

West Virginia Children's Health Insurance Program

2004 Annual Report



Bob Wise, Governor



Bob Wise, Governor
State of West Virginia

John T. Poffenbarger, Acting Cabinet Secretary
West Virginia Department of Administration

Sharon L. Carte, Executive Director
West Virginia Children's Health Insurance Program

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



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INTRODUCTORY SECTION



*Many things we need can wait. The child cannot.
Now is the time his bones are being formed, his blood
is being made, his mind is being developed.
To him we cannot say tomorrow, his name is today.*

*Quote by Gabriela Mistral
in "Children's Health, The Nation's Wealth: Assessing and
Improving Child Health"
National Research Council and Institute of Medicine*

2004 Annual Report



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December 1, 2004

Honorable Bob Wise, Governor
State of West Virginia

Honorable Members of the
West Virginia Legislature

Board of Directors
West Virginia Children's Health Insurance Program

John T. Poffenbarger, Acting Cabinet Secretary
West Virginia Department of Administration

Sharon L. Carte, Executive Director
West Virginia Children's Health Insurance Program

Ladies and Gentlemen:

It is a privilege to submit to you the Annual Report of the West Virginia Children's Health Insurance Program (WVCHIP) for the fiscal year ended June 30, 2004. This report was prepared by the Office of the Financial Officer of WVCHIP. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the management of WVCHIP. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to present fairly the financial position and results of operations of WVCHIP. All disclosures necessary to enable the reader to gain an understanding of WVCHIP's financial activities have been included. It should be noted that these financial reports are unaudited and for management purposes only.

This Annual Report is presented in three sections: introductory, financial and statistical. The introductory section contains this transmittal letter, a list of the principal officers of WVCHIP, and WVCHIP's organizational chart. The financial section includes the basic financial statements and footnotes as well as certain supplementary information as required by State Code. Also included in the financial section is

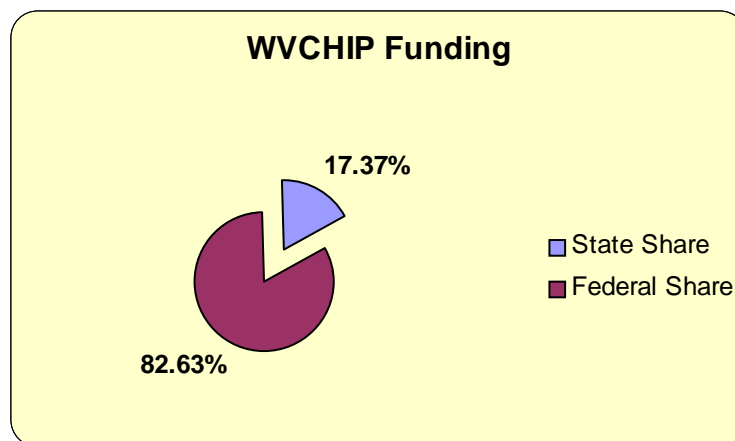
management’s discussion and analysis (MD&A) which provides the reader a narrative introduction, overview and further analysis of the financial information presented. The statistical section includes selected financial and statistical data.

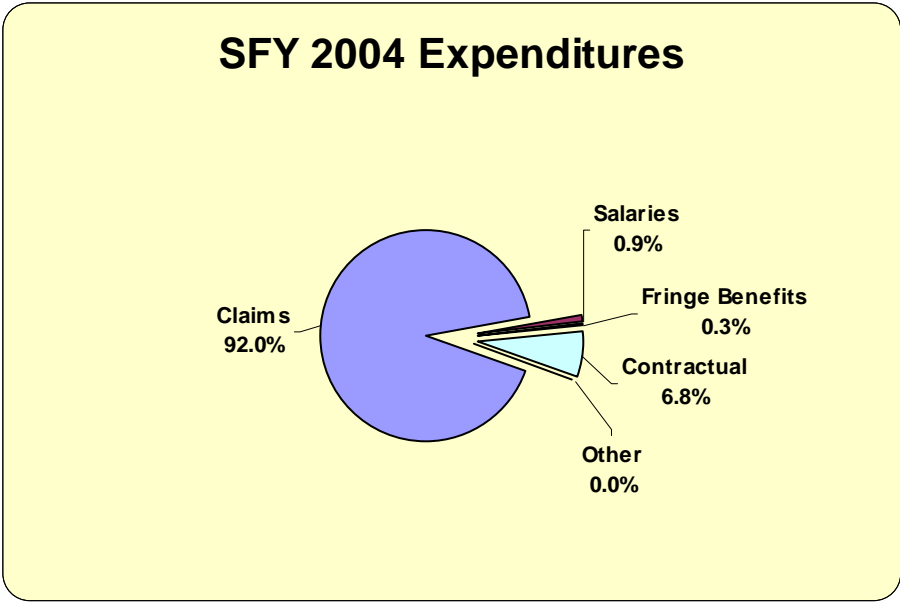
The West Virginia Legislature passed House Bill 4299 on April 19, 1998 to create WVCHIP. Since its inception, it has undergone several changes that include the transfer of the Program from the West Virginia Department of Health and Human Resources to the West Virginia Department of Administration with the passage of Senate Bill 565 in 2000. WVCHIP is governed by a board of up to eleven members. Day-to-day operations of WVCHIP are managed by the Director who is responsible for the implementation of policies and procedures established by the Board of Directors.

FINANCIAL PERFORMANCE AND OUTLOOK

The financial statements of WVCHIP have been prepared on a modified accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as prescribed or permitted by the Governmental Accounting Standards Board (GASB).

WVCHIP’s funding is a shared federal/state partnership. The match rate at June 30, 2004 was 82.63% and 17.37% respectively. WV State Code provides for an actuarial opinion to ensure that WVCHIP’s estimated program and administrative costs, including incurred but unreported claims, will not exceed 90 percent of the funding available to the Program. The Actuarial Report dated June 30, 2004 confirmed this through SFY 2006. The report, based on projected funding, enrollment and costs, projected federal funding shortfalls of \$3.1 million, \$29.1 million and \$35.0 million in state fiscal years (SFY) 2007, 2008 and 2009 respectively. Subsequent to this report, additional federal funding was made available that has eliminated the federal shortfall in SFY 2007 and reduced it to \$13.3 million in SFY 2008 and \$30.5 million in SFY 2009. This improvement was a result of a redistribution of federal funds totaling \$12.1 million and an announcement of WVCHIP’s federal fiscal year 2005 grant of \$24.4 million. West Virginia was one of 19 states to receive these redistributed funds as a result of spending all of its federal fiscal year (FFY) 2001 funds. Furthermore, WVCHIP spent all of its FFY 2002 funds and expects an additional redistribution at the beginning of 2005.





CASH MANAGEMENT

Cash and cash equivalents are managed by the West Virginia Investment Management Board. In addition, WVCHIP has funds on deposit with a local financial institution for payment of claims processed by WVCHIP’s third-party administrator. Cash in this account remains an asset of WVCHIP until such time as claims are paid.

INITIATIVES

WVCHIP embarked on a number of special projects this year. These projects included a “prevention campaign” aimed at educating our member families about the importance of preventive services and what services are covered under the plan. WVCHIP was directed upon passage of House Bill 4412 by the State Legislature to conduct a study on the feasibility of increasing income eligibility to 300% FPL. A partnership was established with the State’s Immunization Program with goals of increasing immunization rates and providing WVCHIP with a modest savings on the purchase of vaccines. WVCHIP also began participation in the Centers for Medicare and Medicaid Services (CMS) Year 3 Payment Accuracy Measurement (PAM) Pilot Project which should help the Program identify any areas that leave the Agency vulnerable to making improper payments.

OTHER

Title XXI of the Social Security Act, enacted in 1997 by the Balanced Budget Act, authorized Federal grants to states for the provision of child health assistance to uninsured, low-income children. CMS monitors the operation of WVCHIP. Financial statements are presented for the state fiscal year ended June 30, 2004. The federal year ends September 30 and further documentation is submitted to CMS based on that period. Certain statistical information such as HEDIS-type reports, by nature, is presented on a calendar year basis as required.

ACKNOWLEDGMENTS

Special thanks are extended to Governor Bob Wise and to members of the Legislature for their continued support. Gratitude is expressed to the members of WVCHIP's Board of Directors for their leadership and direction. Our most sincere appreciation is extended to Tom Susman, without whose leadership our Program's accomplishments would have been lessened. Finally, this report would not have been possible without the dedication and effort of WVCHIP's Executive Director, Sharon L. Carte. Respectfully, we submit this Annual Report for the West Virginia Children's Health Insurance Program for the year ended June 30, 2004.

Sincerely,



Stacey L. Shamblin, MHA
Financial Officer

PRINCIPAL OFFICIALS

Bob Wise, Governor
State of West Virginia

Tom Susman, Director
West Virginia Insurance and Retirement Services

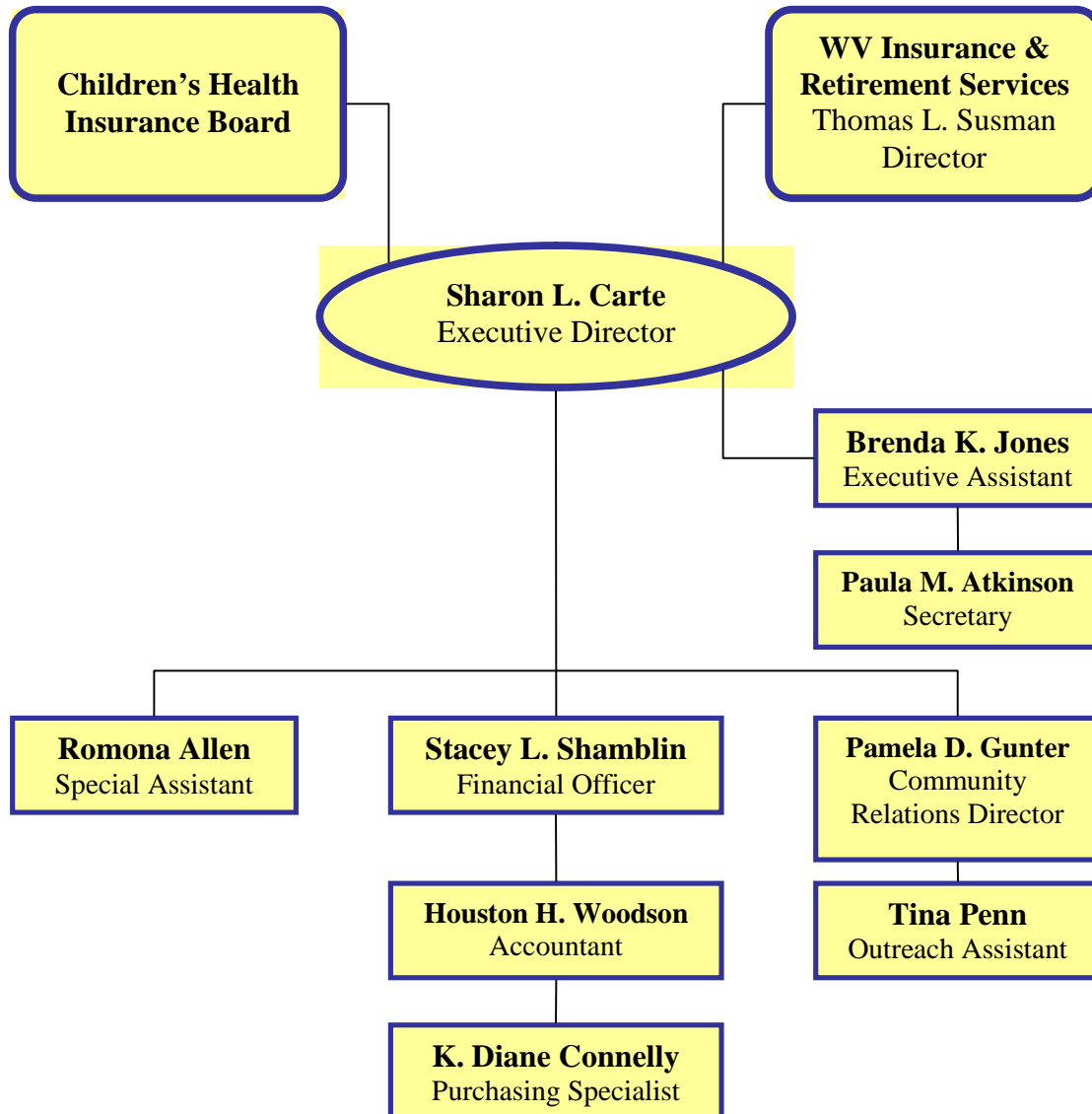
BOARD MEMBERS

Sharon L. Carte, Chair
Tom Susman, Public Employees Insurance Agency, Director
Paul Nusbaum, Department of Health & Human Resources, Cabinet Secretary
The Honorable Roman Prezioso, West Virginia Senate, Ex-Officio
The Honorable Margarette Leach, West Virginia House of Delegates, Ex-Officio
Robert A. Derr, Citizen Member
James E. Foster, Citizen Member
Lynn T. Gunnoe, Citizen Member
Shelia G. Plogger, Citizen Member
Tom Wilkerson, Citizen Member

STAFF

Sharon L. Carte, Executive Director
Romona Allen, Special Assistant
Paula M. Atkinson, Secretary
K. Diane Connelly, Purchasing Specialist
Pamela D. Gunter, Community Relations Director
Stacey L. Shamblin, Financial Officer
Brenda K. Jones, Executive Assistant
Tina Penn, Outreach Assistant
Houston H. Woodson, Accountant

STAFF ORGANIZATIONAL CHART







FINANCIAL SECTION



No educational reform initiative will succeed where health fails.

*Quote by the National School Boards Association
in "School Health Policy & Practice - 6th Edition"
American Academy of Pediatrics*

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST VIRGINIA CHILDREN'S HEALTH INSURANCE PROGRAM For the Year Ended June 30, 2004

Management of the West Virginia Children's Health Insurance Program (WVCHIP) provides this Management Discussion and Analysis for readers of WVCHIP's financial statements. This narrative overview of the financial statements of WVCHIP is for the year ended June 30, 2004. We encourage readers to consider this information in conjunction with the additional information that is furnished in the footnotes which can be found following the financial statements. It should be noted that these financial statements are unaudited and for management purposes only.

This year's annual report complies with the new reporting standards set forth in the Governmental Accounting Standards Board's (GASB) Statement No. 34 "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments" and GASB Statement No. 38 "Certain Financial Statement Disclosures" which are two of the most significant changes in the history of governmental accounting. We also hope this report will help illustrate management's continued awareness of the importance conveying the activities and results of this Program to readers.

HISTORY AND BACKGROUND

WVCHIP's primary purpose is to provide health insurance coverage to uninsured children in families whose income disqualifies them from coverage available through the Medicaid Program, but is less than twice that of the current Federal Poverty Level (FPL). When Congress amended the Social Security Act in 1997 to create Title XXI "State Children's Health Insurance Program", federal funding was authorized to the states for such programs over a ten year period. The West Virginia Legislature established the legal framework for this State's program in legislation enacted in April 1998. Since then, WVCHIP has undergone several changes of its State Plan to reach its current form. These changes included:

- Phase I: In July 1998, the Program began as a Medicaid expansion by covering children from ages 1 to 5 in households with incomes from 131% FPL to 150% FPL.
- Phase II: On April 1, 2000, coverage for children from ages 6 through 18 in households from 100% to 150% FPL was added. WVCHIP also adopted PEIA's Preferred Benefit Plan to serve as the benchmark equivalent coverage program.
- In June 2000, WVCHIP notified the federal government that it was withdrawing the Medicaid expansion program and combining it with Phase II to create a separate state program.
- Phase III: In October 2000, WVCHIP expanded coverage for all children between 151% and 200% FPL.
- In June 2002, WVCHIP modified its co-payment requirements for pharmacy benefits to eliminate co-pays for generic drugs and expand co-pay requirements for brand name drugs. It also adopted an annual benefit limit of \$200,000 and a lifetime benefit limit of \$1,000,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

WVCHIP's financial statements have been prepared on a modified accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as prescribed or permitted by the Governmental Accounting Standards Board. As a governmental fund, WVCHIP is required to present two basic statements in this section as follows:

Balance Sheet: This statement reflects WVCHIP's assets, liabilities and fund balance. Assets equal liabilities plus fund balances. The major line item asset consists primarily of funds due from the federal government to cover WVCHIP's major liability, incurred claims.

Statement of Revenues, Expenditures and Changes in Fund Balances: This statement reflects WVCHIP's operating revenues and expenditures. The major source of revenue is federal grant awards while the major expenditure areas include medical, dental, and prescription drug claims costs.

FINANCIAL HIGHLIGHTS

The following financial statements summarize the financial position and the results of operations for the years ended June 30, 2004 and 2003. (See Pages 12 and 13.)

- Total assets have increased approximately \$132,570 in comparison to the previous year end amount. This increase resulted primarily from larger amounts of cash and cash equivalents available to the Program at the end of June 2004.
- Total liabilities have increased by approximately \$129,051 during the year.
- Total fund balance increased approximately \$3,519 in comparison to the previous year end amount.
- Total operating revenues increased approximately \$3,486,134.
- Medical, dental and prescription drug expenditures comprise approximately 92% of WVCHIP's total costs. These expenditures increased approximately \$3,776,411 over the prior year representing an increase of 13%. Increases in enrollment caused expenditures to climb approximately 8%, while utilization and price increases accounted for 5% of the total increase.
- Administrative costs accounted for 8% of overall expenditures. These expenditures decreased approximately \$286,344 representing a decrease of 9%.

**West Virginia Children's Health Insurance Program
Comparative Balance Sheet
June 30, 2004 and 2003
(Accrual Basis)**

	June 30, 2004	June 30, 2003	Variance	
Assets:				
Cash and Cash Equivalents	\$1,961,218	\$1,317,156	\$ 644,062	49%
Due From Federal Government	3,128,249	3,618,145	(489,896)	-14%
Due From Other Funds	528,929	552,900	(23,971)	-4%
Accrued Interest Receivable	276	318	(42)	-13%
Fixed Assets, at Historical Cost	43,237	40,821	2,416	6%
 Total Assets	 \$5,661,910	 \$5,529,340	 \$ 132,570	 2%
Liabilities:				
Due To Other Funds	\$ 204,176	\$ 264,856	(\$60,680)	-23%
Deferred Revenue	1,664,188	1,415,355	248,833	18%
Unpaid Insurance Claims Liability	2,840,899	2,900,000	(59,101)	-2%
 Total Liabilities	 \$4,709,262	 \$4,580,211	 \$ 129,051	 3%
 Fund Equity	 \$ 952,648	 \$ 949,129	 \$ 3,519	 0%
 Total Liabilities and Fund Equity	 \$5,661,910	 \$5,529,340	 \$ 132,570	 2%

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2004 and June 30, 2003
(Accrual Basis)

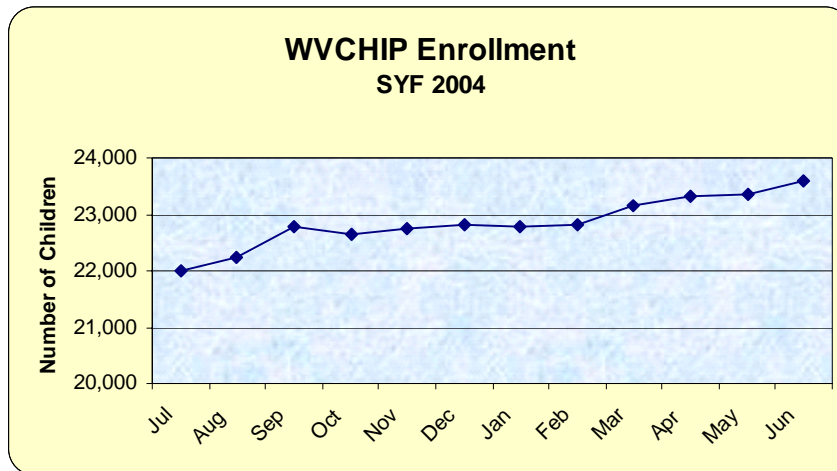
	June 30, 2004	June 30, 2003	Variance	
Revenues:				
Federal Grants	\$27,758,838	\$27,007,538	\$ 751,300	3%
State Appropriations	7,904,092	5,165,325	2,738,767	53%
Investment Earnings	3,519	7,452	(3,933)	-53%
 Total Operating Revenues	 \$35,666,449	 \$32,180,315	 \$3,486,134	 11%
Operating Expenditures:				
Claims:				
Outpatient Services	\$ 8,275,220	\$7,986,447	\$ 288,773	4%
Physician and Surgical	7,400,959	6,692,321	708,638	11%
Prescribed Drugs	5,940,697	4,974,058	966,639	19%
Dental	4,384,130	3,740,340	643,790	17%
Inpatient Hospital	2,686,903	2,328,741	358,162	15%
Outpatient Mental Health	1,325,522	1,166,056	159,466	14%
Vision	1,137,066	976,549	160,517	16%
Inpatient Mental Hospital	596,589	426,165	170,424	40%
Durable & Disposable Equipment	465,772	373,514	92,258	25%
Therapy	438,736	270,251	168,485	62%
Medical Transportation	226,700	217,815	8,885	4%
Other	90,807	53,869	36,938	69%
Less Collections*	(263,675)	(277,111)	13,436	
Total Claims	32,705,426	28,929,015	3,776,411	13%
General and Admin Expenses:				
Enrollment and Claims Processing	1,943,063	1,982,980	(39,917)	-2%
Eligibility	261,111	478,755	(217,644)	-45%
Salaries and Benefits	413,446	388,096	25,350	7%
Current	339,883	394,017	(54,134)	-14%
Total Administrative	2,957,504	3,243,848	(286,344)	-9%
 Total Expenditures	 35,662,930	 32,172,863	 3,490,067	 11%
 Excess of Revenues Over (Under) Expenditures	 3,519	 7,452		
 Fund Equity, Beginning	 949,129	 941,677	 7,452	 1%
 Fund Equity, Ending	 \$ 952,648	 \$ 949,129	 \$ 3,519	 0%

* Collections are primarily drug rebates and subrogation

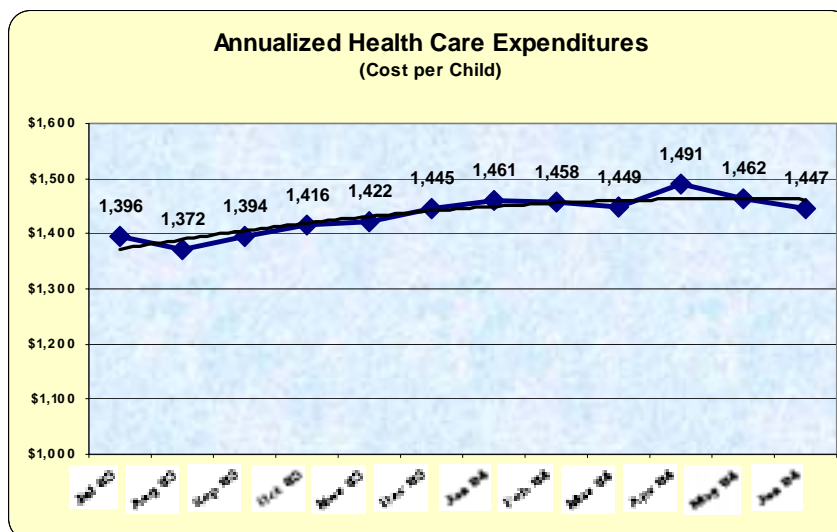
Unaudited - For Management Purposes Only - Unaudited

2004 Annual Report

A net increase in medical, dental and prescription drug claims costs of 13% is comparable to the current rate of medical inflation experienced by health insurance plans nationally, which averages anywhere from 13-16%. Moreover, WVCHIP's enrollment increased by 8% over the year. This upward enrollment trend was steady throughout the year, from 21,797 enrollees on July 1 to 23,594 enrollees on June 30 for an increase of 1,797 participants. Phase III participants, that is, enrollees in households with incomes between 151% and 200% FPL are the smaller of the two groups, but constituted the faster growing group. Enrollment of Phase III participants increased 11.4% over the course of SFY 2004 versus a 5.4% increase in enrollment for Phase I kids. WVCHIP has also experienced the passing of "pent up" demands for services. These pent up costs are illustrated in Table 13 on page 43 in the Statistical Section. All told, the combination enrollment, utilization, and price increases resulted in a higher annual cost per child at June 30, 2004, of \$1,447 than in June 30, 2003, of \$1,369.



WVCHIP had projected to spend \$40.7 million in State Fiscal Year 2004. The Program was able to end the year \$5.1 million under budget. Even though the Program experienced enrollment and price increases, they were not as high as predicted. The Program is able to capitalize on operating efficiencies by partnering with WV DHHR for eligibility processing and PEIA for claims processing and program administration. We believe these partnerships will continue to allow the Program to operate in the most cost efficient manner possible.



MAJOR INITIATIVES

WVCHIP conducted a prevention campaign from May 15, 2003 through September 30, 2003. Activities conducted during this campaign included a mailing to CHIP families an educational brochure about the prevention benefits available for children through WVCHIP and reminding them that prevention services require no co-payments. WVCHIP also temporarily increased provider fee schedules by 25% for physician office visits and vision exam services. Rates to dentists were increased by 33% for preventive dental services. The campaign was advertised through a variety of media, including newsletters published by PEIA, WV Medical Association, WV American Dental Association, and the Healthy Kids and Families Coalition. An “ER Workgroup” also started as a component of this campaign. The goal of this group is to help prevent families from using hospital emergency rooms as their “medical homes.” This workgroup is currently ongoing.

During the last months of State Fiscal Year 2004, WVCHIP began partnering with the State’s Immunization Program to purchase vaccines for CHIP children at federally contracted rates provided through the Vaccines for Children program. WVCHIP hopes this initiative will help ensure its members receive appropriate vaccinations and increase usage of the State’s Immunization Registry. This initiative will also provide the opportunity for modest savings to the Program. The program started August 1, 2004.

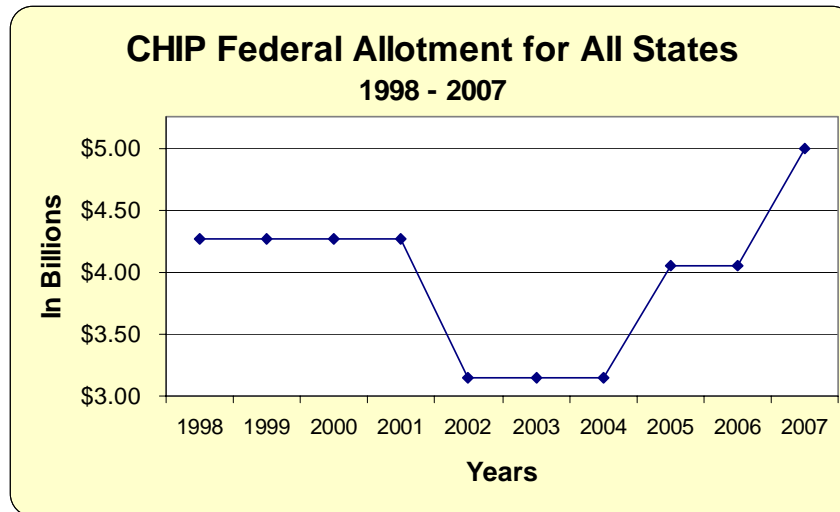
In October 2003, the Centers for Medicare and Medicaid Services (CMS) approved WVCHIP’s application to participate in the Year 3 Payment Accuracy Measurement (PAM) Pilot Project. This 100% federally funded project requires participating programs to audit a sample of medical claims payments for processing accuracy and medical necessity, and audits of eligibility determinations for correctness. The audits will help CHIP determine a payment accuracy rate for claims. Findings of this study will help WVCHIP identify areas of weakness in its claims processing and eligibility determinations in order to improve or correct any deficiencies. WVCHIP expects to have the results of this study by the end of January 2005. CMS has also approved WVCHIP’s participation in next year’s Year 4 Payment Error Rate Measurement (PERM) Pilot Project.

In House Bill 4412 passed during the 2004 legislative session, the State Legislature directed the West Virginia Children’s Health Insurance Board to study the requirements of expanding the Program to cover children in households at income levels at 250% to 300% FPL, and report on related costs and associated factors. The study explored the question of how such expansion costs could be lowered if participating families assumed premium payments that would cover such additional costs, either in whole or in part. The full study results are available on the Program’s website at www.wvchip.org.

Also, in the 2004 legislative session, the Agency was successful in the passage of House Bill 4655 which restored the authority of the Agency for subrogation, or the recovery of medical payments by the Program from other responsible parties and insurers. This authority apparently had not been present during the administrative and statutory transfer of the Program from the West Virginia Department of Health and Human Resources to the West Virginia Department of Administration in 2000.

2004 Annual Report

WVCHIP remains cognizant of the importance of maximizing federal dollars. This past year, WVCHIP was one of only 19 states to receive a redistribution of federal fiscal year (FFY) 2001 funds from a pool of money that was returned to the federal government by states that otherwise forfeited a portion of their grant awards. These additional funds amounted to \$12.1 million. By utilizing all of its FFY 2002 original allocation within the allotted time period, WVCHIP has assured that it will again receive redistributed funds in the coming federal fiscal year. Finally, since total federal allotments to all states increased from \$3.1 billion in 2004 to approximately \$5.1 billion in 2005, WVCHIP's 2005 allotment was increased to \$24.4 million.* This increase from \$18.7 million allotment in 2004 in effect wipes out any projected federal deficit until State Fiscal Year 2008.



CONTACTING WVCHIP'S MANAGEMENT

This report is designed to provide our enrollees, citizens, governing officials and legislators with a general overview of WVCHIP's finances and accountability. If you have questions about this report or need additional information, contact WVCHIP's Financial Officer at 304-558-1673. General information can also be obtained through our website at <http://www.wvchip.org>.

* Since notification of WVCHIP's annual allotment occurs after the end of the federal fiscal year on September 30, this was not available for the June 30, 2004 actuarial projections shown in this report.

West Virginia Children's Health Insurance Program
Notes to Financial Statements
For the Year Ended June 30, 2004

Note 1**Summary of Significant Accounting Policies****Basis of Presentation**

The accompanying general purpose financial statements of the West Virginia Children's Health Insurance Program (WVCHIP) conform to generally accepted accounting principles (GAAP) for governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

The West Virginia Children's Health Insurance Program (WVCHIP) expands access to health services for eligible children. Major revenue sources are federal awards and state appropriations. WVCHIP uses third party administrators to process claims, pay providers, and review utilization of health services. A nine-member board develops plans for health insurance specific to the needs of children and to develop annual financial plans which promote fiscal stability.

Basis of Accounting

WVCHIP follows the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Significant revenues subject to accrual are federal awards. Expenditures are recognized when a related liability is incurred.

Assets and Liabilities**Cash and Cash Equivalents**

Cash equivalents principally consist of amounts on deposit in the State Treasurer's Office (STO) that are pooled funds managed by the West Virginia Investments Management Board (IMB). In addition, WVCHIP makes interest-earning deposits in certain investment pools maintained by IMB that are available to WVCHIP with overnight notice. Interest income from these investments is prorated to WVCHIP at rates specified by IMB based on the balance of WVCHIP's deposits maintained in relation to the total deposits of all state agencies participating in the pool. The carrying value of the deposits reflected in the financial statements approximates fair value. WVCHIP also has an outside bank account which it utilizes to make provider payments. Cash deposits in the outside bank account are considered to be cash and cash equivalents and are generally carried at fair value.

Deferred Revenue

Receipts to reimburse for program expenditures to be incurred in the future periods are classified as deferred revenue.

Insurance Claims Payable

The liability for unpaid claims is based on an estimate of claims incurred but not yet received as of the balance sheet date. Offsetting amounts receivable for the federal and state share of these expenditures have been recorded.

Note 2

Cash and Investments

At June 30, 2004, information concerning the amount of deposits with financial institutions, including deposits, of the State Treasurer’s Office is as follows:

	Carrying Amount	Bank Balance	Collateralized Amount
Deposits with Treasurer	\$ 1,597,251	— — —	— — —
Deposits with third party administrators	50,844	2,220	2,220
Total	\$ 1,648,095	\$ 2,220	\$ 2,220

Investments

	Amount Unrestricted	Fair Value	Investments Pool
Investment with Investment Management Board	\$ 313,123	\$ 313,123	Cash Liquidity

Reconciliation of cash and cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits	
Cash and Cash equivalents as reported	\$1,961,218
Less: investments disclosed as cash equivalents	(313,123)
Carrying amount of deposits as disclosed in this footnote	\$ 1,648,095

Investments	
Investments as Reported	-----
Add: investments disclosed as cash equivalents	\$ 313,123
Carrying value of investments as disclosed in this footnote	\$ 313,123

Note 3

Due to other funds:

Public Employees Insurance Agency	\$161,745
DHHR	2,139
Automated Health Systems	13,146
Other	27,146
Total due to other funds	\$204,176

Note 4**Risk Management
Unpaid Claims Liabilities**

Claims payable, beginning of year	\$ 2,900,000
Incurred claims expense	32,705,426
Payments:	
Claim payments for current year	26,472,123
Claim payments for prior year	6,292,404
Claims payable, year to date	\$ 2,840,899

Note 5**Contingencies**

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



OUR MISSION

*To provide quality health insurance to eligible children
and to strive for a health care system in which all
West Virginia children have access to health care coverage.*



REQUIRED SUPPLEMENTARY INFORMATION



- *“Thank you for a great program to help WV’s children.”*
- *“The CHIP Program is an awesome program and I don’t know what I’d do without it.”*
- *“They [the family’s children] never had a dentist until CHIPs.”*
- *“I’m so pleased to have this for my son, because my husband’s work has been cut to four days a week and it would be really hard on us if I had to pay for doctor visits and such. Thank you.”*

Comments from four WVCHIP families from the Customer Satisfaction Survey 2003.

**West Virginia Children's Health Insurance Program
Report of Independent Actuary
June 30, 2004 Quarterly Report**

OVERVIEW

CCRC Actuaries, LLC ("CCRC Actuaries") was engaged by The West Virginia Children's Health Insurance Program ("CHIP Program") to assist the West Virginia CHIP Board in the analysis of actual and projected plan experience in the current state fiscal year 2004 ("FY 2004") through fiscal year 2009 ("FY 2009"). West Virginia legislation requires that an actuary provide a written opinion that all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed 90 percent of the funding available to the Program for the fiscal year for which the plan is proposed. Based on the Baseline Scenario, the Program costs are not expected to exceed 90 percent of the funding available to the Program through State Fiscal Year 2006. Note that we are currently projecting a Federal funding shortfall of approximately \$3,141,000 in Fiscal Year 2007 based on the current assumptions.

This projection reflects the availability of Federal funding from FY 2000 Redistribution and FY 2001 Redistribution amounts as shown in Appendix A. West Virginia was one of 16 states that received both 2000 and 2001 Redistribution funding. While a total of \$18,804,528 from FY 2000 Redistribution was made available for West Virginia CHIP, and based on our analysis, we believe the program will utilize the entire redistribution in State Fiscal Year 2004 and 2005. The total of \$12,081,320 from FY 2001 Redistribution was also made available for West Virginia CHIP, and based on our analysis, we believe the program will utilize the entire redistribution in State Fiscal Year 2005 and 2006. As of June 30, 2004, WV CHIP management has indicated that approximately \$6.5 million remain from the FY 2000 Redistribution, along with the entire FY 2001 Redistribution. We calculate that \$12,299,258 of the total FY 2000 Redistribution amount will be spent in FY 2004 and an additional \$6,505,270 will be spent in FY 2005.

Enrollment for the program as of June 2004 is at the highest level since its inception. Overall enrollment for the CHIP Program in FY 2004 has increased by approximately 1,635 children since the end of FY 2003. The current program enrollment as of June 2004 consists of 23,432 children total: 15,015 children as part of Phase II that consists of children whose families are below 150% of the federal poverty level and 8,417 children as part of Phase III that consists of children whose families are between 150% and 200% of the federal poverty level. Phase III children are required to make copayments as part of the benefit structure of the program. Since the March 31, 2004 Quarterly Report, overall enrollment has increased by 286 children from March 2004 to June 2004, while Phase II had an increased enrollment of 211 children, and Phase III had an increased enrollment of 75 children.

The monitoring and analysis of claim trends is critical to the accurate forecast of future costs of the Program. While the program's enrollment continues to escalate, there has been some moderation of cost trends. The analysis of claims has become more critical with the Phase III expansion beginning in October 2000. Current claim trend experience has been financially favorable. Financial results continue to indicate that this group had, at least initially, significantly higher health care utilization than families under 150%. More recent experience has indicated after the initial enrollment period the two eligibility groups have similar health care

statuses. Therefore, we have based our projections on the average projected health care costs of both eligibility groups.

Under the State Fiscal Year basis, we are now projecting that incurred claim costs under the Baseline scenario assumptions will be \$32,762,869 for FY 2004 and \$37,780,660 for FY 2005, which compares favorably for the State to the previous projection of \$33,799,714 for FY 2004 and \$38,477,507 for FY 2005 contained in the March 31, 2004 Quarterly Report. The lower claims projection is based on the lower than anticipated Medical and Dental costs.

PLAN ENROLLMENT

We have updated our projection based on the significant increase in enrollment through June 2004. In fact, Phase II enrollment is at its highest level since November 2001 and the enrollment in Phase III is at its highest level since April 2004. The Program had enrollment at the end of Fiscal Year 2003 of 21,797 children, with 14,243 under Phase II and 7,554 under Phase III. Current enrollment as of June 2004 is 23,432 children, with 15,015 under Phase II and 8,417 under Phase III.

The following chart summarizes the enrollment information using end of month enrollment information by Phase II and Phase III and in total:

Date	Phase II	Phase III	Total	Date	Phase II	Phase III	Total
Jul-00	10,349	0	11,839	July-02	14,208	6,377	20,585
Aug-00	10,097	0	11,567	Aug-02	14,316	6,508	20,824
Sept-00	10,542	0	12,023	Sep-02	14,230	6,728	20,958
Oct-00	12,060	540	12,600	Oct-02	14,274	6,942	21,216
Nov-00	12,122	1,189	13,311	Nov-02	14,088	7,092	21,180
Dec-00	14,141	1,512	15,653	Dec-02	14,148	7,199	21,347
Jan-01	14,771	2,218	16,989	Jan-03	14,116	7,166	21,282
Feb-01	15,316	2,757	18,073	Feb-03	14,071	7,097	21,168
Mar-01	15,808	3,353	19,161	Mar-03	14,002	7,300	21,302
Apr-01	15,944	3,839	19,783	Apr-03	14,007	7,429	21,436
May-01	16,241	4,257	20,498	May-03	14,112	7,455	21,567
Jun-01	16,375	4,548	20,923	Jun-03	14,243	7,554	21,797
Jul-01	16,462	4,835	21,297	Jul-03	14,305	7,682	21,987
Aug-01	16,447	5,053	21,500	Aug-03	14,524	7,718	22,242
Sep-01	16,145	5,290	21,435	Sep-03	14,784	7,996	22,780
Oct-01	15,895	5,588	21,483	Oct-03	14,711	7,939	22,650
Nov-01	15,373	5,473	20,846	Nov-03	14,773	7,989	22,762
Dec-01	14,968	5,625	20,593	Dec-03	14,817	8,013	22,830
Jan-02	14,565	5,606	20,171	Jan-04	14,675	8,111	22,786
Feb-02	14,551	5,777	20,328	Feb-04	14,698	8,123	22,821
Mar-02	14,297	5,926	20,223	Mar-04	14,804	8,342	23,146
Apr-02	14,287	5,994	20,281	Apr-04	14,900	8,427	23,327
May-02	14,173	6,036	20,209	May-04	14,885	8,411	23,296
June-02	14,030	6,013	20,043	June-04	15,015	8,417	23,432

2004 Annual Report

The Baseline program enrollment assumptions are summarized in the following chart. Note that the long-term enrollment has increased by 51 additional children from March of FY 2004 to June of FY 2004.

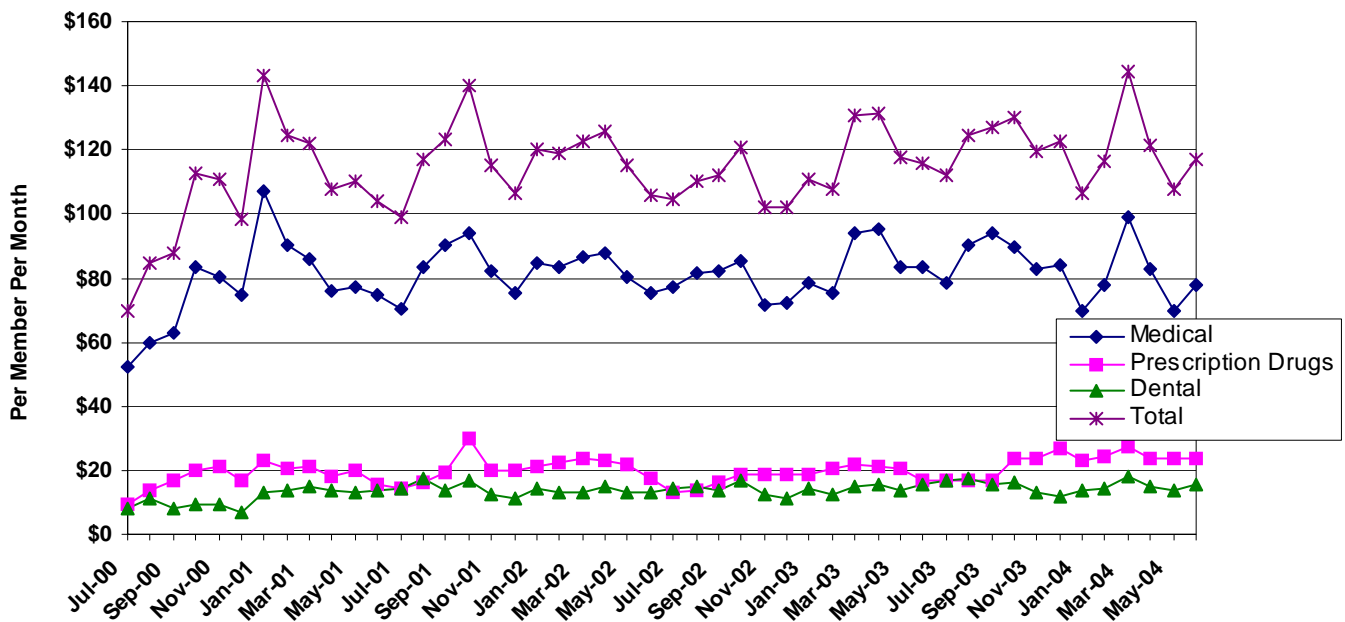
Scenario	FY2004	FY2005
Current Baseline	22,838	23,432
Previous Report	22,787	23,146

CLAIM COST AND TREND ANALYSIS

We have continued to utilize the trend assumptions from the March 31, 2004 Quarterly Report. These trends are 10% for Medical and Dental Claims, and 21% for Prescription Drugs Claims. Comparing the latest twelve months' claim cost from July 2003 to June 2004 and the prior twelve months' claim cost from July 2002 to June 2003 claim costs, Medical trends have been 2%, Dental trends have been 8%, and Prescription Drugs trends have been 23% on a per member per month basis. Note that Prescription Drugs trends are before consideration of drugs rebates. In reviewing our assumption compared to the experience, we have maintained the same trend assumptions as previously set.

The following chart summarizes incurred claims on a per member per month ("PMPM") basis for the major categories of medical, dental and prescription drugs based on information received through June 2004. The attachment at the end of the report shows the trends for Phase II and Phase III and an average for the same three categories.

West Virginia CHIP - Monthly Cost



Detailed claim trends for Medical, Dental and Prescription Drugs are summarized in the Attachment found at the end of the report. The four-year trends for each of the three categories are relatively flat.

FINANCIAL PROJECTION – STATE FISCAL YEARS 2004-2009

The updated incurred claims for FY 2004 is projected to be \$33,008,303 based on expected enrollment of 22,838 children and projected incurred claim per member per month cost data assumption of \$120.72, as summarized in the following chart. In the March 31, 2004 Quarterly Report, the incurred claims for FY 2004 were projected to be \$34,085,714 based on expected enrollment of 22,787 children and projected incurred claim per member per month cost data assumption of \$124.65. Note that the December 31, 2003 Quarterly Report has assumed \$130.03 per member per month.

FY 2004 Category	Incurred Claims	Current Baseline Per Member Per Month	Prior Report Projection Per Member Per Month
Medical	\$22,689,634	\$82.98	\$86.00
Prescription Drugs	6,163,951	22.54	22.57
Dental	4,154,717	15.19	16.08
Total	\$33,008,303	\$120.72	\$124.65

The financial forecast for the State Fiscal Years 2004 through 2009 can be found in Appendix A. We are forecasting adequacy in aggregate through FY 2006 and projecting that under either scenario, the Program will need additional Federal funding beginning in FY 2007.

Appendix A contains a five-year projection period as requested by CHIP management similar to the previous report. The first section of the report is the beginning balances of both Federal and State funding sources. The middle section of the report projects and reports on incurred claim, paid claim and administrative expenses, as well as expected Interest earnings and accrued prescription drugs rebates. This section also projects federal and state shares of paid expenses, as well as incurred but not received (“IBNR”) claim liabilities. The last section of the report projects the ending balances of both Federal and State funding sources.

Based on the assumptions developed, we are projecting a shortfall in Federal Funding of approximately \$3,141,000 in SFY 2007, \$29,167,000 in SFY 2008 and \$35,032,000 in SFY 2009, compared to the previous projection of Federal funding deficits of approximately \$2,545,000 in SFY 2007 and \$29,809,000 in SFY 2008 from the March 31, 2004 Quarterly Report. We are not projecting a shortfall in State funding based on funding levels provided by CHIP management. It should be noted that the Federal Government has not provided projections of expected federal funding in the final years of the projection and these estimates are subject to change. This projection includes the Federal FY 2000 and 2001 Redistribution. Our forecast includes \$18,804,528 Federal Funding in FY 2004 and \$6,505,270 Federal Funding in FY 2005 to reflect limited redistribution for Federal FY 2000 Redistribution Funds. It should be noted that we also include the \$12,081,320 for the Federal FY 2001 Redistribution, which is expected to be utilized in State FY 2005 and 2006.

Appendix B summarizes the original and restated IBNR claim liabilities for the CHIP Program in Fiscal Year 2003 to 2004. IBNR projections have been recently higher to reflect current trend experience as illustrated in Appendix B.

STATEMENT OF ACTUARIAL OPINION

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

This Statement of Actuarial Opinion was prepared in a manner consistent with the Code of Professional Conduct and Qualification Standards of the American Academy of Actuaries, and the Standards of Practice of the Actuarial Standards Board.

In my opinion, all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed 90 percent of the funding available to the Program for the fiscal year for which the plan is proposed through State Fiscal Year 2006.

It should be noted that this opinion is based on State Funding levels as illustrated in Appendix A and FY 2005 through FY 2009 have not been appropriated by the West Virginia Legislature.



Dave Bond
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries
Managing Partner
CCRC Actuaries, LLC
Finksburg, Maryland
July 28, 2004



Brad Paulis
Reviewing Partner
CCRC Actuaries, LLC
Finksburg, Maryland
July 28, 2004

APPENDIX A
West Virginia Children's Health Insurance Program
June 30, 2004 Quarterly Report

Available Funding - Beginning of the Year	2004	2005	2006	2007	2008	2009
Federal 2002	\$16,635,633	\$0	\$0	\$0	\$0	\$0
Federal 2000 Redistribution	18,804,528	6,505,270	0	0	0	0
Federal 2003	18,550,788	18,550,788	0	0	0	0
Federal 2001 Redistribution	12,081,320	12,081,320	2,861,090	0	0	0
Federal 2004	18,760,354	18,760,354	18,760,354	0	0	0
Federal 2005	0	18,760,354	18,760,354	2,120,996	0	0
Federal 2006	0	0	18,760,354	18,760,354	0	0
Federal 2007	0	0	0	18,760,354	0	0
Federal 2008	0	0	0	0	18,760,354	0
Federal 2009	0	0	0	0	0	18,760,354
State Funding 2003	\$1,448,279	\$0	\$0	\$0	\$0	\$0
State Funding 2004	7,122,654	1,910,374	0	0	0	0
State Funding 2005	0	7,200,000	1,905,011	0	0	0
State Funding 2006	0	0	8,600,000	2,462,047	0	0
State Funding 2007	0	0	0	9,700,000	3,168,447	0
State Funding 2008	0	0	0	0	10,000,000	3,093,486
State Funding 2009	0	0	0	0	0	10,000,000
Program Costs	2004	2005	2006	2007	2008	2009
Medical Expenses	\$22,689,634	\$25,666,280	\$28,232,908	\$31,056,199	\$34,161,818	\$37,578,000
Prescription Drug Expenses	6,163,951	7,669,858	9,280,528	11,229,439	13,587,621	16,441,022
Dental Expenses	4,154,717	4,699,773	5,169,751	5,686,726	6,255,398	6,880,938
Administrative Expenses	2,832,581	3,700,991	3,886,041	4,080,343	4,284,360	4,498,578
Program Revenues - Interest	\$0	\$0	\$0	\$0	\$0	\$0
Program Revenues - Drug Rebates	245,434	255,251	265,461	276,079	287,122	298,607
Net Incurred Program Costs	\$35,595,450	\$41,481,651	\$46,303,766	\$51,776,627	\$58,002,076	\$65,099,931
Net Paid Program Costs	35,119,450	40,967,651	45,828,766	51,235,627	57,385,076	64,394,931
Federal Share	\$29,412,520	\$34,276,288	\$38,260,802	\$42,783,027	\$47,927,115	\$53,792,073
State Share of Expenses	6,182,930	7,205,363	8,042,964	8,993,600	10,074,961	11,307,858
Beginning IBNR	\$2,900,000	\$3,376,000	\$3,890,000	\$4,365,000	\$4,906,000	\$5,523,000
Ending IBNR	3,376,000	3,890,000	4,365,000	4,906,000	5,523,000	6,228,000
Funding Sources - End of the Year	2004	2005	2006	2007	2008	2009
Federal 2002	\$0	\$0	\$0	\$0	\$0	\$0
Federal 2000 Redistribution	6,505,270	0	0	0	0	0
Federal 2003	18,550,788	0	0	0	0	0
Federal 2001 Redistribution	12,081,320	2,861,090	0	0	0	0
Federal 2004	18,760,354	18,760,354	0	0	0	0
Federal 2005	0	18,760,354	2,120,996	0	0	0
Federal 2006	0	0	18,760,354	0	0	0
Federal 2007	0	0	0	0	0	0
Federal 2008	0	0	0	0	0	0
Federal 2009	0	0	0	0	0	0
Federal Shortfall	\$0	\$0	\$0	\$3,141,323	\$29,166,761	\$35,031,719
State Funding 2003	\$0	\$0	\$0	\$0	\$0	\$0
State Funding 2004	1,910,374	0	0	0	0	0
State Funding 2005	0	1,905,011	0	0	0	0
State Funding 2006	0	0	2,462,047	0	0	0
State Funding 2007	0	0	0	3,168,447	0	0
State Funding 2008	0	0	0	0	3,093,486	0
State Funding 2009	0	0	0	0	0	1,785,628
State Shortfall	\$0	\$0	\$0	\$0	\$0	\$0

OUTREACH

A Continuing Community Partnership

WVCHIP has worked closely with all partners and entities identified in its State Plan, however, the West Virginia Healthy Kids and Families Coalition (Coalition) has played a pivotal role in working with community based partners to reach uninsured children across the State of West Virginia. The Coalition is a key participant in the Robert Wood Johnson Foundation's "Covering Kids Project." This year's collaborations included media campaigns and community outreach grants in targeted counties. During the summer months alone, over 100 community events were held featuring WVCHIP promotion or outreach in some form throughout West Virginia in an effort to increase enrollment and awareness of the program along with a message focused on the importance of immunizations.

A Targeted Approach

Based on survey data from "Health Insurance in West Virginia," WVCHIP continues to prioritize outreach efforts to fifteen (15) counties (shown on Page 31) of the State with either higher numbers or percentages of uninsured children. The impact of these efforts can be seen in the Statistical Section in Tables 9 and 10 (shown on Page 40 and 41).

A Faith-Based Emphasis

The faith community plays a vital role in supporting families and nurturing the development of children, by integrating faith, access to care and health of the whole person. Health ministries, parish nurse programs, congregations and other faith-based organizations are getting actively involved in tending directly to the health concerns of their members and the large community. Faith organizations that sponsor community-based programs such as child care centers, food pantries and summer camps are becoming more attentive to the insistent problems children face.

For this reason, WVCHIP finds it essential to collaborate with the faith community in an effort to educate and support families in obtaining health care coverage and promoting healthy lifestyles.

In 2003-2004, WVCHIP scheduled meetings with pastors, parish nurses and lay leaders from the faith communities in Wood and Raleigh counties, two of the fifteen that have been targeted with higher numbers of uninsured children. WVCHIP used these meetings to discuss Program eligibility and solicit ideas from the faith community in reaching uninsured children in their respective congregations and counties.

The following faith-based efforts were implemented in fiscal year 2004:

- Letters were sent to Pastors in Wood and Raleigh Counties offering assistance in promoting health and health care coverage options.
- A WVCHIP bulletin flyer was made available to use by all congregations in West Virginia.
- Workshops in two targeted counties were conducted to assist interested local congregations implement a health ministry.
- Created and distributed a WVCHIP Outreach Manual targeted to faith-based initiatives.

A Faith-Based Emphasis (continued)

- Information about WVCHIP was distributed through West Virginia Council of Churches quarterly newsletter.
- An article highlighting WVCHIP outreach appeared in the West Virginia Catholic Spirit Newsletter.

WVCHIP will continue building partnerships in the faith communities of West Virginia, especially those in counties having the highest number of uninsured children.

Health Intervention and Prevention Initiative

In 2004, WVCHIP began working with several State agencies and community health programs as a way to refocus WVCHIP's outreach efforts as a leader in health prevention and promoting a healthy lifestyle. Collaborations can allow for the integration of efforts by multiple agencies and entities inside and outside state government to undertake a statewide mission related to the health of children in West Virginia. Issues such as obesity, lack of immunizations, juvenile diabetes and other health problems are on the rise; early detection and prevention is imperative. WVCHIP's decision to make health intervention and prevention a priority in its outreach efforts supports our State's Healthy People 2010 objectives outlined for children.

The following projects were implemented in fiscal year 2004:

- Heart Healthy Newsletter mailed to WVCHIP parents to increase preventive awareness of the importance of flu shots and exercising safely in cold temperatures.
- WVCHIP joined several coalitions' efforts to promote healthy lifestyles (West Virginia Immunization Network, Action for Healthy Kids Coalition, West Virginia Asthma Coalition and the Oral Health Policy Task Force).
- Letter to health care providers encouraging participation in the Vaccines for Children Program and the Immunization Registry Network.
- Began a series of collaboration meetings with Department of Education, Early Care and Education, Health Check Program, Asthma Education and Prevention Program, Birth to Three, Right from the Start, Day One Program, Head Start, Obesity Prevention Program, Immunization Program and WIC to pool our resources together in maximizing a bigger impact on helping West Virginia's children become healthier adults.
- WVCHIP flyer and ABC's of Baby Care were included in Day One Packets for distribution to all new mothers at participating West Virginia hospitals.

The Electronic Application Process in its First Year

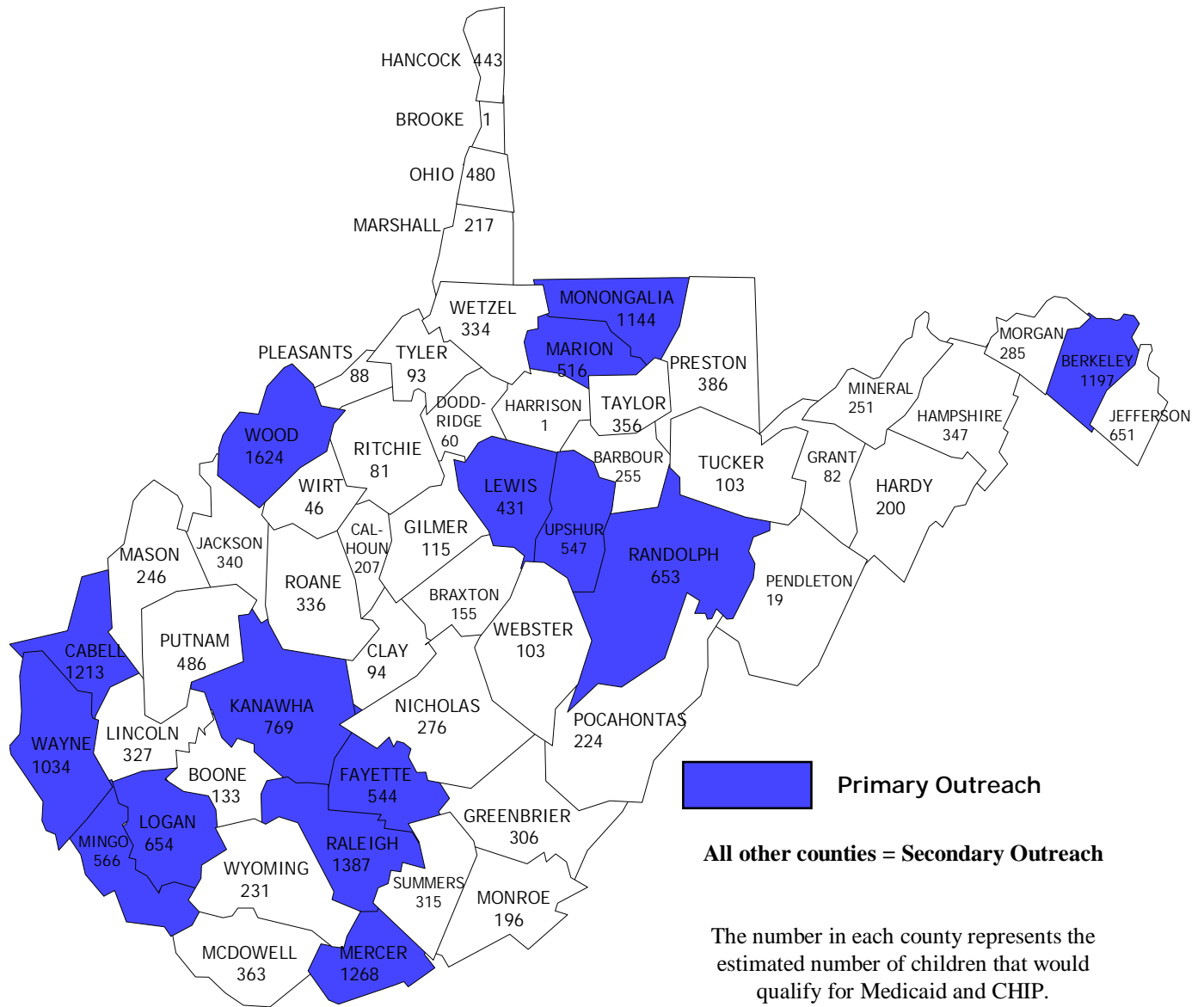
This was the first full year in which the public could complete an electronic application online from a web-based system. The website known as WVinROADS at www.wvinroads.org operated by the West Virginia Department of Health and Human Resources allowed for the submission of over 3,000 applications this past year. Many applicants who took the time to complete an evaluation commented on its simplicity and liked the time saving factor of not having to actually appear at a designated local office in order to apply for benefits.

WVCHIP and the Vaccines for Children Program

WVCHIP and the Vaccines for Children (VFC) program began to work on an agreement early in fiscal year 2004. This agreement allows WVCHIP to purchase vaccines at a federally negotiated discount rate and provide a substantial cost savings to WVCHIP and the provider. This partnership between WVCHIP and the VFC program will make it easier for children and families to get immunized in their medical home. Providing more free vaccines to private providers will help strengthen the levels of childhood immunizations in West Virginia.

The VFC program integrates well with the West Virginia Immunization Registry. This electronic system collects vaccination history, provides coverage data for health plans, identifies high risk areas for vaccine preventable diseases and helps ensure correct and timely immunizations, especially for children. WVCHIP will continue ongoing outreach with both providers and the public to help increase provider participation in the West Virginia Immunization Registry and Vaccines for Children program.

TARGETED OUTREACH FOR UNINSURED CHILDREN



(Chart developed by the WVCHIP for outreach purposes based on data from "Health Insurance in West Virginia: The Children's Report" - a 2001 survey by The Institute for Health Policy Research at the West Virginia University Robert C. Byrd Science Center)





STATISTICAL SECTION



*“School nurses are thrilled with the Program.
It’s very frustrating to be in a helping profession and
have nowhere to refer children with health problems.
Since WVCHIP, all that has changed.”*

*Brenda Isaac, RN
Head School Nurse, Kanawha County*

All statistics are for the fiscal year ended June 30, 2004, unless noted otherwise.

TABLE 1: ENROLLMENT

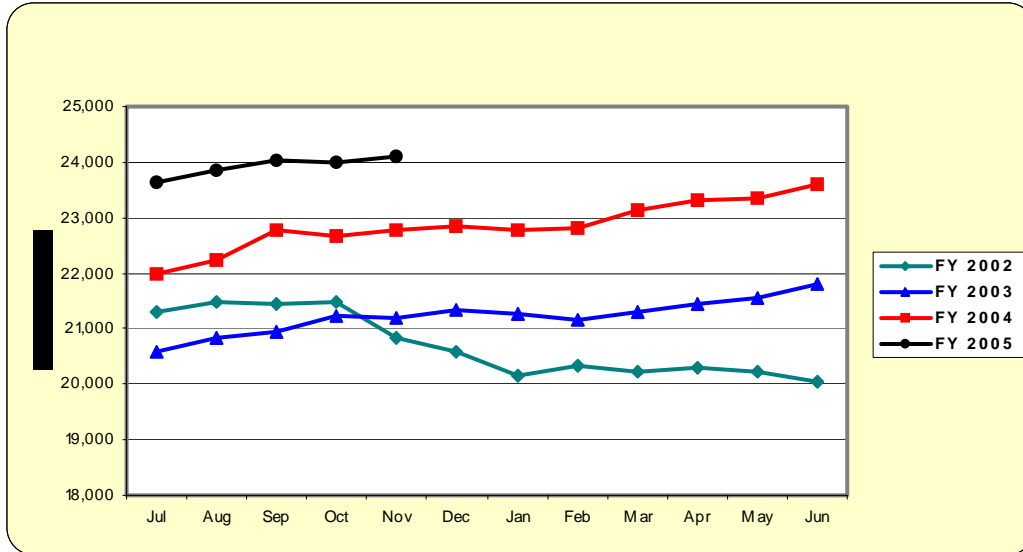
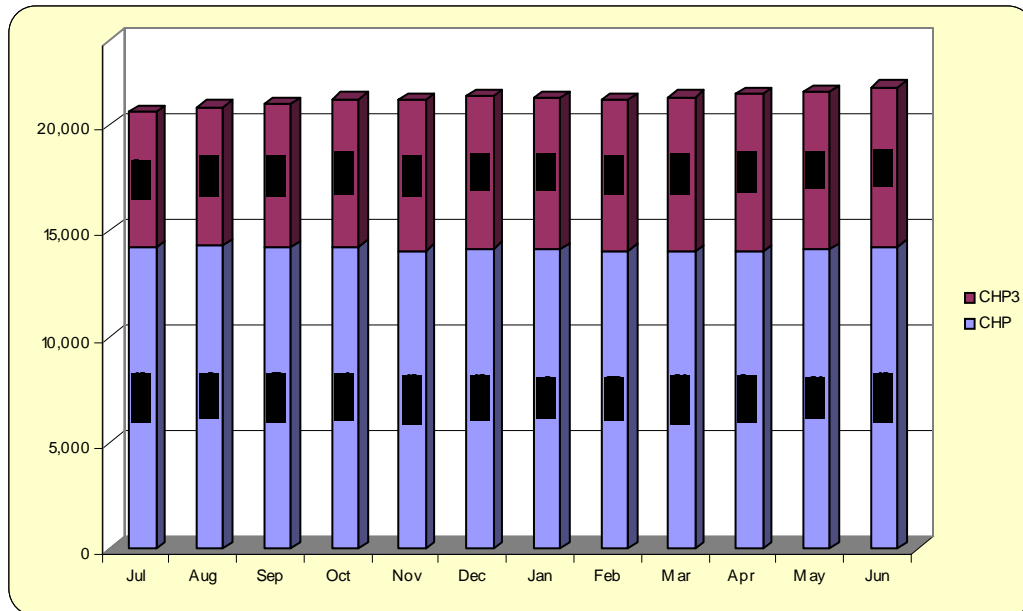
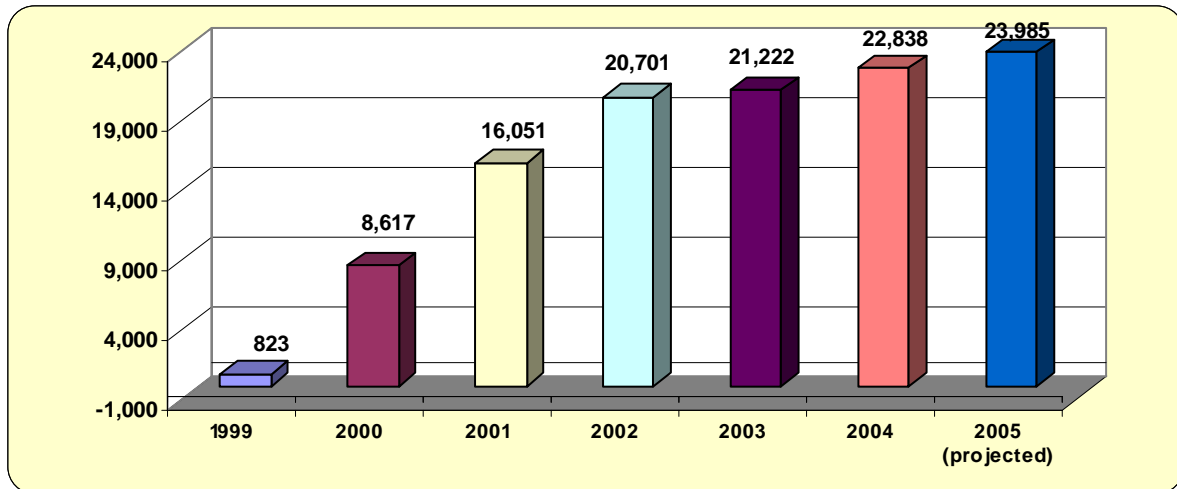


TABLE 2: ENROLLMENT DETAIL



**TABLE 3: AVERAGE ENROLLMENT
SFY 1999 - 2004**



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

<u>Year</u>	<u>Number</u>	<u>% Change</u>
1999	6,656	
2000	18,416	+177%
2001	33,144	+80%
2002	35,949	+8.5%
2003	35,320	-1.7%
2004	36,906	4.5%

**Total unduplicated number of children enrolled as of
September 30, 2004 in WVCHIP since it began:**

69,843

TABLE 4: ENROLLMENT BY GENDER

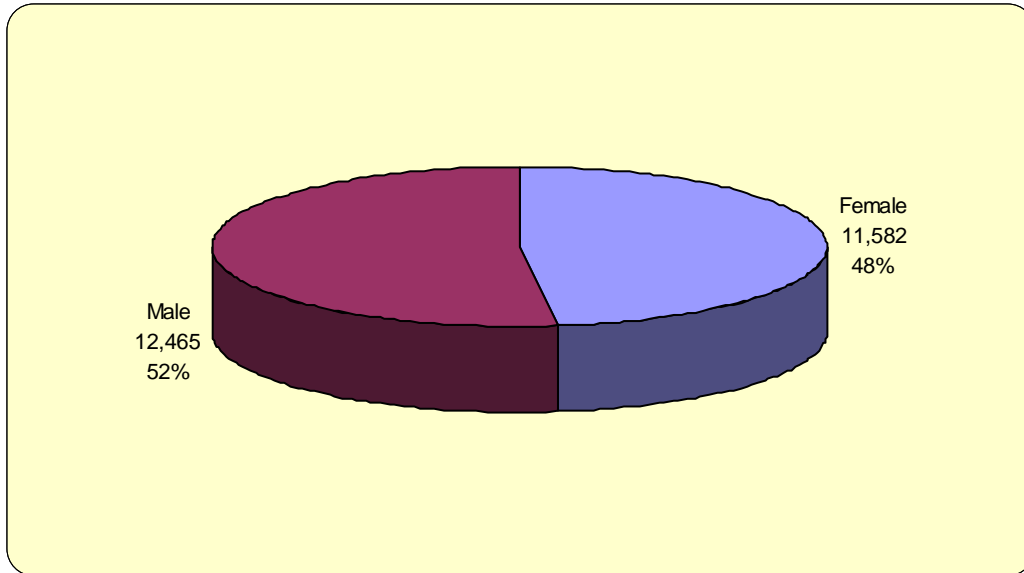


TABLE 5: ENROLLMENT BY AGE

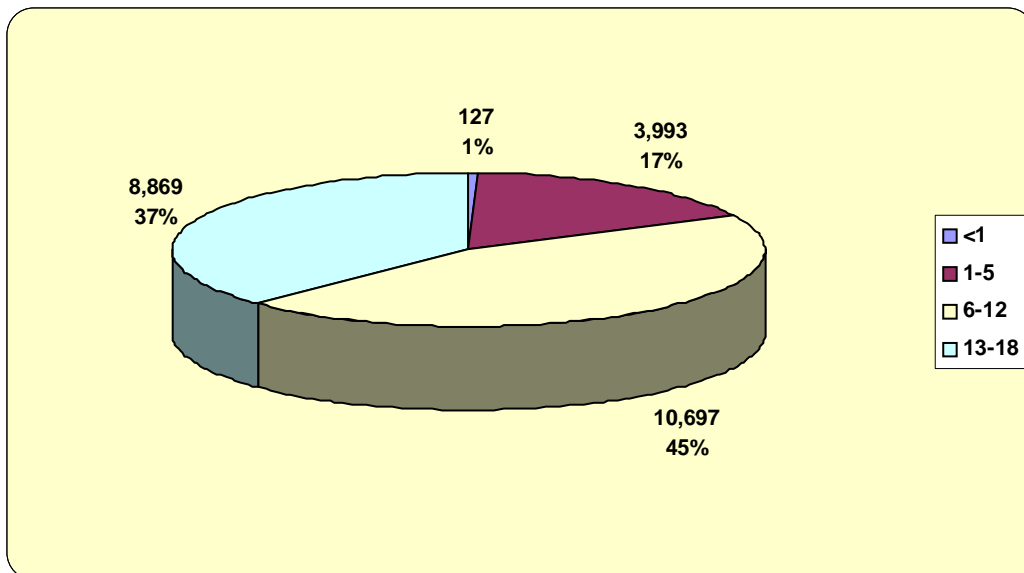
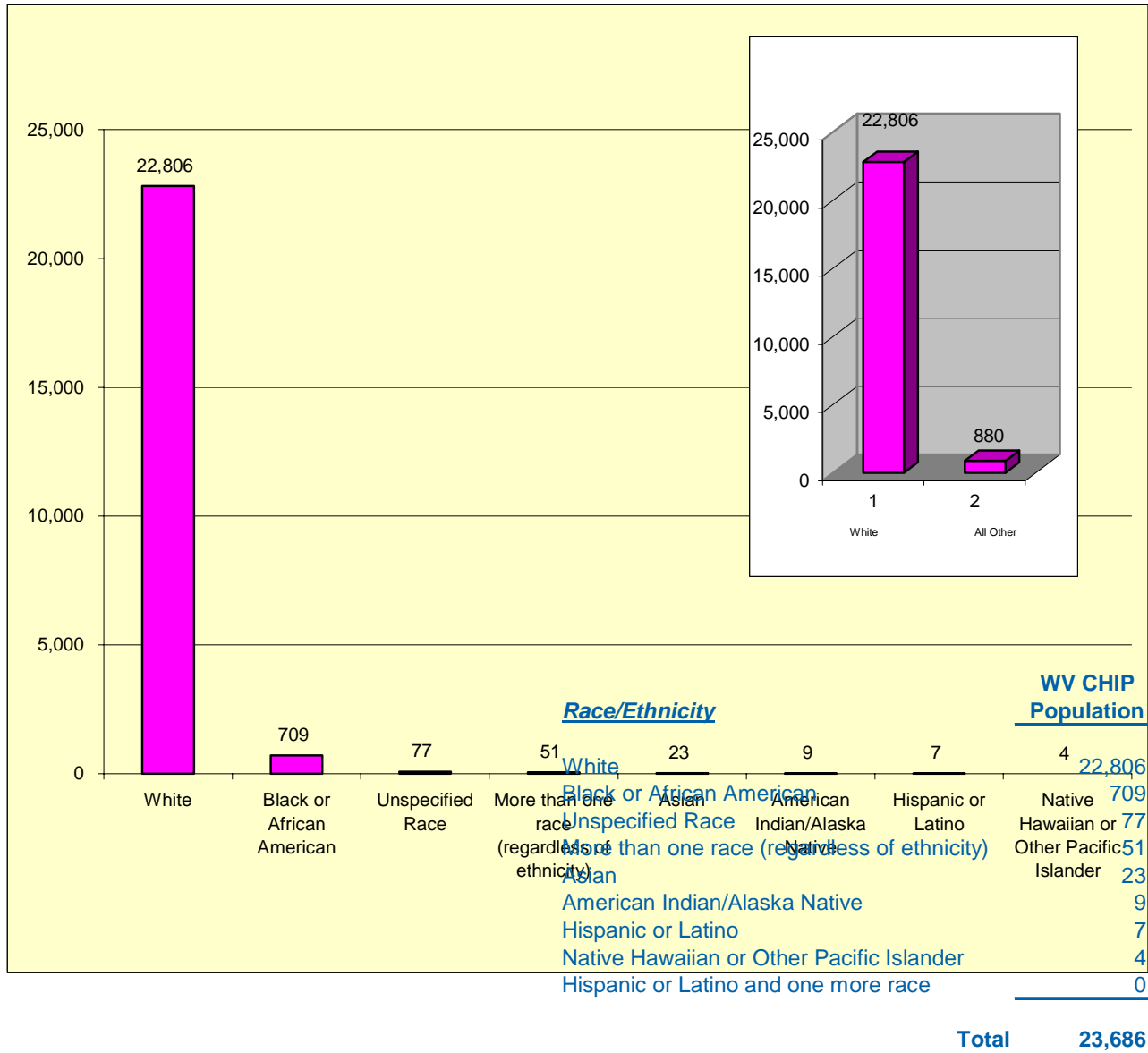
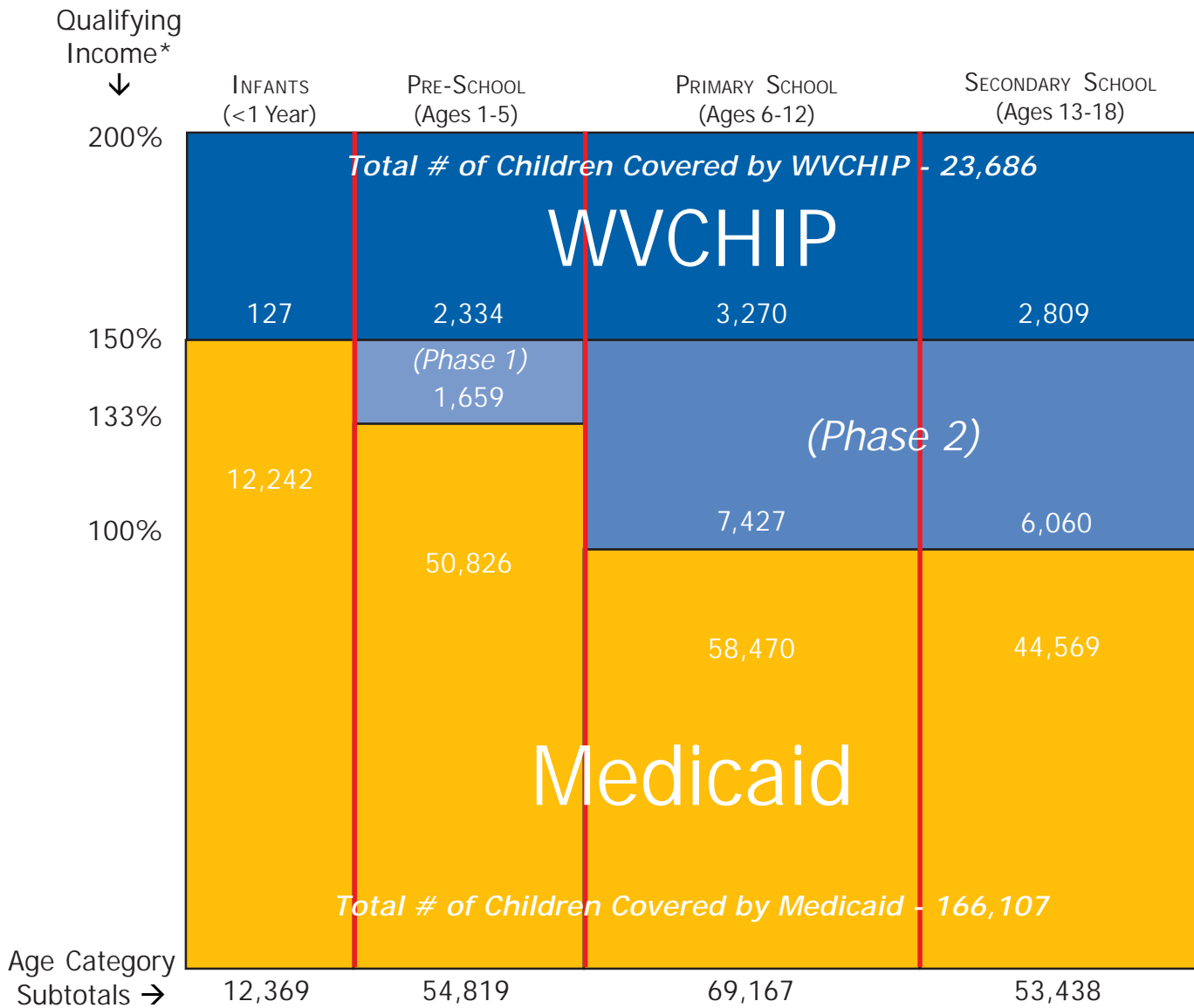


TABLE 6: ENROLLMENT BY RACE/ETHNICITY



**TABLE 7: HEALTH COVERAGE OF WEST VIRGINIA CHILDREN
By WVCHIP AND MEDICAID
- JUNE 30, 2004 -**



*Household incomes through 200% of the Federal Poverty Level (FPL)

Total # of Children Covered by WVCHIP and Medicaid - 189,793

**TABLE 8: ANNUAL RE-ENROLLMENT
AND NON-RESPONSES UPON RENEWAL
JULY 2003 THROUGH JUNE 2004**

Closure Range by County *
 Lowest % of AG's Closed - 15.6%
 Highest % of AG's Closed - 38.0%
 Average % of AG's Closed - 26.8%

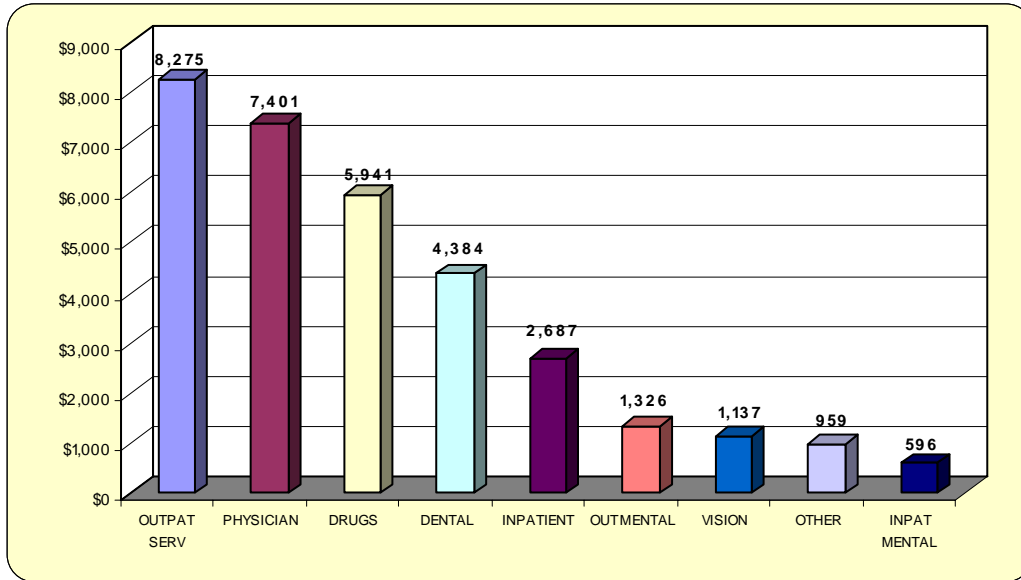
County	# of Renewal Forms Mailed Monthly To CHIP Households	# of Closure Notices Mailed For Non-Returned Forms	# of Households Re-Opened (as either CHIP Or Medicaid)	# of Households Re-Opened After Closure	# of Households Closed With No Response	% of Households Closed
Webster	147	47	24	51.1%	23	15.6%
Tucker	160	62	35	56.5%	27	16.9%
Lewis	283	103	49	47.6%	54	19.1%
Mercer	836	245	76	31.0%	163	19.5%
Ohio	343	140	74	52.9%	67	19.5%
Grant	96	36	17	47.2%	19	19.8%
Doddridge	92	37	18	48.6%	19	20.7%
Clay	164	61	27	44.3%	34	20.7%
Calhoun	100	36	13	36.1%	21	21.0%
Randolph	442	163	69	42.3%	94	21.3%
Wetzel	176	61	23	37.7%	38	21.6%
Gilmer	95	37	16	43.2%	21	22.1%
Wyoming	393	128	41	32.0%	87	22.1%
Marshall	252	105	49	46.7%	56	22.2%
Ritchie	101	41	18	43.9%	23	22.8%
Pocahontas	137	46	14	30.4%	32	23.4%
Hampshire	220	100	48	48.0%	52	23.6%
McDowell	406	125	40	32.0%	96	23.6%
Roane	221	72	18	25.0%	54	24.4%
Mason	191	71	24	33.8%	47	24.6%
Monroe	178	58	14	24.1%	44	24.7%
Pendleton	88	37	9	24.3%	22	25.0%
Preston	405	170	60	35.3%	104	25.7%
Lincoln	369	121	26	21.5%	95	25.7%
Brooke	180	68	21	30.9%	47	26.1%
Upshur	348	165	74	44.8%	91	26.1%
Mingo	409	145	38	26.2%	107	26.2%
Summers	208	69	14	20.3%	55	26.4%
Jackson	261	99	29	29.3%	70	26.8%
Marion	499	206	85	41.3%	136	27.3%
Greenbrier	451	179	55	30.7%	124	27.5%
Mineral	246	99	37	37.4%	68	27.6%
Wood	786	336	114	33.9%	222	28.2%
Monongalia	533	220	69	31.4%	151	28.3%
Fayette	675	271	77	28.4%	194	28.7%
Raleigh	1,039	367	67	18.3%	300	28.9%
Boone	277	113	33	29.2%	80	28.9%
Wayne	473	172	34	19.8%	138	29.2%
Pleasants	95	45	10	22.2%	28	29.5%
Wirt	78	32	9	28.1%	23	29.5%
Taylor	228	112	44	39.3%	68	29.8%
Tyler	90	44	17	38.6%	27	30.0%
Kanawha	1,547	639	167	26.1%	472	30.5%
Hancock	232	119	48	40.3%	71	30.6%
Nicholas	408	160	35	21.9%	125	30.6%
Putnam	499	219	66	30.1%	153	30.7%
Harrison	686	317	103	32.5%	214	31.2%
Logan	541	217	48	22.1%	169	31.2%
Jefferson	272	119	34	28.6%	85	31.3%
Cabell	694	279	56	20.1%	223	32.1%
Barbour	284	163	61	37.4%	92	32.4%
Hardy	115	66	28	42.4%	38	33.0%
Braxton	217	95	26	27.4%	72	33.2%
Morgan	164	78	19	24.4%	59	36.0%
Berkeley	850	419	135	32.2%	323	38.0%
Totals	19,280	7,734	2,455	31.7%	5,317	27.6%
12-Mo. Ave.	1,607	645	205	31.7%	443	27.6%

TABLE 10: ENROLLMENT CHANGES BY COUNTY
AS % OF CHILDREN NEVER BEFORE ENROLLED FROM JULY 2003 THROUGH JUNE 2004

County	New Enrollees			
	Total Enrollees July 2003	Total Enrollees June 2004	New Enrollees Never in Program	As % of June 2004
Brooke	210	250	152	61%
Morgan	179	217	124	57%
Jefferson	320	384	216	56%
Hancock	268	345	190	55%
Marshall	289	309	170	55%
Cabell★	819	878	470	54%
Berkeley★	922	1,073	574	53%
Hampshire	277	255	134	53%
Mason	231	241	126	52%
Kanawha★	1,772	1,931	981	51%
Jackson	303	369	184	50%
Wood★	889	965	479	50%
Boone	323	359	175	49%
Mineral	266	292	140	48%
Wetzel	199	209	100	48%
Monroe	183	228	109	48%
Pendleton	98	108	51	47%
Harrison	815	843	397	47%
Ohio	389	430	202	47%
Wayne★	521	584	271	46%
Lincoln	458	432	197	46%
Marion★	627	710	321	45%
Mingo★	469	493	221	45%
Mercer★	945	1,002	448	45%
<i>MEDIAN</i>				
Hardy	134	126	56	44%
Pleasants	100	90	40	44%
Upshur★	407	421	185	44%
Fayette★	756	874	384	44%
Summers	242	240	105	44%
Raleigh★	1,154	1,266	546	43%
Putnam	539	559	241	43%
Wyoming	481	464	198	43%
Greenbrier	496	505	214	42%
Roane	258	299	126	42%
Monongalia★	611	673	283	42%
Logan★	598	596	245	41%
Nicholas	452	452	177	39%
Wirt	100	87	34	39%
Calhoun	114	147	57	39%
McDowell	459	448	171	38%
Clay	208	202	74	37%
Preston	462	504	180	36%
Braxton	243	252	89	35%
Grant	110	128	45	35%
Lewis★	322	348	122	35%
Barbour	302	317	111	35%
Webster	172	183	64	35%
Ritchie	119	112	39	35%
Randolph★	467	474	160	34%
Tucker	184	167	53	32%
Tyler	102	114	36	32%
Taylor	255	251	78	31%
Doddridge	103	124	36	29%
Gilmer	111	109	29	27%
Pocahontas	154	155	38	25%
Totals	21,987	23,594	10,648	45%
12-Mo. Ave.	1,832	1,966	887	45%

★ Denotes targeted counties as shown on the map on page 29.

TABLE 11: EXPENDITURES BY PROVIDER TYPES
ACCRUAL BASIS



EXPENDITURES BY PROVIDER TYPES
ACCRUAL BASIS

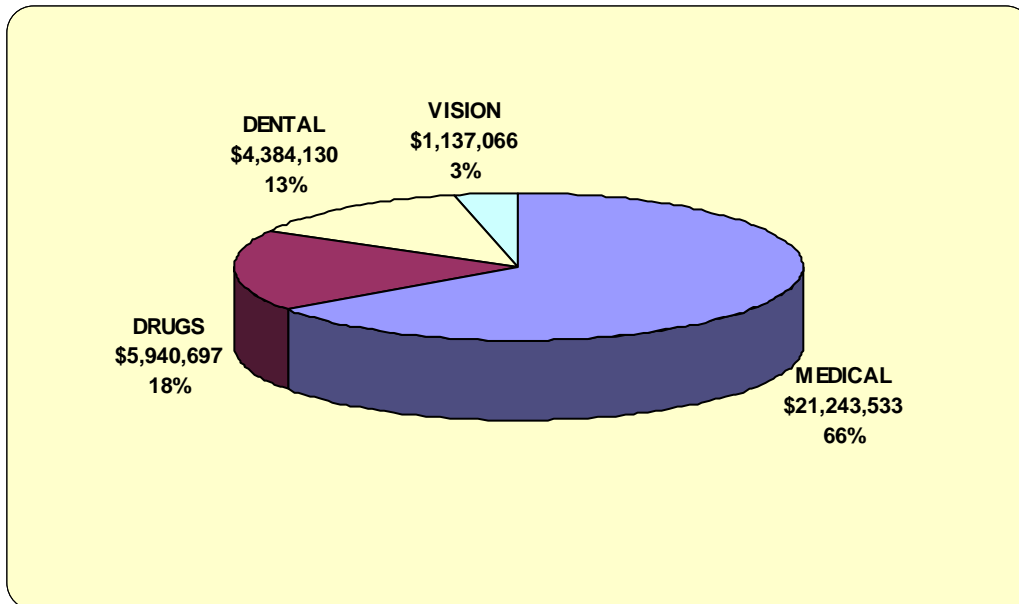
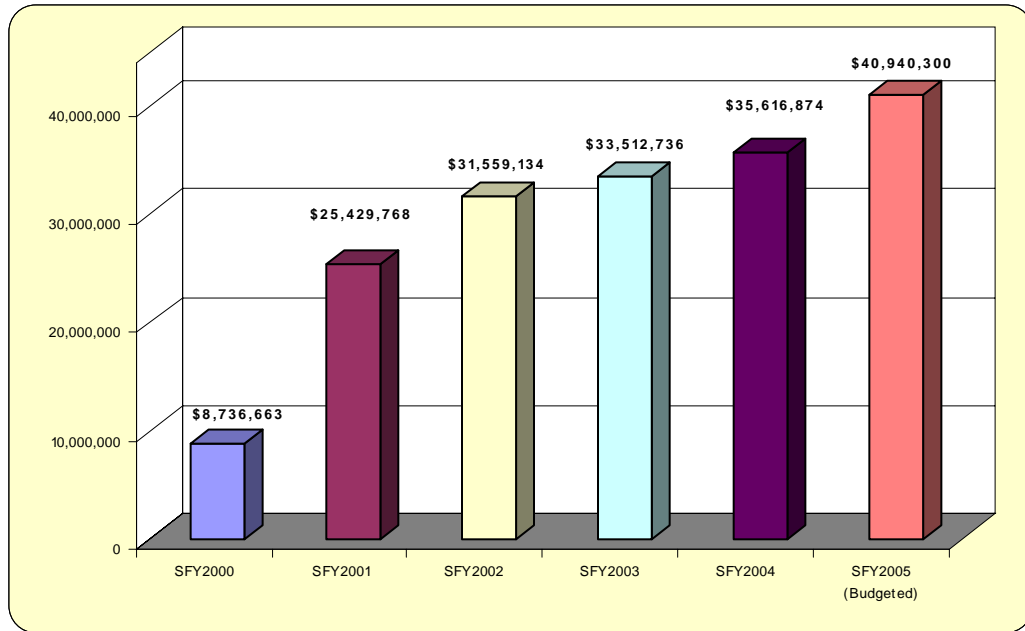
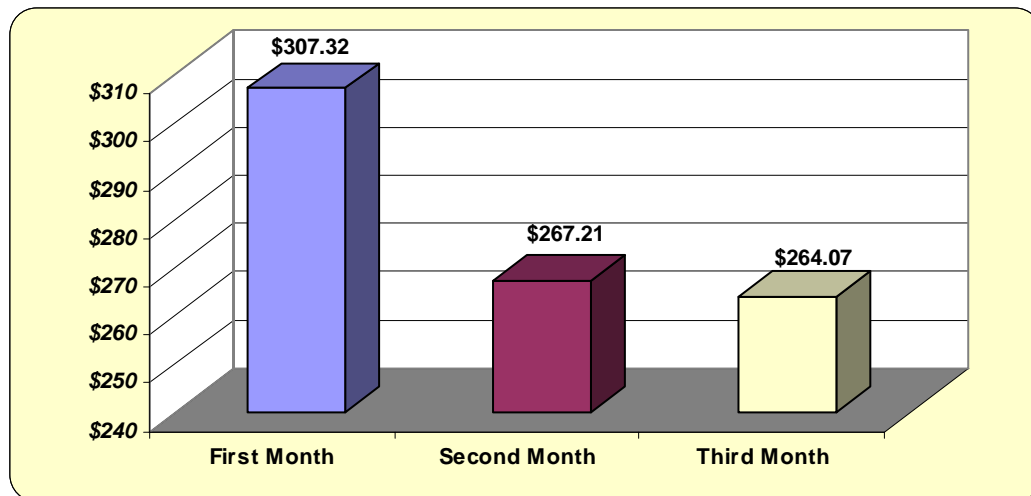


TABLE 12: TOTAL PROGRAM EXPENDITURES



**TABLE 13: AVERAGE CLAIMANT COSTS IN FIRST THREE MONTHS
SHOWING PENT UP DEMAND FOR SERVICES UPON ENROLLMENT**



THE HEALTH PLAN EMPLOYER DATA AND INFORMATION SET (HEDIS®) - Type Data as Utilized By WVCHIP

HEDIS® is a set of standardized performance measures designed to ensure that purchasers and consumers have the information they need to reliably compare the performance of managed health care plans. However, many states are using HEDIS® to assess services delivered to both Medicaid and State Children's Health Insurance Program (SCHIP) beneficiaries to monitor program performance. Typically, the performance measures in HEDIS® are related to many significant public health issues for adults such as cancer, heart disease, smoking, asthma and diabetes. Child health measures may include preventive and well child visits, immunization status, access to primary care practitioners, dental visits and can include selected chronic conditions.

WVCHIP is utilizing HEDIS®-type measures that identify only those individuals with 12 months of enrollment whose treatment information can be included in calculations of measures assessing the level of services extracted from claims payment in a fee-for-service environment. For HEDIS® measures involving services or treatments delivered in set time frames (e.g., preventive services, screenings, well-care visits), managed care plan members must be enrolled for a minimum of 12 months, with no more than one break of 45 days, to be included in the calculation of the HEDIS® rate. For other measures, the required period of continuous enrollment varies. HEDIS® is sponsored, supported and maintained by the National Committee for Quality Assurance.

The following tables present HEDIS® results for WVCHIP enrollees during calendar year 2003 (See Tables 14 - 19).

ADDITIONS AND DELETIONS FROM HEDIS®-TYPE DATA FROM THE PRIOR ANNUAL REPORTING PERIOD

Last year's annual report reflected there were "zero" children captured in the HEDIS® measures for all children receiving the recommended combinations of immunizations prior to age three. This is a combined result of the relatively few children covered by WVCHIP between birth to two years (since children in households with incomes up to 150% FPL are covered by Medicaid and since HEDIS® data only counts those children enrolled for 12 months of a calendar year). For this reason the HEDIS® measure is not particularly meaningful for participants in WVCHIP and has been deleted. Other data for immunizations for this age group is captured in Table 24.

Two new HEDIS®-Type measures are reported this year for the first time: "Proper Use of Asthma Medications" in Table 18 and "Diabetic Care" in Table 19.

HEDIS-TYPE DATA
 JANUARY 1, 2003 TO DECEMBER 31, 2003

TABLE 14: DENTAL VISITS

Age Group	Number of Continuously Enrolled Children	Number Having Dental Checkup Visit	% Having Dental Checkup Visit
4 to 6 Years	626	612	97.76%
7 to 10 Years	2,175	2,115	97.24%
11 to 14 Years	2,558	2,465	96.36%
15 to 18 Years	1,683	1,607	95.48%
Total	7,042	6,799	96.55%

TABLE 15: VISION VISITS

Age Group	Number of Continuously Enrolled Children	Number Having Vision Checkup Visit	% Having Vision Checkup Visit
Under 1 Year	-	-	NA
1 to 5 Years	838	111	13.25%
6 to 11 Years	3,028	1,004	33.16%
12 to 18 Years	3,618	1,311	36.24%
Total	7,484	2,426	32.42%

HEDIS-TYPE DATA
 JANUARY 1, 2003 TO DECEMBER 31, 2003

TABLE 16: WELL CHILD VISITS

Age Group	Number of Continuously Enrolled Children	Number Having Well Visit	% Having Well Visit
Less Than Or Equal To 15 Months			
Third Year Of Life	204	138	67.65%
Fourth Year Of Life	207	133	64.25%
Fifth Year Of Life	189	133	70.37%
Sixth Year Of Life	230	125	54.35%
Total	830	529	63.73%

TABLE 17: ACCESS TO PRIMARY CARE

Age Group	Number of Continuously Enrolled Children	Number Having Primary Care Visit	% Having Primary Care Visit
12 to 24 Months	64	63	98.44%
25 Months to 6 Years	1,004	971	96.71%
7 to 11 Years	2,175	2,016	92.69%
Total	3,243	3,050	94.05%

HEDIS-TYPE DATA
JANUARY 1, 2003 TO DECEMBER 31, 2003

TABLE 18: PROPER USE OF ASTHMA MEDICATIONS

This measure estimates the number of children enrolled for a complete calendar year and well as the complete year prior with persistent asthma who were prescribed appropriate medication.

Age Group	Asthma Patients	Number with Proper Use of Medications	Medications Rate
5 to 9 Years	115	105	91.30%
10 to 18 Years	265	223	84.15%
Total	380	328	86.32%

TABLE 19: DIABETIC CARE

This measure estimates the number of children enrolled for a complete calendar year with type 1 and type 2 diabetes who were shown to have had a hemoglobin A1c (HbA1c) test; a serum cholesterol level (LDL-C) screening; and an eye exam and a screen for kidney disease.

Age Group	Diabetic Patients	HB1C Test	Rate of HB1C Test	Eye Examinations	Rate of Eye Examinations	LDLC Test	Rate of LDLC Test
6 to 11 Years	10	6	60.00%	9	90.00%	3	30.00%
12 to 18 Years	35	31	88.57%	33	94.29%	15	42.86%
Total	45	37	82.22%	42	93.33%	18	40.00%

SELECTED UTILIZATION DATA AS HEALTH STATUS INDICATORS

WVCHIP currently operates exclusively in a fee-for-service payment structure. The data in Tables 20 - 24 reflect preventive services as extracted from claims payments. The selected preventive services are:

- Vision
- Dental
- Well Child Visits
- Access to Primary Care
- Immunizations

Unlike the HEDIS®-type data in the preceding Tables 14 - 19, the health status indicator data reflects services for all WVCHIP enrollees whether they are enrolled for one month or twelve months in the annual measurement period. Also, it captures more specific data for the entire population, which may not be captured in a HEDIS® measure. (e.g. the HEDIS® child immunization measure is specific to a required combined set of several immunizations over a two year period for two year-olds resulting in a “0” measure, whereas the selected immunization data reflects more detail.)

The advantage of having separate HEDIS®-type measures is to allow comparison among managed health care plans and with other states’ CHIP or Medicaid programs.

TABLE 20:
HEALTH STATUS INDICATORS
JANUARY 1, 2003 TO DECEMBER 31, 2003

VISION SERVICES

Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	118	4	0.03	328.14	2.78
1 to 2 Years	1,551	53	0.03	4,200.89	2.71
3 Years	846	61	0.07	4,399.12	5.20
4 to 5 Years	1,549	244	0.16	16,152.19	10.43
6 to 11 Years	8,842	2,872	0.32	195,601.45	22.12
12 to 18 Years	9,945	3,253	0.33	222,129.54	22.34
Overall	22,851	6,487	0.28	442,811.33	19.38

TABLE 21:
HEALTH STATUS INDICATORS
JANUARY 1, 2003 TO DECEMBER 31, 2003

DENTAL SERVICES

Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	118	1	0.01	25	0.21
1 to 2 Years	1,551	344	0.22	39,239	25.30
3 Years	846	716	0.85	101,422	119.88
4 to 5 Years	1,549	2,151	1.39	272,778	176.10
6 to 11 Years	8,842	13,923	1.57	1,651,899	186.82
12 to 18 Years	9,945	13,286	1.34	1,766,670	177.64
Overall	22,851	30,421	1.33	3,832,034	167.70

TABLE 22:
HEALTH STATUS INDICATORS
JANUARY 1, 2003 TO DECEMBER 31, 2003

WELL CHILD VISITS

Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	118	535	4.53	74,530.78	631.62
1 to 2 Years	1,551	2,382	1.54	312,401.05	201.42
3 Years	846	586	0.69	54,296.24	64.18
4 to 5 Years	1,549	1,117	0.72	140,091.45	90.44
6 to 11 Years	8,842	2,966	0.34	301,001.87	34.04
12 to 18 Years	9,945	2,733	0.27	252,776.05	25.42
Overall	22,851	10,319	0.45	1,135,097.44	49.67

TABLE 23:
HEALTH STATUS INDICATORS
JANUARY 1, 2003 TO DECEMBER 31, 2003

ACCESS TO PRIMARY CARE SERVICES

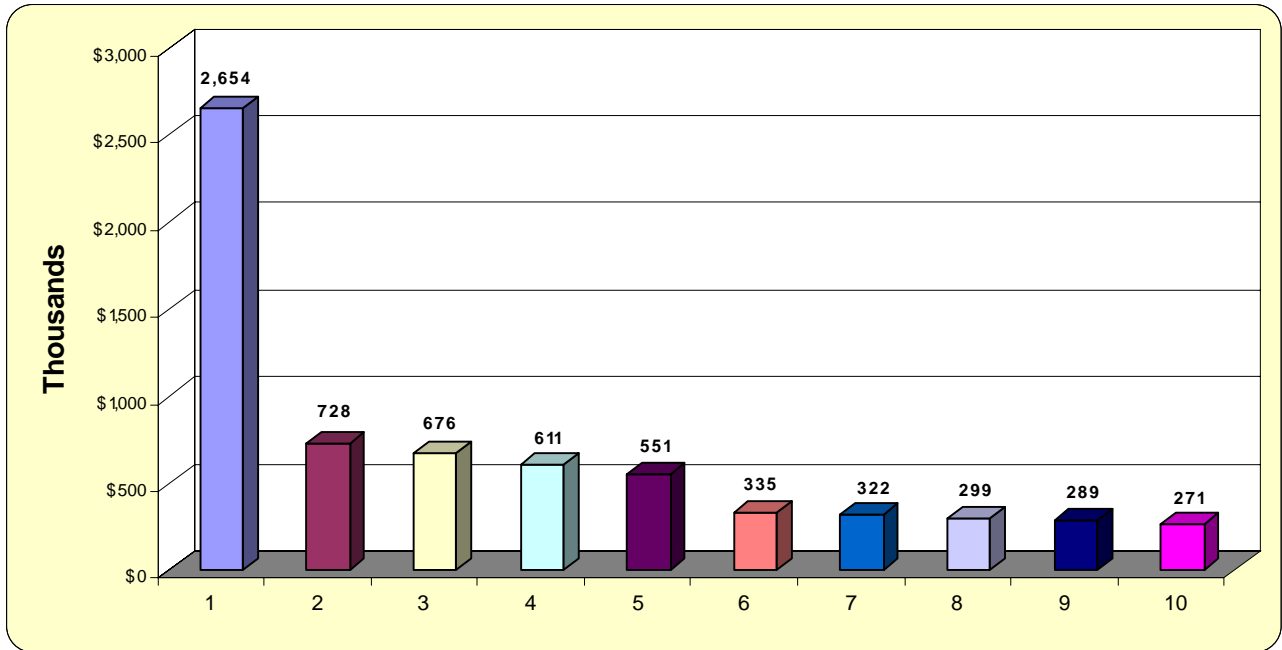
Age Group	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
0 to 364 Days	118	1,147	9.72	100,171.09	848.91
1 to 2 Years	1,551	10,030	6.47	665,316.85	428.96
3 Years	846	3,825	4.52	200,340.73	236.81
4 to 5 Years	1,549	7,124	4.60	413,984.54	267.26
6 to 11 Years	8,842	31,693	3.58	1,737,606.57	196.52
12 to 18 Years	9,945	31,397	3.16	1,681,024.35	169.03
Overall	22,851	85,216	3.73	4,798,444.13	209.99

TABLE 24:
HEALTH STATUS INDICATORS
JANUARY 1, 2003 TO DECEMBER 31, 2003

IMMUNIZATIONS SERVICES

Age Group	Immunization Type	Enrollment	Services	Utilization Rate	CHIP Expenditures	Per Member Per Year
00 : 0 to 364 Days	DTaP	118	254	2.15	9,325.38	79.03
00 : 0 to 364 Days	Hepatitis B	118	94	0.80	1,859.00	15.75
00 : 0 to 364 Days	Hib	118	234	1.98	5,517.94	46.76
00 : 0 to 364 Days	IPV / OPV	118	145	1.23	2,650.47	22.46
00 : 0 to 364 Days	MMR	118	5	0.04	103.98	0.88
00 : 0 to 364 Days	VZV	118	3	0.03	133.52	1.13
01 : 1 to 2 Years	Diphtheria and Tetanus	1,551	12	0.01	41.36	0.03
01 : 1 to 2 Years	DTaP	1,551	685	0.44	13,466.89	8.68
01 : 1 to 2 Years	Hepatitis B	1,551	92	0.06	1,975.51	1.27
01 : 1 to 2 Years	Hib	1,551	531	0.34	12,797.39	8.25
01 : 1 to 2 Years	IPV / OPV	1,551	237	0.15	4,411.12	2.84
01 : 1 to 2 Years	MMR	1,551	471	0.30	14,253.62	9.19
01 : 1 to 2 Years	Rubella	1,551	1	0.00	14.84	0.01
01 : 1 to 2 Years	VZV	1,551	389	0.25	18,855.60	12.16
02 : 3 Years	Diphtheria and Tetanus	846	1	0.00	3.76	0.00
02 : 3 Years	DTaP	846	33	0.04	606.38	0.72
02 : 3 Years	Hepatitis B	846	11	0.01	158.22	0.19
02 : 3 Years	Hib	846	16	0.02	316.81	0.37
02 : 3 Years	IPV / OPV	846	13	0.02	202.84	0.24
02 : 3 Years	MMR	846	11	0.01	339.80	0.40
02 : 3 Years	Tetanus	846	1	0.00	-	-
02 : 3 Years	VZV	846	14	0.02	731.22	0.86
03 : 4 to 5 Years	Diphtheria and Tetanus	1,549	8	0.01	52.44	0.03
03 : 4 to 5 Years	DTaP	1,549	606	0.39	9,705.26	6.27
03 : 4 to 5 Years	Hepatitis B	1,549	15	0.01	169.40	0.11
03 : 4 to 5 Years	Hib	1,549	14	0.01	186.22	0.12
03 : 4 to 5 Years	IPV / OPV	1,549	596	0.38	10,334.25	6.67
03 : 4 to 5 Years	Measles	1,549	4	0.00	-	-
03 : 4 to 5 Years	MMR	1,549	584	0.38	16,444.25	10.62
03 : 4 to 5 Years	VZV	1,549	31	0.02	1,461.39	0.94
04 : 6 to 11 Years	Diphtheria	8,842	1	0.00	0.00	0.00
04 : 6 to 11 Years	Diphtheria and Tetanus	8,842	19	0.00	48.88	0.01
04 : 6 to 11 Years	DTaP	8,842	24	0.00	339.26	0.04
04 : 6 to 11 Years	Hepatitis B	8,842	120	0.01	2,294.05	0.26
04 : 6 to 11 Years	Hib	8,842	7	0.00	35.68	0.00
04 : 6 to 11 Years	IPV / OPV	8,842	24	0.00	370.79	0.04
04 : 6 to 11 Years	MMR	8,842	28	0.00	714.99	0.08
04 : 6 to 11 Years	Tetanus	8,842	24	0.00	208.00	0.02
04 : 6 to 11 Years	VZV	8,842	43	0.00	2,316.72	0.26
05 : 12 to 18 Years	Diphtheria	9,945	2	0.00	-	-
05 : 12 to 18 Years	Diphtheria and Tetanus	9,945	61	0.01	177.20	0.02
05 : 12 to 18 Years	DTaP	9,945	13	0.00	159.17	0.02
05 : 12 to 18 Years	Hepatitis B	9,945	451	0.05	9,068.38	0.91
05 : 12 to 18 Years	Hib	9,945	7	0.00	140.82	0.01
05 : 12 to 18 Years	IPV / OPV	9,945	7	0.00	73.92	0.01
05 : 12 to 18 Years	Measles	9,945	1	0.00	57.36	0.01
05 : 12 to 18 Years	MMR	9,945	29	0.00	826.94	0.08
05 : 12 to 18 Years	Tetanus	9,945	106	0.01	843.31	0.08
05 : 12 to 18 Years	VZV	9,945	9	0.00	348.60	0.04
Overall		22,851	6,087	0.27	144,142.93	6.31

**TABLE 25: TOP TEN PHYSICIAN SERVICES
BY AMOUNTS PAID**



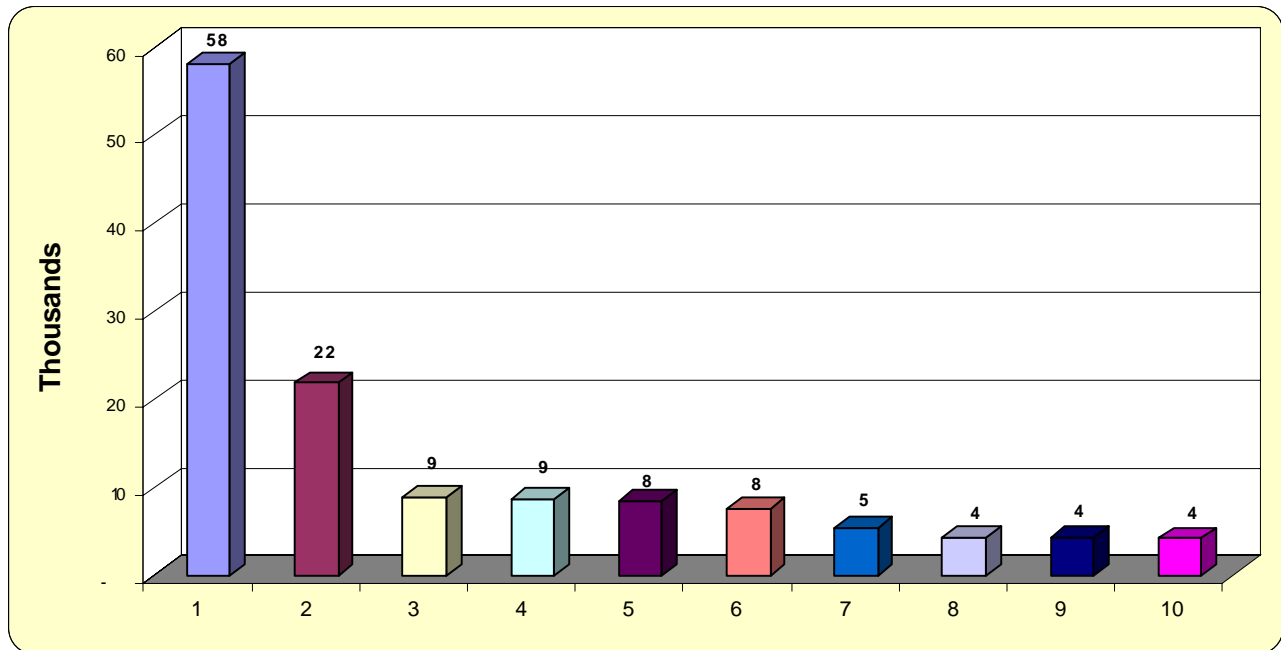
Key

CPT Code*

- 1 Office Visits Limited (99213)
- 2 Psychotherapy (90806)
- 3 Office Visits Brief (99212)
- 4 ER Exam Intermediate (99283)
- 5 Office Visits Intermediate (99214)
- 6 ER Exam Extended (99284)
- 7 Preventive Exam Age 5-11 (99393)
- 8 Preventive Exam Age 1-4 (99392)
- 9 Ophthalmological Exam (92014)
- 10 Psychiatric Diagnostic (90801)

**As described in Current Procedure Terminology 2004 by the American Medical Association.*

TABLE 26: TOP TEN PHYSICIAN SERVICES
BY NUMBER OF TRANSACTIONS



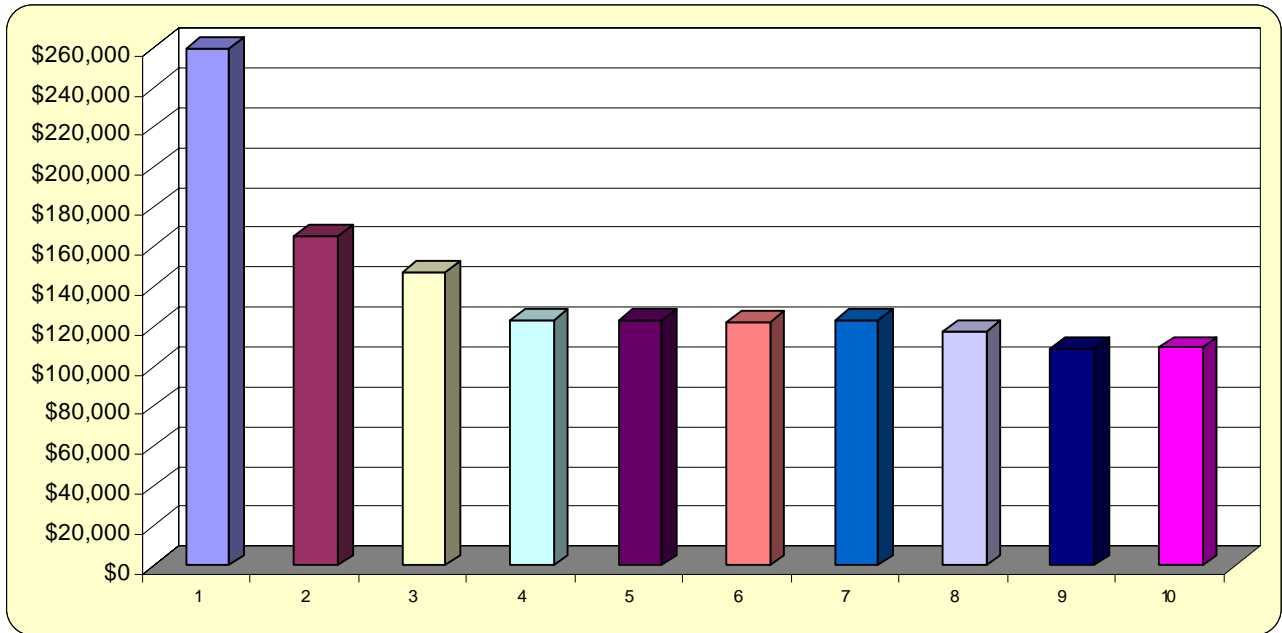
Key

CPT Code*

- 1 Office Visit Limited (99213)
- 2 Office Visits Brief (99212)
- 3 Psychotherapy (90806)
- 4 ER Exam Intermediate (99283)
- 5 Blood Count (85025)
- 6 Office Visits Intermediate (99214)
- 7 Streptococcus (87880)
- 8 Preventive Exam Age 1-4 (99392)
- 9 Rx Management (90862)
- 10 Preventive Exam Age 5-11 (99393)

*As described in *Current Procedure Terminology 2004* by the American Medical Association.

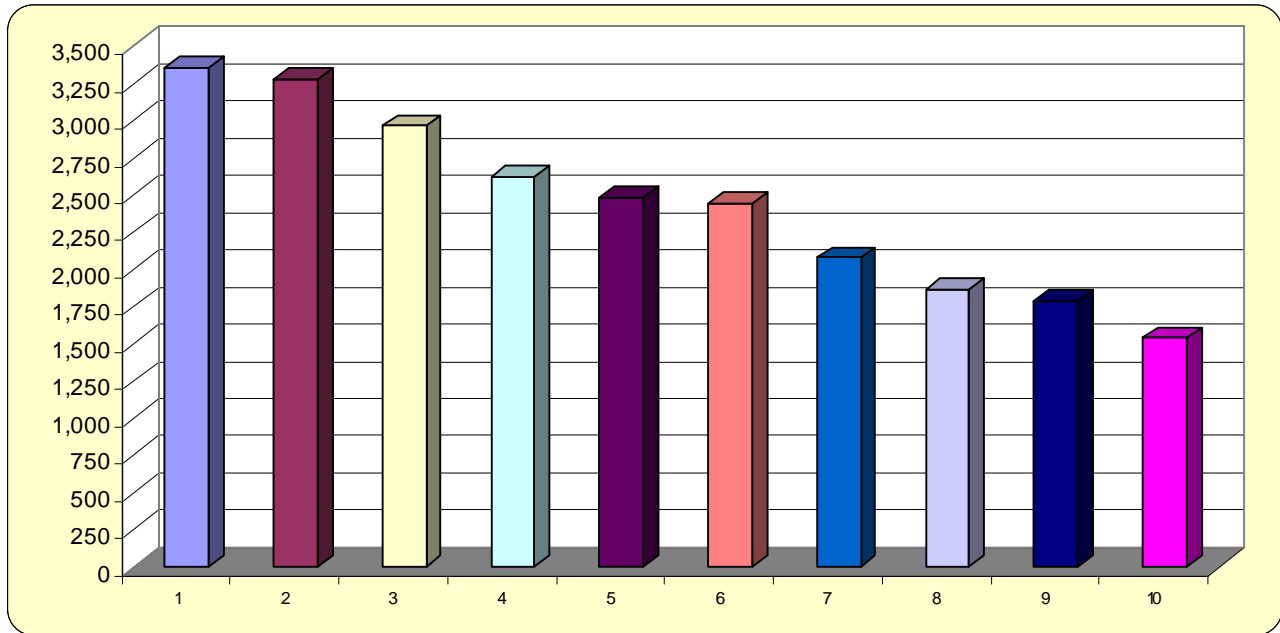
**TABLE 27: TOP TEN PRESCRIPTION DRUGS
BY INGREDIENT COST**



Key

- 1 Singulair 5MG
- 2 Clarinex 5MG
- 3 Nutropin 10MG
- 4 Zithromax 250MG
- 5 Omnicef 125MG
- 6 Zyrtec 1MG
- 7 Concerta 36MG
- 8 Augmentin
- 9 Singulair 10MG
- 10 Strattera 40MG

**TABLE 28: TOP TEN PRESCRIPTION DRUGS
BY NUMBER OF RX**



Key

- 1 Zithromax 250MG Tablet
- 2 Singulair 5MG
- 3 Clarinex 5MG
- 4 Zyrtec 1MG Syrup
- 5 Zyrtec 10MG Tablet
- 6 Albuterol 90 MCG
- 7 Trimox 250MG
- 8 Augmentin
- 9 Omnicef 125MG
- 10 Zithromax 200MG Susp.