

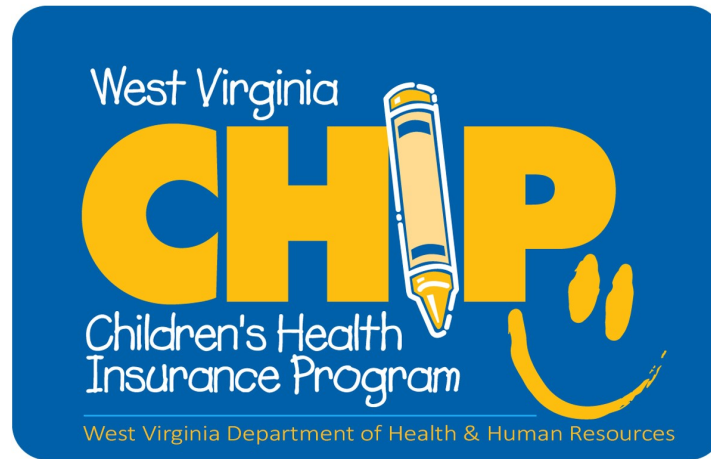
West Virginia
Children's Health Insurance Program
Annual Report 2018



INSIDE COVER

West Virginia
Children's Health Insurance Program

2018 Annual Report



Bill J. Crouch, Cabinet Secretary
West Virginia Department of Health & Human Resources

Prepared by:
Stacey L. Shamblin, MHA
Acting Director/Chief Financial Officer
West Virginia Children's Health Insurance Program



OUR MISSION

To provide quality health insurance to eligible children in a way that improves child population health and promotes healthy kids and healthy communities.

OUR VISION

West Virginia CHIP will be a leader in value driven and innovative child healthcare.

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INTRODUCTORY SECTION





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January 11, 2019

Jim Justice, Governor
State of West Virginia

Honorable Members of the
West Virginia Legislature

Board of Directors
West Virginia Children's Health Insurance Program

Bill J. Crouch, Cabinet Secretary
West Virginia Department of Health and Human Resources

Ladies and Gentlemen:

It is a privilege to submit to you the Annual Report of the West Virginia Children's Health Insurance Program (WVCHIP) for the fiscal year ended June 30, 2018. This report was prepared by the Financial Officer of WVCHIP. Management of WVCHIP is responsible for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. We believe the data, as presented, are accurate in all material respects and presented in a manner that fairly reports the financial position and results of operations of WVCHIP. All disclosures necessary to enable the reader to gain an understanding of WVCHIP's financial activities have been included. It should be noted that these financial reports are unaudited and for management purposes only.

This Annual Report is presented in four sections: introductory, financial, outreach, and statistical. The introductory section contains this transmittal letter, a list of the principal officers of WVCHIP, and WVCHIP's organizational chart. The financial section includes the financial statements and footnotes as well as certain supplementary information as required by State Code. Also included in the financial section is management's discussion and analysis (MD&A) which provides the reader a narrative introduction, overview and further analysis of the financial information presented. The outreach section provides information on outreach and health service initiatives throughout the year as well as information about the state's uninsurance rate for kids. The statistical section includes select quality measurement and enrollment data.

The financial statements are presented for the state fiscal year ended June 30, 2018. The federal fiscal year (FFY) ends September 30 and further documentation is submitted to Centers for Medicare and Medicaid Services (CMS), WVCHIP's federal oversight agency, based on that period. Certain statistical information such as pediatric quality reports, by nature, is presented on a calendar year basis as required.

FINANCIAL PERFORMANCE AND OUTLOOK

WVCHIP is funded by both federal and state monies. Each year the program receives an allotment of federal money that may be used to fund program expenditures at a set percentage. Currently, federal allotments are available for a period of two years. State money is provided through general appropriations that are approved by both the Governor and the State Legislature. State money that is not used in the current year is carried-over to the next year. Effective October 1, 2015, the Affordable Care Act (ACA) added 23% to the enhanced federal medical assistance participation (FMAP) rate for Children's Health Insurance Programs (CHIP) nationwide. With this 23% increase, WVCHIP's federal match rate is 100%. The match rate at June 30, 2018 was 100% federal share. This 23% enhancement to the FMAP will reduce to 11.5% on October 1, 2019 and will end completely on October 1, 2020. The FMAP for FFYs 2020 and 2021 are expected to be 93.96% and 82.46%, respectively.

WV State Code requires that estimated program claims and administrative costs, including incurred but not reported claims, not exceed 90 percent of the total funding available to the program, and provides for an actuarial opinion to ensure that this requirement will be met. The Actuarial Report dated June 30, 2018 confirms this requirement will be met through SFY 2020 for state funding, assuming federal funding amounts remain the same as they are in 2018 and considering projected enrollment and program costs trends. The program will not meet this requirement beginning in SFY 2021 without any additional state funding that will be required because of the decreased FMAP. The report projects a shortfall in state funding of \$5.9 million to cover its share of program expenditures, and \$6.9 million to comply with WV State Code. The same report is also projecting a federal funding shortfall in SFY 2021 based on current approved levels of federal funding. It should be noted, however, that Federal allotments have not been issued past 2019. The June 30, 2018 Actuarial report is included in Appendix B to this report. The Actuarial Letter of Review of Experience is also included in Appendix A to this report.

Based on estimated funding, enrollment, and costs, the June 30, 2018 Actuarial report projected no federal funding shortfalls for SFYs 2019 and 2020. The projection assumes federal allotments will remain at the same level as the 2018 allotment, \$64,647,160, and after adjustment for the CHIP - Medicaid expansion (approximately \$20 million) that began on January 1, 2014. It should be noted that as of the date of this report, Congress has allotted no additional monies for CHIP after September 30, 2019, but the program is authorized through 2023.

ACKNOWLEDGMENTS

Special thanks are extended to Governor Jim Justice and members of the Legislature for their continued support. Gratitude is expressed to the members of WVCHIP's Board of Directors for their leadership and direction. Our most sincere appreciation is extended to both Secretary Bill Crouch and Deputy Secretary Jeremiah Samples, whose leadership and support has helped the Agency embrace this year's challenges. Respectfully, we submit this Annual Report for the West Virginia Children's Health Insurance Program for the year ended June 30, 2018.



Stacey L. Shamblin, MHA
Financial Officer

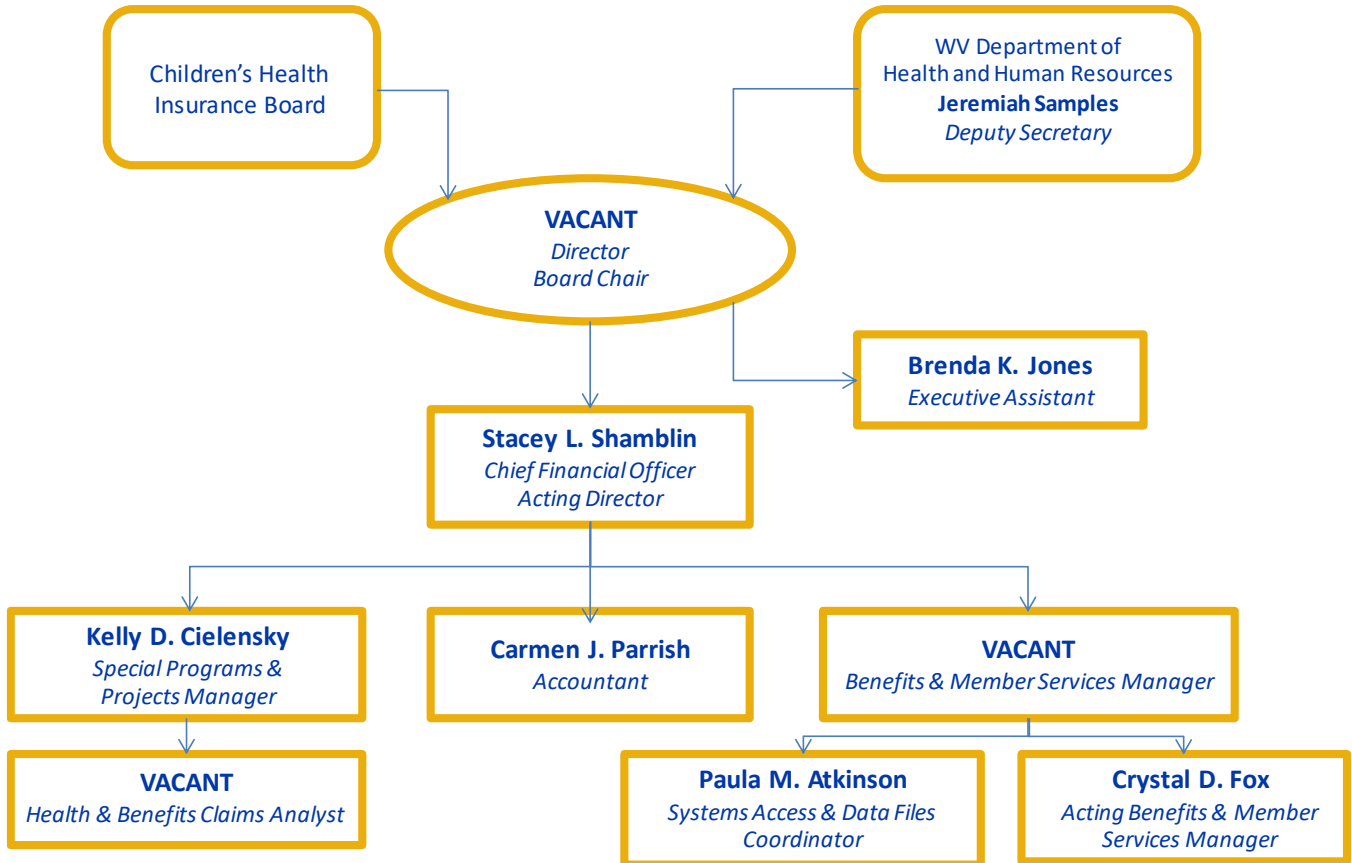
BOARD MEMBERS

Stacey L. Shamblin, Chair
Ted Cheatham, Public Employees Insurance Agency, Director
Jeremiah Samples, Deputy Secretary, Designee for Bill J. Crouch, Cabinet Secretary, DHHR
The Honorable Tom Takubo, West Virginia Senate, Ex-Officio
The Honorable Joe Ellington, West Virginia House of Delegates, Ex-Officio
Janet Allio, Citizen Member
Lisa M. Costello, MD, Citizen Member
Margie Hale, Citizen Member
Kellie Wooten-Willis, Citizen Member
VACANT, Citizen Member
VACANT, Citizen Member

STAFF

Stacey L. Shamblin, Acting Director/Chief Financial Officer
Paula M. Atkinson, Systems Access & Data Files Coordinator
Kelly D. Cielensky, Special Programs and Projects Manager
Crystal D. Fox, Acting Benefits and Member Services Manager
Brenda K. Jones, Executive Assistant
Carmen J. Parrish, Accountant
Alyssa D. Eads, Temporary Employee
Candace A. Vance, Temporary Employee

STAFF ORGANIZATIONAL CHART







FINANCIAL SECTION



MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEST VIRGINIA CHILDREN'S HEALTH INSURANCE PROGRAM
For the Year Ended June 30, 2018**

Management of the West Virginia Children's Health Insurance Program (WVCHIP) provides this Management Discussion and Analysis for readers of WVCHIP's financial statements. This narrative overview of the financial statements of WVCHIP is for the year ended June 30, 2018. We encourage readers to consider this information in conjunction with the additional information that is furnished in the footnotes which are found following the financial statements. Please note that these financial statements are unaudited and for management purposes only.

HISTORY AND BACKGROUND

WVCHIP's primary purpose is to provide health insurance coverage to uninsured children in families whose income disqualifies them from coverage available through the Medicaid Program, but is less than or equal to 300% of the current Federal Poverty Level (FPL). When Congress amended the Social Security Act in 1997 to create Title XXI "State Children's Health Insurance Program" (CHIP), federal funding was allocated to the states for such programs over a ten-year period through 2007. CHIP was funded based on a complex allotment formula that considered the state's population of uninsured, low-income children. On February 4, 2009, the Children's Health Insurance Reauthorization Act (CHIPRA) was signed into law reauthorizing and funding the program through 2013. This bill revised the formula used to calculate each state's annual allotment to consider each state's actual projected spending and demographics, as well as national trends. On March 3, 2010, the program was once again reauthorized through 2015 with the passage of the Affordable Care Act (ACA). This legislation also increased the share of the program's federal funding from 2016 through 2019, by adding a 23% "bump" to the FMAP. The program will be 100% federally funded during this time. The ACA mandated that WVCHIP children ages 6 through 18 under 133% FPL transfer to Medicaid. Approximately 10,000 children transitioned to Medicaid throughout calendar year 2014. Although the ACA mandated this change, WV exercised its option to continue financing these children with the Title XXI funds and in October 2013 the program became a "combination" CHIP using Title XXI funding for both a CHIP/Medicaid expansion (MCHIP) and a separate CHIP (SCHIP). The Medicare Access and CHIP Reauthorization Act (MACRA) passed on March 26, 2015 extended CHIP funding through FFY 2017. On January 22, 2018, Congress passed a Continuing Resolution (CR) that included the Helping Ensure Access for Little Ones, Toddlers, and Hopeful Youth by Keeping Insurance Delivery Stable (HEALTHY KIDS) Act that provided funding for CHIP for 6 years through 2023. Another CR passed on February 8, 2018, included the Advancing Chronic Care, Extenders, and Social Services (ACCESS) Act that funded CHIP an additional four years through 2027.

The West Virginia Legislature passed House Bill 4299 on April 19, 1998, to create WVCHIP. Since its inception, it has undergone several changes that include transfer of the Program from the WV Department of Health and Human Resources and establishing the Children's Health Insurance Agency within the WV Department of Administration, with the passage of Senate Bill 565 in 2000. WVCHIP is governed by a Board of Directors of up to eleven members, through approval of an annual financial plan and modifications to benefits. Day-to-day operations of WVCHIP are managed by the Executive Director who is responsible for the implementation of policies and procedures established by the Board of Directors. The WV Children's Health Insurance Agency is responsible for the administration of the WVCHIP.

On February 19, 2015, the West Virginia Legislature passed Senate Bill 262 moving the WV Children's Health Insurance Agency from the Department of Administration to the Department of Health and Human Resources effective July 1, 2015.

To use Federal monies allotted for the SCHIP program, each state is required to file a state plan with CMS that outlines the individuals responsible for program administration, where the program is housed within State government, the program's enrollment policies, how it proposes to use the federal monies, as well as other policies and processes used by the state to administer the program. Once the state plan is approved, the state may use its federal allotment, at the federal matching percentage, to finance program expenditures according to the plan.

Since inception in 1998, WVCHIP has undergone several changes of its State Plan to reach its current form. These changes include:

- Phase I: In July 1998, the Program began as a Medicaid expansion by covering children from ages 1 to 5 in households with incomes from 131% FPL to 150% FPL.
- Phase II: On April 1, 2000, coverage for children from ages 6 through 18 in households from 100% to 150% FPL was added. WVCHIP also adopted PEIA's Preferred Benefit Plan to serve as the benchmark equivalent coverage program.
- In June 2000, WVCHIP notified the federal government that it was withdrawing the Medicaid expansion program and combining it with Phase II to create a separate state program.
- Phase III: In October 2000, WVCHIP expanded coverage for all children through age 18 in families with incomes between 151% and 200% FPL.
- In June 2002, WVCHIP modified its co-payment requirements for pharmacy benefits to eliminate co-pays for generic drugs and expand co-pay requirements for brand name drugs. It also adopted an annual benefit limit of \$200,000 and a lifetime benefit limit of \$1,000,000.
- In January 2006, WVCHIP modified its pharmacy benefits by implementing a Preferred Drug List which encouraged utilization of generic drugs and increased the amount of drug rebates received from drug manufacturers.
- In January 2007, WVCHIP expanded its upper income limit for program eligibility to 220% FPL. This expanded program from 200-220% FPL is called WVCHIP Premium. Families enrolled in this group are required to make monthly premium payments based on the number of children enrolled in the family. Children in this group receive full medical and drug benefits, limited dental, and no vision coverage.
- In January 2008, WVCHIP modified its state plan to allow the program to secure federal match to pay for comprehensive well-child exams for uninsured children entering Kindergarten using administrative funds.
- In January 2009, WVCHIP further expanded its upper income limit for program eligibility to 250% FPL. Children covered under this expanded group are enrolled in WVCHIP Premium.

- In July 2010, WVCHIP removed restrictions on dental and vision benefits for members in WVCHIP Premium. Members in this group now receive full dental benefits, but with copayments for some services. They also receive full vision benefits.
- On July 1, 2011, WVCHIP once again expanded its upper income limits for program eligibility to 300% FPL. These children are enrolled in WVCHIP Premium. The program also eliminated annual and lifetime plan limits and made service limit changes to comply with mental health parity.
- Effective October 1, 2011, WVCHIP changed its reimbursement methodology to Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) from fee-for-service to prospective payment.
- On October 1, 2013, WVCHIP incorporated the Modified Adjusted Gross Income (MAGI)-based eligibility process requirements in accordance with the Affordable Care Act.
- On January 1, 2014, WVCHIP opted to allow coverage for children of state employees covered under the Public Employees Insurance Agency (PEIA) and began to transition children aged 6 to 18 under 133% FPL from WVCHIP to Medicaid (approximately 10,000 children).

OVERVIEW OF THE FINANCIAL STATEMENTS

WVCHIP's financial statements have been prepared on a cash basis of accounting. Two basic statements in this section are as follows:

Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual: This statement reflects WVCHIP's operating revenues and expenditures. The major source of revenues is federal grant awards while the major expenditures include medical, dental, and prescription drug claims costs. This statement shows changes in the West Virginia Children's Health Fund balances from the beginning to the end of the SFY. It also reflects program expenditures that occur outside of this fund, mainly staff salaries and benefits and amounts necessary to determine program eligibility for children. Annual budget amounts and variances are also reflected on this statement.

Changes in Federal Allotment Balance: This statement reflects federal allotment monies available to cover program expenditures under both the SCHIP and MCHIP.

In addition to these two basic statements and the accompanying notes, supplementary information is presented in this MD&A.

FINANCIAL HIGHLIGHTS

The following financial statements summarize the financial position and the results of operations for the years ended June 30, 2018 and 2017. (See pages 14 and 15.)

- Total fund balance decreased approximately \$508,557 or 8%, in comparison to the previous year end amount. Because these statements are on a cash-basis and most program expenditures are financed through this fund prior to "draw-down" of federal revenues, it should be noted that the last provider payment run for the SFY 2018 occurred on June 29 for \$960,493.

- Total revenues reflect a 4% increase when compared to the prior year. While there was no state appropriation, federal revenues and premiums increased 4% and 7%, respectfully. Investment revenues were down 26%, or \$23,641.
- Medical, dental and prescription drug expenditures comprise approximately 92% of WVCHIP's total costs. These expenditures increased 7% compared to the prior year. Most service lines show increases, with the highest increases in the Other Services, Therapy, Medical Transportation, and Outpatient Mental Health service lines. These increases appear to be results of claims payment system's corrections and resulting payments from those corrections that were made throughout the first half of SFY 2018.
- Administrative costs accounted for 8% of overall expenditures. These expenditures increased \$82,776, representing an increase of 1.8%. It should be noted that although administrative costs increased slightly throughout the year (the two highest costs are payments to the claims processing vendor and pharmacy benefit manager that are based on a per-member-per-month and enrollment increased throughout the year), outstanding payables on June 30 decreased substantially – by 60%.
- The program was 2% over its budgeted amount for the year, but sufficient funding was available to cover this variance. The variance was most likely due to claims payment systems corrections and payments of claims that did not pay correctly in prior years. Also, the program paid-down outstanding accounts payable from the year prior.
- The program has \$42,907,026 federal dollars available at the end of SFY 2018. Draw-downs for SCHIP totaled \$50,298,321 (including \$960,493 in-transit) and MCHIP totaled \$21,534,513 (including \$6,752,206 in-transit).

FINANCIAL ANALYSIS

Costs

A 7% trend in medical, dental, and prescription drug claims (6% excluding drug rebates and other collections) is higher than the 4% increases in spending experienced by plans nationally. After adjusting for a 2.4% increase in enrollment, WVCHIP's expenditures appear more in line with national trends. Three factors affect total claims expenditures: enrollment, utilization of services, and fees paid to providers for services they render to WVCHIP members. Each of these factors contributed to the following increases in WVCHIP's claims costs:

Enrollment:	+2.4%
Service Utilization:	+2.2%
Price/Fee Increases	+1.7%

Note: These percentages are composites and not further broken down by service line items.

Enrollment

Monthly enrollment increased steadily over the year, with an overall increase in enrollment of 2.4% compared to last year.

WVCHIP has three enrollment groups, categorized by the differing levels of family financial participation (i.e. copayments and/or monthly premiums) based on family income levels as compared to the Federal Poverty Level (FPL). The following chart identifies these three groups, as well as enrollment changes in each:

GROUP	FPL	AVG MONTHLY ENROLLMENT	PERCENT CHANGE
GOLD	100% - 150%	3,490	-18.3%
BLUE	151% - 211%	12,017	+6.5%
Premium	211% - 250%	5,989	+10.1%

Most of WVCHIP’s enrollment growth this past SFY was in the higher-level income groups, and the lowest-level income group declined. Because eligibility is based on family income compared to FPL and FPL’s generally trend up annually, these increases and decreases in the enrollment groups are expected.

Utilization

It is easy to assume that a health plan would incur higher costs with increased enrollment: more members = payments for more services = increased costs. This is WVCHIP’s experience this year, but utilization changes also contributed to increased costs. Increased payments due to service utilization changes are caused by factors more dynamic than simply the number of members covered by the plan. Not only do changes in plan membership cause the plan to pay for more or less services, but other factors including provider practices and service guidelines; services mandated or recommended by either law or professional organizations; the benefit package and utilization management strategies adopted by the plan; as well as many other factors. A combination of these factors contributed an increase of 2.2% in claims expenditures for the year.

Prices/Fees

The amount WVCHIP pays providers for particular services is also determined by a number of factors: fee schedules adopted by the plan or rates negotiated with providers, whether the service is provided in West Virginia or outside the state, and service availability, among others. A combination of all these factors contribute to price fluctuations. During State Fiscal Year 2018, prices decreased around 1.7%. The increase in prices appears to be a result of regular fee schedule updates.

Average Cost Per Child

WVCHIP’s average cost per child for State Fiscal Year 2018 was \$2,313. This amount represents the average cost per child based on a “rolling enrollment” calculation and is not adjusted for the total unduplicated enrollment in the program for the year. This average increased 3.6% over the prior year and resulted from all factors discussed above. The fluctuation in the average cost per child during the year is illustrated in a chart on page 20.

MAJOR INITIATIVES

WVCHIP had a challenging year in 2018. The program’s funding lapsed at the federal level and the WVCHIP was actively deploying measures to close the program because of the lack of federal funding. As noted in the History and Background section, the federal funding is assured through the next 10 years. WVCHIP looks forward to implementing childhood health initiatives in the coming years to assure WV children receive quality healthcare that will lead to better health outcomes so they may enjoy happy and healthy lives.

CONTACTING WVCHIP's MANAGEMENT

This report is designed to provide our member families, citizens, governing officials and legislators with a general overview of WVCHIP's finances and accountability. If you have questions about this report or need additional information, please contact WVCHIP's Financial Officer at 304-558-2732. General information is available on our website at <http://www.chip.wv.gov>. Electronic application to the program is available at www.wvinroads.org.

2018 Annual Report

West Virginia Children's Health Insurance Program Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual For the Twelve Months Ending June 30, 2018 and June 30, 2017

	Annual Budget 2018	Actual June 30, 2018	Actual June 30, 2017	Actual Variation		Budget Variance
Beginning Operating Fund Balance		\$6,049,877	\$6,568,910	(\$519,033)	-8%	
Revenues						
Federal Grants		\$48,467,254	\$46,582,253	\$1,885,001	4%	
State Appropriations		\$0	\$0	\$0	0%	
Premium Revenues	\$2,403,240	\$1,487,065	\$1,395,272	\$91,793	7%	(\$916,175) -240%
Investment Earnings (Interest)		\$67,277	\$90,918	(\$23,641)	-26%	
Total Operating Fund Revenues		\$50,021,596	\$48,068,443	\$1,953,153	4%	
Expenditures:						
Claims:						
Physicians & Surgical		\$13,020,275	\$12,142,053	\$878,222	7%	
Prescribed Drugs		\$9,139,437	\$9,251,732	(\$112,295)	-1%	
Outpatient Services		\$8,284,941	\$7,059,652	\$1,225,289	17%	
Dental		\$6,782,829	\$7,189,315	(\$406,486)	-6%	
Inpatient Hospital Services		\$4,164,367	\$4,469,551	(\$305,184)	-7%	
Other Services		\$2,316,051	\$1,641,363	\$674,688	41%	
Therapy		\$2,016,378	\$1,548,733	\$467,645	30%	
Inpatient Mental Health		\$801,204	\$687,623	\$113,581	17%	
Vision		\$686,215	\$630,907	\$55,308	9%	
Durable & Disposable Med. Equip.		\$411,725	\$455,354	(\$43,629)	-10%	
Medical Transportation		\$422,479	\$299,783	\$122,696	41%	
Outpatient Mental Health		\$472,826	\$275,557	\$197,269	72%	
Less: Other Collections**		(\$70,740)	(\$191,216)	\$120,476	-63%	
Drug Rebates	(\$1,398,828)	(\$1,353,267)	(\$1,253,819)	(\$99,448)	8%	\$25,179 -7%
Total Claims	\$50,205,506	\$47,094,720	\$44,206,588	\$2,888,132	7%	(\$3,110,786) -23%
General and Admin Expenses:						
Salaries and Benefits		\$0	\$507,693	(\$507,693)	-100%	
Program Administration	\$2,626,570	\$3,357,242	\$3,415,056	(\$57,814)	-2%	\$730,672 104%
Eligibility		\$10,813	\$0	\$10,813	100%	
Outreach & Health Promotion	\$392,012	\$10,190	\$82,702	(\$72,512)	-88%	(\$381,822) -1527%
Current	\$326,676	\$57,726	\$160,794	(\$103,068)	-64%	(\$268,950) -329%
Total Administrative	\$3,345,258	\$3,435,971	\$4,166,245	(\$730,274)	-18%	\$90,713 11%
Total Operating Fund Expenditures	\$49,748,696	\$50,530,691	\$48,372,833	\$2,157,858	4%	\$781,995 6%
Adjustments		(\$538)	(\$214,642)			
Ending Operating Fund Expenditures		\$5,541,320	\$6,049,877	(\$508,557)	-8%	
Money Market		\$1,034,261	\$519,093	\$515,168	99%	
Bond Pool		\$4,354,040	\$5,300,179	(\$946,138)	-18%	
Cash on Deposit		\$153,019	\$230,605	(\$77,587)	-34%	
Unrealized Gain/Loss on Investment		(\$31,948)	(\$12,578)	(\$19,370)	154%	
Ending Fund Balance (Accrued Basis) 9/30/18		\$5,573,268	\$6,062,455	(\$489,187)	-8%	
Program Expenses outside of Operating Funds:						
Salaries and Benefits	\$703,625	\$567,254	\$42,545	\$524,709	1233%	(\$135,371) -77%
Eligibility	\$326,676	\$519,494	\$396,705	\$122,789	31%	\$203,631 249%
Total WVCHIP Expenditures	\$50,777,997	\$51,617,439	\$48,812,083	\$2,805,356	6%	\$839,442 2%

FOOTNOTES:

- 1) Statement is on cash basis
- 2) Estimate of Incurred by Not Reported (IBNR) claims on June 30, 2018 is \$5,240,000. The June 30, 2017 estimate was \$7,144,937.
- 3) Administrative Accounts Payable balance on June 30, 2018 is \$351,728. The June 30, 2017 balance was \$869,982.
- 4) 2018 and 2017 adjustments to fund balance represent the state share of claims payment systems changes financed under Medicaid's Advanced Planning (APD) process to finance electronic systems changes. Systems changes funding is not provided directly to WVCHIP. Federal funds cover 90% of these costs, the state's share is 10% and is paid from WVCHIP's operating fund.
- 5) Revenues are primarily federal funds. During State Fiscal Years 2018 and 2017 WVCHIP's Federal Matching Assistance Percentage (FMAP) was 100%
- 6) Collections are primarily provider refunds and subrogations (amounts received from other insurers responsible for bill WVCHIP paid—primarily auto).
- 7) Physician & Surgical services include physicians, clinics, lab, Federally Qualified Health Centers (FQHC), and vaccine payments.
- 8) Other Services include home health, chiropractors, psychologists, and nurse practitioners.

Unaudited—For Management Purposes Only

**West Virginia Children’s Health Insurance Program
Changes in Federal Allotment Balance
For the Twelve Months Ending June 30, 2018**

Beginning Balance 07/01/2017	
CHP16	\$2,226,282
CHP17	<u>\$61,048,494</u>
	\$63,272,776
New Allotments	
CHP18	<u>\$64,647,160</u>
Total Allotment Available	\$127,921,936
Adjustments	
Return 1/3 of 9/30/17 Balance of CHP17	<u>(\$13,182,076)</u>
Adjusted Available Allotments	<u>(\$114,739,860)</u>
Draw-downs	
SCHIP	(\$49,337,828)
MCHIP	<u>(\$14,782,307)</u>
Ending Balance 06/30/2018	\$50,619,724
06/30/2018 SCHIP Draw In-Transit	(\$960,493)
06/30/2018 MCHIP Draw Projected	<u>(\$6,752,206)</u>
Adjusted Ending Balance 06/30/2018	<u>\$42,907,026</u>

FOOTNOTES:

- 1) WVCHIP is federally funded by annual block grants
- 2) SCHIP = the state’s separate CHIP (children over 133% FPL up to 300%)
- 3) MCHIP = the state’s CHIP-Medicaid expansion (Medicaid children ages 6 to 18 over 108% FPL up to 133% FPL without other insurance)

**West Virginia Children's Health Insurance Program
Notes to Financial Statements
For the Twelve Months Ended June 30, 2018**

Note 1

Financial Reporting Entity

The West Virginia Children's Health Insurance Program (WVCHIP) provides access to health services for eligible children. The CHIP in West Virginia is a combination program. Children ages 6 through 18, between 108% and 133% of the FPL, are served under a CHIP/Medicaid Expansion (MCHIP). Financial reporting for those children is submitted by Medicaid. Only amounts drawn-down from the Title XXI CHIP allotment for MCHIP expenditures are reflected on the Statement of Changes in Allotment Balance attached. The accompanying financial statements reflect revenues and expenditures for the separate CHIP (SCHIP) that serves children through age 18 over 133% FPL up to 300% FPL. Major revenue sources are federal awards and state appropriations. WVCHIP uses third party administrators to process claims, pay providers, and review utilization of health services. An eleven-member board develops plans for health insurance specific to the needs of children and annual financial plans which promote fiscal stability.

Note 2

Summary of Significant Accounting Policies

Basis of Reporting and Accounting

The accompanying financial statements of the WVCHIP are presented on a cash basis. Operating expenses consist primarily of claims and administrative costs. Operating revenues consist mainly of federal allotments (block grants) and state appropriations. Revenues are recognized when they become both measurable and available in the "West Virginia Children's Health Fund," the operating fund. State appropriations are recognized when they are made available (deposited into the operating fund) and federal revenues are recognized when they are drawn-down to cover related expenses. Premium revenues are recognized when received and investment earnings are recognized when deposited into the fund.

Annual Financial Plan

WVCHIP is required to adopt an annual financial plan. This plan is formally adopted by the Board at its meeting each July so the plan reflects the most accurate actuarial forecast. West Virginia statute requires that WVCHIP's financial plan spend no more than 90% of total funding including incurred but not reported claims. The financial plan for SFY 2018 is reflected in the Annual Budget column on the Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual.

Fund Balance

WVCHIP’s financial statements reflect program expenditures made through the “West Virginia Children’s Health Fund.” This is a special revolving fund and an interest-bearing account. State general appropriations, federal financial participation, and any private money contributed to the program are deposited into this fund that is used to cover the claims, outreach, and administrative expenses of the WVCHIP. The balance remaining in this fund at the end of the state fiscal year remains in this fund and does not revert to the State Treasury.

The fund balance principally consists of amounts on deposit in the State Treasurer’s Office that are pooled funds managed by the West Virginia Board of Treasury Investments (BTI). WVCHIP makes interest earning deposits in the WV Money Market Pool as excess cash is available. Deposit and withdrawal transactions can be completed with overnight notice. WVCHIP also has funds invested in the WV Short Term Bond Pool. This Pool is structured as a mutual fund and is limited to monthly withdrawals and deposits by participants. Interest income from these investments is prorated to WVCHIP at rates specified by BTI based on the balance of WVCHIP’s deposits maintained in relation to the total deposits of all state agencies participating in the pools. The carrying value of the deposits reflected in the financial statements approximates fair value.

At June 30, 2018, information concerning the amount of deposits with the State Treasurer’s Office (fund balance) is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Collateralized Amount</u>
Cash			
Deposits with Treasurer	<u>\$153,019</u>	---	---
 Investments			
	<u>Amount Unrestricted</u>	<u>Fair Value</u>	<u>Investments Pool</u>
Investment with Board of Treasury Investments	\$1,034,261	\$1,034,261	Money Market
	<u>\$4,354,040</u>	\$4,354,040	Short-Term Bond Pool
Total	<u>\$5,541,320</u>		

Program Expenses Outside of Operating Funds

Program salaries and benefits are paid outside the operating fund and are reflected in these statements. This change became effective in June 2017. Program salaries and benefits are direct costs, while expenses for program eligibility determination are based on a state-wide cost allocation plan and reflect amounts charged to WVCHIP. Program eligibility expenses are also paid outside the operating fund but are reflected in these statements.

Note 3

Accounts Payable and Unpaid Claims Liabilities

Administrative Accounts Payable and Unpaid Claims Liabilities are reported as footnotes on the Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual.

Administrative Accounts Payable:

	2018	2017
Program Administration Contracts	\$351,728	\$ 850,414
Eligibility	0	0
Other	<u>0</u>	<u>19,568</u>
Total A/P	<u>\$351,728</u>	<u>\$ 869,982</u>

Unpaid Claims Liabilities

Claims payable, beginning of year	\$ 7,144,937
Incurred claims expense	<u>\$48,518,727</u>
 Payments:	
Claim payments for current year	\$40,930,005
Claim payments for prior year	<u>\$ 9,493,659</u>
Claims payable, year to date	<u>\$ 5,240,000</u>

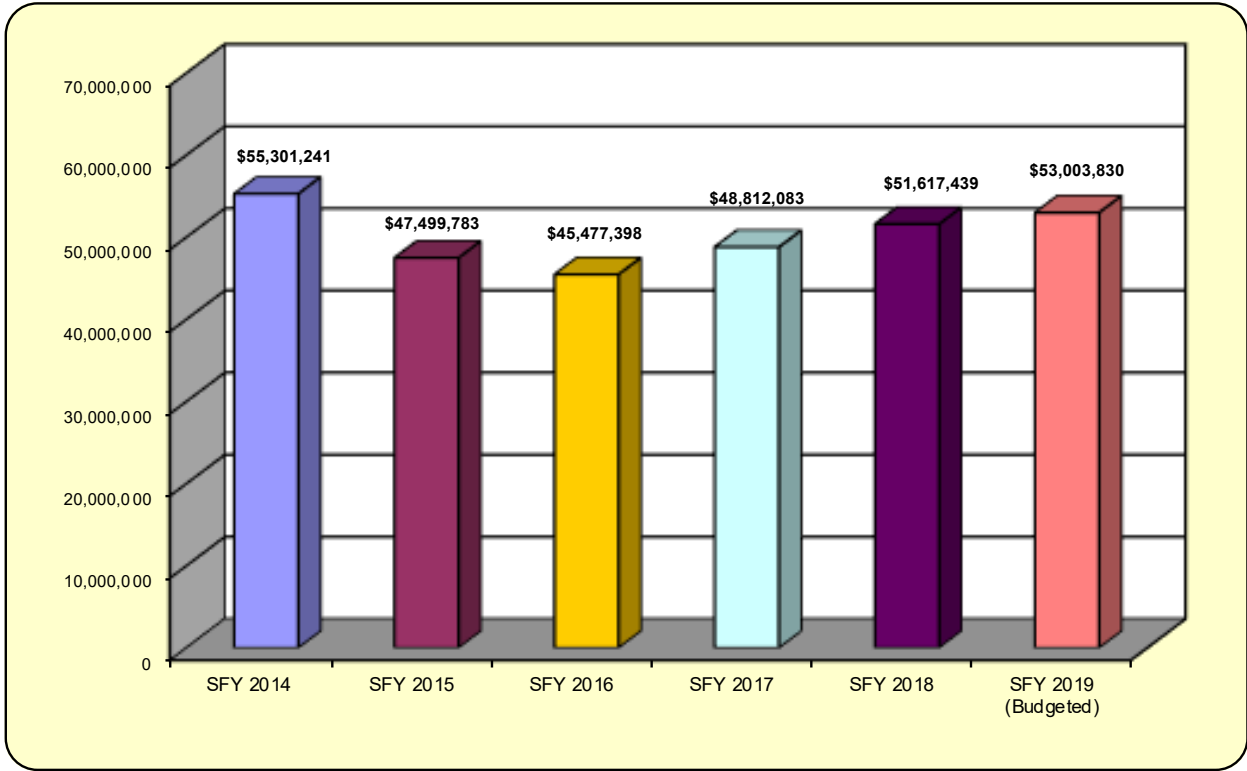
Note 4

Contingencies and Subsequent Events

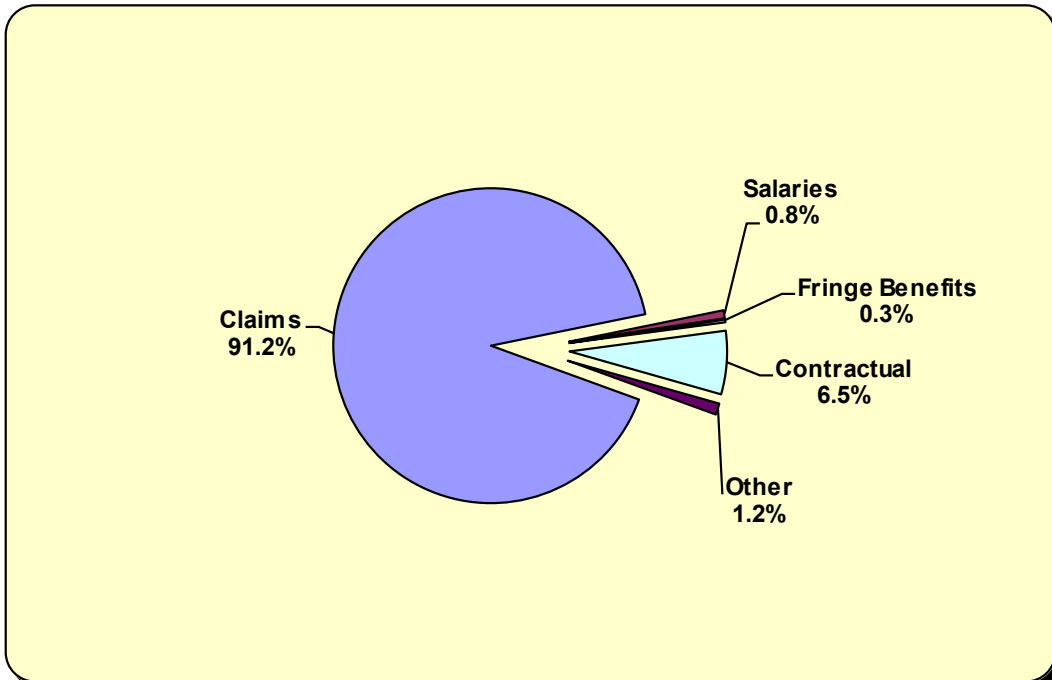
WVCHIP receives significant financial assistance from the federal government in the form of grants and other federal financial assistance. Entitlement to those resources is generally contingent upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for allowable purposes. Federal financial assistance awards are subject to financial and compliance audits under either the federal Single Audit Act or by grantor agencies of the federal government or their designees. Any obligations that may arise from cost disallowance or sanctions as a result of those audits are not expected to be material to the financial statements of WVCHIP.

WVCHIP evaluated events and transactions for potential recognition or disclosure through January 11, 2019, the date these financial statements are made available to the Board, Legislature, Governor, and general public.

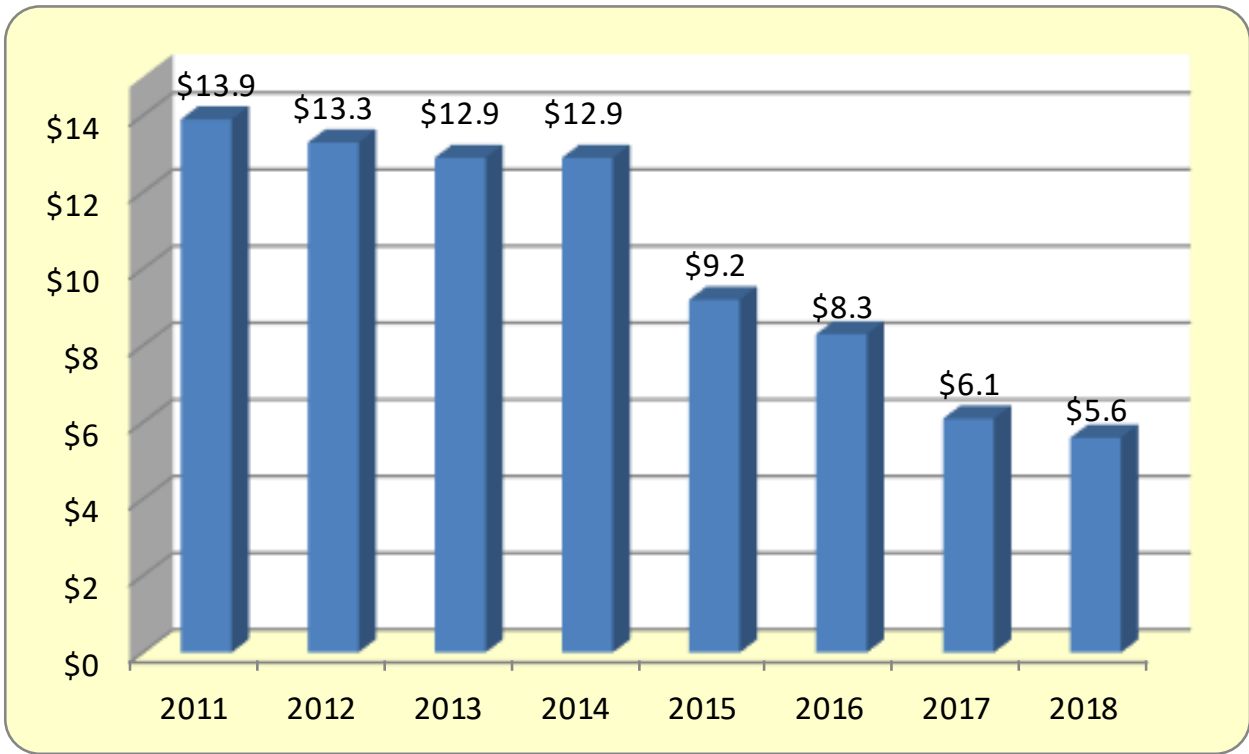
TOTAL PROGRAM EXPENDITURES



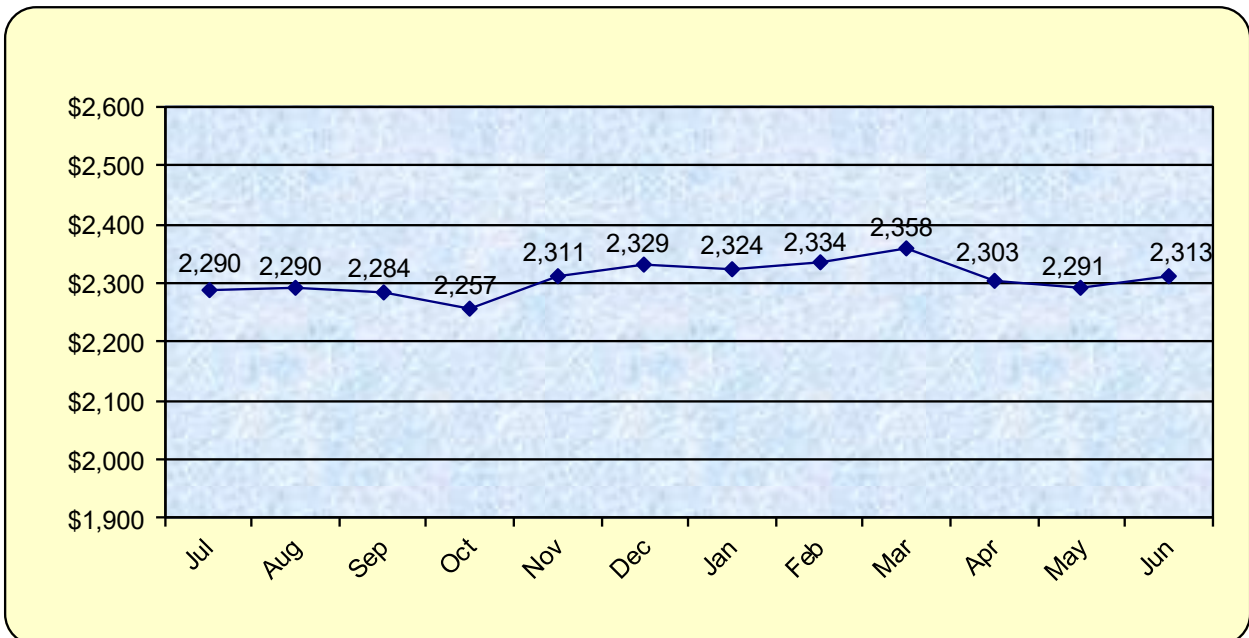
SFY 2018 EXPENDITURES



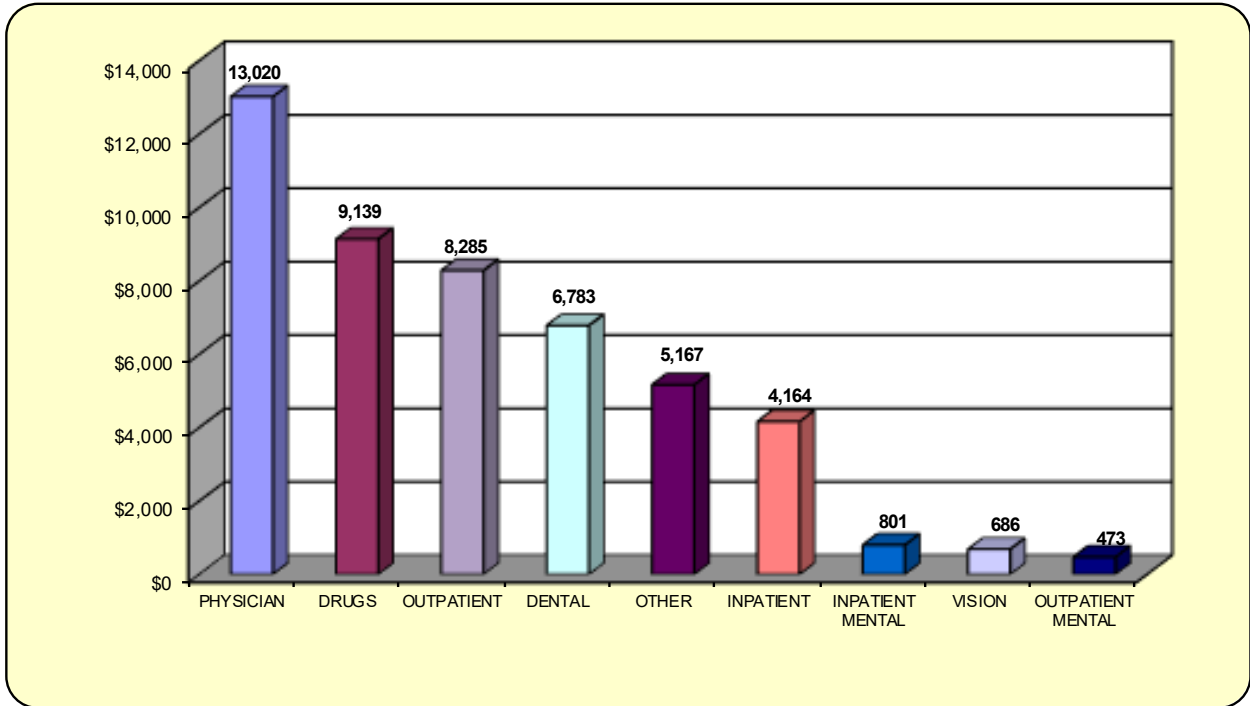
SFY ENDING FUND BALANCES (IN MILLIONS)



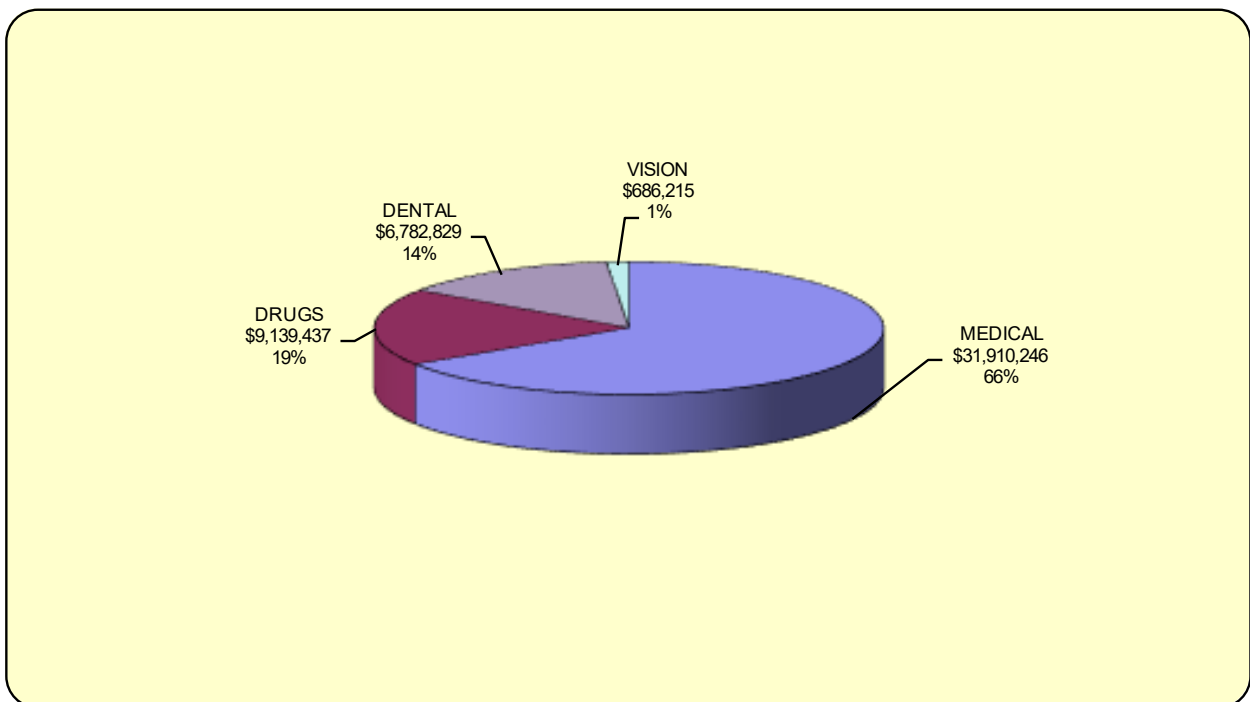
ANNUALIZED HEALTH CARE EXPENDITURES (COST PER CHILD) SFY 2018



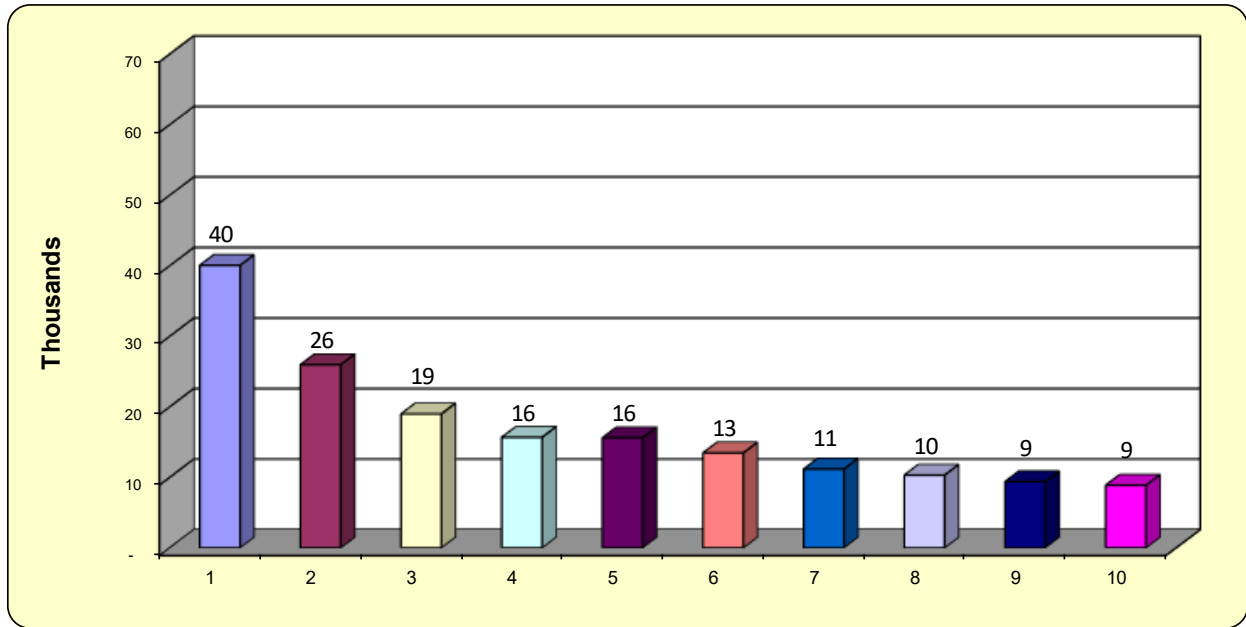
SFY 2018 EXPENDITURES BY PROVIDER TYPE



SFY 2018 CLAIMS EXPENDITURES

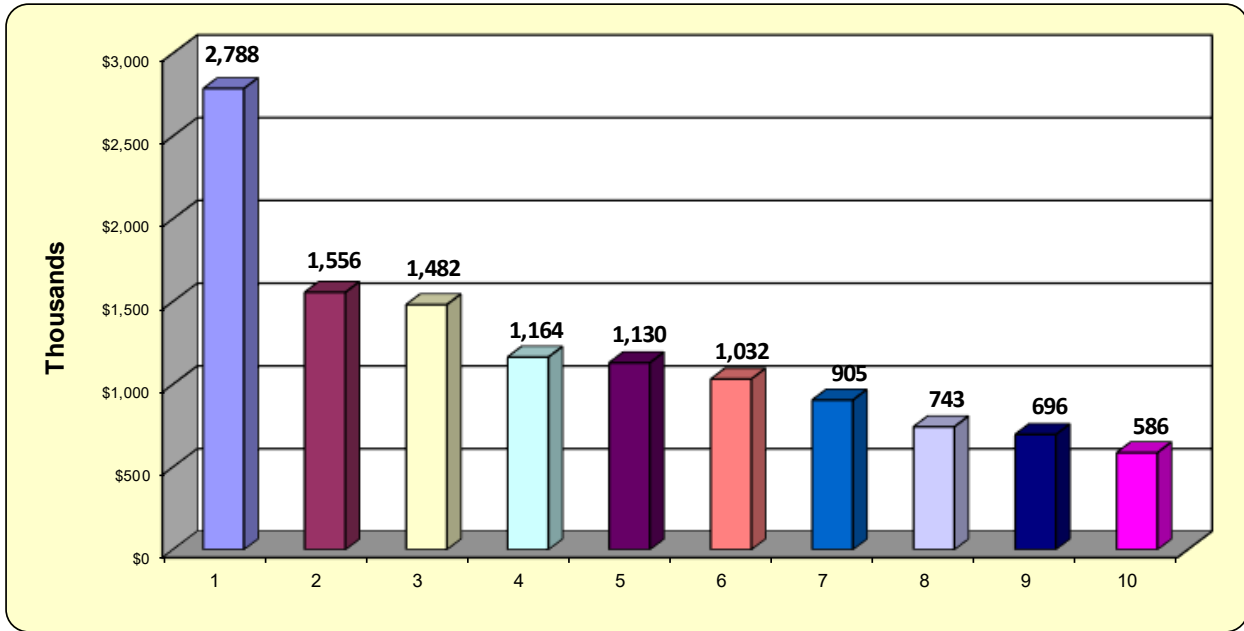


**TOP TEN PHYSICIAN SERVICES
BY NUMBER OF TRANSACTIONS**



		<u>CPT Code</u>
1	Office Visits Limited—Est. Patient	99213
2	FQHC/RHC Encounter	T1015
3	Office Visit Intermediate—Est. Patient	99214
4	Periodic Oral Evaluation	D0120
5	Topical Application of Fluoride—Excluding Varnish	D1208
6	Dental Prophylaxis	D1120
7	Streptococcus	87880
8	Immunization Administration	90471
9	ER Exam; New Patient; Intermediate	99283
10	Therapeutic Activities, 15 Minutes	97530

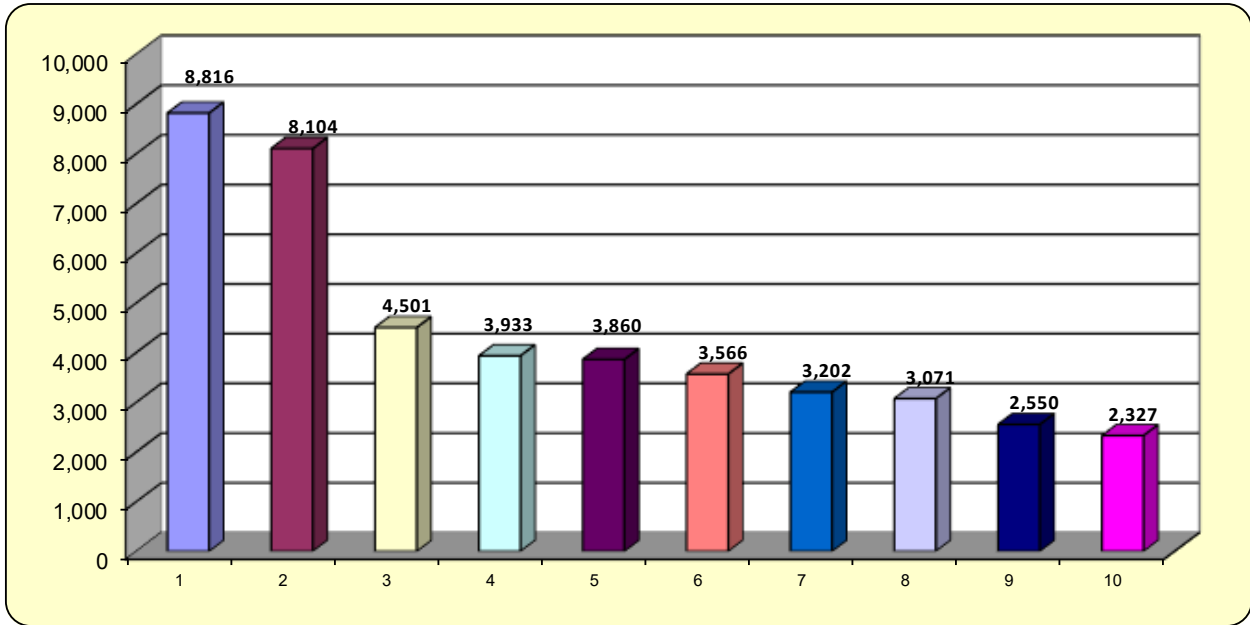
**TOP TEN PHYSICIAN SERVICES
BY AMOUNTS PAID**



CPT Code

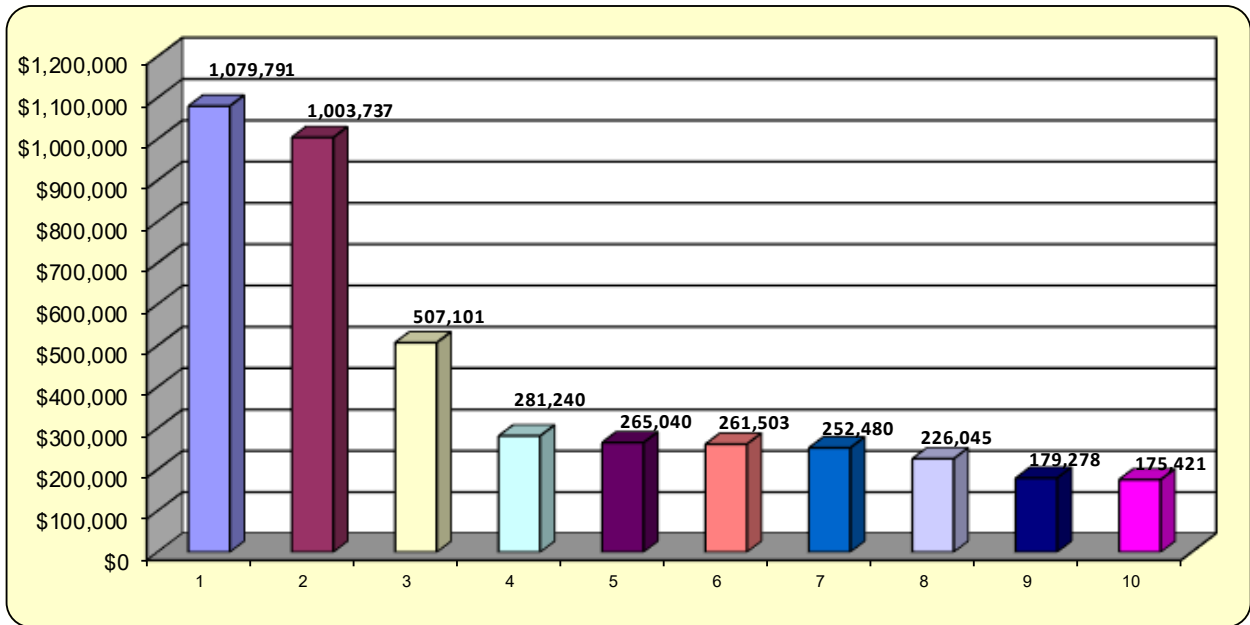
1	FQHC/RHC Encounter	T1015
2	Office Visit Intermediate—Est. Patient	99214
3	Office Visits Limited—Est. Patient	99213
4	Therapeutic Activities, 15 Minutes	97530
5	ER Exam; New Patient; Extended	99284
6	ER Exam; New Patient; Intermediate	99283
7	Comprehensive Orthodontic Treatment	D8090
8	Psychotherapy, 60 Minutes with Patient	90837
9	Tonsillectomy and Adenoidectomy	42820
10	ER Exam; New Patient; Comprehensive	99285

**TOP TEN PRESCRIPTION DRUGS
BY NUMBER OF TRANSACTIONS**



	<u>Drug Brand Name</u>	<u>Major Use Indication</u>
1	Amoxicillin	Antibiotic
2	Montelukast Sodium	Asthma
3	Cefdinir	Antibiotic
4	Azithromycin	Antibiotic
5	Fluticasone Propionate	Allergies
6	Vyvanse	Attention Deficit Hyperactivity Disorder (ADHD)
7	Amoxicillin/Clavulanate	Antibiotic
8	Methylphenidate Hydrochloride	Attention Deficit Hyperactivity Disorder (ADHD)
9	Proair HFA	Asthma
10	Loratadine	Allergies

**TOP TEN PRESCRIPTION DRUGS
BY INGREDIENT COST**



	<u>Drug Brand Name</u>	<u>Major Use Indication</u>
1	Norditropin	Growth Hormone
2	Vyvanse	Attention Deficit Hyperactivity Disorder (ADHD)
3	Methylphenidate	Attention Deficit Hyperactivity Disorder (ADHD)
4	Humira Pen	Autoimmune Disease
5	Novolog	Diabetes
6	Oseltamivir Phosphate	Influenza
7	Dexmethylphenidate HCL ER	Attention Deficit Hyperactivity Disorder (ADHD)
8	Genotropin	Growth Hormone
9	Novolog Flexpen	Diabetes
10	Lupron Depot-Ped	Precocious Puberty





OUTREACH SECTION

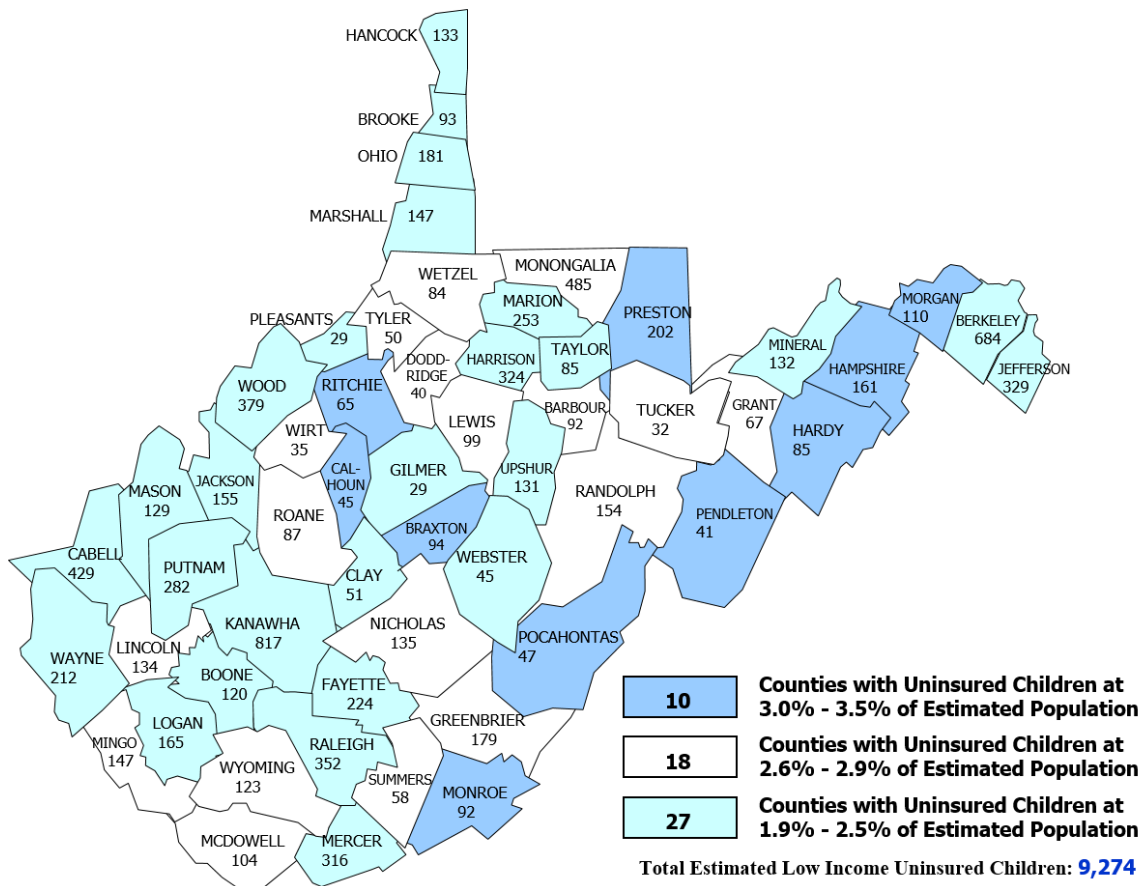


Uninsured Children, Program Outreach, and Health Initiatives

WVCHIP continues to work with many types of community partners and entities as identified in its State Plan; however, as enrollment has stabilized, efforts to promote public awareness of the program have shifted from an enrollment focus to one of promoting child health awareness and prevention messaging on topics such as childhood health screening, child development, immunizations, quality improvement and the importance of a medical home.

Rate of Uninsured Children

Based on health insurance survey data from the US Census Bureau’s 2017 Annual Community Survey (ACS), WVCHIP continues to monitor uninsured rates for WV children in its monthly reports to the legislative health committees reflecting both WVCHIP and Medicaid enrollment data for children at the county level. The uninsured rate for WV children crept up slightly in 2017, to 2.6%, approximately 11,000 children. WV ranks 7th in the nation in the percentage of uninsured children. WV’s 2016 rate was 2.3%, around 9,000 kids, and WV ranked 4th in the nation.



The above map shows the most recent 2016 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county to county depending on the availability of employer sponsored insurance and should be a more accurate way to target outreach than in previous years.

Public Information via the HelpLine, Website, WVinROADS, and Healthcare.gov

WVCHIP makes application and program information available through its 1-877-982-2447 toll-free HelpLine, which averages 1,200 calls a month and mails out applications and program materials upon request. Information is also available through the agency's website at www.chip.wv.gov where program guidelines and applications can be downloaded and printed. The WVCHIP website provides a wealth of information to the public about the agency, its governance, applying and enrolling benefits, major annual reports, program statistics, and other program and health-related information.

An online application process that allows people to apply from the convenience of home and print out their own applications is available at www.wvinroads.org. Many inROADS users who have evaluated the online application process have commented on its ease of use, costs avoided from travel to pick-up applications, and time savings from having to wait in line at local offices. Since the implementation of the ACA in 2013, the inROADS application is also linked to the www.healthcare.gov website. This linkage of the federal state insurance marketplace with the inROADS online application process for both WVCHIP and Medicaid provides a "no wrong door" approach for any member of the public interested in healthcare coverage.

Outreach to Parents

WVCHIP partnered with the WVU School of Public Health and WV Kids Count, with funding from the Claude Worthington Benedum Foundation, to develop a Parent's Guide. This guide educates parents on WVCHIP eligibility guidelines and the application and enrollment processes. The guide is located at <http://wvkidscount.org/wp-content/uploads/2018/04/KC-PARENTS-GUIDE.pdf> and is available for public use. A copy of this guide is also located in Appendix C.

Health Collaborative Efforts

Collaborations are important to allow multiple agencies and entities inside and outside state government to integrate efforts related to a statewide mission for the health of WV children. WVCHIP prioritizes prevention efforts to support our State's Health People objectives for children. WVCHIP hopes to expand these collaborations to support the healthy development of WV's children.

The following projects and collaborative efforts were continued in fiscal year 2018:

- WVCHIP participates on the Oral Health Advisory Board to advise implementation of the State's Oral Health Plan, first reported to the Legislature in 2010.
- WVCHIP regularly attends meetings coordinated by the WV Early Intervention Interagency Coordinating Council to support the mission of the WV Birth-to-Three system to enhance children's development and learning.
- WVCHIP participates in the WV Immunization Network (WIN) to promote childhood vaccinations.





STATISTICAL SECTION



WVCHIP Set of Pediatric Core Measures 2017

In early 2010 the Secretary of the US Department of Health and Human Services identified 24 pediatric core measures for which state CHIP and Medicaid programs could begin voluntarily reporting. WVCHIP extracts this information to the extent possible from administrative and claims data. Most of the data is extracted according to specifications developed for the Healthcare Effectiveness Data and Information Set (HEDIS®). Some core measures were developed by other states who are the measure steward (the expert group setting the measure specifications) and were recommended for inclusion in the core set by national panels of experts. The most common measure steward is the National Committee of Quality Assurance (NCQA). The NCQA oversees and revises its HEDIS® specification sets annually. Since 2010, WVCHIP has expanded the number of reported measures to include 17 measures of the national child core measures set which is reported annually to CMS. This set of measures is expected to be studied and evaluated and to become a mandatory reporting set for all states' CHIP and Medicaid child health programs in the near future. In addition, WV's Medicaid program requires reporting of specific pediatric measures through its managed care contracts to drive measurement and improvement in child population health.

HEDIS® is the registered trademark set of standardized health performance measures that identifies only those individuals with continuous 12-months enrollment for the measurement period before treatment or visit data can be included in calculating the measure. This helps to assure that the population measured is comparable from one health plan to another. It also means that it only captures a subset of the child enrollees in the CHIP program each year as the denominator.

The Center for Medicaid, CHIP and Survey and Certification (CMCS) has continued to expand the Child Core Healthcare Quality Measure Sets again for reporting year 2017. States currently report on 26 measures. CMCS involved stakeholders in identifying an additional two core sets of healthcare quality measures that can be used to assist in assessing the quality of care provided to children in CHIP. WV uses all reportable measures to assess, monitor, and identify areas for improvement in the care being provided to its members.

The measures are broken out into six domains: Primary Care Access and preventive Care (10 measures), Maternal and Perinatal Health (7 measures), Care of Acute and Chronic Conditions (2 measures), Behavioral Health Care (4 measures), Dental and Oral Health Services (2 measures), and Experience of Care (1 measure).

WVCHIP does not report all measures in the core measure list. The measures on the following pages are the ones that WVCHIP reports to CMS.

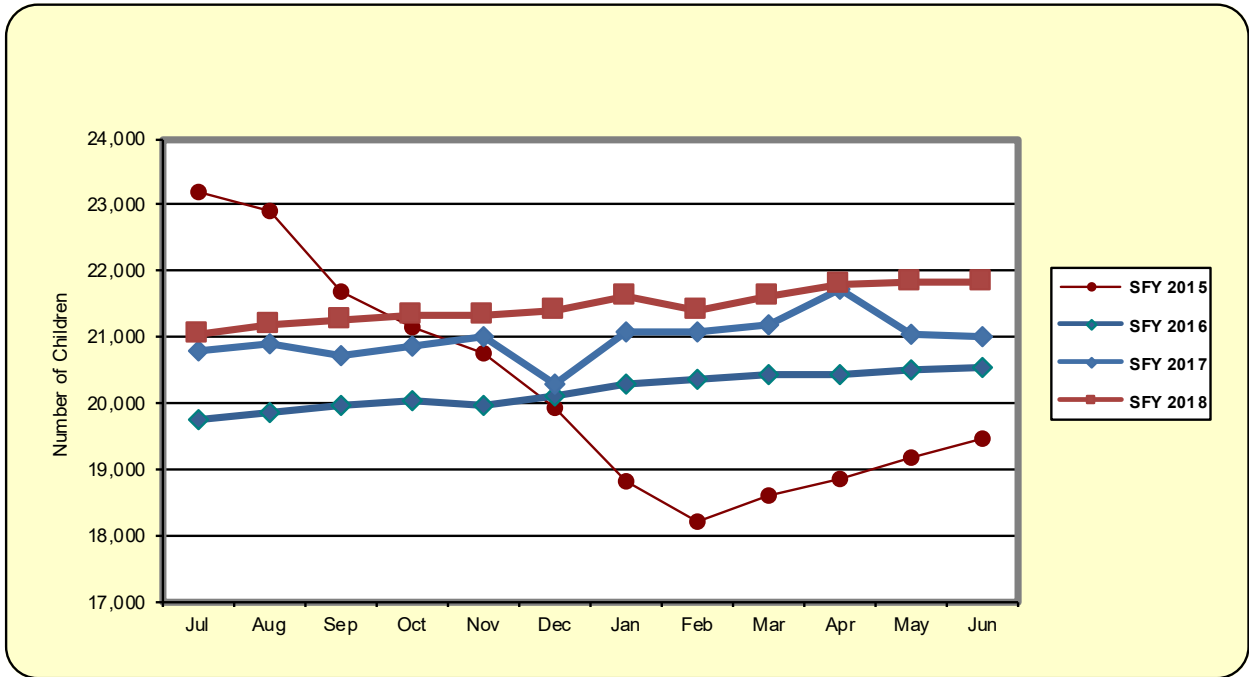
**Health Care Quality Measures
Centers for Medicare and Medicaid Services—Child Core Set 2018**

	Measure	Numerator	Denominator	Rate
WCC-CH	Weight Assessment & Counseling for Nutrition and Physical Activity for Children/Adolescents - Body Mass Index Assessment for Children/Adolescents	41	9785	0.42%
CHL-CR	Percentage of women ages 16 to 20 who were identified as sexually active and who had at least one test for chlamydia during the measurement year.	184	1101	16.71%
CIS-CH	Childhood Immunization Status	280	717	39.05%
W15-CH	Well-Child Visits in the First 15 Months of Life	22	22	100.00%
IMA-CH	Immunizations for Adolescents	280	717	39.05%
DEV-CH	Developmental Screening in the First Three Years of Life	318	575	55.30%
W34-CH	Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life	1772	2036	87.03%
AWC-CH	Adolescent Well-Child Visits	2439	5100	47.82%
CAP-CH	Children and Adolescents' Access to Primary Care Practitioners	9826	11067	88.79%
AMR-CH	Asthma Medication Ratio: Ages 5-18	1015	1091	93.03%
AMB-CH	Ambulatory Care: Emergency Department (ED) Visits	4729	132540	3.57%
ADD-CH 1.	Follow-up Care for Children Prescribed Attention-Deficit/Hyperactivity Disorder (ADHD) Medication INITIATION STAGE	252	513	49.12%
ADD-CH 2.	Follow-up Care for Children Prescribed Attention-Deficit/Hyperactivity Disorder (ADHD) Medication CONTINUATION AND MAINTENANCE PHASE	491	513	95.71%
FUH-CH 1.	Follow-up After Hospitalization for Mental Illness: Ages 6-20 7 Days	20	93	21.51%
FUH-CH 2.	Follow-up After Hospitalization for Mental Illness: Ages 6-20 30 Days	52	93	55.91%
APP-CH	Use of First-Line Psychosocial Care for Children and Adolescents on Antipsychotics	44	79	55.70%
APC-CH	Use of Multiple Concurrent Antipsychotics in Children and Adolescents	6	69	8.70%
SEAL-CH	Dental Sealants for 6-9 Year-Old Children at Elevated Caries Risk	483	1726	27.98%
PDENT-CH	Percentage of Eligibles Who Received Preventive Dental Services	12135	20631	58.82%

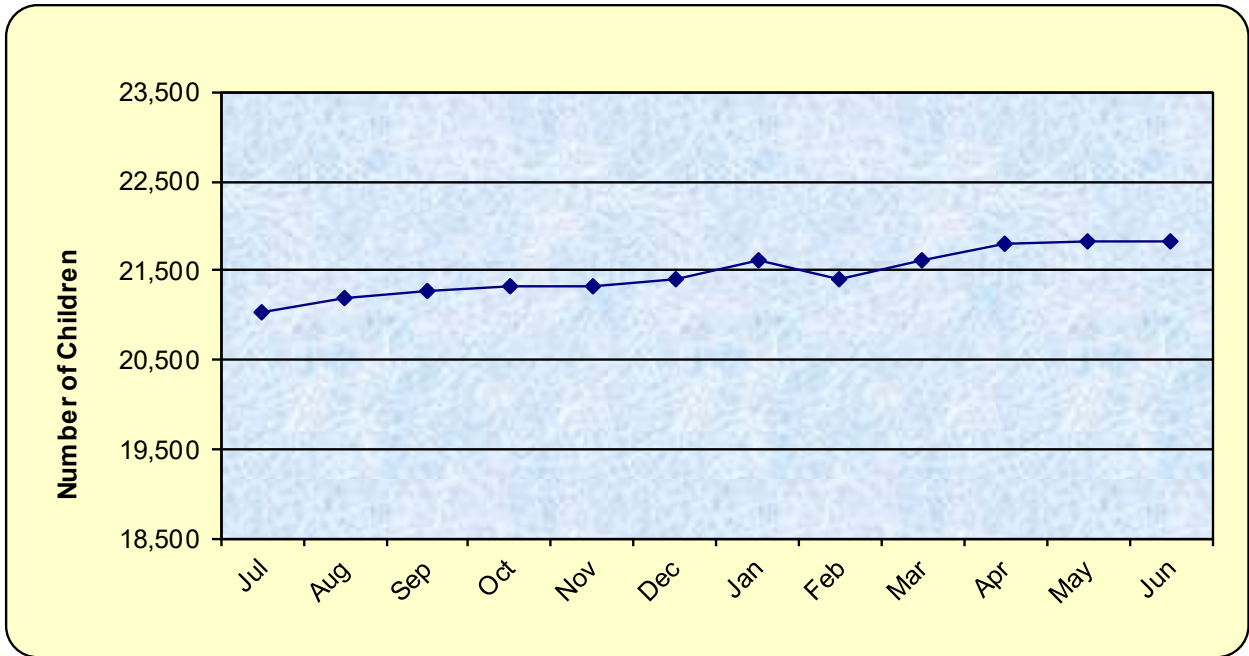
**Health Care Quality Measures
Centers for Medicare and Medicaid Services—Child Core Set 2018**

	Measure	Description
WCC-CH	Weight Assessment & Counseling for Nutrition and Physical Activity for Children/Adolescents - Body Mass Index Assessment for Children/Adolescents	Percentage of children ages 3 to 17 who had an outpatient visit with a primary care practitioner (PCP) or obstetrical/gynecological (OB/GYN) practitioner and who had evidence of body mass index (BMI) percentile documentation during the measurement year.
CHL-CH	Chlamydia Screening in Women Ages 16-20	Percentage of women ages 16 to 20 who were identified as sexually active and who had at least one test for chlamydia during the measurement year.
CIS-CH	Childhood Immunization Status	Percentage of children age 2 who had four diphtheria, tetanus and acellular pertussis (DTaP); three polio (IPV); one measles, mumps and rubella (MMR); three haemophilus influenza type B (HiB); three hepatitis B (Hep B), one chicken pox VZV); four pneumococcal conjugate (PCV); one hepatitis A (HepA); two or three rotavirus (RV); and two influenza (flu) vaccines by their second birthday. The measure calculates a rate for each vaccine and nine separate combination rates.
W15-CH	Well-Child Visits in the First 15 Months of Life	Percentage of children who turned 15 months old during the measurement year and who had the following number of well-child visits with a primary care practitioner (PCP) during their 15 months of life: 0, 1, 2, 3, 4, 5, 6 or more well-child visits.
IMA-CH	Immunizations for Adolescents	Percentage of adolescents age 13 who had one dose of meningococcal vaccine, one tetanus, diphtheria toxoids and acellular pertussis (Tdap) vaccine, and have completed the human papillomavirus (HPV) vaccine series by their 13th birthday. The measure calculates a rate for each vaccine and two combinations rates.
DEV-CH	Developmental Screening in the First Three Years of Life	Percentage of children screened for risk of developmental, behavioral, and social delays using a standardized screening tool in the 12 months preceding or on their first, second, or third birthday.
W34-CH	Well-Child Visits in the Third, Fourth, Fifth and Sixth Years of Life	Percentage of children ages 3 to 6 who had one or more well-child visits with a primary care practitioner (PCP) during the measurement year.
AWC-CH	Adolescent Well-Child Visits	Percentage of adolescents ages 12 to 21 who had at least one comprehensive well-care visit with a primary care practitioner (PCP) or an obstetric/gynecologic (OB/GYN) practitioner during the measurement year.
CAP-CH	Children and Adolescents' Access to Primary Care Practitioners	Percentage of children and adolescents ages 12 to age 19 who had a visit with a primary care practitioner (PCP). Four separate percentages are reported: Children ages 12 to 24 months and 25 months to age 6 who had a visit with a PCP during the measurement year; and children ages 7 to 11 and adolescents ages 12 to 19 who had a visit with a PCP during the measurement year or the year prior to the measurement year.
AMR-CH	Asthma Medication Ratio: Ages 5-18	Percentage of beneficiaries ages 5 to 18 who were identified as having persistent asthma and had a ratio of controller medications to total asthma medications of 0.50 or greater during the measurement year.
AMB-CH	Ambulatory Care: Emergency Department (ED) Visits	Rate of emergency department (ED) visits per 1,000 beneficiary months among children up to age 19.
ADD-CH	Follow-up Care for Children Prescribed Attention-Deficit/Hyperactivity Disorder (ADHD) Medication	Percentage of children newly prescribed attention-deficit/hyperactivity disorder (ADHD) medication who had at least three follow-up care visits within a 10-month period, one of which was within 30 days of when the first ADHD medication was dispensed. Two rates are reported: Initiation Phase and Continuation and Maintenance (C&M) Phase.
FUH-CH	Follow-Up After Hospitalization for Mental Illness: Ages 6-20	Percentage of discharges for children ages 6 to 20 who were hospitalized for treatment of selected mental illness diagnoses and who had a follow-up visit with a mental health practitioner. Two rates are reported: Percentage of discharges for which children received follow-up within 30 days after discharge and Percentage of discharges for which children received follow-up within 7 days after discharge.
APP-CH	Use of First-Line Psychosocial Care for Children and Adolescents on Antipsychotics	Percentage of children and adolescents ages 1 to 17 who had a new prescription for an antipsychotic medication and had documentation of psychosocial care as first-line treatment.
APC-CH	Use of Multiple Concurrent Antipsychotics in Children and Adolescents	Percentage of children and adolescents ages 1 to 17 who were treated with antipsychotic medications and who were on two or more concurrent antipsychotic medications for at least 90 consecutive days during the measurement year.
SEAL-CH	Dental Sealants for 6-9 Year-Old Children at Elevated Caries Risk	Percentage of enrolled children ages 6 to 9 at elevated risk of dental caries (i.e., "moderate" or "high" risk) who received a sealant on a permanent first molar tooth within the measurement year.
PDENT-CH	Percentage of Eligibles Who Received Preventive Dental Services	Percentage of individuals ages 1 to 20 who are enrolled in Medicaid or CHIP Medicaid Expansion programs for at least 90 continuous days, are eligible for Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services, and who received at least one preventive dental service during the reporting period.

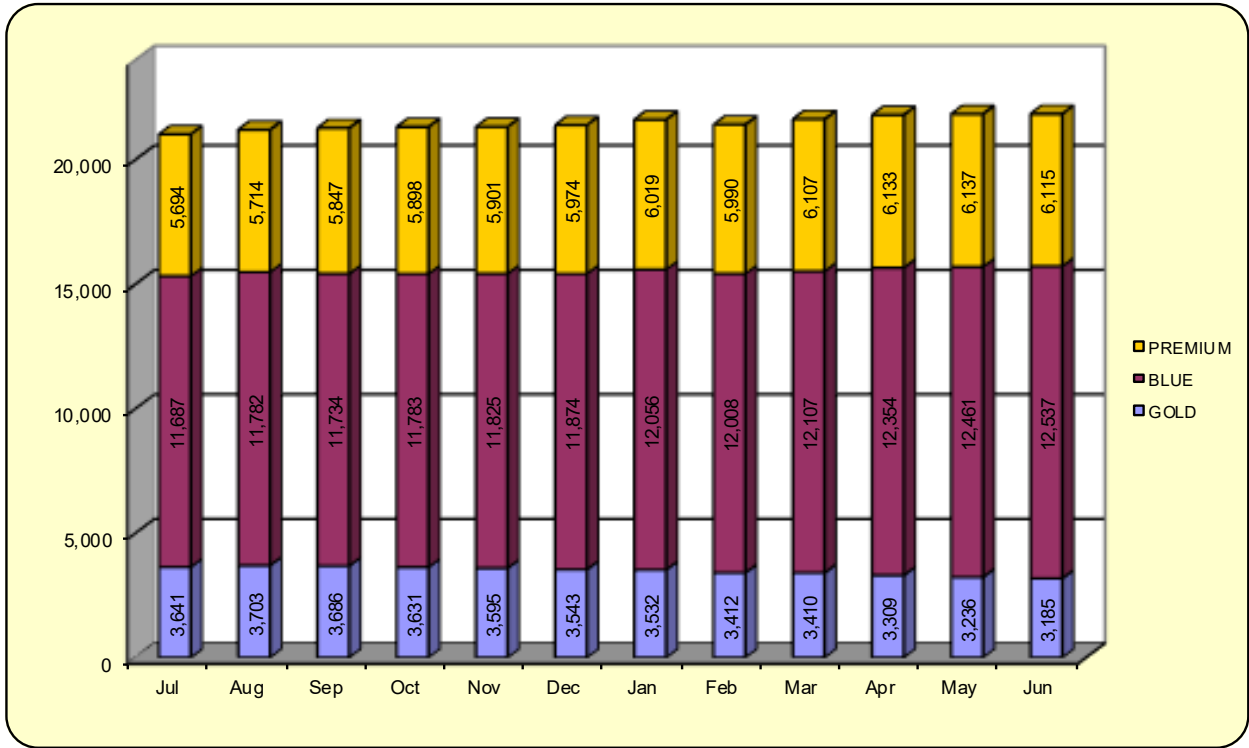
ENROLLMENT



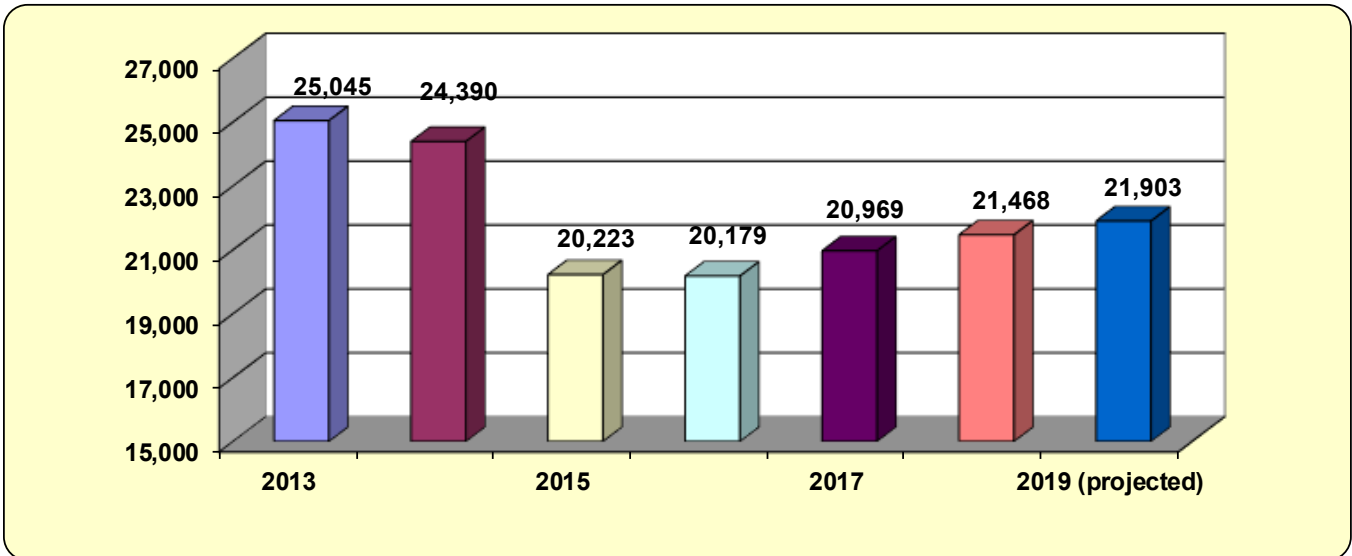
MONTHLY ENROLLMENT SFY 2018



MONTHLY ENROLLMENT BY GROUP SFY 2018



SFY ENROLLMENT



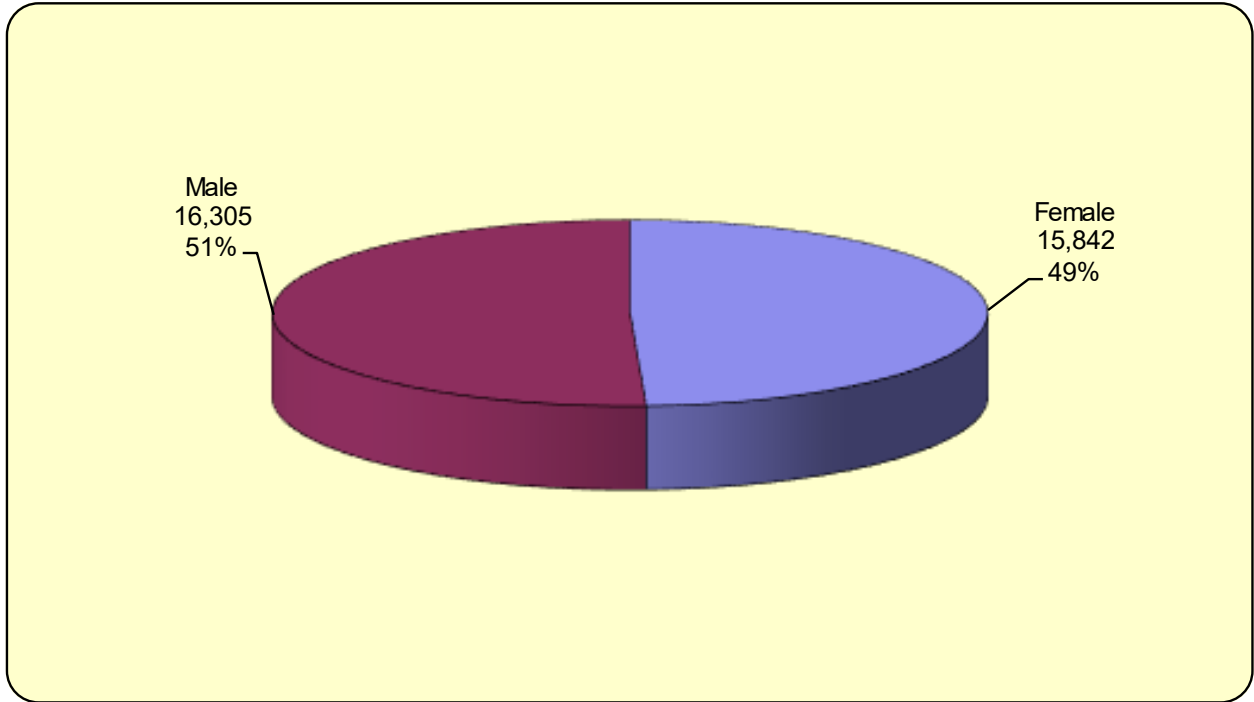
**UNDUPLICATED COUNT OF CHILDREN SERVED
IN WVCHIP EACH YEAR ON JUNE 30**

<u>Year</u>	<u>Number</u>	<u>% Change</u>
2001	30,006	
2002	33,569	+11.9%
2003	33,709	+0.4%
2004	35,495	+5.3%
2005	36,978	+4.2%
2006	38,064	+2.9%
2007	38,471	+1.1%
2008	37,707	-0.7%
2009	37,874	+0.4%
2010	37,758	-0.3%
2011	37,835	-0.2%
2012	37,608	-0.5%
2013	37,413	-0.5%
2014	34,438	-8.0%
2015	34,729	+0.8%
2016	30,829	-11.2%
2017	30,989	+0.5%
2018	32,147	+3.7%

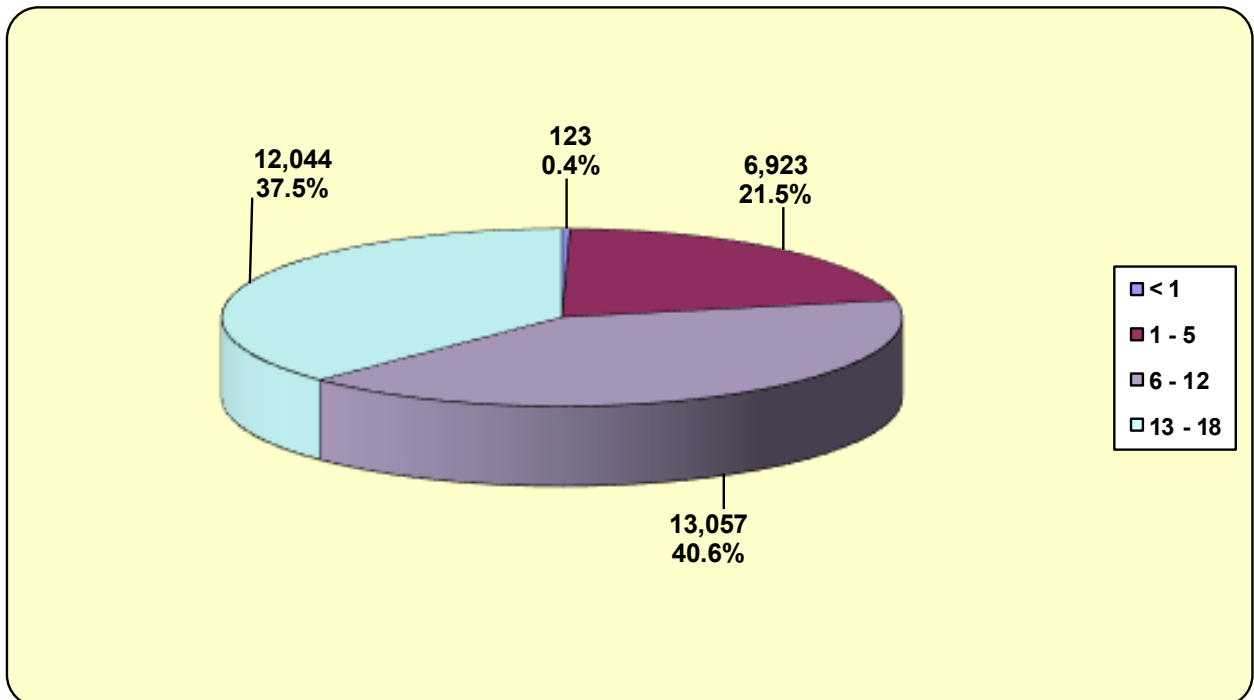
**Total unduplicated number of children ever enrolled as of
June 30, 2018 in WVCHIP since inception:**

189,233

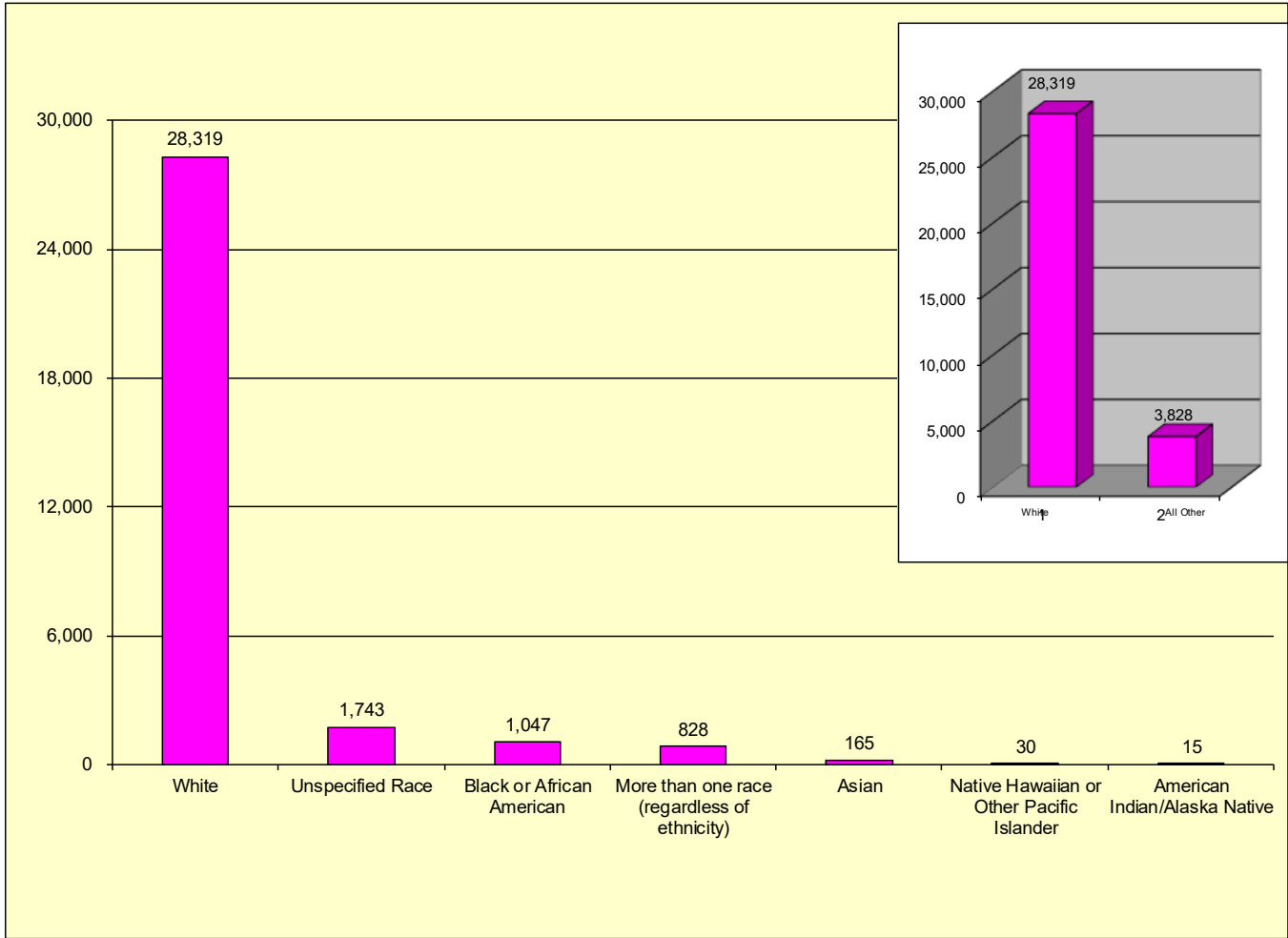
SYF 2018 ENROLLMENT BY GENDER



SFY 2018 ENROLLMENT BY AGE

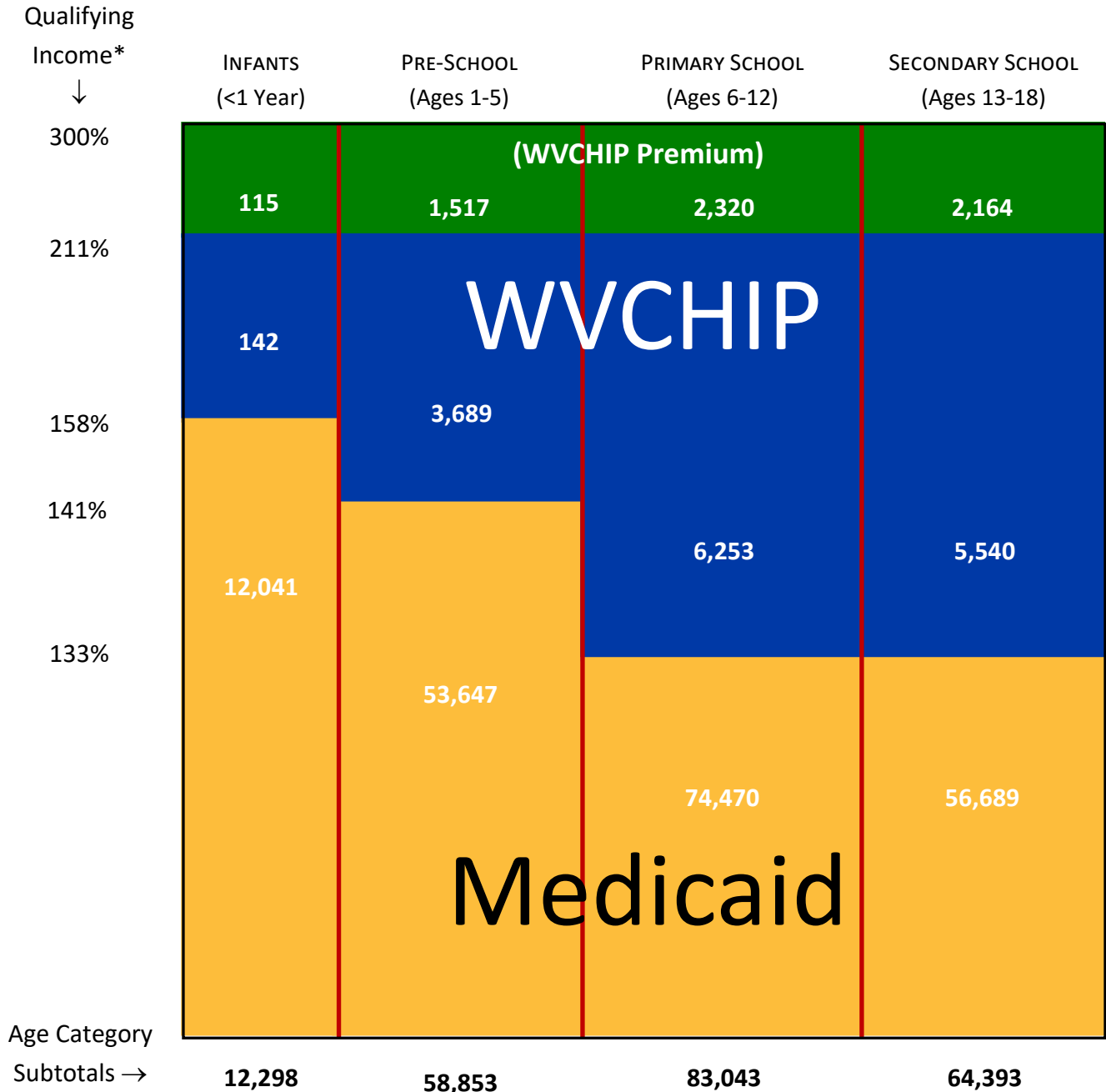


SFY 2018 ENROLLMENT BY RACE



<u>Race/Ethnicity</u>	<u>WVCHIP Population</u>	<u>% of WVCHIP Population</u>	<u>WV Population Under 18 Years</u>	<u>% of WV Population Under 18 Years</u>
White	28,319	88.1%	383,098	93.6%
Unspecified Race	1,743	5.4%	807	0.2%
Black or African American	1,047	3.3%	12,904	3.2%
More than one race (regardless of ethnicity)	828	2.6%	3,629	2.0%
Asian	165	0.5%	2,016	0.7%
Native Hawaiian or Other Pacific Islander	30	0.1%	0	0.1%
American Indian/Alaska Native	15	0.0%	807	0.2%
Total	32,147	100.0%	403,261	100.0%

HEALTH COVERAGE OF WEST VIRGINIA CHILDREN BY WVCHIP AND MEDICAID JUNE 30, 2018



*Household incomes through 300% of the Federal Poverty Level (FPL)

Total WVCHIP Enrollment 21,740 **Total WV Medicaid Enrollment 196,847**

Total # of Children Covered by WVCHIP and Medicaid 218,587

ENROLLMENT CHANGES BY COUNTY
AS % DIFFERENCE FROM JULY 2017 THROUGH JUNE 2018

<u>County</u>	<u>Total Enrollees July 2017</u>	<u>Total Enrollees June 2018</u>	<u>Difference</u>	<u>% Change</u>
Pendleton	73	91	18	20%
Summers	153	186	33	18%
Pleasants	68	79	11	14%
Hampshire	222	256	34	13%
Lewis	232	261	29	11%
Nicholas	330	371	41	11%
Ritchie	106	118	12	10%
Jefferson	598	664	66	10%
Taylor	181	200	19	10%
Berkeley	1,535	1,693	158	9%
Monongalia	818	900	82	9%
Hardy	225	247	22	9%
Wood	906	994	88	9%
Morgan	239	262	23	9%
Marshall	252	276	24	9%
Logan	362	392	30	8%
Braxton	149	161	12	7%
Hancock	497	534	37	7%
Tucker	99	105	6	6%
Upshur	310	328	18	5%
Wayne	371	392	21	5%
Ohio	404	426	22	5%
Wirt	61	64	3	5%
Cabell	928	969	41	4%
Harrison	870	907	37	4%
Lincoln	239	249	10	4%
MEDIAN				
Mineral	280	290	10	3%
Calhoun	85	88	3	3%
Raleigh	953	980	27	3%
Fayette	648	666	18	3%
Marion	602	617	15	2%
Barbour	231	236	5	2%
Boone	246	251	5	2%
Greenbrier	569	578	9	2%
Mingo	253	256	3	1%
Webster	106	107	1	1%
Jackson	335	336	1	0%
Mercer	791	792	1	0%
Grant	121	121	0	0%
Kanawha	2,083	2,078	-5	0%
Roane	244	243	-1	0%
Preston	405	403	-2	0%
Wyoming	279	277	-2	-1%
Putnam	658	649	-9	-1%
Mason	242	237	-5	-2%
Randolph	478	456	-22	-5%
Doddridge	96	90	-6	-7%
Monroe	242	225	-17	-8%
Pocahontas	146	135	-11	-8%
Gilmer	74	68	-6	-9%
Wetzel	164	149	-15	-10%
McDowell	197	178	-19	-11%
Tyler	97	84	-13	-15%
Clay	141	121	-20	-17%
Brooke	28	1	-27	-2700%
Totals	21,022	21,837	815	4%
12-Mo. Avg.		21,468	68	-46%

ENROLLMENT CHANGES BY COUNTY
AS % OF CHILDREN NEVER BEFORE ENROLLED FROM JULY 2017 THROUGH JUNE 2018

County	Total Enrollees	Total Enrollees	New Enrollees	New Enrollees
	July 2017	June 2018	Never in Program	As % of June 2018
Gilmer	74	68	37	54%
Pendleton	73	91	46	51%
Hardy	225	247	114	46%
Mineral	280	290	133	46%
Berkeley	1,535	1,693	776	46%
Mingo	253	256	114	45%
Tyler	97	84	36	43%
Braxton	149	161	68	42%
Marshall	252	276	113	41%
Wetzel	164	149	60	40%
McDowell	197	178	70	39%
Wirt	61	64	24	38%
Hancock	497	534	200	37%
Monongalia	818	900	336	37%
Jefferson	598	664	247	37%
Upshur	310	328	122	37%
Grant	121	121	45	37%
Wood	906	994	365	37%
Summers	153	186	68	37%
Logan	362	392	143	36%
Wyoming	279	277	99	36%
Wayne	371	392	138	35%
Mason	242	237	83	35%
Harrison	870	907	316	35%
Jackson	335	336	117	35%
MEDIAN				
Cabell	928	969	334	34%
Tucker	99	105	36	34%
Ohio	404	426	146	34%
Boone	246	251	86	34%
Marion	602	617	204	33%
Hampshire	222	256	84	33%
Preston	405	403	132	33%
Mercer	791	792	259	33%
Kanawha	2,083	2,078	672	32%
Doddridge	96	90	29	32%
Ritchie	106	118	38	32%
Taylor	181	200	64	32%
Nicholas	330	371	118	32%
Webster	106	107	34	32%
Lincoln	239	249	79	32%
Lewis	232	261	82	31%
Clay	141	121	38	31%
Raleigh	953	980	306	31%
Barbour	231	236	72	31%
Greenbrier	569	578	173	30%
Randolph	478	456	133	29%
Putnam	658	649	185	29%
Fayette	648	666	186	28%
Calhoun	85	88	24	27%
Pleasants	68	79	21	27%
Morgan	239	262	66	25%
Monroe	242	225	56	25%
Roane	244	243	49	20%
Pocahontas	146	135	23	17%
Brooke	28	1	0	0%
Totals	21,022	21,837	7,599	35%
12-Mo. Avg.		21,468	633	2.9%

APPENDIX A



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www.continuingcareactuaries.com

December 11, 2018

Ms. Stacey L. Shamblin
Acting Director/Chief Financial Officer
West Virginia Children's Health Insurance Program
350 Capitol Street, Room 251
Charleston, WV 25301

**Subject: West Virginia Children's Health Insurance Program –
Review of Experience**

Dear Stacey:

Continuing Care Actuaries was engaged by the management of West Virginia Children's Health Insurance Program ("CHIP Program") to assist the West Virginia CHIP Board in the analysis of actual and projected plan experience and review the claim experience through November 2018. We conclude that the plan will continue to meet the statutory requirement of 10% reserve in FY 2019 based on the updated information. CHIP Program's financial projections continue to improve primarily due to a steady enrollment increase and a lower overall claims trend.

It is noteworthy that we are not projecting a shortfall in State funding based on funding levels provided by CHIP management through FY 2020 based on the assumption that future funding remains constant. After the September 30, 2018 Quarterly Report was issued in November 2018, several changes have occurred in the program:

- Fiscal Year 2019 average enrollment for the CHIP Program has increased from 22,101 in the September 30, 2018 Quarterly Report to 22,193 as of November 30, 2018.
- November 2018 claim experience showed the projected incurred FY 2019 expenditures to be \$51,359,613, a decrease of \$265,177 from \$51,624,790 in the September 30, 2018 Quarterly Report.
- The categories of FY 2019 medical, dental and prescription drug expenses in the current claim experience through November 2018 showed favorable experience over the September 30, 2018 Quarterly Report.

- Overall current PMPM cost for Fiscal Year 2019 is now projected to be \$192.86, a decrease from the projected \$194.66 PMPM cost in the September 30, 2018 Quarterly Report.
- Medical PMPM for Fiscal Year 2019 is now projected to be \$128.12, a decrease from the projected \$130.17 PMPM cost in the September 30, 2018 Quarterly Report.
- Dental PMPM for Fiscal Year 2019 is now projected to be \$28.71, a slight increase from the projected \$28.43 PMPM cost in the September 30, 2018 Quarterly Report.
- Prescription Drugs PMPM for Fiscal Year 2019 is now projected to be \$36.03, a slight decrease from the projected \$36.06 PMPM cost in the September 30, 2018 Quarterly Report.

The management of the CHIP Program provided the medical, dental and prescription drugs claim lag data, along with the program enrollment. I had reviewed the recent projections based on the gradually increasing projected enrollment and utilized our trend assumptions with the claim lag data. Actuarial methods, considerations and analyses relied on in forming my opinion conforms to the appropriate standard of practice as promulgated by the Actuarial Standards Board.

Please review this information and if you have any questions or comments about this letter, please feel free to call me at (410) 833-4220.

Sincerely,



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

APPENDIX B

**West Virginia Children’s Health Insurance Program
Report of Independent Actuary
June 30, 2018 Quarterly Report**

OVERVIEW

Continuing Care Actuaries was engaged by the West Virginia Children’s Health Insurance Program (“CHIP Program”) to assist the West Virginia CHIP Board in the analysis of actual and projected plan experience for State Fiscal Year 2018 (“FY 2018”) through Fiscal Year 2024 (“FY 2024”). West Virginia enabling legislation of the CHIP Program requires that an actuary provide a written opinion that all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed ninety percent of the funding available to the program for the fiscal year for which the plan is proposed.

CHIP Program management has requested Continuing Care Actuaries (“CCA”) to produce the Baseline Scenario which includes the current WVCHIP Premium expansion to 300% of the Federal Poverty Level (“FPL”) and the PEIA and the Medicaid children transfer cost. State funding is assumed to be \$0 in FY 2018 and in future years. At the Federal level, the Federal funding for West Virginia is assumed to be \$64,647,160 in FY 2018 and in future years. The Federal funding is available to the CHIP Program directly and to the Medicaid program for CHIP children whose coverage transferred to Medicaid under the Affordable Care Act. Appendix A-Baseline Scenario shows CHIP Program Federal funding continues after 2018 paying for the Medicaid Children Transfer Cost. The net 2018 Federal and State funding after the reductions for CHIP children that have transferred to Medicaid are assumed to be \$44,694,792 and \$0, respectively.

The Board has approved the expansion of coverage to 300% of the FPL and we have included the financial projection based on CMS’ approval effective July 1, 2011. Under this scenario, participants’ premiums are assumed to remain the same as of March 23, 2010 for children in the 250% to 300% FPL group under the Affordable Care Act’s Maintenance of Effort provision.

PEIA children became eligible in the CHIP Program starting July 1, 2014. There are currently 1,500 PEIA children covered by the CHIP Program, and for the purposes of this report, we have assumed that the enrollment will remain constant in future years.

Under the Medicaid Children Transfer Cost Baseline Scenario, the State of West Virginia has elected to use the Title XXI funds to help cover the CHIP kids that moved to Medicaid because family income was between 100% and 133% of the Federal Poverty Level (“FPL”). Based on West Virginia Department of Health and Human Resources (“WVDHHR”) preliminary estimate of kids now covered by Medicaid, the expected amount that the State of West Virginia will pay to transfer the CHIP kids to Medicaid is approximately \$20.0 million in FY 2018, \$20.4 million in FY 2019 and \$20.7 million in FY 2020, with adjustments for inflation in the yearly projection thereafter.

Under the Baseline Scenario, the projected cost of the CHIP Program in FY 2018 will meet the 90% State funding requirement. Based on the Baseline Scenario and the 90% expenditure limitation on State funding of the program, we are projecting a shortfall in State funding beginning in FY 2021 based on funding levels provided by CHIP management through FY 2024. In addition, we are projecting a shortfall in Federal funding beginning in FY 2021 based on the current approved funding levels under the assumption of Medicaid eligibility and an increase in Federal participation of the Patient Protection and Affordable Care Act (“PPACA”).

The Affordable Care Act of 2010 maintains the CHIP eligibility standards in place as of enactment through 2019. The law extends CHIP funding until October 1, 2015, when the already enhanced CHIP federal matching rate will be increased by 23 percentage points, bringing the national average federal matching rate for CHIP to 93%. Under most likely scenarios, this would mean that WVCHIP will be 100% federally funded. The Affordable Care Act also provided an additional \$40 million in federal funding to continue efforts to promote enrollment in Medicaid and CHIP. It should be noted that the Baseline Scenario reflects the 23% bump to the CHIP match rate starting October 1, 2015 through December 31, 2019.

Medicare Access and CHIP Reauthorization Act (“MACRA”) was signed into law on April 16, 2015. MACRA allowed states to carry two-thirds of any remaining FY 2017 Federal allotment funds into 2018. Because of the new allotment for FY 2018, WV CHIP was no longer eligible for redistribution funds. MACRA contained a 2-year funding extension of the CHIP Program through September 2017.

On January 22, 2018, the President signed the “Helping Ensure Access for Little Ones, Toddlers, and Hopeful Youth by Keeping Insurance Delivery Stable Act” or “Healthy Kids Act” (Public law 115-120) into law. Among other things, the Healthy Kids Act extended appropriations for CHIP allotments for FY 2018 through FY 2023. Prior to enactment of the Healthy Kids Act, Congress passed legislation affecting FY 2018 that provided limited appropriations for FY 2018 CHIP allotments and established special rules for redistributing unspent allotments from prior years. The Healthy Kids Act keeps the 23% bump to FMAP for federal fiscal years 2018 and 2019, then reduces the bump to 11.5% in 2020, and returns CHIP to its normal enhanced federal participation rates in 2021 and future years. It also has a provision that allows states that operate buy-in programs that look like CHIP to pool the children enrolled in CHIP along with the children enrolled in the buy-in program. As a result of these changes, the State of West Virginia will need to begin funding 6.27% of the cost of the program beginning in Federal Fiscal Year 2020, and 17.77% in Federal Fiscal Year 2021 and thereafter.

On February 8, 2018, the President signed the Bipartisan Budget Act of 2018 which includes an additional four years of CHIP funding through federal fiscal year 2027.

Under the Baseline Scenario, CCA has reflected the current information on the availability of Federal funding. We have not assumed any Federal redistribution funds in this projection. The Federal share of program expenditure is currently at 100% for Federal Fiscal Year 2018 and 2019 per the Healthy Kids Act. We have assumed the Federal funding to be \$64,647,160 in FY 2018 and in future years. Detailed calculation can be found in Appendix A.

	2018	2019	2020	2021
Gross Federal Revenue	\$64,647,160	\$64,647,160	\$64,647,160	\$64,647,160
Federal Medicaid Cost	(19,952,368)	(20,360,216)	(20,747,060)	(21,161,452)
Net Federal Revenue	\$44,694,792	\$44,286,944	\$43,900,100	\$43,485,708

Enrollment for the program as of June 2018 has increased since March 2018. The current program enrollment as of June 2018 consists of 21,837 children: 3,185 children as part of Phase I and Phase II that consists of children whose families are below 150% of the federal poverty level (“WVCHIP Gold”), 12,537 children as part of Phase III that consists of children whose families are between 150% and 200% of the federal poverty level (“WVCHIP Blue”), and 6,115 children as part of WVCHIP Premium.

Since the March 31, 2018 Quarterly Report with enrollment of 21,624 children, overall enrollment has increased by 213 children. WVCHIP Gold has decreased enrollment by 225 children, WVCHIP Blue has increased enrollment by 430 children and WVCHIP Premium has increased enrollment by 8 children.

The monitoring and analysis of claim trends is critical to the accurate forecast of future costs of the program. While the program's enrollment has increased slightly in recent months, there has been continual moderation of cost trends. Current claim trend experience has been financially favorable over the past several years. We have maintained the FY 2018 medical claim trend assumption at 5%, dental claim trend assumption at 5%, and prescription drugs claim trend assumption at 7%, based on trend experience that has been consistent with these assumptions.

Under the Baseline Scenario, administrative expenses for West Virginia CHIP are \$4,003,226 in FY 2018, representing a 4% decrease from FY 2017 administrative expenses of \$4,166,247. West Virginia CHIP management team assumes a 5% administrative expense trend in future years. In Fiscal Year 2018, reimbursement from subrogation and prescription drug rebates are projected to be totaled \$1,385,544. West Virginia CHIP management team assumes a 4% trend on drugs rebates and subrogation in future years.

Included in FY 2018 are the expected funding reductions for CHIP kids covered under Medicaid of \$3,331,437 for the Federal share in the first quarter of 2018, \$5,620,931 for the Federal share in the second quarter of 2018, and \$5,500,000 for third and fourth quarter of 2018, respectively. We assume the expected amount that the State of West Virginia will pay to transfer the CHIP kids to Medicaid is approximately \$20.0 million in FY 2018, \$20.4 million in FY 2019 and \$20.7 million in FY 2020, with adjustments for inflation in the yearly projection thereafter. And we have reduced the total Federal and State funding by these amounts to estimate the total funding available to West Virginia CHIP.

Under the State fiscal year basis, we have calculated that the incurred claim costs under the Baseline Scenario assumptions for FY 2018 to be \$48,578,849. The updated projection for FY 2019 claims is \$52,068,164.

CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT

Under the Children's Health Insurance Program Reauthorization Act of 2009 ("CHIPRA") and PPACA that resulted in \$69 billion in funding for the national program, plus the recently signed Healthy Kids Act on January 22, 2018, and the Bipartisan Budget Act that was signed on February 8, 2018, the following is the result of the passing of PPACA:

- Protects CHIP with Federal funding through Federal Fiscal Year 2027;
- Provides states with additional funding to ensure children have access to the program. Between FY 2018 and 2019, states would receive 23 percentage points increase in the CHIP federal match rate, subject to a 100 percent cap, then the 23 percentage points would decrease to 11.5% from October 1, 2019 through September 30, 2020, and the 23 percentage points would decrease to 0% from October 1, 2020 through September 30, 2027;

- Extends the qualifying state option, Express Lane Eligibility (ELE), the childhood obesity demonstration project, the pediatric quality measures program, and outreach and enrollment grants through 2027;
- Keeps and extends the Maintenance of Effort (MOE) through 2027, but after 2019 it would only apply to children in families up to 300% FPL;
- Allows states that operate buy-in programs that look like CHIP to pool the children enrolled in CHIP along with the children enrolled in the buy-in program;
- States are required to maintain current eligibility levels through December 31, 2019.

The Federal share of program expenditure is currently at 100% for Federal Fiscal Year 2018 and 2019. Our forecast assumes Federal funding to be \$64,647,160 in FY 2018 and in future years. CHIPRA has several mechanisms to adjust Federal expenditures to levels required by the State programs. The Federal funds formula allows for re-basing of the allotment every two years, and there is a contingency fund established separate from the funds allotted to the State of West Virginia that will be used to offset any shortfalls it might experience in Federal funding.

There are several significant changes in the law that are designed to improve the health care that children receive in CHIP and impact the current benefit structure for WVCHIP. Under dental benefits, there are two provisions in the legislation that are designed to improve access to dental care for children.

CHIPRA requires states to include dental coverage in their CHIP benefit packages. States must offer a dental benefit that is equivalent to one of the following: the children's coverage that is provided in the Federal Employees Health Benefits Program ("FEHBP"), state employee dependent dental coverage, or dental coverage that is offered through the commercial dental plan in the state with the highest non-Medicaid enrollment. WVCHIP is required to cover Orthodontic, Prosthodontic, and Periodontic services under CHIPRA.

CHIPRA allows states to offer dental coverage for the first time to children who are enrolled in private or job-based plans that do not include dental coverage. As long as these children are otherwise eligible for CHIP, states can enroll them in CHIP exclusively for dental coverage. It should be noted that WV CHIP Program has not yet decided to implement this option.

In compliance with CHIPRA's requirements, the benefit design for coverages over 200% FPL changed effective July 1, 2009. Dental services for this group were limited to preventative services and subject to a maximum of \$150 per year. The new dental benefit includes both preventative and restoration services. Services including all restoration, endodontics, prosthodontics, implants, dental surgeries and periodontics are subject to a co-payment of \$25 per service and are capped at \$100 per year.

Under mental health parity benefit, the new CHIP law also guarantees mental health parity in CHIP. This means that, as with job-based coverage, states must provide the same level of services for mental health benefits in CHIP as they provide for physical health benefits. States that operate CHIP as a Medicaid expansion and hence offer early and periodic screening, diagnosis and treatment ("EPSDT", which essentially guarantees all medically necessary health services for children) are considered to be in compliance with the mental health parity requirement.

PLAN ELIGIBILITY AND BENEFIT STRUCTURE

Under the submitted West Virginia CHIP Premium expansion plan (“WVCHIP Premium”), the CHIP expansion to 220% began enrollment effective in January 2007. Subsequently, WVCHIP Premium was expanded to 250% FPL effective in January 2009 and to 300% FPL effective in July 2011. Premiums are assumed to cover 20% of the policy cost for children in the 200% to 300% FPL eligibility group. The monthly premiums are \$35 for families with one child in the program and \$71 for families with more than one child in the program. We have assumed the same premium level as of March 23, 2010 in all projection years to maintain the 20% cost share threshold in the 200% to 300% FPL group. As of June 2018, there are 6,115 children enrolled in WVCHIP Premium.

Effective January 1, 2014, Medicaid eligibility expanded to individuals and families with income up to 133% FPL. The CHIP Program will continue to serve the remaining children from 133% FPL to 300% FPL, with the potential for additional members whose parents have applied for coverage through the Health Insurance Exchange program. In addition, the extended Health Care Reform (“HCR”) Bill addresses a 23% increase in Federal participation for FY 2018 and 2019, which would make the CHIP Program 100% federally funded starting October 1, 2017, the first day of Federal FY 2018, through September 30, 2019, the last day of Federal FY 2019, assuming the enhanced match rate does not fall below 77%.

WVCHIP covers children from birth through age 18, with coverage ending the end of the month which the child turns 19. The program pays for a full range of health care services for children including doctor visits, check-ups, vision and dental visits, immunizations, prescriptions, hospital stays, mental health and special needs services. Some services require prior authorization to be eligible under the WVCHIP program. All benefits and prior authorization requirements are detailed in the WVCHIP Summary Plan Description updated for Fiscal Year 2018.

The benefit structure varies by copayments for each of the enrollment group for Medical, Dental and Prescription Drugs as summarized in the chart below:

Medical Services and Prescription Benefits	WVCHIP Gold	WVCHIP Blue	WVCHIP PREMIUM
Generic Prescriptions	No Copay	No Copay	No Copay
Listed Brand Prescriptions	\$5	\$10	\$15
Non-listed Brand Prescriptions	Full Retail Cost	Full Retail Cost	Full Retail Cost
Multisource Prescriptions	No Copay	\$10	\$15
Medical Home Physician Visit	No Copay	No Copay	No Copay
Physician Visit (Non-medical home)	\$5	\$15	\$20
Preventive Services	No Copay	No Copay	No Copay
Immunizations	No Copay	No Copay	No Copay
Inpatient Hospital Admissions	No Copay	\$25	\$25
Outpatient Surgical Services	No Copay	\$25	\$25
Emergency Department (is waived if admitted)	No Copay	\$35	\$35
Vision Services	No Copay	No Copay	No Copay
Dental Benefit	No Copay	No Copay	\$25 Copay for some non-preventive services

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# of Children Copay Maximum	WVCHIP Gold	WVCHIP Blue	WVCHIP PREMIUM
1 Child Medical Maximum	\$150	\$150	\$200
1 Child Prescription Maximum	\$100	\$100	\$150
2 Children Medical Maximum	\$300	\$300	\$400
2 Children Prescription Maximum	\$200	\$200	\$250
3 or more Children Medical Maximum	\$450	\$450	\$600
3 or more Children Prescription Maximum	\$300	\$300	\$350
Dental Services	Does not apply	Does not apply	\$150 per family

In addition, there are maximum visit limitations for some services, as shown in the chart below:

Type of Service	Number of Visits per Year
Occupational Therapy Services	20
Physical Therapy Services	20
Speech Therapy Services	20
Vision Therapy Services	20
Primary Care Visits	26
Physician Specialist Visits	26
Mental Health Visits	26

A key component of the WVCHIP benefit program is the “Patient Centered” Medical Home. The key principle of the Medical Home is based on the patient and physician relationship, with the assumption that a good medical home creates the best health care value by offering an organized and caring atmosphere for the WVCHIP member. The benefit of a Medical Home is the delivery of high value health care in a setting of mutual respect and responsibility. Copayments vary based on the utilization of the designated Medical Home professional:

Enrollment Group	Copay (No Medical Home)	Copay (Medical Home)
WVCHIP Gold	\$5	\$0
WVCHIP Blue	\$15	\$0
WVCHIP Premium	\$20	\$0
WVCHIP Exempt	\$0	\$0

Medical costs have been adjusted to reflect the expense of the “Birth to Three” program, administered by WVDHHR that work with children identified as having developmental delays. The Birth-to-Three costs have been included in the WVCHIP financial plan for FY 2018 and beyond.

It should be noted that CHIPRA requires WVCHIP to pay Federally Qualified Health Centers (FQHC) and Rural Health Centers (RHC) a prospective payment for each visit based on the centers' reasonable costs. This regulation was applicable to services rendered by centers to WVCHIP members starting October 1, 2009. Retrospective payments were approximately \$1,991,775 for claims with dates of services October 1, 2009 and after that were paid through December 31, 2011. Claims received after July 1, 2011 with dates of service on or after July 1, 2011 were processed under the new prospective payment methodology. Future PPS expenditures are projected as a component of medical and prescription drug per capita cost assumptions based on historical PPS payments.

This projection includes an additional \$500,000 for vaccines purchased through the Vaccines for Children program ("VFC") using federally contracted rates. CHIP paid \$2,999,878 to VFC in FY 2017 for vaccines. This amount was the result of a review conducted by CDC on billings for these services. Furthermore, we also included in the projection an additional \$20,000 to allow primary care physicians to apply fluoride varnish in connection with a well-child exam for members ages 1 through 4.

In addition, this report includes the following anticipated costs from CHIPRA requirements and the FY 2018 State Plan Amendment:

- Reduction in the length of the waiting period from 6 to 3 months for WVCHIP Gold (Below 150% FPL) and WVCHIP Blue (Between 150% and 200% FPL), and from 12 to 3 months for WV CHIP Premium (Between 200% and 300% FPL). Effective October 1, 2013, there would be no more waiting periods for new members to assure that members do not experience a gap in coverage while their eligibility transitions from CHIP to APTC eligibility or other insurance.
- Elimination of annual and lifetime benefit maximums effective July 1, 2011.
- Removal of the limit in dental coverage for WV CHIP Premium members, and include coverage for Orthodontic services.
- Addition of the vision benefit for WV CHIP Premium members.
- Addition of approximately \$400,000 due to legislatively mandated coverage of autistic medical services, effective July 1, 2011.

PLAN ENROLLMENT

We have updated our projection based on the enrollment through June 2018. The program had enrollment at the end of FY 2017 of 21,000 children: 3,681 under WVCHIP Gold, 11,597 under WVCHIP Blue, and 5,722 under WVCHIP Premium. Current enrollment as of June 2018 is 21,837 children, with 3,185 under WVCHIP Gold, 12,537 under WVCHIP Blue, and 6,115 under WVCHIP Premium. In total, this represents an increase of 4.0% over the prior year.

Overall enrollment is slightly up compared to the March 31, 2018 Quarterly Report. Since the implementation of the Affordable Care Act, which resulted in children whose family income was below 138% of the FPL being transferred to Medicaid, the CHIP Program has grown by approximately 2,200 children. The Gold program has been stable, with the growth occurring in the Blue and Premium program.

Based on our observation of the historical enrollment movement, we have assumed that all enrollments will remain constant in future years. We will continue to monitor the projected enrollment by actual results and make adjustments as necessary.

The following table summarizes the FY 2018 enrollment information using end of month enrollment information by WVCHIP Gold, WVCHIP Blue, WVCHIP Premium and in total:

Date	WVCHIP Gold	WVCHIP Blue	WVCHIP Premium	Total	Annual % Growth
Jun-03	14,243	7,554		21,797	8.8%
Jun-04	15,015	8,417		23,432	7.5%
Jun-05	15,571	8,944		24,515	4.6%
Jun-06	15,907	8,928		24,835	1.3%
Jun-07	15,658	9,181	100	24,939	0.4%
Jun-08	15,227	8,902	289	24,418	-2.1%
Jun-09	14,727	9,164	664	24,555	0.6%
Jun-10	15,385	8,381	1,058	24,824	1.1%
Jun-11	14,649	8,505	1,386	24,540	-2.1%
Jun-12	14,241	8,691	2,182	25,114	2.3%
Jun-13	14,769	8,013	2,168	24,950	-0.7%
Jun-14	11,637	9,150	3,168	23,955	-4.0%
Jun-15	4,588	9,965	4,894	19,447	-18.8%
Jun-16	4,344	10,958	5,229	20,531	5.6%
Jun-17	3,681	11,597	5,722	21,000	2.3%
Jul-17	3,641	11,687	5,694	21,022	1.1%
Aug-17	3,703	11,782	5,714	21,199	1.5%
Sep-17	3,686	11,734	5,847	21,267	2.6%
Oct-17	3,631	11,783	5,898	21,312	2.2%
Nov-17	3,595	11,825	5,901	21,321	1.5%
Dec-17	3,543	11,874	5,974	21,391	5.5%
Jan-18	3,532	12,056	6,019	21,607	2.5%
Feb-18	3,412	12,008	5,990	21,410	1.6%
Mar-18	3,410	12,107	6,107	21,624	2.1%
Apr-18	3,309	12,354	6,133	21,796	0.4%
May-18	3,236	12,461	6,137	21,834	3.8%
Jun-18	3,185	12,537	6,115	21,837	4.0%

The table below summarizes the projected fiscal year June 30th ending enrollment assumptions for the Baseline Scenario by WVCHIP Gold & Blue and WVCHIP Premium.

Baseline Scenario (300% FPL)

Year End Enrollment	FY2018-FY2024
WVCHIP Gold & Blue	15,722
<u>WVCHIP Premium</u>	<u>6,115</u>
Total	21,837

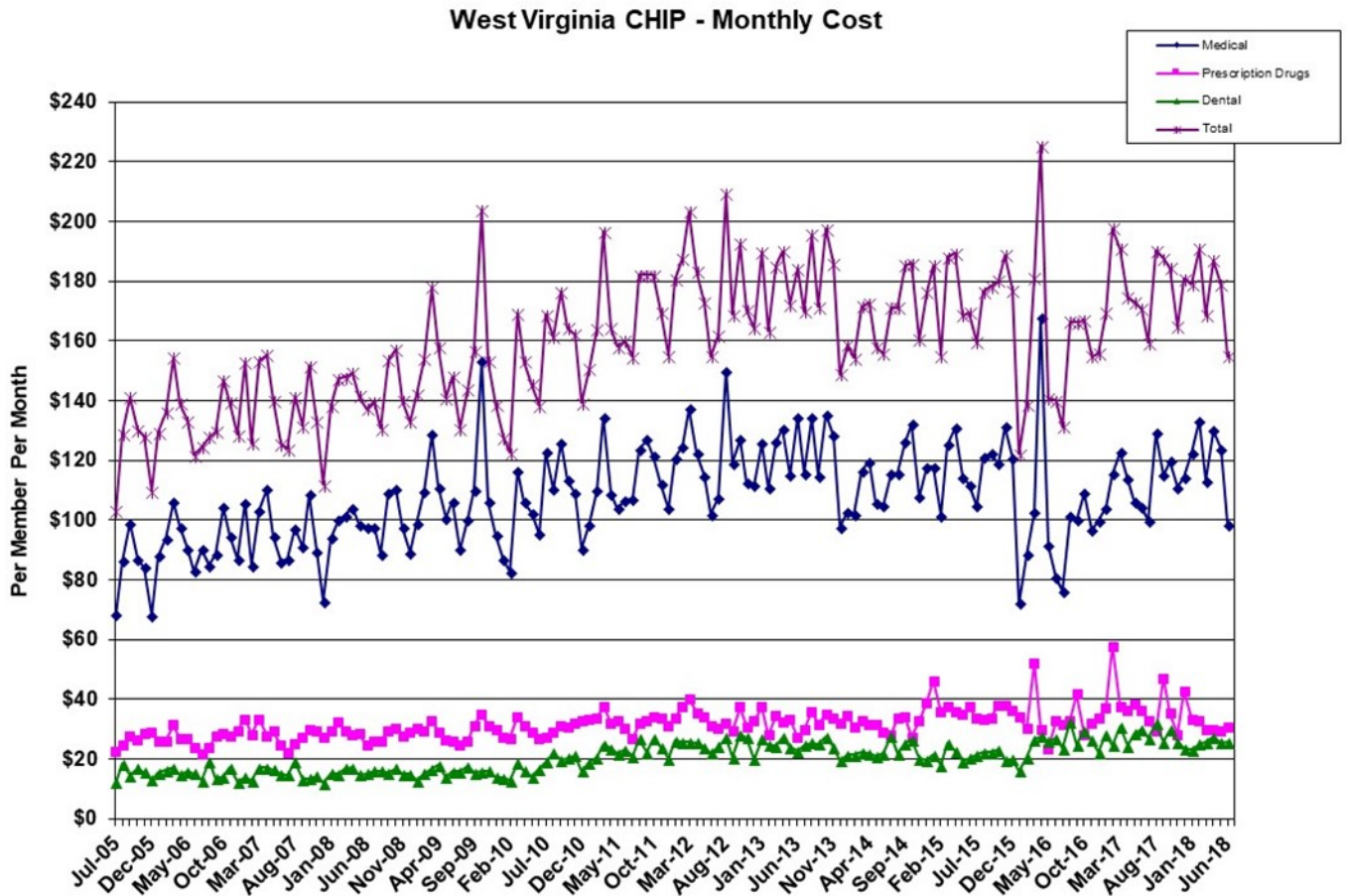
CLAIM COST AND TREND ANALYSIS

The plan has experienced an overall 12-month trend of 5.4%. We have maintained the medical, dental and prescription drugs trend assumptions from the March 31, 2018 Quarterly Report. The trend assumptions have been established as 5% for medical claims, 5% for dental claims and 7% for prescription drugs claims. Detail historical claim trend analysis for medical, dental and prescription drugs are summarized in the Attachments found at the end of the report.

Overall, the recent experience is comparable to our composite trend assumptions for the medical, dental and prescription drug trend components. Medical trend has been high this past year, and should be examined further. The table below summarizes WV CHIP experience over the last six months, nine months and twelve months as of June 30, 2018. Note that prescription drugs trends are gross of prescription drug rebates received from CVS.

Trend Period	Six Months	Nine Months	Twelve Months
Medical	8.2%	9.7%	12.9%
Dental	-8.5%	-5.5%	-3.0%
<u>Prescription Drugs</u>	<u>-23.8%</u>	<u>-13.6%</u>	<u>-9.7%</u>
Composite	-1.6%	2.3%	5.4%

The following graph summarizes incurred claims on a per member per month (“PMPM”) basis for the major categories of medical, dental and prescription drugs based on information received through June 2018. The attachment at the end of this report shows the trends for WVCHIP Gold & Blue and an average for the same three categories.



Detailed claim trends for medical, dental and prescription drugs are summarized in the Attachment found at the end of the report.

FINANCIAL PROJECTION – STATE FISCAL YEARS 2018-2024

Under the Baseline Scenario, we have assumed that State funding to be \$0 in FY 2018 and in future years. At the Federal level, the Federal funding for West Virginia is assumed to be \$44,694,792 in FY 2018 after the reductions for the Federal funding share to be used for CHIP children that transferred to Medicaid, and we have assumed that the Federal funding remains constant in the future.

The updated incurred claims for FY 2018 is \$48,578,849 based on the FY 2018 average enrollment of 21,468 children and the incurred claim per member per month cost data assumption of \$188.57, as summarized in the following table.

Category	Current Report FY2018 Baseline Incurred Claims	Current Report FY2018 Baseline Per Member Per Month	3/31/18 Report FY2018 Baseline Per Member Per Month	12/31/17 Report FY2018 Baseline Per Member Per Month
Medical	\$ 32,390,386	\$ 125.73	\$ 123.76	\$ 125.52
Prescription Drugs	9,066,148	35.19	35.94	39.90
<u>Dental</u>	<u>\$ 7,122,315</u>	<u>\$ 27.65</u>	<u>\$ 27.10</u>	<u>\$ 28.06</u>
Total	\$ 48,578,849	\$ 188.57	\$ 186.80	\$ 193.48

The Medicaid Children Transfer Cost Baseline Scenario financial forecast for the Federal and State fiscal years 2018 through 2024 can be found in Appendix A. This scenario is based on the assumption that Federal and State funding will be transferred to West Virginia Medicaid to cover transferred children. Based on the assumptions developed under Baseline Scenario, we are projecting a shortfall in State funding beginning in FY 2021 under the 90% funding requirement based on funding levels provided by CHIP management through FY 2024.

At the Federal level, we are projecting a shortfall in Federal funding beginning in FY 2021 for the Baseline Scenario, under the assumption that Medicaid eligibility is aligned with the recently signed Healthy Kids Act and the Bipartisan Budget Act of 2018. It should be noted that the most recent reauthorization continues the 23% increase in Federal participation for FY 2018 and 2019, which means that the CHIP Program remains 100% federally funded through September 30, 2019, the last day of Federal FY 2019. After FY 2019, based on the reauthorization, the State of West Virginia Share would increase to 6.27% from October 1, 2019 through September 30, 2020, and 17.77% from October 1, 2020 through September 30, 2027.

Appendix A shows the baseline scenario with a seven-year projection period as requested by CHIP management. The first section of the report is the beginning balances of both Federal and State funding sources. The middle section of the report projects and reports on incurred claim, paid claim and administrative expenses, as well as expected interest earnings and accrued prescription drugs rebates. This section also projects Federal and State shares of paid expenses, as well as incurred but not reported (“IBNR”) claim liabilities. The last section of the report projects the ending balances of both Federal and State funding sources.

It should be noted that the Congress has not provided projections of expected Federal funding in the final years of the projection and these estimates are subject to change.

Appendix B summarizes the original and restated IBNR claim liabilities for the CHIP Program in Fiscal Year 2017 to 2018. IBNR projections have been lower to reflect current claim backlog experience in recent months.

STATEMENT OF ACTUARIAL OPINION

I, Dave Bond, Managing Partner of Continuing Care Actuaries, hereby certify that I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the actuarial qualification standards to render Statements of Actuarial Opinion for the Children’s Health Insurance Program and other self-insured entities. I have been retained by CHIP to render a Statement of Actuarial Opinion regarding the methods and underlying assumptions developed and used in this analysis.

This Statement of Actuarial Opinion was prepared in a manner consistent with the Code of Professional Conduct and Qualification Standards of the American Academy of Actuaries, and the Standards of Practice of the Actuarial Standards Board. Concerning the projection of health care expenses, I am of the opinion that the data and assumptions used are appropriate.

In my opinion, all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed 90 percent of the funding available to the program for fiscal years 2018 through 2020 for the State, based on current enrollment under the Baseline Scenario.

It should be noted that this opinion is based on State funding levels as illustrated in Appendix A, and FY 2018 through FY 2024 have not been appropriated by the West Virginia Legislature.

Respectfully,



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



Chris Borcik, F.S.A., F.C.A., M.A.A.A.
Principal

APPENDIX A
West Virginia Children's Health Insurance Program
June 30, 2018 Quarterly Report
Medicaid Children Transfer Cost Baseline Scenario

Available Funding - Beginning of the Year	2018	2019	2020	2021	2022	2023	2024
Federal 2016	\$1,076,602	\$0	\$0	\$0	\$0	\$0	\$0
Federal 2017	26,364,152	0	0	0	0	0	0
Redistribution 2017	0	0	0	0	0	0	0
Federal 2018	44,694,792	22,426,280	0	0	0	0	0
Federal 2019	0	44,286,944	13,333,393	0	0	0	0
Federal 2020	0	0	43,900,100	3,545,869	0	0	0
Federal 2021	0	0	0	43,485,708	0	0	0
Federal 2022	0	0	0	0	43,009,183	0	0
Federal 2023	0	0	0	0	0	42,502,270	0
Federal 2024	0	0	0	0	0	0	41,981,620
State 2015	\$5,419,532	\$5,419,532	\$5,419,532	\$2,837,567	\$0	\$0	\$0
State 2016	0	0	0	0	0	0	0
State 2017	0	0	0	0	0	0	0
State 2018	0	0	0	0	0	0	0
State 2019	0	0	0	0	0	0	0
State 2020	0	0	0	0	0	0	0
State 2021	0	0	0	0	0	0	0
State 2022	0	0	0	0	0	0	0
State 2023	0	0	0	0	0	0	0
State 2024	0	0	0	0	0	0	0
Program Costs							
WVCHIP Gold & Blue & Premium & PEIA Children	2018	2019	2020	2021	2022	2023	2024
Medical Expenses	\$32,390,386	\$34,593,943	\$36,323,640	\$38,139,822	\$40,046,813	\$42,049,154	\$44,151,611
Prescription Drugs Expenses	9,066,148	9,867,366	10,558,082	11,297,147	12,087,948	12,934,104	13,839,491
Dental Expenses	7,122,315	7,606,855	7,987,198	8,386,558	8,805,885	9,246,180	9,708,489
Administrative Expenses	4,003,226	4,278,384	4,492,303	4,716,918	4,952,764	5,200,402	5,460,422
Premiums (WVCHIP Premium)	\$1,487,265	\$1,525,752	\$1,525,752	\$1,525,752	\$1,525,752	\$1,525,752	\$1,525,752
Program Revenues-Interest	\$67,277	\$67,277	\$67,277	\$35,225	\$0	\$0	\$0
Program Revenues-Drugs Rebates/Subrogation	1,385,544	1,440,966	1,498,605	1,558,549	1,620,891	1,685,727	1,753,156
Net Incurred Program Costs Excluding Interest	\$49,709,266	\$53,379,830	\$56,336,866	\$59,456,144	\$62,746,768	\$66,218,361	\$69,881,106
Net Paid Program Costs	49,611,806	53,003,830	56,034,866	59,137,144	62,410,768	65,863,361	69,507,106
Federal Share of Expenses	\$49,709,266	\$53,379,830	\$53,687,624	\$50,600,152	\$51,596,667	\$54,451,358	\$57,463,234
State Share of Expenses-Net of Interest	0	0	2,581,964	8,820,768	11,150,101	11,767,003	12,417,873
Beginning IBNR	\$5,142,540	\$5,240,000	\$5,616,000	\$5,918,000	\$6,237,000	\$6,573,000	\$6,928,000
Ending IBNR	5,240,000	5,616,000	5,918,000	6,237,000	6,573,000	6,928,000	7,302,000

APPENDIX A
West Virginia Children’s Health Insurance Program
June 30, 2018 Quarterly Report
Medicaid Children Transfer Cost Baseline Scenario

Funding Sources - End of the Year	2018	2019	2020	2021	2022	2023	2024
Federal 2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federal 2017	0	0	0	0	0	0	0
Redistribution 2017	0	0	0	0	0	0	0
Federal 2018	22,426,280	0	0	0	0	0	0
Federal 2019	0	13,333,393	0	0	0	0	0
Federal 2020	0	0	3,545,869	0	0	0	0
Federal 2021	0	0	0	0	0	0	0
Federal 2022	0	0	0	0	0	0	0
Federal 2023	0	0	0	0	0	0	0
Federal 2024	0	0	0	0	0	0	0
Yearly Federal Shortfall	\$0	\$0	\$0	\$3,568,576	\$8,587,484	\$11,949,088	\$15,481,614
State 2015	\$5,419,532	\$5,419,532	\$2,837,567	\$0	\$0	\$0	\$0
State 2016	0	0	0	0	0	0	0
State 2017	0	0	0	0	0	0	0
State 2018	0	0	0	0	0	0	0
State 2019	0	0	0	0	0	0	0
State 2020	0	0	0	0	0	0	0
State 2021	0	0	0	0	0	0	0
State 2022	0	0	0	0	0	0	0
State 2023	0	0	0	0	0	0	0
State 2024	0	0	0	0	0	0	0
Accumulated State Shortfall	\$0	\$0	\$0	\$5,983,200	\$17,133,301	\$28,900,304	\$41,318,176
State Shortfall – 90% Funding Requirement	\$0	\$0	\$0	\$6,963,286	\$19,352,286	\$25,463,448	\$26,872,084

APPENDIX C

Parent's Guide

A publication of
West Virginia KIDS COUNT



What is the Children's Health Insurance Program (CHIP)?

CHIP is health insurance for children from working families. CHIP covers medical, mental, dental and vision care without deductibles and often no or low co-pays until age 19.



How do I know if my child is eligible for CHIP?

CHIP eligibility is based on your family's income and household size. If your family's gross income and size is at or under the amount in the chart on page 2, your child may be eligible for CHIP or Medicaid. Your family may qualify based on either monthly or annual income. To be CHIP eligible, your child must not have any other insurance coverage.

"We are so grateful for this coverage."

- Former state employee CHIP parent

Where can I go to learn more about CHIP and to apply for the program?

- Contact the West Virginia CHIP HelpLine at **1-877-982-2447**
- Contact the West Virginia Department of Health and Human Resources' Customer Service Hotline at **1-877-716-1212**
- Visit the West Virginia CHIP website at **www.chip.wv.gov**
- Call or visit your county West Virginia Department of Health and Human Resources office; contact information may be found at **www.dhhr.wv.gov/pages/field-offices.aspx**
- Visit **www.wvinroads.org**

Below are examples of what CHIP covers.

Everyday

- Annual Check Ups
- Primary Care Visits
- Specialist Visits
- Certain Mental and Behavioral Health Care (Both Inpatient and Outpatient)
- Prescriptions
- Immunizations

Special

- Dental
- Vision
- Hearing
- Occupational and Physical Therapy
- Outpatient Surgery
- Oral Surgery

Critical Services

- Hospital Stays
- Urgent and Emergency Room Visits

This parent's guide was made possible through funding provided by the Claude Worthington Benedum Foundation.

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Parent's Guide

A publication of
West Virginia KIDS COUNT



Guidelines Effective As Of March 2018

If there are more than four people in your household, please add \$1,080 to the monthly income or \$12,960 to the annual income for each additional family member to determine eligibility.

Family Size	Monthly Income	Annual Income
2 People	\$4,115	\$49,380
3 People	\$5,195	\$62,340
4 People	\$6,275	\$75,300

What if I have a question, special circumstance or need more information about CHIP?

If you have any questions, please call the West Virginia CHIP HelpLine at **1-877-982-2447** or call the West Virginia Department of Health and Human Resources' Customer Service Hotline at **1-877-716-1212**. These call lines are staffed with workers who can help answer questions about eligibility and special circumstances. The workers can also assist you in finding the local West Virginia Department of Health and Human Services office or a community partner near you to complete a CHIP application in-person.

You can also visit www.wvinroads.org for more information or to apply online. It takes about 30 minutes to apply for CHIP or Medicaid using the West Virginia inROADS system.

Is my child eligible for insurance programs other than CHIP?

Depending on the age of your child, his or her health conditions and family income and household size, your child may be eligible for Medicaid. The coverage and benefits for children on CHIP and Medicaid are generally the same. Follow the same application process for Medicaid as CHIP.

If your family does not meet CHIP eligibility guidelines and your employer does not offer health insurance coverage, you can purchase health insurance on the Health Insurance Marketplace for your child. Please visit www.healthcare.gov for details.

Note that a 2014 change allows public employee families to participate in CHIP coverage for their children.

"[We are a] one income family—thankful for peace of mind knowing [the] kids can be treated when ill."

- Mother of a former CHIP child

