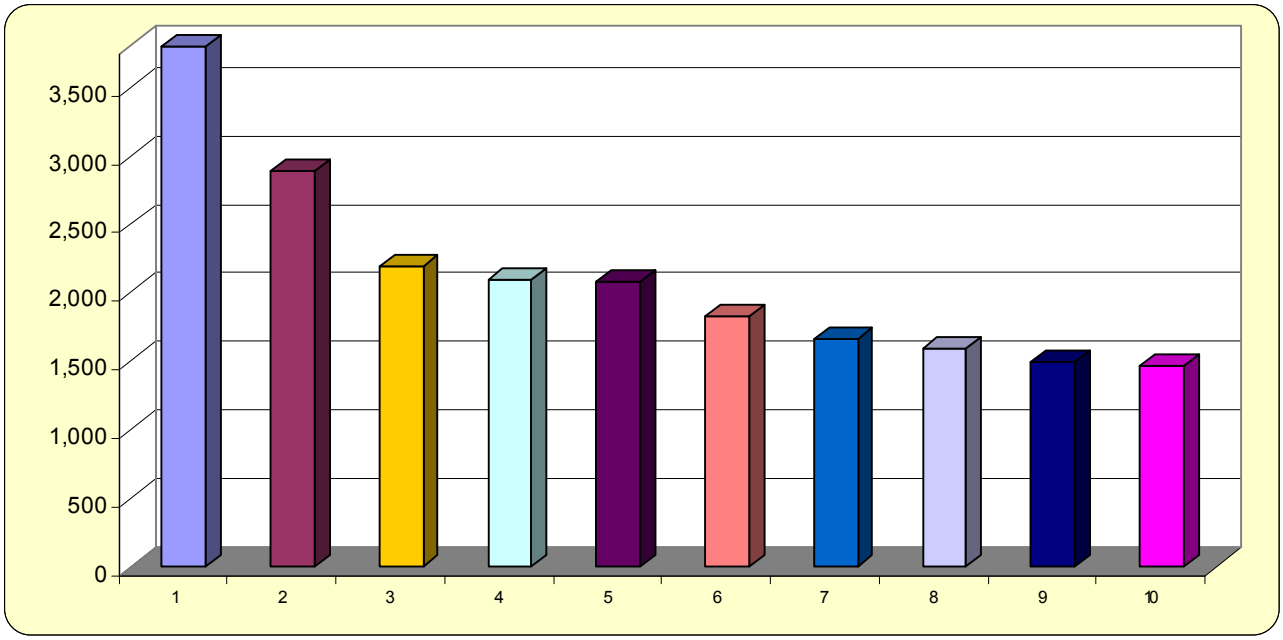
TABLE 28: TOP TEN PRESCRIPTION DRUGS
BY INGREDIENT COST



Key

	Drug Brand Name		Major Use Indication
1	Singulair 5MG	-	Asthma
2	Omnicef 250MG/5ML	-	Antibiotic
3	Singulair 10MG	-	Asthma
4	Adderall XR 20MG	-	Attention Deficit Hyperactivity Disorder (ADHD)
5	Nutropin 10MG	-	Growth Hormone
6	Concerta 36MG	-	Attention Deficit Hyperactivity Disorder (ADHD)
7	Advair 100/50 Diskus	-	Asthma
8	Concerta 54MG	-	Attention Deficit Hyperactivity Disorder (ADHD)
9	Nasonex 50MCG	-	Allergies
8	Strattera 40MG	-	Attention Deficit Hyperactivity Disorder (ADHD)

Table 29: Top Ten Prescription Drugs
By Number of Rx



Key

	Drug Brand Name		Major Use Indication
1	Singulair 5MG	-	Asthma
2	Albuterol 90 MCG	-	Asthma
3	Singulair 10MG	-	Asthma
4	Nasonex 50MCG	-	Allergies
5	Omnicef 250MG/5ML	-	Antibiotic
6	Amoxicillin 250MG/5ML	-	Antibiotic
7	Concerta 36MG Tablet	-	Attention Deficit Hyperactivity Disorder (ADHD)
8	Azithromycin 250MG	-	Antibiotic
9	Adderall XR 20MG	-	Attention Deficit Hyperactivity Disorder (ADHD)
10	Concerta 54MG Tablet	-	Attention Deficit Hyperactivity Disorder (ADHD)