



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2016 Calendar Year End Financial Report

Board of Trustees Meeting

March 22, 2017

A Division of the Department of State Treasurer

Financial Results: Actual vs. Budgeted

Calendar Year to Date December 2016

Calendar Year 2016	Actual thru Dec 2016	Certified Budget (per Segal 10-13-15)	Variance Over/(Under) Budget
Beginning Cash Balance	\$1.015 b	\$941.3 m	\$73.9 m
Plan Revenue	\$3.209 b	\$3.094 b	\$115.3 m
Net Claims Payments	\$2.893 b	\$2.918 b	(\$24.7 m)
Medicare Advantage Premiums	\$195.2 m	\$190.9 m	\$4.3 m
Net Administrative Expenses	\$173.4 m	\$249.8 m	(\$76.4 m)
Total Plan Expenses	\$3.262 b	\$3.359 b	(\$96.8 m)
Net Income/(Loss)	(\$52.7 m)	(\$264.8 m)	\$212.1 m
Ending Cash Balance	\$962.5 m	\$676.5 m	\$286.0 m

Adjusted Variance Report

Calendar Year to Date December 2016

Calendar Year 2016	Actual thru Dec 2016, As Adjusted	Certified Budget (per Segal 10-13-15)	Variance Over/(Under) Budget
Plan Revenue *	\$3.202 b	\$3.094 b	\$107.5 m
Net Claims Payments ^	\$2.981 b	\$2.918 b	\$63.2 m
Medicare Advantage Premiums	\$195.2 m	\$190.9 m	\$4.3 m
Net Administrative Expenses †	\$184.7 m	\$249.8 m	(\$65.1 m)
Total Plan Expenses	\$3.361 b	\$3.359 b	\$2.3 m
Net Income/(Loss)	(\$159.6 m)	(\$264.8 m)	\$105.2 m

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

^ Adjusted for timing issues and to exclude unbudgeted over-attainment in the pharmacy rebate true-up payment.

† Adjusted for timing issues.

Financial Results Actual vs. Budgeted

Calendar Year to Date December 2016

Per Member Per Month (PMPM) Analysis

Calendar Year 2016	Actual thru Dec 2016	Certified Budget (per Segal 10-13-15)	Variance Over/(Under) Budget
Plan Revenue	\$380.00	\$377.91	(\$2.09)
Net Claims Payments	\$344.09	\$356.20	(\$12.11)
Medicare Advantage Premiums	\$23.21	\$23.31	(\$0.10)
Net Administrative Expenses	\$20.62	\$30.49	(\$9.87)
Total Plan Expenses	\$387.92	\$410.00	(\$22.08)
Net Income/(Loss)	(\$7.92)	(\$32.09)	\$24.17

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 December 2016

Per Member Per Month (PMPM) Analysis

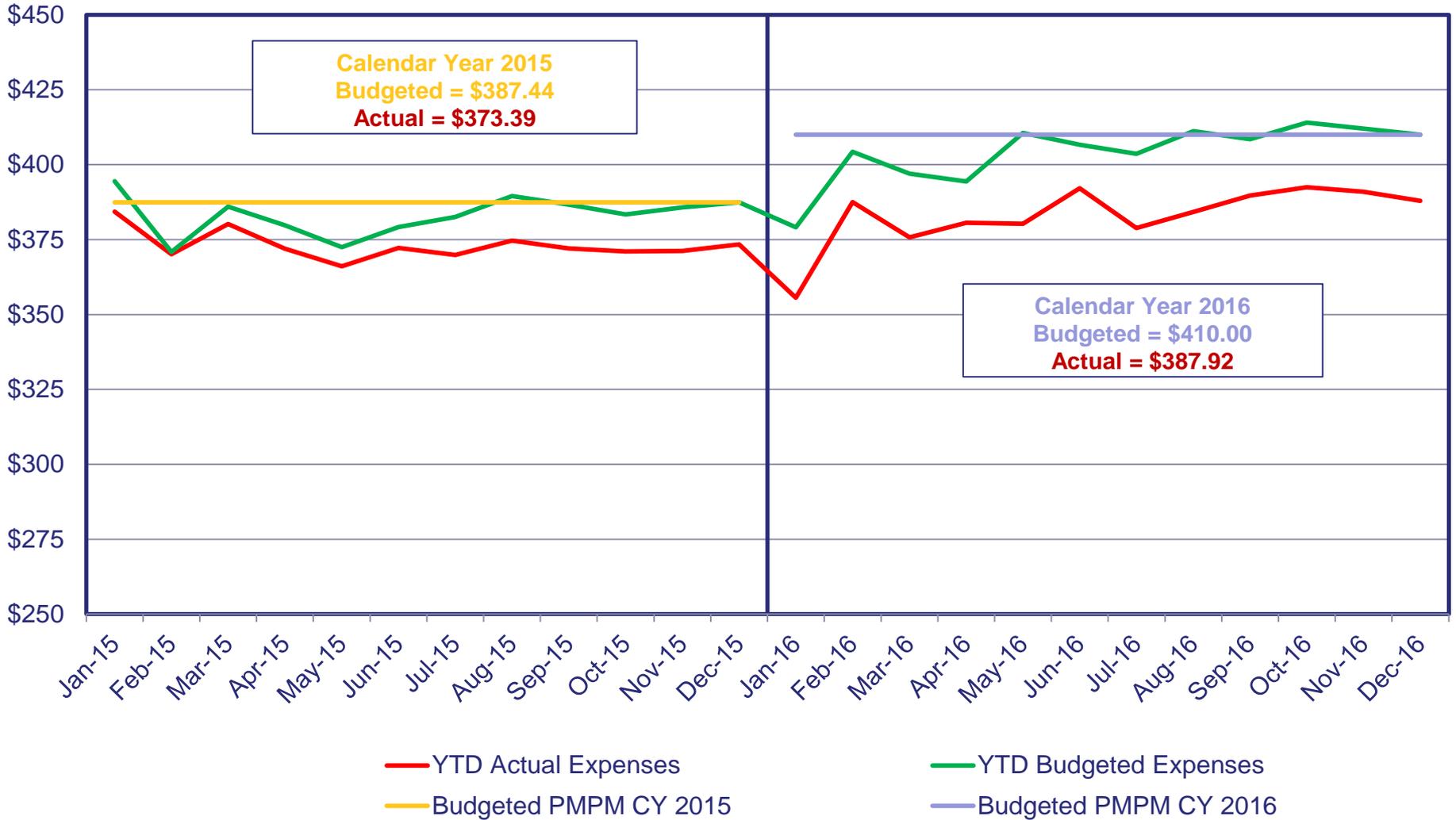
Calendar Year 2016	Actual thru Dec 2016, as Adjusted	Certified Budget (per Segal 10-13-15)	Variance Over/(Under) Budget
Plan Revenue *	\$379.08	\$377.91	\$1.17
Net Claims Payments ^	\$354.54	\$356.20	(\$1.66)
Medicare Advantage Premiums	\$23.21	\$23.31	(\$0.10)
Net Administrative Expenses †	\$21.96	\$30.49	(\$8.53)
Total Plan Expenses	\$399.71	\$410.00	(\$10.29)
Net Income/(Loss)	(\$20.63)	(\$32.09)	\$11.46

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

^ Adjusted for timing issues and to exclude unbudgeted over-attainment in the pharmacy rebate true-up payment.

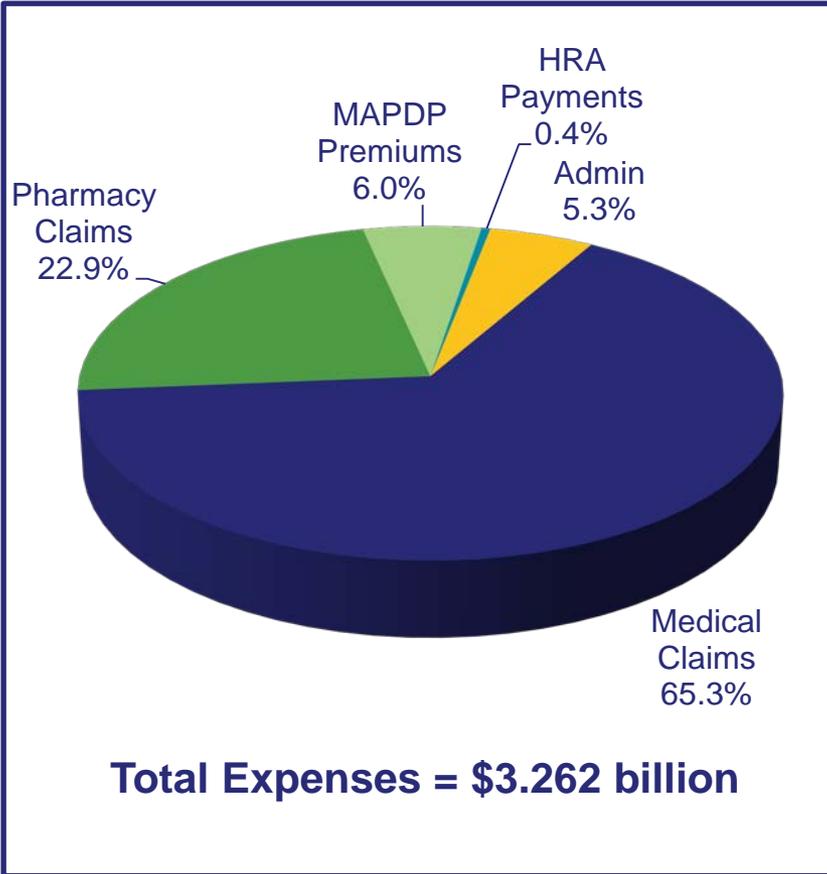
† Adjusted for timing issues.

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

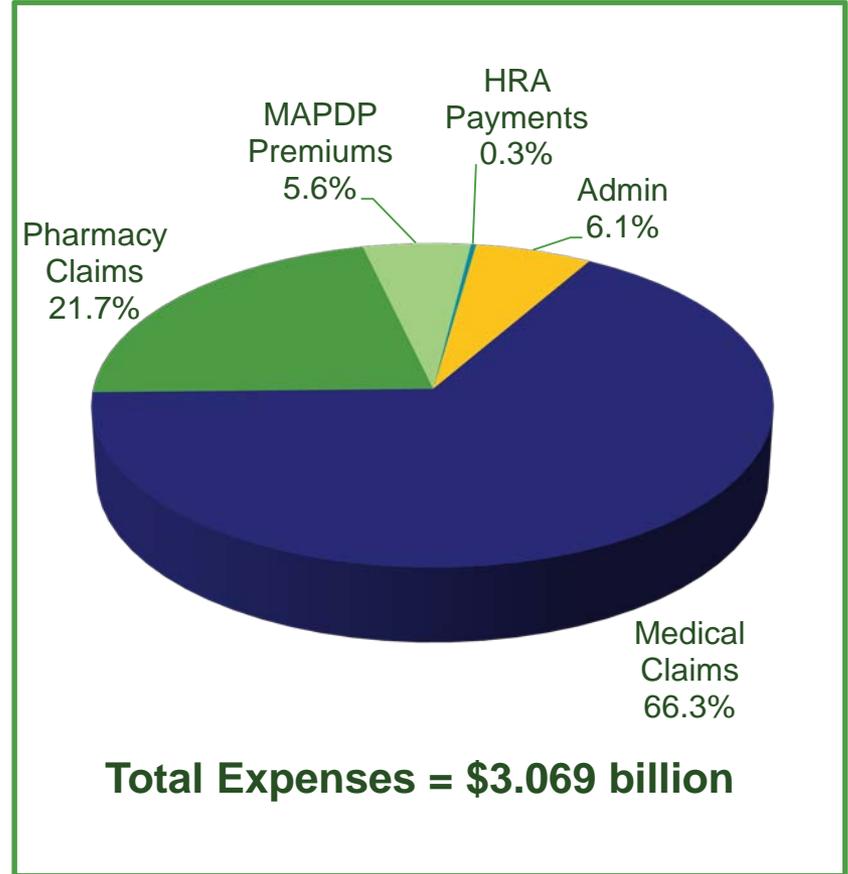


Allocation of Total Expenditures

Calendar Year 2016



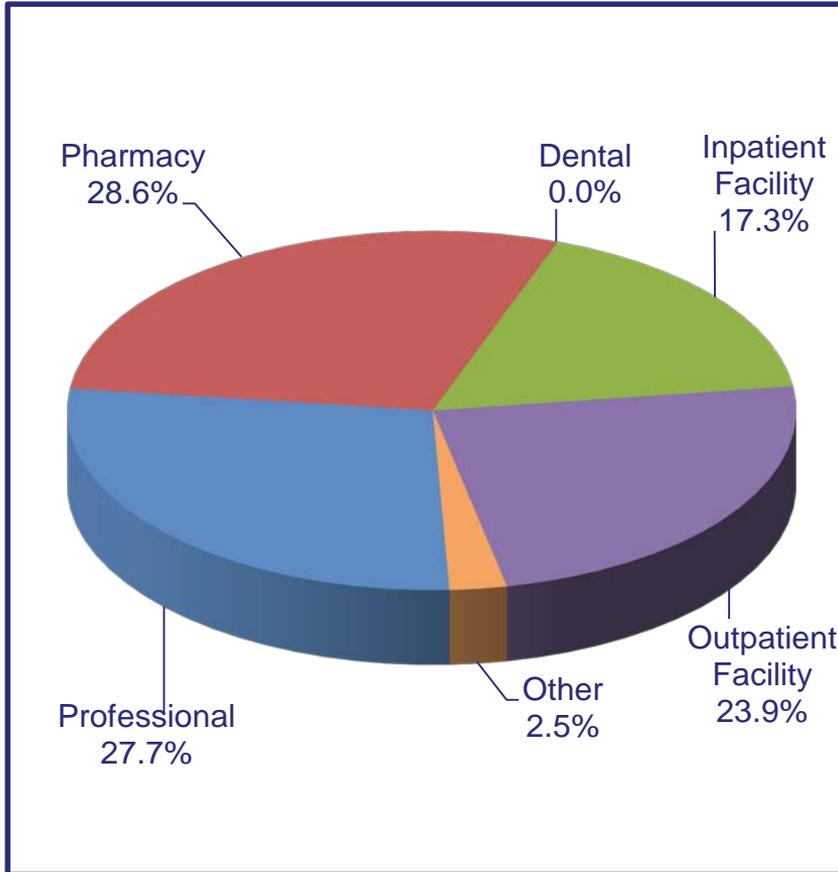
Calendar Year 2015



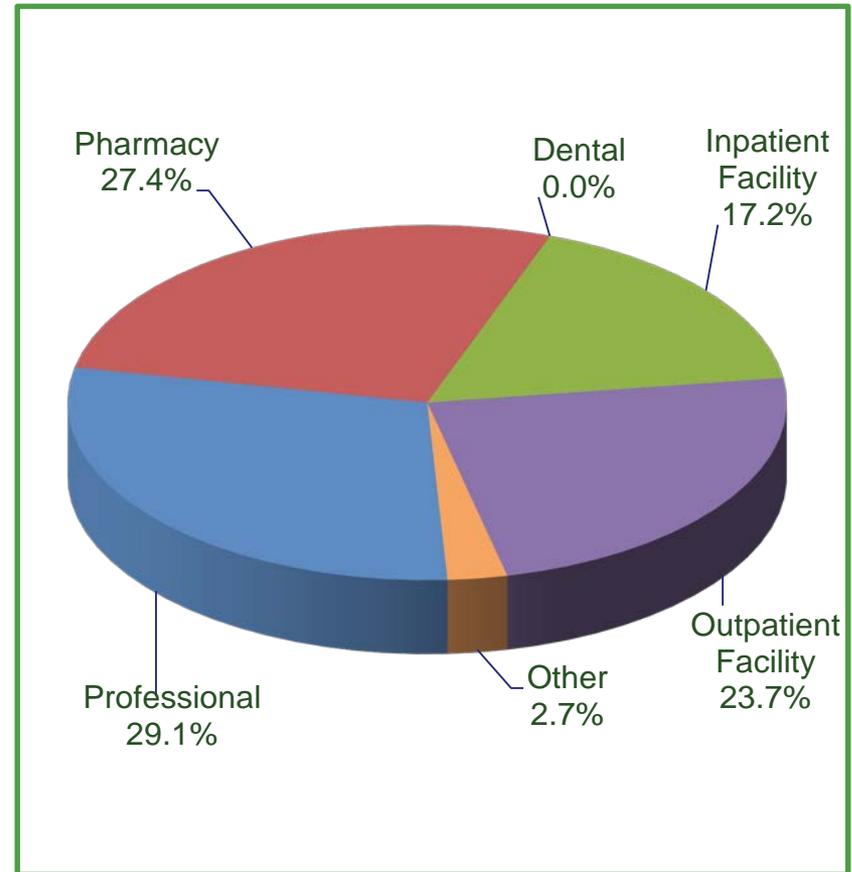
Sources: BCBSNC Net Disbursements reports; Financial Status Reports

Allocation of Claims Expenditures Medical, Blue Card and Pharmacy Payments

Calendar Year 2016



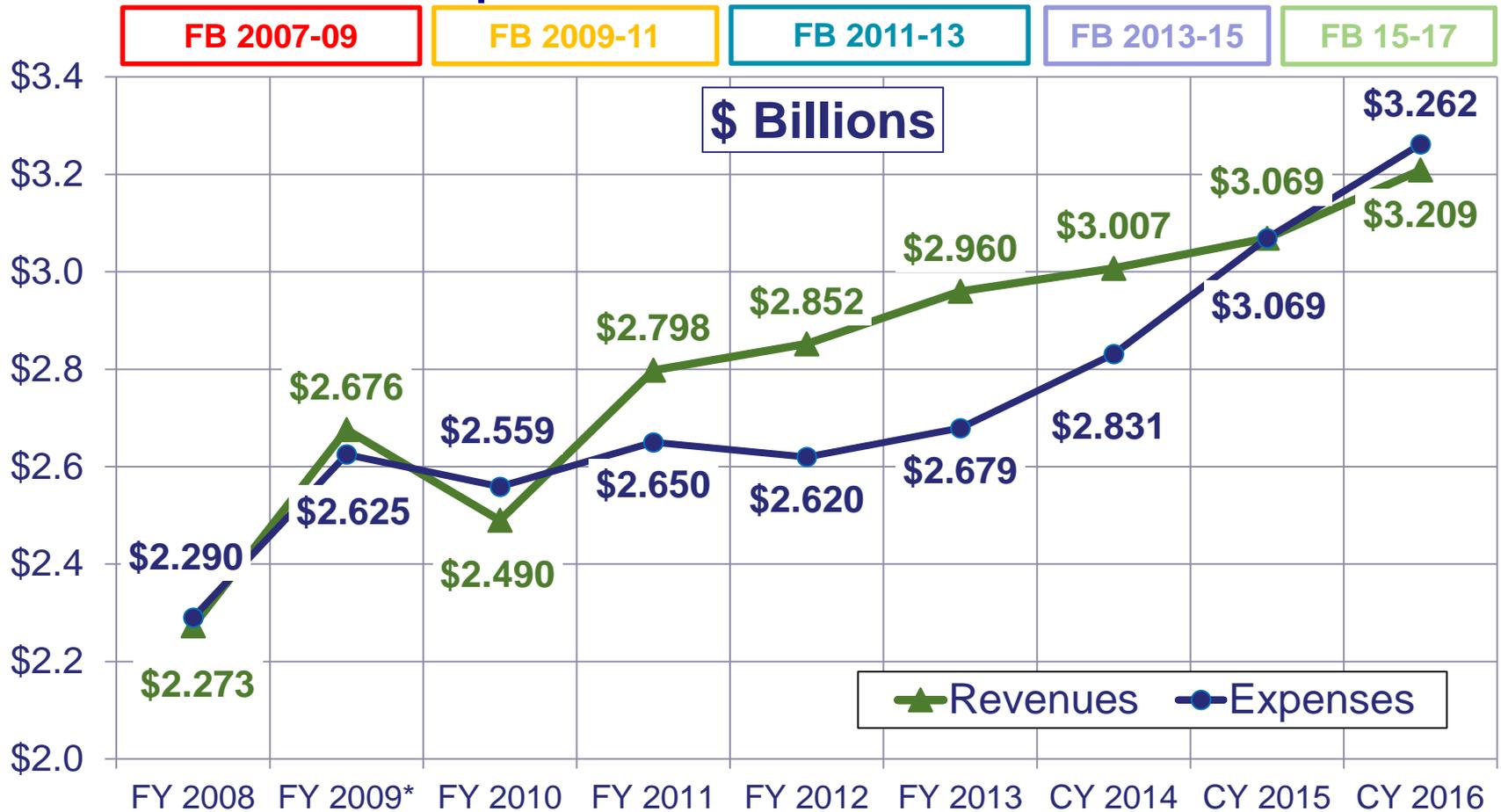
Calendar Year 2015



Source: BCBSNC Summary of Billed Charges

Recent Historical Financial Results

Revenues and Expenses

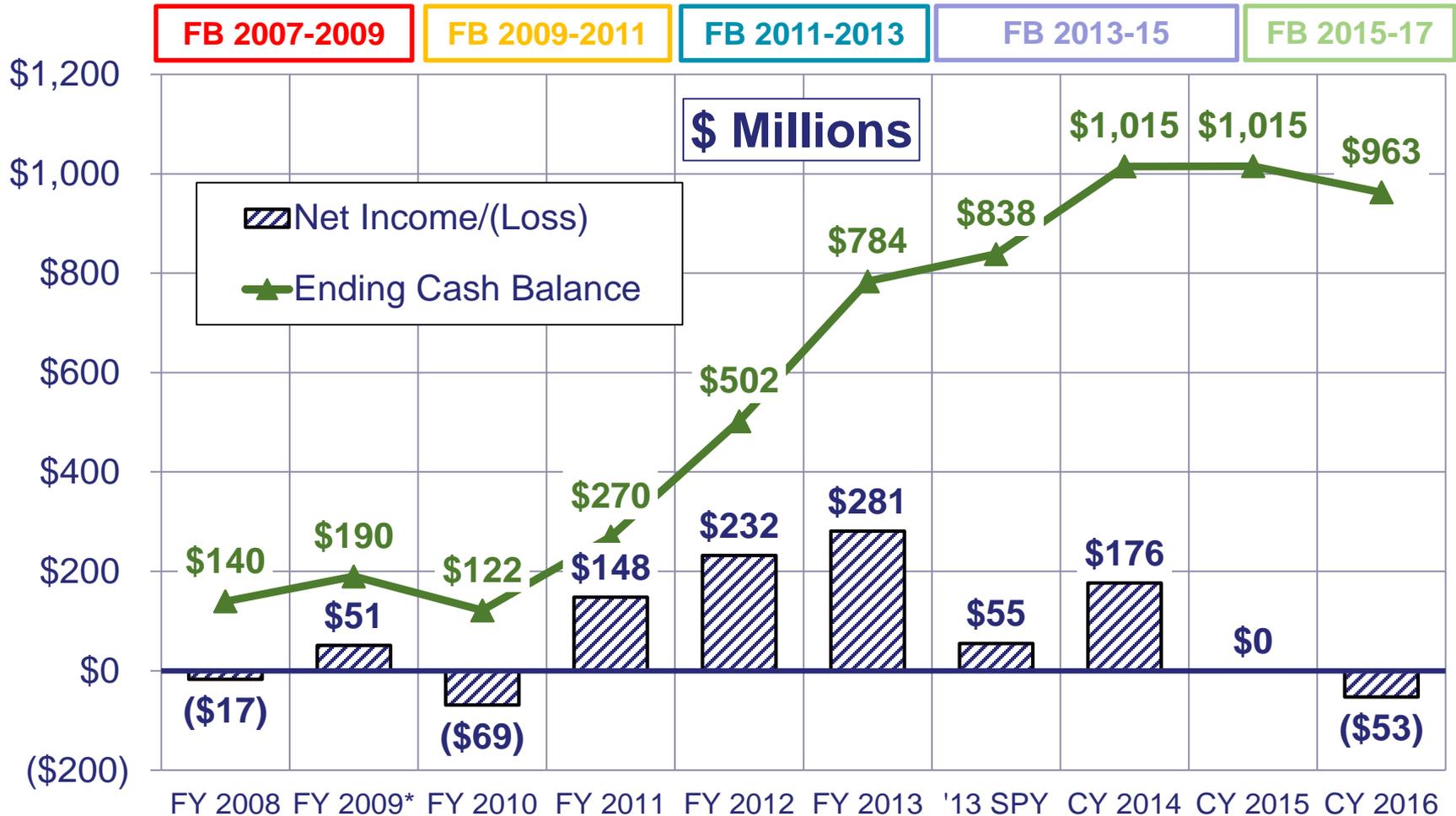


*FY 2009 revenues include a \$250 million general fund appropriation from the State.

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

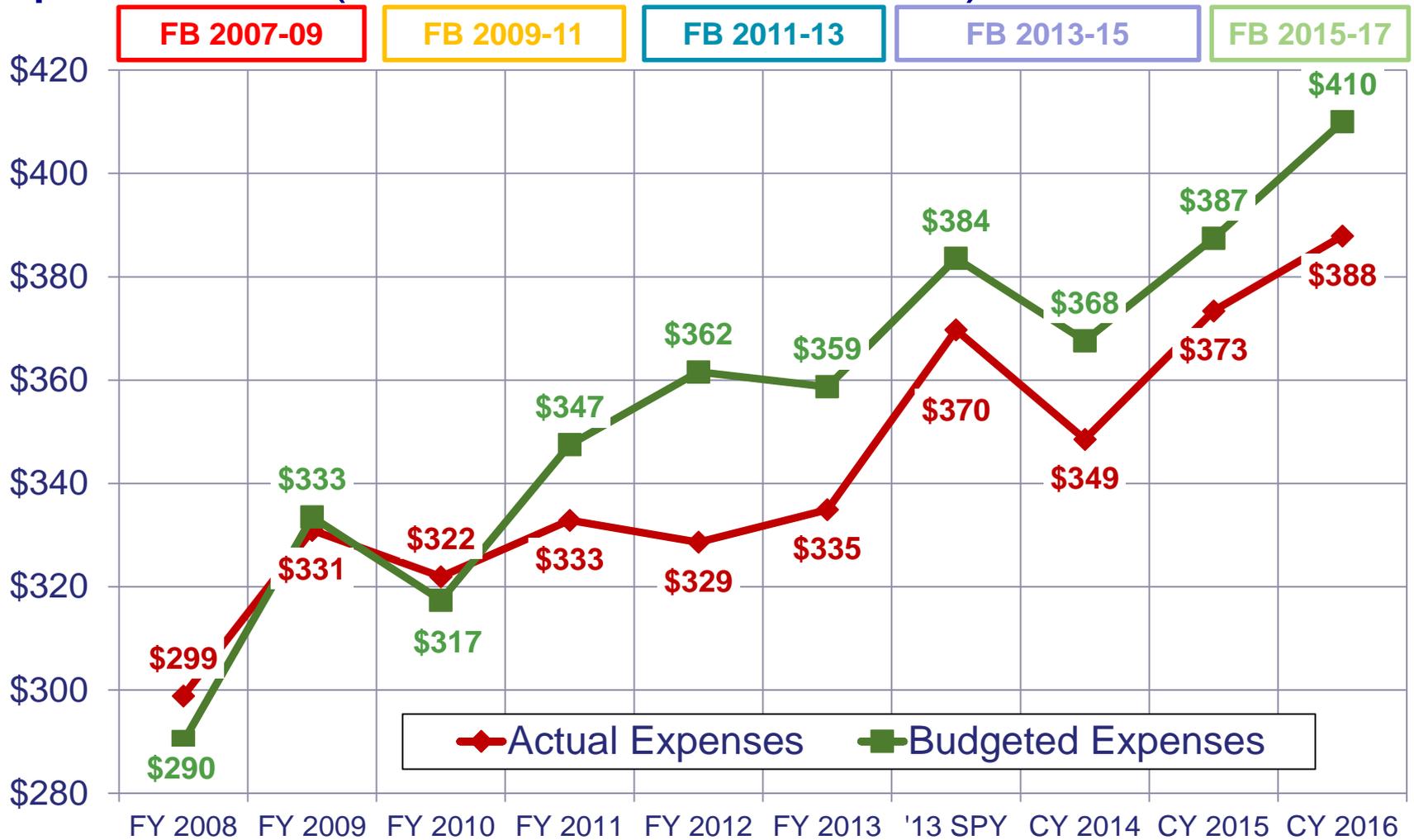


*The Plan received a \$250 million general fund appropriation from the State in FY 2009.

SPY = Short Plan Year (Jul-Dec 2013)

Recent Historical Financial Results

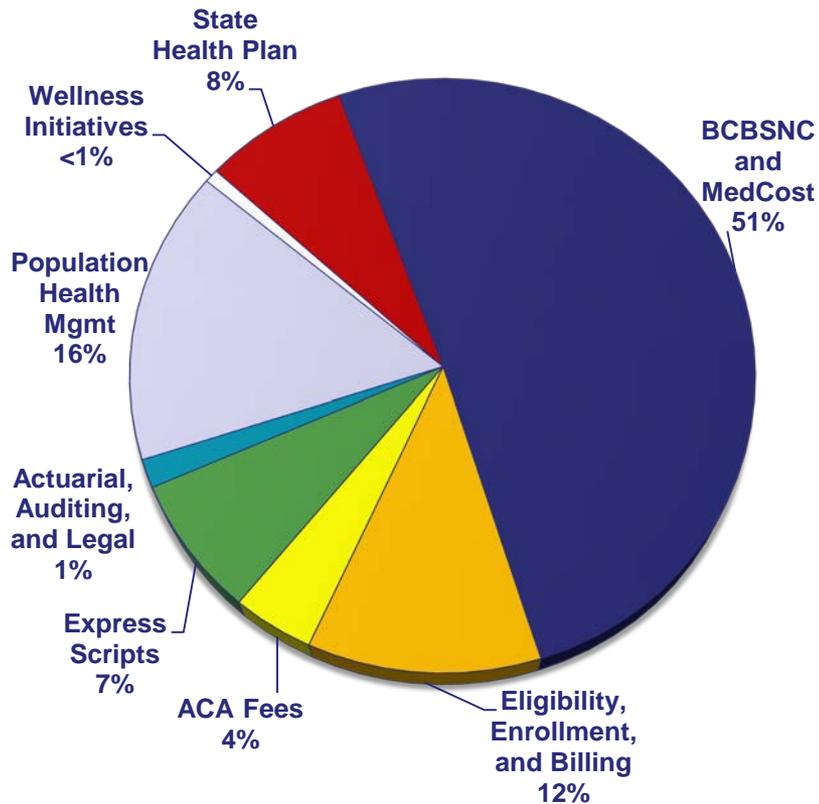
Expenditures (Claims + Administrative) PMPM



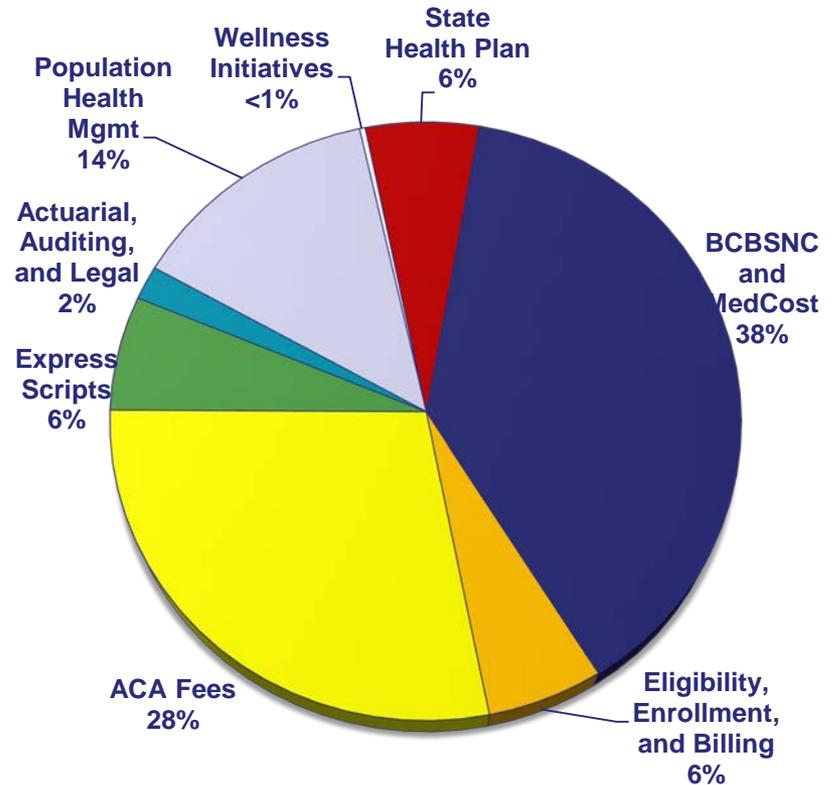
SPY = Short Plan Year (Jul-Dec 2013)

Calendar Year 2016 Administrative Expenses

Calendar Year 2016
(\$173.4 Million)



Calendar Year 2015
(\$187.4 Million)



Note: The charts show administrative fees that were paid in 2016 and 2015 and 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. Certified Budget
 For the Month Ended December 2016
 Calendar Year 2016

	A	B	C	D	E	F	G	H
	Actual December 2016	Certified Budget December 2016	Monthly Variance Over/(Under) Certified Budget	Actual Year to Date CY 2016	10/13/2015 Certified Budget Year to Date CY 2016	Year to Date Variance Over/(Under) Certified Budget	10/13/2015 Annual Certified Budget CY 2016 (Jan-Dec 2016)	Year to Date Variance Over/(Under) Annual Certified Budget
1 Plan Revenue:								
2								
3 Member Premiums	\$ 289,781,881	\$ 255,982,999	\$ 33,798,882	\$ 3,179,908,555	\$ 3,077,262,889	\$ 102,645,666	\$ 3,077,262,889	\$ 102,645,666
4 Premium Refunds/Retroactive Disenrollments	-	(128,986)	128,986	(3,296)	(1,550,543)	1,547,247	(1,550,543)	1,547,247
5 Medicare Part D (RDS) Subsidy	2,542,061	1,171,276	1,370,785	19,920,242	14,177,803	5,742,439	14,177,803	5,742,439
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	453	-	453	-	453
7 Medicare Advantage (MA) Subsidy	70,123	72,760	(2,637)	797,486	866,820	(69,334)	866,820	(69,334)
8 Net Premium & Other Contributions	292,394,065	257,098,049	35,296,016	3,200,623,440	3,090,756,969	109,866,471	3,090,756,969	109,866,471
9								
10 Investment Earnings	748,828	226,736	522,092	8,712,384	3,269,599	5,442,785	3,269,599	5,442,785
11 Miscellaneous Revenue	62	-	62	62	-	62	-	62
12 Other Revenue	748,890	226,736	522,154	8,712,446	3,269,599	5,442,847	3,269,599	5,442,847
13								
14 Total Plan Revenue (excludes internal transfers)	293,142,955	257,324,785	35,818,170	3,209,335,886	3,094,026,568	115,309,318	3,094,026,568	115,309,318
15								
16 Plan Expenses:								
17								
18 Medical Claim Payments	155,952,671	167,572,499	(11,619,828)	2,168,596,151	2,191,757,976	(23,161,825)	2,191,757,976	(23,161,825)
19 Medical Claim Refunds/Recoveries	(2,362,212)	(2,200,358)	(161,854)	(22,906,282)	(26,876,079)	3,969,797	(26,876,079)	3,969,797
20 Net Medical Claims	153,590,459	165,372,141	(11,781,682)	2,145,689,869	2,164,881,897	(19,192,028)	2,164,881,897	(19,192,028)
21								
22 Pharmacy Claim Payments	70,614,526	63,567,812	7,046,714	856,189,983	803,327,996	52,861,987	803,327,996	52,861,987
23 Pharmacy Claim Rebates	-	-	-	(106,013,894)	(50,098,630)	(55,915,264)	(50,098,630)	(55,915,264)
24 Pharmacy Claim Refunds/Recoveries	(10,466)	-	(10,466)	(2,436,328)	-	(2,436,328)	-	(2,436,328)
25 Net Pharmacy Claims	70,604,060	63,567,812	7,036,248	747,739,761	753,229,366	(5,489,605)	753,229,366	(5,489,605)
26								
27 Net Claim Payments	224,194,519	228,939,953	(4,745,434)	2,893,429,630	2,918,111,263	(24,681,633)	2,918,111,263	(24,681,633)
28								
29 Medicare Advantage Premium Payments	16,613,262	15,983,193	630,069	195,205,001	190,926,384	4,278,617	190,926,384	4,278,617
30								
31 Net Administrative Expenses	10,692,952	19,289,802	(8,596,850)	173,416,358	249,818,709	(76,402,351)	249,818,709	(76,402,351)
32								
33 Total Plan Expenses (excludes internal transfers)	251,500,733	264,212,948	(12,712,215)	3,262,050,989	3,358,856,356	(96,805,367)	3,358,856,356	(96,805,367)
34								
35 Plan Income/(Loss)	41,642,222	(6,888,163)	48,530,385	(52,715,103)	(264,829,788)	212,114,685	(264,829,788)	212,114,685
36								
37 Cash Availability:								
38								
39 Beginning Cash Balance/(Deficit)	920,860,703	683,328,555	237,532,148	1,015,218,028	941,270,180	73,947,848	941,270,180	73,947,848
40 Ending Cash Balance/(Deficit)	962,502,925	676,440,392	286,062,533	962,502,925	676,440,392	286,062,533	676,440,392	286,062,533
41								
42 Target Stabilization Reserve @ 12/31/16	262,630,014	262,630,014	-	262,630,014	262,630,014	-	262,630,014	-
43								
44 Cash Balance Over/(Under) Reserve Target	\$ 699,872,911	\$ 413,810,378	\$ 286,062,533	\$ 699,872,911	\$ 413,810,378	\$ 286,062,533	\$ 413,810,378	\$ 286,062,533

Comments:

- a. Premium receivables totaled \$639,290.92 as of December 31, 2016.
- b. The average weekly medical claims cost net of claims refunds was \$51,196,819.67 for the three scheduled weekly claim cycles (due to the holidays).
- c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$35,307,263.00 per cycle.
- d. The target stabilization reserve is 9% of the projected net claims for Calendar Year 2016.
- 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 December 2016

Calendar Year 2016

	A	B	C	D	E	F	G
	Current Year Actual December 2016	Prior Year Actual December 2015	Current Year to Date Actual CY 2016 thru December	Prior Year to Date Actual CY 2015 thru December	Current Year Certified Annual Budget CY 2016	Prior Year Annual Budget CY 2015	Prior Year Actual Results CY 2015
1 Plan Revenue:							
2							
3 Member Premiums	\$ 289,781,881	\$ 279,135,908	\$ 3,179,908,555	\$ 2,993,891,773	\$ 3,077,262,889	\$ 2,963,937,832	\$ 2,993,891,773
4 Premium Refunds/Retroactive Disenrollments	-	-	(3,296)	(5,343)	(1,550,543)	(1,486,657)	(5,343)
5 Medicare Part D (RDS) Subsidy	2,542,061	1,533,247	19,920,242	19,484,823	14,177,803	14,587,080	19,484,823
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	453	48,603,406	-	48,602,498	48,603,406
7 Medicare Advantage (MA) Subsidy	70,123	165,292	797,486	959,319	866,820	828,983	959,319
8 Net Premium & Other Contributions	292,394,065	280,834,447	3,200,623,440	3,062,933,978	3,090,756,969	3,026,469,736	3,062,933,978
9							
10 Investment Earnings	748,828	579,246	8,712,384	6,037,729	3,269,599	3,871,779	6,037,729
11 Miscellaneous Revenue	62	-	62	-	-	-	-
12 Other Revenue	748,890	579,246	8,712,446	6,037,729	3,269,599	3,871,779	6,037,729
13							
14 Total Plan Revenue (excludes internal transfers)	293,142,955	281,413,693	3,209,335,886	3,068,971,707	3,094,026,568	3,030,341,515	3,068,971,707
15							
16 Plan Expenses:							
17							
18 Medical Claim Payments	155,952,671	163,409,879	2,168,596,151	2,067,095,284	2,191,757,976	2,128,799,496	2,067,095,284
19 Medical Claim Refunds/Recoveries	(2,362,212)	(2,019,328)	(22,906,282)	(23,709,307)	(26,876,079)	(25,072,202)	(23,709,307)
20 Net Medical Claims	153,590,459	161,390,551	2,145,689,869	2,043,385,977	2,164,881,897	2,103,727,294	2,043,385,977
21							
22 Pharmacy Claim Payments	70,614,526	63,688,729	856,189,983	766,818,503	803,327,996	718,955,282	766,818,503
23 Pharmacy Claim Rebates	-	-	(106,013,894)	(96,193,453)	(50,098,630)	(57,020,841)	(96,193,453)
24 Pharmacy Claim Refunds/Recoveries	(10,466)	(33,945)	(2,436,328)	(5,347,179)	-	-	(5,347,179)
25 Net Pharmacy Claims	70,604,060	63,654,784	747,739,761	665,277,871	753,229,366	661,934,441	665,277,871
26							
27 Net Claim Payments	224,194,519	225,045,335	2,893,429,630	2,708,663,848	2,918,111,263	2,765,661,735	2,708,663,848
28							
29 Medicare Advantage Premium Payments	16,613,262	14,841,457	195,205,001	172,517,202	190,926,384	174,072,089	172,517,202
30							
31 Net Administrative Expenses	10,692,952	33,483,240	173,416,358	187,419,975	249,818,709	239,864,700	187,419,975
32							
33 Total Plan Expenses (excludes internal transfers)	251,500,733	273,370,032	3,262,050,989	3,068,601,025	3,358,856,356	3,179,598,524	3,068,601,025
34							
35 Plan Income/(Loss)	41,642,222	8,043,661	(52,715,103)	370,682	(264,829,788)	(149,257,009)	370,682
36							
37 Cash Availability:							
38							
39 Beginning Cash Balance/(Deficit)	920,860,703	1,007,174,367	1,015,218,028	1,014,847,346	941,270,180	1,014,847,346	1,014,847,346
40 Ending Cash Balance/(Deficit)	962,502,925	1,015,218,028	962,502,925	1,015,218,028	676,440,392	865,590,337	1,015,218,028
41							
42 Target Stabilization Reserve @ 12/31	262,630,014	248,909,557	262,630,014	248,909,557	262,630,014	248,909,557	243,779,746
43							
44 Cash Balance Over/(Under) Reserve Target	\$ 699,872,911	\$ 766,308,471	\$ 699,872,911	\$ 766,308,471	\$ 413,810,378	\$ 616,680,780	\$ 771,438,282

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 December 2016
 Calendar Year 2016

	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	Certified 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)	\$ 3,179,908,555	\$ (6,725,983)	\$ 3,173,182,572	\$ 3,077,262,889	\$ 95,919,683	3.12%
4 Premium Refunds/Retroactive Disenrollments	(3,298)		(3,298)	(1,550,543)	1,547,247	-99.79%
5 Medicare Part D (RDS) Subsidy (Note 3)	19,920,242	(1,040,695)	18,879,547	14,177,803	4,701,744	33.18%
6 Medicare PDP (EGWP + Wrap) Subsidy (Note 4)	453	(453)	-	-	-	
7 Medicare Advantage (MA) Subsidy	797,486		797,486	866,820	(69,334)	-8.00%
8 Net Premium & Other Contributions	3,200,623,440	(7,767,131)	3,192,856,309	3,090,756,969	102,099,340	3.30%
9						
10 Other Revenue	8,712,446		8,712,446	3,269,599	5,442,847	166.47%
11						
12 Total Plan Revenue (excludes internal transfers)	3,209,335,886	(7,767,131)	3,201,568,755	3,094,026,568	107,542,187	3.48%
13						
14 Plan Expenses:						
15						
16 Net Medical Claims (Note 5)	2,145,889,869	48,493,977	2,194,383,846	2,164,881,897	29,301,949	1.35%
17 Net Pharmacy Claims (Note 6)	747,739,761	46,502,820	794,242,581	753,229,366	41,013,215	5.44%
18 Net Claim Payments	2,893,429,630	94,996,796	2,988,426,426	2,918,111,263	70,315,163	2.41%
19						
20 Medicare Advantage Premiums	195,205,001		195,205,001	190,926,384	4,278,617	2.24%
21						
22 Net Administrative Expenses (Notes 7 and 8)	173,416,358	11,270,347	184,686,705	249,818,709	(65,132,004)	-26.07%
23						
24 Total Plan Expenses (excludes internal transfers)	3,262,050,989	106,267,144	3,368,318,133	3,358,856,356	9,461,777	0.28%
25						
26 Plan Income/(Loss)	(52,715,103)	(114,034,275)	(166,749,378)	(264,829,788)	98,080,410	-37.04%
27						
28 Cash Availability:						
29						
30 Beginning Cash Balance/(Deficit)	1,015,218,028		1,015,218,028	941,270,180	73,947,848	7.86%
31 Ending Cash Balance/(Deficit)	962,502,925	(114,034,275)	848,468,650	676,440,392	172,028,258	25.43%
32						
33 Target Stabilization Reserve @ 12/31/2016	262,630,014		262,630,014	262,630,014	-	0.00%
34						
35 Cash Balance Over/(Under) Reserve Target	\$ 699,872,911	\$ (114,034,275)	\$ 585,838,636	\$ 413,810,378	\$ 172,028,258	41.57%

Adjustment Notes:

1. Member premiums adjusted to include \$53.5 million in prepaid January premiums received in December 2015.
2. Member premiums adjusted to exclude \$60.2 million in prepaid January 2017 premiums received in December.
3. Retiree Drug Subsidy adjusted to exclude an unbudgeted reconciliation payment from the CY 2014 plan year.
4. EGWP subsidies were not budgeted and are therefore excluded.
5. Net medical claims adjusted to assume one additional disbursement that was budgeted but was not made due to the December holiday schedule.
6. Net pharmacy claims adjusted to exclude a \$46.5 million overage in the rebate true-up payment.
7. Administrative expenses decreased \$6.5 million to reflect the monthly invoicing schedule.
8. Administrative expenses adjusted to include a \$17.8 million federal fee payment that was made in December 2015 despite being budgeted for January 2016.