

THE LOCAL CHOICE 2013 ANNUAL REPORT

July 2012 – June 2013



THE LOCAL CHOICE - 2013 Annual Report

Statewide Self-Insured Product

Introduction

The Local Choice (TLC) 2013 Annual Report is based on two years of paid medical claims data from July 2011 through June 2012 and the current period of July 2012 through June 2013 and reflects paid claims during this period. The normative values represent Anthem's combined product average for the period ending June 2013.

- Where health care dollars were spent
- How our experience compared to other similar groups and the average of all groups covered by Anthem Blue Cross and Blue Shield (Anthem)



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Statewide Self-Insured Product

Introduction (continued)

- The savings achieved through Anthem programs and
- General observations concerning what type of health care utilization we are likely to see in the next few years based on our employee demographics and current benefit structure

The annual report claims information is based on our self-funded programs. Enrollment and membership information is based on the entire TLC program including Key Advantage plans, the HDHP and Kaiser participants.

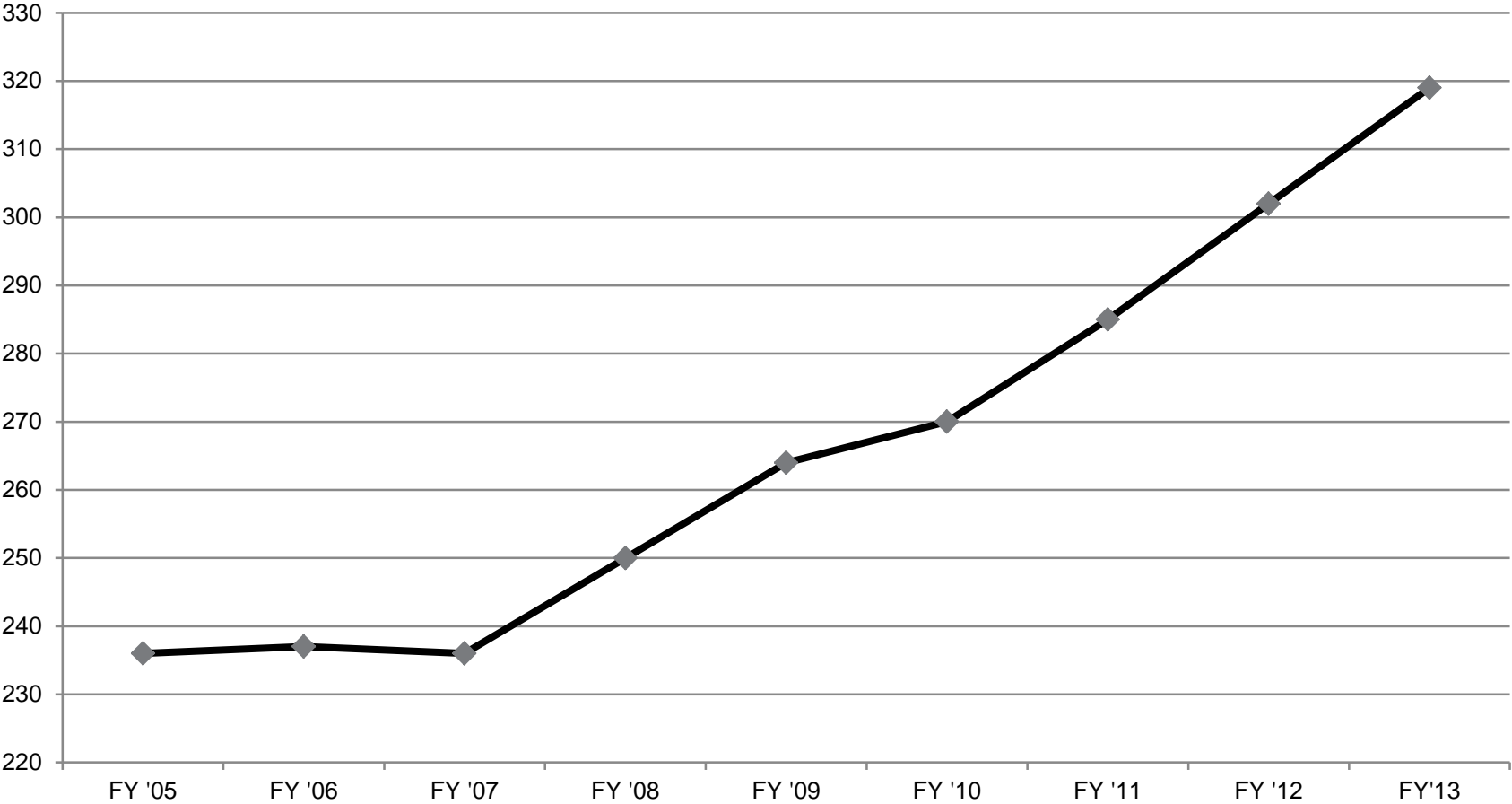


Enrollment Results

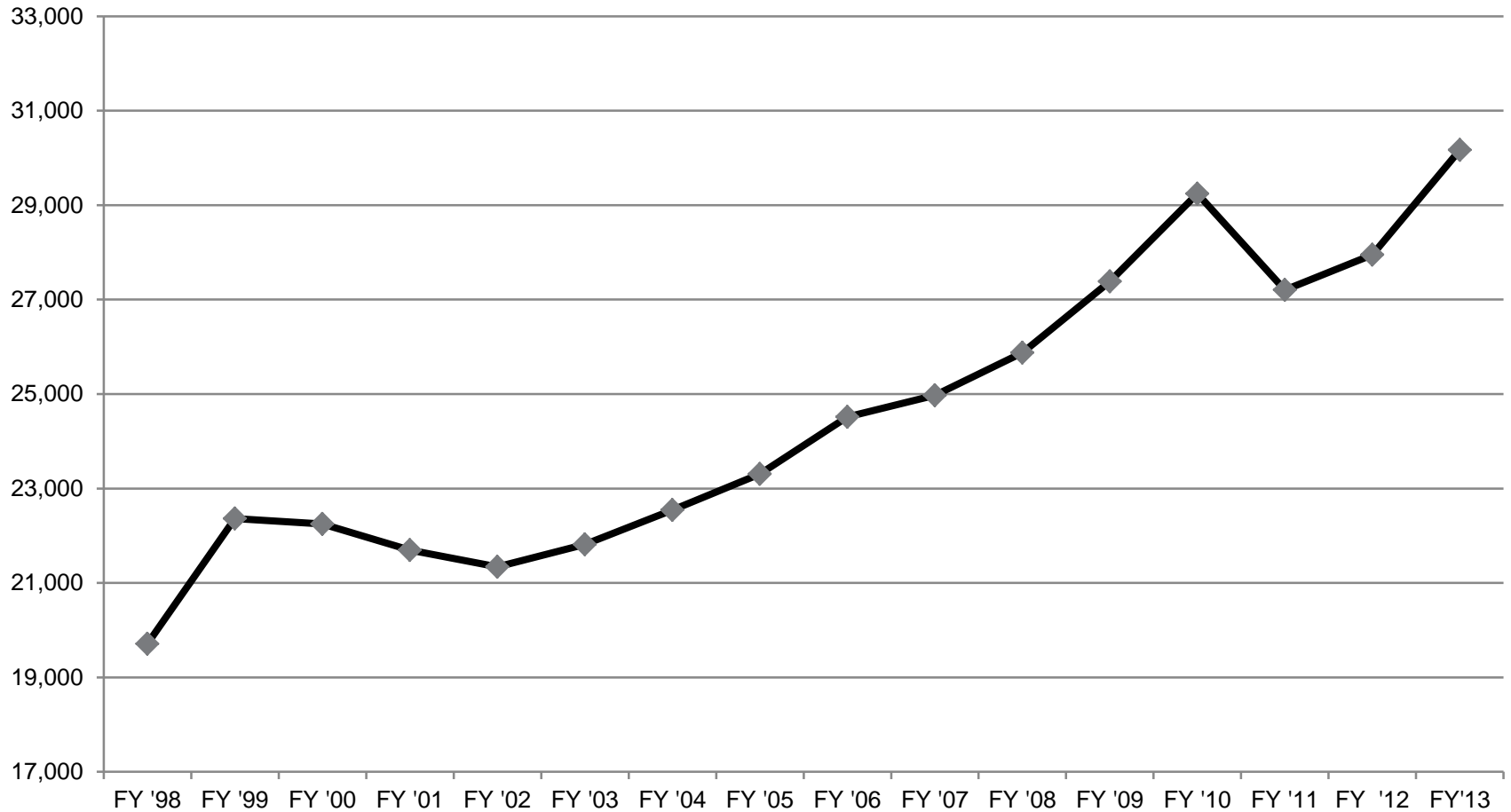
TLC group membership continues to grow, and TLC remains a very attractive option for the Counties and Schools of Virginia. In FY'13 we added 17 groups. Year over year 99% of groups renew, and approximately 7,000 new members have been added over the last 3 years. The program has 319 groups, 40 of those groups are Schools, and 279 are Government groups. Our average self-funded enrollment increased by 8%, to 30,167 employees during the current year. The current period's enrollment shows approximately 63% of our employees enrolled in an employee only contract. Nineteen percent were enrolled in dual coverage, and 18% in family coverage. The average age of employees was 46 which is comparable to Anthem's Par/PPO average age of 46. Total membership increased 8.7% to 52,703 members.



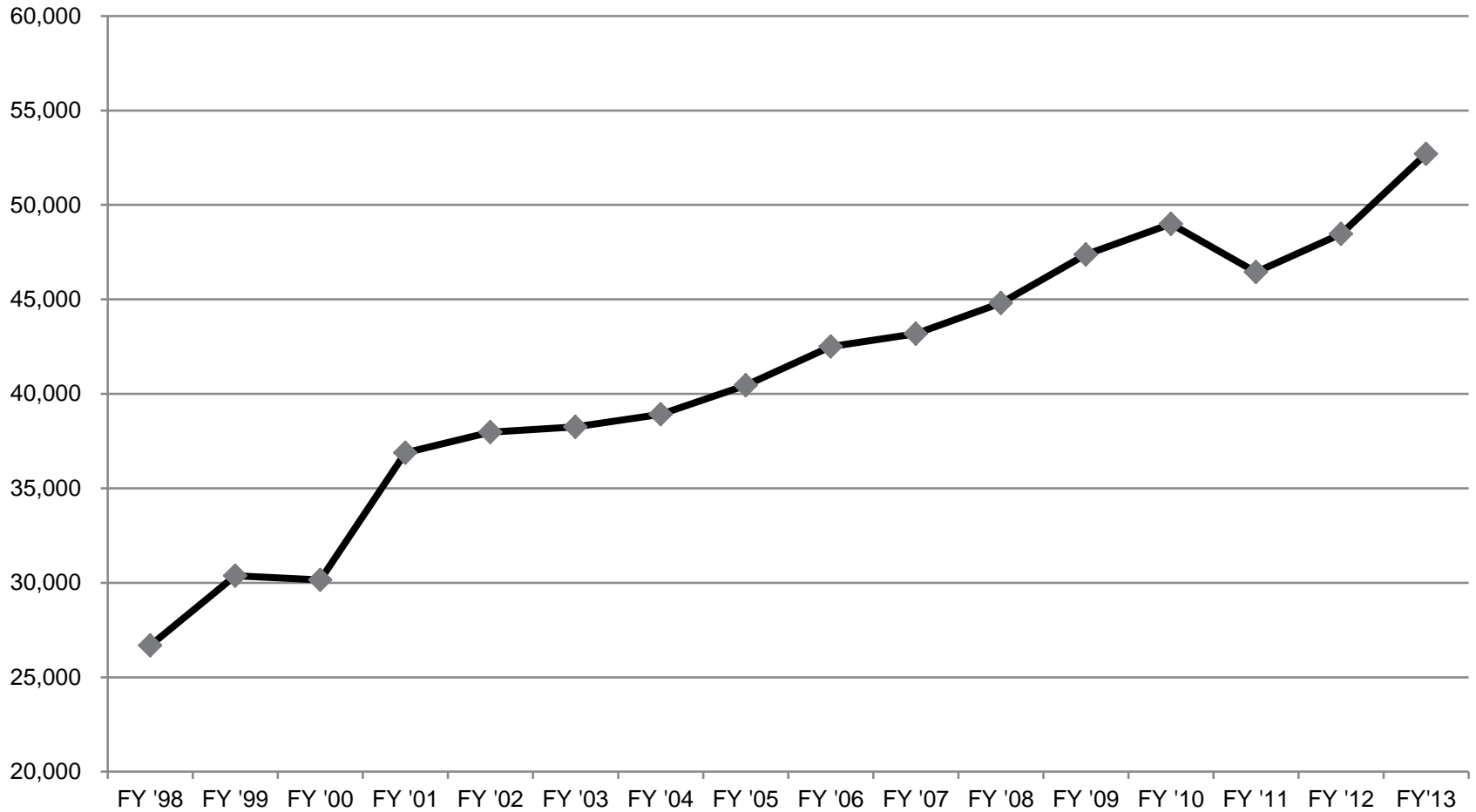
2013 TLC Growth in Participating Groups



2013 TLC Employee Growth by Year



2013 TLC Total Enrollment



Preventable Disease Cost Drivers

Preventive medicine is the branch of medicine concerned with preventing the occurrence of both mental and physical illness and disease. For TLC coronary artery disease ranked highest of all medical conditions manageable through preventive medicine. Breast cancer, cerebrovascular disease, diabetes and hypertension ranked second through fifth in order of expense.



Chronic Conditions Driving Cost

As with most groups, the chronic medical conditions of diabetes, hypertension, rheumatoid arthritis, cirrhosis of liver, and asthma exist within the TLC covered population. These conditions continue to drive our experience.



Inpatient Facility Expenses

Inpatient facility expense for our group's population increased by 14% up to \$56.2 million. In the area of inpatient facility utilization, our group's admission rate decreased by 4% down to 60.7. The overall mix of inpatient care resulted in 4% increase in the average length of stay, registering at 4.21 days, a level 7% shorter than the Par/PPO average of 4.51 days per admission.



Outpatient Experience

Outpatient facility expense increased by 16% up to \$70.1 million. The setting was impacted by increased volume of case as well as cost of care during the current year. The number of total outpatient facility cases registered at 65,695 in the current year 7% higher than the prior year's 61,537 cases. When offset by the 9% increase in membership, our group's outpatient facility case rate at 1,246.5 experienced a decrease of 2% but remained 27% higher than the normative average.



TLC Medical Expense Year to Year Summary

Period	Prior	Current	% Change
Inpatient Facility	\$49,281,333	\$56,200,386	14.1%
Outpatient Facility	\$60,238,041	\$70,097,964	16.4%
Inpatient Professional	\$7,378,461	\$8,312,423	12.7%
Outpatient Professional	\$57,982,353	\$64,305,459	10.9%
Total Medical Expense	\$174,880,188	\$198,916,232	13.7%



Financial Summary

The Cash Balance figure listed below represents actual cash on hand as of June 30, 2013. It includes reserves and funds used to pay claims and administrative costs as they are incurred. When appropriate, TLC uses surplus funds to reduce renewal rates.

Cash Balance (<i>June 30, 2013</i>)	\$100,884,374
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2013 Self Funded Program Total

Annual Premiums	\$284,525,962
Annual Expenses	\$296,236,177
Prem. Less Exp	(\$11,710,215)
Operating Ratio	104 %

2013 Fully Insured Regional Health Plan

Since this is a fully insured product, paid claims are not a part of the self-funded plan accounting and are not listed.

Annual Premiums (Government & Schools)	\$3,462,900
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