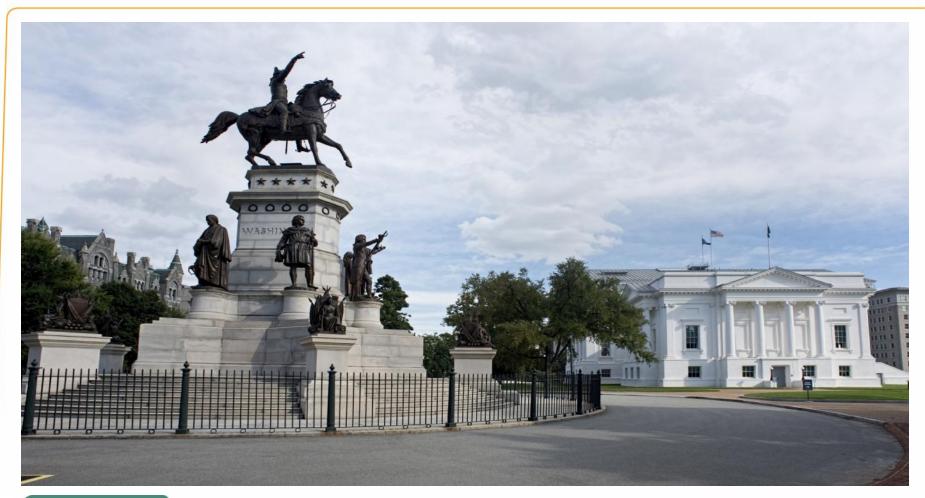
THE LOCAL CHOICE 2015 ANNUAL REPORT





July 2014 – June 2015

THE LOCAL CHOICE - 2015 Annual Report Statewide Self-Insured Product

Introduction

The Local Choice (TLC) 2015 Annual Report is based on two years of paid medical claims data from July 2013 through June 2014 and the current period of July 2014 through June 2015 and reflects paid claims during this period. The normative values represent Anthem's combined product average for the period ending June 2015.

- 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 - 2015 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 program including both Key Advantage plans and the HDHP.

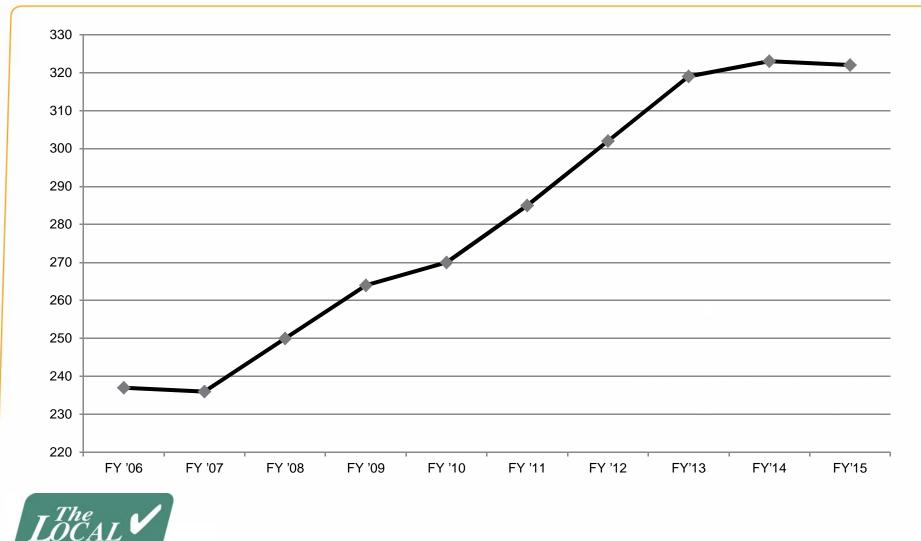


Enrollment Results

TLC group membership continues to grow, and TLC remains a very attractive option for the Counties and Schools of Virginia. In FY'15 we added 12 groups. Year over year 99% of groups renew, and approximately 12,000 new members have been added over the last 4 years. The program has 322 groups, 45 of those groups are Schools, and 277 are Government groups. Our average self-funded enrollment increased by 3.0%, to 32,968 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 4.0% to 58,850 members.

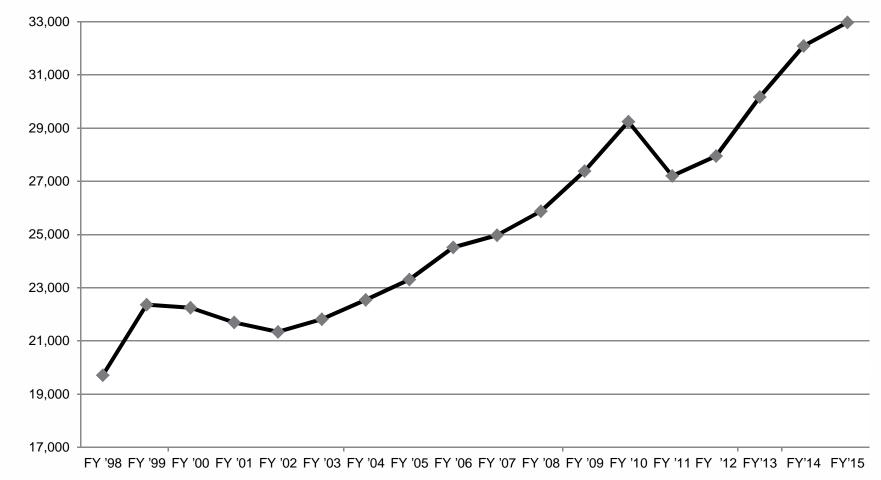


2015 TLC Growth in Participating Groups



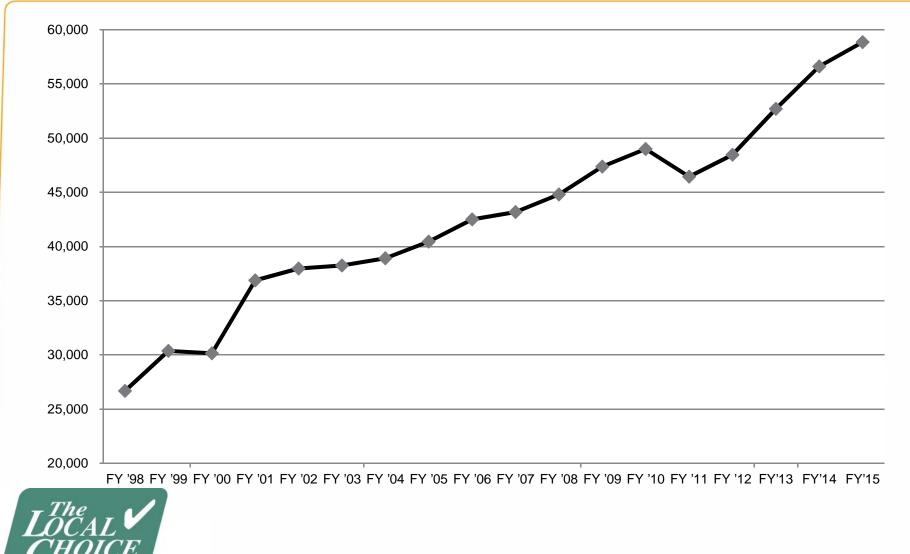
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2015 TLC Employee Growth by Year





2015 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 20.4% up to \$69 million. In the area of inpatient facility utilization, our group's admission rate increased by 5.5% to 59.4. The overall mix of inpatient care resulted in a 6% increase in the average length of stay, registering at 4.5 days, a level 1.5% shorter than the Par/PPO average of 4.60 days per admission.



Outpatient Experience

Outpatient facility expense increased by 14.5% up to \$89.2 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 69,780 in the current year 4.2% higher than the prior year's 66,920 cases. When offset by the 4% increase in membership, our group's outpatient facility case rate at 1,185.7 experienced an increase again this year of 1%, but still remained 31.9% higher than the normative average.



TLC Medical Expense Year to Year Summary

Period	Prior	Current	% Change
Inpatient Facility	\$57,326,543	\$69,018,243	20.4%
Outpatient Facility	\$77,938,027	\$89,233,663	14.5%
Inpatient Professional	\$8,676,341	\$9,829,022	13.3%
Outpatient Professional	\$70,235,891	\$78,321,220	11.5%
Total Medical Expense	\$214,176,802	\$246,402,148	15%



Financial Summary

The Cash Balance figure listed below represents actual cash on hand as of June 30, 2015. 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, 2015)	\$ 92,468,005
2015 Self Funded Program Total	
Annual Premiums and Income	\$343,467,504
Annual Expenses	\$349,916,308
Prem. Less Exp	\$ (6,448,804)
Operating Ratio	102%

2015 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) \$ 3,675,160

