

FILE COPY

JOINT COMMITTEE ON  
GOVERNMENT AND FINANCE

Materials Distributed

September 11, 2007

August 21, 2007

3:00 - 4:00 p.m.

Joint Committee on Government and Finance

Senate

Tomblin, Chair  
Chafin  
Helmick  
Kessler  
Sharpe  
Caruth  
Deem

House

Thompson, Chair  
Caputo  
DeLong  
Webster (absent)  
White  
Armstead  
Border

Speaker Thompson, Cochair, presided.

1. Approval of Minutes

Upon motion by President Tomblin, properly adopted, the minutes of the July 29, 2007, meeting were approved.

2. Discussion of PEIA's Contract With Advantra

Ted Cheatham, Executive Director of PEIA, addressed issues regarding Advantra Freedom. The first issue is that the plan of benefits were changed for retirees. Retirees have a \$10 co-pay for physician office visit, \$20 co-pay for specialty visit, \$50 co-pay for emergency room visit and 20% co-insurance on lab services and hospital services up to a maximum of \$500 out of pocket on the medical side. Retirees were also given a \$22 a month reduction in their monthly premium to off-set the additional out of pocket expenditures. The second issue is that the non-preferred pharmacy co-pay was changed from \$30 to \$50. The third issue is with the acceptance of Advantra Freedom out-of-state especially in Florida and North Carolina. There has been 68 people taken back into PEIA due to these issues, which is a very small percentage. There have been 37,000 retirees moved to Coventry Advanced MAPD.

3. Committee Reports/Requests

**Select Committee B - Veterans' Issues - Senator Hunter**

Upon motion by President Tomblin, properly adopted, authorization was granted to the Legislative Manager to make contract with WVU, not to exceed \$21,558, for WVU to do a survey of returning veterans.

4. Scheduled Interim Dates

September 9 - 11 (Martinsburg)  
October 7 - 9  
November 16 - 18 (Friday, Saturday and Sunday)  
December 9 - 11  
January 6 - 8, 2008

The meeting was adjourned.

**WEST VIRGINIA LEGISLATURE**  
*Office of the Legislative Auditor*

*Budget Division*  
*Building 1, Room 332-West Wing*  
*1900 Kanawha Blvd. East*  
*Charleston, WV 25305-0590*  
September 7, 2007



304-347-4870

**Executive Summary of Lottery, Unemployment, General Revenue and State Road Fund Reports to Joint Committee**

**Lottery Commission as of July 31, 2007 :**

Appears to be in good condition. Gross profit for July 2007, the first month of fiscal year 2007-2008 was **-1.88% lower than** gross profit for July 2006-2007. This is an **expected decrease** in gross profit. Lottery income is expected to decrease this fiscal year and the FY 2008 budget appropriations in the excess lottery revenue surplus section were decreased \$ 60 million in anticipation of this decrease in growth. Decrease in growth is expected due to competition from neighboring states.

**General Revenue Fund as of August 31, 2007:**

Collections were received at **107.52%** of the estimate as of August 31, 2007.

**State Road Fund as of August 31, 2007:**

Fund collections were at **108.86%** of the yearly estimate.

**Unemployment Compensation Trust:**

Information for report was not received in our office as of September 7, 2007. Will be included next month.

*Joint Committee on Government and Finance*

**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 Senate President Tomblin  
Honorable House of Delegates Speaker Thompson  
Honorable Members of the Joint Committee on Government and  
Finance

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

Date: September 9, 2007

Re: Review of West Virginia Lottery Financial Information  
As of July 31, 2007 (FY 2008)

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the month of July for fiscal year ended June 30, 2008, from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. July is the first month of fiscal year 2008. The results are as follows:

**Lottery Revenues:**

Gross lottery revenues are receipts from on-line games, instant games and video lottery. These gross receipts totaled \$ 132,300,000.00 for the month of July 2007. These gross receipts were \$138,186,000.00 for July of the preceding fiscal year, 2005-2006. This number does not include commission and prize deductions. Gross profit (Gross revenues minus commissions and prize costs) for July 2007 was \$ 57,567,000.00; for the previous July it was \$58,672,000.00. Expressed as a percentage, gross profit is -1.88% lower for the first month of fiscal year 2008 than for fiscal year 2007. (Lottery income is expected to decrease this fiscal year and the FY 2008 budget appropriations

*Joint Committee on Government and Finance*

Lottery continued

in the excess lottery revenue surplus section were decreased approximately \$ 60 million dollars from the FY 2007 appropriations in anticipation of this decrease. The decreases will be caused by competition from neighboring states that have just legalized their lotteries or are expanding their lottery business.)

**Operating Income:**

Operating income was \$ 57,567,000.00 for July 2007. For July 2006 it was \$ 56,721,000.00. This was an decrease of -1.33%. After additions and subtractions of non-operating income and expenses, distributions to the state were \$56,160,000.00.

**Operating Transfers to the State of West Virginia:**

A total of \$ 56,160,000.00 has been accrued to the state of West Virginia for fiscal year 2007-2008. 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:

Bureau of Senior Services	\$ 15,394,000.00
Department of Education	\$ 9,138,000.00
Educational Broadcasting Authority	
Library Commission	\$ 2,759,000.00
Higher Education-Central Office	\$ 5,065,000.00
Tourism	\$ 2,079,000.00
Department of Natural Resources	\$ 900,000.00
Division of Culture and History	\$ 1,446,000.00

Lottery continued

Department of Education and Arts	\$ 373,000.00
State Building Commission	\$ 1,000,000.00
School Building Authority	\$ 1,800,000.00
<b>SUBTOTAL BUDGETARY TRANSFERS</b>	<b>\$ 39,954,000.00</b>

**Excess Lottery Fund**

General Purpose Fund	0
Economic Development Fund	1,900,000.00
Traffic Fund	0
Excess Lottery Surplus	0
Education Improvement Fund	1,000,000.00
WV Infrastructure Council Fund	0
Higher Education Improvement Fund	0
State Park Improvement Fund	0
Refundable Credit	0
School Building Authority	0.00
<b>TOTAL EXCESS LOTTERY FUND</b>	<b>2,900,000.00</b>

House Bill 2007 2,000,000.00

Veterans Instant Ticket Fund 46,000.00

<b>RACETRACK VIDEO LOTTERY TRANSFERS:</b>	
Tourism Promotion Fund 1.375%	\$1,008,000.00
Development Office Promo Fund	\$275,000.00
Research Challenge Fund .5%	\$366,000.00

Lottery continued

Capitol Renovation and Improvement Fund .6875%	\$504,000.00
Parking Garage Fund .0625%	\$46,000.00
Parking Garage Fund 1%	\$500,000.00
Cultural Facilities and Cap. Resources Fund .5%	\$36,000.00
Capitol Dome & Cap. Improvements Fund .5%	\$197,000.00
Workers Compensation Debt Reduction Fund 7%	\$4,003,000.00
<b>SUBTOTAL VIDEO LOTTERY TRANSFERS:</b>	<b>\$6,935,000.00</b>
<b>TOTAL TRANSFERS</b>	<b>*\$51,835,000.00</b>

\* CASH BASIS

Total Accrued last FY 2007:	180,178,000.00
Total Cash Distributions July 2007:	51,835,000.00
Applied to FY 2007:	51,835,000.00
Accrued for FY 2007 as of July 2007:	128,343,000.00
Total Accrued for FY 2008:	56,160,000.00
Total Applied to FY 2008:	-0-



P.O. BOX 2067  
CHARLESTON, WV 25327

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

Joe Manchin III  
Governor

John C. Musgrave  
Director

MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director

RE: Monthly Report on Lottery Operations  
Month Ending July 31, 2007

DATE: August 20, 2007



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, 2007 are attached. Lottery revenue, which includes on-line, instant and video lottery sales, was \$132,300,259 for the month of July.

Transfers of lottery revenue totaling \$51,835,375 made for the month of July to the designated state agencies per House Bill 2007, Veterans Instant Ticket Fund and the Racetrack Video Lottery Act (§29-22A-10). The amount transferred to each agency is shown in Note 8 on pages 14 and 15 of the attached financial statements.

The number of traditional and limited retailers active as of July 31, 2007 was 1,635 and 1,644 respectively.

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/rd  
Attachment

pc: Honorable Joe Manchin III  
James Robert Alsop, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
Glen B. Gainer III, Auditor  
Members of the West Virginia Lottery Commission

**MEMORANDUM**

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director

RE: Monthly Report on Lottery Operations  
Month Ending July 31, 2007

DATE: August 20, 2007

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, 2007 are attached. Lottery revenue, which includes on-line, instant and video lottery sales, was \$132,300,259 for the month of July.

Transfers of lottery revenue totaling \$51,835,375 made for the month of July to the designated state agencies per House Bill 2007, Veterans Instant Ticket Fund and the Racetrack Video Lottery Act (§29-22A-10). The amount transferred to each agency is shown in Note 8 on pages 14 and 15 of the attached financial statements.

The number of traditional and limited retailers active as of July 31, 2007 was 1,635 and 1,644 respectively.

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/rd  
Attachment

pc: Honorable Joe Manchin III  
James Robert Alsop, Cabinet Secretary – Dept. of 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  
-UNAUDITED-

July 31, 2007

WEST VIRGINIA LOTTERY

TABLE OF CONTENTS

	Page
BALANCE SHEETS .....	3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS.....	4
STATEMENTS OF CASH FLOWS .....	5
NOTES TO FINANCIAL STATEMENTS .....	6 - 19

**WEST VIRGINIA LOTTERY**  
**BALANCE SHEETS**  
(In Thousands)  
-Unaudited-

ASSETS	July 31, 2007	June 30, 2007
<b>Current assets:</b>		
Cash and cash equivalents	\$ 240,913	\$ 234,489
Accounts receivable	36,277	33,095
Inventory	505	433
Current portion of investments held in trust	23	23
Other assets	1,163	1,163
Total current assets	<u>278,881</u>	<u>269,203</u>
<b>Noncurrent assets:</b>		
Capital assets	13,065	13,065
Less accumulated depreciation and amortization	(11,663)	(11,615)
	<u>1,402</u>	<u>1,450</u>
Investments held in trust, less current portion	283	282
Total assets	<u>\$ 280,566</u>	<u>\$ 270,935</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accrued nonoperating distributions to the State of West Virginia	\$ 184,503	\$ 180,178
Estimated prize claims	14,498	13,592
Accounts payable	1,108	1,452
Other accrued liabilities	36,579	31,926
Current portion of deferred jackpot prize obligations	159	159
Total current liabilities	<u>236,847</u>	<u>227,307</u>
Deferred jackpot prize obligations, less current portion	141	139
Total liabilities	<u>236,988</u>	<u>227,446</u>
<b>Net assets:</b>		
Invested in capital assets	1,402	1,450
Unrestricted assets (deficit)	(902)	(950)
Unrestricted assets- Committed ( see note 14)	12,622	12,622
Restricted assets ( see note 9)	30,456	30,367
Total net assets	<u>43,578</u>	<u>43,489</u>
Total liabilities and net assets	<u>\$ 280,566</u>	<u>\$ 270,935</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE ONE MONTH PERIOD ENDED JULY 31, 2007**

(In Thousands)  
- Unaudited -

	CURRENT MONTH		YEAR TO DATE	
	2007	2006	2007	2006
Lottery revenues				
On-line games	\$ 6,344	\$ 7,602	\$ 6,344	\$ 7,602
Instant games	10,164	9,052	10,164	9,052
Racetrack video lottery	83,394	90,616	83,394	90,616
Limited video lottery	32,398	30,916	32,398	30,916
	<u>132,300</u>	<u>138,186</u>	<u>132,300</u>	<u>138,186</u>
Less commissions				
On-line games	444	532	444	532
Instant games	711	634	711	634
Racetrack video lottery	47,235	51,325	47,235	51,325
Limited video lottery	15,875	16,360	15,875	16,360
	<u>64,265</u>	<u>68,851</u>	<u>64,265</u>	<u>68,851</u>
Less on-line prizes	2,996	3,813	2,996	3,813
Less instant prizes	6,982	6,223	6,982	6,223
Less ticket costs	155	127	155	127
Less vendor fees and costs	335	500	335	500
	<u>10,468</u>	<u>10,663</u>	<u>10,468</u>	<u>10,663</u>
Gross profit	<u>57,567</u>	<u>58,672</u>	<u>57,567</u>	<u>58,672</u>
Administrative expenses				
Advertising and promotions	707	825	707	825
Wages and related benefits	520	529	520	529
Telecommunications	121	203	121	203
Contractual and professional	97	146	97	146
Rental	54	51	54	51
Depreciation and amortization	48	113	48	113
Other administrative expenses	140	134	140	134
	<u>1,687</u>	<u>2,001</u>	<u>1,687</u>	<u>2,001</u>
Other Operating Income	<u>88</u>	<u>50</u>	<u>88</u>	<u>50</u>
Operating Income	<u>55,968</u>	<u>56,721</u>	<u>55,968</u>	<u>56,721</u>
Nonoperating income (expense)				
Investment income	918	723	918	723
Interest expense	(2)	(4)	(2)	(4)
Distributions to municipalities and counties	(635)	(606)	(635)	(606)
Distributions to racetracks-capital reinvestment	-	-	-	-
Distributions to the State of West Virginia	(56,160)	(56,834)	(56,160)	(56,834)
	<u>(55,879)</u>	<u>(56,721)</u>	<u>(55,879)</u>	<u>(56,721)</u>
Net income	<u>89</u>	<u>-</u>	<u>89</u>	<u>-</u>
Net assets, beginning of period	43,489	20,250	43,489	20,250
Net assets, end of period	<u>\$ 43,578</u>	<u>\$ 20,250</u>	<u>\$ 43,578</u>	<u>\$ 20,250</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, 2007**

(In Thousands)  
- Unaudited -

	2007	2006
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 129,207	\$ 127,766
Cash payments for:		
Personnel costs	(520)	(529)
Suppliers	(1,428)	(1,203)
Other operating costs	(69,275)	(70,205)
Cash provided by operating activities	<u>57,984</u>	<u>55,829</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(51,835)	(65,343)
Distributions to municipalities and counties	(639)	(612)
Distributions to racetrack from racetrack cap. reinv. fund	-	-
Deferred jackpot prize obligations and related interest paid	(2)	(5)
Cash used in noncapital financing activities	<u>(52,476)</u>	<u>(65,960)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	-	-
Cash flows from investing activities:		
Maturities of investments held in trust	-	-
Investment earnings received	916	719
Cash provided by investing activities	<u>916</u>	<u>719</u>
Increase (decrease) in cash and cash equivalents	6,424	(9,412)
Cash and cash equivalents - beginning of period	234,489	197,719
Cash and cash equivalents - end of period	<u>\$ 240,913</u>	<u>\$ 188,307</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 55,968	\$ 56,721
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	49	113
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(3,182)	10
(Increase) decrease in inventory	(72)	75
(Increase) decrease in other assets	-	(20)
Increase (decrease) in estimated prize claims	906	(502)
Increase (decrease) in accounts payable	(343)	(7)
Increase (decrease) in other accrued liabilities	4,658	(561)
Cash provided by operating activities	<u>\$ 57,984</u>	<u>\$ 55,829</u>

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

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**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." 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% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered an enterprise fund 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.

**BASIS OF PRESENTATION** – The West Virginia Lottery is an enterprise fund of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and with accounting principles generally accepted in the United States of America, 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.

The Lottery is included in the State's basic financial statements as a proprietary fund and business type activity using the accrual basic of accounting. Because of the Lottery's presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

**USE OF ESTIMATES** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. All bonded retailers and 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.

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

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 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 board-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, currency, 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 racetrack 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 racetrack 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 racetrack video lottery and imposed certain restrictions limiting the licensing for operation of racetrack video lottery games to horse and dog

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

racetracks in West Virginia, subject to local county elections permitting the same. The legislation further stipulates the distribution of revenues from racetrack 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.

Limited video lottery is also a self-activated video version of lottery games, which were first placed in operation in December 2001, located in limited licensed retailer areas restricted for adult amusement. The games allow a player to use currency to place bets for the chance to receive free games or vouchers which may be redeemed for cash. The limited video lottery games' prize structures are designed to award prizes, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as limited video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to private entities are reported as commissions. Limited video lottery permit holders are statutorily responsible for acquiring equipment and bearing the risk associated with the costs of operating the games.

**CASH AND CASH EQUIVALENTS** -- Cash and cash equivalents primarily 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.

**CAPITAL ASSETS** -- The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. Portions of these facilities were subleased to the Lottery's game vendor until January 31, 2007 at which time the Lottery took occupancy of the total facility. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the one month ended July 31, 2007 and July 31, 2006 approximated \$54,010 and \$50,882, respectively. Sublease rental income for the one month ended July 31, 2007 and July 31, 2006 approximated \$0 and \$8,644, respectively.

The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements, contributed and purchased equipment, comprised principally of technology property, 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 \$298,548 and \$281,146 of vacation and \$467,954 and \$468,058 of sick leave at June 30, 2007 and 2006, 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 hired prior to July 1, 2001, vest in unused sick leave only upon

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. For employees hired prior to July 1, 1988, the Lottery pays 100% of the post-retirement health care premium. The Lottery pays 50% of the premium for employees hired after June 30, 1988 through July 1, 2001. The estimated obligation for sick leave is based on historical retirement rates and current health care premiums applicable to employee hire dates. Employees hired after June 30, 2001 do not vest in unused sick leave upon retirement.

**NET ASSETS** – Net assets are presented as restricted, unrestricted and invested in capital assets which represents the net book value of all property and equipment of the Lottery.

**OPERATING REVENUES AND EXPENSES** – Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At July 31, 2007 the carrying amounts of deposits (overdraft) with financial institutions were (\$60) thousand with a bank balance of \$56 thousand. Of this balance \$100 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia's agent in the State's name.

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

	<u>July 31, 2007</u>	<u>June 30, 2007</u>
Amount on deposit with the IMB	<u>\$240,973</u>	<u>\$234,497</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 4 – CAPITAL ASSETS**

A summary of capital asset activity for the month ended July 31, 2007 is as follows (in thousands):

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
-Unaudited-

**NOTE 4 – CAPITAL ASSETS (continued)**

Capital Assets:

	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At July 31, 2007
Construction in Progress	\$ 442	\$ -	\$ -	\$ 442
Improvements	1,119	-	-	1,119
Equipment	11,504	-	-	11,504
	<u>\$ 13,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,065</u>
Accumulated Depreciation:				
	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At July 31, 2007
Improvements	\$ 925	\$ 6	\$ -	\$ 931
Equipment	10,690	42	-	10,732
	<u>\$ 11,615</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 11,663</u>

**NOTE 5 - 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, 2007 were \$3,654,688 and \$3,654,688 while related prize costs for the same periods were \$1,693,395 and \$1,693,395.

Revenues derived from the Lottery's participation in the HOT LOTTO game for the month and year-to-date periods ended July 31, 2007 were \$310,195 and \$310,195 while related prize costs for the same periods were \$147,691 and \$147,691.

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 \$75,000,000 limit on the POWERBALL Prize Reserve Fund and a \$25,000,000 limit on the Set 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, 2007 the POWERBALL prize reserve funds had a balance

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)**

of \$94,125,396 of which the Lottery's share was \$2,270,524. The Lottery has charged amounts placed into the prize reserve funds to prize costs as the related sales have occurred.

**NOTE 6 - RACETRACK VIDEO LOTTERY**

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks. Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (66%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (47%); other private entities associated with the racing industry (17%); and the local county and municipal governments (2%). The remaining revenues (34%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 8 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack. After deduction of the surcharge, 55% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (11%); and the local county and incorporated municipality governments (2%). The remaining net terminal revenue (45%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 8.

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.

The WV Lottery, along with the Rhode Island and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of 4% of the amount wagered. A summary of racetrack video lottery revenues for the month ended July 31, 2007 and year-to-date follows (in thousands):

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 6 - RACETRACK VIDEO LOTTERY (continued)**

	<u>Current</u>	<u>Month</u>	<u>Year- to -Date</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Total credits played	\$873,013	\$960,263	\$873,013	\$960,263
Credits (prizes) won	(789,278)	(869,434)	(789,278)	(869,434)
MWAP Contributions	(341)	(213)	(341)	(213)
Gross terminal income	<u>\$83,394</u>	<u>\$90,616</u>	<u>\$83,394</u>	<u>\$90,616</u>
Administrative costs	(3,336)	(3,626)	(3,336)	(3,626)
Net Terminal Income	<u>\$80,058</u>	<u>\$86,990</u>	<u>\$80,058</u>	<u>\$86,990</u>
Less distribution to agents	(47,235)	(51,325)	(47,235)	(51,325)
Racetrack video lottery revenues	<u>\$32,823</u>	<u>\$35,665</u>	<u>\$32,823</u>	<u>\$35,665</u>

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

	<u>July 31, 2007</u>	<u>Year-to Date</u>
State Lottery Fund	\$24,018	\$24,018
State Excess Lottery Revenue Fund	-	-
Capital Reinvestment Fund	-	-
Tourism Promotion Fund 1.375%	1,101	1,101
Development Office Promotion Fund .375 %	300	300
Research Challenge Fund .5 %	400	400
Capitol Renovation & Improvement Fund .6875 %	550	550
Parking Garage Fund .0625 %	50	50
Parking Garage Fund 1 %	500	500
Cultural Facilities & Capitol Resources Fund .5 %	150	150
Capitol Dome & Capitol Improvements Fund .5 %	150	150
Worker's Compensation Debt Reduction Fund 7 %	5,604	5,604
Total nonoperating distributions	<u>\$32,823</u>	<u>\$32,823</u>

**NOTE 7 - LIMITED VIDEO LOTTERY**

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 7 - LIMITED VIDEO LOTTERY (continued)**

on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses. A summary of limited video lottery revenues for the month ended July 31, 2007 and year-to-date follows (in thousands):

	<u>Current</u> <u>2007</u>	<u>Month</u> <u>2006</u>	<u>Year- to</u> <u>2007</u>	<u>-Date</u> <u>2006</u>
Total credits played	\$396,544	\$379,402	\$396,544	\$379,402
Credits (prizes) won	(364,146)	(348,486)	(364,146)	(348,486)
Gross terminal income	<u>\$32,398</u>	<u>\$30,916</u>	<u>\$32,398</u>	<u>\$30,916</u>
Administrative costs	(648)	(619)	(648)	(619)
Gross Profit	<u>\$31,750</u>	<u>\$30,297</u>	<u>\$31,750</u>	<u>\$30,297</u>
Commissions	(15,875)	(16,360)	(15,875)	(16,360)
Municipalities and Counties	(635)	(606)	(635)	(606)
Limited video lottery revenues	<u>\$15,240</u>	<u>\$13,331</u>	<u>\$15,240</u>	<u>\$13,331</u>

**NOTE 8 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2008 the State Legislature budgeted \$169,932,463 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000 and \$1,000,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$2,900,000 per month for the first ten months of each fiscal year, with \$1,000,000 of this amount beginning September 2004. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. During the month ended July 31, 2007 the Lottery made such distributions and accrued additional distributions of \$47,353,473. The Lottery is a non-appropriated state agency and therefore does not have a budget adopted by the Legislature.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 8 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**  
**(continued)**

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 6. As of July 31, 2007 the Lottery accrued additional distributions relating to racetrack video lottery operations of \$2,516,608.

Note 7 describes the Limited Video Lottery Act and the statutory distributions required to be made from limited video lottery operations.

A summary of the cash distributions made to certain state agencies to conform to the legislation follows (in thousands):

<u>BUDGETARY DISTRIBUTIONS</u>	<u>July 31, 2007</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Bureau of Senior Services	\$ 15,394	\$ 15,394
Department of Education	9,138	9,138
Library Commission	2,759	2,759
Higher Education-Policy Commission	5,065	5,065
Tourism	2,079	2,079
Natural Resources	900	900
Division of Culture & History	1,446	1,446
Department of Education & Arts	373	373
Building Commission	1,000	1,000
School Building Authority	1,800	1,800
Total State Lottery Fund	\$ 39,954	\$ 39,954
<u>State Excess Lottery Revenue Fund:</u>		
Economic Development Fund	\$ 1,900	\$ 1,900
Higher Education Improvement Fund	1,000	1,000
General Purpose Account	-	-
Higher Education Improvement Fund	-	-
State Park Improvement Fund	-	-
School Building Authority	-	-
Refundable Credit	-	-
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	-	-
Total State Excess Lottery Revenue Fund	\$ 2,900	\$ 2,900
House Bill 2007	\$ 2,000	\$ 2,000
Total Budgetary distributions:	\$ 44,854	\$ 44,854
Veterans Instant Ticket Fund	\$ 46	\$ 46

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 8 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**  
**(continued)**

Other Racetrack Video Lottery distributions:

Tourism Promotion Fund 1.375%	\$ 1,008	\$ 1,008
Development Office Promotion Fund .375%	275	275
Research Challenge Fund .5%	366	366
Capitol Renovation & Improvement Fund .6875%	504	504
Parking Garage Fund .0625 %	46	46
Parking Garage Fund 1 %	500	500
Cultural Facilities & Cap. Resources Fund .5%	36	36
Capitol Dome & Cap. Improvements Fund .5%	197	197
Workers Compensation Debt Reduction Fund 7%	4,003	4,003
Total	\$ 6,935	\$ 6,935

Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 51,835	\$ 51,835
Accrued nonoperating distributions, beginning	(180,178)	(180,178)
Accrued nonoperating distributions, end	184,503	184,503
Total nonoperating distributions to the State of West Virginia	\$ 56,160	\$56,160

**NOTE 9 - RESTRICTED NET ASSETS**

On June 14, 2006, House Bill 106 was enacted by the West Virginia State Legislature to set aside unexpended administrative expenses of the Lottery up to the limits for such expenses established by the enabling legislation of traditional, racetrack video lottery, and limited video lottery games in an amount not to exceed \$20,000,000 beginning in fiscal year 2006 and each year through fiscal year 2012. These assets are to be set aside for the design and construction of a building for the use of the Lottery and certain other State of West Virginia governmental entities. The lottery contributed \$20,000,000 to the fund for fiscal year 2006 plus \$9,539,860 and related interest of \$827,008 for fiscal year 2007.

**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, 2007, 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

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
-**Unaudited**-

**NOTE 10 - DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST**  
(continued)

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, 2007</u>	<u>June 30, 2007</u>
Present value of deferred prize award obligations:		
Discounted obligations outstanding	\$ 279	\$ 279
Imputed interest accrued	<u>21</u>	<u>19</u>
	300	298
Less current portion of discounted obligations and accrued interest	<u>(159)</u>	<u>(159)</u>
Long-term portion of deferred prize award obligations	<u>\$ 141</u>	<u>\$ 139</u>

Future cash payments on deferred prize obligations for each of the remaining two years are as follows (in thousands):

<u>Year Ended</u>	Original Discounted Obligations Outstanding	Imputed Interest	Total
June 30, 2008	159	23	182
June 30, 2009	<u>120</u>	<u>10</u>	<u>130</u>
	<u>\$ 279</u>	<u>\$ 33</u>	<u>\$ 312</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 due 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.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**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 defined benefit 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.

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 with age and credited service equal to eighty or greater 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 average annual salary from the highest 36 consecutive months within the last 10 years of employment, 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 10.5% 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 not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the period ending July 31, 2007 are as follows (in thousands):

	<u>July 31, 2007</u>	<u>Year-to Date</u>
Lottery contributions	\$39	\$39
Employee contributions	19	19
Total contributions	\$58	\$58

**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 their 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.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 12 - RISK MANAGEMENT (continued)**

**WEST VIRGINIA WORKERS' COMPENSATION COMMISSION (WCC)**

The State of West Virginia operated an exclusive state-managed workers' compensation insurance program (WCC) prior to December 31, 2005. A framework for the privatization of workers' compensation insurance in West Virginia was established with the passage of Senate Bill 1004 and the WCC trust fund was terminated effective December 31, 2005. A privatized business entity, BrickStreet Administrative Services (BAS), was established and became the administrator of the WCC Old Fund, beginning January 1, 2006, and thereafter for seven years, and will have all administrative and adjudicatory authority previously vested in the WCC trust fund in administering old law liabilities and otherwise processing and deciding old law claims. BAS will be paid a monthly administrative fee and rated premium to provide a prompt and equitable system for compensation for injury sustained in the course of and growing out of employment. The monthly administrative fee for the West Virginia Lottery has been set at a level consistent with prior year payments and the new rate or premium will be established on an experience rated basis. The West Virginia Lottery is required to participate in the new BrickStreet Administrative Services (BAS) experience rated pool, which is expected to be rate adjusted on a quarterly basis.

**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 and level of compensation. 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

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 12 - RISK MANAGEMENT (continued)**

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.

**NOTE 13 - POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS**

The GASB has issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," and Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB). The State nor the Lottery has previously reported in its financial statements costs associated with future participation of retirees in health benefit plans. The GASB statements are based on the premise that the "costs" of employee services should be reported during the periods when the services are rendered. Beginning with the fiscal year ending June 30, 2007, the State will implement financial reporting requirements for OPEB "substantive plans" under GASB Statement No. 43; beginning with fiscal year ending June 30, 2008, the State will implement accounting and financial reporting requirements as an employer under GASB Statement No. 45. The financial statements will report OPEB funded status and funding progress and any "premium subsidy" resulting from the pooling of retiree participants with active employees in the health benefit plans. For "employer" OPEB reporting the State will report "expense" on an accrual basis in the amount of the "annual required contribution" and a "liability" for the amount of the "annual required contribution" that was not actually paid.

Funds have not been set aside to pay future costs of retirees, but the Legislature in response to the GASB statements, has made statutory changes to create the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs may be accumulated and invested, and which is expected to facilitate the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB No. 43, the ARC(Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC shall be allocated to respective employers including the Lottery who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residue funds held in trust for future OPEB costs. Because the necessary actuarial study has not yet been completed, the annual required contribution rates are not yet available. The Lottery expects to remit the annual required contribution to the State. The impact of this statement on these financial statements has not yet been determined by management.

**NOTE 14 - COMMITMENTS**

The Lottery has set aside funds as Unrestricted net assets for the acquisition of future assets. As of July 31, 2007 the lottery has set aside \$12.622M for future assets.

**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 Senate President Tomblin  
Honorable House of Delegates Speaker Thompson  
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 5, 2007

Re: Status of General Revenue Fund August 31, 2007

We have reviewed the cash revenue flows of the West Virginia general revenue fund for the month of August of fiscal year 2007-2008. The status of the fund collections are as follows:

The net collections were **107.52%** of the estimate for the fiscal year. **The amount ABOVE estimate was \$ 41 million for the year.**

Personal income tax was \$13 million over the estimate for the year to date as of August 31, 2007.

Severance tax was \$ 6.6 million above the estimate as of August 31, 2007.

Consumer sales tax was \$ 7.6 million above the estimate as of August 31, 2007.

*Joint Committee on Government and Finance*

**State Road Fund**

The state road fund was collected at 108.86% of the estimate for the year as of August 31, 2007. The entire fund was \$ 10.4 million above the estimate for the year.

**Rainy Day and Personal Income Tax Reserve**

Revenue Shortfall Reserve Fund A(Rainy Day Fund) had a cash balance of \$ \$229,333,335.83 as of August 31, 2007.

Balance July 1, 2007	235,075,887.42
Cash flow loan to General Revenue on July 3, 2007 To be repaid 90 days. This is a normal occurrence in July due to cash flow demands; will be repaid in September.	- 56,000,000.00
Revenues July 1, 2006-June 30,2007 (Surplus from FY 2007)	53,363,287.82
Earnings	-3,105,839.41
Balance August 31, 2007	229,333,335.83

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$ 279,875,140.10 as of August 31, 2007.

Balance July 1, 2007	279,869,087.79
Earnings	6,052.31
Balance August 31, 2007	279,875,140.10

The Special Income Tax Reserve Fund had a cash balance of \$45,019,318.96 as of August 31, 2007.

Balance July 1, 2007	45,019,318.96
Revenues July 2007-June 2008	-0-
Balance August 31, 2007	45,019,318.96

**GENERAL REVENUE FUND FY 2007-2008**

Monthly Revenue Estimates July 2007

as of August 31, 2007 WVFIMS

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY
			MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS			OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Personal Income Tax	96,900,000	98,060,996	1,160,996	208,800,000	221,810,129	13,010,129
Consumer Sales Tax	86,700,000	89,409,279	2,709,279	179,900,000	187,510,319	7,610,319
Severance Tax	33,500,000	33,837,279	337,279	33,500,000	40,103,596	6,603,596
Business and Occupation	13,500,000	11,970,366	-1,529,634	23,700,000	25,433,298	1,733,298
Insurance Tax	800,000	1,679,396	879,396	22,900,000	24,121,051	1,221,051
Use Tax	8,500,000	9,856,039	1,356,039	22,500,000	23,962,955	1,462,955
Cigarette Tax	10,200,000	10,050,697	-149,303	19,200,000	18,383,787	-816,213
Corp Income /Business Franchise	6,000,000	6,447,356	447,356	17,300,000	22,755,017	5,455,017
Interest Income	4,000,000	4,869,616	869,616	7,000,000	9,513,287	2,513,287
Property Transfer Tax	1,120,000	1,136,271	16,271	2,460,000	2,360,946	-99,054
Charter Tax	330,000	634,791	304,791	2,450,000	2,213,896	-236,104
Departmental Collections	900,000	1,395,506	495,506	1,600,000	2,216,191	616,191
Beer Tax and Licenses	700,000	802,879	102,879	1,510,000	1,580,549	70,549
Liquor Profit Transfers	20,000	45,072	25,072	1,320,000	1,562,822	242,822
Miscellaneous Transfers	100,000	991,093	891,093	100,000	991,093	891,093
Smokeless Tobacco Tax	430,000	449,949	19,949	900,000	884,366	-15,634
Business Franchise Fees	80,000	132,601	52,601	420,000	918,799	498,799
Property Tax	240,000	273,190	33,190	320,000	373,501	53,501
Miscellaneous Receipts	150,000	80,127	-69,873	280,000	174,422	-105,579
Senior Citizen Tax Credit Reimb.	0	0	0	90,000	0	-90,000
HB 102 - Lottery Transfers	0	0	0	0	0	0
Racing Fees	0	140,000	140,000	0	140,000	140,000
Telecommunications Tax	0	51,586	44,347	0	63,734	63,734
Estate and Inheritance Tax	0	-3,427	-3,427	0	45,601	45,601
Refundable Credit Reim LTY	0	157,365	157,365	0	157,365	157,365
Video Lottery Transfers	0	0	0	0	72,218	72,218
Special Revenue Transfer	0	0	0	0	0	0
Cash Flow Transfer	0	56,000,000	0	0	56,000,000	0
<b>TOTALS</b>	<b>264,170,000</b>	<b>328,468,026</b>	<b>64,298,026</b>	<b>546,250,000</b>	<b>643,348,940</b>	<b>97,098,940</b>
Minus Cash Flow Transfer	0	56,000,000	0	0	56,000,000	0
Percent of Estimates		<b>103.14%</b>			<b>107.52%</b>	
<b>TOTALS</b>	<b>264,170,000</b>	<b>272,468,026</b>	<b>8,298,026</b>	<b>546,250,000</b>	<b>587,348,940</b>	<b>41,098,940</b>
Collections this day		<b>42,178,686</b>				

Prepared by Legislative Auditor's Office, Budget Division

**STATE ROAD FUND**  
**STATE ROAD FUND FY 2007-2008**  
**Monthly Estimates July 2007**  
**as of August 31, 2007 WVFIMS**

FINAL

<b>SOURCE OF REVENUE</b>	<b>MONTH ESTIMATES</b>	<b>NET MONTH COLLECTIONS</b>	<b>MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS</b>	<b>YTD ESTIMATES</b>	<b>NET YTD COLLECTIONS</b>	<b>YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS</b>
Gasoline & Motor Carrier Rd Tax	26,500,000	32,762,127	6,262,127	68,000,000	77,222,926	9,222,926
Privilege Tax	16,896,000	17,204,714	308,714	34,084,000	34,816,393	732,393
Licenses & Registration	6,317,000	6,410,188	93,188	15,850,000	16,382,898	532,898
Highway Litter Control Fund	120,000	118,156	-1,844	300,000	288,250	-11,750
<b>TOTALS</b>	<b>49,833,000</b>	<b>56,495,184</b>	<b>6,662,184</b>	<b>118,234,000</b>	<b>128,710,466</b>	<b>10,476,466</b>
Percent of Estimates		<b>113.37%</b>			<b>108.86%</b>	
Collections this day		<b>28,081,690</b>				

REVENUE SHORTFALL RESERVE FUND A as of August 1, 2007 : \$178,158,544.98

REVENUE SHORTFALL RESERVE FUND B as of August 1, 2007 : \$284,996,595.21

SPECIAL INCOME TAX REFUND RESERVE FUND as of August 1, 2007: \$45,019,318.96



# *Monthly Management Report*

**TOTAL CLAIMS**

**JULY 2007**

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

JULY 2007

Page: 1

Reporting Category	Type of Service	Current			12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments	Rolling Avg PEIA Payments		
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	137,810.56	162,147.54	137,591.33	145,790.18	137,810.56	137,591.33	
	MATERNITY	177,461.95	156,459.53	145,095.71	144,179.34	177,461.95	145,095.71	
	MEDICAL AND SURGICAL	5,405,496.03	4,918,526.36	3,701,853.49	5,315,397.72	5,405,496.03	3,701,853.49	
	NEONATAL COMPLICATIONS	110,444.76	95,484.87	87,225.50	56,772.61	110,444.76	87,225.50	
*****	sum	5,831,213.30	5,332,618.29	4,071,766.03	5,662,139.85	5,831,213.30	4,071,766.03	
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	24,854.92	35,685.38	30,928.35	41,572.49	24,854.92	30,928.35	
	DIALYSIS	136,208.33	156,740.47	125,770.77	158,283.06	136,208.33	125,770.77	
	EMERGENCY ROOM	382,780.33	378,141.22	275,512.07	398,790.23	382,780.33	275,512.07	
	MATERNITY	25,229.27	41,792.85	22,684.44	42,630.17	25,229.27	22,684.44	
	MEDICAL AND SURGICAL	6,719,361.42	6,308,986.92	5,351,443.74	6,677,681.08	6,719,361.42	5,351,443.74	
*****	sum	7,288,434.27	6,921,346.83	5,806,339.37	7,318,957.03	7,288,434.27	5,806,339.37	
PHARMACY	PRESCRIPTION DRUGS	6,386,684.90	10,241,185.85	6,384,234.58	9,155,007.12	6,386,684.90	6,384,234.58	
*****	sum	6,386,684.90	10,241,185.85	6,384,234.58	9,155,007.12	6,386,684.90	6,384,234.58	
PROFESSIONAL SERVICES	ADVANCED IMAGING	471,084.17	464,117.22	408,277.11	466,069.66	471,084.17	408,277.11	
	AMBULANCE	177,009.04	156,806.16	114,981.23	166,328.89	177,009.04	114,981.23	
	ANESTHESIA	710,244.66	601,688.29	603,306.42	622,242.57	710,244.66	603,306.42	
	BEHAVIORAL	251,782.98	314,521.33	235,463.45	330,562.80	251,782.98	235,463.45	
	CARDIOVASCULAR MEDICINE	332,857.62	356,325.34	291,317.03	388,640.48	332,857.62	291,317.03	
	CERVICAL CANCER SCREENING	16,496.88	23,953.14	27,272.52	32,393.78	16,496.88	27,272.52	
	DIALYSIS	5,819.78	8,499.83	8,487.59	17,615.09	5,819.78	8,487.59	
	DME	457,748.42	306,555.15	307,988.33	339,546.60	457,748.42	307,988.33	

SOURCE: ACORDIA NATIONAL AND EXPRESS SCRIPTS PAID CLAIMS TAPES

NOTE: CLAIMS LISTED ARE ON A PAID BASIS

NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINISTRATIVE FEES, OR RECOVERIES

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS  
 JULY 2007

Page: 2

Reporting Category	Type of Service	Current		12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments		
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	3,404,723.14	4,033,834.53	3,223,897.09	3,930,095.86	3,404,723.14	3,223,897.09
	IMMUNIZATION	252,284.17	244,279.23	99,613.29	153,928.39	252,284.17	99,613.29
	INJECTION	687,200.86	661,989.40	570,110.73	680,704.31	687,200.86	570,110.73
	LAB AND PATHOLOGY	580,751.57	594,885.25	538,817.17	606,139.13	580,751.57	538,817.17
	MAMMOGRAPHY	903.77	52,310.96	80,612.21	92,040.19	903.77	80,612.21
	OTHER	332,778.99	337,587.96	284,614.95	411,268.45	332,778.99	284,614.95
	OTHER IMAGING	789,475.58	807,155.40	679,962.26	778,611.05	789,475.58	679,962.26
	OTHER MEDICINE	1,238,158.38	598,883.74	798,231.60	589,351.47	1,238,158.38	798,231.60
	PHYSICAL MEDICINE	450,746.70	527,904.60	443,794.16	519,441.14	450,746.70	443,794.16
	PROSTATE CANCER SCREENING	15,523.40	15,275.54	16,043.77	16,210.81	15,523.40	16,043.77
	SURGICAL	2,286,858.35	2,320,174.49	2,273,077.42	2,390,889.33	2,286,858.35	2,273,077.42
*****							
sum		12,462,448.46	12,426,747.54	11,005,868.33	12,532,079.99	12,462,448.46	11,005,868.33
*****							
sum		31,968,780.93	34,921,898.51	27,268,208.31	34,668,183.99	31,968,780.93	27,268,208.31

SOURCE: ACORDIA NATIONAL AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS  
 NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINSTRATIVE FEES, OR RECOVERIES

29 rows selected.



# *Monthly Management Report*

**PER CAPITA CLAIMS**

**JULY 2007**

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS  
 JULY 2007

Page: 1

Reporting Category	Type of Service	Current		12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments		
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	.9052	1.1169	.9255	1.0119	.9052	.9255
	MATERNITY	1.1656	1.0779	.9760	1.0005	1.1656	.9760
	MEDICAL AND SURGICAL	35.5055	33.8749	24.9003	36.8931	35.5055	24.9003
	NEONATAL COMPLICATIONS	.7254	.6587	.5867	.3938	.7254	.5867
***** sum		38.3018	36.7283	27.3885	39.2993	38.3018	27.3885
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.1633	.2459	.2080	.2884	.1633	.2080
	DIALYSIS	.8947	1.0801	.8460	1.0981	.8947	.8460
	EMERGENCY ROOM	2.5143	2.6042	1.8532	2.7668	2.5143	1.8532
	MATERNITY	.1657	.2879	.1526	.2957	.1657	.1526
	MEDICAL AND SURGICAL	44.1355	43.4567	35.9962	46.3351	44.1355	35.9962
***** sum		47.8734	47.6747	39.0560	50.7842	47.8734	39.0560
PHARMACY	PRESCRIPTION DRUGS	41.9503	70.5462	42.9432	63.4988	41.9503	42.9432
***** sum		41.9503	70.5462	42.9432	63.4988	41.9503	42.9432
PROFESSIONAL SERVICES	ADVANCED IMAGING	3.0943	3.1966	2.7463	3.2332	3.0943	2.7463
	AMBULANCE	1.1627	1.0802	.7734	1.1540	1.1627	.7734
	ANESTHESIA	4.6652	4.1444	4.0581	4.3184	4.6652	4.0581
	BEHAVIORAL	1.6538	2.1659	1.5838	2.2926	1.6538	1.5838
	CARDIOVASCULAR MEDICINE	2.1863	2.4538	1.9595	2.6960	2.1863	1.9595
	CERVICAL CANCER SCREENING	.1084	.1651	.1834	.2249	.1084	.1834
	DIALYSIS	.0382	.0586	.0571	.1223	.0382	.0571
	DME	3.0067	2.1113	2.0717	2.3564	3.0067	2.0717

SOURCE: ACORDIA NATIONAL AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS  
 NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINISTRATIVE FEES, OR RECOVERIES

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS  
 JULY 2007

Page: 2

Reporting Category	Type of Service	Current		12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments		
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	22.3636	27.7834	21.6854	27.2691	22.3636	21.6854
	IMMUNIZATION	1.6571	1.6817	.6700	1.0680	1.6571	.6700
	INJECTION	4.5138	4.5596	3.8348	4.7240	4.5138	3.8348
	LAB AND PATHOLOGY	3.8146	4.0958	3.6243	4.2032	3.8146	3.6243
	MAMMOGRAPHY	.0059	.3614	.5422	.6389	.0059	.5422
	OTHER	2.1858	2.3258	1.9144	2.8556	2.1858	1.9144
	OTHER IMAGING	5.1856	5.5577	4.5737	5.4006	5.1856	4.5737
	OTHER MEDICINE	8.1327	4.1257	5.3693	4.0888	8.1327	5.3693
	PHYSICAL MEDICINE	2.9607	3.6359	2.9852	3.6036	2.9607	2.9852
	PROSTATE CANCER SCREENING	.1020	.1052	.1079	.1124	.1020	.1079
	SURGICAL	15.0210	15.9819	15.2897	16.5912	15.0210	15.2897
*****							
sum		81.8584	85.5900	74.0303	86.9531	81.8584	74.0303
sum		209.9838	240.5393	183.4180	240.5354	209.9838	183.4180

SOURCE: ACORDIA NATIONAL AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS  
 NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINISTRATIVE FEES, OR RECOVERIES

29 rows selected.



# *Monthly Management Report*

**PER CAPITA UTILIZATION**

**JULY 2007**

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION  
JULY 2007

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	.0004	.0004	.0004	.0004
	MATERNITY	.0008	.0008	.0008	.0008
	MEDICAL AND SURGICAL	.0078	.0069	.0078	.0069
	NEONATAL COMPLICATIONS	.0003	.0003	.0003	.0003
***** sum		.0093	.0083	.0093	.0083
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0021	.0019	.0021	.0019
	DIALYSIS	.0038	.0029	.0038	.0029
	EMERGENCY ROOM	.0212	.0166	.0212	.0166
	MATERNITY	.0014	.0014	.0014	.0014
	MEDICAL AND SURGICAL	.1860	.1502	.1860	.1502
***** sum		.2146	.1730	.2146	.1730
PHARMACY	PRESCRIPTION DRUGS	.7537	.7390	.7537	.7390
***** sum		.7537	.7390	.7537	.7390
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0197	.0179	.0197	.0179
	AMBULANCE	.0037	.0027	.0037	.0027
	ANESTHESIA	.0191	.0170	.0191	.0170
	BEHAVIORAL	.0335	.0309	.0335	.0309
	CARDIOVASCULAR MEDICINE	.0288	.0278	.0288	.0278
	CERVICAL CANCER SCREENING	.0051	.0079	.0051	.0079
	DIALYSIS	.0004	.0006	.0004	.0006
	DME	.0220	.0182	.0220	.0182
	EVALUATION AND MANAGEMENT	.3858	.3939	.3858	.3939
	IMMUNIZATION	.0171	.0097	.0171	.0097

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

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION  
 JULY 2007

Page: 2

Reporting Category	Type of Service	Current Period Encounters	12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
PROFESSIONAL SERVICES	INJECTION	.0218	.0201	.0218	.0201
	LAB AND PATHOLOGY	.1491	.1303	.1491	.1303
	MAMMOGRAPHY	.0002	.0121	.0002	.0121
	OTHER	.0254	.0219	.0254	.0219
	OTHER IMAGING	.0947	.0832	.0947	.0832
	OTHER MEDICINE	.0645	.0652	.0645	.0652
	PHYSICAL MEDICINE	.0921	.0859	.0921	.0859
	PROSTATE CANCER SCREENING	.0059	.0059	.0059	.0059
	SURGICAL	.0708	.0675	.0708	.0675
*****					
sum		1.0597	1.0189	1.0597	1.0189
sum		2.0372	1.9391	2.0372	1.9391

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

29 rows selected.



# *Prescription Drug Report*

*JULY 2007*

WVA - Monthly Trend

Plan Demographics	2007 - 2008 Fiscal	2006 - 2007 Fiscal	Percent Change
Total Drug Cost	\$10,949,634	\$11,165,844	-1.94%
Amount Paid By Plan Sponsor	\$6,211,723	\$6,542,294	-5.05%
Amount Paid By Members	\$4,737,911	\$4,623,549	2.47%
Total Claims	172,872	166,805	3.64%
Average Eligible Member	153,233	155,469	-1.44%
Average # of Rx's Per Member Per Month	1.13	1.07	5.15%
Plan Paid Per Member Per Month (PMPM)	\$40.54	\$42.08	-3.67%
Average Eligible Enrollees	71,040	72,641	-2.20%
Average # of Rx's Per Enrollee Per Month	2.43	2.30	5.97%
Plan Paid Per Enrollee Per Month (PEPM)	\$87.44	\$90.06	-2.91%
<b>Rx Cost Share</b>			
Avg. Claim Cost to Plan	\$35.93	\$39.22	-8.39%
Avg. Member Cost/Claim	\$27.41	\$27.72	-1.12%
Percent member Cost Share	43.3%	41.4%	4.50%
<b>Average Ingredient Costs</b>			
Single Source (no generics available)	\$148.30	\$131.40	12.86%
Multi-Source Brand (generics available)	\$36.64	\$35.30	3.80%
Generic Drugs	\$19.36	\$22.99	-15.78%
<b>Brand/Generic Dispensing Rates</b>			
Single Source (no generics)	32.61%	38.41%	-15.10%
Multi-Source Brand % (generics available)	1.10%	1.30%	-15.28%
Generic Drug	66.29%	60.29%	9.95%
Generics Dispensed when available	98.36%	97.89%	0.49%
Percent of Plan Cost for Single Source	86.41%	82.93%	4.19%
<b>Retail Pharmacy Program</b>			
Avg. Day Supply	32.2	32.2	0.08%
Avg. Plan Cost/Day Supply	\$1.10	\$1.21	-8.60%
Avg. Claim Cost to Plan	\$35.53	\$38.84	-8.52%
Avg. Member Cost / Claim	\$27.25	\$27.59	-1.23%
Percent Member Cost Share	43.41%	41.5%	4.51%
Special Maint Netwk (% of claims filled)		10.7%	-100.00%
Other Maint (% of claims filled)		1.3%	-100.00%
Avg. Days Supply for Maint. Netwks		87.6	-100.00%
Total # Claims Fills 1-34 Days Supply	150,880	145,369	3.79%
Total # Claims Fills 35-60 Day Supply	1,124	1,139	-1.32%
Total # Claims Fills 61-90 Day Supply	19,279	18,694	3.13%
Total # Claims Fills 91+ Day Supply	7	29	-75.86%
<b>Mail Service Program</b>			
Avg. Days Supply	70.9	72.5	-2.15%
Avg. Plan Cost/Days Supply	\$1.13	\$1.10	2.42%
Avg. Cost to Plan	\$79.94	\$79.76	0.22%
Avg. Member Cost/Claim	\$44.16	\$41.06	7.53%
Percent Member Cost Share	35.58%	33.99%	4.70%
Total # Claims Fills 1-34 Days Supply	512	463	10.58%
Total # Claims Fills 35-60 Days Supply	2	3	-33.33%
Total # Claims Fills 61-90 Days Supply	1,068	1,108	-3.61%
Total # Claims Fills 91+ Day Supply			
<b>Formulary Program</b>			
S/S Formulary Drugs (% by claim)	23.79%	25.25%	-5.77%
S/S Non-Formulary Drugs (% by claim)	8.81%	13.16%	-33.02%
S/S Drugs (% by claim)	0.02%	0.07%	-70.05%
Generic Drugs (% by Claim)	66.29%	60.29%	9.95%
S/S Formulary Drugs (% by \$)	75.01%	65.35%	14.78%
S/S non-Formulary Drugs (% by \$)	11.40%	17.59%	-35.19%
S/S Drugs (% by \$)	0.09%	0.06%	63.83%
Generic Drugs (% by \$)	13.32%	16.77%	-20.56%
<b>Specialty Drugs</b>			
Total Drug Cost	\$1,084,563	\$989,653	9.59%
Amount Paid by Plan Sponsor	\$1,029,591	\$928,639	10.87%
Amount Paid by Members	\$54,972	\$61,014	-9.90%
Total Claims	622	715	-13.01%
Avg # of Rx's per Member per Month	0.00	0.005	-11.74%
Plan Paid Per Member Per Month (PMPM)	\$6.72	\$5.97	12.49%
Avg Claim Cost to Plan	\$1,655.29	\$1,298.80	27.45%
Avg Claim Cost to Member	\$88.38	\$85.33	3.57%
Percent of Member Cost Share	5.07%	6.17%	-17.79%
Percent of Overall Drug Spend	9.91%	8.86%	11.75%

**West Virginia Board of Risk and Insurance Management  
UNAUDITED BALANCE SHEET**

**DRAFT**

	July 31	
	2007	2006
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 31,568,853	\$ 42,467,135
Advance Deposit with Carrier/Trustee	115,169,748	83,649,650
Receivables - Net	6,089,516	7,925,144
Prepaid Insurance	3,723,357	2,192,335
Total Short Term Assets	156,551,474	136,234,264
Long Term Assets		
Investments	116,504,438	106,802,056
Total Long Term Assets	116,504,438	106,802,056
<b>TOTAL ASSETS</b>	273,055,912	243,036,320
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	1,222,004	813,414
Claims Payable	38,874	152,206
Agents Commissions Payable	2,150,640	2,182,135
Unearned Revenue	13,512,247	14,732,809
Current Estimated Claim Reserve	48,428,002	48,180,998
Total Short Term Liabilities	65,351,767	66,061,562
Long Term Liabilities		
Compensated Absences	200,147	163,620
Estimated Noncurrent Claim Reserve	111,492,819	129,491,456
Total Long Term Liabilities	111,692,966	129,655,076
<b>TOTAL LIABILITIES</b>	177,044,733	195,716,638
Prior Year Net Assets	96,883,453	44,843,685
Current Year Earnings	(872,274)	2,475,997
<b>TOTAL NET ASSETS</b>	96,011,179	47,319,682
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	\$ 273,055,912	\$ 243,036,320

DRAFT - Unaudited - Management Purposes Only

09/05/07

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED INCOME STATEMENT**  
For the one month ending

**DRAFT**

	July 31	
	2007	2006
Operating Revenues		
Premium Revenues	\$ 6,219,133	\$ 7,074,650
Less - Excess Insurance	(338,487)	(502,967)
Total Operating Revenues	<u>5,880,646</u>	<u>6,571,683</u>
Operating Expenses		
Claims Expense	6,823,708	5,450,817
Property & MS Claims Expense	114,594	203,765
Personal Services	123,750	112,007
Operating Expenses	212,730	232,792
Total Operating Expenses	<u>7,274,782</u>	<u>5,999,381</u>
Operating Income	<u>(1,394,136)</u>	<u>572,302</u>
Nonoperating Revenues		
Court Fees	1,980	2,311
Claim Interest Income	-	-
Investment Income	519,882	1,901,384
Total Nonoperating Revenues	<u>521,862</u>	<u>1,903,695</u>
Net Income	<u><u>(872,274)</u></u>	<u><u>2,475,997</u></u>

DRAFT - Unaudited - Management Purposes Only

09/05/07

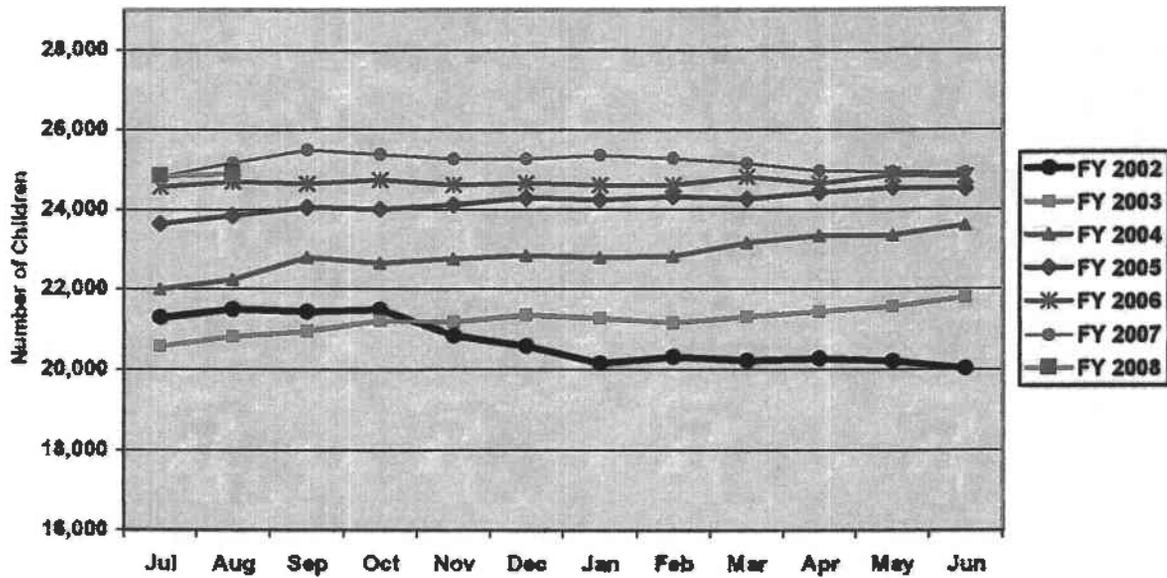


**West Virginia  
Children's Health Insurance Program  
1018 Kanawha Boulevard East  
Suite 209  
Charleston, WV 25301  
Phone: 304-558-2732  
Toll-Free: 1-877-WVA CHIP  
Fax: 304-558-2741  
[www.wvchip.org](http://www.wvchip.org)**

# **Joint Committee on Government and Finance Report**

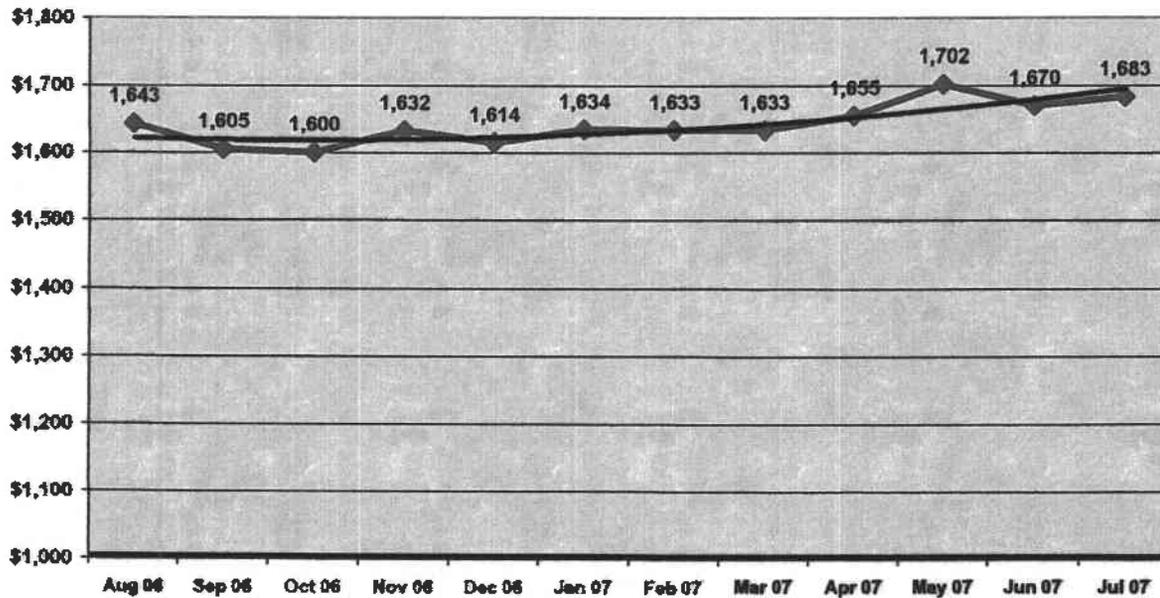
**September 2007**

### WV CHIP Enrollment



August 31, 2007 Enrollment 24,907

### Annualized Health Care Expenditures (Cost per Child)



**West Virginia Children's Health Insurance Program**  
**Comparative Balance Sheet**  
**July 31, 2007 and 2006**  
**(Accrual Basis)**

	July 31, 2007	July 31, 2006	Variance	
<b>Assets:</b>				
Cash & Cash Equivalents	\$6,653,625	\$2,373,343	\$4,280,282	180%
Due From Federal Government	\$3,324,652	\$2,664,041	\$660,611	25%
Due From Other Funds	\$781,377	\$580,903	\$200,474	35%
Accrued Interest Receivable	\$18,748	\$8,107	\$10,642	131%
Fixed Assets, at Historical Cost	<u>\$63,011</u>	<u>\$63,071</u>	<u>(\$60)</u>	<u>0%</u>
 Total Assets	 <u>\$10,841,413</u>	 <u>\$5,689,465</u>	 <u>\$5,151,949</u>	 <u>91%</u>
<b>Liabilities:</b>				
Due to Other Funds	\$256,029	\$81,380	\$174,649	215%
Deferred Revenue	\$4,215,090	\$1,582,045	\$2,633,045	166%
Unpaid Insurance Claims Liability	<u>\$3,850,000</u>	<u>\$2,990,557</u>	<u>\$859,443</u>	<u>29%</u>
 Total Liabilities	 <u>\$8,321,119</u>	 <u>\$4,653,982</u>	 <u>\$3,667,137</u>	 <u>79%</u>
 Fund Equity	 <u>\$2,520,294</u>	 <u>\$1,035,483</u>	 <u>\$1,484,811</u>	 <u>143%</u>
 Total Liabilities and Fund Equity	 <u>\$10,841,413</u>	 <u>\$5,689,465</u>	 <u>\$5,151,948</u>	 <u>91%</u>

**PRELIMINARY FINANCIAL STATEMENTS**

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the One Month Ended July 31, 2007 and July 31, 2006**  
**(Modified Accrual Basis)**

	July 31, 2007	July 31, 2006	Variance	
<b>Revenues:</b>				
Federal Grants	2,327,254	1,663,331	663,923	40%
State Appropriations	2,193,799	2,193,340	459	0%
Premium Revenues	4,117	-	4,117	
Investment Earnings	<u>18,748</u>	<u>8,106</u>	<u>10,642</u>	131%
<b>Total Operating Revenues</b>	<b><u>4,543,918</u></b>	<b><u>3,864,777</u></b>	<b><u>679,141</u></b>	<b><u>18%</u></b>
<b>Operating Expenditures:</b>				
<b>Claims:</b>				
Outpatient Services	1,026,715	500,596	526,119	105%
Prescribed Drugs	526,582	421,117	105,465	25%
Inpatient Hospital Services	419,660	694,116	(274,456)	-40%
Dental	402,139	331,317	70,822	21%
Physicians & Surgical	360,325	623,578	(263,253)	-42%
Outpatient Mental Health	82,450	91,267	(8,817)	-10%
Inpatient Mental Health	78,665	105,331	(26,666)	-25%
Medical Transportation	48,582	74,020	(25,438)	-34%
Vision	35,567	45,818	(10,251)	-22%
Therapy	35,133	45,686	(10,553)	-23%
Durable & Disposable Med. Equip.	21,942	18,647	3,295	18%
Other Services	(4,510)	9,601	(14,111)	-147%
Less: Collections*	<u>(98,388)</u>	<u>(97,047)</u>	<u>(1,341)</u>	1%
<b>Total Claims</b>	<b><u>2,934,862</u></b>	<b><u>2,864,047</u></b>	<b><u>70,815</u></b>	<b><u>2%</u></b>
<b>General and Admin Expenses:</b>				
Salaries and Benefits	47,905	45,981	1,924	4%
Program Administration	195,326	139,546	55,780	40%
Eligibility	29,933	22,964	6,969	30%
Outreach & Health Promotion	661	504	157	31%
Current	<u>10,880</u>	<u>7,818</u>	<u>3,062</u>	<u>39%</u>
<b>Total Administrative</b>	<b><u>284,705</u></b>	<b><u>216,813</u></b>	<b><u>67,892</u></b>	<b><u>31%</u></b>
<b>Total Expenditures</b>	<b><u>3,219,567</u></b>	<b><u>3,080,860</u></b>	<b><u>138,707</u></b>	<b><u>5%</u></b>
<b>Excess of Revenues</b>				
Over (Under) Expenditures	1,324,351	783,917	540,434	69%
<b>Fund Equity, Beginning</b>	<b><u>1,195,943</u></b>	<b><u>1,027,377</u></b>	<b><u>168,566</u></b>	<b><u>16%</u></b>
<b>Fund Equity, Ending</b>	<b><u>2,520,294</u></b>	<b><u>1,811,294</u></b>	<b><u>709,000</u></b>	<b><u>39%</u></b>

\* Collections are primarily drug rebates and subrogation

\* State Appropriations restated in prior year to actual draw deposited

**PRELIMINARY FINANCIAL STATEMENTS**

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program  
 Budget to Actual Statement  
 State Fiscal Year 2008  
 For the One Month Ended July 31, 2007**

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Jul-07</u>
Projected Cost	\$49,020,492	\$4,085,041	\$2,833,984	\$1,251,057	31%	\$4,085,041	\$2,833,984
Premiums	136,290	\$11,358	4,117	\$0	n/a	11,358	4,117
Medical Copays	576,800	\$48,067	0	48,067	-100%	48,067	
Drug Copays	489,250	\$40,771	0	40,771	-100%	40,771	
Subrogation & Rebates	<u>760,000</u>	<u>\$63,333</u>	<u>98,388</u>	<u>(35,055)</u>	55%	<u>63,333</u>	<u>98,388</u>
Net Benefit Cost	47,058,152	\$3,921,513	\$2,735,596	\$1,185,917	30%	3,921,513	2,735,596
Salaries & Benefits	\$519,673	\$43,306	\$47,905	(\$4,599)	-11%	\$43,306	\$47,905
Program Administration	2,166,796	\$180,566	42,009	138,557	77%	180,566	42,009
Eligibility	340,055	\$28,338	6,646	21,692	77%	28,338	6,646
Outreach	27,157	\$2,263	661	1,602	71%	2,263	661
Current Expense	<u>287,741</u>	<u>23,978</u>	<u>11,401</u>	<u>12,577</u>	52%	<u>23,978</u>	<u>11,401</u>
Total Admin Cost	\$3,341,422	\$278,452	\$108,622	\$169,830	61%	\$278,452	\$108,622
Total Program Cost	<u>\$50,399,574</u>	<u>\$4,199,965</u>	<u>\$2,844,218</u>	<u>\$1,355,747</u>	32%	<u>\$4,199,965</u>	<u>\$2,844,218</u>
Federal Share 80.97%	40,823,655	3,401,971	\$2,306,376	1,095,595	32%	3,401,971	2,306,376
State Share 19.03%	<u>9,575,919</u>	<u>797,993</u>	<u>\$537,842</u>	<u>260,152</u>	33%	<u>797,993</u>	<u>537,842</u>
Total Program Cost *	<u>\$50,399,574</u>	<u>\$4,199,965</u>	<u>\$2,844,218</u>	<u>\$1,355,747</u>	32%	<u>\$4,199,965</u>	<u>\$2,844,218</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2007 Report.

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

Unaudited - Cash Basis For Management Purposes Only - Unaudited

# WV CHIP Enrollment Report

ATTACHMENT 1

August 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Aug-07	Total Medicaid Enrollment Aug-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Barbour	3,248	321	1,604	1,925	59.3%	92.5%	34	255
Berkeley	22,882	1,147	5,704	6,851	29.9%	93.9%	21	1,084
Boone	5,706	323	2,613	2,936	51.5%	97.9%	4	133
Braxton	3,044	216	1,630	1,846	60.6%	95.6%	13	155
Brooke	4,658	302	1,482	1,784	38.3%	98.5%	3	0**
Cabell	18,900	960	8,142	9,102	48.2%	91.8%	39	1,218
Calhoun	1,389	133	863	996	71.7%	88.0%	52	207
Clay	2,454	201	1,369	1,570	64.0%	95.1%	15	94
Doddridge	1,607	123	735	858	53.4%	98.4%	6	60
Fayette	9,692	964	4,889	5,853	60.4%	92.1%	36	706
Gilmer	1,154	101	584	685	59.4%	92.8%	32	115
Grant	2,463	165	908	1,073	43.6%	95.8%	11	82
Greenbrier	7,110	577	2,873	3,450	48.5%	94.8%	17	306
Hampshire	5,110	285	1,854	2,139	41.9%	91.3%	40	295
Hancock	6,270	407	2,249	2,656	42.4%	92.9%	31	443
Hardy	2,950	120	1,051	1,171	38.7%	93.6%	26	200
Harrison	14,973	964	6,012	6,976	46.6%	99.9%	1	0**
Jackson	6,277	383	2,382	2,765	44.0%	93.9%	22	340
Jefferson	11,465	438	2,155	2,593	22.6%	93.9%	23	651
Kanawha	40,647	2,085	16,908	18,993	46.7%	96.4%	7	772
Lewis	3,577	266	1,808	2,094	58.5%	88.0%	53	431
Lincoln	4,945	403	2,564	2,967	60.0%	93.3%	27	327
Logan	7,610	532	3,952	4,484	58.9%	92.1%	37	654
Marion	11,245	784	4,352	5,136	45.7%	95.9%	10	516
Marshall	7,176	401	2,737	3,138	43.7%	97.5%	5	217
Mason	5,461	332	2,533	2,865	52.5%	95.7%	12	249
McDowell	5,170	432	3,504	3,936	76.1%	93.8%	25	373
Mercer	12,887	1,097	6,728	7,825	61.7%	91.0%	41	1,268
Mineral	5,973	304	2,083	2,387	40.0%	90.7%	43	251
Mingo	6,204	428	3,349	3,777	60.9%	88.5%	51	566
Monongalia	14,346	713	4,101	4,814	33.6%	92.6%	33	1,144
Monroe	2,728	251	945	1,196	43.8%	93.1%	29	196
Morgan	3,365	219	1,024	1,243	36.9%	89.2%	49	285
Nicholas	5,478	458	2,508	2,966	54.1%	94.4%	19	324
Ohio	9,068	471	3,152	3,623	40.0%	95.6%	14	480
Pendleton	1,632	124	417	541	33.2%	99.0%	2	19
Pleasants	1,593	103	503	606	38.0%	93.9%	24	88
Pocahontas	1,717	148	647	795	46.3%	87.7%	54	224
Preston	6,354	539	2,401	2,940	46.3%	90.2%	47	236
Putnam	12,522	610	3,212	3,822	30.5%	93.2%	28	486
Raleigh	15,992	1,292	6,920	8,212	51.4%	91.7%	38	1,395
Randolph	5,971	488	2,466	2,952	49.4%	89.7%	48	653
Ritchie	2,234	153	830	983	44.0%	96.2%	9	81
Roane	3,266	314	1,684	1,998	61.2%	90.5%	44	336
Summers	2,322	223	1,172	1,395	60.1%	88.9%	50	315
Taylor	3,307	217	1,463	1,680	50.8%	90.9%	42	356
Tucker	1,354	184	483	667	49.3%	93.1%	30	103
Tyler	1,887	102	898	1,000	53.0%	94.9%	16	93

# WV CHIP Enrollment Report

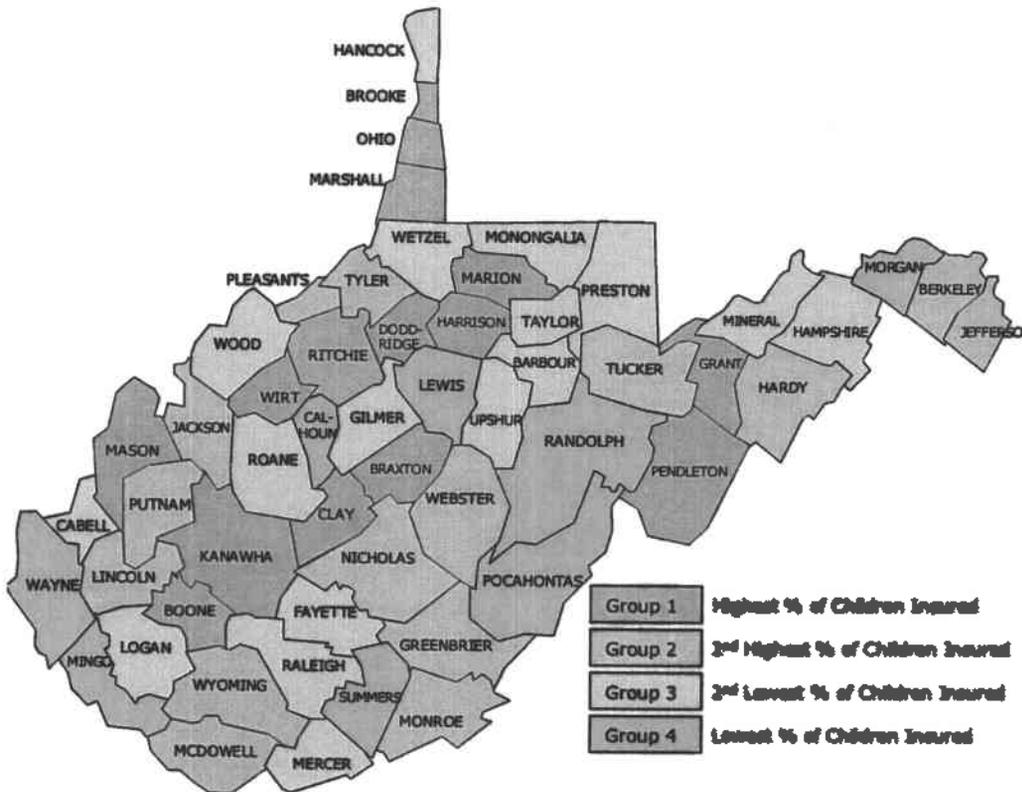
## August 2007

ATTACHMENT 1

County Ranking	County Pop. 2005 Est. (9-18 Yrs)	Total CHIP Enrollment Aug-07	Total Medicaid Enrollment Aug-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	Total % Insured 9/2007	# Children Insured Ranking	Est. # Uninsured Eligible
Upshur	4,956	410	2,257	2,667	53.8%	90.4%	46	547
Wayne	9,176	583	4,212	4,795	52.3%	87.7%	55	1,034
Webster	2,020	206	1,093	1,299	64.3%	94.7%	18	103
Wetzel	3,732	233	1,671	1,904	51.0%	82.5%	35	334
Wirt	1,288	131	566	697	55.0%	86.3%	8	46
Wood	18,063	1,089	7,860	8,949	47.0%	90.8%	45	1,624
Wyoming	5,082	434	2,839	3,273	64.3%	94.0%	26	231
<b>Totals</b>	<b>362,480</b>	<b>24,907</b>	<b>154,961</b>	<b>179,868</b>	<b>47.0%</b>	<b>93.4%</b>		<b>22,446</b>

*\*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 G. 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.*



Legislative Oversight Commission on  
Health and Human Resources Accountability

*September 2007*

Department of Administration

State Children's Health Insurance Program  
UPDATE



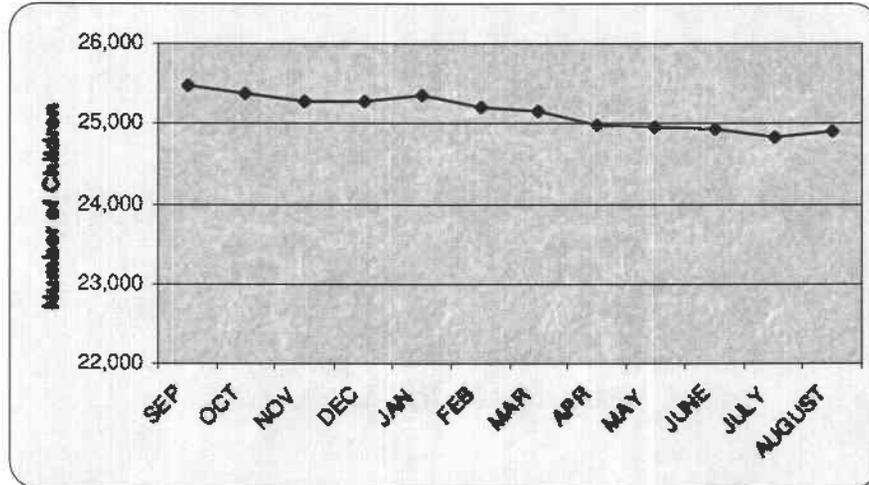
# WV CHILDREN'S HEALTH INSURANCE AGENCY

## REPORT FOR SEPTEMBER 2007

### I. Enrollment on August 31, 2007: 24,907

See Attachment 1 for enrollment by county.

Current 12-Month Enrollment Period: September 2006 through August 2007



### Enrollee Totals: June 2007 to August 2007

Month	Total	1 Year	Total
June	1,604	Average	1,853
July	1,707	High	2,204
August	1,856	Low	1,502

### New Enrollee (Never Before on CHIP) Totals: June 2007 to August 2007

Month	Total	1 Year	Total
June	733	Average	909
July	714	High	1,149
August	750	Low	668

### II. Re-enrollment for 3 Month Period: May 2007 to July 2007

Total Forms Mailed		Enrolled within Notice Period		Reopened Cases After Closure		Final Closures	
Month	Total	#	%	#	%	#	%
May	1,744	1,049	60%	189	11%	506	29%
June	1,903	1,071	56%	204	11%	628	33%
July	2,016	1,109	55%	276	14%	631	31%

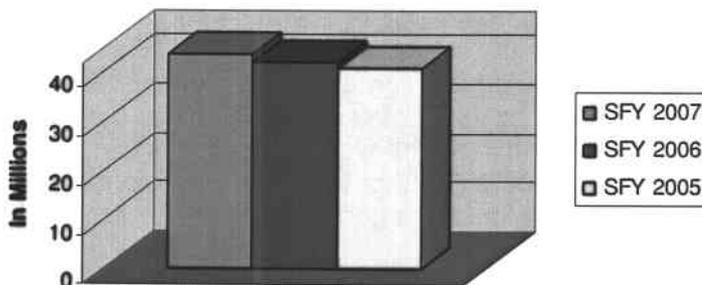
### III. Financial Activity

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

The average annualized claims cost per child for the month ended July 2007 was \$1,803.

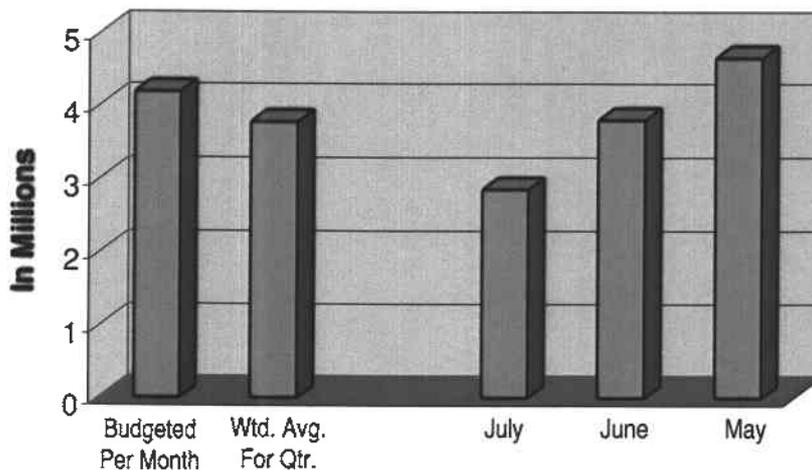
#### Annual Expenditures for a 3 Year Period: SFY 2005 – SFY 2007

	SFY 2007	FFP% 2007	SFY 2006	FFP% 2006	SFY 2005	FFP% 2005
Federal	35,472,537	80.97	34,247,276	81.09	33,767,136	82.26
State	8,336,944	19.03	7,986,385	18.91	7,235,862	17.74
Total Costs	<b>43,809,481</b>	<b>100.00</b>	<b>42,233,661</b>	<b>100.00</b>	<b>41,002,998</b>	<b>100.00</b>



#### Monthly Budgeted and Current 3 Month Period: May 2007 – July 2007

	Budgeted Per Month	Wtd. Avg. For Qtr.	Actual		
			July 2007	June 2007	May 2007
Federal	3,401,971	3,051,376	2,302,963	3,089,478	3,761,685
State	797,994	717,151	541,255	726,106	884,091
Total	<b>4,199,965</b>	<b>3,768,526</b>	<b>2,844,218</b>	<b>3,815,584</b>	<b>4,645,777</b>



**IV. Other Highlights**

**UPDATE: CHIP REAUTHORIZATION BY CONGRESS**

In early August both the Senate and the House of Representatives voted on bills to reauthorize CHIP for the next five years. Now that summer recess has ended, a conference committee will be formed to send a conference bill to the President. The President has threatened a veto. If a veto were sustained, it is likely that the Congress would provide either a part year or a one year continuing resolution for the program.

**NEW REGULATIONS ISSUED IN CMS LETTER**

On August 17, CMS issued a letter to all state officials clarifying how it "interprets existing" statutory and regulatory requirements, in effect amending previous policies. This letter identifies five strategies states have used to ensure that CHIP coverage does not substitute for (or "crowd out") private insurance coverage. For any state proposing to expand above 250% FPL, it will have to demonstrate use of all five strategies in order to gain state plan changes or waivers. Another burden this letter proposes is having states ensure that they currently cover 95% of all children at or below 200% before they expand above this level. It is unclear at this time if CMS has the authority to make such major policy changes through this informal mechanism and these changes have added more uncertainty for states considering, or prepared to consider, expansion.

**STATE FISCAL YEAR 2007 BUDGET**

Projections for fiscal year ending show CHIP at 5% under budget.

**WVCHIP PREMIUM**

Premium participation in CHIP is at 149 as of August 31, 2007.

# WV CHIP Enrollment Report

ATTACHMENT 1

August 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Aug-07	Total Medicaid Enrollment Aug-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Barbour	3,248	321	1,604	1,925	59.3%	92.5%	34	255
Berkeley	22,882	1,147	5,704	6,851	29.9%	93.9%	21	1,084
Boone	5,706	323	2,613	2,936	51.5%	97.9%	4	133
Braxton	3,044	216	1,630	1,846	60.6%	95.6%	13	155
Brooke	4,658	302	1,482	1,784	38.3%	98.5%	3	0**
Cabell	18,900	960	8,142	9,102	48.2%	91.6%	39	1,218
Calhoun	1,389	133	863	996	71.7%	88.0%	52	207
Clay	2,454	201	1,369	1,570	64.0%	95.1%	15	94
Doddridge	1,607	123	735	858	53.4%	96.4%	6	60
Fayette	9,692	964	4,889	5,853	60.4%	92.1%	36	706
Gilmer	1,154	101	584	685	59.4%	92.8%	32	115
Grant	2,463	165	908	1,073	43.6%	95.8%	11	82
Greenbrier	7,110	577	2,873	3,450	48.5%	94.8%	17	306
Hampshire	5,110	285	1,854	2,139	41.9%	91.3%	40	295
Hancock	6,270	407	2,249	2,656	42.4%	92.9%	31	443
Hardy	2,950	120	1,051	1,171	39.7%	93.6%	26	200
Harrison	14,973	964	6,012	6,976	46.6%	99.9%	1	0**
Jackson	6,277	383	2,382	2,765	44.0%	93.9%	22	340
Jefferson	11,465	438	2,155	2,593	22.6%	93.9%	23	651
Kanawha	40,647	2,085	16,908	18,993	46.7%	96.4%	7	772
Lewis	3,577	286	1,808	2,094	58.5%	88.0%	53	431
Lincoln	4,945	403	2,564	2,967	60.0%	93.3%	27	327
Logan	7,610	532	3,952	4,484	58.9%	92.1%	37	654
Marion	11,245	784	4,352	5,136	45.7%	95.9%	10	516
Marshall	7,176	401	2,737	3,138	43.7%	97.5%	5	217
Mason	5,461	332	2,533	2,865	52.5%	95.7%	12	249
McDowell	5,170	432	3,504	3,936	76.1%	93.8%	25	373
Mercer	12,687	1,097	6,728	7,825	61.7%	91.0%	41	1,268
Mineral	5,973	304	2,083	2,387	40.0%	90.7%	43	251
Mingo	6,204	428	3,349	3,777	60.9%	88.5%	51	566
Monongalia	14,346	713	4,101	4,814	33.6%	92.6%	33	1,144
Monroe	2,728	251	945	1,196	43.8%	93.1%	29	196
Morgan	3,365	219	1,024	1,243	36.9%	89.2%	49	285
Nicholas	5,478	458	2,508	2,966	54.1%	94.4%	19	324
Ohio	9,068	471	3,152	3,623	40.0%	95.6%	14	480
Pendleton	1,632	124	417	541	33.2%	99.0%	2	19
Pleasants	1,593	103	503	606	38.0%	93.9%	24	88
Pocahontas	1,717	148	647	795	46.3%	87.7%	54	224
Preston	6,354	539	2,401	2,940	46.3%	90.2%	47	236
Putnam	12,522	610	3,212	3,822	30.5%	93.2%	28	486
Raleigh	15,992	1,292	6,920	8,212	51.4%	91.7%	38	1,395
Randolph	5,971	486	2,466	2,952	49.4%	89.7%	48	653
Ritchie	2,234	153	830	983	44.0%	96.2%	9	81
Roane	3,266	314	1,684	1,998	61.2%	90.5%	44	336
Summers	2,322	223	1,172	1,395	60.1%	88.9%	50	315
Taylor	3,307	217	1,463	1,680	50.8%	90.9%	42	356
Tucker	1,354	184	483	667	49.3%	93.1%	30	103
Tyler	1,887	102	898	1,000	53.0%	94.9%	16	93



**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the One Month Ended July 31, 2007 and July 31, 2006**  
**(Modified Accrual Basis)**

	#####	#####	Variance	
<b>Revenues:</b>				
Federal Grants	2,327,254	1,663,331	663,923	40%
State Appropriations	2,193,799	2,193,340	459	0%
Premium Revenues	4,117	-	4,117	
Investment Earnings	<u>18,748</u>	<u>8,106</u>	<u>10,642</u>	131%
 Total Operating Revenues	 <u>4,543,918</u>	 <u>3,864,777</u>	 <u>679,141</u>	 <u>18%</u>
<b>Operating Expenditures:</b>				
<b>Claims:</b>				
Outpatient Services	1,026,715	500,596	526,119	105%
Prescribed Drugs	526,582	421,117	105,465	25%
Inpatient Hospital Services	419,660	694,116	(274,456)	-40%
Dental	402,139	331,317	70,822	21%
Physicians & Surgical	360,325	623,578	(263,253)	-42%
Outpatient Mental Health	82,450	91,267	(8,817)	-10%
Inpatient Mental Health	78,665	105,331	(26,666)	-25%
Medical Transportation	48,582	74,020	(25,438)	-34%
Vision	35,567	45,818	(10,251)	-22%
Therapy	35,133	45,686	(10,553)	-23%
Durable & Disposable Med. Equip.	21,942	18,647	3,295	18%
Other Services	(4,510)	9,601	(14,111)	-147%
Less: Collections*	<u>(98,388)</u>	<u>(97,047)</u>	<u>(1,341)</u>	1%
Total Claims	<u>2,934,862</u>	<u>2,864,047</u>	<u>70,815</u>	<u>2%</u>
<b>General and Admin Expenses:</b>				
Salaries and Benefits	47,905	45,981	1,924	4%
Program Administration	195,326	139,546	55,780	40%
Eligibility	29,933	22,964	6,969	30%
Outreach & Health Promotion	661	504	157	31%
Current	<u>10,880</u>	<u>7,818</u>	<u>3,062</u>	<u>39%</u>
Total Administrative	<u>284,705</u>	<u>216,813</u>	<u>67,892</u>	<u>31%</u>
 Total Expenditures	 <u>3,219,567</u>	 <u>3,080,860</u>	 <u>138,707</u>	 <u>5%</u>
<b>Excess of Revenues</b>				
Over (Under) Expenditures	1,324,351	783,917	540,434	69%
 Fund Equity, Beginning	 <u>1,195,943</u>	 <u>1,027,377</u>	 <u>168,566</u>	 <u>16%</u>
 Fund Equity, Ending	 <u>2,520,294</u>	 <u>1,811,294</u>	 <u>709,000</u>	 <u>39%</u>

\* Collections are primarily drug rebates and subrogation

\* State Appropriations restated in prior year to actual draw deposited

## PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program  
 Budget to Actual Statement  
 State Fiscal Year 2008  
 For the One Month Ended July 31, 2007

	<u>Budgeted for</u> <u>Year</u>	<u>Year to Date</u> <u>Budgeted Amt</u>	<u>Year to Date</u> <u>Actual Amt</u>	<u>Year to Date</u> <u>Variance*</u>		<u>Monthly</u> <u>Budgeted Amt</u>	<u>Jul-07</u>
Projected Cost	\$49,020,492	\$4,085,041	\$2,833,984	\$1,251,057	31%	\$4,085,041	#####
Premiums	136,290	\$11,358	4,117	\$0	n/a	11,358	4,117
Medical Copays	576,800	\$48,067	0	48,067	-100%	48,067	
Drug Copays	489,250	\$40,771	0	40,771	-100%	40,771	
Subrogation & Rebates	<u>760,000</u>	<u>\$63,333</u>	<u>98,388</u>	<u>(35,055)</u>	55%	<u>63,333</u>	<u>98,388</u>
Net Benefit Cost	47,058,152	\$3,921,513	\$2,735,596	\$1,185,917	30%	3,921,513	2,735,596
Salaries & Benefits	\$519,673	\$43,306	\$47,905	(\$4,599)	-11%	\$43,306	\$47,905
Program Administration	2,166,796	\$180,566	42,009	138,557	77%	180,566	42,009
Eligibility	340,055	\$28,338	6,646	21,692	77%	28,338	6,646
Outreach	27,157	\$2,263	661	1,602	71%	2,263	661
Current Expense	<u>287,741</u>	<u>23,978</u>	<u>11,401</u>	<u>12,577</u>	52%	<u>23,978</u>	<u>11,401</u>
Total Admin Cost	\$3,341,422	\$278,452	\$108,622	\$169,830	61%	\$278,452	\$108,622
Total Program Cost	<u>\$50,399,574</u>	<u>\$4,199,965</u>	<u>\$2,844,218</u>	<u>\$1,355,747</u>	32%	<u>\$4,199,965</u>	#####
Federal Share 80.97%	40,823,655	3,401,971	\$2,306,376	1,095,595	32%	3,401,971	2,306,376
State Share 19.03%	<u>9,575,919</u>	<u>797,993</u>	<u>\$537,842</u>	<u>260,152</u>	33%	<u>797,993</u>	<u>537,842</u>
Total Program Cost	<u>\$50,399,574</u>	<u>\$4,199,965</u>	<u>\$2,844,218</u>	<u>\$1,355,747</u>	32%	<u>\$4,199,965</u>	#####

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2007 Report.

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

Unaudited - Cash Basis For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program  
WVFIMS Fund 2154  
For the Month Ended July 31, 2007  
(Accrual Basis)

Investment Account
--------------------

Funds Invested	\$6,088,114
Interest Earned	<u>18,748</u>
<b>Total</b>	<b><u>\$6,106,862</u></b>

Unaudited - For Management Purposes Only - Unaudited

**Department of Administration Leasing Report  
For The Period of July 16, 2007 through August 31, 2007**

**NEW CONTRACT OF LEASE**

**CONSOLIDATED PUBLIC RETIREMENT BOARD**

**CPR-005** New contract of lease for 5 years with 5 year additional option to renew at a negotiated rate for 22,568 square feet of office space at \$9.84 psf rate with Kanawha-Roxalana Company in the City of Charleston, Kanawha County.

**WV BOARD OF LAND SURVEYORS**

**LSB-004** New contract of lease for 5 years containing 1,680 square feet of office and storage space at \$9.64 psf rate includes utilities with Robinson Sales and Service, Inc. in the City of Sutton, Braxton County.

**WORKFORCE WV (FORMERLY BUREAU OF EMPLOYMENT PROGRAMS)**

**WWV-001** New contract of lease Sub-lease for 2 years containing 300 square feet of office space at \$12.00 psf, rate full service with Southern WV Region 2 Work4WV in the City of Hurricane, Putnam County.

**WV BOARD OF OPTOMETRY**

**BOO-002** New contract of lease for 5 years containing 516 square feet of office and storage space at \$12.00 psf, full service with Kanawha Investment Company, in the City of Charleston, Kanawha County.

**STRAIGHT RENEWALS**

**DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**DHS-058** Renewal for 1 year with an additional option to renew for 1 year containing 6,000 square feet of office space at the current psf rate of \$8.00 with Bonnie View Corporation, in the City of Keyser, Mineral County.

**DIVISION OF JUVENILE SERVICES**

**DJS-009** Renewal for 1 year containing 2,400 square feet of office space at the current psf rate of \$7.00 with Potomac Housing Realtors, LLC, in the City of Martinsburg, Berkley County.

**RENEWAL/RENT INCREASES**

**DIVISION OF REHABILITATION SERVICES**

**DRS-077-SUB** Renewal for 5 years containing 3,357 square feet of office space with a rental increase from \$11.30 psf to \$11.80 psf, with Work4WV-Region I, Inc. in the City of Summersville, Nicholas County.

**DIVISION OF CORRECTIONS**

**COR-050** Renewal for 1 year containing 690 square feet of office space with a rental increase from \$10.35 psf to \$11.31 psf, full service with David P. Moore and Carol Sue Moore, in the City of Ripley, Jackson County.

Joint Committee on Government and Finance

*September 2007*

Department of Health and Human Resources

**MEDICAID REPORT**

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 SFY 2007 MEDICAID CASH REPORT  
 AS OF AUGUST 31, 2007

12 Months Actuals      0 Months Remaining

MONTH OF JUNE 2007	ACTUALS	ACTUALS	PROJECTED	TOTAL
	06/01/07 Thru 06/30/07	Year-To-Date Thru 06/30/07	06/01/07 Thru 06/30/07	SFY2007
<b>REVENUE SOURCES</b>				
Beg. Bal. 7/01/06 (5084/1020 prior mth)	\$15,441,904	\$22,969,601		\$22,969,601
<b>MATCHING FUNDS</b>				
Medical Services	41,717,958	394,405,687	0	394,405,687
Rural Hospitals Under 150 Beds (0403/940)	216,333	2,596,000	0	2,596,000
Tertiary Funding (0403/547)	258,833	3,356,000	0	3,356,000
Lottery Waiver (Less 450,000) (5405/539)	0	12,550,000	0	12,550,000
Lottery Transfer (5405/871)	0	10,300,000	0	10,300,000
Trust Fund Appropriation (5185/189)	0	0	30,556,594	30,556,594
Provider Tax (5090/189)	13,600,000	157,259,353	(1,659,353)	155,600,000
Certified Match	1,770,379	21,945,417	935,593	22,881,010
Reimbursables <sup>(1)</sup>	487,591	3,996,057		5,099,481
CMS - 64 Adjustments		(8,654,944)	8,654,944	0
<b>TOTAL MATCHING FUNDS</b>	<b>\$73,492,997</b>	<b>\$620,723,170</b>	<b>\$38,487,779</b>	<b>\$660,314,373</b>
<b>FEDERAL FUNDS</b>	<b>125,034,210</b>	<b>1,562,997,558</b>	<b>82,673,359</b>	<b>1,645,670,917</b>
<b>TOTAL REVENUE SOURCES</b>	<b>\$198,527,207</b>	<b>\$2,183,720,728</b>	<b>\$122,264,562</b>	<b>\$2,305,985,290</b>
<b>TOTAL EXPENDITURES:</b>				
Provider Payments	\$172,049,981	\$2,165,182,841	\$53,377,388	\$2,218,560,229
<b>TOTAL</b>	<b>\$26,477,226</b>	<b>\$18,537,887</b>		<b>\$87,425,061</b>

Note: Proj. FMAP (06' - 72.99% applicable July - Sept. 2006) ( 07' - 72.82% applicable Oct. 2006 - June 2007)

(1) This amount will revert to State Only if not reimbursed.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 SFY 2007 EXPENDITURES BY PROVIDER TYPE  
 AS OF AUGUST 31, 2007

MONTH OF JUNE 2007	TOTAL	ESTIMATED	ESTIMATED	TENTATIVE	TENTATIVE	PROJECTED
	SFY2006	SFY2007	Current Month Jun-07	Current Month Jun-07	Year To-Date Thru 06/30/07	06/01/07 Thru 06/30/07
<b>EXPENDITURES:</b>						
Inpatient Hospital Services	223,854,909	248,593,096	19,122,546	22,845,360	225,184,038	23,409,058
Inpatient Hospital Services - DSH Adjustment Payments	53,916,150	53,935,110	-	-	54,227,942	(292,832)
Mental Health Facilities	36,085,565	42,090,761	3,237,751	3,189,698	40,536,716	1,554,045
Mental Health Facilities - DSH Adjustment Payments	20,354,226	18,887,045	-	-	18,800,405	86,640
Nursing Facility Services	402,903,863	416,786,290	34,732,191	34,495,675	413,132,700	3,653,590
Intermediate Care Facilities - Public Providers	160	-	-	-	-	-
Intermediate Care Facilities - Private Providers	53,642,336	59,538,870	4,961,573	4,784,616	58,706,822	832,048
Physicians Services	126,950,184	117,945,021	9,072,694	7,737,795	128,551,360	(10,606,339)
Outpatient Hospital Services	93,921,521	103,013,506	7,924,116	7,388,241	98,263,036	4,750,470
Prescribed Drugs	378,095,030	310,458,195	23,881,400	20,981,999	305,057,849	5,400,346
Drug Rebate Offset - National Agreement	(112,878,531)	(116,033,400)	(3,626,044)	(7,653,591)	(93,455,695)	(22,577,705)
Drug Rebate Offset - State Sidebar Agreement	(29,528,976)	(29,276,640)	(73,192)	(217,666)	(31,163,456)	1,886,816
Dental Services	38,320,543	40,972,725	3,151,748	2,650,723	36,865,235	4,107,490
Other Practitioners Services	20,069,824	21,174,205	1,628,785	1,378,267	20,312,984	861,221
Clinic Services	46,750,545	37,478,034	2,882,926	3,070,955	40,729,681	(3,251,647)
Lab & Radiological Services	13,045,112	13,892,145	1,068,627	602,056	7,947,071	5,945,074
Home Health Services	26,490,072	27,896,140	2,145,857	1,890,994	27,559,035	337,105
Hysterectomies/Sterilizations	682,237	693,464	53,343	28,830	571,881	121,583
Pregnancy Terminations	-	39,092	3,007	-	-	39,092
EPSDT Services	3,450,995	10,881,433	837,033	167,605	2,459,472	8,421,961
Rural Health Clinic Services	7,652,987	7,621,694	586,284	445,206	6,594,672	1,027,022
Medicare Health Insurance Payments - Part A Premiums	17,903,197	17,191,600	1,432,633	1,435,058	16,768,356	423,244
Medicare Health Insurance Payments - Part B Premiums	61,584,326	64,000,000	5,333,333	5,506,098	62,881,209	1,118,791
120% - 134% Of Poverty	2,861,904	-	-	313,412	3,492,445	(3,492,445)
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	213,950,846	241,784,020	20,148,668	20,951,899	241,130,268	653,752
Medicaid Health Insurance Payments: Group Health Plan Payments	289,548	346,380	28,865	29,044	360,065	(13,685)
Home & Community-Based Services (MR/DD)	185,607,767	207,361,030	15,950,848	17,243,158	200,518,500	6,842,530
Home & Community-Based Services (Aged/Disabled)	60,658,000	59,874,724	4,605,748	4,741,370	56,417,825	3,456,899

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 SFY 2007 EXPENDITURES BY PROVIDER TYPE  
 AS OF AUGUST 31, 2007

MONTH OF JUNE 2007	TOTAL	ESTIMATED	ESTIMATED	TENTATIVE	TENTATIVE	PROJECTED
	SFY2006	SFY2007	Current Month Jun-07	Current Month Jun-07	Year To-Date Thru 06/30/07	06/01/07 Thru 06/30/07
Community Supported Living Services	-	-	-	-	38	(38)
Personal Care Services	27,037,173	36,554,021	2,811,848	2,858,340	36,798,137	(244,116)
Targeted Case Management Services	9,026,219	9,285,672	714,282	604,265	7,800,004	1,485,668
Primary Care Case Management Services	599,865	796,780	66,398	61,821	738,666	58,114
Hospice Benefits	6,545,960	9,357,560	719,812	883,439	9,736,788	(379,228)
Federally Qualified Health Center	17,133,735	16,681,010	1,283,155	873,011	15,285,654	1,395,356
Other Care Services	117,082,516	132,236,166	10,172,013	9,741,754	126,508,187	5,727,979
Less: Recoupments	0	-	-	(75,939)	(2,461,838)	2,461,838
<b>NET EXPENDITURES:</b>	<b>2,124,059,808</b>	<b>2,182,055,749</b>	<b>174,858,249</b>	<b>168,953,493</b>	<b>2,136,856,051</b>	<b>45,199,698</b>
Collections: Third Party Liability (line 9A on CMS-64)	(6,144,253)				(3,454,934)	3,454,934
Collections: Probate (line 9B on CMS-64)	(117,505)				(36,206)	36,206
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(246)				(389,328)	389,328
Collections: Other (line 9D on CMS-64)	(7,731,974)				(4,511,742)	4,511,742
Plus: Medicaid Part D Expenditures	8,942,213	29,504,480	2,458,707	2,483,312	28,577,768	926,712
Plus: State Only Medicaid Expenditures	4,507,995	3,500,000	269,231	350,900	4,551,830	(1,051,830)
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>\$2,123,516,039</b>	<b>\$2,215,060,229</b>	<b>177,586,186</b>	<b>\$171,787,705</b>	<b>\$2,161,593,439</b>	<b>\$53,466,790</b>
Plus: Reimbursables <sup>(1)</sup>	4,446,206	3,500,000	269,231	262,277	3,589,402	(89,402)
<b>TOTAL EXPENDITURES</b>	<b>\$2,127,962,245</b>	<b>\$2,218,560,229</b>	<b>177,855,417</b>	<b>\$172,049,981</b>	<b>\$2,165,182,841</b>	<b>\$53,377,388</b>

(1) This amount will revert to State Only if not reimbursed.

**BUREAU FOR MEDICAL SERVICES**  
**SFY 2007 Medicaid Approved Claims Report**  
**As of August 31, 2007**

REF#	CMS 64 Category Of Service	SFY 2006	SFY 2007 TENTATIVE				
			JUL-SEP 2006	OCT-DEC 2006	JAN-MAR 2007	APR-JUN 2007	Year to Date
1A	Inpatient Hospital Services	229,707,885	59,004,884	45,420,674	66,749,428	58,031,320	229,206,306
1B	Inpatient Hospital Services - DSH	53,908,979	13,487,307	13,398,746	13,766,769	13,567,949	54,220,771
2A	Mental Health Facilities	39,229,124	9,611,035	9,654,320	10,474,752	10,854,928	40,595,035
2B	Mental Health Facilities - DSH	20,354,226	4,707,635	4,689,840	4,712,576	4,690,354	18,800,405
3	Nursing Facility Services	393,536,290	97,869,357	102,858,858	101,811,138	103,254,835	405,794,188
4B	Intermediate Care Facilities - Private Providers	53,659,229	14,866,833	14,906,183	14,332,092	14,592,632	58,697,740
5	Physicians Services	131,707,310	22,184,181	27,917,656	31,403,555	30,426,349	111,931,741
6	Outpatient Hospital Services	98,443,210	24,854,201	24,036,809	26,181,656	25,099,539	100,172,205
7	Prescribed Drugs	378,942,276	73,996,679	79,099,520	82,648,402	76,717,660	312,462,261
7	Part D Premium - State Only	13,703,710	7,036,703	6,973,263	9,606,390	7,396,126	31,012,482
7A1	Drug Rebate Offset - National	(112,874,193)	(31,036,177)	(23,748,198)	(23,588,007)	(26,070,352)	(104,442,734)
7A2	Drug Rebate Offset - State	(29,533,312)	(6,167,738)	(7,473,084)	(2,805,535)	(9,960,309)	(26,406,666)
///	Total Rebates	(142,407,505)	(37,203,915)	(31,221,282)	(26,393,542)	(36,030,661)	(130,849,400)
///	NET DRUG COST	250,238,481	43,829,467	54,851,501	65,861,250	120,144,447	284,686,665
8	Dental Services	39,749,744	9,747,640	10,030,108	8,754,914	9,314,115	37,846,777
9	Other Practitioners Services	22,526,001	5,011,125	4,708,250	5,290,755	4,845,279	19,855,409
10	Clinic Services	37,348,651	7,646,097	8,289,028	9,205,518	9,703,092	34,843,735
11	Lab & Radiological Services	12,711,427	4,266,918	4,334,075	4,531,502	2,935,647	16,068,142
12	Home Health Services	29,135,956	6,685,878	6,548,543	8,638,345	6,565,962	28,438,728
13	Hysterectomies/Sterilizations	693,327	156,636	161,379	132,905	109,132	560,052
14	Pregnancy Termination	347,900	64,402	34,849	84,150	36,778	220,179
15	EPSDT Services	6,954,084	6,283,348	5,972,258	507,684	551,034	13,314,324
16	Rural Health Clinic Services	8,033,096	1,690,077	1,651,481	1,790,771	1,541,900	6,674,229
17A	Medicare - Part A Premiums	18,143,564	2,784,018	4,185,821	4,245,061	4,251,010	15,465,910
17B	Medicare - Part B Premiums	60,608,011	10,649,879	16,255,310	17,021,684	17,570,119	61,496,992
18A	Managed Care Organizations	213,951,922	60,065,446	68,259,290	53,713,498	75,862,421	257,900,655
18C	Group Health Plan Payments	289,547	85,876	0	159,219	136,896	381,991
19	Home & Community-Based Services (MR/DD)	185,718,505	46,908,117	47,174,803	53,073,494	53,999,834	201,156,248
20	Home & Community-Based Services (Aged/Disabled)	60,771,882	13,700,224	13,512,164	14,314,401	15,151,290	56,678,079
23	Personal Care Services	26,844,048	8,931,805	8,741,934	8,865,553	9,448,380	35,987,672
24	Targeted Case Management	9,487,138	2,125,578	2,022,280	1,906,926	1,790,970	7,845,754
25	Primary Care Case Management	596,073	187,035	234,915	186,249	191,244	799,443
26	Hospice Benefits	6,762,433	2,525,227	2,043,527	2,869,003	2,542,261	9,980,018

**BUREAU FOR MEDICAL SERVICES**  
**SFY 2007 Medicaid Approved Claims Report**  
**As of August 31, 2007**

REF#	CMS 64 Category Of Service	SFY 2006	SFY 2007 TENTATIVE				Year to Date
			JUL-SEP 2006	OCT-DEC 2006	JAN-MAR 2007	APR-JUN 2007	
28	Federally Qualified Health Center	17,851,263	3,423,360	3,928,153	4,478,179	3,588,855	15,418,547
29	Other Care Services	111,635,012	28,700,010	30,004,526	27,072,764	25,653,635	111,430,935
	Unclassified	28,398	211,611	53	(20)	0	211,644
///	TOTALS *	2,140,972,716	512,265,207	535,827,334	562,135,771	554,390,885	2,164,619,197

This report's data is prepared based on claims received and approved for payment (Modified Accrual basis of Accounting). Therefore, the data presented in this report will not match the CMS-64 Quarterly Reports which are prepared on a cash basis.

The following report approximates the Medicare Part-D Prescription Drug Expenditures related to WV's Part-D Premium (clawback) payments.

REF#	CMS 64 Category Of Service	SFY 2006	SFY 2007 TENTATIVE				Year to Date
			JUL-SEP 2006	OCT-DEC 2006	JAN-MAR 2007	APR-JUN 2007	
7	Medicaid Prescribed Drugs	378,942,276	73,996,679	79,099,520	82,648,402	76,717,660	312,462,261
7.2	Medicare Part D (Estimated)	56,372,986	28,946,904	28,506,512	40,013,131	30,806,802	128,273,349
///	Estimated Medicaid & Medicare Prescribed Drug Payments	435,315,262	102,943,583	107,606,032	122,661,533	107,524,462	440,735,610

**Legislative Interim Meetings  
September 9, 10, and 11, 2007**

**Sunday, September 9, 2007**

12:00 pm - 1:00 pm	Agriculture and Agri-business Committee .....	
12:00 pm - 1:00 pm	Legislative Oversight Commission on Workforce Investment for Economic Development .....	One Stop Facility
12:00 pm - 2:00 pm	Joint Legislative Oversight Commission on State Water Resources .....	
1:00 pm - 2:00 pm	Government Organization Subcommittee C .....	
1:00 pm - 5:00 pm	Forest Management Review Commission .....	Caperton Furniture Works
2:00 pm - 3:00 pm	Finance Subcommittee C .....	
2:00 pm - 3:00 pm	Government Organization Subcommittee B .....	
2:00 pm - 3:00 pm	Legislative Oversight Commission on Health and Human Resources Accountability ..	Shenandoah Valley Med
3:00 pm - 4:00 pm	Commission on Special Investigations .....	
3:00 pm - 4:00 pm	Employee Suggestion Award Board .....	
3:00 pm - 4:00 pm	Finance Subcommittee A .....	
3:00 pm - 4:00 pm	Select Committee D - Health (Subcommittee Oral Health) .....	
3:00 pm - 6:00 pm	Judiciary Subcommittee C .....	DUI Interlock Visit
4:00 pm - 5:00 pm	Judiciary Subcommittee A .....	
4:00 pm - 6:00 pm	Legislative Oversight Commission on Education Accountability .....	

**Monday, September 10, 2007**

9:00 am - 10:00 am	Finance Subcommittee B .....	
9:00 am - 10:00 am	Government Organization Subcommittee A .....	
9:00 am - 11:00 am	Joint Commission on Economic Development .....	Homestead Farm
9:00 am - 11:00 am	Legislative Oversight Commission on Education Accountability .....	
11:00 am - 12:00 pm	Joint Committee on Government Operations - JOINT MEETING .....	
11:00 am - 12:00 pm	Joint Standing Committee on Government Organization - JOINT MEETING .....	
12:00 pm - 1:00 pm	Select Committee D - Health (Subcommittee Certificate of Need) .....	
12:00 pm - 2:00 pm	Joint Standing Committee on Education .....	Blue Ridge CTC
1:00 pm - 2:00 pm	Select Committee A - Committee on Children, Juveniles and Other Issues .....	DHHR
1:00 pm - 5:00 pm	Parks, Recreation and Natural Resources Subcommittee .....	Cacapon State Park
2:00 pm - 4:00 pm	Education Subcommittee C - Public School Finance .....	
2:00 pm - 4:00 pm	Joint Standing Committee on Finance .....	Airport
2:00 pm - 4:00 pm	Judiciary Subcommittee B .....	
3:00 pm - 4:00 pm	Post Audits Subcommittee .....	
4:00 pm - 5:00 pm	Joint Standing Committee on Pensions and Retirement .....	
4:00 pm - 5:00 pm	Legislative Oversight Committee on Regional Jail and Correctional Facility Authority .....	
4:00 pm - 5:00 pm	Select Committee C - Infrastructure .....	
5:00 pm - 6:00 pm	Judiciary Subcommittee A .....	
5:00 pm - 6:00 pm	Select Committee D - Health .....	
5:00 pm - 6:00 pm	Select Committee E - Broadband .....	

**Tuesday, September 11, 2007**

9:00 am - 10:00 am	Equal Pay Commission .....	
9:00 am - 10:00 am	Joint Standing Committee on the Judiciary .....	
9:00 am - 11:00 am	Joint Commission on Economic Development - JOINT MEETING .....	Quad Graphics
9:00 am - 11:00 am	Joint Committee on Technology - JOINT MEETING .....	Quad Graphics
9:00 am - 11:00 am	Joint Standing Committee on Education .....	Middle & High School
9:30 am - 11:30 am	Legislative Intern Committee .....	Shepherd College
11:00 am - 12:00 pm	Joint Committee on Government and Finance .....	
11:00 am - 12:00 pm	Select Committee B - Veterans' Issues .....	
11:30 am - 12:00 am	Agriculture and Agri-business Committee .....	Bob Tabb's Farm
12:00 pm - 2:00 pm	Joint Committee on Government Operations - JOINT MEETING .....	
12:00 pm - 2:00 pm	Joint Standing Committee on Government Organization - JOINT MEETING .....	

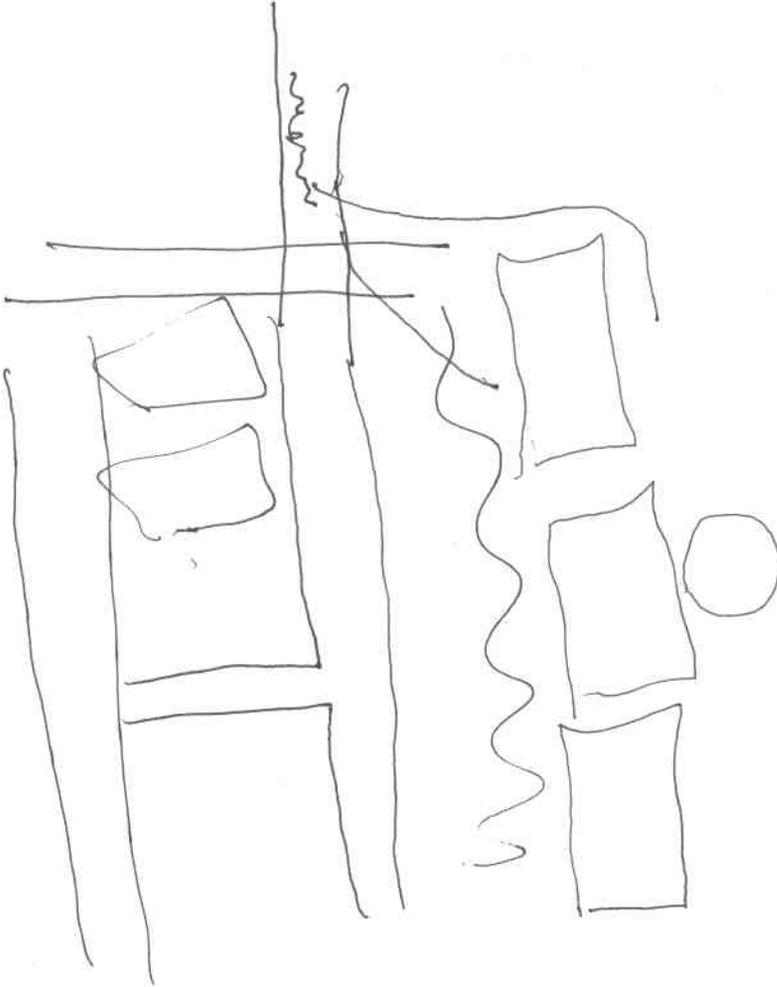
**Future Interim Dates:**

October 7-9

November 16-18 (Friday, Saturday and Sunday)

December 9-11

January 6-8, 2008



*Note: If you would prefer to receive the Schedule via E-Mail, please E-Mail your request to [allred@mail.wvnet.edu](mailto:allred@mail.wvnet.edu). Sending you the Schedule via E-Mail is not only cheaper, but will also ensure that you get the Schedule in the most timely manner possible.*

8661  
-1486

## Joint Committee on Government and Finance Meeting Checklist

### Items for Booklet:

- Minutes (MAKE SURE THEY ARE APPROVED BY HOMBURG & AARON)
- Reports Summary
- Lottery
- General Revenue
- Unemployment Compensation
- PEIA
- BRIM
- CHIP
- Lease Report
- Medicaid Report
- Pharmaceutical Cost Management Council
- Board of Treasury Investments Report
- Detailed Agenda for President, Speaker, Aaron, Homburg and File Copy
- Shortened Agenda for Members 12 Copies
- Shortened Agenda for Public 30 Copies
- Requests from other committees (make sure motion is in detailed agenda and a copy of the request on colored paper is in all booklets)
- Call committee staff to check on reports or requests
- Call offices that distribute monthly reports to determine who will be presenting the report.
- After meeting give Brenda, Donna, Judy Schultz (Senate) and Carolyn Epling (House) a copy of the approved minutes.

(President Tomblin presides)

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**September 11, 2007**

11:00 - 12:00 p.m.

Senate Finance Room

- ✓ 1. Approval of August 21, 2007, minutes
- ✓ 2. Committee Reports/Requests:
- ✓ 3. Monthly/Quarterly Reports Distribution:  
Status Reports on the Lottery Commission and General Revenue Fund
- ✓ 4. Monthly/Quarterly Reports Distribution:  
PEIA, BRIM and CHIP - *Robert Ferguson, Jr., Secretary, Dept. of Administration*
- ✓ 5. Monthly/Quarterly Report Distribution from Department of Health and Human Resources:  
Medicaid Report - *Martha Walker, Cabinet Secretary, DHHR*
- ✓ 6. Monthly Report on the Pharmaceutical Cost Management Council: *Robert Ferguson, Jr., Secretary, Dept. of Administration*
7. Other Business
8. Scheduled Interim Dates:   October 7 - 9  
  November 16 - 18 (Friday, Saturday and Sunday)  
  December 9 - 11  
  January 6 - 8, 2008

9. Adjournment

4. PEIA did well.  
CHIP - Enrollment down 17% cost up 270  
\$6.1 million deficit in S. B. 3 program.  
Deem - more info on retirees prescription coverage  
Will send members side-by-side on changes.
5. John Law  
Medicaid should come in at or below budget

Adjourn

Tape: September 11, 2007

President Tomblin: Report on PEIA, BRIM and CHIP.

Donna Lipscomb: Secretary Ferguson couldn't be here so I am just giving a brief report. PEIA the end of the year financials are not out yet. (Inaudible) CHIP the enrollment for the August (inaudible) claims are up 2% (inaudible) DHHR for eligibility probation services that was 25,900 and then there was a lot of postage to mail out (inaudible). BRIM has no overall unfunded liability. The Senate Bill 3 program still has a deficit of approximately 6.1 million but that is down, it was 15.9 million last year so we have that limited liability (inaudible). Leasing, there were a total of 8 leasing changes for the period of July 16 through August 31. 4 of those were new leases, 2 of them were straight renewals and 2 (inaudible).

President: Questions?

Senator Deem: Last week we talked a little bit about the co pays and the fact that we changed from Accordia, I have a new card, to Advantra Freedom for Public and PEIA card. In talking and reading some about these changes that they are certain that the drugs that are being prescribed at where the pharmacies and the pharmacies aren't making any money on them at all. They have changed, I understand some of the drugs that people have been accustomed to taking and PEIA is not paying for some that they had been paying for and I had a pharmacist tell me that what they did, you know that we were told that a big part of the deficit for PEIA is in the retired people, like myself and my wife now is also retired. So I think that what my pharmacist told me they did that has changed which the board did was put people like myself that is on medicare into the drug program Part B which I never did sign up for but it is my understanding that is what they did so that now medicare is paying for a lot of things that PEIA at one time was paying for. I am not being critical of that but I would to have had more information on it. I know at the last meeting it was indicated how much the copay was, I think there was a deductible, now you have to pay so much which before PEIA pays. Can you, and that wasn't formally presented to us at the last meeting. Can you give us that information as to what, it is a Board that took that action wasn't it? That addressed the deficit in PEIA, could you give us a list of the things that they did to change the way PEIA operates that it could be more fully funded than they are/have been.

Donna: Yes sir. (Inaudible) medications (inaudible) alternative medication if not (inaudible) co pays (inaudible) What I would like to do is do like a little outline (inaudible) distribute it next time.

Senator Deem: I wish you would do that. Then also there is some states that won't accept the medicare. Florida was one of the states that people who are retired and down there having trouble getting PEIA to pay for their health care costs. So yeh that would be great if you could give us a side by side of what the changes were.

Donna: (inaudible) we do have some pockets in NC and FL (inaudible)

Senator Deem: Could you maybe give me that before or all of us before our next meeting cause

we have meetings with (inaudible) coming up on the 6<sup>th</sup> of October and I like to be able to outline that change.

Donna: side by side (inaudible)

Senator Deem: Thank you.

President: Further questions? Donna are you going to give the Pharmaceutical report? We can skip on down to that, don't want you to have to walk up there twice.

Donna: The legislative rules are out (inaudible) so you will be hearing about those (inaudible)

President: Questions? She hasn't done anything for the month. Thank you. Next report will be from DHHR. John.

John Law: I am John Law from DHHR you have the medicaid report in your packet. (Inaudible) this year which totaled (inaudible).

President: That is good news. Questions about medicaid or DHHR? If not thank you John. Uh, do we have any business to come before the Committee? If not the next meeting dates are listed on your packet. Speaker moves we adjourn, all those in favor will say I.

Committee: I

President: Oppose no, the I's have it I declare the meeting adjourned.

*Chair - Tomblin*

**AGENDA  
JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
September 11, 2007**

**11:00 - 12:00 p.m.**

**Senate Finance Room**

1. Approval of August 21, 2007, minutes *- Speaker*
2. Committee Reports/Requests:
3. Monthly/Quarterly Reports Distribution:  
Status Reports on the Lottery Commission, Unemployment Compensation Trust Fund,  
and General Revenue Fund
4. Monthly/Quarterly Reports Distribution:  
PEIA  
BRIM  
CHIP
5. Monthly/Quarterly Report Distribution from Department of Health and Human Resources:  
Medicaid Report *John Low.*
6. Monthly Report on the Pharmaceutical Cost Management Council
7. Other Business
8. Scheduled Interim Dates: October 7 - 9  
November 16 - 18 (Friday, Saturday and Sunday)  
December 9 - 11  
January 6 - 8, 2008

9. Adjournment

*5 speakers*

*(4) Donna Lipscomb -*

**SEPTEMBER INTERIM ATTENDANCE**  
**Legislative Interim Meetings**  
**September 9, 10 and 11, 2007**

**Tuesday, September 11, 2007**

11:00 am - 12:00 pm

**Joint Committee on Government and Finance**

Senate

Tomblin, Chair	<u>✓</u>
Chafin	<u>   </u>
Helmick	<u>✓</u>
Kessler	<u>   </u>
Sharpe	<u>   </u>
Caruth	<u>✓</u>
Deem	<u>✓</u>

House

Thompson, Chair	<u>✓</u>
Caputo	<u>✓</u>
DeLong	<u>✓</u>
Webster	<u>✓</u>
White	<u>✓</u>
Armstead	<u>✓</u>
Border	<u>   </u>

I certify that the attendance as noted above  
is correct.

  
Staff Person

Anne Landgrebe

**Please return to Brenda in Room 132-E or Fax to 347-4819 ASAP, due to payroll deadline.**