

File

**JOINT COMMITTEE ON
GOVERNMENT AND FINANCE**

Materials Distributed

September 17, 2002

The Legislative Oversight Commission on Workforce Investment for Economic Development requests approval to tour the one-stop centers required by the federal Workforce Investment Act. Anticipated tours include the Charleston and Beckley one-stop centers.

adopted

WEST VIRGINIA LEGISLATURE
Parks and Recreation Subcommittee

**Building 1, Room E-132
1900 Kanawha Boulevard, East
Charleston, WV 25305-0610
(304) 347-4800
(304) 347-4819 FAX**



**Senator Walt Helmick
Co-Chairman**

**Delegate Tom Coleman
Co-Chairman**

DATE: SEPTEMBER 17, 2002

TO: JOINT COMMITTEE ON GOVERNMENT AND FINANCE

FROM: SUBCOMMITTEE ON PARKS AND RECREATION

RE: VISITATION AUTHORIZATION AND EXPENSE REIMBURSEMENT

The Subcommittee on Parks and Recreation requests authorization and expense reimbursement to visit the following sites on October 6, 7 and 8, 2002:

Cacapon Resort State Park
Berkeley Springs State Park
Ridge Fish Hatchery
Sleepy Creek Wildlife Management Area
C & O Canal Trail

adopted

Tuesday, August 20, 2002

3:00 - 4:00 p.m.

Joint Committee on Government and Finance
Oglebay Park, Wheeling, WV

Senate

Tomblin, Chair
Chafin (absent)
Craiggo
Sharpe
Wooton (absent)
Deem
Sprouse

House

Kiss, Chair
Amores (absent)
Mezzatesta
Michael (absent)
Staton
Hall (absent)
Trump (absent)

Speaker Kiss, Cochair, presided.

1. Approval of Minutes.

Upon motion by President Tomblin, properly seconded and adopted, the July 16, 2002, minutes were approved.

2. Parks and Recreation Subcommittee.

On behalf of the Subcommittee, Mr. John Homburg requested authorization and expense reimbursement for members of the Subcommittee to visit Cass Railroad State Park, Watoga State Park, Greenbrier River Trail, Droop Mountain Battlefield State Park, Beartown State Park and Seneca State Forest on September 8, 9 and 10, 2002.

Upon motion by President Tomblin, properly seconded and adopted, this request was approved.

2. Monthly/Quarterly Reports - Presentation and Distribution.

Upon motion by President Tomblin, properly seconded and adopted, any discussion of the following distributed reports was postponed until the September interim meeting: DHHR Reports (Medicaid for month of June 2002, Welfare for month of July 2002, Colin Anderson Summary Report for August 2002; Lottery Report for month of June 2002; Bureau of Employment Programs Reports (Unemployment Compensation Report for month of June 2002, and Workers' Compensation Report for month of May 2002; and General Revenue Report prepared by legislative staff for month ended July 31, 2002.

3. Public Employees Insurance Agency.

Mr. Tom Susman, Executive Director of the Public employees Insurance Agency, distributed the following information: Summary of Revenue Changes based on July 2002 Enrollment; Tobacco Users - PPB Plan Only; Monthly Management Report - Total Claims; Per Capita Claims; Per Capita Utilization - June 2002; Balance Sheets; Special Report on Applying Agreed Upon Procedures Pertaining to Plan Document Compliance 8/1/2001-10/31/2001. Questions and answers followed. Mr. Susman deferred to the September meeting the Board of Risk and Insurance Management (BRIM) Report which was not available for distribution.

4. Distribution of Quarterly Report on Implementation of SB566, Code § 12-4-16, (Transfer of Funds).

Upon motion by President Tomblin, properly seconded and adopted, any discussion of this distributed report was delayed until the September interim meeting.

5. Distribution of State Treasurer's Debt Position Report as of June 30, 2002.

Upon motion by President Tomblin, properly seconded and adopted, any discussion this distributed report was delayed until the September interim meeting.

6. Interim Meeting Dates.

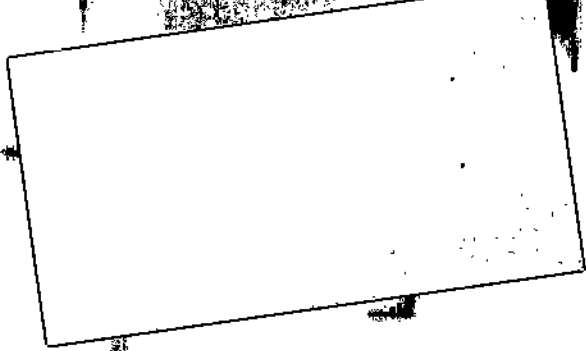
The next interim meeting dates are September 15 - 17, 2002 in Charleston, WV.

7. Other Business.

Upon motion by Senator Sharpe, properly seconded and adopted, President Tomblin and Speaker Kiss were directed to send letters of thanks to Oglebay Park and other parties involved for putting the August interim meetings at Oglebay together.

Upon motion by Speaker Kiss, properly seconded and adopted, Tom Susman was requested to furnish the Committee at the September interim meeting with information on BRIM regarding the unfunded liability increase problem; and the affect of recommended reduction in funding by the Underwood administration on present problems.

The meeting was adjourned.



Joint Committee on Government and Finance

September 17, 2002

Department of Health and Human Resources

MEDICAID REPORT

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 MEDICAID CASH REPORT
 SFY2002

MONTH OF JULY 2002	ACTUALS 07/01/2002 THRU 07/31/2002	PROJECTED 08/01/2002 THRU 06/30/2003	TOTAL SFY2003
REVENUE SOURCES			
BEG. BAL. 7/01/01	2,700,093		\$2,700,093
MATCHING FUNDS			
GENERAL REVENUE	11,688,714	163,204,481	174,893,195
LOTTERY - WAIVER	2,600,000	9,950,000	12,550,000
LOTTERY - TRANSFER	2,950,000	7,350,000	10,300,000
TRUST FUND APPROPRIATION	2,618,000	32,525,976	35,143,976
TRUST FUND BACKLOG	0	2,623,550	2,623,550
PROVIDER TAX	13,212,000	132,588,000	145,800,000
MCH TRANSFER	0	1,800,000	1,800,000
OTHER FUNDS	20,475	2,079,525	2,100,000
TOTAL MATCHING FUNDS	35,789,282	352,121,532	387,910,814
FEDERAL FUNDS	89,444,842	1,071,362,670	1,160,807,512
TOTAL REVENUE SOURCES	\$125,234,124	\$1,423,484,202	\$1,548,718,326
TOTAL EXPENDITURES:			
PROVIDER PAYMENTS	\$118,271,708	\$1,575,427,754	\$1,693,699,462
SUB - TOTAL	\$6,962,415.43		(\$144,981,137)
ACCOUNTS PAYABLE 07/31/02	\$43,642,830.00		(\$43,642,830)
BALANCE	\$50,605,245.43		(\$188,623,967)

DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 MONTHLY FINANCIAL SUMMARY
 MONTH OF JULY 2002
 FISCAL YEAR 2002-2003

CATEGORY OF EXPENDITURES	ACTUALS SFY 2002	ORIGINAL ESTIMATE SFY 2003	CURRENT ESTIMATE SFY 2003	ESTIMATE JULY 2002	ACTUAL JULY 2002	ESTIMATE YEAR TO DATE JULY 2002	ACTUAL YEAR TO DATE JULY 2002	Incr/(Dec) Over ESTIMATE	PERCENT
INPATIENT HOSPITALS	\$144,767,167	\$193,391,976	\$193,391,976	12,231,266	16,334,226	12,231,266	16,334,226	3,102,968	25.37%
MENTAL HEALTH HOSPITALS	\$31,367,326	\$31,448,297	\$31,448,297	2,375,021	2,368,987	2,375,021	2,368,987	-6,034	-0.25%
OUTPATIENT HOSPITALS	\$79,491,173	\$85,148,755	\$85,148,755	6,485,855	5,016,583	6,485,855	5,016,583	-1,449,072	-22.41%
CLINICS	\$14,048,061	\$14,477,475	\$14,477,475	1,111,752	1,232,403	1,111,752	1,232,403	120,651	10.85%
PHYSICIANS	\$125,284,220	\$132,861,178	\$132,861,178	10,018,774	8,493,838	10,018,774	8,493,838	-1,525,136	-15.22%
LABS	\$6,028,507	\$6,148,438	\$6,148,438	466,873	494,111	466,873	494,111	27,238	5.83%
DRUGS	\$290,868,500	\$327,638,868	\$327,638,868	23,887,726	23,381,093	23,887,726	23,381,093	-506,633	-2.12%
OTHER PRACTITIONERS	\$16,082,555	\$16,168,614	\$16,168,614	1,239,106	1,124,431	1,239,106	1,124,431	-114,674	-9.25%
DENTIST	\$29,186,876	\$32,858,828	\$32,858,828	2,476,004	2,232,430	2,476,004	2,232,430	-243,574	-9.84%
NURSING HOMES	\$300,920,127	\$315,318,503	\$315,318,503	23,866,384	49,097,734	23,866,384	49,097,734	25,241,350	105.81%
GROUP HOMES	\$44,931,288	\$48,224,576	\$48,224,576	3,651,803	8,096,136	3,651,803	8,096,136	4,444,334	121.70%
OTHER CARE	\$116,041,109	\$111,585,605	\$111,585,605	8,462,104	17,385,868	8,462,104	17,385,868	8,923,764	105.48%
EPSDT	\$4,202,325	\$4,300,484	\$4,300,484	328,354	327,033	328,354	327,033	-1,321	-0.40%
MEDICARE BUY-IN	\$43,074,892	\$42,931,500	\$42,931,500	3,577,626	3,852,437	3,577,626	3,852,437	274,812	7.88%
FAMILY PLANNING	\$1,895,522	\$1,090,137	\$1,090,137	83,867	137,333	83,867	137,333	53,476	63.77%
HOME HEALTH	\$23,089,891	\$22,720,675	\$22,720,675	1,720,660	1,724,946	1,720,660	1,724,946	4,386	0.25%
RURAL HEALTH	\$26,207,864	\$26,241,472	\$26,241,472	2,003,609	2,314,927	2,003,609	2,314,927	311,318	15.64%
HOME & COMMUNITY - AGED/DISABLED	\$50,151,368	\$50,888,856	\$50,888,856	3,883,865	4,274,631	3,883,865	4,274,631	410,767	10.63%
HOME & COMMUNITY - MR/DD	\$119,624,111	\$141,514,198	\$141,514,198	10,611,085	11,848,488	10,611,085	11,848,488	1,237,413	11.66%
PASARR	\$9,050	\$0	\$0	0	1,125	0	1,125	1,125	0.22%
PERSONAL CARE	\$21,620,642	\$32,706,367	\$32,706,367	2,488,052	2,493,593	2,488,052	2,493,593	5,541	0.22%
HOSPICE	\$1,430,813	\$2,603,836	\$2,603,836	198,823	92,788	198,823	92,788	-104,037	-52.86%
TARGETED CASE MANAGEMENT	\$9,638,636	\$12,371,067	\$12,371,067	948,872	733,309	948,872	733,309	-215,563	-22.72%
GROUP HEALTH PLAN	\$55,579	\$0	\$0	0	15,324	0	15,324	15,324	13.43%
MANAGED CARE	\$85,321,827	\$62,189,352	\$62,189,352	4,847,899	5,498,978	4,847,899	5,498,978	651,079	13.43%
SUB-TOTAL	\$1,554,030,448	\$1,714,506,153	\$1,714,506,153	\$126,923,058	\$167,682,560	\$126,923,058	\$167,682,560	40,669,502	32.03%
LESS: DRUG REBATES	(\$51,342,488)	(\$53,052,739)	(\$53,052,739)	(4,421,062)	(13,988,428)	(4,421,062)	(13,988,428)	-9,567,366	216.40%
DSH PAYMENTS PRIVATE INSTITUTIONS	\$61,136,804	\$52,862,327	\$52,862,327	0	0	0	0	0	0.00%
DSH PAYMENTS STATE INSTITUTIONS	\$27,752,738	\$23,026,549	\$23,026,549	0	0	0	0	0	0.00%
TOTAL	\$1,591,676,505	\$1,737,342,290	\$1,737,342,290	\$122,501,996	\$153,694,132	\$122,501,996	\$153,694,132	\$31,092,136	25.38%

NOTES: This report is based on estimates of approved claims to be received during the year.

Inpatient Hospital expenditure projection includes an additional \$1 million in expenditures related to the PEIA transfer and the 1.7 million appropriation for tertiary/safety net hospitals.

Expenditure estimates were based on a 4 week processing cycle for July, an additional week of provider payments were processed in July and are included in the actual totals.

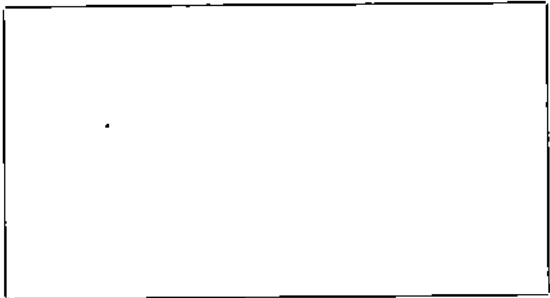
WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 MEDICAL SERVICES TRUST FUND AND INTEREST REPORT
 FOR THE MONTH OF JULY 2002
 SFY 2003

TRANSFER DATE	ACTIVITY	DESCRIPTION	DEPOSIT (WITHDRAWAL) PRINCIPAL	INTEREST & DSH DEPOSITS (WITHDRAWAL)	TRUST FUND BALANCE
07/01/02	DEPOSIT	BEG. BAL.	6,740,977.50		6,740,977.50
07/01/02	WITHDRAWAL	Match Drop	(2,618,000.00)		4,122,977.50
07/31/02	INTEREST	Rate AT 1.90 %		6,794.77	4,129,772.27
08/01/02	WITHDRAWAL	Facilities DSH Payment		478,670.00	4,608,442.27
08/01/02	WITHDRAWAL	Facilities DSH Match	(1,515,161.72)		3,093,280.55
08/01/02	DEPOSIT	Private DSH Backlog	(3,086,485.77)		6,794.78
08/01/02	DEPOSIT	Facilities DSH Payment		6,126,816.50	6,133,611.28
08/31/02	INTEREST	Rate AT 1.90 %		10,108.34	6,143,719.62
09/01/02	DEPOSIT	Special Appropriation	5,000,000.00		11,143,719.62
09/01/02	WITHDRAWAL	Backlog Reduction		(655,887.50)	10,487,832.12
09/30/02	INTEREST	Rate AT 1.90 %		17,284.21	10,505,116.33
10/01/02	WITHDRAWAL	Match Drop	(2,618,000.00)		7,887,116.33
10/31/02	INTEREST	Rate AT 1.90 %		12,998.16	7,900,114.50
11/01/02	WITHDRAWAL	Facilities DSH Match	(1,284,915.59)		6,615,198.91
11/01/02	WITHDRAWAL	Private DSH Backlog	(3,144,020.92)		3,471,177.99
11/30/02	INTEREST	Rate AT 1.90 %		5,720.59	3,476,898.58
12/01/02	DEPOSIT	Facilities DSH Payment		5,147,899.00	8,624,797.58
12/01/02	DEPOSIT	PEIA Reserve Deposit	2,000,000.00		10,624,797.58
12/01/02	WITHDRAWAL	PEIA Reserve Fund		(2,000,000.00)	8,624,797.58
12/01/02	WITHDRAWAL	Backlog Reduction		(655,887.50)	7,968,910.08
12/31/02	INTEREST	Rate AT 1.90 %		13,132.96	7,982,043.04
01/01/03	WITHDRAWAL	Match Drop	(2,618,000.00)		5,364,043.04
01/31/03	INTEREST	Rate AT 1.90 %		8,840.08	5,372,883.12
02/01/03	WITHDRAWAL	Facilities DSH Match	(1,284,915.59)		4,087,967.53
02/01/03	WITHDRAWAL	Private DSH Backlog	(3,144,020.92)		943,946.62
02/28/03	INTEREST	Rate AT 1.90 %		1,555.65	945,502.26
03/01/03	DEPOSIT	Facilities DSH Payment		5,147,899.00	6,093,401.26
03/01/03	DEPOSIT	PEIA Reserve Deposit	2,000,000.00		8,093,401.26
03/01/03	WITHDRAWAL	PEIA Reserve Fund		(2,000,000.00)	6,093,401.26
03/01/03	WITHDRAWAL	Backlog Reduction		(655,887.50)	5,437,513.76
03/31/03	INTEREST	Rate AT 1.90 %		8,961.16	5,446,474.92
04/01/03	WITHDRAWAL	Match Drop	(2,618,000.00)		2,828,474.92
04/30/03	INTEREST	Rate AT 1.90 %		4,661.40	2,833,136.32
05/01/03	WITHDRAWAL	Facilities DSH Match	(1,725,459.59)		1,107,676.73
05/01/03	WITHDRAWAL	Facilities DSH Payment		5,147,899.00	6,255,575.73
05/01/03	WITHDRAWAL	Private DSH Backlog	(3,144,020.91)		3,111,554.82
05/31/03	INTEREST	Rate AT 1.90 %		5,127.92	3,116,682.74
06/01/03	WITHDRAWAL	Hospice		(342,975.00)	2,773,707.74
06/01/03	DEPOSIT	PEIA Reserve Deposit	2,000,000.00		4,773,707.74
06/01/03	WITHDRAWAL	Backlog Reduction		(655,887.50)	4,117,820.24
06/01/03	WITHDRAWAL	PEIA Reserve Fund		(2,000,000.00)	2,117,820.24
06/30/03	INTEREST	Rate AT 1.90 %		3,490.22	2,121,310.47
TOTALS			(11,060,023.50)	13,181,333.96	2,121,310.47

DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR MEDICAL SERVICES
MOUNTAIN HEALTH TRUST
Based on SFY 2002 Rates

August 2002

HMO	PAYMENT	RECIPIENTS ENROLLED	AVERAGE COST PER RECIPIENT
THE HEALTH PLAN	\$2,860,892	31,372	\$91.19
CARELINK	\$1,445,364	15,897	\$90.92
TOTAL	\$4,306,256	47,269	\$91.10
ESTIMATED COMPOSITE ACTUARY RATE (THE 95% RATE IS \$92.08)			\$96.92
PERCENT ESTIMATED SAVINGS			6.00%



Joint Committee on Government and Finance

September 2002

Department of Health and Human Resources

WELFARE REFORM REPORT

**WV WORKS Caseload
2002**

County	January	February	March	April	May	June	July	August
Barbour (01)	208	208	206	207	203	192	190	189
Berkeley (02)	415	422	441	453	445	420	402	416
Boone (03)	371	388	385	371	341	324	328	344
Braxton (04)	149	153	151	151	122	117	121	120
Brooke (05)	106	110	107	90	85	83	80	81
Cabell (06)	705	700	695	714	665	633	646	655
Calhoun (07)	110	107	111	104	91	92	81	77
Clay (08)	115	109	114	107	106	100	103	103
Doddridge (09)	66	66	61	67	57	60	56	57
Fayette (10)	531	502	498	507	484	461	472	475
Gilmer (11)	55	55	58	60	54	54	58	52
Grant (12)	44	40	37	36	36	37	44	44
Greenbrier (13)	167	169	169	161	141	135	129	133
Hampshire (14)	93	93	97	100	94	94	93	95
Hancock (15)	198	194	182	189	164	157	158	170
Hardy (16)	49	53	48	49	49	50	54	49

County	January	February	March	April	May	June	July	August
Harrison (17)	626	629	630	627	574	562	550	539
Jackson (18)	143	139	142	145	124	115	131	132
Jefferson (19)	162	168	174	174	172	166	165	168
Kanawha (20)	1,279	1,278	1,292	1,248	1,168	1,130	1,164	1,224
Lewis (21)	179	185	190	195	178	178	168	174
Lincoln (22)	349	333	334	345	329	323	317	346
Logan (23)	404	378	388	391	376	364	376	408
Marion (24)	299	295	299	295	268	275	272	286
Marshall (25)	297	307	288	293	257	263	242	241
Mason (26)	266	261	251	248	252	245	242	256
Mercer (27)	894	905	926	908	880	830	860	895
Mineral (28)	100	100	100	93	91	90	90	99
Mingo (29)	674	553	541	525	523	500	509	509
Monongalia (30)	123	121	120	106	108	104	104	110
Monroe (31)	82	79	85	93	87	80	72	72
Morgan (32)	85	96	93	95	95	88	92	89
McDowell (33)	864	839	818	806	806	762	774	752
Nicholas (34)	156	156	156	158	153	138	153	156
Ohio (35)	308	286	283	282	272	258	262	274
Pendleton (36)	37	32	33	31	25	24	27	25

County	January	February	March	April	May	June	July	August
Pleasants (37)	49	51	52	45	44	38	42	43
Pocahontas (38)	26	27	31	36	30	29	28	30
Preston (39)	125	125	132	125	125	105	108	110
Putnam (40)	169	185	178	170	140	131	139	127
Raleigh (41)	700	705	713	716	671	646	626	644
Randolph (42)	113	118	120	128	110	111	97	94
Ritchie (43)	65	62	65	64	56	64	54	52
Roane (44)	119	123	132	124	106	101	103	111
Summers (45)	165	158	174	174	171	176	162	172
Taylor (46)	98	97	94	87	73	74	80	75
Tucker (47)	28	26	24	26	23	20	23	21
Tyler (48)	38	36	35	32	33	31	36	41
Upshur (49)	316	314	309	302	267	255	269	260
Wayne (50)	584	552	554	551	523	507	504	510
Webster (51)	181	182	177	175	164	160	157	155
Wetzel (52)	113	112	109	112	100	85	78	88
Wirt (53)	43	45	46	45	42	45	52	51
Wood (54)	750	760	785	788	707	688	650	656
Wyoming (55)	404	391	406	388	390	382	406	403
Total	14,694	14,578	14,639	14,512	13,650	13,142	13,197	13,459

Characteristics of the Current WV WORKS Caseload

- ✓ **4,425 Child Only Cases**—parents are not in the home and children are living with a relative, or parents are in the home, receive SSI and are excluded from the WV WORKS payment.
- ✓ **587 cases currently receiving WV WORKS received TANF in another state before moving to West Virginia.**
- ✓ **120 cases in which the parents are excluded from the payment because they were convicted of a drug related felony after August 22, 1996.**
- ✓ **386 cases receive Medicaid but do not receive Food Stamps.**
- ✓ **949 cases receive Food Stamps but adults do not receive Medicaid.**
- ✓ **1,381 cases receive the Marriage Incentive. The Incentive was increased to \$100 monthly effective July 1, 2000.**
- ✓ **1,503 adults receiving WV WORKS are employed.**

9/02

**Supportive Services Payments: Types and Amounts
August 2002**

Type	Current WV WORKS	Former WV WORKS	Number of Payments	Average Payment	Total Amount
Clothing: Work or dress clothing when there is a verified offer of employment or short term training. <i>\$600 lifetime</i>	\$58,635	\$16,958	454	\$162	\$73,493
Collateral: Items include grooming expenses, test fees and other expenses related to employment. <i>\$150 lifetime</i>	\$6,321	\$1,396	118	\$65	\$7,717
Car Repair: For personally owned vehicles; includes tires, mufflers, or brakes necessary to pass state inspection, state inspection stickers, license plates, vehicle insurance, and driver's education classes. Funds cannot be used to purchase a vehicle. <i>\$1,500 lifetime</i>	\$138,986	\$28,459	382	\$438	\$167,445
Contract Training: A training contract may be written when training is not available on a no-cost basis and the training will be provided to an individual or a group of participants. There is an expectation that the individuals will be able to find employment when they successfully complete the training course. <i>\$5,000 year</i>	\$100	\$0	2	\$50	\$100
Commercial Driver's License: Payment to purchase license. <i>\$300 lifetime</i>	\$0	\$0	0	\$0	\$0
Driver/Chauffeurs License: Does not include payment for test required due to traffic violations or classes required for DUI convictions. <i>\$60 lifetime</i>	\$171	\$0	7	\$24	\$171

Type	Current WV WORKS	Former WV WORKS	Number of Payments	Average Payment	Total Amount
Employer Incentive: Agreements between employers and local DHHR offices placing WV WORKS recipients in jobs. Employers are reimbursed ½ of the employee's wages for the first 200-600 work hours under these contracts.	\$1,936	\$497	7	\$348	\$2,433
Professional License: When the cost of the license is not paid by the employer or is not included in the cost of a training course, and obtaining the license is part of the course completion. <i>\$300 lifetime</i>	\$1,295	\$150	10	\$145	\$1,445
Relocation: When there is a verified offer of employment, the family can be relocated to a different state, a different area of the state, or to the same area if the move reduces travel time to one hour or less. <i>\$1,500 lifetime</i>	\$18,205	\$9,671	22	\$1,267	\$27,876
Tools/Equipment: When needed for a verified offer of employment or for specialized training. <i>\$1,000 lifetime</i>	\$7,945	\$2,227	31	\$328	\$10,172
Transportation: Payments are made based on miles traveled to employment or a work activity when there is a cost involved. Public transportation is reimbursed at actual cost. <i>(2-40 miles-\$5 day; 40+ -\$8) \$200 month limit</i>	\$214,216	\$72,445	3,692	\$78	\$286,661

Type	Current WV WORKS	Former WV WORKS	Number of Payments	Average Payment	Total Amount
Vehicle Insurance: Payment for vehicle insurance premium. Does not include vehicle insurance premium for vehicles leased through WV WHEELS as vendor is responsible for payment as part of the lease. <i>\$500 lifetime</i>	\$31,871	\$8,710	151	\$269	\$40,581
DUI offenses: Costs related to reinstatement of driver's license which have been revoked due to substance abuse. Includes DUI classes, license reinstatement fees, new license, ignition interlock system. Does not include fines, treatment programs or tests for drug and alcohol use. <i>\$500 lifetime</i>	\$1,250	\$0	5	\$250	\$1,250
Total	\$478,831	\$140,513	4,881	\$127	\$619,344

Length of Time on Assistance

Number of Months	Number of Cases
12 months or less	3,263
13-24	2,513
25-36	1,488
37-48	958
49-60	486
Total	8,708

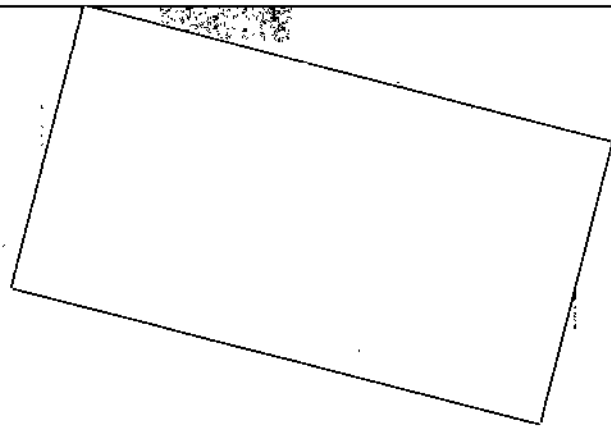
Does not include child only cases.

9/9/02

WORKS Closures Due to Expiration of 60 Months

Month	Number of Closures
12/01	108
1/02	40
2/02	23
3/02	29
4/02	21
5/02	25
6/02	44
7/02	29
8/02	18
Total	337

September 9, 2002



Joint Committee on Government and Finance

September 2002

Department of Health and Human Resources

COLIN ANDERSON CENTER REPORT

Colin Anderson Center Report

September 2002

**West Virginia Department of Health
and Human Resources**

Paul L. Nusbaum, Secretary

Collin Anderson Center Summary Report – September 2002

The Colin Anderson Center (Center) was successfully closed on April 3, 1998. The Department of Health and Human Resources (Department) has completed all required monitoring for persons who left the Center.

Seventy-eight people were discharged from the Center into community settings in West Virginia, and one person was discharged from Ruby Memorial Hospital to Lakin Hospital. The individual who was discharged to Lakin Hospital expired four months after admission.

Two people were discharged to out-of-state placements at the request of their legal representatives. One of those individuals returned to West Virginia and resides at Pinecrest Hospital at the request of their legal representative.

Twelve people have died (all due to natural causes) since being discharged from the Center.

Therefore, sixty-six people continue to receive services and supports in West Virginia communities. Twenty people receive residential services in an ICF/MR facility. The ICF/MR facilities are between six and eight bed homes. Forty-six people receive residential services through the Home and Community-Based MR/DD Waiver Program. Home and Community-Based residential services are between one and four bed homes.

All those discharged from the Center receive day habilitation services from day programs, community-based day programs, volunteering, senior centers, supported employment and competitive employment.

Sixty-six people have had compliance clocks successfully completed. The compliance clock is the list of services identified prior to discharge by Center staff and community staff as needed services for the individual. Each compliance clock service is required to complete eighteen consecutive months of service. Zero compliance clocks remain active. The Department continues to monitor, on an individual basis, those who were discharged from the Colin Anderson Center.

**Collin Anderson Center
 Summary Report - September 2002
 Division of Developmental Disabilities
 Bureau for Behavioral Health and Health Facilities**

Date of Closure: April 3, 1998

Status	Total
Number Discharged in Community Settings	78
Number Discharged in Medical Settings	1
Total Number of Individuals Discharged	79

Total Number of Individuals Deceased Since Discharge (all due to natural causes)	12
---	-----------

Number in ICF/MR Group Homes (6-8 Beds)	20
Number in MR/DD Waiver Residences (1-4 beds)	46
Total Currently in Community Settings	66

Number of Individuals with Compliance Clocks* Closed	66
Number of Individuals with Compliance Clocks* Open	0
Total Number of Individuals with Compliance Clocks*	66

*A compliance clock is a list of services an individual's treatment team identified prior to discharge as needed services for the individual. In order for a compliance clock to be closed, all of the identified services must be provided for a period of eighteen consecutive months. Zero compliance clocks remain active.

WEST VIRGINIA LEGISLATURE

Office of the Legislative Auditor

*Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*

304-347-4870

MEMORANDUM

To: Joint Committee on Government and Finance
Honorable Senator Tomblin, Senate President
Honorable Delegate Robert Kiss, Speaker of the House

From: Ellen Clark, CPA
Director Budget Division
Legislative Auditor's Office

Date: September 16, 2002 *EC*

Re: Review of West Virginia Lottery Financial Information
As of July 31, 2002. (FY 2003) First month of fiscal 2002-
2003.

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the month ended July 31, 2002 from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. The results are as follows:

Lottery Revenues:

Gross lottery revenues are receipts from on-line games, instant games and video lottery. These gross receipts were 45.61% ABOVE the preceding fiscal year 2001-2002. This number does not include commission and prize deductions. Gross profit for July 2002 was \$31,992,000.00; for the previous fiscal year, July 2001 it was \$22,015,000.00. Expressed as a percentage, gross profit is **45.32% higher** in July 2002-2003 than in July year 2001-2002.

Joint Committee on Government and Finance

Net Income:

Net income for the month ended July 31, 2002 was \$30,176,000.00; for July of the previous fiscal year it was \$20,421,000.00 This is an increase of 47.77%.

Operating Transfers to the State of West Virginia:

A total of \$ 30,176,000.00 has been accrued to the state of West Virginia for fiscal year 2002-2003. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. (Amounts owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.)

A schedule of cash transfers follows:

LOTTERY FUND

Bureau of Senior Services	\$ 18,572,000.00
Department of Education	\$ 18,353,000.00
Educational Broadcasting Authority	\$ 1,416,000.00
Library Commission	\$ 4,792,000.00
Higher Education-Central Office	\$ 20,638,000.00
Tourism	\$ 6,223,000.00
Department of Natural Resources	\$ 1,770,000.00
Division of Culture and History	\$ 2,948,000.00
Department of Education and Arts	\$ 2,064,000.00
State Building Commission	\$ 1,000,000.00
School Building Authority	\$ 1,800,000.00
SUBTOTAL BUDGETARY TRANSFERS	\$ 79,576,000.00

EXCESS LOTTERY FUND

General Revenue Fund	
Education Improvement Fund	
WV Infrastructure Council Fund	
Higher Education Improvement Fund	
State Park Improvement Fund	
School Building Authority	
TOTAL EXCESS LOTTERY FUND	000.00

Veterans Instant Ticket Fund**95,000.00**

VIDEO LOTTERY TRANSFERS:	
Tourism Promotion Fund	\$1,957,000.00
Veterans Memorial Archives	\$100,000.00
John F. "Jack" Bennett Fund	\$20,000.00
Department of Administration	\$532,000.00
SUBTOTAL VIDEO LOTTERY TRANSFERS:	\$2,609,000.00
TOTAL TRANSFERS OF CASH	*\$82,280,000.00

*** CASH BASIS**

Actual net income accrual based accounting FY 2003:

\$30,176,000.00.

Reconciliation:

July 1, 2002

Accrued from FY 2002 (80,773,000.00)

Cash transfers FY 2003 82,280,000.00

Accrued from FY 2003 30,176,000.00

P.O. BOX 2067
CHARLESTON, WV 25327



PHONE: 304-558-0500
FAX: 304-558-3321

Bob Wise
Governor

John C. Musgrave
Director

MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director

A handwritten signature in black ink, appearing to read "John C. Musgrave", written over the printed name in the "FROM" field.

RE: Monthly Report on Lottery Operations
Month Ending July 31, 2002

DATE: August 19, 2002

This report of the Lottery operations is provided pursuant to the State Lottery Act.

Financial statements of the Lottery for the month ending July 31, 2002 are attached. Lottery revenue, which includes on-line, instant and video lottery sales, was \$87,653,435 for the month of July.

Transfers of lottery revenue totaling \$82,280,431 were made for the month of July to the designated state agencies per Senate Bill 100, Veterans' Fund and the Racetrack Video Lottery Act (§29-22A-10). The amount transferred to each agency is shown in Note 9 on page 13 of the attached financial statements.

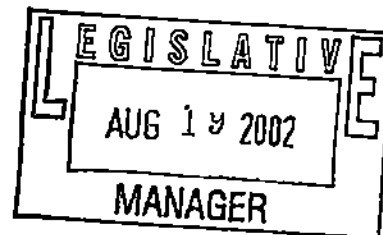
The number of active lottery retailers as of July 31, 2002, was 1,625.

A listing of the names and amounts of prize winners has been provided to the Clerk of the Senate, the Clerk of the House and Legislative Services.

If any member of the Committee has questions concerning the Lottery, please call me. Also if any members of the Legislature wish to visit the Lottery offices, I would be pleased to show them our facilities and discuss the Lottery with them.

JCM/jt
Attachment

pc: Honorable Bob Wise
Brian Kastick, Cabinet Secretary - Tax & Revenue
John Perdue, Treasurer
Glen B. Gainer III, Auditor
Members of the West Virginia Lottery Commission





WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

FINANCIAL STATEMENTS

JULY 31, 2002

WEST VIRGINIA LOTTERY

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WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE ONE MONTH PERIOD ENDED JULY 31, 2002
(Expressed in Thousands)

	CURRENT MONTH		YEAR TO DATE	
	2002	2001	2002	2001
Lottery revenues				
On-line games	\$ 5,882	\$ 6,691	\$ 5,882	\$ 6,691
Instant games	8,840	6,327	8,840	6,327
Racetrack video lottery	61,665	47,179	61,665	47,179
Limited video lottery	11,266	-	11,266	-
	<u>87,653</u>	<u>60,197</u>	<u>87,653</u>	<u>60,197</u>
Direct Costs				
Commissions				
On-line games	412	418	412	418
Instant games	619	396	619	396
Racetrack video lottery	39,071	29,893	39,071	29,893
Limited video lottery	6,404	-	6,404	-
	<u>46,506</u>	<u>30,707</u>	<u>46,506</u>	<u>30,707</u>
Prizes				
On-line prizes	2,992	2,994	2,992	2,994
Instant prizes	5,978	4,349	5,978	4,349
	<u>8,970</u>	<u>7,343</u>	<u>8,970</u>	<u>7,343</u>
Ticket Costs	<u>185</u>	<u>132</u>	<u>185</u>	<u>132</u>
Total Direct Costs	<u>55,661</u>	<u>38,182</u>	<u>55,661</u>	<u>38,182</u>
Gross profit	31,992	22,015	31,992	22,015
Operating expenses				
Vendor fees and costs	586	470	586	470
Advertising and promotions	551	1,044	551	1,044
Wages and related benefits	372	226	372	226
Telecommunications	400	209	400	209
Contractual and professional	86	34	86	34
Rental	50	35	50	35
Depreciation and amortization	149	48	149	48
Dep. & amortization to Donated capital	(88)	-	(88)	-
Other general expenses	139	43	139	43
	<u>2,245</u>	<u>2,109</u>	<u>2,245</u>	<u>2,109</u>
Other Operating Income	<u>329</u>	<u>280</u>	<u>329</u>	<u>280</u>
Operating Income	<u>30,076</u>	<u>20,186</u>	<u>30,076</u>	<u>20,186</u>
Nonoperating income(expense)				
Investment income	134	260	134	260
Interest expense	(34)	(25)	(34)	(25)
	<u>100</u>	<u>235</u>	<u>100</u>	<u>235</u>
Income before nonoperating distributions	30,176	20,421	30,176	20,421
Nonoperating distributions to the State of West Virginia	<u>30,176</u>	<u>20,421</u>	<u>30,176</u>	<u>20,421</u>
Net income	-	-	-	-
Retained earnings, beginning of period	250	250	250	250
Retained earnings, end of period	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 250</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE ONE MONTH PERIOD ENDED JULY 31, 2002
(Expressed in Thousands)

	2002	2001
Cash received from customers	\$ 110,126	\$ 63,734
Cash paid to employees	(380)	(236)
Cash paid to suppliers	(5,016)	(6,819)
Other operating cash payments	(55,330)	(38,182)
Net cash provided by (used for) operating activities	<u>49,400</u>	<u>18,497</u>
Cash flows from noncapital financing activities		
Transfers to the State of West Virginia	(82,280)	(88,214)
Deferred jackpot prize obligations and related interest paid	-	-
Cash used in noncapital financing activities	<u>(82,280)</u>	<u>(88,214)</u>
Cash flows from capital and related financing activities		
Purchase of fixed assets	<u>-</u>	<u>(5)</u>
Cash flows from investing activities		
Maturities of investments held in trust	-	-
Investment earnings received	92	207
Cash provided by investing activities	<u>92</u>	<u>207</u>
Increase (Decrease) in cash and cash equivalents	(32,788)	(69,515)
Cash and Cash Equivalents - beginning of period	72,199	101,966
Cash and Cash Equivalents - end of period	<u>\$ 39,411</u>	<u>\$ 32,451</u>

The accompanying notes are an integral
part of these financial statements.

WEST VIRGINIA LOTTERY
BALANCE SHEETS
(Expressed in Thousands)

	July 31, 2002	June 30, 2002
ASSETS		
Current assets		
Cash and cash equivalents	\$ 39,411	\$ 72,199
Accounts receivable	11,219	33,363
Ticket Inventory	598	782
Other assets	989	972
Total current assets	52,217	107,316
Leasehold improvements and equipment	10,162	10,162
Less accumulated depreciation and amortization	(4,115)	(3,966)
	6,047	6,196
Investments held in trust	5,663	5,581
Total assets	\$ 63,927	\$ 119,093
 LIABILITIES AND FUND EQUITY		
Current liabilities		
Accrued nonoperating distributions to the State of West Virginia	\$ 26,724	\$ 80,773
Estimated prize claims	12,577	11,983
Accounts payable	2,361	3,181
Other accrued liabilities	12,735	13,573
Total current liabilities	54,397	109,510
Deferred jackpot prize obligations	5,080	5,045
Fund equity		
Donated Capital	4,200	4,288
Retained earnings	250	250
Total fund equity	4,450	4,538
Total liabilities and fund equity	\$ 63,927	\$ 119,093

The accompanying notes are an integral
part of these financial statements.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. LEGISLATIVE ENACTMENT

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the "State Lottery Fund," a component unit of the State of West Virginia. The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members, and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45 percent of the gross amount received from each lottery shall be allocated for prizes and provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be transferred to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are discretely presented in the comprehensive annual financial report of the State.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Lottery is presented below. These policies were applied on a basis consistent with that of the preceding year.

BASIS OF PRESENTATION – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary type enterprise fund. In accordance with generally accepted accounting principles, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

USE OF ESTIMATES – The preparation of the financial statements requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management's estimates.

LOTTERY GAME OPERATIONS – The West Virginia Lottery derives its revenues from three basic types of lottery games: instant, on-line, and video type games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. Retailers and bonded agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL, a multi-state "jackpot" game, HOT LOTTO, a multi-state "lotto" game, Cash25 "lotto" game, Daily 3 and 4 "numbers" games, and Travel, a daily "keno" game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent's on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery's sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Racetrack video lottery is a self-activated video version of lottery games. The keyboard operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games' prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions.

Racetrack video lottery legislation has established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia, subject to local county elections permitting the same. The legislation further stipulates the distribution of revenues from video lottery games, and requires any licensed racetrack to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

The Lottery has contracted with a private vendor to manufacture, distribute and provide data processing support for instant and on-line lottery games. Under the terms of the agreement the Lottery pays a percentage of gross revenues for the processing and maintenance of the games.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS – Cash and cash equivalents consist of interest-earning deposits with the West Virginia Investment Management Board (IMB) and are recorded at fair value.

INVENTORY – Inventory consists of instant game tickets available for sale to approved Lottery retailers and are carried at cost.

OTHER ASSETS – Other assets consist primarily of deposits restricted for payment of certain Multi-State Lottery Association activities, and promotional items for which re-sale is not intended.

LEASEHOLD IMPROVEMENTS AND EQUIPMENT – The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. A portion of these facilities are subleased to the Lottery's game vendors. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the one month ended July 31, 2002 and July 31, 2001 approximated \$49,632 and \$34,934, respectively. Sublease rental income for the one month ended July 31, 2002 and July 31, 2001 approximated \$8,644 and \$8,644, respectively.

Leasehold improvements and purchased equipment, comprised principally of office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

COMPENSATED ABSENCES – The Lottery has accrued \$501,000 and \$404,000 for fiscal years 2002 and 2001, respectively, for estimated obligations that may arise in connection with compensated absences for vacation and sick leave at the current rate of employee pay. Employees fully vest in all earned but unused vacation. In accordance with State personnel policies, employees vest in unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits.

NOTE 3. ACCOUNTING PRONOUNCEMENT

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This statement establishes financial reporting standards for state and local governments by revising the basic financial statement requirements and also requiring a management's discussion and analysis to introduce the basic financial statements and to provide-an analytical overview of the entity's financial activities. The Lottery intends to adopt the provisions of this statement for the fiscal year ending July 31, 2002, which is consistent with the State of West Virginia's planned adoption period. Because the Lottery is an enterprise fund, the adoption of GASB Statement No. 34 is not expected to have a material effect on the financial statements.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. LEGISLATIVE ENACTMENT

During the fiscal year ended June 30, 2001 the West Virginia Legislature approved House Bill 102, which included the Limited Video Lottery Act. Under this bill, up to 9,000 video lottery terminals will be placed in limited licensed retailer areas restricted for adult amusement. These licensed retailers must hold a qualifying permit for the sale on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The addition of these responsibilities in future years is expected to generate a substantial increase in video lottery revenues and related expenses, including commission, personnel and administrative.

House Bill 102 also contains language that changes, for fiscal years beginning on or after July 1, 2001, the State's share of racetrack video lottery revenue as well as the distribution percentage paid to racetracks and one other private entity associated with the racing industry (See Note 7) after the net terminal income benchmark amount for fiscal year ending June 30, 2001 has been met.

NOTE 5. CASH AND CASH EQUIVALENTS

A summary of the amount on deposit with the West Virginia Investment Management Board (IMB) follows (in thousands):

	<u>July 31, 2002</u>	<u>June 30, 2002</u>
Amount on deposit with the IMB	<u>\$39,411</u>	<u>\$72,199</u>

The deposits with the IMB are part of the State of West Virginia's consolidated investment cash liquidity pool and are not separately identifiable as to specific types of securities. Investment income is pro-rated to the Lottery at rates specified by the IMB based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

NOTE 6. PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL jackpot lotto game and HOT LOTTO game, on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL, and HOT LOTTO is 50% of each drawing period's sales, with minimum jackpot levels.

Revenues derived from the Lottery's participation in the MUSL POWERBALL jackpot game for the month and year-to-date periods ended July 31, 2002 were \$2,911,294 and \$2,911,294 while related prize costs for the same periods were \$1,473,133 and \$1,473,133.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6. PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

Revenues derived from the Lottery's participation in the HOT LOTTO game for the month and year-to-date periods ended July 31, 2002 were \$290,777 and \$290,777 while related prize costs for the same periods were \$146,318 and \$146,318.

MUSL places 2% of each POWERBALL drawing period's sales in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. Currently, the MUSL Board of Directors has placed a \$52,000,000 limit on the POWERBALL prize reserve fund. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. At July 31, 2002 the POWERBALL prize reserve funds had a balance of \$77,000,000 of which the Lottery's share was \$2,979,140. The Lottery has charged amounts placed into the prize reserve funds to prize costs as the related sales have occurred.

NOTE 7. RACETRACK VIDEO LOTTERY

The Racetrack Video Lottery legislation stipulates that sixty-six percent (66%) of racetrack video lottery revenues, net of prizes (gross terminal income) and lottery administrative costs (such costs limited to 4% of revenues), shall be allocated, in lieu of commissions, to: the racetracks (47%); other private entities associated with the racing industry (17%); and the local county governments (2%). The remaining income (34% of gross terminal revenues less administrative costs) from racetrack video lottery shall be made available for transfers to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 9 titled "Nonoperating Distributions to the State of West Virginia."

The Racetrack Video Lottery Act was amended in 1999 and requires for fiscal years beginning July 1, 1999 the local county government share (2%) be split 50-50 with incorporated municipalities for certain tracks after the effected tracks have met their fiscal year 1999 net terminal revenue benchmark.

The Racetrack Video Lottery Act was further also amended in 2001 and requires for fiscal years beginning on or after July 1, 2001 that each tracks share be reduced to 42% and the regular purse fund to 8% after each tracks net terminal revenue has reached the fiscal year 2001 net terminal revenue benchmark. In addition, after the fiscal year 2001 benchmark is met, the 4% for administrative costs is to be transferred to the excess lottery revenue fund; a 10% surcharge is deducted (58% will be transferred to the state excess lottery revenue fund and 42% will be held by the Lottery in a separate capital reinvestment fund) from gross terminal revenue. Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund. A summary of racetrack video lottery revenues for the month ended July 31, 2002 and year-to-date follows (in thousands):

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. RACETRACK VIDEO LOTTERY (continued)

	<u>Current</u> <u>2002</u>	<u>Month</u> <u>2001</u>	<u>Year- to -Date</u> <u>2002</u>	<u>2001</u>
Total credits played	\$707,958	\$549,224	\$707,958	\$549,224
Credits (prizes) won	(646,293)	(502,045)	(646,293)	(502,045)
Gross terminal income	<u>\$61,665</u>	<u>\$47,179</u>	<u>\$61,665</u>	<u>\$47,179</u>
Administrative costs	(2,467)	(1,887)	(2,467)	(1,887)
Net Terminal Income	<u>\$59,198</u>	<u>\$45,292</u>	<u>\$59,198</u>	<u>\$45,292</u>
Less distribution to agents	(39,071)	(29,893)	(39,071)	(29,893)
Racetrack video lottery revenues	<u>\$20,127</u>	<u>\$15,399</u>	<u>\$20,127</u>	<u>\$15,399</u>

A summary of video lottery revenues accrued or deferred for certain state funds to conform with the legislation follows (in thousands):

	<u>July 31, 2002</u>	<u>Year-to Date</u>
Lottery Fund	\$ 17,759	\$17,759
Excess Lottery Fund	-	-
Capital Reinvestment Fund	-	-
Tourism Promotion Fund	1,776	1,776
Veterans Memorial Archives	100	100
John F."Jack" Bennett Fund	20	20
Department of Administration	472	472
Total transfers	<u>\$20,127</u>	<u>\$20,127</u>

NOTE 8. LIMITED VIDEO LOTTERY

The Limited Video Lottery legislation stipulates that two percent (2%) of gross terminal income be deposited into the state lottery fund for administrative costs. Then, thirty percent (30%) of gross profits are to be transferred to the excess lottery fund. Beginning July 1, 2002, the percentage is determined by the amount of aggregate average daily gross terminal income for the three month period ending May 31, 2002, and every August, November, February and May thereafter. Such percentage will be between 30 and 50 percent and will be subject to change on a quarterly basis thereafter. Two percent will be distributed to counties and municipalities in the manner prescribed for in the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, these amounts are recorded as limited video lottery commissions in the financial statements. A summary of limited video lottery revenues for the month ended July 31, 2002 and year-to-date follows (in thousands):

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8. LIMITED VIDEO LOTTERY (continued)

	<u>Current Month</u>	<u>Year-to-Date</u>
Total credits played	\$130,929	\$130,929
Credits (prizes) won	(119,663)	(119,663)
Gross terminal income	<u>\$11,266</u>	<u>\$11,266</u>
Administrative costs	(225)	(225)
Gross Profit	<u>\$11,041</u>	<u>\$11,041</u>
Commissions	(6,183)	(6,183)
2% Counties/Municipalities	(221)	(221)
Limited video lottery revenues	<u>\$4,637</u>	<u>\$4,637</u>

NOTE 9. NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

As required under its enabling legislation, retained earnings of the Lottery may not exceed \$250,000. Therefore, the Lottery periodically transfers surplus funds, exclusive of amounts derived from racetrack video lottery, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2003 the State Legislature budgeted \$182,070,349 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. The enabling legislation specifies that required payments to the West Virginia State Building Commission and School Building Authority for debt service have priority for payment in instances when estimated profits are not sufficient to provide for payment of all budgeted distributions. During the month ended July 31, 2002 the Lottery made such distributions and accrued additional distributions of \$27,808,185. The Lottery does not have a legally adopted annual budget.

Since the enactment of the Racetrack Video Lottery Act, the Lottery is also statutorily required to distribute income from racetrack video lottery operations as described in Note 7. As of July 31, 2002 the Lottery accrued additional distributions relating to racetrack video lottery operations of \$261,745.

The Racetrack Video Lottery Act stipulates that video lottery revenue will be distributed as follows: Lottery Fund distributions as specified in the State budget (30%); Tourism Promotion Fund (3%); and the Veterans Memorial Fund, the Veterans Memorial Archives, the John F. "Jack" Bennett Fund, or the Department of Administration (1%). A summary of the cash distributions made to certain state agencies to conform with the legislation follows (in thousands):

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9. NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA
(continued)**

<u>BUDGETARY DISTRIBUTIONS</u>	<u>July 31, 2002</u>	<u>Year-to-Date</u>
<u>Lottery Fund:</u>		
Bureau of Senior Services	\$ 18,572	\$ 18,572
Department of Education	18,353	18,353
Educational Broadcasting Authority	1,416	1,416
Library Commission	4,792	4,792
Higher Education-Central Office	20,638	20,638
Tourism	6,223	6,223
Natural Resources	1,770	1,770
Division of Culture & History	2,948	2,948
Department of Education & Arts	2,064	2,064
Building Commission	1,000	1,000
School Building Authority	1,800	1,800
Total Lottery Fund	\$79,576	\$79,576
 <u>Excess Lottery Fund:</u>		
General Revenue Fund	-	-
Education Improvement Fund	-	-
WV Infrastructure Council Fund	-	-
Higher Education Improvement Fund	-	-
State Park Improvement Fund	-	-
School Building Authority	-	-
Total Excess Lottery Fund	\$ -	\$ -
 Total Budgetary distributions:	\$79,576	\$79,576
 Veterans Instant Ticket Fund	\$95	\$95
 <u>Racetrack Video Lottery distributions:</u>		
Tourism Promotion Fund	1,957	1,957
Veterans Memorial Archives	100	100
John F. "Jack" Bennett Fund	20	20
Department of Administration	532	532
Total	2,609	2,609
Total nonoperating distributions to the State of West Virginia (cash basis)	82,280	82,280
Accrued nonoperating distributions, beginning	(80,773)	(80,773)
Accrued nonoperating distributions, end	28,669	28,669
Total nonoperating distributions to the State of West Virginia	\$30,176	\$30,176

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10. DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST

Prior to becoming a member of the Multi-State Lottery in 1988, the prize structure of certain games operated solely by the Lottery included jackpot prizes. The Lottery, at its discretion, could choose to award such prizes in the form of either a lump sum payment or in equal installments over a period of 10 or 20 years, through July 31, 2002, the Lottery has awarded twenty-one deferred jackpot prizes totaling approximately \$28,868,786. Deferred prize awards were recognized as prize liabilities equivalent to the present value of future prize payments discounted at interest rates for government securities in effect on the date prizes were won. The imputed interest portion of the deferred prize awards is calculated using the effective interest method at rates ranging from 7.11% to 9.13%. A summary of the present value of the remaining obligations for deferred jackpot prize awards follows (in thousands):

	<u>July 31, 2002</u>	<u>June 30, 2001</u>
Present value of deferred prize award obligations:		
Discounted obligations outstanding	\$4,845	\$5,784
Imputed interest accrued	<u>235</u>	<u>236</u>
Total Deferred Jackpot Prize Award Obligations	<u>\$5,080</u>	<u>\$6,020</u>

The Lottery has purchased long-term investments consisting principally of zero coupon government securities to fund deferred jackpot prize award obligations. Such investments are maintained in a separate trust fund administered by the West Virginia Investment Management Board on behalf of the Lottery and the jackpot prize winners, with investment maturities approximating deferred prize obligation installment dates. Investments are carried at fair value determined by quoted market prices for the specific obligation or for similar obligations. Changes in fair value are included as part of investment income. In accordance with Statement No. 3 of the Government Accounting Standards Board, these investments are classified as to level of risk in Category 1, which includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.

NOTE 11. RETIREMENT BENEFITS

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, Building 5, Room 1000, State Capitol Complex, Charleston, West Virginia 25305-0720.

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT BENEFITS (continued)

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service are eligible for retirement benefits as established by state statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees are required to contribute 4.5% of their salary to the PERS. The Lottery is required to contribute 9.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are actuarially determined; however actuarial valuations are performed to assist the Legislature in determining appropriate values. The Lottery and employees contributions, for the period ending July 31, 2002 are as follows (in thousands) :

	<u>July 31, 2002</u>	<u>Year-to Date</u>
Lottery contributions (9.5%)	\$28	\$28
Employee contributions (4.5%)	14	14
Total contributions	<u>\$42</u>	<u>\$42</u>

NOTE 12. RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia. Each of these risk pools have issued separate audited financial reports on its operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

WORKERS' COMPENSATION FUND (WCF)

West Virginia operates an exclusive state-managed Workers' Compensation Insurance Fund (WCF), which means that private insurance companies cannot offer coverage to employers. In accordance with Chapter 23 of the Workers' Compensation Law (the Law), generally, every employer who has a payroll must have coverage except for employers in the agricultural industry with five or fewer employees, volunteer organizations, domestic workers and employers qualifying for territorial coverage. WCF's general objective is to provide a prompt and equitable system for compensation for injury sustained in the course of and growing out of employment. West Virginia Code §21A-3 established the Compensation Programs Performance Council (the Performance Council) to oversee the unemployment compensation system and the workers' compensation system. The Performance Council is responsible for recommending legislation and establishing regulations designed to ensure the effective administration and financial viability of WCF; approval of base premium rates and analyzing

**WEST VIRGINIA LOTTERY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 12. RISK MANAGEMENT (continued)

opportunities for internal operational improvements. The WCF risk pool retains all risk related to the compensation of injured employees under the program.

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher educations, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage to the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer, under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

*Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*

304-347-4870

To: Honorable Earl Ray Tomblin, Senate President
Honorable Robert Kiss, Speaker of the House
Honorable Members of the Joint Committee on Government
and Finance

From: Ellen Clark, C.P.A. *EC*
Director Budget Division
Legislative Auditor's Office

Date: September 14, 2002

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the monthly reports of the Unemployment
Compensation Trust Fund we received from the Bureau of Employment
Programs.

For the month of July 2002-2003, the trust fund cash flow was as
follows:

Trust Fund Beginning Cash Balance 7-1-2002	\$280,390,998.85
Receipts July 1, 2002 thro June 30, 2003	\$14,683,753.83
Disbursements July 1 thro June 30, 2003	\$17,704,550.15
Balance June 30, 2002	\$277,370,202.53

(This balance is \$ 39,436,811.10 higher than at same time
period in the last fiscal year.)

Joint Committee on Government and Finance

ITEMS OF NOTE:

Regular benefits paid for July 2002 are \$ 3,707,157.95 HIGHER than the preceding July 2001.

Receipts are \$ 2,621,523.51 HIGHER than the previous July 2001.
Overall disbursements are \$6,325,567.48 HIGHER than July 2001.

UNEMPLOYMENT RATES:

West Virginia's unemployment rate for the month of July 2002 was 6.0 percent. National unadjusted unemployment rate was 6.0 percent. Seasonally adjusted unemployment rates were 6.2 percent for West Virginia and 5.9 percent nationally.

During the past year (since July 2001) West Virginia's economy has declined by 9,500 jobs. The gains were 1,100 jobs in services. Losses include 3,900 in manufacturing, 1,000 in trade, 2,100 in government, 500 in transportation and public utilities, 2,700 in mining, 300 in finance, insurance and real estate and 100 in construction.

**FINANCIAL CONDITION OF THE UNEMPLOYMENT COMPENSATION TRUST FUND
MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING MAY 2001 AND MAY 2002**

	<u>MAY 01</u>	<u>JUNE 01</u>	<u>JULY 01</u>	<u>MAY 02</u>	<u>JUNE 02</u>	<u>JULY 02</u>	<u>THREE MONTH TOTAL VARIANCE *</u>
Balance Forward	<u>\$204,441,973.87</u>	<u>\$243,938,909.23</u>	<u>\$237,250,143.78</u>	<u>\$258,731,183.51</u>	<u>\$291,240,080.18</u>	<u>\$280,390,998.85</u>	<u>\$142,731,225.68</u>
Add Receipts:							
Bond Assessment	\$487.07	\$2,371.22	\$1,550.62	\$242.71	\$278.03	\$94.10	(\$3,774.07)
Regular Contributions	\$50,869,889.94	\$1,123,655.84	\$11,860,879.70	\$48,769,680.87	\$965,612.57	\$11,408,659.73	(\$4,710,072.31)
Extended Benefit Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Emergency Unemployment Funds	\$0.00	\$0.00	\$0.00	\$5,025,000.00	\$3,376,000.00	\$3,075,000.00	\$11,475,000.00
TEUC Unemployment Funds	\$75,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	(\$25,000.00)
UCFE (Federal Agencies)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Reduced Tax Credits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$4,199,322.48	\$0.00	\$530,832.23
Treasury Interest Credits	\$0.00	\$3,688,380.25	\$0.00	\$0.00	\$100,000.00	\$160,000.00	\$25,000.00
UCX (Military Agencies)	\$160,000.00	\$75,000.00	\$160,000.00	\$160,000.00	\$100,000.00	\$160,000.00	\$25,000.00
Total Monthly Receipts	<u>\$51,085,167.01</u>	<u>\$4,919,417.11</u>	<u>\$12,082,230.32</u>	<u>\$51,984,823.38</u>	<u>\$8,690,213.08</u>	<u>\$14,683,753.83</u>	<u>\$7,292,086.85</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	NA
Regular Benefits	\$11,370,820.36	\$11,422,887.76	\$11,160,882.49	\$13,403,201.68	\$15,739,689.12	\$14,857,820.44	\$10,056,540.83
Extended Benefits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Emergency Benefits	(\$718.00)	(\$630.00)	(\$570.00)	\$3,895,798.00	\$3,822,023.00	\$2,835,353.00	\$10,165,087.00
UCFE (Federal Workers)Benefits	\$70,450.70	\$62,553.82	\$70,698.91	\$51,136.28	\$46,637.22	\$61,352.93	(\$44,674.80)
UCX (Military Workers)Benefits	\$147,686.59	\$123,671.18	\$158,191.27	\$125,860.76	\$130,955.07	\$160,023.78	(\$22,698.44)
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Disbursements	<u>\$11,688,221.65</u>	<u>\$11,608,182.68</u>	<u>\$11,379,882.67</u>	<u>\$17,475,996.71</u>	<u>\$19,539,304.41</u>	<u>\$17,704,850.16</u>	<u>\$20,144,484.39</u>
Trust Fund Balance	<u>\$243,938,909.23</u>	<u>\$237,250,143.78</u>	<u>\$237,933,391.43</u>	<u>\$291,240,080.18</u>	<u>\$280,390,998.85</u>	<u>\$277,370,202.83</u>	<u>\$129,878,847.12</u>

* Three month total variance column is the difference between the sum of the previous year's three months data for each category and the current year's three months data. The purpose of the report is to show significant changes in receipts, disbursements, or balances.

WEST VIRGINIA LEGISLATURE

Office of the Legislative Auditor

*Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*

304-347-4870

MEMORANDUM

To: Honorable Senator Earl Ray Tomblin, Senate President
Honorable Delegate Robert Kiss, Speaker of the House
Honorable Members of the Joint Committee on Government and Finance

From: Ellen Clark, CPA *EC*
Director Budget Division
Legislative Auditor's Office

Date: September 14, 2002

Re: Workers' Compensation Trust Fund

We have reviewed the monthly report of receipts and disbursements for the Workers' Compensation Fund for the year ended June 30, 2002. (FY 2001-2002)

Total receipts for the fiscal year are \$589,705,955.68. This amount is \$ 38,911,417.32 LESS than the receipts reported for fiscal year 2000-2001.

Disbursements paid out for the fiscal year are \$ 756,744,074.34. This amount is \$ 93,644,344.87 HIGHER than the same time period last fiscal year.

Total administrative expenses for the year are \$ 51,321,001.97; which is \$3,234,719.88 HIGHER than last fiscal year.

The ending cash balance as of June 30, 2002 was \$ 935,547,153.00. The previous fiscal year the cash balance was \$ 1,102,585,271.66. The difference is a \$167,038,118.66 DECREASE in ending cash balance.

These calculations are based upon cash received and cash disbursed, (i.e. similar to a checkbook register). Accrual based calculations would change the financial data significantly.

Joint Committee on Government and Finance

A table showing the changes in trust fund equity since June 30, 1996 is attached. The fund deficit began to decrease in 1997, 1998, 1999 and began to increase again in 2000 and 2001. As of the West Virginia Comprehensive Annual Financial Report for the year ending 2001, the deficit was listed as \$ 1,873,654,000.00.

The 2002 Comprehensive Annual Financial Report has not been completed yet, but it appears that the deficit in the Worker's Compensation Trust has increased based upon the cash flow of the fund for the fiscal year 2001-2002.

**WORKERS' COMPENSATION FUND
UNAUDITED STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE THREE MONTHS STARTING APRIL 2001 AND APRIL 2002**

RECEIPTS AND DISBURSEMENTS			
MONTH	RECEIPTS *	DISBURSEMENTS	ENDING BALANCE
BALANCE FORWARD **			\$1,138,736,556.72
APR 2001	\$ 22,029,072.80	\$ 53,274,365.45	1,107,491,264.07
MAY 2001	100,760,065.76	61,750,940.42	1,146,500,389.41
JUN 2001	13,384,657.48	57,299,775.23	1,102,585,271.66
TOTALS	\$136,173,796.04	\$172,325,081.10	N/A

BENEFITS			
WCF	SELF-INSURERS	TOTAL	ADMINISTRATIVE EXPENSE
\$ 51,185,795.77	\$ 8,424,391.80	\$59,610,187.57	\$ 2,088,569.68
56,421,310.28	8,498,534.37	64,919,844.65	5,329,630.14
52,653,847.43	9,294,430.71	61,948,278.14	4,645,927.80
\$160,260,953.48	\$26,217,356.88	\$186,478,310.36	\$12,064,127.62

MONTH	RECEIPTS *	DISBURSEMENTS	ENDING BALANCE
BALANCE FORWARD **			\$951,822,120.91
APR 2002	124,213,884.05	69,341,643.07	1,006,694,361.89
MAY 2002	56,633,247.56	67,850,636.60	995,476,972.85
JUN 2002	637,365.22	60,567,185.07	935,547,153.00
TOTALS	\$181,484,496.83	\$197,759,464.74	N/A

WCF	SELF-INSURERS	TOTAL	ADMINISTRATIVE EXPENSE
64,711,963.47	9,578,171.82	\$74,290,135.29	4,629,679.60
63,520,998.05	11,753,658.72	75,274,656.77	4,329,638.55
55,728,971.62	9,282,286.02	65,011,257.64	4,838,213.45
\$183,961,933.14	\$30,614,116.56	\$214,576,049.70	\$13,797,531.60

* The amounts listed in the RECEIPTS column include the Change in Investment Value (may include Unrealized Gains and Losses, Realized Gains and Losses, Dividend Income, and Interest Income.) Although this amount is available, it should not be confused with 'Cash on Hand'.

** Balance forward amount includes \$210,000,000 transferred from the Coal-Workers' Pneumoconiosis Fund in December 1990

Notes: Accrual basis financial information could significantly change the data provided.

This report includes the Workers' Compensation Fund and the Disabled Workers' Relief Fund. It does not include the Employers' Excess Liability Fund or the Coal-Workers' Pneumoconiosis Fund.

State of West Virginia
 Worker's Compensation Fund
 Analysis of Statement of Revenues, Expenses and Changes in Fund Equity
 Fiscal Years Ended June 30, 1996, 1997, 1998, 1999, 2000, and 2001

CATEGORY	FY June 30, 2001 AMOUNT	FY June 30, 2000 AMOUNT	FY June 30, 1999 AMOUNT	FY June 30, 1998 AMOUNT	FY June 30, 1997 AMOUNT	FY June 30, 1996 AMOUNT
Operating Revenues						
Insurance Premiums	597,236,000.00	582,334,000.00	556,856,000.00	519,182,000.00	509,849,000.00	507,391,000.00
Total Operating Revenues	597,236,000.00	582,334,000.00	556,856,000.00	519,182,000.00	509,849,000.00	507,391,000.00
Operating Expenses						
Insurance Claims	636,598,000.00	510,484,000.00	451,958,000.00	424,696,000.00	477,037,000.00	822,281,000.00
General and Administrative Expenses	51,183,000.00	51,438,000.00	46,991,000.00	39,997,000.00	44,404,000.00	47,743,000.00
Depreciation and Amortization	268,000.00	263,000.00	235,000.00	251,000.00	381,000.00	642,000.00
Total Operating Expenses	688,047,000.00	582,185,000.00	499,184,000.00	464,944,000.00	521,822,000.00	870,666,000.00
OPERATING INCOME OR(LOSS)	(90,811,000.00)	20,149,000.00	57,672,000.00	54,238,000.00	(11,973,000.00)	(363,275,000.00)
Nonoperating Revenues or Expenses						
Interest and Other Investment Income	32,095,000.00	106,651,000.00	97,320,000.00	139,082,000.00	77,352,000.00	86,146,000.00
Interest Expense				(1,000.00)	(214,000.00)	(665,000.00)
Other nonoperating income or expense					20,649,000.00	(36,870,000.00)
Total Nonoperating Revenues	32,095,000.00	106,651,000.00	97,320,000.00	139,081,000.00	97,787,000.00	48,611,000.00
Income or (Loss) Before Operating Transfers	(58,716,000.00)	126,800,000.00	154,992,000.00	193,319,000.00	85,814,000.00	(314,664,000.00)
Total Operating Transfers	0.00					
NET INCOME OR (LOSS)	(58,716,000.00)	126,800,000.00	154,992,000.00	193,319,000.00	85,814,000.00	(314,664,000.00)
FUND EQUITY OR (DEFICIT) Beginning of Fiscal Year	(1,814,938,000.00)	(1,790,738,000.00)	(1,945,730,000.00)	(2,139,049,000.00)	(2,224,863,000.00)	(1,910,199,000.00)
FUND EQUITY OR (DEFICIT) End of Fiscal Year	(1,873,654,000.00)	(1,663,938,000.00)	(1,790,738,000.00)	(1,945,730,000.00)	(2,139,049,000.00)	(2,224,863,000.00)

****Later Restated
 to:
 (1,814,938,000.00)

Amounts taken from the West Virginia
 Comprehensive Annual Financial Report
 for each respective year



STATE OF WEST VIRGINIA
Department of Tax and Revenue
State Tax Department

Bob Wise
Governor

Rebecca Melton Craig
State Tax Commissioner

September 16, 2002

VIA FACSIMILE (304) 347-4939

Ms. Ellen Clark
Legislative Services—Budget Division
WW-332, Capitol Building
1900 Kanawha Boulevard
Charleston, West Virginia 25305

Re: August 2002 Tax Collections

Dear Ms. Clark:

Per your request to the State Tax Department, attached please find our notes on August 2002 and fiscal year-to-date tax collections. If you have any questions, please feel free to contact me or the following individuals:

Mark Muchow, Chief Administrator for Revenue Operations 558-8730
Roger Cox, Director, Research Division 558-8730

Please let us know if we can assist you further.

Very truly yours,

A handwritten signature in cursive script that reads "Rebecca Melton Craig".

Rebecca Melton Craig
State Tax Commissioner

cc: Mark Muchow
Roger Cox

August 2002 General Revenue Fund Collections

General Revenue Fund collections of \$194,681,615 were \$4,848,385 below the monthly estimate in August. However, fiscal year-to-date collections, adjusted for the \$40 million cash flow transfer to be repaid in September, were \$12,169,303 above the corresponding estimate. The shortfall in collections for August was largely attributable to lower than expected collections of the Insurance Premium Tax and the Severance Tax.

Insurance Premium Tax collections totaled \$5,505,166 in August, which was \$4,494,834 below the monthly estimate. However, the deficit in August was attributable to receipts normally received in August that were accelerated into July. For the first two months of Fiscal Year 2003, total collections, including Jail Fund receipts, were roughly 3 percent above prior year receipts.

Due to the dedication of the first \$24 million of Severance Tax collections to the Infrastructure Fund, very little Severance Tax revenue is deposited into the General Revenue Fund in July and August. A transfer out of the General Revenue Fund of \$1.5 million in August of revenue originally deposited in July artificially inflated the August Severance Tax deficit from \$2.4 million to \$3.9 million. Additionally, Severance Tax revenue in August was influenced by return timing. Severance Tax returns are due on the last day of the month. Since August ended on a weekend, returns normally received on the last working day of the month were carried over into September as over \$8 million was deposited into the Severance Tax General Revenue Fund account on the first working day of September.

Although Personal Income Tax and Consumers Sales Tax collections in August fell short of the corresponding estimates, collections for the fiscal year-to-date were above the estimates for both taxes. Personal Income Tax collections for the first two months of the fiscal year were \$5.6 million above expectations and 2.7 percent greater than total receipts for the corresponding period of 2001. Similarly, Consumers Sales Tax collections for the first two months of the fiscal year were \$1.3 million above expectations and 5.0 percent greater than total receipts for the corresponding period of 2001.

Combined Corporation Net Income Tax and Business Franchise Tax collections for the first two months of the fiscal year were roughly \$1.5 million above the corresponding estimate. The \$6.8 million surplus in Corporation Net Income Tax collections and the \$5.3 million deficit in Business Franchise Tax collections were largely due to a \$5.0 million transfer from the Business Franchise Tax account into the Corporation Net Income Tax account to correct for a errant deposit made at the end of Fiscal Year 2002.

WEST VIRGINIA LEGISLATURE

Office of the Legislative Auditor

*Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*

304-347-4870

Memorandum

To: Honorable Senator Earl Ray Tomblin, Senate President
Honorable Delegate Robert Kiss, Speaker of the House
Honorable Members of the Joint Committee on Government and
Finance

From: Ellen Clark, C.P.A. *EC*
Director Budget Division
Legislative Auditor's Office

Date: September 15, 2002

Re: Status of General Revenue Fund August 31, 2002

We have reviewed the cash revenue flows of the West Virginia general revenue fund for the month of August 2002. The status of the fund collections are as follows:

The net year-to-date collections are **103.16%** of the estimate for the fiscal year as of August 31, 2002. **The amount above estimate is \$12,169,303.00 for the year.** Viewed on a monthly basis, collections were at 97.57% of the estimate, or \$4,848,385.00 below the monthly estimate.

Consumer sales tax collections are \$1,280,013.00 ABOVE the estimate for the year. Collections of consumer sales tax were 100.88% of the yearly estimate.

Corporate net income tax collections are \$6,806,284.00 ABOVE the estimate for the year. However, corporate net is \$ 481,517.00 below estimate for the month of August.

Personal income tax collections for August are at 99.54% of the

Joint Committee on Government and Finance

estimate. Viewed on a yearly basis personal income tax is 103.69% of the estimate.

State Road Fund

The state road fund has been collected at 104.78% of the estimate for the year; and 103.49% of the estimate for August 2002. Licenses and registration were down slightly for the year, at \$914,006.00 below the estimate. Wholesale fuel and use tax was \$573,278.00 below the estimates for the year. The entire fund is \$4,647,875.00 above estimates for the year.

Rainy Day and Personal Income Tax Reserve

On July 3, 2002, a transfer was made from the Rainy Day Fund to the General Revenue Fund in the amount of \$ 40,000,000.00. This is a loan which must be paid back to the Rainy Day Fund within 90 days of the loan. Cash flow demands in the beginning of the new fiscal year generally outpace the revenue collections, making this loan a necessity.

See attached schedule for details.

The Special Income Tax Reserve Fund had a cash balance of \$27,391,035.96 as of August 31, 2002.

Balance July 1, 2002	27,391,035.96
Revenues July 2002	00,000,000.00
Disbursements July 2002	00,000,000.00
Other adjustments	00,000,000.00
Balance August 31, 2002	27,391,035.96

The Rainy Day Fund (Revenue Shortfall Reserve Fund) had a cash balance of \$17,750,612.91 as of August 31, 2002.

Balance July 1, 2002	\$ 56,178,308.63
Revenues July 1, 2002-June 30, 2003 Surplus from 2002 (transferred 8-1-2002)	9,872,304.28

Disbursements July 1-June 30, 2003 Loan to General Revenue (transferred 7-3-2002)	40,000,000.00
Flood Aid Per Senate Bill 2028 (Transferred 7-29-2002)	8,300,000.00
Balance August 31, 2002	17,750,612.91

GENERAL REVENUE FUND FY 2002-2003

Monthly Revenue Estimates, July 2002

as of August 30 , 2002 WVFIMS

**FINAL
MONTHLY OVER/
UNDER ESTIMATES
VS ACTUAL
COLLECTIONS**

**YEARLY
OVER/UNDER
ESTIMATES VS
ACTUAL YTD
COLLECTIONS**

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER/UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Business & Occupation Tax	15,500,000	18,526,870	3,026,870	21,500,000	22,331,371	831,371
Consumer Sales Tax	76,150,000	75,597,999	-552,001	144,900,000	146,180,013	1,280,013
Personal Income Tax	78,200,000	77,837,587	-362,413	152,500,000	158,121,389	5,621,389
Liquor Profit Transfers	0	0	0	800,000	1,015,000	215,000
Racing Fees	0	0	0	0	0	0
Beer Tax and Licenses	710,000	714,282	4,282	1,450,000	1,500,092	50,092
Cigarette Tax	3,000,000	3,096,742	96,742	6,100,000	7,013,224	913,224
Estate and Inheritance Tax	1,000,000	753,230	-246,770	2,200,000	2,046,935	-153,065
Business Franchise Fees	80,000	57,180	-22,820	460,000	309,103	-150,897
Charter Tax	370,000	296,014	-73,986	1,890,000	2,530,306	640,306
Use Tax	5,000,000	5,826,522	826,522	14,600,000	16,475,826	1,875,826
Property Transfer Tax	630,000	690,819	60,819	1,400,000	1,374,258	-25,742
Property Tax	150,000	324,696	174,696	220,000	411,391	191,391
Cash Flow Transfer	0	0	0	0	40,000,000	40,000,000
Insurance Tax	10,000,000	5,505,166	-4,494,834	20,700,000	19,748,341	-951,659
Departmental Collections	470,000	435,897	-34,103	900,000	843,837	-56,163
Corporate net Income Tax	1,200,000	718,483	-481,517	2,900,000	9,706,284	6,806,284
Carrier Income Tax	0	0	0	0	0	0
Miscellaneous Receipts	370,000	70,441	-299,559	540,000	145,088	-394,912
Miscellaneous Transfers	0	85,524	85,524	500,000	85,524	-414,476
Interest Income	1,600,000	2,599,119	999,119	2,900,000	4,685,378	1,785,378
Video Lottery Transfers	0	20,578	20,578	0	20,578	20,578
Severance Tax	2,400,000	-1,537,361	-3,937,361	2,400,000	-205,208	-2,605,208
Business Franchise Tax	1,400,000	1,442,011	42,011	4,300,000	-988,698	-5,288,698
Telecommunications Tax	900,000	1,221,819	321,819	1,600,000	3,544,367	1,944,367
Special Revenue Transfer	0	0	0	0	0	0
Smokeless Tobacco Tax	400,000	398,000	-2,000	800,000	834,904	34,904
HB 102 - Lottery Transfers	0	0	0	0	0	0
TOTALS	199,530,000	194,681,615	-4,848,385	385,560,000	437,729,303	52,169,303
Minus Cash Flow Transfer		0	0		40,000,000	40,000,000
TOTALS	199,530,000	194,681,615	-4,848,385	385,560,000	397,729,303	12,169,303
Percent of Estimates		97.57%			103.16%	
Collections this day		17,076,426				

Prepared by Legislative Auditor's Office, Budget Division

STATE ROAD FUND FY 2002- 2003
Monthly REVENUE ESTIMATES, July 2002
as of August 30 , 2002 WVFIMS

FINAL

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Licenses & Registration	7,700,000	5,610,277	-2,089,723	16,500,000	15,585,994	-914,006
Privilege Tax	14,500,000	16,816,574	2,316,574	29,000,000	34,237,893	5,237,893
Gasoline & Motor Carrier Rd T	19,447,000	20,623,162	1,176,162	38,994,000	39,832,228	838,228
Wholesale Fuel & Use Tax	5,587,000	5,833,131	246,131	12,375,000	11,801,722	-573,278
Highway Litter Control Fund	140,000	141,962	1,962	290,000	349,037	59,037
TOTALS	47,374,000	49,025,107	1,651,107	97,159,000	101,806,875	4,647,875
Percent of Estimates		103.49%			104.78%	
Collections this day		1,259,236				

REVENUE SHORTFALL RESERVE FUND as of August 1, 2002: \$17,750,612.91

SPECIAL INCOME TAX REFUND RESERVE FUND as of August 1, 2002: \$27,391,035.96

GENERAL REVENUE FUND FY 2002-2003
 Monthly Revenue Estimates, July 2002
 as of August 31, 2002

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY PERCENT OF ESTIMATE COLLECTED	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY PERCENT OF ESTIMATE COLLECTED
Business and Occupation Tax	15,500,000	18,526,870	119.53%	21,500,000	22,331,371	103.87%
Consumer's Sales Tax	76,150,000	76,597,999	99.28%	144,900,000	146,180,013	100.88%
Personal Income Tax	78,200,000	77,837,587	99.54%	152,500,000	158,121,389	103.69%
Liquor Profit Transfers	0	0		800,000	1,015,000	126.88%
Racing Fees	0	0		0	0	
Beer Tax and Licenses	710,000	714,282	100.60%	1,480,000	1,500,092	103.45%
Cigarette Tax	3,000,000	3,086,742	103.22%	6,100,000	7,013,224	114.97%
Estate and Inheritance Tax	1,000,000	753,230	75.32%	2,200,000	2,046,936	93.04%
Business Franchise Registration	80,000	87,180	71.48%	460,000	309,103	67.20%
Charter Tax	370,000	298,014	80.00%	1,890,000	2,830,308	133.88%
Use Tax	5,000,000	5,828,522	116.53%	14,600,000	16,475,826	112.85%
Property Transfer Tax	630,000	690,819	109.65%	1,400,000	1,374,258	98.16%
Property Tax	150,000	324,696	216.46%	220,000	411,391	187.00%
Cash Flow Transfer	0	0		0	40,000,000	
Insurance Tax	10,000,000	8,505,166	85.05%	20,700,000	19,748,341	95.40%
Departmental Collections	470,000	435,897	92.74%	600,000	643,837	93.76%
Corporate Net Income Tax	1,200,000	718,483	59.87%	2,900,000	9,708,284	334.70%
Carrier Income Tax	0	0		0	0	
Miscellaneous Receipts	370,000	70,441	19.04%	540,000	145,088	26.87%
Miscellaneous Transfers	0	85,524		800,000	85,524	17.10%
Interest Income	1,600,000	2,599,119	162.44%	2,900,000	4,685,378	161.56%
Video Lottery Transfers	0	20,578		0	20,578	
Severance Tax	2,400,000	(1,537,361)		2,400,000	(205,208)	
Business Franchise Tax	1,400,000	1,442,011	103.00%	4,300,000	(988,698)	-22.99%
Telecommunications Tax	900,000	1,221,819	135.76%	1,600,000	3,544,367	221.52%
Special Revenue	0	0		0	0	
Smokeless Tobacco Tax	400,000	398,000	99.50%	800,000	834,904	104.36%
H.B. 102- Lottery Transfers	0	0		0	0	
TOTALS	199,630,000	194,681,618		365,660,000	437,729,303	103.16%
Minus Cash Flow Transfers					(40,000,000)	
TOTALS	199,630,000	194,681,618	97.57%	365,660,000	397,729,303	103.16%
Percent of Estimates		97.57%				

Prepared by Legislative Auditor's Office, Budget Division

STATE ROAD FUND FY 2002-2003
 REVENUE ESTIMATES AS OF JULY 2002
 as of August 31, 2002

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	PERCENT OF MONTH ESTIMATE COLLECTED	YTD ESTIMATES	NET YTD COLLECTIONS	PERCENT OF YEAR ESTIMATE COLLECTED
Licenses and Registration	7,700,000	5,810,277	72.88%	16,500,000	15,585,894	94.48%
Privilege Tax	14,500,000	16,816,574	115.98%	29,000,000	34,237,893	118.06%
Gasoline and Motor Carrier Road Tax	19,447,000	20,623,162	106.05%	38,994,000	39,832,228	102.15%
Wholesale Fuel and Use Tax	5,587,000	5,833,131	104.41%	12,375,000	11,801,722	95.37%
Highway Litter Control Fund	140,000	141,982	101.40%	290,000	349,037	120.36%
TOTALS	47,374,000	49,025,106	103.48%	97,169,000	101,806,874	104.78%

West Virginia

Board of Risk and Insurance Management (BRIM) September Interims



Fiscal Year 2002

September 15, 2002

Coverages Provided by BRIM

- **State Spending Units**-general liability, auto, property, aircraft, medical malpractice, statutory bond and flood
- **Senate Bill 3 (SB3)**-general liability, auto, property and medical malpractice for boards of education (liability is mandatory, property is optional, non-profits is local government)
- **House Bill 601**-medical malpractice
- **Mine subsidence**-homeowners and businesses can protect their property from damage caused by coal mine subsidence.

Financial Highlights (unaudited)

- Accrual basis accounting-claims are reserved and IBNR is anticipated-not cash basis.
- Premiums collected for FY 2002:

– General Liability	\$23,278,563
– Auto	\$ 9,773,563
– Med Mal (BRIM I)	\$ 8,251,493
– Property	\$ 4,359,552
– Aircraft	\$ 266,640
– Mine Subsidence	\$ 1,480,460
– New Med Mal (BRIM II)	\$ 2,425,560
TOTAL	\$49,835,831

Reserves as of June 30, 2002 (unaudited)

	Reserves	IBNR	Total
G/L State	14,312,454	25,072,966	39,385,421
G/L SB3	18,504,426	27,457,751	45,962,177
Auto State	1,806,895	3,341,542	5,148,437
Auto SB3	5,225,746	5,523,325	10,749,071
Med Mal State (BRIM I)	21,309,863	27,173,821	48,483,683
Med Mal SB3	742,393	2,983,383	3,725,777
Property State	1,271,145	153,722	1,424,867
Property SB3	506,819	493,872	1,000,691
Mine Subsidence	791,375	1,955,163	2,746,537
New Med Mal (BRIM II)	940,310	1,631,996	2,572,306
	65,411,426	95,787,541	161,198,967

Costs of Administration

AIG program

- Yearly deposit \$24,000,000
- Retro payments on old years where balances are low (approx. \$6,000,000 per year)
- Administrative fee in FY 2002 \$ 3,669,802
- On deposit \$40,812,421

Costs of Administration (continued)

Marsh (new med mal program)

- Fee is 10% of annual premium (from December 2001 to July 2002)
- We paid Marsh \$668,552 through June 30(our earned revenue was only \$2.4 million)
- Contract renegotiated as of August 1-10% of cash **collected** (this could have saved us \$300,000 through June 30)
- Renewal fee renegotiated based on volume - 30% reduction

Agent Commissions Paid for FY 2002

- SB3 agent commissions
– \$987,217
- New med mal program (BRIM II) (since program inception, 7 months)
– \$76,448

Premium Taxes

- BRIM I (all lines of business)
– \$1,896,481
- BRIM II (only 7 months since inception of program)
– \$187,295

Fiscal Year 2002 Results Balance Sheet (unaudited)

Cash	27,491,245
Investments	62,746,831
Deposits with Carrier	41,512,421
Receivables	4,585,424
Total Assets	\$ 136,335,921
Liabilities	
Accounts payable	1,570,833
Unearned Revenue	10,888,523
Loan Payable	500,000
Estimated unpaid claims expense	161,198,966
Total Liabilities	174,158,322
Retained Earnings	
Prior year Retained Earnings	(19,386,763)
Net loss	(18,435,638)
Total Retained Earnings	(37,822,401)
Total Liabilities and Retained Earnings	\$ 136,335,921

Fiscal Year 2002
Income Statement (unaudited)

Operating Revenues	
Premium revenues	46,656,131
Appropriation	1,066,197
Total revenues	47,722,328
Operating Expenses	
Claims expense	68,619,530
General and administrative expenses	2,974,845
Total operating expense	71,594,375
Nonoperating Revenues	
Finance charges	43,209
Court fee income	26,400
Investment income	5,366,800
Total nonoperating	5,436,409
Net loss	(18,435,638)
***Premium Taxes Paid=\$2,083,776	

Med Mal (BRIM II)
Balance Sheet June 30, 2002 (unaudited)

Cash		228,656
Investments		3,316,019
Receivables	Med Mal (BRIM II)	2,993,713
Total Assets	Balance Sheet June 30, 2002	\$ 6,538,388
	(UNAUDITED)	
Liabilities		
Accounts payable		219,216
Unearned Revenue		4,414,194
Loan Payable		500,000
Estimated unpaid claims expense		2,572,306
Total Liabilities		7,705,716
Retained Earnings		(1,167,328)
Total Liabilities and Retained Earnings		\$ 6,538,388

Med Mal (BRIM II)
Income Statement June 30, 2002 (unaudited)

Operating Revenues	
Premium revenues	\$ 2,425,560
Operating Expenses	
Claims expense	3,240,859
Premium Taxes	187,295
General and administrative expenses	250,363
Total operating expense	3,678,517
Nonoperating Revenues	
Finance charges	43,209
Court fee income	26,400
Investment income	16,020
Total nonoperating	85,629
Net loss	\$ (1,167,328)

- Note that the preceding numbers are draft for June 30, 2002. Our actuary, Aon, and our auditor, E & Y are currently reviewing the numbers.

**State of West Virginia
Insurance and Retirement Services**

**Tom Susman
Director**

**13
September 15, 2002**

Areas of Concern

- **Premium Collection**
 - We cannot cancel state agencies
- **Exposure vs. Experience**
 - We are working on shifting our premium calculation to more accurately reflect an insured's exposure and closer to a private carrier approach
- **Controlling litigation expense**
 - \$12,347,592 paid in FY 2002 (33% of all payments including indemnity)
 - Reviewing current firms
 - Settlement guidelines
 - Develop competitive system
 - Develop baseline comparison

Areas of Concern (continued)

- **Claim Settlement Review**
 - We are increasing the level of oversight for settlement decisions within the agency. This allows for more review of claims by more personnel.
- **More Agency Involvement in Claim Process**
 - Set-up meeting with Secretaries to review case status
 - Develop improved communications
- **Med Mal (BRIM II)**
 - Adequate reserves-claims take an average of 5 years to develop for a policy year in med mal. Reserving properly now is critical.
- **No Start-Up Capital**(except for \$500,000 loan)

Areas of Concern (continued)
Med Mal (BRIMII)

INCOME STATEMENT	Without Capitalization	With \$5 million Capitalization no prem. taxes new Marsh contract
Premium Revenues	\$ 2,425,560	\$ 2,425,560
Operating Expense		
Claims Expense	3,240,859	2,940,859
Premium Taxes	187,295	-
General and Administrative Expense	250,363	250,363
Total Operating Expense	3,678,517	3,191,222
Non Operating Revenues		
Interest Income	16,020	128,520
Finance Charges	43,209	43,209
Court fee Income	26,400	26,400
Total non operating revenues	85,629	198,129
Net Income (loss)	\$ (1,167,328)	\$ (567,533)

Areas of Concern (continued)

Establish a five year actuarial financial plan for BRIM overall

- this plan will include a surcharge for eliminating the unfunded liability
- provide a target for management of the program

Front vs. Non-Front

- Currently BRIM uses AIG for a “fronted” insurance contract
- There is only one other state that uses a front
- Without a front, BRIM could save approximately \$ 3.3 million per year.
 - Approximately \$2 million per year in interest savings
 - Approximately \$1.3 million in administrative fronting fees

Front vs. Non-Front (continued)

- We are currently exploring the benefits of a front
 - It is an insurance policy on “A” rated insurance company paper
 - The duty to defend lies with the insurer not the state
 - The insurer is financially responsible even if the State does not pay promptly
 - Statute requires that BRIM buy all insurance from a licensed carrier
 - Without “insurance”, constitutional immunity becomes an issue.

Areas of Concern (continued)

- Rate setting occurs too early
- More emphasis needs to be placed on loss control programs and how they are implemented.
- Exposure collection in underwriting needs improved
- Agent training and certification



CCRC
Actuarial Services, LLC

2601 Emory Road
Finksburg, MD 21048-2313

Phone: 410-861-8670
Fax: 410-861-8671

Email: Info@ccrcactuaries.com

September 11, 2002

Ms. Sharon Carte
Director
West Virginia CHIP
State Capitol Complex
Building 3, Room 213
Charleston, WV 25305

Subject: West Virginia Children's Health Insurance Program – Fiscal Year 2002 Experience

Dear Sharon:

Attached is the incurred Per Member Per Month claim experience for the CHIP program for Fiscal Year 2002.

	<u>Jul-01</u>	<u>Aug-01</u>	<u>Sep-01</u>	<u>Oct-01</u>	<u>Nov-01</u>	<u>Dec-01</u>
Medical	\$70.15	\$83.04	\$88.80	\$94.09	\$82.43	\$77.10
Dental	14.40	17.31	13.67	16.63	12.73	11.38
Prescription Drugs	<u>14.18</u>	<u>16.41</u>	<u>19.36</u>	<u>29.82</u>	<u>20.20</u>	<u>19.72</u>
Total	\$98.73	\$116.76	\$121.83	\$140.54	\$115.35	\$108.20
	<u>Jan-02</u>	<u>Feb-02</u>	<u>Mar-02</u>	<u>Apr-02</u>	<u>May-02</u>	<u>Jun-02</u>
Medical	\$87.89	\$87.48	\$89.47	\$90.29	\$80.62	\$70.93
Dental	14.29	12.92	13.28	14.74	12.88	13.76
Prescription Drugs	<u>21.05</u>	<u>22.56</u>	<u>23.38</u>	<u>23.12</u>	<u>21.56</u>	<u>17.45</u>
Total	\$123.23	\$122.97	\$126.12	\$128.14	\$115.07	\$102.14

The average PMPM cost was \$116.90 for the first 6 months of the year and was \$119.61 for the second half of the year, an increase of 3%. Please review this information and if you have any questions or comments about this report, please feel free to call me at (410) 861-8670.

Sincerely,

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



CCRC

Actuaries, LLC

**WEST VIRGINIA
CHILDREN'S
HEALTH
INSURANCE
PROGRAM**

**June 30, 2002
QUARTERLY REPORT**

August 2002

TABLE OF CONTENTS

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Exhibit A – West Virginia CHIP Program – State Fiscal Year Financial Forecast
Attachments

West Virginia Children's Health Insurance Program

Report of Independent Actuary

June 30, 2002 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 2002 ("FY 2002") through fiscal year 2007 ("FY 2007"). 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. Based on the Baseline Scenario, the Program costs are not expected to exceed 90 percent of the funding available to the Program through State Fiscal Year 2004.

The current program enrollment as of July 2002 consists of 14,208 children as part of Phase II that consists of children whose families are below 150% of the federal poverty level and 6,377 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 copayments as part of the benefit structure of the program. Since the December 31, 2001 Quarterly Report, overall enrollment has increased by approximately 400 children. Most of the increased enrollment was in children eligible under Phase III.

The monitoring and analysis of claim trends is critical to the accurate forecast of future costs of the Program. The analysis of claims has become more critical with the Phase III expansion beginning in October 2000. Financial results indicate that this group had, at least initially, significantly higher health care utilization than families under 150%. More recent experience has indicated after the initial enrollment period the two eligibility groups have similar health care statuses. Therefore, we have based our projections on the average projected health care costs of both eligibility groups.

This report includes a single scenario, the Baseline scenario that reflects the new prescription drug benefit program that will be applicable to all CHIP participants. Under the Baseline scenario we have assumed an effective date of July 1, 2002. The key component of the new program is a three-tier copayment structure of \$0 copayment for generics, \$10 copayment for preferred brand, and \$15 copayment for non-preferred brand drugs. Under this program, we expect significant cost savings for CHIP in the form of increased rebates from manufacturers and copayments. Based on our analysis, the expected savings for State Fiscal Year 2003 will be approximately \$800,000. Fiscal Year 2002 prescription drug rebates totaled \$153,728 and Fiscal Year 2003 prescription drug rebates are projected to be approximately \$396,000. Due to the growing materiality of drug rebates, our projections will separately identify prescription drug rebates. The projected cost of prescription drugs in the attached exhibit is before projected rebates.

Under the State Fiscal Year basis, we are now projecting that incurred claim costs under the Baseline scenario assumptions for FY 2002 will be \$29,151,082 compared to the previous projection of \$30,298,000 contained in the December 31, 2001 Quarterly Report. The updated projection for FY 2003 claims is \$31,851,465 compared to the prior projection of \$32,233,000. These slight reductions are a result of somewhat favorable trends for medical and dental claims.

PLAN ENROLLMENT

We have updated our projection based on the actual enrollment through February 2002. Current enrollment has been reduced because of declining Phase II membership. On the other hand, Phase III enrollment continues to increase. The Program had enrollment at the end of Fiscal Year 2001 of 20,923 children, with 16,375 under Phase II and 4,548 under Phase III. Current enrollment as of July 2002 is 20,585 children, with 14,208 under Phase II and 6,377 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:

<u>Date</u>	<u>Phase II</u>	<u>Phase III</u>	<u>Total</u>
Jul-00	11,839	0	11,839
Aug-00	11,567	0	11,567
Sept-00	12,023	0	12,023
Oct-00	12,060	540	12,600
Nov-00	12,122	1,189	13,311
Dec-00	14,141	1,512	15,653
Jan-01	14,771	2,218	16,989
Feb-01	15,316	2,757	18,073
Mar-01	15,808	3,353	19,161
Apr-01	16,068	3,906	19,974
May-01	16,241	4,257	20,498
Jun-01	16,375	4,548	20,923
Jul-01	16,462	4,835	21,297
Aug-01	16,447	5,053	21,500
Sep-01	15,899	5,180	21,079
Oct-01	15,895	5,588	21,483
Nov-01	15,373	5,473	20,846
Dec-01	14,968	5,625	20,593
Jan-02	14,565	5,606	20,171
Feb-02	14,551	5,777	20,328
Mar-02	14,297	5,926	20,223
Apr-02	14,287	5,994	20,281
May-02	14,173	6,036	20,209
June-02	14,191	6,207	20,398
July-02	14,208	6,377	20,585

The Baseline program enrollment assumptions are summarized in the following chart. Note that the long term enrollment has increased by almost 400 additional children since the March 31, 2002 Quarterly Report.

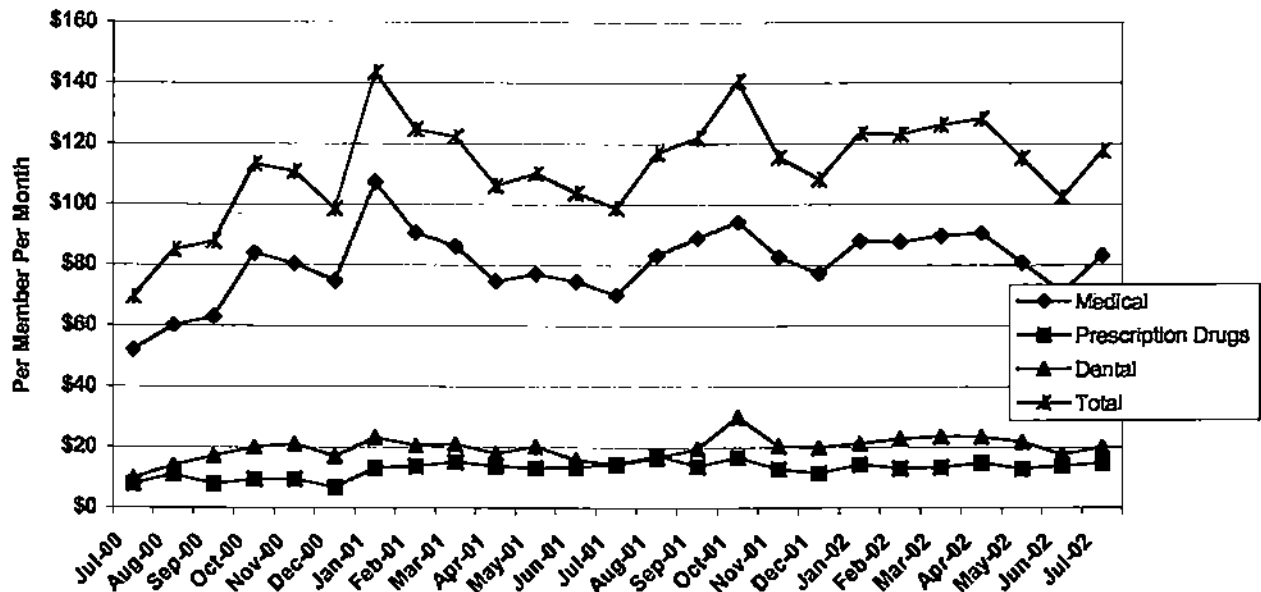
Scenario	FY2002	FY2003
State - Baseline	20,701	20,585

CLAIM COST AND TREND ANALYSIS

Trend assumptions in the March 31, 2002 Quarterly Report was 10% for Medical and Dental Claims and 21% for Prescription Drug Claims. Note that the 2003 Prescription Drug trend was reduced by approximately 9% based on expected savings from RXIS. While most recent experience has been favorable we have maintained these trend assumptions in this report.

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 July 2002. The attachment at the end of the report shows the trends for Phase II and Phase III and an average for the same three categories.

West Virginia CHIP - Monthly Cost



FINANCIAL PROJECTION – STATE FISCAL YEARS 2002-2007

The updated incurred claims for FY 2002 is projected to be \$29,304,810 based on expected enrollment of 20,701 children and projected incurred claim per member per month cost data assumption of \$117.97, as summarized in the following chart. In the March 2002 Quarterly Report the incurred claims for FY 2002 were projected to be \$30,298,000 based on expected enrollment of 20,715 children and projected incurred claim per member per month cost data assumption of \$121.89.

Category	Incurred Claims	Per Member Per Month
Medical	\$ 20,675,081	\$ 83.23
Prescription Drugs	5,147,034	20.72
Dental	3,482,694	14.02
Total	\$ 29,304,810	\$ 117.97

The financial forecast for the State Fiscal Years 2002 through 2007 can be found in Exhibit A. We are forecasting adequacy in aggregate through FY 2004 and projecting that under either scenario, the Program will need additional Federal funding beginning in FY 2005.

Exhibit A has been extended to a five year projection period as requested by CHIP management, as such you will find a slightly different format for the projection. 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 drug 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, we are projecting a shortfall in Federal Funding of \$2,912,000 in SFY 2005, \$23,508,000 in SFY 2006 and \$28,291,000 in SFY 2007. We are not projecting a shortfall in State funding based on funding levels provided by CHIP management. 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.

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 Programs 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.

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 fiscal year for which the plan is proposed through State Fiscal Year 2004.

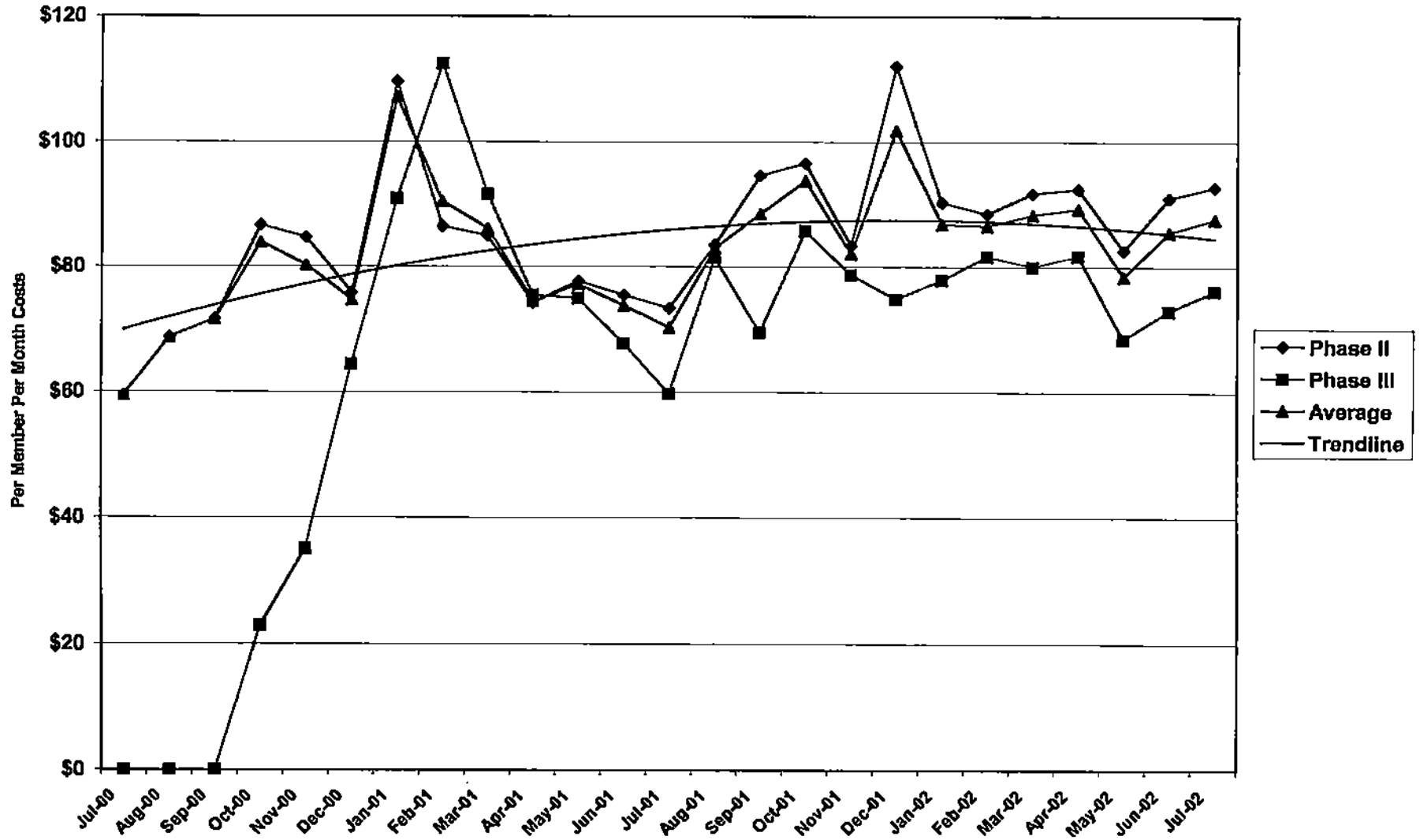
Dave Bond

Dave Bond
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries
Managing Partner
CCRC Actuaries, LLC
Finksburg, Maryland
August 27, 2002

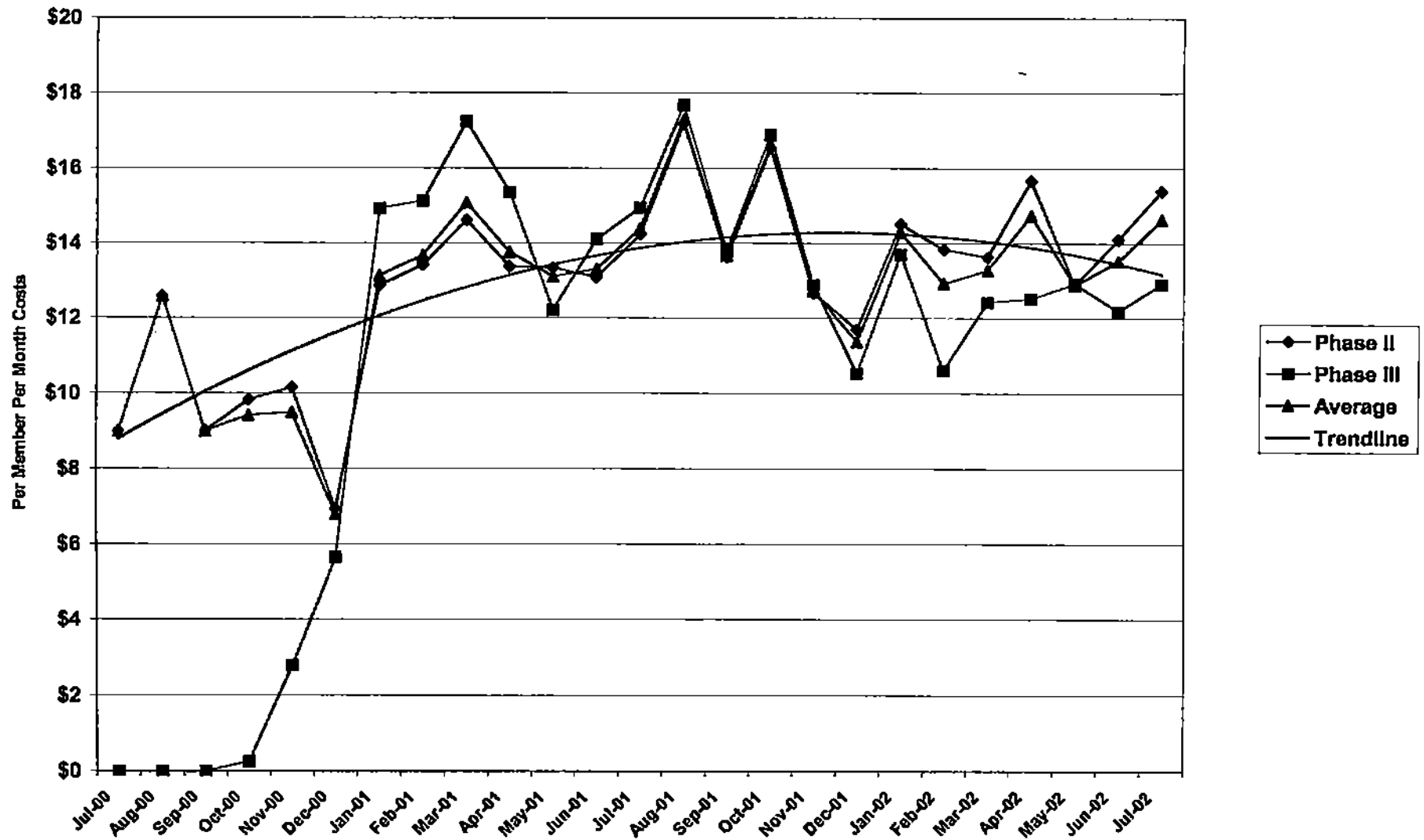
**APPENDIX A - West Virginia Children's Health Insurance Program
Fiscal Year 2002 Financial Report**

Available Funding - Beginning of the Year	2002	2003	2004	2005	2006	2007
Federal 1999	\$4,000,000	\$0	\$0	\$0	\$0	\$0
Federal 2000	21,146,730	6,465,294	0	0	0	0
Federal 2001	21,144,989	21,144,989	0	0	0	0
Federal 2002	16,650,270	16,650,270	15,315,471	0	0	0
Federal 2003	0	16,650,270	16,650,270	0	0	0
Federal 2004	0	0	16,650,270	16,384,941	0	0
Federal 2005	0	0	0	16,650,270	0	0
Federal 2006	0	0	0	0	16,650,270	0
Federal 2007	0	0	0	0	0	16,650,270
State Original Funding	\$3,414,000	\$2,160,340	\$0	\$0	\$0	\$0
State Funding 2002	3,440,000	0	0	0	0	0
State Funding 2003	0	4,843,475	878,703	0	0	0
State Funding 2004	0	0	6,800,000	854,010	0	0
State Funding 2005	0	0	0	7,600,000	844,730	0
State Funding 2006	0	0	0	0	8,500,000	844,039
State Funding 2007	0	0	0	0	0	9,500,000
Program Costs	2002	2003	2004	2005	2006	2007
Medical Expenses	\$20,675,081	\$22,615,422	\$24,876,964	\$27,384,661	\$30,101,127	\$33,111,239
Prescription Drug Expenses	5,147,034	5,642,186	6,827,045	8,280,724	9,995,476	12,094,526
Dental Expenses	3,482,694	3,809,542	4,190,497	4,609,546	5,070,501	5,577,551
Administrative Expenses	3,139,090	3,401,045	3,571,097	3,749,652	3,937,135	4,133,992
Program Revenues - Interest	\$89,226	\$0	\$0	\$0	\$0	\$0
Program Revenues - Drug Rebates	153,728	396,000	411,840	428,314	445,447	463,265
Net Incurred Program Costs	\$32,200,946	\$35,072,185	\$39,053,763	\$43,656,269	\$48,658,792	\$54,454,043
Net Paid Program Costs	31,525,946	34,769,195	38,634,763	43,081,269	48,118,792	53,839,043
Federal Share	\$26,084,567	\$28,946,082	\$32,231,070	\$35,946,989	\$40,158,101	\$44,940,922
State Share of Expenses	5,441,378	6,127,112	6,822,692	7,609,280	8,500,691	9,513,121
Beginning IBNR	\$2,535,000	\$3,210,000	\$3,513,000	\$3,932,000	\$4,407,000	\$4,947,000
Ending IBNR	3,210,000	3,513,000	3,932,000	4,407,000	4,947,000	5,562,000
Funding Sources - End of the Year	2002	2003	2004	2005	2006	2007
Federal 1999	\$0	\$0	\$0	\$0	\$0	\$0
Federal 2000	6,465,294	0	0	0	0	0
Federal 2001	21,144,989	0	0	0	0	0
Federal 2002	16,650,270	15,315,471	0	0	0	0
Federal 2003	0	16,650,270	0	0	0	0
Federal 2004	0	0	16,384,941	0	0	0
Federal 2005	0	0	0	0	0	0
Federal 2006	0	0	0	0	0	0
Federal 2007	0	0	0	0	0	0
Federal Shortfall	\$0	\$0	\$0	\$2,911,778	\$23,507,831	\$28,290,652
State Original Funding	\$2,160,340	\$0	\$0	\$0	\$0	\$0
State Funding 2002	0	0	0	0	0	0
State Funding 2003	0	878,703	0	0	0	0
State Funding 2004	0	0	854,010	0	0	0
State Funding 2005	0	0	0	844,730	0	0
State Funding 2006	0	0	0	0	844,039	0
State Funding 2007	0	0	0	0	0	830,918

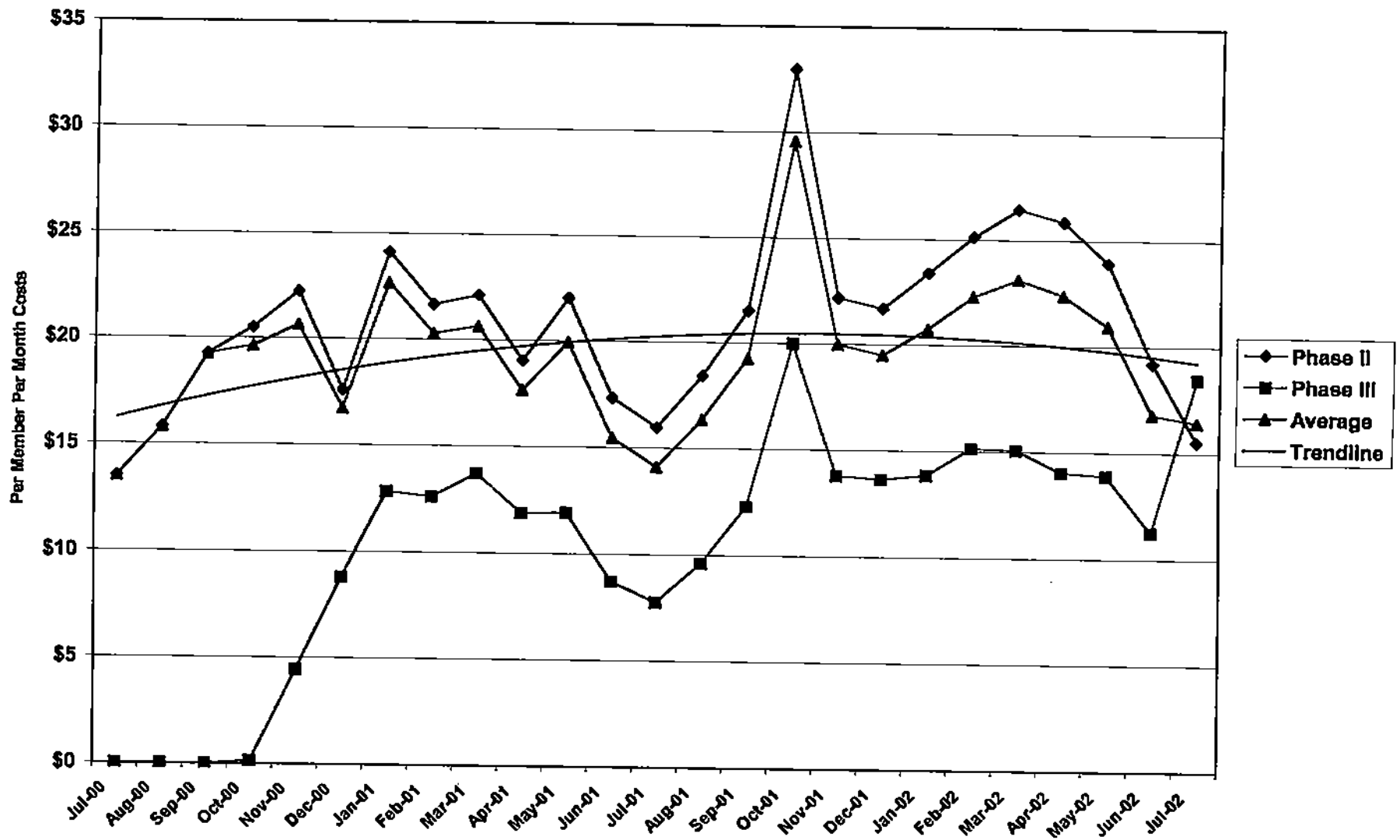
West Virginia CHIP - Medical Monthly Cost



West Virginia CHIP - Dental Monthly Cost



West Virginia CHIP - Drug Monthly Cost



**Legislative Oversight Commission on
Health and Human Resources Accountability**

September 2002

Department of Administration

**State Children's Health Insurance Program
UPDATE**



WV CHILDREN'S HEALTH INSURANCE AGENCY

REPORT FOR SEPTEMBER 2002

I. Outreach/Health Promotion Activity*

- The Back to School Covering Kids Campaign had its August 2nd kick-off by the Governor in Parkersburg at a press conference. A parent whose family had lost health care coverage after the husband was laid off, but was able to gain coverage for their six children after applying for CHIP, was also a featured speaker.
- August also began a multimedia campaign focused toward 15 counties with the higher numbers of uninsured children. Included in this effort:
 - 2448 radio spots aired at 52 stations statewide reminding the public that "8 million children remain without health care coverage - don't let your child be one of them."
 - "Hard Choices" a television spot produced with funding from the Robert Wood Johnson Foundation, aired on Charter Communications channels such as *Lifetime*, *Nickelodeon*, *TBS*, and *USA*, primarily in the markets focused on the 15 counties.
 - The print ad "Don't Miss the Bus" (developed by Bryan Boyd Creative Group) was used for placement of ads in newspapers and other publications covering the 15 county focus area. A blow-up of this ad was also used as the back-drop for this year's exhibition booth at the State Fair in Fairlea. *(A copy of this can be seen on the back page of the insert distributed with this month's report.)*
- A health promotion insert with fun and helpful information for parents and children on different health related issues and insurance will be distributed through the following newspapers on Wednesday, September 25: the Bluefield Daily Telegraph, Charleston Gazette, Charleston Daily Mail, and Beckley's Register-Herald. Additional copies will be made available for distribution to schools and primary care clinics throughout the State. WVCHIP was one of a number of agencies that contributed information and helped pay for the insert.
- During the Back to School Campaign, WVCHIP and the WV Healthy Kids Coalition make a special planned effort to boost community events to increase awareness of the availability of low cost coverage through CHIP and Medicaid. This year's joint purchase of pedometers targeted teens for give away prizes and raffles at local community events. A total of 68 local events/projects were scheduled during August and September. August events included:
 - Back to School Bash/Pool Parties for CHIP information and sign-up: Braxton, Marion, Taylor, and Webster counties
 - County Fairs with CHIP Exhibits: Barbour, McDowell, Wirt, and Tyler counties
 - Health Fairs with CHIP Events: Immunization Fair in Boone County; Multifest in Charleston; Huntington Mall Health Fair, Family Care Health Fair for Kanawha/Putnam; Teen Health Fair in Kanawha County; and Richwood Health Fair.
 - Sports Physical Clinics: Roane, Raleigh, Marion, and Webster counties.
 - Other Special Community Events: Kids' Day in Ripley; Children's Day in Morgantown; Glenville Community Resources Day; Wayne County Middle School Orientation Days; Energy Express Reading Program; Celebration of Parenting in Mercer County; Back to School Fun Fair in Marshall County; Old Fashioned Street Fair in Calhoun County; and Cherry River Festival in Nicholas County.
 - Outreach Through Businesses: Exhibits at various Wal-Mart locations during the Governor's Tax Free Holiday; and CVS Pharmacies promoted CHIP through its prescription information refill form.

For complete information on outreach events, please see our website at www.wvchip.org, click on "Outreach," scroll down to click on "Outreach Events Calendar," and then click on the current month.

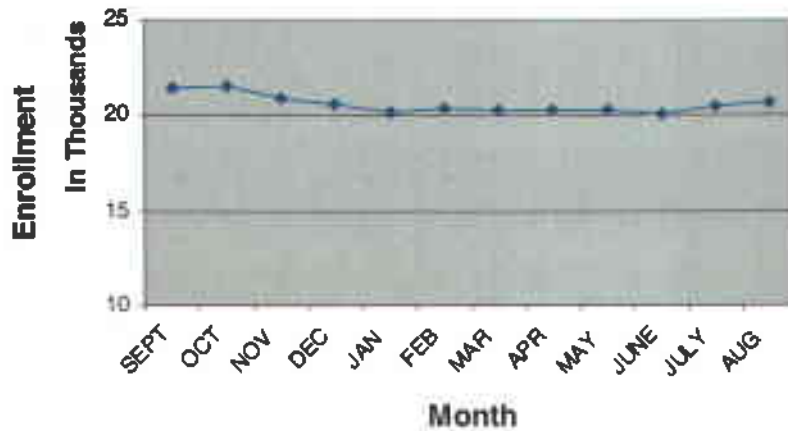
II. Enrollment/Re-enrollment Activity

Enrollment as of August 29, 2002: 20,824

Please see Attachment 1 for enrollment by county and estimated uninsured children by county.

Total unduplicated enrolled for quarter ending June 30, 2002: 25,867

Current 12-Month Enrollment Period: September 2001 through August 2002



Re-enrollment Activity for the Current 3 Month Period: June 2002 – August 2002

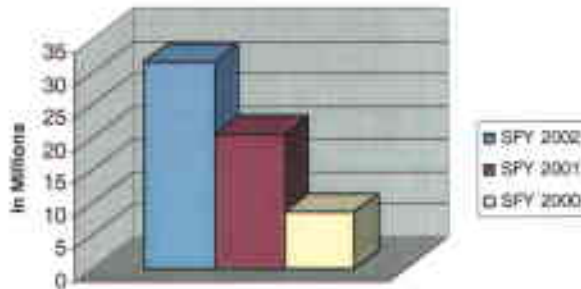
Total Forms Mailed		Enrolled within Notice Period		Reopened Cases After Closure		Final Closures	
Month	Total	#	%	#	%	#	%
June	1325	765	57.5%	142	10.5%	418	32.0%
July	1306	593	45.4%	282	21.6%	431	33.0%
August	1557	778	50.0%	343	22.0%	435	28.0%

III. Financial Activity

Please see this month's financial statement at Attachment 2.

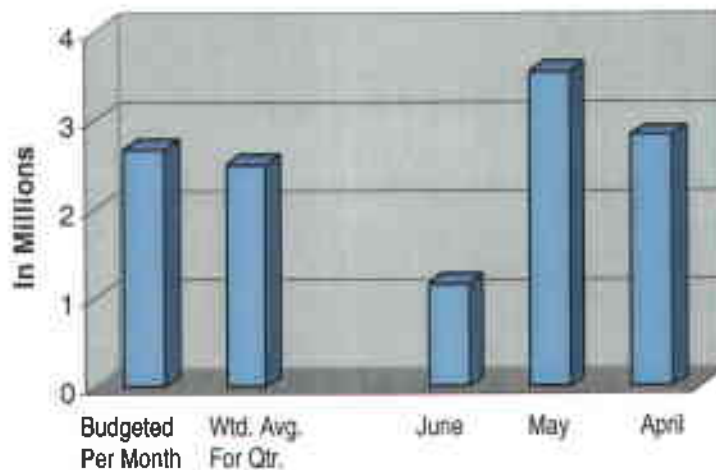
Annual Expenditures for a 3 Year Period: SFY 2000 – SFY 2002

	SFY 2002	FFP% 2002	SFY 2001	FFP% 2001	SFY 2000	FFP% 2000
Federal	26,139,399	82.69	17,099,081	82.74	6,875,879	82.35
State	5,466,863	17.31	3,579,196	17.26	1,860,784	17.65
Total Costs	31,606,626	100.00	20,678,277	100.00	8,736,663	100.00



Monthly Budgeted and Actual For 3 Month Period: April 2002 – June 2002

	Budgeted Per Month	Wtd. Avg. For Qtr.	Actual		
			June 2002	May 2002	April 2002
Federal	2,213,820	2,075,679	958,352	2,929,900	2,338,786
State	461,814	434,515	200,618	613,334	489,592
Total	2,675,634	2,510,194	1,158,970	3,543,234	2,828,378



WV CHIP Enrollment Report

September 2002

County Ranking	County Population 2000 (0-18 Yrs)	Total CHIP Enrollment 8/29/2002	Total Medicaid Enrollment 3/2002	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Harrison	16,823	777	6,487	7,264	43.2%	99.9%	1	0**
Pendleton	1,883	65	518	583	31.0%	99.0%	2	19
Brooke	5,544	176	1,332	1,508	27.2%	98.5%	3	0**
Boone	6,211	294	2,965	3,259	52.5%	97.9%	4	133
Marshall	12,486	280	2,848	3,128	25.1%	97.5%	5	217
Doddridge	1,986	123	833	956	48.1%	96.4%	6	60
Kanawha	45,159	1,700	15,787	17,487	38.7%	96.4%	7	772
Wirt	1,569	102	637	739	47.1%	96.3%	8	46
Fitchie	2,521	144	947	1,091	43.3%	96.2%	9	81
Marion	6,709	601	4,667	5,268	78.5%	95.9%	10	516
Grant	2,703	131	911	1,042	38.5%	95.8%	11	82
Mason	8,565	197	2,393	2,590	30.2%	95.7%	12	249
Braxton	3,487	228	1,793	2,021	58.0%	95.6%	13	155
Ohio	10,861	355	3,239	3,594	33.1%	95.6%	14	480
Clay	2,810	224	1,614	1,838	65.4%	95.1%	15	94
Tyler	2,344	118	841	959	40.9%	94.9%	16	93
Greenbrier	7,896	477	2,953	3,430	43.4%	94.8%	17	306
Webster	2,369	167	1,413	1,580	66.7%	94.7%	18	103
Nicholas	6,519	458	2,953	3,411	52.3%	94.4%	19	324
Wyoming	6,073	452	3,205	3,657	60.2%	94.0%	20	231
Berkeley	20,493	798	5,338	6,136	29.9%	93.9%	21	1,084
Jackson	7,085	300	2,630	2,930	41.4%	93.9%	22	340
Jefferson	10,746	308	2,096	2,404	22.4%	93.9%	23	651
Pleasants	1,879	113	602	715	38.1%	93.9%	24	88
McDowell	6,256	459	4,606	5,065	81.0%	93.8%	25	373
Hardy	3,128	117	969	1,086	34.7%	93.6%	26	200
Lincoln	5,543	392	2,974	3,366	60.7%	93.3%	27	327
Putnam	13,563	518	3,088	3,606	26.6%	93.2%	28	486
Monroe	3,103	184	1,021	1,205	38.8%	93.1%	29	196
Tucker	1,637	150	593	743	45.4%	93.1%	30	103
Hancock	7,172	253	2,028	2,281	31.8%	92.9%	31	443
Gilmer	1,606	87	795	882	54.9%	92.8%	32	115
Monongalia	17,093	570	4,142	4,712	27.6%	92.6%	33	1,144
Barbour	3,812	328	2,174	2,502	65.6%	92.5%	34	255
Wetzel	4,431	183	1,837	2,020	45.6%	92.5%	35	334
Fayette	10,991	749	5,379	6,128	55.8%	92.1%	36	706
Logan	8,862	553	4,396	4,949	55.8%	92.1%	37	654
Raleigh	18,034	1,019	7,699	8,718	48.3%	91.7%	38	1,395
Cabell	21,019	796	7,887	8,683	41.3%	91.6%	39	1,218
Hampshire	5,359	256	1,842	2,098	39.1%	91.3%	40	295
Mercer	14,100	863	6,750	7,613	54.0%	91.0%	41	1,268
Taylor	3,895	263	1,628	1,891	48.5%	90.9%	42	356
Mineral	6,754	261	2,200	2,461	36.4%	90.7%	43	251
Roane	3,804	288	1,880	2,168	57.0%	90.5%	44	336
Wood	21,344	823	7,397	8,220	38.5%	90.5%	45	1,624
Upshur	5,701	378	2,490	2,868	50.3%	90.4%	46	547
Preston	7,338	489	2,545	3,134	42.7%	90.2%	47	236

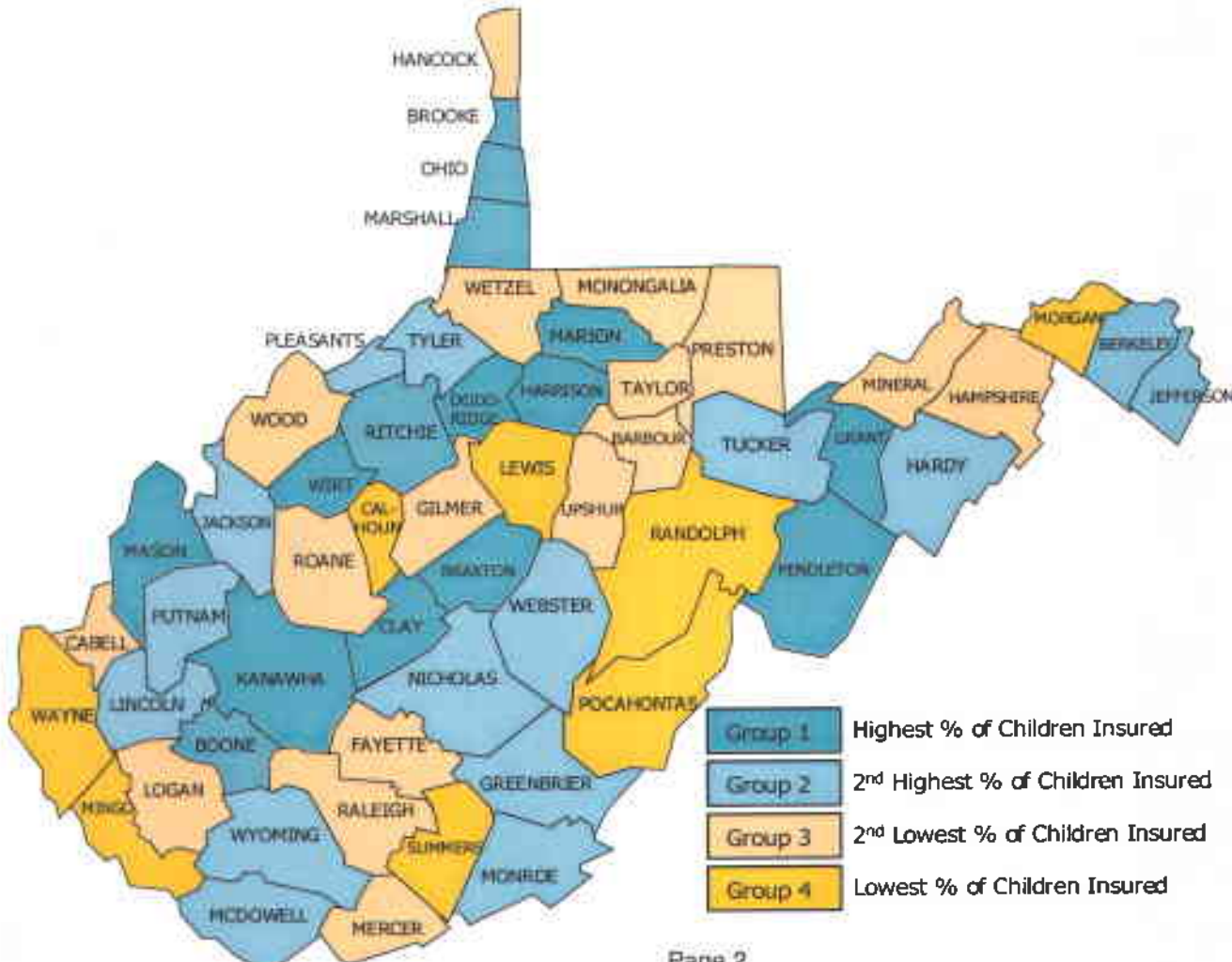
WV CHIP Enrollment Report

September 2002

County Ranking	County Population 2000 (0-18 Yrs)	Total CHIP Enrollment 8/29/2002	Total Medicaid Enrollment 3/2002	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Randolph	6,655	436	2,757	3,193	48.0%	89.7%	48	653
Morgan	3,495	143	1,049	1,192	34.1%	89.2%	49	285
Summers	2,826	210	1,412	1,622	57.4%	88.9%	50	315
Mingo	7,255	420	3,917	4,337	59.8%	88.5%	51	566
Calhoun	1,801	118	1,017	1,135	63.0%	88.0%	52	207
Lewis	3,964	281	1,927	2,208	55.7%	88.0%	53	431
Pocahontas	1,999	148	747	895	44.8%	87.7%	54	224
Wayne	10,618	501	4,553	5,054	47.6%	87.7%	55	1,034
Totals	427,879	20,824	162,801	183,625	42.9%	93.4%		22,701

*Based on data from "Health Insurance in West Virginia: The Children's Report" – a survey by The Institute for Health Policy Research at the West Virginia University Robert C. Byrd Science Center

**There may be some uninsured eligible children in these counties, but according to the results of the survey sampling none were found.



DEPARTMENT OF ADMINISTRATION
 WEST VIRGINIA CHILDREN'S HEALTH INSURANCE PROGRAM
 SCHEDULE OF EXPENDITURES FOR THE MONTH ENDED JULY 31, 2002

ATTACHMENT 2

SFY 2003

EXPENDITURES BY HEALTH CARE TYPE	MEDICAID EXPANSION*	WV CHIP	YTD ACTUAL TOTAL
Outpatient Hospital Services	0	287,131	287,131
Physicians Services	0	722,207	722,207
Prescribed Drugs	0	417,378	417,378
Dental Services	0	336,041	336,041
Inpatient Hospital Services	0	140,406	140,406
Outpatient Mental Health Facilities	0	87,352	87,352
Vision Services	0	48,422	48,422
Inpatient Mental Health Facilities	0	0	0
Medical Transportation	0	18,421	18,421
Durable and Disposable Medical Equipment	0	30,777	30,777
Therapy Services	0	15,117	15,117
Other Care Services*	0	2,391	2,391
Home Health	0	0	0
EPSDT Services	0	0	0
Rural Health Services	0	0	0
SUB-TOTAL	\$0	\$2,104,641	\$2,104,641
LESS: DRUG REBATES	0	0	0
TOTAL EXPENDITURES BY PROVIDER TYPE	\$0	\$2,104,641	\$2,104,641

EXPENDITURES FOR ADMINISTRATION

Enrollment and Claims Processing	\$136,934
Eligibility and Other Indirect Costs	0
Salaries, Taxes and Benefits	38,535
Current Expense and Other	45,895

TOTAL EXPENDITURES FOR ADMINISTRATION \$219,164

TOTAL EXPENDITURES \$2,323,805

FUNDED FROM FFY 00 FEDERAL ALLOTMENT 1,921,554

STATE MATCH 402,251

TOTAL FUNDING \$2,323,805

*Effective October 1, 2000, the Medicaid Expansion was withdrawn. Claims can still be submitted for the Medicaid Expansion through September 30, 2002.

*Other Care Services include Other Practitioners' Services, Home Health, and Clinic Services

WV CHILDREN'S HEALTH FUND

WVFIMS FUND 2154 - PHASE II

SFY 2003

Investment Account

As of July 31, 2002

Funds invested	\$304,056
Interest earned	1,410
Total	\$305,466

WV TITLE XIX - MEDICAID FUND

WVFIMS FUND 5452 - PHASE I

SFY 2003

Investment Account

As of July 31, 2002

Funds invested	\$111,455
Interest earned	186
Total	\$111,641



CCRC
Actuaries, LLC

2601 Emory Road
Finksburg, MD 21048-2313

Phone: 410-861-8670
Fax: 410-861-8671

Email: info@ccrcactuaries.com

September 11, 2002

Ms. Sharon Carte
Director
West Virginia CHIP
State Capitol Complex
Building 3, Room 213
Charleston, WV 25305

Subject: West Virginia Children's Health Insurance Program – Fiscal Year 2002 Experience

Dear Sharon:

Attached is the incurred Per Member Per Month claim experience for the CHIP program for Fiscal Year 2002.

	<u>Jul-01</u>	<u>Aug-01</u>	<u>Sep-01</u>	<u>Oct-01</u>	<u>Nov-01</u>	<u>Dec-01</u>
Medical	\$70.15	\$83.04	\$88.80	\$94.09	\$82.43	\$77.10
Dental	14.40	17.31	13.67	16.63	12.73	11.38
Prescription Drugs	<u>14.18</u>	<u>16.41</u>	<u>19.36</u>	<u>29.82</u>	<u>20.20</u>	<u>19.72</u>
Total	\$98.73	\$116.76	\$121.83	\$140.54	\$115.35	\$108.20
	<u>Jan-02</u>	<u>Feb-02</u>	<u>Mar-02</u>	<u>Apr-02</u>	<u>May-02</u>	<u>Jun-02</u>
Medical	\$87.89	\$87.48	\$89.47	\$90.29	\$80.62	\$70.93
Dental	14.29	12.92	13.28	14.74	12.88	13.76
Prescription Drugs	<u>21.05</u>	<u>22.56</u>	<u>23.38</u>	<u>23.12</u>	<u>21.56</u>	<u>17.45</u>
Total	\$123.23	\$122.97	\$126.12	\$128.14	\$115.07	\$102.14

The average PMPM cost was \$116.90 for the first 6 months of the year and was \$119.61 for the second half of the year, an increase of 3%. Please review this information and if you have any questions or comments about this report, please feel free to call me at (410) 861-8670.

Sincerely,

Dave Bond

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

PEIA

MONTHLY MANAGEMENT REPORT

TOTAL CLAIMS

JULY 2002

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS
JULY 2002

Page: 1

Reporting Category	Type of Service	Current Period		Current		12 Months Prior		Current Fiscal Yr		Previous Fiscal Yr	
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PSIA Payments	PEIA Payments	PSIA Payments	PEIA Payments
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	194,564.70	171,371.54	164,818.18	156,490.49	194,564.70	164,818.18	194,564.70	164,818.18	194,564.70	164,818.18
	MATERNITY	125,195.16	142,750.62	82,894.12	121,738.30	125,195.16	82,894.12	125,195.16	82,894.12	125,195.16	82,894.12
	MEDICAL AND SURGICAL	4,629,123.97	6,261,919.87	4,178,157.35	5,050,731.09	4,629,123.97	4,178,157.35	4,629,123.97	4,178,157.35	4,629,123.97	4,178,157.35
	NEONATAL COMPLICATIONS	13,936.42	66,991.72	74,606.24	54,394.38	13,936.42	74,606.24	13,936.42	74,606.24	13,936.42	74,606.24
SUM		4,962,820.25	6,643,033.74	4,500,475.89	5,383,354.26	4,962,820.25	4,500,475.89	4,962,820.25	4,500,475.89	4,962,820.25	4,500,475.89
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	20,767.62	40,660.51	42,950.10	33,321.46	20,767.62	42,950.10	20,767.62	42,950.10	20,767.62	42,950.10
	DIALYSIS	164,692.29	217,124.81	185,190.90	157,723.05	164,692.29	185,190.90	164,692.29	185,190.90	164,692.29	185,190.90
	EMERGENCY ROOM	140,142.69	185,350.72	164,014.49	120,227.84	140,142.69	164,014.49	140,142.69	164,014.49	140,142.69	164,014.49
	MATERNITY	27,363.61	30,311.83	19,123.60	22,555.47	27,363.61	19,123.60	27,363.61	19,123.60	27,363.61	19,123.60
SUM		4,167,473.05	4,937,447.66	4,477,516.25	3,944,518.20	4,167,473.05	4,477,516.25	4,167,473.05	4,477,516.25	4,167,473.05	4,477,516.25
PHARMACY	PRESSCRIPTION DRUGS	13,566,906.26	9,482,980.88	7,602,066.28	7,000,407.99	13,566,906.26	7,602,066.28	13,566,906.26	7,602,066.28	13,566,906.26	7,602,066.28
	SUM		9,482,980.88	7,602,066.28	7,000,407.99	9,482,980.88	7,602,066.28	9,482,980.88	7,602,066.28	9,482,980.88	7,602,066.28
	PROFESSIONAL SERVICES	203,091.04	259,323.61	215,751.27	274,973.00	203,091.04	215,751.27	203,091.04	215,751.27	203,091.04	215,751.27
PROFESSIONAL SERVICES	AMBULANCE	143.37	9,755.47	19,549.53	147,424.89	143.37	19,549.53	143.37	19,549.53	143.37	19,549.53
	ANESTHESIA	306,389.47	569,051.61	621,340.79	461,787.65	306,389.47	621,340.79	306,389.47	621,340.79	306,389.47	621,340.79
	CARDIOVASCULAR MEDICINE	143,727.60	177,364.57	178,608.79	161,083.10	143,727.60	178,608.79	143,727.60	178,608.79	143,727.60	178,608.79
	CERVICAL CANCER SCREENING	34,763.55	31,489.49	23,169.42	19,948.59	34,763.55	23,169.42	34,763.55	23,169.42	34,763.55	23,169.42
	DME	239,592.51	367,476.31	338,403.12	312,304.20	239,592.51	338,403.12	239,592.51	338,403.12	239,592.51	338,403.12
	EVALUATION AND MANAGEMENT	2,724,273.67	3,264,811.57	2,710,789.91	2,921,982.39	2,724,273.67	2,710,789.91	2,724,273.67	2,710,789.91	2,724,273.67	2,710,789.91
	IMMUNIZATION	67,844.88	85,036.61	77,380.94	77,353.26	67,844.88	77,380.94	67,844.88	77,380.94	67,844.88	77,380.94
	INJECTION	376,159.77	527,062.14	619,922.79	451,396.87	376,159.77	619,922.79	376,159.77	619,922.79	376,159.77	619,922.79

SOURCE: ACORDIA NATIONAL, EXPRESS SCRIPTS, AND MERCK-MEDCO PAID CLAIMS TAPES
NOTE: CLAIMS LISTED ARE ON A PAID BASIS

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS
 JULY 2002

Page: 2

Report Lng Category	Type of Service	Current Period		Current		12 Months Prior		Current Fiscal Yr		Previous Fiscal Yr	
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments
PROFESSIONAL SERVICES	LAB AND PATHOLOGY	415,063.36	453,869.76	440,303.79	407,655.89	415,063.36	440,303.79	415,063.36	407,655.89	440,303.79	407,655.89
	MAMMOGRAPHY	90,684.97	97,725.39	79,374.57	88,807.81	90,684.97	79,374.57	90,684.97	88,807.81	79,374.57	88,807.81
	OTHER	532,729.24	587,281.32	649,935.75	272,723.13	532,729.24	649,935.75	532,729.24	272,723.13	649,935.75	272,723.13
	OTHER IMAGING	449,654.73	605,082.64	560,437.77	576,251.68	449,654.73	560,437.77	449,654.73	576,251.68	560,437.77	576,251.68
	OTHER MEDICINE	835,997.56	1,035,273.97	942,549.21	931,839.29	835,997.56	942,549.21	835,997.56	931,839.29	942,549.21	931,839.29
	PHYSICAL MEDICINE	229,574.67	292,329.20	229,004.52	243,434.84	229,574.67	229,004.52	229,574.67	243,434.84	229,004.52	243,434.84
	PROSTATE CANCER SCREENING	10,001.95	10,295.43	12,229.23	10,262.59	10,001.95	12,229.23	10,001.95	10,262.59	12,229.23	10,262.59
	SURGICAL	1,646,892.49	1,893,715.79	1,903,203.92	1,745,070.60	1,646,892.49	1,903,203.92	1,646,892.49	1,745,070.60	1,903,203.92	1,745,070.60

sum		8,306,584.83	10,267,954.88	9,619,955.32	9,094,299.80	8,306,584.83	9,619,955.32	8,306,584.83	9,094,299.80	9,619,955.32	9,094,299.80

sum		31,356,750.60	31,804,865.02	26,611,292.83	25,756,408.07	31,356,750.60	26,611,292.83	31,356,750.60	25,756,408.07	26,611,292.83	25,756,408.07
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SOURCE: ACORDIA NATIONAL, EXPRESS SCRIPTS, AND MERCK-MEDCO PAID CLAIMS TAPES
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

27 rows selected.

PEIA

MONTHLY MANAGEMENT REPORT

PER CAPITA UTILIZATION

JULY 2002

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
JULY 2002

Page: 1

Reporting Category	Type of Service	Current Period Encounters	12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0006	.0006	.0006	.0006
	MATERNITY	.0005	.0005	.0005	.0005
	MEDICAL AND SURGICAL	.0122	.0150	.0122	.0150
	NEONATAL COMPLICATIONS	.0001	.0001	.0001	.0001
***** sum		.0133	.0163	.0133	.0163
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0020	.0024	.0020	.0024
	DIALYSIS	.0038	.0028	.0038	.0028
	EMERGENCY ROOM	.0175	.0202	.0175	.0202
	MATERNITY	.0011	.0009	.0011	.0009
	MEDICAL AND SURGICAL	.1414	.1666	.1414	.1666
***** sum		.1657	.1928	.1657	.1928
PHARMACY	PRESCRIPTION DRUGS	1.3975	.8058	1.3975	.8058
***** sum		1.3975	.8058	1.3975	.8058
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0139	.0144	.0139	.0144
	AMBULANCE	.0005	.0039	.0005	.0039
	ANESTHESIA	.0096	.0139	.0096	.0139
	CARDIOVASCULAR MEDICINE	.0066	.0078	.0066	.0078
	CERVICAL CANCER SCREENING	.0112	.0104	.0112	.0104
	DME	.0231	.0288	.0231	.0288
	EVALUATION AND MANAGEMENT	.4254	.4356	.4254	.4356
	IMMUNIZATION	.0074	.0074	.0074	.0074
	INJECTION	.0196	.0243	.0196	.0243
	LAB AND PATHOLOGY	.1078	.1022	.1078	.1022

SOURCE: ACORDIA NATIONAL, EXPRESS SCRIPTS, AND MERCK-MEDCO PAID CLAIMS TAPES
NOTE: CLAIMS LISTED ARE ON A PAID BASIS

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
 JULY 2002

Page: 2

Reporting Category	Type of Service	Current Period Encounters	12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
PROFESSIONAL SERVICES	MAMMOGRAPHY	.0156	.0151	.0156	.0151
	OTHER	.0322	.0342	.0322	.0342
	OTHER IMAGING	.0834	.0893	.0834	.0893
	OTHER MEDICINE	.1501	.1509	.1501	.1509
	PHYSICAL MEDICINE	.0618	.0581	.0618	.0581
	PROSTATE CANCER SCREENING	.0035	.0039	.0035	.0039
	SURGICAL	.0699	.0748	.0699	.0748

sum		1.0416	1.0750	1.0416	1.0750
sum		2.6181	2.0899	2.6181	2.0899

SOURCE: ACORDIA NATIONAL, EXPRESS SCRIPTS, AND MERCK-MEDCO PAID CLAIMS TAPES
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

27 rows selected.

PEIA

MONTHLY MANAGEMENT REPORT

PER CAPITA CLAIMS

JULY 2002

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS
 JULY 2002

Page: 1

Reporting Category	Type of Service	Current	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments	Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	1.0811	.9426	.9137	.9405	1.0811	.9137
	MATERNITY	.6956	.7848	.4595	.7320	.6956	.4595
	MEDICAL AND SURGICAL	25.7218	34.4457	23.1614	30.3587	25.7218	23.1614
	NEONATAL COMPLICATIONS	.0774	.3679	.4136	.3272	.0774	.4136

sum		27.5760	36.5410	24.9482	32.3585	27.5760	24.9482
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.1154	.2236	.2381	.2002	.1154	.2381
	DIALYSIS	.9151	1.1936	1.0266	.9480	.9151	1.0266
	EMERGENCY ROOM	.7787	1.0191	.9092	.7224	.7787	.9092
	MATERNITY	.1520	.1665	.1060	.1355	.1520	.1060
	MEDICAL AND SURGICAL	23.1566	27.1521	24.8209	23.7080	23.1566	24.8209

sum		25.1179	29.7549	27.1008	25.7141	25.1179	27.1008
PHARMACY	PRESCRIPTION DRUGS	75.3847	52.1560	42.1417	42.0786	75.3847	42.1417

sum		75.3847	52.1560	42.1417	42.0786	75.3847	42.1417
PROFESSIONAL SERVICES	ADVANCED IMAGING	1.1285	1.4261	1.1960	1.6548	1.1285	1.1960
	AMBULANCE	.0008	.0539	.1084	.8875	.0008	.1084
	ANESTHESIA	1.7025	3.1299	3.4444	2.7158	1.7025	3.4444
	CARDIOVASCULAR MEDICINE	.7986	.9755	.9901	.9684	.7986	.9901
	CERVICAL CANCER SCREENING	.1932	.1731	.1174	.1199	.1932	.1174
	DME	1.3313	2.0203	1.8759	1.8767	1.3313	1.8759
	EVALUATION AND MANAGEMENT	15.1375	17.9559	15.0271	17.5675	15.1375	15.0271
	IMMUNIZATION	.3770	.4679	.4290	.4651	.3770	.4290
	INJECTION	2.0901	2.8992	3.4365	2.7123	2.0901	3.4365

SOURCE: ACORDIA NATIONAL, EXPRESS SCRIPTS, AND MERCK-MEDCO PAID CLAIMS TAPES
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS
 JULY 2002

Page: 2

Reporting Category	Type of Service	Current Period PEIA Payments	Current Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	12 Months Prior Rolling Avg PEIA Payments	Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
PROFESSIONAL SERVICES	LAB AND PATHOLOGY	2.3063	2.4949	2.4408	2.4508	2.3063	2.4408
	MAMMOGRAPHY	.5039	.5376	.4400	.5343	.5039	.4400
	OTHER	2.9601	3.2287	3.6029	1.6379	2.9601	3.6029
	OTHER IMAGING	2.4985	3.3324	3.1068	3.4650	2.4985	3.1068
	OTHER MEDICINE	4.6452	5.6917	5.2250	5.6023	4.6452	5.2250
	PHYSICAL MEDICINE	1.2756	1.6073	1.2695	1.4632	1.2756	1.2695
	PROSTATE CANCER SCREENING	.0556	.0566	.0678	.0617	.0556	.0678
	SURGICAL	9.1510	10.4158	10.5503	10.4928	9.1510	10.5503
***** sum		46.1556	56.4668	53.3278	54.6759	46.1556	53.3278
sum		174.2342	174.9188	147.5184	154.8270	174.2342	147.5184

SOURCE: ACORDIA NATIONAL, EXPRESS SCRIPTS, AND MERCK-MEDCO PAID CLAIMS TAPES
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

27 rows selected.

**State of West Virginia
Public Employees Insurance Agency
Balance Sheets**

**July 31, 2002 and 2001
Accrual Basis
(Unaudited-For Internal Use Only)**

Assets	July 2002	July 2001	Increase <Decrease>
Cash and cash equivalents	\$ 85,711,026	\$ 98,260,756	\$ (12,549,730)
Deposits with third-party administrators	837,685	3,316,509	(2,478,824)
Premium accounts receivable-net of allowance for doubtful accounts	22,562,515	15,328,501	7,234,014
Other accounts receivable	4,906,838	2,162,753	2,744,085
Total current assets	114,018,064	119,068,519	(5,050,455)
Furniture and equipment, net of accumulated depreciation	150,731	174,963	(24,232)
Restricted cash-premium stabilization life insurance	1,638,206	3,607,558	(1,969,352)
Restricted cash-new computer system	1,083,333	1,083,333	1,083,333
Total assets	\$ 116,890,334	\$ 122,851,040	\$ (5,960,706)
Liabilities and Retained Earnings			
Claims payable	\$ 54,475,784	\$ 42,580,000	\$ 11,895,784
Premium deficiency reserve	7,242,000	7,242,000	(7,242,000)
Current claims payable	1,538,476	4,332,000	(2,793,524)
Unearned Revenue	3,013,670	4,029,672	(1,016,002)
Accounts payable	7,996,184	6,861,567	1,134,617
Other accrued liabilities	841,165	629,531	211,634
Total liabilities	67,865,279	65,674,770	2,190,509
Retained earnings	49,025,055	57,176,270	(8,151,215)
Total liabilities and retained earnings	\$ 116,890,334	\$ 122,851,040	\$ (5,960,706)

For internal use only. See financial comments.
Prepared September 12, 2002

State of West Virginia
Public Employees Insurance Agency
Statement of Revenues, Expenses and
Changes in Retained Earnings
July 31, 2002 and 2001
Accrual Basis
(Unaudited-For Internal Use Only)
(Not Yet Final)

	Budgeted Month Ended July 31, 2002	Actual Month Ended July 31, 2002	Budget Variance Percent	Actual Month Ended July 31, 2001	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
Operating Revenue						
Premiums						
Employer	\$ 31,745,490	\$ 32,734,949	3.12%	\$ 28,672,374	\$ 4,062,575	14.17%
Employee	8,693,032	8,000,523	-7.97%	6,086,148	1,914,375	31.45%
Total Premiums	40,438,522	40,735,472	0.73%	34,758,522	5,976,950	17.20%
Less:						
Payments to managed care organizations	(4,153,500)	(4,087,675)	-1.58%	(3,780,316)	(307,359)	8.13%
Life insurance premiums-basic	(472,238)	(534,293)	13.14%	(424,862)	(109,431)	25.76%
Net premium revenue	35,812,784	36,113,504	0.84%	30,553,344	5,560,160	18.20%
Administrative fees, net of refunds	293,238	273,970	-6.57%	269,967	4,003	1.48%
Net operating revenue	36,106,022	36,387,474	0.78%	30,823,311	5,564,163	18.05%
Operating Expenses						
Claims expense-medical	21,103,511	22,403,756	6.16%	23,287,529	(883,773)	-3.80%
Claims expense-drugs	5,704,674	5,669,379	-0.62%	5,638,622	30,757	0.55%
Administrative service fees	1,044,909	1,103,294	5.59%	990,020	113,274	11.44%
Other operating expenses	432,424	561,798	29.92%	513,785	48,013	9.34%
Total operating expense	28,285,518	29,738,227	5.14%	30,429,956	(884,729)	-2.27%
Operating (deficit) surplus	7,820,504	6,649,247	-14.98%	303,355	6,255,892	1590.39%
Nonoperating Revenues						
Interest income, banks, net of fees						
Interest income IMB	170,969	136,929	-19.91%	374,939	(238,010)	-63.48%
Operating transfers in				416,666	(416,666)	-100.00%
Total nonoperating revenues	170,969	136,929	-19.91%	791,605	(884,736)	-82.70%
Net Surplus	\$ 7,991,473	\$ 6,786,176	-15.08%	\$ 1,184,960	\$ 5,601,216	472.69%
Retained Earnings, beginning of period		42,238,879		55,991,310	(13,752,431)	
Retained Earnings, end of period		\$ 49,025,055		\$ 57,176,270	\$ (8,151,215)	

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Prepared September 12, 2002

State of West Virginia
Public Employees Insurance Agency
Statement of Revenues, Expenses and
Net Income
Month of July 2002 and 2001
Accrual Basis
(Unaudited-For Internal Use Only)
(Not Yet Final)

	Actual Month of July 2002	Actual Month of July 2001	Increase (Decrease)
Operating Revenue			
Premiums			
Employer	\$ 32,734,949	\$ 28,672,374	\$ 4,062,575
Employee	8,000,523	6,086,148	1,914,375
Total Premium	40,735,472	34,758,522	5,976,950
Less:			
Payments to managed care organizations	(4,087,675)	(3,780,316)	(307,359)
Life insurance premiums-basic	(534,293)	(424,862)	(109,431)
Net premium revenue	36,113,504	30,553,344	5,560,160
Administrative fees, net of refunds	273,970	269,967	4,003
Net operating revenue	36,387,474	30,823,311	5,564,163
Operating Expenses			
Claims expense-medical	22,403,756	23,287,529	(883,773)
Claims expense-drugs	5,869,379	5,638,622	30,757
Administrative service fees	1,103,294	990,020	113,274
Other operating expenses	561,798	513,785	48,013
Total operating expense	29,738,227	30,429,956	(691,729)
Operating surplus	6,649,247	303,355	6,265,892
Nonoperating Revenues			
Interest income, from banks, net of fees	-	-	-
Interest income from IMB	136,929	374,939	(238,010)
Operating transfers in	-	416,666	(416,666)
Total nonoperating revenues	136,929	791,605	(654,676)
Net Income	\$ 6,786,176	\$ 1,184,960	\$ 5,601,216

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Prepared September 12, 2002

**State of West Virginia
Public Employees Insurance Agency
Financial Comments**

**Month of July 2002 and 2001
Accrual Basis**

(Unaudited-For Internal Use Only)

Amounts reported in these July 2002 financial statements as budgeted were developed before the results of Plan Year 2002 open enrollment were known, consequently they do not properly relate to the actual month of July results. The PEIA is in the process of updating the Plan Year 2003 Budget based in the most recent data available which includes the risk shifting which took place in open enrollment and other changes in commitments that have occurred.

	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02
Original IBNR														
NonMedicare Medical	29,140,000	36,770,000	36,960,000	38,800,000	40,800,000	41,050,000	41,400,000	40,280,000	38,610,000	36,500,000	41,300,000	40,850,000	40,910,000	42,270,000
Medicare Medical	9,810,000	9,110,000	8,230,000	7,270,000	7,400,000	6,900,000	7,900,000	7,920,000	7,350,000	6,820,000	6,760,000	6,830,000	7,380,000	8,040,000
NonMedicare Drugs	2,300,000	1,400,000	1,360,000	910,000	850,000	1,400,000	2,000,000	2,120,000	3,120,000	280,000	2,360,000	730,000	2,540,000	1,240,000
Medicare Drugs	1,250,000	950,000	720,000	700,000	470,000	1,200,000	1,250,000	1,190,000	1,840,000	150,000	1,410,000	560,000	1,320,000	860,000
Total Original IBNR	42,580,000	48,230,000	47,270,000	47,680,000	49,520,000	50,550,000	52,550,000	51,510,000	50,920,000	43,750,000	51,830,000	48,970,000	52,150,000	52,410,000
Paid through 06-30-2002	49,169,736	49,309,819	44,468,556	46,347,883	48,216,336	46,542,052	50,555,980	52,208,534	51,169,176	42,546,734	41,880,521	37,256,728	35,315,229	26,926,044
Remaining IBNR <i>(using 6 Month factors)</i>	271,081	347,487	467,623	634,530	916,407	1,306,667	1,782,824	2,595,268	3,734,361	5,462,157	8,123,164	12,327,632	16,810,176	27,549,740
Restated IBNR	49,440,817	49,657,306	44,936,179	46,982,413	49,132,743	47,848,720	52,338,805	54,803,802	54,903,538	48,008,891	50,003,685	49,584,360	52,125,405	54,475,784
Change	6,860,817 <i>16.1%</i>	1,427,306 <i>3.0%</i>	-2,333,821 <i>-4.9%</i>	-697,587 <i>-1.5%</i>	-387,257 <i>-0.8%</i>	-2,701,280 <i>-5.3%</i>	-211,195 <i>-0.4%</i>	3,293,802 <i>6.4%</i>	3,983,538 <i>7.8%</i>	4,258,891 <i>9.7%</i>	-1,826,315 <i>-3.5%</i>	614,360 <i>1.3%</i>	-24,595 <i>0.0%</i>	2,065,784 <i>3.9%</i>
	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02
Restated IBNR														
NonMedicare Medical	39,301,613	40,045,042	37,267,072	38,921,934	39,986,982	39,721,090	44,139,424	44,961,950	44,484,971	39,246,001	41,080,869	40,121,440	40,902,524	44,345,098
Medicare Medical	6,901,266	6,790,043	6,118,379	6,463,273	7,167,439	6,744,195	7,324,161	8,475,749	8,508,669	7,468,233	7,526,824	7,045,974	7,375,890	8,037,497
NonMedicare Drugs	2,077,658	1,703,725	1,045,823	896,869	1,253,252	465,184	566,082	585,935	911,020	714,045	903,462	1,542,651	2,539,428	1,236,490
Medicare Drugs	1,160,281	1,118,496	504,906	700,336	725,069	918,251	309,137	780,167	998,878	580,611	492,530	874,294	1,307,562	856,700
	49,440,817	49,657,306	44,936,179	46,982,413	49,132,743	47,848,720	52,338,805	54,803,802	54,903,538	48,008,891	50,003,685	49,584,360	52,125,405	54,475,784