

FILE COPY

JOINT COMMITTEE ON  
GOVERNMENT AND FINANCE

Materials Distributed

June 5, 2007

May 8, 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 (absent)  
DeLong  
Webster  
White  
Armstead  
Border

President Tomblin, Cochair, presided.

1. Approval of Minutes

Upon motion by Speaker Thompson, properly adopted, the minutes of the April 18, 2007, meeting were approved.

2. Lottery Commission and General Revenue Reports

Distributed to members of the Committee were the following: Lottery Operations report for the month ended March 31, 2007 and the General Revenue Fund status report as of April 30, 2007. Distributed with each of the reports were an analysis and a summary of the reports.

3. PEIA, BRIM and CHIP Reports

The following BRIM reports were distributed: An unaudited balance sheet and unaudited income statement for the period ending March 31, 2007.

Robert Ferguson, Jr., Cabinet Secretary, Department of Administration, reported investment income for BRIM was about \$6.8 million for all of FY 06 and so far, with 9 months in FY 07, investment income is \$60.1 million. There is no overall unfunded liabilities except Senate Bill 3 liabilities. Chuck Jones, Director of BRIM, stated that BRIM did pay the claim against the Attorney General's Office for \$125,000.

The following reports from CHIP were distributed: A report of enrollment for April 2007 and financial statements for period ending March 31, 2007. Secretary Ferguson said there is 25,158 children in the program. CHIP will be the lead on pre-screening children K-12 to cover those children that are not covered by other insurance programs.

The following monthly PEIA reports were distributed: Monthly Management Report, Financial Report and Prescription Drug Report for March 2007. Secretary Ferguson said medical expenses are trending at zero and pharmacy is 11 ½ % higher than it was the year before.

**4. Leasing Report, Department of Administration**

A leasing report for the month of April 2007 was distributed. Secretary Ferguson said there has been 21 changes for the month with 3 new contracts, 14 straight renewals, 1 with a decrease in square footage, 1 with a rent increase, 1 adding square footage and increasing rent and 1 decreasing.

**5. Departments of Health and Human Resources (DHHR) Monthly Reports**

A Medicaid report dated May 2007 was distributed. Martha Walker, Cabinet Secretary, DHHR, said that Medicaid is in good financial shape.

**6. Monthly Report on the Pharmaceutical Cost Management Council**

Shana Phares, Acting Pharmaceutical Advocate and Chair of the Pharmaceutical Cost Management Council, discussed the Advertising Rule and the Central Fill Pharmacy.

**7. Department of Transportation**

Paul Mattox, Cabinet Secretary, Department of Highways, discussed and answered questions on the Core Maintenance Program and the sale of DOH equipment. Secretary Mattox said the Core Maintenance Program is not an excuse for out-sourcing routine maintenance work or as a means by which management is looking to cut employees from the payroll. The 10 districts in the state will handle the heavy equipment work that needs to be done. Secretary Mattox stated that everyone will be given the equipment they need to deliver the Core Maintenance Program. The idle equipment is what is being sold at the auction.

**8. Approval of DOH Audit Contract**

Upon motion by Senator Helmick, properly adopted, Mr. Allred is authorized to enter into the contract for the DOH Audit.

**9. Scheduled Interim Dates**

June 3 - 5  
July 8 - 10  
August 19 - 21  
September 9 - 11  
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*



304-347-4870

June 1, 2007

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

**Lottery Commission as of April 30, 2007 :**

Appears to be in good condition. Gross receipts for the months of July - April of fiscal year 2006-2007, were \$ 1,302,899,000.00 which was 3.14% above the same months of fiscal year 2005-2006.

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

Collections were at 104.21% of the yearly estimate as of May 31, 2007.

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

Fund collections were at 106.29 of the yearly estimate.

**Unemployment Compensation Trust as of March 31, 2007:**

Overall ending trust fund balance was \$ 13.9 million greater on March 31, 2007 than on March 31, 2006. Overall disbursements were \$1.8 million less and receipts were \$ 384 thousand greater on March 31, 2007 than on March 31, 2006.

*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: June 1, 2007

Re: Review of West Virginia Lottery Financial Information  
As of April 30, 2007 (FY 2007)

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the month ended April 30, 2007, from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. This report is for ten months of fiscal year 2006-2007. 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 \$1,302,899,000.00. These gross receipts were 3.14 % ABOVE the total as of April 30, 2006 of 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 2006 - April 2007 was \$ 568,971,000.00; for the previous fiscal year it was \$539,145,000.00. Expressed as a percentage, gross profit is **5.53% higher** for July - April 2007 than for July - April 2006.

*Joint Committee on Government and Finance*

Lottery continued

School Building Authority	\$ 18,000,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$170,097,000.00</b>

**Excess Lottery Fund**

General Purpose Fund	65,000,000.00
Economic Development Fund	19,000,000.00
Traffic Fund	0
Excess Lottery Surplus	55,330,000.00
Education Improvement Fund	10,000,000.00
WV Infrastructure Council Fund	40,000,000.00
Higher Education Improvement Fund	27,000,000.00
State Park Improvement Fund	5,000,000.00
Refundable Credit	2,989,000.00
School Building Authority	19,000,000.00
<b>TOTAL EXCESS LOTTERY FUND</b>	<b>243,319,000.00</b>

Senate Bill 1010 and 1017  
 (2006 lottery surplus to TRAFFIC,  
 Development Office, Office of  
 Technology, Capital Outlay Parks) 104,253,000.00

Veterans Instant Ticket Fund 801,000.00

<b>RACETRACK VIDEO LOTTERY TRANSFERS:</b>	
Tourism Promotion Fund	\$10,094,000.00
Development Office Promo Fund	\$2,753,000.00
Research Challenge Fund .5%	\$3,671,000.00

Lottery continued

Capitol Renovation and Improvement Fund .6875%	\$5,047,000.00
Parking Garage Fund .0625%	\$459,000.00
Parking Garage Fund 1%	\$500,000.00
Cultural Facilities and Cap. Resources Fund .5%	\$1,500,000.00
Capitol Dome & Cap. Improvements Fund .5%	\$5,341,000.00
Workers Compensation Debt Reduction Fund 7%	\$11,000,000.00
<b>SUBTOTAL VIDEO LOTTERY TRANSFERS:</b>	<b>\$40,365,000.00</b>
<b>TOTAL TRANSFERS</b>	<b>*\$558,835,000.00</b>

\* CASH BASIS

Total Applicable to last FY 2006:	147,676,000.00
Total Cash Distributions July -April 2007.	558,835,000.00
Total Applied to FY 2006:	147,676,000.00
Total Applied to FY 2007:	411,159,000.00
Total Accrued for FY 2007:	128,855,000.00



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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 April 30, 2007



DATE: May 18, 2007

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

Financial statements of the Lottery for the month ending April 30, 2007 are attached. Lottery revenue, which includes on-line, instant and video lottery sales, was \$131,198,246 for the month of April.

Transfers of lottery revenue totaling \$40,477,042 made for the month of April to the designated state agencies per Senate Bill 125, 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 April 30, 2007 was 1,654 and 1,687 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

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	April 30, 2007	June 30, 2006
Current assets:		
Cash and cash equivalents	\$ 152,224	\$ 197,719
Accounts receivable	37,547	24,790
Inventory	639	588
Current portion of investments held in trust	23	57
Other assets	1,595	1,455
Total current assets	<u>192,028</u>	<u>224,609</u>
Noncurrent assets:		
Capital assets	12,623	11,719
Less accumulated depreciation and amortization	<u>(11,518)</u>	<u>(11,046)</u>
	1,105	673
Investments held in trust, less current portion	280	612
Total assets	<u>\$ 193,413</u>	<u>\$ 225,894</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 128,855	\$ 147,676
Estimated prize claims	13,207	15,992
Accounts payable	1,503	2,745
Other accrued liabilities	28,661	38,579
Current portion of deferred jackpot prize obligations	159	336
Total current liabilities	<u>172,385</u>	<u>205,328</u>
Deferred jackpot prize obligations, less current portion	<u>135</u>	<u>316</u>
Total liabilities	<u>172,520</u>	<u>205,644</u>
Net assets:		
Invested in capital assets	1,105	673
Restricted assets ( see note 8)	20,643	20,000
Unrestricted (deficit)	<u>(855)</u>	<u>(423)</u>
Total net assets	<u>20,893</u>	<u>20,250</u>
Total liabilities and net assets	<u>\$ 193,413</u>	<u>\$ 225,894</u>

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE TEN MONTH PERIOD ENDED APRIL 30, 2007**

(In Thousands)  
-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2007	2006	2007	2006
Lottery revenues				
On-line games	\$ 6,063	\$ 8,038	\$ 73,551	\$ 85,646
Instant games	8,067	10,246	89,108	98,410
Racetrack video lottery	82,614	82,214	810,151	780,320
Limited video lottery	34,454	31,502	330,089	298,837
	<u>131,198</u>	<u>132,000</u>	<u>1,302,899</u>	<u>1,263,213</u>
Less commissions				
On-line games	424	563	5,149	5,995
Instant games	565	717	6,238	6,889
Racetrack video lottery	39,258	39,068	445,552	431,377
Limited video lottery	16,883	16,671	173,333	161,590
	<u>57,130</u>	<u>57,019</u>	<u>630,272</u>	<u>605,851</u>
Less on-line prizes	2,922	4,274	36,850	43,708
Less instant prizes	5,464	7,163	60,583	67,209
Less ticket costs	122	164	1,308	1,778
Less vendor fees and costs	455	549	4,915	5,522
	<u>8,963</u>	<u>12,150</u>	<u>103,656</u>	<u>118,217</u>
Gross profit	<u>65,105</u>	<u>62,831</u>	<u>568,971</u>	<u>539,145</u>
Administrative expenses				
Advertising and promotions	565	626	7,607	6,453
Wages and related benefits	516	516	4,885	4,674
Telecommunications	225	273	1,993	1,866
Contractual and professional	512	89	2,925	2,892
Rental	71	51	549	488
Depreciation and amortization	48	111	472	1,130
Other administrative expenses	141	232	1,195	972
	<u>2,078</u>	<u>1,898</u>	<u>19,626</u>	<u>18,475</u>
Other Operating Income	<u>3,866</u>	<u>902</u>	<u>6,301</u>	<u>2,944</u>
Operating Income	<u>66,893</u>	<u>61,835</u>	<u>555,646</u>	<u>523,614</u>
Nonoperating income (expense)				
Investment income	638	653	5,960	3,374
Interest expense	(2)	(5)	(31)	(78)
Distributions to municipalities and counties	(676)	(617)	(6,470)	(5,857)
Distributions to racetracks-capital reinvestment	(3,331)	(3,315)	(14,448)	(13,245)
Distributions to the State of West Virginia	(63,437)	(58,551)	(540,014)	(507,808)
	<u>(66,808)</u>	<u>(61,835)</u>	<u>(555,003)</u>	<u>(523,614)</u>
Net income	<u>85</u>	<u>-</u>	<u>643</u>	<u>-</u>
Net assets, beginning of year	<u>20,250</u>	<u>250</u>	<u>20,250</u>	<u>250</u>
Net assets, end of year	<u>\$ 20,335</u>	<u>\$ 250</u>	<u>\$ 20,893</u>	<u>\$ 250</u>

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

WEST VIRGINIA LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE TEN MONTH PERIOD ENDED APRIL 30, 2007

(In Thousands)

-Unaudited-

	2007	2006
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 1,296,443	\$ 1,258,621
Cash payments for:		
Personnel costs	(4,885)	(4,692)
Suppliers	(30,706)	(2,556)
Other operating costs	(716,772)	(727,943)
Cash provided by operating activities	<u>544,080</u>	<u>523,430</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(558,835)	(446,305)
Distributions to municipalities and counties	(6,407)	(5,761)
Distributions to racetrack from racetrack cap. reinv. fund	(29,725)	(15,870)
Deferred jackpot prize obligations and related interest paid	(31)	(78)
Cash used in noncapital financing activities	<u>(594,998)</u>	<u>(468,014)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(904)</u>	<u>-</u>
Cash flows from investing activities:		
Maturities of investments held in trust	387	816
Investment earnings received	5,940	(3,348)
Cash provided by investing activities	<u>6,327</u>	<u>(2,532)</u>
Increase (decrease) in cash and cash equivalents	(45,495)	52,884
Cash and cash equivalents - beginning of period	197,719	113,742
Cash and cash equivalents - end of period	<u>\$ 152,224</u>	<u>\$ 166,626</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 555,646	\$ 523,621
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	472	1,130
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(12,758)	7,536
(Increase) decrease in inventory	(51)	(107)
(Increase) decrease in other assets	(140)	65
Increase (decrease) in estimated prize claims	(2,784)	5,614
Increase (decrease) in accounts payable	(1,242)	(359)
Increase (decrease) in other accrued liabilities	4,937	(14,070)
Cash provided by operating activities	<u>\$ 544,080</u>	<u>\$ 523,430</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 a component unit of the State and its financial statements are discretely presented in the comprehensive annual financial report of the State.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies of the Lottery is presented below.

**BASIS OF PRESENTATION** – The West Virginia Lottery is a component unit 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. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the ten months ended April 30, 2007 and April 30, 2006 approximated \$548,570 and \$488,396, respectively. Sublease rental income for the ten months ended April 30, 2007 and April 30, 2006 approximated \$60,508 and \$86,440, 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 \$281,146 and \$241,126 of vacation and \$468,058 and \$452,850 of sick leave at June 30, 2006 and 2005, 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 April 30, 2007 the carrying amounts of deposits (overdraft) with financial institutions were (\$26) thousand with a bank balance of \$20 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>April 30, 2007</u>	<u>June 30, 2006</u>
Amount on deposit with the IMB	<u>\$152,251</u>	<u>\$197,734</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 April 30, 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, 2006	Additions	Deletions	Historical Cost At April 30, 2007
Improvements	\$ 1,121	\$ -	\$ -	\$ 1,121
Equipment	10,598	904	-	11,502
	<u>\$ 11,719</u>	<u>\$ 904</u>	<u>\$ -</u>	<u>\$ 12,623</u>
Accumulated Depreciation:				
	Historical Cost At June 30, 2006	Additions	Deletions	Historical Cost At April 30, 2007
Improvements	\$ 848	\$ 64	\$ -	\$ 912
Equipment	10,198	408	-	10,606
	<u>\$ 11,046</u>	<u>\$ 472</u>	<u>\$ -</u>	<u>\$ 11,518</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 April 30, 2007 were \$3,227,386 and \$44,746,546 while related prize costs for the same periods were \$1,568,937 and \$22,418,472.

Revenues derived from the Lottery's participation in the HOT LOTTO game for the month and year-to-date periods ended April 30, 2007 were \$339,129 and \$3,927,561 while related prize costs for the same periods were \$164,714 and \$2,089,272.

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 April 30, 2007 the POWERBALL prize reserve funds had a

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

**-Unaudited-**

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

balance of \$91,618,068 of which the Lottery's share was \$2,235,593. 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. A summary of racetrack video lottery revenues for the month ended April 30, 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>2007</u>	<u>Month</u> <u>2006</u>	<u>Year- to -Date</u> <u>2007</u>	<u>2006</u>
Total credits played	\$868,948	\$871,768	\$8,550,198	\$8,378,357
Credits (prizes) won	(785,870)	(789,554)	(7,736,324)	(7,598,037)
MWAP Contributions	(464)	-	(3,723)	-
Gross terminal income	<u>\$82,614</u>	<u>\$82,214</u>	<u>\$810,151</u>	<u>\$780,320</u>
Administrative costs	-	-	(17,523)	(17,524)
Net Terminal Income	<u>\$82,614</u>	<u>\$82,214</u>	<u>\$792,628</u>	<u>\$762,796</u>
Less distribution to agents	(39,258)	(39,068)	(445,554)	(431,377)
Racetrack video lottery revenues	<u>\$43,356</u>	<u>\$43,146</u>	<u>347,074</u>	<u>\$331,419</u>

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

	<u>April 30, 2007</u>	<u>Year-to Date</u>
State Lottery Fund	-	\$130,127
State Excess Lottery Revenue Fund	\$37,170	161,773
Capital Reinvestment Fund	3,331	14,447
Tourism Promotion Fund 1.375%	981	10,215
Development Office Promotion Fund .375 %	268	2,788
Research Challenge Fund .5 %	357	3,716
Capitol Renovation & Improvement Fund .6875 %	490	5,110
Parking Garage Fund .0625 %	45	465
Parking Garage Fund 1 %	-	500
Cultural Facilities & Capitol Resources Fund .5 %	-	1,500
Capitol Dome & Capitol Improvements Fund .5 %	714	5,433
Worker's Compensation Debt Reduction Fund 7 %	-	11,000
Total nonoperating distributions	<u>\$43,356</u>	<u>\$347,074</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 April 30, 2007 and year-to-date follows (in thousands):

	<u>Current</u> <u>2007</u>	<u>Month</u> <u>2006</u>	<u>Year- to -Date</u> <u>2007</u>	<u>2006</u>
Total credits played	\$418,645	\$386,318	\$4,018,623	\$3,640,301
Credits (prizes) won	(384,191)	(354,816)	(3,688,534)	(3,341,464)
Gross terminal income	\$34,454	\$31,502	\$330,089	\$298,837
Administrative costs	(688)	(630)	(6,601)	(5,978)
Gross Profit	\$33,766	\$30,872	\$323,488	\$292,859
Commissions	(16,883)	(16,671)	(173,333)	(161,590)
Municipalities and Counties	(676)	(617)	(6,470)	(5,857)
Limited video lottery revenues	<u>\$16,207</u>	<u>\$13,584</u>	<u>\$143,685</u>	<u>\$125,412</u>

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

As required under its enabling legislation, net assets of the Lottery may not exceed \$250,000. On June 14, 2006 House Bill 106 established additional capitalization up to \$20,000,000, in each year beginning with FY 2006 and continuing for the next six years. Therefore, the Lottery periodically distributes surplus funds, exclusive of amounts 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, 2007 the State Legislature budgeted \$170,100,000 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 April 30, 2007 the Lottery made such distributions and accrued additional distributions of \$60,582,342. The Lottery does not have a legally adopted annual budget.

**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 April 30, 2007 the Lottery accrued additional distributions relating to racetrack video lottery operations of \$865,542.

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>April 30, 2007</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Bureau of Senior Services	\$ -	\$ 42,136
Department of Education	-	32,704
Library Commission	-	10,522
Higher Education-Policy Commission	-	38,834
Tourism	-	7,868
Natural Resources	-	3,428
Division of Culture & History	-	5,222
Department of Education & Arts	-	1,385
Building Commission	998	9,998
School Building Authority	1,800	18,000
Total State Lottery Fund	\$ 2,798	\$170,097
<u>State Excess Lottery Revenue Fund:</u>		
Economic Development Fund	\$ 1,900	\$ 19,000
Higher Education Improvement Fund	1,000	10,000
General Purpose Account	-	65,000
Higher Education Improvement Fund	-	27,000
State Park Improvement Fund	-	5,000
School Building Authority	-	19,000
Refundable Credit	393	2,989
Excess Lottery Surplus	31,683	55,330
West Va. Infrastructure Council	-	40,000
Total State Excess Lottery Revenue Fund	\$ 34,976	\$ 243,319
<u>Senate Bill 1010, 1016 &amp; 1017</u>	\$ -	\$ 104,253
Total Budgetary distributions:	\$ 37,774	\$ 517,669
Veterans Instant Ticket Fund	\$ 55	\$ 801

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

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

<u>Other Racetrack Video Lottery distributions:</u>		
Tourism Promotion Fund 1.375%	\$ 910	\$ 10,094
Development Office Promotion Fund .375%	248	2,753
Research Challenge Fund .5%	331	3,671
Capitol Renovation & Improvement Fund .6875%	455	5,047
Parking Garage Fund .0625 %	42	459
Parking Garage Fund 1 %	-	500
Cultural Facilities & Cap. Resources Fund .5%	-	1,500
Capitol Dome & Cap. Improvements Fund .5%	662	5,341
Workers Compensation Debt Reduction Fund 7%	-	11,000
Total	\$ 2,648	\$ 40,365
 Total nonoperating distributions to the State of West Virginia (cash basis)	\$40,477	\$558,835
 Accrued nonoperating distributions, beginning	(105,895)	(147,676)
Accrued nonoperating distributions, end	128,855	128,855
 Total nonoperating distributions to the State of West Virginia	\$ 63,437	\$540,014

**NOTE 9 - 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 April 30, 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 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):

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

**NOTE 9 - DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST**  
**(continued)**

	<u>April 30, 2007</u>	<u>June 30, 2006</u>
Present value of deferred prize award obligations:		
Discounted obligations outstanding	\$ 279	\$ 615
Imputed interest accrued	<u>15</u>	<u>37</u>
	294	652
Less current portion of discounted obligations and accrued interest	<u>(159)</u>	<u>(336)</u>
Long-term portion of deferred prize award obligations	<u>\$ 135</u>	<u>\$ 316</u>

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

<u>Year Ended</u>	<u>Original Discounted Obligations Outstanding</u>	<u>Imputed Interest</u>	<u>Total</u>
June 30, 2007	-	-	-
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 10 - 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 April 30, 2007 are as follows (in thousands):

	<u>April 30, 2007</u>	<u>Year-to Date</u>
Lottery contributions	\$37	\$372
Employee contributions	16	160
Total contributions	\$53	\$532

**NOTE 11 - 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 11 - 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 11 - 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.

**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: June 1, 2007

Re: Status of General Revenue Fund May 31, 2007

We have reviewed the cash revenue flows of the West Virginia general revenue fund for the months of July-May of fiscal year 2006-2007. The status of the fund collections are as follows:

The net collections were **104.21%** of the estimate for the fiscal year. **The amount ABOVE estimate was \$ 137.9 million for the year.**

Corporate income/business franchise tax was \$ 46 million above the estimate.

Severance tax was \$ 14.4 million above the estimate as of May 31, 2007.

*Joint Committee on Government and Finance*

**State Road Fund**

The state road fund was collected at 106.29% of the estimate for the months of July - May. The entire fund was \$ 32.8 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 \$ 232,020,709.02 as of May 31, 2007.

Balance July 1, 2006	124,153,400.18
Cash flow loan to General Revenue on July 6, 2006 To be repaid 90 days. This is a normal occurrence in July due to cash flow demands; will be repaid in September. Loan repaid on September 28, 2006.	- 50,000,000.00 + 50,000,000.00
Revenues July 1, 2005-June 30,2006 (Surplus from FY 2006 to be transferred in August 2006.)	88,817,007.83
Earnings	19,050,301.01
Balance May 31, 2007	232,020,709.02

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$ 273,550,992.65 as of May 31, 2007.

Balance July 1, 2006	234,897,671.95
Earnings	38,653,320.70
Balance May 31, 2007	273,550,992.65

The Special Income Tax Reserve Fund had a cash balance of \$36,619,318.96 as of May 31, 2007.

Balance July 1, 2006	36,619,318.96
Revenues July 2006-June 2007	
Balance May 31, 2007	36,619,318.96

**GENERAL REVENUE FUND FY 2006-2007**

Monthly Revenue Estimates - Revised: March 18, 2007  
as of May 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	125,000,000	219,500,773	94,500,773	1,201,875,287	1,235,999,094	34,123,807
Consumer Sales Tax	83,000,000	91,683,205	8,683,205	897,689,306	910,146,779	12,457,473
Severance Tax	28,500,000	33,102,451	4,602,451	284,600,000	298,626,419	14,026,419
Corp Income /Business Franchise	6,600,000	8,655,539	2,055,539	244,600,000	290,945,041	46,345,041
Business and Occupation	14,600,000	14,127,818	-472,182	154,800,000	169,278,651	14,478,651
Use Tax	8,900,000	11,500,031	2,600,031	106,600,000	118,192,420	11,592,420
Insurance Tax	2,100,000	2,629	-2,097,371	105,500,000	98,043,678	-7,456,322
Cigarette Tax	8,800,000	9,925,931	1,125,931	94,300,000	97,062,781	2,762,781
HB 102 - Lottery Transfers	4,100,000	0	-4,100,000	71,900,000	77,900,000	6,000,000
Interest Income	7,400,000	4,569,631	-2,830,369	41,300,000	49,229,811	7,929,811
Departmental Collections	900,000	942,250	42,250	14,900,000	13,652,110	-1,247,890
Property Transfer Tax	1,200,000	966,402	-233,598	14,600,000	11,159,759	-3,440,241
Liquor Profit Transfers	2,140,000	2,879,000	739,000	9,520,000	10,523,726	1,003,726
Beer Tax and Licenses	1,000,000	566,591	-433,409	7,400,000	6,795,377	-604,623
Senior Citizen Tax Credit Reimb.	800,000	0	-800,000	5,900,000	0	-5,900,000
Property Tax	300,000	287,301	-12,699	4,700,000	4,709,627	9,627
Smokeless Tobacco Tax	400,000	294,296	-105,704	4,400,000	4,420,837	20,837
Charter Tax	600,000	152,759	-447,241	4,400,000	4,438,040	38,040
Racing Fees	0	120,000	120,000	1,300,000	1,000,000	-300,000
Miscellaneous Transfers	100,000	0	-100,000	900,000	2,817,177	1,917,177
Miscellaneous Receipts	100,000	91,733	-8,267	900,000	1,047,041	147,041
Business Franchise Fees	170,000	38,901	-131,099	850,000	630,328	-219,672
Telecommunications Tax	0	11,259	11,259	0	-405,611	-405,611
Estate and Inheritance Tax	0	5,064	5,064	0	214,734	214,734
Refundable Credit Reim LTY	0	416,792	416,792	0	3,405,711	3,405,711
Video Lottery Transfers	0	75,736	75,736	0	1,013,549	1,013,549
Special Revenue Transfer	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
<b>TOTALS</b>	<b>296,710,000</b>	<b>399,916,091</b>	<b>103,206,091</b>	<b>3,272,934,593</b>	<b>3,410,847,080</b>	<b>137,912,487</b>
Minus Cash Flow Transfer	0	0	0	0	0	0
Percent of Estimates		<b>134.78%</b>			<b>104.21%</b>	
<b>TOTALS</b>	<b>296,710,000</b>	<b>399,916,091</b>	<b>103,206,091</b>	<b>3,272,934,593</b>	<b>3,410,847,080</b>	<b>137,912,487</b>
<b>Collections this day</b>		<b>40,230,319</b>				

Prepared by Legislative Auditor's Office, Budget Division

**STATE ROAD FUND**

FINAL

STATE ROAD FUND FY 2006-2007

Monthly Estimates July 2006 - Revised February 2007

as of May 31, 2007 WVFIMS

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Gasoline & Motor Carrier Rd Tax	34,000,000	29,358,149	-4,641,851	295,000,000	324,495,046	29,495,046
Privilege Tax	13,560,000	15,323,254	1,763,254	153,534,000	158,047,965	4,513,965
Licenses & Registration	7,376,000	8,413,576	1,037,576	72,726,000	71,601,646	-1,124,354
Highway Litter Control Fund	140,000	133,299	-6,701	1,375,000	1,355,140	-19,860
<b>TOTALS</b>	<b>55,076,000</b>	<b>53,228,277</b>	<b>-1,847,723</b>	<b>522,635,000</b>	<b>555,499,798</b>	<b>32,864,798</b>
Percent of Estimates		96.65%			106.29%	
Collections this day		18,296,689				

REVENUE SHORTFALL RESERVE FUND A as of May 1, 2007 : \$228,171,928.14

REVENUE SHORTFALL RESERVE FUND B as of May 1, 2007 : \$266,258,496.96

SPECIAL INCOME TAX REFUND RESERVE FUND as of May 1, 2007: \$36,619,318.96

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

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



304-347-4870

To: Honorable 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: June 1, 2007

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the March 2007 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia. March is the ninth month of the fiscal year 2006-2007.

For the nine months of fiscal year 2006-2007, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2006	\$244,918,539.17
Receipts July 1, 2006 thru June 30, 2007	\$84,660,972.77
Disbursements July 1, 2006 thru June 30, 2007	\$117,106,437.67
Balance March 31, 2007	\$212,473,074.27

ITEMS OF NOTE:

Regular benefits paid for July 2006- March 2007 were \$ 2.2 million more than the same time period in fiscal year 2006. Total disbursements were \$ 1.8 million less than in July 2005- March 2006.

*Joint Committee on Government and Finance*

Receipts were \$ 384 thousand greater than in July 2005 - March 2006. Overall ending trust fund balance was \$ 13.9 million more in March 2007 than in March 2006.

West Virginia's unemployment rate for the month of March 2007 was 5.4 percent. National unadjusted employment rate was 4.9 %.

Seasonally adjusted unemployment rates were 4.3 percent for West Virginia and 4.5 percent nationally.

Since March 2006 employment has risen 1,500 with gains in the following areas: 2,400 in trade, transportation and utilities, 200 in leisure and hospitality, 400 in natural resources and mining, 100 in construction, 100 in financial services, 400 in other services and 300 in educational and health services. Declines included 2,300 in manufacturing, and 100 in professional and business services.

**FINANCIAL CONDITION OF THE UNEMPLOYMENT COMPENSATION TRUST FUND  
MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
FOR THREE MONTHS STARTING JANUARY 2006 AND JANUARY 2007**

	JANUARY 06	FEBRUARY 06	MARCH 06	JANUARY 07	FEBRUARY 07	MARCH 07	THREE MONTH TOTAL VARIANCE *
<b>Balance Forward</b>	<u>220,211,648.82</u>	<u>210,890,000.67</u>	<u>207,206,405.70</u>	<u>240,863,618.99</u>	<u>231,312,111.17</u>	<u>223,329,812.35</u>	<u>57,197,487.32</u>
Add Receipts:							
1. Bond Assessment	2.52	0.00	5.02	85.07	0.00	0.00	77.53
2. Regular Contributions:	6,895,265.86	10,350,266.47	745,314.51	6,735,490.89	11,586,319.51	641,712.54	972,676.10
3. Extended Benefit Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Emergency Unemployment Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. TEUC Unemployment Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. UCFE (Federal Agencies)	100,000.00	150,000.00	100,000.00	100,000.00	300,000.00	300,000.00	350,000.00
7. Reduced Tax Credits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8. Reed Act Funds	0.00	0.00	329,405.84	0.00	0.00	316,369.43	(13,036.41)
9. Treasury Interest Credits	0.00	0.00	2,110,028.64	0.00	0.00	2,413,625.50	303,596.86
10. UCX (Military Agencies)	450,000.00	400,000.00	200,000.00	200,000.00	500,000.00	400,000.00	50,000.00
<b>Total Monthly Receipts</b>	<u>7,445,268.38</u>	<u>10,900,266.47</u>	<u>3,484,754.01</u>	<u>7,035,575.96</u>	<u>12,386,319.51</u>	<u>4,071,707.47</u>	<u>1,663,314.08</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	NA
Regular Benefits:	16,234,119.66	14,106,155.05	11,716,400.85	16,078,417.89	19,930,025.12	13,528,940.37	7,480,707.82
Extended Benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Emergency Benefits	-4,334.00	-6,415.00	-3,849.00	-1,245.00	(2,420.00)	(922.00)	10,011.00
UCFE (Federal Workers)Benefits	100,077.52	98,640.47	95,069.00	123,181.63	109,374.17	91,441.49	30,210.30
UCX (Military Workers)Benefits	437,053.35	385,480.92	344,785.83	366,729.26	331,639.04	308,985.69	(139,966.11)
Reed Act Funds	0.00	0.00	0.00	0.00	0.00	1,000,000.00	1,000,000.00
Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Monthly Disbursement</b>	<u>16,766,916.53</u>	<u>14,583,861.44</u>	<u>12,152,406.68</u>	<u>16,587,083.78</u>	<u>20,368,618.33</u>	<u>14,928,445.55</u>	<u>8,380,963.01</u>
<b>Trust Fund Balance</b>	<u>210,890,000.67</u>	<u>207,206,405.70</u>	<u>198,538,753.03</u>	<u>231,312,111.17</u>	<u>223,329,812.35</u>	<u>212,473,074.27</u>	<u>50,479,838.39</u>

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



# *Monthly Management Report*

**TOTAL CLAIMS**

**APRIL 2007**

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS  
APRIL 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	4,646,053.57	4,655,311.07	4,254,758.64	4,484,014.74	46,317,065.22	44,884,149.74
	IMMUNIZATION	520,305.72	192,209.34	127,746.45	146,118.68	2,441,346.11	1,599,348.52
	INJECTION	820,144.36	790,298.19	641,911.73	811,285.72	7,887,324.38	7,901,785.64
	LAB AND PATHOLOGY	707,574.77	638,832.97	730,413.15	595,261.83	5,977,861.19	5,980,221.39
	MAMMOGRAPHY	2,140.45	77,965.04	75,441.64	100,115.17	667,166.06	983,434.65
	OTHER	329,938.57	417,239.36	314,064.03	503,392.88	4,065,693.78	4,922,234.99
	OTHER IMAGING	905,472.05	931,352.53	877,558.04	843,113.15	8,925,881.60	8,484,710.21
	OTHER MEDICINE	565,511.82	702,359.92	891,384.42	642,360.21	6,660,099.06	6,419,895.50
	PHYSICAL MEDICINE	546,511.01	594,626.61	553,095.58	554,169.71	5,783,922.97	5,602,702.63
	PROSTATE CANCER SCREENING	14,245.40	16,761.04	17,855.35	14,307.63	150,180.28	150,156.39
	SURGICAL	2,444,696.24	2,633,876.38	2,285,567.79	2,587,762.77	25,620,658.20	25,965,981.62
*****							
SUM		13,973,831.21	14,359,517.09	13,287,073.42	14,005,649.04	140,539,378.44	140,151,931.13
SUM		45,559,830.19	45,556,105.98	41,240,437.66	43,860,746.62	448,570,197.82	437,586,907.96

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**

**APRIL 2007**

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

Page: 2

Reporting Category	Type of Service	Current	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments	Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	24.7905	25.5824	22.8169	24.6824	247.9361	241.3950
	IMMUNIZATION	2.7763	1.0565	.6851	.8041	13.0686	8.6016
	INJECTION	4.3761	4.3432	3.4424	4.4659	42.2210	42.4972
	LAB AND PATHOLOGY	3.7755	3.5104	3.9170	3.2764	31.9996	32.1627
	MAMMOGRAPHY	.0114	.4285	.4046	.5511	3.5714	5.2891
	OTHER	1.7605	2.2930	1.6842	2.7714	21.7637	26.4727
	OTHER IMAGING	4.8314	5.1177	4.7061	4.6409	47.7804	45.6323
	OTHER MEDICINE	3.0175	3.8595	4.7802	3.5361	35.6516	34.5274
	PHYSICAL MEDICINE	2.9161	3.2675	2.9661	3.0504	30.9614	30.1323
	PROSTATE CANCER SCREENING	.0760	.0921	.0958	.0787	.8039	.8076
	SURGICAL	13.0444	14.4744	12.2568	14.2454	137.1478	139.6497
*****							
sum		74.5617	78.9108	71.2543	77.0960	752.3098	753.7623
sum		243.0986	250.3596	221.1592	241.4376	2,401.2044	2,353.4212

# Monthly Management Report

PER 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.

APRIL 2007

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS - MEDICARE ELIGIBLE  
 APRIL 2007

Page: 2

Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
PROFESSIONAL SERVICES	LAB AND PATHOLOGY	32,332.65	32,522.96	26,424.48	29,991.27	323,627.76	299,291.99
	MAMMOGRAPHY	291.62	4,996.41	5,102.46	6,257.65	42,116.74	61,036.29
	OTHER	66,762.58	73,442.57	54,010.54	86,733.99	732,651.63	782,655.48
	OTHER IMAGING	118,308.53	123,515.44	103,488.91	116,764.06	1,228,203.03	1,150,838.56
	OTHER MEDICINE	71,180.75	76,391.91	66,851.55	56,928.08	713,513.71	582,506.82
	PHYSICAL MEDICINE	52,331.35	60,557.82	46,451.45	57,726.42	597,380.69	579,227.63
	PROSTATE CANCER SCREENING	236.96	436.07	111.50	191.55	4,241.15	1,851.65
	SURGICAL	264,857.24	287,811.99	261,267.24	278,195.84	2,831,198.90	2,794,161.55
*****							
sum		1,829,554.54	1,911,492.26	1,695,660.07	1,814,436.19	18,904,903.74	18,061,657.76
sum		10,436,259.10	10,753,642.18	9,687,767.77	10,150,762.00	106,446,629.85	100,645,554.22

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

26 rows selected.



# *Monthly Management Report*

***MEDICARE ELIGIBLE***

***PER CAPITA CLAIMS***

***APRIL 2007***

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS - MEDICARE ELIGIBLE  
 APRIL 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	.4247	.6852	.6501	.5977	6.6022	6.3007
	MEDICAL AND SURGICAL	30.4004	31.0066	27.6965	28.9793	305.6141	282.6196
*****							
sum		30.8250	31.6918	28.3466	29.5770	312.2163	288.9203
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.2312	.2495	.2033	.1638	2.4946	1.6928
	DIALYSIS	1.1970	1.8944	1.6831	1.7530	17.8727	17.9513
	EMERGENCY ROOM	1.2305	1.1921	.9160	1.1010	11.8743	10.7116
	MEDICAL AND SURGICAL	23.6094	25.0399	20.3231	24.6573	246.6016	245.7279
*****							
sum		26.2681	28.3759	23.1255	27.6750	278.8431	276.0835
PHARMACY	PRESCRIPTION DRUGS	181.0427	180.7921	164.4142	164.8989	1,802.4586	1,642.5905
*****							
sum		181.0427	180.7921	164.4142	164.8989	1,802.4586	1,642.5905
PROFESSIONAL SERVICES	ADVANCED IMAGING	1.2248	1.5785	1.4717	1.4312	15.2278	14.4126
	AMBULANCE	2.7458	3.0513	3.0203	2.5441	30.3245	26.2109
	ANESTHESIA	.9598	.9732	.6446	1.0318	9.5889	10.2772
	BEHAVIORAL	.6490	.6692	.5408	.5256	6.5664	5.4063
	CARDIOVASCULAR MEDICINE	1.6582	1.8184	1.6983	1.7662	17.6049	17.4274
	CERVICAL CANCER SCREENING	.0043	.0026	.0040	.0030	.0263	.0308
	DIALYSIS	.0708	.0499	.0342	.1856	.5141	1.5921
	DME	3.5587	4.0523	3.6543	3.9665	40.7736	41.4690
	EVALUATION AND MANAGEMENT	19.3984	17.9812	16.6343	16.8192	180.3526	167.2587
	IMMUNIZATION	.1729	.0593	.0161	.0197	.8200	.2196
	INJECTION	3.4030	3.8828	2.8581	3.2083	38.1090	31.3972

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 - MEDICARE ELIGIBLE  
 APRIL 2007

Page: 2

Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
PROFESSIONAL SERVICES	LAB AND PATHOLOGY	.8946	.8863	.7138	.7993	8.8485	8.0005
	MAMMOGRAPHY	.0081	.1359	.1378	.1667	1.1515	1.6316
	OTHER	1.8472	2.0017	1.4590	2.3103	20.0318	20.9216
	OTHER IMAGING	3.2734	3.3653	2.7955	3.1115	33.5809	30.7637
	OTHER MEDICINE	1.9695	2.0813	1.8058	1.5183	19.5085	15.5713
	PHYSICAL MEDICINE	1.4479	1.6500	1.2548	1.5382	16.3333	15.4836
	PROSTATE CANCER SCREENING	.0066	.0118	.0030	.0051	.1160	.0495
	SURGICAL	7.3282	7.8412	7.0575	7.4145	77.4091	74.6922
***** sum		50.6213	52.0921	45.8039	48.3653	516.8876	482.8158
sum		288.7571	292.9519	261.6901	270.5163	2,910.4056	2,690.4102

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

26 rows selected.



# *Monthly Management Report*

***MEDICARE ELIGIBLE***

***PER CAPITA UTILIZATION***

***APRIL 2007***

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION - MEDICARE ELIGIBLE  
 APRIL 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	.0023	.0018	.0322	.0231
	MEDICAL AND SURGICAL	.0700	.0568	.6914	.5970
*****					
sum		.0723	.0586	.7236	.6201
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0076	.0072	.0750	.0517
	DIALYSIS	.0136	.0110	.1443	.1587
	EMERGENCY ROOM	.0345	.0326	.3705	.3679
	MEDICAL AND SURGICAL	.4392	.3553	4.3669	3.9430
*****					
sum		.4949	.4062	4.9567	4.5212
PHARMACY	PRESCRIPTION DRUGS	1.9644	1.8278	20.3870	19.2117
*****					
sum		1.9644	1.8278	20.3870	19.2117
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0564	.0525	.5840	.5604
	AMBULANCE	.0381	.0402	.3978	.3716
	ANESTHESIA	.0411	.0290	.4361	.4459
	BEHAVIORAL	.0233	.0218	.2327	.2264
	CARDIOVASCULAR MEDICINE	.1304	.1353	1.3952	1.4038
	CERVICAL CANCER SCREENING	.0007	.0006	.0064	.0054
	DIALYSIS	.0046	.0025	.0327	.0655
	DME	.1238	.1402	1.3047	1.3986
	EVALUATION AND MANAGEMENT	1.0494	1.0625	11.0826	11.0826
	IMMUNIZATION	.0064	.0038	.1674	.1226
	INJECTION	.0637	.0587	.6673	.6172
	LAB AND PATHOLOGY	.1042	.0972	1.1858	1.0679
	MAMMOGRAPHY	.0014	.0190	.1630	.2210

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 - MEDICARE ELIGIBLE  
 APRIL 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	OTHER	.0752	.0683	.9675	1.0065
	OTHER IMAGING	.2672	.2496	2.6229	2.6075
	OTHER MEDICINE	.1388	.1340	1.4927	1.2369
	PHYSICAL MEDICINE	.1176	.1071	1.3274	1.3511
	PROSTATE CANCER SCREENING	.0020	.0010	.0208	.0128
	SURGICAL	.1947	.1959	2.1899	2.1321
*****					
sum		2.4390	2.4193	26.2770	25.9358
sum		4.9706	4.7119	52.3443	50.2888

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

26 rows selected.



# *Monthly Management Report*

***NON MEDICARE ELIGIBLE***

***TOTAL CLAIMS***

***APRIL 2007***

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS - NON MEDICARE ELIGIBLE  
 APRIL 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	157,901.04	151,096.51	112,055.62	149,988.52	1,550,137.40	1,440,616.05
	MATERNITY	168,607.81	154,400.51	120,858.16	140,131.43	1,549,104.44	1,378,700.84
	MEDICAL AND SURGICAL	5,159,252.51	4,818,225.82	4,288,151.12	5,321,890.30	47,886,615.32	52,981,576.65
	NEONATAL COMPLICATIONS	15,644.34	98,899.69	30,823.58	64,914.47	1,062,645.23	572,299.53
*****							
sum		5,501,405.70	5,222,622.52	4,551,888.48	5,676,924.71	52,048,502.39	56,373,193.07
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	37,475.98	39,543.87	53,775.34	37,937.81	361,917.93	402,560.73
	DIALYSIS	165,598.89	162,588.77	98,276.30	147,261.10	1,640,820.33	1,521,829.19
	EMERGENCY ROOM	408,433.41	380,166.89	329,448.43	383,666.27	3,629,971.86	3,774,467.01
	MATERNITY	39,925.05	44,238.29	39,964.41	38,212.74	417,285.28	398,027.22
	MEDICAL AND SURGICAL	6,668,863.29	6,379,635.15	5,561,354.84	6,422,108.52	62,147,662.86	64,616,705.54
*****							
sum		7,320,296.62	7,006,172.97	6,082,819.32	7,029,186.46	68,197,658.26	70,713,589.69
PHARMACY	PRESCRIPTION DRUGS	10,157,592.10	10,125,639.76	9,326,503.99	8,812,657.55	100,242,932.62	87,764,252.86
*****							
sum		10,157,592.10	10,125,639.76	9,326,503.99	8,812,657.55	100,242,932.62	87,764,252.86
PROFESSIONAL SERVICES	ADVANCED IMAGING	450,567.30	466,573.22	458,341.44	447,358.16	4,524,539.50	4,526,270.92
	AMBULANCE	173,205.81	164,099.31	181,695.67	154,903.69	1,547,860.25	1,583,105.03
	ANESTHESIA	505,666.94	600,822.79	464,944.88	615,868.13	5,860,839.86	6,077,155.18
	BEHAVIORAL	299,546.74	325,330.90	336,489.36	321,977.17	3,058,149.52	3,157,874.92
	CARDIOVASCULAR MEDICINE	346,966.67	361,624.33	375,085.72	372,149.64	3,399,932.14	3,752,244.94
	CERVICAL CANCER SCREENING	19,125.41	26,045.02	27,101.66	33,777.83	244,523.39	328,684.73
	DIALYSIS	5,295.22	9,544.70	9,062.49	21,884.34	87,588.74	188,200.62
	DME	277,945.04	307,074.52	254,809.00	326,113.68	2,906,890.13	3,273,419.04

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 - NON MEDICARE ELIGIBLE  
 APRIL 2007

Page: 2

Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	3,944,956.12	3,995,728.35	3,638,955.83	3,853,232.17	39,720,760.53	38,627,170.37
	IMMUNIZATION	514,058.13	190,037.98	127,148.81	145,377.86	2,411,356.03	1,591,131.70
	INJECTION	697,154.66	647,805.02	536,106.62	690,875.68	6,493,505.08	6,727,248.51
	LAB AND PATHOLOGY	675,242.12	606,310.01	703,988.67	565,270.56	5,654,233.43	5,680,929.40
	MAMMOGRAPHY	1,848.83	72,968.63	70,339.18	93,857.52	625,049.32	922,398.36
	OTHER	263,175.99	343,796.79	260,053.49	416,658.89	3,333,042.15	4,139,579.51
	OTHER IMAGING	787,163.52	807,837.09	774,069.13	726,349.09	7,697,678.57	7,333,871.65
	OTHER MEDICINE	494,331.07	625,968.01	824,532.87	585,432.13	5,946,585.35	5,837,388.68
	PHYSICAL MEDICINE	494,179.66	534,068.79	506,644.13	496,443.30	5,186,542.28	5,023,475.00
	PROSTATE CANCER SCREENING	14,008.44	16,324.96	17,743.85	14,116.08	145,939.13	148,304.74
	SURGICAL	2,179,839.00	2,346,064.39	2,024,300.55	2,309,566.93	22,789,459.30	23,171,820.07
*****							
sum		12,144,276.67	12,448,024.82	11,591,413.35	12,191,212.84	121,634,474.70	122,090,273.37
sum		35,123,571.09	34,802,460.08	31,552,625.14	33,709,981.56	342,123,567.97	336,941,308.99

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*

***NON MEDICARE ELIGIBLE***

***PER CAPITA CLAIMS***

***APRIL 2007***

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS - NON MEDICARE ELIGIBLE  
 APRIL 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	1.0438	1.0404	.7498	1.0408	10.3180	9.6993
	MATERNITY	1.1146	1.0632	.8087	.9725	10.3111	9.2825
	MEDICAL AND SURGICAL	34.1060	33.1706	28.6921	36.9298	318.7426	356.7122
	NEONATAL COMPLICATIONS	.1034	.6811	.2062	.4502	7.0732	3.8532
***** sum		36.3679	35.9553	30.4568	39.3933	346.4449	379.5472
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.2477	.2723	.3598	.2633	2.4090	2.7103
	DIALYSIS	1.0947	1.1194	.6576	1.0214	10.9216	10.2461
	EMERGENCY ROOM	2.7000	2.6174	2.2043	2.6621	24.1618	25.4126
	MATERNITY	.2639	.3046	.2674	.2651	2.7775	2.6798
	MEDICAL AND SURGICAL	44.0855	43.9218	37.2111	44.5596	413.6669	435.0488
***** sum		48.3919	48.2354	40.7003	48.7715	453.9369	476.0976
PHARMACY	PRESCRIPTION DRUGS	67.1483	69.7145	62.4038	61.1313	667.2364	590.8956
***** sum		67.1483	69.7145	62.4038	61.1313	667.2364	590.8956
PROFESSIONAL SERVICES	ADVANCED IMAGING	2.9785	3.2121	3.0668	3.1034	30.1162	30.4743
	AMBULANCE	1.1450	1.1299	1.2157	1.0749	10.3029	10.6587
	ANESTHESIA	3.3428	4.1364	3.1110	4.2735	39.0109	40.9160
	BEHAVIORAL	1.9802	2.2394	2.2515	2.2334	20.3556	21.2612
	CARDIOVASCULAR MEDICINE	2.2937	2.4896	2.5097	2.5817	22.6306	25.2630
	CERVICAL CANCER SCREENING	.1264	.1794	.1813	.2344	1.6276	2.2130
	DIALYSIS	.0350	.0657	.0606	.1519	.5830	1.2671
	DME	1.8374	2.1142	1.7049	2.2630	19.3488	22.0391

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 - NON MEDICARE ELIGIBLE  
 APRIL 2007

Reporting Category	Type of Service	Current	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	26.0787	27.5069	24.3483	26.7334	264.3891	260.0675
	IMMUNIZATION	3.3983	1.3083	.8508	1.0081	16.0505	10.7127
	INJECTION	4.6086	4.4600	3.5871	4.7937	43.2220	45.2929
	LAB AND PATHOLOGY	4.4638	4.1737	4.7104	3.9211	37.6357	38.2483
	MAMMOGRAPHY	.0122	.5028	.4706	.6513	4.1604	6.2103
	OTHER	1.7398	2.3670	1.7400	2.8918	22.1854	27.8708
	OTHER IMAGING	5.2037	5.5608	5.1793	5.0392	51.2372	49.3772
	OTHER MEDICINE	3.2679	4.3097	5.5170	4.0624	39.5816	39.3017
	PHYSICAL MEDICINE	3.2668	3.6764	3.3900	3.4441	34.5226	33.8219
	PROSTATE CANCER SCREENING	.0926	.1124	.1187	.0979	.9714	.9985
	SURGICAL	14.4102	16.1520	13.5446	16.0263	151.6911	156.0103
*****							
sum		80.2816	85.6968	77.5584	84.5856	809.6227	822.0045
sum		232.1897	239.6021	211.1193	233.8817	2,277.2409	2,268.5449

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*

***NON MEDICARE ELIGIBLE***

***PER CAPITA UTILIZATION***

***APRIL 2007***

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION - NON MEDICARE ELIGIBLE  
 APRIL 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	.0005	.0057	.0056
	MATERNITY	.0008	.0007	.0076	.0078
	MEDICAL AND SURGICAL	.0076	.0066	.0784	.0816
	NEONATAL COMPLICATIONS	.0001	.0002	.0022	.0027
*****					
sum		.0090	.0080	.0940	.0977
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0025	.0034	.0284	.0328
	DIALYSIS	.0052	.0027	.0370	.0342
	EMERGENCY ROOM	.0227	.0206	.2234	.2310
	MATERNITY	.0021	.0020	.0192	.0183
	MEDICAL AND SURGICAL	.1960	.1667	1.9032	1.9947
*****					
sum		.2286	.1955	2.2112	2.3110
PHARMACY	PRESCRIPTION DRUGS	.8354	.8121	8.7364	8.3101
*****					
sum		.8354	.8121	8.7364	8.3101
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0195	.0188	.2024	.2069
	AMBULANCE	.0036	.0030	.0335	.0345
	ANESTHESIA	.0146	.0145	.1740	.1835
	BEHAVIORAL	.0339	.0349	.3707	.3791
	CARDIOVASCULAR MEDICINE	.0275	.0300	.3041	.3303
	CERVICAL CANCER SCREENING	.0056	.0078	.0717	.0950
	DIALYSIS	.0005	.0006	.0074	.0097
	DME	.0188	.0174	.2099	.2263
	EVALUATION AND MANAGEMENT	.4471	.4374	4.6836	4.7496
	IMMUNIZATION	.0304	.0095	.3018	.2320

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 - NON MEDICARE ELIGIBLE  
 APRIL 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	.0253	.0215	.2458	.2264
	LAB AND PATHOLOGY	.1559	.1490	1.5439	1.4868
	MAMMOGRAPHY	.0005	.0109	.0996	.1487
	OTHER	.0215	.0191	.3163	.2688
	OTHER IMAGING	.0986	.0903	1.0015	1.0349
	OTHER MEDICINE	.0696	.0662	.7389	.7299
	PHYSICAL MEDICINE	.0839	.0925	.9730	.9805
	PROSTATE CANCER SCREENING	.0051	.0057	.0573	.0568
	SURGICAL	.0726	.0626	.7463	.7502
*****		1.1343	1.0915	12.0815	12.1299
sum					
		2.2073	2.1070	23.1231	22.8486

sum

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

29 rows selected.



# *Prescription Drug Report*

*APRIL 2007*

WV PEIA - Monthly Trend

Plan Demographics	Jan-07	Feb-07	Mar-07	Apr-07	2006 - 2007 Fiscal	2005 - 2006 Fiscal	Percent
Total Drug Cost	\$22,164,637	\$19,957,991	\$22,663,489	\$21,224,054	\$209,522,136	\$194,016,558	7.69%
Amount Paid By Plan Sponsor	\$18,211,514	\$16,451,261	\$18,781,112	\$17,633,818	\$166,476,422	\$150,406,490	10.68%
Amount Paid By Members	\$3,953,123	\$3,506,730	\$3,902,377	\$3,590,236	\$42,645,716	\$43,610,069	-1.75%
Total Claims	332,525	296,252	334,269	311,961	3,092,443	2,960,228	4.47%
Average Eligible Member	187,582	187,731	187,986	188,096	187,646	186,816	0.55%
Average # of Rx's Per Member Per Month	1.77	1.55	1.78	1.66	1.65	1.58	3.89%
Plan Paid Per Member Per Month (PMPM)	\$97.09	\$87.63	\$99.91	\$93.75	\$88.62	\$80.51	10.08%
Average Eligible Enrollees	97,206	97,253	97,326	97,367	96,991	95,950	1.06%
Average # of Rx's Per Enrollee Per Month	3.42	3.05	3.43	3.20	3.19	3.09	3.34%
Plan Paid Per Enrollee Per Month (PEPM)	\$187.35	\$169.16	\$192.97	\$181.11	\$171.64	\$156.76	9.50%
Rx Cost Share							
Avg. Claim Cost to Plan	\$54.77	\$55.53	\$56.19	\$56.53	\$55.63	\$50.81	5.95%
Avg. Member Cost/Claim	\$11.89	\$11.54	\$11.67	\$11.51	\$12.65	\$14.73	-5.95%
Percent member Cost Share	17.8%	17.6%	17.2%	16.9%	20.5%	22.5%	-8.94%
Average Ingredient Costs							
Single Source (no generics available)	\$138.25	\$141.66	\$143.05	\$144.38	\$138.72	\$122.82	11.31%
Multi-Source Brand (generics available)	\$39.51	\$39.88	\$42.55	\$37.71	\$39.11	\$33.20	17.80%
Generic Drugs	\$24.05	\$23.10	\$23.52	\$23.44	\$25.06	\$19.88	26.09%
Brand/Generic Dispensing Rates							
Single Source (no generics)	35.32%	35.42%	35.17%	35.03%	36.13%	42.12%	-14.20%
Multi-Source Brand (generics available)	1.18%	1.18%	1.23%	1.17%	1.25%	1.38%	-9.28%
Generic Drug	63.50%	63.40%	63.60%	63.80%	62.62%	56.51%	10.81%
Generics Dispensed when available	98.18%	98.18%	98.10%	98.20%	98.05%	97.62%	0.43%
Percent of Plan Cost for Single Source	76.25%	77.64%	77.26%	77.47%	78.13%	82.70%	-7.95%
Retail Pharmacy Program							
Avg. Day Supply	33.4	33.7	33.5	33.8	33.9	33.5	1.23%
Avg. Plan Cost/Day Supply	\$1.63	\$1.63	\$1.66	\$1.66	\$1.57	\$1.50	4.79%
Avg. Claim Cost to Plan	\$54.31	\$55.06	\$55.70	\$56.03	\$53.36	\$50.30	6.08%
Avg. Member Cost / Claim	\$11.82	\$11.77	\$11.61	\$11.44	\$12.77	\$14.64	-5.93%
Percent Member Cost Share	17.88%	17.61%	17.25%	16.95%	20.52%	22.54%	-9.00%
Special Maint Netw (% of claims filled)	12.54%	12.74%	12.44%	12.97%	12.75%	11.94%	6.81%
Other Maint (% of claims filled)	1.48%	1.57%	1.51%	1.07%	1.55%	1.78%	-14.21%
Avg. Days Supply for Maint. Networks	87.9	88.0	88.0	88.0	87.9	87.9	0.01%
Total # Claims Fills 1-34 Days Supply	265,093	241,315	284,641	265,365	2,624,061	2,829,637	3.79%
Total # Claims Fills 35-60 Day Supply	7,359	2,057	2,300	2,198	22,331	21,339	4.65%
Total # Claims Fills 61-90 Day Supply	43,787	56,920	43,984	41,208	415,100	380,691	8.04%
Total # Claims Fills 91+ Day Supply	64	46	44	44	428	338	25.74%
Mail Service Program							
Avg. Days Supply	73.5	74.1	74.2	74.1	74.1	74.3	-0.28%
Avg. Plan Cost/Day Supply	\$1.39	\$1.39	\$1.46	\$1.42	\$1.37	\$1.39	-1.97%
Avg. Cost to Plan	\$102.08	\$102.96	\$108.06	\$105.55	\$101.19	\$103.53	-2.26%
Avg. Member Cost/Claim	\$18.51	\$18.89	\$18.02	\$18.75	\$22.12	\$24.27	-8.87%
Percent Member Cost Share	15.35%	15.50%	14.29%	15.09%	17.94%	18.99%	-5.55%
Total # Claims Fills 1-34 Days Supply	893	775	826	837	8172	7458	8.57%
Total # Claims Fills 35-60 Days Supply	10	19	7	7	61	72	26.39%
Total # Claims Fills 61-90 Days Supply	2,305	2,122	2,267	2,274	22,263	20,693	7.59%
Total # Claims Fills 91+ Day Supply							
Formulary Program							
S/S Formulary Drugs (% by claim)	24.56%	24.77%	24.80%	25.07%	24.63%	28.71%	-14.22%
S/S Non-Formulary Drugs (% by claim)	10.76%	10.65%	10.37%	9.96%	11.50%	13.40%	-14.18%
M/S Drugs (% by claim)	0.03%	0.05%	0.03%	0.02%	0.04%	0.02%	104.53%
Generic Drugs (% by claim)	63.50%	63.40%	63.60%	63.80%	62.82%	56.51%	10.81%
S/S Formulary Drugs (% by \$)	59.73%	60.70%	61.00%	61.71%	59.07%	63.79%	-7.39%
S/S non-Formulary Drugs (% by \$)	16.52%	16.95%	16.26%	15.76%	17.06%	18.91%	-9.82%
M/S Drugs (% by \$)	0.07%	0.10%	0.06%	0.05%	0.08%	0.02%	273.36%
Generic Drugs (% by \$)	23.40%	22.00%	22.34%	22.23%	23.81%	17.01%	38.23%
Specialty Drugs							
Total Drug Cost	\$1,511,835	\$1,493,461	\$1,758,905	\$1,629,286	\$15,372,238	\$13,226,021	16.23%
Amount Paid by Plan Sponsor	\$1,462,784	\$1,447,787	\$1,705,460	\$1,579,413	\$14,601,752	\$12,706,373	16.48%
Amount Paid by Members	\$49,051	\$45,674	\$53,445	\$49,873	\$670,486	\$519,648	9.78%
Total Claims	1,002	936	1,092	1,015	10,679	11,303	-5.52%
Avg # of Rx's per Member per Month	0.01	0.00	0.01	0.01	0.01	0.01	-6.04%
Plan Paid Per Member Per Month (PMPM)	\$7.80	\$7.71	\$9.07	\$8.40	\$7.88	\$6.80	15.85%
Avg Claim Cost to Plan	\$1,459.86	\$1,548.44	\$1,561.78	\$1,556.07	\$1,366.06	\$1,124.16	23.30%
Avg Claim Cost to Member	\$48.95	\$48.85	\$48.94	\$49.14	\$53.42	\$46.97	16.20%
Percent of Member Cost Share	5.24%	3.06%	3.04%	3.06%	3.71%	3.93%	-5.54%
Percent of Overall Drug Cost	6.82%	7.46%	7.75%	7.66%	7.34%	6.61%	7.76%

WV PEIA - Monthly Trend

Plan Demographics	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Total Drug Cost	\$18,456,108	\$20,745,030	\$20,298,092	\$21,217,186	\$20,977,354	\$21,598,218
Amount Paid By Plan Sponsor	\$11,154,067	\$15,960,595	\$16,210,412	\$17,207,137	\$17,120,283	\$17,746,223
Amount Paid By Members	\$7,302,041	\$4,784,435	\$4,087,680	\$4,010,049	\$3,857,071	\$3,851,995
Total Claims	274,631	302,935	298,886	313,585	310,558	316,841
Average Eligible Member	187,147	187,079	188,336	188,420	188,554	187,429
Average # of Rx's Per Member Per Month	1.47	1.62	1.59	1.66	1.65	1.69
Plan Paid Per Member Per Month (PMPM)	\$59.60	\$85.31	\$86.07	\$91.32	\$90.75	\$94.68
Average Eligible Enrollees	96,213	96,155	96,889	97,006	97,240	97,255
Average # of Rx's Per Enrollee Per Month	2.85	3.15	3.08	3.23	3.19	3.26
Plan Paid Per Enrollee Per Month (PEPM)	\$115.93	\$165.99	\$167.31	\$177.38	\$176.06	\$182.47
<b>Rx Cost Share</b>						
Avg. Claim Cost to Plan	\$40.61	\$52.69	\$54.24	\$54.87	\$55.13	\$56.01
Avg. Member Cost/Claim	\$26.59	\$15.79	\$13.88	\$12.79	\$12.42	\$12.16
Percent member Cost Share	39.6%	23.1%	20.1%	18.9%	16.4%	17.8%
<b>Average Ingredient Costs</b>						
Single Source (no generics available)	\$131.88	\$133.45	\$132.92	\$132.48	\$132.16	\$135.80
Multi-Source Brand (generics available)	\$35.01	\$50.99	\$36.12	\$34.98	\$36.49	\$35.41
Generic Drugs	\$23.52	\$25.96	\$26.88	\$26.82	\$26.65	\$26.76
<b>Brand/Generic Dispensing Rates</b>						
Single Source (no generics)	38.2%	37.23%	36.56%	36.5%	36.30%	36.96%
Multi-Source Brand % (generics available)	1.4%	1.48%	1.23%	1.2%	1.23%	1.23%
Generic Drug	60.4%	61.28%	62.20%	62.3%	62.47%	62.81%
Generics Dispensed when available	97.8%	97.64%	98.06%	98.1%	98.08%	98.08%
Percent of Plan Cost for Single Source	81.7%	76.19%	74.47%	74.1%	73.95%	74.04%
<b>Retail Pharmacy Program</b>						
Avg. Day Supply	34.3	34.7	34.2	34.0	33.8	33.7
Avg. Plan Cost/Day Supply	\$1.17	\$1.51	\$1.58	\$1.60	\$1.61	\$1.65
Avg. Claim Cost to Plan	\$40.20	\$52.21	\$53.82	\$54.38	\$54.63	\$55.60
Avg. Member Cost / Claim	\$26.45	\$15.67	\$13.58	\$12.71	\$12.35	\$12.10
Percent Member Cost Share	39.7%	23.08%	20.16%	18.9%	16.44%	17.89%
Special Maint Netw (% of claims filled)	12.5%	12.13%	12.90%	12.8%	12.64%	12.73%
Other Maint (% of claims filled)	1.7%	1.75%	1.60%	1.6%	1.51%	1.55%
Avg. Days Supply for Maint. Netwks	87.9	87.9	87.9	87.8	87.9	88.0
Total # Claims Fills 1-34 Days Supply	233,143	251,177	253,026	265,880	263,239	266,954
Total # Claims Fills 35-60 Day Supply	2,054	2,301	2,251	2,290	2,276	2,245
Total # Claims Fills 61-80 Day Supply	36,675	42,247	40,701	42,240	41,831	42,597
Total # Claims Fills 91+ Day Supply	30	42	28	38	41	48
<b>Mail Service Program</b>						
Avg. Days Supply	73.6	75.2	73.1	74.4	74.7	73.7
Avg. Plan Cost/Days Supply	\$1.10	\$1.30	\$1.32	\$1.39	\$1.39	\$1.48
Avg. Cost to Plan	\$80.94	\$97.98	\$96.61	\$103.31	\$103.67	\$108.97
Avg. Member Cost/Claim	\$39.64	\$27.94	\$22.49	\$20.06	\$19.46	\$18.59
Percent Member Cost Share	33.0%	22.19%	18.88%	16.3%	15.80%	14.57%
Total # Claims Fill 1-34 Days Supply	767	786	821	826	816	821
Total # Claims Fills 35-60 Days Supply	8	13	9	5	6	7
Total # Claims Fills 61-80 Days Supply	2,054	2,365	2,050	2,304	2,345	2,169
Total # Claims Fills 91+ Day Supply						
<b>Formulary Program</b>						
S/S Formulary Drugs (% by claim)	25.2%	24.79%	24.41%	24.4%	24.21%	24.13%
S/S Non-Formulary Drugs (% by claim)	13.0%	12.45%	12.16%	12.1%	12.09%	11.83%
M/S Drugs (% by claim)	0.1%	0.16%	0.01%	0.0%	0.01%	0.01%
Generic Drugs (% by Claim)	60.4%	61.28%	62.20%	62.3%	62.47%	62.81%
S/S Formulary Drugs (% by \$)	63.6%	56.21%	57.16%	56.7%	56.36%	56.91%
s/s non-Formulary Drugs (% by \$)	16.1%	17.98%	17.31%	17.5%	17.63%	17.12%
M/S Drugs (% by \$)	0.0%	0.46%	0.02%	0.0%	0.01%	0.01%
Generic Drugs (% by \$)	18.0%	23.03%	25.25%	25.6%	25.69%	25.67%
<b>Specialty Drugs</b>						
Total Drug Cost	\$1,364,512	\$1,570,302	\$1,536,436	\$1,479,126	\$1,462,469	\$1,565,906
Amount Paid by Plan Sponsor	\$1,279,356	\$1,509,284	\$1,476,197	\$1,423,389	\$1,407,986	\$1,508,096
Amount Paid by Members	\$85,156	\$61,019	\$60,239	\$55,737	\$54,483	\$57,810
Total Claims	1,022	1,139	1,132	1,094	1,087	1,161
Avg # of Rx's per Member per Month	0.01	0.01	0.01	0.01	0.01	0.01
Plan Paid Per Member Per Month (PMPM)	\$6.64	\$6.07	\$7.85	\$7.55	\$7.46	\$8.05
Avg Claim Cost to Plan	\$1,261.82	\$1,326.10	\$1,305.83	\$1,301.09	\$1,295.30	\$1,296.96
Avg Claim Cost to Member	\$83.32	\$53.57	\$51.45	\$50.95	\$50.12	\$49.79
Percent of Member Cost Share	6.24%	3.89%	3.79%	3.77%	3.73%	3.69%
Percent of Overall Drug Cost	7.39%	7.57%	7.57%	6.97%	6.97%	7.25%

**Utilization Report by Population Level**  
**Prescriptions Filled From 04/2007 - 04/2007**  
**WV Public Employees Ins - w/o AccessWV**



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Div Name (DIV)	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
WV PUBLIC EMPLOYEES INSURANCE (WVA)	188,096	96,959	312,837	\$17,689,629	\$11.53	\$56.55	1.0 %	63.8 %	88.2 %	98.2 %	\$94.05
<b>Grand Total</b>	<b>188,096</b>		<b>312,837</b>	<b>\$17,689,629</b>	<b>\$11.53</b>	<b>\$56.55</b>	<b>1.0 %</b>	<b>63.8 %</b>	<b>88.2 %</b>	<b>98.2 %</b>	<b>\$94.05</b>

**Utilization Report by Population Level**  
**Prescriptions Filled From 04/2007 - 04/2007**  
**WV Public Employees Ins - w/o AccessWV**



**EXPRESS SCRIPTS<sup>®</sup>**  
*Charting the Future of Pharmacy*  
www.express-scripts.com

**WV PUBLIC EMPLOYEES INSURANCE (WVA)**

Reporting Level 2	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
STATE AGENCIES (01)	117,259	52.016	141,634	\$7,887,717.41	\$11.84	\$55.69	0.8 %	63.4 %	87.7 %	98.3 %	\$67.27
STATE RETIREES (07)	37,613	27.608	109,158	\$6,406,574.09	\$12.21	\$58.69	1.2 %	63.1 %	88.1 %	98.0 %	\$170.33
NON STATE AGENCIES (02)	17,184	7.464	21,168	\$1,094,876.25	\$11.25	\$51.72	0.9 %	65.6 %	88.9 %	98.6 %	\$63.71
STATE RETIREES ASST 60 (0760)	4,257	3.377	16,041	\$948,815.31	\$6.52	\$59.15	0.9 %	65.4 %	89.7 %	98.3 %	\$222.88
NON STATE RETIREES (08)	2,641	1.936	8,103	\$459,245.98	\$11.81	\$56.68	1.3 %	63.4 %	88.2 %	98.0 %	\$173.89
STATE RETIREES ASST 40 (0740)	2,223	1.788	7,981	\$441,161.34	\$7.75	\$55.28	0.9 %	67.1 %	90.8 %	98.3 %	\$198.45
NON STATE RETIREES 60 (0860)	603	462	2,173	\$131,359.98	\$6.51	\$60.45	1.6 %	65.3 %	90.2 %	98.7 %	\$217.84
NON STATE AGENCIES PLAN B (02B)	2,207	786	1,941	\$75,508.55	\$14.30	\$38.90	0.5 %	73.3 %	90.8 %	99.2 %	\$34.21
STATE RETIREES ASST 20 (0720)	410	313	1,402	\$74,436.23	\$9.19	\$53.09	1.4 %	66.9 %	89.7 %	97.1 %	\$181.55
STATE AGENCIES (01B)	2,993	756	1,491	\$57,779.11	\$16.45	\$38.75	1.4 %	70.3 %	90.0 %	99.3 %	\$19.30
COBRA (COBRA)	385	206	722	\$57,317.05	\$11.52	\$79.39	0.7 %	60.8 %	89.2 %	98.2 %	\$148.88
NON STATE RETIREES 40 (0840)	259	203	871	\$45,133.79	\$7.60	\$51.82	2.2 %	67.7 %	92.1 %	99.0 %	\$174.26
NON STATE RETIREES 20 (0820)	62	44	152	\$9,704.39	\$8.14	\$63.84	0.0 %	70.4 %	91.4 %	97.3 %	\$156.52
<b>Grand Total</b>	<b>188,096</b>		<b>312,837</b>	<b>\$17,689,629</b>	<b>\$11.53</b>	<b>\$56.55</b>	<b>1.0 %</b>	<b>63.8 %</b>	<b>88.2 %</b>	<b>98.2 %</b>	<b>\$94.05</b>



## Key Performance Indicators

## Comprehensive Indicators

## WV Public Employees Ins - w/o AccessWV

Current Period: 04/2007 - 04/2007

Previous Period: 04/2006 - 04/2006

	Current Period	Previous Period	% Change
<b>Overall Performance</b>			
Plan Cost PMPM	\$94.05	\$85.77	9.6 %
Average Mbrs/Month	188,096	187,274	0.4 %
Average Subs/Month	97,367	96,202	1.2 %
% Utilizing Members	51.5 %	50.4 %	2.2 %
% Retail Utilizing Members	51.2 %	50.1 %	2.2 %
% Mail Utilizing Members	0.7 %	0.7 %	2.2 %
<b>Rx Measures</b>			
Rxs PMPM	1.66	1.57	6.2 %
Retail Rxs PMPM	1.65	1.55	6.2 %
Mail Rxs PMPM	0.02	0.02	4.4 %
Average Admin Fee/Rx	\$0.00	\$0.00	-96.4 %
Avg Retail Admin Fee/Rx	\$0.00	\$0.00	-96.4 %
Avg Mail Admin Fee/Rx	\$0.00	\$0.00	0.0 %
Average Plan Cost/Rx	\$56.55	\$54.78	3.2 %
Avg Retail Plan Cost/Rx	\$56.05	\$54.23	3.4 %
Avg Mail Plan Cost/Rx	\$105.54	\$108.36	-2.6 %
Average Mbr Contrib/Rx	\$11.53	\$12.72	-9.4 %
Avg Retail Mbr Contrib/Rx	\$11.45	\$12.64	-9.4 %
Avg Mail Mbr Contrib/Rx	\$18.78	\$20.21	-7.1 %
Average Ing Cost/Rx	\$66.00	\$65.37	1.0 %
Avg Retail Ing Cost/Rx	\$65.43	\$64.74	1.1 %
Avg Mail Ing Cost/Rx	\$122.82	\$127.07	-3.4 %
Average AWP/Rx	\$103.52	\$97.35	6.3 %
Avg Retail AWP/Rx	\$102.57	\$96.41	6.4 %
Avg Mail AWP/Rx	\$198.84	\$189.08	5.2 %
Average Days Supply/Rx	34.2	34.2	0.2 %
Avg Retail Days/Rx	33.8	33.7	0.3 %
Avg Mail Days/Rx	74.1	74.5	-0.5 %
Average Plan Cost/Day	\$1.65	\$1.60	3.0 %
Avg Retail Plan Cost/Day	\$1.66	\$1.61	3.1 %
Avg Mail Plan Cost/Day	\$1.42	\$1.45	-2.1 %
% Plan Cost	83.1 %	81.2 %	2.4 %
% Member Contribution	16.9 %	18.8 %	-10.1 %
% Retail Plan Cost	83.0 %	81.1 %	2.4 %
% Retail Mbr Contrib	17.0 %	18.9 %	-10.2 %
% Mail Plan Cost	84.9 %	84.3 %	0.7 %
% Mail Member Contrib	15.1 %	15.7 %	-3.9 %



**Key Performance Indicators**  
**Comprehensive Indicators**  
**WV Public Employees Ins - w/o AccessWV**

Current Period: 04/2007 - 04/2007  
 Previous Period: 04/2006 - 04/2006

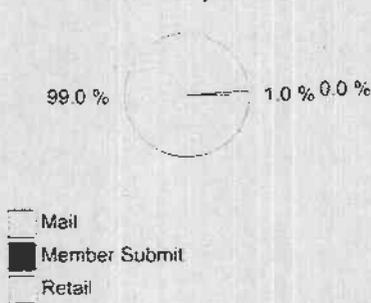
	Current Period	Previous Period	% Change
<b>Mail Member Contrib</b>	\$58,491.59	\$60,025.50	-2.6 %
<b>Total Rx Count</b>	312,837	293,236	6.7 %
Retail Rx Count	309,712	290,006	6.8 %
Member Submit Rxs	10	260	-96.2 %
Mail Rx Count	3,115	2,970	4.9 %
<b>Total Admin Fee</b>	\$15.00	\$388.50	-99.1 %
<b>Total UC Savings</b>	\$10,235,462.22	\$9,028,289.09	13.4 %
<b>Total Lost Savings</b>	\$16,683.61	\$15,299.38	9.0 %

**Demographics**

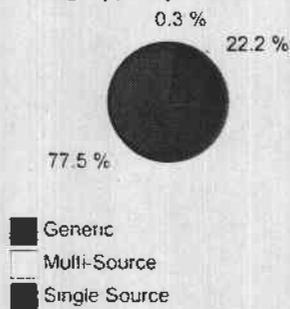
Average Age	45.6	45.3	0.7 %
% Male Members	45.2 %	45.1 %	0.2 %
% Female Members	54.8 %	54.9 %	-0.1 %

**Graphs based on Current Period: 04/2007 - 04/2007**

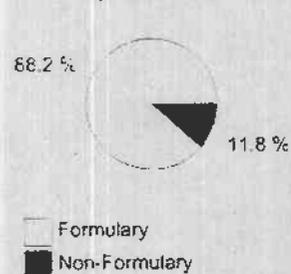
Claim Source by Rx Count



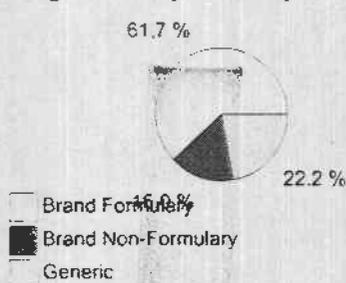
Drug Type by Plan Cost



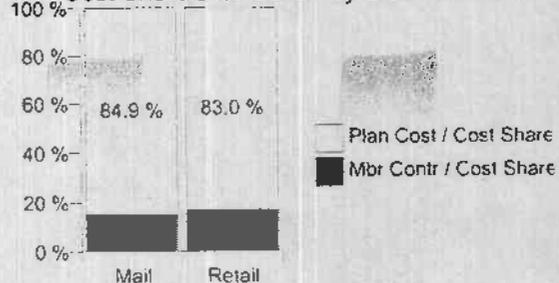
Formulary Status by Rx Count



Drug Formulary Status by Plan Cost



Cost Share Distribution by Claim Source





# *Financials*

APRIL 2007

State of West Virginia  
Public Employees Insurance Agency and Retiree Health Benefit Trust Fund  
Balance Sheets

April 30, 2007 and 2006  
Accrual Basis  
(Unaudited-For Internal Use Only)

DRAFT

Assets	April 2007	April 2006	Increase <Decrease>
Cash and cash equivalents	\$ 147,272,412	\$ 101,255,755	\$ 46,016,657
Deposits with third-party administrators	820,472	535,703	284,769
Premium accounts receivable-net of allowance for doubtful accounts	29,192,451	24,193,926	4,998,525
Other accounts receivable	15,683,706	8,525,537	7,158,169
	192,969,041	134,510,921	58,458,120
Total current assets			
Investments	171,423,975	155,611,387	15,812,588
Furniture and equipment, net of accumulated depreciation	298,909	166,556	132,353
Restricted cash-premium stabilization life insurance	3,942,867	3,942,703	164
Restricted cash-new computer system	3,484,988	3,833,000	(348,012)
	372,119,780	298,064,567	74,055,213
Total assets	\$ 372,119,780	\$ 298,064,567	\$ 74,055,213
<b>Liabilities and Retained Earnings</b>			
Claims payable	\$ 53,340,000	\$ 54,262,000	\$ (922,000)
Current claims payable	11,780,719	11,188,469	592,250
Unearned revenue	7,332,503	3,755,696	3,576,807
Accounts payable	13,471,900	12,165,920	1,305,980
Other accrued liabilities	1,188,634	985,001	203,633
Due to over-reserve fund	27,679,595		27,679,595
	114,793,351	82,357,086	32,436,265
Total liabilities			
Retained earnings	257,326,429	215,707,481	41,618,948
	372,119,780	298,064,567	74,055,213
Total liabilities and retained earnings	\$ 372,119,780	\$ 298,064,567	\$ 74,055,213

For internal use only. See financial comments.  
Prepared May 29, 2007

State of West Virginia  
Public Employees Insurance Agency and Retiree Health Benefit Trust Fund

Statements of Revenues, Expenses and  
Changes in Retained Earnings (continued)

April 30, 2007 and 2006

Accrual Basis

(Unaudited-For Internal Use Only)

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	Budgeted Ten Months Ended 30-Apr-07	Actual Ten Months Ended 30-Apr-07	Budget Variance Percent	Actual Ten Months Ended 30-Apr-06	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
<b>Operating Revenue</b>						
<b>Premiums</b>						
Employer Premiums-State	\$ 343,263,825	\$ 343,544,702	0.08%	\$ 343,187,675	\$ 357,027	0.10%
Employee Premiums-State	80,058,519	79,968,832	-0.11%	68,527,442	11,441,390	16.70%
Local Premiums	59,798,099	60,595,257	1.33%	57,585,595	3,009,662	5.23%
Retiree Premiums	55,368,139	55,117,800	-0.45%	46,269,286	8,848,514	19.12%
Basic Life Insurance	5,103,939	5,142,011	0.75%	5,369,429	(227,418)	-4.24%
Other Premiums and Adjustments	1,250,000	1,242,655	-0.59%	4,085,946	(2,843,291)	-69.59%
Medicare Part D	16,666,667	16,666,667	0.00%	5,447,000	16,666,667	305.98%
<b>Total Premiums</b>	<b>561,509,188</b>	<b>562,277,924</b>	<b>0.14%</b>	<b>530,472,373</b>	<b>31,805,551</b>	<b>6.00%</b>
<b>Less:</b>						
Payments to managed care organizations	(48,496,608)	(48,078,117)	-0.86%	(46,731,115)	(1,347,002)	2.88%
Life insurance premiums-basic	(5,103,939)	(5,139,332)	0.69%	(5,370,295)	230,963	-4.30%
<b>Net premium revenue</b>	<b>507,908,641</b>	<b>509,060,475</b>	<b>0.23%</b>	<b>478,370,963</b>	<b>30,689,512</b>	<b>6.42%</b>
Administrative fees, net of refunds	3,600,573	3,657,115	1.57%	4,979,028	(1,321,913)	-26.55%
<b>Net operating revenue</b>	<b>511,509,214</b>	<b>512,717,590</b>	<b>0.24%</b>	<b>483,349,991</b>	<b>29,367,599</b>	<b>6.08%</b>
<b>Operating Expenses</b>						
Claims expense-medical	287,813,035	292,630,913	1.67%	286,222,127	6,408,786	2.24%
Claims expense-drugs	155,003,853	158,964,448	2.56%	142,718,591	16,245,857	11.38%
Administrative service fees	14,444,705	14,384,425	-0.42%	13,529,230	855,195	6.32%
Wellness and disease management	1,481,294	1,576,884	6.45%	1,326,861	250,023	18.84%
Other operating expenses	6,459,354	6,624,419	2.56%	5,846,037	778,382	13.31%
<b>Total operating expense</b>	<b>465,202,241</b>	<b>474,181,089</b>	<b>1.93%</b>	<b>449,642,846</b>	<b>24,538,243</b>	<b>5.46%</b>
<b>Operating surplus</b>	<b>46,306,973</b>	<b>38,536,501</b>	<b>-16.78%</b>	<b>33,707,145</b>	<b>4,829,356</b>	<b>14.33%</b>

State of West Virginia  
Public Employees Insurance Agency and Retiree Health Benefit Trust Fund

Statements of Revenues, Expenses and  
Changes in Retained Earnings (continued)

April 30, 2007 and 2006

Accrual Basis  
(Unaudited-For Internal Use Only)

DRAFT

	Budgeted Ten Months Ended 30-Apr-07	Actual Ten Months Ended 30-Apr-07	Budget Variance Percent	Actual Ten Months Ended 30-Apr-06	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
<b>Nonoperating Revenues and Transfers</b>						
Interest income, banks, net of fees	-		N/A	15,810	(15,810)	-100.00%
Interest and investment income	16,666,667	22,339,230	34.04%	8,513,877	13,825,353	162.39%
Transfer in	5,583,333	5,582,951	-0.01%	4,887,369	695,582	14.23%
<b>Total nonoperating revenues and transfers</b>	<b>22,250,000</b>	<b>27,922,181</b>	<b>25.49%</b>	<b>13,417,056</b>	<b>14,505,125</b>	<b>108.11%</b>
<b>Net Surplus</b>	<b>\$ 68,556,973</b>	<b>66,458,682</b>	<b>-3.06%</b>	<b>47,124,201</b>	<b>19,334,481</b>	<b>41.03%</b>
Retained Earnings, beginning of period		190,867,747		168,583,280	22,284,467	
<b>Retained Earnings, end of period</b>		<b>267,326,429</b>		<b>\$ 215,707,481</b>	<b>\$ 41,618,948</b>	

For internal use only. See financial comments.  
Prepared May 29, 2007

State of West Virginia  
Public Employees Insurance Agency and Retiree Health Benefit Trust Fund  
Financial Comments

Year-to-Date April 30, 2007 and 2006  
Accrual Basis

**DRAFT**

(Unaudited-For Internal Use Only)

Amounts indicated in the attached financial statements include the accounts of the West Virginia Public Insurance Agency (PEIA) and the West Virginia Retiree Health Benefit Trust Fund (RHBT).

The Budgeted amounts reflected in these statements have been adjusted to incorporate the changes in premium and expense estimates which resulted from policyholder enrollment changes which took place during open enrollment and other changes in commitments which have occurred. Amounts reported in the Budgeted Column in the attached Statements of Revenues, Expenses, and Changes in Retained Earnings represent a one twelfth per month recognition of the annual budget except for claims expenses, which are from a seasonal budget that was developed by PEIA's Actuary.

PEIA's consulting actuaries have prepared an updated Actuarial Baseline Forecast dated May 22, 2007 which indicates a surplus of \$70,754,257 for Plan Year 2007. The Budget Column indicated in these reports has been adjusted to reflect this update.

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



April 30

	2007	2006
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 35,838,333	\$ 40,412,739
Advance Deposit with Carrier/Trustee	112,767,727	78,579,058
Receivables - Net	4,437,984	4,479,435
Prepaid Insurance	1,024,631	693,484
<b>Total Short Term Assets</b>	<b>154,068,675</b>	<b>124,164,716</b>
Long Term Assets		
Investments	117,871,901	106,452,065
<b>Total Long Term Assets</b>	<b>117,871,901</b>	<b>106,452,065</b>
<b>TOTAL ASSETS</b>	<b>271,940,576</b>	<b>230,616,781</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	1,126,793	121,781
Claims Payable	218,579	30,510
Agents Commissions Payable	1,672,008	1,733,613
Unearned Revenue	14,037,702	14,108,309
Current Estimated Claim Reserve	50,870,127	49,622,902
<b>Total Short Term Liabilities</b>	<b>67,925,209</b>	<b>65,617,115</b>
Long Term Liabilities		
Compensated Absences	163,620	166,553
Estimated Noncurrent Claim Reserve	121,641,987	130,348,442
<b>Total Long Term Liabilities</b>	<b>121,805,607</b>	<b>130,514,995</b>
<b>TOTAL LIABILITIES</b>	<b>189,730,816</b>	<b>196,132,110</b>
Prior Year Net Assets (Deficiency)	44,843,685	526,803
Current Year Earnings (Loss)	37,366,075	33,957,868
<b>TOTAL NET ASSETS (DEFICIENCY)</b>	<b>82,209,760</b>	<b>34,484,671</b>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIENCY)</b>	<b>\$ 271,940,576</b>	<b>\$ 230,616,781</b>

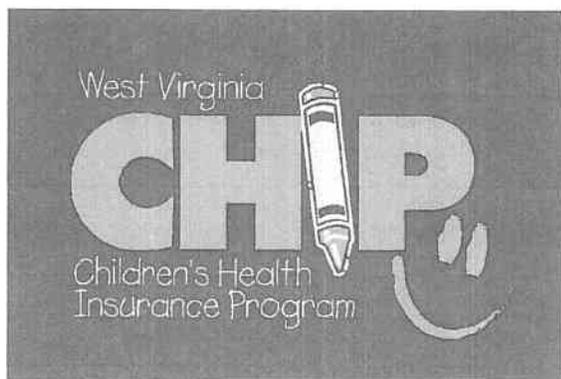
DRAFT - Unaudited - Management Purposes Only

05/30/07

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED INCOME STATEMENT**  
**For the ten months ending**

**DRAFT**

	April 30	
	2007	2006
Operating Revenues		
Premium Revenues	\$ 67,069,051	\$ 69,759,537
Less - Excess insurance	(5,123,155)	(3,451,242)
Total Operating Revenues	61,945,896	66,308,295
Operating Expenses		
Claims Expense	34,981,964	32,944,362
Property & MS Claims Expense	4,561,210	3,079,564
Personal Services	1,065,753	997,905
Operating Expenses	2,527,780	2,517,703
Total Operating Expenses	43,136,707	39,539,534
Operating Income (Loss)	18,809,189	26,768,761
Nonoperating Revenues		
Court Fees	19,140	24,091
Claim interest income	189,219	-
Investment income	18,348,527	7,165,016
Total Nonoperating Revenues	18,556,886	7,189,107
Net Income (Loss)	37,366,075	33,957,868



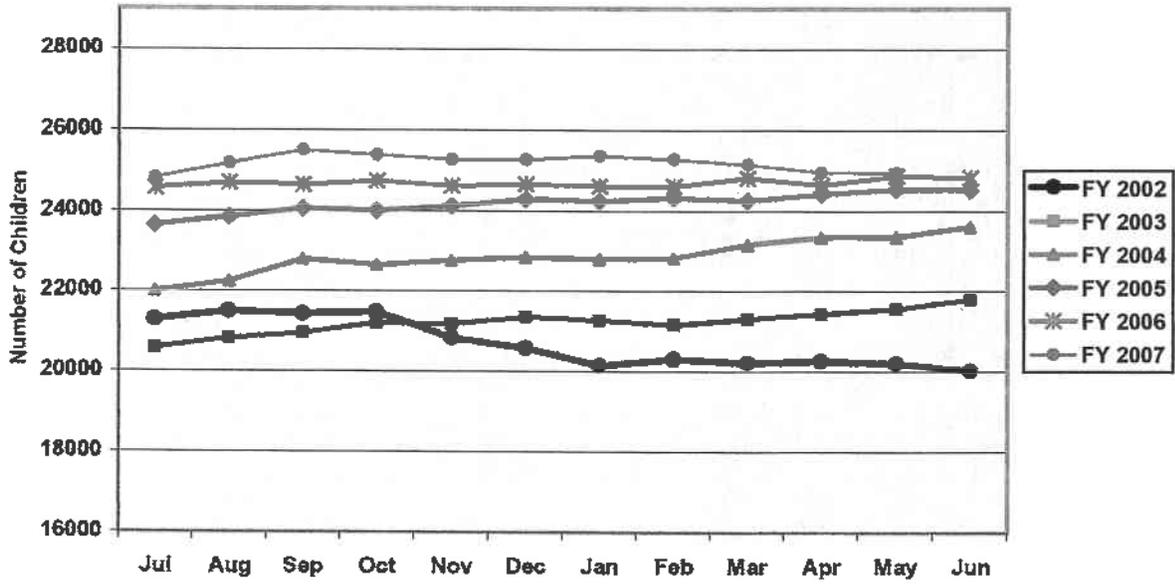
**West Virginia  
Children's Health Insurance Program  
1018 Kanawha Boulevard East  
Suite 209  
Charleston, WV 25301**

**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**

**June 2007**

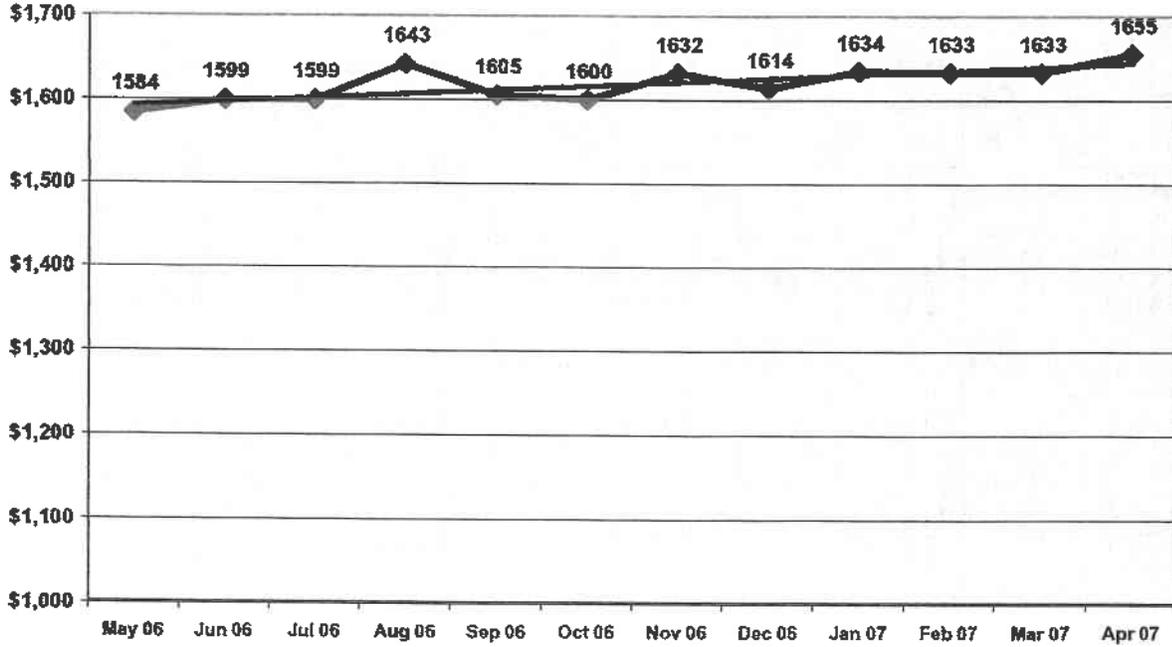
### WV CHIP Enrollment



May 31, 2007 Enrollment 24,951

### Annualized Health Care Expenditures

(Cost per Child)



**West Virginia Children's Health Insurance Program  
Comparative Balance Sheet  
April 30, 2007 and 2006  
(Accrual Basis)**

	April 30, 2007	April 30, 2006	Variance	
<b>Assets:</b>				
Cash & Cash Equivalents	\$6,527,606	\$2,212,823	\$4,314,783	195%
Due From Federal Government	\$3,398,976	\$3,255,767	\$143,209	4%
Due From Other Funds	\$798,846	\$699,339	\$99,507	14%
Accrued Interest Receivable	\$17,113	\$4,424	\$12,689	287%
Fixed Assets, at Historical Cost	<u>\$62,141</u>	<u>\$75,128</u>	<u>(\$12,987)</u>	<u>-17%</u>
<b>Total Assets</b>	<b><u>\$10,804,682</u></b>	<b><u>\$6,247,481</u></b>	<b><u>\$4,557,201</u></b>	<b><u>73%</u></b>
<b>Liabilities:</b>				
Due to Other Funds	\$227,822	\$78,248	\$149,574	191%
Deferred Revenue	\$5,454,739	\$1,532,442	\$3,922,297	256%
Unpaid Insurance Claims Liability	<u>\$3,970,000</u>	<u>\$3,620,000</u>	<u>\$350,000</u>	<u>10%</u>
<b>Total Liabilities</b>	<b><u>\$9,652,561</u></b>	<b><u>\$5,230,690</u></b>	<b><u>\$4,421,871</u></b>	<b><u>85%</u></b>
Fund Equity	<u>\$1,152,121</u>	<u>\$1,016,791</u>	<u>\$135,330</u>	<u>13%</u>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$10,804,682</u></b>	<b><u>\$6,247,481</u></b>	<b><u>\$4,557,201</u></b>	<b><u>73%</u></b>

## 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 Ten Months Ended April 30, 2007 and April 30, 2006**  
**(Modified Accrual Basis)**

	April 30, 2007	April 30, 2006	Variance	
<b>Revenues:</b>				
Federal Grants	29,614,251	26,131,910	3,482,341	13%
State Appropriations	7,081,157	7,939,871	(858,714)	-11%
Premium Revenues	4,507	-	4,507	
Investment Earnings	<u>124,744</u>	<u>42,450</u>	<u>82,294</u>	194%
<b>Total Operating Revenues</b>	<b><u>36,824,658</u></b>	<b><u>34,114,231</u></b>	<b><u>2,710,427</u></b>	<b><u>8%</u></b>
<b>Operating Expenditures:</b>				
<b>Claims:</b>				
Outpatient Services	8,603,286	8,361,650	241,636	3%
Physicians & Surgical	7,686,034	7,346,602	339,432	5%
Prescribed Drugs	7,076,521	6,538,799	537,722	8%
Dental	4,007,629	4,031,865	(24,236)	-1%
Inpatient Hospital Services	3,372,869	2,181,135	1,191,734	55%
Outpatient Mental Health	1,268,875	1,290,562	(21,687)	-2%
Vision	1,032,985	1,067,539	(34,554)	-3%
Inpatient Mental Health	773,936	451,771	322,165	71%
Durable & Disposable Med. Equip.	380,654	303,805	76,849	25%
Medical Transportation	296,476	189,313	107,163	57%
Therapy	289,875	265,051	24,824	9%
Other Services	119,876	92,444	27,432	30%
Less: Collections*	<u>(569,036)</u>	<u>(377,019)</u>	<u>(192,017)</u>	51%
<b>Total Claims</b>	<b><u>34,339,980</u></b>	<b><u>31,743,517</u></b>	<b><u>2,596,463</u></b>	<b><u>8%</u></b>
<b>General and Admin Expenses:</b>				
Salaries and Benefits	383,160	376,459	6,701	2%
Program Administration	1,615,692	1,556,201	59,491	4%
Eligibility	249,878	212,553	37,325	18%
Outreach & Health Promotion	15,159	87,139	(71,980)	-83%
Current	<u>96,045</u>	<u>95,911</u>	<u>134</u>	<u>0%</u>
<b>Total Administrative</b>	<b><u>2,359,934</u></b>	<b><u>2,328,264</u></b>	<b><u>31,670</u></b>	<b><u>1%</u></b>
<b>Total Expenditures</b>	<b><u>36,699,914</u></b>	<b><u>34,071,781</u></b>	<b><u>2,628,134</u></b>	<b><u>8%</u></b>
<b>Excess of Revenues</b>				
Over (Under) Expenditures	124,744	42,450	82,294	194%
<b>Fund Equity, Beginning</b>	<b><u>1,027,377</u></b>	<b><u>974,341</u></b>	<b><u>53,036</u></b>	<b><u>5%</u></b>
<b>Fund Equity, Ending</b>	<b><u>1,152,121</u></b>	<b><u>1,016,791</u></b>	<b><u>135,330</u></b>	<b><u>13%</u></b>

\* Collections are primarily drug rebates and subrogation

## PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program  
 Budget to Actual Statement  
 State Fiscal Year 2007  
 For the Ten Months Ended April 30, 2007

	Budgeted for Year	Year to Date Budgeted Amt	Year to Date Actual Amt	Year to Date Variance*		Monthly Budgeted Amt	Apr-07	Mar-07	Feb-07
Projected Cost	\$44,518,706	\$37,098,922	\$33,714,123	\$3,384,799	9%	\$3,709,892	\$3,515,383	\$4,698,153	\$3,290,414
Premiums	0	\$0	4,507	\$0	n/a	0	\$2,184	1,480	843
Medical Copays	560,000	\$466,667	0	466,667	-100%	46,667	0	0	0
Drug Copays	475,000	\$395,833	0	395,833	-100%	39,583	0	0	0
Subrogation & Rebates	<u>300,000</u>	<u>\$250,000</u>	<u>571,527</u>	<u>(321,527)</u>	129%	<u>25,000</u>	<u>42,641</u>	<u>67,252</u>	<u>37,180</u>
Net Benefit Cost	43,183,706	\$35,986,422	\$33,138,089	\$2,848,333	8%	3,598,642	3,470,558	4,629,421	3,252,391
Salaries & Benefits	\$600,000	\$500,000	\$383,160	\$116,840	23%	\$50,000	\$39,339	\$40,548	\$39,293
Program Administration	1,951,762	\$1,626,468	1,503,953	122,515	8%	162,647	177,960	168,064	158,904
Eligibility	324,000	\$270,000	222,907	47,093	17%	27,000	5,160	3,665	104,686
Outreach	100,000	\$83,333	15,160	68,173	82%	8,333	1,381	477	0
Current Expense	<u>169,480</u>	<u>\$141,233</u>	<u>84,851</u>	<u>56,382</u>	40%	<u>14,123</u>	<u>11,511</u>	<u>8,185</u>	<u>8,593</u>
Total Admin Cost	\$3,145,242	\$2,621,035	\$2,210,031	\$411,004	16%	\$262,104	\$235,351	\$220,929	\$311,476
Total Program Cost	<u>\$46,328,948</u>	<u>\$38,607,457</u>	<u>\$35,348,120</u>	<u>\$3,259,337</u>	8%	<u>\$3,860,746</u>	<u>\$3,705,909</u>	<u>\$4,850,350</u>	<u>\$3,563,867</u>
Federal Share 80.97%	37,526,448	\$31,272,040	\$28,633,392	2,638,648	8%	3,127,204	3,000,674	3,927,328	2,885,663
State Share 19.03%	<u>8,802,500</u>	<u>\$7,335,417</u>	<u>\$6,714,728</u>	<u>620,689</u>	8%	<u>733,542</u>	<u>705,234</u>	<u>923,022</u>	<u>678,204</u>
Total Program Cost **	<u>\$46,328,948</u>	<u>\$38,607,457</u>	<u>\$35,348,120</u>	<u>\$3,259,337</u>	8%	<u>\$3,860,746</u>	<u>\$3,705,909</u>	<u>\$4,850,350</u>	<u>\$3,563,867</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2006 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

May 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment May-07	Total Medicaid Enrollment May-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Barbour	3,248	304	1,588	1,892	58.3%	92.5%	34	255
Berkeley	22,882	1,167	5,622	6,789	29.7%	93.9%	21	1,084
Boone	5,706	333	2,563	2,896	50.8%	97.9%	4	133
Braxton	3,044	214	1,563	1,777	58.4%	95.6%	13	155
Brooke	4,658	298	1,451	1,749	37.5%	98.5%	3	0**
Cabell	18,900	976	8,045	9,021	47.7%	91.6%	39	1,218
Calhoun	1,389	139	829	968	69.7%	88.0%	52	207
Clay	2,454	194	1,365	1,559	63.5%	95.1%	15	94
Doddridge	1,607	133	761	894	55.6%	96.4%	6	60
Fayette	9,692	993	4,742	5,735	59.2%	92.1%	36	706
Gilmer	1,154	102	581	683	59.2%	92.8%	32	115
Grant	2,463	167	912	1,079	43.8%	95.8%	11	82
Greenbrier	7,110	586	2,842	3,428	48.2%	94.8%	17	306
Hampshire	5,110	287	1,816	2,103	41.2%	91.3%	40	295
Hancock	6,270	406	2,191	2,597	41.4%	92.9%	31	443
Hardy	2,950	135	1,028	1,163	39.4%	93.6%	26	200
Harrison	14,973	957	5,927	6,884	46.0%	99.9%	1	0**
Jackson	6,277	373	2,310	2,683	42.7%	93.9%	22	340
Jefferson	11,465	421	2,133	2,554	22.3%	93.9%	23	651
Kanawha	40,647	2,083	16,560	18,643	45.9%	96.4%	7	772
Lewis	3,577	318	1,751	2,069	57.8%	88.0%	53	431
Lincoln	4,945	413	2,539	2,952	59.7%	93.3%	27	327
Logan	7,610	504	3,871	4,375	57.5%	92.1%	37	654
Marion	11,245	788	4,285	5,073	45.1%	95.9%	10	516
Marshall	7,176	408	2,750	3,158	44.0%	97.5%	5	217
Mason	5,461	315	2,502	2,817	51.6%	95.7%	12	249
McDowell	5,170	428	3,498	3,926	75.9%	93.8%	25	373
Mercer	12,687	1,091	6,521	7,612	60.0%	91.0%	41	1,268
Mineral	5,973	291	2,052	2,343	39.2%	90.7%	43	251
Mingo	6,204	430	3,340	3,770	60.8%	88.5%	51	566
Monongalia	14,346	670	4,071	4,741	33.0%	92.6%	33	1,144
Monroe	2,728	255	937	1,192	43.7%	93.1%	29	196
Morgan	3,365	220	962	1,182	35.1%	89.2%	49	285
Nicholas	5,478	466	2,460	2,926	53.4%	94.4%	19	324
Ohio	9,068	474	3,078	3,552	39.2%	95.6%	14	480
Pendleton	1,632	133	433	566	34.7%	99.0%	2	19
Pleasants	1,593	105	467	572	35.9%	93.9%	24	88
Pocahontas	1,717	163	644	807	47.0%	87.7%	54	224
Preston	6,354	552	2,387	2,939	46.3%	90.2%	47	236
Putnam	12,522	631	3,181	3,812	30.4%	93.2%	28	486
Raleigh	15,992	1,320	6,846	8,166	51.1%	91.7%	38	1,395
Randolph	5,971	471	2,470	2,941	49.3%	89.7%	48	653
Ritchie	2,234	140	778	918	41.1%	96.2%	9	81
Roane	3,266	306	1,661	1,967	60.2%	90.5%	44	336
Summers	2,322	216	1,187	1,403	60.4%	88.9%	50	315
Taylor	3,307	219	1,434	1,653	50.0%	90.9%	42	356
Tucker	1,354	176	457	633	46.8%	93.1%	30	103
Tyler	1,887	106	869	975	51.7%	94.9%	16	93

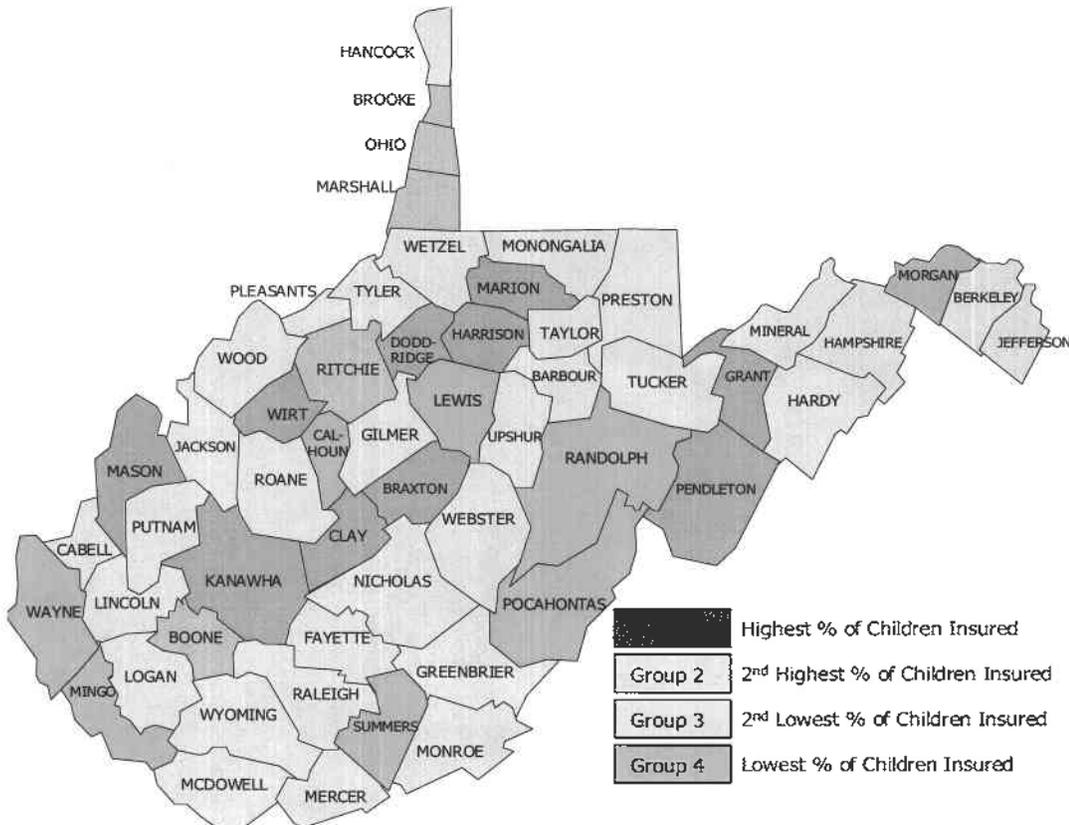
# WV CHIP Enrollment Report

May 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment May-07	Total Medicaid Enrollment May-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Upshur	4,956	399	2,233	2,632	53.1%	90.4%	46	547
Wayne	9,176	565	4,182	4,747	51.7%	87.7%	55	1,034
Webster	2,020	205	1,075	1,280	63.4%	94.7%	18	103
Wetzel	3,732	241	1,629	1,870	50.1%	92.5%	35	334
Wirt	1,268	129	561	690	54.4%	96.3%	8	46
Wood	19,063	1,089	7,639	8,728	45.8%	90.5%	45	1,624
Wyoming	5,092	446	2,778	3,224	63.3%	94.0%	20	231
<b>Totals</b>	<b>382,490</b>	<b>24,951</b>	<b>152,357</b>	<b>177,308</b>	<b>46.4%</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 C. Byrd Science Center

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



Legislative Oversight Commission on  
Health and Human Resources Accountability

*June 2007*

Department of Administration

State Children's Health Insurance Program  
UPDATE



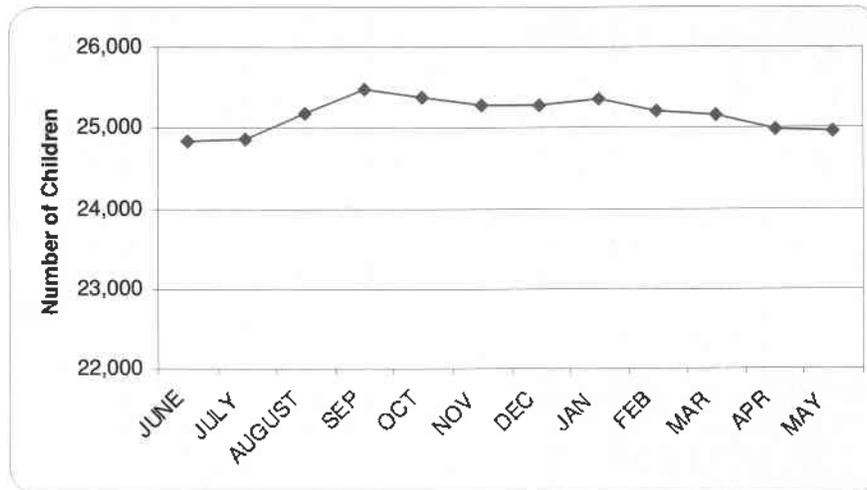
# WV CHILDREN'S HEALTH INSURANCE AGENCY

## REPORT FOR JUNE 2007

### I. Enrollment on May 31, 2007: 24,951

See Attachment 1 for enrollment by county.

Current 12-Month Enrollment Period: June 2006 through May 2007



Enrollee Totals: March 2007 to May 2007

Month	Total	1 Year	Total
March	1,808	Average	1,816
April	1,721	High	2,204
May	1,427	Low	1,427

New Enrollee (Never Before on CHIP) Totals: March 2007 to May 2007

Month	Total	1 Year	Total
March	743	Average	879
April	715	High	1,149
May	609	Low	609

### II. Re-enrollment for 3 Month Period: February 2007 to April 2007

Total Forms Mailed		Enrolled within Notice Period		Reopened Cases After Closure		Final Closures	
Month	Total	#	%	#	%	#	%
February	2,070	1,109	54%	297	14%	664	32%
March	2,084	1,218	58%	249	12%	617	30%
April	1,884	1,133	60%	210	11%	541	29%

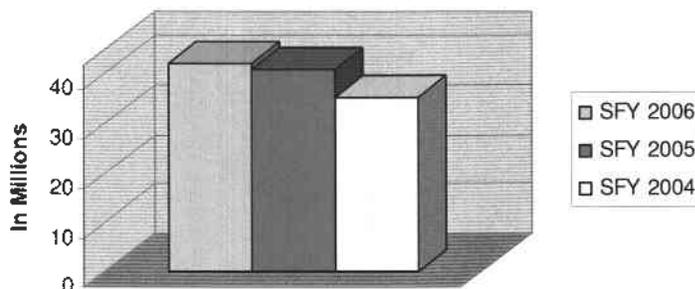
**III. Financial Activity**

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

*The average annualized claims cost per child for the month ended April 2007 was \$1,655.*

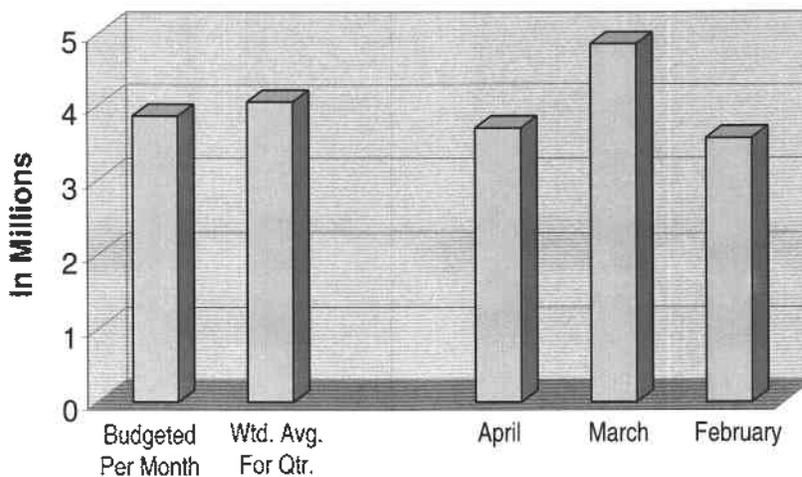
**Annual Expenditures for a 3 Year Period: SFY 2004 – SFY 2006**

	SFY 2006	FFP% 2006	SFY 2005	FFP% 2005	SFY 2004	FFP% 2004
Federal	34,247,276	81.09	33,767,136	82.26	29,144,455	82.63
State	7,986,385	18.91	7,235,862	17.74	6,126,578	17.37
<b>Total Costs</b>	<b>42,233,661</b>	<b>100.00</b>	<b>41,002,998</b>	<b>100.00</b>	<b>35,271,033</b>	<b>100.00</b>



**Monthly Budgeted and Current 3 Month Period: February 2007 – April 2007**

	Budgeted Per Month	Wtd. Avg. For Qtr.	Actual		
			April 2007	March 2007	February 2007
Federal	3,127,204	3,271,221	3,000,674	3,927,328	2,885,662
State	733,542	768,820	705,235	923,022	678,204
<b>Total</b>	<b>3,860,746</b>	<b>4,040,042</b>	<b>3,705,909</b>	<b>4,850,350</b>	<b>3,563,866</b>



**IV. Other Highlights**

- WVCHIP Premium currently has 68 enrollees as of May 31.
- In the months of March and April, WVCHIP families were asked to designate their primary care providers from a directory of participating physicians to serve as their medical home. As of April 30<sup>th</sup>, approximately 20% of all enrolled children have a designated medical home. Families have the incentive of having no copayments assessed for services in their medical home.
- During the first week of June, WVCHIP has prepared and will submit its State Plan Amendment allowing for the Governor's special prevention initiative which would allow WVCHIP to fund comprehensive wellness exams for any child entering Kindergarten who is uninsured. With West Virginia child uninsured rate projected at 5% of children, which is estimated at around 1,100 children entering Kindergarten with no coverage whatsoever, the total cost of providing these exams is estimated to be under \$200,000. WVCHIP anticipates that it will be able to fund this amount under its existing 2008 budget without supplemental funds.

# WV CHIP Enrollment Report

ATTACHMENT 1

May 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment May-07	Total Medicaid Enrollment May-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
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Berkeley	22,882	1,167	5,622	6,789	29.7%	93.9%	21	1,084
Boone	5,706	333	2,563	2,896	50.8%	97.9%	4	133
Braxton	3,044	214	1,563	1,777	58.4%	95.6%	13	155
Brooke	4,658	298	1,451	1,749	37.5%	98.5%	3	0**
Cabell	18,900	976	8,045	9,021	47.7%	91.6%	39	1,218
Calhoun	1,389	139	829	968	69.7%	88.0%	52	207
Clay	2,454	194	1,365	1,559	63.5%	95.1%	15	94
Doddridge	1,607	133	761	894	55.6%	96.4%	6	60
Fayette	9,692	993	4,742	5,735	59.2%	92.1%	36	706
Gilmer	1,154	102	581	683	59.2%	92.8%	32	115
Grant	2,463	167	912	1,079	43.8%	95.8%	11	82
Greenbrier	7,110	586	2,842	3,428	48.2%	94.8%	17	306
Hampshire	5,110	287	1,816	2,103	41.2%	91.3%	40	295
Hancock	6,270	406	2,191	2,597	41.4%	92.9%	31	443
Hardy	2,950	135	1,028	1,163	39.4%	93.6%	26	200
Harrison	14,973	957	5,927	6,884	46.0%	99.9%	1	0**
Jackson	6,277	373	2,310	2,683	42.7%	93.9%	22	340
Jefferson	11,465	421	2,133	2,554	22.3%	93.9%	23	651
Kanawha	40,647	2,083	16,560	18,643	45.9%	96.4%	7	772
Lewis	3,577	318	1,751	2,069	57.8%	88.0%	53	431
Lincoln	4,945	413	2,539	2,952	59.7%	93.3%	27	327
Logan	7,610	504	3,871	4,375	57.5%	92.1%	37	654
Marion	11,245	788	4,285	5,073	45.1%	95.9%	10	516
Marshall	7,176	408	2,750	3,158	44.0%	97.5%	5	217
Mason	5,461	315	2,502	2,817	51.6%	95.7%	12	249
McDowell	5,170	428	3,498	3,926	75.9%	93.8%	25	373
Mercer	12,687	1,091	6,521	7,612	60.0%	91.0%	41	1,268
Mineral	5,973	291	2,052	2,343	39.2%	90.7%	43	251
Mingo	6,204	430	3,340	3,770	60.8%	88.5%	51	566
Monongalia	14,346	670	4,071	4,741	33.0%	92.6%	33	1,144
Monroe	2,728	255	937	1,192	43.7%	93.1%	29	196
Morgan	3,365	220	962	1,182	35.1%	89.2%	49	285
Nicholas	5,478	466	2,460	2,926	53.4%	94.4%	19	324
Ohio	9,068	474	3,078	3,552	39.2%	95.6%	14	480
Pendleton	1,632	133	433	566	34.7%	99.0%	2	19
Pleasants	1,593	105	467	572	35.9%	93.9%	24	88
Pocahontas	1,717	163	644	807	47.0%	87.7%	54	224
Preston	6,354	552	2,387	2,939	46.3%	90.2%	47	236
Putnam	12,522	631	3,181	3,812	30.4%	93.2%	28	486
Raleigh	15,992	1,320	6,846	8,166	51.1%	91.7%	38	1,395
Randolph	5,971	471	2,470	2,941	49.3%	89.7%	48	653
Ritchie	2,234	140	778	918	41.1%	96.2%	9	81
Roane	3,266	306	1,661	1,967	60.2%	90.5%	44	336
Summers	2,322	216	1,187	1,403	60.4%	88.9%	50	315
Taylor	3,307	219	1,434	1,653	50.0%	90.9%	42	356
Tucker	1,354	176	457	633	46.8%	93.1%	30	103
Tyler	1,887	106	869	975	51.7%	94.9%	16	93



**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Ten Months Ended April 30, 2007 and April 30, 2006**  
(Modified Accrual Basis)

	April 30, 2007	April 30, 2006	Variance	
<b>Revenues:</b>				
Federal Grants	29,614,251	26,131,910	3,482,341	13%
State Appropriations	7,081,157	7,939,871	(858,714)	-11%
Premium Revenues	4,507	-	4,507	
Investment Earnings	<u>124,744</u>	<u>42,450</u>	<u>82,294</u>	194%
<b>Total Operating Revenues</b>	<b><u>36,824,658</u></b>	<b><u>34,114,231</u></b>	<b><u>2,710,427</u></b>	<b><u>8%</u></b>
<b>Operating Expenditures:</b>				
<b>Claims:</b>				
Outpatient Services	8,603,286	8,361,650	241,636	3%
Physicians & Surgical	7,686,034	7,346,602	339,432	5%
Prescribed Drugs	7,076,521	6,538,799	537,722	8%
Dental	4,007,629	4,031,865	(24,236)	-1%
Inpatient Hospital Services	3,372,869	2,181,135	1,191,734	55%
Outpatient Mental Health	1,268,875	1,290,562	(21,687)	-2%
Vision	1,032,985	1,067,539	(34,554)	-3%
Inpatient Mental Health	773,936	451,771	322,165	71%
Durable & Disposable Med. Equip.	380,854	303,805	76,849	25%
Medical Transportation	296,476	189,313	107,163	57%
Therapy	289,875	265,051	24,824	9%
Other Services	119,876	92,444	27,432	30%
Less: Collections*	<u>(569,036)</u>	<u>(377,019)</u>	<u>(192,017)</u>	51%
<b>Total Claims</b>	<b><u>34,339,980</u></b>	<b><u>31,743,517</u></b>	<b><u>2,596,463</u></b>	<b><u>8%</u></b>
<b>General and Admin Expenses:</b>				
Salaries and Benefits	383,160	376,459	6,701	2%
Program Administration	1,615,692	1,556,201	59,491	4%
Eligibility	249,878	212,553	37,325	18%
Outreach & Health Promotion	15,159	87,139	(71,980)	-83%
Current	<u>96,045</u>	<u>95,911</u>	<u>134</u>	<u>0%</u>
<b>Total Administrative</b>	<b><u>2,359,934</u></b>	<b><u>2,328,264</u></b>	<b><u>31,670</u></b>	<b><u>1%</u></b>
<b>Total Expenditures</b>	<b><u>36,699,914</u></b>	<b><u>34,071,781</u></b>	<b><u>2,628,134</u></b>	<b><u>8%</u></b>
Excess of Revenues Over (Under) Expenditures	124,744	42,450	82,294	194%
Fund Equity, Beginning	<u>1,027,377</u>	<u>974,341</u>	<u>53,036</u>	<u>5%</u>
Fund Equity, Ending	<u>1,152,121</u>	<u>1,016,791</u>	<u>135,330</u>	<u>13%</u>

\* Collections are primarily drug rebates and subrogation

## PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program  
WVFIMS Fund 2154  
For the Month Ended April 30, 2007  
(Accrual Basis)

Investment Account
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Funds Invested	\$5,534,796
Interest Earned	<u>124,744</u>
<b>Total</b>	<b><u>\$5,659,540</u></b>

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program  
 Budget to Actual Statement  
 State Fiscal Year 2007  
 For the Ten Months Ended April 30, 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>Apr-07</u>	<u>Mar-07</u>	<u>Feb-07</u>
Projected Cost	\$44,518,706	\$37,098,922	\$33,714,123	\$3,384,799	9%	\$3,709,892	\$3,515,383	\$4,698,153	\$3,290,414
Premiums	0	\$0	4,507	\$0	n/a	0	\$2,184	1,480	843
Medical Copays	560,000	\$466,667	0	466,667	-100%	46,667	0	0	0
Drug Copays	475,000	\$395,833	0	395,833	-100%	39,583	0	0	0
Subrogation & Rebates	<u>300,000</u>	<u>\$250,000</u>	<u>571,527</u>	<u>(321,527)</u>	129%	<u>25,000</u>	<u>42,641</u>	<u>67,252</u>	<u>37,180</u>
Net Benefit Cost	43,183,706	\$35,986,422	\$33,138,089	\$2,848,333	8%	3,598,642	3,470,558	4,629,421	3,252,391
Salaries & Benefits	\$600,000	\$500,000	\$383,160	\$116,840	23%	\$50,000	\$39,339	\$40,548	\$39,293
Program Administration	1,951,762	\$1,626,468	1,503,953	122,515	8%	162,647	177,960	168,054	158,904
Eligibility	324,000	\$270,000	222,907	47,093	17%	27,000	5,160	3,665	104,686
Outreach	100,000	\$83,333	15,160	68,173	82%	8,333	1,381	477	0
Current Expense	<u>169,480</u>	<u>\$141,233</u>	<u>84,851</u>	<u>56,382</u>	40%	<u>14,123</u>	<u>11,511</u>	<u>8,185</u>	<u>8,593</u>
Total Admin Cost	\$3,145,242	\$2,621,035	\$2,210,031	\$411,004	16%	\$262,104	\$235,351	\$220,929	\$311,476
Total Program Cost	<u>\$46,328,948</u>	<u>\$38,607,457</u>	<u>\$35,348,120</u>	<u>\$3,259,337</u>	8%	<u>\$3,860,746</u>	<u>\$3,705,909</u>	<u>\$4,850,350</u>	<u>\$3,563,867</u>
Federal Share 80.97%	37,526,448	\$31,272,040	\$28,633,392	2,638,648	8%	3,127,204	3,000,674	3,927,328	2,885,663
State Share 19.03%	<u>8,802,500</u>	<u>\$7,335,417</u>	<u>\$6,714,728</u>	<u>620,689</u>	8%	<u>733,542</u>	<u>705,234</u>	<u>923,022</u>	<u>678,204</u>
Total Program Cost **	<u>\$46,328,948</u>	<u>\$38,607,457</u>	<u>\$35,348,120</u>	<u>\$3,259,337</u>	8%	<u>\$3,860,746</u>	<u>\$3,705,909</u>	<u>\$4,850,350</u>	<u>\$3,563,867</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2006 Report.

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

**Department of Administration Leasing Report  
For The Period of May 1, 2007 through May 30, 2007**

**NEW CONTRACT OF LEASE**

**DEPARTMENT OF AGRICULTURE**

**AGR-047** New contract of Lease for 1 year containing 502 square feet of office space at \$11.95 per square foot, full service, with the Department of Human Resources, in the City of Hinton, Summers County.

**WV MASSAGE THERAPY LICENSURE BOARD**

**BMT-004** New contract of lease for 2 year containing 553 square feet of office space at \$12.00 per square foot, full service with Kanawha Investment Corporation, in the City of Charleston, Kanawha County.

**INSURANCE COMMISSION**

**INS-021** New contract of lease for 1 year containing 613 square feet of office space at \$13.00 per square foot, full service with Department of Administration, in the City of Huntington, Cabell County.

**BUREAU OF EMPLOYMENT PROGRAMS**

**EMS-105** New contract of lease for 3 months with an option to renew containing 317 square feet of office space at \$14.00 per square foot, full service with Berkeley Business Park Associates, in the City of Martinsburg, Berkeley County.

**DIVISION OF CORRECTIONS**

**COR-082** New contract of lease for 3 years containing 2,100 square feet of office space at \$5.43 per square foot, full service with F & R Properties, Inc, in the City of Keyser, Mineral County.

**WV COMMISSION FOR NATIONAL AND COMMUNITY SERVICE**

**NCS-004** New contract of lease for 3 years containing 4,136 square feet of office space at \$7.89 per square foot, full service with Thomas F. Fielder, in the City of Charleston, Kanawha County.

## **DIVISION OF REHABILITATION SERVICES**

**DRS-093** New contract of lease for 10 years containing 7,000 square feet of office space at \$14.00 per square foot including trash and snow removal, for the first five years then \$15.00 per square foot for remainder of the term.

## **STRAIGHT RENEWALS**

### **DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR -152** Renewal for 1 year, containing 2,878 square feet of office space, at the same rate of \$6.50 per square foot, full service, between the County Commission of Jefferson County, in the City of Kearneysville.

**DHS-156** Renewal for 1 year containing 19,255 square feet of office space at the same rate of \$13.00 per square foot, full services, with the Department of Administration, in the City of Weirton, Hancock County.

### **BUREAU OF EMPLOYMENT PROGRAMS**

**EMS-099** Renewal for 1 year containing 5,342 square feet of office space at the same rate of \$13.00 per square foot, full service, with the Department of Administration, in the City of Weirton, Hancock County.

### **LOTTERY COMMISSION**

**LOT-009** Renewal for 1 year containing 3,346 square feet of office space at the same rate of \$13.00 per square foot, full services, with the Department of Administration, in the City of Weirton, Hancock County.

### **DIVISION OF VETERANS AFFAIRS**

**VET-030** Renewal for 3 years containing 3,821 square feet of office space at the same rate of \$10.40 per square foot, full service, with Standard Properties, LLC, in the City of Charleston, Kanawha County.

### **WV STATE POLICE**

**PSA-088** Renewal for 10 years containing 300 square feet of office space at the same rate of \$0.00 per square foot, full service, with Ceredo Volunteer Fire Department, in the City of Huntington, Wayne County.

## **DIVISION OF FORESTRY**

**FOR-040** Renewal for 1 year containing 168 square feet of office space at the same rate of \$8.93 per square foot, full service, excluding janitorial and snow removal, with Neal W. and Helen G. Kellison, in the City of Marlinton, Pocahontas County.

**FOR-066** Renewal for 2 years containing 364 square feet of office space at the same rate of \$6.59 per square foot, full service, excluding janitorial, with Centaur Arts and Framing, in the City of Harrisville, Ritchie County.

## **DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-161** Renewal for 5 years consisting of a Tower Monitoring Site located on the roof of Building #20 (Guthrie Center) in the City of Charleston, Kanawha County.

## **FAIRMONT STATE COLLEGE**

**FSC-023** Renewal for 6 months containing 200 square feet of office space at the same rate of \$7.80 per square foot, full service, with K & K Enterprises, dba K & K Storage, in the City of Fairmont, Marion County.

## **RENEWAL/RENT INCREASES**

### **WV DIVISION OF AGRICULTURE**

**AGR-043** Renewal for 5 years consisting 66,722 square feet of warehouse space with a monthly rental increase from \$22,240.67 per month to \$23,630.71 per month with Mary F. Love and James F. Love III, in the City of Charleston Kanawha County.

### **FAIRMONT STATE COLLEGE**

**FSC-024** Renewal for 1 year consisting 1,400 square feet of office space with a monthly rental increase from \$500.50 per month to \$550.00 per month, no utility services, with Teresa Puccio, in the City of Fairmont, Marion County.

**RENEWAL AND ADJUST SQUARE FEET & INCREASING RENT**

**WV Geological and Economic Survey**

**GES-001** Renewal for 5 years with a square footage adjustment from 1,099 square feet to 1,188 square feet, and an increase in rent from \$1,262.25 per month to \$1,386.00 per month, full service, excluding janitorial with Morris Square Associates, LLC, in the City of Charleston, Kanawha County.

Joint Committee on Government and Finance

*June 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 May 25, 2007

9 Months Actuals      3 Months Remaining

<b>MONTH OF MARCH 2007</b>	<b>ACTUALS</b>	<b>ACTUALS</b>	<b>PROJECTED</b>	<b>TOTAL</b>
	3/1/07 Thru 3/31/07	Year-To-Date Thru 3/31/07	4/1/2007 Thru 06/30/07	SFY2007
<b>REVENUE SOURCES</b>				
Beg. Bal. 7/01/06 (5084/1020 prior mth)	4,714,645	\$22,969,601		\$22,969,601
<b>MATCHING FUNDS</b>				
Medical Services	34,867,140	269,251,810	125,153,877	394,405,687
Rural Hospitals Under 150 Beds (0403/940)	216,333	1,947,000	649,000	2,596,000
Tertiary Funding (0403/547)	258,833	2,517,000	839,000	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)	11,800,000	116,759,353	38,840,647	155,600,000
Certified Match	1,952,380	16,367,287	6,513,723	22,881,010
Reimbursables <sup>(1)</sup>	356,222	3,149,903		5,099,481
CMS - 64 Adjustments		(2,168,464)	2,168,464	0
<b>TOTAL MATCHING FUNDS</b>	<b>\$54,165,552</b>	<b>\$453,643,490</b>	<b>\$204,721,305</b>	<b>\$660,314,373</b>
<b>FEDERAL FUNDS</b>	149,620,363	1,156,968,023	\$488,702,894	\$1,645,670,917
<b>TOTAL REVENUE SOURCES</b>	<b>\$203,785,915</b>	<b>\$1,610,611,513</b>	<b>\$695,373,777</b>	<b>\$2,305,985,290</b>
<b>TOTAL EXPENDITURES:</b>				
Provider Payments	\$191,274,667	\$1,601,697,962	\$616,862,267	\$2,218,560,229
<b>TOTAL</b>	<b>\$12,511,249</b>	<b>\$8,913,551</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 May 25, 2007

MONTH OF MARCH 2007	ACTUALS	ESTIMATED	ESTIMATED	ACTUALS	ACTUALS	PROJECTED
DESCRIPTION	SFY 2006	Estimated SFY2007	Estimated Current Month Mar-07	Current Month Mar-07	Year To-Date Thru 3/31/07	04/01/07 Thru 06/30/07
<b>EXPENDITURES:</b>						
Inpatient Hospital Services	223,854,909	248,593,096	19,122,546	23,613,932	166,369,371	82,223,725
Inpatient Hospital Services - DSH Adjustment Payments	53,916,150	53,935,110	-	8,342,827	40,652,822	13,282,288
Mental Health Facilities	36,085,565	42,090,761	3,237,751	3,624,431	30,050,885	12,039,876
Mental Health Facilities - DSH Adjustment Payments	20,354,226	18,887,045	-	31,407	14,110,051	4,776,994
Nursing Facility Services	402,903,863	416,786,290	34,732,190	32,403,182	308,208,855	108,577,435
Intermediate Care Facilities - Public Providers	160	-	-	-	-	-
Intermediate Care Facilities - Private Providers	53,642,336	59,538,870	4,961,572	4,467,580	44,035,471	15,503,399
Physicians Services	126,950,184	117,945,021	9,072,694	10,062,425	95,645,639	22,299,382
Outpatient Hospital Services	93,921,521	103,013,506	7,924,116	8,775,847	72,334,839	30,678,667
Prescribed Drugs	378,095,030	310,458,195	23,881,400	26,948,265	226,219,381	84,238,814
Drug Rebate Offset - National Agreement	(112,878,531)	(116,033,400)	(3,626,044)	(5,352,723)	(67,434,240)	(48,599,160)
Drug Rebate Offset - State Sidebar Agreement	(29,528,976)	(29,276,640)	(73,192)	(12,472)	(21,154,250)	(8,122,390)
Dental Services	38,320,543	40,972,725	3,151,748	2,969,088	27,515,362	13,457,363
Other Practitioners Services	20,069,824	21,174,205	1,628,785	1,650,812	15,304,757	5,869,448
Clinic Services	46,750,545	37,478,034	2,882,926	4,059,426	29,357,157	8,120,877
Lab & Radiological Services	13,045,112	13,892,145	1,068,627	694,488	5,853,831	8,038,314
Home Health Services	26,490,072	27,896,140	2,145,857	2,761,452	20,589,711	7,306,429
Hysterectomies/Sterilizations	682,237	693,464	53,343	46,222	456,877	236,587
Pregnancy Terminations	-	39,092	3,007	-	-	39,092
EPSDT Services	3,450,995	10,881,433	837,033	171,580	1,883,890	8,997,543
Rural Health Clinic Services	7,652,987	7,621,694	586,284	555,278	4,913,414	2,708,280
Medicare Health Insurance Payments - Part A Premiums	17,903,197	17,191,600	1,432,633	1,421,479	12,515,851	4,675,749
Medicare Health Insurance Payments - Part B Premiums	61,584,326	64,000,000	5,333,333	5,348,223	46,415,293	17,584,707
120% - 134% Of Poverty	2,861,904	-	-	274,890	2,592,507	(2,592,507)
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	213,950,846	241,784,020	20,148,668	17,525,066	167,887,186	73,896,834
Medicaid Health Insurance Payments: Group Health Plan Payments	289,548	346,380	28,865	55,310	275,430	70,950
Home & Community-Based Services (MR/DD)	185,607,767	207,361,030	15,950,848	16,999,322	146,800,432	60,560,598
Home & Community-Based Services (Aged/Disabled)	60,658,000	59,874,724	4,605,748	4,417,950	41,404,106	18,470,618
Community Supported Living Services	-	-	-	-	38	(38)
Personal Care Services	27,037,173	36,554,021	2,811,848	2,859,656	27,291,091	9,262,930
Targeted Case Management Services	9,026,219	9,285,672	714,282	678,776	5,998,691	3,286,981
Primary Care Case Management Services	599,865	796,780	66,398	61,953	553,668	243,112
Hospice Benefits	6,545,960	9,357,560	719,812	699,322	6,896,845	2,460,715
Federally Qualified Health Center	17,133,735	16,681,010	1,283,155	1,428,497	10,882,233	5,798,777
Other Care Services	117,082,516	132,236,166	10,172,013	10,783,037	95,777,577	36,456,589
Less: Recoupments	0	-	-	(198,654)	(2,168,212)	2,168,212
<b>NET EXPENDITURES:</b>	<b>2,124,059,808</b>	<b>2,182,055,749</b>	<b>174,858,246</b>	<b>188,167,874</b>	<b>1,578,036,556</b>	<b>604,019,193</b>

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 SFY 2007 EXPENDITURES BY PROVIDER TYPE  
 As of May 25, 2007

MONTH OF MARCH 2007	ACTUALS	ESTIMATED	ESTIMATED	ACTUALS	ACTUALS	PROJECTED
DESCRIPTION	SFY 2006	Estimated SFY2007	Estimated Current Month Mar-07	Current Month Mar-07	Year To-Date Thru 3/31/07	04/01/07 Thru 06/30/07
Collections: Third Party Liability (line 9A on CMS-64)	(6,144,253)			-	(2,379,318)	2,379,318
Collections: Probate (line 9B on CMS-64)	(117,505)			-	(24,888)	24,888
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)			-	(766,824)	766,824
Plus: Medicaid Part D Expenditures	8,942,213	29,504,480	2,458,707	2,463,833	21,181,601	8,322,879
Plus: State Only Medicaid Expenditures	4,507,995	3,500,000	269,231	360,041	3,336,958	163,042
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>\$2,123,516,039</b>	<b>\$2,215,060,229</b>	<b>\$177,586,184</b>	<b>\$190,991,748</b>	<b>\$1,598,994,757</b>	<b>\$616,065,472</b>
Plus: Reimbursables <sup>(1)</sup>	4,446,206	3,500,000	269,231	282,919	2,703,205	796,795
<b>TOTAL EXPENDITURES</b>	<b>\$2,127,962,245</b>	<b>\$2,218,560,229</b>	<b>\$177,855,415</b>	<b>\$191,274,667</b>	<b>\$1,601,697,962</b>	<b>\$616,862,267</b>

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

**BUREAU FOR MEDICAL SERVICES**  
**Medicaid Approved Claims Report**  
**As of May 25, 2007**

REF#	CMS 64 Category Of Service	---- SFY 2006 ----				SFY 2007 TENTATIVE		
		JUL-SEP 2005	OCT-DEC 2005	JAN-MAR 2006	APR-JUN 2006	JUL-SEP 2006	OCT-DEC 2006	JAN-MAR 2007
1A	Inpatient Hospital Services	50,660,147	44,239,858	46,342,049	88,465,831	59,004,884	45,420,674	66,749,428
1B	Inpatient Hospital Services - DSH	13,494,023	13,466,678	13,470,677	13,477,601	13,487,307	13,398,746	13,766,769
2A	Mental Health Facilities	6,454,836	6,912,113	13,562,413	12,299,762	9,611,035	9,654,320	10,474,752
2B	Mental Health Facilities - DSH	4,684,394	6,274,180	4,694,816	4,700,836	4,707,635	4,689,840	4,712,576
3	Nursing Facility Services	98,020,447	98,903,504	100,422,510	96,189,829	97,869,357	102,858,858	101,811,138
4B	Intermediate Care Facilities - Private Providers	12,722,547	13,147,300	14,288,039	13,501,343	14,866,833	14,906,183	14,332,092
5	Physicians Services	33,583,781	30,844,222	32,178,805	35,100,502	22,184,181	27,917,656	31,403,555
6	Outpatient Hospital Services	24,086,719	23,085,591	23,092,102	28,178,798	24,854,201	24,036,809	26,181,656
7	Prescribed Drugs	109,529,189	119,401,991	77,862,448	72,148,648	73,996,679	79,099,520	82,648,402
7	Part D Premium - State Only	0	0	6,871,393	6,832,317	7,036,703	6,973,263	9,606,390
7A1	Drug Rebate Offset - National	(26,479,767)	(34,649,872)	(28,295,179)	(23,449,375)	(31,036,177)	(23,748,198)	(23,588,007)
7A2	Drug Rebate Offset - State	(6,074,088)	(6,473,002)	(6,236,973)	(10,749,249)	(6,167,738)	(7,473,084)	(2,805,535)
	Total Rebates	(32,553,855)	(41,122,874)	(34,532,152)	(34,198,624)	(37,203,915)	(31,221,282)	(26,393,542)
	<b>NET DRUG COST</b>	<b>76,975,334</b>	<b>78,279,117</b>	<b>50,201,689</b>	<b>44,782,341</b>	<b>43,829,467</b>	<b>54,851,501</b>	<b>65,861,250</b>
8	Dental Services	9,309,731	10,225,378	9,538,773	10,675,862	9,747,640	10,030,108	8,754,914
9	Other Practitioners Services	5,745,239	5,127,471	5,390,387	6,262,904	5,011,125	4,708,250	5,290,755
10	Clinic Services	9,029,258	9,030,351	11,577,234	7,711,808	7,646,097	8,289,028	9,205,518
11	Lab & Radiological Services	3,086,682	3,614,604	3,834,362	2,175,779	4,266,918	4,334,075	4,531,502
12	Home Health Services	6,908,765	7,280,231	7,528,844	7,418,116	6,685,878	6,548,543	8,638,345
13	Hysterectomies/Sterilizations	165,370	161,149	207,520	159,288	156,636	161,379	132,905
14	Pregnancy Termination	96,251	70,984	90,137	90,528	64,402	34,849	84,150
15	EPSDT Services	1,151,400	882,248	691,405	4,229,031	6,283,348	5,972,258	507,684
16	Rural Health Clinic Services	2,005,835	1,747,828	2,179,575	2,099,858	1,690,077	1,651,481	1,790,771
17A	Medicare - Part A Premiums	3,620,829	6,261,928	4,152,571	4,108,236	2,784,018	4,185,821	4,245,061
17B	Medicare - Part B Premiums	14,211,799	14,560,223	15,692,417	16,143,572	10,649,879	16,255,310	17,021,684
18A	Managed Care Organizations	42,730,774	51,288,669	60,115,171	59,817,308	60,065,446	68,259,290	53,713,498
18C	Group Health Plan Payments	58,739	96,095	58,501	76,212	85,876	0	159,219
19	Home & Community-Based Services (MR/DD)	46,486,558	45,677,907	45,757,241	47,796,799	46,908,117	47,174,803	53,073,494
20	Home & Community-Based Services (Aged/Disabled)	15,894,777	15,026,274	15,203,425	14,647,406	13,700,224	13,512,164	14,314,401
23	Personal Care Services	5,982,676	5,952,653	6,417,084	8,491,635	8,931,805	8,741,934	8,865,553
24	Targeted Case Management	2,210,932	2,398,029	2,284,222	2,593,955	2,125,578	2,022,280	1,906,926
25	Primary Care Case Management	140,880	122,019	140,814	192,360	187,035	234,915	186,249
26	Hospice Benefits	1,148,368	1,818,491	1,720,716	2,074,858	2,525,227	2,043,527	2,869,003

**BUREAU FOR MEDICAL SERVICES**  
**Medicaid Approved Claims Report**  
**As of May 25, 2007**

REF#	CMS 64 Category Of Service	— SFY 2006 —				SFY 2007 TENTATIVE		
		JUL-SEP 2005	OCT-DEC 2005	JAN-MAR 2006	APR-JUN 2006	JUL-SEP 2006	OCT-DEC 2006	JAN-MAR 2007
28	Federally Qualified Health Center	4,022,834	4,348,762	5,572,223	3,907,444	3,423,360	3,928,153	4,478,179
29	Other Care Services	26,938,503	25,585,317	26,768,853	32,342,339	28,700,010	30,004,526	27,072,764
	Unclassified	9,229	1,855	6,837	10,477	211,611	53	(20)
///	<b>TOTALS</b>	<b>521,637,657</b>	<b>526,431,029</b>	<b>523,181,412</b>	<b>569,722,618</b>	<b>512,265,207</b>	<b>535,827,334</b>	<b>562,135,771</b>

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.

7	Medicaid Prescribed Drugs	109,529,189	119,401,991	77,862,448	72,148,648	73,996,679	79,099,520	82,648,402
7.2	Medicare Part D (Estimated)	0	0	28,266,867	28,106,119	28,946,904	28,506,512	40,013,131
///	<b>Estimated Medicaid &amp; Medicare Prescribed Drug Payments</b>	<b>109,529,189</b>	<b>119,401,991</b>	<b>106,129,315</b>	<b>100,254,767</b>	<b>102,943,583</b>	<b>107,606,032</b>	<b>122,661,533</b>

**PUBLIC COMMENTS FOR PROPOSED  
ADVERTISING REPORTING RULE**

*Pharmaceutical Cost Management Council  
June 5, 2007*

Marjorie E. Powell  
Senior Assistant General Counsel



May 24, 2007

RECEIVED

MAY 24 2007

Pharmaceutical Advocate Office

Ms. Shana Kay Phares  
Office of the Pharmaceutical Advocate  
Building 1, Room M-146  
State Capitol Complex  
Charleston, WV 25305

Re: Proposed Emergency Rule Implementing the Pharmaceutical Availability  
and Affordability Act of 2004, W. Va. Code § 5A-3C-1 et seq.

Dear Ms. Phares:

The Pharmaceutical Research and Manufacturers of America (PhRMA) appreciates the opportunity to provide comments on the regulation proposed on April 24, 2007, by the West Virginia Pharmaceutical Cost Management Council to implement the Pharmaceutical Availability and Affordability Act of 2004, codified at W. Va. Code § 5A-3C-1 et seq. PhRMA represents the country's leading pharmaceutical research and biotechnology companies, which are devoted to inventing medicines that allow patients to live longer, healthier, and more productive lives. PhRMA companies are leading the way in the search for new cures. PhRMA members invested an estimated \$43 billion in 2006 in discovering and developing new medicines. Industry-wide research and investment reached a record \$55.2 billion in 2006. PhRMA companies are the source of nearly all new drugs discovered and marketed throughout the world.

PhRMA shares the Council's objective of making prescription drugs more accessible to residents of the state of West Virginia and has worked closely with the Council since its inception. As you know, during the past years, PhRMA has been part of a multi-faceted, collaborative effort in West Virginia, working with state agencies, private sector interests, patient advocate groups, and others to help the state's residents improve affordability and access to prescription drugs.

The Pharmaceutical Availability and Affordability Act requires pharmaceutical manufacturers and labelers to disclose information regarding the costs of marketing and advertising prescription drugs in West Virginia. Effective marketing of medicines to health care professionals and to consumers ensures that patients have access to the products they need and that the products are used correctly for maximum patient benefit. In 2002, PhRMA adopted its *Code on Interactions with Healthcare Professionals* (the PhRMA Code). This document is based on the firm belief that a health care professional's care of patients should be based, and should be perceived as being based, solely on each patient's

*Pharmaceutical Research and Manufacturers of America*

medical needs and the health care professional's medical knowledge and experience. In 2005, PhRMA adopted its *Guiding Principles on Direct to Consumer Advertisements About Prescription Medicines* (the DTC Principles). These principles are based on the premise that direct-to-consumer (DTC) advertising should educate consumers and encourage informed conversation about health, disease, and treatment options between patients and their health care providers. Together the PhRMA Code and DTC Principles ensure that advertising and marketing further the public health by encouraging appropriate use of prescription drugs.

PhRMA appreciates the Council's efforts to revise the proposed regulation and believes that the current proposal is far more consistent with the Pharmaceutical Availability and Affordability Act than the former proposed rule, issued June 28, 2006. We do, however, have a few concerns regarding the proposed requirements. Those concerns, as well as potential revisions to the proposed regulation that would alleviate our concerns, are described in the following comments.

#### **I. Payments to Physicians**

The proposed rule requires companies to report the number of West Virginia prescribers to whom they provided gifts, grants, or payments totaling \$100 or more for the purpose of advertising. Limiting the scope of reportable payments to those made for the purpose of advertising is consistent with the statute, which requires companies to report "expenses associated with advertising and direct promotion of prescription drugs." The proposed rule therefore properly excludes payments to health care providers for bona fide consulting services and related expenses.

PhRMA recommends that individual payments or gifts to physicians valued at less than \$25 be excluded from the calculation of total payments to physicians in a given year. This exclusion is necessary because companies do not generally keep records regarding the distribution of items of de minimus value, such as pens, mugs, and other "reminder" items, intended to "remind" health care professionals of the name of a new medicine. Moreover, the purpose of the reporting requirement is to enable the state to "determine the scope of prescription drug advertising costs and their effect on the cost, utilization, and delivery of health care services." Inexpensive reminder items are unlikely to affect the cost, utilization, and delivery of health care services and are presumably not the type of item that the legislature intended to be reported. Other states, such as Maine, Vermont, and the District of Columbia, exempt items valued at less than \$25 from their reporting requirements. Similarly, West Virginia's Ethics Law exempts items of "nominal value" from its prohibition on gifts to state employees.

In addition, the current proposed rule also lowers the minimum aggregate amount required to be reported from \$1,000, the amount in the former proposed rule, to \$100. PhRMA suggests that \$1,000 aggregate (annual) minimum be reinstated. In either case, in calculating the aggregate amount per physician, individual items valued at less than \$25 should be excluded, for the reasons discussed above.

**Proposed Revision**

**Section 306-1-3.4 should be revised to read:**

1. List, in the corresponding table in Appendix A, the total number of West Virginia prescribers to whom you provided, directly or indirectly, gifts, grants, or payments of any kind in the stated amounts for the purpose of advertising prescription drugs. Do not include items exempted in W.Va. Code §5A-3C-13(c) or individual gifts or payments valued at less than \$25.

**Appendix A should be revised to read:**

List below the total number of West Virginia prescribers to whom you provided directly or indirectly, gifts, grants, or payments of any kind in the stated amounts for the purpose of advertising prescription drugs. Do not include items exempted in W. Va. Code § 5A-3C-13(c) or individual gifts or payments valued at less than \$25.

<b>Annual Aggregate Amount of fees, food entertainment, recreational activities, travel expenses, gifts, grants or other payments</b>	<b>Total Number of Prescribers</b>
\$1,000 - \$2,500	
\$2,501 - \$5,000	
\$5,001 - \$7,500	

\$7,501 - \$10,000	
\$10,001 or over	

## II. Expenses Associated with National or Regional DTC Advertising

The proposed rule requires companies to report all advertising and direct promotion to residents of West Virginia. For national or regional DTC expenses, companies should report West Virginia's share by multiplying the total amount spent on advertising by West Virginia's most recent population as reported by the U.S. Census Bureau divided by the total population targeted by the DTC advertising.

As the proposed rule contemplates, many DTC advertising campaigns sponsored by pharmaceutical companies are national or regional in nature — neither tailored to West Virginia nor intended specifically to persuade West Virginia residents. These campaigns, although they may reach West Virginia residents, should not be reported under the regulation implementing the Pharmaceutical Availability and Affordability Act.

Neither Vermont nor California requires companies to report national or regional advertising costs. Maine specifically exempts advertising and promotion purchased for a national or regional market, even when the campaign includes advertising within the state. The Council should adopt the same approach as Maine and exempt all national and regional advertising. DTC advertising campaigns targeted solely to West Virginia consumers or health care providers would of course be reportable under the rule.

### Proposed Revision

#### **Section 206-1-3.3 should be revised to read:**

The Company should report all advertising and direct promotion to residents of this state. Expenses associated with DTC advertising purchased for a national or regional market that includes advertising in West Virginia are not subject to these reporting requirements.

## III. Payments to Patient Support Groups or Advocacy Groups

The proposed regulation requires companies to report the names of any disease-specific patient support or advocacy group to which they made gifts, grants, or payments

totaling \$10,000 or more for the purpose of advertising prescription drugs and the total amount contributed to each named support group. Limiting the scope of reportable payments to those made for the purpose of advertising is consistent with the statute, which requires companies to report “expenses associated with advertising and direct promotion of prescription drugs.” The proposed rule therefore properly excludes expenses associated with patient education materials and disease management materials, as well as other educational and informational programs or materials.

Under the current proposed rule, however, a payment to a national advocacy organization would be reportable even if the payment were made to the organization’s headquarters or to a subsidiary or chapter located in another state. But companies have no way of tracking whether these payments are in turn used by the recipient for advertising activities in West Virginia. The statute, moreover, requires reporting of advertising expenses only “as they pertain to residents of this state.” As a result, the Council should limit the rule to patient support groups or advocacy groups actually located in West Virginia. It should also expressly exclude payments made to national or regional groups unless the payment is made to a location in West Virginia.

#### **Proposed Revision**

##### **Section 206-1-3.4 should be revised to read:**

3. List, in the corresponding table in Appendix A, the name of any disease-specific patient support or advocacy group located in West Virginia to which you made, directly or indirectly, gifts, grants, or payments of any kind totaling \$10,000 or more for the purpose of advertising prescription drugs and the total amount contributed to each named support group. Payments made to national or regional patient support groups or advocacy groups are not subject to these reporting requirements unless the payment is made to a subsidiary or chapter located in West Virginia.

#### **IV. Payments to Pharmacies**

The proposed regulation requires companies to report the name of any pharmacy licensed in West Virginia to which they made gifts, grants, or payments totaling \$10,000 or more for the purpose of advertising prescription drugs. Companies must also report the type of advertising used and the total amount contributed to each named pharmacy. Limiting the scope of reportable payments to those made for the purpose of advertising is

consistent with the statute, which requires companies to report “expenses associated with advertising and direct promotion of prescription drugs.”

Under the current proposed rule, however, a payment to a national chain pharmacy that is licensed in West Virginia would be reportable even if the payment went to the chain’s corporate headquarters or to a branch or outlet of the chain in another state. The Council should therefore limit the rule to pharmacies located in West Virginia. Moreover, it should expressly exclude payments made to national or regional chain pharmacies unless the payment is made to a branch or outlet of the chain located in West Virginia.

#### **Proposed Revision**

**Section 206-1-3.4 should be revised to read:**

4. List, in the corresponding table in Appendix A, the name of any pharmacy licensed and located in West Virginia to which you made, directly or indirectly, gifts, grants, or payments of any kind totaling \$10,000 or more, for the purpose of advertising prescription drugs, the type of advertising used, and the total amount contributed to each named pharmacy. Payments made to national or regional chain pharmacies are not subject to these reporting requirements unless the payment is made to a branch or outlet of the chain located in West Virginia.

#### **V. Protection of Confidential Information and Trade Secrets**

The current proposed rule does not explicitly state that the information submitted by companies in their annual reports will be a public record, as the former proposed rule did. The statute, however, expressly provides that “information submitted to the council pursuant to this section is confidential and is not a public record.” PhRMA suggests that the Council amend the proposed regulation to specifically include language that reflects the statutory provision. The regulation implementing Maine’s marketing disclosure statute includes this type of provision, as does the proposed regulation implementing the District of Columbia’s marketing disclosure statute. We also request that the Council establish privacy and security standards, as well as penalties, to protect against the unauthorized disclosure of confidential information.

In addition, the statute provides that data compiled in aggregate form by the Council are a public record as long as they do not reveal “trade information that is protected by state or federal law.” The Council should therefore amend the proposed rule

to provide explicit protection for information that a company identifies as a “trade secret,” as that term is used in the Federal Trade Secrets Act, 18 U.S.C. § 1905. This law generally protects anything that would be a trade secret or confidential commercial information under the Federal Freedom of Information Act. *See* Department of Justice, Freedom of Information Act Guide, Exemption 4 (May 2004).

**Proposed Revision**

**Section 206-1-2 should be revised to include a definition of “trade secret” that reads:**

2.9 “Trade secret” means any information deemed to be a trade secret under 18 U.S.C. § 1905.

**The proposed rule should be revised to add a new § 206-1-4 that reads:**

§ 206-1-4. Confidentiality and Public Information

4.1 Notwithstanding any provision of law to the contrary, information submitted to the Council pursuant to this rule shall be confidential and not a public record.

4.2 A manufacturer or labeler subject to reporting required by W. Va. Code § 5A-3C-13 may, as part of its annual report, identify any information that it claims as a trade secret and, if so identified, shall certify in writing the reasons for its claim that the information is a trade secret.

4.3 Data compiled in aggregate form by the Council are a public record as long as they do not reveal trade information that is protected by state or federal law.

**VI. Reporting for 2007**

The proposed regulation requires reporting to begin in March of 2008 for the reporting period from July 1, 2007, to December 31, 2007. The legislative rulemaking process will not, however, be completed by July 1, 2007, and realistically may not be completed until 2008. Because the requirements of the final rule may differ from those of the proposed rule, companies should not be required to begin collecting information until the Legislature has approved the final rule.

Once the final legislative rule is available, companies should be given an adequate period of time to establish internal procedures and reporting systems that will ensure that the information required by the Council is captured accurately. Establishing these procedures may require, for example, software purchases, training of personnel, dry runs, system reconfiguration, and the like.

PhRMA therefore requests that the Council specify in the final rule that the initial reporting period will begin in the first quarter beginning 90 days after the effective date of the final rule and continue until the end of the current calendar year. Subsequent reporting periods would cover the entire calendar year, as provided in the proposed rule. This delayed implementation would be consistent with the approach taken in Vermont. The Vermont marketing disclosure law was enacted in 2001 but provided that initial disclosures would not be due until 2004, covering the 12-month period ending June 30, 2003.

#### **Proposed Revision**

**Section 206-1-3.1 should be revised to read:**

After the effective date of these regulations, all pharmaceutical manufacturers and/or labelers whose prescription drugs are dispensed in West Virginia or to a West Virginia resident via mail must complete and file with the Council, on or before April 1, Appendix A listing the advertising expenses incurred by the manufacturer or labeler in the preceding calendar year. For purposes of the annual report due April 1, 2008[9] only, manufacturers and labelers shall report the required information only for the period from the quarter beginning 90 days after the effective date of this rule through December 31, 2007[8].

#### **VII. Electronic Reporting**

The former proposed rule included a provision that the Council could adopt procedures to permit electronic filing. This provision is not included in the current proposed rule. We assume that this omission was simply an oversight. Submission of the required information in paper format may be burdensome to both the reporting companies and the Council in view of the volume of information to be reported. As a result, we recommend that the Council follow the examples of Maine and Vermont and allow companies to report expenses in an electronic submission via spreadsheet or database, with the required paper certification to be filed in conjunction with their electronic submission.

**Proposed Revision**

**Section 206-1-3.5 should be revised to read:**

The manufacturer or labeler shall file signed originals of completed Appendix A forms with the Council, at the Office of the Pharmaceutical Advocate, Main Building 1, Room M-146, Capitol Complex, Charleston, West Virginia 25305.  
The Council will adopt procedures to permit electronic filing.

PhRMA appreciates the opportunity to provide these comments, and looks forward to continuing to work with the Council on a variety of efforts to improve access to needed prescription medicines for residents of West Virginia.

Sincerely,



Marjorie E. Powell



RECEIVED

MAY 25 2007

Pharmaceutical Advocate Office

May 24, 2007

Ms. Shana Phares, Acting Pharmaceutical Advocate  
Governor's Office  
Building 1, Room M-146  
1900 Kanawha Boulevard, East  
Charleston, WV 25305

Dear Ms. Phares:

This public comment is submitted on behalf of AARP, the West Virginia AFL-CIO, West Virginia Education Association, the West Virginia Council of Churches, the United Steel Workers District 8, Communications Workers of America, AFSCME Council 77, West Virginians for Affordable Health Care, Association of Retired School Employees, West Virginia Citizen Action Group, AFT- WV and the Consumer Protection Alliance. We make the following public comments on the West Virginia Pharmaceutical Cost Management Council's (hereafter Council) proposed legislative rule regarding pharmaceutical advertising expense reporting.

First, we support the reduction from \$1,000 to \$100 for the threshold for reporting the number of prescribers receiving gifts, grants and payments from drug manufacturers. This is an important addition to last year's aborted advertising expense reporting rule.

However, the rule does not require the total amount spent by manufacturers on gifts, grants and payments to prescribers to be reported. For example, the proposed emergency rule requires drug manufacturers to report the number of prescribers who receive more than \$10,001 during the six month period between July 1 and December 31, 2007. These amounts could be \$10,002 or \$5 million. It is impossible to determine under the proposed emergency rule. This is a serious defect and should be remedied by the Council by requiring drug manufacturers to report the total expenses spent on gifts, grants or payment to all prescribers during the reporting period. This critical information is needed to negotiate discount prices for prescription drugs.



Additionally, the disclosure of pharmaceutical drug detailing is critical in order to ascertain the true cost of prescription drugs and should be part of the Council's advertising expense reporting rule. A recent Kaiser Family Foundation report, *Prescription Drug Trends*<sup>111</sup>, found that manufacturers spend 70 percent more on advertising to physicians (i.e., detailing) than they did on advertising to consumers: \$7.2 billion versus \$4.2 billion.

If the Council's advertising expense regulation only requires reporting on direct to consumer advertising, the information received will paint an unrealistic picture of the manufacturer's advertising expenses and will deny the Council valuable information needed for future negotiations with the drug manufacturers' for discounts that preclude both detailing expenses and direct to consumer advertising.

We agree with the legal opinion by the West Virginia Attorney General that the Council has the authority under the statute to require the disclosure of pharmaceutical drug detailing within legislative rules. The Attorney General's opinion dispels the assertion that the words "shall include" found in §5A-3C-13(b) should be read to mean "shall only include."

Additionally, §5A-3C-13(d) makes clear that the Council is authorized to establish the "form and manner of reporting required as the **council determines necessary to effectuate the purpose of this article**" (emphasis added). One of the specified purposes of the article is: "That there is an increasing need for citizens of West Virginia to have **affordable** access to prescription drugs" (emphasis added). The question arises whether the Council can meet the purposes of the act without requiring reporting on detailing expenses? In our opinion the answer to this question is no. The Council can only accomplish the purposes of the act by requiring full and complete reporting, including detailing expenses.

Accordingly, we recommend that Title 206, Legislative Rule, West Virginia Pharmaceutical Cost Management Council, Series 1, Prescription Drug Advertising Expense Reporting include: information regarding pharmaceutical drug detailing in West Virginia; the total number of drug detailers working in the West Virginia market; the salary range and aggregate salary of all detailers; the minimum requirements for hire; and the aggregate expenditures associated with the pharmaceutical drug detailers.

<sup>111</sup> Kaiser Family Foundation, *Prescription Drug Trends* (June 2006), at <http://www.kff.org/rxdrugs/upload/3057-05.pdf> (last accessed May 7, 2007).

If you believe that the addition of detailing expenses would prevent the proposed emergency rule from being adopted, then we recommend that you adopt a separate rule that requires the detailing information outlined above. Under this arrangement, if the detailing rule is rejected by either the Legislature or the Courts it will have no impact on the emergency rule currently filed with the Secretary of State's Office.

It is imperative that West Virginia contain the cost of prescription drugs in order to protect all of our citizens' access to affordable life saving medications. The adoption of this rule and the inclusion of "pharmaceutical drug detailing" is vital to West Virginia being able to fulfill the intention of the ground breaking legislation passed in 2004. These organizations that represent at least 400,000 West Virginians urge you to act quickly on this important matter.

Sincerely yours,



Frank Bellinetti  
State Director  
AARP



Dennis Sparks  
Executive Director  
WV Council of Churches



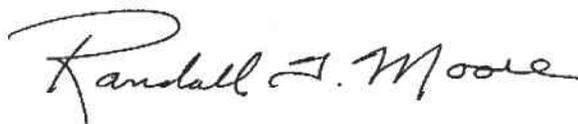
Charles Delauder  
President  
WV Education Association



Ed Hartman  
Executive Director  
AFSCME Council 77



Elaine Harris  
International Representative  
Communications Workers of America



Randall Moore  
Legislative Coordinator  
United Steel Workers,  
District 8



William Milam  
Executive Director  
Assoc. of Retired School Employees



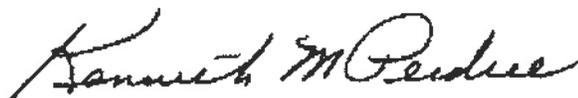
Gary Zuckett  
Executive Director  
West Virginia Citizens Action Group



Perry Bryant  
Executive Director  
WV for Affordable Health Care



Judy Hale  
President  
AFT- West Virginia



Kenneth Perdue  
President  
West Virginia AFL-CIO



Allan Karlin  
President  
Consumer Protection Alliance

cc: The Honorable Joe Manchin, III, Governor, The Honorable Betty Ireland,  
Secretary of State, Members of the West Virginia Pharmaceutical Cost  
Management Council

MAY 25 2007

Pharmaceutical Advocate Office

May 25, 2007

The Honorable Shana Kay Phares,  
Pharmaceutical Advocate & Chair,  
West Virginia Pharmaceutical Cost Management Council  
Building 1, Room M-146  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305

Subject: **Proposed Legislative Rule Title Number 206: West Virginia  
Pharmaceutical Cost Management Council Series 1  
Pharmaceutical Advertising Expense Reporting**

Dear Ms. Phares:

The Biotechnology Industry Organization (BIO) respectfully submits for consideration by you and the West Virginia Pharmaceutical Cost Management Council ("the Council") the following comments on the proposed legislative rule recently filed by the Department of Administration and the Council entitled "Pharmaceutical Advertising Expense Reporting." The proposed legislative rule imposes reporting requirements with respect to advertising expenses for all manufacturers and labelers of prescription drugs dispensed in West Virginia that employ, direct, or utilize marketing representatives.

BIO represents more than 1,100 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and 31 other nations. BIO members are involved in the research and development of healthcare, agricultural, industrial and environmental biotechnology products.

BIO is committed to efforts that meaningfully identify ways to improve the affordability and accessibility of prescription drugs, and will continue to work with your Office, the Council, and the West Virginia Legislature to develop workable reporting requirements for aggregate advertising expenses, as required by the Legislature in the Pharmaceutical Availability and Affordability Act of 2004 ("the Act").

BIO is grateful to the Council for the revisions it has, to date, seen fit to make. However, for the reasons described in detail in BIO's previous submissions to the West Virginia Secretary of State and your Office, and briefly revisited below, the proposed legislative rule (including the Appendix A reporting form) continues to exceed, in certain respects, the statutory authority granted by the Legislature under the Act, by requiring information beyond the "advertising costs for prescription drugs, based on aggregate national data" specified by Section 5A-3C-13 of the Act.

Accordingly, the proposed rule should be modified to bring the scope of the reporting requirements into better alignment with the statutory purpose and language by limiting all of the requested data submissions to aggregate expenses for the advertising and direct promotion of prescription drugs to West Virginia prescribers and residents.

#### Clarification of the Proposed Rule and Reporting Form

As described in detail below, there are several key provisions of the proposed legislative rule, and in particular, the Appendix A reporting form, that should be



modified or clarified to ensure consistency with applicable law, ease practical implementation, and reduce confusion among the regulated community and others about the scope of these requirements.

## Protection of Confidential Information and Trade Secrets

### *General Comment*

The previous version of the proposed rule (issued June 28, 2006) contained language at the end of each section of the Appendix A reporting form stating that the data submitted by companies will be a public record. Consistent with BIO's previous comments, this language has been removed from the current revised version of the proposed rule. But as currently written the proposed rule does not explicitly incorporate the statutory requirement regarding confidentiality and, thus, may cause confusion about public access to reported information. The Act expressly protects from public disclosure the information that is required to be reported to the Council, recognizing the proprietary nature of such information. Section 13(e) clearly states that, notwithstanding any other provision of law, "information submitted to the council pursuant to this section is confidential and is not a public record and is not available for release pursuant to the West Virginia freedom of information act." This section further provides that only the "[d]ata compiled in aggregate form by the council for the purposes of reporting" to the Legislature shall be a public record, and even then, only to the extent that it "does not reveal trade information that is protected by state or federal law" (Section 5A-3C-13(e)).

### *General Recommendation*

The proposed rules should be modified to include language that references the protections of confidential information mandated by Section 13(e) as follows:

#### Section 206-1-4. Confidential Information and Trade Secrets.

- 4.1 Notwithstanding any other provision of law, all information submitted to the Council pursuant to this rule is confidential and is not a public record and is not available for release pursuant to the West Virginia freedom of information act.
- 4.2 A manufacturer or labeler subject to reporting required by W. Va. Code §5A-3C-13 may, as part of its annual report, identify any information that it claims as a trade secret and, if so identified, shall certify in writing the reasons for its claim that the information is a trade secret.
- 4.3 Data compiled in aggregate form by the Council for the purposes of reporting to the Legislature are a public record provided it does not reveal trade information that is protected by state or federal law.

#### Section 206-1-2 Definitions

##### *Section 2.1 "Aggregate" or "Aggregate Data": Comment*

The proposed definition of "aggregate" or "aggregate data" appropriately protects the identity of "specific individuals or companies." However, identification of specific products obviously can reveal company-specific information, in violation of both the proposed rule and the Act.

### *Section 2.1 "Aggregate" or "Aggregate Data": Recommendation*

The proposed definition of "aggregate" or "aggregate data" should be modified to read as follows (new language underlined):

"Aggregate" or "aggregate data" includes information collected by the Council which does not disclose personally-identifiable information about specific West Virginia Prescribers or which does not otherwise identify specific individuals, products or companies.

### Section 206-1-3 Required Reporting

#### *Section 3.1: Comment*

Proposed Section 3.1 requires an initial reporting of data pertaining to activities that occur between July 1, 2007, and December 1, 2007, on or before March 1, 2008. Subsequent to the initial report, companies are required to submit reports to the Council on the first of April beginning in April of 2009. The proposed rule presupposes that the legislative rulemaking process will be completed by July 1, 2007, necessitating the collection of data as required under the rule. It is possible that the Council will have a revised proposed legislative rule completed to file with the Legislative Rulemaking Review Committee ("the Committee") by July 1, 2007; however, the Committee may have modifications necessitating additional time for the Council to re-file the rules in the state register. Additionally, the scope and content of the final rule may contain reporting requirements that are different than those contained in the proposed rule. Furthermore, the Committee may not introduce legislation authorizing the Council to promulgate the legislative rule until January of 2008 when the next legislative session begins.

#### *Section 3.1: Recommendation*

Revise proposed Section 3.1 to no longer require companies to submit Appendix A for the reporting period July 1, 2007, to December 31, 2007. Companies should not be required to begin collecting reportable data until a specified date that occurs after the effective date of the rules. This date should provide companies with a reasonable time frame to develop and institute internal programs to collect, analyze and disseminate the required reportable data, particularly data for which the reporting requirements may have changed from the proposed rule.

#### *Section 3.4.1: Comment*

Proposed Section 3.4.1 and the corresponding table in Appendix A require companies to report the total number of West Virginia prescribers to whom they provided directly or indirectly, gifts, grants or payments of any kind totaling \$100 or more for the purpose of advertising prescription drugs.

#### *Section 3.4.1: Recommendation*

BIO believes that, given the *de minimus* nature of many gifts and the intent of the Legislature to "determine the scope of prescription drug advertising costs," a reasonable application of the rules would exclude the aggregation of individual items valued at less than \$25. A proper application of the rule would only require the reporting of individual events or transactions valued at more than \$25 each, totaling \$100 or more during the reporting period. Other states such as Vermont, Maine and the District of Columbia have specifically excluded a requirement to report gifts, grants and payments to prescribers that are valued at less than \$25. Additionally, it would be an undue burden on companies to be required to track nominal expenses below \$25.

### *Section 3.4.2: Comment*

Proposed Section 3.4.2 and the corresponding table in Appendix A require companies to complete a table listing "the name of any prescription drugs advertised using direct-to-consumer (DTC) advertising reaching or targeting West Virginia." The reporting table has three columns, only one of which – the "Total Expenditure on Advertising" – is authorized under Section 13. Columns one and two require the reporting of the name of the drug and the type of DTC advertising reaching West Virginia. Nothing in Section 13 authorizes the Council to require the reporting of expenses broken down by drug or type of advertising. The statute clearly requires that all data reported to the Council be aggregate expense data only.

### *Section 3.4.2: Recommendation*

Revise Section 3.4.2 to no longer require the completion of a table and instead require that manufacturers and labelers provide the Council an aggregate total of their advertising expenditures for DTC prescription drug advertisements targeting West Virginia.

### *Section 3.4.3: Comment*

Proposed Section 3.4.3 and the corresponding table in Appendix A require reporting of "the name of any disease-specific patient support or advocacy group, to which you made, directly or indirectly, gifts grants or payments of any kind totaling \$10,000 or more for the purpose of advertising prescription drugs and the total amount contributed to each named support group." Virtually all, if not all, gifts, grants, or payments to such groups are wholly unrelated to product advertising as that term is defined in the statute (*See* Section 5A-3C-3(1)) and commonly understood; furthermore, these groups make independent decisions about their education, outreach and advocacy activities. The Council appears to equate the concept of legitimate advocacy by disease-specific groups with product advertising paid for by manufacturers. Nothing in Section 13 gives the Council the authority to require the listing of the names of advocacy groups or the contributions made by manufacturers or labelers to them (particularly in non-aggregated form), unless such payments are for product advertising that meets the statutory test set forth in the Act.

Moreover, as a practical matter, manufacturers and labelers most likely would not even know whether to list a particular organization since a company may not know whether a national or regional organization has a West Virginia affiliate, whether the company's funds or support has been provided to such an affiliate indirectly either through the national or regional organization or another entity, or whether the organization or its affiliate lobbies or otherwise appears before the West Virginia Legislature or State agencies.

### *Section 3.4.3: Recommendation*

In light of the reasons set forth above, Section 3.4.3 and the corresponding table in Appendix A should be deleted in their entirety. If the section and table are maintained in some form, they should be limited to aggregate expenses incurred by manufacturers for the advertising or direct promotion of prescription drugs to or by such organizations in West Virginia.

#### *Section 3.4.4: Comment*

While proposed Section 3.4.4 and the corresponding table in Appendix A require the reporting of expenses related to advertising, other aspects of this provision require clarification and modification. Section 3.4.4 requires manufacturers to report the names of pharmacies with whom they have advertising programs, a description of the type of advertising, and the total amount contributed to each named pharmacy. Section 13 does not grant the Council the authority to require any of this information, particularly on a non-aggregated basis, but rather only permits the collection of "advertising costs for prescription drugs, based on aggregate national data" (Section 5A-3C-13(a)) and "aggregate expenses associated with advertising" (Section 5A-3C-13(b)). In addition, to the extent that this provision would require reporting of the terms of business relationships with national pharmacy chains – as opposed to individual West Virginia pharmacies – it would exceed the authority granted by the Act under Sections 5A-3C-13(a) and 5A-3C-13(b), and assumes that manufacturers would have detailed information as to the terms of agreements between national pharmacy chains and their state franchises.

#### *Section 3.4.4: Recommendation*

Section 3.4.4 and the corresponding table in Appendix A ought to be clarified and modified to bring the requirements in line with Section 13. Section 3.4.4 should be revised to require that manufacturers report only their aggregate expenses associated with advertising prescription drugs to and by pharmacies licensed and operating in West Virginia. In order to reduce confusion and misleading reporting, this Section should also clarify that costs captured by this section should be excluded from costs reported elsewhere in the reporting form (such as under proposed Section 3.4.2), and should include only West Virginia-specific expenditures (as opposed to general advertising programs with national pharmacy chains).

#### *Section 3.4.5: Comment*

Section 3.4.5 – which voluntarily requests information relating to costs that the Legislature expressly determined "shall be exempt from disclosure requirements" under the Act (Section 5A-3C-13(c)) – is contrary to both the purpose and plain language of the statute. The collection of such information, even if voluntarily provided, is unauthorized. For example, nothing in Section 13 authorizes the reporting of any clinical trials, regardless of whether they meet the rule's definition of "Bona Fide Clinical Trial," because such activities cannot be considered product advertising in any reasonable sense of the term. Moreover, encouraging manufacturers to submit such expenditures could actually make it more difficult for the State to obtain an accurate view of prescription drug advertising expenses – which is the purpose of the statutory provision – by creating confusion as to what is properly considered advertising (particularly, when expenditures are aggregated and publicly reported by the Council).

#### *Section 3.4.5: Recommendation*

For the reasons set forth above, Section 3.4.5 should be struck in its entirety.

#### *Certification Recommendation*

Given the vagueness and sweeping nature of some of the required information, the signature certification provision at the end of the proposed Appendix A reporting form should be modified to clarify that the submission is "true, correct and complete" based on the "reasonable knowledge and belief" of the signatory, in order to avoid strict liability for inadvertent mistakes or omissions. The required notarization should be stricken in its entirety.

Thank you for your consideration of these comments. We would welcome the opportunity to further discuss these issues with you or your staff. Please contact me at (202) 962-9200, or at [tdilenge@bio.org](mailto:tdilenge@bio.org), if you have any questions regarding these comments.

Sincerely,



Tom DiLenge  
Vice President and General Counsel

(Speaker Thompson presides)

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**June 5, 2007**

3:00 - 4:00 p.m.

Senate Finance Room

1. Approval of May 8, 2007, minutes

2. Committee Reports/Requests:

**Legislative Intern Committee** (Senator Prezioso and Delegate Varner, Chairs) *Approval of annual budget—Sara Jones*

MOVE the proposed FY 2008 budget for the Legislative Intern Committee be approved.

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 and Leases & Contracts Report - *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. Lottery Commission: *John Musgrave, Director*

8. Other Business

9. Scheduled Interim Dates:

July 8 - 10

August 19 - 21

September 9 - 11

October 7 - 9

November 16 - 18 (Friday, Saturday and Sunday)

December 9 - 11

January 6 - 8, 2008

10. Adjournment

**Subject:** 08 Intern Budget/ Joint Committee  
**From:** "Sara Jones" <sara@mail.wvnet.edu>  
**Date:** Wed, 23 May 2007 15:01:01 -0400  
**To:** "Anne Landgrebe" <alandgre@mail.wvnet.edu>

Committee Requests:

Legislative Intern Committee (Senator Prezioso  
and Delegate Varner (Co-chairs), - Sara Jones, staff

a. Request for approval of '08 Intern  
Budget

MOVE the request be approved.

**Sara Jones, Research Analyst**  
West Virginia House of Delegates  
Building One, Room 200-A, East Wing  
Charleston, WV 25305

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Phone: (304) 340-3386  
Fax: (304) 340-3377

Legislative Intern Committee

Budget

FY 2008

Recommended

Administrative	FY 2007	FY 2008	Line Explanation
<i>Director's Salaries and staff recruiting travel</i>			
Dr. Mary Beth Beller, Graduate Intern Program Director	\$6,500	\$6,500	
Dr. Stephen Cupps, Herndon Fellows Program Director	\$6,500	\$6,500	
Frasure-Singleton Program Director (Jason Wazelle)*	\$7,100	\$7,100	Includes Workers Comp and SS matching
Travel expenses for directors and staff	\$12,000	\$12,000	
<i>Total</i>	\$32,100	\$32,100	
<i>Intern Stipend</i>			
Rollins Scholars	\$11,200	\$11,200	2 positions at \$5,600 each
Robert Burk Graduate Interns	\$22,400	\$22,400	4 positions at \$5,600 each
Herndon Fellows	\$52,000	\$52,000	10 positions at \$5,200 each
Legislative information Interns	\$20,800	\$20,800	4 positions at \$5,200 each
Frasure-Singleton Interns	\$0	\$0	51 positions (no stipend)
<i>Total</i>	\$106,400	\$106,400	
<b>Operational</b>			
Intern travel and training*	\$23,049	\$23,049	Frasure food, lodging, bus fare & training
Publications*	\$5,000	\$5,000	Brochures, applications and advertising
Miscellaneous expenses*	\$1,600	\$1,600	Postage, name tags & other miscellaneous program expenditures
<i>Total</i>	\$29,649	\$29,649	
<b>Budget Total</b>	<b>\$168,149</b>	<b>\$168,149</b>	

Tape: June 5, 2007

Speaker Thompson presided.

Speaker Thompson: Call the meeting to order. Clerk will take a silent roll. First item on the agenda is approval of the May 8, 2007 minutes. Senate President moves we approve the minutes. Is there any discussion? If not, questions? All in favor say I.

Committee: I

Speaker: Oppose? The I's have it. We have approved the May 8, 2007 minutes. Second item on the agenda is Committee Reports and Requests. We have a report from the Legislative Intern Committee. Mrs. Jones.

Sara Jones: Thank you. Before you for your approval is the 2008 Internship Budget as recommended by the Legislative Internship Committee. It remains unchanged from last year's budget. It includes the Director's salaries, staff recruitment, expenses, the internship stipends and operational items. I'd be happy to answer any questions.

Speaker: Any questions? If not questions on the approval of the budget. Senate President moves that we approve the proposed budget for the Legislative Intern Committee. Discussion? All in favor say I.

Committee: I

Speaker: Oppose? The I's have it, it is approved. Third item on the agenda is the Monthly/Quarterly reports distribution. Status reports, Lottery Commission, Unemployment Compensation Trust Fund and General Revenue Fund. Who is going to talk about that? I think that information is in your packet. Any questions about that? Senator.

Senator Deem: Has the Unemployment Trust Fund weren't we having some trouble with that at one time?

Speaker: Do we have somebody here from the that can answer that question? Did you hear the question? Senator Deem asked if the Unemployment Compensation Fund was solvent. Is there someone here that can address that question? Senator I don't see anyone here that can answer that question. Is there anybody on the Committee that can answer that question?

Senator Deem: Wasn't it in trouble at one time?

President: We may have made some changes, tweaked the law a little bit but I think it is time to probably have a report on it. We will try to get you an answer next month.

Speaker: Next on the agenda is the monthly/quarterly report distribution, Secretary Ferguson.

Secretary Ferguson: Mr. Speaker, Mr. President, Members of the Committee you have in front of you the reports. I will quickly go through them. First up is PEIA. You have the year to date financials in front of you the plan continues to do well. Our medical expenses trend is good compared to past cycles we are about 2 % above last year at this time. Pharmacy at 11.4% higher than last year at this time. Pharmacy continues to grow. Questions on PEIA?

Speaker: Any questions? Senator Chafin.

Senator Chafin: So if the medical expenses are good and the pharmacy is up 11% why are the medical expenses good. Is there any trend you know?

Secretary Ferguson: I guess my tongue and cheek response would be it prevents them from going to the doctor on their medications but I've got Ted Cheatham here that I think can better answer the question.

Senator Chafin: I mean we did something right on one and something wrong on the other?

Secretary Ferguson: I'll let Ted answer that.

Ted Cheatham: Yes sir, as Secretary Ferguson said I think primarily we are doing a good job on preventive care. Surgery's, medical surgery's are down overall. A lot of people are taking their medications to keep them out of the facilities.

Senator Chafin: Is that why the 11% increase in pharmaceuticals?

Ted Cheatham: Absolutely and the cost of pharmaceuticals are just going up. A lot of things are slowly moving to generic but our generic costs are going up because as they move to generic they are moving to higher costs of generic's.

Senator Chafin: Well PEIA prescribes generic anyway don't they? We have a 62% generic fill rate today. Is there a reason why it is not higher or?

Ted Cheatham: Well that is very good. Industry averages about 55% and we are doing everything we can to increase that over time.

Senator Chafin: Some places require or request brand names, is that what you are telling me?

Ted Cheatham: That is true, some drugs can only be covered by (?) brand drugs and we do have, we just implemented in January this year 5 separate therapy protocols to require generic before any other course of drug treatment.

Senator Chafin: Well finally I hope that you will, if you think we should study or do some recommendations for legislation, it is June and soon will be July of the last ½ of this year. It is very difficult to come in January and try to implement anything but if there are things we should be studying or legislation we should pass I would hope you would take the lead and give some

recommendations on the pharmaceutical side.

Ted Cheatham: I absolutely will do that.

Senator Chafin: We have had a lot of news about the pharmaceutical boards and all the things we have been through but hopefully you will step up to the plate and say this is what will bring this down.

Ted Cheatham: Yes sir we have quite a few ideas. We will be happy to bring those to you.

Senator Chafin: Thank you.

Secretary Ferguson: Next up is the Children's Health Insurance Program. We are stable with less than 1% change. We have had some increases in hospital services are up significantly for this time period but again small numbers equal big percentages and we are still doing some research to figure out exactly where those are pinpointed. Questions on Children's Health?

Speaker Thompson: Senator Caruth.

Senator Caruth: Thank you Mr. Speaker. In terms of the CHIP program there is a federal dollar component to the CHIP program. Is that correct?

Secretary Ferguson: Yes sir.

Senator Caruth: Is there some concern, as I understand is it what \$28 million a year or am I using some kind of, what is the federal amount that is dedicated to CHIP on an annual basis.

Sharon Carte: Sharon Carte, Director for CHIP. Sir, the federal matching amount for the total funds that CHIP uses is 4 to 1 or slightly over 80%.

Senator Caruth: Will it always continue to be a percentage like that or is there some different formula to be established in the future?

Sharon Carte: Well, if the Committee recalls, this is the year for Congress to re-authorize the CHIP statute and currently CHIP does enjoy an enhanced matched rate compared to a regular medicaid program, about 10% above that. I don't believe, I can't predict what the Congress will do but I think that it should remain the same because it allows for CHIP to operate as a separate free standing program as opposed to medicaid expansion.

Senator Caruth: My question thus far is kind of clumsy for lack of knowledge on my own part but I guess the real question I want to ask is are we looking forward thinking in terms of CHIP whether we are going to have some trouble as the state of WV financing CHIP as we have in the past.

Sharon Carte: Sir, there is very good bi-partisan support for the CHIP program in the Congress

and as a matter of fact Secretary Walker and I and some others had a conference call with Senator Rockefeller's office today and they have a good strong bill that we think will allow WV to be in a very good position once re-authorization occurs. Of course, it is never a blank check, I mean the Congress has a lot of things to look at and balance but it's looking very good.

Senator Caruth: Ok thank you.

Speaker: Mr. President.

President: I was just looking at your revenues in comparison between April 30 of 06 and 07. How can the state match when it is down by \$900,000 this year?

Sharon Carte: Well the federal matching rate is adjusted annually just as medicaid is and we had a slight decrease from the previous year.

President: Oh, I thought you just answered his question. You just asked the question does that match stay the same?

Sharon Carte: Maybe I misinterpret I thought he meant going forward into the future could we expect to have the same general amount or formulated expression and I think the answer to that is yes but the answer to your question is on an annual basis. It is always subject to per capita income adjustments as it goes up and down.

President: So it will vary from year to year?

Sharon Carte: Right, just as medicaid's does.

President: So does that mean that things got worse in WV, the reason we have this?

Sharon Carte: That probably is a reflection of the fact that the economy got a little bit stronger thus the federal matching portion came down a bit.

President: Thank you.

Speaker: I have a question before you step down. When I was looking over the reports it showed participation in some of the county's, one of those being my home county of Wayne, as being less. Could you tell me what the explanation for that is? Is it lack of advertisement, lack of participation or....

Sharon Carte: Mr. Speaker I have to say candidly that these are dated figures, the last time we did a county level assessment it has been several years and actually I had at one point purposed to drop them but some of the delegates had requested that I maintain those. They would be affective, for example in the Northern Panhandle that the loss of some of the employer group coverage there we saw an increase in children in CHIP coming in. I would be glad to look at Wayne county for you historically over the past year and see if there is reasons I can discern for

the difference.

Speaker: I would appreciate that, thank you very much. Next report.

Secretary Ferguson: Board of Risk and Insurance. Investment income with \$6.8 million for 06, 10 months of this year we have tripled that we are at \$18.3 million. We have no unfunded liability. We continue to tighten up on Senate Bill 3 by charging proper premiums and aggressive loss control. Questions on BRIM?

Speaker: Questions on BRIM? If not, next report.

Secretary Ferguson: Leasing report, quick summary here. We had 20 changes for the period for the month of May. 7 Contracts, 10 renewals, 2 renewals with a rent increase and 1 renewal adding square footage and increasing rent. That is in detail in your books.

Speaker: Questions? If not, thank you Mr. Secretary. Next we have Secretary Walker, Medicaid Report.

Secretary Walker: Thank you Mr. Speaker, Mr. President. I have a privilege today introducing our new Medicaid Commissioner, Marsha Morris. I am certain you all don't know her.

Speaker: We've met.

Secretary Walker: We are happy to have her and thank you for letting her go. You have your Medicaid report in front of you. We are doing pretty well still. We still expect to come in a little under budget. There are a few ups and a few downs but the cost controls we have been implementing seem to be working. Our Medicaid redesign is in 3 counties we are about to expand to some other Primary Care Centers. We have started noticing some people enrolling, more people enrolling in our enhanced benefit plan which is a good thing. So they are making appointments with their medical home and going through what they need to do in signing up for the enhanced plan which is a good thing. That is all I have to report, I'd be happy to answer any questions you have.

Speaker: Questions by members of the Committee? If not, thank you Secretary Walker. Next we have Secretary Ferguson again I believe on the Pharmaceutical Cost Management Council report.

Shana Phares: I was able to get my pinch (?) leave so. I am Shana Phares, I am Secretary Ferguson's designee as Chair of the Pharmaceutical Cost Management Council. Enclosed in your packets today are copies of the three comments we received during the public comment period on that the rule that won't go away, the advertising reporting rule. So those are enclosed for your information. The Council will meet next week to consider those three comments and determine whether or not to make alterations to the regular legislative rule. As requested by the President last month, I do have a number for the budget for the central fill pharmacy. Their first year budget is projected to be \$1,016,250 and the projected revenue for that year is projected to be \$1,070,000. Their budget includes an appropriation request of \$250,000 from the legislature.

But the Governor's office encourages them to continue to explore different revenue streams, because the Governor said he wants that entity to be as self sustaining as possible. They are projecting to be self sustaining after 3 years, however, I do believe there are opportunities for additional revenue that can be explored. For example, there are individual practitioners that are going to benefit greatly from a central fill pharmacy that could pay a nominal annual fee that would be an additional revenue source for that entity. But that Board continues to meet and they expect that they will be able to fill prescriptions by the end of the year.

President: Can I ask a question? Where did the money come from, the million dollars?

Shana: They are projecting, the attorney general has some money set aside from the last time I had talked to them from the Hightron(?) drug settlement. Part of the money comes from there, part of it comes from grants and part of it will come from the actual people receiving the prescriptions who will pay an annual subscription or membership fee to the central fill pharmacy.

President: Do they have a million dollar budget now that you mentioned or they are using that spending a million also?

Shana: They are not spending any money yet but that is what they projected, they project to have.

President: The money is just sitting there now.

Shana: That is correct. The Council continues to work with the health information network to look at different electronic prescribing products so that the state will be ready to go when the Board of Pharmacy promulgates the rules that officially allow for electronic prescribing. I have been working with the Independent Steel Workers Union over in Ravenswood to look at their pharmaceutical costs and how they can use local practitioners and local providers to lower those costs. If you have any questions I am more than happy to answer those questions.

Speaker: Are there questions? Delegate Webster.

Delegate Webster: Shana on the letter that was submitted by, I think a group of consumer organizations dated May 24, one of the issues that was raised by this group was that in the proposed rule it says that, although I guess there was a reduction from 1000 to 100 as the threshold for reporting the number of prescribers receiving gifts. It says that the rule, the proposed emergency rule, does not require anything other than a reporting of amounts that are more than 10,000 and then I think they went on to say that those amounts could go up from 10,000 up to infinity. I guess the question is, is there a reason why there is not sort of a category of amounts that they could provide as opposed to just simply stating that they spent more than \$10,000.

Shana: There are categories in the rule and I will send you a copy of that rule again. They start at \$100, and the first category is \$100 to \$2500 and then \$2500 to \$5000 and \$5000 to \$7500 and \$7500 to \$10,000 and \$10,000 and over.

Delegate Webster: I am sorry I guess that is what I meant is at \$10,000 say you have somebody that, a company or rather a prescriber that has received more than \$10,000 that would be disclosed but wonder if they received more than \$500,000 or \$100,000 does it stop at \$10,000.

Shana: It does stop at \$10,000 and again remember there are only one other state that really collects it in detail so this is very, very new and the Council thought that the top threshold was maybe a good place to stop, we didn't want to make it too burdensome. If there is some specific discussion about whether or not we should do that in additional increments up to \$50,000 or \$500,000 we could do that.

Delegate Webster: Because you would assume in terms of burden as the amounts grew the prescribers would reduce.

Shana: The numbers, yes I would agree with that.

Delegate Webster: Just so I am clear, they talk about the disclosure of pharmaceutical drug detailing and I guess they are saying they want that. What is pharmaceutical drug detailing, what is that?

Shana: It is generally regarded as when representatives visit the office and talk to doctors and give them varying different kinds of gifts, usually of a diminuous value generally but sometimes they also bring lunch.

Delegate Webster: So that relates to the disclosure of the amounts in increments up to \$10,000 plus, right?

Shana: Now that would be direct payments to the doctors. If they pay them for educating other physicians, if they pay them for educating any kind of prescribers, nurse practitioners. If they took them out to dinner and if they receive the lunch in their office. Any direct payments, gifts, recreational gifts, entertainment of any kind.

Delegate Webster: Ok, and I think my final question is in the 4<sup>th</sup> paragraph they are talking about provision that says that you all may establish forms as the Council determines necessary to effectuate the purpose of this article. That I assume just gives you all discretion to do that in a way that would allow you all to carry out the purposes of the rule?

Shana: Yes

Delegate Webster: Ok, thank you.

Speaker: Any further questions? If not thank you. Next item of business is from the Lottery Commission, Director Musgrave, we have invited here today to speak about the Problem Gamblers Help Network. Director Musgrave, thank you for coming today, appreciate it. You were invited here by members of the Committee, do you want to make a statement first or do you just want to answer questions?

Musgrave: Thank you Mr. Speaker. If I could I would like to kind of go over some background.

Speaker: That sounds great.

Musgrave: Thank you Mr. Speaker, Mr. President and members of the Committee. When I was appointed to the position of Lottery Director in 1997 I realized that the problem gaming program that existed at the Lottery at that time and matter of fact had existed since 1986 was completely inadequate at that time you called our regular Lottery line if you had a problem and the Lottery would try to put you in touch with someone. At that time, the video Lottery in 1997 when I arrived the video lottery was starting to grow and I adopted (?) to appear before the House Judiciary committee and in that meeting I pointed out that I thought the Lottery ought to do something about that particular program and I intended to take some of the Lottery expense money and create a much better program for problem gambling and indicated that I thought it should be several hundred thousand dollars. At that time, after those remarks Delegate Hutchins approached me and said that he thought it was a wonderful idea and he would like to see it incorporated in a bill. We did so and I recommended at that time that up to \$500,000 of Lottery expense money be used for a compulsive gaming treatment program. So later when we were doing the limited video lottery in working with the legislature I suggested also that we put another million dollars into that fund. I also recommended at that time that we look to the Department of Health and Human Services to bear the responsibility for developing the criteria to determine the eligibility for compulsive gamblers to receive funds for treatment and also that the Department of Health and Human Services in conjunction with the Lottery be responsible for developing fund distribution formula and that the Lottery's responsibility was to provide funding and report annually to the legislature. In 1999, the Department and the Lottery, the Department of Health and Human Services and the Lottery worked together to craft a response for proposal an RFP. So the first thing we did is when we got together is we put out an RFP and we put it out so we could secure a third party administrator to run the system and the successful bidder was First Choice and they have remained in charge of the program since that time. As a result the WV Problem Gambling Program has been one of the best of it's type in the nation. At startup consultants Dr. Norman Grudleback a nationally renowned clinical expert in problem gambling and Mr. Warren Billers, founder of the Michigan counsel and Problem Gaming shaped this innovative program. Dr. Grudleback and Mr. Billers remain with the WV program and they have been providing additional services in clinical review and clinical treatment. Dr. Grudleback also provides ongoing training and periodic reviews I understand. Now in March of 2002, it was recommended to the Lottery, and we agreed, that maybe due to the short time of putting out another RFP that we try doing this through a grant and so upon the recommendation of the department and like I said we agreed to it, we entered into a contract for a grant to distribute funds on a quarterly basis. Now the difference with a grant, you put the funds out there and then they spend them. Since funds are dispersed quarterly in grant form, it is hard to get detailed reports because the money is out there and spent. We were told that detailed expenditures were really not necessary when your dealing with grants. So we knew that, and we felt that since this money was coming out of Lottery expense dollars we felt that we needed to have accountability and we have had several meetings and we have had an excellent relationship with First Choice and the people that run this and also the department so this has been a effort of all three. But we decided we should put out another RFP. I want to point out that when we started the program we

put it out under an RFP. We then went to a grant and this year we put out another RFP and of course that is through state purchasing. State purchasing announce for interested party's to come to a pre-bid conference. There were three different party's that attended the pre-bid. But when bids were submitted there was only one that submitted a proposal and that was the First Choice Health System. As I said they have done an excellent job. I can't comment to much else on that. We have an RFP that is outstanding at this point, it is in state purchasing. They make the award, I don't make the award or the Lottery makes the award, purchasing makes the award. But, we are not supposed to really get into the RFP until it has been awarded. Although First Choice was the sole bidder, purchasing still requires that it goes through all the mandatory requirements and as I have said that is what is happening right now. Now I don't know why or for what reason but all the sudden the media started putting out that we were changing and taking over the program. I can assure you that the program has not changed. We are going from a grant to an RFP for accountability. I would think that it would be what you would desire. I can tell you that there is not any program changes. One thing we have done is that the Department of Health and Human Services have agreed that the billing would be direct to the Lottery. Before the bills were coming through Department of Health and Human Services, they were giving them to us, we paid them. The Department of Health and Human Services were entitled to take 10% for their administer. We are going to enter into a memorandum of understanding. Secretary Walker and I have had several meetings and she has been excellent to work with on this program. We are going, once the RFP if it is issued, we'll enter into a memorandum of understanding with Health and Human Services and whatever the cost that we need for their support we will provide. As I have said this has been one of the outstanding programs in the country. I happen to be chairman of the multi-state lottery group nationally. There are 32 lotteries that belong to that group and many, many times they check with us on how a program should be run. Now our charge from Governor Manchin is to run the very best program that we can and to support it fully. That is what Secretary Walker, that is what I tried to do and that is what the people of First Choice have tried to do. So Mr. Speaker I am available for any questions you might have.

Speaker: Senator Deem.

Senator Deem: What is the organization that you're the chairman of?

Musgrave: It is the multi-state lottery group.

Senator Deem: Do you ever or have you ever met in Puerto Rico?

Musgrave: No but Puerto Rico would like to join our group.

Senator Deem: You know there is some concern about the number of limited video lottery outlets. We have in Wood county 117 of those outlets I believe and I believe these license come up for renewal in 2011.

Musgrave: That is right.

Senator Deem: If there was a feeling in the Legislature that we wanted to reduce that number

from I think it is 9000 authorized initially and I think there are some still not issued but would you see a problem with an effort to reduce the number of video lottery outlets. I understand that there is certain spending agency depending on that revenue, the promise scholarship and others for income from those video lottery locations. However, there must be a lot of them out there that don't make that much money. Seems to me that we maybe could consider eliminating some of those and I'd just like your comment on that.

Musgrave: Well the way that the tax structure was set up on those limited machines is that it is on a sliding scale and matter of fact it goes up to 50% rate and it is at the 50% rate. It is based on the number of machines that are in operation and so forth. So, if you left the rate the same, the tax rate on the sliding scale and you cut the number of machines you probably would generate the same revenue. Now if the rate is adjusted and the rate goes down and so forth that would be a different story but you could, I think by taking the number of machines you could generate probably the same revenue. Now there is going to be a point that, that will happen.

Senator Deem: I also understand that the municipalities and the counties can by zoning, restrict the number of locations where these machines are legal.

Musgrave: We have taken that position at the lottery, I used to be President of the municipal league when I was a mayor back years ago.

Senator Deem: Did you go to Puerto Rico then?

Musgrave: And I didn't go to Puerto Rico then. But I am sensitive to zoning. We have taken the position that if an area zones out these machines we will honor that. I think that there may be a question on zoning (?) State law but we look at it that if it is zoned properly, in some cases we have had them come in and zone after the fact which presents problems but we will honor zoning.

Senator Deem: Well that is true but I understand that we couldn't go back now and eliminate some of the existing locations by zoning but it seems to me that there are some communities and counties that wanted to limit the number of locations that they could by zoning set a minimum number or maybe eliminate them all together if they wanted to.

Musgrave: Yes, if they do that we look at it. A matter of fact, we require them before they get a permit to check at the city building and see if there is any zoning and that sort of thing before hand, before licensing.

Senator Deem: Thank you.

Inaudible  
look it up on a billboard or something of that nature.

Musgrave: Yes, I would like to comment on that. When we did race track video and I am looking over to Libby White we didn't have to, it is not part of the statute for the race track but

they do put signs they put brochures out and we do promote the 1800GAMBLER at the track so that they can see (?). When we did the limited video lottery we not only put the stickers but Delegate Frederick insisted that we put a dangler that comes down to say to that these machines could be hazardous to your health and we put those in. They are taken down regularly by patrons but when our investigators go in it is a requirement that they have those up. We furnish those and we look for them and we also have stickers on the machines. We did handle that in the limited side, we did not handle it in the race track statute.

(?): In interviews whatever with clients to you get any sense or any type of statistics as to whether those are making a difference in the limited side of people being more likely to seek the help because the information is right in front of them as opposed to the more tourism destination, the people.....is there a difference in the people who play at the race track or play at the limited video lottery machines, does that make a difference in who is seeking treatment.

Musgrave: You would have to ask First Choice because we don't interfere with the treatment or those calls or whatever, that is....we are involved in paying the bills and kind of looking at the billing and that sort of thing. We don't really get involved in the program but we do issue a report to you on the number of calls that they take and I make a report to the legislature and show that how many they have made but First Choice could speak maybe to that but they are limited to what they can tell you.

(?): Do they do any follow up, First Choice, do they do any follow up interviews with their clients after they have received treatment any questionnaires anything of that nature that you know of that reporting?

Musgrave: I wouldn't know, you'd have to ask First Choice, they are here but you'd have to ask them.

(?): Mr. Chairman at the appropriate time I'd like to, if someone could answer that question from First Choice.

Speaker: Ok, the only problem we have is we've only got about 7 minutes left in this meeting and several members have some other places they have to go so assuming we have time we can do that. Delegate Armstead.

Delegate Armstead: Thank you Mr. Speaker and as well I think if we could ask Mia Moran-Cooper be permitted to speak and so if we could and I will try to be brief in my questions and hopefully we can hear from her. Mr. Musgrave are you aware, I am sure, of the concern that has been expressed that you have two different agencies, one being DHHR and one being the Lottery and the roles of those two agencies perhaps are not the same in terms of their goals that this type of a program where you have gamblers seeking treatment may not be compatible with the goals and purposes of the Lottery Commission as much as it is with the goals of the DHHR to treat people who may have a gambling problem. Would you agree with that? Do you think that is part of the role of the Lottery to oversee treatment of people in this nature?

Musgrave: No and we didn't propose that. That is why we said we would check with DHHR and consult with them but we would look through a third party to provide that then that is exactly what we have done. First Choice is the folks that work with this. Not DHHR and not the Lottery. We put out an RFP for bid, everybody had a chance to bid on it and we tried to do that so we could get the best price and we hope to contract with a third party that will supply this and do it. So it won't be DHHR and it won't be the Lottery. DHHR will consult.

Delegate Armstead: If I could ask a question about it, I have a copy of this letter that was sent from you to Secretary Walker about this compulsive gambling treatment fund it is May 12, 2006. I won't read the whole thing but the part that I wanted to ask you about is: "I appreciate your department's efforts to oversee and regulate the state's provider of services for persons with gambling problems over the past few years. I also realize this program takes key people in DHHR away from their core work in your agency. As we discussed earlier the oversight and regulation can be undertaken by the Lottery enabling your staff to attend the many programs and projects for which they are responsible." I guess that is the part that really disturbs me. What type of oversight and regulation are you talking about there?

Musgrave: Strictly budget, Mr. Minority leader we put \$1,500,000 into that program this year. If table games are successful in the election process within the four counties we will add another up to another \$500,000 into that program. That is going to make \$2,000,000 that is going to be in that program. We feel that there should be some accountability. We pay the bills. It comes out of our expense money. It is not an appropriation, it is an expense that the Lottery generates. We feel obligated to track that money and make sure it is spent properly. That is all we are trying to do, we are trying to do through an RFP which we have had before. So, you know we have been running this program for, when I say running we have been funding it let me say, for quite some time and it has been recognized as one of the successful programs.

Delegate Armstead: Let me ask you in terms of the funding you said comes out of your budget but actually it goes to a separate fund set aside for this doesn't it? It is not actually in, is it is the Lottery's budget? According to the code it is supposed to be set aside for this purpose is that right?

Musgrave: Up to so much, it is up to the discretion of the Commission in how much they choose to put in it.

Delegate Armstead: It goes into, according to the code, to grants, right?

Musgrave: You know I don't know how grants got in there but it was our intent and like I said I was the one that kind of made sure early on that it was in there but it does say grants yes.

Delegate Armstead: The only other questions I have really relate primarily to the RFQ or RFP that you talked about. You said you really wanted to try to get the control financially but if I look through this there are just a number of references through here and I won't go through everyone of them cause it would take another hour. Where the Lottery gets the ability to approve or sign off on things or determine what happens. One of them is a section that deals with no literature,

brochures, stickers, (?) cards or other products may be distributed to WV Lottery's retail network without the consent of the Lottery director. Then it goes on in terms of media which at no time will the successful bidder place or provide paid advertising or public service announcements without the signed approval of the Lottery director as a designee and it says that those have to be a media plan including design, production, placement has to be provided. Why do you, if it is financial, why do you need to approve what is content of those publications.

Musgrave: Well first of all if it is going out and it is a Lottery funded program we felt that we ought to be able to just look at the form that is one thing. The other is we have been spending money on this for quite sometime, we are probably, the Lottery is probably one of the largest advertisers in the state and I have a very efficient staff with probably over 100 years of service between them and we do all kind of media productions and various things. The reason that was put in there to see if we could lend any expertise to make this the very best that it could be and we put out billboards we place a lot of that and a matter of fact we put that out for bid. We said maybe there is a way we can cut cost administratively so that these dollars can be available for those who are in need. That is what we are trying to do.

Delegate Armstead: But it actually says that you look at the content. They have to submit the content to you.

Musgrave: I can, we can, I can assure you that we are not going to restrict their content. We haven't in the past.

Delegate Armstead: Let me ask you another section 3 2 8 1 all materials produced in (?) made by successful bidder must be taken prominent display by the WV Lottery's logo and acknowledgment of the Lottery as the programs funding entity. All such materials must be approved by the Lottery director again. Why do we need the Lottery logo on those.

Musgrave: Well, we have been very, what we feel we birthed this that we are the ones that pumped the money into it. We have asked for the legislation, we have helped shepherd it. We felt that it has been a successful program because the partnership and we said that we would like to see the Lottery logo up there some place so that people would identify that the Lottery was involved in this and that it is a successful program. We are proud of this, just like we are that we put money into the Veterans' nursing care facility and the scholarships for the kids and so forth. We are proud of what we do. Now maybe we should refrain from saying so but we are.

Tape changed sides

Delegate Armstead: to chose who is hired by this.

Musgrave: Uh we put that in all our RFP's because if there is somebody that would be charged with a criminal offense and things that would have a reflection on the state or the Lottery, we do background checks and various things, we want to say that person ought to be changed maybe put in another division. We have done that with our vendors, it is in all of our vendor contracts and we included it in this one.

Speaker: Thank you, Delegate Armstead, Delegate DeLong did you all have a request to talk to the same person or was it different?

Delegate DeLong: Mr. Chairman, due to the lengthiness of the hour if we could have them back at the next meeting I think my questions could be answered just as easily then.

Speaker: Is that alright with you Delegate Armstead?

Delegate Armstead: Well I mean I don't have a lot of questions if we could leave the Committee for 5 minutes or so. The director of the program is here. I'd like to see if she could answer a few questions that I have.

Speaker: We will recognize the Senate President purpose of making some motions.

President: Mr. Speaker there is some of us that have other needs we have to go to. I'd just like to make a couple of motions here as relates to future meetings. First because of so many conflicts that we have with the original dates of July 8-10 I move that we change the July interims to July 27, 28 and 29.

Speaker: Questions on the motion? Discussion? All in favor say I.

Committee: I

Speaker: Oppose? The I's have it.

President: And also Mr. Speaker I move that our September 9-11 out-of-town interims be in Martinsburg, WV.

Speaker: Questions on the motion? September interims in Martinsburg. All in favor say I.

Committee: I

Speaker: Oppose, I's have it the motion is adopted. Thank you Director Musgrave. Try to keep it brief. Who was it we were wanting to talk to, I am sorry.

Delegate Armstead: It was Mia Moran-Cooper.

Speaker: Ms. Cooper are you here?

Delegate Armstead: Thank you Mr. Speaker. Thank you for coming Ms. Cooper. What is your position with the Problem Gamblers Hotline?

Mia: Well thank you very much I am currently the outgoing director. So my resignation will be effective on June 30.

Delegate Armstead: How long have you been the director?

Mia: I have been with the program for 7 years since the program started. Trained and studied under Dr. Norman Crudelbach. I hate to correct Mr. Musgrave's pronunciation but it is Dr. Norman Crudelbach.

Delegate Armstead: Cause of the shortness of the time here I guess my questions really go to, I guess the importance of whoever sees your program and whether, I assume your program is basically related more to a almost a health care, illness that these people suffer from regard to problem gambling. I just wanted your comments and terms of whether the DHHR has been the one that oversees your program in the past, has it been Lottery and what has been the method of oversight in the past and how does that work or not work.

Mia: Sure, in 7 years that I have been involved we have worked very closely with DHHR and drafted their criteria and eligibility for our treatment, conducted regular audits, asked us for ongoing reports, updated scopes of work. We have to meet face to face each year before our contract was renewed and DHHR did set this up with a competitive bid in 2003 and 2006. DHHR representative has met quarterly with myself and a representative from the WV Lottery. For the last 7 years we have exchanged countless email and telephone communications as well. The same goes with the WV Lottery. We met on a quarterly basis, have exchanged dozens of emails and telephone communication. Part of the reason that I am here today is to express my concern for the way that this RFP is currently drafted and I will say that I am not here on behalf of my employer, I am here on my day off. In the last 7 years I've documented 20-30 different instances where the WV Lottery has attempted to control our message, the timing of our message, alter our data, obtain confidential records and interfere with our operation. In the first meeting that I had with the WV Lottery in August 2000 I was asked to not do any media work about the operational help line until after the gubernatorial election in November. It was also strongly suggested to me that I not talk to Rotary Clubs or Lions Clubs and that I needent worry if the phone didn't ring. During the (?) Legislation in 2001 we were asked to appear on the pro-gambling side of that debate in spite of our insistence that we are (?) neutral and that we were for nor against gambling. I expressed my dissatisfaction with them and (?) was told that was basically not an option so we were ushered into the room signed in on the pro-gambling side of that debate as if we were for the legalization of video poker machines. In 2002 there is an article that appeared about the program in the Herald Dispatch. I received a call that day from the WV Lottery that said I was to cease and desist talking to the media until after the legislature left town. In 2004 the Lottery prepared our annual report and grossly exaggerated the number of callers that we had helped who had a pre-existing mental health condition. I have had other calls where I was told Mia, we want people to get help but quiet help. I have been told Mia you don't need to do anymore advertising, everybody knows about the help line now. That was followed in 2004 by we are going to take over the advertising, that didn't happen. On March 29 of last year I was invited to the Lottery Commission where the Lottery Director said to me that he would have to get out of his car and climb up on a step ladder in order to see the Lottery logo on the help line billboards. As I tried to explain in the past, I believe that the logo is a deterrent to people seeking treatment and for many compulsive gamblers it can actually serve as a trigger for them to gamble more. In that same meeting (?) some WV Lottery employees had called us for help, the Director

demanded that I release the names of those WV Lottery employees. The next day a representative of the WV Lottery Security Department called and when I asked him why he needed the names he said that the Lottery had an in-house addictions treatment program and he wanted to be sure that these employees got help. When I refused to divulge the confidential information, the conversation took a different course and I was told that I would be interfering with a criminal investigation if I did not give the WV Lottery the names of the WV Lottery employees who had called us for help. In closing, I believe that this new RFP the way that (?) is removed um DHHR from the oversight, I believe that by removing DHHR from the oversight on the gamblers help program you enhance the probability that the Lottery not only controls the gambling in our state but controls all the help for gambling, the messages of help for problem gamblers, the timing of the messages of help for problem gamblers, has access to the client records of problem gamblers and enhance the possibility that the staff has to compromise it's neutrality and not be able to remain neutral on gambling issues. I close with a copy of an email that a WV Lottery employee sent to a problem gambler and I will paraphrase. He had let her know that he had lost everything on video poker machines and she emails him back and she says, "you know we have found that those who have a problem such as yours manifest in some other way" she goes on to say that her personal bearing as a Christian believes that for most of tragic circumstances we are forced to make changes in our lives. Lance Armstrong said he would not be the person he was without the cancer he endured. She goes on to close the email to this problem gambler by saying, "God Bless" and my concern again is that the WV Lottery controls the problem gambling help network controls the billboards, the messages has the logo on there, has access to a data the confidential records that the program is mullet which is world renowned will be completely compromised.

Speaker: Are there questions by members of the Committee? Delegate DeLong.

Delegate DeLong: I don't have a question Mr. Chairman other than the fact that you eluded to the fact of receiving a cease and desist letter at one point, you also talked about this email I would request any copies or any written documentation you have to any of these things. Particularly email blacking out the names of the clients and that sort of thing, I would like to make copies of those if you could get those.

Speaker: I guess the question I have is have you made these type of complaints before today or is this and if so to whom.

Mia: We meet on a quarterly basis with the WV Lottery and DHHR and I have certainly raised concerns about the logo, addressed the issues of confidential records.

Speaker: Well these are some serious allegations are you saying that today is the first time that you have made these type of allegations?

Mia: This is the first time I have ever been asked. My concern again is up until this point our customer was DHHR so I had to keep DHHR happy while at the same time try and to (?) to the Lottery because that is where the funds came from.

Speaker: Not really an explanation, what I am trying to find out is cause I only heard pieces of it cause I was talking to somebody else but what I heard sounded like some serious allegations of misconduct, if I heard correctly and I was just concerned if this meeting is the first time you had raised those allegations?

Mia: Some of these have been raised via email communication, for example with the Lottery Director I have copies of emails back and forth with DHHR.

Speaker: I apologize under the lateness of the hour we were trying to squeeze you in as for one of the delegates and I don't want to leave here without people having time to respond to these allegations. Are there further questions by members of the Committee? Delegate Caputo.

Delegate Caputo: It seems though you read that statement, if you would like to share a copy of that with me I would

Speaker: Yeah I would like that, I think that request would be for all members of this Committee. Senator Kessler.

Senator Kessler: Question I have one of the last comments that you made that the program is a world renowned program, is that correct?

Mia: Yes

Senator Kessler: As it is currently being operated by the, I can't think of the name of the outfit that has the current contract and apparently is a successful bidder to continue the counseling efforts on behalf of the program, is that correct?

Mia: That would be my understanding.

Senator Kessler: And the world renowned outfit what is their name again, I am sorry, the current successful bidder.

Mia: First Choice Health System.

Senator Kessler: And they have done it in the past, they have got a world renowned program and they are going to continue to administer the program at least the direct client based service problem gambler one on one contract or contact, is that correct, under the

Mia: I am sorry I didn't get your question.

Senator Kessler: First Choice will continue as I understand it to be the hands on face-to-face counseling group that deals with problem gamblers in the state.

Mia: It is my understanding that the contract has not been awarded yet so....that is an unknown at this point.

Senator Kessler: But there is a request maybe it was from Mr. Melton or from Mr. Musgrave who had indicated that they had been maybe the successful bidder or anticipated successful bidder on the RFP they put out.

Mia: It was the only bid.

Senator Kessler: It was the only bid that we have. Apparently they have done a bang up job if their work is being, in your words, a world renowned program.

Mia: I can tell you that I was one 50 international experts asked to sit on the international think tank on problem gambling, one or three Americans. I have been elected to the national council on problem gambling in Washington DC board of directors, in March I was flown to Canada to present the WV model at the Alberta Gaming Commission Institutes annual conference. I have been chair person of National Problem Gambling Awareness Week for the entire Country for the last three years.

Senator Kessler: So you are satisfied that the WV's program at least is top state of the art, one of the best in the world, is that right?

Mia: Up until this point yes.

Senator Kessler: And your concern I guess is not so much that there will be a change in the actual delivery of the services but who is administering the program or who is awarding the grant for the program.

Mia: If you look at the criteria for the current RFP or the current contract, in comparison to what the criteria was in the past there were no requirements in the past that we have a message approved by the Lottery there was no requirement in the contract that the Lottery logo be on any information up until from preliminary data our help line calls from billboards dropped 4% after we added the Lottery logo and I believe you had asked a question about data from people calling about the number on the sheets. We have that data at our office and compare and contrast to how they hear about from other ways so I am not alone in believing that the Lottery logo on help line advertising sends a very mixed message, the outfit that created our television commercials said you don't want to do this. I said, I don't know that we are going to have any choice.

Senator Kessler: Are they currently on the current billboards right? And they are currently on the current commercials.

Mia: They are bigger than ever before. In the beginning we didn't have, actually Mr. Musgrave said he didn't like the idea of billboards when we first met, said he thought they sent the wrong message. So we have them anyways and it is the number one source of help line calls. After some time passed and I could give you actual dates, I've got....

Senator Kessler: Billboards are an effective means to get that message out?

Mia: In comparison to some of the other ways, yes.

Senator Kessler: You just don't like the little lottery red sticker or whatever size it is that you don't believe that should be encompassed in the message.

Mia: I think that it would be like putting the Marlboro logo on a billboard that offers you a help line to stop smoking. Sends a very confusing message. I can tell you that close to 50% of the people that call us for help in that conversation are complaining about the WV Lottery, complaining about the government, mad at the legislature for these machines and so if they believe that, that is who is going to answer the phone, which that is kind of the message that, that gives them, I don't believe they would be as inclined to call for help. What we saw is after the logo went on the billboards the percentage of billboard callers went down but the percentage of callers who saw in the yellow pages or saw the sticker on the machine actually went up.

Senator Kessler: That is all I have Mr. Speaker.

Speaker: Delegate Caputo

Delegate Caputo: Just one question Ms. Cooper. The little sticker that is on the lvl machines did you guys ever make an attempt to put that same sticker on the machines at the race track, was that ever discussed? Cause it is not on the machines at the tracks, is that correct?

Mia: (?) Lottery tickets which we have asked for seven years.

Delegate Caputo: Have you asked for it at the tracks as well?

Mia: I don't have any type of ongoing conversation with the tracks but...

Delegate Caputo: Did you ever suggest that, that might be necessary? Or no?

Mia: I think that we put in our proposal before that we would be willing to have them. I think we have designed the ones that go on some of the machines at the tracks and we were responsible....

Delegate Caputo: They are not on every machine?

Mia: No, we only have 400 printed, 100 per track.

Delegate Caputo: Thank you.

Speaker: Further questions? Delegate Webster.

Delegate Webster: Yes, if you had a suggestion today for this Committee in terms of whether it would be under DHHR again or whether even with it being under DHHR there were problems if we were able to use the funding that is roughly \$1.5 up to maybe \$2 million and look at other alternatives, what today would you recommend that we consider to carry out the mission in trying

to balance the interest that are involved?

Mia: DHHR already has a department of drug and alcohol addiction and that is currently report to and work under. If DHHR doesn't want it, which seems to be the message that I am getting, anybody but the WV Lottery. Anybody that is health oriented, respects client confidentiality, isn't looking to toot their own horn on the backs of this message. In other words, I don't believe that the problem gamblers help network should be a marketing arm for the WV Lottery.

Delegate Webster: So other than where it is at are you saying that you were pleased or are pleased with the relative mission of what you do? I mean are there other problems or just not having it under the lottery the main concern?

Mia: That has been the main concern. And DHHR up to this point has done a good job of helping us develop the program and run the program.

Delegate Webster: Ok thanks.

Speaker: Senator Helmick.

Senator Helmick: Thank you Mr. Chairman. Ma'am you spend so many dollars on your program, the advertising for the help. How many dollars do we spend on actual treatment? Do you have any idea?

Mia: I don't have that in front of me but we would certainly have that in our office and it was in your fiscal report that we prepared this winter.

Senator Helmick: This winter?

Mia: 2006, yeah every year we prepare a report for the legislature so we are in the middle of a fiscal year right now.

Senator Helmick: Ok so you just don't remember, recall what it was for the last fiscal year?

Mia: No not off the top of my head I'd hate to guess.

Senator Helmick: Do you see it continuing to grow? The dollar amounts for treatment?

Mia: In terms of people accessing it for treatment?

Senator Helmick: yeah and the dollar, the cost of treatment. Is it growing each year as the industry grows, it has to you would assume that it grows with the industry. In other words, we are up now to significant dollars that we generate for the state of WV through the lottery and with that continued growth you would assume it would be a corresponding cost in treatment.

Mia: There is. There is a bar chart that I can provide you with that shows you the incremental

increase in calls each year and of course with each call there is the likelihood that someone would engage in treatment so there is dollars spent to treat them.

Senator Helmick: Thank you.

Speaker: Further questions by members of the Committee? Delegate DeLong.

Delegate DeLong: One last one Mr. Chairman, I apologize. You had indicated at the beginning of your remarks that you were here as a citizen essentially you still work for First Choice? Is that what it is called?

Mia: Yes, First Choice Health Systems

Delegate DeLong: You are still with them currently, you are outgoing but you are still with them.

Mia: I am basically burning up vacation leave.

Delegate DeLong: I understand and the reason why I asked that, I'd also like to have, I am just trying to get some clarity here, I'd like it if I could be provided with some of those statistics that we talked about earlier as to why people seek treatment whether it is due to billboards the responses that you get from the notices on the machines and the reason why I am bringing that up is I am assuming that those statistics are right now under the control of First Choice and I am asking Mr. Chairman quite frankly whether you will be able to supply those to us or whether we need to have an actual request that a representative who is not here as a citizen but is actually here on behalf of First Choice could supply that. Ok they are here as well ok.

Mia: It is in your report that you were given. It was a fiscal year report but it also had a five year summary and a six year summary. So you have not only last fiscal year what source of advertising prompted someone to dial the number you have that data for the first 6 years of the program as well.

Delegate DeLong: Ok is that a result of what I asked Mr. Musgrave originally when we first got to this point. Is that a result of, do you do some type of for lack of a better term, like a exit polling survey with your customers.

Mia: I am glad you brought that up because I was sitting in the audience saying I can answer that. Not only when someone calls us for help we are doing the initial interview by telephone. If they refuse the referral for face to face help we mark our calendar and we call them again. Everybody who calls the help line who will give us their name and address is sent a questionnaire, a help line satisfaction questionnaire. In other words, how was your experience with us. Then we also call folks again after that initial appointment so if they go to see a counselor face to face we do a follow up call then, we do a follow up call on everyone in 6 months, 1 year and 2 years. So we have all of that data and we can actually compare and contrast how folks are doing who got treatment versus folks who refused and we can tell you who is in recovery after 6 months, 1 year and 2 years versus who is not.

Delegate DeLong: Is that data all in the report that you

Mia: Yes

Delegate DeLong: Thank you. Thank you Mr. Chairman.

Speaker: Further questions? If not thank you. Is there any other business to come before the Committee? If not Delegate Caputo and Senator Kessler move we adjourn. All in favor say I.

Committee: I

## 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.

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

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



Aaron Allred

Legislative Manager  
Legislative Auditor

May 24, 2007

John C. Musgrave, Director  
Lottery Commission  
P. O. Box 2067  
Charleston, WV 25327

Dear Mr. Musgrave:

I'm writing to request your appearance at the June interim meeting of the Joint Committee on Government and Finance to discuss the Problem Gamblers Help Network. The Joint Committee on Government and Finance meeting will be held in Senate Finance Committee Room 451 in the State Capitol Building on June 5 at 3:00 p.m.

If you have questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Aaron Allred".

Aaron Allred

c: The Honorable Earl Ray Tomblin, President, State Senate  
The Honorable Richard Thompson, Speaker, House of Delegates

TRANSMISSION VERIFICATION REPORT

TIME : 05/24/2007 13:37  
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**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

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A handwritten signature in black ink, appearing to read "A. Alred".

**JUNE INTERIM ATTENDANCE**  
**Legislative Interim Meetings**  
**June 3, 4 and 5, 2007**

**Tuesday, June 5, 2007**

3:00 pm - 4:00 am

**Joint Committee on Government and Finance**

Senate

Tomblin, Chair

Chafin

Helmick

Kessler

Sharpe

Caruth

Deem

✓  
✓  
✓  
✓  
✓  
✓  
✓

House

Thompson, Chair

Caputo

DeLong

Webster

White

Armstead

Border

✓  
✓  
✓  
✓  
✓  
✓  
✓

I certify that the attendance as noted above  
is correct.

*Anne Landgrebe*

Staff Person

Anne Landgrebe

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



**CATHOLIC CONFERENCE of WEST VIRGINIA  
THE DIOCESE OF WHEELING-CHARLESTON**

*Monsignor P. Edward Sadie, Executive Director  
Post Office Box 230, 1300 Byron Street  
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Phone: (304) 233-0880  
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*Reverend Brian O'Donnell  
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*G. Nicholas Casey Jr.  
Registered Lobbyist  
Post Office Box 1746  
Charleston, West Virginia 25326  
Phone: 304.345.2000  
Fax: 304.343.7999*

Dear Friends,

We thought a quick summation of the problems we and many others see in the new Request for Quotation the Lottery Commission is issuing for the Problem Gamblers Help Network might be helpful today.

*Assuming the new version of the contract of the Lottery Commission with the DHHR mandated by Section 29-22A-19 of the West Virginia Code is well-conceived, we think that a few changes to the RFQ will solve the fox and henhouse situation. (See the attached Xerox.) Sections 3.2.1.4 and 3.2.1.5 should simply be dropped: the Lottery Commission can pretend to no expertise regarding how and when the Help Network should advertise its services. The DHHR Bureau of Behavioral Health and Health Facilities does in fact have such expertise, and it should be allowed to exercise it in these matters. The last sentence of RFQ section 3.2.4.1 should be excised. Again the Lottery Commission is interfering in a subject, the removal of Help Network staff, for which it has no expertise. The Bureau of Behavioral Health and Health Facilities does have expertise in vetting the staff of the Help Network, and it should be allowed to exercise its professional judgment in such matters. We sincerely hope the RFQ can be amended in the ways indicated above, and that the contract of the Lottery Commission with the DHHR clearly allows the Bureau of Behavioral Health to do its supervisory job.*

Thank you for your attention.

rack cards or other products may be distributed to the West Virginia Lottery's retailer network without the consent of the Lottery Director, or his designee.

The staff of the West Virginia Lottery will assist in the distribution of the above items to the extent possible; however, the successful bidder shall ultimately bear full responsibility for adequate inventories and timely distribution to Limited Video Lottery retail outlets and the four licensed racetracks with video lottery gaming upon the Lottery's request.

#### 3.2.1.4 Media-Related Advertising and Public Service Announcements

At no time shall the successful bidder place or provide paid advertising or public service announcements without the signed approval of the Lottery Director, or his designee. For paid media that is proposed, the bidder shall include a one-year media plan (including design, production and placement) with the submitted proposal. If advertising agencies or any design/production subcontractors are to be used, the bidder must include detailed information about such subcontractors in the written proposal.

#### 3.2.1.5 Public Information

Bidders should develop and submit a comprehensive public information plan for one year that includes, but is not limited to, public speaking venues, media relations, newsletters, and conference presentations.

### 3.2.4 Corporate Overview

3.2.4.1 The successful bidder must furnish the West Virginia Lottery with evidence of its ability to provide clinically experienced and academically credentialed personnel in the areas of business administration and behavioral health care services. It is **mandatory** that such personnel have academic and experiential credentials in the area of problem gambling or addiction management. Documentation to verify the experience and qualifications of the personnel assigned to manage the Program must be provided to verify each proposed individual's credentials and the credentials of individuals proposed as sub-contractors, if applicable, should be submitted, as well. If the successful bidder substitutes primary administrative staff for the account, at any time during the term of the contract or possible extension years, the experience and qualification levels must be of a similar quality to the level of those initially proposed. The Lottery reserves the right to request staff changes throughout the term of the contract.

3.2.4.2 The successful bidder must have the financial wherewithal to provide services, on behalf of the Lottery, for a period of at least ninety (90) days. A letter of credit or audited corporate financial statements must be submitted to document financial capabilities. As an Agency of the State of West Virginia, the West Virginia Lottery may not make payments in advance of services rendered. All expenditures must be invoiced on a monthly basis.

Tuesday, June 5, 2007

Senate Finance Room

Senate  
✓ Tomblin, Chair  
✓ Chafin  
✓ Helmick  
✓ Kessler  
✓ Sharpe  
✓ Caruth  
✓ Deem

House  
✓ Thompson, Chair  
✓ Caputo  
✓ DeLong  
✓ Webster  
✓ White  
✓ Armstead  
✓ Border

Speaker Thompson presides.

1. Upon motion of \_\_\_\_\_, the  
May 8, 2007, minutes were approved.

2. Committee requests.

Legislative Interim Committee  
Kara Jones - presents budget  
unchanged from last year

Upon motion of Pres Tomblin,  
budget was approved.

3. Next month Sen. Deem - solvency of  
unemployment comp trust fund

4. PEIA - Medical expenses trends good  
2% above medical, 11% increase in  
pharmacy expenses

Sen Cheaten - surgeries are down  
Drug costs are increasing

CHIP - less than 1% change - some  
increases in hospital services

Corwith - fed funds for CHIP - fed  
matching 4 to 1 presently -

Speaker asks about Wayne Co. - will go  
the in

BRIM - in good shape

Leasing - Report

5. Medicaid Sect Walker

Morsha Morris - new Medicaid Commissioner  
Still expect to come in somewhat under

## Budget

6. Bhor. Cost Management Council:  
Shona Bhor - 3 comments on reported  
rule

Central Hill Pharmacy -  
\$1,016,750 budget for 1st year  
\$250,000 from Legislature  
Projected to be self sustaining after  
3 years.

Part of money from grants, Att-Gen.  
settlement, & payments by customers  
Webster - use these categories  
for how much spent over \$10,000 +  
Bhor - none above that

7. Lottery Commission - John Musgrave, Director  
Director since 1997 - Charged compulsive  
gaming treatment program - suggested  
funding - H&A design program & lottery  
fund it - Put out RFP - First Choice  
chosen & remains provider to this day  
Went to grant & then put out a new RFP  
First Choice submitted only bid - state  
purchasing to make award

Don't we eliminate some of  
limited video lottery locations  
Musgrave - could generate some  
revenue if eliminate some of machines

Long - Canada - every machine had a  
problem gamblers hotline number  
- not done here - we have unlimited  
video lottery machines

Adjourn.

Bres. Gambler moves Chong  
July interims to 27, 28 & 29.

Bres. moves Best interims  
be held in Montebourg.

First Choice Director - leaving June 30, 2002  
Arnstedd - what is DADR oversight  
meets quarterly / she objects to NFB  
representing self - believes Lattery  
has interfered with operations of the  
program - told not to talk to  
media by Lattery & told not to  
advertise - she believes Lattery is  
a deterrent to problem gamblers  
seeking help - bought names of  
Lattery employees who had sought  
help from organization

Fear program will be compromised  
DeLong would like copies of documents  
made available to committee

Thompson wants to know if she  
has raised allegations before?

Boys she has corresponded w/ Lattery  
& DADR by e-mails

Thompson would like a copy of  
her statement for all committee  
members

Webster - What alternative would  
you recommend - DADR already has  
a drug & alcohol addiction program  
- wants anywhere but at Lattery

DeLong would like statistics - why  
people seek treatment - based on what  
source of advertising caused persons to  
seek help