



**Board of Trustees' Meeting**  
**Department of State Treasurer**  
**Friday, March 22, 2013**  
**10:00 a.m. to 3:00 p.m.**  
**(10 a.m. to noon – Executive Session)**  
**(12:15 p.m. to 3:00 p.m. – Open Session)**

**AGENDA**

1. Welcome Janet Cowell, Chair
2. Conflict of Interest Statement Janet Cowell, Chair
3. **Executive Session (for Board members only) (2 hours)** Janet Cowell, Chair  
*Pursuant to: G.S.§143-318.11(6)*

**Lunch**

4. Review of Minutes – January 24-25, February 4, 2013 **(Requires Board Vote)** Janet Cowell, Chair
5. Lake Lawsuit Update *(5 minutes)* Lotta Crabtree
6. Integrated Health Management Update *(15 minutes)* Lotta Crabtree
  - A. Pilot Projects
  - B. Cardiovascular Health Improvement Summit
7. Pharmacy Report *(20 minutes)* Sally Morton, PharmD
  - A. Pharmacy & Therapeutics Committee Meeting Summary
  - B. Recommendation: Diabetic Test Strips **(Requires Board Vote)**
8. Financial Update *(30 minutes)* Mark Collins
  - A. FY 2012-13 Year to Date Results through January
  - B. 2<sup>nd</sup> Quarter Forecast Update
  - C. Board Approved Plan Design – Updated Projection

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|---|---------------------------------|
| 9. Implementation Update <i>(30 minutes)</i><br>A. Communications – 1/1/14 Plan Changes   | Caroline Smart                  |
| 10. Legislative Update <i>(10 minutes)</i>  | Thomas Friedman                 |
| 11. Strategic Planning  | Strategic Planning<br>Workgroup |
| 12. Board Discussion and Wrap-Up<br>A. May Teleconference – Medical Claims Audit and Third Party<br>Liability Recovery Services RFP | Janet Cowell, Chair             |

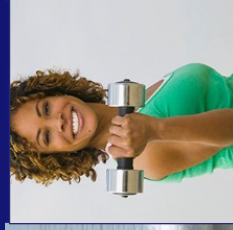
**Next Board Meeting: May 23-24, 2013**

*Our mission is to improve the health and healthcare of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of North Carolina for improving their health and wellbeing.*



*North Carolina*  
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## **Integrated Health Management Update**

*Board of Trustees Meeting*

March 22, 2013

# Integrated Health Management Outline

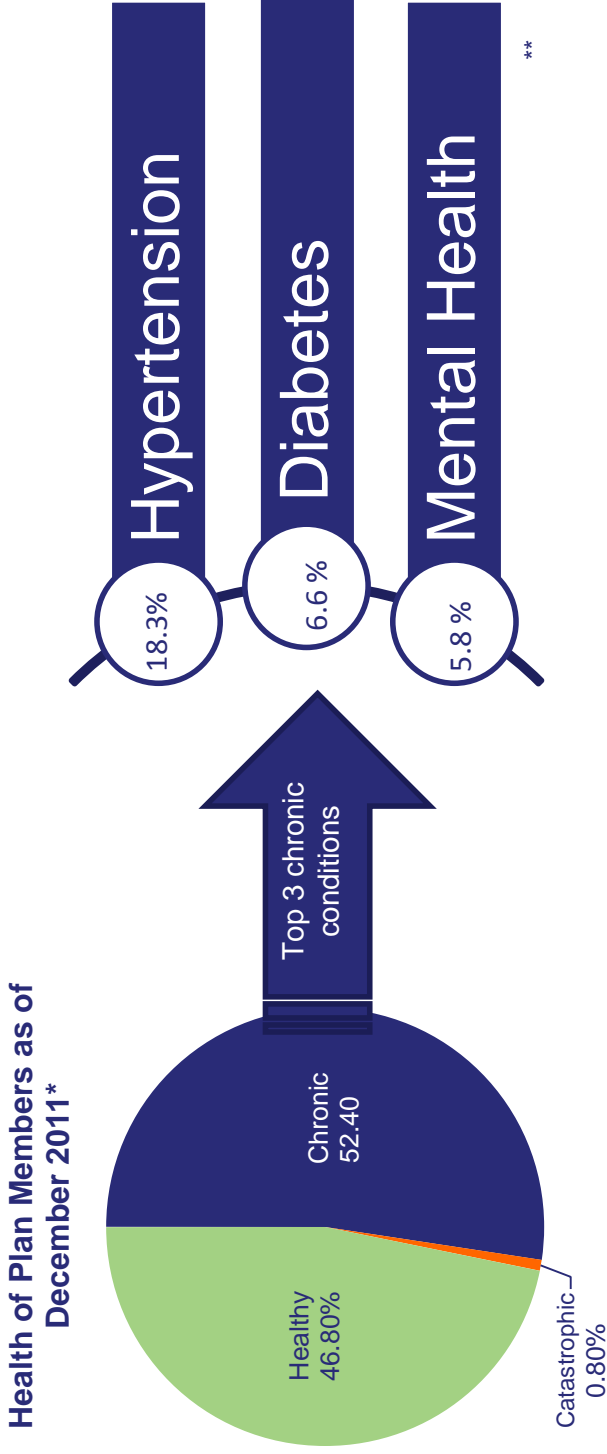
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- Statistics on Chronic Conditions and Co-morbidities
- IHM mission and BOT mission
- NCHHealthSmart
- Integrated Health Management (IHM) initiatives and lessons learned:
  - Brown Creek Correctional Institutional Pilot
  - DHHS Pilot
  - Charlotte-Mecklenberg Schools Pilot
- Cardiovascular Summit
- Moving forward

# Why is IHM so Critical?

*Over half of the Plan's membership has at least one chronic condition.*

## State Health Plan Statistics (non-Medicare primary members)



\*2011 Clinical Risk Group Analysis prepared by Aon Hewitt

\*\*Employee Membership and Population Profile prepared by Active Health Management

# Mission Statements

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- BOT: Our mission is to improve the health and health care of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of North Carolina for improving their health and well-being.
- IHM: To offer an integrated platform of high-quality, cost-effective health management tools, resources and services to empower and support our members in being as healthy as they can be.

# NC HealthSmart

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- NC HealthSmart is the Plan's healthy living initiative offering members various preventive services including disease and case management, healthy lifestyle programs, tobacco cessation and weight management in an effort to improve their health and well-being.

# Pilot Programs

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- The Plan has used pilot programs to look for effective and efficient ways to:
  - Increase member awareness of health status
  - Increase engagement in NC HealthSmart resources
  - Test incentives

*In order to:*

- Improve member health
- Decrease spend



# Brown Creek Correctional Institution - Pilot

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- Goal: Improve member health literacy and increase awareness of NC HealthSmart resources through a communication campaign
- Population:
  - 377 employees
  - Anson County (1 hour southeast of Charlotte)
  - August 2011- August 2012

# Results

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## *Awareness alone was not sufficient to engage members in utilization of NCHS resources*

- IHM partnered with Brown Creek Correctional Institution (BCCI) on a Health Education Pilot focused on health promotion and increasing awareness in NC Health Smart
  - One-year pilot that worked with a captive audience. Information was shared with employees during daily lineups to promote NC Health Smart. Health promotion materials such as posters were distributed throughout the facility.
  - Awareness of NCHS increased by about **85%**
  - Despite campaign efforts, less than **4%** of BCCI employees used NCHS resources, such as BMI and blood pressure trackers
  - **60%** reported they were likely to use NCHS resources in the next six months
- Supports Board decision to put financial incentives in place to engage members in their health and wellness

# Charlotte-Mecklenberg and DHHS Pilots

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- Goals
  - Increase member awareness of health status
  - Increase engagement of NC HealthSmart resources
  - Reduce cost barrier to primary care access
- Incentive
  - \$15 copay reduction for subscribers and dependents for primary care visits
- Requirements
  - Health Assessment
  - Biometric Screening
  - Year 2 – add a Healthy Action Step

# Results

## ***Increased requirements for healthy activities decreased year to year participation***

- IHM has partnered with Charlotte-Mecklenberg Schools and DHHS on a two- year Wellness Pilot focused on members engaging in their health
  - As an incentive for completing all activities members get a \$15 PCP copay reduction
- Participation decreased over 30% from Year 1 to Year 2; the data suggests the reduced participation is due to adding an action step
- Supports Board decision to put greater financial incentives (copays and premium credits) in place to engage members in their health and wellness
- In CY 2016, members will need to comply with additional action steps to get premium credits

### **Year One Requirements:**

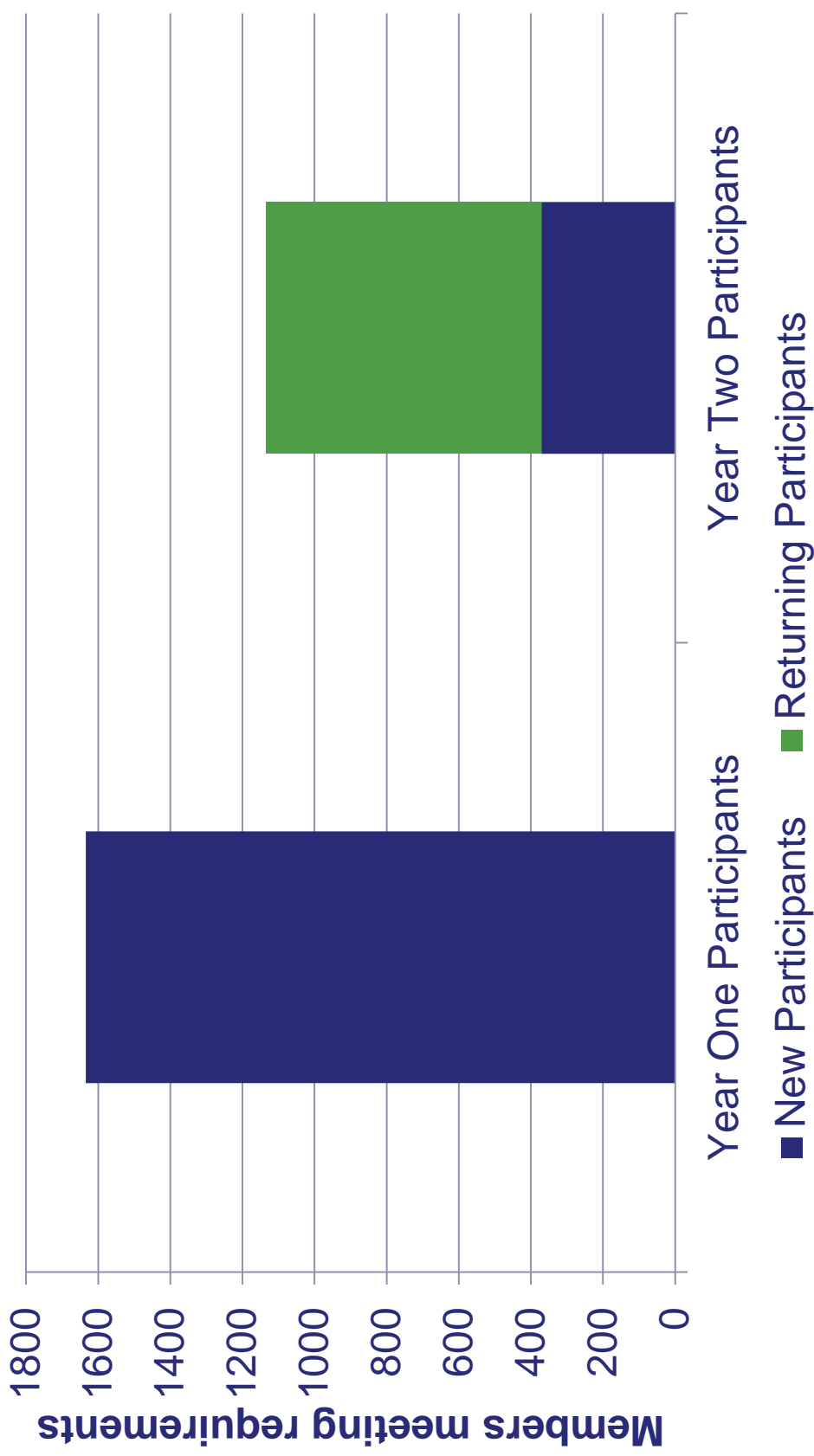
- Biometric Screening
- HRA completion

### **Year Two Requirements:**

- Biometric Screening
- HRA completion
- **Completion of one of the following healthy activities:**
  - **Work with a Health Coach**
  - **Track physical activities**
  - **Participate in Fall Walk challenge (CMS)**
  - **Complete digital coaching module**

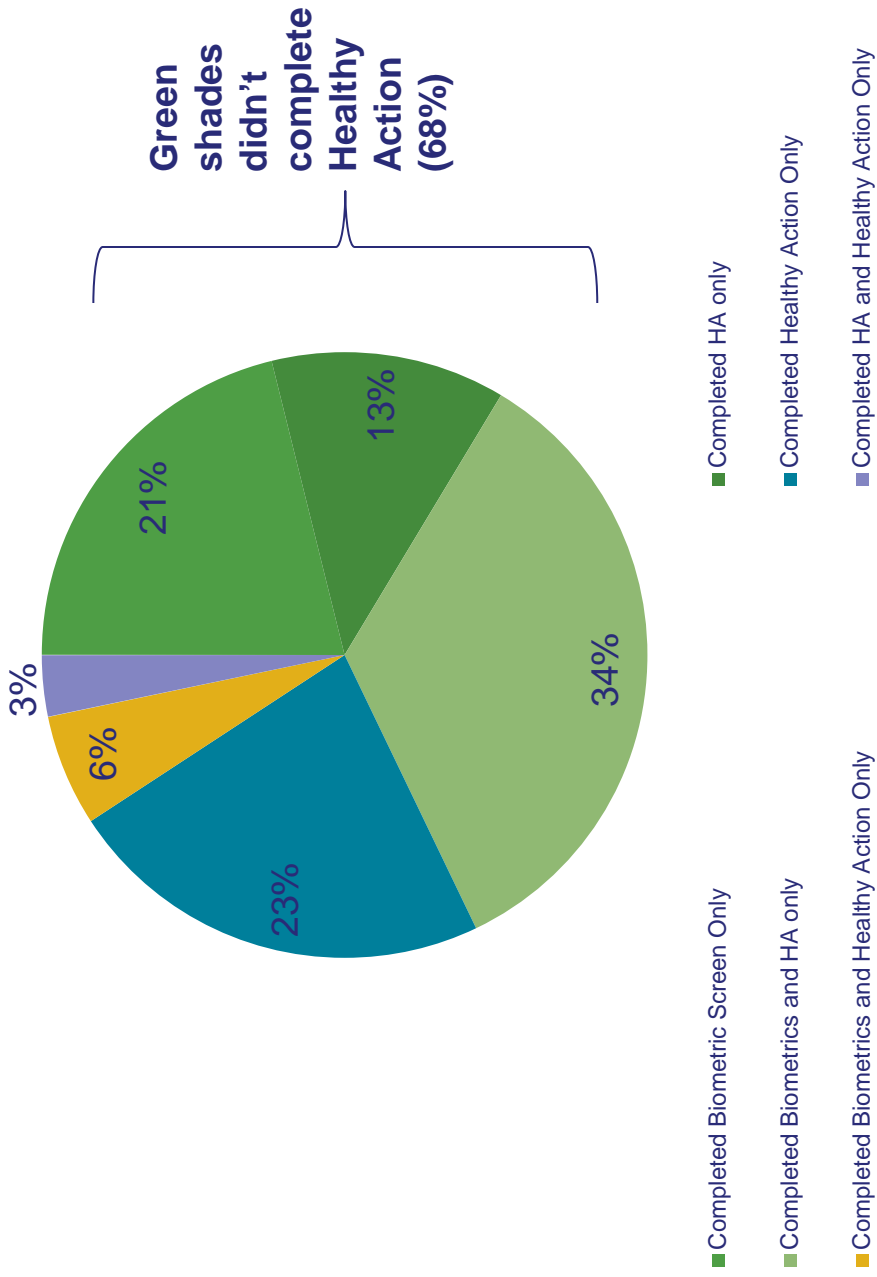
# Results

The number of members who met all criteria decreased, however, 70% of members who met the criteria participated in both years.



# Reasons Participants Did Not Qualify for Year 2

Failure to complete Healthy Action = 68%  
(DHHS only)



# What would the Board like to see?

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- Top health condition for CMS and DHHS pilots was pre-hypertension -
  - Whether members knew going in or discovered as a result of participation
  - Changes in behavior – increased visits to PCP or use of NC HealthSmart tools
  - Changes from year to year status
- What happened to members who did not participate in the 2<sup>nd</sup> year?
  - Claims activity

# Cardiovascular Summit

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- Cardiovascular Health Summit was held March 5, 2013
- Goals of the Summit:
  - Share efforts around heart disease and stroke prevention
  - Establish a work group to evaluate SHP-sponsored resources
  - Develop a strategy consistent with NC Cardiovascular Plan which is to increase the proportion of North Carolinians:
    - Who live healthy lifestyles conducive to cardiovascular health
    - Whose cardiovascular risk factors are identified, appropriately managed and controlled
    - Who receive appropriate integrated emergency and acute care for cardiovascular events
    - Who receive appropriate coordinated management of post-acute and transitional care following cardiovascular events
- The Summit discussed the role of the State Health Plan and the employing agencies in member health and wellness and identified ways each could contribute toward NC Cardiovascular Plan goals



# Employee Units and Member Health

Cardiovascular Summit Recommendations	State Health Plan	Employer (Agency)
Currently in place	<ul style="list-style-type: none"> <li>• Provide tools for worksite wellness</li> <li>• Identify members for intervention</li> <li>• Track interventions</li> <li>• Medical Home Model</li> <li>• Referral options</li> <li>• Incentivize chronic disease medications</li> </ul>	<ul style="list-style-type: none"> <li>• Spread comprehensive messages</li> <li>• Incentivize worksite wellness</li> <li>• Promote culture of wellness</li> <li>• Take advantage of SHP tools</li> </ul>
Near future plan	<ul style="list-style-type: none"> <li>• Comprehensive HRA</li> </ul>	<ul style="list-style-type: none"> <li>• Spread comprehensive messages</li> <li>• Incentivize worksite wellness</li> <li>• Create culture of health</li> </ul>
Recommended at Summit but not in place	<ul style="list-style-type: none"> <li>• Plan paid gym memberships</li> <li>• Provide more coverage for medical supplies</li> <li>• Increase hospital quality reporting</li> </ul>	<ul style="list-style-type: none"> <li>• 100% tobacco free state buildings</li> <li>• Healthy Food Options</li> <li>• Blood pressure management trainings</li> </ul>

# Moving Forward

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- New Case and Disease Management Coordinator – Starts 4/15/13
- New Director – Position closes 4/4/2013
- Health Promotion Tool Kit – Provide resources to employing units similar to those provided to Brown Creek Correctional to promote health and wellness through monthly focus
- Train the Trainer – Provide resources to employing units to increase awareness of NCHHealthSmart
- Deeper dives into pilot data
- Coordination with Board strategy



**Pharmacy and Therapeutics Committee  
Meeting Summary  
February 12, 2013**

Derek Prentice welcomed the committee members, and the Plan's new Express Scripts Clinical Account Executive, Charla Katz, RPh, was introduced. Sally Morton ensured there were no conflicts of interest for members with any of the items for discussion. Dr. Rig Patel disclosed that he is a consultant with Takeda.

Dr. Sally Morton discussed the following changes to nine State Health Plan pharmacy coverage management rules, many due to the integration of Medco and Express Scripts (ESI) coverage criteria. The Plan will review all criteria integration to ensure they meet the Plan's needs.

- The Restasis prior authorization program had additional dry eye conditions added for approval.
- The Zelboraf prior authorization criteria now allow it to be covered when used in combination with Yervoy, another medication used for melanoma.
- The Forteo step therapy program had more specific requirements for use added.
- Revlimid coverage is now approved for four additional indications.
- Multiple Sclerosis (MS) criteria will no longer have a step therapy component with preferred agents. Also Aubagio, a new oral medication for MS, was added to the prior authorization program in order to include all MS agents in the program.
- The criteria for Xolair, used for moderate to severe persistent asthma, were customized to be consistent with the medical policy.
- Per feedback from the BCBSNC appeals department, the fertility prior authorization criteria were revised to ensure that vaginal progesterones are not being used in conjunction with artificial reproductive technology (ART).
- The new oral medication Xeljanz, for rheumatoid arthritis (RA), was added to the RA prior authorization program to include all specialty drugs for RA to the program.
- The Angiotensin Receptor Blocker (ARB) step therapy program will now target multisource ARBs so that all non-preferred ARBs are targeted and to curb the use of coupons for the brand products that have a generic available.

Dr. Jennifer Smith and the committee re-reviewed the diabetes medication Victoza (liraglutide) for formulary status due to new FDA indications and high member utilization. Victoza was originally reviewed in November 2010 and determined to be a non-preferred medication because it was not considered a first-line agent for the treatment of diabetes, and there were safety concerns about thyroid toxicity and potential pancreatitis. Dr. Smith noted that in comparison studies Victoza resulted in better glycemic control than Byetta, and there are the same safety concerns with Victoza as there are with Bydureon. Byetta and Bydureon are both preferred products for the Plan. Due to its proven efficacy, lack of proven safety issues and high utilization, Dr. Smith and the committee recommended that Victoza be moved to preferred copay tier.

Dr. Sheila Marshall, Dr. Matthew Flynn, Dr. Jennifer Burch, Dr. John Anderson, Dr. Rig Patel, Dr. John Engemann, and Dr. Dorothy Bell reviewed the new medications for formulary consideration. Mirabegron extended-release tablets (Myrbetriq™) for the management of overactive bladder, Azelastine/fluticasone nasal spray (Dymista™) for the treatment of seasonal allergic rhinitis, Ciclesonide nasal aerosol (Zetonna®) indicated for seasonal and perennial allergic rhinitis, Omeprazole/clarithromycin/amoxicillin (Omeclamox Pak™) for the treatment of Helicobacter pylori, Tafluprost ophthalmic solution (Zioptan™) indicated for glaucoma, were recommended “may add” medications due to their lack of significant clinical advantages over existing products. They will remain in the non-preferred copay Tier 3. A step therapy program opportunity requiring the use of the Plan’s preferred medications for overactive bladder was also discussed and approved if the Plan chooses to implement. Ivermectin lotion (Sklice®) for the treatment of head lice and Elvitegravir/cobicistat/emtricitabine/tenofovir tablets (Stribild™) for the treatment of HIV were “must add” medications and will be placed in Tier 2.

The following pharmacy benefit language changes that were approved by the Board of Trustees (BOT) during the January 2013 BOT meeting were shared with the committee:

- Prescription benefit tiers will be renamed to Tier 1 – Cost-effective medications which would include mostly generic drugs; Tier 2 – Preferred brand medications, including some high cost generic drugs and compound drugs; Tier 3 – Non-preferred brand medications; Tier 4 – Preferred Specialty Medications including some Biosimilar medications; Tier 5 – Non-preferred specialty medications including some Biosimilar medications. This allows the Plan to place high cost generic medications in a higher copay tier when other less costly, higher value generic medications are available. It also allows the Plan to have multiple specialty pharmacy copay tiers to differentiate member cost share for preferred and non-preferred specialty medications when Biosimilars become available. Biosimilar medications are now included in the Plan’s specialty definition. The P&T committee will provide recommendations for drug classification in the copay tiers based on safety, therapeutic value, clinical effectiveness and alternative options.
- Exclusion of medical food coverage for benefit consistency.
- The Plan will be moving its Medicare eligible retirees to a Medicare Advantage Prescription Drug Plan in 2014. These plans will be offered by Humana and United.

The upcoming 2013 P & T meeting dates are May 14<sup>th</sup>, August 20<sup>th</sup>, and November 12<sup>th</sup>.



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## Glucose Test Strip Pharmacy Benefit Coverage

*Sally Morton, PharmD and Tracy Stephenson*

March 22, 2013

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# Current Issues

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1. Current pharmacy quantity limits may be a barrier to members with diabetes from adequately testing their blood glucose.  
  
**Current limits:** NIDDM (Non-insulin dependent diabetes mellitus)  
51 strips/30 days (allows for 1-2 tests per day)  
  
IDDM (Insulin dependent diabetes mellitus)  
153 strips/30 days (allows for 5 tests per day)
2. When members exhaust the pharmacy benefit for the testing strips, they are able to submit a medical claim subject to deductible and coinsurance. This is not a member friendly option.
3. With the Plan's "refill too soon" limits which look back in claims for 6 months, members are not able to get refills early if necessary.

# American Diabetes Association recommendations

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## Glucose Monitoring:

- **NIDDM** – no clear recommendation (According to certified diabetes educators testing up to 3 times per day)
- **IDDM** – 6-8 times per day

*Diabetes Care, Volume 36, Supplement 1, January 2013, page S18*



# Pharmacy Utilization – Current and Proposed

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- In 2012, average strips per prescription were approximately 70 per 30 days for NIDDM and 115 per 30 days for IDDM.
- Express Scripts modeling for NIDDM members less than 65 years old, if all members were to obtain 102 strips per 30 days (allows for 3 tests per day) the pharmacy benefit cost would increase by \$2.1M.
- Express Scripts modeling for IDDM members less than 65 years old, if all members were to obtain 204 strips per 30 days (allows for 6 tests per day) the pharmacy benefit would increase by \$3.9M.
- Projection scenarios are based on if every member were to increase the quantities to the maximum. Segal will refine the analysis to incorporate into the financial projections.
- Overall this should result in minimal increased costs to the Plan since the increased quantities would be shifting from the medical benefit to the pharmacy benefit.



# Initial Recommendations

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- Remove accumulator refill too soon edit that looks back in claims history for 6 months. Monthly refill too soon edit would still exist. Express Scripts can code this change with minimal effort and can be effective in 30 days.
- Increase quantity limits for NIDDM to 102 strips/30 days to allow for up to 3 times per day testing. Increase quantity limits for IDDM to 204 strips/30 days to allow for at least 6 tests per day. This would follow the ADA testing recommendations and minimize utilization of the medical benefit.
- Review these changes in 6 months to evaluate if they minimize member complaints.



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# January 2013 Financial Report

*Board of Trustees Meeting*

March 22, 2013

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# Financial Results: Actual v. Budgeted Year to Date January 2013

Fiscal Year 2012-2013	Actual thru Jan 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	\$1.718 b	\$1.712 b	\$5.9 m
Net Claims Payments	\$1.447 b	\$1.522 b	(\$75.4 m)
Net Administrative Expenses	\$91.4 m	\$108.2 m	(\$16.8 m)
Total Plan Expenses	\$1.538 b	\$1.630 b	(\$92.1 m)
Net Income/(Loss)	\$179.7 m	\$81.7 m	\$98.0 m
Ending Cash Balance	\$681.9 m	\$583.9 m	\$98.0 m

# Adjusted Variance Report Year to Date January 2013

Fiscal Year 2012-2013	Actual thru Jan 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 *^	\$1.719 b	\$1.712 b	\$7.3 m
Net Claims Payments	\$1.447 b	\$1.522 b	(\$75.4 m)
Net Administrative Expenses	\$91.4 m	\$108.2 m	(\$16.8 m)
Total Plan Expenses	\$1.538 b	\$1.630 b	(\$92.1 m)
Net Income/(Loss)	\$181.1 m	\$81.7 m	\$99.4 m
Ending Cash Balance	\$683.3 m	\$583.9 m	\$99.4 m

\* Adjusted member premiums for prepayments and other timing issues.

^ Adjusted federal revenues to remove impact of unbudgeted revenues and timing issues.

# Financial Results Actual v. Budgeted Year to Date January 2013

Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru Jan 2013	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue	\$368.47	\$369.05	(\$0.58)
Net Claims Payments	\$310.98	\$328.60	(\$17.62)
Net Administrative Expenses	\$19.64	\$23.35	(\$3.71)
Total Plan Expenses	\$330.62	\$351.95	(\$21.33)
Net Income/(Loss)	\$37.85	\$17.10	\$20.75

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 January 2013

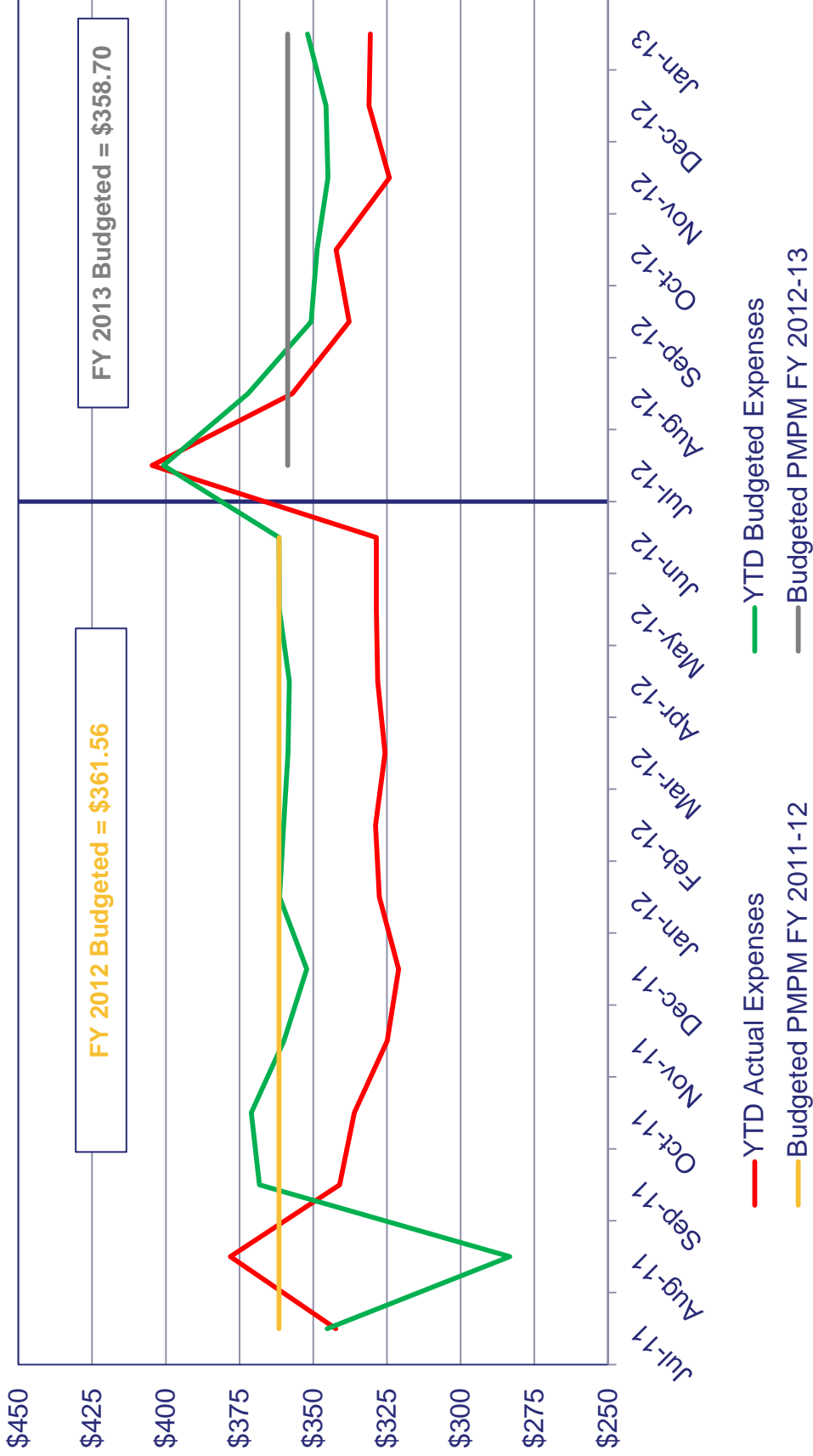
## Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru Jan 2013, as Adjusted	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue *^	\$368.76	\$369.05	(\$0.29)
Net Claims Payments	\$310.98	\$328.60	(\$17.62)
Net Administrative Expenses	\$19.64	\$23.35	(\$3.71)
Total Plan Expenses	\$330.62	\$351.95	(\$21.33)
Net Income/(Loss)	\$38.14	\$17.10	\$21.04

\* Adjusted member premiums for prepayments and other timing issues.

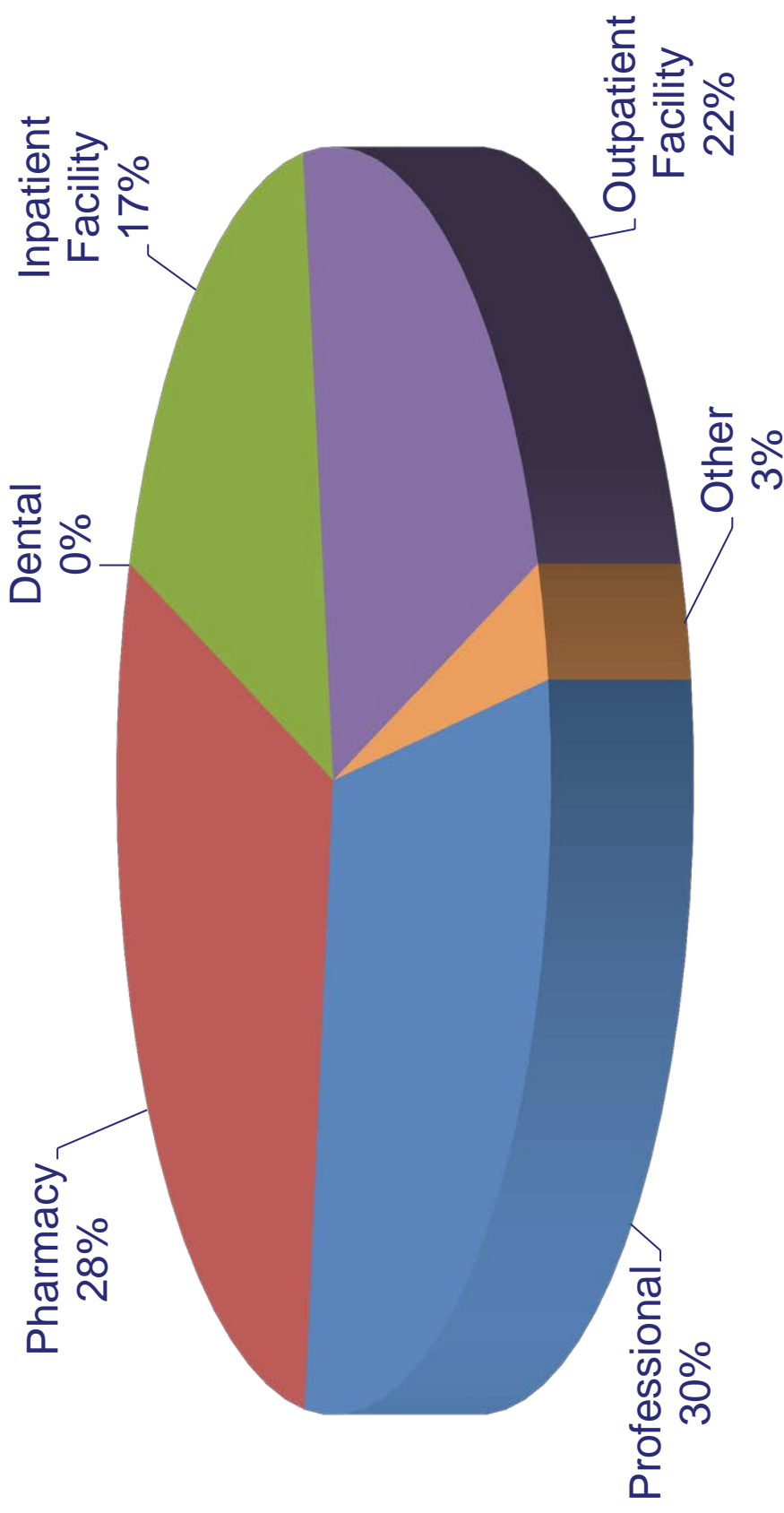
^ Adjusted federal revenues to remove impact of unbudgeted revenues and timing issues.

# 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 January 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 January 2013  
Fiscal Year 2012- 2013

	A	B	C	D	E	F	G	H
	Actual January 2013	Authorized Budget January 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 Member Premiums	\$ 217,336,501	\$ 239,217,710	\$ (21,881,209)	\$ 1,687,804,549	\$ 1,678,002,836	\$ 9,801,713	\$ 2,872,808,844	\$ (1,185,004,295)
3 Premium Refunds/Retroactive Disenrollments	(33,965)	(119,748)	86,783	(278,427)	(839,140)	560,713	(1,437,243)	1,158,816
4 Medicare Part D (RDS) Subsidy	-	5,694,954	(5,694,954)	25,570,898	31,820,401	(6,249,503)	39,519,892	(13,948,994)
5 Medicare PDP (EGWP + Wrap) Subsidy	3,879,515	-	3,879,515	3,879,515	-	3,879,515	19,759,856	(15,880,341)
6 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(558,219)	-	(558,219)	-	(558,219)
7 <b>Net Premium &amp; Other Contributions</b>	<b>221,182,051</b>	<b>244,792,916</b>	<b>(23,610,865)</b>	<b>1,716,418,316</b>	<b>1,708,984,097</b>	<b>7,434,219</b>	<b>2,930,651,349</b>	<b>(1,214,233,033)</b>
8 Investment Earnings	266,690	489,507	(222,817)	1,669,770	3,183,537	(1,513,767)	5,658,262	(3,988,492)
9 Miscellaneous Revenue	-	-	-	8,159	-	8,159	-	8,159
10 <b>Other Revenue</b>	<b>266,690</b>	<b>489,507</b>	<b>(222,817)</b>	<b>1,677,929</b>	<b>3,183,537</b>	<b>(1,505,608)</b>	<b>5,658,262</b>	<b>(3,980,333)</b>
11 <b>Total Plan Revenue (excludes internal transfers)</b>	<b>221,448,741</b>	<b>245,282,423</b>	<b>(23,833,682)</b>	<b>1,718,096,245</b>	<b>1,712,167,634</b>	<b>5,928,611</b>	<b>2,936,309,611</b>	<b>(1,218,213,366)</b>
12 <b>Plan Expenses:</b>								
13 Medical Claim Payments	137,118,189	200,491,498	(63,373,309)	1,056,190,175	1,132,501,213	(76,311,038)	2,003,583,417	(947,393,242)
14 Medical Claim Refunds/Recoveries	(2,361,986)	(2,428,774)	66,788	(14,655,055)	(17,588,319)	2,933,264	(31,216,928)	16,561,873
15 <b>Net Medical Claims</b>	<b>134,756,203</b>	<b>198,062,724</b>	<b>(63,306,521)</b>	<b>1,041,535,120</b>	<b>1,114,912,894</b>	<b>(73,377,774)</b>	<b>1,972,366,489</b>	<b>(930,831,369)</b>
16 Pharmacy Claim Payments	84,034,775	56,495,203	27,539,572	442,935,930	445,393,323	(2,457,393)	743,853,418	(300,917,488)
17 Pharmacy Claim Rebates	(10,854,294)	(12,772,587)	1,918,293	(37,046,327)	(37,971,205)	924,878	(53,173,873)	16,127,546
18 Pharmacy Claim Refunds/Recoveries	(651)	-	(651)	(456,133)	-	(456,133)	-	(456,133)
19 <b>Net Pharmacy Claims</b>	<b>73,179,830</b>	<b>43,722,616</b>	<b>29,457,214</b>	<b>405,433,470</b>	<b>407,422,118</b>	<b>(1,988,648)</b>	<b>690,679,545</b>	<b>(285,246,075)</b>
20 <b>Net Claim Payments</b>	<b>207,936,033</b>	<b>241,785,340</b>	<b>(33,849,307)</b>	<b>1,446,968,590</b>	<b>1,522,335,012</b>	<b>(75,366,422)</b>	<b>2,663,046,034</b>	<b>(1,216,077,444)</b>
21 <b>Net Administrative Expenses</b>	<b>11,491,663</b>	<b>16,259,426</b>	<b>(4,767,763)</b>	<b>91,386,482</b>	<b>108,159,983</b>	<b>(16,773,501)</b>	<b>189,387,392</b>	<b>(98,000,910)</b>
22 <b>Total Plan Expenses (excludes internal transfers)</b>	<b>219,427,696</b>	<b>258,044,766</b>	<b>(38,617,070)</b>	<b>1,538,355,072</b>	<b>1,630,494,995</b>	<b>(92,139,923)</b>	<b>2,852,433,426</b>	<b>(1,314,078,354)</b>
23 <b>Plan Income/(Loss)</b>	<b>2,021,045</b>	<b>(12,762,343)</b>	<b>14,783,388</b>	<b>179,741,173</b>	<b>81,672,639</b>	<b>98,068,534</b>	<b>83,876,185</b>	<b>95,864,988</b>
24 <b>Cash Availability:</b>								
25 Beginning Cash Balance/(Deficit)	679,967,599	596,682,457	83,285,142	502,247,471	502,247,475	(4)	502,247,475	(4)
26 Ending Cash Balance/(Deficit)	681,988,644	583,920,114	98,068,530	681,988,644	583,920,114	98,068,530	586,123,660	95,864,984
27 Target Stabilization Reserve @ 6/30/13	199,728,453	199,728,453	-	199,728,453	199,728,453	-	199,728,453	-
28 <b>Cash Balance Over/(Under) Reserve Target</b>	<b>\$ 482,260,191</b>	<b>\$ 384,191,661</b>	<b>\$ 98,068,530</b>	<b>\$ 482,260,191</b>	<b>\$ 384,191,661</b>	<b>\$ 98,068,530</b>	<b>\$ 386,395,207</b>	<b>\$ 95,864,984</b>

**Comments:**

- a. Premium receivables totaled \$ 37,874,27 as of January 31, 2013.
- b. The average weekly medical claims cost net of claims refunds was \$33,689,050.75 for the four scheduled weekly claim cycles
- c. Total pharmacy claims, before rebates and refunds, included three bi-weekly invoice cycles averaging \$28,011,591.66 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.

Actual vs Authorized Budget (i.e. **Revised Budget** per Segal 09-18-12 projection)

January 2013

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 January 2013  
Fiscal Year 2012-2013

	A	B	C	D	E	F	G
	Current Year Actual January 2013	Prior Year Actual January 2012	Current Year to Date Actual FY 2012-13 thru January	Prior Year to Date Actual FY 2011-12 thru January	Current Year Authorized Budget FY 2012-13	Prior Year Annual Budget FY 2011-12	Prior Year Actual Results FY 2011-12
1 <b>Plan Revenue:</b>							
2	\$ 217,336,501	\$ 215,727,243	\$ 1,687,804,549	\$ 1,595,877,575	\$ 2,872,808,844	\$ 2,772,587,259	\$ 2,750,368,851
3 Member Premiums	(33,965)	(66,745)	(278,427)	(277,202)	(1,437,243)	(2,672,292)	(451,496)
4 Premium Refunds/Retroactive Disenrollments		4,990,245	25,570,898	27,442,660	39,519,892	60,058,789	57,583,602
5 Medicare Part D (RDS) Subsidy	3,879,515	-	3,879,515	-	19,759,856	-	-
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	(558,219)	42,163,391	-	25,583,136	42,163,391
7 Federal Early Retiree Reinsurance Program (ERRP)	221,182,051	220,650,743	1,716,418,316	1,665,206,424	2,930,651,349	2,855,556,892	2,849,664,348
8 Net Premium & Other Contributions							
9	266,690	243,168	1,669,770	1,846,073	5,658,262	2,245,712	3,015,819
10 Investment Earnings	-	-	8,159	-	-	-	-
11 Miscellaneous Revenue	266,690	243,168	1,677,929	1,846,073	5,658,262	2,245,712	3,015,819
12 Other Revenue							
13	221,448,741	220,893,911	1,718,096,245	1,667,052,497	2,936,309,611	2,857,802,604	2,852,680,167
14 Total Plan Revenue (excludes internal transfers)							
15							
16 <b>Plan Expenses:</b>							
17	137,118,189	167,723,857	1,056,190,175	1,064,661,582	2,003,583,417	2,078,924,788	1,849,410,105
18 Medical Claim Payments	(2,361,986)	(1,873,593)	(14,655,055)	(16,501,861)	(31,216,928)	(33,175,196)	(22,634,615)
19 Medical Claim Refunds/Recoveries	134,756,203	165,850,264	1,041,535,120	1,048,159,721	1,972,366,489	2,045,749,592	1,826,775,490
20 Net Medical Claims							
21	84,034,775	79,276,911	442,935,930	437,243,869	743,853,418	706,459,465	721,644,990
22 Pharmacy Claim Payments	(10,854,294)	(14,798,093)	(37,046,327)	(60,862,774)	(53,173,873)	(66,582,530)	(93,130,160)
23 Pharmacy Claim Rebates	(651)	(6,942)	(456,133)	(59,493)	-	-	(481,977)
24 Pharmacy Claim Refunds/Recoveries	73,179,830	64,471,876	405,433,470	376,321,602	690,679,545	639,876,935	628,032,853
25 Net Pharmacy Claims							
26	207,936,033	230,322,140	1,446,968,590	1,424,481,323	2,663,046,034	2,685,626,527	2,454,808,343
27 Net Claim Payments							
28	11,491,663	13,923,078	91,386,482	98,123,784	189,387,392	180,464,149	165,480,561
29 Net Administrative Expenses							
30	219,427,696	244,245,218	1,538,355,072	1,522,605,107	2,852,433,426	2,866,090,676	2,620,288,904
31 Total Plan Expenses (excludes internal transfers)							
32	2,021,045	(23,351,307)	179,741,173	144,447,390	83,876,185	(8,288,072)	232,391,263
33 Plan Income/(Loss)							
34							
35 <b>Cash Availability:</b>							
36	679,967,599	437,654,909	502,247,471	269,856,212	502,247,475	226,838,352	269,856,212
37 Beginning Cash Balance/(Deficit)	681,988,644	414,303,602	681,988,644	414,303,602	586,123,660	218,550,280	502,247,475
38 Ending Cash Balance/(Deficit)	199,728,453	201,421,989	199,728,453	201,421,989	199,728,453	201,421,989	201,421,989
39 Target Stabilization Reserve @ 6/30/13							
40							
41 Cash Balance Over/(Under) Reserve Target	\$ 482,260,191	\$ 212,881,613	\$ 482,260,191	\$ 212,881,613	\$ 386,395,207	\$ 17,128,291	\$ 300,825,486
42							

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 January 2013  
Fiscal Year 2012-13

	A	B	C	D	E	F
	Actual Year to Date FY 2012-13 thru January	Adjustments for Timing, Unusual & Overtime Events	Adjusted Actual Year to Date	Authorized Budget Year to Date FY 2012-13 thru January	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
1 <b>Plan Revenue:</b>						
2	\$ 1,687,804,549	\$ 1,805,248	\$ 1,689,609,797	\$ 1,678,002,836	\$ 11,606,961	0.69%
3 Member Premiums (Note 1)	(278,427)		(278,427)	(839,140)	560,713	-66.82%
4 Premium Refunds/Retroactive Disenrollments	25,570,898	2,887,056	28,457,954	31,820,401	(3,362,447)	-10.57%
5 Medicare Part D (RDS) Subsidy (Notes 2 and 3)	3,879,515	(3,879,515)	-	-	-	
6 Medicare PDP (EGWP + Wrap) Subsidy (Note 4)	(558,219)	558,219	-	-	-	
7 Federal Early Retiree Reinsurance Program (ERRP) (Note 5)	1,716,418,316	1,371,007	1,717,789,323	1,708,984,097	8,805,226	0.52%
8 Net Premium & Other Contributions						
9 Other Revenue	1,677,929		1,677,929	3,183,537	(1,505,608)	-47.29%
10						
11 Total Plan Revenue (excludes internal transfers)	1,718,096,245	1,371,007	1,719,467,252	1,712,167,634	7,299,618	0.43%
12						
13 <b>Plan Expenses:</b>						
14	1,041,535,120		1,041,535,120	1,114,912,894	(73,377,774)	-6.58%
15 Net Medical Claims	405,433,470		405,433,470	407,422,118	(1,988,648)	-0.49%
16 Net Pharmacy Claims	1,446,968,590	-	1,446,968,590	1,522,335,012	(75,366,422)	-4.95%
17 Net Claim Payments						
18	91,386,482		91,386,482	108,159,983	(16,773,501)	-15.51%
19 Net Administrative Expenses						
20	1,538,355,072	-	1,538,355,072	1,630,494,995	(92,139,923)	-5.65%
21 Total Plan Expenses (excludes internal transfers)						
22	179,741,173	1,371,007	181,112,180	81,672,639	99,439,541	121.75%
23 Plan Income/(Loss)						
24						
25 <b>Cash Availability:</b>						
26	502,247,471		502,247,471	502,247,475	(4)	0.00%
27 Beginning Cash Balance/(Deficit)	681,988,644	1,371,007	683,359,651	583,920,114	99,439,537	17.03%
28 Ending Cash Balance/(Deficit)	199,728,453		199,728,453	199,728,453	-	
29 Target Stabilization Reserve @ 6/30/13						
30 Cash Balance Over/(Under) Reserve Target	\$ 482,260,191	\$ 1,371,007	\$ 483,631,198	\$ 384,191,661	\$ 99,439,537	25.88%
31						
32						
33						

**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 RDS subsidy revenues increased to adjust for RDS subsidy budgeted in January but received in February (\$3.4 million).
4. Medicare EGWP subsidy revenues decreased to remove impact of an unbudgeted January subsidy payment (\$3.9 million).
5. Revenues adjusted to remove impact of unbudgeted reimbursement to CMS for FY 2012 ERRP overpayment (\$558,219).





*North Carolina*  
**State Health Plan**

FOR TEACHERS AND STATE EMPLOYEES



## 2<sup>nd</sup> Quarter Actuarial Forecast Update

*Board of Trustees Meeting*

March 22, 2013

Forecast prepared by The Segal Company  
Final version dated 3-12-13

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A Division of the Department of State Treasurer

# Presentation Overview

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- Forecast update schedule
- Updated assumptions: Authorized Budget vs. 2<sup>nd</sup> Quarter Projection
- Updated forecast for FY 2012-13
- Summary graphs
- Outlook for 2013-15 and 2015-17 Fiscal Bienniums
- Summary

# Actuarial Forecast Update Schedule

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- The Plan's actuary updates the forecast at the end of each fiscal year and at least quarterly
- Updates take into account more recent information:
  - Actual financial results and cash balance
  - Membership data, including impact of enrollment changes
  - Claims experience
  - Changes in anticipated costs or revenues

# Forecast Assumptions **Maintained** in the Update Authorized Budget vs. 2<sup>nd</sup> Quarter Update

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- Overall trend assumption of 8.5%
- Membership trends
  - 1% annual decrease in actives
  - 1% annual increase in retirees
- Continuation of EGWP + Wrap pharmacy benefit

# Forecast Assumptions **Changed/Revised** in the Update Authorized Budget vs. 2<sup>nd</sup> Quarter Update

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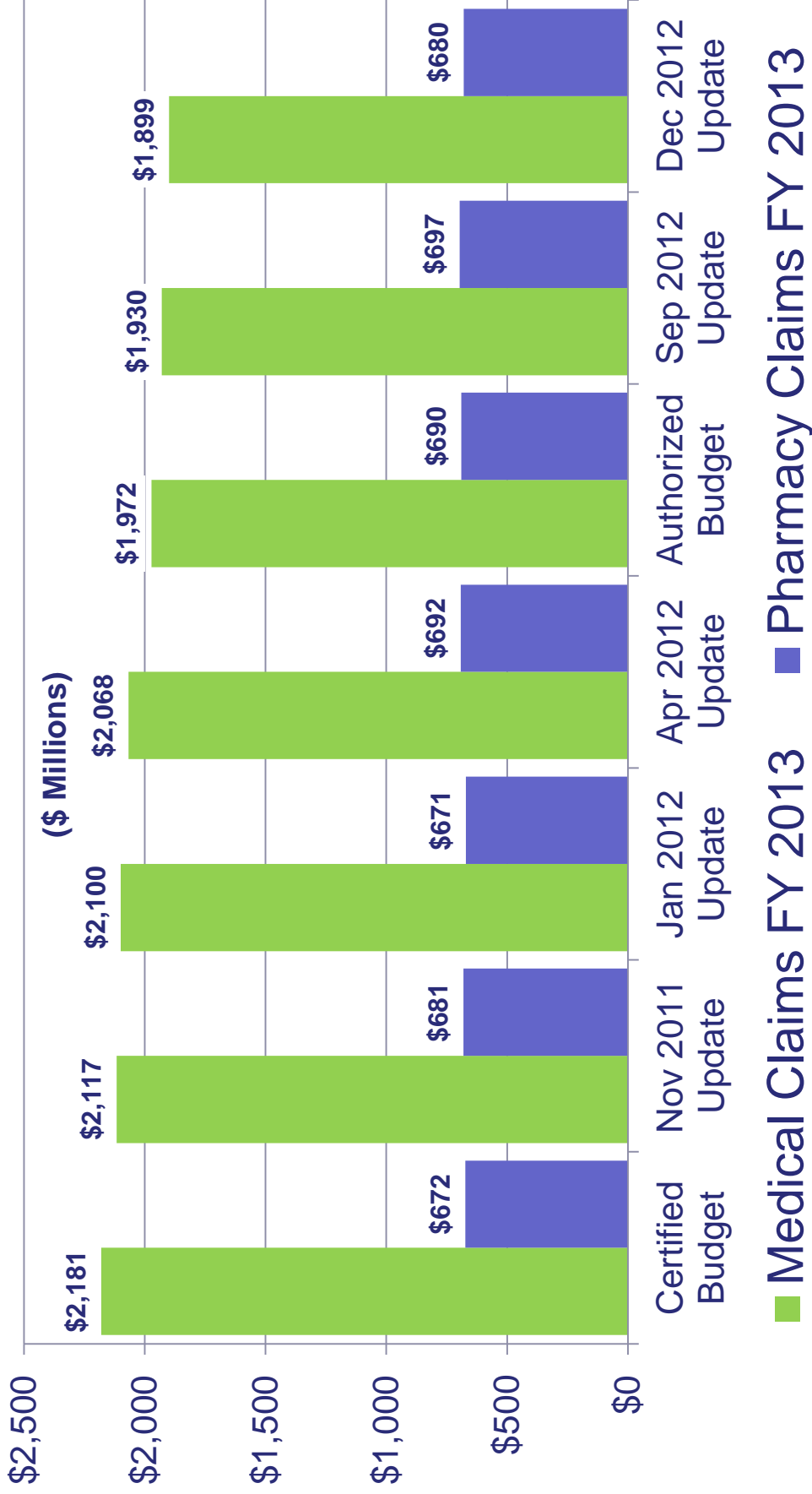
- Membership based on actual December 2012 counts (instead of June 2012)
- Anticipated claims expenditures based on actual experience through December 2012 (instead of through June 2012)
- Enhancements to behavioral health and dental benefits (November 2012 Board decision)
- Investment earnings assumption reduced to reflect current rates
- Administrative costs adjusted to reflect more recent Plan projections
- Timing of pharmacy claims payments and rebates were aligned with current expectations
- Pharmacy rebate amounts were increased for 2013 and 2014 to more closely match current projections
- Affordable Care Act reinsurance fee was added to future year expenses



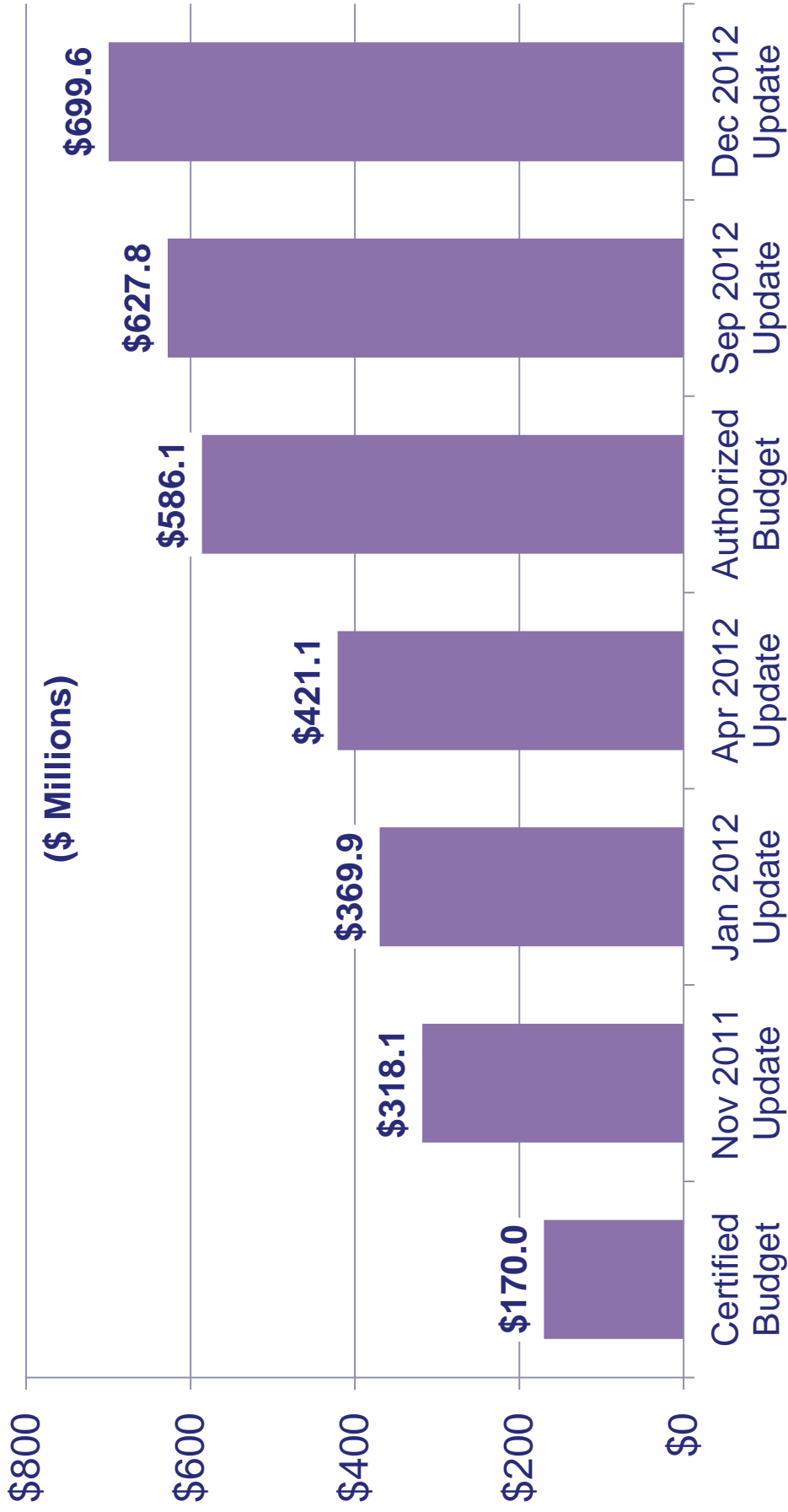
# Comparison of Models for FY 2012-13 Authorized Budget and 2<sup>nd</sup> Quarter Update

FY 2012-13	Authorized Budget (per Segal 9-18-12)	2nd Quarter Update (per Segal 3-14-13)	Difference Increase/ (Decrease)
Beginning Cash Balance	\$502.2 m	\$502.2 m	\$0.0 m
Plan Revenue	\$2.936 b	\$2.947 b	\$10.5 m
Net Claims Payments	\$2.663 b	\$2.579 b	(\$84.1 m)
Net Admin. Expenses	\$189.4 m	\$170.4 m	(\$19.0 m)
Total Plan Expenses	\$2.852 b	\$2.749 b	(\$103.0 m)
Net Income/(Loss)	\$83.9 m	\$197.4 m	\$113.5 m
Ending Cash Balance	\$586.1 m	\$699.6 m	\$113.5 m
FB 2013-15 Premium Increase	1.9%	-0.6%	-2.5%
FB 2015-17 Premium Increase	15.1%	17.6%	2.5%

# Forecast Comparisons: FY 2012-13 Claims



# Forecast Comparisons: FY 2012-13 Ending Cash



# Outlook for Upcoming Fiscal Bienniums

## 2<sup>nd</sup> Quarter Updated Baseline Forecast

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Assuming no changes in benefits:

- 0.6% premium **decrease** for July 1<sup>st</sup> of each year of the 2013-15 biennium
- Potential State savings associated with the premium adjustment in the 2013-15 biennium
  - Total State Funding = (\$41.2 m) 2013-15
    - (\$14.0 m) in FY 2013-14 + (\$27.8 m) in FY 2014-15
  - Total General Fund Appropriation = (\$33.5 m) 2013-15
    - (\$11.2 m) in FY 2013-14 + (\$22.3 m) in FY 2014-15
- 17.6% premium increase required July 1<sup>st</sup> of each year of the 2015-17 biennium (compared to 15.1% in Authorized Budget)

# Summary

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- The Plan's claims trend continues to be under the budget projection
- Projected cash balance at the end of FY 2012-13:
  - \$699.6 million
  - Exceeds 7.5% target reserve amount by \$506.2 million
  - Equates to approximately 12 weeks of FY 2013-14 projected operating expenses
- Baseline premium increase for 2013-15 Fiscal Biennium is **lower** than previously forecasted
- Baseline premium increase for 2015-17 Fiscal Biennium is **higher** than previously forecasted

# Authorized Budget

(Segal 9-18-12)

North Carolina State Health Plan  
 Financial Projections - June 2012  
 Trends: Medical 8.5% Drugs 8.5%  
 With EGWP+Wrap and Spouse Rate Reduction

	2009 - 2011 Biennium		2011 - 2013 Biennium		2013 - 2015 Biennium		2015 - 2017 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Projection FY 2013	Projection FY 2014	Projection FY 2015	Projection FY 2016	Projection FY 2017
<b>PLAN INCOME:</b>								
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,874,486,516 (1,677,672)	2,916,676,038 (3,380,488)	2,959,728,308 (3,414,293)	3,393,464,293 (3,448,436)	3,891,087,902 (3,482,920)
EGWP Spouse Premium Reduction	-	-	42,163,391 (451,496)	-	(1,458,338)	-	(1,696,732)	(1,945,544)
Health care Reform ERRP Retro Disenrollments	(1,310,146)	(1,281,584)	-	(1,437,243)	-	-	-	-
Medicare Part D	74,357,704	66,276,535	57,583,602	39,519,892	6,118,945	6,394,298	6,682,041	6,982,733
<b>EGWP+Wrap</b>								
Direct Subsidy	-	-	-	19,759,856	49,128,383	53,467,015	57,652,316	60,557,992
Coverage Gap Subsidy	-	-	-	-	23,881,638	25,579,742	26,752,699	27,822,807
Catastrophic Subsidy	-	-	-	-	-	12,367,808	13,247,221	13,914,881
Total	-	-	-	19,759,856	73,010,020	91,414,565	97,652,235	102,295,680
Appropriations from State Reserve	3,532,448	2,861,085	3,015,819	5,658,262	5,634,496	3,897,996	2,188,479	2,330,393
Investment Earnings	2,490,457,950	2,797,969,020	2,852,680,167	2,936,309,611	2,996,600,673	3,056,541,009	3,494,841,881	3,997,268,243
<b>Total Plan Income</b>								
	1,829,432,245	1,852,549,690	1,849,410,105	2,003,583,417	2,164,584,776	2,338,776,406	2,533,991,483	2,731,021,739
Medical Claims Payment	(31,916,831)	(24,723,681)	(22,634,615)	(31,216,928)	(34,171,210)	(36,920,558)	(40,003,154)	(43,111,401)
Claim Refunds	1,797,515,414	1,827,826,009	1,826,775,490	1,972,366,489	2,130,413,566	2,301,855,848	2,493,988,330	2,687,910,338
Net Medical Claims	N/A	N/A	721,163,013 (93,130,160)	743,436,376 (53,940,467)	803,206,762 (55,826,830)	867,853,936 (57,785,556)	937,782,114 (59,831,034)	1,013,429,567 (61,915,172)
Pharmacy Claims Payment Rebates	596,709,775	655,868,735	628,032,853	689,495,909	747,379,932	810,068,380	877,951,079	951,514,395
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	689,495,909	747,379,932	810,068,380	877,951,079	951,514,395
EGWP+Wrap Reduction in Rebates EGWP+Wrap Claim Increase	-	-	766,594 417,042	766,594 417,042	3,124,038 899,806	3,218,384 995,141	3,315,579 1,100,576	3,415,709 1,217,182
Total Pharmacy Claims	596,709,775	655,868,735	628,032,853	690,679,545	751,403,776	814,281,904	882,367,234	956,147,286
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,663,046,034	2,881,817,342	3,116,137,752	3,376,355,564	3,644,057,624
Administrative Costs	164,649,780	165,902,094	165,480,561	183,604,143	189,112,267	194,785,635	200,629,204	205,922,850
Extra EGWP+Wrap Administration	-	-	0	5,783,249	11,616,926	12,085,088	12,572,117	13,078,773
<b>Total Plan Expense</b>	2,558,874,969	2,649,596,838	2,620,288,904	2,852,433,426	3,082,546,535	3,323,008,476	3,589,556,885	3,862,959,248
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,263	83,876,185	(85,945,862)	(266,467,466)	(94,715,005)	134,308,995
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,475	586,123,660	500,177,798	233,710,331	138,995,327
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,475	586,123,660	500,177,798	233,710,331	138,995,327	273,304,322
Target Stabilization Reserve at 7.5%	179,566,889	186,277,106	184,110,626	199,728,453	216,136,301	233,710,331	253,226,667	273,304,322
Premium Increase:	8.9%	8.9%	5.3%	5.3%	1.9%	1.9%	1.9%	15.1%



# Q1 Update

(Segal 11-15-12)

## North Carolina State Health Plan Financial Projections - Sept 2012 Trends: Medical 8.5% Drugs 8.5% With EGWP+Wrap and Spouse Rate Reduction

	2009 - 2011 Biennium		2011 - 2013 Biennium		2013 - 2015 Biennium		2015 - 2017 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Projection FY 2013	Projection FY 2014	Projection FY 2015	Projection FY 2016	Projection FY 2017
<b>PLAN INCOME:</b>								
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,881,178,126	2,905,794,584	2,924,823,970	3,361,816,387	3,864,425,033
EGWP Spouse Premium Reduction	-	-	-	(2,380,577)	(4,796,834)	(4,844,802)	(4,893,250)	(4,942,183)
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(1,229,459)	(1,452,897)	(1,462,412)	(1,680,908)	(1,932,213)
Medicare Part D	74,357,704	66,276,535	57,583,602	39,484,930	6,022,192	6,293,191	6,576,385	6,872,322
EGWP+Wrap	-	-	-	19,759,856	49,128,383	53,467,015	57,652,316	60,557,992
Direct Subsidy	-	-	-	-	23,881,638	25,579,742	26,752,699	27,822,807
Coverage Gap Subsidy	-	-	-	-	-	12,367,808	13,247,221	13,914,881
Catastrophic Subsidy	-	-	-	19,759,856	73,010,020	91,414,565	97,652,235	102,295,680
Total	-	-	-	-	73,010,020	91,414,565	97,652,235	102,295,680
Investment Earnings	3,532,448	2,861,085	3,015,819	5,276,364	5,969,875	4,214,395	2,169,585	2,314,107
<b>Total Plan Income</b>	<b>2,490,457,950</b>	<b>2,797,969,020</b>	<b>2,852,680,167</b>	<b>2,941,531,021</b>	<b>2,984,546,940</b>	<b>3,020,438,907</b>	<b>3,461,640,433</b>	<b>3,969,032,747</b>
<b>PLAN EXPENSE:</b>								
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,959,418,996	2,173,445,682	2,306,478,258	2,503,378,397	2,698,259,632
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,615)	(29,465,322)	(33,861,914)	(36,388,828)	(40,058,934)	(42,593,587)
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,929,953,674	2,139,583,768	2,270,089,430	2,463,319,463	2,655,666,045
Pharmacy Claims Payment	N/A	N/A	721,163,013	749,381,163	811,734,220	877,142,174	947,899,910	1,024,451,990
Rebates	N/A	N/A	(93,130,160)	(53,940,471)	(55,826,834)	(57,785,560)	(60,201,307)	(62,303,702)
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	695,440,692	755,907,386	819,356,614	887,698,603	962,148,288
EGWP+Wrap Reduction in Rebates	-	-	-	766,594	3,124,038	3,218,384	3,315,579	3,415,709
EGWP+Wrap Claim Increase	-	-	-	417,042	899,806	995,141	1,100,576	1,217,182
Total Pharmacy Claims	596,709,775	655,868,735	628,032,853	696,624,327	759,931,230	823,570,138	892,114,758	966,781,179
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,626,578,001	2,899,514,997	3,093,659,568	3,355,434,221	3,622,447,224
Administrative Costs	164,649,780	165,902,094	165,480,561	183,604,143	189,112,267	194,785,635	194,426,051	194,426,051
Extra EGWP+Wrap Administration	-	-	0	5,783,249	11,616,926	12,085,088	12,140,279	12,140,279
<b>Total Plan Expense</b>	<b>2,558,874,969</b>	<b>2,649,596,838</b>	<b>2,620,288,904</b>	<b>2,815,965,393</b>	<b>3,100,244,191</b>	<b>3,300,530,292</b>	<b>3,562,000,562</b>	<b>3,829,013,555</b>
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,263	125,565,628	(115,697,250)	(280,091,385)	(100,360,118)	140,019,192
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,475	627,813,103	512,115,853	232,024,468	131,664,350
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,475	627,813,103	512,115,853	232,024,468	131,664,350	271,683,542
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	196,993,350	217,463,625	232,024,468	251,657,567	271,683,542
Premium Increase:	8.9%	7.1% Increase	7.1% Increase	7.1% Increase	7.5% Increase	7.5% Increase	7.5% Increase	7.5% Increase
		8.9%	5.3%	5.3%	1.1%	1.1%	15.4%	15.4%

# Q2 Update

(Segal 3-12-13)

## North Carolina State Health Plan Financial Projections - Dec 2012 Trends - 8.5% Medical & Pharmacy With Dental, MHSA and ACA Reinsurance Fee

	2009 - 2011 Biennium		2011 - 2013 Biennium		2013 - 2015 Biennium		2015 - 2017 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Projection FY 2013	Projection FY 2014	Projection FY 2015	Projection FY 2016	Projection FY 2017
<b>PLAN INCOME:</b>								
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,888,055,367	2,867,192,037	2,838,665,789	3,324,222,451	3,893,161,726
EGWP/PDP Spouse Premium Reduction	-	45,298,812	-	(2,474,820)	(4,986,732)	(5,036,599)	(5,086,965)	(5,137,835)
Health care Reform ERRP	(1,310,146)	(1,281,584)	(451,496)	(953,256)	(1,433,596)	(1,419,333)	(1,662,111)	(1,946,581)
Retro Disenrollments	-	-	-	-	-	-	-	-
Medicare Part D	74,357,704	66,276,535	57,583,602	39,186,799	6,218,762	6,498,606	6,791,044	7,096,641
EGWP+Wrap	-	-	-	20,745,749	51,579,580	56,134,684	60,528,804	63,579,456
Direct Subsidy	-	-	-	-	25,073,181	26,856,011	28,087,490	29,210,990
Coverage Gap Subsidy	-	-	-	-	-	12,984,884	13,908,174	14,609,146
Catastrophic Subsidy	-	-	-	20,745,749	76,652,762	95,975,578	102,524,469	107,399,592
Total	-	-	-	-	-	-	-	-
Appropriations from State Reserve	3,532,448	2,861,085	3,015,815	2,763,944	2,665,435	1,824,202	790,100	895,429
Investment Earnings	2,490,457,950	2,797,969,020	2,852,680,163	2,945,765,563	2,946,308,668	2,936,508,243	3,427,578,986	4,001,468,972
<b>Total Plan Income</b>	1,829,432,245	1,852,549,690	1,849,410,105	1,927,218,996	2,146,442,728	2,277,747,133	2,472,113,547	2,664,472,655
Medical Claims Payment	(31,916,831)	(24,723,681)	(22,634,615)	(27,984,755)	(33,441,403)	(35,935,757)	(39,559,055)	(42,060,483)
Claim Refunds	-	-	-	-	5,336,171	6,786,124	7,365,203	7,938,301
Dental & MHSA Enhancement	-	-	-	-	-	-	-	-
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,899,234,241	2,118,337,497	2,248,597,501	2,439,919,695	2,630,350,473
Pharmacy Claims Payment	N/A	N/A	721,163,013	747,552,157	816,574,151	882,342,892	992,085,394	1,033,506,748
Rebates	N/A	N/A	(93,130,160)	(69,039,330)	(66,929,711)	(61,997,748)	(64,146,013)	(66,377,816)
Calendar Year Adjustments	-	-	-	-	-	-	-	-
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	678,512,828	749,644,440	820,345,144	927,939,381	967,128,932
MA-PDP Savings	-	-	-	-	-	-	-	-
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-
Total Pharmacy Claims	596,709,775	655,868,735	628,032,853	679,755,520	753,869,048	824,768,897	932,575,874	971,992,975
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,578,989,761	2,872,206,545	3,073,366,397	3,372,495,569	3,602,343,448
Administrative Costs	164,649,780	165,902,094	165,480,561	164,665,404	170,829,702	177,151,548	176,821,843	176,821,843
ACA Reinsurance Fee	-	-	-	-	11,616,926	12,085,088	12,572,117	13,078,773
Extra EGWP+Wrap Administration	-	-	-	5,783,249	-	-	-	-
<b>Total Plan Expense</b>	2,558,874,969	2,649,596,838	2,620,288,904	2,749,438,414	3,054,653,173	3,297,235,880	3,582,928,983	3,806,445,697
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	197,327,150	(108,344,505)	(360,727,637)	(155,349,997)	195,023,276
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	699,574,621	591,230,116	230,502,480	75,152,483
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	699,574,621	591,230,116	230,502,480	75,152,483	270,175,759
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	193,424,232	215,415,491	230,502,480	252,937,168	270,175,759
<b>Premium Increase:</b>	8.9%	8.9%	5.3%	5.3%	-0.6%	-0.8%	17.6%	17.6%





*North Carolina*  
**State Health Plan**

FOR TEACHERS AND STATE EMPLOYEES



## **Board Approved Plan Design: Updated Projection**

*Board of Trustees Meeting*

Forecast prepared by The Segal Company  
Final version dated 3-14-13

March 22, 2013

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A Division of the Department of State Treasurer

# Presentation Overview

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- Legislative directives and Board strategic planning discussion
- Comparison of approved benefit design projections
  - Initial projection: February 1<sup>st</sup> (*Shared with Board on February 4th*)
  - New projection: March 14<sup>th</sup>
- Outlook for 2013-15 and 2015-17 Fiscal Bienniums
- Comparison of Board approved design to baseline forecast
- Summary

# Legislative Directives and Guidance

SB 323 [State Health Plan Changes SL 2011-85] and HB 578 [State Health Plan Changes SL 2011-96] set out certain requirements and authority for the Plan:

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li><input type="checkbox"/> Examine the issue, costs and mechanics of moving to a <b>calendar year</b></li><li><input type="checkbox"/> <b>Find savings</b> through wellness programs, Medicare Advantage plans, alternative plan designs, or other resources</li><li><input type="checkbox"/> Any savings and available cash reserves <u>may</u> be used to <b>offer a premium-free plan</b> option to employees for FYs 2012 &amp; 2013. Premium free option required no later than July 1, 2013</li><li><input type="checkbox"/> Strive to <b>keep all premiums low</b> by finding savings through wellness programs, Medicare Advantage plans, alternative plan designs, or other resources</li></ul> | <ul style="list-style-type: none"><li>✓ Conversion will begin July 1, 2013; operate on <b>Calendar Year basis in 2014</b></li><li>✓ Board approved benefit design to include wellness programs &amp; incentives, Medicare Advantage options, and a new Consumer Directed Health Plan <b>expected to save nearly \$350 million over the next four years</b></li><li>✓ <b>Basic 70/30 PPO option</b> offered to active employees on a premium free basis since June 1, 2011 and will continue to be available through calendar year 2015</li><li>✓ Board approved benefit design will <b>lower the average annual premium increases</b> for employees &amp; retirees and the State over the next four years</li></ul> |
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# BOT Strategic Planning Discussions

## Overarching Themes and Goals

- Improve the health and wellness of Plan members
- Need to “bend” the health care cost curve to promote long term financial sustainability of the Plan and affordability for Plan members
- Increase member engagement and accountability
- Incent and reward healthy behaviors to provide members with opportunities to reduce their out-of-pocket expenses
- Increase choice and flexibility by offering more benefit options

## Actions Taken

- ✓ 100% coverage of preventive services (80/20, CDHP, Medicare Advantage)
- ✓ Actions taken reduce four year average increase in employer contributions to 5.7% annually; saves \$165M over next two fiscal bienniums, with \$132M savings to General Fund
- ✓ Implement smoker and wellness premium surcharges
- ✓ Provide premium credits for healthy activities and reduce copays for using primary care and high quality, lower cost providers
- ✓ Offer Consumer Directed Health Plan and Medicare Advantage-PDP

# Board Approved Plan Design

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- Effective January 2014:
  - Convert to calendar year
  - Offer Medicare Advantage with an integrated prescription drug program (MA-PDP) to Medicare retirees
  - Offer a consumer directed health plan (CDHP) to active employees and non-Medicare retirees
  - Implement Board's Wellness Design for the 80/20 Plan and CDHP
  - Maintain premium free 70/30 Plan option for active employees and retirees
- Increase target stabilization reserve from 7.5% to 9.0% of claims by December 2015

# Forecast Assumptions in Both Projections

## Initial Projection vs. Updated Projection

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- Overall trend assumption of 8.5%
- Membership trends
  - 1% annual decrease in actives
  - 1% annual increase in retirees
- Elimination of EGWP + Wrap pharmacy benefit effective January 1, 2014
- Enhancements to behavioral health and dental benefits effective July 1, 2013
- Short plan year from July 1-December 31, 2013
- Premium increases shift to January 1<sup>st</sup> of each year
- Affordable Care Act reinsurance fee



# Forecast Assumptions **Changed/Revised** in the Update Initial Projection vs. Updated Projection

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- Membership based on actual December 2012 counts (instead of September 2012)
- Anticipated claims expenditures based on actual experience through December 2012 (instead of through September 2012)
- Investment earnings assumption reduced
- Administrative costs adjusted to reflect more recent Plan projections
- Timing of pharmacy claims payments and rebates were aligned with current expectations
- Pharmacy rebate amounts were increased for 2013 and 2014
- Timing of payments for ACA reinsurance fee were adjusted
- Assumptions for the wellness design were refined

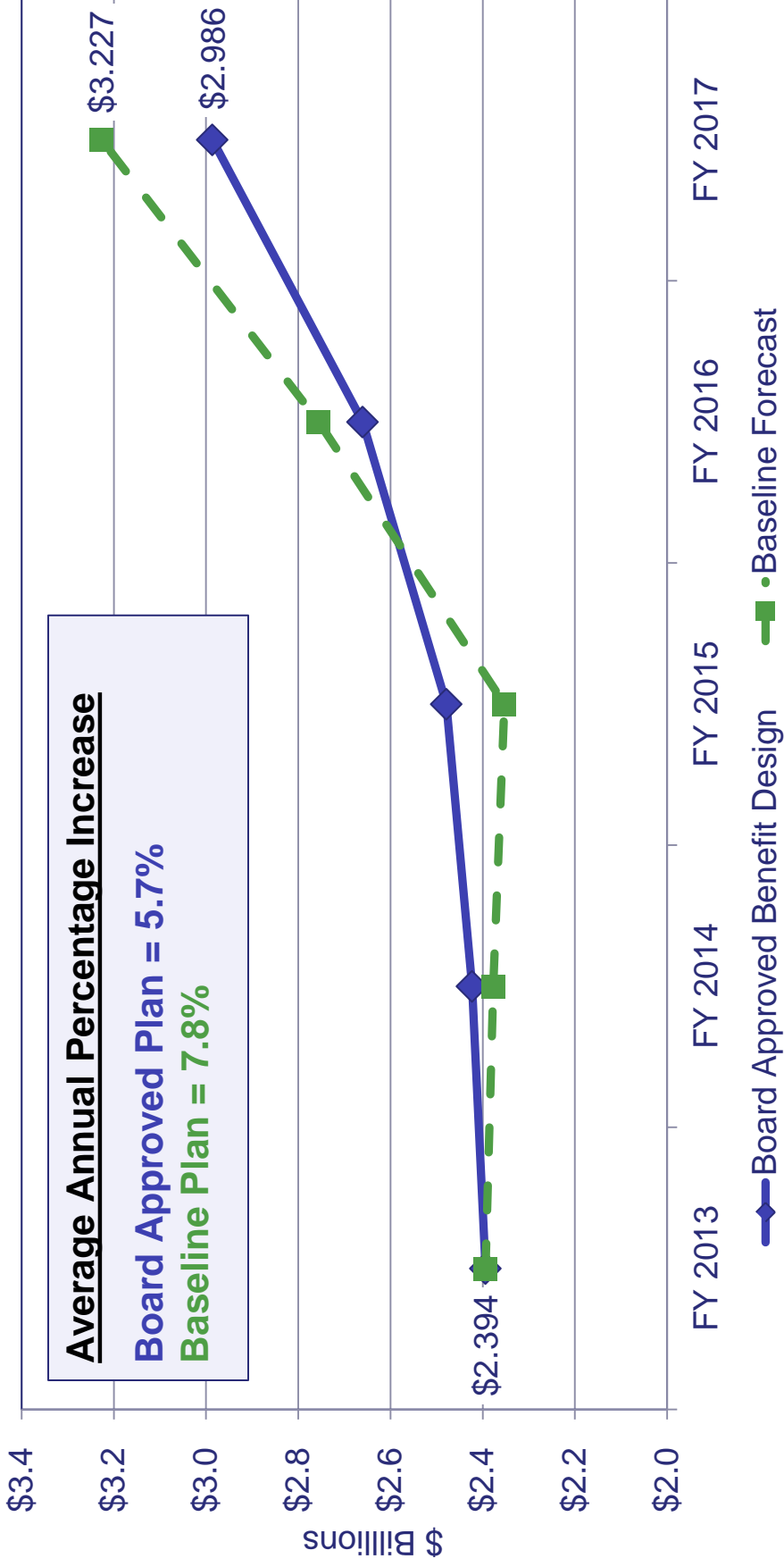
# Comparison of Board Approved Plan Design Projections

## Initial Projection vs. Updated Projection

	Initial Projection (Segal 02-01-13)	Updated Projection (Segal 03-14-13)	Difference
<b>Premium Increases</b>			
FB 2013-15	4.7%	2.7%	(2.0%)
FB 2015-17	10.4%	12.7%	2.3%
<b>Employer Contribution Increases</b>			
FY 2013-14	\$56.1 m	\$32.4 m	(\$23.7 m)
FY 2014-15	\$170.2 m	\$97.8 m	(\$72.4 m)
<b>Total</b>	<b>\$226.3 m</b>	<b>\$130.2 m</b>	<b>(\$96.1 m)</b>
<b>General Fund Increases</b>			
FY 2013-14	\$44.8 m	\$25.9 m	(\$18.9 m)
FY 2014-15	\$136.2 m	\$78.2 m	(\$58.0 m)
<b>Total</b>	<b>\$181.0 m</b>	<b>\$104.1 m</b>	<b>(\$76.9 m)</b>

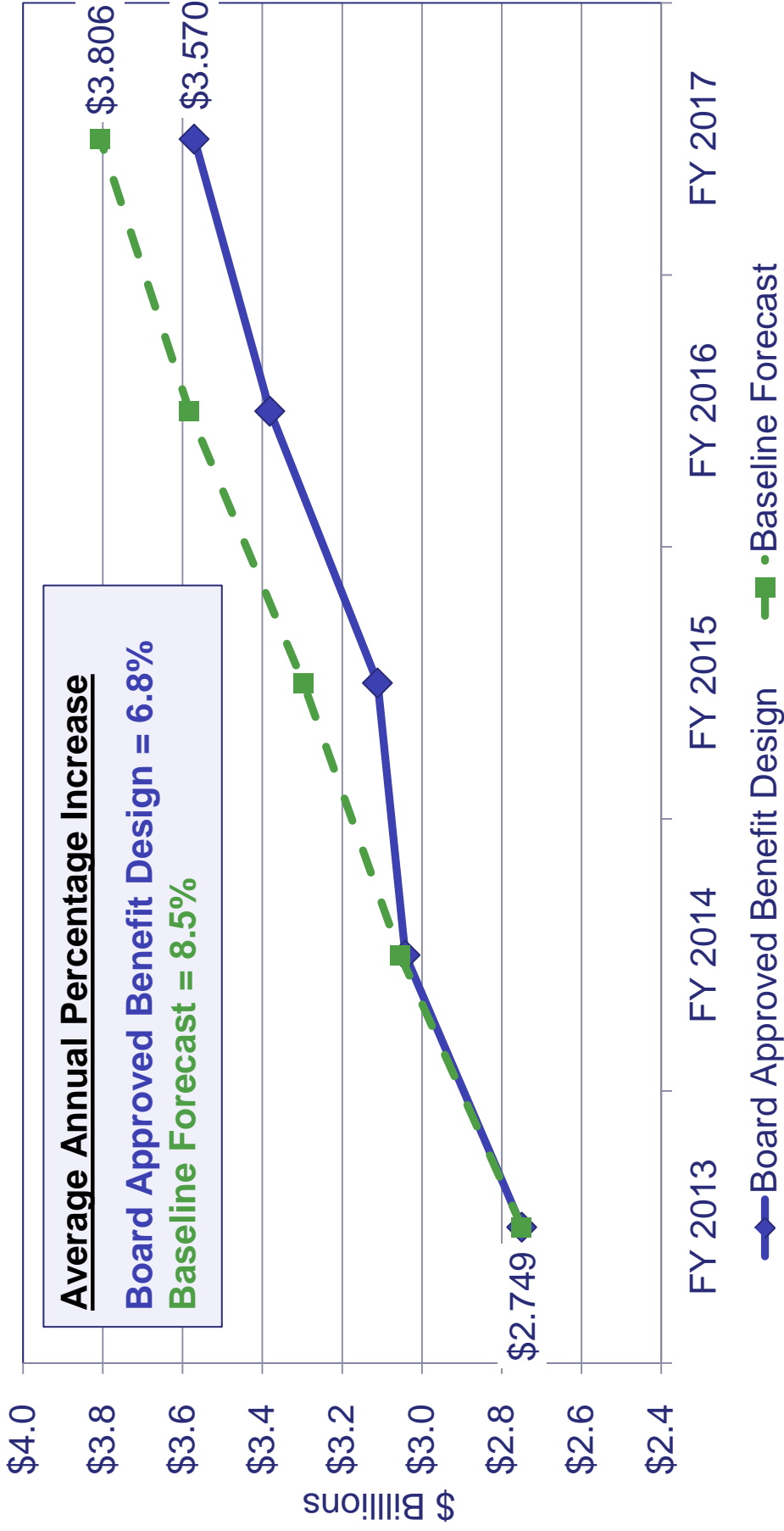


# Projected Total State Contributions for Health Benefits



- The Board approved benefit design is expected to save the state \$165 million over the next four years, including \$132 million in General Fund appropriations.
- Employees and retirees are expected to save \$34 million in premium contributions.

# Projected State Health Plan Expenses



- The board approved benefit design is expected to reduce Plan expenses by \$638 million, including \$600 million in claims costs and \$38 million in administrative expenses.

# Summary

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- The benefit design approved by the Board at the February 4<sup>th</sup> meeting meets goals set by the General Assembly and the Board's objectives
- Factoring in recent experience and refining the projection assumptions reduced the January 1, 2014 premium increase initially projected for the approved benefit design
- Required premium increase for 2013-15 Fiscal Biennium under the approved design is lower than previously forecasted
- Required premium increase for 2015-17 Fiscal Biennium under the approved design is higher than previously forecasted
- Relative to the baseline forecast, the Board's approved benefit design:
  - Requires a higher premium increase for 2013-15 Fiscal Biennium
  - Requires a lower premium increase for 2015-17 Fiscal Biennium
  - Saves the state \$165 million in employer contributions over the next four years
  - Reduces Plan expenses by more than \$600 million over the next four years

# CY 2014 Benefit Plan Options Approved by Board of Trustees

## Availability of Benefit Plan Offerings by Subscriber Status

Modified Calendar Year 2014 Plan Offerings for Consideration	Drug Coverage						Number of Options
	Current	New	New	New	New	Current	
<b>Subscriber Status</b>	Basic 70/30 Plan	Buy-Up 80/20 Plan	Consumer Directed Health Plan CDHP	Medicare Advantage with Prescription Drug Plan MA-PDP	Pharmacy Benefit Plan	Medicare Part D Prescription Drug Plan	
Active Employees	Yes	Yes	Yes	Base: No Buy-Up: No	"Traditional"	"EGWP + Wrap"	Yes
Non-Medicare Retirees	Yes	Yes	Yes	Base: No Buy-Up: No	"Wellness"	"EGWP + Wrap"	Yes
Medicare Primary Retirees	Yes	No	No	Base: Yes Buy-Up: Yes	"Wellness"	"EGWP + Wrap"	Yes
Employee/Retiree Premium?	No	Yes	No	No			No
Employee/Retiree Wellness Premium Surcharge?	No	Yes	Yes	No			No

Applies to 70/30, 80/20 and CHDP Plans

*Note: Final calendar year 2014 benefit plan offerings are subject to change pending funding by the NC General Assembly*

# Initial Projection (Segal 2-1-13)

North Carolina State Health Plan  
 Financial Projections - Sept 2012  
 Trends - 8.5% Medical & Pharmacy  
 Scenario 12d - Wellness Incentives - Active 70/30 Unchanged thru 2015 only, Retirees 70/30 Unchanged  
 With MA & PDP  
 Incentives start at \$15/\$15/\$20 and increase to \$25/\$25/\$40 in Calendar 2016, \$10 Standard Premium Credit

	2011 - 2013 Biennium		2013 - 2015 Biennium			2015 - 2017 Biennium			Projection	
	Actual FY 2012	Projection FY 2013	Short Plan Year Jul-Dec 2013	Projection Calendar 2014 Jul-Dec	Projection Calendar 2015 Jan-Jun	Projection Calendar 2015 Jul-Dec	Projection Calendar 2016 Jan-June	Projection Calendar 2016 July-Dec	Projection Calendar 2017 Jan-Jun	Projection Calendar 2017 Jul-Dec
<b>PLAN INCOME:</b>										
Net Contribution Income	2,750,368,851	2,881,178,126	1,439,044,889	1,503,876,670	1,500,809,234	1,568,489,919	1,585,355,311	1,721,551,721	1,897,124,418	1,893,494,807
EGWP/PDP Spouse Premium Reduction	(2,380,577)	(2,380,577)	(2,382,451)	(11,216,486)	(11,271,422)	(11,327,639)	(11,384,137)	(11,497,978)	(11,555,325)	(11,612,958)
MA Spouse Premium Reduction	-	-	-	(5,943,883)	(5,973,528)	(6,003,322)	(6,033,284)	(6,093,596)	(6,123,988)	(6,154,532)
Health care Reform ERRP	42,183,391	(558,219)	-	(751,938)	(750,405)	(784,244)	(782,678)	(860,776)	(948,562)	(946,747)
Retro Disenrollments	(451,486)	(1,229,459)	-	(16,992,166)	(15,675,872)	(15,662,759)	(16,794,974)	16,732,186	16,577,654	16,545,936
Premium Incentives	-	-	-	(3,522,150)	(3,514,968)	(4,743,951)	(4,739,893)	(5,694,097)	(6,837,462)	(7,116,047)
CDHP Premium Reduction	-	-	-	3,323,066	2,820,997	3,472,604	2,947,514	3,628,871	3,792,170	3,218,758
Medicare Part D	57,563,802	39,484,930	2,689,126	-	-	-	-	-	-	-
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	19,759,856	23,820,221	3,881,571	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	6,820,704	17,060,934	-	-	-	-	-	-
Catastrophic Subsidy	-	-	30,640,925	21,042,505	-	-	-	-	-	-
Total	-	19,759,856	-	-	-	-	-	-	-	-
Appropriations from State Reserve	3,015,819	5,276,364	2,923,805	2,605,407	2,404,814	2,095,447	1,580,389	1,138,795	1,145,481	1,342,917
Investment Earnings	2,852,680,167	2,941,631,921	1,472,198,752	1,492,687,811	1,480,199,955	1,535,921,941	1,531,290,391	1,718,113,941	1,892,882,133	1,888,771,934
<b>Total Plan Income</b>										
1,849,410,105	1,959,418,966	1,027,931,900	1,145,513,781	1,068,651,244	1,237,827,014	1,185,319,959	1,338,058,438	1,254,974,328	1,443,285,304	1,353,181,708
(22,634,815)	(20,465,322)	(16,572,229)	(17,289,686)	(17,706,079)	(18,682,748)	(19,735,516)	(20,323,418)	(20,967,575)	(21,628,013)	(22,610,340)
-	-	1,965,711	3,370,391	3,144,242	3,642,000	3,428,696	3,936,908	3,892,452	4,248,510	3,981,403
-	-	44,753,680	(19,618,010)	(28,577,928)	(28,720,462)	(28,883,707)	(29,007,687)	(29,152,344)	(29,287,744)	(29,443,888)
-	-	-	(4,250,991)	14,111,474	(14,495,069)	18,718,118	(17,883,598)	20,309,158	(19,403,060)	22,036,437
-	-	-	10,381,820	14,553,264	16,512,356	15,942,549	17,845,143	17,202,261	19,278,931	18,578,160
-	-	-	(8,966,079)	(13,426,205)	(12,707,256)	(12,688,813)	(14,087,645)	(14,059,994)	(20,762,889)	(20,752,657)
-	-	-	(4,552,285)	(6,816,764)	(9,604,139)	(9,500,199)	(14,939,638)	(14,910,314)	(21,928,100)	(21,796,187)
-	-	-	(883,234)	(1,322,594)	(1,301,129)	(1,299,241)	(1,561,897)	(1,558,831)	(1,741,723)	(1,741,723)
-	-	-	4,862,155	7,280,907	(800,318)	(589,447)	(7,319,465)	(7,305,129)	(15,408,135)	(15,378,545)
-	-	-	1,058,079,083	1,108,569,883	1,039,891,481	1,171,971,648	1,130,632,369	1,254,717,369	1,338,709,125	1,286,063,088
-	-	-	393,842,333	417,891,887	425,668,201	451,573,973	459,888,151	488,011,760	527,434,313	537,190,469
-	-	-	(26,119,159)	(39,707,675)	(27,075,362)	(30,710,198)	(28,256,258)	(29,287,852)	(33,015,849)	(30,359,883)
-	-	-	5,610,336	(8,891,802)	9,702,441	(9,898,773)	10,484,898	11,331,828	(11,559,415)	12,247,860
-	-	-	373,333,599	379,282,610	408,195,281	410,897,001	445,371,327	479,061,452	482,859,049	519,078,447
-	-	-	(33,304,170)	(57,242,451)	(57,527,951)	(57,814,876)	(58,103,231)	(58,393,024)	(59,684,263)	(58,976,955)
-	-	-	783,892	-	-	-	-	-	-	-
-	-	-	438,579	-	-	-	-	-	-	-
-	-	-	375,322,488	348,772,332	350,952,930	353,439,050	384,302,015	397,268,096	424,174,788	460,101,492
-	-	-	1,433,401,651	1,455,342,215	1,390,844,291	1,525,310,998	1,514,934,384	1,641,985,495	1,628,892,640	1,746,154,580
-	-	-	94,663,645	94,458,622	97,491,224	97,294,411	97,213,026	97,213,026	97,213,026	97,213,026
-	-	-	18,002,320	16,739,438	10,006,185	9,968,959	6,621,322	6,596,936	-	-
-	-	-	5,794,014	5,822,812	-	-	-	-	-	-
<b>Total Plan Expense</b>	2,820,288,904	2,815,965,963	1,533,849,210	1,572,428,070	1,505,074,953	1,632,811,294	1,622,116,389	1,745,819,813	1,732,702,502	1,843,377,608
Plan Income (Loss)	232,391,263	125,595,628	(61,652,458)	(79,738,259)	(24,874,898)	(97,089,353)	(90,836,978)	(23,577,764)	34,785,203	45,394,329
Beginning Cash Balance (Deficit)	269,856,212	502,247,475	627,813,103	566,160,645	498,422,386	461,547,388	364,458,035	273,622,057	250,044,293	236,454,833
Ending Cash Balance (Deficit)	502,247,475	627,813,103	566,160,645	498,422,386	461,547,388	364,458,035	273,622,057	250,044,293	236,454,833	270,240,035
Target Stabilization Reserve	184,110,628	210,126,240	221,519,899	245,543,220	241,925,853	262,453,949	284,122,786	294,379,029	306,078,890	315,634,364
7.5%	8.0%	8.0%	8.5%	8.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%
7/1 Increase 5.3%	7/1 Increase 5.3%	1/1 Increase 4.7%	1/1 Increase 4.7%	1/1 Increase 4.7%	1/1 Increase 4.7%	1/1 Increase 4.7%	1/1 Increase 10.4%	1/1 Increase 10.4%	1/1 Increase 10.4%	1/1 Increase 10.4%
Premium Increase:										



# Updated Projection (Segal 3-14-13)

North Carolina State Health Plan  
 Financial Projections - Dec 2012  
 Trends - 8.5% Medical & Pharmacy  
 Board Approved Wellness Incentives - Active 70/30 Unchanged thru 2015 only, Retirees 70/30 Unchanged  
 With MA & PDP  
 Incentives start at \$15/\$15/\$20 and increase to \$25/\$25/\$40 in Calendar 2016, \$10 Standard Premium Credit

	2011 - 2013 Biennium		2013 - 2015 Biennium			2015 - 2017 Biennium			Projection Calendar 2017			
	Actual FY 2012	Projection FY 2013	Short Plan Year Jul-Dec 2013	Projection Calendar 2014 Jan-June	Projection Calendar 2014 July-Dec	Projection Calendar 2014 Jan-June	Projection Calendar 2014 July-Dec	Projection Calendar 2015 Jul-Dec	Projection Calendar 2016 Jan-June	Projection Calendar 2016 July-Dec	Projection Calendar 2017 Jan-Jun	Projection Calendar 2017 Jul-Dec
<b>PLAN INCOME:</b>												
Net Contribution Income	2,750,398,851	2,888,055,397	1,443,553,347	1,479,677,932	1,476,635,707	1,513,651,108	1,513,651,108	1,510,802,099	1,968,883,098	1,995,332,715	1,906,494,598	1,902,815,009
EGWP/PDP Spouse Premium Reduction	(2,474,820)	(2,487,164)	(2,487,164)	(1,171,125)	(11,775,585)	(11,834,296)	(11,834,296)	(11,863,320)	(11,952,839)	(12,012,254)	(12,072,165)	(12,132,376)
MA Spouse Premium Reduction	(558,219)	(558,219)	-	(6,185,425)	(6,216,275)	(6,247,280)	(6,247,280)	(6,278,438)	(6,309,752)	(6,341,223)	(6,372,850)	(6,404,635)
Health care Reform ERRP	(451,496)	(451,496)	(721,777)	(739,839)	(738,313)	(756,828)	(756,828)	(755,301)	(849,342)	(847,666)	(953,247)	(951,401)
Retro Disenrollments	(953,256)	(953,256)	-	(15,432,291)	(15,432,497)	(14,398,019)	(14,398,019)	(14,385,876)	18,173,427	18,137,583	17,992,146	17,967,428
Premium Incentives	-	-	-	(3,534,625)	(3,527,358)	(4,759,937)	(4,759,937)	(4,755,923)	(5,968,448)	(5,956,678)	(7,152,182)	(7,138,359)
CDHP Premium Reduction	57,583,602	39,186,799	2,784,744	3,434,018	2,910,058	3,588,549	3,588,549	3,041,010	3,750,033	3,177,856	3,918,795	3,320,869
Medicare Part D	-	-	-	-	-	-	-	-	-	-	-	-
EGWP+Wrap	-	-	25,008,700	4,180,227	-	-	-	-	-	-	-	-
Direct Subsidy	-	-	7,161,014	17,912,167	-	-	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	32,168,714	22,092,394	12,984,884	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	12,984,884	-	-	-	-	-	-	-
Total	-	-	20,745,749	22,092,394	12,984,884	-	-	-	-	-	-	-
Appropriations from State Reserve	3,015,815	2,763,944	1,328,814	1,249,579	1,186,189	960,056	960,056	722,899	492,305	427,606	426,363	547,610
Investment Earnings	2,852,680,163	2,946,765,563	1,476,623,679	1,468,812,618	1,456,036,824	1,480,233,356	1,476,296,950	1,476,296,950	1,868,018,883	1,891,918,241	1,902,281,433	1,898,014,122
<b>Total Plan Income</b>												
Medical Claims Payment	1,849,410,105	1,927,218,996	1,015,169,814	1,131,272,914	1,055,348,776	1,222,398,357	1,222,398,357	1,150,776,472	1,321,337,075	1,239,270,979	1,425,201,676	1,336,205,056
Claim Refunds	(22,634,615)	(27,984,755)	(16,366,596)	(17,074,894)	(17,485,776)	(18,449,981)	(18,449,981)	(19,489,508)	(20,069,547)	(20,705,322)	(21,355,161)	(22,326,798)
Dental & MHA Enhancement	-	-	1,966,754	3,770,417	3,144,216	3,641,909	3,641,909	3,428,525	3,938,878	3,682,178	4,248,124	3,980,975
Medicare Advantage Savings	-	-	-	(19,524,830)	(28,579,024)	(28,722,167)	(28,722,167)	(28,865,420)	(29,009,388)	(29,154,074)	(29,298,482)	(29,445,615)
Calendar Year Adjustments	-	-	44,524,878	(4,229,258)	14,039,329	(14,419,571)	(14,419,571)	18,622,423	(17,792,129)	20,205,328	(19,304,480)	19,222,781
Preventative at 100% in Standard Plan	-	-	-	10,247,668	14,389,068	16,300,647	16,300,647	15,741,038	17,615,873	16,684,626	16,030,936	16,342,873
Premium Incentive	-	-	-	(8,183,249)	(12,253,793)	(11,704,835)	(11,704,835)	(11,687,707)	(12,763,417)	(12,728,173)	(20,253,236)	(20,218,993)
CDHP Claims Reduction	-	-	-	(3,513,582)	(5,261,322)	(7,151,167)	(7,151,167)	(7,140,703)	(10,762,846)	(10,741,543)	(15,273,727)	(15,244,140)
Limited Network Savings	-	-	804,842	265,475	397,529	324,800	324,800	324,324	482,264	481,338	441,970	441,114
PCP Copay Waiver	-	-	-	4,440,211	6,648,878	(352,563)	(352,563)	(352,047)	(4,133,249)	(4,125,068)	(17,107,065)	(17,073,927)
Net Medical Claims	1,826,775,490	1,899,234,241	1,045,293,877	1,097,070,933	1,030,367,310	1,161,865,430	1,121,357,397	1,121,357,397	1,248,851,344	1,203,180,271	1,326,322,575	1,276,583,324
Pharmacy Claims Payment	721,163,013	747,552,157	427,143,493	389,430,657	461,537,416	420,805,476	420,805,476	488,742,324	493,343,070	500,327,069	533,179,679	540,750,179
Rebates	(93,130,160)	(90,039,330)	(28,211,239)	(35,718,472)	(29,235,432)	(32,782,317)	(32,782,317)	(30,269,331)	(33,846,882)	(31,409,736)	(34,963,080)	(32,552,926)
Calendar Year Adjustments	-	-	6,216,800	(9,519,242)	11,416,587	(10,479,654)	(10,479,654)	12,337,009	(12,212,551)	12,039,535	(13,166,703)	13,660,832
Net Pharmacy Claims	628,032,853	678,512,828	405,149,054	341,192,943	443,718,572	377,563,505	377,563,505	480,780,001	447,283,837	481,566,868	485,012,896	521,868,086
MA-PDP Savings	-	-	-	(32,826,648)	(57,016,358)	(57,300,730)	(57,300,730)	(57,586,521)	(57,873,738)	(58,162,386)	(58,452,475)	(58,744,010)
EGWP+Wrap Reduction in Rebates	-	-	804,842	823,004	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	437,850	-	-	-	-	-	-	-	-	-
Total Pharmacy Claims	628,032,853	678,512,828	407,237,271	309,189,299	386,702,215	320,262,775	320,262,775	423,193,480	389,410,100	423,364,482	428,560,421	463,114,075
Total Claims	2,454,808,343	2,578,989,781	1,452,931,148	1,406,260,232	1,417,069,525	1,482,128,205	1,482,128,205	1,544,560,877	1,638,261,444	1,626,574,752	1,752,882,996	1,739,697,399
Administrative Costs	165,480,561	164,665,404	85,503,634	91,149,980	89,698,001	89,485,547	89,485,547	88,410,922	88,410,922	88,410,922	88,410,922	88,410,922
ACA Reinsurance Fee	-	-	5,794,014	-	-	34,632,848	34,632,848	-	21,039,454	-	14,201,632	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	2,620,288,904	2,749,438,414	1,543,928,798	1,497,408,212	1,505,735,528	1,606,248,568	1,606,248,568	1,632,961,798	1,747,711,820	1,714,986,674	1,856,486,550	1,828,108,321
Plan Income (Loss)	232,391,259	197,327,150	(67,200,117)	(28,598,564)	(49,698,702)	(125,013,243)	(125,013,243)	(156,664,848)	(51,693,136)	(23,067,433)	46,785,887	69,905,801
Beginning Cash Balance (Deficit)	289,856,212	502,247,471	899,574,821	632,374,504	603,777,910	564,076,208	564,076,208	429,065,968	272,401,117	220,707,981	197,940,548	244,426,435
Ending Cash Balance (Deficit)	502,247,471	699,574,621	632,374,504	603,777,910	564,076,208	429,065,968	429,065,968	272,401,117	220,707,981	197,940,548	244,426,435	314,332,238
Target Stabilization Reserve	184,110,626	206,319,131	223,399,088	242,697,267	239,983,029	280,927,796	280,927,796	272,401,117	288,453,109	293,835,258	304,151,197	314,332,238
7.5% 8.0% 8.0%	7.5%	8.0%	8.0%	8.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
7/1 Increase	5.3%	7/1 Increase	5.3%	2.7%	2.7%	2.7%	2.7%	2.7%	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
5.3%	5.3%	5.3%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	12.7%	12.7%	12.7%	12.7%
Premium Increase:												



*North Carolina*  
**State Health Plan**

FOR TEACHERS AND STATE EMPLOYEES



## Communications Update

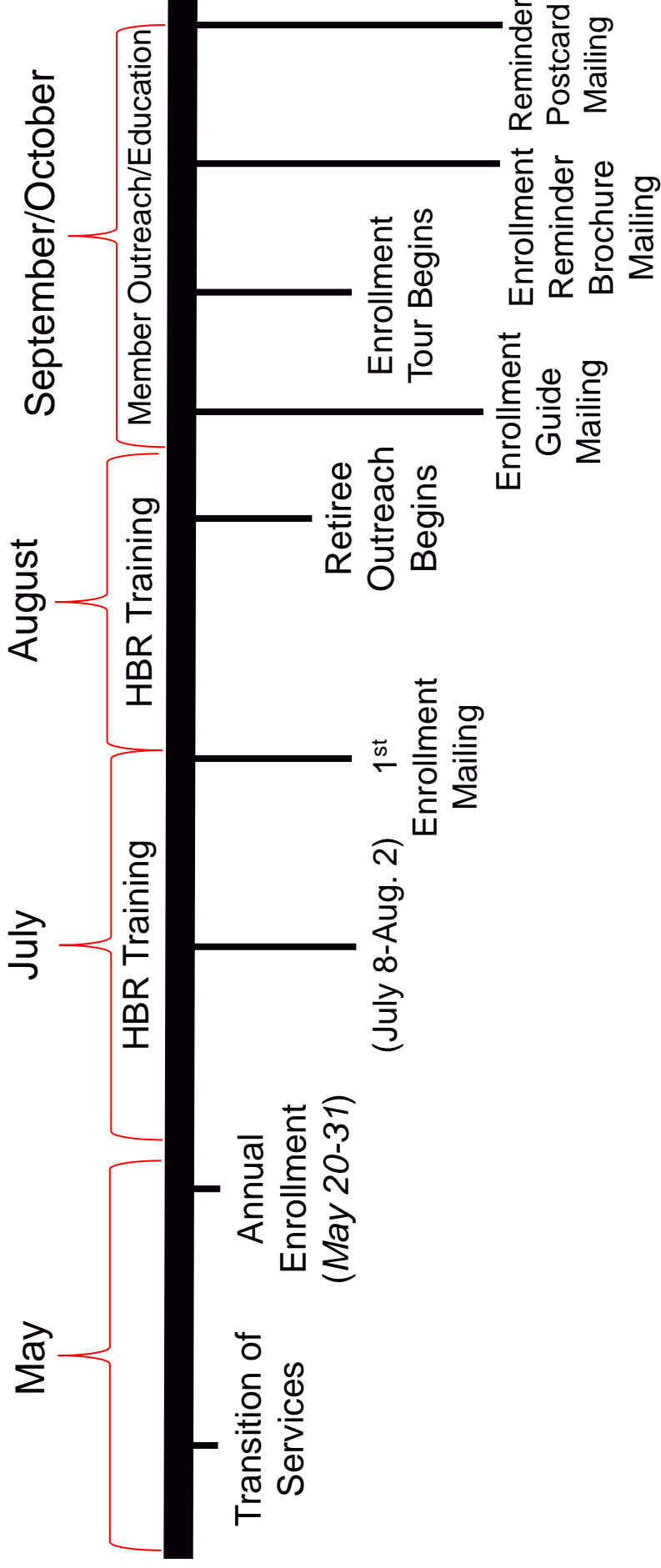
*Board of Trustees Meeting*

March 22, 2013

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A Division of the Department of State Treasurer

# 2013 Timeline





# 2013 Timeline

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- **After the 2.4.13 board meeting:**

- Press Release and FAQs were issued
- The Plan has already received numerous requests for presentations regarding the new options.

- **Our Plan for Incoming Requests:**

- Provide Basic Overview
  - Beginning Jan. 1, 2014, State Health Plan members will have new choices for their health care benefits. The approved proposal also improves long-term financial stability of the State Health Plan.
  - In addition to providing more options, this new plan focuses on helping members understand and improve their health. A healthy and engaged member population leads to cost savings in the long run.
- Provide Summary of New Plan Options
  - Active employees and retirees will have the option to remain on the current premium-free 70/30 plan or select an option that comes with a premium, but allows members to reduce their premium and out-of-pocket costs by completing healthy activities.
  - Medicare-primary retirees will have the option to remain on the current premium-free 70/30 plan or a Medicare Advantage Plan. Details and any premiums associated with the Medicare Advantage Plans have yet to be determined.

# Annual Enrollment- May 20-31, 2013

**North Carolina State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES  
A Division of the Department of State Treasurer

IMPORTANT NEWS FROM YOUR STATE HEALTH PLAN

## ANNUAL ENROLLMENT

MAY 20-31, 2013

**NCHearthsSmart**  
AN INITIATIVE OF THE STATE HEALTH PLAN

As the State Health Plan member, you have access to NCHearthsSmart, the State's new online health and wellness resource. The newly redesigned website provides a secure and easy-to-use platform for you to manage your health and wellness information. NCHearthsSmart is available to all State Health Plan members and their dependents. Showcase the link.

- Personal Health Portal
- Health history
- 24-hour nurse advice
- Health and weight loss support

For details regarding these services, including information on how to use the State Health Plan website at [www.dhsnc.org](http://www.dhsnc.org) and click on NCHearthsSmart, visit the NCHearthsSmart website at [www.nchealthsmart.com](http://www.nchealthsmart.com).

**How do I Make Changes to my Coverage?**

The State Health Plan offers a variety of options for you to make changes to your coverage. You may want to make changes to your coverage if you are getting married, having a child, or if you are moving to a new state. You can make changes to your coverage online at [www.dhsnc.org](http://www.dhsnc.org) or by calling 1-800-333-3333. You can also make changes to your coverage by contacting your employer's HR representative.

**Private Care Provider Selection**

The State Health Plan offers a variety of options for you to select your private care provider. You can select a provider from the State Health Plan's network of providers, or you can select a provider from a preferred provider organization (PPO). You can also select a provider from a point-of-service (POS) plan. You can find a list of providers in the State Health Plan's provider directory at [www.dhsnc.org](http://www.dhsnc.org).

**New ID Cards**

All members will receive a new ID card for the State Health Plan. The ID card will contain your name, your State Health Plan ID number, and your date of birth. You will need to bring your ID card to all medical appointments. You can also use your ID card to pay for your medical services.

**Stay up to date on your State Health Plan benefits - and how to get the most from them - by signing up for the free Member Focus e-newsletter.** Go to the Plan website at [www.dhsnc.org](http://www.dhsnc.org) and sign up today! You can also follow us on Facebook.

**2013's Best Health Plan Features, Compared and Out of Pocket Maximums**

Plan Component	In-Network	Out-of-Network
Member Deductible	\$1,000 Individual \$1,000 Family	\$2,000 Individual \$2,000 Family
Member Copayment	20% of eligible expenses \$100 Individual \$100 Family	30% of eligible expenses \$100 Individual \$100 Family
Out-of-Pocket Maximum (includes deductibles)	\$5,000 Individual \$10,000 Family	\$7,500 Individual \$15,000 Family
Pharmacy Out-of-Pocket Maximum	\$1,000 Individual \$1,000 Family	\$1,500 Individual \$1,500 Family

**Annual Enrollment 2013**

The State Health Plan will need a new enrollment period for 2013. The enrollment period for 2013 is from May 20 to May 31, 2013. You must enroll during this period to remain on the State Health Plan for 2013. If you do not enroll during this period, you will be required to wait until the next enrollment period to re-enroll. You can enroll online at [www.dhsnc.org](http://www.dhsnc.org) or by calling 1-800-333-3333.

**Benefit Changes for 2013 - Please Read Carefully**

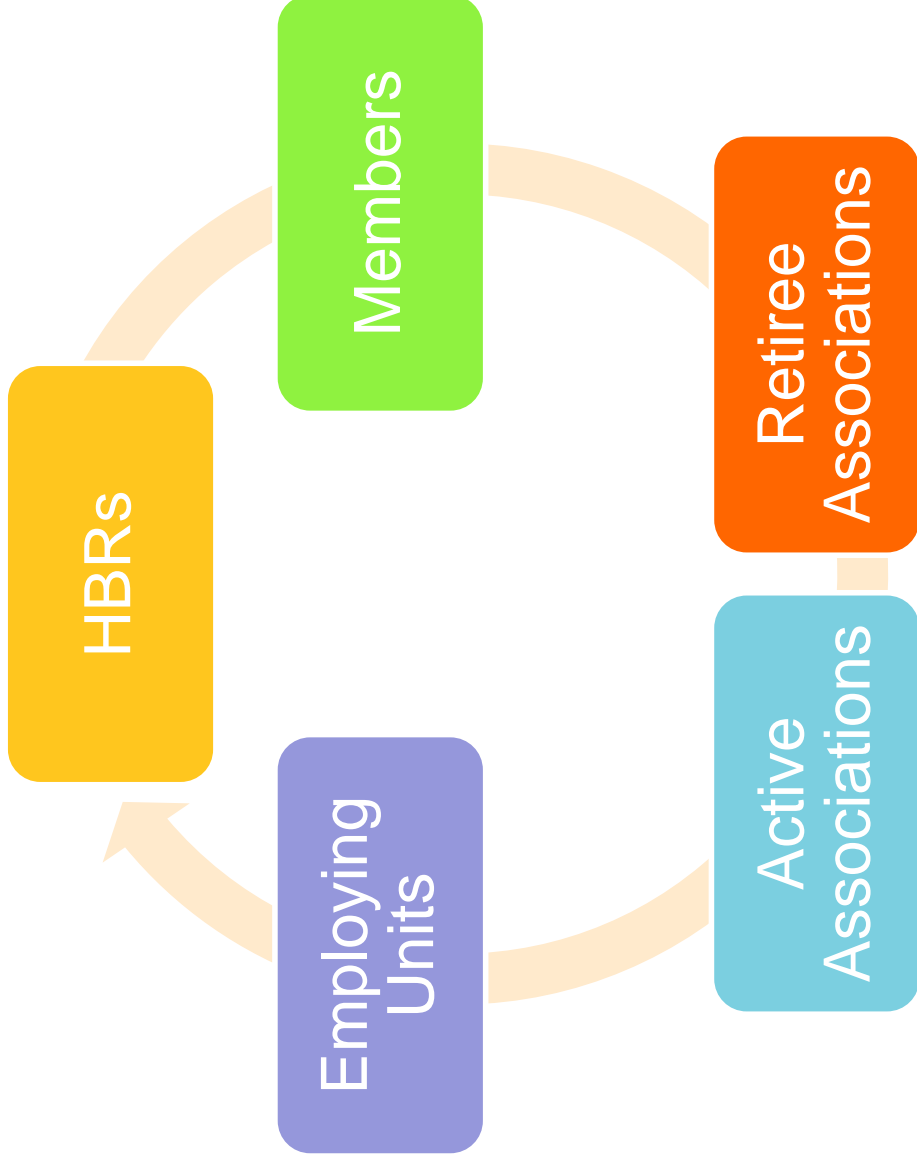
There are several changes to the State Health Plan's benefits for 2013. These changes include:

- Changes to the out-of-pocket maximums.
- Changes to the deductibles.
- Changes to the copayments.
- Changes to the pharmacy out-of-pocket maximums.

For more information on these changes, visit the State Health Plan website at [www.dhsnc.org](http://www.dhsnc.org).

# Communications Strategy

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# Health Benefit Representatives

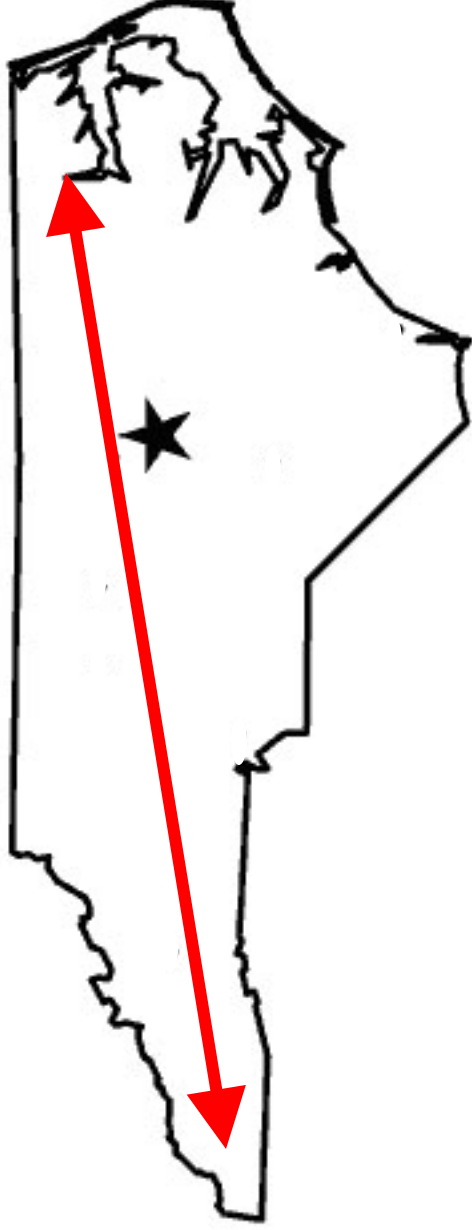
HBRs

- HBRs are the main avenue through which members (active and retired) receive benefit information. HBRs serve as ambassadors for the Plan.
- It is critical that they are well educated and knowledgeable about Plan changes prior to enrollment.
- Having them trained and well-equipped to handle questions will ease the queries anticipated at our call centers and create a better member experience.

# HBR Training

Employing  
Units

HBRs



## HBR/Employing Unit Training Sessions

- July-August
- 53 Counties
- 90 sessions



### Tactics

- Leverage large member/association meetings
- Enrollment Tour
  - University Tour (NC State, UNC-CH, App State and ECU).
  - Community College Tour (15 Counties)
- Videos
- Facebook
- Website
- Webinars
- Tele-Town Halls
- Video Conferences



*Enrollment Tour Bus staffed to answer questions and assist members with enrollment.*

# Member Outreach-Actives

Members

<p><b>Member Outreach – Phase I</b></p>	<p><b>Introduce New Options for 2014: The Importance of Wellness</b></p>
<p><i>July-August</i> <b>Newsletter</b></p>	<ul style="list-style-type: none"> <li>• How wellness plays a part in 2014 changes</li> <li>• How to take the health assessment</li> <li>• Importance of PCP</li> </ul>
<p><b>Member Outreach – Phase II</b></p>	<p><b>Overview of New Plan Options: Premium Credits for Healthy Activities</b></p>
<p><i>September</i> <b>Enrollment Kit</b></p>	<ul style="list-style-type: none"> <li>• Enrollment Events</li> <li>• Plan details for each option</li> <li>• How to choose and how to enroll</li> <li>• Promote informational sessions</li> </ul>
<p><b>Member Outreach – Phase III</b></p>	<p><b>Reminder</b></p>
<p><i>October</i> <b>Brochure</b></p>	<ul style="list-style-type: none"> <li>• Enrollment Events</li> <li>• Enrollment has started, take action now</li> <li>• Option overview</li> <li>• Reference website and enrollment kit</li> </ul>
<p><b>Member Outreach-Phase IV</b></p>	<p><b>Last chance—Take Action</b></p>
<p><i>November</i> <b>Targeted Postcard</b> <i>(Members who did not take action)</i></p>	<ul style="list-style-type: none"> <li>• Deadline to take action</li> <li>• Call for questions</li> </ul>



# Member Outreach-Retirees

Members

- Informational meetings across the state
- Retiree Association Meetings
- Facebook
- Website
- Webinars
- Tele-Town Halls



# Member Outreach-Retirees

Members

Member Outreach – Phase I	Introduce New Options for 2014
<p><b>August</b></p> <p>Personalized Newsletter</p>	<ul style="list-style-type: none"> <li>• What plan you will be enrolled in as of 1.1.14</li> <li>• Additional options available</li> <li>• Informational meeting dates and times</li> <li>• Enrollment information will follow</li> <li>• Informational meetings</li> </ul>
<p><b>Member Outreach – Phase II</b></p>	<p><b>Overview of New Plan Options</b></p>
<p><b>September</b></p> <p>Enrollment Kit</p>	<ul style="list-style-type: none"> <li>• Informational meetings</li> <li>• Plan details for each option</li> <li>• How to choose and how to enroll</li> <li>• Promote informational sessions</li> </ul>
<p><b>Member Outreach – Phase III</b></p>	<p><b>Reminder</b></p>
<p><b>October</b></p> <p>Brochure</p>	<ul style="list-style-type: none"> <li>• Informational meetings</li> <li>• Enrollment has started, take action now</li> <li>• Option overview</li> </ul>
<p><b>Member Outreach-Phase IV</b></p>	<p><b>Last chance—Take Action</b></p>
<p><b>November</b></p> <p>Targeted Postcard (<i>Members who did not take action</i>)</p>	<ul style="list-style-type: none"> <li>• Deadline to take action</li> <li>• Important dates to remember</li> <li>• Call for questions</li> </ul>



*North Carolina*  
**State Health Plan**

FOR TEACHERS AND STATE EMPLOYEES



**Legislative Update**  
*Board of Trustees Meeting*

March 22, 2013

# Legislative Update

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- Budget
- House and Senate Bills



# Budget Update

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- The NC General Assembly is considering the current budget request of the State Health Plan based on the Board approved plan design changes
  - Joint Appropriations Chairs
  - House State Personnel Committee
- Discussed Board approved plan design changes with 4.7% premium increase
- Shared 2<sup>nd</sup> quarter update with Fiscal Research
- Governor's budget includes \$181M for State Health Plan; matches the Board approved plan design changes based on 4.7% premium increase

# House and Senate Bills Update

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- In addition to the budget request there are several health care related bills that would impact the State Health Plan through:
  - Benefit requirements/restrictions
  - Eligibility rules that would impact who can enroll
  - Changes to provider and carriers
  - Other proposed legislation



# Legislative Update

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## Benefit Requirement/Restrictions

# HB 18/SB 167: Youth Skin Cancer Prevention Act

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- **Bill Summary:** Requires a detailed prescription (treated condition and number of visits) for people under the age of 18 to use a tanning bed
- **House Changes:** Removes detailed prescription requirement and bans children under the age of 18 from using a tanning bed
- **Bill Status:** Passed the House and now in the Senate.

# HB 105/SB 98: Expands the Newborn Screening Program

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- Bill Summary:
  1. Adds Pulse Oximetry screening requirements to all newborn screenings
  2. Requires follow-up protocols for newborns identified as having congenital heart defects
- Bill Status: Passed the House, referred to Senate committee on Rules and Operations, not scheduled.

## SB 248: Ensure Patients Have the Right to Choose their Hearing Aid Specialist

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- **Bill Summary: Requires Health Plans to treat hearing aid specialists in a manner similar to MH/SA, pharmacists, and physical therapy providers**
- **Bill Status: Referred to Senate Committee on Health Care, not scheduled.**

# Legislative Update

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## Eligibility Changes

# HB 232: State Health Plan Agency Bill

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- **Bill Summary:**
  1. Redefines and broadens eligibility rules based on ACA rules
  2. Clarifies the period in which members can enroll
  3. Removes the collection of certain penalties to employing units
  4. Provides clarifying language around care management and wellness
- **Bill Status:** Referred to House Committee on Insurance, not scheduled.



## SB 49: Allow Director of Admin to Enroll in the State Health Plan

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- **Bill Summary:** Would allow incoming Director of the Administrative Office of the Courts to enroll in the State Health Plan.
- **Bill Status:** Referred to Senate Committee on Pensions & Retirement and Aging, not scheduled.

# Legislative Update

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## Provider and Carrier Related Legislation

# HB 177/SB 202: Amend Certificate of Need Laws

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- Bill Summary:
  1. Allows for the licensure of single physicians to run ASCs
  2. Removes barriers to obtaining a CON
  3. Reduces financial barriers to enter the ASC space
- Bill Status: Referred to House HHS committee, not scheduled.

# HB 247: “Most Favored Nations” bill

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- Bill Summary: Removes “most favored nations clause” and prohibits insurers from placing several restrictions on how providers negotiates with other insurers.
- Bill Status: Referred to House Committee on Judiciary, scheduled 3/27.

# Legislative Update

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## Other Proposed Legislation

# SB 336: Diabetes Collaboration Bill

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- Detailed Bill Title: An Act Requiring the Division of Medical Assistance of the Department of Health and Human Services, the Division of Public Health of the Department of Health and Human Services, and the Department of the State Treasurer to Collaborate with One Another Regarding Activities and Programs Aimed at Diabetes Prevention, Control, and Care.
- Bill Summary:
  1. Requires the above agencies shall collaborate to identify goals and benchmarks while also developing individual entity plans to reduce the incidence of diabetes in North Carolina, improve diabetes care, and control complications associated with diabetes.
  2. Create reports to Joint Legislative committees on progress.
- Bill Status: Referred to Senate Committee on Health Care, not scheduled.



# SB 354: Revise Auditor's Responsibilities

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- **Bill Summary:** Replaces the State Auditor with the Attorney General on the Committee on Actuarial Valuation of Retired Employees' Health Benefits.
- **Bill Status:** Referred to Senate Committee on Pensions & Retirement and Aging, not scheduled.