

Financial Update

Board of Trustees Meeting

January 25, 2024



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STATE TREASURER OF NORTH CAROLINA
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Financial Summary

- State Health Plan expenses are projected to exceed revenue by approximately \$250M
 - GLP-1 (weight loss) price tag for CY 2023 estimated over \$100M net, and growing
- Significant operating losses projected over the next 4 calendar years
- Budgeted funds \$240M lower than requested over 2-year period (FY23-24 and 24-25)
- Plan falls below the TSR in 2025
- Cash projected to go negative in 2026

Financial Results: Actual vs. Budgeted Calendar Year to Date November 2023

Calendar Year 2023	Actual thru NOV 2023	Budget (per Segal 09-2022)	Variance Fav/(Unfav) to Projection
Beginning Cash Balance	\$849.1m	\$822.5m	\$26.6m
Plan Revenue	\$3.613b	\$3.648b	(\$34.8m)
Net Claims Payments	\$3.645b	\$3.592b	(\$52.7m)
Medicare Advantage Premiums	\$14.1m	\$16.6m	\$2.5m
Net Administrative Expenses	\$122.6m	\$130.8m	\$8.2m
Total Plan Expenses	\$3.782b	\$3.740b	(\$42.0m)
Net Income/(Loss)	(\$168.9m)	(\$92.1m)	(\$76.8m)
Non-Operating Cash Transfer	\$34.5m	-	(\$34.5m)
Ending Cash Balance	\$645.7m	\$730.4m	(\$84.7m)
Target Stabilization Reserve (TSR)*	\$359.9m	\$359.9m	\$0

*TSR: 9% of Total Claims Payments, which also approximates the IBNR

Financial Results: Calendar Year to Date November 2023 [CY23/CY22]

Calendar Year 2023	Actual thru NOV 2023	Actual thru NOV 2022	Variance Fav/(Unfav)
Beginning Cash Balance	\$849.1m	\$590.7b	\$258.4m
Plan Revenue	\$3.613b	\$3.638b	(\$24.8)m
Net Claims Payments	\$3.645b	\$3.168b	(\$275.1m)
Medicare Advantage Premiums	\$14.1m	\$13.7m	(\$350.0k)
Net Administrative Expenses	\$122.6m	\$115.0m	(\$7.6m)
Total Plan Expenses	\$3.782b	\$3.499b	(\$283.0m)
Net Income/(Loss)	(\$168.9m)	\$139.0m	(\$307.9m)
Non-Operating Cash Transfer	\$34.5m	\$69.0	\$34.5m
Covid-19 Reimbursement	-	\$215.0	(\$215.0m)
Ending Cash Balance	\$645.7m	\$875.7m	(\$230.1m)
Target Stabilization Reserve (TSR)	\$359.9m	\$359.9m	\$0m

Fiscal Year 23-24 Comments

- Through November, a \$97M operating loss, budgeted loss of \$80M
 - Claims favorable, premium revenue is down
- Last year at this time, the Plan had \$25.6M in net income

Wilmington Health Pilot Update

Timeline: Managing Cost of Care

STATE HEALTH PLAN PROVIDER NETWORK → CLEAR PRICING PROJECT

REFERENCE-BASED PRICING (HOSPITAL)

PCG → ALTERNATE PAYMENT PROGRAM



WCC → PILOT PROGRAM → SAVINGS FORECAST
28,000 managed lives in four counties

2018

2019

2020

2021

2022

2023

2024

2025

2026

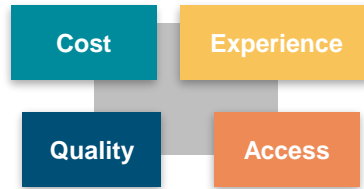
VALUE ALLIANCE (INDEPENDENT PROVIDER GROUPS)



Reducing the Cost of Care



Focused levers across cost, patient experience, quality, and access.



Anticipated '23 Savings to Plan:
-\$2.6M

- Attribution to Primary Care**
Prioritizing care team and provider-patient relationship; Provider focus on quality & outcomes.
- Reducing ER Utilization**
Using Clinical and Non-Clinical Care Guides to appropriately identify members for lower sites of cares and/or Clinical Care Guide Triage.
- Appropriate Sites of Service**
Transitioning Procedures to Ambulatory Surgical Centers (ASC).
- Pharmacy Spend**
Wilmington Health providers swapping brand to generic prescriptions.

Cohorting Population for Interventions

Targeted Engagement per Clinical Risk

Patient Testimony Promoting Care

Telephonic Nurse Triage

In-market Ads & Social Media

Rx Pre-Auth & Coaching + CM

Wilmington Health Membership Increase
+13.5%
to '22

Castlight App Utilization
129%
of '23 Goal

Castlight Care Guide Utilization
116%
'23 Goal

Wilmington Health ASC Avg. Surgery Cost
-83%
to market

Clinical Quality Measures Met
7
of 9

Gender Dysphoria Update

Gender Dysphoria Expenditures

2022	Unique New Members	Charged Amount	Allowed Amount	Member Liability	Paid Amount
07-July	2	\$92	\$32	\$0	\$32
08-August	35	\$13,334	\$4,621	\$1,280	\$3,341
09-September	105	\$117,940	\$48,985	\$12,179	\$36,806
10-October	52	\$80,905	\$36,280	\$3,339	\$32,941
11-November	32	\$61,572	\$24,260	\$4,624	\$19,636
12-December	31	\$46,671	\$16,072	\$2,591	\$13,481
2022 Subtotal	257	\$320,513	\$130,250	\$24,013	\$106,237
2023	Unique New Members	Charged Amount	Allowed Amount	Member Liability	Paid Amount
01-January	78	\$128,330	\$65,180	\$16,232	\$48,949
02-February	78	\$142,056	\$56,651	\$9,363	\$47,152
03-March	62	\$130,202	\$82,050	\$14,300	\$67,750
04-April	52	\$653,207	\$204,998	\$13,361	\$191,638
05-May	46	\$274,549	\$152,784	\$19,888	\$132,864
06-June	47	\$137,692	\$71,390	\$16,465	\$54,925
07-July	36	\$268,846	\$151,901	\$22,620	\$129,282
08-August	34	\$587,226	\$241,828	\$28,036	\$213,792
09-September	35	\$730,992	\$379,211	\$28,058	\$350,994
10-October	39	\$235,960	\$131,636	\$15,350	\$116,286
11-November	34	\$435,995	\$170,471	\$28,300	\$142,030
Grand Total	541	\$3,725,055	\$1,708,101	\$211,972	\$1,495,660
Total Medical Claims To-Date		\$4,045,567.98	\$1,838,351.65	\$235,985.24	\$1,601,897.77

Top 5 Facilities for Spend Related to Gender Dysphoria

2023 All In-State Paid Claims by System

System	Unique Member	Unique Claims	Total Paid
UNC Hospitals	49	84	\$261,308
Duke University Health System	63	89	\$190,596
North Carolina Specialty Hospital	Less Than 10	Less Than 10	\$131,447
Novant Health Presbyterian Med Ctr	Less Than 10	Less Than 10	\$113,298
UNC Health Care	89	113	\$48,628

Future Calendar Year Projections

Summary of Projections

	State Health Plan Financial Projection as of 3Q23 (\$Millions)						
	Actual CY 2020	Actual CY 2021	Actual CY 2022	Projected CY 2023	Projected CY 2024	Projected CY 2025	Projected CY 2026
Total Income	\$3,824.0	\$3,723.5	\$4,051.6	\$3,981.3	\$ 4,287.0	\$ 4,308.9	\$ 4,622.9
Expenses							
Medical	2,480.8	2,921.1	2,864.3	3,012.1	3,244.0	3,349.2	3,538.4
Pharmacy	826.4	905.0	933.8	1,033.1	1,081.3	1,133.5	1,241.3
Medicare Adv.	191.8	12.9	15.0	15.3	18.5	19.0	150.9
Admin	142.5	170.7	126.1	134.4	138.0	152.2	155.6
Total Expense	3,641.5	4,009.7	3,939.2	4,194.9	4,481.8	4,653.9	5,086.2
Operating G/(L)	\$ 182.5	\$ (286.2)	\$ 112.4	\$ (213.6)	\$ (194.8)	\$ (345.0)	\$ (463.3)
One Time							
Total	(475.2)	(187.0)	146.0	(34.5)	-	-	-
Cash Balance							
BOY Balance	\$ 1,356.6	\$ 1,063.9	\$ 590.7	\$ 849.1	\$ 601.0	\$ 406.2	\$ 61.2
EOY Balance	\$ 1,063.9	\$ 590.7	\$ 849.1	\$ 601.0	\$ 406.2	\$ 61.2	\$ (402.1)