

# West Virginia Children's Health Insurance Program Annual Report 2019



**INSIDE COVER**

West Virginia  
Children's Health Insurance Program

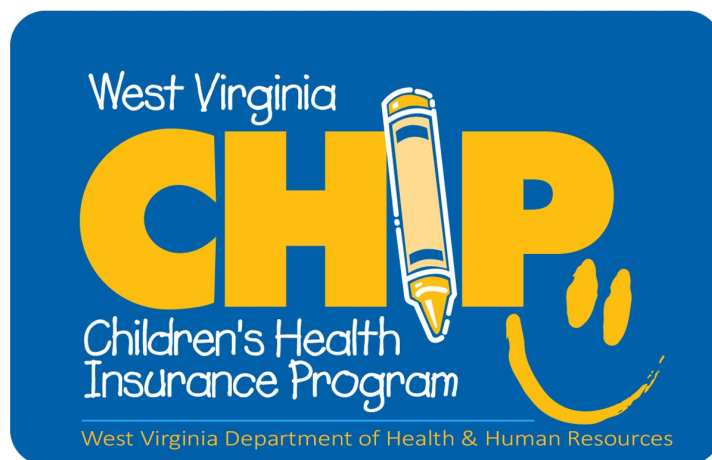
# 2019 Annual Report



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

Jean Kranz, Executive Director  
West Virginia Children's Health Insurance Program

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



## OUR MISSION

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

## OUR VISION

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

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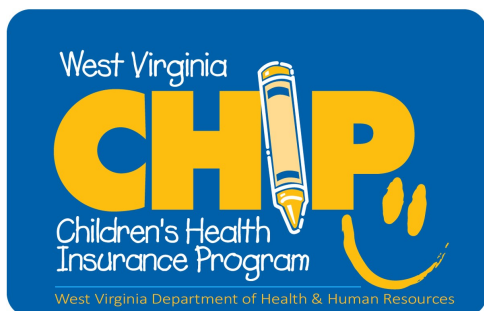


## INTRODUCTORY SECTION

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December 20, 2019

Jim Justice, Governor  
State of West Virginia

Honorable Members of the  
West Virginia Legislature

Board of Directors  
West Virginia Children's Health Insurance Program

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

Jean Kranz, 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 2019. This report was prepared by the Financial Officer of WVCHIP. Management of WVCHIP is responsible for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. We believe the data, as presented, are accurate in all material respects and presented in a manner that fairly reports the financial position and results of operations of WVCHIP. All disclosures necessary to enable the reader to gain an understanding of WVCHIP's financial activities have been included. It should be noted that these financial reports are unaudited and for management purposes only.

This Annual Report is presented in 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 as of December 2019. The financial section includes the basic financial statements and footnotes as well as certain supplementary information as required by WV 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 enrollment and quality measurement data.

The financial statements are presented for the state fiscal year 2019. The federal fiscal year ended September 30, 2019 and further documentation has been submitted to Centers for Medicare and Medicaid Services (CMS), WVCHIP's federal oversight agency, based on that period. Certain statistical information such as pediatric quality reports, by nature, is presented on a calendar year basis as required.



## FINANCIAL PERFORMANCE AND OUTLOOK

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

WV State Code requires that estimated program claims and administrative costs, including incurred but not reported claims, not exceed 90 percent of the total funding available to the program, and provides for an actuarial opinion to ensure that this requirement will be met. The Actuarial Report dated June 30, 2019 confirms this requirement will be met through SFY 2020 for state funding, assuming federal funding amounts remain the same as they are in 2019 and considering projected enrollment and program costs trends. The program will not meet this requirement beginning in SFY 2021 without additional state funding because of the decreased FMAP. The report projects a shortfall in state funding of \$6 million to cover its share of program expenditures, and \$7 million to comply with WV State Code. The same report is also projecting federal funding shortfalls beginning in SFY 2024 based on current approved levels of federal funding. It should be noted, however, that federal allotments have not been issued past 2020. The June 30, 2019 Actuarial Report is included as an appendix to this report.

Based on estimated funding, enrollment, and costs, the June 30, 2019 Actuarial Report projected no federal funding shortfalls for SFYs 2020 through 2023. The projection assumes federal allotments will remain at the same level as the 2019 allotment, \$77,391,400, and after adjustment for the CHIP/Medicaid expansion (approximately \$27 million) that began on January 1, 2014. It should be noted that subsequent to the date of this report, CMS estimates that the 2020 allotment will be \$81,735,803, but has not yet formally issued the final allotment.

## ACKNOWLEDGMENTS

Special thanks are extended to Governor Jim Justice and members of the Legislature for their continued support. Gratitude is expressed to the members of WVCHIP's Board of Directors for their leadership and direction. Our most sincere appreciation is extended to Secretary Bill J. Crouch. We also welcome WVCHIP's new Executive Director, Jean Kranz who started in July 2019. Respectfully, we submit this Annual Report for the West Virginia Children's Health Insurance Program for the year ended June 30, 2019.

Sincerely,



Stacey L. Shamblin, MHA  
Financial Officer

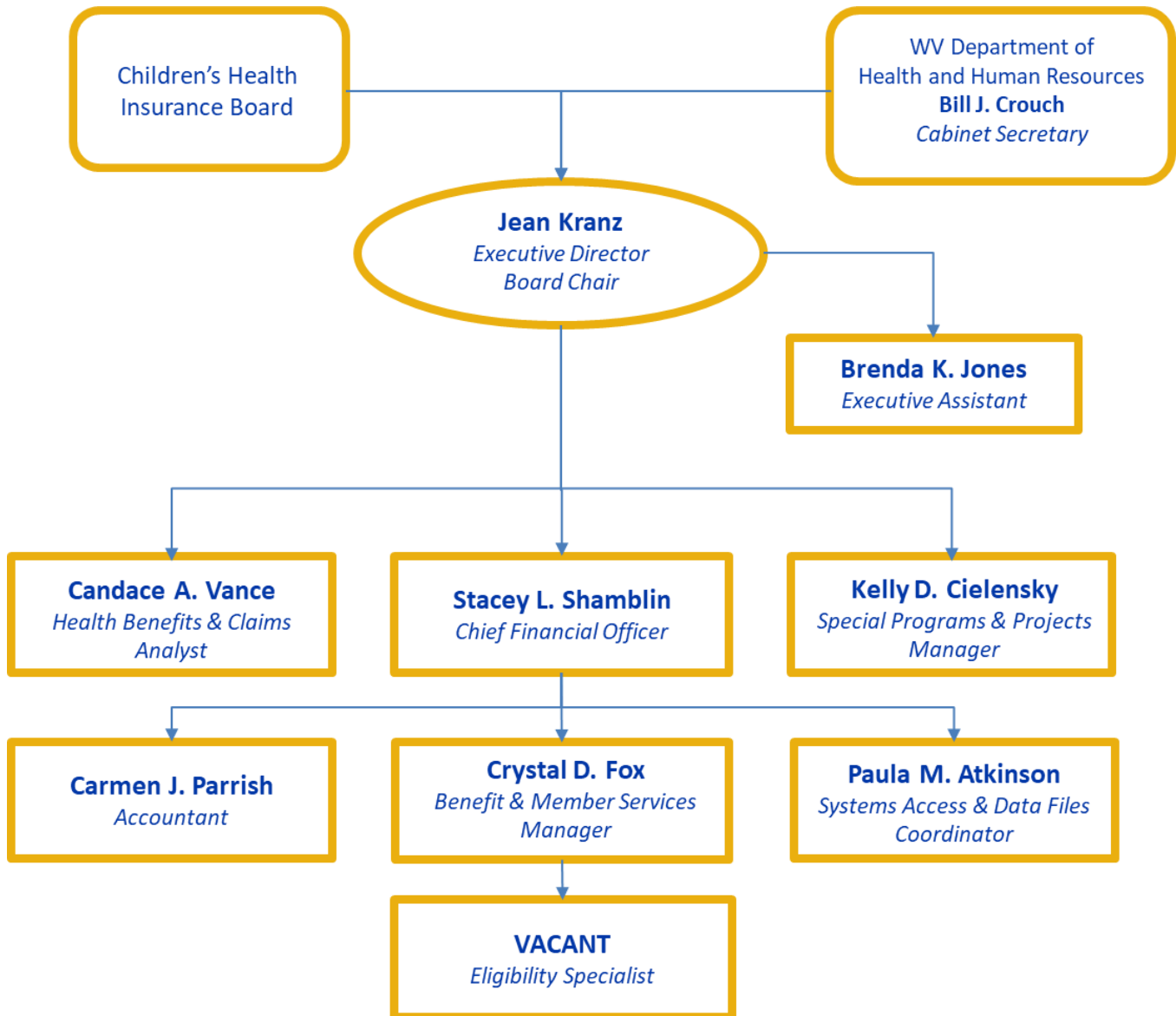
**BOARD MEMBERS**

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

**STAFF**

Jean Kranz, Executive Director  
Stacey L. Shamblin, Chief Financial Officer  
Paula M. Atkinson, Systems Access & Data Files Coordinator  
Kelly D. Cielensky, Special Programs and Projects Manager  
Crystal D. Fox, Benefits and Member Services Manager  
Brenda K. Jones, Executive Assistant  
Carmen J. Parrish, Accountant  
Candace A. Vance, Health Benefits & Claims Analyst

## STAFF ORGANIZATIONAL CHART







## FINANCIAL SECTION

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### WEST VIRGINIA CHILDREN'S HEALTH INSURANCE PROGRAM

For the Year Ended June 30, 2019

The West Virginia Children's Health Insurance Program (WVCHIP) provides this Management Discussion and Analysis (MD&A) for readers of WVCHIP's financial statements. This narrative overview of the financial statements of West Virginia Children's Health Insurance Program (WVCHIP) is for the year ended June 30, 2019. We encourage readers to consider this information in conjunction with the additional information that is furnished in the footnotes which are found following the financial statements. Please note that these financial statements are unaudited and for management purposes only.

#### HISTORY AND BACKGROUND

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

The West Virginia Legislature passed House Bill 4299 on April 19, 1998, to create WVCHIP. Since its inception, it has undergone several changes that include transfer of the Program from the WV Department of Health and Human Resources and establishing the Children's Health Insurance Agency within the WV Department of Administration, with the passage of Senate Bill 565 in 2000. On February 19, 2015, the West Virginia Legislature passed Senate Bill 262 moving the West Virginia Children's Health Insurance Agency from the Department of Administration to the Department of Health and Human Resources effective July 1, 2015. WVCHIP is governed by a Board of Directors of up to eleven members, through approval of an annual financial plan and modifications to benefits. Day-to-day operations of WVCHIP are managed by the Executive Director who is responsible for the implementation of policies and procedures established by the Board of Directors. The WV Children's Health Insurance Agency is responsible for the administration of the WVCHIP.



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

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

- Phase I: In July 1998, the Program began as a Medicaid expansion by covering children from ages 1 to 5 in households with incomes from 131% FPL to 150% FPL.
- Phase II: On April 1, 2000, coverage for children from ages 6 through 18 in households from 100% to 150% FPL was added. WVCHIP also adopted PEIA's Preferred Benefit Plan to serve as the benchmark equivalent coverage program.
- In June 2000, WVCHIP notified the federal government that it was withdrawing the Medicaid expansion program and combining it with Phase II to create a separate state program.
- Phase III: In October 2000, WVCHIP expanded coverage for all children through age 18 in families with incomes between 151% and 200% FPL.
- In June 2002, WVCHIP modified its co-payment requirements for pharmacy benefits to eliminate copays for generic drugs and expand co-pay requirements for brand name drugs. It also adopted an annual benefit limit of \$200,000 and a lifetime benefit limit of \$1,000,000.
- In January 2006, WVCHIP modified its pharmacy benefits by implementing a Preferred Drug List which encouraged utilization of generic drugs and increased the amount of drug rebates received from drug manufacturers.
- In January 2007, WVCHIP expanded its upper income limit for program eligibility to 220% FPL. This expanded program from 200-220% FPL is called WVCHIP Premium. Families enrolled in this group are required to make monthly premium payments based on the number of children enrolled in the family. Children in this group receive full medical and drug benefits, limited dental, and no vision coverage.
- In January 2008, WVCHIP modified its state plan to allow the program to secure federal match to pay for comprehensive well-child exams for uninsured children entering Kindergarten using administrative funds.
- In January 2009, WVCHIP further expanded its upper income limit for program eligibility to 250% FPL. Children covered under this expanded group are enrolled in WVCHIP Premium.
- In July 2010, WVCHIP removed restrictions on dental and vision benefits for members in WVCHIP Premium. Members in this group now receive full dental benefits, but with copayments for some services. They also receive full vision benefits.



- On July 1, 2011, WVCHIP once again expanded its upper income limits for program eligibility to 300% FPL. These children are enrolled in WVCHIP Premium. The program also eliminated annual and lifetime plan limits and made service limit changes to comply with mental health parity.
- Effective October 1, 2011 WVCHIP changed its reimbursement methodology to Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) from fee-for-service to prospective payment.
- On October 1, 2013 WVCHIP incorporated the Modified Adjusted Gross Income (MAGI)-based eligibility process requirements in accordance with the Affordable Care Act.
- On January 1, 2014 WVCHIP opted to allow coverage for children of state employees covered under the Public Employees Insurance Agency (PEIA) and began to transition children aged 6 to 18 under 133% FPL from WVCHIP to Medicaid (approximately 10,000 children).
- In October 2017, WVCHIP reaffirmed its compliance with mental health parity based on benefit changes made in 2011.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

## FINANCIAL HIGHLIGHTS

The following financial statements summarize the financial position and the results of operations for the years ended June 30, 2019 and 2018. (See pages 14 and 15.)

- Total fund balance decreased approximately \$278,371, or 5%, in comparison to the previous year end amount. Because these statements are on a cash-basis and most program expenditures are financed through this fund prior to "draw-down" of federal revenues, it should be noted that the last provider payment run for the SFY 2019 occurred on June 27 for \$1,314,902 and associated federal funds were drawn -down on July 2.

- Total revenues reflect a 5% increase when compared to the prior year. While there was no state appropriation, federal revenues and premiums increased 4% and 6%, respectfully. Investment revenues were up 193%, or \$130,122.
- Medical, dental, and prescription drug expenditures comprise approximately 93% of WVCHIP's total costs. These expenditures increased 5% compared to the prior year. Increases in medical, dental, and prescription drug costs are further analyzed in the following section.
- Administrative costs accounted for 7% of overall expenditures. These expenditures decreased \$957,934, representing a decrease of 21%. It should be noted that although administrative costs decreased, outstanding payables on June 30 increased substantially – by 93%. Payment processing changes at the state level impacted the program's administrative payments as it became acclimated to the new payment processes.
- The program was slightly under its budgeted amount for the year, by \$124,287.
- The program had \$36,472,721 federal dollars available at the end of SFY 2019. Draw-downs for SCHIP totaled \$52,890,124 (including \$1,634,819 in-transit) and MCHIP totaled \$38,648,209 (including \$12,670,947 in-transit).

## FINANCIAL ANALYSIS

### Costs

A 5% trend in medical, dental, and prescription drug claims is similar to the 5% increases in spending experienced by plans nationally. After adjusting for a 3.3% increase in enrollment, WVCHIP's expenditures appear to be lower than national trends. Three factors affect total claims expenditures: enrollment, utilization of services, and fees paid to providers for services they render to WVCHIP members. Each of these factors contributed to the following increases in WVCHIP's claims costs:

Enrollment:	+3.3%
Service Utilization:	+1.6%
Price/Fee Increases	+0.5%

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

### Enrollment

Monthly enrollment increased steadily over the year, with an overall increase in enrollment of 3.3% compared to last year.

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

GROUP	FPL	AVG MONTHLY ENROLLMENT	PERCENT CHANGE
Gold	100% - 150%	3,025	-13.3%
Blue	151% - 211%	12,864	+7.0%
Premium	212% - 300%	6,286	+5.0%

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

### **Utilization**

It is easy to assume that a health plan would incur higher costs with increased enrollment: more members = payments for more services = increased costs. This is WVCHIP's experience this year, but utilization changes also contributed to increased costs. Increased payments due to service utilization changes are caused by factors more dynamic than simply the number of members covered by the plan. Not only do changes in plan membership cause the plan to pay for more or less services, but other factors including provider practices and service guidelines; services mandated or recommended by either law or professional organizations; and the benefit package and utilization management strategies adopted by the plan. A combination of these many factors contributed an increase of 1.6% in claims expenditures for the year.

### **Prices/Fees**

The amount WVCHIP pays providers for particular services is also determined by a number of factors including fee schedules adopted by the plan or rates negotiated with providers, whether the service is provided in West Virginia or outside the state and service availability. A combination factors contributed to price inflation. During State Fiscal Year 2019, prices increased around 0.5%. The increase in prices appears to be a result of regular fee schedule updates.

### **Average Cost Per Child**

WVCHIP's average cost per child for State Fiscal Year 2019 was \$2,322. This amount represents the average cost per child based on a "rolling enrollment" calculation and is not adjusted for the total unduplicated enrollment in the program for the year. This average increased slightly by 0.4% over the prior year and resulted from all factors discussed above. The fluctuation in the average cost per child during the year is illustrated in a chart on page 20.

## **MAJOR INITIATIVES**

Senate Bill 564 was passed during the 2019 Legislative session, mandating that WVCHIP expand coverage to pregnant women up to 300% FPL. This expanded coverage became effective July 1, 2019. WVCHIP also began a new Health Service Initiative that provides funding to the WV Poison Control Center to assure its continued operation and success serving children in need of their services. WVCHIP looks forward to moving its membership to managed care in July 2020 and to implementing childhood health initiatives in the coming years to assure WV children receive quality healthcare that will lead to better health outcomes so they may enjoy happy and healthy lives.

## **CONTACTING WVCHIP'S MANAGEMENT**

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

## 2019 Annual Report

### West Virginia Children's Health Insurance Program Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual For the Twelve Months Ended June 30, 2019 and June 30, 2018

	<u>Annual Budget 2019</u>	<u>Actual June 30, 2019</u>	<u>Actual June 30, 2018</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget Variance</u>	
<b>Beginning Operating Fund Balance</b>		<b>\$5,541,320</b>	<b>\$6,049,877</b>	<b>(\$508,557)</b>	<b>-8%</b>		
<b>Revenues</b>							
Federal Grants		\$50,584,639	\$48,467,254	\$2,117,385	4%		
State Appropriations		\$0	\$0	\$0	0%		
Premium Revenues	\$1,525,752	\$1,575,299	\$1,487,065	\$88,233	6%	\$49,547	3%
Investment Earnings (Interest)		\$197,398	\$67,277	\$130,122	193%		
<b>Total Operating Fund Revenues</b>		<b>\$52,357,336</b>	<b>\$50,021,596</b>	<b>\$2,335,740</b>	<b>5%</b>		
<b>Expenditures:</b>							
<b>Claims:</b>							
Physicians & Surgical		\$13,902,270	\$13,020,275	\$881,995	7%		
Prescribed Drugs		\$9,507,918	\$9,139,437	\$368,481	4%		
Outpatient Services		\$8,502,536	\$8,284,941	\$217,595	3%		
Dental		\$7,561,134	\$6,782,829	\$778,305	11%		
Inpatient Hospital Services		\$4,025,981	\$4,164,367	(\$138,386)	-3%		
Other Services		\$3,015,199	\$2,316,051	\$699,148	30%		
Therapy		\$2,076,513	\$2,016,378	\$60,135	3%		
Inpatient Mental Health		\$637,804	\$801,204	(\$163,400)	-20%		
Vision		\$680,659	\$686,215	(\$5,556)	-1%		
Durable & Disposable Med. Equip.		\$419,495	\$411,725	\$7,770	2%		
Medical Transportation		\$439,516	\$422,479	\$17,037	4%		
Outpatient Mental Health		\$380,733	\$472,826	(\$92,093)	-19%		
Less: Other Collections**		(\$139,654)	(\$70,740)	(\$68,914)	97%		
Drug Rebates	(\$1,440,966)	(\$1,695,346)	(\$1,353,267)	(\$342,079)	25%	\$394,033	-27
<b>Total Claims</b>	<b>\$48,725,436</b>	<b>\$49,314,759</b>	<b>\$47,094,720</b>	<b>\$2,220,039</b>	<b>5%</b>	<b>\$589,323</b>	<b>1%</b>
<b>General and Admin Expenses:</b>							
Salaries and Benefits		\$0	\$0	\$0			
Program Administration	\$2,822,417	\$2,815,419	\$3,357,242	(\$541,823)	-16%	(\$6,998)	0%
Eligibility		\$1,958	\$10,813	(\$8,855)	100%		
Outreach & Health Promotion	\$100,000	\$640	\$10,190	(\$9,550)	-94%	(\$99,360)	-99%
Current	\$326,676	\$83,254	\$57,729	\$25,528	44%	(\$243,422)	-75%
<b>Total Administrative</b>	<b>\$3,249,093</b>	<b>\$2,901,271</b>	<b>\$3,435,971</b>	<b>\$534,700</b>	<b>-16%</b>	<b>(\$347,822)</b>	<b>-11%</b>
<b>Total Operating Fund Expenditures</b>	<b>\$51,974,529</b>	<b>\$52,216,030</b>	<b>\$50,530,691</b>	<b>\$1,685,339</b>	<b>3%</b>	<b>\$241,501</b>	<b>0%</b>
<b>Adjustments</b>		<b>\$419,677</b>	<b>(\$538)</b>				
<b>Ending Operating Fund Expenditures</b>		<b>\$5,262,949</b>	<b>\$5,541,320</b>	<b>(\$278,371)</b>	<b>-5%</b>		
Money Market		\$684,209	\$1,034,261		0%		
Bond Pool		\$4,550,946	\$4,354,040		0%		
Cash on Deposit		\$27,794	\$153,019		0%		
<b>Unrealized Gain/Loss on Investment</b>		<b>\$88,045</b>	<b>(\$31,948)</b>	<b>\$119,993</b>	<b>-376%</b>		
<b>Ending Fund Balance (Accrued Basis)</b>		<b>\$5,350,994</b>	<b>\$5,573,268</b>	<b>(\$222,274)</b>	<b>-4%</b>		
<b>Revenues Outside of Operating Funds:</b>							
Federal Grants		\$950,021	\$1,063,084				
<b>Total WVCHIP Revenues</b>		<b>\$53,307,357</b>	<b>\$51,084,680</b>				
<b>Program Expenses outside of Operating Funds:</b>							
Salaries and Benefits	\$702,625	\$521,841	\$567,254	(\$45,413)	-8%	(\$180,784)	-26%
Eligibility	\$326,676	\$141,673	\$519,494	(\$377,821)	-73%	(\$183,045)	-56%
<b>Total Administrative Expenses</b>	<b>\$4,278,394</b>	<b>\$3,564,785</b>	<b>\$4,522,719</b>	<b>(\$957,934)</b>	<b>-21%</b>	<b>(\$713,609)</b>	<b>-17%</b>
<b>Total WVCHIP Expenditures</b>	<b>\$53,003,830</b>	<b>\$52,879,543</b>	<b>\$51,617,439</b>	<b>\$1,262,104</b>	<b>2%</b>	<b>(\$124,287)</b>	<b>0%</b>

#### FOOTNOTES:

- Statement is on cash basis.
- Estimate of Incurred by Not Reported (IBNR) claims on June 30, 2019 is \$3,903,155. The June 30, 2018 estimate was \$5,240,000.
- Administrative Accounts Payable balance on June 30, 2019 is \$678,415. The June 30, 2018 balance was \$351,728.
- 2019 and 2018 adjustments to fund balance represent timing issues between the payment of expense and the draw-down of federal revenues.
- Revenues are primarily federal funds. During State Fiscal Years 2019 and 2018 WVCHIP's Federal Matching Assistance Percentage (FMAP) was 100%.
- Collections are primarily provider refunds and subrogation (amounts received from other insurers responsible for bills WVCHIP paid—primarily auto).
- Physician & Surgical services include physicians, clinics, lab, Federally Qualified Health Centers (FQHC), and vaccine payments.
- Other Services include home health, chiropractors, psychologists, and nurse practitioners.
- Annual budget amounts are from the June 30, 2018 Actuarial report approved by the Board on August 24, 2018.

Unaudited—For Management Purposes Only

**West Virginia Children's Health Insurance Program  
Changes in Federal Allotment Balance  
For the Twelve Months Ending June 30, 2019**

Beginning Balance 07/01/2018	
CHP18	<u>\$50,619,724</u>
	\$50,619,724
New Allotments	
CHP19	<u>\$77,391,400</u>
Total Allotment Available	\$128,011,124
Adjustments	\$0
Adjusted Available Allotments	<u>\$128,011,124</u>
Draw-downs	
SCHIP	(\$51,255,375)
MCHIP	<u>(\$25,977,262)</u>
Ending Balance 06/30/2019	\$50,778,487
Draws In-Transit	
07/01/2019 SCHIP Draw for Payments Last Week of June 2019	(\$1,524,734)
07/17/2019 SCHIP Draw for Allocated Eligibility Costs for QE 06/30/2019	(\$110,085)
MCHIP QE 03/31/2019	(\$6,103,390)
MCHIP QE 06/30/2019	<u>(\$6,567,557)</u>
Adjusted Ending Balance 06/30/2019	<u>\$36,472,721</u>

**FOOTNOTES:**

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

**West Virginia Children's Health Insurance Program  
Notes to Financial Statements  
For the Twelve Months Ended June 30, 2019**

**Note 1**

**Financial Reporting Entity**

The West Virginia Children's Health Insurance Program (WVCHIP) provides access to health services for eligible children. CHIP in West Virginia is a combination program. Children ages 6 through 18, between 108% and 133% of the FPL, are served under a CHIP/Medicaid Expansion (MCHIP). Financial reporting for those children is submitted by West Virginia Medicaid. Only amounts drawn-down from the Title XXI CHIP allotment for MCHIP expenditures are reflected on the Statement of Changes in Allotment Balance attached. The accompanying financial statements reflect revenues and expenditures for the separate CHIP (SCHIP) that serves children ages 0 through 18, over 133% FPL up to 300% FPL. Major revenue sources are federal awards and state appropriations. WVCHIP uses third-party administrators to process claims, pay providers, and review utilization of health services. An eleven member board develops plans for health insurance specific to the needs of children and annual financial plans which promote fiscal stability.

**Note 2**

**Summary of Significant Accounting Policies**

**Basis of Reporting and Accounting**

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

**Annual Financial Plan**

WVCHIP is required to adopt an annual financial plan. This plan is formally adopted by the Board at its meeting each July so the plan reflects the most accurate actuarial forecast. West Virginia statute requires that WVCHIP's financial plan spend no more than 90% of total funding including incurred but not reported claims. The financial plan for SFY 2019 is reflected in the Annual Budget column on the Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual.



## Fund Balance

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

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

At June 30, 2019, information concerning the amount of deposits with the State Treasurer's Office (fund balance) is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Collateralized Amount</u>
<b>Cash</b>			
Deposits with Treasurer	\$ 27,794	---	---
<b>Investments</b>			
	<u>Amount Unrestricted</u>	<u>Fair Value</u>	<u>Investments Pool</u>
Investment with Board of Treasury Investments	\$ 684,209	\$ 684,209	Money Market
	<u>\$4,550,946</u>	<u>\$4,550,946</u>	Short-Term Bond Pool
June 30, 2019 Ending Fund Balance	<u>\$5,262,949</u>		

### Program Expenses Outside of Operating Funds

Program salaries and benefits, as well as expenses for member eligibility determinations, are paid outside the operating fund and are reflected in these statements. This change became effective in June 2017. Program salaries and benefits are direct costs, while expenses for program eligibility determinations are based on a statewide cost allocation plan and reflect amounts charged to WVCHIP. Federal grant monies (revenues) drawn down to cover these expenses are not deposited in the program's operating fund, but are reflected in these statements.

### Note 3

#### Accounts Payable and Unpaid Claims Liabilities

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

#### Administrative Accounts Payable (A/P):

	2019	2018
Program Administration Contracts	\$ 678,415	\$ 351,728
Eligibility	0	0
Other	0	0
Total A/P	<u>\$ 678,415</u>	<u>\$ 351,728</u>

#### Unpaid Claims Liabilities:

Claims payable, beginning of year	\$ 5,240,000
Incurred claims expense	<u>\$49,812,914</u>
Payments:	
Claim payments for current year	\$46,202,768
Claim payments for prior year	<u>\$ 4,946,991</u>
Claims payable, year to date	<u>\$ 3,903,155</u>

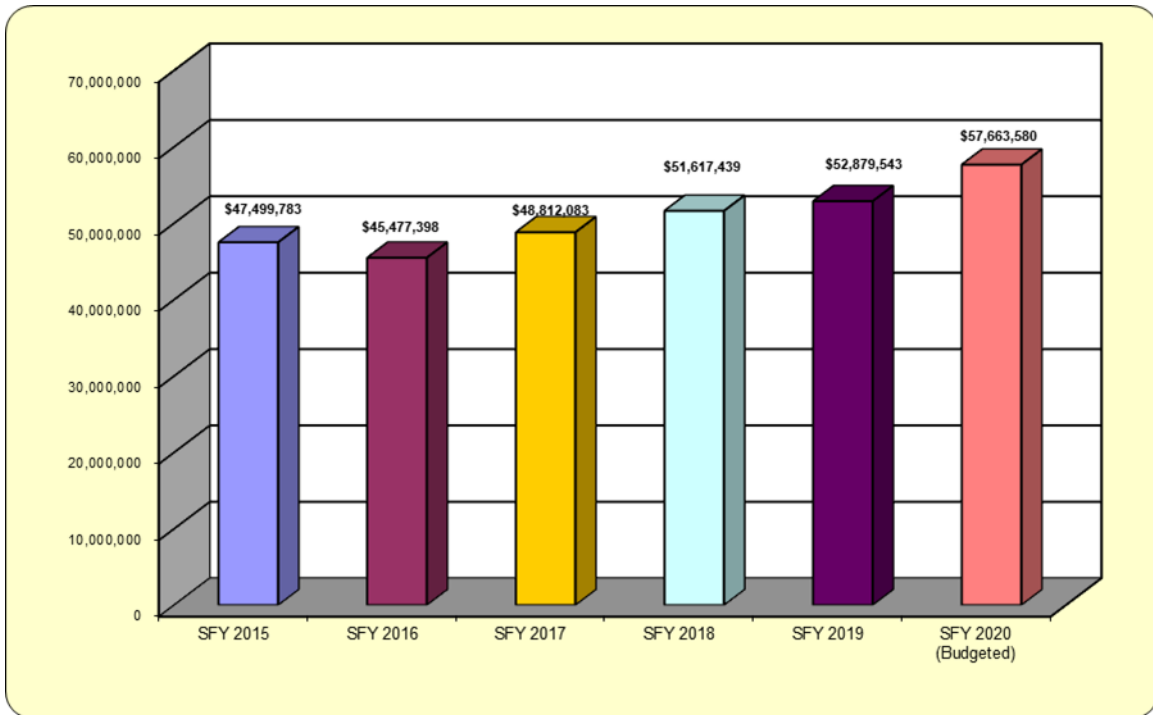
### Note 4

#### Contingencies and Subsequent Events

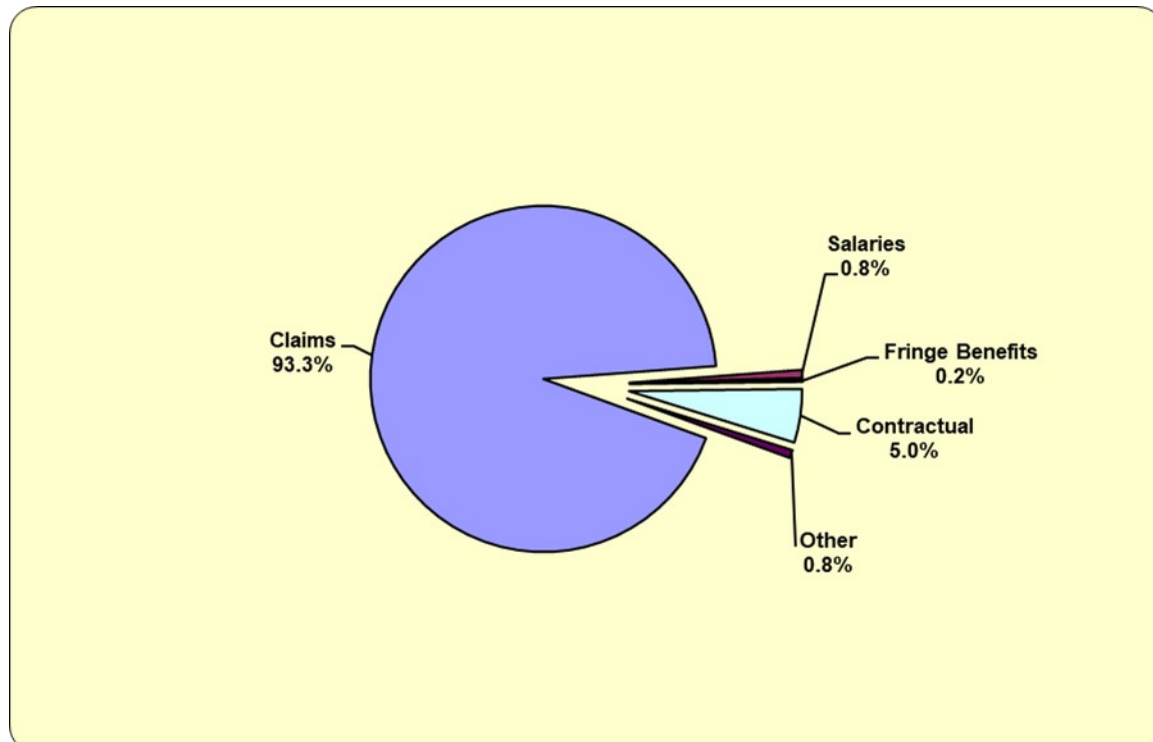
WVCHIP receives significant financial assistance from the federal government in the form of grants and other federal financial assistance. Entitlement to those resources is generally contingent upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including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

WVCHIP evaluated events and transactions for potential recognition or disclosure through December 20, 2019, the date these financial statements are made available to the Board, Legislature, Governor, and general public.

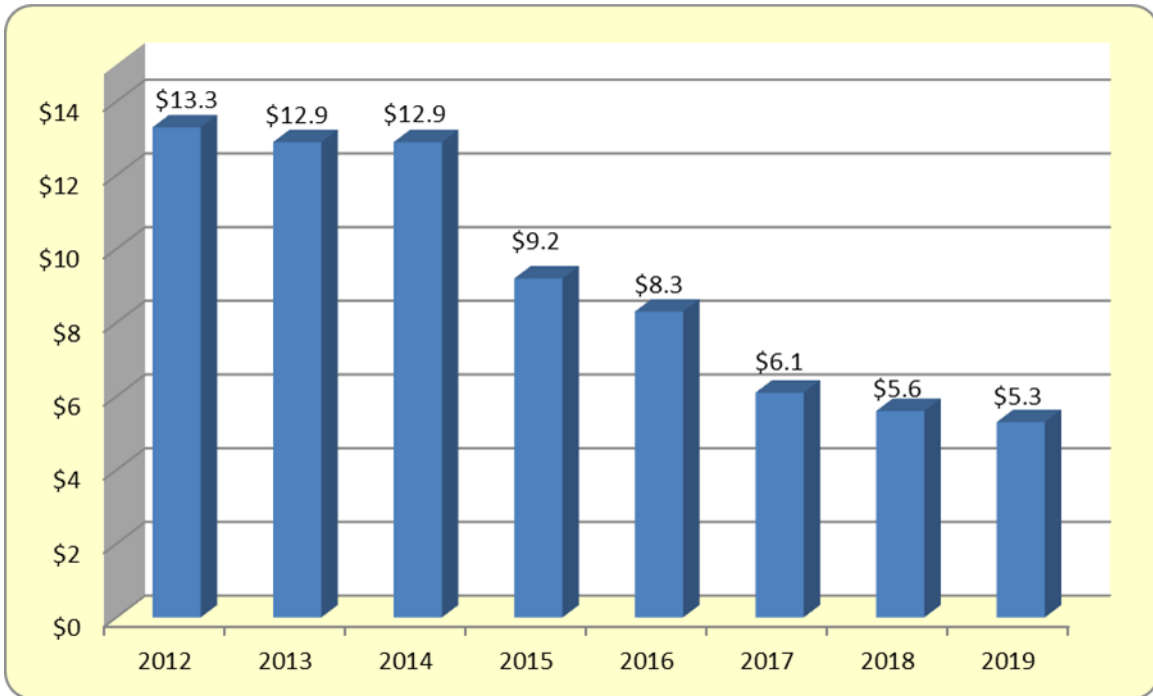
## TOTAL PROGRAM EXPENDITURES



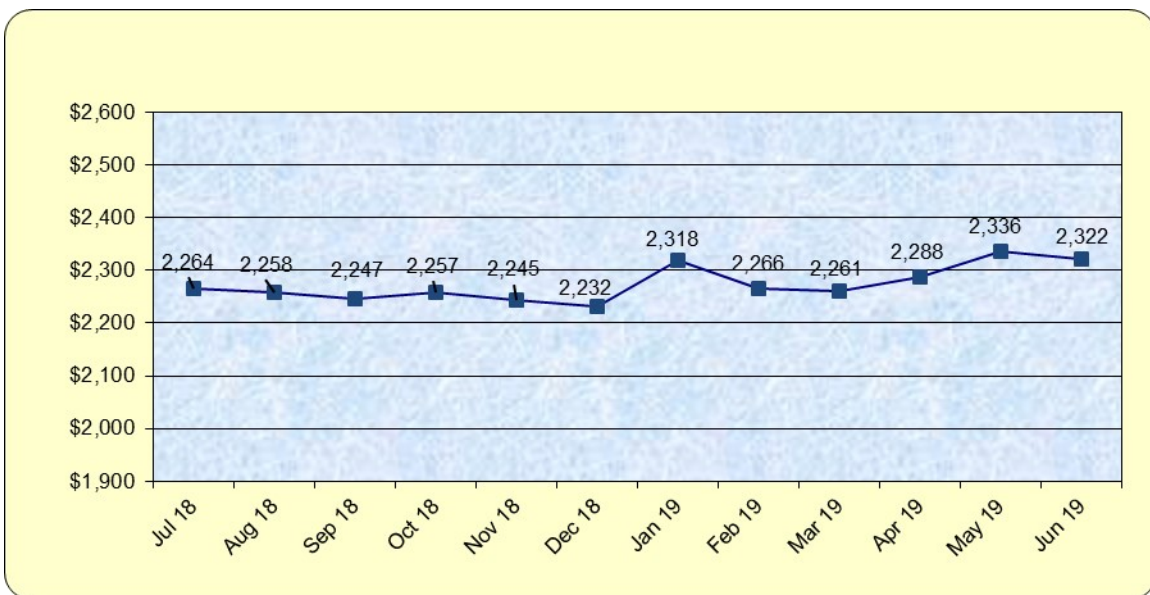
## SFY 2019 EXPENDITURES



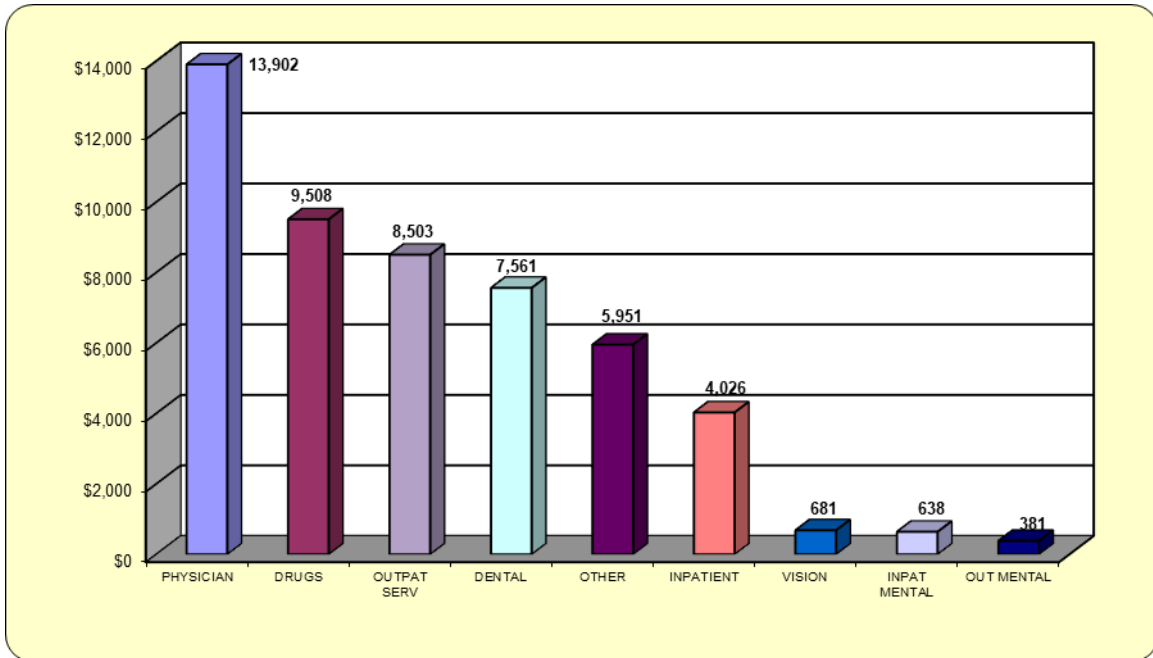
### SFY ENDING FUND BALANCES (IN MILLIONS)



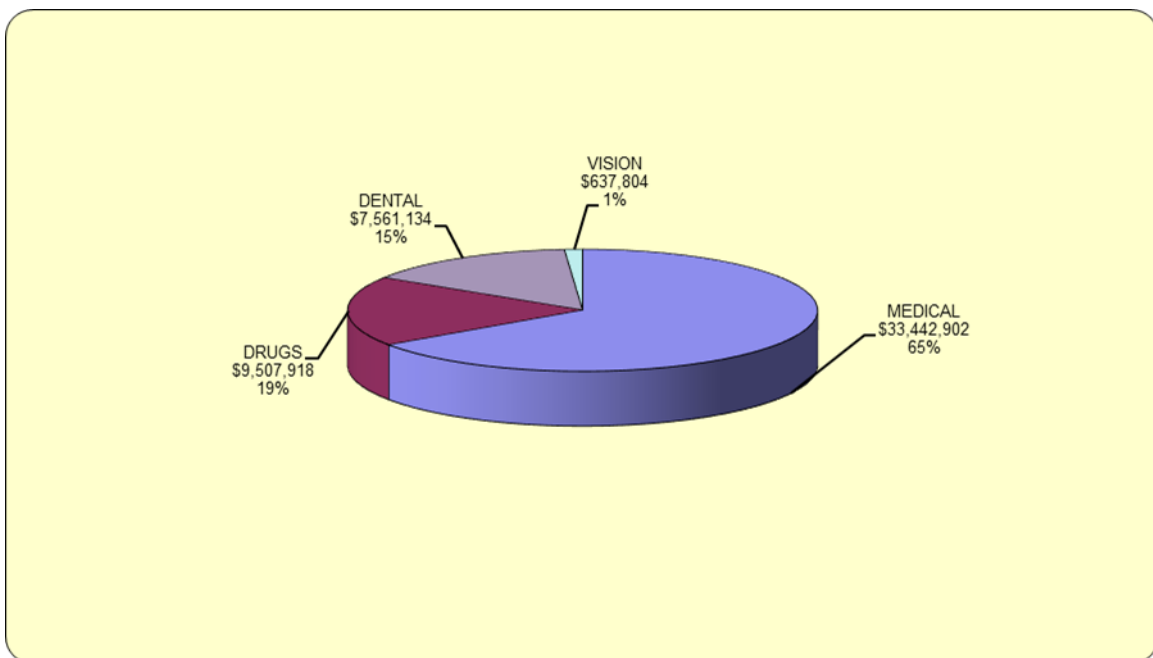
### ANNUALIZED HEALTH CARE EXPENDITURES (COST PER CHILD) SFY 2019



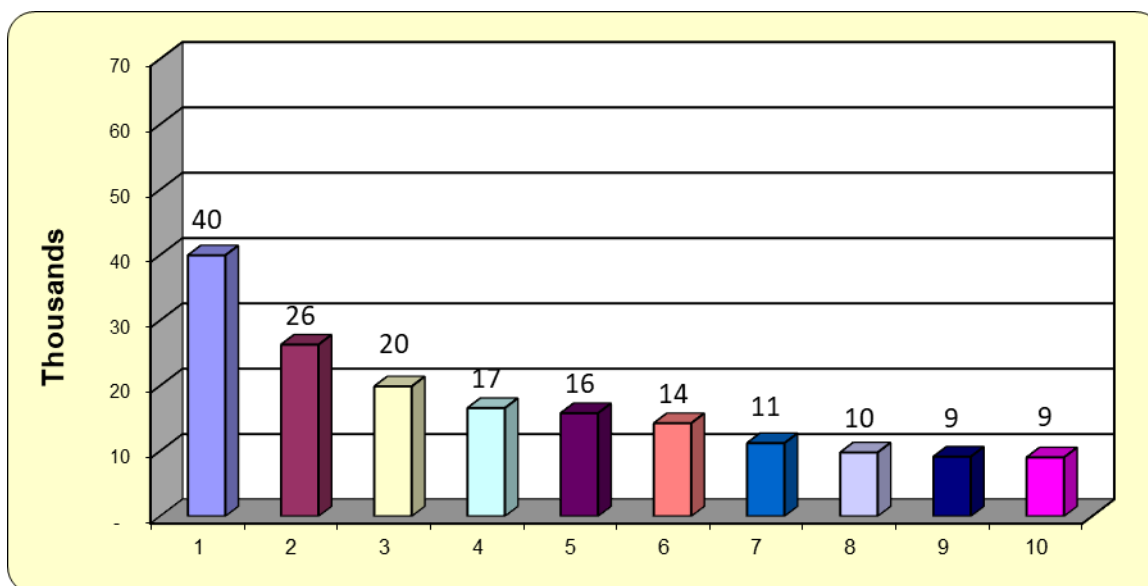
### SFY 2019 EXPENDITURES BY PROVIDER TYPE



### SFY 2019 CLAIMS EXPENDITURES

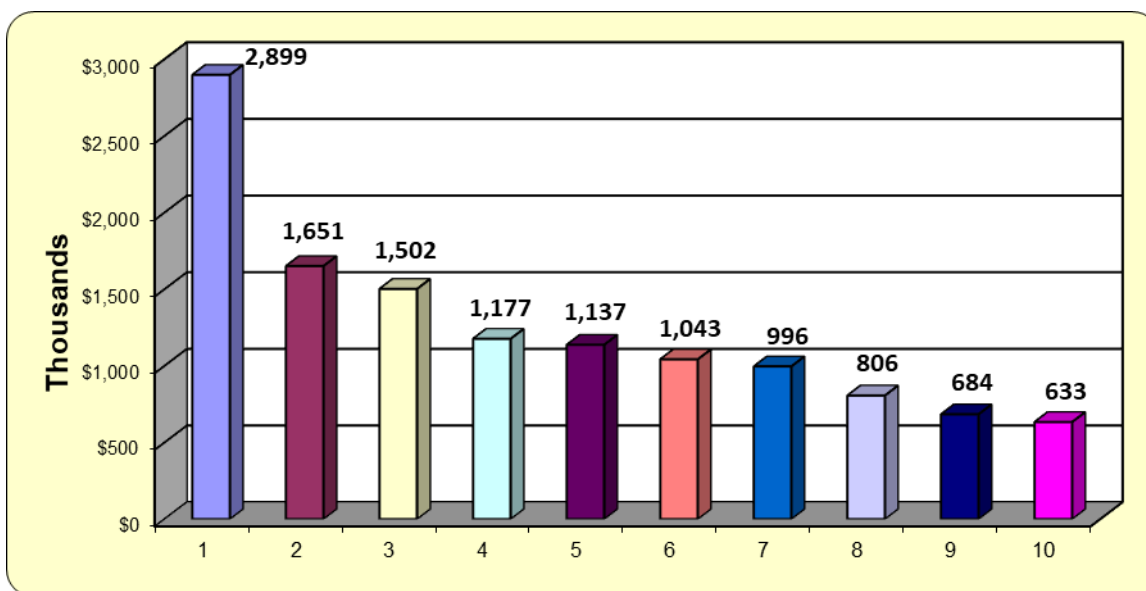


## TOP TEN PHYSICIAN SERVICES BY NUMBER OF TRANSACTIONS



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

## TOP TEN PHYSICIAN SERVICES BY AMOUNTS PAID

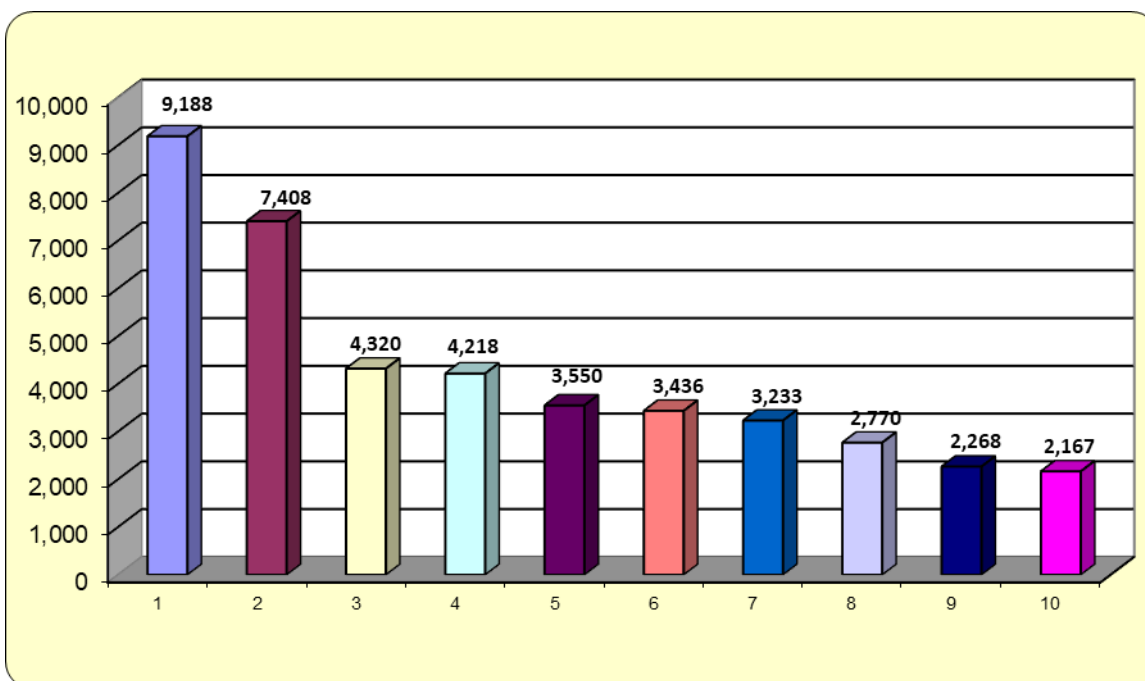


### CPT Code

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

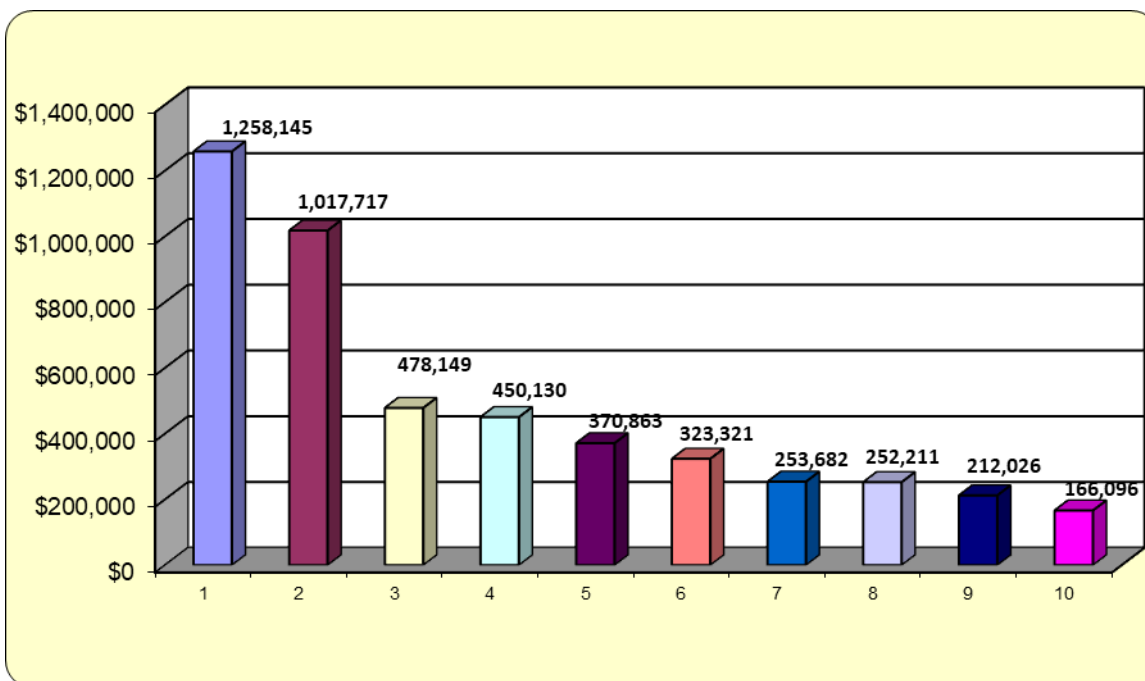


## TOP TEN PRESCRIPTION DRUGS BY NUMBER OF TRANSACTIONS



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

## TOP TEN PRESCRIPTION DRUGS BY INGREDIENT COST



	<u>Drug Brand Name</u>	<u>Major Use Indication</u>
1	Norditropin	Growth Hormone
2	Vyvanse	Attention Deficit Hyperactivity Disorder (ADHD)
3	Humira	Autoimmune Disease
4	Methylphenidate Hydrochloride	Attention Deficit Hyperactivity Disorder (ADHD)
5	Oseltamivir Phosphate	Influenza
6	Dexmethylphenidate HCL ER	Attention Deficit Hyperactivity Disorder (ADHD)
7	Novolog	Diabetes
8	Novolog Flexpen	Diabetes
9	Cefdinir	Antibiotic
10	Ciprodex	Antibiotic





## OUTREACH SECTION

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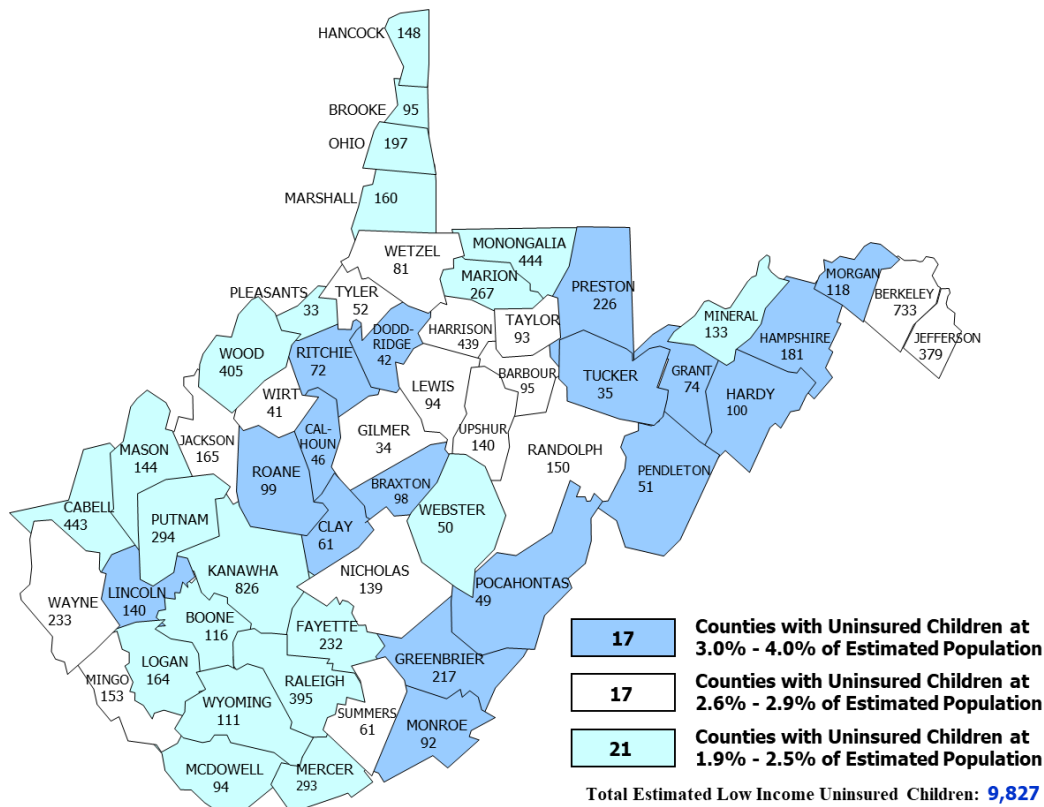
## Uninsured Children, Program Outreach, and Health Initiatives

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

### Rate of Uninsured Children

Based on health insurance survey data from the US Census Bureau's 2018 Annual Community Survey (ACS), WVCHIP continues to monitor uninsured rates for WV children in its monthly reports to the legislative health committees reflecting both WVCHIP and Medicaid enrollment data for children at the county level. The uninsured rate for WV children crept up slightly in 2018, to 3.4%, approximately 13,000 children. WV ranks 14<sup>th</sup> in the nation in the percentage of uninsured children. WV's 2017 rate was 2.6%, around 11,000 kids, and WV ranked 7<sup>th</sup> in the nation.

The US Census Bureau Small Area Health Insurance Estimates (SAHIE) provides uninsured information for children under 19 broken down to the county level. Estimates from SAHIE differ slightly from the ACS estimates and 2018 SAHIE data is not yet available. While the 2017 uninsured rate determined by the two sources was 2.6%, the number of uninsured children under 19 fluctuates from 9,872 from SAHIE to 11,000 from ACS. 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 activities to the county level. The ACS information is more widely cited by researchers and advocates. The map below depicts uninsured estimates by county using the SAHIE data.



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

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

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

### **Health Collaborative Efforts**

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

The following projects and collaborative efforts were continued in fiscal year 2019:

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







## STATISTICAL SECTION

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## WVCHIP Set of Pediatric Core Measures 2019

In early 2010, the Secretary of the US Department of Health and Human Services identified 24 pediatric core measures for which state CHIP and Medicaid programs could begin voluntarily reporting. WVCHIP extracts this information to the extent possible from administrative and claims data. Most of the data is extracted according to specifications developed for the Healthcare Effectiveness Data and Information Set (HEDIS®). Some core measures were developed by other states who are the measure steward (the expert group setting the measure specifications) and were recommended for inclusion in the core set by national panels of experts. The most common measure steward is the National Committee of Quality Assurance (NCQA). The NCQA oversees and revises its HEDIS® specification sets annually. Since 2010, WVCHIP has expanded the number of reported measures to include 17 measures of the national child core measures set which is reported annually to the CMS. WVCHIP changed quality measures reporting sources in 2019 and therefore are only reporting on 15 measures this year. This set of measures is expected to be studied and evaluated and to become a mandatory reporting set for all states' CHIP and Medicaid child health programs sometime in the future. In addition, WV's Medicaid program requires reporting of specific pediatric measures through its managed care contracts to drive measurement and improvement in child population health.

HEDIS® is the registered trademark set of standardized health performance measures that identifies only those individuals with continuous 12-months enrollment for the measurement period before treatment or visit data can be included in calculating the measure. This helps to assure that the population measured is comparable from one health plan to another. It also means that it only captures a subset of the child enrollees in the CHIP program each year as the denominator. Continuous 12-month enrollment is defined as those members with no more than a 45-day break in enrollment throughout the measurement year. Measures are based on prior calendar year data. Therefore, 2019 measures are based on calendar year 2018 data.

The Center for Medicaid and CHIP Services decided that the Child Core Healthcare Quality Measure Sets for this reporting year 2019 would remain the same as reporting year 2018. States currently report on 26 measures. WV uses all reportable measures to assess, monitor, and identify areas for improvement in the care being provided to its members.

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

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

### Health Care Quality Measures Centers for Medicare and Medicaid Services—Child Core Set 2019

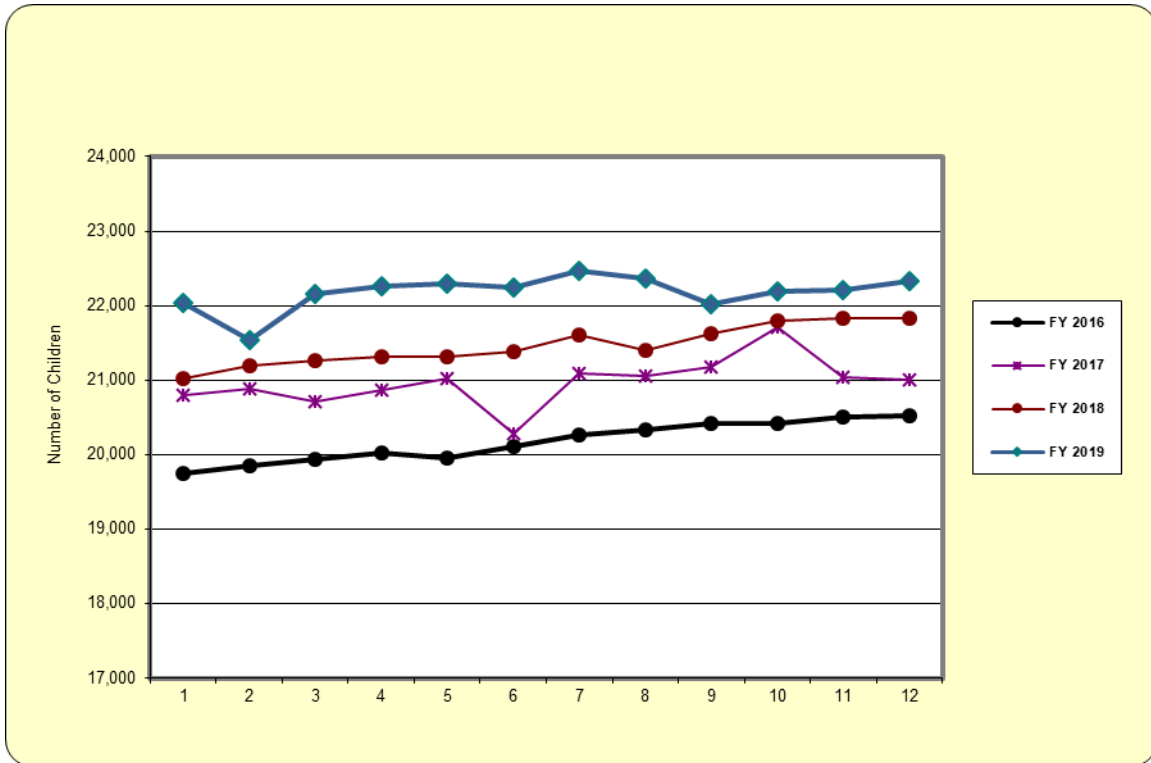
	Measure	Numerator	Denominator	Rate
WCC-CH	Weight Assessment & Counseling for Nutrition and Physical Activity for Children/Adolescents - Body Mass Index Assessment for Children/Adolescents	2,546	7,263	35.1%
CHL-CH	Chlamydia Screening in Women Ages 16 - 20	131	629	20.8%
CIS-CH	Childhood Immunization Status	458	528	86.7%
W15-CH	Well-Child Visits in the First 15 Months of Life	310	310	100.0%
IMA-CH	Immunizations for Adolescents	564	781	72.2%
DEV-CH	Developmental Screening in the First Three Years of Life	682	1,205	56.6%
W34-CH	Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life	1,457	2,386	61.1%
AWC-CH	Adolescent Well-Child Visits	2,771	5,658	49.0%
CAP-CH	Children and Adolescents' Access to Primary Care Practitioners	9,757	11,368	85.8%
AMR-CH	Asthma Medication Ratio: Ages 5-18	NR	NR	NR
AMB-CH	Ambulatory Care: Emergency Department (ED) Visits	3,287	158,778	20.7
ADD-CH	Follow-up Care for Children Prescribed Attention-Deficit/Hyperactivity Disorder (ADHD) Medication	73	162	45.1%
FUH-CH	Follow-up After Hospitalization for Mental Illness: Ages 6-20	25	55	45.5%
APP-CH	Use of First-Line Psychosocial Care for Children and Adolescents on Antipsychotics	18	36	50.0%
APC-CH	Use of Multiple Concurrent Antipsychotics in Children and Adolescents	NR	NR	NR
SEAL-CH	Dental Sealants for 6-9 Year-Old Children at Elevated Caries Risk	297	1,291	23.0%
PDENT-CH	Percentage of Eligibles Who Received Preventive Dental Services	14,057	27,331	51.4%

**NR = Not Reported.** WVCHIP changed quality measures reporting sources in 2019. The results for these measures are not available this year, but should be available again next year.

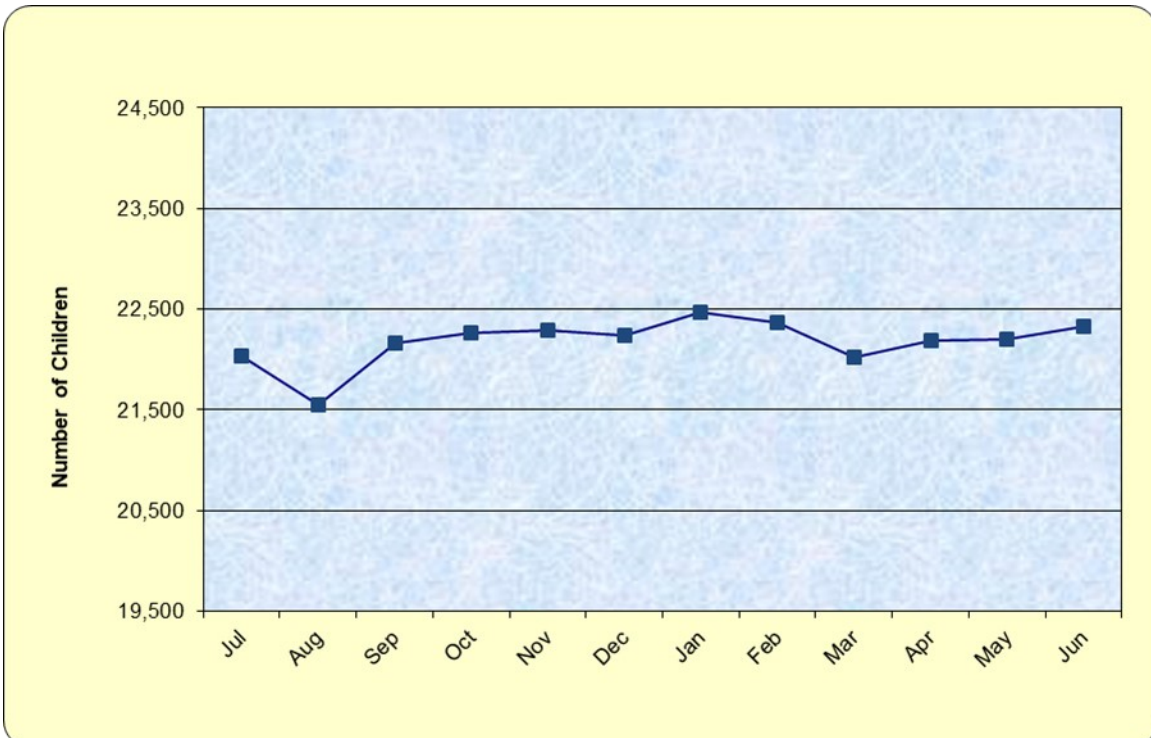
## Health Care Quality Measures Centers for Medicare and Medicaid Services—Child Core Set 2019

Measure	Description
WCC-CH	Weight Assessment & Counseling for Nutrition and Physical Activity for Children/Adolescents - Body Mass Index Assessment for Children/Adolescents
CHL-CH	Chlamydia Screening in Women Ages 16-20
CIS-CH	Childhood Immunization Status
W15-CH	Well-Child Visits in the First 15 Months of Life
IMA-CH	Immunizations for Adolescents
DEV-CH	Developmental Screening in the First Three Years of Life
W34-CH	Well-Child Visits in the Third, Fourth, Fifth and Sixth Years of Life
AWC-CH	Adolescent Well-Child Visits
CAP-CH	Children and Adolescents' Access to Primary Care Practitioners
AMR-CH	Asthma Medication Ratio: Ages 5-18
AMB-CH	Ambulatory Care: Emergency Department (ED) Visits
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APC-CH	Use of Multiple Concurrent Antipsychotics in Children and Adolescents
SEAL-CH	Dental Sealants for 6-9 Year-Old Children at Elevated Caries Risk
PDENT-CH	Percentage of Eligibles Who Received Preventive Dental Services

## ENROLLMENT

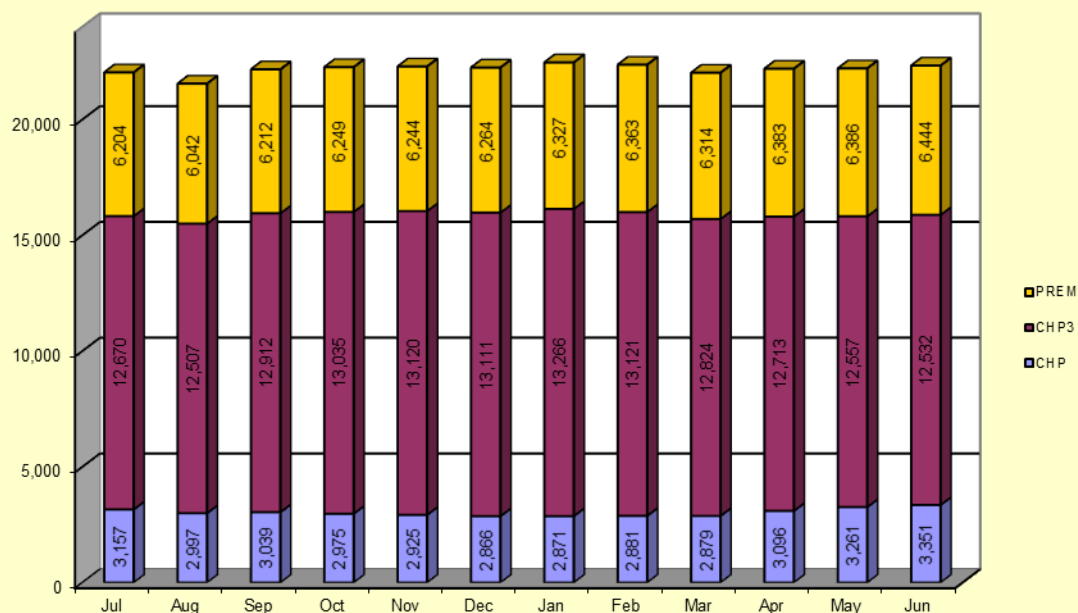


## MONTHLY ENROLLMENT SFY 2019

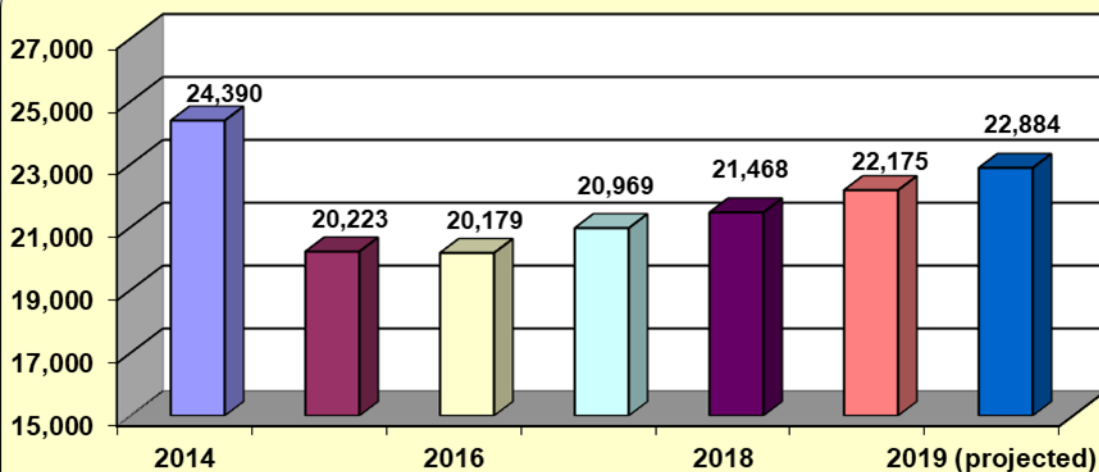




## MONTHLY ENROLLMENT BY GROUP SFY 2019



## AVERAGE ENROLLMENT SFY 2019

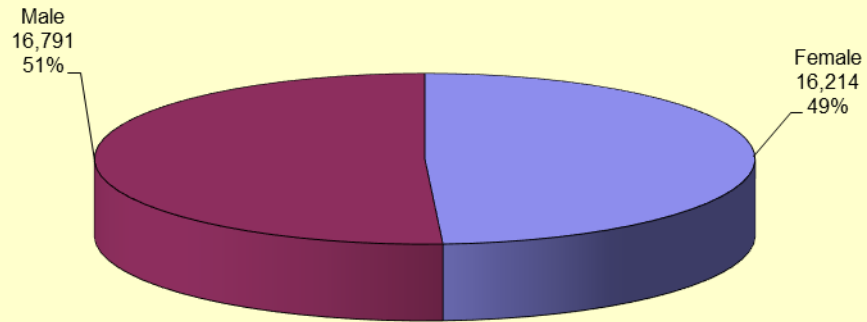


**UNDUPLICATED COUNT OF CHILDREN SERVED  
IN WVCHIP EACH YEAR ON JUNE 30**

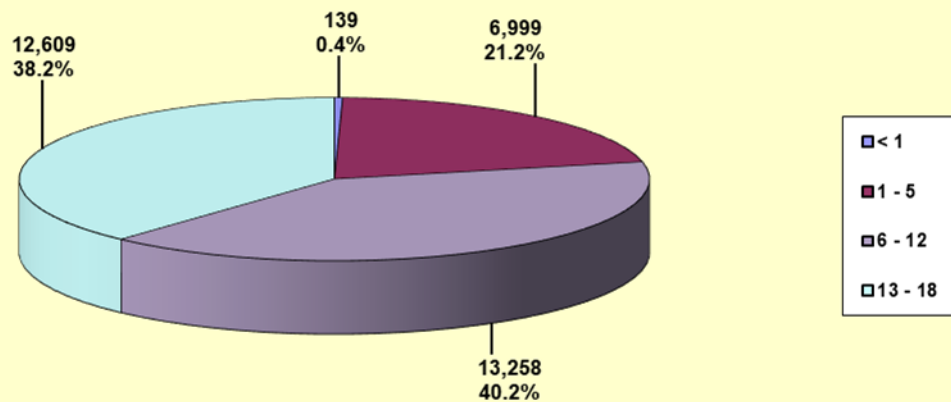
<u>Year</u>	<u>Number</u>	<u>% Change</u>
2001	30,006	
2002	33,569	+11.9%
2003	33,709	+0.4%
2004	35,495	+5.3%
2005	36,978	+4.2%
2006	38,064	+2.9%
2007	38,471	+1.1%
2008	37,707	-0.7%
2009	37,874	+0.4%
2010	37,758	-0.3%
2011	37,835	-0.2%
2012	37,608	-0.5%
2013	37,413	-0.5%
2014	34,438	-8.0%
2015	34,729	+0.8%
2016	30,829	-11.2%
2017	30,989	+0.5%
2018	32,147	+3.7%
2019	33,005	+0.3%

**Total unduplicated number of children ever enrolled as of  
June 30, 2019 in WVCHIP since inception:  
**195,204****

### SFY 2019 ENROLLMENT BY GENDER

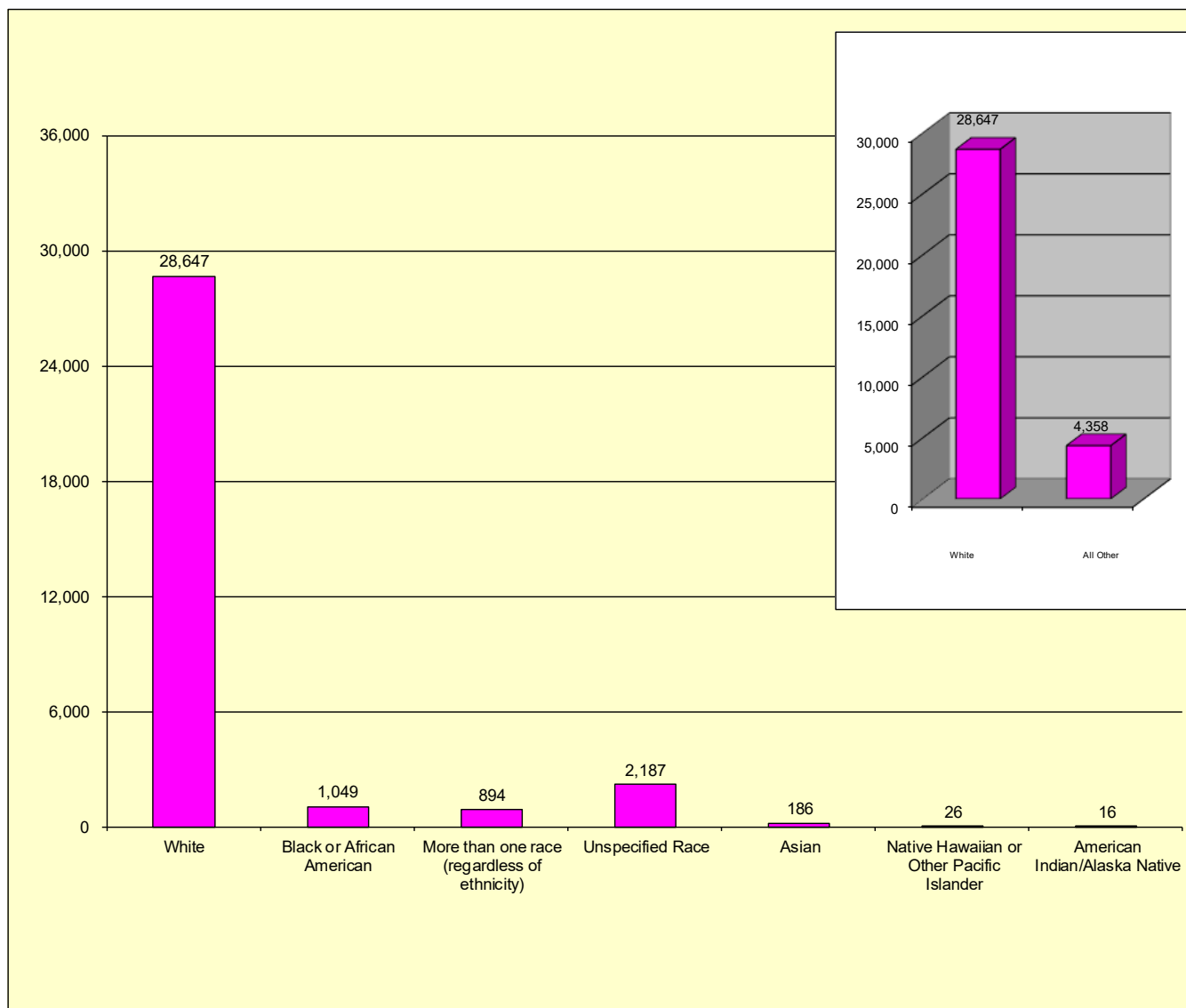


### SFY 2019 ENROLLMENT BY AGE



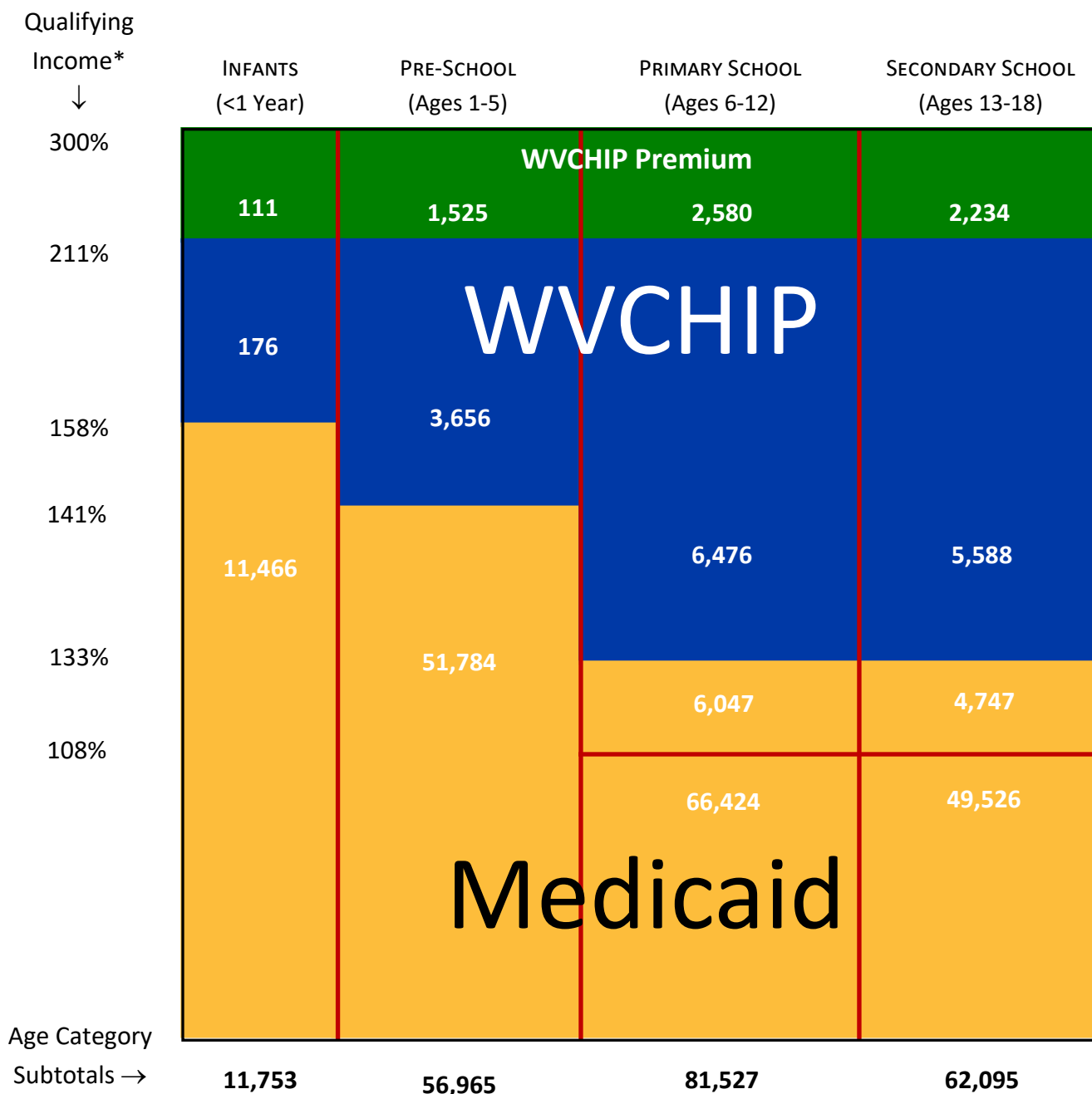


## SFY 2019 ENROLLMENT BY RACE



<u>Race/Ethnicity</u>	<u>WVCHIP Population</u>	<u>% of WVCHIP Population</u>	<u>WV Population Under 18 Years</u>	<u>% of WV Population Under 18 Years</u>
White	28,647	86.8%	331,084	93.6%
Unspecified Race	2,187	6.6%	707	0.2%
Black or African American	1,049	3.2%	11,319	3.2%
More than one race (regardless of ethnicity)	894	2.7%	7,074	2.0%
Asian	186	0.6%	2,476	0.7%
Native Hawaiian or Other Pacific Islander	26	0.1%	354	0.1%
American Indian/Alaska Native	16	0.0%	707	0.2%
<b>Total</b>	<b>33,005</b>	<b>100.0%</b>	<b>353,721</b>	<b>100.0%</b>

# HEALTH COVERAGE OF WEST VIRGINIA CHILDREN BY WVCHIP AND MEDICAID JUNE 30, 2019



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

Total CHIP-Medicaid Expansion **10,794**

Total WVCHIP Enrollment **22,346** Total WV Medicaid Enrollment **179,200**

Total # of Children Covered by WVCHIP and Medicaid **212,340**

## ENROLLMENT CHANGES BY COUNTY

### AS % DIFFERENCE FROM JULY 2018 THROUGH JUNE 2019

County	Total Enrollees July 2018	Total Enrollees June 2019	Difference	% Change
Gilmer	66	92	26	28%
Tyler	78	91	13	14%
Calhoun	89	103	14	14%
Monroe	228	263	35	13%
McDowell	174	198	24	12%
Tucker	98	110	12	11%
Roane	235	260	25	10%
Lincoln	252	277	25	9%
Clay	125	137	12	9%
Pleasants	75	82	7	9%
Doddridge	86	94	8	9%
Berkeley	1,706	1,861	155	8%
Marion	622	667	45	7%
Fayette	661	708	47	7%
Mingo	243	260	17	7%
Mercer	782	834	52	6%
Raleigh	993	1,053	60	6%
Hampshire	263	278	15	5%
Boone	246	260	14	5%
Wood	999	1,053	54	5%
Wirt	65	68	3	4%
Marshall	283	296	13	4%
Hancock	538	560	22	4%
Wayne	397	412	15	4%
Jefferson	655	678	23	3%
Upshur	330	341	11	3%
Kanawha	2,096	2,131	35	2%
<b>MEDIAN</b>				
Mason	252	256	4	2%
Barbour	238	240	2	1%
Brooke	1	1	0	0%
Monongalia	927	926	-1	0%
Morgan	265	264	-1	0%
Pendleton	96	95	-1	-1%
Putnam	663	656	-7	-1%
Greenbrier	594	585	-9	-2%
Wetzel	154	151	-3	-2%
Preston	401	393	-8	-2%
Logan	403	394	-9	-2%
Braxton	160	156	-4	-3%
Lewis	264	255	-9	-4%
Wyoming	288	278	-10	-4%
Taylor	208	200	-8	-4%
Jackson	344	327	-17	-5%
Grant	132	125	-7	-6%
Harrison	938	882	-56	-6%
Summers	182	168	-14	-8%
Ohio	420	387	-33	-9%
Randolph	468	430	-38	-9%
Hardy	238	218	-20	-9%
Cabell	966	864	-102	-12%
Nicholas	391	346	-45	-13%
Webster	113	99	-14	-14%
Pocahontas	132	114	-18	-16%
Mineral	292	251	-41	-16%
Ritchie	116	99	-17	-17%
<b>Totals</b>	<b>22,031</b>	<b>22,327</b>	<b>296</b>	<b>1%</b>
<b>12-Mo. Avg.</b>		<b>22,175</b>	<b>25</b>	<b>1%</b>

## ENROLLMENT CHANGES BY COUNTY

### AS % OF CHILDREN NEVER BEFORE ENROLLED FROM JULY 2018 THROUGH JUNE 2019

County	Total Enrollees July 2018	Total Enrollees June 2019	New Enrollees Never in Program	New Enrollees As % of June 2019
McDowell	174	198	109	55%
Marshall	283	296	137	46%
Webster	113	99	45	45%
Tyler	78	91	41	45%
Gilmer	66	92	41	45%
Clay	125	137	60	44%
Logan	403	394	172	44%
Wetzel	154	151	64	42%
Lewis	264	255	108	42%
Hardy	238	218	91	42%
Lincoln	252	277	115	42%
Berkeley	1,706	1,861	753	40%
Mineral	292	251	100	40%
Wood	999	1,053	418	40%
Mingo	243	260	103	40%
Marion	622	667	263	39%
Boone	246	260	101	39%
Hancock	538	560	214	38%
Pleasants	75	82	31	38%
Mason	252	256	96	38%
Wirt	65	68	25	37%
Doddridge	86	94	34	36%
Jefferson	655	678	244	36%
Harrison	938	882	317	36%
Barbour	238	240	86	36%
Randolph	468	430	151	35%
Calhoun	89	103	36	35%
<b>MEDIAN</b>				
Ohio	420	387	135	35%
Kanawha	2,096	2,131	743	35%
Raleigh	993	1,053	365	35%
Upshur	330	341	118	35%
Taylor	208	200	68	34%
Wyoming	288	278	94	34%
Monongalia	927	926	312	34%
Mercer	782	834	281	34%
Wayne	397	412	136	33%
Roane	235	260	85	33%
Preston	401	393	128	33%
Nicholas	391	346	111	32%
Hampshire	263	278	89	32%
Grant	132	125	40	32%
Cabell	966	864	273	32%
Monroe	228	263	83	32%
Summers	182	168	53	32%
Fayette	661	708	223	31%
Putnam	663	656	205	31%
Morgan	265	264	82	31%
Braxton	160	156	47	30%
Greenbrier	594	585	175	30%
Jackson	344	327	97	30%
Pendleton	96	95	27	28%
Ritchie	116	99	28	28%
Tucker	98	110	30	27%
Pocahontas	132	114	24	21%
Brooke	1	1	0	0%
<b>Totals</b>	<b>22,031</b>	<b>22,327</b>	<b>8,007</b>	<b>36%</b>
<b>12-Mo. Avg.</b>		<b>22,175</b>	<b>667</b>	<b>3.0%</b>

# APPENDIX A



415 Main Street  
Reisterstown, MD 21136-1905  
410-833-4220  
410-833-4229 (fax)  
[www.continuingcareactuaries.com](http://www.continuingcareactuaries.com)

December 12, 2019

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

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

Dear Stacey:

Continuing Care Actuaries was engaged by the management of West Virginia Children's Health Insurance Program ("CHIP Program") to assist the West Virginia CHIP Board in the analysis of actual and projected plan experience and review the claim experience through September 2019. We conclude that the plan will continue to meet the statutory requirement of 10% reserve in FY 2020 based on the updated information. CHIP Program's financial projections continue to improve primarily due to a steady enrollment increase and a lower overall claims trend.

It is noteworthy that we are not projecting a shortfall in State funding based on funding levels provided by CHIP management through FY 2021 based on the assumption that future funding remains constant. Comparing the September 30, 2019 Quarterly Report to the June 30, 2019 Quarterly Report, several changes have occurred in the program:

- Fiscal Year 2020 average enrollment for the CHIP Program has increased from 22,327 in the June 30, 2019 Quarterly Report to 22,727 in the September 30, 2019 Quarterly Report.
- September 2019 claim experience showed the projected incurred FY 2020 expenditures to be \$55,068,879 in the September 30, 2019 Quarterly Report, a decrease of \$322,518 from \$55,391,397 in the June 30, 2019 Quarterly Report.
- The categories of FY 2020 medical, dental and prescription drug expenses in the current claim experience through September 2019 showed favorable experience over the June 30, 2019 Quarterly Report.

- FY 2020 Overall PMPM cost in the September 30, 2019 Quarterly Report is projected to be \$201.92, a decrease from the projected \$206.74 PMPM cost in the June 30, 2019 Quarterly Report.
- FY 2020 Medical PMPM cost in the September 30, 2019 Quarterly Report is projected to be \$132.26, a decrease from the projected \$137.98 PMPM cost in the June 30, 2019 Quarterly Report.
- FY 2020 Dental PMPM cost in the September 30, 2019 Quarterly Report is projected to be \$29.02, a slight increase from the projected \$28.78 PMPM cost in the June 30, 2019 Quarterly Report.
- FY 2020 Prescription Drugs PMPM cost in the September 30, 2019 Quarterly Report is projected to be \$40.65, a slight increase from the projected \$39.98 PMPM cost in the June 30, 2019 Quarterly Report.

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

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

Sincerely,



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

## **APPENDIX B**



**West Virginia Children's Health Insurance Program  
Report of Independent Actuary  
June 30, 2019 Quarterly Report**

**OVERVIEW**

Continuing Care Actuaries was engaged by the West Virginia Children's Health Insurance Program ("CHIP Program") to assist the West Virginia CHIP Board in the analysis of actual and projected plan experience for State Fiscal Year 2019 ("FY 2019") through Fiscal Year 2025 ("FY 2025"). West Virginia enabling legislation of the CHIP Program requires that an actuary provide a written opinion that all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed ninety percent of the funding available to the program for the fiscal year for which the plan is proposed.

CHIP Program management has requested Continuing Care Actuaries ("CCA") to produce the Baseline Scenario which includes the current WVCHIP Premium expansion to 300% of the Federal Poverty Level ("FPL") and the PEIA and the Medicaid children transfer cost. State funding is assumed to be \$0 in FY 2019 and in future years. At the Federal level, the Federal funding for West Virginia is assumed to be \$77,391,400 in FY 2019 and in future years. The Federal funding is available to the CHIP Program directly and to the Medicaid program for CHIP children whose coverage transferred to Medicaid under the Affordable Care Act. Appendix A-Baseline Scenario, with Maternity Coverage Expansion that began on July 1, 2019, shows CHIP Program Federal funding continues after 2019 paying for the Medicaid Children Transfer Cost. The net 2019 Federal and State funding after the reductions for CHIP children that have transferred to Medicaid are assumed to be \$51,210,797 and \$0, respectively.

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

PEIA children became eligible in the CHIP Program starting July 1, 2014. For the purposes of this report, we have assumed that the enrollment will remain constant in future years.

Under the Medicaid Children Transfer Cost Baseline Scenario, the State of West Virginia has elected to use the Title XXI funds to help cover the CHIP kids that moved to Medicaid because family income was between 100% and 133% of the Federal Poverty Level ("FPL"). Based on West Virginia Department of Health and Human Resources ("WVDHHR") preliminary estimate of kids now covered by Medicaid, the expected amount that the State of West Virginia will pay to transfer the CHIP kids to Medicaid is approximately \$26.2 million in FY 2019, \$26.7 million in FY 2020 and \$27.2 million in FY 2021, with adjustments for inflation in the yearly projection thereafter.

Under the Baseline Scenario, the projected cost of the CHIP Program in FY 2019 will meet the 90% State funding requirement. Based on the Baseline Scenario and the 90% expenditure limitation on State funding of the program, we are projecting a shortfall in State funding beginning in FY 2021 based on funding levels provided by CHIP management. In addition, we are projecting a shortfall in Federal funding beginning in FY 2024 based on the current approved funding levels under the assumption of Medicaid eligibility and an increase in Federal participation of the Patient Protection and Affordable Care Act ("PPACA"). This shortfall is primarily due to the fact that the transfer to Medicaid has increased significantly since Federal Fiscal Year 2018.

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

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

On January 22, 2018, the President signed the "Helping Ensure Access for Little Ones, Toddlers, and Hopeful Youth by Keeping Insurance Delivery Stable Act" or "Healthy Kids Act" (Public law 115-120) into law. Among other things, the Healthy Kids Act extended appropriations for CHIP allotments for FY 2018 through FY 2023. Prior to enactment of the Healthy Kids Act, Congress passed legislation affecting FY 2018 that provided limited appropriations for FY 2018 CHIP allotments and established special rules for redistributing unspent allotments from prior years. The Healthy Kids Act keeps the 23% bump to FMAP for federal fiscal years 2018 and 2019, then reduces the bump to 11.5% in 2020, and returns CHIP to its normal enhanced federal participation rates in 2021 and future years. It also has a provision that allows states that operate buy-in programs that look like CHIP to pool the children enrolled in CHIP along with the children enrolled in the buy-in program. As a result of these changes, the State of West Virginia will need to begin funding 6.04% of the cost of the program beginning in Federal Fiscal Year 2020, and 17.54% in Federal Fiscal Year 2021 and thereafter.

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

Under the Baseline Scenario, CCA has reflected the current information on the availability of Federal funding. We have not assumed any Federal redistribution funds in this projection. The Federal share of program expenditure is currently at 100% for Federal Fiscal Year 2019 per the Healthy Kids Act. We have assumed the Federal funding to be \$77,391,400 in FY 2019 and in future years. Detailed calculation can be found in Appendix A.

	2019	2020	2021	2022
Gross Federal Revenue	\$77,391,400	\$77,391,400	\$77,391,400	\$77,391,400
Federal Medicaid Cost	(26,180,603)	(26,678,034)	(27,209,425)	(27,818,657)
Net Federal Revenue	\$51,210,797	\$50,713,366	\$50,181,975	\$49,572,743

Enrollment for the program as of June 2019 has increased since March 2019. The current program enrollment as of June 2019 consists of 22,327 children: 3,351 children as part of Phase I and Phase II that consists of children whose families are below 150% of the federal poverty level ("WVCHIP Gold"), 12,532 children as part of Phase III that consists of children whose families are between 150% and 200% of the federal poverty level ("WVCHIP Blue"), and 6,444 children as part of WVCHIP Premium.

Since the March 31, 2019 Quarterly Report with enrollment of 22,017 children, overall enrollment has increased by 310 children. WVCHIP Gold has increased enrollment by 472 children, WVCHIP Blue has decreased enrollment by 292 children and WVCHIP Premium has increased enrollment by 130 children.

The monitoring and analysis of claim trends is critical to the accurate forecast of future costs of the program. While the program's enrollment has decreased in recent months, there has been continual moderation of cost trends. Current claim trend experience has been financially favorable over the past several years. We have maintained the FY 2019 medical claim trend assumption at 5%, dental claim trend assumption at 5%, and prescription drugs claim trend assumption at 7%, based on trend experience that has been consistent with these assumptions.

Under the Baseline Scenario, administrative expenses for West Virginia CHIP are \$5,439,584 in FY 2019, representing a 36% increase from FY 2018 administrative expenses of \$4,003,226. West Virginia CHIP management team assumes a 5% administrative expense trend in future years. In Fiscal Year 2019, reimbursement from subrogation and prescription drug rebates are projected to be totaled \$1,737,765. West Virginia CHIP management team assumes a 4% trend on drugs rebates and subrogation in future years.

Included in FY 2019 are the expected funding reductions for CHIP kids covered under Medicaid of \$6,732,871 for the Federal share in the first quarter of 2019, \$6,776,785 for the Federal share in the second quarter of 2019, \$6,103,390 for the Federal share in the third quarter of 2019, and we assume \$6,567,557 for the fourth quarter of 2019. We assume the expected amount that the State of West Virginia will pay to transfer the CHIP kids to Medicaid is approximately \$26.2 million in FY 2019, \$26.7 million in FY 2020 and \$27.2 million in FY 2021, with adjustments for inflation in the yearly projection thereafter. And we have reduced the total Federal and State funding by these amounts to estimate the total funding available to West Virginia CHIP.

Under the State fiscal year basis, we have calculated that the incurred claim costs under the Baseline Scenario assumptions for FY 2019 to be \$49,746,624. The updated projection for FY 2020 claims is \$54,091,998.

#### **CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT**

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

- Protects CHIP with Federal funding through Federal Fiscal Year 2027;
- Provides states with additional funding to ensure children have access to the program. Between FY 2018 and 2019, states would receive 23 percentage points increase in the CHIP federal match rate, subject to a 100 percent cap, then the 23 percentage points would decrease to 11.5% from October 1, 2019 through September 30, 2020, and the 23 percentage points would decrease to 0% from October 1, 2020 through September 30, 2027;
- Extends the qualifying state option, Express Lane Eligibility (ELE), the childhood obesity demonstration project, the pediatric quality measures program, and outreach and enrollment grants through 2027;
- Keeps and extends the Maintenance of Effort (MOE) through 2027, but after 2019 it would only apply to children in families up to 300% FPL;
- Allows states that operate buy-in programs that look like CHIP to pool the children enrolled in CHIP along with the children enrolled in the buy-in program;
- States are required to maintain current eligibility levels through December 31, 2019.

The Federal share of program expenditure is currently at 100% for Federal Fiscal Year 2019. Our forecast assumes Federal funding to be \$77,391,400 in FY 2019 and in future years. CHIPRA has several mechanisms to adjust Federal expenditures to levels required by the State programs. The Federal funds formula allows for re-basing of the allotment every two years, and there is a contingency fund established separate from the funds allotted to the State of West Virginia that will be used to offset any shortfalls it might experience in Federal funding.

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

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

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

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

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

#### **PLAN ELIGIBILITY AND BENEFIT STRUCTURE**

Under the submitted West Virginia CHIP Premium expansion plan ("WVCHIP Premium"), the CHIP expansion to 220% began enrollment effective in January 2007. Subsequently, WVCHIP Premium was expanded to 250% FPL effective in January 2009 and to 300% FPL effective in July 2011. Premiums are assumed to cover 20% of the policy cost for children in the 200% to 300% FPL eligibility group. The monthly premiums are \$35 for families with one child in the program and \$71 for families with more than one child in the program. We have assumed the same premium level as of March 23, 2010 in all projection years to maintain the 20% cost share threshold in the 200% to 300% FPL group. As of June 2019, there are 6,444 children enrolled in WVCHIP Premium.

Effective January 1, 2014, Medicaid eligibility expanded to individuals and families with income up to 133% FPL. The CHIP Program will continue to serve the remaining children from 133% FPL to 300% FPL, with the potential for additional members whose parents have applied for coverage through the Health Insurance Exchange

program. In addition, the extended Health Care Reform (“HCR”) Bill addresses a 23% increase in Federal participation for FY 2018 and 2019, which would make the CHIP Program 100% federally funded starting October 1, 2017, the first day of Federal FY 2018, through September 30, 2019, the last day of Federal FY 2019, assuming the enhanced match rate does not fall below 77%.

WVCHIP covers children from birth through age 18, with coverage ending the end of the month which the child turns 19. The program pays for a full range of health care services for children including doctor visits, check-ups, vision and dental visits, immunizations, prescriptions, hospital stays, mental health and special needs services. Some services require prior authorization to be eligible under the WVCHIP program. All benefits and prior authorization requirements are detailed in the WVCHIP Summary Plan Description updated for Fiscal Year 2019.

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

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

For each benefit year, there are maximum copayment amounts required based on the number of children in each family and whether the services are medical, dental or prescription drugs. The chart below summarizes the Out of Pocket Maximums by each eligibility group:

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

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

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

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

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

Medical costs have been adjusted to reflect the expense of the “Birth to Three” program, administered by WVDHHR that work with children identified as having developmental delays. The Birth-to-Three costs have been included in the WVCHIP financial plan for FY 2019 and beyond.

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

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

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

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

### **PLAN ENROLLMENT**

We have updated our projection based on the enrollment through June 2019. The program had enrollment at the end of FY 2018 of 21,837 children: 3,185 under WVCHIP Gold, 12,537 under WVCHIP Blue, and 6,115 under WVCHIP Premium. Current enrollment as of June 2019 is 22,327 children, with 3,351 under WVCHIP Gold, 12,532 under WVCHIP Blue, and 6,444 under WVCHIP Premium. In total, this represents an increase of 2.2% over the prior year.

Overall enrollment is slightly up compared to the June 30, 2018 Quarterly Report. Since the implementation of the Affordable Care Act, which resulted in children whose family income was below 138% of the FPL being transferred to Medicaid, the CHIP Program has grown by approximately 2,900 children. The Gold and Blue program have been declining, with the growth occurring in the Premium program.



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

The following table summarizes the FY 2019 enrollment information using end of month enrollment information by WVCHIP Gold, WVCHIP Blue, WVCHIP Premium and in total:

<b>Date</b>	<b>WVCHIP Gold</b>	<b>WVCHIP Blue</b>	<b>WVCHIP Premium</b>	<b>Total</b>	<b>Annual % Growth</b>
Jun-03	14,243	7,554		21,797	8.8%
Jun-04	15,015	8,417		23,432	7.5%
Jun-05	15,571	8,944		24,515	4.6%
Jun-06	15,907	8,928		24,835	1.3%
Jun-07	15,658	9,181	100	24,939	0.4%
Jun-08	15,227	8,902	289	24,418	-2.1%
Jun-09	14,727	9,164	664	24,555	0.6%
Jun-10	15,385	8,381	1,058	24,824	1.1%
Jun-11	14,649	8,505	1,386	24,540	-2.1%
Jun-12	14,241	8,691	2,182	25,114	2.3%
Jun-13	14,769	8,013	2,168	24,950	-0.7%
Jun-14	11,637	9,150	3,168	23,955	-4.0%
Jun-15	4,588	9,965	4,894	19,447	-18.8%
Jun-16	4,344	10,958	5,229	20,531	5.6%
Jun-17	3,681	11,597	5,722	21,000	2.3%
Jun-18	3,185	12,537	6,115	21,837	4.0%
Jul-18	3,157	12,670	6,204	22,031	4.8%
Aug-18	2,997	12,507	6,042	21,546	1.6%
Sep-18	3,039	12,912	6,212	22,163	4.2%
Oct-18	2,975	13,035	6,249	22,259	4.4%
Nov-18	2,925	13,120	6,244	22,289	4.5%
Dec-18	2,866	13,111	6,264	22,241	4.0%
Jan-19	2,871	13,266	6,327	22,464	4.0%
Feb-19	2,881	13,121	6,363	22,365	4.5%
Mar-19	2,879	12,824	6,314	22,017	1.8%
Apr-19	3,096	12,713	6,383	22,192	1.8%
May-19	3,261	12,557	6,386	22,204	1.7%
Jun-19	3,351	12,532	6,444	22,327	2.2%



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

Baseline Scenario (300% FPL)

Year End Enrollment	FY2019-FY2025
WVCHIP Gold & Blue	15,883
<u>WVCHIP Premium</u>	<u>6,444</u>
Total	22,327

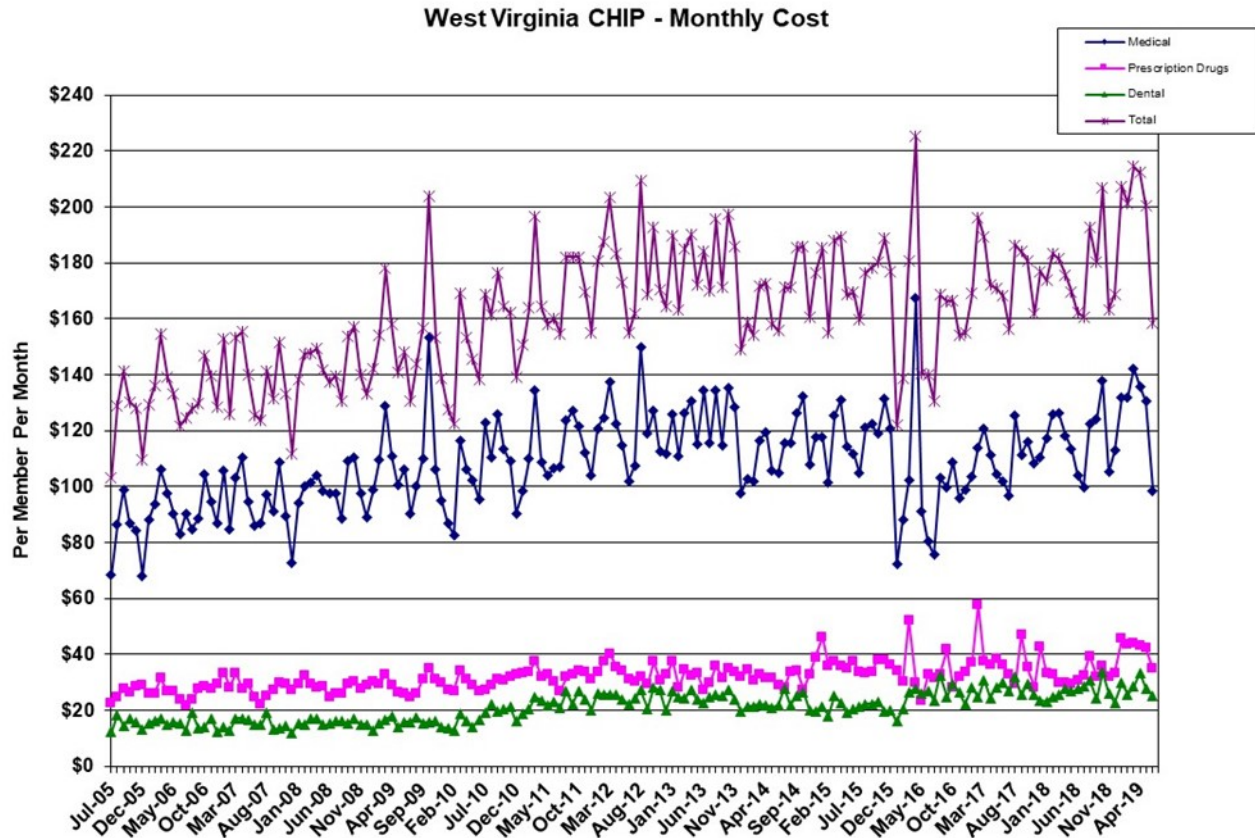
**CLAIM COST AND TREND ANALYSIS**

The plan has experienced an overall 12-month trend of 8.3%. We have maintained the medical, dental and prescription drugs trend assumptions from the March 31, 2019 Quarterly Report. The trend assumptions have been established as 5% for medical claims, 5% for dental claims and 7% for prescription drugs claims. Detail historical claim trend analysis for medical, dental and prescription drugs are summarized in the Attachments found at the end of the report.

Overall, the recent experience is comparable to our composite trend assumptions for the medical, dental and prescription drug trend components. Medical trend has been high this past year, and should be examined further. The table below summarizes WV CHIP experience over the last six months, nine months and twelve months as of June 30, 2019. Note that prescription drugs trends are gross of prescription drug rebates received from CVS.

Trend Period	Six Months	Nine Months	Twelve Months
Medical	9.3%	8.3%	7.2%
Dental	9.5%	8.0%	5.6%
<u>Prescription Drugs</u>	<u>36.2%</u>	<u>21.3%</u>	<u>14.2%</u>
Composite	14.1%	10.7%	8.3%

The following graph summarizes incurred claims on a per member per month (“PMPM”) basis for the major categories of medical, dental and prescription drugs based on information received through June 2019. The attachment at the end of this report shows the trends for WVCHIP Gold & Blue and an average for the same three categories.



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

#### FINANCIAL PROJECTION – STATE FISCAL YEARS 2019-2025

Under the Baseline Scenario, we have assumed that State funding to be \$0 in FY 2019 and in future years. At the Federal level, the Federal funding for West Virginia is assumed to be \$51,210,797 in FY 2019 after the reductions for the Federal funding share to be used for CHIP children that transferred to Medicaid, and we have assumed that the Federal funding remains constant in the future.

The updated incurred claims for FY 2019 is \$49,746,624 based on the FY 2019 average enrollment of 22,175 children and the incurred claim per member per month cost data assumption of \$186.95, as summarized in the following table.

Category	Current Report FY2019 Baseline Incurred Claims	Current Report FY2019 Baseline Per Member Per Month	3/31/19 Report FY2019 Baseline Per Member Per Month	12/31/18 Report FY2018 Baseline Per Member Per Month
Medical	\$ 32,509,666	\$ 122.17	\$ 121.36	\$ 125.13
Prescription Drugs	9,942,167	37.36	36.66	34.50
<u>Dental</u>	<u>\$ 7,294,790</u>	<u>\$ 27.41</u>	<u>\$ 28.52</u>	<u>\$ 28.44</u>
Total	\$ 49,746,624	\$ 186.95	\$ 186.54	\$ 188.06

The Medicaid Children Transfer Cost Baseline Scenario financial forecast for the Federal and State fiscal years 2019 through 2025 can be found in Appendix A. This scenario is based on the assumption that Federal and State funding will be transferred to West Virginia Medicaid to cover transferred children. Based on the assumptions developed under Baseline Scenario, we are projecting a shortfall in State funding beginning in FY 2021 under the 90% funding requirement based on funding levels provided by CHIP management through FY 2025.

At the Federal level, we are projecting a shortfall in Federal funding beginning in FY 2024 for the Baseline Scenario, under the assumption that Medicaid eligibility is aligned with the recently signed Healthy Kids Act and the Bipartisan Budget Act of 2018. It should be noted that the most recent reauthorization continues the 23% increase in Federal participation for FY 2018 and 2019, which means that the CHIP Program remains 100% federally funded through September 30, 2019, the last day of Federal FY 2019. After FY 2019, based on the reauthorization, the State of West Virginia share would increase to 6.04% from October 1, 2019 through September 30, 2020, and 17.54% from October 1, 2020 through September 30, 2027.

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

Appendix A also includes the Maternity Coverage Expansion that began on July 1, 2019. CHIP is currently 100% federally funded through September 30, 2019. Starting October 1, 2019, the federal share drops to 93.96% and drops further to 82.46% beginning October 1, 2020. The estimated cost of the Maternity Coverage Expansion is based on three assumptions as follows: 1) costs of newly eligible pregnant women between 185% FPL and 300%FPL expected to be around 218 women; 2) expanding maternity benefits to the current CHIP population estimated to be 65 members; and 3) newborn coverage resulting from the new CHIP population expected to be around 218 new members. The average cost of maternity and comprehensive care based on current rates is from \$12,600 to \$15,750. To add maternity benefits for the current CHIP population is \$4,500 to \$5,500 on average per pregnancy. The average cost of newborn coverage for a year is \$740 to \$930.

Total costs for populations 1, 2, and 3 above are as follows: 1) \$2,746,800 (low estimate) \$3,433,500 (high estimate); 2) \$290,000 (low estimate) \$360,000 (high estimate); and 3) \$161,320 (low estimate) \$202,740 (high estimate). Total costs for this bill could range from a low estimate of \$3,198,120 (\$144,875 in 2020 state share and \$468,844 in 2021 state share and \$560,950 in 2022 state share) to a high estimate of \$3,996,240 (\$181,030 in 2020 state share and \$585,849 in 2021 state share and \$699,940 in 2022 state share). State dollar amounts for 2020 are based on a hybrid rate of 95.47% FMAP. State dollar amounts for 2021 are based on a hybrid rate of 85.34% FMAP. State dollar amounts for 2022 and beyond are based on the projected 2022 FMAP of 82.46%.

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

Appendix B summarizes the original and restated IBNR claim liabilities for the CHIP Program in Fiscal Year 2018 to 2019. IBNR projections have been lower to reflect current claim backlog experience in recent months.

#### **STATEMENT OF ACTUARIAL OPINION**

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

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

In my opinion, all estimated program and administrative costs of the agency under the plan, including incurred but unreported claims, will not exceed 90 percent of the funding available to the program for fiscal years 2019 through 2020 for the State, based on current enrollment under the Baseline Scenario.

It should be noted that this opinion is based on State funding levels as illustrated in Appendix A, and FY 2019 through FY 2025 have not been appropriated by the West Virginia Legislature.

Respectfully,



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



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

## 2019 Annual Report

### Report of Independent Actuary

#### APPENDIX A

#### West Virginia Children's Health Insurance Program

#### June 30, 2019 Quarterly Report

#### Medicaid Children Transfer Cost Baseline Scenario with Maternity Coverage Expansion

Available Funding - Beginning of the Year	2019	2020	2021	2022	2023	2024	2025
Federal 2018	\$25,098,705	\$0	\$0	\$0	\$0	\$0	\$0
Federal 2019	51,210,797	24,433,451	0	0	0	0	0
Federal 2020	0	50,713,366	20,030,894	0	0	0	0
Federal 2021	0	0	50,181,975	17,452,930	0	0	0
Federal 2022	0	0	0	49,572,743	13,223,165	0	0
Federal 2023	0	0	0	0	48,925,230	5,370,938	0
Federal 2024	0	0	0	0	0	48,260,331	0
Federal 2025	0	0	0	0	0	0	47,577,491
State 2015	\$5,419,532	\$5,419,532	\$3,001,709	\$0	\$0	\$0	\$0
State 2016	0	0	0	0	0	0	0
State 2017	0	0	0	0	0	0	0
State 2018	0	0	0	0	0	0	0
State 2019	0	0	0	0	0	0	0
State 2020	0	0	0	0	0	0	0
State 2021	0	0	0	0	0	0	0
State 2022	0	0	0	0	0	0	0
State 2023	0	0	0	0	0	0	0
State 2024	0	0	0	0	0	0	0
State 2025	0	0	0	0	0	0	0
Program Costs	2019	2020	2021	2022	2023	2024	2025
<b>WVCHIP Gold &amp; Blue &amp; Premium &amp; PEIA Children</b>							
Medical Expenses	\$32,509,666	\$35,668,788	\$37,900,355	\$39,795,373	\$41,785,141	\$43,874,398	\$46,068,118
Prescription Drugs Expenses	9,942,167	10,711,119	11,460,898	12,263,160	13,121,582	14,040,092	15,022,899
Dental Expenses	7,297,790	7,712,091	8,097,695	8,502,580	8,927,709	9,374,094	9,842,799
Administrative Expenses	5,439,584	5,758,937	6,046,884	6,349,228	6,666,689	7,000,024	7,350,025
Maternity Coverage Expansion	0	1,299,399	1,812,496	1,903,121	1,998,277	2,098,191	2,203,100
Premiums (WVCHIP Premium)	\$1,572,392	\$1,611,914	\$1,611,914	\$1,611,914	\$1,611,914	\$1,611,914	\$1,611,914
Program Revenues-Interest	\$197,398	\$197,398	\$109,333	\$0	\$0	\$0	\$0
Program Revenues-Drugs Rebates/Subrogation	1,737,765	1,807,276	1,879,567	1,954,750	2,032,940	2,114,258	2,198,828
Net Incurred Program Costs Excluding Interest	\$51,876,051	\$57,731,143	\$61,826,846	\$65,246,797	\$68,854,543	\$72,660,627	\$76,676,199
Net Paid Program Costs	51,609,031	57,354,143	61,534,846	64,977,797	68,570,543	72,360,627	76,360,199
Federal Share of Expenses	\$51,876,051	\$55,115,923	\$52,759,939	\$53,802,509	\$56,777,456	\$59,915,953	\$63,227,193
State Share of Expenses-Net of Interest	0	2,417,823	8,957,574	11,444,288	12,077,087	12,744,674	13,449,005
Beginning IBNR	\$4,052,980	\$4,320,000	\$4,697,000	\$4,989,000	\$5,258,000	\$5,542,000	\$5,842,000
Ending IBNR	4,320,000	4,697,000	4,989,000	5,258,000	5,542,000	5,842,000	6,158,000

**APPENDIX A**  
**West Virginia Children's Health Insurance Program**  
**June 30, 2019 Quarterly Report**  
**Medicaid Children Transfer Cost Baseline Scenario with Maternity Coverage Expansion**

<b>Funding Sources - End of the Year</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Federal 2018	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federal 2019	24,433,451	0	0	0	0	0	0
Federal 2020	0	20,030,894	0	0	0	0	0
Federal 2021	0	0	17,452,930	0	0	0	0
Federal 2022	0	0	0	13,223,165	0	0	0
Federal 2023	0	0	0	0	5,370,938	0	0
Federal 2024	0	0	0	0	0	0	0
Federal 2025	0	0	0	0	0	0	0
<b>Yearly Federal Shortfall</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,284,684</b>	<b>\$15,649,703</b>
State 2015	\$5,419,532	\$3,001,709	\$0	\$0	\$0	\$0	\$0
State 2016	0	0	0	0	0	0	0
State 2017	0	0	0	0	0	0	0
State 2018	0	0	0	0	0	0	0
State 2019	0	0	0	0	0	0	0
State 2020	0	0	0	0	0	0	0
State 2021	0	0	0	0	0	0	0
State 2022	0	0	0	0	0	0	0
State 2023	0	0	0	0	0	0	0
State 2024	0	0	0	0	0	0	0
State 2025	0	0	0	0	0	0	0
<b>Accumulated State Shortfall</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,955,866</b>	<b>\$17,400,154</b>	<b>\$29,477,241</b>	<b>\$42,221,915</b>	<b>\$55,670,920</b>
<b>State Shortfall – 90% Funding Requirement</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,951,152</b>	<b>\$19,667,027</b>	<b>\$26,134,861</b>	<b>\$27,579,734</b>	<b>\$29,104,088</b>