



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



CY 2016 1st Quarter Actuarial Forecast Update

Board of Trustees Meeting

August 4, 2016

Forecast prepared by The Segal Company
Final version dated 7-5-16

A Division of the Department of State Treasurer

Presentation Overview

- Executive Summary
 - Reserve Fund for Future Benefit Needs and Current Forecast
- Forecast Update Schedule
- Updated Assumptions: CY 2016 1st Quarter Forecast Update vs. Certified Budget
- CY 2016 Forecast: CY 2016 1st Quarter Forecast Update vs. Certified Budget
- Summary Graphs
- Future Outlook

State Budget Language

SECTION 36.24.(a) The State Treasurer and the Board of Trustees shall adopt measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected employer contribution increases.

SECTION 36.24.(b) If the Director of the Budget determines that the additional cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in subsection (a) of this section are sufficient to reduce the projected employer premium increases to ***four percent (4%) or less in both the 2018 and 2019 plan years***, then the Director of the Budget is authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency budgets. The projected employer premium increases should be calculated assuming the Reserve for Future Benefit Needs is reallocated. (***Bold italics*** added)

- The updated State Health Plan forecast projects employer contribution increases of **3.74%** for 2018 and 2019.

Release of the Reserve Funds

- Staff met with the Director of the Office of State Budget and Management (OSBM) and his staff in mid-July to discuss the current forecast and releasing the Reserve for Future Benefit Needs
- The Director asked for a letter from the Executive Administrator and the Plan's actuary on the soundness of the forecast
 - The letter was sent on July 25, 2016
- On August 1, 2016, the Plan received notice from OSBM that the Reserve for Future Benefit Needs will be reallocated to the employing units, allowing employer contributions to increase 3.4% as of January 1, 2017

Current Forecast: Progression

Forecast Progression	Change in 2018-2019 Premium Increases	Projected 2018-19 Premium Increases
Board-approved 2017 benefit design (CY 2015 Q4 Forecast)		6.48% (See May BoT meeting materials)
Plan Experience in 2016 Q1	-0.30	
Reduced Administrative Expenses Beginning FY 2016-17	-0.74	
Medicare Advantage: Assume full ACA Insurer Fee in 2018	+0.93	
Board-approved Medicare Advantage renewal pricing	-0.60	
Board-approved custom closed formulary for PBM contract	-0.40	
Higher 2016 rebate true-up*, projected forward	<u>-1.63</u>	3.74% (current forecast)
Total Change in 2018-2019 Premium Increases	-2.74	

*The Plan received a \$49.5 million rebate true-up payment on July 1, 2016. The payment was \$34.5 million more than the amount included in previous forecasts.

Summary/Future Outlook

Based on CY 2016 1st Quarter Update

Relative to the Certified Budget (FB 2015-2017), the CY 2016 1st Quarter Update projects:

- a **higher** cash balance at the end of 2016,
- slightly **higher** medical claims costs in 2016 but **lower** long-term medical costs due to benefit design changes,
- **lower** pharmacy claims costs due to higher rebates and the new PBM contract

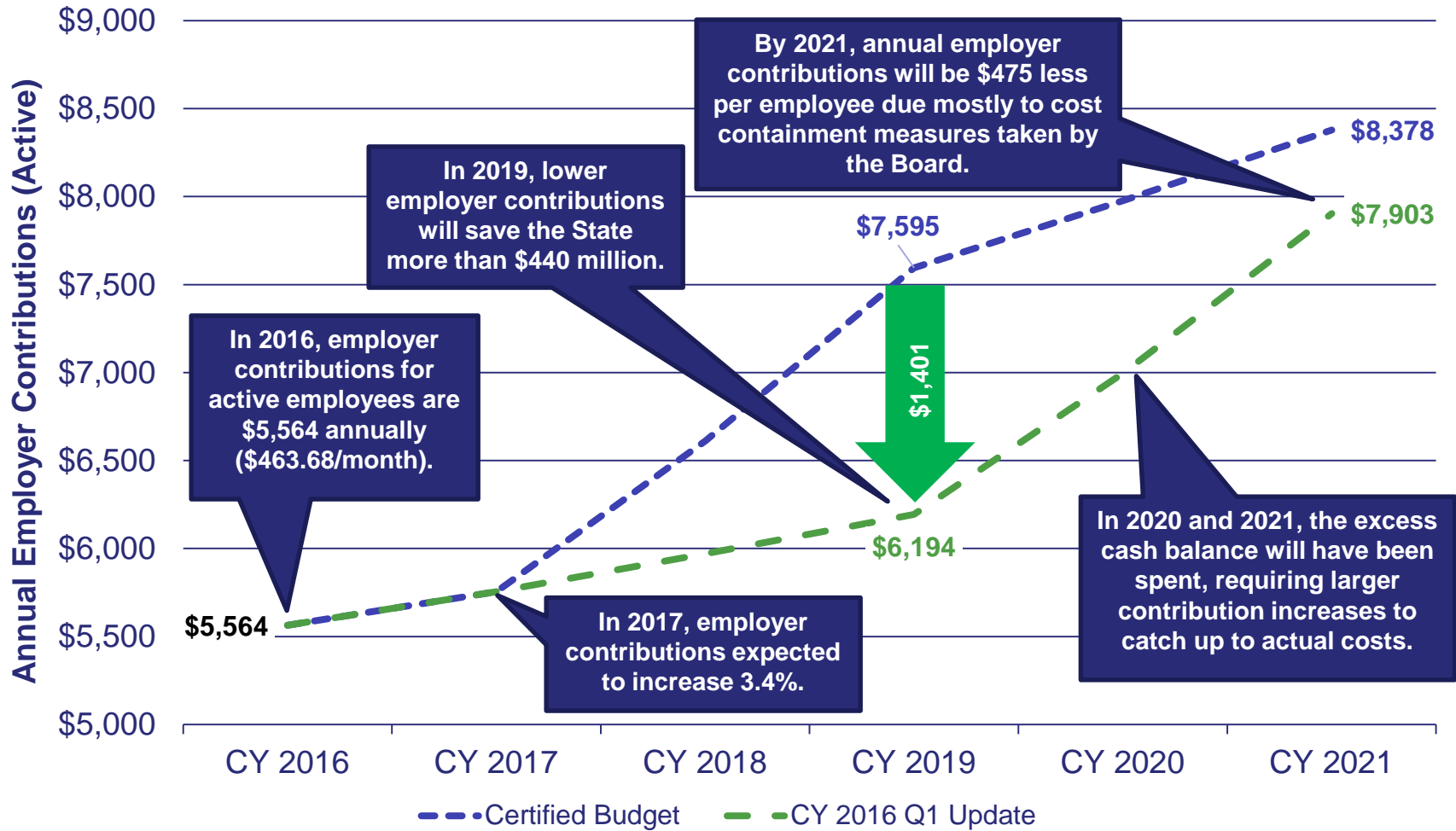
- The **\$844.2 million** cash balance projected for June 30, 2017:
 - Is \$327.4 million **higher** than the Certified FB 2015-17 Budget projection
 - **Exceeds** the 9.0% target stabilization reserve amount by \$577.8 million
 - Equates to **12.6 weeks** of projected FY 2017-18 operating expenses

- The CY 2016 1st Quarter Update does not anticipate falling below the 12% Legislative Reserve Floor

- The CY 2016 1st Quarter Update projects the need for **3.74%** premium increases for January 2018 and 2019. This is **lower** than the Certified FB 2015-17 Budget (14.88%) and **below** the 4% target set in the State Budget

Estimated Annual State/Employer Contributions

Active Employees



CY 2016 1st Quarter Forecast Update

Actuarial Forecast Update Schedule

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

Forecast Assumptions **Maintained** in the Update

CY 2016 1st Quarter Update vs. Certified Budget

- Membership trends
 - 1% annual decrease in actives
 - 1% annual increase in retirees
- Trend assumptions
 - 7% medical trend
 - 8.5% pharmacy trend
 - 3% administrative trend after FY 2016-17
- Board-approved benefit design for CY 2016
 - Increase in wellness premiums and credits
 - Increased cost-sharing in Traditional 70/30 Plan
 - Changes to Consumer-Directed Health Plan (CDHP): increases to HRA starting balance and member out-of-pocket maximums
 - *Status Quo* in Enhanced 80/20 Plan, except Tier 5 pharmacy copay
- 3.43% across-the-board premium increases for 2017
- Cash reserves are balanced to the Target Stabilization Reserve (TSR) as of December 31, 2019

Forecast Assumptions **Changed/Revised** in the Update CY 2016 1st Quarter Update vs. Certified Budget

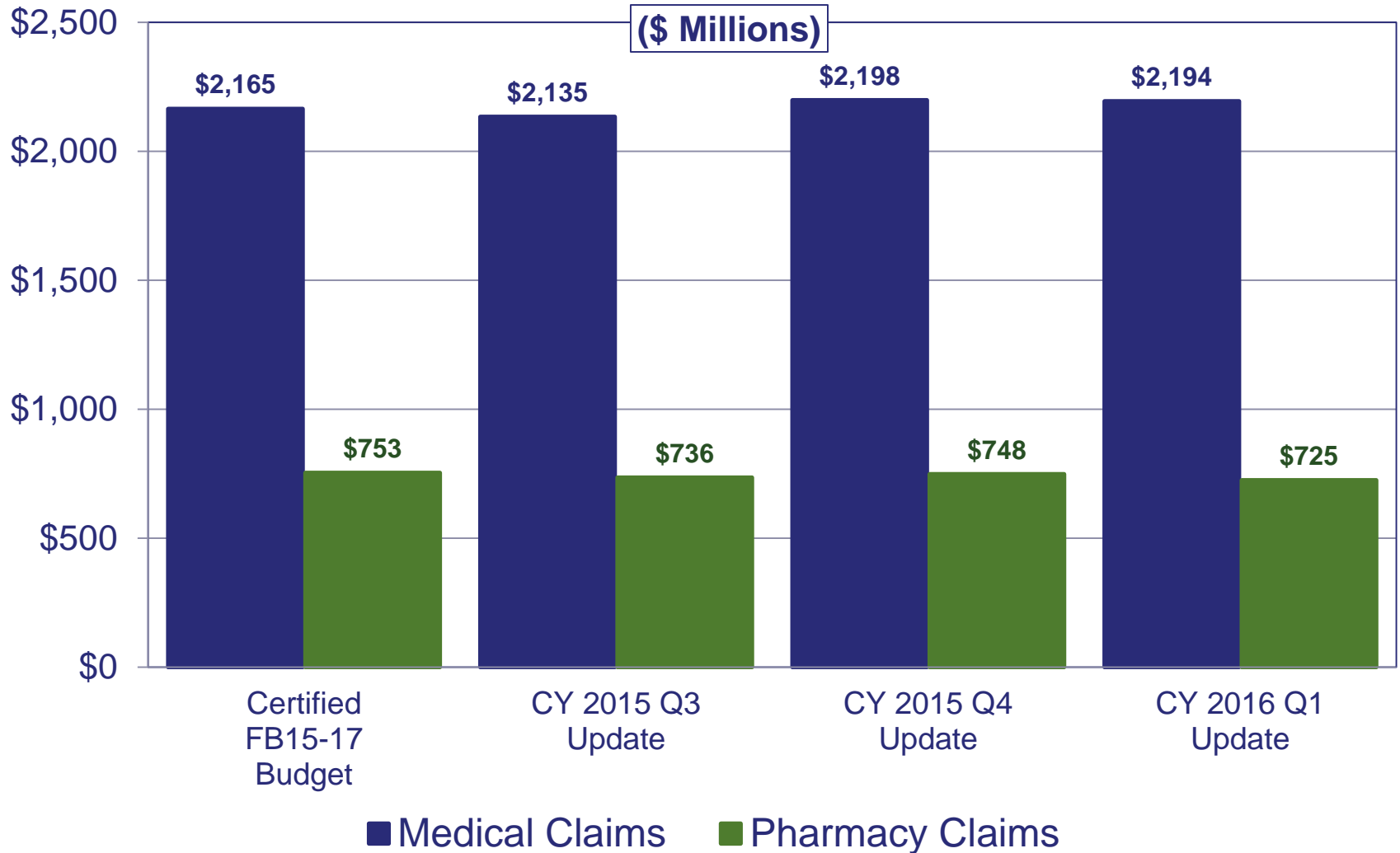
- Membership based on actual March 2016 enrollment data (instead of May 2015)
 - Includes the impact of Annual Enrollment on 2016 plan options
- Anticipated claims expenditures based on actual experience through March 2016 (instead of June 2015)
- Cash balance begins from actual total as of March 31, 2016 (rather than June 30, 2015)
- Increased pharmacy rebates to more accurately reflect recent rebate experience, including a \$49.5 million rebate true-up payment received July 1, 2016
- Lower administrative cost estimates beginning July 2016
 - \$20.2 million reduction for FY 2016-17 reflects more recent expectations of actual spending
- The update includes the 2017 benefit design approved by the Board in 2016
 - The Certified Budget included a 2017 benefit design with a base premium on the Traditional 70/30 Plan and no changes to the Enhanced 80/20 Plan
- Pharmacy savings projected from the new PBM contract and the Board's approval of a closed formulary (beginning in 2017)
- Medicare Advantage (MA) premiums reflect final 2017 renewal negotiations and the Board's approval of a single MA carrier for 2017
 - MA premium rates for 2018 and after assume the re-imposition of a federal Insurer Fee that was waived for 2017, resulting in higher out-year MA premium estimates

Calendar Year 2016 Comparison of Models

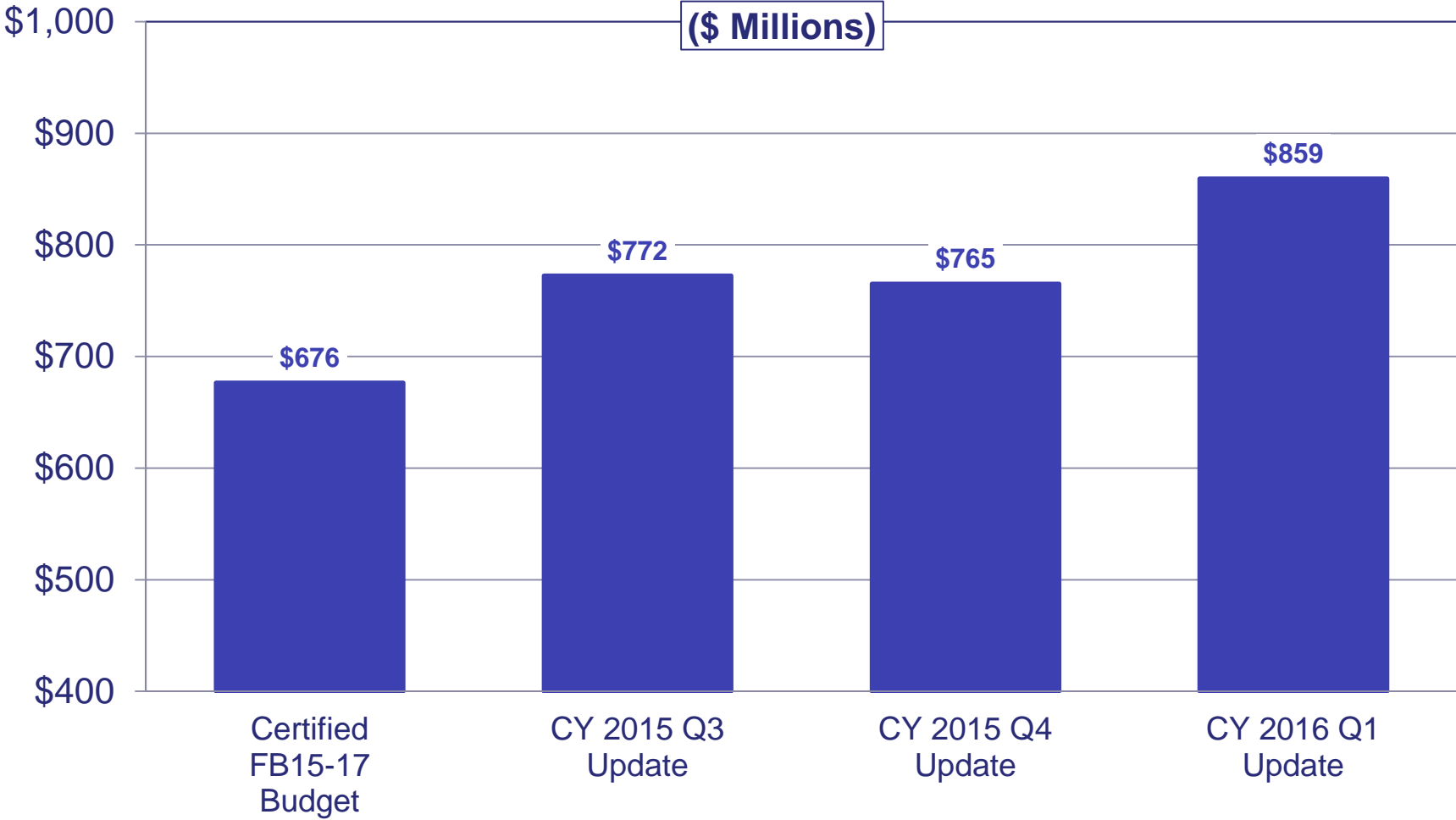
CY 2016 1st Quarter Update vs. Certified Budget

Calendar Year 2016	CY 2016 1 st Quarter Update (per Segal 7-5-16)	Certified Budget (per Segal 10-13-15)	Difference: Increase/ (Decrease) From Budget
Beginning Cash Balance	\$1.015 b	\$941.3 m	\$73.9 m
Plan Revenue	\$3.167 b	\$3.094 b	\$72.9 m
Net Claims Payments	\$2.919 b	\$2.918 b	\$0.8 m
Medicare Advantage Premiums	\$193.8 m	\$190.9 m	\$2.9 m
Net Admin. Expenses	\$210.0 m	\$249.8 m	(\$39.8 m)
Total Plan Expenses	\$3.323 b	\$3.359 b	(\$36.1 m)
Net Income/(Loss)	(\$155.8 m)	(\$264.8 m)	\$109.0 m
Ending Cash Balance	\$859.4 m	\$676.5 m	\$182.9 m
2018 & 2019 Premium Increases	3.74%	14.88%	(11.14%)

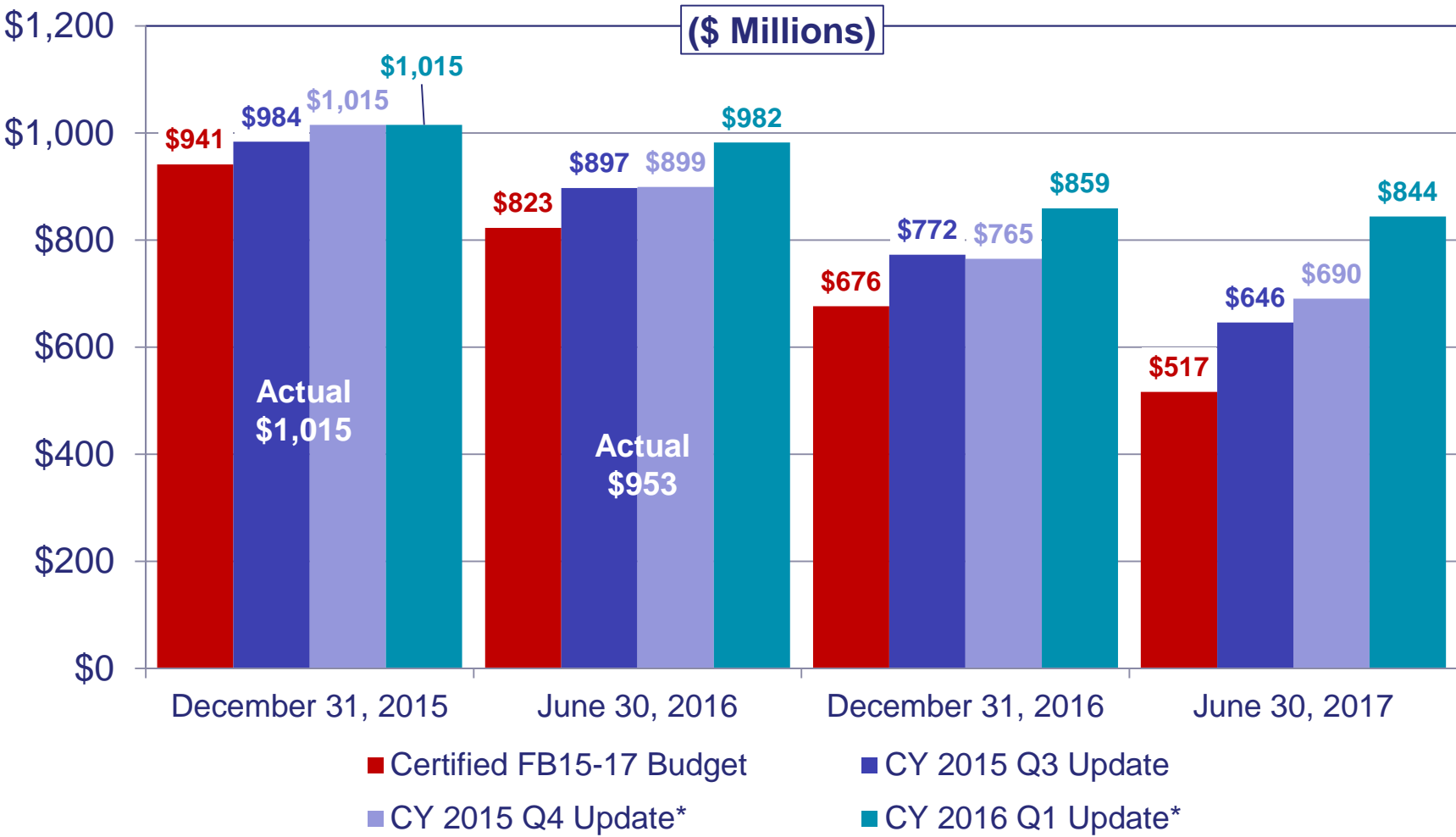
Forecast Comparisons: Calendar Year 2016 Claims



Forecast Comparisons: Ending Cash Balance December 31, 2016

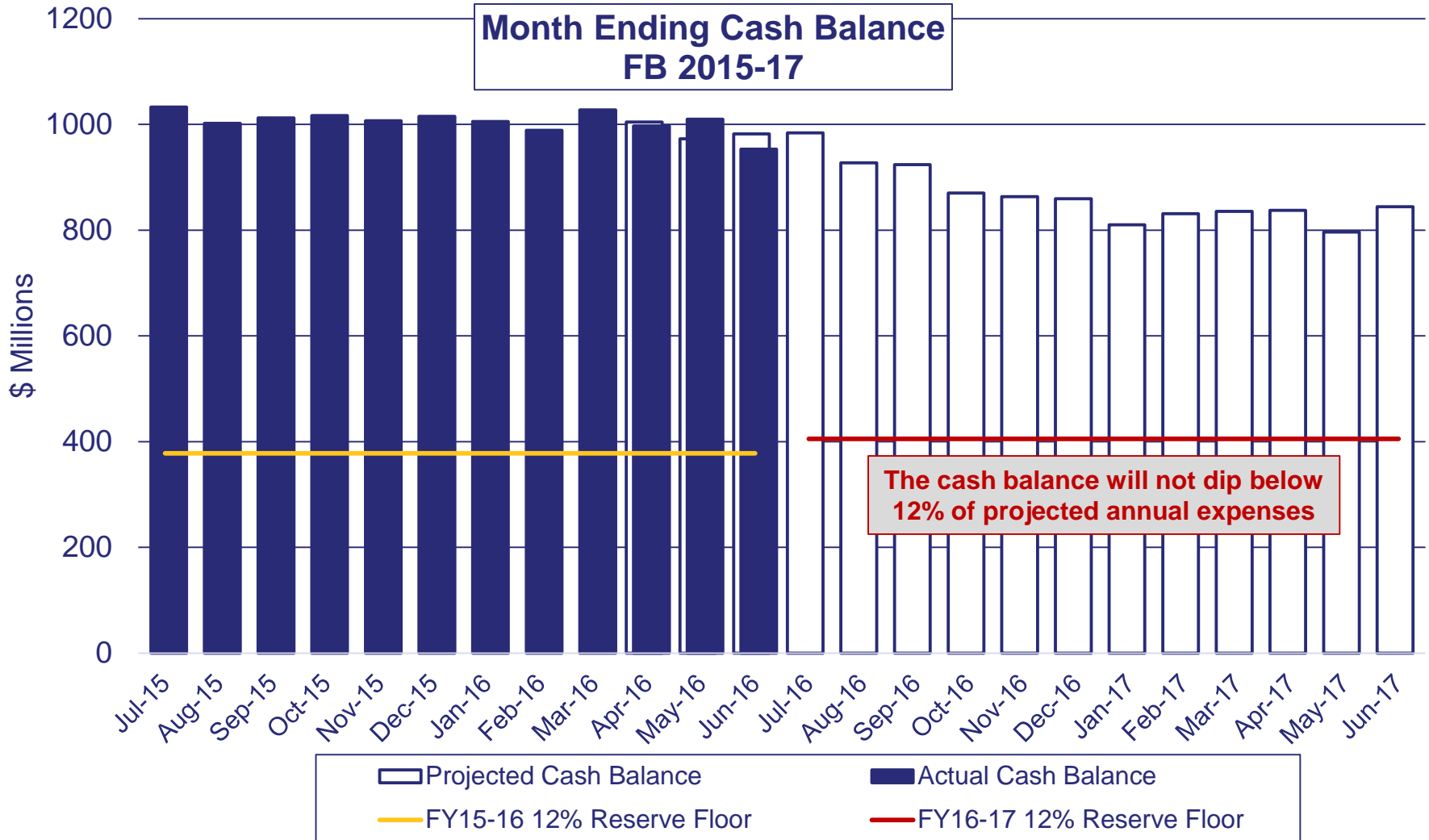


Forecast Comparisons: Ending Cash Balances in FB15-17



*Forecasts include the Board's approved benefit design for 2017 and future years

Projected Cash Balance/12% Legislative Reserve Floor CY 2016 1st Quarter Forecast Update



North Carolina State Health Plan
Financial Projections - Jun 2015

Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active (Starting 2018) on 70/30 Plan
With March 2015 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

3.47% Increase for Actives and NMRs and 3.45% Increase for MRs in ER Contribution and 2.83% Increase for EE Contribution in 2016, 3.43% Increase for ER and EE in 2017

	2012 - 2013 Biennium		Actual Short Plan Year Jul-Dec 2013	Actual Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
	Actual FY 2012	Actual FY 2013									
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,969,222,633	3,101,082,665	3,196,980,423	3,670,811,220	4,194,038,986	4,387,013,794	4,591,067,046
Wellness Surcharge/(Credit)	-	-	-	-	(5,579,400)	(12,235,376)	(244,681)	14,428,650	14,997,168	16,015,020	16,574,924
Medicare Advantae Subsidy	-	-	-	721,773	946,437	866,821	883,058	918,683	935,591	972,280	989,879
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(753,239)	(1,550,541)	(1,598,490)	(1,835,406)	(2,097,019)	(2,193,507)	(2,295,534)
Premium Change due to Movement Medicare Part D	57,583,602	38,056,016	(1,323,888)	21,584,404	1,290,050	(11,584,401)	(8,449,897)	3,216,901	6,609,643	10,731,179	12,578,500
EGWP+Wrap											
Direct Subsidy	-	24,435,483	25,202,822	216,170	441	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,603,406	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	4,699,673	3,269,599	2,005,537	1,069,547	1,152,773	1,529,812	1,573,273
Total Plan Income	2,852,680,163	2,960,048,314	1,539,900,247	3,007,663,512	3,036,689,374	3,094,026,568	3,204,052,534	3,702,577,852	4,229,837,012	4,427,595,351	4,634,160,114
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,091,695,828	2,248,177,501	2,391,472,401	2,601,158,619	2,718,666,411	2,899,821,730	3,082,959,373
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(22,731,740)	(26,552,076)	(26,876,079)	(28,428,782)	(30,324,486)	(32,480,285)	(34,421,873)	(36,866,910)
Adjustment for Changes	-	-	-	-	1,687,469	(63,902,366)	(83,097,380)	(80,281,035)	(68,989,932)	(83,381,471)	(77,619,822)
Cost of Add Locals	-	-	-	-	-	7,482,840	7,976,416	8,503,282	8,482,861	8,442,872	8,424,051
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,066,831,221	2,164,881,896	2,287,922,654	2,499,056,381	2,625,679,055	2,790,461,258	2,976,896,692
Medicare Advantage Premiums	-	-	-	155,497,950	171,292,151	190,926,383	207,663,919	231,607,844	251,851,659	280,568,061	305,023,745
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	747,682,663	802,051,996	864,669,485	932,231,424	1,005,133,318	1,084,389,407	1,169,389,293
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(98,763,203)	(89,462,256)	(50,098,631)	(51,122,325)	(51,830,700)	(52,881,526)	(53,579,327)	(54,647,657)
Claims Adjustment for Changes	-	-	-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine	-	-	-	-	345,776	1,276,000	1,366,000	1,462,000	1,522,931	1,637,763	1,749,194
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	658,566,182	753,229,366	814,913,160	881,862,724	953,774,723	1,032,447,843	1,116,490,830
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,681,657,393	2,896,689,554	3,109,037,645	3,310,499,733	3,612,526,948	3,831,305,437	4,103,477,163	4,398,411,268
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	207,934,251	226,154,235	234,469,159	240,612,354	246,937,966	253,452,064	260,160,933
ACA Reinsurance Fee	-	-	-	-	5,642,732	23,664,475	14,405,357	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,110,266,537	3,358,856,354	3,559,374,250	3,853,139,302	4,078,243,404	4,356,929,227	4,658,572,201
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	(73,577,163)	(264,829,786)	(355,321,715)	(150,561,450)	151,593,608	70,666,124	(24,412,087)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	941,270,183	676,440,397	321,118,681	170,557,232	322,150,840	392,816,964
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	941,270,183	676,440,397	321,118,681	170,557,232	322,150,840	392,816,964	368,404,877
Target Stabilization Reserve - CY (9%)	184,110,626	201,392,496	113,231,386	214,723,553	245,285,766	262,630,014	279,255,223	304,282,719	322,150,840	344,061,819	368,404,877
Legislative Target Reserve - CY (20%)	-	-	-	-	622,053,307	671,771,271	-	-	-	-	-
Cash Balance Over CY TSR	318,136,845	582,095,450	725,215,751	800,123,793	695,984,417	413,810,383	41,863,458	(133,725,488)	0	48,755,145	0
Cash Balance Over CY LTR	-	-	-	-	319,216,876	4,669,126	-	-	-	-	-
Target Stabilization Reserve %	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve						20.1%	9.0%	4.4%	7.9%	9.0%	7.9%
ER Premium Increase:	7/1 Increase 5.3%	7/1 Increase 5.3%		1/1 Increase 0.0%	1/1 Increase 0.00%	1/1 Increase 3.47%	1/1 Increase 3.43%	1/1 Increase 14.88%	1/1 Increase 14.88%	1/1 Increase 5.03%	1/1 Increase 5.03%
EE Premium Increase:	5.3%	5.3%		0.00%	0.00%	2.83%	3.43%	14.88%	14.88%	5.03%	5.03%

**North Carolina State Health Plan
Financial Projections - Jun 2015
Trends - 7.0% Medical & 8.5% Pharmacy**

**No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active (Starting 2018) on 70/30 Plan
With March 2015 Enrollment**

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium		2020 - 2021 Biennium	
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019	Projection FY2020	Projection FY2021
PLAN INCOME:										
Net Contribution Income	2,750,368,851	2,895,366,140	2,941,097,678	2,987,502,673	3,047,816,558	3,149,043,042	3,434,089,830	3,932,617,147	4,290,561,921	4,489,077,217
Wellness Surcharge/(Credit)	-	-	-	-	(11,707,747)	(6,225,252)	7,106,868	14,713,117	15,506,617	16,295,135
Medicare Advantage Subsidy	-	-	417,565	833,262	848,545	875,853	899,869	928,068	952,914	982,029
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(299,923)	(11,359)	(1,523,908)	(1,574,522)	(1,717,045)	(1,966,309)	(2,145,281)	(2,244,539)
Premium Change due to Movement	-	-	-	-	(4,477,966)	(10,011,806)	(2,601,073)	4,918,367	8,676,356	11,658,104
Medicare Part D	57,583,602	38,056,016	11,583,652	19,590,771	14,457,206	14,230,850	14,333,822	13,977,434	13,988,152	13,481,389
EGWP+Wrap										
Direct Subsidy	-	24,435,483	25,216,663	202,770	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	38,563,909	1,478,088	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	63,780,571	50,283,823	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	3,916,235	5,065,735	3,760,447	2,689,246	1,414,677	989,855	1,367,484	1,628,574
Total Plan Income	2,852,680,163	2,960,048,314	3,020,495,778	3,063,262,956	3,049,173,135	3,149,027,412	3,453,526,948	3,966,177,680	4,328,908,163	4,530,877,910
PLAN EXPENSE:										
Medical Claims Payment	1,849,410,105	1,858,096,405	1,989,574,333	2,021,369,178	2,178,449,449	2,319,076,194	2,471,229,778	2,631,415,335	2,862,799,493	2,989,707,862
Claim Refunds	(22,634,615)	(23,467,914)	(22,450,766)	(24,839,428)	(25,761,279)	(27,538,585)	(29,524,691)	(31,258,850)	(33,527,532)	(35,492,222)
Adjustment for Changes	-	-	-	-	(29,808,787)	(73,348,668)	(81,108,183)	(74,743,236)	(76,313,860)	(80,445,833)
Cost of Add Locals	-	-	-	-	3,681,718	7,725,604	8,235,548	8,779,912	8,176,325	8,718,301
Net Medical Claims	1,826,775,490	1,834,628,491	1,967,123,567	1,996,529,750	2,126,561,101	2,225,914,544	2,368,832,452	2,534,193,161	2,761,134,427	2,882,488,107
Medicare Advantage Premiums	-	-	78,538,847	162,400,394	181,076,579	199,274,333	219,606,100	241,704,572	266,174,143	292,765,485
Pharmacy Claims Payment	721,163,013	752,419,650	743,281,462	721,469,293	801,972,479	832,959,448	898,016,897	968,213,916	1,044,840,766	1,126,360,411
Rebates	(93,130,160)	(69,641,941)	(91,653,105)	(51,114,709)	(104,118,977)	(50,534,232)	(51,558,326)	(52,269,924)	(53,319,911)	(54,019,906)
Claims Adjustment for Changes	-	-	-	-	984,386	1,321,028	1,414,029	1,476,948	1,580,652	1,693,972
Additional ACA Preventive Medicine	-	-	-	-	-	-	-	-	-	-
Net Pharmacy Claims	628,032,853	682,777,709	651,628,357	670,354,584	698,837,888	783,746,244	847,872,600	917,420,940	993,101,508	1,074,034,477
Total Claims	2,454,808,343	2,517,406,200	2,697,290,771	2,829,284,728	3,006,475,568	3,208,935,121	3,436,311,152	3,693,318,674	4,020,410,077	4,249,288,070
Administrative Costs	165,480,561	161,401,639	148,134,913	168,416,645	220,861,106	231,442,088	237,495,630	243,728,615	250,147,001	256,756,966
ACA Reinsurance Fee	-	-	-	-	23,391,088	14,452,627	5,868,849	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	2,845,425,684	2,997,701,373	3,250,727,762	3,454,829,836	3,679,675,631	3,937,047,289	4,270,557,079	4,506,045,035
Plan Income (Loss)	232,391,259	281,240,475	175,070,094	65,561,583	(201,554,627)	(305,802,424)	(226,148,683)	29,130,391	58,351,084	24,832,874
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	958,558,040	1,024,119,623	822,564,996	516,762,572	290,613,889	319,744,280	378,095,364
Ending Cash Balance (Deficit)	502,247,471	783,487,946	958,558,040	1,024,119,623	822,564,996	516,762,572	290,613,889	319,744,280	378,095,364	402,928,238
Target Stabilization Reserve - FY (9%)	184,110,626	201,392,496	222,593,914	240,019,590	254,285,909	270,869,471	289,503,455	310,645,269	337,881,234	356,087,033
Legislative Target Reserve - FY (20%)	-	-	-	599,540,275	650,145,552	690,965,967	-	-	-	-
Cash Balance Over FY TSR	-	-	-	784,100,033	568,279,087	245,893,101	1,110,434	9,099,011	40,214,130	46,841,205
Cash Balance Over FY LTR	-	-	-	424,579,348	172,419,443	(174,203,395)	-	-	-	-
Target Stabilization Reserve %	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve				34.2%	25.3%	15.0%	7.9%	8.1%	8.9%	8.9%
	7/1 Increase	7/1 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
ER Premium Increase:	5.3%	5.3%	0.00%	0.00%	3.47%	3.43%	14.88%	14.88%	5.03%	5.03%
EE Premium Increase:	5.3%	5.3%	0.00%	0.00%	2.83%	3.43%	14.88%	14.88%	5.03%	5.03%

North Carolina State Health Plan
Financial Projections - Sep 2015
Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surchager (\$40 for 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active (Starting 2018) on 70/30 Plan
With March 2015 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

3.47% Increase for Actives and NMRs and 3.45% Increase for MRs in ER Contribution and 2.83% Increase for EE Contribtuon in 2016, 3.43% Increase for ER and EE in 2017 , Adjust Rebates

	2012 - 2013 Biennium		Actual Short Plan Year Jul-Dec 2013	Actual Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
	Actual FY 2012	Actual FY 2013									
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,969,434,829	3,105,054,097	3,200,983,050	3,589,776,085	4,005,529,283	4,280,379,874	4,576,444,686
Wellness Surcharge/(Credit)	-	-	-	-	(2,793,778)	(12,263,431)	(233,288)	14,480,802	15,049,768	16,069,016	16,629,275
Medicare Advantae Subsidy	-	-	-	721,773	929,560	863,951	880,134	915,641	932,493	969,061	986,601
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(379,595)	(1,552,527)	(1,600,492)	(1,794,888)	(2,002,765)	(2,140,190)	(2,288,222)
Premium Change due to Movement	-	-	-	-	646,082	(11,519,972)	(8,371,203)	2,848,087	5,561,674	10,110,963	12,592,164
Medicare Part D	57,583,602	38,056,016	(1,323,888)	21,584,404	18,952,795	14,774,755	15,094,295	14,555,087	14,805,491	14,093,417	14,254,775
EGWP+Wrap											
Direct Subsidy	-	24,435,483	25,202,822	216,170	441	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,603,406	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	5,357,305	3,550,234	2,503,805	1,627,638	1,394,313	1,411,535	1,454,367
Total Plan Income	2,852,680,163	2,960,048,314	1,539,900,247	3,007,663,512	3,040,750,604	3,098,907,106	3,209,256,302	3,622,408,453	4,041,270,257	4,320,893,677	4,620,073,646
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,074,977,584	2,217,519,782	2,358,765,720	2,564,269,898	2,679,997,515	2,858,455,874	3,038,929,464
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(22,731,740)	(24,435,428)	(26,551,684)	(28,040,151)	(29,896,725)	(32,018,530)	(33,931,080)	(36,340,488)
Adjustment for Changes	-	-	-	-	834,617	(63,887,812)	(83,101,633)	(80,074,499)	(68,734,818)	(83,040,724)	(77,253,339)
Cost of Add Locals	-	-	-	-	-	7,482,839	7,976,186	8,502,793	8,482,130	8,441,894	8,422,830
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,051,376,773	2,134,563,125	2,255,600,123	2,462,801,467	2,587,726,298	2,749,925,964	2,933,758,468
Medicare Advantage Premiums	-	-	-	155,497,950	171,639,724	190,294,172	206,976,285	230,840,925	251,017,707	279,639,021	304,013,725
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	750,616,119	805,146,066	867,987,940	935,790,419	1,008,950,160	1,088,485,072	1,173,781,666
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(98,763,203)	(96,193,453)	(70,921,564)	(72,136,106)	(72,978,258)	(74,225,117)	(75,055,004)	(76,322,760)
Claims Adjustment for Changes	-	-	-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine	-	-	-	-	172,925	1,276,000	1,366,000	1,462,000	1,522,886	1,637,595	1,748,784
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	654,595,591	735,500,501	797,217,834	864,274,160	936,247,929	1,015,067,663	1,099,207,689
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,681,657,393	2,877,612,088	3,060,357,798	3,259,794,242	3,557,916,552	3,774,991,934	4,044,632,648	4,336,979,883
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	188,653,615	226,154,671	234,465,773	240,601,941	246,920,108	253,426,322	260,126,849
ACA Reinsurance Fee	-	-	-	-	5,642,732	23,681,377	14,442,352	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,071,908,435	3,310,193,846	3,508,702,366	3,798,518,492	4,021,912,042	4,298,058,969	4,597,106,731
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	(31,157,831)	(211,286,740)	(299,446,064)	(176,110,040)	19,358,215	22,834,708	22,966,915
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	983,689,515	772,402,775	472,956,711	296,846,672	316,204,887	339,039,594
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	983,689,515	772,402,775	472,956,711	296,846,672	316,204,887	339,039,594	362,006,509
Target Stabilization Reserve - CY (9%)	184,110,626	201,392,496	113,231,386	214,723,553	243,537,513	258,305,726	274,753,616	299,436,806	317,157,680	338,849,426	362,966,954
Legislative Target Reserve - CY (20%)	-	-	-	-	614,381,687	662,038,769	-	-	-	-	-
Cash Balance Over CY TSR	318,136,845	582,095,450	725,215,751	800,123,793	740,152,002	514,097,049	198,203,095	(2,590,135)	(952,794)	190,168	(960,445)
Cash Balance Over CY LTR	-	-	-	-	369,307,828	110,364,006	-	-	-	-	-
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	243,537,513	258,305,726	274,753,616	299,436,806	317,157,680	338,849,426	362,966,954
Target Stabilization Reserve %	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve						23.3%	13.5%	7.8%	7.9%	7.9%	7.9%
	7/1 Increase	7/1 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
ER Premium Increase:	5.3%	5.3%		0.00%	0.00%	3.47%	3.43%	12.16%	12.16%	7.35%	7.35%
EE Premium Increase:	5.3%	5.3%		0.00%	0.00%	2.83%	3.43%	12.16%	12.16%	7.35%	7.35%

**North Carolina State Health Plan
Financial Projections - Sep 2015
Trends - 7.0% Medical & 8.5% Pharmacy**

**No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active (Starting 2018) on 70/30 Plan
With March 2015 Enrollment**

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium		2020 - 2021 Biennium	
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019	Projection FY2020	Projection FY2021
PLAN INCOME:										
Net Contribution Income	2,750,368,851	2,895,366,140	2,941,097,678	2,987,502,673	3,050,027,435	3,153,030,472	3,395,536,181	3,797,799,321	4,143,028,885	4,428,490,439
Wellness Surcharge/(Credit)	-	-	-	-	(8,936,204)	(6,233,533)	7,138,703	14,765,496	15,559,919	16,349,311
Medicare Advantage Subsidy	-	-	417,565	833,262	830,241	872,953	896,890	924,995	949,758	978,777
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(299,923)	(11,359)	(1,151,263)	(1,576,515)	(1,697,768)	(1,898,900)	(2,071,514)	(2,214,245)
Premium Change due to Movement	-	-	-	-	(5,089,766)	(9,940,232)	(2,746,640)	4,209,277	7,842,710	11,355,528
Medicare Part D	57,583,602	38,056,016	11,583,652	19,590,771	15,145,310	14,827,634	14,951,785	14,564,110	14,594,090	14,047,902
EGWP+Wrap										
Direct Subsidy	-	24,435,483	25,216,663	202,770	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	38,563,909	1,478,088	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	63,780,571	50,283,823	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	3,916,235	5,065,735	4,525,824	3,077,455	1,983,952	1,442,568	1,387,023	1,462,081
Total Plan Income	2,852,680,163	2,960,048,314	3,020,495,778	3,063,262,956	3,055,351,577	3,154,058,232	3,416,063,103	3,831,806,868	4,181,290,872	4,470,469,793
PLAN EXPENSE:										
Medical Claims Payment	1,849,410,105	1,858,096,405	1,989,574,333	2,021,369,178	2,146,535,686	2,287,405,014	2,436,793,675	2,594,043,546	2,822,021,392	2,947,034,629
Claim Refunds	(22,634,615)	(23,467,914)	(22,450,766)	(24,839,428)	(23,510,393)	(27,162,683)	(29,115,766)	(30,815,122)	(33,050,199)	(34,985,734)
Adjustment for Changes	-	-	-	-	(30,647,624)	(73,343,374)	(81,010,253)	(74,516,786)	(76,009,315)	(80,099,221)
Cost of Add Locals	-	-	-	-	3,681,744	7,725,493	8,235,192	8,779,279	8,175,497	8,717,162
Net Medical Claims	1,826,775,490	1,834,628,491	1,967,123,567	1,996,529,750	2,096,059,412	2,194,624,449	2,334,902,848	2,497,490,917	2,721,137,376	2,840,666,835
Medicare Advantage Premiums	-	-	78,538,847	162,400,394	181,108,833	198,614,479	218,878,922	240,904,220	265,292,765	291,796,056
Pharmacy Claims Payment	721,163,013	752,419,650	743,281,462	721,469,293	806,435,407	836,164,450	901,454,272	971,900,389	1,048,797,720	1,130,602,793
Rebates	(93,130,160)	(69,641,941)	(91,653,105)	(51,114,709)	(127,247,043)	(71,438,765)	(72,653,831)	(73,499,843)	(74,745,767)	(75,578,303)
Claims Adjustment for Changes	-	-	-	-	811,540	1,321,029	1,414,029	1,476,927	1,580,559	1,693,699
Additional ACA Preventive Medicine	-	-	-	-	679,999,903	766,046,713	830,214,471	899,877,472	975,632,512	1,056,718,189
Net Pharmacy Claims	628,032,853	682,777,709	651,628,357	670,354,584	679,999,903	766,046,713	830,214,471	899,877,472	975,632,512	1,056,718,189
Total Claims	2,454,808,343	2,517,406,200	2,697,290,771	2,829,284,728	2,957,168,149	3,159,285,642	3,383,996,240	3,638,272,610	3,962,062,653	4,189,181,080
Administrative Costs	165,480,561	161,401,639	148,134,913	168,416,645	201,580,078	231,442,088	237,488,807	243,714,560	250,125,286	256,727,142
ACA Reinsurance Fee	-	-	-	-	23,403,765	14,478,775	5,883,921	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	2,845,425,684	2,997,701,373	3,182,151,991	3,405,206,505	3,627,368,969	3,881,987,169	4,212,187,939	4,445,908,222
Plan Income (Loss)	232,391,259	281,240,475	175,070,094	65,561,583	(126,800,414)	(251,148,272)	(211,305,866)	(50,180,301)	(30,897,068)	24,561,571
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	958,558,040	1,024,119,623	897,319,209	646,170,936	434,865,071	384,684,769	353,787,702
Ending Cash Balance (Deficit)	502,247,471	783,487,946	958,558,040	1,024,119,623	897,319,209	646,170,936	434,865,071	384,684,769	353,787,702	378,349,273
Target Stabilization Reserve - FY (9%)	184,110,626	201,392,496	222,593,914	240,019,590	249,845,338	266,460,405	284,860,559	305,763,155	332,709,290	350,764,652
Legislative Target Reserve - FY (20%)	-	-	-	599,540,275	636,430,398	681,041,301	-	-	-	-
Cash Balance Over FY TSR	-	-	-	784,100,033	647,473,870	379,710,532	150,004,512	78,921,614	21,078,412	27,584,621
Cash Balance Over FY LTR	-	-	-	424,579,348	260,888,810	(34,870,365)	-	-	-	-
Target Stabilization Reserve %	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve				34.2%	28.2%	19.0%	12.0%	9.9%	8.4%	8.5%
	7/1 Increase	7/1 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
ER Premium Increase:	5.3%	5.3%	0.00%	0.00%	3.47%	3.43%	12.16%	12.16%	7.35%	7.35%
EE Premium Increase:	5.3%	5.3%	0.00%	0.00%	2.83%	3.43%	12.16%	12.16%	7.35%	7.35%

North Carolina State Health Plan

Financial Projections - Dec 2015

Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Smoker Surcharge (\$40 for 2017 and \$60 for 2018 and 2019) on Traditional Plan

With January 2016 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

3.43% Increase for ER and EE in 2017, Proposed 70/30 and VBID 80/20 Plan Change (Deductible = \$ 1,250 and OOP = 4350/2500) in 2017 with PBM BAFO (Open) and MA at 5% in 2017

	2012 - 2013 Biennium		Actual Short Plan Year Jul-Dec 2013	Actual Calendar 2014	Actual Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
	Actual FY 2012	Actual FY 2013									
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,993,891,773	3,114,805,943	3,241,544,109	3,439,499,261	3,649,868,274	3,996,236,806	4,375,863,214
Wellness Surcharge/(Credit)	-	-	-	-	-	4,619,717	17,527,696	37,659,176	37,934,769	38,206,927	35,793,793
Medicare Advantage Subsidy	-	-	-	721,773	959,319	1,179,078	1,217,248	1,246,454	1,275,438	1,304,877	1,334,778
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(5,343)	(1,557,453)	(1,620,772)	(1,719,750)	(1,824,934)	(1,998,118)	(2,187,932)
Premium Change due to Movement Medicare Part D	57,583,802	38,056,016	(1,323,888)	21,584,404	19,484,823	17,219,883	(1,617,419)	(880,639)	(60,793)	825,302	1,846,972
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,202,822	216,170	441	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,802,965	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,803,406	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	6,037,729	3,553,483	2,681,850	2,109,633	1,594,749	1,196,032	1,251,759
Total Plan Income	2,852,680,163	2,960,048,314	1,539,900,247	3,007,663,512	3,068,971,707	3,139,920,651	3,275,691,696	3,494,023,440	3,705,071,006	4,052,199,315	4,430,439,959
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,067,095,284	2,222,292,105	2,372,345,243	2,571,516,515	2,688,148,338	2,858,542,068	3,039,676,413
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(22,731,740)	(23,709,307)	(26,539,017)	(28,200,231)	(29,994,128)	(32,114,735)	(34,176,485)	(36,117,559)
Adjustment for Changes	-	-	-	-	-	(4,814,232)	(112,562,658)	(159,982,906)	(185,425,253)	(202,805,700)	(221,533,821)
Cost of Add Locals	-	-	-	-	-	7,482,838	7,976,153	8,502,722	8,482,023	8,441,750	8,422,650
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,043,386,977	2,198,421,895	2,239,528,507	2,390,042,202	2,479,090,373	2,630,001,633	2,790,447,883
Medicare Advantage Premiums	-	-	-	155,497,950	172,517,202	193,197,295	209,032,244	228,645,021	250,061,981	273,446,590	298,976,949
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	761,471,324	817,607,251	884,566,010	956,612,181	1,035,015,618	1,119,659,417	1,211,225,300
Rebates	(93,130,180)	(69,641,941)	(32,188,641)	(98,763,203)	(96,193,453)	(70,753,056)	(72,053,761)	(73,237,143)	(74,472,763)	(75,743,037)	(77,040,167)
Baseline Rx Saving from PBM BAFO	-	-	-	-	-	(35,070,832)	(35,070,832)	(44,004,160)	(50,094,756)	(54,191,516)	(58,623,305)
Rebates Saving from PBM BAFO	-	-	-	-	-	(24,582,359)	(38,264,487)	(51,750,781)	(55,982,971)	(60,561,265)	(65,651,265)
Claims Adjustment for Changes	-	-	-	-	-	(1,109,261)	(3,333,986)	(5,860,470)	(8,022,210)	(9,652,887)	(11,300,000)
Additional ACA Preventive Medicine	-	-	-	-	-	1,276,000	1,366,000	1,462,000	1,522,880	1,637,570	1,748,722
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	665,277,871	748,130,195	753,115,798	799,234,404	854,359,728	927,357,253	1,007,096,399
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,681,657,393	2,881,181,050	3,139,749,185	3,201,676,549	3,417,921,628	3,583,512,082	3,830,805,476	4,096,521,031
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	187,419,975	226,750,429	234,465,284	240,600,426	246,917,492	253,422,524	260,121,785
ACA Reinsurance Fee	-	-	-	-	-	23,642,615	14,678,623	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,068,601,025	3,390,142,229	3,450,820,455	3,658,522,054	3,830,429,574	4,084,228,000	4,356,642,816
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	370,682	(250,221,579)	(175,128,759)	(164,498,614)	(125,358,568)	(32,028,685)	73,797,144
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	1,015,218,028	764,996,449	589,867,691	425,369,077	300,010,509	267,981,824
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	1,015,218,028	764,996,449	589,867,691	425,369,077	300,010,509	267,981,824	341,778,967
Target Stabilization Reserve - CY (9%)	184,110,626	201,392,496	113,231,386	214,723,553	243,779,748	265,189,670	269,337,987	287,034,895	300,010,509	320,162,300	341,778,967
Legislative Target Reserve - CY (20%)	-	-	-	-	613,720,205	678,028,448	-	-	-	-	-
Cash Balance Over CY TSR	318,136,845	582,095,450	725,215,751	800,123,793	771,438,282	499,806,779	320,529,703	138,334,182	(0)	(52,180,476)	(0)
Cash Balance Over CY LTR	-	-	-	-	401,497,823	86,968,004	-	-	-	-	-
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	243,779,748	265,189,670	269,337,987	287,034,895	300,010,509	320,162,300	341,778,967
Target Stabilization Reserve %	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve											
	7/1 Increase	7/1 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
ER Premium Increase:	5.3%	5.3%		3.57%	0.00%	3.47%	3.43%	6.48%	6.48%	9.90%	9.90%
EE Premium Increase:	5.3%	5.3%		3.57%	0.00%	2.83%	3.43%	6.48%	6.48%	9.90%	9.90%

CY 2015 Q4 Update

Page 2 (FY)

With Board's 2017 Benefit Design

(Segal 5-12-16)

North Carolina State Health Plan
Financial Projections - Dec 2015
Trends - 7.0% Medical & 8.5% Pharmacy
No Wellness, No 100% Preventive, Smoker Surcharger (\$40 for 2017 and \$60 for 2018 and 2019) on Traditional Plan
With January 2016 Enrollment
Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium		2020 - 2021 Biennium	
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY 2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019	Projection FY2020	Projection FY2021
PLAN INCOME:										
Net Contribution Income	2,750,368,851	2,895,366,140	2,941,097,678	2,987,502,673	3,064,384,546	3,193,233,816	3,340,574,215	3,544,737,053	3,823,160,575	4,186,164,090
Wellness Surcharger/(Credit)	-	-	-	-	2,314,176	11,089,324	27,613,134	37,796,959	38,070,830	36,997,825
Medicare Advantage Subsidy	-	-	417,565	833,262	1,016,299	1,199,141	1,232,145	1,260,903	1,290,114	1,319,783
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(299,923)	(11,359)	(771,961)	(1,596,617)	(1,670,287)	(1,772,369)	(1,911,580)	(2,093,082)
Premium Change due to Movement	-	-	-	-	-	(810,110)	(1,247,836)	(469,388)	383,876	1,338,061
Medicare Part D	57,583,602	38,056,016	11,583,652	19,590,771	17,260,239	16,005,623	16,004,520	16,193,183	16,353,561	16,481,935
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,216,663	202,770	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	38,563,909	1,478,088	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	63,780,571	50,283,823	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	3,916,235	5,065,735	5,218,300	3,087,324	2,377,558	1,855,041	1,359,316	1,170,135
Total Plan Income	2,852,680,163	2,960,048,314	3,020,495,778	3,063,262,956	3,089,421,599	3,222,208,502	3,384,883,447	3,599,601,384	3,878,706,692	4,241,378,747
PLAN EXPENSE:										
Medical Claims Payment	1,849,410,105	1,858,096,405	1,989,574,333	2,021,369,178	2,137,229,809	2,300,220,746	2,447,152,474	2,601,645,158	2,825,377,903	2,947,714,169
Claim Refunds	(22,634,615)	(23,467,914)	(22,450,766)	(24,839,428)	(22,696,239)	(27,313,435)	(29,253,849)	(30,904,355)	(33,110,299)	(35,237,462)
Adjustment for Changes	-	-	-	-	(2,368,289)	(50,156,254)	(142,622,533)	(171,099,110)	(196,674,752)	(211,991,619)
Cost of Add Locals	-	-	-	-	3,681,748	7,725,477	8,235,141	8,779,187	8,175,376	8,716,994
Net Medical Claims	1,826,775,490	1,834,628,491	1,967,123,567	1,996,529,750	2,115,847,028	2,230,476,533	2,283,511,234	2,408,420,879	2,603,768,229	2,709,202,082
Medicare Advantage Premiums	-	-	78,538,847	162,400,394	183,434,262	201,095,074	218,814,238	239,326,863	261,725,200	286,180,015
Pharmacy Claims Payment	721,163,013	752,419,650	743,281,462	721,469,293	822,927,171	850,838,169	920,096,463	995,477,804	1,077,158,702	1,164,839,937
Rebates	(93,130,160)	(69,641,941)	(91,653,105)	(51,114,709)	(126,967,489)	(71,560,310)	(72,614,630)	(73,856,510)	(75,101,484)	(76,389,201)
Baseline Rx Saving from PBM BAFO	-	-	-	-	-	(15,867,793)	(40,890,191)	(47,017,804)	(52,134,481)	(56,378,253)
Rebates Saving from PBM BAFO	-	-	-	-	-	(11,136,303)	(32,321,840)	(44,926,714)	(53,857,935)	(58,241,997)
Claims Adjustment for Changes	-	-	-	-	-	(483,824)	(2,146,685)	(4,570,518)	(6,940,859)	(8,838,849)
Additional ACA Preventive Medicine	-	-	-	-	638,615	1,321,029	1,414,029	1,476,924	1,580,546	1,693,658
Net Pharmacy Claims	628,032,853	682,777,709	651,628,357	670,354,584	696,598,297	753,090,968	773,537,146	826,583,181	890,704,488	966,685,296
Total Claims	2,454,808,343	2,517,406,200	2,697,290,771	2,829,284,728	2,995,879,587	3,184,662,575	3,275,862,618	3,474,330,824	3,756,197,917	3,962,067,393
Administrative Costs	165,480,581	161,401,839	148,134,913	168,416,645	200,942,077	231,442,088	237,487,818	243,712,508	250,122,094	256,722,726
ACA Reinsurance Fee	-	-	-	-	17,731,962	14,609,097	5,680,180	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	2,845,425,684	2,997,701,373	3,214,553,626	3,430,713,760	3,519,330,616	3,718,043,432	4,006,320,011	4,218,790,119
Plan Income (Loss)	232,391,259	281,240,475	175,070,094	65,561,583	(125,132,027)	(208,505,258)	(134,447,169)	(118,442,048)	(127,613,320)	22,588,628
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	958,558,040	1,024,119,623	898,987,596	690,482,339	556,035,170	437,593,122	309,979,802
Ending Cash Balance (Deficit)	502,247,471	783,487,946	958,558,040	1,024,119,623	898,987,596	690,482,339	556,035,170	437,593,122	309,979,802	332,568,430
Target Stabilization Reserve - FY (9%)	184,110,626	201,392,496	222,593,914	240,019,590	253,120,079	268,521,075	275,134,354	291,150,365	314,502,545	330,829,864
Legislative Target Reserve - FY (20%)	-	-	-	-	642,910,725	686,142,752	-	-	-	-
Cash Balance Over FY TSR	-	-	-	-	645,867,517	421,961,263	280,900,816	146,442,757	(4,522,742)	1,738,566
Cash Balance Over FY LTR	-	-	-	-	256,076,871	4,339,587	-	-	-	-
Target Stabilization Reserve %	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve				34.2%	28.0%	20.1%	15.8%	11.8%	7.7%	7.9%
	7/1 Increase	7/1 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
ER Premium Increase:	5.3%	5.3%	3.57%	0.00%	3.47%	3.43%	6.48%	6.48%	9.90%	9.90%
EE Premium Increase:	5.3%	5.3%	3.57%	0.00%	2.83%	3.43%	6.48%	6.48%	9.90%	9.90%

CY 2016 Q1 Update

Page 1 (CY)

With Board's 2017 Benefit Design

(Segal 7-5-16)

North Carolina State Health Plan
 Financial Projections - Mar 2016
 Trends - 7.0% Medical & 8.5% Pharmacy
 No Wellness, No 100% Preventive, Smoker Surcharge (\$40 for 2017 and \$60 for 2018 and 2019) on Traditional Plan
 With April 2016 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit
 Board Approved (Periwinkle) - MA Renewal Rates in 2017, 7.0% Increase Plus ACA Fee For 2018+ MA Rates, Reduced 2017 Admin

	2012 - 2013 Biennium		Actual Short Plan Year Jul-Dec 2013	Actual Calendar 2014	Actual Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
	Actual FY 2012	Actual FY 2013									
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,993,891,773	3,142,118,569	3,256,676,807	3,367,027,518	3,481,479,963	3,916,869,487	4,407,158,960
Wellness Surcharge/(Credit)	-	-	-	-	-	3,505,085	17,751,492	38,035,138	38,311,229	38,583,816	36,141,093
Medicare Advantage Subsidy	-	-	-	721,773	959,319	1,099,418	1,224,311	1,253,115	1,281,580	1,310,489	1,339,847
Health care Reform ERRP Retro Disenrollments	42,163,391 (451,496)	(558,219) (487,819)	(277,538)	(1,949) (28,401)	(5,343)	(1,177,561)	(1,628,338)	(1,683,514)	(1,740,740)	(1,958,435)	(2,203,579)
Premium Change due to Movement Medicare Part D	57,583,802	38,056,016	(1,323,888)	21,584,404	19,484,823	16,632,084	(1,563,335) 14,477,598	(674,966) 14,604,207	268,894 14,765,989	1,309,868 14,900,809	2,581,185 15,005,180
EGWP+Wrap											
Direct Subsidy	-	24,435,483	25,202,822	216,170	441	453	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,182,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,802,965	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,803,406	453	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	6,037,729	4,754,086	3,251,070	2,784,165	1,872,391	1,081,859	1,138,569
Total Plan Income	2,852,880,163	2,960,048,314	1,539,900,247	3,007,663,512	3,068,971,707	3,166,930,132	3,290,189,605	3,421,345,664	3,536,239,306	3,972,097,891	4,461,161,285
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,067,095,284	2,217,906,598	2,378,615,403	2,577,853,466	2,694,646,774	2,865,318,877	3,046,738,439
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(22,731,740)	(23,709,307)	(25,893,708)	(28,278,362)	(30,068,267)	(32,192,624)	(34,257,767)	(36,201,745)
Adjustment for Changes	-	-	-	-	-	(3,573,378)	(116,668,727)	(165,027,559)	(190,198,728)	(207,251,857)	(225,589,474)
Cost of Add Locals	-	-	-	-	-	5,660,893	7,966,328	8,492,217	8,471,514	8,431,259	8,412,152
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,043,385,977	2,194,100,408	2,241,634,643	2,391,249,857	2,480,726,935	2,632,240,511	2,793,359,373
Medicare Advantage Premiums	-	-	-	155,497,950	172,517,202	193,782,605	189,266,485	250,816,836	274,221,923	299,771,150	327,658,154
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	761,471,324	834,423,968	906,005,333	980,089,445	1,060,380,190	1,147,058,347	1,240,821,325
Rebates	(93,130,180)	(69,641,941)	(32,188,641)	(98,763,203)	(96,193,453)	(110,594,630)	(151,148,961)	(116,407,182)	(118,897,595)	(121,459,466)	(124,077,316)
Baseline Savings from PBM Formularies	-	-	-	-	-	(35,932,744)	(51,322,401)	(45,084,114)	(51,322,401)	(55,517,624)	(60,056,752)
Rebates Savings from PBM Formularies	-	-	-	-	-	(13,402,057)	(34,747,231)	(60,837,016)	(67,897,526)	(73,230,773)	(73,230,773)
Claims Adjustment for Changes	-	-	-	-	-	(2,526,959)	(4,716,843)	(7,022,024)	(8,872,975)	(8,872,975)	(10,097,210)
Additional ACA Preventive Medicine	-	-	-	-	-	957,257	1,366,000	1,462,000	1,522,874	1,637,549	1,748,671
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	665,277,871	724,786,595	704,360,612	780,596,075	823,824,028	895,148,306	975,108,945
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,681,657,393	2,881,181,050	3,112,669,808	3,135,261,740	3,422,662,768	3,578,772,887	3,827,159,967	4,096,126,472
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	187,419,975	204,162,790	213,774,702	219,367,646	225,126,415	231,056,517	237,163,659
ACA Reinsurance Fee	-	-	-	-	-	5,918,242	14,796,351	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,068,601,025	3,322,750,640	3,363,832,793	3,642,030,414	3,803,899,301	4,058,216,483	4,333,290,131
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	370,682	(155,820,508)	(73,643,189)	(220,684,749)	(267,659,996)	(86,118,592)	127,871,154
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	1,015,218,028	859,397,521	785,754,332	565,069,582	297,409,587	211,290,994
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	1,015,218,028	859,397,521	785,754,332	565,069,582	297,409,587	211,290,994	339,162,149
Target Stabilization Reserve - CY (9%)	184,110,626	201,392,496	113,231,386	214,723,553	243,779,748	262,699,830	265,139,573	285,466,134	297,409,587	317,464,994	339,162,149
Legislative Target Reserve - CY (20%)	-	-	-	-	368,232,123	398,730,077	-	-	-	-	-
Cash Balance Over CY TSR	318,136,845	582,095,450	725,215,751	800,123,793	771,438,282	596,697,690	520,614,759	279,603,448	0	(106,173,999)	0
Cash Balance Over CY LTR	-	-	-	-	646,985,905	400,667,444	-	-	-	-	-
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	243,779,748	262,699,830	265,139,573	285,466,134	297,409,587	317,464,994	339,162,149
Target Stabilization Reserve %	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve						25.9%	23.4%	15.5%	5.2%	7.8%	7.8%
ER Premium Increase:	7/1 Increase	7/1 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
EE Premium Increase:	5.3%	5.3%		0.00%	0.00%	3.47%	3.43%	3.74%	3.74%	12.96%	12.96%
	5.3%	5.3%		0.00%	0.00%	2.83%	3.43%	3.74%	3.74%	12.96%	12.96%

CY 2016 Q1 Update

Page 2 (FY)

With Board's 2017 Benefit Design

(Segal 7-5-16)

North Carolina State Health Plan
 Financial Projections - Mar 2016
 Trends - 7.0% Medical & 8.5% Pharmacy
 No Wellness, No 100% Preventive, Smoker Surcharge (\$40 for 2017 and \$60 for 2018 and 2019) on Traditional Plan
 With April 2016 Enrollment
 Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium		2020 - 2021 Biennium	
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019	Projection FY2020	Projection FY2021
PLAN INCOME:										
Net Contribution Income	2,750,368,851	2,895,366,140	2,941,097,678	2,987,502,673	3,081,237,060	3,211,179,998	3,311,864,763	3,424,265,285	3,699,325,619	4,162,178,724
Wellness Surcharge/(Credit)	-	-	-	-	1,170,559	11,230,470	27,913,248	38,173,173	38,447,508	37,359,882
Medicare Advantage Subsidy	-	-	417,565	833,262	933,457	1,205,817	1,239,061	1,267,306	1,295,992	1,325,125
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(299,923)	(11,359)	(386,890)	(1,605,590)	(1,655,932)	(1,712,133)	(1,849,663)	(2,081,089)
Premium Change due to Movement Medicare Part D	57,583,602	38,056,016	11,583,652	19,560,771	16,967,300	14,562,212	14,501,552	14,677,012	14,827,342	14,949,217
EGWP+Wrap	-	-	-	-	-	(792,689)	(1,118,385)	(202,229)	789,557	1,945,892
Direct Subsidy	-	24,435,483	25,216,663	202,770	453	-	-	-	-	-
Coverage Gap Subsidy	-	-	38,563,909	1,478,088	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	63,780,571	50,283,823	453	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	3,916,235	5,065,735	6,240,244	3,479,378	3,101,289	2,372,413	1,397,108	1,001,706
Total Plan Income	2,852,680,163	2,960,048,314	3,020,495,778	3,063,262,956	3,106,162,184	3,239,259,595	3,355,845,595	3,478,840,827	3,754,233,461	4,216,679,466
PLAN EXPENSE:										
Medical Claims Payment	1,849,410,105	1,858,096,405	1,989,574,333	2,021,369,178	2,129,087,946	2,307,256,972	2,453,239,983	2,607,996,823	2,832,142,901	2,954,632,220
Claim Refunds	(22,634,615)	(23,467,914)	(22,450,766)	(24,839,428)	(22,003,564)	(27,402,044)	(29,320,844)	(30,980,041)	(33,189,842)	(35,320,450)
Adjustment for Changes	-	-	-	-	(1,194,890)	(51,686,092)	(147,590,856)	(175,988,328)	(201,372,073)	(216,247,910)
Cost of Add Locals	-	-	-	-	1,856,954	7,723,494	8,224,982	8,768,324	8,165,231	8,706,145
Net Medical Claims	1,826,775,490	1,834,628,491	1,967,123,567	1,996,529,750	2,107,746,446	2,235,892,330	2,284,547,264	2,409,796,778	2,605,746,217	2,711,770,005
Medicare Advantage Premiums	-	-	78,538,847	162,400,394	183,503,375	191,752,976	219,965,105	262,490,268	286,964,759	313,679,966
Pharmacy Claims Payment	721,163,013	752,419,650	743,281,462	721,469,293	831,454,915	869,554,587	942,693,829	1,019,891,142	1,103,536,723	1,193,323,313
Rebates	(63,130,160)	(69,641,941)	(91,653,105)	(51,114,709)	(163,192,697)	(125,655,564)	(115,153,223)	(117,655,276)	(120,165,408)	(122,763,299)
Baseline Savings from PBM Formularies	-	-	-	-	(16,278,397)	(16,278,397)	(41,894,432)	(48,170,869)	(53,411,177)	(57,756,848)
Rebates Savings from PBM Formularies	-	-	-	-	(4,198,646)	(4,198,646)	(25,736,868)	(47,354,657)	(65,129,510)	(70,428,014)
Claims Adjustment for Changes	-	-	-	-	-	(1,122,506)	(3,615,711)	(5,845,843)	(7,952,019)	(9,491,459)
Additional ACA Preventive Medicine	-	-	-	-	319,394	1,321,507	1,414,030	1,476,921	1,580,534	1,663,624
Net Pharmacy Claims	628,032,853	682,777,709	651,628,357	670,354,584	668,581,612	723,620,982	757,707,624	802,341,417	858,459,144	934,577,316
Total Claims	2,454,808,343	2,517,406,200	2,697,290,771	2,829,284,728	2,959,831,434	3,151,266,289	3,262,219,992	3,474,628,464	3,751,170,120	3,960,027,288
Administrative Costs	165,480,561	161,401,639	148,134,913	168,416,645	188,366,585	211,227,878	216,530,120	222,204,687	228,047,789	234,065,031
ACA Reinsurance Fee	-	-	-	-	-	14,686,450	6,028,143	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	2,845,425,684	2,997,701,373	3,148,198,019	3,377,180,617	3,484,778,256	3,696,833,151	3,979,217,909	4,194,092,319
Plan Income (Loss)	232,391,259	281,240,475	175,070,094	65,561,583	(42,035,836)	(137,921,021)	(128,932,660)	(217,992,325)	(224,984,448)	22,587,137
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	958,558,040	1,024,119,623	982,083,787	844,162,766	715,230,105	497,237,781	272,253,333
Ending Cash Balance (Deficit)	502,247,471	783,487,946	958,558,040	1,024,119,623	982,083,787	844,162,766	715,230,105	497,237,781	272,253,333	204,840,470
Target Stabilization Reserve - FY (9%)	184,110,626	201,392,496	222,593,914	240,019,590	249,869,525	266,356,198	273,802,940	289,092,438	311,778,482	328,171,259
Legislative Target Reserve - FY (20%)	-	-	-	359,724,165	377,783,762	405,261,674	-	-	-	-
Cash Balance Over FY TSR	-	-	-	784,100,033	732,214,262	577,806,568	441,427,165	208,145,343	(39,525,150)	(33,330,789)
Cash Balance Over FY LTR	-	-	664,395,458	-	604,300,025	438,901,092	-	-	-	-
Target Stabilization Reserve %	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
% of Expenses in Cash Reserve	-	-	-	34.2%	31.2%	25.0%	20.5%	13.5%	6.8%	7.0%
	7/1 Increase	7/1 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
ER Premium Increase:	5.3%	5.3%	0.00%	0.00%	3.47%	3.43%	3.74%	3.74%	12.96%	12.96%
EE Premium Increase:	5.3%	5.3%	0.00%	0.00%	2.83%	3.43%	3.74%	3.74%	12.96%	12.96%