



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

September 2013 Financial Report

Board of Trustees Meeting

November 22, 2013

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Year to Date September 2013

Short Plan Year July-December 2013	Actual thru Sep 2013	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Beginning Cash Balance	\$783.5 m	\$755.8 m	\$27.7 m
Plan Revenue	\$749.4 m	\$736.1 m	\$13.3 m
Net Claims Payments	\$759.0 m	\$735.9 m	\$23.1 m
Net Administrative Expenses	\$41.1 m	\$45.7 m	(\$4.6 m)
Total Plan Expenses	\$800.1 m	\$781.6 m	\$18.5 m
Net Income/(Loss)	(\$50.7 m)	(\$45.5 m)	(\$5.2 m)
Ending Cash Balance	\$732.8 m	\$710.3 m	\$22.5 m

Adjusted Variance Report

Year to Date September 2013

Short Plan Year July-December 2013	Actual thru Sep 2013, As Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Beginning Cash Balance	\$783.5 m	\$755.8 m	\$27.7 m
Plan Revenue *	\$737.8 m	\$736.1 m	\$1.7 m
Net Claims Payments †	\$753.6 m	\$735.9 m	\$17.7 m
Net Administrative Expenses ^	\$41.7 m	\$45.7 m	(\$4.0 m)
Total Plan Expenses	\$795.3 m	\$781.6 m	\$13.7 m
Net Income/(Loss)	(\$57.5 m)	(\$45.5 m)	(\$12.0 m)
Ending Cash Balance	\$726.0 m	\$710.3 m	\$15.7 m

* Adjusted for timing issues and to exclude nonbudgeted revenues.

† Adjusted for timing issues.

^ Includes administrative expenses that were pending at the end of the month.

Financial Results Actual v. Budgeted

Year to Date September 2013

Per Member Per Month (PMPM) Analysis

Short Plan Year July-December 2013	Actual thru Sep 2013	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue	\$373.49	\$367.55	\$5.94
Net Claims Payments	\$378.42	\$367.19	\$11.23
Net Administrative Expenses	\$20.47	\$22.79	(\$2.32)
Total Plan Expenses	\$398.89	\$389.98	\$8.91
Net Income/(Loss)	(\$25.40)	(\$22.43)	(\$2.97)

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 September 2013

Per Member Per Month (PMPM) Analysis

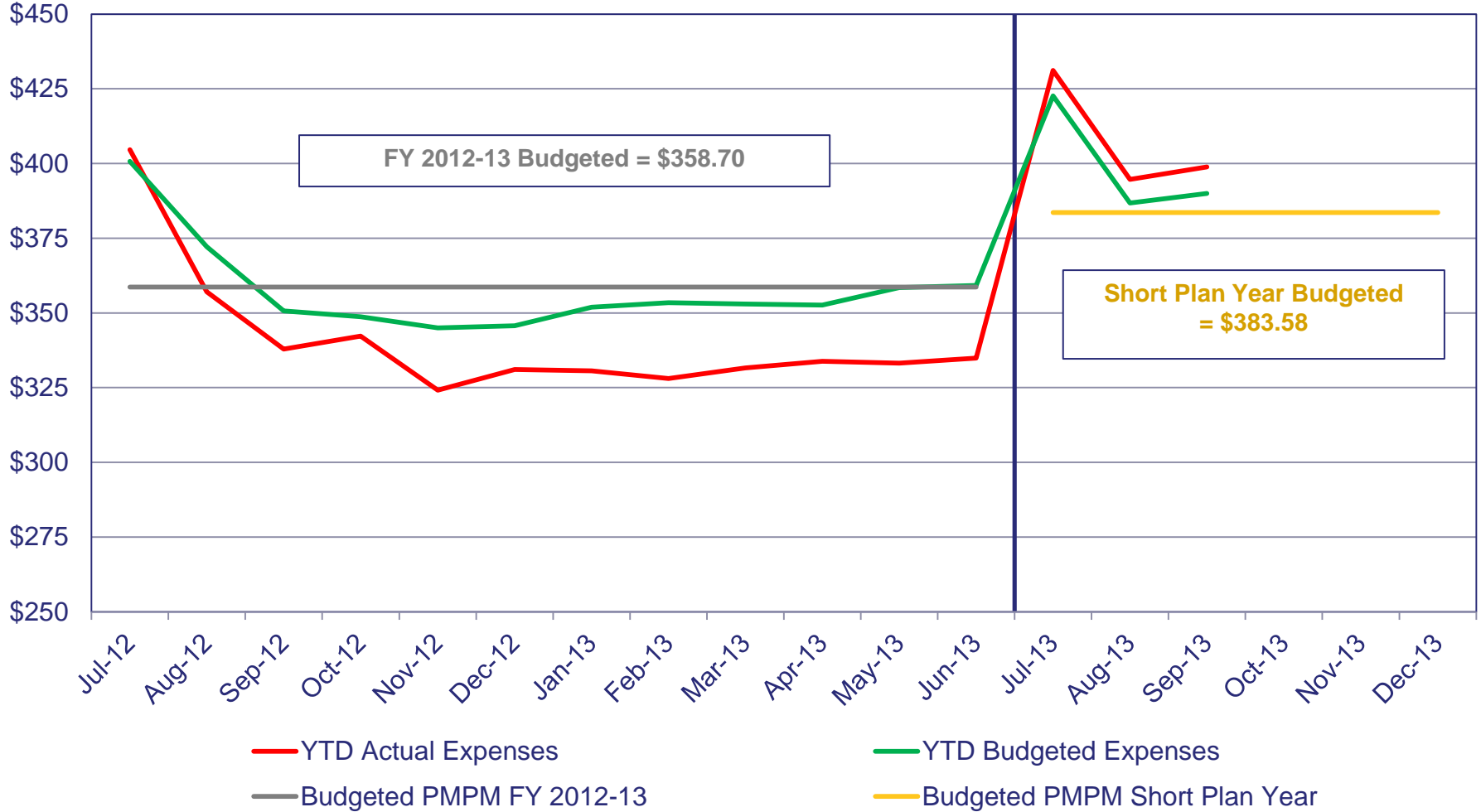
Short Plan Year July-December 2013	Actual thru Sep 2013, as Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	\$367.70	\$367.55	\$0.15
Net Claims Payments †	\$375.72	\$367.19	\$8.53
Net Administrative Expenses ^	\$20.78	\$22.79	(\$2.01)
Total Plan Expenses	\$396.50	\$389.98	\$6.52
Net Income/(Loss)	(\$28.80)	(\$22.43)	(\$6.37)

* Adjusted for timing issues and to exclude nonbudgeted revenues.

† Adjusted for timing issues.

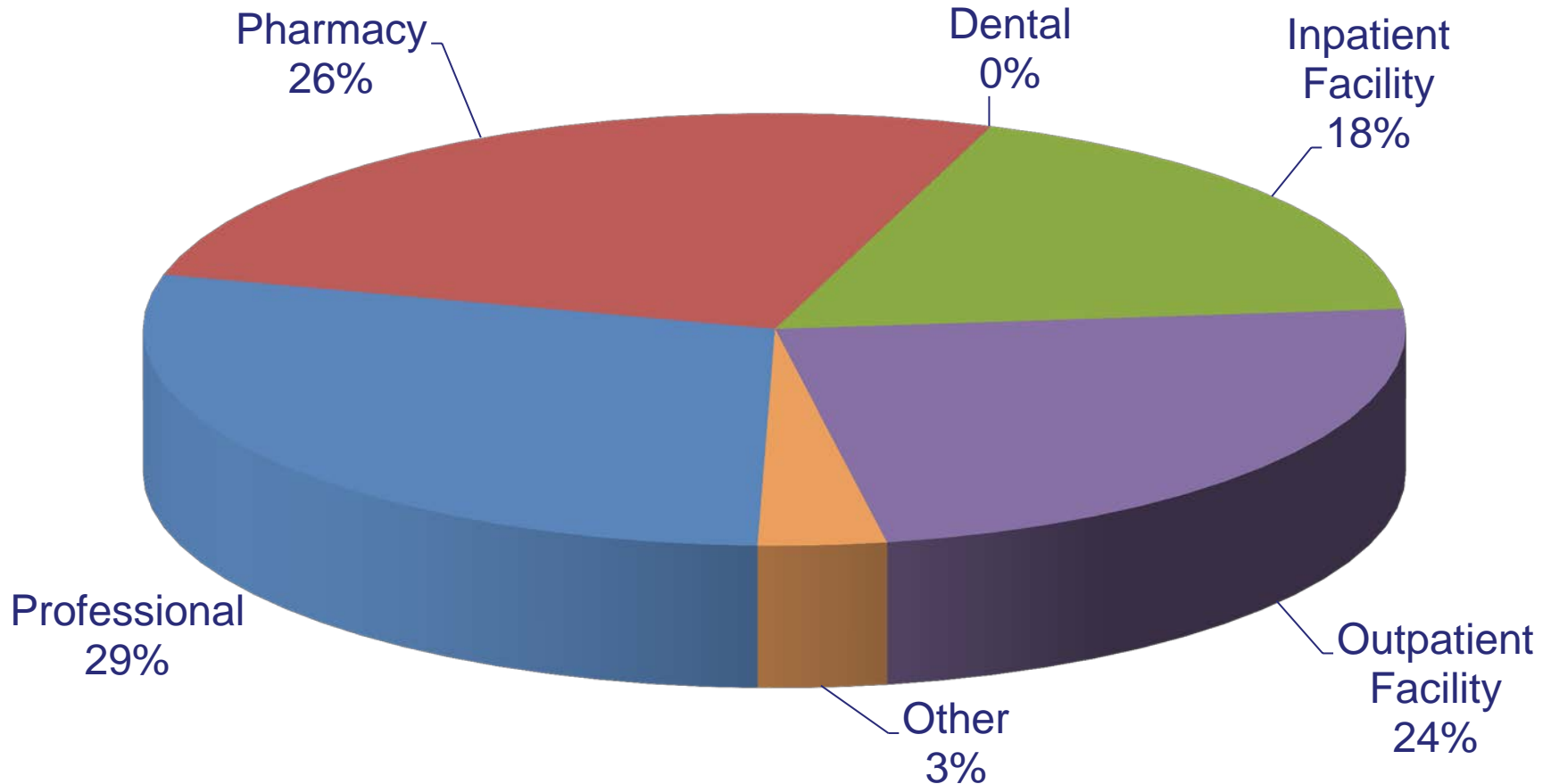
^ Includes administrative expenses that were pending at the end of the month.

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 September 2013

North Carolina State Health Plan for Teachers and State Employees

Summary of Operations (Cash Basis)
 Consolidated Report, Actual vs. Certified Budget
 For the Month Ended September 2013
 Short Plan Year (July - December 2013)

	A	B	C	D	E	F	G	H
	Actual September 2013	Certified Budget September 2013	Monthly Variance Over/(Under) Certified Budget	Actual Short Plan Year To Date	Certified Budget Short Plan Year to Date	Short Plan Year to Date Variance Over/(Under) Certified Budget	Short Plan Year Certified Budget (Jul - Dec 2013)	Short Plan Year to Date Variance Over/(Under) Certified Budget
1 Plan Revenue:								
2								
3 Member Premiums	\$ 208,817,225	\$ 240,055,343	\$ (31,238,118)	\$ 731,105,957	\$ 720,420,712	\$ 10,685,245	\$ 1,440,079,372	\$ (708,973,415)
4 Premium Refunds/Retroactive Disenrollments	(225,532)	(120,236)	(105,296)	(251,461)	(360,834)	109,373	(721,290)	469,829
5 Medicare Part D (RDS) Subsidy	307,743	364,862	(57,119)	1,510,296	1,277,453	232,843	2,784,744	(1,274,448)
6 Medicare PDP (EGWP + Wrap) Subsidy	4,094,352	4,190,180	(95,828)	16,106,284	14,046,619	2,059,665	32,347,301	(16,241,017)
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
8 Net Premium & Other Contributions	212,993,788	244,490,149	(31,496,361)	748,471,076	735,383,950	13,087,126	1,474,490,127	(726,019,051)
9								
10 Investment Earnings	303,960	239,370	64,590	858,605	725,262	133,343	1,448,002	(589,397)
11 Miscellaneous Revenue	54,972	-	54,972	54,972	-	54,972	-	54,972
12 Other Revenue	358,932	239,370	119,562	913,577	725,262	188,315	1,448,002	(534,425)
13								
14 Total Plan Revenue (excludes internal transfers)	213,352,720	244,729,519	(31,376,799)	749,384,653	736,109,212	13,275,441	1,475,938,129	(726,553,476)
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	193,560,030	189,525,431	4,034,599	545,279,555	538,713,745	6,565,810	1,043,999,297	(498,719,742)
19 Medical Claim Refunds/Recoveries	(1,494,252)	(2,038,882)	544,630	(5,764,072)	(6,135,864)	371,792	(12,060,684)	6,296,612
20 Net Medical Claims	192,065,778	187,486,549	4,579,229	539,515,483	532,577,881	6,937,602	1,031,938,613	(492,423,130)
21								
22 Pharmacy Claim Payments	65,501,226	61,126,348	4,374,878	226,538,700	213,574,418	12,964,282	434,048,440	(207,509,740)
23 Pharmacy Claim Rebates	-	814,806	(814,806)	(6,882,250)	(10,242,022)	3,359,772	(20,572,861)	13,690,611
24 Pharmacy Claim Refunds/Recoveries	(9,866)	-	(9,866)	(144,644)	-	(144,644)	-	(144,644)
25 Net Pharmacy Claims	65,491,360	61,941,154	3,550,206	219,511,806	203,332,396	16,179,410	413,475,579	(193,963,773)
26								
27 Net Claim Payments	257,557,138	249,427,703	8,129,435	759,027,289	735,910,277	23,117,012	1,445,414,192	(686,386,903)
28								
29 Net Administrative Expenses	14,443,126	15,218,468	(775,342)	41,046,132	45,668,038	(4,621,906)	91,298,298	(50,252,166)
30								
31 Total Plan Expenses (excludes internal transfers)	272,000,264	264,646,171	7,354,093	800,073,421	781,578,315	18,495,106	1,536,712,490	(736,639,069)
32								
33 Plan Income/(Loss)	(58,647,544)	(19,916,652)	(38,730,892)	(50,688,768)	(45,469,103)	(5,219,665)	(60,774,361)	10,085,593
34								
35 Cash Availability:								
36								
37 Beginning Cash Balance/(Deficit)	791,446,724	730,197,043	61,249,681	783,487,948	755,749,494	27,738,454	755,749,494	27,738,454
38 Ending Cash Balance/(Deficit)	732,799,180	710,280,391	22,518,789	732,799,180	710,280,391	22,518,789	694,975,133	37,824,047
39								
40 Target Stabilization Reserve @ 12/31/13	219,485,780	219,485,780	-	219,485,780	219,485,780	-	219,485,780	-
41								
42 Cash Balance Over/(Under) Reserve Target	\$ 513,313,400	\$ 490,794,611	\$ 22,518,789	\$ 513,313,400	\$ 490,794,611	\$ 22,518,789	\$ 475,489,353	\$ 37,824,047

Comments:

- a. Premium receivables totaled \$ 2,998,364.66 as of September 30, 2013.
- b. The average weekly medical claims cost net of claims refunds was \$38,413,155.60 for the five scheduled weekly claim cycles.
- c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$32,750,613.00 per cycle.
- d. The target stabilization reserve is 8% of the projected net claims for Calendar Year 2013.
- e. Minor differences compared to other reports are due to rounding.

North Carolina State Health Plan for Teachers and State Employees

Summary of Operations (Cash Basis)
 Consolidated Report, Actual vs. Certified Budget
 For the Month Ended September 2013
 Fiscal Year 2013- 2014

	A	B	C	D	E	F	G	H
	Actual September 2013	Certified Budget September 2013	Monthly Variance Over/(Under) Certified Budget	Actual Year to Date FY 2013-14	Certified Budget Year to Date FY 2013-14	Year to Date Variance Over/(Under) Certified Budget	Annual Certified Budget FY 2013-14	Year to Date Variance Over/(Under) Annual Certified Budget
1 Plan Revenue:								
2								
3 Member Premiums	\$ 208,817,225	\$ 240,055,343	\$ (31,238,118)	\$ 731,105,957	\$ 720,420,712	\$ 10,685,245	\$ 2,902,567,015	\$ (2,171,461,058)
4 Premium Refunds/Retroactive Disenrollments	(225,532)	(120,236)	(105,296)	(251,461)	(360,834)	109,373	(1,466,766)	1,215,305
5 Medicare Part D (RDS) Subsidy	307,743	364,862	(57,119)	1,510,296	1,277,453	232,843	6,218,762	(4,708,466)
6 Medicare PDP (EGWP + Wrap) Subsidy	4,094,352	4,190,180	(95,828)	16,106,284	14,046,619	2,059,665	50,346,402	(34,240,118)
7 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
8 Net Premium & Other Contributions	212,993,788	244,490,149	(31,496,361)	748,471,076	735,383,950	13,087,126	2,957,665,413	(2,209,194,337)
9								
10 Investment Earnings	303,960	239,370	64,590	858,605	725,262	133,343	2,868,131	(2,009,526)
11 Miscellaneous Revenue	54,972	-	54,972	54,972	-	54,972	-	54,972
12 Other Revenue	358,932	239,370	119,562	913,577	725,262	188,315	2,868,131	(1,954,554)
13								
14 Total Plan Revenue (excludes internal transfers)	213,352,720	244,729,519	(31,376,799)	749,384,653	736,109,212	13,275,441	2,960,533,544	(2,211,148,891)
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	193,560,030	189,525,431	4,034,599	545,279,555	538,713,745	6,565,810	2,107,493,114	(1,562,213,559)
19 Medical Claim Refunds/Recoveries	(1,494,252)	(2,038,882)	544,630	(5,764,072)	(6,135,864)	371,792	(24,643,884)	18,879,812
20 Net Medical Claims	192,065,778	187,486,549	4,579,229	539,515,483	532,577,881	6,937,602	2,082,849,230	(1,543,333,747)
21								
22 Pharmacy Claim Payments	65,501,226	61,126,348	4,374,878	226,538,700	213,574,418	12,964,282	699,653,578	(473,114,878)
23 Pharmacy Claim Rebates	-	814,806	(814,806)	(6,882,250)	(10,242,022)	3,359,772	(52,353,361)	45,471,111
24 Pharmacy Claim Refunds/Recoveries	(9,866)	-	(9,866)	(144,644)	-	(144,644)	-	(144,644)
25 Net Pharmacy Claims	65,491,360	61,941,154	3,550,206	219,511,806	203,332,396	16,179,410	647,300,217	(427,788,411)
26								
27 Net Claim Payments	257,557,138	249,427,703	8,129,435	759,027,289	735,910,277	23,117,012	2,730,149,447	(1,971,122,158)
28								
29 Medicare Advantage Premiums	-	-	-	-	-	-	86,864,744	(86,864,744)
30								
31 Net Administrative Expenses	14,443,126	15,218,468	(775,342)	41,046,132	45,668,038	(4,621,906)	182,446,628	(141,400,496)
32								
33 Total Plan Expenses (excludes internal transfers)	272,000,264	264,646,171	7,354,093	800,073,421	781,578,315	18,495,106	2,999,460,819	(2,199,387,398)
34								
35 Plan Income/(Loss)	(58,647,544)	(19,916,652)	(38,730,892)	(50,688,768)	(45,469,103)	(5,219,665)	(38,927,275)	(11,761,493)
36								
37 Cash Availability:								
38								
39 Beginning Cash Balance/(Deficit)	791,446,724	730,197,043	61,249,681	783,487,948	755,749,494	27,738,454	755,749,494	27,738,454
40 Ending Cash Balance/(Deficit)	732,799,180	710,280,391	22,518,789	732,799,180	710,280,391	22,518,789	716,822,219	15,976,961
41								
42 Target Stabilization Reserve @ 6/30/14	239,446,206	239,446,206	-	239,446,206	239,446,206	-	239,446,206	-
43								
44 Cash Balance Over/(Under) Reserve Target	\$ 493,352,974	\$ 470,834,185	\$ 22,518,789	\$ 493,352,974	\$ 470,834,185	\$ 22,518,789	\$ 477,376,013	\$ 15,976,961

Comments:

- Premium receivables totaled \$ 2,998,364.66 as of September 30, 2013.
- The average weekly medical claims cost net of claims refunds was \$38,413,155.60 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$32,750,613.00 per cycle.
- The target stabilization reserve is 8.5% of the projected net claims for Fiscal Year 2013-14.
- 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 September 2013

Fiscal Year 2013-2014

	A	B	C	D	E	F	G
	Current Year Actual September 2013	Prior Year Actual September 2012	Current Year to Date Actual FY 2013-14 thru September	Prior Year to Date Actual FY 2012-13 thru September	Current Year Certified Annual Budget FY 2013-14	Prior Year Annual Budget FY 2012-13	Prior Year Actual Results FY 2012-13
1 Plan Revenue:							
2							
3 Member Premiums	\$ 208,817,225	\$ 235,740,702	\$ 731,105,957	\$ 704,972,730	\$ 2,902,567,015	\$ 2,872,808,844	\$ 2,895,366,140
4 Premium Refunds/Retroactive Disenrollments	(225,532)	(41,714)	(251,461)	(141,356)	(1,466,766)	(1,437,243)	(487,819)
5 Medicare Part D (RDS) Subsidy	307,743	2,036,789	1,510,296	9,388,778	6,218,762	39,519,892	38,056,016
6 Medicare PDP (EGWP + Wrap) Subsidy	4,094,352	-	16,106,284	-	50,346,402	19,759,856	24,435,483
7 Federal Early Retiree Reinsurance Program (ERRP)	-	(558,219)	-	(558,219)	-	-	(558,219)
8 Net Premium & Other Contributions	212,993,788	237,177,558	748,471,076	713,661,933	2,957,665,413	2,930,651,349	2,956,811,601
9							
10 Investment Earnings	303,960	232,656	858,605	714,163	2,868,131	5,658,262	3,117,666
11 Miscellaneous Revenue	54,972	8,159	54,972	8,159	-	-	119,047
12 Other Revenue	358,932	240,815	913,577	722,322	2,868,131	5,658,262	3,236,713
13							
14 Total Plan Revenue (excludes internal transfers)	213,352,720	237,418,373	749,384,653	714,384,255	2,960,533,544	2,936,309,611	2,960,048,314
15							
16 Plan Expenses:							
17							
18 Medical Claim Payments	193,560,030	131,364,126	545,279,555	457,541,876	2,107,493,114	2,003,583,417	1,858,096,405
19 Medical Claim Refunds/Recoveries	(1,494,252)	(2,013,271)	(5,764,072)	(6,336,344)	(24,643,884)	(31,216,928)	(23,467,914)
20 Net Medical Claims	192,065,778	129,350,855	539,515,483	451,205,532	2,082,849,230	1,972,366,489	1,834,628,491
21							
22 Pharmacy Claim Payments	65,501,226	54,392,121	226,538,700	192,421,694	699,653,578	743,853,418	755,896,440
23 Pharmacy Claim Rebates	-	-	(6,882,250)	(12,543,432)	(52,353,361)	(53,173,873)	(69,641,941)
24 Pharmacy Claim Refunds/Recoveries	(9,866)	(17,994)	(144,644)	(35,420)	-	-	(3,476,790)
25 Net Pharmacy Claims	65,491,360	54,374,127	219,511,806	179,842,842	647,300,217	690,679,545	682,777,709
26							
27 Net Claim Payments	257,557,138	183,724,982	759,027,289	631,048,374	2,730,149,447	2,663,046,034	2,517,406,200
28							
29 Medicare Advantage Premiums	-	-	-	-	86,864,744	-	-
30							
31 Net Administrative Expenses	14,443,126	14,164,933	41,046,132	41,022,629	182,446,628	189,387,392	161,401,639
32							
33 Total Plan Expenses (excludes internal transfers)	272,000,264	197,889,915	800,073,421	672,071,003	2,999,460,819	2,852,433,426	2,678,807,839
34							
35 Plan Income/(Loss)	(58,647,544)	39,528,458	(50,688,768)	42,313,252	(38,927,275)	83,876,185	281,240,475
36							
37 Cash Availability:							
38							
39 Beginning Cash Balance/(Deficit)	791,446,724	505,032,265	783,487,948	502,247,471	755,749,494	502,247,475	502,247,471
40 Ending Cash Balance/(Deficit)	732,799,180	544,560,723	732,799,180	544,560,723	716,822,219	586,123,660	783,487,946
41							
42 Target Stabilization Reserve @ 6/30/14	239,446,206	199,728,453	239,446,206	199,728,453	239,446,206	199,728,453	188,805,465
43							
44 Cash Balance Over/(Under) Reserve Target	\$ 493,352,974	\$ 344,832,270	\$ 493,352,974	\$ 344,832,270	\$ 477,376,013	\$ 386,395,207	\$ 594,682,481

Comments:

a. Minor differences compared to other reports are due to rounding

North Carolina State Health Plan for Teachers and State Employees
Summary of Operations (Cash Basis, as adjusted)

Consolidated Report, Actual vs. Budgeted
For the Month Ended September 2013
Short Plan Year (July-December 2013)

	A	B	C	D	E	F
	Actual Year to Date Short Plan Year thru September	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Certified Budget Year to Date Short Plan Year thru September	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
1 Plan Revenue:						
2						
3 Member Premiums (Notes 1 and 2)	\$ 731,105,957	\$ (11,564,443)	\$ 719,541,514	\$ 720,420,712	\$ (879,198)	-0.12%
4 Premium Refunds/Retroactive Disenrollments	(251,461)		(251,461)	(360,834)	109,373	-30.31%
5 Medicare Part D (RDS) Subsidy	1,510,296		1,510,296	1,277,453	232,843	18.23%
6 Medicare PDP (EGWP + Wrap) Subsidy	16,106,284		16,106,284	14,046,619	2,059,665	14.66%
7 Federal Early Retiree Reinsurance Program (ERRP)	-		-	-	-	
8 Net Premium & Other Contributions	748,471,076	(11,564,443)	736,906,633	735,383,950	1,522,683	0.21%
9						
10 Other Revenue (Note 3)	913,577	(54,973)	858,604	725,262	133,342	18.39%
11						
12 Total Plan Revenue (excludes internal transfers)	749,384,653	(11,619,415)	737,765,238	736,109,212	1,656,026	0.22%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims	539,515,483		539,515,483	532,577,881	6,937,602	1.30%
17 Net Pharmacy Claims (Note 4)	219,511,806	(5,419,579)	214,092,227	203,332,396	10,759,831	5.29%
18 Net Claim Payments	759,027,289	(5,419,579)	753,607,710	735,910,277	17,697,433	2.40%
19						
20 Net Administrative Expenses (Note 5)	41,046,132	625,518	41,671,650	45,668,038	(3,996,388)	-8.75%
21						
22 Total Plan Expenses (excludes internal transfers)	800,073,421	(4,794,061)	795,279,360	781,578,315	13,701,045	1.75%
23						
24 Plan Income/(Loss)	(50,688,768)	(6,825,354)	(57,514,122)	(45,469,103)	(12,045,019)	26.49%
25						
26 Cash Availability:						
27						
28 Beginning Cash Balance/(Deficit)	783,487,948		783,487,948	755,749,494	27,738,454	3.67%
29 Ending Cash Balance/(Deficit)	732,799,180	(6,825,354)	725,973,826	710,280,391	15,693,435	2.21%
30						
31 Target Stabilization Reserve @ 6/30/14	219,485,780		219,485,780	219,485,780	-	
32						
33 Cash Balance Over/(Under) Reserve Target	\$ 513,313,400	\$ (6,825,354)	\$ 506,488,046	\$ 490,794,611	\$ 15,693,435	3.20%

Adjustment Notes:

1. Member premiums adjusted to include \$10.3 million in prepaid July premiums received in June 2013.
2. Member premiums adjusted to exclude \$21.9 million in prepaid October premiums received in September 2013.
3. Adjusted other revenue to exclude unbudgeted reimbursement of prior year expenditures.
4. Pharmacy claims adjusted to include an EGWP rebate budgeted for July that will not be received until October.
5. Administrative expenses adjusted to include estimated fees due to Benefitfocus for July and August that are pending review and payment.