



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



## **CY 2014 1<sup>st</sup> Quarter Actuarial Forecast Update Modified Trend Scenario**

*Board of Trustees Meeting*

**May 30, 2014**

Forecast prepared by The Segal Company  
Final versions dated 5-16-14

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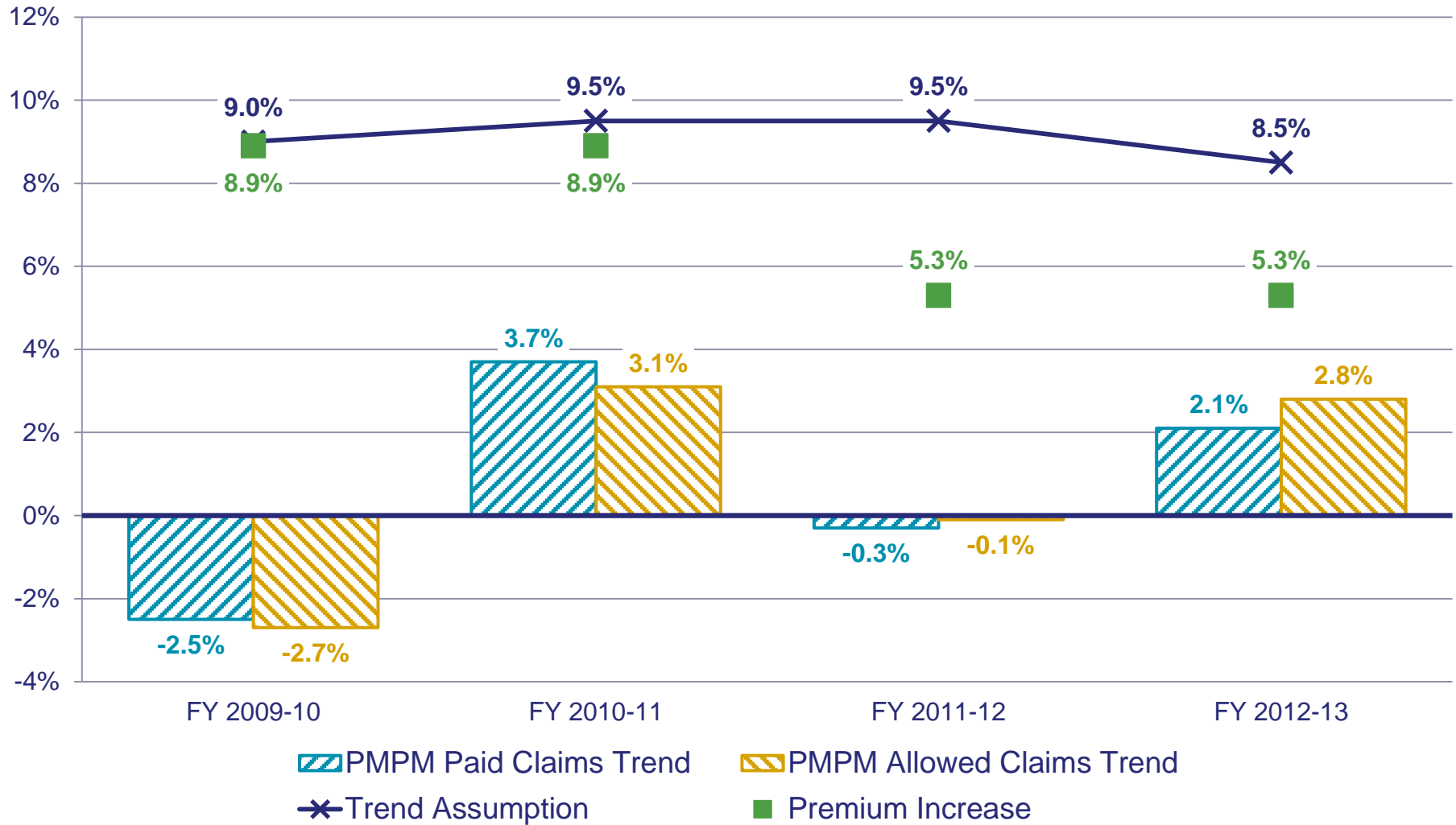
*A Division of the Department of State Treasurer*

# Presentation Overview

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- Comparison of the Plan's Trend Assumption to Actual Experience
  - Findings and Conclusion
- Updated Forecast for CY 2014 Using Revised Trend Assumption
- Summary Graphs
- Proposed Premium Freeze for 2015
  - Summary Graphs
- Summary and Outlook for 2015-2017 Fiscal Biennium

# Plan Results for FY 2009-10 to FY 2012-13



# PMPM Trend Factors:

## Active Employees and Non-Medicare Retirees

Trend Factor	Change from FY 2011-12 to FY 2012-13	Change from CY 2012 to CY 2013
Utilization	-4.3%	-4.0%
Price	6.5%	7.9%
<b>Allowed Claims Costs</b>	<b>1.9%</b>	<b>3.5%</b>
Cost Share	0.3%	3.7%
<b>Paid Claims Costs</b>	<b>2.2%</b>	<b>7.2%</b>

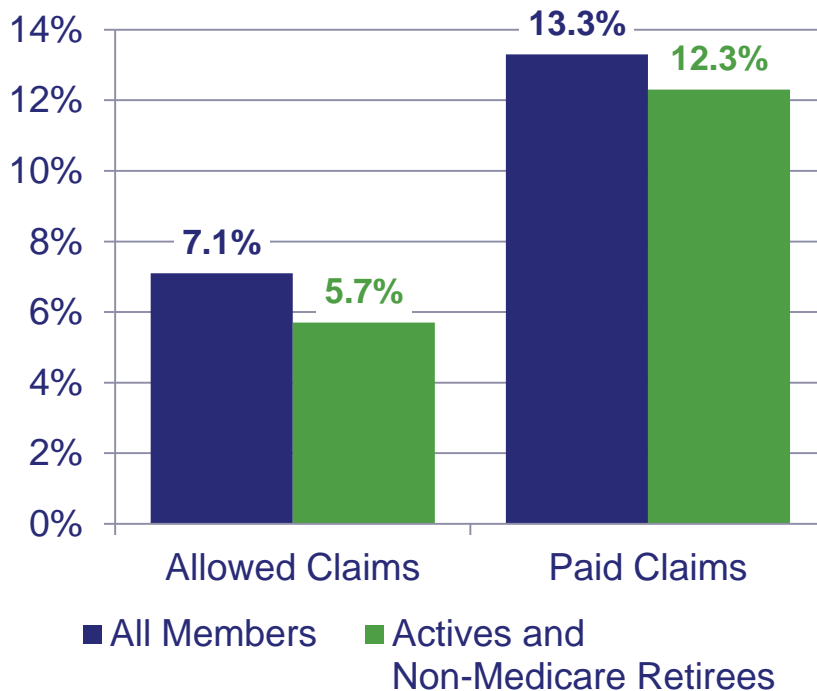
Source: The Segal Company

- Reductions in utilization have helped to reduce trends in allowed and paid claims.
- The trend due to cost share is high in CY 2013 because it included the second half of the FY 2012-13 Plan Year, when deductibles and out-of-pocket (OOP) maximums are more likely to have been met, and the Short Plan Year, when deductibles and OOP maximums were halved.
- The paid claims trends were below the 8.5% trend assumption in both time periods reviewed.

# FY 2013-14 Trends Through December 2013

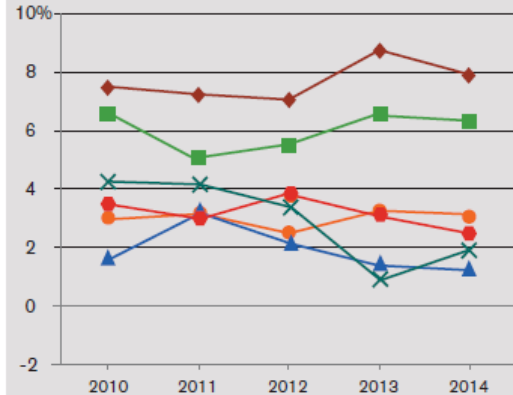
- Experience through December 2013 suggests higher trends for the current fiscal year
- Increases in paid claims are attributable to the Short Plan Year

**PMPM Trends for FY13-14**



## TREND AND CPI

Health benefit plan cost trend rates projected for 2014 show the slowest growth in 14 years of Segal trend forecasts



Health Plan Cost Trend, 2010-2012 Actual and 2013-2014 Projected  
Consumer Price Index (CPI) through February 2014

Sources: 2014 Segal Health Plan Cost Trend Survey

- The 2014 Segal Health Plan Cost Trend Survey projects Medical cost increases of 8% and Pharmacy cost increases of just over 6%
- Segal's actuaries note that the trend survey tends to be conservative

# Trend Review Findings and Conclusion

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## Findings:

- Trends in Plan paid costs for the four years prior to FY 2013-14 were very low and suggest a trend well below the current trend assumption of 8.5%
- Over the last 18-24 months, a decrease in utilization has offset growth in prices and reduced member cost sharing and has helped to constrain increases in Plan costs
- Trends in PMPM allowed claims have increased in the first half of FY 2013-14 from trends in prior fiscal years but are still less than 8.5%
- A conservative estimate of 2014 trend by insurance companies (the Segal survey) projects 8% for medical costs and just over 6% for pharmacy costs
- Risks to reducing the trend assumption:
  - Reductions in utilization may be unsustainable; prices have increased during recent measurement periods
  - PMPM claims trends have increased in the first half of FY 2013-14
  - There has been very little experience with new benefit designs and plan offerings
  - The economy, which is assumed to be one of the main causes for reduced medical expense trends, is improving

## Conclusion:

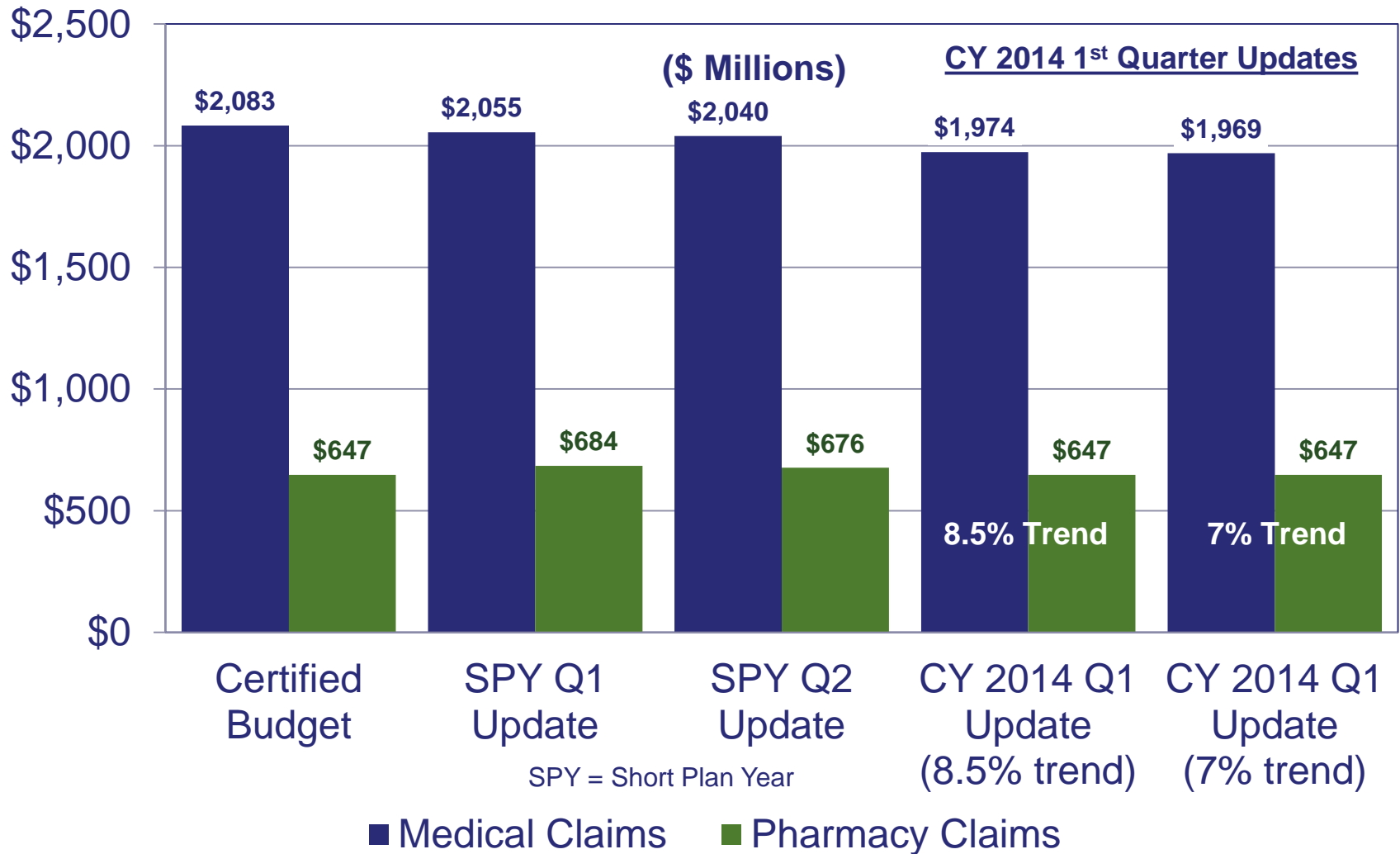
- Despite risks, recent experience supports a decrease in the trend assumption used in the forecasts
- **Decision:** Reduce the trend assumption to 7%

# Comparison of Models:

## Certified Budget vs. CY 2014 1<sup>st</sup> Quarter Update (7% trend)

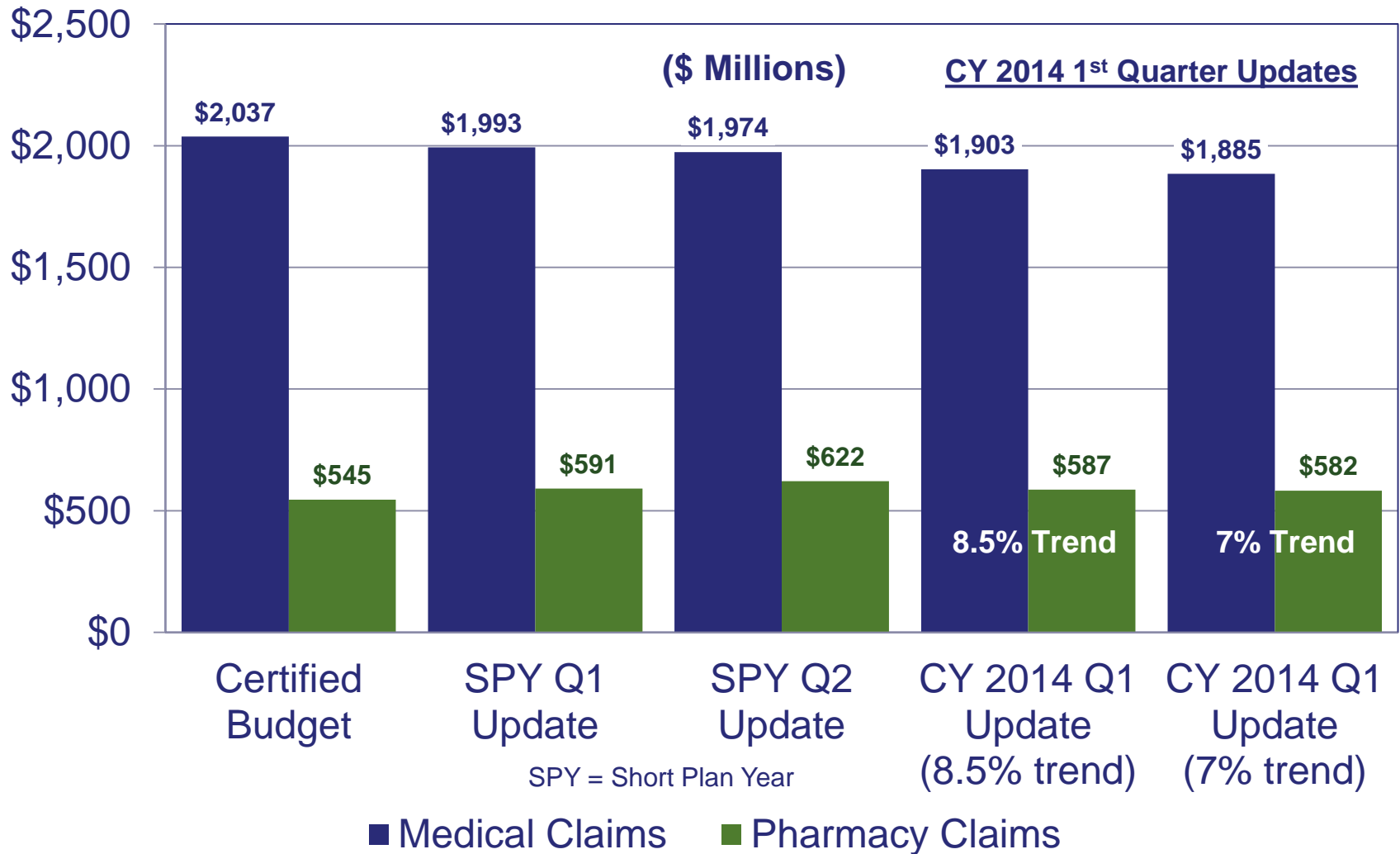
Calendar Year 2014	7% Trend CY 2014 Q1 Update (per Segal 05-16-14)	Certified Budget (per Segal 8-19-13)	Difference: Increase/ (Decrease) From Budget
<b>Beginning Cash Balance</b>	<b>\$838.5 m</b>	<b>\$695.0 m</b>	<b>\$143.5 m</b>
<b>Plan Revenue</b>	<b>\$2.985 b</b>	<b>\$2.961 b</b>	<b>\$24.0 m</b>
Net Claims Payments	\$2.467 b	\$2.582 b	(\$115.0 m)
Medicare Advantage Premiums	\$158.5 m	\$174.2 m	(\$15.7 m)
Net Admin. Expenses	\$180.3 m	\$179.8 m	\$0.5 m
<b>Total Plan Expenses</b>	<b>\$2.804 b</b>	<b>\$2.936 b</b>	<b>(\$130.2 m)</b>
<b>Net Income/(Loss)</b>	<b>\$178.8 m</b>	<b>\$24.6 m</b>	<b>\$154.2 m</b>
<b>Ending Cash Balance</b>	<b>\$1.017 b</b>	<b>\$719.6 m</b>	<b>\$297.6 m</b>
2016 & 2017 Premium Increases	0.00%	8.22%	(8.22%)
2018 & 2019 Premium Increases	16.86%	--	--

# Forecast Comparisons: Fiscal Year 2013-14 Claims



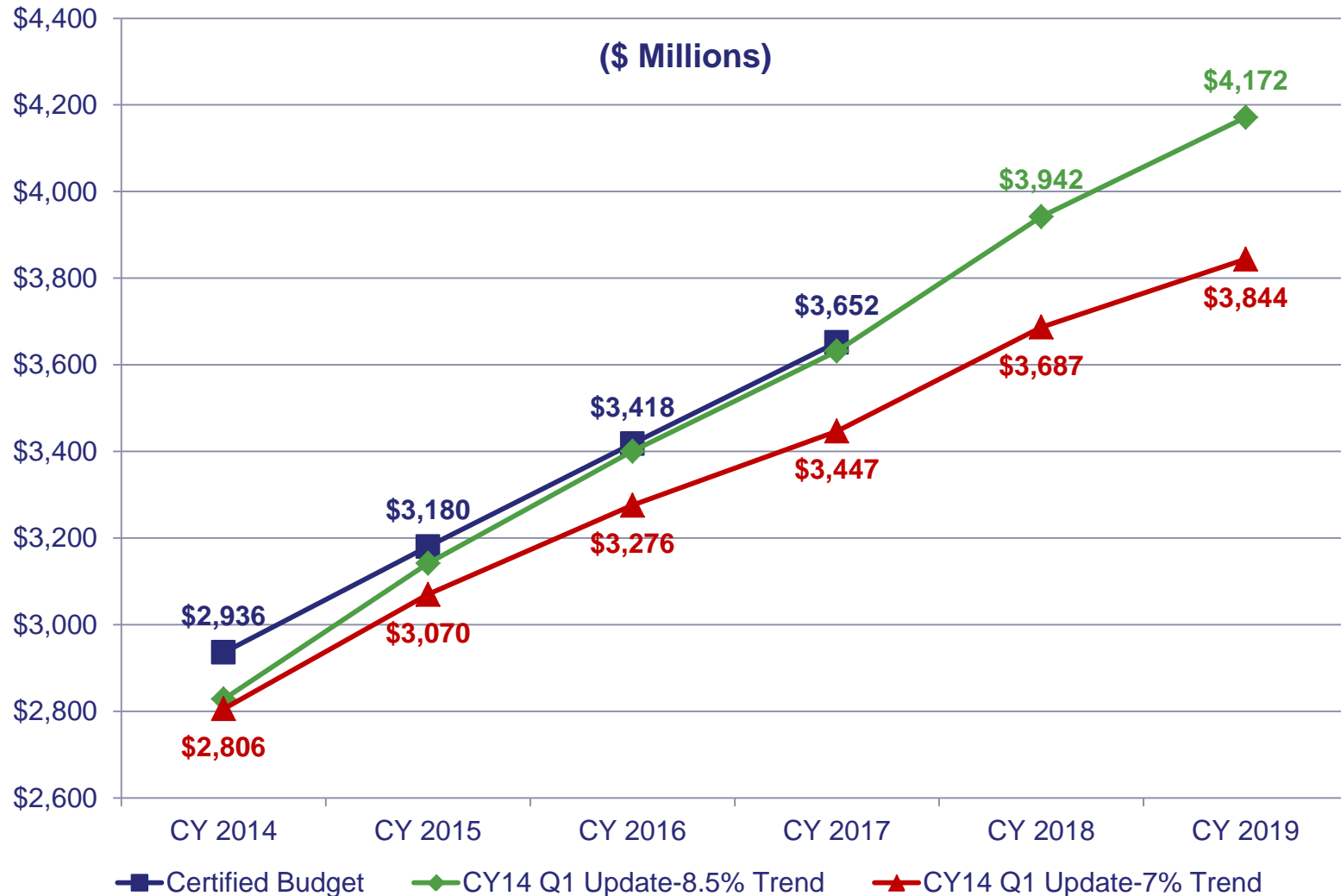


# Forecast Comparisons: Calendar Year 2014 Claims



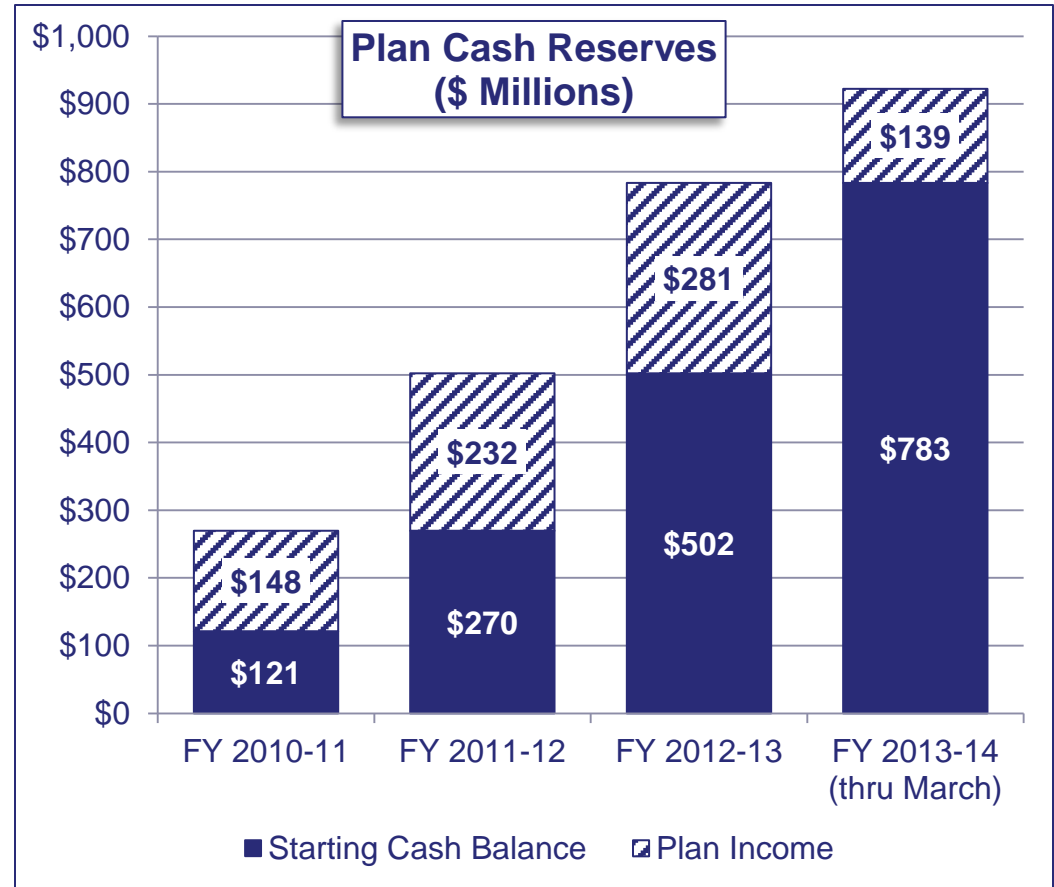
# Forecast Comparisons: Projected Plan Spending

## Certified Budget vs. CY 2014 1<sup>st</sup> Quarter Updates

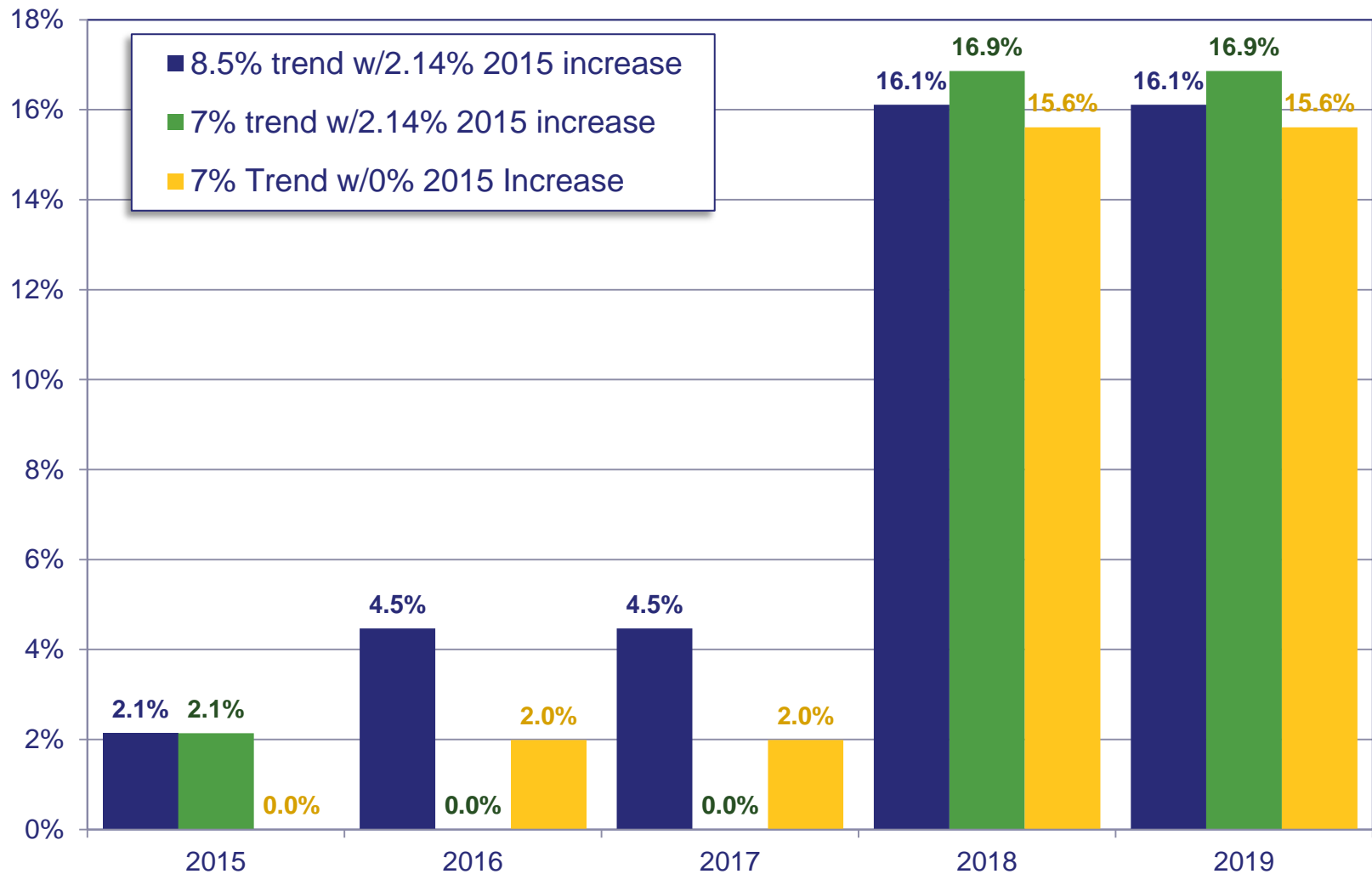


# Proposed 2015 Premium Freeze

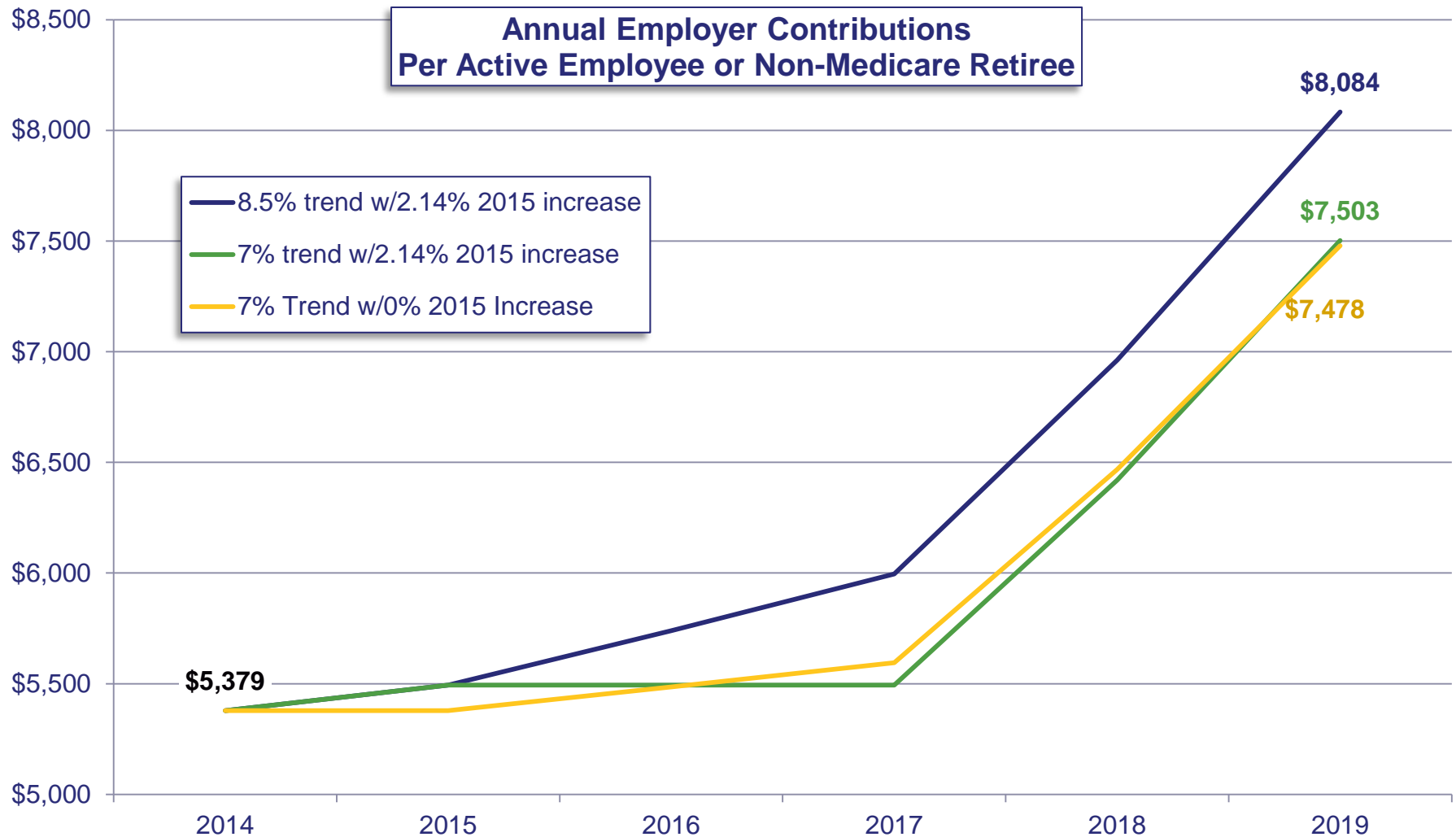
- On May 19<sup>th</sup>, the Treasurer sent a letter to General Assembly's Presiding Officers to inform them that she and the Board recommend forgoing the scheduled 2015 premium increase of 2.14%
- Reasons for the freeze:
  - Plan is on pace to spend \$250 less per member than budgeted for FY 2013-14
  - Projected Plan income for FY 2013-14 is about \$180 million
  - Plan and Segal have mutually agreed to reduce the trend assumption used in the forecast from 8.5% to 7%
  - Even with no increase in premiums for 2015, premium increases for 2016 and 2017 are expected to be less than 3% with the new trend assumption



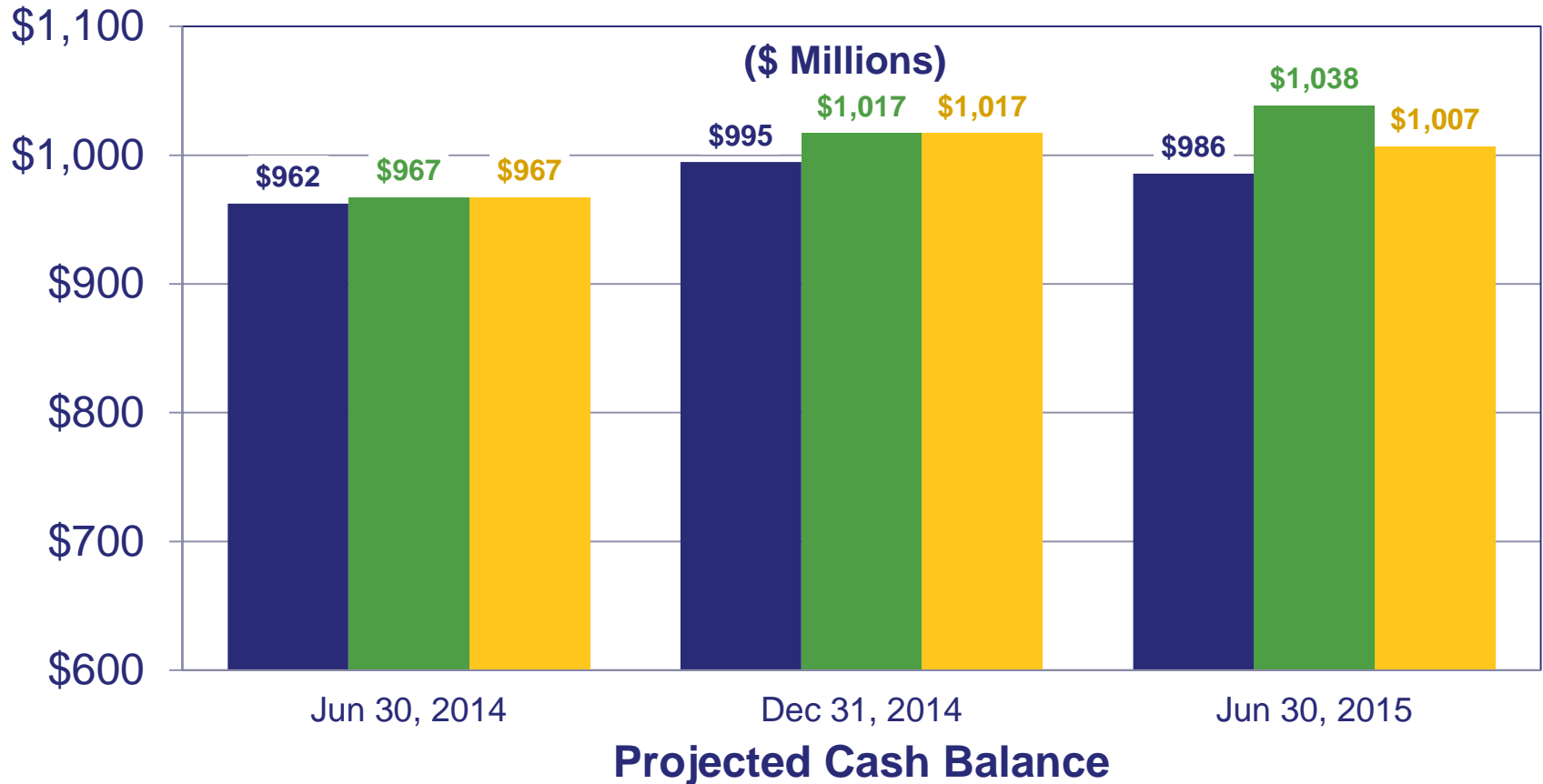
# Projected Premium Increases: CY 2014 1<sup>st</sup> Quarter Update Scenarios



# Estimated Employer Contributions: CY 2014 1<sup>st</sup> Quarter Update Scenarios



# Ending Cash Balances: CY 2014 1<sup>st</sup> Quarter Update Scenarios



■ 8.5% trend w/2.14% 2015 increase ■ 7% trend w/2.14% 2015 increase ■ 7% trend w/0% 2015 increase

# Summary/Impact on State Budget

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- Current Fiscal Biennium (2013-2015)
  - Relative to the Certified Budget, the CY 2014 1<sup>st</sup> Quarter Update with 7% trend projects **lower** medical claims costs and **higher** pharmacy claims costs for the biennium
  - With or without a 2015 increase in premiums, cash balance is projected to be more than \$1 billion by the end of the biennium (June 30, 2015).
    - More than \$350 million higher than the Certified Budget
    - Exceeds the 9.0% target reserve amount by about \$800 million
    - Equates to more than 16 weeks of FY 2015-16 projected operating expenses
  - *Assuming no increase in premiums for 2015* and no changes in the current benefit design, the CY 2014 1<sup>st</sup> Quarter Update projects a 1.99% premium increase for January 1 of each year of the 2015-17 biennium. This is **lower** than the Certified Budget projection (8.22%)

# Key Takeaways

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- After reviewing the relevant data, Plan staff and Segal actuaries made a decision to lower the trend assumption used in the forecast to 7%
- Noting increasing reserves and continued good experience, the Treasurer has recommended that the General Assembly re-allocate \$23 million in State funds designated for the Plan to other purposes
- Premium increases for 2016 and 2017 look to be relatively low
- The Board will need to continue its pursuit of long-term cost reduction strategies to keep premium increases down for 2018 and 2019



# 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				Projection Calendar 2017 Jul-Dec
	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	
<b>PLAN INCOME:</b>											
Net Contribution Income	2,750,368,851	2,865,761,803	1,442,578,008	1,490,952,575	1,487,864,429	1,516,588,534	1,513,510,299	1,634,808,643	1,631,357,328	1,761,956,879	1,758,528,795
EGWP/PDP Spouse Premium Reduction	(1,244,865)	(1,244,865)	(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)	(5,988,730)	(6,018,589)	(6,046,598)	(6,076,755)	(6,107,063)
MA Buy-up Premium				10,940,679	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)	(815,079)	(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)	(7,125,180)
Medicare Part D	57,583,802	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
<b>Total Plan Income</b>	<b>2,852,680,163</b>	<b>2,958,251,928</b>	<b>1,475,938,129</b>	<b>1,484,595,416</b>	<b>1,476,076,792</b>	<b>1,496,153,788</b>	<b>1,492,341,023</b>	<b>1,649,755,238</b>	<b>1,645,792,386</b>	<b>1,780,504,456</b>	<b>1,776,386,545</b>
<b>PLAN EXPENSE:</b>											
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	1,130,886,863	1,298,249,706	1,217,598,950	1,400,256,154	1,312,797,082
Claim Refunds	(22,634,615)	(23,855,443)	(12,080,684)	(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			1,695,794	3,370,442	3,144,191	3,641,824	3,428,393	3,936,466	3,861,922	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	17,400,893
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)	(5,762,600)	(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	6,800,242	(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	1,280,102,988	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)	(32,807,518)	(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	11,406,548	(10,470,311)	12,325,781	(12,201,284)	12,627,650	(13,188,116)	13,647,580
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)	(183,256,437)
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	122,581
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	233,624,638	310,922,331	232,264,620	334,847,983	287,664,597	321,199,692	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	164,605,404	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	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	<b>2,620,288,904</b>	<b>2,704,749,905</b>	<b>1,536,712,490</b>	<b>1,462,748,331</b>	<b>1,473,333,678</b>	<b>1,574,360,269</b>	<b>1,606,482,275</b>	<b>1,723,209,141</b>	<b>1,694,581,874</b>	<b>1,837,277,042</b>	<b>1,814,291,579</b>
Plan Income (Loss)	232,391,259	253,502,023	(60,774,360)	21,847,084	2,743,114	(78,208,481)	(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 Q1 Update

## 8.5% Trend

### Page 1

(Segal 5-16-14)

#### North Carolina State Health Plan Financial Projections - Mar 2014 Trends - 8.5% Medical & 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

	2012 - 2013 Biennium		Actual Short Plan Year Jul- Dec 2013	Projection Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019
	Actual FY 2012	Actual FY 2013							
<b>PLAN INCOME:</b>									
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	3,028,890,369	3,128,803,824	3,481,139,560	3,605,236,066	4,275,034,734	4,865,853,386
EGWP/PDP Spouse Premium Reduction	-	-	-	-	-	-	-	-	-
MA Spouse Premium Reduction	-	-	-	-	-	-	-	-	-
MA Buy-up Premium	-	-	-	-	-	-	-	-	-
Medicare Advantage Subsidy	-	-	-	152,149	-	-	-	-	-
Health care Reform ERRP	42,163,391	(558,219)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(1,147,810)	(1,564,402)	(1,740,570)	(1,802,618)	(2,137,517)	(2,432,927)
Wellness Credit	-	-	-	(86,126,836)	(115,224,546)	(336,893,892)	(333,629,435)	(486,724,546)	(486,445,952)
Premium Reduction due to Movement	-	-	-	-	(9,808,137)	(4,684,389)	(7,458,634)	(10,854,215)	(13,682,766)
Medicare Part D	57,583,802	38,056,016	(1,323,888)	14,528,165	6,332,844	6,617,822	6,915,624	7,226,827	7,552,035
EGWP+Wrap	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,202,822	572,152	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	23,747,921	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	31,734,272	-	-	-	-
Total	-	24,435,483	37,082,587	24,320,074	31,734,272	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,013,866	3,918,968	3,125,545	1,868,283	947,440	1,121,086
<b>Total Plan Income</b>	<b>2,852,680,163</b>	<b>2,960,048,314</b>	<b>1,539,900,247</b>	<b>2,984,630,376</b>	<b>3,044,192,823</b>	<b>3,147,764,077</b>	<b>3,271,129,287</b>	<b>3,783,492,723</b>	<b>4,371,964,862</b>
<b>PLAN EXPENSE:</b>									
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,998,101,810	2,237,889,787	2,414,753,829	2,604,241,245	2,866,910,701	3,040,400,426
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(23,670,288)	(26,647,267)	(28,839,018)	(30,896,629)	(33,430,454)	(36,239,211)
Dental & MHSA Enhancement	-	-	-	4,999,489	7,206,440	7,873,090	8,490,897	9,347,307	9,912,955
Medicare Advantage Claims Reduction	-	-	-	(78,444,877)	(115,388,404)	(126,448,382)	(138,568,460)	(151,850,247)	(166,405,093)
Calendar Year Adjustments	-	-	-	4,650,956	4,202,852	2,413,200	2,618,322	2,840,879	3,082,354
Preventative at 100% in Standard Plan	-	-	-	20,115,500	29,469,993	49,702,888	55,224,139	60,822,061	64,365,380
Wellness Comply Savings	-	-	-	(2,518,767)	(8,952,914)	(24,669,813)	(43,903,034)	(47,586,599)	(51,953,092)
Claims Reduction due to Movement	-	-	-	(22,567,495)	(30,328,293)	(14,443,883)	(19,442,907)	(28,102,594)	(38,731,934)
Limited Network Savings	-	-	-	705,306	924,795	1,517,412	1,396,118	1,252,501	1,076,509
PCP Copay Waiver	-	-	-	7,958,584	270,005	(10,422,866)	(32,068,571)	(55,361,216)	(80,571,041)
Essential Health Benefits/MH Parity	-	-	-	3,019,428	4,268,927	4,631,786	5,025,488	5,532,369	5,867,158
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,903,047,735	2,103,035,923	2,276,068,423	2,412,116,608	2,630,374,708	2,752,804,391
Medicare Advantage Premiums	-	-	-	158,450,497	193,034,335	232,276,427	275,487,271	316,071,947	360,888,456
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	845,130,445	937,199,494	1,012,785,871	1,094,635,194	1,183,200,557	1,279,041,944
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(95,427,102)	(58,014,645)	(52,771,544)	(54,584,811)	(53,476,984)	(55,443,564)
Calendar Year Adjustments	-	-	-	6,343,463	1,893,300	435,501	471,369	510,239	552,367
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	756,046,806	881,078,150	960,449,828	1,040,521,953	1,130,233,812	1,224,150,747
MA-PDP Claims Reduction	-	-	-	(170,560,776)	(251,548,637)	(275,659,573)	(302,081,544)	(331,036,080)	(362,765,866)
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips	-	-	-	1,193,853	1,663,411	1,797,567	1,942,839	2,100,032	2,270,138
HB 675 - Pharmacy Audit Changes	-	-	-	158,587	208,438	225,249	243,452	263,150	284,465
Specialty Pharmacy Tier	-	-	-	(202,159)	(292,000)	(336,000)	(388,000)	(417,231)	(451,027)
Total Pharmacy Claims	628,032,853	682,777,709	393,069,298	586,606,311	631,109,362	686,477,071	740,240,701	801,143,703	863,488,457
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,648,104,543	2,927,179,620	3,194,821,920	3,427,844,580	3,747,560,358	3,976,981,304
Administrative Costs	165,480,561	161,401,839	69,548,737	180,329,844	179,809,572	184,837,659	189,649,870	194,604,037	194,527,688
ACA Reinsurance Fee	-	-	-	-	34,632,846	21,036,454	14,201,632	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	<b>2,620,288,904</b>	<b>2,678,807,839</b>	<b>1,484,941,057</b>	<b>2,828,434,388</b>	<b>3,141,622,038</b>	<b>3,400,699,034</b>	<b>3,631,696,082</b>	<b>3,942,194,395</b>	<b>4,171,508,992</b>
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	156,195,988	(97,429,216)	(252,934,957)	(360,566,794)	(158,701,671)	200,455,870
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	994,643,125	897,213,909	644,278,952	283,712,158	125,010,486
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	994,643,125	897,213,909	644,278,952	283,712,158	125,010,486	325,466,356
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	211,620,594	246,073,078	266,629,094	283,712,158	308,836,657	325,466,356
7.5%	7.5%	8.0%	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	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase
Premium Increase:	5.3%	5.3%		3.57%	2.14%	4.47%	4.47%	16.11%	16.11%

## 8.5% Trend

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## North Carolina State Health Plan

## Financial Projections - Mar 2014

## Trends - 8.5% Medical &amp; Pharmacy

Board Approved Wellness Incentives - Active 70/30 Unchanged thru 2015 only, Retirees 70/30 Unchanged

With MA &amp; PDP, With Essential Health Benefits &amp; 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 FY 2015	Projection FY 2016	Projection FY 2017	Projection FY 2018	Projection FY 2019
<b>PLAN INCOME:</b>										
Net Contribution Income	2,413,877,944	2,694,814,172	2,750,368,851	2,895,366,140	2,994,394,148	3,103,079,247	3,305,254,358	3,543,210,326	3,940,507,313	4,570,671,983
EGWP/PDP Spouse Premium Reduction	-	-	-	-	-	-	-	-	-	-
MA Spouse Premium Reduction	-	-	-	-	-	-	-	-	-	-
MA Buy-up Premium	-	-	-	-	-	-	-	-	-	-
Medicare Advantage Subsidy	-	-	-	-	152,149	-	-	-	-	-
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	-	-	-	-	-
Retro Disenrollments	(1,310,148)	(1,281,584)	(451,496)	(487,819)	(656,611)	(1,551,540)	(1,652,627)	(1,771,605)	(1,970,254)	(2,285,336)
Wellness Credit	-	-	-	-	(28,759,106)	(115,080,257)	(226,204,540)	(335,157,115)	(410,339,598)	(486,584,965)
Premium Reduction due to Movement	-	-	-	-	-	(4,919,289)	(7,237,917)	(6,074,488)	(9,158,848)	(12,271,619)
Medicare Part D	74,357,704	66,276,535	57,583,802	38,056,016	10,355,829	6,276,386	6,487,102	6,779,021	7,084,077	7,402,861
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	-	-	24,435,483	25,774,974	-	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	35,627,686	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	31,734,272	-	-	-	-
Total	-	-	-	24,435,483	61,402,661	31,734,272	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,839,168	4,026,509	3,592,708	2,552,944	1,282,719	887,099
<b>Total Plan Income</b>	<b>2,490,457,950</b>	<b>2,797,969,020</b>	<b>2,852,680,163</b>	<b>2,960,048,314</b>	<b>3,040,728,238</b>	<b>3,023,565,328</b>	<b>3,080,239,084</b>	<b>3,209,539,103</b>	<b>3,527,405,410</b>	<b>4,077,820,022</b>
<b>PLAN EXPENSE:</b>										
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	2,036,106,807	2,147,853,708	2,331,246,792	2,512,766,161	2,715,840,904	2,926,017,901
Claim Refunds	(31,016,831)	(24,723,681)	(22,634,615)	(23,467,914)	(22,138,601)	(25,414,481)	(27,793,356)	(29,749,020)	(32,360,630)	(34,655,800)
Dental & MHSA Enhancement	-	-	-	-	1,754,883	7,002,888	7,600,823	8,192,650	8,854,757	9,540,021
Medicare Advantage Claims Reduction	-	-	-	-	(25,666,010)	(110,329,549)	(120,904,637)	(132,493,346)	(145,192,833)	(159,109,567)
Calendar Year Adjustments	-	-	-	-	(18,090,285)	(380,241)	830,264	900,809	977,443	1,080,525
Preventative at 100% in Standard Plan	-	-	-	-	6,854,749	28,259,422	39,036,399	53,276,346	57,532,424	61,929,190
Wellness Comply Savings	-	-	-	-	(828,478)	(6,107,341)	(16,704,734)	(34,154,969)	(45,720,880)	(49,740,728)
Claims Reduction due to Movement	-	-	-	-	(7,525,283)	(30,174,831)	(22,157,948)	(16,836,015)	(23,653,924)	(32,262,373)
Limited Network Savings	-	-	-	-	237,351	936,304	1,228,091	1,460,151	1,328,348	1,169,261
PCP Copay Waiver	-	-	-	-	2,631,058	5,519,195	(4,975,565)	(21,046,701)	(43,500,701)	(67,734,584)
Essential Health Benefits/MH Parity	-	-	-	-	1,059,857	4,158,427	4,460,159	4,835,394	5,240,845	5,646,430
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,973,796,047	2,021,323,499	2,191,866,918	2,347,151,519	2,499,345,752	2,661,860,276
Medicare Advantage Premiums	-	-	-	-	79,548,716	175,178,855	212,806,572	253,828,104	295,729,130	338,324,708
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	800,006,086	899,260,836	1,011,149,558	1,053,411,000	1,138,592,756	1,230,768,323
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(62,245,116)	(69,163,011)	(51,882,887)	(53,669,341)	(52,521,684)	(54,450,781)
Calendar Year Adjustments	-	-	-	-	(5,291,967)	954,722	128,642	(570,171)	(616,799)	(687,300)
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	702,469,003	831,052,546	959,393,513	999,171,487	1,085,454,274	1,175,650,242
MA-PDP Claims Reduction	-	-	-	-	(55,531,971)	(240,520,250)	(263,574,116)	(268,837,695)	(316,522,788)	(346,861,498)
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips	-	-	-	-	358,984	1,596,075	1,794,663	1,869,672	2,020,859	2,184,459
HB 675 - Pharmacy Audit Changes	-	-	-	-	53,972	200,000	224,885	234,284	253,229	273,729
Specialty Pharmacy Tier	-	-	-	-	(60,788)	(274,995)	(325,193)	(360,820)	(401,501)	(434,004)
Total Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	647,289,201	592,053,375	697,513,751	712,076,928	770,804,072	830,812,927
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,700,633,964	2,788,555,728	3,101,987,242	3,313,056,551	3,565,878,954	3,830,997,612
Administrative Costs	164,649,780	165,902,094	165,480,561	161,401,639	161,213,637	177,151,548	182,468,094	187,208,529	192,090,617	197,116,670
ACA Reinsurance Fee	-	-	-	-	-	34,632,846	21,039,454	14,201,632	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	<b>2,558,874,969</b>	<b>2,649,596,838</b>	<b>2,620,288,904</b>	<b>2,678,807,839</b>	<b>2,861,847,600</b>	<b>3,000,340,123</b>	<b>3,305,492,790</b>	<b>3,514,466,711</b>	<b>3,757,969,570</b>	<b>4,028,114,882</b>
<b>Plan Income (Loss)</b>	<b>(68,417,019)</b>	<b>148,372,182</b>	<b>232,391,259</b>	<b>281,240,475</b>	<b>178,880,637</b>	<b>23,225,205</b>	<b>(225,253,707)</b>	<b>(304,927,609)</b>	<b>(230,564,161)</b>	<b>49,705,141</b>
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	962,368,583	985,593,789	760,340,082	455,412,473	224,848,313
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	962,368,583	985,593,789	760,340,082	455,412,473	224,848,313	274,553,453
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	201,392,496	222,792,246	235,203,919	260,044,260	275,330,560	294,313,484	314,340,588
<b>7/1 Increase</b>	<b>8.9%</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>
Premium Increase:	8.9%	8.9%	5.3%	5.3%	3.57%	2.14%	4.47%	4.47%	16.11%	16.11%



CY 2014 Q1 Update 7%  
Trend  
2015 Premium Increase  
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North Carolina State Health Plan  
Financial Projections - Mar 2014  
Trends - 7.0% Medical & 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

	2012 - 2013 Biennium		Actual Short Plan Year Jul- Dec 2013	Projection Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019
	Actual FY 2012	Actual FY 2013							
<b>PLAN INCOME:</b>									
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	3,028,890,369	3,128,803,824	3,347,179,776	3,332,384,098	3,981,723,320	4,552,511,955
EGWP/PDP Spouse Premium Reduction	-	-	-	-	-	-	-	-	-
MA Spouse Premium Reduction	-	-	-	-	-	-	-	-	-
MA Buy-up Premium	-	-	-	152,149	-	-	-	-	-
Medicare Advantage Subsidy	-	-	-	-	-	-	-	-	-
Health care Reform ERRP	42,163,391	(558,219)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(1,147,810)	(1,564,402)	(1,673,590)	(1,686,192)	(1,990,862)	(2,276,256)
Wellness Credit	-	-	-	(86,126,636)	(115,224,546)	(336,693,892)	(333,629,435)	(486,724,546)	(486,445,952)
Premium Reduction due to Movement	-	-	-	-	(9,808,137)	(4,084,389)	(7,458,634)	(10,854,215)	(13,682,766)
Medicare Part D	57,583,802	38,056,016	(1,323,888)	14,528,165	6,332,844	6,617,822	6,915,624	7,226,827	7,552,035
EGWP+Wrap	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,202,822	572,152	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	23,747,921	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	31,734,272	-	-	-	-
Total	-	24,435,483	37,082,587	24,320,074	31,734,272	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,041,748	4,137,497	3,471,636	2,022,452	844,859	962,454
<b>Total Plan Income</b>	<b>2,852,680,163</b>	<b>2,960,048,314</b>	<b>1,639,900,247</b>	<b>2,984,658,258</b>	<b>3,044,411,352</b>	<b>3,014,217,363</b>	<b>2,968,567,914</b>	<b>3,490,225,384</b>	<b>4,058,621,469</b>
<b>PLAN EXPENSE:</b>									
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,979,602,158	2,184,208,528	2,324,420,826	2,472,275,309	2,683,773,310	2,806,548,981
Claim Refunds	(22,634,815)	(23,467,914)	(10,834,378)	(23,512,811)	(26,063,669)	(27,817,870)	(29,390,896)	(31,362,323)	(33,526,926)
Dental & MSHA Enhancement	-	-	-	4,985,330	7,187,968	7,049,419	8,135,961	8,831,976	9,236,016
Medicare Advantage Claims Reduction	-	-	-	(77,883,872)	(112,977,782)	(122,095,089)	(131,948,183)	(142,596,390)	(154,103,907)
Calendar Year Adjustments	-	-	-	(4,650,656)	4,202,852	2,532,821	2,710,118	2,899,828	3,102,814
Preventative at 100% in Standard Plan	-	-	-	19,866,393	28,788,927	47,828,125	52,422,083	56,932,443	59,409,530
Wellness Comply Savings	-	-	-	(2,518,707)	(8,952,914)	(24,669,613)	(43,903,034)	(47,588,599)	(51,953,032)
Claims Reduction due to Movement	-	-	-	(22,567,495)	(30,328,293)	(14,443,883)	(19,442,907)	(28,102,594)	(36,731,934)
Limited Network Savings	-	-	-	607,475	921,683	1,535,379	1,448,328	1,352,580	1,241,340
PCP Copay Waiver	-	-	-	7,981,392	507,478	(9,792,633)	(30,422,187)	(52,310,237)	(75,668,503)
Essential Health Benefits/MH Parity	-	-	-	3,010,876	4,209,910	4,504,603	4,819,926	5,232,260	5,471,622
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,885,006,924	2,051,704,688	2,189,662,085	2,286,704,549	2,457,064,262	2,533,025,941
Medicare Advantage Premiums	-	-	-	158,450,497	186,791,195	218,708,064	253,369,052	285,527,073	320,397,357
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	839,182,293	917,539,888	978,010,226	1,042,435,439	1,111,199,721	1,184,602,221
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(65,427,102)	(58,014,845)	(52,771,544)	(54,584,611)	(53,476,984)	(55,443,564)
Calendar Year Adjustments	-	-	-	6,228,977	1,756,690	322,600	344,490	367,901	392,941
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	749,984,168	861,281,933	925,561,282	988,195,319	1,058,060,638	1,129,551,599
MA-PDP Claims Reduction	-	-	-	(169,024,224)	(245,794,445)	(265,630,057)	(287,066,403)	(310,232,661)	(335,268,437)
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips	-	-	-	1,191,683	1,640,061	1,748,149	1,863,306	1,988,219	2,117,422
HB 675 - Pharmacy Audit Changes	-	-	-	158,806	206,898	220,533	235,061	250,566	267,118
Specialty Pharmacy Tier	-	-	-	(201,792)	(292,000)	(336,000)	(389,000)	(411,463)	(438,642)
Total Pharmacy Claims	628,032,853	682,777,709	393,069,298	582,108,841	617,042,446	661,563,907	702,841,283	749,683,299	796,229,059
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,625,569,062	2,855,538,329	3,069,934,056	3,242,914,885	3,492,274,635	3,649,652,357
Administrative Costs	165,480,561	161,401,639	69,548,737	180,329,844	179,809,572	184,837,659	189,649,870	194,604,037	194,527,688
ACA Reinsurance Fee	-	-	-	-	34,632,846	21,039,454	14,201,632	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	<b>2,620,288,904</b>	<b>2,678,807,839</b>	<b>1,484,941,057</b>	<b>2,805,898,907</b>	<b>3,069,980,747</b>	<b>3,275,811,170</b>	<b>3,446,766,386</b>	<b>3,686,878,671</b>	<b>3,844,180,045</b>
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	178,759,352	(25,569,395)	(261,593,807)	(448,198,472)	(196,653,288)	214,441,424
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,017,206,488	991,637,093	730,043,286	281,844,814	85,191,526
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,017,206,488	991,637,093	730,043,286	281,844,814	85,191,526	299,632,950
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	209,705,078	240,187,242	256,610,339	269,059,125	288,607,281	299,632,950
7.5%	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%
<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>	<b>7/1 Increase</b>
Premium Increase:	5.3%	5.3%		3.57%	2.14%	0.00%	0.00%	16.86%	16.86%

CY 2014 Q1 Update 7%  
Trend  
2015 Premium Increase  
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North Carolina State Health Plan  
Financial Projections - Mar 2014  
Trends - 7.0% Medical & 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
<b>PLAN INCOME:</b>										
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,366,140	2,994,394,148	3,103,079,247	3,238,209,159	3,339,739,649	3,657,419,018	4,267,339,617
EGWP/PDP Spouse Premium Reduction	-	-	-	-	-	-	-	-	-	-
MA Spouse Premium Reduction	-	-	-	-	-	-	-	-	-	-
MA Buy-up Premium	-	-	-	-	-	-	-	-	-	-
Medicare Advantage Subsidy	-	-	-	-	152,149	-	-	-	-	-
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	-	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(487,819)	(656,611)	(1,551,540)	(1,619,105)	(1,669,870)	(1,828,710)	(2,133,670)
Wellness Credit	-	-	-	-	(28,759,106)	(115,080,257)	(226,204,540)	(335,157,115)	(410,339,598)	(486,584,985)
Premium Reduction due to Movement	-	-	-	-	-	(4,919,289)	(7,237,917)	(6,074,468)	(9,158,848)	(12,271,619)
Medicare Part D	74,357,704	66,276,535	57,583,602	38,056,016	10,355,829	6,276,386	6,487,102	6,779,021	7,084,077	7,402,861
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	-	-	24,435,483	25,774,974	-	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	35,627,686	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	31,734,272	-	-	-	-
Total	-	-	-	24,435,483	61,402,661	31,734,272	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,841,399	4,125,046	3,914,998	2,842,413	1,285,591	728,433
<b>Total Plan Income</b>	<b>2,490,457,950</b>	<b>2,797,969,020</b>	<b>2,852,680,163</b>	<b>2,960,048,314</b>	<b>3,040,730,488</b>	<b>3,023,663,885</b>	<b>3,013,549,698</b>	<b>3,006,459,631</b>	<b>3,244,461,531</b>	<b>3,774,480,657</b>
<b>PLAN EXPENSE:</b>										
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	2,031,399,679	2,110,125,213	2,258,871,190	2,401,194,294	2,559,461,067	2,719,469,947
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,615)	(23,467,914)	(22,122,851)	(25,031,080)	(26,996,014)	(28,496,836)	(30,569,315)	(32,284,772)
Dental & MHSA Enhancement	-	-	-	-	1,755,792	6,944,169	7,433,674	7,902,042	8,422,879	8,949,449
Medicare Advantage Claims Reduction	-	-	-	-	(25,482,995)	(108,749,048)	(117,525,096)	(127,009,371)	(137,259,027)	(148,335,831)
Calendar Year Adjustments	-	-	-	-	(18,690,285)	(380,241)	1,229,251	1,315,299	1,407,370	1,505,885
Preventative at 100% in Standard Plan	-	-	-	-	6,791,651	27,757,947	37,790,909	50,912,121	54,221,153	57,559,180
Wellness Comply Savings	-	-	-	-	(828,478)	(6,107,341)	(16,704,734)	(34,154,969)	(45,720,880)	(49,740,728)
Claims Reduction due to Movement	-	-	-	-	(7,525,283)	(30,174,831)	(22,157,948)	(18,836,015)	(23,653,924)	(32,282,373)
Limited Network Savings	-	-	-	-	234,352	928,583	1,233,896	1,493,754	1,402,670	1,299,491
PCP Copay Waiver	-	-	-	-	2,639,241	5,633,674	(4,563,789)	(19,954,086)	(41,203,468)	(63,815,910)
Essential Health Benefits/MH Parity	-	-	-	-	1,000,406	4,126,087	4,366,463	4,668,285	4,999,902	5,301,854
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,969,231,229	1,985,073,152	2,122,977,802	2,241,034,517	2,351,498,427	2,467,646,193
Medicare Advantage Premiums	-	-	-	-	79,548,716	172,065,050	202,709,932	235,995,447	269,408,065	302,918,843
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	798,951,591	886,950,308	983,315,106	1,010,095,422	1,076,680,795	1,147,754,108
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(92,245,116)	(69,163,011)	(51,882,687)	(53,669,341)	(52,521,684)	(54,450,781)
Calendar Year Adjustments	-	-	-	-	(5,268,655)	1,001,134	191,276	(471,571)	(503,150)	(536,892)
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	701,439,820	819,788,431	931,623,696	955,954,510	1,023,655,961	1,092,766,434
MA-PDP Claims Reduction	-	-	-	-	(55,021,320)	(236,594,411)	(255,687,580)	(276,321,568)	(298,620,718)	(322,719,410)
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips	-	-	-	-	359,644	1,585,383	1,757,631	1,805,499	1,924,518	2,051,558
HB 675 - Pharmacy Audit Changes	-	-	-	-	53,842	200,000	221,729	242,768	242,783	258,809
Specialty Pharmacy Tier	-	-	-	-	(60,900)	(275,019)	(325,266)	(380,906)	(398,681)	(424,998)
Total Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	646,771,087	583,704,384	677,590,211	681,305,305	726,803,863	771,932,393
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,695,551,032	2,740,842,586	3,003,277,945	3,158,335,269	3,347,710,355	3,542,497,429
Administrative Costs	164,649,780	165,902,094	165,480,561	161,401,639	161,213,637	177,151,548	182,466,094	187,208,529	192,090,617	197,116,970
ACA Reinsurance Fee	-	-	-	-	-	34,832,846	21,039,454	14,201,632	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	<b>2,558,874,969</b>	<b>2,649,596,838</b>	<b>2,620,288,904</b>	<b>2,678,807,839</b>	<b>2,856,764,669</b>	<b>2,952,626,981</b>	<b>3,206,783,493</b>	<b>3,359,745,430</b>	<b>3,539,800,972</b>	<b>3,739,614,400</b>
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	281,240,475	183,965,799	71,036,885	(193,233,796)	(353,285,799)	(295,339,441)	34,866,257
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	967,453,745	1,038,490,630	845,256,835	491,971,036	196,631,595
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	967,453,745	1,038,490,630	845,256,835	491,971,036	196,631,595	231,497,852
Target Stabilization Reserve	179,566,889	188,277,106	184,110,626	201,392,496	222,360,197	231,189,978	252,051,121	263,010,584	277,047,206	291,562,073
	7.5%	8.0%	8.0%	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	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase
	8.9%	8.9%	5.3%	5.3%	3.57%	2.14%	0.00%	0.00%	16.86%	16.86%

Premium Increase:

## Trend

No 2015 Premium Increase

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North Carolina State Health Plan  
Financial Projections - Mar 2014  
Trends - 7.0% Medical & 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

	2012 - 2013 Biennium		Actual Short Plan Year Jul- Dec 2013	Projection Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019
	Actual FY 2012	Actual FY 2013							
<b>PLAN INCOME:</b>									
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	3,028,890,369	3,065,755,502	3,342,864,001	3,387,505,313	4,007,862,016	4,539,137,541
EGWP/PDP Spouse Premium Reduction	-	-	-	-	-	-	-	-	-
MA Spouse Premium Reduction	-	-	-	-	-	-	-	-	-
MA Buy-up Premium	-	-	-	-	-	-	-	-	-
Medicare Advantage Subsidy	-	-	-	152,149	-	-	-	-	-
Health care Reform ERRP	42,163,391	(558,219)	-	-	-	-	-	-	-
Retro Disenrollments	(451,406)	(487,819)	(277,538)	(1,147,610)	(1,532,878)	(1,671,432)	(1,693,753)	(2,003,931)	(2,269,569)
Wellness Credit	-	-	-	(80,126,636)	(115,224,546)	(336,693,892)	(333,629,435)	(486,724,546)	(486,445,952)
Premium Reduction due to Movement	-	-	-	-	(9,808,137)	(4,684,389)	(7,458,634)	(10,854,215)	(13,682,766)
Medicare Part D	57,583,602	38,056,016	(1,323,888)	14,528,165	6,332,844	6,617,822	6,915,624	7,226,827	7,552,035
EGWP+Wrap	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,202,822	572,152	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	23,747,921	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	31,734,272	-	-	-	-
Total	-	24,435,483	37,082,587	24,320,074	31,734,272	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,041,748	4,011,227	3,209,957	1,961,473	845,969	989,132
<b>Total Plan Income</b>	<b>2,852,680,163</b>	<b>2,960,048,314</b>	<b>1,639,900,247</b>	<b>2,984,658,258</b>	<b>2,981,268,284</b>	<b>3,009,642,068</b>	<b>3,053,500,588</b>	<b>3,516,352,121</b>	<b>4,045,280,421</b>
<b>PLAN EXPENSE:</b>									
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,979,602,158	2,184,208,528	2,324,429,828	2,472,275,399	2,683,773,310	2,806,548,981
Claim Refunds	(22,634,615)	(23,467,914)	(10,834,378)	(23,512,811)	(26,063,869)	(27,817,870)	(29,390,896)	(31,362,323)	(33,526,928)
Dental & MESA Enhancement	-	-	-	4,985,330	7,187,968	7,046,419	8,135,961	8,831,976	9,236,016
Medicare Advantage Claims Reduction	-	-	-	(77,883,672)	(112,977,782)	(122,095,089)	(131,948,163)	(142,596,380)	(154,103,907)
Calendar Year Adjustments	-	-	-	(4,650,956)	4,202,852	2,532,821	2,710,118	2,899,826	3,102,814
Preventative at 100% in Standard Plan	-	-	-	19,866,393	28,788,927	47,829,125	52,422,093	56,932,443	59,409,530
Wellness Comply Savings	-	-	-	(2,518,767)	(8,952,914)	(24,069,613)	(47,586,599)	(51,953,062)	(51,953,062)
Claims Reduction due to Movement	-	-	-	(22,567,495)	(30,328,293)	(14,443,883)	(19,442,907)	(28,102,594)	(36,731,934)
Limited Network Savings	-	-	-	697,475	921,683	1,535,379	1,448,328	1,352,580	1,241,340
PCP Copay Waiver	-	-	-	7,981,392	507,478	(9,792,633)	(30,422,187)	(52,310,237)	(75,688,503)
Essential Health Benefits/MH Parity	-	-	-	3,010,876	4,209,910	4,504,603	4,819,926	5,232,280	5,471,622
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,885,009,924	2,051,704,688	2,189,662,085	2,286,704,549	2,457,064,262	2,633,025,941
Medicare Advantage Premiums	-	-	-	158,450,497	186,791,195	218,708,064	253,369,052	285,527,073	320,397,357
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	839,182,293	917,539,888	978,010,226	1,042,435,439	1,111,199,721	1,184,602,221
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(95,427,102)	(58,014,645)	(52,771,544)	(54,584,611)	(53,476,984)	(55,443,564)
Calendar Year Adjustments	-	-	-	6,228,977	1,756,690	322,600	344,490	367,901	392,941
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	749,984,168	861,281,933	925,561,282	988,195,319	1,058,090,638	1,129,551,599
MA-PDP Claims Reduction	-	-	-	(169,024,224)	(245,794,445)	(265,630,057)	(287,066,403)	(310,232,661)	(335,268,437)
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips	-	-	-	1,191,683	1,640,081	1,748,149	1,893,306	1,986,219	2,117,422
HB 875 - Pharmacy Audit Changes	-	-	-	158,806	206,898	220,533	235,061	250,566	267,118
Specialty Pharmacy Tier	-	-	-	(201,792)	(292,000)	(338,000)	(398,000)	(411,463)	(438,642)
Total Pharmacy Claims	628,032,853	682,777,709	393,069,298	582,108,641	617,042,446	661,563,907	702,841,283	749,683,299	796,229,059
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,625,669,062	2,855,538,329	3,069,934,056	3,242,914,885	3,492,274,635	3,649,652,357
Administrative Costs	165,480,561	161,401,639	69,548,737	180,329,844	179,809,572	184,837,659	189,649,870	194,604,037	194,527,888
ACA Reinsurance Fee	-	-	-	-	34,632,846	21,039,464	14,201,632	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	<b>2,620,288,904</b>	<b>2,678,807,839</b>	<b>1,484,941,057</b>	<b>2,805,898,907</b>	<b>3,069,980,747</b>	<b>3,275,811,170</b>	<b>3,446,766,386</b>	<b>3,686,878,671</b>	<b>3,844,180,045</b>
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	178,759,352	(88,712,463)	(266,166,102)	(393,265,798)	(170,526,550)	201,100,376
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,017,206,488	928,494,025	662,324,923	269,059,125	98,532,574
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,017,206,488	928,494,025	662,324,923	269,059,125	98,532,574	299,632,950
Target Stabilization Reserve	184,110,626	201,392,496	113,231,388	209,705,078	240,187,242	256,610,339	269,059,125	288,607,281	299,632,950
7.5%	7.5%	8.0%	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	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase
Premium Increase:	5.3%	5.3%	5.3%	3.57%	0.00%	1.99%	1.99%	15.61%	15.61%



## Trend

## No 2015 Premium Increase

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North Carolina State Health Plan  
Financial Projections - Mar 2014  
Trends - 7.0% Medical & 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 FY 2015	Projection FY 2016	Projection FY 2017	Projection FY 2018	Projection FY 2019
<b>PLAN INCOME:</b>										
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,366,140	2,994,394,148	3,071,523,682	3,204,556,411	3,365,170,757	3,698,034,873	4,273,703,486
EGWP/PDP Spouse Premium Reduction	-	-	-	-	-	-	-	-	-	-
MA Spouse Premium Reduction	-	-	-	-	-	-	-	-	-	-
MA Buy-up Premium	-	-	-	-	-	-	-	-	-	-
Medicare Advantage Subsidy	-	-	-	-	152,149	-	-	-	-	-
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	-	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(487,819)	(656,811)	(1,535,762)	(1,602,278)	(1,682,585)	(1,849,017)	(2,136,852)
Wellness Credit	-	-	-	-	(28,759,106)	(115,080,257)	(226,204,540)	(335,157,115)	(410,339,598)	(486,584,965)
Premium Reduction due to Movement	-	-	-	-	-	(4,919,289)	(7,237,917)	(6,074,468)	(9,158,848)	(12,271,819)
Medicare Part D	74,357,704	66,276,535	57,583,602	38,056,016	10,355,829	6,276,386	6,487,102	6,779,021	7,084,077	7,402,861
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	-	-	24,435,483	25,774,974	-	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	35,827,888	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	31,734,272	-	-	-	-
Total	-	-	-	24,435,483	61,402,861	31,734,272	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,841,399	4,093,477	3,691,745	2,601,335	1,220,057	762,058
<b>Total Plan Income</b>	<b>2,490,457,950</b>	<b>2,797,969,020</b>	<b>2,852,680,163</b>	<b>2,960,048,314</b>	<b>3,040,730,468</b>	<b>2,992,062,509</b>	<b>2,976,660,522</b>	<b>3,031,636,945</b>	<b>3,284,961,544</b>	<b>3,780,874,969</b>
<b>PLAN EXPENSE:</b>										
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	2,031,399,679	2,110,125,213	2,258,871,190	2,401,194,294	2,559,461,067	2,719,469,947
Claim Refunds	(31,916,831)	(24,723,881)	(22,634,615)	(23,467,914)	(22,122,851)	(25,031,080)	(26,996,014)	(28,496,836)	(30,569,315)	(32,284,772)
Dental & MHSA Enhancement	-	-	-	-	1,755,792	6,944,169	7,433,674	7,902,042	8,422,879	8,949,449
Medicare Advantage Claims Reduction	-	-	-	-	(25,482,995)	(108,749,048)	(117,525,096)	(127,009,371)	(137,259,027)	(148,335,831)
Calendar Year Adjustments	-	-	-	-	(18,890,285)	(380,241)	1,229,251	1,315,299	1,407,370	1,505,885
Preventative at 100% in Standard Plan	-	-	-	-	6,791,651	27,757,947	37,790,909	50,912,121	54,221,153	57,559,180
Wellness Comply Savings	-	-	-	-	(828,478)	(6,107,341)	(16,704,734)	(34,154,969)	(45,720,880)	(49,740,728)
Claims Reduction due to Movement	-	-	-	-	(7,525,283)	(30,174,831)	(22,157,948)	(16,836,015)	(23,653,924)	(32,262,373)
Limited Network Savings	-	-	-	-	234,352	928,583	1,233,896	1,493,754	1,402,670	1,299,491
PCP Copay Waiver	-	-	-	-	2,639,241	5,633,674	(4,563,789)	(19,954,086)	(41,203,466)	(63,815,910)
Essential Health Benefits/MH Parity	-	-	-	-	1,080,406	4,126,087	4,366,463	4,688,285	4,989,902	5,301,854
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,969,231,229	1,985,073,152	2,122,977,802	2,241,034,517	2,351,468,427	2,467,646,193
Medicare Advantage Premiums	-	-	-	-	79,548,716	172,065,050	202,709,932	235,995,447	269,408,065	302,918,843
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	798,951,591	886,950,308	983,315,106	1,010,095,422	1,078,880,795	1,147,754,108
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(92,245,116)	(69,163,011)	(51,882,687)	(53,669,341)	(52,521,684)	(54,450,781)
Calendar Year Adjustments	-	-	-	-	(5,266,655)	1,001,134	191,276	(471,571)	(503,150)	(536,892)
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	701,439,820	818,788,431	931,623,696	955,954,510	1,023,855,961	1,092,766,434
MA-PDP Claims Reduction	-	-	-	-	(55,021,320)	(236,564,411)	(255,687,580)	(276,321,568)	(298,620,718)	(322,719,410)
EGWP+Wrap Reduction in Rebates	-	-	-	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase	-	-	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips	-	-	-	-	359,644	1,585,383	1,757,631	1,805,499	1,924,518	2,051,558
HB 675 - Pharmacy Audit Changes	-	-	-	-	53,842	200,000	221,729	227,768	242,783	258,809
Specialty Pharmacy Tier	-	-	-	-	(60,900)	(275,019)	(325,266)	(380,906)	(398,681)	(424,998)
Total Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	646,771,087	583,704,384	677,590,211	681,305,305	726,803,863	771,932,393
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,695,551,032	2,740,842,586	3,003,277,945	3,158,335,269	3,347,710,355	3,542,497,429
Administrative Costs	164,649,780	165,902,064	165,480,561	161,401,639	161,213,637	177,151,548	182,466,094	187,208,529	192,090,617	197,116,970
ACA Reinsurance Fee	-	-	-	-	-	34,832,846	21,039,454	14,201,832	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
<b>Total Plan Expense</b>	<b>2,558,874,969</b>	<b>2,649,596,838</b>	<b>2,620,288,904</b>	<b>2,678,807,839</b>	<b>2,856,764,669</b>	<b>2,952,626,981</b>	<b>3,206,783,493</b>	<b>3,359,745,430</b>	<b>3,539,800,972</b>	<b>3,739,614,400</b>
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	281,240,475	183,965,799	36,465,529	(227,092,971)	(328,108,484)	(254,809,428)	41,260,569
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	967,453,745	1,006,919,274	779,826,303	451,717,819	196,908,391
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	967,453,745	1,006,919,274	779,826,303	451,717,819	196,908,391	238,168,960
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	201,392,496	222,360,197	231,189,978	252,051,121	263,010,584	277,047,206	291,562,073
	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	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase
Premium Increase:	8.9%	8.9%	5.3%	5.3%	3.57%	0.00%	1.99%	1.99%	15.61%	15.61%