

The Honorable Mitch Carmichael, Chair

**JOINT COMMITTEE ON
GOVERNMENT AND FINANCE**

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INTERIM COMMITTEE ATTENDANCE - RESULTS

TUESDAY, JANUARY 09, 2018 - 11:00 AM

JOINT COMMITTEE ON GOVERNMENT AND FINANCE

Attended:

Delegate Shott
Delegate Nelson
Delegate Miller, C.
Delegate Miley
Delegate Cowles
Delegate Boggs
Speaker Armstead
Senator Trump
Senator Prezioso
Senator Plymale
Senator Karnes
Senator Ferns
Senator Blair
President Carmichael

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President Carmichael Presides

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
January 9, 2018

11:00 am – 12:00 pm

Senate Finance Room

1. **Approval of December 5, 2017 minutes**
2. **Committee Reports/Requests**
3. **Monthly/Quarterly Reports Received**
 - Status Reports on Lottery & Unemployment Compensation Fund
(**William Spencer**, *Director of Legislative Budget Division*)

 - General Revenue Fund & State Road Fund
(**Mark Muchow**, *Deputy Secretary, West Virginia Department of Revenue*)

 - Workforce WV Unemployment Compensation Trust Fund Distribution
(**Connie Kirk**, *UI Director for Workforce West Virginia*)

 - Monthly/Quarterly Reports from PEIA, BRIM & Real Estate Report
(**John Myers**, *Secretary, Department of Administration*)

 - Department of Health & Human Resources, Medicaid Report & Medicaid Waiver Report
(**Cynthia Beane**, *Commissioner of Bureau of Medical Services*)

 - Childrens Health Insurance Program Report,
(**Stacey L. Shamblin**, *Acting Director, WVCHIP*)

 - Investment Management Board Distribution
(**Craig Slaughter**, *Executive Director-West Virginia Investment Management Board*)

 - Workers Compensation
(**Andrew Pauley**, *Deputy Commissioner*)

 - Board of Treasury Report Distribution
4. **Other Business**
5. **Adjournment**

**JOINT COMMITTEE ON GOVERNMENT AND FINANCE
(Speaker Armstead Presided)**

December 5, 2017

11:00 a.m. – 12:00 p.m.

Senate	House
Carmichael, Chair	Armstead, Chair
Blair	Cowles
Ferns	Miller, C.
Karnes	Nelson, E.
Plymale(Absent)	Shott
Prezioso	Boggs(Absent)
Trump	Miley

Speaker Armstead: “The Committee will come to order. The first item on the Agenda is the approval of the November 14, 2017, minutes. President Carmichael is recognized.”

President Carmichael: “I move the minutes of the November 14, 2017, meeting of the Joint Committee on Government and Finance as contained in the members’ packets be approved.”

Speaker Armstead: “President Carmichael moves the approval of the minutes. Is there discussion? If not, all in favor say aye, those opposed no. The ayes appear to have it, the ayes do have it. The minutes are approved. The first item we have today in our packets is the monthly and quarterly reports. The first one is the status on the reports on Lottery and Unemployment Compensation Fund. Is William Spencer here to make a presentation? Mr. Spencer.”

William Spencer: “Thank you, Mr. President, Mr. Speaker and Members of the Committee. My name is William Spencer, and I am the Director of the Legislative Budget Division. I am here to answer any questions you may have on the status reports.”

Speaker Armstead: “Are there any questions for Mr. Spencer? If not, thank you. Thank you, very much. Next, is Mark Muchow, the Deputy Secretary of the West Virginia Department of Revenue for a General Revenue Fund and State Road Fund Report. Mr. Muchow.”

Mark Muchow: “I’m Mark Muchow with the Department of Revenue. The month of

November we had collections of \$298.5M. The estimate for the month was \$304.3M, so we ended up \$5.8M below the estimate for the month. There was good performance during the month, but, some of the accounts performed below estimate. On the positive side, the Personal Income Tax Collections were \$122.2M, and that's about \$3.8M above estimate...and, also, 6.4% ahead of last year. The Sales Tax, also, for the first time, this year was above estimate. We collected \$109.4M. The estimate was \$107.8M. That was 1.6 ahead...2.3% ahead of last year for State General Revenue. Those were offset a little bit by the Severance Tax. The Severance Tax was above last year by 19%, but still about \$3.5M below estimate. Of course, we had a little bit of a lull during the summer months into early Fall, and natural gas prices here locally, plummeted rather significantly to far less than \$1.00 per million BTU. The good news is that more recently, in the last few weeks, the price has now popped up above \$2.00 per million BTU. It's been very close to \$2.50 per million BTU. So, a big movement on the upside. Some of that is likely seasonal, but that will lead to better results down the road on the Severance Tax. But still, even with that, 19% growth in Severance Tax over the last year. The B&O Tax, which is a tax on mainly public utilities, electric power generation was 5.4% below last year, in the month of November, and \$3.3M below estimate. Also, I mentioned the Insurance Premium Tax was \$2.6M below estimate in November...that's because we got that money in October. October numbers were way above estimate and November numbers were below estimate. So, year to date on the General Revenue Fund reflected a little bit more than \$1.6B. The estimate was \$1.615B, so we are about a little over 99% of the estimate short of estimate year-to-date by about \$14M...ahead of last year by 4.5%. The big surpluses year-to-date are in areas such as corporate income taxes, nearly \$12M above estimate. Personal Income Tax is about \$11.5M below estimate...or above estimate. And, those are offset by the Sales Tax which is running at about \$15.5M below estimate. And, the Severance Tax, that's \$16.4M below estimate. The numbers on the economic side are looking fairly positive. The latest unemployment report showed a gain over last year...of private sector non-fund payroll about a half of one percent...and that's been tending to trickle up a little bit over time. So, that's good news. I mentioned previously that natural gas prices have improved in the last couple of months...at least last month or so, so that's good news. So, overall economic numbers are suggesting that we should maintain or improve in the overall revenue numbers for the rest of the year. In terms of the rest of the year...see if I have that here...sometimes I have too many papers...I think for the rest of the year, we need revenue growth that is less than 3% to make the estimate for the rest of the year. First five months of the year we had 4.5% revenue growth. So, we should be okay. On the Road Fund in November, excluding the miscellaneous category, all other Road Fund Collections were \$63.8M, which was \$9M above estimate, also 16.1% ahead of last year...with basically surpluses in just about every area. The Motor Fuel Tax was 12.7% ahead of last year, Registration Fees ahead of last year, by almost 80%. Motor Vehicle Sales Tax ahead of last year by 1.8%. Year-to-date, the Road Fund Collections \$340.3M in the actual, and the estimate was \$326.7M. We are over estimate by \$13.6M compared to last year's actual collections...we are ahead by 13.6% or \$40.8M. I will make one little mention about the Miscellaneous Category, in the month of November, the Highway Fund received \$24.4M in miscellaneous vs. about \$700,000 from last year in

miscellaneous. It's my understanding looking through Oasis that there's a highway project up in the Morgantown area, a new bridge that was to be funded by the Sales Tax TIFF Program up there, and Highways fronted the money for the project. They basically received their compensation for building the bridge in November. So, that's the reason that we had that amount of money in that account. So, any questions?"

Speaker Armstead: "Are there any questions for Mr. Muchow? Delegate Shott."

Delegate Shott: "Thank you, Mr. Speaker. What is the lag time for consumer sales tax purposes from when a sale is made to when the tax is reported. For instance, like if a sale was made on Black Friday this year, would that come in in December or January?"

Mark Muchow: "The Black Friday sales for almost all taxpayers will come in in December. The due date for the sales tax is the 20th day of the month following the month of activity, so November sales will be reflected in December collections, and so forth, going forward. Now, there are a few small taxpayers that will file quarterly, but 99% of the money comes in on a monthly basis."

Delegate Shott: "So, Mark, with regard to your monthly estimate, is it likely to be a higher number than the \$107,800,000 number that you have for November for December?"

Mark Muchow: "December estimate is usually a little higher than the November estimate. You are correct. And, January estimate is even higher. January is usually one of the higher estimates for sales tax, and I don't have those estimates. But, it is a seasonal tax and it varies a little bit with the seasons. Not as much as it used to, but it still varies a little bit with the seasons."

Delegate Shott: "So, would that be a pretty good barometer on what the rest of the year is going to look like, as to how close we run on December and January, for sales taxes?"

Mark Muchow: "If we can meet or exceed estimate in December or January, that is good news for sales tax for the rest of the year."

Delegate Shott: "Thank you. Thank you, Mark."

Speaker Armstead: "Senator Karnes."

Senator Karnes: "One thing Mark, I just wanted to commend you and the Governor a little bit...I know when the Governor revised the revenue estimates, a lot of people were pretty skeptical about the way that was done. But, where we are coming in right now, shows that it's actually done pretty well."

Mark Muchow: "Well, estimates are normally made in November of each year. And, in November 2016, when the original estimates were made for this year, we were still in a

very big rut on natural gas prices. And, there was great uncertainty about what was going on there. So, the coal industry is starting to pick up a little bit, a little rebound on the coal industry, so, we didn't fully capture that movement, in the November estimates, because basically, it was before all of this stuff started kicking into gear. So, being able to do a revision...basically, it was about May, or so, when we came up with that. Doing that revision later on, certainly helped out in this case, in a positive manner, because the energy sector did take off. Natural gas...I don't have the numbers through November, but, natural gas through October was running about 92% ahead of last year. So, that's a huge swing. Coal is up about 11%, so, coal industry, I characterize that more as stabilization, rather than significant long-term upward trend. And, other gas, liquids, and oil were up about 110%. So, a lot of movement in that area, and that certainly helps out in the income taxes, as well, for this year."

Senator Karnes: "Sure. Obviously, things are going to move around, but basic math tells me that you are going to be within \$30M on an entire year worth of your estimate on a \$4.2B estimate. That's pretty close."

Mark Muchow: "That's close. We actually fully hope to meet or exceed estimate by the end of the year, and I haven't raised any alarm bells that we won't get there."

Senator Karnes: "I'm just saying that as of today..."

Mark Muchow: "That doesn't mean that something could happen between now and June...there's always things that happen in between that are impossible to account for. It went a different way for us, about three or four years ago. We did an estimate in November, and after that, things started tanking...in the energy section...started tanking south on us, and we paid dearly for it the following year."

Senator Karnes: "Ok. I have a question, or really, your thoughts on it here. I was looking down through here at places you sort of missed it a little bit. On the Tobacco Tax, almost \$3M short?"

Mark Muchow: "That was in the month of November, and we were \$2.9M short and year-to-date, we are \$2.6M short. So, all the way through October, we were at or above estimate. In November, we fell below estimate. Some of that may be timing, because it depends upon the purchase timing of cigarette stamps. They occur erratically. Sometimes you get those fluctuations. But, the overall trend...we were expecting a decrease. As you can see here, compared to last year, year-to-date, that they were at 14 1/2%. We were expecting a significant decrease due to the nature of how that tax increase fell into play, for this year. And, we expect that to level off as the year goes on to a more gradual decrease. Long-term it does decrease."

Senator Karnes: "Right."

Mark Muchow: “But, the level of decrease over the last two months is a little greater than we expect. So, I expect that to come in below target this year.”

Senator Karnes: “Sure. One other question I was going to ask you about...and again, just a rough estimate...I think that represents...like about 7,000 pack-a- day smokers. Are they going to Virginia to buy their cigarettes or did they quit smoking? Is it 50/50? It was one of the things that was raised whenever the tax...”

Mark Muchow: “Folks living in southern West Virginia, close to Virginia, particularly neighboring counties in Virginia...we were already... even with the old tax, were way above them. So, it may have enhanced that level of activity a little bit. But, the West Virginia rate is still lower than...significantly lower than it is in Ohio, Pennsylvania, and Maryland. So, I think some of it is a little less cross border activity. I think we were a net gainer...more people coming into West Virginia to buy cigarettes than the other way...other than the Virginia or eastern Kentucky area. But also, product substitution going on, as well. So, the other tobacco products have hung in there pretty good. E-cigarettes have expanded a bit. And unfortunately, some people are into more of an illegal type stuff these days. So, some of the people that are addicted, it’s a matter of what the addiction is.”

Senator Karnes: “Right, thanks. Thank you, Mr. Chairman.”

Speaker Armstead: “Delegate Nelson.”

Delegate Nelson: “Two quick questions...one to tail on Delegate Shott’s question, as it relates to consumer sales tax. Personal income tax has been above estimates, almost every month. Is it a normal correlation that personal income tax leads, and is followed by consumer sales tax?”

Mark Muchow: “Usually, it’s the opposite. Usually, sales tax will come out first, and then, income tax will come out, later on. Sales tax, nationwide, has been struggling recently. So, I won’t say it’s just a West Virginia thing, but we’ve had definitely slower growth in sales tax, than in the past. On the income side the estimates, for both corporate income and personal income, were a little on the conservative side because last year, there was a little uncertainty as to what was going to happen to federal tax reform. And, sometimes, when federal tax reform occurs, it has an impact on the collections. The way it has developed, so far, there is a reasonable possibility that we will get a little bit of a windfall in December. We will see. Because particularly, it could also involve corporations, but certainly on the individual level for those people who itemize, take itemized deductions, beginning in 2018, a number of those people will no longer be able to itemize. Because the standard deduction, if assuming these survive, would go up. So, if your CPA out there is advising you, they are going to advise you to make that last quarterly estimated payment in December, don’t wait until January, get full credit, even if you are paying more. Get full credit in 2017, and who knows in 2018 your tax rate might be a bit lower. And, if

you have a tax refund, it will be taxed at a lower level federally in 2018. So, I think there is a good possibility that we will see an enhancement...we'll see...sometimes it happens, sometimes it doesn't because of the anticipation of the federal tax changes."

Delegate Nelson: "What's reported here in Revenue? Are these cash collections?"

Mark Muchow: "These are cash collections."

Delegate Nelson: "So, I noticed that we went back into the Rainy Day Fund for a loan at the end of September. If these are cash collections...are we having cash flow?"

Mark Muchow: "Cashflow is actually very good. I guess that in the case there, our Budget Director was a little extra cautious in case things went the wrong way. But, cash flow is excellent, and I fully expect that \$60M be paid back when it is supposed to be paid back. But, cash flow is good. Of course, we had a little issue with some colleges...and they needed to get a little extra cash...the timing of their cash was a little bit different. Otherwise, that was a very precautionary move. Ultimately, the \$60M is not needed that way this year."

Delegate Nelson: "Ok. Thank you."

Speaker Armstead: "Delegate Cowles."

Delegate Cowles: "Thank you, Mr. Speaker. The chart I have in my book are comparisons against estimates. But, you had mentioned earlier, for General Revenue year-to date...the comparison against last year, you said was 4 1/2% better."

Mark Muchow: "Yes."

Delegate Cowles: "Could you give me that raw number of what we brought in better this year, than we did, as compared to last year?"

Mark Muchow: "Overall, about \$68.4M dollars more this year for five months than last year. And, the areas of significant gain, severance tax is at the top of the list. It is \$37.8M more this year, than last year. That's due to higher energy prices due to oil and natural gas related products and a little improvement of the coal industry, as well. So, that's at the top of the list. The second on the list, would be Personal Income Tax at \$27.3M extra. The third on the list would be Corporate Income Tax of \$11.8M. Those would be the big three and from there it goes much lower...let's see, I have to go down to...it's above \$3.3M. Miscellaneous Revenue is about \$3.4M above last year. Some of that may be some monies that would have gone to Worker's Compensation that have been diverted to General Revenue. So, that's not something I would stick my head on. Special Revenue at 2.7. Again, we are diverting...some revenue would go to Worker's Comp. And, below that, Sales Tax is only about \$1M ahead of last year. So, that comes in far lower. And

then, there is always some taxes that tend to go in one direction, and that tends to be a little bit lower each year...and, two of those categories would be the B&O Tax which is down about \$226,000. And, certainly, the Tobacco Tax. The Tobacco Tax is down \$12.8M. Now, we won't see \$12.8M decline every year, but this year it is more significant. Now, next year it will only be a couple million decline."

Delegate Cowles: "Ok, thank you. Thank you, Mr. Speaker."

Speaker Armstead: "Are there any other questions. I have one...just a brief question...I don't know, but you may be a little reluctant to try to guess or estimate this. But, if we stay on course, you said we need 3%, I believe you said, to meet the revenue projections that we had. If we stay on the course we are now, do you have any prediction or estimate...if there aren't any unforeseen things that come in...of where we will be at year end, in terms of..."

Mark Muchow: "Well, there is still a lot of uncertainty in the federal tax changes, and how that's going to affect the whole year going out. I expect us to be at, or a little bit up, or above estimate by the end of the year, right now. Now, keep in mind, that even though the growth rates are lower the second half of the year, the major run-up in severance tax has really occurred during the second half of the last fiscal year. So, when you compare two years together, things should slow down in the second half of the year, revenue growth wise. At least, regarding severance tax, because last year's numbers and this year's numbers will be a whole lot closer, in the second half of the year, than they were in the first half of the year."

Speaker Armstead: "Okay. Have you looked at the six-year plan? Has there been any modifications made for the current fiscal year to that, based on what we are seeing?"

Mark Muchow: "Well, the six-year plan improves as the economy improves. So, more economic growth will mean better numbers on the revenue side. We've incorporated some numbers related to the expectation of improvements of roads. We've tried to incorporate a little bit due to the pipeline expansions that we hope will come soon, rather than later. So, those are real good things. Certainly, federal tax reform could play into that a little bit...at least in the short run. Our econometric firms' outlook for the economy, for the next two years, both locally and globally, is relatively positive. So, as long as that stays positive, I think the numbers haven't gone down, they have can only go up a little bit."

Speaker Armstead: "Alright, any additional questions? If not, thank you very much. Next, we have Workforce West Virginia Unemployment Compensation Trust Fund, Connie Kirk, Director of Workforce West Virginia. How are you? Good morning."

Connie Kirk: "Good morning, Mr. President, Mr. Speaker and Members of the Committee. The projections for December for the Trust Fund is \$86,667,514M. I will be

glad to answer any questions that you have.”

Speaker Armstead: “Okay, are there any questions? If not, thank you very much.”

Connie Kirk: “Thank you.”

Speaker Armstead: “Next, we have the monthly and quarterly reports for PEIA, BRIM and Real Estate Division, Secretary Myers.”

Secretary Myers: “Good morning, Mr. Speaker, Mr. President, and Members of the Committee. My name is John Myers and I am Secretary of the Administration. In your packet today, we have submitted reports for BRIM, PEIA, and the Real Estate Division. My staff and I are here to answer any questions, should you have any.”

Speaker Armstead: “Are there any questions? If not, thank you, Mr. Secretary. Next, we have the Department of Health and Human Resources Medicaid and Medicaid Waiver Report, Cynthia Beane, Commissioner.”

Cynthia Beane: “Good morning, Mr. Speaker, Mr. President, and Members of the Committee. I’m Cindy Beane, Commissioner for Bureau of Medical Services. You have your reports in front of you. Are there any questions?”

Speaker Armstead: “Are there any questions? Delegate Miller.”

Delegate Miller: “Thank you, Cindy. I didn’t realize that you had sent me a letter and I apologize. I’ve got about four months of reports here, and can you explain to me what really happened with the pregnancy terminations?”

Cynthia Beane: “So, pregnancy terminations...we’re not allowed to draw down federal dollars for pregnancy terminations. There was a West Virginia Supreme Court decision that says that Medicaid does have to pay for pregnancy terminations. So, we actually have...and I put it in the letter... we have a long- term employee that does those reports that is on extended medical leave. Somebody else is doing the reports. So, it didn’t draw down the federal dollars. It got left off the report. So, we are correcting the reports, and we have given you the information, as well. So, that’s what happened. That’s why the termination dollars were not on there because when those reports kind of fill in, it fills in all of our federal dollars and everything. And, where that is kind of a unique thing because most things we receive federal match. Medicaid receives federal match for all of our services, really, except for this.”

Delegate Miller: “Okay, thank you.”

Speaker Armstead: “Delegate Cowles.”

Delegate Cowles: Thank you, Mr. Speaker. You mentioned that Medicaid does have to pay for terminations, and what I am wondering is, it was my understanding from the Supreme Court decision in West Virginia, that required West Virginia to pay for that, for indigent women who could not afford their other, or both choices, that they might be constitutionally entitled to take. But, now that we have expanded Medicaid, to include far more than indigent women, even working poor up to 138% of the poverty limit, what I am wondering, have we expanded the ability for Medicaid to cover terminations for other taxpayers, beyond what the Panepento decision required and indigent women? Or just has the wrong number gone up since Medicaid has expanded?"

Cynthia Beane: "So, what I can do...I can put together a report, with regards to our spent historical, and now, with regards to our pregnancy terminations if that would help the Committee in their decisions. But, with regards to, if Medicaid expanded our roles, they receive the same Medicaid benefit as other individuals. So really, I would have to refer to legal counsel with regards to the interpretation that you are giving, with regards to indigent women. But, looking at what I see here, we're on track to spend kind of the same amount that we would have spent in 2017 on pregnancy terminations. So, I could put a report together to see if their volume increased since the expansion; if that would help."

Delegate Cowles: "A report would be nice, but what I am wondering is do you know if whether or not, it has expanded, Medicaid has expanded the number of terminations?"

Cynthia Beane: "I don't know, without going back and looking at those data. I mean historically, I can tell you that since I have been at Medicaid, we have spent historically around \$300,000.00 on pregnancy terminations a year. I would have to go back to see if there was a fluctuation."

Delegate Cowles: "And, it's your understanding that it is the policy of West Virginia DHHR, is that everyone who is entitled to Medicaid is entitled to tax payer funded pregnancy terminations, under Panepento?"

Cynthia Beane: "It is my understanding that, that is the Panepento decision."

Delegate Cowles: "For all of those who qualify for Medicaid, regardless of whether expanded population, or...?"

Cynthia Beane: "That's my understanding of the decision."

Delegate Cowles: "Thank you. Thank you, Mr. Speaker."

Speaker Armstead: "Delegate Miller."

Delegate Miller: "Thank you. In that report, would you include about a ten year figure on the amount that we have spent on abortions?"

Cynthia Beane: “So, go back about ten years and try to...”

Delegate Miller: “Yes. So, we have an idea of what has happened.”

Cynthia Beane: “I will do, to the best of my knowledge, if I can’t get ten years, I will get seven or...”

Delegate Miller: “That’s fine.”

Cynthia Beane: “I just want to make sure to be able to go back ten years, but if it is not ten, I just want to caveat that I want to get you the most accurate data. Some years, when we were doing system transitions...that things kind of...I just want to make sure we give you the best accurate data. But, I will make sure that we go back as far as possible...and possibly for ten years.”

Delegate Miller: “That’s fine if its eight. But, I would just like to see...”

Cynthia Beane: “I understand.”

Delegate Miller: “Thank you.”

Speaker Armstead: “Further questions? Delegate Miley.”

Delegate Miley: “Thank you, Mr. Speaker. Ms. Beane, my recollection of the Panepento decision is that it made reference to medically necessary abortions or pregnancy terminations, correct?”

Cynthia Beane: “I would have to go back and look at the decision, but we only pay for medically necessary.”

Delegate Miley: “Not elective?”

Cynthia Beane: “Correct.”

Delegate Miley: “Ok, can you give the panel some examples of what medically necessary means?”

Cynthia Beane: “It is based on the physician has to attest that it is medically necessary.”

Delegate Miley: “Ok, thank you.”

Cynthia Beane: “Ok, sure.”

Speaker Armstead: “Senator Trump?”

Senator Trump: “Thank you, Mr. Speaker. Commissioner, different subject. You said in Joint Health today that you had added 50 slots?”

Cynthia Beane: “We will add 50 slots to the IDD Waiver, and we are planning on that in July.”

Senator Trump: “So, that would be effective for the next fiscal year?”

Cynthia Beane: “Yes.”

Senator Trump: “Our budget this year on that line...state dollars about \$88M or \$89M?”

Cynthia Beane: On the IDD. I would have to check to see the state line, but the budget for the state line of the IDD Waiver is not changing.”

Senator Trump: “How many families, with the addition of 50 more slots...how many total people would be served by that program?”

Cynthia Beane: “Hold on, one second. So, IDD, we currently have 4,634 slots available, and we would add 50 to that.”

Senator Trump: “So, 4,684?”

Cynthia Beane: “Yes.”

Senator Trump: “And, is it anticipated that it is going to be accompanied by a request for more state dollars in that program?”

Cynthia Beane: “No, the IDD Program, we have made several changes in efficiencies in that program, and when we made those changes in efficiencies, probably a lot of you got a lot of calls from different constituents around the changes that were made, around that program. And so, the whole purpose of those changes was to get the program’s costs under control. Basically, get us to where we could fund services and alleviate some of our wait list. So, we have accomplished that goal, and that’s why we are able to add the slots in July.”

Senator Trump: “What is the length of the waitlist?”

Cynthia Beane: “It’s very long. Currently, we have a little over 1200 people on the waitlist.”

Senator Trump: “Okay, thank you. Thank you, Mr. Speaker.”

Speaker Armstead: “Senator Karnes?”

Senator Karnes: “Thank you, Mr. Chairman. Delegate Miley just brought to mind, I guess, a thought. Do you not have any sort of further depth beyond the medically necessary? What that means, at all? You said, if a physician says medically necessary. Is that medically necessary, in terms of what the person...the average person might think...means that their literal health is at threat or is this...maybe they will be a little depressed if they don't get it? Or, do you have any idea what is behind that?”

Cynthia Beane: “I mean, the physician has to attest that it is medically necessary. There is a form where the physician has to attest that it is medically necessary. We don't question beyond that, the physician's judgment. We're assuming that when they are attesting that it is medically necessary that there is a medical reason.”

Senator Karnes: “So, is there a checkbox that says medically necessary? There's no notes or anything, made on there, that this is why it is medically necessary?”

Cynthia Beane: “I am assuming that physicians, when they document in their record, maybe document other things. But, as far as the form that we have, there's a form that they are supposed to send in to attest to it. But, I can share that form with the Committee, as well.”

Senator Karnes: “And, I'm just asking. So, it's like a checkbox...medically necessary?”

Cynthia Beane: “I don't know if it is a checkbox, per se, but I would have to go back and look at the form to see if we say something or how it works, but yes.”

Senator Karnes: “So, you are going to supply a copy of the form. But, there may or not be detail that says, this is why it is medically necessary?”

Cynthia Beane: “No. We don't go back and look at that detail. You would have to go back and look in the chart. And, more than likely, they are keeping those forms in the chart as well. So, I will say that our terminations...every termination...that we have different restrictions that have been placed on the Legislature. And, we are following all of those rules with regards to the weeks, and all those kinds of things. Like I said, it's not a huge line item in our budget. It's usually around \$300,000.00 a year.”

Senator Karnes: “Sure. And, you design the form? The Department?”

Cynthia Beane: “The Department did. I personally did not.”

Senator Karnes: “That's what I mean.”

Cynthia Beane: “It had been around for a while.”

Senator Karnes: “And, so, if the form needed to be altered, we might be able to what was originally a checkbox to a checkbox with...please describe. That would be something that you guys determine?”

Cynthia Beane: “Yes, and we wouldn’t be opposed to say...please describe the reason. I mean, that’s not...that’s something that would be kept in that person’s medical record.”

Senator Karnes: “Ok, thanks.”

Speaker Armstead: “Additional questions? I have a couple areas that I wanted to ask about. First of all, thank you for the letter that you followed up in regard to our questions last month about the substance abuse disorder funding. It’s very helpful information. And, I just wanted to make sure I understand exactly what we currently have in that regard. It’s my understanding from your letter that \$50M in new substance abuse disorder services for 2019, it’s in the second year. So, are we saying there that since we have \$50M more in funding, that could previously not be used for those services, that can now be used, now in West Virginia? Can you kind of describe what type of services those could be used for?”

Cynthia Beane: “Right. So, what the waiver allowed is for additional funds to be drawn down from the Federal Government with our match, for substance abuse disorder services. So, those services...we actually have three of those services that are starting in January of this year. That is the Naloxone Initiative Program which is in the letter, with the naloxone administration from the EMS and the referral to treatment...the methadone treatment, and the expert which is a screen brief intervention assessment for prevention purposes. But, in July of next year, the bulk of the funding for the SUD Waiver really goes for treatment beds and peer recovery support. So, the services that will start in July will be residential treatment facilities...which, this is kind of a perfect storm...with regards to a good thing for the State of West Virginia. Because, at the same time, you will have the different funds that have recently been awarded for treatment beds. So, those facilities that are going to be coming up and running will be able to bill Medicaid. In the past, if you were over a 16 bed facility, you weren’t able to bill Medicaid for treatment services. So, that’s going to be a real barrier that the Waiver will assist in breaking down. In addition to the treatment beds, the peer recovery supports...which people in the addiction community...peer supports and peer recovery supports...that long-term support, that after you’ve done 7, 14, 30 days of intense treatment, the big thing is to stay in recovery, and not to go back. So, those peer recovery supports was something that Medicaid previously hadn’t been able to pay for, that we will be able to pay for, as well. In addition, there is withdrawal management, the continuum of care for anybody in the substance abuse disorder community.”

Speaker Armstead: “Ok. You also mentioned that the Naloxone Initiative. This will assist

our first responders, EMS, in being able to bill Medicaid for that?”

Cynthia Beane: “Right, correct. So, previously, we have all seen the strain that it had put on our EMS providers, our emergency responders, and our first responders who are really the front lines of the epidemic of the battle that is going on out there. So, we have definitely put a strain on them. And, now, they will be able to bill Medicaid for that medication and administration. We are also coordinating with them to utilize the West Virginia Helpline to basically, at that point of crisis, call the helpline, tell the person about treatment, connect them with treatment. And, this is another way that will help us and West Virginia is identify those patients. In the past, we have had a hard time identifying the patients that the EMS responders have gone out on. So, we will know that they are a Medicaid patient and that they have had an overdose. And, so, even if they don’t want help that day, we can send somebody out to connect with that person and try to get them into treatment.”

Speaker Armstead: “Okay, alright. Let’s shift gears a little bit to another subject. I know we have had a lot of Members talk to me about and ask me about. And, I think some of them have been in contact with DHHR about this issue, and that is this request for some information about refugees in our State, what services they are provided, and how many that we actually have. Do you have any information on that or could you provide that to the Committee?”

Cynthia Beane: “I can get that for the Committee. I really don’t have that with me, but that is something I can get. I can tell you that it is very few. But, I can get that, but I don’t have numbers.”

Speaker Armstead: “I am sure that that depends on the nature of whether they are here with a VISA or in other programs. But, would they be eligible, generally eligible for Medicaid services?”

Cynthia Beane: “So, there is a caveat in federal law, and I want to get you a more detailed report. But, they are eligible, somebody with non-citizenship status is eligible for emergency services only. And, there is a caveat in federal law that we have to provide emergency services. But, I can get you more of a report on the refugee...I just don’t have those numbers with me.”

Speaker Armstead: “If you wouldn’t mind doing that for our January meeting, it would be helpful to give us some sort of background of what they are eligible for and what the numbers would be.”

Cynthia Beane: “Alright, I can tell you that my only experience with it where we had an influx with that, and I don’t consider it the same. But, when Hurricane Katrina happened, we definitely took in...and those were considered Medicaid refugees and we were able to give them medical cards...and those were people from New Orleans. So, that’s my only experience with it. I have been with the Medicaid Department a long time, and we

definitely don't have a lot of refugees here in West Virginia, but I can get you what we have."

Speaker Armstead: "Thank you very much. Are there any other additional questions? If not, thank you very much."

Cynthia Beane: "Okay."

Speaker Armstead: "Next, we have the CHIP report from Stacey Shamblin, Acting Director of CHIP Program."

Stacey Shamblin: "Mr. President, Mr. Speaker and Members of the Committee, I am Stacey Shamblin, Acting Director of CHIP, and I can answer any questions that you may have."

Speaker Armstead: "Are there any questions regarding the CHIP Program? If not, thank you very much."

Stacey Shamblin: "Wonderful."

Speaker Armstead: "Next, we have the Investment Management Board Distribution Report. Mr. Slaughter, Executive Director."

Craig Slaughter: "Craig Slaughter, Executive Director of the West Virginia Investment Management Board. The report you have should be the report through October 31, 2017. The pension plans are up 5.2% for the fiscal year through October. November was another good month, so, I think what the numbers will probably show, when they come out, when they are finalized, that we are up over 6 1/2% for the first five months of the fiscal year. I am somewhat optimistic that this fiscal year will be another year of good returns. It seems like globally, all of the economies are all working well, producing, and moving forward in a positive manner. And, it doesn't look like anything, except for the unforeseen, we can't foresee anything that would trip that up in the near term. But, looking out beyond this fiscal year, I get much more anxious. I fully expect something to trip the market up, and turn it down, and have a recession of some sorts in the next couple of years. And, when that happens, I think we may be in for a fairly long haul of difficult returns. There's a lot of paths the economies could take, as you know. The world is an unknown place and when you look out into the future. So, I'm a little pessimistic about the immediate long return, but positive about the short term. Any questions?"

Speaker Armstead: "Any questions for Mr. Slaughter? If not, thank you very much."

Craig Slaughter: "Thank you."

Speaker Armstead: "Next, we have Workers Compensation Report, Melinda Kiss, OIC

Assistant Commissioner. How are you?"

Melinda Kiss: "Good afternoon. Thank you, Mr. President, Mr. Speaker and Members of the Committee. You have our monthly report, and I would be happy to answer any questions regarding that."

Speaker Armstead: "Any questions regarding Workers Compensation Report? If not, thank you very much. You have the Board of Treasury Report in the packet. Is there any other business to come before the Committee? If not, I entertain a motion to adjourn."

President Carmichael: "Mr. Speaker, I move that we adjourn."

Speaker Armstead: "President Carmichael moves that we adjourn. All those in favor say aye, those opposed no. The ayes appear to have it, the ayes do have it, the meeting is adjourned."

WEST VIRGINIA LEGISLATURE

Office of the Legislative Auditor



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

304-347-4870

December 27, 2017

Executive Summary WV Lottery, Unemployment Trust, General Revenue and State Road Fund

- West Virginia Lottery as of October 31, 2017:
Gross profit for July 2017 - June 2018 was \$163 million. Gross profit for July 2016 – June 2017 was \$164.5 million.
- West Virginia Unemployment Compensation Fund as of November 30, 2017:
Total disbursements were \$34 million lower than last fiscal year. Overall ending trust fund balance was \$50 million higher on November 30, 2017, than on November 30, 2016.
- General Revenue Fund as of December 31, 2017:
The general revenue collections ended the sixth month of fiscal year 2017-2018 at 100.26% of the estimate for the year.
- State Road Fund as of December 31, 2017:
The state road fund collections ended the sixth month of fiscal year 2017-2018 at 114% of the estimate for the year.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor



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

MEMORANDUM

To: Honorable Chairmen and Members of the Joint Committee on
Government and Finance

From: William Spencer, CPA
Director Budget Division
Legislative Auditor's Office

Date: December 27, 2017

Re: Review of West Virginia Lottery Financial Information
As of October 31, 2017

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for October 31, 2017, from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. The results are as follows:

Lottery Revenues:

Gross lottery revenues are receipts from on-line games, instant games, table games and video lottery. These gross receipts totaled \$363 million for July - October 2017. Table games accounted for \$12 million of this total. Historic Resort Hotel video lottery and table games accounted for \$2 million of total gross receipts. Gross lottery revenue has decreased by 0.7% when compared with July - October of fiscal year 2016-2017. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July - October 2017 was \$163 million; for July - October of last fiscal year it was \$164.5 million. Expressed as a percentage, gross profit is 1% lower for fiscal year 2018 than for fiscal year 2017.

Lottery continued

Operating Transfers to the State of West Virginia:

A total of \$156,333,000.00 has been accrued to the state of West Virginia for fiscal year 2017-2018. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. Amount owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.

A schedule of cash transfers follows:

State Lottery Fund:

Bureau of Senior Services	\$51,696,000.00
Community and Technical College	\$1,999,000.00
Department of Education	\$13,757,000.00
Library Commission	\$8,728,000.00
Higher Education-Policy Commission	\$5,329,000.00
Tourism	\$4,630,000.00
Department of Natural Resources	\$2,354,000.00
Division of Culture and History	\$3,094,000.00
Department of Education and Arts	\$725,000.00
General Revenue Fund	\$0.00
Economic Development Authority	\$3,998,000.00
School Building Authority	\$7,200,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$103,510,000.00

Lottery continued

Excess Lottery Fund

Economic Development Fund	\$7,595,000.00
Higher Education Improvement Fund	\$6,000,000.00
General Purpose Fund	\$14,893,000.00
Higher Education Improvement Fund	\$6,644,000.00
State Park Improvement Fund	\$1,146,000.00
School Building Authority	\$7,598,000.00
Refundable Credit	\$680,000.00
WV Racing Commission	\$458,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$26,900,000.00
WV Lottery Statutory Transfers	\$14,453,000.00
General Revenue	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$11,564,000.00
Total State Excess Lottery Revenue Fund	\$97,931,000.00

Total Budgetary Distributions:	\$201,441,000.00
Veterans Instant Ticket Fund	\$173,000.00
TOTAL TRANSFERS	*\$201,614,000.00

* CASH BASIS

Total Accrued last FY 2017:	\$132,693,000.00
Total Cash Distributions FY 2018:	\$201,614,000.00
Applied to FY 2017:	\$132,693,000.00
Applied to FY 2018:	\$68,921,000.00
Accrued for FY 2018 as of October 31:	\$87,412,000.00



P.O. BOX 2067
CHARLESTON, WV 25327

PHONE: 304-558-0500
1-800-WVA-CASH

Jim Justice
Governor

Alan H. Larrick
Director

MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: Alan H. Larrick, Director

RE: Monthly Report on Lottery Operations
Month Ending October 31, 2017

DATE: November 16, 2017

A handwritten signature in blue ink, appearing to be "AHL", is located to the right of the "FROM" and "RE" fields.

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

Financial statements of the Lottery for the month ending October 31, 2017 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$87,209,512 for the month of October.

Transfers of lottery revenue totaling \$38,667,466 made for the month of October to the designated state agencies per Senate Bill 160, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 10 on pages 18 and 19 of the attached financial statements.

The number of traditional and limited retailers active as of October 31, 2017 was 1,489 and 1,285 respectively.

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

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

AHL
Attachment

pc: Honorable Jim Justice, Governor
Dave Hardy, Cabinet Secretary – Dept. of Revenue
John Perdue, Treasurer
J. B. McCuskey, Auditor
Members of the West Virginia Lottery Commission

MEMORANDUM

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AHL
Attachment

pc: Honorable Jim Justice, Governor
Dave Hardy, Cabinet Secretary – Dept. of Revenue
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J. B. McCuskey, Auditor
Members of the West Virginia Lottery Commission



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

October 31, 2017

WEST VIRGINIA LOTTERY

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WEST VIRGINIA LOTTERY
STATEMENT OF NET POSITION
(In Thousands)
-Unaudited-

ASSETS	October 31, 2017	June 30, 2017
Current Assets:		
Cash and cash equivalents	\$ 102,422	\$ 156,550
Accounts receivable	33,299	27,533
Inventory	452	553
Other assets	<u>1,461</u>	<u>1,482</u>
Total Current Assets	<u>137,634</u>	<u>186,118</u>
Capital assets	57,294	55,732
Less accumulated depreciation and amortization	<u>(12,355)</u>	<u>(11,953)</u>
Net Capital Assets	<u>44,939</u>	<u>43,779</u>
Total Noncurrent Assets	<u>44,939</u>	<u>43,779</u>
Total Assets	<u>\$ 182,573</u>	<u>\$ 229,897</u>
Deferred outflows of resources	<u>\$ 2,795</u>	<u>\$ 2,795</u>
Total assets and deferred outflows	<u>\$ 185,368</u>	<u>\$ 232,692</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 87,412	\$ 132,693
Estimated prize claims	16,564	15,621
Accounts payable	968	1,404
Other accrued liabilities	<u>27,038</u>	<u>29,588</u>
Total Current Liabilities	<u>131,982</u>	<u>179,306</u>
Deferred inflows	<u>\$ 367</u>	<u>367</u>
Net Position:		
Net Investment in capital assets	44,939	43,779
Unrestricted	<u>8,080</u>	<u>9,240</u>
Total Net Position	<u>53,019</u>	<u>53,019</u>
Total net position, liabilities, and deferred inflows	<u>\$ 185,368</u>	<u>\$ 232,692</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FOUR MONTH PERIOD ENDED OCTOBER 31, 2017

(In Thousands)
-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2018	FY 2017	FY 2018	FY 2017
Lottery revenues				
On-line games	\$ 5,051	\$ 5,124	\$ 28,241	\$ 25,196
Instant games	8,303	6,941	30,892	30,404
Racetrack video lottery	40,941	43,595	173,820	181,251
Limited video lottery	29,706	28,257	116,410	112,920
Table games	2,763	3,415	11,799	14,267
Historic resort	446	483	2,066	1,711
	<u>87,210</u>	<u>87,815</u>	<u>363,228</u>	<u>365,749</u>
Less commissions				
On-line games	361	359	1,972	1,756
Instant games	581	485	2,162	2,128
Racetrack video lottery	22,462	23,918	95,365	99,442
Limited video lottery	14,556	13,846	57,041	55,331
Table games	1,171	1,448	5,003	6,047
Historic resort	237	241	1,164	843
	<u>39,368</u>	<u>40,297</u>	<u>162,707</u>	<u>165,547</u>
Less on-line prizes	2,766	2,646	14,424	13,016
Less instant prizes	5,454	4,559	20,288	19,958
Less ticket costs	81	95	393	480
Less vendor fees and costs	704	440	2,577	2,264
	<u>9,005</u>	<u>7,740</u>	<u>37,682</u>	<u>35,718</u>
Gross profit	<u>38,837</u>	<u>39,778</u>	<u>162,839</u>	<u>164,484</u>
Administrative expenses				
Advertising and promotions	404	400	1,853	2,084
Wages and related benefits	788	771	3,328	3,348
Telecommunications	80	95	267	455
Contractual and professional	357	314	1,477	1,465
Rental	(16)	30	64	133
Depreciation and amortization	103	108	402	432
Other administrative expenses	140	131	552	630
	<u>1,856</u>	<u>1,849</u>	<u>7,943</u>	<u>8,547</u>
Other Operating Income	<u>167</u>	<u>147</u>	<u>3,297</u>	<u>1,641</u>
Operating Income	<u>37,148</u>	<u>38,076</u>	<u>158,193</u>	<u>157,578</u>
Nonoperating income (expense)				
Investment income	97	26	502	250
Distributions to municipalities and counties	(582)	(554)	(2,282)	(2,213)
Distributions -capital reinvestment	(15)	(15)	(80)	(51)
Distributions to the State of West Virginia	(36,648)	(37,533)	(156,333)	(155,564)
	<u>(37,148)</u>	<u>(38,076)</u>	<u>(158,193)</u>	<u>(157,578)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>53,019</u>	<u>52,372</u>	<u>53,019</u>	<u>52,372</u>
Net position, end of period	<u>\$ 53,019</u>	<u>\$ 52,372</u>	<u>\$ 53,019</u>	<u>\$ 52,372</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FOUR MONTH PERIOD ENDED OCTOBER 31, 2017

(In Thousands)

-Unaudited-

	2018	2017
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 360,759	\$ 362,297
Cash payments for:		
Personnel costs	(3,329)	(3,297)
Suppliers	(4,545)	(4,916)
Other operating costs	(196,582)	(203,629)
Cash provided by operating activities	<u>156,303</u>	<u>150,455</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(201,614)	(217,235)
Distributions to municipalities and counties	(2,247)	(2,202)
Distributions to racetrack from racetrack cap. reinv. fund	(5,515)	(8,047)
Cash used in noncapital financing activities	<u>(209,376)</u>	<u>(227,484)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(1,562)</u>	<u>(145)</u>
Cash flows from investing activities:		
Investment earnings received	<u>507</u>	<u>285</u>
Increase (decrease) in cash and cash equivalents	(54,128)	(76,889)
Cash and cash equivalents - beginning of period	<u>156,550</u>	<u>166,621</u>
Cash and cash equivalents - end of period	<u>\$ 102,422</u>	<u>\$ 89,732</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 158,193	\$ 157,578
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	402	432
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(5,766)	(5,093)
(Increase) decrease in inventory	101	(241)
(Increase) decrease in other assets	16	200
Increase (decrease) in estimated prize claims	943	(1,173)
Increase (decrease) in accounts payable	(436)	(267)
Increase (decrease) in other accrued liabilities	2,850	(981)
Cash provided by operating activities	<u>\$ 156,303</u>	<u>\$ 150,455</u>

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 1 - LEGISLATIVE ENACTMENT

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the “State Lottery Fund.” The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a blended proprietary fund component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*,” the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

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

USE OF ESTIMATES – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management’s estimates.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LOTTERY GAME OPERATIONS – The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

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

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state “jackpot” game; HOT LOTTO®, a multi-state “lotto” game; Mega Millions®, a multi-state “jackpot” game; Cash25 “lotto” game; Daily 3 and 4 “numbers” games; and Travel, a daily “keno” game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent’s on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery’s sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games’ prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue “gross terminal income” equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The legislation further stipulates the distribution of revenues from video lottery games, and requires any video lottery licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

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

CASH AND CASH EQUIVALENTS – Cash and cash equivalents primarily consist of interest-earning deposits in an external investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7 like pool carried at amortized cost which approximates fair value of the underlying securities.

INVENTORY – Inventory consists of instant game tickets available for sale to approved Lottery retailers and is carried at cost as determined by the specific identification method.

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

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

ADVERTISING AND PROMOTIONS – The Lottery expenses the costs of advertising and promotions as they are incurred.

COMPENSATED ABSENCES – The Lottery has accrued \$573,725 and \$569,988 of at June 30, 2017 and 2016, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan (see Note 16).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION – Net position is presented as restricted, unrestricted and net investment in capital assets which represent the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

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

NOTE 3 - CASH AND CASH EQUIVALENTS

At October 31, 2017 the carrying amounts of deposits (overdraft) with financial institutions were \$486 thousand with a bank balance (overdraft) of \$543 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia’s agent in the State’s name.

A summary of the amount on deposit with the West Virginia Board of Treasury Investments (BTI) is as follows (in thousands):

	<u>October 31, 2017</u>	<u>June 30, 2017</u>
Deposits with financial institutions	\$ 486	\$ 468
Cash on hand at the Treasurer's Office	15,541	17,239
Investments with BTI reported as cash equivalents	86,395	138,843
	<u>\$ 102,422</u>	<u>\$ 156,550</u>

The deposits with the BTI are part of the State of West Virginia’s consolidated investment cash liquidity pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the month ended October 31, 2017 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2017	Additions	Deletions	Historical Cost At October 31, 2017
Construction in Progress	\$ 1,350	\$ 20	\$ (741)	\$ 629
Buildings	46,207	2,036	-	48,243
Land	1,434	247	-	1,681
Equipment	6,741	-	-	6,741
	<u>\$ 55,732</u>	<u>\$ 2,303</u>	<u>\$ (741)</u>	<u>\$ 57,294</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2017	Additions	Deletions	Historical Cost At October 31, 2017
Buildings	\$ 5,247	\$ 397	\$ -	\$ 5,644
Equipment	6,706	5	-	6,711
	<u>\$ 11,953</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ 12,355</u>

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the HOT LOTTO® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, HOT LOTTO® and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended October 31, 2017 and fiscal year-to-date is as follows:

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

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

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 2,043,174	\$ 14,539,834
Hot Lotto	533,624	2,219,733
Mega Millions	693,667	4,367,937
Total	\$ 3,270,465	\$ 21,127,504

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,021,709	\$ 7,270,562
Hot Lotto	266,812	1,110,049
Mega Millions	351,990	2,189,188
Total	\$ 1,640,511	\$ 10,569,799

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

	<u>PowerBall</u>	<u>Hot Lotto</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$125,000,000	\$9,000,000	\$45,000,000

At October 31, 2017, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 111,453,952	\$ 1,516,323
Hot Lotto	6,918,607	493,881
Mega Millions	39,991,550	546,717
Total	<u>\$ 158,364,109</u>	<u>\$ 2,556,921</u>

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third

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

of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$15,339,800 at October 31, 2017, of which the Lottery's share was \$1,408,772.

NOTE 6 - RACETRACK VIDEO LOTTERY

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (57%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 10 titled "Nonoperating Distributions to the State of West Virginia."

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

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

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.

After deduction of the surcharge, 49% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (5%); and the local county and incorporated municipality governments (2%).

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 10.

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Ohio, Rhode Island, Maryland, and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended October 31, 2017 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 460,570	\$ 489,426	\$ 1,953,226	\$ 2,015,015
Credits (prizes) won	(413,167)	(439,280)	(1,752,524)	(1,807,759)
Promotional credits played	(6,459)	(6,544)	(26,871)	(25,973)
MWAP Contributions	(3)	(7)	(11)	(32)
Gross terminal income	40,941	43,595	173,820	181,251
Administrative costs	(1,638)	(1,744)	(6,953)	(7,250)
Net Terminal Income	39,303	41,851	166,867	174,001
Less distribution to agents	(22,462)	(23,918)	(95,365)	(99,442)
Racetrack video lottery revenues	<u>\$ 16,841</u>	<u>\$ 17,933</u>	<u>\$ 71,502</u>	<u>\$ 74,559</u>

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

	October 31, 2017	Year-to-Date
State Lottery Fund	\$ 11,791	\$ 50,060
State Excess Lottery Revenue Fund	5,050	21,442
Capital Reinvestment Fund	-	-
Total nonoperating distributions	<u>\$ 16,841</u>	<u>\$ 71,502</u>

NOTE 7 - LIMITED VIDEO LOTTERY

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - LIMITED VIDEO LOTTERY (continued)

stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses.

A summary of limited video lottery revenues for the month ended October 31, 2017 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Total credits played	\$ 366,936	\$ 345,947	\$ 1,441,820	\$ 1,374,108
Credits (prizes) won	(337,230)	(317,690)	(1,325,410)	(1,261,188)
Gross terminal income	\$ 29,706	\$ 28,257	\$ 116,410	\$ 112,920
Administrative costs	(594)	(565)	(2,328)	(2,258)
Gross Profit	29,112	27,692	114,082	110,662
Commissions	(14,556)	(13,846)	(57,041)	(55,331)
Municipalities and Counties	(582)	(554)	(2,282)	(2,213)
Limited video lottery revenues	<u>\$ 13,974</u>	<u>\$ 13,292</u>	<u>\$ 54,759</u>	<u>\$ 53,118</u>

NOTE 8 – TABLE GAMES

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

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

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located. Transfer three percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

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

NOTE 8 – TABLE GAMES (continued)

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

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 10- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended October 31, 2017 were \$7,895,586 and \$33,712,628, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2018	2017	2018	2017
Table Games Privilege Tax	\$ 2,763	\$ 3,415	\$ 11,799	\$ 14,267
Interest on Table Games Fund	2	2	13	7
Administrative costs	(237)	(293)	(1,011)	(1,223)
Total Available for Distribution	<u>2,528</u>	<u>3,124</u>	<u>10,801</u>	<u>13,051</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	177	220	759	917
Thoroughbred & Greyhound Development Funds	142	176	607	734
Racing Association Pension Plan	70	86	297	359
Municipalities/ Counties	<u>782</u>	<u>966</u>	<u>3,340</u>	<u>4,037</u>
Total Distributions	<u>1,171</u>	<u>1,448</u>	<u>5,003</u>	<u>6,047</u>
Excess Lottery Fund	<u>\$ 1,357</u>	<u>\$ 1,676</u>	<u>\$ 5,798</u>	<u>\$ 7,004</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 9 – HISTORIC RESORT HOTEL

In 2009, the Legislature passed Senate Bill 575 which permits video lottery and table games at a licensed historic resort hotel which is defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility.”

Historic Resort Video Lottery

According to Senate Bill 575, thirty six percent (36%) of gross terminal income is allocated to Historic Resort Hotel Fund and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for each licensed historic resort hotel. The remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the historic resort hotel.

A summary of historic resort hotel video lottery revenues for the month ended October 31, 2017 and fiscal year-to-date follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Total credits played	\$ 5,149	\$ 6,350	\$ 26,744	\$ 20,126
Credits (prizes) won	(4,788)	(5,950)	(24,851)	(18,787)
Promotional credits played	(34)	(85)	(204)	(250)
Gross terminal income	<u>327</u>	<u>315</u>	<u>1,689</u>	<u>1,089</u>
Capital reinvestment	(15)	(15)	(80)	(51)
Excess Lottery Fund	(3)	(3)	(15)	(10)
Administrative costs	(18)	(17)	(91)	(59)
Hotel commissions	<u>(138)</u>	<u>(133)</u>	<u>(714)</u>	<u>(460)</u>
Net terminal income	153	147	789	509
Historic Resort Hotel Fund	97	94	502	324
Human Resource Benefit Fund	56	53	287	185

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 9 – HISTORIC RESORT HOTEL (continued)

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended October 31, 2017 were \$340,131 and \$1,076,445, respectively.

The following table shows the month and fiscal year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Table games privilege tax	\$ 119	\$ 168	\$ 377	\$ 622
Administrative Costs	<u>(15)</u>	<u>(21)</u>	<u>(48)</u>	<u>(80)</u>
Total Available for Distribution	104	147	329	542
Historic Resort Hotel Fund	87	123	275	453
Human Resource Benefit Fund	17	24	54	89

Historic Resort Hotel Fund

Of the monies deposited into the Historic Resort Hotel Fund, fifteen percent (15%) is allocated for lottery administrative costs. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) is distributed as follows:

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands):

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 97	\$ 502
Historic Resort Table Games	87	275
Interest on Historic Resort Hotel Fund	-	1
Historic Resort Hotel Fund Net Income	<u>184</u>	<u>778</u>
Municipalities/ Counties	26	109
Excess Lottery Fund	158	669
Total Distributions	<u>\$ 184</u>	<u>\$ 778</u>

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

NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2018 the State Legislature budgeted \$146,410,008 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended October 31, 2017 the Lottery has accrued additional distributions of \$87,411,744. The Lottery is a non-appropriated state agency and therefore does not a budget adopted by the Legislature.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>October 31, 2017</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 1,999
Bureau of Senior Services	5,720	51,696
Department of Education	2,167	13,757
Library Commission	1,375	8,728
Higher Education-Policy Commission	838	5,329
Tourism	777	4,630
Natural Resources	371	2,354
Division of Culture & History	421	3,094
Department of Education & Arts	114	725
General Revenue Fund	-	-
Economic Development Authority	999	3,998
School Building Authority	1,800	7,200
Total State Lottery Fund	<u>\$ 15,082</u>	<u>\$ 103,510</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,900	\$ 7,595
Higher Education Improvement Fund	1,500	6,000
General Purpose Account	5,528	14,893
Higher Education Improvement Fund	2,467	6,644
State Park Improvement Fund	425	1,146
School Building Authority	1,899	7,598
Refundable Credit	306	680
WV Racing Commission	170	458
WV Department of Health and Human Resources	-	-
Teacher's Retirement Savings	-	-
Division of Human Services	-	26,900
WV Lottery Statutory Transfers	5,365	14,453
General Revenue	-	-
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	4,002	11,564
Total State Excess Lottery Revenue Fund	\$ 23,562	\$ 97,931
Total Budgetary distributions:	\$ 38,644	\$ 201,441
Veterans Instant Ticket Fund	\$ 23	\$ 173
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 38,667	\$ 201,614
Accrued nonoperating distributions, beginning	(89,431)	(132,693)
Accrued nonoperating distributions, end	87,412	87,412
	\$ 36,648	\$ 156,333

NOTE 11 – LEASES

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended October 31, 2017 and October 31, 2016 approximated \$64,421 and \$132,801 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended October 31, 2017 and October 31, 2016 approximated \$347,536 and \$320,939 respectively.

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

NOTE 12 – COMMITMENTS

For the years ended June 30, 2017 and 2016 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2017 and 2016, \$9,460,433 and \$9,655,947, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

NOTE 13 - RETIREMENT BENEFITS

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 13.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending October 31, 2017 and fiscal year-to-date are as follows (in thousands):

	October 31, 2017	Year-to-Date
Employee contributions	\$ 26	\$ 121
Lottery contributions	63	290
Total contributions	\$ 89	\$ 411

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 14 - RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia. Each of these risk pools has issued separate audited financial reports on their operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

WORKERS' COMPENSATION INSURANCE

The Lottery carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a monthly rated premium to provide compensation for injuries sustained in the course of employment.

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage to the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 15– OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund (Trust), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, South East, Suite 2, Charleston, West Virginia, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is \$357 and \$429 per employee per month for the years ending June 30, 2017 and 2016 respectively. Through June 30, 2017 and 2016, the Lottery has paid premiums of \$288,942 and \$284,421. As of June 30, 2017 and 2016, the Lottery has recorded a liability of \$5,206,989 and \$4,990,361 on its balance sheet for OPEB.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE
 LOTTERY FUND AND EXCESS LOTTERY FUND
 FOR THE FOUR MONTH PERIOD ENDED OCTOBER 31, 2017
 (In Thousands)**

	Current Month		FISCAL YEAR	
	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Gross Revenues				
Instant games	8,303	7,667	30,892	30,667
On-line games	5,051	5,417	28,241	21,667
Racetrack video lottery	40,941	37,825	173,820	159,678
Limited video lottery	29,706	28,438	116,411	113,644
Racetrack table games	2,762	2,775	11,796	11,599
Historic resort	446	550	2,066	2,067
Total gross revenues	<u>87,209</u>	<u>82,672</u>	<u>363,226</u>	<u>339,322</u>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,042	891	3,995	3,564
On-line games	1,226	1,555	7,932	6,220
Racetrack Video Lottery	11,808	10,894	50,159	45,987
Total Lottery Fund net revenues	<u>14,076</u>	<u>13,340</u>	<u>62,086</u>	<u>55,771</u>
Excess Lottery Fund				
Racetrack Video Lottery	5,057	4,666	21,481	19,698
Limited Video Lottery	14,034	13,955	55,055	54,683
Limited Video Lottery Fees	33	-	2,759	5,454
Racetrack table games	1,358	1,361	5,798	5,689
Historic resort	161	229	683	839
Total Excess Lottery Fund Net Revenues	<u>20,643</u>	<u>20,211</u>	<u>85,776</u>	<u>86,363</u>
Total Net Revenues	<u>34,719</u>	<u>33,551</u>	<u>147,862</u>	<u>142,134</u>

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor



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

304-347-4870

Memorandum

To: Honorable Chairmen and Members of the Joint Committee on
Government and Finance

From: William Spencer, C.P.A.
Director, Budget Division
Legislative Auditor's Office

Date: January 02, 2018

Re: Status of General Revenue Fund and State Road Fund as of
December 31, 2017 (FY 18)

We have reviewed the cash flow of the West Virginia general revenue fund as of December 31, 2017 which is the end of the sixth month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 100.26% of the estimate for the fiscal year. Total collections were \$5 million above the estimate for the fiscal year.

Personal Income Tax collections were \$33 million above the estimate for the fiscal year.

Consumer sales and use tax collections were \$20 million below the estimate for the year.

Severance Tax was \$17.6 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$15.3 million above the estimate for the fiscal year.

State Road Fund

The state road fund collections were 114% of the estimate for the fiscal year. Total collections were \$52.6 million above the estimate for the fiscal year.

Rainy Day and Personal Income Tax Reserve *

Revenue Shortfall Reserve **Fund A** (Rainy Day Fund) had a cash balance of \$268,892,799.25 as of December 31, 2017.

Balance July 1, 2017	228,627,586.89
Fiscal year 17 surplus	38,000,000.00
Earnings	2,265,212.36
Balance December 31, 2017	268,892,799.25

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$440,631,199.88 as of December 31, 2017.

Balance July 1, 2017	423,784,505.60
Earnings	16,846,694.28
Balance December 31, 2017	440,631,199.88

The **Personal Income Tax Reserve** Fund had a \$5 million cash balance as of December 31, 2017.

Balance July 1, 2017	5,000,000.00
Balance December 31, 2017	5,000,000.00

* - \$60 million loaned to General Revenue Fund 7/1/2017 for beginning of year cash flow, paid 9/18/2017; reloaned 09/28/17, repaid 12/18/17.

GENERAL REVENUE FUND FY 2017-2018

By Source and by Month

Monthly Revenue Estimates

as of December 31, 2017 OASIS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Personal Income Tax	150,600,000	172,051,344	21,451,344	850,220,000	883,188,285	32,968,285
Consumer Sales Tax & Use Tax	115,100,000	110,457,673	-4,642,327	613,500,000	593,364,018	-20,135,982
Severance Tax	27,200,000	26,034,831	-1,165,169	155,900,000	138,349,646	-17,550,354
Corp Income /Business Franchise	21,000,000	24,259,723	3,259,723	53,300,000	68,553,224	15,253,224
Insurance Tax	-100,000	287,094	387,094	58,900,000	58,943,969	43,969
Tobacco Products Tax	17,100,000	16,194,059	-905,941	95,300,000	91,798,538	-3,501,462
Business and Occupation	6,000,000	5,666,182	-333,818	53,500,000	48,961,264	-4,538,736
Liquor Profit Transfers	1,500,000	1,528,000	28,000	9,300,000	10,658,676	1,358,676
Departmental Collections	1,000,000	1,176,283	176,283	6,300,000	7,227,266	927,266
Property Transfer Tax	1,000,000	630,473	-369,527	5,610,000	6,349,609	739,609
Property Tax	200,000	102,737	-97,263	4,310,000	4,275,587	-34,413
Beer Tax and Licenses	470,000	468,772	-1,228	3,615,000	3,403,289	-211,711
Miscellaneous Transfers	25,000	0	-25,000	335,000	1,884,129	1,549,129
Interest Income	1,400,000	409,893	-990,107	7,300,000	3,511,714	-3,788,286
Senior Tax Credit Reimbur Lty	0	0	0	500,000	680,478	180,478
HB 102 - Lottery Transfers	4,840,000	4,606,253	-233,747	26,142,000	24,195,099	-1,946,901
Miscellaneous Receipts	2,600,000	3,258,253	658,253	6,000,000	9,640,323	3,640,323
Business Fran Registration Fees	48,000	43,050	-4,950	308,000	307,980	-20
Estate & Inheritance Tax	0	0	0	0	100	100
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfers	770,000	346,880	-423,120	15,590,000	13,212,028	-2,377,972
Charter Tax	0	886	886	0	5,507	5,507
Video Lottery Transfers	0	22,770	22,770	0	86,167	86,167
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	-60,000,000	-60,000,000	0	0	0
SUBTOTALS	350,753,000	307,545,159	-43,207,841	1,965,930,000	1,968,596,895	2,666,895
Less: Cash Flow Transfer	0	(60,000,000)	(60,000,000)	0	0	0
Less: Special Revenue Transfer	770,000	346,880	(423,120)	15,590,000	13,212,028	(2,377,972)
TOTALS	349,983,000	367,198,278	17,215,278	1,950,340,000	1,955,384,867	5,044,867

Percent of Estimates

104.92%

100.26%

Collections this day

25,167,156

**STATE ROAD FUND FY 2017-2018
By Source and by Month
Monthly Revenue Estimates
as of December 31, 2017 OASIS**

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Gasoline & Motor Carrier Rd Tax	26,200,000	17,446,624	-8,753,376	203,700,000	206,924,786	3,224,786
Privilege Tax	14,457,000	15,431,725	974,725	116,163,000	106,011,741	-10,151,259
Licenses & Registration	8,114,000	11,919,561	3,805,561	54,969,000	71,499,273	16,530,273
Miscellaneous	0	923,540	923,540	0	42,940,081	42,940,081
Highway Litter Control	113,000	77,682	-35,318	765,000	780,379	15,379
TOTALS	48,884,000	45,799,132	-3,084,868	375,597,000	428,156,259	52,559,259
Percent of Estimates		93.69%			113.99%	
Collections this day		3,754,818				

REVENUE SHORTFALL RESERVE FUND 7005, Part A as of December 31, 2017 : \$ 268,892,799.25

\$60 million loaned to General Revenue Fund 7/1/2017 for beginning of year cash flow, paid 09/18/2017; reloaned 9/28/17, repaid 12/18/2017.

REVENUE SHORTFALL RESERVE FUND 7006, Part B as of December 31, 2017: \$440,631,199.88

PERSONAL INCOME TAX REFUND RESERVE FUND as of December 31, 2017: \$5,000,000.00

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor



*Budget Division
Building 1, Room 314-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590
304-347-4870*

To: Honorable Chairmen and Members of the Joint Committee on
Government and Finance

From: William Spencer, C.P.A.
Director Budget Division
Legislative Auditor's Office

Date: December 27, 2017

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the November 30, 2017 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of November 30, 2017 of fiscal year 2017-2018, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2017	\$ 68,378,244.21
Receipts July 1, 2017 thru June 30, 2018	\$ 78,988,109.97
Disbursements July 1, 2017 thru June 30, 2018	\$ 52,436,927.68
Balance November 30, 2017	\$ 94,929,426.50

ITEMS OF NOTE:

Regular benefits paid for July - November 2017 were \$ 33.8 million less than July - November 2016.

Federal emergency benefits totaled \$ -37 thousand for July - November 2016. For July - November 2017, federal emergency benefits totaled \$ -28 thousand.

Total disbursements were \$ 34 million less in July - November 2017 than the preceding July - November 2016.

Receipts for July - November 2017, were \$ 549 thousand more than in July - November 2016. Overall ending trust fund balance was \$ 50 million higher on November 30, 2017 than on November 30, 2016.

Seasonally adjusted unemployment rates for November 2017 were 5.3 percent for West Virginia and 4.1 percent nationally.

Since November 2016, employment has decreased by 6,300. Employment gains included 3,700 in educational and health services, 900 in mining and logging, 2,300 in construction, 1,200 in leisure and hospitality, and 200 in financial activities. Employment declines included 500 in manufacturing, 3,200 in trade, transportation, and utilities, 400 in information, 500 in professional and business services, 200 in other services, and 9,800 in government. The sizeable decline in government was due almost entirely to the loss of election poll workers over the year.

December 8, 2017

William Spencer
Budget Division
Office of the Legislative Auditor
Building 1, Room 332-West Wing
1900 Kanawha Boulevard East
Charleston, WV 25305-0590

RE: Monthly Status Report

Dear Mr. Spencer:

Please find attached, the Monthly Status Report for the Joint Committee on Government and Finance, Unemployment Compensation Trust Fund for the month of November 2017.

If you have any questions or need any additional information, please feel free to contact Michelle Painter at 304-558-2631 or Michelle.Painter@wv.gov.

Sincerely



Russell L. Fry
Acting Executive Director

RLF/gew

Enclosure

pc: Jim Justice

112 California Avenue • Charleston, WV 25305-0004
304.558.7024 304.558.3512 (fax)

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**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING SEPTEMBER 2016 AND SEPTEMBER 2017**

	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	THREE MONTH TOTAL VARIANCE *
Balance Forward	<u>\$58,697,024.60</u>	<u>\$46,674,555.45</u>	<u>\$47,367,509.94</u>	<u>\$91,175,365.16</u>	<u>\$84,317,763.69</u>	<u>\$93,302,867.79</u>	<u>\$116,056,906.65</u>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	<u>\$1,402,704.16</u>	<u>\$16,974,369.67</u>	<u>\$11,942,706.73</u>	<u>\$938,664.87</u>	<u>\$19,510,960.95</u>	<u>\$41,330,832.52</u>	<u>\$1,460,677.78</u>
3. Federal Emergency Benefits (EUCOB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	<u>\$53,736.27</u>	<u>\$65,644.10</u>	<u>\$63,438.03</u>	<u>\$50,517.26</u>	<u>\$73,581.28</u>	<u>\$72,172.13</u>	<u>\$13,452.27</u>
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	<u>\$308,120.62</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$462,909.85</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$154,789.23</u>
11. UCX (Military Agencies)	<u>\$87,309.52</u>	<u>\$89,978.02</u>	<u>\$89,472.31</u>	<u>\$41,109.96</u>	<u>\$56,615.82</u>	<u>\$46,625.01</u>	<u>(\$122,409.08)</u>
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. CMIA Receipts	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Monthly Receipts	<u>\$1,851,870.57</u>	<u>\$17,129,991.79</u>	<u>\$12,095,617.07</u>	<u>\$1,493,201.94</u>	<u>\$19,641,156.05</u>	<u>\$11,449,629.66</u>	<u>\$1,506,510.22</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)
Regular Benefits:	<u>\$13,738,368.78</u>	<u>\$16,275,619.47</u>	<u>\$14,185,301.13</u>	<u>\$8,265,210.20</u>	<u>\$10,527,869.76</u>	<u>\$9,707,988.88</u>	<u>(\$15,698,220.52)</u>
Federal Emergency Benefits (EUCOB)	<u>(\$5,316.05)</u>	<u>(\$7,238.10)</u>	<u>(\$7,950.36)</u>	<u>(\$3,723.00)</u>	<u>(\$5,847.88)</u>	<u>(\$6,624.52)</u>	<u>\$4,309.11</u>
Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	<u>(\$15.00)</u>	<u>(\$15.00)</u>	<u>(\$65.00)</u>	<u>(\$95.00)</u>
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCFE (Federal Workers) Benefits	<u>\$54,357.89</u>	<u>\$68,916.04</u>	<u>\$60,782.80</u>	<u>\$45,145.25</u>	<u>\$77,210.25</u>	<u>\$75,821.58</u>	<u>\$14,120.35</u>
UCX (Military Workers) Benefits	<u>\$86,929.12</u>	<u>\$99,739.89</u>	<u>\$80,880.58</u>	<u>\$44,185.96</u>	<u>\$56,836.82</u>	<u>\$45,950.01</u>	<u>(\$120,578.80)</u>
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Administrative Transfer**	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Monthly Disbursements	<u>\$13,874,339.72</u>	<u>\$16,437,037.30</u>	<u>\$14,319,014.15</u>	<u>\$8,350,803.41</u>	<u>\$10,656,053.95</u>	<u>\$9,823,070.95</u>	<u>(\$15,800,482.86)</u>
Trust Fund Balance	<u>\$46,674,555.45</u>	<u>\$47,367,509.94</u>	<u>\$45,144,112.86</u>	<u>\$84,317,763.69</u>	<u>\$93,302,867.79</u>	<u>\$94,929,426.50</u>	<u>\$133,363,879.73</u>

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

**Note: UI Trust Fund Balance Includes Trust Fund Loan from the Revenue Shortfall Reserve Fund per Senate Bill 558 passed March 9, 2016:

Borrowed on 3/11/2016	38,000,000.00
Repaid on 5/17/2016	(38,000,000.00)
Borrowed on 12/5/2016	50,000,000.00
Repaid on 5/4/2017	(50,000,000.00)
Outstanding Loan from Revenue Shortfall Reserve Fund	<u>\$0.00</u>

**Note: Reed Act funds of \$549,468.24 previously drawn down were unexpended and returned to Trust Fund on deposit with the U.S. Treasury.

UC TRUST FUND BALANCES & PROJECTIONS - 2018

January 2, 2018

Month	Receipts	Disbursements	Trust Fund Balance
2017			
Balance 1/1/2017			\$ 31,555,110
January	\$ 15,548,229	\$ 22,205,764	\$ 24,897,575
February	\$ 7,902,487	\$ 18,214,907	\$ 14,585,155
March	\$ 1,765,440	\$ 14,720,577	\$ 1,630,018
April	\$ 25,313,026	\$ 14,899,941	\$ 12,043,103
May	\$ 76,641,488	\$ 12,160,006	\$ 76,524,585
June	\$ 2,054,794	\$ 10,201,135	\$ 68,378,244
July	\$ 27,491,687	\$ 13,035,011	\$ 82,834,920
August	\$ 18,912,434	\$ 10,571,989	\$ 91,175,365
September	\$ 1,493,202	\$ 8,350,803	\$ 84,317,764
October	\$ 19,641,158	\$ 10,656,054	\$ 93,302,868
November	\$ 11,449,630	\$ 9,823,071	\$ 94,929,427
December	\$ 1,245,461	\$ 14,406,191	\$ 81,768,697
Totals - 2017	\$ 209,459,036	\$ 159,245,449	\$ 81,768,697

2018			
January	\$ 16,370,730	\$ 16,903,028	\$ 81,236,399
February	\$ 8,320,529	\$ 13,865,187	\$ 75,691,741
March	\$ 1,858,832	\$ 11,205,303	\$ 66,345,270
April	\$ 26,652,085	\$ 11,341,835	\$ 81,655,520
May	\$ 80,695,823	\$ 9,256,197	\$ 153,095,146
June	\$ 2,163,493	\$ 7,765,104	\$ 147,493,535
July	\$ 28,945,997	\$ 9,922,250	\$ 166,517,282
August	\$ 19,912,902	\$ 8,047,398	\$ 178,382,786
September	\$ 1,572,192	\$ 6,356,631	\$ 173,598,347
October	\$ 20,680,175	\$ 8,111,388	\$ 186,167,134
November	\$ 12,055,315	\$ 7,477,322	\$ 190,745,127
December	\$ 1,311,346	\$ 10,965,993	\$ 181,090,480
Totals - 2018	\$ 220,539,419	\$ 121,217,636	\$ 181,090,480

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PEIA January Interim Talking Points

- **PEIA and RHBT preliminary financial results for November 2017 are available for your review.**
- **PEIA is currently ahead of plan by \$10 million. This is primarily due to marginally lower than forecast expenses.**
- **RHBT is currently ahead of plan by \$42 million. This is attributable to higher than forecast investment income and favorable claims experience.**
- **The 2018 year-end reserve for the State Fund and non-State Fund are projected to be \$140 and \$40 million respectively.**
- **These reserve levels represent 19.7% and 28.8% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**

Jim Justice
Governor



Ted Cheatham
Director

WV Toll-free: 1-888-680-7342 • Phone: 1-304-558-7850 • Fax: 1-304-558-2470 • Internet: www.wvpeia.com

December 28, 2017

Joint Committee on Government and Finance
Senate Finance – 451M
State Capitol Complex
Charleston, WV 25305

1. The Fiscal Year 2017 Financial Report page A-1 indicates the June 30, 2018 fund balances will be as follows:

	PEIA		RHBT
	State Fund	Non-State Fund	OPEB Fund
June 30, 2018	\$140,491,185	\$40,335,853	\$929,362,055

2. Per §5-16-25 the statutorily required reserve for the purposes of offsetting unanticipated claims losses (current FY costs) is the actuarial recommended reserve.

The current recommendation is 14% of the fiscal year expenses for PEIA and RHBT. Per the Quarterly Report, the percentage will be as follows at year end:

June 30, 2018	State Fund Reserve	Non-State Fund Reserve	Total
Reserve Balance	\$140,491,185	\$40,335,853	\$180,827,038
Percentage	19.7%	28.8%	21%
	reserve/current FY costs		

3. The objective of the OPEB Reserve is to reach a fully funded status of the actuarially accrued liability (AAL). Therefore, the target is 100%. The reserve balance represents 28% of the actuarially required balance:

	RHBT
June 30, 2018	OPEB Reserve
Reserve Balance	\$929,362,055
Percentage	28%
	OPEB Reserve/Actuarial Accrued Liability

4. Anticipated events that may significantly reduce or increase the amount of funds:

The primary anticipated reduction events are the ongoing forecast increases in the cost of healthcare. The below chart indicates the actuarial projected increases in costs for the medical and prescription drugs of the plan. These increased costs represent a total increase of \$362 million over the next four years, requiring an average of \$90 million a year in either increased premiums or benefit reductions.

	FY 2019	FY 2020	FY 2021	FY 2022
Medical Trend	8.0%	9.5%	9.0%	9.5%
Rx Trend	12.0%	12.5%	13.0%	13.5%

5. Total amount of benefit payments paid for the month:

	PEIA	RHBT	Total
November 2017	\$41,853,000	\$19,746,000	\$61,599,000

Sincerely,



Jason A. Haight, CPA
Chief Financial Officer

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the Five Months Ending Thursday, November 30, 2017
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
	\$	\$	\$	\$
			%	%
OPERATING REVENUE				
Operating Revenue				
Health Insurance - State Gov. - Employers	\$217,892	(\$6,113)	(4%)	(28%)
Health Insurance - State Gov. - Employees	54,093	(1,167)	(2%)	(2%)
Health Insurance - Local Gov. - All	47,463	296	1%	(18%)
Administrative Fees, Net of Refunds	1,931	(303)	(14%)	(1%)
Other Premium Revenue	627	83	12%	24%
Total Operating Revenue	322,006	(7,204)	(3%)	(22%)
NON-OPERATING REVENUE				
Life Insurance	284	556	101%	289%
Direct Transfer	3,333	0	0%	25%
Interest and Investment Income	3,353	3,981	158%	94%
WV RHBT Pay Go Premiums	0	(1,797)	(3%)	0%
Total Non-Operating Revenue	6,970	2,740	4%	1,000%
TOTAL REVENUE	328,976	(4,464)	(1%)	(0%)
EXPENSES				
Claims Expense - Medical	162,568	18,330	11%	7%
Claims Expense - Drugs	53,671	(4,310)	(8%)	(5%)
Payments to Managed Care Org.	17,393	455	2%	(4%)
Administrative Service Fees	4,336	(967)	(26%)	(8%)
Wellness and Disease Management	619	400	66%	67%
Other Operating Expenses	1,491	(589)	(45%)	(27%)
Life Insurance Expense	594	171	31%	36%
ACA Comparative Effectiveness Fee	131	0	0%	(2%)
ACA Reinsurance Contribution	750	0	0%	100%
WV RHBT Pay Go Premiums	73,483	1,797	3%	12%
TOTAL EXPENSES	315,036	15,287	5%	5%
YTD Surplus (Deficit)	13,940	10,823	57%	113%
Total Net Position, Beginning of Period	98,130	50,914		52%
Total Net Position, End of Period	\$112,070	\$66,705	6%	60%

West Virginia Retiree Health Benefit Trust Fund
 STATEMENT OF CHANGES IN PLAN NET POSITION
 For the Five Months Ending Thursday, November 30, 2017
 (In Thousands)

	ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
	\$	\$	\$	%	%
ADDITIONS					
Employer Premiums:					
Health premiums	\$1,379	\$1,345		(6%)	(4%)
Pay Go Premiums	54,142	55,733	61,257	(3%)	(12%)
Annual required contributions	534	0	23	0%	2,258%
Total Employer Premiums	55,967	57,113	62,625	(2%)	(11%)
Member Premiums:					
Health premiums	35,007	37,191	33,781	(6%)	4%
Pay Go Premiums	10,728	10,933	12,226	(2%)	(12%)
Life Insurance Premiums	9,802	9,966	9,496	(2%)	3%
Total Member Premiums	55,536	58,091	55,503	(4%)	0%
Total Premium Additions	111,503	115,203	118,128	(3%)	(6%)
Other Additions:					
Retiree Drug Subsidy	500	500	500	0%	0%
Investment Income	52,444	18,851	25,743	178%	104%
General Revenue Transfers - OPEB Liability	12,500	12,500	12,500	0%	0%
General Revenue Transfers - Premium	2,083	2,083	2,083	0%	0%
TOTAL ADDITIONS	179,031	149,138	158,954	20%	13%
DEDUCTIONS					
Payments to Managed Care Org.	58,185	63,064	65,625	8%	11%
Life Insurance Expense	9,427	9,821	9,376	4%	(1%)
Medical Claims Expense	22,264	28,938	30,397	23%	27%
Pharmacy Claims Expense	13,134	13,534	14,048	3%	7%
Comparative Effectiveness Research Fee	13	13	13	0%	(2%)
ACA Reinsurance Contribution	0	0	83	0%	100%
Administrative Service Fees (External)	591	442	688	(34%)	14%
Other Operating Expenses	1,076	1,774	1,409	39%	24%
TOTAL DEDUCTIONS	104,691	117,587	121,638	11%	14%
NET POSITION INCREASE	74,340	31,551	37,316	136%	99%
Net Position Restricted for Post Employment Benefits					
Beginning of Period Total Net Position	823,911	823,911	685,668	0%	20%
End of Period Total Net Position	\$898,251	\$855,462	\$722,984	5%	24%

Accrual Basis / Unaudited / Internal Use Only
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West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET AND INCOME STATEMENT
For the Five Months Ending November 30, 2017

Talking Points

1. **Premium Revenue** thru November reflects the premiums earned for the first five months of the fiscal year. BRIM increased premiums in FY'18 to cover the projected increase in claims costs for the current fiscal year.
2. **Claims Expense** reflects all claims payments made thru November plus reserve changes. Claims loss trends hobbled net operating results thru November for both fiscal years.
3. **Investment Income** for fiscal year 2018 reflects a net gain of \$7.1 million for the first five months primarily due to the strong performance of the equity market vs. a loss of \$1.5 million for the same period last year.
4. In the prior fiscal year there was a transfer of \$2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of SB602. This transfer, in combination with higher claims expenses and investment losses, resulted in an \$8.7 million decrease to BRIM's net position thru November of last fiscal year. This year's investment returns resulted in an increase of \$6.3 million to BRIM's net position thru November of the current fiscal year.
5. BRIM has no un-funded liability and continues to pursue pro-active loss control initiatives.

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Five Months Ended November 30th

	<u>2017</u>	<u>2016</u>
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	24,255	19,327
Advance deposits with insurance company and trustee	198,511	201,520
Receivables	7,043	3,810
Prepaid insurance	3,915	3,895
Restricted cash and cash equivalents	12,037	8,588
Premiums due from other entities	643	620
Total current assets	<u>246,405</u>	<u>237,760</u>
Noncurrent assets:		
Equity position in internal investments pools	95,632	85,917
Restricted investments	55,227	49,617
Total noncurrent assets	<u>150,860</u>	<u>135,535</u>
Total assets	<u>397,265</u>	<u>373,295</u>
Deferred Outflows of Resources	458	387
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	15,969	14,253
Agent commissions payable	450	440
Claims Payable	0	7
Accrued expenses and other liabilities	2,358	2,350
Total current liabilities	<u>66,490</u>	<u>67,869</u>
Estimated unpaid claims and claims adjustment expense net of current portion	124,731	122,668
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	<u>125,605</u>	<u>123,226</u>
Total liabilities	<u>192,094</u>	<u>191,095</u>
Deferred Inflows of Resources	37	304
Net position:		
Restricted by State code for mine subsidence coverage	61,063	57,123
Unrestricted	138,265	133,837
Net Assets (Deficiency)	6,262	(8,677)
Net position	<u>\$ 205,591</u>	<u>\$ 182,283</u>

Unaudited

West Virginia Board of Risk and Insurance Management
 Statements of Revenues, Expenses, and Changes in Net Position

For the Five Months Ended November 30th

	2017	2016
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 33,184	\$ 29,627
Less coverage/reinsurance programs	(2,423)	(2,783)
Net operating revenues	30,761	26,844
Operating expenses		
Claims and claims adjustment expense	29,604	29,631
General and administrative	1,945	1,554
Total operating expenses	31,549	31,185
Operating income (loss)	(788)	(4,341)
Nonoperating revenues		
Investment income	7,050	(1,526)
SB 602 Reappropriation	-	(2,810)
Net nonoperating revenues	7,050	(4,336)
Changes in net position	6,262	(8,677)
Total net position, beginning of year	199,328	190,960
Total net position, end of period	\$ 205,591	\$ 182,283

Unaudited

Department of Administration Real Estate Division Leasing Report

For the period of December 1 - 31, 2017

There are a total of 10 leasing changes for this period and they are as follows:

- 3 – New Contract of Lease
- 2 – Straight Renewal
- 4 – Renewal with Increase in Rent
- 1 – Renewal with Decrease in Square Feet – DOA Owned

Department of Administration Real Estate Division Leasing Report
For the period of December 1, 2017 through December 31, 2017

NEW CONTRACT OF LEASE

STATE AUDITOR'S OFFICE – OASIS PROJECT

SAO-015 New contract of lease for 5 years consisting of 25,304 square feet of office space at the annual per square foot rate of \$11.25, annual cost of \$284,670.00, full service, excluding janitorial, 1007 Bullitt Street, in the City of Charleston, Kanawha County, West Virginia.

OFFICES OF THE INSURANCE COMMISSIONER

INS-034 New contract of lease for 5 years consisting of 5,565 square feet of office space at the annual per square foot rate of \$12.00, annual cost of \$66,780.00, full service, 1 Players Club Drive in the City of Charleston, Kanawha County, West Virginia.

DEPARTMENT OF VETERANS ASSISTANCE

VET-044 New contract of lease for 5 years consisting of 1,994 square feet of office space at the annual per square foot rate of \$15.00, annual cost of \$29,910.00, 300 Technology Drive, in the City of South Charleston, Kanawha County, West Virginia.

STRAIGHT RENEWAL

COUNCIL OF THE THREE RIVERS

CTR-001 Renewal for 1 year consisting of 250 square feet of office space at the current monthly rate of \$200.00 dollars, annual cost \$2,400.00, full service, 1321 Plaza East, City of Charleston, Kanawha County, West Virginia.

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-175 Renewal for 3 years consisting of 1,000 square feet of storage space at the current annual per square foot rate of \$3.60, annual cost \$3,600.00, 4710 Chimney Drive, in the City of Big Chimney, Kanawha County, West Virginia.

RENEWAL WITH INCREASE IN RENT

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-221 Renewal for 5 years consisting of 26,322 square feet of office/storage/warehouse space with an increase in the annual per square foot rate from \$4.25 to \$4.30, annual cost \$113,184.60, 900 Bullitt Street, in the City of Charleston, Kanawha County, West Virginia.

HHR-161 Renewal for 10 years consisting of 9,814 square feet of office space with an increase in the annual per square foot rate from \$12.45 to \$14.50 during years 1 – 5 and \$15.50 per square foot during years 6 - 10, annual cost years 1 – 5 is \$142,302.96 and years 6 – 10 is \$152,117.04, Route 1, Box 1462, in the City of Kingwood, Preston County, West Virginia.

RENEWAL WITH INCREASE IN RENT - CONTINUED

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-167 Renewal for 10 years consisting of 9,993 square feet of office space with an increase in the annual per square foot rate from \$12.95 to \$14.50 during years 1 – 5 and \$15.50 per square foot during years 6 - 10, annual cost years 1 – 5 is \$144,898.56 and years 6 – 10 is \$154,891.56, 18 N. Tornado Way, in the City of Keyser, Mineral County, West Virginia.

DEPARTMENT OF VETERANS ASSISTANCE

VET-025 Renewal for 3 years consisting of 646 square feet of office space with an increase in the annual per square foot rate from \$6.50 to \$7.43, annual cost \$4,800.00, full service, 400 Airport Road, in the City of Elkins, Randolph County, West Virginia.

RENEWAL WITH DECREASE IN SQUARE FEET – DOA OWNED

DIVISION OF HIGHWAYS

HWY-001 Renewal for 1 year with a decrease of square feet from 184,279 square feet to 183,903 square feet of office space at the current annual per square foot rate of \$10.93, annual cost \$167,504.98, full service, Building #5, 1900 Kanawha Boulevard East, in the City of Charleston, Kanawha County, West Virginia.

Real Estate Division
 Monthly Summary of Lease Activity
 December 1 - 31, 2017

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	State Auditor's Office	SAO-015	Kanawha	25,304	11.25	284,670	5	1,423,350 *
2	Offices of the Insurance Commissioner	INS-034	Kanawha	5,565	12.00	66,780	5	333,900
3	Department of Veteran's Assistance	VET-044	Kanawha	1,994	15.00	29,910	5	149,550
4	Council of the Three Rivers	CTR-001	Kanawha	250	9.60	2,400	1	2,400
5	Department of Health and Human Resources	HHR-175	Kanawha	1,000	3.60	3,600	3	10,800
6	Department of Health and Human Resources	HHR-221	Kanawha	26,322	4.30	113,185	3	339,554
7	Department of Health and Human Resources	HHR-161	Preston	9,814	14.50	142,303	5	711,515
	Department of Health and Human Resources	HHR-161	Preston	9,814	15.50	152,117	5	760,585
8	Department of Health and Human Resources	HHR-167	Mineral	9,993	14.50	144,899	5	724,493
	Department of Health and Human Resources	HHR-167	Mineral	9,993	15.50	154,892	5	774,458
9	Department of Veteran's Assistance	VET-025	Randolph	646	7.43	4,800	3	14,399
10	Division of Highways	HWY-001	Kanawha	183,903	10.93	2,010,060	1	2,010,060 *

	134.11
Total Rentable Square Feet	<u>284,598</u>
Average Annual Rental Rate	<u>11.18</u>
Total Annual Rent	<u>3,109,614</u>

*Indicates the total will be over \$1,000,000.00 during the term of the lease.

Joint Committee on Government and Finance

January 2018

Department of Health and Human Resources

**MEDICAID REPORT
October 2017 Data**

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 EXPENDITURES BY PROVIDER TYPE
 SFY2018

	MONTH OF OCTOBER 2017					
	ACTUALS SFY2017	TOTAL SFY2018	ACTUALS Current Month Ended 10/31/17	ESTIMATE Current Month Ended 10/31/17	ACTUALS Year To-Date Thru 10/31/17	PROJECTED 11/1/17 Thru 06/30/18
EXPENDITURES:						
Inpatient Hospital - Reg. Payments	141,892,118	79,122,814	8,073,575	6,087,121	32,860,108	46,262,706
Inpatient Hospital - DSH	54,140,231	54,000,000	-	-	13,534,118	40,465,882
Inpatient Hospital - Supplemental Payments	109,348,510	13,443,469	-	1,484,608	6,242,098	7,201,371
Inpatient Hospital - GME Payments	8,211,278	5,543,536	2,523,146	-	4,591,244	952,292
Mental Health Facilities	57,563,254	41,802,957	3,695,727	3,217,123	14,391,110	27,411,847
Mental Health Facilities - DSH Adjustment Payments	18,878,878	19,000,000	-	-	4,728,384	14,271,616
Nursing Facility Services - Regular Payments ⁽²⁾	642,716,564	668,129,443	57,053,680	55,698,149	216,953,968	451,175,476
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,638,994	72,429,100	5,606,047	6,035,759	23,652,676	48,776,424
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-
Physicians Services - Regular Payments	72,513,494	40,593,136	3,410,789	3,123,514	13,341,999	27,251,137
Physicians Services - Supplemental Payments	22,615,437	2,780,376	187,865	-	5,241,246	(2,460,870)
Physician and Surgical Services - Evaluation and Management	3,028	2,400	-	-	(21)	2,421
Physician and Surgical Services - Vaccine Codes	-	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	72,863,760	40,439,473	3,761,473	3,111,916	14,179,447	26,260,026
Outpatient Hospital Services - Supplemental Payments	217,795,914	26,776,155	-	-	21,123,658	5,652,497
Prescribed Drugs	208,527,799	874,100,228	62,834,999	68,041,500	175,959,647	698,140,581
Drug Rebate Offset - National Agreement	(183,668,526)	(361,441,697)	(14,953,122)	(10,192,657)	(33,585,804)	(327,855,893)
Drug Rebate Offset - State Sidebar Agreement	(7,530,775)	(19,598,573)	(1,319,605)	(552,680)	(2,728,499)	(16,870,074)
Drug Rebate Offset - MCO National	(236,294,808)	(60,753,263)	(60,064,585)	(1,713,243)	(117,422,837)	56,669,574
Drug Rebate Offset - MCO State Sidebar Agreement	(10,567,359)	(2,009,216)	(4,134,247)	(56,660)	(9,349,988)	7,340,771
Dental Services	13,832,447	11,544,365	1,139,144	889,627	4,012,335	7,532,030
Other Practitioners Services - Regular Payments	6,492,548	4,336,150	454,806	335,501	1,533,436	2,802,714
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-
Clinic Services	2,024,001	1,454,644	163,311	112,717	566,781	887,863
Lab & Radiological Services	14,824,783	8,032,059	1,001,335	618,129	3,124,626	4,907,433
Home Health Services	34,416,617	19,349,700	2,620,268	1,510,744	8,898,038	10,451,662
Hysterectomies/Sterilizations	61,552	43,000	5,339	3,308	24,756	18,244
Pregnancy Terminations ⁽⁴⁾	326,102	350,700	27,742	31,356	111,352	239,348
EPSDT Services	1,552,044	1,385,662	146,131	106,678	531,788	853,874
Rural Health Clinic Services	5,544,926	3,073,135	510,371	236,424	1,886,701	1,186,433
Medicare Health Insurance Payments - Part A Premiums	18,956,782	19,557,254	1,670,876	1,629,771	6,569,137	12,988,117
Medicare Health Insurance Payments - Part B Premiums	110,218,602	114,952,633	9,647,163	9,579,386	38,638,465	76,314,168
120% - 134% Of Poverty	8,849,389	9,229,482	766,078	709,961	3,009,104	6,220,378
135% - 175% Of Poverty	-	-	-	-	-	-
Coinsurance And Deductibles	11,080,319	11,635,392	939,232	895,030	3,910,227	7,725,165

**WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR MEDICAL SERVICES
EXPENDITURES BY PROVIDER TYPE
SFY2018**

MONTH OF OCTOBER 2017	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 10/31/17	Current Month Ended 10/31/17	Year To-Date Thru 10/31/17	11/1/17 Thru 06/30/18
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,776,593,830	1,755,736,548	116,641,968	146,311,379	493,109,048	1,262,627,500
Medicaid MCO - Evaluation and Management	-	-	-	-	-	-
Medicaid MCO - Vaccine Codes	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Group Health Plan Payments	657,626	679,300	55,436	52,254	168,208	511,092
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-
Home & Community-Based Services (MR/DD)	310,492,734	382,486,200	26,596,846	29,422,014	106,097,747	276,388,453
Home & Community-Based Services (Aged/Disabled)	103,840,769	110,289,297	10,219,559	8,533,544	34,660,009	75,629,288
Home & Community-Based Services (Traumatic Brain Injury)	1,488,193	1,511,600	129,676	116,251	528,724	982,876
Home & Community-Based Services (State Plan 1915(i) Only)	-	-	-	-	-	-
Home & Community-Based Services (State Plan 1915(j) Only)	-	-	-	-	-	-
Community Supported Living Services	-	-	-	-	-	-
Programs Of All-Inclusive Care Elderly	-	-	-	-	-	-
Personal Care Services - Regular Payments	73,980,196	79,356,029	6,294,821	6,113,364	23,960,588	55,395,441
Personal Care Services - SDS 1915(j)	-	-	-	-	-	-
Targeted Case Management Services - Com. Case Management	-	-	-	-	-	-
Targeted Case Management Services - State Wide	2,360,158	2,152,607	189,393	165,607	1,129,468	1,023,139
Primary Care Case Management Services	36	-	(285)	-	-	-
Hospice Benefits ⁽³⁾	26,276,477	24,926,457	2,235,452	1,917,420	9,314,723	15,611,735
Emergency Services Undocumented Aliens	496,071	507,245	37,278	39,019	196,010	311,235
Federally Qualified Health Center	18,358,792	9,518,587	921,531	732,319	3,418,596	6,099,992
Non-Emergency Medical Transportation	35,431,782	36,856,203	2,859,249	2,838,573	11,529,916	25,326,287
Physical Therapy	1,905,207	1,124,844	89,590	86,571	352,775	772,069
Occupational Therapy	680,426	402,384	40,081	30,952	194,568	207,815
Services for Speech, Hearing & Language	478,404	286,408	33,112	22,034	117,011	169,397
Prosthetic Devices, Dentures, Eyeglasses	1,463,138	883,770	84,301	68,076	313,933	569,837
Diagnostic Screening & Preventive Services	437,675	225,171	20,467	17,321	75,095	150,076
Nurse Mid-Wife	136,524	146,453	9,139	11,265	32,694	113,759
Emergency Hospital Services	(77)	-	-	-	-	-
Critical Access Hospitals	34,698,879	19,515,585	1,997,162	1,501,743	10,916,880	8,598,705
Nurse Practitioner Services	3,220,367	2,024,085	186,208	155,730	652,112	1,371,973
School Based Services	12,819,369	12,999,994	492,134	1,000,003	29,435,559	(16,435,565)
Rehabilitative Services (Non-School Based)	64,792,629	53,725,474	6,907,013	4,136,343	23,402,702	30,322,772
Private Duty Nursing	7,552,577	5,105,500	580,406	393,310	2,128,767	2,976,733
Freestanding Birth Centers	-	-	-	-	-	-
Health Home for Enrollees w Chronic Conditions	263,932	224,565	94,172	17,274	201,767	22,798
Other Care Services	19,658,448	12,701,841	1,754,312	985,935	5,837,229	6,864,612
Less: Recoupments	-	-	(306,549)	-	(306,549)	306,549
NET EXPENDITURES:	3,983,912,063	4,212,690,662	263,930,010	355,611,381	1,213,996,882	2,998,693,779

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 EXPENDITURES BY PROVIDER TYPE
 SFY2018

MONTH OF OCTOBER 2017	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 10/31/17	Current Month Ended 10/31/17	Year To-Date Thru 10/31/17	11/1/17 Thru 06/30/18
Collections: Third Party Liability (line 9A on CMS-64)	(8,663,735)	-	-	-	(1,021,257)	1,021,257
Collections: Probate (line 9B on CMS-64)	(513,508)	-	-	-	(52,133)	52,133
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(338,612)	-	-	-	(53,147)	53,147
Collections: Other (line 9D on CMS-64)	(21,817,774)	-	-	-	(8,616,386)	8,616,386
NET EXPENDITURES and CMS-64 ADJUSTMENTS:	3,952,578,434	4,212,690,662	263,930,010	355,611,381	1,204,253,959	3,008,436,702
Plus: Medicaid Part D Expenditures	42,112,339	44,357,292	3,676,650	3,696,441	14,777,090	29,580,202
Plus: State Only Medicaid Expenditures	211,494	275,000	23,152	26,442	81,367	193,633
Plus: Money Follow the Person Expenditures	1,896,869	2,126,650	220,789	245,383	726,012	1,400,638
TOTAL MEDICAID EXPENDITURES	\$ 3,996,799,136	\$ 4,259,449,604	\$ 267,850,601	\$ 359,579,647	\$ 1,219,838,429	\$ 3,039,611,175
Plus: Reimbursables ⁽¹⁾	3,888,247	-	379,173	-	1,579,876	(1,579,876)
Plus: NATCEP/PASARR/Eligibility Exams	265,071	288,422	13,967	27,733	30,551	257,872
Plus: HIT Incentive Payments	3,894,001	5,000,000	17,000	480,769	(25,981)	5,025,981
TOTAL EXPENDITURES	\$ 4,004,846,454	\$ 4,264,738,026	\$ 268,260,741	\$ 360,088,149	\$ 1,221,422,874	\$ 3,043,315,152

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

(2) Of the amount in the "Nursing Facility Services-Regular Payments" line, \$5,871,427 is the amount paid to State Facilities year to date.

(3) Of the amount in the "Hospice Benefits" line, \$9,198,321.50 is the amount paid to Nursing Facilities for Hospice Benefits year to date.

(4) Pregnancy Terminations are State Only expenditures and are not currently claimed.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 MEDICAID CASH REPORT
 SFY2018

4 Months Actuals 8 Months Remaining

MONTH OF OCTOBER 2017	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2017	Current Month Ended 10/31/17	Year-To-Date Thru 10/31/17	11/1/2017 Thru 6/30/18	SFY2018
REVENUE SOURCES					
Beg. Bal. (5084/1020 prior mth)	22,715,798	47,027,111	86,992,634		86,992,634
MATCHING FUNDS	-				
General Revenue (0403/189)	394,899,115	32,892,353	82,696,630	365,835,451	448,532,081
MRDD Waiver (0403/466)	88,753,483	6,508,589	18,342,387	70,411,096	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,333	649,000	1,947,000	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,667	1,589,000	4,767,000	6,356,000
Traumatic Brain Injury (0403/835)	800,000	58,667	165,333	634,667	800,000
Title XIX Waiver for Seniors (0403-533)	13,593,620	996,865	2,809,348	10,784,272	13,593,620
Medical Services Surplus (0403/633)	5,500,000	-	-	30,021,770	30,021,770
Waiver for Senior Citizens Surplus (0403/526)	-	-	-	-	-
Lottery Waiver (Less 550,000) (5405/539)	21,824,274	-	3,095,673	9,287,019	12,382,692
Lottery Waiver (0420/539)	12,142,184	-	5,395,942	16,187,824	21,583,766
Lottery Transfer (5405/871)	8,670,000	-	3,625,578	10,876,734	14,502,312
Excess Lottery (5365/189)	31,377,985	-	-	24,506,170	24,506,170
Lottery Surplus (5405/68199)	8,000,000	-	15,500,000	-	15,500,000
Lottery Surplus (5365/68100)	30,000,000	26,900,000	26,900,000	-	26,900,000
Trust Fund Appropriation (5185/189)	131,250,000	-	8,914,540	63,987,986	72,902,526
Provider Tax (5090/189)	196,831,229	18,394,078	67,989,330	146,312,517	214,301,847
NSGO UPL (5084/6717)	1,210,392	68,035	68,035	1,173,368	1,241,403
Certified Match	9,870,547	660,365	10,561,960	4,853,858	15,415,818
Reimbursables - Amount Reimbursed	4,460,819	-	657,696	(657,696)	-
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	627,152	56,414	497,093	402,907	900,000
CHIP State Share	-	-	-	-	-
CMS - 64 Adjustments	(973,293)	-	(216,744)	216,744	-
TOTAL MATCHING FUNDS	990,505,306	134,308,476	336,233,434	761,548,688	1,097,782,122
FEDERAL FUNDS	3,098,950,199	213,595,715	964,247,707	2,349,145,834	3,313,393,540
TOTAL REVENUE SOURCES	\$ 4,089,455,505	\$ 347,904,191	\$ 1,300,481,141	\$ 3,110,694,522	\$ 4,411,175,663
TOTAL EXPENDITURES:					
Provider Payments	4,004,846,454	268,260,741	1,221,422,874	3,043,315,152	4,264,738,026
TOTAL	\$ 84,609,050	\$ 79,643,451	\$ 79,058,267		\$ 146,437,637

Note: FMAP (71.80% applicable Jul. - Sep. 2017) (73.24% applicable Oct. 2017 - Jun. 2018)

Joint Committee on Government and Finance

January 2018

Department of Health and Human Resources

**MEDICAID WAIVER REPORT
October 2017 Data**

**WV Department of Health and Human Resources
Bureau for Medical Services AD Waiver Program Report**

Aged & Disabled Waiver Reported October 31, 2017	FY 2017 YTD	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	FY2018 YTD
Slots Approved By CMS (1)	6,151	5,752	5,752	5,752	5,752									5,752
-Slots Available for Traditional (non TMH-WV) enrollees	6,078	5,662	5,662	5,662	5,662									5,662
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	73	90	90	90	90									90
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count	6,151	5,324	5,449	5,523	5,566									5,566
Applicants determined eligible this month and added to MEL (3)	1,440	98	119	116	112									445
Applicants determined ineligible	98	12	12	7	8									39
ACTIVE MEMBERS														
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count	5,349	5,302	5,373	5,395	5,381									5,381
Active members enrolled during the calendar month	877	28	150	95	65									338
-Total Active Traditional members enrolled during the calendar month	805	22	138	88	58									306
-Total Active TMH-WV members enrolled during the calendar month	72	6	12	7	7									32
Members discharged during the calendar month	1,099	75	79	73	79									306
ADW Members whose case was closed by reason	Member is deceased	600	40	39	36	45								160
	Other (4)	499	35	40	37	34								146
MANAGED ENROLLMENT LIST (MEL)														
# Eligible applicants closed during the calendar month (removed from MEL)	951	341	87	60	41									529
ADW Applicants removed from the MEL	Applicant offered a slot (Traditional + MFP)	626	325	79	41	29								474
	Applicant became deceased	114	14	7	8	9								38
	Other (5)	211	2	1	11	3								17
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting	32	28	28	33	36									31
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting	36	52	34	31	32									37
Applicants on the MEL at the end of the month	763	520	552	608	679									679
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	242	272	283	261	272									272

(1) Of the 5,752 slots approved by CMS, 90 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. When it is identified that slots cannot be used for MFP transitions, these slots are made available for traditional (non-MFP) enrollees.

(2) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported in actual number of days on the MEL.

NOTE: All data reported by Utilization Management Contractor is effective as of the transpire date in the web-based system. Data is point-in-time.

**WV Department of Health and Human Resources
Bureau for Medical Services I/DD Waiver Program Report**

Intellectual/Developmental Disabilities Waiver Reported Oct 31, 2017		FY 2016	July-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD2018
Slots approved by CMS		4,634	4,634	4,634	4,634	4,634									4,634
Total number of members served YTD (unduplicated slots used) (1)		4,634	4,568	4,568	4,567	4,567									4,567
Applicants determined eligible (2)		207	12	14	20	32									78
Applicants determined ineligible (3)		202	18	10	14	12									54
ACTIVE MEMBERS															
# of active members at the end of the month (unduplicated slots active) (1)		4,503	4,565	4,553	4,549	4,579									4,579
Discharged members at the end of the calendar month		147	5	12	6	8									31
Discharged members who were discharged by reason	Deceased	72	3	6	4	6									19
	Left program to enter a facility	21	2	3	0	0									5
	a. Hospital	0	0	0	0	0									0
	b. ICF/IID	2	1	1	0	0									2
	c. Nursing Facility	11	0	2	1	0									3
	d. Psychiatric Facility	0	0	0	0	0									0
	e. Rehabilitation Facility	0	0	0	0	0									0
	f. Other Facility	1	0	0	0	0									-
Other (6)	53	1	3	1	2									7	
MANAGED ENROLLMENT LIST (MEL)															
Total number of applicants on the MEL at the end of the month		1,317	1,256	1,262	1,278	1,267									1,267
Number of applicants added to the MEL (4)		207	12	14	20	32									78
Applicants enrolled (removed from the MEL)		116	67	0	2	38									107
Applicants removed from the MEL due to Death (5)		7	0	2	0	2									4
Applicants removed from the MEL due to Other (6)		27	6	6	2	3									17
Applicants on the MEL who are in a Nursing Facility		0	0	3	9	10									10
Applicants on the MEL who are in an ICF/IID Group Home		22	24	26	22	49									49
Applicants on the MEL receiving Personal Care Services each month (8)		70	65	75	9	9									9
Longest on the MEL to date (7)		1494 Days	1,470	1,491	1,521	1,552									1,552

(1) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(2 and 3) Numbers determined medically eligible and ineligible reflect the activity for the month reported. Financial eligibility is not determined until after slot release.

(4) Monthly managed enrollment is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on the date the Medical Eligibility Contract Agent (MECA) determines medical eligibility.

(5) Currently there is no way to track other reasons why someone may leave the MEL for reasons such as moved out of state, decided not to participate in program, etc.

(6) Other reason for program discharge may include, but is not limited to, member is no longer financial or medically eligible, moved out of state, no longer wants the service, etc.

(7) Longest number of days an applicant has been on the MEL.

**WV Department of Health and Human Resources
Bureau for Medical Services TBI Waiver Program Report**

Traumatic Brain Injury Waiver Reported October 31, 2017	FY 2017 YTD	Jul 17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	FY2018 YTD
Slots Approved By CMS (1)	70	66	66	66	66									66
-Slots Available for Traditional (non TMH-WV) enrollees	70	56	56	56	56									56
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	0	10	10	10	10									10
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count	69	62	62	62	62									62
Applicants determined eligible this month and added to MEL (3)	27	3	2	0	0									5
Applicants determined ineligible	2	1	0	0	0									1
ACTIVE MEMBERS														
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count	61	62	62	62	59									59
Active members enrolled during the calendar month	9	2	0	0	0									2
-Total Active Traditional members enrolled during the calendar month	8	1	0	0	0									1
-Total Active TMH-WV members enrolled during the calendar month	1	1	0	0	0									1
Members discharged during the calendar month	11	1	0	0	3									4
TBIW Members whose case was closed by reason	Member is deceased	1	0	0	0	3								3
	Other (4)	10	1	0	0	0								1
MANAGED ENROLLMENT LIST (MEL)														
# Eligible applicants closed during the calendar month (removed from MEL)	15	0	0	0	0									0
TBIW Applicants removed from the MEL	Applicant offered a slot	14	0	0	0	0								0
	Applicant became deceased	0	0	0	0	0								0
	Other (5)	1	0	0	0	0								0
Applicants on the MEL who are in a nursing facility	1	0	0	0	0									0
Applicants on the MEL receiving Personal Care	0	1	1	0	0									1
Applicants on the MEL at the end of the month	12	13	15	15	15									15
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	170	368	399	429	460									414

(1) Of the 66 slots approved by CMS, 10 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. Beginning SFY 2017-2018, the program was over the number of slots available for Traditional enrollees. There are no available Traditional slots beginning SFY 2017-2018, therefore medically eligible applicants that are Traditional will be placed on the MEL.

(2) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported in actual number of days on the MEL.

NOTE: All data as reported by the Utilization Management Contractor is point-in-time

Joint Committee on
Government and Finance
Report

JANUARY 2018

Department of Health and Human Resources

State Children's Health Insurance Program
UPDATE



West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Five Months Ending November 30, 2017 and November 30, 2016
(Modified Accrual Basis)

	November 30, 2017	November 30, 2016	Variance	
Revenues				
Federal Grants	17,369,188	19,427,480	(2,058,292)	-11%
State Appropriations				
Premium Revenues	587,069	558,927	28,142	5%
Investment Income:				
Investment Earnings	<u>42,439</u>	<u>34,986</u>	<u>7,453</u>	<u>21%</u>
Total Revenues	<u>17,998,696</u>	<u>20,021,393</u>	<u>(2,022,697)</u>	<u>-10%</u>
Expenditures:				
Claims:				
Physicians & Surgical	3,840,609	6,988,053	(3,147,444)	-45%
Prescribed Drugs	3,683,620	3,217,683	465,937	14%
Dental	3,135,585	2,960,635	174,950	6%
Outpatient Services	2,599,429	2,139,733	459,696	21%
Therapy	1,022,908	877,044	145,864	17%
Other Services	1,021,174	795,138	226,036	28%
Inpatient Hospital Services	960,136	1,355,847	(395,711)	-29%
Vision	308,724	316,051	(7,327)	-2%
Inpatient Mental Health	288,461	358,772	(70,311)	-20%
Outpatient Mental Health	277,372	8,851	268,521	3034%
Medical Transportation	182,965	58,284	124,681	214%
Durable & Disposable Med. Equip.	135,736	179,666	(43,930)	-24%
Less: Collections**	<u>(1,061,010)</u>	<u>(612,805)</u>	<u>(448,205)</u>	73%
Total Claims	<u>16,395,709</u>	<u>18,642,952</u>	<u>(2,247,243)</u>	-12%
General and Admin Expenses:				
Salaries and Benefits	244,014	237,714	6,300	3%
Program Administration	1,357,530	994,291	363,239	37%
Eligibility	7,564	0	7,564	0%
Outreach & Health Promotion	10,190	17,591	(7,401)	-42%
Current	<u>21,657</u>	<u>36,674</u>	<u>(15,017)</u>	-41%
Total Administrative	<u>1,640,955</u>	<u>1,286,270</u>	<u>354,685</u>	28%
Total Expenditures	<u>18,036,664</u>	<u>19,929,222</u>	<u>(1,892,558)</u>	<u>-9%</u>
Excess of Revenues				
Over (Under) Expenditures	(37,968)	92,171	(130,139)	-141%
Unrealized Gain(loss) On Investments*	(1,007,811)	(28,797)	(979,014)	3400%
Fund Equity, Beginning	<u>6,619,917</u>	<u>8,268,031</u>	<u>(1,648,114)</u>	<u>-20%</u>
Fund Equity, Ending	<u>5,574,138</u>	<u>8,331,405</u>	<u>(2,757,267)</u>	<u>-33%</u>

* Short Term Bond Fund Investment began in November 2009

** Collections are primarily drug rebates and subrogation

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

**State Fiscal Year 2018
For the Five Months Ending November, 2017**

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Actual Amt Nov-17</u>	<u>Actual Amt Oct-17</u>	<u>Actual Amt Sep-17</u>
Projected Cost	\$50,205,506	\$20,918,961	\$21,192,748	(273,787)	-1%	\$4,183,792	\$4,867,963	\$3,691,657	\$3,807,387
Premiums	2,403,240	\$1,001,350	\$587,069	(414,281)	-41%	200,270	\$109,163	\$128,504	\$112,514
Subrogation & Rebates	1,398,828	\$582,845	\$1,035,694	452,849	78%	116,569	\$0	\$464,765	\$0
Net Benefit Cost	\$46,403,438	\$19,334,766	\$19,569,985	(235,220)	-1%	3,973,808	\$4,758,800	\$3,098,388	\$3,694,873
Salaries & Benefits	\$702,625	\$292,760	\$244,014	48,747	17%	\$58,552	\$43,355	\$43,192	\$62,755
Program Administration	\$2,626,570	\$1,094,404	\$1,357,530	(263,126)	-24%	218,881	\$702,364	\$166,656	\$276,301
Eligibility	\$326,676	\$136,115	\$7,564	128,551	94%	27,223	\$3,942	\$1,851	
Outreach & Health Prom.	\$392,012	\$163,338	\$10,190	153,148	94%	32,668	\$0	\$5,127	\$5,063
Current Expense	\$326,676	\$136,115	\$21,657	114,458	84%	27,223	\$9,035	\$3,690	\$2,386
Total Admin Cost	\$4,374,559	\$1,822,733	\$1,640,955	181,778	10%	\$364,547	\$758,696	\$220,516	\$346,506
Total Program Cost	\$50,777,997	\$21,157,499	\$21,210,941	(53,442)	0%	\$4,338,355	\$5,517,495	\$3,318,904	\$4,041,379
Federal Share 100%	50,777,997	\$21,157,499	\$21,210,941	(53,442)	0%	\$4,338,355	\$5,517,495	\$3,318,904	\$4,041,379
State Share 0%	0	\$0	\$0	0	0%	0	\$0	\$0	\$0
Total Program Cost **	\$50,777,997	\$21,157,499	\$21,210,941	(53,442)	0%	\$4,338,355	\$5,517,495	\$3,318,904	\$4,041,379

* Positive percentages indicate favorable variances

** Budgeted Year Based on CCRC Actuary 6/30/2017 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

WVCHIP Enrollment Report

ATTACHMENT 1

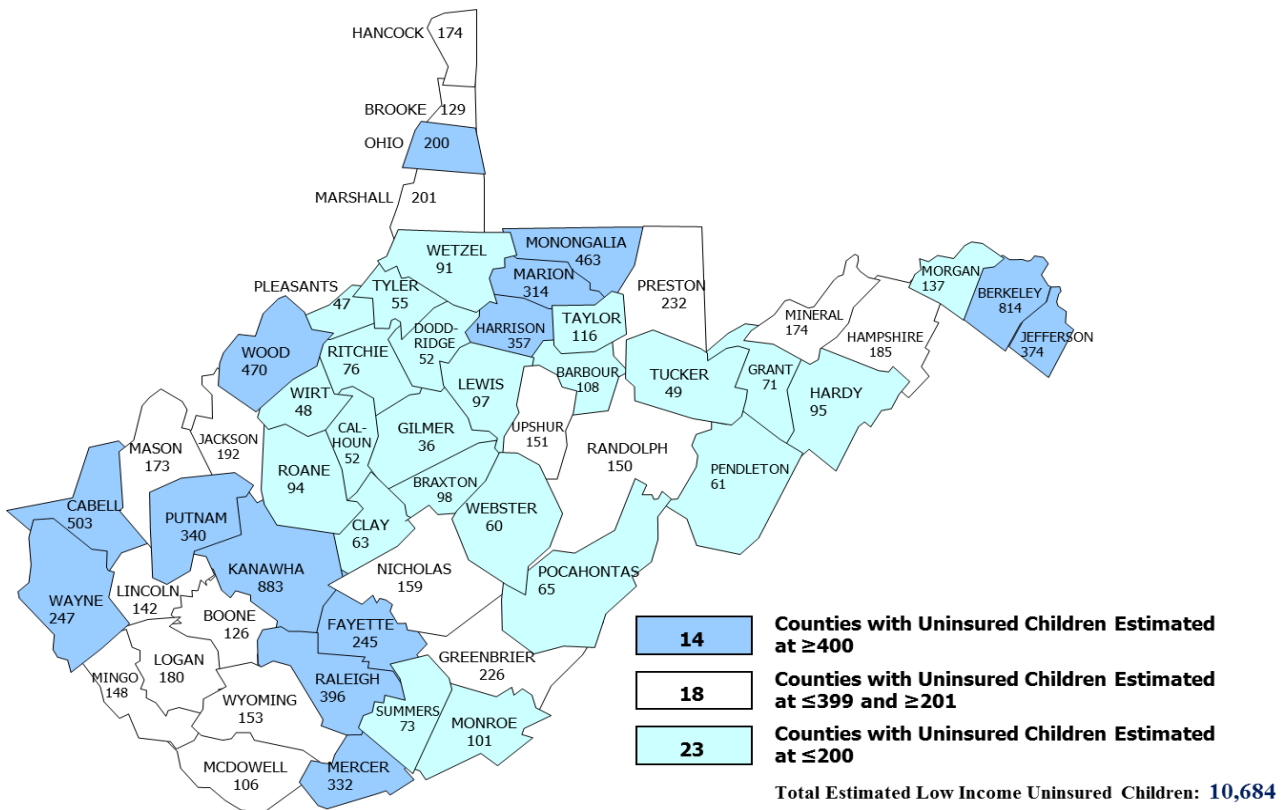
November 2017

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-17	Total Medicaid Enrollment Nov-17	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Barbour	3,600	233	1,723	1,956	54.3%	108	33
Berkeley	26,251	1,570	11,668	13,238	50.4%	788	2
Boone	5,615	237	3,238	3,475	61.9%	168	25
Braxton	3,006	168	1,666	1,834	61.0%	90	40
Brooke	4,573	2	1,245	1,247	27.3%	137	31
Cabell	18,879	927	9,179	10,106	53.5%	566	4
Calhoun	1,518	92	839	931	61.3%	46	51
Clay	2,215	131	1,367	1,498	67.6%	66	44
Doddridge	1,673	97	738	835	49.9%	50	48
Fayette	9,438	646	5,273	5,919	62.7%	283	13
Gilmer	1,260	78	588	666	52.8%	38	54
Grant	2,555	122	1,174	1,296	50.7%	77	42
Greenbrier	7,131	580	3,660	4,240	59.5%	214	16
Hampshire	5,392	234	2,358	2,592	48.1%	162	27
Hancock	6,166	522	3,223	3,745	60.7%	185	20
Hardy	3,015	229	1,564	1,793	59.5%	90	39
Harrison	15,202	906	6,431	7,337	48.3%	456	7
Jackson	6,602	322	3,036	3,358	50.9%	198	18
Jefferson	12,679	624	3,922	4,546	35.9%	380	10
Kanawha	39,771	2,096	19,152	21,248	53.4%	1,193	1
Lewis	3,389	231	1,896	2,127	62.8%	102	37
Lincoln	4,930	245	3,115	3,360	68.1%	148	30
Logan	7,496	360	4,535	4,895	65.3%	225	15
Marion	11,227	627	5,288	5,915	52.7%	337	11
Marshall	6,886	247	2,931	3,178	46.1%	207	17
Mason	5,929	254	2,849	3,103	52.3%	178	21
McDowell	4,423	199	3,179	3,378	76.4%	133	32
Mercer	12,764	780	7,860	8,640	67.7%	383	9
Mineral	5,868	310	2,338	2,648	45.1%	176	23
Mingo	5,905	261	3,920	4,181	70.8%	177	22
Monongalia	15,294	821	5,522	6,343	41.5%	459	6
Monroe	2,835	242	1,192	1,434	50.6%	85	41
Morgan	3,596	256	1,437	1,693	47.1%	108	34
Nicholas	5,561	356	3,015	3,371	60.6%	167	26
Ohio	8,444	443	3,496	3,939	46.6%	253	14
Pendleton	1,462	81	607	688	47.1%	44	52
Pleasants	1,551	72	647	719	46.3%	47	50
Pocahontas	1,561	145	810	955	61.2%	47	49
Preston	6,536	401	3,082	3,483	53.3%	196	19
Putnam	13,150	621	4,299	4,920	37.4%	395	8
Raleigh	16,403	986	9,263	10,249	62.5%	492	5
Randolph	5,705	433	2,997	3,430	60.1%	171	24
Ritchie	2,205	111	1,105	1,216	55.2%	66	45
Roane	3,239	253	1,775	2,028	62.6%	97	38
Summers	2,521	159	1,418	1,577	62.6%	76	43
Taylor	3,514	200	1,595	1,795	51.1%	105	35
Tucker	1,371	105	558	663	48.4%	41	53
Tyler	1,924	87	816	903	46.9%	58	47

WVCHIP Enrollment Report

November 2017

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-17	Total Medicaid Enrollment Nov-17	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Upshur	4,996	301	2,905	3,206	64.2%	150	29
Wayne	9,516	389	4,806	5,195	54.6%	285	12
Webster	1,977	99	1,314	1,413	71.5%	59	46
Wetzel	3,466	157	1,836	1,993	57.5%	104	36
Wirt	1,201	67	727	794	66.1%	36	55
Wood	18,956	917	9,236	10,153	53.6%	569	3
Wyoming	5,116	289	2,752	3,041	59.4%	153	28
Totals	387,459	21,321	187,165	208,486	53.8%	11,624	

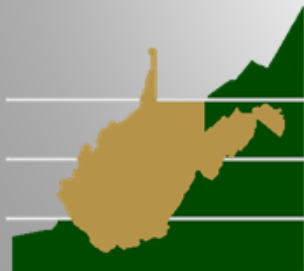


The above map shows the most recent 2013 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county to county depending on the availability of employer sponsored insurance and should be a more accurate way to target outreach than in previous years.

WEST VIRGINIA INVESTMENT MANAGEMENT BOARD

Participant Plan Performance Report

November 30, 2017



Participant Plans Allocation & Performance Net of Fees

Period Ending: November 30, 2017

	6/30/2017		11/30/2017		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
WVIMB Fund Assets	18,283,189	100.0	19,146,400	100.0							
Pension Assets	14,791,142	80.9	15,543,682	81.2							
Public Employees' Retirement System	6,288,320	34.4	6,652,797	34.8	1.4	4.0	6.7	18.6	8.5	10.1	6.7
Teachers' Retirement System	7,232,585	39.6	7,547,486	39.4	1.4	4.0	6.6	18.5	8.4	10.0	6.4
EMS Retirement System	70,196	0.4	75,958	0.4	1.4	4.0	6.7	18.6	8.5	10.1	
Public Safety Retirement System	639,380	3.5	665,148	3.5	1.4	4.1	6.6	18.6	8.5	10.1	6.7
Judges' Retirement System	189,254	1.0	201,005	1.0	1.4	4.1	6.7	18.6	8.5	10.1	6.7
State Police Retirement System	165,873	0.9	180,488	1.0	1.4	4.0	6.7	18.6	8.5	10.1	6.7
Deputy Sheriffs' Retirement System	198,732	1.1	212,880	1.1	1.4	4.1	6.7	18.6	8.5	10.1	6.7
Municipal Police & Firefighter Retirement System	5,356	0.0	6,423	0.0	1.3	3.9	6.5	18.1	8.2	9.6	
Municipal Model A	1,446	0.0	1,497	0.0	1.4	4.0	6.7	18.6	8.4		
Insurance Assets	2,641,811	14.4	2,723,355	14.2							
Workers' Compensation Old Fund	1,260,911	6.8	1,263,688	6.6	0.7	2.3	4.5	11.5	5.0	5.0	4.2
Workers' Comp. Self-Insured Guaranty Risk Pool	33,211	0.2	34,647	0.2	0.7	2.3	4.5	11.3	4.9	5.5	4.4
Workers' Comp. Self-Insured Security Risk Pool	53,908	0.3	55,227	0.3	0.7	2.3	4.5	11.4	4.9		
Workers' Comp. Uninsured Employers' Fund	11,797	0.1	12,320	0.1	0.7	2.3	4.4	10.9	4.7	5.3	4.1
Pneumoconiosis	250,631	1.4	256,214	1.3	0.7	2.3	4.5	11.3	4.8	5.4	4.8
Board of Risk & Insurance Management	144,341	0.8	150,860	0.8	0.7	2.3	4.5	11.3	4.8	5.4	5.3
Public Employees' Insurance Agency	153,908	0.8	160,253	0.8	0.6	2.0	4.1	10.8	4.7	5.4	5.0
WV Retiree Health Benefit Trust Fund	733,104	4.0	790,146	4.1	1.4	4.0	6.7	18.6	8.5	10.0	
Endowment Assets	850,236	4.7	879,363	4.6							
Berkeley County Development Authority	7,031	0.0	7,530	0.1	1.4	4.0	6.7	18.7			
Wildlife Fund	63,648	0.4	64,914	0.3	1.4	4.0	6.7	18.6	8.5	10.0	6.7
Prepaid Tuition Trust	49,025	0.3	47,385	0.2	1.0	2.7	5.1	14.8	6.8	8.0	6.0
Revenue Shortfall Reserve Fund	145,150	0.8	147,361	0.8	0.2	0.0	1.5	3.9	2.2	1.4	1.6
Revenue Shortfall Reserve Fund - Part B	425,111	2.4	440,631	2.3	0.6	1.6	3.7	11.0	4.9	4.9	3.4
WV DEP Trust	9,044	0.0	9,597	0.1	1.3	4.4	7.7	19.3	7.5	9.4	
WV DEP Agency	151,227	0.8	161,945	0.8	0.9	2.9	5.5	14.1	5.8		

Composite Asset Allocation & Performance Net of Fees

Period Ending: November 30, 2017

	Asset (\$000)	%	Performance %							
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	
Investment Pools Composite	19,153,199	100.00								
Total Equity Composite +/- Total Equity Base Index (b)	9,682,456	50.55	1.98 0.00	6.34 0.01	10.61 0.87	27.54 2.12	9.97 1.13	12.97 1.23	6.86 1.55	
Domestic Equity Composite +/- Russell 3000 Index	4,715,914	24.62	2.90 (0.14)	8.20 0.35	10.82 0.72	24.07 1.80	10.66 (0.09)	15.64 0.01	8.70 0.27	
International Equity Composite +/- MSCI AC World ex US IMI Index (c)	4,966,542	25.93	1.12 0.20	4.64 (0.18)	10.34 0.97	30.62 2.06	9.06 2.24	10.15 2.32	4.81 2.74	
Fixed Income Composite +/- Bloomberg Barclays Capital Universal (d)	3,511,871	18.34	0.22 0.37	0.41 0.79	1.84 0.86	6.33 2.39	3.55 0.97	3.27 0.86	4.52 0.16	
Core Fixed Income Composite +/- Bloomberg Barclays Capital Aggregate	1,056,590	5.52	(0.08) 0.05	(0.58) (0.03)	0.80 0.02	3.36 0.15	2.59 0.48	2.42 0.44		
Total Return Fixed Income Composite (k) +/- Bloomberg Barclays Capital Universal	2,455,281	12.82	0.36 0.51	0.84 1.22	2.29 1.31	7.63 3.69	3.95 1.37	3.67 1.26	4.90 0.59	
TIPS Composite +/- Bloomberg Barclays Capital U.S.TIPS	371,774	1.94	0.12 (0.01)	(0.30) 0.00	1.22 0.01	1.99 0.02	1.36 0.01	(0.19) (0.01)		
Cash Composite +/- Citigroup 90 Day T-Bill (e)	111,203	0.58	0.07 (0.02)	0.26 (0.01)	0.43 (0.01)	0.80 0.03	0.41 0.06	0.30 0.04	0.50 0.01	
Private Equity Composite +/- Russell 3000 + 3% (f, g)	1,635,268	8.54	1.72	2.82	3.19	17.70	13.61	13.37 (5.42)		
Real Estate Composite +/- NCREIF + 1% (f)	1,647,996	8.60	0.92	2.09	2.16	9.47	9.63	10.12 (1.27)		
Hedge Fund Composite +/- HFRI FOF + 1% (h)	1,782,333	9.31	(0.27) (0.40)	1.19 (0.74)	2.67 (1.31)	4.57 (4.27)	2.38 (1.07)	4.94 1.17		
Opportunistic Income Composite +/- CS Leveraged Loan + 2.5%	410,298	2.14	0.87 0.54	0.90 (0.91)	0.92 (1.96)	4.91 (2.62)				

Participant Plans Allocation vs. Strategy

Period Ending: November 30, 2017

	Domestic Equity		Int'l Equity		Fixed Income		Private Equity		Real Estate		Hedge Funds		Opportunistic Income		Cash	
	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %

Pension Assets

Public Employees' Retirement System	26.4	27.5	27.8	27.5	14.4	15.0	10.0	10.0	10.0	10.0	8.7	10.0	2.5	0.0	0.2	0.0
Teachers' Retirement System	26.4	27.5	27.8	27.5	14.2	15.0	10.0	10.0	10.1	10.0	8.8	10.0	2.5	0.0	0.2	0.0
EMS Retirement System	26.1	27.5	27.6	27.5	14.9	15.0	9.9	10.0	10.0	10.0	8.5	10.0	2.5	0.0	0.5	0.0
Public Safety Retirement System	26.3	27.5	27.8	27.5	14.4	15.0	10.0	10.0	10.1	10.0	8.7	10.0	2.5	0.0	0.2	0.0
Judges' Retirement System	26.3	27.5	27.8	27.5	14.4	15.0	10.0	10.0	10.1	10.0	8.8	10.0	2.5	0.0	0.1	0.0
State Police Retirement System	26.2	27.5	27.4	27.5	15.0	15.0	9.9	10.0	10.0	10.0	8.5	10.0	2.5	0.0	0.5	0.0
Deputy Sheriffs' Retirement System	26.2	27.5	27.6	27.5	14.8	15.0	10.0	10.0	10.0	10.0	8.7	10.0	2.5	0.0	0.2	0.0
Municipal Police & Firefighter Retirement System	25.1	27.5	26.6	27.5	14.4	15.0	9.3	10.0	9.4	10.0	8.2	10.0	2.3	0.0	4.7	0.0
Municipal Model A	26.2	27.5	27.7	27.5	13.5	15.0	10.0	10.0	10.1	10.0	9.5	10.0	2.5	0.0	0.5	0.0

Insurance Assets

Workers' Compensation Old Fund	15.5	15.0	16.2	15.0	50.1	50.0	0.0	0.0	0.0	0.0	14.8	15.0	0.0	0.0	3.4	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	15.4	15.0	16.1	15.0	44.8	45.0	0.0	0.0	0.0	0.0	19.5	20.0	0.0	0.0	4.2	5.0
Workers' Comp. Self-Insured Security Risk Pool	15.4	15.0	16.2	15.0	44.8	45.0	0.0	0.0	0.0	0.0	19.6	20.0	0.0	0.0	4.0	5.0
Workers' Comp. Uninsured Employers Fund	15.5	15.0	16.3	15.0	39.8	40.0	0.0	0.0	0.0	0.0	18.5	20.0	0.0	0.0	9.9	10.0
Pneumoconiosis	15.1	15.0	15.9	15.0	44.7	45.0	0.0	0.0	0.0	0.0	19.9	20.0	0.0	0.0	4.4	5.0
Board of Risk & Insurance Mgmt.	15.7	15.0	16.4	15.0	44.5	45.0	0.0	0.0	0.0	0.0	18.5	20.0	0.0	0.0	4.9	5.0
Public Employees' Insurance Agency	13.1	12.5	13.7	12.5	54.6	55.0	0.0	0.0	0.0	0.0	18.6	20.0	0.0	0.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	26.1	27.5	27.4	27.5	14.9	15.0	9.9	10.0	10.0	10.0	8.6	10.0	2.5	0.0	0.6	0.0

Endowment Assets

Berkeley County Development Authority	26.4	27.5	27.6	27.5	14.8	15.0	10.0	10.0	10.0	10.0	8.7	10.0	2.5	0.0	0.0	0.0
Wildlife Fund	26.3	27.5	27.7	27.5	14.6	15.0	10.0	10.0	10.1	10.0	8.7	10.0	2.5	0.0	0.1	0.0
Prepaid Tuition Trust	22.9	22.0	18.2	18.0	56.8	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0
Revenue Shortfall Reserve Fund	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Shortfall Reserve Fund - Part B	11.4	11.3	11.9	11.3	76.7	77.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WV DEP Trust	32.5	32.5	34.2	32.5	14.6	15.0	0.0	0.0	0.0	0.0	18.7	20.0	0.0	0.0	0.0	0.0
WV DEP Agency	20.4	20.0	21.4	20.0	39.5	40.0	0.0	0.0	0.0	0.0	18.7	20.0	0.0	0.0	0.0	0.0

- (a) As of January 2014, the PERS Base is 30% Russell 3000, 30% MSCI ACW ex USA (IMI), and 40% Bloomberg Barclays Capital Universal. From April 2008 to December 2013, the PERS Base was 30% Russell 3000, 30% MSCI ACW ex USA (Standard), and 40% Bloomberg Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Bloomberg Barclays Capital Aggregate.
- (b) As of January 2014, the Total Equity Base Index is 50% Russell 3000 and 50% MSCI ACW ex USA (IMI). From April 2008 to December 2013, the Total Equity Base Index was 50% Russell 3000 and 50% MSCI ACW ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACW ex USA.
- (c) Prior to January 2014, the index was the MSCI ACW ex USA (Standard).
- (d) Prior to April 2008, the index was Bloomberg Barclays Capital Aggregate.
- (e) Prior to January 2014, the index was Citigroup 90 Day T-Bill plus 15 basis points.
- (f) The Private Equity Composite and Real Estate Composite are long-term programs whose benchmarks are only reported for 5 years and beyond.
- (g) Prior to January 2014, the index was S&P 500 plus 500 basis points.
- (h) Prior to January 2014, the index was Libor plus 400 basis points.
- (i) Franklin Benchmark is 50% JPM EMBI Global Diversified and 50% JPM GBIEM Diversified.
- (j) Prior to April 2008, the index was a custom index.
- (k) From October 2015, to March 2017, performance returns from the Opportunistic Income Pool are included in the Total Return Fixed Income Composite.

Note: Participant returns are net of fees. Portfolio returns are net of management fees. Returns shorter than one year are unannualized.

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Status Report:
Workers' Compensation

Joint Committee on Government & Finance

January 2018

Provided by the West Virginia Offices of the Insurance Commissioner



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Introduction

With the passage of S.B. 1004 in January 2005, significant changes were made to workers' compensation insurance in West Virginia. The State administered monopolistic fund effectively ended when a new domestic mutual insurance company, "BrickStreet", was formed to issue workers' compensation insurance on a going forward basis. BrickStreet began writing new workers' compensation insurance liabilities effective January 2006. (They also retained the workers' compensation insurance premium and incurred liability starting in July 2005.) The West Virginia workers' compensation insurance market was later opened to competition beginning in July 2008.

At the time when the domestic mutual insurance company was formed in order to begin to privatize the workers' compensation insurance market in West Virginia, a large legacy liability existed stemming from the historical operation of the State administered monopolistic fund. Subsequent to privatization, this legacy liability was retained by the State of West Virginia in what is now known as the "Old Fund." The Old Fund consists of all historical claims with dates of injuries or last exposure through June 30, 2005. Apart from those sections which specifically reference other "funds," the "private market," or the "self-insured" community (which began in July 2004), this report concerns the workers' compensation legacy liability of the State of West Virginia, i.e. the Old Fund.

At January 2008, there were 47,961 active Old Fund workers' compensation insurance claims. The first Workers' Compensation Status Report to the Joint Committee on Government and Finance was issued in June 2008. The following pages update the status of the various workers' compensation funds and the activities associated with the administration of the workers' compensation responsibilities transitioned to the Offices of the Insurance Commissioner.

Definitions:

Appeal (BOR): A formal procedure conducted by the Board of Review at which a decision of an administrative law judge (OOJ) having presided over a matter of workers' compensation (Old Fund or Privately Insured) is to be afforded additional consideration. An appeal may be filed by any aggrieved party, such as a claimant, employer, dependent of a claimant, private insurance carrier, etc.

Board of Review: (BOR) A three judge panel that serves as an intermediate appellate tribunal in workers' compensation litigation. Specifically, the Board of Review reviews all appeals taken from any final decision of the Office of Judges. The BOR may reverse, vacate, modify or remand a decision of the Office of Judges. Any appeal taken from a Board of Review final order must be filed with the West Virginia Supreme Court of Appeals.

Claim Reserve: individual claim level cost estimate that is projected on the ultimate probable exposure; must be the best projection based on the facts and findings of the claim. This function is to capture the key components that impact the range of any impending cost in workers' compensation claims. No discounting is applied. The Indemnity Reserve is adjusted to cover the cost of loss or exposure both on a temporary and permanent basis. The reserve should also be adjusted to include the projected cost of any death and/or dependent benefits when appropriate. The Medical Reserve covers medical cost, hospital stays, specialized treatment, rehabilitation, durable medical equipment, and medications, etc. The Expense Reserve is placed for the cost of legal defense and investigations, etc. The reserves may be reduced based on the findings of early mortality factors.

Coal Workers' Pneumoconiosis Fund (CWP): State managed fund into which FBL premiums previously received are held, and out of which FBL benefits are paid. This fund was closed to future liabilities as of 12/31/2005. Because of the latency period between the date of last exposure and the onset of disease, new FBL claims will occur.

Fatal: claim under which the worker died as a result of injury or illness.

FBL: claim for Occupational Pneumoconiosis (Black Lung) benefits under Title IV of the federal Coal Mine Health and Safety Act of 1969, i.e. Federal Black lung, or FBL.

FBL Awarded Claim: an FBL claim that has been awarded but has not yet been accepted by the responsible operator/insurer

FBL Claim Notice: an FBL claim for which not initial decision has yet been made, but evidence in the claims indicates the potential for an award

FBL Non-active Claim: an FBL claim for which an award had been sought, but was not afforded. Federal statutes permit an appeal process which lasts for 1 year, so the claim would be reopened for consideration upon appeal. Denied FBL claims are closed administratively after 6 months, as the TPA's bill for claims management services monthly on an open claims basis.

FBL Paying Claim: an FBL claim for which an award has been made and the responsible operator/insurer has accepted liability. Payments are being made to the claimant or dependents.

Indemnity: statutory wage replacement benefits awarded as a result of a worker's occupational illness or injury.

Med Only: claim under which only the payment of medical benefits was sought or awarded, i.e. no payment of wage replacement benefits (indemnity) is being made.

Office of Judges: (OOJ) An office comprised of administrative law judges who are charged with resolving protests or appeals to workers' compensation claims management decisions. The Office of Judges conducts hearings, receives and weighs evidence and arguments, and issues written decisions on protests or appeals from initial claim management decisions. Any final decision of the Office of Judges may be appealed to the workers' compensation Board of Review. The OOJ hears protests involving Old Fund claims as well as those arising from the private market (private carrier or privately insured.)

Old Fund: The residual assets and liabilities of the former Worker's Compensation Fund are now reported in a fund known as the Workers' Compensation Old Fund. Disbursements from the Old Fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claims with a date of injury on or before June 30, 2005.

OP/OD: claim of Occupational Pneumoconiosis or Occupational Disease. An OP claim could be considered the State level equivalent of an FBL claim; however, State OP claims provide for varying percentages of impairment where the FBL applicant must prove total impairment to be eligible. (State OP claims are awarded more frequently than FBL, but afford lesser benefits.) An example of an OD claim would be occupational hearing loss.

Protest (OOJ): An objection to a ruling of a workers' compensation claim administrator (Old Fund or Private Market) which prompts the initiation of the adjudication process at the Office of Judges.

PPD: (Permanent Partial Disability) paid to compensate an injured worker for permanent impairment that results from an occupational injury or disease. The American Medical Association defines permanent impairment as impairment that has become static or well stabilized with or without medical treatment and is not likely to remit despite medical treatment. It should be noted, some injuries that are total loss by severance have statutory impairment ratings that are defined per WV Code §23-4-6(f). Payment for PPD is based upon 4 weeks of compensation for each one percent of disability.

PTD: (Permanent Total Disability) A disability which renders a claimant unable to engage in gainful employment requiring skills or abilities which can be acquired or which are comparable to those of any gainful employment in which the claimant previously engaged with some regularity. While the comparison of pre-injury income and post-disability income is not a factor to be considered in determining whether or not a claimant is permanently and totally disabled, the geographic availability of gainful employment should be considered. Specifically, the geographic availability of gainful employment within a 75 mile driving distance of the claimant's home, or within the distance from the claimant's home to his or her pre-injury employment, whichever is greater, is a factor to be considered in determining whether or not a claimant is PTD.

Self-Insured: an employer who has met certain specific guidelines, and who is then permitted to guarantee their own payment and handling of workers' compensation claims to their employees in accordance with WV statutes.

Self-Insured Guaranty Fund: State managed fund consisting of those funds transferred to it from the guaranty pool created pursuant to 85 CSR §19 (2004) and any future funds collected through continued administration of that exempt legislative rule as administered by the WVOIC and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure after 07/01/2004.

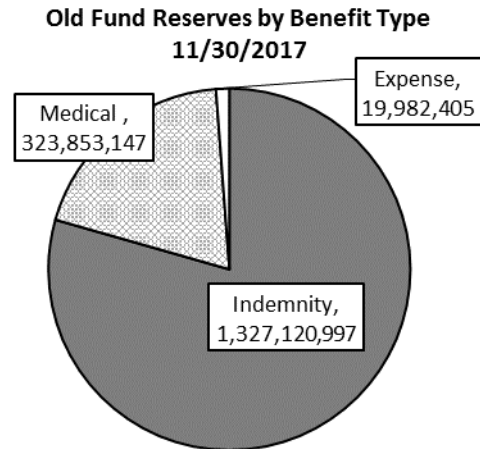
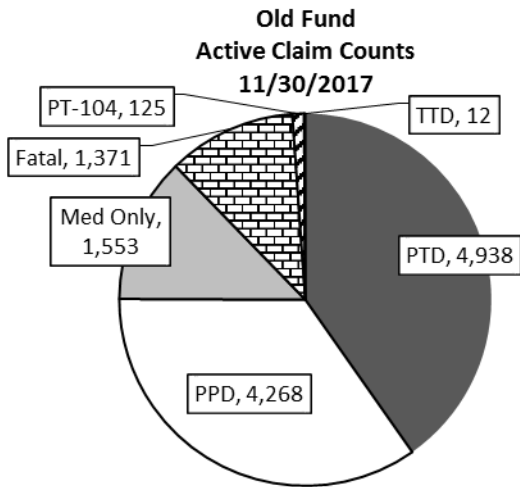
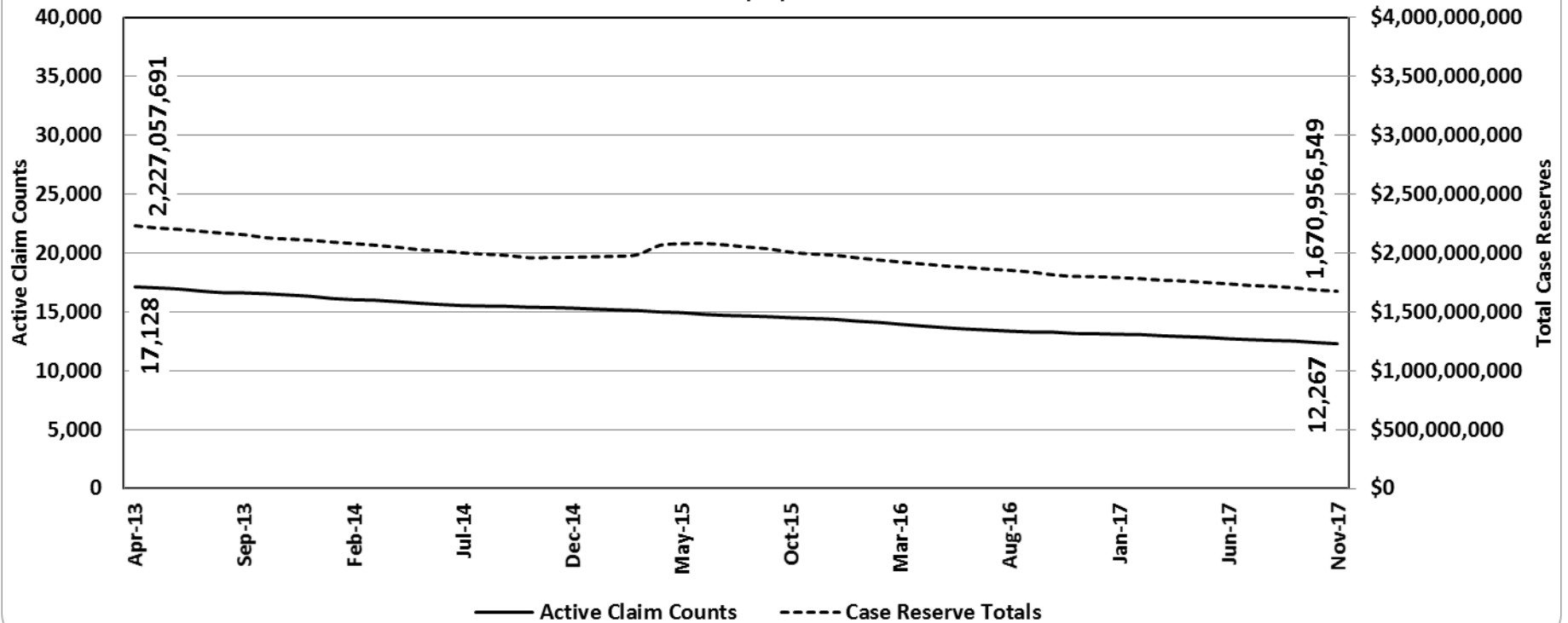
Self-Insured Security Fund: State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure before 07/01/2004. This fund is limited to claimants of those self-insured employers who have defaulted on their claims obligations after 12/31/2005.

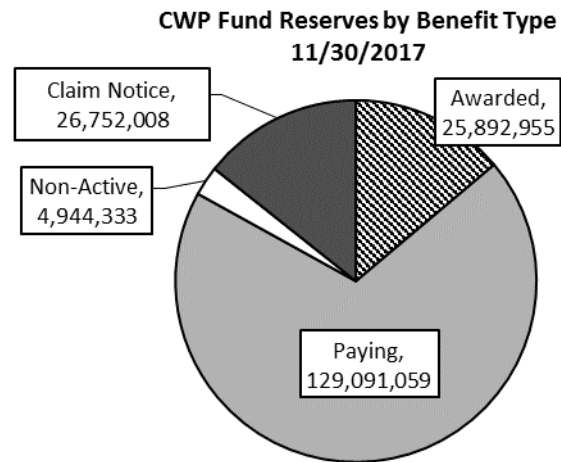
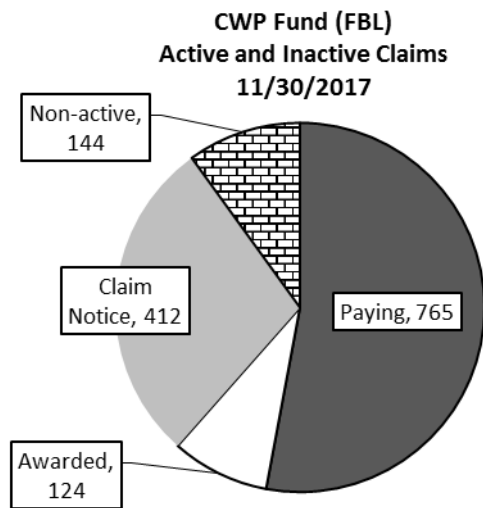
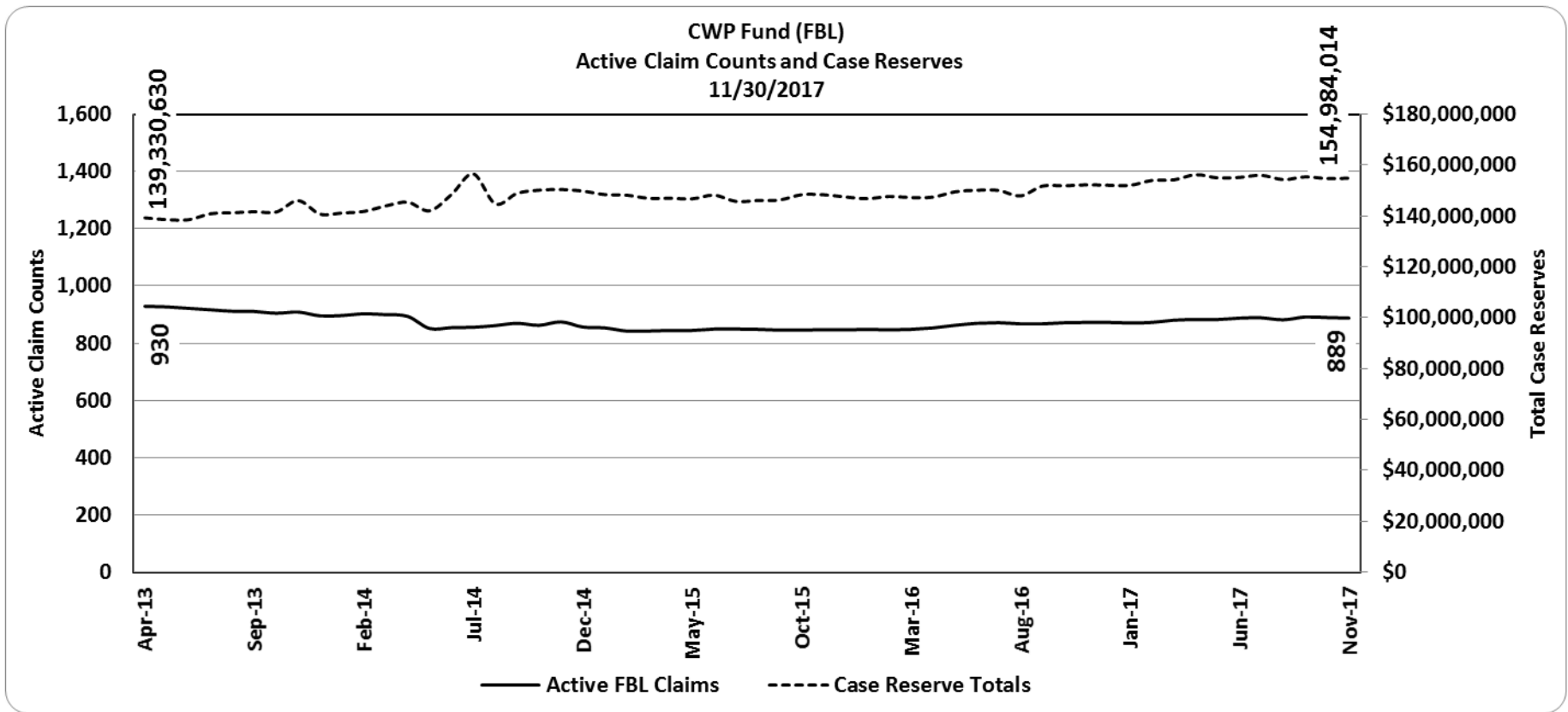
TPD: (Temporary Partial Disability) also referred to as TPR, is paid when an injured worker is released to return to work with restrictions or modifications that restrict he/she from obtaining their pre-injury wages. The TPD benefit is paid at seventy percent of the difference between the average weekly wage earnings earned at the time of injury and the average weekly wage earnings earned at the new employment.

TTD: (Temporary Total Disability) an inability to return to substantial gainful employment requiring skills or activities comparable to those of one's previous gainful employment during the healing or recovery period after the injury. In order to receive TTD benefits, the injured worker must be certified disabled due to the compensable injury by his/her treating physician.

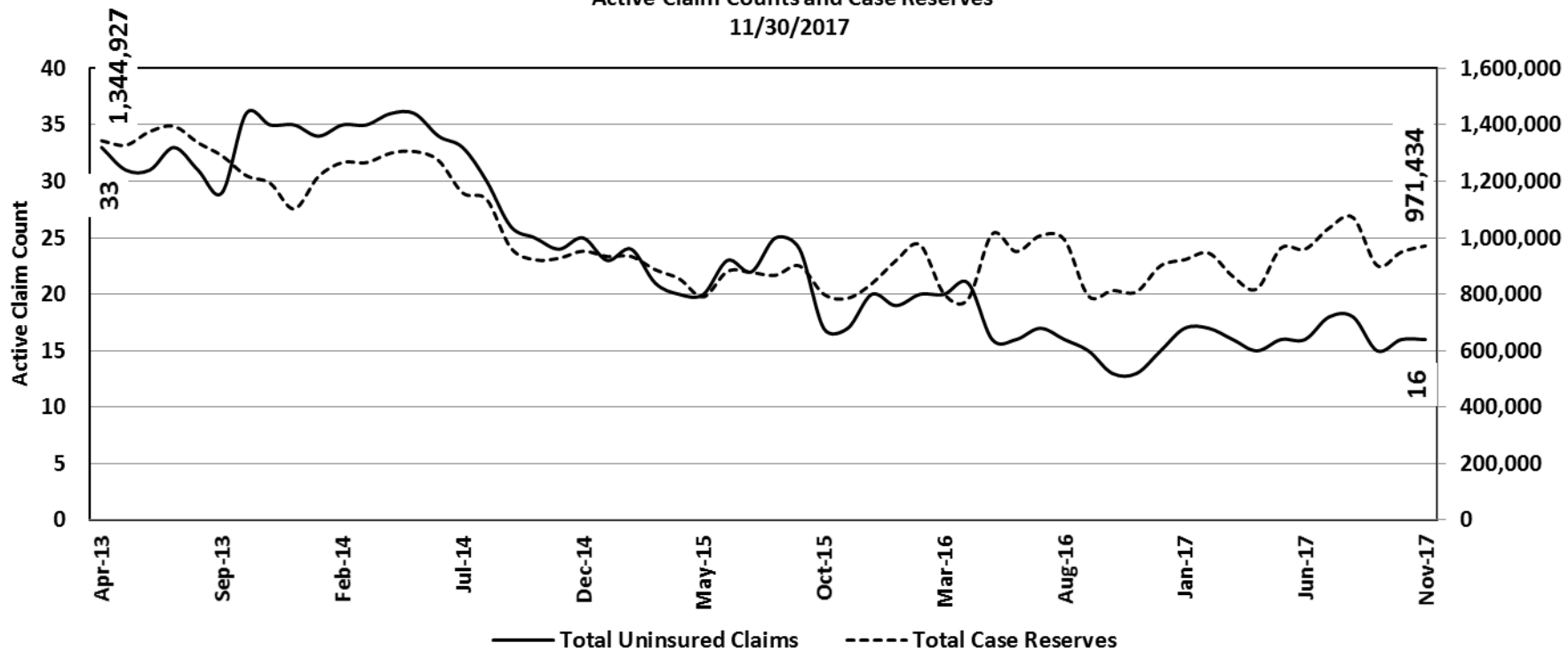
Uninsured Fund: State managed fund into which assessments to carriers or employers received are held, and out of which workers' compensation benefits may be paid to claimant employees of employers who were uninsured if the date of injury or date of last exposure is January 1, 2006 or later.

**Old Fund
Active Claim Counts and Case Reserves
11/30/2017**

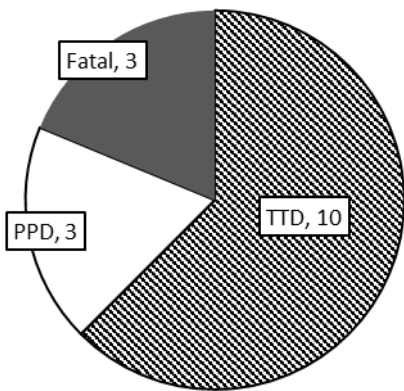




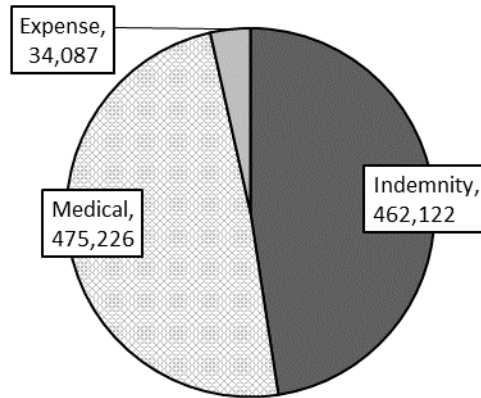
**Uninsured Fund
Active Claim Counts and Case Reserves
11/30/2017**



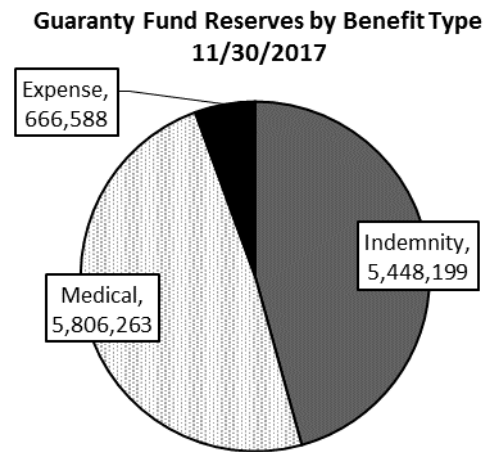
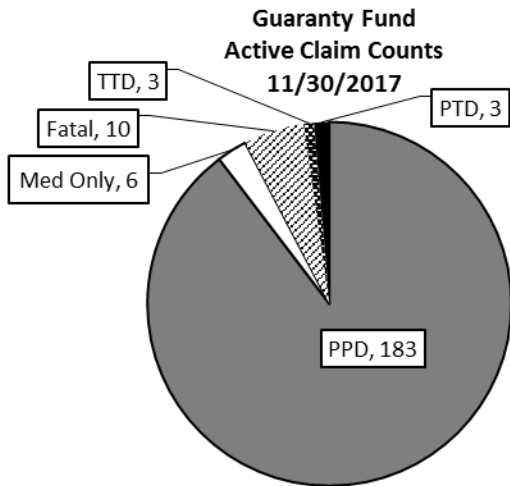
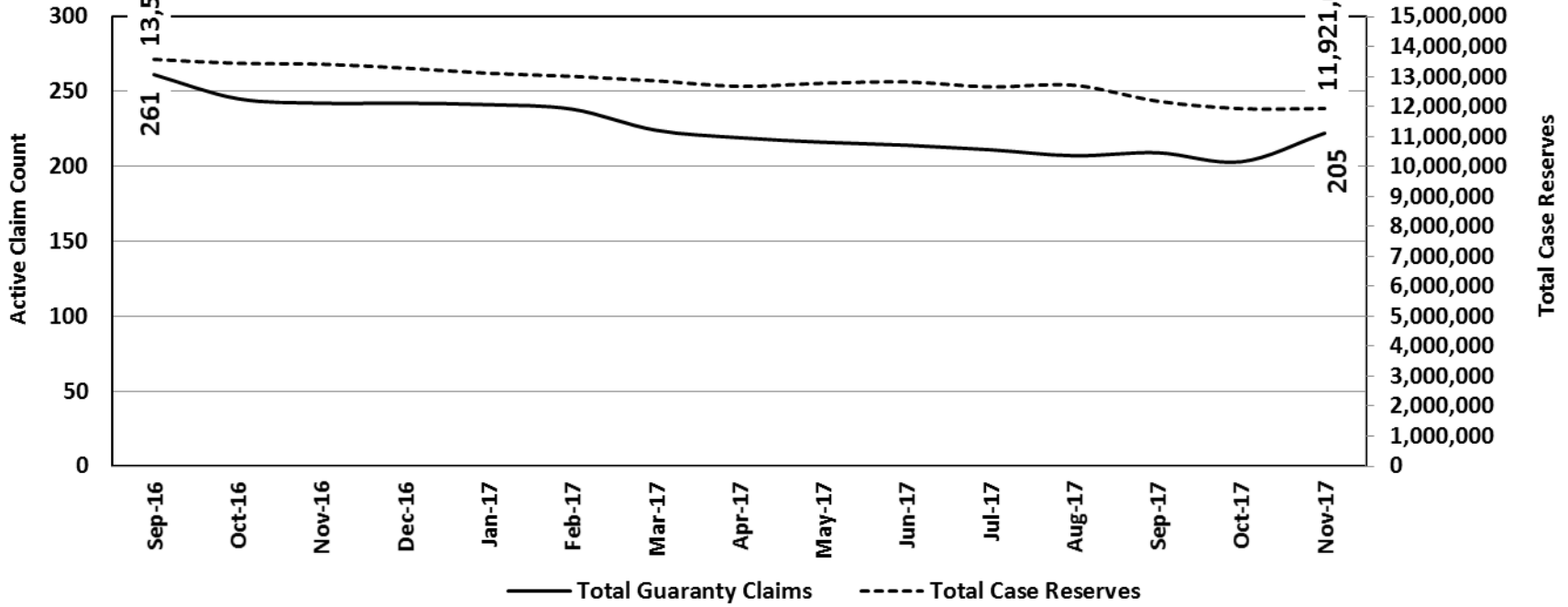
**Uninsured Fund
Active Claim Counts
11/30/2017**



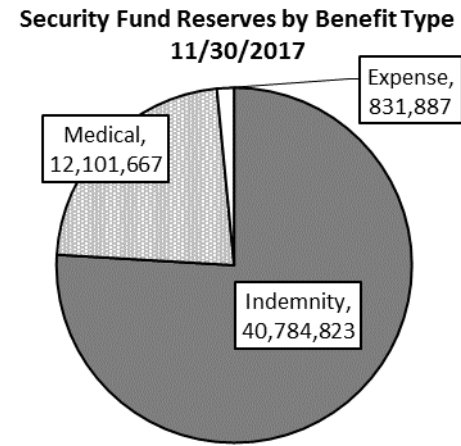
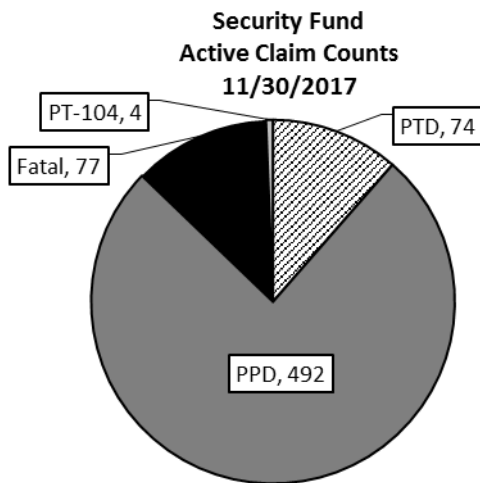
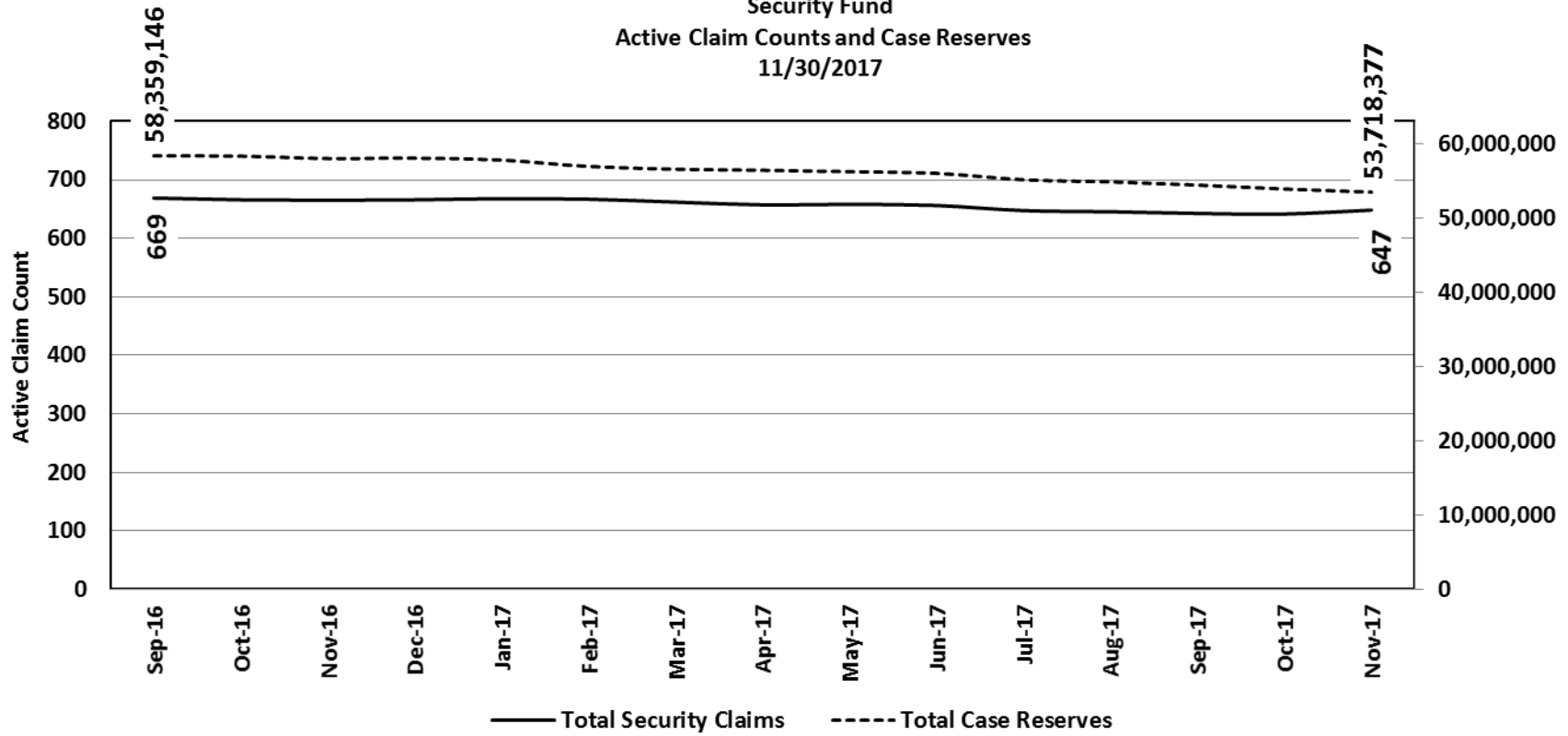
**Uninsured Fund Reserves by Benefit Type
11/30/2017**



**Guaranty Fund
Active Claim Counts and Case Reserves
11/30/2017**



**Security Fund
Active Claim Counts and Case Reserves
11/30/2017**



OLD FUND CASH STATEMENT
November 30, 2017

Three Year History for years ended:

	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
Cash Beginning Balances	1,263,372,448	1,280,647,632	(17,275,184)	1,280,647,632	1,311,653,269	1,190,142,811
Revenues						
Personal Income Tax	-	-	-	-	42,400,000	95,400,000
Severance Tax	-	13,887,551	(13,887,551)	13,887,551	73,068,796	125,703,925
Debt Reduction Surcharge	3,383,216	5,440,798	(2,057,582)	12,336,645	25,211,458	34,106,221
Self-Insured Debt Reduction Surcharge	905,165	1,821,849	(916,684)	4,346,111	6,209,330	8,859,759
Video Lottery	828,759	1,808,077	(979,318)	5,500,000	6,734,934	11,000,000
Employer Premium	32,463	32,728	(265)	62,806	111,955	202,532
Other Income - Return of Unclaimed Property	150,814	259,506	(108,692)	354,423	184,888	153,763
Operating Revenues	5,300,417	23,250,509	(17,950,092)	36,487,535	153,921,361	275,426,199
Investment / Interest Earnings (Losses)	49,822,968	43,038,720	6,784,248	112,116,554	(5,981,504)	34,715,474
Total Revenues	55,123,385	66,289,229	(11,165,844)	148,604,089	147,939,857	310,141,673
Expenditures						
Claims Benefits Paid:						
Medical	9,244,480	10,690,486	(1,446,006)	27,437,375	26,890,541	29,881,043
Permanent Total Disability	36,902,505	39,107,971	(2,205,465)	92,140,733	98,784,921	104,948,107
Permanent Partial Disability	107,516	141,571	(34,054)	336,015	232,699	353,749
Temporary Disability	4,939	-	4,939	-	8,554	-
Fatafs	9,098,312	9,802,531	(704,219)	22,990,499	24,098,586	25,497,598
104 weeks death benefit	2,025,983	2,401,046	(375,063)	5,825,439	6,990,581	5,883,387
Settlements	2,812,026	4,609,629	(1,797,603)	11,716,131	12,718,425	12,206,388
Loss Adjustment Expenses	593,803	535,001	58,802	1,446,808	1,970,779	2,029,136
Total	60,789,564	67,288,235	(6,498,671)	161,893,000	171,695,087	180,799,408
Less: Claims credits and overpayments	928,514	2,209,857	(1,281,343)	5,080,389	3,044,395	2,240,415
Total Benefits Paid	59,861,050	65,078,378	(5,217,328)	156,812,611	168,650,692	178,558,993
Administrative Expenses	2,874,906	3,096,547	(221,641)	9,066,663	10,294,801	10,060,064
Total Expenditures	62,735,955	68,174,925	(5,438,970)	165,879,274	178,945,493	188,619,057
Excess (Deficiency) of Revenues over Expenditures	(7,612,570)	(1,885,696)	(5,726,875)	(17,275,184)	(31,005,636)	121,522,616
Cash Ending Balances	1,255,759,877	1,278,761,936	(23,002,059)	1,263,372,448	1,280,647,632	1,311,665,427

Note: The purpose of this report is to enhance the user's ability to monitor the cash activities of the Old Fund. The Old Fund assets consist of cash and investments with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The liabilities of the Old Fund consist of the worker's compensation claims and related expenses for all claims, actual and incurred but not reported for claims with dates of injury on or before June 30, 2005. This report is intended to provide a summary of the cash based transactions related to the Fund's assets and liabilities and is not an accrual based presentation. The Old Fund Cash Statement is unaudited information.

COAL WORKERS PNEUMOCONIOSIS FUND
November 30, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
Cash Beginning Balances	251,313,328	245,945,240	5,368,089	245,945,240	264,657,327	267,173,190
Revenues						
Investment Earnings (Losses)	9,959,913	7,705,849	2,254,064	22,100,417	(5,091,164)	10,347,881
Other Income - Return of Unclaimed Property	-	1,276	(1,276)	8,353	3,797	876
Total Revenues	9,959,913	7,707,125	2,252,787	22,108,770	(5,087,367)	10,348,758
Expenditures						
Claims Benefits Paid:						
Medical	1,645,221	1,419,474	225,747	4,032,649	2,830,426	2,629,364
PTD and Fatal Indeminty	3,353,755	3,362,863	(9,109)	8,174,289	7,548,752	6,857,612
Loss Adjustment Expenses	1,501,783	1,494,292	7,491	3,783,923	2,629,468	2,633,172
Total	6,500,759	6,276,630	224,129	15,990,861	13,008,646	12,120,148
Less: Claims Credits and Overpayments	173,539	55,713	117,826	125,895	130,620	129,338
Total Benefits Paid	6,327,220	6,220,917	106,303	15,864,966	12,878,025	11,990,810
Administrative Expenses	374,070	296,976	77,094	875,715	746,696	873,810
Total Expenditures	6,701,290	6,517,893	183,397	16,740,681	13,624,721	12,864,620
Excess (Deficiency) of Revenues over Expenditures	3,258,622	1,189,232	2,069,390	5,368,089	(18,712,088)	(2,515,863)
Cash Ending Balances	254,571,950	247,134,471	7,437,480	251,313,328	245,945,240	264,657,327

Note: The Coal Worker's Pneumoconiosis Fund (CWP Fund) ceased operations December 31, 2005 and is in run-off status under the administrative oversight of the Insurance Commissioner. Established in 1973, the CWP Fund existed to provide insurance coverage to companies for liabilities incurred as a result of the Federal Coal Mine Health and Safety Act of 1969. Participation in the CWP Fund was voluntary for employers. The current revenues of the CWP Fund are limited to the earnings from invested assets. Assets of the CWP Fund are invested with the WV Investment Management Board. The investment earnings are presented in the month in which the State Treasurer records the earnings. The liabilities of the CWP Fund consist of the claims for coal miners who are totally disabled or beneficiaries of coal miners who have died as a result of coal worker's pneumoconiosis. To be eligible for benefits from the CWP Fund, the date of last exposure of the coal miner must be on or before December 31, 2005. The Coal Workers Cash Statement is unaudited information.

SELF-INSURED GUARANTY RISK POOL
November 30, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
Cash Beginning Balances	33,836,322	33,462,454	373,868	33,462,454	16,014,340	15,603,319
Revenues						
Guaranty Risk Pool Assessments	-	-	-	-	18,684	89,571
Collateral Proceeds	-	-	-	-	19,422,025	-
Investment Earnings (Losses)	1,338,194	1,076,977	261,217	3,012,508	(155,883)	612,972
Total Revenues	1,338,194	1,076,977	261,217	3,012,508	19,284,826	702,542
Expenditures						
Claims Benefits Paid:						
Medical	99,108	203,347	(104,239)	503,912	309,470	51,752
Permanent Total Disability	122,095	26,549	95,546	63,717	43,638	-
Permanent Partial Disability	258,755	439,354	(180,598)	972,712	612,823	20,788
Temporary Disability	23,604	165,236	(141,632)	375,328	303,724	114,835
Fatals	110,478	115,421	(4,943)	277,011	257,806	55,093
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	-	-	-	3,800	-	-
Non Awarded Partial Disability	4,361	-	4,361	4,407	9,377	-
Loss Adjustment Expenses	58,695	133,346	(74,651)	255,219	163,819	12,414
Total	677,097	1,083,252	(406,155)	2,456,105	1,700,657	254,882
Less: Claims Credits and Overpayments	2,471	1,807	664	2,723	17,176	(9,064)
Total Benefits Paid	674,626	1,081,445	(406,820)	2,453,382	1,683,481	263,947
Administrative Expenses	41,581	67,554	(25,973)	185,258	153,231	27,575
Total Expenditures	716,207	1,148,999	(432,793)	2,638,640	1,836,711	291,522
Excess (Deficiency) of Revenues over Expenditures	621,988	(72,022)	694,010	373,868	17,448,114	411,021
Cash Ending Balances	34,458,309	33,390,432	1,067,878	33,836,322	33,462,454	16,014,340

The Self-Insured Guaranty Risk Pool covers the claims liabilities of bankrupt or defaulted self-insured employers with dates of injury subsequent to July 1, 2004. The revenues of the Self-Insured Guaranty Fund are comprised of the guaranty risk pool assessments levied on all self-insured employers and the earnings on invested assets. The assets of the Self-insured Guaranty Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self-Insured Guaranty Cash Statement is unaudited information.

SELF-INSURED SECURITY RISK POOL

November 30, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
Cash Beginning Balances	54,448,203	53,859,338	588,865	53,859,338	9,208,803	7,137,316
Revenues						
Security Risk Pool Assessments	-	-	-	-	230,340	1,114,180
Collateral Proceeds	-	-	-	-	47,503,193	1,425,061
Investment Earnings (Losses)	2,160,675	1,789,117	371,559	4,914,238	201,775	310,550
Total Revenues	2,160,675	1,789,117	371,559	4,914,238	47,935,308	2,849,791
Expenditures						
Claims Benefits Paid:						
Medical	365,279	340,976	24,303	778,632	479,295	71,000
Permanent Total Disability	632,925	666,087	(33,162)	1,576,942	1,163,198	208,590
Permanent Partial Disability	-	-	-	-	7,560	38,698
Temporary Disability	-	-	-	-	-	-
Fatals	533,129	560,641	(27,512)	1,333,911	1,183,728	404,642
104 Weeks Death Benefit	28,929	79,137	(50,208)	134,935	92,595	-
Settlement Agreements	5,236	6,836	(1,600)	14,165	21,177	-
Loss Adjustment Expenses	36,594	80,138	(43,544)	151,558	54,047	12,113
Total	1,602,092	1,733,815	(131,723)	3,990,143	3,001,600	735,042
Less: Claims Credits and Overpayments	3,194	3,850	(657)	38,143	4,925	(1,392)
Total Benefits Paid	1,598,898	1,729,965	(131,067)	3,952,000	2,996,676	736,434
Administrative Expenses	105,705	105,532	173	373,374	288,097	41,870
Total Expenditures	1,704,603	1,835,497	(130,894)	4,325,374	3,284,773	778,304
Excess (Deficiency) of Revenues over Expenditures	456,072	(46,380)	502,452	588,865	44,650,535	2,071,487
Cash Ending Balances	54,904,275	53,812,958	1,091,317	54,448,203	53,859,338	9,208,803

The Self-Insured Security Risk Pool is liable for the worker's compensation claims of bankrupt or defaulted self-insured employers with dates of injury prior to July 1, 2004. However, the obligations of this Fund are limited to the exposures of self-insured employers who default subsequent to December 31, 2005. The assets of the Self-insured Security Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self-Insured Security Cash Statement is unaudited information.

UNINSURED EMPLOYERS FUND

November 30, 2017

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
Cash Beginning Balances	12,760,544	11,864,792	895,753	11,864,792	12,125,188	11,714,178
Revenues						
Fines and Penalties	147,689	238,041	(90,353)	595,742	625,093	765,082
Investment Earnings (Losses)	461,108	315,865	145,244	962,646	(205,615)	408,442
Total Revenues	608,797	553,906	54,891	1,558,387	419,478	1,173,523
Expenditures						
Claims Benefits Paid:						
Medical	7,752	8,602	(850)	30,783	47,718	22,011
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	10,139	22,452	(12,313)	51,760	4,738	50,684
Temporary Disability	66,566	11,597	54,969	25,414	113,212	22,997
Fataals	20,846	20,846	-	50,030	52,164	87,881
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	85,000	177,715	(92,715)	255,715	228,577	82,110
Loss Adjustment Expenses	1,007	715	292	6,969	5,868	3,225
Total	191,310	241,928	(50,617)	420,672	452,276	268,909
Less: Claims Credits and Overpayments	734	800	(66)	33,341	1,558	(320,872)
Total Benefits Paid	190,576	241,128	(50,552)	387,331	450,719	589,781
Administrative Expenses	54,567	111,327	(56,760)	275,304	229,156	172,732
Total Expenditures	245,143	352,455	(107,312)	662,635	679,875	762,513
Excess (Deficiency) of Revenues over Expenditures	363,654	201,452	162,203	895,753	(260,397)	411,010
Cash Ending Balances	13,124,198	12,066,243	1,057,955	12,760,544	11,864,792	12,125,188

The Uninsured Employer's Fund (UEF) was established January 1, 2006 to provide worker's compensation benefits to injured workers of uninsured WV employers. The revenues of the UEF consist of fines levied on uninsured employers and the earnings on invested assets. The assets of the UEF are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Insurance Commissioner has the right to levy assessments on employers in order to maintain the solvency of the Fund. The Commissioner may recover all payments made from this fund, including interest, from an uninsured employer who is found liable for benefits paid from the UEF. The Uninsured Cash Statement is unaudited information.

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
January 25, 2018

OPERATING REPORT NOVEMBER 2017

Board of Treasury Investments

315 70th Street, SE
Charleston WV
25304
(304) 340-1564
www.wvbt.com

Board of Directors

John D. Perdue,
State Treasurer,
Chairman

James C. Justice II,
Governor

John B. McCuskey,
State Auditor

Glenda Probst
Appointed by the
Governor

Michael L. Glasser,
Esq. Attorney
Appointed by the
Governor

Executive Staff

Executive
Director
Kara K. Hughes,
CPA, MBA, CFE

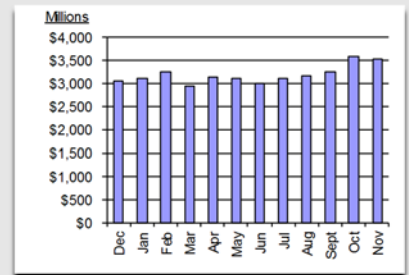
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$3,517,375,000

**Last Month
\$3,577,405,000**

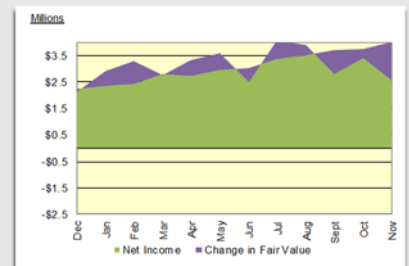
**Beginning of Fiscal Year
\$2,999,927,000**



Net Assets for the Past 12 Months

Total Net Income & Changes in Fair Value

**Fiscal Year
\$16,811,000**



Monthly Net Income & Changes in Fair Value for the Past 12 Months

Money Market Pools

As of November 30, 2017

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	1.2785%	38 Days	\$2.3 Billion
WV Gov't Money Market	0.9994%	24 Days	\$205.7 Million

* Yields represent the simple money market yield net of fees.

** W.A.M. is the weighted average maturity.

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

THE ECONOMIC STATE

NOVEMBER 2017

2017 – Low Volatility and High Returns

Market Results

As 2017 draws to a close, most investors can look back on the year as one marked by low volatility and high returns. November did little to change this dynamic as global equities continued their relentless march forward. US stocks were in the lead with gains of 3.1%, stealing the thunder from international equities that dominated for most of the year. The MSCI EAFE returned 1.0% on the month with a bulk of the gains fueled by a weakening dollar amid uncertainty over Brexit negotiations and the Catalonia referendum. Strengthening currencies also drove gains in emerging markets but the MSCI EM Index eked out a 0.2% return.

US fixed-income returns were a mixed bag as the Fed appeared resolute about raising rates in December despite persistently low inflation readings. The Treasury curve flattened on the month with the 10-year yield up three basis points to 2.41% and the 30-year yield down five basis points to 2.83%. The Barclays US Aggregate Bond Index dipped 0.1%; long-duration bonds fared well as the Barclays US Treasury Index gained 0.7%. Credit spreads widened slightly in November leading to a 0.3% decline in the Barclays US High Yield Index.

Market Outlook

At NEPC, we still believe international and emerging market equities remain attractive relative to the United States, especially as US equities have recently narrowed the year-to-date performance gap. Within US fixed income, we recommend investors tilt away from credit risk and reallocate to a combination of safe-haven debt, such as TIPS, and global equities, as we observe spreads below median levels across investment-grade and high-yield securities. In general, we remind investors of the importance of rebalancing and maintaining target exposures, especially in a year where equities have seen such marked outperformance.

West Virginia Board of Treasury Investments

Financial Highlights as of November 30, 2017

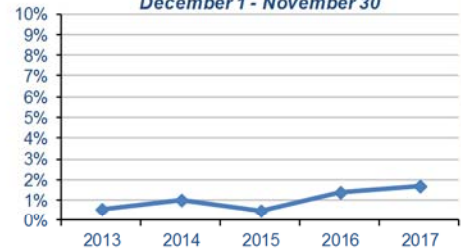
WV Short Term Bond Pool

Rates of Return for the Past 12 Months *Net of All Fees*

<u>December 1 - November 30</u>	<u>Return</u>	<u>Net Assets At Nov 30 (In Millions)</u>
2017	1.7%	\$ 758.4
2016	1.4%	\$ 775.4
2015	0.5%	\$ 803.8
2014	1.0%	\$ 784.1
2013	0.5%	\$ 718.5

WV Short Term Bond Pool Rates of Return

*Past 12 Months
December 1 - November 30*

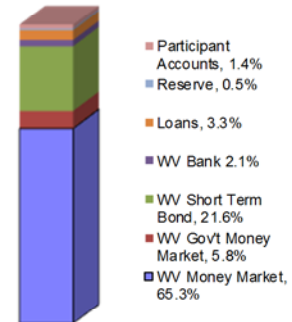


Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

Summary of Value and Earnings (In Thousands)

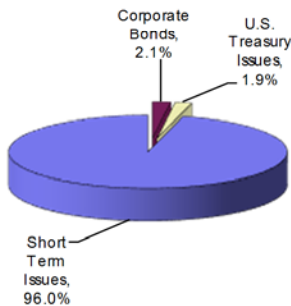
<u>Pool</u>	<u>Net Asset Value</u>	<u>Nov Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 2,295,816	\$ 2,476	\$ 10,830
WV Gov't Money Market	205,656	191	897
WV Short Term Bond	758,448	(292)	4,047
WV Bank	74,797	81	373
Loans	116,570	82	442
Reserve	18,931	20	77
Participant Accounts	47,157	28	145
	<u>\$ 3,517,375</u>	<u>\$ 2,586</u>	<u>\$ 16,811</u>

Percent of Total Net Asset Value

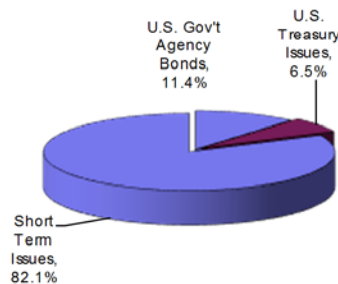


Securities by Type for Operating Pools (Percentage of Asset Value)

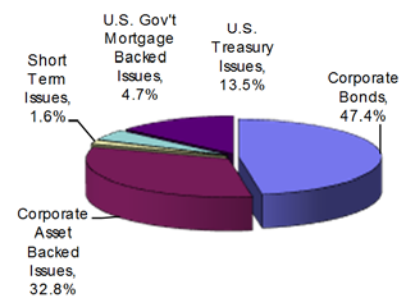
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
NOVEMBER 30, 2017
(IN THOUSANDS)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Other Pools</u>	<u>Participant Directed Accounts</u>	<u>Total</u>
Assets							
Investments:							
At amortized cost	\$ 2,295,252	\$ 205,682	\$ -	\$ 74,558	\$ 135,414	\$ -	\$ 2,710,906
At fair value	-	-	749,592	-	-	47,095	796,687
Other assets	1,169	59	10,193	251	106	63	11,841
Total assets	<u>2,296,421</u>	<u>205,741</u>	<u>759,785</u>	<u>74,809</u>	<u>135,520</u>	<u>47,158</u>	<u>3,519,434</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased	605	85	1,337	12	19	1	2,059
Total liabilities	<u>605</u>	<u>85</u>	<u>1,337</u>	<u>12</u>	<u>19</u>	<u>1</u>	<u>2,059</u>
Net Position							
Held in trust for investment pool participants	2,295,816	205,656	758,448	74,797	135,501	-	3,470,218
Held in trust for individual investment account holders	-	-	-	-	-	47,157	47,157
Total net position	<u>\$ 2,295,816</u>	<u>\$ 205,656</u>	<u>\$ 758,448</u>	<u>\$ 74,797</u>	<u>\$ 135,501</u>	<u>\$ 47,157</u>	<u>\$ 3,517,375</u>
Additions							
Investment income:							
Interest and dividends	\$ 1,331	\$ 69	\$ 1,221	\$ 84	\$ 106	\$ 46	\$ 2,857
Net (amortization) accretion	1,277	137	(10)	-	-	(8)	1,396
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>2,608</u>	<u>206</u>	<u>1,211</u>	<u>84</u>	<u>106</u>	<u>38</u>	<u>4,253</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	134	15	82	3	4	-	238
Total investment expenses	<u>134</u>	<u>15</u>	<u>82</u>	<u>3</u>	<u>4</u>	<u>-</u>	<u>238</u>
Net investment income	2,474	191	1,129	81	102	38	4,015
Net realized gain (loss) from investments	2	-	(198)	-	-	-	(196)
Net increase (decrease) in fair value of investments	-	-	(1,223)	-	-	(10)	(1,233)
Net increase (decrease) in net position from operations	2,476	191	(292)	81	102	28	2,586
Participant transaction additions:							
Purchase of pool units by participants	521,919	32,482	-	78	19	-	554,498
Reinvestment of pool distributions	2,475	191	1,111	81	102	-	3,960
Contributions to individual investment accounts	-	-	-	-	-	8,597	8,597
Total participant transaction additions	<u>524,394</u>	<u>32,673</u>	<u>1,111</u>	<u>159</u>	<u>121</u>	<u>8,597</u>	<u>567,055</u>
Total additions	526,870	32,864	819	240	223	8,625	569,641
Deductions							
Distributions to pool participants:							
Net investment income	2,474	191	1,129	81	102	-	3,977
Net realized gain (loss) from investments	2	-	(198)	-	-	-	(196)
Total distributions to pool participants	<u>2,476</u>	<u>191</u>	<u>931</u>	<u>81</u>	<u>102</u>	<u>-</u>	<u>3,781</u>
Participant transaction deductions:							
Redemption of pool units by participants	576,611	36,085	5,137	78	7,909	-	625,820
Withdrawals from individual investment accounts	-	-	-	-	-	70	70
Total participant transaction deductions	<u>576,611</u>	<u>36,085</u>	<u>5,137</u>	<u>78</u>	<u>7,909</u>	<u>70</u>	<u>625,890</u>
Total deductions	<u>579,087</u>	<u>36,276</u>	<u>6,068</u>	<u>159</u>	<u>8,011</u>	<u>70</u>	<u>629,671</u>
Net increase (decrease) in net position from operations	(52,217)	(3,412)	(5,249)	81	(7,788)	8,555	(60,030)
Inter-pool transfers in	2,600	-	-	-	-	-	2,600
Inter-pool transfers out	-	-	-	(2,600)	-	-	(2,600)
Net inter-pool transfers in (out)	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>(2,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(49,617)	(3,412)	(5,249)	(2,519)	(7,788)	8,555	(60,030)
Net position at beginning of period	2,345,433	209,068	763,697	77,316	143,289	38,602	3,577,405
Net position at end of period	<u>\$ 2,295,816</u>	<u>\$ 205,656</u>	<u>\$ 758,448</u>	<u>\$ 74,797</u>	<u>\$ 135,501</u>	<u>\$ 47,157</u>	<u>\$ 3,517,375</u>

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

1900 Kanawha Blvd. East, Room E-132
Charleston, WV 25305-0610
(304) 347-4800
(304) 347-4819 FAX



Aaron Allred
Legislative Manager

December 20, 2017

Ms. Cynthia Beane, Commissioner
WV Bureau for Medical Services
350 Capital Street, Room 251
Charleston, WV 25301

(via Email) Cynthia.E.Beane@wv.gov

Dear Commissioner Beane:

I am writing to request that the following additional information be provided, pursuant to various requests of members of the Joint Committee on Government and Finance at the interim committee meeting which was previously held on Tuesday, December 5, 2017, at 11:00 a.m. in Senate Finance:

1. Information concerning the amount of money that the WV Bureau for Medical Services (BMS) has spent on pregnancy terminations to include the past 8 – 10 years and if the number of pregnancy terminations have increased due to Medicaid expansion, pursuant to Delegate Miller and Delegate Cowles' request;
2. The Specific form created by DHHR that physicians use to attest that a pregnancy termination is medically necessary, pursuant to Senator Karnes' request;
3. The list of all ICD 10 Codes used for pregnancy terminations indicating those reimbursed by BMS; and
4. Information as to the number of refugees that are in the State of West Virginia, what services they are provided by BMS or other programs within DHHR, pursuant to Speaker Armstead's request.

Please forward this information to me via email at: aaron.allred@wvlegislature.gov , no later than Wednesday, December 27, 2017, so that it can be distributed to all members.

If you have questions, please feel free to contact me at (304) 347-4800.

Sincerely,

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

Aaron Allred



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR MEDICAL SERVICES

Jim Justice
Governor

Commissioner's Office
350 Capitol Street, Room 251
Charleston, West Virginia 25301-3712
Telephone: (304) 558-1700 Fax: (304) 558-1451

Bill J. Crouch
Cabinet Secretary

January 5, 2018

Aaron Allred, Legislative Manger
West Virginia Legislature
Joint Committee on Government and Finance
Room E-132
State Capitol Complex
1900 Kanawha Boulevard, East
Charleston, WV 25305

RE: Joint Committee on Government and Finance
December Interims Inquiries

Dear Mr. Allred:

Thank you for contacting our office regarding the Joint Committee on Government and Finance December interim committee meeting. The Bureau for Medical Services is pleased to assist your office regarding this matter.

- (1) Information concerning the amount of money that the WV Bureau for Medical Services (BMS) has spent on pregnancy terminations to include the past 8 – 10 years and if the number of pregnancy terminations have increased due to Medicaid expansion, pursuant to Delegate Miller and Delegate Cowles' request;

Please see enclosed the information pertaining to pregnancy terminations from 2009 – 2017 requested.

- (2) The Specific form created by DHHR that physicians use to attest that a pregnancy termination is medically necessary, pursuant to Senator Karnes' request;

Please see the enclosed information pertaining to the attestation form requested.

- (3) The list of all ICD 10 Codes used for pregnancy terminations indicating those reimbursed by BMS; and

Please see the enclosed information for a list of ICD10 Codes for pregnancy terminations reimbursed by BMS.

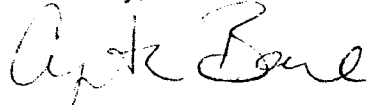
Aaron Allred
January 5, 2018
Page 2

- (4) Information as to the number of refugees that are in the State of West Virginia, what services they are provided by BMS or other programs within DHHR, pursuant to Speaker Armstead's request.

Refugees are "Qualified Non-Citizens" for purposes of Medicaid eligibility and are evaluated for eligibility under the Medicaid state plan. Refugees eligible under the state plan receive state plan medical services. In 2017, it was reported that seventy-seven (77) refugee status individuals received West Virginia Medicaid.

We appreciate the opportunity to be of service. Please do not hesitate to reach out if you need additional information.

Sincerely,



Cynthia Beane, MSW, LCSW
Commissioner

Enclosure(s)

cc: Bill Crouch, Cabinet Secretary, Department of Health and Human Resources

WV Medicaid
Pregnancy Termination Analysis

<u>SFY</u>	<u>Amount</u>	<u>Volume</u>
2017	\$326,103	1,560
2016	\$396,424	1,217
2015	\$375,310	763
2014	\$297,394	544
2013	\$278,756	502
2012	\$268,205	517
2011	\$354,134	630
2010	\$335,152	678
2009	\$302,881	677



West Virginia Medicaid



Physician Certification

For Pregnancy Termination Form

The Physician Certification for Pregnancy Termination Form must be completed and maintained on file at the practice location and available for review upon request by BMS and its designee.

Please print or type.

Member's Name

Member's Medicaid Number

Member's Date of Birth

Member's Address

I. Certification of General Medical Necessity (must be certified for all claims.)

I, _____ (attending physician), having discussed this matter with the patient prior to the service, certify that on the basis of my professional judgment, this pregnancy termination was necessary in light of physical, emotional, psychological, familial or age factors (or a combination thereof) relevant to the well-being of the patient.

II. Certification of Specific Medical Necessity (only if applicable.)

I, _____ (attending physician), certify that on the basis of my professional judgment, this pregnancy termination was medically necessary due to one or more of the following factors. (Check all that apply):

Pregnancy resulting from rape

Endangerment of mother's life
if the fetus were carried to
full term

Pregnancy resulting from incest

Physician's Signature

NPI

Date

ICD 10 Codes used for pregnancy terminations reimbursed by WV Medicaid

West Virginia Medicaid covers pregnancy terminations up to 20 weeks gestation

- Z3A.01 – Less than 8 weeks gestation of pregnancy
- Z3A.08 – 8 weeks gestation of pregnancy
- Z3A.09 – 9 weeks gestation of pregnancy
- Z3A.10 – 10 weeks gestation of pregnancy
- Z3A.11 – 11 weeks gestation of pregnancy
- Z3A.12 – 12 weeks gestation of pregnancy
- Z3A.13 – 13 weeks gestation of pregnancy
- Z3A.14 – 14 weeks gestation of pregnancy
- Z3A.15 – 15 weeks gestation of pregnancy
- Z3A.16 – 16 weeks gestation of pregnancy
- Z3A.17 – 17 weeks gestation of pregnancy
- Z3A.18 – 18 weeks gestation of pregnancy
- Z3A.19 – 19 weeks gestation of pregnancy
- Z3A.20 – 20 weeks gestation of pregnancy

West Virginia does **NOT** cover terminations after 20 weeks gestation

- Z3A.21 21 weeks gestation of pregnancy
- Z3A.22 22 weeks gestation of pregnancy
- Z3A.23 23 weeks gestation of pregnancy
- Z3A.24 24 weeks gestation of pregnancy
- Z3A.25 25 weeks gestation of pregnancy
- Z3A.26 26 weeks gestation of pregnancy
- Z3A.27 27 weeks gestation of pregnancy
- Z3A.28 28 weeks gestation of pregnancy
- Z3A.29 29 weeks gestation of pregnancy
- Z3A.3 Weeks of gestation of pregnancy, weeks 30-39
- Z3A.30 30 weeks gestation of pregnancy
- Z3A.31 31 weeks gestation of pregnancy
- Z3A.32 32 weeks gestation of pregnancy
- Z3A.33 33 weeks gestation of pregnancy
- Z3A.34 34 weeks gestation of pregnancy
- Z3A.35 35 weeks gestation of pregnancy
- Z3A.36 36 weeks gestation of pregnancy
- Z3A.37 37 weeks gestation of pregnancy
- Z3A.38 38 weeks gestation of pregnancy
- Z3A.39 39 weeks gestation of pregnancy
- Z3A.4 Weeks of gestation of pregnancy, weeks 40 or greater
- Z3A.40 40 weeks gestation of pregnancy
- Z3A.41 41 weeks gestation of pregnancy
- Z3A.42 42 weeks gestation of pregnancy
- Z3A.49 Greater than 42 weeks gestation of pregnancy