



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

December 2013 Financial Report

Board of Trustees Meeting

January 31, 2014

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Year to Date December 2013

Short Plan Year July-December 2013	Actual thru Dec 2013	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Beginning Cash Balance	\$783.5 m	\$755.8 m	\$27.7 m
Plan Revenue	\$1.540 b	\$1.476 b	\$64.0 m
Net Claims Payments	\$1.415 b	\$1.445 b	(\$30.0 m)
Net Administrative Expenses	\$69.5 m	\$91.3 m	(\$21.8 m)
Total Plan Expenses	\$1.485 b	\$1.537 b	(\$51.8 m)
Net Income/(Loss)	\$55.0 m	(\$60.8 m)	\$115.8 m
Ending Cash Balance	\$838.5 m	\$695.0 m	\$143.5 m

Adjusted Variance Report

Year to Date December 2013

Short Plan Year July-December 2013	Actual thru Dec 2013, As Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Beginning Cash Balance	\$783.5 m	\$755.8 m	\$27.7 m
Plan Revenue *	\$1.495 b	\$1.476 b	\$19.2 m
Net Claims Payments †	\$1.454 b	\$1.445 b	\$8.9 m
Net Administrative Expenses ^	\$78.0 m	\$91.3 m	(\$13.3 m)
Total Plan Expenses	\$1.532 b	\$1.537 b	(\$4.4 m)
Net Income/(Loss)	(\$37.2 m)	(\$60.8 m)	\$23.6 m
Ending Cash Balance	\$746.3 m	\$695.0 m	\$51.3 m

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

† Adjusted for timing issues and to exclude non-budgeted rebate payment earned in prior fiscal year.

^ Adjusted for timing issues.

Financial Results Actual v. Budgeted

Year to Date December 2013

Per Member Per Month (PMPM) Analysis

Short Plan Year July-December 2013	Actual thru Dec 2013	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue	\$382.66	\$368.67	\$13.99
Net Claims Payments	\$352.40	\$360.79	(\$8.39)
Net Administrative Expenses	\$17.31	\$22.79	(\$5.48)
Total Plan Expenses	\$369.71	\$383.58	(\$13.87)
Net Income/(Loss)	\$12.95	(\$14.91)	\$27.86

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

Year to Date December 2013

Per Member Per Month (PMPM) Analysis

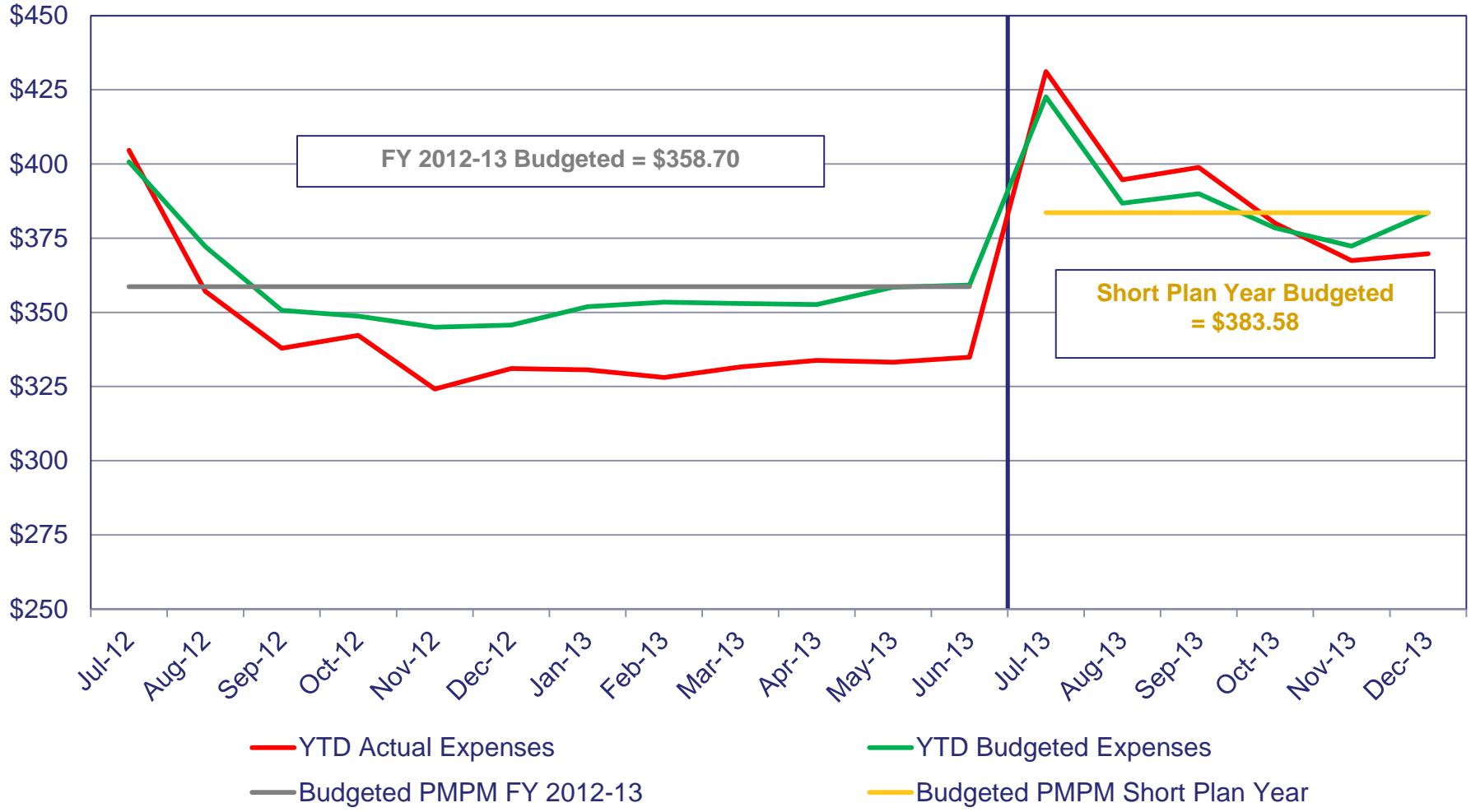
Short Plan Year July-December 2013	Actual thru Dec 2013, as Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	\$371.53	\$368.67	\$2.86
Net Claims Payments †	\$362.08	\$360.79	\$1.29
Net Administrative Expenses ^	\$19.43	\$22.79	(\$3.36)
Total Plan Expenses	\$381.51	\$383.58	(\$2.07)
Net Income/(Loss)	(\$9.98)	(\$14.91)	\$4.93

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

† Adjusted for timing issues and to exclude non-budgeted rebate payment earned in prior fiscal year.

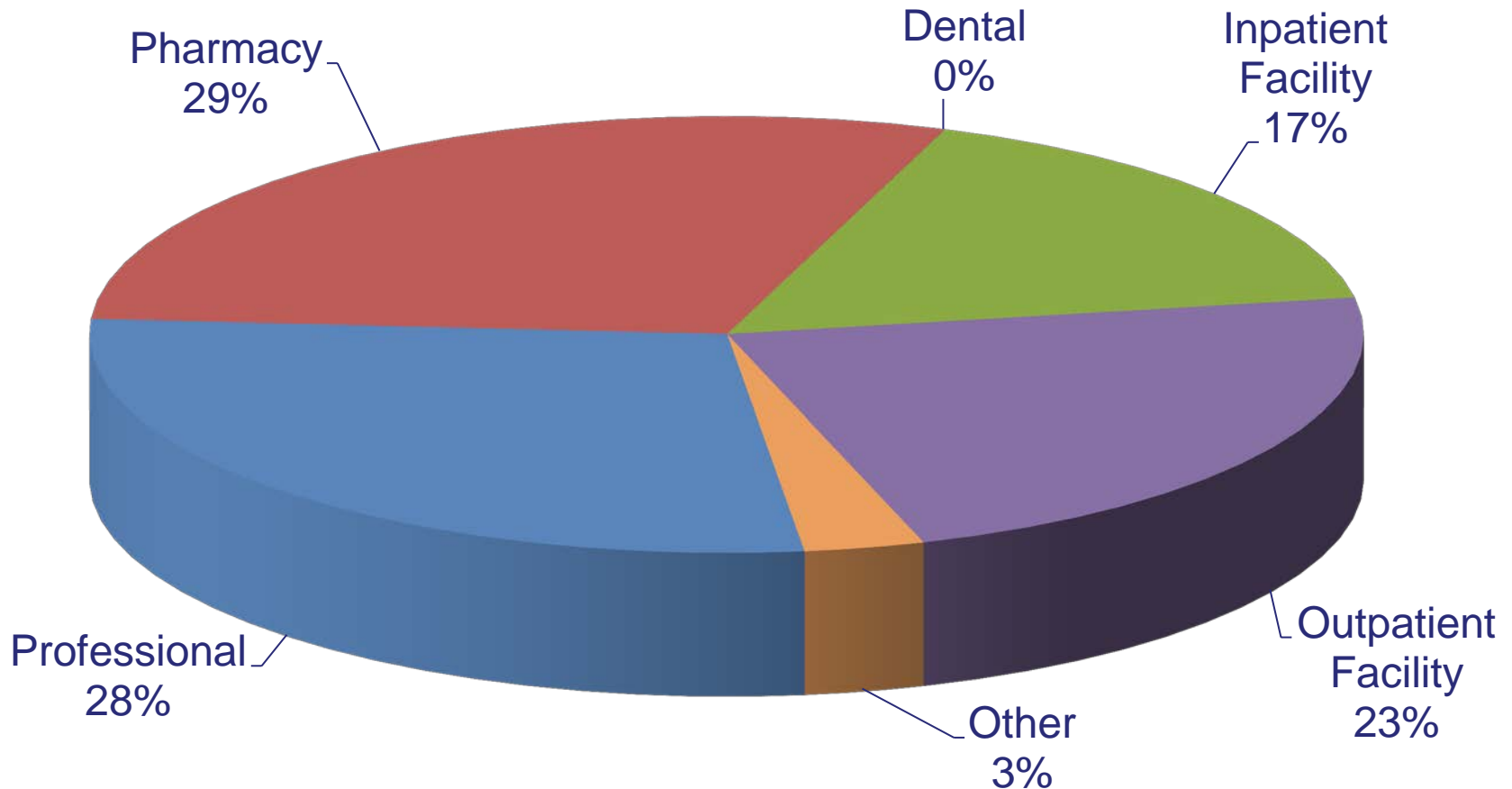
^ Adjusted for timing issues.

Year to Date Expenditure Trend Per Member Per Month



Allocation of Claims Expenditures

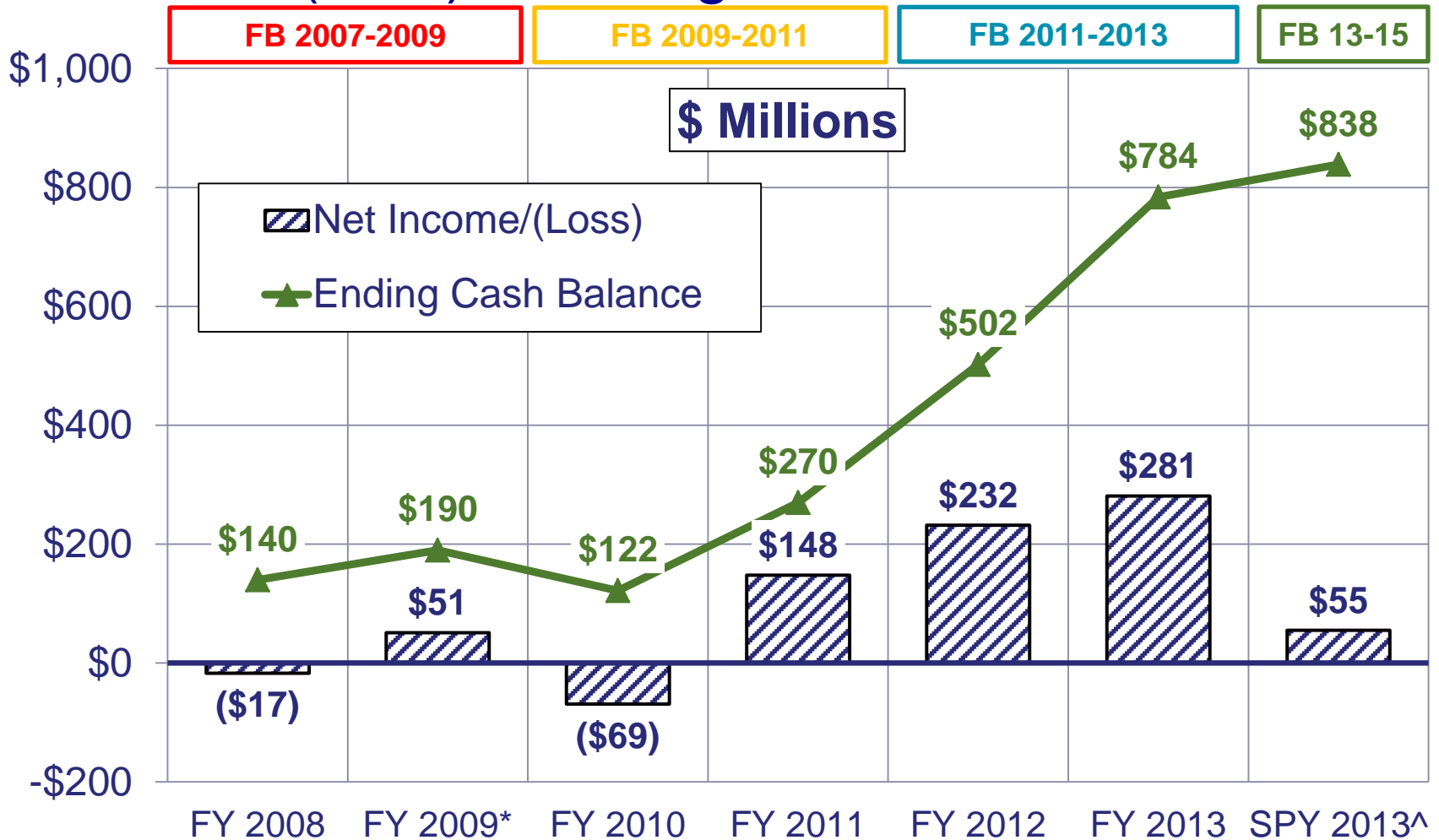
Includes Medical, Blue Card & Pharmacy Payments



Source: BCBSNC Summary of Billed Charges, year to date through December 2013

Historical Financial Results

Net Income/(Loss) & Ending Cash Balance



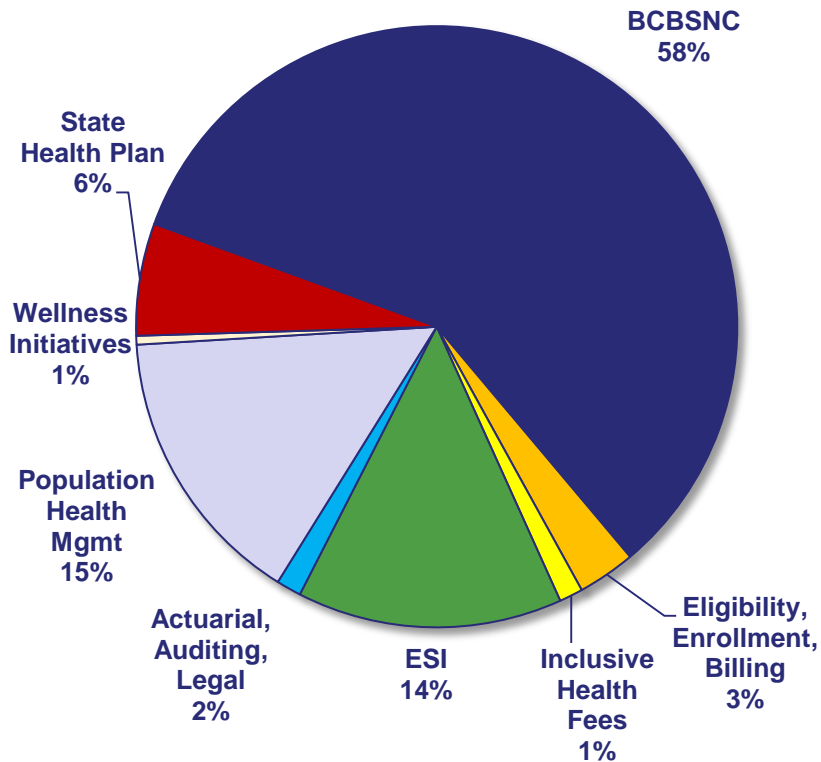
*The Plan received a \$250 million general fund appropriation from the State in FY 2009.

^ Short Plan Year = six months from July to December 2013.

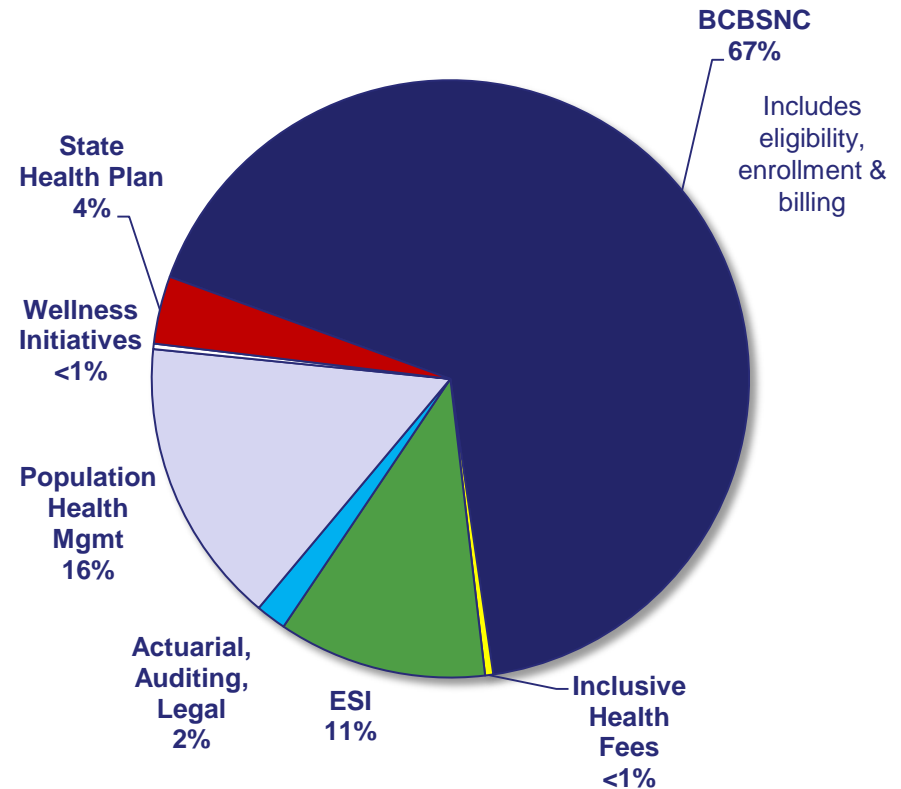
Short Plan Year (July – December 2013)

Administrative Expenses

Short Plan Year
(\$69.5 Million)



FY 2012-13 Plan Year
(\$161.4 Million)



Short Plan Year (July – December 2013)

Financial Performance Highlights

- Plan expenses (claims expenditures + administrative costs) were:
 1. \$51.8 million (3.4%) **less** than projected in total dollars
 - FY 2012-13 Plan Year: Expenses were \$173.6 million (6.1%) less than projected
 2. \$13.87 (3.6%) **less** than projected per member per month
 - FY 2012-13: PMPM expenses were \$24.26 (6.8%) less than projected
 3. **After timing and other adjustments, Plan expenses were \$4.4 million (0.3%) or \$2.08 PMPM (0.5%) less than projected**
- The Plan's \$838.5 million ending cash balance for the short plan year:
 1. Is \$55.0 million **more** than the beginning cash balance
 2. Is \$115.8 million **more** than the Certified Budget projection
 3. Equates to approximately 15 weeks of projected CY 2014 expenses
 4. Exceeds the December 31, 2013 Target Stabilization Reserve by \$619.0 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 December 2013
 Short Plan Year (July - December 2013)

	A	B	C	D	E	F	G	H
	Actual December 2013	Certified Budget December 2013	Monthly Variance Over/(Under) Certified Budget	Actual Short Plan Year To Date	Certified Budget Short Plan Year to Date	Short Plan Year to Date Variance Over/(Under) Certified Budget	Short Plan Year Certified Budget (Jul - Dec 2013)	Short Plan Year to Date Variance Over/(Under) Certified Budget
1 Plan Revenue:								
2								
3 Member Premiums	\$ 267,504,683	\$ 239,801,826	\$ 27,702,857	\$ 1,502,578,000	\$ 1,440,079,372	\$ 62,498,628	\$ 1,440,079,372	\$ 62,498,628
4 Premium Refunds/Retroactive Disenrollments	(785)	(120,110)	119,325	(277,538)	(721,290)	443,752	(721,290)	443,752
5 Medicare Part D (RDS) Subsidy	899,770	592,948	306,822	(1,323,888)	2,784,744	(4,108,632)	2,784,744	(4,108,632)
6 Medicare PDP (EGWP + Wrap) Subsidy	4,077,830	4,200,617	(122,787)	37,082,585	32,347,301	4,735,284	32,347,301	4,735,284
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
8 Net Premium & Other Contributions	272,481,488	244,475,281	28,006,217	1,638,068,168	1,474,480,127	83,688,032	1,474,480,127	83,688,032
9								
10 Investment Earnings	329,914	239,048	90,866	1,786,115	1,448,002	338,113	1,448,002	338,113
11 Miscellaneous Revenue	-	-	-	54,972	-	54,972	-	54,972
12 Other Revenue	328,914	239,048	89,866	1,841,087	1,448,002	393,085	1,448,002	393,085
13								
14 Total Plan Revenue (excludes internal transfers)	272,811,412	244,714,328	28,097,083	1,638,900,248	1,476,938,129	83,962,117	1,476,938,129	83,962,117
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	187,057,371	184,803,745	2,253,626	1,033,157,400	1,043,999,297	(10,841,897)	1,043,999,297	(10,841,897)
19 Medical Claim Refunds/Recoveries	(1,556,516)	(1,899,354)	242,838	(10,834,378)	(12,060,684)	1,226,306	(12,060,684)	1,226,306
20 Net Medical Claims	186,400,866	182,904,391	2,496,464	1,022,323,022	1,031,938,613	(9,616,691)	1,031,938,613	(9,616,691)
21								
22 Pharmacy Claim Payments	64,556,516	94,615,302	(30,058,786)	425,815,469	434,048,440	(8,232,971)	434,048,440	(8,232,971)
23 Pharmacy Claim Rebates	-	820,889	(820,889)	(32,188,641)	(20,572,861)	(11,615,780)	(20,572,861)	(11,615,780)
24 Pharmacy Claim Refunds/Recoveries	(14,210)	-	(14,210)	(557,530)	-	(557,530)	-	(557,530)
25 Net Pharmacy Claims	64,642,306	96,438,191	(30,895,886)	393,068,298	413,476,679	(20,408,281)	413,476,679	(20,408,281)
26								
27 Net Claim Payments	249,843,181	278,340,682	(28,497,421)	1,415,392,320	1,446,414,192	(30,021,872)	1,446,414,192	(30,021,872)
28								
29 Net Administrative Expenses	6,980,908	16,205,907	(9,246,001)	89,548,737	81,288,288	(21,748,681)	81,288,288	(21,748,681)
30								
31 Total Plan Expenses (excludes internal transfers)	266,804,087	293,548,488	(37,842,422)	1,484,941,067	1,638,712,480	(61,771,433)	1,638,712,480	(61,771,433)
32								
33 Plan Income/(Loss)	18,907,345	(48,832,180)	85,739,606	54,959,188	(80,774,381)	116,733,660	(80,774,381)	116,733,660
34								
35 Cash Availability:								
36								
37 Beginning Cash Balance/(Deficit)	821,539,792	743,807,293	77,732,499	783,487,948	755,749,494	27,738,454	755,749,494	27,738,454
38 Ending Cash Balance/(Deficit)	838,447,137	884,876,133	143,472,004	838,447,137	884,876,133	143,472,004	884,876,133	143,472,004
39								
40 Target Stabilization Reserve @ 12/31/13	219,485,780	219,485,780	-	219,485,780	219,485,780	-	219,485,780	-
41								
42 Cash Balance Over/(Under) Reserve Target	\$ 618,961,367	\$ 476,489,363	\$ 143,472,004	\$ 618,961,367	\$ 476,489,363	\$ 143,472,004	\$ 476,489,363	\$ 143,472,004

Comments:

- Premium receivables totaled \$172,250.27 as of December 31, 2013.
- The average weekly medical claims cost net of claims refunds was \$37,080,171.00 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$32,278,258.00 per cycle.
- The target stabilization reserve is 8% of the projected net claims for Calendar Year 2013.
- 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)

Consolidated Report, Actual vs. Certified Budget
For the Month Ended December 2013

Fiscal Year 2013-2014

	A	B	C	D	E	F	G	H
	Actual December 2013	Certified Budget December 2013	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	\$ 267,504,683	\$ 239,801,826	\$ 27,702,857	\$ 1,502,578,000	\$ 1,440,079,372	\$ 62,498,628	\$ 2,902,567,015	\$ (1,399,989,015)
4 Premium Refunds/Retroactive Disenrolments	(785)	(120,110)	119,325	(277,538)	(721,290)	443,752	(1,466,766)	1,189,228
5 Medicare Part D (RDS) Subsidy	899,770	592,948	306,822	(1,323,888)	2,784,744	(4,108,632)	6,218,762	(7,542,650)
6 Medicare PDP (EGWP + Wrap) Subsidy	4,077,830	4,200,617	(122,787)	37,082,585	32,347,301	4,735,284	50,346,402	(13,263,817)
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
8 Net Premium & Other Contributions	272,481,488	244,476,281	28,005,207	1,638,068,168	1,474,480,127	163,588,041	2,867,886,413	(1,418,808,264)
9								
10 Investment Earnings	329,914	239,048	90,866	1,786,115	1,448,002	338,113	2,868,131	(1,082,016)
11 Miscellaneous Revenue	-	-	-	54,972	-	54,972	-	54,972
12 Other Revenue	328,914	239,048	89,866	1,841,087	1,448,002	393,085	2,868,131	(1,027,044)
13								
14 Total Plan Revenue (excludes internal transfers)	272,811,412	244,714,329	28,097,083	1,638,900,248	1,476,838,128	162,062,120	2,868,633,644	(1,420,833,288)
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	187,057,371	184,803,745	2,253,626	1,033,157,400	1,043,999,297	(10,841,897)	2,107,493,114	(1,074,335,714)
19 Medical Claim Refunds/Recoveries	(1,656,516)	(1,899,354)	242,838	(10,834,378)	(12,060,684)	1,226,306	(24,643,884)	13,809,506
20 Net Medical Claims	185,400,856	182,904,391	2,496,464	1,022,323,022	1,031,938,613	(9,615,591)	2,082,849,230	(1,060,528,208)
21								
22 Pharmacy Claim Payments	64,556,516	94,615,302	(30,058,786)	425,815,469	434,048,440	(8,232,971)	699,653,578	(273,838,109)
23 Pharmacy Claim Rebates	-	820,889	(820,889)	(32,188,641)	(20,572,861)	(11,615,780)	(52,353,361)	20,164,720
24 Pharmacy Claim Refunds/Recoveries	(14,210)	-	(14,210)	(557,530)	-	(557,530)	-	(557,530)
25 Net Pharmacy Claims	64,642,306	95,436,191	(30,793,885)	393,069,298	413,475,579	(20,406,281)	647,300,217	(264,230,819)
26								
27 Net Claim Payments	248,943,181	278,340,582	(28,397,421)	1,416,392,320	1,446,414,192	(30,021,872)	2,730,149,447	(1,314,767,127)
28								
29 Medicare Advantage Premiums	-	-	-	-	-	-	88,884,744	(88,884,744)
30								
31 Net Administrative Expenses	6,880,808	16,206,807	(9,326,001)	89,648,737	81,288,288	(8,360,551)	182,448,828	(112,897,891)
32								
33 Total Plan Expenses (excludes internal transfers)	266,904,087	289,546,489	(32,642,422)	1,484,941,067	1,638,712,480	(153,771,413)	2,899,480,819	(1,614,618,782)
34								
35 Plan Income/(Loss)	18,907,345	(48,832,160)	65,739,605	64,969,189	(80,774,361)	116,733,660	(38,827,276)	83,888,484
36								
37 Cash Availability:								
38								
39 Beginning Cash Balance/(Deficit)	821,539,792	743,807,293	77,732,499	783,487,948	755,749,494	27,738,454	755,749,494	27,738,454
40 Ending Cash Balance/(Deficit)	838,447,137	684,876,133	143,472,004	838,447,137	684,876,133	143,472,004	716,822,219	121,824,818
41								
42 Target Stabilization Reserve @ 6/30/14	239,446,206	239,446,206	-	239,446,206	239,446,206	-	239,446,206	-
43								
44 Cash Balance Over/(Under) Reserve Target	\$ 688,000,831	\$ 466,628,827	\$ 143,472,004	\$ 688,000,831	\$ 466,628,827	\$ 143,472,004	\$ 477,376,013	\$ 121,824,818

Comments:

- Premium receivables totaled \$172,250.27 as of December 31, 2013.
- The average weekly medical claims cost net of claims refunds was \$37,080,171.00 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$32,278,258.00 per cycle.
- The target stabilization reserve is 8.5% of the projected net claims for Fiscal Year 2013-14.
- 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 December 2013
 Fiscal Year 2013-2014

	A	B	C	D	E	F	G
	Current Year Actual December 2013	Prior Year Actual December 2012	Current Year to Date Actual FY 2013-14 thru December	Prior Year to Date Actual FY 2012-13 thru December	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	\$ 267,504,683	\$ 272,493,980	\$ 1,502,578,000	\$ 1,470,468,048	\$ 2,902,567,015	\$ 2,872,808,844	\$ 2,895,366,140
4 Premium Refunds/Retroactive Disenrollments	(785)	(19,079)	(277,538)	(244,462)	(1,466,766)	(1,437,243)	(487,819)
5 Medicare Part D (RDS) Subsidy	899,770	5,042,821	(1,323,888)	25,570,898	6,218,762	39,519,892	38,056,016
6 Medicare PDP (EGWP + Wrap) Subsidy	4,077,830	-	37,082,585	-	50,346,402	19,759,856	24,435,483
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(558,219)	-	-	(558,219)
8 Net Premium & Other Contributions	272,481,498	277,517,722	1,538,059,159	1,495,236,265	2,957,665,413	2,930,651,349	2,956,811,601
9							
10 Investment Earnings	329,914	268,390	1,786,115	1,403,080	2,868,131	5,658,262	3,117,666
11 Miscellaneous Revenue	-	-	54,972	8,159	-	-	119,047
12 Other Revenue	329,914	268,390	1,841,087	1,411,239	2,868,131	5,658,262	3,236,713
13							
14 Total Plan Revenue (excludes Internal transfers)	272,811,412	277,786,112	1,539,900,246	1,496,647,504	2,960,533,544	2,936,309,611	2,960,048,314
15							
16 Plan Expenses:							
17							
18 Medical Claim Payments	187,057,371	176,886,869	1,033,157,400	919,071,986	2,107,493,114	2,003,583,417	1,858,096,405
19 Medical Claim Refunds/Recoveries	(1,656,516)	(1,330,645)	(10,834,378)	(12,293,069)	(24,643,884)	(31,216,928)	(23,467,914)
20 Net Medical Claims	185,400,855	175,556,224	1,022,323,022	906,778,917	2,082,849,230	1,972,366,489	1,834,628,491
21							
22 Pharmacy Claim Payments	64,556,516	55,266,783	425,815,469	358,901,155	699,653,578	743,853,418	755,896,440
23 Pharmacy Claim Rebates	-	-	(32,188,641)	(26,192,033)	(52,353,361)	(53,173,873)	(69,641,941)
24 Pharmacy Claim Refunds/Recoveries	(14,210)	(405,607)	(557,530)	(455,482)	-	-	(3,476,790)
25 Net Pharmacy Claims	64,542,306	54,861,176	393,069,298	332,253,640	647,300,217	690,679,545	682,777,709
26							
27 Net Claim Payments	249,943,161	230,417,400	1,415,392,320	1,239,032,557	2,730,149,447	2,663,046,034	2,517,406,200
28							
29 Medicare Advantage Premiums	-	-	-	-	86,864,744	-	-
30							
31 Net Administrative Expenses	5,960,906	13,505,079	69,548,737	79,894,819	182,446,628	189,387,392	161,401,639
32							
33 Total Plan Expenses (excludes Internal transfers)	255,904,067	243,922,479	1,484,941,057	1,318,927,376	2,999,460,819	2,852,433,426	2,678,807,839
34							
35 Plan Income/(Loss)	16,907,345	33,863,633	54,959,189	177,720,128	(38,927,275)	83,876,185	281,240,475
36							
37 Cash Availability:							
38							
39 Beginning Cash Balance/(Deficit)	821,539,792	646,103,966	783,487,948	502,247,471	755,749,494	502,247,475	502,247,471
40 Ending Cash Balance/(Deficit)	838,447,137	679,967,599	838,447,137	679,967,599	716,822,219	586,123,660	783,487,948
41							
42 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
43							
44 Cash Balance Over/(Under) Reserve Target	\$ 599,000,931	\$ 480,239,146	\$ 599,000,931	\$ 480,239,146	\$ 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 December 2013

Short Plan Year (July-December 2013)

	A	B	C	D	E	F
	Actual Year to Date Short Plan Year thru December	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Certified Budget Year to Date Short Plan Year thru December	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)	\$ 1,502,578,000	\$ (50,479,263)	\$ 1,452,098,737	\$ 1,440,079,372	\$ 12,019,365	0.83%
4 Premium Refunds/Retroactive Disenrollments	(277,538)		(277,538)	(721,290)	443,752	-61.52%
5 Medicare Part D (RDS) Subsidy (Note 3)	(1,323,888)	5,717,385	4,393,497	2,784,744	1,608,753	57.77%
6 Medicare PDP (EGWP + Wrap) Subsidy	37,082,585		37,082,585	32,347,301	4,735,284	14.64%
7 Federal Early Retiree Reinsurance Program (ERRP)	-		-	-	-	
8 Net Premium & Other Contributions	1,538,059,159	(44,761,878)	1,493,297,281	1,474,490,127	18,807,154	1.28%
9						
10 Other Revenue (Note 4)	1,841,087	(54,973)	1,786,114	1,448,002	338,112	23.35%
11						
12 Total Plan Revenue (excludes internal transfers)	1,539,900,246	(44,816,850)	1,495,083,396	1,475,938,129	19,145,267	1.30%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims	1,022,323,022		1,022,323,022	1,031,938,613	(9,615,591)	-0.93%
17 Net Pharmacy Claims (Notes 5 and 6)	393,069,298	38,883,392	431,952,690	413,475,579	18,477,111	4.47%
18 Net Claim Payments	1,415,392,320	38,883,392	1,454,275,712	1,445,414,192	8,861,520	0.61%
19						
20 Net Administrative Expenses (Note 7)	69,548,737	8,491,208	78,039,945	91,298,298	(13,258,353)	-14.52%
21						
22 Total Plan Expenses (excludes internal transfers)	1,484,941,057	47,374,600	1,532,315,657	1,536,712,490	(4,396,833)	-0.29%
23						
24 Plan Income/(Loss)	54,959,189	(92,191,450)	(37,232,261)	(60,774,361)	23,542,100	-38.74%
25						
26 Cash Availability:						
27						
28 Beginning Cash Balance/(Deficit)	783,487,948		783,487,948	755,749,494	27,738,454	3.67%
29 Ending Cash Balance/(Deficit)	838,447,137	(92,191,450)	746,255,687	694,975,133	51,280,554	7.38%
30						
31 Target Stabilization Reserve @ 12/31/13	219,485,780		219,485,780	219,485,780	-	
32						
33 Cash Balance Over/(Under) Reserve Target	\$ 618,961,357	\$ (92,191,450)	\$ 526,769,907	\$ 475,489,353	\$ 51,280,554	10.78%

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 \$60.8 million in prepaid January 2014 premiums received in December 2013.
3. Medicare Part D Subsidy adjusted to remove the impact of an unbudgeted repayment of subsidy revenues from prior years.
4. Other revenue adjusted to exclude unbudgeted reimbursement of prior year expenditures.
5. Pharmacy claims adjusted to exclude a \$5.8 million unbudgeted EGWP rebate earned last fiscal year but not received until October 2013.
6. Pharmacy claims adjusted to include a \$33.1 million claims payment budgeted for December, but processed in January 2014.
7. Administrative expenses adjusted to include vendor payments that were not processed until January 2014.