



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

July 2013 Financial Report

Board of Trustees Meeting

September 27, 2013

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Year to Date July 2013

Short Plan Year July-December 2013	Actual thru July 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	\$256.4 m	\$246.4 m	\$10.0 m
Net Claims Payments	\$273.5 m	\$267.2 m	\$6.3 m
Net Administrative Expenses	\$15.0 m	\$15.2 m	(\$0.2 m)
Total Plan Expenses	\$288.5 m	\$282.4 m	\$6.1 m
Net Income/(Loss)	(\$32.1 m)	(\$36.0 m)	\$3.9 m
Ending Cash Balance	\$751.4 m	\$719.8 m	\$31.6 m

Adjusted Variance Report

Year to Date July 2013

Short Plan Year July-December 2013	Actual thru July 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 *	\$248.2 m	\$246.4 m	\$1.8 m
Net Claims Payments *	\$268.1 m	\$267.2 m	\$0.9 m
Net Administrative Expenses	\$15.0 m	\$15.2 m	(\$0.2 m)
Total Plan Expenses	\$283.1 m	\$282.4 m	\$0.7 m
Net Income/(Loss)	(\$34.9 m)	(\$36.0 m)	\$1.1 m
Ending Cash Balance	\$748.6 m	\$719.8 m	\$28.8 m

* Adjusted for timing issues.

Financial Results Actual v. Budgeted

Year to Date July 2013

Per Member Per Month (PMPM) Analysis

Short Plan Year July-December 2013	Actual thru July 2013	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue	\$383.99	\$369.10	\$14.89
Net Claims Payments	\$408.64	\$399.85	\$8.79
Net Administrative Expenses	\$22.49	\$22.78	(\$0.29)
Total Plan Expenses	\$431.13	\$422.63	\$8.50
Net Income/(Loss)	(\$47.14)	(\$53.53)	\$6.39

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

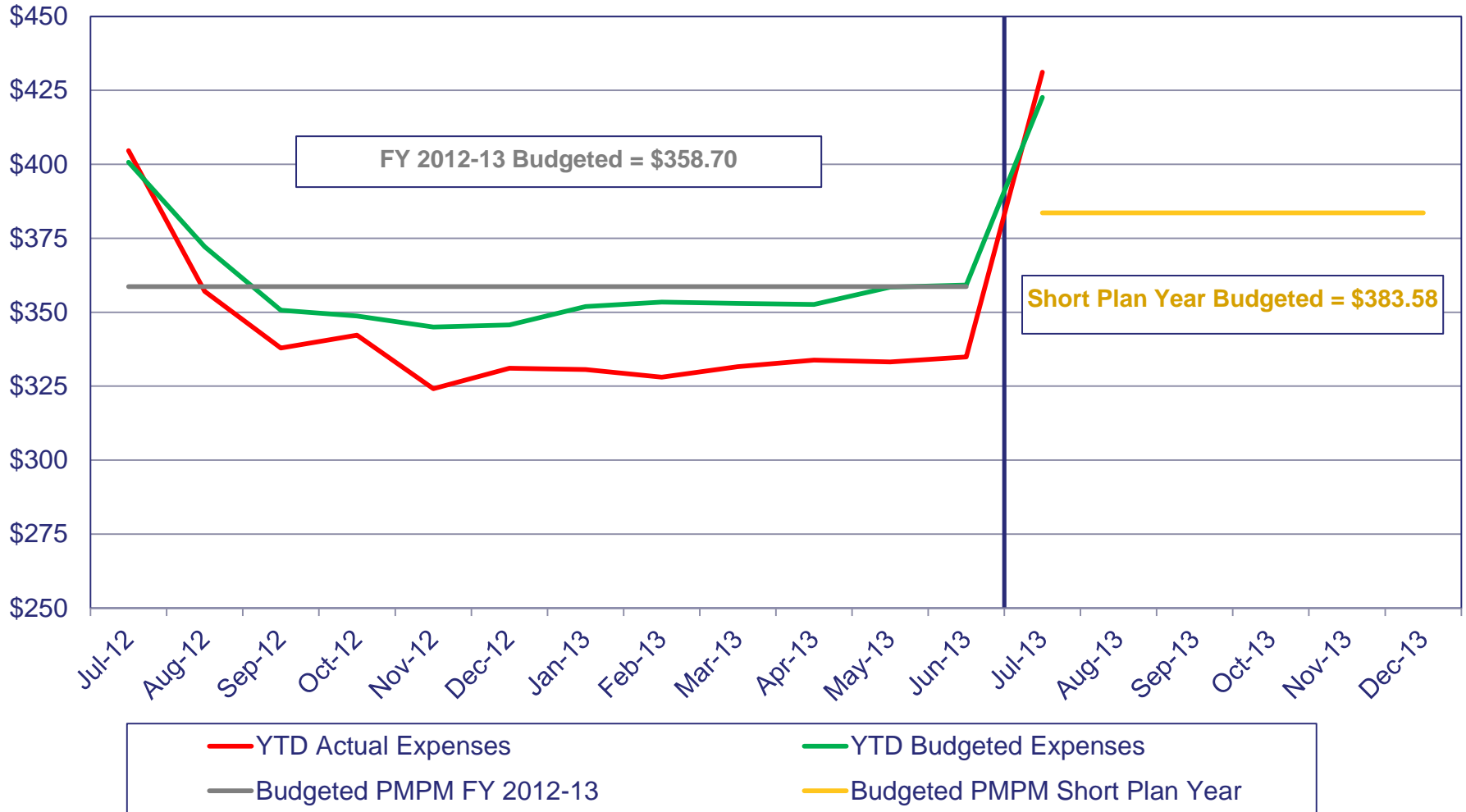
Year to Date July 2013

Per Member Per Month (PMPM) Analysis

Short Plan Year July-December 2013	Actual thru July 2013, as Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	\$371.74	\$369.10	\$2.64
Net Claims Payments *	\$400.57	\$399.85	\$0.72
Net Administrative Expenses	\$22.49	\$22.78	(\$0.29)
Total Plan Expenses	\$423.06	\$422.63	\$0.43
Net Income/(Loss)	(\$51.32)	(\$53.53)	\$2.21

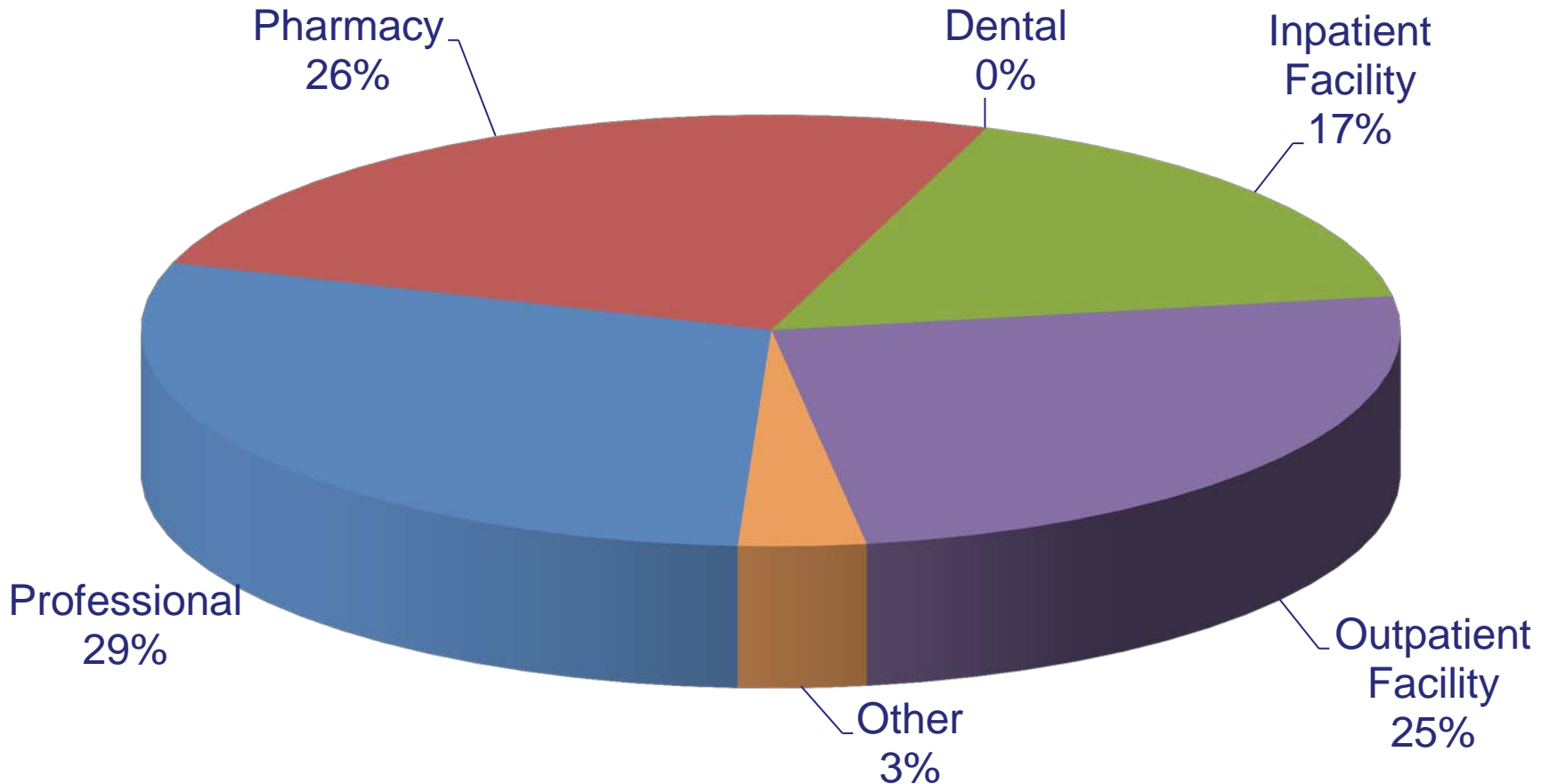
* Adjusted for timing issues.

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 July 2013

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 July 2013

Short Plan Year (July - December 2013)

	A	B	C	D	E	F	G	H
	Actual July 2013	Certified Budget July 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	\$ 247,712,470	\$ 240,225,187	\$ 7,487,283	\$ 247,712,470	\$ 240,225,187	\$ 7,487,283	\$ 1,440,079,372	\$ (1,192,366,902)
4 Premium Refunds/Retroactive Disenrollments	(3,887)	(120,320)	116,433	(3,887)	(120,320)	116,433	(721,290)	717,403
5 Medicare Part D (RDS) Subsidy	549,436	469,160	80,276	549,436	469,160	80,276	2,784,744	(2,235,308)
6 Medicare PDP (EGWP + Wrap) Subsidy	7,917,151	5,669,732	2,247,419	7,917,151	5,669,732	2,247,419	32,347,301	(24,430,150)
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
8 Net Premium & Other Contributions	256,175,170	246,243,759	9,931,411	256,175,170	246,243,759	9,931,411	1,474,490,127	(1,218,314,957)
9								
10 Investment Earnings	268,810	244,949	23,861	268,810	244,949	23,861	1,448,002	(1,179,192)
11 Miscellaneous Revenue	-	-	-	-	-	-	-	-
12 Other Revenue	268,810	244,949	23,861	268,810	244,949	23,861	1,448,002	(1,179,192)
13								
14 Total Plan Revenue (excludes internal transfers)	256,443,980	246,488,708	9,955,272	256,443,980	246,488,708	9,955,272	1,475,938,129	(1,219,494,149)
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	187,337,017	188,919,238	(1,582,221)	187,337,017	188,919,238	(1,582,221)	1,043,999,297	(856,662,280)
19 Medical Claim Refunds/Recoveries	(2,199,898)	(2,078,616)	(121,282)	(2,199,898)	(2,078,616)	(121,282)	(12,060,684)	9,860,786
20 Net Medical Claims	185,137,119	186,840,622	(1,703,503)	185,137,119	186,840,622	(1,703,503)	1,031,938,613	(846,801,494)
21								
22 Pharmacy Claim Payments	95,318,946	91,432,944	3,886,002	95,318,946	91,432,944	3,886,002	434,048,440	(338,729,494)
23 Pharmacy Claim Rebates	(6,882,250)	(11,056,828)	4,174,578	(6,882,250)	(11,056,828)	4,174,578	(20,572,861)	13,690,611
24 Pharmacy Claim Refunds/Recoveries	(112,292)	-	(112,292)	(112,292)	-	(112,292)	-	(112,292)
25 Net Pharmacy Claims	88,324,404	80,376,116	7,948,288	88,324,404	80,376,116	7,948,288	413,475,579	(325,151,175)
26								
27 Net Claim Payments	273,461,523	267,216,738	6,244,785	273,461,523	267,216,738	6,244,785	1,445,414,192	(1,171,952,669)
28								
29 Net Administrative Expenses	15,047,688	15,226,894	(179,206)	15,047,688	15,226,894	(179,206)	91,298,298	(76,250,610)
30								
31 Total Plan Expenses (excludes internal transfers)	288,509,211	282,443,632	6,065,579	288,509,211	282,443,632	6,065,579	1,536,712,490	(1,248,203,279)
32								
33 Plan Income/(Loss)	(32,065,231)	(35,954,924)	3,889,693	(32,065,231)	(35,954,924)	3,889,693	(60,774,361)	28,709,130
34								
35 Cash Availability:								
36								
37 Beginning Cash Balance/(Deficit)	783,487,948	755,749,494	27,738,454	783,487,948	755,749,494	27,738,454	755,749,494	27,738,454
38 Ending Cash Balance/(Deficit)	751,422,717	719,794,570	31,628,147	751,422,717	719,794,570	31,628,147	694,975,133	56,447,584
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	\$ 531,936,937	\$ 500,308,790	\$ 31,628,147	\$ 531,936,937	\$ 500,308,790	\$ 31,628,147	\$ 475,489,353	\$ 56,447,584

Comments:

- a. Premium receivables totaled \$ 2,316,483.37 as of July 31, 2013.
- b. The average weekly medical claims cost net of claims refunds was \$37,027,423.80 for the five scheduled weekly claim cycles.
- c. Total pharmacy claims, before rebates and refunds, included three bi-weekly invoice cycles averaging \$31,772,982.00 per cycle.
- d. The target stabilization reserve is 8% of the projected net claims for Calendar Year 2013.
- 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 July 2013

Fiscal Year 2013-2014

	A	B	C	D	E	F	G
	Current Year Actual July 2013	Prior Year Actual July 2012	Current Year to Date Actual FY 2013-14 thru July	Prior Year to Date Actual FY 2012-13 thru July	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	\$ 247,712,470	\$ 238,141,727	\$ 247,712,470	\$ 238,141,727	\$ 2,902,567,015	\$ 2,872,808,844	\$ 2,895,366,140
4 Premium Refunds/Retroactive Disenrollments	(3,887)	(27,686)	(3,887)	(27,686)	(1,466,766)	(1,437,243)	(487,819)
5 Medicare Part D (RDS) Subsidy	549,436	4,002,360	549,436	4,002,360	6,218,762	39,519,892	38,056,016
6 Medicare PDP (EGWP + Wrap) Subsidy	7,917,151	-	7,917,151	-	50,346,402	19,759,856	24,435,483
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	(558,219)
8 Net Premium & Other Contributions	256,175,170	242,116,401	256,175,170	242,116,401	2,957,665,413	2,930,651,349	2,956,811,601
9							
10 Investment Earnings	268,810	255,103	268,810	255,103	2,868,131	5,658,262	3,117,666
11 Miscellaneous Revenue	-	-	-	-	-	-	119,047
12 Other Revenue	268,810	255,103	268,810	255,103	2,868,131	5,658,262	3,236,713
13							
14 Total Plan Revenue (excludes internal transfers)	256,443,980	242,371,504	256,443,980	242,371,504	2,960,533,544	2,936,309,611	2,960,048,314
15							
16 Plan Expenses:							
17							
18 Medical Claim Payments	187,337,017	188,992,659	187,337,017	188,992,659	2,107,493,114	2,003,583,417	1,858,096,405
19 Medical Claim Refunds/Recoveries	(2,199,898)	(1,985,632)	(2,199,898)	(1,985,632)	(24,643,884)	(31,216,928)	(23,467,914)
20 Net Medical Claims	185,137,119	187,007,027	185,137,119	187,007,027	2,082,849,230	1,972,366,489	1,834,628,491
21							
22 Pharmacy Claim Payments	95,318,946	83,193,670	95,318,946	83,193,670	699,653,578	743,853,418	755,896,440
23 Pharmacy Claim Rebates	(6,882,250)	(12,543,432)	(6,882,250)	(12,543,432)	(52,353,361)	(53,173,873)	(69,641,941)
24 Pharmacy Claim Refunds/Recoveries	(112,292)	(12,410)	(112,292)	(12,410)	-	-	(3,476,790)
25 Net Pharmacy Claims	88,324,404	70,637,828	88,324,404	70,637,828	647,300,217	690,679,545	682,777,709
26							
27 Net Claim Payments	273,461,523	257,644,855	273,461,523	257,644,855	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	15,047,688	11,110,634	15,047,688	11,110,634	182,446,628	189,387,392	161,401,639
32							
33 Total Plan Expenses (excludes internal transfers)	288,509,211	268,755,489	288,509,211	268,755,489	2,999,460,819	2,852,433,426	2,678,807,839
34							
35 Plan Income/(Loss)	(32,065,231)	(26,383,985)	(32,065,231)	(26,383,985)	(38,927,275)	83,876,185	281,240,475
36							
37 Cash Availability:							
38							
39 Beginning Cash Balance/(Deficit)	783,487,948	502,247,471	783,487,948	502,247,471	755,749,494	502,247,475	502,247,471
40 Ending Cash Balance/(Deficit)	751,422,717	475,863,486	751,422,717	475,863,486	716,822,219	586,123,660	783,487,946
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	\$ 511,976,511	\$ 276,135,033	\$ 511,976,511	\$ 276,135,033	\$ 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 July 2013
Short Plan Year (July-December 2013)

	A	B	C	D	E	F
	Actual Year to Date Short Plan Year thru July	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Certified Budget Year to Date Short Plan Year thru July	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)	\$ 247,712,470	\$ (8,175,162)	\$ 239,537,308	\$ 240,225,187	\$ (687,879)	-0.29%
4 Premium Refunds/Retroactive Disenrollments	(3,887)		(3,887)	(120,320)	116,433	-96.77%
5 Medicare Part D (RDS) Subsidy	549,436		549,436	469,160	80,276	17.11%
6 Medicare PDP (EGWP + Wrap) Subsidy	7,917,151		7,917,151	5,669,732	2,247,419	39.64%
7 Federal Early Retiree Reinsurance Program (ERRP)	-		-	-	-	
8 Net Premium & Other Contributions	256,175,170	(8,175,162)	248,000,008	246,243,759	1,756,249	0.71%
9						
10 Other Revenue	268,810		268,810	244,949	23,861	9.74%
11						
12 Total Plan Revenue (excludes internal transfers)	256,443,980	(8,175,162)	248,268,818	246,488,708	1,780,110	0.72%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims	185,137,119		185,137,119	186,840,622	(1,703,503)	-0.91%
17 Net Pharmacy Claims (Note 3)	88,324,404	(5,400,000)	82,924,404	80,376,116	2,548,288	3.17%
18 Net Claim Payments	273,461,523	(5,400,000)	268,061,523	267,216,738	844,785	0.32%
19						
20 Net Administrative Expenses	15,047,688		15,047,688	15,226,894	(179,206)	-1.18%
21						
22 Total Plan Expenses (excludes internal transfers)	288,509,211	(5,400,000)	283,109,211	282,443,632	665,579	0.24%
23						
24 Plan Income/(Loss)	(32,065,231)	(2,775,162)	(34,840,393)	(35,954,924)	1,114,531	-3.10%
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)	751,422,717	(2,775,162)	748,647,555	719,794,570	28,852,985	4.01%
30						
31 Target Stabilization Reserve @ 12/31/2013	219,485,780		219,485,780	219,485,780	-	
32						
33 Cash Balance Over/(Under) Reserve Target	\$ 531,936,937	\$ (2,775,162)	\$ 529,161,775	\$ 500,308,790	\$ 28,852,985	5.77%

Adjustment Notes:

1. Member premiums adjusted to include \$10.3 million in prepaid premiums from June 2013.
2. Member premiums adjusted to exclude \$18.5 million in prepaid premiums received in July 2013.
3. Pharmacy claims adjusted to include an EGWP rebate budgeted for July that will not be received until October.