



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2014 Calendar Year Financial Report

Board of Trustees Meeting

February 11, 2015

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Calendar Year 2014

Calendar Year 2014	Actual thru Dec 2014	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Beginning Cash Balance	\$838.5 m	\$695.0 m	\$143.5 m
Plan Revenue	\$3.008 b	\$2.961 b	\$47.0 m
Net Claims Payments	\$2.526 b	\$2.582 b	(\$55.9 m)
Medicare Advantage Premiums	\$155.5 m	\$174.2 m	(\$18.7 m)
Net Administrative Expenses	\$149.6 m	\$179.8 m	(\$30.2 m)
Total Plan Expenses	\$2.831 b	\$2.936 b	(\$104.8 m)
Net Income/(Loss)	\$176.4 m	\$24.6 m	\$151.8 m
Ending Cash Balance	\$1.015 b	\$719.6 m	\$295.3 m

Adjusted Variance Report

Calendar Year 2014

Calendar Year 2014	Actual thru Dec 2014, As Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	\$3.012 b	\$2.961 b	\$51.7 m
Net Claims Payments ^	\$2.536 b	\$2.582 b	(\$46.3 m)
Medicare Advantage Premiums	\$155.5 m	\$174.2 m	(\$18.7 m)
Net Administrative Expenses †	\$141.1 m	\$179.8 m	(\$38.7 m)
Total Plan Expenses	\$2.832 b	\$2.936 b	(\$103.7 m)
Net Income/(Loss)	\$180.0 m	\$24.6 m	\$155.4 m

Note: Numbers might not sum to totals due to rounding

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

^ Adjusted for timing issues and to remove the impact of unanticipated pharmacy rebate true-up payments.

† Adjusted for timing issues.

Financial Results Actual v. Budgeted

Calendar Year 2014

Per Member Per Month (PMPM) Analysis

Calendar Year 2014	Actual thru Dec 2014	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue	\$369.53	\$370.93	(\$1.40)
Net Claims Payments	\$310.97	\$323.28	(\$12.31)
Medicare Advantage Premiums	\$19.14	\$21.81	(\$2.67)
Net Administrative Expenses	\$18.42	\$22.51	(\$4.09)
Total Plan Expenses	\$348.53	\$367.60	(\$19.07)
Net Income/(Loss)	\$21.00	\$3.33	\$17.67

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 2014

Per Member Per Month (PMPM) Analysis

Calendar Year 2014	Actual thru Dec 2014, as Adjusted	Certified Budget (per Segal 8-19-13)	Variance Over/(Under) Budget
Plan Revenue *	\$370.10	\$370.93	(\$0.83)
Net Claims Payments ^	\$312.15	\$323.28	(\$11.13)
Medicare Advantage Premiums	\$19.14	\$21.81	(\$2.67)
Net Administrative Expenses †	\$17.37	\$22.51	(\$5.14)
Total Plan Expenses	\$348.66	\$367.60	(\$18.94)
Net Income/(Loss)	\$21.44	\$3.33	\$18.11

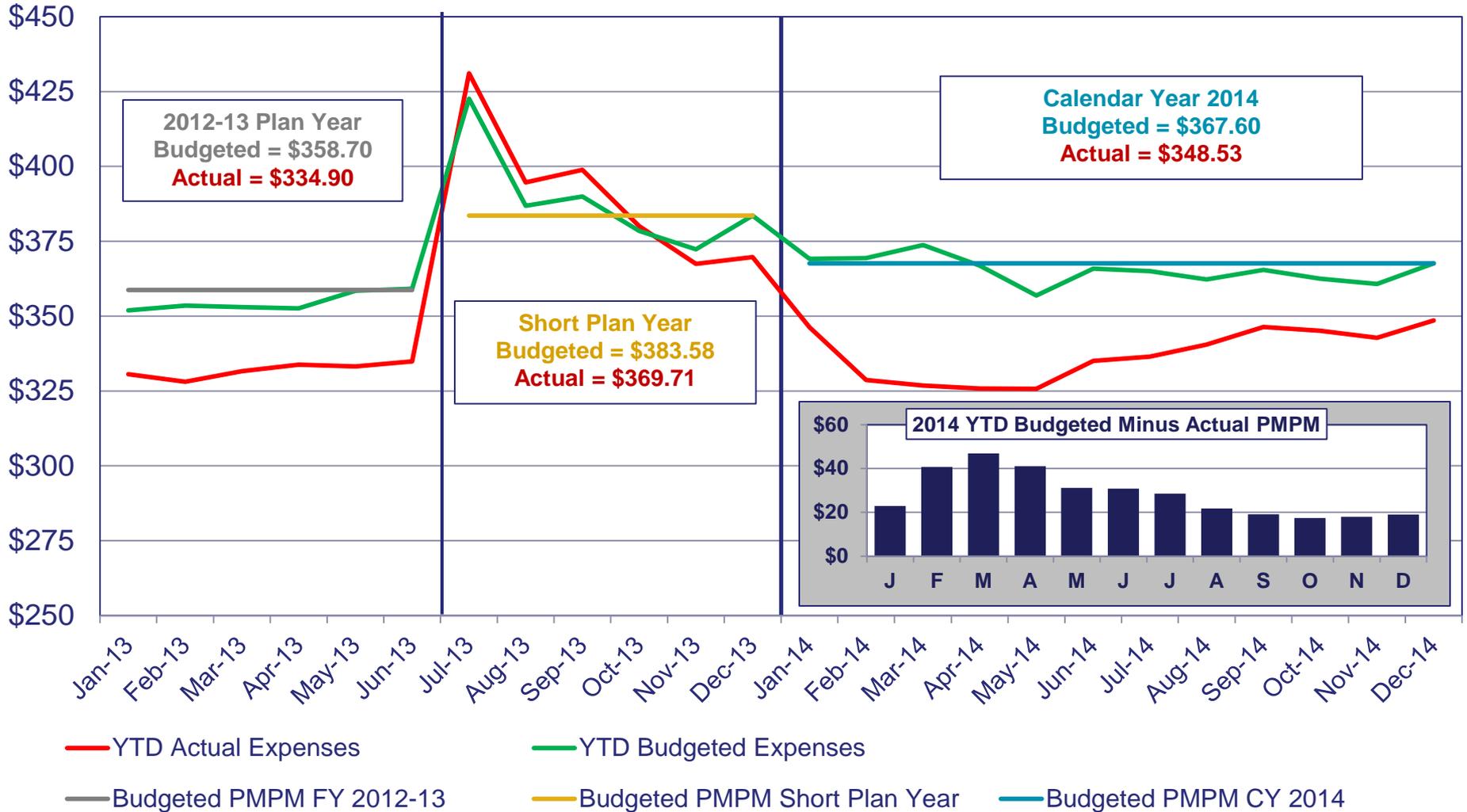
* Adjusted for timing issues and to exclude non-budgeted revenue.

^ Adjusted for timing issues and to remove the impact of unanticipated pharmacy rebate true-up payments.

† Adjusted for timing issues.

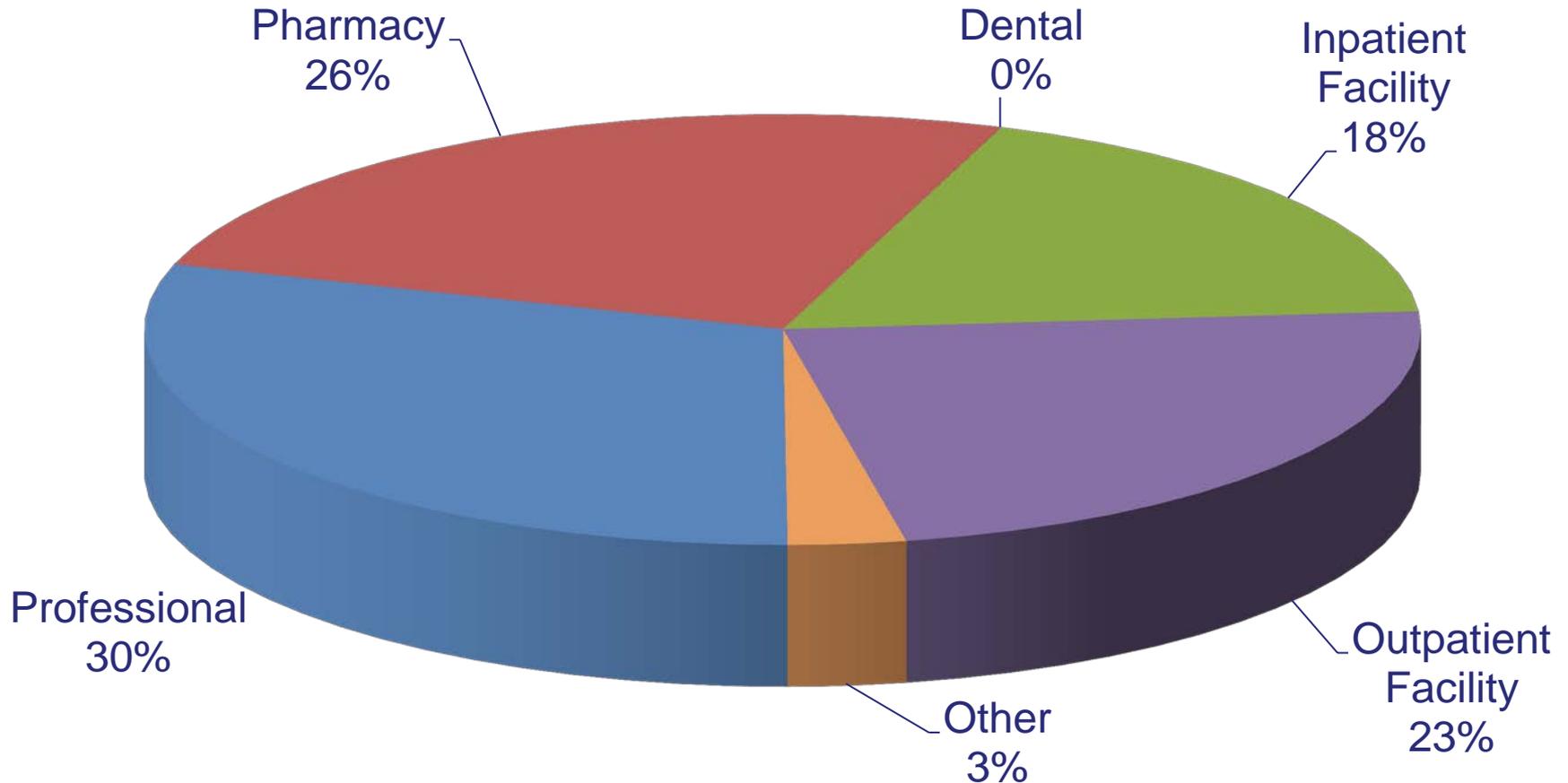
Calendar Year 2014 Expenditure Trend

Per Member Per Month



Allocation of Claims Expenditures Calendar Year 2014

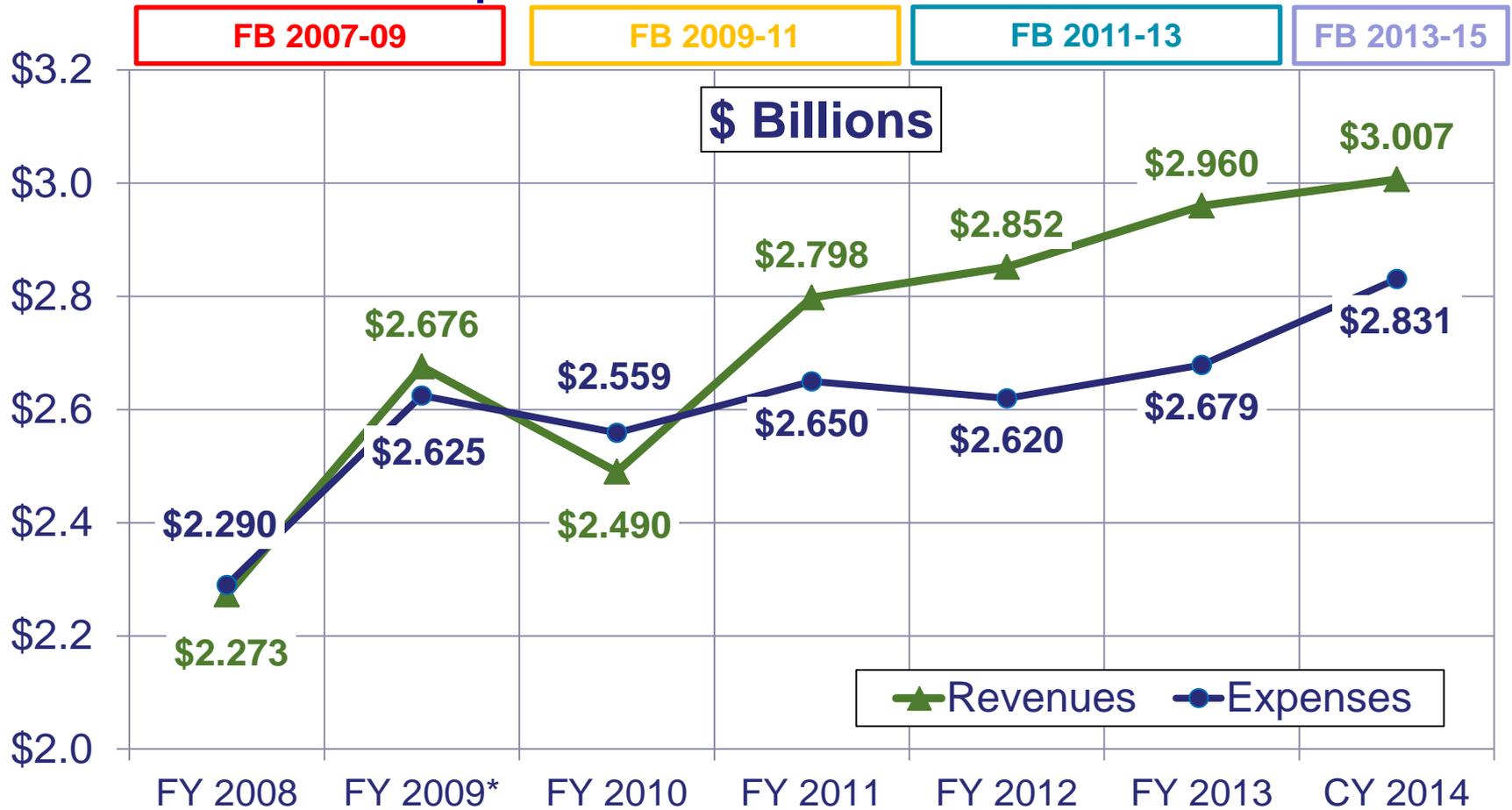
Includes Medical, Blue Card & Pharmacy Payments



Source: BCBSNC Summary of Billed Charges

Recent Historical Financial Results

Revenues and Expenses

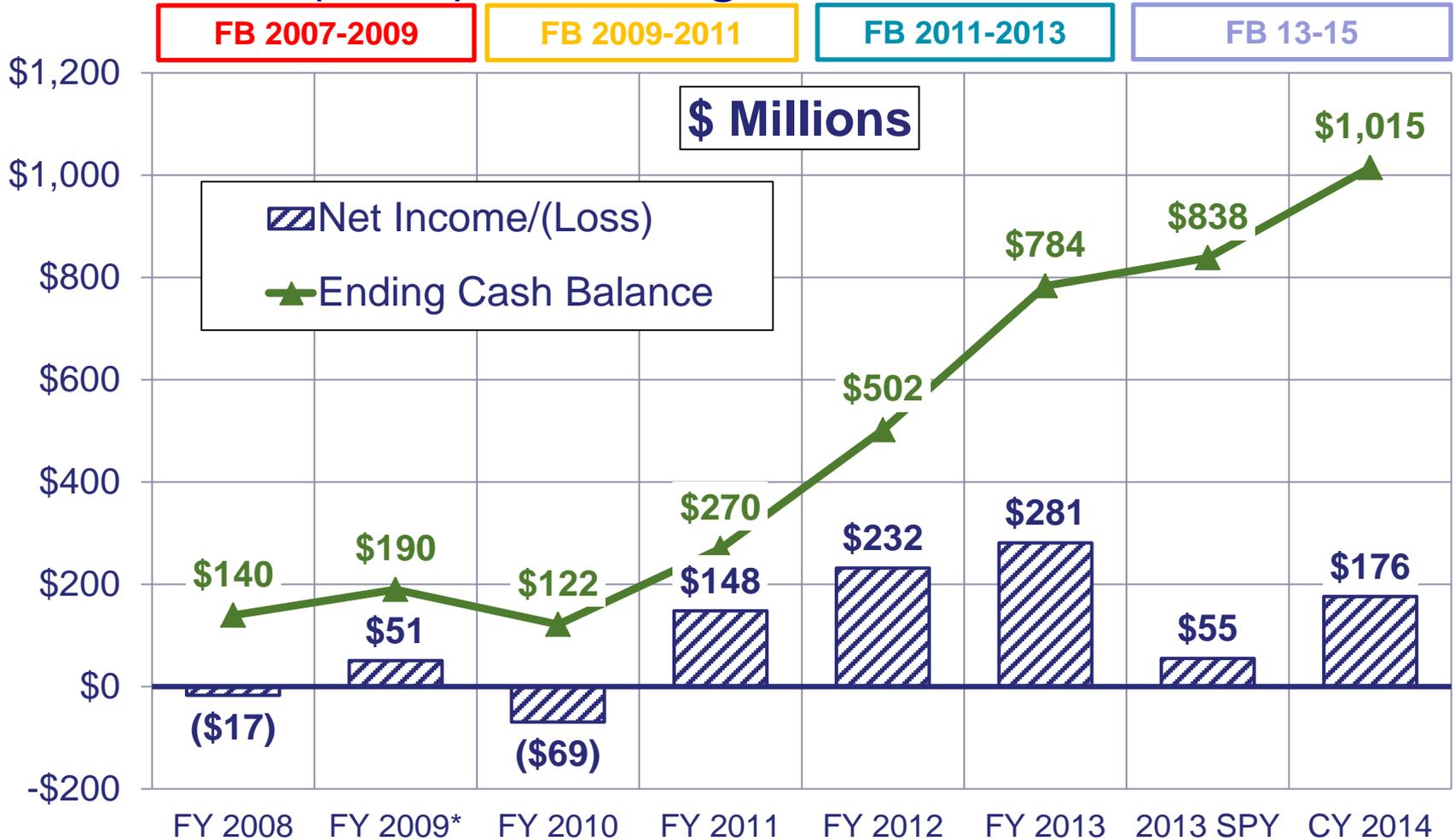


*FY 2009 revenues include a \$250 million general fund appropriation from the State.

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

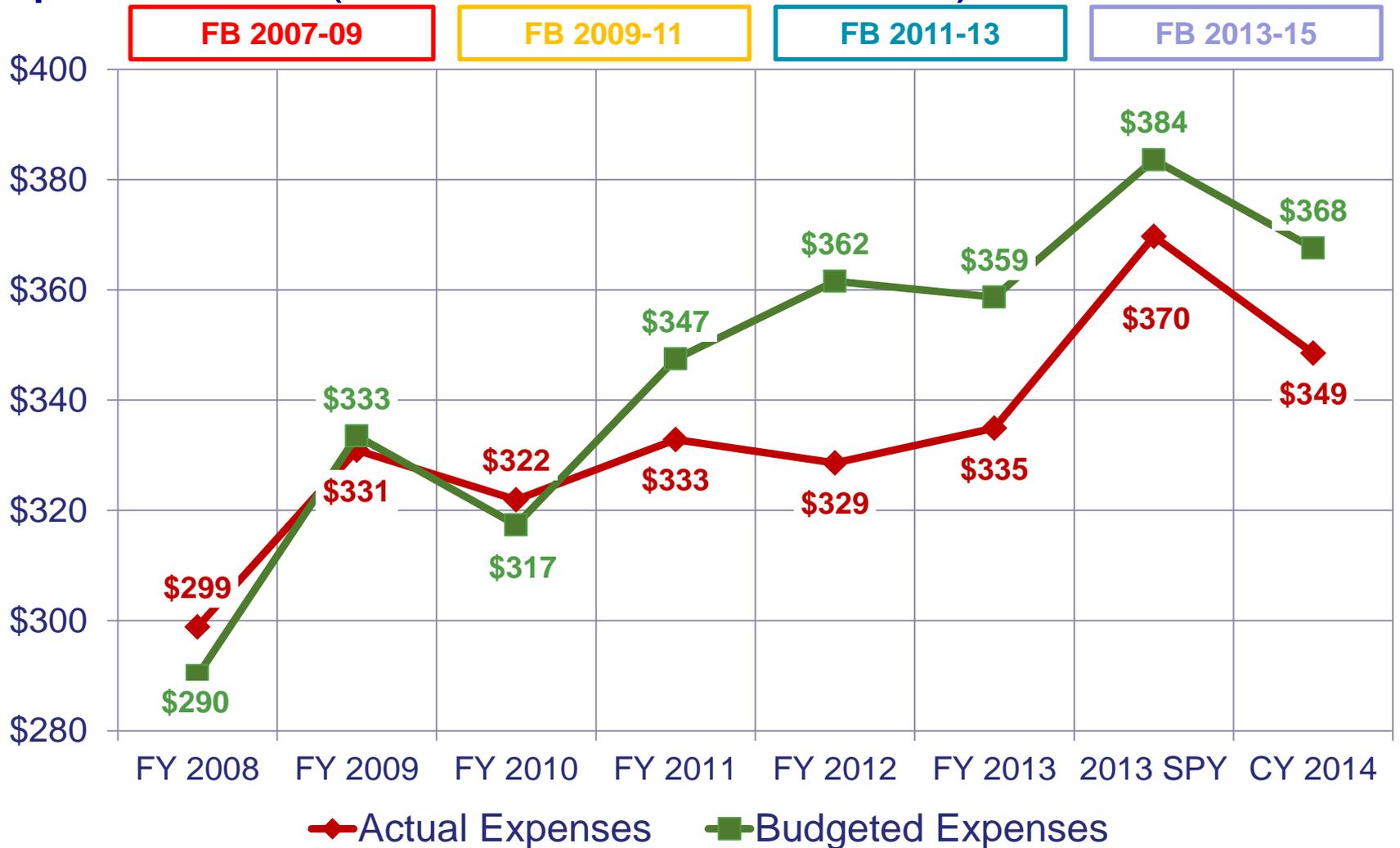


*The Plan received a \$250 million general fund appropriation from the State in FY 2009.

SPY = Short Plan Year (Jul-Dec 2013)

Recent Historical Financial Results

Expenditures (Claims + Administrative) PMPM

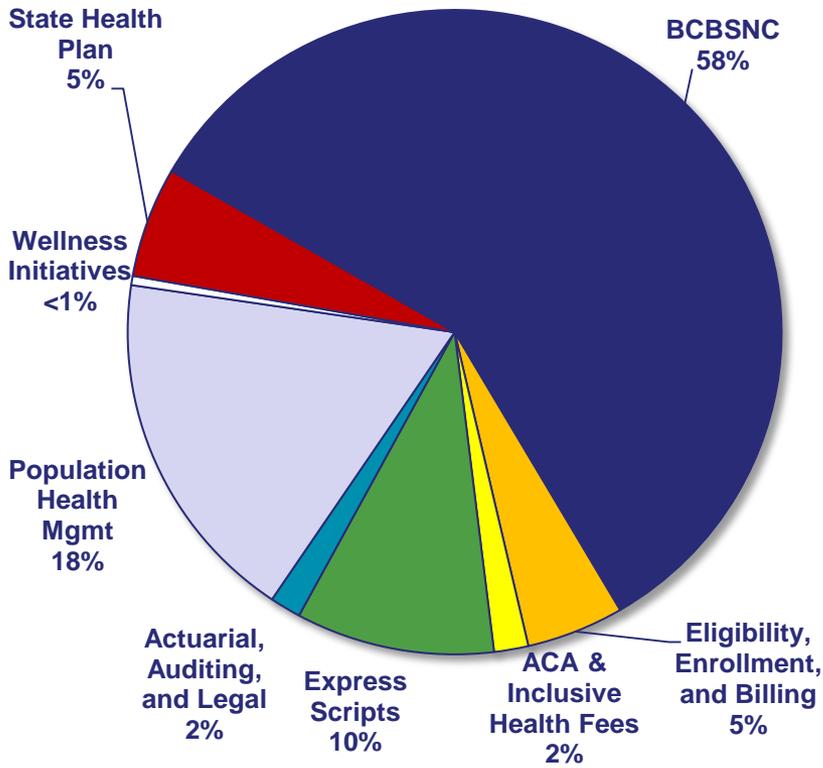


SPY = Short Plan Year (Jul-Dec 2013)

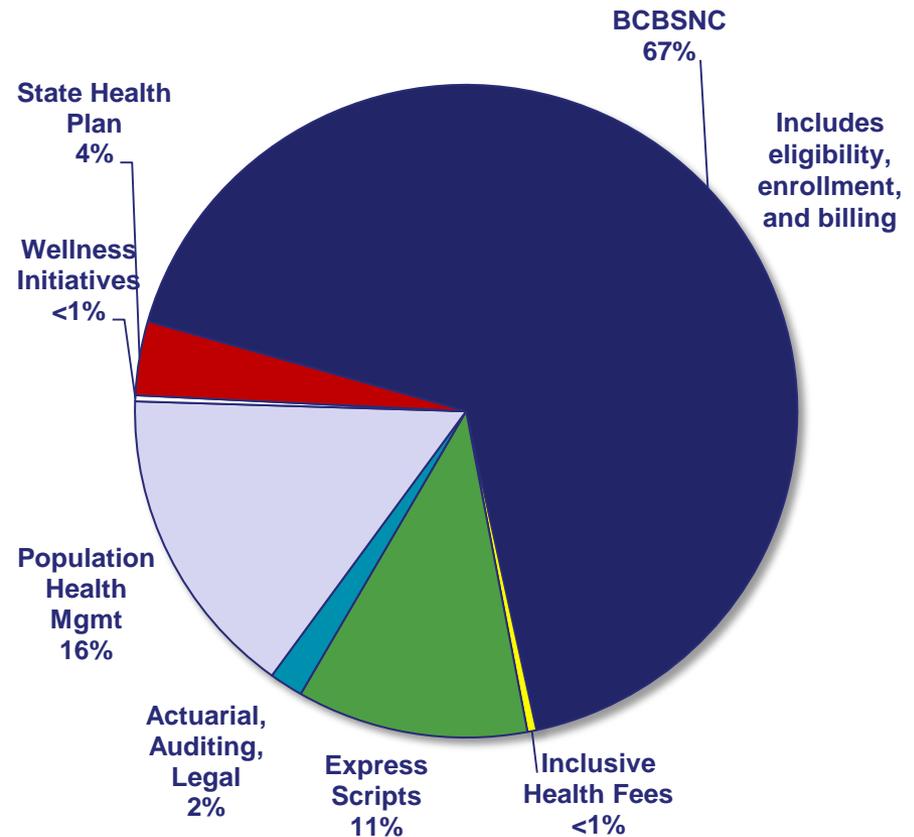
Calendar Year 2014

Administrative Expenses

Calendar Year 2014
(\$149.6 Million)



FY 2012-13
(\$161.4 Million)



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 2014
 Calendar Year 2014

	A	B	C	D	E	F	G	H
	Actual December 2014	Certified Budget December 2014	Monthly Variance Over/(Under) Certified Budget	Actual 2014 Calendar Year To Date	Certified Budget 2014 Calendar Year to Date	Calendar Year to Date Variance Over/(Under) Certified Budget	Calendar Year Certified Budget (Jan- Dec 2014)	Calendar Year to Date Variance Over/(Under) Certified Budget
1 Plan Revenue:								
2								
3 Member Premiums	\$ 270,880,991	\$ 243,018,315	\$ 27,862,676	\$ 2,952,592,141	\$ 2,921,878,532	\$ 30,713,609	\$ 2,921,878,532	\$ 30,713,609
4 Premium Refunds/Retroactive Disenrollments	-	(123,882)	123,882	(26,401)	(1,489,408)	1,461,007	(1,489,408)	1,461,007
5 Medicare Part D (RDC) Subsidy	1,258,008	619,631	638,377	21,584,404	6,344,076	15,240,328	6,344,076	15,240,328
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	28,378,401	31,047,005	(2,668,604)	31,047,005	(2,668,604)
7 Medicare Advantage (MA) Subsidy	72,187	-	72,187	721,773	-	721,773	-	721,773
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(1,949)	-	(1,949)	-	(1,949)
9 Net Premium & Other Contributions	272,211,186	243,514,064	28,697,122	3,003,246,389	2,957,780,205	45,466,184	2,957,780,205	45,466,184
10								
11 Investment Earnings	442,424	249,005	193,419	4,417,142	2,892,005	1,525,137	2,892,005	1,525,137
12 Miscellaneous Revenue	-	-	-	-	-	-	-	-
13 Other Revenue	442,424	249,005	193,419	4,417,142	2,892,005	1,525,137	2,892,005	1,525,137
14								
15 Total Plan Revenue (excludes Internal transfers)	272,653,610	243,763,069	28,890,541	3,007,663,511	2,960,672,210	46,991,301	2,960,672,210	46,991,301
16								
17 Plan Expenses:								
18								
19 Medical Claim Payments	171,959,431	185,405,969	(13,446,538)	1,949,838,964	2,062,826,346	(112,987,382)	2,062,826,346	(112,987,382)
20 Medical Claim Refunds/Recoveries	(1,508,128)	(2,052,205)	444,078	(22,731,740)	(25,469,051)	2,737,311	(25,469,051)	2,737,311
21 Net Medical Claims	170,351,303	183,353,763	(13,002,460)	1,927,107,224	2,037,357,295	(110,250,071)	2,037,357,295	(110,250,071)
22								
23 Pharmacy Claim Payments	84,816,236	81,964,144	2,852,092	698,129,098	599,541,594	98,587,504	599,541,594	98,587,504
24 Pharmacy Claim Rebates	-	-	-	(98,763,203)	(54,794,623)	(43,968,580)	(54,794,623)	(43,968,580)
25 Pharmacy Claim Refunds/Recoveries	(405,464)	-	(405,464)	(313,676)	-	(313,676)	-	(313,676)
26 Net Pharmacy Claims	84,410,772	81,964,144	2,446,628	599,052,219	544,746,971	54,305,248	544,746,971	54,305,248
27								
28 Net Claim Payments	254,762,075	265,317,907	(10,555,832)	2,526,159,443	2,582,104,266	(55,944,823)	2,582,104,266	(55,944,823)
29								
30 Medicare Advantage Premium Payments	11,875,108	14,579,843	(2,704,735)	155,497,950	174,162,733	(18,664,783)	174,162,733	(18,664,783)
31								
32 Net Administrative Expenses	13,288,850	14,765,094	(1,476,244)	149,605,909	179,815,010	(30,209,101)	179,815,010	(30,209,101)
33								
34 Total Plan Expenses (excludes Internal transfers)	279,326,033	294,662,844	(14,736,811)	2,831,263,302	2,936,082,009	(104,818,707)	2,936,082,009	(104,818,707)
35								
36 Plan Income/(Loss)	(7,272,423)	(50,899,775)	43,627,352	176,400,209	24,590,201	151,810,008	24,590,201	151,810,008
37								
38 Cash Availability:								
39								
40 Beginning Cash Balance/(Deficit)	1,022,119,769	770,465,109	251,654,660	838,447,137	694,975,133	143,472,004	694,975,133	143,472,004
41 Ending Cash Balance/(Deficit)	1,014,847,346	719,565,334	295,282,012	1,014,847,346	719,565,334	295,282,012	719,565,334	295,282,012
42								
43 Target Stabilization Reserve @ 12/31/14	234,282,695	234,282,695	-	234,282,695	234,282,695	-	234,282,695	-
44								
45 Cash Balance Over/(Under) Reserve Target	\$ 780,564,651	\$ 485,282,639	\$ 295,282,012	\$ 780,564,651	\$ 485,282,639	\$ 295,282,012	\$ 485,282,639	\$ 295,282,012

Comments:

- Premium receivables totaled \$94,190.31 as of December 31, 2014.
- The average weekly medical claims cost net of claims refunds was \$34,070,260.60 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included three bi-weekly invoice cycles averaging \$28,272,078.67 per cycle.
- The target stabilization reserve is 8.5% of the projected net claims and Medicare Advantage premiums for Calendar Year 2014.
- Minor differences compared to other reports are due to rounding.

Actual vs Certified Budget (i.e. *Original Budget* per SL 2013-360 and Board Approved Design)
 December - 2014 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 2014
 Calendar Year 2014

	A	B	C	D	E	F
	Actual Year to Date Calendar Year thru December	Adjustments for Timing, Unusual & One-time 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)	\$ 2,952,592,141	\$ 13,924,368	\$ 2,966,516,509	\$ 2,921,878,532	\$ 44,637,977	1.53%
4 Premium Refunds/Retroactive Disenrollments	(28,401)		(28,401)	(1,489,408)	1,461,007	-98.09%
5 Medicare Part D (RDS) Subsidy (Note 3)	21,584,404	(6,855,182)	14,729,222	6,344,076	8,385,146	132.17%
6 Medicare PDP (EGWP + Wrap) Subsidy (Note 4)	28,378,401	(1,680,417)	26,697,984	31,047,005	(4,349,021)	-14.01%
7 Medicare Advantage (MA) Subsidy (Note 6)	721,773	(721,773)	-	-	-	
8 Federal Early Retiree Reinsurance Program (ERRP) (Note 8)	(1,549)	1,549	-	-	-	
9 Net Premium & Other Contributions	3,008,248,388	4,888,946	3,007,816,314	2,867,780,206	60,136,108	1.70%
10						
11 Other Revenue	4,417,142		4,417,142	2,882,006	1,626,137	62.74%
12						
13 Total Plan Revenue (excludes internal transfers)	3,007,863,611	4,888,946	3,012,332,458	2,880,672,210	61,880,248	1.74%
14						
15 Plan Expenses:						
16						
17 Net Medical Claims	1,927,107,224		1,927,107,224	2,037,357,295	(110,250,071)	-5.41%
18 Net Pharmacy Claims (Notes 7 and 8)	599,052,219	9,575,016	608,627,235	544,746,971	63,880,264	11.73%
19 Net Claim Payments	2,626,168,443	9,675,016	2,636,734,468	2,682,104,268	(48,389,807)	-1.80%
20						
21 Medicare Advantage Premiums	166,487,860		166,487,860	174,182,733	(18,884,783)	-10.72%
22						
23 Net Administrative Expenses (Note 8)	148,806,808	(8,481,208)	141,114,701	178,816,010	(38,700,308)	-21.62%
24						
25 Total Plan Expenses (excludes internal transfers)	2,831,283,302	1,083,808	2,832,347,111	2,898,082,008	(103,734,898)	-3.63%
26						
27 Plan Income/(Loss)	178,400,209	3,685,137	179,885,348	24,680,201	166,385,146	831.84%
28						
29 Cash Availability:						
30						
31 Beginning Cash Balance/(Deficit)	838,447,137		838,447,137	694,975,133	143,472,004	20.64%
32 Ending Cash Balance/(Deficit)	1,014,847,348	3,685,137	1,018,432,483	718,686,334	288,887,148	41.63%
33						
34 Target Stabilization Reserve @ 12/31/2014	234,282,695		234,282,695	234,282,695	-	
35						
36 Cash Balance Over/(Under) Reserve Target	\$ 780,564,651	\$ 3,685,137	\$ 784,148,788	\$ 486,282,838	\$ 298,887,148	61.68%

Adjustment Notes:

1. Member premiums adjusted to include \$60.8 million in prepaid January premiums received in December 2013.
2. Member premiums adjusted to exclude \$46.9 million in prepaid January 2015 premiums received in December.
3. Medicare Part D subsidy adjusted to exclude a \$6.9 million unbudgeted subsidy refund related to prior plan years.
4. EGWP subsidy adjusted to exclude unbudgeted subsidy payments received in July.
5. Medicare Advantage low income premium subsidies were not budgeted and therefore are excluded.
6. ERRP revenues adjusted to exclude an unbudgeted repayment of ERRP funds resulting from an audit finding.
7. Pharmacy claims adjusted to exclude a \$33.1 million claims payment that was budgeted for payment in December 2013 but was not paid until January 2014.
8. Pharmacy claims adjusted to remove unbudgeted rebate true-ups totaling \$42.7 million.
9. Administrative expenses adjusted to exclude December 2013 vendor invoices that were not processed until January 2014.