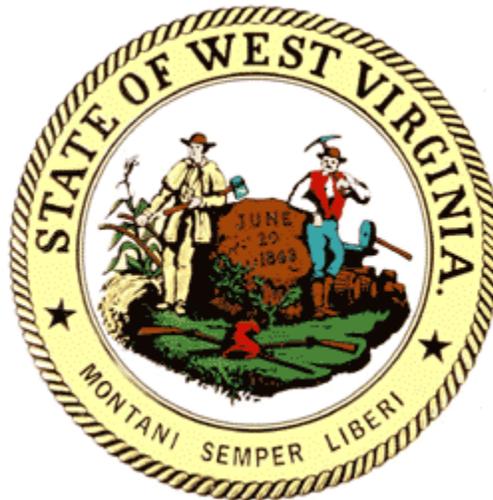




CCRC
Actuaries, LLC

STATE OF WEST VIRGINIA



RETIREE HEALTH BENEFIT TRUST FUND

**Quarterly Report
December 31, 2006**

Fiscal Years 2007-2011

April 2007



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Finance Board
West Virginia Retiree Health Benefit Trust Fund
State Capitol Complex
Building 5, Room 1001
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Ladies and Gentlemen:

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and the Managing Partner in the firm of CCRC Actuaries, LLC (“CCRC Actuaries”).

During the 2006 Regular Session of the West Virginia Legislature, House Bill 4654 was enacted creating the West Virginia Retiree Health Benefit Trust Fund (“Trust Fund”) for the purpose of providing for and administering retiree post-employment health care benefits, and the respective revenues and costs of those benefits as a cost sharing multiple employer plan. The Public Employees Insurance Agency (“PEIA”), on behalf of the Public Employees Insurance Agency Finance Board (“Board”), is responsible for the day-to-day operation of the Trust Fund, including all administrative functions.

Statutory provisions governing the Trust Fund require the actuary retained by the PEIA to provide technical advice regarding the operation of the Trust Fund. Using the actuarial assumptions most recently adopted by the Board, the actuary is required to develop actuarial valuations of normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for the West Virginia plan for other post-employment benefits including health insurance. Consequently, the Board has requested CCRC Actuaries to prepare a report separating the actuarial projections for the Trust Fund from the PEIA forecast report. The West Virginia Retiree Health Benefit Trust Fund will assume the financial liabilities of the retiree programs currently under the PEIA effective July 1, 2007.

The provisions of the West Virginia Public Employees Insurance Act (“Act”), 1931, as amended, charge the Board with the responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all estimated program and administrative costs of the PEIA, including incurred but unreported claims, for the fiscal year for which the plan is proposed. CCRC Actuaries has been retained by the PEIA to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of plan through FY 2011. The analysis is to be prepared on an accrued and incurred reporting basis for a projection period not to exceed five years.

Act provisions also require the Board to establish and maintain a reserve fund for the purposes of offsetting unanticipated claim losses in any fiscal year. Beginning with the fiscal year two thousand two plan and for each succeeding fiscal year plan, the Board shall transfer ten percent of the projected total plan costs for that year into the reserve fund, which is to be certified by the actuary and included in the final, approved financial plan submitted to the Governor and Legislature in accordance with the provisions of the Act. Any moneys saved in a plan year shall be transferred into the reserve fund. At the close of any fiscal year in which the balance in the reserve fund exceeds the recommended reserve amount by fifteen percent, PEIA's executive director shall transfer that amount to the fund established in section fourteen-a, article two, chapter five-a of the West Virginia Code for appropriation by the West Virginia Legislature. During the 2007 Session of the West Virginia Legislature, Senate Bill No. 129 ("SB 129") was enacted, effective July 1, 2007, requiring these excess funds to be transferred to the West Virginia Retiree Health Benefit Trust Fund.

CCRC Actuaries has provided preliminary forecasts for the Trust Fund for fiscal years ending June 30, 2008 ("FY 2008"), June 30, 2009 ("FY 2009"), June 30, 2010 ("FY 2010"), and June 30, 2011 ("FY 2011"). This opinion of plan adequacy is based on the projections through FY 2011 using updated future revenue and plan modifications provided by the Board in the plan adopted in December 2006.

It should be noted that this projection does not assure any anticipated savings from the proposed Medicare Advantage/Prescription Drug participation. This report assumes that the Trust Fund will continue to participate in the Retiree Drug Subsidy ("RDS") program under CMS Medicare Part D.

The projections assume substantial anticipated savings from RDS resulting from the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("Medicare Part D").

Under Medicare Part D, PEIA elected the Retiree Drug Subsidy ("RDS") option and initially received 28% of Medicare drug expenditures between \$250 and \$5,000 for plan participants in calendar year 2006 and later. PEIA received \$8,090,995 as a RDS participant from the Centers for Medicare and Medicaid Services ("CMS") in Fiscal Year 2006. In future years, we have assumed that Medicare Part D revenue to the Trust Fund will be approximately \$20,000,000 in Fiscal Year 2007, \$23,000,000 in Fiscal Year 2008 and increasing thereafter based on increasing Medicare enrollment and prescription drugs inflation trends.

Additionally, the Medicaid / PEIA Hospital Bill has been extended and is anticipated to continue to provide hospital savings. These hospital savings are assumed to increase by the medical trend assumptions through Fiscal Year 2008. We are assuming that the Bill will terminate at the end of Fiscal Year 2008 and hospital reimbursement will resume to previous levels which will increase plan expense. However, this increase in plan expense will be somewhat offset by the assumed direct transfer of \$6,000,000 in FY 2009 and later year.

In reviewing the plan, CCRC Actuaries utilized information concerning the plan's prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by PEIA, the plan's third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not perform any due diligence on the information.

Since the adoption of the financial plan in December 2006, PEIA has experienced favorable claim expense. In the circumstances, and subject to the conditions described herein, based on our review, we believe the financial plan approved by the Board for FY 2006 through FY 2011 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of the Trust Fund.

This conclusion is based on significant revenue increases in employer and employee premiums in later fiscal years of the plan through FY 2011 as approved by the Board in December 2006.

The preparation of any estimate of future health costs requires consideration of a broad array of complex social and economic events. This report contemplates significant financial savings impact resulting from the implementation of Medicare Part D. Changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, and the continuing evolution of the framework of the Medicare Advantage Prescription Drug Program (“MAPD”) and the managed care options impacting Non-Medicare retirees, as are contemplated in the Board’s proposed plan, increase the level of uncertainty of such estimates. As such, the estimate costs of insurance program contain considerable uncertainty and variability and actual experience may not conform to the assumptions utilized in this report.

Respectfully,



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



Bradley Paulis
Reviewing Partner

West Virginia Retiree Health Benefit Trust Fund

Report of Independent Actuary

Financial Plan for FY 2007 – FY 2011

OVERVIEW

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

This report was compiled utilizing claims data collected by PEIA's third party administrators through January 2007 for prescription drugs and medical claims. Enrollment data, administrative expenses, managed care capitations, and plan revenues were provided at special request from PEIA. Revenue assumptions are based on premium rates, assumed interest income and significant general and special revenue allocations provided by the Governor, some which have not been approved by the West Virginia Legislature. In addition, other information became available through presentations made at Board meetings, which has been used in arriving at our conclusions.

The State of West Virginia Public Employees Insurance Agency Act establishes the actuarial reporting requirements for the Trust Fund on an incurred basis for medical claims and capitations and on an accrued basis for administrative expenses and revenue for a period not to exceed five years. At the request of the Board, the reporting basis is based upon the Retired Employee Fund. The Retiree Fund represents all state and local agency retirees and their survivors. The Retiree Fund has been allocated the anticipated administrative costs incurred by PEIA for retiree coverages.

KEY ASSUMPTIONS

A. Enrollment Changes

The Board has requested that the projection assume retiree enrollment growth consistent with the experience of the plan. These projections assume that the Trust Fund will annually have 1,000 additional retirees. While we have recently observed a net increase of 943 retirees from June 2006 to March 2007, we note that from June 2004 through June 2006, the average annual increase in retirees was 1,032, approximating our current assumption.

In aggregate, March 2007 enrollment has increased by 943 coverages since the end of FY 2006. Aggregate Preferred Provider Benefit (“PPB”) enrollment has increased by 931 in total over the same period, while managed care enrollment continues to cover fewer participants, with an increase of 12 coverages.

The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2005, June 2006 and March 2007 for purposes of comparison:

Trust Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-05	Jun-06	Mar-07	Jun-05	Jun-06	Mar-07
Retirees	Medicare Single	15,714	16,007	16,126	-	-	-
	Medicare Family	9,153	9,385	9,634	-	-	-
	Medicare Total	24,867	25,392	25,760	-	-	-
	Non Medicare Single	2,696	2,914	3,167	183	191	195
	Non Medicare Family	3,997	4,234	4,544	175	181	189
	Non Medicare Total	6,693	7,148	7,711	358	372	384
	Retiree Total	31,560	32,540	33,471	358	372	384
	Grand Total				31,918	32,912	33,855

B. Changes in Claim Backlog

The medical claim backlog has been relatively stable throughout FY 2006 and FY 2007. Detail of the medical claim backlog is presented in the PEIA report titled “PEIA Quarterly Report - December 31, 2006.”

C. Trend Analysis

CCRC Actuaries performed the detailed medical and prescription drugs trend analysis in the report titled, “Medical & Prescription Drugs Claims Trend Report - September, 2006”. This report includes the detailed trend analysis in aggregate for both PEIA and Trust Fund experience by medical and prescription drugs category and whether the PEIA, the Trust Fund or Medicare was primary. Based on the analysis, we have reduced the FY 2007 Non-Medicare medical claim trend to 6.5% and the FY 2007 Medicare medical claim trend to 6.5%. Based on Trust Fund’s favorable prescription drug experience, we have reduced our trend assumption for all prescription drugs coverage to 12.0% in FY 2007.

The current projection assumes the trends on the following table:

Claim Type	Previous Assumption FY 2007 Trend	Updated Assumption FY 2007 Trend
Non-Medicare – Medical	8.5%	6.5%
Medicare – Medical	9.0%	6.5%
Non-Medicare – Drugs	17.0%	12.0%
Medicare – Drugs	17.0%	12.0%

In addition, we have assumed that trends will remain the same for FY 2008 and then increase by 0.5% in each successive fiscal year beginning in FY 2009. At the Board’s request, the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2.0% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2.0% above the Baseline Scenario.

The following chart summarizes the trend results observed for the plan using data through January 2007. It is important to note that these trends ***have not*** been adjusted to reflect savings as a result of the expansion of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies nor changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumption.

Aggregate Trust Fund Historical Trends (Retirees)

Fiscal Year	Non-Medicare Medical	Medicare Medical	Non-Medicare Drugs	Medicare Drugs	Total
2003	-18%	3%	0%	11%	0%
2004	0%	10%	-2%	3%	5%
2005	-2%	6%	1%	16%	8%
2006	5%	6%	17%	11%	9%

D. Enrollment, Claim, Expense and Revenue Assumptions

Using aggregate PEIA and Trust Fund paid claim data through February 2007 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for the Trust Fund for both self-funded and managed care coverages. CCRC Actuaries has developed the claim cost on an adjusted exposure basis using the respective expected claim cost for each coverage type. The adjusted exposure methodology weighs the expected claim cost under each coverage type for single, member and children, and family coverages based on observed differences in health care cost. For example, under this methodology single coverage types are given a weight of 1.0 exposure, whereas member and children coverages are given a greater weighting based on historical expected health care cost relationships. The methodology results in different weighting for coverages whether the Trust Fund is primary or secondary payor to Medicare. Based on this methodology, the result of FY 2006 and the projection of FY 2007 claims and expenses are summarized in the following chart. It should be noted that all of these numbers are on a per policy basis.

Fiscal Year 2007 Projection			Revenue		Expenses		
Fund	Program	Policies	Monthly Employer Premiums	Monthly Employee Premiums	Monthly Medical Costs	Monthly Drugs Costs	Monthly Capitation Costs
Retiree	PPB - Medicare	25,590			\$ 163	\$ 241	
	PPB - Non-Medicare	7,651			\$ 463	\$ 205	
	PPB - Total	33,241	\$ -	\$ 161	\$ 232	\$ 233	
	Managed Care	370	\$ -	\$ 498			\$ 968
	Total	33,611					

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

Board Decisions – December 2006

Source	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Additional Retiree Premiums	\$4,100,000	(\$9,200,000)	\$5,900,000	\$8,500,000	\$12,700,000
Medicare Part D Revenue	\$20,000,000	\$23,000,000	\$27,000,000	\$32,000,000	\$38,000,000

Future fiscal year State revenue increases will require legislative appropriation. Additional retiree premiums represent premiums paid by retirees either directly or through sick and annual leave conversion credits.

Additionally, PEIA management has assumed that the Retiree Premium Assistance Program will grow as a direct result from the required retiree premium increases in the financial plan. The program's cost is currently projected to grow from approximately \$3.0 million in FY 2007 to approximately \$4.5 million in FY 2011, based on the Board's direction and projected retiree enrollment growth in the financial plan.

E. Provider Reimbursement Changes

Our projections assume significant revenue from Medicare Part D and the Medicaid / PEIA Hospital Bill. We have assumed that Trust Fund's continual participation in the Retiree Drug Subsidy program under Medicare Part D will result in revenue of approximately \$20,000,000 in Fiscal Year 2007 and \$23,000,000 in Fiscal Year 2008 and increasing thereafter based on increasing Medicare enrollment and prescription drugs inflation trends.

The Medicaid / PEIA Hospital Bill has been extended and is anticipated to continue to provide hospital savings. These hospital savings are assumed to increase by the medical trend assumptions through Fiscal Year 2008. We are assuming that the Bill will terminate at the end of Fiscal Year 2008 and hospital reimbursement will resume to previous levels which will increase plan expense. This increase in plan expense will be somewhat offset by the assumed direct transfer of \$6,000,000 in Fiscal Year 2009.

FISCAL YEAR 2007 FORECAST

The financial forecast for FY 2007 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2007, projects accrued revenue of \$209,642,069 and incurred plan expenses of \$197,914,507 to produce a fiscal year surplus of \$11,727,562.

For this report and subsequent reports, we will base the adequacy of the ending reserves for both programs by combining the results for PEIA and the Trust Fund and comparing these reserves to the combined programs' expenditures. Results are summarized in the PEIA Quarterly Report.

FISCAL YEAR 2008 FORECAST

The financial forecast for FY 2008 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2008, projects accrued revenue of \$257,266,308 and incurred plan expenses of \$213,305,586 to produce a fiscal year surplus of \$43,960,722.

FISCAL YEAR 2009 FORECAST

The financial forecast for FY 2009 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2009, projects accrued revenue of \$245,558,436 and incurred plan expenses of \$245,845,177 to produce a fiscal year deficit of (\$286,741).

FISCAL YEAR 2010 FORECAST

The financial forecast for FY 2010 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2010, projects accrued revenue of \$278,440,411 and incurred plan expenses of \$279,904,787 to produce a fiscal year deficit of (\$1,464,376).

FISCAL YEAR 2011 FORECAST

The financial forecast for FY 2011 under the Baseline scenario is presented in the Appendix. The Baseline forecast for FY 2011, projects accrued revenue of \$319,376,383 and incurred plan expenses of \$319,826,404 to produce a fiscal year deficit of (\$450,021).

LITIGATION

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

SUMMARY

It should be noted that the aggregate PEIA and Trust Fund reserves will meet or exceed meets the 10% of program expense requirement under the Baseline Scenario assumptions. With projected changes to the plan as adopted in the Board, we are forecasting that the plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2011. These projections are based on significant Medicare Part D subsidies and significant revenue increases projected by PEIA and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement; possible changes in methodology of managed care premium calculation; and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as Medicare and Medicaid reform. On the national level, it would not be surprising to see significant changes in the Medicare Part D program, which will impact Trust Fund financial projections. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the legislatively mandated requirement of a five-year projection, it should be assumed that constant modifications would be required.

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2007

PERIOD 7/1/2006 - 6/30/2007

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 15,735,010
State Agencies Employers - Pay Go Premiums	83,583,520
State Agencies Employees - Pay Go Premiums	19,453,588
Retiree Premiums - PPB	64,351,964
Retiree Premiums - MCO	2,209,676
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Retiree Subsidy Revenue	4,308,311
Administrative Fees	-
Medicare RDS Reimbursement	20,000,000
Total Revenue	\$ 209,642,069
<u>Program Expenses</u>	
Medical Claims	\$ 92,495,091
Prescription Drug Claims	92,834,895
Managed Care Capitations	4,299,593
Administration	4,236,035
Life Insurance	731,692
Wellness	-
Retiree Assistance Program	2,973,890
Director's Discretionary Fund	343,311
Total Expenses	\$ 197,914,507
Fiscal Year Results	\$ 11,727,562
Beginning Plan Reserve	-
Ending Plan Reserve	\$ 11,727,562

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 139.11	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 4,100,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Medicare RDS Reimbursement	\$ 20,000,000	Non-Medicare	6.5%	12.0%
Provider/Benefit Reductions	\$ -	Medicare	6.5%	12.0%
		Capitations		10.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.0%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2008

PERIOD 7/1/2007 - 6/30/2008

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 17,308,511
State Agencies Employers - Pay Go Premiums	91,941,871
State Agencies Employees - Pay Go Premiums	21,398,947
Retiree Premiums - PPB	57,836,335
Retiree Premiums - MCO	1,985,947
Local Agencies - Initial UAAL OPEB Funding	4,761,728
State Agencies - Initial UAAL OPEB Funding	34,000,000
Retiree Subsidy Revenue	5,032,969
Administrative Fees	-
Medicare RDS Reimbursement	23,000,000
Total Revenue	\$ 257,266,308
<u>Program Expenses</u>	
Medical Claims	\$ 95,276,077
Prescription Drug Claims	104,040,526
Managed Care Capitations	4,514,573
Administration	4,447,836
Life Insurance	768,277
Wellness	-
Retiree Assistance Program	3,568,668
Director's Discretionary Fund	689,629
Total Expenses	\$ 213,305,586
Fiscal Year Results	\$ 43,960,722
Beginning Plan Reserve	11,727,562
Ending Plan Reserve	\$ 55,688,284

KEY ASSUMPTIONS

		Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Pay Go Monthly Premium	\$ 153.02			
Additional Retiree Premiums	\$ (9,200,000)			
Medicare RDS Reimbursement	\$ 23,000,000	Non-Medicare	6.5%	12.0%
Provider/Benefit Reductions	\$ 10,955,782	Medicare	6.5%	12.0%
		Capitations		5.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.0%

APPENDIX - BASELINE SCENARIO

**WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST
FINANCIAL FORECAST
FISCAL YEAR 2009**

PERIOD 7/1/2008 - 6/30/2009

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 19,039,362
State Agencies Employers - Pay Go Premiums	101,040,997
State Agencies Employees - Pay Go Premiums	23,633,904
Retiree Premiums - PPB	66,675,209
Retiree Premiums - MCO	2,289,450
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Retiree Subsidy Revenue	5,879,514
Administrative Fees	-
Medicare RDS Reimbursement	27,000,000
Total Revenue	\$ 245,558,436
<u>Program Expenses</u>	
Medical Claims	\$ 110,255,789
Prescription Drug Claims	120,591,129
Managed Care Capitations	4,966,030
Administration	4,670,228
Life Insurance	806,690
Wellness	-
Retiree Assistance Program	3,854,162
Director's Discretionary Fund	701,149
Total Expenses	\$ 245,845,177
Fiscal Year Results	\$ (286,741)
Beginning Plan Reserve	55,688,284
Ending Plan Reserve	\$ 55,401,543

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 168.32	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 5,900,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Medicare RDS Reimbursement	\$ 27,000,000	Non-Medicare	7.0%	12.5%
Provider/Benefit Reductions	\$ -	Medicare	7.0%	12.5%
		Capitations		10.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.0%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2010

PERIOD 7/1/2009 - 6/30/2010

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 20,943,299
State Agencies Employers - Pay Go Premiums	111,025,979
State Agencies Employees - Pay Go Premiums	26,116,412
Retiree Premiums - PPB	78,781,136
Retiree Premiums - MCO	2,705,136
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Retiree Subsidy Revenue	6,868,449
Administrative Fees	-
Medicare RDS Reimbursement	32,000,000
Total Revenue	\$ 278,440,411
<u>Program Expenses</u>	
Medical Claims	\$ 123,545,814
Prescription Drug Claims	140,259,369
Managed Care Capitations	5,462,633
Administration	4,903,739
Life Insurance	847,025
Wellness	-
Retiree Assistance Program	4,162,495
Director's Discretionary Fund	723,712
Total Expenses	\$ 279,904,787
Fiscal Year Results	\$ (1,464,376)
Beginning Plan Reserve	55,401,543
Ending Plan Reserve	\$ 53,937,167

KEY ASSUMPTIONS

		Claim and Other Expense Trends		
		<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Pay Go Monthly Premium	\$ 185.16			
Additional Retiree Premiums	\$ 8,500,000			
Medicare RDS Reimbursement	\$ 32,000,000	Non-Medicare	7.5%	13.0%
Provider/Benefit Reductions	\$ -	Medicare	7.5%	13.0%
		Capitations		10.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.0%

APPENDIX - BASELINE SCENARIO

WEST VIRGINIA RETIREE HEALTH BENEFIT TRUST FINANCIAL FORECAST FISCAL YEAR 2011

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

	TRUST Total
<u>Revenues</u>	
Local Agencies - Pay Go Premiums	\$ 23,037,629
State Agencies Employers - Pay Go Premiums	121,971,259
State Agencies Employees - Pay Go Premiums	28,885,370
Retiree Premiums - PPB	96,156,639
Retiree Premiums - MCO	3,301,764
Local Agencies - Initial UAAL OPEB Funding	-
State Agencies - Initial UAAL OPEB Funding	-
Retiree Subsidy Revenue	8,023,722
Administrative Fees	-
Medicare RDS Reimbursement	38,000,000
Total Revenue	\$ 319,376,383
<u>Program Expenses</u>	
Medical Claims	\$ 138,830,158
Prescription Drug Claims	163,707,698
Managed Care Capitations	6,008,896
Administration	5,148,926
Life Insurance	889,376
Wellness	-
Retiree Assistance Program	4,495,494
Director's Discretionary Fund	745,856
Total Expenses	\$ 319,826,404
Fiscal Year Results	\$ (450,021)
Beginning Plan Reserve	53,937,167
Ending Plan Reserve	\$ 53,487,146

KEY ASSUMPTIONS

Pay Go Monthly Premium	\$ 203.67	Claim and Other Expense Trends		
Additional Retiree Premiums	\$ 12,700,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Medicare RDS Reimbursement	\$ 38,000,000	Non-Medicare	8.0%	13.5%
Provider/Benefit Reductions	\$ -	Medicare	8.0%	13.5%
		Capitations		10.0%
		Administrative Expense		5.0%
Number of Net New Retirees	1,000	Pay Go Monthly Premium		10.0%

**Attachment - Trust Fund
Historical Monthly Medical and Drug Trends
FY 2003 to FY 2006**

Fiscal Year 2003												
Exposure	<u>Jul-02</u>	<u>Aug-02</u>	<u>Sep-02</u>	<u>Oct-02</u>	<u>Nov-02</u>	<u>Dec-02</u>	<u>Jan-03</u>	<u>Feb-03</u>	<u>Mar-03</u>	<u>Apr-03</u>	<u>May-03</u>	<u>Jun-03</u>
NonMed_NonDrug	9,993	9,903	10,041	10,063	10,048	10,078	10,138	10,114	10,100	12,217	10,032	9,964
Med_NonDrug	28,437	28,641	28,726	28,707	28,785	28,832	28,775	28,845	28,866	29,501	28,895	28,734
NonMed_Drug	9,619	9,535	9,668	9,689	9,676	9,703	9,759	9,736	9,724	11,324	9,659	9,593
Med_Drug	28,492	28,699	28,784	28,765	28,842	28,889	28,833	28,903	28,923	30,675	28,954	28,791
NonMed_NonDrug	\$165.13	\$188.13	\$188.35	\$220.28	\$223.79	\$175.48	\$245.70	\$199.69	\$238.85	\$182.03	\$247.69	\$225.70
Med_NonDrug	91.29	90.46	89.71	95.81	90.49	90.36	121.02	94.69	110.37	103.84	107.33	102.60
NonMed_Drug	58.94	84.79	83.56	90.82	85.87	91.53	90.53	79.90	89.79	79.82	95.75	99.55
Med_Drug	93.72	130.77	129.97	140.27	135.16	146.82	144.86	131.12	144.45	138.49	154.39	160.00
Total	\$409.08	\$494.16	\$491.59	\$547.17	\$535.31	\$504.18	\$602.11	\$505.40	\$583.45	\$504.18	\$605.16	\$587.85
Change From Prior Year - Month to Month Analysis												
NonMed_NonDrug	-36.8%	-12.9%	-30.4%	-29.6%	4.0%	-20.9%	2.2%	-22.6%	-14.0%	-28.7%	-1.3%	-10.5%
Med_NonDrug	5.9%	-2.9%	3.6%	-6.3%	1.8%	-1.6%	-3.5%	-3.4%	14.1%	9.8%	8.8%	9.2%
NonMed_Drug	9.4%	3.5%	6.4%	1.5%	-3.2%	3.8%	-1.9%	-3.2%	3.4%	-14.0%	-0.9%	3.5%
Med_Drug	23.3%	12.4%	17.4%	13.8%	10.2%	16.0%	9.4%	7.0%	7.5%	0.7%	10.2%	10.9%
Total	-14.3%	-2.6%	-10.1%	-12.9%	3.8%	-4.6%	2.0%	-9.9%	-2.1%	-13.1%	3.2%	0.2%
Change From Prior Year - Quarter to Quarter Analysis												
NonMed_NonDrug			-27.6%			-17.4%			-11.8%			-13.5%
Med_NonDrug			2.1%			-2.2%			1.8%			9.3%
NonMed_Drug			6.0%			0.7%			-0.5%			-3.7%
Med_Drug			16.9%			13.4%			8.0%			7.3%
Total			-8.9%			-5.1%			-3.2%			-3.2%
Change From Prior Year - Year to Year Analysis												
NonMed_NonDrug			-7.5%			-11.6%			-15.7%			-17.5%
Med_NonDrug			15.5%			-0.5%			-0.3%			2.7%
NonMed_Drug			15.5%			9.0%			5.5%			0.3%
Med_Drug			65.0%			21.9%			13.5%			11.0%
Total			11.4%			0.2%			-3.6%			-5.0%

**Attachment - Trust Fund
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Fiscal Year 2004												
Exposure	<u>Jul-03</u>	<u>Aug-03</u>	<u>Sep-03</u>	<u>Oct-03</u>	<u>Nov-03</u>	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>
NonMed_NonDrug	12,281	12,519	12,636	11,939	11,800	13,119	13,132	13,089	13,172	13,171	13,569	13,366
Med_NonDrug	29,617	29,510	29,369	29,825	29,932	30,087	30,146	30,193	30,217	30,197	31,151	30,560
NonMed_Drug	11,388	11,611	11,722	11,073	10,941	12,155	12,168	12,129	12,203	12,202	12,572	12,382
Med_Drug	30,795	30,683	30,536	31,014	31,125	31,287	31,350	31,400	31,424	31,401	32,398	31,785
NonMed_NonDrug	\$175.84	\$165.40	\$208.39	\$253.85	\$199.27	\$217.17	\$213.86	\$215.01	\$241.38	\$187.30	\$210.08	\$222.32
Med_NonDrug	96.46	94.43	102.25	106.45	92.90	100.40	137.17	113.01	129.09	116.89	107.11	113.61
NonMed_Drug	56.39	76.22	81.46	93.40	86.51	115.68	85.05	81.85	90.92	87.63	77.21	81.84
Med_Drug	80.56	136.99	115.91	154.85	141.87	206.25	156.84	145.44	165.67	160.01	138.69	97.30
Total	\$409.25	\$473.04	\$508.02	\$608.54	\$520.54	\$639.49	\$592.92	\$555.31	\$627.05	\$551.83	\$533.09	\$515.07
Change From Prior Year - Month to Month Analysis												
NonMed_NonDrug	6.5%	-12.1%	10.6%	15.2%	-11.0%	23.8%	-13.0%	7.7%	1.1%	2.9%	-15.2%	-1.5%
Med_NonDrug	5.7%	4.4%	14.0%	11.1%	2.7%	11.1%	13.3%	19.3%	17.0%	12.6%	-0.2%	10.7%
NonMed_Drug	-4.3%	-10.1%	-2.5%	2.8%	0.7%	26.4%	-6.1%	2.4%	1.3%	9.8%	-19.4%	-17.8%
Med_Drug	-14.0%	4.8%	-10.8%	10.4%	5.0%	40.5%	8.3%	10.9%	14.7%	15.5%	-10.2%	-39.2%
Total	0.0%	-4.3%	3.3%	11.2%	-2.8%	26.8%	-1.5%	9.9%	7.5%	9.5%	-11.9%	-12.4%
Change From Prior Year - Quarter to Quarter Analysis												
NonMed_NonDrug			1.5%			8.2%			-2.0%			-5.5%
Med_NonDrug			8.0%			8.3%			16.3%			7.6%
NonMed_Drug			-5.8%			10.2%			-0.9%			-10.3%
Med_Drug			-5.9%			19.1%			11.3%			-12.6%
Total			-0.3%			11.5%			5.0%			-5.7%
Change From Prior Year - Year to Year Analysis												
NonMed_NonDrug			-11.2%			-5.0%			-2.2%			0.4%
Med_NonDrug			4.1%			6.7%			10.7%			10.3%
NonMed_Drug			-2.2%			0.2%			0.1%			-1.6%
Med_Drug			5.9%			7.7%			8.5%			3.1%
Total			-3.1%			1.0%			3.2%			2.6%

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Fiscal Year 2005												
Exposure	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>
NonMed_NonDrug	13,923	14,586	14,603	14,608	14,677	14,699	14,636	14,677	14,667	14,523	14,444	14,416
Med_NonDrug	30,671	30,821	30,934	31,117	31,106	31,109	31,241	31,264	31,267	31,401	31,412	31,457
NonMed_Drug	12,897	13,506	13,523	13,527	13,592	13,612	13,553	13,591	13,585	13,451	13,376	13,353
Med_Drug	31,901	32,058	32,175	32,367	32,356	32,361	32,500	32,524	32,527	32,679	32,690	32,739
	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>
NonMed_NonDrug	\$176.34	\$185.49	\$191.57	\$180.21	\$191.66	\$183.75	\$216.86	\$215.54	\$240.83	\$205.88	\$218.11	\$255.20
Med_NonDrug	101.15	106.38	106.93	105.83	104.26	102.11	143.19	125.39	131.52	122.04	121.21	120.10
NonMed_Drug	70.13	77.09	94.73	71.40	90.87	102.08	93.88	87.98	78.57	72.18	92.83	90.00
Med_Drug	<u>107.55</u>	<u>143.58</u>	<u>180.98</u>	<u>136.83</u>	<u>167.95</u>	<u>187.16</u>	<u>169.71</u>	<u>157.75</u>	<u>181.65</u>	<u>174.18</u>	<u>180.01</u>	<u>187.06</u>
Total	\$455.17	\$512.54	\$574.22	\$494.28	\$554.75	\$575.10	\$623.64	\$586.66	\$632.56	\$574.28	\$612.17	\$652.37
Change From Prior Year - Month to Month Analysis												
NonMed_NonDrug	0.3%	12.1%	-8.1%	-29.0%	-3.8%	-15.4%	1.4%	0.2%	-0.2%	9.9%	3.8%	14.8%
Med_NonDrug	4.9%	12.7%	4.6%	-0.6%	12.2%	1.7%	4.4%	11.0%	1.9%	4.4%	13.2%	5.7%
NonMed_Drug	24.4%	1.1%	16.3%	-23.5%	5.0%	-11.8%	10.4%	7.5%	-13.6%	-17.6%	20.2%	10.0%
Med_Drug	<u>33.5%</u>	<u>4.8%</u>	<u>56.1%</u>	<u>-11.6%</u>	<u>18.4%</u>	<u>-9.3%</u>	<u>8.2%</u>	<u>8.5%</u>	<u>9.6%</u>	<u>8.9%</u>	<u>29.8%</u>	<u>92.2%</u>
Total	11.2%	8.3%	13.0%	-18.8%	6.6%	-10.1%	5.2%	5.6%	0.9%	4.1%	14.8%	26.7%
Change From Prior Year - Quarter to Quarter Analysis												
NonMed_NonDrug			0.7%			-17.1%			0.4%			9.6%
Med_NonDrug			7.3%			4.2%			5.5%			7.6%
NonMed_Drug			13.0%			-10.6%			1.0%			3.4%
Med_Drug			<u>29.6%</u>			<u>-2.2%</u>			<u>8.8%</u>			<u>36.7%</u>
Total			10.9%			-8.2%			3.8%			14.9%
Change From Prior Year - Year to Year Analysis												
NonMed_NonDrug			0.2%			-6.3%			-5.6%			-1.9%
Med_NonDrug			10.0%			9.0%			6.1%			6.1%
NonMed_Drug			2.4%			-3.3%			-2.8%			0.7%
Med_Drug			<u>10.4%</u>			<u>4.6%</u>			<u>4.1%</u>			<u>16.1%</u>
Total			5.0%			-0.1%			-0.3%			4.8%

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Fiscal Year 2006												
Exposure	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>
NonMed_NonDrug	14,864	15,500	15,616	15,455	15,454	15,534	15,496	15,694	15,588	15,382	15,357	15,358
Med_NonDrug	31,544	31,669	31,771	31,901	31,968	32,040	32,050	32,081	32,107	32,174	32,183	32,149
NonMed_Drug	13,767	14,356	14,463	14,312	14,314	14,389	14,353	14,534	14,440	14,248	14,226	14,229
Med_Drug	32,828	32,961	33,067	33,204	33,275	33,350	33,360	33,393	33,422	33,491	33,497	33,463
	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>
NonMed_NonDrug	\$178.88	\$264.25	\$196.20	\$213.47	\$198.07	\$209.89	\$210.38	\$218.81	\$238.17	\$197.82	\$246.44	\$217.49
Med_NonDrug	102.95	116.52	111.84	118.03	113.80	109.65	156.43	125.23	137.84	123.32	128.58	123.46
NonMed_Drug	48.48	95.14	94.71	98.01	101.17	106.09	102.85	98.13	111.89	103.55	115.69	119.51
Med_Drug	<u>124.20</u>	<u>177.44</u>	<u>176.68</u>	<u>179.58</u>	<u>182.56</u>	<u>193.32</u>	<u>186.23</u>	<u>175.07</u>	<u>198.04</u>	<u>181.84</u>	<u>202.91</u>	<u>204.58</u>
Total	\$454.50	\$653.35	\$579.42	\$609.08	\$595.60	\$618.95	\$655.89	\$617.24	\$685.94	\$606.53	\$693.62	\$665.04
Change From Prior Year - Month to Month Analysis												
NonMed_NonDrug	1.4%	42.5%	2.4%	18.5%	3.3%	14.2%	-3.0%	1.5%	-1.1%	-3.9%	13.0%	-14.8%
Med_NonDrug	1.8%	9.5%	4.6%	11.5%	9.1%	7.4%	9.3%	-0.1%	4.8%	1.1%	6.1%	2.8%
NonMed_Drug	-30.9%	23.4%	0.0%	37.3%	11.3%	3.9%	9.6%	11.5%	42.4%	43.5%	24.6%	32.8%
Med_Drug	<u>15.5%</u>	<u>23.6%</u>	<u>-2.4%</u>	<u>31.2%</u>	<u>8.7%</u>	<u>3.3%</u>	<u>9.7%</u>	<u>11.0%</u>	<u>9.0%</u>	<u>4.4%</u>	<u>12.7%</u>	<u>9.4%</u>
Total	-0.1%	27.5%	0.9%	23.2%	7.4%	7.6%	5.2%	5.2%	8.4%	5.6%	13.3%	1.9%
Change From Prior Year - Quarter to Quarter Analysis												
NonMed_NonDrug			15.5%			11.8%			-0.9%			-2.6%
Med_NonDrug			5.4%			9.4%			4.9%			3.3%
NonMed_Drug			-1.5%			15.5%			20.1%			32.8%
Med_Drug			<u>10.7%</u>			<u>12.9%</u>			<u>9.9%</u>			<u>8.9%</u>
Total			9.4%			12.3%			6.3%			6.9%
Change From Prior Year - Year to Year Analysis												
NonMed_NonDrug			1.3%			8.9%			8.5%			5.2%
Med_NonDrug			5.7%			6.9%			6.7%			5.6%
NonMed_Drug			-2.3%			4.8%			9.7%			17.0%
Med_Drug			<u>12.3%</u>			<u>16.6%</u>			<u>16.7%</u>			<u>10.5%</u>
Total			4.6%			10.0%			10.6%			8.6%