



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2015-16 State Fiscal Year Financial Report

Board of Trustees Meeting

August 4, 2016

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Fiscal Year 2015-16

Fiscal Year 2015-16	Actual thru June 2016	Certified Budget (per Segal 10-13-15)	Variance Over/(Under) Budget
Beginning Cash Balance	\$1.024 b	\$1.024 b	\$0.0
Plan Revenue	\$3.114 b	\$3.049 b	\$64.7 m
Net Claims Payments	\$2.821 b	\$2.825 b	(\$4.5 m)
Medicare Advantage Premiums	\$183.8 m	\$181.1 m	\$2.7 m
Net Administrative Expenses	\$179.8 m	\$244.2 m	(\$64.4 m)
Total Plan Expenses	\$3.185 b	\$3.251 b	(\$66.2 m)
Net Income/(Loss)	(\$70.6 m)	(\$201.5 m)	\$130.9 m
Ending Cash Balance	\$953.5 m	\$822.6 m	\$130.9 m

Adjusted Variance Report

Fiscal Year 2015-16

Fiscal Year 2015-16	Actual thru June 2016, As Adjusted	Certified Budget (per Segal 10-13-15)	Variance Over/(Under) Budget
Plan Revenue *	\$3.099 b	\$3.049 b	\$49.8 m
Net Claims Payments ^	\$2.819 b	\$2.825 b	(\$5.9 m)
Medicare Advantage Premiums	\$183.8 m	\$181.1 m	\$2.7 m
Net Administrative Expenses	\$179.8 m	\$244.2 m	(\$64.4 m)
Total Plan Expenses	\$3.183 b	\$3.251 b	(\$67.6 m)
Net Income/(Loss)	(\$84.1 m)	(\$201.5 m)	\$117.4 m

* Adjusted for timing issues and to exclude non-budgeted revenues.

^ Adjusted to include budgeted pharmacy rebates not received by the end of June and to exclude a non-budgeted pharmacy recovery.

Financial Results Actual v. Budgeted

Fiscal Year 2015-16

Per Member Per Month (PMPM) Analysis

Fiscal Year 2015-16	Actual thru June 2016	Certified Budget (per Segal 10-13-16)	Variance Over/(Under) Budget
Plan Revenue	\$373.30	\$371.72	\$1.58
Net Claims Payments	\$339.63	\$344.21	(\$4.58)
Medicare Advantage Premiums	\$22.14	\$22.06	\$0.08
Net Administrative Expenses	\$21.65	\$29.76	(\$8.11)
Total Plan Expenses	\$383.42	\$396.03	(\$12.61)
Net Income/(Loss)	(\$10.12)	(\$24.31)	\$14.19

Comparing actual results to the budget projection on a PMPM basis helps correct for changes in membership that occurred during the year.

Adjusted Variance Report

Fiscal Year 2015-16

Per Member Per Month (PMPM) Analysis

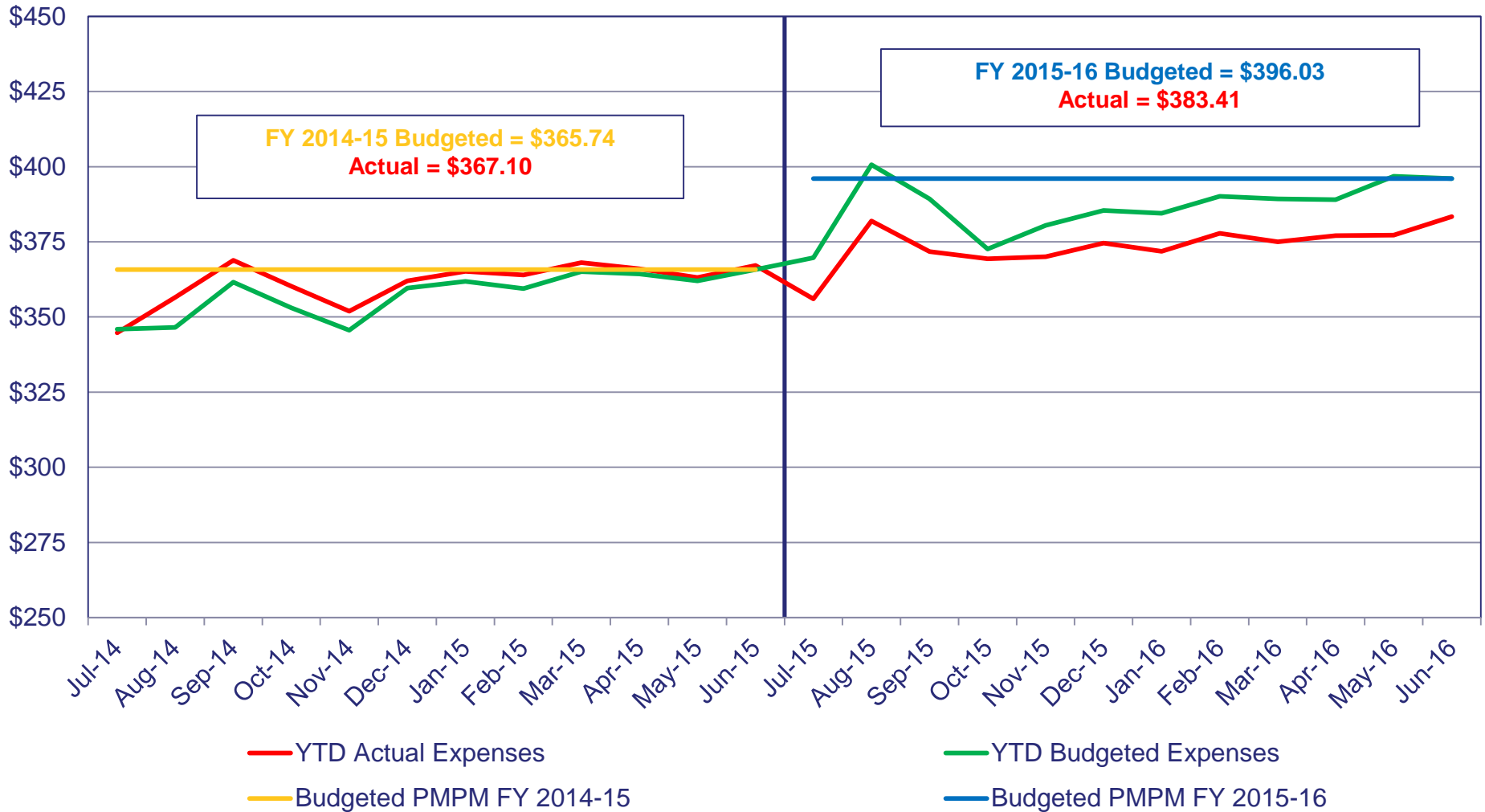
Fiscal Year 2015-16	Actual thru June 2016, as Adjusted	Certified Budget (per Segal 10-13-16)	Variance Over/(Under) Budget
Plan Revenue *	\$371.51	\$371.72	(\$0.21)
Net Claims Payments ^	\$339.46	\$344.21	(\$4.75)
Medicare Advantage Premiums	\$22.14	\$22.06	\$0.08
Net Administrative Expenses	\$21.65	\$29.76	(\$8.11)
Total Plan Expenses	\$383.25	\$396.03	(\$12.78)
Net Income/(Loss)	(\$11.74)	(\$24.31)	\$12.57

* Adjusted for timing issues and to exclude non-budgeted revenues.

^ Adjusted to include budgeted pharmacy rebates not received by the end of June and to exclude a non-budgeted pharmacy recovery.

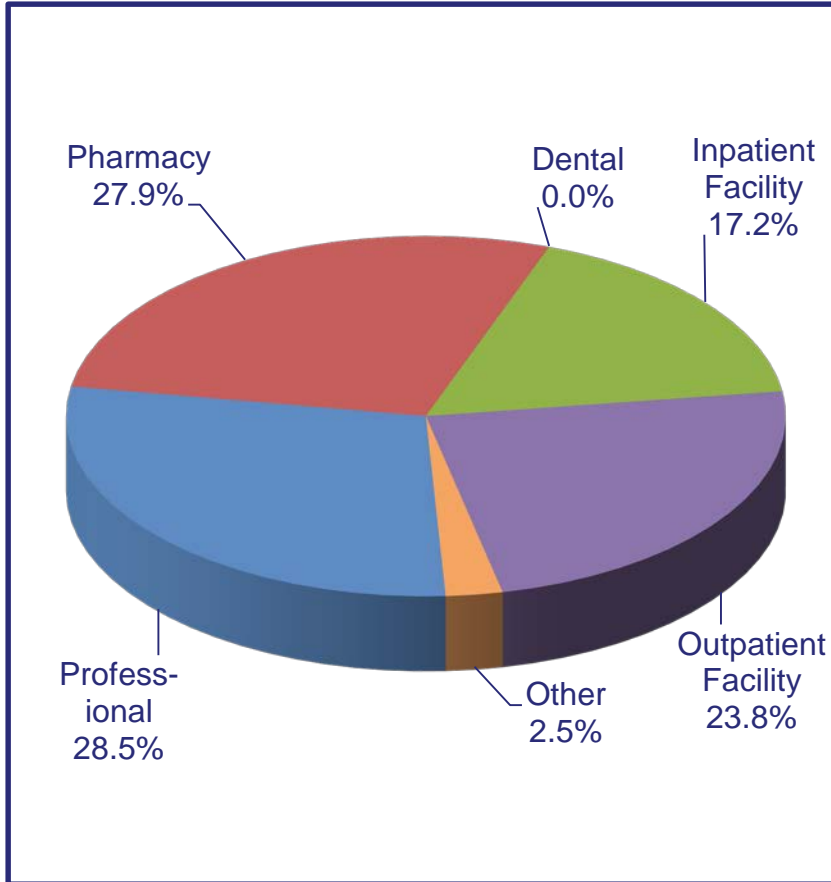
Fiscal Year 2015-16 Expenditure Trend

Per Member Per Month

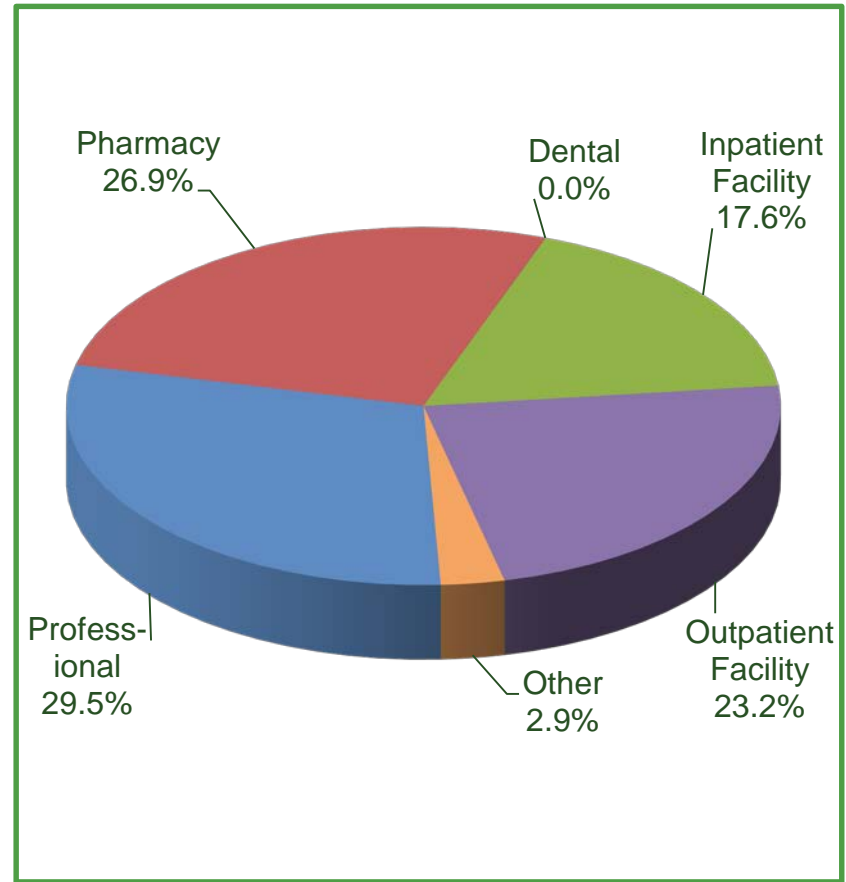


Allocation of Claims Expenditures Medical, Blue Card and Pharmacy Payments

Fiscal Year 2015-16



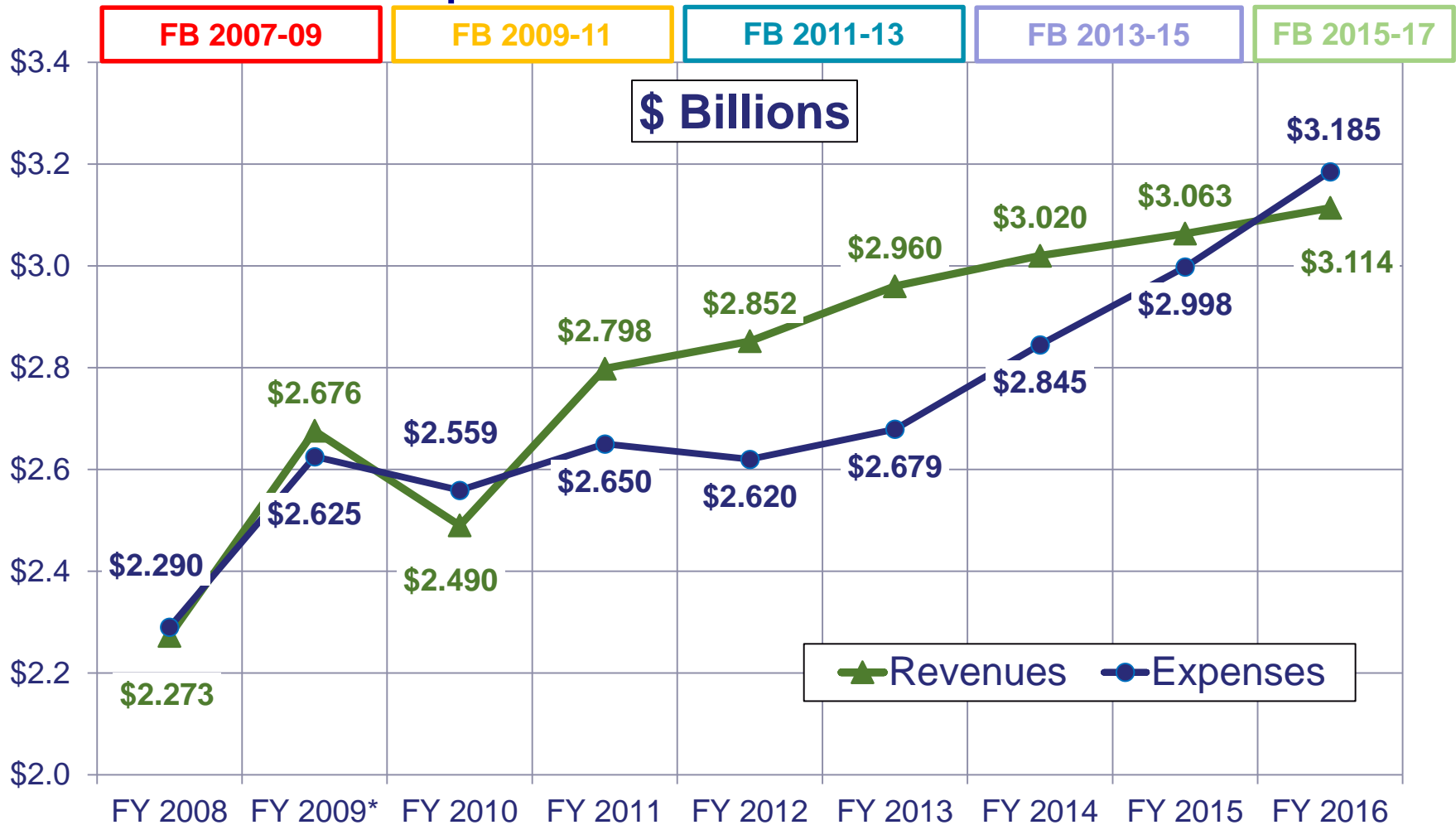
Fiscal Year 2014-15



Source: BCBSNC Summary of Billed Charges

Recent Historical Financial Results

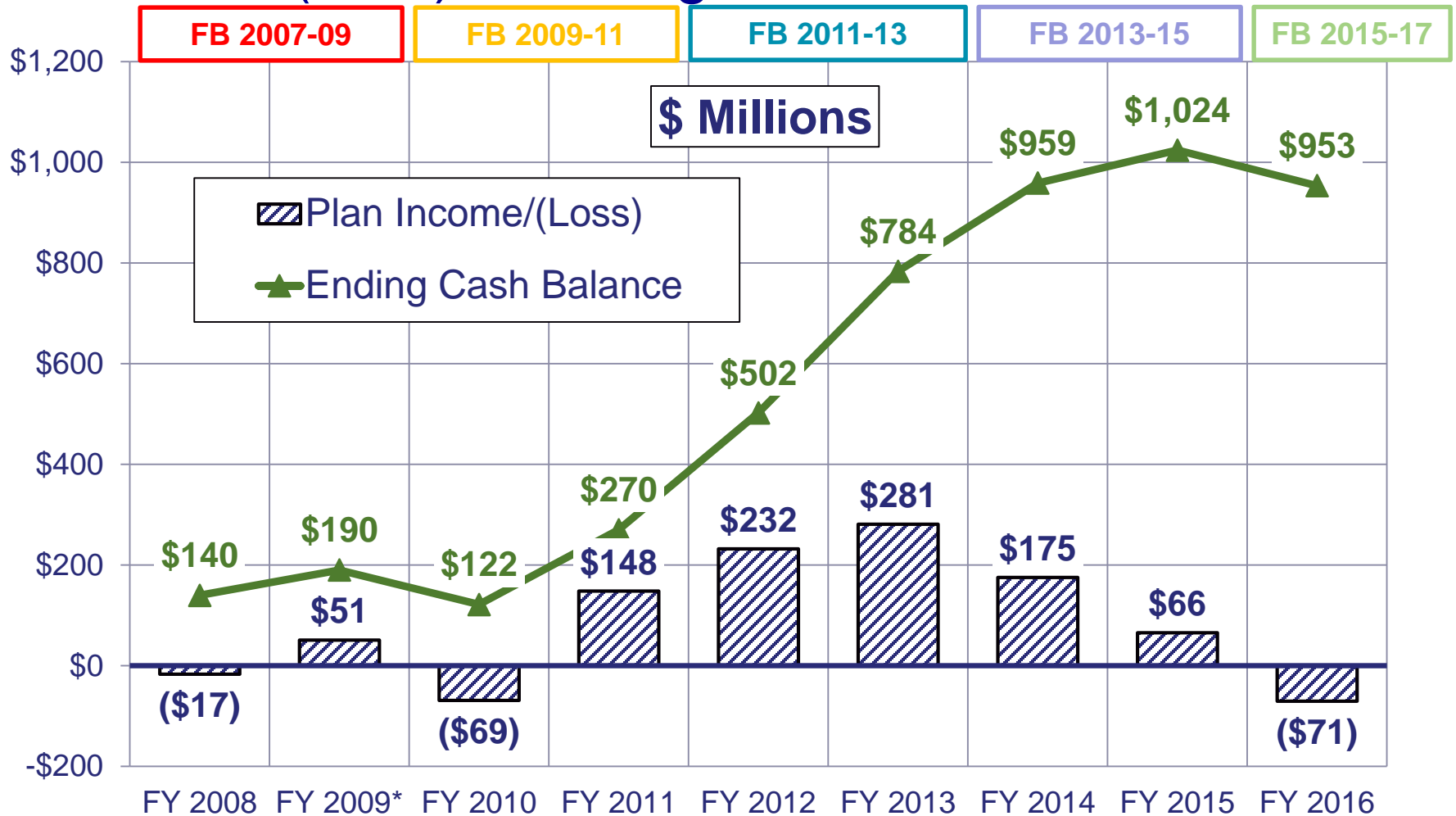
Revenues and Expenses



*FY 2009 revenues include a \$250 million general fund appropriation from the State.

Recent Historical Financial Results

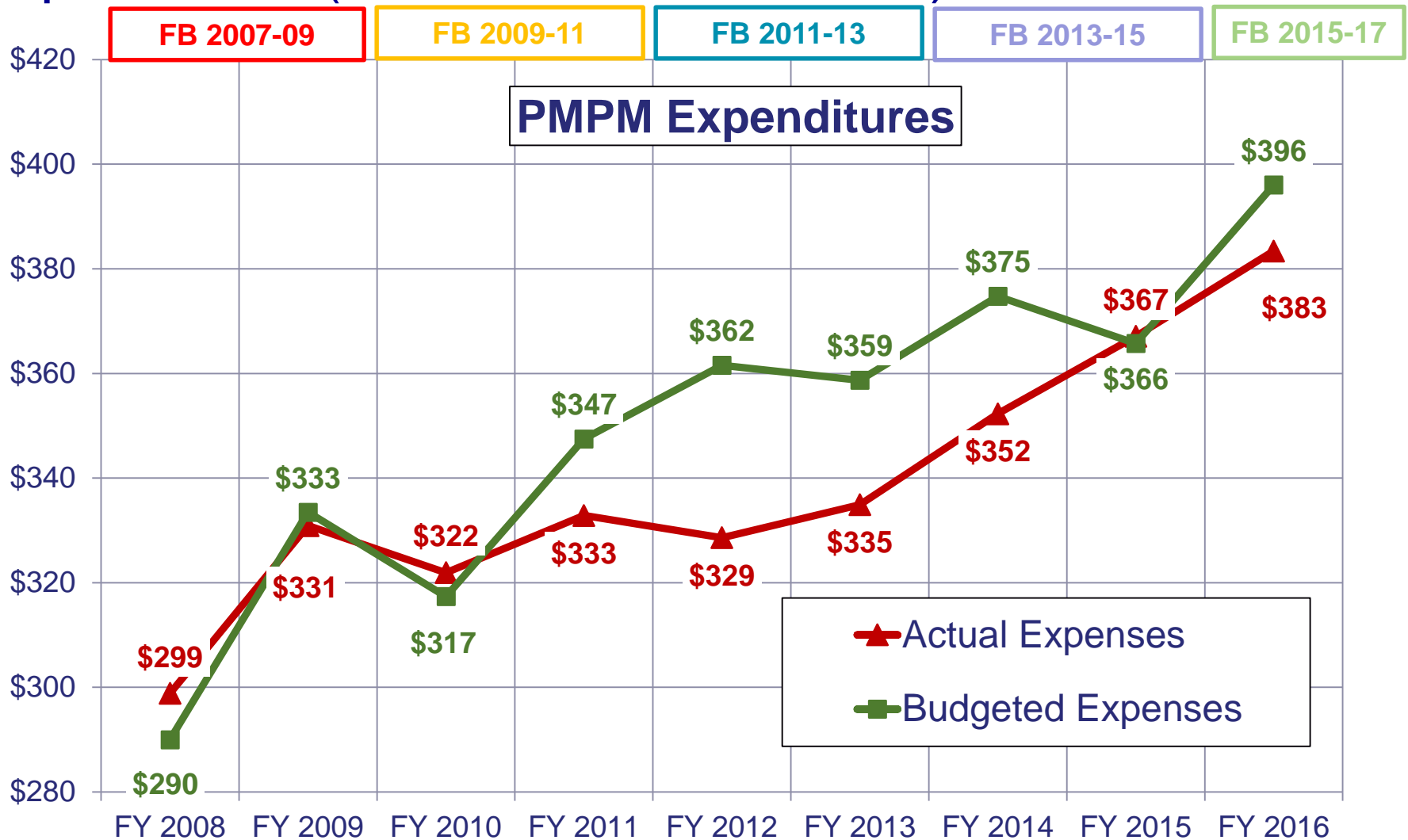
Net Income/(Loss) & Ending Cash Balance



*The Plan received a \$250 million general fund appropriation from the State in FY 2009.

Recent Historical Financial Results

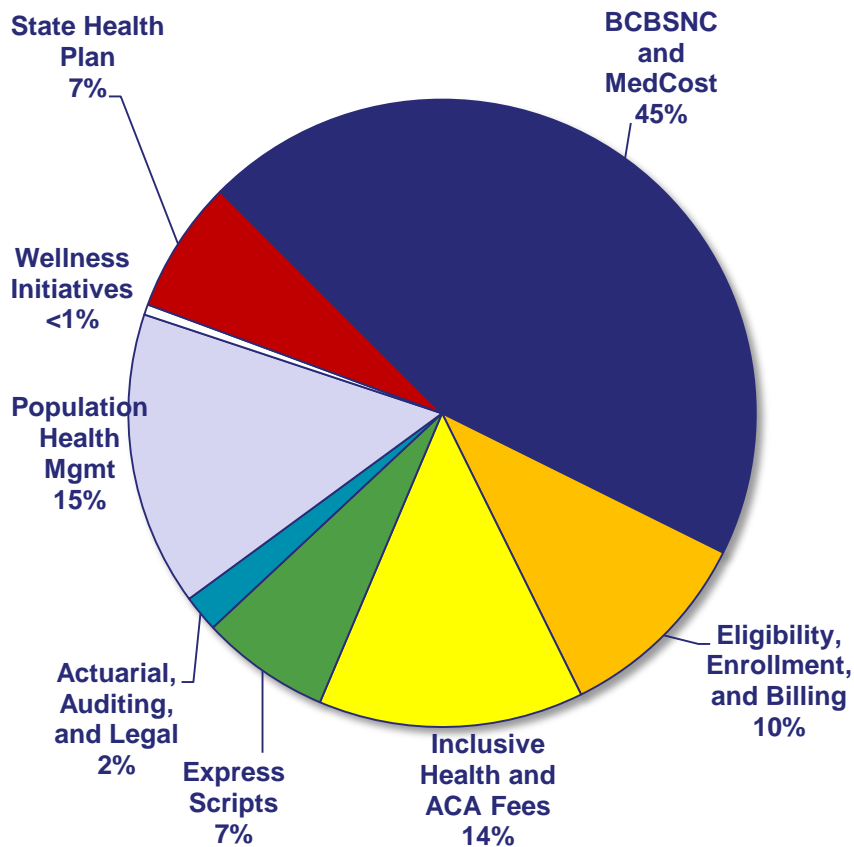
Expenditures (Claims + Administrative) PMPM



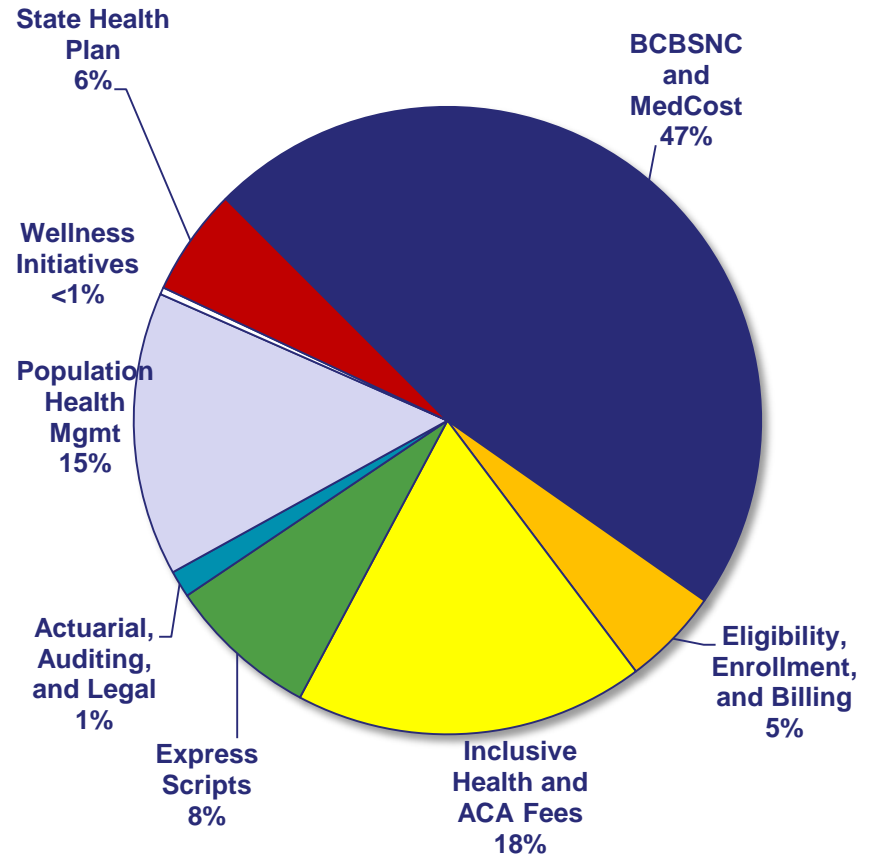
Fiscal Year 2015-16

Administrative Expenses

FY 2015-16
(\$179.8 Million)



FY 2014-15
(\$168.4 Million)



North Carolina State Health Plan for Teachers and State Employees
 Summary of Operations (Cash Basis)
 Consolidated Report, Actual vs. Certified Budget
 For the Month Ended June 2016
 Fiscal Year 2015- 2016

	A	B	C	D	E	F	G	H
	Actual June 2016	Certified Budget June 2016	Monthly Variance Over/(Under) Certified Budget	Actual Year to Date FY 2015-16	10/13/2015 Certified Budget Year to Date FY 2015-16	Year to Date Variance Over/(Under) Certified Budget	10/13/2015 Annual Certified Budget FY 2015-16	Year to Date Variance Over/(Under) Annual Certified Budget
Plan Revenue:								
Member Premiums	\$ 259,736,553	\$ 256,479,096	\$ 3,257,457	\$ 3,088,300,089	\$ 3,031,630,846	\$ 56,669,243	\$ 3,031,630,846	\$ 56,669,243
Premium Refunds/Retroactive Disenrollments	-	(129,232)	129,232	-	(1,523,909)	1,523,909	(1,523,909)	1,523,909
Medicare Part D (RDS) Subsidy	-	1,494,435	(1,494,435)	17,379,783	14,457,206	2,922,577	14,457,206	2,922,577
Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	453	-	453	-	453
Medicare Advantage (MA) Subsidy	68,256	72,399	(4,143)	841,858	848,545	(6,687)	848,545	(6,687)
Net Premium & Other Contributions	259,804,809	257,916,698	1,888,111	3,106,522,183	3,045,412,688	61,109,495	3,045,412,688	61,109,495
Investment Earnings	634,406	275,263	359,143	7,393,185	3,760,445	3,632,740	3,760,445	3,632,740
Miscellaneous Revenue	-	-	-	-	-	-	-	-
Other Revenue	634,406	275,263	359,143	7,393,185	3,760,445	3,632,740	3,760,445	3,632,740
Total Plan Revenue (excludes internal transfers)	260,439,215	258,191,961	2,247,254	3,113,915,368	3,049,173,133	64,742,235	3,049,173,133	64,742,235
Plan Expenses:								
Medical Claim Payments	180,969,569	174,138,519	(13,168,950)	2,121,371,419	2,152,322,381	(30,950,962)	2,152,322,381	(30,950,962)
Medical Claim Refunds/Recoveries	(4,042,545)	(2,257,685)	(1,784,860)	(22,075,924)	(25,781,279)	3,685,355	(25,781,279)	3,685,355
Net Medical Claims	156,927,024	171,880,834	(14,953,810)	2,099,295,495	2,126,561,102	(27,265,607)	2,126,561,102	(27,265,607)
Pharmacy Claim Payments	99,115,360	61,209,020	37,906,340	839,413,786	802,956,864	36,456,922	802,956,864	36,456,922
Pharmacy Claim Rebates	-	(3,000,000)	3,000,000	(113,894,278)	(104,118,976)	(9,775,302)	(104,118,976)	(9,775,302)
Pharmacy Claim Refunds/Recoveries	(28,329)	-	(28,329)	(3,941,506)	-	(3,941,506)	-	(3,941,506)
Net Pharmacy Claims	99,087,031	58,209,020	40,878,011	721,578,002	698,837,888	22,740,114	698,837,888	22,740,114
Net Claim Payments	256,014,055	230,089,854	25,924,201	2,820,873,497	2,825,398,990	(4,525,493)	2,825,398,990	(4,525,493)
Medicare Advantage Premium Payments	32,482,994	15,903,872	16,579,122	183,856,887	181,076,580	2,780,307	181,076,580	2,780,307
Net Administrative Expenses	28,620,934	18,372,581	10,248,353	179,826,450	244,252,193	(64,425,743)	244,252,193	(64,425,743)
Total Plan Expenses (excludes internal transfers)	317,117,983	264,366,307	52,751,676	3,184,556,834	3,250,727,763	(66,170,929)	3,250,727,763	(66,170,929)
Plan Income/(Loss)	(56,678,768)	(6,174,346)	(50,504,422)	(70,641,466)	(201,554,630)	130,913,164	(201,554,630)	130,913,164
Cash Availability:								
Beginning Cash Balance/(Deficit)	1,010,156,925	829,739,339	181,417,586	1,024,119,623	1,024,119,623	-	1,024,119,623	-
Ending Cash Balance/(Deficit)	953,478,157	822,564,993	130,913,164	953,478,157	822,564,993	130,913,164	822,564,993	130,913,164
Target Stabilization Reserve @ 6/30/16	254,285,909	254,285,909	-	254,285,909	254,285,909	-	254,285,909	-
Cash Balance Over/(Under) Reserve Target	\$ 699,192,248	\$ 568,279,084	\$ 130,913,164	\$ 699,192,248	\$ 568,279,084	\$ 130,913,164	\$ 568,279,084	\$ 130,913,164

Comments:

- a. Premium receivables totaled \$1,433,063.04 as of June 30, 2016.
- b. The average weekly medical claims cost net of claims refunds was \$39,231,756.00 for the four scheduled weekly claim cycles.
- c. Total pharmacy claims, before rebates and refunds, included three bi-weekly invoice cycles averaging \$33,038,453.33 per cycle.
- d. The target stabilization reserve is 9% of the projected net claims for Fiscal Year 2015-16.
- e. Minor differences compared to other reports are due to rounding.

North Carolina State Health Plan for Teachers and State Employees
 Summary of Operations (Cash Basis)
 Current Year Actual vs. Prior Year Actual
 For the Month Ended June 2016
Fiscal Year 2015-2016

	A	B	C	D	E	F	G
	Current Year Actual June 2016	Prior Year Actual June 2015	Current Year to Date Actual FY 2015-16 thru June	Prior Year to Date Actual FY 2014-15 thru June	Current Year Certified Annual Budget FY 2015-16	Prior Year Annual Budget FY 2014-15	Prior Year Actual Results FY 2014-15
1 Plan Revenue:							
2							
3 Member Premiums	\$ 259,736,553	\$ 240,663,920	\$ 3,088,300,089	\$ 2,987,502,673	\$ 3,031,630,846	\$ 2,937,906,736	\$ 2,987,502,673
4 Premium Refunds/Retroactive Disenrollments	-	(5,343)	-	(11,359)	(1,523,909)	(1,478,664)	(11,359)
5 Medicare Part D (RDS) Subsidy	-	2,027,732	17,379,783	19,590,771	14,457,206	6,276,386	19,590,771
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	453	50,283,823	-	33,414,689	50,283,823
7 Medicare Advantage (MA) Subsidy	68,256	63,929	841,858	833,262	848,545	-	833,262
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(1,949)	-	-	(1,949)
9 Net Premium & Other Contributions	259,804,809	242,750,238	3,106,522,183	3,058,197,221	3,045,412,688	2,976,119,147	3,058,197,221
10							
11 Investment Earnings	634,406	511,343	7,393,185	5,065,735	3,760,445	3,933,340	5,065,735
12 Miscellaneous Revenue	-	-	-	-	-	-	-
13 Other Revenue	634,406	511,343	7,393,185	5,065,735	3,760,445	3,933,340	5,065,735
14							
15 Total Plan Revenue (excludes internal transfers)	260,439,215	243,261,581	3,113,915,368	3,063,262,956	3,049,173,133	2,980,052,487	3,063,262,956
16							
17 Plan Expenses:							
18							
19 Medical Claim Payments	160,969,569	192,496,785	2,121,371,419	2,021,369,178	2,152,322,381	1,995,716,227	2,021,369,178
20 Medical Claim Refunds/Recoveries	(4,042,545)	(2,026,657)	(22,075,924)	(24,839,428)	(25,761,279)	(23,520,519)	(24,839,428)
21 Net Medical Claims	156,927,024	190,470,128	2,099,295,495	1,996,529,750	2,126,561,102	1,972,195,708	1,996,529,750
22							
23 Pharmacy Claim Payments	99,115,360	56,876,966	839,413,786	725,610,004	802,956,864	686,943,428	725,610,004
24 Pharmacy Claim Rebates	-	-	(113,894,278)	(51,114,709)	(104,118,976)	(74,166,940)	(51,114,709)
25 Pharmacy Claim Refunds/Recoveries	(28,329)	(56,426)	(3,941,506)	(4,140,711)	-	-	(4,140,711)
26 Net Pharmacy Claims	99,087,031	56,820,540	721,578,002	670,354,584	698,837,888	612,776,488	670,354,584
27							
28 Net Claim Payments	256,014,055	247,290,668	2,820,873,497	2,666,884,334	2,825,398,990	2,584,972,196	2,666,884,334
29							
30 Medicare Advantage Premium Payments	32,482,994	14,151,943	183,856,887	162,400,394	181,076,580	163,281,044	162,400,394
31							
32 Net Administrative Expenses	28,620,934	14,796,209	179,826,450	168,416,645	244,252,193	223,971,245	168,416,645
33							
34 Total Plan Expenses (excludes internal transfers)	317,117,983	276,238,820	3,184,556,834	2,997,701,373	3,250,727,763	2,972,224,485	2,997,701,373
35							
36 Plan Income/(Loss)	(56,678,768)	(32,977,239)	(70,641,466)	65,561,583	(201,554,630)	7,828,002	65,561,583
37							
38 Cash Availability:							
39							
40 Beginning Cash Balance/(Deficit)	1,010,156,925	1,057,096,862	1,024,119,623	958,558,040	1,024,119,623	958,558,040	958,558,040
41 Ending Cash Balance/(Deficit)	953,478,157	1,024,119,623	953,478,157	1,024,119,623	822,564,993	966,386,042	1,024,119,623
42							
43 Target Stabilization Reserve @ 6/30	254,285,909	232,647,498	254,285,909	232,647,498	254,285,909	232,647,498	240,019,590
44							
45 Cash Balance Over/(Under) Reserve Target	\$ 699,192,248	\$ 791,472,125	\$ 699,192,248	\$ 791,472,125	\$ 568,279,084	\$ 733,738,544	\$ 784,100,033

Comments:
 a. Minor differences compared to other reports are due to rounding

North Carolina State Health Plan for Teachers and State Employees
 Summary of Operations (Cash Basis, as adjusted)
 Consolidated Report, Actual vs. Budgeted
 For the Month Ended June 2016
Fiscal Year 2015-2016

	A	B	C	D	E	F
	Actual Year to Date Fiscal Year thru June	Adjustments for Timing, Unusual & Overtime Events	Adjusted Actual Year to Date	Certified Budget Fiscal Year to Date thru June	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
1 Plan Revenue:						
2						
3 Member Premiums (Notes 1 and 2)	\$ 3,088,300,089	\$ (13,887,812)	\$ 3,074,412,277	\$ 3,031,630,846	\$ 42,781,431	1.41%
4 Premium Refunds/Retroactive Disenrollments	-		-	(1,523,909)	1,523,909	-100.00%
5 Medicare Part D (RDS) Subsidy (Note 3)	17,379,783	(1,040,695)	16,339,088	14,457,206	1,881,882	13.02%
6 Medicare PDP (EGWP + Wrap) Subsidy (Note 4)	453	(453)	-	-	-	
7 Medicare Advantage (MA) Subsidy	841,858		841,858	848,545	(6,687)	-0.79%
8 Net Premium & Other Contributions	3,106,522,183	(14,928,961)	3,091,593,222	3,045,412,688	46,180,534	1.52%
9						
10 Other Revenue	7,393,185		7,393,185	3,760,445	3,632,740	96.60%
11						
12 Total Plan Revenue (excludes internal transfers)	3,113,915,368	(14,928,961)	3,098,986,407	3,049,173,133	49,813,274	1.63%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims	2,099,295,495		2,099,295,495	2,126,561,102	(27,265,607)	-1.28%
17 Net Pharmacy Claims (Notes 5 and 6)	721,578,002	(1,387,994)	720,190,008	698,837,888	21,352,120	3.06%
18 Net Claim Payments	2,820,873,497	(1,387,994)	2,819,485,503	2,825,398,990	(5,913,487)	-0.21%
19						
20 Medicare Advantage Premiums	183,856,887		183,856,887	181,076,580	2,780,307	1.54%
21						
22 Net Administrative Expenses	179,826,450		179,826,450	244,252,193	(64,425,743)	-26.38%
23						
24 Total Plan Expenses (excludes internal transfers)	3,184,556,834	(1,387,994)	3,183,168,840	3,250,727,763	(67,558,923)	-2.08%
25						
26 Plan Income/(Loss)	(70,641,466)	(13,540,966)	(84,182,432)	(201,554,630)	117,372,198	-58.23%
27						
28 Cash Availability:						
29						
30 Beginning Cash Balance/(Deficit)	1,024,119,623		1,024,119,623	1,024,119,623	-	0.00%
31 Ending Cash Balance/(Deficit)	953,478,157	(13,540,966)	939,937,191	822,564,993	117,372,198	14.27%
32						
33 Target Stabilization Reserve @ 6/30/16	254,285,909		254,285,909	254,285,909	-	0.00%
34						
35 Cash Balance Over/(Under) Reserve Target	\$ 699,192,248	\$ (13,540,966)	\$ 685,651,282	\$ 568,279,084	\$ 117,372,198	20.65%

Adjustment Notes:

1. Member premiums adjusted to include \$21.4 million in prepaid July 2015 premiums received in June 2015.
2. Member premiums adjusted to exclude \$35.3 million in prepaid July 2016 premiums received in June.
3. Retiree Drug Subsidy adjusted to exclude an unbudgeted reconciliation payment from the CY 2014 plan year.
4. EGWP subsidies were not budgeted and are therefore excluded.
5. Net pharmacy claims adjusted to exclude an unbudgeted \$1.6 million recovery from a class action law suit.
6. Net pharmacy claims adjusted to assume receipt of a projected \$3 million rebate true-up payment that was not received until July.