



August 11, 2008

To: Board of Trustee Members

The attached documents provide information about the State Health Plan's financial performance. Points of clarification have been provided in the footnotes. This analysis includes ten reports which I will discuss with you during the meeting on Monday, August 18.

1. Budget Analysis for FY 07/08, Per Member Per Year, Compares to Actual FY 06/07
2. Analysis of Actual FY 07/08, Per member Per Year, Compared to FY 06/07 – Corrected for Delayed Claims Payment
3. Budget Analysis for FY 07/08, Per Member Per Year - Corrected for Delayed Claims Payment
4. FY 2008, Annualized Impact of Missed Projections
5. Net Income – Year-to-Date Results by Month
6. Recasted Budget for FY 2008/2009, 9% Trend
7. Financial Projections with Monthly Cash Flow, 9% Trend
8. Recasted Budget for FY 2008/2009, 10.5% Trend
9. Financial Projections with Monthly Cash Flow, 10.5% Trend
10. June 30, 2008 Year-End Consolidated Statement

As we discuss the State Health Plan's finances, I will also highlight the following key points:

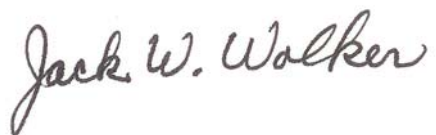
1. In fiscal year 2008/2009, the Plan is forecasted to lose between \$264 and \$280 million (recasted budget).
2. Overall, the medical and pharmacy claims increased 7.2% between fiscal year 2006/2007 and fiscal year 2007/2008.
3. Monthly cash flow projections indicate that the Plan may have to consider delaying claims payments as early as September and would probably need an infusion of cash in December, 2008 to remain solvent.

4. The projected cash balance as of July 31, 2008 in the recasted budget for FY 2008/2009 was \$71.7 million (9% trend recasted budget). The Plan estimates a July 31, 2008 cash balance of \$72.2 million. The original budgeted cash balance for July 31, 2008 was \$228,633,730.

**Next Steps:** At this time, we are addressing cost concerns aggressively in all areas. Shortly, we will meet with Blue Cross to explore opportunities to reduce our administrative costs. We will also hold formal meetings with all of our vendor-partners, including Medco, to discuss potential cost savings.

Going forward, I will report regularly to the Committee on Employee Hospital and Medical Benefits co-chairs on our financial picture and systematic efforts to strengthen and improve it. I will give you and the co-chairs monthly briefings on the financial status of the Plan, beginning with the meeting on Monday.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jack W. Walker".

Jack W. Walker, PhD  
Executive Administrator  
North Carolina State Health Plan

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**Budget Analysis for FY 07/08  
 Per Member Per Year  
 Compared to Actual FY 06/07**

<u>Item</u>	<u>Actual FY 06/07</u> *	<u>Budget FY 07/08</u>	<u>Variance (%)</u>
<b>Medical Claims</b>	\$2,389.42	\$2,503.77 **	4.8%
<b>Pharmacy Claims</b>	<u>\$836.74</u>	<u>\$783.04</u>	<u>(6.4%)</u>
<b>Net Claims</b>	\$3,226.16	\$3,286.82	1.9%

\* Adjusted for administration reported as a claims expense

\*\* Medical claims projections used past claims experience adjusted for expected PPO discount and benefit impact

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**Analysis of Actual FY 07/08  
Per Member Per Year  
Compared to FY 06/07  
Corrected for Delayed Claims Payment**

<u>Item</u>	<u>Actual FY 06/07</u>	<u>Actual FY 07/08</u>	<u>Variance (%)</u>
<b>Medical Claims*</b>	\$2,389.42 ***	\$2,598.17 ***	8.7%
<b>Pharmacy Claims**</b>	<u>\$836.74</u>	<u>\$860.79</u>	<u>2.9%</u>
<b>Net Claims</b>	\$3,226.16	\$3,458.96	7.2%

**Revisions to "Actual Claims" Expense**

\* Adding back into the FY 2008 financials, \$37,263,130.65 in medical claims paid in July, 2008 and budgeted in June, 2008

\*\* Adding back into the FY 2008 financials, \$25,512,458.12 in pharmacy claims paid in July, 2008 and budgeted in June, 2008

\*\*\* Adjusted for administration reported as a claims expense

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## Budget Analysis for FY 07/08 Per Member Per Year Corrected for Delayed Claims Payments

<u>Item</u>	<u>FY 07/08 Budget</u>	<u>FY 07/08 Actual</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
<b>Total Revenue</b>	\$3,573.51	\$3,559.27	(\$14.24)	(0.4%)
<b>Medical Claims*</b>	\$2,503.77	\$2,598.17 ****	\$94.40	3.8%
<b>Pharmacy Claims**</b>	<u>\$783.04</u>	<u>\$860.79</u>	<u>\$77.75</u>	<u>9.9%</u>
<b>Net Claims</b>	\$3,286.82	\$3,458.96	\$172.26	5.2%
<b>Administration</b>	<u>\$193.18</u> ***	<u>\$225.03</u>	<u>\$31.85</u>	<u>16.5%</u>
<b>Net Income/(Loss)</b>	\$93.51	(\$124.72)	\$218.23	

### Revisions to "Actual Claims" Expense

- \* Adding back into the FY 2008 financials, \$37,263,130.65 in medical claims paid in July, 2008 and budgeted in June, 2008
- \*\* Adding back into the FY 2008 financials, \$25,512,458.12 in pharmacy claims paid in July, 2008 and budgeted in June, 2008
- \*\*\* The contracted administrative cost of the PPO through BCBSNC was not fully included in the budget
- \*\*\*\* Adjusted for administration reported as a claims expense

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**FY 2008**  
**Annualized Impact of Missed Projections (\$Million)\***

Revenue	\$8.810
Medical Claims	\$58.404 **
Pharmacy Claims	\$48.103 **
Administration	<u>\$19.705</u>
Total Shortfall	\$135.022

\* Using average membership of budgeted 618,688 members. The budget variance is multiplied by the average membership to yield the annualized impact.

\*\* Adding back the delayed claims payments of \$62,775,588.77 that were paid in July, 2008 but budgeted in June, 2008

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**Actual to Budget  
FY 2007/8  
Net Income Cumulative Results and Variance  
(\$Million)**

	<u>Budget**</u>	<u>Actual *</u>	<u>Cumulative Variance</u>
<b>July 2007</b>	<21.3>	<49.4>	<28.1>
<b>August</b>	0.9	<13.6>	<14.5>
<b>September</b>	23.3	<27.4>	<50.7>
<b>October</b>	6.8	<26.8>	<33.6>
<b>November</b>	47.2	<26.7>	<73.9>
<b>December</b>	75.4	<7.7>	<83.1>
<b>January</b>	93.7	7.3	<86.4>
<b>February</b>	113.1	20.0	<93.1>
<b>March</b>	82.1	<20.6>	<102.7>
<b>April</b>	69.7	<39.4>	<109.1>
<b>May</b>	89.1	<38.8>	<127.9>
<b>June 2008*</b>	57.9	<79.8>	<137.7>

\* Adjusted by \$62.8 million because of delayed payment

\*\* Spread \$26 million equally over 12 months

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**Recasted Budget for FY 2008/2009 \*\*\***  
**9% Trend**

<u>Item</u>	<u>FY 2007/2008 Actual</u>	<u>FY 2008/2009 Recasted Budget</u> ***	<u>Variance (%)</u>
Total Revenue	\$3,559.27	\$3,593.94	1.0%
Medical Claims *	\$2,598.17	\$2,728.80	5.0%
Pharmacy Claims**	<u>\$860.79</u>	<u>\$916.07</u>	<u>6.4%</u>
<b>Net Claims</b>	\$3,458.96	\$3,644.87	5.4%
Administration	<u>\$225.03</u>	<u>\$260.17</u>	<u>15.6%</u>
<b>Plan Expense</b>	\$3,683.99	\$3,905.04	6.0%
<b>Net Income (Loss)</b>	( <b>\$124.72</b> )	( <b>\$311.10</b> )	

**Revisions to "Actual Claims" Expense**

\* Subtracting from FY 2008 financials, \$37,263,130.65 in medical claims paid in July , 2008 and budgeted in June, 2008

\*\* Subtracting from FY 2008 financials, \$25,512,458.12 in pharmacy claims paid in July, 2008 and budgeted in June, 2008

\*\*\* 7/30/2008 4:44 p.m. AON 9% Trend

**North Carolina State Health Plan  
Financial Projections - July 2008  
Total For All Plans - 9% Trend**

	2005 - 2007 Biennium		2007 - 2009 Biennium		2009 - 2011 Biennium		To 10/1
	Actual FY 2006	Actual FY 2007	Actual FY 2008	FY 2009	FY 2010	FY 2011	July 11 to Sep-11
<b>PLAN INCOME:</b>							
Net Contribution Income	1,876,218,057	1,976,030,840	2,230,488,228	2,281,595,142	2,842,994,547	3,030,127,682	757,531,921
Retro Disenrollments		(5,187,357)	(7,637,274)	(7,812,586)	(9,734,917)	(10,375,694)	(2,593,924)
Medicare Part D	-	39,725,660	41,829,398	53,886,565	48,839,399	50,317,560	9,985,490
Investment Earnings	9,667,186	12,247,482	8,726,916	2,711,451	3,372,779	13,638,908	4,403,420
Total Plan Income	1,885,885,243	2,022,816,625	2,273,407,268	2,330,380,573	2,885,471,809	3,083,708,456	769,326,907
<b>PLAN EXPENSE:</b>							
Medical Claims Payment	1,746,227,347	1,963,780,456	1,648,010,305	1,835,578,715	1,923,424,369	2,094,833,408	541,806,639
Pharmacy Claims Payment		-	524,310,920	629,013,163	662,085,681	724,439,594	175,631,758
Claim Refunds		-	(25,686,315)	(24,477,232)	(26,834,203)	(29,050,105)	(7,696,266)
Savings		-	-	(2,614,420)	(4,631,636)	(5,795,134)	(4,123,503)
Savings		-	-	-	-	-	-
Savings		-	-	(4,492,749)	(5,087,164)	(5,087,164)	(1,271,791)
Pharmacy Initiatives		-	-	(6,900,000)	(10,466,667)	(12,133,333)	(2,941,582)
Medical Initiatives		-	-	-	-	-	-
Medicare Advantage Savings		-	-	-	-	-	-
Pharmacy Benefit Changes		-	-	-	-	-	-
Medical Benefit Changes		-	-	-	-	-	-
Projected Claims	1,746,227,347	1,963,780,456	2,146,634,910	2,426,107,476	2,538,490,381	2,767,207,266	701,405,254
Total Administrative Costs	81,708,934	148,329,178	143,733,304	168,696,644	173,240,529	180,187,715	45,756,431
Total Plan Expense	1,827,936,280	2,112,109,634	2,290,368,214	2,594,804,120	2,711,730,910	2,947,394,982	747,161,685
Plan Income (Loss)	57,948,963	(89,293,009)	(16,960,946)	(264,423,547)	173,740,898	136,313,475	22,165,222
Beginning Cash Balance (Deficit)	188,049,489	245,998,452	156,705,443	139,744,497	(124,679,050)	49,061,849	185,375,323
Ending Cash Balance (Deficit)	245,998,452	156,705,443	139,744,497	(124,679,050)	49,061,849	185,375,323	207,540,545
Target Stabilization Reserve	130,967,051	147,283,534	160,997,618	181,958,061	190,386,779	207,540,545	207,540,545

Premium Increase	12.3%	11.2%	PPO	10/1 Increase 32.8%
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**North Carolina State Health Plan  
Financial Projections - July 2008  
Total For All Plans - 9% Trend**

	2005 - 2007 Biennium		2007 - 2009 Biennium		2009 - 2011 Biennium		To 10/1
	Actual FY 2006	Actual FY 2007	Actual FY 2008	FY 2009	FY 2010	FY 2011	July 11 to Sep-11
Projected Claims Increase	4.7%	12.5%	9.3%	13.0%	4.6%	9.0%	
Total Expense Increase	5.7%	15.5%	8.4%	13.3%	4.5%	8.7%	
Claims Per Member Trend	2.5%	8.4%	4.2%	11.3%	4.6%	9.0%	
Expense Per Member Trend	3.5%	11.4%	3.3%	11.6%	4.5%	8.7%	

Average Membership (not Lagged)			642,814	648,420	648,420	648,420	648,420
Average Membership (Lagged 2-Mont)	586,644	608,705	638,729	648,420	648,420	648,420	648,420
Increase %	2.2%	3.8%	4.9%	1.5%	0.0%	0.0%	0.0%

**Assumptions:**

Contribution Income: Increase effective 10/1 in the first fiscal year of each biennium

Plan Benefits: May 2008

Enrollment based on April 2008 membership

Investment Earnings: Estimated at 4.5% of the average annual cash balance

Claim Payment: Based on experience from 01/94-6/08, baseline per member incurred claims trended at 9% per year

Administration: Based on actual amounts with a 3% annual CPI trend per contract

There was also a delay in payment of \$62.7 million (\$37.2 medical and \$25.5 pharmacy) from Fiscal Year 2008 to Fiscal Year 2009

Stabilization Reserve: 7.5% of claim payments

**North Carolina State Health Plan  
Fiscal Year 2008-2009**

	PROJ Jul-08	PROJ Aug-08	PROJ Sep-08	PROJ Oct-08	PROJ Nov-08	PROJ Dec-08	PROJ Jan-09	PROJ Feb-09
<b>PLAN INCOME:</b>								
Net Contribution Income	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164
Reduced Indemnity Funding in PPO	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)
Retro Disenrollments	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)
Mediare Part D	10,189,799	3,410,572	2,415,921	3,515,123	3,903,468	4,434,922	4,425,458	4,371,552
Investment Earnings	380,137	296,653	269,844	217,112	269,240	273,227	227,211	251,955
Total Plan Income	200,051,816	193,189,105	192,167,645	193,214,115	193,654,587	194,190,029	194,134,549	194,105,387
<b>PLAN EXPENSE:</b>								
<b>Indemnity Run-out</b>	44,975,155	11,175,599	5,587,800	4,246,728	2,548,037	1,274,018	637,009	318,505
<b>PPO Run-in</b>	131,041,230	126,976,197	160,416,536	130,555,297	132,658,696	167,992,529	136,053,557	140,613,778
Medical Claims Payment	176,016,386	138,151,797	166,004,335	134,802,025	135,206,732	169,266,547	136,690,566	140,932,283
Pharmacy Claims Payment	71,661,856	37,141,265	75,492,660	49,753,094	36,034,666	49,521,201	50,843,148	37,689,477
Claim Refunds	(1,955,134)	(1,974,775)	(1,941,028)	(2,062,671)	(1,962,891)	(1,977,316)	(2,015,112)	(2,044,309)
Savings	-	-	(1,500,000)	-	-	-	(185,737)	(185,737)
Savings	-	-	-	-	-	-	-	-
Savings	-	-	-	(349,087)	(349,087)	(349,087)	(488,722)	(488,722)
Pharmacy Initiatives	-	-	-	(771,956)	(559,052)	(768,286)	(788,870)	(584,781)
Medical Initiatives	-	-	-	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-	-	-	-
Projected Claims	245,723,107	173,318,287	238,055,968	181,371,405	168,370,369	215,693,060	184,055,273	175,318,211
Total Administrative Costs	22,404,277	3,182,969	18,120,763	18,863,307	3,039,816	18,966,328	19,018,396	3,843,925
Total Plan Expense	268,127,384	176,501,255	256,176,731	200,234,712	171,410,184	234,659,388	203,073,670	179,162,137
Plan Income (Loss)	(68,075,568)	16,687,849	(64,009,086)	(7,020,597)	22,244,403	(40,469,359)	(8,939,121)	14,943,251
Beginning Cash Balance (Deficit)	139,744,497	71,668,929	88,356,778	24,347,692	17,327,096	39,571,499	(897,860)	(9,836,981)
Ending Cash Balance (Deficit)	71,668,929	88,356,778	24,347,692	17,327,096	39,571,499	(897,860)	(9,836,981)	5,106,269
Target Stabilization Reserve								
Membership	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	5	4	5	4	4	5	4	4
PBM	\$71,661,856	\$35,116,746	\$72,698,559	\$48,815,014	\$36,034,666	\$49,521,201	\$49,878,116	\$36,974,109
MEDICAL	\$176,016,386	\$132,076,813	\$161,065,442	\$132,766,457	\$135,206,732	\$169,266,547	\$139,101,477	\$143,418,008
Average Weekly Medical Check	\$35,203,277	\$33,019,203	\$32,213,088	\$33,191,614	\$33,801,683	\$33,853,309	\$34,775,369	\$35,854,502
Per Member Per Week	\$ 54.29	\$ 50.92	\$ 49.68	\$ 51.19	\$ 52.13	\$ 52.21	\$ 53.63	\$ 55.30
Admin Cost Per Member Per Week								

**North Carolina State Health Plan  
Fiscal Year 2008-2009**

	PROJ Mar-09	PROJ Apr-09	PROJ May-09	PROJ Jun-09	PROJECTED FISCAL YEAR
<b>PLAN INCOME:</b>					
Net Contribution Income	191,378,164	191,378,164	191,378,164	191,378,164	2,296,537,973
Reduced Indemnity Funding in PPO	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(14,942,830)
Retro Disenrollments	(651,049)	(651,049)	(651,049)	(651,049)	(7,812,586)
Mediare Part D	4,680,610	4,248,557	4,423,384	3,867,199	53,886,565
Investment Earnings	221,171	122,783	107,865	74,254	2,711,451
Total Plan Income	194,383,661	193,853,219	194,013,128	193,423,332	2,330,380,573
<b>PLAN EXPENSE:</b>					
Indemnity Run-out	159,252	79,626	39,813	-	71,041,542
PPO Run-in	177,854,676	140,984,890	143,026,079	176,363,708	1,764,537,173
Medical Claims Payment	178,013,928	141,064,516	143,065,892	176,363,708	1,835,578,715
Pharmacy Claims Payment	51,578,675	77,925,629	38,669,527	52,701,965	629,013,163
Claim Refunds	(2,082,152)	(2,136,937)	(2,157,450)	(2,167,457)	(24,477,232)
Savings	(185,737)	(185,737)	(185,737)	(185,737)	(2,614,420)
Savings	-	-	-	-	-
Savings	(488,722)	(659,774)	(659,774)	(659,774)	(4,492,749)
Pharmacy Initiatives	(800,282)	(1,209,075)	(599,987)	(817,711)	(6,900,000)
Medical Initiatives	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-
Projected Claims	226,035,710	214,798,622	178,132,471	225,234,994	2,426,107,476
Total Administrative Costs	19,123,661	19,176,863	3,671,920	19,284,420	168,696,644
Total Plan Expense	245,159,371	233,975,485	181,804,390	244,519,414	2,594,804,120
Plan Income (Loss)	(50,775,710)	(40,122,265)	12,208,738	(51,096,082)	(264,423,547)
Beginning Cash Balance (Deficit)	5,106,269	(45,669,441)	(85,791,706)	(73,582,968)	139,744,497
Ending Cash Balance (Deficit)	(45,669,441)	(85,791,706)	(73,582,968)	(124,679,050)	(124,679,050)
Target Stabilization Reserve					181,958,061
Membership	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	5	4	4	5	53
PBM	\$50,599,682	\$76,446,556	\$37,935,558	\$51,701,651	\$617,383,714
MEDICAL	\$181,153,689	\$143,552,573	\$145,589,249	\$179,474,363	\$1,838,687,737
Average Weekly Medical Check	\$36,230,738	\$35,888,143	\$36,397,312	\$35,894,873	\$ 34,692,221
Per Member Per Week	\$ 55.88	\$ 55.35	\$ 56.13	\$ 55.36	\$ 53.50
Admin Cost Per Member Per Week					\$ 4.91

**North Carolina State Health Plan  
Fiscal Year 2009-2010**

	PROJ Jul-09	PROJ Aug-09	PROJ Sep-09	PROJ Oct-09	PROJ Nov-09	PROJ Dec-09	PROJ Jan-10	PROJ Feb-10
<b>PLAN INCOME:</b>								
Net Contribution Income	191,378,164	191,378,164	191,378,164	254,164,406	254,164,406	254,164,406	254,164,406	254,164,406
Reduced Indemnity Funding in PPO	(1,245,236)	(1,245,236)	(1,245,236)	(1,653,766)	(1,653,766)	(1,653,766)	(1,653,766)	(1,653,766)
Retro Disenrollments	(651,049)	(651,049)	(651,049)	(864,641)	(864,641)	(864,641)	(864,641)	(864,641)
Medicare Part D	3,854,427	3,522,765	2,517,890	3,632,853	3,976,430	4,472,503	4,409,213	4,358,940
Investment Earnings	2,956	-	-	-	60,549	178,255	298,316	447,059
Total Plan Income	193,339,262	193,004,645	191,999,770	255,278,852	255,682,979	256,296,757	256,353,528	256,451,998
<b>PLAN EXPENSE:</b>								
Medical Claims Payment	141,177,331	176,835,679	138,014,798	142,207,226	181,026,280	145,042,214	148,992,717	153,616,188
Pharmacy Claims Payment	53,081,805	39,672,514	80,774,577	54,237,830	40,698,952	55,022,467	55,419,031	41,749,369
Claim Refunds	(2,159,718)	(2,160,247)	(2,318,627)	(2,138,771)	(2,143,601)	(2,163,255)	(2,196,213)	(2,228,037)
Savings	(185,737)	(185,737)	(1,935,737)	(185,737)	(185,737)	(185,737)	(294,536)	(294,536)
Savings	-	-	-	-	-	-	-	-
Savings	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)
Pharmacy Initiatives	(839,151)	(627,168)	(1,276,935)	(857,426)	(643,395)	(869,830)	(876,099)	(660,000)
Medical Initiatives	-	-	-	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-	-	-	-
Projected Claims	190,650,601	213,111,111	212,834,146	192,839,193	218,328,570	196,421,930	200,620,970	191,759,053
Total Administrative Costs	19,338,780	3,496,168	19,448,680	19,856,485	3,668,849	19,968,777	20,025,532	3,485,359
Total Plan Expense	209,989,382	216,607,279	232,282,826	212,695,677	221,997,419	216,390,707	220,646,502	195,244,412
Plan Income (Loss)	(16,650,119)	(23,602,634)	(40,283,056)	42,583,175	33,685,560	39,906,050	35,707,026	61,207,586
Beginning Cash Balance (Deficit)	(124,679,050)	(141,329,169)	(164,931,803)	(205,214,859)	(162,631,685)	(128,946,125)	(89,040,075)	(53,333,049)
Ending Cash Balance (Deficit)	(141,329,169)	(164,931,803)	(205,214,859)	(162,631,685)	(128,946,125)	(89,040,075)	(53,333,049)	7,874,538
Target Stabilization Reserve								
Membership	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	4	5	4	4	5	4	4	4
PBM	\$52,074,282	\$38,919,507	\$79,241,429	\$53,208,365	\$39,926,463	\$53,978,109	\$54,367,147	\$40,956,942
MEDICAL	\$143,667,378	\$179,954,658	\$140,449,066	\$144,715,438	\$184,219,173	\$147,600,429	\$151,620,610	\$156,325,628
Average Weekly Medical Check Per Member Per Week	\$ 35,916,845	\$ 35,990,932	\$ 35,112,266	\$ 36,178,860	\$ 36,843,835	\$ 36,900,107	\$ 37,905,153	\$ 39,081,407
Admin Cost Per Member Per Week	\$ 55.39	\$ 55.51	\$ 54.15	\$ 55.80	\$ 56.82	\$ 56.91	\$ 58.46	\$ 60.27

**North Carolina State Health Plan  
Fiscal Year 2009-2010**

	PROJ Mar-10	PROJ Apr-10	PROJ May-10	PROJ Jun-10	PROJECTED FISCAL YEAR
<b>PLAN INCOME:</b>					
Net Contribution Income	254,164,406	254,164,406	254,164,406	254,164,406	2,861,614,146
Reduced Indemnity Funding in PPO	(1,653,766)	(1,653,766)	(1,653,766)	(1,653,766)	(18,619,598)
Retro Disenrollments	(864,641)	(864,641)	(864,641)	(864,641)	(9,734,917)
Medicare Part D	4,913,802	4,454,213	4,699,259	4,027,104	48,839,399
Investment Earnings	535,609	551,509	606,376	692,150	3,372,779
Total Plan Income	257,095,410	256,651,721	256,951,633	256,365,253	2,885,471,809
<b>PLAN EXPENSE:</b>					
Medical Claims Payment	194,035,182	153,760,322	194,927,278	153,789,154	1,923,424,369
Pharmacy Claims Payment	56,220,756	84,938,936	42,824,303	57,445,142	662,085,681
Claim Refunds	(2,099,484)	(2,329,261)	(2,351,621)	(2,545,370)	(26,834,203)
Savings	(294,536)	(294,536)	(294,536)	(294,536)	(4,631,636)
Savings	-	-	-	-	-
Savings	(423,930)	(423,930)	(423,930)	(423,930)	(5,087,164)
Pharmacy Initiatives	(888,773)	(1,342,768)	(676,993)	(908,129)	(10,466,667)
Medical Initiatives	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-
Projected Claims	246,549,214	234,308,763	234,004,499	207,062,330	2,538,490,381
Total Administrative Costs	20,140,270	20,198,260	3,297,872	20,315,497	173,240,529
Total Plan Expense	266,689,484	254,507,023	237,302,372	227,377,828	2,711,730,910
Plan Income (Loss)	(9,594,074)	2,144,699	19,649,262	28,987,425	173,740,898
Beginning Cash Balance (Deficit)	7,874,538	(1,719,536)	425,162	20,074,424	(124,679,050)
Ending Cash Balance (Deficit)	(1,719,536)	425,162	20,074,424	49,061,849	49,061,849
Target Stabilization Reserve					190,386,779
Membership	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	5	4	5	4	52
PBM	\$55,153,654	\$83,326,746	\$42,011,473	\$56,354,800	\$649,518,916
MEDICAL	\$197,457,521	\$156,472,305	\$198,365,352	\$156,501,645	\$1,957,349,203
Average Weekly Medical Check	\$39,491,504	\$39,118,076	\$39,673,070	\$39,125,411	\$37,641,331
Per Member Per Week	\$ 60.90	\$ 60.33	\$ 61.18	\$ 60.34	\$ 58.05
Admin Cost Per Member Per Week					\$ 5.14

*North Carolina*  
**State Health Plan**  
 for Teachers and State Employees  
 www.shpn.org

**Recasted Budget for FY 2008/2009 \*\*\***  
**10.5% Trend**

<u>Item</u>	<u>FY 2007/2008 Actual</u>	<u>FY 2008/2009 Recasted Budget</u> ***	<u>Variance (%)</u>
Total Revenue	\$3,559.27	\$3,593.71	1.0%
Medical Claims *	\$2,598.17	\$2,747.39	5.7%
Pharmacy Claims**	<u>\$860.79</u>	<u>\$922.56</u>	<u>7.2%</u>
<b>Net Claims</b>	\$3,458.96	\$3,669.94	6.1%
Administration	<u>\$225.03</u>	<u>\$260.17</u>	<u>15.6%</u>
<b>Plan Expense</b>	\$3,683.99	\$3,930.11	6.7%
<b>Net Income (Loss)</b>	(\$124.72)	(\$336.40)	

**Revisions to "Actual Claims" Expense**

\* Subtracting from FY 2008 financials, \$37,263,130.65 in medical claims paid in July, 2008 and budgeted in June, 2008

\*\* Subtracting from FY 2008 financials, \$25,512,458.12 in pharmacy claims paid in July, 2008 and budgeted in June, 2008

\*\*\* 7/30/2008 4:44 p.m. AON 10.5% Trend

**North Carolina State Health Plan  
Financial Projections - July 2008  
Total For All Plans - 10.5% Trend**

	2005 - 2007 Biennium		2007 - 2009 Biennium		2009 - 2011 Biennium		To 10/1
	Actual FY 2006	Actual FY 2007	Actual FY 2008	FY 2009	FY 2010	FY 2011	July 11 to Sep-11
<b>PLAN INCOME:</b>							
Net Contribution Income	1,876,218,057	1,976,030,840	2,230,488,228	2,281,595,142	2,920,737,728	3,133,785,257	783,446,314
Retro Disenrollments		(5,187,357)	(7,637,274)	(7,812,586)	(10,001,123)	(10,730,636)	(2,682,659)
Medicare Part D	-	39,725,660	41,829,398	53,886,565	48,839,399	50,317,560	9,985,490
Investment Earnings	9,667,186	12,247,482	8,726,916	2,561,477	3,328,399	14,324,908	4,574,853
Total Plan Income	1,885,885,243	2,022,816,625	2,273,407,268	2,330,230,598	2,962,904,403	3,187,697,088	795,323,998
<b>PLAN EXPENSE:</b>							
Medical Claims Payment	1,746,227,347	1,963,780,456	1,648,010,305	1,847,752,252	1,963,164,565	2,167,438,185	565,312,698
Pharmacy Claims Payment		-	524,310,920	633,218,339	676,619,373	751,270,616	183,835,374
Claim Refunds		-	(25,686,315)	(24,598,584)	(27,334,914)	(29,998,448)	(8,014,715)
Savings		-	-	(2,614,420)	(4,631,636)	(5,795,134)	(4,123,503)
Savings		-	-	-	-	-	-
Savings		-	-	(4,492,749)	(5,087,164)	(5,087,164)	(1,271,791)
Pharmacy Initiatives		-	-	(6,900,000)	(10,466,667)	(12,133,333)	(2,969,018)
Medical Initiatives		-	-	-	-	-	-
Medicare Advantage Savings		-	-	-	-	-	-
Pharmacy Benefit Changes		-	-	-	-	-	-
Medical Benefit Changes		-	-	-	-	-	-
Projected Claims	1,746,227,347	1,963,780,456	2,146,634,910	2,442,364,837	2,592,263,557	2,865,694,723	732,769,045
Total Administrative Costs	81,708,934	148,329,178	143,733,304	168,696,644	173,240,529	180,187,715	45,756,431
Total Plan Expense	1,827,936,280	2,112,109,634	2,290,368,214	2,611,061,481	2,765,504,086	3,045,882,438	778,525,476
Plan Income (Loss)	57,948,963	(89,293,009)	(16,960,946)	(280,830,882)	197,400,317	141,814,650	16,798,522
Beginning Cash Balance (Deficit)	188,049,489	245,998,452	156,705,443	139,744,497	(141,086,385)	56,313,932	198,128,582
Ending Cash Balance (Deficit)	245,998,452	156,705,443	139,744,497	(141,086,385)	56,313,932	198,128,582	214,927,104
Target Stabilization Reserve	130,967,051	147,283,534	160,997,618	183,177,363	194,419,767	214,927,104	214,927,104

Premium Increase	12.3%	11.2%	PPO	10/1 Increase 37.4%
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**North Carolina State Health Plan  
Financial Projections - July 2008  
Total For All Plans - 10.5% Trend**

	2005 - 2007 Biennium		2007 - 2009 Biennium		2009 - 2011 Biennium		To 10/1
	Actual FY 2006	Actual FY 2007	Actual FY 2008	FY 2009	FY 2010	FY 2011	July 11 to Sep-11
Projected Claims Increase	4.7%	12.5%	9.3%	13.8%	6.1%	10.5%	
Total Expense Increase	5.7%	15.5%	8.4%	14.0%	5.9%	10.1%	
Claims Per Member Trend	2.5%	8.4%	4.2%	12.1%	6.1%	10.5%	
Expense Per Member Trend	3.5%	11.4%	3.3%	12.3%	5.9%	10.1%	

Average Membership (not Lagged)			642,814	648,420	648,420	648,420	648,420
Average Membership (Lagged 2-Mont)	586,644	608,705	638,729	648,420	648,420	648,420	648,420
Increase %	2.2%	3.8%	4.9%	1.5%	0.0%	0.0%	0.0%

**Assumptions:**

Contribution Income: Increase effective 10/1 in the first fiscal year of each biennium

Plan Benefits: May 2008

Enrollment based on April 2008 membership

Investment Earnings: Estimated at 4.5% of the average annual cash balance

Claim Payment: Based on experience from 01/94-6/08, baseline per member incurred claims trended at 10.5% per year

Administration: Based on actual amounts with a 3% annual CPI trend per contract

There was also a delay in payment of \$62.7 million (\$37.2 medical and \$25.5 pharmacy) from Fiscal Year 2008 to Fiscal Year 2009

Stabilization Reserve: 7.5% of claim payments

**North Carolina State Health Plan  
Fiscal Year 2008-2009**

	PROJ Jul-08	PROJ Aug-08	PROJ Sep-08	PROJ Oct-08	PROJ Nov-08	PROJ Dec-08	PROJ Jan-09	PROJ Feb-09
<b>PLAN INCOME:</b>								
Net Contribution Income	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164	191,378,164
Reduced Indemnity Funding in PPO	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)
Retro Disenrollments	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)	(651,049)
Mediare Part D	10,189,799	3,410,572	2,415,921	3,515,123	3,903,468	4,434,922	4,425,458	4,371,552
Investment Earnings	380,137	296,149	268,657	214,465	264,736	266,066	216,812	237,941
Total Plan Income	200,051,816	193,188,601	192,166,457	193,211,468	193,650,084	194,182,867	194,124,149	194,091,373
<b>PLAN EXPENSE:</b>								
Indemnity Run-out	44,975,155	11,175,599	5,587,800	4,246,728	2,548,037	1,274,018	637,009	318,505
PPO Run-in	131,041,230	127,186,776	160,857,169	131,065,574	133,323,550	169,018,715	137,037,051	141,789,556
Medical Claims Payment	176,016,386	138,362,375	166,444,968	135,312,301	135,871,587	170,292,733	137,674,060	142,108,060
Pharmacy Claims Payment	71,661,856	37,199,264	75,664,824	49,923,386	36,259,175	49,804,021	51,191,791	38,099,392
Claim Refunds	(1,955,134)	(1,974,775)	(1,942,137)	(2,065,981)	(1,968,714)	(1,985,302)	(2,025,889)	(2,057,408)
Savings	-	-	(1,500,000)	-	-	-	(185,737)	(185,737)
Savings	-	-	-	-	-	-	-	-
Savings	-	-	-	(349,087)	(349,087)	(349,087)	(488,722)	(488,722)
Pharmacy Initiatives	-	-	-	(767,736)	(557,551)	(765,828)	(787,243)	(585,904)
Medical Initiatives	-	-	-	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-	-	-	-
Projected Claims	245,723,107	173,586,864	238,667,655	182,052,883	169,255,410	216,996,537	185,378,261	176,889,682
Total Administrative Costs	22,404,277	3,182,969	18,120,763	18,863,307	3,039,816	18,966,328	19,018,396	3,843,925
Total Plan Expense	268,127,384	176,769,832	256,788,418	200,916,190	172,295,225	235,962,865	204,396,657	180,733,607
Plan Income (Loss)	(68,075,568)	16,418,768	(64,621,961)	(7,704,722)	21,354,858	(41,779,997)	(10,272,508)	13,357,766
Beginning Cash Balance (Deficit)	139,744,497	71,668,929	88,087,698	23,465,737	15,761,015	37,115,873	(4,664,124)	(14,936,631)
Ending Cash Balance (Deficit)	71,668,929	88,087,698	23,465,737	15,761,015	37,115,873	(4,664,124)	(14,936,631)	(1,578,866)
Target Stabilization Reserve								
Membership	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	5	4	5	4	4	5	4	4
PBM	\$71,661,856	\$35,171,583	\$72,864,350	\$48,982,096	\$36,259,175	\$49,804,021	\$50,220,141	\$37,376,244
MEDICAL	\$176,016,386	\$132,273,537	\$161,489,171	\$133,267,438	\$135,871,587	\$170,292,733	\$140,104,270	\$144,616,538
Average Weekly Medical Check	\$35,203,277	\$33,068,384	\$32,297,834	\$33,316,860	\$33,967,897	\$34,058,547	\$35,026,067	\$36,154,135
Per Member Per Week	\$ 54.29	\$ 51.00	\$ 49.81	\$ 51.38	\$ 52.39	\$ 52.53	\$ 54.02	\$ 55.76
Admin Cost Per Member Per Week								

**North Carolina State Health Plan  
Fiscal Year 2008-2009**

	PROJ Mar-09	PROJ Apr-09	PROJ May-09	PROJ Jun-09	PROJECTED FISCAL YEAR
<b>PLAN INCOME:</b>					
Net Contribution Income	191,378,164	191,378,164	191,378,164	191,378,164	2,296,537,973
Reduced Indemnity Funding in PPO	(1,245,236)	(1,245,236)	(1,245,236)	(1,245,236)	(14,942,830)
Retro Disenrollments	(651,049)	(651,049)	(651,049)	(651,049)	(7,812,586)
Mediare Part D	4,680,610	4,248,557	4,423,384	3,867,199	53,886,565
Investment Earnings	202,478	98,523	77,869	37,644	2,561,477
Total Plan Income	194,364,968	193,828,959	193,983,133	193,386,722	2,330,230,598
<b>PLAN EXPENSE:</b>					
Indemnity Run-out	159,252	79,626	39,813	-	71,041,542
PPO Run-in	179,544,381	142,486,157	144,713,422	178,647,129	1,776,710,710
Medical Claims Payment	179,703,633	142,565,783	144,753,235	178,647,129	1,847,752,252
Pharmacy Claims Payment	52,050,795	78,728,532	39,268,898	53,366,404	633,218,339
Claim Refunds	(2,097,725)	(2,155,736)	(2,178,686)	(2,191,096)	(24,598,584)
Savings	(185,737)	(185,737)	(185,737)	(185,737)	(2,614,420)
Savings	-	-	-	-	-
Savings	(488,722)	(659,774)	(659,774)	(659,774)	(4,492,749)
Pharmacy Initiatives	(800,453)	(1,210,711)	(603,889)	(820,685)	(6,900,000)
Medical Initiatives	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-
Projected Claims	228,181,793	217,082,357	180,394,047	228,156,241	2,442,364,837
Total Administrative Costs	19,123,661	19,176,863	3,671,920	19,284,420	168,696,644
Total Plan Expense	247,305,453	236,259,220	184,065,967	247,440,661	2,611,061,481
Plan Income (Loss)	(52,940,485)	(42,430,261)	9,917,166	(54,053,939)	(280,830,882)
Beginning Cash Balance (Deficit)	(1,578,866)	(54,519,351)	(96,949,612)	(87,032,446)	139,744,497
Ending Cash Balance (Deficit)	(54,519,351)	(96,949,612)	(87,032,446)	(141,086,385)	(141,086,385)
Target Stabilization Reserve					183,177,363
Membership	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	5	4	4	5	53
PBM	\$51,062,841	\$77,234,219	\$38,523,552	\$52,353,479	\$621,513,558
MEDICAL	\$182,875,745	\$145,082,341	\$147,308,405	\$181,800,591	\$1,850,998,743
Average Weekly Medical Check	\$36,575,149	\$36,270,585	\$36,827,101	\$36,360,118	\$ 34,924,505
Per Member Per Week	\$ 56.41	\$ 55.94	\$ 56.80	\$ 56.07	\$ 53.86
Admin Cost Per Member Per Week					\$ 4.91

**North Carolina State Health Plan  
Fiscal Year 2009-2010**

	PROJ Jul-09	PROJ Aug-09	PROJ Sep-09	PROJ Oct-09	PROJ Nov-09	PROJ Dec-09	PROJ Jan-10	PROJ Feb-10
<b>PLAN INCOME:</b>								
Net Contribution Income	191,378,164	191,378,164	191,378,164	262,859,111	262,859,111	262,859,111	262,859,111	262,859,111
Reduced Indemnity Funding in PPO	(1,245,236)	(1,245,236)	(1,245,236)	(1,710,339)	(1,710,339)	(1,710,339)	(1,710,339)	(1,710,339)
Retro Disenrollments	(651,049)	(651,049)	(651,049)	(894,220)	(894,220)	(894,220)	(894,220)	(894,220)
Medicare Part D	3,854,427	3,522,765	2,517,890	3,632,853	3,976,430	4,472,503	4,409,213	4,358,940
Investment Earnings	-	-	-	-	16,421	146,595	279,333	439,952
Total Plan Income	193,336,307	193,004,645	191,999,770	263,887,405	264,247,403	264,873,650	264,943,097	265,053,444
<b>PLAN EXPENSE:</b>								
Medical Claims Payment	143,168,157	179,533,712	140,280,214	144,706,180	184,417,313	147,927,573	152,129,837	157,029,407
Pharmacy Claims Payment	53,812,289	40,470,030	82,072,898	55,172,420	41,703,607	56,098,220	56,566,929	42,970,469
Claim Refunds	(2,186,139)	(2,188,965)	(2,352,142)	(2,172,139)	(2,179,355)	(2,202,267)	(2,238,146)	(2,272,975)
Savings	(185,737)	(185,737)	(1,935,737)	(185,737)	(185,737)	(185,737)	(294,536)	(294,536)
Savings	-	-	-	-	-	-	-	-
Savings	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)	(423,930)
Pharmacy Initiatives	(832,426)	(626,033)	(1,269,591)	(853,466)	(645,116)	(867,787)	(875,037)	(664,713)
Medical Initiatives	-	-	-	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-	-	-	-
Projected Claims	193,352,214	216,579,076	216,371,712	196,243,328	222,686,782	200,346,071	204,865,116	196,343,722
Total Administrative Costs	19,338,780	3,496,168	19,448,680	19,856,485	3,668,849	19,968,777	20,025,532	3,485,359
Total Plan Expense	212,690,995	220,075,244	235,820,392	216,099,812	226,355,630	220,314,849	224,890,648	199,829,081
Plan Income (Loss)	(19,354,688)	(27,070,599)	(43,820,622)	47,787,592	37,891,772	44,558,801	40,052,449	65,224,363
Beginning Cash Balance (Deficit)	(141,086,385)	(160,441,073)	(187,511,672)	(231,332,294)	(183,544,701)	(145,652,929)	(101,094,128)	(61,041,679)
Ending Cash Balance (Deficit)	(160,441,073)	(187,511,672)	(231,332,294)	(183,544,701)	(145,652,929)	(101,094,128)	(61,041,679)	4,182,684
Target Stabilization Reserve								
Membership	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	4	5	4	4	5	4	4	4
PBM	\$52,790,901	\$39,701,886	\$80,515,107	\$54,125,216	\$40,912,048	\$55,033,443	\$55,493,256	\$42,154,865
MEDICAL	\$145,695,348	\$182,702,824	\$142,756,427	\$147,260,519	\$187,672,630	\$150,538,776	\$154,815,218	\$159,801,275
Average Weekly Medical Check Per Member Per Week	\$ 36,423,837	\$ 36,540,565	\$ 35,689,107	\$ 36,815,130	\$ 37,534,526	\$ 37,634,694	\$ 38,703,804	\$ 39,950,319
Admin Cost Per Member Per Week	\$ 56.17	\$ 56.35	\$ 55.04	\$ 56.78	\$ 57.89	\$ 58.04	\$ 59.69	\$ 61.61

**North Carolina State Health Plan  
Fiscal Year 2009-2010**

	PROJ Mar-10	PROJ Apr-10	PROJ May-10	PROJ Jun-10	PROJECTED FISCAL YEAR
<b>PLAN INCOME:</b>					
Net Contribution Income	262,859,111	262,859,111	262,859,111	262,859,111	2,939,866,489
Reduced Indemnity Funding in PPO	(1,710,339)	(1,710,339)	(1,710,339)	(1,710,339)	(19,128,761)
Retro Disenrollments	(894,220)	(894,220)	(894,220)	(894,220)	(10,001,123)
Medicare Part D	4,913,802	4,454,213	4,699,259	4,027,104	48,839,399
Investment Earnings	538,430	562,874	625,533	719,262	3,328,399
Total Plan Income	265,706,784	265,271,639	265,579,343	265,000,918	2,962,904,403
<b>PLAN EXPENSE:</b>					
Medical Claims Payment	198,572,515	157,535,191	199,940,406	157,924,062	1,963,164,565
Pharmacy Claims Payment	57,516,129	86,995,028	44,271,480	58,969,876	676,619,373
Claim Refunds	(2,144,481)	(2,382,088)	(2,407,448)	(2,608,770)	(27,334,914)
Savings	(294,536)	(294,536)	(294,536)	(294,536)	(4,631,636)
Savings	-	-	-	-	-
Savings	(423,930)	(423,930)	(423,930)	(423,930)	(5,087,164)
Pharmacy Initiatives	(889,721)	(1,345,731)	(684,838)	(912,209)	(10,466,667)
Medical Initiatives	-	-	-	-	-
Medicare Advantage Savings	-	-	-	-	-
Pharmacy Benefit Changes	-	-	-	-	-
Medical Benefit Changes	-	-	-	-	-
Projected Claims	252,335,976	240,083,933	240,401,133	212,654,493	2,592,263,557
Total Administrative Costs	20,140,270	20,198,260	3,297,872	20,315,497	173,240,529
Total Plan Expense	272,476,246	260,282,193	243,699,006	232,969,991	2,765,504,086
Plan Income (Loss)	(6,769,463)	4,989,446	21,880,337	32,030,927	197,400,317
Beginning Cash Balance (Deficit)	4,182,684	(2,586,779)	2,402,668	24,283,005	(141,086,385)
Ending Cash Balance (Deficit)	(2,586,779)	2,402,668	24,283,005	56,313,932	56,313,932
Target Stabilization Reserve					194,419,767
Membership	648,420	648,420	648,420	648,420	648,420
Membership - Lag-2	648,420	648,420	648,420	648,420	648,420
Number of Weeks In Month	5	4	5	4	52
PBM	\$56,424,440	\$85,343,812	\$43,431,182	\$57,850,594	\$663,776,751
MEDICAL	\$202,077,698	\$160,315,987	\$203,469,735	\$160,711,723	\$1,997,818,159
Average Weekly Medical Check	\$40,415,540	\$40,078,997	\$40,693,947	\$40,177,931	\$38,419,580
Per Member Per Week	\$ 62.33	\$ 61.81	\$ 62.76	\$ 61.96	\$ 59.25
Admin Cost Per Member Per Week					\$ 5.14

THE STATE HEALTH PLAN OF NORTH CAROLINA  
SUMMARY OF OPERATIONS (CASH BASIS REPORTING)  
CONSOLIDATED  
For the Period Ended June 2008  
Fiscal Year 2007- 2008

	Actual June 2008	Actual YEAR TO DATE 2007-2008	Budgeted FUNDING PROJECTIONS 2007-2008	ACTUAL AMOUNT OVER (UNDER) FUNDING (Budget) PROJECTIONS	Percent of ACTUAL YTD AMT TO FUNDING PROJ OVER (UNDER)	Actual YEAR TO DATE 2006-2007
Member Premiums	\$ 190,743,919	\$ 2,230,396,850	\$ 2,160,291,722	70,105,128	3.25%	\$ 1,976,030,840
Premium Refunds	249,423	7,637,274		7,637,274	0.00%	(5,187,357)
Medicare Part D Subsidy	-	41,829,398	41,967,166	(137,768)	-0.33%	39,725,660
Other Miscellaneous Revenue		1,800		1,800	100.00%	-
Non-Capital Gifts		186,656		186,656	100.00%	-
<b>Net Premium Contribution Revenue</b>	<b>190,494,496</b>	<b>2,264,777,430</b>	<b>2,202,258,888</b>	<b>62,518,542</b>	<b>2.84%</b>	<b>2,010,569,143</b>
Investment Earnings	736,131	8,629,838	8,631,407	(1,569)	-0.02%	12,247,482
Total Investment Earnings	736,131	8,629,838	8,631,407	(1,569)	-0.02%	12,247,482
<b>Total Plan Revenue</b>	<b>191,230,627</b>	<b>2,273,407,268</b>	<b>2,210,890,295</b>	<b>62,516,973</b>	<b>2.83%</b>	<b>2,022,816,625</b>
<b>Plan Expenses:</b>						
Medical Claim Payments	141,297,462	1,657,353,012	1,578,081,986	79,271,026	5.02%	1,511,591,079
Pharmacy Claim Payments	23,173,237	524,310,920	526,575,279	(2,264,359)	-0.43%	509,326,380
Claim Refunds	3,899,784	25,686,315	-	25,686,315	0.00%	22,241,891
Cost Savings			(71,141,450)	(71,141,450)		
<b>Net Claim Payments</b>	<b>160,570,915</b>	<b>2,155,977,617</b>	<b>2,033,515,815</b>	<b>122,461,802</b>	<b>6.02%</b>	<b>1,998,675,568</b>
Administration	8,876,962	134,392,191	119,516,530	14,875,661	12.45%	113,434,066
<b>Total Plan Expenses</b>	<b>169,447,877</b>	<b>2,290,368,215</b>	<b>2,153,032,345</b>	<b>137,335,870</b>	<b>6.38%</b>	<b>2,112,109,634</b>
<b>Plan Income (Loss)</b>	<b>21,782,750</b>	<b>(16,960,947)</b>	<b>57,857,950</b>	<b>(74,818,897)</b>	<b>-129.31%</b>	<b>(89,293,009)</b>
Beginning Cash Balance	117,961,747	156,705,443	156,209,145	496,298	0.32%	245,998,452
Ending Cash Balance (Deficit)	139,744,497	139,744,496	214,067,095	(74,322,599)	-34.72%	156,705,443
Stabilization Reserve @ 6/30/08	154,463,687	154,463,686	154,463,686	-		142,626,064

**Comments:**

Total delinquent receivables outstanding as of June 30, 2008 was \$5,050.52 for Indemnity and \$22,545.96 for PPO Plans.  
The average medical claim costs per cycle net of claim refunds were \$35,324,366 and \$32,015,465, respectively, for four week claim cycle.  
Stabilization reserve is 7.5% of the funding projection net claims for Fiscal Year 2007-2008.

**Note:**

The June 2008 Financials overstate the Plan Income for the month because two major claims payments were made in July 2008, instead of June. The invoices were received timely, but were held until the month of July. A Medco payment of \$25,512,458.12 and a BCBSNC payment of \$37,263,130.65 should have been made in June. These total \$62,775,588.77 The FY 2007/08 budget for June 2008 included a projection for these payments. As a result of these delayed payments, the July 2008 Financial Report will overstate the Plan Loss by the \$62,775,588.77