

FILE COPY

JOINT COMMITTEE ON
GOVERNMENT AND FINANCE

Materials Distributed

June 24, 2008

May 20, 2008

3:00 - 4:00 p.m.

Joint Committee on Government and Finance

Senate

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

House

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

President Tomblin, Cochair, presided.

1. Approval of Minutes

Upon motion by Speaker Thompson, properly adopted, the minutes of the April 8, 2008, meeting were approved.

2. Committee Reports/Requests

Parks, Recreation and Natural Resources Subcommittee - John Homburg

Upon motion by Speaker Thompson, properly adopted, the expense reimbursement for members for site visitations to Twin Falls State Park, Berwin Lake Wildlife Management Area, Panther State Forest and R. D. Bailey Lake on June 15, 16 and 17, 2008, is approved.

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

Distributed to members of the Committee were the following: Lottery Operations report for the month ended March 31, 2008; the General Revenue Fund status report as of April 30, 2008; and the Unemployment Compensation Trust Fund report for the month ended March 31, 2008. Distributed with each of the reports were an analysis and a summary of the reports.

4. PEIA, BRIM and CHIP Reports

The following BRIM reports were distributed: An unaudited balance sheet and unaudited income statement for the period ending March 31, 2008. Donna Lipscomb, Legislative Liaison, reported BRIM has no overall unfunded liabilities and there are no unfunded liabilities in the Senate Bill 3 program.

The following reports from CHIP were distributed: A report of enrollment for April 2008 and financial statements for period ending March 31, 2008. Ms. Lipscomb said enrollment is down 2 percent less than last year and the medical claims are down 3 percent.

The following monthly PEIA reports were distributed: Monthly Management Report and Prescription Drug Report for April 2008.

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

A leasing report for April 1, 2008, through April 30, 2008, was distributed. Ms. Lipscomb reported 4 new contracts of lease, 38 straight renewals, 3 renewals with rent increases, 1 adding square footage and 1 adding square footage and renewing. Upon request of Senator Chafin, Chuck Lawrence, Real Estate Division, will report when the senior program lease at the Charleston Town Center Mall is up for renewal so the Committee may discuss it.

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

A Medicaid report dated May 2008 was distributed. Martha Walker, Cabinet Secretary, DHHR, said there are two new initiatives to start by July 1, 2008. The first one is automated prior authorization that will allow pharmacists to submit claims through a point of sale system and obtain authorizations without interrupting the work flow or clinical practices of either the clinicians or the pharmacists. The second is a clinical web portal that will improve care delivery to medicaid members by providing prescribers and providers the ability to view medical and pharmacy claims in real time. WV has filed its application to be one of 12 demonstration project sites for the CMS electronic health record project. Delegate Webster requested a detailed description of the birth to 3 program.

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

A Pharmaceutical Cost Management Council report dated May 20, 2008 was distributed. Shana Phares, Acting Pharmaceutical Advocate and Chair of the Pharmaceutical Cost Management Council, said there was about 95 reports received for the advertising reports. An additional outreach was done and 900 additional letters were sent out and in response to that we have received a total of 126 reports.

8. **Workers' Compensation**

A Workers' Compensation report was distributed. Bill Kenny, Deputy Insurance Commissioner, highlighted the report and was available for questions.

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

A Board of Treasury Investments Report dated March 2008 was distributed.

10. **Other Business**

Upon motion by Speaker Thompson, properly adopted, the request to change July Interims scheduled July 27, 28 and 29, 2008 to July 28, 29 and 30, 2008, is approved

The meeting was adjourned.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

*Budget Division
Building 1, Room 314-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*



, 304-347-4870

June 6, 2008

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

Lottery Commission as of April 30, 2008 :

Appears to be in good condition. Gross profit for the months of July - April of fiscal year 2007-2008, was \$ 553.6 million which was - 2.70% below the same months of fiscal year 2006-2007.

General Revenue Fund as of May 31, 2008:

Collections were at 103.94% of the yearly estimate as of May 31, 2008.

State Road Fund as of May 31, 2008:

Fund collections were at 99.12% of the yearly estimate.

Unemployment Compensation Trust as of April 30, 2008:

Overall ending trust fund balance was \$4.6 million greater on April 30, 2008 than on April 30, 2007. Receipts were \$ 1.9 million less as of April 30, 2008 than on April 30, 2007.

Joint Committee on Government and Finance

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

*Budget Division
Building 1, Room 314-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*



. 304-347-4870

MEMORANDUM

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

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

Date: June 10, 2008

Re: Review of West Virginia Lottery Financial Information
As of April 30, 2008 (FY 2008)

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the fiscal year months July 2007 - April 30, 2008, for fiscal year ended June 30, 2008, from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. The results are as follows:

Lottery Revenues:

Gross lottery revenues are receipts from on-line games, instant games and video lottery. These gross receipts totaled \$1,263,520,000.00 for the months of July 2007 - April 2008. Table games accounted for \$11,274,000.00 of this total. These gross receipts were \$1,302,899,000.00 for the same months of the preceding fiscal year, 2006-2007. This number does not include commission and prize deductions. Gross profit (Gross revenues minus commissions and prize costs) for July - April 2008 was \$553,625,000.00; for the previous July - April 2007 it was \$568,971,000.00. Expressed as a percentage, gross profit is -2.70% lower for fiscal year 2008 than for fiscal year 2007.

Joint Committee on Government and Finance

Lottery continued

(Lottery income is expected to decrease this fiscal year and the FY 2008 budget appropriations in the excess lottery revenue surplus section were decreased approximately \$ 60 million dollars from the FY 2007 appropriations in anticipation of this decrease. The decreases will be caused by competition from neighboring states that have just legalized their lotteries or are expanding their lottery business.)

Operating Income:

Operating income was \$ 541,901,000.00 for July 2007 - April 2008. For July - April 2007 it was \$ 555,646,000.00. This was a decrease of -2.47%. After additions and subtractions of non-operating income and expenses, distributions to the state were \$531,038,000.00.

Operating Transfers to the State of West Virginia:

A total of \$531,038,000.00 has been accrued to the state of West Virginia for fiscal year 2007-2008. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. (Amounts owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the Lottery.)

A schedule of cash transfers follows:

Bureau of Senior Services	\$ 58,811,000.00
Department of Education	\$ 34,908,000.00
Library Commission	\$ 10,538,000.00
Higher Education-Central Office	\$ 19,351,000.00
Tourism	\$ 7,943,000.00
Department of Natural Resources	\$ 3,436,000.00
Division of Culture and History	\$ 5,526,000.00

Lottery continued

Department of Education and Arts	\$ 1,427,000.00
State Building Commission	\$ 9,997,000.00
School Building Authority	\$ 17,995,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$169,932,000.00

Excess Lottery Fund

General Purpose Fund	65,000,000.00
Economic Development Fund	19,000,000.00
Traffic Fund	0
Excess Lottery Surplus	61,370,000.00
Education Improvement Fund	10,000,000.00
WV Infrastructure Council Fund	40,000,000.00
Higher Education Improvement Fund	27,000,000.00
State Park Improvement Fund	5,000,000.00
Refundable Credit	5,266,000.00
School Building Authority	19,000,000.00
TOTAL EXCESS LOTTERY FUND	251,636,000.00

House Bill 2007 136,670,000.00

Veterans Instant Ticket Fund 607,000.00

Table Games State Debt Reduction Fund 4,678,000.00

RACETRACK VIDEO LOTTERY TRANSFERS:	
Tourism Promotion Fund 1.375%	\$9,364,000.00
Development Office Promo Fund	\$2,554,000.00

Lottery continued

Research Challenge Fund .5%	\$3,405,000.00
Capitol Renovation and Improvement Fund .6875%	\$4,682,000.00
Parking Garage Fund .0625%	\$425,000.00
Parking Garage Fund 1%	\$500,000.00
Cultural Facilities and Cap. Resources Fund .5%	\$1,500,000.00
Capitol Dome & Cap. Improvements Fund .5%	\$4,810,000.00
Workers Compensation Debt Reduction Fund 7%	\$11,000,000.00
SUBTOTAL VIDEO LOTTERY TRANSFERS:	\$38,240,000.00
TOTAL TRANSFERS	*\$601,763,000.00

* CASH BASIS

Total Accrued last FY 2007:	180,178,000.00
Total Cash Distributions July-April :	601,763,000.00
Applied to FY 2007:	180,178,000.00
Total Applied to FY 2008	421,585,000.00
Accrued for FY 2008 as of April 30, 2008:	109,453,000.00



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Joe Manchin III
Governor

John C. Musgrave
Director

MEMORANDUM

TO: Joint Committee on Government and Finance
FROM: John C. Musgrave, Director
RE: Monthly Report on Lottery Operations
Month Ending April 30, 2008
DATE: May 20, 2008



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

Financial statements of the Lottery for the month ending April 30, 2008 are attached. Lottery revenue, which includes on-line, instant, video lottery sales and table games, was \$125,777,395 for the month of April.

Transfers of lottery revenue totaling \$197,418,557 made for the month of April to the designated state agencies per House Bill 2007, Senate Bill 1007, Senate Bill 1011, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 9 on pages 15 and 16 of the attached financial statements.

The number of traditional and limited retailers active as of April 30, 2008 was 1,614 and 1,668 respectively.

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

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

JCM/rd
Attachment

pc: Honorable Joe Manchin III
Virgil T. Helton, Cabinet Secretary -- Dept. of Revenue
John Berdue, Treasurer
Glen B. Gainer III, Auditor
Members of the West Virginia Lottery Commission



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

April 30, 2008

WEST VIRGINIA LOTTERY

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

ASSETS	April 30, 2008	June 30, 2007
Current Assets:		
Cash and cash equivalents	\$ 124,798	\$ 204,122
Accounts receivable	25,907	33,095
Inventory	442	433
Current portion of investments held in trust	10	23
Other assets	<u>1,634</u>	<u>1,163</u>
Total Current Assets	<u>152,791</u>	<u>238,836</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	42,006	30,367
Investments held in trust, less current portion	126	281
Capital assets	13,066	13,066
Less accumulated depreciation and amortization	<u>(12,011)</u>	<u>(11,615)</u>
Net Capital Assets	<u>1,055</u>	<u>1,451</u>
Total Noncurrent Assets	<u>43,187</u>	<u>32,099</u>
Total Assets	<u>\$ 195,978</u>	<u>\$ 270,935</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 109,453	\$ 180,178
Estimated prize claims	13,572	13,592
Accounts payable	1,471	1,452
Other accrued liabilities	26,687	31,926
Current portion of deferred jackpot prize obligations	<u>127</u>	<u>159</u>
Total Current Liabilities	<u>151,310</u>	<u>227,307</u>
Deferred jackpot prize obligations, less current portion	<u>-</u>	<u>139</u>
Total Liabilities	<u>151,310</u>	<u>227,446</u>
Net Assets:		
Invested in capital assets	1,055	1,451
Unrestricted assets (deficit)	(555)	(951)
Unrestricted assets- Committed (see note 11)	2,162	12,622
Restricted assets (see note 10)	<u>42,006</u>	<u>30,367</u>
Total Net Assets	<u>44,668</u>	<u>43,489</u>
Total Liabilities and Net Assets	<u>\$ 195,978</u>	<u>\$ 270,935</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE TEN MONTH PERIOD ENDED APRIL 30, 2008

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2008	2007	2008	2007
Lottery revenues				
On-line games	\$ 8,338	\$ 6,063	\$ 74,563	\$ 73,551
Instant games	8,964	8,067	92,239	89,108
Racetrack video lottery	70,990	82,614	744,030	810,151
Limited video lottery	35,161	34,454	341,414	330,089
Table games	2,324	-	11,274	-
	<u>125,777</u>	<u>131,198</u>	<u>1,263,520</u>	<u>1,302,899</u>
Less commissions				
On-line games	584	424	5,219	5,149
Instant games	627	565	6,459	6,238
Racetrack video lottery	34,598	39,258	414,132	445,552
Limited video lottery	17,229	16,883	171,252	173,333
Table games	915	-	4,438	-
	<u>53,953</u>	<u>57,130</u>	<u>601,500</u>	<u>630,272</u>
Less on-line prizes	4,631	2,922	38,290	36,850
Less instant prizes	6,272	5,464	63,708	60,583
Less ticket costs	127	122	1,389	1,308
Less vendor fees and costs	519	455	5,008	4,915
	<u>11,549</u>	<u>8,963</u>	<u>108,395</u>	<u>103,656</u>
Gross profit	<u>60,275</u>	<u>65,105</u>	<u>553,625</u>	<u>568,971</u>
Administrative expenses				
Advertising and promotions	555	565	7,632	7,607
Wages and related benefits	766	516	5,896	4,885
Telecommunications	221	225	1,892	1,993
Contractual and professional	243	512	3,023	2,925
Rental	59	71	563	549
Depreciation and amortization	37	48	396	472
Other administrative expenses	123	141	1,387	1,195
	<u>2,004</u>	<u>2,078</u>	<u>20,789</u>	<u>19,626</u>
Other Operating Income	<u>5,750</u>	<u>3,866</u>	<u>9,065</u>	<u>6,301</u>
Operating Income	<u>64,021</u>	<u>66,893</u>	<u>541,901</u>	<u>555,646</u>
Nonoperating income (expense)				
Investment income	565	638	8,801	5,960
Interest expense	(1)	(2)	(11)	(31)
Distributions to municipalities and counties	(689)	(676)	(6,692)	(6,470)
Distributions to racetracks-capital reinvestment	(2,642)	(3,331)	(11,782)	(14,448)
Distributions to the State of West Virginia	(61,158)	(63,437)	(531,038)	(540,014)
	<u>(63,925)</u>	<u>(66,808)</u>	<u>(540,722)</u>	<u>(555,003)</u>
Net income	<u>96</u>	<u>85</u>	<u>1,179</u>	<u>643</u>
Net assets, beginning of period	44,572	20,808	43,489	20,250
Net assets, end of period	<u>\$ 44,668</u>	<u>\$ 20,893</u>	<u>\$ 44,668</u>	<u>\$ 20,893</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE TEN MONTH PERIOD ENDED APRIL 30, 2008

(In Thousands)
-Unaudited-

	2008	2007
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 1,279,773	\$ 1,296,443
Cash payments for:		
Personnel costs	(5,896)	(4,885)
Suppliers	(14,808)	(30,706)
Other operating costs	(706,311)	(716,772)
Cash provided by operating activities	<u>552,758</u>	<u>544,080</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(601,763)	(558,835)
Distributions to municipalities and counties	(6,642)	(6,407)
Distributions to racetrack from racetrack cap. reinv. fund	(20,997)	(29,725)
Deferred jackpot prize obligations and related interest paid	(11)	(31)
Cash used in noncapital financing activities	<u>(629,413)</u>	<u>(594,998)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>(904)</u>
Cash flows from investing activities:		
Maturities of investments held in trust	182	387
Investment earnings received	8,788	5,940
Cash provided by investing activities	<u>8,970</u>	<u>6,327</u>
Increase (decrease) in cash and cash equivalents	(67,685)	(45,495)
Cash and cash equivalents - beginning of period	234,489	197,719
Cash and cash equivalents - end of period	<u>\$ 166,804</u>	<u>\$ 152,224</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 541,901	\$ 555,646
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	396	472
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	7,188	(12,758)
(Increase) decrease in inventory	(9)	(51)
(Increase) decrease in other assets	(472)	(140)
Increase (decrease) in estimated prize claims	(19)	(2,784)
Increase (decrease) in accounts payable	19	(1,242)
Increase (decrease) in other accrued liabilities	3,754	4,937
Cash provided by operating activities	<u>\$ 552,758</u>	<u>\$ 544,080</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 presented in the comprehensive annual financial report of the State as a blended proprietary fund component unit.

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 four basic types of lottery games: instant, on-line, video type games, and table 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.

Table games are lotteries as each game involves consideration, the possibility of a prize, and their outcome is determined predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery. Table games are the exclusive intangible intellectual property of the state of West Virginia. Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks in West Virginia, subject to local county elections permitting the same. Each racetrack licensed as an agent of the Lottery Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee's adjusted gross receipts for the operation of West Virginia Lottery table games. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table 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.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents primarily consist of interest-earning deposits with the West Virginia Board of Treasury Investments (BTI) and are recorded at fair value.

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

OTHER ASSETS – Other assets consist primarily of deposits restricted for payment of certain Multi-State Lottery Association activities.

CAPITAL ASSETS – The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. Portions of these facilities were subleased to the Lottery's game vendor until January 31, 2007 at which time the Lottery took occupancy of the total facility. The Lottery also leases various office

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

equipment under agreements considered to be cancelable operating leases. Rental expense for the ten months ended April 30, 2008 and April 30, 2007 approximated \$563,276 and \$548,570, respectively. Sublease rental income for the ten months ended April 30, 2008 and April 30, 2007 approximated \$0 and \$60,508, respectively.

The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements, contributed and purchased equipment, comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

COMPENSATED ABSENCES – The Lottery has accrued \$298,548 and \$281,146 of vacation and \$467,954 and \$468,058 of sick leave at June 30, 2007 and 2006, respectively, for estimated obligations that may arise in connection with compensated absences for vacation and sick leave at the current rate of employee pay. Employees fully vest in all earned but unused vacation. In accordance with State personnel policies, employees hired prior to July 1, 2001, vest in unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits. For employees hired prior to July 1, 1988, the Lottery pays 100% of the post-retirement health care premium. The Lottery pays 50% of the premium for employees hired after June 30, 1988 through July 1, 2001. The estimated obligation for sick leave is based on historical retirement rates and current health care premiums applicable to employee hire dates. Employees hired after June 30, 2001 do not vest in unused sick leave upon retirement.

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

At April 30, 2008 the carrying amounts of deposits (overdraft) with financial institutions were (\$12) thousand with a bank balance of \$70 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 Board of Treasury Investments (BTI) is as follows (in thousands):

**WEST VIRGINIA LOTTERY
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NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

	<u>April 30, 2008</u>	<u>June 30, 2007</u>
Amount on deposit with the BTI	<u>\$166,815</u>	<u>\$234,497</u>

The deposits with the BTI 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 BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity for the month ended April 30, 2008 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At April 30, 2008
Construction in Progress	\$ 443	\$ -	\$ -	\$ 443
Improvements	1,119	-	-	1,119
Equipment	11,504	-	-	11,504
	\$ 13,066	\$ -	\$ -	\$ 13,066
Accumulated Depreciation:				
	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At April 30, 2008
Improvements	\$ 925	\$ 64	\$ -	\$ 989
Equipment	10,690	332	-	11,022
	\$ 11,615	\$ 396	\$ -	\$ 12,011

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game and HOT LOTTO® game, on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, and HOT LOTTO® is 50% of each drawing period's sales, with minimum jackpot levels. Revenues derived from the Lottery's participation in the MUSL POWERBALL® jackpot game for the month and year-to-date periods ended April 30, 2008 were \$5,520,634 and \$46,880,663

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

while related prize costs for the same periods were \$2,801,668 and \$23,426,938. Revenues derived from the Lottery's participation in the HOT LOTTO® game for the month and year-to-date periods ended April 30, 2008 were \$353,641 and \$3,356,527 while related prize costs for the same periods were \$181,454 and \$1,677,935.

MUSL places 2% of each POWERBALL® drawing period's sales in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. Currently, the MUSL Board of Directors has placed a \$75,000,000 limit on the POWERBALL® Prize Reserve Fund and a \$25,000,000 limit on the Set Prize Reserve Fund. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. At April 30, 2008 the POWERBALL® prize reserve fund had a balance of \$94,015,726 of which the Lottery's share was \$2,224,199. 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 9 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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 9. Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Rhode Island and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of 4% of the amount wagered. A summary of racetrack video lottery revenues for the month ended April 30, 2008 and year-to-date follows (in thousands):

	<u>Current</u> <u>2008</u>	<u>Month</u> <u>2007</u>	<u>Year- to -Date</u> <u>2008</u>	<u>2007</u>
Total credits played	\$734,770	\$868,948	\$7,725,737	\$8,550,198
Credits (prizes) won	(663,451)	(785,870)	(6,978,572)	(7,736,324)
MWAP Contributions	(329)	(464)	(3,135)	(3,723)
Gross terminal income	<u>\$70,990</u>	<u>\$82,614</u>	<u>\$744,030</u>	<u>\$810,151</u>
Administrative costs	(15)	-	(17,524)	(17,523)
Net Terminal Income	<u>\$70,975</u>	<u>\$82,614</u>	<u>\$726,506</u>	<u>\$792,628</u>
Less distribution to agents	(34,598)	(39,258)	(414,132)	(445,554)
Racetrack video lottery revenues	<u>\$36,377</u>	<u>\$43,356</u>	<u>\$312,374</u>	<u>\$347,074</u>

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

	<u>April 30, 2008</u>	<u>Year-to Date</u>
State Lottery Fund	\$ 1,571	\$130,125
State Excess Lottery Revenue Fund	29,689	132,019
Capital Reinvestment Fund	2,642	11,782
Tourism Promotion Fund 1.375%	851	9,435
Development Office Promotion Fund .375 %	232	2,573
Research Challenge Fund .5 %	309	3,431
Capitol Renovation & Improvement Fund .6875 %	425	4,718
Parking Garage Fund .0625 %	39	429
Parking Garage Fund 1 %	-	500
Cultural Facilities & Capitol Resources Fund .5 %	-	1,500
Capitol Dome & Capitol Improvements Fund .5 %	619	4,862
Worker's Compensation Debt Reduction Fund 7 %	-	11,000
Total nonoperating distributions	<u>\$36,377</u>	<u>\$312,374</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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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 on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses. A summary of limited video lottery revenues for the month ended April 30, 2008 and year-to-date follows (in thousands):

	<u>Current</u> <u>2008</u>	<u>Month</u> <u>2007</u>	<u>Year- to -Date</u> <u>2008</u>	<u>2007</u>
Total credits played	\$427,040	\$418,645	\$4,139,324	\$4,018,623
Credits (prizes) won	(391,879)	(384,191)	(3,797,910)	(3,688,534)
Gross terminal income	<u>\$35,161</u>	<u>\$34,454</u>	<u>\$341,414</u>	<u>\$330,089</u>
Administrative costs	(703)	(688)	(6,828)	(6,601)
Gross Profit	34,458	\$33,766	\$334,586	\$323,488
Commissions	(17,229)	(16,883)	(171,252)	(173,333)
Municipalities and Counties	(689)	(676)	(6,692)	(6,470)
Limited video lottery revenues	<u>\$16,540</u>	<u>\$16,207</u>	<u>\$156,642</u>	<u>\$143,685</u>

NOTE 8 - TABLE GAMES

Table Games legislation passed in 2007 per House Bill 2718. Table games include blackjack, roulette, craps, and various types of poker. Each racetrack licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts which will be deposited weekly into the Racetrack Table Games Fund.

From the gross amounts deposited into the Racetrack Table Games Fund, the Commission, on a monthly basis shall:

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two and one-half percent of adjusted gross receipts from all thoroughbred racetracks with West Virginia

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – TABLE GAMES (continued)

Lottery table games to the special funds established by each thoroughbred racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee and transfer two and one-half percent of adjusted gross receipts from all greyhound racetracks with West Virginia Lottery table games to the special funds established by each greyhound racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee. Transfer two percent of the adjusted gross receipts from all licensed racetracks to the Thoroughbred Development Fund and the Greyhound Breeding Development Fund to be divided pro rata among the development funds. Transfer one percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located to be divided pro rata among the counties. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The Commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

- 1) Transfer four percent into a special fund to be established by the Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association;
- 2) Transfer ten percent, to be divided and paid in equal shares, to each county commission in the state where table games are not located;
- 3) Transfer ten percent, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located; and
- 4) Transfer seventy-six percent to the State Debt Reduction Fund.

The cash transferred to the State Debt Reduction Fund in the current month is included in Note 9- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year-to-date periods ended April 30, 2008 were \$6,638,630 and \$32,211,148, respectively. The following table shows the month and year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	<u>Month</u>	<u>YTD</u>
Table Games Privilege Tax	\$ 2,324	\$11,274
Interest on Table Games Fund	4	22
Administrative Costs	(199)	(966)
Total Available for Distribution	2,129	10,330
<u>Less Distributions:</u>		
Racetrack Purse Funds	166	805
Thoroughbred & Greyhound Development Funds	133	644
Racing Commission Pension Plan	64	311
Municipalities/Counties	552	2,678
Total Distributions	915	4,438
State Debt Reduction Fund	\$ 1,214	\$5,892

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 9- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2008 the State Legislature budgeted \$169,932,463 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000 and \$1,000,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$2,900,000 per month for the first ten months of each fiscal year, with \$1,000,000 of this amount beginning September 2004. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. During the month ended April 30, 2008 the Lottery made such distributions and accrued additional distributions of \$57,469,914. The Lottery is a non-appropriated state agency and therefore does not have a budget adopted by the Legislature. Since the enactment of the Racetrack Video Lottery Act, the Lottery is also statutorily required to distribute income from racetrack video lottery operations as described in Note 6. As of April 30, 2008 the Lottery accrued additional distributions relating to racetrack video lottery operations of \$854,274.

Note 7 describes the Limited Video Lottery Act and the statutory distributions required to be made from limited video lottery operations. Note 8 describes the Table Games Act and the statutory distributions required to be made from table games operations.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>April 30, 2008</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Bureau of Senior Services	\$ -	\$ 58,811
Department of Education	-	34,908
Library Commission	-	10,538
Higher Education-Policy Commission	-	19,351
Tourism	-	7,943
Natural Resources	-	3,436
Division of Culture & History	-	5,526
Department of Education & Arts	-	1,427
Building Commission	997	9,997
School Building Authority	1,795	17,995
Total State Lottery Fund	<u>\$ 2,792</u>	<u>\$ 169,932</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 9- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA
(continued)

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,900	\$ 19,000 ✓
Higher Education Improvement Fund	1,000	10,000 ✓
General Purpose Account	-	65,000
Higher Education Improvement Fund	-	27,000
State Park Improvement Fund	-	5,000
School Building Authority	-	19,000
Refundable Credit	4,727	5,266
Excess Lottery Surplus	48,470	61,370
West Va. Infrastructure Council	-	40,000
Total State Excess Lottery Revenue Fund	\$ 56,097	\$ 251,636
House Bill 2007, Senate Bills 1007 & 1011	\$ 134,670	\$ 136,670
Total Budgetary distributions:	\$ 193,559	\$ 558,238
Veterans Instant Ticket Fund	\$ 50	\$ 607

Other Racetrack Video Lottery distributions:

Tourism Promotion Fund 1.375%	\$ 841	\$ 9,364
Development Office Promotion Fund .375%	230	2,554
Research Challenge Fund .5%	306	3,405
Capitol Renovation & Improvement Fund .6875%	421	4,682
Parking Garage Fund .0625 %	38	425
Parking Garage Fund 1 %	-	500
Cultural Facilities & Cap. Resources Fund .5%	-	1,500
Capitol Dome & Cap. Improvements Fund .5%	613	4,810
Workers Compensation Debt Reduction Fund 7%	-	11,000
Total	\$ 2,449	\$ 38,240

Table Games State Debt Reduction Fund	\$ 1,360	4,678
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Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 197,418	\$ 601,763
Accrued nonoperating distributions, beginning	(245,713)	(180,178)
Accrued nonoperating distributions, end	109,453	109,453
Total nonoperating distributions to the State of West Virginia	\$ 61,158	\$ 531,038

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – RESTRICTED NET ASSETS

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

NOTE 11 – COMMITMENTS

The Lottery has set aside funds as unrestricted net assets for the acquisition of future assets. During FY2007 the lottery set aside \$2,162,294 for this purpose.

NOTE 12 - DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST

Prior to becoming a member of the Multi-State Lottery in 1988, the prize structure of certain games operated solely by the Lottery included jackpot prizes. The Lottery, at its discretion, could choose to award such prizes in the form of either a lump sum payment or in equal installments over a period of 10 or 20 years, through April 30, 2008, 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 is calculated using the effective interest method at rates ranging from 7.11% to 9.13%.

A summary of the present value of the remaining obligations for deferred jackpot prize awards follows (in thousands):

	<u>April 30, 2008</u>	<u>June 30, 2007</u>
Present value of deferred prize award obligations:		
Discounted obligations outstanding	\$ 120	\$ 279
Imputed interest accrued	<u> 7</u>	<u> 19</u>
	127	298
Less current portion of discounted obligations and accrued interest	<u>(127)</u>	<u>(159)</u>
Long-term portion of deferred prize award obligations	<u>\$ -</u>	<u>\$ 139</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST
 (continued)

Future cash payments on deferred prize obligations for each of the remaining two 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, 2008	-	-	-
June 30, 2009*	<u>120</u>	<u>10</u>	<u>130</u>
	<u>\$ 120</u>	<u>\$ 10</u>	<u>\$ 130</u>

*Due 8/15/2008

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 Board Of Treasury Investments 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.

NOTE 13 - 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.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - RETIREMENT BENEFITS (continued)

Covered employees are required to contribute 4.5% of their salary to the PERS. The Lottery is required to contribute 10.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the period ending April 30, 2008 are as follows (in thousands):

	<u>April 30, 2008</u>	<u>Year-to Date</u>
Lottery contributions	\$49	\$447
Employee contributions	21	194
Total contributions	\$70	\$641

NOTE 14 - 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 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 (PELA)

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PELA was established by the State of West Virginia for State

WEST VIRGINIA LOTTERY
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NOTE 14 - RISK MANAGEMENT (continued)

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 paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The GASB has issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," and Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB). The State nor the Lottery has previously reported in its financial statements costs associated with future participation of retirees in health benefit plans. The GASB statements are based on the premise that the "costs" of employee services should be reported during the periods when the services are rendered. Beginning with the fiscal year ending June 30, 2007, the State will implement financial reporting requirements for OPEB "substantive plans" under GASB Statement No. 43; beginning with fiscal year ending June 30, 2008, the State will implement accounting and financial reporting requirements as an employer under GASB Statement No. 45. The financial statements will report OPEB funded status and funding progress and any "premium subsidy" resulting from the pooling of retiree participants with active employees in the health benefit plans. For "employer" OPEB reporting the State will report "expense" on an accrual basis in the amount of the

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (continued)

"annual required contribution" and a "liability" for the amount of the "annual required contribution" that was not actually paid.

Funds have not been set aside to pay future costs of retirees, but the Legislature in response to the GASB statements, has made statutory changes to create the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs may be accumulated and invested, and which is expected to facilitate the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB No. 43, the ARC(Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC shall be allocated to respective employers including the Lottery who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residue funds held in trust for future OPEB costs. The Annual Required Contribution rate is \$91.54 per employee per month. Through April 30, 2008, the Lottery has expensed \$68,587 which is equal to the Annual Required Contribution and thus carries zero liability on the balance sheet for OPEB.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued statement No. 47, Accounting for Termination Benefits, in June 2005. This Statement establishes accounting standards for termination benefits and requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. The requirements of this Statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for financial statements for periods beginning after June 15, 2005. No other termination benefits are offered or provided that required implementation in the years ended June 30, 2007 and 2006. The impact of this statement on the financial statements is not expected to have a material effect.

The Governmental Accounting Standards Board (GASB) issued Statement No. 50, Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27, in 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement is effective

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS (continued)

for periods beginning after June 15, 2007, and management has not yet determined what impact, if any, it will have on the financial statements.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

*Budget Division
Building 1, Room 314-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*



, 304-347-4870

Memorandum

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

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

Date: June 6, 2008

Re: Status of General Revenue Fund May 31, 2008

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

The net collections were **103.94%** of the estimate for the fiscal year. **The amount ABOVE estimate was \$136.5 million for the year.**

Corporate income/business franchise tax was \$41 million above the estimate.

Severance tax was \$ 49.8 million above the estimate as of May 31, 2008.

Personal Income Tax collections were \$88 million above the estimate as if May 31, 2008.

Joint Committee on Government and Finance

State Road Fund

The state road fund was collected at 99.12% of the estimate for the months of July 2007 - May 2008. The entire fund was \$ 5.2 million under the estimate for the year.

Rainy Day and Personal Income Tax Reserve

Revenue Shortfall Reserve Fund A(Rainy Day Fund) had a cash balance of \$ \$287,901,362.08 as of May 31, 2008.

Balance July 1, 2007	235,075,887.42
Cash flow loan to General Revenue on July 3, 2007 To be repaid 90 days. This is a normal occurrence in July due to cash flow demands; was repaid in September.	- 56,000,000.00 +56,000.000.00
Revenues July 1, 2006-June 30,2007 (Surplus from FY 2007 to be transferred in August 2007.)	53,363,287.82
Earnings	- 537,813.16
Balance May 31, 2008	287,901,362.08

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$ 278,954,138.37 as of May 31, 2008.

Balance July 1, 2007	279,869,087.79
Earnings	- 914,949.42
Balance May 31, 2008	278,954,138.37

The Special Income Tax Reserve Fund had a cash balance of \$45,019,318.96 as of May 31, 2008.

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

Monthly Revenue Estimates July 2007

as of May 30, 2008, WVFIMS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER UNDER ESTIMATES VS ACTUAL COLLECTIONS
Personal Income Tax	165,900,000	140,930,855	103,704,114	1,282,500,000	1,371,186,040	88,686,040
Consumer Sales Tax	88,600,000	81,482,531	-7,117,469	946,200,000	915,686,355	-30,513,645
Corp Income /Business Franchise	5,300,000	10,986,766	5,686,766	293,800,000	335,485,519	41,685,519
Severance Tax	32,400,000	41,404,857	9,004,857	287,500,000	337,307,598	49,807,598
Business and Occupation Use Tax	14,000,000	5,264,155	-8,735,845	142,600,000	131,673,771	-10,926,229
Insurance Tax	9,200,000	9,286,198	86,198	120,400,000	110,340,800	-10,059,200
Cigarette Tax	1,100,000	568,540	-531,460	105,400,000	105,059,120	-340,880
HB 102 - Lottery Transfers	9,200,000	9,372,834	172,834	97,100,000	99,743,221	2,643,221
Interest Income	0	0	0	77,900,000	77,900,000	0
Departmental Collections	4,000,000	1,193,754	4,572,450	43,000,000	51,528,623	8,528,623
Property Transfer Tax	900,000	919,914	19,914	13,100,000	15,305,767	2,205,767
Liquor Profit Transfers	980,000	930,868	-49,132	11,790,000	10,724,450	-1,065,550
Senior Citizen Tax Credit Reimb.	2,660,000	760,000	-1,900,000	11,300,000	9,025,469	-2,274,531
Beer Tax and Licenses	1,740,000	0	-1,740,000	8,270,000	0	-8,270,000
Property Tax	1,090,000	1,069,169	-20,831	7,610,000	7,638,153	28,153
Smokeless Tobacco Tax	260,000	244,004	-15,996	4,900,000	5,256,215	356,215
Charter Tax	390,000	533,900	143,900	4,650,000	4,999,503	349,503
Racing Fees	570,000	250,176	-319,824	4,550,000	3,827,047	-722,953
Miscellaneous Receipts	300,000	87,000	-213,000	1,700,000	783,500	-916,500
Miscellaneous Transfers	110,000	118,029	8,029	1,400,000	1,084,908	-315,092
Business Franchise Fees	100,000	0	-100,000	900,000	991,093	91,093
Telecommunications Tax	150,000	80,369	-69,631	810,000	1,198,696	388,696
Estate and Inheritance Tax	0	20,892	20,892	0	292,471	292,471
Refundable Credit Reim LTY	0	-35,942	-35,942	0	46,046	46,046
Video Lottery Transfers	0	1,224,985	1,224,985	0	6,490,962	6,490,962
Special Revenue Transfer	0	0	0	0	307,504	307,504
Cash Flow Transfer	0	0	0	0	0	0
TOTALS	338,950,000	306,693,855	-32,256,146	3,467,380,000	3,603,882,830	136,502,830
Minus Cash Flow Transfer						
Percent of Estimates		90.48%			103.94%	
TOTALS	338,950,000	306,693,855	-32,256,146	3,467,380,000	3,603,882,830	136,502,830
Collections this day		36,657,620				

STATE ROAD FUND FY 2007-2008
 Monthly Revenue Estimates July 2007
 as of May 30, 2008, WVFIMS

FINAL

	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER UNDER ESTIMATES VS ACTUAL COLLECTIONS
Gasoline & Motor Carrier Rd Tax	25,100,000	20,056,207	-5,043,793	363,900,000	355,856,436	-8,043,564
Privilege Tax	14,523,000	15,333,320	810,320	152,650,000	155,304,300	2,654,300
Licenses & Registration	7,371,000	6,833,590	-537,410	72,925,000	72,874,575	-50,425
Highway Litter Control	139,000	149,804	10,804	1,380,000	1,607,276	227,276
TOTALS	47,133,000	42,372,921	-4,760,079	590,855,000	585,642,588	-5,212,412

Percent of Estimates

89.90%

99.12%

Collections this day

16,099,967

REVENUE SHORTFALL RESERVE FUND A AS OF May 1, 2008: \$281,617,158.48

REVENUE SHORTFALL RESERVE FUND B AS OF May 1, 2008: \$269,831,452.63

REVENUE SHORTFALL RESERVE FUND A AS OF April 1, 2008: \$45,019,318.96

Prepared by Legislative Auditor's Office, Budget Division

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

*Budget Division
Building 1, Room 314-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590*



. 304-347-4870

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

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

Date: June 10, 2008

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the April 30, 2008 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia. April is the end of the tenth month of fiscal year 2007-2008.

For the fiscal year 2007-2008, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2007	\$257,112,738.68
Receipts July 1, 2007 thru June 30, 2008	\$103,280,187.83
Disbursements July 1, 2007 thru June 30, 2008	\$139,328,519.93
Balance April 30, 2008	\$221,064,406.58

ITEMS OF NOTE:

Regular benefits paid for July 2007 to April 30, 2008 were \$5.9 million more than in July 2006 to April 30, 2007.

Joint Committee on Government and Finance

Total disbursements were \$ 5.5 million more than the same months of the preceding fiscal year.

Receipts were \$ 1.9 million less than in July 2006 - April 2007. Overall ending trust fund balance was \$ 4.6 million more as of April 30, 2008 than on April 30, 2007.

West Virginia's unemployment rate for the month of April 2008 was 5.2 percent. National unadjusted employment rate was 4.8 %.

Seasonally adjusted unemployment rates were 5.0 percent for West Virginia and 5.0 percent nationally.

Since April 2007 employment has risen 4,300 with gains in the following areas: 3,100 in educational and health services, 1,700 in leisure and hospitality, 1,200 in professional and business services, 600 in other services, 100 in information and 500 in natural resources and mining. Declines included 1,400 in manufacturing, 900 in construction, 600 in trade, transportation and utilities.

**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING FEBRUARY 2007 AND FEBRUARY 2008**

	<u>FEBRUARY 07</u>	<u>MARCH 07</u>	<u>APRIL 07</u>	<u>FEBRUARY 08</u>	<u>MARCH 08</u>	<u>APRIL 08</u>	<u>THREE MONTH TOTAL VARIANCE *</u>
Balance Forward	<u>231,312,111.17</u>	<u>223,329,812.35</u>	<u>212,472,170.88</u>	<u>233,170,391.92</u>	<u>226,954,896.79</u>	<u>213,031,221.10</u>	<u>6,042,415.40</u>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$903.39	0.00	0.00	0.00	(903.39)
2. Regular Contributions:	\$11,586,319.51	\$640,809.15	\$20,312,469.21	10,354,193.69	430,157.28	23,212,888.72	1,457,641.82
3. Extended Benefit Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
4. Emergency Unemployment Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
5. TEUC Unemployment Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
6. UCFE (Federal Agencies)	\$300,000.00	\$300,000.00	\$100,000.00	347,600.00	0.00	0.00	(352,400.00)
7. Reduced Tax Credits	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
8. Reed Act Funds	\$0.00	\$316,369.43	\$0.00	0.00	0.00	0.00	(316,369.43)
9. Treasury Interest Credits	\$0.00	\$2,413,625.50	\$0.00	0.00	2,840,704.28	0.00	427,078.78
10. UCX (Military Agencies)	\$500,000.00	\$400,000.00	\$200,000.00	854,000.00	0.00	0.00	(246,000.00)
Total Monthly Receipts	<u>\$12,386,319.51</u>	<u>4,070,804.08</u>	<u>20,613,372.60</u>	<u>11,555,793.69</u>	<u>3,270,861.56</u>	<u>23,212,888.72</u>	<u>969,047.78</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	NA
Regular Benefits:	\$19,930,025.12	\$13,528,940.37	\$16,295,771.08	17,394,144.85	16,053,404.99	14,853,624.77	(1,453,561.96)
Extended Benefits	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
Emergency Benefits	(\$2,420.00)	(\$922.00)	(\$1,214.00)	(2,011.00)	(430.00)	(3,264.03)	(1,149.03)
UCFE (Federal Workers)Benefits	\$109,374.17	\$91,441.49	\$86,214.26	96,262.29	109,160.28	83,606.75	1,999.40
UCX (Military Workers)Benefits	\$331,639.04	\$308,985.69	\$319,913.11	241,642.68	272,401.98	225,735.75	(220,757.43)
Reed Act Funds	0.00	\$1,000,000.00	\$0.00	41,250.00	760,000.00	20,000.00	(178,750.00)
Other Adjustments	0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
Total Monthly Disbursements	<u>20,368,618.33</u>	<u>\$14,928,445.55</u>	<u>\$16,700,684.45</u>	<u>17,771,288.82</u>	<u>17,194,537.25</u>	<u>15,179,703.24</u>	<u>(1,852,219.02)</u>
Trust Fund Balance	<u>223,329,812.35</u>	<u>212,472,170.88</u>	<u>216,384,859.03</u>	<u>226,954,896.79</u>	<u>213,031,221.10</u>	<u>221,064,406.58</u>	<u>6,863,682.20</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.



Monthly Management Report

TOTAL CLAIMS

MAY 2008

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS
MAY 2008

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	252,952.89	147,338.91	183,064.12	154,916.96	1,625,386.72	1,733,201.52
	MATERNITY	212,574.33	153,962.03	140,101.67	158,379.64	1,731,708.73	1,689,206.11
	MEDICAL AND SURGICAL	8,549,288.60	5,657,416.35	5,132,777.99	4,890,817.60	65,302,583.72	53,019,393.31
	NEONATAL COMPLICATIONS	43,616.62	44,028.19	6,287.81	97,634.75	488,781.80	1,068,933.04
	***** sum	9,058,432.44	6,002,745.47	5,462,231.59	5,301,748.96	69,148,460.97	57,510,733.98
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	58,392.17	33,667.11	33,199.51	38,185.59	396,090.80	395,117.44
	DIALYSIS	227,009.42	132,963.84	99,243.30	168,198.99	1,582,510.21	1,740,063.63
	EMERGENCY ROOM	674,555.12	429,516.50	412,423.88	386,748.97	4,921,030.32	4,042,395.74
	MATERNITY	74,093.79	42,294.81	39,153.15	44,235.01	497,402.64	456,438.43
	MEDICAL AND SURGICAL	11,601,397.76	6,966,403.49	6,427,301.57	6,471,927.52	81,638,059.46	68,574,964.43
	***** sum	12,635,448.26	7,604,845.74	7,011,321.41	7,109,296.08	89,035,093.43	75,208,979.67
PHARMACY	PRESCRIPTION DRUGS	12,170,919.76	9,724,728.34	12,412,504.95	10,194,897.10	106,216,362.24	112,655,437.57
***** sum		12,170,919.76	9,724,728.34	12,412,504.95	10,194,897.10	106,216,362.24	112,655,437.57
PROFESSIONAL SERVICES	ADVANCED IMAGING	668,541.42	491,721.95	463,095.70	465,925.38	5,524,337.65	4,987,635.20
	AMBULANCE	300,402.11	168,033.28	156,868.70	163,191.82	1,982,987.86	1,704,728.95
	ANESTHESIA	918,218.68	656,325.52	569,688.48	604,216.29	7,434,705.34	6,430,528.34
	BEHAVIORAL	430,190.16	313,887.79	342,849.91	322,252.35	3,480,737.21	3,400,999.43
	CARDIOVASCULAR MEDICINE	493,135.58	362,803.46	394,419.36	359,281.08	3,970,805.16	3,794,351.50
	CERVICAL CANCER SCREENING	21,101.07	21,541.88	18,281.49	25,380.33	236,689.37	262,804.88
	DIALYSIS	6,785.97	4,900.31	8,585.14	9,230.76	51,180.43	96,173.88
	DME	390,261.66	371,007.49	350,326.32	309,002.52	4,070,579.85	3,257,216.45

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
 MAY 2008

Page: 2

Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	5,271,085.68	4,271,503.31	3,962,230.16	4,021,228.38	47,843,871.61	43,682,990.69
	IMMUNIZATION	264,504.64	303,389.69	242,651.84	222,280.42	3,385,186.21	2,654,007.87
	INJECTION	902,359.38	686,272.77	564,575.93	661,225.69	7,687,264.91	7,050,081.01
	LAB AND PATHOLOGY	913,183.17	631,426.13	668,786.77	603,914.47	7,005,907.12	6,323,020.20
	MAMMOGRAPHY	83,101.83	94,144.14	77,367.17	89,815.32	1,035,242.68	973,067.07
	OTHER	432,427.48	390,133.70	317,120.61	344,057.00	4,396,018.55	3,650,162.76
	OTHER IMAGING	939,296.30	828,320.54	756,695.66	786,374.08	9,065,863.25	8,183,723.65
	OTHER MEDICINE	739,763.80	699,908.53	548,411.50	598,451.20	7,898,646.70	6,494,996.85
	PHYSICAL MEDICINE	750,297.49	554,891.68	537,431.25	533,030.08	6,260,684.73	5,723,973.53
	PROSTATE CANCER SCREENING	20,871.51	14,417.31	15,643.21	16,013.68	156,511.88	161,582.34
	SURGICAL	3,124,217.96	2,399,483.24	2,254,986.71	2,359,025.93	26,865,382.26	25,044,446.01

sum		16,669,745.89	13,264,112.72	12,250,015.91	13,494,096.77	148,352,602.77	133,884,490.61
sum		50,534,546.35	36,596,432.27	37,136,073.86	35,100,038.91	412,752,519.41	379,259,641.83

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



Monthly Management Report
PER CAPITA CLAIMS

MAY 2008

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS
 MAY 2008

Page: 1

Reporting Category	Type of Service	Current Period PEIA Payments	Current Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	12 Months Prior Rolling Avg PEIA Payments	Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	1.6317	1.0055	1.2265	1.0819	10.6445	11.6960
	MATERNITY	1.3712	1.0494	.9387	1.1060	11.3407	11.3991
	MEDICAL AND SURGICAL	55.1475	38.5406	34.3886	34.1480	427.6584	357.7859
	NEONATAL COMPLICATIONS	.2814	.3002	.0421	.6823	3.2010	7.2134
***** sum		58.4317	40.8957	36.5959	37.0182	452.8446	388.0944
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.3767	.2292	.2224	.2666	2.5939	2.6663
	DIALYSIS	1.4643	.9056	.6649	1.1745	10.3637	11.7423
	EMERGENCY ROOM	4.3512	2.9261	2.7632	2.7003	32.2272	27.2789
	MATERNITY	.4779	.2879	.2623	.3089	3.2574	3.0801
	MEDICAL AND SURGICAL	74.8352	47.4511	43.0617	45.1889	534.6374	462.7581
***** sum		81.5053	51.7999	46.9745	49.6393	583.0796	507.5258
PHARMACY	PRESCRIPTION DRUGS	78.5089	66.2662	83.1614	71.1895	695.5976	760.2223
***** sum		78.5089	66.2662	83.1614	71.1895	695.5976	760.2223
PROFESSIONAL SERVICES	ADVANCED IMAGING	4.3124	3.3507	3.1027	3.2533	36.1782	33.6576
	AMBULANCE	1.9378	1.1458	1.0510	1.1409	12.9863	11.5039
	ANESTHESIA	5.9230	4.4746	3.8168	4.2192	48.6890	43.3945
	BEHAVIORAL	2.7750	2.1383	2.2970	2.2497	22.7949	22.9506
	CARDIOVASCULAR MEDICINE	3.1810	2.4728	2.6425	2.5085	26.0043	25.6051
	CERVICAL CANCER SCREENING	.1361	.1469	.1225	.1773	1.5500	1.7735
	DIALYSIS	.0438	.0335	.0575	.0645	.3352	.6490
	DME	2.5174	2.5281	2.3471	2.1577	26.6577	21.9804

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
 MAY 2008

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Reporting Category	Type of Service	Current	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments	Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	34.0013	29.0970	26.5462	28.0763	313.3235	294.7819
	IMMUNIZATION	1.7062	2.0676	1.6257	1.5513	22.1692	17.9098
	INJECTION	5.8207	4.6774	3.7826	4.6170	50.3429	47.6294
	LAB AND PATHOLOGY	5.8905	4.3023	4.4807	4.2159	45.8808	42.6691
	MAMMOGRAPHY	.5361	.6421	.5183	.6272	6.7797	6.5665
	OTHER	2.7894	2.6577	2.1246	2.4027	28.7890	24.6321
	OTHER IMAGING	6.0590	5.6442	5.0697	5.4904	59.3712	55.2255
	OTHER MEDICINE	4.7719	4.7684	3.6743	4.1790	51.7272	43.8296
	PHYSICAL MEDICINE	4.8398	3.7794	3.6007	3.7215	41.0004	38.6266
	PROSTATE CANCER SCREENING	.1346	.0984	.1048	.1118	1.0250	1.0904
	SURGICAL	20.1529	16.3513	15.1080	16.4724	175.9380	169.0051

sum		107.5287	90.3766	82.0728	87.2366	971.5425	903.4803
sum		325.9747	249.3384	248.8046	245.0836	2,703.0643	2,559.3228

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 UTILIZATION

MAY 2008

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
 MAY 2008

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Reporting Category	Type of Service	Current Period Encounters	12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0015	.0007	.0066	.0066
	MATERNITY	.0011	.0009	.0091	.0086
	MEDICAL AND SURGICAL	.0104	.0078	.0905	.0873
	NEONATAL COMPLICATIONS	.0004	.0001	.0034	.0024
***** sum		.0133	.0095	.1097	.1049
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0033	.0031	.0284	.0318
	DIALYSIS	.0039	.0036	.0345	.0411
	EMERGENCY ROOM	.0313	.0231	.2706	.2497
	MATERNITY	.0029	.0019	.0250	.0214
	MEDICAL AND SURGICAL	.2740	.1904	2.2642	2.1213
***** sum		.3154	.2220	2.6228	2.4654
PHARMACY	PRESCRIPTION DRUGS	1.0246	1.0390	9.8469	9.9037
***** sum		1.0246	1.0390	9.8469	9.9037
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0256	.0214	.2445	.2268
	AMBULANCE	.0051	.0031	.0442	.0372
	ANESTHESIA	.0234	.0165	.2058	.1930
	BEHAVIORAL	.0469	.0379	.4299	.4140
	CARDIOVASCULAR MEDICINE	.0382	.0298	.3608	.3384
	CERVICAL CANCER SCREENING	.0055	.0059	.0677	.0786
	DIALYSIS	.0003	.0006	.0043	.0080
	DME	.0255	.0211	.2613	.2340
	EVALUATION AND MANAGEMENT	.5504	.4497	5.3430	5.2013
	IMMUNIZATION	.0176	.0156	.3719	.3216

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

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION
 MAY 2008

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Reporting Category	Type of Service	Current Period Encounters	12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
PROFESSIONAL SERVICES	INJECTION	.0310	.0247	.2988	.2741
	LAB AND PATHOLOGY	.1820	.1638	1.8072	1.7302
	MAMMOGRAPHY	.0174	.0152	.1866	.1639
	OTHER	.0378	.0235	.3837	.3443
	OTHER IMAGING	.1053	.0887	1.0473	1.0602
	OTHER MEDICINE	.0851	.0710	.8300	.8206
	PHYSICAL MEDICINE	.1203	.0929	1.1268	1.0801
	PROSTATE CANCER SCREENING	.0071	.0059	.0648	.0640
	SURGICAL	.0911	.0711	.8578	.8282

sum		1.4154	1.1585	13.9364	13.4185

sum		2.7687	2.4291	26.5158	25.8925

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

29 rows selected.



Prescription Drug Report

MAY 2008

WV PEIA - Monthly Trend

Plan Demographics	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total Drug Cost	\$10,957,007	\$11,273,125	\$11,756,423	\$12,865,088	\$12,357,027	\$12,523,886
Amount Paid By Plan Sponsor	\$6,210,770	\$8,937,531	\$8,978,348	\$10,130,654	\$9,823,344	\$10,036,700
Amount Paid By Members	\$4,746,236	\$3,335,990	\$2,778,078	\$2,734,424	\$2,533,683	\$2,487,187
Total Claims	173,474	189,333	188,253	202,855	198,468	201,392
Average Eligible Member	153,233	153,346	153,830	155,178	155,827	156,474
Average # of Rx's Per Member Per Month	1.13	1.23	1.21	1.31	1.27	1.29
Plan Paid Per Member Per Month (PMPM)	\$40.50	\$58.28	\$58.37	\$65.28	\$63.04	\$64.14
Average Eligible Enrollees	71,040	71,016	71,168	71,701	71,971	72,260
Average # of Rx's Per Enrollee Per Month	2.44	2.67	2.62	2.83	2.76	2.79
Plan Paid Per Enrollee Per Month (PEPM)	\$87.43	\$125.85	\$126.16	\$141.29	\$136.49	\$138.90
Rx Cost Share						
Avg. Claim Cost to Plan	\$35.80	\$47.21	\$48.21	\$49.94	\$49.50	\$49.84
Avg. Member Cost/Claim	\$27.36	\$17.62	\$14.92	\$13.48	\$12.77	\$12.35
Percent member Cost Share	43.3%	27.2%	23.6%	21.3%	20.5%	19.9%
Average Ingredient Costs						
Single Source (no generics available)	\$147.88	\$153.28	\$152.23	\$155.42	\$154.73	\$155.83
Multi-Source Brand (generics available)	\$36.92	\$35.78	\$36.00	\$42.02	\$39.48	\$36.16
Generic Drugs	\$19.58	\$20.43	\$20.66	\$20.61	\$20.52	\$20.29
Brand/Generic Dispensing Rates						
Single Source (no generics)	32.47%	32.00%	30.86%	30.3%	29.69%	29.54%
Multi-Source Brand % (generics available)	1.12%	1.06%	1.01%	1.0%	0.99%	1.00%
Generic Drug	66.42%	66.94%	68.13%	68.6%	69.32%	69.46%
Generics Dispensed when available	96.35%	98.44%	96.53%	98.5%	98.59%	98.56%
Percent of Plan Cost for Single Source	86.10%	82.05%	79.72%	78.9%	78.05%	78.13%
Retail Pharmacy Program						
Avg. Day Supply	32.4	33.1	32.4	32.2	31.8	32.2
Avg. Plan Cost/Day Supply	\$1.09	\$1.41	\$1.47	\$1.54	\$1.54	\$1.53
Avg. Claim Cost to Plan	\$35.40	\$46.71	\$47.78	\$49.41	\$48.91	\$49.42
Avg. Member Cost / Claim	\$27.21	\$17.47	\$14.82	\$13.39	\$12.68	\$12.28
Percent Member Cost Share	43.46%	27.22%	23.67%	21.3%	20.59%	19.90%
Special Maint Netwk (% of claims filled)	10.98%	11.86%	11.62%	11.4%	11.10%	11.60%
Other Maint (% of claims filled)	0.59%	0.64%	0.56%	0.6%	0.58%	0.55%
Avg. Days Supply for Maint Netwks	87.5	87.6	87.7	87.5	87.8	87.7
Total # Claims Fills 1-34 Days Supply	150,847	162,844	160,964	175,776	172,412	174,058
Total # Claims Fills 35-60 Day Supply	1,151	1,354	1,214	1,393	1,286	1,287
Total # Claims Fills 61-90 Day Supply	9,889	23,282	22,446	23,835	22,924	24,293
Total # Claims Fills 91+ Day Supply	7	11	6	3	4	4
Mall Service Program						
Avg. Days Supply	71.0	72.0	70.8	72.0	71.3	72.7
Avg. Plan Cost/Days Supply	\$1.13	\$1.36	\$1.38	\$1.50	\$1.58	\$1.35
Avg. Cost to Plan	\$79.94	\$97.90	\$96.21	\$107.78	\$112.41	\$98.16
Avg. Member Cost/Claim	\$44.20	\$32.72	\$25.81	\$23.32	\$22.20	\$20.57
Percent Member Cost Share	35.60%	25.05%	21.16%	17.8%	16.49%	17.32%
Total # Claims Fill 1-34 Days Supply	510	553	524	559	577	509
Total # Claims Fills 35-60 Days Supply	2	3	3	5	11	1
Total # Claims Fills 61-90 Days Supply	1,068	1,284	1,096	1,284	1,254	1,230
Total # Claims Fills 91+ Day Supply	0	0	0	0	0	0
Formulary Program						
M/S Formulary Drugs (% by claim)	23.70%	23.50%	22.83%	22.7%	22.40%	22.53%
S/S Non-Formulary Drugs (% by claim)	8.77%	8.50%	8.02%	7.6%	7.29%	7.00%
M/S Drugs (% by claim)	1.12%	1.06%	1.01%	1.0%	0.99%	1.00%
Generic Drugs (% by Claim)	66.42%	66.94%	68.13%	68.6%	69.32%	69.46%
M/S Formulary Drugs (% by \$)	74.76%	70.10%	68.07%	67.9%	67.17%	67.31%
S/S non-Formulary Drugs (% by \$)	11.33%	11.95%	11.64%	11.0%	10.88%	10.82%
M/S Drugs (% by \$)	0.28%	0.21%	0.21%	0.3%	0.27%	0.21%
Generic Drugs (% by \$)	13.63%	17.75%	20.07%	20.7%	21.68%	21.66%
Specialty Drugs						
Total Drug Cost	\$1,086,515	\$1,165,134	\$1,015,586	\$1,192,954	\$1,134,406	\$1,094,721
Amount Paid by Plan Sponsor	\$1,031,449	\$1,127,906	\$986,101	\$1,159,938	\$1,102,134	\$1,055,067
Amount Paid by Members	\$55,066	\$37,228	\$29,485	\$33,016	\$32,272	\$29,654
Total Claims	623	674	591	656	657	609
Avg # of Rx's per Member per Month	0.00	0.00	0.00	0.004	0.004	0.004
Plan Paid Per Member Per Month (PMPM)	\$6.73	\$7.36	\$6.41	\$7.47	\$7.07	\$6.74
Avg Claim Cost to Plan	\$1,655.62	\$1,673.45	\$1,668.53	\$1,768.20	\$1,677.53	\$1,740.91
Avg Claim Cost to Member	\$88.39	\$55.23	\$49.89	\$50.33	\$49.12	\$49.01
Percent of Member Cost Share	5.07%	3.20%	2.90%	2.77%	2.84%	2.73%
Percent of Overall Drug Spend	9.92%	9.49%	8.64%	8.27%	9.18%	8.66%

WV PEIA - Monthly Trend

Plan Demographics	Jan-08	Feb-08	Mar-08	Apr-08	May-08	2007 - 2008 Fiscal	2006 - 2007 Fiscal	% Change
Total Drug Cost	\$13,458,436	\$13,056,708	\$13,353,710	\$13,017,110	\$13,503,931	\$139,118,922	\$142,572,302	-2.42%
Amount Paid By Plan Sponsor	\$10,883,831	\$10,544,416	\$10,876,190	\$10,697,333	\$11,116,997	\$108,236,120	\$112,811,821	-4.06%
Amount Paid By Members	\$2,574,604	\$2,512,292	\$2,477,600	\$2,315,773	\$2,386,934	\$30,882,802	\$29,761,081	3.77%
Total Claims	213,288	216,271	215,581	204,768	212,179	2,213,862	2,125,257	4.17%
Average Eligible Member	156,941	157,396	157,777	157,890	157,872	155,979	154,463	0.96%
Average # of Rx's Per Member Per Month	1.36	1.37	1.37	1.30	1.34	1.29	1.25	3.13%
Plan Paid Per Member Per Month (PMPM)	\$69.36	\$66.99	\$68.93	\$67.75	\$70.42	\$63.08	\$66.40	-4.99%
Average Eligible Enrollees	72,553	72,748	72,908	72,967	73,073	72,128	72,292	-0.23%
Average # of Rx's Per Enrollee Per Month	2.94	2.97	2.96	2.81	2.90	2.79	2.67	4.39%
Plan Paid Per Enrollee Per Month (PEPM)	\$150.01	\$144.94	\$149.18	\$146.61	\$152.14	\$136.42	\$141.86	-3.84%
Rx Cost Share								
Avg. Claim Cost to Plan	\$51.03	\$48.76	\$50.45	\$52.24	\$52.39	\$48.89	\$52.87	-7.53%
Avg. Member Cost/Claim	\$12.07	\$11.62	\$11.49	\$11.31	\$11.25	\$13.95	\$14.00	-0.36%
Percent member Cost Share	19.1%	19.2%	18.6%	17.8%	17.7%	22.2%	20.9%	6.35%
Average Ingredient Costs								
Single Source (no generics available)	\$160.45	\$158.75	\$162.25	\$167.26	\$167.89	\$157.89	\$136.45	15.71%
Multi-Source Brand (generics available)	\$37.21	\$40.37	\$38.63	\$42.69	\$41.97	\$38.87	\$38.06	2.14%
Generic Drugs	\$20.51	\$19.71	\$19.65	\$19.32	\$19.41	\$20.05	\$24.29	17.44%
Brand/Generic Dispensing Rates								
Single Source (no generics)	29.1%	27.90%	28.36%	28.6%	28.55%	29.68%	36.2%	18.03%
Multi-Source Brand (generics available)	0.9%	0.89%	0.96%	1.0%	0.97%	0.99%	1.13%	-12.09%
Generic Drug	69.9%	71.20%	70.68%	70.4%	70.48%	69.32%	62.66%	10.63%
Generics Dispensed when available	98.7%	98.76%	98.66%	98.6%	98.64%	98.59%	98.23%	0.37%
Percent of Plan Cost for Single Source	78.0%	77.56%	78.24%	79.3%	79.22%	79.27%	77.22%	2.66%
Retail Pharmacy Program								
Avg. Day Supply	31.6	29.9	31.5	32.1	32.5	32.0	31.8	0.39%
Avg. Plan Cost/Day Supply	\$1.60	\$1.61	\$1.59	\$1.61	\$1.60	\$1.51	\$1.65	-8.14%
Avg. Claim Cost to Plan	\$50.54	\$48.21	\$49.95	\$51.71	\$51.88	\$48.39	\$52.44	7.72%
Avg. Member Cost / Claim	\$12.00	\$11.53	\$11.42	\$11.24	\$11.17	\$13.86	\$14.11	-2.04%
Percent Member Cost Share	19.2%	19.30%	18.61%	17.9%	17.72%	22.26%	21.24%	4.82%
Special Maint. Netwk (% of claims filled)	11.2%	10.34%	11.12%	11.3%	11.64%	11.27%	11.05%	2.01%
Other Maint. (% of claims filled)	0.6%	0.52%	0.52%	0.6%	0.58%	0.57%	1.14%	-49.75%
Avg. Days Supply for Maint. Networks	87.5	87.8	87.6	87.5	87.5	87.6	87.7	-0.14%
Total # Claims Fills 1-34 Days Supply	185,256	189,885	187,390	177,662	183,420	1,920,524	1,848,772	3.88%
Total # Claims Fills 35-60 Day Supply	1,416	1,353	1,385	1,401	1,461	14,701	14,033	4.76%
Total # Claims Fills 61-90 Day Supply	24,748	23,151	24,924	23,823	25,403	258,718	243,319	6.33%
Total # Claims Fills 91+ Day Supply	5	11	2	3	4	60	441	-86.39%
Mail Service Program								
Avg. Days Supply	71.7	72.9	72.7	72.7	72.2	72.0	72.1	0.10%
Avg. Plan Cost/Days Supply	\$1.49	\$1.52	\$1.47	\$1.52	\$1.52	\$1.44	\$1.41	2.49%
Avg. Cost to Plan	\$106.87	\$110.89	\$107.29	\$110.08	\$109.61	\$103.84	\$101.39	2.42%
Avg. Member Cost/Claim	\$20.42	\$21.22	\$19.86	\$19.10	\$19.58	\$24.16	\$22.95	5.29%
Percent Member Cost Share	16.0%	16.06%	15.61%	14.8%	15.16%	18.87%	18.5%	2.05%
Total # Claims Fill 1-34 Days Supply	571	540	542	549	568	5,999	5,661	5.97%
Total # Claims Fills 35-60 Days Supply	9	4	4	4	2	51	44	15.91%
Total # Claims Fills 61-90 Days Supply	1,283	1,327	1,333	1,326	1,324	13,809	12,987	6.33%
Total # Claims Fills 91+ Day Supply	0	0	0	0	0	0	0	
Formulary Program								
%S Formulary Drugs (% by claim)	23.2%	22.82%	23.20%	23.5%	23.43%	23.06%	24.73%	-6.72%
%S Non-Formulary Drugs (% by claim)	5.9%	5.09%	5.16%	5.2%	5.12%	6.62%	11.48%	-42.36%
%S Drugs (% by claim)	0.9%	0.89%	0.96%	1.0%	0.97%	0.99%	1.1%	-12.09%
%S Generic Drugs (% by claim)	69.9%	71.20%	70.68%	70.4%	70.48%	69.32%	62.66%	10.63%
%S Formulary Drugs (% by \$)	69.1%	69.62%	70.01%	71.4%	71.42%	69.57%	60.70%	14.62%
%S non-Formulary Drugs (% by \$)	8.9%	7.94%	8.23%	7.9%	7.80%	9.70%	16.52%	-41.29%
%S Drugs (% by \$)	0.2%	0.27%	0.23%	0.3%	0.31%	0.26%	0.3%	16.61%
%S Generic Drugs (% by \$)	21.8%	22.17%	21.53%	20.4%	20.46%	20.47%	22.46%	-6.90%
Specialty Drugs								
Total Drug Cost	\$1,286,341	\$1,191,005	\$1,179,346	\$1,349,564	\$1,341,985	\$13,027,557	\$12,115,395	7.53%
Amount Paid by Plan Sponsor	\$1,253,228	\$1,159,494	\$1,149,471	\$1,315,918	\$1,308,720	\$12,649,426	\$11,691,305	8.20%
Amount Paid by Members	\$33,113	\$31,511	\$29,875	\$33,646	\$33,265	\$378,131	\$424,089	-10.84%
Total Claims	675	648	617	708	711	7,164	7,921	-9.56%
Avg # of Rx's per Member per Month	0.00	0.00	0.00	0.00	0.00	0.004	0.005	-10.41%
Plan Paid Per Member Per Month (PMPM)	\$7.99	\$7.37	\$7.29	\$8.33	\$8.29	\$7.37	\$6.88	7.14%
Avg Claim Cost to Plan	\$1,856.63	\$1,786.59	\$1,863.00	\$1,863.91	\$1,840.68	\$1,765.65	\$1,475.99	19.63%
Avg Claim Cost to Member	\$49.06	\$48.58	\$48.42	\$47.66	\$46.79	\$52.78	\$53.54	-1.41%
Percent of Member Cost Share	2.57%	2.65%	2.53%	2.49%	2.48%	2.90%	3.50%	-17.08%
Percent of Overall Drug Spend	9.56%	9.12%	8.83%	10.37%	9.94%	9.36%	8.50%	10.20%



Key Performance Indicators

Comprehensive Indicators

WVA - WV Public Employees Ins

Current Period: 05/2008 - 05/2008

Previous Period: 05/2007 - 05/2007

	Current Period	Previous Period	% Change
Overall Performance			
Plan Cost PMPM	\$70.39	\$97.03	-27.5 %
Average Mbrs/Month	157,872	187,909	-16.0 %
Average Subs/Month	73,073	97,359	-24.9 %
% Utilizing Members	45.9 %	52.8 %	-13.0 %
% Retail Utilizing Members	45.6 %	52.4 %	-13.0 %
% Mail Utilizing Members	0.6 %	0.7 %	-23.2 %
Rx Measures			
Rxs PMPM	1.34	1.75	-23.3 %
Retail Rxs PMPM	1.33	1.73	-23.2 %
Mail Rxs PMPM	0.01	0.02	-26.6 %
Average Admin Fee/Rx	\$0.00	\$0.01	-99.3 %
Avg Retail Admin Fee/Rx	\$0.00	\$0.01	-99.3 %
Avg Mail Admin Fee/Rx	\$0.00	\$0.00	0.0 %
Average Plan Cost/Rx	\$52.40	\$55.43	-5.5 %
Avg Retail Plan Cost/Rx	\$51.88	\$54.95	-5.6 %
Avg Mail Plan Cost/Rx	\$109.40	\$105.82	3.4 %
Average Mbr Contrib/Rx	\$11.25	\$11.25	-0.1 %
Avg Retail Mbr Contrib/Rx	\$11.17	\$11.19	-0.1 %
Avg Mail Mbr Contrib/Rx	\$19.58	\$18.15	7.9 %
Average Ing Cost/Rx	\$62.02	\$64.80	-4.3 %
Avg Retail Ing Cost/Rx	\$61.43	\$64.26	-4.4 %
Avg Mail Ing Cost/Rx	\$127.48	\$122.47	4.1 %
Average AWP/Rx	\$108.67	\$104.56	3.9 %
Avg Retail AWP/Rx	\$107.69	\$103.65	3.9 %
Avg Mail AWP/Rx	\$218.35	\$201.32	8.5 %
Average Days Supply/Rx	32.9	34.7	-5.3 %
Avg Retail Days/Rx	32.5	34.3	-5.3 %
Avg Mail Days/Rx	72.2	73.8	-2.2 %
Average Plan Cost/Day	\$1.59	\$1.60	-0.2 %
Avg Retail Plan Cost/Day	\$1.60	\$1.60	-0.3 %
Avg Mail Plan Cost/Day	\$1.52	\$1.43	5.7 %
% Plan Cost	82.3 %	83.1 %	-1.0 %
% Member Contribution	17.7 %	16.9 %	4.7 %
% Retail Plan Cost	82.3 %	83.1 %	-1.0 %
% Retail Mbr Contrib	17.7 %	16.9 %	4.7 %
% Mail Plan Cost	84.8 %	85.4 %	-0.6 %
% Mail Member Contrib	15.2 %	14.6 %	3.7 %

Key Performance Indicators

Comprehensive Indicators

WVA - WV Public Employees Ins

Current Period: 05/2008 - 05/2008

Previous Period: 05/2007 - 05/2007

	Current Period	Previous Period	% Change
Rx Sources			
% Mail Rxs	0.9 %	0.9 %	-4.3 %
% Retail Rxs	99.1 %	99.0 %	0.1 %
% Member Submit Rxs	0.0 %	0.0 %	-87.5 %
Rx Types			
Avg SSB Plan Cost/Rx	\$145.41	\$127.13	14.4 %
Avg Retail SSB Plan Cost/Rx	\$144.47	\$126.26	14.4 %
Avg Mail SSB Plan Cost/Rx	\$230.43	\$204.12	12.9 %
Avg MSB Plan Cost/Rx	\$16.86	\$13.50	24.9 %
Avg Retail MSB Plan Cost/Rx	\$16.66	\$13.54	23.1 %
Avg Mail MSB Plan Cost/Rx	\$47.40	\$4.92	863.7 %
Avg GEN Plan Cost/Rx	\$15.22	\$18.30	-16.8 %
Avg Retail GEN Plan Cost/Rx	\$14.98	\$18.12	-17.3 %
Avg Mail GEN Plan Cost/Rx	\$44.13	\$38.58	14.4 %
% Single-Source Brand Rxs	28.5 %	34.2 %	-16.4 %
% Multi-Source Brand Rxs	1.0 %	1.1 %	-15.1 %
% Generic Rxs	70.5 %	64.7 %	9.0 %
% Retail Single-Source Brand	28.5 %	34.1 %	-16.5 %
% Retail Multi-Source Brand	1.0 %	1.1 %	-15.3 %
% Retail Generic	70.5 %	64.8 %	8.9 %
% Mail Single-Source Brand	35.0 %	40.7 %	-14.0 %
% Mail Multi-Source Brand	0.7 %	0.6 %	10.9 %
% Mail Generic	64.3 %	58.6 %	9.6 %
% Formulary Rxs	93.5 %	88.3 %	5.9 %
% Retail Formulary Rxs	93.5 %	88.3 %	5.9 %
% Mail Formulary Rxs	92.7 %	87.9 %	5.4 %
% DAW Rxs	0.6 %	0.8 %	-30.5 %
% Retail DAW Rxs	0.5 %	0.8 %	-31.2 %
% Mail DAW Rxs	1.6 %	1.5 %	9.2 %
% Generic Conversion	98.6 %	98.3 %	0.4 %
% Retail GEN Conversion	98.6 %	98.3 %	0.4 %
% Mail GEN Conversion	98.9 %	99.0 %	-0.0 %
Period Totals			
Total Plan Cost	\$11,112,983.10	\$18,232,961.74	-39.1 %
Retail Plan Cost	\$10,905,893.70	\$17,908,319.65	-39.1 %
Mail Plan Cost	\$207,089.40	\$324,642.09	-36.2 %
Total Member Contribution	\$2,385,094.07	\$3,701,467.17	-35.6 %

Key Performance Indicators

Comprehensive Indicators

WVA - WV Public Employees Ins

Current Period: 05/2008 - 05/2008
 Previous Period: 05/2007 - 05/2007

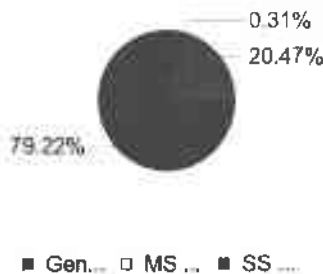
	Current Period	Previous Period	
Retail Member Contrib	\$2,348,024.52	\$3,645,774.46	-35.6 %
Mail Member Contrib	\$37,069.55	\$55,692.71	-33.4 %
Total Rx Count	212,089	328,962	-35.5 %
Retail Rx Count	210,184	325,745	-35.5 %
Member Submit Rx	12	149	-91.9 %
Mail Rx Count	1,893	3,068	-38.3 %
Total Admin Fee	\$18.00	\$3,876.00	-99.5 %
Total UC Savings	\$8,705,860.54	\$11,067,510.44	-21.3 %
Total Lost Savings	\$13,674.44	\$19,304.85	-29.2 %
Demographics			
Average Age	39.0	45.6	-14.4 %
% Male Members	46.5 %	45.2 %	2.9 %
% Female Members	53.5 %	54.8 %	-2.4 %

Graphs based on Current Period: 05/2008 - 05/2008

Claim Source by Rx Count



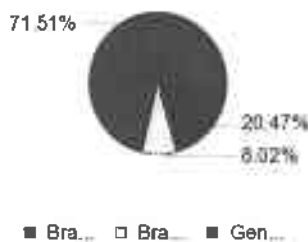
Drug Type by Plan Cost



Formulary Status by Rx Count



Drug Formulary Status by Plan Cost



Cost Share Distribution by Claim Source



Utilization Report by Population Level

WVA - WV Public Employees Ins

Prescriptions Filled From 05/2008 - 05/2008



EXPRESS SCRIPTS®

Div Name (DIV)	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
WV PUBLIC EMPLOYEES INSURANCE (WVA)	157,872	72,455	212,089	\$11,112,983	\$11.25	\$52.40	0.9 %	70.5 %	93.5 %	98.6 %	\$70.39
Grand Total	157,872		212,089	\$11,112,983	\$11.25	\$52.40	0.9 %	70.5 %	93.6 %	98.6 %	\$70.39

Utilization Report by Population Level

WVA - WV Public Employees Ins

Prescriptions Filled From 05/2008 - 05/2008



Reporting Level 1	Avg Mbr Count	Avg Util Mbr/Moth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
COBRA (3000)	339	187	697	\$56,085	\$11.84	\$80.47	1.1 %	65.3 %	91.2 %	98.1 %	\$165.44
NON STATE (2000)	21,773	9,597	28,574	\$1,380,741	\$10.86	\$48.32	0.9 %	72.5 %	94.3 %	98.0 %	\$63.42
STATE (1000)	135,760	62,671	182,818	\$9,676,157	\$11.30	\$52.93	0.9 %	70.2 %	93.4 %	98.6 %	\$71.27
Grand Total	167,872		212,089	\$11,112,983	\$11.25	\$62.40	0.9 %	70.5 %	93.5 %	98.6 %	\$70.39

Utilization Report by Population Level

WVA - WV Public Employees Ins

Prescriptions Filled From 05/2008 - 05/2008



Reporting Level 2	Avg Mbr Count	Avg Util Mon/Moth	Rx Count	Plan Cost	Member Cost/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
COBRA (COBRA)	339	187	697	\$56,085	\$11.84	\$80.47	1.1 %	65.3 %	91.2 %	98.1 %	\$165.44
NON STATE AGENCIES (02)	18,179	7,872	23,053	\$1,111,753	\$10.70	\$48.23	0.9 %	72.4 %	94.2 %	99.0 %	\$61.16
NON STATE AGENCIES PLAN B (02B)	2,326	895	2,303	\$84,249	\$13.23	\$36.58	0.9 %	74.9 %	94.0 %	99.3 %	\$36.22
NON STATE RETIREES (08)	1,208	761	2,998	\$174,802	\$10.58	\$58.31	1.8 %	70.6 %	94.9 %	99.0 %	\$144.94
NON STATE RETIREES 60 (0860)	62	49	220	\$9,937	\$6.47	\$45.17	0.0 %	74.1 %	97.3 %	99.4 %	\$160.28
STATE AGENCIES (01)	118,802	52,978	149,553	\$7,857,764	\$11.26	\$52.54	0.8 %	70.3 %	93.3 %	98.6 %	\$66.14
STATE AGENCIES (01B)	3,557	948	2,015	\$85,182	\$13.69	\$42.27	1.7 %	74.5 %	93.1 %	98.8 %	\$23.95
STATE RETIREES (07)	13,153	8,491	30,199	\$1,682,879	\$11.55	\$55.73	1.0 %	69.2 %	93.7 %	98.5 %	\$127.95
STATE RETIREES ASST 60 (0760)	248	254	1,051	\$50,332	\$6.67	\$47.89	0.6 %	73.0 %	96.1 %	99.1 %	\$202.95
Grand Total	157,872		212,089	\$11,112,983	\$11.25	\$52.40	0.9 %	70.5 %	93.5 %	98.6 %	\$70.39

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET

DRAFT

April 30

	2008	2007
ASSETS		
Short Term Assets		
Cash and Equivalents	\$ 28,716,166	\$ 35,838,333
Advance Deposit with Carrier/Trustee	156,626,367	112,767,727
Receivables - Net	9,504,672	4,437,984
Prepaid Insurance	1,065,720	1,024,631
Total Short Term Assets	195,912,925	154,068,675
Long Term Assets		
Investments	111,987,975	117,871,901
Total Long Term Assets	111,987,975	117,871,901
TOTAL ASSETS	307,900,900	271,940,576
LIABILITIES		
Short Term Liabilities		
Accounts payable	4,323,835	1,126,793
Claims Payable	40,376	218,579
Agents Commissions Payable	1,654,338	1,672,008
Unearned Revenue	12,663,707	14,037,702
Current Estimated Claim Reserve	53,339,877	50,870,127
Total Short Term Liabilities	72,022,133	67,925,209
Long Term Liabilities		
Compensated Absences	200,147	163,620
Estimated Noncurrent Claim Reserve	110,506,581	121,641,987
Total Long Term Liabilities	110,706,728	121,805,607
TOTAL LIABILITIES	182,728,861	189,730,816
Prior Year Net Assets	97,546,877	44,843,685
Current Year Earnings	27,625,162	37,366,075
TOTAL NET ASSETS	125,172,039	82,209,760
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 307,900,900	\$ 271,940,576

DRAFT - Unaudited - Management Purposes Only

06/11/08

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



	April 30	
	2008	2007
Operating Revenues		
Premium Revenues	\$ 61,135,372	\$ 67,069,051
Less - Excess Insurance	(5,328,603)	(5,123,155)
Total Operating Revenues	55,806,769	61,945,896
Operating Expenses		
Claims Expense	36,474,090	34,981,964
Property & MS Claims Expense	1,718,442	4,561,210
Personal Services	1,103,982	1,065,753
Operating Expenses	2,627,050	2,527,780
Total Operating Expenses	41,923,564	43,136,707
Operating Income	13,883,205	18,809,189
Nonoperating Revenues		
Court Fees	24,285	19,140
Claim Interest Income	-	189,219
Investment Income	13,717,672	18,348,527
Total Nonoperating Revenues	13,741,957	18,556,886
Net Income	27,625,162	37,366,075

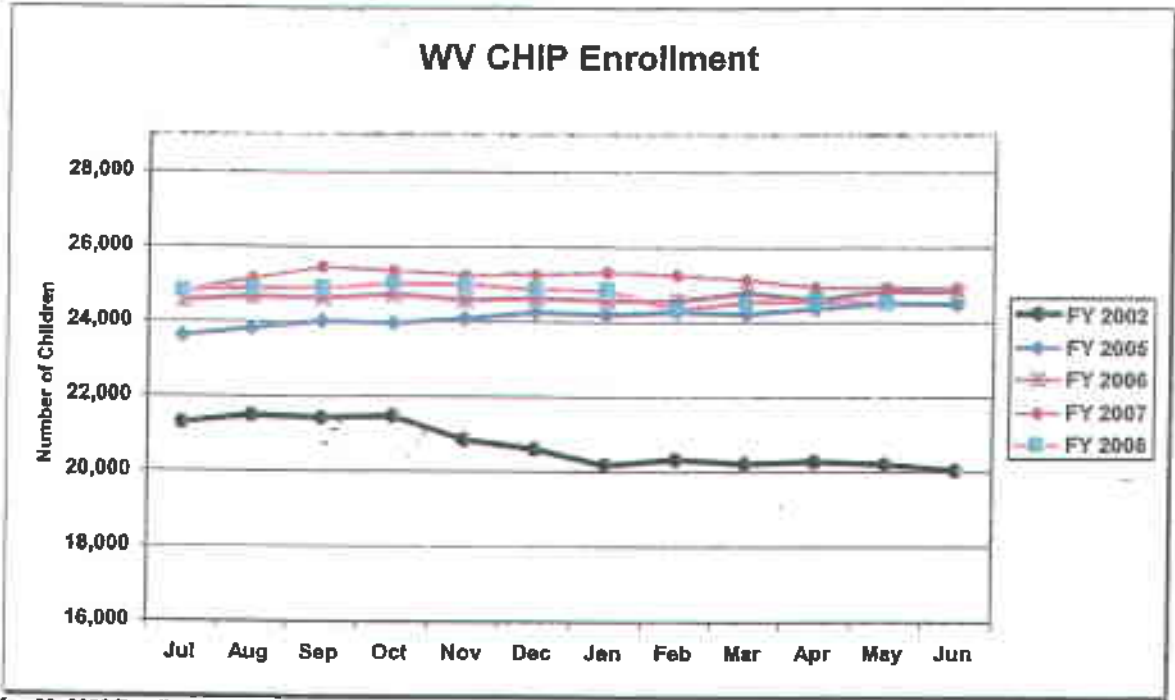


**West Virginia
Children's Health Insurance Program
1018 Kanawha Boulevard East
Suite 209
Charleston, WV 25301**

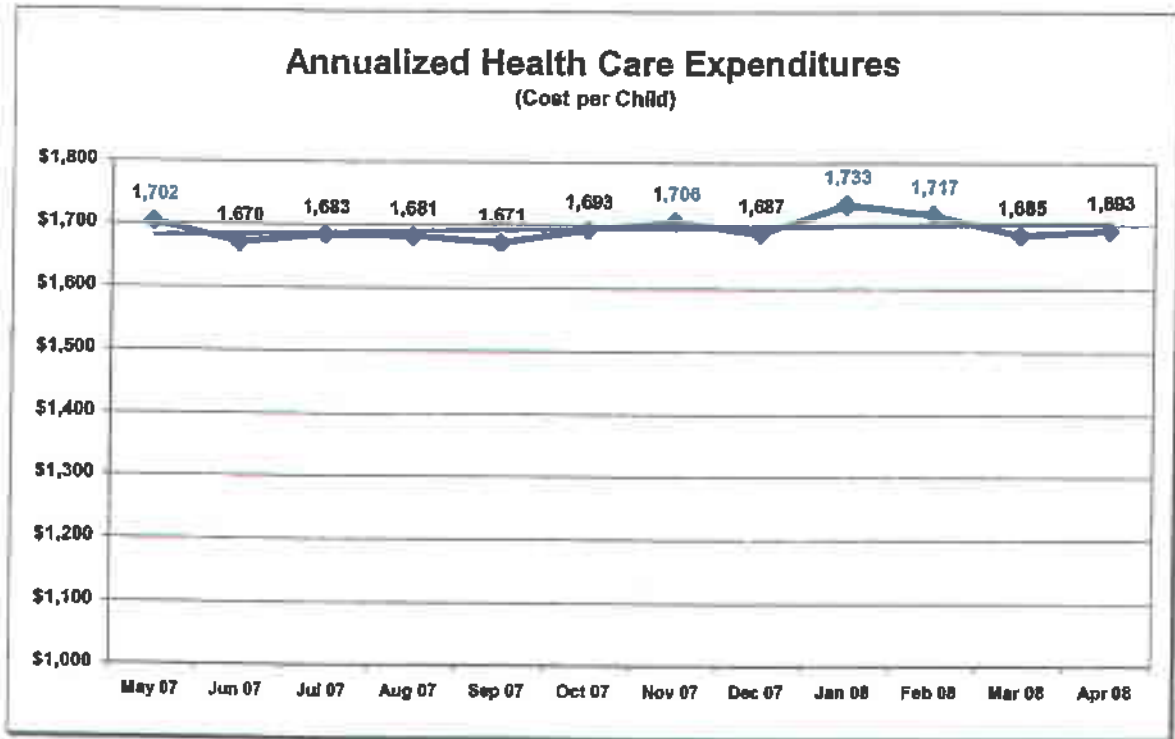
**Phone: 304-558-2732
Toll-Free: 1-877-WVA CHIP
Fax: 304-558-2741
www.wvchip.org**

**Joint Committee on
Government and Finance
Report**

June 2008



May 30, 2008 Enrollment 24,561



West Virginia Children's Health Insurance Program
Comparative Balance Sheet
April 30 2008 and 2007
(Accrual Basis)

	April 30, 2008	April 30, 2007	Variance	
Assets:				
Cash & Cash Equivalents	\$9,648,937	\$6,527,606	\$3,121,331	48%
Due From Federal Government	\$3,012,039	\$3,398,976	(\$386,937)	-11%
Due From Other Funds	\$662,075	\$798,846	(\$136,771)	-17%
Accrued Interest Receivable	\$16,734	\$17,113	(\$379)	-2%
Fixed Assets, at Historical Cost	\$61,569	\$62,141	(\$572)	-1%
Total Assets	<u>\$13,401,355</u>	<u>\$10,804,682</u>	<u>\$2,596,673</u>	<u>24%</u>
Liabilities:				
Due to Other Funds	\$304,115	\$227,822	\$76,293	33%
Deferred Revenue	\$1,519,464	\$1,569,192	(\$49,728)	-3%
Unpaid Insurance Claims Liability	<u>\$3,370,000</u>	<u>\$3,970,000</u>	(\$600,000)	-15%
Total Liabilities	<u>\$5,193,578</u>	<u>\$5,767,014</u>	<u>(\$573,436)</u>	<u>-10%</u>
Fund Equity	<u>\$8,207,777</u>	<u>\$5,037,668</u>	<u>\$3,170,109</u>	<u>63%</u>
Total Liabilities and Fund Equity	<u>\$13,401,355</u>	<u>\$10,804,682</u>	<u>\$2,596,673</u>	<u>24%</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 Ten Months Ending April 30, 2008 and April 30, 2007
(Modified Accrual Basis)

	April 30, 2008	April 30, 2007	Variance	
Revenues:				
Federal Grants	29,454,728	29,614,251	(159,523)	-1%
State Appropriations	10,968,895	10,966,703	2,292	0%
Premium Revenues	70,839	4,507	66,332	1472%
Investment Earnings	<u>204,017</u>	<u>124,744</u>	<u>79,273</u>	64%
Total Operating Revenues	<u>40,698,579</u>	<u>40,710,205</u>	<u>(11,626)</u>	0%
Operating Expenditures:				
Claims:				
Outpatient Services	8,853,571	8,603,286	250,285	3%
Physicians & Surgical	7,715,175	7,686,034	29,141	0%
Prescribed Drugs	6,795,951	7,076,521	(280,570)	-4%
Dental	4,104,274	4,007,629	96,645	2%
Inpatient Hospital Services	2,948,288	3,372,869	(424,581)	-13%
Vision	1,021,057	1,032,985	(11,928)	-1%
Outpatient Mental Health	1,001,179	1,268,875	(267,696)	-21%
Inpatient Mental Health	491,039	773,936	(282,897)	-37%
Durable & Disposable Med Equip.	424,121	380,654	43,467	11%
Therapy	315,327	289,875	25,452	9%
Medical Transportation	207,003	296,476	(89,473)	-30%
Other Services	79,407	119,876	(40,469)	-34%
Less: Collections*	<u>(542,791)</u>	<u>(569,036)</u>	<u>26,245</u>	-5%
Total Claims	<u>33,413,601</u>	<u>34,339,980</u>	<u>(926,379)</u>	-3%
General and Admin Expenses:				
Salaries and Benefits	397,316	383,160	14,156	4%
Program Administration	1,734,034	1,615,692	118,342	7%
Eligibility	274,930	249,878	25,052	10%
Outreach & Health Promotion	57,811	15,159	42,452	280%
Current	<u>98,428</u>	<u>96,045</u>	<u>2,383</u>	2%
Total Administrative	<u>2,562,319</u>	<u>2,359,934</u>	<u>202,385</u>	9%
Total Expenditures	<u>35,975,920</u>	<u>36,699,914</u>	<u>(723,994)</u>	-2%
Excess of Revenues				
Over (Under) Expenditures	4,722,659	4,010,291	712,368	18%
Fund Equity, Beginning	<u>3,485,118</u>	<u>1,027,377</u>	<u>2,457,741</u>	239%
Fund Equity, Ending	<u>8,207,777</u>	<u>5,037,668</u>	<u>3,170,109</u>	63%

* Collections are primarily drug rebates and subrogation

* State Appropriations restated in prior year to actual draw deposited

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
 Budget to Actual Statement
 State Fiscal Year 2008
 For the Ten Months Ended April 30, 2008

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Apr-08</u>	<u>Mar-08</u>	<u>Feb-08</u>
Projected Cost	\$49,020,492	\$40,850,410	\$33,751,325	\$7,099,085	17%	\$4,085,041	\$3,492,568	\$4,014,129	\$2,771,454
Premiums	136,290	113,575	70,839	\$42,736	-38%	11,358	\$7,997	9,687	8,862
Subrogation & Rebates	<u>760,000</u>	<u>633,333</u>	<u>542,791</u>	<u>90,542</u>	<u>-14%</u>	<u>63,333</u>	<u>38,413</u>	<u>38,893</u>	<u>24,016</u>
Net Benefit Cost	47,058,152	\$39,215,127	\$33,166,889	\$6,048,237	15%	3,921,513	3,446,158	3,965,549	2,738,577
Salaries & Benefits	\$519,673	\$433,061	\$397,315	\$35,745	8%	\$43,306	\$36,199	\$35,889	\$36,583
Program Administration	2,166,796	1,805,663	1,647,203	158,460	9%	180,566	177,979	178,793	166,675
Eligibility	340,055	283,379	201,636	81,743	29%	28,338	1,430	29,376	650
Outreach	27,157	22,631	57,612	(34,981)	-155%	2,263	3,846	13,785	713
Current Expense	<u>287,741</u>	<u>239,784</u>	<u>104,385</u>	<u>135,400</u>	<u>56%</u>	<u>23,978</u>	<u>10,167</u>	<u>9,437</u>	<u>8,587</u>
Total Admin Cost	\$3,341,422	\$2,784,518	\$2,408,151	\$376,367	14%	\$278,452	\$229,621	\$267,280	\$213,408
Total Program Cost	<u>\$50,399,574</u>	<u>\$41,999,645</u>	<u>\$35,575,040</u>	<u>\$6,424,605</u>	<u>15%</u>	<u>\$4,199,965</u>	<u>\$3,675,779</u>	<u>\$4,232,829</u>	<u>\$2,951,985</u>
Federal Share 81.98%	40,823,655	\$34,019,712	\$29,068,608	4,951,104	15%	3,401,971	3,013,403	3,470,073	2,420,037
State Share 18.02%	<u>9,575,919</u>	<u>\$7,979,933</u>	<u>\$6,506,432</u>	<u>1,473,501</u>	<u>18%</u>	<u>797,993</u>	<u>662,375</u>	<u>762,756</u>	<u>531,948</u>
Total Program Cost *	<u>\$50,399,574</u>	<u>\$41,999,645</u>	<u>\$35,575,040</u>	<u>\$6,424,605</u>	<u>15%</u>	<u>\$4,199,965</u>	<u>\$3,675,779</u>	<u>\$4,232,829</u>	<u>\$2,951,985</u>

* Positive percentages indicate favorable variances

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

Unaudited - Cash Basis For Management Purposes Only - Unaudited

Legislative Oversight Commission on
Health and Human Resources Accountability

JUNE 2008

Department of Administration

State Children's Health Insurance Program
UPDATE



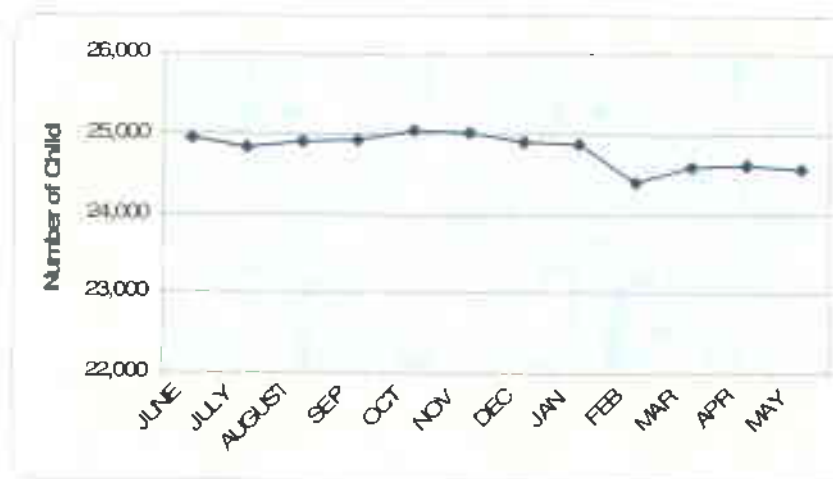
WV CHILDREN'S HEALTH INSURANCE AGENCY

REPORT FOR JUNE 2008

I. Enrollment on May 30, 2008: 24,561

See Attachment 1 for enrollment by county.

Current 12-Month Enrollment Period: June 2007 through May 2008



Enrollee Totals: March 2008 to May 2008

Month	Total	1 Year	Total
March	2,085	Average	1,720
April	1,688	High	2,105
May	1,472	Low	1,334

New Enrollee (Never Before on CHIP) Totals: March 2008 to May 2008

Month	Total	1 Year	Total
March	684	Average	733
April	646	High	926
May	555	Low	540

II. Re-enrollment for 3 Month Period: March 2008 to May 2008

Total Forms Mailed		Enrolled within Notice Period		Reopened Cases After Closure		Final Closures	
Month	Total	#	%	#	%	#	%
March	1,971	1,161	59%	227	12%	583	30%
April	1,682	1,041	62%	143	9%	498	30%
May	1,743	966	55%	218	13%	559	32%

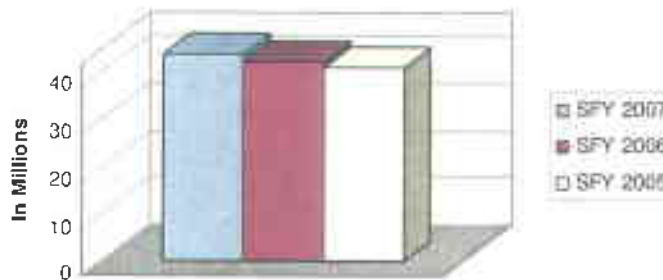
III. Financial Activity

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

The average annualized claims cost per child for the month ended April 2008 was \$1,826.

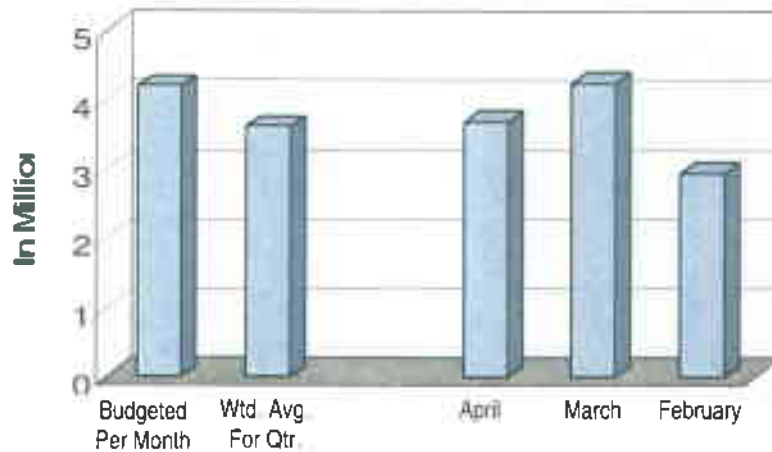
Annual Expenditures for a 3 Year Period: SFY 2005 – SFY 2007

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



Monthly Budgeted and Current 3 Month Period: February 2008 – April 2008

	Budgeted Per Month	Wtd. Avg. For Qtr.	Actual		
			April 2008	March 2008	February 2008
Federal	3,401,971	2,967,838	3,013,403	3,470,073	2,420,037
State	797,994	652,360	662,375	762,756	531,948
Total	4,199,965	3,620,197	3,675,778	4,232,829	2,951,985



IV. Other Highlights

FEDERAL FUNDING UPDATE

- WVCHIP continues to project sufficient federal funding lasting through the end of the current federal fiscal year (September 2008), as well as through March 2009 when the current federal allocation ends.

OUTREACH ACTIVITIES UPDATE

- WVCHIP has entered into an agreement with the WV Healthy Kids and Families Coalition and the WV Council of Churches to renew its outreach activities with the assistance of members of these organizations in the coming fiscal year.

WV CHIP Enrollment Report

ATTACHMENT 1

May 2008

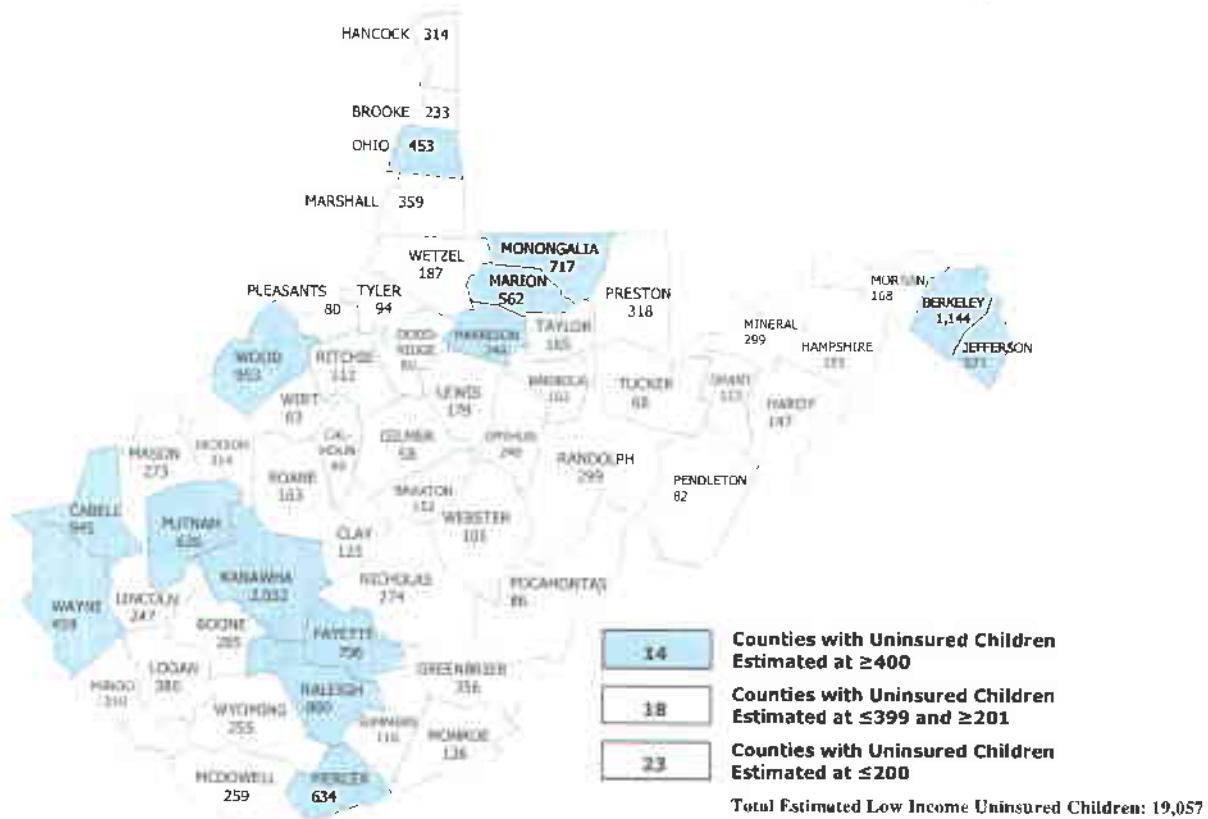
County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment May-08	Total Medicaid Enrollment May-08	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2007 Est. Uninsured 5%	2007 # Children Uninsured Ranking*
Kanawha	40,647	2,093	16,123	18,216	44.8%	2,032	1
Berkeley	22,882	1,206	5,810	7,016	30.7%	1,144	2
Wood	19,063	1,157	7,564	8,721	45.7%	953	3
Cabell	18,900	971	7,825	8,796	46.5%	945	4
Raleigh	15,992	1,305	6,816	8,121	50.8%	800	5
Harrison	14,973	931	5,740	6,671	44.6%	749	6
Monongalia	14,346	721	4,045	4,766	33.2%	717	7
Mercer	12,687	1,078	6,409	7,487	59.0%	634	8
Putnam	12,522	623	3,094	3,717	29.7%	626	9
Jefferson	11,465	400	2,127	2,527	22.0%	573	10
Marion	11,245	804	4,166	4,970	44.2%	562	11
Fayette	9,692	888	4,589	5,477	56.5%	485	12
Wayne	9,176	583	3,987	4,570	49.8%	459	13
Ohio	9,068	529	2,935	3,464	38.2%	453	14
Logan	7,610	544	3,820	4,364	57.3%	380	15
Marshall	7,176	389	2,660	3,049	42.5%	359	16
Greenbrier	7,110	591	2,657	3,248	45.7%	356	17
Preston	6,354	512	2,299	2,811	44.2%	318	18
Jackson	6,277	362	2,389	2,751	43.8%	314	19
Hancock	6,270	378	2,191	2,569	41.0%	314	20
Mingo	6,204	392	3,191	3,583	57.8%	310	21
Mineral	5,973	273	1,987	2,260	37.8%	299	22
Randolph	5,971	471	2,410	2,881	48.2%	299	23
Boone	5,706	299	2,525	2,824	49.5%	285	24
Nicholas	5,478	439	2,488	2,927	53.4%	274	25
Mason	5,461	343	2,443	2,786	51.0%	273	26
McDowell	5,170	388	3,241	3,629	70.2%	259	27
Hampshire	5,110	270	1,810	2,080	40.7%	255	28
Wyoming	5,092	451	2,685	3,136	61.6%	255	29
Upshur	4,956	391	2,246	2,637	53.2%	248	30
Lincoln	4,945	416	2,471	2,887	58.4%	247	31
Brooke	4,658	279	1,460	1,739	37.3%	233	32
Wetzel	3,732	203	1,597	1,800	48.2%	187	33
Lewis	3,577	290	1,808	2,098	58.6%	179	34
Morgan	3,365	233	979	1,212	36.0%	168	35
Taylor	3,307	226	1,344	1,570	47.5%	165	36
Roane	3,266	272	1,603	1,875	57.4%	163	37
Barbour	3,248	326	1,503	1,829	56.3%	162	38
Braxton	3,044	222	1,547	1,769	58.1%	152	39
Hardy	2,950	143	1,039	1,182	40.1%	147	40
Monroe	2,728	246	916	1,162	42.6%	136	41
Grant	2,463	135	941	1,076	43.7%	123	42
Clay	2,454	170	1,370	1,540	62.7%	123	43
Summers	2,322	220	1,130	1,350	58.1%	116	44
Ritchie	2,234	153	812	965	43.2%	112	45
Webster	2,020	187	1,115	1,302	64.5%	101	46
Tyler	1,887	103	807	910	48.2%	94	47
Pocahontas	1,717	148	633	781	45.5%	86	48

WV CHIP Enrollment Report

May 2008

ATTACHMENT 1

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment May-08	Total Medicaid Enrollment May-08	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2007 Est. Uninsured 5%	2007 # Children Uninsured Ranking*
Pendleton	1,632	98	408	506	31.0%	82	49
Doddridge	1,607	121	721	842	52.4%	80	50
Pleasants	1,593	90	491	581	36.5%	80	51
Calhoun	1,389	129	785	914	65.8%	69	52
Tucker	1,354	169	472	641	47.3%	68	53
Wirt	1,268	114	540	654	51.6%	63	54
Gilmer	1,154	86	558	644	55.8%	58	55
Totals	382,490	24,561	149,322	173,883	45.5%	19,125	



Note 1: The most recent estimate for uninsured children statewide from the US Census Current Population Survey is 8%. CHIP uses a 5% estimate to reflect the percentage of uninsured children for outreach purposes who could qualify for CHIP or Medicaid. It should be noted that even this five percent extrapolation to the county level could vary significantly from county to county depending on the availability of employee sponsored insurance. However, it remains our best gross estimate of the remaining uninsured children.

Note 2: Since it has been estimated that 7 of 10 uninsured children qualify or may have qualified for CHIP or Medicaid in the past, WVCHIP asserts that a 5% uninsured estimate is a more realistic target number for outreach.

West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Ten Months Ending April 30, 2008 and April 30, 2007
(Modified Accrual Basis)

	April 30, 2008	April 30, 2007	Variance	
Revenues:				
Federal Grants	29,454,728	29,614,251	(159,523)	-1%
State Appropriations	10,968,995	10,966,703	2,292	0%
Premium Revenues	70,839	4,507	66,332	1472%
Investment Earnings	<u>204,017</u>	<u>124,744</u>	<u>79,273</u>	64%
Total Operating Revenues	<u>40,698,579</u>	<u>40,710,205</u>	<u>(11,626)</u>	0%
Operating Expenditures:				
Claims:				
Outpatient Services	8,853,571	8,603,286	250,285	3%
Physicians & Surgical	7,715,175	7,686,034	29,141	0%
Prescribed Drugs	6,795,951	7,076,521	(280,570)	-4%
Dental	4,104,274	4,007,629	96,645	2%
Inpatient Hospital Services	2,948,288	3,372,869	(424,581)	-13%
Vision	1,021,057	1,032,985	(11,928)	-1%
Outpatient Mental Health	1,001,179	1,268,875	(267,696)	-21%
Inpatient Mental Health	491,039	773,936	(282,897)	-37%
Durable & Disposable Med. Equip.	424,121	380,654	43,467	11%
Therapy	315,327	289,875	25,452	9%
Medical Transportation	207,003	296,476	(89,473)	-30%
Other Services	79,407	119,876	(40,469)	-34%
Less: Collections*	<u>(542,791)</u>	<u>(569,036)</u>	<u>26,245</u>	-5%
Total Claims	<u>33,413,601</u>	<u>34,339,980</u>	<u>(926,379)</u>	-3%
General and Admin Expenses:				
Salaries and Benefits	397,316	383,160	14,156	4%
Program Administration	1,734,034	1,615,692	118,342	7%
Eligibility	274,930	249,878	25,052	10%
Outreach & Health Promotion	57,611	15,159	42,452	280%
Current	<u>98,428</u>	<u>96,045</u>	<u>2,383</u>	2%
Total Administrative	<u>2,562,319</u>	<u>2,359,934</u>	<u>202,385</u>	9%
Total Expenditures	<u>35,975,920</u>	<u>36,699,914</u>	<u>(723,994)</u>	-2%
Excess of Revenues				
Over (Under) Expenditures	4,722,659	4,010,291	712,368	18%
Fund Equity, Beginning	<u>3,485,118</u>	<u>1,027,377</u>	<u>2,457,741</u>	239%
Fund Equity, Ending	<u>8,207,777</u>	<u>5,037,668</u>	<u>3,170,109</u>	63%

* Collections are primarily drug rebates and subrogation

* State Appropriations restated in prior year to actual draw deposited

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program
 Budget to Actual Statement
 State Fiscal Year 2008
 For the Ten Months Ended April 30, 2008**

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Apr-08</u>	<u>Mar-08</u>	<u>Feb-08</u>
Projected Cost	\$49,020,492	\$40,850,410	\$33,751,325	\$7,099,085	17%	\$4,085,041	\$3,492,568	\$4,014,129	\$2,771,454
Premiums	136,290	113,575	70,839	\$42,736	-38%	11,358	\$7,997	9,687	8,862
Subrogation & Rebates	<u>760,000</u>	<u>633,333</u>	<u>542,791</u>	<u>90,542</u>	-14%	<u>63,333</u>	<u>38,413</u>	<u>38,893</u>	<u>24,016</u>
Net Benefit Cost	47,058,152	\$39,215,127	\$33,166,889	\$6,048,237	15%	3,921,513	3,446,158	3,965,549	2,738,577
Salaries & Benefits	\$519,673	\$433,061	\$397,315	\$35,745	8%	\$43,306	\$36,199	\$35,889	\$36,583
Program Administration	2,166,796	1,805,663	1,647,203	158,460	9%	180,566	177,979	178,793	166,875
Eligibility	340,055	283,379	201,636	81,743	29%	28,338	1,430	29,376	650
Outreach	27,157	22,631	57,612	(34,981)	-155%	2,263	3,846	13,785	713
Current Expense	<u>287,741</u>	<u>239,784</u>	<u>104,385</u>	<u>135,400</u>	<u>56%</u>	<u>23,978</u>	<u>10,167</u>	<u>9,437</u>	<u>8,587</u>
Total Admin Cost	\$3,341,422	\$2,784,518	\$2,408,151	\$376,367	14%	\$278,452	\$229,621	\$267,280	\$213,408
Total Program Cost	<u>\$50,399,574</u>	<u>\$41,999,645</u>	<u>\$35,575,040</u>	<u>\$6,424,605</u>	<u>15%</u>	<u>\$4,199,965</u>	<u>\$3,675,779</u>	<u>\$4,232,829</u>	<u>\$2,951,985</u>
Federal Share 81.98%	40,823,655	\$34,019,712	\$29,068,608	4,951,104	15%	3,401,971	3,013,403	3,470,073	2,420,037
State Share 18.02%	<u>9,575,919</u>	<u>\$7,979,933</u>	<u>\$6,506,432</u>	<u>1,473,501</u>	<u>18%</u>	<u>797,993</u>	<u>662,375</u>	<u>762,756</u>	<u>531,948</u>
Total Program Cost *	<u>\$50,399,574</u>	<u>\$41,999,645</u>	<u>\$35,575,040</u>	<u>\$6,424,605</u>	<u>15%</u>	<u>\$4,199,965</u>	<u>\$3,675,779</u>	<u>\$4,232,829</u>	<u>\$2,951,985</u>

* Positive percentages indicate favorable variances
 ** Budgeted Year Based on CCRC Actuary 6/30/2007 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
WVFIMS Fund 2154
For the Month Ended April 30, 2008
(Accrual Basis)

Investment Account

Funds Invested	\$8,603,009
Interest Earned	<u>204,017</u>
Total	<u>\$8,807,026</u>

Unaudited - For Management Purposes Only - Unaudited



JOE MANCHIN III
GOVERNOR

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
OFFICE OF THE CABINET SECRETARY

ROBERT W. FERGUSON, JR.
CABINET SECRETARY

June 3, 2008

Mr. Aaron Allred, Manager
Legislative Services
West Virginia Legislature
1900 Kanawha Boulevard, East
Charleston, WV 25305

Re: Joint Committee on Government & Finance


Dear Mr. Allred,

During the May interim meeting of the Joint Committee on Government and Finance, several members requested follow up information regarding our Real Estate Division. I am enclosing a Lease Portfolio that identifies the following:

1. The number of leases the State has, broken down by State owned versus private sector buildings,
2. Information on the Bureau of Senior Services lease at the Charleston Town Center Mall,
3. A list which shows how many leases we have broken down by the lease term/number of years, and
4. Fact points regarding the percentage of leases under 10,000 square feet and the maximum term permitted by Code.

If you have any questions, or need additional information, please do not hesitate to contact me at the number above or Chuck Lawrence the Real Estate Director at 558-3490.

Sincerely,


Robert W. Ferguson, Jr.
Cabinet Secretary

Department of Administration
 Real State Division
 6/3/2008

Lease Portfolio

Total Number of Leases	646
Total Dollars	\$32,288,173.57
<hr/>	
In State Owned Buildings	68
Rent	\$10,956,681.42
<hr/>	
In Private Sector Buildings	578
Rent	\$21,329,492.15

Bureau of Senior Services

Lease Year	Rate	Annual	Monthly	Commencement	Expiration
1	12.00	129,696.00	10,808.00	10/1/2004	9/30/2014
2	12.24	132,289.92	11,024.16		
3	12.48	134,935.72	11,244.64		
4	12.73	137,634.43	11,469.54		
5	12.99	140,387.12	11,698.93		
6	13.25	143,194.86	11,932.91		
7	13.51	146,058.76	12,171.56		
8	13.78	148,979.94	12,414.99		
9	14.06	151,959.54	12,663.29		
10	14.34	154,998.73	12,916.56		
		1,420,135.01			

Lease Term	# LEASES
MONTH TO MONTH	45
1 YEAR	146
2 YEAR	40
3 YEAR	117
4 YEAR	2
5 YEAR	154
7 YEAR	3
8 YEAR	1
10 YEAR	80
15 YEAR	15
20 YEAR	19
21 YEAR	1
22 YEAR	1
24 YEAR	2
25 YEAR	4
30 YEAR	3
40 YEAR	7
45 YEAR	1
Others	5
	646

15.5% of 105 Leases are >10,000 Square Feet
 40 Years is the maximum term permitted by Code

Datapoints

All leases do not renew at the same time
 Renewals - Alternative Space Options are considered as appropriate
 New Leases >10,000SF are advertised
 All owners are/must be registered vendors

**Department of Administration Leasing Report
For The Period of May 1, 2008 through June 13, 2008**

NEW CONTRACT OF LEASE

Veterans Affairs

VET-032 New Contract of Lease for 3 year containing 3,511 square feet of storage space at the PSF rate of \$3.00, full service with the General Corporation, in the City of Clarksburg, Harrison County.

Small Business Development Center

SBD-001 New Contract of Lease for 1 year containing two executive suite offices at the monthly rate of \$1,000, full service and includes office furn., office equipment, conference room, phones, etc. with Newberry Properties, LLC in the City of Martinsburg, Berkeley County.

STRAIGHT RENEWALS

Department of Environmental Protection

DEP-167 Renewal for 1 year consisting of 100 square feet of storage space at the current PSF rate of \$ 4.80 with C&P Mini Storage, in the City of Morgantown, Monongalia County.

DEP-125 Renewal for 5 years of an air monitoring site at the current rent of \$1.00 Annually with Harrison County Board of Education, in the City of Clarksburg, Harrison County.

DEP-115 Renewal for 1 year consisting of a parcel of land at the current rent of \$1.00 annually, with the Department of Rehabilitation Services, at Institute, Kanawha County.

DEP-086 Renewal for 2 years consisting of 10,322 square feet of office space at the current PSF rate of \$6.35 includes utilities with Philippi Municipal Building Commission, in the City of Philippi, Barbour County.

DEP-121 Renewal for 5 years of a monitoring tower site at the current rent of \$1.00 annually, with Marshall University, in the City of Huntington, Cabell County.

STRAIGHT RENEWALS CONTINUED

Department of Motor Vehicles

DMV-032 Renewal for 3 years containing 2,250 square feet of office space at the current PSF rate of \$9.50, full service with Middletown Investments, LLC, in the city of White Hall, Marion County.

APC (Air Pollution Quality Control) -020 Renewal for 3 years of a parcel of land at the current rent of \$600.00 annually with Myra Tuandis, in the City of New Cumberland, Hancock County.

DEP-169 Renewal for 1 year consisting of 150 square feet of storage space at the current PSF rate of \$4.80 with Mt. Springs Enterprises, in the City of Mt. Storm, Grant County.

DEP-179 Renewal for 2 years consisting of an air monitoring site at the current annual rate of \$240.00, with Central Boaz Public Service District, in the City of Boaz, Wood County.

Veterans Affairs

VET-004 Renewal for 3 years containing 360 square feet of office space at the current PSF rate of \$3.33 with the American Legion, in the City of Moorefield, Hardy County.

Department of Education

EDU-016 Renewal for 3 years containing 3,412 square feet of office space at the current PSF rate of \$10.50, full service with Middletown Investments, LLC, in the City of White Hall, Marion County.

Bluefield State College

BSC-001 Renewal for 1 year containing 12,552 square feet of office space at the current PSF rate of \$10.80, full service with W.W.L. Properties, in the City of Beckley, Raleigh County.

Division of Corrections

COR-043 Renewal for seven (7) months for 270 square feet of office space at the current PSF rate of \$9.48, full service, with the Jefferson County Commission, in the City of Charles Town, Jefferson County.

STRAIGHT RENEWALS CONTINUED

COR-030 Renewal for 3 years containing 1,046 square feet of office space at the current PSF rate of \$11.08, full service with Mull Center, LLC, in the City of Wheeling, Ohio County.

COR-035 Renewal for 3 years consisting of 2,176 square feet of office space at the current PSF rate of \$4.14 with the Division of Highways, in the City of Huntington, Cabell County.

Criminal Justice Division

CJH-001 Renewal for 1 year containing 9,310 square feet of office space at the current PSF rate of \$9.51, full service with 1204 Kanawha Blvd., Corporation, in City of Charleston, Kanawha County.

Lottery

LOT-007 Renewal for 5 years containing 120 square feet of office space at the current PSF rate of \$8.00, full service with PNGI Charles Town Gaming, LLC, in the City of Charles Town, Jefferson County.

Fairmont State University

FSC-024 Renewal for 1 year containing 1,400 square feet of office space at the current PSF rate of \$4.42 with Teresa Puccio, in the City of Fairmont, Marion County.

FSC-025 Renewal for 1 year containing 200 square feet of storage space at the current PSF rate of \$7.14, full service with K & K Storage, in the City of Fairmont, Marion County.

FSC-026 Renewal for 3 years containing 200 square feet of storage space at the current PSF rate of \$3.60 with Climate Control Storage Plus, LLC in the City of Fairmont, Marion County.

FSC-027 Renewal for 1 year containing 250 square feet of office space at the current PSF rate of \$11.03, full service with Upshur County Development Authority, in the City of Buckhannon, Upshur County.

STRAIGHT RENEWALS CONTINUED

Department of Agriculture

AGR-047 Renewal for 1 year containing 502 square feet of office space at the current PSF rate of \$11.95, full service with Human Resource Development & Employment, Inc., in the City of Hinton, Summers County.

West Virginia State University

WSU-001 Renewal for 1 year containing 240 square feet of office space at the current PSF rate of \$10.00, full service with WVSU R&D Corporation, in the City of Institute, Kanawha County.

Board of Licensed Dieticians

BLD-001 Renewal for 5 years containing 250 square feet of office space at the current PSF rate of \$6.30, full service with The Riggs Corporation, in the City of Charleston, Kanawha County.

Soil and Conservation Agency

SCC-002 Renewal for 1 year containing 590 square feet of office space at the current PSF rate of \$9.60, full service with the Department of Agriculture, in the City of Moorefield, Hardy County.

Division of Forestry

FOR-006 Renewal for 1 year containing 300 square feet of office space at the current PSF rate of \$9.00 with James and Dinah Courier, in the City of Keyser, Mineral County

DEPARTMENT OF ADMINISTRATION LEASES-STRAIGHT RENEWALS

Department of Health and Human Resources

HHR-133 Renewal for 1 year containing 30,902 square feet of office space at the current PSF rate of \$14.75 full service with the Department of Administration in the City of Beckley, Raleigh County.

**DEPARTMENT OF ADMINISTRATION LEASES-STRAIGHT
RENEWALS CONTINUED**

Public Port Authority

PPA-001 Renewal for 1 year containing 696 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County.

Public Transit Authority

PTA-001 Renewal for 1 year containing 2,356 square feet of office space at the current PSF rate of \$9.50 full service with the Department of Administration, in the City of Charleston, Kanawha County.

Aeronautics Division

AER-003 Renewal for 1 year consisting of 696 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County.

Workforce WV

WWV-003 Renewal for 1 year containing 7,557 square feet of office space at the current PSF rate of \$8.50, full service with the Department of Administration, in the City of Fairmont, Marion County.

Veterans Affairs

VET-015 Renewal for 1 year containing 500 square feet of office space at the current PSF rate of \$14.75, full service, with the Department of Administration, in the City of Beckley, Raleigh County.

VET-018 Renewal for 1 year containing 486 square feet of office space at the current PSF rate of \$8.50, full service with the Department of Administration, in the City of Fairmont, Marion County.

Education and the Arts

E&A-001 Renewal for 1 year containing 4,917 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County.

**DEPARTMENT OF ADMINISTRATION LEASES-STRAIGHT
RENEWALS CONTINUED**

Division of Labor

LAB-001 Renewal for 1 year containing 11,285 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County

Board of Social Work Examiners

SOC-001 Renewal for 1 year containing 669 square feet of office space at the current PSF rate of \$8.75, full service with the Department of Administration, in the City of Charleston, Kanawha County.

Tax Department

TAX-007 Renewal for 1 year containing 63,297 square feet of office space at the current PSF rate of \$5.50, full service with the Department of Administration, in the City of Charleston, Kanawha County

TAX-010 Renewal for 1 year containing 3,506 square feet of office space at the current PSF rate of \$14.75, full service with the Department of Administration, in the City of Beckley, Raleigh County

TAX-030 Renewal for 1 year containing 7,799 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County

Department of Transportation

DOT-001 Renewal for 1 year containing 1,521 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County

DPS-001 Renewal for 1 year containing 790 square feet of office space at the current PSF rate of \$5.00, full service with the Department of Administration, in the City of Charleston, Kanawha County

**DEPARTMENT OF ADMINISTRATION LEASES-STRAIGHT
RENEWALS CONTINUED**

WV Development Office

CID-002 Renewal for 1 year containing 34,530 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County.

Finance Division

F&A-005 Renewal for 1 year containing 19,173 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County.

F&A-026 Renewal for 1 year containing 2,800 square feet of office/mail room space at the current PSF rate of \$8.50, full service with the Department of Administration, in the City of Charleston, Kanawha County

Military Affairs & Public Safety

MAP-001 Renewal for 1 year containing 2,520 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County

Prison Industries

PRI-001 Renewal for 1 year containing 34,834 square feet of office and storage space at the current PSF rate of \$0.00, with the Department of Administration, in the City of Charleston, Kanawha County (Tenant to be responsible for all utilities, janitorial)

Insurance Commission

INS-019 Renewal for 1 year containing 952 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Parkersburg, Wood County

**DEPARTMENT OF ADMINISTRATION LEASES-STRAIGHT
RENEWALS CONTINUED**

Marshall University

MAR-024-SUB Renewal for 1 year containing 282 square feet of office space at the current PSF rate of \$13.00, full service with the Department of Administration, in the City of Weirton, Hancock County

FSC-013 Renewal for 1 year containing 318 square feet of office space at the current PSF rate of \$8.50, full service with the Department of Administration, in the City of Fairmont, Marion County

Division of Personnel

DOP-002 Renewal for 1 year containing 20,120 square feet of office space at the current PSF rate of \$9.50, full service with the Department of Administration, in the City of Charleston, Kanawha County

Division of Rehabilitation Services

DRS-054 Renewal for 1 year containing 4,386 square feet of office space at the current PSF rate of \$14.50, full service with the Department of Administration, in the City of Parkersburg, Wood County

RENEWAL/RENT INCREASES

Division of Rehabilitation Services

DRS-061 Renewal for 1 year consisting of 2,608 square feet of office space with an increase in rent from \$6.80 PSF to \$7.00 PSF, full service with the Family Service Upper Ohio Valley, in the city of Spencer, Roane County.

Public Safety

PSA-113 Renewal for 5 years for a monitoring tower site with an increase in rent from \$230.00 monthly to \$250.00 monthly with Lattamus Holdings, Inc., in the City of Chester, Hancock County.

RENEWAL/RENT INCREASES CONTINUED

Public Service Commission

PSC-006 Renewal for 3 years consisting of 3,352 square feet of office space with a rent increase from \$9.71 PSF to \$11.78 PSF full service, with The Riggs Corporation, in the City of Charleston, Kanawha County.

RENEWAL/RENT INCREASES Continued

Miners Health and Safety

MHS-027 Renewal for 3 years consisting of 6,100 square feet of office space with an increase in the PSF rate from \$4.26 to \$4.43, full service with United Mine Workers of America, in the City of Welch, McDowell County.

Department of Health & Human Resources

DHS-024 Renewal for 5 years containing 12,823 square feet of office space with an increase in the PSF rate from \$14.31 to \$15.03, includes janitorial, with Steve Lorenze, in the City of Morgantown, Monongalia County.

Veterans Affairs

VET-031 Renewal for 1 year containing 900 square feet of storage with an increase in rent from \$330/month to \$360/month with Rose Bud Inc., in the City of Clarksburg, Harrison County.

RENEWAL ADDING SQUARE FOOTAGE AND DECREASING RENT

COR-050 Renewal for 1 year adding 626 square feet for a total of 1,316 square feet of office space and decreasing the PSF rate from \$11.13 to \$10.50, with David and Carol Moore, in the City of Ripley, Jackson County.

RENEWAL AND DECREASING SQUARE FOOTAGE

WB2-001 Renewal for 1 year with a decrease in square footage from 7,665 to 4,059 at the current PSF rate of \$13.00 full service, with the Department of Administration, in the City of Huntington, Wayne County.

Joint Committee on Government and Finance

June 2008

Department of Health and Human Resources

MEDICAID REPORT

April 2008 Data

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 EXPENDITURES BY PROVIDER TYPE
 SFY2008

MONTH OF APRIL 2008	TOTAL	TOTAL	ESTIMATED	ACTUALS	ACTUALS	PROJECTED
	SFY2007	SFY2008	Current Month Apr-08	Current Month Apr-08	Year To-Date Thru 04/30/08	04/01/08 Thru 06/30/08
EXPENDITURES:						
Inpatient Hospital Services	226,282,408	226,927,600	20,462,570	31,472,030	193,780,088	33,147,512
Inpatient Hospital Services - DSH Adjustment Payments	54,096,937	57,752,400	-	-	42,126,614	15,626,786
Mental Health Facilities	40,250,781	45,473,600	4,072,087	3,872,388	37,626,864	7,846,736
Mental Health Facilities - DSH Adjustment Payments	18,924,239	18,774,000	-	-	14,111,468	4,662,532
Nursing Facility Services	413,063,985	440,215,350	36,665,999	37,616,970	366,489,132	73,726,218
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	58,706,822	61,243,800	5,106,900	5,135,286	49,541,321	11,702,479
Physicians Services ***	128,612,962	124,301,200	15,626,996	15,499,653	104,599,299	19,701,901
Outpatient Hospital Services	98,279,923	108,303,700	10,154,635	9,736,750	88,857,027	19,446,673
Prescribed Drugs	305,342,895	338,350,100	32,866,288	32,993,713	283,302,066	55,048,034
Drug Rebate Offset - National Agreement	(93,163,811)	(98,965,200)	(15,571,049)	(21,813,133)	(94,533,279)	(4,431,821)
Drug Rebate Offset - State Sidebar Agreement	(31,467,242)	(31,623,600)	(5,536,011)	(6,080,261)	(28,643,107)	(2,980,493)
Dental Services ***	37,032,509	40,485,900	3,817,183	3,420,258	31,470,988	9,014,912
Other Practitioners Services	20,319,941	27,798,000	2,130,788	1,753,641	23,038,484	4,759,516
Clinic Services	38,178,813	33,194,400	3,710,596	3,003,610	27,691,355	5,503,045
Lab & Radiological Services	7,948,506	8,840,900	850,087	843,917	6,813,684	2,027,216
Home Health Services	27,688,972	30,651,500	3,062,260	3,164,634	24,521,564	6,139,936
Hysterectomies/Sterilizations	571,881	496,800	60,462	62,824	434,339	62,461
Pregnancy Terminations	-	-	-	-	-	-
EPSDT Services	2,458,929	2,809,500	259,625	209,177	2,083,089	726,411
Rural Health Clinic Services	6,602,490	7,111,700	699,779	682,685	5,683,958	1,427,742
Medicare Health Insurance Payments - Part A Premiums	16,768,356	17,901,600	1,465,517	2,891,328	15,713,439	2,188,161
Medicare Health Insurance Payments - Part B Premiums	62,881,209	71,867,700	5,856,783	12,134,220	62,480,174	9,387,526
120% - 134% Of Poverty	3,492,445	-	-	320,241	3,319,270	(3,319,270)
135% - 175% Of Poverty	-	-	-	-	-	-
Coinsurance And Deductibles	-	-	-	-	-	-
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	241,130,268	265,289,800	21,243,600	19,930,076	215,851,799	49,438,001
Medicaid Health Insurance Payments: Group Health Plan Payments	360,065	443,900	46,433	30,082	268,946	174,954
Home & Community-Based Services (MR/DD)	200,535,722	228,726,300	22,129,269	19,804,706	184,759,174	43,967,126
Home & Community-Based Services (Aged/Disabled)	56,417,341	69,132,815	8,570,463	6,613,556	55,642,630	33,490,185
Community Supported Living Services	38	-	-	-	-	-
Programs Of All-Inclusive Care Elderly	-	-	-	-	-	-
Personal Care Services	36,793,019	40,243,200	3,869,538	3,336,756	31,981,702	8,261,498
Targeted Case Management Services	7,800,004	7,487,800	835,212	588,392	5,592,464	1,895,336
Primary Care Case Management Services	738,666	773,400	84,885	58,869	600,774	172,626
Hospice Benefits	9,736,788	12,843,900	990,115	1,006,473	10,222,664	2,621,236
Emergency Services Undocumented Aliens	-	-	-	-	-	-
Federally Qualified Health Center	15,204,205	18,728,200	1,694,375	1,525,714	14,305,419	4,422,781
Other Care Services	126,149,153	131,607,050	13,165,189	10,701,024	101,896,603	29,710,447
Less: Recoupments	(1)	-	-	(497,691)	(497,691)	497,691
NET EXPENDITURES:	2,137,739,218	2,327,197,315	198,390,575	200,017,888	1,861,131,323	446,065,992

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 EXPENDITURES BY PROVIDER TYPE
 SFY2008

MONTH OF APRIL 2008	TOTAL	TOTAL	ESTIMATED	ACTUALS	ACTUALS	PROJECTED
	SFY2007	SFY2008	Current Month Apr-08	Current Month Apr-08	Year To-Date Thru 04/30/08	04/01/08 Thru 06/30/08
Collections: Third Party Liability (line 9A on CMS-64)	(4,618,212)				(3,470,417)	3,470,417
Collections: Probate (line 9B on CMS-64)	(98,465)				(166,673)	166,673
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(389,328)				-	-
Collections: Other (line 9D on CMS-64)	(6,565,965)				(3,093,533)	3,093,533
	2,126,067,248					-
Plus: Medicaid Part D Expenditures	28,577,768	28,899,200	3,023,077	4,792,762	26,926,963	1,972,237
Plus: State Only Medicaid Expenditures ***	4,557,527	3,471,724	377,734	395,469	7,879,955	(4,408,231)
TOTAL MEDICAID EXPENDITURES	2,159,202,543	2,359,568,239	201,791,386	\$205,256,119	\$1,909,207,018	\$450,350,621
Plus: Reimbursables ⁽¹⁾	3,271,687	1,861,195	366,111	586,100	3,269,758	591,437
TOTAL EXPENDITURES	2,162,476,230	2,363,429,434	202,156,497	\$205,792,219	\$1,912,477,376	\$450,952,058

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

SFY 2008 Budget Estimates were revised for the month of April and forward

*** CMS is currently reviewing portions of these payments. Until review is completed these expenses will be classified as state-only on the CMS-64. With all outside reviews, there is a potential for a portion of these costs to remain state-only if any of them are disallowed

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 MEDICAID CASH REPORT
 SFY2008

10 Months Actuals 2 Months Remaining

MONTH OF APRIL 2008	ACTUALS	ACTUALS	PROJECTED	TOTAL
	4/1/08 Thru 4/30/08	Year-To-Date Thru 4/30/08	5/1/2008 Thru 06/30/08	SFY2008
REVENUE SOURCES				
Beg. Bal. (5084/1020 prior mth)	15,247,235	\$26,493,079		\$26,493,079
MATCHING FUNDS				
General Revenue (0403/189)	43,307,626	315,090,436	78,615,251	393,705,687
Rural Hospitals Under 150 Beds (0403/940)	216,334	2,163,335	432,665	2,596,000
Tertiary Funding (0403/547)	404,667	4,046,667	809,333	4,856,000
Lottery Waiver (Less 550,000) (5405/539)	3,000,000	23,272,578	0	23,272,578
Lottery Transfer (5405/871)	1,800,000	10,300,000	0	10,300,000
Trust Fund Appropriation (5185/189)	0	12,732,286	17,824,308	30,556,594
Provider Tax (5090/189)	12,354,722	135,712,871	19,887,129	155,600,000
Certified Match	1,570,956	16,005,050	6,875,960	22,881,010
Reimbursables - Amount Reimbursed	156,426	2,927,508	869,643	3,797,151
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	26,914	246,835	(246,835)	0
CMS - 64 Adjustments		(5,430,471)	5,430,471	0
TOTAL MATCHING FUNDS	\$78,084,880	\$543,560,174	\$130,497,926	\$674,058,099
FEDERAL FUNDS	140,729,748	1,370,893,524	\$355,117,799	\$1,726,011,323
TOTAL REVENUE SOURCES	\$218,814,628	\$1,914,453,698	\$485,615,724	\$2,400,088,422
TOTAL EXPENDITURES:				
Provider Payments	\$205,792,219	1,912,477,376	\$460,952,058	\$2,363,429,434
TOTAL	\$13,022,409	\$1,976,322		\$36,699,988

Note: FMAP (07' - 72.82% applicable July - Sept. 2007) (08' - 74.25% applicable Oct. 2007 - June 2008)

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

BUREAU FOR MEDICAL SERVICES
SFY 2008 Medicaid Approved Claims Report
As of April 30, 2008

REF#	CMS 64 Category Of Service	SFY 2007	YTD Totals				Year to Date
			JUL-AUG 2007	OCT-DEC 2007	JAN-MAR 2008	APR-JUN 2008	
1A	Inpatient Hospital Services	229,365,525	45,384,975	72,417,455	43,999,305	26,038,338	187,840,073
1B	Inpatient Hospital Services - DSH	54,220,771	15,322,603	13,553,805	13,341,926	0	42,218,334
2A	Mental Health Facilities	40,628,759	10,305,982	11,359,118	10,974,396	956,014	33,595,510
2B	Mental Health Facilities - DSH	18,800,405	4,690,367	4,681,169	4,647,212	0	14,018,748
3	Nursing Facility Services	405,794,188	104,487,658	109,227,700	109,055,565	36,588,384	359,359,307
4B	Intermediate Care Facilities - Private Providers	58,697,741	13,836,583	15,893,395	14,839,019	5,022,661	49,591,658
5	Physicians Services	122,327,646	27,714,286	28,717,378	34,083,864	3,458,024	93,973,552
6	Outpatient Hospital Services	100,870,576	27,404,831	26,340,507	25,532,179	1,807,238	81,084,755
7	Prescribed Drugs	317,302,910	78,673,627	85,797,581	91,297,462	(301,400)	255,467,270
7	Part D Premium - State Only	28,577,768	7,493,165	7,456,411	7,184,623	4,792,762	26,926,961
7A1	Drug Rebate Offset - National	(93,411,312)	(23,263,364)	(30,874,025)	(21,109,465)	(21,813,133)	(97,959,990)
7A2	Drug Rebate Offset - State	(1,239,277)	(7,013,277)	(8,798,756)	(7,754,108)	(6,080,261)	(29,646,402)
///	Total Rebates	124,550,556	(30,276,641)	(39,672,781)	(28,863,576)	(27,893,394)	(126,706,392)
///	NET DRUG COST	221,230,083	55,890,151	53,581,211	69,618,509	(23,402,032)	155,887,839
8	Dental Services	37,945,980	9,501,946	9,818,162	8,903,978	639,861	28,863,947
9	Other Practitioners Services	20,762,927	8,200,599	8,055,939	5,364,977	347,140	21,968,655
10	Clinic Services	35,142,939	6,559,195	5,907,742	6,896,785	279,143	19,642,865
11	Lab & Radiological Services	16,150,843	1,992,281	1,904,212	2,334,544	134,115	6,365,152
12	Home Health Services	28,558,463	7,061,020	6,868,656	8,600,019	803,060	23,332,755
13	Hysterectomies/Sterilizations	560,115	110,261	121,437	162,353	20,976	415,027
14	Pregnancy Termination	220,178	58,820	51,072	72,120	789	182,801
15	EPSDT Services	2,450,918	671,216	668,784	565,067	41,815	1,946,882
16	Rural Health Clinic Services	6,696,486	1,405,150	1,987,860	1,791,026	120,347	5,304,383
17A	Medicare - Part A Premiums	15,465,910	4,332,854	4,248,844	4,268,025	1,446,536	14,296,259
17B	Medicare - Part B Premiums	61,496,992	17,631,527	17,892,015	18,253,898	6,181,522	59,958,962
18A	Managed Care Organizations	257,900,656	63,670,736	67,660,986	66,128,062	1,627,325	199,087,109
18C	Group Health Plan Payments	329,728	79,855	77,393	84,656	27,044	268,948
19	Home & Community-Based Services (MR/DD)	201,156,249	55,069,847	55,451,290	55,083,144	18,036,483	183,640,764
20	Home & Community-Based Services (Aged/Disabled)	56,505,657	16,156,123	16,326,402	17,134,025	4,969,268	54,585,818
23	Personal Care Services	35,989,302	9,553,774	9,393,243	9,679,202	2,938,899	31,565,118
24	Targeted Case Management	7,850,996	1,726,836	1,714,598	1,569,684	268,696	5,279,814
25	Primary Care Case Management	800,139	185,574	174,258	178,308	0	538,140
26	Hospice Benefits	9,991,391	2,448,383	3,679,309	3,352,749	131,053	9,611,494
28	Federally Qualified Health Center	15,469,566	4,024,748	4,910,047	4,337,714	316,474	13,588,983
29	Other Care Services	111,853,165	28,778,182	25,633,974	24,235,834	2,140,243	80,788,233
	Unclassified	211,644	0	0	0	0	0
///	TOTALS	2,175,445,938	544,256,363	578,317,961	565,088,145	90,939,416	1,778,601,885

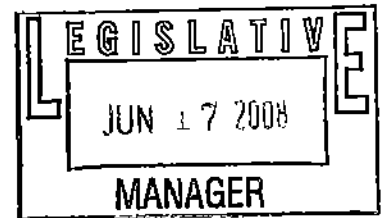
This report's data is prepared based on claims received and approved for payment (Modified Accrual basis of Accounting). Therefore, the data presented in this report will not match the CMS-64 Quarterly Reports which are prepared on a cash basis.



West Virginia

Pharmaceutical Cost Management Council

June 13, 2008



President Earl Ray Tomblin
Speaker Richard Thompson
Joint Committee on Government and Finance
Capitol Complex, Main Building
Charleston, West Virginia 25305

Dear Mr. President and Mr. Speaker:

During the May 22, 2008, Joint Committee on Government and Finance meeting, President Tomblin asked for clarification as to why the amount that Medicaid spent on pharmaceuticals in state fiscal year 2007 was shown as \$305,342,895 on the Medicaid report and \$180,711,842 on the report compiled by the Pharmaceutical Advocate Office. The email used as the source for the data used by the Pharmaceutical Advocate is attached at **Appendix A**. As the President surmised, the amount shown on the chart prepared by the Pharmaceutical Advocate's Office was net of any manufacturer rebates and the amount shown on the Medicaid report was a gross amount not including the rebates.

President Tomblin also inquired as to any savings realized by the Department of Health and Human Resources as a result of the activities of the West Virginia Pharmaceutical Cost Management Council. General information on several initiatives was shared. Following is a full description of those efforts with the source data.

Savings to the Bureau for Medical Services (the Medicaid agency) through the use and state expansion of the federal 340b program.

As you know, 340b is a federal public health pricing program. Drugs available through 340b are approximately **51% off the average wholesale price** which is **18% lower than Canadian prices**. All patients of participating clinics are eligible to buy drugs at the 340b price.

Each 340b entity is required to provide pharmaceuticals dispensed from its 340b inventory to the Medicaid program at the 340b price plus a reasonable dispensing fee. To encourage 340b-eligible entities to offer pharmaceutical services and dispense 340b drugs to Medicaid members, the Pharmaceutical Advocate facilitated negotiations between the Medicaid program and the West Virginia Primary Care Association in January 2006. Following those successful negotiations, the Medicaid program submitted a 340b state plan amendment with the agreed upon dispensing fee which became effective on May 19, 2006.

In May 2006, the Pharmaceutical Advocate in consultation with the Pharmaceutical Cost Management Council provided one-time start-up funds to two primary care centers to develop in-house pharmacies. Three other clinics subsequently received start-up funds for in-house pharmacies. (**Appendix B**).

Tina Bailes, the Chief Financial Officer for Medicaid, stated in a report from July 2007, "Annualizing these results produced avoided costs of approximately **\$725,000.**" Her report further stated a projected the net savings of **\$181,352.40.** (**Appendix C - email from Ms. Bailes, spreadsheet showing cost-avoidance and savings and bar-chart showing savings**). Ravenswood, one of the first clinics to receive a start-up grant to develop in-house pharmacy services, shows a first-year savings of \$17,010.17 to the Medicaid program. Not including growth in patients using the pharmacy, Ravenswood is projected to recoup all the state's initial \$60,000 investment in just over 3 years with ongoing annual savings after that. An updated 340b report has been requested from the Medicaid program.

Savings to the state facilities of the Bureau for Behavioral Health and Health Facilities through contract negotiations and joining a group purchasing organization

At the request of the then-Chief Financial Officer for State Facilities, Doug Price, the Pharmaceutical Advocate assisted with contract negotiations for the state hospitals in January 2006. The Request for Proposals had yielded only one bid which was the current vendor. The current contract terms were "**cost of the product + 6%**" (**Appendix D - page 9 of the initial contract**). Through aggressive negotiations and the addition of the Department of Education and the Arts, and the Division of Rehabilitation Services pharmacy, the new contract terms were "**cost less .175%.**" (**Appendix D - page 10 of the contract - Contract signed by Pharmaceutical Advocate, DHHR and the vendor**) Pharmaceutical spending at the DHHR hospitals decreased from \$3,023,353.76 in SFY '06 to \$2,905,257.31 in SFY '07, a difference of **\$118,096.45** (*Source data for drug spending in Appendix A*).

Subsequently, the West Virginia Pharmaceutical Cost Management Council used its purchasing exemption to enter into a group purchasing organization known as the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP - 45 states, the City of Chicago and the City of Los Angeles) on behalf of the state hospitals in September 2006. (**Appendix E - Contract signed by the Pharmaceutical Council Designated Chair, DHHR, the Attorney General and the Vendor**). The hospitals began using MMCAP in April 2007. The MMCAP contract provides pharmaceuticals at **cost less .63% and a year-end administrative credit** based on the volume of pharmaceuticals purchased from the MMCAP contract (**Appendix E**). The Office of the Pharmaceutical Advocate is currently soliciting verbal bids for an audit of the agency use of the contract to determine cost savings and any procurement or inventory practices that can be modified to maximize the savings.

Savings to the Division of Threat Preparedness, Bureau for Public Health

In Summer 2006, the Acting State Health Officer, Dr. Cathy Slemp, requested assistance from the Pharmaceutical Advocate in finding optimum pricing for antibiotics.

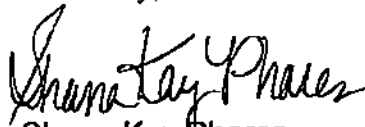
The Bureau for Public Health had received funding from the federal government to create an antibiotic cache to prepare for biologic events. Two requests for proposals resulted in no bidders that met the requirements of the Bureau for Public Health. The federal funds needed to be expended by August 31, 2006 or returned. The Pharmaceutical Advocate, through contact with MMCAP, learned that the Veterans' Administration was permitting limited access to its pricing schedule (the best of any commercial or government pricing available) for the purchase of antibiotics with federal funds. By using this avenue, the Bureau for Public Health was able to purchase **33% more antibiotics**. The only exception was Cipro where the Bureau was able to purchase **39% more** than originally budgeted. (*Appendix F - email from Mr. Schorr with percentages, email from Dr. Slomp showing comparisons of wholesaler prices and VA prices and associated correspondence*).

**Savings to the Family Planning Program, Office of Maternal Child and Family Health,
Department of Health and Human Resources**

In July 2006, Johnson and Johnson subsidiary Ortho-McNeil announced that it would raise prices of a number of its contraceptive products provided to Family Planning Programs from pennies a monthly cycle to more than \$15.00 per cycle. Following press reports and inquiries by Congress, Ortho-McNeil lowered its prices to \$3.20 per monthly cycle through the end of 2007 (*Appendix G*). The Pharmaceutical Cost Management Council used its purchasing exemption to enter the 340b Prime Vendor Program, a federal group purchasing organization, on behalf of the state Family Planning Program. Denise Smith, Director of the West Virginia Family Planning Program reported to the Council at it's February 4, 2008 meeting that the program is saving money with the Prime Vendor Program; an annualized number is not yet available.

Should you have any questions or need more information, please call me at 558-0079.

Sincerely,



Shana Kay Phares

Governor's Pharmaceutical Advocate and Designated
Chair of the West Virginia Pharmaceutical Cost
Management Council

Attachments

cc: Members of the Joint Committee on Government and Finance
~~Aaron Alfred, Legislative Auditor, Legislative Manager~~
Denny Rhodes, Research Manager, Performance Evaluation and Research Division
Meghan Kueck, Research Analyst Performance Evaluation and Research Division
Members of the WPCMC

Appendix A

Debbie Waller

From: Warren Keefer [wkeef@wvdhhr.org]
Sent: Tuesday, January 15, 2008 1:33 PM
To: Debbie Waller
Cc: Bryan Rosen; Chris Curtis; Janet Richards; John Bianconi; Jeannie Humphreys; Joe Donchatz; Marsha Morris; Martha Walker; Rocco Fucillo; Tara Buckner; Tina Bailes
Subject: Re: Fwd: Legislative Request
Attachments: pharm exp fy06_07.xls; WordPerfect 6.1

The attached Excel spreadsheet is provided in response to your request.

Should you have additional questions, please feel free to contact me.

Warren Keefer, Deputy Secretary for Administration WV Department of Health and Human Resources Building 3, Room 451 1900 Kanawha Blvd., E. Charleston, WV 25305

558-3987 phone
558-1003 fax
WKeef@WVDHHR.ORG

>>> "Debbie Waller" <dwall@wvgov.org> 01/09/08 3:10 PM >>>

Hello Everyone: Per a request of Senate Majority Leader Truman Chafin, please provide this office with pharmaceutical expenditures for SFY 06 and SFY 07. For your convenience, attached is a list of offices/divisions in your department that either reimburse for drugs or purchase drugs directly. Please forward this information to me by email, close of business day on Tuesday, January 15, 2008. If you have questions, please email me or Shana Phares at sphares@wvgov.org or call 558-0079. Thanks for your help. Debbie Waller
Executive Secretary Governor's Pharmaceutical Advocate Office Building 1, Room M-1461900 Kanawha Boulevard, East Charleston, WV 25305
558-0079 (Phone) 558-8158 (Fax)

HHR Pharmaceutical Expenditures for Fiscal Years 2006 and 2007

FY 2006						
Bureau for Behavioral Health & Health Facilities	\$3,023,353.76					
Bureau for Public Health	\$5,314,878.55					
Bureau for Medical Services	\$235,678,114.00					
		<table border="0"> <tr> <td style="padding: 2px;">pre-rebate</td> <td style="padding: 2px;">post-rebate</td> </tr> <tr> <td style="padding: 2px;">\$378,095,030.00</td> <td style="padding: 2px;">\$235,678,114.00</td> </tr> </table>	pre-rebate	post-rebate	\$378,095,030.00	\$235,678,114.00
pre-rebate	post-rebate					
\$378,095,030.00	\$235,678,114.00					
Total - FY 2006	\$244,016,344.31					
Pre-Rebate: \$378,095,030.00						
Post-Rebate: \$235,678,114.00						

FY 2007						
Bureau for Behavioral Health & Health Facilities	\$2,905,257.31					
Bureau for Public Health	\$6,730,498.95					
Bureau for Medical Services	\$180,711,842.00					
		<table border="0"> <tr> <td style="padding: 2px;">pre-rebate</td> <td style="padding: 2px;">post-rebate</td> </tr> <tr> <td style="padding: 2px;">\$305,342,895.00</td> <td style="padding: 2px;">\$180,711,842.00</td> </tr> </table>	pre-rebate	post-rebate	\$305,342,895.00	\$180,711,842.00
pre-rebate	post-rebate					
\$305,342,895.00	\$180,711,842.00					
Total - FY 2007	\$190,347,598.26					
Pre-Rebate: \$305,342,895.00						
Post-Rebate: \$180,711,842.00						

Grant Total	\$434,363,942.57	
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340B Analysis Following Increase in Dispensing Fee
 RX_Date (i.e. First Date of Service): 1/1/2007 to 3/31/2007

Brand Drugs

Generic Drugs

Grand Totals

Pharmacy ID	Pharmacy Name	Amount Paid 340B Price	Replaced Per Current Fee Sch	Savings	Savings Net of Expected Rebate	Amount Paid 340B Price	Replaced Per Current Fee Sch	Savings	Savings Net of Expected Rebate	Amount Paid 340B Price	Replaced Per Current Fee Sch	Savings	Savings Net of Expected Rebate
001800053	CLAYMONT HLTHSYS/PHARMACY/ALLEGHENY	50,700.88	18,442.11	32,258.77	32,258.77	51,081.21	34,203.05	16,878.16	16,878.16	147,807.21	133,007.16	14,800.05	14,800.05
0050337035	RAYMOND MED CENTER INC (RX)	12,522.99	12,245.07	277.92	277.92	6,270.89	23,814.75	17,543.86	17,543.86	4,252.85	147,893.42	75,428.27	75,428.27
0058167007	WVA CROSS PHARMACY	15,777.71	13,993.92	1,783.79	1,783.79	10,120.77	19,170.44	9,049.67	9,049.67	34,928.26	118,194.95	54,223.23	54,223.23
0140320001	CAROLYN REE/NLTH CARE CTR (RX)	43,094.85	30,699.41	12,395.44	12,395.44	15,443.81	11,911.07	3,532.74	3,532.74	25,340.28	105,447.40	74,901.65	74,901.65
0143072100	CAMDEN CV SAULEY MED CTR (RX)	12,129.73	20,852.16	14,412.43	14,412.43	1,833.88	7,497.54	5,663.66	5,663.66	18,743.33	34,433.22	15,689.89	15,689.89
0143080500	NEW RIVER FAMILY HEALTHCARE (RX)	19,745.33	179,327.41	100,582.08	100,582.08	25,304.26	17,730.56	7,573.70	7,573.70	14,841.01	230,003.65	122,218.34	122,218.34
3810004371	LINCOLN CO PRIMARY CARE CTR/DESA R EXCELLENCE PROGRAM/PHARM	36,407.06	77,474.29	41,067.23	41,067.23	16,089.41	29,734.38	13,644.95	13,644.95	52,506.47	107,200.83	54,702.18	54,702.18
3810006374	RIVER VALLEY HEALTH & WELLNESS CENTER (RX)	8,888.88	21,332.85	11,866.17	11,866.17	4,028.72	8,172.49	4,143.77	4,143.77	52,506.47	107,200.83	54,702.18	54,702.18
Grand Totals		322,847.34	628,647.32	378,899.88	378,899.88	107,847.18	240,373.78	132,524.87	132,524.87	431,794.52	826,919.67	488,124.88	488,124.88

Expected Rebate = Brand Ingredient Cost \$696,781.82 * Average rebate percentage 29.5% = 254,325.36
 Expected Rebate = Generic Ingredient Cost \$198,488.43 * Average rebate percentage 38.5% = \$72,447.19
 Average Rebate percentage based on rebates received for claims paid during the period January 1, 2006 - September 30, 2006
 Pharmacies highlighted in Gray represent those 340B pharmacies used in previous analysis
 Results represent cost avoidance vs actual savings

340B Analysis Following Increase in Dispensing Fee

Brand Drugs

Generic Drug

▸ Savings ■ Repriced Product ■ 340B Price Paid

▸ Savings ■ Repriced Product

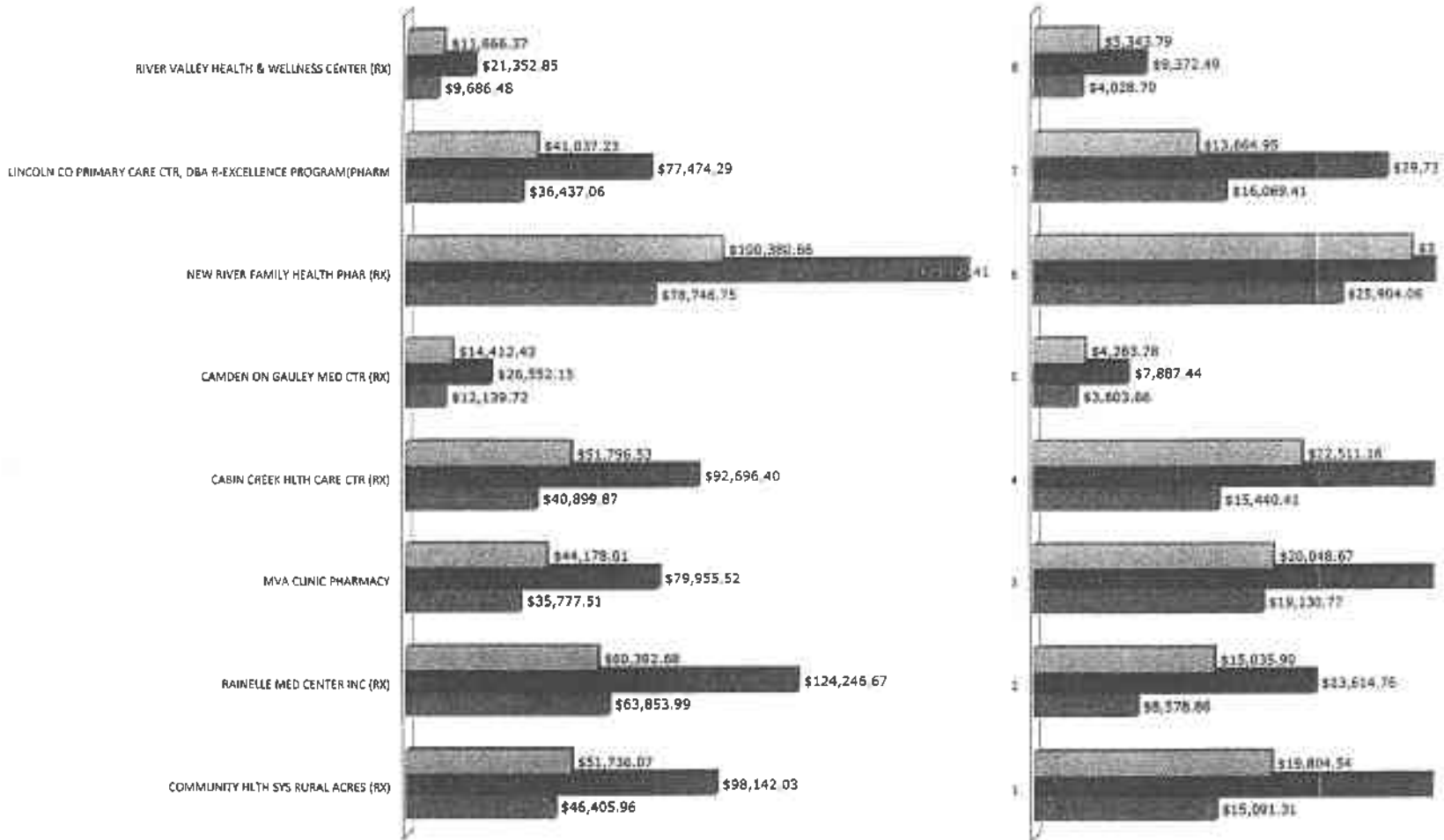


Chart prepared by The Governor's Pharmaceutical Advocate Office on June 4, 2008

Appendix B

Primary Care Centers Receiving Start Up Pharmacy Grants

May 2006	Preston -Taylor Community Health Center	\$65,000
May 2006	River Valley Health and Wellness Center	\$50,000
December 2006	Family Medical Care	\$60,000
February 2008	Access Health	\$60,000
June 2008	Clay-Batelle Health Services Association	\$60,000

Appendix C

Shana K. Phares

From: Tina Bailes [tinabailes@wvdhhr.org]
Sent: Tuesday, July 10, 2007 7:11 PM
To: Shana K. Phares
Cc: Leonard Kelley; Marsha Morris; Martha Walker; Peggy King; Shelley Baston
Subject: 340B Analysis
Attachments: 340B Analysis_QE3_31_07.xls

Shana

Please find attached the report you requested concerning 340B pharmacies. Due to the number of claims paid, I limited the data request to 1 quarter (Jan 1, 2007 - March 31, 2007). Since the original analysis was completed, two additional 340B pharmacies have been enrolled and were included in this analysis. Annualizing these results produced avoided costs of approximately \$725,000. If you have any questions, please let me know.

Tina

Attention: HIPAA PHI: Special Handling Required This e-mail communication that you have received may contain Protected Health Information (PHI) as defined by The Health Insurance Portability and Accountability Act of 1996 (HIPAA). Federal law mandates that you not use or disclose the information contained herein in any way that will compromise the privacy, security or confidentiality of the individual to whom the information pertains. If this e-mail communication has been misdirected to you, notify the sender of this e-mail at your earliest opportunity, delete the e-mail and destroy any copies of the e-mail that you may have produced.

340B Analysis Following Increase in Dispensing Fee
 RX_Date (i.e. First Date of Service) 1/1/2007 to 3/31/2007

		Brand Drugs			Generic Drugs			Grand Totals					
Pharmacy	Pharmacy	Amount Paid 340B Price	Rebate Per Current Fee Sch	Savings	Savings Net of Expected Rebate	Amount Paid 340B Price	Rebate Per Current Fee Sch	Savings	Savings Net of Expected Rebate	Amount Paid 340B Price	Rebate Per Current Fee Sch	Savings	Savings Net of Expected Rebate
0019670287	COMMUNITY SOUTH SVS PHARMACHES (PH)	40,408.98	98,142.03	51,738.07		110,887.01	34,893.86	18,934.84		247,481.27	133,037.88	71,846.01	
0038107883	HARBELL MED CENTER (NC PH)	63,853.89	124,246.87	80,392.86		8,518.88	23,014.75	15,222.80		72,435.96	147,848.43	75,426.07	
0008107907	WVA CARE PHARMACY	58,777.21	78,955.52	44,178.01		18,752.77	18,178.48	20,048.87		34,800.28	118,134.26	88,226.88	
0140122000	CAROLIN DRUG HEALTH CARE CTR (NC)	40,896.87	92,698.40	51,796.53		16,449.41	17,465.37	22,117.94		58,340.28	100,060.27	74,227.85	
0143172030	CAMDEN ON GAULLEY MED CTR (NC)	12,138.72	28,552.15	14,412.43		2,003.88	7,887.44	4,282.78		16,143.38	34,808.59	18,096.21	
0143252000	NEW RIVER FAMILY HEALTH PHAR (NC)	76,748.75	179,127.41	100,380.66		25,918.88	27,726.24	17,625.58		104,832.81	238,863.85	137,212.84	
0010004211	LINCOLN CO PRIMARY CARE CTR, DBA R EXCELLENCE PROGRAM (WV)	88,417.08	77,474.29	41,037.23		16,009.41	29,734.36	13,864.85		52,526.47	107,208.65	54,702.98	
0010004178	RIVER VALLEY HEALTH & WELLNESS CENTER (NC)	8,886.48	21,352.85	11,666.37		4,228.79	9,372.49	5,281.78		13,719.58	30,720.33	17,018.17	
Grand Totals		111,947.34	998,847.32	378,898.88	121,274.82	167,847.88	340,372.58	132,824.87	60,077.78	431,794.62	830,918.47	508,124.93	181,282.48

Expected Rebate = Brand Ingredient Cost \$696,781.82 * Average rebate percentage 36.5% = 254,325.36
 Expected Rebate = Generic Ingredient Cost \$198,485.45 * Average rebate percentage 36.5% = \$72,447.19
 Average Rebate percentage based on rebates invoiced for claims paid during the period January 1, 2006 - September 30, 2006
 Pharmacies highlighted in Gray represent those 340B pharmacies used in previous analysis
 Results represent cost avoidance vs actual savings

340B Analysis Following Increase In Dispensing Fee

Brand Drugs

Generic Drug:

Savings Repriced Product 340B Price Paid

Savings Repriced Product



Chart prepared by The Governor's Pharmaceutical Advocate Office on June 4, 2008

Appendix D



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Purchase Order

PURCHASE ORDER NO. BHS20	PAGE # 1
BLANKET RELEASE	RECEIVED CORRECT PURCHASE ORDER NUMBER MUST APPEAR ON ALL PACKAGES, INVOICES, AND SHIPPING PAPERS. QUESTIONS CONCERNING THIS PURCHASE ORDER SHOULD BE DIRECTED TO THE BUYER AS NOTED BELOW.
CHANGE ORDER	
DHHR/REVENUE MANAGEMENT SEE REVERSE SIDE FOR TERMS AND CONDITIONS	

HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV 25301-3702

AGENCY COPY

*709053942 304-344-9744
 WV HEALTH SERVICES INC
 100 ASSOCIATION DRIVE
 CHARLESTON WV 25311

HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV 25301-3702 304-558-5690

DATE PRINTED 04/30/2002	TERMS OF SALE NET 30	PRINRSN 550657541	FUND
SHIP VIA BEST WAY	DESTINATION	FREIGHT TERMS PREPAID	ACCOUNT NUMBER MDL-MUL

LINE	QUANTITY	UOP	VENDOR ITEM NO.	UNIT PRICE	AMOUNT								
	DELIVERY DATE	CAT. NO.	ITEM NUMBER										
			AGREEMENT										
<p>THIS AGREEMENT CONSTITUTES THE ACCEPTANCE OF CONTRACT MADE BY AND BETWEEN THE STATE OF WEST VIRGINIA BY THE PURCHASING DIRECTOR FOR AND ON BEHALF OF THE WEST VIRGINIA DEPARTMENT OF HEALTH & HUMAN RESOURCES, BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES, AND WEST VIRGINIA HEALTH SERVICES, INC., FOR:</p> <p>PROVIDING PHARMACEUTICAL GOODS AND SERVICES, VIA A GROUP PURCHASING COOPERATIVE PROGRAM FOR THREE (3) OF THE STATE FACILITIES.</p> <p>SERVICE BEGINNING MAY 1, 2002 AND EXTENDING UNTIL APRIL 30, 2003. ALL IN ACCORDANCE WITH THE AGREEMENT ATTACHED HERETO AS A PART HEREOF.</p>													
<p>SCHEDULE OF PAYMENT:</p> <table> <tr> <td>FEE</td> <td>\$ OPEN-END</td> </tr> <tr> <td>TRAVEL EXPENSE</td> <td>\$ -----</td> </tr> <tr> <td>OTHER EXPENSE</td> <td>\$ -----</td> </tr> <tr> <td>TOTAL</td> <td>\$ OPEN-END</td> </tr> </table> <p>\$...PER INVOICE</p>						FEE	\$ OPEN-END	TRAVEL EXPENSE	\$ -----	OTHER EXPENSE	\$ -----	TOTAL	\$ OPEN-END
FEE	\$ OPEN-END												
TRAVEL EXPENSE	\$ -----												
OTHER EXPENSE	\$ -----												
TOTAL	\$ OPEN-END												
<p>EXECUTION OF THIS AGREEMENT BY THE PURCHASING DIRECTOR,</p>													
					<p>REC'D MAY 24 2002 WV State Purchasing Division Administration Unit Certified Encumbered <i>Amy Fairchild</i></p>								
					<p>OPEN END</p>								

APPROVED FOR ONE FISCAL YEAR
Dawn S. Wayfield
 APPROVED AS TO FORM BY ASSISTANT ATTORNEY GENERAL

BY *Pam Jones*
 PURCHASING DIVISION AUTHORIZED SIGNATURE
 304-558-0067
 4/30/02

**GENERAL TERMS & CONDITIONS
PURCHASE ORDER/CONTRACT**

1. **ACCEPTANCE:** Seller shall be bound by this order and its terms and conditions upon receipt of this order.
2. **APPLICABLE LAW:** The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern all rights and duties under the Contract, including without limitation the validity of this Purchase Order/Contract.
3. **NON-FUNDING:** All services performed or goods delivered under State Purchase Orders/Contracts are to be continued for the terms of the Purchase Order/Contract, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods, this Purchase Order/Contract becomes void and of no effect after June 30.
4. **COMPLIANCE:** Seller shall comply with all Federal, State and local laws, regulations and ordinances including, but not limited to, the prevailing wage rates of the WV Division of Labor.
5. **MODIFICATIONS:** This writing is the parties final expression of intent. No modification of this order shall be binding unless agreed to in writing by the Buyer.
6. **ASSIGNMENT:** Neither this Order nor any monies due, or to become due hereunder may be assigned by the Seller without the Buyer's consent.
7. **WARRANTY:** The Seller expressly warrants that the goods and/or services covered by this Order will: (a) conform to the specifications, drawings, samples or other description furnished or specified by the Buyer; (b) be merchantable and fit for the purpose intended; and/or (c) be free from defect in material and workmanship.
8. **CANCELLATION:** The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the Seller.
9. **SHIPPING, BILLING & PRICES:** Prices are those stated in this order. No price increase will be accepted without written authority from the Buyer. All goods or services shall be shipped on or before the date specified in this Order.
10. **LATE PAYMENTS:** Payments may only be made after the delivery of goods or services. Interest may be paid on late payments in accordance with the *West Virginia Code*.
11. **TAXES:** The State of West Virginia is exempt from Federal and State taxes and will not pay or reimburse such taxes.
12. **RENEWAL:** Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
13. **BANKRUPTCY:** In the event the vendor / contractor files for bankruptcy protection, this contract is automatically null and void, and is terminated without further order.

**STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES**

CONTRACT

This CONTRACT is made and entered into by and between the State of West Virginia, Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities, hereinafter referred to as "DHHR," and West Virginia Health Services, hereinafter referred to as "WVHS".

WHEREAS, this contract is to provide pharmaceutical goods and services, via a group purchasing cooperative program, to Welch Community Hospital, William R. Sharpe, Jr. Hospital and Mildred Mitchell-Bateman Hospital; hereinafter "facilities".

As set forth in Article IV. J., below the term of this contract shall be from May 1, 2002 through April 30, 2003.

NOW THEREFORE, in consideration of the foregoing recitals and for the mutual covenants contained herein, DHHR and WVHS hereby agree as follows:

Article 1. WVHS Responsibilities

- A. DHHR General Pharmaceutical Need:
All pharmaceutical items required by the facilities shall be provided by WVHS.

- B. Unavailability of Products:
It is recognized that certain pharmaceutical items will not be available due to some manufacturer's unwillingness to participate in the group purchasing program. WVHS will purchase these drug items directly from the non-participating manufacturers using alternate procurement methods.

- C. Contact:
DHHR shall consider WVHS the sole point of contact with regard to any contract matter.

- D. Additional Charges:
All charges for goods and services provided under this contract will be clearly enumerated, including any additional charges, if applicable.

- E. Group Purchasing Program Method:
WVHS will purchase pharmaceuticals via a group purchasing method through subcontract(s).
- F. Product Catalogs:
WVHS will provide a minimum of three (3) copies of a comprehensive, full-line pharmaceutical product catalog in disk form to each DHHR facility indicating specific drugs available and other data necessary to insure correct order submission. The catalog in disk form will be kept up-to-date on a monthly basis with revisions/additions supplied at no charge by WVHS. Should additional catalogs in disk form be required, WVHS will supply them at no additional charge.
- G. Order Device:
1. a. WVHS shall provide each facility with a minimum of one (1) electronic ordering device. All drug purchases will be made via the device of WVHS. An adequate number of toll free telephone lines shall also be provided by WVHS at no additional cost to DHHR for transmission of purchase orders.
 - b. WVHS shall supply loaner electronic ordering devices at no cost to DHHR in the event of malfunction of primary electronic ordering device units. Loaner units shall be shipped and be operational onsite within 24 hours of report of the malfunction.
 - c. Orders for pharmaceuticals not placed via the electronic order entry will be invoiced at mark-up costs plus a percentage charge of five (5) percent. This is to insure DHHR facilities comply with standard ordering procedures and realize order cost savings anticipated by the contract. All emergency orders and manual orders processed due to ordering device malfunctions or other malfunctions of the systems maintained by WVHS and/or its subcontractor(s) are excluded from this requirement.
 - d. The electronic ordering device should be a solid state, hand-held, key entry terminal that will provide memory retention, search and recall with selective order notations, i.e. case quantity, callback if not in stock, purchase order notations. This ordering device should transmit at least 600 lines per minute over a standard telephone line. Orders should be able to be transmitted 24 hours a day, seven days a week.
2. WVHS will have the ability to allow the DHHR facility the option of ordering directly via modem, should the facility's computer system have the capacity to do so.

3. WVHS Customer Service Department shall be available daily, Monday through Thursday 7:30 a.m. until 5:30 p.m. and Friday 7:30 a.m. until 4:30 p.m., to handle all of DHHR's facility's regular needs.

H. Labels:

Pre-printed price/shelf labels shall be provided for all drug items delivered to DHHR facilities by WVHS. WVHS, with each shipment of drugs, shall provide price/shelf labels to DHHR facilities. These labels will be added by DHHR facilities as the need arises. The labels will assist in inventory control, receiving audit trails and pricing records. Each label should provide the following information: (1) National Drug Code (N.D.C.) number, (2) day, month and year drug is purchased, (3) selected WVHS product code for re-order, (4) color code for yearly quarter item purchased, and (5) expiration date, name of actual manufacturer, and lot I.D. number.

I. Delivery:

1. WVHS shall process and deliver pharmaceutical items by delivery truck to all the participating DHHR facilities within 24 hours (excluding holidays) after receipt of order. Emergency orders shall be received by all DHHR facilities within 24 hours after receipt of order. There is no additional charge for emergency orders.
2. Daily order cut-off time for delivery is 6:30 p.m. All deliveries shall be made on a F.O.B. destination basis with all shipping and handling charges prepaid and absorbed by WVHS. WVHS shall notify the DHHR facility by telephone or other means within (8) hours from receipt of order if unable to deliver items within 24 hours.
3. Title and all risk of loss or damage of all pharmaceuticals furnished shall remain with and be the responsibility of WVHS until received by the DHHR facility. The DHHR facility shall be instructed to report delivery/shipment problems to WVHS within 24 hours of receipt of order. Generally, deliveries shall be made to the DHHR facility designated delivery area Monday through Friday (weekend delivery optional) between the hours of 8:00 a.m. and 3:00 p.m.
4. In the event WVHS cannot deliver to the DHHR facility the item(s) ordered within the maximum 24 hours and the DHHR facility is forced to secure the items from another source, WVHS may be charged any excess costs incurred in securing the needed item(s). The DHHR facility shall invoice WVHS for this excess cost.

This clause is not applicable for drug items WVHS is unable to supply due to recalls by a manufacturer, documented nationwide shortages, or other circumstances found by DHHR not to be the fault of WVHS. Documented proof of circumstances may be required of WVHS to satisfy DHHR and/or Department of Administration/Purchasing Division or other State of West Virginia entity.

5. Only those DHHR facilities with current Drug Enforcement Administration (D.E.A.) numbers will have controlled substances delivered to them. All DHHR facilities without D.E.A. numbers may order any pharmaceutical required for use except those items identified by the Federal Drug Administration as a controlled substance. Under no circumstances will WVHS deliver to DHHR facilities a controlled substance without first obtaining its D.E.A. number.

J. Emergency Delivery:

1. Emergency orders shall be received by all DHHR facilities within 24 hours after receipt of the order.
2. WVHS Customer Service Department shall be available daily, Monday through Thursday 7:30 a.m. until 5:30 p.m. and Friday 7:30 a.m. until 4:30 p.m., to handle all of DHHR's facility's regular and emergency needs.
3. To contact WVHS' subcontractor AmerisourceBergen after normal business hours, DHHR facilities will dial 614-253-2721 or 800-759-8800, and when the automated attendant answers, depress 7. Facilities will be connected directly to the warehouse Order Control Desk. This option is available from Sunday at 2:30 p.m. until Monday at 8:00 a.m. and Monday through Thursday from 7:00 p.m. until 8:00 a.m.
4. WVHS shall provide for facility's emergency needs from Friday at 4:30 p.m. until Sunday at 2:30 p.m., by providing access to an automated attendant. The automated attendant will answer facility's calls and issue an instruction to press the extension number caller wishes to call. Follow these steps:
 - a. Press 456
 - b. Caller will hear a recorded message
 - c. After the tone, following the recorded message, DHHR facility shall leave the following information:
 - 1) Account name and customer number
 - 2) Caller's name or the name of the person to be called back
 - 3) The complete number for call back - including area code
 - 4) The item number of the urgent product needed, or other questions
 - d. When you hang up the telephone, the on-call supervisor will be automatically paged and will contact caller as soon as possible.

K. Return Goods Policy:

1. WVHS shall accept for exchange and/or full credit any pharmaceutical that is outdated or spoiled except where limited by express manufacturers' policies. Items exchanged must be of the same or equal value. Credit against future purchases or cash refund shall be given for all items returned, but not exchanged.

2. It is the policy of WVHS and its subcontractors to comply with the requirements of the Prescription Drug Marketing Act (PDMA) of 1987, as well as all State of West Virginia PDMA laws and regulations, with regard to the return of prescription drugs by its customers. Credit issued for returned product will not exceed the purchase price of the product.
3. Returned Merchandise:
 - a.. Merchandise originally purchased from a WVHS subcontractor which is returned in saleable condition within 60 days of invoice date provided, will be credited at 100% of the original amount.
 - b. Merchandise originally purchased from a WVHS subcontractor which is returned in saleable condition beyond 61 days of the date of the invoice will be credited at 80% of the original invoice amount.
 - c. Merchandise originally purchased from a WVHS subcontractor returned in non-saleable condition which are accepted for return by the manufacturer will be credited at 50% based on the approximated value received from the manufacturer, less a handling fee.
 - d. Merchandise is in non-saleable condition when any package has been opened or damaged.
 - e. Merchandise is in saleable condition when its original package is unopened and undamaged.
4. Non-Refundable Merchandise:

The following merchandise will not be accepted for refund:

 - a. Schedule II and III controlled substances;
 - b. Open packages, partial bottles, broken seals, or any other product not returned in unopened original packaging, except for manufacturing recalls;
 - c. Products whose manufacturer requires direct or third-party return, except in the case of merchandise misshipments or misorders if reported within 5 business days of receipt;
 - d. Products sold as non-returnable.
5. PDMA Certification:

To receive credit, a signed and dated PDMA return certification form must accompany all prescription drug returns. A sample of the approved certification language is as follows:

I certify that the pharmaceutical product(s) being returned are salable and have been stored and maintained while in our possession in accordance with the manufacturer's temperature and storage requirements listed in the current edition of United States Pharmacopoeia/National Formulary (USP/NF).

I further state that this product has not been transferred to this facility from another location and that I am able to certify as to the product's proper storage and condition.

The amount of the credit will not exceed the original purchase price.

- 6. Schedule Item Returns:
Return of scheduled items (other than Schedule II and III) must be pre-approved by WVHS' subcontractor. Scheduled drug items must be packed separately from non-schedule returns and proper procedures followed to ensure compliance with current law. Schedule items returned in violation of this policy will not receive credit.
- 7. Hazardous Substances Returns:
The returns of hazardous substances must be pre-approved by WVHS' subcontractor. Hazardous substance returns must be clearly marked and packed separately from non-hazardous substance returns. Hazardous substances returned in violation of this policy will not receive credit.
- 8. Temperature Control Returns:
Items that require temperature control during shipment must be called in to WVHS subcontractor's customer service/returned goods department for return authorization.
- 9. Electronic Credit & Return Requests:
Credit and return requests should be entered electronically to assure proper and prompt credit. WVHS' credit entry system should be used for ordering errors, damaged in shipment, defectives, outdated, and overstocked items. Request for credits involving billing errors, shortages, and filling errors must be phoned into WVHS' subcontractor's customer service/returned goods department at the subcontractor's division serving the DHHR facility.

L. Packaging Requirements:

- 1. All pharmaceuticals supplied shall be guaranteed not to be misbranded or adulterated as defined by the provisions of the federal Food Drug Act and its amendments, State of West Virginia Board of Pharmacy laws and regulations and other applicable regulations.

2. All pharmaceuticals supplied by WVHS, may be re-packaged providing the drug product is correctly labeled in accordance with United States Parcel Service and the manufacturer's specifications. All drugs furnished shall be packaged in accordance with standard commercial practices and shipped in containers that meet or exceed United States Department of Transportation shipping regulations and all applicable State of West Virginia laws, regulations or policies. Receipt of drug products not in accordance with appropriate regulations will be returned to WVHS at WVHS' expense. All packages must be identified with individual lot number and the N.D.C. identification numbers.
3. All pharmaceuticals provided by WVHS or its subcontractors shall be delivered to the DHHR facility with an expiration date of not less than six (6) months. Expiration dates on applicable items shall be clearly shown on each bottle, vial, or package.
Un-opened containers of outdated products may be exchanged for the same (or equal) unexpired item with no cost to the DHHR facility.

M. Product Specifications:

All pharmaceutical items supplied by WVHS must, if and when applicable, meet current standards of the United States Pharmacopoeia and the West Virginia Board of Pharmacy. In addition, all drug products must meet applicable regulations outlined in the federal Food, Drug, and Cosmetic Act, Public Health Service Act and meet the minimum requirements of the National Institutes of Health, Interstate Commerce Commission and Federal Trade Commission.

N. Recall Drugs:

WVHS shall assume full responsibility to promptly notify all DHHR facilities of any drug product recall.

O. Sales Representative/Customer Support:

WVHS agrees to provide professional service representatives to meet the needs of the DHHR facilities. Each facility shall be serviced quarterly or more frequently on an as-needed basis. Designated DHHR facility personnel shall meet with the WVHS' customer representative(s) to review such areas as product returns, credits, and address other questions or problems that may arise.

P. Automatic Order Confirmation:

WVHS shall maintain the current Economic Computerized Healthcare Ordering (ECHO) software on-site at each DHHR facility to provide instant order confirmation via telephone modem.

- Q. Automatic Credit Memo System:
WVHS may provide to each DHHR facility a monthly teleprinter/computer-generated list reflecting all drug products returned to WVHS for credit or cash reimbursement.
- R. Implementation and Training:
WVHS shall provide a descriptive plan addressing the way it intends to implement the program at each DHHR facility. WVHS shall provide a personnel training program for at least two (2) employees of the DHHR facility who will be directly involved in the operation of the ordering of goods, use of shelf labels, reports, and the program as a whole. WVHS shall be responsible for providing training to new employees throughout the term of the contract. All training sessions shall be at least eight (8) hours in length or until DHHR facility personnel are proficient in all aspects of the program.
- S. Pharmaceutical Equivalents:
1. WVHS shall operate under the understanding that in order for a generic drug to be considered as an acceptable alternative, the drug must conform to the definition of a pharmaceutical equivalent as defined in Article II S.2, below.
 2. Drug products are pharmaceutical equivalents if they contain the same active ingredients and are identical in strength, dosage form, and route of administration. All drug products must be "AB" rated in order to conform to national pharmaceutical standards of bio-equivalency and bio-availability. Pharmaceutical equivalent drug products were formerly called chemical equivalents. They are formulated to contain the same amount of active ingredient in the same dosage form and to meet the same or comparable standards. They may differ in characteristics such as color, taste, shape, packaging, expiration time and, within certain limits, labeling.
 3. WVHS shall comply with all State of West Virginia standards, requirements and regulations found in West Virginia Code § 30-5-1 et seq., § 60A-3-1 et seq., and § 60A-8-1 et seq.
 4. All generic/name brand drugs supplied by WVHS must be approved as equivalent by the United States Federal Drug Administration (F.D.A.) And listed in the latest F.D.A.'s "Approved Drug Products with Therapeutic Equivalent Evaluations" publication.

5. If requested by a DHHR facility, WVHS shall supply bio-availability data demonstration the bio-equivalence of the generic/name brand product with that of the F.D.A. reference standard. Samples of the product on contract will be provided at no cost to DHHR facilities. New generic/name brand products as they are marked and contracted by WVHS shall be made available to the DHHR facility under the original contract terms and conditions.

Article II. DHHR Responsibilities:

A. Payment for Goods and Services:

DHHR agrees to pay WVHS for its administrative cost and to pay WVHS' subcontractor for the goods and services provided pursuant to this contract in accordance with the West Virginia Prompt Pay Act of 1990, WV Code § 5A-3-54 and West Virginia Department of Administration, Purchasing Division's Purchasing Manual, Section 15. The determination of whether any interest is due for late payment of an invoice, and the amount of such interest, is determined by the Prompt Pay Act. WVHS understands that State of West Virginia law prohibits DHHR from paying for goods and services not received.

B. Costs:

1. Definition of "cost": "Cost is defined as the manufacturer's invoice cost on the date the order is shipped to a DHHR facility. All excise, gross receipts, sales, and other taxes associated with this contract will be paid by WVHS and shall not be included in the cost to DHHR. Cost is exclusive of discounts given by WVHS to subcontractors for prompt payment. Any reduction in this customary discount will cause cost to DHHR to be increased.

2. Price:

- a. Cost Plus Methodology. The cost plus methodology is the cost of the product plus 6% for pay terms of 30 days and cost of the product plus 14% for pay terms greater than 30 days. The contract will begin on May 1, 2002, at cost of the product plus 6%. DHHR will make every effort to process the payment within 30 days upon receipt of invoice.

AmerisourceBergen will review DHHR payments (via statement) on a quarterly basis by using the DSO (Days Sales Outstanding) for the entire receivable balance. If payments reviewed are consistently made within a 30 day time frame, then the cost methodology will remain at cost of the product plus 6%. If payments reviewed are consistently made within a time period greater than 30 days, then the

cost methodology will change to cost of the product plus 14% (excluding AmerisourceBergen credits and re-bills).

AmerisourceBergen (via statement) will provide proper documentation that DHHR did not meet the 30 day payment of the invoices to: DHHR Office of Accounting, State Capitol Complex, 1900 Kanawha Boulevard, East, Building 3, Room 447, Charleston, WV 25305.

The cost plus methodology adjustment (increase or decrease) will be applied at the beginning of each calendar quarter on the following dates: July 1, October 1, January 1 and April 1.

All pharmaceuticals and supplies provided under this contract will be priced using this methodology.

- b. **Membership Fee Structure.** In order to participate in WVHS' subcontractor's group purchasing program, DHHR must pay a membership fee for each of its facilities. The membership for not-for-profit/public acute care hospitals is \$0.35 per \$1,000.00 of each facility's total operating expenses. The current annual fees for DHHR facilities for the term of this contract, exclusive of any extension, are:

Mildred Mitchell-Bateman Hospital	\$5,207.70
Welch Community Hospital	\$6,426.00
William R. Sharpe, Jr. Hospital	\$7,781.65

Article III. Special Terms and Conditions:

A. Insurance Requirements:

WVHS, as an independent contractor, shall be solely liable for the acts and omissions of its employees and agents. WVHS and/or its pharmaceutical suppliers shall maintain and furnish proof of coverage of commercial general liability insurance for loss, damage, or injury (including death) of third parties arising from acts and omissions on the part of WVHS, its agents and employees in the following amounts:

1. For bodily injury (including death) \$500,000.00 per person up to one million per occurrence.
2. For property damage: Up to \$1,000,000 (one million dollars) per occurrence.
3. Professional liability: Up to \$1,000,000 (one million dollars) per occurrence.

Proof of insurance valid for the term of the contract shall be provided by WVHS at the time the contract is awarded.

- B. License Requirements:
WVHS shall maintain any and all professional licenses necessary to provide all goods and services in this contract.

Article IV. General Terms and Conditions:

- A. Conflict of Interest:
WVHS affirms that it, its officers or members or employees presently have no interest and shall not acquire any interest, direct or indirect which would conflict or compromise in any manner or degree with the performance of its services hereunder. WVHS further covenants that in the performance of the contract, WVHS shall periodically inquire of its officers, members and employees concerning such interests discovered shall be promptly presented in detail to DHHR.
- B. Prohibition Against Gratuities:
1. WVHS warrants that it has not employed any company or person other than a bona fide employee working solely for WVHS or a company regularly employed as its marketing agent to solicit or secure the contract and that it has not paid or agreed to pay any company or person any fee, commission, percentage, brokerage fee, gifts or any other consideration contingent upon or resulting from the award of the contract.
 2. For breach or violation of this warranty, the State of West Virginia and DHHR shall have the right to annul this contract without liability at its discretion, and/or to pursue any other remedies available under this contract or by law.
- C. Certifications Related to Lobbying:
1. WVHS certifies that no federally-appropriated funds have been paid or will be paid, by or on behalf of the company or an employee thereof, to any person for purposes of influencing or attempting to influence an officer or employee of any federal entity, a Member of Congress, an officer or employee of Congress, or an employee of an Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan, or cooperative agreement.
 2. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an office or employee or any DHHR, a Member of Congress, an officer or employee of Congress in connection with this federal contract, grant, loan, or cooperative agreement, WVHS shall complete and submit a disclosure form to report the lobbying.

3. WVHS agrees that this language of certification shall be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients and/or subcontractors shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this contract was made and entered into.

D. WVHS Relationship to State of West Virginia and DHHR:

1. The relationship of WVHS to the State of West Virginia and DHHR will be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by the parties to this contract is solely liable for the acts and omissions of its employees and agents.
2. WVHS shall be responsible for selecting, supervising and compensating any and all individuals employed pursuant to the terms of this contract. Neither WVHS nor any employees or contractors of WVHS shall be deemed to the employees of DHHR for any purposes whatsoever.
3. WVHS shall be exclusively responsible for the payment to his/her employees and contractors of all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension or other deferred compensation plans, including but not limited to Workers' Compensation and Social Security obligations, and licensing fees, etc. and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.
4. WVHS shall not bring, shall hold harmless, and shall provide the State of West Virginia and DHHR with a defense against any and all claims that the State of West Virginia or DHHR is held responsible for, including but not limited to the foregoing payments, withholdings, contributions, taxes, social security taxes and employer income tax returns.

E. Indemnification:

WVHS agrees to indemnify, defend and hold harmless the State of West Virginia and DHHR, its officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person or firm performing or supplying services, materials or supplies in connection with the performance of the contract; (2) Any claims or losses resulting to any person or entity injured or damaged by WVHS, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use or disposition of any data used under the contract in a manner not authorized by the contract, or by federal or State of West Virginia statutes or regulation; (3) Any failure of WVHS, its officer, employees or

subcontractors to observe State of West Virginia and federal laws, including but not limited to labor and wage laws; and (4) Any claims of losses to any person or firm injured or damaged by the erroneous or negligent acts, including without limitation, disregard of federal of State of West Virginia Medicaid and Medicare statutes or regulations of WVHS, its officers, employees, or subcontractors in the performance of the services required in the resulting contract.

F. Assignment of Contract:

WVHS shall not assign, convey, transfer or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association or other entity without out prior written approval of DHHR.

G. Governing Laws & Compliance:

The resulting contract shall be governed by the laws of the State of West Virginia. WVHS agrees to comply with the Civil Rights Act of 1964 and all other applicable federal, State of West Virginia and local government rules, regulations and policies.

H. Compliance with Laws and Regulations:

1. WVHS shall procure all necessary permits and licenses to comply with all applicable federal, State of West Virginia and local government laws, regulations, policies and ordinances. WVHS must furnish certification of authority to do business in the State of West Virginia as a condition of a contract award.

2. WVHS shall pay any applicable sales, use, or personal property taxes arising out of this contract and the transactions contemplated thereby. Any other taxes levied upon this contract, the transaction, or the equipment, or services delivered pursuant here to shall be borne by WVHS. It is clearly understood that the State of West Virginia is exempt from any taxes regarding performance of the scope of work of this contract.

I. Subcontracts/Joint Ventures:

1. WVHS is solely responsible for all work performed and goods provided under this contract and shall assume prime contractor responsibility for all services offered and products to be delivered under the terms of this contract. The State of West Virginia and DHHR will consider WVHS to be the sole point of contact with regard to all contractual matters. WVHS may, with the prior written consent of the State of West Virginia and DHHR, enter into written subcontracts for performance of work under this contract.

2. DHHR understands that WVHS currently subcontracts with AmerisourceBergen Corporation, a national pharmaceutical wholesaler to supply pharmaceuticals goods and services and that WVHS has successfully maintained its relationship with AmerisourceBergen since 1990. Notwithstanding that relationship and any provisions in this contract which

refer directly to AmerisourceBergen's and/or its ordering procedures, WVHS shall remain solely responsible for the provision of goods and services to DHHR. In the event there is no longer a contract between WVHS and AmerisourceBergen, WVHS shall remain responsible for providing all the goods and services set forth in this contract.

J. Term of Contract & Renewals:

The term of this contract shall be from May 1, 2002, through and including April 30, 2003, and will be effective upon the signature of all parties below and after applicable State of West Virginia DHHR approval, including approval from the State of West Virginia Attorney General's Office and shall extend for the period of one (1) year, at which time the contract may, upon mutual consent, be renewed. Such renewals are for a period of up to one (1) year, with a maximum of two (2) one year renewals, or until such reasonable time thereafter as is necessary to obtain a new contract. The "reasonable time" period shall not exceed twelve (12) months and during this time period the contract may be terminated by DHHR pursuant to the contract termination provisions herein. Any change in federal or State of West Virginia law, or any court actions which constitute binding precedent in West Virginia, and which significantly alters WVHS's required activities or any change in the availability of funds, shall be viewed as binding and shall warrant good faith renegotiation of the compensation paid to WVHS and of such other provisions of the contract that are affected. If such renegotiation proves unsuccessful, the contract may be terminated by DHHR pursuant to the contract termination provisions herein.

K. Non-Appropriation of Funds:

If the West Virginia Legislature does not allocate funds to DHHR in any succeeding fiscal year for the continued services covered by this contract, DHHR may terminate the contract at the end of the affected current fiscal period without further charge or penalty. DHHR shall give WVHS written notice of such non-allocation of funds as soon as possible after DHHR receives notice. No penalty shall accrue to DHHR in the event this provision is exercised.

L. Contract Termination:

1. DHHR may terminate any contract immediately at any time WVHS fails to carry out its responsibilities or to make substantial progress under the same terms of the contract. The DHHR shall provide WVHS with advance notice of performance conditions which are endangering the contract's continuation. If after such notice WVHS fails to remedy the conditions contained in the notice, DHHR shall issue WVHS an order to cease and desist any and all work immediately. DHHR shall be obligated only for services rendered and accepted prior to the date of the notice of termination.

2. The parties may terminate any contract by mutual agreement with thirty (30) days prior notice.
3. DHHR reserves the right to discontinue use of any or all contracted services and cancel any contract for services for convenience at the end of any fiscal year by providing WVHS with 90 (ninety) days written notice.

M. Changes:

1. If changes in the original contract become necessary, a formal contract change order will be negotiated by the State of West Virginia, DHHR and WVHS, to address changes to the terms and conditions, costs of, or scope of work included under the contract. An approved contract change order is defined as one approved by the State of West Virginia and the West Virginia Attorney General's Office prior to the effective date of such amendment. An approved contract change order is required whenever the change affects the payment provision and/or the scope of the work. Such changes may be necessitated by new and amended federal and State of West Virginia regulations and requirements.
2. As soon as possible after receipt of a written change request from DHHR, but in no event more than thirty (30) days thereafter, WVHS shall determine if there is an impact on price with the change requested and provide DHHR a written statement to identifying any price impact on the contract or to state that there is no impact. In the event that price will be impacted by the scope change, WVHS shall, provide a description of the price increase or decrease involved in implementing the requested change.

NO CHANGES IN THE CONTRACT SHALL BE IMPLEMENTED BY WVHS UNTIL SUCH TIME AS WVHS RECEIVES AN APPROVED WRITTEN CHANGE ORDER. TO PROCEED ON VERBAL APPROVAL ONLY IS TO DO SO AT WVHS' OWN RISK.

N. Invoices and Compensation:

1. WVHS and its subcontractors shall submit invoices, in arrears, to DHHR at the address on the face of the purchase order labeled "Invoice To" pursuant to the terms of the contract.
2. WVHS and its subcontractors will be compensated based upon the services and goods actually provided as set forth herein. Invoices will be discounted at cost plus 6% net 30 days. Invoices exceeding 30 days will be cost plus 14%.

O. Record Retention (Access & Confidentiality):

1. WVHS shall comply with all applicable federal and State of West Virginia laws, rules, regulations and requirements governing the maintenance of documentation to verify any cost of services or commodities rendered under this contract by WVHS. WVHS shall maintain such records a minimum of five (5) years and make available all records to DHHR personnel at WVHS's location during normal business hours upon written request by DHHR within 10 days after receipt of the request.
2. WVHS, its employees and agents shall have access to private and confidential data maintained by DHHR to the extent required for WVHS carry out the duties and responsibilities defined in this contract. WVHS shall indemnify and hold harmless the State of West Virginia and DHHR against any and all claims, brought by any party, attributed to actions of breach of confidentiality by WVHS, subcontractors, or individuals permitted access by WVHS, including legal fees and disbursement paid or incurred to enforce the provisions of the contract. WVHS shall accept responsibility for providing adequate supervision and training to its agents and employees to ensure that confidentiality is maintained. No private or confidential data collected, maintained or used during the course of the contract period shall be disseminated except as authorized by statute either during the contract period or thereafter.

P. News Releases:

News releases or other publicity pertaining to the goods and services to be provided under this contract shall not be made without prior approval by DHHR.

Q. Contract Monitoring and Accounting and Auditing:

1. WVHS shall maintain accounting records relating to the performance of the services to be provided under this contract. These accounting records shall be maintained in accordance with generally accepted accounting principles. Authorized representatives or agents of the State of West Virginia and DHHR shall have access to the accounting records upon reasonable notice and at reasonable times during the performance and/or retention period of the contract for purposes of review, analysis, inspection and audit. DHHR and other State of West Virginia and/or federal agencies and their authorized representatives or agents shall have access to all accounting and financial records of any individual, partnership, firm or corporation insofar as they relate to transactions connected with this contract. WVHS shall provide the State of West Virginia or DHHR or authorized governmental official with full access to records regarding performance related to this contract for the purpose of monitoring, review and testing of WVHS' operations relating to performance.

2. WVHS shall maintain books, records, documents and other evidence pertaining to the administrative costs and expenses of the contract to the extent and in such detail as shall properly reflect all revenues and all costs and revenues of whatever nature for which reimbursement is claimed under this contract. WVHS shall agree that authorized federal, State of West Virginia and DHHR representatives shall have access to and the right to examine the items listed above during the contract period and during the five year post-contract period or until final resolution of all pending audit questions and litigation. During the contract period, access to these items will be provided to DHHR at all reasonable times. During the five year post-contract period, delivery of and access to the listed items will be at no cost to the State of West Virginia or DHHR.
3. DHHR may at its option conduct an audit of WVHS' operations as they pertain to goods and services and recoveries pursuant to the contracted services.
4. If WVHS carries out any of the duties of the resulting contract through a subcontract with a value or cost of \$10,000 or more over a 12 month period, with a related organization, such subcontract shall contain a clause to the effect that until the expiration of five (5) years after the furnishing of such services pursuant to such subcontract, the related organization or entity shall make available, upon written request of the Secretary of the United States Department of Health and Human Services, or any of their duly authorized representatives, the subcontract, and books, documents, and records of such organization that are necessary to certify the nature and extent of such costs.
5. WVHS shall provide the State of West Virginia or DHHR or authorized governmental official with full access to records regarding performance related to the contract for the purpose of monitoring, review and testing of WVHS' operations relating to performance. Without such access, DHHR may be unable to do cost reports and, as a result, lose its ability to generate third party reimbursements. Therefore, for each day WVHS refuses DHHR access to its records or copies of any specific record, DHHR, in its discretion, shall impose a \$250.00 per day charge which will be invoiced to WVHS by DHHR.

R. Certification Regarding Debarment & Suspension

1. WVHS certifies that no entity, agency, or person associated with WVHS is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, "Debarment and Suspension".

This contract becomes effective upon the signature of all parties below and after applicable State of West Virginia DHHR approval, including approval from the State of West Virginia Attorney General's Office.

West Virginia Department of Health and Human Resources:

Victoria L. Parlier
Victoria L. Parlier, Deputy Commissioner
of Bureau for Behavioral Health
and Health Facilities

5/6/02
Date

Richard Miller
Richard Miller, Vice President/COO
West Virginia Health Services

5/6/02
Date

Dennis Proctor
Director, Office of DHHR Purchasing
304-558-0957

5-7-02

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY)
8/02/02

PRODUCER
Acordia of WV-Charleston
One Hillcrest Drive, East
PO Box 1531
Charleston WV 26328-1531
(804) 345-2511

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

- COMPANY**
A Travelers Property Casualty Insurance Company
- COMPANY**
B Travelers Indemnity Company
- COMPANY**
C Executive Risk Indemnity, Inc.
- COMPANY**
D

INSURED
WV Health Services, Inc
100 Amusement Drive
Northgate Office Park
Charleston, WV 25311

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS																				
1	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> OWNERS & CONTRACTORS PROF	1520854783707C101	8/01/01	8/01/02	GENERAL AGGREGATE \$ 2,000,000 PRODUCTS-COMP/OP AGG \$ 2,000,000 PERSONAL & ADV INJURY \$ 1,000,000 EACH OCCURRENCE \$ 1,000,000 FIRE DAMAGE (Any one fire) \$ 300,000 MSD EMP (Any one person) \$																				
2	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> RENTED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	1Q108378144PH001	8/01/01	8/01/02	COMBINED SINGLE LIMIT \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE \$																				
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3	EXCESS LIABILITY <input checked="" type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM	15MCUP304V53331N001	8/01/01	8/01/02	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000																				
4	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS AGES <input type="checkbox"/> INCL <input type="checkbox"/> EXCL STATE OF WV	15BD554763707C101	8/01/01	8/01/02	<table border="1"> <tr> <td>WC STATE</td> <td>TDY</td> <td>LIMITS</td> <td>OTH</td> <td>FR</td> </tr> <tr> <td>EL EACH ACCIDENT</td> <td></td> <td>\$ 500,000</td> <td></td> <td></td> </tr> <tr> <td>EL DISEASE-POLICY LIMIT</td> <td></td> <td>\$ 500,000</td> <td></td> <td></td> </tr> <tr> <td>EL DISEASE-EA EMPLOYEES</td> <td></td> <td>\$ 500,000</td> <td></td> <td></td> </tr> </table>	WC STATE	TDY	LIMITS	OTH	FR	EL EACH ACCIDENT		\$ 500,000			EL DISEASE-POLICY LIMIT		\$ 500,000			EL DISEASE-EA EMPLOYEES		\$ 500,000		
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EL DISEASE-POLICY LIMIT		\$ 500,000																							
EL DISEASE-EA EMPLOYEES		\$ 500,000																							
5	OTHER Directors, Officers and Trustees Liability	81672038	10/15/01	10/15/02	\$2,000,000 Maximum Aggregate Limit																				

DESCRIPTION OF OPERATIONS, LOCATIONS AND VEHICLES (SPECIAL ITEMS)

CERTIFICATE HOLDER
State of West Virginia
Charleston, WV 00000

CANCELLATION
 SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.
 AUTHORIZED REPRESENTATIVE:
Andy A. Walker

AGREEMENT ADDENDUM

WV-96
Rev. 3/94

In the event of conflict between this addendum and the agreement, this addendum shall control:

1. **ARBITRATION** - Any references to arbitration contained in the agreement are hereby deleted. Disputes arising out of the agreement shall be presented to the West Virginia Court of Claims.
2. **HOLD HARMLESS** - Any clause requiring the Agency to indemnify or hold harmless any party is hereby deleted in its entirety.
3. **GOVERNING LAW** - The agreement shall be governed by the laws of the State of West Virginia. This provision replaces any references to any other State's governing law.
4. **TAXES** - Provisions in the agreement requiring the Agency to pay taxes are deleted. As a State entity, the Agency is exempt from Federal, State, and local taxes and will not pay taxes for any Vendor including individuals, nor will the Agency file any tax returns or reports on behalf of Vendor or any other party.
5. **PAYMENT** - Any references to prepayment are deleted. Payments will be in arrears.
6. **INTEREST** - Should the agreement include a provision for interest on late payments, the Agency agrees to pay the maximum legal rate under West Virginia law. All other references to interest or late charges are deleted.
7. **RECOUPMENT** - Any language in the agreement waiving the Agency's right to set-off, counterclaim, recoupment, or other defense is hereby deleted.
8. **FISCAL YEAR FUNDING** - Service performed under the agreement may be continued in succeeding fiscal years for the term of the agreement, contingent upon funds being appropriated by the Legislature or otherwise being available for this service. In the event funds are not appropriated or otherwise available for this service, the agreement shall terminate without penalty on June 30. After that date, the agreement becomes of no effect and is null and void. However, the Agency agrees to use its best efforts to have the amounts contemplated under the agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default.
9. **STATUTE OF LIMITATION** - Any clauses limiting the time in which the Agency may bring suit against the Vendor, lessor, individual, or any other party are deleted.
10. **SIMILAR SERVICES** - Any provisions limiting the Agency's right to obtain similar services or equipment in the event of default or non-funding during the term of the agreement are hereby deleted.
11. **ATTORNEY FEES** - The Agency recognizes an obligation to pay attorney's fees or costs only when assessed by a court of competent jurisdiction. Any other provision is invalid and considered null and void.
12. **ASSIGNMENT** - Notwithstanding any clause to the contrary, the Agency reserves the right to assign the agreement to another State of West Virginia agency, board or commission upon thirty (30) days written notice to the Vendor and Vendor shall obtain the written consent of Agency prior to assigning the agreement.
13. **LIMITATION OF LIABILITY** - The Agency, as a State entity, cannot agree to assume the potential liability of a Vendor. Accordingly, any provision limiting the Vendor's liability for direct damages or limiting the Vendor's liability under a warranty to a certain dollar amount or to the amount of the agreement is hereby deleted. In addition, any limitation is null and void to the extent that it precludes any action for injury to persons or for damages to personal property.
14. **RIGHT TO TERMINATE** - Agency shall have the right to terminate the agreement upon thirty (30) days written notice to Vendor.
15. **TERMINATION CHARGES** - Any provision requiring the Agency to pay a fixed amount or liquidated damages upon termination of the agreement is hereby deleted. The Agency may only agree to reimburse a Vendor for actual costs incurred or losses sustained during the current fiscal year due to wrongful termination by the Agency prior to the end of any current agreement term.
16. **RENEWAL** - Any reference to automatic renewal is hereby deleted. The agreement may be renewed only upon mutual written agreement of the parties.
17. **INSURANCE** - Any provision requiring the Agency to insure equipment or property of any kind and name the Vendor as beneficiary or as an additional insured is hereby deleted.
18. **RIGHT TO NOTICE** - Any provision for repossession of equipment without notice is hereby deleted. However, the Agency does recognize a right of repossession with notice.
19. **ACCELERATION** - Any reference to acceleration of payments in the event of default or non-funding is hereby deleted.
20. **AMENDMENTS** - All amendments, modifications, alterations or changes to the agreement shall be in writing and signed by both parties. No amendment, modification, alteration or change may be made to this addendum without the express written approval of the Purchasing Division and the Attorney General.

ACCEPTED BY:
STATE OF WEST VIRGINIA
 Spending Unit: S H H R
 Signed: Dennis Hudson
 Director, Office of DHHR Purchasing
 Title: 304-558-0953
 Date: May 7, 2002

VENDOR
 Company Name: WV Heat/HV Services
 Signed: [Signature]
 Title: VICE Pres. / COO
 Date: 5/6/02

AFFIDAVIT

West Virginia Code §5A-3-10a states:

No contract or renewal of any contract may be awarded under this article to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor as defined in this section and the debt owed is an amount greater than five thousand dollars in the aggregate.

Definitions:

"Debt" means any assessment, penalty, fine, tax or other amount of money owed to the state because of a judgement, fine, permit violation, license assessment, penalty or other assessment presently due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon;

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions;

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor, so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

Exception:

The prohibition does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the West Virginia Code, worker's compensation premium, permit fee or environmental fee or assessment, and the matter has not become final, or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (West Virginia Code §61-5-3), it is hereby certified that the bidder and all related parties do not owe any debts or, if a debt is owed, that the provisions of the exception clause (above) apply.

Vendor's Name: WV Health Services
Authorized Signature: [Signature] Date: 5/6/02



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Purchase Order

PURCHASE ORDER NO.
BHS60098

PAGE
1

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CORRECT PURCHASE ORDER NUMBER MUST APPEAR ON ALL PACKAGES, INVOICES, AND SHIPPING PAPERS. QUESTIONS CONCERNING THIS PURCHASE ORDER SHOULD BE DIRECTED TO THE BUYER AS NOTED BELOW.

CHANGE ORDER

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

TO ORDER FROM
 HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV 25301-3702

AGENCY COPY

BY ORDER OF
 *709053942 304-344-9744
 WV HEALTH SERVICES INC
 100 ASSOCIATION DRIVE
 CHARLESTON WV 25311

SHIP TO
 HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV 25301-3702 304-558-5690

DATE PRINTED	TERMS OF SALE	FEIN/SSN	FUND		
03/30/2006	NET 30	550657541			
SHIP VIA	F.O.B.	FREIGHT TERMS	ACCOUNT NUMBER		
BEST WAY	DESTINATION	PREPAID	MUL-MUL		
LINE	QUANTITY	UOP	VENDOR ITEM NO.	UNIT PRICE	AMOUNT
	DELIVERY DATE	CAT. NO.	ITEM NUMBER		
0001	04/01/2006	JB	961-20	.00000	
	PROVIDE PHARMACEUTICAL GOODS & SERVICES		AGREEMENT		
			AGREEMENT		
			OPEN-END CONTRACT		
			TO PROVIDE PHARMACEUTICAL GOODS AND SERVICES TO WELCH COMMUNITY HOSPITAL, WILLIAM R. SHARPE, JR. HOSPITAL AND MILDRED MITCHELL-BATEMAN HOSPITAL THROUGH A GROUP PURCHASING COOPERATIVE PROGRAM.		
			EFFECTIVE: APRIL 1, 2006 THROUGH MARCH 31, 2007.		
			PLEASE NOTE THE FOLLOWING ATTACHMENTS: 1) BHS60098 AGREEMENT (21 PAGES) 2) AFFIDAVIT (1 PAGE) 3) WV-96 AGREEMENT ADDENDUM (1 PAGE)		
			THIS AGREEMENT CONSTITUTES THE ACCEPTANCE OF CONTRACT MADE BY AND BETWEEN THE STATE OF WEST VIRGINIA BY THE PURCHASING DIRECTOR FOR AND ON BEHALF OF THE WEST		

WV STATE PURCHASING DIVISION
 ADMINISTRATION UNIT
 CERTIFIED ENCUMBERED

APR 10 2006

RECEIVED
 OFFICE OF THE PURCHASING
 APR 11 AM 10:40

Beverly Taylor

IF APPROVAL AS TO FORM IS REQUIRED BY ATTORNEY GENERAL, CHECK HERE 2007 3-30-06

OPEN END

TOTAL

APPROVED FOR FISCAL YEAR
George Wayfield
 APPROVED AS TO FORM BY
 ASSISTANT ATTORNEY GENERAL

BY *[Signature]*
 B FRANCISCO 304-558-0468
 PURCHASING DIVISION AUTHORIZED SIGNATURE



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Purchase Order

PURCHASE ORDER NO.

BHS60098

PAGE

2

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CHANGE ORDER

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HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV 25301-3702

*709053942 304-344-9744
 WV HEALTH SERVICES INC
 100 ASSOCIATION DRIVE
 CHARLESTON WV 25311

HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV 25301-3702 304-558-5690

DATE PRINTED	TERMS OF SALE	FEIN/BSN	FUND		
03/30/2006	NET 30	550657541			
SHIP VIA	F.O.B.	FREIGHT TERMS	ACCOUNT NUMBER		
BEST WAY	DESTINATION	PREPAID	MUL-MUL		
LINE	QUANTITY	UOP	VENDOR ITEM NO.	UNIT PRICE	AMOUNT
	DELIVERY DATE	CAT. NO.	ITEM NUMBER		
VIRGINIA DEPARTMENT OF HEALTH & HUMAN RESOURCES, BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES, AND WEST VIRGINIA HEALTH SERVICES, INC. FOR PROVIDING PHARMACEUTICAL GOODS AND SERVICES, VIA A GROUP PURCHASING COOPERATIVE PROGRAM FOR THREE (3) OF THE STATE FACILITIES.					
SERVICE BEGINNING APRIL 1, 2006 AND EXTENDING UNTIL MARCH 31, 2007. ALL IN ACCORDANCE WITH THE AGREEMENT ATTACHED HERETO AS A PART HEREOF.					
SCHEDULE OF PAYMENT:					
			FEE	\$-OPEN END----	
			TRAVEL EXPENSE	\$-----	
			OTHER EXPENSE	\$-----	
			TOTAL	\$-OPEN END----	
EXECUTION OF THIS AGREEMENT BY THE PURCHASING DIRECTOR, OR THEIR DESIGNEE, CONSTITUTES ACCEPTANCE BY THOSE PARTIES OF THE TERMS AND CONDITIONS CONTAINED IN THE ATTACHED CONTRACT DOCUMENTS AND BINDS THE VENDOR WHOSE SIGNATURE APPEARS THEREIN TO SAID TERMS AND CONDITIONS.					
BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES					

F APPROVAL AS TO FORM IS REQUIRED BY ATTORNEY GENERAL, CHECK HERE

TOTAL

APPROVED AS TO FORM BY
 ASSISTANT ATTORNEY GENERAL

BY _____
 PURCHASING DIVISION AUTHORIZED SIGNATURE



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Purchase Order

PURCHASE ORDER NO.
 BHS60098

PAGE
 3

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CORRECT PURCHASE ORDER NUMBER
 MUST APPEAR ON ALL PACKAGES,
 INVOICES, AND SHIPPING PAPERS.
 QUESTIONS CONCERNING THIS PUR-
 CHASE ORDER SHOULD BE DIRECTED
 TO THE BUYER AS NOTED BELOW.

CHANGE ORDER

**SEE REVERSE SIDE FOR
 TERMS AND CONDITIONS**

INVOICE TO
 HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV
 25301-3702

RODNEY
 *709053942 304-344-9744
 WV HEALTH SERVICES INC
 100 ASSOCIATION DRIVE
 CHARLESTON WV 25311

SHIP TO
 HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV
 25301-3702 304-558-5690

DATE PRINTED 03/30/2006		TERMS OF SALE NET 30		FEIN/SSN 550657541		FUND	
SHIP VIA BEST WAY		F.O.B. DESTINATION		FREIGHT TERMS PREPAID		ACCOUNT NUMBER MUL-MUL	
LINE	QUANTITY	UOP	VENDOR ITEM NO.		UNIT PRICE	AMOUNT	
	DELIVERY DATE	CAT. NO.	ITEM NUMBER				
FOR BANKRUPTCY PROTECTION, THIS CONTRACT IS AUTOMATI- CALLY NULL AND VOID, AND IS TERMINATED WITHOUT FURTHER ORDER.							
						TOTAL	

IF APPROVAL AS TO FORM IS REQUIRED BY ATTORNEY GENERAL, CHECK HERE

APPROVED AS TO FORM BY
 ASSISTANT ATTORNEY GENERAL

BY _____
 PURCHASING DIVISION AUTHORIZED SIGNATURE

**State of West Virginia
Department of Health and Human Resources
Bureau for Behavioral Health and Health Facilities
Department of Education and the Arts
Division of Rehabilitation Services**

**CONTRACT
BHS60098**

**STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES
DEPARTMENT OF EDUCATION AND THE ARTS
DIVISION OF REHABILITATION SERVICES**

**CONTRACT
BHS60098**

This CONTRACT is made and entered into by and between the State of West Virginia, Purchasing Division on behalf of Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities, hereinafter referred to as "DHHR;" Department of Education and the Arts, Division of Rehabilitation Services, hereinafter referred to as "DEA;" and West Virginia Health Services, hereinafter referred to as "WVHS".

WHEREAS, this contract is to provide pharmaceutical goods and services, via a group purchasing cooperative program, to Welch Community Hospital, William R. Sharpe, Jr. Hospital and Mildred Mitchell-Bateman Hospital (DHHR) and to West Virginia Rehabilitation Center (DEA); hereinafter "facilities".

As set forth in Article IV J., below the term of this contract shall be from April 1, 2006 through March 31, 2007.

NOW THEREFORE, in consideration of the foregoing recitals and for the mutual covenants contained herein, DHHR & DEA and WVHS or subcontractor hereby agree as follows:

Article I. WVHS or Subcontractor Responsibilities

- A. DHHR & DEA General Pharmaceutical Need:
All pharmaceutical items required by the facilities shall be provided by WVHS or subcontractor.
- B. Unavailability of Products:
It is recognized that certain pharmaceutical items will not be available due to some manufacturer's unwillingness to participate in the group purchasing program. WVHS or subcontractor will purchase these drug items directly from the non-participating manufacturers using alternate procurement methods.
- C. Contact:
DHHR & DEA shall consider WVHS the sole point of contact with regard to any contract matter.
- D. Additional Charges:
All charges for goods and services provided under this contract will be clearly enumerated, including any additional charges, if applicable.

- E. Group Purchasing Program Method:
WVHS or subcontractor will purchase pharmaceuticals via a group purchasing method through subcontract(s).
- F. Product Catalogs:
WVHS or subcontractor shall make available an electronic, full-line pharmaceutical listing to each hospital indicating specific drugs available and other data necessary to insure correct order submission. Changes will be noted on a real-time basis, provided through the WVHS or subcontractor's internet website or via another method of electronic communication.
- G. Order Devices/Connections:
1. a. WVHS or subcontractor shall provide each facility with a minimum of one (1) ordering device (computer). All drug purchases will be made via WVHS or subcontractor's ordering device/computer. In the event of a failure of the primary computer, WVHS or subcontractor will provide a backup unit within twenty four (24) hours of the malfunction report. All drug purchases will be made via the computer internet or telephone line. WVHS or subcontractor must have an adequate number of toll free telephone lines to receive orders, at no additional cost to DHHR & DEA.
 - b. WVHS or subcontractor should be able to transmit orders – twenty four (24) hours a day, seven (7) days a week.
 - c. WVHS or subcontractor shall provide or maintain a computerized medication ordering software on-site at each hospital, or via the internet, and shall provide instant order confirmation via telephone modem, internet, etc. If an ordered item is not available, WVHS or subcontractor must notify the hospital within eight (8) hours of the unavailability of the item.
 - d. The medication ordering device should be a computer with internet access and/or the ability to transmit orders that provide search and recall with selective order notations, i.e. case quantity, callback if not in stock, purchase order notations.
- H. Labels:
Pre-printed price/shelf labels shall be provided by WVHS or subcontractor with each shipment of drugs to DHHR & DEA. These labels will assist in inventory control, receiving audit trails and pricing records. Each label must provide the following information: (1) National Drug Code (N.D.C.) number, (2) day, month and year drug is purchased, (3) selected WVHS or subcontractor product code for re-order, (4) color code for yearly quarter item purchased, and (5) expiration date, name of actual manufacturer, and lot I.D. number.

I. Delivery:

1. WVHS or subcontractor shall process and deliver all pharmaceutical items to all participating facilities within twenty four (24) hours after receipt of order. This exclude the following holidays: New Year's Day, Memorial Day, Labor Day, Thanksgiving Day and Christmas.
2. All deliveries shall be made on a F.O.B. destination basis with all shipping and handling charges prepaid and absorbed by WVHS or subcontractor. WVHS or subcontractor shall notify the ordering DHHR & DEA facility by telephone or other means within eight (8) hours of receipt of order if unable to deliver items within twenty four (24) hours. Daily order cut-off time for delivery is 6:30 p.m.
3. Title and all risk of loss or damage of all pharmaceuticals furnished shall remain with and be the responsibility of WVHS or subcontractor until received by the ordering hospital. The ordering DHHR & DEA facility shall be instructed to report delivery/shipment problems to WVHS or subcontractor within twenty-four (24) hours of receipt of order. Generally, deliveries shall be made Monday through Friday (weekend delivery optional) between the hours of 8:00 a.m. and 3:00 p.m.
4. In the event WVHS or subcontractor cannot deliver the item(s) ordered within the maximum twenty-four (24) hours and the DHHR & DEA facility is forced to secure the item(s) from another source, WVHS or subcontractor may be charged any excess costs incurred in securing the needed item(s).

This clause is not applicable for drug items that WVHS or subcontractor is unable to supply due to recalls by a manufacturer, documented nationwide shortages, or other circumstances found by DHHR & DEA not to be the fault of WVHS or subcontractor. Documented proof of circumstances may be required of WVHS or subcontractor to satisfy DHHR & DEA and/or Department of Administration, Purchasing Division or other State of West Virginia entities.

5. Only those participating DHHR & DEA facilities with current Drug Enforcement Administration (D.E.A.) numbers will have controlled substances delivered to them. Participating DHHR & DEA facilities without D.E.A. numbers may order any pharmaceuticals required except those items identified by the Federal Drug Administration as a controlled substance. Under no circumstances will WVHS or subcontractor deliver a controlled substance to a DHHR & DEA facility without first obtaining its D.E.A. number.

J. Emergency Delivery:

1. Emergency orders shall be received by all DHHR & DEA facilities within twenty-four (24) hours after receipt of the order. There shall be no additional charge for an emergency order.
2. WVHS or subcontractor's customer service department shall be available daily, Monday through Friday 7:30 a.m. until 5:30 p.m., to handle all of DHHR & DEA's facilities' regular and emergency needs.
3. To contact WVHS' subcontractor AmerisourceBergen after normal business hours and on specified holidays, DHHR & DEA facilities will dial 614-253-2721 or 800-759-8800, and when the automated attendant answers, depress 7. Facilities will be connected directly to the warehouse Order Control Desk. This option is available from Sunday at 2:30 p.m. until Monday at 8:00 a.m. and Monday through Thursday from 7:00 p.m. until 8:00 a.m.
4. WVHS or subcontractor shall provide for facility's emergency needs from Friday at 5:30 p.m. until Sunday at 2:30 p.m., by providing access to an automated attendant. The automated attendant will answer facilities' calls and issue an instruction to press the extension number caller wishes to call. Follow these steps:
 - a. Press 456
 - b. Caller will hear a recorded message
 - c. After the tone, following the recorded message, DHHR & DEA facility shall leave the following information:
 - 1.) Account name and customer number
 - 2.) Caller's name or the name of the person to be called back
 - 3.) The complete number for call back - including area code
 - 4.) The item number of the urgent product needed, or other questions
 - d. When you hang up the telephone, the on-call supervisor will be automatically paged and will contact caller as soon as possible.

K. Return Goods Policy:

1. WVHS or subcontractor shall accept for exchange and/or full credit any pharmaceutical that is outdated or spoiled except where limited by express manufacturers' policies. Items exchanged must be of the same or equal value. Credit against future purchases or cash refund shall be given for all items returned, but not exchanged.

2. It is the policy of WVHS and its subcontractors to comply with the requirements of the Prescription Drug Marketing ACT (PDMA) of 1987, as well as all State of West Virginia PDMA laws and regulations, with regard to the return of prescription drugs by its customers. Credit issued for returned product will not exceed the purchase price of the product.
3. WVHS or subcontractor shall provide to each participating hospital an updated monthly list reflecting all drug products returned to WVHS or subcontractor for credit or cash reimbursement upon each instance of return of products.
4. Returned Merchandise:
 - a. Merchandise originally purchased from a WVHS subcontractor which is returned in saleable condition within sixty (60) days of invoice date provided, will be credited at 100% of the original amount.
 - b. Merchandise originally purchased from a WVHS subcontractor which is returned in saleable condition beyond sixty-one (61) days of the date of the invoice will be credited at 80% of the original invoice amount.
 - c. Merchandise originally purchased from a WVHS subcontractor returned in non-saleable condition which is accepted for return by the manufacturer will be credited at 50% based on the approximated value received from the manufacturer, less a handling fee.
 - d. Merchandise is in non-saleable condition when any package has been opened or damaged.
 - e. Merchandise is in saleable condition when its original package is unopened and undamaged and is not outdated.
5. Non-Refundable Merchandise:

The following merchandise will not be accepted for refund:

 - a. Schedule II and III controlled substances;
 - b. Open packages, partial bottles, broken seals, or any other product not returned in unopened original packaging, except for manufacturing recalls;
 - c. Products whose manufacturer requires direct or third-party return, except in the case of merchandise misshipments or misorders if reported within five (5) business days of receipt;

d. Products sold as non-returnable.

6. PDMA Certification:

To receive credit, a signed and dated PDMA return certification form must accompany all prescription drug returns. A sample of the approved certification language is as follows:

I certify that the pharmaceutical product(s) being returned are salable and have been stored and maintained while in our possession in accordance with the manufacturer's temperature and storage requirements listed in the current edition of United States Pharmacopoeia/National Formulary (USP/NF).

I further state that this product has not been transferred to this facility from another location and that I am able to certify as to the product's proper storage and condition.

The amount of the credit will not exceed the original purchase price.

7. Schedule Item Returns:

Return of scheduled items (other than Schedule II and III) must be pre-approved by WVHS' subcontractor. Scheduled drug items must be packed separately from non-scheduled returns and proper procedures followed to ensure compliance with current law. Scheduled items returned in violation of this policy will not receive credit.

8. Hazardous Substances Returns:

The returns of hazardous substances must be pre-approved by WVHS' subcontractor. Hazardous substance returns must be clearly marked and packed separately from non-hazardous substance returns. Hazardous substances returned in violation of this policy will not receive credit.

9. Temperature Control Returns:

Items that require temperature control during shipment must be called in to WVHS subcontractor's customer service/returned goods department for return authorization.

10. Electronic Credit & Return Requests:

Credit and return requests should be entered electronically to assure proper and prompt credit. WVHS or subcontractor's credit entry system should be used for ordering errors, damaged in shipment, defectives, outdated, and overstocked items. Request for credits involving billing errors, shortages, and filling errors must be phoned into WVHS subcontractor's

customer service/returned goods department at the subcontractor's division serving the DHHR & DEA facility.

L. Packaging Requirements:

1. All pharmaceuticals supplied shall be guaranteed not to be misbranded or adulterated as defined by the provisions of the federal Food Drug Act and its amendments, State of West Virginia Board of Pharmacy laws and regulations and other applicable regulations.
2. All pharmaceuticals supplied by WVHS or subcontractor, may be re-packaged providing the package is correctly labeled in accordance with United States Postal Service and the manufacturer's specifications. All drugs furnished shall be packaged in accordance with standard commercial practice and shipped in containers that meet or exceed United States Department of Transportation shipping regulations and all applicable State of West Virginia laws, regulations or policies. Receipt of drug products not in accordance with appropriate regulations will be returned to WVHS or subcontractor at WVHS or subcontractor's expense. All packages must be identified with individual lot number and the N.D.C. identifications numbers.
3. All pharmaceuticals provided by WVHS or its subcontractors shall be delivered to the DHHR & DEA facility with an expiration date of not less than six (6) months. Expiration dates on applicable items shall be clearly shown on each bottle, vial, or package.

Un-opened containers of outdated products may be exchanged for the same (or equal) unexpired item with no cost to the DHHR & DEA facility.

M. Product Specifications:

All pharmaceutical items supplied by WVHS or subcontractor must, if and when applicable, meet current standards of the United States Pharmacopoeia and the West Virginia Board of Pharmacy. In addition, all drug products must meet applicable regulations outlined in the federal Food, Drug, and Cosmetic Act, Public Health Service Act and meet the minimum requirements of the National Institutes of Health, Interstate Commerce Commission and Federal Trade Commission.

N. Recall Drugs:

WVHS or subcontractor shall assume full responsibility to promptly notify all DHHR & DEA facilities of any drug product recall.

- O. Sales Representative/Customer Support:
WVHS or subcontractor agrees to provide professional service representatives to meet the needs of the DHHR & DEA facilities. Each facility shall be serviced quarterly or more frequently on an as-needed basis. Designated DHHR & DEA facility personnel shall meet with the WVHS or subcontractor's customer representative(s) to review such areas as product returns, credits, and addresses other questions or problems that may arise.
- P. Automatic Order Confirmation:
WVHS or subcontractor shall maintain the current Economic Computerized Healthcare Ordering (ECHO) software on-site at each DHHR & DEA facility to provide instant order confirmation via telephone modem.
- Q. Automatic Credit Memo System:
WVHS or subcontractor may provide to each DHHR & DEA facility a monthly teleprinter/computer-generated list reflecting all drug products returned to WVHS or subcontractor for credit or cash reimbursement.
- R. Implementation and Training:
1. WVHS or subcontractor shall provide a descriptive work plan addressing the way it intends to implement the program at each hospital. WVHS or subcontractor shall provide a personnel training program for at least two (2) employees at each hospital who will be directly involved in the operation of the ordering of goods, use of shelf labels, reports, and the program as a whole. WVHS or subcontractor shall be responsible for providing training to new employees throughout the term of the contract. All training sessions shall be sufficient to ensure that appropriate DHHR & DEA hospital personnel are proficient in all aspects of the program.
 2. To meet the needs of the participating facilities, WVHS or subcontractor agrees to provide professional service representatives via toll-free phone numbers, email, or in person.
- S. Pharmaceutical Equivalents:
1. WVHS or subcontractor shall operate under the understanding that in order for a generic drug to be considered as an acceptable alternative, the drug must conform to the definition of a pharmaceutical equivalent as defined in Article I, S.2, below.
 2. Drug products are pharmaceutical equivalents if they contain the same active ingredients and are identical in strength, dosage form, and route of administration. All drug products must be "AB" rated in order to conform to national pharmaceutical standards of bio-equivalency and bio-availability. Pharmaceutical equivalent drug products were formerly called chemical equivalents. They are formulated to contain the same

amount of active ingredient in the same dosage form and to meet the same or comparable standards. They may differ in characteristics such as color, taste, shape, packaging, expiration time and, within certain limits, labeling.

3. WVHS or subcontractor shall comply with all State of West Virginia standards, requirements and regulations found in West Virginia Code § 30-5-1 et seq., § 60A-3-1 et seq., and § 60A-8-1 et seq.
4. All generic/name brand drugs supplied by WVHS or subcontractor must be approved as equivalent by the United States Federal Drug Administration (F.D.A.) and listed in the latest F.D.A.'s "Approved Drug Products with Therapeutic Equivalent Evaluations" publication.
5. If requested by a DHHR & DEA facility, WVHS or subcontractor shall supply bio-availability data demonstration the bio-equivalence of the generic/name brand product with that of the F.D.A. reference standard. Samples of the product on contract will be provided at no cost to DHHR & DEA facilities. New generic/name brand products as they are marked and contracted by WVHS or subcontractor shall be made available to the DHHR & DEA facility under the original contract terms and conditions.

Article II. DHHR & DEA Responsibilities:

A. Payment for Goods and Services:

DHHR & DEA agrees to pay WVHS or subcontractor for its administrative cost and to pay WVHS' subcontractor for the goods and services provided pursuant to this contract in accordance with the West Virginia Prompt Pay Act of 1990, WV Code § 5A-3-54 and West Virginia Department of Administration, Purchasing Division's Purchasing Manual, Section 15. The determination of whether any interest is due for late payment of an invoice, and the amount of such interest, is determined by the Prompt Pay Act. WVHS or subcontractor understands that State of West Virginia law prohibits DHHR & DEA from paying for goods and services not received.

B. Costs:

1. Definition of "cost": "Cost is defined as the manufacturer's invoice cost on the date the order is shipped to a DHHR & DEA facility. All excise, gross receipts, sales, and other taxes associated with this contract will be paid by WVHS or subcontractor and shall not be included in the cost to DHHR & DEA. Cost is exclusive of discounts given by WVHS or subcontractor to subcontract for prompt payment. Any reduction in this customary discount will cause cost to DHHR & DEA to be increased.

2. Price:

- a. Negotiated price shall be cost less .175% as indicated in the matrix below:

West Virginia Health Services						
Revenue Range Per Month		Terms				
Min.	Max	15-Day Prepay	7-Day Prepay	Weekly	Semi Monthly	Monthly
\$100,000	\$200,000	0.700%	0.750%	0.800%	0.825%	0.875%
\$200,001	\$300,000	-0.350%	-0.300%	-0.250%	-0.225%	-0.175%
\$300,001	\$500,000	-0.650%	-0.600%	-0.550%	-0.525%	-0.475%
\$500,001	\$750,000	-0.900%	-0.850%	-0.800%	-0.775%	-0.725%
\$750,000	\$1,000,000	-1.050%	-1.000%	-0.950%	-0.925%	-0.875%

- b. **Membership Fee Structure.** In order to participate in WVHS' subcontractor's group purchasing program, DHHR & DEA must pay a membership fee for each of its facilities. The membership fee for DHHR & DEA hospitals is based upon a rounded, three-year average history of expenditures for the DHHR facilities and a one-year approximation of expenditures for the DEA facility. The fee will be proportionately based upon the anticipated spending, rounded to the nearest \$100. The payments shall be based on this estimate for the life of the contract. The allocation for the membership fee for DHHR & DEA facilities is based on the following amounts:

Mildred Mitchell-Bateman Hospital	\$ 600,000
Welch Community Hospital	\$1,200,000
William R. Sharpe, Jr. Hospital	\$1,000,000
West Virginia Rehabilitation Center	\$ 250,000

The annual fees, rounded to the nearest \$100, for DHHR & DEA facilities for the term of this contract, based on budgeted expenses and exclusive of any extension, shall be:

Mildred Mitchell-Bateman Hospital	\$7,200.00
Welch Community Hospital	\$4,300.00
William R. Sharpe, Jr. Hospital	\$8,700.00
West Virginia Rehabilitation Center	\$1,800.00

Article III. Special Terms and Conditions:

A. Insurance Requirements:

WVHS, as an independent contractor, shall be solely liable for the acts and omissions of its employees and agents. WVHS or subcontractor and/or its pharmaceutical suppliers shall maintain and furnish proof of coverage of commercial general liability insurance for loss, damage, or injury (including death) of third parties arising from acts and omissions on the part of WVHS or subcontractor, its agents and employees in the following amounts:

1. For bodily injury (including death) \$500,000 per person up to \$1,000,000 per occurrence.
2. For property damage: Up to \$1,000,000 (one million dollars) per occurrence.
3. Professional liability: Up to \$1,000,000 (one million dollars) per occurrence.

Proof of insurance valid for the term of the contract shall be provided by WVHS or subcontractor at the time the contract is awarded.

B. License Requirements:

WVHS or subcontractor shall maintain any and all professional licenses necessary to provide all goods and services in this contract.

Article IV. General Terms and Conditions:

A. Conflict of Interest:

WVHS or subcontractor affirms that it, its officers or members or employees presently have no interest and shall not acquire any interest, direct or indirect which would conflict or compromise in any manner or degree with the performance or its services hereunder. WVHS or subcontractor further covenants that in the performance of the contract, WVHS or subcontractor shall periodically inquire of its officers, members and employees concerning such interests. Any such interests discovered shall be promptly presented in detail to DHHR & DEA.

B. Prohibition Against Gratuities:

1. WVHS or subcontractor warrants that it has not employed any company or person other than a bona fide employee working solely for WVHS or subcontractor, or a company regularly employed as its marketing agent to solicit or secure the contract and that it has not paid or agreed to pay any company or person any fee, commission, percentage, brokerage fee, gifts or any other consideration contingent upon or resulting from the award of the contract.

2. For breach or violation of this warranty, the State of West Virginia and DHHR & DEA shall have the right to annul this contract without liability at its discretion, and/or to pursue any other remedies available under this contract or by law.

C. Certifications Related to Lobbying:

1. WVHS or subcontractor certifies that no federally-appropriated funds have been paid or will be paid, by or on behalf of the company or an employee thereof, to any person for purposes of influencing or attempting to influence an officer or employee of any federal entity, a Member of Congress, an officer or employee of Congress, or an employee of an Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan, or cooperative agreement.
2. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an office or employee or any DHHR & DEA, a Member of Congress, an officer or employee of Congress in connection with this federal contract, grant, loan, or cooperative agreement, WVHS or subcontractor shall complete and submit a disclosure form to report the lobbying.
3. WVHS or subcontractor agrees that this language of certification shall be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients and/or subcontractors shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this contract was made and entered into.

D. WVHS or Subcontractor's Relationship to State of West Virginia and DHHR & DEA:

1. The relationship of WVHS or subcontractor to the State of West Virginia and DHHR & DEA will be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by the parties to this contract. WVHS is solely liable for the acts and omissions of its employees and agents.
2. WVHS or subcontractor shall be responsible for selecting, supervising and compensating any and all individuals employed pursuant to the terms of this contract. Neither WVHS or subcontractor, nor any employees or contractors of WVHS or subcontractor, shall be deemed to the employees of DHHR & DEA for any purposes whatsoever.

3. WVHS or subcontractor shall be exclusively responsible for the payment to his/her employees and contractors of all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension or other deferred compensation plans, including but not limited to Workers' Compensation and Social Security obligations, and licensing fees, etc. and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.
4. WVHS or subcontractor shall hold harmless the State and shall provide the State of West Virginia and DHHR and DEA with a defense against any and all claims, including but not limited to the foregoing payments, withholdings, contributions, taxes, social security taxes and employer income tax returns.

E. Indemnification:

WVHS or subcontractor agrees to indemnify, defend and hold harmless the State of West Virginia and DHHR & DEA, its officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person or firm performing or supplying services, materials or supplies in connection with the performance of the contract; (2) Any claims or losses resulting to any person or entity injured or damaged by WVHS or subcontractor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use or disposition of any data used under the contract in a manner not authorized by the contract, or by federal or State of West Virginia statutes or regulation; (3) Any failure of WVHS or subcontractor, its officer, employees or subcontractors to observe State of West Virginia and federal laws, including but not limited to labor and wage laws; and (4) Any claims of losses to any person or firm injured or damaged by the erroneous or negligent acts, including without limitation, disregard of federal or State of West Virginia Medicaid and Medicare statutes or regulations by WVHS or subcontractor, its officers, employees, or subcontractors in the performance of the services required in the resulting contract.

F. Assignment of Contract:

WVHS or subcontractor shall not assign, convey, transfer or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association or other entity without out prior written approval of DHHR & DEA.

G. Governing Laws & Compliance:

The contract shall be governed by the laws of the State of West Virginia. WVHS or subcontractor agrees to comply with the Civil Rights Act of 1964 and

all other applicable federal, State of West Virginia and local government rules, regulations and policies.

H. Compliance with Laws and Regulations:

1. WVHS or subcontractor shall procure all necessary permits and licenses to comply with all applicable federal, State of West Virginia and local government laws, regulations, policies and ordinances. WVHS or subcontractor must furnish certification of authority to do business in the State of West Virginia as a condition of a contract award.
2. WVHS or subcontractor shall pay any applicable sales, use, or personal property taxes arising out of this contract and the transactions contemplated thereby. Any other taxes levied upon this contract, the transaction, or the equipment, or services delivered pursuant here to shall be borne by WVHS or subcontractor. It is clearly understood that the State of West Virginia is exempt from any taxes regarding performance of the scope of work of this contract.

I. Subcontracts/Joint Ventures:

1. WVHS is solely responsible for all work performed and goods provided under this contract and shall assume prime contractor responsibility for all services offered and products to be delivered under the terms of this contract. The State of West Virginia and DHHR & DEA will consider WVHS to be the sole point of contact with regard to all contractual matters. WVHS may, with the prior written consent of the State of West Virginia and DHHR & DEA, enter into written subcontracts for performance of work under this contract.
2. DHHR & DEA understands that WVHS currently subcontracts with AmerisourceBergen Corporation, a national pharmaceutical wholesaler to supply pharmaceuticals goods and services and that WVHS has successfully maintained its relationship with AmerisourceBergen since 1990. Notwithstanding that relationship and any provisions in this contract which refer directly to AmerisourceBergen's and/or its ordering procedures, WVHS shall remain solely responsible for the provision of goods and services to DHHR & DEA. In the event there is no longer a contract between WVHS and AmerisourceBergen, WVHS shall remain responsible for providing all the goods and services set forth in this contract.

J. Terms of Contract & Renewals:

The term of this contract shall be from April 1, 2006, through and including March 31, 2007, and will be effective upon the signature of all parties below and after applicable State of West Virginia DHHR & DEA approval, including

J. Terms of Contract & Renewals:

The term of this contract shall be from April 1, 2006, through and including March 31, 2007, and will be effective upon the signature of all parties below and after applicable State of West Virginia DHHR & DEA approval, including

approval from the State of West Virginia Attorney General's Office and shall extend for the period of one (1) year, at which time the contract may, upon mutual consent, be renewed. Such renewals are for a period of up to one (1) year, with a maximum of two (2) one year renewals, or until such reasonable time thereafter as is necessary to obtain a new contract. The "reasonable time" period shall not exceed twelve (12) months and during this time period the contract may be terminated by DHHR & DEA pursuant to the contract termination provisions herein. Any change in federal or State of West Virginia law, or any court actions which constitute binding precedent in West Virginia, and which significantly alters WVHS or subcontractor's required activities or any change in the availability of funds, shall be viewed as binding and shall warrant good faith renegotiation of the compensation paid to WVHS or subcontractor and of such provisions of the contract that are affected. If such renegotiation proves unsuccessful, the contract may be terminated by DHHR & DEA pursuant to the contract termination provisions herein.

K. Non-Appropriation of Funds:

If the West Virginia Legislature does not allocate funds to DHHR & DEA in any succeeding fiscal year for the continued services covered by this contract, DHHR & DEA may terminate the contract at the end of the affected current fiscal period without further charge or penalty. DHHR & DEA shall give WVHS or subcontractor written notice of such non-allocation of funds as soon as possible after DHHR & DEA receives notice. No penalty shall accrue to DHHR & DEA in the event this provision is exercised.

L. Contract Termination:

1. DHHR & DEA may terminate any contract immediately at any time WVHS fails to carry out its responsibilities or to make substantial progress under the same terms of the contract. The DHHR & DEA shall provide WVHS with advance notice of performance conditions which are endangering the contract's continuation. If after such notice WVHS fails to remedy the conditions contained in the notice, DHHR & DEA shall issue a cease and desist order to WVHS on any and all work immediately. DHHR & DEA shall be obligated only for services rendered and accepted prior to the date of the notice of termination.

2. The parties may terminate any contract by mutual agreement with thirty (30) days prior notice.
3. DHHR & DEA reserves the right to discontinue use of any or all contracted services and cancel any contract for services for convenience at the end of any fiscal year by providing WVHS with 90 (ninety) days written notice.

M. Changes:

1. If changes in the original contract become necessary, a formal contract change order will be negotiated by the State of West Virginia, DHHR & DEA and WVHS, to address changes to the terms and conditions, costs of, or scope of work included under the contract. An approved contract change order is defined as one approved by the State of West Virginia and the West Virginia Attorney General's Office prior to the effective date of such amendment. An approved contract change order is required whenever the change affects the payment provision and/or the scope of the work. Such changes may be necessitated by new and amended federal and State of West Virginia regulations and requirements.
2. As soon as possible after receipt of a written change request from DHHR & DEA, but in no event more than thirty (30) days thereafter, WVHS shall determine if there is an impact on price with the change requested and provide DHHR & DEA a written statement to identifying any price impact on the contract or to state that there is no impact. In the event that price will be impacted by the scope change, WVHS shall, provide a description of the price increase or decrease involved in implementing the requested change.

NO CHANGES IN THE CONTRACT SHALL BE IMPLEMENTED BY WVHS OR SUBCONTRACTOR UNTIL SUCH TIME AS WVHS OR SUBCONTRACTOR RECEIVES AN APPROVED WRITTEN CHANGE ORDER.

N. Invoices and Compensation:

1. WVHS and its subcontractors shall submit invoices, in arrears, to DHHR & DEA at the address on the face of the purchase order labeled "Invoice To" pursuant to the terms of the contract.
2. WVHS and its subcontractors will be compensated based upon the services and goods actually provided as set forth herein.

O. Record Retention (Access & Confidentiality):

1. WVHS or subcontractor shall comply with all applicable federal and State of West Virginia laws, rules, regulations and requirements governing the maintenance of documentation to verify any cost of services or commodities rendered under this contract by WVHS or subcontractor. WVHS or subcontractor shall maintain such records a minimum of six (6) years and make available all records to DHHR & DEA personnel at WVHS or subcontractor's location during normal business hours upon written request by DHHR & DEA within 10 days after receipt of the request.
2. WVHS or subcontractor, its employees and agents shall have access to private and confidential data maintained by DHHR & DEA to the extent required for WVHS or subcontractor carry out the duties and responsibilities defined in this contract. WVHS or subcontractor shall indemnify and hold harmless the State of West Virginia and DHHR & DEA against any and all claims, brought by any party, attributed to actions of breach of confidentiality by WVHS, subcontractors, or individuals permitted access by WVHS or subcontractor, including legal fees and disbursement paid or incurred to enforce the provisions of the contract. WVHS or subcontractor shall accept responsibility for providing adequate supervision and training to its agents and employees to ensure that confidentiality is maintained. No private or confidential data collected, maintained or used during the course of the contract period shall be disseminated except as authorized by statute either during the contract period or thereafter.

P. News Releases:

New releases or other publicity pertaining to the goods and services to be provided under this contract shall not be made without prior approval by DHHR & DEA.

Q. Contract Monitoring and Accounting and Auditing:

1. WVHS or subcontractor shall maintain accounting records relating to the performance of the services to be provided under this contract. These accounting records shall be maintained in accordance with generally accepted accounting principles. Authorized representatives or agents of the State of West Virginia and DHHR & DEA shall have access to the accounting records upon reasonable notice and at reasonable times during the performance and/or retention period of the contract for purposes of review, analysis, inspection and audit. DHHR & DEA and other State of West Virginia and/or federal agencies and their authorized representatives or agents shall have access to all

accounting and financial records of any individual, partnership, firm or corporation insofar as they relate to transactions connected with this contract. WVHS or subcontractor shall provide the State of West Virginia or DHHR & DEA or authorized governmental official with full access to records regarding performance related to this contract for the purpose of monitoring, review and testing of WVHS or subcontractor's operations relating to performance.

2. WVHS or subcontractor shall maintain books, records, documents and other evidence pertaining to the administrative costs and expenses of the contract to the extent and in such detail as to properly reflect all revenues and all costs and revenues of whatever nature for which reimbursement is claimed under this contract. WVHS or subcontractor shall agree that authorized federal, State of West Virginia and DHHR & DEA representatives shall have access to and the right to examine the items listed above during the contract period and during the six year post-contract period or until final resolution of all pending audit questions and litigation. During the contract period, access to these items will be provided to DHHR & DEA at all reasonable times. During the six-year post-contract period, delivery of and access to the listed items will be at no cost to the State of West Virginia or DHHR & DEA.
3. DHHR & DEA may at its option conduct an audit of WVHS or subcontractor's operations as they pertain to goods and services and recoveries pursuant to the contracted services.
4. If WVHS or subcontractor carries out any of the duties of the resulting contract through a subcontract with a value or cost of \$10,000 or more over a 12-month period, with a related organization, such subcontract shall contain a clause to the effect that until the expiration of four years after the furnishing of such services pursuant to such subcontract, the related organization or entity shall make available, upon written request of the Secretary of the United States Department of Health and Human Services, or any of their duly authorized representatives, the subcontract, and books, documents, and records of such organization that are necessary to certify the nature and extent of such costs.
5. WVHS or subcontractor shall provide the State of West Virginia, DHHR and DEA or authorized governmental official with full access to records regarding performance related to the contract for the purpose of monitoring, review and testing of WVHS or subcontractor's operations relating to performance. Without such accesses, DHHR & DEA may be unable to do cost reports and, as a result, lose its ability to generate third party reimbursements.

Therefore, according to West Virginia State Code 5A-3-4(8), WVHS agrees that liquidated damages shall be imposed at the rate of \$250 per calendar day for failure to provide requested records. This clause shall in no way be considered exclusive and shall not limit the State or Agency's right to pursue to any other additional remedy to which the State or Agency may have legal cause for action including further damages against the Vendor.

This contract becomes effective upon the signature of all parties below and after applicable State of West Virginia DHHR & DEA approval, including approval from the State of West Virginia Attorney General's Office.

Greg Nicholson 3/23/06
Date
Greg Nicholson, Chief Operating Officer
West Virginia Department of Health & Human Resources

Doug Price 3/23/06
Date
Doug Price, Fiscal Director
Office of Health Facilities, Bureau for Behavioral Health and Health Facilities
Department of Health and Human Resources

Sonja Scholl 3/23/06
Date
Sonja Scholl, Hospital Administrator
West Virginia Rehabilitation Center, Division of Rehabilitation Services
Department of Education and the Arts

Charlyn Miller 3/23/06
Date
Charlyn Miller, Procurement Manager
West Virginia Rehabilitation Center, Division of Rehabilitation Services
Department of Education and the Arts

Karen Byrd 4/7/06
Date
Karen Byrd, Assistant Director
Division of Purchasing
West Virginia Department of Administration

Shana Kay Phares 03-23-06
Date
Shana Kay Phares
Acting Pharmaceutical Advocate
Office of the Governor

Richard Miller 3/16/2006
Date
Richard Miller, President
West Virginia Health Services

Jo Ben
3/30/06

AGREEMENT ADDENDUM

In the event of conflict between this addendum and the agreement, this addendum shall control:

1. **ARBITRATION** - Any references to arbitration contained in the agreement are hereby deleted. Disputes arising out of the agreement shall be presented to the West Virginia Court of Claims.
2. **HOLD HARMLESS** - Any clause requiring the Agency to indemnify or hold harmless any party is hereby deleted in its entirety.
3. **GOVERNING LAW** - The agreement shall be governed by the laws of the State of West Virginia. This provision replaces any references to any other State's governing law.
4. **TAXES** - Provisions in the agreement requiring the Agency to pay taxes are deleted. As a State entity, the Agency is exempt from Federal, State, and local taxes and will not pay taxes for any Vendor including individuals, nor will the Agency file any tax returns or reports on behalf of Vendor or any other party.
5. **PAYMENT** - Any references to prepayment are deleted. Payment will be in arrears.
6. **INTEREST** - Should the agreement include a provision for interest on late payments, the Agency agrees to pay the maximum legal rate under West Virginia law. All other references to interest or late charges are deleted.
7. **RECOUPMENT** - Any language in the agreement waiving the Agency's right to set-off, counterclaim, recoupment, or other defense is hereby deleted.
8. **FISCAL YEAR FUNDING** - Service performed under the agreement may be continued in succeeding fiscal years for the term of the agreement, contingent upon funds being appropriated by the Legislature or otherwise being available for this service. In the event funds are not appropriated or otherwise available for this service, the agreement shall terminate without penalty on June 30. After that date, the agreement becomes of no effect and is null and void. However, the Agency agrees to use its best efforts to have the amounts contemplated under the agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default.
9. **STATUTE OF LIMITATION** - Any clauses limiting the time in which the Agency may bring suit against the Vendor, lessor, individual, or any other party are deleted.
10. **SIMILAR SERVICES** - Any provisions limiting the Agency's right to obtain similar services or equipment in the event of default or non-funding during the term of the agreement are hereby deleted.
11. **ATTORNEY FEES** - The Agency recognizes an obligation to pay attorney's fees or costs only when assessed by a court of competent jurisdiction. Any other provision is invalid and considered null and void.
12. **ASSIGNMENT** - Notwithstanding any clause to the contrary, the Agency reserves the right to assign the agreement to another State of West Virginia agency, board or commission upon thirty (30) days written notice to the Vendor and Vendor shall obtain the written consent of Agency prior to assigning the agreement.
13. **LIMITATION OF LIABILITY** - The Agency, as a State entity, cannot agree to assume the potential liability of a Vendor. Accordingly, any provision limiting the Vendor's liability for direct damages or limiting the Vendor's liability under a warranty to a certain dollar amount or to the amount of the agreement is hereby deleted. In addition, any limitation is null and void to the extent that it precludes any action for injury to persons or for damages to personal property.
14. **RIGHT TO TERMINATE** - Agency shall have the right to terminate the agreement upon thirty (30) days written notice to Vendor.
15. **TERMINATION CHARGES** - Any provision requiring the Agency to pay a fixed amount or liquidated damages upon termination of the agreement is hereby deleted. The Agency may only agree to reimburse a Vendor for actual costs incurred or losses sustained during the current fiscal year due to wrongful termination by the Agency prior to the end of any current agreement term.
16. **RENEWAL** - Any reference to automatic renewal is hereby deleted. The agreement may be renewed only upon mutual written agreement of the parties.
17. **INSURANCE** - Any provision requiring the Agency to insure equipment or property of any kind and name the Vendor as beneficiary or as an additional insured is hereby deleted.
18. **RIGHT TO NOTICE** - Any provision for repossession of equipment without notice is hereby deleted. However, the Agency does recognize a right of repossession with notice.
19. **ACCELERATION** - Any reference to acceleration of payments in the event of default or non-funding is hereby deleted.
20. **AMENDMENTS** - All amendments, modifications, alterations or changes to the agreement shall be in writing and signed by both parties. No amendment, modification, alteration or change may be made to this addendum without the express written approval of the Purchasing Division and the Attorney General.

ACCEPTED BY:

STATE OF WEST VIRGINIA

Sponsoring Unit: DHHR

Signed: [Signature]

Title: Buyer Supervisor

Date: 3/30/06

VENDOR

Company Name: WV Health Services

Signed: [Signature]

Title: President

Date: 3/28/06



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Purchase Order

PURCHASE ORDER NO.

BHS60098

PAGE 1

BLANKET RELEASE

00

CORRECT PURCHASE ORDER NUMBER MUST APPEAR ON ALL PACKAGES, INVOICES, AND SHIPPING PAPERS. QUESTIONS CONCERNING THIS PURCHASE ORDER SHOULD BE DIRECTED TO THE BUYER AS NOTED BELOW.

CHANGE ORDER

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

01 mg 0225

HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV

25301-3702

0021

*709053942 304-344-9744
 WV HEALTH SERVICES INC
 100 ASSOCIATION DRIVE
 CHARLESTON WV 25311

01 mg 0225

HEALTH AND HUMAN RESOURCES
 BEHAVIORAL HEALTH SERVICES
 ROOM 350
 350 CAPITOL STREET
 CHARLESTON, WV

25301-3702 304-558-5690

DATE PRINTED		TERMS OF SALE		FEIN/SSN		FUND	
03/30/2006		NET 30		550657541			
SHIP VIA		P.O.B.		FREIGHT TERMS		ACCOUNT NUMBER	
BEST WAY		DESTINATION		PREPAID		MUL-MUL	
LINE	QUANTITY	UOP	VENDOR ITEM NO.		UNIT PRICE	AMOUNT	
	DELIVERY DATE	CAT. NO.	ITEM NUMBER				
			RECEIPT TICKET FOR PURCHASE ORDER:			BHS60098	
LINE	CATNO	ITEM	NUMBER		DESCRIPTION	QTY	DATE
0001		961-20			PROVIDE PHARMACEUTICAL GOODS & SERV		
		SIGNATURE _____			DATE _____		

APPROVAL AS TO FORM IS REQUIRED BY ATTORNEY GENERAL, CHECK HERE

TOTAL

APPROVED AS TO FORM BY
 ASSISTANT ATTORNEY GENERAL

BY _____
 PURCHASING DIVISION AUTHORIZED SIGNATURE

Appendix E



Minnesota Department of Administration
Materials Management Division
112 Administration Building
50 Sherburne Avenue
St Paul, MN 55155
Voice: 651-296-2600
FAX: 651-297-3996
TTY: MN Relay Service 1-800-627-3529

AGREEMENT OF UNDERSTANDING AND JOINT POWERS AGREEMENT

This Agreement of Understanding is by and between the State of Minnesota, acting through its Commissioner of Administration on behalf of Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP) and the State of West Virginia through its Pharmaceutical Cost Management Council.

I. SCOPE

MMCAP is a coalition of states and governmental units formed to standardize and consolidate state requirements for pharmaceuticals, supplies and services, and to cooperatively contract for such requirements. MMCAP may offer cooperative multi-state contracting agreements for additional health-care related supplies, equipment and services to participating states and facilities (e.g., state correctional facilities, state mental health facilities, state public health facilities, etc.). Participating states and facilities reserve the right to utilize or not utilize any MMCAP contracted agreements.

II. PURPOSE

The purpose of this agreement is to establish a method by which participating states and other governmental units may join together in cooperative multi-state contracting and to ensure the commitment of each participating state. Further, this agreement shall provide an understanding of the contracting process, the responsibilities of the participants and describe the organization and operating policies of MMCAP.

III. MISSION AND GOALS

A. Mission Statement

The mission of MMCAP is to provide value via reduced costs and improved services to its participating states and facilities through voluntary cooperative purchasing of pharmaceuticals and allied products and services.

B. Goals

- Maximize cost savings and reduce administrative costs.
- Standardize specifications and consolidate requirements to encourage product availability and market competition.
- Promote environmentally responsible purchasing.
- Develop quality assurance standards.
- Ensure quality distribution of pharmaceuticals and allied products and services to contract participants.

IV. AUTHORIZATION

By executing this agreement, each participating state is certifying that it is authorized to enter into this agreement pursuant to applicable laws, rules and regulations. The designated individual executing this agreement certifies that he or she has the authority to represent his or her state and is authorized to commit his or her state on matters related to the business of MMCAP. The State of West Virginia, is authorized to participate in the MMCAP cooperative purchasing program by the Pharmaceutical Cost Management Council (W.V. Code §5A-3C-11).

V. ORGANIZATION AND OPERATION

A. Membership and Participation

MMCAP membership (the membership) is comprised of participating states. Other governmental units may participate in MMCAP contracting activities as determined by the membership provided such membership is authorized pursuant to applicable law.

Participation in MMCAP is voluntary and may be initiated at any time by submitting a copy of this Agreement of Understanding, executed by the state's chief procurement officer or his/her designee, for approval to the MMCAP Manager. Participation shall continue until termination occurs either by the participating state or the MMCAP Manager.

Each member state is responsible to ensure its participating state facilities are authorized by applicable law to participate in MMCAP contracting activities. Each member state agrees to indemnify, save and hold harmless the State of Minnesota from any causes of action arising from improper or unauthorized use of MMCAP contracts by one or more of its state's facilities.

B. Organization

The MMCAP organization shall consist of a Manager appointed from the State of Minnesota, an elected Vice Chairperson and the remaining membership. The Vice Chairperson shall be elected by a majority vote of the membership on a biennial basis. The MMCAP Manager, to the extent allowed by law and to the extent permitted by delegated authority pursuant to Minn. Stat. § 16C.03, subd. 16, shall render all decisions relating to MMCAP contracting activities. In accordance with Minn. Stat. § 16C.03, all other contracting and contract management decisions shall be made by the State of Minnesota, Commissioner of Administration or authorized delegate. The Advisory Panel shall be elected by the membership at the annual business meeting. The Advisory Panel shall consist of the Vice Chairperson and eight representatives from the membership. Four of the eight representatives shall be state purchasing agents and the remaining four representatives shall be pharmacists selected from the main practice areas participating in MMCAP. The Advisory Panel membership term shall be determined by the MMCAP Manager, but in no event will a term of a single member exceed two consecutive years. The Advisory Panel shall meet quarterly and provide recommendations to the MMCAP Manager on matters presented to the panel by the MMCAP Manager.

C. Business Meeting

The meeting of the representatives of the membership of MMCAP shall be conducted on an annual or on an as-needed basis as determined by the MMCAP Manager. The elected Vice Chairperson shall participate in presiding over the meeting with the MMCAP Manager. On matters brought to a vote by the MMCAP Manager, each participating state present shall have equal voting rights. Voting members must possess the authority to commit the state they represent.

D. Fees

The MMCAP Manager may, pursuant to contract terms and conditions, require the contract awardee(s) to pay an administrative fee. The fee shall be based on a percentage of sales made by the individual awardee. Fees shall be collected by the MMCAP office. Fees shall be utilized to pay for the administrative costs incurred in the operation of MMCAP as approved by the MMCAP Manager. Any remaining balance of funds shall be returned to active participating facilities by means of a credit to their wholesaler account proportionate to the individual facility's contract purchases via the contracted wholesaler(s).

VI. DUTIES

A. State of Minnesota

The State of Minnesota shall be the state known as the "contract administrator," which, on behalf of all participating states shall:

- Select commodities or services for cooperative contracting;
- Develop a procurement plan, including the time schedule, specifications, use description and the preliminary solicitation/contract documents;
- Manage the fees collected from the contract awardee(s);
- Coordinate any document review to be done by participating states;
- Issue the solicitation for bids or request for proposals;
- Receive the bids or proposals;
- Coordinate any necessary solicitation evaluation;
- Conduct final analysis, review participating state's recommendations for contract award(s) if provided, and make final contract award determinations;
- Issue all contract amendments or contract cancellations, if required;
- Provide copies of contract documents if requested;
- Handle administrative protests arising from the solicitations in accordance with the State of Minnesota laws and regulations.
- Maintain vendor performance records;
- Assist in resolving administrative contract or supplier problems that cannot be resolved by independent states or facilities;
- Prepare copies of the award catalog and arrange for distribution; and
- The MMCAP Manager will make a presentation at the National Association of State Procurement Officials' (NASPO) annual conference, presenting to the chief state procurement officials of the member states the annual budget, the status of the collection of the administrative fee, proposals for expanding MMCAP services into new or different areas, other significant issues, and known matters to be subject to vote at the next business meeting. The assembled chief state procurement officials will review, comment and provide advice in these strategic areas, plus any additional issues the chief state procurement officials choose to raise at the meeting. This review, comment and advice will provide context and guidance for the MMCAP Manager and direction to the various state representatives and provide the basis for discussions to be held at business meetings. Any significant matters not identified for member states at the NASPO annual conference will be summarized and distributed to member states point-of-contact reasonably in advance of the MMCAP annual business meeting.

B. Participating States

Participating states shall:

- Attend MMCAP business meeting(s);
- Participate in the evaluation of proposals and provide recommendations for award(s) to the MMCAP

Manager; and

- Prepare a "Participating Addendum" if required. A Participating Addendum is an instrument that may be used in limited circumstances where the standard MMCAP contract terms and conditions do not include provision(s) required by the laws of the participating state or when the standard MMCAP contract terms and conditions conflict with the laws of the participating state. If these circumstances exist, a participating state may prepare a Participating Addendum to set forth additional or altered terms and conditions agreeable to the participating state, the contract awardee, and MMCAP. The Participating Addendum applies only to the relationship between the state initiating the addendum and the contract vendor. A Participating Addendum shall not affect the rights of the other states or the obligation of the contract vendor to the other states. The participating state is responsible for creating and negotiating any Participating Addendum and must notify the MMCAP Manager and provide a copy of the Participating Addendum for approval prior to its execution.

VII. PROTESTS

The MMCAP Manager shall be responsible for all protests arising from the MMCAP solicitation process. Protests shall be handled in accordance with Minnesota law, rules, regulations and policy. Any state or facility receiving a protest concerning an MMCAP contract will immediately notify the MMCAP Manager.

VIII. CONTRACTS

MMCAP contracts shall include standard contractual requirements contained in State of Minnesota contracts. The MMCAP manager shall consider the inclusion of contract language based upon the recommendations of the membership or of the Advisory Panel. All contracts shall clearly delineate contract use and cancellation. Each participating state or facility shall issue its own purchase documents against the master cooperative contract(s).

IX. JOINT POWERS AGREEMENT

The State of Minnesota and participating states and facilities are empowered to enter into this agreement pursuant to Minn. Stat. § 471.59, subd. 10 authorizing governmental units to enter into joint powers agreements whereby one of the governmental units performs on behalf of the other any service or function which the governmental unit providing the service or function is authorized to provide for itself. The participating state, by means of this joint powers agreement, may authorize ordering from contracts established by MMCAP. Participating states and facilities agree to order under the established terms and conditions of the MMCAP contract or under terms and conditions established pursuant to a Participating Addendum prepared in accordance with and under the circumstances described in Section VI. B. Payment for all orders made by a participating state or facility is the responsibility of that state and/or facility.

X. GENERAL PROVISIONS

A. Liability

Each party is responsible for its own acts and behavior and the results thereof. MMCAP's liability is governed by the Minnesota Tort Claims Act, Minn. Stat. § 3.736, and other applicable laws.

Neither party shall assume any responsibility for the accountability of funds expended by the other or the issuance or non-issuance of a purchase order by the other party. Each party shall be separately accountable for its own expenditures of public funds made hereunder.

B. Cancellation

This Agreement may be terminated with or without cause by either the State of Minnesota or the participating state upon 30 days' written notice. Cancellation terminates the authority of the state and its facilities using MMCAP contracts. States and facilities are liable for their outstanding orders at the time of cancellation.

C. Assignment

The participating state shall not assign, delegate, or transfer any rights or obligations under this Agreement without the prior written consent of the State of Minnesota.

D. Amendments

Any amendment or modification to this Agreement shall be in writing and shall not be effective until executed by the State of Minnesota and the participating state and approved by all State officials as required by law.

E. State Audits

As required by Minn. Stat. § 16C.05, subd. 5, the books, records, documents and accounting procedures and practices of the participating states and facilities and its employees, or agents relevant to this Agreement shall be made available and subject to examination by the State of Minnesota, including the contracting agency/division, Legislative Auditor, and State Auditor for a minimum period of six years after the termination of this Agreement.

F. Jurisdiction and Venue

This Agreement, and executed amendments thereto, shall be governed by the laws of the State of Minnesota. Venue for all legal proceedings between the State of Minnesota and a participating state or facility arising out of this Agreement, or breach thereof, shall be in the state or federal court with competent jurisdiction in Ramsey County, Minnesota. Any claims against a participating state or any of its facilities, where the State of Minnesota or MMCAP is not a party, must be brought in the courts, or before an administrative body of the participating state, in accordance with the laws of that state and will not be negotiated, arbitrated, or settled on its behalf by any of the other states.

IN WITNESS WHEREOF, the undersigned parties have caused this Agreement of Understanding and Joint Powers Agreement to be signed on their behalf intending to be bound thereby.

FOR THE PARTICIPATING STATE:

On behalf of the Participating State, the undersigned person warrants that he or she is authorized to execute the contract and legally bind the Participating State thereto.

State West Virginia

By Grana Kay Phares

Title Acting Pharmaceutical Advocate

Date Office of the Governor

07-27-06

FOR THE STATE OF MINNESOTA:

By [Signature]

Title MMCAP Manager / Asst Dir

Date 28 July 2006

COMMISSIONER OF ADMINISTRATION,
as delegated to the Materials Management Division:

By Al Beards

Date 7-28-2006

Amendment to the
Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP)
Agreement of Understanding and Joint Powers Agreement with the
State of West Virginia through its Pharmaceutical Cost Council

This Amendment is by and between the State of Minnesota, acting through its Commissioner of Administration on behalf of Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP) and the State of West Virginia, through its Pharmaceutical Cost Management Council.

The parties are willing to amend the agreement, as follows:

Article "X. General Provisions, A. Liability" is deleted in its entirety and amended to read as follows:

Each party will be responsible for their own acts and behavior and the results thereof. MMCAP's liability is governed by the Minnesota Tort Claims Act, Minn. Stat. § 3.736 and other applicable laws.

Article "X. General Provisions, F. Jurisdiction and Venue" is hereby deleted in its entirety.

IN WITNESS WHEREOF, the undersigned parties have caused this Amendment of the Agreement of Understanding and Joint Powers Agreement to be signed on their behalf intending to be bound thereby. This addendum is effective on the date on which it is signed by both parties, whichever is later.

FOR THE PARTICIPATING STATE:

On behalf of the Participating State, the undersigned person warrants that he or she is authorized to execute the contract and legally bind the Participating State thereto.

State of West Virginia, through its
Pharmaceutical Cost Council

By: Shana Kay Phares on behalf of the

Date: 04.13.07 Council

FOR THE STATE OF MINNESOTA:

By: Sara Turnbow
Title: MMCAP Manager

Date: 4-24-07

COMMISSIONER OF ADMINISTRATION:
as delegated to the Materials Management Division:

By: Heather Christoff

Date: April 24, 2007

APPROVED AS TO FORM PRIOR TO
ACKNOWLEDGEMENT THEREOF, THIS

4th day of April, 2007

DARRELL V. MCGRAW, JR.
ATTORNEY GENERAL

By: Jaune Wayfield
DEPUTY ATTORNEY GENERAL

April 20, 2007

Todd Hudnall, Senior Project Manager
State of West Virginia
Building 3, Room 265
1900 Kanawha Boulevard, East
Charleston, WV 25305

Dear Todd:

Effective April 1, 2007, the State of West Virginia, as a participating member of MMCAP, will begin purchasing pharmaceutical and related products from Cardinal Health 110, Inc. ("Cardinal Health") pursuant to the terms and conditions of the MMCAP Agreement in effect between Cardinal Health and the State of Minnesota Department of Administration.

Pursuant to the MMCAP Agreement, the applicable service fees/cost of goods for the State of West Virginia's purchases will be -0.63% at a 30 DSO (days sales outstanding) payment term (payment is due in full within thirty (30) days of the invoice date).

Payments by the State of West Virginia shall be remitted to Cardinal Health at the following address:

Bank America
Lock Box 5490
Collections Center Drive
Chicago, IL 60693

Please indicate your agreement by signing below and returning a copy to me. If you have any questions, please do not hesitate to contact me at 414-476-7114.

Sincerely,

Teri Janz, Director, Alternate Care Sales
Cardinal Health

Agreed as of April 20, 2007:

By: The West Va. Pharmaceutical Cost Management Council

Name: Sharon Kay Phares

Title: Designated Chair
State of West Virginia

APPROVED AS TO FORM PRIOR TO
ACKNOWLEDGEMENT THEREOF, THIS

19th day of April, 2007

DARRELL V. MCGRAW, JR.
ATTORNEY GENERAL

By: Dawn E. Wayfield
DEPUTY ATTORNEY GENERAL

Appendix F

Shana K. Phares

From: Terry Shorr [dtshorr@wvdhhr.org]
Sent: Friday, June 06, 2008 10:20 AM
To: Cathy Slemp
Cc: Shana K. Phares
Subject: Re: Prior HPP Antibiotic Purchase through the VA

Cathy,

With a file search I found:

1. Letter from Shana to you 6/27/06 with a pricing bar chart, derived from an August 2000 GAO document and a January 1998 Congressional Budget Office document, comparing ten prices from average wholesale price (AWP) at 100% down through the others (AMP, Medicaid [min], Non-FAMP, Medicaid Net, FSS, 340B, FCP, VA wt.avg.) to VA contract at 34.6% of AWP.
2. Documents on or around 8/10/06 for the earliest found date showing an increase in quantities to be ordered.
3. Documents (eventually) indicating the amounts finally ordered from the VA Acquisition Center - which are all at 33% more than originally calculated, except for individual doses of ciprofloxacin which was increased by 39%.

I did not find documentation of rationale for increasing amounts, but would infer that the cost savings permitted it. We got more drugs for essentially the same amount of money budgeted.

Let me know if you need copies of any of this.

Terry

Terry Shorr
Health System Preparedness Coordinator
WVDHHR - Bureau for Public Health
505 Capitol Street, Suite 200
Charleston, WV 25301
304-558-6900 Ext. 2006

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Shana K. Phares

From: Cathy Slemp [cathyslemp@wvdhhr.org]
Sent: Friday, June 06, 2008 5:54 PM
To: Terry Shorr, Shana K. Phares
Subject: RE: Prior HPP Antibiotic Purchase through the VA

Shana:

In case it's useful. I also found some of our original calculations and can provide two sample price estimate comparisons. In these, the "Wholesaler price" estimates were based on a brief call to a wholesaler in researching this / planning amounts we were anticipating to purchase.

Not on a formal bid. The "VA" price is the price from our final Purchase Order (understanding that there was some daily fluctuation of this price). I'm reaching back, but if I recall correctly, the price savings allowed us not only to buy more product, but to also include some other items in the purchase to enable compounding for pediatric formulations.

Here's the comparisons, rough as they are:

Cipro 500 mg, purchased as unit doses:

Wholesaler: \$35.89/unit dose

VA: \$10.81/unit dose

Doxycycline 100 mg, purchased as unit doses:

Wholesaler: \$14.56/unit dose

VA: \$7.28/unit dose.

Hope that helps, too.

Cathy

Cathy Slemp, MD, MPH

Acting State Health Officer and

Director, Division of Threat Preparedness WV Bureau for Public Health

505 Capitol St., Suite 200

Charleston, WV 25301

Phone: (304) 558-6900

Fax: (304) 558-0464

E-Mail: cathyslemp@wvdhhr.org

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State of West Virginia
Joe Manchin III
Governor

Office of the Governor
State Capitol
1900 Kanawha Blvd., East
Charleston, WV 25305

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.wv.gov.org

June 27, 2006

Dr. Cathy Slemp
Acting State Health Officer
Division of Threat Preparedness
Bureau for Public Health
WV Department of Health and Human Resources
505 Capitol Street, Suite 200
Charleston, West Virginia 25301

Dear Dr. Slemp:

This letter documents that the Veteran's Administration (VA) has access to the lowest pharmaceutical prices in the United States on either the commercial or governmental market.

Attached for your review and reference is a pricing chart which shows that private sector pricing - the price range the state would expect to get by issuing a request for proposals - ranges from 100% of the average wholesale price (AWP) to 60% of AWP..

By contrast, on the right side of the chart you will see that the lowest governmental pricing schedules are available to the VA. They include:

- VA contract at 34.6% of AWP;
- Federal Ceiling Price (FCP) at 47.9% of AWP - ceiling price to be paid on brand name drugs by the VA, Department of Defense, the Public Health Service and the Coast Guard;
- 340b at 49.9% of AWP - ceiling price to be paid on pharmaceuticals by certain federally designated entities; and
- Federal Supply Schedule (FSS) at 51.7% of AWP - set price to be paid by federal healthcare programs including but not limited to VA, Department of Defense, Public Health Service owned and operated facilities, Native American Owned Facilities, governments of United States Territories and United States Protectorates.

Source documents used for the development of the chart are from the U.S. General Accounting Office and the Congressional Budget Office. Full citations are listed at the bottom of the chart.

Should you have any questions or need additional documentation, please call me at (304) 558-0079.

Sincerely,

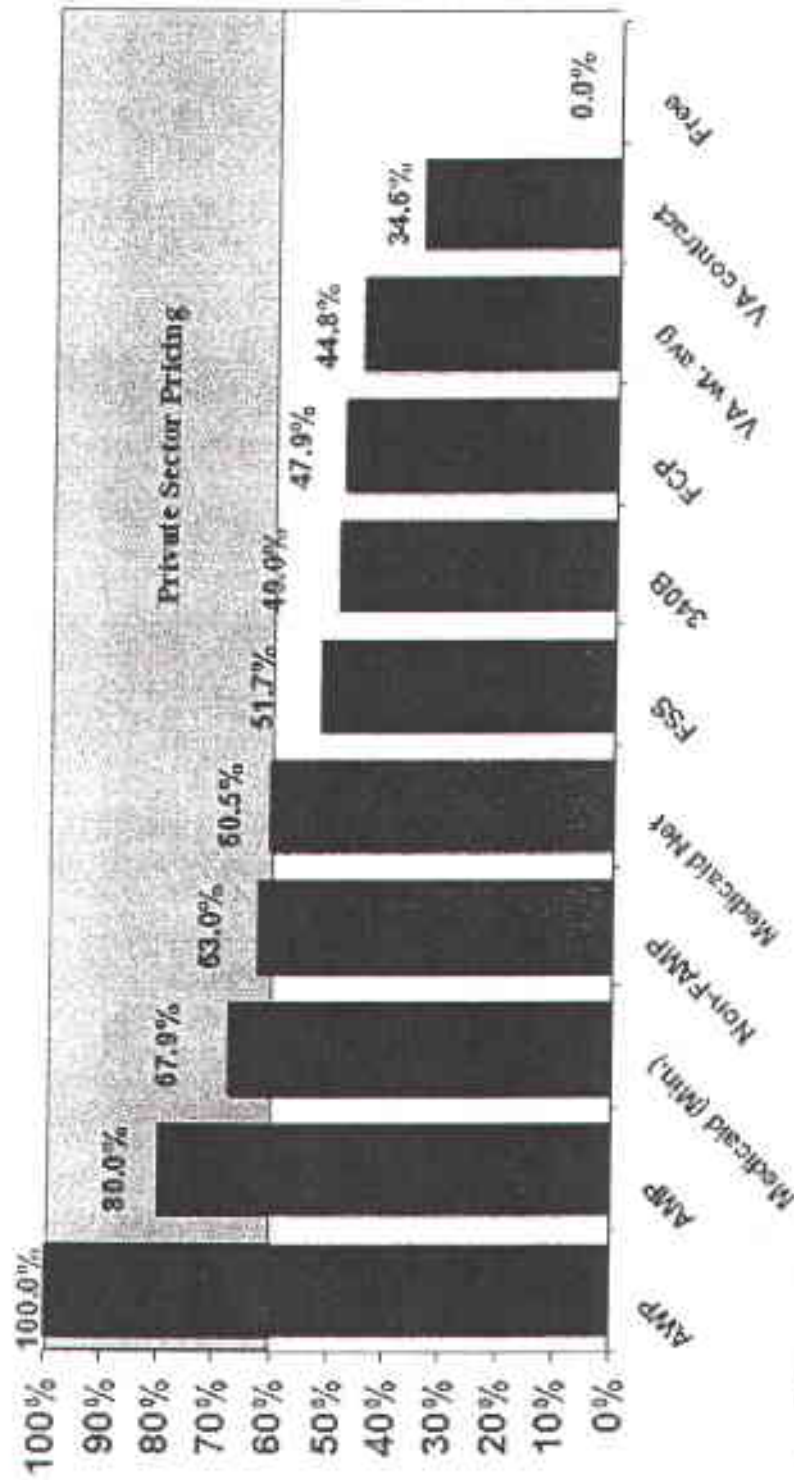


Shana Kay Phares
Acting Pharmaceutical Advocate

Attachment

Pricing Chart

Background on U.S. Pharmaceutical Market: Comparison of Prices



Source: Data derived from Excelsior's Ocasio, Estimating Access to Federal Prices, Congressional Budget Office, U.S. General Accounting Office, OIG-HEHS-00-113, August 2000 and How the Medicaid Rebate on Prescription Drugs Affects Private Sector Pricing, Congressional Budget Office, January 1998

Peter Pylis Turner & Verdel, PC
(202) 462-4530

Bill von Oehlen
WJLHess vonOehlen@peter.com



DEPARTMENT OF VETERANS AFFAIRS
National Acquisition Center
PO Box 76
Hines IL 60141

RECEIVED

JUL 17 2006

Pharmaceutical-Advocate Office

July 7, 2006

Mr. Terry Shorr
Health System Preparedness Coordinator, State of West Virginia
Department of Health and Human Resources
Bureau of Public Health, Threat Preparedness
505 Capitol Street, Suite 200
Charleston, West Virginia 25301-3712

In Reply Refer To:

049A1

Dear Mr. Shorr:

As requested and discussed the Department of Veterans Affairs (VA) National Acquisition Center (NAC) is pleased to assist the State of West Virginia in the acquisition of pharmaceutical supplies required for the State's establishment of stockpiles of antibiotics to be available in response to a bioterrorism event. It is understood that you have received Federal funds to procure these items.

NAC can assist by providing acquisition/purchasing support for the pharmaceutical items. As you are aware Federal contracts for pharmaceuticals contain very good pricing. Any purchases made through the NAC will contain our actual cost of the pharmaceutical items, a one (1) percent fee for our services, and cost of shipment. We request that you provide us a list of the products you are interested in procuring. We will research the best available pricing from our contracts; offer alternatives if necessary; verify shelf-life dating; and resolve any ordering issues (e.g., quantity levels, strengths, substitutions, etc.). Once we have gathered this information, we will provide a spreadsheet back to you and await your authorization to proceed. Once you have provided your purchase order/authorization letter, which will cite any specific number required by your purchasing office, we will then place the order. We also request a current DEA number at time of order placement for any narcotics being ordered.

All products will be sent to us initially. Once all products are received, we will then prepare shipment to your facility as indicated in your purchase order/authorization letter. We also will notify your contact person of the impending shipment and expected delivery date. We will provide a receiving document, which is to be completed upon receipt, at time of shipment. Once we receive confirmation from your contact person that the products have been received and accepted, we will prepare a Bill of Collection that identifies the order number, your specific number, and total cost. Payment is expected at that time.

Should there be any need to return any products immediately after receipt, you will be responsible for any restocking and return freight charges for the product(s).

We acknowledge that a purchase order/authorization letter will be provided with each order. Our contact person is Janet Barnes and she can be reached at (708) 786-5931 or janet.barnes@va.gov. Please understand that your orders will be accepted contingent on our workload levels.

I believe I have outlined the process for you. Should you have any questions, I may be contacted at (708) 786-5141 or by email at sandra.murbach@va.gov.

Your interest in VA's acquisition program is greatly appreciated.

Sincerely,



Sandra D. Murbach
Senior Contracting Officer

cc: Cathy Siemp
✓ Jerry Rhoades
Shana Phares
Jo Bess
Grég Nicholson

Appendix G

Family Planning Providers Scramble as Ortho-McNeil Raises, Lowers Prices

In early July, providers that purchase family planning pharmaceuticals through the 340B drug discount program received devastating news.

The prices that they had been paying for family planning drugs manufactured by Johnson & Johnson subsidiary Ortho-McNeil jumped from pennies for a month's cycle of drugs to more than \$15 per cycle.

Following outcry from providers, advocacy organizations, and members of Congress, Ortho-McNeil has lowered its prices to \$3.20 per cycle on its most popular birth control products until the end of 2007.

These prices, the National Family Planning and Reproductive Health Association (NFPFHA) says, will be available to all 340B entities, both directly from Ortho-McNeil and through wholesale distributors, and reflect a discount of more than 90 percent off list price.

The lowered prices apply to family planning drugs Ortho-Novum 7/7/7, Ortho-Cyclen, Ortho Tri-Cyclen, Ortho Micronor, and Ortho Tri-Cyclen Lo.

Additionally, Ortho-McNeil has agreed to lower its prices on the Ortho-Evra birth control patch.

Before July, the patch cost clinics \$9 for a month's supply, says Denise Smith, Family Planning Director for the West Virginia Department of Health & Human Resources. The patch was going to cost \$22, but now has been lowered to \$15 per patch.

While these prices represent a significant decrease from the prices Ortho-McNeil had first charged clinics in July, some stakeholders question whether family planning clinics will be able to afford these new prices, since they are still higher than pre-July prices.

"It's going to put those providers who have to go to the government to receive [budget] approval at risk," says Steven Robinson of the Wisconsin

Family Planning and Reproductive Health Association (WFPFHA).

Smith says that the Bureau for Public Health, which oversees the West Virginia Family Planning Program, is actively seeking funding so that clinics can continue to meet their client demands.

However, she says that West Virginia will no longer offer the Ortho-Evra patch to new clients. Instead, it will use the patches to transition women onto other forms of birth control.

Price increases would have a devastating impact on clinics that provide vital reproductive health services.

REP. HENRY WAXMAN
(D-CALIF.)
U.S. HOUSE OF
REPRESENTATIVES

Furthermore, since generic equivalents exist for some of Ortho-McNeil's family planning drugs, the spike in prices in July spurred providers to pursue more competitively priced generic equivalents that had previously been more expensive than Ortho-McNeil's drugs. While some providers may return to purchasing Ortho-McNeil products, Robinson expects that clinics may be hesitant to switch drugs again, since clients may question a clinic's reliability if it changes their medications frequently.

Still, stakeholders are pleased that their efforts, combined with pressure from Capitol Hill, have resulted in lower prices.

NFPFHA reports that several Congressional representatives, including Rep. Henry Waxman (D-Calif.), met with Ortho-McNeil to discuss the company's escalating pricing.

After the company decided to lower its prices, Waxman commented that he was, "pleased and relieved that Ortho responded to the concerns raised regarding the devastating impact that the price increases ... would have had on clinics that provide vital reproductive health services to low-income women."

NFPFHA's Interim President Marilyn Keefe says that NFPFHA is "very pleased" with Ortho-McNeil's decision to lower prices and that the company continues to be a good public health partner.

Office of Pharmacy Affairs Director Jim Mitchell, whose office oversees the 340B program, says that his office, "received a barrage of complaints from family planning clinics, community health centers, and disproportionate share hospitals."

Attention in both national and local press may have fueled Ortho-McNeil's decision to lower its prices. Articles on the price hike were featured in the *Chicago Tribune* and online magazine *Slate*, as well as in other local publications.

Ortho-McNeil issued a statement saying that the company's decision to lower its prices "follows additional information provided to us from numerous public health service agencies indicating that [Ortho] has been relied upon as the primary source for subsidizing contraceptives to underprivileged women."

Ortho-McNeil also said that the July prices represent the 340B ceiling prices for the third quarter.

Mitchell says that his office has no indication that the prices were unlawful. Still, he says that, "It was a

Continued on pg. 10

NFPRHA: Price Hikes Surprised Clinics

continued from pg. 3

shock that they went up so much."

Keefe says that, before Ortho-McNeil decided to lower its prices, NFPHRA had been investigating whether the prices were legal.

Providers were also alarmed about the sudden jump in prices. Since 340B prices in the current quarter are based on pricing data from two quarters prior to the current one, some have expressed concern that the company provided no notice that the price hikes were coming.

"It was a complete surprise," Keefe says.

Mitchell invites manufacturers to contact OPA if they foresee similar price hikes in the future. "We would gladly work with Ortho-McNeil and other pharmaceutical manufacturers to communicate with covered entities concerning pricing," he said.

An Ortho-McNeil representative said that, as a matter of policy, the company does not reveal specific pricing information to customers.

Keefe also warns providers to be prepared for Ortho-McNeil price changes in the future. Although Ortho-McNeil's prices will last until the end of 2007, "clinics are on notice that prices could change" after that.

Work for the National Association of Community Health Centers, Inc.

NACHC is seeking a Pharmacy Services Specialist to assist with developing and implementing technical assistance and training programs in the area of pharmaceutical services for Federally Qualified Health Centers (also known as Community Health Centers).

Responsibilities: providing information & consultation; preparing information bulletins; serving as liaison on pharmacy issues with other organizations; working with a focus group of health center pharmacists and other health center staff to identify assistance needs and design technical assistance products, including curricula.

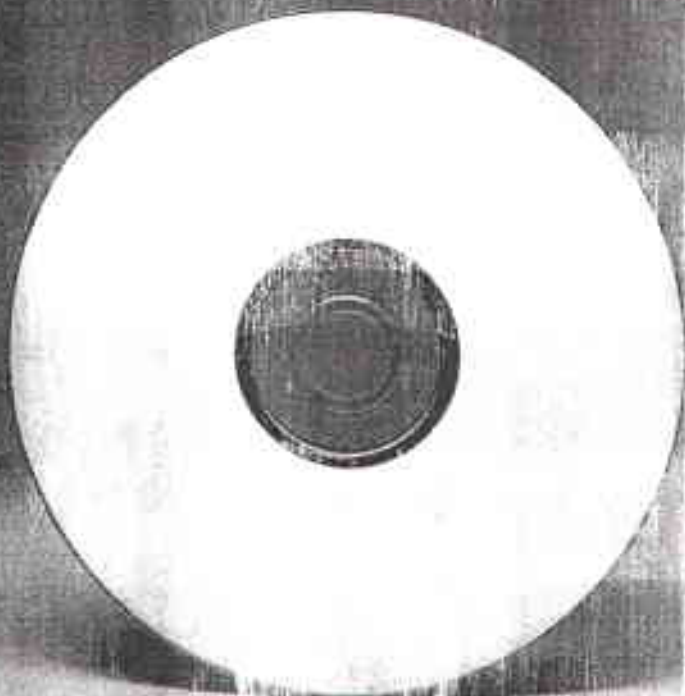
Qualifications include: a minimum of three years pharmacy management experience; B.S./B.A. acceptable, with graduate degree preferred; experience in health center or similar setting preferred; knowledge/ experience in 340B Drug Pricing Program, industry prescription assistance programs, and pharmaceutical services strongly preferred.

Salary, fringes, time schedule, and work location negotiable. Work location in Bethesda, MD, office preferred but willing to discuss remote office location if correct individual is found.

Send cover letter and resume to Freda Mitchem at fmitchem@nacho.com with a copy to

www.nacho.com

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For more information, please visit our website at

www.rxclaimsolutions.com

or call us at

1-888-RXX-COST x5





*West Virginia Offices
of the Insurance Commissioner*

Update on Workers' Compensation

To the

Joint Committee on Government Organization
& Finance

6/24/08



Workers' Compensation Old Fund Balances

Cash Basis

(\$)

	Calendar Year 2006	Calendar Year 2007
Revenue		
Statutory Transfers*	266,613,362	261,975,877
Collections	8,316,798	1,041,116
Investment Income	50,201,026	40,659,223
Total Revenue	<u>325,131,186</u>	<u>303,676,215</u>
Expenditures		
Claim Payments	(355,245,366)	(284,445,313)
Administrative/Other Expense	(21,630,179)	(24,710,582)
Total Expenditures	<u>(376,875,545)</u>	<u>(309,155,895)</u>
* Workers' Compensation Commission Initial fund transfer January 2006	 711,094,830	
Invested Balance with WVIMB at year end	 647,444,812	 635,908,034

Workers' Compensation Old Fund Benefit Payments
Average Monthly Payments
(\$)

	Previous 12-Month Period <u>6/01/06 to 5/31/07</u>	Current 12-Month Period <u>6/01/07 to 5/31/08</u>
Claims benefits paid:		
Medical	(5,832,227.66)	(4,271,027.72)
Permanent Total Disability	(13,160,861.25)	(12,741,529.55)
Permanent Partial Disability	(3,487,410.34)	(1,366,792.01)
Temporary Total Disability	(835,583.54)	(294,276.41)
Settlement Agreements	(655,895.76)	(399,862.53)
Fatals	(2,940,361.01)	(2,821,313.89)
104 weeks	(433,034.69)	(430,601.18)
Total	<u>(27,345,374.25)</u>	<u>(22,325,403.28)</u>
Claims credits and overpayments	430,813.19	337,286.41
Total claims paid	<u>(26,914,561.06)</u>	<u>(21,988,116.87)</u>

OIC Employer Coverage Unit Employer Exemption Statistics

Current 12 -Month Period	New Exemptions Issued	Renewals Granted	Total Exemptions Issued
Jun-07	128	239	367
Jul-07	133	100	233
Aug-07	128	126	254
Sep-07	125	171	296
Oct-07	161	107	268
Nov-07	97	55	152
Dec-07	179	35	214
Jan-08	139	54	193
Feb-08	125	103	228
Mar-08	155	84	239
Apr-08	131	112	243
May-08	107	139	246

CY06	
Total Exemptions Issued	2,209
Total Denials	262
Number of Applications Received	2,471

CY07	
Total Exemptions Issued	2,763
Total Denials	299
Number of Applications Received	3,062

CY08 - YTD	
Total Exemptions Issued	1149
Total Denials	166
Number of Applications Received	1315

6/24/2008

**OLD FUND / DEBT REDUCTION
Quarterly Summary
FY2008**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenues					
Personal Income Tax	-	31,800,000	31,800,000	21,200,000	84,800,000
Severance Tax	23,136,770	21,733,728	25,159,512	16,112,853	86,142,863
Debt Reduction Surcharge	7,989,488	-	10,908,863	10,764,497	29,662,848
Self-Insured Debt Reduction Surcharge	1,158,988	2,073,511	2,007,116	2,284,116	7,523,731
Video Lottery	11,000,000	-	-	-	11,000,000
Employer Premium	597,513	(68,091)	1,544,593	390,247	2,464,263
Investment / Interest Earnings (Losses)	(8,201,442)	14,446,666	(9,817,534)	9,262,700	5,690,389
Total Revenues	35,681,317	69,985,814	61,602,550	60,014,414	227,284,094
Expenditures					
Public Employees Insurance	29,457	43,839	41,410	11,311	126,017
Payment of Claims	70,052,677	67,834,343	59,928,818	43,645,389	241,481,227
Contractual/Professional	305,674	912,283	1,055,456	1,391,469	3,664,881
Third Party Administrator Charges	4,742,266	4,824,625	5,031,077	3,141,565	17,739,533
Unemployment Compensation	-	1,694	-	-	1,694
Total Expenditures	75,130,074	73,616,783	66,056,762	48,189,733	262,993,352
Excess (Deficiency) of Revenues over Expenditures	(39,448,757)	(3,630,969)	(4,454,212)	11,824,681	(35,709,257)
Cash Beginning Balances	700,910,351	661,461,594	657,830,625	653,376,413	700,910,351
Cash Ending Balances	661,461,594	657,830,625	653,376,413	665,201,094	665,201,094

OLD FUND / DEBT REDUCTION
Quarterly Summary
FY2008

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (To Date)	Total
Revenues					
Personal Income Tax	-	31,800,000	31,800,000	21,200,000	84,800,000
Severance Tax	23,136,770	21,733,728	25,159,512	16,112,853	86,142,863
Debt Reduction Surcharge	-	-	10,908,863	10,764,497	21,673,360
Self-Insured Debt Reduction Surcharge	9,148,475	2,073,511	2,007,116	2,284,116	15,513,219
Video Lottery	11,000,000	-	-	-	11,000,000
Employer Premium	597,513	(68,091)	1,544,593	390,247	2,464,263
Other Income - Return of Unclaimed Property	12,782	9,403	4,828	23,189	50,202
Investment / Interest Earnings (Losses)	(8,201,442)	14,446,666	(9,817,534)	9,262,700	5,690,389
Total Revenues	35,694,099	69,995,217	61,607,378	60,037,603	227,334,296
Expenditures					
Public Employees Insurance	29,457	43,839	41,410	11,311	126,017
Payment of Claims	70,065,459	67,843,746	59,933,646	43,668,578	241,511,429
Contractual/Professional	305,674	912,283	1,055,456	1,391,469	3,664,881
Third Party Administrator Charges	4,742,266	4,824,625	5,031,077	3,141,565	17,739,533
Unemployment Compensation	-	1,694	-	-	1,694
Total Expenditures	75,142,866	73,626,186	66,061,690	48,212,922	263,043,653
Excess (Deficiency) of Revenues over Expenditures	(39,448,767)	(3,630,969)	(4,454,212)	11,824,681	(36,709,257)
Cash Beginning Balances	700,910,351	661,461,594	657,830,625	653,376,413	700,910,351
Cash Ending Balances	661,461,594	657,830,625	653,376,413	665,201,094	665,201,094

Old Fund Liability Estimate

(excluding LAE)
(discounted)

	1st Quarter	2nd Quarter	3rd Quarter
Beginning Reserve Amount	2,848,700,000	2,813,165,836	2,779,430,893
Claim Payments	70,065,459	67,843,746	59,933,646
Estimated Ending Reserve Amount	2,813,165,836	2,779,430,893	2,753,240,436

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
SCHEDULE OF NET ASSETS
Workers' Compensation Old Fund - Debt Reduction
(In Thousands)

	June 30, 2007	March 31, 2008	Change
Assets:			
Cash and Cash Equivalents	695,483	653,376	(42,107)
Receivables, Net	14,285	14,285	0
Surplus Note	185,000	185,000	0
Total Assets	<u>894,768</u>	<u>852,661</u>	<u>(42,107)</u>
Liabilities:			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	2,848,700	2,753,240	(95,460)
Other Liabilities	3,317	3,317	0
Total Liabilities	<u>2,852,017</u>	<u>2,756,557</u>	<u>(95,460)</u>
Net Assets:			
Unrestricted	<u>(1,957,249)</u>	<u>(1,903,896)</u>	<u>53,353</u>
Total Net Assets	<u><u>(1,957,249)</u></u>	<u><u>(1,903,896)</u></u>	<u><u>53,353</u></u>

WV Offices of the Insurance Commissioner
 Worker's Compensation Revenue Recovery

Revenue Recovery Activity	May 2008
COLLECTION ACTIVITY	
Receipts - Old Fund (Employee out of business)	\$ 38,228.09
Receipts - PC & NU (Private Carrier Cancellation & Rogue Employees)	\$ 77,902.89
Receipts - Payment Agreements	\$ 69,594.20
Receipts - Collection Agency	\$ 11,871.74
# of active accounts uninsured (cumulative)	976
\$ of active accounts uninsured (cumulative)	\$ 2,253,180.38
Telephone contacts	1,739
Walk-Ins	12
LIENS	
Liens sent to county clerks for recordation	110
Liens sent to county clerks for release	81
Intent to lien letters sent to employer/owner/officer/member	188
INJUNCTIONS	
Affidavits for injunction submitted to legal	31
Hearings attended	6
# of injunction complaints filed	20
# of injunctions granted	8
# of agreed orders entered	2
PAYMENT AGREEMENTS	
# of repayment agreements	8
Agreements set up	4
Total # of agreements on system (cumulative)	98
Intent to void letters mailed	11
Agreements voided	0
MISCELLANEOUS	
Terminations Processed	114
Rule 11 Letters Mailed	187
Rule 11 hearings	1
Uninsured Policies Resolved	283
All Cash Receipts from WC accounts	\$ 195,387.92

OFFICE OF JUDGES' REPORT TO INDUSTRIAL COUNCIL

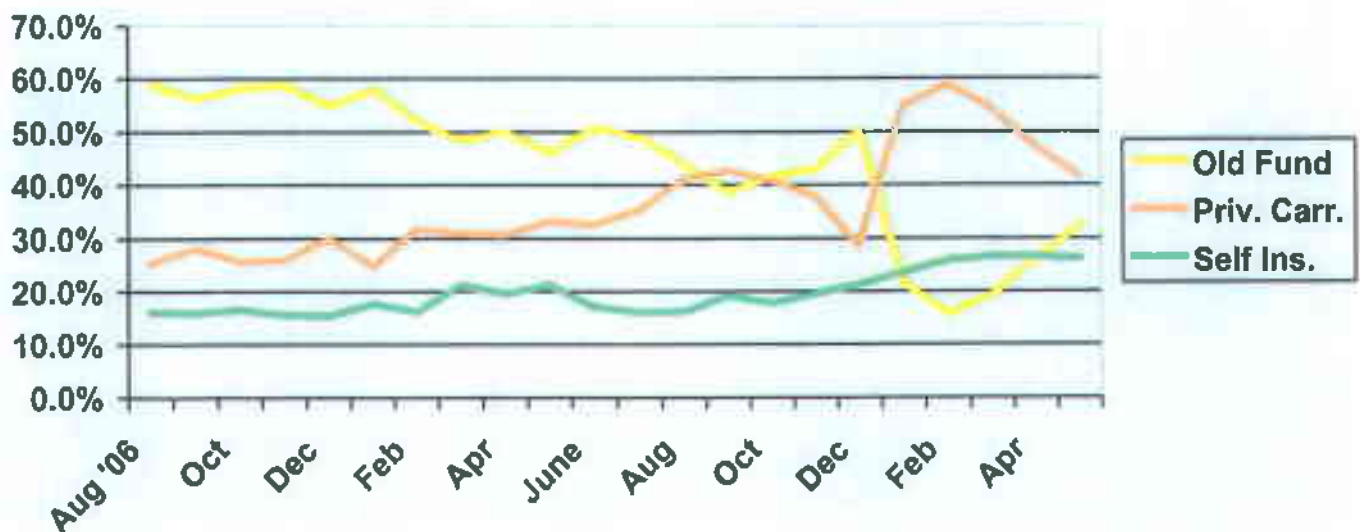
July 3, 2008

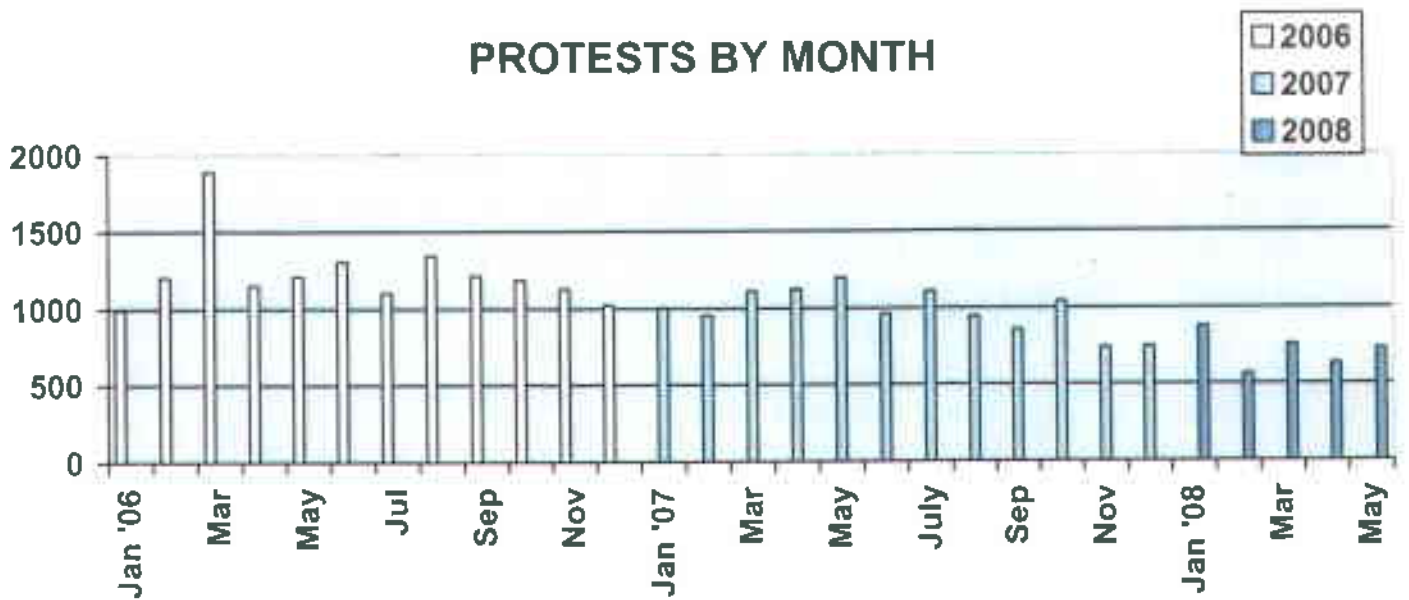
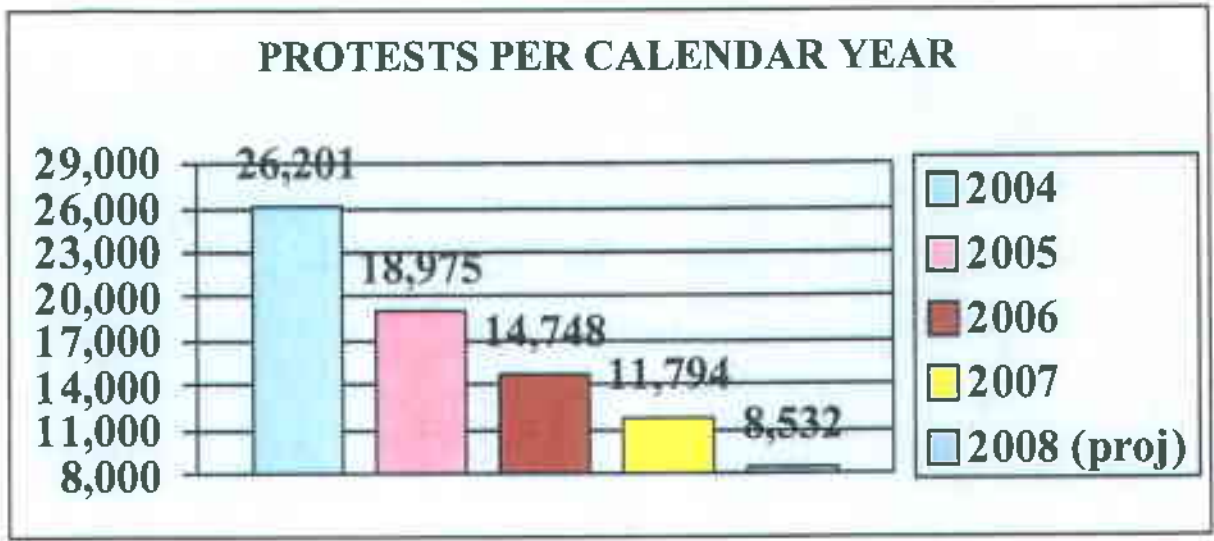
I. Statistical Analysis

A. Protests Acknowledged: 2007
11,794 MAY
727 YTD
3,555

Fund Involved:

FUND	2005	2006	% of protests	2007	% of protests	MAY '08	% of protests	YTD '08	% of protests
Old Fund	n/a	8,146	64.56%	4,433	46.30%	182	32.33%	653	23.03%
New Fund	n/a	2,207	17.49%	3,370	35.20%	234	41.56%	1,435	50.62%
Others	n/a								
Self-Insured	228 (avg)	2,264	17.94%	1,772	18.51%	147	26.11%	747	26.35%
Subtotal		12,617		9,575		563		2,835	
Temporary		2,131		2,219		164		720	
Total	18,975	14,748		11,794		727		3,555	





B. Issues Resolved: 2007 MAY YTD
 11,472 491 3,777

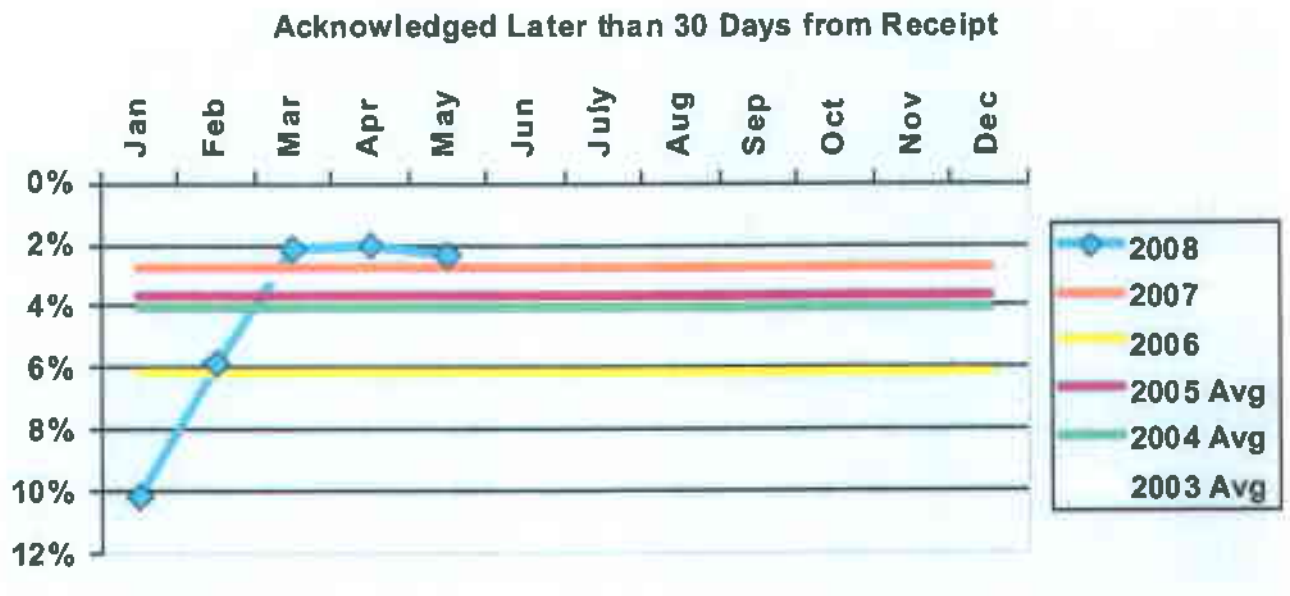
C. Pending Caseload Report

PENDING END OF MAYIL	5,395
PENDING 1 MONTH BEFORE	5,333
PENDING 2 MONTHS BEFORE	5,545
PENDING 3 MONTHS BEFORE	5,829
PENDING 6 MONTHS BEFORE	6,677
PENDING 12 MONTHS BEFORE	7,231

D. **Acknowledgment Timeliness:**

	<u>2007</u>	<u>MAY*</u>	<u>YTD*</u>
1. Protest Ackn. >30 days	2.8%	2.3%	4.7%
2. Protest Ackn. 24-30 days	1.5%	2.8%	2.3%
3. Protest Ackn. 11-23 days	13.7%	27.4%	18.8%
4. Protest Ackn. <11 days	82.0%	67.5%	74.3%

* Numbers vary slightly from attached reports because due to use of report including temporary protest category

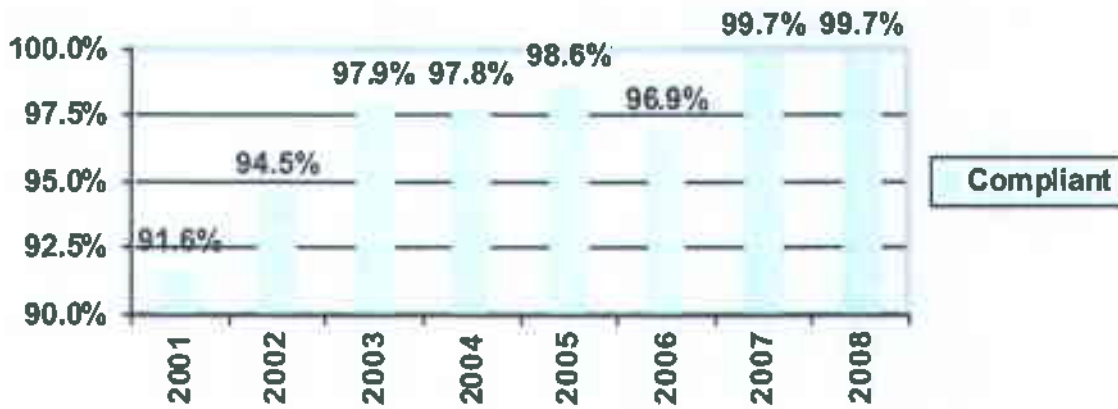


E. **Decisions Mailed:**

	<u>2007</u>	<u>MAY</u>	<u>YTD</u>
1. ALJ Decisions	6,599	286	2,293
2. Non-Attorney Adjudicator:	3,775	219	1,457
3. Withdrawals:	2,824	67	836
4. "No Evidence" Dismissals	1,366	68	481
	2,215	80	676

F. Final Decision Timeliness	<u>2007</u>	<u>MAY</u>	<u>YTD</u>
1. <30 days:	61.7%	67.3%	64.8%
2. 30-60 days:	26.9%	22.3%	21.6%
3. 60-90 days:	11.1%	10.4%	13.2%
4. +90 days:	0.3%	0.0%	0.3%

Decision Within Rule's Time Limits



G. Time Standard Compliance	<u>2007</u>	<u>MAY</u>	<u>YTD</u>
	92.6%	88.0%	89.7%

II. Office of Judges' Fall Workshops

We have started planning our annual free workshops to be conducted around the state in October. Dates and locations include:

- Morgantown – October 2, afternoon
- Shepherdstown – October 7, morning
- Charleston, October 14, morning
- Beckley – October 16, morning
- Charleston – October 21, morning
- Charleston – October 28, afternoon

Topics anticipated to be covered include:

- Review of our amendments to Procedural Rule
- Review of recent amendments to Rules of OIC
- Review of Supreme Court cases (if decided by then)
- Review of 2008 legislation
- Introduction to OoJ internet access to AIMS system
- Discussion on new issues created by 7/1/08 entry by private carriers into the market

We are working on the announcement forms now.

III. Procedural Rule

Final version of the Procedural Rule amendments was filed with the Secretary of State's office and will be in effect July 1.

IV. ALJ In-house Training

A full-day training session will be conducted for all administrative law judges on July 30.

V. ALJ Mediation Training

All administrative law judges are being sent to the State Bar's mediation training on July 15, and 16.

Joe Manchin, III
Governor
Rita Hedrick-Helmick
Chairperson
W. Jack Stevens
Member
James D. Gray
Member

Workers' Compensation Board of Review

Offices located at 104 Dee Drive, Charleston
All communications should be addressed to the Board of Review
at the address shown at the bottom of this page.
an equal opportunity/affirmative action employer

MEMORANDUM

To: Jane L. Cline, Commissioner
Charles Bayless, Chairman
Dan Marshall
Bill Dean
Walter Pellish
Honorable Carrie Webster, House Judiciary Chair
Honorable Brooks McCabe
Honorable Nancy Peoples Guthrie
Senator Don Caruth

From: Rita F. Hedrick-Helmick, Chairperson *RHH*

Date: June 9, 2008

Re: Workers' Compensation Board of Review Monthly Report

Attached, please find the Board of Review's May 2008 monthly report.

If you have any additional questions, please do not hesitate to contact me.

**WORKER COMPENSATION BOARD OF REVIEW
FOR MAY 2008**

BDR Disposition	Disposition			Year to		
	Count	Disp %	Total %	Date	Disp %	Total %
ABEYANCE	2	2.2%	1.4%	6	0.7%	0.4%
AFFIRM AND MODIFY	1	1.1%	0.7%	6	0.7%	0.4%
AFFIRM AND REMAND	1	1.1%	0.7%	1	0.1%	0.1%
AFFIRMED	72	80.0%	51.8%	661	82.2%	47.0%
DISMISSED				1	0.1%	0.1%
MODIFY				1	0.1%	0.1%
REMAND	4	4.4%	2.9%	44	5.5%	3.1%
REVERSE	7	7.8%	5.0%	54	6.7%	3.8%
REVERSE AND REMAND	3	3.3%	2.2%	17	2.1%	1.2%
REVERSE IN PART				6	1.1%	0.6%
REVERSE IN PART AND REMAND				1	0.1%	0.1%
VACATE				3	0.4%	0.2%
Total Appeals	90			804		
CLAIMANT/EMPLOYER						
ABEYANCE				1	0.9%	0.1%
AFFIRM AND MODIFY				1	0.9%	0.1%
AFFIRM AND REMAND				1	0.9%	0.1%
AFFIRMED	3	50.0%	2.2%	93	83.8%	6.6%
REMAND				6	5.4%	0.4%
REVERSE	2	33.3%	1.4%	6	5.4%	0.4%
REVERSE IN PART	1	16.7%	0.7%	3	2.7%	0.2%
Total Appeals	6			111		
EMPLOYER						
ABEYANCE				2	1.0%	0.1%
AFFIRM AND MODIFY				3	1.4%	0.2%
AFFIRM AND REMAND				1	0.5%	0.1%
AFFIRMED	13	65.0%	9.4%	129	62.3%	9.2%
DISMISSED				3	1.4%	0.2%
MODIFY				1	0.5%	0.1%
REMAND				9	4.3%	0.6%
REVERSE	6	30.0%	4.3%	44	21.3%	3.1%
REVERSE AND REMAND				3	1.4%	0.2%
REVERSE IN PART	1	5.0%	0.7%	12	5.8%	0.9%
Total Appeals	20			207		
DIVISION/IC						
ABEYANCE				3	1.1%	0.2%
AFFIRM AND MODIFY				5	1.8%	0.4%
AFFIRM AND REMAND	1	4.3%	0.7%	1	0.4%	0.1%
AFFIRMED	8	34.8%	5.6%	141	49.6%	10.0%
DISMISSED	2	8.7%	1.4%	3	1.1%	0.2%
MODIFY				2	0.7%	0.1%
REMAND				1	0.4%	0.1%
REVERSE	10	43.5%	7.2%	96	34.5%	7.0%
REVERSE AND REMAND				2	0.7%	0.1%
REVERSE IN PART	1	4.3%	0.7%	27	9.5%	1.9%
VACATE	1	4.3%	0.7%	1	0.4%	0.1%
Total Appeals	23			284		
Grand Totals	139			1408		



*West Virginia Offices
of the Insurance Commissioner*

Pending Amendments to Title 85 CSR 1, 2, 6, 8 & 18



**BULLETT SUMMARY OF CHANGES MADE IN AMENDMENTS TO RULES 1,
2, 6, 8 AND 18 FOR INDUSTRIAL COUNCIL**

Rule 1 ("Claims Management and Administration")

- Throughout rule, amended so that the provisions of the Rule apply to self-insured employers. (Removed claims handling standards from Rule 18 in deference to the Rule 1 claims handling standards, so that self-insureds and carriers all follow the same standards).
- Provided clarification in subsection 3.1. that the fact that an injury was reported more than 2 days after the injury cannot alone be a reason to deny the claim.
- Section 4, struck the \$250 dollar fine for failure by an employer to report injuries in 5 days; this type of fine is better handled as a surcharge or penalty between the insurer and insured employer (an insurer is not going to report its insured to the OIC).
- In section 7 (in draft version), added provisions regarding notice and litigation issues in claims, to reflect changes made in HB 4636 passed in March 2008 (clarifying the two party system, the new 60 day time frame to protest claims rulings and the exceptions to the two party system).
- In section 10.2. (in draft version), changed time frame for ruling on OP claims from 15 to 90 days, but limited the extension to 30 days maximum.
- In subdivision 10.4.a. (in draft version), added a proviso permitting the mandatory 120 day IME to be tolled if the carrier expects the period of disability to extend beyond 120 days (to avoid unnecessary IME's when carrier agrees that claimant continues to be temporarily disabled).
- In subdivision 10.4.c. (in draft version), provided clarification that PPD awards can be paid in a lump sum or in installments, but in either case payment shall occur within 30 days of award.
- In subsection 10.6. (in draft version), changed time frame for ruling upon application for reopening of claims from 10 days to 30 days.
- In section 12 (in draft version), eliminated language permitting overpayments to claimant to be deducted from widow benefits.
- In subsection 13.1. (in draft version), amended to require OP board sole authority to rule on ratings in all occupational disease claims involving dust inhalation, but to otherwise permit such OD claims to be handled as OD claims, not OP claims.
- Struck section 13 (in former rule) requiring notice to claimant of closure of claim in claims with 6 months of no activity.
- Added new section 16 (in draft version) clarifying that in the event of a claimant complaint with the OIC, private carriers and self-insured employers must provide a written response to the complaint.
- Struck subsection 18.1. (in former rule) which did not require insured employers to report incidents not needing medical treatment.
- Made other stylistic and technical cleanup and all other changes eliminating obsolete, repetitive or otherwise unnecessary language.

Rule 2 (“Workers’ Compensation Claim Index”)

- In subdivision 4.2.g., added percentage of PPD award as a mandatory field to be reported in the claims index.
- In subsection 5.1., added clarification that a carrier or employer’s attorney may access the claims index.
- In subsection 6.2., struck requirement that subsequent report of injury be reported in 5 days; this is contrary to nationwide standards as reflected in the WV EDI Implementation guide.
- Made other stylistic and technical cleanup and all other changes eliminating obsolete, repetitive or otherwise unnecessary language.

Rule 6 (“Debt Reduction Fund Assessments and Regulatory Surcharges”)

- Throughout the rule, changed notice period required for changing of percentage amounts from 30 days to 60 days.
- In subsection 3.10., added language to definition of “assessable workers’ compensation premium due” to provide more detailed guidance to carriers on which premium is to be included as assessable workers’ compensation premium and which premium is not included.
- In subsection 4.1., added language to reflect code changes in HB 4636 making the percentages a fixed amount from 2008 to 2013; struck language reflecting obsolete methodology.
- In subsection 6.2., added language reflecting time frame for carriers to remit surcharges consistent with change in law in HB 4636.
- Made other stylistic and technical cleanup and all other changes eliminating obsolete, repetitive or otherwise unnecessary language.

Rule 8 (“Workers’ Compensation Policies, Coverage Issues and Related Topics”)

The changes to rule 8 are limited only to amending section 9 to reflect the new time frames for carrier reporting and notice of coverage issuance, renewals, cancellations and non-renewals. The OIC does not intend to make any changes to any other sections of Rule 8 at this time.

Rule 18 (“Self Insurance, Self Administration and Third Party Administrators”)

- Amended section 7 (in draft version), regarding catastrophic occurrence coverage, to reflect change in law in 2006 making excess coverage or security for CAT occurrences discretionary (OIC decides if the self-insured employer needs it and if so how much).
- Amended subsection 8.3. (in draft version) to permit self-insured employers to make a request to have minimum security amount of \$1 million reduced after being active for 5 years.
- Amended section 10 (in draft version) and eliminated sections 12 to 13 (in former version) regarding the ability of the self-insured employer to voluntarily “buy

out" its liability. This option was eliminated by the Legislature in 2005. Now the self-insured employer must post bond for full amount before voluntarily terminating status.

- Eliminated former section 14 of the rule (pertaining to the former WC fund) as obsolete.
- Amended section 11 (in draft version) regarding self-administration of claims to remove most of the claims handling standards applicable to self-insured employers. Instead, self-insured employers will now be subject to the same claims handling standards as carriers, which are found in chapter 23 and other title 85 rules (primarily rules 1, 5, 12 and 20). (Rule 1, which previously did not include self-insured employers, was in turn amended to include self-insured employers).
- Amended section 12 (in draft version) to eliminate (as obsolete) language regarding the payment of "premium taxes" by self-insured employers; now self-insured employers are subject to the regulatory and debt reduction surcharges and pool assessments in lieu of the obsolete premium taxes.
- Changed the non-compliance penalty provision 13.9. (in current rule) from up to \$5000 "per review" to up to \$500 per occurrence of non-compliance. The former language and penalty ("\$5000 per review") is vague and lacks clarity; up to \$500 per occurrence provide more clarity while still giving the OIC discretion in issuing fines.
- Added new provision in subdivision 13.9.c. (in draft version) which permits the OIC to establish a corrective action plan for non-compliant self-insured employers. (This would be an additional option for the OIC other than monetary penalties and revocation).
- Added in subsection 14.4. (in draft version) language prohibiting self-insured employers from operating in an "illegal, improper or unjust manner" with regard to claims handling; this is similar to code language found in chapter 33 pertaining to carriers. The concept is to create a "catchall" provision for self-insured employers similar to that which applies to insurance companies.
- Amended section 17 (in draft version) to eliminate detailed qualifications for third party administrators. These requirements were preempted by changes to the code in March 2008 (HB 4636) which requires all WC TPA's to meet same standards for licensure as all other insurance TPA's. (The OIC is working on a separate rule to address WC TPA's, as directed by code).
- Made other stylistic and technical cleanup and all other changes eliminating obsolete, repetitive or otherwise unnecessary language.



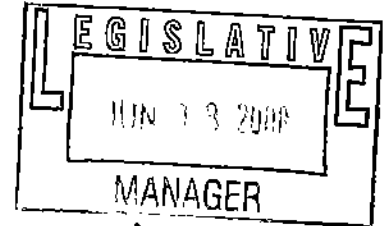
WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

**1900 Kanawha Boulevard East • Building Five • Room 110
Charleston, West Virginia 25305-0430 • 304/558-3805**

**Joe Manchin III
Governor**

June 11, 2008



**The Honorable Earl Ray Tomblin
West Virginia Senate
Post Office Box 116
Chapmanville, West Virginia 25508-0116**

**The Honorable Richard Thompson
Speaker of the House, West Virginia House of Delegates
Building One – Room 234-M
1900 Kanawha Boulevard East
Charleston, West Virginia 25305**

**Joint Committee on Government and Finance
West Virginia Legislature
Building One – Room 465-M
1900 Kanawha Boulevard East
Charleston, West Virginia 25305**

Dear President Tomblin, Speaker Thompson and Committee Members:

In 2005 legislative act, the West Virginia Legislature created the Coal Resource Transportation Designation Committee (CRTDC) to review applications submitted for road inclusions into our State's Coal Resource Transportation System (CRTS). By §17C-17A, the West Virginia Code defined the process for reviewing said applications.

As such, the CRTDC has completed the process for reviewing an application submitted by Tyler Morgan, LLC to add Kanawha CR 83/4 to our State Highway System. During the review process, the West Virginia Division of Highways (WVDOH) was requested to conduct an engineering review of these routes (report attached) and provide professional recommendations to the CRTDC for consideration. The WVDOH has complied with the request and recommends that the route be accepted into the CRTS contingent on the execution of the paving and maintenance agreements between Tyler Morgan, LLC and the WVDOH that include the following:

**The Honorable Earl Ray Tomblin
The Honorable Richard Thompson
Joint Committee on Government and Finance
June 11, 2007
Page Two**

- 1. Tyler Morgan, LLC will widen to a minimum of 20' and pave 1.242 miles of CR 83/4 with a minimum of 4" of Hot Mix Asphalt Superpave Base 25 mix (or other comparable mix approved by the WVDOH);**
- 2. Tyler Morgan, LLC shall improve the ditch line/drainage, reset existing guardrail and remove an old headwall along CR 83/4 as directed by the WVDOH;**
- 3. Tyler Morgan, LLC shall repair all identified base failures as directed by the WVDOH;**
- 4. Tyler Morgan, LLC shall comply with all Federal, State, and Local laws and regulations;**
- 5. Tyler Morgan, LLC shall be responsible for reasonable maintenance and repairs as determined by the WVDOH for the duration of their mining activities resulting in the use of the road to transport coal or other related materials.**

Tyler Morgan, LLC has indicated to the CRTDC that they are agreeable to executing such agreements upon final acceptance of the roadway into the CRTS.

The CRTDC has reviewed the report and recommendations of the WVDOH and agrees with their recommendations, based on the above contingencies, that Kanawha CR 83/4 be *ACCEPTED* into the CRTS.

As such, the CRTDC submits the above information and welcomes the comments of the Joint Committee before issuing final approval and acceptance of these roadways into the CRTS.

We remain available to discuss the application if so desired. Should you require any additional information, please contact Mr. Brian Carr, P. E., Unit Leader with our Program Planning and Administration Division.

Sincerely,

**ORIGINAL SIGNED BY
PAUL A. MATTOX, JR.**

**Paul A. Mattox, Jr., P. E.
Chairman, Coal Resource Transportation
Designation Committee**

PAM:Pc

Attachment

cc: CRTDC Members

**WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION**

DIVISION OF HIGHWAYS

**REPORT TO THE
COAL RESOURCE TRANSPORTATION
DESIGNATION COMMITTEE
ON COUNTY ROUTE 83/4 IN
KANAWHA COUNTY**

September 12, 2007

West Virginia Division of Highways'
Report to the Coal Resource Transportation Designation Committee
on The Proposed Addition of CR 83/4 in Kanawha County to the
Coal Resource Transportation Road System

Background

By act of the West Virginia Legislature, the Coal Resource Transportation Designation Committee (CRTDC) was created and placed into effect July 1, 2005. The purpose of this committee is to approve or decline the addition of roads to the Coal Resource Transportation Road System (CRTS) throughout the State of West Virginia, exclusive of Boone, Fayette, Lincoln, Logan, McDowell, Mercer, Mingo, Raleigh, Wayne, and Wyoming Counties. These counties are currently managed under a separate system created by the West Virginia Legislature in March of 2003. Both acts of legislature have required the Division of Highways (DOH) to undertake a number of tasks to monitor and maintain the CRTS.

The CRTDC established, as part of the process for designation, that the DOH must first evaluate the proposed candidate route and make a recommendation to the committee for the addition of any proposed route. The emphasis of this report is to provide available information on the subject routes to the CRTDC.

Purpose, Scope, and Depth

This report is in response to an application to consider the addition of CR 83/4 in Kanawha County to the CRTS. The scope of the evaluation included the following section of road:

- Kanawha CR 83/4, between mile points 0.00 (at Jct. of CR 83) and 1.242 (at Dead End/Private Road).

The total mileage is approximately 1.242 miles.

The depth of analysis was determined by District One personnel who performed the evaluation. In general, district personnel are more informed on local road needs and the problems that an increase in the maximum legal road limit can have on particular roads. Due to the preliminary nature of this report, the depth of analysis was limited. The data used in this report were that which could be obtained from existing databases or in a timely manner.

Method

As established by the CRTDC, an evaluation of the subject routes was performed by DOH personnel. District One and Maintenance Division were sent a memorandum requesting the evaluation of the subject route(s) and affected bridges, if any. There are no bridges along CR 83/4 therefore no bridge inspections were needed.

District One personnel completed a visual inspection of the subject route(s) and provided their results. The evaluation was performed by Mr. Ron Stanevich, District One Design Engineer and accompanying staff. An additional field review was conducted in August with representatives from the Program Planning and Administration Division. The results of these evaluations and recommendations are provided in this report.

Results (see Map #1 and accompanying photos)

CR 83/4 in combination with existing CRTS routes Kanawha CR 83 and WV 61, will make up a coal hauling route for Tyler Morgan, LLC, from Surface Mine haul road to Crown Hill Law Terminal. CR 83/4 leads to the CR 83/16 which leads to the Memorial Tunnel and is a very rural route with limited personal vehicular traffic. No personal homes or other businesses were identified along this route.

The WVDOH District One is responsible for approximately 1.242 miles of CR 83/4. The average pavement width of this route varies from approximately 16 to 20 feet with varying shoulder widths. From an existing WVDOH Road Inventory File, the traffic count for this route was estimated to be 40 vehicles per day.

For approximately 1.0 mile (from CR 83 to the junction of CR 83/16), CR 83/4 is asphalt base (possible of Base II material) and appears to be overlaid onto a stone base material (Photo #1). The actual design of the roadway is unknown and the roadway is not striped. There are several noticeable base failures in the road that need repaired. The route is also very steep – approximately 8% - 12% grade – (Photo #2) with several sharp curves and will require trucks to brake often. This will have an adverse affect on asphalt – primarily rutting and shoving. This road proceeds through a culvert underneath the West Virginia Turnpike (I-77) which has a width of 22 feet (Photo #3). Additionally, evidence of potential slides exists along the first mile of this route.

At the junction of CR 83/16 (the road leading to the Memorial Tunnel), the existing road turns to a gravel/dirt based road (Photo #4) and proceeds approximately 0.20 mile to the private access road for the mine. The

ditchline and guardrail along this stretch of roadway needs some improvements for drainage and safety purposes.

WVDOH Recommendations

If the CRTDC concludes that the subject route should be added to the CRTS, it is the recommendation of the WVDOH that the following action or work be performed, by the applicant (Tyler Morgan, LLC), to ensure this route is safe and sufficient for a maximum legal road limit of 120,000 pounds.

The WVDOH recommends the following items be undertaken prior to increasing the weight limit to 120,000 pounds:

From MP 0.00 to MP 1.00 +/- that the existing asphalt surface be widened to 20' and overlaid with:

1. 4 inches of HMA SUPERPAVE Base 25
2. Specify that road ESAL Values will be greater than 20 Million – this will ensure that the mix design will receive the maximum angularity in the aggregate and help prevent rutting

The expected capital cost of this improvement is approximately \$388,000.

Additionally, the WVDOH recommends improvements to the shoulder/ditchline and resetting existing guardrail (Photo #5) as well as removing an old headwall located along the shoulder (Photo #4 again) between MP 1.0 to 1.2 prior to increasing the GVW of this roadway. This was estimated to cost approximately \$15,000.

Furthermore, an agreement with the Applicant must be executed to fund the cost of resurfacing and base failure repairs on an "as needed" basis and for any slide repair work (Photo #6) as determined by the WVDOH after the 1st year from MP 0.00 to MP 1.05.

From MP 1.00 +/- to approximately MP 1.242 (end of roadway), it is suggested to execute a written agreement to allow the Applicant to maintain the roadway. The agreement should contain a proviso that once the mine operations cease, the Applicant shall place culverts according to WVDOH recommendations and pave, grade, ditch and gravel the entire road to the WVDOH's satisfaction.

Finally, the WVDOH should also request approval from the Parkways Authority and FHWA as a portion of this route goes through a tunnel through the fill area of I-77 (West Virginia Turnpike).

Other Issues

- Revenues derived from the special weight permit fees and coal tonnage fees, along with coal company donations, are deposited into the Coal Resource Transportation Road Fund (CRTRF). The financial resources needed for highway and bridge maintenance on the CRTS currently exceeds the amount of funds available for those purposes. When the CRTRF was developed, it was clear that the projected revenues would only serve as a financial supplement for the needs of the CRTS.
- Presently, a Six-Year Highway Program lays out the projected revenue and expenditures of the DOH through the year 2013. Any improvements considered in this report are not scheduled in the Six-Year Highway Program. The DOH developed the Six-Year Highway Program to remain fiscally constrained. DOH revenues, which are derived from the fuel tax and other sources, have leveled or decreased in recent years. This can be contributed to fuel conservation resulting from high gasoline prices and no increase in flat rate portion of the state's fuel tax in over 10 years. The problem of stagnant revenue has been exacerbated by steep increases in the cost of raw materials used for maintaining and improving roads and bridges throughout the State. The rising cost associated with highway construction and maintenance coupled with diminishing revenues means the DOH can initiate work on fewer miles of road each year.
- Outside of the Six-Year Highway Program, the DOH has no funds available for upgrading these routes to handle an increase in the maximum legal road limit. The cost of any construction work necessary for CRTS inclusion will have to be provided by the coal company or an alternative funding source.

Public Hearing

As established by West Virginia Code 17C-17A-12(h) a public hearing before the CRTDC will need to be held if the applicant (Tyler Morgan, LLC) desires to continue the process for Kanawha CR 83/4 to be included into the CRTS network. A public hearing should take place only after all available information has been made available to the CRTDC and the applicant with regard to any final reports, documents and agreements for upgrading and maintaining the proposed roadway. The public will be afforded an opportunity to speak at the public hearing as well as provide any additional comments within 30 days of the public hearing. In the final draft of this report, this section will be updated to include the events of the public hearing.

CRTDC Recommendations to the Joint Committee on Government and Finance

After an evaluation of the subject route by the WVDOH (described within this report), all necessary improvement and maintenance agreements between the WVDOH and the applicant have been reached, a public hearing is held in the county of the subject route and all subsequent comments have been received within 30 days of the public hearing, the CRTDC will hold a meeting to discuss and vote to either include the subject route into the CRTS network or decline. This recommendation will then be forwarded to the Joint Committee on Government and Finance for their review and comments for a maximum of 30 days. This section will be updated to include all necessary information and the recommendation of the CRTDC prior to submission to the Joint Committee on Government and Finance.



Photo #1: Looking at Kanawha CR 83/4

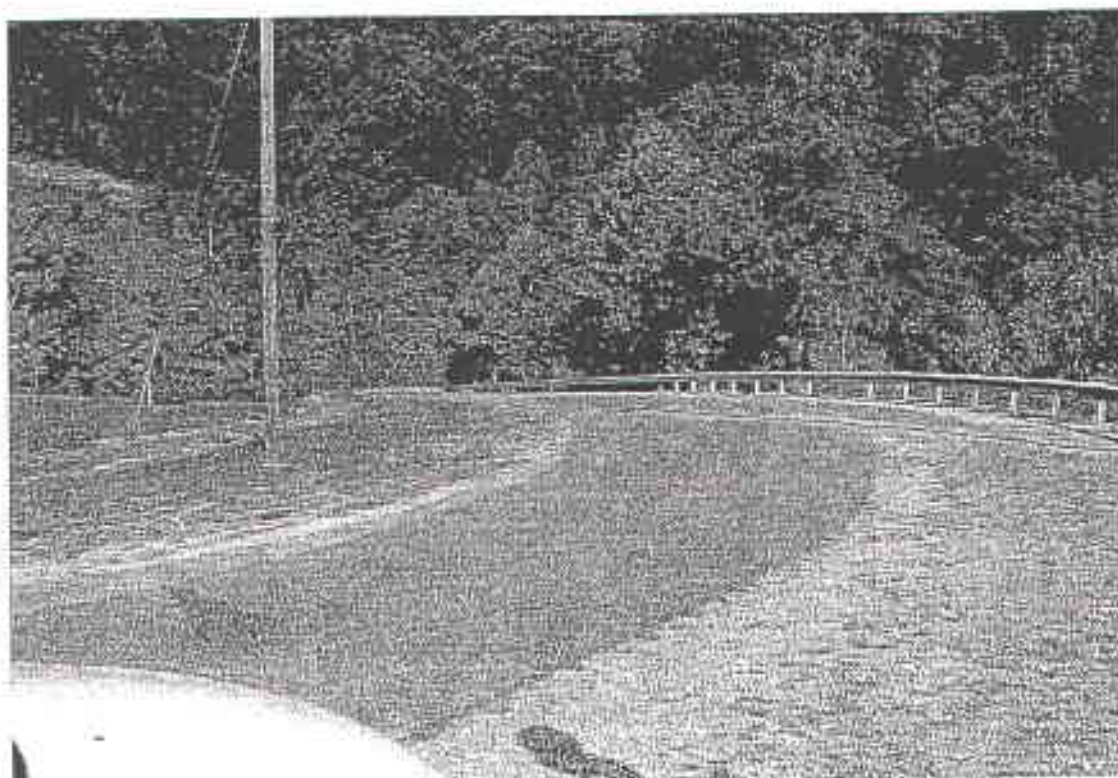


Photo #2: Looking at grade along Kanawha CR 83/4

PHOTO SHEET #1
KANAWHA, CR 83/4
PROPOSED CRTS ROAD FOR
TYLER MORGAN, LLC
KANAWHA COUNTY

THE WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

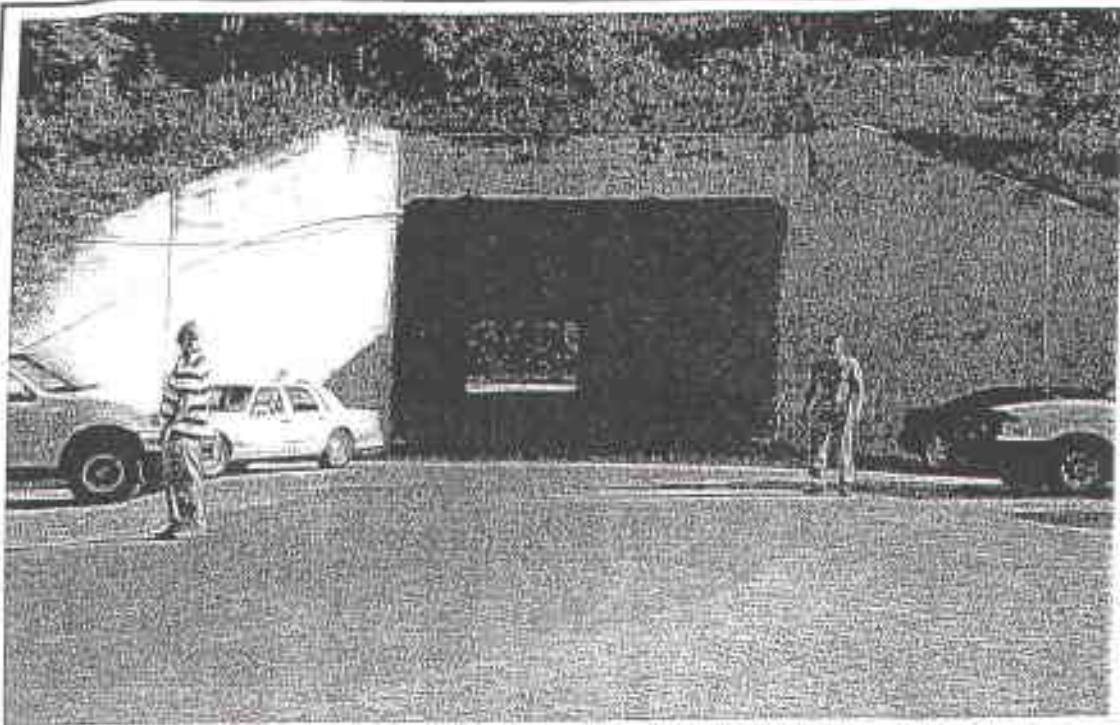


Photo #3: Looking at culvert under WV Turnpike - I-77

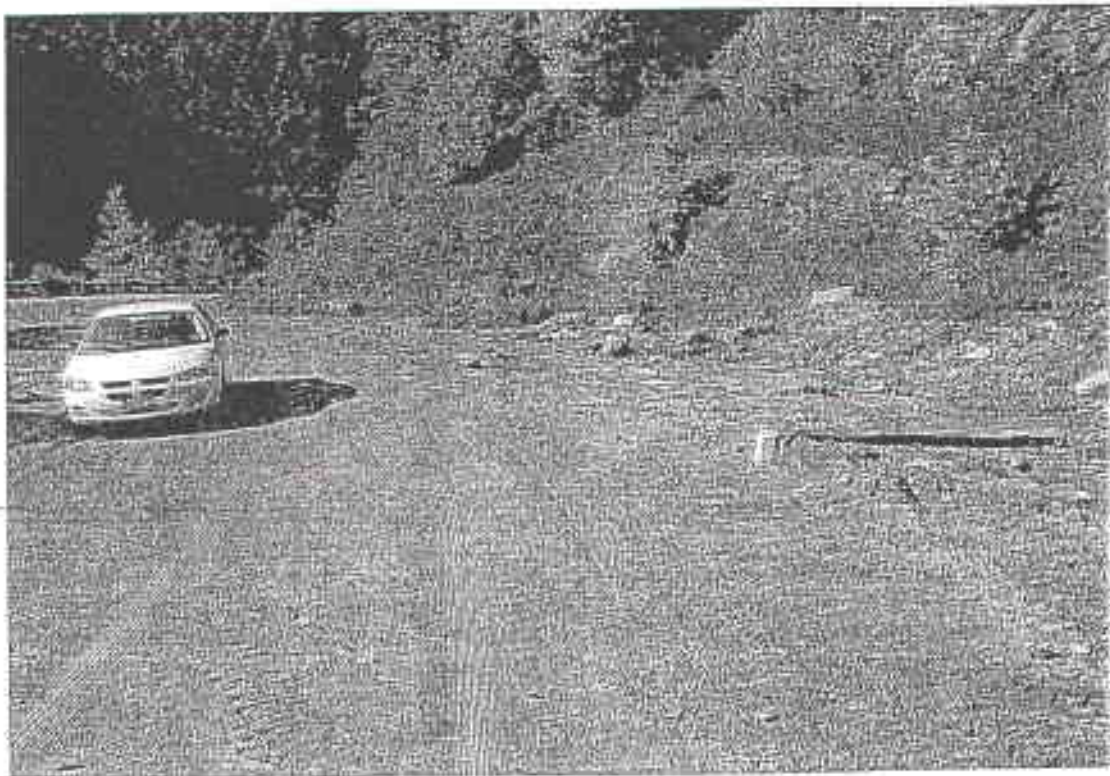


Photo #4 Looking a gravel/dirt portion of CR 83/4 near CR 83/16

PHOTO SHEET #2
KANAWHA CR 83/4
PROPOSED CRTS ROAD FOR
TYLER MORGAN, LLC
KANAWHA COUNTY

THE WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

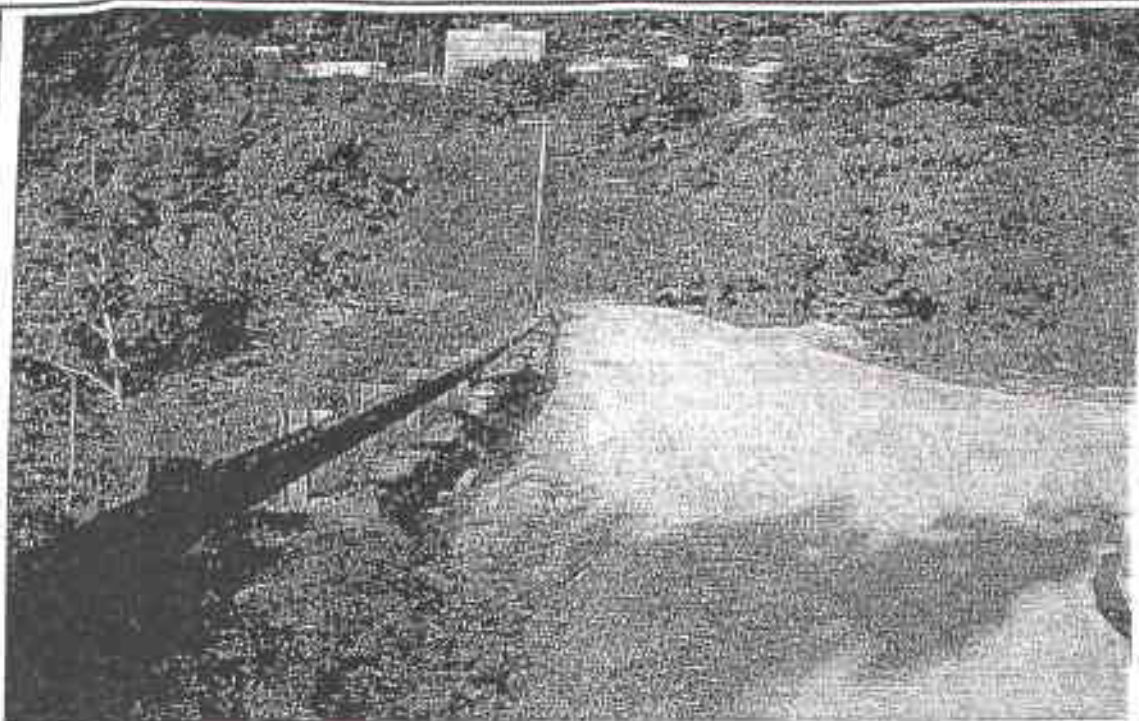


Photo #5: Looking at rutted ditchline and shoulders and guardrail



Photo #6 Evidence of slides in area

PHOTO SHEET #3
KANAWHA CR 83/4
PROPOSED CRTS ROAD FOR
TYLER MORGAN LLC
KANAWHA COUNTY

THE WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS