



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2013-14 State Fiscal Year Financial Report

Board of Trustees Meeting

August 1, 2014

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Fiscal Year 2013-14

Fiscal Year 2013-14	Actual thru June 2014	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Beginning Cash Balance	\$783.5 m	\$755.7 m	\$27.8 m
Plan Revenue	\$3.020 b	\$2.960 b	\$60.0 m
Net Claims Payments	\$2.619 b	\$2.730 b	(\$111.4 m)
Medicare Advantage Premiums	\$78.5 m	\$86.8 m	(\$8.3 m)
Net Administrative Expenses	\$148.1 m	\$182.4 m	(\$34.3 m)
Total Plan Expenses	\$2.845 b	\$2.999 b	(\$154.0 m)
Net Income/(Loss)	\$175.1 m	(\$38.9 m)	\$214.0 m
Ending Cash Balance	\$958.6 m	\$716.8 m	\$241.8 m

Adjusted Variance Report

Fiscal Year 2013-14

Fiscal Year 2013-14	Actual thru June 2014, As Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	\$3.014 b	\$2.960 b	\$53.8 m
Net Claims Payments ^	\$2.650 b	\$2.730 b	(\$79.8 m)
Medicare Advantage Premiums	\$78.5 m	\$86.8 m	(\$8.3 m)
Net Administrative Expenses	\$148.1 m	\$182.4 m	(\$34.3 m)
Total Plan Expenses	\$2.877 b	\$2.999 b	(\$122.4 m)
Net Income/(Loss)	\$137.3 m	(\$38.9 m)	\$176.2 m

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

^ Adjusted for timing issues and to remove the impact of a larger-than-expected pharmacy rebate true-up payment.

Financial Results Actual v. Budgeted

Fiscal Year 2013-14

Per Member Per Month (PMPM) Analysis

Fiscal Year 2013-14	Actual thru June 2014	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue	\$373.08	\$370.14	\$2.94
Net Claims Payments	\$324.23	\$341.10	(\$16.87)
Medicare Advantage Premiums	\$9.72	\$10.85	(\$1.13)
Net Administrative Expenses	\$18.34	\$22.79	(\$4.45)
Total Plan Expenses	\$352.29	\$374.74	(\$22.45)
Net Income/(Loss)	\$20.79	(\$4.60)	\$25.39

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 2013-14

Per Member Per Month (PMPM) Analysis

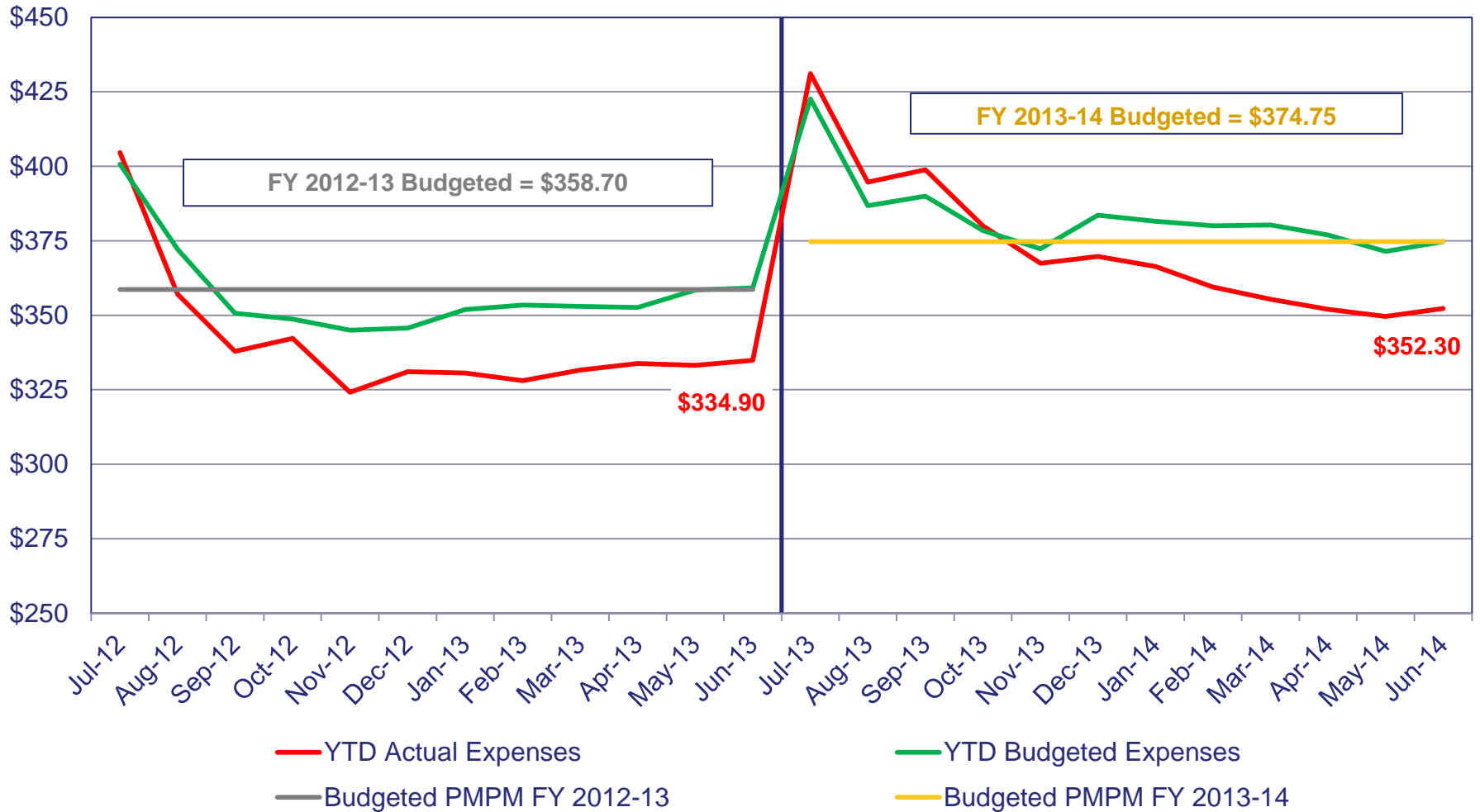
Fiscal Year 2013-14	Actual thru June 2014, as Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	\$372.32	\$370.14	\$2.18
Net Claims Payments ^	\$328.15	\$341.10	(\$12.95)
Medicare Advantage Premiums	\$9.72	\$10.85	(\$1.13)
Net Administrative Expenses	\$18.34	\$22.79	(\$4.45)
Total Plan Expenses	\$356.21	\$374.74	(\$18.53)
Net Income/(Loss)	\$16.11	(\$4.60)	\$20.71

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

^ Adjusted for timing issues and to remove the impact of a larger-than-expected pharmacy rebate true-up payment.

Fiscal Year 2013-14 Expenditure Trend

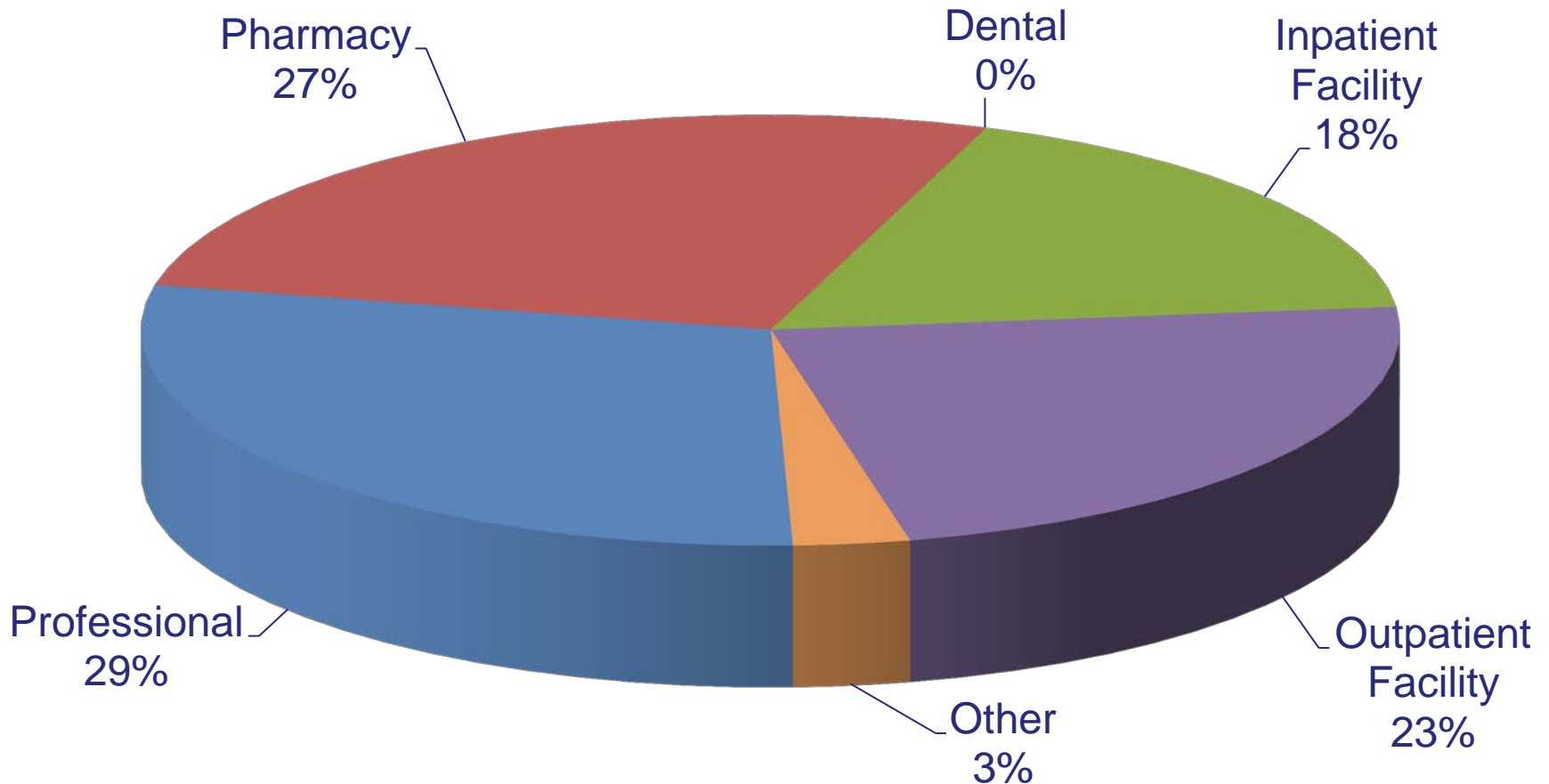
Per Member Per Month



Allocation of Claims Expenditures

Fiscal Year 2013-14

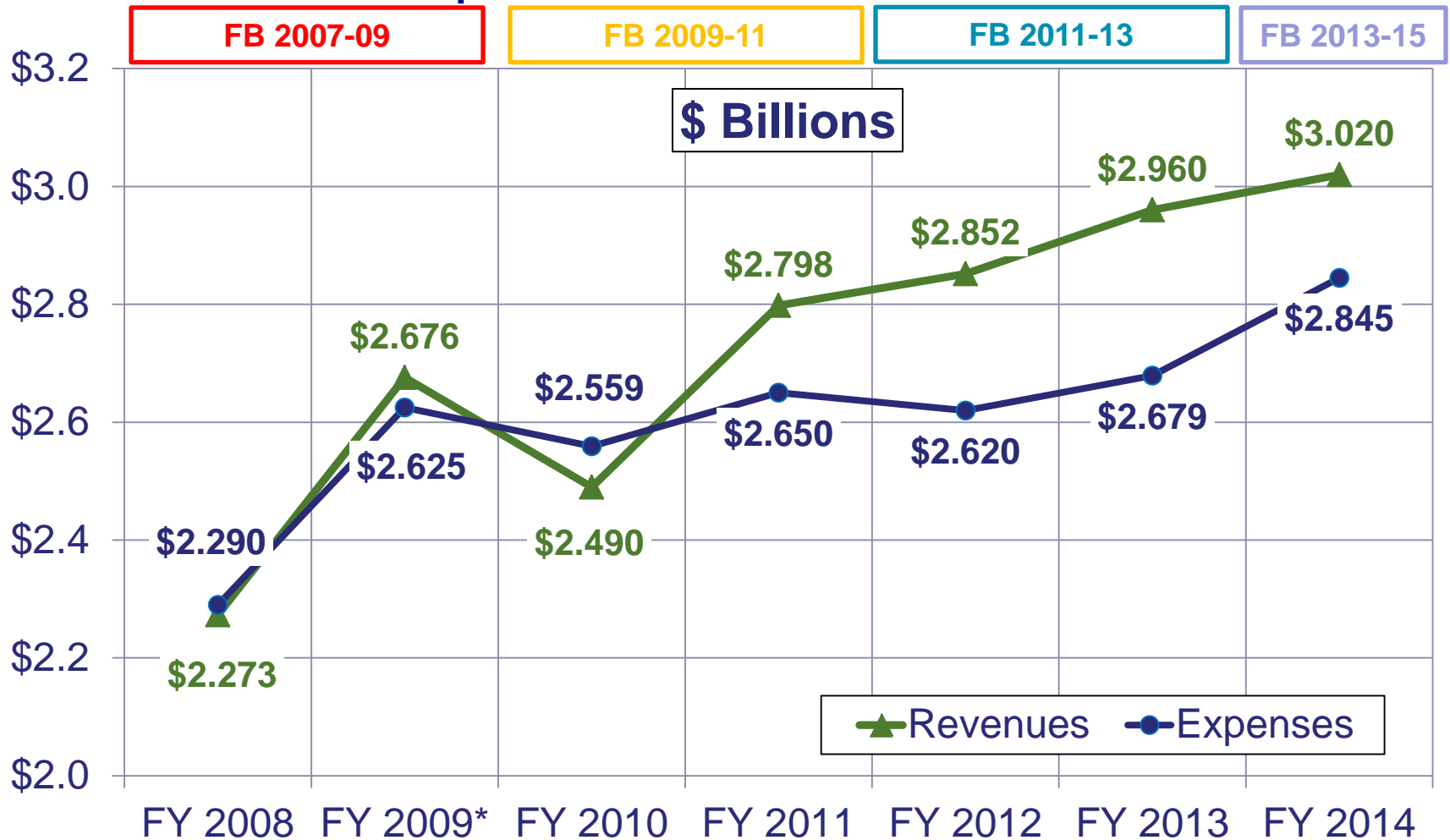
Includes Medical, Blue Card & Pharmacy Payments



Source: BCBSNC Summary of Billed Charges

Recent Historical Financial Results

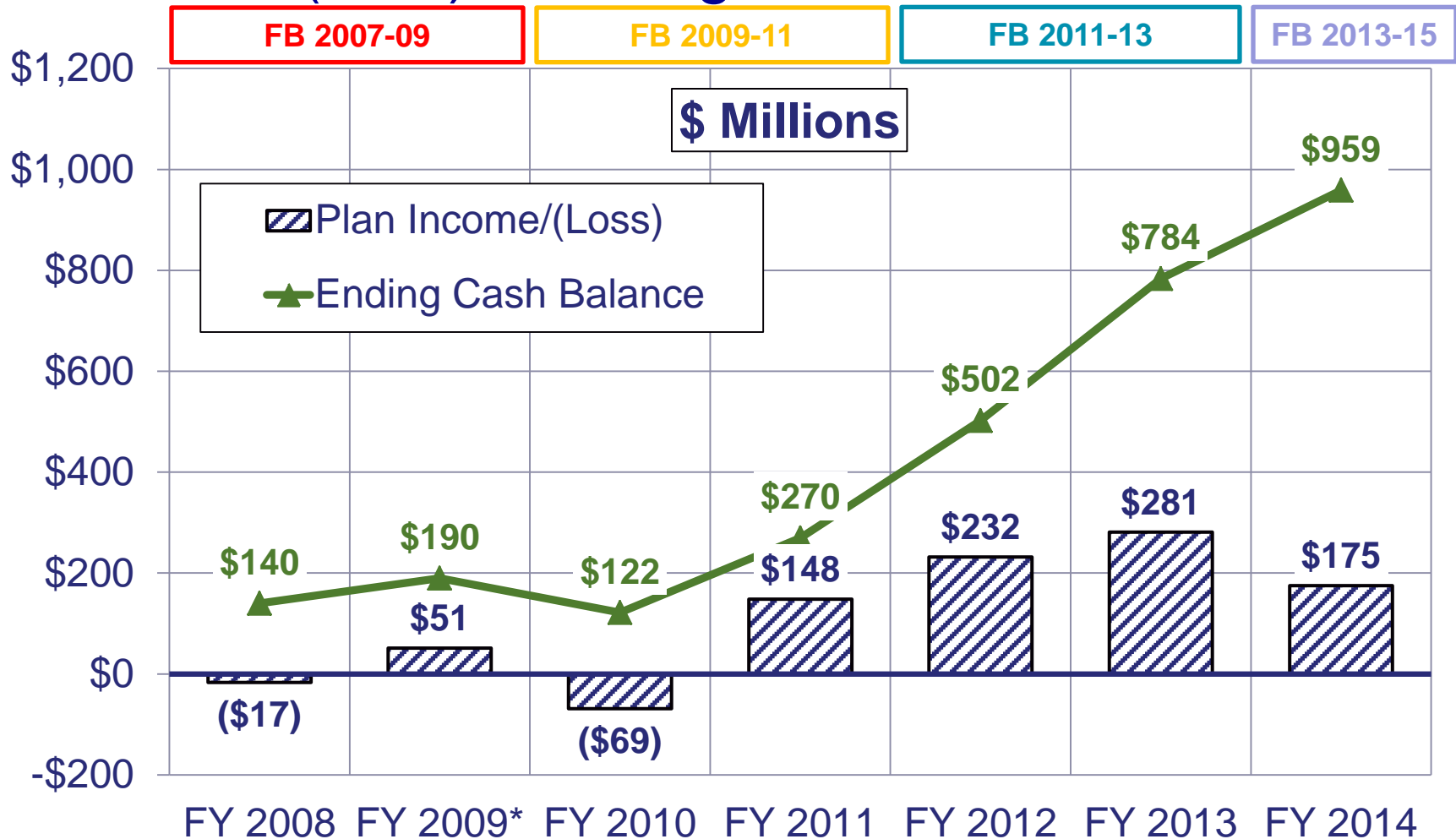
Revenues and Expenses



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

Recent Historical Financial Results

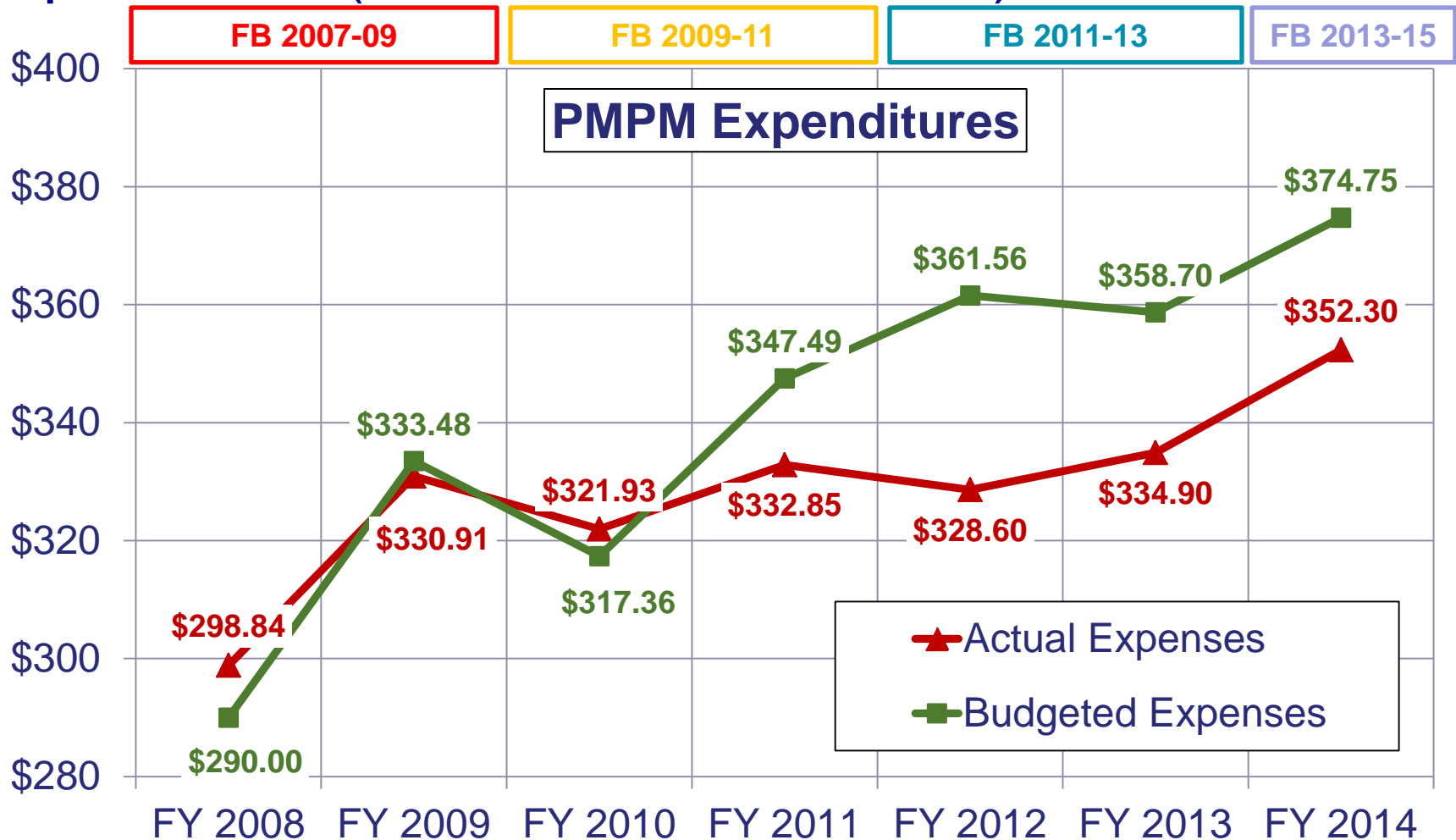
Net Income/(Loss) & Ending Cash Balance



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

Recent Historical Financial Results

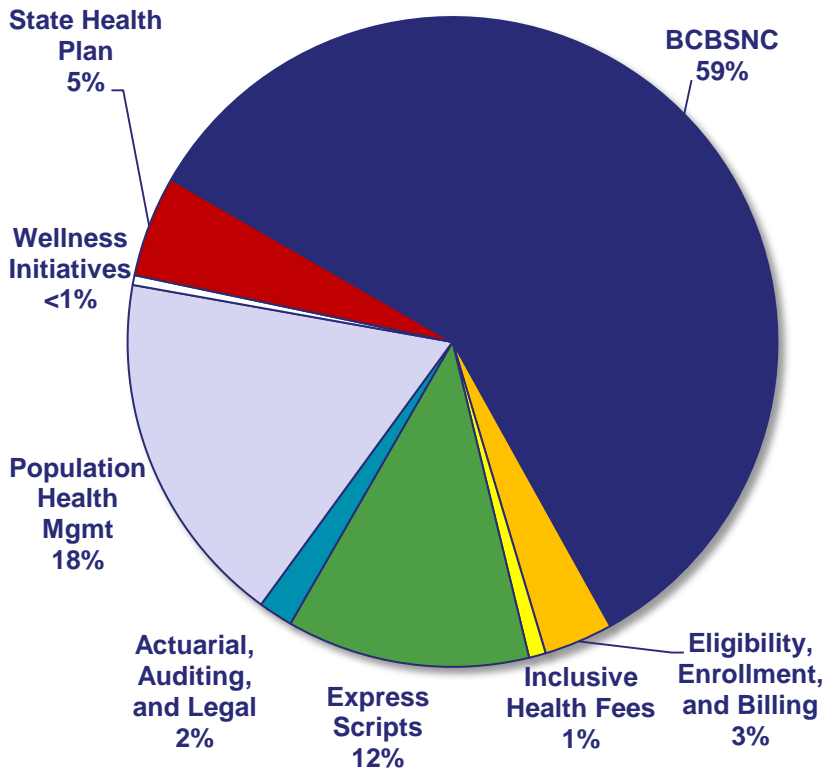
Expenditures (Claims + Administrative) PMPM



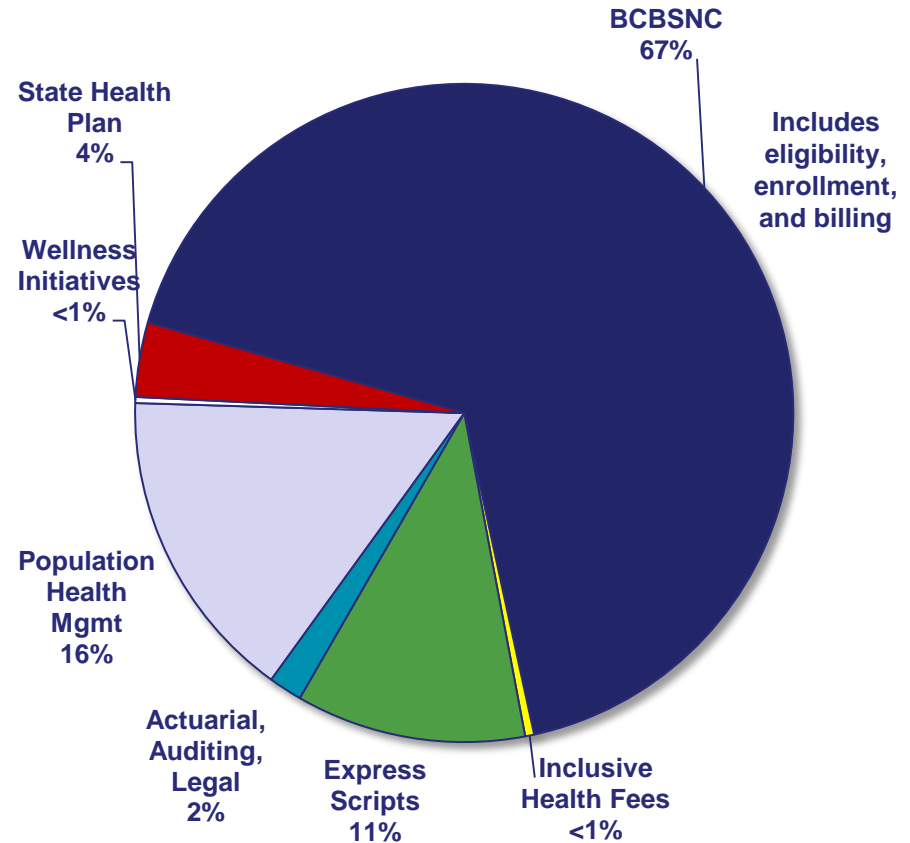
Fiscal Year 2013-14

Administrative Expenses

FY 2013-14
(\$148.1 Million)



FY 2012-13
(\$161.4 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 2014
Fiscal Year 2013- 2014

	A	B	C	D	E	F	G	H
	Actual June 2014	Certified Budget June 2014	Monthly Variance Over/(Under) Certified Budget	Actual Year to Date FY 2013-14	Certified Budget Year to Date FY 2013-14	Year to Date Variance Over/(Under) Certified Budget	Annual Certified Budget FY 2013-14	Year to Date Variance Over/(Under) Annual Certified Budget
1 Plan Revenue:								
2								
3 Member Premiums	\$ 239,533,989	\$ 243,531,900	\$ (3,997,911)	\$ 2,941,097,678	\$ 2,902,567,015	\$ 38,530,663	\$ 2,902,567,015	\$ 38,530,663
4 Premium Refunds/Retroactive Disenrollments	(30)	(124,138)	124,108	(299,923)	(1,466,766)	1,166,843	(1,466,766)	1,166,843
5 Medicare Part D (RDS) Subsidy	1,282,754	519,277	763,477	11,583,652	6,218,762	5,364,890	6,218,762	5,364,890
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	63,780,569	50,346,402	13,434,167	50,346,402	13,434,167
7 Medicare Advantage (MA) Subsidy	111,598	-	111,598	417,565	-	417,565	-	417,565
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
9 Net Premium & Other Contributions	240,928,311	243,927,039	(2,998,728)	3,016,579,541	2,957,665,413	58,914,128	2,957,665,413	58,914,128
10								
11 Investment Earnings	369,223	244,520	124,703	3,861,263	2,868,131	993,132	2,868,131	993,132
12 Miscellaneous Revenue	-	-	-	54,972	-	54,972	-	54,972
13 Other Revenue	369,223	244,520	124,703	3,916,235	2,868,131	1,048,104	2,868,131	1,048,104
14								
15 Total Plan Revenue (excludes internal transfers)	241,297,534	244,171,559	(2,874,025)	3,020,495,776	2,960,533,544	59,962,232	2,960,533,544	59,962,232
16								
17 Plan Expenses:								
18								
19 Medical Claim Payments	185,033,694	202,906,472	(17,872,778)	1,989,574,333	2,107,493,114	(117,918,781)	2,107,493,114	(117,918,781)
20 Medical Claim Refunds/Recoveries	(1,276,891)	(2,215,314)	938,423	(22,450,766)	(24,643,884)	2,193,118	(24,643,884)	2,193,118
21 Net Medical Claims	183,756,803	200,691,158	(16,934,355)	1,967,123,567	2,082,849,230	(115,725,663)	2,082,849,230	(115,725,663)
22								
23 Pharmacy Claim Payments	50,170,813	43,164,795	7,006,018	743,680,114	699,653,578	44,026,536	699,653,578	44,026,536
24 Pharmacy Claim Rebates	-	-	-	(91,653,105)	(52,353,361)	(39,299,744)	(52,353,361)	(39,299,744)
25 Pharmacy Claim Refunds/Recoveries	93,603	-	93,603	(398,652)	-	(398,652)	-	(398,652)
26 Net Pharmacy Claims	50,264,416	43,164,795	7,099,621	651,628,357	647,300,217	4,328,140	647,300,217	4,328,140
27								
28 Net Claim Payments	234,021,219	243,855,953	(9,834,734)	2,618,751,924	2,730,149,447	(111,397,523)	2,730,149,447	(111,397,523)
29								
30 Medicare Advantage Premium Payments	12,382,444	14,507,486	(2,125,042)	78,538,847	86,864,744	(8,325,897)	86,864,744	(8,325,897)
31								
32 Net Administrative Expenses	13,001,226	15,181,071	(2,179,845)	148,134,913	182,446,628	(34,311,715)	182,446,628	(34,311,715)
33								
34 Total Plan Expenses (excludes internal transfers)	259,404,889	273,544,510	(14,139,621)	2,845,425,684	2,999,460,819	(154,035,135)	2,999,460,819	(154,035,135)
35								
36 Plan Income/(Loss)	(18,107,355)	(29,372,951)	11,265,596	175,070,092	(38,927,275)	213,997,367	(38,927,275)	213,997,367
37								
38 Cash Availability:								
39								
40 Beginning Cash Balance/(Deficit)	976,665,395	746,195,170	230,470,225	783,487,948	755,749,494	27,738,454	755,749,494	27,738,454
41 Ending Cash Balance/(Deficit)	958,558,040	716,822,219	241,735,821	958,558,040	716,822,219	241,735,821	716,822,219	241,735,821
42								
43 Target Stabilization Reserve @ 6/30/14	239,446,206	239,446,206	-	239,446,206	239,446,206	-	239,446,206	-
44								
45 Cash Balance Over/(Under) Reserve Target	\$ 719,111,834	\$ 477,376,013	\$ 241,735,821	\$ 719,111,834	\$ 477,376,013	\$ 241,735,821	\$ 477,376,013	\$ 241,735,821

Comments:

- Premium receivables totaled \$102,374.34 as of June 30, 2014.
- The average weekly medical claims cost net of claims refunds was \$36,751,360.60 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$25,085,406.50 per cycle.
- The target stabilization reserve is 8.5% of the projected net claims and Medicare Advantage premiums for Fiscal Year 2013-14.
- Minor differences compared to other reports are due to rounding.

Actual vs Certified Budget (i.e. **Original Budget** per SL 2013-360 and Board Approved Design)
 June 2014 - Fiscal Year

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 2014
 Fiscal Year 2013-2014

	A	B	C	D	E	F	G
	Current Year Actual June 2014	Prior Year Actual June 2013	Current Year to Date Actual FY 2013-14 thru June	Prior Year to Date Actual FY 2012-13 thru June	Current Year Certified Annual Budget FY 2013-14	Prior Year Annual Budget FY 2012-13	Prior Year Actual Results FY 2012-13
1 Plan Revenue:							
2							
3 Member Premiums	\$ 239,533,989	\$ 231,487,077	\$ 2,941,097,678	\$ 2,895,366,140	\$ 2,902,567,015	\$ 2,872,808,844	\$ 2,895,366,140
4 Premium Refunds/Retroactive Disenrollments	(30)	(51,743)	(299,923)	(487,819)	(1,466,766)	(1,437,243)	(487,819)
5 Medicare Part D (RDS) Subsidy	1,282,754	540,586	11,583,652	38,056,016	6,218,762	39,519,892	38,056,016
6 Medicare PDP (EGWP + Wrap) Subsidy	-	3,989,104	63,780,569	24,435,483	50,346,402	19,759,856	24,435,483
7 Medicare Advantage (MA) Subsidy	111,598	-	417,565	-	-	-	-
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(558,219)	-	-	(558,219)
9 Net Premium & Other Contributions	240,928,311	235,965,024	3,016,579,541	2,956,811,601	2,957,665,413	2,930,651,349	2,956,811,601
10							
11 Investment Earnings	369,223	295,603	3,861,263	3,117,666	2,868,131	5,658,262	3,117,666
12 Miscellaneous Revenue	-	-	54,972	119,047	-	-	119,047
13 Other Revenue	369,223	295,603	3,916,235	3,236,713	2,868,131	5,658,262	3,236,713
14							
15 Total Plan Revenue (excludes internal transfers)	241,297,534	236,260,627	3,020,495,776	2,960,048,314	2,960,533,544	2,936,309,611	2,960,048,314
16							
17 Plan Expenses:							
18							
19 Medical Claim Payments	185,033,694	160,836,063	1,989,574,333	1,858,096,405	2,107,493,114	2,003,583,417	1,858,096,405
20 Medical Claim Refunds/Recoveries	(1,276,891)	(1,594,137)	(22,450,766)	(23,467,914)	(24,643,884)	(31,216,928)	(23,467,914)
21 Net Medical Claims	183,756,803	159,241,926	1,967,123,567	1,834,628,491	2,082,849,230	1,972,366,489	1,834,628,491
22							
23 Pharmacy Claim Payments	50,170,813	64,053,421	743,680,114	755,896,440	699,653,578	743,853,418	755,896,440
24 Pharmacy Claim Rebates	-	-	(91,653,105)	(69,641,941)	(52,353,361)	(53,173,873)	(69,641,941)
25 Pharmacy Claim Refunds/Recoveries	93,603	(24,328)	(398,652)	(3,476,790)	-	-	(3,476,790)
26 Net Pharmacy Claims	50,264,416	64,029,093	651,628,357	682,777,709	647,300,217	690,679,545	682,777,709
27							
28 Net Claim Payments	234,021,219	223,271,019	2,618,751,924	2,517,406,200	2,730,149,447	2,663,046,034	2,517,406,200
29							
30 Medicare Advantage Premium Payments	12,382,444	-	78,538,847	-	86,864,744	-	-
31							
32 Net Administrative Expenses	13,001,226	13,364,005	148,134,913	161,401,639	182,446,628	189,387,392	161,401,639
33							
34 Total Plan Expenses (excludes internal transfers)	259,404,889	236,635,024	2,845,425,684	2,678,807,839	2,999,460,819	2,852,433,426	2,678,807,839
35							
36 Plan Income/(Loss)	(18,107,355)	(374,397)	175,070,092	281,240,475	(38,927,275)	83,876,185	281,240,475
37							
38 Cash Availability:							
39							
40 Beginning Cash Balance/(Deficit)	976,665,395	783,862,343	783,487,948	502,247,471	755,749,494	502,247,475	502,247,471
41 Ending Cash Balance/(Deficit)	958,558,040	783,487,946	958,558,040	783,487,946	716,822,219	586,123,660	783,487,946
42							
43 Target Stabilization Reserve @ 6/30/14	239,446,206	199,728,453	239,446,206	199,728,453	239,446,206	199,728,453	188,805,465
44							
45 Cash Balance Over/(Under) Reserve Target	\$ 719,111,834	\$ 583,759,493	\$ 719,111,834	\$ 583,759,493	\$ 477,376,013	\$ 386,395,207	\$ 594,682,481

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 2014
Fiscal Year 2013-2014

	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)	\$ 2,941,097,678	\$ (5,665,448)	\$ 2,935,432,230	\$ 2,902,567,015	\$ 32,865,215	1.13%
4 Premium Refunds/Retroactive Disenrollments	(299,923)		(299,923)	(1,466,766)	1,166,843	-79.55%
5 Medicare Part D (RDS) Subsidy	11,583,652		11,583,652	6,218,762	5,364,890	86.27%
6 Medicare PDP (EGWP + Wrap) Subsidy	63,780,569		63,780,569	50,346,402	13,434,167	26.68%
7 Medicare Advantage (MA) Subsidy (Note 3)	417,565	(417,565)	-	-	-	
8 Federal Early Retiree Reinsurance Program (ERRP)	-		-	-	-	
9 Net Premium & Other Contributions	3,016,579,541	(6,083,013)	3,010,496,528	2,957,665,413	52,831,115	1.79%
10						
11 Other Revenue (Note 4)	3,916,235	(54,973)	3,861,262	2,868,131	993,131	34.63%
12						
13 Total Plan Revenue (excludes internal transfers)	3,020,495,776	(6,137,986)	3,014,357,790	2,960,533,544	53,824,246	1.82%
14						
15 Plan Expenses:						
16						
17 Net Medical Claims	1,967,123,567		1,967,123,567	2,082,849,230	(115,725,663)	-5.56%
18 Net Pharmacy Claims (Notes 5 and 6)	651,628,357	31,605,817	683,234,174	647,300,217	35,933,957	5.55%
19 Net Claim Payments	2,618,751,924	31,605,817	2,650,357,741	2,730,149,447	(79,791,706)	-2.92%
20						
21 Medicare Advantage Premiums	78,538,847		78,538,847	86,864,744	(8,325,897)	-9.58%
22						
23 Net Administrative Expenses	148,134,913		148,134,913	182,446,628	(34,311,715)	-18.81%
24						
25 Total Plan Expenses (excludes internal transfers)	2,845,425,684	31,605,817	2,877,031,501	2,999,460,819	(122,429,318)	-4.08%
26						
27 Plan Income/(Loss)	175,070,092	(37,743,803)	137,326,289	(38,927,275)	176,253,564	-452.78%
28						
29 Cash Availability:						
30						
31 Beginning Cash Balance/(Deficit)	783,487,948		783,487,948	755,749,494	27,738,454	3.67%
32 Ending Cash Balance/(Deficit)	958,558,040	(37,743,803)	920,814,237	716,822,219	203,992,018	28.46%
33						
34 Target Stabilization Reserve @ 6/30/14	239,446,206		239,446,206	239,446,206	-	
35						
36 Cash Balance Over/(Under) Reserve Target	\$ 719,111,834	\$ (37,743,803)	\$ 681,368,031	\$ 477,376,013	\$ 203,992,018	42.73%

Adjustment Notes:

1. Member premiums adjusted to include \$10.3 million in prepaid July premiums received in June 2013.
2. Member premiums adjusted to exclude \$16.0 million in prepaid July premiums received in June 2014.
3. Medicare Advantage low income premium subsidies were not budgeted and therefore are excluded.
4. Other revenue adjusted to exclude unbudgeted reimbursement of prior year expenditures.
5. Pharmacy claims adjusted to exclude \$5.8 million in unbudgeted EGWP rebates earned last fiscal year but not received until October 2013.
6. Pharmacy claims adjusted to remove the unbudgeted portion of a rebate true-up payment that was \$25.8 million more than anticipated.