



*North Carolina*  
**State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES

# 2014-15 State Fiscal Year Financial Report

***Board of Trustees Meeting***

**August 28, 2015**

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*A Division of the Department of State Treasurer*

# Financial Results: Actual v. Budgeted

## Fiscal Year 2014-15

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Fiscal Year 2014-15	Actual thru June 2015	Authorized Budget (per Segal 9-9-14)	Variance Over/(Under) Budget
<b>Beginning Cash Balance</b>	<b>\$958.6 m</b>	<b>\$958.6 m</b>	<b>\$0.0 m</b>
<b>Plan Revenue</b>	<b>\$3.063 b</b>	<b>\$2.980 b</b>	<b>\$83.2 m</b>
Net Claims Payments	\$2.667 b	\$2.585 b	\$81.9 m
Medicare Advantage Premiums	\$162.4 m	\$163.3 m	(\$0.9 m)
Net Administrative Expenses	\$168.4 m	\$224.0 m	(\$55.6 m)
<b>Total Plan Expenses</b>	<b>\$2.998 b</b>	<b>\$2.972 b</b>	<b>\$25.5 m</b>
<b>Net Income/(Loss)</b>	<b>\$65.5 m</b>	<b>\$7.8 m</b>	<b>\$57.7 m</b>
<b>Ending Cash Balance</b>	<b>\$1.024 b</b>	<b>\$966.4 m</b>	<b>\$57.7 m</b>

# Adjusted Variance Report

## Fiscal Year 2014-15

Fiscal Year 2014-15	Actual thru June 2015, As Adjusted	Authorized Budget (per Segal 9-9-14)	Variance Over/(Under) Budget
<b>Plan Revenue *</b>	<b>\$3.040 b</b>	<b>\$2.980 b</b>	<b>\$60.0 m</b>
Net Claims Payments ^	\$2.645 b	\$2.585 b	\$59.9 m
Medicare Advantage Premiums	\$162.4 m	\$163.3 m	(\$0.9 m)
Net Administrative Expenses †	\$174.1 m	\$224.0 m	(\$49.9 m)
<b>Total Plan Expenses</b>	<b>\$2.981 b</b>	<b>\$2.972 b</b>	<b>\$9.1 m</b>
<b>Net Income/(Loss)</b>	<b>\$58.7 m</b>	<b>\$7.8 m</b>	<b>\$50.9 m</b>

\* Adjusted for timing issues and to exclude non-budgeted revenues.

^ Adjusted to include pharmacy rebates not received by the end of June.

† Adjusted to include a portion of an ACA fee payment that was budgeted for January but will not be paid until November.

# Financial Results Actual v. Budgeted

## Fiscal Year 2014-15

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### *Per Member Per Month (PMPM) Analysis*

<b>Fiscal Year 2014-15</b>	<b>Actual thru June 2015</b>	<b>Authorized Budget (per Segal 9-9-14)</b>	<b>Variance Over/(Under) Budget</b>
<b>Plan Revenue</b>	<b>\$374.51</b>	<b>\$367.01</b>	<b>\$7.50</b>
Net Claims Payments	\$326.59	\$318.09	\$8.50
Medicare Advantage Premiums	\$19.89	\$20.09	(\$0.20)
Net Administrative Expenses	\$20.62	\$27.56	(\$6.94)
<b>Total Plan Expenses</b>	<b>\$367.10</b>	<b>\$365.74</b>	<b>\$1.36</b>
<b>Net Income/(Loss)</b>	<b>\$7.41</b>	<b>\$1.27</b>	<b>\$6.14</b>

Comparing actual results to the budget projection on a PMPM basis helps correct for changes in membership that occurred during the year.

# Adjusted Variance Report

## Fiscal Year 2014-15

### *Per Member Per Month (PMPM) Analysis*

Fiscal Year 2014-15	Actual thru June 2015, as Adjusted	Authorized Budget (per Segal 9-9-14)	Variance Over/(Under) Budget
<b>Plan Revenue *</b>	<b>\$371.68</b>	<b>\$367.01</b>	<b>\$4.67</b>
Net Claims Payments ^	\$323.90	\$318.09	\$5.81
Medicare Advantage Premiums	\$19.89	\$20.09	(\$0.20)
Net Administrative Expenses †	\$21.31	\$27.56	(\$6.25)
<b>Total Plan Expenses</b>	<b>\$365.10</b>	<b>\$365.74</b>	<b>(\$0.64)</b>
<b>Net Income/(Loss)</b>	<b>\$6.58</b>	<b>\$1.27</b>	<b>\$5.31</b>

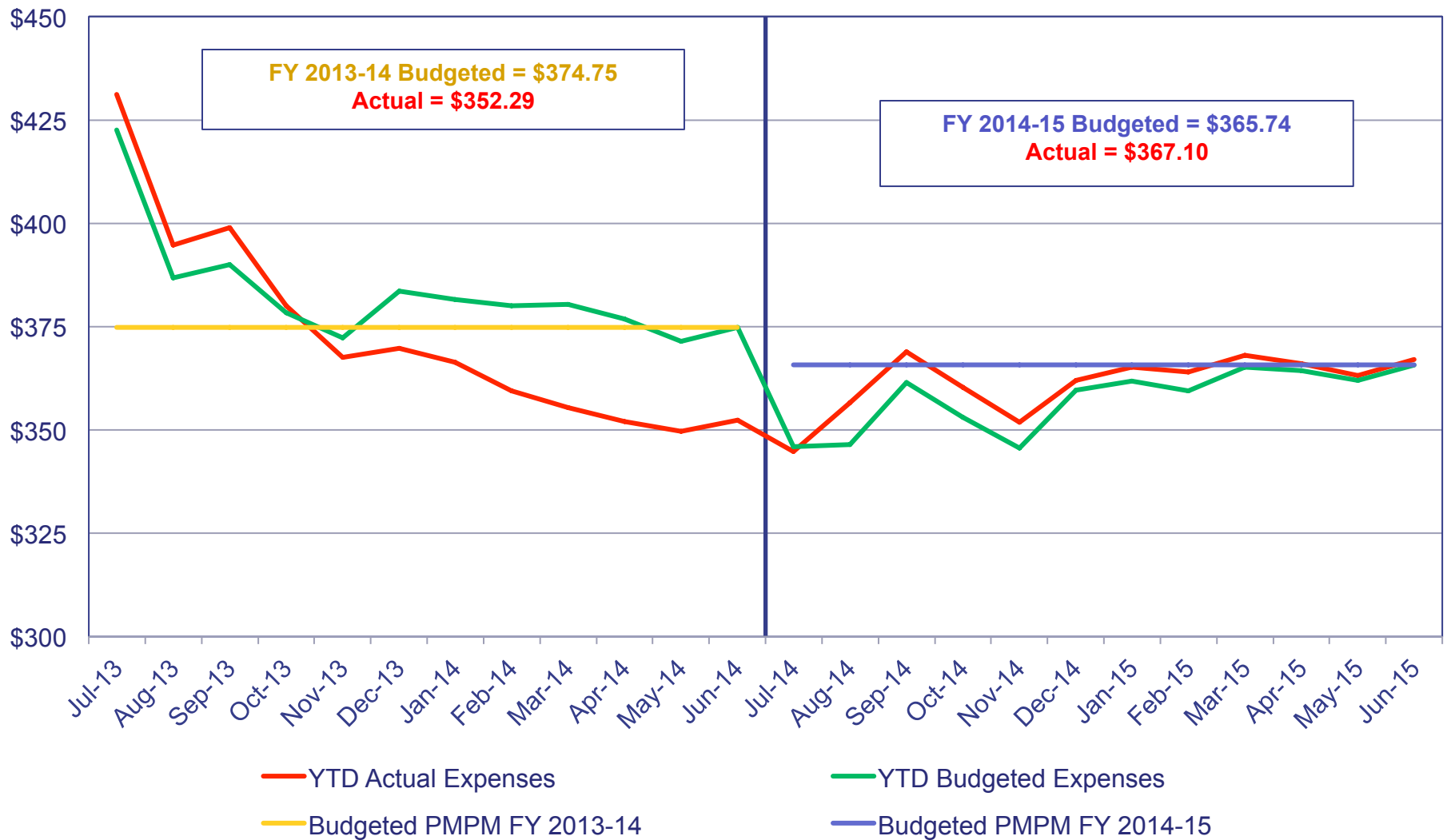
\* Adjusted for timing issues and to exclude non-budgeted revenues.

^ Adjusted to include pharmacy rebates not received by the end of June.

† Adjusted to include a portion of an ACA fee payment that was budgeted for January but will not be paid until November.

# Fiscal Year 2014-15 Expenditure Trend

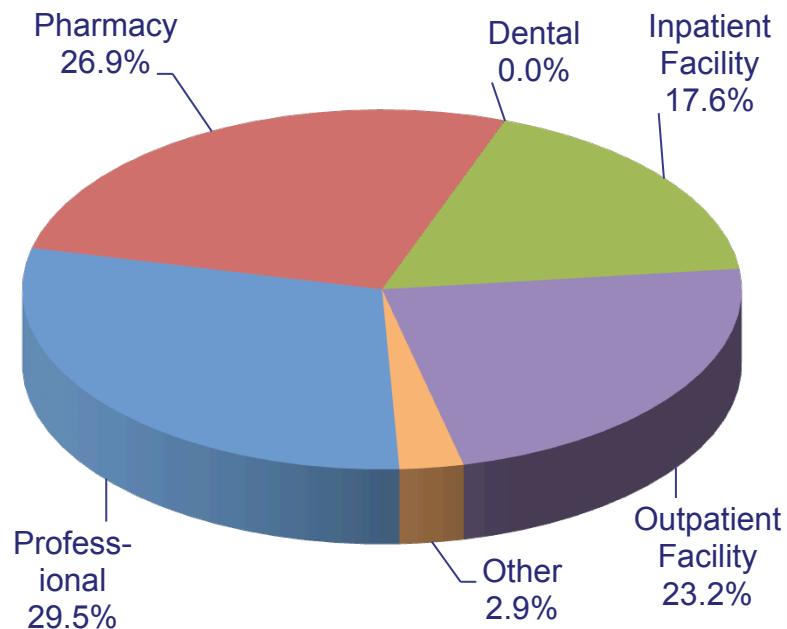
## Per Member Per Month



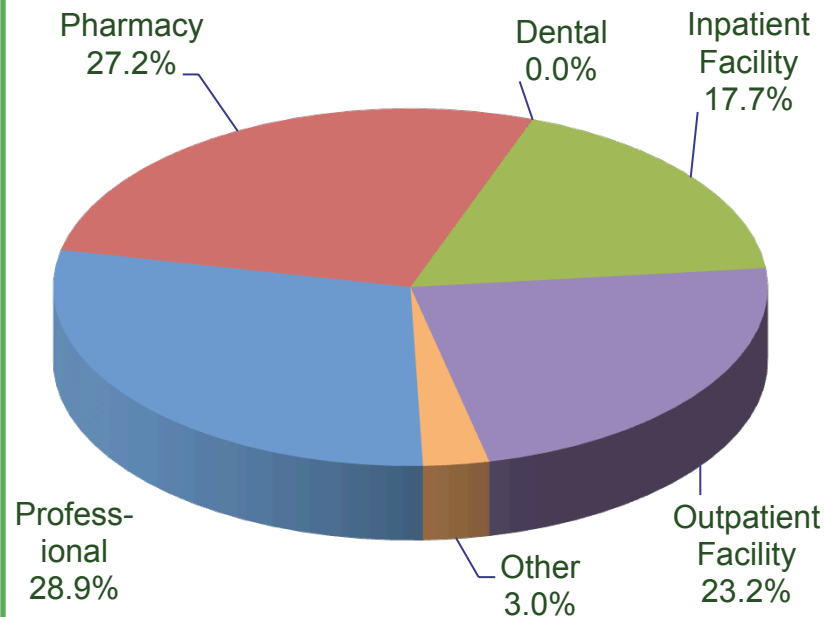
# Allocation of Claims Expenditures

## Medical, Blue Card and Pharmacy Payments

Fiscal Year 2014-15



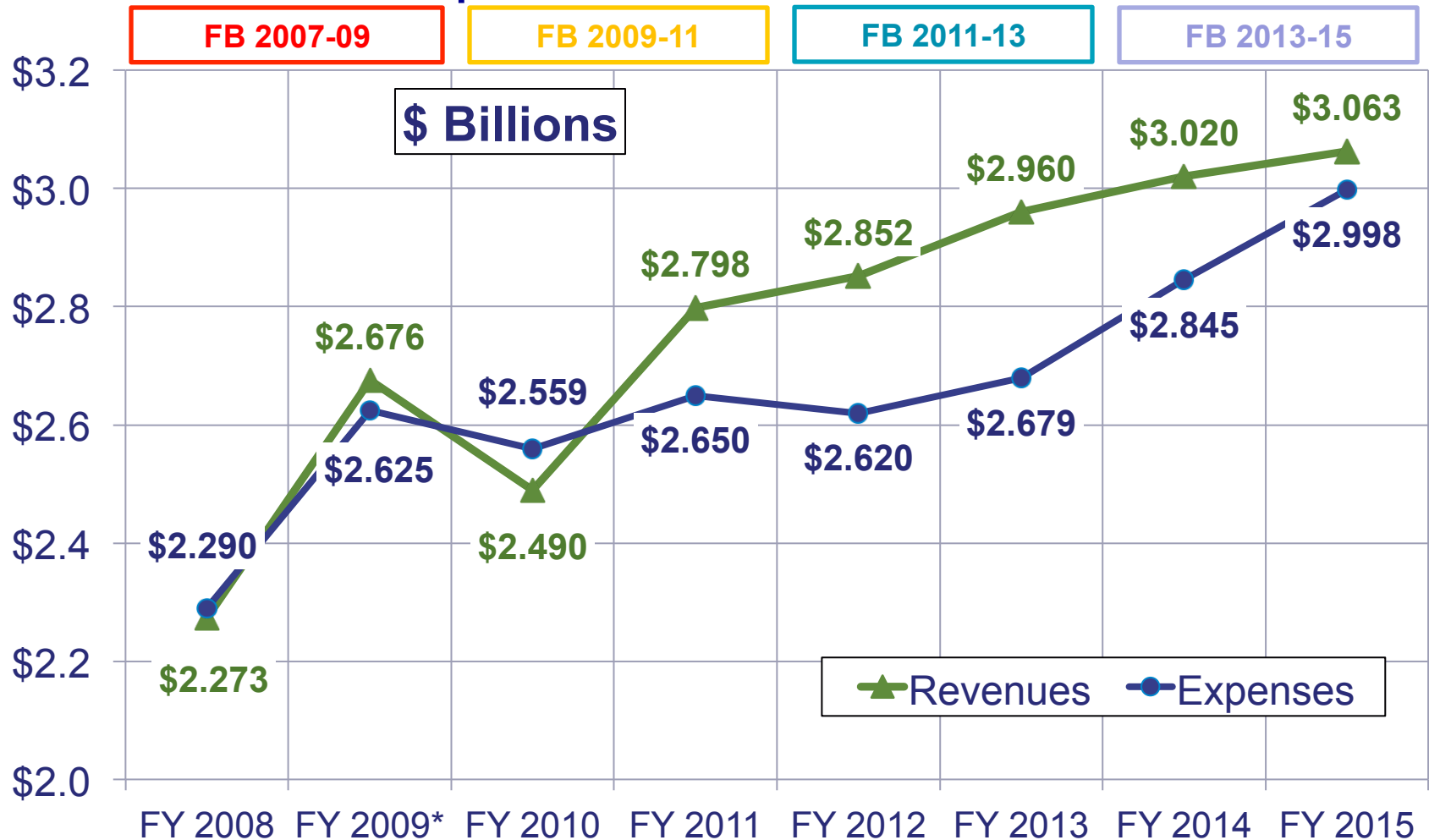
Fiscal Year 2013-14



Source: BCBSNC Summary of Billed Charges

# Recent Historical Financial Results

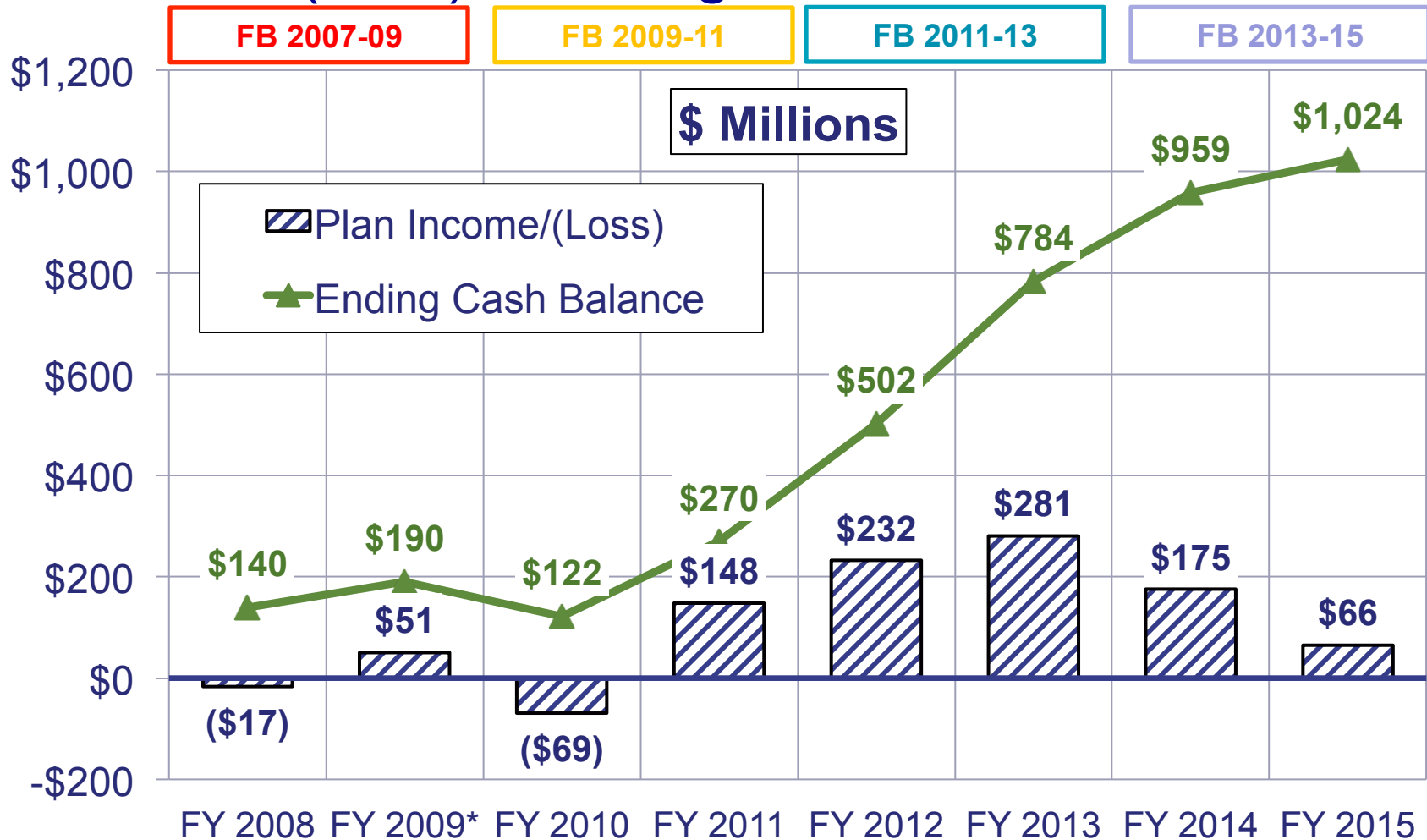
## Revenues and Expenses



\*FY 2009 revenues include a \$250 million general fund appropriation from the State.

# Recent Historical Financial Results

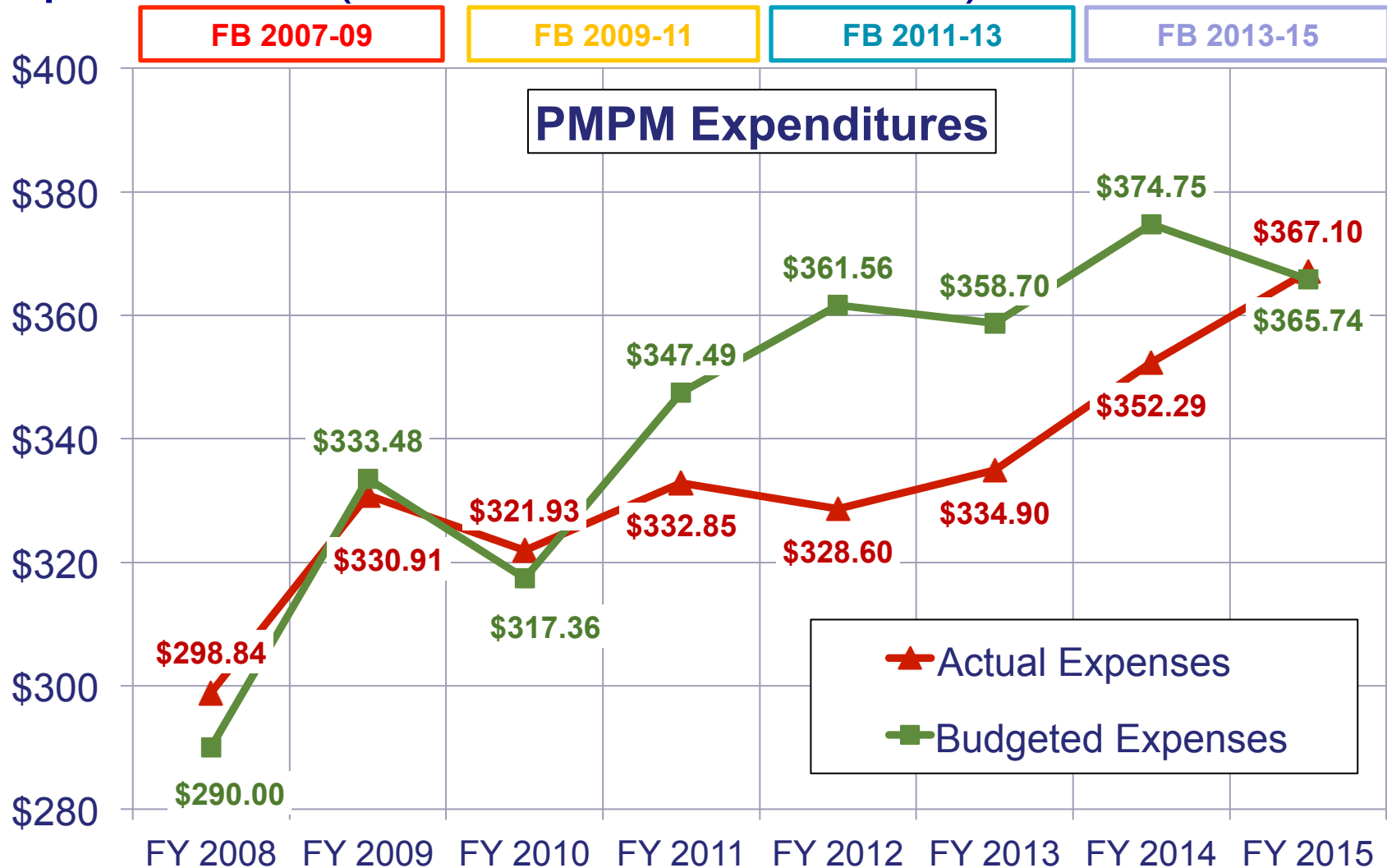
## Net Income/(Loss) & Ending Cash Balance



\*The Plan received a \$250 million general fund appropriation from the State in FY 2009.

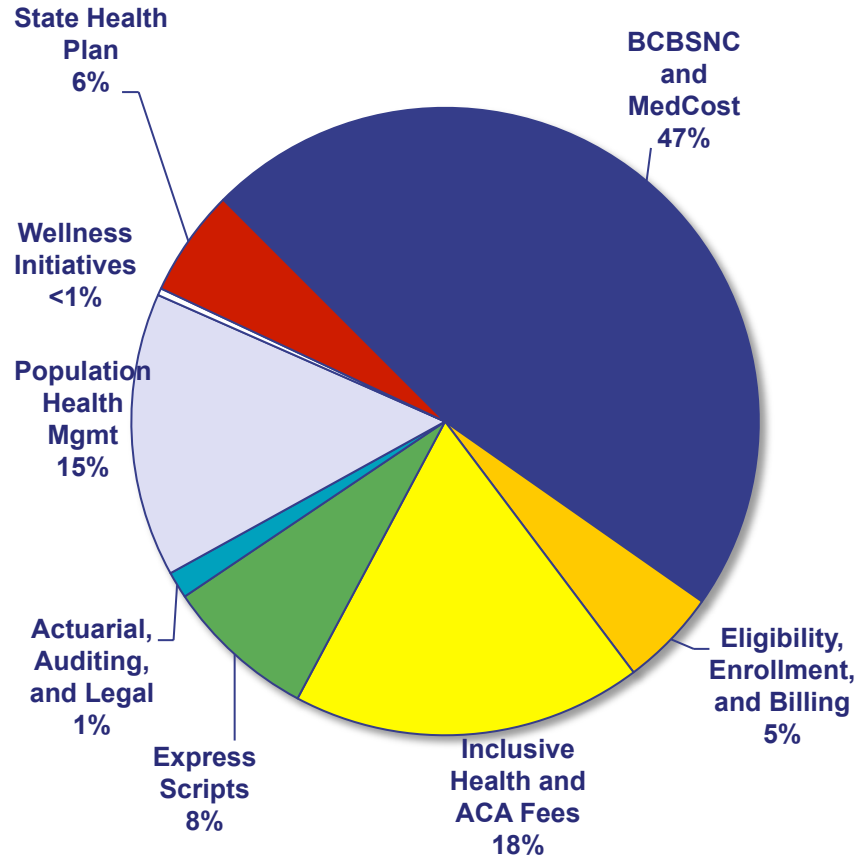
# Recent Historical Financial Results

## Expenditures (Claims + Administrative) PMPM

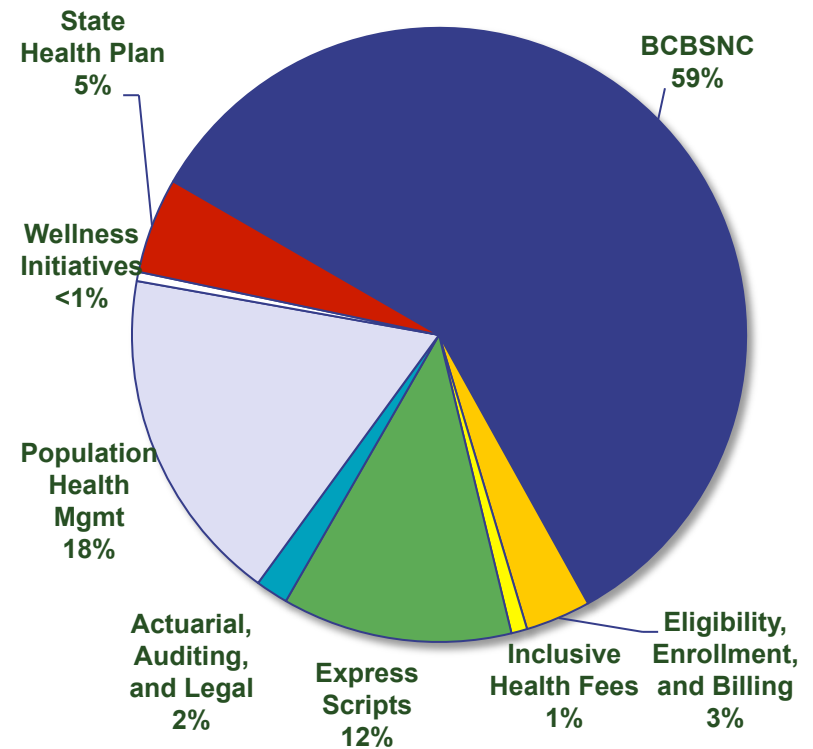


# Fiscal Year 2014-15 Administrative Expenses

**FY 2014-15**  
(\$168.4 Million)



**FY 2013-14**  
(\$148.1 Million)



North Carolina State Health Plan for Teachers and State Employees  
Summary of Operations (Cash Basis)  
Consolidated Report, Actual vs. Authorized Budget  
For the Month Ended June 2015  
**Fiscal Year 2014- 2015**

	A	B	C	D	E	F	G	H
	Actual June 2015	Authorized Budget June 2015	Monthly Variance Over/(Under) Authorized Budget	Actual Year to Date FY 2014-15	Authorized Budget Year to Date FY 2014-15	Year to Date Variance Over/(Under) Authorized Budget	Annual Authorized Budget FY 2014-15	Year to Date Variance Over/(Under) Annual Auth. Budget
<b>Plan Revenue:</b>								
Member Premiums	\$ 240,663,920	\$ 244,301,148	\$ (3,637,228)	\$ 2,987,502,673	\$ 2,937,906,736	\$ 49,595,937	\$ 2,937,906,736	\$ 49,595,937
Premium Refunds/Retroactive Disenrollments	(5,343,00)	(122,995)	117,652	(11,359)	(1,478,664)	1,467,305	(1,478,664)	1,467,305
Medicare Part D (RDS) Subsidy	2,027,732	518,358	1,509,374	19,590,771	6,276,386	13,314,385	6,276,386	13,314,385
Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	50,283,823	33,414,689	16,869,134	33,414,689	16,869,134
Medicare Advantage (MA) Subsidy	63,929	-	63,929	833,262	-	833,262	-	833,262
Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(1,949)	-	(1,949)	-	(1,949)
<b>Net Premium &amp; Other Contributions</b>	<b>242,750,238</b>	<b>244,696,511</b>	<b>(1,946,273)</b>	<b>3,058,197,221</b>	<b>2,976,119,147</b>	<b>82,078,074</b>	<b>2,976,119,147</b>	<b>82,078,074</b>
Investment Earnings	511,343	327,311	184,032	5,065,735	3,933,340	1,132,395	3,933,340	1,132,395
Miscellaneous Revenue	-	-	-	-	-	-	-	-
<b>Other Revenue</b>	<b>511,343</b>	<b>327,311</b>	<b>184,032</b>	<b>5,065,735</b>	<b>3,933,340</b>	<b>1,132,395</b>	<b>3,933,340</b>	<b>1,132,395</b>
<b>Total Plan Revenue (excludes internal transfers)</b>	<b>243,261,581</b>	<b>245,023,822</b>	<b>(1,762,241)</b>	<b>3,063,262,956</b>	<b>2,980,052,487</b>	<b>83,210,469</b>	<b>2,980,052,487</b>	<b>83,210,469</b>
<b>Plan Expenses:</b>								
Medical Claim Payments	192,496,785	202,900,858	(10,404,073)	2,021,369,178	1,995,716,227	25,652,951	1,995,716,227	25,652,951
Medical Claim Refunds/Recoveries	(2,026,657)	(2,045,266)	18,609	(24,839,428)	(23,520,519)	(1,318,909)	(23,520,519)	(1,318,909)
<b>Net Medical Claims</b>	<b>190,470,128</b>	<b>200,855,592</b>	<b>(10,385,464)</b>	<b>1,996,529,750</b>	<b>1,972,195,708</b>	<b>24,334,042</b>	<b>1,972,195,708</b>	<b>24,334,042</b>
Pharmacy Claim Payments	56,876,966	54,429,294	2,447,672	725,607,106	686,943,428	38,663,678	686,943,428	38,663,678
Pharmacy Claim Rebates	-	(10,000,000)	10,000,000	(51,114,709)	(74,166,940)	23,052,231	(74,166,940)	23,052,231
Pharmacy Claim Refunds/Recoveries	(56,426)	-	(56,426)	(4,137,813)	-	(4,137,813)	-	(4,137,813)
<b>Net Pharmacy Claims</b>	<b>56,820,540</b>	<b>44,429,294</b>	<b>12,391,246</b>	<b>670,354,584</b>	<b>612,776,488</b>	<b>57,578,096</b>	<b>612,776,488</b>	<b>57,578,096</b>
<b>Net Claim Payments</b>	<b>247,290,668</b>	<b>245,284,886</b>	<b>2,005,782</b>	<b>2,666,884,334</b>	<b>2,584,972,196</b>	<b>81,912,138</b>	<b>2,584,972,196</b>	<b>81,912,138</b>
Medicare Advantage Premium Payments	14,151,943	14,065,998	85,945	162,400,394	163,281,044	(880,650)	163,281,044	(880,650)
<b>Net Administrative Expenses</b>	<b>14,796,209</b>	<b>15,800,168</b>	<b>(1,003,959)</b>	<b>168,416,645</b>	<b>223,971,245</b>	<b>(55,554,600)</b>	<b>223,971,245</b>	<b>(55,554,600)</b>
<b>Total Plan Expenses (excludes internal transfers)</b>	<b>276,238,820</b>	<b>275,151,052</b>	<b>1,087,768</b>	<b>2,997,701,373</b>	<b>2,972,224,485</b>	<b>25,476,888</b>	<b>2,972,224,485</b>	<b>25,476,888</b>
<b>Plan Income/(Loss)</b>	<b>(32,977,239)</b>	<b>(30,127,230)</b>	<b>(2,850,009)</b>	<b>65,561,583</b>	<b>7,828,002</b>	<b>57,733,581</b>	<b>7,828,002</b>	<b>57,733,581</b>
<b>Cash Availability:</b>								
Beginning Cash Balance/(Deficit)	1,057,096,862	996,513,272	60,583,590	958,558,040	958,558,040	-	958,558,040	-
<b>Ending Cash Balance/(Deficit)</b>	<b>1,024,119,623</b>	<b>966,386,042</b>	<b>57,733,581</b>	<b>1,024,119,623</b>	<b>966,386,042</b>	<b>57,733,581</b>	<b>966,386,042</b>	<b>57,733,581</b>
Target Stabilization Reserve @ 6/30/15	232,647,498	232,647,498	-	232,647,498	232,647,498	-	232,647,498	-
<b>Cash Balance Over/(Under) Reserve Target</b>	<b>\$ 791,472,125</b>	<b>\$ 733,738,544</b>	<b>\$ 57,733,581</b>	<b>\$ 791,472,125</b>	<b>\$ 733,738,544</b>	<b>\$ 57,733,581</b>	<b>\$ 733,738,544</b>	<b>\$ 57,733,581</b>

Comments:

- Premium receivables totaled \$54,302.64 as of June 30, 2015.
- The average weekly medical claims cost net of claims refunds was \$38,094,025.60 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$28,438,483.00 per cycle.
- The target stabilization reserve is 9% of the projected net claims for Fiscal Year 2014-15.
- Minor differences compared to other reports are due to rounding.

Actual vs Authorized Budget (i.e. **Revised Budget** per Segal 9-9-14 Projections)  
June 2015 - Fiscal Year

**North Carolina State Health Plan for Teachers and State Employees**  
**Summary of Operations (Cash Basis)**  
 Current Year Actual vs. Prior Year Actual  
 For the Month Ended June 2015  
**Fiscal Year 2014-2015**

	A	B	C	D	E	F	G
	Current Year Actual June 2015	Prior Year Actual June 2014	Current Year to Date Actual FY 2014-15 thru June	Prior Year to Date Actual FY 2013-14 thru June	Current Year Authorized Annual Budget FY 2014-15	Prior Year Annual Budget FY 2013-14	Prior Year Actual Results FY 2013-14
1 <b>Plan Revenue:</b>							
2							
3 Member Premiums	\$ 240,663,920	\$ 239,533,989	\$ 2,987,502,673	\$ 2,941,097,678	\$ 2,937,906,736	\$ 2,902,567,015	\$ 2,941,097,678
4 Premium Refunds/Retroactive Disenrollments	(5,343)	(30)	(11,359)	(299,923)	(1,478,664)	(1,466,766)	(299,923)
5 Medicare Part D (RDS) Subsidy	2,027,732	1,282,754	19,590,771	11,583,652	6,276,386	6,218,762	11,583,652
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	50,283,823	63,780,569	33,414,689	50,346,402	63,780,569
7 Medicare Advantage (MA) Subsidy	63,929	111,598	833,262	417,565	-	-	417,565
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	(1,949)	-	-	-	-
9 Net Premium & Other Contributions	242,750,238	240,928,311	3,058,197,221	3,016,579,541	2,976,119,147	2,957,665,413	3,016,579,541
10							
11 Investment Earnings	511,343	369,223	5,065,735	3,861,263	3,933,340	2,868,131	3,861,263
12 Miscellaneous Revenue	-	-	-	54,972	-	-	54,972
13 Other Revenue	511,343	369,223	5,065,735	3,916,235	3,933,340	2,868,131	3,916,235
14							
15 Total Plan Revenue (excludes internal transfers)	243,261,581	241,297,534	3,063,262,956	3,020,495,776	2,980,052,487	2,960,533,544	3,020,495,776
16							
17 <b>Plan Expenses:</b>							
18							
19 Medical Claim Payments	192,496,785	185,033,694	2,021,369,178	1,989,574,333	1,995,716,227	2,107,493,114	1,989,574,333
20 Medical Claim Refunds/Recoveries	(2,026,657)	(1,276,891)	(24,839,428)	(22,450,766)	(23,520,519)	(24,643,884)	(22,450,766)
21 Net Medical Claims	190,470,128	183,756,803	1,996,529,750	1,967,123,567	1,972,195,708	2,082,849,230	1,967,123,567
22							
23 Pharmacy Claim Payments	56,876,966	50,170,813	725,607,106	743,680,114	686,943,428	699,653,578	743,680,114
24 Pharmacy Claim Rebates	-	-	(51,114,709)	(91,653,105)	(74,166,940)	(52,353,361)	(91,653,105)
25 Pharmacy Claim Refunds/Recoveries	(56,426)	93,603	(4,137,813)	(398,652)	-	-	(398,652)
26 Net Pharmacy Claims	56,820,540	50,264,416	670,354,584	651,628,357	612,776,488	647,300,217	651,628,357
27							
28 Net Claim Payments	247,290,668	234,021,219	2,666,884,334	2,618,751,924	2,584,972,196	2,730,149,447	2,618,751,924
29							
30 Medicare Advantage Premium Payments	14,151,943	12,382,444	162,400,394	78,538,847	163,281,044	86,864,744	78,538,847
31							
32 Net Administrative Expenses	14,796,209	13,001,226	168,416,645	148,134,913	223,971,245	182,446,628	148,134,913
33							
34 Total Plan Expenses (excludes internal transfers)	276,238,820	259,404,889	2,997,701,373	2,845,425,684	2,972,224,485	2,999,460,819	2,845,425,684
35							
36 <b>Plan Income/(Loss)</b>	(32,977,239)	(18,107,355)	65,561,583	175,070,092	7,828,002	(38,927,275)	175,070,092
37							
38 <b>Cash Availability:</b>							
39							
40 Beginning Cash Balance/(Deficit)	1,057,096,862	976,665,395	958,558,040	783,487,948	958,558,040	755,749,494	783,487,948
41 Ending Cash Balance/(Deficit)	1,024,119,623	958,558,040	1,024,119,623	958,558,040	966,386,042	716,822,219	958,558,040
42							
43 Target Stabilization Reserve @ 6/30/15	232,647,498	239,446,206	232,647,498	239,446,206	232,647,498	239,446,206	229,269,716
44							
45 Cash Balance Over/(Under) Reserve Target	\$ 791,472,125	\$ 719,111,834	\$ 791,472,125	\$ 719,111,834	\$ 733,738,544	\$ 477,376,013	\$ 729,288,324

**Comments:**

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

North Carolina State Health Plan for Teachers and State Employees  
Summary of Operations (Cash Basis, as adjusted)  
Consolidated Report, Actual vs. Budgeted  
For the Month Ended June 2015  
**Fiscal Year 2014-2015**

	A	B	C	D	E	F
	Actual Year to Date Fiscal Year thru June	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Authorized Budget Fiscal Year to Date thru June	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
<b>Plan Revenue:</b>						
Member Premiums (Notes 1 and 2)	\$ 2,987,502,673	\$ (5,442,332)	\$ 2,982,060,341	\$ 2,937,906,736	\$ 44,153,605	1.50%
Premium Refunds/Retroactive Disenrollments	(11,359)		(11,359)	(1,478,664)	1,467,305	-99.23%
Medicare Part D (RDS) Subsidy	19,590,771		19,590,771	6,276,386	13,314,385	212.13%
Medicare PDP (EGWP + Wrap) Subsidy (Note 3)	50,283,823	(16,868,693)	33,415,130	33,414,689	441	0.00%
Medicare Advantage (MA) Subsidy (Note 4)	833,262	(833,262)	-	-	-	
Federal Early Retiree Reinsurance Program (ERRP) (Note 5)	(1,949)	1,949	-	-	-	
Net Premium & Other Contributions	3,058,197,221	(23,142,338)	3,035,054,883	2,976,119,147	58,935,736	1.98%
Other Revenue	5,065,735		5,065,735	3,933,340	1,132,395	28.79%
<b>Total Plan Revenue (excludes internal transfers)</b>	<b>3,063,262,956</b>	<b>(23,142,338)</b>	<b>3,040,120,618</b>	<b>2,980,052,487</b>	<b>60,068,131</b>	<b>2.02%</b>
<b>Plan Expenses:</b>						
Net Medical Claims	1,996,529,750		1,996,529,750	1,972,195,708	24,334,042	1.23%
Net Pharmacy Claims (Note 6)	670,354,584	(21,973,123)	648,381,461	612,776,488	35,604,973	5.81%
<b>Net Claim Payments</b>	<b>2,666,884,334</b>	<b>(21,973,123)</b>	<b>2,644,911,211</b>	<b>2,584,972,196</b>	<b>59,939,015</b>	<b>2.32%</b>
Medicare Advantage Premiums	162,400,394		162,400,394	163,281,044	(880,650)	-0.54%
Net Administrative Expenses (Note 7)	168,416,645	5,642,732	174,059,377	223,971,245	(49,911,869)	-22.28%
<b>Total Plan Expenses (excludes internal transfers)</b>	<b>2,997,701,373</b>	<b>(16,330,392)</b>	<b>2,981,370,982</b>	<b>2,972,224,485</b>	<b>9,146,497</b>	<b>0.31%</b>
<b>Plan Income/(Loss)</b>	<b>65,561,583</b>	<b>(6,811,946)</b>	<b>58,749,637</b>	<b>7,828,002</b>	<b>50,921,635</b>	<b>650.51%</b>
<b>Cash Availability:</b>						
Beginning Cash Balance/(Deficit)	958,558,040		958,558,040	958,558,040	-	0.00%
Ending Cash Balance/(Deficit)	1,024,119,623	(6,811,946)	1,017,307,677	966,386,042	50,921,635	5.27%
Target Stabilization Reserve @ 6/30/15	232,647,498		232,647,498	232,647,498	-	0.00%
<b>Cash Balance Over/(Under) Reserve Target</b>	<b>\$ 791,472,125</b>	<b>\$ (6,811,946)</b>	<b>\$ 784,660,179</b>	<b>\$ 733,738,544</b>	<b>\$ 50,921,635</b>	<b>6.94%</b>

**Adjustment Notes:**

1. Member premiums adjusted to include \$16.0 million in prepaid July 2014 premiums received in June 2014.
2. Member premiums adjusted to exclude \$21.4 million in prepaid July 2015 premiums received in June 2015.
3. EGWP subsidy adjusted to exclude the the unbudgeted portion of the Catastrophic Subsidy received in January 2015.
4. Medicare Advantage low income premium subsidies were not budgeted and therefore are excluded.
5. ERRP revenues adjusted to exclude an unbudgeted repayment of ERRP funds resulting from an audit finding.
6. Net pharmacy claims adjusted to assume receipt of rebates that were budgeted but were not received before the end of the fiscal year.
7. Administrative expenses adjusted to include a second payment for the ACA Transitional Reinsurance program of \$5.6 million that was budgeted for January but will not be paid until November 2015.