



*North Carolina*  
**State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES

# Financial Report Fiscal Year Ending June 30, 2013

**FY 2012-13 Final Financial Results**

*Board of Trustees Meeting*

September 27, 2013

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*A Division of the Department of State Treasurer*

# Financial Results: Actual v. Budgeted

## Year to Date June 2013

<b>Fiscal Year 2012-2013</b>	<b>Actual thru June 2013</b>	<b>Authorized Budget (per Segal 9-18-12)</b>	<b>Variance Over/(Under) Budget</b>
Beginning Cash Balance	\$502.2 m	\$502.2 m	\$0.0 m
Plan Revenue	\$2.960 b	\$2.936 b	\$23.7 m
Net Claims Payments	\$2.517 b	\$2.663 b	(\$145.6 m)
Net Administrative Expenses	\$161.4 m	\$189.4 m	(\$28.0 m)
Total Plan Expenses	\$2.679 b	\$2.852 b	(\$173.6 m)
Net Income/(Loss)	\$281.2 m	\$83.9 m	\$197.3 m
Ending Cash Balance	\$783.4 m	\$586.1 m	\$197.3 m

# Adjusted Variance Report

## Year to Date June 2013

Fiscal Year 2012-2013	Actual thru June 2013, As Adjusted	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Beginning Cash Balance	\$502.2 m	\$502.2 m	\$0.0 m
Plan Revenue *	\$2.965 b	\$2.936 b	\$29.0 m
Net Claims Payments ^	\$2.533 b	\$2.663 b	(\$130.5 m)
Net Administrative Expenses	\$161.4 m	\$189.4 m	(\$28.0 m)
Total Plan Expenses	\$2.694 b	\$2.852 b	(\$158.5 m)
Net Income/(Loss)	\$271.4 m	\$83.9 m	\$187.5 m
Ending Cash Balance	\$773.6 m	\$586.1 m	\$187.5 m

\*Adjusted for timing issues and to remove the impact of unbudgeted revenues.

^Adjusted to remove the impact of a larger-than-expected pharmacy rebate true-up payment and to include a rebate payment that had not been credited by the end of the fiscal year.

# Financial Results Actual v. Budgeted

## Year to Date June 2013

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Per Member Per Month (PMPM) Analysis

<b>Fiscal Year 2012-2013</b>	<b>Actual thru June 2013</b>	<b>Authorized Budget (per Segal 9-18-12)</b>	<b>Variance Over/(Under) Budget</b>
Plan Revenue	\$369.60	\$369.52	\$0.08
Net Claims Payments	\$314.72	\$335.32	(\$20.60)
Net Administrative Expenses	\$20.18	\$23.85	(\$3.67)
Total Plan Expenses	\$334.90	\$359.17	(\$24.27)
Net Income/(Loss)	\$34.70	\$10.35	\$24.35

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 June 2013

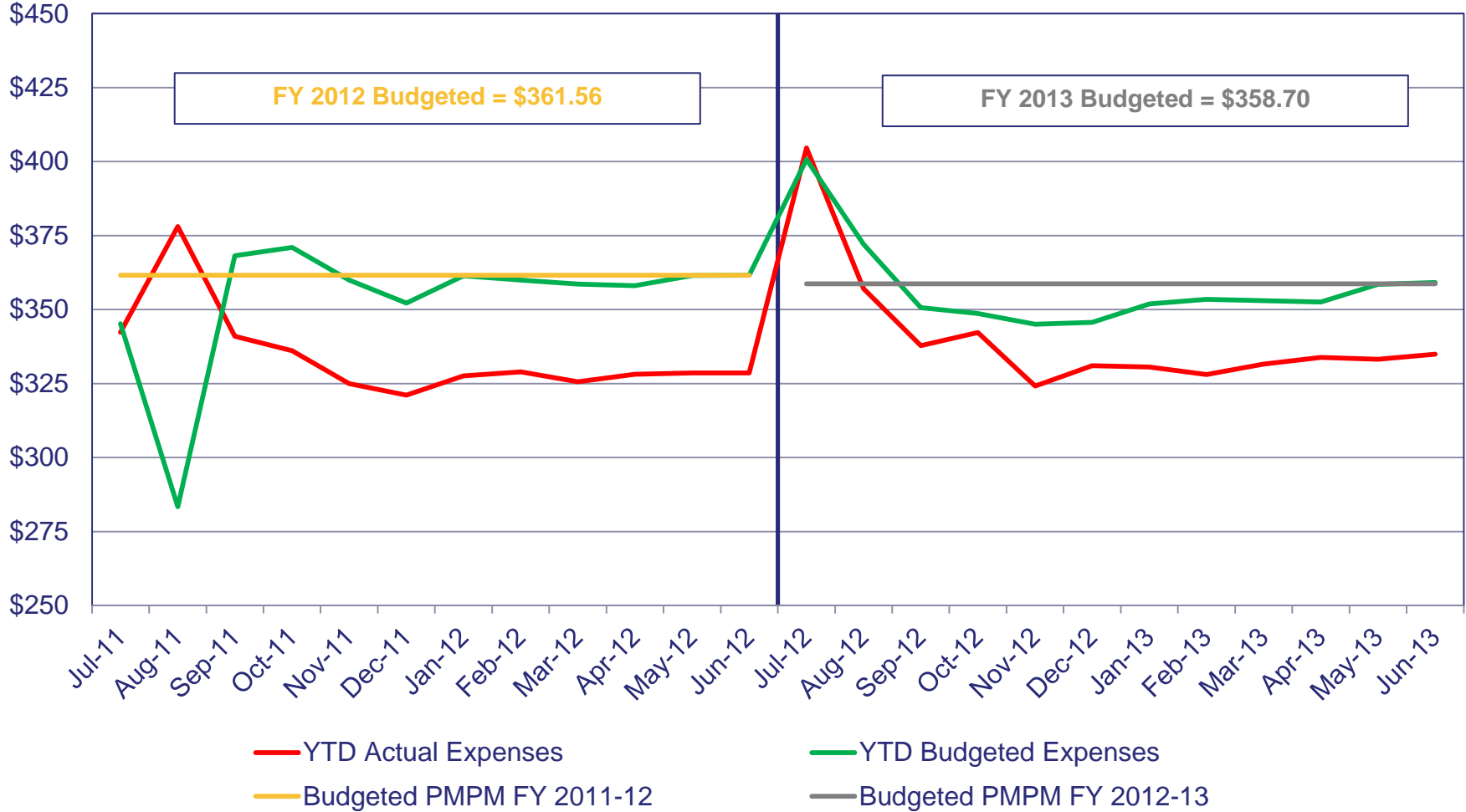
### Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru June 2013, as Adjusted	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue *	\$370.25	\$369.52	\$0.73
Net Claims Payments ^	\$316.61	\$335.32	(\$18.71)
Net Administrative Expenses	\$20.18	\$23.85	(\$3.67)
Total Plan Expenses	\$336.79	\$359.17	(\$22.38)
Net Income/(Loss)	\$33.46	\$10.35	\$23.11

\*Adjusted for timing issues and to remove the impact of unbudgeted revenues.

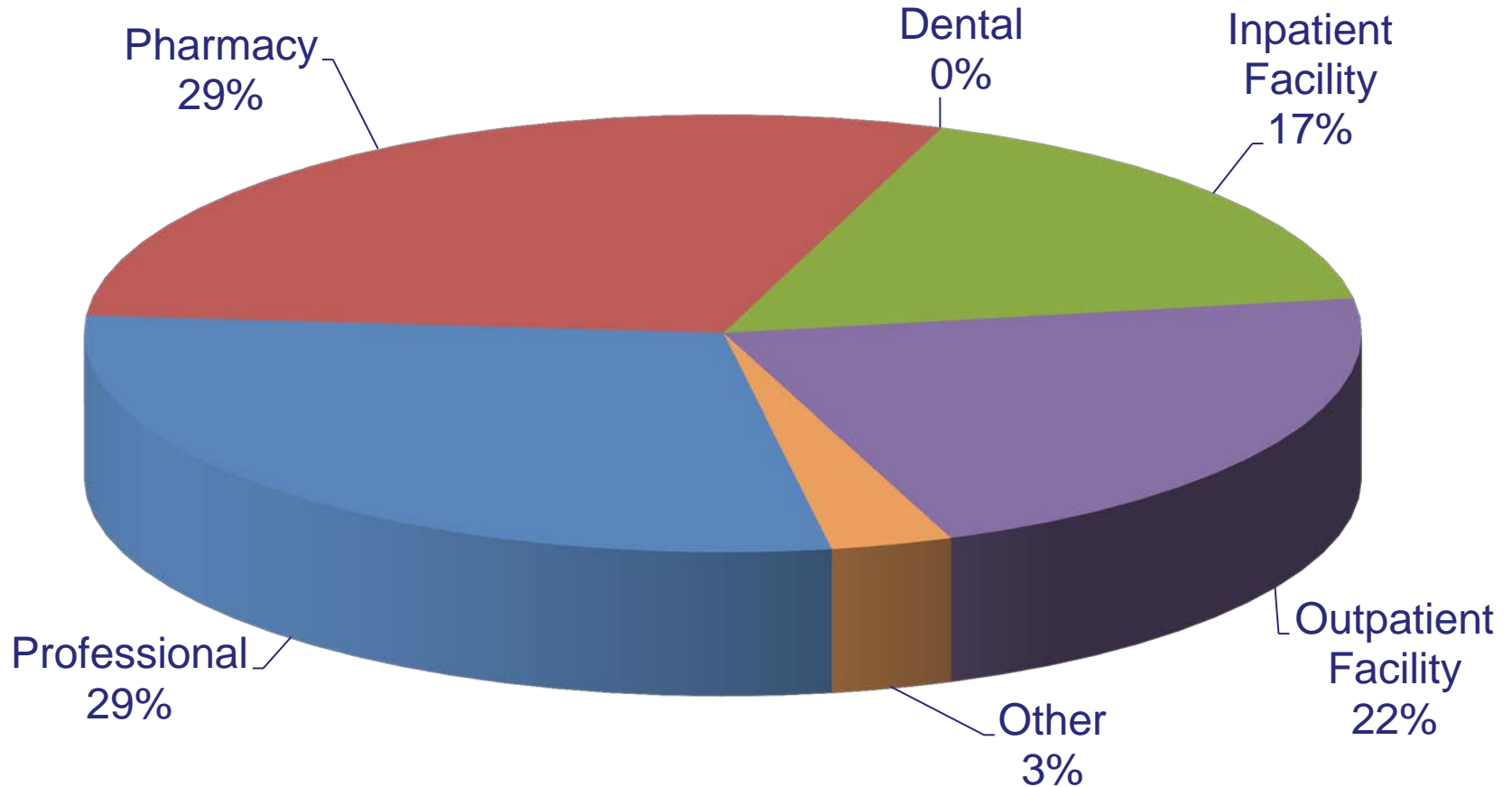
^Adjusted to remove the impact of a larger-than-expected pharmacy rebate true-up payment and to include a rebate payment that had not been credited by the end of the fiscal year.

# 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 June 2013

# Fiscal Year 2012-13

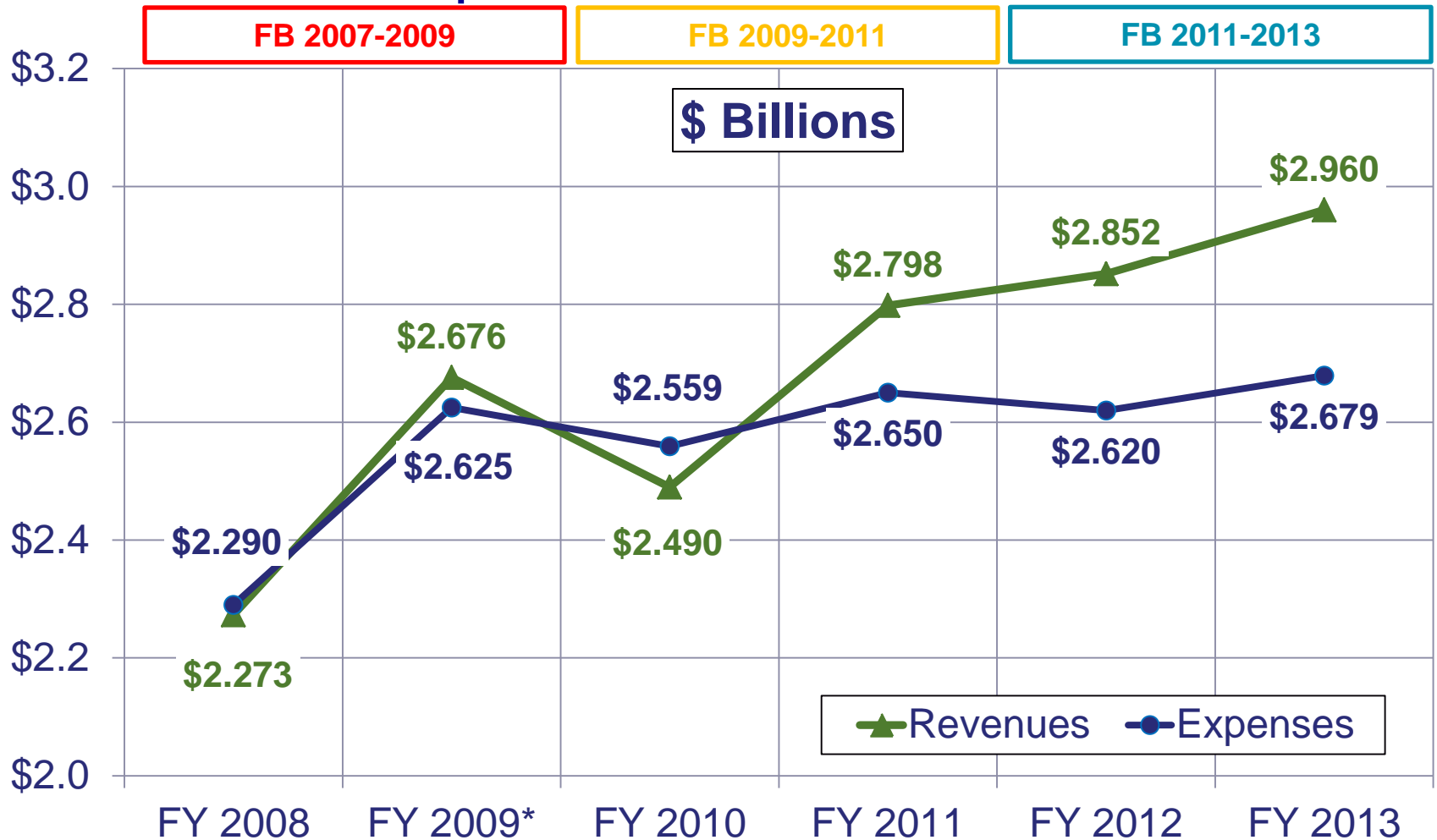
## Financial Performance Highlights

- Plan expenses (claims expenditures + administrative costs) were:
  1. \$173.6 million (6.1%) **less** than projected in total dollars
    - FY 2011-12: Expenses were \$245.8 million (8.6%) less than projected
  2. \$24.26 (6.8%) **less** than projected per member per month
    - FY 2011-12: PMPM expenses were \$32.96 (9.1%) less than projected
- The Plan's \$783.5 million ending cash balance for FY 2012-13:
  1. Is \$281.3 million **more** than the beginning cash balance
  2. Is \$197.4 million **more** than the Authorized Budget projection
  3. Equates to approximately 15 weeks of operating expenses
    - The Plan's FY 2011-12 ending cash balance was \$502.2 million, approximately 9 weeks of operating expenses
  4. Is 31% of the net claims expense for the year, far exceeding the new target stabilization reserve benchmark of 9%



# Recent Historical Financial Results

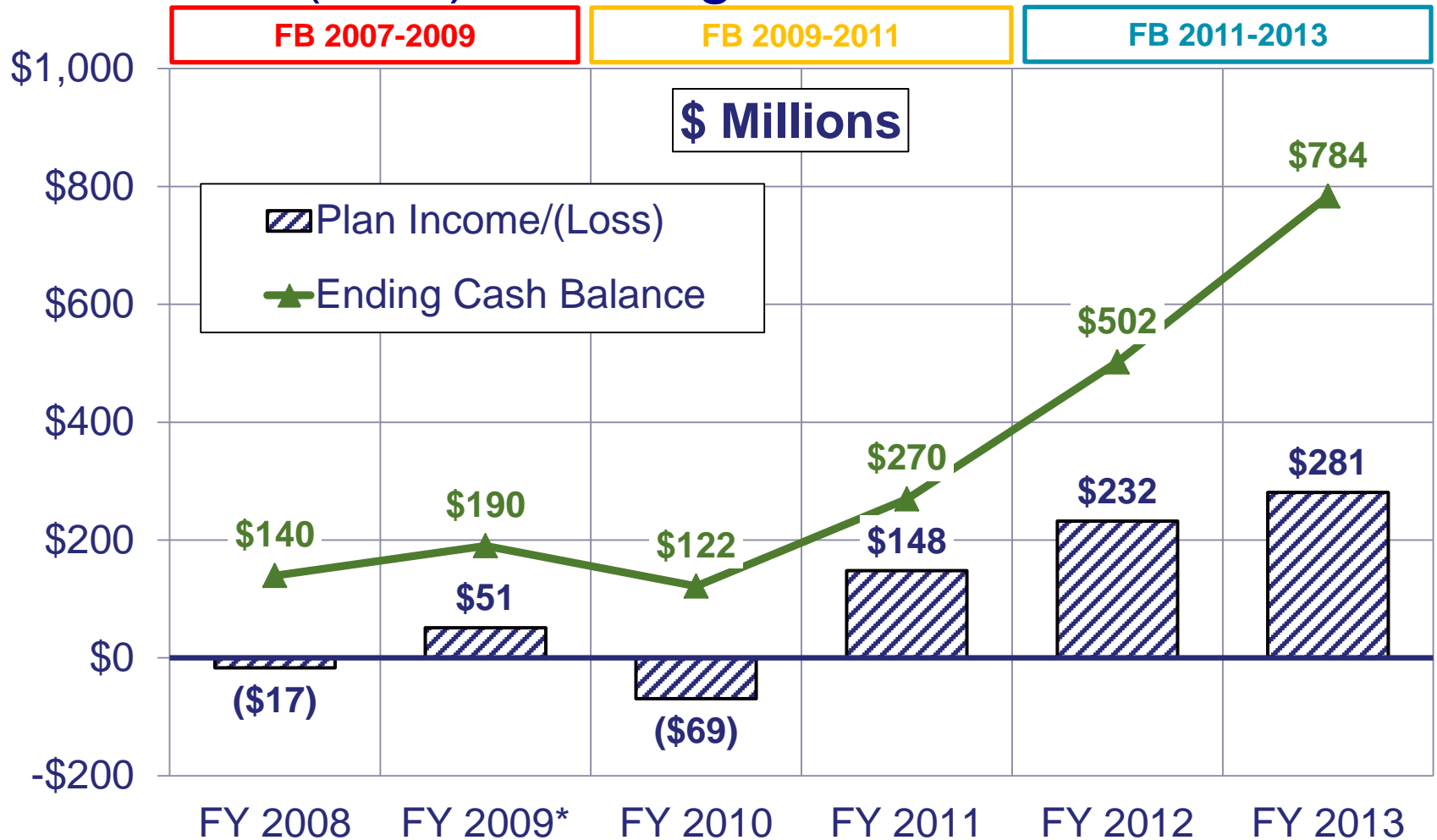
## Revenues and Expenses



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

# Recent Historical Financial Results

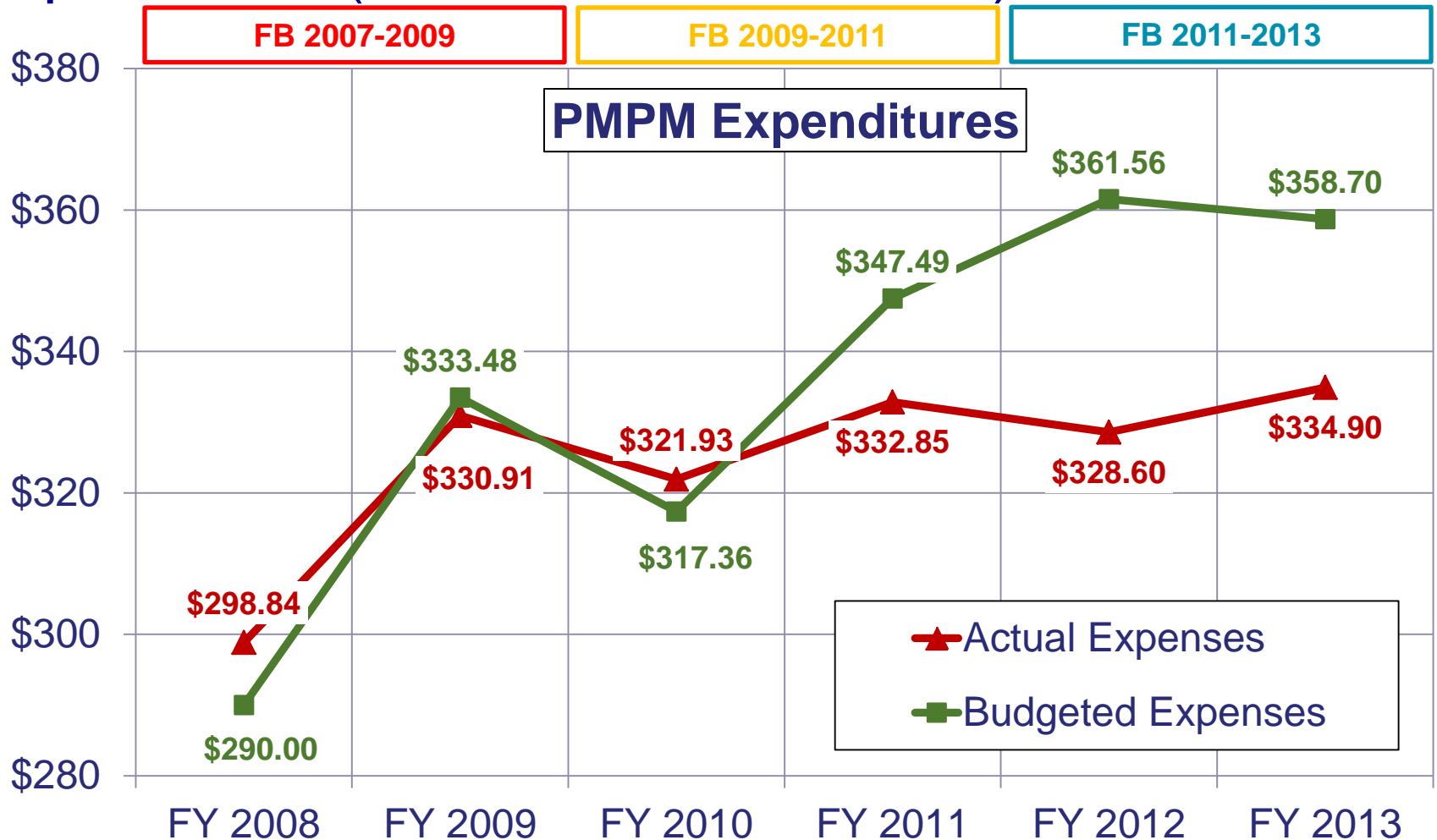
## Net Income/(Loss) & Ending Cash Balance



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

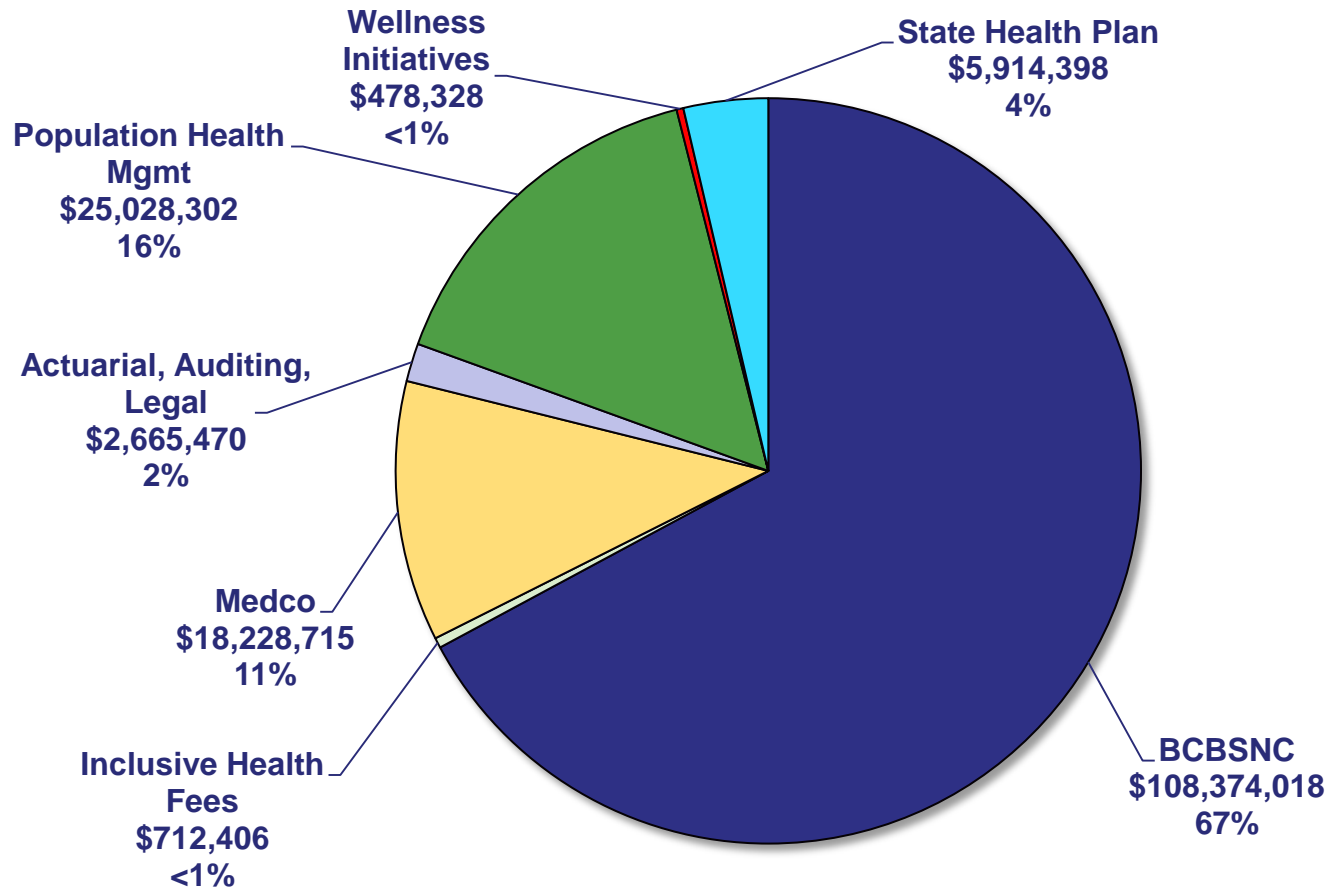
# Recent Historical Financial Results

## Expenditures (Claims + Administrative) PMPM



# Administrative Expenses

## FY 2012-13



- Fiscal Year 2012-13 administrative expenses totaled \$161.4 million, \$4.1 million (2.5%) less than the previous fiscal year.

North Carolina State Health Plan for Teachers and State Employees

Summary of Operations (Cash Basis)  
Consolidated Report, Actual vs. Authorized Budget  
For the Month Ended June 2013  
Fiscal Year 2012- 2013

	A	B	C	D	E	F	G	H
	Actual June 2013	Authorized Budget June 2013	Monthly Variance Over/(Under) Authorized Budget	Actual Year to Date FY 2012-13	Authorized Budget Year to Date FY 2012-13	Year to Date Variance Over/(Under) Authorized Budget	Authorized Annual Budget FY 2012-13	Year to Date Variance Over/(Under) Annual Authorized Budget
1 <b>Plan Revenue:</b>								
2								
3 Member Premiums	\$ 231,487,077	\$ 238,790,749	\$ (7,303,672)	\$ 2,895,366,140	\$ 2,872,808,844	\$ 22,557,296	\$ 2,872,808,844	\$ 22,557,296
4 Premium Refunds/Retroactive Disenrollments	(51,743)	(119,535)	67,792	(487,819)	(1,437,243)	949,424	(1,437,243)	949,424
5 Medicare Part D (RDS) Subsidy	540,586	489,942	50,644	38,056,016	39,519,892	(1,463,876)	39,519,892	(1,463,876)
6 Medicare PDP (EGWP + Wrap) Subsidy	3,989,104	3,958,528	30,576	24,435,483	19,759,856	4,675,627	19,759,856	4,675,627
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(558,219)	-	(558,219)	-	(558,219)
8 <b>Net Premium &amp; Other Contributions</b>	<b>235,965,024</b>	<b>243,119,684</b>	<b>(7,154,660)</b>	<b>2,956,811,601</b>	<b>2,930,651,349</b>	<b>26,160,252</b>	<b>2,930,651,349</b>	<b>26,160,252</b>
9								
10 Investment Earnings	295,603	486,090	(190,487)	3,117,666	5,658,262	(2,540,596)	5,658,262	(2,540,596)
11 Miscellaneous Revenue	-	-	-	119,047	-	119,047	-	119,047
12 Other Revenue	295,603	486,090	(190,487)	3,236,713	5,658,262	(2,421,549)	5,658,262	(2,421,549)
13								
14 <b>Total Plan Revenue (excludes internal transfers)</b>	<b>236,260,627</b>	<b>243,605,774</b>	<b>(7,345,147)</b>	<b>2,960,048,314</b>	<b>2,936,309,611</b>	<b>23,738,703</b>	<b>2,936,309,611</b>	<b>23,738,703</b>
15								
16 <b>Plan Expenses:</b>								
17								
18 Medical Claim Payments	160,836,063	167,484,574	(6,648,511)	1,858,096,405	2,003,583,417	(145,487,012)	2,003,583,417	(145,487,012)
19 Medical Claim Refunds/Recoveries	(1,594,137)	(2,852,051)	1,257,914	(23,467,914)	(31,216,928)	7,749,014	(31,216,928)	7,749,014
20 <b>Net Medical Claims</b>	<b>159,241,926</b>	<b>164,632,523</b>	<b>(5,390,597)</b>	<b>1,834,628,491</b>	<b>1,972,366,489</b>	<b>(137,737,998)</b>	<b>1,972,366,489</b>	<b>(137,737,998)</b>
21								
22 Pharmacy Claim Payments	64,053,421	60,874,413	3,179,008	755,896,440	743,853,418	12,043,022	743,853,418	12,043,022
23 Pharmacy Claim Rebates	-	766,594	(766,594)	(69,641,941)	(53,173,873)	(16,468,068)	(53,173,873)	(16,468,068)
24 Pharmacy Claim Refunds/Recoveries	(24,328)	-	(24,328)	(3,476,790)	-	(3,476,790)	-	(3,476,790)
25 <b>Net Pharmacy Claims</b>	<b>64,029,093</b>	<b>61,641,007</b>	<b>2,388,086</b>	<b>682,777,709</b>	<b>690,679,545</b>	<b>(7,901,836)</b>	<b>690,679,545</b>	<b>(7,901,836)</b>
26								
27 <b>Net Claim Payments</b>	<b>223,271,019</b>	<b>226,273,530</b>	<b>(3,002,511)</b>	<b>2,517,406,200</b>	<b>2,663,046,034</b>	<b>(145,639,834)</b>	<b>2,663,046,034</b>	<b>(145,639,834)</b>
28								
29 <b>Net Administrative Expenses</b>	<b>13,364,005</b>	<b>16,236,224</b>	<b>(2,872,219)</b>	<b>161,401,639</b>	<b>189,387,392</b>	<b>(27,985,753)</b>	<b>189,387,392</b>	<b>(27,985,753)</b>
30								
31 <b>Total Plan Expenses (excludes internal transfers)</b>	<b>236,635,024</b>	<b>242,509,754</b>	<b>(5,874,730)</b>	<b>2,678,807,839</b>	<b>2,852,433,426</b>	<b>(173,625,587)</b>	<b>2,852,433,426</b>	<b>(173,625,587)</b>
32								
33 <b>Plan Income/(Loss)</b>	<b>(374,397)</b>	<b>1,096,020</b>	<b>(1,470,417)</b>	<b>281,240,475</b>	<b>83,876,185</b>	<b>197,364,290</b>	<b>83,876,185</b>	<b>197,364,290</b>
34								
35 <b>Cash Availability:</b>								
36								
37 Beginning Cash Balance/(Deficit)	783,862,343	585,027,640	198,834,703	502,247,471	502,247,475	(4)	502,247,475	(4)
38 Ending Cash Balance/(Deficit)	783,487,946	586,123,660	197,364,286	783,487,946	586,123,660	197,364,286	586,123,660	197,364,286
39								
40 Target Stabilization Reserve @ 6/30/13	199,728,453	199,728,453	-	199,728,453	199,728,453	-	199,728,453	-
41								
42 <b>Cash Balance Over/(Under) Reserve Target</b>	<b>\$ 583,759,493</b>	<b>\$ 386,395,207</b>	<b>\$ 197,364,286</b>	<b>\$ 583,759,493</b>	<b>\$ 386,395,207</b>	<b>\$ 197,364,286</b>	<b>\$ 386,395,207</b>	<b>\$ 197,364,286</b>

Comments:

- a. Premium receivables totaled \$ 1,064,641.56 as of June 30, 2013.
- b. The average weekly medical claims cost net of claims refunds was \$39,810,481.50 for the four scheduled weekly claim cycles.
- c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$32,026,710.50 per cycle.
- d. The target stabilization reserve is 7.5% of the projected net claims for Fiscal Year 2012-13.
- 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 2013

Fiscal Year 2012-2013

	A	B	C	D	E	F	G
	Current Year Actual June 2013	Prior Year Actual June 2012	Current Year to Date Actual FY 2012-13 thru June	Prior Year to Date Actual FY 2011-12 thru June	Current Year Authorized Annual Budget FY 2012-13	Prior Year Annual Budget FY 2011-12	Prior Year Actual Results FY 2011-12
1 <b>Plan Revenue:</b>							
2							
3 Member Premiums	\$ 231,487,077	\$ 233,039,709	\$ 2,895,366,140	\$ 2,750,368,851	\$ 2,872,808,844	\$ 2,772,587,259	\$ 2,750,368,851
4 Premium Refunds/Retroactive Disenrollments	(51,743)	(36,176)	(487,819)	(451,496)	(1,437,243)	(2,672,292)	(451,496)
5 Medicare Part D (RDS) Subsidy	540,586	4,293,347	38,056,016	57,583,602	39,519,892	60,058,789	57,583,602
6 Medicare PDP (EGWP + Wrap) Subsidy	3,989,104	-	24,435,483	-	19,759,856	-	-
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	(558,219)	42,163,391	-	25,583,136	42,163,391
8 <b>Net Premium &amp; Other Contributions</b>	<b>235,965,024</b>	<b>237,296,880</b>	<b>2,956,811,601</b>	<b>2,849,664,348</b>	<b>2,930,651,349</b>	<b>2,855,556,892</b>	<b>2,849,664,348</b>
9							
10 Investment Earnings	295,603	243,757	3,117,666	3,015,819	5,658,262	2,245,712	3,015,819
11 Miscellaneous Revenue	-	-	119,047	-	-	-	-
12 <b>Other Revenue</b>	<b>295,603</b>	<b>243,757</b>	<b>3,236,713</b>	<b>3,015,819</b>	<b>5,658,262</b>	<b>2,245,712</b>	<b>3,015,819</b>
13							
14 <b>Total Plan Revenue (excludes internal transfers)</b>	<b>236,260,627</b>	<b>237,540,637</b>	<b>2,960,048,314</b>	<b>2,852,680,167</b>	<b>2,936,309,611</b>	<b>2,857,802,604</b>	<b>2,852,680,167</b>
15							
16 <b>Plan Expenses:</b>							
17							
18 Medical Claim Payments	160,836,063	144,683,709	1,858,096,405	1,849,410,105	2,003,583,417	2,078,924,788	1,849,410,105
19 Medical Claim Refunds/Recoveries	(1,594,137)	4,105,941	(23,467,914)	(22,634,615)	(31,216,928)	(33,175,196)	(22,634,615)
20 <b>Net Medical Claims</b>	<b>159,241,926</b>	<b>148,789,650</b>	<b>1,834,628,491</b>	<b>1,826,775,490</b>	<b>1,972,366,489</b>	<b>2,045,749,592</b>	<b>1,826,775,490</b>
21							
22 Pharmacy Claim Payments	64,053,421	56,236,591	755,896,440	721,644,990	743,853,418	706,459,465	721,644,990
23 Pharmacy Claim Rebates	-	-	(69,641,941)	(93,130,160)	(53,173,873)	(66,582,530)	(93,130,160)
24 Pharmacy Claim Refunds/Recoveries	(24,328)	(396,564)	(3,476,790)	(481,977)	-	-	(481,977)
25 <b>Net Pharmacy Claims</b>	<b>64,029,093</b>	<b>55,840,027</b>	<b>682,777,709</b>	<b>628,032,853</b>	<b>690,679,545</b>	<b>639,876,935</b>	<b>628,032,853</b>
26							
27 <b>Net Claim Payments</b>	<b>223,271,019</b>	<b>204,629,677</b>	<b>2,517,406,200</b>	<b>2,454,808,343</b>	<b>2,663,046,034</b>	<b>2,685,626,527</b>	<b>2,454,808,343</b>
28							
29 <b>Net Administrative Expenses</b>	<b>13,364,005</b>	<b>13,722,974</b>	<b>161,401,639</b>	<b>165,480,561</b>	<b>189,387,392</b>	<b>180,464,149</b>	<b>165,480,561</b>
30							
31 <b>Total Plan Expenses (excludes internal transfers)</b>	<b>236,635,024</b>	<b>218,352,651</b>	<b>2,678,807,839</b>	<b>2,620,288,904</b>	<b>2,852,433,426</b>	<b>2,866,090,676</b>	<b>2,620,288,904</b>
32							
33 <b>Plan Income/(Loss)</b>	<b>(374,397)</b>	<b>19,187,986</b>	<b>281,240,475</b>	<b>232,391,263</b>	<b>83,876,185</b>	<b>(8,288,072)</b>	<b>232,391,263</b>
34							
35 <b>Cash Availability:</b>							
36							
37 Beginning Cash Balance/(Deficit)	783,862,343	483,059,489	502,247,471	269,856,212	502,247,475	226,838,352	269,856,212
38 Ending Cash Balance/(Deficit)	783,487,946	502,247,475	783,487,946	502,247,475	586,123,660	218,550,280	502,247,475
39							
40 Target Stabilization Reserve @ 6/30/13	199,728,453	201,421,989	199,728,453	201,421,989	199,728,453	201,421,989	201,421,989
41							
42 <b>Cash Balance Over/(Under) Reserve Target</b>	<b>\$ 583,759,493</b>	<b>\$ 300,825,486</b>	<b>\$ 583,759,493</b>	<b>\$ 300,825,486</b>	<b>\$ 386,395,207</b>	<b>\$ 17,128,291</b>	<b>\$ 300,825,486</b>

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 2013  
Fiscal Year 2012-13

	A	B	C	D	E	F
	Actual Year to Date FY 2012-13 thru June	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Authorized Budget Year to Date FY 2012-13 thru June	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
1 <b>Plan Revenue:</b>						
2						
3 Member Premiums (Note 1)	\$ 2,895,366,140	\$ 9,063,419	\$ 2,904,429,559	\$ 2,872,808,844	\$ 31,620,715	1.10%
4 Premium Refunds/Retroactive Disenrollments	(487,819)		(487,819)	(1,437,243)	949,424	-66.06%
5 Medicare Part D (RDS) Subsidy (Note 2)	38,056,016	(482,857)	37,573,159	39,519,892	(1,946,733)	-4.93%
6 Medicare PDP (EGWP + Wrap) Subsidy (Note 3)	24,435,483	(3,879,515)	20,555,968	19,759,856	796,112	4.03%
7 Federal Early Retiree Reinsurance Program (ERRP) (Note 4)	(558,219)	558,219	-	-	-	
8 Net Premium & Other Contributions	2,956,811,601	5,259,266	2,962,070,867	2,930,651,349	31,419,518	1.07%
9						
10 Other Revenue	3,236,713		3,236,713	5,658,262	(2,421,549)	-42.80%
11						
12 Total Plan Revenue (excludes internal transfers)	2,960,048,314	5,259,266	2,965,307,580	2,936,309,611	28,997,969	0.99%
13						
14 <b>Plan Expenses:</b>						
15						
16 Net Medical Claims	1,834,628,491		1,834,628,491	1,972,366,489	(137,737,998)	-6.98%
17 Net Pharmacy Claims (Notes 5 and 6)	682,777,709	15,151,710	697,929,419	690,679,545	7,249,874	1.05%
18 Net Claim Payments	2,517,406,200	15,151,710	2,532,557,910	2,663,046,034	(130,488,124)	-4.90%
19						
20 Net Administrative Expenses	161,401,639		161,401,639	189,387,392	(27,985,753)	-14.78%
21						
22 Total Plan Expenses (excludes internal transfers)	2,678,807,839	15,151,710	2,693,959,549	2,852,433,426	(158,473,877)	-5.56%
23						
24 <b>Plan Income/(Loss)</b>	281,240,475	(9,892,444)	271,348,031	83,876,185	187,471,846	223.51%
25						
26 <b>Cash Availability:</b>						
27						
28 Beginning Cash Balance/(Deficit)	502,247,471		502,247,471	502,247,475	(4)	0.00%
29 Ending Cash Balance/(Deficit)	783,487,946	(9,892,444)	773,595,502	586,123,660	187,471,842	31.99%
30						
31 Target Stabilization Reserve @ 6/30/13	199,728,453		199,728,453	199,728,453	-	
32						
33 Cash Balance Over/(Under) Reserve Target	\$ 583,759,493	\$ (9,892,444)	\$ 573,867,049	\$ 386,395,207	\$ 187,471,842	48.52%

**Adjustment Notes:**

1. Member premiums adjusted for timing issues.
2. Medicare RDS subsidy revenues decreased to remove impact of unbudgeted prior year reconciliation receipt (\$482,857).
3. Medicare EGWP subsidy revenues decreased to remove impact of an unbudgeted January subsidy payment (\$3.9 million).
4. Revenues adjusted to remove impact of unbudgeted reimbursement to CMS for FY 2012 ERRP overpayment (\$558,219).
5. Net pharmacy claims adjusted to remove the impact of a rebate true-up payment that was larger than anticipated.
6. Net pharmacy claims adjusted to include estimated EGWP rebates that were budgeted for FY 2013 but will not be received until FY 2014 (\$5.8 million).