

Joint Committee on Government and Finance
West Virginia Legislature
State Capitol
Charleston, WV

February 28, 2007

West Virginia Legislature
Charleston, West Virginia

Ladies and Gentlemen:

The Joint Committee on Government and Finance submits this report on studies and other matters it authorized to be made between the 2006 and 2007 regular sessions of the Legislature.

- A. The Joint Committee on Government and Finance authorized the following subcommittees:
1. Agriculture and Agri-business Committee
 2. Insurance Availability and Medical Malpractice Insurance Committee
 3. Joint Committee on Technology
 4. Legislative Intern Committee
 5. Parks, Recreation and Natural Resources Subcommittee
 6. Post Audits Subcommittee
- B. The Joint Committee on Government and Finance received reports from the following:
1. Agriculture and Agri-business Committee
 2. Education Subcommittee A - Public Education
 3. Education Subcommittee B - No Child Left Behind
 4. Education Subcommittee C - School Aid Formula
 5. Joint Standing Committee on Finance
 6. Insurance Availability and Medical Malpractice Insurance Committee
 7. Parks, Recreation and Natural Resources Subcommittee
 8. Joint Standing Committee on Pensions and Retirement
 9. Select Committee A - Committee on Children, Juveniles and other Issues
 10. Select Committee B - Minority Issues
 11. Select Committee C - Infrastructure

- C. The Joint Committee on Government and Finance received statutorily required reports from the following:
1. Joint Commission on Economic Development
 2. Forest Management Review Commission
 3. Legislative Oversight Commission on Health and Human Resources
 4. Commission on Interstate Cooperation
- D. The Joint Committee on Government and Finance assigned studies to its subcommittees and to statutory committees/commissions as follows:
1. Agriculture and Agri-business Committee
Voluntary farmland protection programs
 2. Legislative Oversight Commission on Education Accountability
Vocational, technical and adult education
Monitoring implementation of the Pilot Program of Structured In-School Alternatives to enforce the Student Code of Conduct
 3. Legislative Oversight Commission on Health and Human Resources
Accountability
State of emergency medicine in West Virginia
Need for and the appropriate methodology for providing salary improvements for counselors employed by the Division of Rehabilitation Services
Prospect of reducing medical care costs for state employees
Public health crisis created in West Virginia created by antibiotic resistance
Relating to the study of the feasibility of establishing a drug repository program
Medicaid Waiver Program for the elderly and people with disabilities in West Virginia
"Money follows the person" concept
 3. Parks, Recreation and Natural Resources Subcommittee
Development of Coalwood Way and related sites in the Big Creek District of McDowell County as historical, cultural and recreational facilities
 4. Select Committee A - Committee on Children, Juveniles, and other Issues
Child Advocacy center criteria
Accessible parking issues

5. Select Committee C - Infrastructure

Feasibility of a state dam safety rehabilitation fund
Availability and connectivity of broadband services and networks in this state
Technology infrastructure development

E. The Joint Committee on Government and Finance referred adopted study resolutions and other areas of study as listed below to the following standing committees it authorized to meet between the 2006 and 2007 regular sessions of the Legislature:

1. Joint Standing Committee on Education

Subcommittee A - Public Education

Public school dress code and uniforms
Employment process of public school coaches
Need for an appropriate methodology for providing salary improvements for counselors employed by the Division of Rehabilitation Services

Subcommittee B - No Child Left Behind

Cost and other issues associated with No Child Left Behind Act

Subcommittee C - School Aid Formula

School aid formula

2. Joint Standing Committee on Finance

Subcommittee A

Vehicle privilege tax exemption for new residents

Subcommittee B

Issue of tax reform and any proposals put forth by the Governor on the subject

Subcommittee C

Current and future highway financing

3. Joint Standing Committee on Government Organization

Subcommittee A

Titling and branding of certain damaged vehicles
All-terrain vehicle safety regulations

Subcommittee B

Need for background checks for professional licensees
Sunrise and sunset legislation processes

Subcommittee C

State grievance procedures

4. Joint Standing Committee on the Judiciary

Subcommittee A

- How the divorce and custody laws prevent or hinder fathers from being involved in raising their children
- Retail sales of alcoholic beverages on Sunday
- Methadone clinic regulation

Subcommittee B

- The process of granting and denying well work permits for the drilling of gas wells near active coal mines
- Underground Storage Tank Insurance Fund
- Refundable deposit on beverage containers
- Ownership of coal bed methane and responsibility for damages resulting therefrom
- Impact on ground water aquifers caused by injection of coal sludge into abandoned underground mines

G. The Joint Committee on Government and Finance also received monthly and quarterly status reports on the following:

Lottery

- State's General Revenue Fund
- Unemployment Compensation Trust Fund
- Public Employees Insurance Agency
- Board of Risk and Insurance Management
- Children's Health Insurance Program
- Leasing Report, Department of Administration
- Department of Health and Human Resources
- Medicaid
- Welfare
- Pharmaceutical Cost Management Council
- Board of Treasury Investments

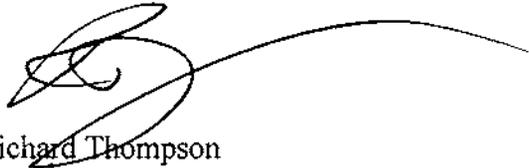
Post audit reports released by the Post Audits Subcommittee are on file in the Post Audit Division of the Legislative Auditor's Office. Other reports are on file in the Legislative Manager's Office.

West Virginia Legislature
Joint Committee on Government and Finance
Annual Report of 2006 Interim Period
February 28, 2007

Respectfully submitted,



Earl Ray Tomblin
President of the Senate



Richard Thompson
Speaker of the House of Delegates

Cochairs, Joint Committee on
Government and Finance

Tuesday, January 9, 2007

3:00 pm - 4:00 pm

Joint Committee on Government and Finance
(Code §4-3)

Senate Finance Room

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

House
Kiss, Chair
Amores
✓ Mahan
Michael
Staton
✓ Hall
Trump

3:21 Tomblin calls meeting to order.

4.1. Sect Ferguson

PEIA - medical expenses $\frac{1}{2}\%$ lower
Drugs are up \$5 million

2ed. Craton, Director PEIA

PEIA coordinator/medicare - will get to 80% to 20%
without any rate increase

Sprouse - how has PEIA accomplished
cost savings to show up the fund

CHIP - 2% increase in enrollees

Claims up 5% 11% under budget for
1st 5 months of budget year

BRIM - financial condition improves

\$11 mil in investment earnings compared to \$25 mil
prior year

Tomblin - advantage to state to move
660 physicians over the physicians mutual
from BRIM - Jones will look at it

Leasing - 10 changes - subleases

5. DARR report

6. BRMC Board - Annual report

Indorses e-prescriptions

7.

8.

Adjourn

January 9, 2007 - Tape

(First part of meeting missed on tape....Marlene staffed)

Ferguson: people aren't going to the doctors often, which is a plus. Now, the flip side to that is the drug side. Drugs are up 8 million dollars higher than they were last year which is about almost 14% higher and of course the reason for that is two-fold. One is price and the other is utilization. Quite frankly people are following the diagnoses from their doctors, we are getting better use of drugs and that is probably the reason why our medical expenses are down. Revenues over expenses to date are 51 million dollars for the period, July through November. We still have 7 months to go which will deplete that down and whatever excess is left over that period will go into the reserve. Our new plan has been adopted, there are no increases in premiums for state employers, (?) Employers, or state employees or retirees. Actually retirees will see a premium reduction. There was also a benefit revisions that were passed and the MAPD will also help with our program. Any questions on PEIA?

President Tomblin: Senator Deem

Senator Deem: You said that the premiums were down on retirees and yet that is where the biggest deficit is coming from I understand. You made some changes though, didn't you that the government will pick up some of that expense that the state has been picking up?

Ferguson: That is correct sir.

Senator Deem: Why, I always wonder when I go to the Doctor whether PEIA, which my wife is a retired teacher, or my medicare is primary. If you can do that now why isn't that been done a long time ago?

Ferguson: I am gonna ask Ted to come up but Ted Cheatham is the director of PEIA and I'll let him answer that question. I think it is important to note on the reduction in premiums, really what you should be focusing on is the maximum out of pocket cost. We are now charging...before a retiree would go to the doctor literally would cost them nothing, now there is co-pays charged. The intent there is to make sure that people are aware that there is an expense incurred when we go to the doctor. We are not discouraging people from going to the doctor we are actually making sure that people are responsible for their own healthcare. As far as the combination of the two I am going to let Ted answer that.

Senator Deem: Along that line, something that always bothered me was that with the drugs from PEIA is I get drugs maybe two or three or four drugs and they say well you owe \$15 and I don't have any idea how much insurance paid on that. Would there be an easy way for people to get a bill that would show what the state paid and what they paid, the individuals paid. Cause they don't do that now automatically at least.

Ferguson: Well I think in the explanation of benefits, well go ahead and I'll let you answer that question.

Ted Cheatham: They do not get an explanation of benefits for drugs, you do not. You do get it for medical. We could start that, there is an expense tied to that.

Senator Deem: Well I don't know if will be justified but it just seems to me that, you know people say oh it didn't cost me anything and yet it did cost.

Ted Cheatham: Absolutely, absolutely.

Senator Deem: Would that be difficult or would it be benefit cost wise to do it?

Ted Cheatham: I don't think it would but I will look into it for you. I will look into it.

Senator Deem: I don't mean to make an issue out of it.

Ted Cheatham: Back to your original question. I might have misunderstood it but as it stands today, PEIA coordinates with medicare for retirees so that there is almost 100% benefit today. So when you go to the physician medicare pays first, PEIA then coordinates with medicare and pays the balance typically. They are paid typically your co-pays or your co-insurance or anything you would be responsible for under the plan.

Senator Deem: So if your, say I am past 65 a little bit and then medicare is primary and PEIA picks up the difference.

Ted Cheatham: Yes, absolutely correct.

President Tomblin: Are the employees at 80% right now?

Ted Cheatham: No sir. For the plan year beginning July 1, which would be FY 2008. Under the plan the employees will be at 80/20.

President Tomblin: The only reason I asked was because I thought you said there was no increases.

Ted Cheatham: That is correct, there is no planned increases for employers or employees for the next plan year beginning July 1. We are doing that with a financial transfer, which I will happily explain to you in a lot of detail later, that will get us to 80/20 without a premium increase.

President Tomblin: You going to give us that anytime soon?

Ted Cheatham: I would happily give that to you today, if you'd like right now. In a short term what we are proposing to do is take 34 - 38 million dollars of employer premium and put it into the retiree trust fund. By doing that we have lowered the employer share by \$38 million and if the employees contribution stays the same we will hit the 80/20 by ratio.

President Tomblin: Well that seems to me like the employee is not paying the 20 percent if the

state is paying the share of money they were supposed to be paying. What am I missing there?

Ted Cheatham: I can ask Jason to explain it better than I can, but that is the way and I will happily if you'd like put it on paper for you.

President Tomblin: I mean if you are taking money now that is out of general revenue of appropriations and putting it over.

Ted Cheatham: We are not taking revenue out of general appropriations. We are taking revenue out of the future employer premium and diverting it to the retiree trust fund for the retiree liability. So the employer in effect will be paying, although they are paying the same premium they are paying today, some of that premium is being earmarked to move over to the trust fund. So the part that is going to the active PEIA is slightly less and that will make the employees paying 20 percent and the employer paying 80 percent for what is going into active PEIA fund.

Senator Sharpe: I didn't belong to PEIA but what do I have to do to belong to PEIA and what is the expenses. I have other insurances, I don't know why I have never got on PEIA, I have been on their life insurance and things like that. It seems like it is pretty advantageous to be on it. Can you give me a little quick breakdown on what it takes to be in to PEIA.

Jason Haught: Members of the Committee, my name is Jason Haught, Chief Financial Officer, PEIA. Senator Sharpe, to answer your question, the cost to a member of the legislature to participate in the plan is, I believe, the pay range of a \$36,000 to \$42,000, I believe, added with the employers cost of the plan. So if you're a

Senator Sharpe: I don't have an employer. You mean employer be the state or who would be my employer.

Jason Haught: Well for a member of the legislature you have to pay the full premium. So you have to pay both the employers share and the employees share.

Senator Sharpe: Are you going to change that any?

Jason Haught: No sir. There is no plans to.

Ferguson: Sir, we can get with you offline and get you what you need sir.

Senator Sharpe: You and I get along pretty good yesterday, let's continue doing that.

Ferguson: Yes sir.

Senator Sharpe: Thank you.

President Tomblin: Any further questions on PEIA? Next BRIM.

Ferguson: I think there is a plan to brief the legislature, just with Mr. Cheatham to kind of go through the plan year. Essentially, and maybe I can say this a little simplistically, but by moving that money over to the trust fund it automatically, the percentage that the employees are paying, automatically brings them by default to the 20% without any movement of their change.

President Tomblin: Well is that one time money that you are moving over there to keep from the employees having to make any additional payment?

Ferguson: Perhaps but, we expect it to be ongoing because our medical trends are continuing to go down. And, as our medical contends, we figured on a worse case scenario than what we have. Our medical trends now are now tracking two years now, if you look at those numbers we are going down. The graph is going the other way which means that the excess funds go over which automatically then takes the employees without making a move to 20 percent. We will give you detailed numbers sir, we are actually working on a presentation to give to the joint legislature about PEIA.

President Tomblin: Ok, the reason I am going at this, I mean this will be one year and you are taking money that is already within the system to not raise the participants premium. I just don't want to come back here next year and say oh you are 36 million dollars short, you guys are going to have to come up with it because we don't have enough to make the employers share. Can you be sure that is not going to happen?

Ferguson: I am going to reserve that answer until I can show you the hard numbers. Our expectation is, you know, as the actuaries have looked at that, the likelihood of that occurring is low but there are no absolutes with these numbers. I mean if we hit, if the pandemic flu hits and we have to tap into our reserves. I mean there are a lot of what if's that go into that equation but apparently according to actuaries and the trend the odds are in our favor, significantly. That we won't have to come back and adjust those numbers.

President Tomblin: Well, let's look at the other side of it. If we come back here next year and there has been an increase in the expenditures over there, does that mean at that time you will have to back to the participants to ask for more money to get them up to their 20 percent or are you going to ask for the general revenue to pay for it?

Jason Haught: Mr. President, Jason Haught again, what is going to happen now as of July 1, 2007, we are 80/20. Any increases that the plan needs to the state fund will be \$3 from the state \$1 from the employees. It will be on an 80/20 ratio of any increases going forward.

Ferguson: But could it happen, I think is the question.

Jason Haught: Absolutely.

President Tomblin: So I mean if there are more expenses this coming year, then automatically the state is going to have to pay \$3 and employees, everybody's share is going to have to go up.

Jason Haught: We will be at the 80/20. Any increases will be at 80/20, yes sir. And there are, the five year plan does anticipate health care cost to increase and unfortunately more increases to the state budget.

President Tomblin: Further questions? Senator Sprouse.

Senator Sprouse: Thank you. It might be good maybe before the finance committees because I think there is a really great story here to be told and from where PEIA was four years ago, I mean three or four or five years ago where we were pouring money from general revenue into PEIA to keep it propped up to where we are today. Especially if you are saying that it is coming from utilization and internal controls within PEIA that has helped lower those costs. I am interested to see what is it, how have we made that change over four years because maybe we could do it elsewhere. Because there is a significant change here in where PEIA was four years ago to where it is today. Especially whenever we are talking about no increases and we are actually talking about having enough money to move it over so that we can balance out the employee premiums. I mean that to me is a very successful story. I am just interested in how it got there, what components, what did you do, what did PEIA do that turned it. Maybe we could use it elsewhere in state government. I mean that is a real success story if we are talking about being able to not only having not to put general revenue funds in but talking about being able to ship money over from the employer contribution to help balance out or help keep us from having to raise employee premiums.

Ferguson: And we will be happy to do that, I can tell you off the cuff that the concerned leadership of the legislature, I think put some pressure on us to take a look at the best practices.

Senator Sprouse: Legislators are concerned about medicaid, legislators are concerned about other health care costs and we are not successful there. I mean I am just saying, there had to be some mechanisms within PEIA that caused the shift, either the shift in utilization or the shift in, or the change in just the process that allowed us to now be in this position and I am just interested in what those changes were. I mean it is nice for you to say it is the legislature, likes of the legislature is concerned about every health care cost and we are not doing a very good job controlling it but PEIA is been a very great success.

Ferguson: And we will report back, I mean good disease management. We are hiring medical directors, we have pharmaceutical people so we are taking very close look at it, taking a hard look at drugs and generics and trying to right size and making sure that we are getting the best economy of management on the pricing. But we will give you a more detailed answer.

President Tomblin: Senator Kessler did you have...

Senator Kessler: I just think it must be that good democrat leadership we have had around here the last couple of years.

President Tomblin: Are there further questions on PEIA? If not, the BRIM report sir.

Ferguson: Yes sir, I have got next up CHIP is next but we can go. We are 2 ½ percent over where we were a year ago on enrollees. We currently have 25,573 enrollees. Our claim costs are up 5% through November compared to last year. Don't really have an answer to why that is just more utilization and we have got a bigger population to deal with. We are currently 11% under budget for the first 5 months. Now that is contrary to what I just said but we have favorable claim trends, but we still got a better part of the year to go. There was a question last time about the poverty levels. At 200% of the poverty level is \$40,000 for a family of 4. At 220% which is where we are going to go this year with poverty level is \$44,000 for a family of 4. That is a federal requirement.

President Tomblin: Further questions about BRIM?

Ferguson: CHIP

President Tomblin: CHIP I am sorry. If not, BRIM

Ferguson: Next up is the Board of Risk and Insurance Management. Again, our financial position continues to improve. It really is kind of the center jam in the crown of Department of Administration, I am extremely proud of Chuck and his people. We have had \$11 million in investment earnings this year as compared to \$2.8 million last year. So our investments are doing very, very well. We have no unfunded liabilities in the Board of Risk and Insurance Management. However, our Senate Bill 3, and that is the political subdivisions continues to be problematic. We are in the red there, but we have a plan through better loss control and premium assessments to hopefully in the next ten year time period to break that down. We currently have about \$15 million liability with the Senate Bill 3 and again Senate Bill 3 is for the political subdivision, boards of education, towns and those things. We try to right size those premiums based on historical losses but it continues to be a challenge.

President Tomblin: How many doctors do you still have in BRIM?

Chuck Jones: Mr. President, the question was how many physicians we have. The only physicians we have in the program are the physicians that are WVU and Marshall and there are probably 660 or something like that.

President Tomblin: What is the school of Osteopathic Medicine?

Chuck Jones: Yes sir, Osteopathy School as well.

President Tomblin: 600 and some?

Chuck Jones: Approximately 660 or 670 something like that.

President Tomblin: So all the rest of them that we moved over before they went over to Physicians Mutual. Have you all looked at it or is there any advantage to moving the coverage over to the Physicians Mutual? I mean obviously I read where they are lowering premiums and

so forth. Is there an advantage to the state I guess for doing that?

Chuck Jones: We honestly have not looked at that, whether or not having the coverage for the individual Physicians. Yet, we don't insure individual physician we insure the school per say. Therefore, we don't write

President Tomblin: I mean it is the same bottom line, you are insuring the physicians.

Chuck Jones: Yes. But I am saying to move, these are going to be employees of the school and they will be insured by Physician Mutual. To answer your question, no we have not looked at that and a matter of fact from what I understand the schools would like to insure themselves. That is not something we have looked at.

President Tomblin: Well would it be worthwhile to look at? I don't know if there are these savings there or not but I mean are we just going to carry them forever when we have gone through the motions of creating a Physicians Mutual for the availability and hopefully the affordability.

Chuck Jones: If you would like for us to look at it we will look at it from our perspective and see. My response would be make sure that we protect the state and any liability we have for the state and then whatever those physicians would take to the Physicians Mutual as an individual.

President Tomblin: Obviously I want to protect the state too but if you can protect it cheaper than you are doing it now lets at least look at it. Any questions about BRIM? If not, thank you.

Ferguson: Last up sir is Leasing. We have had 10 changes during the month of December. We have three new contracts, one is with the Insurance Commission subleasing out a piece of their lease to Brickstreet, Department of Administration owns a building and subleasing some things out to DHHR so all these within the confines of government are zero net gains. We also have some cell tower leases that education has subleased some property out on. We have had four straight renewals, one renewal with Corrections with increase in square footage and two renewals with rent increases, one for Regional Jail, one for a small office the Treasurer has up in Morgantown.

President Tomblin: Questions on Leases? If not, thank you sir.

Ferguson: Thank you Mr. President, Mr. Speaker.

President Tomblin: Next we have the monthly report from Health and Human Resources, Mr. Law.

John Law: Mr. President, I am John Law, the Medicaid report is in your packet if you have questions Commissioner Adkins is here to answer.

President Tomblin: There is nothing you want to bring to our attention or anything?

John Law: No sir.

President Tomblin: Does anybody have any questions? Thank you sir. Next we will have the monthly report from the Pharmaceutical Cost Management Council, Ms. Phares.

Shana Phares: I am Shana Phares, I am the Pharmaceutical Advocate for the Governor and also the Chair for the Cost Management Council. As required by the statute we have given you our annual report and I just want to share a couple of highlights from that with you. The Council has worked with Concord University and Tygart Technologies. During the course of 2006 they were commissioned by the Attorney General's Office to complete a study on electronic prescribing. We also worked with the Board of Pharmacy on that issue. As required by statute the Council has made a legislative recommendation to support and we would ask the Joint Committee to support and pass legislation that would remove the statutory barriers to electronic prescribing. WV is one of only four states that currently prohibit this practice and it offers immediate significant savings for payers and also improves patient safety. In addition, also as required by statute that the Council promulgated the advertising reporting rule in 2006 and on Sunday night that rule was actually passed out of the Legislative Rule-Making Review Committee. During 2006 the Council, under its authority to ? An organizations entered the Minnesota Multi-State Group which you have heard me talk about many times before. I talked to you last month that we had just spoken to a local health association about enrolling local health departments and to date we have 22 of the 54 County Health Departments that have applied for enrollment. We are going to work aggressively to get the remainder enrolled in January (TAPE DID NOT PICK UP....INTERFERENCE STARTS)

Shana (response to Sen Deem's question): I am actually working with Jim Pitrolo who is taking over as director of policy and I will be doing all the health care and welfare work with Jim.

Senator Deem: You mentioned the Rule Making review added a rule, did that rule have to do with drug companies cost and advertising and what they pay doctors for promoting their drugs?

Shana: Yes that is the rule.

Senator Deem: Exactly what did that do?

Shana: What does that rule do? It requires the drug companies to report what they spend on advertising in this state via television, newspaper and other print ads, via telephone. Requires them to report the annual payments they make to doctors, annual payments they make to patient advocacy groups and to pharmacies.

Senator Deem: Wasn't that a big controversy when Speaker Kiss was here and one of the things he was trying to get your office to do and you didn't do it cause you didn't feel like it. I guess you weren't in the position to do it but now will that information be forth coming?

Shana: Yes. If the legislature chooses to pass that rule then the companies will be required to report it and it will be public information. The aggregate information will be public.

Senator Deem: Is that not until the legislature approves the rule.

Shana: That is correct.

Senator Deem: Thank you and good luck in your new job.

Shana: Thank you.

President Tomblin: Senator Kessler

Senator Kessler: Just to follow up with Senator Deem's question. You indicated that the information will be available in aggregate so it will say 550,000 for physician payments but will it or will it not list Dr. Jones, Dr. Smith each got \$20,000 trips to the Bahamas and

Shana: No it would not name names.

Senator Kessler: It would not give individual identities or how much is spent on individual doctors or what they comprised what those payment comprised what they are being for or are they for lunches or dinners or seminars or teaching....there will be no breakdown just an aggregate number.

Shana: Right.

Senator Kessler: That is something we may need to take a look at as well.

President Tomblin: What are you going to do to determine if you don't know who the Doctors are just the net amount they have spent on docs?

Shana: We also require reporting by drug and I think it will give, especially Medicaid, an idea of what is happening in the marketplace. They have felt that before, because they meet twice a year to determine what drugs are put on the preferred drug list, and they have had some gut feelings about what kind of marketing and sampling has gone on and how its influenced what ends up on that preferred drug list, but they really don't know. People just really don't know how much is being spent or what is being done. This just gives us our first snap shot of that.

President Tomblin: Are there further questions? If not, thank you. In your booklets you also have the Board of Treasury Investments Report, the WVU Foundation, I am told this is the first time they have done that since we have allowed them to do their own investments at WVU and Marshall, Mental Health Parity Analysis Report for 2006. Is there any other business to come before the Committee? If not, Delegate Thompson moves that we adjourn. All those in favor will say I, Oppose no? The I's have it.

JANUARY INTERIM ATTENDANCE
Legislative Interim Meetings
January 7, 8 and 9, 2007

Tuesday, January 9, 2007

3:00 pm - 4:00 pm

Joint Committee on Government and Finance

Senate

Tomblin, Chair	<input checked="" type="checkbox"/>
Chafin	<input checked="" type="checkbox"/>
Helmick	<input checked="" type="checkbox"/>
Kessler	<input checked="" type="checkbox"/>
Sharpe	<input checked="" type="checkbox"/>
Deem	<input checked="" type="checkbox"/>
Sprouse	<input checked="" type="checkbox"/>

House

<u>Absent</u>	Kiss, Chair	<input checked="" type="checkbox"/> Thompson
	Amores	<input type="checkbox"/>
	Mahan	<input checked="" type="checkbox"/>
	Michael	<input type="checkbox"/>
	Staton	<input type="checkbox"/>
	Hall	<input checked="" type="checkbox"/>
	Trump	<input type="checkbox"/>

I certify that the attendance as noted above
is correct.



Staff Person

Anne Landgrebe

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

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

Welfare Reform *no per. Susan Polley at Nancy Atkins*

Medicaid Report *waiting*

Pharmaceutical Cost Management Council

Board of Treasury Investments Report

Detailed Agenda for President, Speaker, Aaron, Homburg and File Copy *Blue*

Shortened Agenda for Members 12 Copies *-Green*

Shortened Agenda for Public 30 Copies *-Green*

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.

DACC a year instead of monthly

(President Tomblin presides)

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
January 9, 2007

3:00 - 4:00 p.m.

Senate Finance Room

1. Approval of December 12, 2006, minutes
2. Committee Reports/Requests:

The following committees submitted interim reports for 2006:

- a. **Agriculture & Agribusiness Committee** (Senator Edgell and Delegate Stemple, Cochairs)
- b. **Joint Commission on Economic Development** (Senator McCabe and Delegate Cann, Cochairs)
- c. **Education Subcommittee A - Public Education** (Senator Edgell and Delegate Williams, Cochairs)
- d. **Education Subcommittee B - No Child Left Behind** (Senator Hunter and Delegate Paxton, Cochairs)
- e. **Education Subcommittee C - School Aid Formula** (Senator Plymale and Delegate Campbell, Cochairs)
- f. **Joint Standing Committee on Finance** (Senator Helmick and Delegate Michael, Cochairs)
- g. **Forest Management Review Commission** (Senator Helmick and Delegate Morgan, Cochairs)
- h. **Legislative Oversight Commission on Health and Human Resources Accountability** (Senator Prezioso and Delegate Leach, Cochairs)
- i. **Insurance Availability & Medical Malpractice Insurance Subcommittee** (Senator Minard and Delegate Kominar, Cochairs)
- j. **Commission on Interstate Cooperation** (Senator Jenkins and Delegate Caputo, Cochairs)
- k. **Parks, Recreation and Natural Resources Subcommittee** (Senator Fanning, Delegate Paxton and Delegate Richard Thompson, Chairs)
- l. **Joint Committee of Pensions and Retirement** (Senator Foster and Delegate Stalnaker, Cochairs)
- m. **Select Committee A - Children, Juveniles and Other Issues** (Senator Prezioso and Delegate Mahan, Cochairs)
- n. **Select Committee B - Minority Issues** (Senator Hunter and Delegate Webster, Cochairs)
- o. **Select Committee C - Infrastructure** (Senator Unger and Delegate Browning, Cochairs)

3. **Monthly/Quarterly Reports Distribution:**
Status Reports on the Lottery Commission, General Revenue Fund and Unemployment Compensation Trust Fund
4. **Monthly/Quarterly Reports Distribution:**
PEIA, BRIM, CHIP and Leases & Contracts Report - *Robert Ferguson, Jr., Secretary, Admin.*
5. **Monthly/Quarterly Reports Distribution from Department of Health and Human Resources:**
Medicaid Report - *Martha Walker, Secretary, DHHR*
6. **Monthly Report Distribution - Pharmaceutical Cost Management Council - Shana Phares, Chair**
7. **Board of Treasury Investments Report Distribution**
8. **WVU Foundation - Dave Miller**
9. **Mental Health Parity Analysis Report for 2006 - Tim Murphy, Associate Counsel and Mark Wilson, Director of Insurance Research**
10. **Other Business**
11. **Adjournment**

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
January 9, 2007

3:00 - 4:00 p.m.

Senate Finance Room

1. Approval of December 12, 2006, minutes
2. Committee Reports/Requests
3. Monthly/Quarterly Reports distribution
Lottery
General Revenue
Unemployment Compensation Trust Fund
PEIA
BRIM
CHIP
Leases and Contracts
Medicaid Report
Pharmaceutical Cost Management Council
Board of Treasury Investments Report Distribution
WVU Foundation
Mental Health Parity Analysis Report for 2006
4. Other Business
5. Adjournment

December 12, 2006

3:00 - 4:00 p.m.

Joint Committee on Government and Finance

Senate

Tomblin, Chair
Chafin (absent)
Helmick
Kessler
Sharpe (absent)
Deem
Sprouse

House

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

President Tomblin, Cochair, presided.

1. Approval of Minutes

Upon motion by Senator Deem, properly adopted, the minutes of the November 15, 2006, meeting were approved.

2. Committee Reports/Requests

Legislative Intern Committee - Jason Wazelle

Upon motion by Delegate Michael and properly adopted, the request for two additional intern positions, not to exceed \$10,400, for the 2007 Legislative Session, was authorized.

3. Lottery, General Revenue Reports, and Unemployment Compensation Trust Fund

Distributed to members of the Committee were the following: Lottery Financial report for the month ended October 31, 2006; the General Revenue Fund status report as of November 30, 2006; and the Unemployment Compensation Trust Fund report for the month ended September 30, 2006. Distributed with each of the reports were an analysis and a summary of the reports.

4. PEIA, BRIM and CHIP Reports

The following monthly PEIA reports were distributed: Monthly Management Report, Financial Report, and Prescription Drug Report for October 2006. Ted Cheatham, Director, PEIA, said drugs are still trending a little higher than last year. Revenues over expenses to date is \$39 million.

The following BRIM reports were distributed: An unaudited balance sheet and unaudited income statement for the period ending October 31, 2006. Chuck Jones, Executive Director, BRIM, said the financial position continues to improve. Investments are up and there is no unfunded liability.

The following reports from CHIP were distributed: A report of enrollment for November 2006 and the financial statements for period ending October 31, 2006. Sharon Carte, Executive Director, CHIP, said currently there is an enrollment of 25,270 enrollees for November, which is an increase of 2.7% from over a year ago. The administrative costs are down about 7%.

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

A leasing report for November 1, 2006, through December 4, 2006, was distributed. Robert Ferguson, Jr., Cabinet Secretary, Department of Administration, said there has been 25 changes for the month with 11 new contracts, 9 straight renewals, 2 renewal adding some square footage and 3 renewals with rent increases.

6. **Departments of Health and Human Resources (DHHR) Monthly Report**

A Welfare Reform report dated December 2006 was distributed which reflects WV Works cases statewide and support services payments.

A Medicaid Report dated December 2006 was distributed.

7. **Pharmaceutical Cost Management Council**

A Pharmaceutical Cost Management Council handout was distributed. Shana Phares, Acting Pharmaceutical Advocate and Chair of the Pharmaceutical Cost Management Council, reported on what the Council has done during its existence.

8. **Board of Treasury Investments Report Distribution**

A Board of Treasury Investments Report dated October 2006 was distributed.

9. **Interim Meeting Dates**

The next interim meeting dates are January 7 - 9, 2007.

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

January 7, 2007

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

Lottery Commission as of November 30, 2006 :

Appears to be in good condition. Gross receipts for the months of July -November of fiscal year 2006-2007, were \$ 653.3 million; which was 5.73% above the same months of fiscal year 2005-2006.

General Revenue Fund as of December 31, 2006:

Collections were at 106.98% of the yearly estimate as of December 31, 2006.

State Road Fund as of December 31, 2006:

Fund collections were at 106.76% of the yearly estimate.

Unemployment Compensation Trust as of November 30, 2006:

For the first five months of fiscal year 2006-2007, the overall ending trust fund balance was \$17.2 million more than the same five months of fiscal year 2005-2006.

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: Joint Committee on Government and Finance

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

Date: January 10, 2007

Re: Review of West Virginia Lottery Financial Information
As of November 30, 2006 (FY 2007)

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the month ended November 30, 2006, from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. This report is for five 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 \$653,346,000.00. These gross receipts were 5.73 % ABOVE the total as of November 30, 2005 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 - November 2006 was \$ 268,792,000.00; for the previous fiscal year it was \$249,886,000.00. Expressed as a percentage, gross profit is **7.57% higher** for July - November 2006 than for July - November 2005.

Joint Committee on Government and Finance

Lottery continued

Operating Income:

Operating income was \$ 260,713,000.00 for July - November 2006. For July - November 2005 it was \$ 242,923,000.00. This was an increase of 7.32%.

Operating Transfers to the State of West Virginia:

A total of \$ 258,561,000.00 has been accrued to the state of West Virginia for fiscal year 2006-2007. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. (Amounts owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.)

A schedule of cash transfers follows:

Bureau of Senior Services	\$ 42,136,000.00
Department of Education	\$ 32,704,000.00
Educational Broadcasting Authority	
Library Commission	\$ 10,522,000.00
Higher Education-Central Office	\$ 38,834,000.00
Tourism	\$ 7,868,000.00
Department of Natural Resources	\$ 3,428,000.00
Division of Culture and History	\$ 5,222,000.00
Department of Education and Arts	\$ 1,385,000.00
State Building Commission	\$ 5,000,000.00
School Building Authority	\$ 9,000,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$156,099,000.00

Lottery continued

Excess Lottery Fund

General Purpose Fund	27,847,000.00
Economic Development Fund	9,500,000.00
Traffic Fund	0
Excess Lottery Surplus	0
Education Improvement Fund	5,000,000.00
WV Infrastructure Council Fund	0
Higher Education Improvement Fund	27,000,000.00
State Park Improvement Fund	0
Refundable Credit	196,000.00
School Building Authority	0.00
TOTAL EXCESS LOTTERY FUND	69,543,000.00

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 486,000.00

RACETRACK VIDEO LOTTERY TRANSFERS:	
Tourism Promotion Fund	\$5,173,000.00
Development Office Promo Fund	\$1,411,000.00
Research Challenge Fund .5%	\$1,881,000.00
Capitol Renovation and Improvement Fund .6875%	\$2,587,000.00
Parking Garage Fund .0625%	\$235,000.00
Parking Garage Fund 1%	\$500,000.00
Cultural Facilities and Cap. Resources Fund .5%	\$1,500,000.00

Lottery continued

Capitol Dome & Cap. Improvements Fund .5%	\$1,763,000.00
Workers Compensation Debt Reduction Fund 7%	\$11,000,000.00
SUBTOTAL VIDEO LOTTERY TRANSFERS:	\$26,050,000.00
TOTAL TRANSFERS	*\$356,431,000.00

* CASH BASIS

Total Applicable to last FY 2006:	147,676,000.00
Total Cash Distributions July -Nov.	356,431,000.00
Total Applied to FY 2006:	147,676,000.00
Total Applied to FY 2007:	208,755,000.00
Total Accrued for FY 2007:	49,806,000.00



P.O. BOX 2067
CHARLESTON, WV 25327

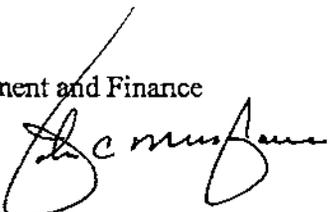
PHONE: 304-558-0500
FAX: 304-558-3321

Joe Manchin III
Governor

John C. Musgrave
Director

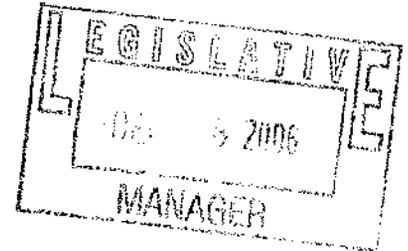
MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director 

RE: Monthly Report on Lottery Operations
Month Ending November 30, 2006

DATE: December 19, 2006



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

Financial statements of the Lottery for the month ending November 30, 2006 are attached. Lottery revenue, which includes on-line, instant and video lottery sales, was \$124,100,708 for the month of November.

Transfers of lottery revenue totaling \$46,535,918 made for the month of November 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 November 30, 2006 was 1,666 and 1,681 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/bf
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

www.wvlottery.com



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

FINANCIAL STATEMENTS
-UNAUDITED-

NOVEMBER 30, 2006

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	November 30, 2006	June 30, 2006
Current assets:		
Cash and cash equivalents	\$ 95,676	\$ 197,719
Accounts receivable	22,802	24,790
Inventory	503	588
Current portion of investments held in trust	38	57
Other assets	765	1,455
Total current assets	<u>119,784</u>	<u>224,609</u>
Noncurrent assets:		
Capital assets	12,623	11,719
Less accumulated depreciation and amortization	<u>(11,277)</u>	<u>(11,046)</u>
	1,346	673
Investments held in trust, less current portion	<u>321</u>	<u>612</u>
Total assets	<u>\$ 121,451</u>	<u>\$ 225,894</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 49,806	\$ 147,676
Estimated prize claims	16,349	15,992
Accounts payable	1,466	2,745
Other accrued liabilities	32,888	38,579
Current portion of deferred jackpot prize obligations	<u>326</u>	<u>336</u>
Total current liabilities	100,835	205,328
Deferred jackpot prize obligations, less current portion	<u>163</u>	<u>316</u>
Total liabilities	<u>100,998</u>	<u>205,644</u>
Net assets:		
Invested in capital assets	1,346	673
Restricted assets (see note 8)	20,203	20,000
Unrestricted (deficit)	<u>(1,096)</u>	<u>(423)</u>
Total net assets	<u>20,453</u>	<u>20,250</u>
Total liabilities and net assets	<u>\$ 121,451</u>	<u>\$ 225,894</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FIVE MONTH PERIOD ENDED NOVEMBER 30, 2006

(In Thousands)
 -Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2006	2005	2006	2005
Lottery revenues				
On-line games	\$ 6,420	\$ 6,258	\$ 36,389	\$ 40,124
Instant games	8,525	9,283	45,324	43,494
Racetrack video lottery	77,071	71,683	412,895	392,674
Limited video lottery	32,085	28,806	158,738	141,645
	<u>124,101</u>	<u>116,030</u>	<u>653,346</u>	<u>617,937</u>
Less commissions				
On-line games	449	438	2,547	2,809
Instant games	597	650	3,173	3,045
Racetrack video lottery	43,166	40,238	242,231	231,455
Limited video lottery	16,980	16,374	84,004	77,234
	<u>61,192</u>	<u>57,700</u>	<u>331,955</u>	<u>314,543</u>
Less on-line prizes	3,300	3,120	18,532	20,795
Less instant prizes	5,787	6,393	31,013	29,373
Less ticket costs	124	167	651	831
Less vendor fees and costs	424	466	2,403	2,509
	<u>9,635</u>	<u>10,146</u>	<u>52,599</u>	<u>53,508</u>
Gross profit	<u>53,274</u>	<u>48,184</u>	<u>268,792</u>	<u>249,886</u>
Administrative expenses				
Advertising and promotions	493	(84)	3,547	2,798
Wages and related benefits	555	483	2,516	2,283
Telecommunications	205	50	965	797
Contractual and professional	728	132	1,679	1,520
Rental	53	48	258	236
Depreciation and amortization	48	111	231	576
Other administrative expenses	81	93	459	418
	<u>2,163</u>	<u>833</u>	<u>9,655</u>	<u>8,628</u>
Other Operating Income	<u>77</u>	<u>61</u>	<u>1,576</u>	<u>1,665</u>
Operating Income	<u>51,188</u>	<u>47,412</u>	<u>260,713</u>	<u>242,923</u>
Nonoperating income (expense)				
Investment income	372	252	3,314	1,176
Interest expense	(3)	(8)	(19)	(48)
Distributions to municipalities and counties	(629)	(565)	(3,111)	(2,776)
Distributions to racetracks-capital reinvestment	(1,442)	(1,318)	(2,133)	(1,616)
Distributions to the State of West Virginia	(49,399)	(45,773)	(258,561)	(239,659)
	<u>(51,101)</u>	<u>(47,412)</u>	<u>(260,510)</u>	<u>(242,923)</u>
Net income	<u>87</u>	<u>-</u>	<u>203</u>	<u>-</u>
Net assets, beginning of year	20,250	250	20,250	250
Net assets, end of year	<u>\$ 20,337</u>	<u>\$ 250</u>	<u>\$ 20,453</u>	<u>\$ 250</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIVE MONTH PERIOD ENDED NOVEMBER 30, 2006

(In Thousands)
- Unaudited -

	2006	2005
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 656,910	\$ 612,937
Cash payments for:		
Personnel costs	(2,516)	(2,288)
Suppliers	(7,350)	(8,974)
Other operating costs	(374,129)	(361,313)
Cash provided by operating activities	<u>272,915</u>	<u>240,362</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(356,431)	(271,410)
Distributions to municipalities and counties	(3,095)	(2,732)
Distributions to racetrack from racetrack cap. reinv. fund	(17,931)	(15,870)
Deferred jackpot prize obligations and related interest paid	(19)	(49)
Cash used in noncapital financing activities	<u>(377,476)</u>	<u>(290,061)</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	324	726
Investment earnings received	<u>3,098</u>	<u>1,179</u>
Cash provided by investing activities	<u>3,422</u>	<u>1,905</u>
Increase (decrease) in cash and cash equivalents	(102,043)	(47,794)
Cash and cash equivalents - beginning of period	<u>197,719</u>	<u>113,742</u>
Cash and cash equivalents - end of period	<u>\$ 95,676</u>	<u>\$ 65,948</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 260,713	\$ 242,923
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	231	576
Changes in operating assets and liabilities:		
Increase (decrease) in accounts receivable	1,987	6,665
Decrease (increase) in inventory	85	119
Increase (decrease) in other assets	690	(57)
Increase (decrease) in estimated prize claims	358	489
Increase (decrease) in accounts payable	(1,279)	(526)
Decrease (increase) in other accrued liabilities	10,130	(9,827)
Cash provided by operating activities	<u>\$ 272,915</u>	<u>\$ 240,362</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 are subleased to the Lottery's game vendor. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the five months ended November 30, 2006 and November 30, 2005 approximated \$257,806 and \$236,000, respectively. Sublease rental income for the five months ended November 30, 2006 and November 30, 2005 approximated \$43,220 and \$43,220, 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 November 30, 2006 the carrying amounts of deposits (overdraft) with financial institutions were (\$16) thousand with a bank balance of \$54 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>November 30, 2006</u>	<u>June 30, 2006</u>
Amount on deposit with the IMB	<u>\$95,692</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 November 30, 2006 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 November 30, 2006
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 November 30, 2006
Improvements	\$ 848	\$ 32	\$ -	\$ 880
Equipment	10,198	199	-	10,397
	<u>\$ 11,046</u>	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ 11,277</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 November 30, 2006 were \$3,513,289 and \$22,286,971 while related prize costs for the same periods were \$1,836,024 and \$11,193,234.

Revenues derived from the Lottery's participation in the HOT LOTTO game for the month and year-to-date periods ended November 30, 2006 were \$453,753 and \$1,876,137 while related prize costs for the same periods were \$232,124 and \$1,062,727.

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 November 30, 2006 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 \$94,252,690 of which the Lottery's share was \$2,267,945. 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 November 30, 2006 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>2006</u>	<u>Month</u> <u>2005</u>	<u>Year- to</u> <u>2006</u>	<u>-Date</u> <u>2005</u>
Total credits played	\$810,262	\$767,358	\$4,367,091	\$4,230,904
Credits (prizes) won	(732,876)	(695,675)	(3,952,529)	(3,838,230)
MWAP Contributions	(315)	-	(1,667)	-
Gross terminal income	<u>\$77,071</u>	<u>\$71,683</u>	<u>\$412,895</u>	<u>\$392,674</u>
Administrative costs	(1,652)	(1,559)	(14,233)	(13,939)
Net Terminal Income	<u>\$75,419</u>	<u>\$70,124</u>	<u>\$398,662</u>	<u>\$378,735</u>
Less distribution to agents	(43,166)	(40,238)	(242,231)	(231,455)
Racetrack video lottery revenues	<u>\$32,253</u>	<u>\$29,886</u>	<u>\$156,431</u>	<u>\$147,280</u>

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

	<u>November 30, 2006</u>	<u>Year-to Date</u>
State Lottery Fund	\$11,894	\$103,680
State Excess Lottery Revenue Fund	16,095	23,970
Capital Reinvestment Fund	1,442	2,132
Tourism Promotion Fund 1.375%	970	5,378
Development Office Promotion Fund .375 %	265	1,468
Research Challenge Fund .5 %	353	1,956
Capitol Renovation & Improvement Fund .6875 %	485	2,690
Parking Garage Fund .0625 %	44	244
Parking Garage Fund 1 %	-	500
Cultural Facilities & Capitol Resources Fund .5 %	146	1,500
Capitol Dome & Capitol Improvements Fund .5 %	559	1,913
Worker's Compensation Debt Reduction Fund 7 %	-	11,000
Total nonoperating distributions	<u>\$32,253</u>	<u>\$156,431</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 November 30, 2006 and year-to-date follows (in thousands):

	<u>Current</u> <u>2006</u>	<u>Month</u> <u>2005</u>	<u>Year- to -Date</u> <u>2006</u>	<u>2005</u>
Total credits played	\$388,958	\$347,369	\$1,937,070	\$1,722,919
Credits (prizes) won	(356,873)	(318,562)	(1,778,332)	(1,581,274)
Gross terminal income	\$32,085	\$28,807	\$158,738	\$141,645
Administrative costs	(641)	(576)	(3,175)	(2,833)
Gross Profit	\$31,444	\$28,231	\$155,563	\$138,812
Commissions	(16,980)	(16,374)	(84,004)	(77,234)
Municipalities and Counties	(629)	(565)	(3,111)	(2,776)
Limited video lottery revenues	<u>\$13,835</u>	<u>\$11,292</u>	<u>\$68,448</u>	<u>\$58,802</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 November 30, 2006 the Lottery made such distributions and accrued additional distributions of \$46,575,973. 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 November 30, 2006 the Lottery accrued additional distributions relating to racetrack video lottery operations of \$1,098,716.

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>November 30, 2006</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Bureau of Senior Services	\$ 5,512	\$ 42,136
Department of Education	4,278	32,704
Library Commission	1,376	10,522
Higher Education-Policy Commission	5,080	38,834
Tourism	1,029	7,868
Natural Resources	449	3,428
Division of Culture & History	683	5,222
Department of Education & Arts	181	1,385
Building Commission	1,000	5,000
School Building Authority	1,800	9,000
Total State Lottery Fund	\$ 21,388	\$156,099
<u>State Excess Lottery Revenue Fund:</u>		
Economic Development Fund	\$ 1,900	\$ 9,500
Higher Education Improvement Fund	1,000	5,000
General Purpose Account	19,605	27,847
Higher Education Improvement Fund	-	27,000
State Park Improvement Fund	-	-
School Building Authority	-	-
Refundable Credit	-	196
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	-	-
Total State Excess Lottery Revenue Fund	\$ 22,505	\$ 69,543
<u>Senate Bill 1010, 1016 & 1017</u>	\$ -	\$ 104,253
Total Budgetary distributions:	\$ 43,893	\$ 329,895
Veterans Instant Ticket Fund	\$ 43	\$ 486

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

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

Other Racetrack Video Lottery distributions:

Tourism Promotion Fund 1.375%	\$ 893	\$ 5,173
Development Office Promotion Fund .375%	244	1,411
Research Challenge Fund .5%	325	1,881
Capitol Renovation & Improvement Fund .6875%	447	2,587
Parking Garage Fund .0625 %	40	235
Parking Garage Fund 1 %	-	500
Cultural Facilities & Cap. Resources Fund .5%	256	1,500
Capitol Dome & Cap. Improvements Fund .5%	395	1,763
Workers Compensation Debt Reduction Fund 7%	-	11,000
Total	\$ 2,600	\$ 26,050
 Total nonoperating distributions to the State of West Virginia (cash basis)	\$46,536	\$356,431
 Accrued nonoperating distributions, beginning	(46,943)	(147,676)
Accrued nonoperating distributions, end	49,806	49,806
 Total nonoperating distributions to the State of West Virginia	\$ 49,399	\$258,561

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 November 30, 2006, 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>November 30, 2006</u>	<u>June 30, 2006</u>
Present value of deferred prize award obligations:		
Discounted obligations outstanding	\$ 469	\$ 615
Imputed interest accrued	<u>20</u>	<u>37</u>
	489	652
Less current portion of discounted obligations and accrued interest	<u>(326)</u>	<u>(336)</u>
Long-term portion of deferred prize award obligations	<u>\$ 163</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	189	17	206
June 30, 2008	159	23	182
June 30, 2009	<u>120</u>	<u>10</u>	<u>130</u>
	<u>\$ 468</u>	<u>\$ 50</u>	<u>\$ 518</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 November 30, 2006 are as follows (in thousands):

	<u>November 30, 2006</u>	<u>Year-to Date</u>
Lottery contributions	\$38	\$187
Employee contributions	16	81
Total contributions	\$54	\$268

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 Members of the Joint Committee on Government and Finance

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

Date: January 2, 2007

Re: Status of General Revenue Fund December 31, 2006

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

The net collections were **106.98%** of the estimate for the fiscal year. **The amount ABOVE estimate was \$ 116 million for the year.**

Corporate income/business franchise tax was \$ 61 million above the estimate.

Severance tax was \$ 32 million above the estimate as of December 31, 2006.

Joint Committee on Government and Finance

State Road Fund

The state road fund was collected at 106.76% of the estimate for the months of July - December. The entire fund was \$ 18.2 million above the estimate for the year.

Rainy Day and Personal Income Tax Reserve

The Rainy Day Fund (Revenue Shortfall Reserve Fund) had a cash balance of 221,692,063.45 as of December 31, 2006.

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	8,721,655.44
Balance December 31, 2006	221,692,063.45

The Special Income Tax Reserve Fund had a cash balance of \$36,619,318.96 as of December 31, 2006.

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

GENERAL REVENUE FUND FY 2006-2007

Monthly Revenue Estimates - July 2006
as of December 29, 2006 WVFIMS

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
			MONTHLY OVER/UNDER ESTIMATES VS ACTUAL COLLECTIONS			
Personal Income Tax	93,000,000	89,402,621	-3,597,379	588,700,000	584,568,095	-4,131,905
Consumer Sales Tax	84,000,000	80,944,014	-3,055,986	504,200,000	493,554,692	-10,645,308
Severance Tax	7,700,000	26,543,853	18,843,853	122,000,000	154,499,900	32,499,900
Corp Income /Business Franchise	51,700,000	79,546,259	27,846,259	118,900,000	179,980,151	61,080,151
Business and Occupation Use Tax	3,200,000	11,932,862	8,732,862	67,100,000	81,123,421	14,023,421
HB 102 - Lottery Transfers	7,600,000	8,855,012	1,255,012	56,400,000	64,376,912	7,976,912
Cigarette Tax	17,500,000	27,708,782	10,208,782	55,000,000	55,556,260	556,260
Insurance Tax	8,000,000	6,747,276	-1,252,724	52,800,000	53,235,704	435,704
Interest Income	0	-16,749	-16,749	47,700,000	47,392,902	-307,098
Property Transfer Tax	2,700,000	4,551,332	1,851,332	14,200,000	26,623,250	12,423,250
Departmental Collections	1,300,000	899,816	-400,184	8,800,000	6,411,761	-2,388,239
Liquor Profit Transfers	1,000,000	4,541,629	3,541,629	6,400,000	8,723,451	2,323,451
Beer Tax and Licenses	40,000	1,990,750	1,950,750	4,880,000	5,110,226	230,226
Charter Tax	500,000	529,632	29,632	3,900,000	3,890,919	-9,081
Property Tax	200,000	173,466	-26,534	3,300,000	3,782,402	482,402
Smokeless Tobacco Tax	200,000	222,863	22,863	2,900,000	2,807,793	-92,207
Racing Fees	400,000	417,597	17,597	2,400,000	2,500,821	100,821
Miscellaneous Transfers	0	130,000	130,000	1,000,000	340,000	-660,000
Miscellaneous Receipts	100,000	0	-100,000	600,000	2,817,177	2,217,177
Business Franchise Fees	100,000	83,665	-16,335	600,000	538,151	-61,849
Senior Citizen Tax Credit Reimb.	30,000	15,573	-14,427	580,000	527,575	-52,425
Telecommunications Tax	0	0	0	300,000	0	-300,000
Estate and Inheritance Tax	0	38,243	38,243	0	-532,981	-532,981
Refundable Credit Reim LTY	0	87,037	87,037	0	162,815	162,815
Video Lottery Transfers	0	0	0	0	195,999	195,999
Special Revenue Transfer	0	329,167	329,167	0	526,482	526,482
Cash Flow Transfer	0	0	0	0	0	0
TOTALS	0	0	0	0	0	0
TOTALS	279,270,000	345,674,701	66,404,701	1,662,660,000	1,778,713,877	116,053,877
Minus Cash Flow Transfer	0	0	0	0	0	0
Percent of Estimates		123.78%			106.98%	
TOTALS	279,270,000	345,674,701	66,404,701	1,662,660,000	1,778,713,877	116,053,877
Collections this day		39,068,574				

Prepared by Legislative Auditor's Office, Budget Division

STATE ROAD FUND
STATE ROAD FUND FY 2006-2007
Monthly Estimates July 2006
as of December 29 , 2006 WVFIMS

FINAL

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL		NET YTD COLLECTIONS	YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
			VS ACTUAL COLLECTIONS	YTD ESTIMATES		
Gasoline & Motor Carrier Rd Tax	12,700,000	17,970,420	5,270,420	141,800,000	162,928,856	21,128,856
Privilege Tax	11,049,000	10,687,144	-361,856	88,588,000	87,818,357	-769,643
Licenses & Registration	6,442,000	5,816,553	-625,447	39,094,000	36,993,896	-2,100,104
Highway Litter Control Fund	122,000	112,010	-9,990	739,000	752,875	13,875
TOTALS	30,313,000	34,586,128	4,273,128	270,221,000	288,493,984	18,272,984
Percent of Estimates		114.10%			106.76%	
Collections this day		16,248,918				

REVENUE SHORTFALL RESERVE FUND as of December 1, 2006 : \$218,528,447.04

SPECIAL INCOME TAX REFUND RESERVE FUND as of December 1, 2006: \$36,619,318.96

Prepared by Legislative Auditor's Office, Budget Division

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 Members of the Joint Committee on Government
and Finance

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

Date: January 4, 2007

Re: West Virginia Unemployment Compensation Trust Fund

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

For the five 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	\$57,398,947.91
Disbursements July 1, 2006 thru June 30, 2007	\$53,882,295.40
Balance November 30, 2006	\$248,435,191.68

ITEMS OF NOTE:

Regular benefits paid for July 2006- November 2006 were \$ 1.8 less than the same time period in fiscal year 2006. Total disbursements were \$ 6.8 million less than in July 2005- November 2005.

Joint Committee on Government and Finance

Receipts were \$1.2 million less than in July 2005 - November 2005. Overall ending trust fund balance was \$ 17.2 million more in November 2006 than in November 2005.

West Virginia's unemployment rate for the month of November 2006 was 4.7 percent. National unadjusted employment rate was 4.3 %.

Seasonally adjusted unemployment rates were 5.1 percent for West Virginia and 4.5 percent nationally.

Since November 2005 employment has risen 8,500 with gains in the following areas: 2,200 in trade, transportation and utilities, 1,600 in construction, 1,400 in natural resources and mining, 1,300 in leisure and hospitality, 1,000 in professional and business services, 500 in government, 600 in educational and health services, and 300 in information. Declines included 300 in manufacturing, and 100 in financial services.

**FINANCIAL CONDITION OF THE UNEMPLOYMENT COMPENSATION TRUST FUND
MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING SEPTEMBER 2005 AND SEPTEMBER 2006**

	SEPTEMBER 05	OCTOBER 05	NOVEMBER 05	SEPTEMBER 06	OCTOBER 06	NOVEMBER 06	THREE MONTH TOTAL VARIANCE *
Balance Forward	<u>\$237,355,799.37</u>	<u>\$232,389,544.29</u>	<u>\$227,338,548.36</u>	<u>\$254,864,472.92</u>	<u>\$249,884,930.81</u>	<u>\$248,481,821.25</u>	<u>\$54,147,374.87</u>
Add Receipts:							
1. Bond Assessment	\$220.70	\$859.89	\$634.74	\$0.00	\$186.71	\$0.00	(\$1,328.54)
2. Regular Contributions:	\$1,100,833.11	\$8,858,738.40	\$13,791,486.63	\$0.00	\$8,408,432.32	\$0.00	(\$938,556.38)
3. Extended Benefit Funds	\$0.00	\$0.00	\$0.00	\$700,277.52	\$0.00	\$11,805,854.82	(\$2,440,283.05)
4. Emergency Unemployment Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,125,000.00)
5. TEUC Unemployment Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$50,000.00	\$25,000.00	\$75,000.00	\$0.00	\$0.00	\$0.00	\$0.00
7. Reduced Tax Credits	\$0.00	\$0.00	\$125,000.00	\$0.00	\$50,000.00	\$100,000.00	(\$25,769,200.45)
8. Read Act Funds	\$326,234.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. Treasury Interest Credits	\$2,440,283.05	\$0.00	\$0.00	\$314,783.43	\$0.00	\$0.00	\$314,783.43
10. UCX (Military Agencies)	\$300,000.00	\$375,000.00	\$450,000.00	\$0.00	\$250,000.00	\$200,000.00	\$2,605,553.58
Total Monthly Receipts	<u>\$4,217,880.87</u>	<u>\$7,259,398.21</u>	<u>\$14,442,121.37</u>	<u>\$3,620,614.58</u>	<u>\$8,606,619.03</u>	<u>\$12,105,891.82</u>	<u>(\$1,586,074.92)</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	NA
Regular Benefits	\$8,722,019.82	\$11,780,089.95	\$10,110,879.34	\$6,334,741.46	\$11,560,537.75	\$9,822,452.18	(\$789,256.82)
Extended Benefits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Emergency Benefits	(\$1,845.00)	(\$3,225.00)	(\$1,838.00)	(\$1,145.00)	(\$1,857.00)	(\$918.00)	\$3,588.00
UCFE (Federal Workers) Benefits	\$67,782.25	\$77,841.18	\$74,878.02	\$57,545.62	\$78,801.54	\$74,317.77	(\$9,133.44)
UCX (Military Workers) Benefits	\$385,778.78	\$455,691.03	\$582,908.40	\$209,013.81	\$274,648.20	\$256,868.56	(\$504,048.82)
Read Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Disbursements	<u>\$9,183,935.95</u>	<u>\$12,310,396.14</u>	<u>\$10,576,823.76</u>	<u>\$8,600,156.69</u>	<u>\$12,009,728.59</u>	<u>\$10,152,521.49</u>	<u>(\$1,308,849.08)</u>
Trust Fund Balance	<u>\$232,389,544.29</u>	<u>\$227,338,548.36</u>	<u>\$231,203,743.97</u>	<u>\$249,884,930.81</u>	<u>\$248,481,821.25</u>	<u>\$248,435,191.68</u>	<u>\$53,870,109.13</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

NOVEMBER 2006

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS
NOVEMBER 2006

Page: 1

Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments	Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	183,082.20	167,368.30	110,687.84	171,076.06	884,405.33	840,613.35
	MATERNITY	104,315.16	153,991.10	103,264.38	140,713.23	839,760.82	720,968.98
	MEDICAL AND SURGICAL	5,226,564.31	6,033,056.48	4,885,579.13	6,243,835.84	27,740,609.39	31,914,416.72
	NEONATAL COMPLICATIONS	35,711.91	77,876.74	35,469.70	59,432.74	485,506.37	232,014.60

sum		5,549,673.58	6,432,292.63	5,135,001.05	6,615,057.86	29,950,281.91	33,708,013.65
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	44,368.66	46,685.82	27,002.53	42,520.69	221,377.45	225,469.80
	DIALYSIS	184,209.81	231,502.46	201,526.10	189,525.94	1,048,245.14	1,019,715.49
	EMERGENCY ROOM	395,206.20	419,711.85	356,626.83	380,408.23	1,869,052.63	2,081,321.51
	MATERNITY	42,647.93	40,760.33	29,298.82	37,052.00	181,474.42	190,608.10
	MEDICAL AND SURGICAL	6,182,705.81	7,291,438.99	5,776,545.65	6,926,536.88	33,188,654.29	36,721,500.46

sum		6,849,138.41	8,030,099.45	6,390,999.93	7,576,043.73	36,508,803.93	40,238,615.36
PHARMACY	PRESCRIPTION DRUGS	19,684,166.32	16,042,667.89	14,476,458.37	14,372,014.76	78,950,916.40	66,717,993.59

sum		19,684,166.32	16,042,667.89	14,476,458.37	14,372,014.76	78,950,916.40	66,717,993.59
PROFESSIONAL SERVICES	ADVANCED IMAGING	490,772.15	516,876.47	403,830.13	459,774.48	2,374,064.28	2,344,794.12
	AMBULANCE	259,127.41	263,281.63	194,870.97	227,266.98	1,233,032.30	1,208,295.53
	ANESTHESIA	550,844.51	637,791.17	511,044.44	625,026.05	3,039,371.50	3,286,155.13
	BEHAVIORAL	351,837.51	347,011.45	282,975.77	301,436.54	1,477,200.50	1,471,202.99
	CARDIOVASCULAR MEDICINE	421,607.23	440,137.43	317,880.17	412,294.92	1,953,749.11	2,038,122.39
	CERVICAL CANCER SCREENING	22,210.46	28,998.22	25,924.88	39,911.81	134,033.19	179,835.33
	DIALYSIS	9,328.93	18,275.78	35,380.94	33,995.28	59,010.83	141,157.43
	DME	399,223.43	464,967.26	404,331.66	440,817.00	2,069,579.97	2,406,999.92

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

NOVEMBER 2006
 Page: 2

Reporting Category	Type of Service	Current		12 Months Prior		12 Months Prior		Current Fiscal Yr		Previous Fiscal Yr	
		Rolling Avg PEIA Payments	Current Fiscal Yr PEIA Payments	Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments					
PROFESSIONAL SERVICES											
	EVALUATION AND MANAGEMENT	4,269,563.89	4,544,478.69	3,706,802.49	4,253,114.22	21,459,425.10	21,185,031.71	849,236.64	849,236.64	3,972,146.97	663,270.32
	IMMUNIZATION	270,907.11	160,974.20	159,557.47	113,455.16	3,790,799.50	3,972,146.97	2,539,048.22	2,539,048.22	2,645,868.19	2,645,868.19
	INJECTION	821,281.20	780,202.20	688,782.99	797,973.57	459,870.92	508,582.49	1,945,389.30	1,945,389.30	2,682,464.47	2,682,464.47
	LAB AND PATHOLOGY	550,017.81	620,294.72	454,856.91	526,132.12	4,239,243.13	4,063,345.23	3,249,386.35	3,249,386.35	2,946,050.69	2,946,050.69
	MAMMOGRAPHY	77,633.58	94,643.10	83,514.42	104,875.46	2,752,141.09	2,643,516.02	68,269.91	68,269.91	63,723.63	63,723.63
	OTHER	360,996.23	434,769.36	436,015.61	467,328.20	12,443,577.18	13,127,082.22	66,136,429.02	66,136,429.02	67,577,644.78	67,577,644.78
	OTHER IMAGING	781,554.74	906,006.27	714,759.04	792,900.89	4,063,345.23	4,063,345.23	3,249,386.35	3,249,386.35	2,946,050.69	2,946,050.69
	OTHER MEDICINE	519,285.09	671,842.72	415,819.18	652,362.83	511,641.26	511,641.26	11,142.61	11,142.61	63,723.63	63,723.63
	PHYSICAL MEDICINE	580,302.45	581,436.98	501,206.78	511,641.26	2,442,791.26	2,442,791.26	12,443,577.18	12,443,577.18	13,127,082.22	13,127,082.22
	PROSTATE CANCER SCREENING	11,632.99	17,182.69	15,780.36	11,142.61	68,269.91	63,723.63	68,269.91	68,269.91	63,723.63	63,723.63
	SURGICAL	2,403,320.03	2,601,306.46	2,191,534.12	2,442,791.26	12,443,577.18	13,127,082.22	66,136,429.02	66,136,429.02	67,577,644.78	67,577,644.78

SUM		13,151,446.75	14,130,476.78	11,544,868.33	13,214,240.65	66,136,429.02	67,577,644.78	211,546,431.26	211,546,431.26	208,242,267.38	208,242,267.38

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



Monthly Management Report

PER CAPITA CLAIMS

NOVEMBER 2006

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS
 NOVEMBER 2006

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	.9841	.9216	.5971	.9455	4.7566	4.5391
	MATERNITY	.5607	.8479	.5570	.7777	4.5165	3.8931
	MEDICAL AND SURGICAL	28.0948	33.2191	26.3534	34.5085	149.1964	172.3315
	NEONATAL COMPLICATIONS	.1920	.4291	.1913	.3283	2.6112	1.2528

sum		29.8317	35.4176	27.6988	36.5601	161.0806	182.0166
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.2385	.2570	.1457	.2350	1.1906	1.2175
	DIALYSIS	.9902	1.2747	1.0871	1.0476	5.6377	5.5063
	EMERGENCY ROOM	2.1244	2.3110	1.9237	2.1020	10.0523	11.2387
	MATERNITY	.2292	.2244	.1580	.2048	.9760	1.0292
	MEDICAL AND SURGICAL	33.2345	40.1473	31.1594	38.2795	178.4974	198.2888

sum		36.8168	44.2145	34.4738	41.8689	196.3541	217.2805
PHARMACY	PRESCRIPTION DRUGS	105.8101	88.3383	78.0878	79.4360	424.6191	360.2639

sum		105.8101	88.3383	78.0878	79.4360	424.6191	360.2639
PROFESSIONAL SERVICES	ADVANCED IMAGING	2.6381	2.8460	2.1783	2.5408	12.7684	12.6614
	AMBULANCE	1.3929	1.4497	1.0512	1.2560	6.6316	6.5246
	ANESTHESIA	2.9610	3.5120	2.7566	3.4541	16.3466	17.7446
	BEHAVIORAL	1.8913	1.9105	1.5264	1.6657	7.9448	7.9442
	CARDIOVASCULAR MEDICINE	2.2663	2.4234	1.7147	2.2784	10.5078	11.0055
	CERVICAL CANCER SCREENING	.1194	.1597	.1398	.2206	.7209	.9711
	DIALYSIS	.0501	.1006	.1908	.1879	.3174	.7622
	DME	2.1460	2.5603	2.1810	2.4361	11.1308	12.9973

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
 NOVEMBER 2006

Page: 2

Reporting Category	Type of Service	Current		12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments		
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	22.9506	25.0232	19.9949	23.5046	115.4145	114.3950
	IMMUNIZATION	1.4562	.8863	.8607	.6272	4.5674	3.5815
	INJECTION	4.4147	4.2959	3.7154	4.4099	20.3879	21.4488
	LAB AND PATHOLOGY	2.9566	3.4153	2.4536	2.9071	13.6557	14.2872
	MAMMOGRAPHY	.4173	.5212	.4505	.5797	2.4733	2.7462
	OTHER	1.9405	2.3941	2.3519	2.5825	10.4628	14.4848
	OTHER IMAGING	4.2012	4.9883	3.8555	4.3819	22.7998	21.9413
	OTHER MEDICINE	2.7914	3.6992	2.2430	3.6049	17.4761	15.9081
	PHYSICAL MEDICINE	3.1194	3.2013	2.7036	2.8276	14.8017	14.2745
	PROSTATE CANCER SCREENING	.0625	.0946	.0851	.0616	.3672	.3441
	SURGICAL	12.9188	14.3237	11.8214	13.4995	66.9249	70.8836

SUM		70.6942	77.8053	62.2744	73.0260	355.6994	364.9059
SUM		243.1527	245.7757	202.5348	230.8910	1,137.7532	1,124.4669

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

29 rows selected.



Monthly Management Report

PER CAPITA UTILIZATION

NOVEMBER 2006

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
NOVEMBER 2006

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	.0007	.0010	.0047	.0041
	MATERNITY	.0006	.0004	.0032	.0034
	MEDICAL AND SURGICAL	.0151	.0151	.0871	.0935
	NEONATAL COMPLICATIONS	.0002	.0002	.0010	.0011

sum		.0165	.0166	.0961	.1020
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0034	.0023	.0168	.0177
	DIALYSIS	.0043	.0054	.0255	.0296
	EMERGENCY ROOM	.0234	.0217	.1238	.1294
	MATERNITY	.0013	.0011	.0075	.0067
	MEDICAL AND SURGICAL	.2131	.2001	1.1200	1.2018

sum		.2455	.2306	1.2936	1.3853
PHARMACY	PRESCRIPTION DRUGS	1.2815	1.0122	5.4869	4.9914

sum		1.2815	1.0122	5.4869	4.9914
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0243	.0235	.1329	.1409
	AMBULANCE	.0104	.0083	.0506	.0496
	ANESTHESIA	.0213	.0207	.1134	.1228
	BEHAVIORAL	.0366	.0297	.1682	.1716
	CARDIOVASCULAR MEDICINE	.0488	.0474	.2563	.2705
	CERVICAL CANCER SCREENING	.0053	.0062	.0323	.0425
	DIALYSIS	.0015	.0022	.0059	.0126
	DME	.0437	.0406	.2074	.2325
	EVALUATION AND MANAGEMENT	.5763	.5161	2.8846	2.9315
	IMMUNIZATION	.0569	.0350	.1079	.0783

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

WEST VIRGINIA PUBLIC EMPLOYERS INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
 NOVEMBER 2006

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	.0327	.0262	.1582	.1484
	LAB AND PATHOLOGY	.1393	.1223	.7006	.6835
	MAMMOGRAPHY	.0131	.0140	.0753	.0862
	OTHER	.0775	.0459	.2307	.2066
	OTHER IMAGING	.1149	.1124	.6285	.6818
	OTHER MEDICINE	.0892	.0704	.4455	.4125
	PHYSICAL MEDICINE	.1023	.0956	.5437	.5469
	PROSTATE CANCER SCREENING	.0042	.0049	.0243	.0228
	SURGICAL	.1014	.0920	.5206	.5206

sum		1.4995	1.3132	7.2868	7.3621
sum		3.0430	2.5727	14.1633	13.8408

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

29 rows selected.



Financials

NOVEMBER 2006

State of West Virginia
Public Employees Insurance Agency
Balance Sheets
November 30, 2006 and 2005
Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

Assets	November <u>2006</u>	November <u>2005</u>	Increase <u><Decrease></u>
Cash and cash equivalents	\$ 124,282,750	\$ 82,579,156	\$ 41,703,594
Deposits with third-party administrators	820,472	2,063,536	(1,243,064)
Premium accounts receivable-net of allowance for doubtful accounts	28,807,217	28,705,554	101,663
Other accounts receivable	18,110,730	4,134,210	13,976,520
	-----	-----	-----
Total current assets	172,021,169	117,482,456	54,538,713
Investments	165,807,917	151,759,413	14,048,504
Furniture and equipment, net of accumulated depreciation	200,594	139,322	61,272
Restricted cash-premium stabilization life insurance	3,942,796	3,942,656	140
Restricted cash-new computer system	3,833,000	3,833,000	-
	-----	-----	-----
Total assets	\$ 345,805,476	\$ 277,156,847	\$ 68,648,629
	=====	=====	=====
Liabilities and Retained Earnings			
Claims payable	\$ 47,280,000	\$ 54,470,000	\$ (7,190,000)
Current claims payable	7,628,658	3,728,679	3,899,979
Unearned revenue	9,107,080	6,353,696	2,753,384
Accounts payable	10,819,607	11,799,688	(980,081)
Other accrued liabilities	1,178,634	1,059,466	119,168
Due to over-reserve fund	27,679,595	27,679,595	-
	-----	-----	-----
Total liabilities	103,693,574	77,411,529	26,282,045
Retained earnings	242,111,902	199,745,318	42,366,584
	-----	-----	-----
Total liabilities and retained earnings	\$ 345,805,476	\$ 277,156,847	\$ 68,648,629
	=====	=====	=====

For internal use only. See financial comments.
Prepared December 28, 2006

State of West Virginia
Public Employees Insurance Agency
Statements of Revenues, Expenses and
Changes in Retained Earnings (continued)
November 30, 2006 and 2005
Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

	Budgeted Five Months Ended 30-Nov-06	Actual Five Months Ended 30-Nov-06	Budget Variance Percent	Actual Five Months Ended 30-Nov-05	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
Operating Revenue						
Premiums						
Employer Premiums-State	\$ 170,339,024	\$ 171,365,399	0.60%	\$ 171,571,772	\$ (206,373)	-0.12%
Employee Premiums-State	19,794,323	40,145,154	0.88%	33,583,308	6,561,846	19.54%
Local Premiums	29,676,071	30,146,738	1.59%	28,485,810	1,660,928	5.83%
Retiree Premiums	27,695,549	26,780,915	-3.30%	22,304,707	4,476,208	20.07%
Basic Life Insurance	2,820,935	2,556,160	-9.39%	2,675,498	(119,338)	-4.46%
Other Premiums and Adjustments	865,029	671,253	-22.40%	2,046,597	(1,375,344)	-67.20%
Medicare Part D	8,333,333	8,333,000	0.00%	8,333,000	8,333,000	N/A
Total Premiums	279,524,264	279,998,619	0.17%	260,667,692	19,330,927	7.42%
Less:						
Payments to managed care organizations	(25,675,354)	(23,901,889)	-6.91%	(23,355,551)	(546,338)	2.34%
Life insurance premiums-basic	(2,820,935)	(2,532,920)	-10.21%	(2,676,013)	143,093	-5.35%
Net premium revenue	251,027,976	253,563,810	1.01%	234,636,128	18,927,682	8.07%
Administrative fees, net of refunds	2,524,562	2,460,194	-2.55%	2,449,832	10,362	0.42%
Net operating revenue	253,552,538	256,024,004	0.97%	237,085,960	18,938,044	7.99%
Operating Expenses						
Claims expense-medical	142,006,483	136,585,779	-3.82%	137,266,224	(680,445)	-0.50%
Claims expense-drugs	74,931,763	73,687,123	-1.66%	65,113,091	8,574,032	13.17%
Administrative service fees	6,969,285	7,228,425	3.72%	6,661,356	567,069	8.51%
Wellness and disease management	682,323	575,703	-15.63%	783,127	(207,424)	-26.49%
Other operating expenses	3,116,511	3,130,602	0.45%	3,101,227	29,375	0.95%
Total operating expense	227,706,366	221,207,632	-2.85%	212,925,025	8,282,607	3.89%
Operating surplus	25,846,172	34,816,372	34.71%	24,160,935	10,655,437	44.10%

State of West Virginia
 Public Employees Insurance Agency
 Statements of Revenues, Expenses and
 Changes in Retained Earnings (continued)
 November 30, 2006 and 2005
 Accrual Basis
 (Unaudited-For Internal Use Only)

DRAFT

	Budgeted Five Months Ended 30-Nov-06	Actual Five Months Ended 30-Nov-06	Budget Variance Percent	Actual Five Months Ended 30-Nov-05	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
Nonoperating Revenues and Transfers						
Interest income, banks, net of fees			N/A	13,679	(13,679)	-100.00%
Interest and investment income	4,361,459	13,640,165	212.74%	2,915,055	10,725,110	367.92%
Transfer in	2,791,667	2,787,618	-0.15%	4,072,369	(1,284,751)	-31.55%
	-----	-----		-----	-----	-----
Total nonoperating revenues and transfers	7,153,125	16,427,783	129.66%	7,001,103	9,426,680	134.65%
	-----	-----		-----	-----	-----
Net Surplus	\$ 32,999,297	\$1,244,155	55.29%	31,162,038	20,082,117	64.44%
Retained Earnings, beginning of period	=====	190,867,747	=====	168,583,280	22,284,467	=====
	-----	-----		-----	-----	-----
Retained Earnings, end of period		\$ 242,111,902		\$ 199,745,318	\$ 42,366,584	=====
		-----		-----	-----	-----

For internal use only. See financial comments.
 Prepared December 28, 2006

State of West Virginia
Public Employees Insurance Agency
Financial Comments

Year-to-Date November 30, 2006 and 2005
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). Sufficient resources have not yet become available for the preparation of separate accountings.

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.

In total the amounts included in the Budget Column will accumulate through Plan Year 2007 and at the end of our fiscal year agree to the Actuarial Baseline Forecast which was prepared October 3, 2006 and indicates a surplus of \$33,694,069.

PEIA's consulting actuaries have prepared an updated Actuarial Baseline Forecast dated December 22, 2006 which indicates a surplus of \$40,496,559 for Plan Year 2007. The Budget Column indicated in these reports have not yet been adjusted to reflect this update.



Prescription Drug Report

NOVEMBER 2006

WV PEIA - Monthly Trend

Plan Demographics	2006 - 2007						2005 - 2006 Fiscal	% Change
	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Fiscal		
Total Drug Cost	\$18,453,129	\$20,743,576	\$20,285,834	\$21,163,187	\$20,859,875	\$101,509,601	\$92,756,543	9.44%
Amount Paid By Plan Sponsor	\$11,151,941	\$15,959,661	\$16,205,418	\$17,165,649	\$17,027,400	\$77,510,069	\$68,965,072	12.39%
Amount Paid By Members	\$7,301,188	\$4,783,915	\$4,080,416	\$3,997,538	\$3,832,475	\$23,999,532	\$23,791,471	0.87%
Total Claims	274,547	302,868	298,591	312,460	308,061	1,496,527	1,431,167	4.57%
Average Eligible Member	187,147	187,079	188,336	188,420	188,654	187,927	186,720	0.65%
Average # of Rx's Per Member Per Month	1.47	1.62	1.59	1.66	1.63	1.59	1.53	3.90%
Avg. Claim Cost to Plan	\$59.59	\$85.31	\$68.05	\$91.10	\$90.26	\$82.49	\$73.87	11.67%
Avg. Member Cost/Claim	\$59.59	\$85.31	\$68.05	\$91.10	\$90.26	\$82.49	\$73.87	11.67%
Percent member Cost Share	39.6%	23.1%	20.1%	18.9%	18.4%	23.6%	25.6%	-7.82%
Average Ingredient Costs								
Single Source (no generics available)	\$131.91	\$133.48	\$133.01	\$132.66	\$133.52	\$132.93	\$119.10	11.61%
Multi-Source Brand (generics available)	\$34.99	\$51.01	\$35.95	\$34.43	\$35.12	\$38.87	\$32.42	19.90%
Generic Drugs	\$23.52	\$25.96	\$26.88	\$26.74	\$26.47	\$25.98	\$19.62	32.41%
Brand/Generic Dispensing Rates								
Single Source (no generics)	38.2%	37.23%	36.58%	36.6%	36.45%	36.98%	43.11%	-14.21%
Multi-Source Brand % (generics available)	1.4%	1.48%	1.22%	1.2%	1.13%	1.27%	1.42%	-10.36%
Generic Drug	60.4%	61.28%	62.20%	62.2%	62.43%	61.75%	55.47%	11.31%
Generics Dispensed when available	97.8%	97.64%	98.08%	98.2%	98.22%	97.98%	97.51%	0.49%
Percent of Plan Cost for Single Source	81.7%	76.19%	74.50%	74.3%	74.31%	75.79%	83.63%	-8.26%
Retail Pharmacy Program								
Avg. Day Supply	34.3	34.7	34.1	33.9	33.6	34.1	33.5	1.75%
Avg. Plan Cost/Day Supply	\$1.17	\$1.51	\$1.58	\$1.61	\$1.63	\$1.51	\$1.42	5.73%
Avg. Claim Cost to Plan	\$40.20	\$52.22	\$53.86	\$54.45	\$54.77	\$51.33	\$47.71	7.58%
Avg. Member Cost / Claim	\$26.46	\$15.67	\$13.58	\$12.72	\$12.37	\$15.94	\$16.52	-3.50%
Percent Member Cost Share	39.7%	23.08%	20.15%	18.9%	18.42%	23.69%	25.71%	-7.86%
Special Maint Netwk (% of claims filled)	12.5%	13.13%	12.91%	12.8%	12.96%	12.67%	11.87%	8.42%
Other Maint (% of claims filled)	1.7%	1.74%	1.55%	1.4%	1.02%	1.47%	1.55%	-4.96%
Avg. Days Supply for Maint. Netwks	87.9	87.9	87.9	87.9	87.9	87.9	87.9	-0.03%
Total # Claims Fills 1-34 Day Supply	233,074	255,126	252,878	265,385	262,226	1,268,691	1,227,145	3.99%
Total # Claims Fills 35-60 Day Supply	2,053	2,302	2,248	2,245	2,205	11,053	10,232	8.02%
Total # Claims Fills 61-90 Day Supply	36,561	42,228	40,557	41,655	40,422	201,427	179,667	11.99%
Total # Claims Fills 91+ Day Supply	30	42	28	34	41	175	177	-1.13%
Mail Service Program								
Avg. Days Supply	73.8	75.3	73.1	74.4	74.7	74.3	73.9	0.57%
Avg. Plan Cost/Day Supply	\$1.10	\$1.30	\$1.32	\$1.36	\$1.39	\$1.30	\$1.31	-0.75%
Avg. Cost to Plan	\$80.94	\$97.98	\$96.81	\$103.31	\$103.70	\$96.84	\$97.02	-0.18%
Avg. Member Cost/Claim	\$39.84	\$27.94	\$22.49	\$20.06	\$19.46	\$25.73	\$27.71	-7.17%
Percent Member Cost Share	33.0%	22.18%	18.68%	16.3%	15.80%	20.99%	22.22%	-5.53%
Total # Claims Fills 1-34 Days Supply	767	786	821	828	817	4018	3728	7.81%
Total # Claims Fills 35-60 Days Supply	8	13	5	5	6	41	36	13.89%
Total # Claims Fills 61-90 Days Supply	2,054	2,369	2,050	2,304	2,344	11,121	8,982	11.41%
Total # Claims Fills 91+ Day Supply								
Formulary Program								
3/S Formulary Drugs (% by claim)	25.2%	24.79%	24.42%	24.5%	24.31%	24.63%	30.56%	-18.43%
3/S Non-Formulary Drugs (% by claim)	13.0%	12.45%	12.16%	12.1%	12.14%	12.36%	12.54%	-1.49%
M/S Drugs (% by claim)	0.1%	0.16%	0.01%	0.0%	0.01%	0.05%	0.03%	98.91%
Generic Drugs (% by Claim)	60.4%	61.28%	62.20%	62.3%	62.43%	61.75%	55.47%	11.31%
3/S Formulary Drugs (% by \$)	63.6%	58.21%	57.18%	56.8%	56.60%	58.09%	66.20%	-12.25%
3/S non-Formulary Drugs (% by \$)	18.1%	17.98%	17.32%	17.5%	17.71%	17.70%	17.33%	2.13%
M/S Drugs (% by \$)	0.0%	0.46%	0.02%	0.0%	0.01%	0.11%	0.04%	193.51%
Generic Drugs (% by \$)	18.0%	23.02%	25.22%	25.5%	25.44%	23.84%	16.16%	47.47%
Specialty Drugs								
Total Drug Cost	\$1,364,512	\$1,570,302	\$1,536,963	\$1,479,075	\$1,456,730	\$7,407,572	\$6,255,180	18.42%
Amount Paid by Plan Sponsor	\$1,279,356	\$1,509,284	\$1,478,665	\$1,423,388	\$1,401,953	\$7,092,645	\$5,988,006	18.45%
Amount Paid by Members	\$85,156	\$61,019	\$58,288	\$55,687	\$54,777	\$314,927	\$267,171	17.87%
Total Claims	1,022	1,139	1,133	1,093	1,085	5,476	5,430	0.85%
Avg # of Rx's per Member per Month	0.021	0.01	0.01	0.01	0.01	0.01	0.01	0.18%
Avg. Claim Cost to Plan	\$6.84	\$8.07	\$7.85	\$7.55	\$7.43	\$7.55	\$6.42	17.66%
Avg. Member Cost to Member	\$1,251.82	\$1,325.10	\$1,305.09	\$1,302.28	\$1,287.38	\$1,295.22	\$1,102.76	17.45%
Avg. Claim Cost to Member	\$83.32	\$53.57	\$51.45	\$50.95	\$50.30	\$57.51	\$48.20	16.88%
Percent of Member Cost Share	6.24%	3.89%	3.79%	3.76%	3.76%	4.25%	4.27%	-0.46%

Utilization Report by Population Level
 Prescriptions Filled From 11/2006 - 11/2006
 WV Public Employees Ins - w/o AccessWV



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WV PUBLIC EMPLOYEES INSURANCE (WVA)

Reporting Level 1	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Cost/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
STATE (1000)	165,364	84,983	274,279	\$15,234,906.67	\$12.50	\$55.55	1.0 %	62.2 %	85.9 %	98.2 %	\$92.13
NON STATE (2000)	22,911	10,699	33,818	\$1,775,043.72	\$12.10	\$52.49	1.2 %	64.3 %	87.0 %	98.5 %	\$77.48
COBRA (3000)	379	214	748	\$50,767.80	\$12.96	\$67.87	0.0 %	60.4 %	87.8 %	98.1 %	\$133.95
Grand Total	188,654		388,845	\$17,060,718	\$12.45	\$55.24	1.0 %	62.4 %	86.0 %	98.2 %	\$90.43

Utilization Report by Population Level
 Prescriptions Filled From 11/2006 - 11/2006
 WV Public Employees Ins - w/o AccessWV



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WV PUBLIC EMPLOYEES INSURANCE (WVA)

Reporting Level 2	Avg Mbr Count	Avg Util Mbr/Month	Rx Count	Plan Cost	Member Cost/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PH/PM Plan Cost
STATE AGENCIES (01)	117,801	51,484	139,866	\$7,534,652.86	\$12.90	\$53.87	0.9 %	61.9 %	85.7 %	98.3 %	\$63.96
STATE RETIREES (07)	37,676	27,289	107,354	\$6,180,592.82	\$13.04	\$57.57	1.1 %	61.7 %	85.7 %	97.9 %	\$164.05
NON STATE AGENCIES (02)	17,162	7,269	20,539	\$1,073,591.82	\$12.39	\$52.27	1.1 %	64.1 %	87.1 %	98.5 %	\$62.56
STATE RETIREES ASST 60 (0760)	4,289	3,372	15,957	\$937,860.10	\$7.05	\$58.77	1.0 %	64.3 %	87.7 %	98.5 %	\$218.67
STATE RETIREES ASST 40 (0740)	2,286	1,827	8,341	\$463,894.33	\$8.54	\$55.62	1.3 %	65.9 %	88.6 %	98.4 %	\$202.93
NON STATE RETIREES (08)	2,635	1,943	8,134	\$435,434.20	\$12.44	\$53.53	1.5 %	63.0 %	85.9 %	98.0 %	\$165.25
NON STATE RETIREES 60 (0860)	614	476	2,262	\$146,342.54	\$7.10	\$64.70	1.6 %	63.7 %	86.6 %	98.5 %	\$238.34
STATE RETIREES ASST 20 (0720)	425	335	1,441	\$75,603.27	\$9.85	\$52.47	2.4 %	65.9 %	87.7 %	97.6 %	\$177.89
NON STATE AGENCIES PLAN B (02B)	2,175	761	1,843	\$63,092.35	\$15.56	\$34.23	1.2 %	71.9 %	90.8 %	99.2 %	\$29.01
COBRA (COBRA)	379	214	748	\$50,767.80	\$12.96	\$67.87	0.0 %	60.4 %	87.8 %	99.1 %	\$133.95
NON STATE RETIREES 40 (0840)	264	200	860	\$47,704.45	\$8.40	\$54.90	2.0 %	66.1 %	88.3 %	98.8 %	\$180.70
STATE AGENCIES (01B)	2,887	676	1,320	\$42,303.29	\$19.50	\$32.05	1.1 %	69.1 %	86.9 %	98.8 %	\$14.65
NON STATE RETIREES 20 (0820)	61	50	171	\$8,878.36	\$9.29	\$51.92	0.0 %	66.7 %	87.1 %	99.1 %	\$145.55
Grand Total	188,654		308,845	\$17,060,718	\$12.45	\$55.24	1.0 %	62.4 %	86.0 %	98.2 %	\$90.43

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET



November 30

	2006	2005
ASSETS		
Short Term Assets		
Cash and Equivalents	\$ 30,430,669	\$ 49,023,061
Advance Deposit with Carrier/Trustee	106,335,288	62,597,390
Receivables - Net	1,586,254	2,022,963
Prepaid Insurance	3,581,325	2,422,383
Total Short Term Assets	141,933,536	116,065,797
Long Term Assets		
Investments	113,596,336	103,410,306
Total Long Term Assets	113,596,336	103,410,306
TOTAL ASSETS	255,529,872	219,476,103
LIABILITIES		
Short Term Liabilities		
Accounts payable	452,501	734,367
Claims Payable	2,657	161,002
Agents Commissions Payable	832,726	866,806
Unearned Revenue	15,982,239	16,157,665
Current Estimated Claim Reserve	54,992,290	53,382,560
Total Short Term Liabilities	72,262,413	71,302,400
Long Term Liabilities		
Compensated Absences	163,620	166,553
Estimated Noncurrent Claim Reserve	125,994,041	137,281,261
Total Long Term Liabilities	126,157,661	137,447,814
TOTAL LIABILITIES	198,420,074	208,750,214
Prior Year Net Assets (Deficiency)	44,843,685	526,803
Current Year Earnings (Loss)	12,266,113	10,199,086
TOTAL NET ASSETS (DEFICIENCY)	57,109,798	10,725,889
TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIENCY)	\$ 255,529,872	\$ 219,476,103

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



	November 30	
	2006	2005
Operating Revenues		
Premium Revenues	\$ 34,369,113	\$ 36,034,502
Less - Excess Insurance	(2,558,089)	(1,730,270)
Total Operating Revenues	31,811,024	34,304,232
Operating Expenses		
Claims Expense	27,155,932	24,149,580
Property & MS Claims Expense	1,925,590	890,913
Personal Services	533,331	516,140
Operating Expenses	1,214,722	1,314,757
Total Operating Expenses	30,829,575	26,871,390
Operating Income (Loss)	981,449	7,432,842
Nonoperating Revenues		
Court Fees	10,890	13,156
Claim Interest Income	189,219	-
Investment Income	11,084,555	2,753,088
Total Nonoperating Revenues	11,284,664	2,766,244
Net Income (Loss)	12,266,113	10,199,086

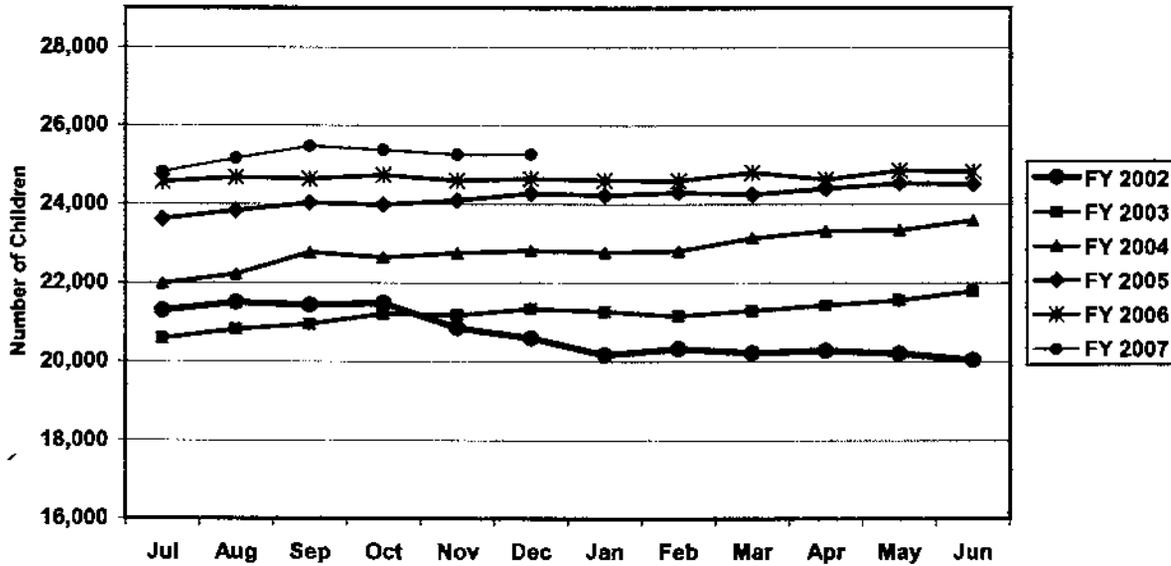


West Virginia
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Joint Committee on Government and Finance Report

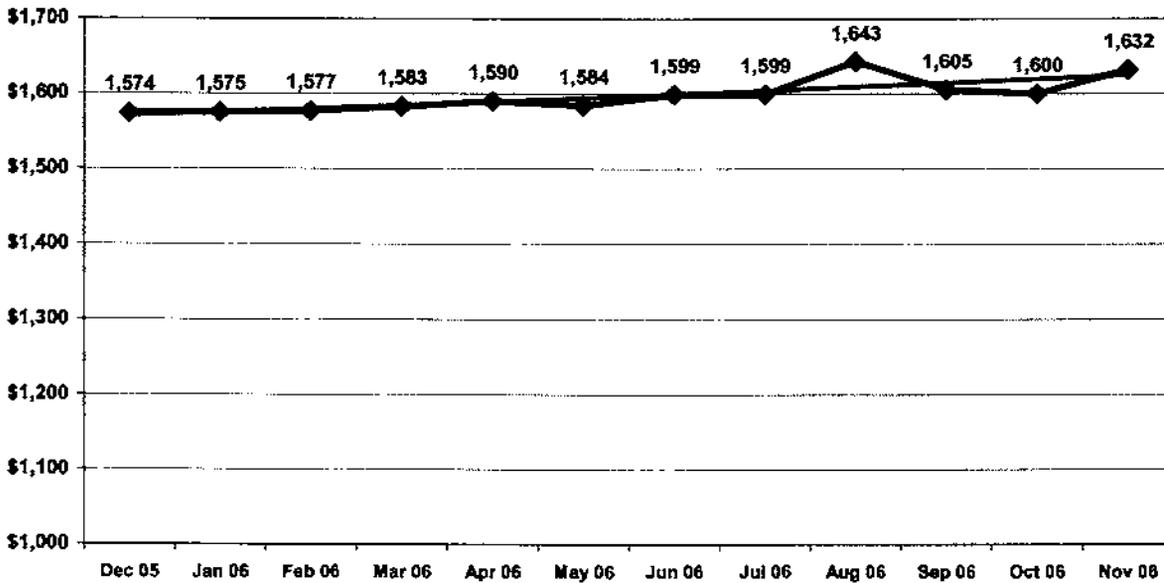
January 2007

WV CHIP Enrollment



December 29, 2006 Enrollment 25,273

Annualized Health Care Expenditures (Cost per Child)



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

	November 30, 2006	November 30, 2005	Variance	
Assets:				
Cash & Cash Equivalents	\$2,310,610	\$1,816,574	\$494,036	27%
Due From Federal Government	\$2,817,011	\$3,405,079	(\$588,068)	-17%
Due From Other Funds	\$559,719	\$715,683	(\$155,964)	-22%
Accrued Interest Receivable	\$11,873	\$5,324	\$6,549	123%
Fixed Assets, at Historical Cost	<u>\$63,071</u>	<u>\$79,512</u>	<u>(\$16,441)</u>	<u>-21%</u>
Total Assets	<u>\$5,762,285</u>	<u>\$6,022,173</u>	<u>(\$259,888)</u>	<u>-4%</u>
Liabilities:				
Due to Other Funds	\$111,246	\$384,679	(\$273,433)	-71%
Deferred Revenue	\$1,743,609	\$1,245,079	\$498,530	40%
Unpaid Insurance Claims Liability	<u>\$2,830,000</u>	<u>\$3,400,000</u>	<u>(\$570,000)</u>	<u>-17%</u>
Total Liabilities	<u>\$4,684,855</u>	<u>\$5,029,759</u>	<u>(\$344,904)</u>	<u>-7%</u>
Fund Equity	<u>\$1,077,430</u>	<u>\$992,414</u>	<u>\$85,016</u>	<u>9%</u>
Total Liabilities and Fund Equity	<u>\$5,762,285</u>	<u>\$6,022,173</u>	<u>(\$259,888)</u>	<u>-4%</u>

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

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

	November 30, 2006	November 30, 2005	Variance	
Revenues:				
Federal Grants	\$14,063,041	\$13,255,787	\$807,253	6%
State Appropriations	\$3,300,535	\$3,521,555	(\$221,020)	-6%
Investment Earnings	<u>\$50,053</u>	<u>\$18,073</u>	<u>\$31,980</u>	<u>177%</u>
Total Operating Revenues	<u>\$17,413,629</u>	<u>\$16,795,415</u>	<u>\$618,214</u>	<u>4%</u>
Operating Expenditures:				
Claims:				
Outpatient Services	\$3,979,442	\$4,183,988	(\$204,546)	-5%
Physicians & Surgical	\$3,447,164	\$3,415,624	\$31,540	1%
Prescribed Drugs	\$3,262,740	\$3,117,540	\$145,200	5%
Dental	\$2,018,406	\$1,997,710	\$20,696	1%
Inpatient Hospital Services	\$1,834,191	\$1,221,397	\$612,794	50%
Vision	\$528,823	\$585,460	(\$56,637)	-10%
Outpatient Mental Health	\$520,661	\$550,133	(\$29,472)	-5%
Inpatient Mental Health	\$381,405	\$230,158	\$151,247	66%
Medical Transportation	\$174,597	\$103,884	\$70,713	68%
Durable & Disposable Med. Equip.	\$172,168	\$136,482	\$35,686	26%
Therapy	\$145,756	\$121,906	\$23,850	20%
Other Services	\$56,014	\$35,996	\$20,018	56%
Less: Collections*	<u>(\$320,281)</u>	<u>(\$239,995)</u>	<u>(\$80,286)</u>	<u>33%</u>
Total Claims	<u>\$16,201,086</u>	<u>\$15,460,283</u>	<u>\$740,803</u>	<u>5%</u>
General and Admin Expenses:				
Salaries and Benefits	\$188,147	\$192,737	(\$4,590)	-2%
Program Administration	\$800,888	\$838,014	(\$37,126)	-4%
Eligibility	\$127,270	\$109,109	\$18,161	17%
Outreach & Health Promotion	\$9,815	\$64,356	(\$54,541)	-85%
Current	<u>\$36,370</u>	<u>\$112,843</u>	<u>(\$76,473)</u>	<u>-68%</u>
Total Administrative	<u>\$1,162,490</u>	<u>\$1,317,059</u>	<u>(\$154,569)</u>	<u>-12%</u>
Total Expenditures	<u>\$17,363,576</u>	<u>\$16,777,342</u>	<u>\$586,234</u>	<u>3%</u>
Excess of Revenues				
Over (Under) Expenditures	\$50,053	\$18,073	\$31,980	177%
Fund Equity, Beginning	<u>\$1,027,377</u>	<u>\$974,341</u>	<u>\$53,036</u>	<u>5%</u>
Fund Equity, Ending	<u>\$1,077,430</u>	<u>\$992,414</u>	<u>\$85,016</u>	<u>9%</u>

* 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 Five Months Ended November 30, 2006

	<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>Nov-06</u>	<u>Oct-06</u>	<u>Sep-06</u>
Projected Cost	\$44,518,706	\$18,549,461	\$16,307,684	\$2,241,777	12%	\$3,709,892	\$3,883,160	\$2,882,859	\$3,247,975
Medical Copays	560,000	\$233,333	\$0	233,333	-100%	46,667		0	0
Drug Copays	475,000	\$197,917	\$0	197,917	-100%	39,583		0	0
Subrogation & Rebates	<u>300,000</u>	<u>\$125,000</u>	<u>\$317,281</u>	<u>(192,281)</u>	154%	<u>25,000</u>	<u>38,974</u>	<u>72,881</u>	<u>40,214</u>
Net Benefit Cost	43,183,706	\$17,993,211	\$15,990,402	\$2,002,809	11%	3,598,642	3,844,186	2,809,978	3,207,761
Salaries & Benefits	\$600,000	\$250,000	\$188,147	\$61,853	25%	\$50,000	\$32,322	\$33,835	\$36,811
Program Administration	1,951,762	\$813,234	\$784,610	28,624	4%	162,647	290,851	31,158	153,597
Eligibility	324,000	\$135,000	\$103,908	31,092	23%	27,000	32,213	2,893	63,781
Outreach	100,000	\$41,667	\$9,816	31,851	76%	8,333	2,522	2,939	1,380
Current Expense	<u>169,480</u>	<u>\$70,617</u>	<u>\$42,683</u>	<u>27,934</u>	40%	<u>14,123</u>	<u>9,294</u>	<u>11,076</u>	<u>6,758</u>
Total Admin Cost	\$3,145,242	\$1,310,518	\$1,129,164	\$181,354	14%	\$262,104	\$367,202	\$81,901	\$262,327
Total Program Cost	<u>\$46,328,948</u>	<u>\$19,303,728</u>	<u>\$17,119,566</u>	<u>\$2,184,162</u>	11%	<u>\$3,860,746</u>	<u>\$4,211,388</u>	<u>\$2,891,879</u>	<u>\$3,470,088</u>
Federal Share 80.97%	37,526,448	\$15,636,020	\$13,873,732	1,762,288	11%	3,127,204	3,409,961	2,341,554	2,813,894
State Share 19.03%	<u>8,802,500</u>	<u>\$3,667,708</u>	<u>\$3,245,834</u>	<u>421,875</u>	12%	<u>733,542</u>	<u>801,427</u>	<u>550,325</u>	<u>656,194</u>
Total Program Cost *	<u>\$46,328,948</u>	<u>\$19,303,728</u>	<u>\$17,119,566</u>	<u>\$2,184,162</u>	11%	<u>\$3,860,746</u>	<u>\$4,211,388</u>	<u>\$2,891,879</u>	<u>\$3,470,088</u>

* Positive percentages indicate favorable variances

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

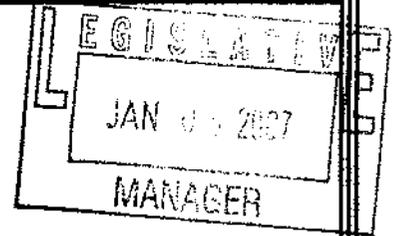
Please note: Medical and Drug Co-pay figures are incomplete.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

WV CHIP Enrollment Report

December 2006

County Ranking	County Population 2003 (0-18 Yrs)	Total CHIP Enrollment Dec-06	Total Medicaid Enrollment Dec-06	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Barbour	3,600	301	1,677	1,978	54.9%	92.5%	34	255
Berkeley	21,915	1,167	5,880	7,047	32.2%	93.9%	21	1,084
Boone	5,982	356	2,652	3,008	50.3%	97.9%	4	133
Braxton	3,388	226	1,592	1,818	54.0%	95.6%	13	155
Brooke	5,088	294	1,461	1,755	34.5%	98.5%	3	0**
Cabell	19,009	995	8,038	9,033	47.5%	91.6%	39	1,218
Calhoun	1,634	155	864	1,019	62.4%	88.0%	52	207
Clay	2,650	203	1,406	1,609	60.7%	95.1%	15	94
Doddridge	1,873	145	737	882	47.1%	96.4%	6	60
Fayette	10,258	966	4,854	5,820	56.7%	92.1%	36	706
Gilmer	1,429	105	585	690	48.3%	92.8%	32	115
Grant	2,596	164	953	1,117	43.0%	95.8%	11	82
Greenbrier	7,486	587	2,895	3,482	46.5%	94.8%	17	306
Hampshire	5,333	305	1,868	2,173	40.7%	91.3%	40	295
Hancock	6,602	398	2,245	2,643	40.0%	92.9%	31	443
Hardy	3,027	143	1,011	1,154	38.1%	93.6%	26	200
Harrison	15,715	990	6,235	7,225	46.0%	99.9%	1	0**
Jackson	6,817	390	2,436	2,826	41.5%	93.9%	22	340
Jefferson	11,059	394	2,131	2,525	22.8%	93.9%	23	651
Kanawha	41,623	2,155	17,113	19,268	46.3%	96.4%	7	772
Lewis	3,790	326	1,773	2,099	55.4%	88.0%	53	431
Lincoln	5,251	431	2,635	3,066	58.4%	93.3%	27	327
Logan	8,121	494	4,000	4,494	55.3%	92.1%	37	654
Marion	11,636	800	4,428	5,228	44.9%	95.9%	10	516
Marshall	7,957	415	2,861	3,276	41.2%	97.5%	5	217
Mason	5,920	320	2,556	2,876	48.6%	95.7%	12	249
McDowell	5,881	431	3,752	4,183	71.1%	93.8%	25	373
Mercer	13,106	1,101	6,619	7,720	58.9%	91.0%	41	1,268
Mineral	6,352	284	2,051	2,335	36.8%	90.7%	43	251
Mingo	6,676	419	3,388	3,807	57.0%	88.5%	51	566
Monongalia	15,355	679	4,226	4,905	31.9%	92.6%	33	1,144
Monroe	2,714	263	917	1,180	43.5%	93.1%	29	196
Morgan	3,475	244	935	1,179	33.9%	89.2%	49	285
Nicholas	6,115	453	2,543	2,996	49.0%	94.4%	19	324
Ohio	9,761	483	3,165	3,648	37.4%	95.6%	14	480
Pendleton	1,721	120	444	564	32.8%	99.0%	2	19
Pleasants	1,790	95	521	616	34.4%	93.9%	24	88
Pocahontas	1,869	158	688	846	45.3%	87.7%	54	224
Preston	7,040	567	2,447	3,014	42.8%	90.2%	47	236
Putnam	13,259	626	3,282	3,908	29.5%	93.2%	28	486
Raleigh	17,040	1,290	7,005	8,295	48.7%	91.7%	38	1,395
Randolph	6,301	478	2,509	2,987	47.4%	89.7%	48	653
Ritchie	2,418	153	829	982	40.6%	96.2%	9	81
Roane	3,595	341	1,665	2,006	55.8%	90.5%	44	336
Summers	2,853	222	1,238	1,460	51.2%	88.9%	50	315
Taylor	3,693	243	1,459	1,702	46.1%	90.9%	42	356
Tucker	1,526	177	504	681	44.6%	93.1%	30	103
Tyler	2,199	113	898	1,011	46.0%	94.9%	16	93



Legislative Oversight Commission on
Health and Human Resources Accountability

JANUARY 2007

Department of Administration

State Children's Health Insurance Program
UPDATE



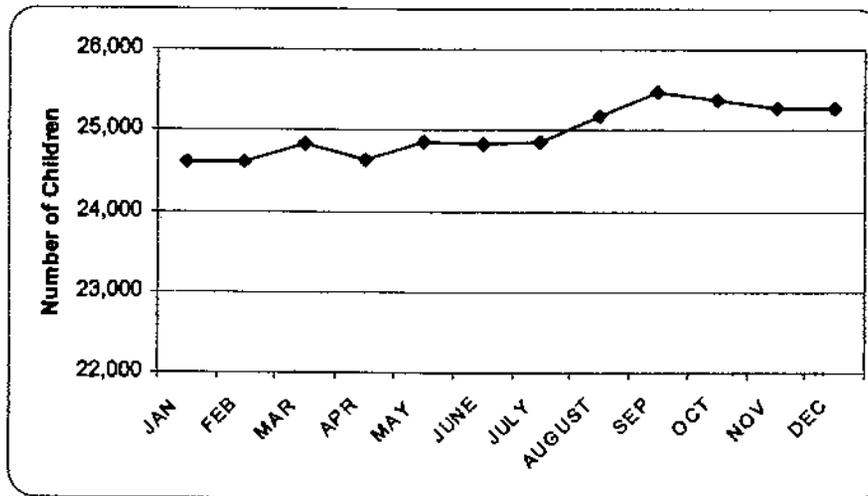
WV CHILDREN'S HEALTH INSURANCE AGENCY

REPORT FOR JANUARY 2007

I. Enrollment on December 29, 2006: 25,273

See Attachment 1 for enrollment by county.

Current 12-Month Enrollment Period: January 2006 through December 2006



Enrollee Totals: October 2006 to December 2006

Month	Total	1 Year	Total
October	1,734	Average	1,756
November	1,432	High	2,202
December	1,310	Low	1,310

New Enrollee (Never Before on CHIP) Totals: October 2006 to December 2006

Month	Total	1 Year	Total
October	839	Average	850
November	638	High	1,145
December	554	Low	554

II. Re-enrollment for 3 Month Period: September 2006 to November 2006

Total Forms Mailed		Enrolled within Notice Period		Reopened Cases After Closure		Final Closures	
Month	Total	#	%	#	%	#	%
September	2,004	1,191	59%	213	11%	600	30%
October	1,861	1,109	60%	194	10%	558	30%
November	1,572	875	56%	191	12%	506	32%

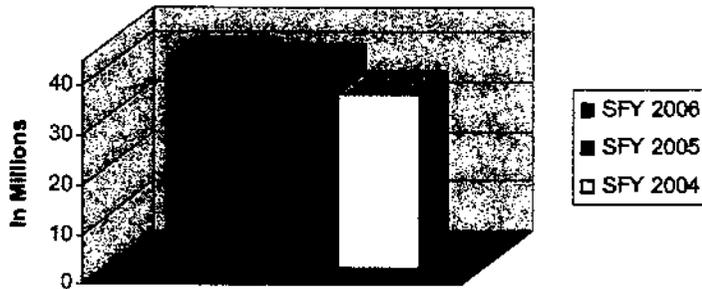
III. Financial Activity

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

The average annualized claims cost per child for the month ended November 2006 was \$1,632.

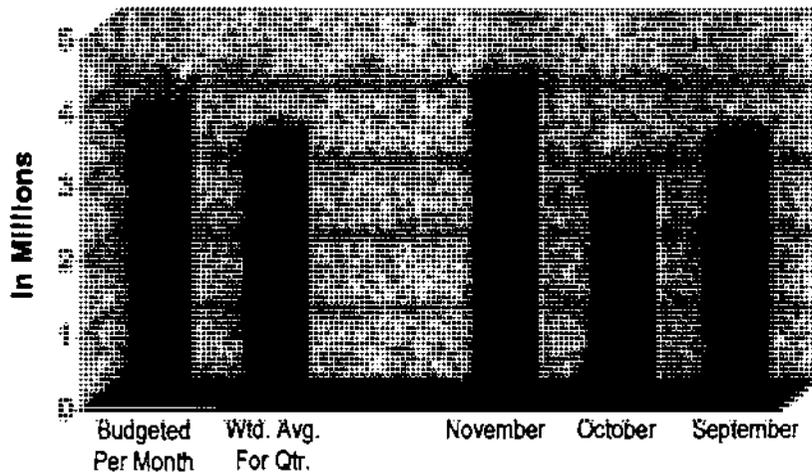
Annual Expenditures for a 3 Year Period: SFY 2004 – SFY 2006

	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
Total Costs	42,233,661	100.00	41,002,998	100.00	35,271,033	100.00



Monthly Budgeted and Current 3 Month Period: September 2006 – November 2006

	Budgeted Per Month	Wtd. Avg. For Qtr.	Actual		
			November 2006	October 2006	September 2006
Federal	3,127,204	2,855,136	3,409,961	2,341,554	2,813,894
State	733,542	669,315	801,427	550,325	656,194
Total	3,860,746	3,524,452	4,211,388	2,891,879	3,470,088



IV. WVCHIP Premium

- WVCHIP has received CMS approval of its State Plan allowing for premium payments for families with incomes from 200% to 220% FPL.
- Applications for families interested in WVCHIP coverage through premium payments are now being accepted. Families will be able to pay their premiums by credit card, automated bank draft, or regular checking on an ongoing basis.
- The premium rates for WVCHIP Premium are:
 - \$35 per month – Single Child Family
 - \$71 per month – Two or More Children Family
- Families applying for coverage for children under WVCHIP Premium must have had no insurance coverage for the preceding 12 month period.

WV CHIP Enrollment Report

December 2006

County Ranking	County Population 2003 (0-18 Yrs)	Total CHIP Enrollment Dec-06	Total Medicaid Enrollment Dec-06	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
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Fayette	10,258	966	4,854	5,820	56.7%	92.1%	36	706
Gilmer	1,429	105	585	690	48.3%	92.8%	32	115
Grant	2,596	164	953	1,117	43.0%	95.8%	11	82
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Hancock	6,602	398	2,245	2,643	40.0%	92.9%	31	443
Hardy	3,027	143	1,011	1,154	38.1%	93.6%	26	200
Harrison	15,715	990	6,235	7,225	46.0%	99.9%	1	0**
Jackson	6,817	390	2,436	2,826	41.5%	93.9%	22	340
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Kanawha	41,623	2,155	17,113	19,268	46.3%	96.4%	7	772
Lewis	3,790	326	1,773	2,099	55.4%	88.0%	53	431
Lincoln	5,251	431	2,635	3,066	58.4%	93.3%	27	327
Logan	8,121	494	4,000	4,494	55.3%	92.1%	37	654
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Morgan	3,475	244	935	1,179	33.9%	89.2%	49	285
Nicholas	6,115	453	2,543	2,996	49.0%	94.4%	19	324
Ohio	9,761	483	3,165	3,648	37.4%	95.6%	14	480
Pendleton	1,721	120	444	564	32.8%	99.0%	2	19
Pleasants	1,790	95	521	616	34.4%	93.9%	24	88
Pocahontas	1,869	158	686	846	45.3%	87.7%	54	224
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Putnam	13,259	626	3,282	3,908	29.5%	93.2%	28	486
Raleigh	17,040	1,290	7,005	8,295	48.7%	91.7%	38	1,395
Randolph	6,301	478	2,509	2,987	47.4%	89.7%	48	653
Ritchie	2,418	153	829	982	40.6%	96.2%	9	81
Roane	3,595	341	1,665	2,006	55.8%	90.5%	44	336
Summers	2,853	222	1,238	1,460	51.2%	88.9%	50	315
Taylor	3,693	243	1,459	1,702	46.1%	90.9%	42	356
Tucker	1,526	177	504	681	44.6%	93.1%	30	103
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West Virginia Children's Health Insurance Program
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(Modified Accrual Basis)

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Claims:				
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Prescribed Drugs	3,262,740	3,117,540	145,200	5%
Dental	2,018,406	1,997,710	20,696	1%
Inpatient Hospital Services	1,834,191	1,221,397	612,794	50%
Vision	528,823	585,460	(56,637)	-10%
Outpatient Mental Health	520,661	550,133	(29,472)	-5%
Inpatient Mental Health	381,405	230,158	151,247	66%
Medical Transportation	174,597	103,884	70,713	68%
Durable & Disposable Med. E	172,168	136,482	35,686	26%
Therapy	145,756	121,906	23,850	20%
Other Services	56,014	35,996	20,018	56%
Less: Collections*	<u>(320,281)</u>	<u>(239,995)</u>	<u>(80,286)</u>	<u>33%</u>
Total Claims	<u>16,201,086</u>	<u>15,460,283</u>	<u>740,803</u>	<u>5%</u>
General and Admin Expenses:				
Salaries and Benefits	188,147	192,737	(4,590)	-2%
Program Administration	800,888	838,014	(37,126)	-4%
Eligibility	127,270	109,109	18,161	17%
Outreach & Health Promotion	9,815	64,356	(54,541)	-85%
Current	<u>36,370</u>	<u>112,643</u>	<u>(76,473)</u>	<u>-68%</u>
Total Administrative	<u>1,162,490</u>	<u>1,317,059</u>	<u>(154,569)</u>	<u>-12%</u>
Total Expenditures	<u>17,363,576</u>	<u>16,777,342</u>	<u>586,234</u>	<u>3%</u>
Excess of Revenues				
Over (Under) Expenditures	50,053	18,073	31,980	177%
Fund Equity, Beginning	<u>1,027,377</u>	<u>974,341</u>	<u>53,036</u>	<u>5%</u>
Fund Equity, Ending	<u>1,077,430</u>	<u>992,414</u>	<u>85,016</u>	<u>9%</u>

* 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 Five Months Ended November 30, 2006**

	Budgeted for Year to Date		Year to Date	Year to Date	Variance*	Monthly			
	Year	Budgeted Amt	Actual Amt			Budgeted Amt	Nov-06	Oct-06	Sep-06
Projected Cost	\$44,518,706	\$18,549,461	\$16,307,684	\$2,241,777	12%	\$3,709,892	\$3,883,160	\$2,882,859	\$3,247,975
Medical Copays	560,000	\$233,333	\$0	233,333	-100%	46,667	0	0	0
Drug Copays	475,000	\$197,917	\$0	197,917	-100%	39,583	0	0	0
Subrogation & Rebates	300,000	\$125,000	\$317,281	(192,281)	154%	25,000	38,974	72,881	40,214
Net Benefit Cost	43,183,706	\$17,993,211	\$15,990,402	\$2,002,809	11%	3,598,642	3,844,186	2,809,978	3,207,761
Salaries & Benefits	\$600,000	\$250,000	\$188,147	\$61,853	25%	\$50,000	\$32,322	\$33,835	\$36,811
Program Administration	1,951,762	\$813,234	\$784,610	28,624	4%	162,647	290,851	31,158	153,597
Eligibility	324,000	\$135,000	\$103,908	31,092	23%	27,000	32,213	2,893	63,781
Outreach	100,000	\$41,667	\$9,816	31,851	76%	8,333	2,522	2,939	1,380
Current Expense	169,480	\$70,617	\$42,683	27,934	40%	14,123	9,294	11,076	6,758
Total Admin Cost	\$3,145,242	\$1,310,518	\$1,129,164	\$181,354	14%	\$262,104	\$367,202	\$81,901	\$262,327
Total Program Cost	\$46,328,948	\$19,303,728	\$17,119,566	\$2,184,162	11%	\$3,860,746	\$4,211,388	\$2,891,879	\$3,470,088
Federal Share 80.97%	37,526,448	\$15,636,020	\$13,873,732	1,762,288	11%	3,127,204	3,409,961	2,341,554	2,813,894
State Share 19.03%	8,802,500	\$3,667,708	\$3,245,834	421,875	12%	733,542	801,427	550,325	656,194
Total Program Cost	* \$46,328,948	\$19,303,728	\$17,119,566	\$2,184,162	11%	\$3,860,746	\$4,211,388	\$2,891,879	\$3,470,088

* 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

West Virginia Children's Health Insurance Program
WVFIMS Fund 2154
For the Month Ended November 30, 2006
(Accrual Basis)

Investment Account

Funds Invested	\$1,941,709
Interest Eamed	<u>41,821</u>
Total	<u>\$1,983,530</u>

Unaudited - For Management Purposes Only - Unaudited

Department of Administration Leasing Report
For The Period of December 5, 2006 through December 21, 2006

NEW CONTRACT OF LEASE

BSI-002 New contract of Sub-Lease for 3 months containing 948 square feet of office space at \$11.60 per square foot, full service, Between Brick Street Insurance and the Insurance Commission, in Charleston, Kanawha County, West Virginia.

F&A-031 New Contract of Sub-Lease for 30 years, containing 17,764 square feet of office space at \$11.39 per square foot, including snow removal, between the City of Williamson and Department of Administration, Mingo County, West Virginia. **"Space will be Sub-Leased to Department of Health and Human Resources by the Department of Administration"**

AMC-001 New Contract of Sub-Lease for 5 years, containing a tower site at \$1,100.00 per month, with a 3-5 years option to renew with a 4% increase per year, including utilities, between American Cellular Corporation/Dobson Communications and Educational Broadcasting Authority, in Preston County, West Virginia.

STRAIGHT RENEWALS

HEA -069 Renewal of office space, for 1 year, containing 320 square feet, at the same rate of \$7.50 per square foot, including utilities, between Wyoming County Economic Development Authority and Department of Health and Human Resources, in Pineville, Wyoming County, West Virginia.

DHS – 098 Renewal of office space, on a month to month basis, containing 4,320 square feet at the same rate of \$7.00 per square feet, located in Sutton, Braxton County, West Virginia.

HHR-143 Renewal of storage space, for 3 years, containing 100 square feet at the same rate of \$6.00 per square foot, no public utilities, between Bobby Tignor and Department of Health and Human Resources, in Princeton, Mercer County, West Virginia.

AGO-013 Renewal of storage space, for 1 year, containing 4,000 square feet at the same rate of \$2.25 per square foot, including electricity, between Kanawha-Roxalana Company and the Attorney General's Office, in Charleston, Kanawha County, West Virginia.

RENEWAL/CORRECTION IN SQUARE FOOTAGE

CID-002 Renewal of office space, for 1 year, with a correction in square footage on the sixth floor and basement area, still contains the current square footage of 34,530 at the rate of \$9.50 per square foot, including utilities, between Department of Administration and the West Virginia Development Office, in Bldg 6, Capitol Complex, in Charleston, West Virginia.

RENEWAL/RENT INCREASES

STO-008 Renewal of office space, for 1 year, containing 492 square feet with an increase from \$300.00 per month to \$500.00 per month, including utilities with Co-Owners, Inc. and WV State Treasurer's Office, in Morgantown, Monongalia County, West Virginia.

RJA-004 Renewal of office space, for 5 years, containing 19,616 square feet with a rent increase from \$10.75 per square foot to \$12.75 per square foot, including trash, snow removal and exterminating services, between First Charleston Corporation, LLC and Regional Jail Authority, in Charleston, Kanawha County, West Virginia.

Joint Committee on Government and Finance

JANUARY 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 January 8, 2007**

4 Months Actuals

8 Months Remaining

MONTH OF OCTOBER 2006

REVENUE SOURCES

Beg. Bal. 9/01/06 (5084/1020 prior mth)

MATCHING FUNDS

General Revenue (0403/189) 38,923,084
Rural Hospitals Under 150 Beds (0403/940 & 046) 216,334
Tertiary Funding (0403/547 & 074) 383,834
Lottery Waiver (Less 450,000) (5405/539) 5,000,000
Lottery Transfer (5405/871) 4,000,000
Trust Fund Appropriation (5185/all activities) 0
Provider Tax (5090/096) 13,794,007
Certified Match 1,137,023
Reimbursables (1) 156,438
CMS - 64 Adjustments

TOTAL MATCHING FUNDS

FEDERAL FUNDS

TOTAL REVENUE SOURCES

TOTAL EXPENDITURES:

Provider Payments

TOTAL

	ACTUALS	ACTUALS	PROJECTED	TOTAL
	10/1/06 Thru 10/31/06	Year-To-Date Thru 10/31/06	11/1/2006 Thru 06/30/06	SFY2007
	9,855,668	\$22,969,601		\$22,969,601
	38,923,084	117,804,221	276,601,466	394,405,687
	216,334	865,334	1,730,666	2,596,000
	383,834	1,160,334	2,195,666	3,356,000
	5,000,000	10,550,000	2,000,000	12,550,000
	4,000,000	8,000,000	2,300,000	10,300,000
	0	0	30,556,594	30,556,594
	13,794,007	46,117,373	127,698,627	173,816,000
	1,137,023	7,061,942	17,299,462	24,361,404
	156,438	1,145,259	3,954,222	5,099,481
		(435,563)	435,563	0
	\$73,466,388	\$215,238,501	\$464,772,266	\$680,010,767
	128,074,185	490,730,087	\$1,154,940,830	\$1,645,670,917
	\$201,540,573	\$705,968,588	\$1,619,713,096	\$2,325,681,684
	\$172,142,945	\$676,217,945	\$1,617,525,833	\$2,293,743,778
	\$29,397,627	\$29,750,643		\$31,937,906

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.

EXPE
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Inpatie

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Mental
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Medicare

Medicare

120% - 134
135% - 175
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WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 SFY 2007 EXPENDITURES BY PROVIDER TYPE
 As of January 8, 2007

MONTH OF OCTOBER 2006	ACTUALS	TOTAL	TOTAL	ACTUALS	ADJUSTMENTS	ACTUALS	PROJECTED
	SFY2006	Estimate SFY2007	Current Month Estimate Oct-06	Current Month Oct-06	Quarterly CMS-64	Year To-Date Thru 10/31/06	11/01/06 Thru 06/30/07
Hospice Benefits	6,545,960	8,145,400	783,212	796,226	-	3,050,928	5,094,472
Emergency Services Undocumented Aliens	-	-	-	-	-	-	-
Federally Qualified Health Center	17,133,735	20,210,290	1,943,297	1,400,794	-	4,589,878	15,620,413
Other Care Services	117,082,516	125,706,366	12,087,151	11,515,810	-	42,686,922	83,019,444
Less: Recoupments	-	-	-	(139,503)	-	(139,503)	139,503
NET EXPENDITURES:	2,110,065,831	2,257,143,178	190,625,779	169,179,573	-	665,679,147	1,591,464,030
Plus: Medicaid Part D Expenditures	8,942,213	29,600,600	2,466,717	2,314,745	-	9,351,448	20,249,152
Plus: State Only Medicaid Expenditures	4,507,995	3,500,000	336,538	392,369	-	1,560,887	1,939,113
TOTAL MEDICAID EXPENDITURES	\$2,123,516,039	\$2,290,243,778	\$193,429,034	\$171,886,687	\$0	\$676,591,482	\$1,613,652,296
Plus: Reimbursables ⁽¹⁾	4,446,206	3,500,000	336,538	256,259	-	1,290,214	2,209,786
TOTAL EXPENDITURES	\$2,127,962,245	\$2,293,743,778	\$193,765,572	\$172,142,945	\$0	\$677,881,696	\$1,615,862,082

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

BUREAU FOR MEDICAL SERVICES
Medicaid Approved Claims Report
As of December 8, 2006

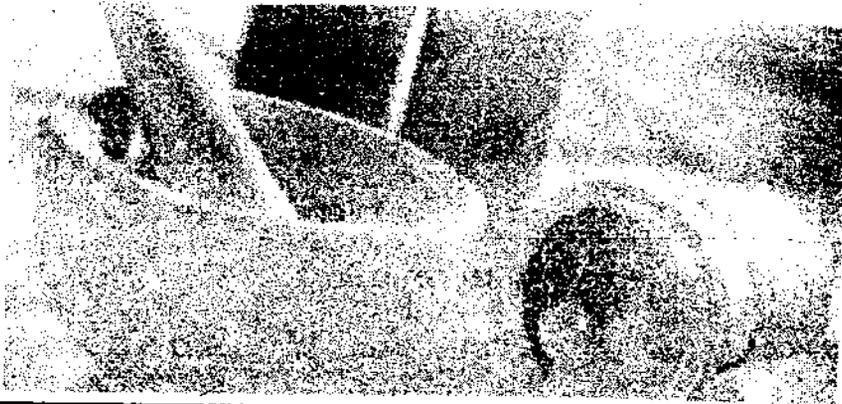
REF# CMS 64 Category Of Service	--- SFY 2006 ---				SFY 2007
	JUL-SEP 2005	OCT-DEC 2005	JAN-MAR 2006	APR-JUN 2006	TENTATIVE JUL-SEP 2006
1A Inpatient Hospital Services	50,660,147	44,239,858	46,342,049	88,465,831	58,918,270
1B Inpatient Hospital Services - DSH	13,494,023	13,466,678	13,470,677	13,477,601	13,487,307
2A Mental Health Facilities	6,454,836	6,912,113	13,562,413	12,299,762	9,507,255
2B Mental Health Facilities - DSH	4,684,394	6,274,180	4,694,816	4,700,836	4,707,635
3 Nursing Facility Services	98,020,447	98,903,504	100,422,510	96,189,829	97,857,721
4B Intermediate Care Facilities - Private Providers	12,722,547	13,147,300	14,288,039	13,501,343	14,866,833
5 Physicians Services	33,583,781	30,844,222	32,178,805	35,100,502	21,530,207
6 Outpatient Hospital Services	24,086,719	23,085,591	23,092,102	28,178,798	23,961,328
7 Prescribed Drugs	109,529,189	119,401,991	77,862,448	72,148,648	73,466,688
7 Part D Premium - State Only	0	0	6,871,393	6,832,317	7,036,703
7A1 Drug Rebate Offset - National	(26,479,767)	(34,649,872)	(28,295,179)	(23,449,375)	(24,866,438)
7A2 Drug Rebate Offset - State	(6,074,088)	(6,473,002)	(6,236,973)	(10,749,249)	(6,169,739)
8 Dental Services	9,309,731	10,225,378	9,538,773	10,675,862	9,577,198
9 Other Practitioners Services	5,745,239	5,127,471	5,390,387	6,262,904	4,875,101
10 Clinic Services	9,029,258	9,030,351	11,577,234	7,711,808	9,870,649
11 Lab & Radiological Services	3,086,682	3,614,604	3,834,362	2,175,779	4,119,084
12 Home Health Services	6,908,765	7,280,231	7,528,844	7,418,116	6,586,593
13 Hysterectomies/Sterilizations	165,370	161,149	207,520	159,288	154,415
14 Pregnancy Termination	96,251	70,984	90,137	90,528	63,557
15 EPSDT Services	1,151,400	882,248	691,405	4,229,031	6,084,309
16 Rural Health Clinic Services	2,005,835	1,747,828	2,179,575	2,099,858	1,626,705
17A Medicare - Part A Premiums	3,620,829	6,261,928	4,152,571	4,108,236	2,784,018
17B Medicare - Part B Premiums	14,211,799	14,560,223	15,692,417	16,143,572	10,649,879
18A Managed Care Organizations	42,730,774	51,288,669	60,115,171	59,817,308	60,065,447
18C Group Health Plan Payments	58,739	96,095	58,501	76,212	85,876
19 Home & Community-Based Services (MR/DD)	46,486,558	45,677,907	45,757,241	47,796,799	46,848,858
20 Home & Community-Based Services (Aged/Disabled)	15,894,777	15,026,274	15,203,425	14,647,406	13,690,928
23 Personal Care Services	5,982,676	5,952,653	6,417,084	8,491,635	8,911,936
24 Targeted Case Management	2,210,932	2,398,029	2,284,222	2,593,955	2,044,433
25 Primary Care Case Management	140,880	122,019	140,814	192,360	187,203
26 Hospice Benefits	1,148,368	1,818,491	1,720,716	2,074,858	2,522,741
28 Federally Qualified Health Center	4,022,834	4,348,762	5,572,223	3,907,444	3,357,046
29 Other Care Services	26,938,503	25,585,317	26,768,853	32,342,339	28,088,551
Unclassified	9,229	1,855	6,837	10,477	211,611
/// TOTALS	521,637,657	526,431,029	523,181,412	569,722,618	516,709,908

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	73,466,688
7.2 Medicare Part D (Estimated)	0	0	28,266,867	28,106,119	28,946,904
/// Estimated Medicaid & Medicare Prescribed Drug Payments	109,529,189	119,401,991	106,129,315	100,254,767	102,413,592

WEST VIRGINIA,
**Pharmaceutical
Cost Management
COUNCIL**



STATE CAPITOL COMPLEX, BUILDING 3, ROOM 265
TELEPHONE: 304-558-0079

CHARLESTON, WEST VIRGINIA 25305
FAX: 304-558-8158

December 29, 2006

The Honorable Earl Ray Tomblin, President
West Virginia Senate
State Capitol Building, Room 227M
Charleston, West Virginia 25305

The Honorable Robert "Bob" Kiss, Speaker
West Virginia House of Delegates
State Capitol Building, Room 234M
Charleston, West Virginia 25305

Dear President Tomblin and Speaker Kiss:

Pursuant to House Bill 4084, §5A-3C-6, please find attached the Annual Report of the West Virginia Pharmaceutical Cost Management Council. The Annual Report is due to the Joint Committee on Government and Finance on or before December 31 each calendar year.

If you have any questions regarding this report, please call me at 558-0079.

Sincerely,

Shana Kay Phares
Chair

cc: Delegate Richard Thompson, candidate nominated to be Speaker of the House
Secretary Robert Ferguson, Jr.

2006 Annual Report of the West Virginia Pharmaceutical Cost Management Council

Authority to Act

§5A-3C-8 (8) The council shall report to the Legislature's joint committee on government and finance on or before the first day of September, two thousand four and on or before the thirty-first day of December, two thousand four and annually thereafter to the Legislature and provide recommendations to the Legislature on needed legislative action and other functions established by the article or requested by the joint committee on government and finance of the Legislature;

Executive Summary

This annual report details the actions taken by the West Virginia Pharmaceutical Cost Management Council for calendar year 2006. The topics include the promulgation of advertising reporting rules, joining group buying organizations, consideration of electronic prescribing and progress of the central fill pharmacy.

The Council met seven times during calendar year 2006. Minutes of each meeting are attached in **Appendix A**.

Marketing and Advertising Reporting

Authority to Act

§5A-3C-13 (b) The council shall establish, by legislative rule, the reporting requirements of information by labelers and manufacturers which shall include all national aggregate expenses associated with advertising and direct promotion of prescription drugs through radio, television, magazines, newspapers, direct mail and telephone communications as they pertain to residents of this state.

The Council discussed the draft Advertising Reporting Rule in detail at the May 24, 2006 meeting. At that meeting, the Council elected by a vote of 5-4 to delete drug detailing from the draft rule. In addition, modifications were made to the reporting language in dealing with prescribers and the threshold for reporting payments to patient advocacy groups and pharmacies was raised from \$1,000 to \$10,000. The Council also voted to file the reporting rule as an emergency rule in addition to the regular legislative rulemaking process.

On June 27, the Council held an emergency meeting to correct the language regarding payments to prescribers so it reflected the modified language approved by the Council on May 24, 2006. In addition, after consulting with the West Virginia University School of Medicine and Charleston Area Medical Center, the language defining a "bona-fide clinical trial" was changed to read "'bona-fide clinical trial" (as described in W.Va. Code §5A-3(C)(2)) means a clinical trial approved by an appropriate Institutional Review Board and conducted in connection with a research study where the principal purpose is scientific research."

Following the required 30-day public comment period, the Council met on July 28, 2006, to review the written comments. A total of 11 issues from the 10 comment letters were considered. The Council voted on each of the issues and elected to keep the rule intact.

On August 8, 2006, Secretary of State Betty Ireland approved the Emergency Advertising and Reporting Rule. This Emergency Rule remains in effect for 15 months unless superseded by a newly adopted regular rule when and if that rule is passed by the legislature. The approved Emergency Rule is attached in **Appendix B**.

The Legislative Rulemaking Review Committee considered the regular Advertising and Reporting Rule at its December 12, 2006 meeting. The Rule was laid over for further consideration during the January 2007 interims.

Group Buying Organizations

Authority to Act

§5A-3C-8 (d) The Council has the power and authority to:.....(3) Execute as permitted by applicable federal law, prescription drug purchasing agreements with:
(C) Regional or multi-state purchasing alliances or consortia, formed for the purpose of pooling the combined purchasing power of the individual members in order to increase bargaining power;

and

§5A-3C-11 (b) The provisions of article three [§§5A-3-1 et seq.], chapter five-a of this code do not apply to the agreements and contracts executed under the provisions of this article.

Minnesota Multi-State Contracting Alliance for Pharmacy (www.mmcap.org)

H.B. 4031 was passed by the West Virginia Legislature during the 2006 Regular Legislative Session. This bill exempted the West Virginia Pharmaceutical Cost Management Council from state purchasing statute and regulations.

At the March 29, 2006 meeting the Council voted to join the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). MMCAP is a voluntary purchasing consortium of 43 states and the City of Chicago. States become members and enroll MMCAP-eligible facilities. To enroll in MMCAP, facilities must be eligible to purchase from a state contract.

MMCAP holds an open and competitive bid for pharmaceutical distribution services for its members. Currently, there are three distributors under contract with MMCAP to provide these services. Each member state must select one distributor to service its MMCAP facilities. The Council contacted each of the three distributors and requested a response to a uniform set of questions and for each distributor to make a West Virginia-specific presentation. One distributor declined to participate. On September 22, 2006, AmeriSource Bergen and Cardinal Health made presentations to an Evaluation Committee and to the Council. The Council voted to accept the Evaluation Committee's recommendation that Cardinal Health become West Virginia's MMCAP distributor. The written presentations and the Evaluation Committee's scoring of the presentations is included in **Appendix C**.

Currently, the Council and Office of the Pharmaceutical Advocate are working with the Association of Local Health Departments to enroll the county health department facilities so they can book flu vaccine in January for the 2007 flu season. MMCAP promises to provide significant savings on flu vaccine and other pharmaceutical products to these facilities.

In addition, the Office of the Pharmaceutical Advocate is completing a cost and logistical comparison of the MMCAP pricing to current contract pricing for medical facilities operated by the Department of Health and Human Resources and the Division of Rehabilitation Services.

During 2007, additional state and government-associated facilities will be evaluated for entry into MMCAP.

340b Prime Vendor Program

The Veteran's Healthcare Act of 1992 created a public health prescription drug pricing program called 340b. Through the 340b program, a variety of entities who receive federal funding can access this pricing program. Eligible entities include, but are not

limited to, federally-qualified health centers (FQHCs), certain disproportionate share hospitals (DSH), hemophilia treatment centers (HTCs), AIDS drug assistance programs (ADAP) and family planning programs. 340b prices are a maximum of 51% below average wholesale prices (AWP) and approximately 18% below Canadian retail prices.

The federal Office of Pharmacy Affairs in the Department of Health and Human Services conducts a competitive and open bid process to contract with one vendor to purchase drugs on behalf of 340b-eligible programs nationwide. The prime vendor program uses the collective purchasing power of the 340b entities to expand the number of pharmaceuticals available at sub-340b prices.

The West Virginia Family Planning Program in the Office of Maternal, Child and Family Health, Bureau for Public Health, Department of Health and Human Resources experiences vast price changes in available contraceptives. As part of the Program's search for more efficient and reliable ways of purchasing contraceptives, it asked the Pharmaceutical Cost Management Council to enter the 340b Prime Vendor Program. The Council voted without dissent to enter the program at its September 22, 2006 meeting. The Council and the Office of the Pharmaceutical Advocate continue to work closely with the Family Planning Program to fulfill all the documentation requirements for entry into the prime vendor program.

Electronic Prescribing

Authority to Act

§5A-3C-8 (8) The council shall report to the Legislature's joint committee on government and finance on or before the first day of September, two thousand four and on or before the thirty-first day of December, two thousand four and annually thereafter to the Legislature and provide recommendations to the Legislature on needed legislative action and other functions established by the article or requested by the joint committee on government and finance of the Legislature;

In 2006, as part of the court settlement between Purdue Pharma, Incorporated and the State of West Virginia, the West Virginia Attorney General's Office awarded a grant to Concord University and Tygart Technologies, Incorporated. The grant funded a study to investigate whether electronic prescribing could contribute to the effectiveness of prescribers and pharmacists in preventing abuse. The Council heard from Mary Ratliff of Tygart Technologies in May on the progress of the report and in September after the report was completed.

The report, entitled, *Secure Electronic Prescriptions: Finding Solutions for Inappropriate Prescribing and Abuse of OxyContin in West Virginia*, cited the following:

- West Virginia is one of only four states which prohibits electronic prescribing;
- electronic prescribing can identify and prevent prescription drug abuse;
- electronic prescribing offers immediate significant savings and return on investment is proven;
- physician willingness to adopt electronic prescribing technology is greater than for electronic medical records; and
- networks currently exist to support electronic prescribing in West Virginia.

The three specific recommendations of the report are:

- 1) legislative action to remove the statutory prohibitions preventing electronic prescribing;
- 2) the West Virginia Prescription Drug Monitoring Program should be enhanced to support data sharing and integration with commercial electronic prescribing software; and
- 3) West Virginia state government should encourage and participate in a public-private partnership to establish an electronic prescribing pilot in West Virginia.

The Highlights and Executive Summary of the report are attached in **Appendix D**.

At the December 13, 2006 meeting of the Council, Doug Douglas, Executive Director of the West Virginia Board of Pharmacy discussed the necessary statutory modifications that would be needed to permit electronic prescribing. Mr. Douglas indicated that a bill to make these changes was in development. The Council voted to send a letter to the President, the Speaker and the Chairs of the Health Committees sharing its support of this legislation, offering itself as a resource and asking the leaders to give full consideration to this legislation. The letter appears in **Appendix E**.

Central Fill Pharmacy

In the fall of 2005, the Office of the Pharmaceutical Advocate retained TSG Consulting to develop a business plan for a Central Fill Pharmacy for the working low-income who do not have health insurance and are not eligible for public assistance. The business plan was delivered on December 16, 2005.

At the January 13, 2006 meeting of the Council, TSG presented the plan and

recommended the following:

- the West Virginia Central Fill Pharmacy (CFP) should be modeled on the successful Communicare Program in South Carolina;
- the CFP is projected to serve 5,000 people in the first year with a maximum of 15,000 in the third year;
- the CFP should be an independent 501(c)(3) with a licensed pharmacist; and
- legislation should be developed to allow for remote dispensing.

The business plan summary is attached in **Appendix F**.

After in depth review and discussion, the Central Fill Subcommittee recommended that the Council accept the business plan as a useful and guiding document for the future board of directors of the Central Fill Pharmacy and recommend to the Governor and Legislature to proceed with its implementation. The Council passed a motion accepting the recommendation without dissent.

In May, the Office of the Pharmaceutical Advocate awarded a grant of \$20,000 to the West Virginia Health Care Education Foundation, the non-profit arm of the West Virginia Hospital Association for the incorporation and development of a board for the Central Fill Pharmacy. The Foundation agreed to act as a fiscal intermediary for the grant at no charge.

As outlined in the following list of key events, an interim Executive Director and a preliminary Board of Directors is in place. Currently, the Board is reviewing and considering a series of business models and potential partners. The Board expects to choose a business model in 2007. Upon choosing a business model and/or a partner the Board and staff of the Central Fill Pharmacy will seek relationships with pharmaceutical manufacturers, non-profit organizations and foundations, educational institutions, and other stakeholders in order to build the capacity to deliver affordable and appropriate pharmaceutical products to thousands of uninsured and/or low-income West Virginians.

- July 1, 2006: Brian Cunningham was retained by the West Virginia Healthcare Education Foundation to serve in the capacity of interim Executive Director of the WV Central Fill Pharmacy.
- September 8, 2006: The Central Fill Pharmacy Board of Directors met for the first time at the West Virginia Chamber of Commerce offices in Charleston. Board members were introduced to the Central Fill concept, reviewed legal documents including articles of organization and by-laws, and

- November 11, 2006: The second meeting of the Central Fill Pharmacy Board of Directors was held at the West Virginia Hospital Association offices in Charleston. Board members were offered an opportunity to review presentations on various business models and organizational structures including that of South Carolina Communicare.
- December 13, 2006: The Central Fill Pharmacy Board of Directors met via conference call in order to discuss and consider competing business plans and operational models.

Conclusion

During calendar year 2006, the Council worked assiduously to fulfill the statutory requirement to promulgate an advertising and reporting rule. The Council received a great deal of useful input from legislators, legislative staff, the Secretary of State's Office, professional associations, advocates and drug manufacturers. Legislative staff and staff of the Secretary of State's office provided guidance on following all the requirements of the legislative rulemaking process. The Council appreciates the assistance of these professionals.

In 2007, the Council intends to work to further fulfill the remaining provisions of its statutory mandate.

APPENDIX A

WV Pharmaceutical Cost Management Council
Meeting Minutes
January 13, 2006
Governor's Press Conference Room

Members Present: Shana Phares, Chair; Bill Lytton (representing Sandy Vanin; Peggy King (representing Nancy Atkins); Keith Huffman; Kevin Outterson; Wayne Spiggle; Jerry Roeche (representing Martha Walker); Steve Neil; J. J. Bernabei; Leah Summers, Debbie Waller

Others Present: Richard Stevens, WV Pharmacists Association; Angela Vance, AARP; Jan Meinig, AstraZeneca; James R. Fealy, Law Office of Philip Reale; John Brown, Brown Communications; Brian Cunningham, WVPCA; Phil Schenk, WVPCA; Sharon Carte, WVCHIP; Perry Bryant, WVAHC; Tony Gregory, WVHA; Jack Canfield, Jack Canfield, LLC; Cathy Burcham, Central Fill Pharmacy; Cindy Snyder, GlaxoSmithKline; Dan Kurland, Covenant House; Gregory Hoyer, Law Offices of Lewis Glasser Casey & Rollins; Nick Casey, Law Offices of Lewis Glasser Casey & Rollins; Wayne Miller, Forest Labs; Dan Foster, WV Legislature; Thom Stevens, Government Relations Specialists; Raymona Kinneberg, Johnson & Johnson

Shana Phares opened the meeting and asked for approval of the December 8, 2005 meeting minutes. Bill Lytton made a motion to approve the minutes, Leah Summers seconded and the motion passed unanimously.

Shana discussed the materials presented to the group by Kevin Outterson. Professor Outterson expressed his interest in being nominated by the Council to serve on the United States Trade Representative (USTR). Appointments include: 1) Public health or health care community representative to the Industry Trade Advisory Committee on Chemicals, Pharmaceuticals, or 2) the Industry Trade Advisory Committee on Intellectual Property Rights. Professor Outterson wanted a letter of recommendation by the Council for his appointment to the above Committees. Shana moved that a letter of recommendation would be sent for Professor Outterson's appointment. Wayne Spiggle seconded the motion and the motion passed unanimously.

Phil Schenk and Brian Cunningham, Primary Care Association, updated the group on 340b programs. A handout on the 340b drug program sites and a status report on hospital participation in the 340b program were distributed. They reported that under the current regulations, in order for a hospital to participate in the 340b programs, it must be receiving Medicare DSH payments under the Medicare PPS program, and have a Medicare DSH percentage that exceeds a specific threshold. Only 11 hospitals in West Virginia are eligible to participate in the program. The WV Hospital Association has been exploring with

Senator Rockefeller's office the possibility of adding Critical Access Hospitals, which are exempt from Medicare PPS systems, and therefore ineligible for the 340b program, to the list of eligible entities under this program. There is legislation pending before Congress regarding this issue. The WVPCA will continue to monitor progress on this legislation. If this legislation passes, WV's 19 critical access hospitals could be participants in the 340b program.

The hope would be to get as many 340b programs as possible all over the state. Hopefully, by the end of FY 2006, there will be a 340b program in the northern panhandle.

Shana informed the group that the dispensing fee is now \$8.25. This issue will be discussed at the Medical Services Advisory Council this afternoon.

The next item of business was the NACO drug discount card. Shana distributed a draft of a letter to all the presidents of the county commissions in the state. She read the letter to the group. A few changes were discussed. Wayne Spiggle made a motion to accept the letter with the changes. Professor Outterson seconded the motion. The motion passed unanimously. A letter will be sent to all the presidents of the county commission in the state. The letter will be signed by Shana Phares as the Chair of the Council and also as the Acting Pharmaceutical Advocate.

Dr. Spiggle put forth a motion to the Council regarding the importation of prescription medications. Dr. Spiggle asked the group to read the motion.

The West Virginia Pharmaceutical Cost Management Council recommends that the West Virginia Legislature should collaborate with the State of Illinois, Wisconsin, Kansas, Vermont, and Missouri in the program known as I-SaveRx, a clearinghouse that provides access to imported medications for its citizens. Discussion ensued on the motion. Professor Outterson was in favor of the motion and thinks importation is a good thing for the state. Leah Summers and others stressed their stand on this issue from the beginning. It is not legal in the State of WV to import drugs until the purchasing laws are changed. There was discussion regarding the marketing of the 340b programs. There was no consensus reached on this agenda item. Dr. Spiggle withdrew the motion. The council accepted the withdrawal.

Professor Outterson made a motion that the Council recognizes that importation is not the best route. The Council recognizes that many West Virginians are now buying foreign drugs over the internet because drugs are so expensive. In order to provide a safer local alternative, the State is rapidly expanding the 340b program throughout West Virginia. The council will market the expansion of 340b programs, and the central fill pharmacy. The council encourages any West Virginians buying foreign drugs to enroll in the 340b

program being offered in the State of WV. J.J. Bernabie seconded the motion. The motion passed unanimously.

Keith Huffman will present the draft of the legislative rule on the reporting form at the next Council meeting.

Shana Phares asked Peggy King to report on Medicare Part D. Peggy reported that WV is in a much better position than other states on the Medicare Part D Prescription Drug Plan. The Bureau for Medical Services set up a collaborative and non-partisan MMA workgroup over a year ago to plan for the implementation and challenges posed by Part D. WV began planning for the implementation of Part D well before other states. Partnerships with the federal government, numerous other state agencies and the private sector enabled the Department to better serve WV's dual eligible population.

Also the Call Center located at the Bureau of Senior Services has been a great asset to the Medicare Part D. Four lines come into the call center being manned by volunteers who have been trained on the issues. A question was brought up regarding how many people have applied for the Low Income Supplement. Bill Lytton wasn't sure, but would get the information to Shana. Mr. Lytton provided by phone the following numbers. Since November 15, 130 people have signed up for the low-income supplement. Everyone is pre-screened.

Shana introduced Tom Susman, TSG Consulting to discuss the business plan for the Central Fill Pharmacy. TSG Consulting was retained by Governor Joe Manchin and the Pharmaceutical Advocate Office to develop a business plan for the establishment of a Central Fill Pharmacy for the working poor who do not have health insurance or public assistance. The medications for the CFP would be donated by participating pharmaceutical manufactures. (You may obtain the business plan summary on the Council's website at: www.wvc.state.wv.us/got/pharmacycouncil/ under presentation documents.)

Some highlights of the plan:

- Based on the South Carolina Communicare Program
- Projected to serve 5,000 people in the first year with a maximum of 15,000 in the third year.
- Recommended to be an independent 501© 3 with a licensed pharmacist
- Recommends legislation to allow for remote dispensing

It is recommended that the state fund no more than \$300K per year. Also funds from the AG's office from the Oxycontin settlement committed \$900K for this project but has not been verified at this time. Partial year funding could come from the Pharmaceutical Advocate's Office rollover from FY 2005 with match from Benedum.

This will take lots of energy and communication. The Central Fill Pharmacy will meet again before the Council's next meeting and report back to the Council at the February meeting.

The next meeting was scheduled for Friday, February 10, 2006 at 9:30 a.m. Debbie Waller will check to see if the Governor's Press Conference Room is available at that time. **After checking, the Press Room is not available until 12:30 so the next Council meeting will be 12:30 – 3:30 p.m. in the Governor's Press Conference Room.**

Some agenda items for the February 10 meeting:

- Revisit Marketing Piece
- Report from Central Fill Pharmacy
- Strategy for 340b (Shana will need some help in reviewing contracts (Leah and Kevin for assistance) J.J & Steve (prescribing patterns)

Shana asked if there was any other business for today. Dr. Spiggle made a motion for the adjournment of the meeting. Steve Neil seconded the motion and the motion passed unanimously.

Next Meeting: February 10, 2006, 12:30 p.m. in the Governor's Press Conference Room

WV Pharmaceutical Cost Management Council
Meeting Minutes
March 29, 2006
Governor's Press Conference Room
12:00 – 4:00 p.m.

Members Present: Shana Phares, Chair; Leah Summers; Felice Joseph; Jerry Roesche (representing Secretary Martha Walker); Wayne Spiggle, J. J. Bernabei; Peggy King (representing Commissioner Nancy Atkins)

Others Present: Larry Swann, PhRMA/Merck; Pat White, WV Health Right; James Fealy, Law Offices of Philip A. Reale; Steve Liles, Provider Synergies; Tamara Tolliver, WV Association of Free Clinics; Jeff Graham, Beckley Health Right; Jim Wallace, TSG Consulting; Steve Haid, BMS; Scott Finn, Charleston Gazette; Perry Bryant, WVAHC; Tony Gregory, WV Hospital Association; Sharon Carte, WVCHIP; Peggy King, BMS (Medicaid); Pat Weaver, Sankyo; Larry Messina, Associated Press; Gregory Hoyer, LGCR; Raymona Kinneberg, Bill J. Croach & Associates; Jeff Johnson, WV Senate Staff; Gaylene Miller, AARP; Brian Cunningham, WVPCA; Mark DiMaio, AstraZeneca Pharmaceuticals; Jan Meinig, AstraZeneca Pharmaceuticals; Philip Reale, PhRMA; Ronnie Coleman, Schering-Plough; John Brown, PhRMA; Josh MacIntire, WQBE – Charleston; Brent Fushimi, Sankyo; Thom Stevens, Government Relations Specialist; Richard D. Stevens, WV Pharmacists Association

Shana Phares opened the meeting and welcomed everyone. She asked for a motion to approve the January 13, 2006 PCMC meeting minutes. Dr. Wayne Spiggle made a motion to approve the minutes as submitted. Leah Summers seconded the motion and the motion passed unanimously.

Shana discussed upcoming meetings of the PCMC. Dr. Spiggle had made a request to schedule meetings in advance. After discussion, the following meetings of the PCMC were scheduled:

Wednesday, April 26, 2006
Wednesday, May 24, 2006
Wednesday, June 28, 2006

Debbie Waller will confirm location of the meetings as soon as possible. The Governor's Press Conference Room will be used if available.

Central Fill Pharmacy Committee Report and Presentation

Dr. Spiggle shared with the group the recommendation of the Central Fill Subcommittee after reviewing the Business Plan that was prepared by TSG

Consultants. The subcommittee recommended acceptance of the business plan as a useful advisory document.

Dr. Spiggle introduced Tamara Tolliver, WV Association of Free Clinics, to present a powerpoint presentation on an option for the Central Fill Pharmacy. Ms. Tolliver shared with the group a fact sheet noting statistical information on uninsured residents in the State of WV. She pointed out that the PCMC recommended that the Central Fill Pharmacy be implemented utilizing a private, 501(C)(3) status - securing available medications into one location while streamlining the process for participation. She stated that instead of reinventing the wheel, build on the WV Free Clinic model, but pull in the experience of efforts that are working in other states: Maryland, Georgia, South Carolina, Minnesota, etc. By using a WV Free Clinic site, no legislative changes would be needed. Beckley Health Right Free Clinic has space to accommodate the CFP at no additional expense. The CFP would be under the same 501(C)(3) status as the free clinic so they would not have to apply for their own. A steering committee would be established to oversee the CFP under Beckley Health Right.

Dr. Spiggle is working on getting letters of support for the Central Fill Pharmacy from companies, organizations, etc. to be sent to the Governor.

Shana Phares stated that the business plan recommended that the CFP be physically located in Charleston with their own 501(C)(3) only an option for the CFP.

Dr. Spiggle made a motion that the CFP Subcommittee is asking the PCMC to accept the business plan as a useful and guiding document for the future board of directors of the central fill pharmacy and recommend to the Governor and the Legislature to proceed with its implementation. Peggy King seconded the motion and the motion passed unanimously.

Shana shared with the group that H.B. 4031, which passed the Legislature, states that purchasing regulations do not apply to agreements and contracts executed by the PCMC. She also shared with the group that the Western States Contracting Alliance presented to a group of state agency people, and others on March 20-22, 2006. She shared with them a powerpoint presentation on MMCAP. MMCAP is a consortium of 43 states and the City of Chicago. MMCAP maintains contracts for: Pharmaceuticals/Vaccines/OTCs, Hospital & Medical Supplies, Influenza Vaccine, Prescription Filling, etc. Each state has a membership agreement with MMCAP. You can visit MMCAP's website at www.mmcap.org to learn more. Shana also reported that funds to purchase antibiotics for Threat Preparedness expire 8/31/06. Shana asked the Council for a vote to pursue membership in MMCAP. Dr. Spiggle made a motion to pursue membership in MMCAP without concerns; Felice Joseph seconded the motion. The motion passed unanimously.

Shana updated the group on what was going on with the Pharmaceutical Advocate. A powerpoint presentation was distributed for everyone's review.

- A contract is in process to include the Division of Rehabilitation Services (hospitals) and DHHR State Hospitals – When new contract is in place for April 1, the rate will be cost - .175%.
- Department of Military Affairs buys \$600-\$800 in OTC drugs for the State Police Academy at slightly below AWP – will now be supplied through Division of Rehabilitation Services. Also working with PEIA on prescriptions for injured troopers on Workers' Comp.
- Expand the number of clinics using 340b arrangements.
- Enhanced dispensing fee of \$8.25. CMS has until June 17, 2006 to approve or question. Estimated annual savings to Medicaid - \$450,000.
- 340b AIDS Drug Assistance Program – ADAP currently operates on a rebate mode. By using the Division of Rehabilitation Services, ADAP could purchase drugs directly through 340b
- 340b Hemophilia – Hemophilia Treatment Centers are eligible for 340b. Ongoing discussions with CAMC, Bureau of Public Health, Medicaid, PEIA and CHIP
- 340b PEIA – Ongoing discussions between WVPCA and PEIA about a 340b pilot

Peggy King, Bureau of Medical Services (Medicaid), introduced Steve Liles, Provider Synergies. Mr. Liles spoke to the group about TOP\$ - The Optimal PDL Solution. It is a state Medicaid pharmaceutical purchasing pool, administered by Provider Synergies, L.L.C. In April of 2005, charter members included Louisiana, Maryland and West Virginia. They now have added Wisconsin and Delaware. More to join in 2006. The purpose of TOP\$ is to generate additional savings for each participating state and to reduce expenditures for pharmaceuticals for the Medicaid population. Provider Synergies utilizes each state's individual drug utilization data and recommends the best action for each state. Each state's P&T committee acts independently. There has been a savings in WV's PDL of over \$145 million through 2005. A question and answer period followed.

Shana reported on the establishment of additional subcommittees. The subcommittees include:

- E-Prescribing
- Professional Education Programs
- Polypharmacy and Utilization Review

Shana and Debbie will get some background information on each subcommittee and send out to members and get people signed up for the subcommittees.

Shana asked were there other issues. Being none, Felice Joseph made a motion to adjourn the meeting. J. J. Bernabei seconded the motion and the motion passed unanimously.

Next meeting – April 26, 12:00 – 4:00 p.m. – Debbie will send an e-mail to everyone and confirm location.

WV Pharmaceutical Cost Management Council
Meeting Minutes
May 24, 2006

Members Present: Shana Phares, Chair, Kevin Outterson, Felice Joseph, Leah Summers, Steve Neal, Peggy King (representing Nancy Atkins), Jerry Roueche (representing Martha Walker), Wayne Spiggle, Sandra Vanin, Debbie Waller, (Staff), Hardy Scragg (Staff)

Shana Phares opened the meeting and asked for approval of the March 29, 2006 Council Meeting Minutes. Peggy King asked that an amendment be made to the minutes on Page 3; change Medicare to Medicaid. Peggy King made a motion to approve the minutes as amended. Felice Joseph seconded and the motion passed unanimously.

Shana introduced Mary Ratliff, Tygart Technology, Inc. who presented to the group a power point presentation on Implementing Technology to Improve Care, Reduce Cost and Fight Prescription Drug Abuse. Ms. Ratliff reported that E-prescribing is an integrated network. The network provides real-time data. Prescriber flexibility is the key. You have hardware options, location options, integration options.

Medicare Part D rules require all e-prescribing systems to use common standards. Many of the key standards are already in place and all systems are HIPAA compliant. Essential features of e-prescribing:

- Patient data
- Drug data
- Clinical decision support
- Pharmacy selection
- Medication history
- Electronic transmission and receipt
- Streamlined renewal

The steps needed to move forward:

- Speed elimination of legal barriers
- Identify partners to support pilot
- Design e-prescribing pilot
 - goals
 - prescribers
 - e-prescribing system
 - measurement of results

You can view the power point presentation on the council's website at www.wvc.state.wvu.us/got/pharmacycouncil/

Shana thanked Mary for the presentation. Shana suggested that the Board of Pharmacy appear at our next meeting and react to the issue of e-prescribing. Dr. Spiggle also wanted the Board of Pharmacy to explain their take on remote dispensing.

Shana suggested holding off on the Central Fill Pharmacy Update and the Subcommittee Appointments until the June meeting so that more time could be spent on the Marketing Reporting Rule. Also at the June meeting we will hear presentations from 3 distributors so that council can make a decision which distributor to select regarding MMCAP.

Shana updated the group on the legislative rule making process regarding the Marketing Reporting Rule. The regular rule-making steps are:

- Initial Filing
- Public Comment (30-day period)
- Public Hearing (optional unless required by legislation authorizing rule)
- Agency Approved Filing (no later than 90 days after hearing or close of comment period)
- Review and approval by Legislative Rule Marking and Review Committee (usually during interims, may be amended by committee)
- Modified Rule Filing (if committee requests modifications, agency files modified rule.
- Review and Approval by House & Senate Committee(s)
- Passage in House and Senate
- Signature by Governor - Final Filing
- Effective Date

Filed as an Emergency Rule:

- Submit to the Secretary of State's Office for approval
- Goes the same process as above.

Shana asked that Professor Outterson go through the rule one section at a time and the Council should determine if the rule performs to statute.

It was agreed to remove the work "marketing" in the title. It should read: "Pharmaceutical Advertising Expense Reporting".

Section 2.1:

- a. No change
- b. No change
- c. No change

- d. Add prescription drugs – Should read: “Dispensed” or “Dispensing” means the act of selling or providing pharmaceutical drugs or prescription drugs to a member of the general public, usually performed by a licensed pharmacist or other licensed health care provider.
- e. Add or pharmaceutical drugs for human use – Should read: “Prescription drugs” or “pharmaceutical drugs” means drugs for human use for which a prescription is required for the drug to be legally dispensed.
- f. No change
- g. No change

Section 3.1

- a. Remove marketing in the 4th sentence.

Section 3.2

- a. No change

Appendix A

Heading: Remove Marketing

1. Remove Last Sentence “Since Generic drugs are not generally subject to Advertising or Marketing, if a Drug Manufacturer’s, Pharmaceutical Manufacture’s, or Labeler’s predominate line of business is Generic drugs, the entity is not required to report under this Form.
2. After much discussion on #2 – 5-4 vote passed to delete entire paragraph. The vote carried.
3. After much discussion and Amy Tolliver, WV Medical Association, referred to a letter sent to Keith Huffman when the rule was being written from the WV Medical Association, it was agreed that an amendment was necessary. Dr. Spiggle made a motion to include the language from the WV State Medical Association which reads: “ Report the aggregate amount of payments made by the Company directly or indirectly to all West Virginia prescribers except those items excluded under 5A-3c-13 (3). The Company need not report total annual amounts under \$10,000 per year. The motion carried with one opposing vote.
4. No change. - Passed with 1 opposing vote.
5. Change \$1,000 to \$10,000 in sentence 6. Passed with 1 opposing vote.
6. Change \$1,000 to \$10,000 in sentence 4. Passed with 1 opposing vote and 1 abstaining vote.

7. Retain as is. Passed

8. Retain as is. Passed

Change last sentence: I certify that this form is true, correct and complete --
change to: I believe that this form is true, correct and complete.

Shana read the process of an emergency rule. Shana asked the Council for a vote to file the modified reporting form as an emergency rule. The vote was 5-4. The reporting form will be modified and sent to the Secretary of State's Office.

Peggy King made a motion to adjourn. Felice Joseph seconded the motion. The motion carried.

Next Meeting: June 28, 2006

WV Pharmaceutical Cost Management Council
Emergency Meeting
June 27, 2006
WV Development Office Conference Room
1:30 p.m.

Members Present or Participating by Conference Call:

Shana Phares, Chair; Felice Joseph; Bill Lytton (representing Sandra Vanin); Jerry Roueche (representing Martha Walker); Dr. Wayne Spiggle; Kevin Outterson, J. J. Bernabei; Leah Summers. Debbie Waller, Staff, Hardy Scragg, Staff

The meeting was called to order by Shana Phares. The business of the day was to review the amended emergency rule for Pharmaceutical Advertising Expense Reporting.

Page 1 – Bona-fide clinical trial. Language was changed based on conversations with the WV University School of Medicine and Charleston Area Medical Center. It now reads: "Bona-fide clinical trial" (as described in W.Va. Code §5A-3C-13(c)(2)) means a clinical trial approved by an appropriate Institutional Review Board and conducted in connection with a research study where the principle purpose is scientific research.

Page 2 – The Pharmaceutical Advocate proposed that the definition of "West Virginia Drug Detailer" be removed as it is not referenced in the text of the rule.

On Appendix A, tables were added which prescribes a specific reporting format to make the Appendix a reporting form.

On Appendix A, page 3, the paragraph about requiring reporting of payments to West Virginia prescribers was the initial reason for the emergency meeting. When the emergency rule was submitted, after the Council meeting on May 24, 2006, a mistake was made by the Pharmaceutical Advocate Office and the language was not correct as stated in the notes from the meeting. Shana sent an e-mail to members and others early this morning for their review. It reads: Complete the following table. List the number of West Virginia Prescribers whose total amount of individually received gifts, grants or payments of any kind made directly or indirectly by the company fall within the numerical categories. Items excluded under Section 5A-3C-13(c) shall not be included in the annual payment amounts:

Annual Aggregate Amount of Gifts, Grants and Payments	Total Number of Prescribers
\$1,000 - \$2,500	
\$2,501 - \$5,000	
\$5,001 - \$7,500	
\$7,501 - \$10,000	
\$10,001 or over	

After discussion, a motion was made by J. J. Bernabei and seconded by Bill Lytton to accept this particular section of the Appendix. The vote passed 6-2, with Leah Summers and Felice Joseph opposing.

Shana then asked for a vote for accepting the entire document. The vote passed 6-2, with Leah Summers and Felice Joseph opposing. Felice noted that her reason for opposing was she doesn't feel it falls under the scope of the Council's authority.

A justification narrative on the emergency rule was e-mailed to everyone on Monday, June 26th. An amended version was e-mailed to everyone on June 27th with a new paragraph added. Shana reported that the Pharmaceutical Advertising Expense Reporting Form would be e-mailed to everyone this afternoon and also a copy of the justification narrative. If after reviewing the narrative, comments can be submitted to the Pharmaceutical Advocate Office by Noon on June 28th. The emergency rule will be filed at the Secretary of State's Office by 5:00 p.m. on June 28th.

Shana asked for a motion to adjourn. Felice Joseph made the motion to adjourn; Bill Lytton seconded the motion. The motion passed unanimously.

WV Pharmaceutical Cost Management Council
July 28, 2006
1:00 p.m.
Tiger Morton Conference Room
Meeting Minutes

Members Participating: Shana Phares, Chair, J.J. Bemabei, Wayne Spiggle, Kevin Outterson, Leah Summers, Steven Neil, Peggy King, representing Nancy Atkins, Martha Walker, Bill Lytton, representing Sandra Vanin, Keith Huffman,

The meeting was called to order. The only agenda item is to consider comments that were submitted to the Pharmaceutical Advocate Office regarding the emergency rule.

Comments

1) Delete gift/grants/payments to patient advocacy groups – submitted by Men's Health Center, Wyeth Pharmaceuticals, PHRMA

Dr. Spiggle moved to reject the comment, Kevin Outterson seconded. The motion carried.

2) Limit all of the requested data submissions to aggregate expenses for the advertising/direct promotion of drugs and delete all references to public release of company submissions and information – submitted by Biotechnology Industry Organization, Genentech, Wyeth Pharmaceuticals, PHRMA

Dr. Spiggle moved to reject the comment, Kevin Outterson seconded. The motion carried.

3) Restore drug detailing disclosure – submitted by AARP West Virginia, West Virginians for Affordable Health Care and Delegate Don Perdue

After much discussion, Steven Neil moved to reject the comment, Dr. Spiggle seconded. The motion carried

4) Align definition of dispensing in advertising reporting rule with the definition of dispensing in the West Virginia Board of Pharmacy's rules – submitted by the WV Pharmacists Association.

Dr. Spiggle moved to reject the comment, Steven Neil seconded. The motion carried.

5) Change references in rule from drugs to prescription drugs to exclude OTC products – Wyeth Pharmaceuticals

Steven Neil moved to reject the comment, Bill Lytton seconded. The motion carried.

6) Council does not have authority to collect data by individual prescription drug, only in the aggregate – submitted by Wyeth Pharmaceuticals, PHRMA

Martha Walker moved to reject the comment, Bill Lytton seconded. The motion carried.

7) Payments to physicians is beyond the scope of the statute – submitted by PHRMA

Dr. Spiggle moved to reject the comment, Peggy King seconded. The motion carried.

8) Question regarding payments to pharmacies is ambiguous and beyond the scope of the statute – submitted by PHRMA

Dr. Spiggle moved to reject the comment, Steven Neil seconded. The motion carried.

9) Delete “clinical trials which do not qualify a bona fide clinical trial must be reported. Clinical trials are already identified in the statute and are publicly available – submitted by PHARMA.

Dr. Spiggle moved to reject the comment, Steven Neil seconded. The motion carried.

10) Signature block is repetitive – Delete first sentence in the signature block and revise the signature line to read, “Based on information and belief, I certify that the information provided is true, correct and complete – submitted by PHRMA.

Dr. Spiggle moved to reject the comments, Peggy King seconded. The motion carried.

11) Use only prescription drugs in rule and drop pharmaceutical drugs and drugs – submitted by PHRMA.

Dr. Spiggle moved to reject the comment, Martha Walker seconded. The motion carried.

12) Advertising rule does not constitute an emergency – submitted by Wyeth Pharmaceuticals, PHRMA

The Secretary of State will determine that – The Council has already voted to submit as an emergency rule, do not need a follow-up vote.

Comments and letters of response will be submitted to the Secretary of State's Office before 5:00 p.m. today, July 28, 2006.

Steven Neil made a motion to adjourn. Bill Lytton seconded. The motion carried.

WV Pharmaceutical Cost Management Council
Meeting Minutes
September 22, 2006
WV Development Office Conference Room

Members Present: Shana Phares, Chair; Peggy King (representing Nancy Atkins); Jerry Roeche (representing Martha Walker); Felice Joseph; Wayne Spiggle; J. J. Bernabei; Leah Summers; Sandy Vanin; Debbie Waller, Staff

Others Present: Angela Vance, AARP; Dan Kurland, Covenant House; Marsha Morris, House of Delegates; Richard Stevens, WV Pharmacists Association; Gregory Hoyer, Rite Aid; Jack Canfield, GSK; John Brown, Brown Communications; Phil Kabler, Charleston Gazette; Phil Reale, PHrma

Shana Phares opened the meeting and welcomed everyone in attendance and the members participating by conference call.

Selection of MMCAP Distributor

Shana updated the group on the MMCAP process. The State of West Virginia recently joined MMCAP. The State is in the process of choosing a distributor. Three vendors were asked by the Pharmaceutical Advocate Office to complete a Request for Presentation. Cardinal Health and Amerisource Bergen responded to the request. An evaluation committee made up of Shana, Scott Brown, Pharmacist, Cabin Creek Health Center, representing the Primary Care Center; Jimmy Plear, Deputy Director, Regional Jail Authority; Kristy Pritt, CFO, Behavioral Health and Health Facilities; Sandra Boyd, Pharmacist, Department of Education and the Arts, Division of Rehabilitation Services; Todd Hudnall, Process Efficiency Specialist, Governor's Public Works Project.

Both Cardinal Health and AmerisourceBergen presented to the Evaluation Committee and a score sheet was used to rate the distributors on criteria taken from the Request for Presentation.

By a request from a Council member, Cardinal Health and Amerisource also presented to the Council; Cardinal Health presenting first. A question and answer period followed.

Housekeeping

Shana asked for a motion to accept the May 24, 2006 minutes. Felice Joseph made a motion to approve the minutes as written. Dr. Spiggle seconded and the motion passed by consensus.

The June 27, 2006 minutes of the Council were reviewed. Dr. Spiggle made a motion to approve the minutes as written. Felice seconded the motion and the motion passed by consensus.

The July 28, 2006 minutes of the Council were reviewed. Dr. Spiggle made a motion to approve the minutes as written. Peggy King seconded and the motion passed by consensus.

Being ahead of the agenda, Shana asked Dr. Spiggle to give a brief update on the Central Fill Pharmacy. Dr. Spiggle reported that Brian Cunningham was hired as interim Executive Director and a board of directors have been chosen. The board met on September 8 and reviewed draft by-laws, articles of organization, and mission statement including goals and strategies. The Board will also be working on whether to be a free-standing pharmacy or join with a free clinic. A question was asked as to whether the board meetings were going to be public meetings. The board will visit that issue when they become incorporated.

Shana asked Council members to share agenda items with her by e-mail for the next meeting.

340b Prime Vendor Program

Shana introduced Hardy Scragg who is working with the Pharmaceutical Advocate Office to share with the group some benefits of the 340b Prime Vendor Program. Authorization will be requested by the Council to join the 340b Prime Vendor Program on behalf of the Family Planning Program.

Hardy reported that as part of the original 340B legislation, the government was also required to establish a prime vendor program. The PVP serves its participants in three primary roles: a) Negotiating sub-340b pricing on pharmaceuticals, b) Establishing distribution solutions and networks that access to affordable medications, and c) Providing other value-added products and service. PRP does not affect any other contracts. HPPI was awarded the Prime Vendor contract in 2004 and the extension in 2006. PRP's mission is to improve access to affordable medications for covered entities and their patients. The benefits of PVP to covered entities: 1) No risk or cost to participate, 2) No change of distributor required, 3) Maximize pharmacy purchasing power through single national program, 4) Access to sub-ceiling prices for drugs and discounts on other products/services, 5) Longer term contracts to base formulary decisions, and 6) Special contracting initiatives for hospitals, community health centers, and family planning clinics.

Sandy Vanin made a motion to authorize the Council to enter into an agreement with the 340b Prime Vendor Program on behalf of the Family Planning Program. Jerry Roeche seconded the motion. The motion passed by consensus.

AmeriSourceBergen then presented to the Council. A question and answer period followed.

Shana shared the score sheet from the Evaluation Committee. Cardinal Health scored the highest. J. J. Bernebei made a motion to accept the Evaluation Committee's recommendation. Felice Joseph seconded the motion. The motion passed by consensus.

Mary Ratliff shared with the Council a final report entitled "Secure Electronic Prescriptions: Finding Solutions for Inappropriate Prescribing and Abuse of OxyContin in West Virginia". The findings from this report suggest early action. Listed below are the recommendations:

1. Pursue immediate legislative action to remove legal barriers.
2. Enhance the WV Prescription Drug Monitoring Program for electronic prescribing interface.
3. Initiate a WV e-prescribing pilot with 350 to 500 physicians.

The Pharmaceutical Advocate Office will work on inviting Doug Douglas, Board of Pharmacy to present at our next Council meeting.

Being no further business, Felice Joseph made a motion to adjourn the meeting. Dr. Spiggle seconded the motion. The motion passed by consensus.

West Virginia Pharmaceutical Cost Management Council
Meeting Minutes
December 13, 2006

Meeting held in the WV Development Office Conference Room

Members Present: Shana Phares, Chair; Felice Joseph, PEIA; John Law (representing Martha Walker, DHHR); J. J. Bernabei (participated by conference call); Leah Summers, Mylan Laboratories; Kevin Outterson (participated by conference call); Todd Hudnall, Staff; Debbie Waller, Staff

Shana Phares opened the meeting and welcomed everyone. The minutes from the September 22, 2006 council meeting were reviewed. Felice Joseph made a motion to approve the September 22, 2006 minutes as written. Leah Summers seconded the motion and the motion passed by consensus.

Shana introduced Doug Douglass, Executive Director and General Counsel of the WV Board of Pharmacy. Mr. Douglas reported that legislation is being drafted to modify state law that bars the electronic transmission of prescriptions. West Virginia is one of four states that prohibits e-prescribing. The Board of Pharmacy has been working closely with the Governor's Office to draft corrective legislation.

Mary Ratliff reported to the council in September and shared the final report entitled "*Secure Electronic Prescriptions: Finding Solutions for Inappropriate Prescribing and Abuse of OxyContin in West Virginia.*" The recommendations from that report were 1) pursue immediate legislative action to remove legal barriers, 2) enhance the WV Prescription Drug Monitoring Program for electronic prescribing interface, and 3) initiate a WV e-prescribing pilot with 350 to 500 physicians.

A motion was made by J.J. Bernabei for the council to support the Board of Pharmacy to introduce legislation that would remove statutory barriers to e-prescribing. Felice Joseph seconded the motion and the motion passed by consensus.

Consistent with statute and past practice, the Chair will draft a letter to the President of the Senate and Speaker of the House with a copy to the legislative health committee chairs expressing the Council's support for e-prescribing legislation.

Shana Phares reported on the Advertising Rule. The Legislative Rulemaking Review Committee considered on the rule at the December

legislative interims. There was a technical error when the rule was filed. The rule should have been submitted under the Pharmaceutical Cost Management Council not the Pharmaceutical Advocate Office. The rule was laid over and will be revisited at the January interims. To clarify the technical error, a letter from Secretary Ferguson, Department of Administration, documenting that Ms. Phares was designated as chair of the Pharmaceutical Cost Management Council on December 1, 2005 and copies of the minutes that reflect votes by the Council in support of the Advertising Rule will be distributed to the Co-chairs of the Legislative Rulemaking Review Committee and the Health Committee Chairs.

Ms. Phares informed the Council that Counsel for the Legislative Rulemaking Review Committee has requested that some instructions be included on the Advertising Reporting Form. In addition, a definition of direct to consumer (DTC) advertising was requested to be included in the rule body. Ms. Phares presented the DTC definition used by the Food and Drug Administration. Kevin Outterson suggested that the be changed to reflect what was written in statute. Professor Outterson's suggestion was accepted without objection. The Chair will forward the modified rule to the Council then will submit the revised rule to the Legislative Rulemaking Review Committee.

The next Council meeting will be set up after the January interims. Debbie will work with members to secure a date.

Todd Hudnall, Senior Project Manager, Pharmaceutical Advocate Office, updated the group on MMCAP. The Council joined MMCAP and Cardinal Health was chosen as the distributor. Shana and Todd made a presentation to the local health departments and are getting them signed up to participate in MMCAP. The health departments will be able to purchase flu vaccines at a significant savings.

There will be an update on the Central Fill Pharmacy at the January council meeting.

Shana gave a brief update on the Pharmaceutical Advocate's activities.

- Working with PEIA and Primary Centers – 340b prescription drugs – pilot set up – started September 6, 2006 – evaluate after 9 months
- The Advocate worked with Express Scripts to promote Rx Outreach, their low-cost, generic mail order program
- The Advocate also worked closely with Wal-Mart to bring their \$4 generic drug program to West Virginia
- Heinz Family Philanthropies– Heinz provides free technical assistance on pharmaceutical issues for states. The Philanthropies will be working on four issues for West Virginia. Debbie will send Council members a copy of the letter from the

Governor to Heinz on specific projects that Heinz is working on in West Virginia.

- Shana will e-mail draft of the annual report for members to review. Will be submitted by December 30, 2006

There being no further business, Felice Joseph made a motion to adjourn the meeting. Kevin Outterson seconded the motion. The motion passed by consensus.

Appendices

- Appendix A Minutes of all Council meetings for calendar year 2006
- Appendix B Approved Emergency Advertising and Reporting Rule
- Appendix C Cardinal Health Presentation, AmeriSource Bergen Presentation
and MMCAP Evaluation Committee Scoring Sheet
- Appendix D Secure Electronic Prescriptions: Finding Solutions for Inappropriate
Prescribing and Abuse of OxyContin in West Virginia - Highlights
and Executive Summary
- Appendix E Letter to the President of the Senate, Speaker of the House and
Chairs of the Health Legislative Committees recommending
support of legislation to remove statutory barriers to electronic
prescribing
- Appendix F TSG Consulting Business Plan for the Central Fill Pharmacy -
Executive Summary

APPENDIX B

**TITLE 206
LEGISLATIVE RULE
WEST VIRGINIA PHARMACEUTICAL COST MANAGEMENT COUNCIL**

**SERIES 1
PHARMACEUTICAL ADVERTISING EXPENSE REPORTING**

§ 206-1-1. General.

1.1 Scope. -- This Rule establishes the reporting requirements of all manufacturers and labelers of prescription drugs dispensed in this state, that employ, direct, or utilize marketing representatives, as mandated by W.Va. Code §5A-3C-13, - 15.

1.2 Authority. -- W.Va. Code §5A-3C-8(d), -13, -15 Executive Order No. 18-04.

1.3 Filing Date. --

1.4 Effective Date. --

§206-1-2. Definitions.

2.1 Terms not defined in this rule have the meanings ascribed to them by W.Va. Code §5A-3C. As used in this rule:

“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 or companies.

“Aggregate list” includes the information put into the report by the Council, pursuant to W.Va. Code §5A-3C-13(e) and which contains only aggregate data.

“Bona-fide clinical trial” (as described in W.Va. Code §5A-3C-13(c)(2)) means a clinical trial approved by an appropriate Institutional Review Board and conducted in connection with a research study where the principle purpose is scientific research.

“Dispensed” or “Dispensing” means the act of selling or providing prescription drugs or pharmaceutical drugs to a member of the general public, usually performed by a licensed pharmacist or other licensed health care provider.

“Prescription drugs” or “pharmaceutical drugs” means drugs for human use for which a prescription is required for the drug to be legally dispensed.

“West Virginia Prescriber” means a physician or other health care professional licensed to prescribe pharmaceutical drugs in the State of West Virginia.

§ 206-1-3. Required Reporting.

3.1 After the effective date of these rules, all drug manufacturers, pharmaceutical manufacturers, and/or labelers whose pharmaceutical drugs are dispensed in West Virginia or to a West Virginia resident via mail, must complete and file with the Council Appendix A to this rule on or before April first of each year for the advertising expenses occurring in the preceding calendar year.

3.2 Signed originals of completed Appendix A forms shall be filed with the Council, at the Office of the Pharmaceutical Advocate, Building 3, Capitol Complex, Charleston, West Virginia. The Council may adopt procedures to also permit electronic filing.

Appendix A

Reporting Form

West Virginia Pharmaceutical Advertising Expenses

Name of reporting entity	
Report for calendar year	

If this form is filed on behalf of a group of entities which file a US federal income tax return as a consolidated group, attach a copy of the organizational chart showing all members of the consolidated group for federal income tax purposes and check here:

All references to the "Company" in the form refer to the reporting entity and to all members of its consolidated group for US federal income tax purposes. All capitalized terms not otherwise defined by Council rule have the meaning provided in the PHARMACEUTICAL AVAILABILITY AND AFFORDABILITY ACT OF 2004 (the "Act"), W.Va. Code §5A-3C.

1. Every Drug Manufacturer, Pharmaceutical Manufacturer, or Labeler which engages in business in West Virginia (the "Company") is required to complete this reporting Form.
2. Complete the following table. List the number of West Virginia Prescribers whose total amount of individually received gifts, grants or payments of any kind made directly or indirectly by the company fall within the numerical categories. Items excluded under Section 5A-3C-13(c) shall not be included in the annual payment amounts.

Annual Aggregate Amount of Gifts, Grants and Payments	Total Number of Prescribers
\$1,000 - \$2,500	
\$2,501 - \$5,000	
\$5,001 - \$7,500	
\$7,501 - \$10,000	
\$10,001 or over	

3. Complete the following table listing all drugs Advertised by the Company using direct-to-consumer (DTC) Advertising reaching West Virginia, together with the total expenditure by the Company on such DTC Advertising targeting West Virginia. If the Company does not track these amounts for West Virginia, the Company may report West Virginia's ratable share of national or regional expenses. The Company may exclude any DTC Advertising which had only a remote or indirect impact on the West Virginia market. Provide this information in aggregate by drug. This aggregate data will be a public record.

Name of Drug (chemical name and brand name)	Type of Advertising (television, radio, print, or other)	Total Expenditure on Advertising

4. Complete the following table listing all gifts, grants or payments of any kind made directly or indirectly to any disease-specific patient support group or disease-specific patient advocacy group which: (a) has members or affiliates in West Virginia; and (b) lobbies or otherwise appears before the West Virginia Legislature or State agencies to advocate for a drug Advertised, Manufactured, owned, or distributed by the Company. The Company need not report annual amounts which do not exceed \$10,000 per year. Report the total annual amount for each such group. The aggregate list will be a public record.

Name of Advocacy Group	Amount of Annual Payments

5. Complete the following table listing all Advertising programs with or involving pharmacies licensed in West Virginia. Provide the names of the pharmacies together with a summary of the financial and other arrangements under the program. The Company need not report annual amounts which do not exceed \$10,000 per year. The aggregate list will be a public record.

Pharmacy	Type of Advertising	Amount of Payment

6. The Company is permitted, but not required, to furnish the information described in Section 5A-3C-13(c) of the Act. Clinical trials which do not qualify as Bona Fide Clinical Trials must be reported.

For each of the categories above, the Company should respond to the best of its ability. If the Company is unable to respond to a particular question, it should explain why it is not able to respond fully, and should describe what alternative information is available. The purpose of this provision is to ease the reporting burden on the Company, while allowing the State to collect the Advertising information which is readily available. All questions relate to the reporting period indicated above.

This Form is signed under penalties of perjury by a senior officer of the Company.

I believe that this Form is true, correct and complete:

Signature:
Printed Name:
Title:
Date:

APPENDIX C

MINNESOTA CONTRACTING ALLIANCE FOR PHARMACY
(MMCAP) STATE OF WEST VIRGINIA
PHARMACEUTICAL COST MANAGEMENT COUNCIL



Request for Proposal
Primary Wholesale Drug Services Proposal for MMCAP
State of West Virginia

Teri Janz
Director, Alternate Care Sales
414-476-7114
Cardinal Health, Inc
7000 Cardinal Place
Dublin, OH 43017
www.cardinal.com

September 20, 2006

September 20, 2006

RFP Subject: Proposal to provide Primary Wholesale Drug Services for MMCAP State of West Virginia

Distributor Name: Cardinal Health, Inc

Business Address: 7000 Cardinal Place
Dublin, OH 43017

Telephone Number: 614-757-5000

Website: www.cardinal.com

Printed Name of Authorized Person: Teri Janz

Title: Director, Alternate Care Sales

Authorized Signature _____

Date 8/18/2006_____

Email Address: teri.janz@cardinal.com

Phone Number: 414-476-7114

Table of Contents

1. Part 1: General Information

1.1. Purpose

1.2. Project

1.3. Evaluation

1.4. Recommendation Approval and Selection

2. Part 2: Performance Specifications

3. Part 3: Proposal Format

3.1.1 Title Page

3.1.2 Table of Contents

3.1.3 Proposal Format

3.1.4 Due Date

3.1.5 Evaluation Process

**REQUEST FOR PRESENTATION
STATE OF WEST VIRGINIA
PHARMACEUTICAL COST MANAGEMENT COUNCIL**

Part 1 GENERAL INFORMATION

1.1 Purpose:

The Pharmaceutical Cost Management Council (PCMC) is soliciting presentations to select a Distributor to distribute all pharmaceutical products and services statewide to all Minnesota Contracting Alliance for Pharmacy (MMCAP)-enrolled facilities.

1.2 Project:

The purpose of this project is to select a Distributor to distribute all pharmaceutical products and services statewide to all Minnesota Contracting Alliance for Pharmacy (MMCAP) enrolled facilities which may include, but are not limited to: the Department of Health and Human Resources - state-owned hospitals, the Bureau for Public Health and local health departments; Department of Education and the Arts – statewide Student Health Services and the Division of Rehabilitation Services; Department of Military Affairs and Public Safety – State Police, Division of Corrections, and the Regional Jail Authority, MMCAP-eligible hospitals and clinics.

1.3 Evaluation:

An evaluation committee will review the presentations, interview company representatives, if available, and make a recommendation to the West Virginia Pharmaceutical Cost Management Council.

1.5 Recommendation Approval and Selection

Once the WVPCMC approves the recommendation, the Chair of the Council will notify the selected vendor by letter and copy MMCAP.

Part 2 PERFORMANCE SPECIFICATIONS

2.1 The State of West Virginia has MMCAP-eligible facilities over a geographic area of more than 24,000 square miles. Please answer the following questions about your company's ability to deliver in a timely manner:

2.1.1 How late in the day can a facility place a regular order and receive the next business day?

Cardinal Health customers can place orders by 10:00 PM EDT and receive the next business day.

2.1.2 What is the latest delivery time for regular orders?

This varies by location the delivery times start at 6:00 AM and most are completed by 12:00 PM EDT.

2.1.3 How late in the day can a facility place an emergency order and receive it the next day?

This varies by location; however Cardinal Health is capable of same day Emergency orders anywhere within our territory.

2.1.4 What is the delivery timeframe for emergency orders?

This varies by location; however Cardinal Health is capable of same day Emergency orders anywhere within our territory.

2.2 It is expected that MMCAP-eligible facilities from all 55 counties in West Virginia will enroll. How long will it take your company to provide equipment and training for a facility after it enrolls in MMCAP?

Cardinal Health can deliver equipment and training within 30 days of enrollment date. Please see attached detailed implementation plan.

2.3 What equipment and software are provided to your MMCAP customers (i.e. type of computer, on-line catalog, patient information/interaction software, handheld scanners)?

Cardinal.com Ordering

Cardinal.com Ordering from Cardinal Health Pharmaceutical Distribution is a comprehensive, pharmacy order and inventory management solution through the Internet. The application streamlines the ordering process and helps control the pharmacy's inventory capital investment. Cardinal.com transcends the traditional boundaries associated with ordering pharmaceuticals and checking order status. Real-time access through the Internet provides the pharmacy with freedom to monitor business anywhere, anytime.

Cardinal.com benefits and features:

- Real-time stock status
- Up-to-the-minute product pricing
- Real-time allocation of product
- Instantaneous order confirmation
- Electronic credits and returns
- Real-time procurement reporting capabilities
- Contract/program ranking drives purchasing activity
- Highlights preferred products
- Department Codes & Physical Inventory Module
- Central Ordering Control

Cardinal.com Ordering enables you to:

- Enhance the pharmacy's operational efficiencies
- Optimize your contract portfolio utilization
- Reduce total number of units of pharmacy shelves
- Improve service levels related to manufacturer back-order situations

Additionally, upgrades to Cardinal.com are performed electronically with no customer intervention immediately after successful alpha and beta testing

periods. With Windows base software, major releases of software, which occur routinely every quarter, require on-site visits that are normally completed 30-90 days from date of general release. However, Cardinal.com applications (Cardinal.com Ordering, entelligence, and Mobile Solutions) are updated immediately as enhancements are made to the Website.

Security

Cardinal.com uses certain security measures to help protect against the loss, misuse and alteration of the information provided on the Site. For example, our Site uses Secure Socket Layer (SSL) technology. In addition, your account information and profile are password-protected to help restrict access to this information to you authorized.

Central Order Control

The Central Buyer, has a comprehensive view of how staff are able to order products. The result is better compliance, fewer reflex orders and improved daily pharmacy operations.

The Central Buyer uses Pharmacy Admin to implement Central Order Control in the following ways:

- The Central Buyer sets rights for other users
 - Read Only
 - Requisition Only - The user can build and send an order that goes to the central buyer for approval (it doesn't go directly to Cardinal)
 - Place Order Rights
- The Central Buyer retrieves orders created by staff that has Requisition Only rights to approve and send to Cardinal Health.
- The Central Buyer can Assign access to formulary catalogs to control which products staff can view (and Order) to drive compliance.

Enhanced Ordering

To improve service levels, Cardinal has developed Enhanced Ordering, a real time, on-line interactive alternative product selection capability. Whenever a product is identified as being "out" at the servicing distribution center during an ordering session, Two Pass will provide up to five alternative products from which the customer can choose. These alternatives are generated by searching the entire inventory of the distribution center, sorting them by contract and best price. They are then presented to the customer who can select one of the suggested alternatives or choose to forgo them. Once selected, the chosen product is processed as any other item that is ordered. The order confirmation will note the item that was originally selected, and the alternative that was picked. This "hard copy" can be used by the pharmacy to document manufacturer inability to supply

CHOICE™

CHOICE, a PC-based, just-in-time electronic order and inventory management system, was developed by Cardinal Distribution to meet the needs of large and small retail, hospital, acute and long-term care facilities. Its item database contains net acquisition and contract pricing. It provides numerous features

including purchase history, suggested ordering, inventory management, pre-defined and custom report generation and interdepartmental billing.

- CHOICE can be used as a basic item catalog and order entry system or as an integrated inventory management system that applies reporting, Min/Max or suggested order quantity (SOQ) and compliance tools to maximize inventory investment and to maintain inventory levels to meet consumer demands.
- CHOICE interfaces to a wide range of third-party applications.
- CHOICE provides stock status information for each item. When placing orders, CHOICE notifies the customer if an item is available, temporarily out of stock or backordered by the manufacturer. Knowing the stock status of items prior to transmission of orders increases order efficiency and expectations. Customers receive order confirmations within ten minutes of placing an order. Printed confirmations, which can be customized, document what will be received with the next delivery.

Mobile Solutions

Mobile Solutions allows customers to order and receive product using a handheld device. The user can send/receive current catalog data, submit orders for fulfillment, transfer orders to cardinal.com ordering and retrieve their receiving data, all in the palm of their hand. The device offers greater flexibility in the management of the receiving process, allowing receiving to take place at any location within the pharmacy. Mobile Solutions wireless technology increases efficiency in the pharmacy through time saved receiving, re-stocking and ordering product. The promotion of ordering from inventory places a greater emphasis on managing capital investment in products. Overall, the application places the purchasing manager closer to the receiving and ordering process, increasing flexibility and efficiency in working with the product.

Mobile Solutions enables you to:

- Enables greater flexibility in managing capital investment in products
- Drives compliance and contract pull-through
- Speeds ordering process - efficiency
- Promotes ordering from inventory
- Leverages the information in cardinal.com to enable more informed purchasing decisions at the point of order
- Increases speed of product receipt
- Increases speed of physical inventory process

Mobile Solutions (\$100 monthly fee) is a hand held PC designed to work as both an ordering and receiving unit. As product is received, you can record product by piece, case and tote with a quick scan of the license plate. Since the device is completely self-contained and not constrained by a computer cable, product can actually be checked-in anywhere in the pharmacy or warehouse. Data can then be transferred to and evaluated on cardinal.com. The system is already being used in a number of facilities and implementation can be accomplished in 24 hours.

EDI

Cardinal Health will provide its portion of the interface between Buyer's system and Cardinal Health's ordering system. Any additional interfaces required by the manufacturer of Buyer's software/hardware will be at Buyer's sole expense.

Cardinal Health Pharmaceutical Distribution deployed a new Windows/NT based EDI server system in late 1997, entering full production in March 1998. This system is handling tens of thousands of electronic documents with a growing number of trading partners in a very controlled, audited and monitored environment. This modern system is built upon the same client-server infrastructure used by the CSW, QC, and AMS systems (Pharmaceutical Distribution acronyms for our warehouse management and automation systems). Fault resistance has been designed into the EDI server's architecture with redundant nodes containing multiple processors and RAID storage arrays.

The customer EDI system is managed and upgraded as needed to ensure that peak utilization does not exceed 50% and average utilization does not exceed 25%. The performance headroom has proven critical in ensuring that Cardinal can meet the EDI requirements of the most demanding customers. Cardinal expects that this system will be the fastest growing system within the IT infrastructure and will require the use of the latest hardware and systems software available.

Cardinal's customer EDI server Uses Gentran/NT from Sterling Commerce for EDI document translation with IBM's MQ-Series message distribution manager to route EDI activity around the organization. Many of the EDI transactions will trigger subsequent EDI transactions to occur before the overall EC transaction is completed. The example below is an illustration of the type of customer EDI transaction Cardinal Distribution manages each day with its customers.

Electronic Purchase Order. The process begins with the receipt from a customer of an EDI PO (850), followed by the delivery to the customer of an Order Confirmation (855), an Advanced Shipment Notice (ASN) (856) is created once the order is picked, then an Electronic Invoice (810), which is followed by a Electronic Funds Transfer Remittance Advice (820) from the customer.

This complex EC transaction occurs tens of thousands of times daily between Cardinal and customers and must be completely accurate and error free.

Remote monitoring and automated alarming are critical to operating a high volume real-time business system like Cardinal's EDI server. These audits, monitors, and alarms have been custom built by Cardinal's customer EDI development team using state-of-the-art Distributed Common Object Management (DCOM) tools. These tools allow the EDI server to pull information together from across the enterprise to audit the data passing through the system. For example, one simple business rule is that the Accounts Receivable (AR) system must agree with the invoice information received from the distribution center system. Another is the sequence of transactions required by the customer's EC relationship.

The EDI server is also responsible for a number of less time critical EDI transactions including providing item price catalogs (832), sales reporting (867),

as well as a number of specialized transactions. The item price catalog (832) is a critical business document for successful implementation of modern EC relationships. The item price catalog provides the customer with the latest item, contract, and pricing information from Cardinal. This item information is then used to feed the customers order management, inventory control and financial management systems with accurate replacement cost information.

Cardinal Health supports direct order capabilities through the Cardinal ASSIST program as well as through the E-Nvision perpetual inventory program utilizing a Medication Retrieval system carousel to order product from utilization data. Cardinal supports all 810, 894 and 880 EDI protocol documents for Electronic invoicing as well as 820 notices for electronic remittances. Cardinal's Pricing matrix includes all applicable discounts for electronic payments

Cardinal supports many different customer interfaces today. Cardinal also has an Internet based ordering system that includes real time pricing, order confirmations and item information. Cardinal will commit to work with the participants to best support needed interfaces. Cardinal supports a wide variety of EDI documents from item maintenance order procurement to payment process.

These documents include:

- 850 - Purchase Order
- 855 - Purchase Order Acknowledgment
- 856 - Advanced Ship Notice
- 810 - Invoice
- 894 - Invoice
- 880 - Invoice
- 832 - Price Catalog
- 180 - Merchandise Return Authorization
- 997 - Functional Acknowledgment
- 820 - Electronic remit

Cardinal supports many versions of each of these documents. Our primary VAN is GE, however we do support inter-connects with all VAN's.

Cardinal supports many different customer interfaces today. As mentioned previously, Cardinal.com order Internet based ordering system includes real time pricing, order confirmations and item information. Cardinal will commit to work with the participants to best support needed interfaces.

Telexon

A proven hand held ordering system which allows customers to order at the SKU level directly from the shelf location enabling highly efficient and accurate ordering practices.

Phone and/or FAX

In the case of connectivity issues Cardinal Health will accept orders via telephone and fax at no additional charge to MMCAP.

entelligence

entelligence is Cardinal Health's executive pharmacy information management tool that allows customers to take control and effectively manage and monitor your procurement strategy. entelligence rolls up purchase data from each of the points of purchasing within an organization and provides comprehensive reporting to evaluate purchasing. Reports provided through entelligence provide a complete picture of where cost savings opportunities reside, by providing timely data to help your organization reduce costs by improving purchasing and inventory management decisions. Your organization gains immediate access to detailed item usage information while flexible reporting provides information in the format that is most useful for your needs.

entelligence enables you to:

- Focus on the big picture
- Leverage your agreements
- Assess the value of your contracts
- Understand the marketplace
- Gain control of your procurement strategy
- Increase your negotiation power
- Obtain accurate and timely information
- Reduce costs through effective contracting

entelligence provides you with the following features:

- Access to 36 months of purchase history
- Multi-pharmacy reporting
- Invoice level detail
- Budgetary forecasting and analysis
- Brand-to-generic savings analysis
- Therapeutic interchange analysis
- Contract management
- Identify contract missed opportunities
- Manufacturer back order reporting
- On-line catalog

There is a \$300 monthly charge for up to 5 users of the entelligence reporting product, with an additional cost of \$60 per additional user after that.

- 2.4 It is understood that at some times some products may not be available in the distributor warehouse but would be available from the manufacturer. Please outline how you would ensure that the facility received the requested product.

Cardinal Health customers can place drop ship orders through our customer care centers. The customer care centers would handle facilitating the proper ordering and delivery from the manufacturer of the specific items requested.

- 2.5 Does your company require a minimum order? What is the minimum volume order accepted?
- All facilities will receive one free delivery per week.

- All invoiced orders totaling less than \$750.00 will have a \$20 delivery fee added.
- All accounts with volume greater than \$15,000 will receive daily delivery 5 days/week
- Any account with volume less than \$15,000 will be charged \$20 per delivery
- If any member has four or less deliveries per month, they will be credited all delivery charges on the following month.

2.6 Please describe your company's presence in the State of West Virginia. Include the size and location of each facility and how many personnel your company employs in West Virginia. The Cardinal Health distribution center is located in Wheeling, West Virginia, and we service the entire state of West Virginia. Facility size = 200,000 sq. ft. Total company personnel located in West Virginia is approximately 160 people.

PART 3 PROPOSAL FORMAT

3.1.1 Title Page:

Title Page – should state the RFP, the name of the Distributor, Distributor's business address, telephone number, web site and name of authorized contact person to speak on behalf of the Distributor and authorized contact person's email address. The title page must be signed and dated by an authorized person.

For example, the title page might appear with text as follows:

RFP Subject: Proposal to provide pharmaceutical goods and service.

Distributor Name _____

Business Address _____

Telephone Number _____

Website _____

Printed Name of Authorized Person _____

Title _____

Authorized Signature _____

Date _____

Email Address _____

3.1.2 Table of Contents:

Bidder must clearly identify the material by section and page number in the bidder's table of contents.

3.1.3 Proposal Format:

Bidders must organize their proposals into sections that follow the format of this RFP.

3.1.4 Due date

Written proposals must be received no later than **5:00 p.m. EDT** on **September 20, 2006**. Proposals should be mailed to:

Office of the Pharmaceutical Advocate
 Capitol Complex
 Building 3, Room 265
 Charleston, WV 25305

Alternately proposals may also be emailed to:

sphares@wv.gov and
dwaller@wv.gov.

3.2 Evaluation Process

A committee will evaluate the written presentations. Distributors will be permitted to provide supplementary information via telephone conference or in person on the morning of September 22, 2006. The selection of the successful Distributor will be made by consensus of the evaluation committee.



September 20, 2006

Ms. Shana Kay Phares
Acting Pharmaceutical Advocate
State of West Virginia
Capitol Complex
Building 3, Room 265
Charleston, WV 25305

Dear Shana,

On behalf of AmerisourceBergen, thank you for allowing us the opportunity to respond to the State of West Virginia's Request for Presentation. In answering your questions and responding to your requirements, we have paid attention to both the technical and the business issues that will define an effective solution for your organization. The enclosed proposal presents services and solutions designed to assist the State of West Virginia address its most critical needs and achieve its core objectives.

AmerisourceBergen is committed to exceeding the State of West Virginia's expectations through teamwork, innovation, and industry leadership, as well as an unparalleled commitment to ensuring the health and safety of your care network. We believe these are important factors to consider as you evaluate our proposal and, equally important, as you identify a partner for future success.

We look forward to the opportunity to review our proposal with you and are excited about strengthening our partnership with the State of West Virginia. Thank you again for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael D. Thompson".

Michael D. Thompson
Vice President, Alternate Care
North Central Region
AmerisourceBergen Corporation
Phone: (614) 409-6122
Email: mthompson@amerisourcebergen.com

Title Page

RFP Subject: Proposal to provide pharmaceutical goods and service.

Distributor Name AmerisourceBergen Drug Corporation

Business Address 1300 Morris Drive, Chesterbrook, PA 19087

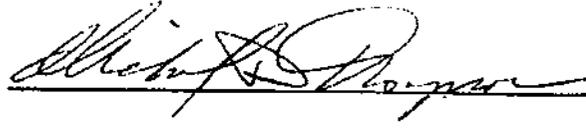
Telephone Number 610-727-7000

Website www.amerisourcebergen.com

Printed Name of Authorized Person Michael D. Thompson

Title Vice President, Alternate Care

Authorized Signature



Date 7/13/06

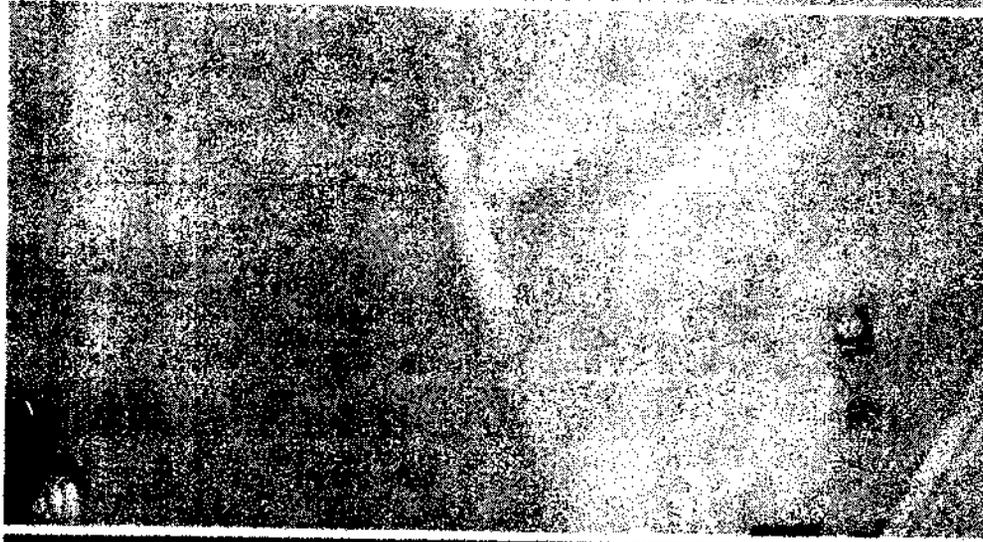
Email Address mthompson@amerisourcebergen.com

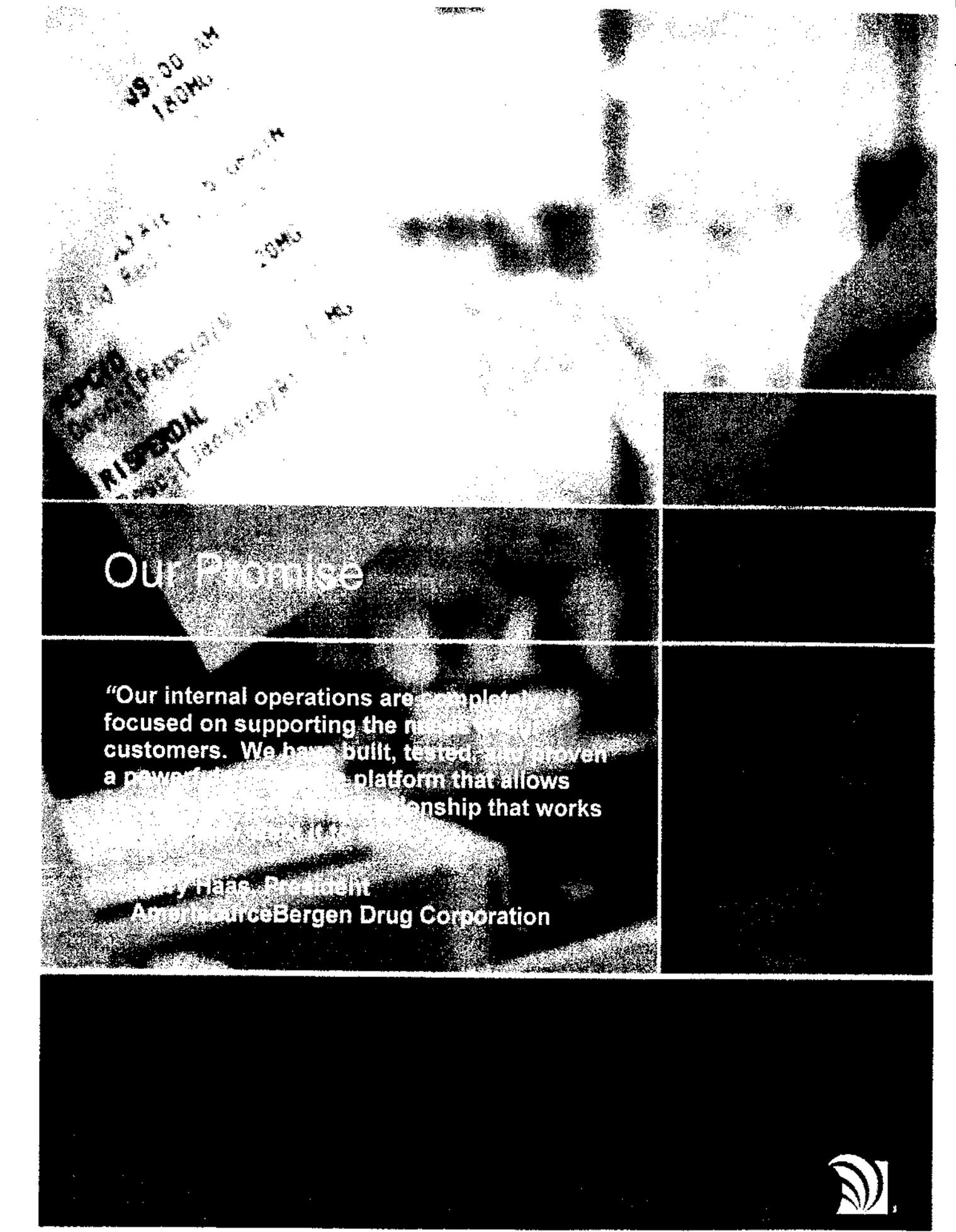




September 20, 2008

Securing the Health of the State of West Virginia





Our Promise

"Our internal operations are completely focused on supporting the needs of our customers. We have built, tested, and proven a powerful, scalable platform that allows us to create a partnership that works."

**Timothy Haas, President
AmeriSourceBergen Drug Corporation**



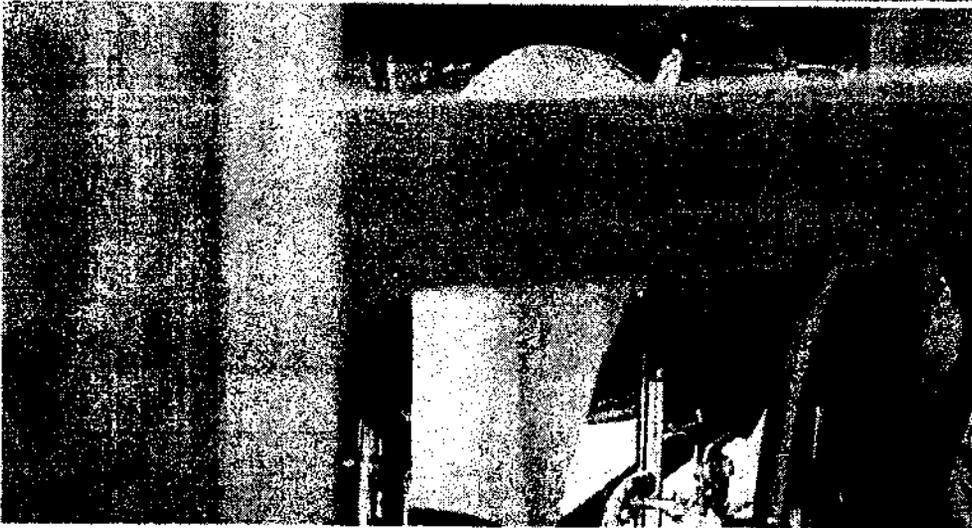
Table of Contents

RFP Response	5
Part 1 GENERAL INFORMATION	5
Part 2 PERFORMANCE SPECIFICATIONS.....	6
Sample Implementation Plan.....	14





RFP Response



RFP Response

Part 1 GENERAL INFORMATION

1.1 Purpose:

The Pharmaceutical Cost Management Council (PCMC) is soliciting presentations to select a Distributor to distribute all pharmaceutical products and services statewide to all Minnesota Contracting Alliance for Pharmacy (MMCAP)-enrolled facilities.

Understood.

1.2 Project:

The purpose of this project is to select a Distributor to distribute all pharmaceutical products and services statewide to all Minnesota Contracting Alliance for Pharmacy (MMCAP) enrolled facilities which may include, but are not limited to: the Department of Health and Human Resources - state-owned hospitals, the Bureau for Public Health and local health departments; Department of Education and the Arts - statewide Student Health Services and the Division of Rehabilitation Services; Department of Military Affairs and Public Safety - State Police, Division of Corrections, and the Regional Jail Authority, MMCAP-eligible hospitals and clinics.

Understood.

1.3 Evaluation:

An evaluation committee will review the presentations, interview company representatives, if available, and make a recommendation to the West Virginia Pharmaceutical Cost Management Council.

Understood.

1.4 Recommendation Approval and Selection

Once the WVPCMC approves the recommendation, the Chair of the Council will notify the selected vendor by letter and copy MMCAP.

Understood.



Part 2 PERFORMANCE SPECIFICATIONS

2.1 The State of West Virginia has MMCAP-eligible facilities over a geographic area of more than 24,000 square miles. Please answer the following questions about your company's ability to deliver in a timely manner:

2.1.1 How late in the day can a facility place a regular order and receive the next business day?

The State of West Virginia will be serviced by our Columbus, Ohio and Richmond, Virginia Distribution Centers. Generally, Columbus will service locations North of I-64 and Richmond will service locations South of I-64. The Columbus Distribution Center order cut-off time for orders placed Sunday – Thursday for next day delivery Monday - Friday is 8:00 pm. The Richmond Distribution Center order cut-off time for orders placed Sunday – Thursday for next day delivery Monday - Friday is 7:00 pm.

2.1.2 What is the latest delivery time for regular orders?

AmerisourceBergen maintains flexibility in our delivery routing system to adjust our routes to accommodate our customers. Prior to implementation, AmerisourceBergen and the State of West Virginia will discuss and mutually agree upon a delivery schedule. Please note that orders originating from our Columbus Distribution Center would be delivered no later than noon for acute care hospitals and no later than 4:00 pm for remaining facilities. Orders originating from our Richmond Distribution Center would be delivered no later than noon.

2.1.3 How late in the day can a facility place an emergency order and receive it the next day?

The regular order cut off time for next day delivery is 7:00 pm for the Richmond Distribution Center and 8:00 pm for the Columbus Distribution Center. Any orders received after these times will be delivered the 2nd day from order placement.

AmerisourceBergen provides emergency delivery service for life-saving or life sustaining emergencies 24 hours per day, 7 days per week. Prior to implementation, each State of West Virginia facility will receive the Emergency Services phone number for its servicing distribution center.



Each facility will also receive the instructions for using this service in true medical emergencies. When a State of West Virginia facility experiences a medical emergency, they simply dial the phone number and follow the instructions to ensure follow up. The assigned AmerisourceBergen associate will respond to the call within 30 minutes, identify and authenticate the State of West Virginia facility, record the need, and provide an estimated delivery time for the product. The associate will then arrange for delivery of the order.

Please refer to the AmerisourceBergen/MMCAP contract for emergency delivery service charges.

2.1.4 What is the delivery timeframe for emergency orders?

The delivery timeframe for emergency orders is dependent upon the time the emergency order is placed, the location of the facility, and courier availability. Generally, a life saving or life sustaining emergency order should reach the facility within 4 - 7 hours of order placement.

2.2 It is expected that MMCAP-eligible facilities from all 55 counties in West Virginia will enroll. How long will it take your company to provide equipment and training for a facility after it enrolls in MMCAP?

AmerisourceBergen currently services the following State of West Virginia locations: Mildred Mitchell-Bateman Hospital, William R. Sharpe, Jr. Hospital, and Welch Community Hospital. No conversion is necessary for these locations.

Should additional sites require conversion, AmerisourceBergen has developed a comprehensive planning and implementation process for new customers and facilities. **Tab: Sample Implementation Plan** outlines the process and implementation work plan that guides each new facility implementation. AmerisourceBergen will set up the entire State of West Virginia account within 60 days; however each implementation plan is customized and can be adjusted to meet the needs of the State of West Virginia.

The process begins with an implementation planning meeting with key State of West Virginia facility staff. AmerisourceBergen recommends that the various stakeholders in the process attend the meeting, including representatives of Pharmacy, IT, Accounting, Inventory Management, and any other personnel associated with the pharmacy operations.



AmerisourceBergen initiates the kick-off meeting approximately eight weeks in advance (eight weeks is preferred, but we have conducted conversions in less time) of the actual conversion date covering the following topics:

- Mapping of Implementation Team key contacts with responsibilities for both the customer and AmerisourceBergen – including Executive Sponsor, Account Manager, and Implementation Project Manager
- Communication protocols and procedures
- Verification of current locations and mapping of State of West Virginia locations to AmerisourceBergen Distribution Center locations
- Review of current usage of all Rx and non-Rx items and any unique customer requirements (i.e., special formulary issues, sticker format, etc.)
- Current IT protocols for system interfacing, ordering, receiving, payment, and reporting – including development of any cross reference tables for converting NDC numbers to AmerisourceBergen item numbers
- Current accounting protocols for accounts payable, credits, debits, etc.
- Review of the conversion implementation work plan – including timeline and responsibilities

Each week, the AmerisourceBergen Project Manager conducts an internal planning call with the distribution center personnel impacted by the conversion, along with the Account Manager, respective department managers (IT, Accounting, Finance, Operations, Programs, etc.) to ensure that tasks are completed on time and to resolve any outstanding issues. The Project Manager and Account Manager subsequently conduct a call with the State of West Virginia facility to inform them of the progress against the work plan and to receive any updates to the overall conversion process as requested. This process continues each week until the day of the actual conversion.

Of note regarding the conversion implementation work plan is the level of detail for new account set-up, testing of the preferred ordering and payment systems, and training of all pharmacy personnel on any applicable AmerisourceBergen systems. We take great care to ensure that all accounts are properly established with all associated protocols in place.

Approximately four weeks from the conversion date, AmerisourceBergen tests all ordering, receiving, and reporting systems to ensure that every account is "live" and ready to go on the day of implementation. The AmerisourceBergen Project Manager and IT staff conduct hands-on training via Webex sessions and on-site as requested by the State of West Virginia facility. Further, we provide a custom customer packet containing all relevant information for



pharmacy personnel (i.e., new account number, instructions on the AmerisourceBergen systems, returns procedures, list of distribution center contacts and phone numbers, hours of operation for the distribution center, etc.). We also ensure that corporate staff and/or regional managers are able to train additional personnel as required.

A few weeks prior to the conversion date, AmerisourceBergen conducts a "dry run" of the ordering system by requesting that each ordering location send a small test order to us, ensuring that the order is received and the items are picked, packed, and ultimately shipped on time to the appropriate locations. The drivers making the deliveries will become aware of the appropriate delivery protocols (i.e., who to see, location of the delivery point, etc.). In addition, AmerisourceBergen will dispatch a local Account Manager to the facility to ensure that the pharmacy staff has received the conversion packet, answer any remaining questions, and perform any final training required on the systems.

On the day of conversion, the AmerisourceBergen Project Manager will set up a "command post" to oversee the actual conversion and address any issues that come up during the initial day of deliveries. Finally, the day after the initial deliveries, AmerisourceBergen Customer Service will call the State of West Virginia to assess satisfaction with the service and make any adjustments as requested by the pharmacy personnel.

The AmerisourceBergen conversion implementation process has resulted in many very satisfied customers. The process is implemented with the utmost care for the customer and its patient base, with the overall objective of no disruption in service. We conduct each conversion with heavy emphasis on defining customer requirements during the planning phase, constant communication, coordination, training, and testing of all systems to ensure a smooth and "seamless" conversion.

2.3 What equipment and software are provided to your MMCAP customers (i.e. type of computer, on-line catalog, patient information/interaction software, handheld scanners)?

AmerisourceBergen will offer a variety of order entry solutions to the State of West Virginia including: ECHO[®] (desktop), Catalog and Order Entry (Web-based), iScan[®] (wireless Palm[®] unit), and Telxon devices. All information relative to associated fees has been provided in accordance with AmerisourceBergen Drug Corporation's executed agreement with MMCAP.



ECHO

AmerisourceBergen will provide a state-of-the-art inventory management system called ECHO. ECHO allows the user to efficiently place an order with complete flexibility. ECHO provides an effective means of accessing important contract information, contract compliance data, and wholesaler stock status within minutes of order transmission. AmerisourceBergen will confirm item shipment and display alternatives for items not available due to manufacturer back orders. These reports can identify opportunities for the user in formulary substitutions, track usage patterns, and identify changes in pricing as they occur. A sophisticated report writer empowers the pharmacy to harness the vast amount of data available within ECHO. The "auto-check" feature assures contract compliance with each purchase order.

Each ECHO system is able to handle up to 999 account numbers, each with pricing and contract information. ECHO is also capable of operating under a "depot" system whereby remote sites can assemble their order requests, transmit them to AmerisourceBergen, be received by a central ordering location for final review, and submitted back to AmerisourceBergen for final processing.

All of the ECHO modules will be designed to give the latest technology for control of the customer's inventory. In addition, AmerisourceBergen will provide ECHO Inventory Module or EIM. A companion to ECHO, EIM enables the pharmacy to conduct physical inventory quickly and accurately. The extensive array of management reports contained within EIM provides the keys to effective inventory control and reduction. Other features include AmerisourceBergen's Inter-Departmental Billing Module. This module manages the tracking and reporting of medications and supplies dispensed to other departments and will greatly ease the burden of providing a full accounting of these activities.

Online Catalog & Order Entry

Our online ordering platform will enable the State of West Virginia to access current product and pricing information to maximize savings and streamline operations allowing the State of West Virginia to spend less time with administrative tasks and more time with patient interaction. The Catalog & Order Entry application provides online access to AmerisourceBergen's complete catalog enabling the State of West Virginia to get detailed information on items and view on-hand availability. The system will automatically identify group and personal contracts. Additionally, non-contract items for which a contract equivalent is available will be highlighted with a list of substitutions only a click away. The State of West Virginia can quickly allocate product, make



instant substitutions, and place orders directly with the servicing AmerisourceBergen distribution facility. All product and pricing information is real-time and transactions occur immediately.

iScan

AmerisourceBergen also offers a Palm-based bar-code scanning system for ordering and receiving with optional RF remote wireless interface. Designed as a closed loop system, iScan provides precise ordering and receiving functionality and optimizes the supply chain by providing the State of West Virginia with efficiencies in accuracy and productivity. iScan streamlines order entry with the option of templates. Many facilities have standard orders that they place on a weekly or monthly basis. These orders can be entered into iScan and saved as templates. State of West Virginia facilities can create a new PO from a template and then modify quantities, remove, and add items as needed. Creating a 200-line order is reduced from hours to minutes. You can then upload the data for order review, transmitting, and allocation.

To close the loop, iScan also offers receiving functionality with the following features:

- Reconcile incoming purchase orders via bar-code scan
- Retain the ability of manual reconciliation with the addition of multi-user capability
- The optional convenience of "grocery style" scanning speeds order reconciliation
- Includes advanced support of wireless RF Palm scanning devices
- Superior "learning" capabilities allows for easy product association with unrecognized bar-code scans
- Support of ASN Tote Receiving – allows receipt from a bar-code tote or case scan

Telxon Machines

AmerisourceBergen commits to provide each ordering location a Telxon unit with bar-code scan capability.

ECHO and Hardware Charges

- Every MMCAP ordering location will have access to either the Windows[®] based ECHO program or the Internet based Online Catalog & Order Entry program free of charge for the duration of the agreement.
- Every MMCAP ordering location will have access to a Telxon order entry unit free of charge for the duration of the agreement.



- Any MMCAP ordering location purchasing over \$25,000 per month will be eligible for PC hardware at no additional charge. The minimum specifications are as follows:
 - Pentium IV (2.0 GHz)
 - 40-Gigabyte Hard Drive
 - 256 Megs RAM
 - 17 inch VGA Color Monitor
 - 56k Baud Modem
 - CD-ROM – 48x
- Any MMCAP ordering location purchasing less than \$25,000 per month will be eligible for PC hardware at a rental cost of \$50.00 per month.
- Those facilities electing to utilize Radio Frequency iScan will be assessed a one-time charge of \$1,500.

AmerisourceBergen retains title to all hardware and software and each MMCAP facility must return them upon termination of any executed agreement.

- 2.4** It is understood that at some times some products may not be available in the distributor warehouse but would be available from the manufacturer. Please outline how you would ensure that the facility received the requested product.

AmerisourceBergen will process drop ship orders from all manufacturers provided that the manufacturers are approved AmerisourceBergen vendors. Many "drop ship only items" are identified in the order entry system and the State of West Virginia can order them through the ordering system for automatic shipment. All other drop ship items must be ordered through the Customer Service Department at the local distribution center. Drop ships will be charged at Cost +0%. Additional charges may apply should the State of West Virginia elect to expeditiously process a drop shipment that would result in "uncustomary" delivery charges. Changes in pricing, policies, or procedures by the manufacturer may result in additional charges.

- 2.5** Does your company require a minimum order? What is the minimum volume order accepted?

AmerisourceBergen does not require a minimum order volume. The number of weekly deliveries is, however, predicated on the following purchasing volume criteria as determined by our current agreement with MMCAP:

- Any single delivery location purchasing greater than \$15,000 per month will be eligible to receive 5 deliveries per week.



- Any single delivery location purchasing between \$10,001 and \$14,999 per month will be eligible for two deliveries per week.
- Any single delivery location purchasing between \$1 and \$10,000 per month will be eligible for one delivery per week.
- Any delivery location needing additional deliveries will be assessed a fee of \$20.00 per delivery. If the invoice amount is over \$750.00, there will be no additional delivery charge.

2.6 Please describe your company's presence in the State of West Virginia. Include the size and location of each facility and how many personnel your company employs in West Virginia.

AmerisourceBergen does not have a distribution center located in the State of West Virginia. AmerisourceBergen currently has (2) employees who reside in the State of West Virginia.





Conversion and Implementation Plan

Name: State of West Virginia
 ABC Servicing Distribution Center: Columbus, OH and Richmond, VA
 ABC Customer Advocate: TBD
 ABC Conversion Team Members: TBD

Conversion Procedure	Internal Resources Required	External Resources Required	External Task Duration Estimate	Completion Target Date	Complete	Comments
Kick Off Tasks						
Assign Customer Advocate	Yes				<input type="checkbox"/>	
Assign Customer Support	Yes				<input type="checkbox"/>	
Determine Project Team	Yes				<input type="checkbox"/>	
Set Schedule for Calls	Yes				<input type="checkbox"/>	
Provide Capacity Analysis to Technical Infrastructure Team	Yes				<input type="checkbox"/>	
Week 1						
1.1. Obtain Key Contact and Phone Number Information	Yes				<input type="checkbox"/>	
1.2 Set Chain ID & Owner ID	Yes				<input type="checkbox"/>	
1.3 Define Unique Customer Requirements						
Customer Item Number	Yes				<input type="checkbox"/>	
Drop Ship/ 3rd Party Credit Programs	Yes				<input type="checkbox"/>	
1.4 Gather Product Usage from Member Facilities	Yes	Yes	1 hour		<input type="checkbox"/>	90 day usage is preferred
1.5 Obtain Individual Contracts	Yes	Yes	1 hour		<input type="checkbox"/>	
1.6 Collect Licenses	Yes	Yes	2 hours		<input type="checkbox"/>	
Collect and Distribute DEA Licenses	Yes	Yes			<input type="checkbox"/>	
Collect and Distribute State Licenses	Yes	Yes			<input type="checkbox"/>	
Collect and Distribute Controlled Substance	Yes	Yes			<input type="checkbox"/>	
Collect and Distribute Listed Chemical	Yes	Yes			<input type="checkbox"/>	
Collect and Distribute Tax Exempt	Yes	Yes			<input type="checkbox"/>	
1.7 Define Order Entry Requirements	Yes	Yes	1 hour		<input type="checkbox"/>	
Desktop	Yes	Yes			<input type="checkbox"/>	
Telxon	Yes	Yes			<input type="checkbox"/>	
Web	Yes	Yes			<input type="checkbox"/>	
EDI	Yes	Yes			<input type="checkbox"/>	
Hardware	Yes	Yes			<input type="checkbox"/>	
Software	Yes	Yes			<input type="checkbox"/>	
Account Review	Yes	Yes			<input type="checkbox"/>	
iSCAN	Yes	Yes			<input type="checkbox"/>	
Future Requirements	Yes	Yes			<input type="checkbox"/>	
Sign Pharmacy Data Services Agreement	Yes	Yes			<input type="checkbox"/>	
CSOS	Yes	Yes			<input type="checkbox"/>	
1.8 Determine Computer Needs	Yes	Yes	1 hour		<input type="checkbox"/>	
1.9 Gather Delivery Requirements	Yes	Yes	1 hour		<input type="checkbox"/>	
1.10 Define Unique Operational Requirements	Yes	Yes	1 hour		<input type="checkbox"/>	
Delivery	Yes	Yes			<input type="checkbox"/>	
Picking	Yes	Yes			<input type="checkbox"/>	
Customer Service	Yes	Yes			<input type="checkbox"/>	
ASD Pass Through	Yes	Yes			<input type="checkbox"/>	
Identify Customers w/ 2 Day C/I Turnaround	Yes	Yes			<input type="checkbox"/>	

Conversion Procedure	Internal Resources Required	External Resources Required	External Task Duration Estimate	Completion Target Date	Complete	Comments
1.11 Define Invoicing Requirements	Yes	Yes	1 hour		<input type="checkbox"/>	
Hard Copy	Yes	Yes			<input type="checkbox"/>	
Electronic	Yes	Yes			<input type="checkbox"/>	
EDI	Yes	Yes			<input type="checkbox"/>	
1.12 Define Price Sticker Requirements	Yes	Yes	.5 hour		<input type="checkbox"/>	
Retail Pricing	Yes	Yes			<input type="checkbox"/>	
Price Sticker Layout and Options	Yes	Yes			<input type="checkbox"/>	
Corporate Price Sticker Format	Yes	Yes			<input type="checkbox"/>	
1.13 Define Customer Shelf Label Requirements	Yes	Yes	.5 hour		<input type="checkbox"/>	
Format	Yes	Yes			<input type="checkbox"/>	
1.14 Define Reporting Requirements	Yes	Yes	2 hours		<input type="checkbox"/>	
System Reports	Yes	Yes			<input type="checkbox"/>	
Custom Reporting	Yes	Yes			<input type="checkbox"/>	
EDI	Yes	Yes			<input type="checkbox"/>	
Account Review	Yes	Yes			<input type="checkbox"/>	
1.15 Define Catalog Requirements	Yes	Yes	2 hours		<input type="checkbox"/>	
Electronic Delivery	Yes	Yes			<input type="checkbox"/>	
EDI Delivery	Yes	Yes			<input type="checkbox"/>	
Data Fields Needed	Yes	Yes			<input type="checkbox"/>	
Price Updates	Yes	Yes			<input type="checkbox"/>	
1.16 Accounts Receivable & Credit Management	Yes	Yes	.5 hour		<input type="checkbox"/>	
Define Statement Frequency & Terms	Yes	Yes			<input type="checkbox"/>	
Define Payment Methods	Yes	Yes			<input type="checkbox"/>	
Define PEP Requirements	Yes				<input type="checkbox"/>	
Define Central Pay Requirements	Yes	Yes			<input type="checkbox"/>	
Setup iMANY	Yes				<input type="checkbox"/>	
Determine Statement Delivery Method	Yes	Yes			<input type="checkbox"/>	
Determine Credit Limit	Yes				<input type="checkbox"/>	
Define Unique Statement Requirements	Yes	Yes			<input type="checkbox"/>	
1.17 Rebate Management	Yes	Yes	.5 hour		<input type="checkbox"/>	
Define Rebate Requirements	Yes	Yes			<input type="checkbox"/>	
Define Payment Methods	Yes	Yes			<input type="checkbox"/>	
Define Reporting Requirements	Yes	Yes			<input type="checkbox"/>	
Total Week 1: State of West Virginia Estimated Personnel Time			15 hours			
Week 2						
2.1 Begin Loading Individual Contracts	Yes				<input type="checkbox"/>	
2.2 Analyze Item Usage and Conduct a Need Assessment	Yes				<input type="checkbox"/>	
2.3 User Services						
Test and Prepare Hardware	Yes				<input type="checkbox"/>	
2.4 Contracts						
Define Contract Eligibility	Yes				<input type="checkbox"/>	
Complete Contract Declarations	Yes				<input type="checkbox"/>	
Establish Group & Quote Numbers for New Contracts	Yes				<input type="checkbox"/>	
Load Product, Price to ABC Mainframe	Yes				<input type="checkbox"/>	

Conversion Procedure	Internal Resources Required	External Resources Required	External Task Duration Estimate	Completion Target Date	Complete	Comments
Address Rejected Data	Yes				<input type="checkbox"/>	
Load Customers to Appropriate Quotes	Yes				<input type="checkbox"/>	
Set up Contract Sequencing	Yes				<input type="checkbox"/>	
Identify & Load Restrictions to Quotes	Yes				<input type="checkbox"/>	
Identify & Load Contracts w/ Markup Overrides	Yes				<input type="checkbox"/>	
Identify & Load contracts with Admin Fees	Yes				<input type="checkbox"/>	
2.5 Training						
Determine Training Needs	Yes				<input type="checkbox"/>	
Develop Training Materials	Yes				<input type="checkbox"/>	
Develop Training Schedule	Yes				<input type="checkbox"/>	
2.6 Define Substitution	Yes	Yes	.5 hour		<input type="checkbox"/>	
Pm Generics	Yes	Yes			<input type="checkbox"/>	
Other	Yes	Yes			<input type="checkbox"/>	
Repack	Yes	Yes			<input type="checkbox"/>	
Out of Stock	Yes	Yes			<input type="checkbox"/>	
Replacement Item	Yes	Yes			<input type="checkbox"/>	
2.7 Customer Master Settings	Yes	Yes	1 hour		<input type="checkbox"/>	
Set Business Type Code	Yes	Yes			<input type="checkbox"/>	
Set Statement Frequency Code	Yes	Yes			<input type="checkbox"/>	
Set Bill Plan Code	Yes	Yes			<input type="checkbox"/>	
Determine Bill To	Yes	Yes			<input type="checkbox"/>	
Tax Status	Yes	Yes			<input type="checkbox"/>	
HIN Numbers	Yes	Yes			<input type="checkbox"/>	
NCPDP Numbers	Yes	Yes			<input type="checkbox"/>	
Determine Item Eligibility	Yes	Yes			<input type="checkbox"/>	
PEP Settings	Yes	Yes			<input type="checkbox"/>	
Faxback Settings	Yes	Yes			<input type="checkbox"/>	
Invoice Confirm Method	Yes	Yes			<input type="checkbox"/>	
Invoice Format Code	Yes	Yes			<input type="checkbox"/>	
Invoice Column Options	Yes	Yes			<input type="checkbox"/>	
Retail Pricing Settings	Yes	Yes			<input type="checkbox"/>	
Set Invoice Rates (COGS)	Yes	Yes			<input type="checkbox"/>	
Setup Generic Compliance	Yes	Yes			<input type="checkbox"/>	
Setup Out of Stock Substitution	Yes	Yes			<input type="checkbox"/>	
Setup Suspect Quantity Program	Yes	Yes			<input type="checkbox"/>	
Setup Retail Price Groups	Yes	Yes			<input type="checkbox"/>	
Setup Retail Rounding	Yes	Yes			<input type="checkbox"/>	
Setup Program Prices	Yes	Yes			<input type="checkbox"/>	
Determine Account Size	Yes	Yes			<input type="checkbox"/>	
Setup Remote Drop Ship	Yes	Yes			<input type="checkbox"/>	
Setup Return Policy	Yes	Yes			<input type="checkbox"/>	
Setup Routing	Yes	Yes			<input type="checkbox"/>	
Setup Trailer Codes	Yes	Yes			<input type="checkbox"/>	
Setup Store Numbers	Yes	Yes			<input type="checkbox"/>	
Setup Credit Limit	Yes	Yes			<input type="checkbox"/>	
Set Remit-To Code	Yes	Yes			<input type="checkbox"/>	
Setup Program Charges	Yes	Yes			<input type="checkbox"/>	
Setup Owner ID	Yes	Yes			<input type="checkbox"/>	
Setup Automatic Backorder	Yes	Yes			<input type="checkbox"/>	
Methadone Signature Program	Yes	Yes			<input type="checkbox"/>	
Setup Rebates	Yes	Yes			<input type="checkbox"/>	
Setup iPledge	Yes	Yes			<input type="checkbox"/>	

Conversion Procedure	Internal Resources Required	External Resources Required	External Task Duration Estimate	Completion Target Date	Complete	Comments
Setup Medicare Strips	Yes	Yes			<input type="checkbox"/>	
2.8 Load accounts into ABC System	Yes				<input type="checkbox"/>	
2.9 Create Customer Packets	Yes				<input type="checkbox"/>	
Total Week 2: State of West Virginia Estimated Personnel Time			1.5 hours			
Week 3						
3.1 Communicate Implementation Schedule to HQ and Customer Location(s)	Yes	Yes	2 hour		<input type="checkbox"/>	
3.2 Set-up Appointments for On-site Installation and Training	Yes	Yes	4 weeks		<input type="checkbox"/>	* This is approximately 3 hours per site
3.3 Procurement					<input type="checkbox"/>	
Load New Items	Yes				<input type="checkbox"/>	
Stock Items as Needed	Yes				<input type="checkbox"/>	
Communicate Manufacturers Rollout Plans	Yes				<input type="checkbox"/>	
Determine Buildup Plans	Yes				<input type="checkbox"/>	
Communicate Buildup Plan to Distribution Centers	Yes				<input type="checkbox"/>	
Resolve Usage Discrepancies	Yes				<input type="checkbox"/>	
Load any Customer-Specific Items	Yes				<input type="checkbox"/>	imprinted caps, private label, etc.
3.4 Staffing						
Determine Additional Staffing Needs	Yes				<input type="checkbox"/>	
Hire and Train Additional Staff	Yes				<input type="checkbox"/>	
Total Week 3: State of West Virginia Estimated Personnel Time			* 5 hours			
Week 4						
4.1 On-Site Installation	Yes	Yes	1 hour		<input type="checkbox"/>	
Computer Hardware	Yes	Yes			<input type="checkbox"/>	
4.2 Training	Yes	Yes	2 hour		<input type="checkbox"/>	
Software Training	Yes	Yes			<input type="checkbox"/>	
Overview of AmerisourceBergen Procedures	Yes	Yes			<input type="checkbox"/>	
4.3 Add Usage to Forecasting and Order Product	Yes				<input type="checkbox"/>	
4.4 Review Customer Packets with HQ	Yes	Yes	1 hour		<input type="checkbox"/>	
Total Week 4: State of West Virginia Estimated Personnel Time			4 hours			
Week 5						
5.1 Set-up Appointments for Labeling	Yes				<input type="checkbox"/>	
5.2 Distribute Customer Packets to Sites and Meet with Customer Service	Yes	Yes	1 week		<input type="checkbox"/>	* It takes 30-45 minutes to read and review the packet materials
5.3 Begin EDI Testing and Implementation	Yes	Yes	3 weeks		<input type="checkbox"/>	* This would take 1-2 hours per day for testing activities. This estimate is assuming multiple EDI transactions.
Total Week 5: State of West Virginia Estimated Personnel Time			*8 hours			
Week 6						
6.1 Account Profiles Provided to Facilities to Ensure they are Attached to all Appropriate Contracts	Yes				<input type="checkbox"/>	

Conversion Procedure	Internal Resources Required	External Resources Required	External Task Duration Estimate	Completion Target Date	Complete	Comments
6.2 Create and Ship Live Software Systems	Yes				<input type="checkbox"/>	
6.3 Meet/Review Driver Expectations	Yes	Yes	.5 hour		<input type="checkbox"/>	
Total Week 6: State of West Virginia Estimated Personnel Time			.5 hours			
Week 7						
7.1 Adjustments to Account Profiles	Yes				<input type="checkbox"/>	
7.2 Label and Sticker Facilities	Yes				<input type="checkbox"/>	
7.3 Delivery Dry Runs	Yes				<input type="checkbox"/>	
7.4 Customer Service Welcome Letters	Yes				<input type="checkbox"/>	
Total Week 7: State of West Virginia Estimated Personnel Time			0 hours			
Week 8						
8.1 Begin Supply Process	Yes				<input type="checkbox"/>	
8.2 Customer Service Follow-Up Calls	Yes	Yes	.5 hour		<input type="checkbox"/>	
Total Week 8: State of West Virginia Estimated Personnel Time			.5 hours			

STATE OF WEST VIRGINIA
PHARMACEUTICAL COST MANAGEMENT COUNCIL
Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP) Distributor Selection
Score Sheet

Performance Specification	Cardinal	Score	AmerisourceBergen	Score
2.1.1 How late in the day can a facility place a regular order and receive the next business day? <i>5 points</i>	Place orders by 10:00 p.m. EDT and receive the next business day. <i>Page 4</i>	5	Columbus Distribution order cut-off time for orders placed Sunday - Thursday for next day delivery Monday-Friday is 8:00 p.m. (North of I-64) The Richmond Distribution Center cut-off time for orders placed Sunday-Thursday for next day delivery Monday - Friday is 7:00 p.m. (South of I-64) <i>Page 6</i>	0
2.1.2 What is the latest delivery time for regular orders? <i>5 points</i>	This varies by location - the delivery times start at 6:00 a.m. and most are completed by 12:00 p.m. <i>Page 4</i>	5	From Columbus - no later than Noon for acute care hospitals and no later than 4:00 p.m. for remaining facilities. From Richmond - would be delivered no later than Noon. <i>Page 6</i>	0
2.1.3 How late in the day can a facility place an emergency order and receive it the next day? <i>5 points</i>	Varies by location; however, capable of same day emergency orders anywhere within our territory. <i>Page 5</i>	5	Regular order cut off time for next day delivery is 8:00 p.m. for Columbus and 7:00 p.m. for Richmond. Any orders received after these times will be delivered the 2 nd day from order placement <i>Page 6 - 7</i>	0
2.1.4 What is the delivery timeframe for emergency orders? <i>5 points</i>	This varies by location; however, capable of same day emergency orders anywhere within our territory. <i>Page 5</i>	0	Generally, a life saving or life sustaining emergency order should reach the facility within 4-7 hours of order placement <i>Page 7</i>	5

<p>2.2 It is expected that MMCAP-eligible facilities from all 55 counties in West Virginia will enroll. How long will it take your company to provide equipment and training for a facility after it enrolls in MMCAP? <i>10 points</i></p>	<p>Cardinal Health can deliver equipment and training within 30 days of enrollment date. <i>Page 5</i> <i>verbally - 2 days</i></p>	<p>10</p>	<p>AmeriSource Bergen initiates the kick-off meeting approximately 8 weeks in advance (8 weeks is preferred, but we have conducted conversion in less time). <i>Pages 7-9</i> <i>verbally 2 weeks</i></p>	<p>0</p>
<p>2.3 What equipment and software are provided to your MMCAP customers (i.e. type of computer, on-line catalog, patient information/interaction software, handheld scanners)? <i>15 points</i></p>	<p>CHOICE - PC-based, just-in-time electronic order and inventory management system <i>(verbally, PCs provided free of charge)</i> Cardinal.com - online catalog - (web-based) Mobile Solutions - order and receive products using a handheld device (handheld PC) <i>monthly charge of \$100</i> EDI - interface between buyer's system and Cardinal Health's ordering system Texlon Machine eintelligence - pharmacy information management tool (\$300/mo for users, \$60/mo additional users) <i>Pages 5-10</i></p>	<p>15</p>	<p>ECHO - Inventory Management System (desktop) <i>\$50 monthly rental for facilities ordering <\$25K per month</i> Online Catalog and Order Entry (Web-based) iScan - Palm-based bar-code scanning system for ordering and receiving with optional RF remote with wireless interface (wireless Palm unit) <i>one time charge of \$1,500</i> Texlon Machine <i>Pages 10-12</i></p>	<p>0</p>
<p>2.4 It is understood that at some times some products may not be available in the distributor warehouse but would be available from the manufacturer. Please outline how you would ensure that the facility received the requested product. <i>10 points</i></p>	<p>Cardinal Health customers can place drop orders through our customer care centers. The customer care centers would handle facilitating the proper ordering and delivery from the manufacturer of the specific items requested. <i>Page 11</i></p>	<p>10</p>	<p>AmeriSourceBergen will process drop ship orders from all manufacturers, provided that the manufacturers are approved AmeriSourceBergen vendors. <i>Page 12</i></p>	<p>10</p>

<p>2.5 Does your company require a minimum order? What is the minimum volume order accepted? <i>10 points</i></p>	<p>All accounts with volume >\$15K - 5 deliveries a week Accounts with <\$15K will be charged \$20 per delivery Invoices <\$750 will be charged \$20 All facilities will receive one free delivery per week Any member with 4 or less deliveries per month will be credited all delivery charges on the following month. <i>Verbally no minimum order.</i> <i>Page 11</i></p>	<p>10</p>	<p>AmerisourceBergen does not require a minimum order volume. Single delivery location >\$15K/mo - 5 deliveries a week Single delivery location >\$10K/mo<\$15K - 2 deliveries a week Single delivery location >\$1/mo<\$10K - 1 delivery Additional delivery \$20 Invoice >\$750 no charge <i>Pages 12-13</i></p>	<p>10</p>
<p>2.6 Please describe your company's presence in the State of West Virginia. Include the size and location of each facility and how many personnel your company employs in West Virginia.</p>	<p>The Cardinal Health Distribution Center is located in Wheeling, WV. Facility size 200K ft². Total company personnel located in West Virginia is approximately 160 people. <i>Page 11</i></p>	<p>5</p>	<p>AmerisourceBergen currently has 2 employees who reside in the State of West Virginia. <i>Page 13</i></p>	<p>0</p>
<p>Total Score <i>70 points</i></p>		<p>65</p>		<p>25</p>

APPENDIX D

Secure Electronic Prescriptions: Finding Solutions for Inappropriate Prescribing and Abuse of OxyContin in West Virginia

A JOINT PROJECT OF



and



Secure Electronic Prescriptions: Finding Solutions for Inappropriate Prescribing and Abuse of OxyContin in West Virginia

STUDY HIGHLIGHTS

E-prescribing can identify and prevent prescription drug abuse.

Electronic prescribing offers new approaches to help stem the rising tide of prescription drug abuse in West Virginia, in particular the abuse and diversion of OxyContin. Automating access to a patient's medication history as the physician prepares a prescription using electronic prescribing tools would empower the physician to prevent doctor shopping and identify when medical intervention might be needed to help a patient deal with prescription drug problems. Additionally, physicians, pharmacies, and health plan benefit providers are recognizing and affirming that e-prescribing can improve patient safety, streamline the delivery, and reduce the cost of health care. In response to this demand, fully integrated electronic prescribing products and services are commercially available, the offerings are maturing, and the market for such products and services is growing.

The benefits attributable to e-prescribing are being realized in numerous pilot implementations in other states. Today, lives are being saved and tangible return-on-investment (ROI) is being achieved through the implementation of e-prescribing. The

Center for Information Technology Leadership (CITL) estimates that nationwide adoption of electronic prescribing will eliminate nearly 2.1 million adverse drug events (ADEs) per year in the U.S. This would prevent nearly 1.3 million provider visits, more than 190,000 hospitalizations, and more than 136,000 life-threatening ADEs. CITL also projected that nationwide adoption of electronic prescribing would save \$27 billion a year, primarily as a result of decreased spending on prescription drugs. A savings of \$2 billion would be attributable to reduced ADE-related hospitalizations and visits.[1]

\$27 billion in annual savings is achievable.

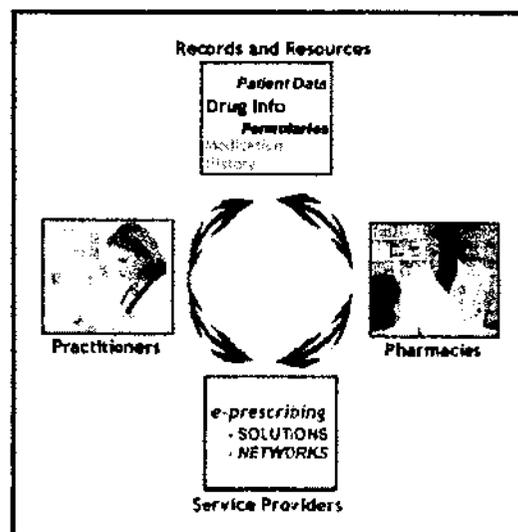


Figure 1. E-prescribing is connecting the health care community.

“What is most striking about these statistics is that much of this harm is preventable, since a variety of strategies and techniques exist for reducing medication errors.”

A June 2006 report by the Institute of Medicine [15] substantiates these findings - estimating that there are at least 1.5 million preventable adverse drug events per year. This report also states, “what is most striking about these statistics is that much of this harm is preventable, since a variety of strategies and techniques exist for reducing medication errors”, and cites e-prescribing as one remedy.

Three key recommendations arise from the primary conclusion of this study, that electronic prescribing is an important advance that will benefit all parties to the health care process -- patients, medical practitioners, hospitals, pharmacists, insurance providers and government. The three recommendations are:

- **Recommendation 1 - Legislative Action:** The West Virginia Board of Pharmacy should recommend and champion legislative action to permit “fully automated” e-prescribing in WV. These legislative changes should be made soon as possible. West Virginia is one of only four states in the nation where e-prescribing is currently restricted.
- **Recommendation 2 - Enhanced Prescription Drug Monitoring Program:** The West Virginia Prescription Drug Monitoring System (PDMP) should be enhanced to facilitate and support data sharing and seamless integration with commercial EPS solutions.
- **Recommendation 3 - Initiate e-Prescribing Pilot:** West Virginia State Government should encourage and participate in a public-private initiative to establish an e-prescribing pilot in West Virginia. The pilot should subsidize the cost of deploying electronic prescription systems (EPSs) to 350-500 WV physicians and should be implemented as soon as possible. Delaying implementation of an electronic prescribing pilot will prolong the problem of risks to patient safety and increased health costs. This approach will enable physicians to invest in technology incrementally, starting with e-prescribing systems and migrating to full electronic health records in the future.

West Virginia is 1 of only 4 states currently restricting e-prescribing.

Implementing these three recommendations will require a commitment to aggressive action by many parties in the health care arena. Failure to act decisively and soon will cost in patient safety, health care expense, and lost opportunities to impact the social and personal effects of drug abuse.

EXECUTIVE SUMMARY

The Problem

Abuse of the prescription drug OxyContin has grown exponentially in the United States since the mid 1990s – a trend that is particularly prevalent in rural regions including West Virginia. A 2002 study by the National Survey on Drug Use and Health (NSDUH) estimated that over 1.9 million individuals have used OxyContin non-medically at least once in their lifetime. Illegal use of prescription drugs pose a major threat to health, as well as leading to crime that adversely impacts whole communities. Tackling the prescription drug epidemic requires efforts on many fronts. Controlling access to these addictive drugs at the source may be one of the most effective means of slowing the spread of addiction and use.

In FY2004, West Virginia retail purchase of prescription drugs totaled \$1.46 billion, and hospital and physician care totaled \$6.73 billion. If those costs grow at 8% per year as projected, the cost of prescription drugs will reach \$1.84 billion and hospital and physician care will reach \$8.48 billion by 2007, altogether \$10.32 billion of the total health care cost in the state. Therefore, identifying and implementing solutions to mitigate these huge cost increases is critical. Electronic prescribing, through prevention of adverse drug events, better formulary compliance and increase substitution of generics has been shown to reduce these rising health care costs.

Purpose of the Study

As part of the implementation of court directives in the settlement of the state's case against Purdue Pharma, Inc. over the addictive qualities of the drug OxyContin, the West Virginia Attorney General's Office awarded a grant to a research team organized through a partnership between Concord University, a state-supported university located in Athens, West Virginia, and Tygart Technology, Inc., a native West Virginia technology company. The team was tasked to conduct a study and report whether electronic prescribing technology can make a significant difference in the effectiveness of the physician and pharmacist in preventing abuse. By providing information to doctors and pharmacists at the time patients are served, electronic prescribing offers the potential of improving prevention of abuse and diversion.

As benefits in preventing drug abuse and diversion would depend on broad use, the study also focuses on identifying and publicizing the principal benefits of electronic prescribing – improving patient safety and reducing costs. To this end the study attempts to:

- identify the benefits of electronic prescribing that will contribute to successful implementation;
- identify the barriers that must be removed for implementation to begin;
- evaluate state of the technology available for implementation;
- determine the readiness of physicians, pharmacists and pharmacies to implement electronic prescribing;
- identify best-practices that should be adopted in initiating electronic prescribing; and
- recommend the next steps to implement solutions that will successfully reduce abuse.

Summary of Findings

Drug Diversion and Abuse Detection Programs

As the abuse of prescription drugs grew in the 1990s, many states took action to pass enabling legislation that would allow a state agency to collect prescription drug data from pharmacies in electronic form and create access to that data for physicians, regulators and law enforcement personnel.

The West Virginia Board of Pharmacy operates the West Virginia Prescription Drug Monitoring Program (PDMP), which currently provides physicians and pharmacists with medication history information that assists in identifying instances of abuse and diversion of controlled substances.

This study found that the WV PDMP is under-utilized, with only about 10% of active physicians authorized to use the system and only half of pharmacies using it to check patient medication histories for controlled substances.

It is technically feasible and warranted to integrate medication history information from the WV PDMP seamlessly into the commercial e-prescribing process, while still maintaining the privacy and security protections established by the WV Board of Pharmacy. Integrating WV PDMP medication history into the e-prescribing process will mitigate all of the problems identified above - increasing utilization of the system and improving physician awareness of drug abuse and diversion.

Electronic Prescribing

In the simplest of terms, *electronic prescribing* refers to the use of computing devices to enter, modify, review, and output or communicate drug prescriptions. However, this study embraces a broader interpretation of *electronic prescribing* to imply the use of a fully integrated software application that incorporates data from patient records, provides the prescriber with automated clinical decision support, generates, modifies and stores a prescription within a patient record, transmits the prescription to a pharmacy, confirms electronic transmission, and is interoperable with other patient record systems that may be accessible by other clinicians.

Benefits of Electronic Prescribing

The benefits of electronic prescribing are increasingly well documented in both research and general publications. The combination of benefits - improved safety, prevention of abuse, efficiency, cost control, and improved delivery of health services - crosses the full spectrum of health care, from patient to medical provider to pharmacy to insurer. Although the various benefits may concentrate at one level or another, it is now generally accepted that the overall advantages of electronic prescribing are significant.

Benefits include:

- Improved Safety through Clinical Decision Support Integrated with Patient Record
 - Drug interaction alerts about drugs used in combination.

- Drug - diagnosis alerts when drug is not appropriate for the diagnosis.
- Allergy alerts when an allergic reaction is possible.
- Appropriate dosage information for the patient's weight, age or other factors.
- Prevention of Over-Prescribing and Diversion of Drugs
- Reduction of Errors (Legibility, Drug Identification, Dosage)
- Improved Compliance with Insurance Formularies or Preferred Drug Lists
- Reduction of Time in Pharmacy Callbacks
- Other Cost Reductions
 - Reduction of Adverse Drug Events avoids costs incurred to treat resulting harm.
 - Reduction of physician/pharmacist administration costs.
 - Reduction of patient medication cost through informed decision-making.

The combined benefits of better safety, better use of generics and other factors reflected in the overall cost of medical care where electronic prescribing is used may be the single best indicator of the economic advantages of electronic prescribing, at least for patients and payers. One e-prescribing pilot project found the increase in medical costs over the study period for the pilot group to be 19.3% less than the increase for the control group.[2] Applied to projected increases of \$952 million for total health care costs from 2006 to 2007 in West Virginia, the potential savings could amount to approximately \$184 million.

E-Prescribing Attitudes, Trends and Issues in West Virginia

A sampling of medical and pharmacy professionals were surveyed and interviewed to gain a better understanding of the current prescription writing and dispensing practices and to identify the problems and concerns about current practices. We also attempted to gauge the prevailing attitudes of health professionals about the potential advantages and disadvantages of e-prescribing and to understand the readiness of the health community for e-prescribing and to identify any preliminary work already underway.

The interviews and surveys produced surprisingly consistent responses in a number of important areas. The key findings include,

- physicians and pharmacists believe drug-seeking behaviors are very common and they share a serious concern about abuse and diversion of drugs;
- physicians and pharmacists are struggling with the complexities and restrictions of plan formularies, especially Medicare Part D, in delivering quality patient care and appropriate service;
- physicians and pharmacists express serious concerns about traditional prescribing practices, especially issues of accuracy and legibility, safety, security of prescriptions, time required to resolve coverage issues, and cost;
- physicians are generally positive about moving to electronic prescribing and electronic medical records, defining the integration of drug and formulary information and medication history as the chief benefit, and the implementation effort and learning curve as the key concern;
- pharmacists are generally positive about implementing electronic prescribing, and expect to be ready to participate; defining the time savings as the key benefit and cost as a key concern; and

- hospital administrators identify the lack of a complete medication history and other patient data as the most significant barrier to effective care.

Electronic Prescribing and Electronic Health Records

Electronic prescribing is a subcomponent of the larger Electronic Health Record (EHR) and Health Information Network movement. Federal, state and local governments and the other stakeholders in more affordable health care are establishing public-private partnerships to facilitate collaboration and share the costs related to the implementation of electronic health records.

Given the scope, complexity, cost and number of interest groups involved in full-scale EHR implementation, many organizations have "tested the e-health records waters" by deploying Electronic Prescribing Systems (EPS) in advance of Electronic Medical Record (EMR) systems. The rationale supporting the immediate implementation of EPS includes:

- E-prescribing offers significant immediate savings and return on investment (ROI) is proven.
- The cost, risk and effort required to implement e-prescribing systems is lower.
- A physician's willingness and capacity to adopt EPS technology is greater than EMR.
- A successful EPS implementation builds positive momentum for adoption of EMR.
- Networks currently exist to support e-prescribing in West Virginia.
 - Prescription drug insurance eligibility and formulary information for over 60% of all residents is already available and many more could be added easily.
 - Medication history for West Virginians is also available.
 - Medication history related to controlled substances dispensed in West Virginia retail pharmacies is available via the WV PDMP.
- A migration path exists for integrating EPS capabilities into future EMR deployments.

Barriers to Implementation of Electronic Prescribing in West Virginia

Regulatory Barriers

West Virginia is one of only four states where regulatory barriers are inhibiting the adoption of electronic prescribing. Two provisions must be revised:

- The provision limiting electronic transmission of the prescription through an intermediary should be eliminated.
- Provisions implying a signature must be handwritten should be removed, except as provided otherwise by the Drug Enforcement Administration.

Physician's Reluctance to Bear the Cost and Change Prescribing Practices

The fundamental problem slowing adoption of EPS (and electronic medical record systems) is a misalignment of economic incentives. In other words, a physician must make the investment in electronic prescribing (or EMRs), while a significant share of the savings will be captured by insurance companies and public health care programs. Without subsidies, physicians have

been reluctant to make the investment in technology and product penetration rates have been low.

Implementing e-Prescribing Systems

This study examines in detail the technical architecture of electronic prescribing systems and reviews two products from leading vendors who were responsive and willing to share detailed information about system functionality. Based on the analysis of existing services and components that make up the complex technical architecture of electronic prescribing and the number and extent of pilot programs operating in other states, it seems clear that electronic prescribing has reached maturity as a robust and reliable technology.

Although the development of functional and data standards continues, the adoption of federal requirements and standards for all electronic prescribing systems through the Medicare Modernization Act forces all vendors to upgrade their products continually and meet all standards, including the privacy requirement of HIPAA, if their systems are to be used for Medicare-covered patients. Therefore, concerns about physicians implementing non-standard programs that are unable to be upgraded or integrated into other electronic medical record systems do not seem to be warranted.

That said, it is still clear that efforts to encourage e-prescribing through pilot initiatives should strive to utilize very high-functioning and stable systems that meet the needs of West Virginia practitioners, provide a real opportunity to impact the drug abuse and diversion problem, and provide real patient safety and cost reduction benefits.

Recommendation one, to advocate and champion legislative action to permit "fully automated" e-prescribing in WV, would facilitate the subsequent development of pilots in light of the changing federal regulations and the current state of the technology, thus bridging the gap for West Virginians with regard to improved patient care.

Recommendation two, to enhance the WV PDMP system and integrate access with e-prescribing systems, is vital to achieving the goal of reducing abuse and diversion of OxyContin and other controlled substances. Although opioid narcotics (Schedule II) prescriptions currently require handwritten signatures under Drug Enforcement Administration rules, physicians could still use EPS systems to prepare those prescriptions and achieve the benefits of this enhancement. With the PDMP access, prescribing physicians would automatically receive Schedule II-IV controlled substance medication history as a seamlessly integrated step in the e-prescribing process. Increased utilization of the WV Prescription Monitoring Program will improve a physician's awareness of potential prescription drug abuse and diversion.

Recommendation three, to establish a pilot initiative to subsidize the cost of deploying electronic prescription systems (EPSs) to 350-500 WV physicians, is essential to develop a critical mass of participating physicians in order to achieve significant benefits from e-prescribing. A joint public-private pilot initiative is recommended. This new approach would broaden the impact and share the cost across the agencies and insurers who will gain the most

in cost reductions. A trusted third party should be used to design and manage the pilot and monitor the outcomes.

Seven key principles are recommended for implementing the proposed pilot program:

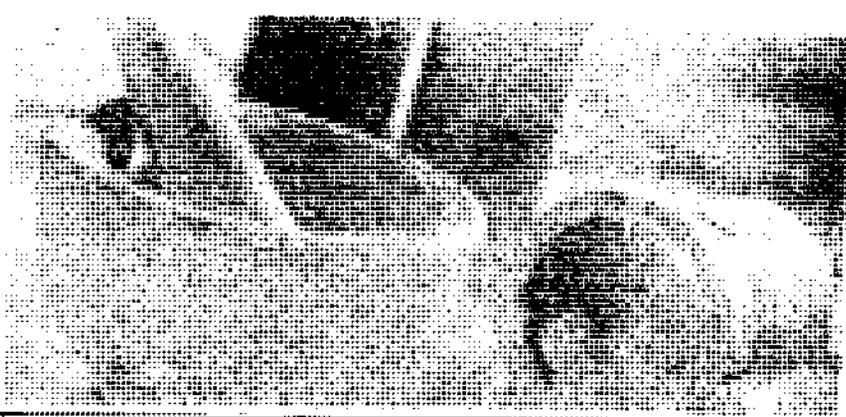
1. Identify and involve public and private organizations that would recognize the greatest cost savings from e-prescribing in order to establish a funding source for a pilot project.
2. Establish pilot goals and benefits using measurable criteria - then collect and report metrics throughout the pilot.
3. Create an environment where "win-win" relationships can develop between stakeholders - payers, health care providers, patients, and technology vendors.
4. "Intelligently target" those practitioners who are most likely to produce maximum program benefits.
5. Establish compelling incentives to stimulate participation, facilitate execution, and drive utilization of e-prescribing. Define and enforce requirements that must be met in order to receive incentives.
6. Define requirements (functional, customer support, financial, etc.) and assist practitioners with product selection by performing formal evaluations and negotiating volume pricing.
7. Effectively communicate with stakeholders by performing "outreach" and public relations activities before, during and after program implementation.

Health care is a universal service that is needed by all West Virginians. We are all enriched by the benefits of medical care and we are all impacted by its cost. Because of the breadth and diversity of organizations that comprise the health care community, it can be difficult to agree on who should provide the leadership for implementing change.

The key to achieving the benefits of these recommendations is for those in a position of leadership to BEGIN - as soon as possible, and to the extent of their power. Taking action to implement electronic prescriptions will bring immediate benefits that exceed the financial costs. Physicians and pharmacists appear to be ready and waiting for this advance, and patients are already paying the price of delay. Without immediate action, West Virginia will once again be vying for last place in the nation in progress in this area, but should - and could - leap forward into the top ranks of electronic prescribing states.

APPENDIX E

WEST VIRGINIA
**Pharmaceutical
Cost Management
COUNCIL**



STATE CAPITOL COMPLEX, BUILDING 3, ROOM 265
TELEPHONE: 304-558-0079

CHARLESTON, WEST VIRGINIA 25305
FAX: 304-558-8158

December 28, 2006

The Honorable Earl Ray Tomblin
The Honorable Robert Kiss
Joint Committee on Government and Finance
Capitol Complex, Main Building
Charleston, West Virginia 25305

Dear President Tomblin and Speaker Kiss:

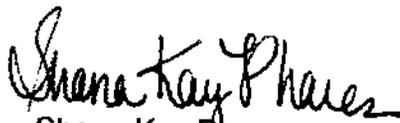
Pursuant to W.Va. Code §5A-3C-8 (8) the West Virginia Pharmaceutical Cost Management Council is tasked with providing recommendations to the Legislature on needed legislative action. Accordingly, the Council hereby expresses its support for legislation that would remove statutory barriers to electronic prescribing.

Electronic prescribing describes a process in which providers use computer devices to enter, modify and transmit drug prescriptions electronically to a pharmacy. Electronic prescribing promises to improve patient safety, prevent diversion of prescription drugs, save time in reduced call-backs between the pharmacy and the physician, and save money for payors by increasing formulary compliance, reducing duplicate claims and reducing rejected claims. West Virginia is one of only four states that prohibits electronic prescribing.

In 2006, as part of a court settlement between Purdue Pharma, Inc. and the State of West Virginia, the West Virginia Attorney General's Office awarded a grant to Concord University and Tygart Technologies, Inc. to investigate whether electronic prescribing could assist prescribers and pharmacists in the prevention of prescription drug abuse. In May of 2006, Mary Ratliff of Tygart Technologies addressed the Council on the progress of the study and again in September after the study report was completed. The report, entitled, *Secure Electronic Prescriptions: Finding Solutions for Inappropriate Prescribing and Abuse of OxyContin in West Virginia* is attached for your information and review.

Again, the West Virginia Pharmaceutical Cost Management Council supports legislation that would make the necessary changes to permit electronic prescribing. Should you have any questions regarding electronic prescribing or need further information, please contact me at 558-0079.

Sincerely,



Shana Kay Phares

Chair

West Virginia Pharmaceutical Cost Management Council

cc: Senator Roman Prezioso, Chair, Senate Health Committee
Delegate Don Perdue, Chair, House Health Committee
Delegate Rick Thompson, candidate nominated for Speaker of the House

APPENDIX F

TSG Consulting Business Plan
for the Central Fill Pharmacy

Executive Summary

Executive Summary

Patients must have access to life-saving medicines in order to benefit from them. Too many are denied the benefits of quality care due to lack of health insurance or lack of health care information. For example:

- In 2004, 45.8 million Americans – including more than 294,000 West Virginians – were uninsured, up from 45 million in 2003;
- More than eight out of 10 people who are uninsured come from working families;
- In 2004, 15.1 million uninsured Americans lived in households earning less than \$25,000; and,
- Uninsured children are more than three times less likely than insured children to get a needed prescription.

To improve the health care system and promote a healthier nation, more than 1,200 national and state organizations, health care providers, patient advocacy groups and other key players in the health care system have partnered with America's pharmaceutical companies to develop an innovative way to provide access to medicines through a patient-focused initiative called the Partnership for Prescription Assistance (PPA).

Launched in April 2005, the Partnership for Prescription Assistance is the largest private-sector effort to help qualifying patients who lack prescription coverage get the medicines they need through the public or private program that's right for them. The Partnership for Prescription Assistance has launched state-based chapters in nearly all 50 states (in addition to Washington, D.C. and Puerto Rico) with the help of hundreds of local patient, provider and civic partner organizations.

ACHIEVEMENT: The Partnership for Prescription Assistance has matched more than one million patients, including 44,000 patients in West Virginia, to prescription assistance programs that appear to meet their needs.

CHALLENGE: Bringing the program to the millions of potentially eligible people who remain unaware of patient assistance programs.

In April 2004, West Virginia launched its own prescription assistance clearinghouse called Rx for West Virginia. Since its launch, Rx for West Virginia has matched more than 44,000 West Virginians to patient assistance programs that appear to meet their needs. Its success helped pave the way for the nationwide Partnership for Prescription Assistance.

In June 2005, Rx for West Virginia joined the Partnership for Prescription Assistance as the state chapter of the PPA and is now known as the Partnership for Prescription Assistance of West Virginia. In just seven months since joining the PPA and with the support of more than 15 local organizations, more than 10,000 West Virginians have been matched to a patient assistance program that likely meets their needs, and more than one million patients nationally have been matched.

This report provides an overview of the Partnership for Prescription Assistance of West Virginia in its first seven months of operations since joining the PPA, as well as national program research and data results, including:

- Details on the West Virginia program's operational statistics;
- National program satisfaction and fulfillment results;
- Data from national third-party surveys of patients who have used the program and the expertise of thought leaders in the health care sector; and,
- Information on challenges with enrollment, lessons learned and ongoing system improvements.

The Partnership for Prescription Assistance of West Virginia: In Brief

West Virginia is home to more than 294,000 uninsured residents. Many of them may have difficulty affording their medicines and do not realize help is available to them. Rx for West Virginia joined the Partnership for Prescription Assistance in June 2005 to:

- Raise awareness about and increase participation in existing patient assistance programs;
- Drive potential enrollees to the toll-free number and Web site; and,
- Make patient assistance programs easier for patients and providers to access.

Through a toll-free number -- **1-888-4PPA-NOW** (1-888-477-2669) -- and a user-friendly Web site (www.rxforwv.org), the Partnership for Prescription Assistance of West Virginia offers a single point of access to more than 475 public and private patient assistance programs, including more than 180 programs offered by pharmaceutical companies.

More than 15 state and local organizations, including the American Diabetes Association – West Virginia Chapter, West Virginia Chamber of Commerce, West Virginia Psychological Association and West Virginia Nurses Association, have partnered with America's pharmaceutical companies to spread the word about the program in West Virginia.

The Partnership for Prescription Assistance of West Virginia is also working with a fast-growing list of local community leaders to create and promote the program.

What the Partnership for Prescription Assistance Does for Patients

Help for Those Who Have Difficulty Paying for Their Medicines

Many people have difficulty affording health care, including prescription medicines, and are eligible for public and private programs based on their age or income. A number of patient assistance programs, about which information is available through the Partnership for Prescription Assistance of West Virginia, provides help to people who lack prescription coverage and earn less than 200 percent of the federal poverty level (approximately \$19,000 for an individual or \$31,000 for a family of three).

FACT: In 2003, more than 185,000 West Virginians earned less than 200 percent of the federal poverty level and did not have health insurance.

Millions of people nationally have already been helped by industry-sponsored and federal assistance programs. Over the years, industry-sponsored assistance programs have resulted in tens of millions of prescriptions filled for uninsured and low-income Americans:

- In 2002, 13,387,890 prescriptions were filled;
- In 2003, 18,160,523 prescriptions were filled; and
- In 2004, more than 22 million prescriptions were filled.

But much more work remains. Too few patients across the country, and in West Virginia, are aware of how they can receive help or even that prescription assistance programs exist. That's why the Partnership for Prescription Assistance has created a navigational system that makes it easier for many more West Virginians – and patients across the country – to get help with their prescriptions through the program that's right for them.

Access to Medicines through Public and Private Prescription Assistance Programs

Patients who contact the Partnership for Prescription Assistance of West Virginia are directed to the prescription assistance programs most likely to meet their needs. The Partnership for Prescription Assistance of West Virginia helps patients who lack prescription coverage:

- Obtain information about and applications for more than 475 patient assistance programs, including Medicaid, Medicare and the State Children's Health Insurance Program; and
- Access information about programs that may provide assistance with more than 2,500 medicines.

"I took the brochure home, logged on to my computer and found to my surprise that there were a whole lot of different options...different programs out there."

- V.S., Charleston, West Virginia

WEST VIRGINIA

The Partnership for Prescription Assistance of West Virginia is complementing the federal government's efforts to raise awareness about the new Medicare Prescription Drug Benefit by:

- Providing information on the low-income benefit; and
- Distributing Medicare brochures and other informational materials at Partnership for Prescription Assistance of West Virginia events and through the program's call center (1-888-4PPA-NOW) and Web site (www.rxforwv.org).

Easy Enrollment

Finding the right patient assistance program can be complicated. That's why the Partnership for Prescription Assistance of West Virginia offers:

- A single toll-free number and Web site; and
- Information about available programs.

For those who call, a trained specialist asks a short series of questions, provides initial feedback and helps patients identify the specific programs for which they may qualify. Similar assistance and information is available on the Web site.

Patients must simply provide:

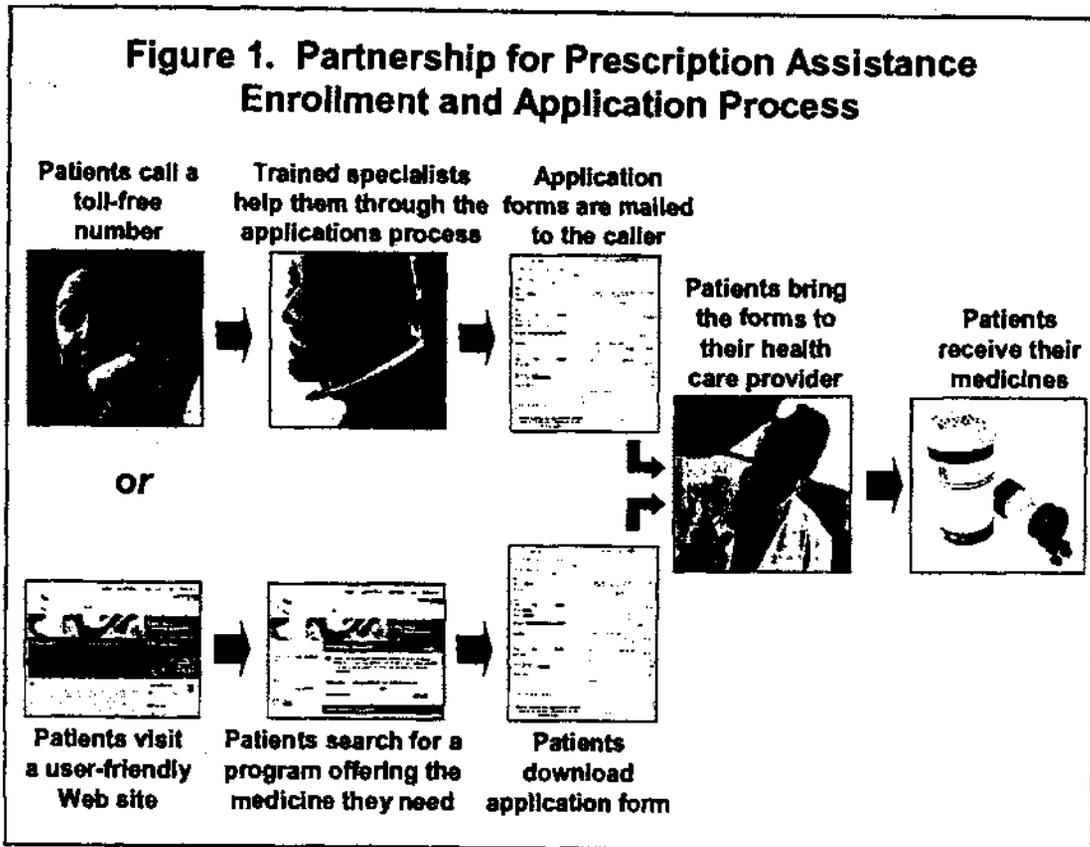
- Age;
- State of residence and ZIP code;
- Estimated gross annual household income;
- Number of people living in their household;
- The name of the medicine they are currently taking or have been prescribed; and,
- If applicable, the type of health insurance and/or prescription coverage eligibility.

All responses to these questions are completely confidential.

"I can't believe I found all ten of my medications through the Partnership for Prescription Assistance. It's a miracle!"
- Partnership for Prescription Assistance Caller

A patient who may qualify will receive information about application processes and appropriate applications by mail. The applications include the information the patient provided on the phone. Web site visitors can print their applications after providing information online. The patient must provide any remaining

information and bring the forms to his or her health care provider's office. The health care provider must sign the form and provide specific prescription information (or simply attach the prescriptions). Depending on the program, either the patient or the health care provider mails the forms to the company sponsoring the specific program. Finally, the prescription medicines are either sent to the health care provider's office or to the patient's home. Some patient assistance programs mail a pharmacy card to patients. Patients can use these cards to get their medicines at local pharmacies (see figure 1).



Although each patient assistance program has its own timeline, the companies involved in the Partnership for Prescription Assistance of West Virginia are committed to getting medicines to eligible patients as quickly as possible. Patients may contact the organization sponsoring a specific patient assistance program to inquire when they will receive their medicines.

Operations and Satisfaction Update

A Strong Start: More Than 44,000 West Virginia Patients Matched to Programs Since 2004; 10,000 Matched in the Last Seven Months

The Partnership for Prescription Assistance of West Virginia launched in April 2004 as Rx for West Virginia. Since its launch, the program has matched more than 44,000 people in West Virginia to patient assistance programs that appear to meet their needs. In June 2005, Rx for West Virginia joined the Partnership for Prescription Assistance. Since joining the nationwide PPA program, the Partnership for Prescription Assistance of West Virginia has helped more than 10,000 patients. The data that follows provides information since the national launch of the Partnership for Prescription Assistance in April 2005.

- More than 10,000 people in West Virginia have searched for programs on either www.rxforwv.org or through 1-888-4PPA-NOW;
- The call center has received 6,649 calls and orchestrated more than 4,500 matches since the launch of the national program (see figure 2a); and,
- The Web site has received 5,773 visitors and orchestrated more than 5,000 matches since the launch of the national program (see figure 2b).
- Seventy-three percent of individuals contacting the Partnership for Prescription Assistance of West Virginia are 64 years-old and younger (see figure 2c).

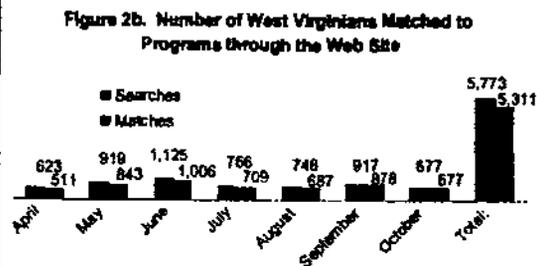
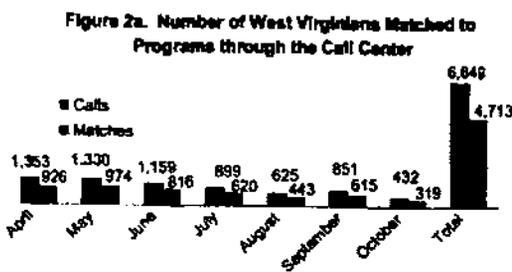


Figure 2c. West Virginia Program Contacts by Age

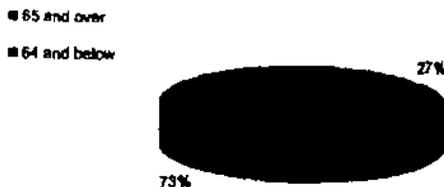
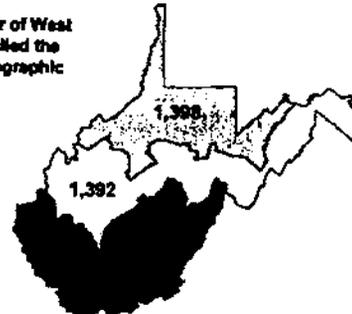


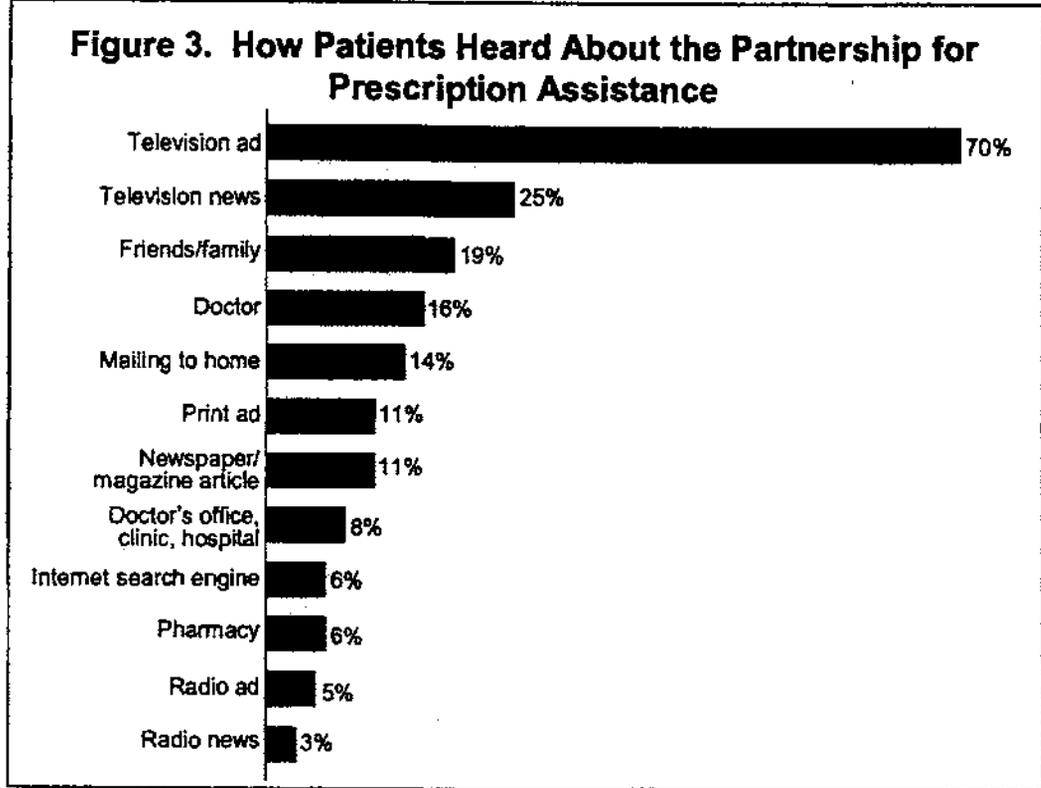
Figure 2d. Number of West Virginians Who Called the Call Center by Geographic Area



Note: This map is representative only of calls from callers who provided complete and accurate home addresses.

Nationally, awareness of the Partnership for Prescription Assistance has been driven through a variety of communications channels according to KRC Research, a full-service market research firm hired to survey people who used the program (see figure 3):

- Television advertisements (70 percent);
- Television news (25 percent);
- From friends or family (19 percent);
- From doctor or doctor's office (16 percent);
- From a mailing sent home (14 percent);
- In a newspaper or magazine advertisement (11 percent);
- In a newspaper or magazine article (11 percent);
- From a hospital or medical clinic (8 percent);
- From a pharmacy (6 percent);
- From using an internet search engine such as Yahoo! or Google (6 percent);
- In a radio advertisement (5 percent); and,
- On radio news (3 percent).

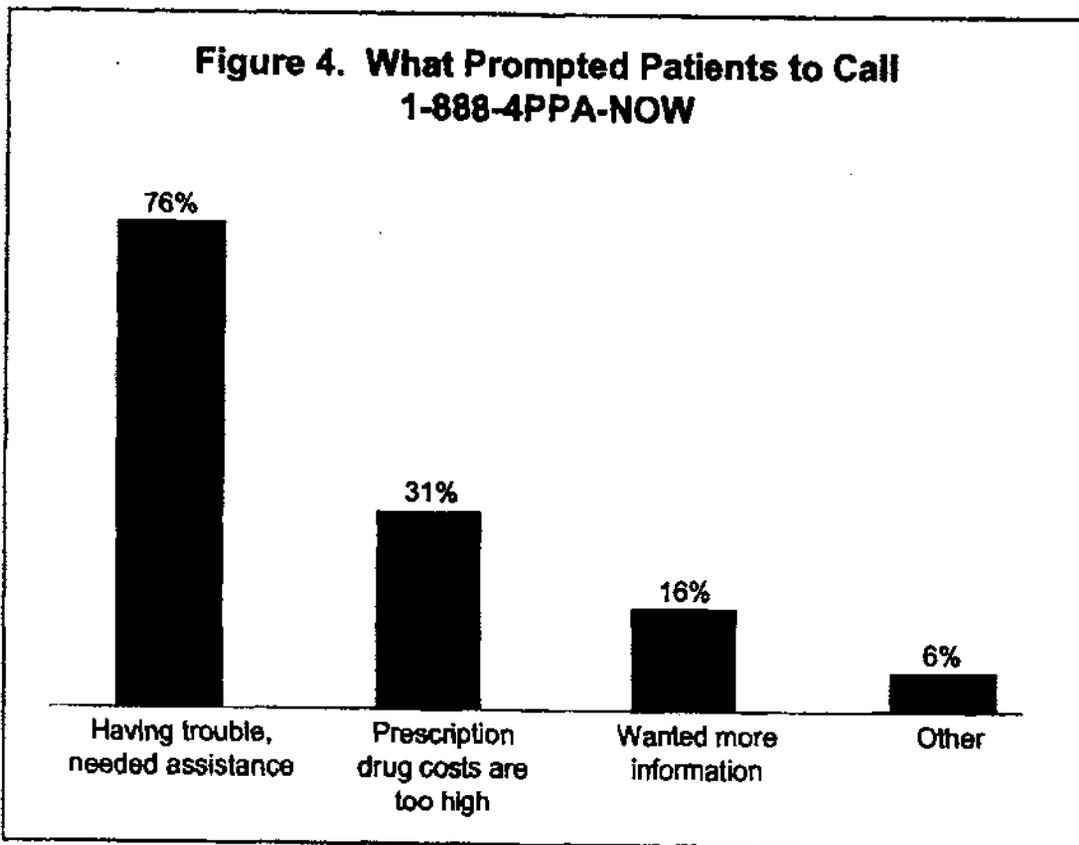


Note: Respondents were able to provide more than one response.

KRC also found that (see figure 4):

- Nationally, 76 percent of respondents contacted the Partnership for Prescription Assistance because they were having trouble getting the medicines they needed and required assistance;
- Thirty-one percent found the cost of prescription drugs too high; and,
- Sixteen percent simply wanted more information.

FACT: Nationally, 76 percent of people contacted the Partnership for Prescription Assistance because they were having trouble getting the medicines they needed and required assistance.



Note: Respondents were able to provide more than one response.

Nationally, Most Patients Matched to Programs Are Satisfied with the Partnership for Prescription Assistance

- Satisfaction with the Partnership for Prescription Assistance is very high—seven in ten are at least somewhat satisfied, and half are completely satisfied.
- The Partnership for Prescription Assistance is considered a very useful public service by 83 percent of people surveyed.

FACT: Seven in 10 people who have contacted the Partnership for Prescription Assistance are satisfied with the program. Fifty percent are completely satisfied.

Efficient Application Process Contributes to National Program Success

After calling the Partnership for Prescription Assistance call center:

- Seventy-eight percent of patients requested an application;
- Ninety-one percent of callers found the amount and type of personal information requested by the PPA to be reasonable;
- Seventy percent of patients who received applications in the mail affirmed that the call center representatives had filled out some of the information on the form based on their phone conversation; and,
- Nine in 10 patients said that the assistance they received from the Partnership for Prescription Assistance in filling out the application was helpful.

"We are very excited about the PPA program because it gives our clients a clearinghouse where they can find programs that will provide them with free or nearly free prescription drugs."
-Ellen Ward, Executive Director
Mental Health Association of Kanawha Valley

More than three-fourths of those surveyed across the U.S. who completed the process received their medicines. Forty percent of these people said the amount of time it took for the medicines to arrive was about right; three-fourths of those who received their medicines said the time it took was "sooner than expected" or "about right."

In addition, call center representatives received extremely high marks on service ratings – "friendly," "helpful," "professional," "efficient" and "concerned about caller needs." In fact, survey respondents cite good customer service and assistance as the aspect of the program they liked *best*. Even of those who did not qualify for assistance programs, more than half still said they were satisfied with both the people and the service they received.

Enrollment and Communications Challenges

Boosting national enrollment in public and private prescription drug programs historically has been a challenge. People cannot get help if they do not know that help is available. And even those that know help is available often do not understand, or do not have the time to understand, how to get that help. Some don't want help. Some are skeptical that a program touting "free or nearly free medicine" is legitimate.

A number of studies have identified some of the most common barriers to enrolling in these types of programs, including:

- Lack of knowledge about programs;
- Belief that they would not qualify;
- Stigma associated with applying for financial assistance;
- Fear of losing other benefits; and,
- The administrative complexity of enrolling.

A substantial group of potentially eligible people, including many in West Virginia, do not know about the program, do not have a current need for assistance, or, for varied reasons, do not follow through with the application process for a particular program. National research shows that:

- Prior to their first call to the Partnership for Prescription Assistance, 65 percent of people surveyed were unaware that pharmaceutical companies had patient assistance programs to help patients in need receive prescription medications.
- Of those who were aware, only 26 percent were enrolled in a previous assistance program.

FACT: Sixty-five percent of people surveyed said that, before calling the Partnership for Prescription Assistance, they were unaware that pharmaceutical companies had patient assistance programs to help patients in need receive prescription medicines.

Among those who appeared eligible for assistance but did not complete the application process:

- Twenty-four percent said they needed their doctor's help;
- Twenty-four percent gave "procrastination" as a reason for not completing the application;
- Thirteen percent said they had been ill;
- Eleven percent said they had other options/did not need help at that time; and,
- Eight percent said they had just recently received the forms.

In communicating the benefit to the eligible population nationally, the Partnership for Prescription Assistance has faced a number of challenges, including:

- Misunderstandings about the differences between the Partnership for Prescription Assistance and specific patient assistance programs that provide medicines for free or nearly free;
- Reluctance of people to ask for help;

- Low literacy; and,
- Lack of appropriate information to answer pre-screening questions (e.g., names of medicines).

To address enrollment and communications challenges, the Partnership for Prescription Assistance is working with its national, state and local partners to find effective ways of addressing these issues.

Meeting Challenges and Driving Enrollment

On a national scale, the Partnership for Prescription Assistance has used paid advertising and media outreach to encourage all people who have difficulty affording their medicines to call the toll-free number or visit the user-friendly Web site to obtain information about patient assistance programs.

But advertising alone is not sufficient to reach this audience and motivate action. Identifying potential beneficiaries and encouraging them to apply for help requires creative, varied and consistent outreach mechanisms.

Rolling Out Partnership for Prescription Assistance Chapters in All 50 States

To reach millions of eligible patients across the country, the Partnership for Prescription Assistance has launched state-based chapters in nearly all 50 states, including West Virginia, with the help of local patient, provider and civic partner organizations.

FACT: As of November 2005, nearly all 50 states (in addition to Washington, D.C. and Puerto Rico) have state-based chapters of the Partnership for Prescription Assistance.

The Partnership for Prescription Assistance of West Virginia actively spreads the word and boosts enrollment numbers on a daily basis by:

- Partnering with dozens of local health and advocacy organizations;
- Reaching out to religious and minority groups;
- Holding press conferences and enrollment events; and,
- Distributing information on the program in low-income communities.

Launching a Nationwide Enrollment Bus Tour: Rolling into West Virginia



The "Help is Here Express" kicked off its West Virginia state tour at the Capitol.

The "Help Is Here Express" bus is a traveling enrollment center that brings the Partnership for Prescription Assistance directly to the people across the United States who need help the most.

The "Help Is Here Express" bus tour was launched during the Robert Wood Johnson Foundation's Cover the Uninsured Week to inform millions of uninsured patients that they may qualify for assistance with their prescription medicines.

The "Help Is Here Express," which is equipped with 10 computer terminals and six telephones to encourage guided on-site access to program applications, brings trained program specialists to retail centers, state fairs, health clinics, community events and other destinations.

In June, the "Help Is Here Express" traveled to West Virginia for media and enrollment events. The bus first stopped at the state Capitol building in Charleston for a press conference with Governor Joe Manchin. The bus then traveled to Tamarack Arts Center in Beckley, Ruby Memorial Hospital in Morgantown, Cabela's in Wheeling and Marshall County Senior Center in Moundsville to inform uninsured patients that they may qualify for assistance with their prescription medicines.

Thousands of people nationally, and many in West Virginia, have boarded the bus to begin the process of enrolling in patient assistance programs.



Governor Manchin talks to the media about the PPA of WV during a June press conference.

Enlisting the Help of Local and National Partners

More than 1,200 national and state partners, including those in West Virginia, who have signed on to the Partnership for Prescription Assistance, have also implemented their own communications plans to spread the word about the program.

"Great job on PPA. Many of our members have used the system and have found it easy to use and very beneficial."

*-Roberta Ahearn, Executive Director
American Diabetes Association, WV Chapter*

Partner outreach activities include:

- Hosting enrollment drives and demonstrations of how the program works;
- Distributing brochures in the community;
- Exhibiting the program at various conventions and expos;
- Speaking about the program at high-profile events;
- Adding information about the program to their organization's Web site; and,
- Mobilizing members, constituents or people within the community to help spread the word.

These partners have generated thousands of requests for enrollment kits in English and Spanish.

Reaching Physicians and Doctors' Staffs

Physicians, doctors, nurse practitioners, physicians' assistants, nurses and office staff play a crucial role for the target population. Referrals from doctors, doctors' offices, medical clinics and hospitals have been a catalyst for 24 percent of all calls to the Partnership for Prescription Assistance call center.

In order to assist doctors in helping their patients gain access to the prescription medicines they need, the Partnership for Prescription Assistance recently provided more than 70,000 physicians in the United States with audience-specific program material. To complement these efforts, some pharmaceutical companies have decided to spread the word about the Partnership for Prescription Assistance through their sales representatives.

Educating Elected Officials

The Partnership for Prescription Assistance has conducted many projects to help inform and educate Members of Congress on the resources available for their constituents. In coordination with the national launch of the program, informational packets about the Partnership for Prescription Assistance were distributed to all 535 Capitol Hill offices and 1,500 congressional district offices. House and Senate Hill briefings have also been conducted, along with six district Webcast training sessions on the Partnership for Prescription Assistance.

Education continues with state-specific delegation briefings on the launches of state-based chapters of the Partnership for Prescription Assistance as well as bi-weekly updates to all health care legislative assistants and press secretaries noting the program's progress.

Ongoing Measurement and Improvement

Designed to facilitate enrollment in existing prescription assistance programs, the success of the Partnership for Prescription Assistance relies heavily on ongoing program evaluation, tracking results and making the appropriate modifications at both the national and state levels.

One example of how the program has improved its service to consumers is its expansion of the navigation system. When the Partnership for Prescription Assistance launched nationally in April 2005, the program offered patients a single point of access to information about more than 275 public and private programs that could provide more than 1,200 brand-name prescription medicines. Today, the Partnership for Prescription Assistance provides access to information about more than 475 public and private programs that could provide more than 2,500 brand-name prescription medicines. In addition, patients are able to search for a wide range of generic medicines.

The Partnership for Prescription Assistance will continue to add and update programs to its systems and is constantly evaluating ways to improve the user experience and expand the amount of service consumers can receive from the call center and Web site.

PARTNERS OF THE PARTNERSHIP FOR PRESCRIPTION ASSISTANCE OF WEST VIRGINIA:

Alzheimer's Association of West
Virginia

American Diabetes Association, West
Virginia Chapter

Arthritis Foundation, Ohio River
Valley Chapter

Central West Virginia Aging Services

Epilepsy Foundation, West Virginia

Highland Hospital

Lymphoma/Leukemia Society,
Western PA and WV Chapter

Mental Health Association of the
Greater Kanawha Valley

NAMI West Virginia

Pharmaceutical Research and
Manufacturers of America (PhRMA)

Schoenbaum Family Enrichment Center

Wellness Council of West Virginia

West Virginia Association of Diabetes
Educators

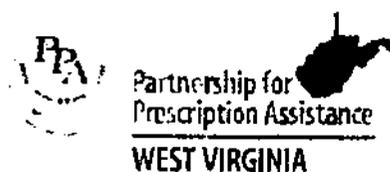
West Virginia Chamber of Commerce

West Virginia Nurses Association

West Virginia Orthopaedic Society

West Virginia Primary Care Association

West Virginia Psychological Association



PhRMA

For general information on the Partnership for Prescription Assistance of West Virginia, visit www.rxforwv.org or call 1-888-4PPA-NOW.

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

OPERATING REPORT

NOVEMBER 2006

Next Board Meeting
January 25, 2007
Next CD Auction
February 20, 2007

Board of Treasury Investments

1900 Kanawha
Boulevard East
Suite E-122
Charleston WV
25305

(304) 340-1578

www.wvbit.com

Board of Directors

John D. Perdue,
State Treasurer,
Chairman

Joe Manchin III,
Governor

Glen B. Gainer III,
State Auditor

Martin Glasser,
Esq. Attorney
Appointed by
the Governor

Jack Ross, CPA
Appointed by
the Governor

Executive Staff

Executive
Director

Glenda Probst,
CPA, CFP

Chief Financial
Officer

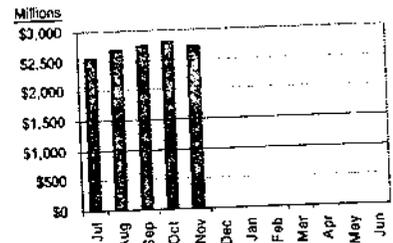
Katrina Brewer,
CPA, MBA

Total Net Assets Under Management

\$2,724,671,000

Last Month
\$2,809,570,000

Beginning of Fiscal Year
\$2,481,176,000

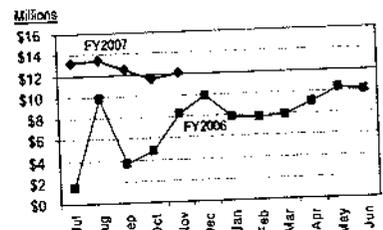


9.8% Growth This Fiscal Year

Total Net Income & Gains

This Month \$12,071,000

Fiscal Year \$62,751,000

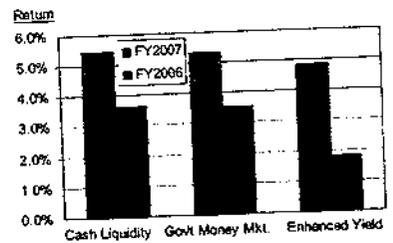


Outpacing Last Year

Effective Rates of Return

Time Weighted, Annualized, Net of All Fees

	Nov. 2006	Fiscal Year to Date 2007	Fiscal Year to Date 2006
Cash Liquidity	5.7%	5.4%	3.6%
Gov't Money Mkt	5.3%	5.3%	3.5%
Enhanced Yield	Fiscal Year 2007 (Past 12 Months) 4.8%	Fiscal Year 2006 (Past 12 Months) 1.8%	



Returns are annualized fiscal year to date for Cash Liquidity & Gov't Money Mkt; past 12 months for Enhanced Yield

Returns Exceed Prior Year's

20.5%

28.8%

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

SCHEDULE OF NET ASSETS, OPERATIONS & CHANGES IN NET ASSETS -- UNAUDITED

NOVEMBER 30, 2006

(IN THOUSANDS)

	Cash Liquidity	Government Money Market	Enhanced Yield	Other Pools	Participant Directed Accounts
Assets					
Investments:				\$ 131,150	\$ 28,160
At amortized cost	\$ 1,873,214	\$ 200,642	\$ 273,382	153,712	82,848
At fair value	-	-	140,749	-	-
Collateral for securities loaned	289,181	28,990	2,723	421	547
Other assets	4,179	260	-	-	-
Total assets	<u>2,166,574</u>	<u>229,892</u>	<u>416,854</u>	<u>285,283</u>	<u>111,555</u>
Liabilities					
Payable for securities loaned	289,181	28,990	140,749	-	-
Other liabilities	20,326	5,026	1,208	5	2
Total liabilities	<u>309,507</u>	<u>34,016</u>	<u>141,957</u>	<u>5</u>	<u>2</u>
Net Assets	<u>\$ 1,857,067</u>	<u>\$ 195,876</u>	<u>\$ 274,897</u>	<u>\$ 285,278</u>	<u>\$ 111,553</u>
Investment income					
Interest and dividends	\$ 3,091	\$ 407	\$ 1,096	\$ 393	\$ 416
Securities lending income	1,587	185	809	-	-
Net accretion (amortization)	5,046	430	37	525	(11)
Provision for uncollectible loans	-	-	-	(615)	-
Total investment income	<u>9,724</u>	<u>1,022</u>	<u>1,942</u>	<u>303</u>	<u>405</u>
Expenses					
Fees	138	15	32	5	1
Securities lending borrower rebates	1,557	182	795	-	-
Total expenses	<u>1,695</u>	<u>197</u>	<u>827</u>	<u>5</u>	<u>1</u>
Net investment income	<u>8,029</u>	<u>825</u>	<u>1,115</u>	<u>298</u>	<u>404</u>
Net realized gain (loss)					
from investments	2	-	114	-	-
Net increase (decrease)					
in fair value of investments	-	-	369	889	26
Net gain (loss) from investments	<u>2</u>	<u>-</u>	<u>483</u>	<u>889</u>	<u>26</u>
Net increase (decrease) in net assets from operations	8,031	825	1,598	1,187	430
Distributions to participants	8,081	825	1,115	(227)	-
Participant activity					
Purchases, reinvestment of units and contributions	662,624	20,631	1,150	(227)	203
Redemptions and withdrawals	743,649	18,928	-	8,393	587
Net increase (decrease) in net assets from participant activity	<u>(81,025)</u>	<u>1,703</u>	<u>1,150</u>	<u>(8,620)</u>	<u>(384)</u>
Increase (decrease) in net assets	(81,075)	1,703	1,633	(7,206)	46
Net assets at beginning of period	1,938,142	194,173	273,264	292,484	111,507
Net assets at end of period	<u>\$ 1,857,067</u>	<u>\$ 195,876</u>	<u>\$ 274,897</u>	<u>\$ 285,278</u>	<u>\$ 111,553</u>



West Virginia University

Administration and Finance

December 30, 2006

Aaron A. Allred
Legislative Manager and
Legislative Auditor
1900 Kanawha Blvd., E.
Room E-132
Charleston, WV 25305

Dear Mr. Allred,

In accordance with the requirements of WV State Code §12-1-12d(f), I respectfully submit this report on behalf of the West Virginia University Board of Governors. This report is intended to provide information about the activities of the University in regard to investments since passage of Senate Bill 603 as well as investment performance since the time of investment.

Shortly after investment flexibility was granted to the University on July 1, 2005, the institution underwent significant changes within the Administration and Finance Division. Gary Rogers, Vice President of Administration, Finance and Human Resources announced that he was leaving to become the Chief Financial Officer of the University of Tennessee System in September 2005. John Williams, Associate Vice President for Finance began an extended medical leave of absence in late summer of 2005. These two roles were filled on an interim basis. I served as Interim Vice President of Administration, Finance and Human Resources and Dan Durbin served as Interim Associate Vice President for Finance.

Since that time, the University has stabilized its management team within the Administration and Finance Division. I accepted the position of Vice President for Finance and Administration in March 2006 following a national search. Dan Durbin subsequently accepted the position of Associate Vice President for Finance. In light of the investment flexibility granted by Senate Bill 603, the need for a treasury management function was recognized. Responsibility of this function was added to my former position, Assistant Vice President for Planning and a new role, Associate Vice President for Planning and Treasury Operations was created. Elizabeth Reynolds assumed that role in mid-June 2006.

The WVU Board of Governors adopted Policy 43: Investment Policy at its June 2, 2006 meeting. A copy of this policy may be found at <http://www.wvu.edu/~bog/bogpolicies.htm>.

Office of Vice President

Phone: 304-293-2545
Fax: 304-293-3493
www.wvu.edu/~adminfin/

104 Stewart Hall
PO Box 6205
Morgantown, WV 26506-6205

Equal Opportunity/Affirmative Action Institution

On September 1, 2006, the Treasury Operations function of WVU was formally organized. Since that time, the staff of that unit have identified the funds available for investment with the WVU Foundation and completed the necessary transactions to lawfully move the resources from the state. After a thorough analysis of the University's historical cash flows, it was determined that WVU has sufficient cash flow in its largest state account to enable \$25 million to be taken from that one account. Thereby, ensuring a very efficient transfer and eliminating recordkeeping to distribute interest earning among various state accounts.

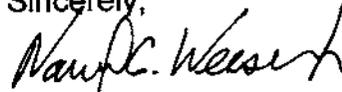
WVU moved \$25 million from the state treasury to the WVU Foundation on October 13, 2006. At that time, the funds were invested by the WVU Foundation in the Commonfund Short Term Fund. This is an investment vehicle that is only open to educational institutions described in Section 170(b)(1)(A)(ii) of the Internal Revenue Code and educational support organizations described in Section 170(b)(1)(A)(iv) of the Code. This fund seeks a monthly rate of return that matches or exceeds the bond equivalent yield of 3-month Treasury securities issued for that month. The fund credits a portion of any excess return over the 3-month Treasury bill rate to a Reserve Account according to a smoothing formula. This Reserve Account allows the fund to supplement returns to participants in any month that the Short Term Fund does not meet this objective. At the time of the report by the WVU Foundation, December 15, 2006, this investment had earned \$174,000 or an approximate annualized return of 4% without risking principal.

A formal investment summary report from the WVU Foundation has been prepared. I have enclosed fourteen copies of this report for distribution to the House members of the Joint Committee on Government and Finance.

Subsequent to the investment reporting date, the WVU Foundation began investing the funds in accordance with the investment policy. Details regarding these investments may be found in the attached report from the WVU Foundation. Next year's report will provide information on the performance of these investments.

Should you desire any additional information regarding WVU's investment with the WVU Foundation, please contact me directly.

Sincerely,



Narvel G. Weese, Jr.,

Vice President for Administration and Finance



**West Virginia University
Unrestricted Investment Funds**

Report as of December 18, 2006



Confidential

WVU FOUNDATION

December 18, 2006

Mr. Narvel G. Weese, Jr.
Vice President for Administration and Finance
West Virginia University
Stewart Hall
Post Office Box 6205
Morgantown, West Virginia 26506

Re: WVU Unrestricted Investment Funds' Interim Report

Dear Mr. Weese:

The West Virginia University Foundation, Incorporated (the "WVU Foundation") is pleased to act as Investment Agent (the "Agent") on behalf of West Virginia University ("WVU") with respect to its Unrestricted Investment Funds (the "Investment Funds"), pursuant to the Investment Management Agency Agreement (the "Agreement") dated October 2, 2006.

In accordance with §12-1-12b of WV Senate Bill 603, \$25,000,000 of Investment Funds were transferred from the West Virginia State Treasurer's Office on October 13, 2006 and temporarily invested (in their entirety) in The Commonfund Short Term Fund. It is expected that, on or before January 2, 2007, these Investment Funds will be redirected and invested in accordance with the Policy Portfolio (the "Policy Portfolio") contained in the WVU Board of Governors' Investment Policy.

As Investment Agent, the WVU Foundation will prepare quarterly and annual investment reports, within 30 calendar days of each period end, for submission to the Vice President for Administration and Finance. Each investment report will contain, but not be limited to, the following items:

- An investment commentary and market review;
- A summary of the change in market value of the Investment Funds;
- A performance review of the investment managers;
- A comparison of the actual asset allocation relative to the Policy Portfolio; and
- Other supplemental materials.

As requested, enclosed herewith is an abbreviated interim report for the investment period since inception on October 13, 2006 through December 15, 2006. The following items are included herein under Tab 1:

- Third Quarter 2006 Investment Commentary, Third Quarter 2006 Market Review, and Fourth Quarter 2006 Market Review (through November 30);
- The change in market value of the Investment Funds from October 13, 2006 through December 15, 2006; and
- The pro forma asset allocation as of January 2, 2007 relative to the Policy Portfolio.

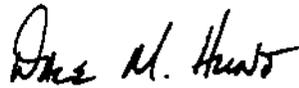
Included under Tab 2 is supplemental information describing each of the investment managers and funds retained to act on behalf of the Investment Funds.

We are honored to have been selected as Investment Agent by WVU and look forward to serving your needs as they relate to the Investment Funds. If you have any questions or would like any additional information, please feel free to contact us.

Sincerely,



Dorothy J. Dotson
Vice President for Investments
304-284-4034



Dale M. Hunt
Associate Vice President for Investments
304-284-4013

Third Quarter 2006 Investment Commentary

*"Mountain climbers celebrate on the summit, even though the hardest part of the trip is still before them: Getting back. Most accidents happen on descent, when you're tired and drop your guard. Companies and even individual careers are subject to the same rules: You're most vulnerable at the top of your game and at those times when you feel most secure and confident despite the odds. You do it again, and still nothing bad happens. This teaches you that it's safe and sets you up for failure." (Laurence Gonzales, *Deep Survival*)*

While the early part of the quarter was dominated by continued Fed watching, it was quickly overshadowed in September by news of the debacle at Amaranth Advisors, a 'multi-strategy' hedge fund that held concentrated positions on the wrong side of the natural gas market. Once a \$9.5 billion fund, its value quickly evaporated by almost 70%. The events surrounding its demise merit some retrospection, as they provide insight as to how such a crisis evolves.

At first, the magnitude of the losses suffered by Amaranth was eerily reminiscent of another notable hedge fund debacle eight years ago to the month. In September 1998, Long-Term Capital Management's assets had shrunk to \$600 million from \$4 billion as a result of a series of events emanating out of the Russian debt crisis. Thankfully, there were few other similarities between the two crises. In 1998, the cause of the LTCM debacle was a massive global flight to liquidity, to such an extent that even the U.S. Treasury market had difficulty accommodating demand. Repercussions were felt throughout the global markets, with the S&P 500 Index off more than 10% for the quarter.

Amaranth's problems were also caused by a liquidity crisis, this time emanating from a mild hurricane season (which went against the fund's bets that natural gas prices would rise as they did post-Katrina last year). Unlike 1998, however, as Amaranth was called upon by its prime brokers to meet margin calls, there was little widespread dislocation in the rest of the capital markets. Even though Amaranth's losses were larger in nominal dollar terms than LTCM's, there was some solace to be found in the fact that the repercussions were contained. The S&P 500 advanced 2.6% in September, providing almost half of the quarter's 5.7% return.

To be sure, there were numerous technical factors at work conspiring to prevent a massive meltdown from Amaranth. As a result of LTCM and other situations, prime brokers had tightened their risk-monitoring processes to more quickly place margin calls and limit losses. In addition, interested third-parties within the industry were quick to seize an opportunity and salvage the remains. Perhaps, however, some of the market's resiliency could be attributed to the often scoffed at phrase that "it's different this time." But, just maybe, it was (is) different this time for reasons that have little to do with lending limits, credit risk, etc.

In 1998, a devaluation of the Russian ruble set off a chain of events that rippled throughout the rest of the world. Today, it takes more than a 9/11, or a London or Madrid train bombing, or a coup in Thailand, or an Amaranth to derail the global markets for very long. Perhaps the world has changed, and as a result, there is more parity worldwide to insulate against some of these shock waves. For example, in 1998, the BRICs (Brazil, Russia, India, and China) were the recipients of foreign direct investment (much of it from the U.S.). Today, however, a Brazilian steel producer is

interested in Wheeling-Pittsburgh Steel; a Russian oil company, Lukoil, flies its flags over Getty gas stations; Mittal, a company owned by one of India's wealthiest families, is the largest steel producer in the U.S.; and the Industrial & Commercial Bank of China Ltd. launched the largest IPO ever, raising \$19 billion and creating a market capitalization just shy of that of JPMorgan Chase.

While these developments could be unsettling for some, it could be interpreted as a healthy sign that these 'emerging' nations have become 'developing' nations through foreign investment. From our perspective, it means that the menu of opportunities has broadened, but commensurately, so have the risks. The bottom line lesson from the Amaranth situation is perhaps this: while opportunities abound to make significant returns at home and abroad, we must remain vigilant and disassociate future expectations from past performance. Our investment world encourages the behavior of Brian Hunter of Amaranth and then is quick to blame and shift responsibility when the tide turns. As Warren Buffett once said, we need "to be fearful when others are greedy ... [and have] the temperament to control the urges that get other people into trouble in investing."

Third Quarter 2006 Market Review

The U.S. economy showed some signs of its much anticipated slowdown during the third calendar quarter of 2006. Inflation expectations were revised lower during the quarter as key leading indicators pointed to softer growth and more stable energy prices. While corporate earnings growth remained robust, concerns regarding a downturn in housing and moderate GDP growth (2-3% versus 5%) combined to allow the Fed to suspend its program of rate hikes.

The combination of slower growth, easing oil prices, and strong corporate balance sheets was a positive development for the equity markets after a weak second quarter. Although seemingly bewildered in July as to whether the economy was growing too quickly or too slowly, investors gained confidence as the quarter progressed that perhaps energy prices had peaked, the Fed had paused, and valuations were reasonable (16 times forward earnings, down from 18.5 times). As a result, the S&P 500 Index returned 5.7% and posted another consecutive quarter of double-digit earnings growth. There was, however, a clear divergence in equity performance during the quarter between large, mid and small cap stocks. While the S&P 500 Index regained its leadership position, the Russell 2000 Index became a fallen star, returning only 0.4%, and the S&P 400 Index lost 1.1%. Within the indices, there was also a change among sector performance, with energy, materials and industrials giving way to health care, telecoms, technology, and financials. As Birinyi Associates noted, the 50 stocks with the worst performance during the first six months of the year had the best third quarter returns and vice versa. In addition, while value stocks again outperformed growth stocks, that trend began to reverse itself during the latter half of the quarter as traditional growth sectors moved to the forefront. Overall, it continued to be a difficult quarter for actively managed large cap funds, with less than 30% reportedly able to beat the S&P 500 Index.

The international equity markets also recovered in the third calendar quarter as fears of higher inflation and interest rates receded. As with the U.S. equity markets, there was a wide divergence, however, in sector returns, with the technology and telecom sectors leading at the expense of the materials sector. Overall, the MSCI EAFE Index returned 3.9% in U.S. dollar terms. The emerging markets likewise witnessed a recovery from a weak second quarter, although September ended on a somewhat turbulent note as a result of rising political tensions (Thai military coup and Latin

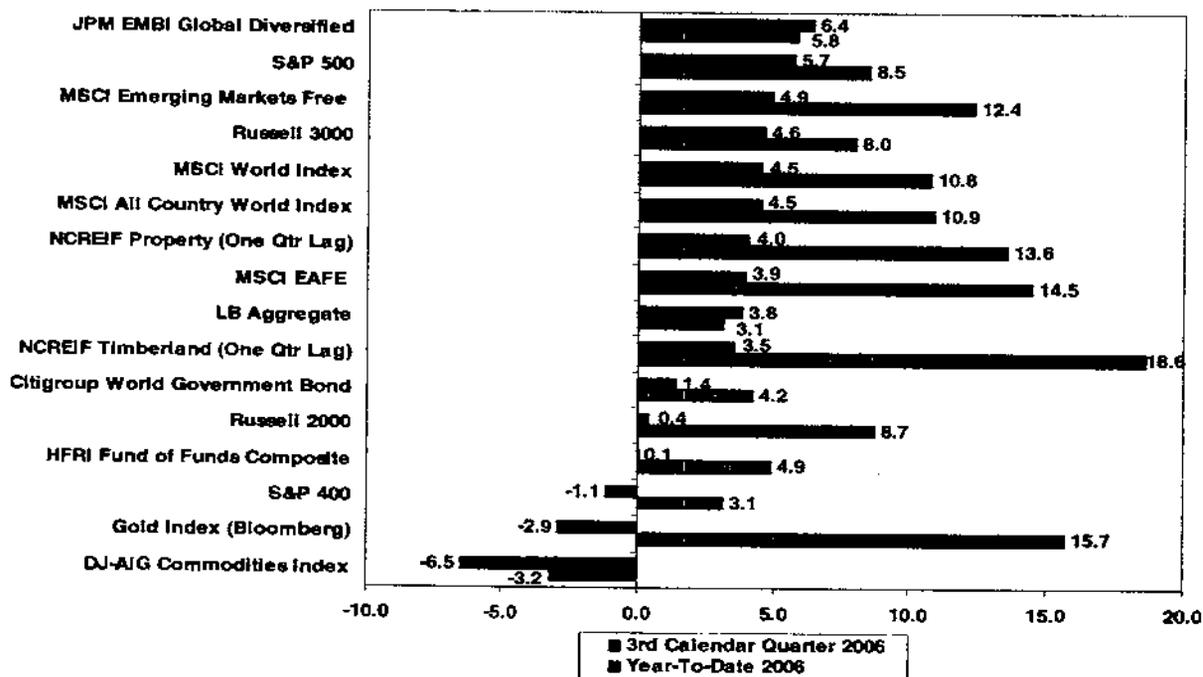
American elections) and declining commodity prices. Underlying these events was continued concern about the impact of cooling demand from any slowing of the U.S. economy. Nevertheless, the MSCI Emerging Markets Index returned 4.9% for the quarter.

The Federal Reserve held rates steady in August and September, and the bond market rallied, pushing up prices and, in turn, pushing down yields. Overall, bonds kept pace with stocks. The Treasury curve inverted as yields along the maturity spectrum declined approximately 50 basis points. By the end of the quarter, the 30-year Treasury was at 4.76%, down from 5.25% on June 30th. Investment grade corporate spreads widened marginally, remaining near multi-year lows, and the Lehman Aggregate Bond Index returned 3.8% for the quarter. Interest rate volatility declined following the August Fed meeting before a sharp rally occurred in late September.

As in the U.S., moderating growth and well-contained inflation exerted downward pressure on global bond yields. The Citigroup World Government Bond Index returned 1.4% for the quarter, well behind its U.S. counterpart. During the quarter, emerging markets debt performed strongly, recovering from a weak second quarter when there was a sell-off in riskier assets. Spreads on emerging market external debt approached record tight levels, supported by positive technicals related to reduced supply. For the quarter, emerging market bonds advanced 6.4%.

Energy prices dominated the commodities market during the quarter, with oil reaching a high of \$77 in mid-July. The price of oil fell to \$63 by mid-September, as the market realized that the U.S. has substantial reserves and discussions were underway with Iran regarding its nuclear program. Natural gas prices also tumbled from \$8.65 at the beginning of August to \$4.40 in mid-September. Unlike energy, real estate and timber both had strong quarters. As the bond markets rallied and the dollar strengthened, metals sold off, with gold down 2.9%.

Market Indices: Third Quarter and Calendar Year-to-Date



Fourth Quarter 2006 Market Review (through November 30th)

The month of October produced another set of strong equity market returns, as investors appeared unfazed by mixed economic news and gyrations in the fixed income markets. Stock market strength was broad-based during the month, with every major equity index advancing more than 3%. The Russell 2000 (Small Cap) Index led the U.S. market, returning 5.8% and defying the recent trend towards large capitalization companies.

Having started the month yielding 4.6%, the 10-year U.S. Treasury note backed up about 20 basis points mid-month on fears that economic growth might be reaccelerating and forcing the Federal Reserve to tighten further. However, by October 23rd (just prior to the FOMC meeting), the fed funds futures market had priced in a small probability of further rate increases and, following the meeting, sentiment was that the Fed was through tightening and could well be easing by spring 2007. As a result, the 10-year Treasury finished the month where it had started, yielding 4.6%.

The equity markets continued to make solid upward progress in November, finishing near yearly highs. Investors displayed some nervousness towards the end of the month on the heels of some hawkish inflation comments by the Federal Reserve Chairman, but quickly recovered by month-end. The market appeared to be convinced that the Fed is firmly on hold for the present, and that an easing by the middle of 2007 may occur. As a result, investors began to lengthen their investment time horizons, showing greater appreciation for longer duration, growth stocks over value names. Market strength continued into the first half of December, as the S&P 500 Index reached new yearly highs.

The following table provides selected market data through the first nine months of the calendar year, followed by October and November's combined performance, culminating in the 11-month returns through November 30th.

	YTD thru <u>9/30/06</u>	QTD thru <u>11/30/06</u>	YTD thru <u>11/30/06</u>
S&P 500 Index	+8.5%	+5.2%	+14.2%
Russell 2000 Index	+8.7%	+8.5%	+18.0%
MSCI World Index	+10.8%	+6.2%	+17.7%
Lehman U.S. Bond Index	+3.1%	+1.8%	+4.9%
Citigroup Global Bond Index	+4.2%	+3.7%	+8.1%
3-Month Treasury Bill	+3.6%	+0.8%	+4.4%

Change in Market Value from October 13, 2006 through December 13, 2006

On October 13, 2006, \$25,000,000 of Unrestricted Investment Funds was deposited on behalf of WVU into The Commonfund Short Term Fund. For the two-month period, the portfolio has earned \$174,056 in interest, bringing the market value to \$25,174,056 as of December 13, 2006.

On December 14, 2006, \$23,250,000 was wired out of The Commonfund Short Term Fund to a money market account at State Street Bank & Trust Company N.A. in anticipation of implementing the Policy Portfolio. These funds will be invested between December 15th and 28th with various investment managers in accordance with the approved asset allocation. A summary of the Policy Portfolio follows, along with the pro forma asset allocation effective January 2, 2007. Additional information regarding each of the investment managers and their funds follows the asset allocation summary.

Asset Allocation

<u>Asset Class (Manager)</u>	<u>Policy Target</u>	<u>Permitted Range</u>	<u>1/2/07 Allocation</u>
<i>Equities:</i>			
U.S. Equity:			
Dodge & Cox Stock Fund	25%	20-30%	24%
International Equity:			
Dodge & Cox Stock Fund	<u>5%</u>	3-7%	<u>4%</u>
<i>Total Equity</i>	<i>30%</i>	<i>25-35%</i>	<i>28%</i>
<i>Fixed Income:</i>			
U.S. Bonds:			
Income Research & Management	50%	45-55%	48%
Global Bonds:			
Brandywine Global	3%	2-5%	8%
TIPS:			
Income Research & Management	3%	2-5%	4%
High Yield	2%	0-4%	0%
Real Assets	4%	2-6%	0%
Hedge Funds:			
Robeco-Sage International	4%	0-6%	4%
Cash:			
CF Short Term Fund	<u>4%</u>	0-5%	<u>8%</u>
<i>Total Fixed Income</i>	<i>70%</i>	<i>65-75%</i>	<i>72%</i>

Please note that, while the allocation to Global Bonds appears to be three percentage points above the maximum permitted within the range, approximately 25% of that portfolio is invested in U.S. bonds. In addition, there is initially a zero percent allocation to real assets which is offset by an overweight allocation to cash. It is intended that a commitment to real assets will be made during the first calendar quarter of 2007, thereby reducing cash.

Supplemental Materials

Attached to this interim report are summaries, as of September 30, 2006, describing each of the investment funds cited in the asset allocation. Since the Investment Funds will not be fully invested with each of these managers until January 2, 2007, their historical performance records are provided for informational purposes only and are not a guarantee as to future performance. Also attached is the most recent Treasury Report, dated November 2006, from The Commonfund.

Dodge & Cox Stock Fund
(U.S. & International Equities)

- Objective** The Fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income.
- Strategy** The Fund invests primarily in a broadly diversified portfolio of common stocks. In selecting investments, the Fund invests in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise and the reputation, experience and competence of a company's management are weighed against valuation in selecting individual securities.
- Benefits**
- A simple way to own a broadly diversified portfolio of stocks
 - Low expenses, no sales charges, no distribution fees

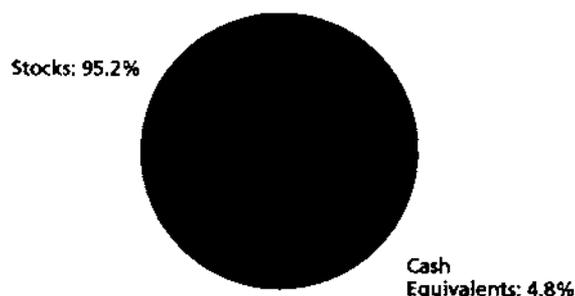
Unless otherwise noted, the information below is as of September 30, 2006.

General Information

Net Asset Value Per Share	\$150.77
Total Net Assets (billions)	\$61.0
Expense Ratio (annualized, as of June 30, 2006)	0.52%
2005 Portfolio Turnover Rate	12%
30-Day SEC Yield ^(a)	1.20%
Fund Inception	1965

Investment Manager: Dodge & Cox, San Francisco. Managed by the Investment Policy Committee, whose ten members' average tenure at Dodge & Cox is 23 years.

Asset Allocation



Portfolio Characteristics

	Fund	S&P 500
Number of Stocks	86	500
Median Market Capitalization (billions)	\$24	\$13
Weighted Average Market Capitalization (billions)	\$69	\$96
Price-to-Earnings Ratio ^(b)	14.6x	14.9x
Foreign Stocks ^(c) (% of Fund)	15.8%	0.0%

Sector Diversification

	Fund	S&P 500
Consumer Discretionary	21.6%	10.1%
Health Care	16.5	12.7
Financials	14.5	22.3
Information Technology	13.7	15.3
Energy	8.8	9.3
Industrials	8.7	10.9
Materials	5.2	2.9
Consumer Staples	3.8	9.6
Utilities	1.4	3.4
Telecommunication Services	1.0	3.5

Ten Largest Holdings^(d)

	Fund
Hewlett-Packard Co.	4.1%
Comcast Corp. Class A	3.7
Pfizer, Inc.	3.3
News Corp. Class A	2.9
Time Warner, Inc.	2.6
Chevron Corp.	2.6
Sony Corp. ADR (Japan)	2.4
McDonald's Corp.	2.4
Matsushita Electric Industrial Co., Ltd. ADR (Japan)	2.3
Cardinal Health, Inc.	2.3

^(a) SEC Yield is an annualization of the Fund's total net investment income per share for the 30-day period ended on the last day of the month.

^(b) The Fund's price-to-earnings (P/E) ratio is calculated using 12-month forward earnings estimates.

^(c) Foreign stocks are U.S. dollar-denominated.

^(d) The Fund's portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security.

See other side

Average Annual Total Return*

For periods ended September 30, 2006	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Stock Fund	14.61%	18.19%	14.06%	14.47%	14.86%
S&P 500 Index	10.79	12.28	6.97	8.59	11.74

The Dodge & Cox Stock Fund had a total return of 4.8% for the third quarter of 2006, compared to 5.7% for the Standard & Poor's 500 Index (S&P 500). For the nine months ended September 30, 2006, the Fund had a total return of 11.3%, compared to 8.5% for the S&P 500. At quarter end, the Fund had net assets of \$61.0 billion with a cash position of 4.8%.

Third Quarter Performance Review

While the Fund performed well on an absolute basis in the third quarter, it did lag the S&P 500 by 0.9%. Key detractors from the Fund's relative performance were in areas of the Fund that rose strongly, just not as much as the corresponding S&P 500 sectors. For example, the Fund's Financial holdings (up 5%) underperformed those in the S&P 500 (up 8%). Capital One Financial (down 8%) was the primary detractor in this sector. The Fund's Health Care stocks performed well on an absolute basis (up 8%), but lagged the return of the S&P 500's Health Care sector (up 10%). The Fund's investments in Pfizer (up 22%) and HCA (up 16%) offset declines from its investments in Sanofi-Aventis (down 9%) and GlaxoSmithKline (down 4%).

The Fund benefited from its investments in the Information Technology sector, which returned 10% (e.g., Hewlett-Packard up 16% and Motorola up 24%) compared to 8% for those in the S&P 500. There were also a number of individual stocks which significantly contributed to or detracted from the Fund's third quarter results. Some of the Fund's largest positions, such as Comcast (up 13%) and McDonald's (up 16%) helped results, while other large positions, like Sony (down 8%), FedEx (down 7%) and Union Pacific (down 5%), hurt. Baker Hughes (down 17%) was the Fund's weakest absolute performer during the third quarter.

As always, we focus our efforts on understanding the opportunities and risks facing each of the companies in the Fund over a three-to-five year investment horizon. When a company's stock price moves significantly we revisit our outlook for the company's long-term earnings prospects, and ask ourselves the question, "Given what we know today about the company and its current stock valuation, do we want to own it over the next three-to-five years?" For this reason, we encourage shareholders to focus on the long term and not concentrate on short-term results.

Investment Strategy

As we have discussed in the past, valuations have compressed across the broad equity market over the past few years, resulting in a different range of investment opportunities to consider. By early 2000, with equity valuations at all-time highs, investors had become unreasonably optimistic and had bid up stock prices of certain companies to levels which implicitly

incorporated expectations for future growth that even the ablest of management teams would be unable to satisfy. Leading companies with excellent business franchises and good prospects for long-term growth turned out to be poor investments because of excessive valuations.

As valuations have decreased and the range of valuations has narrowed across the market since 2000, our investment team (30 portfolio managers and analysts) has invested in a growing number of these "leading" companies which no longer trade at large premiums to the market. We have been selectively increasing the Fund's exposure to these companies, many of which are found in: 1) areas of traditional growth, such as Information Technology (e.g., Hewlett-Packard and Dell), Media (e.g., Comcast and Time Warner) and Health Care (e.g., Pfizer and Sanofi-Aventis), which collectively represent 40.9% of the Fund; 2) mega-capitalization stocks which represent dominant business franchises (e.g., Citigroup, GE and Wal-Mart); and 3) multi-national businesses based in the U.S. and abroad that, over time, should increasingly benefit from the expansion of the global economy (e.g., Avon and Matsushita).

For further review of the Fund's performance and long-term investment strategy, please visit www.dodgeandcox.com and download the Fund's Third Quarter Report, which will be available online in November.

October 2006

* The Fund's total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable by shareholders on these distributions. The Standard & Poor's 500 Index (S&P 500) is a widely recognized, unmanaged index of common stock prices. Index returns include dividends and/or interest income but, unlike Fund returns, do not reflect fees or expenses.

Past performance does not guarantee future results. Investment return and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold. Mutual fund performance changes over time and currently may be significantly lower than stated above. Performance is updated and published monthly. Visit the Fund's web site at www.dodgeandcox.com or call 800-621-3979 for current performance figures.

Standard & Poor's, Standard & Poor's 500, and S&P 500® are trademarks of The McGraw-Hill Companies, Inc.

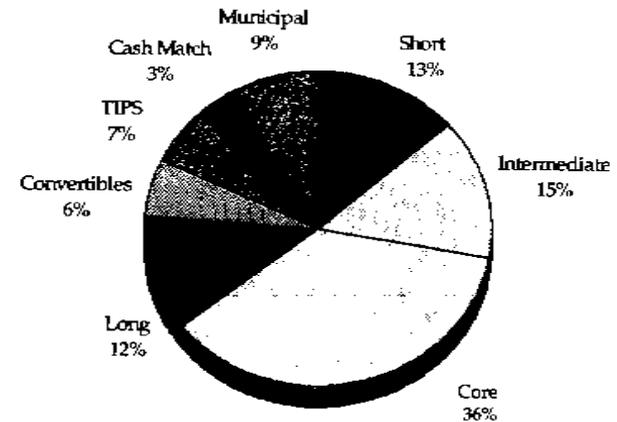
You should carefully consider the Fund's investment objectives, management fees, risks and expenses before investing. To obtain a Fund's prospectus which contains this and other important information visit www.dodgeandcox.com or call 800-621-3979. Please carefully read the prospectus before investing.

**Income Research & Management
(U.S. Bonds and TIPS)**

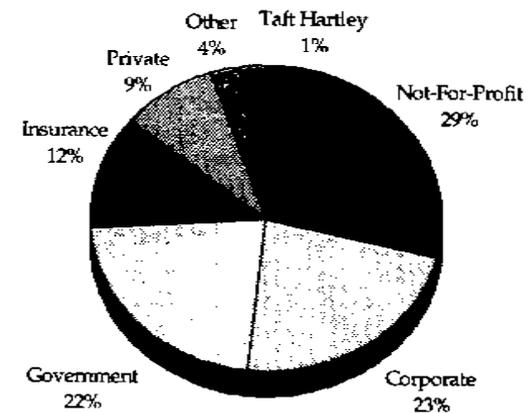
Firm Overview

- ▶ Founded in 1987
- ▶ Privately owned
- ▶ \$8.3 billion in assets under management¹
- ▶ Exclusively investment grade fixed income
- ▶ Broad product offerings
- ▶ Diversified client base

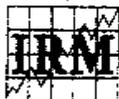
Assets by Objective



Assets by Client Type



¹As of 6/30/06





Income Research & Management

3rd Quarter 2006 Investment Grade Fixed Income Update

Returns

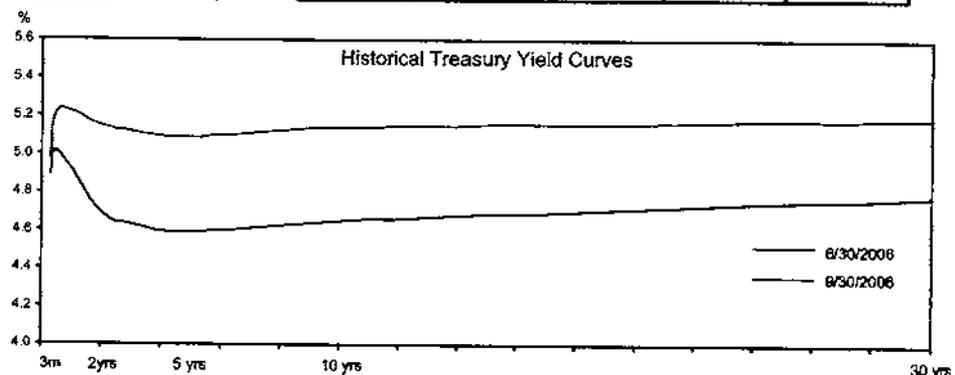
INDEX	3Q	YTD
ML 1-3 Year Treasury	1.96%	3.02%
Lehman Intermediate G/C	3.20%	3.02%
Lehman Aggregate	3.81%	3.06%
Lehman G/C	3.91%	2.71%
Lehman Long G/C	6.82%	1.65%
ML Investment Grade Convertible	2.24%	3.34%
Lehman TIPS	3.63%	1.80%
Lehman 1-10 Year Municipal	2.76%	2.99%

Levels

INDICATOR	9/30/06	12/31/05
S&P 500	1335.85	1248.29
Oil	\$62.91	\$61.04
Gold	\$598.30	\$518.90
Euro	\$1.27	\$1.18
Fed Funds Rate	5.25%	4.25%
2 Year	4.68%	4.40%
10 Year	4.63%	4.39%
30 Year	4.76%	4.54%

Interest Rates

Treasuries rallied to their strongest quarter of absolute performance in 4 years as rates across the curve moved sharply lower. With the entire yield curve sitting well below Fed Funds, forward rates are currently pricing in two rate cuts by the middle of 2007.



Corporates

- Carry and modest spread tightening enabled corporates to post 41bp of excess return over Treasuries during the quarter
- Longer maturity corporates posted greater excess returns (71bp) than intermediates (32bp)
- The sector benefited from moderating yet still solid corporate profits and optimism that the Fed pause would be stimulative
- Risks remain plentiful and include share buybacks, dividend increases and the ongoing possibility of LBOs

Mortgages / ABS

- 10-year swap rate fell 56bp during the quarter and interest rate volatility has risen slightly off multi-year lows
- Performance of the Lehman MBS Index has been 28bp in excess of Treasuries for the quarter and 60bp for the year-to-date
- We continue to favor Hybrid ARMs for their superior convexity profile, CMBS for their total return potential, and Student Loans for their historically low credit spread volatility

Convertibles

- Convertible returns were supported by strength in equities as the underlying equity prices of the ML Investment Grade Convertible Index rose 3.58% which contributed to both higher returns and higher deltas
- Portfolio returns were enhanced by an underweight to the energy sector

TIPS

- TIPS produced strong absolute results for the quarter, as longer TIPS yields fell 20-30bp
- However, short TIPS yields rose 50-300bp as lower near term inflation accruals became readily apparent
- Intermediate TIPS breakevens fell 20-30bp to 2.3%, reflecting lower inflation expectations

Municipals

- Municipal yields fell sharply during the quarter as investors anticipated the end of the Federal Reserve tightening cycle
- The yield curve remains very flat, with 2 to 10 year AAA yield spread at 31 basis points
- Supply is down 15% from 2005 levels as refinancing activity has been muted while demand remains robust
- Hedge funds and non-traditional buyers have become more influential and have affected relative liquidity, credit quality spreads, and market trends. The ultimate impact on the market, however, will not be felt until we see an increase in volatility

Source: Lehman Brothers, Bloomberg



INCOME RESEARCH & MANAGEMENT

West Virginia University Foundation

INVESTMENT RESULTS
% CHANGE FOR
PERIODS ENDING: 09/30/06

	WVUF	INDEX**
Last Month:	0.91	0.88
Last 3 Months:	3.66	3.81
Year To Date:	3.39	3.06
Last 12 Months:	4.34	3.67
3 Yr Annualized:	4.19	3.38
Inception Annualized*:	3.26	2.52
Inception Cumulative*:	11.22	8.57

*Account Inception: 06/10/03

**Index was 60% ML 1-3 Tsy / 40% Leh Long G/C through
08/18/05 when the Index changed to the Lehman Agg.

Investment results shown are gross of fees.



INCOME RESEARCH & MANAGEMENT

West Virginia University Foundation Total IPS Portfolio

INVESTMENT RESULTS
% CHANGE FOR
PERIODS ENDING: 09/30/06

	WVUF	INDEX**
Last Month:	0.26	0.25
Last 3 Months:	2.77	3.11
Year To Date:	2.67	2.15
Last 12 Months:	2.53	2.10
Inception Annualized*:	4.38	4.59
Inception Cumulative*:	13.72	14.44

*Account Inception: 10/01/03

**50% Leh IPS / 50% Leh Int IPS.
Index was Leh IPS through 6/30/04.

Investment results shown are gross of fees.

**Brandywine Global
(Global Bonds)**

Strategy Overview / Global Fixed Income Investment-Grade

At a Glance

- Primary Benchmark: Citigroup World Government Bond Index (unhedged) or other international bond benchmark, as specified by client direction.
- Real yield is our primary measure of value, followed closely by currency valuation. Inflation, monetary trends, political risks, the business cycle, and liquidity measures are also considered.
- Efficient duration management and country rotation (driven primarily by currency considerations) add incremental value.
- Investments typically are concentrated in 8-12 countries deemed to have the best total return potential.

Typical Investment Guidelines*

	COUNTRY	CURRENCY
United States	0 - 65%	0 - 100%
United Kingdom	0 - 40%	0 - 40%
Japan	0 - 60%	0 - 60%
Germany	0 - 40%	N/A
Non-Index Countries	0 - 25%	0 - 25%
Euro	N/A	0 - 70%

*Limits for allocation ranges for selected countries and currencies are based on market values.

PORTFOLIO MANAGERS

David F. Hoffman, CFA /
Managing Director & Portfolio Manager



David is Co-Manager of our Fixed Income and Balanced Portfolios and a member of the firm's Executive Committee. Prior to joining Brandywine Global in 1995, David

was President of Hoffman Capital, a global financial futures investment firm (1991-1995); Head of Fixed Income Investments at Columbus Circle Investors (1983-1990); Senior Vice President and Portfolio Manager at INA Capital Management (1979-1982), and Portfolio Manager at Provident National Bank (1975-1979). David earned a B.A. in Art History from Williams College.

Stephen S. Smith /
Managing Director & Portfolio Manager



Steve is Co-Manager of our Fixed Income and Balanced Portfolios and a member of the firm's Executive Committee. Before joining Brandywine Global in 1991,

Steve was responsible for taxable fixed income investments at two firms: Mitchell Hutchins Asset Management, Inc. (1988-1991) and Provident Capital Management, Inc. (1984-1988). He was a Founding Partner of Munsch and Smith Management (1980-1984) and a Portfolio Manager at First Pennsylvania Bank (1976-1980). Steve earned a B.S. in Economics and Business Administration from Xavier University.

Objectives

We strive to preserve capital, generate principal growth, and earn interest income. Over a complete market cycle of 3-5 years, we seek to outperform the benchmark, on an average annual basis, by at least two percentage points.

Universe

The sovereign debt and currencies of countries in the Citigroup World Government Bond Index, as well as the investment-grade corporate bond and mortgage-backed securities markets in those countries. We may also invest, to a limited degree, in countries rated A or better by a nationally recognized statistical rating organization.

Investment Process Summary

We apply a top-down, value-driven process when structuring Global Fixed Income Portfolios. Real (inflation-adjusted) yield is our primary measure of value. Currency valuation is next in importance, as the real yield must be captured in the investor's local currency (dollars for U.S. investors and euros for many of those in Europe, for example). We focus on appreciating, undervalued currencies and overvalued currencies that can be hedged. Inflation trends, political risks, monetary trends, and business cycle and liquidity measures are also considered. We typically concentrate investments in 8-12 countries that appear to offer the best total return potential.

Duration Management

We concentrate investments where value is greatest; as a result, our portfolios tend to have an intermediate- to long-duration bias when real interest rates are high. Greater interest rate exposure is assumed in countries with more value, and positions are established along the yield curve where we find the best risk/reward profile. Portfolio duration generally ranges from 1 year to 10 years.

Country Rotation

We believe that concentrating investments in the markets with the highest potential returns—that is, taking above-average country risk—actually reduces overall risk. Secular trends, political and monetary conditions, and business cycle risks are considered in determining the likelihood that we can capture the value we see in real interest rates and currencies. Each factor contributes to our country weighting decisions.

Currency

Currency and country decisions are intertwined. We seek to invest in bonds with high real yields that are denominated in appreciating currencies. We hedge our currency exposure in countries with high real rates but overvalued currencies.

Issue Selection

Within the desired country and currency, security selection is made on the basis of yield-curve analysis, desired duration, and the wideness of credit spreads relative to government issues.

Brandywine Global Investment Management, LLC
 2929 Arch Street, 8th Floor / Philadelphia, PA 19104
 USA 800 348 2499 / 215 609 3500 / Asia 65 6536 6213
 brandywineglobal.com

Strategy Update / Global Fixed Income Investment-Grade

Figures shown in U.S. Dollar (\$)

Assets Under Management (\$)(MM)

Brandywine Global, Firmwide:	34,838
Fixed Income Strategy Group:	16,696
Global Fixed Income Investment-Grade Portfolios**:	8,593

Portfolio Commentary

Our actions to increase the duration of your portfolio in mid-May, actions that seemed sound if unproven as of the end of June, turned out to be dead on target by quarter's end. Our only possible regret was that it was not enough of a good thing. Almost all financial assets, stocks or bonds, recorded positive returns for the quarter, while commodities and energy, the darlings of the last few years, reversed course and fell.

We believe that higher commodity prices will ultimately create more supply of commodities and bring down prices to levels where producers' margins are high, but not off the scale. Producers are slow to invest, if they are not confident of the duration of higher prices. With prices having been high for quite a while, we feel

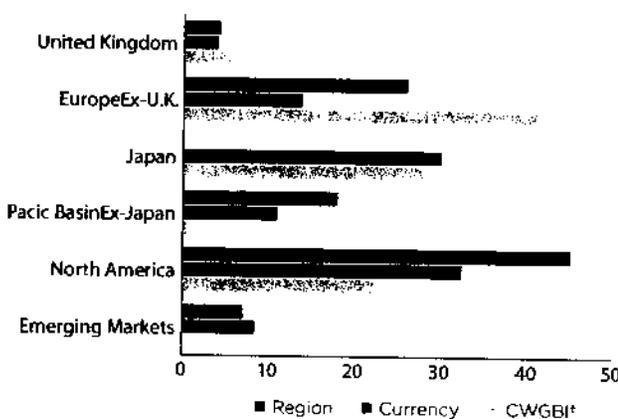
confident that should demand continue to increase, commodity suppliers will increase production to meet that demand.

Our biggest portfolio position relative to the benchmarks was our lack of exposure to the euro. Over the last 12 months, this underweight to the currency has hurt the portfolio by about 100 basis points (bps). Our view is that the German VAT tax and ECB tightening will lead to a slowdown that will halt ECB tightening and cause the euro to retrench. We have been hedged into the yen with positions slightly larger than the index weight, based partly on the ideas that the Japanese growth story was on solid footing and that the Japanese yield curve would normalize. The yen was and still is extremely cheap by any measurable basis. However, it does not have much yield, and this has caused many Japanese investors to export capital, in spite of the country's economic recovery. In recognition of this, we recently cut back on our yen positions, as a significant rally in the yen will first require a change in rate expectations, which we don't see on the near-term horizon. When this rally occurs, it could be from rising expectations for rates in Japan, or falling expectations for other markets, such as Europe. We will not be more aggressive in yen-denominated securities until we see more yield support.

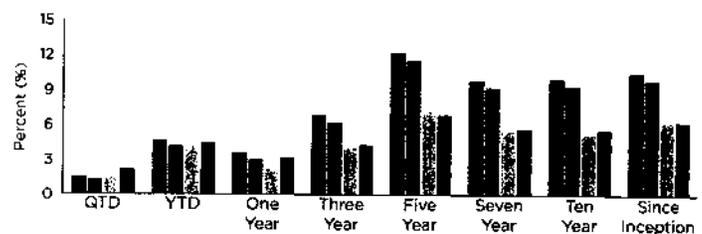
Representative Portfolio Characteristics

CHARACTERISTICS	BRANDYWINE	
	GLOBAL	CWGBI ¹
Average Quality	AAA	AA+
Average Maturity (Years)	7.99	7.74
Modified Duration (Years)	5.30	5.98
Average Coupon (%)	4.63	3.74
Average Yield (%)	5.19	-
Yield to Maturity (%)	4.67	3.26
Number of Issues	33	704

Representative Region & Currency Weights



Annualized Composite Returns Preliminary Data



PERIOD	GROSS	NET	CWGBI ¹	LGAB ¹
QTD	1.46	1.32	1.44	2.16
YTD	4.61	4.18	4.23	4.49
1 Year	3.61	3.04	2.23	3.21
3 Year	6.84	6.25	4.06	4.30
5 Year	12.25	11.63	7.32	6.90
7 Year	9.89	9.29	5.55	5.71
10 Year	10.01	9.40	5.30	5.62
Since Inception*	10.53	9.92	6.32	6.34

Quality Allocation

QUALITY RATING	WEIGHT (%)
AAA	86.4
AA	1.9
A	11.7
BBB	0.0
BB or Lower	0.0

Duration Allocation

DURATION RANGE	WEIGHT (%)
0-1 Year	24.6
1-3 Years	16.6
3-7 Years	28.4
7-10 Years	4.0
10+ Years	26.4

Inception Date: 7/1/1992 ¹CWGBI = Citigroup World Government Bond Index (Unhedged) ²LGAB = Lehman Global Aggregate Bond Index ³Supplemental Information ⁴Includes some accounts not contained in the strategy's composite. The data represent the aggregate characteristics of all securities held in the Representative Portfolio, an actual account not subject to taxation. Individual client accounts may differ from characteristics shown. Data is obtained from FactSet and Bloomberg and is believed to be accurate and reliable. The regions and currencies discussed herein should not be perceived as investment recommendations. It should not be assumed that investment in the regions or currencies listed and account duration range were or will prove to be profitable, or that the investment decisions we make in the future will be profitable. Region & currency weights and the account duration range with regard to any particular client account may vary based on any investment restrictions applicable to the account. Gross performance returns include transaction costs but do not reflect the deduction of Brandywine's management fee. Both gross and net performance returns over one year are annualized and assume the reinvestment of all interest and capital gains. In calculating net returns, Brandywine Global deducts one-quarter of our highest annual management fee from each quarter's gross return, and then links those fee-adjusted results to calculate net annual returns. Indices are unmanaged and not available for direct investment. There may be additional risks associated with international investments. International securities may be subject to market/currency fluctuations, investment risks, and other risks involving foreign economic, political, monetary and/or legal factors. International investing may not be suitable for everyone. Small capitalization companies may present risks such as lack of product diversification, potentially insufficient capital resources and greater exposure to business and economic cycles. Investments in small and medium-capitalized companies may involve a higher degree of risk and volatility than investments in larger, more established companies. The views expressed herein represent the opinions of Brandywine and are not intended as a forecast or guarantee of future results. Please refer to the end of this presentation for a full description of Brandywine Global's fee schedule, and our GIPS compliant performance presentations, which include performance footnotes and disclosures. Past performance is no guarantee of future performance.

**Robeco-Sage International
(Hedge Fund of Funds)**

Robeco-Sage Capital Fund of Hedge Funds

Firm Overview

- **Founded in 1994 with exclusive focus on Fund of Hedge Funds management**
- **20 professionals managing \$1.5 billion in assets as of December 1, 2006**
- **Focused product-line with a long history of demonstrated performance**
- **Balanced client base: 50% institutional/50% high net worth**
- **Independent subsidiary of Robeco, a global asset manager with \$174 billion AUM**

Robeco-Sage Capital International, Ltd.

SEPTEMBER 2006

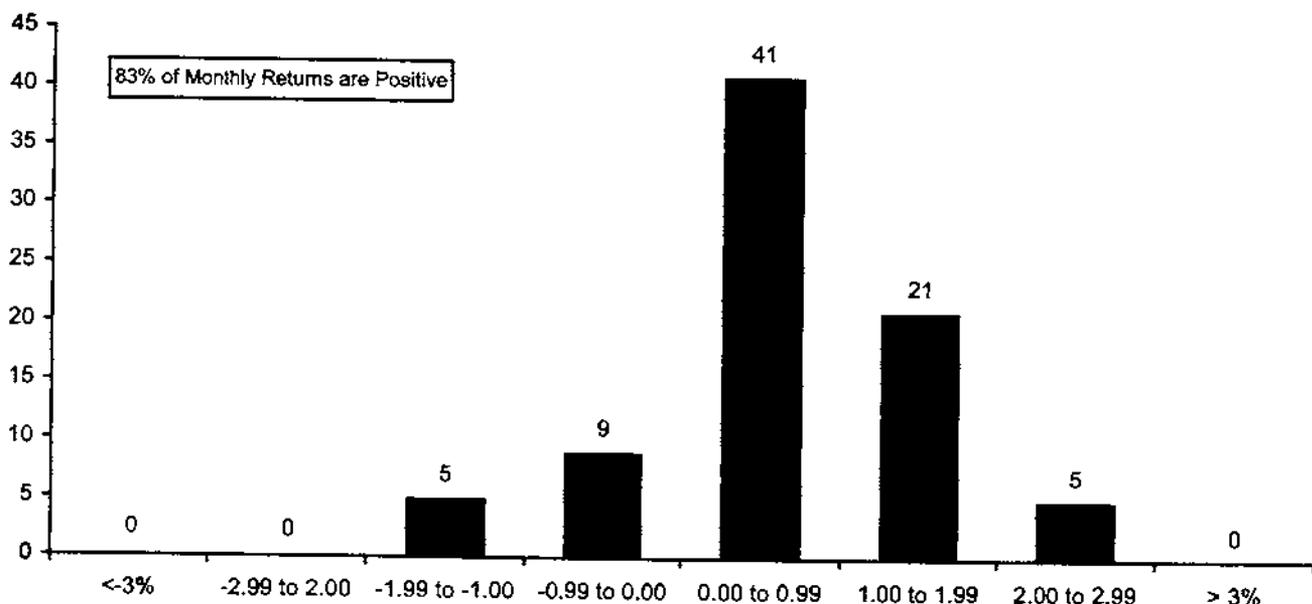
Performance

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2000	1.73	2.66	1.42	0.36	0.20	2.11	0.56	1.69	0.35	0.68	(0.49)	0.95	12.89%
2001	2.36	1.26	0.61	0.89	0.26	0.63	(0.10)	1.09	0.00	0.61	0.14	0.67	8.73%
2002	0.39	(0.51)	0.60	0.83	0.71	(1.40)	(1.36)	0.29	0.50	(0.44)	0.93	0.90	1.40%
2003	1.57	0.31	0.34	1.09	1.40	1.13	0.32	0.46	1.29	1.27	0.85	1.43	12.07%
2004	1.43	0.99	0.65	(0.45)	(0.45)	0.42	(0.72)	0.06	0.70	0.44	2.43	1.45	7.13%
2005	0.26	1.32	(0.14)	(1.17)	0.90	1.41	1.76	0.79	1.67	(1.15)	0.91	1.77	8.59%
2006	2.41	0.29	1.80	1.59	(1.50)	(0.38)	0.26	0.55	0.56				5.66%

Performance Summary

Last 12 months	7.26%	Annual Rolling 3-Year Annualized ROR	15.05%
3-Year Annualized ROR	8.39%	Annual Rolling 5-Year Annualized ROR	0.39%
5-Year Annualized ROR	7.22%	Annual Rolling Since Inception	22.73%
Annualized ROR Since Inception	8.31%	Annual Rolling Since Inception	8.10%

Distribution of Monthly Returns (Number of Occurrences)



Past performance is not necessarily indicative of future results.

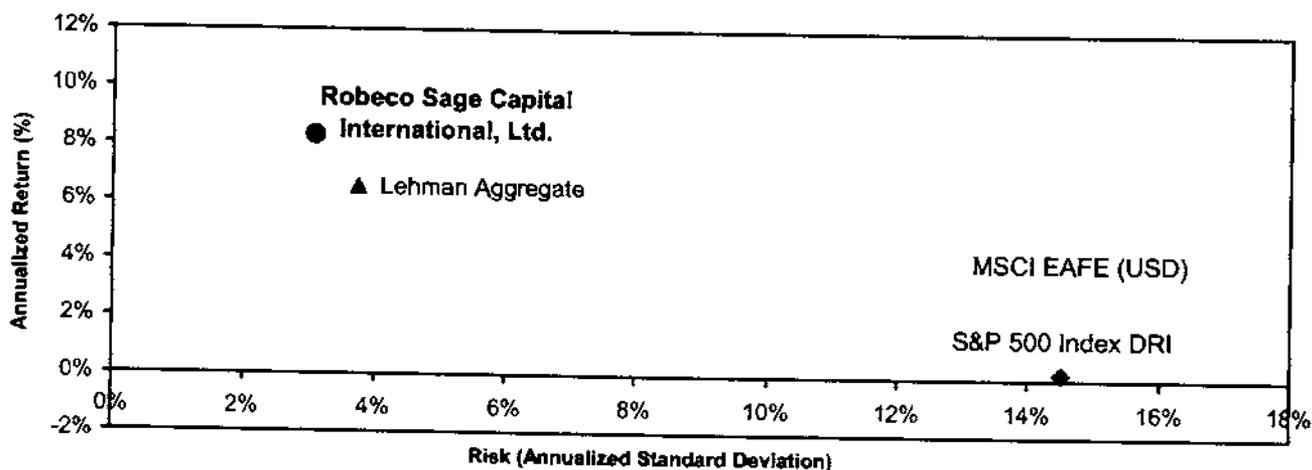
Capital Preservation: Robeco-Sage Performance when S&P 500 Index is Down

Average Negative Monthly ROR - S&P 500 Index	(3.68%)	Number of months Robeco-Sage outperformed	34
Average ROR for Robeco-Sage (when S&P 500 Index is down)	0.27%	Number of months Robeco-Sage underperformed	0
Differential	3.95%	% of months Robeco-Sage remained positive	64.71%

Risk to Reward Comparison

	Robeco-Sage	Lehman Aggregate Bond Index	S&P 500 Index DRI	MSCI EAFE (USD)
Annualized Return	8.31%	6.51%	0.20%	3.09%
Standard Deviation	3.08%	3.74%	14.51%	14.71%
Sharpe Ratio	1.71	0.93	(0.20)	0.00
Beta	-	0.04	0.07	0.10

Robeco-Sage's historical performance demonstrates that it has achieved returns similar to the long term equity rate with significantly less risk.



Performance data is net of all fees, including the annual 1.5% management fee payable to Sage Capital Management and the fees paid to the underlying Portfolio Managers. Portfolio Managers are compensated on terms which may include fixed or performance-based fees or allocations. Generally, fixed fees, if applicable, range from .5% to 2% (annualized) of the average net asset value of the Partnership's investment, and performance fees or allocations range from 15% to 25% of the net capital appreciation in the Partnership's investment of the year. A full description of fees is available in Sage's Form ADV Part II. The returns do not include the reinvestment of dividends because the underlying investments do not declare dividends.

This document is not an offer to sell or an offer to sell or an offer to purchase limited partnership described herein. Such offer is made only by formal Private Offering Memorandum. Past performance is not necessarily indicative of future results. No assurance can be made that profits will be achieved or that losses will not be incurred.

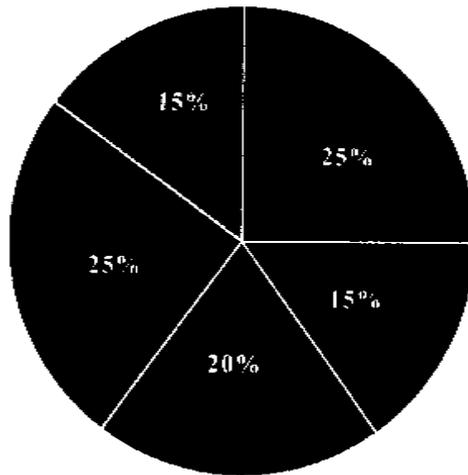
SAGE CAPITAL

909 Third Avenue, New York, NY 10022 tel: 212-908-9660 fax: 212-908-0168

Commonfund Short Term Fund
(Cash)

Short Term Fund

September 30, 2006



Actual Weights

- Brown Brothers Harriman 25%
- Fischer Francis Trees & Watts 15%
- Wellington Management Company, LLP 20%
- Western Asset Management Company (WAMCO) 25%
- Lehman Brothers Asset Management 15%

Objective

To offer an actively managed, multi-manager investment program that provides safety, liquidity and optimum return for operating and endowment-cash. The fund seeks to credit participants each month with a rate of return that matches or exceeds the bond-equivalent yield of 3-month U.S. Treasury securities issued for that month. The fund credits a portion of any excess return over the 3-month U.S. Treasury bill rate to a Reserve Account according to a smoothing formula.

Investment Strategy

The fund's managers are limited to investments in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper. The average maturity of the fund is generally in the range of three to six months.

Fund Structure

The fund is structured as a bank common trust with Wachovia Bank, N.A. serving as trustee. See "Important Notes."

Benchmark:	3-Month Treasury Bill (Average Yield)
Inception:	October 1974
Assets Managed:	\$15,849 Million ¹
Number of Investors:	987
Investment Vehicle:	Commingled Fund
Eligible Investors:	Educational Institutions
Minimum Investment:	\$5,000

¹Includes crossfund exposure. Direct fund investment is \$15,588 Million.

commonfund

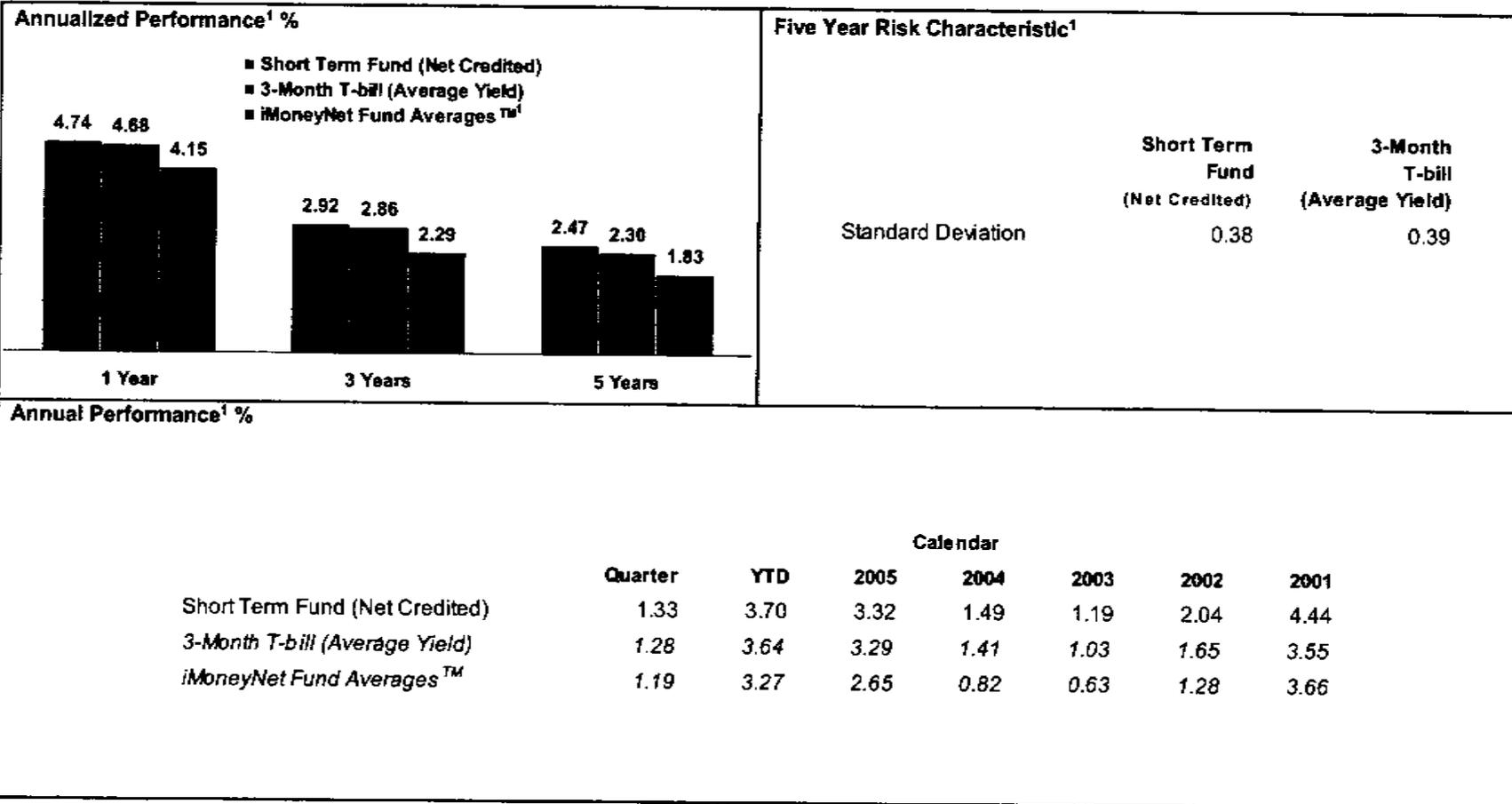
Short Term Fund

Allocation Ranges as of September 30, 2006

Portfolio Construction				
Brown Brothers Harriman	Fischer Francis Trees & Watts	Wellington Management Company, LLP	Western Asset Management Company (WAMCO)	Lehman Brothers Asset Management
Focus on incremental yield Add value through sector & issue selection	Incremental duration manager Focus on asset-backed securities	Value-driven sector rotation Bottom-up issue selection Strong emphasis on credit research	Add value through sector & issue selection Duration and yield curve management	Focus on incremental yield Add value through sector and issue selection Yield curve management
Allocation Ranges				
10-30%	10-30%	10-30%	10-30%	10-30%

Short Term Fund

September 30, 2006



¹Please see "Important Notes" attached.

Short Term Fund

September 30, 2006

Portfolio Characteristics %			Credit Quality ² %	
	Short Term Fund	3-Month T-bill (Avg. Yield)		
Yield to Maturity (%)	5.4	4.8		
Average Maturity ¹ (mos)	2.9	3.0		

Sector Allocations ² %		
Sector	Short Term Fund	3-Month T-bill (Avg. Yield)
Government/Agency	2	100
Mortgages	12	
ABS	35	
Corporates	29	
Yankees	5	
U.S. Banks	5	
Non-U.S. Banks	7	
Cash & Equivalents	5	

Category	Short Term Fund (%)	3-Month T-bill (Avg. Yield) (%)
Government	100	100
Agency	2	0
AAA	49	0
AA	7	0
A1+/P1 and A1/P1	42	0

¹Incorporates effective duration assumptions

²May not add to 100 percent due to rounding.

Short Term - Commonfund Portfolio Commentary

September 30, 2006

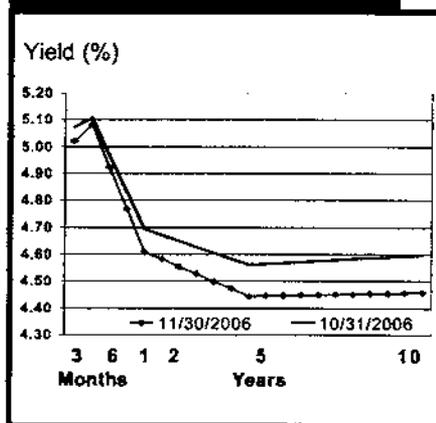
Quarterly	Trailing Twelve Months
<ul style="list-style-type: none">■ For the quarter ending September 30, 2006, the Short Term Fund outperformed its benchmark, the Merrill Lynch three-month Treasury bill, by 5 basis points. The fund returned a net credited rate of 1.33 percent (unannualized), while the benchmark returned 1.28 percent (unannualized). Money market funds, as represented by iMoney.net index, lagged behind, returning 1.19 percent (unannualized).■ The Federal Reserve left its key lending rate unchanged at 5.25 percent at both the August and September meetings. GDP growth has moderated since the beginning of the year due to the continued cooling of the housing market, the lagging effects of previous interest rate increases and higher energy prices. Three- and six-month Treasury yields fell over the last three months by 10 and 23 basis points to end the quarter at 4.87 and 5.00 percent, respectively. The fund extended its duration stance, which, paired with its barbelled positioning, contributed to relative performance.■ The large exposure to ABS also benefited the fund as this sector outperformed nominal Treasuries. The fund maintained its well-diversified positioning in the mortgage, corporate and asset-backed sectors, where issue selection played a key role in adding excess yield. The focus remained on selected high quality securities with strong capital structures. By the end of the quarter, the fund carried a yield-to-maturity advantage of approximately 65 basis points relative to its benchmark.	<ul style="list-style-type: none">■ For the 12-month period ending September 30, 2006, the net credited rate of the Short Term Fund was 4.74 percent versus 4.68 percent for the benchmark, the average auction yield on the three-month Treasury bill. The iMoney.net index returned 4.15 percent for the year.■ After 17 consecutive 25-basis-point increases, the Fed left the key lending rate unchanged at 5.25 percent at the last two FOMC meetings. Economic growth has moderated, affected by the housing market correction, previous interest rate tightenings and higher energy costs. Existing home sales were down 0.5 percent in August, the fifth monthly decline, leaving resales at the lowest level since January 2004 and 14 percent below the June 2005 peak. During the September 2005 – June 2006 period, rates continued to rise. The fund maintained a defensive duration posture, and while it was a little early in extending duration in the late spring it caught the summer rally. By the end of the period the fund increased its duration, which benefited performance as rates fell for the most recent quarter.■ Asset-backed securities remained the fund's largest allocation, which was a positive as this sector outperformed nominal Treasuries for the last 12 months. In addition, substantial positions in mortgages and corporates aided relative performance as these sectors also displayed positive excess returns. Commercial paper and time deposits holdings provided the fund with liquidity while in search of new deals.

MARKET COMMENTARY

The data released during November continued to reveal signs of a structural moderation in underlying economic activity highlighted by another round of declines in the housing statistics, a sharp downside reversal in durable goods orders, and weak goods-producing employment readings. Although real GDP growth in 2006:Q2 was revised upward to +2.2 percent, from +1.6 percent both real consumption spending and real residential outlays were tempered in this latest revision. The major sources of the higher GDP print came from an upward adjustment to inventory positions and a downward adjustment to imports, which could both be indicators of a further deceleration in growth in late 2006/early 2007.

On the inflation front, the second consecutive large monthly decline in energy costs trimmed the headline PPI and CPI readings. Likewise, the year-over-year gain in the core PPI and CPI readings also decelerated in the latest month, while the productivity data revealed that the yearly rise in unit labor costs was reduced sharply downward from more than a five percent pace to less than a three percent pace. The moderation in these economic statistics fueled speculation in the fixed income markets that FOMC officials would ultimately ease monetary policy next year. These events elicited a moderate rally in Treasury prices into month end as 2-year and 5-year note yields ended November at 4.61 percent and 4.44 percent, each.

U.S Treasury Yield Curve



SHORT TERM FUND

The Short Term Fund outperformed its benchmark, the average 3-month T-bill yield, by 16 basis points crediting investors with an annualized 5.23 percent return for the month of November. Economic data released during this period indicated slower growth and inflation that was higher than the Fed's target level. In the latter part of the month of November, the market began to price in the increased likelihood of a rate cut by the Federal Reserve in the first half of 2007.

Despite intra-month volatility, the short end of the Treasury yield curve remained practically unchanged as 3- and 6-month yields modestly declined by 5 and 2 basis points, ending the month at 5.02 and 5.08 percent, respectively. The fund's longer-than-benchmark duration stance and barbelled positioning aided relative performance as yields decreased. The large exposure to ABS, mortgages and corporates benefited the fund as spread sectors outperformed nominal Treasuries. By the end of the month, the fund carried a yield-to-maturity advantage of 32 basis points relative to its benchmark.

Annualized Rates of Return

Gross Earned Rate	5.60%
Expenses	.20
Net Earned Rate	5.40
Average Yield on 3-Month Treasury Bills	5.07
iMoneyNet Fund Average™	4.73
Net Credited Rate	5.23%

Assets

Asset Size (ADCB*)	\$13,759,030,793	
Reserve Balance as of 10/31/06	\$142,859,692	% of ADCB* 0.96%
Contribution	\$1,857,439	
11/30/06 Balance	\$144,717,131	1.05%

*Average Daily Collected Balance

INTERMEDIATE TERM FUND

The Intermediate Term Fund outperformed the Merrill Lynch 1-3 Year Treasury Index by 6 basis points, returning 0.57 percent. The Treasury yield curve remained inverted, as yields on the intermediate portion of the curve shifted downward, with 2-3-, and 5-year yields declining 9, 11 and 12 basis points, respectively. The fund's overweight positions in ABS, MBS and CMBS all enhanced returns. However, the defensive duration position of the portfolio negatively impacted performance as yields fell. Securitized credit selection emphasis remains concentrated on issues with solid credit enhancements, while corporate credit selection focuses on sectors with hard-asset protection and strong covenants.

Intermediate Term Fund

Net Asset Value	10.42
Monthly Yield	0.42%
Asset Size as of 11/30/06	\$1,154,864,700

Short Term Fund (STF) Performance Summary for Periods Ended November 2006

	One Month	Three Months	CYTD	One Year	Three Years	Five Years
STF Net Credited Rate (Unannualized)	0.43%	1.29%	4.59%			
STF Net Credited Rate (Annualized)	5.23	5.17	5.02	4.96%	3.16%	2.56%
3-Month T-bill (avg yield)(Unannualized)	0.42	1.26	4.52			
3-Month T-bill (avg yield)(Annualized)	5.07	5.04	4.94	4.88	3.09	2.40
iMoneyNet Fund Average™(Annualized)	4.73	4.75	4.46	4.40	2.53	1.91

Rates of return for the Short Term Fund and iMoneyNet Money Fund Average™ are net of investment expenses.

Investment Characteristics

SHORT TERM FUND		INTERMEDIATE TERM FUND**			
Credit Quality		Portfolio Fundamentals		Credit Quality	
Tsy/Agency	3%	ITF Portfolio	ML1-3 Yr Treas. Index	Treasury	9%
A1+/P1	16%	Yield to Maturity	5.4%	Agency	27%
A1/P1	14%	Average Maturity	2.1 Yrs.	AAA	39%
AAA	58%	Effective Duration	1.5 Yrs.	AA	10%
AA	9%	Current Yield	5.2%	A	12%
Average Maturity* (Monthly)	3.3			Other	3%

* Incorporates effective duration assumptions

**Preliminary

Intermediate Term Fund Performance Summary for Periods Ended November 2006

	One Month*	Three Months*	CYTD	One Year	Three Years	Five Years
Intermediate Term Fund (Net Rate of Return**)	0.57%	1.52%	4.65%	5.09%	3.27%	3.42%
Intermediate Term Fund (Adjusted Gross Rate of Return)	0.58	1.55	4.78	5.23	3.40	3.56
Memil Lynch 1-3 Year Treasury Index	0.51	1.42	3.94	4.34	2.36	2.83

* Unannualized Rates of Return

** Net total rates of return reported on this page reflect total returns, net of all fees and expenses either charged to the fund or paid directly by Members. The returns actually earned by a Member will vary from the net total rates of return reported on this page based on the size of its account.

Past performance is no guarantee of future results. For a complete discussion of fees and expenses of the Short Term Fund, see "Information For Participants in The Common Fund For Short Term Investments." Securities offered through Commonfund Securities, Inc., a member of the NASD.

IMPORTANT NOTES

Past performance is no guarantee of future results. Present and prospective investors are strongly encouraged to review with care more detailed information about Commonfund and its investment funds provided in its publication "Information for Members" and "Information for Participants in The Common Fund for Short Term Investments." Copies of both documents are available upon request by your Commonfund representative.

Commonfund prepares and presents its performance results in accordance with the Performance Presentation Standards of the Association for Investment Management and Research. Returns disclosed in Commonfund's Annual Report are verified by independent accountants. A copy of their report is available upon request.

The Common Fund for Short Term Investments ("the Short Term Fund") is a bank common trust established and maintained by Wachovia Bank, N.A. as Trustee Bank. The Short Term Fund is a vehicle through which educational institutions can earn income on operating funds, reserve account balances, and endowment cash. Participation in the Short Term Fund is restricted to Members of Commonfund.

All return information in this presentation relating to the Short Term Fund reflects returns after deducting the following fees and expenses: Commonfund's representative fee; the fees paid to the Short Term Fund's trustee, including the trustee's investment advisors, and to its custodian; and other amounts paid by the trustee to third-party vendors with respect to direct expenses of the Fund. In other words, the returns of the Short Term Fund are reported net of all fees and expenses. The Short Term Fund seeks to maintain a unit value of one dollar (\$1), but cannot guarantee it.

Comparisons between the Short Term Fund and money market mutual funds must take into consideration important differences in portfolio composition, reserve features, and valuation methodology. With respect to portfolio composition, money market mutual fund portfolios are lim-

ited to an average maturity of 90 days, with the longest permitted maturity of any single investment being 397 days (subject to a limited exception). The average maturity of the Short Term Fund's portfolio can extend to one year, and the longest permissible maturity or average life of a security in the Short Term Fund portfolio is 5.5 years. The longer maturities permitted in the Short Term Fund increase the potential of capital gain and capital loss. However, the Short Term Fund is managed so that total returns in any rolling 12-month period will be in the range of variability of total returns on three-month Treasury securities over the same period and will not exceed variability of total returns on one-year Treasuries. The Short Term Fund also has a unique reserve account feature that is not shared by money market mutual funds. In high total return months, the Short Term Fund uses a portion of its gross earnings to fund a reserve that is disbursed to increase distributions in low total return months. Participants withdrawing assets from the Short Term Fund have no right to withdraw monies from the Fund's reserve account (except upon a dissolution of the Fund). Finally, investments in and redemptions from money market mutual funds are transacted at net asset value. Money market mutual funds conduct their investment programs (and their portfolio maturities are regulated) with the goal of maintaining a net asset value of \$1.00 per share. Deposits in and redemptions from the Short Term Fund are not transacted at net asset value; instead, interest income and principal gain or loss during a month are allocated to participant accounts only at the end of each month, based on average balances during the month. Income and fluctuations in principal value are not taken into account in calculating participants' interests resulting from intra-month investment or redemption transactions.

For a complete discussion of fees and expenses of the Short Term Fund, see "Information For Participants in The Common Fund For Short Term Investments."

Securities offered through Commonfund Securities, Inc., a member of the NASD

STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

JOE MANCHIN III
Governor

JANE L. CLINE
Insurance Commissioner

December 18, 2006

The Honorable Joseph M. Minard
West Virginia Senate
Bldg 1, Room 204W
Charleston, WV 25305

The Honorable Harry Keith White
West Virginia House of Delegates
Bldg 1 Room 276M
Charleston, WV 25305

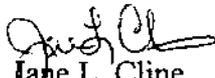
Aaron Allred
Legislative Services
Bldg 1, Room E-132
Charleston, WV 25305

RE: Mental Health Parity Analysis Report for 2006

Dear Senator Minard, Delegate White & Mr. Allred:

Pursuant to West Virginia Code Section 33-16-3a, enclosed herein please find the above-referenced report prepared by the Office's of the Insurance Commissioner for the State of West Virginia for Calendar year 2005. Should you have any questions, please contact me at your convenience.

Sincerely,


Jane L. Cline
Commissioner

cc: Joseph Altizer, Staff Counsel House Side - House Judiciary
Thomas W. Smith, Staff Counsel Senate Side - Senate Judiciary



**Office of the Insurance Commissioner
Of the State of West Virginia**

**Mental Health Parity Analysis Report
For December 31, 2006**

This report was prepared as required pursuant to West Virginia Code Section 33-16-3a(a)(5). This section requires the commissioner to report on or before the thirty-first day of December, two thousand five, and annually thereafter to the Legislature's joint committee on government and finance and the committees on insurance of the respective houses of the Legislature regarding the fiscal impact upon insurance companies of providing mental health benefits and which insurance companies' expense of providing mental health benefits have exceeded the percentage limits established by this subsection.

The section was enacted during the 2002 Regular Legislative Session and designed to create parity between mental health and medical surgical-benefits. This report summarizes the findings based on data provided by the thirty-one insurance companies reporting their loss experience for the years 2001 through 2005.

Mental Health Parity Benefit Requirements and Cost Containment Measures

West Virginia Code Section 33-16-3a requires that each health benefit plan issued by an insurer shall provide benefits to all individual subscribers and members and to all group members for expenses arising from the treatment of serious mental illness¹. This section also ensures that any cost containment measures that are not applicable to medical-surgical benefits are also not applicable to mental health benefits until demonstrated to be actuarially necessary. The insurer may make determinations of medical necessity and appropriateness, and may use health care quality and management tools, which may include but are not limited to utilization review, use of provider networks, implementation of cost containment measures, pre-authorization for certain treatments, setting coverage levels (including the number of visits in a given time period), using capitated benefit arrangements, using fee for service arrangements, using third party administrators and using patient cost sharing in the form of copayments, deductibles and coinsurance. The expenses shall not include custodial care, residential care or schooling.

An insurer may apply additional cost containment measures, upon approval of the commissioner, if the insurer submits actuarially certified information to the commissioner demonstrating that its total anticipated costs for the first year of implementation for treatment of mental illness for any plan will exceed two percent, or one percent for any

¹ "Serious mental illness" means an illness included in the current American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders, as periodically revised, under the diagnostic categories or subclassifications of: (i) Schizophrenia and other psychotic disorders; (ii) bipolar disorders; (iii) depressive disorders; (iv) substance-related disorders with the exception of caffeine-related disorders and nicotine-related disorders; and (vi) anorexia and bulimia.

group with twenty-five members or less, of the total costs for the plan. Each year thereafter the insurer is required to submit actuarially certified information to the commissioner demonstrating its total costs for treatment of mental illness will exceed or have exceeded two percent, or one percent for any group with twenty-five members or less, for the plan in the base period².

For purposes of this section, a treatment for mental illness will be determined by inclusion of the treatment in the diagnostic response groups, diagnostic codes, pharmaceutical classes or therapeutic classes related to mental illness as determined by the current American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders, as periodically revised. If a treatment is included in one or more diagnostic related groups, diagnostic codes, pharmaceutical and/or therapeutic classes, it shall be included in the insurer's calculations and actuarial assessment for total anticipated costs. The total anticipated costs must be based on actual claims data, and may not be based on an increase in insurance premiums.

If an insurer anticipates that its total costs for treatment of mental illness for any plan will exceed or have exceeded two percent, or one percent for any group with twenty-five members or less, of the total costs for such plan in any base period, the calculation used as part of an application to implement cost containment measures intended by the insurer to maintain costs below the two percent or one percent of total costs threshold is determined by dividing the total anticipated costs for mental health during the base period by the total anticipated costs during the base period for that plan.

Mental Health Parity Reporting Results

The attached spreadsheets labeled "Exhibit A" contain the experience of thirty-one insurance companies that offer group health benefits in West Virginia and who are required to provide "mental health benefits". These companies provided reports containing five years of data (2001 through 2005) for mental health claims benefits verses the total claims for all benefits. This analysis report examines their ratio of mental health benefits to all benefits (MH ratio) for each year prior to the implementation of mental health parity legislation in 2003 and compares those calculations to the MH ratios for each year after implementation.

As of the date of the filing of the instant analysis report, not all insurance companies subject to the reporting requirements contained in West Virginia Code of State Rules, Title 114, Series 64 and 66 had submitted their mental health parity expense reports. The companies that did not report data for 2005 represent approximately 0.2% of the overall claims for all benefits based on data reported for 2004. Therefore, the addition of their data is not significant enough to impact the results of the findings in this report.

² Base period means the period used to calculate whether the insurer may claim the two percent or one percent increased cost exemption. The base period must be twelve consecutive calendar months ending on or about sixty days preceding the next filing of the application.

Mental Health Parity Cost Analysis of Significant Increase

Of the thirty-one companies reporting, there were only four companies that had any significant increase in the MH ratio after implementation of the legislation ((1)Continental General Insurance Company; (2)Optimum Choice, Inc; (3)New York Life Insurance Company; (4)MEGA Life insurance Company). Results of the MH ratios for each of these companies is explained more fully below. The results were taken from Exhibit A and by using a comparison of prior and post implementation.

1. Continental General Insurance Company – Prior to the legislation, the MH ratio for this company was 1.57% in 2001 and 3.26% in 2002 for a 2.40% average. The MH ratio after the legislation increased to 8.68% in 2003; however, it fell to 2.69% in 2004, and then increased to 3.93 in 2005 for an average of 5.06% which is approximately two times the level prior to the legislation. Although this company was eligible for cost containment measures, it did not apply for any such measures.
2. Optimum Choice, Inc. – Prior to the legislation, the MH ratio was 2.21% in 2001 and 2.24% in 2002 for an overall ratio of 2.22%. The MH ratio after the legislation was 5.14% in 2003, 3.37% in 2004, and 4.14% in 2005. This resulted in an overall ratio of 4.25% which represents approximately a 90% increase in the cost of mental health benefits following legislation.
3. New York Life Insurance Company – Prior to legislation, the MH ratio for this company was 1.54% in 2001 and 2.52% in 2002 for an average of 2.39%. The 2003 MH ratio was 2.21; however, in 2004 the MH ratio increased significantly to 10.64% and then fell to 3.98 in 2005. This resulted in an average MH ratio of 5.40% which is approximately twice the level prior to the implementation of the legislation.
4. MEGA Life Insurance Company – Prior to the legislation the MH ratio for this company was 3.41% in 2001 and 5.08% in 2002 for an average of 4.37%. The 2003 MH ratio was 4.66%; however, the data indicated a significant increase to 12.31% in 2004 but fell to 6.11% in 2005 for an average MH ratio of 8.03%. This represents approximately an 80% increase in the cost of mental health benefits since the implementation of the legislation

Although these four companies have experienced significant increases in the cost of mental health benefits since the implementation of the legislation, none have applied for cost containment measures.

Report Results Overview

Prior to implementation of the legislation, nine companies) reported mental health benefits in excess of two percent of the total for 2001 ((1)Optimum Choice, Inc.; (2)MAMSI Life and Health Insurance Company; (3)The Health Plan of the Upper Ohio Valley; (4)Pacific Life & Annuity Company; (5)United Healthcare Insurance Company;

(6) MEGA Life Insurance Company; (7)Connecticut General Life Insurance Company; (8) Carelink Health Plans Inc. (9)Coventry Health and Life Insurance Company).

In 2002 eleven companies reported mental health benefits in excess of 2% ((1)Optimum Choice, Inc.; (2)MAMSI Life and Health Insurance Company; (3)The Health Plan of the Upper Ohio Valley; (4)Pacific Life & Annuity Company; (5)United Healthcare Insurance Company; (6) MEGA Life Insurance Company; (7)Continental General Insurance Company; (8)New York Life Insurance Company; (9)Connecticut General Life Insurance Company; (10)Carelink Health Plans Inc. (11)Coventry Health and Life Insurance Company).

After implementation of the legislation fourteen insurance companies reported mental health benefits in excess of two percent of the total for 2003 ((1)Optimum Choice, Inc.; (2)MAMSI Life and Health Insurance Company; (3)The Health Plan of the Upper Ohio Valley; (4)Pacific Life & Annuity Company; (5)United Healthcare Insurance Company; (6) MEGA Life Insurance Company; (7)Continental General Insurance Company; (8)New York Life Insurance Company; (9)American Heritage Life insurance Company; (10)Guardian Life Insurance Company; (11)Nationwide Insurance Company; (12)Connecticut General Life Insurance Company; (13)Carelink Health Plans Inc. (14)Coventry Health and Life Insurance Company).

For 2004 twelve insurance companies reported mental health benefits in excess of two percent ((1)Optimum Choice, Inc.; (2)MAMSI Life and Health Insurance Company; (3)The Health Plan of the Upper Ohio Valley; (4)Pacific Life & Annuity Company; (5)MEGA Life Insurance Company; (6)Continental General Insurance Company; (7)New York Life Insurance Company; (8)Union Labor Life insurance Company; (9)Aetna Life insurance Company; (10)Connecticut General Life Insurance Company; (11)Carelink Health Plans Inc. (12)Coventry Health and Life Insurance Company).

Lastly, in 2005 ten insurance companies reported mental health benefits in excess of two percent ((1)Connecticut General Insurance Company; (2)Continental General Insurance Company; (3)Golden Rule Insurance Company; (4)New York Life Insurance Company; (5)Markel Insurance Company; (6)Health Plan of the Upper Ohio Valley; (7) Pacific Life & Annuity Company; (8) MEGA Life Insurance Company; (9)Carelink Health Plans Inc. (10)Coventry Health and Life Insurance Company).

Mental Health Parity Cost Containment Measures Applied For

The Health Plan of the Upper Ohio Valley was the only company to apply for cost containment measures in 2004 and it has also filed for cost containment measures for the year 2005. According to the data provided to this agency, this company's mental health benefits were in excess of two percent prior to the implementation of mental health parity legislation. In 2001 its MH ratio was 4.24% and in 2002 it was 3.76% for an average of 4.00% prior to legislation. In 2003 the MH ratio was 3.74%, in 2004 it was 3.12% and in

2005, it was 2.93% for an average of 3.24%. As you will note all the years reported are in excess of the minimum requirements for cost containment. The measures it applied for were the continuation of mental health benefits at the same level they were prior to the legislation.

Conclusion

Although several carriers experienced MH ratios in excess of the threshold levels that triggered eligibility to apply for cost containment, the majority already had mental health ratios in excess of the limits prior to the legislation. When comparing the overall average MH ratio of 2.98% prior to mental health parity to the average MH ratio subsequent to implementation of 2.29%, it appears that the cost of mental health benefits actually decreased. However, the majority of this decrease can be attributed to United Healthcare. Since the data for United Healthcare indicated a significantly higher cost for mental health benefits prior to the legislation than the amount indicated for the other carriers, a comparison of the overall data without United Healthcare was made. This comparison produced an overall MH ratio of 2.32% prior to implementation and 2.31% after implementation. In addition, the carriers that reported significant increases in the cost of mental health benefits represent less than five percent of the total business subject to the Mental Health legislation. This leads us to believe that based on the data provided there was no significant increase in the level of MH ratios for the first three years subsequent to the mental health parity legislation.

**Exhibit A
Mental Health Parity Benefit Analysis
Implemented January 1, 2003**

Company	NAIC Code	2001	2002	Prior to MHP	2003	2004	2005	After MHP
		MH Ratio						
Aetna Life Insurance Company	60054	0.00%	0.23%	0.13%	0.56%	3.88%	0.23%	1.69%
American Medical Security Life	97179	0.65%	0.86%	0.75%	1.96%	0.94%	0.43%	1.32%
American Heritage Life Ins Co	60534	1.66%	0.22%	0.96%	4.92%	0.41%	0.72%	2.30%
Central Reserve Life Ins Co	61727	0.59%	0.42%	0.51%	0.21%	1.96%	0.40%	0.77%
Connecticut General Life Ins	62308	3.32%	2.87%	3.09%	3.30%	3.71%	2.83%	3.27%
Continental General Ins Co	71404	1.57%	3.26%	2.40%	8.68%	2.69%	3.93%	5.06%
Federated Insurance Company	13935	0.60%	0.90%	0.72%	0.37%	0.56%	0.43%	0.45%
John Alden Life Insurance Co	65080	1.54%	0.32%	1.05%	0.96%	0.57%	0.11%	0.52%
Time Insurance Company	69477	0.23%	0.08%	0.14%	0.06%	0.06%	0.08%	0.07%
Union Security Insurance Co (Small Employer)	70408	1.26%	0.40%	0.88%	0.36%	0.61%	0.66%	0.54%
Golden Rule Insurance Co. (Association Group Plans)	62286	0.55%	0.97%	0.78%	0.30%	0.30%	2.23%	0.66%
Golden Rule Insurance Co.	62286	1.19%	1.51%	1.34%	0.99%	0.40%	1.02%	0.76%
New York Life Insurance Co	66915	1.54%	2.52%	2.39%	2.21%	10.64%	3.98%	5.40%
Trustmark Insurance Co	61425	0.97%	0.51%	0.74%	0.77%	1.18%	0.00%	0.82%
Guardian Life Insurance Co	64246	1.94%	1.63%	1.80%	2.20%	1.34%	1.80%	1.75%
Optimum Choice, Inc	96940	2.21%	2.24%	2.22%	5.14%	3.37%	4.14%	4.25%
Market Insurance Company	38970		0.46%	0.46%	1.74%	0.17%	8.34%	4.51%
MAMSI Life and Health Ins Co	60321	2.32%	2.44%	2.39%	2.63%	2.84%	3.53%	3.00%
Health Plan of the Upper Ohio	95677	4.24%	3.76%	4.00%	3.74%	3.12%	2.93%	3.24%
Pacific Life & Annuity Company	97268	3.47%	3.42%	3.43%	3.37%	3.93%	2.23%	3.29%
Principal Life Insurance Co	61271	1.11%	0.86%	0.98%	1.04%	1.71%	0.98%	1.22%
United Healthcare Ins Co.	79413	8.84%	6.56%	7.67%	4.15%	1.79%	0.66%	2.13%
Medical Savings in Co	74217	0.00%	0.00%	0.00%	0.26%	0.04%		0.10%
Nationwide Life Insurance Co	66869	0.29%	1.21%	0.96%	8.78%	0.11%		4.26%
Medical Benefits Mutual Life	74322	0.91%	1.13%	1.03%	0.90%	1.37%	1.03%	1.10%
Celtic Insurance Company	80799	1.08%	0.14%	0.55%	0.22%	1.74%		0.83%
MEGA Life and Health Ins Co	97055	3.41%	5.08%	4.37%	4.66%	12.31%	6.11%	8.03%
Union Labor Life Insurance Co	69744	0.02%	0.21%	0.11%	0.07%	9.56%		0.50%
Mountain State Blue Cross	54828	1.54%	1.24%	1.37%	1.73%	1.59%	1.35%	1.54%
Carelink Health Plans, Inc	95408	2.83%	2.83%	2.83%	3.54%	3.00%	2.49%	2.93%
Coventry Health and Life Ins Co	81973	2.83%	2.83%	2.83%	3.54%	3.00%	2.49%	2.93%
Overall Totals		3.30%	2.70%	2.98%	2.77%	2.24%	1.90%	2.29%
Total without United Healthcare		2.49%	2.16%	2.32%	2.57%	2.30%	2.09%	2.31%

INTERIM COMMITTEE REPORTS — 2006

- Agriculture & Agribusiness Committee** (Senator Edgell and Delegate Stemple, Cochairs)
- Joint Commission on Economic Development** (Senator McCabe and Delegate Cann, Cochairs)
- Education Subcommittee A - Public Education** (Senator Edgell and Delegate Williams, Cochairs)
- Education Subcommittee B - No Child Left Behind** (Senator Hunter and Delegate Paxton, Cochairs)
- Education Subcommittee C - School Aid Formula** (Senator Plymale and Delegate Campbell, Cochairs)
- Joint Standing Committee on Finance** (Senator Helmick and Delegate Michael, Cochairs)
- Forest Management Review Commission** (Senator Helmick and Delegate Morgan, Cochairs)
- Legislative Oversight Commission on Health and Human Resources Accountability** (Senator Prezioso and Delegate Leach, Cochairs)
- Insurance Availability & Medical Malpractice Insurance Subcommittee** (Senator Minard and Delegate Kominar, Cochairs)
- Commission on Interstate Cooperation** (Senator Jenkins and Delegate Caputo, Cochairs)
- Parks, Recreation and Natural Resources Subcommittee** (Senator Fanning, Delegate Paxton and Delegate Richard Thompson, Chairs)
- Joint Committee of Pensions and Retirement** (Senator Foster and Delegate Stalnaker, Cochairs)
- Select Committee A - Children, Juveniles and Other Issues** (Senator Prezioso and Delegate Mahan, Cochairs)
- Select Committee B - Minority Issues** (Senator Hunter and Delegate Webster, Cochairs)
- Select Committee C- Infrastructure** (Senator Unger and Delegate Browning, Cochairs)