



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

December 2012 Financial Report

Board of Trustees Meeting

January 25, 2013

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Year to Date December 2012

Fiscal Year 2012-2013	Actual thru Dec 2012	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	\$1.497 b	\$1.467 b	\$29.8 m
Net Claims Payments	\$1.239 b	\$1.281 b	(\$41.5 m)
Net Administrative Expenses	\$79.9 m	\$91.9 m	(\$12.0 m)
Total Plan Expenses	\$1.319 b	\$1.372 b	(\$53.5 m)
Net Income/(Loss)	\$177.7 m	\$94.4 m	\$83.3 m
Ending Cash Balance	\$679.9 m	\$596.6 m	\$83.3 m

Adjusted Variance Report

Year to Date December 2012

Fiscal Year 2012-2013	Actual thru Dec 2012, 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 *	\$1.474 b	\$1.467 b	\$7.2 m
Net Claims Payments ^	\$1.233 b	\$1.281 b	(\$47.9 m)
Net Administrative Expenses	\$79.9 m	\$91.9 m	(\$12.0 m)
Total Plan Expenses	\$1.313 b	\$1.372 b	(\$59.9 m)
Net Income/(Loss)	\$161.5 m	\$94.4 m	\$67.1 m
Ending Cash Balance	\$663.7 m	\$596.6 m	\$67.1 m

* Adjusted member premiums for prepayment and timing issues. Adjusted Medicare Part D Subsidy revenues to remove impact of unbudgeted prior year reconciliation payment (\$482,857). Adjusted ERRP revenues to remove impact of unbudgeted reimbursement to CMS for FY 2012 overpayment (\$558,219).

^ Decreased medical claims to remove impact of final December 2012 claims cycle budgeted to be paid in January (\$35.4 million). Increased pharmacy claims to assume payment of third invoice budgeted in December 2012, but actually paid in January 2013 (\$29 million).

Financial Results Actual v. Budgeted

Year to Date December 2012

Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru Dec 2012	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue	\$374.72	\$368.81	\$5.91
Net Claims Payments	\$311.00	\$322.54	(\$11.54)
Net Administrative Expenses	\$20.05	\$23.15	(\$3.10)
Total Plan Expenses	\$331.05	\$345.69	(\$14.64)
Net Income/(Loss)	\$43.67	\$23.12	\$20.55

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 2012

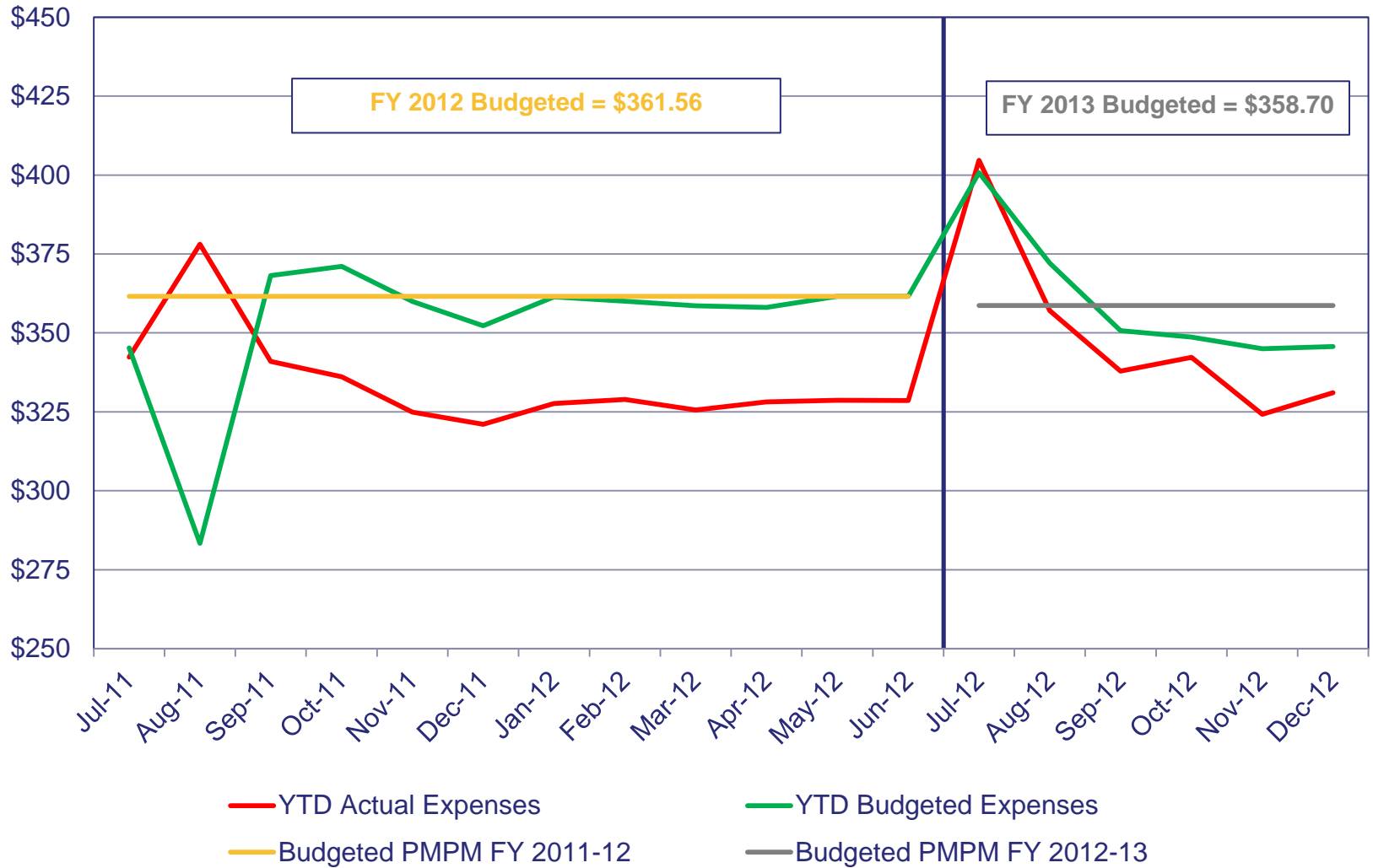
Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru Dec 2012, as Adjusted	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue *	\$369.07	\$368.81	\$0.26
Net Claims Payments ^	\$309.40	\$322.54	(\$13.14)
Net Administrative Expenses	\$20.05	\$23.15	(\$3.10)
Total Plan Expenses	\$329.45	\$345.69	(\$16.24)
Net Income/(Loss)	\$39.62	\$23.12	\$16.50

* Adjusted member premiums for prepayment and timing issues. Adjusted Medicare Part D Subsidy revenues to remove impact of unbudgeted prior year reconciliation payment (\$482,857). Adjusted ERRP revenues to remove impact of unbudgeted reimbursement to CMS for FY 2012 overpayment (\$558,219).

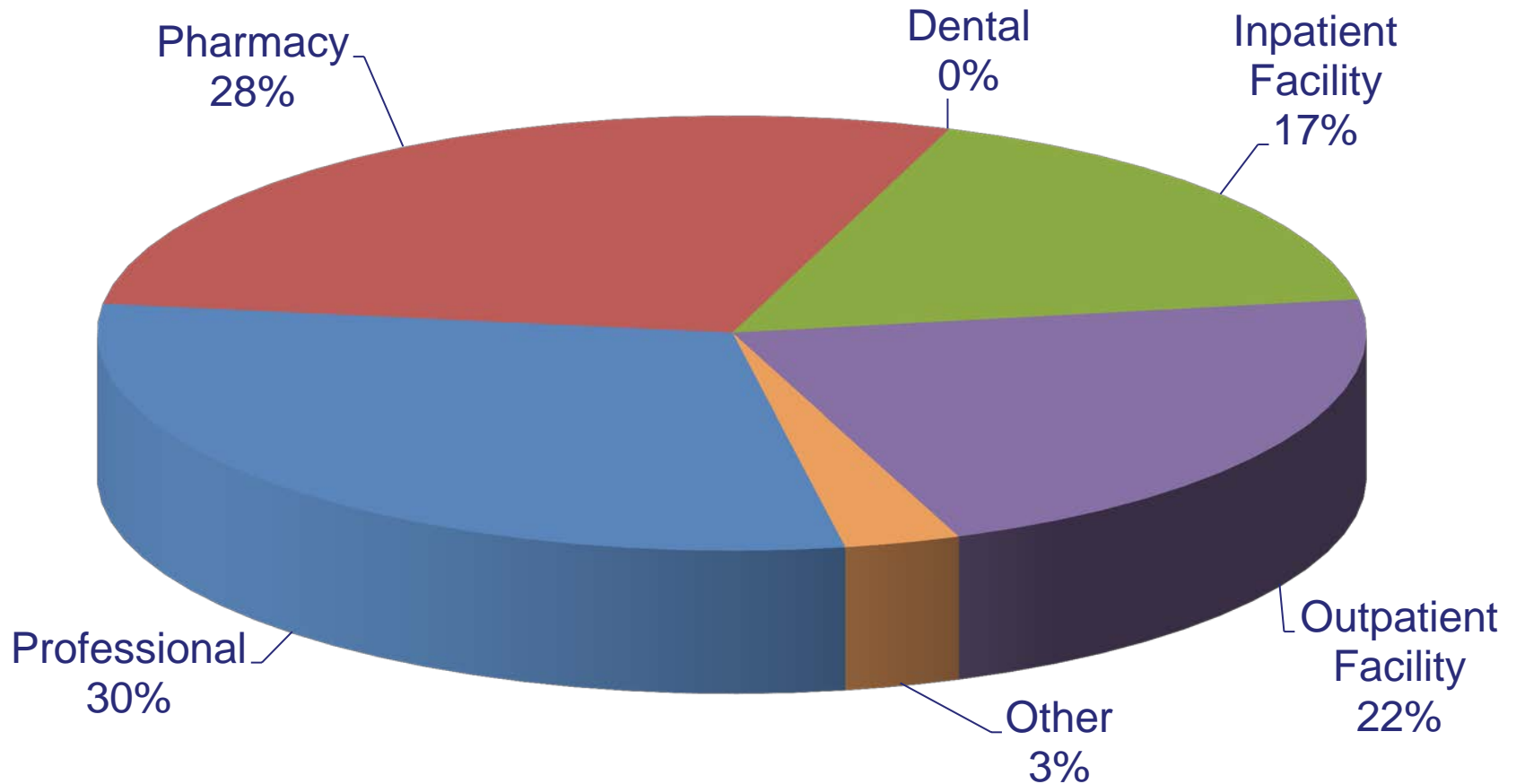
^ Decreased medical claims to remove impact of final December 2012 claims cycle budgeted to be paid in January (\$35.4 million). Increased pharmacy claims to assume payment of third invoice budgeted in December 2012, but actually paid in January 2013 (\$29 million).

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 2012

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 December 2012
 Fiscal Year 2012- 2013

	A	B	C	D	E	F	G	H
	Actual December 2012	Authorized Budget December 2012	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 Plan Revenue:								
2								
3 Member Premiums	\$ 272,493,980	\$ 239,582,402	\$ 32,911,578	\$ 1,470,468,048	\$ 1,438,785,126	\$ 31,682,922	\$ 2,872,808,844	\$ (1,402,340,796)
4 Premium Refunds/Retroactive Disenrollments	(19,079)	(119,791)	100,712	(244,462)	(719,392)	474,930	(1,437,243)	1,192,781
5 Medicare Part D (RDS) Subsidy	5,042,821	5,603,666	(560,845)	25,570,898	26,125,447	(554,549)	39,519,892	(13,948,994)
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	-	-	-	19,759,856	(19,759,856)
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(558,219)	-	(558,219)	-	(558,219)
8 Net Premium & Other Contributions	277,517,722	245,066,277	32,451,445	1,495,236,265	1,464,191,181	31,045,084	2,930,651,349	(1,435,415,084)
9								
10 Investment Earnings	268,390	488,812	(220,422)	1,403,080	2,694,030	(1,290,950)	5,658,262	(4,255,182)
11 Miscellaneous Revenue	-	-	-	8,159	-	8,159	-	8,159
12 Other Revenue	268,390	488,812	(220,422)	1,411,239	2,694,030	(1,282,791)	5,658,262	(4,247,023)
13								
14 Total Plan Revenue (excludes internal transfers)	277,786,112	245,555,089	32,231,023	1,496,647,504	1,466,885,211	29,762,293	2,936,309,611	(1,439,662,107)
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	176,886,869	134,021,896	42,864,973	919,071,986	932,009,715	(12,937,729)	2,003,583,417	(1,084,511,431)
19 Medical Claim Refunds/Recoveries	(1,330,645)	(2,445,414)	1,114,769	(12,293,069)	(15,159,545)	2,866,476	(31,216,928)	18,923,859
20 Net Medical Claims	175,556,224	131,576,482	43,979,742	906,778,917	916,850,170	(10,071,253)	1,972,366,489	(1,065,587,572)
21								
22 Pharmacy Claim Payments	55,266,783	84,431,031	(29,164,248)	358,901,155	388,898,120	(29,996,965)	743,853,418	(384,952,263)
23 Pharmacy Claim Rebates	-	-	-	(26,192,033)	(25,198,618)	(993,415)	(53,173,873)	26,981,840
24 Pharmacy Claim Refunds/Recoveries	(405,607)	-	(405,607)	(455,482)	-	(455,482)	-	(455,482)
25 Net Pharmacy Claims	54,861,176	84,431,031	(29,569,855)	332,253,640	363,699,502	(31,445,862)	690,679,545	(358,425,905)
26								
27 Net Claim Payments	230,417,400	216,007,513	14,409,887	1,239,032,557	1,280,549,672	(41,517,115)	2,663,046,034	(1,424,013,477)
28								
29 Net Administrative Expenses	13,505,079	15,303,019	(1,797,940)	79,894,819	91,900,557	(12,005,738)	189,387,392	(109,492,573)
30								
31 Total Plan Expenses (excludes internal transfers)	243,922,479	231,310,532	12,611,947	1,318,927,376	1,372,450,229	(53,522,853)	2,852,433,426	(1,533,506,050)
32								
33 Plan Income/(Loss)	33,863,633	14,244,557	19,619,076	177,720,128	94,434,982	83,285,146	83,876,185	93,843,943
34								
35 Cash Availability:								
36								
37 Beginning Cash Balance/(Deficit)	646,103,966	582,437,900	63,666,066	502,247,471	502,247,475	(4)	502,247,475	(4)
38 Ending Cash Balance/(Deficit)	679,967,599	596,682,457	83,285,142	679,967,599	596,682,457	83,285,142	586,123,660	93,843,939
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 Cash Balance Over/(Under) Reserve Target	\$ 480,239,146	\$ 396,954,004	\$ 83,285,142	\$ 480,239,146	\$ 396,954,004	\$ 83,285,142	\$ 386,395,207	\$ 93,843,939

Comments:

- a. Premium receivables totaled \$ 405,653.85 as of December 31, 2012.
- b. The average weekly medical claims cost net of claims refunds was \$35,111,244.80 for the five scheduled weekly claim cycles (Note: Due to the holidays the Plan actually paid claims four times instead of five).
- c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$27,633,391.50 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 December 2012

Fiscal Year 2012-2013

	A	B	C	D	E	F	G
	Current Year Actual December 2012	Prior Year Actual December 2011	Current Year to Date Actual FY 2012-13 thru December	Prior Year to Date Actual FY 2011-12 thru December	Current Year Authorized Annual Budget FY 2012-13	Prior Year Annual Budget FY 2011-12	Prior Year Actual Results FY 2011-12
1 Plan Revenue:							
2							
3 Member Premiums	\$ 272,493,980	\$ 245,359,783	\$ 1,470,468,048	\$ 1,380,150,332	\$ 2,872,808,844	\$ 2,772,587,259	\$ 2,750,368,851
4 Premium Refunds/Retroactive Disenrollments	(19,079)	(33,398)	(244,462)	(210,457)	(1,437,243)	(2,672,292)	(451,496)
5 Medicare Part D (RDS) Subsidy	5,042,821	8,354,286	25,570,898	22,452,415	39,519,892	60,058,789	57,583,602
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	-	19,759,856	-	-
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	(558,219)	42,163,391	-	25,583,136	42,163,391
8 Net Premium & Other Contributions	277,517,722	253,680,671	1,495,236,265	1,444,555,681	2,930,651,349	2,855,556,892	2,849,664,348
9							
10 Investment Earnings	268,390	263,544	1,403,080	1,602,905	5,658,262	2,245,712	3,015,819
11 Miscellaneous Revenue	-	-	8,159	-	-	-	-
12 Other Revenue	268,390	263,544	1,411,239	1,602,905	5,658,262	2,245,712	3,015,819
13							
14 Total Plan Revenue (excludes internal transfers)	277,786,112	253,944,215	1,496,647,504	1,446,158,586	2,936,309,611	2,857,802,604	2,852,680,167
15							
16 Plan Expenses:							
17							
18 Medical Claim Payments	176,886,869	138,254,166	919,071,986	896,937,725	2,003,583,417	2,078,924,788	1,849,410,105
19 Medical Claim Refunds/Recoveries	(1,330,645)	(2,591,589)	(12,293,069)	(14,628,268)	(31,216,928)	(33,175,196)	(22,634,615)
20 Net Medical Claims	175,556,224	135,662,577	906,778,917	882,309,457	1,972,366,489	2,045,749,592	1,826,775,490
21							
22 Pharmacy Claim Payments	55,266,783	52,087,731	358,901,155	357,966,958	743,853,418	706,459,465	721,644,990
23 Pharmacy Claim Rebates	-	-	(26,192,033)	(46,064,681)	(53,173,873)	(66,582,530)	(93,130,160)
24 Pharmacy Claim Refunds/Recoveries	(405,607)	(4,473)	(455,482)	(52,551)	-	-	(481,977)
25 Net Pharmacy Claims	54,861,176	52,083,258	332,253,640	311,849,726	690,679,545	639,876,935	628,032,853
26							
27 Net Claim Payments	230,417,400	187,745,835	1,239,032,557	1,194,159,183	2,663,046,034	2,685,626,527	2,454,808,343
28							
29 Net Administrative Expenses	13,505,079	13,045,063	79,894,819	84,200,706	189,387,392	180,464,149	165,480,561
30							
31 Total Plan Expenses (excludes internal transfers)	243,922,479	200,790,898	1,318,927,376	1,278,359,889	2,852,433,426	2,866,090,676	2,620,288,904
32							
33 Plan Income/(Loss)	33,863,633	53,153,317	177,720,128	167,798,697	83,876,185	(8,288,072)	232,391,263
34							
35 Cash Availability:							
36							
37 Beginning Cash Balance/(Deficit)	646,103,966	384,501,592	502,247,471	269,856,212	502,247,475	226,838,352	269,856,212
38 Ending Cash Balance/(Deficit)	679,967,599	437,654,909	679,967,599	437,654,909	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 Cash Balance Over/(Under) Reserve Target	\$ 480,239,146	\$ 236,232,920	\$ 480,239,146	\$ 236,232,920	\$ 386,395,207	\$ 17,128,291	\$ 300,825,486

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 2012
Fiscal Year 2012-13

	A	B	C	D	E	F
	Actual Year to Date FY 2012-13 thru December	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Authorized Budget Year to Date FY 2012-13 thru December	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
1 Plan Revenue:						
2						
3 Member Premiums (Note 1)	\$ 1,470,468,048	\$ (22,650,749)	\$ 1,447,817,299	\$ 1,438,785,126	\$ 9,032,173	0.63%
4 Premium Refunds/Retroactive Disenrollments	(244,462)		(244,462)	(719,392)	474,930	-66.02%
5 Medicare Part D (RDS) Subsidy (Note 2)	25,570,898	(482,857)	25,088,041	26,125,447	(1,037,406)	-3.97%
6 Medicare PDP (EGWP + Wrap) Subsidy	-		-	-	-	
7 Federal Early Retiree Reinsurance Program (ERRP) (Note 3)	(558,219)	558,219	-	-	-	
8 Net Premium & Other Contributions	1,495,236,265	(22,575,387)	1,472,660,878	1,464,191,181	8,469,697	0.58%
9						
10 Other Revenue	1,411,239		1,411,239	2,694,030	(1,282,791)	-47.62%
11						
12 Total Plan Revenue (excludes internal transfers)	1,496,647,504	(22,575,387)	1,474,072,117	1,466,885,211	7,186,906	0.49%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims (Note 4)	906,778,917	(35,377,374)	871,401,543	916,850,170	(45,448,627)	-4.96%
17 Net Pharmacy Claims (Note 5)	332,253,640	29,012,834	361,266,474	363,699,502	(2,433,028)	-0.67%
18 Net Claim Payments	1,239,032,557	(6,364,540)	1,232,668,017	1,280,549,672	(47,881,655)	-3.74%
19						
20 Net Administrative Expenses	79,894,819		79,894,819	91,900,557	(12,005,738)	-13.06%
21						
22 Total Plan Expenses (excludes internal transfers)	1,318,927,376	(6,364,540)	1,312,562,836	1,372,450,229	(59,887,393)	-4.36%
23						
24 Plan Income/(Loss)	177,720,128	(16,210,847)	161,509,281	94,434,982	67,074,299	71.03%
25						
26 Cash Availability:						
27						
28 Beginning Cash Balance/(Deficit)	502,247,471		502,247,471	502,247,475	(4)	0.00%
29 Ending Cash Balance/(Deficit)	679,967,599	(16,210,847)	663,756,752	596,682,457	67,074,295	11.24%
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	\$ 480,239,146	\$ (16,210,847)	\$ 464,028,299	\$ 396,954,004	\$ 67,074,295	16.90%

Adjustment Notes:

1. Member premiums adjusted for timing issues.
2. Medicare Part D Subsidy revenues increased to remove impact of unbudgeted prior year reconciliation receipt (\$482,857).
3. Revenues adjusted to remove impact of unbudgeted reimbursement to CMS for FY 2012 ERRP overpayment (\$558,219).
4. Medical claims decreased to remove impact of final December 2012 weekly claims cycle budgeted to be paid in January 2013 (\$35.4 million).
5. Pharmacy claims increased to assume payment of 3rd claims invoice budgeted in December 2012, but actually paid in January 2013 (\$29 million).