



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



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA



Board of Trustees Meeting

August 30, 2018

A Division of the Department of State Treasurer



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Reading of SEI Statements into Minutes

Board of Trustees Meeting

August 30, 2018

A Division of the Department of State Treasurer

Reading of SEI Statements into Minutes

STATE HEALTH PLAN BOARD OF TRUSTEES

August 30, 2018 Meeting

AGENDA ITEM

Conflict of Interest Statement

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

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



North Carolina
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DALE R. FOLWELL, CPA



Board of Trustee Bylaws Revision

Board of Trustees Meeting

August 30, 2018

A Division of the Department of State Treasurer

Revision to Bylaws of the State Health Plan Board of Trustees

Current text:

Article IV. Meetings:

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

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

Section 9. Public Comment:

Time will be reserved at the end of each meeting for public comment upon request. Such time may be limited by the Chairperson.

Revision to Bylaws of the State Health Plan Board of Trustees

Proposed text with redline:

Article IV. Meetings:

~~**Section 2. Annual Meeting to Review Requests for Changes to Benefits:**~~

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

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

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

Reason for revisions:

To provide a broader opportunity for engagement by allowing individuals and groups to request benefit changes during the public comment period at any non-telephonic Board meeting.

Revision to Bylaws of the State Health Plan Board of Trustees

New text without redline:

Article IV. Meetings:

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

Time will be reserved at each non-telephonic Board meeting for public comment and requests for changes in benefits under the State Health Plan upon request.

Such time may be limited by the Chairperson.



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA



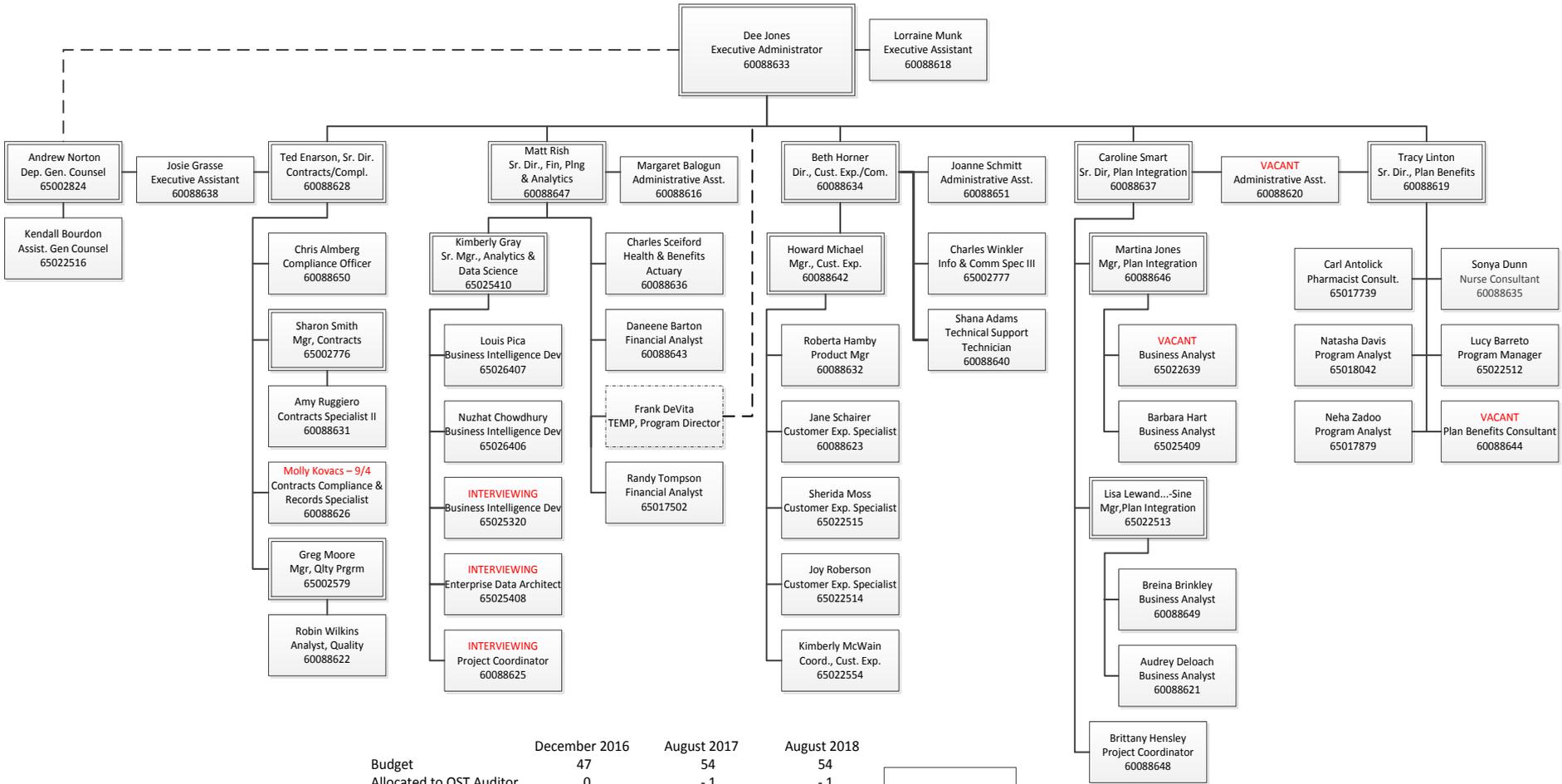
Staffing-Organizational Structure

Board of Trustees Meeting

August 30, 2018

A Division of the Department of State Treasurer

State Health Plan Organization Chart



	December 2016	August 2017	August 2018
Budget	47	54	54
Allocated to OST Auditor	0	-1	-1
Total SHP Positions	47	53	53
Positions on Hold	0	-4	-4
	47	49	49
Open Positions	-11	-15	-6
Filled Positions	36	34	43

SHP Experience

<2 years = 21
>2 years = 22

08.30.2018



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA



2017-18 State Fiscal Year Financial Report

Board of Trustees Meeting

August 31, 2018

A Division of the Department of State Treasurer

Financial Results: Actual vs. Budgeted

Fiscal Year 2017-18

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

Adjusted Variance Report

Fiscal Year 2017-18

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

* Adjusted for timing issues.

Financial Results Actual vs. Budgeted

Fiscal Year 2017-18

Per Member Per Month (PMPM) Analysis

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

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

Adjusted Variance Report

Fiscal Year 2017-18

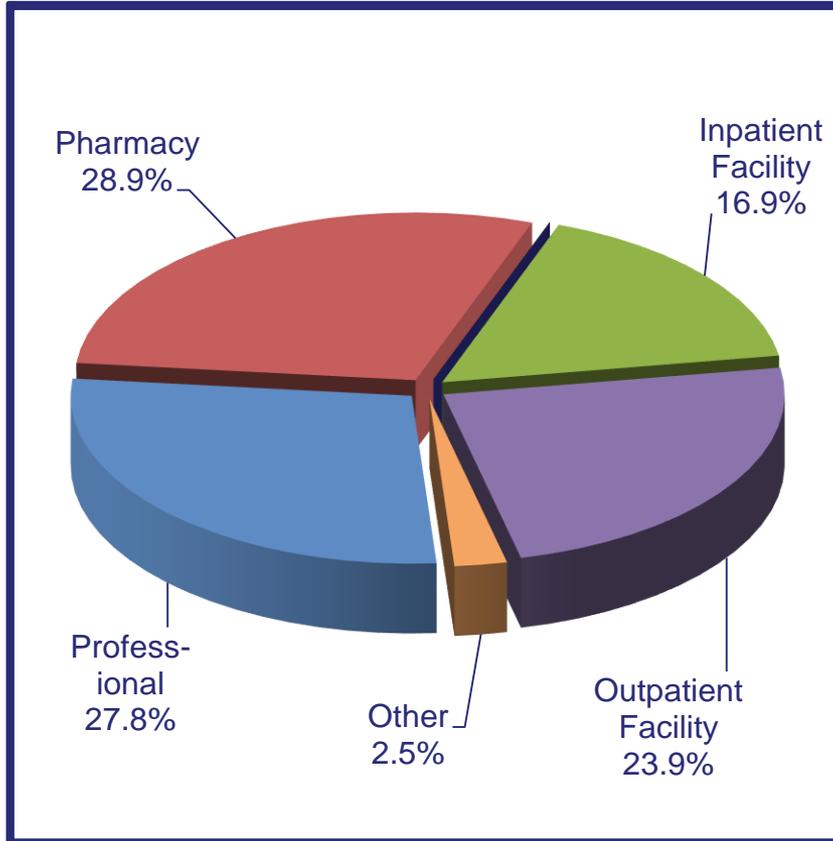
Per Member Per Month (PMPM) Analysis

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

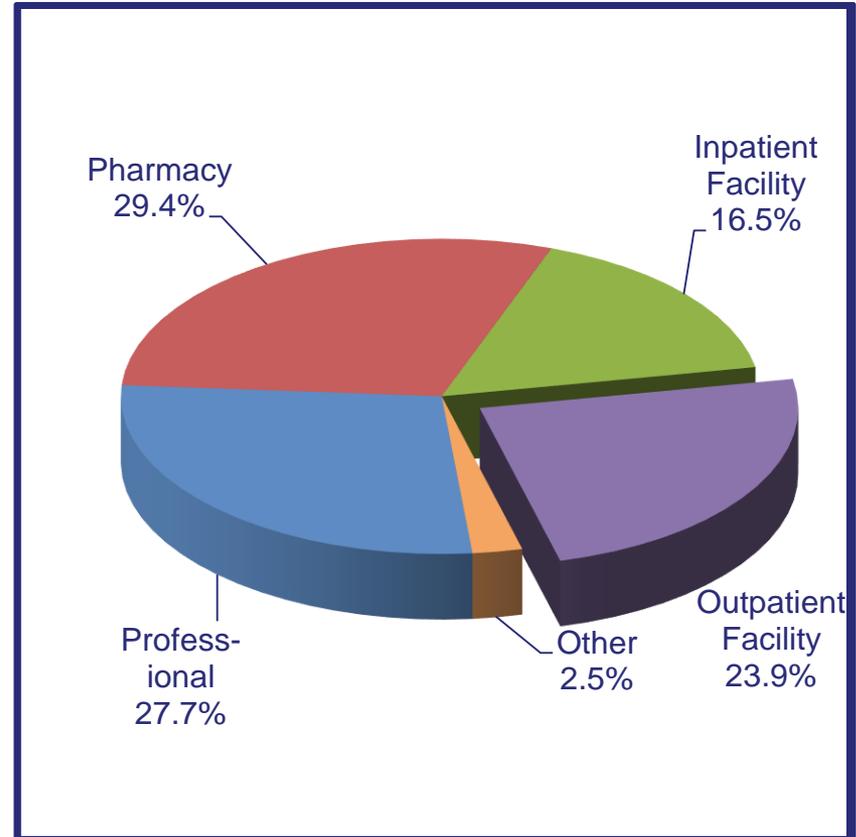
* Adjusted for timing issues.

Allocation of Total Expenditures Medical, Blue Card, and Pharmacy Payments

FY 2017-18



FY 2016-17



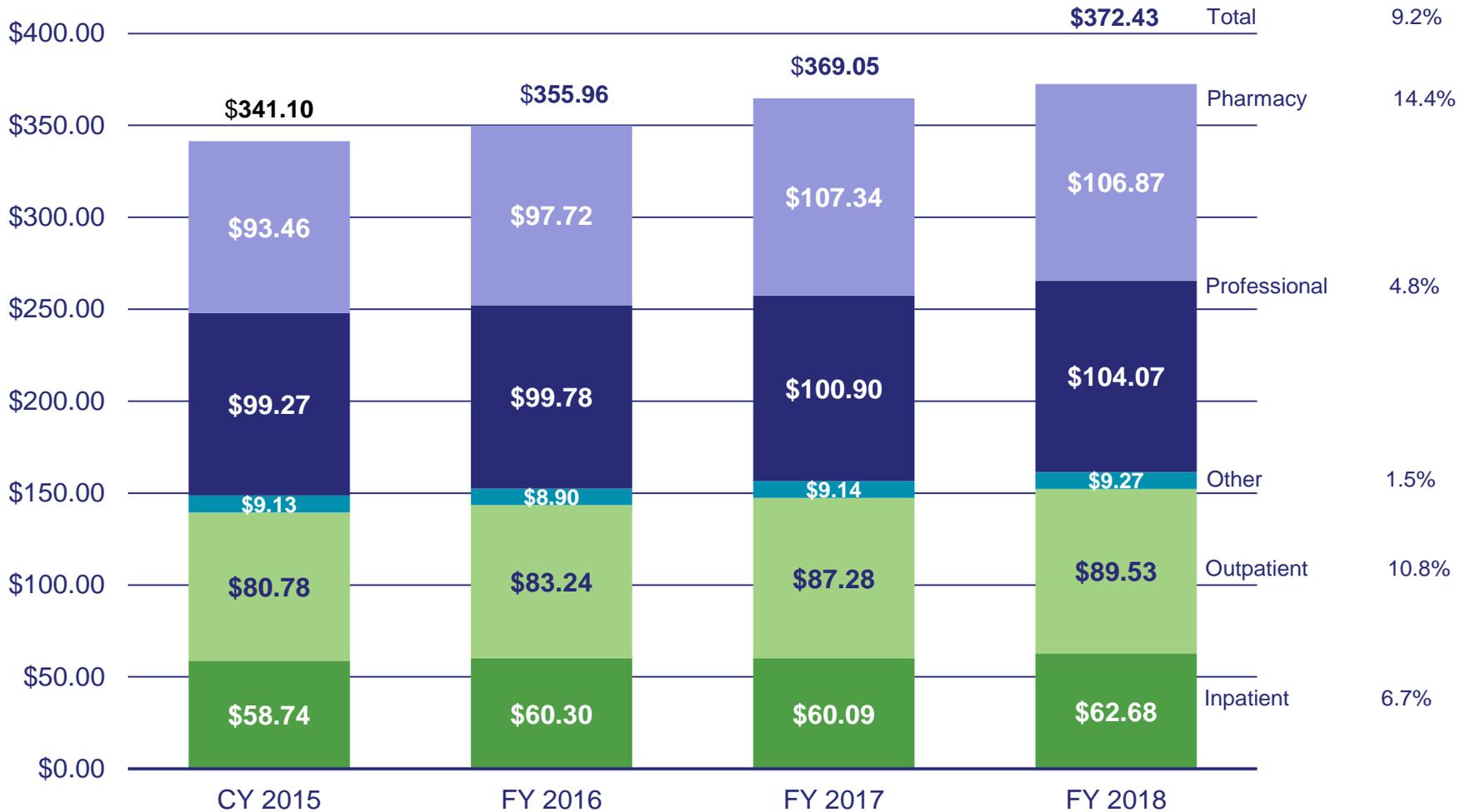
*After rebates

Sources: BCBSNC Net Disbursements reports; Financial Status Reports FY-2017-18

Allocation of Claims Expenditures (PMPM)

Medical, Blue Card and Pharmacy Payments

% Chg,
FY-15 v. 18

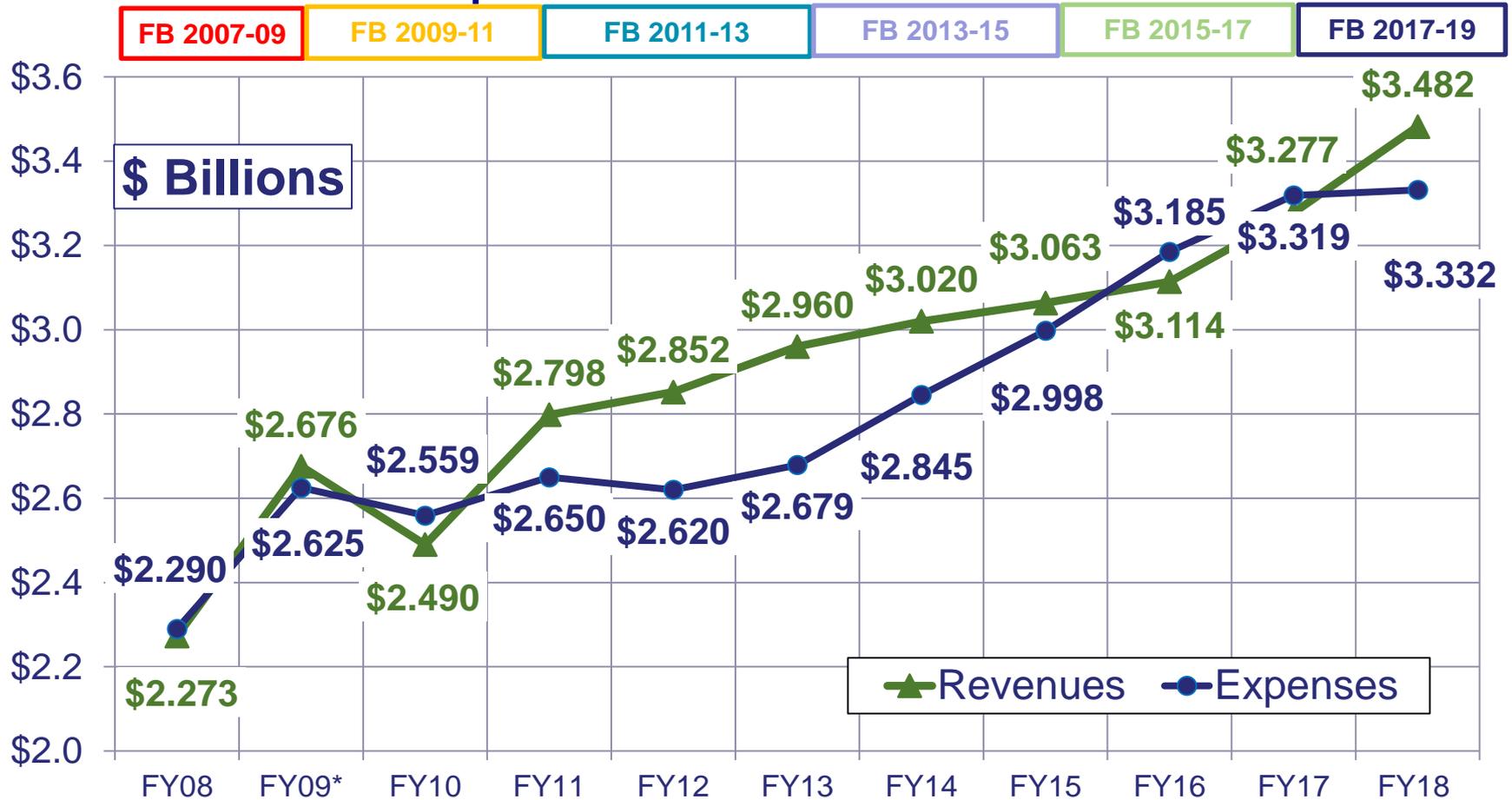


* Pharmacy claims costs do **not** include the impact of rebates

Source: BCBSNC Summary of Billed Charges

Recent Historical Financial Results

Revenues and Expenses

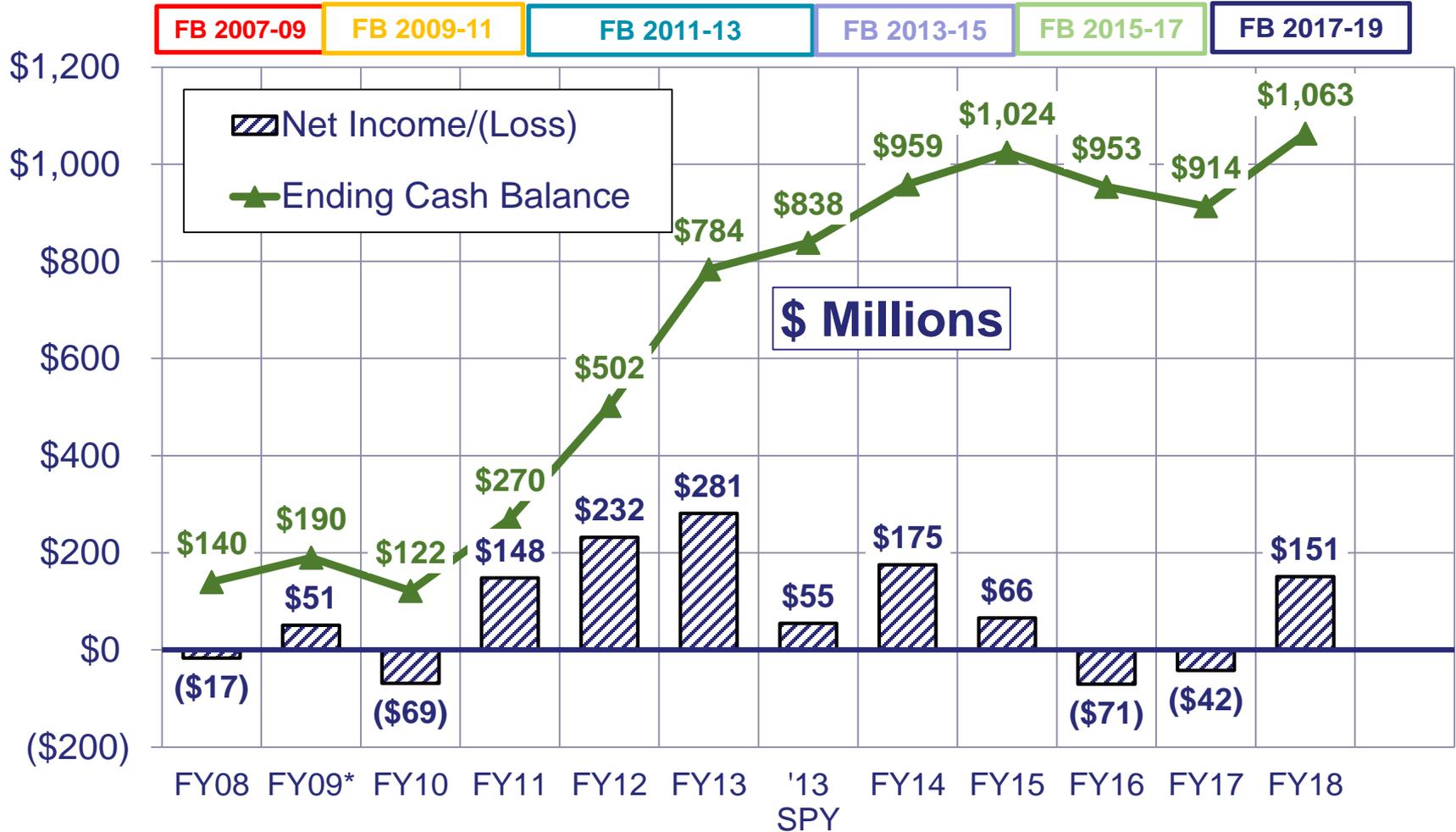


*FY 2009 revenues include a \$250 million general fund appropriation from the State.

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

Historical Financial Results

Net Income/(Loss) & Ending Cash Balance

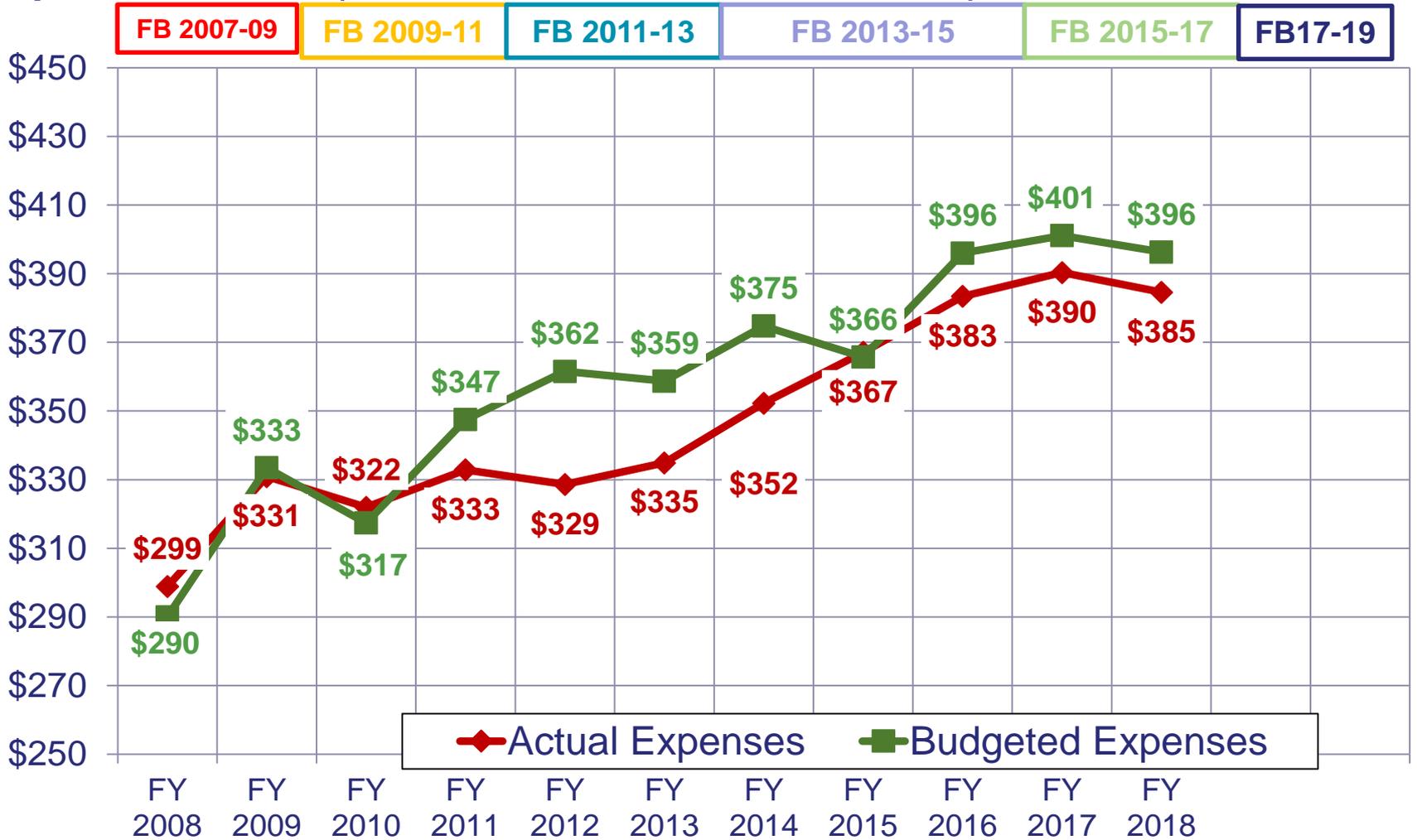


*The Plan received a \$250 million general fund appropriation from the State in FY 2009.

SPY = Short Plan Year (Jul-Dec 2013)

Recent Historical Financial Results

Expenditures (Claims + Administrative) PMPM

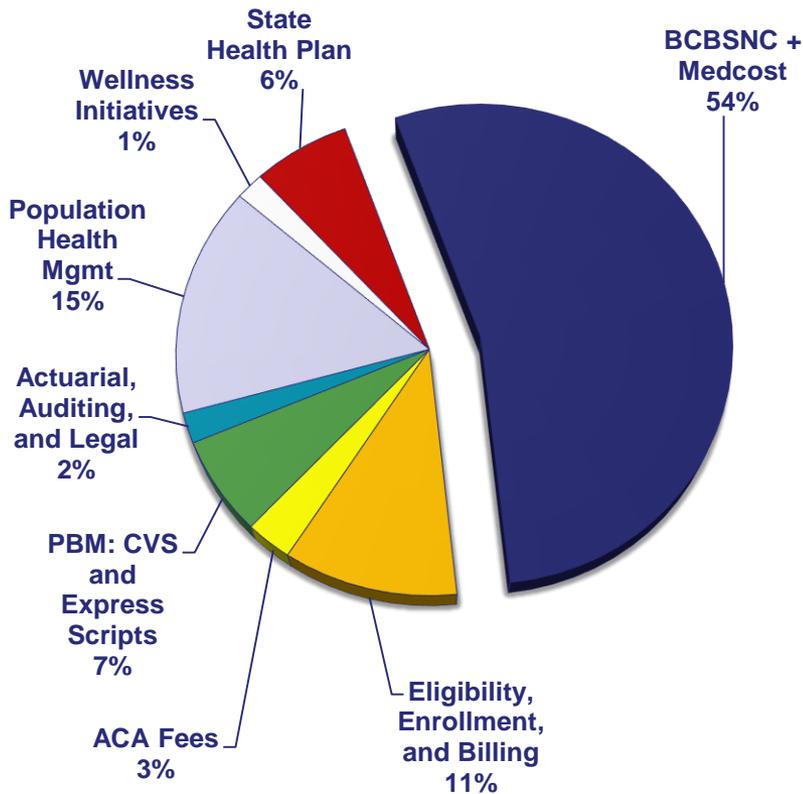


SPY = Short Plan Year (Jul-Dec 2013)

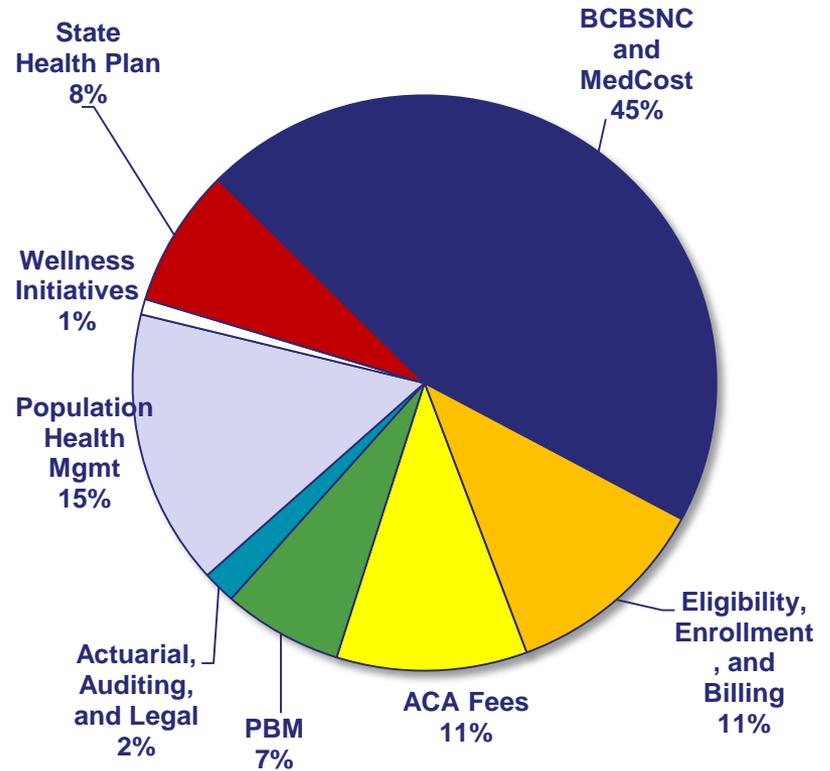
Fiscal Year 2017-18 vs 2016-17

Administrative Expenses

FY 2017-18
(\$145.9 Million)



FY 2016-17
(\$179.7 Million)



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

Fiscal Year 2017-18 Administrative Expense Detail

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

North Carolina State Health Plan for Teachers and State Employees

Summary of Operations (Cash Basis)

Consolidated Report, Actual vs. Authorized Budget

For the Month Ended June 2018

Fiscal Year 2017-2018

	A	B	C	D	E	F	G	H
	Actual June 2018	Certified Budget June 2018	Monthly Variance Fav/(Unfav) Authorized Budget	Actual Year to Date FY 2017-18	9/7/2017 Certified Budget Year to Date FY 2017-18	Year to Date Variance Fav/(Unfav) Authorized Budget	9/7/2017 Annual Certified Budget FY 2017-18	Year to Date Variance Fav/(Unfav) Annual Authorized Budget
Plan Revenue:								
Member Premiums	\$ 283,368,744	\$ 297,019,561	\$ (13,650,817)	\$ 3,459,603,519	\$ 3,453,216,983	\$ 6,386,536	\$ 3,453,216,983	\$ 6,386,536
Premium Refunds/Retroactive Disenrollments	-	(147,095)	147,095	-	(1,718,350)	1,718,350	(1,718,350)	1,718,350
Medicare Part D (RDS) Subsidy	-	1,342,307	(1,342,307)	8,642,733	14,402,604	(5,759,871)	14,402,604	(5,759,871)
Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	-	-	-	-	-
Medicare Advantage (MA) Subsidy	84,663	73,560	11,103	889,791	864,491	25,300	864,491	25,300
Net Premium & Other Contributions	283,453,407	298,288,333	(14,834,926)	3,469,136,043	3,466,765,728	2,370,315	3,466,765,728	2,370,315
Investment Earnings	1,433,658	681,053	752,605	13,124,189	7,871,957	5,252,232	7,871,957	5,252,232
Miscellaneous Revenue	(32)	-	(32)	-	-	-	-	-
Other Revenue	1,433,626	681,053	752,573	13,124,189	7,871,957	5,252,232	7,871,957	5,252,232
Total Plan Revenue (excludes internal transfers)	284,887,033	298,969,386	(14,082,353)	3,482,260,232	3,474,637,685	7,622,547	3,474,637,685	7,622,547
Plan Expenses:								
Medical Claim Payments	171,881,938	194,267,149	22,385,211	2,326,631,216	2,363,186,690	36,555,474	2,363,186,690	36,555,474
Medical Claim Refunds/Recoveries	(2,779,129)	(1,238,146)	1,540,983	(21,820,293)	(14,076,129)	7,744,164	(14,076,129)	7,744,164
Net Medical Claims	169,102,809	193,029,003	23,926,194	2,304,810,923	2,349,110,561	44,299,638	2,349,110,561	44,299,638
Pharmacy Claim Payments	82,624,973	81,839,696	(785,277)	927,293,116	928,427,126	1,134,010	928,427,126	1,134,010
Pharmacy Claim Rebates	-	-	-	(254,736,356)	(250,600,872)	4,135,484	(250,600,872)	4,135,484
Pharmacy Claim Refunds/Recoveries	(34,596)	-	34,596	(2,973,403)	-	2,973,403	-	2,973,403
Net Pharmacy Claims	82,590,377	81,839,696	(750,681)	669,583,357	677,826,254	8,242,897	677,826,254	8,242,897
Net Claim Payments	251,693,186	274,868,699	23,175,513	2,974,394,280	3,026,936,815	52,542,535	3,026,936,815	52,542,535
Medicare Advantage Premium Payments	18,814,603	16,816,025	(1,998,578)	211,077,782	198,172,092	(12,905,690)	198,172,092	(12,905,690)
Net Administrative Expenses	16,993,159	15,664,878	(1,328,281)	145,981,144	190,371,526	44,390,382	190,371,526	44,390,382
Total Plan Expenses (excludes internal transfers)	287,500,948	307,349,602	19,848,654	3,331,453,206	3,415,480,433	84,027,227	3,415,480,433	84,027,227
Plan Income/(Loss)	(2,613,915)	(8,380,216)	(5,766,301)	150,807,026	59,157,252	91,649,774	59,157,252	91,649,774
Cash Availability:								
Beginning Cash Balance/(Deficit)	1,065,396,196	979,512,723	87,532,656	911,975,255	911,975,255	-	911,975,255	-
Ending Cash Balance/(Deficit)	1,062,782,281	971,132,507	85,883,473	1,062,782,281	971,132,507	91,649,774	971,132,507	91,649,774
Target Stabilization Reserve @ 6/30/18	272,424,313	272,424,313	-	272,424,313	272,424,313	-	272,424,313	-
Cash Balance Over/(Under) Reserve Target	\$ 790,357,968	\$ 698,708,194	\$ 85,883,473	\$ 790,357,968	\$ 698,708,194	\$ 91,649,774	\$ 698,708,194	\$ 91,649,774

Comments:

- a. Premium receivables totaled \$103,829.50 as of June 30, 2018.
- b. The average weekly medical claims cost net of claims refunds was \$42,275,702.34 for four weeks of claims payments.
- c. Total pharmacy claims, before rebates and refunds, included two invoice cycles that covered 30 days and averaged \$2,754,165.78 per day.
- d. The target stabilization reserve is 9% of the projected net claims for Fiscal Year 2017-18.
- e. Minor differences compared to other reports are due to rounding.

North Carolina State Health Plan for Teachers and State Employees

Summary of Operations (Cash Basis)

Current Year Actual vs. Prior Year Actual

For the Month Ended June 2018

Fiscal Year 2017-2018

Plan Revenue:

Member Premiums
 Premium Refunds/Retroactive Disenrollments
 Medicare Part D (RDS) Subsidy
 Medicare PDP (EGWP + Wrap) Subsidy
 Medicare Advantage (MA) Subsidy
Net Premium & Other Contributions

Investment Earnings
 Miscellaneous Revenue
Other Revenue

Total Plan Revenue (excludes internal transfers)

Plan Expenses:

Medical Claim Payments
 Medical Claim Refunds/Recoveries
Net Medical Claims

Pharmacy Claim Payments
 Pharmacy Claim Rebates
 Pharmacy Claim Refunds/Recoveries
Net Pharmacy Claims

Net Claim Payments

Medicare Advantage Premium Payments

Net Administrative Expenses

Total Plan Expenses (excludes internal transfers)

Plan Income/(Loss)

Cash Availability:

Beginning Cash Balance/(Deficit)
Ending Cash Balance/(Deficit)

Target Stabilization Reserve @ 6/30

Cash Balance Over/(Under) Reserve Target

	A	B	C	D	E	F	G
	Current Year Actual June 2018	Prior Year Actual June 2017	Current Year to Date Actual FY 2017-18 thru June	Prior Year to Date Actual FY 2016-17 thru June	Current Year Certified Annual Budget FY 2017-18	Prior Year Annual Budget FY 2016-17	Prior Year Actual Results FY 2016-17
Member Premiums	283,368,744	\$ 259,203,537	\$ 3,459,603,519	\$ 3,246,484,274	\$ 3,453,216,983	\$ 3,221,617,779	\$ 3,246,484,274
Premium Refunds/Retroactive Disenrollments	-	-	-	(3,296)	(1,718,350)	(1,605,591)	(3,296)
Medicare Part D (RDS) Subsidy	-	1,529,633	8,642,733	20,448,904	14,402,604	14,562,214	20,448,904
Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	-	-	-	-
Medicare Advantage (MA) Subsidy	84,663	136,910	889,791	859,684	864,491	1,205,817	859,684
Net Premium & Other Contributions	283,453,407	260,870,080	3,469,136,043	3,267,789,566	3,466,765,728	3,235,780,219	3,267,789,566
Investment Earnings	1,433,658	924,906	13,124,189	9,548,552	7,871,957	3,479,377	9,548,552
Miscellaneous Revenue	(32)	(63)	-	(1)	-	-	(1)
Other Revenue	1,433,626	924,843	13,124,189	9,548,551	7,871,957	3,479,377	9,548,551
Total Plan Revenue (excludes internal transfers)	284,887,033	261,794,923	3,482,260,232	3,277,338,117	3,474,637,685	3,239,259,596	3,277,338,117
Plan Expenses:							
Medical Claim Payments	171,881,938	170,709,505	2,326,631,216	2,231,640,994	2,363,186,690	2,263,294,376	2,231,640,994
Medical Claim Refunds/Recoveries	(2,779,129)	(3,051,760)	(21,820,293)	(21,923,717)	(14,076,129)	(27,402,046)	(21,923,717)
Net Medical Claims	169,102,809	167,657,745	2,304,810,923	2,209,717,277	2,349,110,561	2,235,892,330	2,209,717,277
Pharmacy Claim Payments	82,624,973	79,108,919	927,293,116	874,404,780	928,427,126	853,475,193	874,404,780
Pharmacy Claim Rebates	-	-	(254,736,356)	(138,806,085)	(250,600,872)	(129,854,210)	(138,806,085)
Pharmacy Claim Refunds/Recoveries	(34,596)	(50,788)	(2,973,403)	(1,029,083)	-	-	(1,029,083)
Net Pharmacy Claims	82,590,377	79,058,131	669,583,357	734,569,612	677,826,254	723,620,983	734,569,612
Net Claim Payments	251,693,186	246,715,876	2,974,394,280	2,944,286,889	3,026,936,815	2,959,513,313	2,944,286,889
Medicare Advantage Premium Payments	18,814,603	16,112,510	211,077,782	194,884,334	198,172,092	191,752,975	194,884,334
Net Administrative Expenses	16,993,159	12,890,653	145,981,144	179,669,796	190,371,526	225,914,327	179,669,796
Total Plan Expenses (excludes internal transfers)	287,500,948	275,719,039	3,331,453,206	3,318,841,019	3,415,480,433	3,377,180,615	3,318,841,019
Plan Income/(Loss)	(2,613,915)	(13,924,116)	150,807,026	(41,502,902)	59,157,252	(137,921,019)	(41,502,902)
Cash Availability:							
Beginning Cash Balance/(Deficit)	1,065,396,196	925,899,371	911,975,255	953,478,157	911,975,255	982,083,787	953,478,157
Ending Cash Balance/(Deficit)	1,062,782,281	911,975,255	1,062,782,281	911,975,255	971,132,507	844,162,768	911,975,255
Target Stabilization Reserve @ 6/30	272,424,313	266,356,198	272,424,313	266,356,198	272,424,313	266,356,198	264,985,820
Cash Balance Over/(Under) Reserve Target	\$ 790,357,968	\$ 645,619,057	\$ 790,357,968	\$ 645,619,057	\$ 698,708,194	\$ 577,806,570	\$ 646,989,435

Comments:

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

Consolidated Fiscal Year vs. Prior Fiscal Year
 June 2018 – Fiscal Year

Summary of Operations (Cash Basis, as adjusted)

Consolidated Report, Actual vs. Budgeted

For the Month Ended June 2018

Fiscal Year 2017-2018

Plan Revenue:

Member Premiums (Notes 1 and 2)
 Premium Refunds/Retroactive Disenrollments
 Medicare Part D (RDS) Subsidy
 Medicare PDP (EGWP + Wrap) Subsidy
 Medicare Advantage (MA) Subsidy
Net Premium & Other Contributions

Other Revenue

Total Plan Revenue (excludes internal transfers)

Plan Expenses:

Net Medical Claims
 Net Pharmacy Claims
Net Claim Payments

Medicare Advantage Premiums

Net Administrative Expenses (Note 3)

Total Plan Expenses (excludes internal transfers)

Plan Income/(Loss)

Cash Availability:

Beginning Cash Balance/(Deficit)
Ending Cash Balance/(Deficit)
 Target Stabilization Reserve @ 6/30/17

Cash Balance Over/(Under) Reserve Target

	A	B	C	D	E	F
	Fiscal Year Year to Date Fiscal Year thru June	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Certified Budget Fiscal Year to Date thru June	Year to Date Adjusted Variance Fav/(Unfav) Budget	Adjusted Variance as Percentage of Budget
Member Premiums (Notes 1 and 2)	\$ 3,459,603,519	\$ 15,536,139	\$ 3,475,139,658	\$ 3,453,216,983	\$ 21,922,675	0.63%
Premium Refunds/Retroactive Disenrollments	-		-	(1,718,350)	1,718,350	-100.00%
Medicare Part D (RDS) Subsidy	8,642,733		8,642,733	14,402,604	(5,759,871)	-39.99%
Medicare PDP (EGWP + Wrap) Subsidy	-		-	-	-	
Medicare Advantage (MA) Subsidy	889,791		889,791	864,491	25,300	2.93%
Net Premium & Other Contributions	3,469,136,043	15,536,139	3,484,672,182	3,466,765,728	17,906,454	0.52%
Other Revenue	13,124,189		13,124,189	7,871,957	5,252,232	66.72%
Total Plan Revenue (excludes internal transfers)	3,482,260,232	15,536,139	3,497,796,371	3,474,637,685	23,158,686	0.67%
Net Medical Claims	2,304,810,923		2,304,810,923	2,349,110,561	44,299,638	1.89%
Net Pharmacy Claims	669,583,357		669,583,357	677,826,254	8,242,897	1.22%
Net Claim Payments	2,974,394,280	-	2,974,394,280	3,026,936,815	52,542,535	1.74%
Medicare Advantage Premiums	211,077,782		211,077,782	198,172,092	(12,905,690)	-6.51%
Net Administrative Expenses (Note 3)	145,981,144	6,747,166	152,728,310	190,371,526	37,643,216	19.77%
Total Plan Expenses (excludes internal transfers)	3,331,453,206	6,747,166	3,338,200,372	3,415,480,433	77,280,061	2.26%
Plan Income/(Loss)	150,807,026	8,788,973	159,595,999	59,157,252	100,438,747	169.78%
Beginning Cash Balance/(Deficit)	911,975,255		911,975,255	911,975,255	-	0.00%
Ending Cash Balance/(Deficit)	1,062,782,281	8,788,973	1,071,571,254	971,132,507	100,438,747	10.34%
Target Stabilization Reserve @ 6/30/17	272,424,313		272,424,313	272,424,313	-	0.00%
Cash Balance Over/(Under) Reserve Target	\$ 790,357,968	\$ 8,788,973	\$ 799,146,941	\$ 698,708,194	\$ 100,438,747	14.37%

Adjustment Notes:

1. Member premiums adjusted by \$55.1 million to include prepaid June premiums received in May 2018.
2. Administrative expenses adjusted to include BCBS administration fee contracted for 2018. Payment amount being negotiated.



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA



CYTD 1/1/2018-7/31/18 Financial Update

Board of Trustees Meeting

August 30, 2018

A Division of the Department of State Treasurer

Financial Results: Actual vs. Budgeted

Calendar Year to Date June 2018

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

Financial Results Actual vs. Budgeted

Calendar Year to Date June 2018

Per Member Per Month (PMPM) Analysis

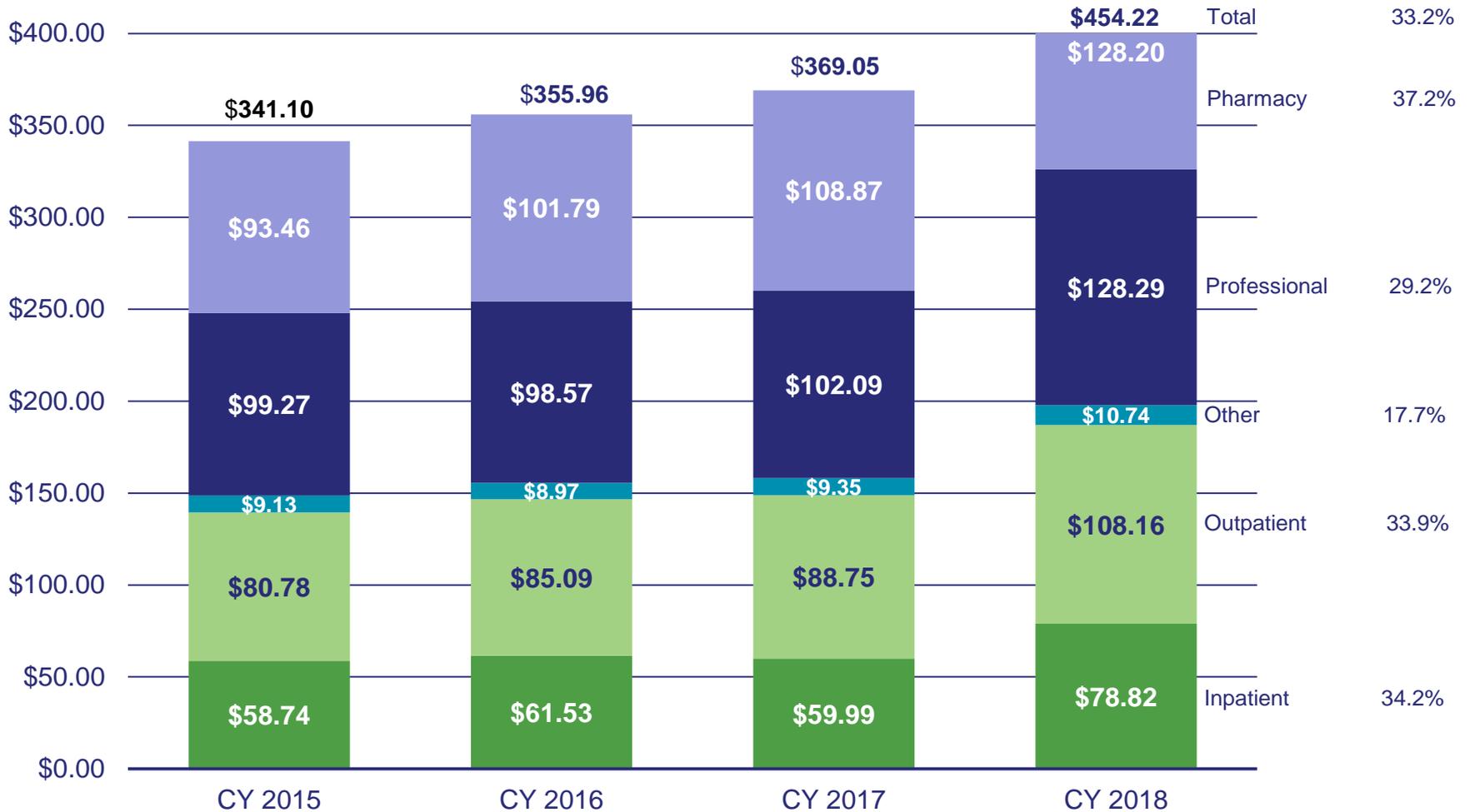
Calendar Year 2018	Actual thru June 2018	Authorized Budget (per Segal 5-30-18)	Variance Fav/(Unfav) Budget
Plan Revenue	\$407.30	\$404.74	\$2.56
Net Claims Payments	\$354.59	\$350.45	(\$4.14)
Medicare Advantage Premiums	\$25.89	\$25.86	(\$0.03)
Net Administrative Expenses	\$15.51	\$24.99	\$9.48
Total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

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

Allocation of Claims Expenditures (PMPM)

Medical, Blue Card and Pharmacy Payments

% Chg,
2015-2018

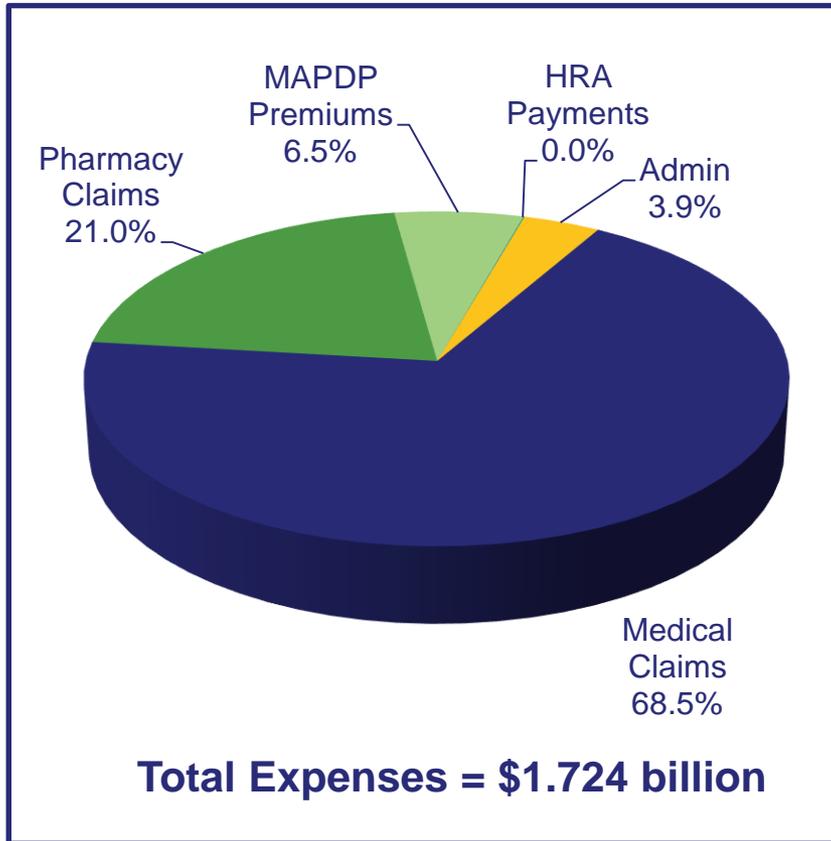


* Pharmacy claims costs do **not** include the impact of rebates

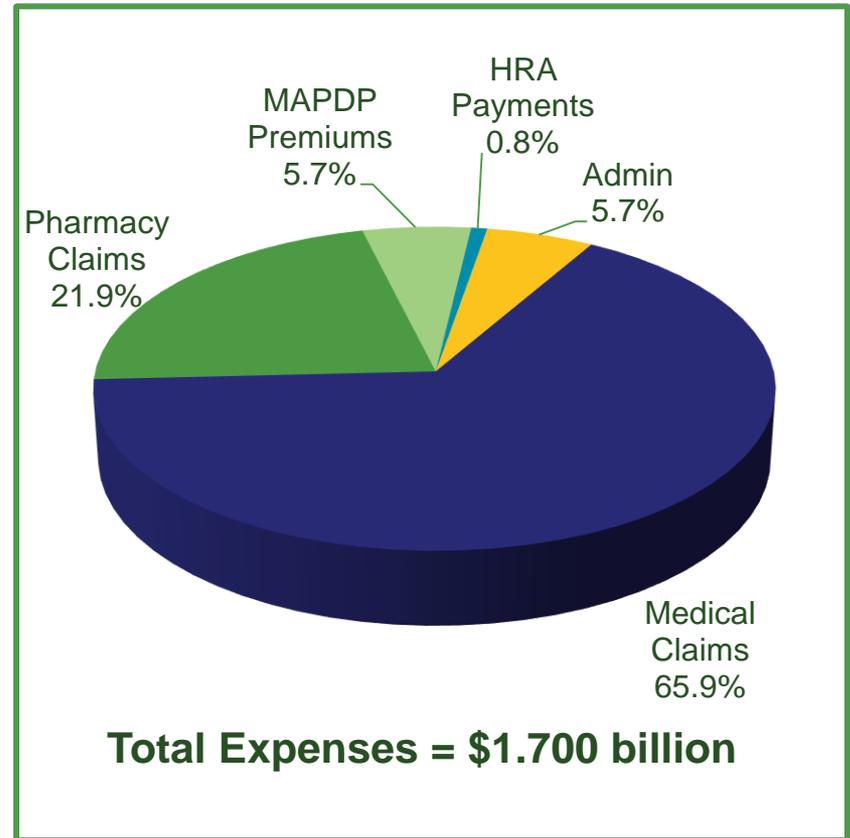
Source: BCBSNC Summary of Billed Charges

Allocation of Total Expenditures

YTD June 2018



YTD June 2017

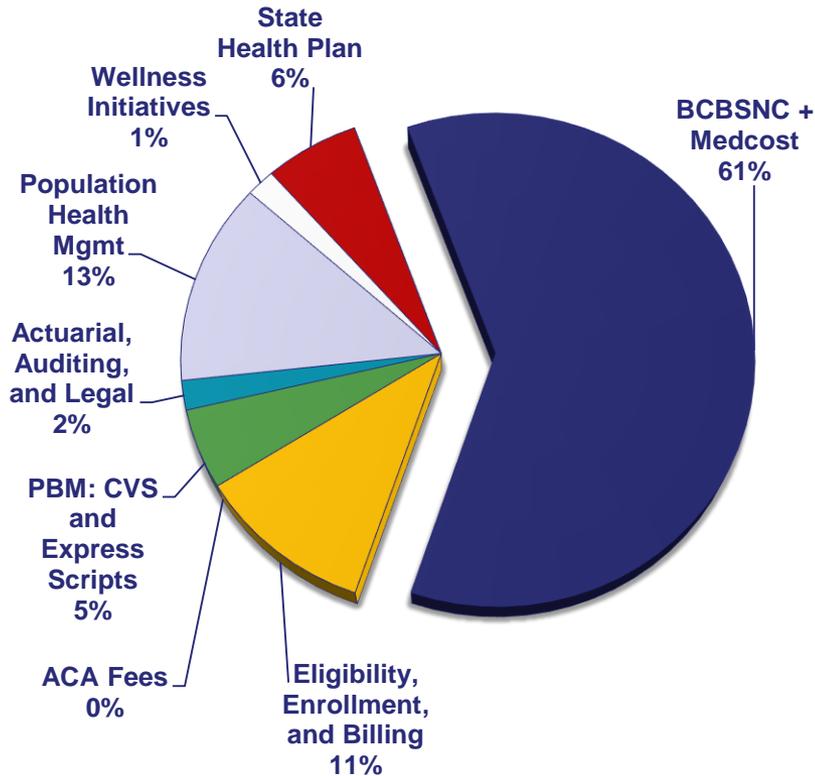


*After rebates

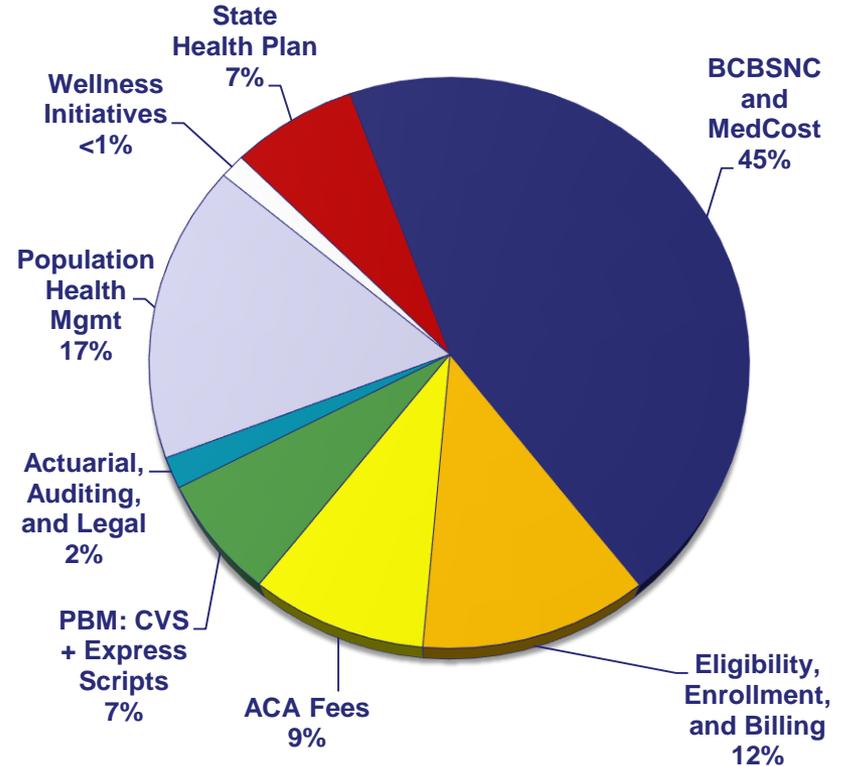
Sources: BCBSNC Net Disbursements reports; Financial Status Reports CY-YTD

Calendar Year 2018 Administrative Expenses

Calendar June YTD 2018
(\$67.5 Million)



Calendar Year 2017
(\$174.5 Million)



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

Calendar Year 2018 Administrative Expense Detail

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



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DALE R. FOLWELL, CPA



2019 Benefits/TPA Implementation & New Functionality

Board of Trustees Meeting

August 30, 2018

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TPA Contract: Vendor Infrastructure Changes

Requirement	Vendors Impacted	Customers Impacted	Complexity, Savings or Compliance	Status
Move High Deductible Health Plan Administration to BCBSNC	<ul style="list-style-type: none"> • Blue Cross NC • Benefitfocus • CVS • iTEDIUM 	Members and HBRs	<ul style="list-style-type: none"> • Reduces enrollment and premium billing complexity by consolidating all group premium billing under Blue Cross NC • Saves \$120k/year 	<ul style="list-style-type: none"> ✓ Web Code Deployed ✓ EDI work still under way – working through the outstanding defects
Add Leave of Absence and Workers Comp Direct Billing Functionality	<ul style="list-style-type: none"> • Blue Cross NC • Benefitfocus • iTEDIUM 	Members and HBRs	<ul style="list-style-type: none"> • Reduces complexity for HBRs because the Plan will assume premium collection for members on LOA • Ensures employing units are in compliance with statutory requirements around eligibility and premium for members who are not actively at work. We believe many EUs carry members who are no longer eligible for coverage. • No additional ongoing cost to the Plan 	<ul style="list-style-type: none"> ✓ Web Code Deployed ✓ EDI work still under way – working through the outstanding defects ▪ Initial roll-out targeted for January 2019 – contingent on a successful HDHP premium invoice/deduction cycle in December for January premiums

TPA Contract: Vendor Infrastructure Changes

Requirement	Vendors Impacted	Customers Impacted	Complexity, Savings or Compliance	Status
Group Transfer Functionality	<ul style="list-style-type: none"> • Blue Cross NC • Benefitfocus • CVS 	Members and HBRs	<ul style="list-style-type: none"> • Reduces enrollment complexity for members. • Currently when members move from one employing unit to another they must re-enroll in Plan benefits. • With this process improvement, coverage and documents would be transferred and members would have 30 days from their hire date to make changes. • Not enrolling within 30 days of hiring is our number one exception outside of Open Enrollment. • No additional ongoing cost to the Plan 	<ul style="list-style-type: none"> • Benefitfocus is now handling this as a product enhancement which means it will be commercially available to others as well. Still waiting on a delivery date. • Full functionality - TBD

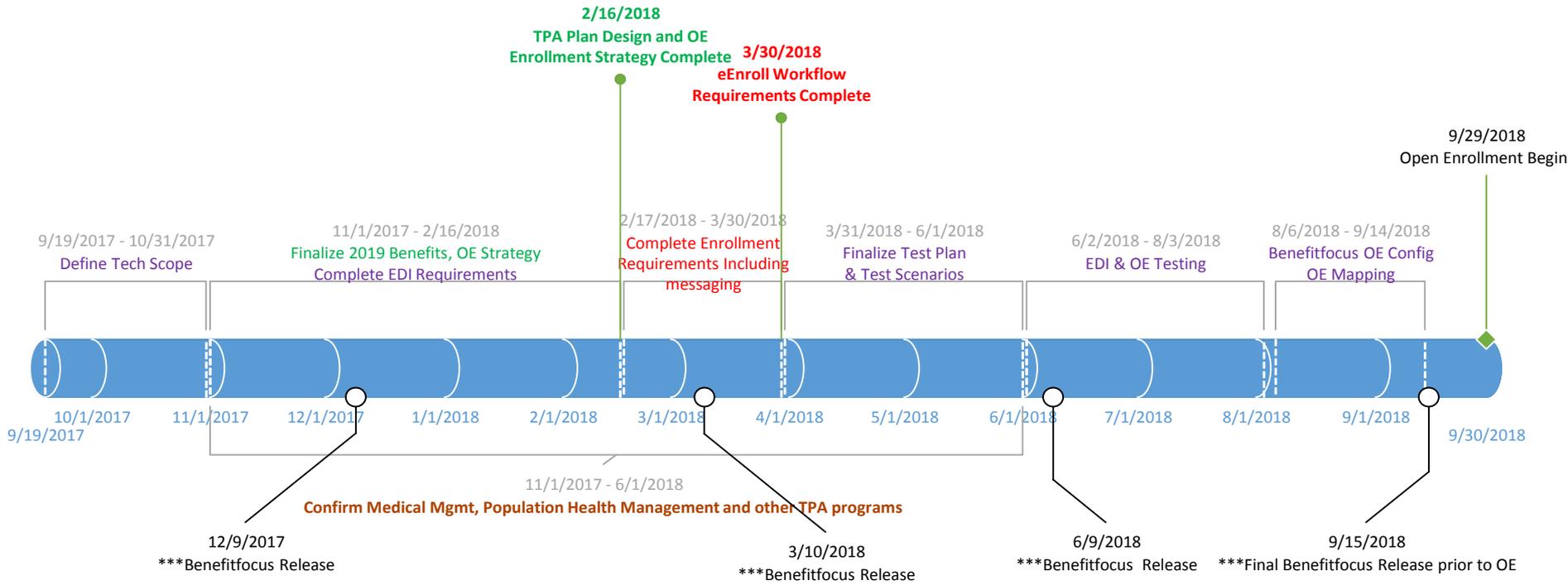
New Direct Bill Payment Option: Credit Card

Direct Billing

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



TPA Implementation Timeline



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

*** Each vendor and payroll group will have their own deployment schedule that will have to be worked into the timeline

Open Enrollment Readiness Update: All Plan Vendors

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



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Open Enrollment Planning/Activity

Board of Trustees Meeting

August 30, 2018

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Open Enrollment Communication Strategy

- The Plan implements a robust communication plan that includes multiple channels of communication.



Open Enrollment: HBR Training Efforts

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



**STATE HEALTH PLAN
OPEN ENROLLMENT**
IS COMING SOON.

BE A **WATCHDOG**

CAREFULLY REVIEW YOUR OPTIONS TO DETERMINE THE PLAN THAT BEST FITS THE NEEDS OF YOU AND YOUR FAMILY.

2019 COVERAGE HIGHLIGHTS

- All members will be moved to the 70/30 Plan and will need to **TAKE ACTION** to enroll in the 80/20 Plan.
- The 80/20 Plan will have a \$50/month employee-only premium (with tobacco attestation)
- The 70/30 Plan will have a \$25/month employee-only premium (with tobacco attestation)
- Watch for your newly redesigned State Health Plan ID card!

OPEN ENROLLMENT
**September 29 -
October 31, 2018**

Questions?
Call the Eligibility and Enrollment Support Center at 855-859-0966.

Extended hours during Open Enrollment:
Mon-Fri, 8 a.m.-10 p.m.
Saturday, 8 a.m.-noon

Learn more at
SHPNC.ORG

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STATE HEALTH PLAN
DALE R. FOLWELL, CPA

THE PLAN.COM
DALE R. FOLWELL, CPA

Direct Mail Communication

Direct Mailers

Medicare Outreach Event Invitation

Medicare Outreach Events

Member Outreach Events & Webinars

Telephone Town Halls

Decision Guides

Reminder Postcard

2019 State Health Plan Open Enrollment

CHANGES AHEAD!

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

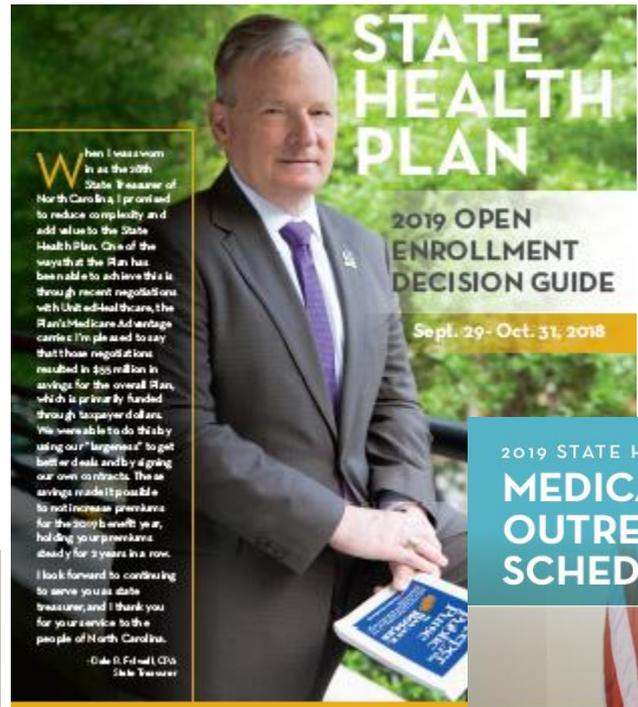
2019 Open Enrollment: September 29-October 31, 2018

Telephone Town Hall save the date!
Thursday, September 20, at 7 p.m.
 See back for details.



“When I was sworn in as the 28th State Treasurer of North Carolina, I promised to reduce complexity and add value to the State Health Plan. One of the ways that the Plan has been able to achieve this is through recent negotiations with UnitedHealthcare, the Plan’s Medicare Advantage carrier. I’m pleased to say that those negotiations resulted in \$55 million in savings for the overall Plan, which is primarily funded through taxpayer dollars. We were able to do this by using our “largeness” to get better deals and by signing our own contracts. These savings made it possible to not increase premiums for the 2019 benefit year. I look forward to continuing to serve you as state treasurer, and I thank you for your service to the people of North Carolina.”

- Dale R. Folwell, CPA, State Treasurer

STATE HEALTH PLAN

2019 OPEN ENROLLMENT DECISION GUIDE

Sept. 29 - Oct. 31, 2018

When I was sworn in as the 28th State Treasurer of North Carolina, I promised to reduce complexity and add value to the State Health Plan. One of the ways that the Plan has been able to achieve this is through recent negotiations with UnitedHealthcare, the Plan’s Medicare Advantage carrier. I’m pleased to say that those negotiations resulted in \$55 million in savings for the overall Plan, which is primarily funded through taxpayer dollars. We were able to do this by using our “largeness” to get better deals and by signing our own contracts. These savings made it possible to not increase premiums for the 2019 benefit year, holding you up premiums ready for 2 years in row. I look forward to continuing to serve you as state treasurer, and I thank you for your service to the people of North Carolina.

- Dale R. Folwell, CPA, State Treasurer

2019 STATE HEALTH PLAN OPTIONS + MEDICARE OUTREACH EVENT SCHEDULE

SEE INSIDE FOR MEETING DATES + TIMES



“When I was sworn in as the 28th State Treasurer of North Carolina, I promised to reduce complexity and add value to the State Health Plan. One of the ways that the Plan has been able to achieve this is through recent negotiations with UnitedHealthcare, the carrier that offers our Medicare Advantage Plans, which do not have deductibles. I’m pleased to say that those negotiations resulted in \$55 million in savings. We were able to do this by using our “largeness” to get better deals and signing our own contracts. I look forward to continuing to serve you as state treasurer, and I thank you for your service to the people of North Carolina.”

- Dale R. Folwell, CPA, State Treasurer

New State Health Plan Website

- The new State Health Plan website went live in June!
- The site is easier to navigate and is now mobile responsive.
- Members taking action during Open Enrollment will need to visit our website to access the enrollment system, eBenefits.



<p>Access Your Benefits via eBenefits Login to eBenefits, the State Health Plan's Enrollment System</p>	<p>Retirees Using the ORBIT System Login to eBenefits through ORBIT</p>	<p>Employees Using the BEACON System Login to eBenefits through BEACON.</p>



Popular Links

<p>eBenefits (formerly eEnroll) Enroll in your State Health Plan benefits and access Blue Connect. Your one-stop shop!</p>	<p>Find a Doctor Online resources are available to help you find a doctor. Based on your plan, you may have additional resources available.</p>
<p>New Employee Resources Welcome aboard! As a new employee, we're here to help you navigate through your State Health Plan options. This page includes resources to help you understand your plan options and how to enroll in benefits.</p>	<p>Resource Centers</p> <ul style="list-style-type: none"> Diabetes Resource Center → Opioid Resource Center → CVS Pharmacy Resource Center →
	<p>Personal Health Portal Find all the resources, guidance and support you need to reach your wellness goals!</p>

Pre-65 Outreach & Education

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

2018 Outreach Efforts	
39 on-site meetings:	3,077 attendees
17 webinars:	2,983 attendees
Total Attendance:	6,060 attendees



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Tobacco Cessation

Board of Trustees Meeting

August 30, 2018

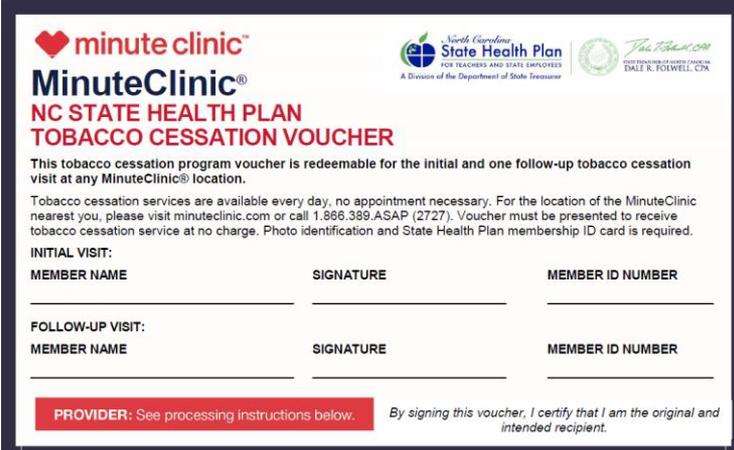
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Tobacco Cessation Services

- The Affordable Care Act mandates that Nicotine Replacement Therapies (NRTs) and tobacco cessation services be available to State Health Plan members.
- The Plan currently contracts with QuitlineNC to offer telephonic tobacco cessation services and NRTs at a cost of \$1.3 million a year.
- Starting with Open Enrollment this year, the Plan will contract with CVS Caremark to offer face-to-face tobacco cessation services to Plan members through CVS MinuteClinics for \$862,000 a year, which is a projected savings of \$479,000.
- QuitlineNC services will remain in place until Dec. 31, 2018.
- During Open Enrollment this year, subscribers will see new language while completing their tobacco attestation premium credit.
- Completion of the tobacco attestation will continue to reduce employee-only premiums on the 80/20 and 70/30 Plans by \$60. The 70/30 Plan remains premium free for retiree-only coverage without the completion of the tobacco attestation.

Tobacco Cessation Services

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



The image shows a tobacco cessation program voucher from MinuteClinic for the NC State Health Plan. The form includes the MinuteClinic logo, the North Carolina State Health Plan logo, and the signature of Dale R. Folwell, CPA. The text on the voucher states: "This tobacco cessation program voucher is redeemable for the initial and one follow-up tobacco cessation visit at any MinuteClinic® location. Tobacco cessation services are available every day, no appointment necessary. For the location of the MinuteClinic nearest you, please visit minuteclinic.com or call 1.866.389.ASAP (2727). Voucher must be presented to receive tobacco cessation service at no charge. Photo identification and State Health Plan membership ID card is required." The form has two sections for "INITIAL VISIT" and "FOLLOW-UP VISIT", each with fields for "MEMBER NAME", "SIGNATURE", and "MEMBER ID NUMBER". At the bottom, there is a red box with the text "PROVIDER: See processing instructions below." and a statement: "By signing this voucher, I certify that I am the original and intended recipient."

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

Tobacco Cessation Services

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



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Analytics Update

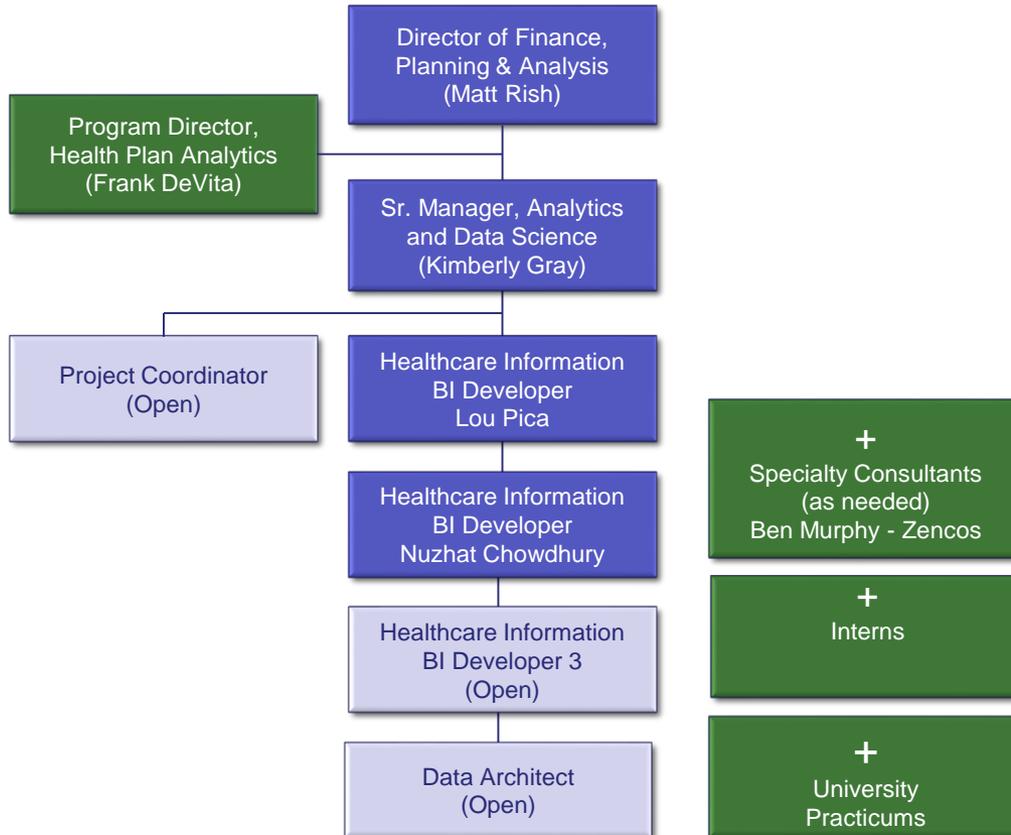
Board of Trustees Meeting

August 30, 2018

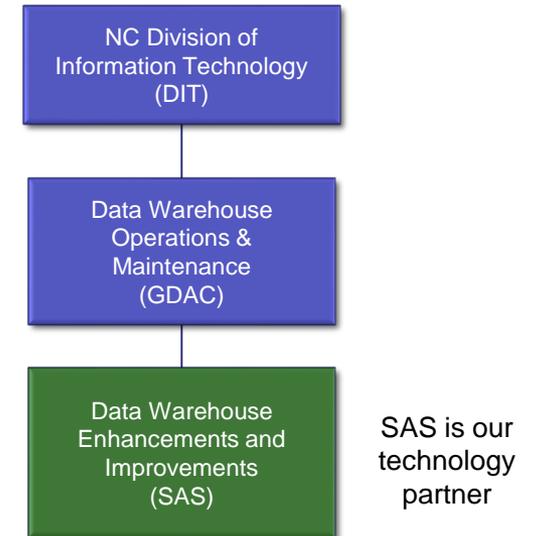
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Data Analytics Organization

State Health Plan



Technology Operations



State Health Plan Information Maturity

Prior - 2018

2019 -2020

Beyond

Predictive

Proactive

Defined

Reactive

Unaware

- Lack of Strategy
- Lack of data quality plan
- Lack of business intelligence staff
- Lack of organized data available for analytical purposes
- Basic ad-hoc analytical requests supported
- Lack of standards
- Lack of documentation
- Lack of information governance

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

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

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

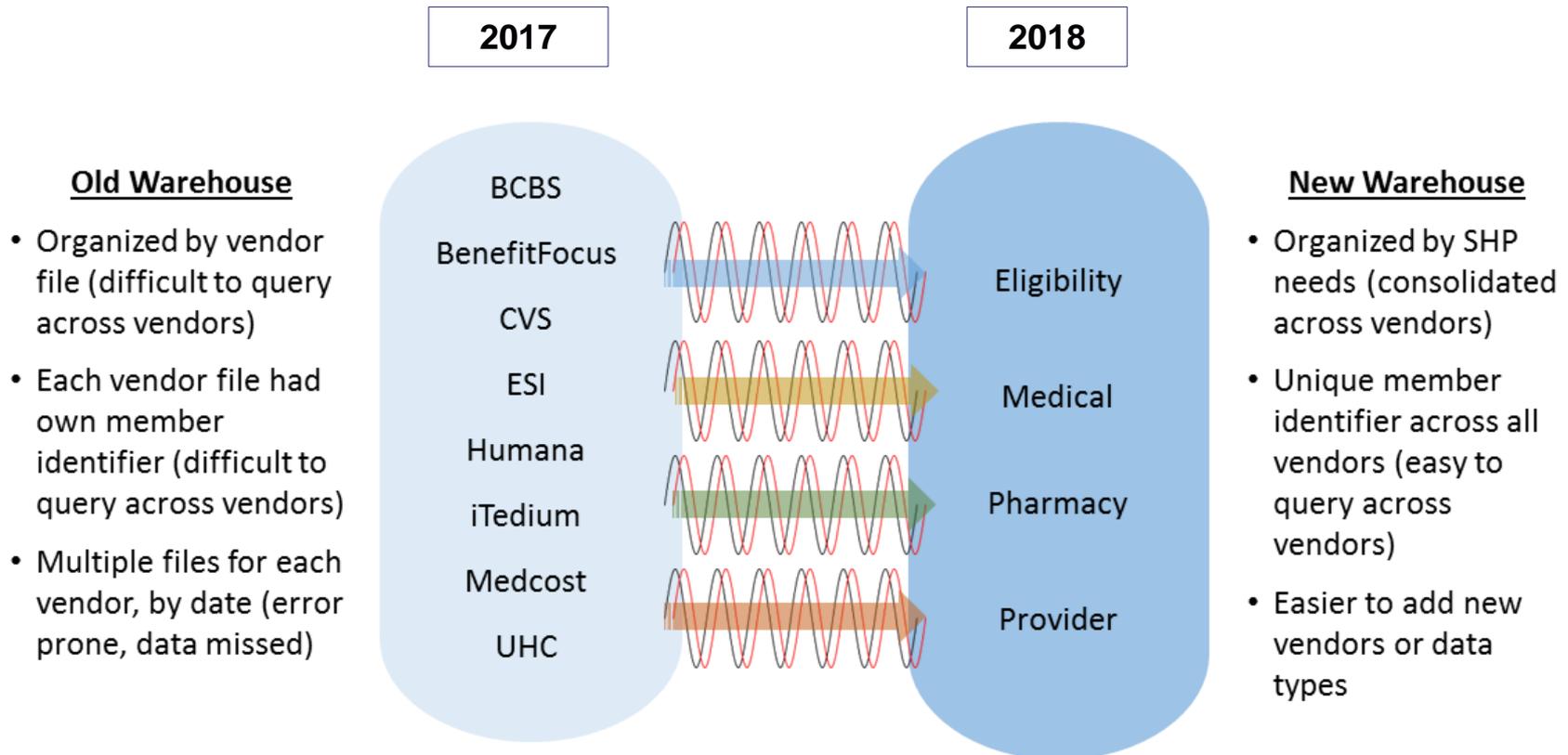
- Users able to create what-if scenarios for planning purposes
- Data quality management process automated
- Organization, technology and processes operating in harmony
- Process feedback loops are being tuned rather than created



State Health Plan Data Warehouse

Key Benefits

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



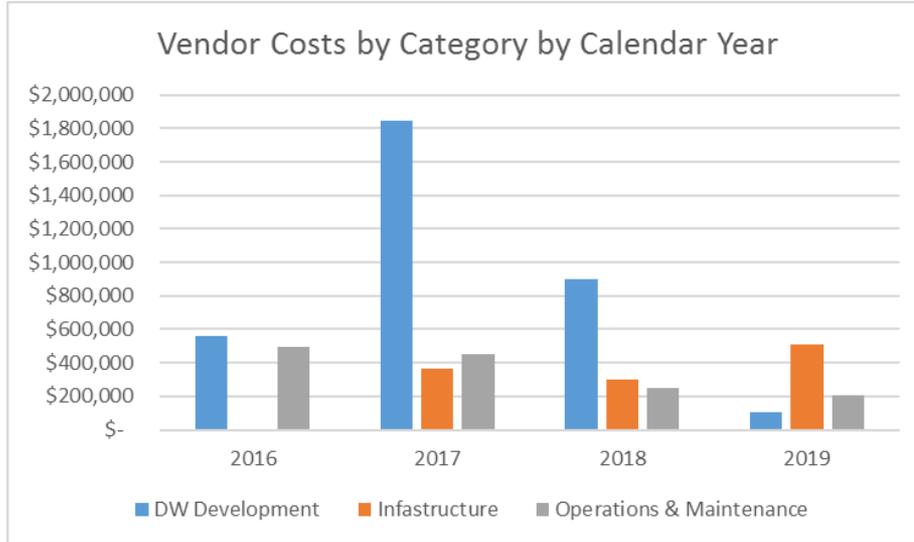
Data Warehouse Status

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

Program Costs By Category by Calendar Year

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

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



Cost Categories

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