

THE LOCAL CHOICE 2016 ANNUAL REPORT



July 2015 – June 2016

THE LOCAL CHOICE - 2016 Annual Report

Statewide Self-Insured Product

Introduction

The Local Choice (TLC) 2016 Annual Report is based on two years of paid medical claims data from July 2014 through June 2015 and the current period of July 2015 through June 2016 and reflects paid claims during this period. The normative values represent Anthem's combined product average for the period ending June 2016.

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

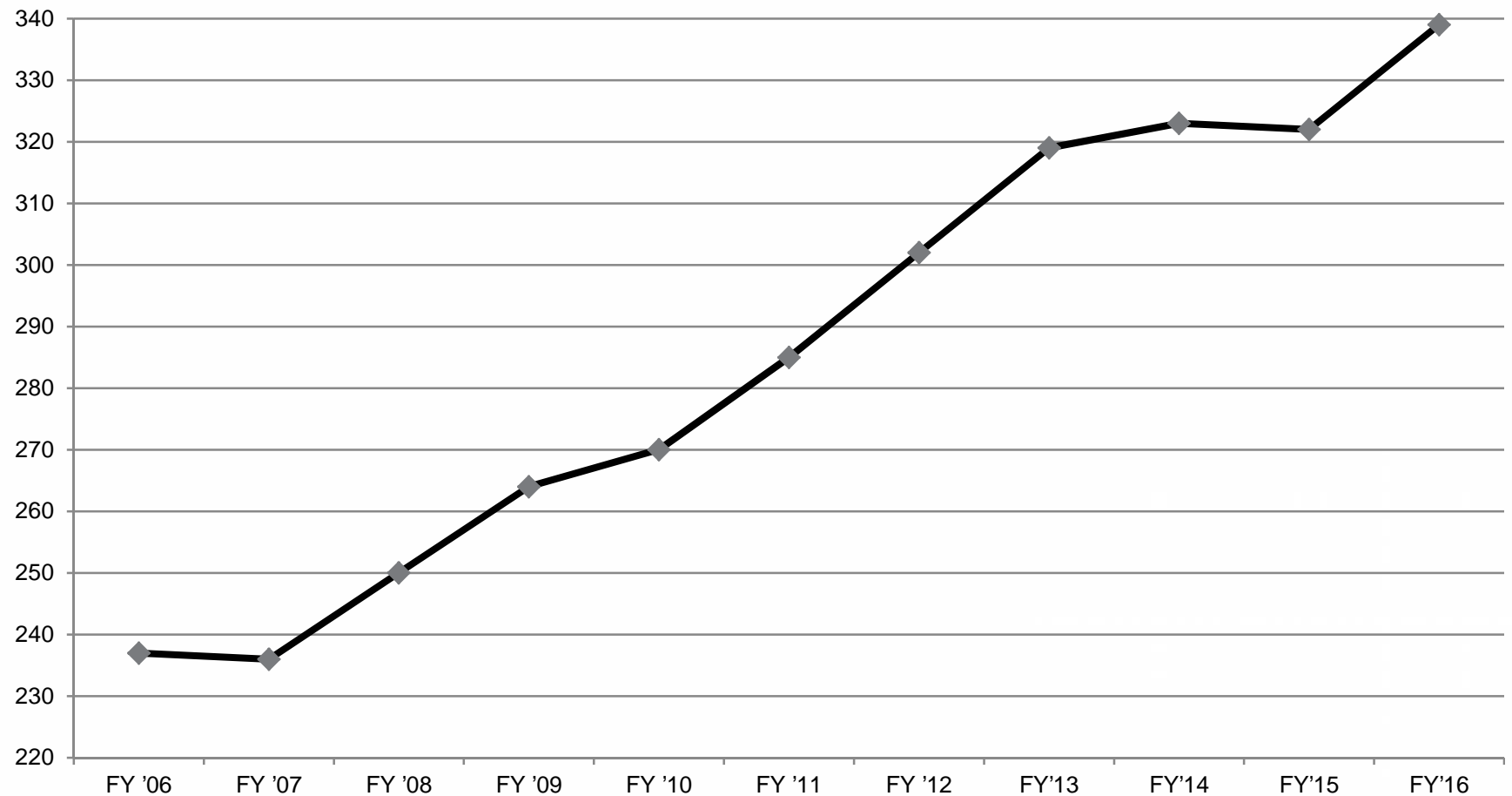


Enrollment Results

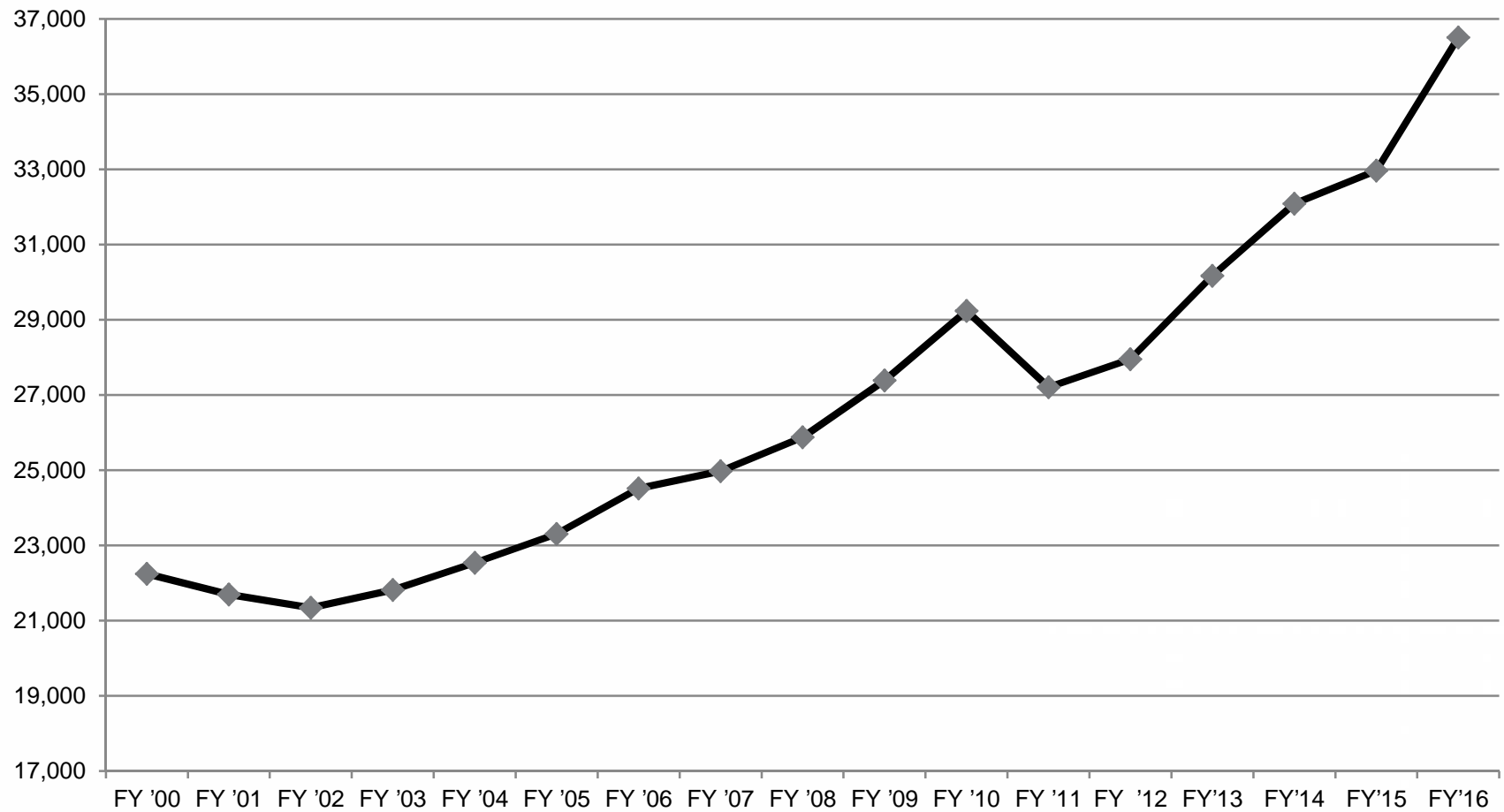
TLC group membership continues to grow, and TLC remains a very attractive option for the Cities, Counties, Towns, Schools and political subdivisions of Virginia. In FY'16 we added 24 groups. Year over year 99% of groups renew, and approximately 16,000 new members have been added over the last 5 years. The program has 339 groups, 51 of those groups are Schools, and 288 are Government groups. Our average self-funded enrollment increased by 10.6%, to 36,448 employees during the current year. The current period's enrollment shows approximately 61% of our employees enrolled in an employee only contract. Nineteen percent were enrolled in dual coverage, and 20% in family coverage. The average age of employees was 46 which is slightly higher than Anthem's Par/PPO average age of 45. Total membership increased 13.0% to 65,189 members.



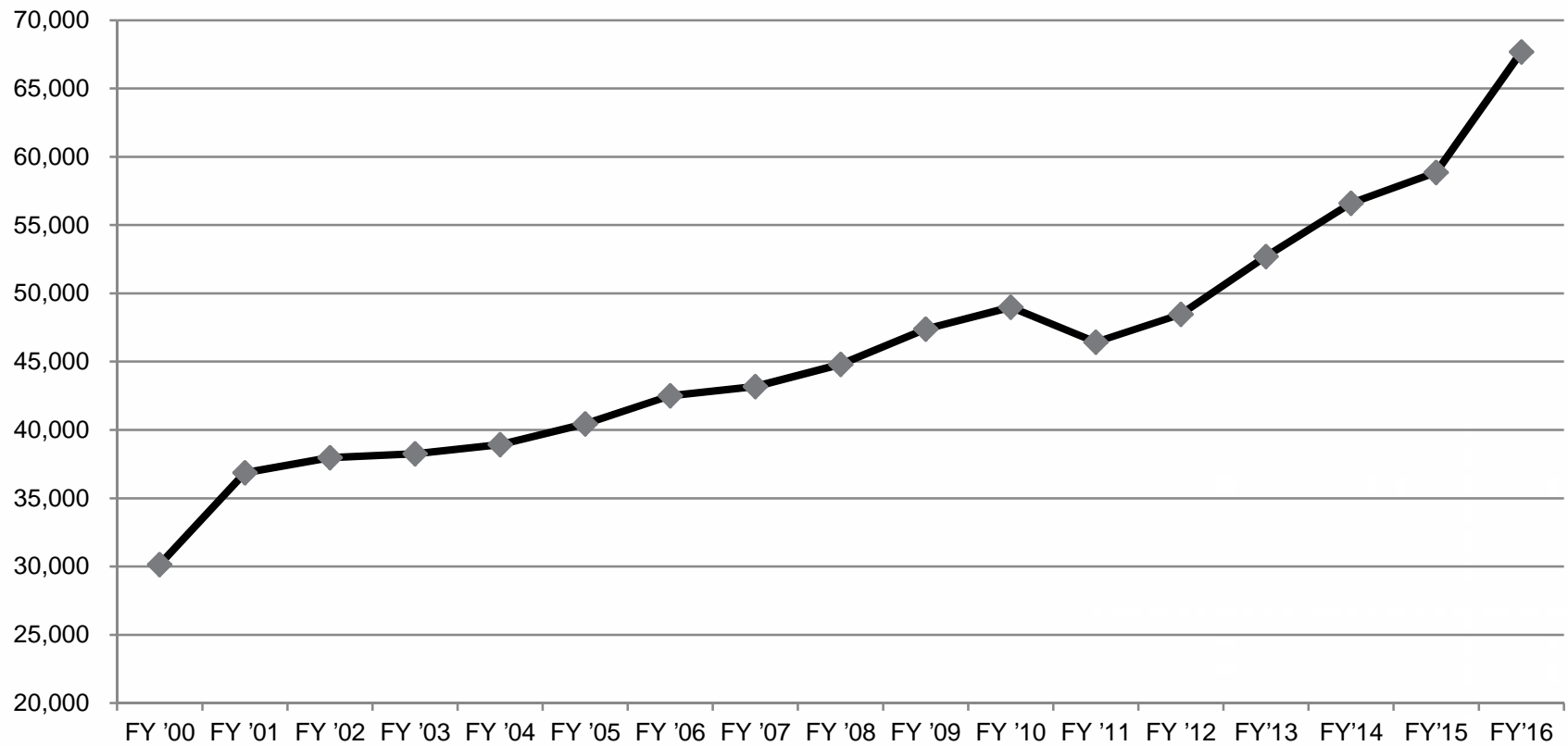
2016 TLC Growth in Participating Groups



2016 TLC Employee Growth by Year



2016 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, 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 15% up to \$79 million. In the area of inpatient facility utilization, our group's admission rate decreased 8.7% to 55.5. The overall mix of inpatient care resulted in a 3.9% increase in the average length of stay, registering at 4.71 days. This is slightly lower than our Anthem norm of 4.74.



Outpatient Experience

Outpatient facility expense increased by 12.2% up to \$100 million. The case rate decreased by 4.5% to 1,159. The number of total outpatient facility cases registered at 75,557 in the current year 8.3% higher than the prior year's 69,766 cases. The expense per case was 3.2% higher at \$1,283 and is 3.2% higher than the Anthem norm. The case rate is 36.1% higher than the Anthem norm.



TLC Medical Expense Year to Year Summary

| Period | Prior | Current | % Change |
|-------------------------|---------------|---------------|----------|
| Inpatient Facility | \$68,963,213 | \$79,330,939 | 15% |
| Outpatient Facility | \$89,210,463 | \$100,091,117 | 12.2% |
| Inpatient Professional | \$9,827,331 | \$10,409,731 | 5.9% |
| Outpatient Professional | \$78,300,668 | \$83,953,620 | 7.2% |
| Total Medical Expense | \$246,301,675 | \$273,785,407 | 11.2% |



Financial Summary

The Cash Balance figure listed below represents actual cash on hand as of June 30, 2016. It includes reserves and funds used to pay claims and administrative costs, as they are incurred. When appropriate, TLC may use surplus funds to reduce renewal rates.

| | |
|---------------------------------------|-----------------|
| Cash Balance (June 30, 2016) | \$ 80,122,058 |
| <u>2016 Self Funded Program Total</u> | |
| Annual Premiums and Income | \$393,034,083 |
| Annual Expenses | \$411,655,195 |
| Prem. Less Exp | \$ (18,621,112) |
| Operating Ratio | 105% |

2016 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) | \$ 5,982,739 |
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