North Carolina State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

Board of Trustees Meeting
Friday, May 22, 9:00 a.m. – 3:00 p.m.

1.	Welcome	Janet Cowell, Chair
2.	Conflict of Interest Statement	Janet Cowell, Chair
3.	Review of Minutes ***(Requires Board Approval)***	Janet Cowell, Chair
	A. January 22 and 23, 2015	
	B. February 11, 2015	
4.	Executive Administrator Report	Mona M. Moon
	A. Introduction of New Staff	
	Dana Jones, Director of Contracting and Healthcare Compliance	
	B. Organizational Update	
5.	Financial Report, Forecasting and Monitoring	
	A. March 2015 Financial Report	Mark Collins
	B. CY 2015 1st Quarter Actuarial Forecast Update	Mark Collins
	C. Implication of Forecast Update on Long Range Planning	Mark Collins Tom Friedman
6.	Legislative Update	Tom Friedman

Break

7.	Benefit Design, Plan Options and Premiums	
	A. Membership Report	Tom Friedman
	B. Health Engagement Program Development	Nidu Menon

8. Member Experience and Communications
    A. CDHP Pharmacy Debit Card — Caroline Smart
    B. 2016 Annual Enrollment Rules ***(Requires Board Approval)*** — Caroline Smart
        i. Actives and Non-Medicare Retirees
        ii. Medicare Retirees

Lunch

    C. Communications Update — Beth Horner
        i. Communications and Marketing Services Request for Proposals
        ii. State Health Plan Website Re-design
        iii. Preview of Health Benefits Cost Estimator
        iv. Annual Enrollment Update

9. Contracting and Vendor Partnerships
    A. Contract with HTMS ***(Requires Board approval)*** — Lotta Crabtree, Caroline Smart
    B. Aon Hewitt Eligibility and Enrollment Services (EES) Contract — Caroline Smart
        i. Implementation Update
        ii. Call Center Service Levels

Break

10. Strategic Plan Scorecard – Measuring Success — Tom Friedman

11. Executive Session (for Board Members and Required Staff only) — Janet Cowell, Chair
    Pursuant to: G.S. 143-318.11 and G.S. 132-1.2
    A. Lake Lawsuit (I. Beverly Lake et al. v. State Health Plan for Teachers and State Employees, et al.) *(G.S. §143.318.11(a)(3))* — Lotta Crabtree
    B. Communications and Marketing Services RFP Recommendation ***(Requires Board Approval)*** — Lotta Crabtree, Beth Horner

12. Adjourn — Janet Cowell, Chair

Next Regularly Scheduled Meeting: August 27, 4:00-6:00 p.m. and August 28, 9:00 a.m.-3:00 p.m.

Our mission is to improve the health and health care of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of North Carolina for improving their health and well-being.

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

March 2015 Financial Report

Board of Trustees Meeting

May 22, 2015

A Division of the Department of State Treasurer

Financial Results: Actual vs. Budgeted
Calendar Year to Date March 2015

Calendar Year 2015	Actual thru Mar 2015	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Beginning Cash Balance	**$1.015 b**	**$1.015 b**	**$0.0 m**
Plan Revenue	**$793.8 m**	**$780.2 m**	**$13.6 m**
Net Claims Payments	$673.1 m	$670.7 m	$2.4 m
Medicare Advantage Premiums	$42.6 m	$43.4 m	($0.8 m)
Net Administrative Expenses	$62.5 m	$76.0 m	($13.5 m)
Total Plan Expenses	**$778.2 m**	**$790.1 m**	**($11.9 m)**
Net Income/(Loss)	**$15.6 m**	**($9.9 m)**	**$25.5 m**
Ending Cash Balance	**$1.030 b**	**$1.005 b**	**$25.5 m**

Adjusted Variance Report
Calendar Year to Date March 2015

Calendar Year 2015	Actual thru Mar 2015, As Adjusted	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue *	**$802.9 m**	**$780.2 m**	**$22.7 m**
Net Claims Payments	$673.1 m	$670.7 m	$2.4 m
Medicare Advantage Premiums	$42.6 m	$43.4 m	($0.8 m)
Net Administrative Expenses	$62.5 m	$76.0 m	($13.5 m)
Total Plan Expenses	**$778.2 m**	**$790.1 m**	**($11.9 m)**
Net Income/(Loss)	**$24.7 m**	**($9.9 m)**	**$34.6 m**

* Adjusted for timing issues.

Financial Results Actual vs. Budgeted
Calendar Year to Date March 2015

Per Member Per Month (PMPM) Analysis

Calendar Year 2015	Actual thru Mar 2015	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue	**$386.22**	**$379.48**	**$6.74**
Net Claims Payments	$328.84	$327.69	$1.15
Medicare Advantage Premiums	$20.79	$21.18	($0.39)
Net Administrative Expenses	$30.54	$37.12	($6.58)
Total Plan Expenses	**$380.17**	**$385.99**	**($5.82)**
Net Income/(Loss)	**$6.05**	**($6.51)**	**$12.56**

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

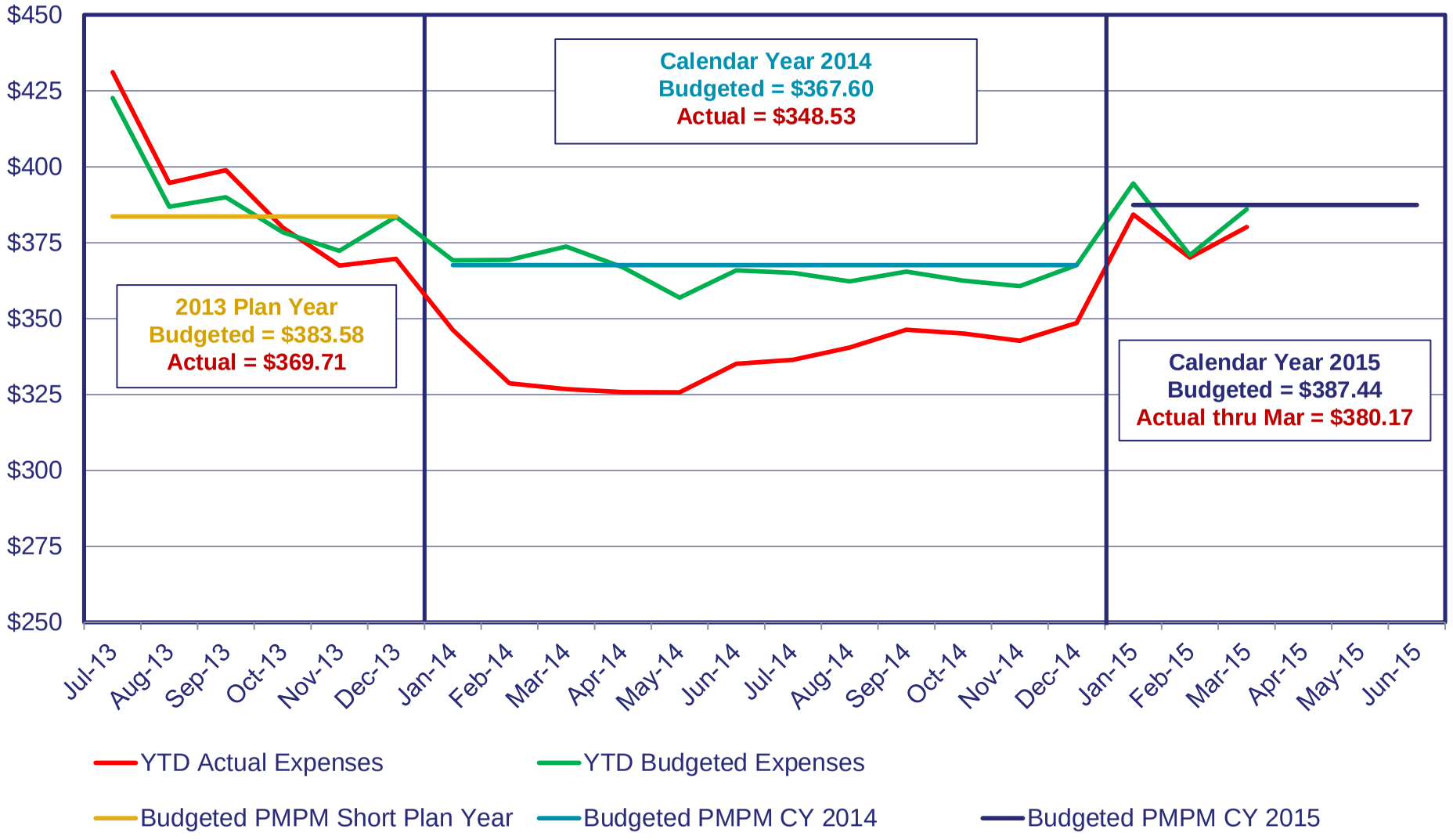
Adjusted Variance Report
Calendar Year to Date March 2015

Per Member Per Month (PMPM) Analysis

Calendar Year 2015	Actual thru Mar 2015, as Adjusted	Authorized Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	**$390.67**	**$379.48**	**$11.19**
Net Claims Payments	$328.84	$327.69	$1.15
Medicare Advantage Premiums	$20.79	$21.18	($0.39)
Net Administrative Expenses	$30.54	$37.12	($6.58)
Total Plan Expenses	**$380.17**	**$385.99**	**($5.82)**
Net Income/(Loss)	**$10.50**	**($6.51)**	**$17.01**

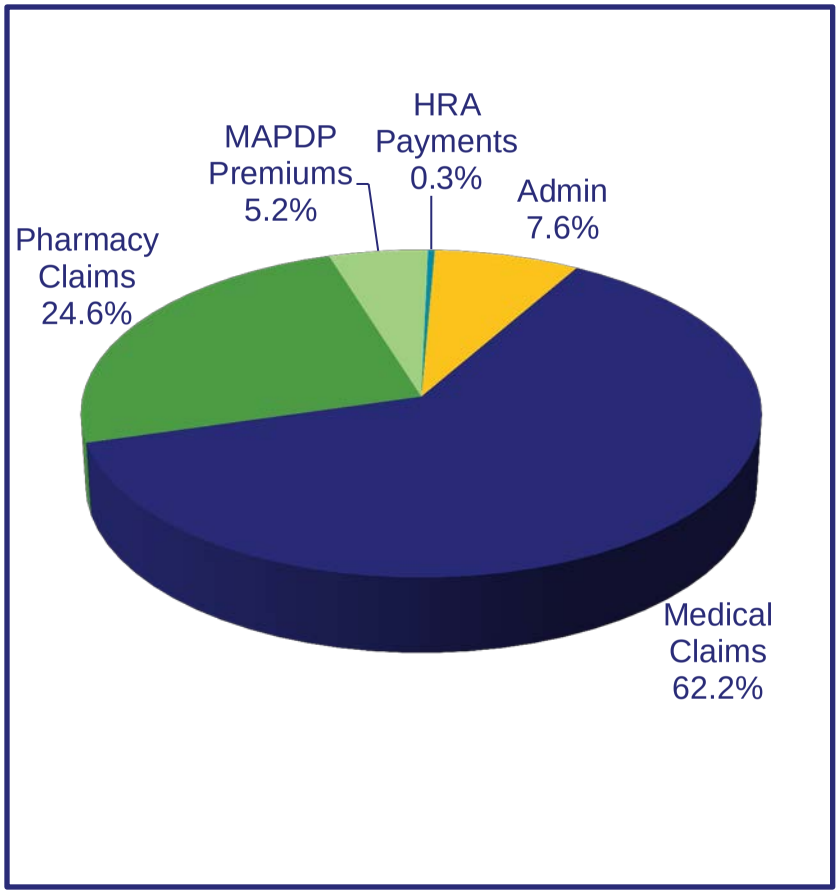
* Adjusted for timing issues.

Plan Year to Date (YTD) Expenditure Trend Per Member Per Month

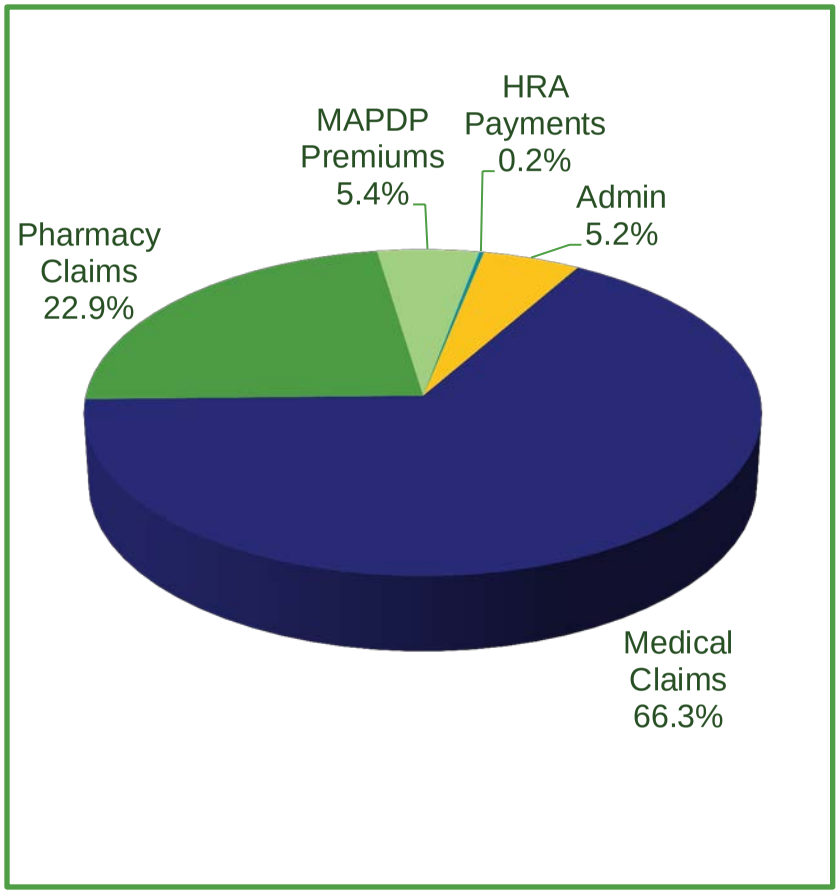


Allocation of Total Expenditures

Calendar Year To Date: March 2015



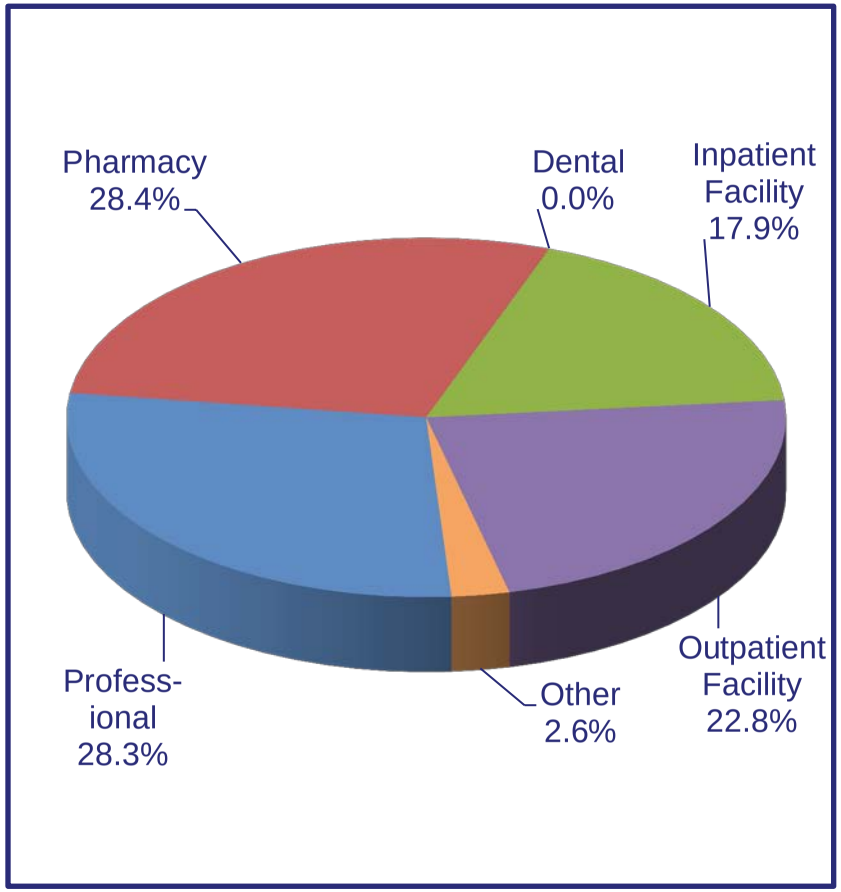
Calendar Year 2014



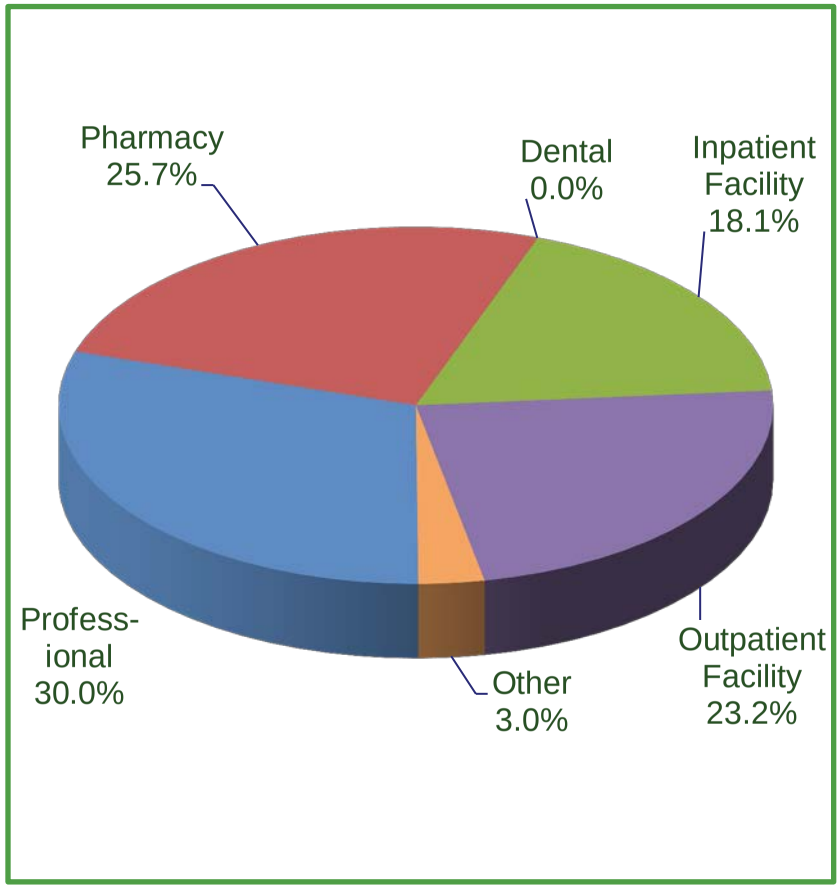
Sources: BCBSNC Summary of Billed Charges and Net Disbursements reports; Financial Status Reports

Allocation of Claims Expenditures
Medical, Blue Card and Pharmacy Payments

Calendar Year to Date: March 2015



Calendar Year 2014



Source: BCBSNC Summary of Billed Charges

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 March 2015
Calendar Year 2015

		A	B	C	D	E	F	G	H
		Actual March 2015	Authorized Budget March 2015	Monthly Variance Over/(Under) Authorized Budget	Actual 2015 Calendar Year To Date	Authorized Budget 2015 Calendar Year to Date	Calendar Year to Date Variance Over/(Under) Auth. Budget	Calendar Year Authorized Budget (Jan-Dec 2015)	Calendar Year to Date Variance Over/(Under) Annual Auth. Budget
1	**Plan Revenue:**								
2									
3	Member Premiums	$ 258,490,811	$ 248,970,791	$ 9,520,020	$ 739,354,119	$ 726,861,628	$ 12,492,491	$ 2,963,937,832	$ (2,224,583,713)
4	Premium Refunds/Retroactive Disenrollments	-	(124,877)	124,877	-	(364,606)	364,606	(1,486,657)	1,486,657
5	Medicare Part D (RDS) Subsidy	1,693,507	1,350,921	342,586	4,193,048	3,868,984	324,064	14,587,080	(10,394,032)
6	Medicare PDP (EGWP + Wrap) Subsidy	56	-	56	48,603,021	48,602,498	523	48,602,498	523
7	Medicare Advantage (MA) Subsidy	153,140	68,944	84,196	333,795	205,905	127,890	828,983	(495,188)
8	Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
9	**Net Premium & Other Contributions**	260,337,514	250,265,779	10,071,735	792,483,983	779,174,409	13,309,574	3,026,469,736	(2,233,985,753)
10									
11	Investment Earnings	383,814	340,599	43,215	1,287,502	1,016,422	271,080	3,871,779	(2,584,277)
12	Miscellaneous Revenue	-	-	-	-	-	-	-	-
13	**Other Revenue**	383,814	340,599	43,215	1,287,502	1,016,422	271,080	3,871,779	(2,584,277)
14									
15	**Total Plan Revenue (excludes internal transfers)**	260,721,328	250,606,378	10,114,950	793,771,485	780,190,831	13,580,654	3,030,341,515	(2,236,570,030)
16									
17	**Plan Expenses:**								
18									
19	Medical Claim Payments	193,947,253	201,489,046	(7,541,793)	517,907,444	521,655,445	(3,748,001)	2,128,799,496	(1,610,892,052)
20	Medical Claim Refunds/Recoveries	(2,628,303)	(1,957,521)	(670,782)	(6,214,655)	(5,793,745)	(420,910)	(25,072,202)	18,857,547
21	**Net Medical Claims**	191,318,950	199,531,525	(8,212,575)	511,692,789	515,861,700	(4,168,911)	2,103,727,294	(1,592,034,505)
22									
23	Pharmacy Claim Payments	57,462,178	55,242,061	2,220,117	173,438,700	166,885,543	6,553,157	718,955,282	(545,516,582)
24	Pharmacy Claim Rebates	-	-	-	(11,815,970)	(11,988,502)	172,532	(57,020,841)	45,204,871
25	Pharmacy Claim Refunds/Recoveries	(150,603)	-	(150,603)	(172,316)	-	(172,316)	-	(172,316)
26	**Net Pharmacy Claims**	57,311,575	55,242,061	2,069,514	161,450,414	154,897,041	6,553,373	661,934,441	(500,484,027)
27									
28	**Net Claim Payments**	248,630,525	254,773,586	(6,143,061)	673,143,203	670,758,741	2,384,462	2,765,661,735	(2,092,518,532)
29									
30	**Medicare Advantage Premium Payments**	14,212,589	14,463,910	(251,321)	42,559,850	43,355,775	(795,925)	174,072,089	(131,512,239)
31									
32	**Net Administrative Expenses**	11,529,425	15,914,316	(4,384,891)	62,510,490	75,972,396	(13,461,906)	239,864,700	(177,354,210)
33									
34	**Total Plan Expenses (excludes internal transfers)**	274,372,539	285,151,812	(10,779,273)	778,213,543	790,086,912	(11,873,369)	3,179,598,524	(2,401,384,981)
35									
36	Plan Income/(Loss)	(13,651,211)	(34,545,434)	20,894,223	15,557,942	(9,896,081)	25,454,023	(149,257,009)	164,814,951
37									
38	**Cash Availability:**								
39									
40	Beginning Cash Balance/(Deficit)	1,044,056,499	1,039,496,699	4,559,800	1,014,847,346	1,014,847,346	-	1,014,847,346	-
41	**Ending Cash Balance/(Deficit)**	1,030,405,288	1,004,951,265	25,454,023	1,030,405,288	1,004,951,265	25,454,023	865,590,337	164,814,951
42									
43	Target Stabilization Reserve @ 12/31/15	248,909,557	248,909,557	-	248,909,557	248,909,557	-	248,909,557	-
44									
45	**Cash Balance Over/(Under) Reserve Target**	$ 781,495,731	$ 756,041,708	$ 25,454,023	$ 781,495,731	$ 756,041,708	$ 25,454,023	$ 616,680,780	$ 164,814,951

Comments:
a. Premium receivables totaled $212,102.29 as of March 31, 2015.
b. The average weekly medical claims cost net of claims refunds was $38,263,790.00 for the five scheduled weekly claim cycles.
c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging $28,731,089.00 per cycle.
d. The target stabilization reserve is 9% of the projected net claims for Calendar Year 2015.
e. 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)
Consolidated Report, Actual vs. Authorized Budget
For the Month Ended March 2015
Fiscal Year 2014- 2015

		A	B	C	D	E	F	G	H
		Actual March 2015	Authorized Budget March 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
1	**Plan Revenue:**								
2									
3	Member Premiums	$ 258,490,811	$ 244,544,669	$ 13,946,142	$ 2,253,426,582	$ 2,204,760,113	$ 48,666,469	$ 2,937,906,736	$ (684,480,154)
4	Premium Refunds/Retroactive Disenrollments	-	(123,118)	123,118	(6,016)	(1,109,556)	1,103,540	(1,478,664)	1,472,648
5	Medicare Part D (RDS) Subsidy	1,693,507	597,099	1,096,408	12,869,912	4,642,823	8,227,089	6,276,386	6,593,526
6	Medicare PDP (EGWP + Wrap) Subsidy	56	-	56	50,283,438	33,414,689	16,868,749	33,414,689	16,868,749
7	Medicare Advantage (MA) Subsidy	153,140	-	153,140	638,003	-	638,003	-	638,003
8	Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(1,949)	-	(1,949)	-	(1,949)
9	**Net Premium & Other Contributions**	260,337,514	245,018,650	15,318,864	2,317,209,970	2,241,708,069	75,501,901	2,976,119,147	(658,909,177)
10									
11	Investment Earnings	383,814	331,120	52,694	3,629,496	2,950,081	679,415	3,933,340	(303,844)
12	Miscellaneous Revenue	-	-	-	-	-	-	-	-
13	**Other Revenue**	383,814	331,120	52,694	3,629,496	2,950,081	679,415	3,933,340	(303,844)
14									
15	**Total Plan Revenue (excludes internal transfers)**	260,721,328	245,349,770	15,371,558	2,320,839,466	2,244,658,150	76,181,316	2,980,052,487	(659,213,021)
16									
17	**Plan Expenses:**								
18									
19	Medical Claim Payments	193,947,253	194,607,481	(660,228)	1,511,329,475	1,475,008,162	36,321,313	1,995,716,227	(484,386,752)
20	Medical Claim Refunds/Recoveries	(2,628,303)	(1,933,283)	(695,020)	(17,330,007)	(17,490,313)	160,306	(23,520,519)	6,190,512
21	**Net Medical Claims**	191,318,950	192,674,198	(1,355,248)	1,493,999,468	1,457,517,849	36,481,619	1,972,195,708	(478,196,240)
22									
23	Pharmacy Claim Payments	57,462,178	55,353,756	2,108,422	553,700,255	523,565,808	30,134,447	686,943,428	(133,243,173)
24	Pharmacy Claim Rebates	-	-	-	(51,114,709)	(52,193,817)	1,079,108	(74,166,940)	23,052,231
25	Pharmacy Claim Refunds/Recoveries	(150,603)	-	(150,603)	(641,972)	-	(641,972)	-	(641,972)
26	**Net Pharmacy Claims**	57,311,575	55,353,756	1,957,819	501,943,574	471,371,991	30,571,583	612,776,488	(110,832,914)
27									
28	**Net Claim Payments**	248,630,525	248,027,954	602,571	1,995,943,042	1,928,889,840	67,053,202	2,584,972,196	(589,029,154)
29									
30	**Medicare Advantage Premium Payments**	14,212,589	14,031,051	181,538	119,518,953	121,118,017	(1,599,064)	163,281,044	(43,762,091)
31									
32	**Net Administrative Expenses**	11,529,425	15,815,979	(4,286,554)	133,530,223	176,554,951	(43,024,728)	223,971,245	(90,441,022)
33									
34	**Total Plan Expenses (excludes internal transfers)**	274,372,539	277,874,984	(3,502,445)	2,248,992,218	2,226,562,808	22,429,410	2,972,224,485	(723,232,267)
35									
36	**Plan Income/(Loss)**	(13,651,211)	(32,525,214)	18,874,003	71,847,248	18,095,342	53,751,906	7,828,002	64,019,246
37									
38	**Cash Availability:**								
39									
40	Beginning Cash Balance/(Deficit)	1,044,056,499	1,009,178,596	34,877,903	958,558,040	958,558,040	-	958,558,040	-
41	**Ending Cash Balance/(Deficit)**	1,030,405,288	976,653,382	53,751,906	1,030,405,288	976,653,382	53,751,906	966,386,042	64,019,246
42									
43	Target Stabilization Reserve @ 6/30/15	232,647,498	232,647,498	-	232,647,498	232,647,498	-	232,647,498	-
44									
45	**Cash Balance Over/(Under) Reserve Target**	$ 797,757,790	$ 744,005,884	$ 53,751,906	$ 797,757,790	$ 744,005,884	$ 53,751,906	$ 733,738,544	$ 64,019,246

Comments:
a. Premium receivables totaled $212,102.29 as of March 31, 2015.
b. The average weekly medical claims cost net of claims refunds was $38,263,790.00 for the five scheduled weekly claim cycles.
c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging $28,731,089.00 per cycle.
d. The target stabilization reserve is 9% of the projected net claims for Fiscal Year 2014-15.
e. 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)

Current Year Actual vs. Prior Year Actual

For the Month Ended March 2015

Calendar Year 2015

		A	B	C	D	E	F	G
		Current Year Actual March 2015	Prior Year Actual March 2014	Current Year to Date Actual CY 2015 thru March	Prior Year to Date Actual CY 2014 thru March	Current Year Authorized Annual Budget CY 2015	Prior Year Annual Budget CY 2014	Prior Year Actual Results CY 2014
1	**Plan Revenue:**							
2								
3	Member Premiums	$ 258,490,811	$ 261,081,536	$ 739,354,119	$ 722,074,811	$ 2,963,937,832	$ 2,921,878,532	$ 2,952,592,141
4	Premium Refunds/Retroactive Disenrollments	-	947	-	5,798	(1,486,657)	(1,489,408)	(28,401)
5	Medicare Part D (RDS) Subsidy	1,693,507	7,711,178	4,193,048	9,258,550	14,587,080	6,344,076	21,584,404
6	Medicare PDP (EGWP + Wrap) Subsidy	56	-	48,603,021	12,080,189	48,602,498	31,047,005	28,378,401
7	Medicare Advantage (MA) Subsidy	153,140	115,656	333,795	152,149	828,983	-	721,773
8	Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	(1,949)
9	**Net Premium & Other Contributions**	260,337,514	268,909,317	792,483,983	743,571,497	3,026,469,736	2,957,780,205	3,003,246,369
10								
11	Investment Earnings	383,814	315,044	1,287,502	1,038,278	3,871,779	2,892,005	4,417,142
12	Miscellaneous Revenue	-	-	-	-	-	-	-
13	**Other Revenue**	383,814	315,044	1,287,502	1,038,278	3,871,779	2,892,005	4,417,142
14								
15	**Total Plan Revenue (excludes internal transfers)**	260,721,328	269,224,361	793,771,485	744,609,775	3,030,341,515	2,960,672,210	3,007,663,511
16								
17	**Plan Expenses:**							
18								
19	Medical Claim Payments	193,947,253	184,877,202	517,907,444	464,709,526	2,128,799,496	2,062,826,346	1,949,838,964
20	Medical Claim Refunds/Recoveries	(2,628,303)	(1,748,825)	(6,214,655)	(5,339,692)	(25,072,202)	(25,469,051)	(22,731,740)
21	**Net Medical Claims**	191,318,950	183,128,377	511,692,789	459,369,834	2,103,727,294	2,037,357,295	1,927,107,224
22								
23	Pharmacy Claim Payments	57,462,178	46,912,582	173,438,700	173,037,518	718,955,282	599,541,594	698,126,200
24	Pharmacy Claim Rebates	-	(36,441,085)	(11,815,970)	(48,528,784)	(57,020,841)	(54,794,623)	(98,763,203)
25	Pharmacy Claim Refunds/Recoveries	(150,603)	(25,997)	(172,316)	(548,335)	-	-	(310,778)
26	**Net Pharmacy Claims**	57,311,575	10,445,500	161,450,414	123,960,399	661,934,441	544,746,971	599,052,219
27								
28	**Net Claim Payments**	248,630,525	193,573,877	673,143,203	583,330,233	2,765,661,735	2,582,104,266	2,526,159,443
29								
30	**Medicare Advantage Premium Payments**	14,212,589	13,802,453	42,559,850	40,244,787	174,072,089	174,162,733	155,497,950
31								
32	**Net Administrative Expenses**	11,529,425	11,295,074	62,510,490	37,387,246	239,864,700	179,815,010	149,605,909
33								
34	**Total Plan Expenses (excludes internal transfers)**	274,372,539	218,671,404	778,213,543	660,962,266	3,179,598,524	2,936,082,009	2,831,263,302
35								
36	Plan Income/(Loss)	(13,651,211)	50,552,957	15,557,942	83,647,509	(149,257,009)	24,590,201	176,400,209
37								
38	**Cash Availability:**							
39								
40	Beginning Cash Balance/(Deficit)	1,044,056,499	871,541,689	1,014,847,346	838,447,137	1,014,847,346	694,975,133	838,447,137
41	**Ending Cash Balance/(Deficit)**	1,030,405,288	922,094,646	1,030,405,288	922,094,646	865,590,337	719,565,334	1,014,847,346
42								
43	Target Stabilization Reserve @ 12/31	248,909,557	234,282,695	248,909,557	234,282,695	248,909,557	234,282,695	227,354,350
44								
45	**Cash Balance Over/(Under) Reserve Target**	$ 781,495,731	$ 687,811,951	$ 781,495,731	$ 687,811,951	$ 616,680,780	$ 485,282,639	$ 787,492,996

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)
Current Year Actual vs. Prior Year Actual
For the Month Ended March 2015
Fiscal Year 2014-2015

		A	B	C	D	E	F	G
		Current Year Actual March 2015	Prior Year Actual March 2014	Current Year to Date Actual FY 2014-15 thru March	Prior Year to Date Actual FY 2013-14 thru March	Current Year Authorized Annual Budget FY 2014-15	Prior Year Annual Budget FY 2013-14	Prior Year Actual Results FY 2013-14
1	**Plan Revenue:**							
2								
3	Member Premiums	$ 258,490,811	$ 261,081,536	$ 2,253,426,582	$ 2,224,652,811	$ 2,937,906,736	$ 2,902,567,015	$ 2,941,097,678
4	Premium Refunds/Retroactive Disenrollments	-	947	(6,016)	(271,740)	(1,478,664)	(1,466,766)	(299,923)
5	Medicare Part D (RDS) Subsidy	1,693,507	7,711,178	12,869,912	7,934,662	6,276,386	6,218,762	11,583,652
6	Medicare PDP (EGWP + Wrap) Subsidy	56	-	50,283,438	49,162,774	33,414,689	50,346,402	63,780,569
7	Medicare Advantage (MA) Subsidy	153,140	115,656	638,003	152,149	-	-	417,565
8	Federal Early Retiree Reinsurance Program (ERRP)	-	-	(1,949)	-	-	-	-
9	**Net Premium & Other Contributions**	260,337,514	268,909,317	2,317,209,970	2,281,630,656	2,976,119,147	2,957,665,413	3,016,579,541
10								
11	Investment Earnings	383,814	315,044	3,629,496	2,824,393	3,933,340	2,868,131	3,861,263
12	Miscellaneous Revenue	-	-	-	54,972	-	-	54,972
13	**Other Revenue**	383,814	315,044	3,629,496	2,879,365	3,933,340	2,868,131	3,916,235
14								
15	**Total Plan Revenue (excludes internal transfers)**	260,721,328	269,224,361	2,320,839,466	2,284,510,021	2,980,052,487	2,960,533,544	3,020,495,776
16								
17	**Plan Expenses:**							
18								
19	Medical Claim Payments	193,947,253	184,877,202	1,511,329,475	1,497,866,926	1,995,716,227	2,107,493,114	1,989,574,333
20	Medical Claim Refunds/Recoveries	(2,628,303)	(1,748,825)	(17,330,007)	(16,174,070)	(23,520,519)	(24,643,884)	(22,450,766)
21	**Net Medical Claims**	191,318,950	183,128,377	1,493,999,468	1,481,692,856	1,972,195,708	2,082,849,230	1,967,123,567
22								
23	Pharmacy Claim Payments	57,462,178	46,912,582	553,700,255	598,852,987	686,943,428	699,653,578	743,680,114
24	Pharmacy Claim Rebates	-	(36,441,085)	(51,114,709)	(80,717,425)	(74,166,940)	(52,353,361)	(91,653,105)
25	Pharmacy Claim Refunds/Recoveries	(150,603)	(25,997)	(641,972)	(1,105,865)	-	-	(398,652)
26	**Net Pharmacy Claims**	57,311,575	10,445,500	501,943,574	517,029,697	612,776,488	647,300,217	651,628,357
27								
28	**Net Claim Payments**	248,630,525	193,573,877	1,995,943,042	1,998,722,553	2,584,972,196	2,730,149,447	2,618,751,924
29								
30	**Medicare Advantage Premium Payments**	14,212,589	13,802,453	119,518,953	40,244,787	163,281,044	86,864,744	78,538,847
31								
32	**Net Administrative Expenses**	11,529,425	11,295,074	133,530,223	106,935,983	223,971,245	182,446,628	148,134,913
33								
34	**Total Plan Expenses (excludes internal transfers)**	274,372,539	218,671,404	2,248,992,218	2,145,903,323	2,972,224,485	2,999,460,819	2,845,425,684
35								
36	Plan Income/(Loss)	(13,651,211)	50,552,957	71,847,248	138,606,698	7,828,002	(38,927,275)	175,070,092
37								
38	**Cash Availability:**							
39								
40	Beginning Cash Balance/(Deficit)	1,044,056,499	871,541,689	958,558,040	783,487,948	958,558,040	755,749,494	783,487,948
41	**Ending Cash Balance/(Deficit)**	1,030,405,288	922,094,646	1,030,405,288	922,094,646	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**	$ 797,757,790	$ 682,648,440	$ 797,757,790	$ 682,648,440	$ 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 March 2015
Calendar Year 2015

		A	B	C	D	E	F
		Actual Year to Date Calendar Year thru March	Adjustments for Timing, Unusual & Onetime Events	*Adjusted Actual Year to Date*	Authorized Budget Calendar Year to Date thru March	*Year to Date Adjusted Variance Over/(Under) Budget*	Adjusted Variance as Percentage of Budget
1	**Plan Revenue:**						
2							
3	Member Premiums (Notes 1 and 2)	$ 739,354,119	$ 9,129,724	$ 748,483,843	$ 726,861,628	$ 21,622,215	2.97%
4	Premium Refunds/Retroactive Disenrollments	-		-	(364,606)	364,606	-100.00%
5	Medicare Part D (RDS) Subsidy	4,193,048		4,193,048	3,868,984	324,064	8.38%
6	Medicare PDP (EGWP + Wrap) Subsidy	48,603,021		48,603,021	48,602,498	523	0.00%
7	Medicare Advantage (MA) Subsidy	333,795		333,795	205,905	127,890	62.11%
8	Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	
9	**Net Premium & Other Contributions**	792,483,983	9,129,724	801,613,707	779,174,409	22,439,298	2.88%
10							
11	**Other Revenue**	1,287,502		1,287,502	1,016,422	271,080	26.67%
12							
13	**Total Plan Revenue (excludes internal transfers)**	793,771,485	9,129,724	802,901,209	780,190,831	22,710,378	2.91%
14							
15	**Plan Expenses:**						
16							
17	Net Medical Claims	511,692,789		511,692,789	515,861,700	(4,168,911)	-0.81%
18	Net Pharmacy Claims	161,450,414		161,450,414	154,897,041	6,553,373	4.23%
19	**Net Claim Payments**	673,143,203	-	673,143,203	670,758,741	2,384,462	0.36%
20							
21	**Medicare Advantage Premiums**	42,559,850		42,559,850	43,355,775	(795,925)	-1.84%
22							
23	**Net Administrative Expenses**	62,510,490		62,510,490	75,972,396	(13,461,906)	-17.72%
24							
25	**Total Plan Expenses (excludes internal transfers)**	778,213,543	-	778,213,543	790,086,912	(11,873,369)	-1.50%
26							
27	**Plan Income/(Loss)**	15,557,942	9,129,724	24,687,666	(9,896,081)	34,583,747	-349.47%
28							
29	**Cash Availability:**						
30							
31	Beginning Cash Balance/(Deficit)	1,014,847,346		1,014,847,346	1,014,847,346	-	0.00%
32	**Ending Cash Balance/(Deficit)**	1,030,405,288	9,129,724	1,039,535,012	1,004,951,265	34,583,747	3.44%
33							
34	Target Stabilization Reserve @ 12/31/2015	248,909,557		248,909,557	248,909,557	-	0.00%
35							
36	**Cash Balance Over/(Under) Reserve Target**	$ 781,495,731	$ 9,129,724	$ 790,625,455	$ 756,041,708	$ 34,583,747	4.57%

Adjustment Notes:
1. Member premiums adjusted to include $46.9 million in prepaid January premiums received in December 2014.
2. Member premiums adjusted to exclude $37.8 million in prepaid April premiums received in March.

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 March 2015
Fiscal Year 2014-2015

		A	B	C	D	E	F
		Actual Year to Date Fiscal Year thru March	Adjustments for Timing, Unusual & Onetime Events	*Adjusted Actual Year to Date*	Authorized Budget Fiscal Year to Date thru March	*Year to Date Adjusted Variance Over/(Under) Budget*	Adjusted Variance as Percentage of Budget
1	**Plan Revenue:**						
2							
3	Member Premiums (Notes 1 and 2)	$ 2,253,426,582	$ (21,759,723)	$ 2,231,666,859	$ 2,204,760,113	$ 26,906,746	1.22%
4	Premium Refunds/Retroactive Disenrollments	(6,016)		(6,016)	(1,109,556)	1,103,540	-99.46%
5	Medicare Part D (RDS) Subsidy	12,869,912		12,869,912	4,642,823	8,227,089	177.20%
6	Medicare PDP (EGWP + Wrap) Subsidy (Note 3)	50,283,438	(16,868,693)	33,414,745	33,414,689	56	0.00%
7	Medicare Advantage (MA) Subsidy (Note 4)	638,003	(638,003)	-	-	-	
8	Federal Early Retiree Reinsurance Program (ERRP) (Note 5)	(1,949)	1,949	-	-	-	
9	**Net Premium & Other Contributions**	**2,317,209,970**	**(39,264,470)**	**2,277,945,500**	**2,241,708,069**	**36,237,431**	**1.62%**
10							
11	**Other Revenue**	**3,629,496**		**3,629,496**	**2,950,081**	**679,415**	**23.03%**
12							
13	**Total Plan Revenue (excludes internal transfers)**	**2,320,839,466**	**(39,264,470)**	**2,281,574,996**	**2,244,658,150**	**36,916,846**	**1.64%**
14							
15	**Plan Expenses:**						
16							
17	Net Medical Claims	1,493,999,468		1,493,999,468	1,457,517,849	36,481,619	2.50%
18	Net Pharmacy Claims	501,943,574		501,943,574	471,371,991	30,571,583	6.49%
19	**Net Claim Payments**	**1,995,943,042**	-	**1,995,943,042**	**1,928,889,840**	**67,053,202**	**3.48%**
20							
21	**Medicare Advantage Premiums**	**119,518,953**		**119,518,953**	**121,118,017**	**(1,599,064)**	**-1.32%**
22							
23	**Net Administrative Expenses (Note 6)**	**133,530,223**	**5,642,732**	**139,172,955**	**176,554,951**	**(37,381,997)**	**-21.17%**
24							
25	**Total Plan Expenses (excludes internal transfers)**	**2,248,992,218**	**5,642,732**	**2,254,634,950**	**2,226,562,808**	**28,072,142**	**1.26%**
26							
27	**Plan Income/(Loss)**	**71,847,248**	**(44,907,201)**	**26,940,047**	**18,095,342**	**8,844,705**	**48.88%**
28							
29	**Cash Availability:**						
30							
31	Beginning Cash Balance/(Deficit)	958,558,040		958,558,040	958,558,040	-	0.00%
32	**Ending Cash Balance/(Deficit)**	**1,030,405,288**	**(44,907,201)**	**985,498,087**	**976,653,382**	**8,844,705**	**0.91%**
33							
34	Target Stabilization Reserve @ 6/30/15	232,647,498		232,647,498	232,647,498	-	0.00%
35							
36	**Cash Balance Over/(Under) Reserve Target**	**$ 797,757,790**	**$ (44,907,201)**	**$ 752,850,589**	**$ 744,005,884**	**$ 8,844,705**	**1.19%**

Adjustment Notes:
1. Member premiums adjusted to include $16.0 million in prepaid July premiums received in June.
2. Member premiums adjusted to exclude $37.8 million in prepaid April premiums received in March.
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. Administrative expenses adjusted to include a second payment for the ACA Transitional Reinsurance program that was budgeted for January but will not be paid until November 2015.

Adjusted Variance Report Based on Authorized (Revised) Budget
Fiscal Year to Date Through March 2015

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

CY 2015 1st Quarter Actuarial Forecast Update

Board of Trustees Meeting

May 22, 2015

Forecast prepared by The Segal Company
Final version dated 5-14-15

Presentation Overview

- Forecast Update Schedule
- Updated Assumptions: Authorized CY 2015 Budget vs. CY 2015 1st Quarter Projection
- Authorized Budget vs. Forecast for CY 2015
- Summary Graphs
- Future Outlook

Actuarial Forecast Update Schedule

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

Forecast Assumptions Maintained in the Update
Authorized CY15 Budget vs. CY 2015 1st Quarter Update

- Membership trends
  - 1% annual decrease in actives
  - 1% annual increase in retirees

- Trend assumptions
  - 7% medical trend
  - 8.5% pharmacy trend

- New benefit design effective January 1, 2016
  - Increased cost-sharing in Traditional 70/30 Plan
  - Enhancements to Consumer-Directed Health Plan (CDHP)

- Increased administrative budget for 2015-17 Fiscal Biennium
  - 3% annual increases in administrative costs after Fiscal Year 2016-17

- Target Stabilization Reserve (TSR) equals 9% of projected claims costs in each year

- Cash balance set to equal TSR as of December 31, 2017, and every two years thereafter

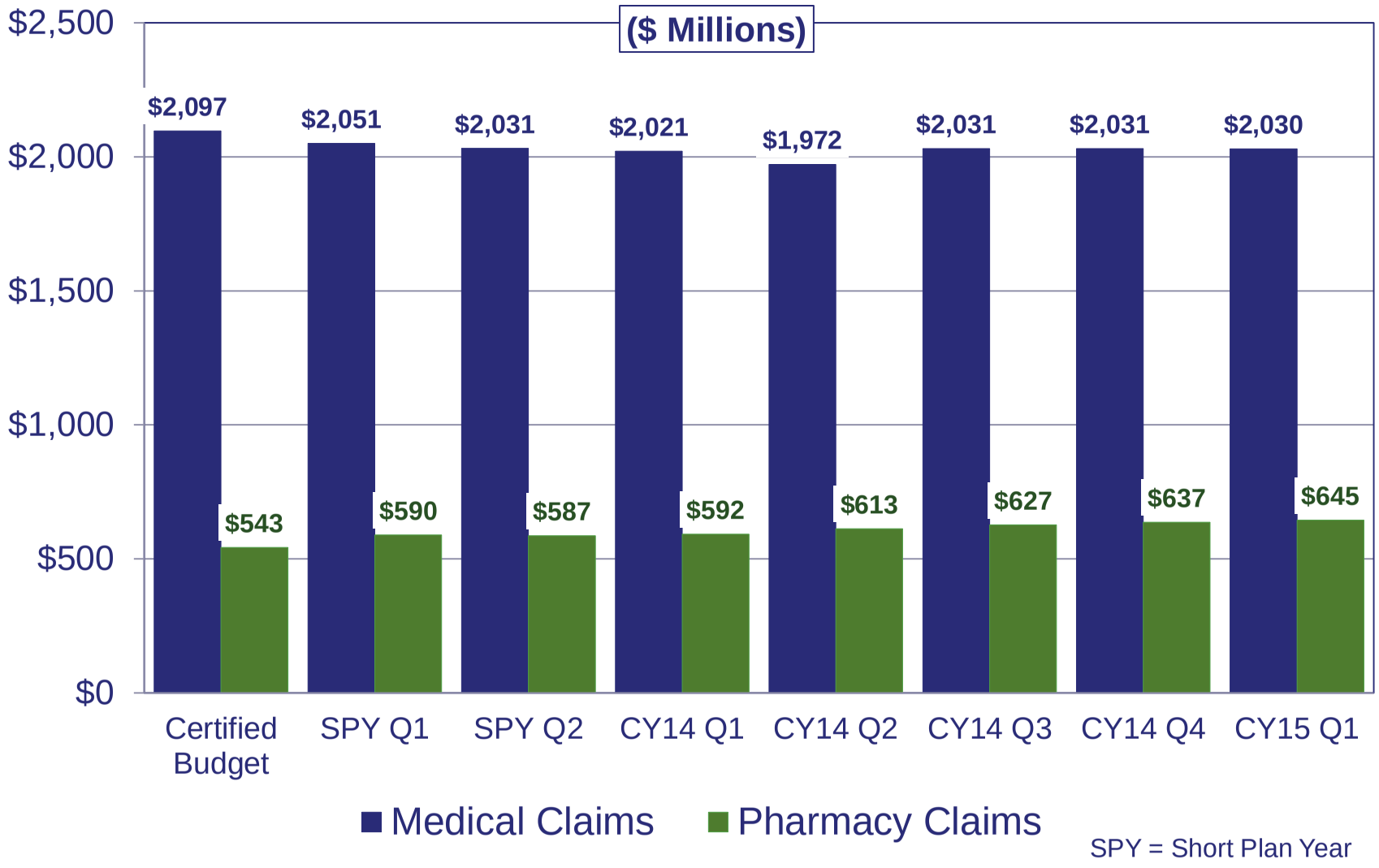
Forecast Assumptions Changed/Revised in the Update Authorized CY15 Budget vs. CY 2015 1st Quarter Update

- Membership based on actual March 2015 counts (instead of December 2014)
- Anticipated claims expenditures based on actual experience through March 2015 (instead of through December 2014)
- Cash balance begins from actual total as of March 31, 2015 (rather than December 31, 2014)
- The impact of member migration in future years was adjusted to reflect more recent cost differentials among plan options

Comparison of Models
Authorized CY15 Budget vs. CY 2015 1st Quarter Update

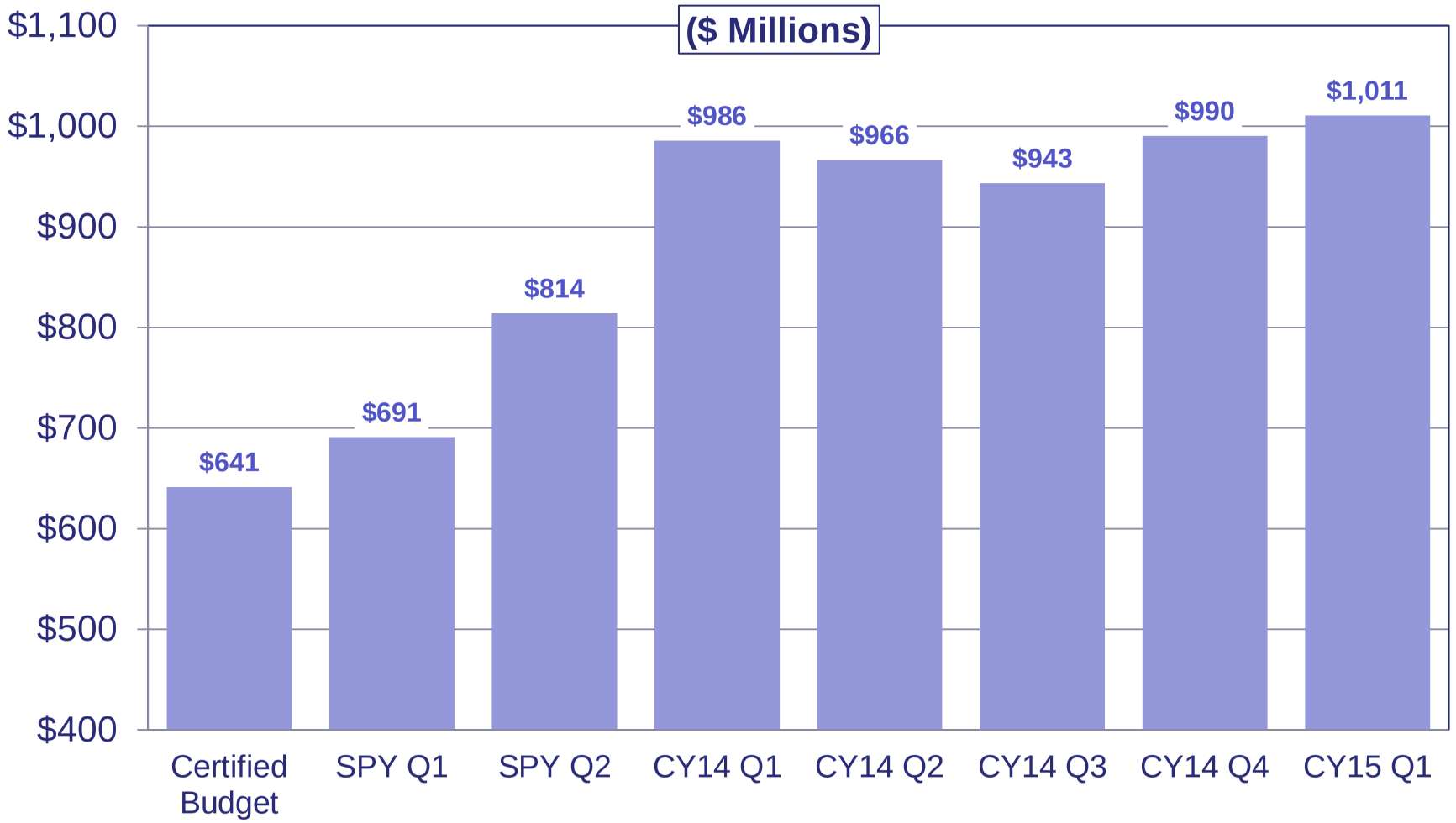
Calendar Year 2015	CY 2015 1st Quarter Update (per Segal 5-13-15)	Authorized CY 2015 Budget (per Segal 4-28-15)	Difference: Increase/ (Decrease) From Budget
Beginning Cash Balance	**$1.015 b**	**$1.015 b**	**$0.0 m**
Plan Revenue	**$3.043 b**	**$3.030 b**	**$13.1 m**
Net Claims Payments	$2.792 b	$2.766 b	$26.0 m
Medicare Advantage Premiums	$173.5 m	$174.1 m	($0.6 m)
Net Admin. Expenses	$226.4 m	$239.8 m	($13.4 m)
Total Plan Expenses	**$3.191 b**	**$3.179 b**	**$12.0 m**
Net Income/(Loss)	**($148.1 m)**	**($149.2 m)**	**$1.1 m**
Ending Cash Balance	**$866.7 m**	**$865.6 m**	**$1.1 m**
2016 & 2017 Premium Increases	3.93%	3.43%	0.50%
2018 & 2019 Premium Increases	14.67%	15.21%	(0.54%)
2020 & 2021 Premium Increases	4.72%	4.34%	0.38%

Forecast Comparisons: Fiscal Year 2014-15 Claims



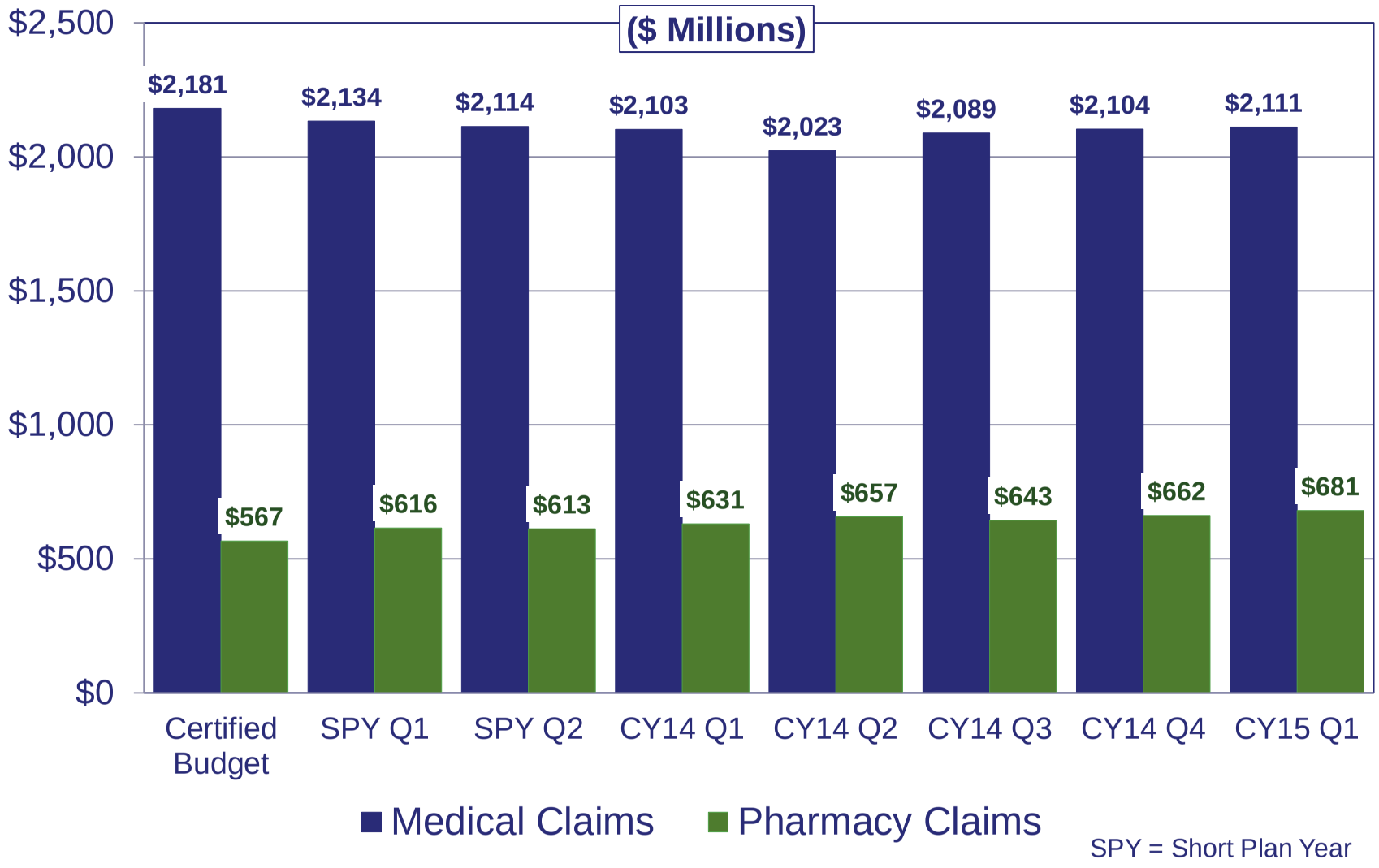
SPY = Short Plan Year

Forecast Comparisons: Ending Cash Balance June 30, 2015



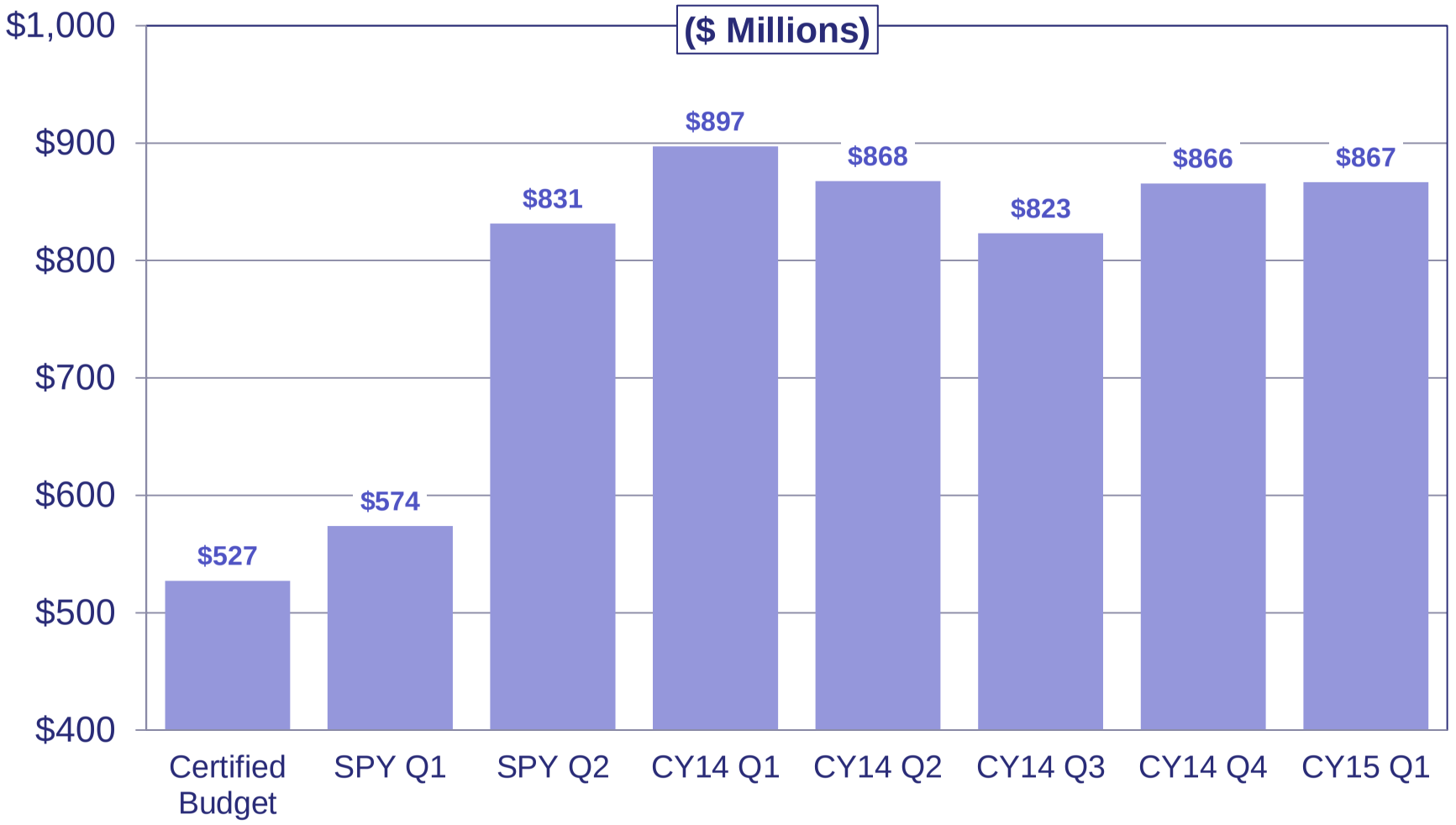
SPY = Short Plan Year

Forecast Comparisons: Calendar Year 2015 Claims



SPY = Short Plan Year

Forecast Comparisons: Ending Cash Balance December 31, 2015



SPY = Short Plan Year

Summary/Future Outlook

- Relative to the Authorized Budget, the CY 2015 1st Quarter Update projects roughly **equivalent** medical claims costs and **higher** pharmacy claims costs
- The $1.011 billion cash balance projected for June 30, 2015:
  - Is $20.3 million **higher** than the Authorized Budget projection
  - **Exceeds** the 9.0% target stabilization reserve amount by $770 million
  - Equates to nearly **16 weeks** of projected FY 2015-16 operating expenses
- The CY 2015 1st Quarter Update projects **3.93%** premium increases for January 2016 and 2017. This is **higher** than the Authorized Budget (3.43%).

Certified Budget
(Segal 8-19-13)

North Carolina State Health Plan
Financial Projections - Mar 2013
Trends - 8.5% Medical & Pharmacy
Board Approved Wellness Incentives - Active 70/30 Unchanged thru 2015 only, Retirees 70/30 Unchanged
With MA & PDP
Incentives start at $15/$15/$20 and increase to $25/$25/$40 in Calendar 2016, $10 Standard Premium Credit
Certified Budget

	2011 - 2013 Biennium		2013 - 2015 Biennium				2015 - 2017 Biennium				
	Actual FY 2012	Projection FY 2013	Projection Short Plan Year Jul-Dec 2013	Projection Calendar 2014 Jan-June	Projection Calendar 2014 July-Dec	Projection Calendar 2015 Jan-Jun	Projection Calendar 2015 Jul-Dec	Projection Calendar 2016 Jan-June	Projection Calendar 2016 July-Dec	Projection Calendar 2017 Jan-Jun	Projection Calendar 2017 Jul-Dec
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,761,603	1,442,578,008	1,490,952,575	1,487,864,429	1,516,588,534	1,513,510,299	1,634,606,643	1,631,357,328	1,761,956,879	1,758,528,795
EGWP/PDP Spouse Premium Reduction		(1,244,665)	(2,498,637)	(14,615,034)	(14,687,927)	(14,761,184)	(14,834,807)	(14,908,796)	(14,983,155)	(15,057,884)	(15,132,986)
MA Spouse Premium Reduction				(5,898,039)	(5,927,456)	(5,957,019)	(5,986,730)	(6,016,589)	(6,046,598)	(6,076,755)	(6,107,063)
MA Buy-up Premium				10,940,979	10,995,548	15,140,644	15,216,158	19,774,355	19,872,981	24,884,033	25,008,144
Health care Reform ERRP	42,163,391	(558,219)	-	-	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(714,727)	(721,289)	(745,476)	(743,932)	(758,294)	(756,755)	(817,303)	(815,679)	(880,978)	(879,264)
Premium Incentive			-	(15,363,911)	(15,332,089)	(14,299,813)	(14,287,662)	18,347,595	18,311,123	18,164,492	18,129,151
CDHP Premium Reduction			-	(3,528,927)	(3,521,618)	(4,751,766)	(4,747,728)	(5,957,822)	(5,945,979)	(7,139,050)	(7,125,160)
Medicare Part D	57,583,602	36,936,224	2,784,744	3,434,018	2,910,058	3,588,549	3,041,010	3,750,033	3,177,856	3,918,785	3,320,859
EGWP+Wrap											
Direct Subsidy	-	25,008,159	25,151,533	-	-	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	7,195,769	17,999,102	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	13,047,904	-	-	-	-	-	-
Total	-	25,008,159	32,347,302	17,999,102	13,047,904	-	-	-	-	-	-
Appropriations from State Reserve				-							
Investment Earnings	3,015,815	3,063,553	1,448,002	1,420,130	1,471,875	1,364,138	1,187,237	977,122	864,507	734,935	644,071
Total Plan Income	2,852,680,163	2,958,251,928	1,475,938,129	1,484,595,416	1,476,076,792	1,496,153,788	1,492,341,023	1,649,755,238	1,645,792,386	1,780,504,456	1,776,386,545
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,882,949,142	997,508,625	1,111,574,513	1,036,956,734	1,201,076,486	1,130,686,863	1,298,249,706	1,217,598,950	1,400,256,154	1,312,797,082
Claim Refunds	(22,634,615)	(23,855,443)	(12,060,684)	(12,583,200)	(12,885,851)	(13,596,192)	(14,362,157)	(14,789,230)	(15,257,502)	(15,736,111)	(16,451,838)
Dental & MHSA Enhancement			1,965,794	3,370,442	3,144,191	3,641,824	3,428,393	3,936,466	3,691,922	4,245,763	3,980,576
Medicare Advantage Claims Reduction				(51,495,701)	(60,190,041)	(65,631,913)	(65,959,257)	(71,922,732)	(72,281,451)	(78,816,526)	(79,209,628)
Calendar Year Adjustments		-	44,524,878	(4,229,258)	14,039,329	(14,419,571)	18,622,423	(17,792,129)	20,205,328	(19,304,460)	21,922,781
Preventative at 100% in Standard Plan				9,805,123	13,733,526	15,553,431	15,012,324	16,765,870	16,153,784	18,067,218	17,400,803
Premium Incentive				(7,995,527)	(11,972,541)	(11,462,987)	(11,446,086)	(12,527,363)	(12,502,373)	(19,984,282)	(19,945,259)
CDHP Claims Reduction				(2,705,932)	(4,051,876)	(5,771,199)	(5,762,690)	(8,941,127)	(8,923,291)	(12,953,021)	(12,927,728)
Limited Network Savings				310,434	464,845	390,200	389,624	602,750	601,547	576,589	575,463
PCP Copay Waiver				4,407,787	6,600,242	(367,417)	(366,875)	(4,086,355)	(4,078,203)	(17,078,970)	(17,045,620)
Mental Health Enhancements				451,938	608,120	704,185	662,915	765,427	717,877	830,633	778,752
Net Medical Claims	1,826,775,490	1,859,093,698	1,031,938,612	1,050,910,619	986,446,678	1,110,116,847	1,070,905,478	1,190,261,283	1,145,926,587	1,260,102,988	1,211,875,383
Medicare Advantage Premiums			-	86,864,745	87,297,988	108,861,089	109,404,040	133,102,486	133,766,343	159,805,493	160,602,532
Pharmacy Claims Payment	721,163,013	749,090,373	426,782,431	389,095,527	461,133,212	420,430,469	498,290,216	492,888,065	499,857,994	532,671,371	540,226,350
Rebates	(93,130,160)	(72,024,902)	(22,208,556)	(32,607,518)	(23,014,123)	(26,428,528)	(23,850,891)	(27,281,378)	(24,724,242)	(28,163,286)	(25,623,274)
Calendar Year Adjustments			6,211,534	(9,511,046)	11,406,548	(10,470,311)	12,325,781	(12,201,284)	12,627,650	(13,186,116)	13,647,560
Net Pharmacy Claims	628,032,853	677,065,471	410,785,408	346,976,963	449,525,637	383,531,630	486,765,106	453,405,403	487,761,402	491,321,968	528,250,635
MA-PDP Claims Reduction			-	(114,577,245)	(139,255,710)	(151,846,028)	(152,603,370)	(166,400,470)	(167,230,403)	(182,349,955)	(183,259,437)
EGWP+Wrap Reduction in Rebates		808,689	1,635,695	827,018	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase		222,762	462,707	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips		-	591,768	686,454	813,546	741,737	879,099	869,568	881,865	939,755	953,084
HB 675 - Pharmacy Audit Changes				100,000	104,617	95,383	113,047	111,821	113,403	120,847	122,561
Specialty Pharmacy Tier				(188,553)	(265,758)	(258,101)	(305,899)	(321,725)	(326,275)	(370,373)	(375,627)
Total Pharmacy Claims	628,032,853	678,096,922	413,475,579	233,824,638	310,922,331	232,264,620	334,847,983	287,664,597	321,199,992	309,662,242	345,691,217
Total Claims	2,454,808,343	2,537,190,620	1,445,414,191	1,371,600,002	1,384,666,997	1,451,242,555	1,515,157,501	1,611,028,367	1,600,892,923	1,729,570,723	1,718,169,132
Administrative Costs	165,480,561	164,665,404	85,504,284	91,148,330	88,666,681	88,484,867	91,324,774	91,141,320	93,688,951	93,504,688	96,122,447
ACA Reinsurance Fee				-	-	34,632,846	-	21,039,454	-	14,201,632	-
Extra EGWP+Wrap Administration	-	2,893,881	5,794,014	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,704,749,905	1,536,712,490	1,462,748,331	1,473,333,678	1,574,360,269	1,606,482,275	1,723,209,141	1,694,581,874	1,837,277,042	1,814,291,579
Plan Income (Loss)	232,391,259	253,502,023	(60,774,360)	21,847,084	2,743,114	(78,206,481)	(114,141,252)	(73,453,903)	(48,789,488)	(56,772,586)	(37,905,034)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	755,749,494	694,975,134	716,822,218	719,565,332	641,358,851	527,217,599	453,763,696	404,974,207	348,201,621
Ending Cash Balance (Deficit)	502,247,471	755,749,494	694,975,134	716,822,218	719,565,332	641,358,851	527,217,599	453,763,696	404,974,207	348,201,621	310,296,587
Target Stabilization Reserve	184,110,626	202,975,250	219,485,780	239,446,206	234,282,695	255,231,860	266,976,005	281,356,728	289,072,916	299,741,728	310,296,587
	7.5%	8.0%	8.0%	8.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
	7/1 Increase	7/1 Increase		1/1 Increase		1/1 Increase		1/1 Increase		1/1 Increase	
Premium Increase:	5.3%	5.3%		3.57%		2.14%		8.22%		8.22%	

CY 2014 Q2 Update Authorized FY14-15 Budget

(Segal 9-9-14)

Segal Consulting

North Carolina State Health Plan
Financial Projections - Jun 2014
Trends - 7.0% Medical & 8.5% Pharmacy
Board Approved Wellness Incentives - Active 70/30 Unchanged thru 2015 only, Retirees 70/30 Unchanged
With MA & PDP, With Essential Health Benefits & MH Parity
Incentives start at $15/$15/$20 and increase $10/$10/$20 every 2-years, $10 Standard Premium Credit

	2010-2011 Biennium		2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Projection FY 2014	Projection FY2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019
PLAN INCOME:										
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,366,140	2,941,097,678	2,957,330,894	2,997,476,025	3,091,148,757	3,347,339,381	3,792,050,539
Additional Contribution/(Credit)				-	-	(18,389,215)	(5,299,800)	7,624,855	15,349,640	23,072,825
Medicare Advantae Subsidy					417,565	-	-	-	-	-
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	-	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(487,819)	(299,923)	(1,478,665)	(1,498,738)	(1,545,574)	(1,673,670)	(1,896,025)
0					-	-	-	-	-	-
Premium Change due to Movement					-	(1,034,938)	746,221	2,159,915	922,847	1,241,073
Medicare Part D	74,357,704	66,276,535	57,583,602	38,056,016	11,583,652	6,276,386	6,487,102	6,779,021	7,084,077	7,402,861
EGWP+Wrap										
Direct Subsidy	-	-	-	24,435,483	25,216,663	202,329	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	38,563,909	1,478,088	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	31,734,272	-	-	-	-
Total	-	-	-	24,435,483	63,780,571	33,414,689	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,916,235	3,933,340	3,456,019	2,406,449	1,221,707	870,198
Total Plan Income	2,490,457,950	2,797,969,020	2,852,680,163	2,960,048,314	3,020,495,778	2,980,052,493	3,001,366,829	3,108,573,423	3,370,243,983	3,822,741,471
PLAN EXPENSE:										
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	1,989,574,333	1,981,132,627	2,104,367,930	2,236,473,423	2,378,323,219	2,527,382,130
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,615)	(23,467,914)	(22,450,766)	(23,520,519)	(25,159,105)	(26,558,401)	(28,433,075)	(30,024,340)
Claims Adjustment for Changes					-	12,149,156	26,519,120	35,022,403	617,098	(27,583,637)
Cost of Autism						2,001,993	4,500,445	5,100,042	5,350,084	5,639,177
Cost of Add Towns						432,449	924,000	989,000	1,022,182	1,089,662
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,967,123,567	1,972,195,706	2,111,152,391	2,251,026,467	2,356,879,507	2,476,502,992
Medicare Advantage Premiums					78,538,847	163,281,043	175,164,083	188,218,563	202,231,947	217,364,453
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	743,281,462	686,597,084	769,269,941	798,947,229	861,298,346	928,570,652
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(91,653,105)	(74,166,940)	(51,914,121)	(53,570,874)	(55,279,945)	(57,057,201)
Claims Adjustment for Changes					-	-	-	-	-	-
Additional ACA Preventive Medicine						346,345	984,278	1,321,029	1,414,030	1,473,850
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	651,628,357	612,776,489	718,340,098	746,697,384	807,432,432	872,987,301
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,697,290,771	2,748,253,238	3,004,656,572	3,185,942,415	3,366,543,886	3,566,854,745
Administrative Costs	164,649,780	165,902,094	165,480,561	161,401,639	148,134,913	189,951,548	195,650,094	200,734,833	205,969,298	211,358,434
ACA Reinsurance Fee					-	34,019,697	20,569,718	13,884,560	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,558,874,969	2,649,596,838	2,620,288,904	2,678,807,839	2,845,425,684	2,972,224,483	3,220,876,384	3,400,561,808	3,572,513,183	3,778,213,179
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	281,240,475	175,070,094	7,828,010	(219,509,556)	(291,988,384)	(202,269,200)	44,528,292
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	966,386,050	746,876,494	454,888,110	252,618,909
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	966,386,050	746,876,494	454,888,110	252,618,909	297,147,201
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	201,392,496	222,593,914	232,647,498	254,654,324	269,795,147	284,788,074	301,454,126
			7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%
	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
Premium Increase:	8.9%	8.9%	5.3%	5.3%	3.57%	0.00%	3.53%	3.53%	13.71%	13.71%

CY 2014 Q4 Update Authorized CY 2015 Budget

(Segal 9-9-14)

Segal Consulting

North Carolina State Health Plan
Financial Projections - Dec 2014
Trends - 7.0% Medical & 8.5% Pharmacy
No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surchager ($40 for 2016 and 2017 and $60 for 2018 and 2019) and $20 Premium for Active on 70/30 Plan Starting 2018
With January 2015 Enrollment Updated
Incentives start at $15/$15/$20 and increase $10/$10/$20 every 2-years, $10 Standard Premium Credit

	2012 - 2013 Biennium										
	Actual FY 2012	Actual FY 2013	Actual Short Plan Year Jul-Dec 2013	Actual Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,973,313,265	3,084,373,299	3,178,159,722	3,647,867,428	4,187,357,312	4,353,552,988	4,526,742,933
Additional Contribution/(Credit)		-	-	-	(11,254,466)	(1,037,235)	(813,056)	29,068,878	28,051,841	26,091,252	25,140,208
Medicare Advantae Subsidy			-	721,773	828,983	863,581	879,710	915,037	931,831	968,212	985,692
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(1,486,657)	(1,542,187)	(1,589,080)	(1,823,934)	(2,093,679)	(2,176,776)	(2,263,371)
Premium Change due to Movement			-	-	1,879,031	4,736,903	6,772,839	14,036,650	14,790,952	16,833,606	17,727,090
Medicare Part D	57,583,602	38,056,016	(1,323,888)	21,584,404	14,587,080	14,298,634	14,514,516	14,063,476	14,200,558	13,588,971	13,626,486
EGWP+Wrap											
Direct Subsidy	-	24,435,483	25,202,822	216,170	-	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,602,498	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,602,498	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	3,871,780	3,014,101	1,815,911	890,582	1,054,034	1,559,559	1,603,266
Total Plan Income	2,852,680,163	2,960,048,314	1,539,900,247	3,007,663,512	3,030,341,513	3,104,707,096	3,199,740,563	3,705,018,118	4,244,292,849	4,410,417,812	4,583,562,303
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,111,340,121	2,238,782,943	2,382,053,957	2,589,959,390	2,707,819,875	2,887,321,150	3,074,284,772
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(22,731,740)	(25,072,201)	(26,762,489)	(28,316,855)	(30,193,794)	(32,350,749)	(34,273,593)	(36,755,927)
Claims Adjustment for Changes				-	12,563,278	(34,775,189)	(48,204,121)	(20,681,815)	(41,590,816)	(53,892,086)	(44,591,961)
Cost of Autism				-	4,000,000	5,000,000	5,200,000	5,500,000	5,800,000	5,500,000	5,800,000
Cost of Add Towns				-	896,100	956,521	996,977	1,055,452	1,052,889	1,047,896	1,045,532
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,103,727,297	2,183,201,786	2,311,729,958	2,545,639,233	2,640,731,199	2,805,703,368	2,999,782,415
Medicare Advantage Premiums				155,497,950	174,072,089	193,223,905	208,833,714	231,478,810	250,300,181	277,319,722	299,996,296
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	718,263,283	767,803,395	827,727,508	892,381,574	962,143,775	1,037,984,755	1,119,319,325
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(98,763,203)	(57,020,841)	(50,441,480)	(51,470,131)	(52,183,288)	(53,239,165)	(53,941,763)	(55,015,158)
Claims Adjustment for Changes			-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine			-	-	692,000	1,276,000	1,366,000	1,462,000	1,511,325	1,462,000	1,511,591
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	661,934,443	718,637,915	777,623,376	841,660,286	910,415,935	985,504,992	1,065,815,759
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,691,657,393	2,939,733,829	3,095,063,606	3,298,187,049	3,618,778,329	3,801,447,315	4,088,528,081	4,365,594,471
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	206,008,311	226,154,277	234,465,996	240,602,620	246,921,261	253,427,967	260,129,003
ACA Reinsurance Fee				-	33,856,390	23,696,015	14,429,245	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,179,598,530	3,344,913,898	3,547,082,290	3,859,380,949	4,048,368,576	4,321,956,048	4,625,723,474
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	(149,257,017)	(240,206,802)	(347,341,727)	(154,362,831)	195,924,273	88,461,764	(42,161,171)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	865,590,329	625,383,527	278,041,800	123,678,969	319,603,242	408,065,006
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	865,590,329	625,383,527	278,041,800	123,678,969	319,603,242	408,065,006	365,903,836
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	248,909,557	261,165,573	278,041,800	304,856,957	319,603,242	341,208,752	365,903,836
	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
	7/1 Increase	7/1 Increase		1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
Premium Increase:	5.3%	5.3%		3.57%	0.00%	3.43%	3.43%	15.21%	15.21%	4.34%	4.34%

Final Q4 Update

CY 2015 Q1 Update

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(Segal 5-14-15)

North Carolina State Health Plan
Financial Projections - Mar 2015
Trends - 7.0% Medical & 8.5% Pharmacy
No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surchager ($40 for 2016 and 2017 and $60 for 2018 and 2019) and $20 Premium for Active on 70/30 Plan Starting 2018
With March 2015 Enrollment
Incentives start at $15/$15/$20 and increase $10/$10/$20 every 2-years, $10 Standard Premium Credit

	2012 - 2013 Biennium										
	Actual FY 2012	Actual FY 2013	Actual Short Plan Year Jul-Dec 2013	Actual Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,983,580,339	3,099,319,091	3,208,868,439	3,666,157,555	4,188,978,109	4,371,109,270	4,561,561,364
Additional Contribution/(Credit)		-	-	-	(8,406,617)	(1,009,207)	(786,530)	29,069,329	28,053,975	26,096,405	25,147,101
Medicare Advantae Subsidy			-	721,773	958,017	865,285	881,481	916,996	933,860	970,437	987,990
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(1,122,113)	(1,549,660)	(1,604,434)	(1,833,079)	(2,094,489)	(2,185,555)	(2,280,781)
Premium Change due to Movement			-	-	1,351,700	6,078,505	8,881,746	22,062,895	27,043,263	32,739,747	36,367,818
Medicare Part D	57,583,602	38,056,016	(1,323,888)	21,584,404	14,329,561	12,825,874	13,075,320	12,630,645	12,816,638	12,224,303	12,329,139
EGWP+Wrap											
Direct Subsidy	-	24,435,483	25,202,822	216,170	56	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,603,021	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	4,188,398	2,986,638	1,790,108	942,150	1,111,450	1,543,419	1,588,162
Total Plan Income	2,852,680,163	2,960,048,314	1,539,900,247	3,007,663,512	3,043,482,305	3,119,516,527	3,231,106,129	3,729,946,491	4,256,842,807	4,442,498,026	4,635,700,791
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,130,042,184	2,285,239,688	2,409,660,789	2,620,955,586	2,739,402,020	2,921,951,842	3,106,548,653
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(22,731,740)	(25,643,812)	(27,079,502)	(28,644,927)	(30,555,252)	(32,727,927)	(34,684,538)	(37,148,878)
Claims Adjustment for Changes				-	2,961,798	(53,706,028)	(82,533,403)	(78,179,662)	(63,581,090)	(75,701,260)	(67,674,141)
Cost of Autism				-	2,999,456	5,000,000	5,200,000	5,500,000	5,800,000	5,500,000	5,800,000
Cost of Add Towns				-	679,300	956,521	996,993	1,055,503	1,052,974	1,048,016	1,045,685
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,111,038,926	2,190,410,678	2,304,679,452	2,518,776,175	2,649,945,977	2,818,114,059	3,008,571,319
Medicare Advantage Premiums				155,497,950	173,520,859	193,613,916	209,260,923	231,983,719	250,852,480	277,966,597	300,703,143
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	740,074,079	789,065,505	850,678,570	917,157,600	988,891,892	1,066,879,388	1,150,519,966
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(98,763,203)	(59,969,191)	(50,102,163)	(51,127,149)	(51,837,739)	(52,890,061)	(53,590,371)	(54,660,441)
Claims Adjustment for Changes			-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine			-	-	518,906	1,276,000	1,366,000	1,462,000	1,522,939	1,637,794	1,749,271
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	680,623,794	740,239,341	800,917,422	866,781,861	937,524,770	1,014,926,811	1,097,608,796
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,681,657,393	2,965,183,579	3,124,263,935	3,314,857,796	3,617,541,755	3,838,323,227	4,111,007,467	4,406,883,258
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	220,789,282	226,154,228	234,469,803	240,614,327	246,941,340	253,456,913	260,167,335
ACA Reinsurance Fee				-	5,642,732	23,672,083	14,415,152	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,191,615,593	3,374,090,245	3,563,742,751	3,858,156,082	4,085,264,567	4,364,464,380	4,667,050,594
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	(148,133,288)	(254,573,718)	(332,636,622)	(128,209,591)	171,578,240	78,033,645	(31,349,802)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	866,714,059	612,140,340	279,503,719	151,294,128	322,872,367	400,906,013
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	866,714,059	612,140,340	279,503,719	151,294,128	322,872,367	400,906,013	369,556,210
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	251,249,645	263,758,502	279,503,719	304,700,223	322,872,367	344,973,678	369,556,210
	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
	7/1 Increase	7/1 Increase		1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
Premium Increase:	5.3%	5.3%		3.57%	0.00%	3.93%	3.93%	14.67%	14.67%	4.72%	4.72%

Segal Consulting

North Carolina State Health Plan
Financial Projections - Mar 2015
Trends - 7.0% Medical & 8.5% Pharmacy
No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surchager ($40 for 2016 and 2017 and $60 for 2018 and 2019) and $20 Premium for Active on 70/30 Plan Starting 2018
With March 2015 Enrollment
Incentives start at $15/$15/$20 and increase $10/$10/$20 every 2-years, $10 Standard Premium Credit

	2010-2011 Biennium		2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium		2020 - 2021 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Projection FY2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019	Projection FY2020	Projection FY2021
PLAN INCOME:												
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,366,140	2,941,097,678	3,002,231,118	3,046,561,080	3,154,111,585	3,437,686,734	3,927,760,506	4,280,076,735	4,466,367,538
Additional Contribution/(Credit)				-	-	(2,807,109)	(6,100,497)	(897,833)	14,175,318	28,559,870	27,071,968	25,620,018
Medicare Advantae Subsidy					417,565	845,560	847,066	874,293	898,241	926,356	951,130	980,159
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(487,819)	(299,923)	(380,418)	(1,523,281)	(1,577,056)	(1,718,843)	(1,963,880)	(2,140,038)	(2,233,184)
Premium Change due to Movement					-	450,567	3,940,172	7,480,058	15,472,348	24,553,317	29,891,637	34,553,871
Medicare Part D	74,357,704	66,276,535	57,583,602	38,056,016	11,583,652	16,194,879	13,092,622	12,848,448	12,973,055	12,611,677	12,656,157	12,154,031
EGWP+Wrap												
Direct Subsidy	-	-	-	24,435,483	25,216,663	202,385	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	38,563,909	1,478,088	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	-	-	24,435,483	63,780,571	50,283,438	-	-	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,916,235	4,662,914	3,506,077	2,433,771	1,243,188	906,971	1,359,942	1,650,124
Total Plan Income	2,490,457,950	2,797,969,020	2,852,680,163	2,960,048,314	3,020,495,778	3,071,478,998	3,060,323,240	3,175,273,266	3,480,730,040	3,993,354,817	4,349,867,531	4,539,092,557
PLAN EXPENSE:												
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	1,989,574,333	2,051,779,925	2,194,841,843	2,336,695,411	2,490,031,077	2,651,463,586	2,884,640,457	3,012,554,240
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,615)	(23,467,914)	(22,450,766)	(23,567,017)	(26,223,020)	(27,747,734)	(29,749,291)	(31,496,922)	(33,783,296)	(35,763,316)
Claims Adjustment for Changes					-	1,021,073	(24,523,964)	(67,941,193)	(79,900,167)	(71,147,803)	(69,702,105)	(71,666,192)
Cost of Autism						1,000,793	4,501,050	5,100,040	5,350,080	5,650,074	5,649,806	5,650,066
Cost of Add Towns						216,853	924,000	989,000	1,022,267	1,089,844	1,014,927	1,082,208
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,967,123,567	2,030,451,628	2,149,519,910	2,247,095,524	2,386,753,966	2,555,558,779	2,787,819,789	2,911,857,005
Medicare Advantage Premiums					78,538,847	163,064,076	183,982,030	201,417,957	220,594,059	241,394,631	264,375,814	289,306,591
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	743,281,462	720,437,921	788,982,854	819,477,088	883,491,374	952,563,682	1,027,963,548	1,108,179,089
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(91,653,105)	(75,981,693)	(49,760,405)	(50,538,588)	(51,564,036)	(52,277,908)	(53,329,462)	(54,032,033)
Claims Adjustment for Changes					-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine						173,137	984,378	1,321,028	1,414,029	1,476,952	1,580,669	1,694,023
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	651,628,357	644,629,365	740,206,827	770,259,528	833,341,367	901,762,726	976,214,755	1,055,841,079
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,697,290,771	2,838,145,069	3,073,708,766	3,218,773,009	3,440,689,392	3,698,716,136	4,028,410,358	4,257,004,675
Administrative Costs	164,649,780	165,902,094	165,480,561	161,401,639	148,134,913	181,271,826	220,861,106	231,442,088	237,496,925	243,731,274	250,151,098	256,762,576
ACA Reinsurance Fee					-	-	23,396,794	14,460,333	5,872,840	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,558,874,969	2,649,596,838	2,620,288,904	2,678,807,839	2,845,425,684	3,019,416,895	3,317,966,666	3,464,675,430	3,684,059,156	3,942,447,410	4,278,561,456	4,513,767,251
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	281,240,475	175,070,094	52,062,104	(257,643,426)	(289,402,165)	(203,329,116)	50,907,407	71,306,075	25,325,306
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	1,010,620,144	752,976,718	463,574,553	260,245,437	311,152,844	382,458,918
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	1,010,620,144	752,976,718	463,574,553	260,245,437	311,152,844	382,458,918	407,784,224
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	201,392,496	222,593,914	240,757,289	260,075,406	271,561,955	289,808,580	311,158,935	338,763,109	357,092,828
			7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
Premium Increase:	8.9%	8.9%	5.3%	5.3%	3.57%	0.00%	3.93%	3.93%	14.67%	14.67%	4.72%	4.72%

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Implications of Forecast Update on Long Range Planning

Board of Trustees Meeting

May 22, 2015

Presentation Overview

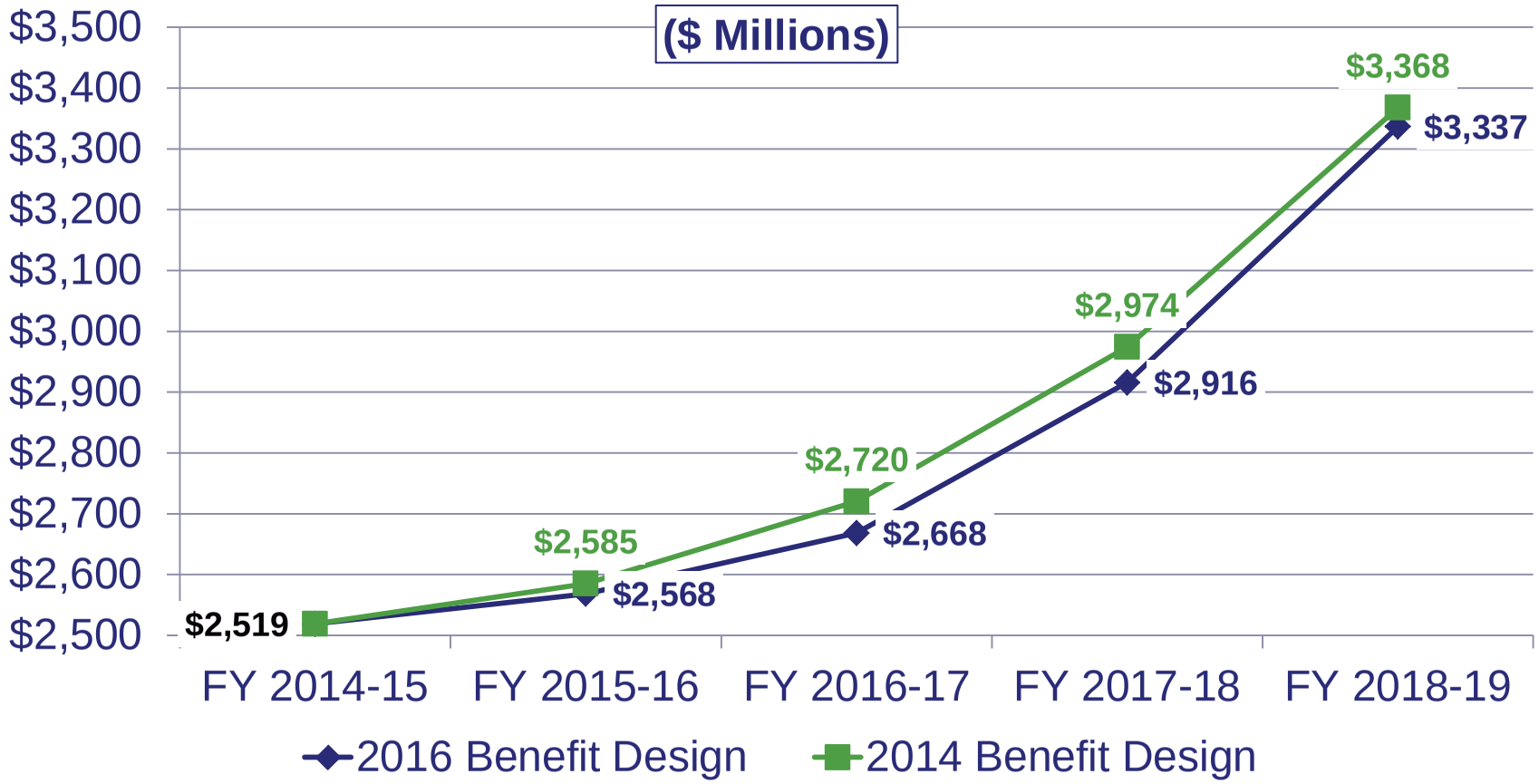
- 2015 Board Approved Design
- Long-term Outlook
  - Per member per month (PMPM) spending
  - Stable forecasts
  - Role of cash balance in the Plan's funding structure
    - Forecast for 2017-2019 Fiscal Biennium: 14.7% annual increases
- Potential Cost Saving Strategies

Board Approved Plan Designs

- Effective CY 2014, the Board approved a series of benefit design changes to reduce long-term cost trends through:
  - Improving member's health,
  - Offering cost-effective plan options (Medicare Advantage and CDHP),
  - Incenting engagement with Plan resources, and
  - Encouraging members to use high quality, lower cost providers
- These actions reduced Plan and member expenses

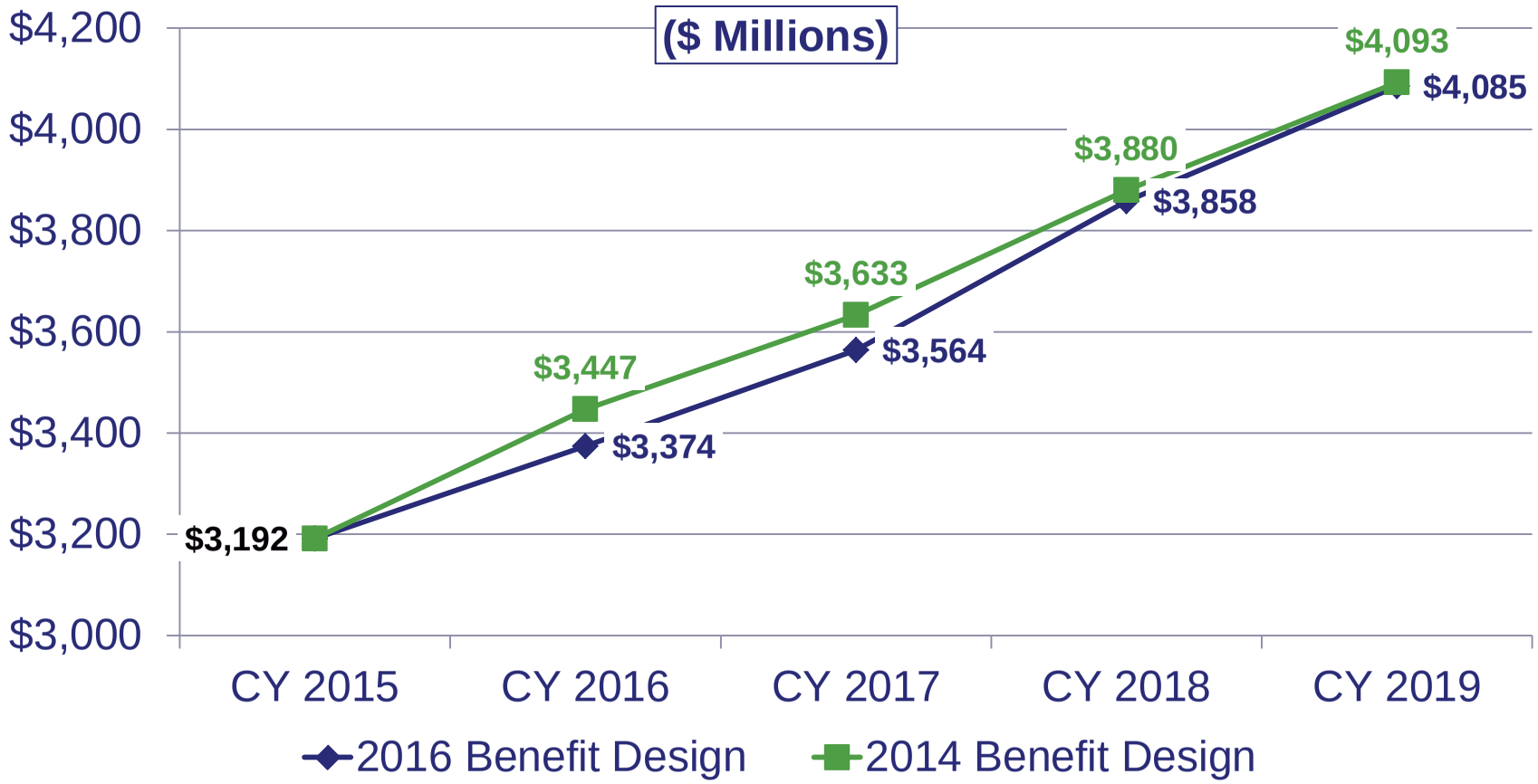
- The Board has approved new initiatives for CY 2016 that:
  - Provide members with meaningful choice,
  - Educate members about their health care options, and
  - Build on the CY 2014 approach
- These new initiatives will save **approximately $172M over the next four years in overall expenditures**

Employer Contributions
2016 and 2014 Board Benefit Designs



- Projections suggest the 2016 Board Approved Benefit Design could save the State **$158 million** in employer contributions over the next four years relative to the 2014 Benefit Design
- This amount includes approximately **$127 million** in State General Fund appropriations

Plan Spending
2016 and 2014 Board Benefit Designs



- Projections suggest the 2016 Board Approved Benefit Design could save the Plan **$172 million** over the next four calendar years (2016-2019) relative to the 2014 Benefit Design

Claims Expenditures

Medical Claims Costs

- Following several years of low trend, the Plan's medical claim costs were again below budgeted levels in FY 2013-14, driven by lower than expected costs in the second half of the fiscal year
  - Lower than expected claims over several years led to a cash balance that was approaching $1 billion at the end of FY13-14
  - In response, the Plan lowered its assumption of medical trend from 8.5% to 7% and did not increase premiums in 2015

- In FY14-15, PMPM medical claims have been closer to, and often above, the Authorized Budget projections

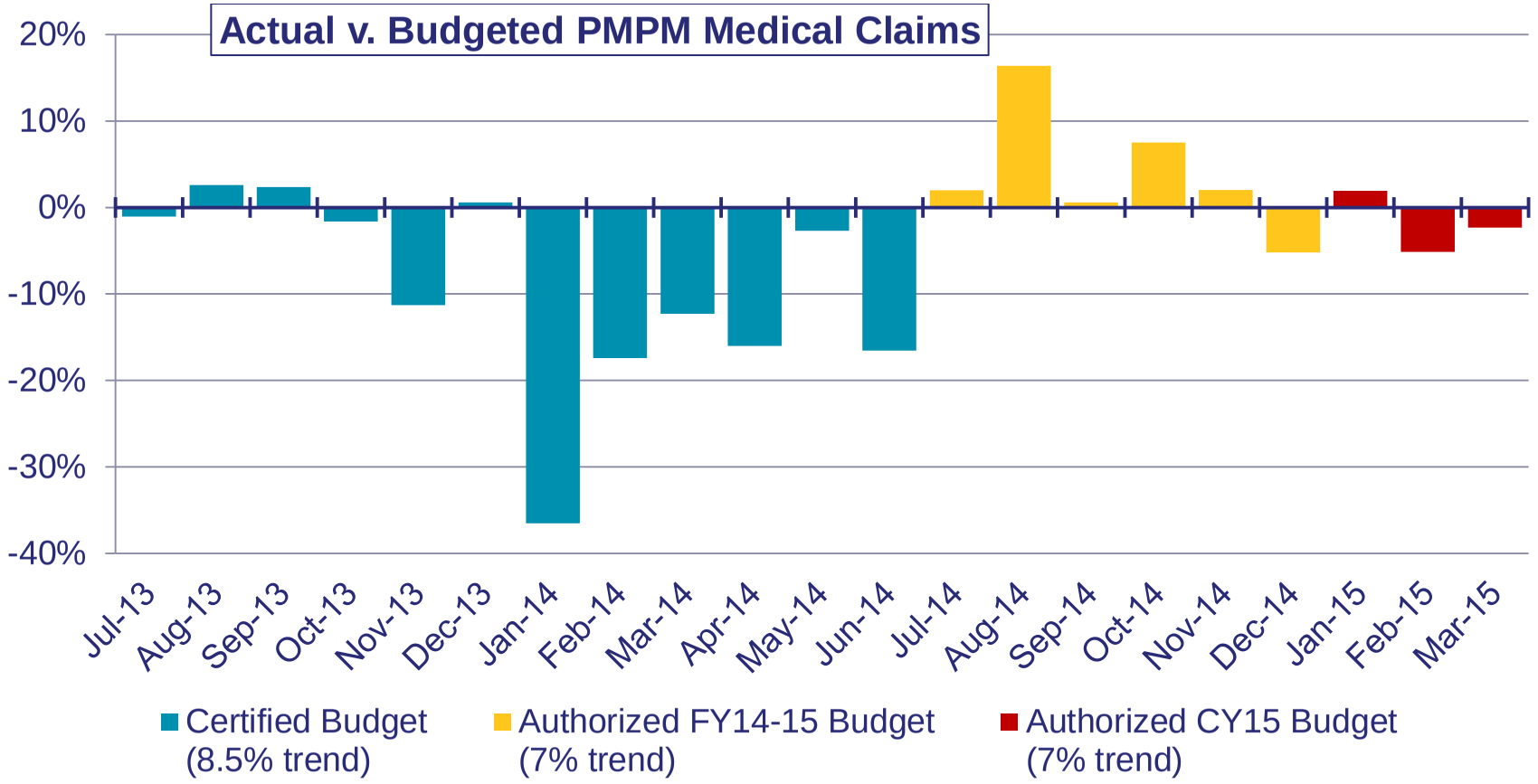
Pharmacy Claims Costs

- PMPM pharmacy claims have generally exceeded budget projections throughout the fiscal biennium

- Although they are not displayed in the subsequent charts, pharmacy rebates and federal Medicare pharmacy subsidies have been higher than anticipated and have helped to offset some of the total pharmacy costs

Medical Claims

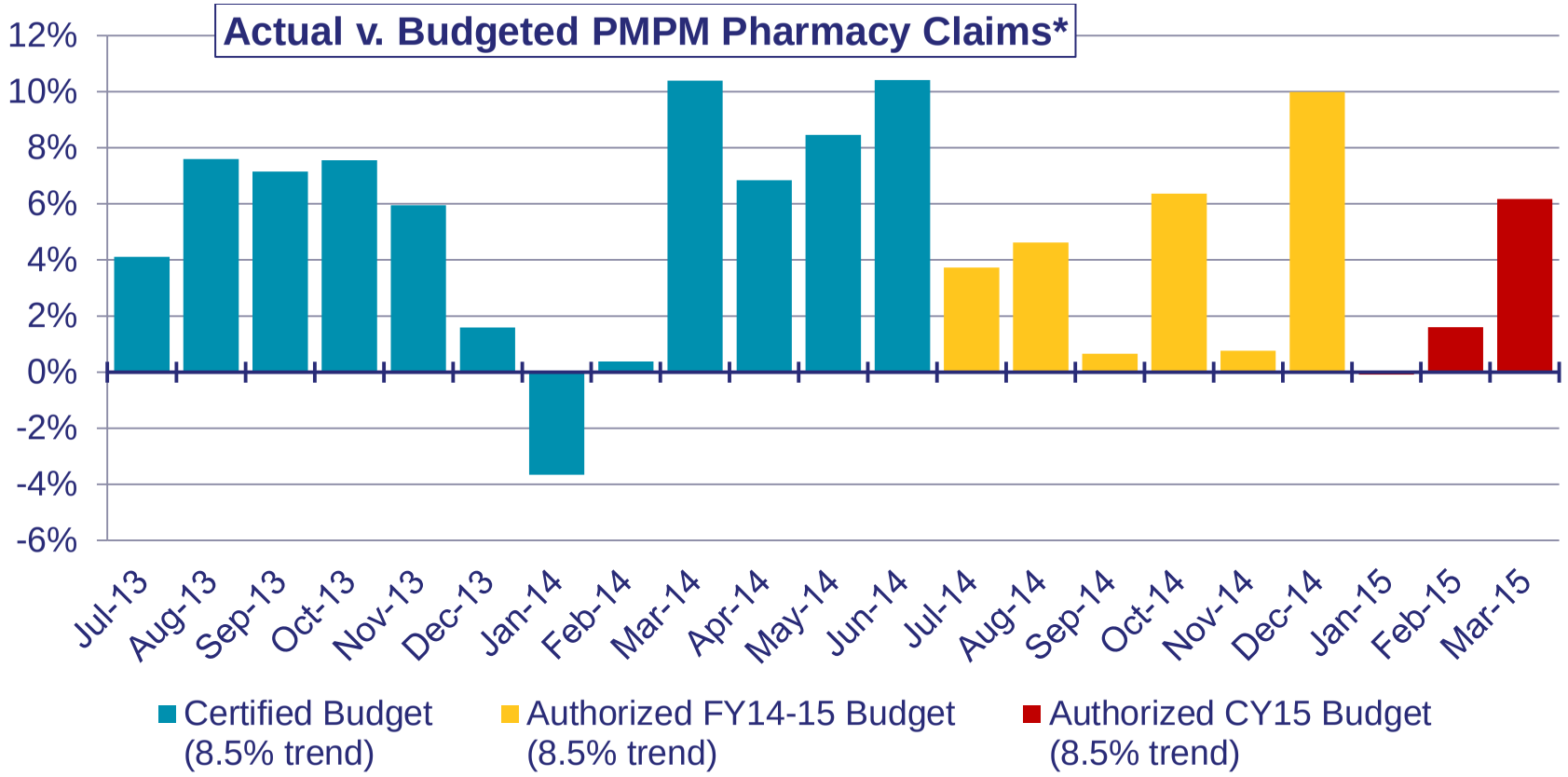
Percent Difference from Budgeted PMPM



- Actual PMPM medical claims costs have been closer to budgeted figures in the more recent (authorized) budgets, in part because of the change to a 7% annual medical trend assumption
- Generally, PMPM projections increased on a monthly basis ***within a given budget***

Pharmacy Claims

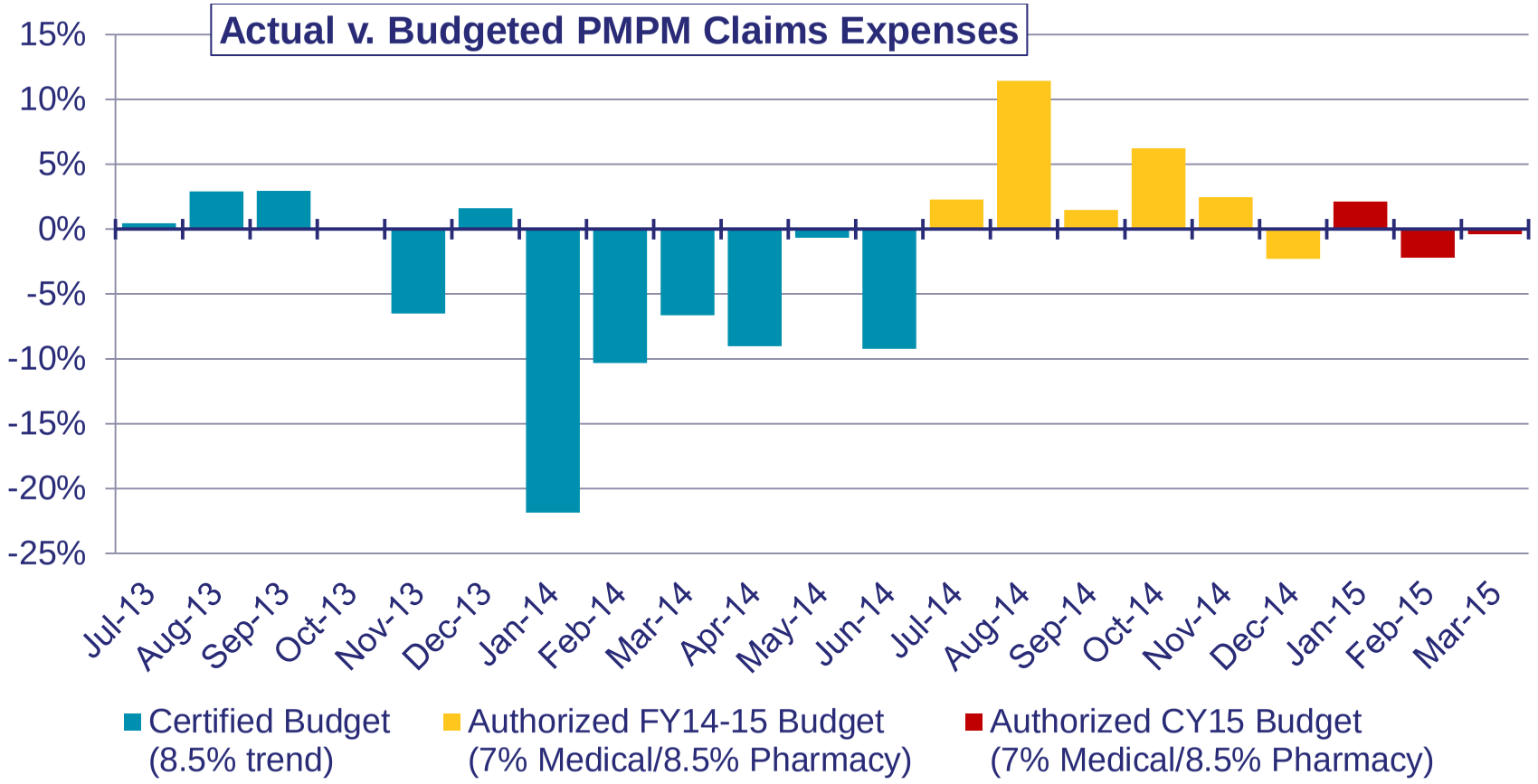
Percent Difference from Budgeted PMPM



- PMPM pharmacy claims have been over budget almost every month since July 2013
- Authorized budgets are closer to, but still below, actual pharmacy costs
- Generally, PMPM projections increased on a monthly basis ***within a given budget***

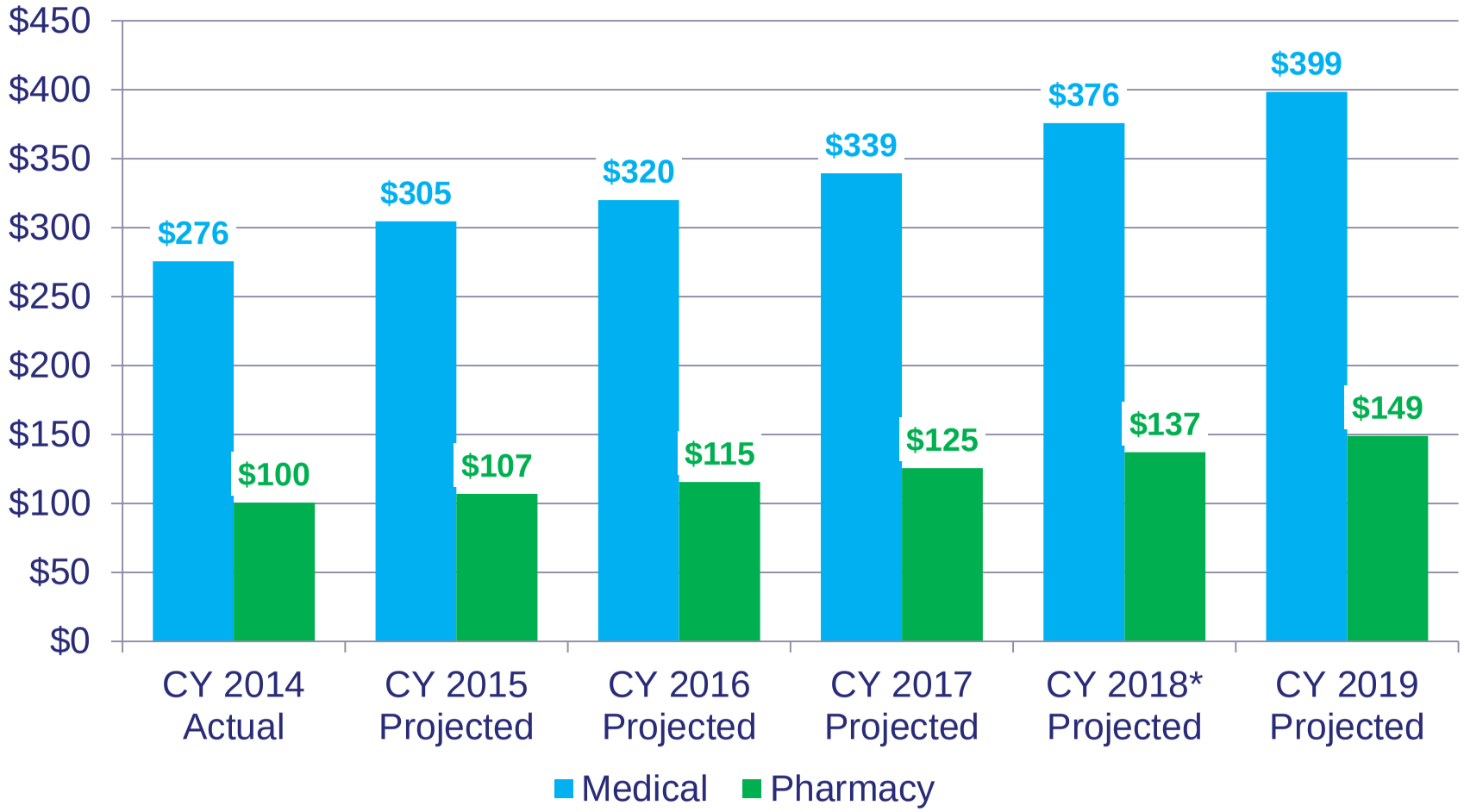
** Gross pharmacy claims, excludes rebates*

Total Claims: Medical and Pharmacy
Percent Difference from Budgeted PMPM



- With the exception of August 2014, PMPM claims costs have been fairly close to the authorized budgets since the start of FY 2014-15
- Generally, PMPM projections increased on a monthly basis ***within a given budget***

Projected PMPM Medical and Pharmacy Claims
CY 2015 1st Quarter Update



*CY 2018 will have 53 weekly medical claims payments; all other years will have 52

Note: Projected Medicare Advantage members are excluded from the PMPM calculations

Pharmacy Trend Factors
PMPM Costs from 2013 to 2014

Trend Factor	Impact
Utilization and Drug Mix	+6.3%
Inflation and Discounts	+8.1%
Cost Share	+4.0%
Total	+18.4%
Source: Express Scripts	

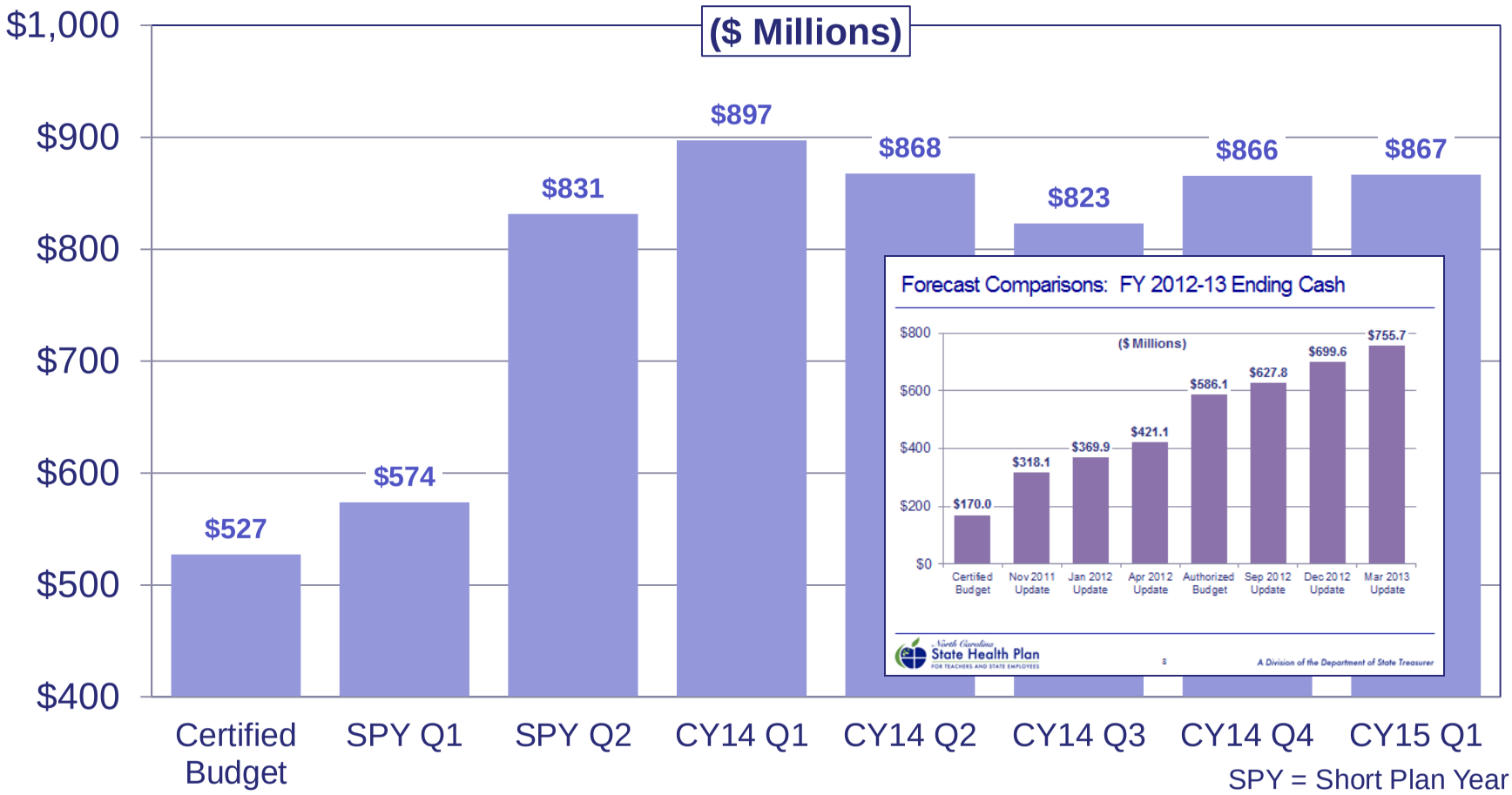
- Specialty drugs have even higher trends and continue to play an increasing role in overall pharmacy costs
- The Plan will work through a similar analysis on medical

Stable Forecasts

- Because claims costs have been close to projections during FY 2014-15, the forecasts have remained relatively stable

- Contrast this with two years ago, when the forecasts produced during FY 2012-13 showed rapidly increasing cash reserves and decreasing funding needs for the upcoming biennium

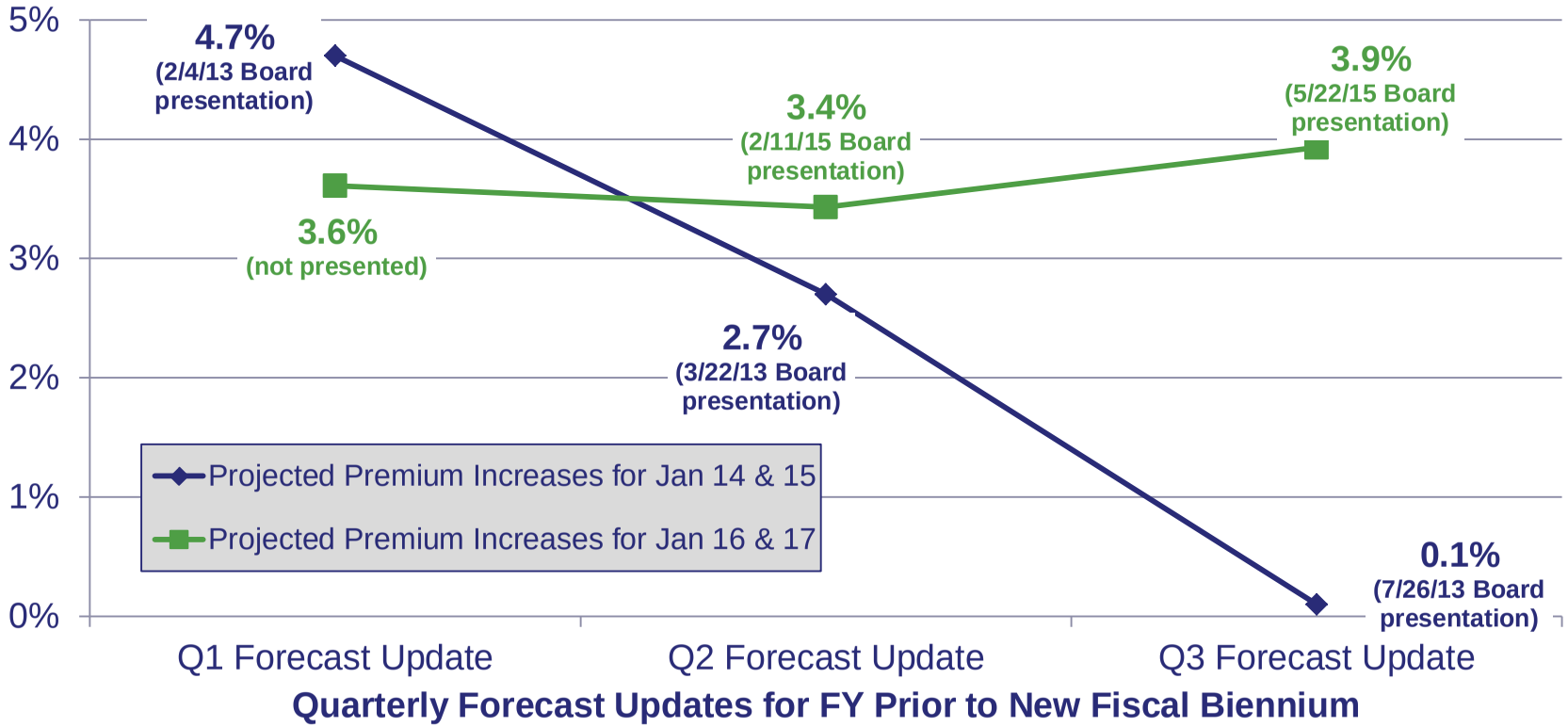
Forecast Comparisons: Ending Cash Balance December 31, 2015



SPY = Short Plan Year

- Contrast this slide from the presentation earlier today with the imbedded slide from two years ago
- The current slide shows little growth in the expected 12/31/15 cash balance over the last year

Required Premium Increases Forecasts Throughout the Budget Process



- In 2013 (blue line), required premium increases for the 2014 Board Approved Design continued to decrease during the State's biennial budgeting process.
- In 2015 (green line), required premium increases for the 2016 Board Approved Benefit Design have remained relatively stable.

Comparison of Models
Authorized CY15 Budget vs. CY 2015 1st Quarter Update

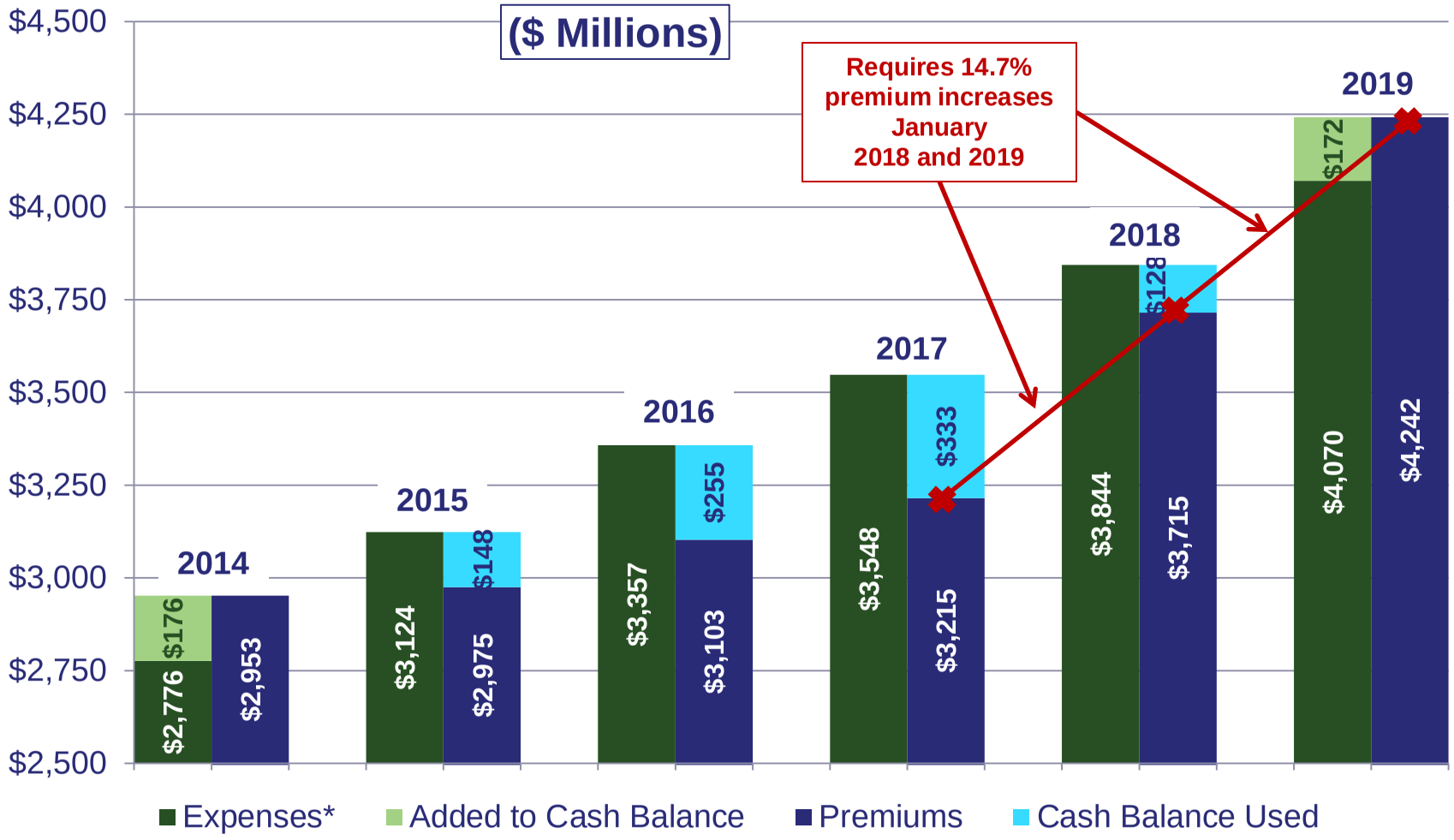
Calendar Year 2015	CY 2015 1st Quarter Update (per Segal 5-13-15)	Authorized CY 2015 Budget (per Segal 4-28-15)	Difference: Increase/ (Decrease) From Budget
Beginning Cash Balance	**$1.015 b**	**$1.015 b**	**$0.0 m**
Plan Revenue	**$3.043 b**	**$3.030 b**	**$13.1 m**
Net Claims Payments	$2.792 b	$2.766 b	$26.0 m
Medicare Advantage Premiums	$173.5 m	$174.1 m	($0.6 m)
Net Admin. Expenses	$226.4 m	$239.8 m	($13.4 m)
Total Plan Expenses	**$3.191 b**	**$3.179 b**	**$12.0 m**
Net Income/(Loss)	**($148.1 m)**	**($149.2 m)**	**$1.1 m**
Ending Cash Balance	**$866.7 m**	**$865.6 m**	**$1.1 m**
2016 & 2017 Premium Increases	3.93%	3.43%	0.50%
2018 & 2019 Premium Increases	**14.67%**	**15.21%**	**(0.54%)**
2020 & 2021 Premium Increases	4.72%	4.34%	0.38%

Cash Reserves and the Plan's Financial Model

- The Plan has accumulated significant cash reserves
  - The reserves are assumed to offset a portion of the required premium increases for the coming biennium
  - Once the reserves are reduced to the Target Stabilization Reserve level, the Plan's projected expenses will have to supported through higher premiums
  - If recent trends continue into the next biennium, the required premium increase for January 2018 and 2019 will be significant
    - This is a function of the Plan's traditional financial model and the level of excess cash balance

- The General Assembly is concerned about being able to fund larger premium increases in the future and the House has included a budget provision that directs the Plan to reduce the projected increases in the next biennium

The Role of Cash in the Plan's Funding Structure
CY 2015 1st Quarter Update



*Expenses are net of federal subsidies and other non-premium revenues

Long Term Outlook
Conclusion

The 14.7% premium increases forecasted for January 2018 and 2019 appear to be a more likely possibility than they have been in the past

Potential Cost Saving Measures Overview

House Budget includes the following special provision:

- "SECTION 30.26. It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 have adopted sufficient measures to limit projected employer contribution increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes."
  - This language is concerning because of the lack of clarity regarding the overall timing and the definition of "sufficient"
- Every one percentage point reduction in the projected employer contribution for CYs 2018 and 2019 requires **$105 million** in benefit reductions, cost-shifting, or other modifications;
  - A 3.75% increase in the next biennium would require over **$1 billion in benefit reductions, cost-shifting, or modifications**
- Making changes to the benefit design earlier could reduce the severity of the changes as opposed to waiting for changes to be effective in the CY 2018 benefits

Alternative Approach to the Plan's Financial Model

- An alternative approach to making substantial modification to benefits to reduce the employer contribution for FB 2017-19 is to smooth or spread premium increases out over a four year period

Forecast Model	CY 2016	CY 2017	CY 2018	CY 2019
Traditional (2-year cycle)	3.9%	3.9%	14.7%	14.7%
4-year Smoothed	7.2%	7.2%	7.2%	7.2%
Difference	(3.3%)	(3.3%)	7.5%	7.5%

- A third option would be a hybrid approach that incorporates some smoothing and some reductions or modifications to benefits
  - Similar to the 1% reduction over four years that was mandated by the previous General Assembly

Potential Cost Saving Measures
Cost Sharing

Enhanced 80/20	Consumer Directed Health Plan	Traditional 70/30	Medicare Advantage (United and Humana)

• Across the board increases to member cost share
  • **Savings: $30 to $61M**
• Targeted increases on lower value services
  • **Savings: TBD**
	• Increase deductible
	• Further increase Out-of-Pocket Maximum
	• Increase coinsurance
	• Reduce HRA contributions
	• **All Savings: TBD**
		• Increase member cost-sharing in CY 2016 *and* CY 2017
		• **All Savings: TBD**
			• Increase cost sharing by 5% - 10%
			  • **Savings: $8M to $16M**

Projected savings, where available, from Segal are annual savings and need to be analyzed further

Potential Cost Saving Measures
Vendor Configuration

BCBSNC

- Utilize smaller networks
  - Buy-up for broad network
  - **Savings: $77M to $85**
- Broader tiering of hospitals
  - **Savings: TBD**
- Regional product offerings
  - **Savings: TBD**
- Use bundled payments and reference pricing
  - **Savings: $15M to $46M**

ESI

- Formulary
  - Utilize closed formulary
    - **Savings: $23M to $39M**
  - Utilize ESI standard formulary
    - **Savings: $8M to $16M**
- Network
  - Narrow network
    - **Savings: $8M to $23M**
  - Mandatory mail order
    - **Savings: $15M to $31M**

Projected savings, where available, from Segal are annual savings and need to be analyzed further

Potential Cost Saving Measures
Wellness Design Overlay

- CYs 2016 and 2017 Board approved Wellness Design elements elevate the steps taken in CYs 2014 and 2015
  - Additional steps could be taken to push the Wellness Design further to better engage members, improve health, and reduce costs
    - Increase premium amounts
    - Increase activities
    - Move to outcome-based activities
  - **Combined Savings: $62M to $248M**

Projected savings, where available, from Segal are annual savings and need to be analyzed further

Potential Cost Saving Measures
Eligibility and Premium Structure

All members	**Active Employees**	Non-Medicare Retirees	Medicare Retirees

• Remove spousal coverage
  • **Savings $100M**
	• Increase premiums on:
	  • Enhanced 80/20
	  • CDHP
	  • Traditional 70/30
	  • **Savings: TBD**
		• Move all Non-Medicare Retirees to an Exchange
		  • **Savings: $81M to $160M**
		• Decouple Active and Non-Medicare Retiree premiums
		  • Increase Non-Medicare Retiree premiums to reflect higher utilization
		  • **Savings: TBD**
			• Increase Medicare Advantage Buy-up premium
			  • **Savings: TBD**
			• Offer Medicare Advantage plan option only
			  • **Savings: $63M to $66M**
			• Add premium on Medicare Advantage
			  • **Savings: $31M to $45M**

Projected savings, where available, from Segal are annual savings and need to be analyzed further

Note: Several items on this page require statutory changes and/or legal review

Potential Cost Saving Measures
Benefit Redesign

- Examples of bolder strategies include significant redesign of the benefits options such as:
  - Elimination of the Traditional 70/30 and Enhanced 80/20 options to be replaced with High Deductible Health Plan and move CDHP to true buy-up
    - **Savings: $402M to $503M**
  - Eliminate all current offerings and replace with different, lower cost options
    - True high/low approach
    - Regional options
    - HSA options
    - **Savings: $117M to $266M**

Next Steps

- Schedule workgroup meetings to discuss options, identify alternatives, and determine Board interest in specific measures
- Review/refine the estimated financial impact of changes with Segal
- Consider benefit modifications for each of the upcoming calendar years 2016 through 2018

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Legislative Update

Board of Trustees Meeting

May 22, 2015

Legislative Update Overview

- Budget Update
- Key SHP issues
- Summary of SHP-related Legislation
- Next Steps

SHP Budget Update

Governor's Recommended Budget

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an actuarial forecast to the Office of State Budget and Management for consideration by the Governor
  - Forecast reflected premium increase based on 4th quarter preliminary update prepared February 6, 2015, requiring a 3.37% premium increase to fully fund the employer contribution for the coming biennium
- Governor's Recommended Budget (HB 940/SB 713) includes the funding request from the State Health Plan

SHP Budget Update

House Budget (House Bill 97,3rd Edition)

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an actuarial forecast to the Fiscal Research Division for consideration by the House Appropriations Chairs
  - Forecast reflected premium increase based on 4th quarter final update prepared in late April, requiring a 3.43% premium increase to fully fund the employer contribution for the coming biennium
- House's Budget currently includes the funding request from the State Health Plan as well as funding for HB 56, which relates to coverage for rehired retirees
- House's Budget also fully funds the Plan's administrative budget request, which includes additional funds for contractual costs related to changes in membership, inflation and service levels and to support new positions for data and analytics.

SHP Budget Update

House Budget also includes a special provision mandating benefit changes to reduce the employer contribution for the 2017-19 biennium as a condition to fully fund the required employer contribution effective for CY 2017:

- SECTION 30.26. It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 have adopted sufficient measures to limit projected employer contribution increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes.

SHP Budget Update

	Board Approved Plan Design (Feb 2015)	Governor's Recommended Budget	House Budget Proposal[1]	Senate Budget Proposal	Final State Budget
Premium Increase					
FY 2016-17	3.37% Jan 1, 2016	3.37%	3.75%	TBD	TBD
General Fund Appropriations					
FY 2015-16	$34.0 m	$34.0 m	$38.2 m	TBD	TBD
FY 2016-17	$101.8 m	$101.8 m	$109.2 m[2]	TBD	TBD

1. House proposal includes funding for HB 56, Rehired Retiree Eligibility
2. House funding for FY 2016-17 is contingent upon adoption of changes to reduce the required FB 17-19 increase

Additional Budget Items Related to the State Health Plan

- House Budget includes the language used in HB 56 to allow Rehired Retirees to enroll in plan options available to permanent full-time employees instead of the HDHP
  - Funding amount was determined based on the actuarial note provided by Segal
- Committee Report for the House Budget displays increases for employer contributions for health benefits differently than previous years by decoupling funding for actives and retirees:
  - Funding for increased contributions associated with active employees is included under each state agency
  - Funding for increased contributions required for retiree coverage is included under each state agency in a single line reflecting all increases related to pension benefits

Adding Local Units to the State Health Plan

- High level of General Assembly interest
- Summary of Legislation:
  - There have been multiple bills introduced that would allow named local units (towns, counties, etc.) to join the State Health Plan
  - SB 479 would allow local units (up to 10,000 new members) to join the State Health Plan
  - Neither approach would allow retirees to join the Plan
- Fiscal Impact FY 2015-16 (from Segal):
  - Combined Local Bills: 3.39M
  - SB 479: Cannot Quantify

Rehired Retiree Eligibility

Two bills: HB 56 and SB 6

- Summary of the issue:
  - Currently, all non-permanent full-time employees are eligible for the High Deductible Health Plan (HDHP)
    - This impacts retirees who return to work as non-permanent full-time employees because during their employment they are not eligible for coverage under the retiree group
  - Both bills modify the eligibility statutes to make rehired retirees eligible for the same options as permanent full-time employees
    - Traditional 70/30, Enhanced 80/20 & CDHP
    - HB 56: Would use funds from the Retiree Health Benefit Trust (RHBT) to reimburse employing units for premiums paid on behalf of rehired retirees
    - SB 6: Would require employing units to pay for the coverage

House version is included in House Budget

HB 190: State Health Plan Modifications

- Bill Summary:
  - Allows retirees and their dependents to disenroll from the Plan without a qualifying event
  - Modifies the time period around cancellation of coverage
  - Provides Reduction In Force (RIF) retirees who are not eligible for non-contributory coverage access to the same benefit as RIF'd active employees
  - Clarifies language around Disability Income Plan beneficiaries eligibility
  - Requires HDHP participants to have the same enrollment period as full-time, permanent employees
- Status: Passed the House, referred to Senate Committee on Insurance
- Fiscal Impact: None

HB 195: Allow Biosimilar Substitution

- Bill Summary:
  - Modifies statute to allow biosimilars to be substituted for biologic (specialty) meds at the pharmacy
  - Requires pharmacists to communicate to provider when a biologic is dispensed which drug was dispensed

- Status: Passed the House and referred to Senate Committee on Health Care

- Fiscal Impact: No Actuarial Note requested

HB 528: Establish Chiropractor Copay Parity

- Bill initially included the State Health Plan which had support
- Bill Summary:
  - Requires the plans to cover chiropractic care at the PCP copay level
  - Removes covered limits on visits to chiropractor
- **SHP was removed from the bill on the House Floor**
- Status: Passed the House and referred to Senate Committee on Rules
- Fiscal Impact: Had the Plan been included, Plan costs would have increased by $3.0m - $3.6m in the coming biennium
  - SHP remains included in the Senate version but that bill did not crossover

SB 136: Charter School in the State Health Plan

- Bill Summary:
  - Allows active employees (and their dependents) of Pioneer Springs Community School to enroll in the State Health Plan
    - Does not allow retirees to enroll in the Plan
- Status: Referred to Senate Insurance
- Fiscal Impact (from Segal):
  - FY 2015-16: $43,000

SB 568: North Carolina Health Care Modernization

- Bill Summary:
  - Requires SHP and Medicaid to move to a capitated primary care model in CY 2016
  - Creates a Joint Oversight Committee on Primary Care and Medical Benefits that would review SHP purchasing of primary care with the goal of reforming and reviewing the effectiveness and performance of the State Health Plan
- Status: Referred to Senate Insurance
- Fiscal Impact (from Segal):
  - No Actuarial Note requested

Next Steps

Budget Related

- Develop alternative approach for Senate Budget
- Consider formal request from Board to Senate for an alternative approach
- Advocate for new proposal
- Consider policy changes based on House Budget
- Monitor development of Senate Budget and Conference Committee Process

Substantive Legislation

- Track SHP-related legislation, provisions, and appointments
- Determine and communicate Plan's position on SHP related legislation

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

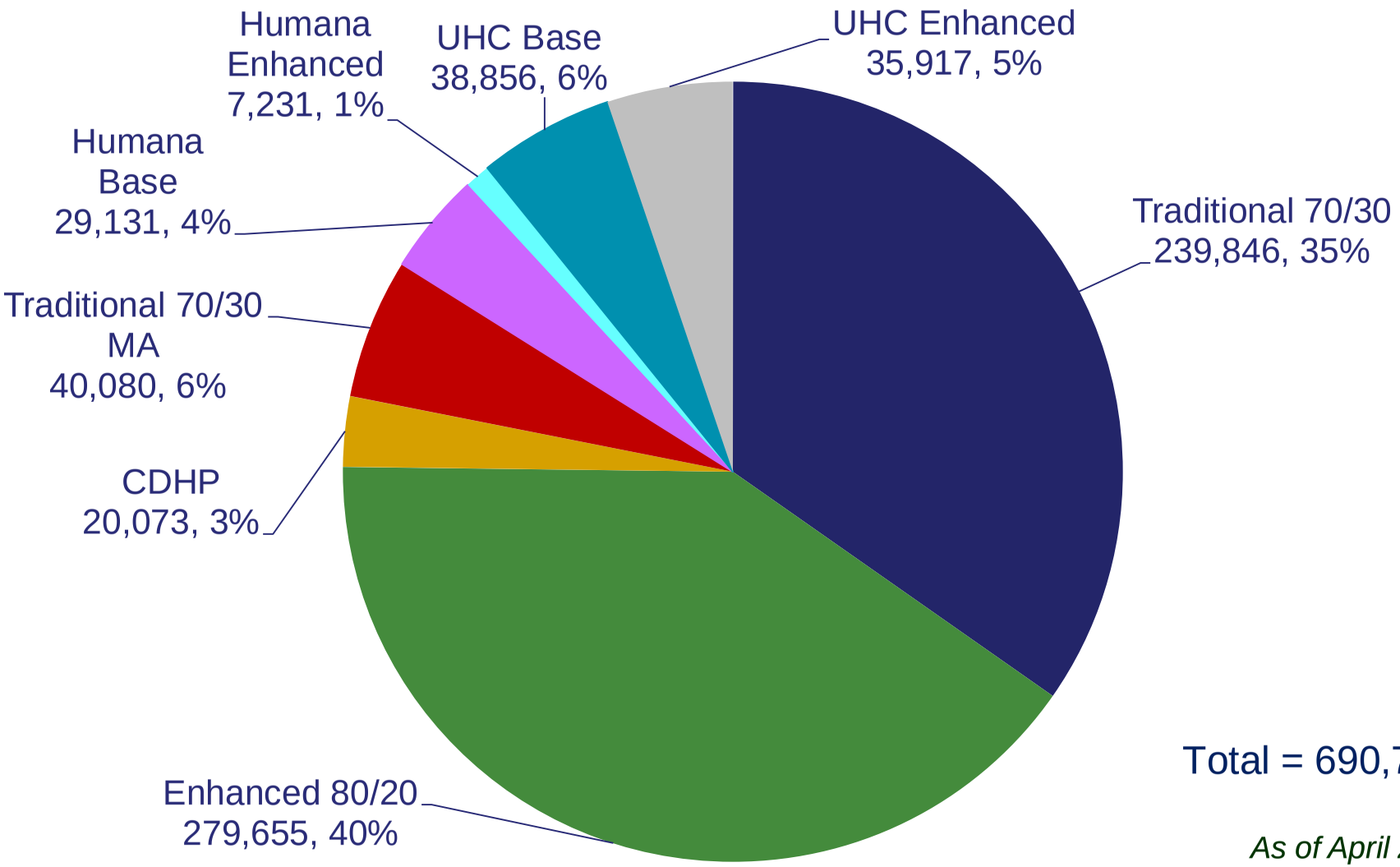
Membership Report

Board of Trustees Meeting

May 22, 2015

A Division of the Department of State Treasurer

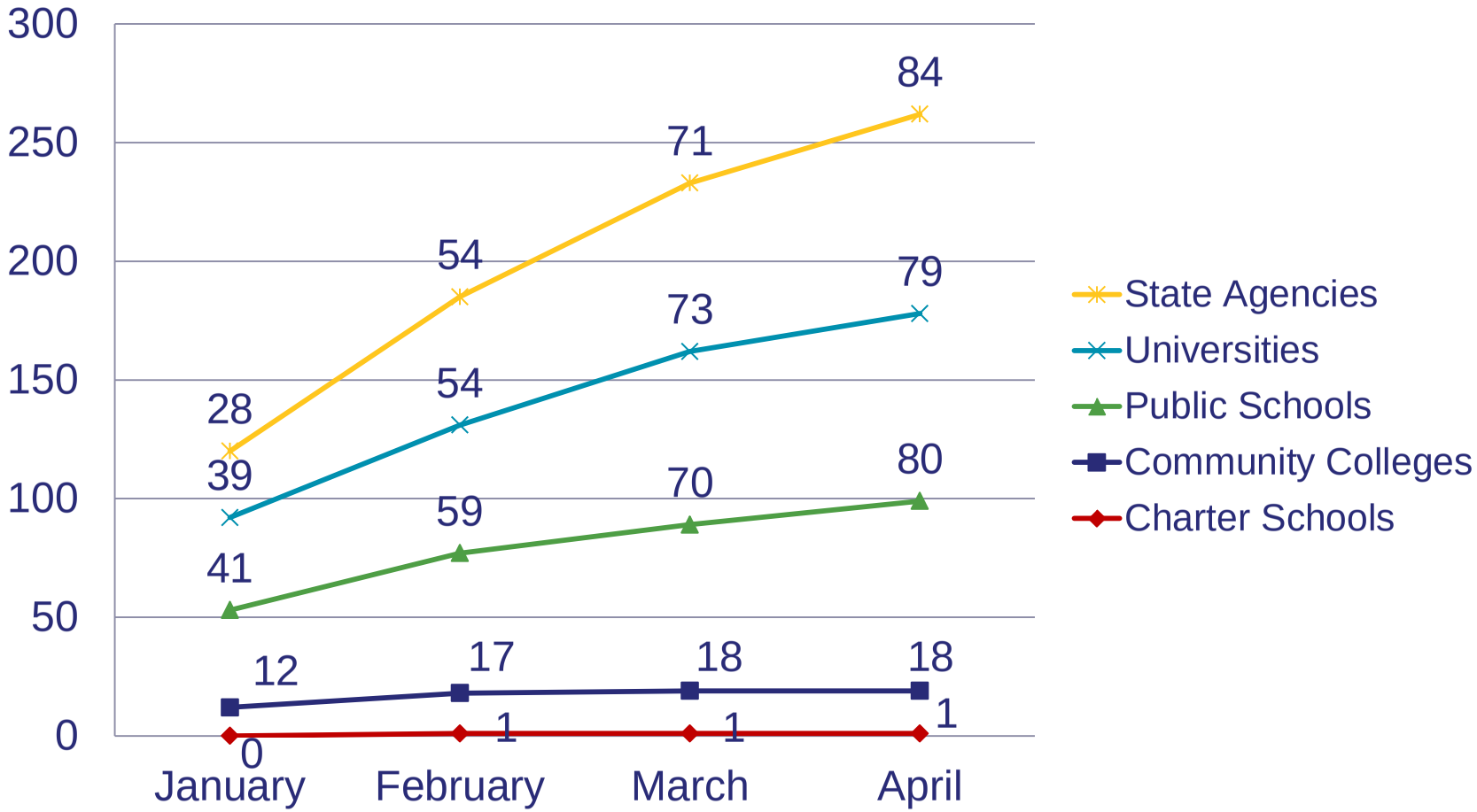
Current Membership by Plan



Total = 690,789

As of April 2015

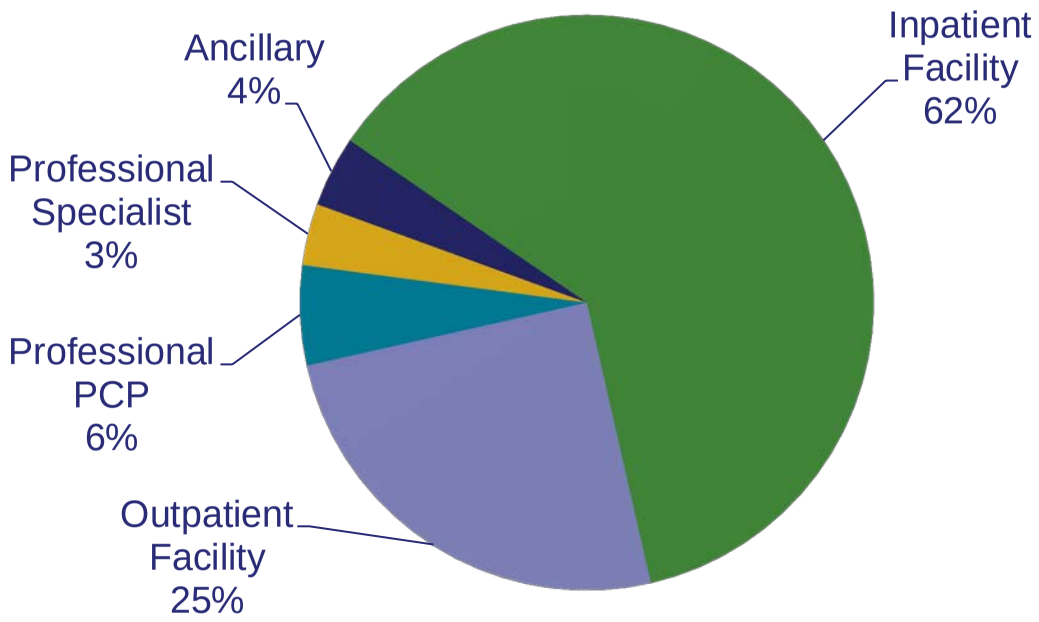
High Deductible Health Plan Enrollment History



Current Total = 262

High Deductible Health Plan Claims Experience

	Jan-15	Feb-15	Mar-15	Total CY 2015 Q1
Claim Type	**Claim Payments**			
Ancillary	$384.46	$507.90	$1,717.59	$2,609.95
Inpatient Facility	$0.00	$0.00	$40,582.40	$40,582.40
Outpatient Facility	$0.00	$0.00	$16,436.71	$16,436.71
Professional PCP	$315.00	$570.54	$2,794.45	$3,679.99
Professional Specialist	$0.00	$0.00	$2,272.48	$2,272.48
Total	**$699.46**	**$1,078.44**	**$63,803.63**	**$65,581.53**



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Health Engagement Program Development

Board of Trustees Meeting

May 22, 2015

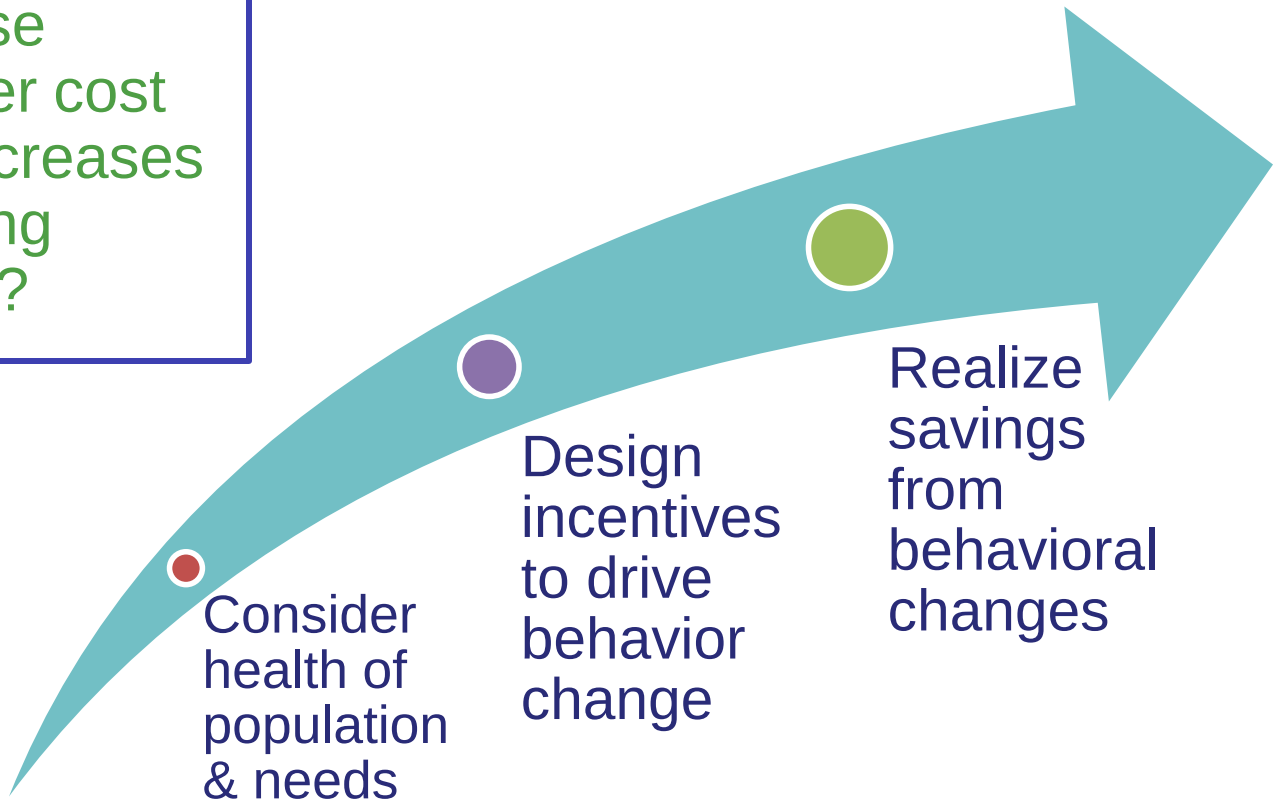
Presentation Overview

- Rationale for Programs
- Marketing to Eligible Members
- Health Engagement Program
  - For Members with Chronic conditions
  - For All Members in the Consumer-Directed Health Plan
- Preparing for Implementation

Health Engagement Program

Adapted From SEGAL

How can benefit design elements be used to promote healthy lifestyles, support chronic disease management, lower cost trends, and slow increases in future funding requirements?



Health Engagement Program: Rationale

- Encourage Health Engagement for all CDHP members
  - Establish a process for improving members' health through increased engagement
  - Offer flexibility in engagement to suit individual member needs
- Encourage Secondary Prevention Programs and Healthy Lifestyles
  - Members with chronic conditions can earn additional HRA incentive funds for engaging in secondary prevention, adhering to their medications, and engaging with the Plan to help offset the cost of managing their condition
  - Members who want to improve or maintain their health through healthy lifestyle choices can also earn HRA incentive funds

Health Engagement Program: Marketing

To promote the program, a marketing campaign targeted only at CDHP members will be launched

- All CDHP Members will receive communication materials
  - Reminding them about all incentives available (e.g. HRA contributions for visiting their selected PCP or using Blue Options Designated providers)
  - Rolling out the Health Engagement Program
  - Providing health literacy tips

- CDHP Members with identified chronic conditions will also receive specific information about the additional incentives available just for them through the Health Engagement Program

Engaging Members with Chronic Conditions

Health Engagement for Members with Chronic Condition

To participate, members must have one or more of the following chronic conditions:

- Diabetes
- Hyperlipidemia
- Asthma
- Coronary Heart Disease
- Hypertension
- Chronic Obstructive Pulmonary Disease
- Congestive Heart Disease

To enroll, the member must complete a Health Assessment and engage with a health coach

To earn HRA incentive funds, the enrolled member must:

- Complete 2 Health Coach calls (initial call and follow up at or after 6 months)
- See their Primary Care Provider annually and follow up at or after 6 months
- Complete the clinically recommended lab work for their condition(s)
- Complete recommended treatments and education for their condition(s)

Program Requirements by Condition

Activity	Education & Treatments By Disease & Condition						
	Diabetes	**COPD**	**Asthma**	**HTN**	**Hyperlipidemia**	**CHF**	**CAD**
Health Assessment*	Every enrolled member should complete health assessment with biometric measures						
Primary Care Visits							
PCP Visit	Every enrolled member has one visit						
Follow up Visit	Every enrolled member should have one follow up visit						
Labs							
HgbA1C x 2	X						
Lipid Panel	X				X	X	
Urine Microalbumin	X						
CBC						X	
Metabolic Panel						X	
Education/Treatments							
DSME	X						
Spirometry/Oximetry		X	X				
Asthma Action Plan			X				
Asthma Controller Meds			X				
Peak Flow Assessment			X				
Monitoring Blood Pressure				X		X	
ACE/ARB Medications						X	
ASA Therapy							X
Diet Modification*	X			X	X		
Weight Management*	X			X	X		
Physical Activity*	X	X		X	X	X	X

**** These activities are part of the Health Coach call and are not incentivized separately under the Chronic Condition component of the Health Engagement Program***

Chronic Conditions: How Much to Incent?

Program Goal: Provide additional HRA incentive funds to off-set some of the member cost-share for 'high-value' care in management of chronic conditions

Chronic Condition Costs: Program requirements for management of a condition such as diabetes will cost a member approximately $350 per year, excluding costs of maintenance medications

HRA Funds

- **Beginning Balance:** CDHP members will receive $600* in HRA funds for CY 2016
- **Engaged CDHP members** also earn incentive funds for seeing the PCP on their ID card ($25/visit) and utilizing Blue Options providers ($20/specialist visit - $200/hospitalization)
- **New Health Engagement Program Incentives:** Considering average range of incentive for chronic condition engagement of $30-50 per incentive earned, with the opportunity to earn a maximum of $300 per year.
- Final recommendation for new HRA incentives is pending actuarial review

**CDHP beginning balance increases based on the number of family member enrolled*
Employee only = $600 / Employee + one dependent = $1200 / Employee + two dependents = $1800

Engaging All CDHP Members

Health Engagement for All CDHP Members

- NC Health*Smart* already offers multiple programs and resources for members to make lifestyle changes and participate in healthy activities
- Programs such as *Active Life Coaching* are underutilized and others, like *Eat Smart, Move More, Weigh Less* are intended to offer one-time or periodic, rather than on-going engagement, and are already "rewarded"
- This provides an opportunity to reward members who are already participating in healthy activities or wish to do so

The Health Engagement Program will focus on:

1. Enrolling
2. Setting goals
3. Tracking success over a 13 week period
4. Establishing new goals for the next 13 weeks

Health Engagement for All CDHP Members

- Establishing an incentive path for members needing more one on one encouragement and interaction as well as a path for those who can self-motivate
- Also an opportunity to go down both paths

	Health Coach Engagement	**Self-Tracked Engagement**
Step 1	Enroll by calling an NC Health*Smart* and completing an initial assessment	Enroll online
Step 2	Work with the NC Health*Smart* Health Coach and establish goals for the 13 week period	Establish physical activity and/or nutrition goals online for the 13 week period
Step 3	Track Goals, Progress & Earn Incentive	Track Progress and Success: Accepted devices include
		Fitbit, Jawbone, Withings, iHealth,
		MapMyFitness, Myfitnesspal, etc.
Step 4	Establish New Goals & Begin Again	Establish New Goals & Begin Again
Members engaged with a Health Coach may also earn incentives through self-tracking		

Program Participation Pathway: Example

Member enrolls; chooses to track physical activity/nutrition to earn incentives

Member tracks physical activity/nutrition online or with a device/app. Member syncs device or app to portal according to device/app instructions.

Member chooses 3 month goal for nutrition and/or physical activity in portal. (example: perform 150 minutes of physical activity each week for 3 months.).

Member logs into portal at least once a week to enter data/ensure data from app/device was loaded. Member earns incentive for tracking nutrition/physical activity weekly for 3 months.

AHM sends a monthly file of members who have earned the incentive(s) to BCBNC. BCBSNC processes the incentive.

Healthy Lifestyles: How Much to Incent?

Program Goal: Provide additional HRA incentive funds for engaging in a healthy lifestyle

- Final recommendation for new HRA incentives is pending actuarial review

Preparing for Program Implementation

- Discussions with potential vendors are ongoing
- Process includes delivery of services, capture of information on completion of activities, validation by multiple sources (health coaches, claims), transfer of information to incentives manager
- Expected development time frame of 120 days
- May require enhancements post Jan. 1, 2016
- Communication to members on program and opportunities

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

CDHP Pharmacy Debit Card

Board of Trustees Meeting

May 22, 2015

A Division of the Department of State Treasurer

Consumer-Directed Health Plan (CDHP) Debit Card

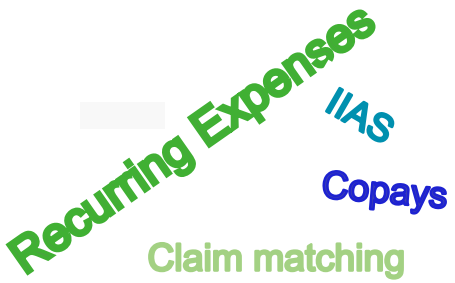
Background

- Members enrolled in the CDHP must pay up front for their pharmacy expenses. If funds are available in their HRA, members are reimbursed by check, usually within two weeks.
- This potential out-of-pocket burden to members has been noted as a concern for members who are unable to pay up front for medication.
- The Plan was asked to explore options to address the issue.
- Blue Cross Blue Shield of NC's subcontractor, HealthEquity, is able to provide a debit card for members in the CDHP to use at point of sale for their medications.

Member Experience at Pharmacy with Debit Card

1) Member Visits Pharmacy

3) ESI Processes Claim and Returns Patient Responsibility (member cost share)

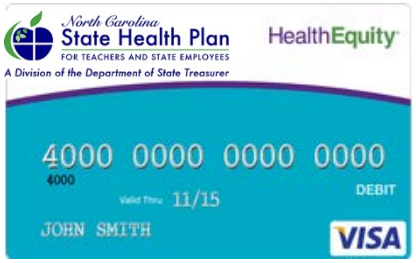


5) HealthEquity Receives Card Transaction and Tries to Substantiate

6) If Not Substantiated, Substantiation Reminders Sent at 30, 60 & 90 Days

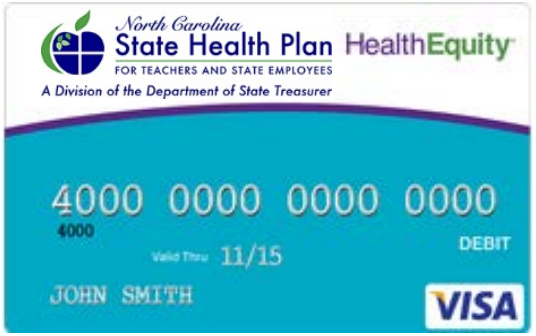
2) Provider Submits Claim to ESI

4) Member Uses SHP Debit Card at Point of Service



Advantages

- Members will not need to pay out-of-pocket at point of service and then wait for reimbursement
- Reduces potential barrier to obtain medication
- Debit card can be branded with State Health Plan logo for easy identification



Concerns

- For members with a Flexible Spending Account (FSA) and the CDHP HRA, two different cards may be confusing.
- If a member does not have the card at point of service they can still receive reimbursement, but it will not be paid automatically – the member must request reimbursement.
- The debit card is a payment mechanism only -- there is no validation that the prescription is for the card holder, so it is possible to pick up a prescription for someone not covered by the HRA. This is a known issue with an FSA as well.
- Cards are only accepted at pharmacies that are SIGIS certified which are typically larger, national pharmacies. Local (rural) pharmacies may not be certified, which may result in the card declining at point of service.
- Card may be able to be utilized for over-the-counter (OTC) expenses, which may not be an allowed or covered expense. This is a known issue with an FSA as well.
- Year 1, the card will only access current year funds. Year 2, the card would first access prior year (rollover) funds and then current year funds.
- Current CDHP members are not heavy web utilizers. With a debit card, there will be a need to manage the estimated 2 – 3% of card transactions that will require card substantiation to be provided.

Next Steps

- Plan staff is already working with BCBSNC to implement this offering for Jan. 1, 2016.
- Members who enroll in the CDHP in October will receive the debit card prior to Jan. 1, 2016.
- This new feature will be included in the 2016 Annual Enrollment materials and communications.

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2016 Annual Enrollment Rules

Board of Trustees Meeting

May 22, 2015

A Division of the Department of State Treasurer

2015 Annual Enrollment (AE) Strategy

The Board elected a *passive* enrollment strategy for 2015. Therefore, members remained in the plan they elected for 2014 unless they made a change during 2015 AE. Subscribers still had to take action to earn their wellness premium credits.

2015 Wellness Premium Credits		
Traditional 70/30 PPO	**Enhanced 80/20 PPO**	**Consumer-Directed Health Plan**
NA	Smoker Attestation Applies to Subscriber & Spouse $20	Smoker Attestation Applies to Subscriber & Spouse $20
NA	PCP Election Each family member must elect a PCP $15	PCP Election Each family member must elect a PCP $10
NA	Health Assessment (HA) Subscriber must complete HA $15	Health Assessment (HA) Subscriber must complete HA $10

- Smoker Attestation had to be completed during AE.
- PCPs could be elected prior to or during AE.
- HA had to be completed between November 1, 2013, and end of AE.

2016 Annual Enrollment Strategy Recommendation

Plan staff recommends a **passive** enrollment strategy for 2016. Members will stay in the plan option they elected for 2015 unless they take action.

However, subscribers **will have to take action** to complete healthy activities to earn credits to reduce their premiums for the 2016 plan year.

2016 Wellness Premium Credits – Tobacco Attestation Recommendation

2016 Wellness Premium Credits		
Traditional 70/30 PPO	**Enhanced 80/20 PPO**	**Consumer-Directed Health Plan**
*Tobacco Attestation Applies to Subscriber & Spouse $40	*Tobacco Attestation Applies to Subscriber & Spouse $40	*Tobacco Attestation Applies to Subscriber & Spouse $40

Plan staff recommends that the subscriber, and if applicable, the spouse be required to **attest during the 2016 Annual Enrollment window** to being a non-tobacco user or to enrolling in the QuitlineNC cessation program to receive the tobacco premium credit for 2016.

Does not apply to Retirees

2016 Wellness Premium Credits – PCP/PCMH Recommendation

2016 Wellness Premium Credits		
Traditional 70/30 PPO	**Enhanced 80/20 PPO**	**Consumer-Directed Health Plan**
NA	PCP Election & PCMH Module Each family member must elect a PCP $25	PCP Election & PCMH Module Each family member must elect a PCP $20

Plan staff recommends that subscribers who have already elected a valid PCP for each family member do not have to change or update their PCP during Annual Enrollment.

Any subscriber **who has not elected a valid PCP for each family member** prior to AE **must do so by the end of the annual enrollment window**.

In addition, the subscriber **must complete the new Patient Centered Medical Home (PCMH) learning module during Annual Enrollment to receive the PCP/PCMH premium credit for 2016.**

2016 Wellness Premium Credits – Health Assessment Recommendation

2016 Wellness Premium Credits		
Traditional 70/30 PPO	**Enhanced 80/20 PPO**	**Consumer-Directed Health Plan**
NA	Health Assessment (HA) including Biometrics Subscriber must complete HA $25	Health Assessment (HA) including Biometrics Subscriber must complete HA $20

Plan staff recommends that the subscriber must have taken the Health Assessment, including completion of biometric questions, since last year's Annual Enrollment to receive the credit. Any subscriber who has updated their HA or taken it for the first time between November 1, 2014, and October 31, 2015, will receive the HA premium credit for 2016.

Medicare Primary Enrollment Recommendation

Plan staff recommends a **passive** enrollment for existing Medicare Primary Retirees, Dependents and Surviving Dependents who have already made a Medicare Primary election. For New Medicare Primary Retirees, Dependents and Surviving Dependents, Plan staff recommends auto-enrollment into a Medicare Advantage Plan.

Medicare Primary Enrollment Recommendation	
Member Type	Annual Enrollment Type
Existing Med Primary Retirees, Dependents and Surviving Dependents	**Passive** - Unless they make a new election during Annual Enrollment, they will remain in the Medicare Primary Plan they had previously elected
New Medicare Primary Enrollee (New Medicare Primary Retirees or Members who will age into Medicare primacy in November, December, January)	**Active** - Member will be auto-enrolled into a Medicare Advantage Base Plan and have the option to elect any of the other three Medicare Advantage Plans or the Traditional 70/30 Plan

The Plan is in the process of discussing renewal pricing (i.e. the fully insured premium rates applicable for 2016) with the Medicare Advantage Carriers. Depending on the results of those discussions, Plan staff may recommend changes to the enrollment strategy at a later date.

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Communications Update

Board of Trustees Meeting

May 22, 2015

Communications & Marketing Services RFP

Strategic Plan Initiative:

Create a Comprehensive Communications and Marketing Campaign

What It Means	What We Will Do	Why It Is Important
Providing members with materials they can understand to help them effectively utilize their health benefits. Communicating regularly, not just at Annual Enrollment, to allow members the opportunity to maximize their experience and improve their access to the health care services available to them.	Develop a comprehensive and continuous communication strategy, including print, email, web-based and mobile applications and media, regarding benefit plan options, how to get the most value out of the benefit programs and explain the value of the benefits that are offered, including:	• Health benefits are utilized throughout the year and therefore, regular benefits communications will assist members with benefit questions and managing their care
	• Develop a branding campaign in coordination with the Department of State Treasurer	• There are opportunities to increase the use of online communication channels because fewer than 1% of members now access NCHealth*Smart* resources online
	• Demonstrate the value of and promote Plan offerings	• Over 80% of retired members prefer written materials while active members prefer online communications. This demonstrates the need for a variety of communication channels

The intent is to secure a firm to provide services to assist with the strategic initiatives regarding communication and marketing campaigns of health plan benefits to our members.

Communications & Marketing Services RFP

The Request for Proposal (RFP) was structured to solicit responses from companies that would showcase relevant work experience in benefits communication and included the following:

Minimum requirement:

- Offeror must have experience in the last 5 years communicating and marketing health benefits, products, programs and initiatives to a diverse population.

Scope of Work:

- Development of a comprehensive communications and marketing campaign
- Development of health benefit program collateral and branding
- Evaluation and assistance with web collateral associated with member communications
- Assistance with other services such as cross promotion of State Health Plan and Retirement Systems programs

Not a replacement for Segal's assistance with materials for the upcoming 2015 Annual Enrollment period for 2016 benefits.

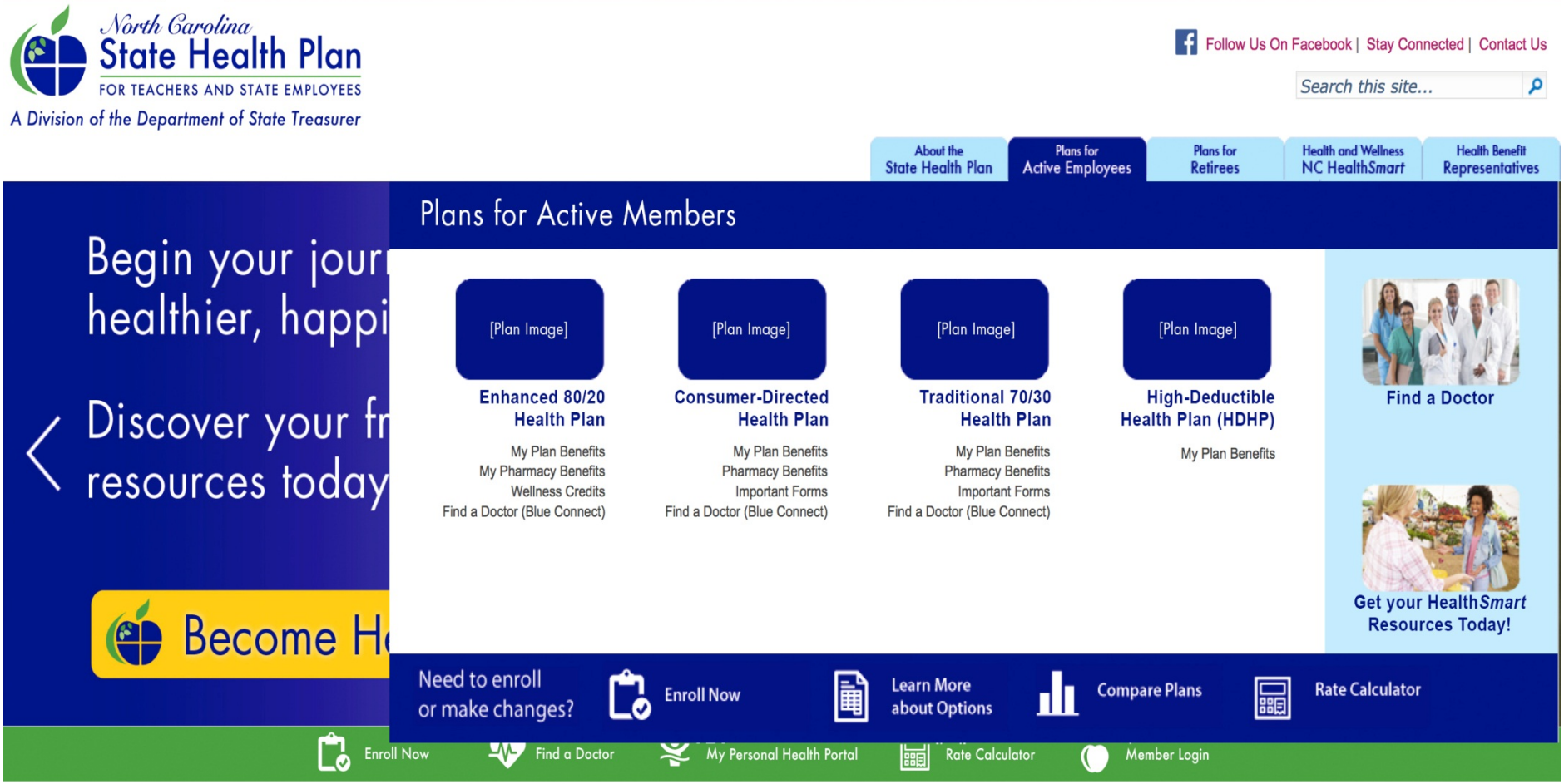
SHP Website
Health Benefits Estimator Tool

Website Strategy

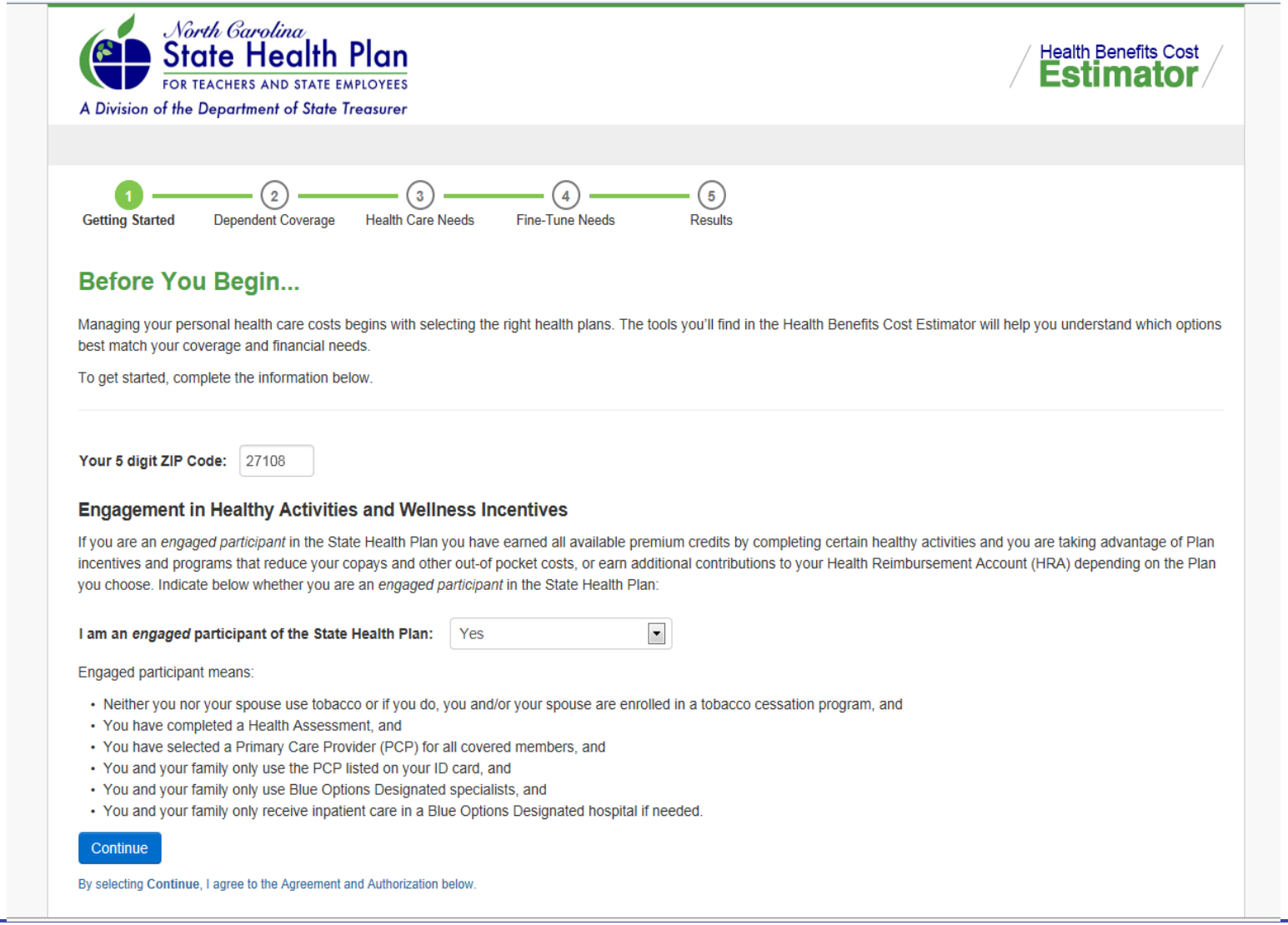
- To coincide with the transition to Aon Hewitt, the State Health Plan's website will be redesigned to serve as a landing page for all members regardless of their enrollment system (BEACON/eEnroll).
- New website launches June 15, 2015
- The new design will allow for
  - More flexibility during Annual Enrollment
  - More flexibility for benefit/plan option changes
  - Will feature new tools and videos for members

New Home Page

New Mega Menu



Health Benefits Cost Estimator



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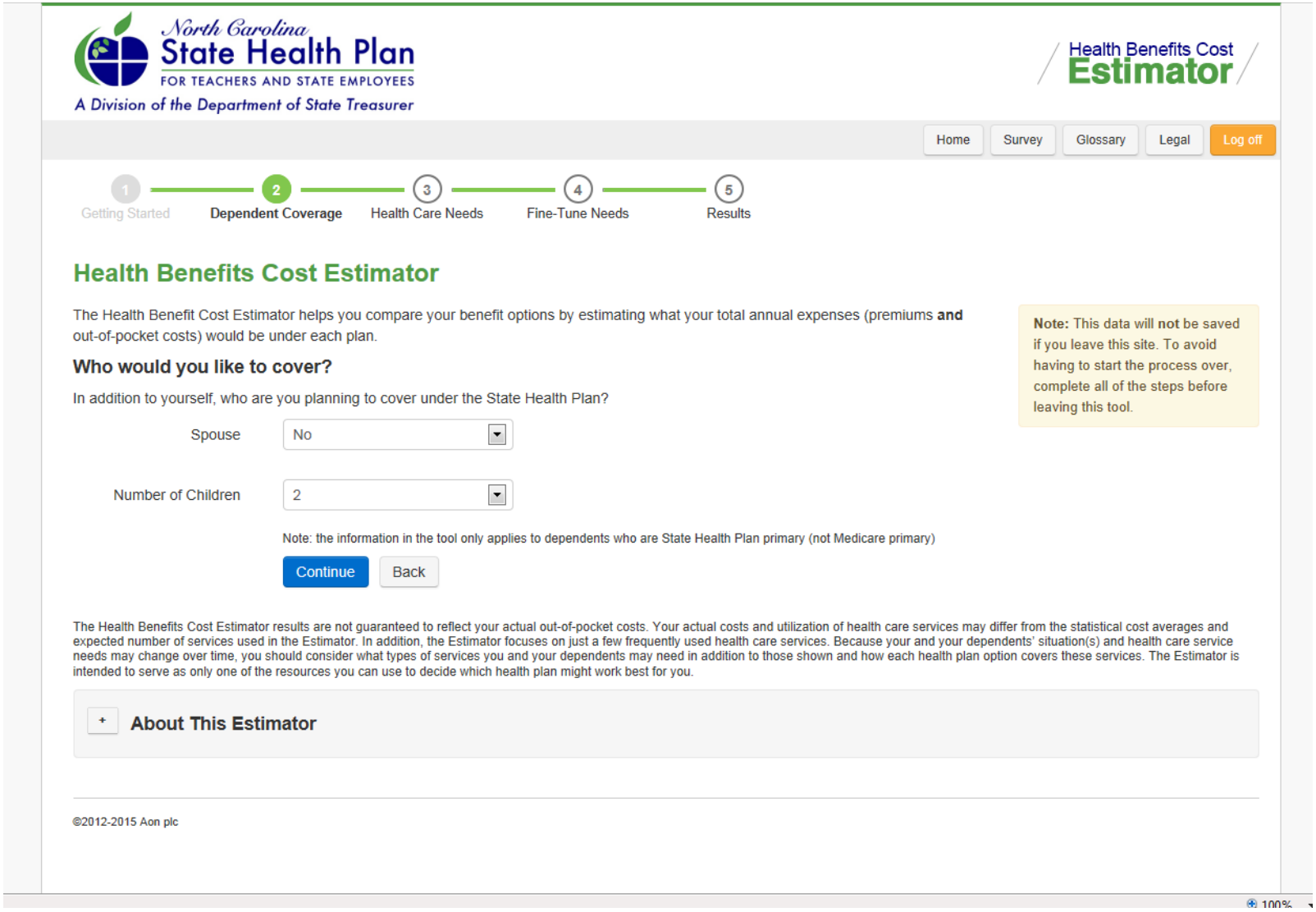

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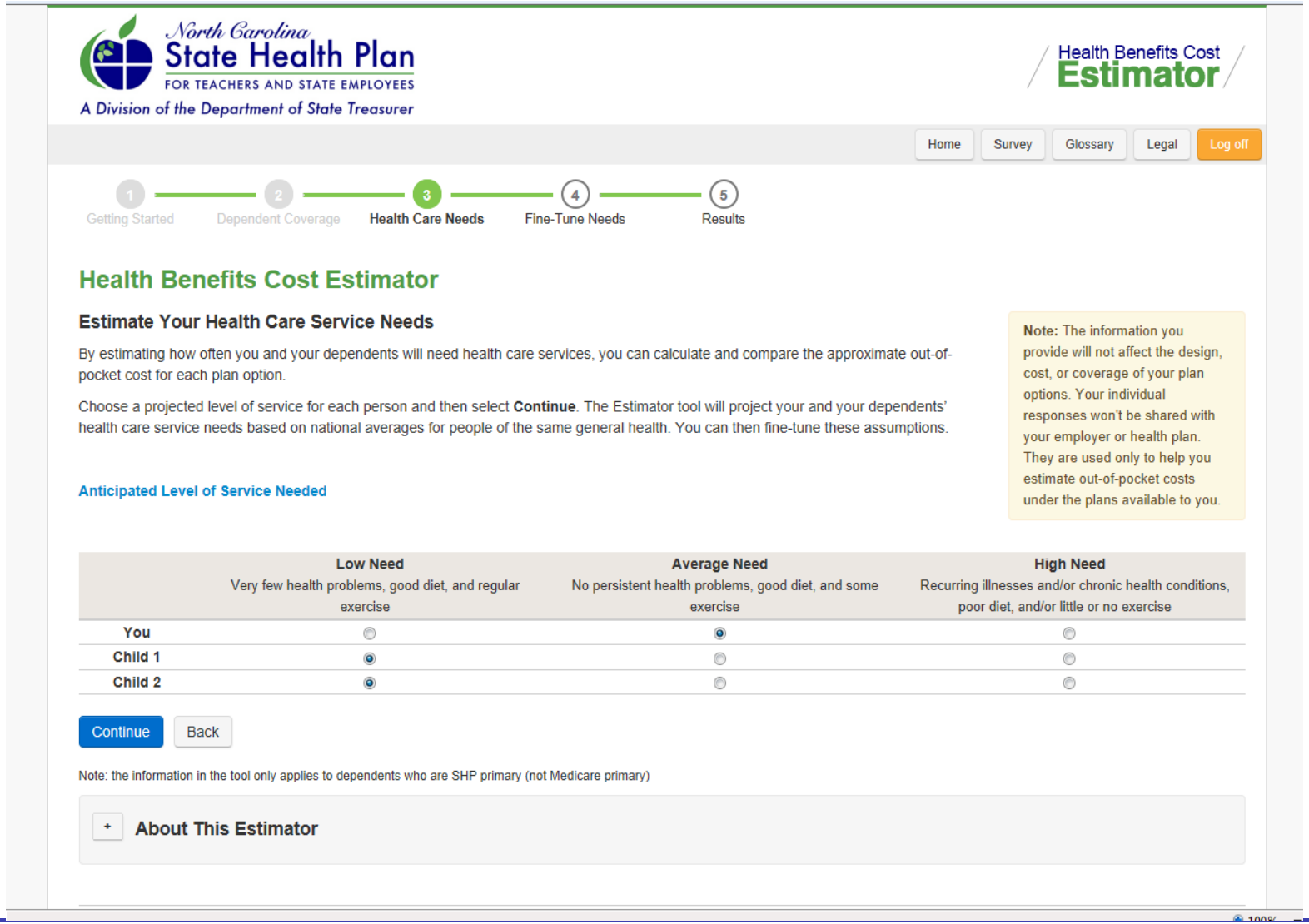

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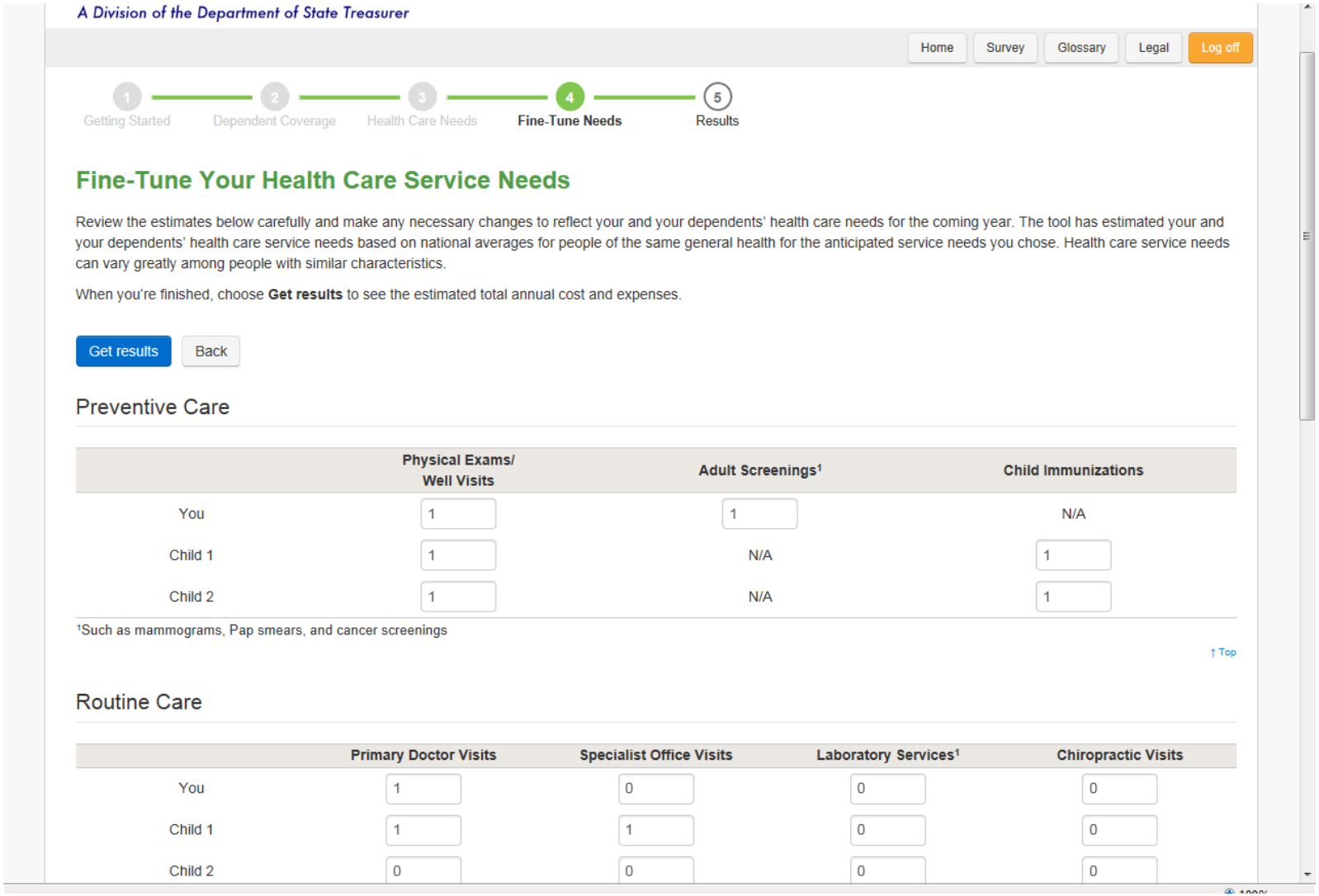

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Home | Survey | Glossary | Legal | Log off

1 Getting Started — 2 Dependent Coverage — 3 Health Care Needs — 4 Fine-Tune Needs — 5 Results

Fine-Tune Your Health Care Service Needs

Review the estimates below carefully and make any necessary changes to reflect your and your dependents' health care needs for the coming year. The tool has estimated your and your dependents' health care service needs based on national averages for people of the same general health for the anticipated service needs you chose. Health care service needs can vary greatly among people with similar characteristics.

When you're finished, choose **Get results** to see the estimated total annual cost and expenses.

Get results | Back

Preventive Care

	Physical Exams/ Well Visits	Adult Screenings[1]	Child Immunizations
You	1	1	N/A
Child 1	1	N/A	1
Child 2	1	N/A	1

[1]Such as mammograms, Pap smears, and cancer screenings

↑ Top

Routine Care

	Primary Doctor Visits	Specialist Office Visits	Laboratory Services[1]	Chiropractic Visits
You	1	0	0	0
Child 1	1	1	0	0
Child 2	0	0	0	0

Health Benefits Cost Estimator

Your Results as a Bar Chart (click to show/hide)

Your Total Estimated Annual Health Benefit Costs (click to show/hide)

	Traditional 70/30 EE+Child(ren)	Enhanced 80/20 EE+Child(ren)	CDHP EE+Child(ren)
Your Total Estimated Annual Health Benefit Costs	**$3,505**	**$3,893**	**$2,236**
Your Annual Health Plan Premiums This is your net annual payroll contribution for medical coverage	$2,825	$3,617	$2,236
Your Out-of-Pocket Expenses These are the estimated expenses that you would pay out of your own pocket for the services you and your dependents use during the year:			
— Deductible amount paid	$0	$0	$820
— Preventive Care	$0	$0	$0
— Coinsurance payments	$299	$174	$0
— Office visits	$117	$15	$0
— Prescription drug expenses	$165	$0	$0
— Facility use—urgent care	$99	$87	$0
— Facility use—hospital stays	$0	$0	$0
— Services exceeding plan limits	$0	$0	$0
— Services not covered	$0	$0	$0
Out-of-Pocket Expense Subtotal	$680	$276	$820
Health Reimbursement Account (HRA)			
— Employer contribution amount	N/A	N/A	$1,800
— Wellness Incentives			$145
— Amount to carry over to next year			$980
HRA Reimbursement			$1,125
Your Total Out-of-pocket Expenses	$680	$276	$0
Your Total Estimated Annual Health Benefit Costs	**$3,505**	**$3,893**	**$2,236**

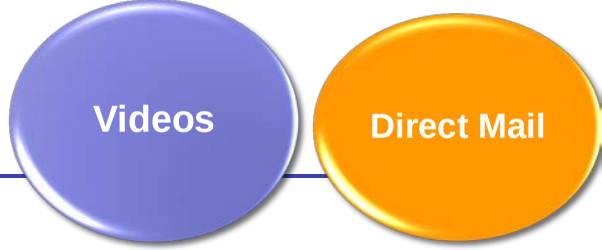
TIP **You can get more personalized estimates if you customize your health care service needs.**

Start Over | Back

2016 Annual Enrollment Communications

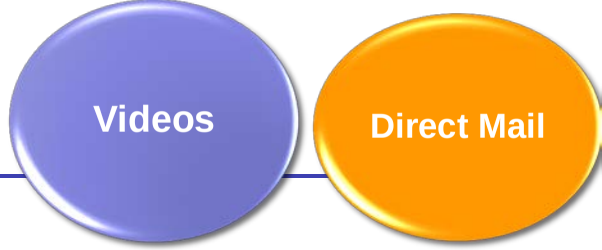
Annual Enrollment Communications Strategy

Member Outreach-*Actives*



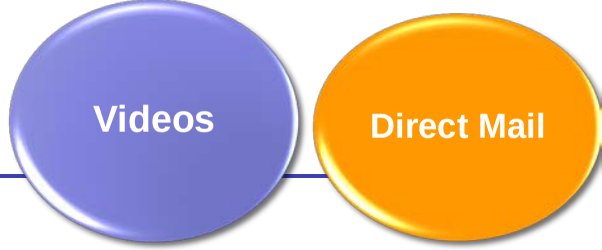
Member Outreach – Phase I	Overview of 2016 Changes: The Importance of Wellness
Teaser Postcard Teaser Video Tri-fold Postcard Healthy Activities Reminder Postcard	• Promote Annual Enrollment early • How wellness plays a part in 2016 changes • Introduce Wellness Premium Credit changes
Member Outreach – Phase II	**Review 2016 Options and Resource Tools**
Fresh Look at the CDHP Online Learning Modules Videos Decision Guide	• Enrollment Events • Plan details for each option • How to choose and how to enroll • Promote informational sessions
Member Outreach – Phase III	**Make a Decision That is Right for Your Family**
Invite to TeleTown Halls Videos Enrollment Guide Reminder Postcard	• Enrollment Events • Enrollment has started, take action now • Option overview • Reference website and enrollment kit

Member Outreach-*Non-Medicare Retirees*



Member Outreach – Phase I	Overview of 2016 Changes: The Importance of Wellness
Teaser Postcard **Teaser Video** **Tri-fold Postcard** **Healthy Activities Reminder Postcard**	• Promote Annual Enrollment early • How wellness plays a part in 2016 changes • Introduce Wellness Premium Credit changes
Member Outreach – Phase II	**Review 2016 Options and Resource Tools**
Fresh Look at the CDHP **Videos** **Decision Guide**	• Enrollment Events • Plan details for each option • How to choose and how to enroll • Promote informational sessions
Member Outreach – Phase III	**Make a Decision That is Right for Your Family**
Invite to TeleTown Halls **Videos** **Enrollment Guide** **Reminder Postcard**	• Enrollment Events • Enrollment has started, take action now • Option overview • Reference website and enrollment kit

Member Outreach-*Medicare Retirees*



Member Outreach – Phase I	Overview of 2016 Changes: The Importance of Wellness
Tri-fold Postcard	• Promote Annual Enrollment early • How wellness plays a part in 2016 changes • Introduce Wellness Premium Credit changes
Member Outreach – Phase II	**Review 2016 Options and Resource Tools**
Outreach Meeting Invitation Booklet **Videos** **Decision Guide**	• Enrollment Events • Plan details for each option • How to choose and how to enroll • Promote informational sessions
Member Outreach – Phase III	**Make a Decision That is Right for Your Family**
Invite to TeleTown Halls **Enrollment Guide** **Reminder Postcard**	• Enrollment Events • Enrollment has started, take action now • Option overview • Reference website and enrollment kit

Teaser Postcard

For 2016, the State Health Plan is expanding the wellness activities you can do to reduce your monthly premium. Below is a preview.

	CDHP *Consumer-Directed Health Plan (CDHP) with HRA*	80/20 *Enhanced 80/20 Plan*	70/30 *Traditional 70/30 Plan*
Take the Health Assessment	*$20 reduction*	*$25 reduction*	*N/A*
Choose a Primary Care Provider and watch a video to learn more about Patient-Centered Medical Homes	*$20 reduction*	*$25 reduction*	*N/A*
Attest to being tobacco-free or enroll in the QuitlineNC tobacco-cessation program	*$40 reduction*	*$40 reduction*	*$40 reduction*

- *Health Reimbursement Account (HRA) contributions (under the CDHP) will be greater.* Participate in the new Health Engagement Program and get more in your HRA.
- *New learning tools will be available.* Use them to help make a smart coverage choice.

More coming! Including interactive tele-town hall meetings in September. Reserve your spot now by visiting **[insert registration URL].** What's coming up:

- **A new video** about 2016 State Health Plan benefits, on **www.shpnc.org** right now!
- **More mail** about **2016 health plan choices** and **wellness activities.**

THE STATE HEALTH PLAN FOR 2016 AND BEYOND:
simple steps to better health

North Carolina State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Health Benefit Representatives

HBRs

- HBR Trainings will take place in July
  - Other tools include:
    - Webinars
    - Posters

TeleTown Hall Meetings

Educational Meetings

- This method of engaging with members offers the Plan the opportunity to reach a large portion of the population with a single phone call.
- Meetings have already been scheduled and will be offered to all members.

- September 14; 5-8pm (Medicare Retirees)
- September 15; 5-8pm (Non-Medicare Retirees)
- September 17; 5-8pm (Non-Medicare Retirees)
- September 22; 5-8pm (Actives)
- September 23; 2-5pm (Medicare Retirees)
- September 24; 5-8pm (Actives)
- September 30; 5-8pm (Actives)

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Contract with HTMS for Health Plan Project Management and Benefit Implementation Support Request for Approval

Board of Trustees Meeting

May 22, 2015

Contract Approval Required by Statute

North Carolina General Statutes §135-48.22 and §135-48.33(a) require that the BOT approve all Plan contracts with a value over $500,000.

The cost of this contract is estimated to be $1,000,000 annually.

This contract is exempt from Department of Administration Purchase & Contract rules pursuant to §135-48.34 as a contract for implementation of benefits.

Background

- In 2012 the Plan issued an RFP for project management services in anticipation of awarding new contracts for third party administrative services, eligibility and enrollment services, COBRA and individual billing services, and Medicare Advantage plans in the fall of that year.
- The goal was to secure a Contractor with extensive health plan and related project management experience to lead the implementation of those contracts.
- Healthcare Technology Management Services, LLC (HTMS) was the only qualified bidder that responded to the RFP and the contract was awarded to HTMS effective May 1, 2012.
- Due to issues with implementation of the eligibility and enrollment services contract with Benefitfocus and the transition to Aon Hewitt with services effective June 1st, the Plan has continued to need these services.
- In addition, HTMS will provide project management support for implementation of the communications plan for 2016 benefits.

New Contract

- The new Contract term will be June 1, 2015 through May 31, 2017 with a one year optional renewal.
- Project management services include providing oversight of the day to day activities of the project, coordinating meetings, identifying, clarifying and managing project issues, escalating issues as appropriate, and monitoring project performance including deliverables and resource effectiveness.
- Under the Contract, HTMS is required to provide a lead project manager (PM), other PMs, and business analysts (BA) as requested by the Plan.
- Costs are by hourly rate based on skill level.

Resources

- **Lead PM**: Provides oversight and leadership for all HTMS project management resources and currently leads the Aon Hewitt Implementation and the Benefitfocus transition of services.
- **PM**: Responsible for the BCBSNC, UHC, Humana and Active Health work streams of the Aon Hewitt Implementation
- **PM**: Responsible for Aon Hewitt project schedule and timeline review, coordinates the NCFlex work stream and manages the 2016 benefits implementation
- **PM**: Responsible for communications work streams for Aon Hewitt implementation and Annual Enrollment
- **BA**: Supports data integration for the Aon Hewitt implementation and AE
- **BA**: Supports ongoing issue resolution for COBRAGuard and Retiree billing, including the transition to Aon Hewitt

Recommendation

Plan staff recommends approval of a contract with HTMS for Health Plan Project Management and Benefit Implementation Support.

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Aon Hewitt
Eligibility and Enrollment Services Contract

Board of Trustees Meeting

May 22, 2015

Presentation Overview

- Eligibility and Enrollment Services (EES) Contract Implementation Update

- Call Center Service Levels

EES Implementation Update

The June 1st ***Go-Live*** is just around the corner. Here is an overview of what has happened in the last twelve months:

- May 30, 2014 – Mailed letters to all employing units, notifying them of the intent to transition the EES contract to Aon Hewitt.

- June 2014 –
  - Kicked off the project by inviting all impacted vendors and partners to a two-day implementation planning session. Participants included:
    - Aon Hewitt
    - Plan Staff
    - Office of State Human Resources
    - Best Shared Services (BEACON)
    - Retirement
    - Active Health Management
    - BCBSNC
    - COBRAGuard
    - Humana
    - UHC
    - NC Flex vendors

EES Implementation Update

- July 2014
  - Began implementation planning with the 59 employing units requiring payroll file connectivity
    - BEACON (state agencies)
    - Universities
    - Community Colleges
    - Charlotte Mecklenburg Schools
    - Guilford County Schools
    - Wake County Schools
    - NC Education Lottery
  - Began to formalize business and technical requirements

- August 2014 – November 2014
  - Completed business and technical requirements

- December 2014 – May 2015
  - Testing

During this time, the Plan also established an Aon Hewitt transition section on the Plan's website and published periodic *Implementation Updates* to keep employing units updated on the progress and impacts of the transition.

EES Implementation Update

Happening Now:

- Regional HBR Trainings (9 locations – multiple sessions per location)
- Webinar HBR Trainings
- Weekly Implementation Updates reminding employing units about cut-off schedules and upcoming events
- Member Mailers notifying members of the upcoming changes
- Cross-Vendor Customers Service Check Points
- Internal Plan training
- End-to-End Vendor and Partner Testing

EES Contract – *Go-Live!*

While testing is still on-going, basic enrollment and file transactions have passed testing.

Members	• Register • Enroll • Make changes
Employing Units	• View & Approve Enrollments • Run Reports
Vendors	• Exchange enrollment files

EES Contract – *Go-Live!*

Do we have any known issues going into *Go-Live*?

Issue	Who Is Impacted	Workaround	Target Fix Date
Aon Hewitt not transmitting all PCP transactions correctly	Member/BCBSNC	BCBSNC will manually correct	TBD
Aon Hewitt not transmitting all split-contracts correctly	Member/BCBSNC	BCBSNC will manually correct	TBD
Not all Medicare Primary enrollment timeframes are supported online	Member	Retiree must call to enroll	TBD
New retiree who also ages into Medicare during retirement window unable to complete enrollment online	Member	Retiree must call to enroll	8/15/2015
Member enrollment transactions are not presented to HBR for approval	HBR	Interim workaround requires Aon Hewitt to notify HBRs of pending actions requiring their review	TBD
NCFlex FSA calculations	Employing Units NCFlex & payroll connectivity	None	5/31/2015

It is possible that some of these will be resolved prior to June 1. It is also possible that additional items will be uncovered during testing.

EES Contract – ***Go-Live!***

What are we doing to monitor ***Go-Live*** events and keep employing units informed?

- Established an “open-phone” line for employing units to call with any issues or concerns. Aon Hewitt Account Managers will be available for any navigation or transaction assistance.
- Dedicated a page on shpnc.org to post any known issues and a status on the fix and/or workaround.
- Set-up daily Vendor/Partner calls to troubleshoot issues
- Set-up daily Vendor/Partner Customer Service calls to keep customer service teams informed
- Set-up daily Vendor enrollment call to handle any escalated enrollment issues

EES Contract – *Go-Live!*

Do Members have what they need for *Go-Live*?

In addition to mailing information to members' homes, we are working with employing units to communicate this change to their employees but we all know change is hard.

- **eEnroll Navigation** – It's different from what they are used to seeing. We've added verbiage to help members navigate the site but we expect some members will have trouble finding the right spot to complete a transaction or view their information.
- **Data Latency** – The transactions members completed in the weeks prior to *Go-Live* will not be visible on day one. Benefitfocus will be delivering those files to Aon Hewitt the first week of June at which time they will begin the load process.
- **Call Centers** – We expect high call volume during the first few weeks of June and all vendor call centers have to staff up appropriately.

EES Contract – ***Go-Live!***

- We still have a lot of work to do between now and ***Go-Live***, but we feel we have the required infrastructure in place to react and respond as needed.

- Plan Staff will provide the Board with status updates, as needed, throughout ***Go-Live*** week and beyond.

Member Experience – Enrollment Call Service

There are three primary service level agreements (SLAs) the Plan uses to measure vendor performance as it relates to answering member phone calls:

- **Average Speed to Answer (ASA),** which measures how long members have to wait before their call is answered.
- **First Call Resolution,** which measures how many member calls are resolved during the initial call. (New Performance Guarantee.)
- **Call Accuracy,** which measures the accuracy of the information provided to the member. (New Performance Guarantee.)

While we have always tracked these results, we have only recently added Performance Guarantees for all three of these SLAs. Plan staff feel the combination of these measures will give us the best picture of the member call experience.

Member Experience – Enrollment Call Service

Given that we are taking a more holistic approach to the call service measurement, we have also adjusted the targets:

- **ASA Target** – Calls answered in 30 seconds or less 80% of the time. Aon Hewitt's standard is to measure ASA on a quarterly basis, but Plan staff feels a monthly measurement gives us better insight into the true level of service; therefore, we are upgrading this service level.
- **First Call Resolution Target** – Member inquiries resolved on the initial call 93% of the time.
- **Call Accuracy Target** – 90% accuracy rate. Aon Hewitt not only measures the accuracy of the responses but measures whether the call representative responds professionally and provides any additional information the member may need.

Member Experience – Enrollment Call Service

- In addition to weekly service reports, we will utilize the annual Member Satisfaction Survey, direct member inquiries and exception requests to monitor the service levels. If needed, we can adjust the targets.

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Strategic Plan Scorecard – Measuring Success

Board of Trustees Meeting

May 22, 2015

A Division of the Department of State Treasurer

Presentation Overview

- Review of Strategic Plan Metrics
- Summary of Proposed Methodology
- Proposed Measures/Goals
- Next Steps

Review of Approved Strategic Plan Metrics

- The Board-approved Strategic Plan includes a series of metrics to evaluate State Health Plan progress in achieving the goals set forth in the Strategic Plan
- The scorecard goal is to measure strategic intent and monitor overall progress
- The approved metrics aim to measure how well the Plan is:
  - Improving members' health,
  - Improving members' experience, and
  - Ensuring a financially sustainable State Health Plan

Approved Metrics – Improve Members' Health

Priority	Description	Goal Description
Improve Members' Health	PCMH Utilization	Increase % of members receiving care from a NCQA recognized PCMH
	Quality of Care	Increase % of members with targeted high prevalence conditions receiving care according to national clinical standards
	Worksite Wellness	Increase number of worksites offering worksite wellness

These metrics reflect areas of focus for the Plan. Initiatives aimed at meeting the goals and future targets will help lead to:

- Healthier and more engaged members,
- Better managed chronic disease, and
- Members receiving high quality, coordinated care.

Approved Metrics – Improve Members' Experience

Priority	Description	Goal Description
Improve Members' Experience	Customer Satisfaction	Maintain or improve overall Customer Satisfaction score
	Annual Enrollment Service Level Agreements	Improve Annual Enrollment customer service SLAs
	Member Engagement	1. Increase in the # of active members registered as users on TPA site 2. Increase in the usage of TPA's provider search and transparency tools 3. Increase in attendance at educational roadshows

These metrics reflect areas of focus for the Plan. Initiatives aimed at meeting the goals and future targets will help lead to:

- Increased member engagement,
- Higher level of trust, and
- More informed members who are empowered in their decision making.

Approved Metrics – Ensure a Financially Stable State Health Plan

Priority	Description	Goal Description
Ensure a Financially Stable State Health Plan	Net Income/Loss	Net income/loss actual or above certified or authorized budget for plan year
	PMPM Claims Expenditures	PMPM claims expense at or below certified or authorized budget (as forecasted by actuaries) for plan year
	Member Cost-Sharing	Percent of total claims cost paid by members through copays, deductibles and coinsurance at or below benchmark

These metrics reflect areas of focus for the Plan. Initiatives aimed at meeting the goals and future targets will help lead to:

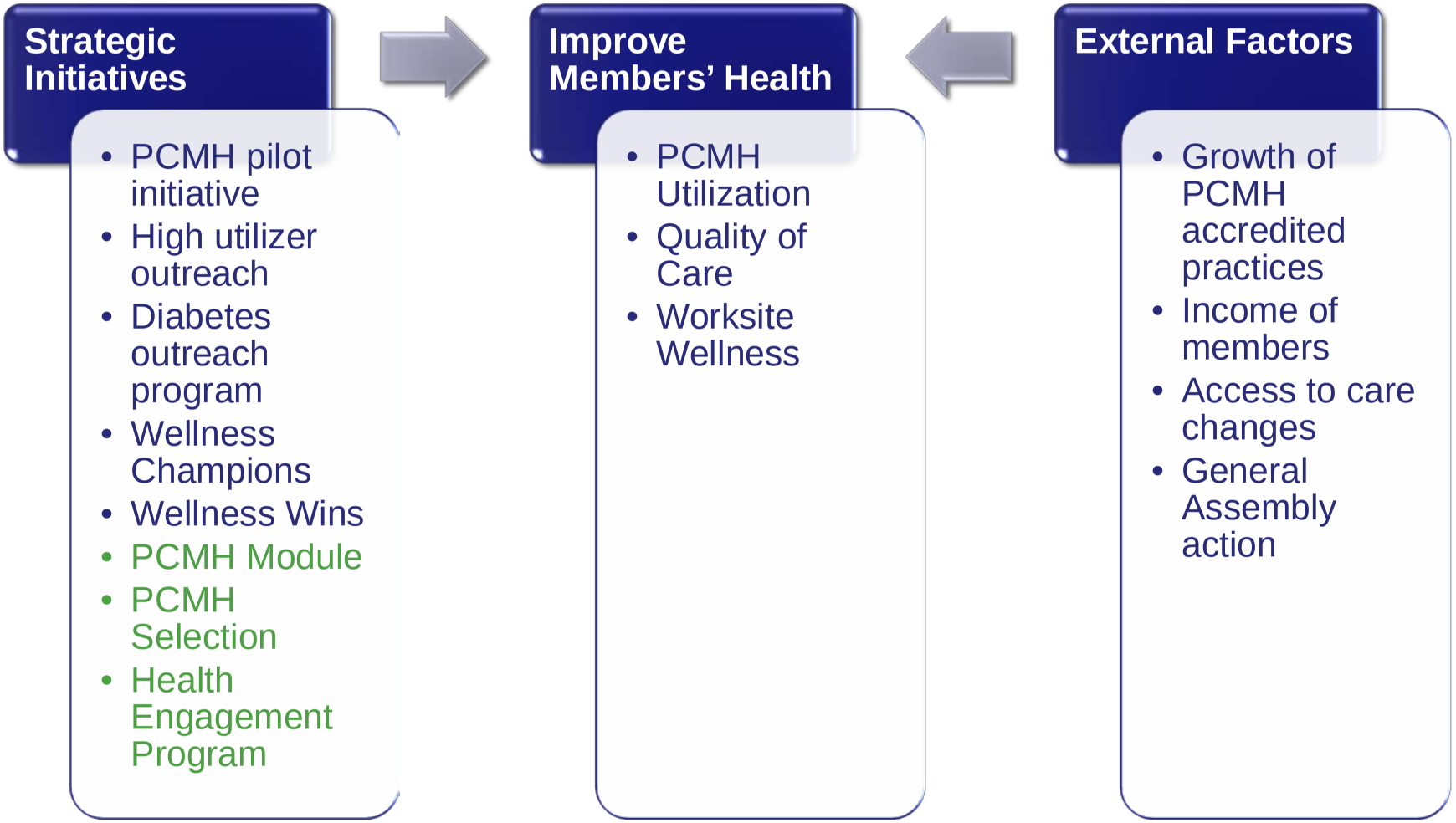
- Reduced costs for members and the Plan
- Reduced fraud, waste, abuse and overuse
- Delivery of appropriate care in the appropriate setting
- Payment for quality and value rather than quantity

Summary of Proposed Methodology

- Each of the strategic measures was chosen to illustrate the progress the Plan is making (or not making) in achieving the Strategic Plan
  - Additionally, they are items that can be measured
- Where appropriate, the two benchmark periods will be FY 2012-13 and CY 2014 to reflect the last two full plan years *(Note: the Strategic Plan adopted by the Board assumes CY 2013 as the benchmark period)*
  - This serves to reflect (directionally) the trends related to each metric
- Beginning in CY 2015, each measure will have a threshold, target, and stretch goal
  - *In addition, initial threshold goals have been identified for CY 2017 for discussion purposes*
- The scorecard will be a high level summary of detailed analyses that is easy to digest
- Success will be measured by meeting at least two of three priority groupings, minimizing those below threshold, and identifying targets to achieve the stretch measures

Proposed Measures and Rationale

Improving Members' Health Driving Factors



Green text indicates initiatives beginning in CY 2016

Improve Members' Health Sample Card

		Benchmark Periods		CY 2015			CY 2017
Description	**Metric**	**2012-13/CY 2013 Actual**	**CY 2014 Actual**	**Met or Exceeded Threshold**	**Met or Exceeded Target**	**Met or Exceeded Stretch**	**Met or Exceeded Threshold**
PCMH Utilization	Increase % of members receiving care from a NCQA recognized PCMH	Level 1: 0.7% Level 2: 2.9% Level 3: 24.0% Total: 27.6% N=163,350	Level 1: 0.9% Level 2: 3.1% Level 3: 25.8% Total: 29.8% N= 177,165	33.0%	34.0%	35.0%	55% of active and non-Medicare members
Quality of Care	Percent of members with diabetes meeting clinical care standards of care	29.6%	30.7%	31.5%	33.0%	35.0%	45.0%
	Percent of members with persistent asthma that meet clinical care standards of care	62.8%	63.2%	64.0%	67.0%	69.0%	75.0%
	Asthma related ED	8.2%	7.7%	7.7%	7.0%	6.7%	6.5%
	Asthma related IP admissions	16.4%	15.3%	15.3%	15.0%	14.5%	14.0%
Worksite Wellness	Increase the number of worksites with active worksite wellness	N/A	N/A	92	111	125	110 worksites

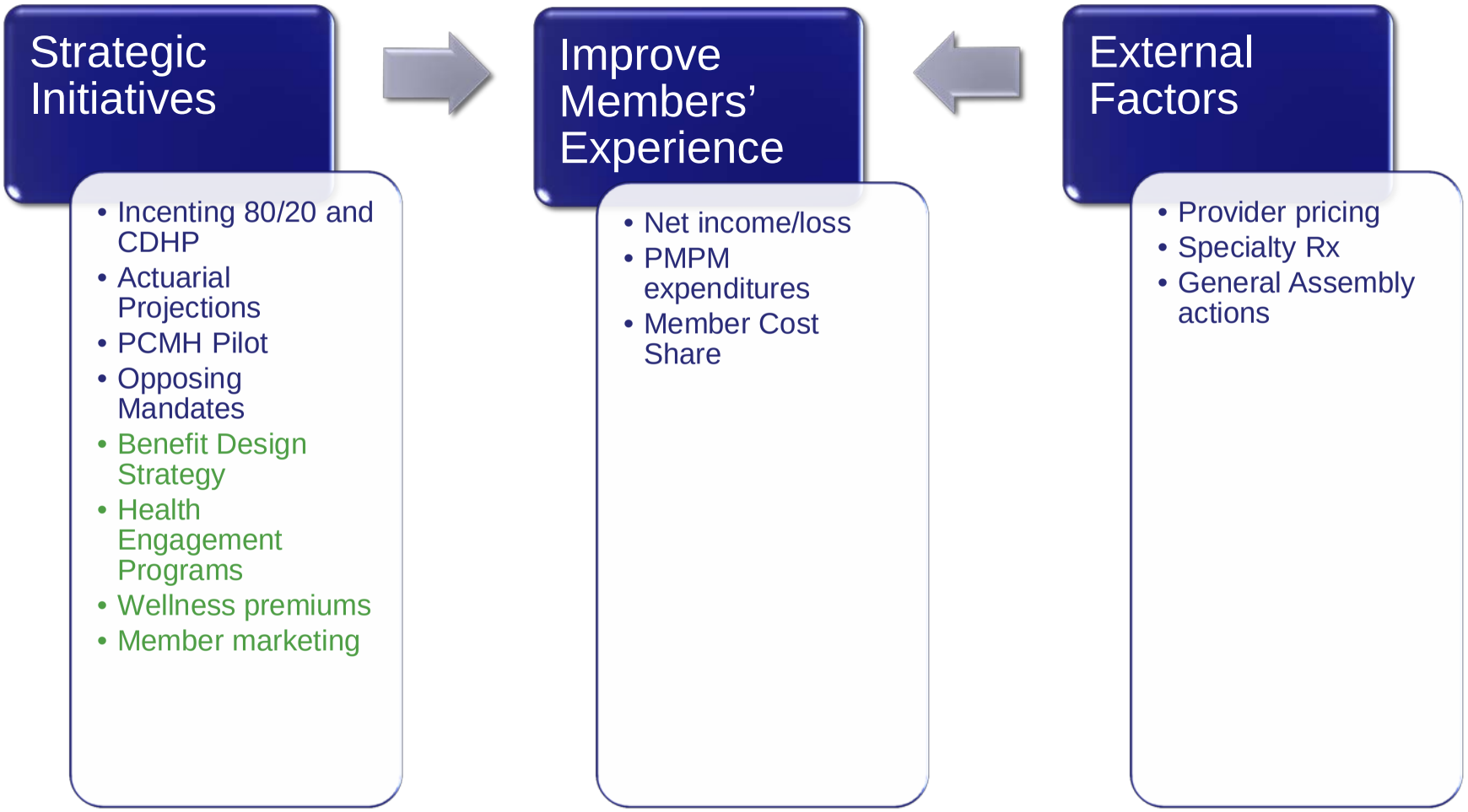
Improving Members' Experience Driving Factors

Green text indicates initiatives beginning in CY 2016

Improve Members' Experience Sample Card

		Benchmark Periods		CY 2015 Goals			CY 2017
Description	**Metric**	**FY 2012-13 Actual**	**CY 2014 Actual**	**Met or Exceeded Threshold**	**Met or Exceeded Target**	**Met or Exceeded Stretch**	**Met or Exceeded Threshold**
Customer satisfaction	Maintain or improve overall Customer Satisfaction score.	44%	Moderately Pleased (new questions - composite score)	55%	60%	65%	65%
Annual Enrollment service level agreements	Improve Annual Enrollment customer service SLAs.	65%	85% (100% for weeks 1 -3)	70%	75%	80%	80%
Member engagement	1. Increase in the average # of unique member registered users on TPA site per month 2. Increase in the average monthly usage of TPA's provider search and transparency tools 3. Increase in attendance at educational roadshows	1. 8,758 2. 1,081 3. 28,850	1. 10,005 2. 1,210 3. 6,080	1. 10,005 2. 1,210 3. 6,080	1. 10,105 2. 1,225 3. 6,688	1. 10,305 2. 1,237 3. 7,355	1. 10,305 2. 1,237 3. 7,355

Ensure Financial Stability Driving Factors



Green text indicates initiatives beginning in CY 2016

Ensure a Financially Stable Plan Sample Card

		Benchmark Periods		CY 2015 Goals			CY 2017
Strategic Initiative	**Goal Description**	**FY 2012-13 Actual**	**CY 2014 Actual**	**Met or exceeded threshold**	**Met or exceeded target**	**Met or exceeded stretch**	**Met or exceeded threshold**
Net income/loss	Net income/loss actual or above certified or authorized budget for plan year	+$197M variance	+ $151M variance	**Projected loss: $148M**			**Projected loss: $333M**
PMPM claims expenditures	PMPM claims expense at or below certified or authorized budget (as forecasted by actuaries) for plan year	7% lower ($314.72 actual vs. $335.32 projected	5% lower ($348.53 actual vs. $367.00 projected)	2% above – 8% below	1% above – 7% below	0% above – 6% below	0% above – 6% below
Member cost-sharing	% of total claims cost paid by members through copays, deductibles and coinsurance at or below benchmark	**Two plan options** Silver (76%) Silver/Gold (81%)	**Three Plan Options** Silver (77%) Gold (83%) Platinum (91%)	**Three Plan Options** Silver (77%) Gold (83%) Platinum (91%)	**Three Plan Options** Silver (76%) Gold (84%) Platinum (92%)	**Three Plan Options** Silver (76%) Gold (85%) Platinum (92.5%)	**Three Plan Options** Silver (72%) Gold (85%) Platinum (91.0%)

Sample Summary Score Card – Illustrative

Strategic Priority	Description	Below Threshold	Met or Exceeded Threshold	Met or Exceeded Target	Met or Exceeded Stretch	Annual Result (Unmet or Met)
Improve Members' Health	PCMH Utilization				X	Met
	Quality of Care			X		
	Worksite Wellness			X		
Improve Members' Experience	Customer satisfaction			X		Met
	Annual Enrollment service level agreements			X		
	Member engagement			X		
Ensure a Financially Stable State Health Plan	Net income/loss		X			Met
	PMPM claims expenditures			X		
	Member cost-sharing			x		

Next Steps

- Finalize CY 2015 and possibly CY 2017 goals
- Measure progress annually and adjust, as necessary
  - Many goals have significant external variables
- Identify areas of focus to achieve strategic goals

APPENDIX

Appendix: Description of Measures

- PCMH Measure: Provided by BCBSNC, the number of members who either selected a PCP (Enhanced 80/20 and CDHP) with PCMH recognition or can be attributed to a PCP through BCBSNC attribution model (Traditional 70/30)
- Quality of Care - Internal data mining:
  - Diabetes: Members meeting clinical standards of care (appendix for services)
  - Persistent Asthma: Using claims data for persistent asthma, will change with ICD-10 (appendix for definition)
  - Asthma ED Admissions: Based on site of service and primary diagnosis in claims data
  - Asthma IP Admissions: Based on site of service and primary diagnosis in claims data
- Wellness Champions: Program established in CY 2015 to increase worksite wellness and recruit dedicated champions

Appendix: Quality of Care Metrics

- **Diabetes**
  - Members identified using the HEDIS definition of diabetes
  - To be considered as receiving clinical standards of care, members must have received 4 different nationally recognized best practice clinical services
- **Persistent Asthma**
  - Members identified using the HEDIS definition of persistent asthma
  - To be considered as receiving clinical standards of care, members with persistent asthma must have received appropriate medication (HEDIS) and regular doctor visits in the past 12 months

Appendix: Quality of Care Metrics, con't.

- Asthma
  - Members are identified using a weakening of the HEDIS definition of persistent asthma.
    - Every member identified with persistent asthma will also fit the definition of asthma
    - Criteria developed in consultation with SHP clinical staff
  - A member is included in the population if s/he satisfies at least one of the following during the measurement year.
    - At least one ED visit with a primary diagnosis of asthma
    - At least one acute inpatient encounter with a primary diagnosis of asthma
    - At least two outpatient visits or observation visits on different dates of service with any diagnosis of asthma and at least one asthma medication dispensing event. Visit type need not be the same for the two visits.
    - At least two asthma medication dispensing events. A member identified as having asthma because of at least two asthma medication dispensing events, where leukotriene modifiers were the sole asthma medication dispensed that year, must also have at least one diagnosis of asthma during the same year as the leukotriene modifier.
  - Use rate is [# of visits w/primary dx of asthma]/[# of visits] for IP and ER

Appendix: Description of Measures

- **Net income/loss:** For the past few years the Plan has exceeded net income/loss projections by accruing more cash. In CY 2015 and the coming biennium the Plan will spend cash reserves down in lieu of premium increases; therefore, the strategic goal reflects a net loss in each of the next three years.
- **PMPM claims expenditures:** Claims expenditures drive a significant portion of Plan costs. Effectively forecasting these costs assists in maintaining benefits and addressing member needs.
- **Member cost-share:** The 2016 Board-approved plan design makes significant cost-share changes to the Traditional 70/30 and smaller changes to the CDHP. Additionally, members in the Enhanced 80/20 and CDHP have options to reduce their out-of-pocket costs through Plan engagement.