



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

May 2013 Financial Report

Board of Trustees Meeting

July 25-26, 2013

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Year to Date May 2013

Fiscal Year 2012-2013	Actual thru May 2013	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	\$2.724 b	\$2.693 b	\$31.1 m
Net Claims Payments	\$2.294 b	\$2.437 b	(\$142.6 m)
Net Administrative Expenses	\$148.0 m	\$173.1 m	(\$25.1 m)
Total Plan Expenses	\$2.442 b	\$2.610 b	(\$167.7 m)
Net Income/(Loss)	\$281.6 m	\$82.8 m	\$198.8 m
Ending Cash Balance	\$783.8 m	\$585.0 m	\$198.8 m

Adjusted Variance Report

Year to Date May 2013

Fiscal Year 2012-2013	Actual thru May 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 *	\$2.718 b	\$2.693 b	\$25.8 m
Net Claims Payments ^	\$2.315 b	\$2.437 b	(\$121.7 m)
Net Administrative Expenses	\$148.0 m	\$173.1 m	(\$25.1 m)
Total Plan Expenses	\$2.463 b	\$2.610 b	(\$146.8 m)
Net Income/(Loss)	\$255.4 m	\$82.8 m	\$172.6 m
Ending Cash Balance	\$757.6 m	\$585.0 m	\$172.6 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.

Financial Results Actual v. Budgeted

Year to Date May 2013

Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru May 2013	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue	\$371.08	\$369.61	\$1.47
Net Claims Payments	\$313.00	\$334.70	(\$21.70)
Net Administrative Expenses	\$20.20	\$23.78	(\$3.58)
Total Plan Expenses	\$333.20	\$358.48	(\$25.28)
Net Income/(Loss)	\$37.88	\$11.13	\$26.75

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 May 2013

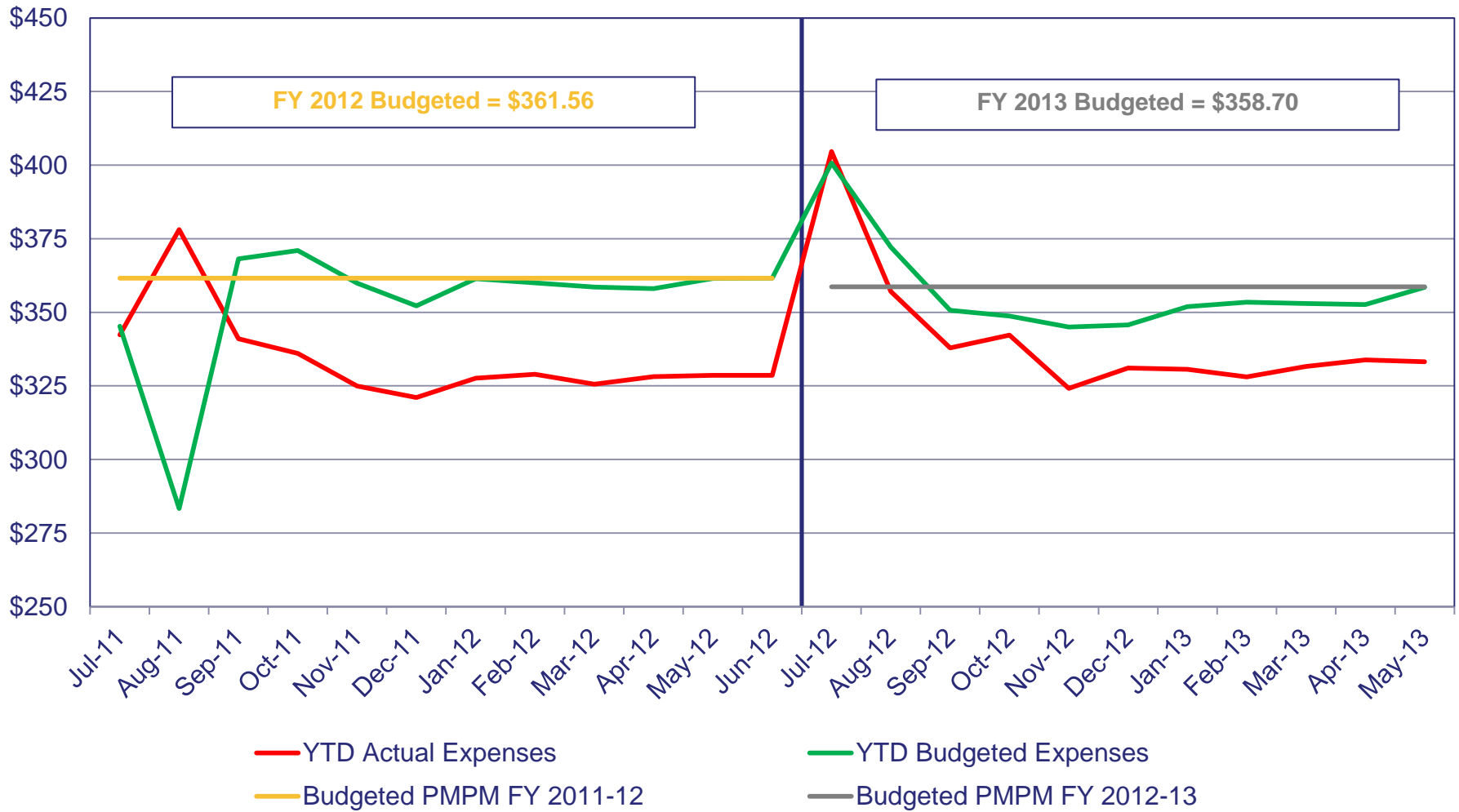
Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru May 2013, as Adjusted	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue *	\$370.36	\$369.61	\$0.75
Net Claims Payments ^	\$315.86	\$334.70	(\$18.84)
Net Administrative Expenses	\$20.20	\$23.78	(\$3.58)
Total Plan Expenses	\$336.06	\$358.48	(\$22.42)
Net Income/(Loss)	\$34.30	\$11.13	\$23.17

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

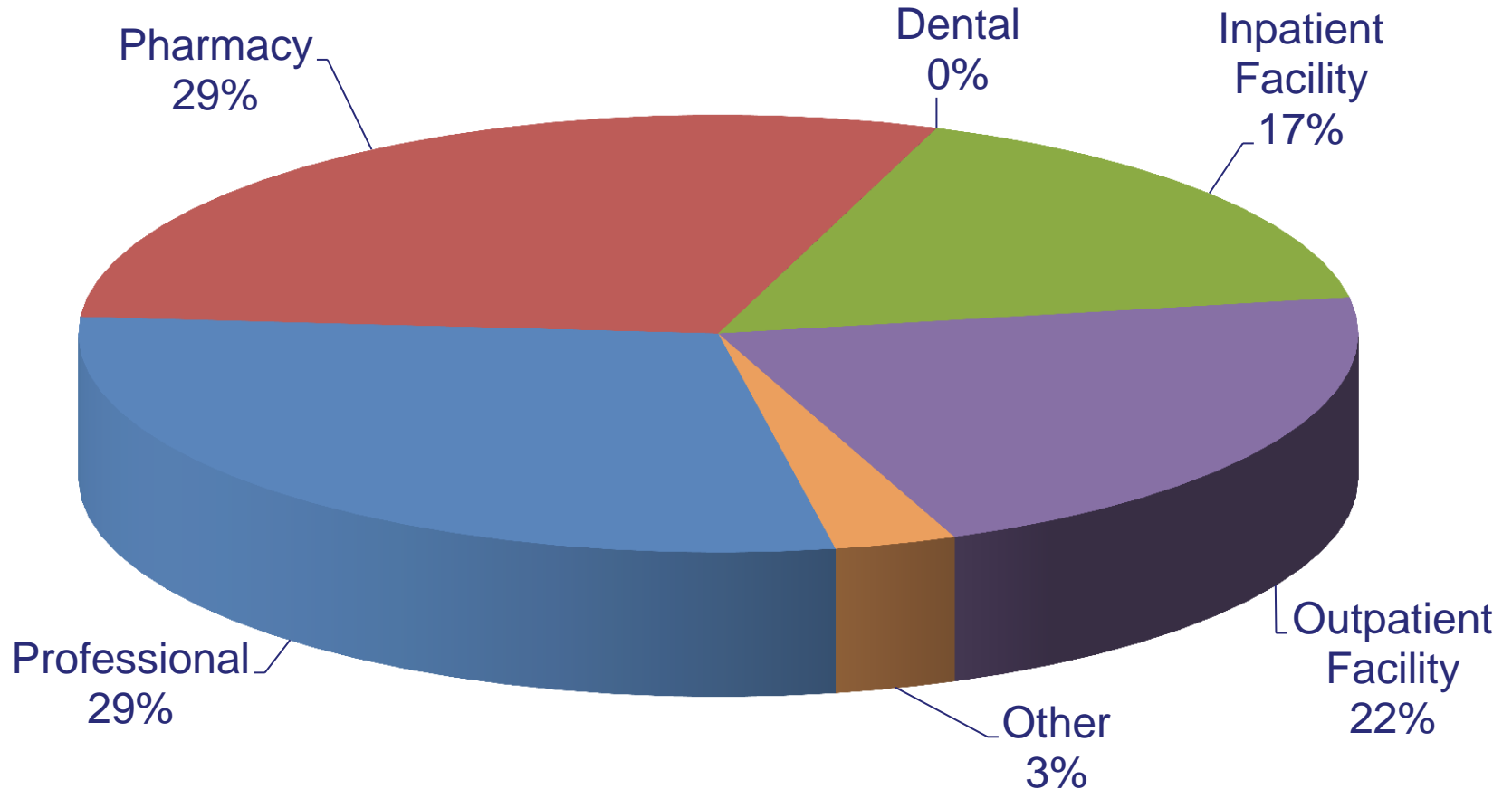
^ Adjusted to remove the impact of a larger-than-expected pharmacy rebate true-up payment.

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 May 2013

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 May 2013
 Fiscal Year 2012- 2013

	A	B	C	D	E	F	G	H
	Actual May 2013	Authorized Budget May 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
Plan Revenue:								
Member Premiums	\$ 232,260,146	\$ 238,875,809	\$ (6,615,663)	\$ 2,663,879,063	\$ 2,634,018,094	\$ 29,860,969	\$ 2,872,808,844	\$ (208,929,781)
Premium Refunds/Retroactive Disenrollments	(52,746)	(119,578)	66,832	(436,076)	(1,317,707)	881,631	(1,437,243)	1,001,167
Medicare Part D (RDS) Subsidy	2,136,352	510,192	1,626,160	37,515,430	39,029,951	(1,514,521)	39,519,892	(2,004,462)
Medicare PDP (EGWP + Wrap) Subsidy	3,977,439	3,955,247	22,192	20,446,379	15,801,328	4,645,051	19,759,856	686,523
Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(558,219)	-	(558,219)	-	(558,219)
Net Premium & Other Contributions	238,321,191	243,221,670	(4,900,479)	2,720,846,577	2,687,531,666	33,314,911	2,930,651,349	(209,804,772)
Investment Earnings	295,272	499,130	(203,858)	2,822,063	5,172,172	(2,350,109)	5,658,262	(2,836,199)
Miscellaneous Revenue	-	-	-	119,047	-	119,047	-	119,047
Other Revenue	295,272	499,130	(203,858)	2,941,110	5,172,172	(2,231,062)	5,658,262	(2,717,152)
Total Plan Revenue (excludes internal transfers)	238,616,463	243,720,800	(5,104,337)	2,723,787,687	2,692,703,838	31,083,849	2,936,309,611	(212,521,924)
Plan Expenses:								
Medical Claim Payments	153,310,253	202,323,947	(49,013,694)	1,697,260,342	1,836,098,844	(138,838,502)	2,003,583,417	(306,323,075)
Medical Claim Refunds/Recoveries	(2,031,151)	(2,673,460)	642,309	(21,873,777)	(28,364,875)	6,491,098	(31,216,928)	9,343,151
Net Medical Claims	151,279,102	199,650,487	(48,371,385)	1,675,386,565	1,807,733,969	(132,347,404)	1,972,366,489	(296,979,924)
Pharmacy Claim Payments	62,939,405	60,251,696	2,687,709	691,843,019	682,979,005	8,864,014	743,853,418	(52,010,399)
Pharmacy Claim Rebates	(8,572,120)	-	(8,572,120)	(69,641,941)	(53,940,467)	(15,701,474)	(53,173,873)	(16,468,068)
Pharmacy Claim Refunds/Recoveries	(11,895)	-	(11,895)	(3,452,462)	-	(3,452,462)	-	(3,452,462)
Net Pharmacy Claims	54,355,390	60,251,696	(5,896,306)	618,748,616	629,038,538	(10,289,922)	690,679,545	(71,930,929)
Net Claim Payments	205,634,492	259,902,183	(54,267,691)	2,294,135,181	2,436,772,507	(142,637,326)	2,663,046,034	(368,910,853)
Net Administrative Expenses	13,289,245	16,240,841	(2,951,596)	148,037,634	173,151,169	(25,113,535)	189,387,392	(41,349,758)
Total Plan Expenses (excludes internal transfers)	218,923,737	276,143,024	(57,219,287)	2,442,172,815	2,609,923,676	(167,750,861)	2,852,433,426	(410,260,611)
Plan Income/(Loss)	19,692,726	(32,422,224)	52,114,950	281,614,872	82,780,162	198,834,710	83,876,185	197,738,687
Cash Availability:								
Beginning Cash Balance/(Deficit)	764,169,617	617,449,861	146,719,756	502,247,471	502,247,475	(4)	502,247,475	(4)
Ending Cash Balance/(Deficit)	783,862,343	585,027,637	198,834,706	783,862,343	585,027,637	198,834,706	586,123,660	197,738,683
Target Stabilization Reserve @ 6/30/13	199,728,453	199,728,453	-	199,728,453	199,728,453	-	199,728,453	-
Cash Balance Over/(Under) Reserve Target	\$ 584,133,890	\$ 385,299,184	\$ 198,834,706	\$ 584,133,890	\$ 385,299,184	\$ 198,834,706	\$ 386,395,207	\$ 197,738,683

Comments:

- a. Premium receivables totaled \$ 1,216,230.49 as of May 31, 2013.
- b. The average weekly medical claims cost net of claims refunds was \$37,819,775.50 for the four scheduled weekly claim cycles.
- c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$31,469,702.60 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 May 2013

Fiscal Year 2012-2013

	A	B	C	D	E	F	G
	Current Year Actual May 2013	Prior Year Actual May 2012	Current Year to Date Actual FY 2012-13 thru May	Prior Year to Date Actual FY 2011-12 thru May	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	\$ 232,260,146	\$ 225,008,321	\$ 2,663,879,063	\$ 2,517,329,142	\$ 2,872,808,844	\$ 2,772,587,259	\$ 2,750,368,851
4 Premium Refunds/Retroactive Disenrollments	(52,746)	(13,174)	(436,076)	(415,320)	(1,437,243)	(2,672,292)	(451,496)
5 Medicare Part D (RDS) Subsidy	2,136,352	6,727,954	37,515,430	53,290,255	39,519,892	60,058,789	57,583,602
6 Medicare PDP (EGWP + Wrap) Subsidy	3,977,439	-	20,446,379	-	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	238,321,191	231,723,101	2,720,846,577	2,612,367,468	2,930,651,349	2,855,556,892	2,849,664,348
9							
10 Investment Earnings	295,272	224,705	2,822,063	2,772,062	5,658,262	2,245,712	3,015,819
11 Miscellaneous Revenue	-	-	119,047	-	-	-	-
12 Other Revenue	295,272	224,705	2,941,110	2,772,062	5,658,262	2,245,712	3,015,819
13							
14 Total Plan Revenue (excludes internal transfers)	238,616,463	231,947,806	2,723,787,687	2,615,139,530	2,936,309,611	2,857,802,604	2,852,680,167
15							
16 Plan Expenses:							
17							
18 Medical Claim Payments	153,310,253	151,399,330	1,697,260,342	1,704,726,396	2,003,583,417	2,078,924,788	1,849,410,105
19 Medical Claim Refunds/Recoveries	(2,031,151)	(3,487,217)	(21,873,777)	(26,740,556)	(31,216,928)	(33,175,196)	(22,634,615)
20 Net Medical Claims	151,279,102	147,912,113	1,675,386,565	1,677,985,840	1,972,366,489	2,045,749,592	1,826,775,490
21							
22 Pharmacy Claim Payments	62,939,405	57,944,659	691,843,019	665,408,399	743,853,418	706,459,465	721,644,990
23 Pharmacy Claim Rebates	(8,572,120)	-	(69,641,941)	(93,130,160)	(53,173,873)	(66,582,530)	(93,130,160)
24 Pharmacy Claim Refunds/Recoveries	(11,895)	(5,190)	(3,452,462)	(85,413)	-	-	(481,977)
25 Net Pharmacy Claims	54,355,390	57,939,469	618,748,616	572,192,826	690,679,545	639,876,935	628,032,853
26							
27 Net Claim Payments	205,634,492	205,851,582	2,294,135,181	2,250,178,666	2,663,046,034	2,685,626,527	2,454,808,343
28							
29 Net Administrative Expenses	13,289,245	15,710,715	148,037,634	151,757,587	189,387,392	180,464,149	165,480,561
30							
31 Total Plan Expenses (excludes internal transfers)	218,923,737	221,562,297	2,442,172,815	2,401,936,253	2,852,433,426	2,866,090,676	2,620,288,904
32							
33 Plan Income/(Loss)	19,692,726	10,385,509	281,614,872	213,203,277	83,876,185	(8,288,072)	232,391,263
34							
35 Cash Availability:							
36							
37 Beginning Cash Balance/(Deficit)	764,169,617	472,673,980	502,247,471	269,856,212	502,247,475	226,838,352	269,856,212
38 Ending Cash Balance/(Deficit)	783,862,343	483,059,489	783,862,343	483,059,489	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	\$ 584,133,890	\$ 281,637,500	\$ 584,133,890	\$ 281,637,500	\$ 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 May 2013
Fiscal Year 2012-13

	A	B	C	D	E	F
	Actual Year to Date FY 2012-13 thru May	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Authorized Budget Year to Date FY 2012-13 thru May	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
1 Plan Revenue:						
2						
3 Member Premiums (Note 1)	\$ 2,663,879,063	\$ (1,499,721)	\$ 2,662,379,342	\$ 2,634,018,094	\$ 28,361,248	1.08%
4 Premium Refunds/Retroactive Disenrollments	(436,076)		(436,076)	(1,317,707)	881,631	-66.91%
5 Medicare Part D (RDS) Subsidy (Note 2)	37,515,430	(482,857)	37,032,573	39,029,951	(1,997,378)	-5.12%
6 Medicare PDP (EGWP + Wrap) Subsidy (Note 3)	20,446,379	(3,879,515)	16,566,864	15,801,328	765,536	4.84%
7 Federal Early Retiree Reinsurance Program (ERRP) (Note 4)	(558,219)	558,219	-	-	-	
8 Net Premium & Other Contributions	2,720,846,577	(5,303,874)	2,715,542,703	2,687,531,666	28,011,037	1.04%
9						
10 Other Revenue	2,941,110		2,941,110	5,172,172	(2,231,062)	-43.14%
11						
12 Total Plan Revenue (excludes internal transfers)	2,723,787,687	(5,303,874)	2,718,483,813	2,692,703,838	25,779,975	0.96%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims	1,675,386,565		1,675,386,565	1,807,733,969	(132,347,404)	-7.32%
17 Net Pharmacy Claims (Note 5)	618,748,616	20,940,747	639,689,363	629,038,538	10,650,825	1.69%
18 Net Claim Payments	2,294,135,181	20,940,747	2,315,075,928	2,436,772,507	(121,696,579)	-4.99%
19						
20 Net Administrative Expenses	148,037,634		148,037,634	173,151,169	(25,113,535)	-14.50%
21						
22 Total Plan Expenses (excludes internal transfers)	2,442,172,815	20,940,747	2,463,113,562	2,609,923,676	(146,810,114)	-5.63%
23						
24 Plan Income/(Loss)	281,614,872	(26,244,621)	255,370,251	82,780,162	172,590,089	208.49%
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)	783,862,343	(26,244,621)	757,617,722	585,027,637	172,590,085	29.50%
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	\$ 584,133,890	\$ (26,244,621)	\$ 557,889,269	\$ 385,299,184	\$ 172,590,085	44.79%

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.