Board of Trustees Meeting

August 30, 2018

A Division of the Department of State Treasurer
Reading of SEI Statements into Minutes

Board of Trustees Meeting

August 30, 2018
Reading of SEI Statements into Minutes

STATE HEALTH PLAN BOARD OF TRUSTEES
August 30, 2018 Meeting
AGENDA ITEM

Conflict of Interest Statement

Statement of Economic Interest evaluations of members pursuant to the Ethics Act § 163A-159(c)

In the following packet is a copy of each Board member’s most recent Statement of Economic Interest (SEI) evaluation issued by the State Board of Elections and Ethics Enforcement. These are being provided for Board members’ review and for recording in the meeting minutes pursuant to the requirements of the State Government Ethics Act. Members are encouraged to review the evaluations to inform and remind them of the identified actual or potential conflicts of interest.
Board of Trustee Bylaws Revision

Board of Trustees Meeting

August 30, 2018
Article IV. Meetings:
Section 2. Annual Meeting to Review Requests for Changes to Benefits:

One meeting per year will be used to review requests made by individuals or groups for changes in benefits under the State Health Plan.

Section 9. Public Comment:
Time will be reserved at the end of each meeting for public comment upon request. Such time may be limited by the Chairperson.
Revision to Bylaws of the State Health Plan Board of Trustees

Proposed text with redline:

Article IV. Meetings:
Section 2. Annual Meeting to Review Requests for Changes to Benefits:

One meeting per year will be used to review requests made by individuals or groups for changes in benefits under the State Health Plan.

Section 89. Public Comment and Requests for Changes to Benefits:

Time will be reserved at the end of each non-telephonic Board meeting for public comment and requests for changes in benefits under the State Health Plan upon request. Such time may be limited by the Chairperson.

Reason for revisions:
To provide a broader opportunity for engagement by allowing individuals and groups to request benefit changes during the public comment period at any non-telephonic Board meeting.
Revision to Bylaws of the State Health Plan Board of Trustees

New text without redline:

Article IV. Meetings:

Section 8. Public Comment and Requests for Changes to Benefits:

Time will be reserved at each non-telephonic Board meeting for public comment and requests for changes in benefits under the State Health Plan upon request. Such time may be limited by the Chairperson.
**State Health Plan Organization Chart**

- **Dee Jones**
  - Executive Administrator
  - 60088633

- **Lorraine Munk**
  - Executive Assistant
  - 60088618

### Key Officers and Positions
- **Andrew Norton**
  - Dep. Gen. Counsel
  - 60088628
- **Ted Enarson, Sr. Dir.**
  - Contracts/Compl.
  - 60088628
- **Josie Grasse**
  - Executive Assistant
  - 60088638
- **Matt Rob**
  - Sr. Dr., Fin, Png.
  - 60088647
- **Margaret Balogun**
  - Administrative Asst.
  - 60088616
- **Beth Horner**
  - Dir., Cust. Exp./Com.
  - 60088634
- **Joanne Schmitt**
  - Administrative Asst.
  - 60088616
- **VACANT**
  - Sr. Dir., Plan Integration
  - 60088619
- **VACANT**
  - Administrative Asst.
  - 60088620
- **Caroline Smart**
  - Sr. Dir., Plan Integration
  - 60088637
- **Charles Winkler**
  - Info & Comm Spec III
  - 65002777
- **Martina Jones**
  - Mgr., Plan Integration
  - 60088646
- **Charles Sceiford**
  - Health & Benefits Actuary
  - 60088636
- **Lorraine Munk**
  - Executive Assistant
  - 60088618
- **Ted Enarson**
  - Sr. Dir.
  - Contracts
  - 60088628
- **Kendall Bourdon**
  - Assist. Gen Counsel
  - 65022516
- **Chris Almberg**
  - Compliance Officer
  - 60088650
- **Sharon Smith**
  - Mgr., Contracts
  - 65002776
- **Amy Ruggiero**
  - Contracts Specialist II
  - 60088631
- **Molly Kovacs**
  - Contracts Compliance & Records Specialist
  - 60088626
- **Greg Moore**
  - Mgr., Qlt. Pgm.
  - 65002579
- **Robin Wilkins**
  - Analyst, Quality
  - 60088622
- **Kendall Bourdon**
  - Assist. Gen Counsel
  - 65022516
- **Chris Almberg**
  - Compliance Officer
  - 60088650
- **Sharon Smith**
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  - 65002776
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  - 60088626
- **Greg Moore**
  - Mgr., Qlt. Pgm.
  - 65002579
- **Robin Wilkins**
  - Analyst, Quality
  - 60088622
- **INTERVIEWING**
  - Enterprise Data Architect
  - 65025408
- **INTERVIEWING**
  - Project Coordinator
  - 65025408
- **Kendall Bourdon**
  - Assist. Gen Counsel
  - 65022516
- **Chris Almberg**
  - Compliance Officer
  - 60088650
- **Sharon Smith**
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  - 65002776
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  - 60088622
- **INTERVIEWING**
  - Enterprise Data Architect
  - 65025408
- **INTERVIEWING**
  - Project Coordinator
  - 65025408

### Additional Information

- **December 2016**
  - Budget: 47
  - Allocated to OST Auditor: 0
  - Total SHP Positions: 47
  - Positions on Hold: 0
  - Open Positions: 11
  - Filled Positions: 36

- **August 2017**
  - Budget: 54
  - Allocated to OST Auditor: 1
  - Total SHP Positions: 53
  - Positions on Hold: 4
  - Open Positions: 15
  - Filled Positions: 34

- **August 2018**
  - Budget: 54
  - Allocated to OST Auditor: 1
  - Total SHP Positions: 53
  - Positions on Hold: 4
  - Open Positions: 6
  - Filled Positions: 43

- **SHP Experience**
  - <2 years: 21
  - >2 years: 22

*08.30.2018*
2017-18 State Fiscal Year Financial Report

Board of Trustees Meeting
August 31, 2018

A Division of the Department of State Treasurer
## Financial Results: Actual vs. Budgeted

### Fiscal Year 2017-18

<table>
<thead>
<tr>
<th>Fiscal Year 2017-18</th>
<th>Actual thru June 2018</th>
<th>Certified Budget (per Segal 9-07-2017)</th>
<th>Variance Fav/(Unfav) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>$912.0 m</td>
<td>$912.0 m</td>
<td>-</td>
</tr>
<tr>
<td>Plan Revenue</td>
<td>$3.482 b</td>
<td>$3.475 b</td>
<td>$0.008 b</td>
</tr>
<tr>
<td>Net Claims Payments</td>
<td>$2.305 b</td>
<td>$3.027 b</td>
<td>$0.044 b</td>
</tr>
<tr>
<td>Medicare Advantage Premiums</td>
<td>$0.213 b</td>
<td>$0.198 b</td>
<td>($0.013) b</td>
</tr>
<tr>
<td>Net Administrative Expenses</td>
<td>$0.146 b</td>
<td>$0.191 b</td>
<td>$0.045 b</td>
</tr>
<tr>
<td>Total Plan Expenses</td>
<td>$3.331 b</td>
<td>$3.416 b</td>
<td>$0.084 b</td>
</tr>
<tr>
<td>Net Income/(Loss)</td>
<td>$150.9 m</td>
<td>$59.2 m</td>
<td>$0.092 b</td>
</tr>
<tr>
<td>Ending Cash Balance</td>
<td>$1.063 b</td>
<td>$971.1 m</td>
<td>$0.092 b</td>
</tr>
</tbody>
</table>
### Adjusted Variance Report
#### Fiscal Year 2017-18

<table>
<thead>
<tr>
<th>Fiscal Year 2017-18</th>
<th>Actual thru June 2018, As Adjusted</th>
<th>Certified Budget (per Segal 9-7-2017)</th>
<th>Variance Fav/(Unfav) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Revenue</td>
<td>$3.498 b</td>
<td>$3.475 b</td>
<td>$0.023 b</td>
</tr>
<tr>
<td>Net Claims Payments</td>
<td>$2.975 b</td>
<td>$3.027 b</td>
<td>$0.053 b</td>
</tr>
<tr>
<td>Medicare Advantage Premiums</td>
<td>$0.211 b</td>
<td>$0.198 b</td>
<td>($0.013) b</td>
</tr>
<tr>
<td>Net Administrative Expenses</td>
<td>$0.153 b</td>
<td>$0.191 b</td>
<td>$0.038 b</td>
</tr>
<tr>
<td>Total Plan Expenses</td>
<td>$3.338 b</td>
<td>$3.416 b</td>
<td>$0.077 b</td>
</tr>
<tr>
<td>Net Income/(Loss)</td>
<td>$160.0 m</td>
<td>$59.2 m</td>
<td>$0.100 m</td>
</tr>
</tbody>
</table>

* Adjusted for timing issues.
### Financial Results Actual vs. Budgeted

**Fiscal Year 2017-18**

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

<table>
<thead>
<tr>
<th>Fiscal Year 2017-18</th>
<th>Actual thru June 2018</th>
<th>Authorized Budget (per Segal 9-07-17)</th>
<th>Variance Fav/(Unfav) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Revenue</td>
<td>$401.15</td>
<td>$402.77</td>
<td>($1.62)</td>
</tr>
<tr>
<td>Net Claims Payments</td>
<td>$343.41</td>
<td>$351.26</td>
<td>$7.85</td>
</tr>
<tr>
<td>Medicare Advantage Premiums</td>
<td>$24.37</td>
<td>$23.00</td>
<td>($1.37)</td>
</tr>
<tr>
<td>Net Administrative Expenses</td>
<td>$16.85</td>
<td>$22.09</td>
<td>$5.24</td>
</tr>
<tr>
<td><strong>Total Plan Expenses</strong></td>
<td><strong>$384.63</strong></td>
<td><strong>$396.35</strong></td>
<td><strong>$11.72</strong></td>
</tr>
<tr>
<td><strong>Net Income/(Loss)</strong></td>
<td><strong>$16.52</strong></td>
<td><strong>$6.42</strong></td>
<td><strong>$10.10</strong></td>
</tr>
</tbody>
</table>

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 2017-18

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

<table>
<thead>
<tr>
<th>Fiscal Year 2017-18</th>
<th>Actual thru June 2018, as Adjusted</th>
<th>Authorized Budget (per Segal 9-07-17)</th>
<th>Variance Fav/(Unfav) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Revenue *</td>
<td>$402.94</td>
<td>$402.77</td>
<td>$0.17</td>
</tr>
<tr>
<td>Net Claims Payments</td>
<td>$343.41</td>
<td>$351.26</td>
<td>$7.85</td>
</tr>
<tr>
<td>Medicare Advantage Premiums</td>
<td>$24.37</td>
<td>$23.00</td>
<td>($1.37)</td>
</tr>
<tr>
<td>Net Administrative Expenses</td>
<td>$17.63</td>
<td>$22.09</td>
<td>$4.46</td>
</tr>
<tr>
<td>Total Plan Expenses</td>
<td>$385.41</td>
<td>$396.35</td>
<td>$10.94</td>
</tr>
<tr>
<td>Net Income/(Loss)</td>
<td>$17.53</td>
<td>$6.42</td>
<td>$11.11</td>
</tr>
</tbody>
</table>

* Adjusted for timing issues.
Allocation of Total Expenditures
Medical, Blue Card, and Pharmacy Payments

FY 2017-18

Pharmacy 28.9%
Professional 27.8%
Inpatient Facility 16.9%
Outpatient Facility 23.9%
Other 2.5%

FY 2016-17

Pharmacy 29.4%
Professional 27.7%
Inpatient Facility 16.5%
Outpatient Facility 23.9%
Other 2.5%

*After rebates

Sources: BCBSNC Net Disbursements reports; Financial Status Reports FY-2017-18
Allocation of Claims Expenditures (PMPM)
Medical, Blue Card and Pharmacy Payments

* Pharmacy claims costs do not include the impact of rebates

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.

Note: The 2013 Short Plan Year is not shown in chart. In the six months from July to December 2013, Plan revenues totaled $1.540 Billion and Plan expenses were $1.485 Billion.
Historical Financial Results
Net Income/(Loss) & Ending Cash Balance

FY08 FY09 FY10 FY11 FY12 FY13 '13 SPY FY14 FY15 FY16 FY17 FY18

$140 $190 $122 $148 $232 $281 $784 $838 $959 $1,024 $953 $914 $1,063

($17) ($69) ($69) $502 $502 $502 $55 $66 ($71) ($42) $151

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

SPY = Short Plan Year (Jul-Dec 2013)
Recent Historical Financial Results
Expenditures (Claims + Administrative) PMPM


$299  $331  $322  $333  $333  $335
$329  $359  $362  $359  $366  $383
$352  $375  $366  $383  $390  $390
$359  $375  $396  $396  $396  $385

Actual Expenses  Budgeted Expenses


SPY = Short Plan Year (Jul-Dec 2013)
Fiscal Year 2017-18 vs 2016-17
Administrative Expenses

FY 2017-18
($145.9 Million)

- State Health Plan: 6%
- Wellness Initiatives: 1%
- Population Health Mgmt: 15%
- Actuarial, Auditing, and Legal: 2%
- PBM: CVS and Express Scripts: 7%
- ACA Fees: 3%
- Eligibility, Enrollment, and Billing: 11%
- BCBSNC + Medcost: 54%

FY 2016-17
($179.7 Million)

- State Health Plan: 8%
- Wellness Initiatives: 1%
- Population Health Mgmt: 15%
- PBM: 7%
- ACA Fees: 11%
- Eligibility, Enrollment, and Billing: 11%
- BCBSNC and MedCost: 45%

Note: The charts show administrative fees that were paid FY 2017-18 vs FY 2016-17 and reflect some inconsistencies in the timing of payments. These data do not reflect admin fee balances being negotiated with BCBS.
## Fiscal Year 2017-18 Administrative Expense Detail

<table>
<thead>
<tr>
<th>Vendor/Expense</th>
<th>Service Provided</th>
<th>2017-18 Status</th>
<th>FY 2017-18 Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCBSNC</td>
<td>Medical Claims Processing</td>
<td>Contract continues/PSPM fee increases/No HRA fee</td>
<td>$78,510,302</td>
<td>53.8%</td>
</tr>
<tr>
<td>ActiveHealth Management</td>
<td>Population Health Management</td>
<td>Contract continues thru Sep/PMPM fee decreases significantly</td>
<td>$22,387,918</td>
<td>15.3%</td>
</tr>
<tr>
<td>Benefitfocus</td>
<td>Enrollment &amp; Eligibility</td>
<td>Contract continues/same PSPM fee</td>
<td>$13,460,687</td>
<td>9.2%</td>
</tr>
<tr>
<td>SHP Salaries and Benefits</td>
<td>General Administration</td>
<td>Continues</td>
<td>$3,697,132</td>
<td>2.5%</td>
</tr>
<tr>
<td>iTedium/COBRAGuard</td>
<td>COBRA &amp; Billing</td>
<td>Contract continues/same PSPM fees</td>
<td>$2,469,038</td>
<td>1.7%</td>
</tr>
<tr>
<td>DHHS Public Health - Quitline</td>
<td>Tobacco Cessation</td>
<td>Contract continues with some reductions</td>
<td>$2,487,990</td>
<td>1.7%</td>
</tr>
<tr>
<td>Health Management Systems, Inc.</td>
<td>Subrogation</td>
<td>Contracted through August with optional extensions</td>
<td>$1,330,340</td>
<td>0.9%</td>
</tr>
<tr>
<td>CVS/Caremark</td>
<td>Pharmacy Benefit Management</td>
<td>Contract continues/same PMPM fee</td>
<td>$9,364,657</td>
<td>6.4%</td>
</tr>
<tr>
<td>DST Core Services Allocation</td>
<td>General Administration</td>
<td>Continues</td>
<td>$1,449,889</td>
<td>1.0%</td>
</tr>
<tr>
<td>Change Healthcare/HTMS</td>
<td>Contractual Staff</td>
<td>Continues with fewer contractual personnel</td>
<td>$1,572,769</td>
<td>1.1%</td>
</tr>
<tr>
<td>Segal Consulting</td>
<td>Actuarial &amp; Benefit Consulting</td>
<td>Contracted through June; optional 6-month extension</td>
<td>$1,015,318</td>
<td>0.7%</td>
</tr>
<tr>
<td>Express Scripts</td>
<td>Pharmacy Benefit Management</td>
<td>Contract has ended. Final true ups</td>
<td>$223,603</td>
<td>0.2%</td>
</tr>
<tr>
<td>Everything Else (&lt;$250,000 each)</td>
<td>Multiple</td>
<td>Several contracts/programs have been eliminated or are reduced or ending</td>
<td>$105,722</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>$145,981,146</strong></td>
<td>100.0%</td>
</tr>
</tbody>
</table>
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 2018
Fiscal Year 2017-2018

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Certified</td>
<td>Monthly</td>
<td>Actual</td>
<td>9/7/2017</td>
<td>Year to Date</td>
<td>9/7/2017</td>
<td>Year to Date</td>
</tr>
<tr>
<td></td>
<td>June 2018</td>
<td>Budget</td>
<td>Variance</td>
<td>Year to Date FY 2017-18</td>
<td>Variance</td>
<td>Budget</td>
<td>FY 2017-18</td>
<td>Budget</td>
</tr>
<tr>
<td></td>
<td>Budget</td>
<td>FY 2018</td>
<td>Fav/(Unfav)</td>
<td>FY 2017-18</td>
<td>FY 2017-18</td>
<td>FY 2017-18</td>
<td>FY 2017-18</td>
<td>FY 2017-18</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>($$$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Plan Revenue:</strong></td>
<td></td>
<td></td>
<td>($$$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>($$$)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Member Premiums</td>
<td>283,368,744</td>
<td>297,019,561</td>
<td>(13,650,817)</td>
<td>3,459,603,519</td>
<td>3,453,216,983</td>
<td>6,386,536</td>
<td>6,386,536</td>
<td>6,386,536</td>
</tr>
<tr>
<td>Premium Refunds/Retroactive</td>
<td></td>
<td></td>
<td>($$$)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Disenrollments</td>
<td>(147,095)</td>
<td>147,095</td>
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<td></td>
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</tr>
<tr>
<td>Medicare Part D (RDS) Subsidy</td>
<td></td>
<td></td>
<td>($$$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>(1,342,307)</td>
<td>(1,342,307)</td>
<td>8,642,733</td>
<td>14,402,604</td>
<td>(5,759,871)</td>
<td>14,402,604</td>
<td>(5,759,871)</td>
<td>14,402,604</td>
</tr>
<tr>
<td>Medicare PDP (EGWP + Wrap)</td>
<td>84,663</td>
<td>73,560</td>
<td>11,103</td>
<td>889,791</td>
<td>864,491</td>
<td>25,300</td>
<td>25,300</td>
<td>25,300</td>
</tr>
<tr>
<td>Subsidy</td>
<td></td>
<td></td>
<td>($$$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Advantage (MA)</td>
<td>283,453,407</td>
<td>298,288,333</td>
<td>(14,834,926)</td>
<td>3,469,136,043</td>
<td>3,466,765,728</td>
<td>2,370,315</td>
<td>2,370,315</td>
<td>2,370,315</td>
</tr>
<tr>
<td>Net Premium &amp; Other</td>
<td>Investment Earnings</td>
<td>1,433,658</td>
<td>681,053</td>
<td>752,605</td>
<td>13,124,189</td>
<td>7,871,957</td>
<td>5,252,232</td>
<td>5,252,232</td>
</tr>
<tr>
<td>Contributions</td>
<td>Miscellaneous</td>
<td>(32)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue (excludes</td>
<td>1,433,626</td>
<td>681,053</td>
<td>752,573</td>
<td>13,124,189</td>
<td>7,871,957</td>
<td>5,252,232</td>
<td>5,252,232</td>
<td>5,252,232</td>
</tr>
<tr>
<td>internal transfers)</td>
<td></td>
<td></td>
<td>($$$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>284,887,033</td>
<td>298,969,386</td>
<td>(14,082,353)</td>
<td>3,482,260,232</td>
<td>3,474,637,685</td>
<td>7,622,547</td>
<td>7,622,547</td>
<td>7,622,547</td>
</tr>
</tbody>
</table>

**Plan Expenses:**

- Medical Claim Payments: 171,881,938
- Medical Claim Refunds/Recoveries: 8,779,129
- Medicare Advantage Premium Payments: 114,024,168
- Pharmacy Claim Payments: 82,624,973
- Pharmacy Claim Rebates: 8,609,956
- Pharmacy Claim Refunds/Recoveries: 34,596
- Net Pharmacy Claims: 82,590,377
- Net Claim Payments: 251,693,186
- Medicare Advantage Premium Payments: 18,814,003
- Net Administrative Expenses: 16,993,159
- Total Plan Expenses (excludes internal transfers): 287,050,948
- Plan Income/(Loss): (2,613,915)

**Cash Availability:**

- Beginning Cash Balance/(Deficit): 1,065,396,196
- Ending Cash Balance/(Deficit): 1,062,782,281
- Target Stabilization Reserve @ 6/30/18: 272,424,313
- Cash Balance Over/(Under) Reserve Target: $790,357,968

**Comments:**
- b. The average weekly medical claims cost net of claims refunds was $42,275,702.34 for four weeks of claims payments.
- c. Total pharmacy claims, before rebates and refunds, included two invoice cycles that covered 30 days and averaged $2,754,165.78 per day.
- d. The target stabilization reserve is 9% of the projected net claims for Fiscal Year 2017-18.
- e. Minor differences compared to other reports are due to rounding.

Actual vs Authorized Budget FY2017-18 Budget (per Segal 09-07-2017 Projections)
June 2018 – 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 2018

**Fiscal Year 2017-2018**

<table>
<thead>
<tr>
<th>Plan Revenue:</th>
<th>Current Year</th>
<th>Prior Year</th>
<th>Current Year to Date</th>
<th>Prior Year to Date</th>
<th>Current Year Certified Annual Budget FY 2017-18</th>
<th>Prior Year Annual Results FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Member Premiums</strong></td>
<td>283,368,744</td>
<td>259,203,537</td>
<td>$ 3,459,603,519</td>
<td>$ 2,346,484,274</td>
<td>$ 3,453,216,983</td>
<td>$ 3,221,617,779</td>
</tr>
<tr>
<td><strong>Premium Refunds/Retroactive Disenrollments</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,296)</td>
<td>(1,718,350)</td>
</tr>
<tr>
<td><strong>Medicare Part D (RDS) Subsidy</strong></td>
<td>-</td>
<td>-</td>
<td>8,642,753</td>
<td>20,448,904</td>
<td>14,402,604</td>
<td>14,562,214</td>
</tr>
<tr>
<td><strong>Medicare Advantage (MA) Subsidy</strong></td>
<td>84,663</td>
<td>136,910</td>
<td>889,791</td>
<td>859,684</td>
<td>864,491</td>
<td>1,205,817</td>
</tr>
<tr>
<td><strong>Net Premium &amp; Other Contributions</strong></td>
<td>284,887,033</td>
<td>261,794,923</td>
<td>3,482,260,232</td>
<td>3,277,338,117</td>
<td>3,474,637,685</td>
<td>3,239,259,596</td>
</tr>
</tbody>
</table>

**Plan Expenses:**

<table>
<thead>
<tr>
<th>Plan Expenses:</th>
<th>Current Year</th>
<th>Prior Year</th>
<th>Current Year to Date</th>
<th>Prior Year to Date</th>
<th>Current Year Certified Annual Budget FY 2017-18</th>
<th>Prior Year Annual Results FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medical Claim Payments</strong></td>
<td>171,881,938</td>
<td>170,709,505</td>
<td>2,326,631,216</td>
<td>2,231,640,994</td>
<td>2,363,186,690</td>
<td>2,263,294,330</td>
</tr>
<tr>
<td><strong>Medical Claim Refunds/Recoveries</strong></td>
<td>(2,779,129)</td>
<td>(3,051,760)</td>
<td>(21,820,293)</td>
<td>(21,923,717)</td>
<td>(14,076,129)</td>
<td>(27,402,046)</td>
</tr>
<tr>
<td><strong>Net Medical Claims</strong></td>
<td>169,102,809</td>
<td>167,657,745</td>
<td>2,304,810,923</td>
<td>2,209,717,277</td>
<td>2,349,110,561</td>
<td>2,235,892,330</td>
</tr>
<tr>
<td><strong>Pharmacy Claim Payments</strong></td>
<td>82,624,973</td>
<td>79,108,919</td>
<td>927,293,116</td>
<td>874,404,780</td>
<td>853,475,193</td>
<td>874,404,780</td>
</tr>
<tr>
<td><strong>Pharmacy Claim Rebates</strong></td>
<td>-</td>
<td>-</td>
<td>(254,736,356)</td>
<td>(138,806,085)</td>
<td>(139,854,210)</td>
<td>(138,806,085)</td>
</tr>
<tr>
<td><strong>Pharmacy Claim Refunds/Recoveries</strong></td>
<td>(34,596)</td>
<td>(50,788)</td>
<td>(2,973,403)</td>
<td>(2,973,403)</td>
<td>(2,973,403)</td>
<td>(2,973,403)</td>
</tr>
<tr>
<td><strong>Net Pharmacy Claims</strong></td>
<td>82,590,377</td>
<td>79,058,131</td>
<td>669,583,357</td>
<td>734,569,612</td>
<td>723,620,983</td>
<td>734,569,612</td>
</tr>
<tr>
<td><strong>Net Claim Payments</strong></td>
<td>251,693,186</td>
<td>246,715,876</td>
<td>2,974,394,280</td>
<td>2,944,286,889</td>
<td>3,026,936,215</td>
<td>2,959,513,313</td>
</tr>
<tr>
<td><strong>Medicare Advantage Premium Payments</strong></td>
<td>18,814,603</td>
<td>16,112,510</td>
<td>211,077,782</td>
<td>194,884,334</td>
<td>191,752,975</td>
<td>194,884,334</td>
</tr>
<tr>
<td><strong>Net Administrative Expenses</strong></td>
<td>16,993,159</td>
<td>12,890,653</td>
<td>145,981,144</td>
<td>179,669,796</td>
<td>190,371,526</td>
<td>225,914,327</td>
</tr>
<tr>
<td><strong>Total Plan Expenses (excludes internal transfers)</strong></td>
<td>287,500,948</td>
<td>275,719,039</td>
<td>3,311,453,206</td>
<td>3,318,841,019</td>
<td>3,415,480,433</td>
<td>3,377,180,615</td>
</tr>
</tbody>
</table>

**Plan Income/(Loss):**

<table>
<thead>
<tr>
<th>Plan Income/(Loss):</th>
<th>Current Year</th>
<th>Prior Year</th>
<th>Current Year to Date</th>
<th>Prior Year to Date</th>
<th>Current Year Certified Annual Budget FY 2017-18</th>
<th>Prior Year Annual Results FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan Income</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Claim Payments</strong></td>
<td>(2,613,915)</td>
<td>(13,924,116)</td>
<td>(2,613,915)</td>
<td>(13,924,116)</td>
<td>(137,921,019)</td>
<td>(137,921,019)</td>
</tr>
</tbody>
</table>

**Cash Availability:**

<table>
<thead>
<tr>
<th>Cash Availability:</th>
<th>Current Year</th>
<th>Prior Year</th>
<th>Current Year to Date</th>
<th>Prior Year to Date</th>
<th>Current Year Certified Annual Budget FY 2017-18</th>
<th>Prior Year Annual Results FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Cash Balance/(Deficit)</strong></td>
<td>1,065,396,196</td>
<td>925,899,371</td>
<td>911,975,255</td>
<td>953,478,157</td>
<td>911,975,255</td>
<td>982,083,787</td>
</tr>
<tr>
<td><strong>Ending Cash Balance/(Deficit)</strong></td>
<td>1,062,782,281</td>
<td>911,975,255</td>
<td>1,062,782,281</td>
<td>911,975,255</td>
<td>971,132,507</td>
<td>844,162,768</td>
</tr>
<tr>
<td><strong>Target Stabilization Reserve @ 6/30</strong></td>
<td>272,424,313</td>
<td>266,356,198</td>
<td>272,424,313</td>
<td>266,356,198</td>
<td>266,356,198</td>
<td>264,985,820</td>
</tr>
<tr>
<td><strong>Cash Balance Over/(Under) Reserve Target</strong></td>
<td>$ 790,357,968</td>
<td>$ 645,619,057</td>
<td>$ 790,357,968</td>
<td>$ 645,619,057</td>
<td>$ 698,708,194</td>
<td>$ 577,806,570</td>
</tr>
</tbody>
</table>

**Comments:**

a. Minor differences compared to other reports are due to rounding.
# Summary of Operations (Cash Basis, as adjusted)
## Consolidated Report, Actual vs. Budgeted
### For the Month Ended June 2018
#### Fiscal Year 2017-2018

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year</td>
<td>Adjustments for</td>
<td>Adjusted</td>
<td>Certified</td>
<td>Year to Date</td>
<td>Adjusted</td>
</tr>
<tr>
<td></td>
<td>Year to Date</td>
<td>Timing, Unusual</td>
<td>Actual</td>
<td>Budget</td>
<td>Variance</td>
<td>Variance as</td>
</tr>
<tr>
<td></td>
<td>Fiscal Year</td>
<td>&amp; Onetime Events</td>
<td>Year to Date</td>
<td>Fiscal Year</td>
<td>Fav/(Unfav)</td>
<td>Percentage of</td>
</tr>
<tr>
<td></td>
<td>thru June</td>
<td></td>
<td>thru June</td>
<td>to Date</td>
<td>Budget</td>
<td>Budget</td>
</tr>
<tr>
<td><strong>Plan Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Premiums (Notes 1 and 2)</td>
<td>$3,459,603,519</td>
<td>$15,536,139</td>
<td>$3,475,139,658</td>
<td>$3,453,216,983</td>
<td>$21,922,675</td>
<td>0.63%</td>
</tr>
<tr>
<td>Premium Refunds/Retroactive Disenrollments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,718,350)</td>
<td>1,718,350</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Medicare Part D (RDS) Subsidy</td>
<td>8,642,733</td>
<td>8,642,733</td>
<td>14,402,604</td>
<td>(5,759,871)</td>
<td>-39.99%</td>
<td></td>
</tr>
<tr>
<td>Medicare PDP (EGWP + Wrap) Subsidy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Medicare Advantage (MA) Subsidy</td>
<td>889,791</td>
<td>889,791</td>
<td>864,491</td>
<td>25,300</td>
<td>2.93%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Premium &amp; Other Contributions</strong></td>
<td>3,469,136,043</td>
<td>15,536,139</td>
<td>3,484,672,182</td>
<td>3,466,765,728</td>
<td>17,906,454</td>
<td>0.52%</td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td>13,124,189</td>
<td>13,124,189</td>
<td>7,871,957</td>
<td>5,252,232</td>
<td>66.72%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Plan Revenue (excludes internal transfers)</strong></td>
<td>3,482,260,232</td>
<td>15,536,139</td>
<td>3,497,796,371</td>
<td>3,474,637,685</td>
<td>23,158,686</td>
<td>0.67%</td>
</tr>
</tbody>
</table>

| **Plan Expenses:** |                  |                  |                  |                  |                  |                  |
| Net Medical Claims | 2,304,810,923 | 2,304,810,923 | 2,349,110,561 | 44,299,638 | 1.89% |
| Net Pharmacy Claims | 669,583,357 | 669,583,357 | 677,826,254 | 8,242,897 | 1.22% |
| **Net Claim Payments** | 2,974,394,280 | - | 3,026,936,815 | 52,542,535 | 1.74% |
| Medicare Advantage Premiums | 211,077,782 | 211,077,782 | 198,172,092 | (12,905,690) | -6.51% |
| **Net Administrative Expenses (Note 3)** | 145,981,144 | 6,747,166 | 152,728,310 | 37,643,216 | 19.77% |
| **Total Plan Expenses (excludes internal transfers)** | 3,331,453,206 | 6,747,166 | 3,338,200,372 | 3,415,480,433 | 77,280,061 | 2.26% |
| **Plan Income/(Loss)** | 150,807,026 | 8,788,973 | 159,595,999 | 59,157,252 | 169.78% |

| **Cash Availability:** |                  |                  |                  |                  |                  |                  |
| Beginning Cash Balance/(Deficit) | 911,975,255 | 911,975,255 | 911,975,255 | - | 0.00% |
| Ending Cash Balance/(Deficit) | 1,062,782,281 | 8,788,973 | 1,071,571,254 | 971,132,507 | 100,438,747 | 10.34% |
| Target Stabilization Reserve @ 6/30/17 | 272,424,313 | 272,424,313 | 272,424,313 | - | 0.00% |
| **Cash Balance Over/(Under) Reserve Target** | $790,357,968 | $8,788,973 | $799,146,941 | $698,708,194 | $100,438,747 | 14.37% |

**Adjustment Notes:**
1. Member premiums adjusted by $55.1 million to include prepaid June premiums received in May 2018.
2. Administrative expenses adjusted to include BCBS administration fee contracted for 2018. Payment amount being negotiated.
CYTD 1/1/2018-7/31/18
Financial Update

Board of Trustees Meeting

August 30, 2018
## Financial Results: Actual vs. Budgeted
### Calendar Year to Date June 2018

<table>
<thead>
<tr>
<th>Calendar Year 2018</th>
<th>Actual thru June 2018</th>
<th>Authorized Budget (per Segal 5-30-18)</th>
<th>Variance Fav/(Unfav) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>$1.009 b</td>
<td>$1.009 b</td>
<td>-</td>
</tr>
<tr>
<td>Plan Revenue</td>
<td>$1.777 b</td>
<td>$1.765 b</td>
<td>$0.012 b</td>
</tr>
<tr>
<td>Net Claims Payments</td>
<td>$1.544 b</td>
<td>$1.529 b</td>
<td>($0.015) b</td>
</tr>
<tr>
<td>Medicare Advantage Premiums</td>
<td>$0.113 b</td>
<td>$0.113 b</td>
<td>$0.000 b</td>
</tr>
<tr>
<td>Net Administrative Expenses</td>
<td>$0.068 b</td>
<td>$0.109 b</td>
<td>$0.041 b</td>
</tr>
<tr>
<td>Total Plan Expenses</td>
<td>$1.724 b</td>
<td>$1.750 b</td>
<td>$0.026 b</td>
</tr>
<tr>
<td>Net Income/(Loss)</td>
<td>$52.8 m</td>
<td>$15.0m</td>
<td>$37.8 m</td>
</tr>
<tr>
<td>Ending Cash Balance</td>
<td>$1.063 b</td>
<td>$1.025 b</td>
<td>$38.0 m</td>
</tr>
</tbody>
</table>
## Financial Results Actual vs. Budgeted

### Calendar Year to Date June 2018

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

<table>
<thead>
<tr>
<th>Calendar Year 2018</th>
<th>Actual thru June 2018</th>
<th>Authorized Budget (per Segal 5-30-18)</th>
<th>Variance Fav/(Unfav) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Revenue</td>
<td>$407.30</td>
<td>$404.74</td>
<td>$2.56</td>
</tr>
<tr>
<td>Net Claims Payments</td>
<td>$354.59</td>
<td>$350.45</td>
<td>($4.14)</td>
</tr>
<tr>
<td>Medicare Advantage Premiums</td>
<td>$25.89</td>
<td>$25.86</td>
<td>($0.03)</td>
</tr>
<tr>
<td>Net Administrative Expenses</td>
<td>$15.51</td>
<td>$24.99</td>
<td>$9.48</td>
</tr>
<tr>
<td>Total Plan Expenses</td>
<td>$395.99</td>
<td>$401.30</td>
<td>$5.31</td>
</tr>
<tr>
<td>Net Income/(Loss)</td>
<td>$11.32</td>
<td>$3.45</td>
<td>$7.87</td>
</tr>
</tbody>
</table>

Comparing actual results to the budget projection on a PMPM basis helps correct for changes in membership that occurred during the year.
Allocation of Claims Expenditures (PMPM)
Medical, Blue Card and Pharmacy Payments

<table>
<thead>
<tr>
<th></th>
<th>CY 2015</th>
<th>CY 2016</th>
<th>CY 2017</th>
<th>CY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacy</td>
<td>$93.46</td>
<td>$101.79</td>
<td>$108.87</td>
<td>$128.29</td>
</tr>
<tr>
<td>Professional</td>
<td>$99.27</td>
<td>$98.57</td>
<td>$102.09</td>
<td>$10.74</td>
</tr>
<tr>
<td>Other</td>
<td>$9.13</td>
<td>$8.97</td>
<td>$9.35</td>
<td>$108.16</td>
</tr>
<tr>
<td>Outpatient</td>
<td>$80.78</td>
<td>$85.09</td>
<td>$88.75</td>
<td>$78.82</td>
</tr>
<tr>
<td>Inpatient</td>
<td>$58.74</td>
<td>$61.53</td>
<td>$59.99</td>
<td>$454.22</td>
</tr>
</tbody>
</table>

% Chg, 2015-2018
Total: 33.2%
Pharmacy: 37.2%
Professional: 29.2%
Other: 17.7%
Outpatient: 33.9%
Inpatient: 34.2%

* Pharmacy claims costs do **not** include the impact of rebates

Source: BCBSNC Summary of Billed Charges
Allocation of Total Expenditures

YTD June 2018

- Pharmacy Claims: 21.0%
- MAPDP Premiums: 6.5%
- HRA Payments: 0.0%
- Admin: 3.9%
- Medical Claims: 68.5%

Total Expenses = $1.724 billion

*After rebates

YTD June 2017

- Pharmacy Claims: 21.9%
- MAPDP Premiums: 5.7%
- HRA Payments: 0.8%
- Admin: 5.7%
- Medical Claims: 65.9%

Total Expenses = $1.700 billion

Sources: BCBSNC Net Disbursements reports; Financial Status Reports CY-YTD
Calendar Year 2018 Administrative Expenses

Calendar June YTD 2018
($67.5 Million)

- BCBSNC + Medcost: 61%
- Eligibility, Enrollment, and Billing: 11%
- Population Health Mgmt: 13%
- Wellness Initiatives: 1%
- ACA Fees: 0%
- PBM: CVS and Express Scripts: 5%
- Actuarial, Auditing, and Legal: 2%

Calendar Year 2017
($174.5 Million)

- BCBSNC and MedCost: 45%
- Eligibility, Enrollment, and Billing: 12%
- Population Health Mgmt: 17%
- Wellness Initiatives: <1%
- ACA Fees: 9%
- PBM: CVS + Express Scripts: 7%
- Actuarial, Auditing, and Legal: 2%
- State Health Plan: 7%

Note: The charts show administrative fees that were paid in 2018 YTD vs Total 2017 and reflect some inconsistencies in the timing of payments. These data do not reflect admin fee balances being negotiated with BCBS.
## Calendar Year 2018 Administrative Expense Detail

<table>
<thead>
<tr>
<th>Vendor/Expense</th>
<th>Service Provided</th>
<th>CY June YTD</th>
<th>CY 2018 Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCBSNC</td>
<td>Medical Claims Processing</td>
<td>Contract continues/PSPM fee increases/No HRA fee</td>
<td>$40,988,495</td>
<td>60.7%</td>
</tr>
<tr>
<td>ActiveHealth Management</td>
<td>Population Health Management</td>
<td>Contract continues thru Sep/PMPM fee decreases significantly</td>
<td>$8,953,282</td>
<td>13.3%</td>
</tr>
<tr>
<td>Benefitfocus</td>
<td>Enrollment &amp; Eligibility</td>
<td>Contract continues/same PSPM fee</td>
<td>$6,268,368</td>
<td>9.3%</td>
</tr>
<tr>
<td>SHP Salaries and Benefits</td>
<td>General Administration</td>
<td>Continues</td>
<td>$1,841,771</td>
<td>2.7%</td>
</tr>
<tr>
<td>iTedium/COBRAGuard</td>
<td>COBRA &amp; Billing</td>
<td>Contract continues/same PSPM fees</td>
<td>$1,074,383</td>
<td>1.6%</td>
</tr>
<tr>
<td>DHHS Public Health - Quitline</td>
<td>Tobacco Cessation</td>
<td>Contract continues with some reductions</td>
<td>$1,180,861</td>
<td>1.7%</td>
</tr>
<tr>
<td>Health Management Systems, Inc.</td>
<td>Subrogation</td>
<td>Contracted through August with optional extensions</td>
<td>$692,286</td>
<td>1.0%</td>
</tr>
<tr>
<td>CVS/Caremark</td>
<td>Pharmacy Benefit Management</td>
<td>Contract continues/same PMPM fee</td>
<td>$3,304,814</td>
<td>4.9%</td>
</tr>
<tr>
<td>DST Core Services Allocation</td>
<td>General Administration</td>
<td>Continues</td>
<td>$781,043</td>
<td>1.2%</td>
</tr>
<tr>
<td>Change Healthcare/HTMS</td>
<td>Contractual Staff</td>
<td>Continues with fewer contractual personnel</td>
<td>$646,980</td>
<td>1.0%</td>
</tr>
<tr>
<td>Segal Consulting</td>
<td>Actuarial &amp; Benefit Consulting</td>
<td>Contracted through June; optional 6-month extension</td>
<td>$366,557</td>
<td>0.5%</td>
</tr>
<tr>
<td>Express Scripts</td>
<td>Pharmacy Benefit Management</td>
<td>Contract has ended. Final true ups</td>
<td>$223,603</td>
<td>0.3%</td>
</tr>
<tr>
<td>Everything Else (&lt;$250,000 each)</td>
<td>Multiple</td>
<td>Several contracts/programs have been eliminated or are reduced or ending</td>
<td>($23,411)</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>$67,533,018</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
2019 Benefits/TPA Implementation & New Functionality

Board of Trustees Meeting

August 30, 2018
## TPA Contract: Vendor Infrastructure Changes

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Vendors Impacted</th>
<th>Customers Impacted</th>
<th>Complexity, Savings or Compliance</th>
<th>Status</th>
</tr>
</thead>
</table>
| Move High Deductible Health Plan Administration to BCBSNC | • Blue Cross NC  
• Benefitfocus  
• CVS  
• iTEDiUM | Members and HBRs | • Reduces enrollment and premium billing complexity by consolidating all group premium billing under Blue Cross NC  
• Saves $120k/year | ✓ Web Code Deployed  
✓ EDI work still under way – working through the outstanding defects |
| Add Leave of Absence and Workers Comp Direct Billing Functionality | • Blue Cross NC  
• Benefitfocus  
• iTEDiUM | Members and HBRs | • Reduces complexity for HBRs because the Plan will assume premium collection for members on LOA  
• Ensures employing units are in compliance with statutory requirements around eligibility and premium for members who are not actively at work. We believe many EUs carry members who are no longer eligible for coverage.  
• No additional ongoing cost to the Plan | ✓ Web Code Deployed  
✓ EDI work still under way – working through the outstanding defects  
• Initial roll-out targeted for January 2019 – contingent on a successful HDHP premium invoice/deduction cycle in December for January premiums |
## TPA Contract: Vendor Infrastructure Changes

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Vendors Impacted</th>
<th>Customers Impacted</th>
<th>Complexity, Savings or Compliance</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group Transfer Functionality</strong></td>
<td>• Blue Cross NC</td>
<td>Members and HBRs</td>
<td>• Reduces enrollment complexity for members.</td>
<td>• Benefitfocus is now handling this as a product enhancement which means it will be commercially available to others as well. Still waiting on a delivery date.</td>
</tr>
<tr>
<td></td>
<td>• Benefitfocus</td>
<td></td>
<td>• Currently when members move from one employing unit to another they must re-enroll in Plan benefits.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• CVS</td>
<td></td>
<td>• With this process improvement, coverage and documents would be transferred and members would have 30 days from their hire date to make changes.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Not enrolling within 30 days of hiring is our number one exception outside of Open Enrollment.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• No additional ongoing cost to the Plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Status</strong></td>
<td></td>
</tr>
</tbody>
</table>

**TPA Contract: Vendor Infrastructure Changes**
New Direct Bill Payment Option: Credit Card

Direct Billing

- Not all members have the option to have their monthly premium deducted from their paycheck or retirement benefit
- These “direct bill” members currently have two payment options
  - Check
  - Automated Clearing House (ACH) from their bank
- In December, the Plan will begin offering payment by credit card as an option.
  - Any credit card will be accepted
  - Member will pay a 2% convenience fee
  - The Plan will communicate this offering to members starting in November.
TPA Implementation Timeline

- **Integration Team and Vendor Technical Teams**
- **Plan Senior Leadership & OST** Requires Board Vote
- **Customer Experience, Plan Integration, OST**
- **Plan Senior Leadership Group & OST** Requires amendment

*** Each vendor and payroll group will have their own deployment schedule that will have to be worked into the timeline.
Open Enrollment Readiness Update: All Plan Vendors

- Preparing for Open Enrollment is an “all hands on deck” effort.
- **Enrollment Testing:**
  - Vendor testing began in July and continues through September.
  - Testing includes verifying enrollment workflows and transactions.
  - Testing partners included:
    - Benefitfocus
    - Blue Cross and Blue Shield of NC
    - UnitedHealthcare
    - CVS
    - iTEDİUM
- **Enrollment Current Status:**
  - All systems are “go” in eEnroll.
  - No open defects.
  - All groups are mapped.
- **OE EDI (enrollment files to vendors):**
  - Confirmed ability to send 2019 enrollment data to all vendors.
  - A few outstanding issues with the Benefitfocus files to CVS (resolution prior to January 1, does not impact OE) and iTEDİUM. We anticipate closing these issues soon.
Open Enrollment Planning/Activity

Board of Trustees Meeting

August 30, 2018
The Plan implements a robust communication plan that includes multiple channels of communication.
Open Enrollment: HBR Training Efforts

• HBR Open Enrollment training sessions were held at 10 locations across the state and via webinars.
  • 6 onsite trainings were held with 245 attending
  • 4 webinars were held with 339 attending.
• The Plan is partnering with NCFlex for an additional 6 onsite trainings and 1 webinar in September.
• The Plan distributed Open Enrollment posters to HBRs attending the trainings to promote Open Enrollment at their worksites.
## Direct Mail Communication

### Direct Mailers
- Medicare Outreach Event Invitation
- Medicare Outreach Events
- Member Outreach Events & Webinars
- Telephone Town Halls
- Decision Guides
- Reminder Postcard

---

**2019 State Health Plan Open Enrollment**

**CHANGES AHEAD!**

Join us by phone for a Telephone Town Hall meeting for non-Medicare members to learn more about your 2019 State Health Plan options.

**2019 Open Enrollment:** September 29-October 31, 2018

**Telephone Town Hall save the date!**

Thursday, September 20, at 7 p.m.
See back for details.

---

When I was sworn in as the 28th State Treasurer of North Carolina, I promised to reduce complexity and add value to the State Health Plan. One of the ways that the Plan has been able to achieve this is through recent negotiations with United Healthcare, the Plan’s Medicare Advantage carrier. I’m pleased to say that those negotiations resulted in $55 million in savings for the overall Plan, which is primarily funded through taxpayer dollars. We were able to do this by using our “inhibitors” to get better deals and by signing our own contracts. Those savings made it possible to not increase premiums for the 2019 benefit year, holding your premiums steady for another year.

I look forward to continuing to serve you as state treasurer, and I thank you for your service to the people of North Carolina.

- Dale R. Folwell, CPA, State Treasurer

---

When I was sworn in as the 28th State Treasurer of North Carolina, I promised to reduce complexity and add value to the State Health Plan. One of the ways that the Plan has been able to achieve this is through recent negotiations with United Healthcare, the carrier that offers our Medicare Advantage Plan, which do not have deductibles. I’m pleased to say that those negotiations resulted in $55 million in savings. We were able to do this by using our “inhibitors” to get better deals and signing our own contracts.

I look forward to continuing to serve you as state treasurer, and I thank you for your service to the people of North Carolina.

- Dale R. Folwell, CPA, State Treasurer

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**2019 State Health Plan Options + Medicare Outreach Event Schedule**

SEE INSIDE FOR MEETING DATES + TIMES
The new State Health Plan website went live in June!

- The site is easier to navigate and is now mobile responsive.
- Members taking action during Open Enrollment will need to visit our website to access the enrollment system, eBenefits.
Pre-65 Outreach & Education

• The Plan continues to provide education for members approaching 65 to assist them with understanding Medicare and how it impacts their Plan coverage.
• This outreach continues to be successful. This year, we saw 1,000 more participants than we did in 2017.

<table>
<thead>
<tr>
<th>2018 Outreach Efforts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>39 on-site meetings:</td>
<td>3,077</td>
</tr>
<tr>
<td>17 webinars:</td>
<td>2,983</td>
</tr>
<tr>
<td>Total Attendance:</td>
<td>6,060</td>
</tr>
</tbody>
</table>
Tobacco Cessation Services

- The Affordable Care Act mandates that Nicotine Replacement Therapies (NRTs) and tobacco cessation services be available to State Health Plan members.

- The Plan currently contracts with QuitlineNC to offer telephonic tobacco cessation services and NRTs at a cost of $1.3 million a year.

- Starting with Open Enrollment this year, the Plan will contract with CVS Caremark to offer face-to-face tobacco cessation services to Plan members through CVS MinuteClinics for $862,000 a year, which is a projected savings of $479,000.

- QuitlineNC services will remain in place until Dec. 31, 2018.

- During Open Enrollment this year, subscribers will see new language while completing their tobacco attestation premium credit.

- Completion of the tobacco attestation will continue to reduce employee-only premiums on the 80/20 and 70/30 Plans by $60. The 70/30 Plan remains premium free for retiree-only coverage without the completion of the tobacco attestation.
Tobacco Cessation Services

• During Open Enrollment, if a subscriber selects:
  • “I **AM** a tobacco user, **BUT** I agree to visit a CVS Minute Clinic for at least one tobacco cessation counseling session within 90 days after the last day of Open Enrollment or from your initial hire date.”
  • The subscriber will receive a letter which will include the CVS MinuteClinic Tobacco Attestation Voucher that will cover an initial visit (a $45 savings) + one follow-up (a $35 savings) visit for face-to-face tobacco cessation counseling.
  • Subscriber will need to bring the voucher to each session and present their State Health Plan ID card in order for the visit to be covered at 100% by the Plan (no charge to the member).
  • The initial visit is the only requirement to keep the premium credit.

New hires during the month of October that want to reduce their premium will be able to call QuitlineNC or go to a CVS MinuteClinic to satisfy their credit.
Tobacco Cessation Services

• Beginning January 1, 2019, CVS MinuteClinic will become the Plan’s tobacco cessation vendor through a contract amendment.
• Any members outside of the enrollment process who wish to receive tobacco cessation services will need to call CVS to request a voucher.
• CVS MinuteClinic’s are nationwide. Member exceptions for not using the MinuteClinic will be reviewed by the Plan on a case-by-case basis.
• Plan members may still contact QuitlineNC just by being a citizen of NC; however, no services will be charged to the Plan.
Data Analytics Organization

State Health Plan

Director of Finance, Planning & Analysis (Matt Rish)

Sr. Manager, Analytics and Data Science (Kimberly Gray)

Healthcare Information BI Developer
Lou Pica

Healthcare Information BI Developer
Nuzhat Chowdhury

Healthcare Information BI Developer 3 (Open)

Data Architect (Open)

Technology Operations

NC Division of Information Technology (DIT)

Data Warehouse Operations & Maintenance (GDAC)

Data Warehouse Enhancements and Improvements (SAS)

+ Specialty Consultants (as needed)
  + Ben Murphy - Zencos

+ Interns

+ University Practicums

SAS is our technology partner
# State Health Plan Information Maturity

<table>
<thead>
<tr>
<th>Prior - 2018</th>
<th>2019 -2020</th>
<th>Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unaware</strong></td>
<td><strong>Defined</strong></td>
<td><strong>Proactive</strong></td>
</tr>
<tr>
<td>- Lack of Strategy</td>
<td>- Data quality processes operating effectively</td>
<td>- Users able to create what-if scenarios for planning purposes</td>
</tr>
<tr>
<td>- Lack of data quality plan</td>
<td>- Master and Reference data defines single source of truth</td>
<td>- Data quality management process automated</td>
</tr>
<tr>
<td>- Lack of business intelligence staff</td>
<td>- Complex ad-hoc analytical requests supported</td>
<td>- Organization, technology and processes operating in harmony</td>
</tr>
<tr>
<td>- Lack of organized data available for analytical purposes</td>
<td>- Subject matter user access to data warehouse</td>
<td>- Process feedback loops are being tuned rather than created</td>
</tr>
<tr>
<td>- Basic ad-hoc analytical requests supported</td>
<td>- Basic data quality management process established</td>
<td></td>
</tr>
<tr>
<td>- Lack of standards</td>
<td>- Base standards established</td>
<td></td>
</tr>
<tr>
<td>- Lack of documentation</td>
<td>- Documentation defined</td>
<td></td>
</tr>
<tr>
<td>- Lack of information governance</td>
<td>- Business intelligence team fully staffed</td>
<td></td>
</tr>
<tr>
<td>- Strategy defined and aligned to business needs</td>
<td>- Basic information governance established</td>
<td></td>
</tr>
<tr>
<td>- Data warehouse implemented</td>
<td>- Additional data sources identified and acquired</td>
<td></td>
</tr>
<tr>
<td>- Complex business rules defined</td>
<td>- Information governance fully implemented</td>
<td></td>
</tr>
</tbody>
</table>

### Predictive
- SHP-wide proactive approach to Data Quality Management
- Complex business rules analysis applied business issues. E.G:
  - Fraud, Waste, Abuse discovery
  - Bundled Payments
  - Complex dashboards implemented
- Report standardization and automation
- Replacement of 3rd party analytics

### Proactive
- Users able to create what-if scenarios for planning purposes
- Data quality management process automated
- Organization, technology and processes operating in harmony
- Process feedback loops are being tuned rather than created

### Reactive
- Strategy defined and aligned to business needs
- Data warehouse implemented
- Complex ad-hoc analytical requests supported
- Subject matter user access to data warehouse
- Basic data quality management process established
- Base standards established
- Documentation defined
- Business intelligence team fully staffed
- Basic information governance established

### Defined
- Data quality processes operating effectively
- Master and Reference data defines single source of truth
- Reusable analytical code and procedures established
- Business Intelligence tools, processes and standards deployed
- Complex business rules defined
- Basic dashboards implemented
- User customizable access to data
- Additional data sources identified and acquired
- Information governance fully implemented

### Unaware
- None
- In Progress
- Complete
State Health Plan Data Warehouse

Key Benefits
- Assembles vendor data into business domains regardless of vendor
- Provides a single member identifier enabling easy searches
- Standardizes data collection, transformation and loading to ensure high quality data

Old Warehouse
- Organized by vendor file (difficult to query across vendors)
- Each vendor file had own member identifier (difficult to query across vendors)
- Multiple files for each vendor, by date (error prone, data missed)

New Warehouse
- Organized by SHP needs (consolidated across vendors)
- Unique member identifier across all vendors (easy to query across vendors)
- Easier to add new vendors or data types
# Data Warehouse Status

<table>
<thead>
<tr>
<th>FILE</th>
<th>USAGE</th>
<th>STATUS/ NOTES</th>
<th>TYPE</th>
<th>ENTITY RESOLUTION</th>
<th>SLOWLY CHANGING DIMENSIONS (Y/N)</th>
<th>PERIOD CONTAINED IN HCDM</th>
<th>FREQUENCY OF UPDATES</th>
<th>SOURCE DATA CONDITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEDICAL CLAIMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BCBSNC Claims</td>
<td>80/20, 70/30</td>
<td>Production: 1/31/18</td>
<td>Incremental</td>
<td>N</td>
<td>N</td>
<td>5+ years</td>
<td>Monthly</td>
<td>Good</td>
</tr>
<tr>
<td>BCBSNC HRA</td>
<td>CDHP</td>
<td>Production: 1/31/19</td>
<td>Runout claims stopped processing on 5/1/2018</td>
<td>N</td>
<td>N</td>
<td>From Jan 2017- Dec 2017</td>
<td>Runout claims stopped processing on 5/1/2018</td>
<td>Unknown</td>
</tr>
<tr>
<td>Humana Medical Claims</td>
<td>Medicare Advantage</td>
<td>Production: 1/31/19</td>
<td>Incremental</td>
<td>N</td>
<td>N</td>
<td>From Jan 2014- Dec 2017</td>
<td>Stopped December 2016</td>
<td>Good</td>
</tr>
<tr>
<td>UHC Medical Claims</td>
<td>Medicare Advantage</td>
<td>Production: 1/31/18</td>
<td>Refresh</td>
<td>N</td>
<td>N</td>
<td>From Jan 2015 to date</td>
<td>Monthly</td>
<td>Good</td>
</tr>
<tr>
<td><strong>PHARMACY CLAIMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CVS Caremark Pharmacy Claims</td>
<td>80/20, 70/30</td>
<td>Production: 1/31/18</td>
<td>Incremental</td>
<td>N</td>
<td>N</td>
<td>Jan 2017 to present</td>
<td>Twice a month (16th and 30th)</td>
<td>Good</td>
</tr>
<tr>
<td>ESI Pharmacy Claims</td>
<td>Active</td>
<td>Production: 1/31/18</td>
<td>Incremental</td>
<td>N</td>
<td>N</td>
<td>Through Dec 2016</td>
<td>Stopped December 2016</td>
<td>Drug Tier info is inconsistent with CVS pharmacy claims</td>
</tr>
<tr>
<td>Humana Pharmacy Claims</td>
<td>Medicare Advantage</td>
<td>Production: 1/31/18</td>
<td>Incremental</td>
<td>N</td>
<td>N</td>
<td>From Jan 2014- Dec 2017</td>
<td>Jan through Dec 2016</td>
<td>Good</td>
</tr>
<tr>
<td>UHC Pharmacy Claims</td>
<td>Medicare Advantage</td>
<td>Production: 1/31/18</td>
<td>Refresh</td>
<td>N</td>
<td>N</td>
<td>5+ years</td>
<td>Monthly</td>
<td>Good</td>
</tr>
<tr>
<td><strong>MEMBERSHIP and ELIGIBILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BenefitFocus Eligibility</td>
<td>Eligibility and Enrollment except HDHP</td>
<td>Production: 6/8/18</td>
<td>Refresh</td>
<td>Y</td>
<td>Y</td>
<td>5+ years</td>
<td>Monthly</td>
<td>Good</td>
</tr>
<tr>
<td>BCBSNC Eligibility</td>
<td>80/20, 70/30</td>
<td>Replaced by BenefitFocus</td>
<td>Incremental</td>
<td>Y</td>
<td>Y</td>
<td>5+ years</td>
<td>Last was June 2018</td>
<td>Good</td>
</tr>
<tr>
<td>Humana Eligibility</td>
<td>Medicare Advantage</td>
<td>Replaced by BenefitFocus ? Need to validate.</td>
<td>Incremental</td>
<td>Y</td>
<td>Y</td>
<td>From Jan 2014- Dec 2017</td>
<td>Jan through Dec 2016</td>
<td>Good</td>
</tr>
<tr>
<td>iTedium Eligibility</td>
<td>COBRA Admin &amp; individual billing</td>
<td>May 2018: no requirement to add to Data Warehouse</td>
<td>Incremental</td>
<td>Y</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UHC Eligibility</td>
<td>Medicare Advantage</td>
<td>Replaced by BenefitFocus</td>
<td>Refresh</td>
<td>Y</td>
<td>Y</td>
<td>5+ years</td>
<td>Last was June 2018</td>
<td>Good</td>
</tr>
<tr>
<td><strong>PROVIDERS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BCBSNC Provider</td>
<td>BCBSNC Medical Claims</td>
<td>Production, July 2018</td>
<td>Refresh</td>
<td>N</td>
<td>Y</td>
<td>current</td>
<td>Monthly</td>
<td>Good</td>
</tr>
<tr>
<td><strong>PROGRAMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active Health Management</td>
<td>Population Health management</td>
<td>Stored in GDAC, NOT Data Warehouse.</td>
<td>Refresh</td>
<td>N</td>
<td>Y</td>
<td>none</td>
<td>one-time</td>
<td>Good</td>
</tr>
<tr>
<td>NC AG Diabetes</td>
<td>Population Health management</td>
<td>Stored in GDAC, NOT Data Warehouse.</td>
<td>Refresh</td>
<td>N</td>
<td>Y</td>
<td>none</td>
<td>one-time</td>
<td>Good</td>
</tr>
<tr>
<td>NC AG Eatsmart</td>
<td>Population Health management</td>
<td>Stored in GDAC, NOT Data Warehouse.</td>
<td>Refresh</td>
<td>N</td>
<td>Y</td>
<td>none</td>
<td>one-time</td>
<td>Good</td>
</tr>
</tbody>
</table>
## Program Costs By Category by Calendar Year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
<th>Ongoing Annual Steady State</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data Warehouse</strong></td>
<td>$557,935</td>
<td>$1,843,261</td>
<td>$902,536</td>
<td>$108,000</td>
<td>$3,411,732</td>
<td>$100,000</td>
<td>No significant modifications</td>
</tr>
<tr>
<td>DW Definition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DW Build</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DW Implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DW Use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>$-</td>
<td>$362,674</td>
<td>$303,000</td>
<td>$512,000</td>
<td>$1,177,674</td>
<td>$500,000</td>
<td>Some new data sources, tools. Minimal change in hosting costs</td>
</tr>
<tr>
<td><strong>Operations &amp; Maintenance</strong></td>
<td>$498,471</td>
<td>$449,191</td>
<td>$249,915</td>
<td>$208,000</td>
<td>$1,405,577</td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,056,406</td>
<td>$2,655,126</td>
<td>$1,455,451</td>
<td>$828,000</td>
<td>$5,994,983</td>
<td>$800,000</td>
<td></td>
</tr>
</tbody>
</table>

For the period 2017 and 2018, a savings of $979K has been realized by restructuring some of the program approaches and contractor staffing.

### Cost Categories

- DW Development
  - SAS, Consultants
- Infrastructure
  - GDAC, Hosting, Storage, Data, Tools
- Operations and Maintenance
  - Consultants

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**Vendor Costs by Category by Calendar Year**

- **DW Development**
- **Infrastructure**
- **Operations & Maintenance**