



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Calendar Year 2015 Year-End Financial Report

Board of Trustees Meeting

May 12, 2016

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Calendar Year 2015

Calendar Year 2015	Actual thru Dec 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	\$3.069 b	\$3.030 b	\$38.6 m
Net Claims Payments	\$2.709 b	\$2.766 b	(\$57.0 m)
Medicare Advantage Premiums	\$172.5 m	\$174.1 m	(\$1.6 m)
Net Administrative Expenses	\$187.4 m	\$239.8 m	(\$52.4 m)
Total Plan Expenses	\$3.069 b	\$3.180 b	(\$111.0 m)
Net Income/(Loss)	\$0.4 m	(\$149.2 m)	\$149.6 m
Ending Cash Balance	\$1.015 b	\$865.6 m	\$149.6 m

Adjusted Variance Report

Calendar Year 2015

Calendar Year 2015	Actual thru Dec 2015, As Adjusted	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue *	\$3.041 b	\$3.030 b	\$11.0 m
Net Claims Payments ^	\$2.743 b	\$2.766 b	(\$22.6 m)
Medicare Advantage Premiums	\$172.5 m	\$174.1 m	(\$1.6 m)
Net Administrative Expenses *	\$178.3 m	\$239.8 m	(\$61.5 m)
Total Plan Expenses	\$3.094 b	\$3.180 b	\$85.7 m
Net Income/(Loss)	(\$52.5 m)	(\$149.2 m)	\$96.7 m

* Adjusted for timing issues.

^ Adjusted to exclude unbudgeted rebates and recoveries.

Financial Results Actual v. Budgeted

Calendar Year 2015

Per Member Per Month (PMPM) Analysis

Calendar Year 2015	Actual thru Dec 2015	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue	\$372.60	\$369.03	\$3.57
Net Claims Payments	\$329.60	\$337.00	(\$7.40)
Medicare Advantage Premiums	\$20.99	\$21.21	(\$0.22)
Net Administrative Expenses	\$22.81	\$29.23	(\$6.42)
Total Plan Expenses	\$373.40	\$387.44	(\$14.04)
Net Income/(Loss)	(\$0.80)	(\$18.41)	\$17.61

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 2015

Per Member Per Month (PMPM) Analysis

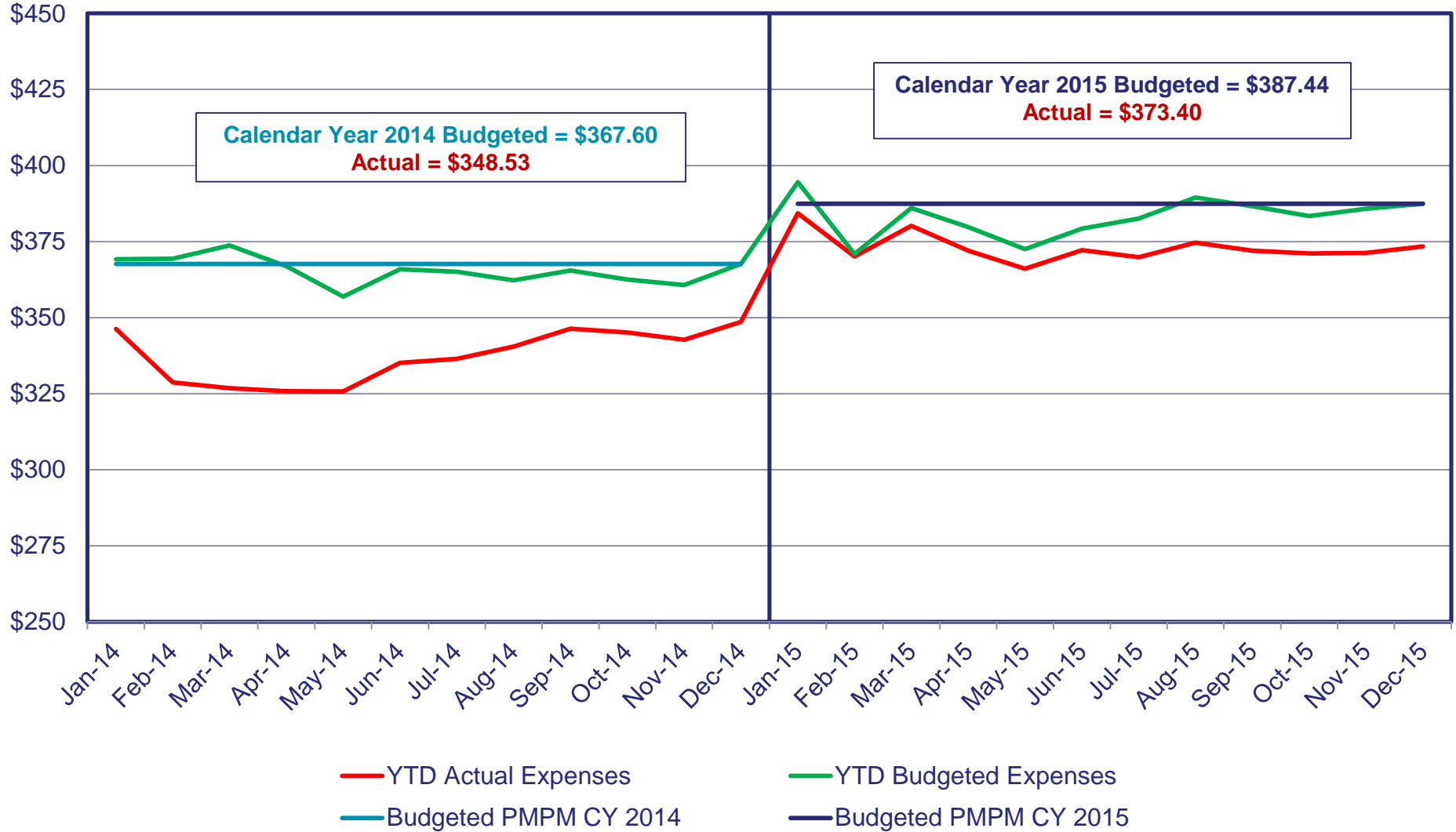
Calendar Year 2015	Actual thru Dec 2015, as Adjusted	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue *	\$369.25	\$369.03	\$0.22
Net Claims Payments ^	\$333.78	\$337.00	(\$3.22)
Medicare Advantage Premiums	\$20.99	\$21.21	(\$0.22)
Net Administrative Expenses *	\$21.70	\$29.23	(\$7.53)
Total Plan Expenses	\$376.47	\$387.44	(\$10.97)
Net Income/(Loss)	(\$7.22)	(\$18.41)	\$11.19

* Adjusted for timing issues.

^ Adjusted to exclude unbudgeted rebates and recoveries.

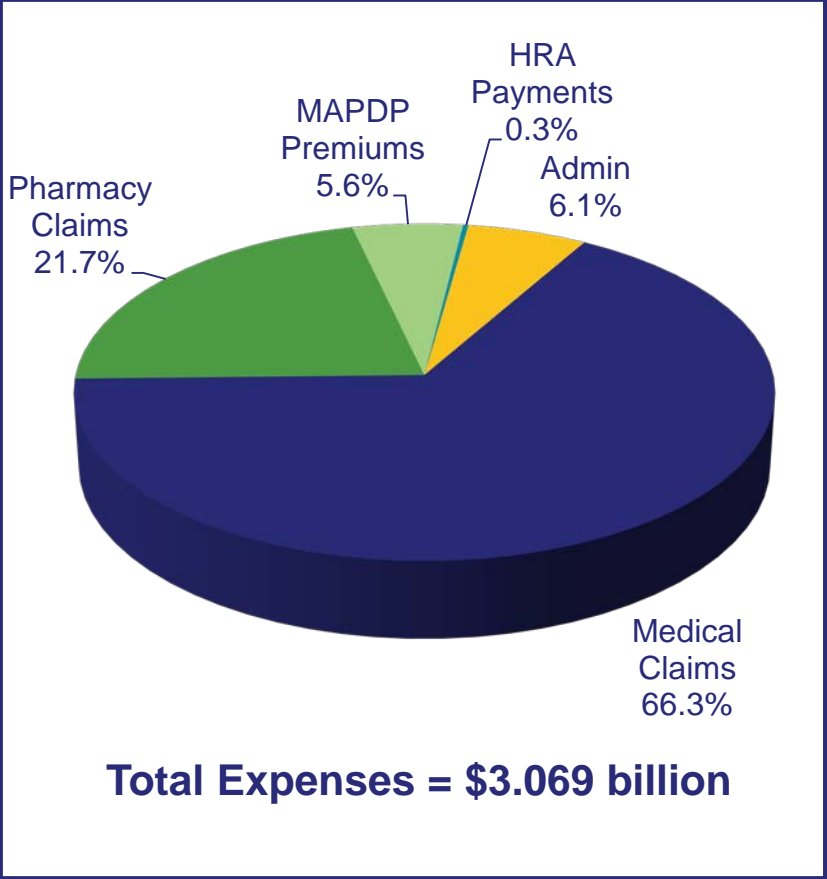
Calendar Year 2015 Expenditure Trend

Per Member Per Month

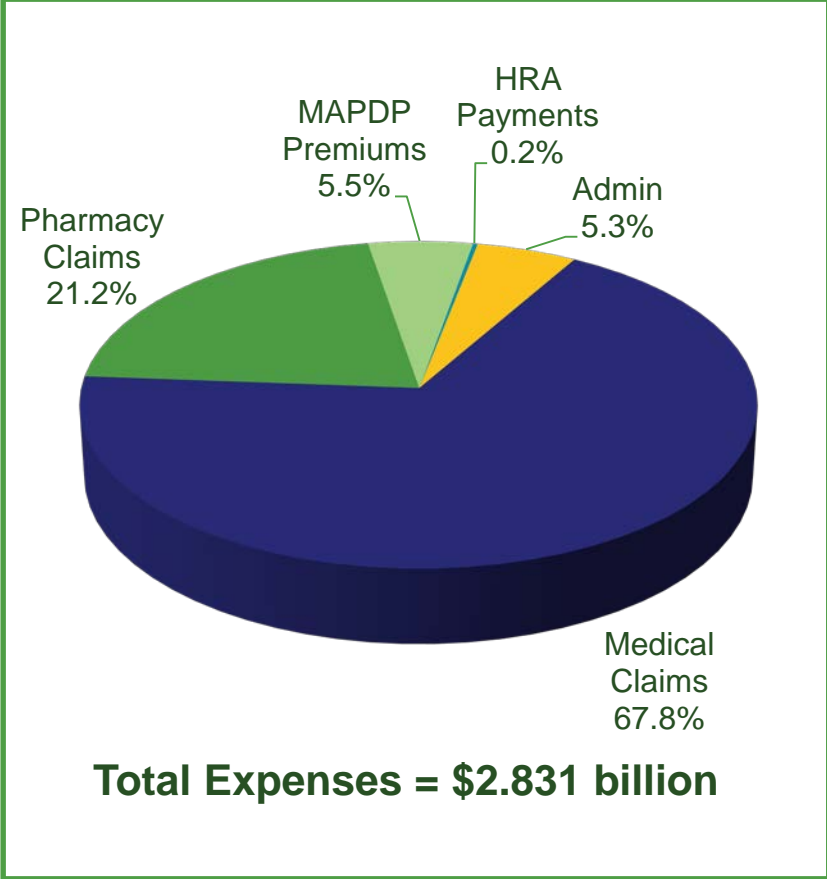


Allocation of Total Expenditures

Calendar Year 2015



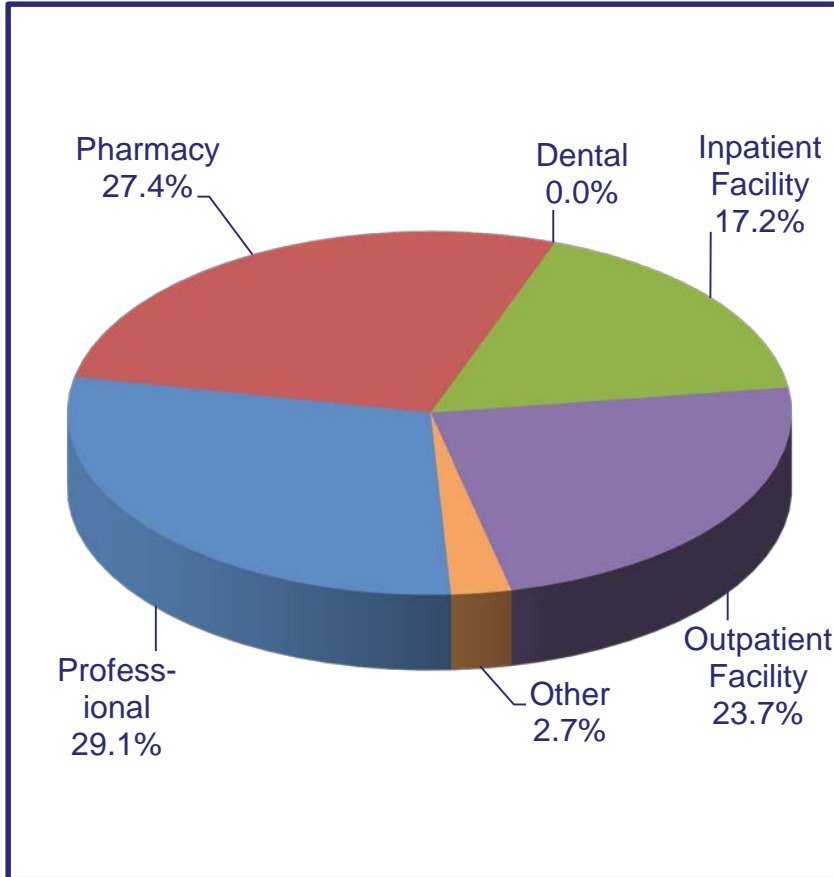
Calendar Year 2014



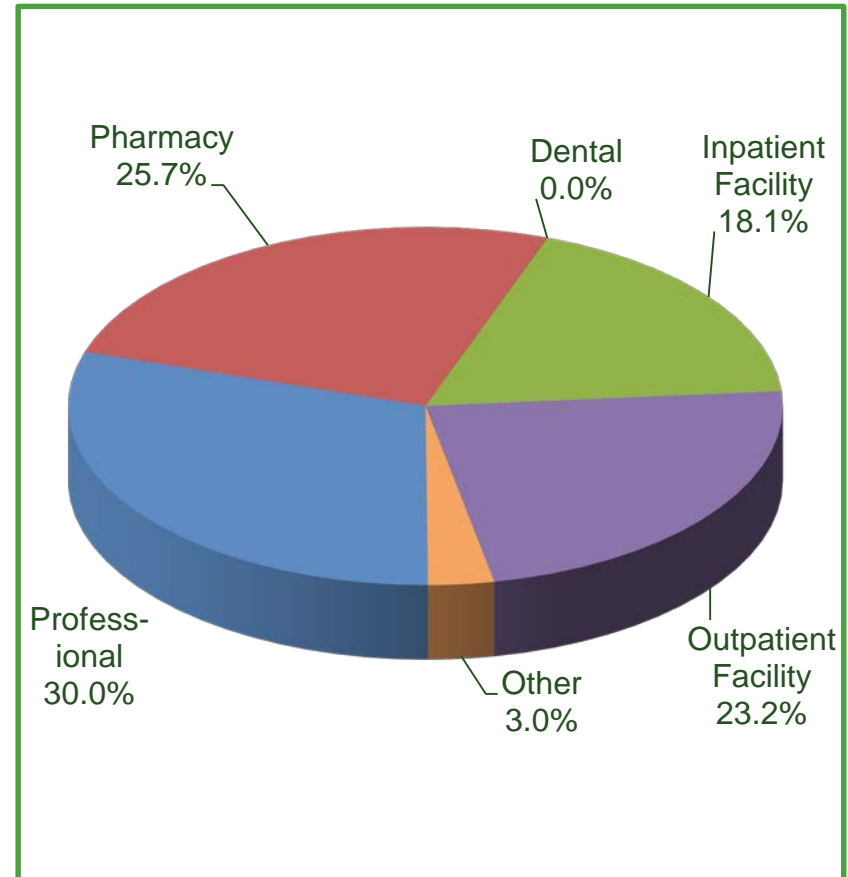
Sources: BCBSNC Net Disbursements reports; Financial Status Reports

Allocation of Claims Expenditures Medical, Blue Card and Pharmacy Payments

Calendar Year 2015



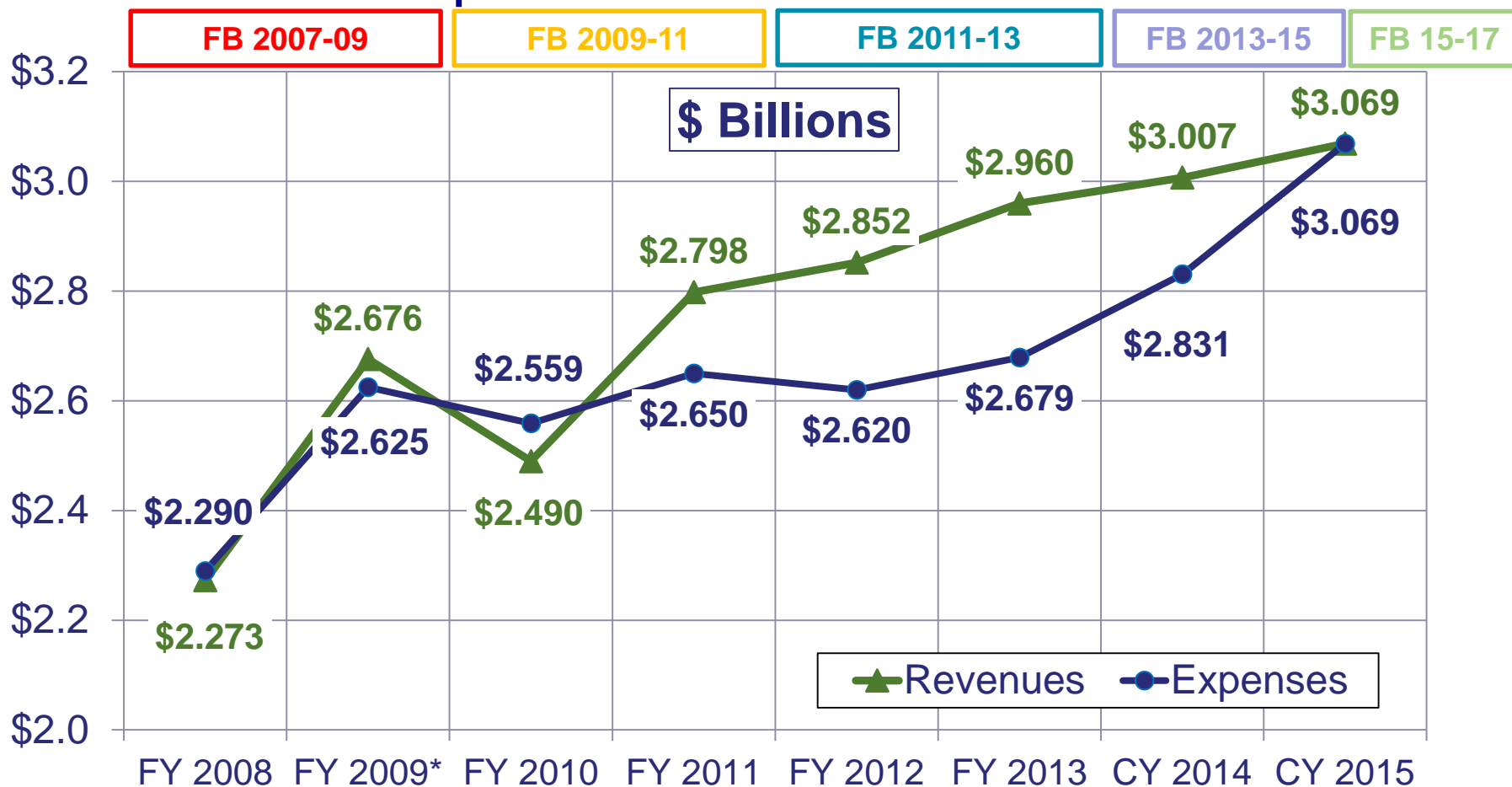
Calendar Year 2014



Source: BCBSNC Summary of Billed Charges

Recent Historical Financial Results

Revenues and Expenses

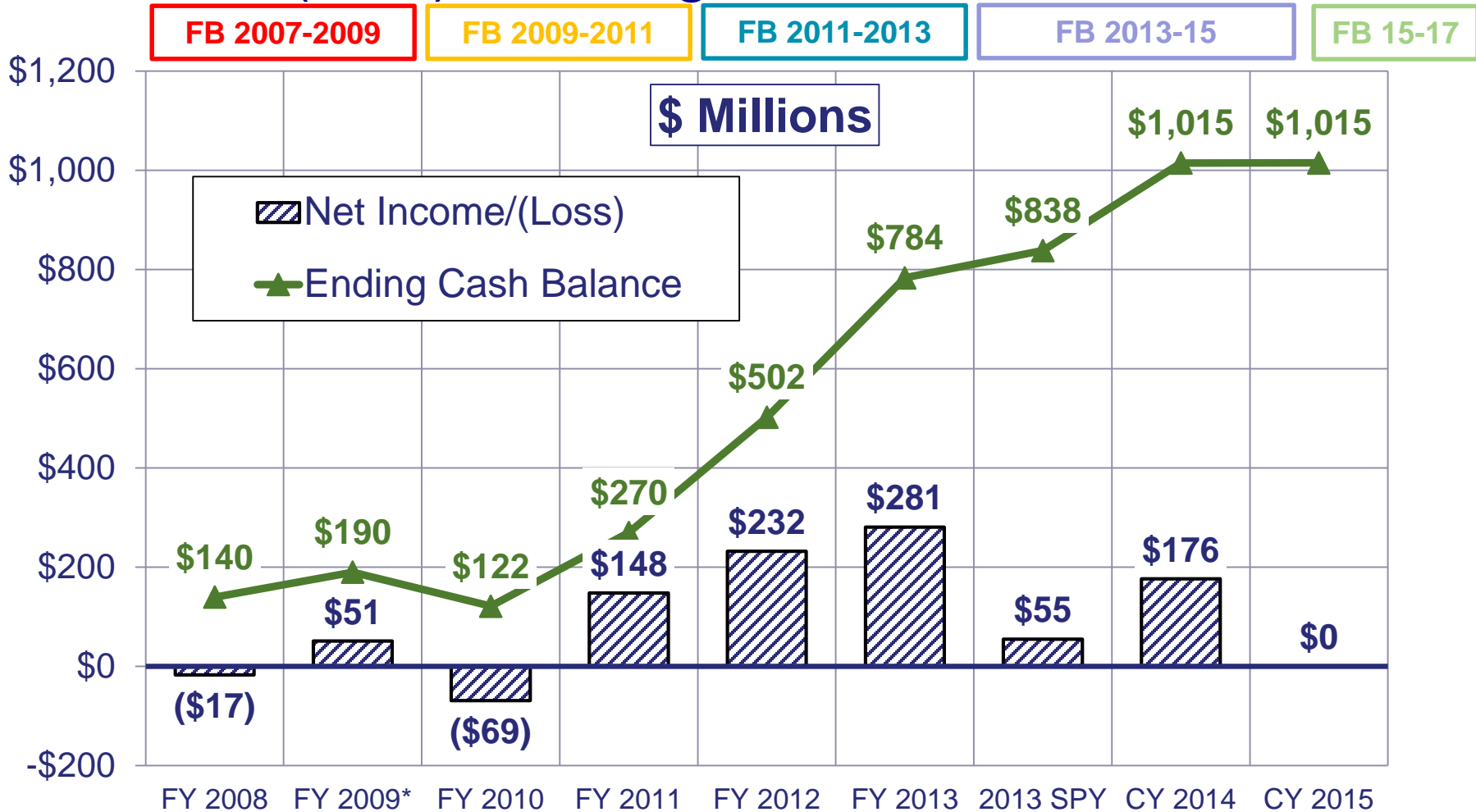


*FY 2009 revenues include a \$250 million general fund appropriation from the State.

Note: The 2013 Short Plan Year is not shown in chart. In the six months from July to December 2013, Plan revenues totaled \$1.540 Billion and Plan expenses were \$1.485 Billion.

Historical Financial Results

Net Income/(Loss) & Ending Cash Balance

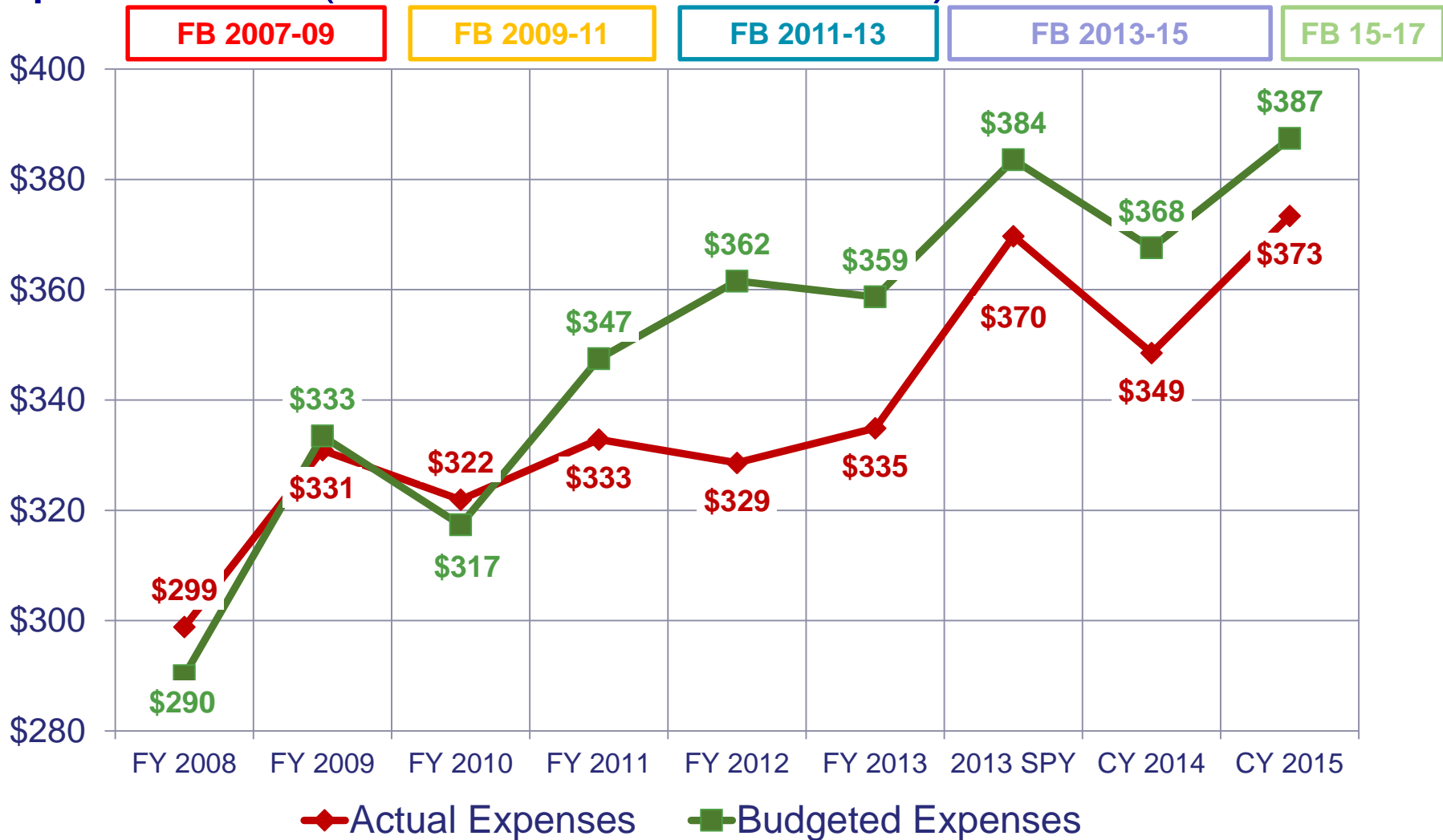


*The Plan received a \$250 million general fund appropriation from the State in FY 2009.

SPY = Short Plan Year (Jul-Dec 2013)

Recent Historical Financial Results

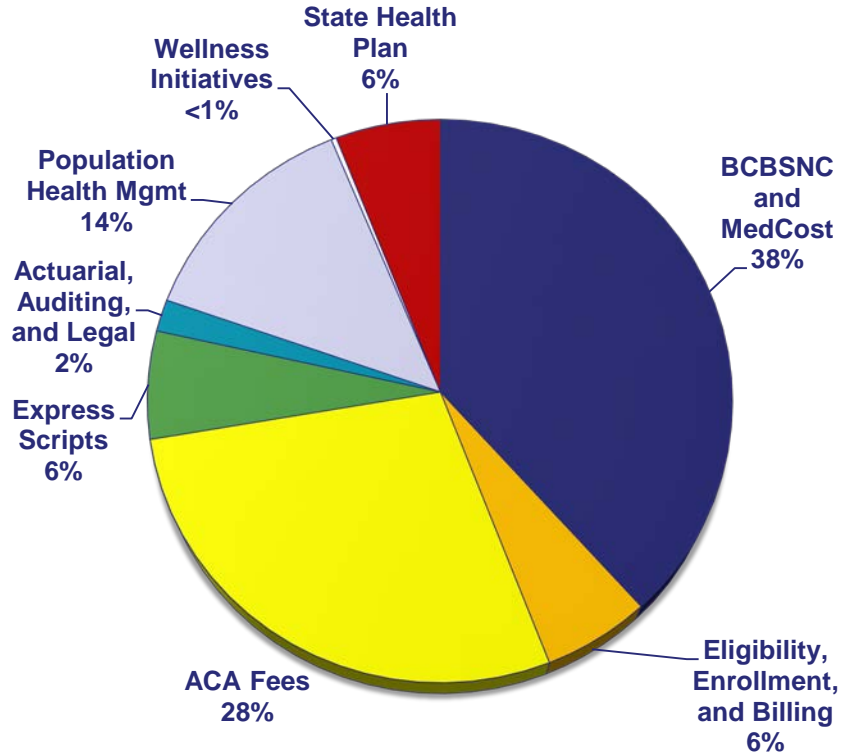
Expenditures (Claims + Administrative) PMPM



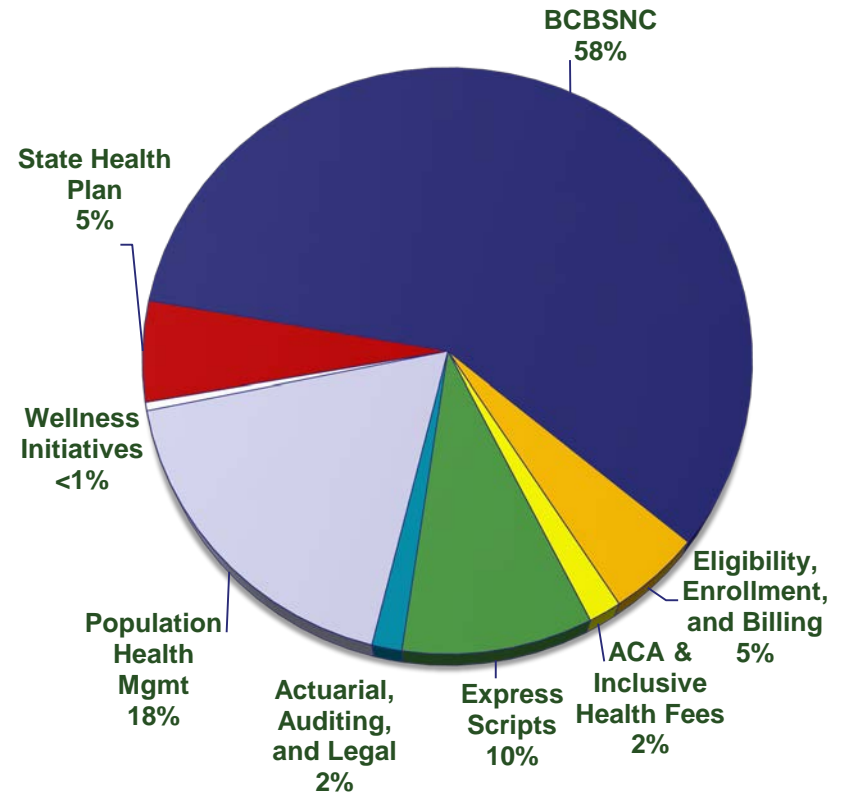
SPY = Short Plan Year (Jul-Dec 2013)

Calendar Year 2015 Administrative Expenses

Calendar Year 2015 (\$187.4 Million)



Calendar Year 2014 (\$149.6 Million)



Note: The charts show administrative fees that were paid in 2015 and 2014 and therefore reflect some inconsistencies in the timing of payments.

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 December 2015
 Calendar Year 2015

	A	B	C	D	E	F	G	H
	Actual December 2015	Authorized Budget December 2015	Monthly Variance Over/(Under) Authorized Budget	Actual 2015 Calendar Year To Date	4/28/2015 Authorized Budget 2015 Calendar Year to Date	Calendar Year to Date Variance Over/(Under) Auth. Budget	4/28/2015 Calendar Year Authorized Budget (Jan-Dec 2015)	Calendar Year to Date Variance Over/(Under) Annual Auth. Budget
1 Plan Revenue:								
2								
3 Member Premiums	\$ 279,135,908	\$ 248,240,683	\$ 30,895,225	\$ 2,993,891,773	\$ 2,963,937,832	\$ 29,953,941	\$ 2,963,937,832	\$ 29,953,941
4 Premium Refunds/Retroactive Disenrollments	-	(124,509)	124,509	(5,343)	(1,486,657)	1,481,314	(1,486,657)	1,481,314
5 Medicare Part D (RDS) Subsidy	1,533,247	1,211,947	321,300	19,484,823	14,587,080	4,897,743	14,587,080	4,897,743
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	48,603,406	48,602,498	908	48,602,498	908
7 Medicare Advantage (MA) Subsidy	165,292	69,461	95,831	959,319	828,983	130,336	828,983	130,336
8 Net Premium & Other Contributions	280,834,447	249,397,582	31,436,865	3,062,933,978	3,026,469,736	36,464,242	3,026,469,736	36,464,242
9								
10 Investment Earnings	579,246	293,039	286,207	6,037,729	3,871,779	2,165,950	3,871,779	2,165,950
11 Miscellaneous Revenue	-	-	-	-	-	-	-	-
12 Other Revenue	579,246	293,039	286,207	6,037,729	3,871,779	2,165,950	3,871,779	2,165,950
13								
14 Total Plan Revenue (excludes internal transfers)	281,413,693	249,690,621	31,723,072	3,068,971,707	3,030,341,515	38,630,192	3,030,341,515	38,630,192
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	163,409,879	161,902,558	1,507,321	2,067,095,284	2,128,799,496	(61,704,212)	2,128,799,496	(61,704,212)
19 Medical Claim Refunds/Recoveries	(2,019,328)	(2,056,244)	38,916	(23,709,307)	(25,072,202)	1,362,895	(25,072,202)	1,362,895
20 Net Medical Claims	161,390,551	159,844,314	1,546,237	2,043,385,977	2,103,727,294	(60,341,317)	2,103,727,294	(60,341,317)
21								
22 Pharmacy Claim Payments	63,688,729	84,589,815	(20,901,086)	766,818,503	718,955,282	47,863,221	718,955,282	47,863,221
23 Pharmacy Claim Rebates	-	-	-	(96,193,453)	(57,020,841)	(39,172,612)	(57,020,841)	(39,172,612)
24 Pharmacy Claim Refunds/Recoveries	(33,945)	-	(33,945)	(5,347,179)	-	(5,347,179)	-	(5,347,179)
25 Net Pharmacy Claims	63,654,784	84,589,815	(20,935,031)	665,277,871	661,934,441	3,343,430	661,934,441	3,343,430
26								
27 Net Claim Payments	225,045,335	244,434,129	(19,388,794)	2,708,663,848	2,765,661,735	(56,997,887)	2,765,661,735	(56,997,887)
28								
29 Medicare Advantage Premium Payments	14,841,457	14,572,254	269,203	172,517,202	174,072,089	(1,554,887)	174,072,089	(1,554,887)
30								
31 Net Administrative Expenses	33,483,240	18,408,004	15,075,236	187,419,975	239,864,700	(52,444,725)	239,864,700	(52,444,725)
32								
33 Total Plan Expenses (excludes internal transfers)	273,370,032	277,414,387	(4,044,355)	3,068,601,025	3,179,598,524	(110,997,499)	3,179,598,524	(110,997,499)
34								
35 Plan Income/(Loss)	8,043,661	(27,723,766)	35,767,427	370,682	(149,257,009)	149,627,691	(149,257,009)	149,627,691
36								
37 Cash Availability:								
38								
39 Beginning Cash Balance/(Deficit)	1,007,174,367	893,314,103	113,860,264	1,014,847,346	1,014,847,346	-	1,014,847,346	-
40 Ending Cash Balance/(Deficit)	1,015,218,028	865,590,337	149,627,691	1,015,218,028	865,590,337	149,627,691	865,590,337	149,627,691
41								
42 Target Stabilization Reserve @ 12/31/15	248,909,557	248,909,557	-	248,909,557	248,909,557	-	248,909,557	-
43								
44 Cash Balance Over/(Under) Reserve Target	\$ 766,308,471	\$ 616,680,780	\$ 149,627,691	\$ 766,308,471	\$ 616,680,780	\$ 149,627,691	\$ 616,680,780	\$ 149,627,691

Comments:

- a. Premium receivables totaled \$1,182,652.53 as of December 31, 2015.
- b. The average weekly medical claims cost net of claims refunds was \$40,347,637.75 for the four scheduled weekly claim cycles.
- c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$31,844,364.50 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.

Actual vs Authorized Budget (i.e. **Revised Budget** per Segal 4-28-15 Projections)
 December - 2015 Calendar Year

North Carolina State Health Plan for Teachers and State Employees

Summary of Operations (Cash Basis)

Current Year Actual vs. Prior Year Actual

For the Month Ended December 2015

Calendar Year 2015

	A	B	C	D	E	F	G
	Current Year Actual December 2015	Prior Year Actual December 2014	Current Year to Date Actual CY 2015 thru December	Prior Year to Date Actual CY 2014 thru December	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	\$ 279,135,908	\$ 270,880,991	\$ 2,993,891,773	\$ 2,952,592,141	\$ 2,963,937,832	\$ 2,921,878,532	\$ 2,952,592,141
4 Premium Refunds/Retroactive Disenrollments	-	-	(5,343)	(28,401)	(1,486,657)	(1,489,408)	(28,401)
5 Medicare Part D (RDS) Subsidy	1,533,247	1,258,008	19,484,823	21,584,404	14,587,080	6,344,078	21,584,404
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	48,603,406	28,378,401	48,602,498	31,047,005	28,378,401
7 Medicare Advantage (MA) Subsidy	165,292	72,187	959,319	721,773	828,983	-	721,773
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(1,949)	-	-	(1,949)
9 Net Premium & Other Contributions	280,834,447	272,211,186	3,062,933,978	3,003,246,369	3,026,469,736	2,957,780,205	3,003,246,369
10							
11 Investment Earnings	579,246	442,424	6,037,729	4,417,142	3,871,779	2,892,005	4,417,142
12 Miscellaneous Revenue	-	-	-	-	-	-	-
13 Other Revenue	579,246	442,424	6,037,729	4,417,142	3,871,779	2,892,005	4,417,142
14							
15 Total Plan Revenue (excludes internal transfers)	281,413,693	272,653,610	3,068,971,707	3,007,663,511	3,030,341,515	2,960,672,210	3,007,663,511
16							
17 Plan Expenses:							
18							
19 Medical Claim Payments	163,409,879	171,959,431	2,067,095,284	1,949,838,964	2,128,799,496	2,062,826,346	1,949,838,964
20 Medical Claim Refunds/Recoveries	(2,019,328)	(1,608,128)	(23,709,307)	(22,731,740)	(25,072,202)	(25,469,051)	(22,731,740)
21 Net Medical Claims	161,390,551	170,351,303	2,043,385,977	1,927,107,224	2,103,727,294	2,037,357,295	1,927,107,224
22							
23 Pharmacy Claim Payments	63,688,729	84,816,236	766,818,503	698,129,098	718,955,282	599,541,594	698,129,098
24 Pharmacy Claim Rebates	-	-	(96,193,453)	(98,763,203)	(57,020,841)	(54,794,623)	(98,763,203)
25 Pharmacy Claim Refunds/Recoveries	(33,945)	(405,464)	(5,347,179)	(313,676)	-	-	(313,676)
26 Net Pharmacy Claims	63,654,784	84,410,772	665,277,871	599,052,219	661,934,441	544,746,971	599,052,219
27							
28 Net Claim Payments	225,045,335	254,762,075	2,708,663,848	2,526,159,443	2,765,661,735	2,582,104,266	2,526,159,443
29							
30 Medicare Advantage Premium Payments	14,841,457	11,875,108	172,517,202	155,497,950	174,072,089	174,162,733	155,497,950
31							
32 Net Administrative Expenses	33,483,240	13,288,850	187,419,975	149,605,909	239,864,700	179,815,010	149,605,909
33							
34 Total Plan Expenses (excludes internal transfers)	273,370,032	279,926,033	3,068,601,025	2,831,263,302	3,179,598,524	2,936,082,009	2,831,263,302
35							
36 Plan Income/(Loss)	8,043,661	(7,272,423)	370,682	176,400,209	(149,257,009)	24,590,201	176,400,209
37							
38 Cash Availability:							
39							
40 Beginning Cash Balance/(Deficit)	1,007,174,367	1,022,119,769	1,014,847,346	838,447,137	1,014,847,346	694,975,133	838,447,137
41 Ending Cash Balance/(Deficit)	1,015,218,028	1,014,847,346	1,015,218,028	1,014,847,346	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	227,940,878
44							
45 Cash Balance Over/(Under) Reserve Target	\$ 766,308,471	\$ 780,564,651	\$ 766,308,471	\$ 780,564,651	\$ 616,680,780	\$ 485,282,639	\$ 786,906,468

Comments:

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

Consolidated Current Year v Prior Year
December - 2015 Calendar Year

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 December 2015
 Calendar Year 2015

	A	B	C	D	E	F
	Actual Year to Date Calendar Year thru December	Adjustments for Timing, Unusual & Overtime Events	Adjusted Actual Year to Date	Authorized Budget Calendar Year to Date thru December	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)	\$ 2,993,891,773	\$ (27,658,638)	\$ 2,966,233,135	\$ 2,963,937,832	\$ 2,295,303	0.08%
4 Premium Refunds/Retroactive Disenrollments	(5,343)		(5,343)	(1,486,657)	1,481,314	-99.84%
5 Medicare Part D (RDS) Subsidy	19,484,823		19,484,823	14,587,080	4,897,743	33.58%
6 Medicare PDP (EGWP + Wrap) Subsidy	48,803,406		48,803,406	48,802,498	908	0.00%
7 Medicare Advantage (MA) Subsidy	959,319		959,319	828,983	130,336	15.72%
8 Net Premium & Other Contributions	3,062,933,978	(27,658,638)	3,035,275,340	3,026,469,736	8,805,604	0.29%
9						
10 Other Revenue	6,037,729		6,037,729	3,871,779	2,165,950	55.94%
11						
12 Total Plan Revenue (excludes internal transfers)	3,068,971,707	(27,658,638)	3,041,313,069	3,030,341,515	10,971,554	0.36%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims	2,043,385,977		2,043,385,977	2,103,727,294	(60,341,317)	-2.87%
17 Net Pharmacy Claims (Notes 3 and 4)	665,277,871	34,358,433	699,636,304	661,934,441	37,701,863	5.70%
18 Net Claim Payments	2,708,663,848	34,358,433	2,743,022,281	2,765,661,735	(22,639,454)	-0.82%
19						
20 Medicare Advantage Premiums	172,517,202		172,517,202	174,072,089	(1,554,887)	-0.89%
21						
22 Net Administrative Expenses (Notes 5 and 6)	187,419,975	(9,060,820)	178,359,155	239,864,700	(61,505,545)	-25.64%
23						
24 Total Plan Expenses (excludes internal transfers)	3,068,601,025	25,297,613	3,093,898,638	3,179,598,524	(85,699,886)	-2.70%
25						
26 Plan Income/(Loss)	370,682	(52,956,251)	(52,585,569)	(149,257,009)	96,671,440	-64.77%
27						
28 Cash Availability:						
29						
30 Beginning Cash Balance/(Deficit)	1,014,847,346		1,014,847,346	1,014,847,346	-	0.00%
31 Ending Cash Balance/(Deficit)	1,015,218,028	(52,956,251)	962,261,777	865,590,337	96,671,440	11.17%
32						
33 Target Stabilization Reserve @ 12/31/2015	248,909,557		248,909,557	248,909,557	-	0.00%
34						
35 Cash Balance Over/(Under) Reserve Target	\$ 766,308,471	\$ (52,956,251)	\$ 713,352,220	\$ 616,680,780	\$ 96,671,440	15.68%

Adjustment Notes:

1. Member premiums adjusted by \$25.8 million to include prepaid January premiums received in December 2014 (\$46.9 million) less a downward adjustment in the budget to account for the prepaid premiums (\$21.1 million).
2. Member premiums adjusted to exclude \$53.5 million in prepaid January premiums received in December.
3. Net pharmacy claims adjusted to exclude an unbudgeted \$1.6 million recovery from a class action law suit.
4. Net pharmacy claims increased by \$32.7 million to account for a rebate true-up payment received in excess of the budgeted true-up payment.
5. Administrative expenses increased by \$8.7 million to assume payment of all normal monthly invoices in December.
6. Administrative expenses adjusted to exclude a \$17.8 million federal fee payment that was not budgeted for payment until January 2016.