



Board of Trustees' Meeting
Department of State Treasurer
Friday, July 26, 2013
9:00 a.m. – 3:00 p.m.

AGENDA

- | | |
|--|---------------------|
| 1. Welcome | Janet Cowell, Chair |
| 2. Conflict of Interest Statement | Janet Cowell, Chair |
| 3. Review of Minutes – May 24, 2013 (Requires Board Vote) | Janet Cowell, Chair |
| 4. Premium Rates for 2014 | |
| A. 3 rd Quarter Forecast Update | Mark Collins |
| B. State Budget Update | Thomas Friedman |
| C. Premium Rates for 2014 (Requires Board Vote) | Mark Collins |
| 5. Additional 2014 Coverage Changes (Requires Board Vote) | Lotta Crabtree |
| 6. Specialty Pharmacy Management | Sally Morton |
| A. Coinsurance Maximum for Specialty Tier (Requires Board Vote) | |
| B. Utilization Management Opportunities | |
| Break (10 minutes) | |
| 7. May 2013 Financial Report | Mark Collins |
| 8. Legislative Update | Thomas Friedman |
| 9. Benefits Implementation Update | |
| A. Communications Update | Beth Horner |
| B. Medicare Plan Design Comparison:
2014 Options vs. Former 80/20 PPO | Mona Moon |

10. Update on Medical Claims Audit RFP

Mona Moon

Lunch (30 minutes)

11. ActiveHealth Management – 2012 Annual Report

Wadida Murib-Holmes
ActiveHealth Management

12. Clinical Risk Grouper Report

Chris Matthews
The Segal Company

13. Dashboard Report

Chris Matthews
The Segal Company

14. Board Process Discussion Follow-up

A. Requests to Consider Benefit Changes

Lotta Crabtree
Andrew Holton

15. Strategic Planning

Strategic Planning
Work Group

16. Wrap-Up

Genell Moore, Vice-Chair

Next Board Meeting: September 26 and 27, 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
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



3rd Quarter Actuarial Forecast Update

Board of Trustees Meeting

Forecasts prepared by The Segal Company
Final versions dated 5-30-13

July 26, 2013

A Division of the Department of State Treasurer

Presentation Overview

- Forecast update schedule
- Review of assumptions and revisions
- Updated forecast for FY 2012-13
- Comparison of approved benefit design projections
 - Initial projection: February 1st (*Shared with Board on February 4th*)
 - New projection based on 3rd Quarter Update: May 30th
- Comparison of Board approved design to baseline forecast
- Summary

Actuarial Forecast Update Schedule

- 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

- Overall trend assumption of 8.5%
- Membership trends
 - 1% annual decrease in actives
 - 1% annual increase in retirees
- Board approved scenarios assume the features of the Board's plan design effective January 1, 2014
- The authorized budget and the baseline forecast scenarios basically assume a status quo plan design (no additional plan options beyond 70/30 and 80/20 plans, no premium surcharges/credits, continuation of EGWP + wrap, etc.)
- A more detailed list of adjustments to the forecasts is shown on the following page

Forecast Assumptions **Changed/Revised** in the Updates Authorized Budget vs. 3rd Quarter Update

Assumptions Changed/Revised	Initial Board Design (Segal 2-1-13)	Baseline Update (Segal 5-30-13)	Board Design Update (Segal 5-30-13)
Financials and membership updated thru March 2013		X	X
Reduced investment earnings assumption		X	X
7/1/13 enhancements: behavioral and dental health	X	X	X
7/1/13 enhancement: blood glucose test strips		X	X
Updated administrative cost estimates		X	X
Updated timing and amounts of pharmacy claims/rebates		X	X
Updated medical claims refunds		X	X
Federal ACA reinsurance fee	X	X	X
Board approved plan design* to be implemented 1/1/14	X		X
Final 2014 pricing on MA-PDP products			X
EGWP + wrap eliminated 1/1/14	X		X

*See following page for details.

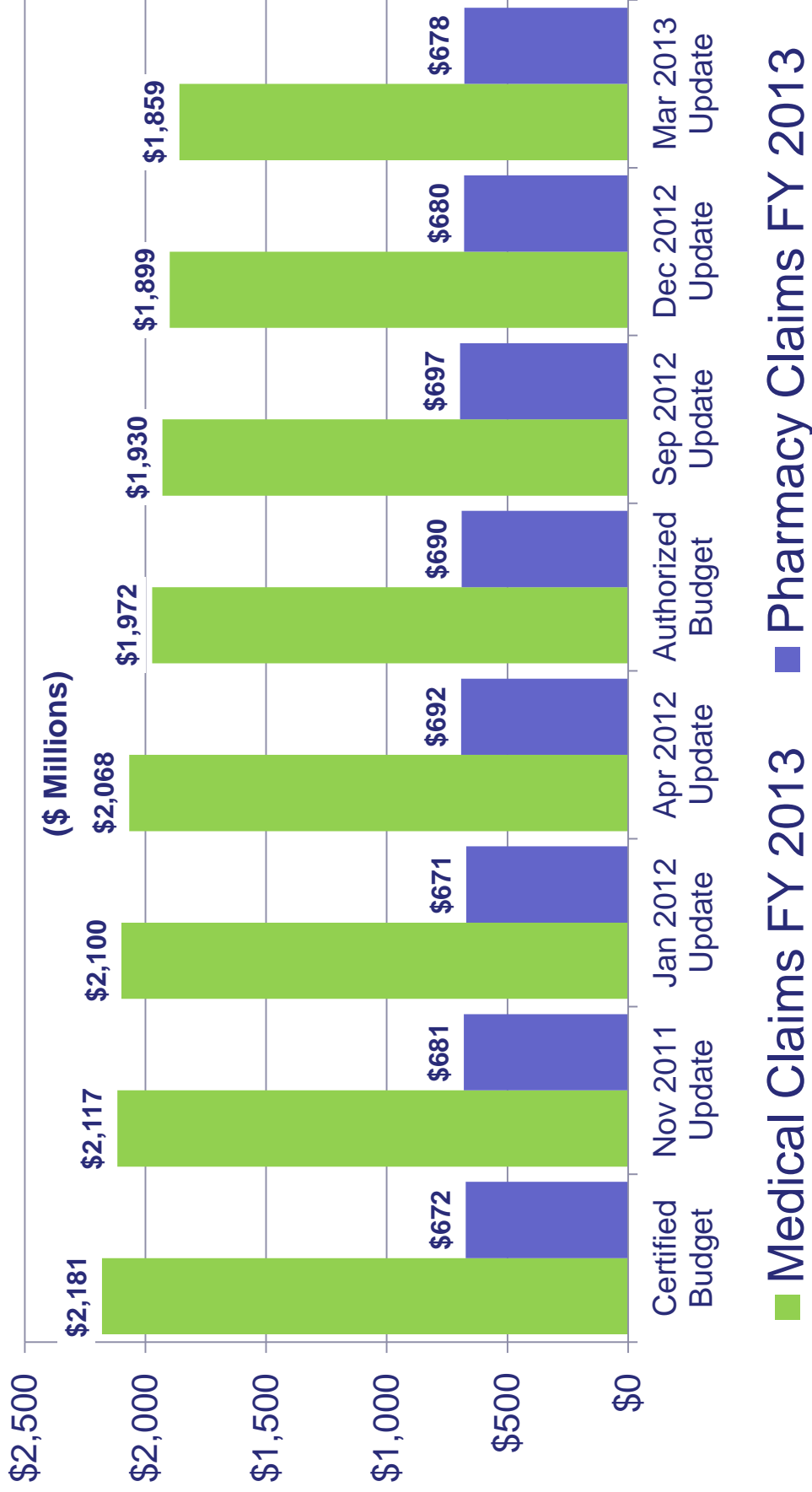
Board Approved Plan Design

- Effective January 2014:
 - Convert to calendar year
 - Short plan year (July-December 2013)
 - Premium increases will move to January 1
 - 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 Enhanced 80/20 Plan and CDHP (free preventive care, wellness surcharges and credits, incentives, etc.)
 - Maintain premium free Traditional 70/30 Plan option for active employees and retirees
 - Increase target stabilization reserve (TSR) from 7.5% to 9.0% of claims by December 2015
- Since the initial forecast of the Board approved benefit design in February, the Plan's actuary has continued to refine the assumptions surrounding the design with input from Plan staff

Comparison of Models for FY 2012-13 Authorized Budget and 3rd Quarter Update

FY 2012-13	Authorized Budget (per Segal 9-18-12)	3 rd Quarter Update (per Segal 5-30-13)	Difference Increase/ (Decrease)
Beginning Cash Balance	\$502.2 m	\$502.2 m	\$0.0 m
Plan Revenue	\$2.936 b	\$2.958 b	\$21.9 m
Net Claims Payments	\$2.663 b	\$2.537 b	(\$125.9 m)
Net Administrative Expenses	\$189.4 m	\$167.5 m	(\$21.9 m)
Total Plan Expenses	\$2.852 b	\$2.704 b	(\$147.8 m)
Net Income/(Loss)	\$83.9 m	\$253.6 m	\$169.7 m
Ending Cash Balance	\$586.1 m	\$755.8 m	\$169.7 m

Forecast Comparisons: FY 2012-13 Claims



Forecast Comparisons: FY 2012-13 Ending Cash



Comparison of Board Approved Plan Design Projections

Initial Projection vs. 3rd Quarter Updated Projection

	Initial Projection (Segal 2-1-13)	3 rd Quarter Update (Segal 5-30-13)	Difference
Premium Increases			
FB 2013-15	4.7%	0.1%	(4.6%)
FB 2015-17	10.4%	15.0%	4.6%
Employer Contribution Increases			
FY 2013-14	\$56.1 m	\$0.8 m	(\$55.3 m)
FY 2014-15	\$170.2 m	\$2.2 m	(\$168.0 m)
Total	\$226.3 m	\$3.0 m	(\$223.3 m)
General Fund Increases			
FY 2013-14	\$44.8 m	\$0.6 m	(\$44.2 m)
FY 2014-15	\$136.2 m	\$1.8 m	(\$134.4 m)
Total	\$181.0 m	\$2.4 m	(\$178.6 m)

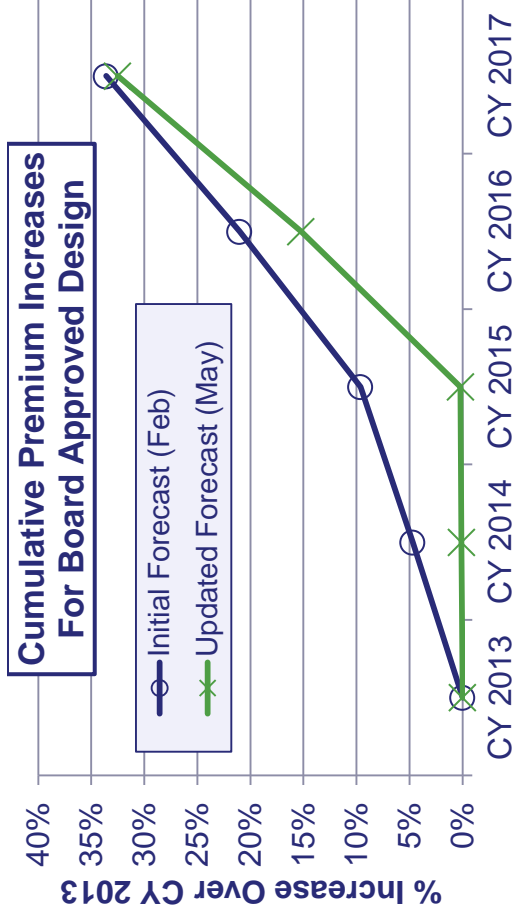
Premium Increases for the 2015-17 Fiscal Biennium

Why Do They Keep Growing?

- The growing premium increase for the 2015-17 Fiscal Biennium is attributable to the availability of a large cash balance and the Plan's traditional forecasting methodology
- Because the forecast balances cash to the TSR for a given point in time (December 2015), all cash above the TSR (almost \$500 million) is budgeted for use over the next 2½ years
- Since cash will be used extensively during FB 2013-15, there is a reduced need to increase premium revenue in 2014 and 2015
- Lower premium increases for 2014 and 2015 require greater premium increases for 2016 and 2017 to recover lost ground

- Claims experience below the projected trend lowers the starting point for projections of future claims costs, **but it does not** necessarily alter the projected future rate of growth

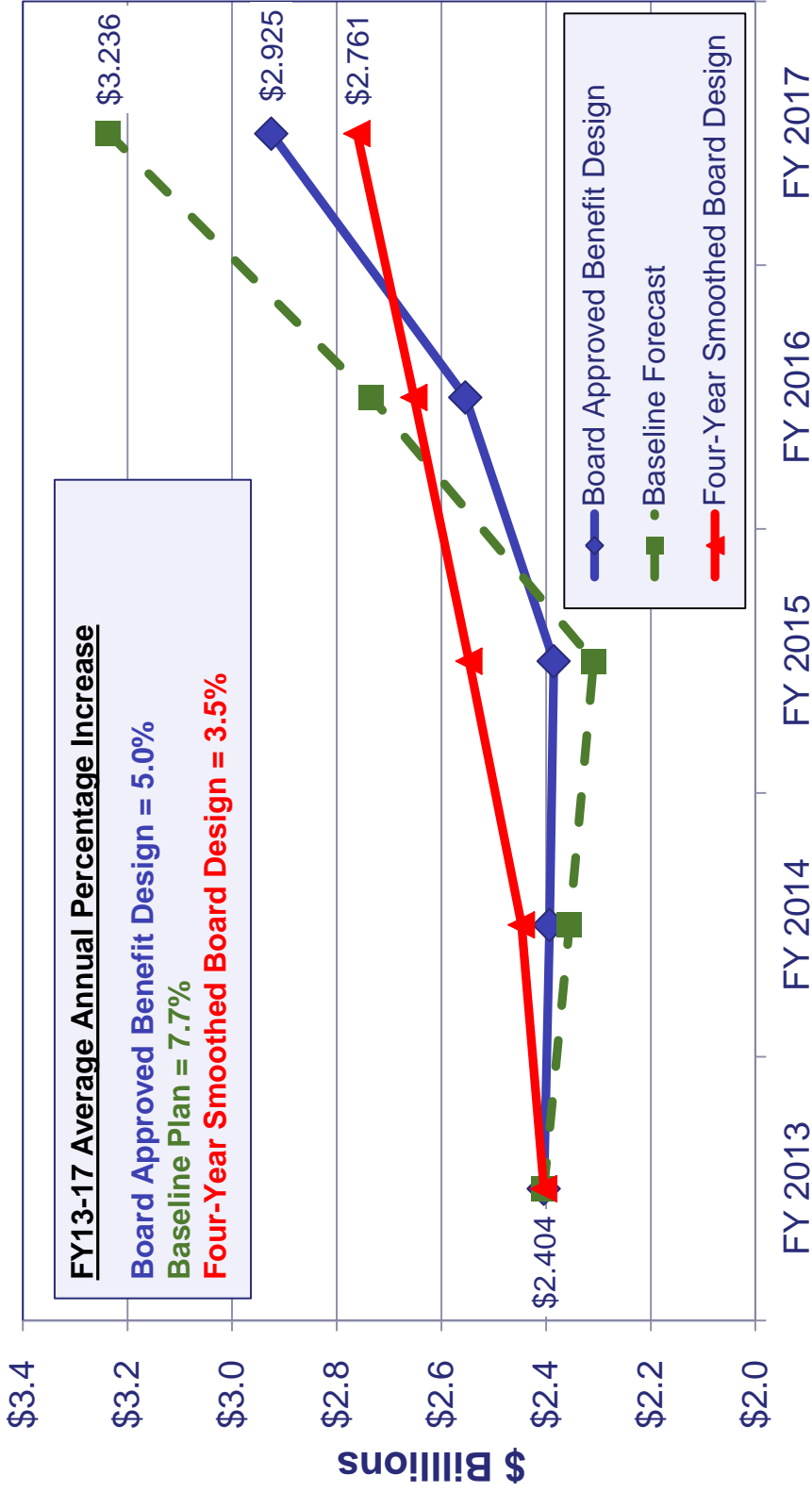
- As shown in the chart, the premium increases in the updated forecast result in lower premiums than the initial forecast in all four years



Comparison of 3rd Quarter Updates: Baseline Forecast vs. Board Approved Plan Design

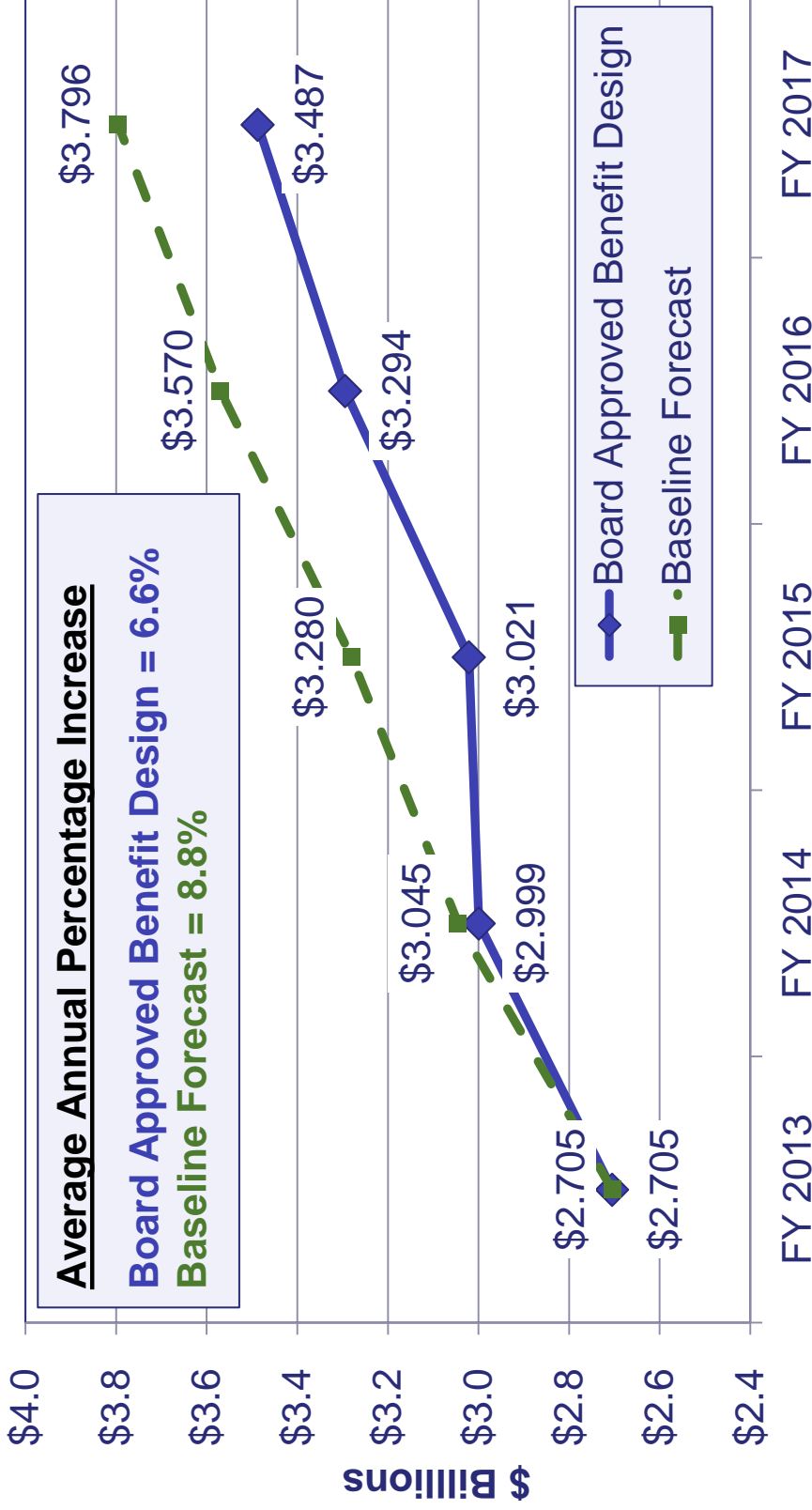
	Baseline Projection (Segal 5-30-13)	Board Design Projection (Segal 5-30-13)	Difference
Premium Increases			
FB 2013-15	(1.5%) July 1	0.1% January 1	1.6%
FB 2015-17	18.9% July 1	15.0% January 1	(3.9%)
Employer Contribution Increases			
FY 2013-14	(\$37.0 m)	\$0.8 m	\$37.8 m
FY 2014-15	(\$73.2 m)	\$2.2 m	\$75.4 m
Total	(\$110.2 m)	\$3.0 m	\$113.2 m
General Fund Increases			
FY 2013-14	(\$29.6 m)	\$0.6 m	\$30.2 m
FY 2014-15	(\$58.5 m)	\$1.8 m	\$60.3 m
Total	(\$88.1 m)	\$2.4 m	\$90.5 m

Projected Total State Contributions for Health Benefits



- Although slightly more expensive in the next two years, the Board approved benefit design (**blue line**) could save the state \$377 million over the next four years relative to the baseline forecast (**green line**), including \$300 million in General Fund spending. Employees and retirees could save \$241 million in premium contributions, including the dependent premium savings available through the MA-PDP and CDHP options.
- The actuaries also produced a model that holds the premium increases steady for the next four calendar years (**red line**). The annual premium increase necessary to achieve the 9% TSR by December 31, 2017 is 4.5%.

Projected State Health Plan Expenses



- Relative to the baseline benefit design, the Board approved design is expected to reduce expenses by \$889 million over the next four fiscal years. The expenditure reduction will be partially offset by a decrease of \$322 million in EGWP revenues, resulting in a net savings to the Plan of \$567 million

Summary

- Factoring in recent experience reduced the January 1, 2014 premium increase initially projected for the Board approved benefit design
- Required premium increases for the 2013-15 Fiscal Biennium under the approved design are **lower** than previously forecasted
- Required premium increases for the 2015-17 Fiscal Biennium under the approved design are **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
 - Could save the state \$377 million in employer contributions over the next four years
 - Reduces Plan expenses by \$889 million over the next four years

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
PLAN INCOME:								
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)	-	(1,479,864)	-	-
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
EGWP+Wrap								
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	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
Total Plan Income								
	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 (57,795,556)	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	-	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	194,795,635	200,629,204	205,822,850
Extra EGWP+Wrap Administration	-	-	0	5,783,249	11,616,926	12,085,088	12,572,117	13,078,773
Total Plan Expense	2,558,874,969	2,649,596,838	2,620,288,904	2,852,433,426	3,082,546,335	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%	15.1%	15.1%

SUMMARY

Board Design Initial Projection (Segal 2-1-13)

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

North Carolina State Health Plan
Financial Projections - Sept 2012
Trends - 8.5% Medical & Pharmacy

	2011 - 2013 Biennium		2013 - 2015 Biennium			2015 - 2017 Biennium			Projection Calendar 2017 Jul-Dec
	Actual FY 2012	Projection FY 2013	Short Plan Year Jul-Dec 2013	Projection Calendar 2014 Jan-Jun	Projection Calendar 2014 Jul-Dec	Projection Calendar 2015 Jan-Jun	Projection Calendar 2015 Jul-Dec	Projection Calendar 2016 Jan-Jun	
PLAN INCOME:									
Net Contribution Income	2,750,368,851	2,881,178,126	1,439,044,889	1,503,876,670	1,500,809,234	1,568,488,919	1,585,355,311	1,724,925,245	1,897,124,418
EGWP/PDP Spouse Premium Reduction	(2,380,577)	(2,380,577)	(11,215,485)	(11,271,422)	(11,327,639)	(11,384,137)	(11,440,916)	(11,497,878)	(11,555,325)
MA Spouse Premium Reduction	-	-	(5,943,883)	(5,973,528)	(6,003,322)	(6,033,264)	(6,063,355)	(6,093,596)	(6,123,989)
Health care Reform ERRP	42,183,391	(558,219)	-	(751,938)	(750,405)	(784,244)	(820,776)	(867,243)	(915,802)
Retro Disenrollments	(451,486)	(1,229,459)	(719,522)	(16,692,166)	(15,075,872)	(15,075,872)	(15,075,872)	(15,075,872)	(15,075,872)
Premium Incentives	-	-	-	(3,522,150)	(3,514,968)	(4,743,951)	(4,739,893)	(5,649,097)	(7,118,047)
CDHP Premium Reduction	57,583,802	39,484,930	2,699,126	3,323,066	2,620,987	3,472,604	2,947,514	3,628,871	3,792,170
Medicare Part D	-	-	-	-	-	-	-	-	-
EGWP+Wrap	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	19,759,856	23,820,221	3,981,571	-	-	-	-	-
Coverage Gap Subsidy	-	-	6,820,704	12,367,808	-	-	-	-	-
Catastrophic Subsidy	-	-	30,640,925	21,042,505	12,367,808	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Appropriations from State Reserve	3,015,819	5,276,364	2,923,805	2,404,814	2,005,447	1,580,389	1,238,789	1,138,785	1,342,917
Investment Earnings	2,852,680,167	2,941,631,021	1,472,198,752	1,492,887,811	1,480,199,955	1,535,921,941	1,531,290,391	1,722,242,049	1,718,113,941
Total Plan Income	1,849,410,105	1,959,418,066	1,027,931,900	1,145,513,781	1,008,651,244	1,237,827,014	1,185,319,959	1,338,058,438	1,443,288,304
Medical Claims Payment	(22,634,815)	(29,486,322)	(16,572,229)	(17,289,685)	(17,706,079)	(18,682,748)	(19,735,516)	(20,667,575)	(21,626,013)
Claim Refunds	-	-	1,965,711	3,370,391	3,144,242	3,942,000	3,428,666	3,692,452	4,248,510
Dental & MHA Enhancement	-	-	-	-	-	-	-	-	-
Medicare Advantage Savings	-	-	44,753,680	(19,616,010)	(28,577,928)	(28,720,462)	(28,893,707)	(29,007,667)	(29,287,744)
Calendar Year Adjustments	-	-	-	(4,250,891)	14,111,474	(14,493,689)	18,718,118	(17,893,568)	(19,403,660)
Preventative at 100% in Standard Plan	-	-	-	10,381,820	14,553,264	16,542,356	17,845,143	17,202,261	19,278,931
Premium Incentive	-	-	-	(8,966,079)	(13,426,205)	(12,707,259)	(12,688,813)	(14,097,645)	(20,792,889)
CDHP Claims Reduction	-	-	-	(4,552,265)	(6,816,764)	(9,604,139)	(14,039,638)	(14,910,314)	(21,786,187)
Limited Network Savings	-	-	-	(883,234)	(1,322,594)	(1,301,129)	(1,561,987)	(1,558,631)	(1,741,723)
PCP Copay Waiver	-	-	-	4,862,155	7,280,807	(600,318)	(589,447)	(7,319,465)	(15,378,545)
Net Medical Claims	1,826,775,480	1,929,953,874	1,058,079,083	1,108,569,883	1,039,991,481	1,171,971,649	1,130,632,369	1,294,717,369	1,339,709,125
Pharmacy Claims Payment	721,163,013	749,381,163	363,842,333	417,891,887	425,668,201	451,573,973	459,888,151	488,011,760	527,434,313
Rebates	(93,130,160)	(53,640,471)	(26,119,159)	(29,707,875)	(27,075,362)	(30,710,198)	(31,645,049)	(29,287,852)	(33,015,849)
Calendar Year Adjustments	-	-	5,610,336	(8,891,802)	9,702,441	(9,996,773)	10,484,998	11,331,628	(11,559,415)
Net Pharmacy Claims	628,032,853	695,440,692	373,333,509	379,282,810	408,195,281	410,867,001	442,116,891	445,371,327	482,866,049
MA-PDP Savings	-	-	-	(33,304,170)	(57,242,451)	(57,527,951)	(57,814,876)	(58,393,024)	(59,684,263)
EGWP+Wrap Reduction in Rebates	417,042	766,594	438,579	783,882	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-	-
Total Pharmacy Claims	628,032,853	696,624,327	375,322,488	346,772,332	350,952,830	353,439,050	384,302,015	397,268,096	424,174,786
Total Claims	2,454,808,343	2,626,578,001	1,433,401,651	1,455,342,216	1,390,844,291	1,525,310,098	1,514,694,384	1,628,892,640	1,760,883,911
Administrative Costs	185,480,561	183,604,143	94,653,645	97,491,224	97,491,224	97,204,411	97,213,026	97,213,026	97,213,026
ACA Reinsurance Fee	-	-	-	16,802,320	16,739,438	10,006,185	9,988,959	6,621,322	6,596,836
Extra EGWP+Wrap Administration	-	-	5,794,014	5,822,812	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,815,965,983	1,533,849,210	1,572,426,070	1,505,074,953	1,632,611,294	1,622,116,369	1,745,819,813	1,732,702,502
Plan Income (Loss)	232,391,263	125,666,628	(61,652,458)	(79,738,259)	(24,874,968)	(97,089,353)	(90,836,978)	(23,577,764)	34,795,203
Beginning Cash Balance (Deficit)	269,856,212	502,247,475	627,813,103	566,160,645	498,422,388	461,547,388	364,458,035	273,622,057	250,044,293
Ending Cash Balance (Deficit)	502,247,475	627,813,103	566,160,645	498,422,388	461,547,388	364,458,035	273,622,057	250,044,293	235,454,833
Target Stabilization Reserve	194,110,628	210,126,240	221,519,899	245,543,220	241,925,853	262,463,949	273,622,057	284,379,029	305,079,890
Premium Increase:	7.1% Increase	7.1% Increase	8.0%	8.0%	8.5%	8.5%	9.0%	9.0%	9.0%
	5.3%	5.3%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
	1.1% Increase	1.1% Increase	1.1% Increase	1.1% Increase	1.1% Increase	1.1% Increase	1.1% Increase	1.1% Increase	1.1% Increase
	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%

Q2 Board Design Update (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		
	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-Jun	Projection Calendar 2015 Jul-Dec	Projection Calendar 2015 Jan-June	Projection Calendar 2016 July-Dec	Projection Calendar 2017 Jan-Jun	Projection Calendar 2017 Jul-Dec
PLAN INCOME:											
Net Contribution Income	2,750,398,851	2,888,055,367	1,443,553,347	1,479,677,932	1,476,635,707	1,513,651,108	1,510,802,099	1,688,683,098	1,695,332,715	1,908,494,568	1,902,815,009
EGWP/PDP Spouse Premium Reduction	(2,474,820)	(2,487,164)	(2,487,164)	(6,185,425)	(6,216,275)	(6,247,280)	(8,278,438)	(11,952,839)	(12,012,254)	(12,072,165)	(12,132,376)
MA Spouse Premium Reduction	(558,219)	(558,219)	-	-	(738,839)	(738,839)	(755,301)	(847,666)	(847,666)	(863,247)	(861,408)
Health care Reform ERRP	(963,256)	(963,256)	-	-	(15,432,417)	(14,388,019)	(14,388,019)	18,173,427	18,137,583	17,992,146	17,957,421
Retro Disenrollments	-	-	-	(3,534,625)	(3,527,358)	(4,759,937)	(4,755,923)	(5,958,448)	(5,958,448)	(7,152,182)	(7,138,359)
Premium Incentives	-	-	2,784,744	3,434,018	2,910,058	3,589,549	3,041,010	3,177,856	3,177,856	3,918,785	3,320,859
CDHP Premium Reduction	-	-	-	-	-	-	-	-	-	-	-
Medicare Part D	-	-	-	-	-	-	-	-	-	-	-
EGWP+Wrap	-	-	20,745,749	4,180,227	-	-	-	-	-	-	-
Direct Subsidy	-	-	7,161,014	17,912,167	12,984,884	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	32,169,714	22,092,394	12,984,884	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-
Appropriations from State Reserve Investment Earnings	3,015,815	2,763,944	1,329,814	1,249,579	1,196,189	960,056	722,869	492,305	427,906	426,363	547,810
Total Plan Income	2,852,680,163	2,946,765,563	1,476,623,679	1,483,812,618	1,456,036,824	1,480,233,356	1,476,296,950	1,689,018,893	1,691,918,241	1,902,281,433	1,888,014,122
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,927,218,996	1,015,169,814	1,131,272,914	1,055,348,776	1,222,368,357	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)	(19,489,547)	(20,069,547)	(20,705,322)	(21,355,161)	(22,326,798)
Dental & MHS-A Enhancement	-	-	1,965,754	3,370,417	3,144,210	3,641,909	3,428,525	3,938,678	4,248,174	4,248,124	3,980,975
Medicare Advantage Savings	-	-	-	(19,524,830)	(28,576,024)	(28,722,167)	(28,865,420)	(29,009,388)	(29,154,074)	(29,298,462)	(29,445,615)
Calendar Year Adjustments	-	-	44,524,878	4,229,258	14,039,329	(14,419,571)	18,622,423	(17,762,129)	20,205,328	(19,304,480)	19,222,781
Preventative at 100% in Standard Plan	-	-	-	10,247,668	14,388,088	16,300,647	15,741,038	17,615,873	16,984,826	18,342,873	18,342,873
Premium Incentive	-	-	-	(8,183,249)	(12,253,793)	(11,704,835)	(11,687,707)	(12,763,417)	(12,728,173)	(20,256,236)	(20,218,993)
CDHP Claims Reduction	-	-	-	(3,513,582)	(5,281,322)	(7,151,167)	(7,140,703)	(10,762,846)	(10,741,543)	(15,273,727)	(15,241,140)
Limited Network Savings	-	-	804,842	285,475	397,529	324,800	324,324	482,264	481,339	441,970	441,114
PDP Copay Waiver	-	-	437,850	4,440,211	6,648,878	6,648,878	(352,047)	(483,246)	(4,125,068)	(17,107,065)	(17,073,927)
Net Medical Claims	1,826,775,490	1,899,234,241	1,045,293,877	1,097,070,833	1,030,367,310	1,161,865,430	1,121,357,367	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	498,742,324	493,343,070	500,327,069	533,179,679	540,750,179
Rebates	(63,130,160)	(69,039,330)	(28,211,239)	(39,718,472)	(29,235,432)	(32,762,317)	(30,299,331)	(33,846,882)	(31,409,736)	(34,968,080)	(32,552,926)
Calendar Year Adjustments	-	-	6,216,800	(9,519,242)	11,416,587	(10,479,654)	12,337,009	12,638,535	12,638,535	(13,168,703)	13,660,832
Net Pharmacy Claims	628,032,853	678,512,828	405,149,054	341,192,943	443,718,572	377,563,505	480,780,001	447,283,837	481,556,868	488,012,896	521,858,085
MA-PDP Savings	-	-	-	(32,826,648)	(57,016,358)	(57,300,730)	(57,588,521)	(57,873,738)	(58,163,388)	(58,452,475)	(58,744,010)
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	460,461	823,004	-	-	-	-	-	-	-
Total Pharmacy Claims	628,032,853	679,755,520	407,237,271	309,189,299	386,702,215	320,292,775	423,193,480	389,410,100	423,394,482	426,560,421	463,114,075
Total Claims	2,454,808,343	2,576,989,791	1,452,531,148	1,406,280,232	1,417,089,525	1,482,128,205	1,544,550,877	1,638,261,444	1,626,574,752	1,752,882,996	1,739,697,369
Administrative Costs	165,480,561	164,665,404	85,603,634	91,148,980	89,668,001	88,495,547	88,410,922	88,410,922	88,410,922	88,410,922	88,410,922
ACA Reinsurance Fee	-	-	5,794,014	-	-	34,632,846	-	21,039,454	-	14,201,632	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,820,288,904	2,749,438,414	1,543,825,796	1,497,408,212	1,505,735,528	1,606,248,588	1,632,961,798	1,747,711,620	1,714,985,674	1,855,485,550	1,828,108,321
Plan Income (Loss)	232,391,259	197,327,150	(67,200,117)	(28,596,594)	(49,698,702)	(125,013,243)	(156,664,848)	(51,893,136)	(23,067,433)	46,785,887	60,905,801
Beginning Cash Balance (Deficit)	289,856,212	502,247,471	699,574,621	632,374,504	603,777,910	564,079,208	429,065,966	272,401,117	220,707,981	187,640,548	244,426,435
Ending Cash Balance (Deficit)	502,247,471	699,574,621	632,374,504	603,777,910	564,079,208	429,065,966	272,401,117	220,707,981	187,640,548	244,426,435	314,332,236
Target Stabilization Reserve	184,110,626	206,319,131	223,399,068	242,697,207	239,983,029	280,927,796	272,401,117	286,453,109	293,835,268	304,151,197	314,332,236
	7.5%	8.0%	8.0%	8.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Premium Increase:	7/1 Increase 5.3%	7/1 Increase 5.3%	1/1 Increase 2.7%	1/1 Increase 2.7%	1/1 Increase 2.7%	1/1 Increase 2.7%	1/1 Increase 2.7%	1/1 Increase 12.7%	1/1 Increase 12.7%	1/1 Increase 12.7%	1/1 Increase 12.7%

Q3 Board Design Update (Segal 5-30-13)

North Carolina State Health Plan
Financial Projections - Mar 2013
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 Jul-Dec
	Actual FY 2012	Projection FY 2013	Projection Short Plan Year Jul-Dec 2013	Projection Calendar 2014 Jan-June	Projection Calendar 2014 July-Dec	Projection Calendar 2015 Jan-Jun	Projection Calendar 2015 Jul-Dec	Projection Calendar 2016 Jan-June	Projection Calendar 2016 July-Dec	
PLAN INCOME:										
Net Contribution Income	2,750,368,851	2,895,761,803	1,442,575,008	1,440,460,256	1,437,476,692	1,435,425,946	1,432,512,448	1,643,850,040	1,640,582,351	1,882,965,678
EGWP/PDP Spouse Premium Reduction		(1,244,065)	(2,486,637)	(14,615,034)	(14,687,927)	(14,761,184)	(14,634,307)	(14,908,798)	(14,963,195)	(15,132,966)
MA Spouse Premium Reduction		(568,219)	-	(5,888,039)	(5,927,456)	(5,957,019)	(5,886,730)	(6,018,588)	(6,048,598)	(6,078,755)
Health care Reform ERRP	42,183,381	(451,496)	(721,289)	(720,230)	(718,738)	(717,713)	(716,256)	(821,925)	(820,281)	(941,348)
Retiree Disincentives				(15,363,911)	(15,332,089)	(14,396,813)	(14,287,682)	18,347,595	18,311,123	18,164,492
Premium Incentive				(3,528,927)	(3,521,618)	(4,751,786)	(4,747,728)	(5,957,822)	(5,945,970)	(7,130,650)
CDHP Premium Reduction				3,434,016	2,910,058	3,585,549	3,041,010	3,750,033	3,177,856	3,915,795
Medicare Part D	57,593,602	36,936,224	2,784,744							
EGWP-Wrap										
Direct Subsidy	-	25,008,169	25,161,533	17,960,102						
Coverage Gap Subsidy	-	-	7,195,789		13,047,904					
Catastrophic Subsidy	-	-	32,347,302	17,969,102	13,047,904					
Total	-	25,008,169								
Appropriations from State Reserve										
Investment Earnings	3,015,815	3,063,553	1,448,002	1,371,580	1,322,810	1,084,306	744,589	482,446	367,589	368,087
Total Plan Income	2,852,680,183	2,958,251,923	1,475,938,129	1,423,138,814	1,414,599,636	1,369,811,305	1,395,724,865	1,638,704,882	1,634,642,897	1,875,932,005
PLAN EXPENSE:										
Medical Claims Payment	1,846,410,105	1,882,846,142	997,508,625	1,111,574,513	1,036,866,794	1,201,076,486	1,130,886,863	1,288,249,708	1,217,588,650	1,400,256,154
Claim Refunds	(22,834,615)	(23,855,443)	(12,080,684)	(12,583,200)	(12,885,851)	(13,596,192)	(14,382,157)	(14,789,230)	(15,257,502)	(15,739,111)
Dental & WHSA Enhancement			1,965,794	3,370,442	3,144,191	3,641,824	3,428,393	3,936,466	3,661,922	4,245,763
Medicare Advantage Savings				(34,918,460)	(43,500,120)	(43,747,229)	(43,665,421)	(44,194,701)	(44,405,075)	(44,826,548)
Calendar Year Adjustments			44,524,878	(4,229,258)	14,039,329	(14,419,571)	18,922,423	(17,792,129)	20,205,328	(19,304,480)
Preventative at 100% in Standard Plan				9,659,857	13,966,741	15,855,786	15,320,207	17,154,164	16,544,014	18,545,830
Premium Incentive				(7,985,527)	(11,972,541)	(11,462,987)	(11,446,086)	(12,527,373)	(12,502,373)	(19,945,259)
CDHP Claims Reduction				(2,705,832)	(4,051,878)	(5,771,198)	(5,762,890)	(6,941,127)	(8,923,281)	(12,827,728)
Limited Network Savings				310,434	484,845	390,200	389,824	602,750	601,547	578,589
PCP Copay Waiver				4,407,787	6,000,242	(367,417)	(366,875)	(4,086,355)	(4,078,203)	(17,078,970)
Net Medical Claims	1,828,775,490	1,859,093,698	1,031,938,612	1,067,190,757	1,002,731,695	1,131,603,701	1,092,544,281	1,217,622,180	1,173,475,317	1,293,940,945
Pharmacy Claims Payment	721,163,013	746,060,373	426,782,431	389,085,527	461,133,212	420,430,469	488,290,216	482,888,065	496,857,694	532,071,371
Rebates	(63,130,100)	(72,024,902)	(22,208,556)	(32,607,518)	(23,014,123)	(26,428,528)	(23,850,891)	(27,281,378)	(24,724,242)	(28,163,286)
Calendar Year Adjustments			6,211,534	(9,511,046)	11,406,546	(10,470,311)	12,325,781	(12,201,284)	(12,627,660)	(13,186,116)
Net Pharmacy Claims	628,032,853	677,065,471	410,785,408	346,976,963	449,525,637	383,531,630	486,765,106	453,405,403	487,781,402	491,321,968
MA-PDP Savings				(55,230,721)	(79,613,191)	(80,010,287)	(80,409,323)	(80,810,370)	(81,213,417)	(81,618,474)
EGWP-Wrap Reduction in Rebates				1,635,695	827,018					
EGWP-Wrap Claim Increase				462,707						
Expand Coverage of Diabetic Test Strips				591,788						
Total Pharmacy Claims	628,032,853	678,066,922	413,475,579	283,259,715	370,725,991	304,263,099	407,234,881	373,494,802	407,428,850	410,643,250
Total Claims	2,454,808,343	2,537,190,620	1,445,414,191	1,360,450,472	1,373,457,668	1,435,866,800	1,499,779,162	1,591,086,782	1,580,905,167	1,704,584,195
Administrative Costs	165,460,581	164,865,404	85,504,284	91,148,330	88,686,681	88,484,887	91,324,774	91,141,320	93,688,951	93,504,888
ACA Reinsurance Fee										
Extra EGWP-Wrap Administration			5,764,014			34,632,846				14,201,632
Total Plan Expense	2,620,288,904	2,704,749,905	1,536,712,490	1,451,568,801	1,482,124,396	1,558,984,514	1,591,103,938	1,703,297,556	1,674,594,119	1,812,290,514
Plan Income (Loss)	232,391,259	253,502,023	(60,774,360)	(28,459,987)	(47,554,730)	(159,373,208)	(195,379,072)	(64,592,675)	(39,951,222)	63,941,490
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	755,749,494	684,975,134	686,515,147	618,960,417	459,587,208	284,208,137	186,045,562	159,064,340
Ending Cash Balance (Deficit)	502,247,471	755,749,494	684,975,134	686,515,147	618,960,417	459,587,208	284,208,137	186,045,562	159,064,340	223,335,831
Target Stabilization Reserve	184,110,626	202,875,250	219,485,780	238,468,466	232,382,193	252,839,204	264,208,137	278,177,835	285,479,275	295,604,043
	7.5%	8.0%	8.0%	8.5%	8.5%	8.0%	9.0%	9.0%	9.0%	9.0%
	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase
	5.3%	5.3%	0.1%	0.1%	0.1%	0.1%	15.0%	15.0%	15.0%	15.0%
Premium Increase:										

North Carolina State Health Plan
Financial Projections - Mar 2013
Trends - 8.5% Medical & Pharmacy
With Dental, MHSA and ACA Reinsurance Fee

Q3 Baseline Update
(Segal 5-30-13)

	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
PLAN INCOME:								
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,761,603	2,837,538,826	2,782,068,914	3,293,145,136	3,898,435,129
EGWP Spouse Premium Reduction	-	45,298,812	42,163,391	(1,244,665)	(5,009,736)	(5,059,834)	(5,110,432)	(5,161,537)
Health care Reform ERRP	(1,310,146)	(1,281,584)	(451,496)	(714,727)	(1,418,769)	(1,391,034)	(1,646,573)	(1,949,218)
Retro Disenrollments	74,357,704	66,276,535	57,583,602	36,936,224	6,218,762	6,498,606	6,791,044	7,096,641
Medicare Part D	-	-	-	-	-	-	-	-
EGWP+Wrap	-	-	-	25,008,159	52,162,580	56,859,950	61,074,163	64,152,301
Direct Subsidy	-	-	-	-	25,194,870	26,987,007	28,224,493	29,353,473
Coverage Gap Subsidy	-	-	-	-	-	13,047,904	13,976,014	14,680,406
Catastrophic Subsidy	-	-	-	-	77,357,450	96,894,861	103,274,671	108,186,180
Total	-	-	-	25,008,159	77,357,450	96,894,861	103,274,671	108,186,180
Appropriations from State Reserve	3,532,448	2,861,085	3,015,815	3,063,553	2,854,661	1,890,879	745,918	850,850
Investment Earnings	2,490,457,950	2,797,969,020	2,852,680,163	2,958,251,928	2,917,541,193	2,880,902,392	3,397,199,765	4,007,458,045
Total Plan Income	2,904,887,342	3,473,654,277	3,568,064,829	3,857,077,044	3,687,241,079	3,663,861,166	4,197,140,619	4,906,844,204
PLAN EXPENSE:								
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,882,949,142	2,109,083,138	2,238,033,220	2,428,936,569	2,617,855,104
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,615)	(23,855,443)	(24,643,884)	(26,482,043)	(29,151,387)	(30,993,613)
Dental & MHSA Enhancement	1,797,515,414	1,827,826,009	1,826,775,490	1,859,093,698	2,089,775,489	2,218,337,192	2,407,150,041	2,594,799,177
Net Medical Claims	N/A	N/A	721,163,013	749,090,373	815,877,958	881,563,680	991,178,281	1,032,529,365
Pharmacy Claims Payment	N/A	N/A	(93,130,160)	(72,024,902)	(54,816,074)	(49,442,651)	(51,132,269)	(52,887,528)
Rebates	596,709,775	655,868,735	628,032,853	677,065,471	761,061,883	832,121,030	940,046,012	979,641,837
Calendar Year Adjustments	-	-	-	-	-	-	-	-
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	677,065,471	761,061,883	832,121,030	940,046,012	979,641,837
EGWP+Wrap Reduction in Rebates	164,649,780	165,902,094	165,480,561	164,665,404	176,652,614	177,151,548	182,466,094	187,193,639
EGWP+Wrap Claim Increase	-	-	-	-	-	34,632,846	21,039,454	1,284,145
Expand Coverage of Diabetic Test Strips	-	-	-	-	-	1,555,282	1,748,668	1,821,620
Total Pharmacy Claims	596,709,775	655,868,735	628,032,853	678,096,922	766,585,321	838,121,642	946,453,788	986,351,226
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,537,190,620	2,856,360,810	3,056,458,834	3,353,603,829	3,581,150,403
Administrative Costs	164,649,780	165,902,094	165,480,561	164,665,404	176,652,614	177,151,548	182,466,094	187,193,639
ACA Reinsurance Fee	-	-	-	-	-	21,039,454	14,201,632	14,201,632
Extra EGWP+Wrap Administration	-	-	-	2,893,881	11,616,926	12,085,088	12,572,117	13,078,773
Total Plan Expense	2,558,874,969	2,649,596,838	2,620,288,904	2,704,749,905	3,044,630,350	3,280,328,317	3,569,681,495	3,795,624,447
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	253,502,023	(127,089,157)	(399,425,925)	(172,481,730)	211,833,598
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	755,749,494	628,660,337	229,234,413	56,752,682
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	755,749,494	628,660,337	229,234,413	56,752,682	268,586,280
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	190,289,297	214,227,061	229,234,413	251,520,287	268,586,280
	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Premium Increase:	8.9%	7.1% Increase	5.3%	5.3%	-1.5%	7.1% Increase	18.9%	18.9%
	8.9%	8.9%	5.3%	5.3%	-1.5%	7.1% Increase	18.9%	18.9%

Q3 Board Design Update 4-Year Smoothed (Segal 5-30-13)

North Carolina State Health Plan
Financial Projections - Mar 2013
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 Short Plan Year Jul-Dec 2013	Projection Calendar 2014 Jan-June	Projection Calendar 2014 July-Dec	Projection Calendar 2015 Jan-June	Projection Calendar 2015 July-Dec	Projection Calendar 2016 Jan-June	Projection Calendar 2016 July-Dec	Projection Calendar 2017 Jul-Dec
PLAN INCOME:									
Net Contribution Income	2,750,388,851	1,442,578,008	1,504,832,824	1,501,715,729	1,568,587,398	1,563,407,878	1,631,012,512	1,627,770,342	1,688,228,885
EGWP/PDP Spouse Premium Reduction	(1,244,065)	(2,498,837)	(14,615,039)	(14,761,184)	(14,808,796)	(14,834,807)	(14,908,796)	(14,983,155)	(15,132,986)
MA Spouse Premium Reduction	(568,219)	(721,289)	(752,416)	(750,858)	(783,204)	(781,704)	(815,506)	(813,885)	(849,115)
Health care Reform ERRP	(451,496)	(714,727)	(15,332,089)	(15,332,089)	(14,209,813)	(14,287,682)	(18,347,565)	(18,311,123)	(18,164,482)
Retro Disenrollments	-	-	(3,528,827)	(3,521,618)	(4,751,768)	(4,747,728)	(5,657,822)	(5,945,979)	(7,139,050)
Premium Incentive	57,583,802	2,784,744	3,434,018	2,910,058	3,558,549	3,041,010	3,750,033	3,177,856	3,918,785
CDHP Premium Reduction	-	-	-	-	-	-	-	-	-
Medicare Part D	-	-	-	-	-	-	-	-	-
EGWP+Wrap	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	25,151,533	-	-	-	-	-	-	-
Coverage Gap Subsidy	-	7,195,769	17,999,102	-	-	-	-	-	-
Catastrophic Subsidy	-	32,347,302	17,999,102	13,047,904	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Appropriations from State Reserve	3,015,815	1,448,002	1,435,980	1,515,983	1,473,347	1,366,562	1,233,769	1,114,828	919,486
Investment Earnings	2,852,890,163	1,475,938,129	1,487,543,366	1,478,989,736	1,531,099,215	1,527,209,610	1,626,845,225	1,622,584,533	1,692,109,833
Total Plan Income	1,849,410,105	1,882,049,142	1,111,574,513	1,036,956,734	1,201,076,486	1,130,688,883	1,288,249,706	1,217,588,850	1,400,256,154
PLAN EXPENSE:									
Medical Claims Payment	(22,694,815)	(22,088,884)	(12,583,200)	(12,885,851)	(13,596,192)	(14,362,157)	(14,789,230)	(15,257,502)	(15,736,111)
Claim Refunds	(23,855,443)	1,065,764	3,370,442	3,144,181	3,641,824	3,428,393	3,696,466	3,691,922	3,980,578
Dental & MHA Enhancement	-	44,524,878	(4,229,258)	(4,330,120)	(43,747,229)	(43,965,421)	(44,184,701)	(44,405,075)	(44,828,548)
Medicare Advantage Savings	-	-	14,039,329	14,039,329	(14,419,571)	18,922,423	17,792,129	20,205,328	21,922,781
Calendar Year Adjustments	-	-	9,869,857	13,966,741	15,859,780	15,320,207	17,154,164	16,544,014	18,304,460
Preventive at 100% in Standard Plan	-	-	(11,975,541)	(11,975,541)	(11,482,987)	(11,446,086)	(12,527,383)	(12,502,373)	(12,946,259)
Premium Incentive	-	-	(7,905,527)	(4,051,876)	(5,771,189)	(5,762,890)	(8,941,127)	(8,923,291)	(12,963,021)
CDHP Claims Reduction	-	-	310,434	464,845	390,200	389,624	802,750	601,547	576,568
Limited Network Savings	-	-	4,407,787	6,000,242	(387,417)	(368,875)	(4,086,355)	(4,078,203)	(12,927,728)
PCP Copay Waiver	-	-	1,067,190,757	1,002,731,695	1,131,803,701	1,092,544,281	1,217,622,180	1,173,475,317	1,293,940,945
Net Medical Claims	1,826,775,490	1,850,093,698	1,031,938,612	1,067,190,757	1,131,803,701	1,092,544,281	1,217,622,180	1,173,475,317	1,245,938,133
Pharmacy Claims Payment	721,183,013	749,090,373	386,095,527	461,133,212	420,430,469	498,290,216	492,888,065	499,857,994	532,671,371
Rebates	(83,130,160)	(72,024,902)	(32,607,518)	(23,014,123)	(26,428,528)	(23,850,881)	(27,281,378)	(24,724,242)	(28,163,286)
Calendar Year Adjustments	-	-	(9,511,046)	(11,406,548)	(10,470,311)	12,325,781	(12,201,284)	12,627,860	(13,186,116)
Net Pharmacy Claims	628,032,853	677,065,471	346,976,963	449,525,637	383,531,630	486,765,106	453,405,403	487,761,402	528,290,835
MA-PDP Savings	-	-	(55,230,721)	(79,813,191)	(80,010,267)	(80,409,323)	(80,810,370)	(81,213,417)	(81,618,474)
EGWP+Wrap Reduction in Rebates	808,689	808,689	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	222,702	462,707	827,018	827,018	-	-	-	-	-
Expand Coverage of Diabetic Test Strips	-	-	686,454	813,548	741,737	879,086	866,568	881,885	939,755
Total Pharmacy Claims	628,032,853	678,096,922	293,259,715	370,725,991	304,263,089	407,234,881	373,494,802	407,439,850	410,643,250
Total Claims	2,454,808,343	2,537,190,820	1,445,414,191	1,390,450,472	1,373,457,688	1,499,779,162	1,591,098,782	1,580,905,167	1,704,584,195
Administrative Costs	185,480,561	184,885,404	85,504,264	81,148,330	88,666,681	88,494,867	91,141,320	93,688,951	93,504,688
ACA Reinsurance Fee	-	-	-	-	-	-	-	-	-
Extra EGWP+Wrap Administration	-	-	5,794,014	-	34,632,840	-	-	-	14,201,632
Total Plan Expense	2,620,288,904	2,704,749,905	1,536,712,480	1,451,598,801	1,462,124,386	1,591,103,938	1,703,287,556	1,674,594,119	1,812,290,514
Plan Income (Loss)	232,391,259	253,502,023	(60,774,360)	(35,944,595)	(16,945,370)	(63,897,326)	(76,622,331)	(52,009,596)	(120,180,691)
Beginning Cash Balance (Deficit)	289,856,212	502,247,471	755,749,494	664,975,194	730,919,729	719,876,089	655,079,474	579,357,142	527,347,556
Ending Cash Balance (Deficit)	502,247,471	755,749,494	664,975,134	730,919,729	747,765,066	719,876,089	579,357,142	527,347,556	407,166,875
Target Stabilization Reserve	184,110,828	202,975,250	219,465,780	238,488,466	232,382,183	254,839,204	284,208,137	285,479,275	295,694,043
Premium Increase:	7.5%	8.0%	8.0%	8.5%	8.5%	9.0%	9.0%	9.0%	9.0%
7/1 Increase	5.3%	7/1 Increase	5.3%	7/1 Increase	4.5%	7/1 Increase	4.5%	7/1 Increase	4.5%
7/1 Increase	5.3%	7/1 Increase	5.3%	7/1 Increase	4.5%	7/1 Increase	4.5%	7/1 Increase	4.5%



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



State Budget Update: Appropriations Act

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

State Budget Update

- Comparison of Governor's, House and Senate Budgets
- Approved Conference Report on Budget Bill
- Four Year Budget Outlook
- Comparison of 3rd Quarter Forecast Updates to Budget
- Next Steps

Budgeting Philosophies

- The Governor, the Senate, and the House took three distinct approaches to funding the State Health Plan in the coming biennium
- **Governor's Approach:** Fully funded the two-year actuarial projection presented to the Board in February 2013
- **Senate Approach:** Appropriations for increases in the employer contribution for the State Health Plan based on the Consumer Price Index
- **House Approach:** Appropriations for increases in the employer contribution for the State Health Plan based on the 3rd quarter updated actuarial projection of the required four year average increase

Proposed Funding for the State Health Plan

	Governor's Budget (Segal 02-01-13)	Senate Budget ¹ SB 402, 3rd Edition	House Budget ² SB 402, 5th Edition
Premium Increases			
FB 2013-15	4.7% CY	3.6% & 0.8% CY	3.6% CY
General Fund Appropriations			
FY 2013-14	\$44.8 m	\$34.0 m	\$33.0 m
FY 2014-15	\$136.2 m	\$77.0 m	\$101.0 m
Total	\$181.0 m	\$111.0 m	\$134.0 m

1. Proposed increase based on projected CPI
2. Proposed increase based on projected four-year average required premium increase + appropriations required to fund HB 498 and HB 675; includes language requiring Board action to reduce the four-year average premium increase by one percentage point

House Budget Special Provision

Section 35.18 of the House budget includes the following provision:

The Board of Trustees of the State Health Plan for Teachers and State Employees shall adopt new plan changes, beyond those already approved as of June 1, 2013, that are expected to reduce the average annual rate of increase in employer premiums needed over the next four years by at least one percent (1%). The plan changes may include one or more of the following:

- changes to out-of-pocket requirements,
- changes to employee or retiree premiums,
- new plan options,
- changes in the services and products covered,
- changes to the provider network structure,
- changes to provider rates or payment methodology,
- incentives to Plan members to adopt or maintain healthy behaviors,
- incentives to Plan members to control utilization,
- any type of integrated health management program, fraud detection, utilization management, or
- changes in plan administration.

Conference Report Adopted, SB 402

- The Conference Report approved by the House and Senate includes the following appropriations to cover increases in the State's employer contribution for the State Health Plan:
 - \$33.5m for FY 2013-14
 - \$89.0m for FY 2014-15
- The budget also includes reserve funding if HB 498 (Autism) and HB 695 (Pharmacy Audits) are approved by the General Assembly and become law

Proposed Funding for State Health Plan Including Conference Report, SB 402

	Governor's Budget (Segal 02-01-13)	Senate Budget ¹	House Budget ²	Approved Conference Report ³
Premium Increases				
FB 2013-15	4.7% CY	3.6% & 0.8% CY	3.6% CY	3.57% & 2.14% CY
General Fund Appropriations				
FY 2013-14	\$44.8 m	\$34.0 m	\$33.0 m	\$33.5 m
FY 2014-15	\$136.2 m	\$77.0 m	\$101.0m	\$89.0 m
Total	\$181.0 m	\$111.0 m	\$134.0m	\$122.5m

1. Proposed increase based on projected CPI
2. Proposed increase based on projected four-year average required premium increase + appropriations required to fund HB 498 and HB 675;
3. Does not including funding for HB 498 and HB 675, however, monies are reserved for these pending bills

Four Year Budget Outlook

	Board Approved Design 3Q Updated Projection (Segal 05-30-13)	Board Approved Design 3Q Updated Projection - Smoothed (Segal 05-30-13)	Approved Conference Report, SB 402
Premium Increases			
FB 2013-15	0.1% CY	4.5% CY	3.57% & 2.14% CY
FB 2015-17	15.0% CY	4.5% CY	Not Specified
General Fund Appropriations			
FY 2013-14	\$0.6m	\$43.3m	\$33.5m
FY 2014-15	\$1.8m	\$131.5m	\$89.0m

Conference Report Special Provision

Section 35.18. The Board of Trustees of the State Health Plan for Teachers and State Employees shall adopt new plan changes, beyond those already approved as of June 1, 2013, that are expected to reduce the average annual percentage increase in employer premiums needed over the next four years by at least one. The plan changes may include one or more of the following:

- changes to out-of-pocket requirements,
- changes to employee or retiree premiums,
- new plan options,
- changes in the services and products covered,
- changes to the provider network structure,
- changes to provider rates or payment methodology,
- incentives to Plan members to adopt or maintain healthy behaviors, incentives to Plan members to control utilization,
- any type of integrated health management program, fraud detection, utilization management, or
- changes in plan administration.

Comparison of 3rd Quarter Updates:

Baseline Forecast - Board Approved Design - Conference Report (SB 402)

	Baseline Forecast "If nothing had changed" (Segal 5-30-13)	Board Approved Design (Segal 5-30-13)	Board Approved Design Smoothed (Segal 05-30-13)	Conference Report (SB 402) (Segal 7-24-13)
Premium Increases				
FB 2013-15	(1.5%) July 1	0.1% January 1	4.5% January 1	3.57% & 2.14% January 1
FB 2015-17	18.9% July 1	15.0% January 1	4.5% January 1	8.16% January 1

Next Steps

- Approve premium rates effective 2014
- Evaluate new benefit options and changes to the funding stream and determine impact on forecast model
- Consider possible strategies to address Section 35.18 of SB 402 in future board meetings



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



Proposed Premium Rates for 2014

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

Presentation Overview

- Review approved 2014 rate structure
- State budget
- Rates for employees and retirees
- Rates for member groups not eligible for typical employer share (100% contributory, 50% contributory, etc.)
- Staff recommendations

Approved 2014 Rate Structure

- At the May 2013 meeting, the Board approved a 2014 rate structure that includes:
 - New plan options
 - *CDHP*: Dependent premiums set 10% below rates for the 70/30 Plan
 - *Base MA-PDP Plans*: Rates set to cover the carrier premium for the plan (\$112 per month) + a share of SHP administrative expenses (\$2.50 per month)
 - *Enhanced MA-PDP Plans*: An additional \$33 is added to the monthly premium from the base plans
 - The same family tiers currently in use
 - *Split Contracts*: Members of the same family could be on two different plans (one Medicare and one non-Medicare) if the family includes both Medicare eligible and non-Medicare members
 - Wellness surcharges and credits

State Budget Bill (SB 402-Appropriations Act of 2013)

2014 Rate Increases

- The State budget bill sets the maximum total employer contribution for each fiscal year of the biennium
- Historically, the percentage increases in the employer contribution and employee/retiree premiums have been the same
- The budget expected to be signed by the Governor provides funding to cover an increase in the employer premium (i.e. State contribution) of up to 3.57% effective January 1, 2014
- The budget also provides funding to cover an additional increase in the employer premium of up to 2.14% effective January 1, 2015
- Rates shown in the presentation reflect 3.57% premium increases for all coverage tiers beginning January 1, 2014 (*staff recommendation*) with the following exception:

Monthly dependent rates for the Medicare Advantage products are set to cover the fully insured premium costs charged by the carriers plus a small add-on of \$2.50 for Plan administrative costs

Proposed 2014 Premium Rates

Employee/Retiree Premiums

Active Employees and Non-Medicare Retirees

	Wellness Activities Smoking Attestation PCP Selection HA Completion	Participation in Wellness Activities			None
		All Three	Two Activities Completed	One Activity Completed	
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Employee/Retiree Share					
Wellness Plans	Employer Share				
Enhanced 80/20 Plan	\$448.11	\$13.56	\$28.56	\$43.56	\$48.56
Consumer-Directed Health Plan	\$448.11	\$0.00	\$10.00	\$20.00	\$30.00

	Employee/Retiree Share
Alternate Plan Traditional 70/30 Plan	\$0.00
Medicare Retirees	
Medicare Advantage Plans	
MA-PDP Base Plan	\$0.00
MA-PDP Enhanced Plan	\$33.00
Alternate Plan Traditional 70/30 Plan	\$0.00

Total Employee/Retiree Contribution =
 Employee/Retiree Share
 of the Employee/Retiree Premium
 +
 Dependent Premium

Red lettering indicates a new offering from the State Health Plan.
 Where applicable, premium rates assume a 3.57% increase effective January 1, 2014.

Dependent Premiums

Dependent Group	All Dependents are Non-Medicare	
	Enhanced 80/20	Traditional 70/30
Employee/Retiree + Child(ren)	\$272.80	\$205.12
Employee/Retiree + Spouse	\$628.54	\$528.52
Employee/Retiree + Family	\$666.38	\$562.94

Dependent Group	One or More Medicare Dependents	
	MA-PDP Base	Traditional 70/30
Employee/Retiree + Child(ren)	\$114.50	\$145.94
Employee/Retiree + Spouse	\$114.50	\$383.72
Employee/Retiree + Family	\$229.00	\$418.10

Enhanced 80/20 Plan Subscribers

Proposed Employee/Retiree Premium Rates

Monthly Premium Rates for Enhanced 80/20 Plan Subscribers
Non-Medicare Subscribers

Wellness Activities	Participation in Wellness Activities			
	All 3	Two Activities Completed	One Activity Complete	None
Smoking Attestation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
PCP Selection	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
HA Completion	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

Non-Medicare for Employee/Retiree and Dependent(s)

Employee/Retiree Only	\$13.56	\$28.56	\$28.56	\$43.56	\$48.56	\$63.56
Employee/Retiree + Child(ren)	\$286.36	\$301.36	\$306.36	\$316.36	\$321.36	\$336.36
Employee/Retiree + Spouse	\$642.10	\$657.10	\$662.10	\$672.10	\$677.10	\$692.10
Employee/Retiree + Family	\$679.94	\$694.94	\$699.94	\$709.94	\$714.94	\$729.94

Medicare Primary for One or More Dependent(s)

Medicare Advantage Base Plan for Medicare Dependents						
Employee/Retiree + Child(ren)	\$128.06	\$143.06	\$143.06	\$158.06	\$163.06	\$178.06
Employee/Retiree + Spouse	\$128.06	\$143.06	\$143.06	\$158.06	\$163.06	\$178.06
Employee/Retiree + Family	\$242.56	\$257.56	\$257.56	\$272.56	\$277.56	\$292.56
Medicare Advantage Enhanced Plan for Medicare Dependents						
Employee/Retiree + Child(ren)	\$161.06	\$176.06	\$176.06	\$191.06	\$196.06	\$211.06
Employee/Retiree + Spouse	\$161.06	\$176.06	\$176.06	\$191.06	\$196.06	\$211.06
Employee/Retiree + Family	\$308.56	\$323.56	\$323.56	\$338.56	\$343.56	\$358.56
Traditional 70/30 Plan for Medicare Dependents						
Employee/Retiree + Child(ren)	\$159.50	\$174.50	\$174.50	\$189.50	\$194.50	\$209.50
Employee/Retiree + Spouse	\$397.28	\$412.28	\$412.28	\$427.28	\$432.28	\$447.28
Employee/Retiree + Family	\$431.66	\$446.66	\$446.66	\$461.66	\$466.66	\$481.66

Consumer-Directed Health Plan Subscribers Proposed Employee/Retiree Premium Rates

Monthly Premium Rates for Consumer-Directed Health Plan Subscribers
Non-Medicare Subscribers

Wellness Activities	Participation in Wellness Activities				
	All 3	Two Activities Completed	One Activity Complete	None	None
Smoking Attestation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
PCP Selection	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
HA Completion	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

Non-Medicare for Employee/Retiree and Dependent(s)

Employee/Retiree Only	\$0.00	\$10.00	\$10.00	\$20.00	\$20.00	\$30.00	\$30.00	\$40.00
Employee/Retiree + Child(ren)	\$184.60	\$194.60	\$194.60	\$204.60	\$204.60	\$214.60	\$214.60	\$224.60
Employee/Retiree + Spouse	\$475.68	\$485.68	\$485.68	\$495.68	\$495.68	\$505.68	\$505.68	\$515.68
Employee/Retiree + Family	\$506.64	\$516.64	\$516.64	\$526.64	\$526.64	\$536.64	\$536.64	\$546.64

Medicare Primary for One or More Dependent(s)

Medicare Advantage Base Plan for Medicare Dependents								
Employee/Retiree + Child(ren)	\$114.50	\$124.50	\$124.50	\$134.50	\$134.50	\$144.50	\$144.50	\$154.50
Employee/Retiree + Spouse	\$114.50	\$124.50	\$124.50	\$134.50	\$134.50	\$144.50	\$144.50	\$154.50
Employee/Retiree + Family	\$229.00	\$239.00	\$239.00	\$249.00	\$249.00	\$259.00	\$259.00	\$269.00
Medicare Advantage Enhanced Plan for Medicare Dependents								
Employee/Retiree + Child(ren)	\$147.50	\$157.50	\$157.50	\$167.50	\$167.50	\$177.50	\$177.50	\$187.50
Employee/Retiree + Spouse	\$147.50	\$157.50	\$157.50	\$167.50	\$167.50	\$177.50	\$177.50	\$187.50
Employee/Retiree + Family	\$295.00	\$305.00	\$305.00	\$315.00	\$315.00	\$325.00	\$325.00	\$335.00
Traditional 70/30 Plan for Medicare Dependents								
Employee/Retiree + Child(ren)	\$145.94	\$155.94	\$155.94	\$165.94	\$165.94	\$175.94	\$175.94	\$185.94
Employee/Retiree + Spouse	\$383.72	\$393.72	\$393.72	\$403.72	\$403.72	\$413.72	\$413.72	\$423.72
Employee/Retiree + Family	\$418.10	\$428.10	\$428.10	\$438.10	\$438.10	\$448.10	\$448.10	\$458.10

Non-Medicare Traditional 70/30 Plan Subscribers

Proposed Employee/Retiree Premium Rates

Monthly Premium Rates for Traditional 70/30 Plan Subscribers
Non-Medicare Subscribers

Non-Medicare for Employee/Retiree and Dependent(s)	
Employee/Retiree Only	\$0.00
Employee/Retiree + Child(ren)	\$205.12
Employee/Retiree + Spouse	\$528.52
Employee/Retiree + Family	\$562.94
Medicare Primary for One or More Dependent(s)	
<i>Medicare Advantage Base Plan for Medicare Dependents</i>	
Employee/Retiree + Child(ren)	\$114.50
Employee/Retiree + Spouse	\$114.50
Employee/Retiree + Family	\$229.00
<i>Medicare Advantage Enhanced Plan for Medicare Dependents</i>	
Employee/Retiree + Child(ren)	\$147.50
Employee/Retiree + Spouse	\$147.50
Employee/Retiree + Family	\$295.00
<i>Traditional 70/30 Plan for Medicare Dependents</i>	
Employee/Retiree + Child(ren)	\$145.94
Employee/Retiree + Spouse	\$383.72
Employee/Retiree + Family	\$418.10

Medicare Subscribers

Proposed Retiree Premium Rates

Monthly Premium Rates

Medicare Prime Subscribers

	Medicare Plan		
	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
Medicare Primary for Employee/Retiree and One or More Dependent(s)			
Employee/Retiree Only	\$0.00	\$33.00	\$0.00
Employee/Retiree + Child(ren)	\$114.50	\$180.50	\$145.94
Employee/Retiree + Spouse	\$114.50	\$180.50	\$383.72
Employee/Retiree + Family	\$229.00	\$328.00	\$418.10
Dependent(s) are Non-Medicare			
<i>Enhanced 80/20 Plan for Dependents</i>			
Employee/Retiree + Child(ren)	\$272.80	\$305.80	\$272.80
Employee/Retiree + Spouse	\$628.54	\$661.54	\$628.54
Employee/Retiree + Family	\$666.38	\$699.38	\$666.38
<i>Consumer-Directed Health Plan for Dependents</i>			
Employee/Retiree + Child(ren)	\$184.60	\$217.60	\$184.60
Employee/Retiree + Spouse	\$475.68	\$508.68	\$475.68
Employee/Retiree + Family	\$506.64	\$539.64	\$506.64
<i>Traditional 70/30 Plan for Dependents</i>			
Employee/Retiree + Child(ren)	\$205.12	\$238.12	\$205.12
Employee/Retiree + Spouse	\$528.52	\$561.52	\$528.52
Employee/Retiree + Family	\$562.94	\$595.94	\$562.94

Calculation of Rates for Other Member Groups

- 100% contributory subscribers pay: the rates shown in the previous charts + the employer contribution
- 50% contributory subscribers pay: the rates shown in the previous charts + 50% of the employer contribution
 - Exception:* 100% and 50% contributory MA-PDP subscribers may not pay more than the fully insured premium costs charged by the carriers (plus share of SHP agency administrative costs)
- COBRA subscribers pay: the rates shown in the previous charts + the employer contribution + an additional 2% fee or an additional 50% fee for COBRA disability subscribers
 - Exception:* COBRA MA-PDP subscribers may not pay more than the fully insured premium costs charged by the carriers (plus share of SHP agency administrative costs) with an additional 2% COBRA administration fee
- National Guard, firefighters, and emergency medical personnel pay: the rates shown in the previous charts + the employer contribution + an additional 20% rate factor to protect against adverse selection (See §135-48.58 NC General Statutes)

2014 Premium Rate Recommendations

Staff Recommendation:

1. Approve 3.57% across the board rate increases effective January 1, 2014, with the exception of the rates for dependent coverage under the Medicare Advantage plan options (as shown in the presentation), and
2. Authorize the Executive Administrator to alter the across the board rate increases to match the percentage increase in the maximum employer contribution in the unlikely event the maximum employer contribution for fiscal year 2013-14 is revised in subsequent legislation.



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



Additional 2014 Coverage Changes

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

Statutory Authority

Pursuant to NCGS §135-48.30 the State Treasurer sets benefits subject to the approval of the Board of Trustees.

Additional Coverage Changes for Consideration

Compliance reviews by the Plan's vendors and legal counsel identified two areas of concern:

1. Essential Health Benefits
2. Federal Mental Health Parity

Compliance Review Concerns

- Essential Health Benefits
 - Cranial Bands - \$600 lifetime limit
 - Hearing Aids - \$2,500 per ear, per 3 year period, up to age 22
 - Infertility and Sexual Dysfunction - \$5,000 lifetime limit
- Federal Mental Health Parity Act
 - Prior Authorization required for mental health/substance use disorder visits beyond the 26th visit
 - Limit of 1 psychiatric review per provider per benefit period
 - Limit of 6 preventive counseling benefits per benefit year

Essential Health Benefits

- Essential Health Benefits (EHB) – The Affordable Care Act ensures that health plans offered in the individual and small group markets offer a comprehensive package of items and services.
- There are 10 categories of services that have been established as comprising EHB:
 - 1) ambulatory patient services;
 - 2) emergency services;
 - 3) hospitalization;
 - 4) maternity and newborn care;
 - 5) mental health and substance use disorder services, including behavioral health treatment;
 - 6) prescription drugs;
 - 7) rehabilitative and habilitative services and devices;
 - 8) laboratory services;
 - 9) preventive and wellness services and chronic disease management;
 - 10) pediatric services, including oral and vision care

Essential Health Benefits

- For 2014 and 2015, USDHHS has defined EHB by reference to a “benchmark plan” that each state will select.
- The benchmark plan for North Carolina is the BCBSNC Blue Options PPO Plan.
- Note: Large employer plans (e.g. NC State Health Plan) are not required to cover EHB; however, for any EHB covered by their plan, the large employer cannot impose annual or lifetime dollar limits. However, actuarially equivalent treatment or service limits may be applied.

Essential Health Benefits – Coverage Comparison

Current Coverage

- Cranial Bands – \$600 lifetime limit
- Hearing Aids - \$2,500 limit per ear per 3 year period, up to age 22
- Infertility and Sexual Dysfunction - \$5,000 lifetime limit

Proposed Compliant Coverage

- Cranial Bands – quantity limit of one per lifetime
- Hearing Aids – quantity limit of one hearing aid per hearing impaired ear every 3 years, up to age 22
- Remove combined lifetime dollar limit for Infertility and Sexual Dysfunction:
 - Establish an Infertility lifetime quantity limit of three ovulation induction cycles and associated services
 - Retain \$5,000 limit for sexual dysfunction

Cost of Compliance – Essential Health Benefits

Proposed Compliant Coverage

- Cranial Bands – quantity limit of one per lifetime
- Hearing Aids – quantity limit of one hearing aid per hearing impaired ear every 3 years, up to age 22
- Remove combined lifetime dollar limit for Infertility and Sexual Dysfunction:
 - Establish an Infertility lifetime quantity limit of three ovulation induction cycles and associated services
 - Retain \$5,000 limit for sexual dysfunction

Estimated Annual Cost

\$54,667

\$240,878

\$2,290,950

Total: \$2,586,495

Options – Essential Health Benefits

- Options:
- Maintain current coverage resulting in non-compliance.
- Change coverage to meet compliance requirements by eliminating dollar limits on EHB.
- Eliminate or drop current coverage – this would result in loss of Grandfather status for the 70/30 and 80/20 plans.

Recommendation – Essential Health Benefits

Plan staff recommends the Board of Trustees approve the proposed changes in coverage to meet the EHB benchmarks effective January 2014.

Federal Mental Health Parity Act

- Mental Health Parity Act – Generally requires that the financial requirements and treatment limitations on mental health and substance use disorder benefits cannot be more restrictive than the predominant financial requirements and treatment limitations that apply to substantially all medical and surgical benefits. The Board of Trustees previously approved mental health copays on par with primary care office visits in order to meet parity requirements.
- As a self-funded government benefit, the Plan may opt out of compliance with the Mental Health Parity Act. To date the Plan has always opted out of parity requirements.

Mental Health Parity – Coverage Comparison

Current Coverage

- Prior authorization required for mental health/substance use disorder visits beyond the 26th visit
- Limitation of 1 psychiatric review per provider per benefit period
- Limitation of 6 preventive counseling benefits per benefit year

Compliant Coverage

- Removal of quantity limit
- Removal of quantity limit
- Removal of quantity limit

Cost of Compliance - Mental Health Parity

Compliant Coverage

- Remove all quantity limits for mental health/substance use disorder visits, psychiatric review visits and preventive counseling visits

Estimated Annual Cost

Total: \$1,260,000

Options – Mental Health Parity

- Options
- Remove quantity limits to meet compliance requirements.
- Opt out of compliance.

Recommendation – Mental Health Parity

Plan staff recommends the Board of Trustees approve the proposed changes in coverage to meet Federal Mental Health Parity requirements effective January 2014.

Total Financial Impact

The Plan's consulting actuary, The Segal Company, estimates the total annual cost of all proposed coverage changes is \$3,846,495.



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



Specialty Pharmacy Management

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

Presentation Overview

- Review potential specialty management strategies
- Specialty pharmacy benefit progression
- Non-preferred specialty tier coinsurance recommendation
 - *Requires Board Vote*
- Pharmacy utilization management expansion
- Future medical management strategies

Potential Management Strategies (from May presentation)

- 1) **Benefit design**
 - Biosimilar/Non-preferred Specialty Tier – coinsurance
 - *Requires Board Vote*
 - Copay parity under pharmacy and medical channels
- 2) **Medical management**
 - Reimbursement methods - medication and cognitive services
 - Site of care management - preferred home infusion network
- 3) **Pharmacy utilization management**
 - Additional prior authorization rules
 - Incorporate genomic testing
- 4) **Oncology management**
 - Limited retail network
 - Care management programs
 - Utilization management

Specialty Pharmacy Benefit Progression

Current Specialty Pharmacy Drug Benefit

- All non-acute specialty medications covered under the pharmacy benefit must be obtained through Accredo, except for oncology medications
- Pharmacy coinsurance of 25% up to \$100 max per 30 day supply for all specialty medications covered under the pharmacy benefit
- Most infused specialty medications are covered under the medical benefit by BCBSNC (not included in the financial analysis)

Specialty Pharmacy Tier Changes Approved Jan 2013

- Board approved splitting the specialty tier to establish separate preferred and non-preferred specialty tiers under the pharmacy benefit in preparation for when Biosimilars become available
- Coinsurance maximum for new non-preferred tier TBD.
- The maximum coinsurance for the non-preferred specialty medications expected to be set higher than the preferred per 30 day supply

Specialty Pharmacy Drug Benefit Implementation

- Implement non-preferred specialty tier January 2014
- Preferred specialty pharmacy coinsurance of 25% up to \$100 max per 30 day supply
- **Recommend non-preferred specialty pharmacy coinsurance of 25% up to \$150 max per 30 day supply**
- Only applies to Traditional 70/30 and Enhanced 80/20 Plans

Non-preferred Specialty Tier Financial Impact

	Current	Proposed (staff recommendation)
Preferred Specialty Tier Coinsurance Max	\$100 max	\$100 max
Non-preferred Specialty Tier Coinsurance Max	None/ All \$100 max	\$150 max
FY 2012-13 Specialty Member Cost Share (est.)	\$3.7 M	\$4.1 M
Projected Annual Plan Savings vs. Current (est.)*		
CY 2014	-	\$490,000
CY 2015	-	\$564,000
CY 2016	-	\$648,000
CY 2017	-	\$746,000
Member Cost Share at Average Specialty Cost (\$4,000)	2.50%	3.75%

*Modeled with very few current non-preferred specialty medications. Non-preferred specialty tier in preparation for release of future Biosimilar medications. Modeling performed by Express Scripts and Segal and assumes 15% annual trend. This does not apply to CDHP or Medicare Advantage. Only applies to Traditional 70/30 and Enhanced 80/20 Plans.

Benefit Design Change Implementation

- Keep the majority of specialty medications in the current preferred tier
- Designate new specialty medications for the preferred specialty tier unless there is a Biosimilar available or the drug is part of a step therapy program as a non-preferred medication
- Implement non-preferred specialty tier in January 2014 to prepare for the release of Biosimilar medications and to maximize potential rebates
- Notify the 263 members currently on non-preferred medications (10) that a coinsurance maximum increase is scheduled

Non-preferred Specialty Tier – Coinsurance

Plan staff recommends the Board of Trustees approve the proposed coinsurance maximum for medications in the non-preferred specialty tier effective January 2014

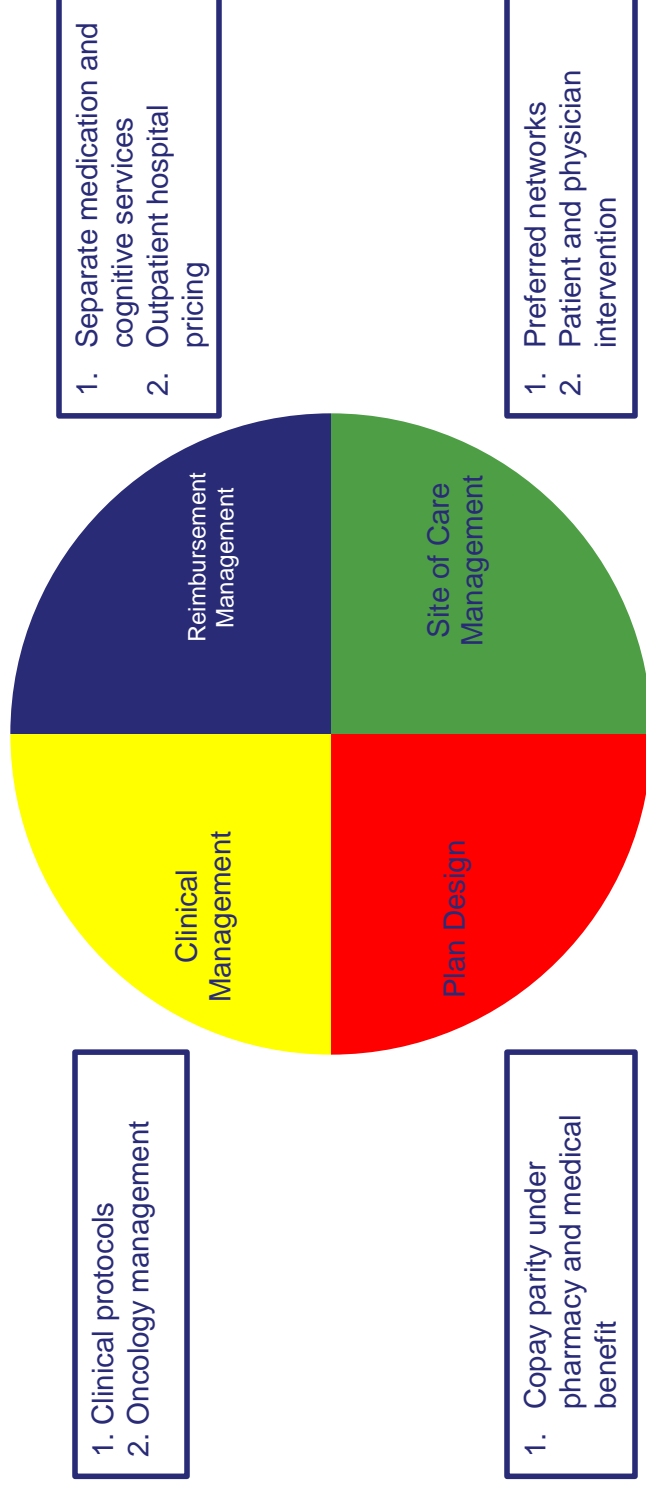
Pharmacy Utilization Management Opportunities

- Add prior authorization requirements for new, high cost, very specialized medications to ensure appropriate use.
- Average cost of these medications is > \$7000 per month.
- Pharmacy and Therapeutics committee to review in August.

Medication	Indication
Arcalyst	Cryopyrin-Associated Periodic Syndromes (CAPS)
Chenodal	Gallstones and Cerebrotendinous Xanthomatosis (CTX)
Illaris	Cryopyrin-Associated Periodic Syndromes (CAPS)
Korlym	Endogenous Cushing's Syndrome
Kuvan	Hyperphenylalaninemia due to phenylketonuria
Promacta	Chronic immune thrombocytopenia purpura
Xenazine	Chorea associated with Huntington's Disease

Focus on Medical Benefit Management

- Over the next 6 months develop work plan with BCBSNC and Accredo for medical benefit management focus areas
- Focus areas may include – reimbursement management, site of care management, plan design, and clinical management





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

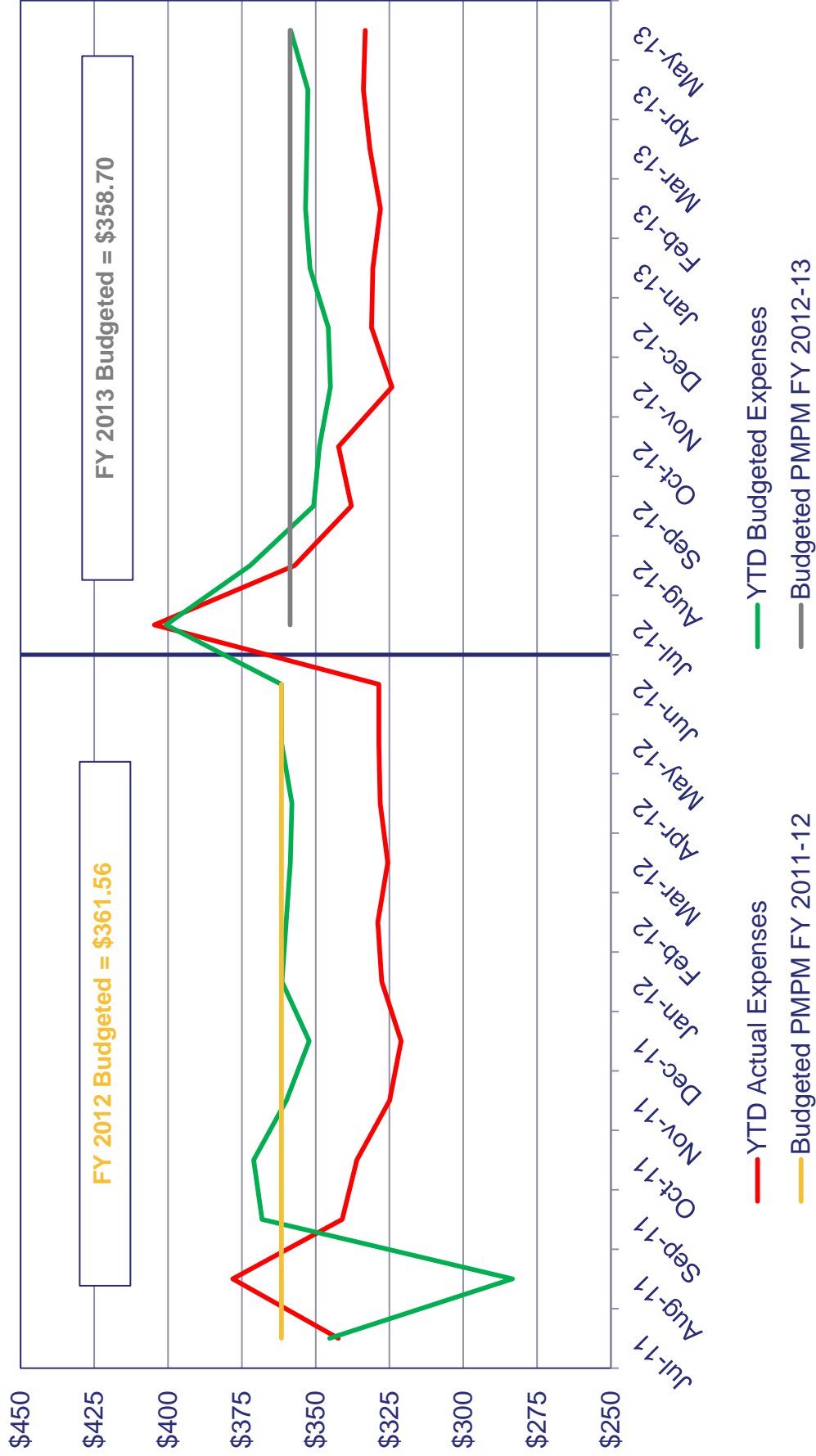
Per Member Per Month (PMPM) Analysis

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.

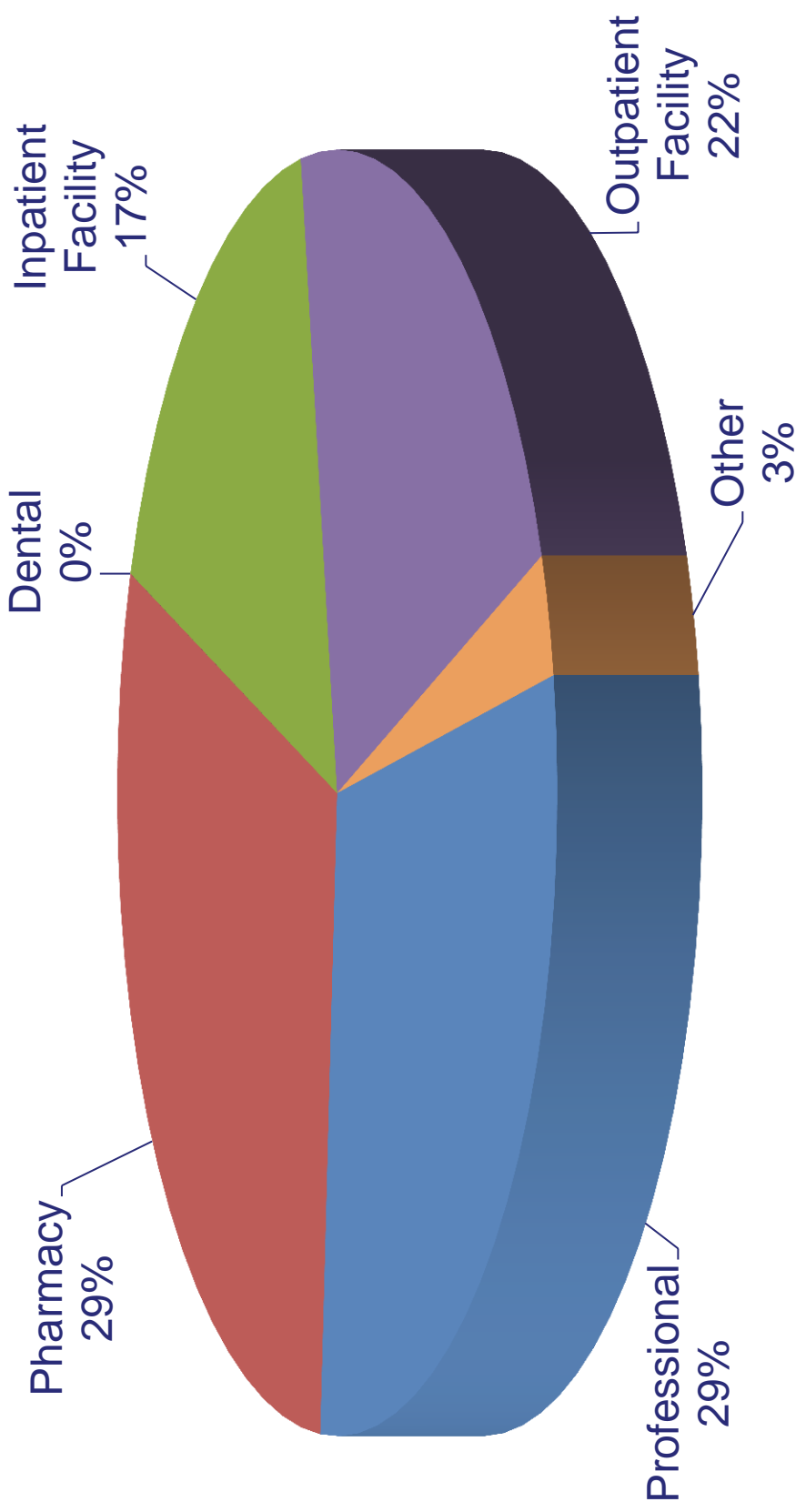
^ Adjusted to remove the impact of a larger-than-expected pharmacy rebate true-up payment.

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
1 Plan Revenue:								
2 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)
3 Premium Refunds/Retroactive Disenrollments	(52,746)	(119,578)	66,832	(436,076)	(1,317,707)	881,631	(1,437,243)	1,001,167
4 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)
5 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
6 Federal Early Retirees Reinsurance Program (ERRP)	-	-	-	(558,219)	-	(558,219)	-	(558,219)
7 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)
9 Investment Earnings	295,272	499,130	(203,858)	2,822,063	5,172,172	(2,350,109)	5,658,262	(2,836,199)
10 Miscellaneous Revenue	-	-	-	119,047	-	119,047	-	119,047
11 Other Revenue	295,272	499,130	(203,858)	2,941,110	5,172,172	(2,231,062)	5,658,262	(2,717,152)
12								
13								
14 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)
15								
16 Plan Expenses:								
17 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)
18 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
19 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)
20 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)
21 Pharmacy Claim Rebates	(8,572,120)	-	(8,572,120)	(69,641,941)	(53,940,467)	(15,701,474)	(53,173,873)	(16,468,068)
22 Pharmacy Claim Refunds/Recoveries	(11,895)	-	(11,895)	(3,452,462)	-	(3,452,462)	-	(3,452,462)
23 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)
24								
25 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)
26								
27 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)
28								
29 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)
30								
31 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
32								
33 Cash Availability:								
34 Beginning Cash Balance/(Deficit)	764,169,617	617,449,861	146,719,756	502,247,471	502,247,475	(4)	502,247,475	(4)
35 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
36								
37 Target Stabilization Reserve @ 6/30/13	199,728,453	199,728,453	-	199,728,453	199,728,453	-	199,728,453	-
38								
39 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
40								
41								
42								

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 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
3 Premium Refunds/Retroactive Disenrollments	(52,746)	(13,174)	(436,076)	(415,320)	(1,437,243)	(2,672,292)	(451,496)
4 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
5 Medicare PDP (EGWP + Wrap) Subsidy	3,977,439	-	20,446,379	-	19,759,856	-	-
6 Federal Early Retiree Reinsurance Program (ERRP)	-	-	(558,219)	42,163,391	-	25,583,136	42,163,391
7 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
8 Investment Earnings	295,272	224,705	2,822,063	2,772,062	5,658,262	2,245,712	3,015,819
9 Miscellaneous Revenue	-	-	119,047	-	-	-	-
10 Other Revenue	295,272	224,705	2,941,110	2,772,062	5,658,262	2,245,712	3,015,819
11 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
12 Plan Expenses:							
13 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
14 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)
15 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
16 Pharmacy Claim Payments	62,939,405	57,944,659	691,843,019	665,408,399	743,853,418	706,459,465	721,644,990
17 Pharmacy Claim Rebates	(8,572,120)	-	(69,641,941)	(93,130,160)	(53,173,873)	(66,582,530)	(93,130,160)
18 Pharmacy Claim Refunds/Recoveries	(11,895)	(5,190)	(3,452,462)	(85,413)	-	-	(481,977)
19 Net Pharmacy Claims	54,355,390	57,939,469	618,748,616	572,192,826	690,679,545	639,876,935	628,032,853
20 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
21 Net Administrative Expenses	13,289,245	15,710,715	148,037,634	151,757,587	189,387,392	180,464,149	165,480,561
22 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
23 Plan Income/(Loss)	19,692,726	10,385,509	281,614,872	213,203,277	83,876,185	(8,288,072)	232,391,263
24 Cash Availability:							
25 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
26 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
27 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
28 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 & Overtime 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 Member Premiums (Note 1)	\$ 2,663,879,063	\$ (1,499,721)	\$ 2,662,379,342	\$ 2,634,018,094	\$ 28,361,248	1.08%
3 Premium Refunds/Retroactive Disenrollments	(436,076)		(436,076)	(1,317,707)	881,631	-66.91%
4 Medicare Part D (RDS) Subsidy (Note 2)	37,515,430	(482,857)	37,032,573	39,029,951	(1,997,378)	-5.12%
5 Medicare PDP (EGWP + Wrap) Subsidy (Note 3)	20,446,379	(3,879,515)	16,566,864	15,801,328	765,536	4.84%
6 Federal Early Retiree Reinsurance Program (ERRP) (Note 4)	(558,219)	558,219	-	-	-	
7 Net Premium & Other Contributions	2,720,846,577	(5,303,874)	2,715,542,703	2,687,531,666	28,011,037	1.04%
8						
9 Other Revenue	2,941,110		2,941,110	5,172,172	(2,231,062)	-43.14%
10						
11 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%
12						
13 Plan Expenses:						
14						
15 Net Medical Claims	1,675,386,565		1,675,386,565	1,807,733,969	(132,347,404)	-7.32%
16 Net Pharmacy Claims (Note 5)	618,748,616	20,940,747	639,689,363	629,038,538	10,650,825	1.69%
17 Net Claim Payments	2,294,135,181	20,940,747	2,315,075,928	2,436,772,507	(121,696,579)	-4.99%
18						
19 Net Administrative Expenses	148,037,634		148,037,634	173,151,169	(25,113,535)	-14.50%
20						
21 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%
22						
23 Plan Income/(Loss)	281,614,872	(26,244,621)	255,370,251	82,780,162	172,590,089	208.49%
24						
25 Cash Availability:						
26						
27 Beginning Cash Balance/(Deficit)	502,247,471		502,247,471	502,247,475	(4)	0.00%
28 Ending Cash Balance/(Deficit)	783,862,343	(26,244,621)	757,617,722	585,027,637	172,590,085	29.50%
29						
30 Target Stabilization Reserve @ 6/30/13	199,728,453		199,728,453	199,728,453	-	
31						
32 Cash Balance Over/(Under) Reserve Target	\$ 584,133,890	\$ (26,244,621)	\$ 557,889,269	\$ 385,299,184	\$ 172,590,085	44.79%
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 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.



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



Legislative Update: Approved/Pending Legislation

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

House and Senate Bills Update

- In addition to the budget proposals there are several health care related bills that successfully “crossed over” that would impact the State Health Plan
- The following slides highlight:
 - Legislation that has become law
 - Ratified bills sent to the Governor
 - Summary of crossed over legislation that could be discussed in the next session

Legislative Update

Legislation Signed by the Governor

HB 232: State Health Plan/Statutory Changes/Agency Bill

- **Bill Summary:**
 1. Redefines and broadens eligibility rules based on ACA
 2. Clarifies the period in which retirees can enroll (similar to legislation enacted last year for active employees)
 3. Repeals the requirement to collect certain penalties/interest
- **Bill Status: Signed by Governor (SL 2013-324)**
- **Fiscal Impact: Negligible**

HB 459: Chronic Care Coordination Act

- **Bill Summary:**
 1. Requires the Divisions of Public Health and Medical Assistance of the Department of Health and Human Services and the Department of State Treasurer to identify goals and benchmarks while also developing individual entity plans to reduce the incidence of chronic conditions and improve care coordination in North Carolina
 2. Provide annual progress reports to the House and Senate Appropriations committees and the Joint Legislative Oversight Committee on Health and Human Services
- **Bill Status:** Signed by Governor (SL 2013-207)
- **Fiscal Impact:** Negligible

SB 98: Require Pulse Oximetry Newborn Screening

- **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:** Signed by Governor (SL 2013-45)
- **Fiscal Impact:** Negligible

Included in May BOT Legislative Update

SB 248: Choice of Hearing Aid Specialist

- Bill Summary:
 - An Act to Ensure that Patients Have the Right to Choose Their Hearing Aid Specialist Under Their Health Benefit Plans, to Authorize the North Carolina State Hearing Aid Dealers and Fitters Board to Increase Certain Fees, and to Make Technical Changes to the Statute on Choosing Services of Providers.
- Bill Status: Signed by Governor (SL 2013-296)
- Fiscal Impact: Negligible

SB 336: Collaboration Among State Diabetes Programs

- **Bill Summary:**
 1. Requires the Divisions of Medical Assistance and Public Health of the Department of Health and Human Services and the Department of State Treasurer to work together to develop plans and establish goals and objectives to reduce the incidence of diabetes, improve diabetes care, and control complications associated with diabetes
 2. Provide progress reports every other year to the Joint Legislative Committee on Health and Human Services
- **Bill Status:** Signed by Governor (SL 2013-192)
- **Fiscal Impact:** Negligible

Legislative Update

Ratified Bills Sent to the Governor

HB 675: Amend Pharmacy Laws

- Bill Summary:
 1. Restricts the right to recoup from pharmacists in the event of audit findings
 2. Restricts the amount that may be recouped in the event of audit findings
- Bill Status: Sent to Governor
- Projected Biennium Fiscal Impact = \$3.2M to \$3.4M
 - Projected Fiscal Impact remains based on older version of bill and financial impact may be revised; SHP worked with Senate staff on language

SB 473: Health Care Cost Reduction and Transparency

Bill Summary (as it relates to SHP):

- Each hospital will report the combined range of payments and average payment for the top five insurers and SHP for the following:
 1. Inpatient: Effective at the end of June 2014, report on each of the top 100 DRGs
 2. Outpatient/Ambulatory Surgery Centers (ASC): Effective at the end of September 2014, report each of the top 20 most common surgery and imaging procedures
- Requires SHP to establish a workgroup to examine the best way to provide transparency in pricing
 - First report of findings is due December 31, 2013
- Bill Status: Sent to Governor
- Fiscal Impact: None

Legislative Update

Summary of Key Crossed Over Legislation Eligible for Consideration in the 2014 Short Session

HB 498: Autism Health Insurance Coverage

- Bill Summary:
 1. Requires the Plan to provide annual coverage of \$36,000 for autism behavioral treatment benefits (some benefits not covered currently)
 2. Coverage is for individuals age 23 and under
- Bill Status: Passed the House, referred to Senate Committee on Insurance
- Projected Biennium Fiscal Impact = \$2.9M to \$6.0M increase in expenses

SB 477: No Set Fee/Noncovered Vision Services

- **Bill Summary:**

Prohibits Insurers and Health Benefit Plans from limiting or fixing the fees an Optometrist may charge patients for services or materials unless the services or materials are covered by reimbursement under the Plan or insurer contract with the Optometrist, and to require Optometrists to provide a written disclosure to patients.

 - Currently, BCBSNC provides vision discounts through their discount program available to individuals covered by BCBSNC, including State Health Plan members
- **Bill Status:** Passed the Senate, referred to House Committee on Insurance
- **Fiscal Impact:** None



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



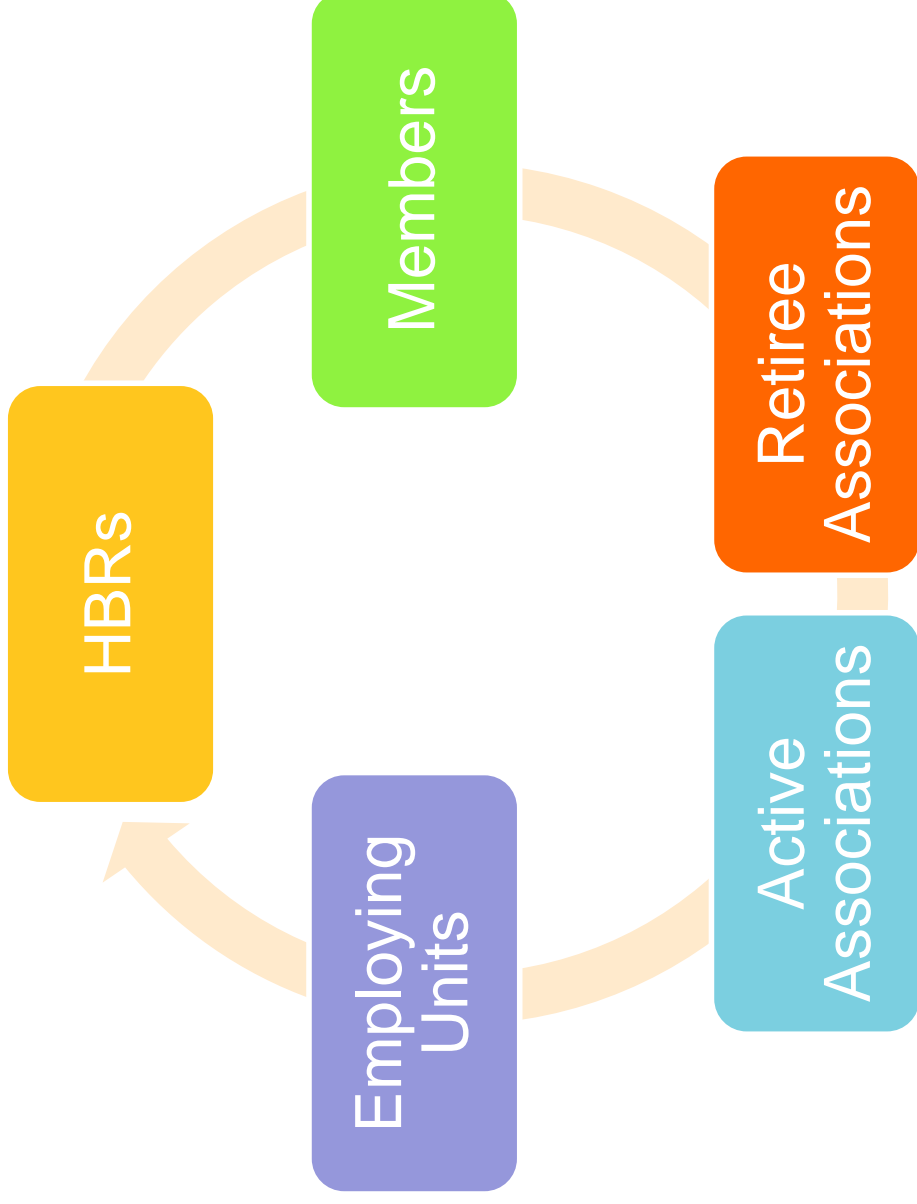
Communications Update

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

Communications Strategy



Health Benefit Representatives

HBRs

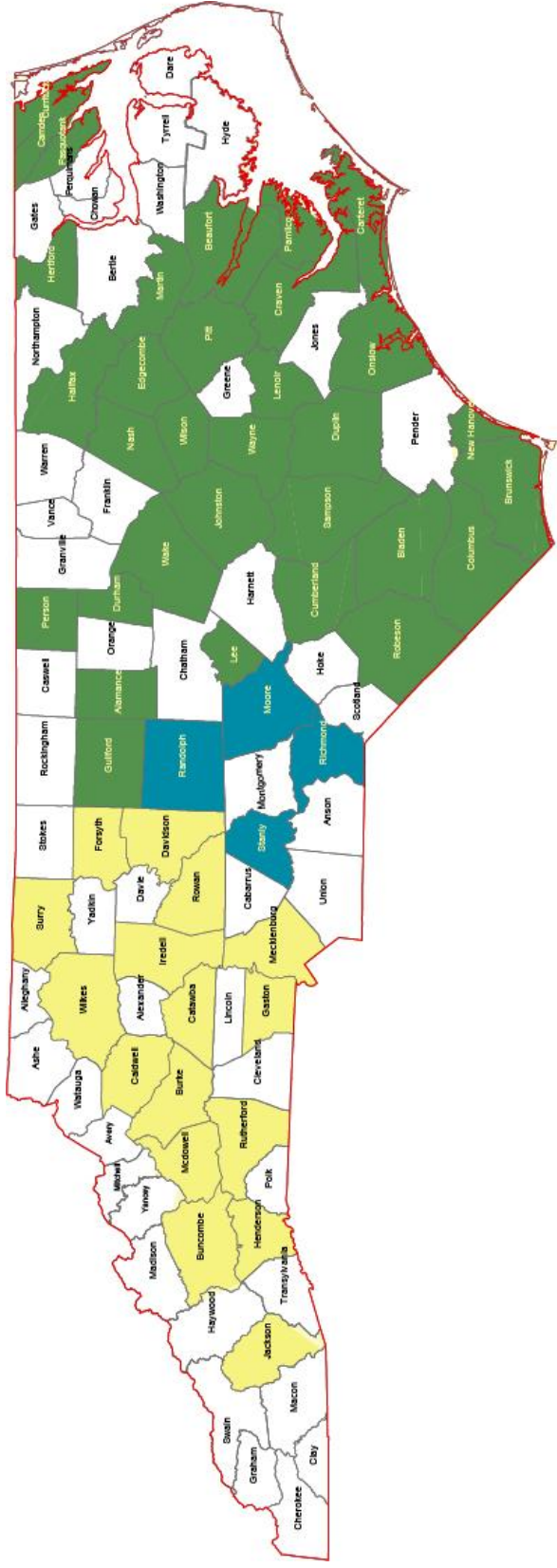
Employing
Units

- More than 1,365 HBRs have RSVP'd for training sessions.
- To date, 47 sessions have taken place in 37 counties.
- 317 HBRs have attended thus far.
- Polling surveys collected has yielded 85% Agreed or Strongly Agreed that the training was helpful, provided enough information, and they now have a better understanding of the new options since having completed the training.

HBR Training

Employing Units

HBRs



- Completed Trainings
- Trainings Held Today
- Upcoming Trainings

2013 Timeline Progress

HBRs

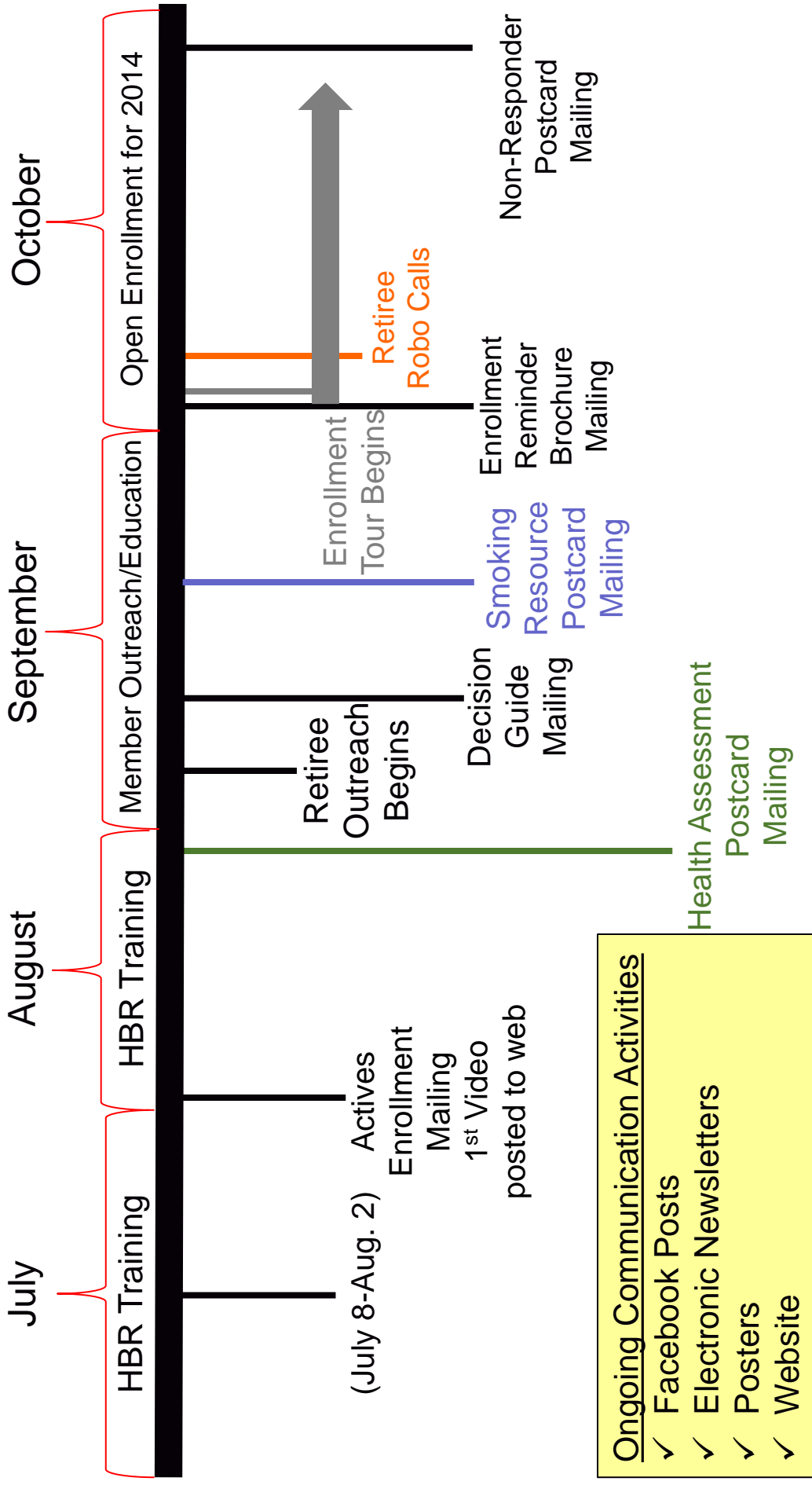
Active
Associations

Retiree
Associations

- Conducted Internal Training with staff
- Prepared collateral material for HBR Training
- Meeting continuously with key stakeholders to educate and inform
- Medical Society and Hospital Association Outreach
- Creating member materials

2013 Timeline

Members



It's in the Mail...

Have You Read Your State Health Plan Decision Guide?



Your Guide is filled with important information about new Plan options and incentives to help you reap the rewards of a healthier life.

YOUR 2014 PLAN OPT

- Enhanced 80/20 Plan
 - Consumer-Directed Health Plan
 - Traditional 70/30 Plan
- Visit www.shpnc.org for information and instructions.

Open Enrollment runs October 1 – October 31, 2013.



4 Oct

Coming Soon!

State Health Plan Open Enrollment for 2014

- More Plan options
- Financial incentives that make choices that are good for you



Open Enrollment begins October 1, 2013. Watch your mail for more information.

1 Aug 2013

Take Action NOW!

Choose the State Health Plan Option That's Best for You

- Enhanced 80/20 Plan
- Consumer-Directed Health Plan
- Traditional 70/30 Plan

If you don't choose an option by October 31, 2013, you will be enrolled in the Traditional Plan.



Save Money!

Reduce Your State Health Plan Premiums

- Two plan options (the Enhanced 80/20 Plan and the Consumer-Directed Health Plan) allow you to earn wellness premium credits by:
- Attesting that you and your spouse (if applicable) either don't smoke or will commit to a smoking-cessation program
 - Completing a confidential Health Assessment with a doctor, nurse practitioner or physician's assistant
- Visit www.shpnc.org for more information and instructional videos.

Complete the activities by October 31, 2013 to earn wellness premium credits for 2014.

3 Sep 2013



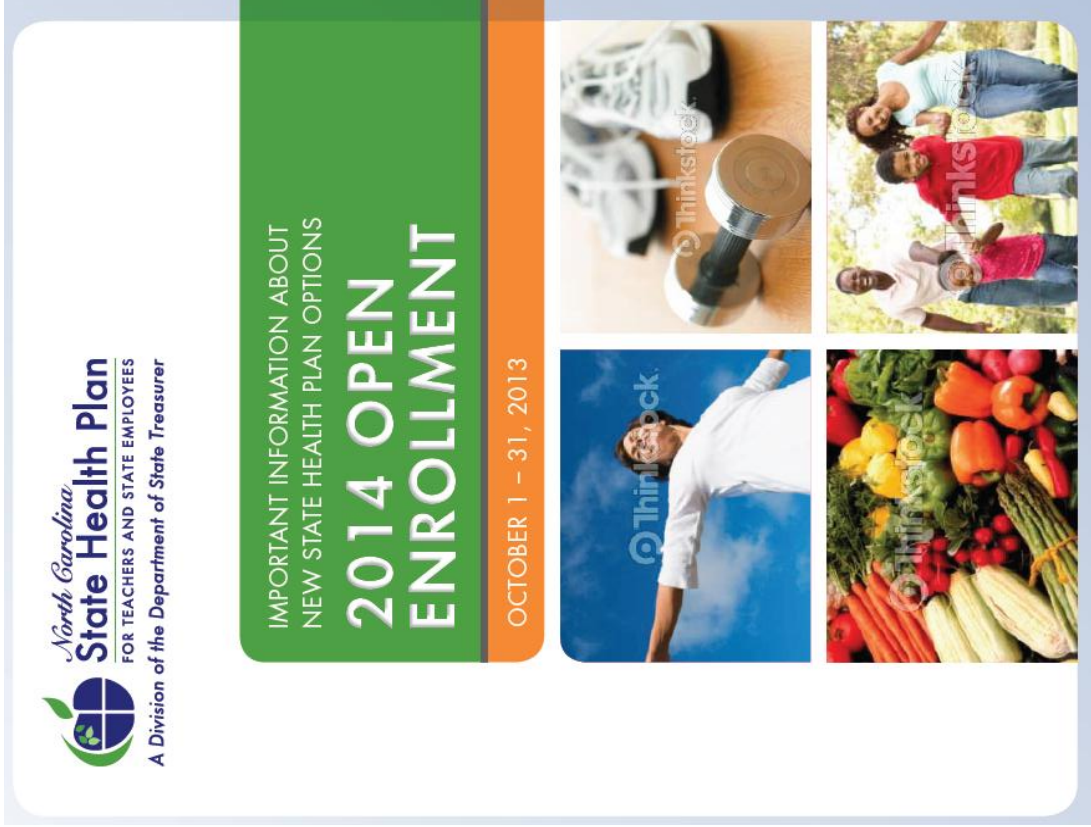
State Health Plan FOR TEACHERS AND STATE EMPLOYEES A Division of the Department of State Treasurer



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Open Enrollment Materials

Members

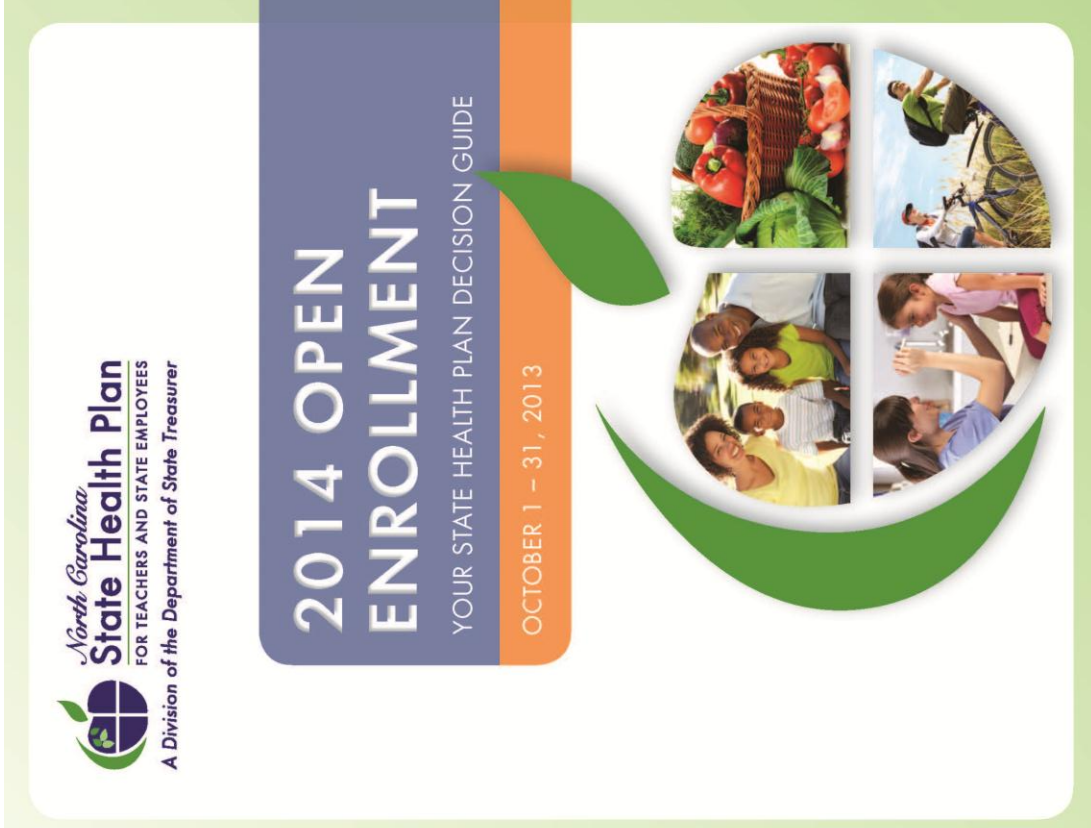
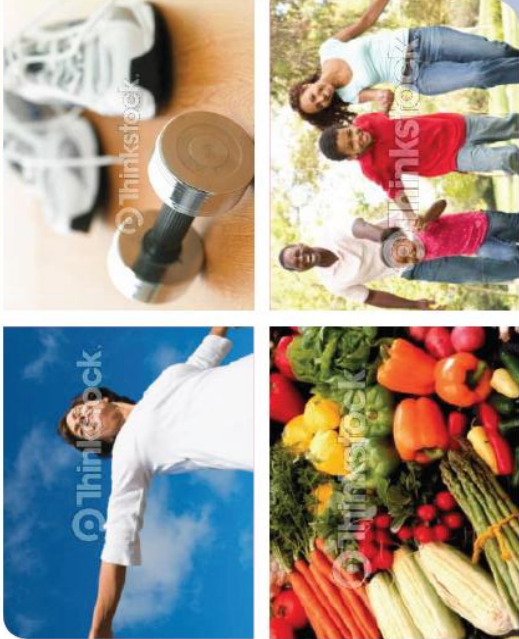


North Carolina State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

IMPORTANT INFORMATION ABOUT
NEW STATE HEALTH PLAN OPTIONS

2014 OPEN ENROLLMENT

OCTOBER 1 - 31, 2013




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

2014 OPEN ENROLLMENT

YOUR STATE HEALTH PLAN DECISION GUIDE

OCTOBER 1 - 31, 2013





North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



Communications Update Appendix

The BIG Picture

	JUNE					JULY					AUGUST					SEPTEMBER					OCTOBER				
	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28			
Internal SHP Training																									
Stakeholder / Association Outreach																									
HBR Training																									
Website																									
HBR ppt																									
Secure Training Locations																									
Promote Training via eBlast																									
Open Enrollment Communication																									
Training Materials																									
HBR Hotline																									
Polling																									
Active / Non-Medicare Primary Retiree Members																									
Website																									
Rate Tool																									
Active / Non-Medicare Primary Retiree Videos																									
Member Newsletter																									
Health Assessment Postcard																									
Activities / Non-Medicare Primary Retiree Facebook Messaging																									
Enrollment Guides																									
Smoking Resource Postcard																									
Member Reminder Postcard																									
Member Non-Responder Postcard																									
Enrollment Tour																									
Active / Non-Medicare Retirees Polling during Info Sessions																									
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Outreach Events																									
Medicare Primary Retiree Polling during Info Sessions																									
Robo Outbound Calls																									

Legend
HBRs
Active / Non-Medicare Primary Retirees
Medicare Primary Retirees
Indicates Mail / eMail Drop Week
Indicates completed

HBR Training

	JUNE				JULY				AUGUST				SEPTEMBER				OCTOBER					
	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28
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Indicates Mail / eMail Drop Week
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Active / Non-Medicare Retirees

	JUNE			JULY			AUGUST			SEPTEMBER			OCTOBER										
	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28	
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Active / Non-Medicare Retirees Polling during Info Sessions																							

Legend
HBRs
Active / Non-Medicare Primary Retirees
Medicare Primary Retirees
Indicates Mail / eMail Drop Week
Indicates completed

Medicare Primary Retirees

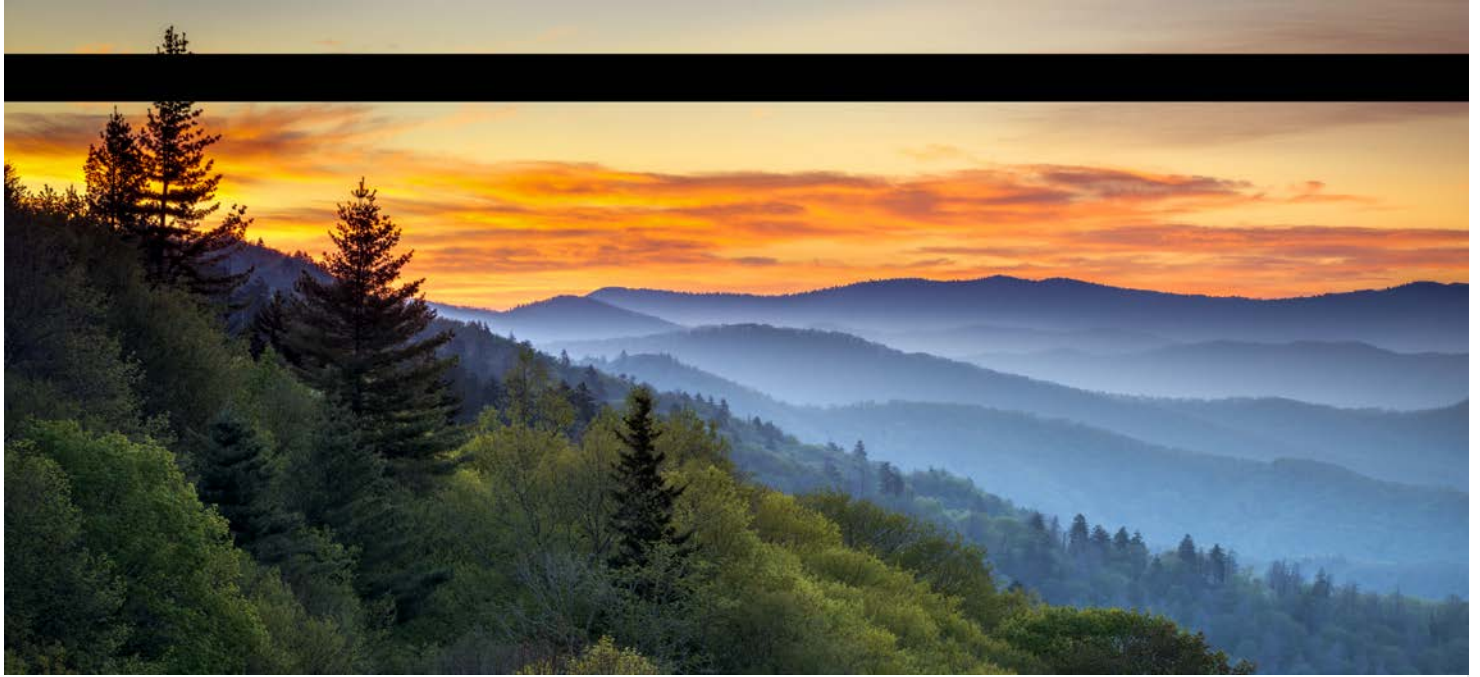
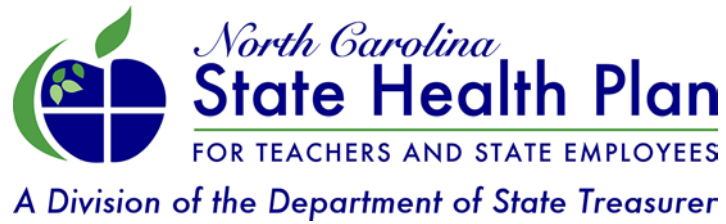
	JUNE			JULY			AUGUST			SEPTEMBER			OCTOBER										
	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28	
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Legend
HBRs
Active / Non-Medicare Primary Retirees
Medicare Primary Retirees
Indicates Mail / eMail Drop Week
Indicates completed

Medicare Plan Design Comparison: 2014 Options vs. Former 80/20 PPO

State Health Plan Medicare Primary Retirees			
No Longer Offered	Plan Design Options for Medicare Primary Retirees		
	Traditional PPO Plan 70%	Proposed MA-PDP Base Plans 80%	Proposed MA-PDP Enhanced Plans 100%
Standard PPO 80%	BCBSNC/ESI	Humana Base Plan	UHC Base Plan
BCBSNC/ESI	BCBSNC/ESI	Humana Enhanced Plan	UHC Enhanced Plan
Out-of Pockets			
Physician Services			
Primary Care Physician	\$30 copay*	\$20 copay	\$20 copay
Preventive Care	\$30 copay*	\$0 copay	\$0 copay
Specialist	\$70 copay*	\$40 copay	\$40 copay
Urgent Care	\$87 copay*	\$50 copay	\$50 copay
Emergency Room	\$233 Copay/Ded/Coins	\$65 copay	\$65 copay
Outpatient Lab/Xray	Deductible/Coinsurance	\$40 copay	\$40 copay
Physical, Speech, Occupational Therapy	\$52 copay*	\$20 copay	\$20 copay
Chiropractic Visits	\$52 copay*	\$20 copay	\$20 copay
Annual Deductible	\$700/\$2,100	\$0	\$0
Outpatient Hospital Services	Deductible/Coinsurance	\$125 copay	\$125 copay
Outpatient Surgery	Deductible/Coinsurance	\$250 copay	\$250 copay
Inpatient Hospital Confinement	\$233 Copay/Ded/Coins	\$160/day (Days 1 - 10) Zero after that	\$150/day (Days 1 - 10) Zero after that
Coinsurance Max/OOP	\$3,210 Individual Max \$9630 Family Max	\$4,000 OOP (No Family Max)	\$4,000 OOP (No Family Max)
Fitness	Not Covered	Silver Sneakers	Silver Sneakers
Prescriptions Drug Coverage			
Part D Gap Coverage	Full Coverage	Full Coverage	Full Coverage
Formulary Name	Custom	Custom	Custom
Part D Retail (up to a 31 day supply)			
Tier 1	\$12 co-pay	\$10 co-pay	\$10 co-pay
Tier 2	\$40 co-pay	\$40 co-pay	\$40 co-pay
Tier 3	\$64 co-pay	\$64 co-pay	\$64 co-pay
Tier 4	25% co-insurance (\$100 Max)	25% co-insurance (\$100 Max)	25% co-insurance (\$100 Max)
Maintenance Drugs (up to a 90 day supply)			
Tier 1	\$36 (61 - 90 days)	\$24 co-pay	\$24 co-pay
Tier 2	\$120 (61 - 90 days)	\$80 co-pay	\$80 co-pay
Tier 3	\$192 (61 - 90 days)	\$128 co-pay	\$128 co-pay
Tier 4	25% co-insurance (\$300 Max)	25% co-insurance (\$300 Max)	25% co-insurance (\$300 Max)
Prescription Drug Annual OOP Max	\$2,500	\$2,500	\$2,500

* Actual Cost Share paid by member may vary - State Health Plan is secondary for medical services.



NCHEALTH
Smart

An initiative of the State Health Plan

2012 ANNUAL REPORT

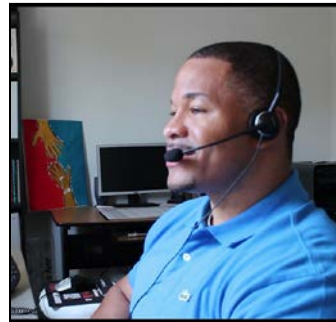
June 2013 | ActiveHealth Management, Inc.

Making a difference.

***Video Testimonial
High Point, NC***



Susan Houghton



Tracy Norwood

The video you are about to see is based upon a letter from an NC HealthSmart member. The member's letter was sent to an ActiveHealth manager. The member expressed her appreciation of Tracy Norwood, her Case Manager, for saving her life.

<http://vzaar.com/videos/1259829>

This story is told with the member's permission.



Realized Savings

Return on Investment

	Fees	Gross Savings	ROI
2012	\$24,860,825	\$187,259,090	7.53:1

Calculation

	2012 Prospective Expected*	Active Health Impactible?	Actuarially Adjusted "Expected"	2012 Retrospective Actual
Risk Factors (net of demographics)	0.0%	Yes	0.0%	2.4%
Utilization	2.4%	Yes	2.4%	-7.4%
Demographic Changes	0.0%	No	-0.6%	-0.6%
Unit Prices	5.0%	No	9.2%	9.2%
Plan Design	0.0%	No	-2.8%	-2.8%
Total Trend	7.5%		8.0%	0.1%

Expected Trend - Actuarially Adjusted	8.0%
Retrospective Actual Trend	0.1%
Active Health Impact on Trend	-8.0%
2011 Incurred Claims	\$2,341,493,032
Active Health Impact (Savings)	-\$187,259,090
Active Health Fees	\$24,860,825
ROI	7.53

\$187M in savings for NCSHP = 7.53:1 ROI

*Based on Segal and NCSHP revised approved methodology. Trend was approved by Segal and validation of CY 2012 results is pending.

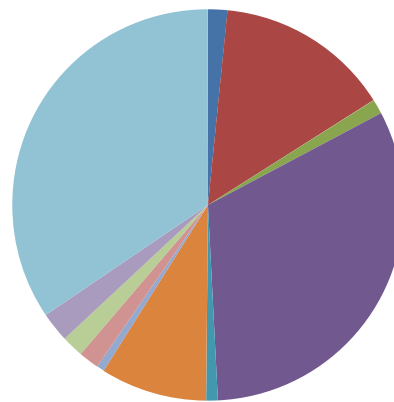


Health Outcomes

- 22 out of 28 measures improved from baseline
- NCSHP’s population has lower rates of ambulatory sensitive care hospitalization than the national average for:
 - ♦ Diabetes Short term Complications (18+)
 - ♦ Asthma in Younger Adults (18-39); Pediatric Asthma (2-17)
 - ♦ Low Birth Weight, Uncontrolled Diabetes (18+)
 - ♦ Pediatric Diabetes Short term complications (6-17)

Clinical Outcomes

- Over 178,000 gaps in care identified
- Over 92,000 unique members with gaps in care
- Over 77,000 gaps closed
- Over 497,000 Wellness alerts
- Over 262,000 Patient Safety alerts
- Top conditions generating Care Considerations:
 - ♦ Diabetes
 - ♦ Cardiovascular Diseases
 - ♦ Lipid Disorders
- Total Care Consideration Compliance 43.4%
 - ♦ Compared to 35.7% for BoB Compliance



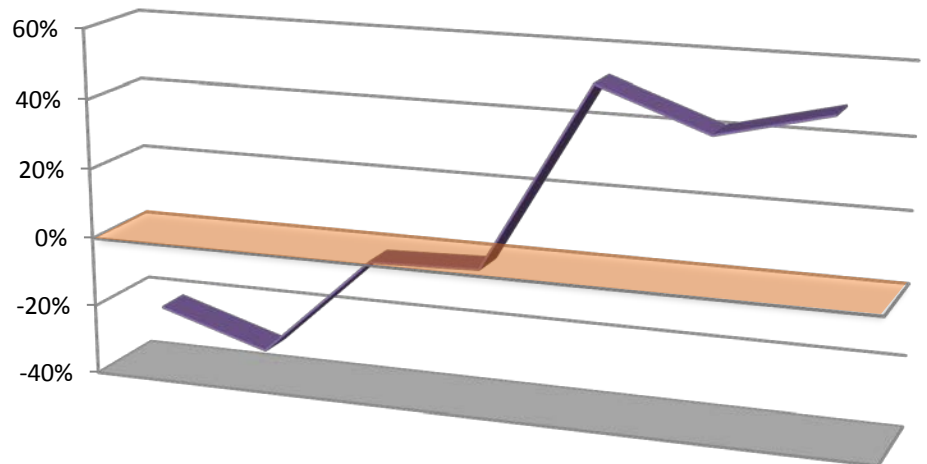
- Asthma
- Cardiovascular Diseases
- Chronic Kidney Disease
- Diabetes
- Heart Failure
- Lipid Disorders
- Liver Diseases
- Nervous System Diseases
- Osteoporosis
- Peripheral Arterial Disease
- Others

Lifestyle-Related Risk Reduction

- Overall 14% Risk Reduction
- 80 fewer risks / 100 participants*

*Risks include:
Excess alcohol, blood pressure, weight (BMI), LDL and HDL cholesterol, perception of health, existing chronic condition, physical activity, tobacco, stress management*

Risk Factor Reduction

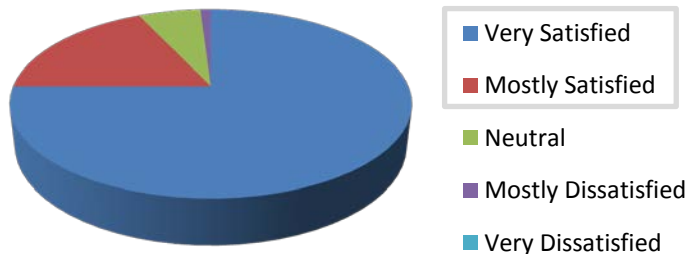


Risk Factors	Blood Pressure	Cholesterol	Weight	Smoking	Perception of Health	Physical Activity	Seatbelt Use
% Reduction	-21%	-31%	-2%	-1%	53%	41%	49%

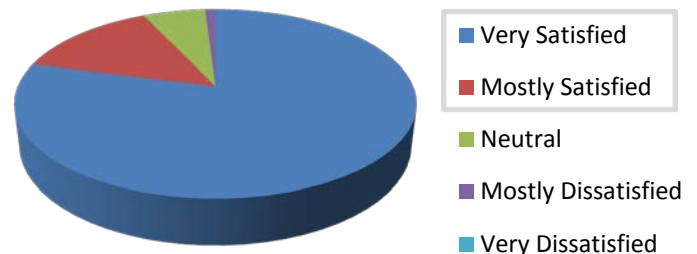


Member Satisfaction Results

Target = 85%



93% with Program



93% with Nurse Coach Interaction

*ActiveHealth BoB Results:
Member Satisfaction with Program: 85%
with Nurse Coach Interaction: 87%*

100% of engaged members receive a satisfaction survey. Outreach to those members occurs once engagement in a program is completed. Member Satisfaction results were very favorable in 2012. Members surveyed were very satisfied or mostly satisfied 93% of the time with the program and their nurse/coach interaction.

Survey Questions:

1. How satisfied are you with the nurse or health coach you spoke with?
2. How satisfied are you with the nurse or health coach's willingness to help you?
3. How satisfied are you with the information or materials provided by the nurse or health coach?
4. How satisfied are you with the nurse or health coach's availability to assist you?
5. Overall, how satisfied are you with your experience with the program?
6. How likely are you to make changes based on your participation in this program?
7. How likely are you to recommend this program to others?
8. Now, we'd like to ask one question about the overall NC HealthSmart program and the services offered. How satisfied are you with NC HealthSmart?

Response selection:

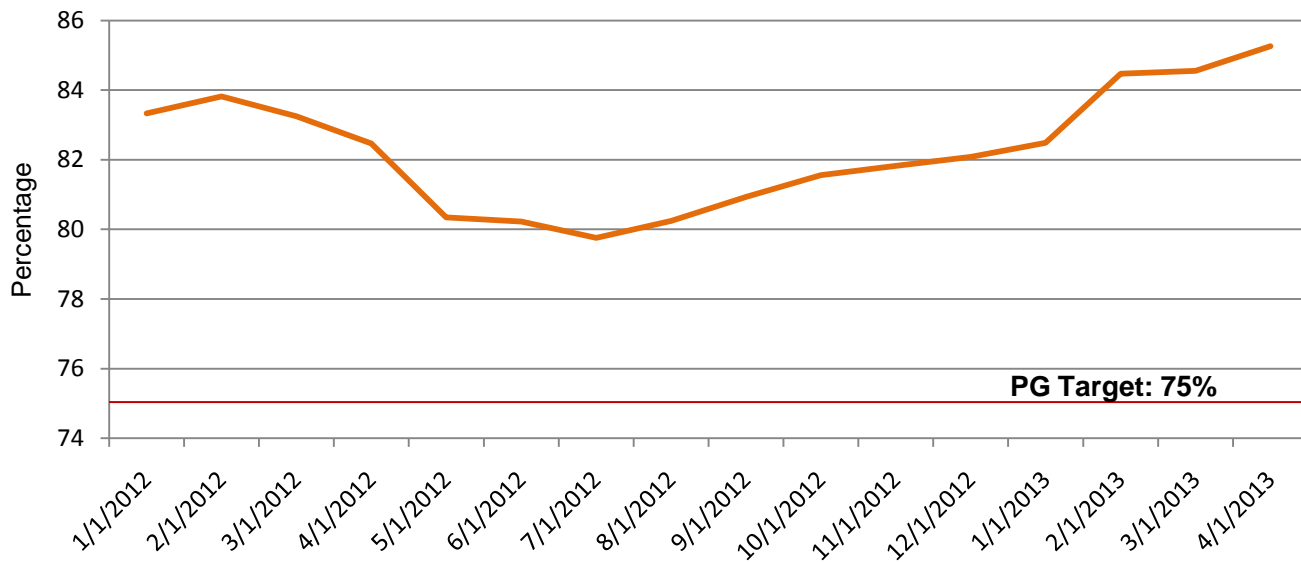
- If you are very satisfied, press 1
- If you are mostly satisfied, press 2
- If you are neutral, press 3
- If you are mostly dissatisfied, press 4
- If you are very dissatisfied, press 5
- To repeat this question, press star



Member Engagement

Member Engagement (All Programs)

Target = 75%



ActiveHealth BoB Results: 78%
 Member Engagement with Incentives: 85%
 Member Engagement without Incentives: 74%

Member Engagement 2012

	Total Population	Cumulative Members Identified	Identified as % of Total Population	Cumulative Targeted Members	Members Successfully Contacted	Contacted as % of Targeted	Total Members Managed	Members Managed as % of Total Population	Engagement Rates
DM	541,346	185,745	34.3%	111,231	24,191	21.7%	13,771	2.5%	
CM	541,346	41,804	7.7%	41,804	10,506	25.1%	4,375	0.8%	
Mate	541,346	17,404	3.2%	17,404	6,360	36.5%	4,763	0.9%	
ALC	541,346	131,711	24.3%	49,371	7,751	15.7%	6,326	1.2%	
2012 All Programs	541,346	376,664	69.6%	219,810	48,808	22.2%	29,235	5.4%	82%
2011 All Programs	545,213	324,197	59.5%	156,268	32,211	20.6%	25,010	4.59%	77.6%

Engagement is defined as members with successful nurse coach contact, a completed a nurse/coach assessment and a scheduled follow up appointment. Engagement Rate as of July 2013 >85%.

Performance Measures



Below are the Performance Guarantee Targets, Actual Outcomes and Performance Year End for 2012

Performance Guarantee	2012 Performance Guarantee Target	Actual Outcomes	Performance Year End	
Return on Investment	3:1	7.53:1	Achieved	
Program Satisfaction	85%	93%	Achieved	
Interaction Satisfaction	85%	93%	Achieved	
Engagement Rates	75%	82.1%	Achieved	
Call Center Performance	Average Speed to Answer < 30 seconds Cumulative Hold Time < 90 seconds Call Abandonment Rate < 3% Call Block/Busy Rate < 1%	1 seconds 40 seconds 0.4% 0.0%	Achieved	
Data Load and Reporting	99% of data files loaded in 5 days, Reports delivered as mutually agreed	99.7%	Achieved	
PCMH Transition	Attributed Member Migration rate 25% by end of 2012	>25%	Achieved	
Clinical Performance Measures	Asthma Use of Appropriate Medications	>89%	90.7%	Achieved
	HF Readmit Rates	<11.5%	8.0%	
	Colorectal Screens	≥42%	47.8%	
	Breast Ca Screens	≥70%	73.7%	
	Diabetes LDL Monitoring	≥84%	81.3%	
	Diabetes Nephropathy	≥90%	88.2%	Below Target



The Right Partnership

Helping NC HealthSmart members manage their health, resulting in improved cost savings

Chapter 1

Find

Uncovering
Opportunities
for the Right
People

Chapter 2

Engage

Activating
Members to
Change
Behaviors

Chapter 3

Improve

Improved
Health,
Realized
Savings

Chapter 4

Evolve

The Best
is Yet
to Come

Empowering and guiding NC HealthSmart
Members to better health and wellness



***“The whole is greater than the sum of its parts.”
~ Aristotle***

We appreciate NCSHP’s continued trust in ActiveHealth Management as the right partner for your Population Health Management needs. As our story has shown, together we really are better!

Thank you for your business and for the opportunity to continuously find, engage, improve and evolve in order to improve the health and the lives of NC State Health Plan members.

2011 and 2012 have been outstanding years delivering extremely strong performance results and value to the Plan and its members.

We are excited about the future and look forward to partnering with you in 2014 and beyond.



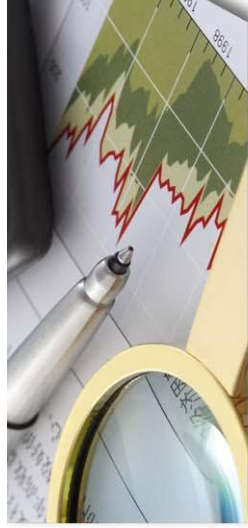


NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

Using Clinical Risk Groups to Focus Board Strategic Initiatives

July 26, 2013

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Agenda

- Review of SHPNC mission and strategic opportunities
- Define the financial opportunities for managing the health of SHPNC population
- Discuss aspects of behavioral economics that drive health care costs
- Review the findings of the Clinical Risk Group analysis of SHPNC
- Next Steps for using findings to focus SHPNC's strategy and measure the impact of the strategy

Background – Mission for the SHPNC

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.

Background – SHPNC Strategic Opportunities

- Increase the SHPNC participants' awareness of their health status and to available support resources
- Improve the health of the SHPNC participants through focused programs
- Improve medication adherence and treatment compliance of SHPNC participants with chronic conditions
- Impact positive trends in utilization management to reduce medical trend

Study Shows Avoidable Medical Care Services Contribute to Costs



- **Behavioral** \$493 billion (18.9%*)
- **Clinical** \$312 billion (11.9%*)
- **Operational** \$134 billion (5.1%*)

Total \$939 billion

* NOTE: Percentage of total health dollars spent in 2012 in the United States

In 2012, \$939 billion of the \$2.6 trillion spent on medical care in the United States was avoidable due to factors related to patient behaviors, clinical ineffectiveness, and operational inefficiency in the delivery of health care

Unhealthy Behaviors Factor into Avoidable Medical Cost




- **Obesity/Overweight:**
\$200 billion
- **Smoking:** \$191 billion
- ***Non-adherence to drug regimens:** \$100-\$290 billion
- **Alcohol abuse:** \$2 billion

Over 50% of avoidable healthcare is attributable to preventable risk factors linked to behavior. Example – overweight diabetic not controlling blood sugar level

* New England Healthcare Institute 2012 study of medication non-adherence - \$290 billion. Pricewaterhouse Coopers Health Research Institute 2012 study of waste in the health care system - \$100 billion

Clinical Care Practices Factor into Avoidable Medical Cost

- 
- **Defensive medicine:** \$210 billion
 - **Preventable hospital visits:** \$25 billion
 - **Poorly managed diabetes:** \$22 billion
 - **Medical errors:** \$17 billion
 - **Unnecessary ER visits:** \$14 billion
 - **Treatment variations:** \$10 billion
 - **Hospital acquired infections:** \$3 billion
 - **Over-prescribing of antibiotics:** \$1 billion

Those providing or paying for care often don't have the best information on the right thing to do or don't utilize information available to them. Example – patient getting back surgery when physical therapy was sufficient to resolve medical problem.

* New England Healthcare Institute 2012 study of medication non-adherence - \$290 billion. Pricewaterhouse Coopers Health Research Institute 2012 study of waste in the health care system - \$100 billion

Operational Complexities Factor into Avoidable Medical Cost



- **Claims processing:** \$21-\$210 billion
- **Ineffective use of IT:** \$81-\$88 billion
- **Staffing turnover:** \$21 billion
- **Paper prescriptions:** \$4 billion

Administrative complexities and redundancies fuel expenses in scheduling, registration, financial clearance, coding, claims processing, credentialing, and utilization management. Example – hospital needing to accommodate 700 billing systems for plans

New England Healthcare Institute 2012 study of medication non-adherence - \$290 billion. Pricewaterhouse Coopers
Health Research Institute 2012 study of waste in the health care system - \$100 billion

Opportunity Cost of Patient Behavior, Clinic Effectiveness, and Operational Complexity of Health Care Delivery for SHPNC

State Health Plan NC

- 2013 Projected Medical Costs – \$ 1,859,949,142
 - 2013 Projected Drug Costs - \$ 678,096,922
- Total \$ 2,537,190,620

Applying the results of the study reported on the previous pages to the SHPNC's overall costs, there is the potential to achieve savings such as the following:

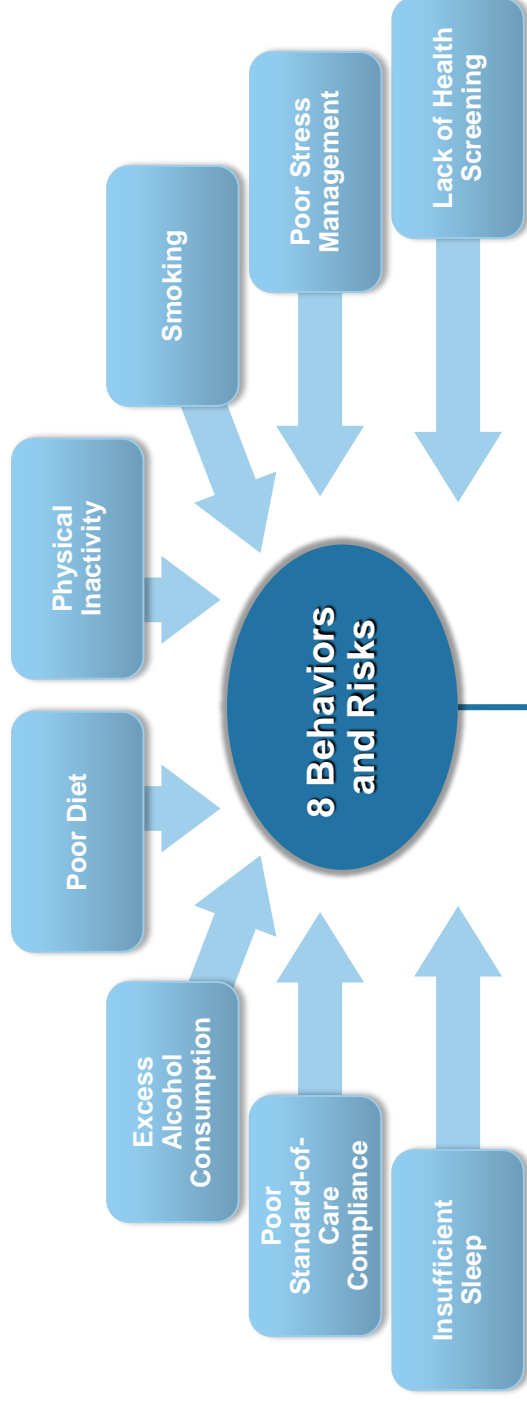
Potentially Avoidable Medical Cost

- Savings from Behavior Modifications - \$ **479,529,027** (18.9%*)
 - Savings from Clinical Efficiencies - \$ **301,925,684** (11.9%*)
 - Savings from Operational Efficiencies - \$ **129,396,722** (5.1%*)
- Total \$ **910,851,433** (35.9%*)

* Source: SHPNC March 5, 2013 FY projected costs

SHPNC has initiatives in place focused on improving participant behaviors that contribute to avoidable claims expenditures.

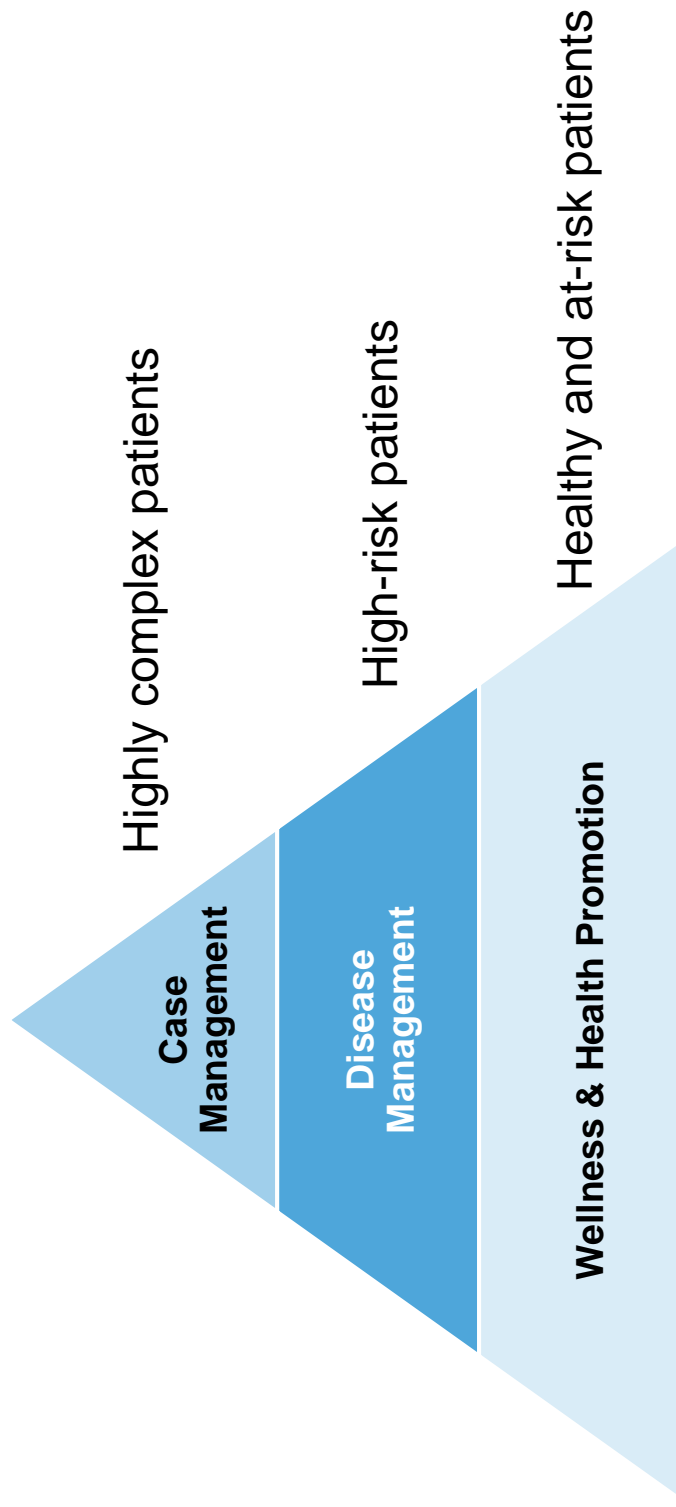
What are the Participant Behaviors that are Worth Managing?



Top 15 Most Costly Conditions				
Diabetes	Back Pain	Asthma	Sinusitis	COPD
CAD	Obesity	Arthritis	Depression	CKD
Hypertension	Cancer	Allergies	CHF	High Cholesterol

Avoidable and modifiable human behaviors contribute to 80% of the cost associated with the chronic conditions listed above

The Success of Health Management Programs Depends On Active Engagement of Participants that Leads to Behavior Change



Initiatives are in place to support the wide range of SHPNC population needs. The challenge is to get participants to engage in the various initiatives and modify unhealthy behaviors.

Monitoring the Health Risk Profile of the SHPNC – Clinical Risk Grouping as a Tool

Clinical Risk Group (CRG) – A starting point

- The purpose of performing a detailed study is to:
 - To identify the prevalent health risks within the plan’s population and predict the financial impact of those risks.
 - Uncover opportunities for the plan to better control plan cost and improve the health of the covered population.
- Long-term objectives can include the following:
 - Quantify health status and underlying drivers of trend
 - Proactively identify aberrant utilization patterns
 - Improve financial evaluation of program/vendor performance
 - Evaluate the “ROI” saving of case management and disease management programs that are “true savings” and not simply a regression to the mean
 - Target high risk groups for preventive interventions
 - Measure provider performance

Definitions for Clinical Risk Groups (CRG)

Descriptors and severity-of-illness subclasses

- In the 3M CRG system, an individual is assigned two descriptors:
 - **Base CRG**—Each individual is assigned to a single base CRG that reflects the full range of diagnoses for that individual
 - **Severity-of-illness subclass** for the base CRG—The subclass addresses individual differences relating to severity of illness and take into account:
 - Recency of occurrence (e.g., last 90 days)
 - Site of occurrence (e.g., hospital, ambulance)
 - Recurrence or persistence over time
 - Combination of diagnoses in individual’s history
- Severity level describes the extent and progression of disease and range from minor (1) to extreme (6). (See next page for levels of severity by CRG health status)
- All individuals are assigned to a single, mutually exclusive group, which is in one of nine health statuses, ranging from catastrophic (e.g., history of a heart transplant) to healthy (e.g., no chronic health problems or other indication of risk).

Definitions for Clinical Risk Groups (CRG) – See Appendix for Examples of Each Category

CRG	CRG health status category	Description/Example of base 3M CRG	Severity levels
1	Healthy	Healthy (no chronic health problems)	None
2	History of significant acute disease	Chest pains	None
3	Single minor chronic disease	Migraine	2
4	Minor chronic diseases in multiple organ systems	Migraine and benign prostatic hyperplasia (BPH)	4
5	Significant chronic disease	Diabetes mellitus	6
6	Significant chronic diseases in multiple organ systems	Diabetes mellitus and CHF	6
7	Dominant chronic disease in 3 or more organ systems	Diabetes mellitus, congestive heart failure (CHF) and chronic obstructive pulmonary disease (COPD)	6
8	Dominant/Metastatic malignancy	Metastatic colon malignancy	4
9	Catastrophic	History of major organ transplant	6

CRG Population Profiles by Cost and Risk Available for SHPNC

- Non-Medicare
- Actives
- Retirees
- Groups, systems, departments

This presentation of CRGs is limited to the non-Medicare population. Full report is available to Board

Monitoring the Health Risk Profile of the SHPNC Population - Total Non-Medicare Member Profile

The following is a distribution of membership and claims for Fiscal Year 2012

CRG Health Status Category	Members	% Total	Claims	% Total	PMPY
1. Healthy	230,601	42.5%	\$235,721,668	8.6%	\$ 1,022
2. Significant Acute	28,557	5.3%	\$95,336,435	3.5%	\$ 3,339
3. Single Minor Chronic	57,902	10.7%	\$200,340,092	7.3%	\$ 3,460
4. Multiple Minor Chronic	20,000	3.7%	\$117,227,534	4.3%	\$ 5,861
5. Single Dominant or Moderate Chronic	108,061	19.9%	\$580,175,547	21.1%	\$ 5,369
6. Pairs - Multiple Dominant and / or Moderate Chronic	90,270	16.6%	\$1,125,714,272	40.9%	\$ 12,471
7. Triples - Multiple Dominant Chronic	2,872	0.5%	\$115,596,081	4.2%	\$ 40,256
8. Malignancies - Metastatic, Compound or Dominant	2,386	0.4%	\$199,364,571	7.2%	\$ 83,550
9. Catastrophic	1,550	0.3%	\$83,501,471	3.0%	\$ 53,869
Total	542,198	100%	\$2,752,977,670	100.0%	\$ 5,077
Healthy/Acute - risk category 1 and 2	259,157	47.8%	\$331,058,103	12.0%	\$ 1,277
Chronic – risk category 3 through 7	279,104	51.5%	\$2,139,053,526	77.7%	\$ 7,664
Catastrophic/Malignancy – risk category 8 and 9	3,936	0.7%	\$282,866,041	10.3%	\$ 71,862

➤ 19% of healthy members (45,647 members) did not have a claim in 2012

Monitoring the Health Risk Profile of the SHPNC Population - Total Non - Medicare Member Profile

Complex Case Management and Wellness Programs Effective with These Populations

- “Healthy/Acute” includes participants with no claims, moderate claims and Acute conditions
 - 47.8% of the total population are considered to be Healthy/Acute
 - \$331 million or 12.0% of total claims were from Healthy/Acute members
 - Healthy/Acute members cost an average of \$1,277
- “Catastrophic/Malignancy” includes Malignancies and Catastrophic
 - 0.7% of the total population are considered to be Catastrophic/Malignancy
 - \$282 million or 10.3% of all claims were from Catastrophic/Malignancy members
 - Catastrophic/Malignant members cost an average of \$71,862

Disease Management, Complex Case Management, and Wellness Program Effective with these Populations

- “Chronic” includes participants with single and multiple conditions
 - 51.5% of the total population are considered to be Chronic
 - \$2.1 billion or 77.7% of total claims were from Chronic members
 - Chronic members cost an average of \$7,664 (over 6 times that of a Healthy/Acute member)

Monitoring the Health Risk Profile of the SHPNC Population - Severity Analysis (Total Non-Medicare)

CRG Health Status Category	Membership by Level of Severity						Total	
	Level 0	Level 1	Level 2	Level 3	Level 4	Level 5		Level 6
1. Healthy	230,601	0	0	0	0	0	0	230,601
2. Significant Acute	28,557	0	0	0	0	0	0	28,557
3. Single Minor Chronic	0	42,748	15,154	0	0	0	0	57,902
4. Multiple Minor Chronic	0	8,073	1,169	7,687	3,071	0	0	20,000
5. Single Dominant or Moderate Chronic	0	84,225	19,021	3,953	543	251	68	108,061
6. Pairs - Multiple Dominant and / or Moderate Chronic	0	58,219	17,346	9,220	4,075	1,219	190	90,270
7. Triples - Multiple Dominant Chronic	0	1,013	662	827	177	117	75	2,872
8. Malignancies - Metastatic, Compound or Dominant	0	243	923	741	386	93	0	2,386
9. Catastrophic	0	176	760	277	192	82	64	1,550
Total	259,157	194,697	55,035	22,704	8,446	1,762	397	542,198

CRG Health Status Category	Per Member per Year Cost by Level of Severity						Total	
	Level 0	Level 1	Level 2	Level 3	Level 4	Level 5		Level 6
1. Healthy	\$1,022							\$1,022
2. Significant Acute	\$3,339							\$3,339
3. Single Minor Chronic		\$2,998	\$4,763					\$3,460
4. Multiple Minor Chronic		\$4,641	\$6,271	\$6,076	\$8,376			\$5,861
5. Single Dominant or Moderate Chronic		\$3,953	\$8,525	\$15,604	\$27,036	\$21,825	\$47,955	\$5,369
6. Pairs - Multiple Dominant and / or Moderate Chronic		\$7,706	\$14,807	\$21,992	\$32,518	\$54,364	\$98,185	\$12,471
7. Triples - Multiple Dominant Chronic		\$16,948	\$27,542	\$45,355	\$83,525	\$116,524	\$189,019	\$40,256
8. Malignancies - Metastatic, Compound or Dominant		\$25,073	\$57,642	\$87,593	\$143,538	\$212,193		\$83,550
9. Catastrophic		\$12,641	\$25,294	\$50,885	\$103,535	\$162,859	\$231,607	\$53,869
Total	\$1,277	\$4,996	\$10,705	\$18,836	\$31,154	\$67,186	\$128,378	\$5,077

Risk Factor	0.25	0.98	2.11	3.71	6.14	13.23	25.28	1.00
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Monitoring the Health Risk Profile of the SHPNC Population – Risk Factor Analysis by Health Status and Severity Level

Active - Risk Factors		Severity Level											
		Level 0	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Total				
CRG Health Status Category													
1. Healthy		0.20	-	-	-	-	-	-	-	-	-	-	0.20
2. Significant Acute		0.66	-	-	-	-	-	-	-	-	-	-	0.66
3. Single Minor Chronic		-	0.59	0.95	-	-	-	-	-	-	-	-	0.69
4. Multiple Minor Chronic		-	0.93	1.22	1.20	1.66	-	-	-	-	-	-	1.16
5. Single Dominant or Moderate Chronic		-	0.78	1.65	3.09	5.51	4.35	9.26	-	-	-	-	1.06
6. Pairs - Multiple Dominant and / or Moderate Chronic		-	1.50	2.96	4.43	6.53	10.96	19.44	2.42	-	-	-	2.42
7. Triples - Multiple Dominant Chronic		-	3.38	5.66	9.01	17.60	22.87	34.97	7.79	-	-	-	7.79
8. Malignancies - Metastatic, Compound or Dominant		-	4.97	11.76	17.33	29.53	38.82	16.56	-	-	-	-	16.56
9. Catastrophic		-	2.41	4.89	9.61	20.17	27.30	41.50	9.42	-	-	-	9.42
Total		0.25	0.96	2.03	3.60	6.01	12.89	22.89	0.91	-	-	-	0.91
Retiree Non-Medicare - Risk Factors													
CRG Health Status Category													
1. Healthy		0.16	-	-	-	-	-	-	-	-	-	-	0.16
2. Significant Acute		0.63	-	-	-	-	-	-	-	-	-	-	0.63
3. Single Minor Chronic		-	0.56	0.84	-	-	-	-	-	-	-	-	0.62
4. Multiple Minor Chronic		-	0.84	1.26	1.16	1.59	-	-	-	-	-	-	1.11
5. Single Dominant or Moderate Chronic		-	0.78	1.83	2.99	4.39	4.13	10.35	1.06	-	-	-	1.06
6. Pairs - Multiple Dominant and / or Moderate Chronic		-	1.57	2.79	4.09	6.11	10.16	19.10	2.57	-	-	-	2.57
7. Triples - Multiple Dominant Chronic		-	3.24	4.95	8.77	14.32	23.08	39.54	8.21	-	-	-	8.21
8. Malignancies - Metastatic, Compound or Dominant		-	4.86	10.30	17.08	25.76	49.31	16.20	-	-	-	-	16.20
9. Catastrophic		-	3.31	5.61	12.82	21.44	44.72	17.60	-	-	-	-	17.60
Total		0.22	1.08	2.49	4.09	6.54	14.02	30.37	1.68	-	-	-	1.68

Risk factors are normalized averages often called relative weights or norms

- There are expected relative differences for a measure of utilization between subgroups within a population
- The average measure of utilization used to calculate CRG weights was PMPY

Primary Disease Profile (Total Non-Medicare) Annual Membership

CRGs were mapped into a primary disease through the hierarchy below

Code	Description	FY2010		FY2011		FY2012	
		Members	% Total	Members	% Total	Members	% Total
1	AIDS/HIV	725	0%	760	0%	767	0%
2	Oncology	10,443	2%	10,680	2%	9,803	2%
3	End Stage Renal Disease-Kidney	1,242	0%	1,316	0%	1,278	0%
4	Sickle Cell Anemia	54	0%	60	0%	69	0%
5	CP - Cerebral Palsy	26	0	10	0%	19	0%
6	CF - Cystic Fibrosis	N/A	N/A	N/A	N/A	7	0%
7	Diabetes	39,294	7%	40,911	7%	39,381	7%
8	CAD - Coronary Artery Disease	14,117	3%	13,540	2%	13,022	2%
9	CHF - Congestive Heart Failure	756	0%	725	0%	730	0%
10	COPD - Chronic Obstructive Pulmonary Disease	1,064	0%	959	0%	1,002	0%
11	Asthma	13,148	2%	12,638	2%	12,169	2%
12	Hypertension	54,660	10%	53,094	10%	53,918	10%
13	Epilepsy	1,851	0%	1,804	0%	1,899	0%
14	Osteoporosis	3,063	1%	2,437	0%	1,729	0%
15	Premature Birth	13	0%	23	0%	19	0%
16	Drug Abuse Related Diagnoses	1,258	0%	1,375	0%	1,414	0%
17	Alcohol Related	6	0%	8	0%	5	0%
18	Mental Health	28,786	5%	28,973	5%	30,777	6%
19	Joint and Musculoskeletal Related	11,799	2%	11,298	2%	10,965	2%
20	Respiratory	948	0%	930	0%	823	0%
21	Dermatology	3,036	1%	2,706	0%	2,653	0%
22	Dominant Chronic	7,381	1%	7,365	1%	7,387	1%
23	Moderate Chronic	50,098	9%	52,802	10%	47,996	9%
24	Minor Chronic	44,189	8%	45,452	8%	44,493	8%
25	Acute	27,347	5%	26,999	5%	28,566	5%
26	Catastrophic	683	0%	698	0%	703	0%
27	Healthy	233,041	42%	229,061	42%	230,601	43%
	Total	549,027	100%	546,624	100%	542,198	100%

➤ 48% of the members had no particular health risk in 2012, which is slightly higher than 47% in FY2010.

➤ Mental Health had the highest net member increase, 1,991, from 2010 to 2012

CRG Health Status 5 & 6 Breakout by Primary Disease Profile Total Non-Medicare Membership & Allowed Claims FY 2012

CRGs were mapped into a primary disease through the hierarchy below

Code	Description	Health Status 5			Health Status 6			
		Members	% Total	Claims	Members	% Total	Claims	% Total
1	AIDS/HIV	0	0%	\$0	0	0%	\$0	0%
2	Oncology	2,135	2%	\$35	3,848	6%	\$93	8%
3	End Stage Renal Disease-Kidney	183	0%	\$4	679	1%	\$29	3%
4	Sickle Cell Anemia	69	0%	\$1	0	0%	\$0	0%
5	CP - Cerebral Palsy	19	0%	\$0	0	0%	\$0	0%
6	CF - Cystic Fibrosis	0	0%	\$0	0	0%	\$0	0%
7	Diabetes	7,642	7%	\$43	29,346	7%	\$315	28%
8	CAD - Coronary Artery Disease	1,727	2%	\$25	1,670	4%	\$43	4%
9	CHF - Congestive Heart Failure	282	0%	\$4	415	1%	\$14	1%
10	COPD - Chronic Obstructive Pulmonary Disease	239	0%	\$2	736	0%	\$15	1%
11	Asthma	6,694	6%	\$28	5,458	5%	\$56	5%
12	Hypertension	53,916	50%	\$195	0	0%	\$0	0%
13	Epilepsy	1,899	2%	\$10	0	0%	\$0	0%
14	Osteoporosis	1,729	2%	\$7	0	0%	\$0	0%
15	Premature Birth	0	0%	\$0	0	0%	\$0	0%
16	Drug Abuse Related Diagnoses	696	1%	\$5	714	1%	\$12	1%
17	Alcohol Related	5	0%	\$0	0	0%	\$0	0%
18	Mental Health	6,260	6%	\$36	6,667	6%	\$95	8%
19	Joint and Musculoskeletal Related	4,703	4%	\$52	8	9%	\$0	0%
20	Respiratory	46	0%	\$1	0	0%	\$0	0%
21	Dermatology	133	0%	\$1	656	0%	\$13	1%
22	Dominant Chronic	1,083	1%	\$17	6,190	3%	\$150	13%
23	Moderate Chronic	14,091	13%	\$94	33,883	16%	\$290	26%
24	Minor Chronic	4,319	4%	\$17	0	3%	\$0	0%
25	Acute	0	0%	\$0	0	0%	\$0	0%
26	Catastrophic	190	0%	\$3	0	1%	\$0	0%
27	Healthy	0	0%	\$0	0	0%	\$0	0%
	Total	108,061	100%	\$580	90,270	100%	\$1,126	100%

Monitoring the Health Risk Profile of the SHPNC Population - Cost and Risk by Population Segments

Summary of Fiscal Year 2012 by Group

	Members	Claims	PMPY	Relative Cost	Risk Factor
Members & Claims for Fiscal Year 2012					
1. Community College System	23,325	\$117,207,662	\$ 5,025	0.990	0.987
2. Department of Corrections	26,346	\$137,912,602	\$ 5,235	1.031	1.039
3. Department of Health and Human Services	24,224	\$126,763,853	\$ 5,233	1.031	1.054
4. Department of Transportation	17,722	\$80,011,318	\$ 4,515	0.889	0.954
5. North Carolina Public Schools	258,201	\$1,146,714,186	\$ 4,441	0.875	0.875
6. University of North Carolina Healthcare & NC System	80,830	\$361,210,293	\$ 4,469	0.880	0.862
7. All Other Groups	46,290	\$227,198,846	\$ 4,908	0.967	0.953
Active Total	476,937	\$2,197,018,761	\$ 4,607	0.907	0.907
Retirees (Non-Medicare)	65,260	\$555,958,909	\$ 8,519	1.678	1.678
Total	542,198	\$2,752,977,670	\$ 5,077	1.000	1.000

➤ Reviewing risk factors by department may provide specific opportunities using health promotion efforts boost participation in wellness programs offered through departments or by adding health improvement competitions between departments.

Advancement of Health Risk In the SHPNC Population 10-Year Projection (Total Non-Medicare)

➤ If there is no further action to improve the health risk profile of the covered SHPNC population, there is a natural decline in the health risk that can be expected to happen:

CRG Health Status Category	FY2012		Projected FY2022		
	Members	% Total	Members	% Total	Movement
1. Healthy	230,601	42.5%	219,695	40.5%	(10,906)
2. Significant Acute	28,557	5.3%	24,491	4.5%	(4,066)
3. Single Minor Chronic	57,902	10.7%	54,496	10.1%	(3,406)
4. Multiple Minor Chronic	20,000	3.7%	20,602	3.8%	602
5. Single Dominant or Moderate Chronic	108,061	19.9%	111,732	20.6%	3,671
6. Pairs - Multiple Dominant and / or Moderate Chronic	90,270	16.6%	103,250	19.0%	12,981
7. Triples - Multiple Dominant Chronic	2,872	0.5%	3,403	0.6%	532
8. Malignancies - Metastatic, Compound or Dominant	2,386	0.4%	2,936	0.5%	550
9. Catastrophic	1,550	0.3%	1,593	0.3%	43
Total	542,198	100.0%	542,198	100.0%	
Healthy/Acute 1 and 2	259,157	47.8%	244,186	45.0%	
Chronic 3 through 7	279,104	51.5%	293,483	54.1%	
Catastrophic/Malignancy 8 and 9	3,936	0.7%	4,529	0.8%	
Relative Risk Score		1.00		1.09	

➤ The percentage of Healthy/Acute members is projected to decrease 2.8%

➤ Overall risk factor for the SHP population will increase from 1.00 to 1.09

Primary Disease Advancement of Risk 5 & 10 Year Projection (Total Non-Medicare)

Code	AIDS/HIV	Description	FY2012		FY2017		FY2022		2012 to 2022 Movement
			Members	% Total	Members	% Total	Members	% Total	
1	AIDS/HIV		767	0.1%	865	0%	914	0%	147
2	Oncology		9,803	1.8%	11,154	2%	11,213	2%	1,410
3	End Stage Renal Disease-Kidney		1,278	0.2%	1,527	0%	1,592	0%	315
4	Sickle Cell Anemia		69	0.0%	63	0%	63	0%	-6
5	CP - Cerebral Palsy		19	0.0%	9	0%	9	0%	-10
6	CF - Cystic Fibrosis		7	N/A	3	N/A	1	N/A	N/A
7	Diabetes		39,381	7.3%	45,473	8%	47,801	9%	8,420
8	CAD - Coronary Artery Disease		13,022	2.4%	13,185	2%	13,178	2%	156
9	CHF - Congestive Heart Failure		730	0.1%	732	0%	738	0%	8
10	COPD - Chronic Obstructive Pulmonary Disease		1,002	0.2%	925	0%	925	0%	-77
11	Asthma		12,169	2.2%	11,833	2%	11,781	2%	-388
12	Hypertension		53,918	9.9%	52,535	10%	52,673	10%	-1,245
13	Epilepsy		1,899	0.4%	1,720	0%	1,711	0%	-187
14	Osteoporosis		1,729	0.3%	2,004	0%	2,009	0%	280
15	Premature Birth		19	0.0%	17	0%	17	0%	-2
16	Drug Abuse Related Diagnoses		1,414	0.3%	1,485	0%	1,481	0%	66
17	Alcohol Related		5	0.0%	9	0%	9	0%	5
18	Mental Health		30,777	5.7%	29,035	5%	28,873	5%	-1,904
19	Joint and Musculoskeletal Related		10,965	2.0%	10,866	2%	10,801	2%	-164
20	Respiratory		823	0.2%	907	0%	901	0%	78
21	Dermatology		2,653	0.5%	2,572	0%	2,556	0%	-97
22	Dominant Chronic		7,387	1.4%	7,508	1%	7,535	1%	148
23	Moderate Chronic		47,996	8.9%	54,421	10%	54,497	10%	6,502
24	Minor Chronic		44,493	8.2%	45,328	8%	45,126	8%	633
25	Acute		28,566	5.3%	24,807	5%	24,608	5%	-3,958
26	Catastrophic		703	0.1%	729	0%	734	0%	31
27	Healthy		230,601	42.5%	222,483	41%	220,450	41%	-10,151
Total			542,196	100.0%	542,198	100%	542,198	100%	

➤ Diabetes (8,420) and oncology (1,410) will have the highest net member increases for specific primary diseases

Next Steps for Strategy Application of CRG Information

- Focus the health management & wellness strategy on the health risk profile of the SHPNC population
- Define the metrics that the SHPNC will use to measure improvements in the health risk profile of the SHPNC population
- Set targets for each metric and monitor progress
- Link metrics to the performance of partners (e.g. BCBSNC, Active Health, Community Care Network, others) supporting the strategy
- Use Dashboard metrics as indicators of the effectiveness of the strategy

Questions

Appendix —CRG Characteristics

CRG Characteristics

- Assigns members to a single, mutually exclusive risk group based on clinical information/experience
- Clinically meaningful categorization provides a refined assessment of health status and risk adjusted trends
- Degree of severity leveling improves financial analysis, performance measurement and plan/program design
- Transparent methodology established a foundation for actionable and defensible intervention strategies
- Enhanced ability to measure and monitor vendor performance with statistically matched cohorts

Appendix — 4 Definitions: CRG assignment occurs in four phases

- **Phase 1:** Creates a profile of the individual's past medical history
- **Phase 2:** Identifies the individual's most significant chronic diseases (if any) and the relative severity of the most significant chronic diseases
- **Phase 3:** Assigns the individual's risk group and severity level (i.e., the CRG)
- **Phase 4:** Assigns the individual to aggregated risk groups (ACGR3s)

Appendix — Categorization of ACGR3s Statuses

➤ **Status 9—Catastrophic Conditions**

- Catastrophic conditions include long term dependency on a medical technology (e.g. dialysis and respirator) and life-defining chronic diseases or conditions that dominate the medical care required (e.g., persistent vegetative state, cystic fibrosis, AIDS, and history of heart transplant).
- The severity level for Status 9, Catastrophic, is based on the presence of specific Episode Disease Categories (EDCs) or Episode Procedure Categories (EPCs) that meet explicit conditions.

➤ **Status 8—Dominant, Metastatic and Complicated Malignancies**

- A malignancy that dominates the medical care required (e.g., brain malignancy) or a non-dominant malignancy (e.g., prostate malignancy) that is metastatic or complicated (e.g., requiring a bone marrow transplant).
- The severity level for Status 8, Dominant Metastatic and Complicated Malignancies, is set in three steps. The first step, setting the initial level, is designed to reflect the total burden of illness including both malignancy and non-malignancy related illnesses. The initial severity level is the higher of the two levels, with one based on the presence of non-malignancy Primary Chronic Diseases (PCDs) and the other based on specified malignancy related complications and metastases. The next step adjusts the initial severity level if specific EDCs or EPCs are present and meet explicit conditions. The final step converts the interim severity level to the final severity level based on malignancy related conditions and metastases.

Appendix — Categorization of ACGR3s Statuses

➤ Status 7—Dominant Chronic Disease in Three or More Organ Systems

- Dominant chronic disease in three or more organ systems is identified by the presence of three or more dominant chronic PCDs or two dominant chronic PCDs with a selected moderate chronic PCD
- The severity level for Status 7, Dominant Chronic Disease in Three or more Organ Systems, is determined by establishing an initial severity level based on the severity levels of the three PCDs which form the base CRG. The initial severity is adjusted to determine a final severity level if specific EDCs or EPCs are present and meet explicit conditions (rules).

➤ Status 6—Significant Chronic Disease in Multiple Organ Systems

- Significant chronic diseases in multiple organ systems are identified by the presence of two or more PCDs, of which at least one is a Dominant or Moderate Chronic PCD. PCDs that are a severity level 1 minor chronic disease are not considered a significant chronic disease, and are not used to identify the presence of significant chronic disease in multiple organ systems. Minor Chronic PCDs that are severity level 2 minor chronic diseases are used.
- The severity level for Status 6, Significant Chronic Disease in Multiple Organ Systems, is determined by using the severity level of the two PCDs which form the basis of the base CRG to assign an initial severity level. The initial level takes into account the possibility that the two PCDs are of disparate importance. The initial severity is adjusted to determine a final severity level if specified EDCs or EPCs are present and meet explicit conditions (rules).

Appendix — Categorization of ACGR3 Statuses

- **Status 5—Single Dominant or Moderate Chronic Disease**
 - Single dominant chronic disease is identified by the presence of a single dominant or moderate PCD. If a Minor Chronic PCD with a level of 1 is present, it is ignored.
 - The severity level for Status 5, Single Dominant or Moderate Chronic Disease is the PCD severity level.
- **Status 4—Minor Chronic Disease in Multiple Organ Systems**
 - Minor chronic disease in multiple organ systems is identified by the presence of two or more Minor Chronic PCDs.
 - The severity level for Status 4, Minor Chronic Disease in Multiple Organ Systems, is based on the number of Minor Chronic PCDs and their severity levels.
- **Status 3—Single Minor Chronic Disease**
 - A single minor chronic disease is identified by the presence of a single Minor Chronic PCD.
 - The severity level for Status 3, Single Minor Chronic Disease, is the PCD severity level.
- **Status 2—History of Significant Acute Disease**
 - A history of significant Acute disease is identified by the presence within the most recent six month period of one or more Significant Acute EDCs or one of a set of Significant Acute EPCs with no PCDs (i.e., identifiable chronic conditions) present.
- **Status 1—Healthy**
 - A Healthy status is identified by the absence of any PCDs or Significant Acute EDCs or EPCs.
 - There are no severity levels.

Appendix —CRG Assignment

CRG Assignment

CLAIM

Claim No: 123456 Date: 01/01/01

Name: Sam Smith

Hospital: _____

Diagnosis:

URI

Atopic Dermatitis



Healthy

Appendix —CRG Assignment *continued*

CRG Assignment

CLAIM

Claim No: 123456 Date: 01/01/01

Name: Sam Smith

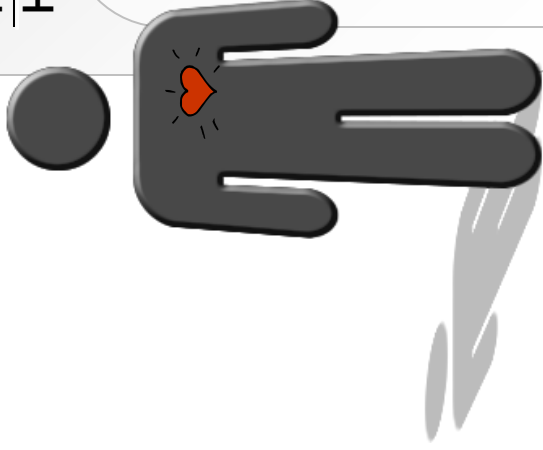
Hospital:

Diagnosis:

URI

Atopic Dermatitis

Chest Pain – Office Visit



Healthy

CRG Assignment

CLAIM

Claim No: 123456 Date: 01/01/01

Name: Sam Smith

Hospital:

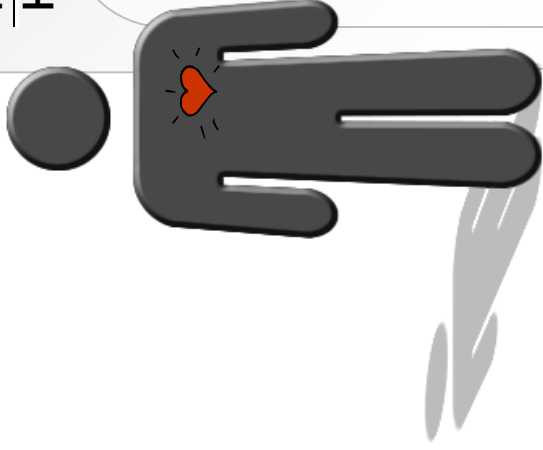
Diagnosis:

URI

Atopic Dermatitis

Chest Pain – Office Visit

Chest Pain – Hospital Admission



**One or More
Significant
Acute Disease**

CRG Assignment

CLAIM

Claim No: 123456 Date: 01/01/01

Name: Sam Smith

Hospital:

Diagnosis:

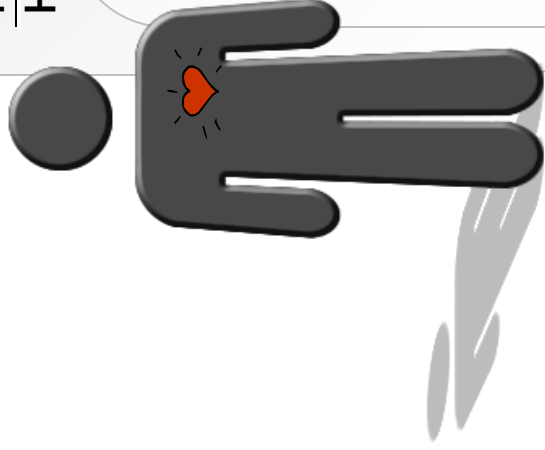
URI

Atopic Dermatitis

Chest Pain – Office Visit

Chest Pain – Hospital Admission

Cholesterol (220)



**One Minor
Chronic
Disease**

CRG Assignment

CLAIM

Claim No: 123456 Date: 01/01/01

Name: Sam Smith

Hospital:

Diagnosis:

URI

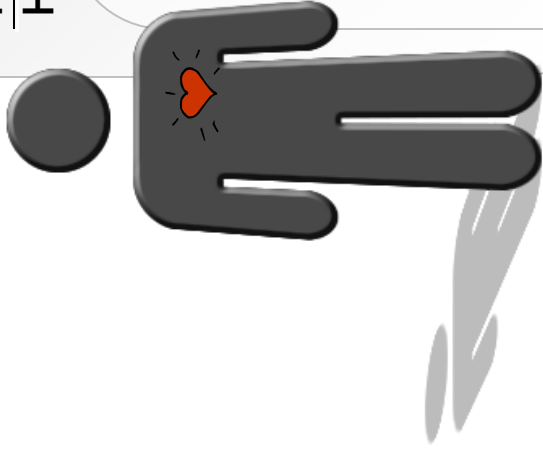
Atopic Dermatitis

Chest Pain – Office Visit

Chest Pain – Hospital Admission

Cholesterol (220)

Diabetes (*weight gain – 50lbs*)



**One Significant
Chronic
Disease**

CRG Assignment

CLAIM

Claim No: 123456 Date: 01/01/01

Name: Sam Smith

Hospital:

Diagnosis:

URI

Atopic Dermatitis

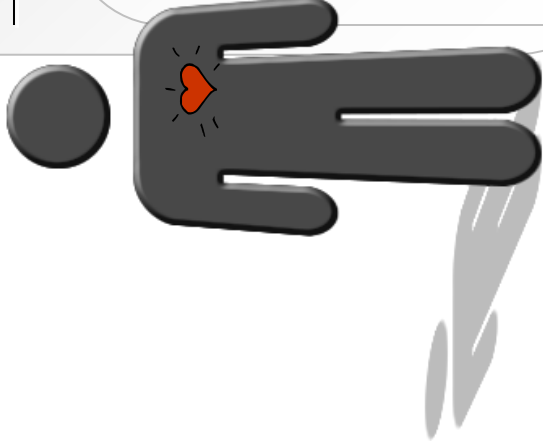
Chest Pain – Office Visit

Chest Pain – Hospital Admission

Cholesterol (220)

Diabetes (*weight gain – 50lbs*)

Angina



**Two Significant
Chronic
Diseases**

CRG Assignment

CLAIM

Claim No: 123456 Date: 01/01/01

Name: Sam Smith

Hospital:

Diagnosis:

URI

Atopic Dermatitis

Chest Pain – Office Visit

Chest Pain – Hospital Admission

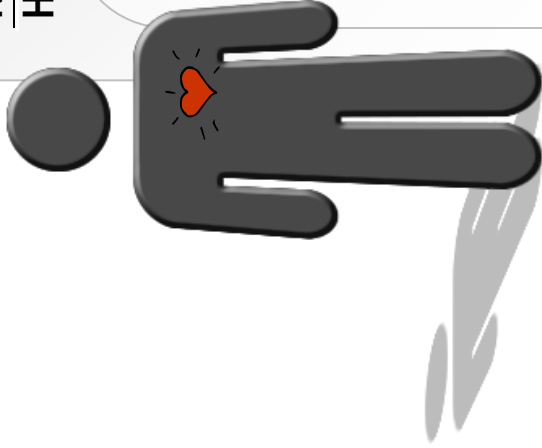
Cholesterol (220)

Diabetes (*weight gain – 50lbs*)

Angina

End Stage Renal Disease

Dialysis



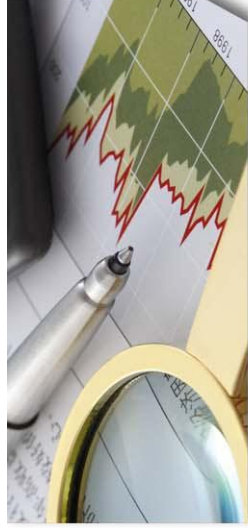
Catastrophic Conditions



USING THE DASHBOARD TO MONITOR THE HEALTH PROFILE OF THE POPULATION

July 26, 2013

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★ Segal Consulting

- Review of SHPNC mission and strategic opportunities
- Review metrics developed for the dashboard to monitor progress
- Review the opportunities to expand dashboard metrics

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.

Strategic Opportunities of the SHP

- Increase the SHPNC participants' awareness of their health status and to available support resources
- Improve the health of the SHPNC participants through focused programs
- Improve medication adherence and treatment compliance of SHPNC participants with chronic conditions
- Impact positive trends in utilization management to reduce medical trend

Dashboard Overview

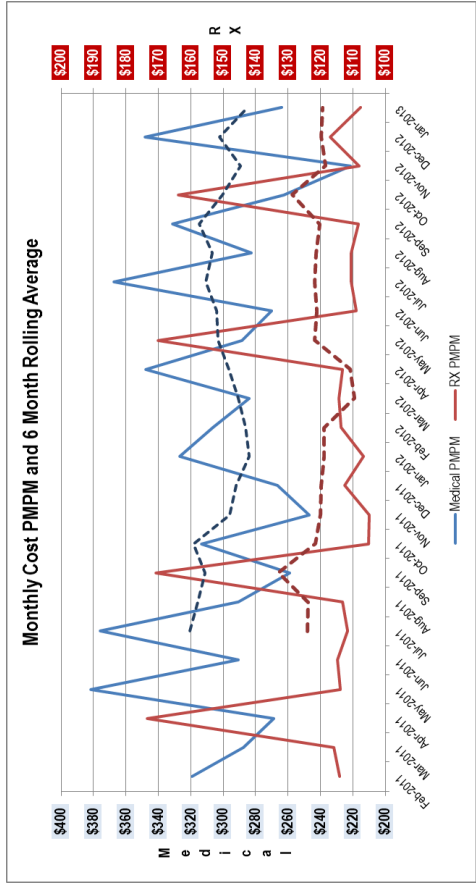
The purpose of this monthly dashboard is to:

- Highlight key metrics for the Board to monitor progress against strategic opportunities.
- Provide a mechanism to track:
 - **Claims and trends:** determine cost trend drivers plus analyze data on effective alternatives to manage those trends.
 - **Utilization metrics vs. benchmark:** compare the plan's utilization to benchmarks and desired targets.
 - **Population health status:** assess disease burden and recommend solutions to lessen future trend increases; Uncover opportunities for the plan to better control plan cost and improve the health of the covered population.

Methodology/Definitions

- Source of data includes eligibility as well as inpatient, outpatient and professional claims from SHPNC's SAS data warehouse. Pharmacy claims data was captured from Express Scripts.
- Generally, financial metrics are reported on a total cost basis (i.e., total cost includes plan paid and member cost sharing). This allows for tracking of population health status for improvement over time.
- Claims are reported on a paid basis for the periods February 1, 2012 – January 31, 2013 (current period) and February 1, 2011 – January 31, 2012 (prior period).
- Benchmark data is provided on a regional basis by actives/non-Medicare retirees vs. Medicare retirees.

1 Principal Financial Trends – Claims Cost ALL Members



2 Paid Claims Summary – ALL Members

Place of Service	Current Period			Prior Period			% Change in PMPM
	Total Paid Amount	Total PMPM	% of Total PMPM	Total Paid Amount	Total PMPM	% of Total PMPM	
Outpatient Hospital	\$ 780,995,719	\$ 98	23%	\$ 790,942,926	\$ 99	23%	-2%
Inpatient Hospital	\$ 598,788,499	\$ 75	18%	\$ 622,646,899	\$ 78	18%	-4%
Office	\$ 655,910,063	\$ 82	20%	\$ 667,068,241	\$ 84	20%	-2%
Ambulatory	\$ 49,105,246	\$ 6	1%	\$ 47,904,002	\$ 6	1%	2%
Surgical Center	\$ 54,698,395	\$ 7	2%	\$ 57,556,849	\$ 7	2%	-5%
Home	\$ 236,256,403	\$ 30	7%	\$ 220,222,904	\$ 28	7%	7%
All Others	\$ 2,375,754,326	\$ 298	71%	\$ 2,406,341,820	\$ 302	71%	-2%
Total Medical							
Total Rx	\$ 961,765,090	\$ 120	29%	\$ 966,600,730	\$ 121	29%	-1%
Total Paid	\$ 3,337,519,416	\$ 418	100%	\$ 3,372,942,551	\$ 424	100%	-1%
Member Paid	\$ 794,763,337	\$ 100	24%	\$ 776,534,510	\$ 98	23%	2%
Plan Paid	\$ 2,542,756,079	\$ 318	76%	\$ 2,596,408,040	\$ 326	77%	-2%

3 Key Healthcare Performance Metrics – ALL Members

Category	Current Period	Prior Period	% Change	Norm	Comparison to Norm
Average Membership Per Month	665,307	663,555	0%	N/A	N/A
High Cost Claimants	15,721	15,775	0%	N/A	N/A
High Cost Claimants Total Paid	\$ 971,754,292	\$ 988,011,597	-2%	N/A	N/A
Inpatient Days Per Thousand	320	370	-13%	365	-12%
Average Inpatient Day Cost	\$ 3,134	\$ 3,123	0%	\$ 3,090	1%
Total Admissions Per 1000	71	79	-10%	76	-7%
Average Cost Per Admission	\$ 14,128	\$ 14,676	-4%	\$ 14,748	-4%
ER Visits Per 1000	259	266	-3%	262	-1%
Office Visits For Medical Care Per 1000	4,125	4,337	-5%	3,515	17%
Office Visits for Preventive Care Per 1000	435	443	-2%	401	8%
Rx Scripts Per 1000	17,422	17,663	-1%	16-18,000	0%
Average Cost Per Script	\$ 83	\$ 82	1%		

4 Major Conditions – Prevalence and Cost ALL Members with Conditions

Chronic Condition	Current Period			Prior Period			% Change in PMPY
	Members	PMPY	% of Total PMPM	Members	PMPY	% of Total PMPM	
1. Diabetes	94,354	\$ 8,928	86,587	\$ 9,314	9%	-4%	
2. Coronary Artery Disease (CAD)	45,656	\$ 13,422	38,776	\$ 13,919	18%	-4%	
3. Asthma	50,088	\$ 6,540	35,839	\$ 7,055	40%	-7%	
4. Chronic Obstructive Pulmonary Disease (COPD)	27,561	\$ 12,616	21,529	\$ 13,756	28%	-8%	
5. Hypertension	246,913	\$ 7,319	216,508	\$ 7,479	14%	-2%	
6. Breast Cancer	13,121	\$ 13,752	11,407	\$ 14,909	15%	-8%	
7. Colon Cancer	2,404	\$ 24,101	2,005	\$ 25,033	20%	-4%	
8. Prostate Cancer	7,841	\$ 11,270	7,096	\$ 11,581	10%	-3%	
9. At Risk Birth	1,370	\$ 4,436	1,418	\$ 4,549	-3%	-2%	
10. Normal Delivery	7,323	\$ 2,063	8,374	\$ 2,076	-13%	-1%	

5 High Risk High Cost Analysis – ALL Members High Cost By Condition

Chronic Condition for High Cost Claimants*	Current Period		Prior Period		% Change in Members	% Change in PMPY
	Members	PMPY	Members	PMPY		
1. Diabetes	4,287	\$69,418	4,357	\$71,796	-2%	-3.3%
2. Coronary Artery Disease (CAD)	2,950	\$72,651	2,842	\$69,133	4%	5.1%
3. Asthma	2,103	\$60,775	1,725	\$61,834	22%	-1.7%
4. Chronic Obstructive Pulmonary Disease (COPD)	1,607	\$73,773	1,372	\$77,169	17%	-4.4%
5. Hypertension	9,635	\$64,563	9,276	\$64,511	4%	0.1%
6. Breast Cancer	1,328	\$76,362	1,359	\$75,609	-2%	1.0%
7. Colon Cancer	368	\$103,685	352	\$101,609	5%	2.0%
8. Prostate Cancer	425	\$61,629	448	\$61,748	-5%	-0.2%
9. At Risk Birth	654	\$64,791	534	\$57,031	22%	13.6%

6 Clinical Quality Performance – ALL Members

Disease Condition	Clinical Compliance Metrics		Individuals		NCOA Quality Compass National Average*
	Population	Compliance Rate Prior Period	Compliance Rate Current Period	Compliance Rate Current Period	
Diabetes					
• Patient(s) that had at least 2 hemoglobin A1C tests in last 12 reported months	94,354	46.29%	45.42%	87.3%	
• Patient(s) that had an annual screening test for diabetic nephropathy	94,354	32.12%	30.63%	77.9%	
• Patient(s) that had an annual screening test for diabetic retinopathy	94,354	92.35%	83.32%	48.4%	
Coronary Artery Disease					
• Patient(s) currently taking an ACE-inhibitor	45,656	39.87%	40.21%	78.8%	
• Patient(s) currently taking a statin	45,656	74.79%	74.13%	Not Available	
Hyperlipidemia					
• Patient(s) with a LDL cholesterol test in last 12 reported months	373,929	83.94%	84.95%	83.6%**	
• Patient(s) with a total cholesterol test in last 12 reported months	373,929	83.47%	84.45%	Not Available	
Preventive Screening					
• Cervical cancer	338,660	60.97%	67.69%	74.4%	
• Breast cancer	235,703	60.40%	68.77%	66.8%	
• Colorectal cancer	300,002	46.11%	57.44%	55.2%	
• Prostate cancer	106,209	19.87%	25.45%	Not Available	
COPD					
• Patients with spirometry testing in the last 12 months	27,561	40.63%	40.44%	40.4%	
Asthma					
• Patient with inhaled corticosteroids or leukotriene inhibitors in the last 12 months	50,088	68.39%	63.54%	91.7%	

7 Summary of Prescription Drug Expenses – ALL Members

Category	Current Period	Prior Period	% Change	Norm
Total Rx Paid Amount	\$961,765,090	\$965,457,509	0%	N/A
Prescriptions Written PMPY	17.4	17.7	-1%	
Total Rx Paid PMPY	\$1,446	\$1,455	-1%	
Participant Cost Share	24.84%	24.95%	0%	21% – 23%
Total Rx Plan Paid PMPY	\$1,087	1,092	0%	
PBM Generic Dispensing Rate	78%	74%	4%	72% – 75%
PBM Mail Order Rx Scripts	3%	3%	0%	10%

8 Prescription Drug Cost Management Analysis – ALL Members

Top 10 Rx Therapy Classes	Current Period	
	Total Paid Amount	% Generic by Count
ANTIDEPRESSANTS	\$51,033,038	87%
HMG-COA REDUCTASE INHIBITORS	\$49,218,197	81%
DISEASE-MODIFYING ANTIRHEUMATIC AGENTS	\$46,751,428	21%
INSULINS	\$41,463,473	0%
ANTINEOPLASTIC AGENTS	\$40,318,400	89%
PROTON-PUMP INHIBITORS	\$39,648,667	56%
BIOLOGIC RESPONSE MODIFIERS	\$34,588,429	0%
ANGIOTENSIN II RECEPTOR ANTAGONISTS	\$27,736,873	61%
OPIATE AGONISTS	\$21,315,246	95%
ANTICONVULSANTS, MISCELLANEOUS	\$20,460,757	84%

1. Principal Financial Trends

Objective: Provide the Board with a visual representation of how claims are trending over the short term.

- Seasonality in claims paid is expected with the highest monthly claims generally occurring in winter; 6-month rolling average is used to smooth the effect of seasonality.
- Monthly claims can fluctuate at the beginning and end of a plan year as members determine if their contribution to the out-of-pocket maximum warrants getting medical treatment in the current year or waiting until the next plan year.

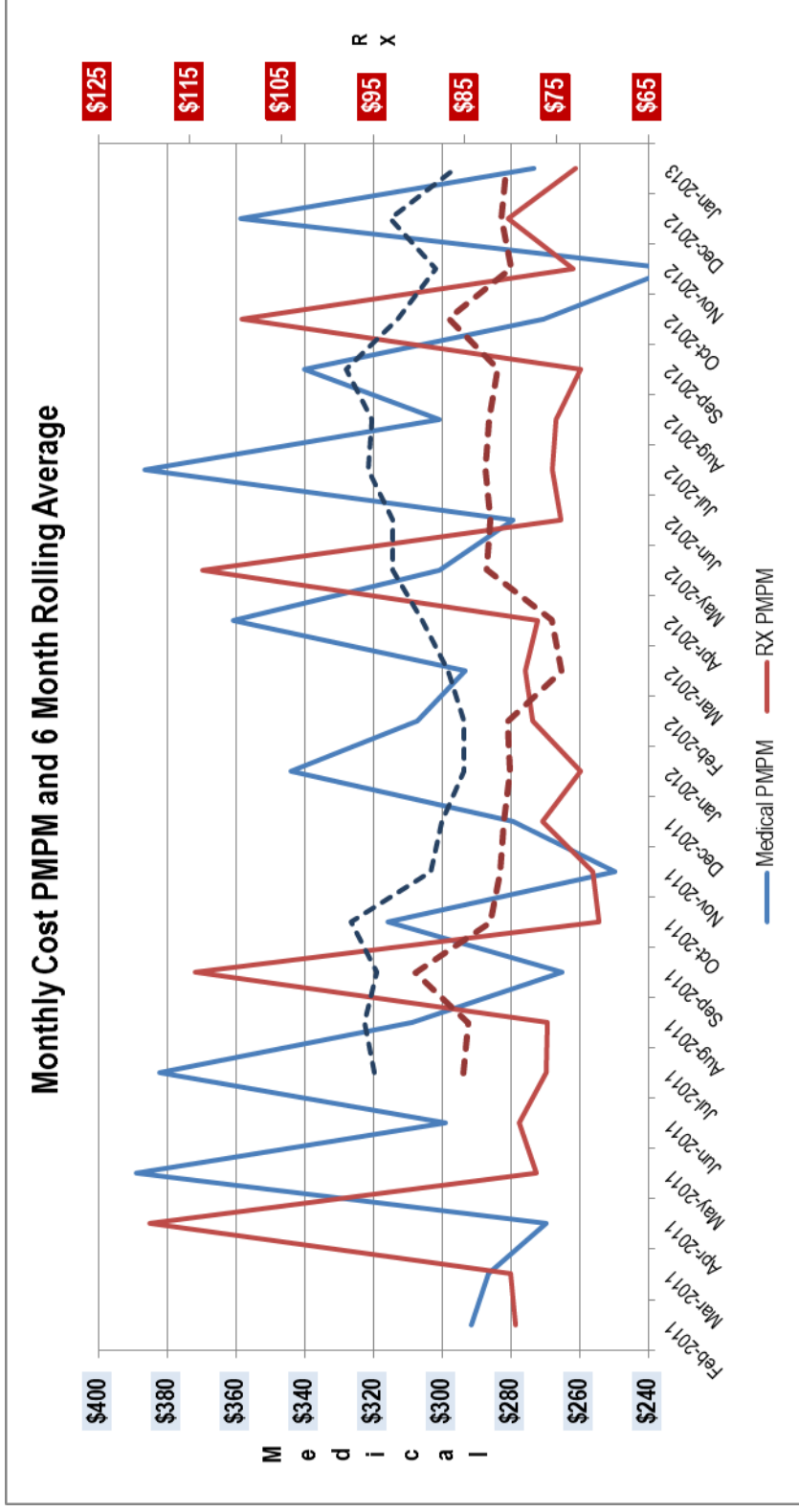
Observations:

- Total medical and prescription drug claims have been trending at a decreasing rate on a PMPM basis over the last two years. This is due to decreasing trend for the retiree population. The active population is showing a slight increase in the trend rate, due primarily to medical inflation.

Potential Implications:

- Claims volume may rise just before or after the new value-based plan design goes into effect on January 1, 2014.

1 Principal Financial Trends – Claims Cost ACTIVE Members



2. Paid Claims Summary

Objective: Provide the Board with a comparative overview of claims based on treatment setting.

➤ Place of Service can be helpful when investigating changes in utilization patterns or when trying to understand the impact of plan design changes. For example, outpatient experience and office visits may increase and inpatient hospital services decrease as participants are encouraged with copays waived under the PCMH outpatient setting.

Observations:

- Prescription drugs account for the largest portion of health plan costs (29%).
- Inpatient hospital expenditure represents 18% of total paid and is significantly below typical plan levels of 32%.
- The percentage of total medical and prescription drug benefit paid by the plan decreased from 77% to 76%.

2 Paid Claims Summary – ACTIVE MEMBERS

Place of Service	Current Period			Prior Period			% Change in PMPM
	Total Paid Amount	Total Paid PMPM	% of Total PMPM	Total Paid Amount	Total Paid PMPM	% of Total PMPM	
Outpatient Hospital	\$ 575,447,061	\$ 101	26%	\$ 582,804,722	\$ 101	26%	0%
Inpatient Hospital	\$ 447,865,074	\$ 79	20%	\$ 460,440,751	\$ 80	20%	-1%
Office	\$ 489,425,746	\$ 86	22%	\$ 494,212,631	\$ 86	22%	0%
Ambulatory Surgical Center	\$ 35,604,629	\$ 6	2%	\$ 34,823,671	\$ 6	2%	4%
Home	\$ 32,271,922	\$ 6	1%	\$ 34,051,336	\$ 6	2%	-4%
All Others	\$ 177,265,343	\$ 31	8%	\$ 163,330,586	\$ 28	7%	10%
Total Medical	\$1,757,879,775	\$ 309	79%	\$1,769,663,696	\$ 307	79%	1%
Total Rx	\$ 465,147,363	\$ 82	21%	\$ 477,087,886	\$ 83	21%	-1%
Total Paid	\$2,223,027,138	\$ 390	100%	\$2,246,751,582	\$ 389	100%	0%
Member Paid	\$ 500,117,044	\$ 88	22%	\$ 487,902,955	\$ 85	22%	4%
Plan Paid	\$1,722,910,093	\$ 303	78%	\$1,758,848,627	\$ 305	78%	-1%

2 Paid Claims Summary –MEDICARE RETIREES

Place of Service	Current Period			Prior Period			% Change in PMPM
	Total Paid Amount	Total Paid PMPM	% of Total PMPM	Total Paid Amount	Total Paid PMPM	% of Total PMPM	
Outpatient Hospital	\$ 48,486,680	\$ 32	9%	\$ 48,781,463	\$ 35	10%	-6%
Inpatient Hospital	\$ 39,615,061	\$ 26	8%	\$ 41,420,949	\$ 29	8%	-10%
Office	\$ 58,380,650	\$ 39	11%	\$ 60,060,453	\$ 42	12%	-8%
Ambulatory Surgical Center	\$ 4,437,107	\$ 3	1%	\$ 4,235,337	\$ 3	1%	-1%
Home	\$ 13,463,404	\$ 9	3%	\$ 14,565,288	\$ 10	3%	-13%
All Others	\$ 29,718,590	\$ 20	6%	\$ 28,191,786	\$ 20	6%	-1%
Total Medical	\$ 194,101,492	\$ 129	38%	\$ 197,255,275	\$ 140	39%	-7%
Total Rx	\$ 317,221,313	\$ 211	62%	\$ 306,907,236	\$ 217	61%	-3%
Total Paid	\$ 511,322,805	\$ 341	100%	\$ 504,162,512	\$ 357	100%	-5%
Member Paid	\$ 176,217,668	\$ 117	34%	\$ 167,168,635	\$ 118	33%	-1%
Plan Paid	\$ 335,105,137	\$ 223	66%	\$ 336,993,877	\$ 238	67%	-6%

3. Key Healthcare Performance Metrics

Objective: Provide the Board with some key comparative utilization metrics to track sources of claims increases

- This table allows the plan to understand whether changes in cost are driven by price or change in utilization.

Observations:

- Utilization of services was generally down in 2012 compared to 2011, with the largest decline in inpatient admissions and prescriptions.
- Preventive care utilization decreased slightly, but is higher than benchmarks.
- While declining, office visits and ER visits for retirees are significantly higher than benchmarks.

Potential Implications:

- Preventive care should be encouraged as a frontline effort to prevent and reduce potentially costly health conditions.

3 Key Healthcare Performance Metrics – ACTIVE MEMBERS

Category	Current Period	Prior Period	% Change	Norm	Comparison to Norm
Average Membership Per Month	474,598	480,813	-1%	N/A	N/A
High Cost Claimants	12,011	11,859	1%	N/A	N/A
High Cost Claimants Total Paid	\$727,632,359	\$727,857,222	0%	N/A	N/A
Inpatient Days Per Thousand	197	231	-15%	250	-21%
Average Inpatient Day Cost	\$3,437	\$3,338	3%	\$3,672	-6%
Total Admissions Per 1000	50	55	-10%	61	-18%
Average Cost Per Admission	\$13,656	\$14,002	-2%	\$15,154	-10%
ER Visits Per 1000	197	195	1%	197	0%
Office Visits For Medical Care Per 1000	3,234	3,284	-2%	3,080	5%
Office Visits for Preventive Care Per 1000	523	521	0%	383	37%
Rx Scripts Per 1000	11,855	12,209	-3%	10-12,000	0%
Average Cost Per Script	\$83	\$81	2%		

3 Key Healthcare Performance Metrics – MEDICARE RETIREES

Category	Current Period	Prior Period	% Change	Norm	Comparison to Norm
Average Membership Per Month	125,111	117,795	6%	N/A	N/A
High Cost Claimants	225	321	-30%	N/A	N/A
High Cost Claimants Total Paid	\$14,261,377	\$21,057,765	-32%	N/A	N/A
Inpatient Days Per Thousand	790	934	-15%	1,219	-35%
Average Inpatient Day Cost	\$2,655	\$2,746	-3%	\$1,843	44%
Total Admissions Per 1000	157	180	-13%	171	-8%
Average Cost Per Admission	\$13,339	\$14,225	-6%	\$13,161	1%
ER Visits Per 1000	518	586	-12%	274	89%
Office Visits For Medical Care Per 1000	7,214	8,246	-13%	6,163	17%
Office Visits for Preventive Care Per 1000	67	82	-18%	217	-69%
Rx Scripts Per 1000	32,633	33,238	-2%	25,566	28%
Average Cost Per Script	\$78	\$78	0%		

4. Major Chronic Conditions—Prevalence and Cost

Objective: Provide the Board metrics to monitor the cost and utilization of chronic conditions.

Observations:

- Generally, compliance with recommended screenings and maintenance medications improved for retirees.
- PMPY costs have declined over the prior period for the major chronic conditions evaluated.

Potential Implications:

- Focus resources on wellness programs, stressing proper nutrition, weight management, regular exercise, reduce tobacco use, and control blood pressure and cholesterol levels.

4 Major Conditions – Prevalence and Cost ACTIVE Members with Conditions

Chronic Condition	Current Period		Prior Period		% Change in Members	% Change in PMPY
	Members	PMPY	Members	PMPY		
1. Diabetes	39,862	\$7,497	37,331	\$7,761	7%	-3%
2. Coronary Artery Disease (CAD)	11,343	\$13,765	9,640	\$14,289	18%	-4%
3. Asthma	34,060	\$4,885	24,108	\$5,410	41%	-10%
4. Chronic Obstructive Pulmonary Disease (COPD)	7,392	\$11,155	5,349	\$12,348	38%	-10%
5. Hypertension	112,221	\$6,179	98,798	\$6,303	14%	-2%
6. Breast Cancer	4,393	\$18,452	3,992	\$19,967	10%	-8%
7. Colon Cancer	705	\$32,670	604	\$35,553	17%	-8%
8. Prostate Cancer	1,779	\$12,476	1,664	\$12,452	7%	0%
9. At Risk Birth	1,363	\$4,457	1,416	\$4,595	-4%	-3%
10. Normal Delivery	7,289	\$2,072	8,341	\$2,072	-13%	0%

*PMPY only includes medical claims.

4 Major Conditions – Prevalence and Cost MEDICARE RETIREES with Conditions

Chronic Condition	Current Period		Prior Period		% Change in Members	% Change in PMPY
	Members	PMPY	Members	PMPY		
1. Diabetes	39,607	\$10,533	35,454	\$10,831	12%	-3%
2. Coronary Artery Disease (CAD)	28,592	\$13,338	24,436	\$13,743	17%	-3%
3. Asthma	11,073	\$10,985	8,357	\$11,164	32%	-2%
4. Chronic Obstructive Pulmonary Disease (COPD)	17,041	\$13,217	13,945	\$14,124	22%	-6%
5. Hypertension	96,351	\$8,811	84,357	\$8,902	14%	-1%
6. Breast Cancer	6,583	\$10,409	5,523	\$10,604	19%	-2%
7. Colon Cancer	1,359	\$17,796	1,134	\$17,298	20%	3%
8. Prostate Cancer	5,049	\$11,052	4,479	\$11,066	13%	0%

*PMPY only includes medical claims.

5. High Risk High Cost Analysis High Cost by Condition

Objective: Provide the Board with key metrics to monitor cost and utilization of high risk and high cost chronic conditions. Target high risk groups for medical management interventions

Observations:

- The prevalence of high cost members with asthma and COPD has increased significantly over the prior period. The compliance rate for patient with inhaled corticosteroids or leukotriene inhibitors in the last 12 months are below desired levels (see Report #6)

Potential Implications:

- Chronic conditions are a key cost driver in the SHP population and much of the cost can be positively impacted through effective medical management and health education.
- Asthma patients can manage their symptoms through use of long-term controlled medications and through environmental control measures that reduce exposure to irritants.

5 High Risk High Cost Analysis – ACTIVE MEMBERS High Cost By Condition

Chronic Condition for High Cost Claimants*	Current Period		Prior Period		% Change in PMPY
	Members	PMPY	Members	PMPY	
1. Diabetes	2,978	\$66,676	2,913	\$69,092	2%
2. Coronary Artery Disease (CAD)	1,955	\$72,714	1,870	\$68,288	5%
3. Asthma	1,637	\$60,176	1,330	\$61,774	23%
4. Chronic Obstructive Pulmonary Disease (COPD)	1,039	\$72,791	855	\$73,653	22%
5. Hypertension	6,852	\$63,100	6,508	\$63,271	5%
6. Breast Cancer	937	\$79,412	960	\$77,193	-2%
7. Colon Cancer	241	\$102,091	245	\$103,036	-2%
8. Prostate Cancer	291	\$62,250	279	\$61,703	4%
9. At Risk Birth	649	\$64,945	530	\$57,215	22%

*High Cost Claimants are above \$25,000 in medical claims

5 High Risk High Cost Analysis – NON MEDICARE RETIREES High Cost By Condition

Chronic Condition for High Cost Claimants*	Current Period		Prior Period		% Change in PMPY
	Members	PMPY	Members	PMPY	
1. Diabetes	1,187	\$77,476	1,260	\$79,385	-6%
2. Coronary Artery Disease (CAD)	898	\$74,626	853	\$72,526	5%
3. Asthma	430	\$64,764	355	\$62,071	21%
4. Chronic Obstructive Pulmonary Disease (COPD)	491	\$77,906	424	\$86,798	16%
5. Hypertension	2,602	\$68,697	2,534	\$67,804	3%
6. Breast Cancer	369	\$70,800	388	\$72,539	-5%
7. Colon Cancer	119	\$111,771	96	\$104,194	24%
8. Prostate Cancer	120	\$63,611	158	\$63,483	-24%

*High Cost Claimants are above \$25,000 in medical claims

6. Clinical Quality Performance

Objective: Provide the Board with clinical metrics related to preventive screening, treatment compliance rates, and quality of care performance measures.

Observations:

- The compliance rate for diabetes care (HbA1c testing, diabetic nephropathy, and diabetic retinopathy) has declined over the prior period. In addition, gaps in care for HA1C Testing and diabetic nephropathy gaps are significantly below desired levels.
- Preventive cancer screening rates have increased over the prior period, but are below desired levels. Early detection through screening can improve outcomes reduce medical costs.
- Compliance rates for CAD on (ACE) inhibitors are declining.

Potential Implications:

- Basic therapies for type 2 diabetes include healthy eating, physical activity and regular blood glucose testing. Reducing A1c blood test results by 1 percentage point (e.g., from 8.0% to 7.0%) reduces the risk of microvascular complications (eye, kidney and nerve diseases) by as much as 40%.
- Cervical cancer is one of the most successfully treated cancers when detected early, with a 5-year survival rate of 92%. The reduction in mortality through screening is due to (1) an increase in the detection of invasive cancer at early stages, and (2) the detection and treatment of pre-invasive lesions, reducing the incidence of invasive cancer.
- The efficacy in treating heart failure is well established and proper treatment is contingent both on appropriate medication dosing by the physician and on patient compliance with therapy. Finding better ways to monitor patients taking medication for long-term use could lead to reduced hospitalizations.
- Continue to monitor medication adherence and treatment compliance of key chronic diseases for improvement opportunities.

6 Clinical Quality Performance – ACTIVE MEMBERS

Disease Condition	Clinical Compliance Metrics	Individuals			NCQA Quality Compass National Average*
		Population	Compliance Rate Prior Period	Compliance Rate Current Period	
Diabetes	• Patient(s) that had at least 2 hemoglobin A1C tests in last 12 reported months	39,862	62.09%	59.45%	87.3%
	• Patient(s) that had an annual screening test for diabetic nephropathy	39,862	40.71%	37.92%	77.9%
	• Patient(s) that had an annual screening test for diabetic retinopathy	39,862	95.10%	83.28%	48.4%
	• Patient(s) currently taking an ACE-inhibitor	11,343	38.05%	37.91%	78.8%
Coronary Artery Disease	• Patient(s) currently taking a statin	11,343	67.65%	64.69%	Not Available
	• Patient(s) with a LDL cholesterol test in last 12 reported months	229,735	94.41%	95.30%	83.6%**
Hyperlipidemia	• Patient(s) with a total cholesterol test in last 12 reported months	229,735	94.40%	95.33%	Not Available
	• Cervical cancer	264,659	94.40%	95.33%	74.4%
Preventive Screening	• Breast cancer	164,360	62.02%	68.04%	66.8%
	• Colorectal cancer	155,764	55.38%	63.53%	55.2%
	• Prostate cancer	59,789	39.02%	48.64%	Not Available
COPD	• Patients with spirometry testing in the last 12 months	7,392	43.32%	38.83%	40.4%
Asthma	• Patient with inhaled corticosteroids or leukotriene inhibitors in the last 12 months	34,060	62.20%	58.07%	91.7%

6 Clinical Quality Performance – NON-MEDICARE RETIREES

Disease Condition	Clinical Compliance Metrics	Individuals			NCQA Quality Compass National Average*
		Population	Compliance Rate Prior Period	Compliance Rate Current Period	
Diabetes	• Patient(s) that had at least 2 hemoglobin A1C tests in last 12 reported months	14,885	52.74%	60.46%	87.3%
	• Patient(s) that had an annual screening test for diabetic nephropathy	14,885	32.11%	36.14%	77.9%
	• Patient(s) that had an annual screening test for diabetic retinopathy	14,885	77.17%	82.73%	48.4%
Coronary Artery Disease	• Patient(s) currently taking an ACE-inhibitor	5,721	30.80%	40.92%	78.8%
	• Patient(s) currently taking a statin	5,721	57.93%	75.70%	Not Available
Hyperlipidemia	• Patient(s) with a LDL cholesterol test in last 12 reported months	58,138	71.12%	93.69%	83.6%**
	• Patient(s) with a total cholesterol test in last 12 reported months	58,138	71.11%	93.68%	Not Available
Preventive Screening	• Cervical cancer	45,431	60.41%	68.82%	74.4%
	• Breast cancer	42,851	72.85%	80.50%	66.8%
	• Colorectal cancer	63,713	49.81%	61.99%	55.2%
	• Prostate cancer	21,405	26.94%	33.97%	Not Available
COPD	• Patients with spirometry testing in the last 12 months	3,128	30.30%	42.01%	40.4%
Asthma	• Patient with inhaled corticosteroids or leukotriene inhibitors in the last 12 months	4,955	56.12%	71.52%	91.7%

* Source: NCQA – State of Health Care Quality 2012 – Accredited Plans 2011 Commercial PPO Averages

** Represents cholesterol management for patients with cardiovascular conditions: LDL cholesterol screening

7. Summary of Prescription Drug Expenses

Objective: Provide the Board with metrics to evaluate year-over-year growth in pharmacy spend, cost and utilization.

Observations:

➤ Generic dispensing rates increased in the current period over the prior period. This is likely due to key brand medications losing patent protection. Below is an abbreviated list of some brand drugs soon becoming generic and key medications that lost patent protection in 2012.

2012	<ul style="list-style-type: none"> • Plavix (antiplatelet/cardiovascular) • Seroquel (antipsychotic) • Singulair (asthmatic) • Actos (antidiabetic) • Lexapro (antidepressant) • Diovan HCT (blood pressure reduction) 	2013	<ul style="list-style-type: none"> • Lidoderm (pain reliever) • Cymbalta (antidepressant) • Niaspan (cholesterol reduction) • Aciphex (anti-ulcer/PPI)
2014	<ul style="list-style-type: none"> • Celebrex (anti-inflammatory) • Nexium (anti-ulcer/PPI) • Lunesta (sleep aid) 	2015	<ul style="list-style-type: none"> • Lovaza (cholesterol reduction) • Namenda (Alzheimer's) • Abilify (antipsychotic) • Copaxone (multiple sclerosis) • Gleevec (anti-neoplastic/cancer)

➤ Mail order utilization appears to be low. The plan has a 90-day retail network. Often times members find 90-day retail networks to be more convenient than mail order. Clinically it has been shown that patients adherence to therapy is aided by having 90-day quantities of medications on hand. This is particularly important for medications that treat chronic conditions.

7 Summary of Prescription Drug Expenses – ACTIVE MEMBERS

Category	Current Period	Prior Period	% Change	Norm
Total Rx Paid Amount	\$465,147,363	\$476,440,950	-2%	N/A
Prescriptions Written PMPY	11.9	12.2	-3%	10 – 12
Total Rx Paid PMPY	\$980	\$991	-1%	
Participant Cost Share	24.60%	24.52%	0%	21% – 23%
Total Rx Plan Paid PMPY	\$739	\$748	-1%	
PBM Generic Dispensing Rate	79%	75%	4%	72% – 76%
PBM Mail Order Rx Scripts	1%	1%	0%	10%

7 Summary of Prescription Drug Expenses – MEDICARE RETIREES

Category	Current Period	Prior Period	% Change	Norm
Total Rx Paid Amount	\$317,221,313	\$306,907,236	3%	N/A
Prescriptions Written PMPY	32.6	33.2	-2%	30 – 33
Total Rx Paid PMPY	\$2,536	\$2,605	-3%	
Participant Cost Share	26.66%	26.93%	-1%	21% – 25%
Total Rx Plan Paid PMPY	\$1,859	\$1,904	-2%	
PBM Generic Dispensing Rate	76%	71%	5%	72% – 76%
PBM Mail Order Rx Scripts	5%	5%	0%	10%

8. Prescription Drug Cost Management Analysis

Objective: Provide the Board with a list of the top 10 therapeutic drug classes that are driving pharmacy claim expenses.

Observations:

- The plan can expect to see spend go down in this category due to new generics being available (Cymbalta-2013) and as multiple manufacturers enter the market place for recently launched generics (Lexapro-2012) cost is expected to go down.
- Disease-Modifying Antirheumatic agents rank 3rd in cost. While no generics are in the immediate future for this class, this class contains medications that in some cases may be eligible for formulary management rules traditional seen in the non-specialty pharmacy benefit (e.g., Step therapy).
- Insulin ranks 4th but total amount paid and unfortunately no viable generics are available or in the immediate future for this class.
- Antineoplastic or cancer medications rank 5th in total amount paid. This class is generally dominated by brand prescriptions however for SHPNC there appears to be high generic utilization.
- Angiotensin II receptor antagonists are 8th in total amount paid. Spend in this can be expected to go down as new generics have entered the marked in late 2012 (Diovan HCT-2012).
- Opiate Agonists appear to be 9th in total amount paid. This class is predominantly generic and the SHPNC data shows 95% generic by count which is consistent with what is expected with this class. However, SHPNC may wish to look into this area a bit further because a class this heavy in low cost generics that still appears in the top Rx classes by spend seems to indicate high volume dispensing.

8 Prescription Drug Cost Management Analysis – ACTIVE MEMBERS

Top 10 Rx Therapy Classes	Total Paid Amount	% Generic by Count	PMPM
ANTIDEPRESSANTS	\$29,223,306	87%	\$5.13
DISEASE-MODIFYING ANTIRHEUMATIC AGENTS	\$28,179,378	14%	\$4.95
BIOLOGIC RESPONSE MODIFIERS	\$20,804,898	0%	\$3.65
HMG-COA REDUCTASE INHIBITORS	\$18,125,392	80%	\$3.18
INSULINS	\$17,907,415	0%	\$3.14
PROTON-PUMP INHIBITORS	\$17,161,976	57%	\$3.01
CONTRACEPTIVES	\$15,127,751	82%	\$2.66
ANTINEOPLASTIC AGENTS	\$14,149,721	90%	\$2.48
ANTIRETROVIRALS	\$12,178,146	5%	\$2.14
ANOREX.,RESPIR.,CEREBRAL STIMULANTS,MISC	\$11,078,811	77%	\$1.95

8 Prescription Drug Cost Management Analysis – MEDICARE RETIREES

Top 10 Rx Therapy Classes	Total Paid Amount	% Generic by Count	PMPM
HMG-COA REDUCTASE INHIBITORS	\$21,154,405	83%	\$14.09
ANTINEOPLASTIC AGENTS	\$17,753,430	89%	\$11.83
INSULINS	\$14,703,807	0%	\$9.79
PROTON-PUMP INHIBITORS	\$14,386,842	57%	\$9.58
ANGIOTENSIN II RECEPTOR ANTAGONISTS	\$12,164,761	61%	\$8.10
ANTIDEPRESSANTS	\$11,307,624	87%	\$7.53
DISEASE-MODIFYING ANTIRHEUMATIC AGENTS	\$10,056,843	35%	\$6.70
BETA-ADRENERGIC BLOCKING AGENTS	\$7,014,544	95%	\$4.67
DIPEPTIDYL PEPTIDASE-4(DPP-4) INHIBITORS	\$7,004,350	0%	\$4.67
DIHYDROPYRIDINES	\$6,207,449	94%	\$4.13

Ongoing Use of the Dashboard

- View the current dashboard as a starting point
- Dashboard metrics can be added to be current with ongoing Board objectives
- Of key value will be to add performance metrics to monitor the progress vendors are making to support the strategic objectives of the SHP
- Provide insights into plan design alternatives that could be used to encourage behavioral change that will lower risk factors
- Monitor the effectiveness of efforts by vendors to support SHP participants in their efforts to improve their person health and lower health risk factors

Take-aways

- Work with Active Health to understand the disparity in number of chronic disease conditions and compliance gaps.
- Work with Active Health to determine how they are targeting high risk, high cost claimants (e.g., COPD and asthmatics) for outreach.
- Continue to monitor medication adherence and treatment compliance of key chronic diseases for improvement in health status as the value based program design is implemented on 1/1/2014.



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES



Process Discussion Follow-up: Requests to Consider Benefit Changes

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

Proposed Policy

- Pursuant to 135-48.30 the State Treasurer sets benefits subject to the approval of the Board of Trustees
- Proposed Board of Trustees Policy:

In fulfilling its mission to improve the health and health care of North Carolina teachers, state employees, retirees, and their dependents it is the policy of the Board of Trustees to provide a forum for people and groups wishing to propose changes in benefit coverage.

Process – Step 1

- Requestor completes a “Request Form for BOT Consideration of a Change to SHP Benefits” and submits to BOT/Plan by email, etc.
- The following information is provided in the Form:
 - Name of Requestor
 - Requested Change
 - Rationale for Request
 - Proposed Effective Date
 - Supporting Documentation
 - Contact Information

Process – Step 2

- Staff will receive and review the request. Staff may request clarification or additional information from the Requestor as appropriate.
- Staff provides the request to the Subcommittee members and facilitates date for review.
- Prior to the date for review, the Chair of the Subcommittee may request that staff gather additional information for the Subcommittee’s consideration.
- Chair of the Subcommittee may ask the Requestor to make a presentation to the Subcommittee regarding the proposed change or be available to answer questions the Subcommittee may have about the request.

Process – Step 3

- Subcommittee reports the results of its review to the Chair of the Board of Trustees along with a recommendation to deny the request or give the request further consideration.
- Communication to Requestor, the Chair and the Board of Trustees regarding Subcommittee’s recommendation.
- The Chair of the Board of Trustees will consider the recommendation of the Subcommittee and set the Board agenda accordingly as defined by GS 135-48.30.

Next Steps

- Identify Subcommittee members and Chair
- Identify frequency of Subcommittee meetings
- Draft resolution for establishing the Subcommittee
- Develop charter
- Draft policy
- Vote on the above at next BOT meeting