

THE LOCAL CHOICE 2014 ANNUAL REPORT

July 2013 – June 2014



THE LOCAL CHOICE - 2014 Annual Report

Statewide Self-Insured Product

Introduction

The Local Choice (TLC) 2014 Annual Report is based on two years of paid medical claims data from July 2012 through June 2013 and the current period of July 2013 through June 2014 and reflects paid claims during this period. The normative values represent Anthem's combined product average for the period ending June 2014. The report tells you:

- 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)



THE LOCAL CHOICE - 2014 Annual Report

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, enrollment and membership information is based on the entire TLC self-insured program including all Key Advantage plans and the HDHP.

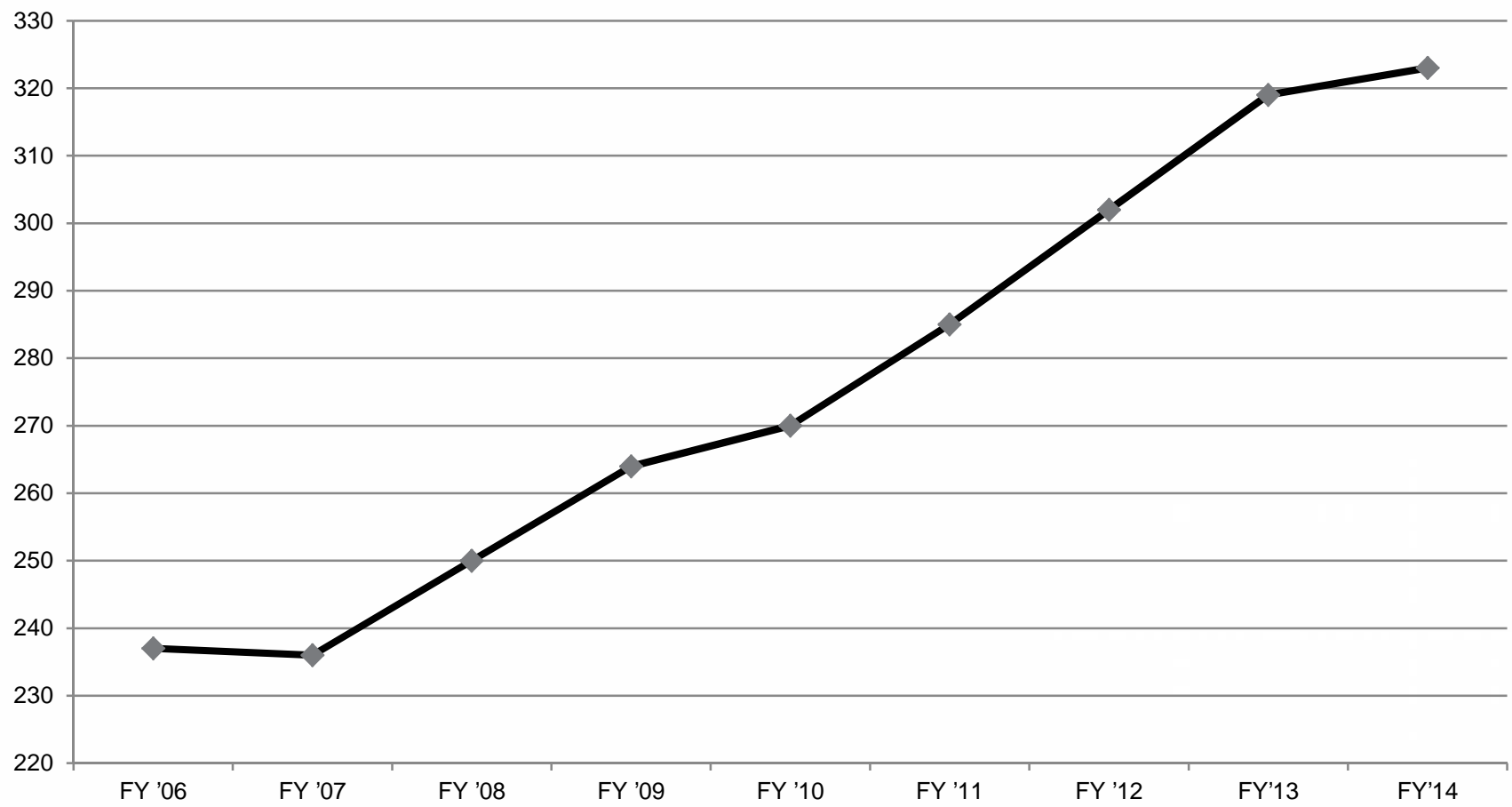


Enrollment Results

TLC group membership continues to grow, and TLC remains a very attractive option for political subdivisions and Schools in Virginia. In FY'14 we added 14 groups. Year over year 99% of groups renew, and approximately 10,000 new members have been added over the last 4 years. The program has 323 groups, 40 of those groups are Schools, and 283 are Government groups. Our average self-funded enrollment increased by 6.3%, to 32,085 employees during the current year. The current period's enrollment shows approximately 62% of our employees enrolled in an employee only contract. Nineteen percent were enrolled in dual coverage, and 19% 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 7.4% to 56,608 members.



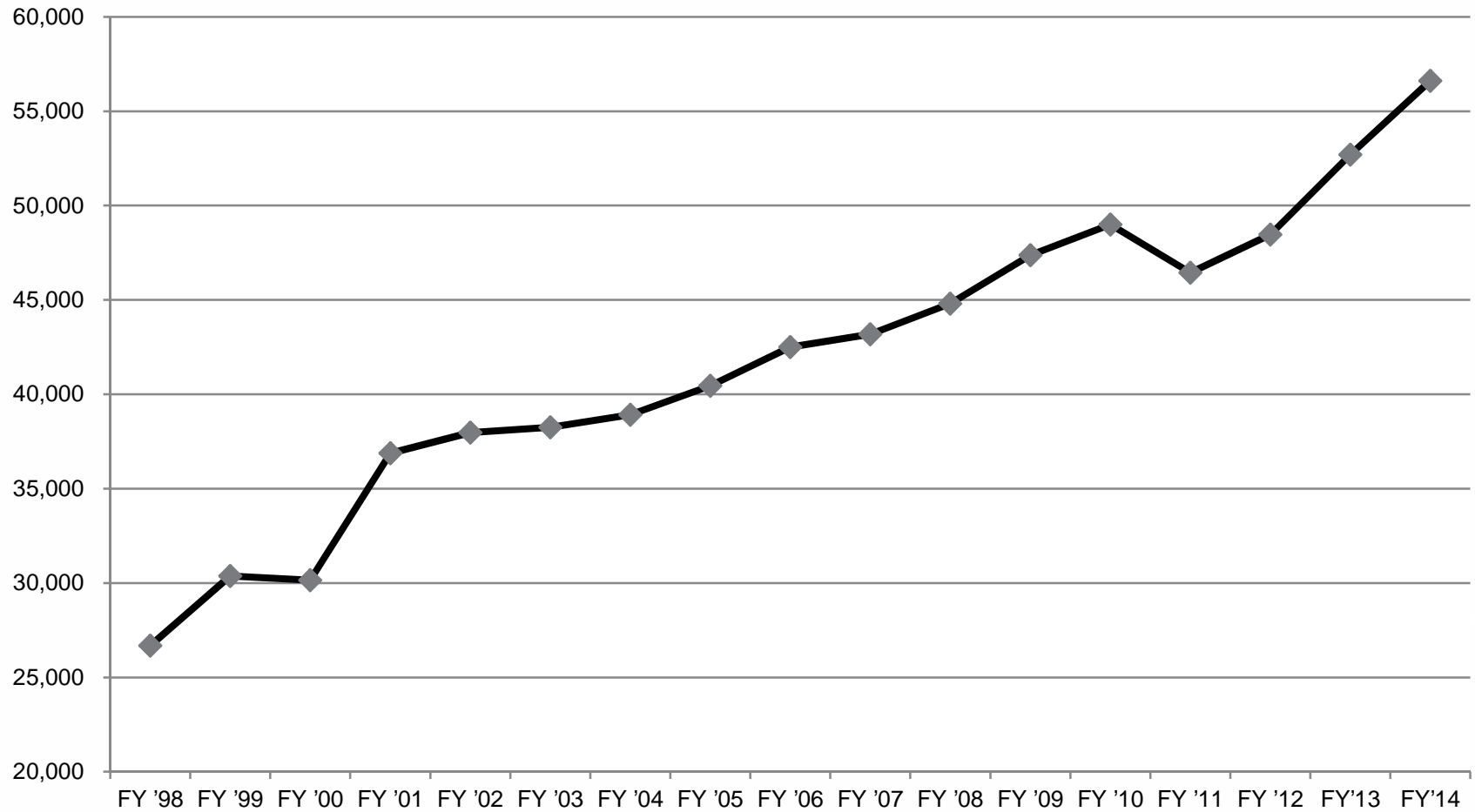
2014 TLC Growth in Participating Groups



2014 TLC Employee Growth by Year



2014 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, diabetes, cerebrovascular disease, 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, depression, rheumatoid arthritis, 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 3% up to \$57.9 million. In the area of inpatient facility utilization, our group's admission rate decreased by 6% down to 56.8. The overall mix of inpatient care resulted in 2.4% increase in the average length of stay, registering at 4.3 days, a level 9% shorter than the Par/PPO average of 4.69 days per admission.



Outpatient Experience

Outpatient facility expense increased by 12% up to \$78.5 million. The setting was impacted by an increased volume of cases as well as cost of care during the current year. The number of total outpatient facility cases registered at 66,920 in the current year 1.9% higher than the prior year's 65,695 cases. When offset by the 7.4% increase in membership, our group's outpatient facility case rate at 1,182.2 experienced a decrease again this year of 5.2%, but still remained 27.9% higher than the normative average.



TLC Medical Expense Year to Year Summary

Period	Prior	Current	% Change
Inpatient Facility	\$56,200,386	\$57,939,482	3.1%
Outpatient Facility	\$70,097,964	\$78,580,813	12.1%
Inpatient Professional	\$8,229,343	\$8,737,419	6.2%
Outpatient Professional	\$64,388,539	\$70,585,130	9.6%
Total Medical Expense	\$198,916,232	\$215,842,844	8%



Financial Summary

The Cash Balance figure below represents actual cash on hand as of June 30, 2014. 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 (*June 30, 2014*) \$106,643,907

2014 Self Funded Program Total

Annual Premiums	\$316,596,873
Annual Expenses	\$306,510,823
Prem. Less Exp	\$ 10,086,050
Operating Ratio	96.8%

2014 Fully Insured Regional Health Plan

Since this is a fully insured product, neither premium nor paid claims are included in the self-funded plan accounting and are not listed.

Annual Premiums (Government & Schools) \$ 3,424,708

