



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Contract with Benefitfocus for Eligibility and Enrollment Services Transition Plan and Request for Approval

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Contract Approval Required by Statute

North Carolina General Statutes §135-48.22 and §135-48.33(a) require that the BOT approve all Plan contracts with a value over \$500,000.

The estimated cost of this contract over three years is \$38,700,00.

The Executive Administer is authorized to negotiate and execute this contract pursuant to G.S. 135-48.23(c). It is exempt from Department of Administration Purchase & Contract rules pursuant to §135-48.34 as a contract for services related to the implementation of benefit plans but is subject to approval by the Attorney General's office.

Background

- In February of 2012 the State Health Plan issued a request for proposal (RFP) for eligibility and enrollment services for both the Plan and NCFlex benefits.
- Following the competitive bid process, the contract was awarded to Benefitfocus.com, Inc. with a service start date of July 1, 2013.
- The Plan transitioned to Aon Hewitt, the only other qualified bidder to the RFP, for services effective June 1, 2015.
- Due to performance issues the Plan has determined that services should be transitioned back to Benefitfocus.

Transition Plan

Phase I – Active Employee Go-Live

- **Configure Employing Units (EU) and EDI** – Groups will be reconfigured just as they were before the contract terminated on June 30, 2015. All vendors and EUs that had pre-existing files will be turned back on and test files will be exchanged. No new functionality will be included with these files. Any enhancements will be addressed in Phase III.
- **BEACON** did not utilize payroll files under the prior Benefitfocus contract; therefore, standard interfaces will be implemented for go-live. Enhancements will be required to obtain full functionality. Manual updates will be required until the enhancements can be implemented.
- **Data Conversion** – Plan enrollment and non-BEACON/NCFlex enrollment that was entered into the Aon Hewitt Platform will be manually loaded into the Benefitfocus platform by Plan, Retirement System and BCBSNC resources. There is not enough time to transition all of the BEACON/NCFlex enrollment that did not previously live in Benefitfocus.

Transition Plan

- **Active Members**

- **Black Out** – There will be an active member enrollment black out during the first two weeks of September to complete the manual data conversion and audit.
- **Go-Live** – The Benefitfocus platform will be live for active members on September 15th. There will be a 30 day window for members and HBRs to review enrollments for accuracy and make any required adjustments.

- **Retirement Group, COBRA and other non-Active Members**

- **Black Out** – There will be a one week black out for these members after the Active Go-Live to complete the manual data conversion and audit.
- **Go-Live** – The Benefitfocus platform will be live for these members on September 30th. There will be a 14 day window for these members to review enrollments for accuracy and make any required adjustments.

Transition Plan

Phase II – Annual Enrollment will be October 15 – November 18

- **Web Enrollment** – Open to all eligible Plan and NCFlex members
- **Call Center** – Aon Hewitt will supplement the Benefitfocus call center for retiree telephonic enrollment
- **BEACON/NCFlex** – Positive enrollment or extensive manual data entry required

Phase III – Immediately following Annual Enrollment, separate projects will be kicked off to address outstanding deficiencies

- **BEACON** – Payroll files and any other items identified during the re-implementation
- **COBRAGuard** – All EDI files
- **NCFlex** – Outstanding functionality
- **Retirement Systems** – Payroll files
- **All Other** – Anything else we discover during the re-implementation

Eligibility and Enrollment Services

The Contract will provide for eligibility and enrollment services including the following:

- Call center customer service for employees and retirees
- The provision of an integrated, intuitive web based eligibility and enrollment platform for both Plan and NCFlex benefits
- Support of Plan and NCFlex eligibility and enrollment rules
- The transmission of enrollment data to the Plan, employing units, vendors and partners as necessary to perform Plan operations
- Custom and Ad Hoc reports on Plan and NCFlex data
- Assistance with facilitating IRS reporting requirements

Cost

Administrative fees under the contract will be \$2.15 per subscriber per month.

Recommendation

Plan staff recommends approval of a Contract with Benefitfocus for eligibility and enrollment services beginning September 15, 2015.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Legislative Update

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Legislative Update Overview

- State Budget Update
- Key SHP Issues
- Summary of SHP-related Legislation
- Next Steps

State Budget Update – Employer Contribution

	Board Approved Plan Design (Feb 2015)	Governor's Recommended Budget	House Budget Proposal ¹	Senate Budget Proposal	Final State Budget
Premium Increase					
FY 2016-17	3.37% Jan 1, 2016	3.37%	3.75%	0.00%	TBD
General Fund Appropriations					
FY 2015-16	\$34.0 m	\$34.0 m	\$38.2 m	0.00% ³	TBD
FY 2016-17	\$101.8 m	\$101.8 m	\$109.2 m ²	TBD	TBD

1. House proposal includes funding for HB 56, Rehired Retiree Eligibility
2. House funding for FY 2016-17 is contingent upon adoption of changes to reduce the required FB 17-19 increase
3. Senate requires Plan to maintain reserve of 20% of total expenses

SHP Budget Update

Governor's Recommended Budget

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an actuarial forecast to the Office of State Budget and Management for consideration by the Governor
 - Forecast reflected premium increase based on CY 2014 4th quarter *preliminary* update prepared February 6, 2015, requiring a 3.37% premium increase to fully fund the employer contribution for the upcoming biennium
- Governor's Recommended Budget (HB 940/SB 713) includes the funding request from the State Health Plan

SHP Budget Update

Updated Actuarial Forecast Released Post Governor's Budget

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an updated actuarial forecast to the Fiscal Research Division for consideration during the budget process
 - Forecast reflected premium increase based on the final version of the CY 2015 1st quarter update prepared in May, requiring a 3.93% premium increase to fully fund the employer contribution for the coming biennium

SHP Budget Update

House Budget (House Bill 97, 3rd Edition)

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an actuarial forecast to the Fiscal Research Division for consideration by the House Appropriations Chairs
 - Forecast reflected premium increase based on CY 2014 4th quarter final update prepared in late April, requiring a 3.43% premium increase to fully fund the employer contribution for the upcoming biennium
- House's Budget currently includes the funding request from the State Health Plan as well as funding for HB 56, which relates to coverage for rehired retirees
- House's Budget also fully funds the Plan's administrative budget request, which includes additional funds for contractual costs related to changes in membership, inflation and service levels and to support new positions for data and analytics

SHP Budget Update

- House Budget also includes a special provision mandating benefit changes to reduce the employer contribution for the 2017-19 biennium as a condition to fully fund the required employer contribution effective for CY 2017:
 - **SECTION 30.26.** It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 have adopted sufficient measures to limit projected employer contribution increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes.

SHP Budget Update

Senate Budget (House Bill 97,7th Edition)

- Senate's Budget currently includes no increase to the employer contribution for CY 2016
- Senate's Budget fully funds the Plan's administrative budget request, which includes additional funds for contractual costs related to changes in membership, inflation and service levels and to support new positions for data and analytics

SHP Budget Update

- Senate Budget also includes a special provision requiring the Plan to retain reserves at 20% of total expenses; current approach is 9% of total claims:

SECTION 30.31(a)

- During the 2015 -2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least twenty percent (20%) of its annual costs. For purposes of this section, the term cash reserve means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S.135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan.

SECTION 30.31(b)

- On and after January 1, 2016, if the State Health Plan for Teachers and State Employees projects a cash reserve of less than the minimum cash reserve required by this section at any time during the remainder of the 2015-2017 fiscal biennium, or the Fiscal Research Division of the General Assembly notifies the Plan that it projects such a deficiency, the Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations within 60 days of that projection or notification on actions the Department plans to take in order to maintain that required minimum cash reserve.

Additional Budget Items Related to the State Health Plan

- Committee Report displays increases for employer contributions for health benefits differently than in previous years by decoupling funding for actives and retirees:
 - Funding for increased contributions associated with active employees is included under each state agency
 - Funding for increased contributions required for retiree coverage is included under each state agency in a single line reflecting all increases related to pension benefits
- House Budget includes the language used in HB 56 to allow rehired retirees to enroll in plan options available to permanent full-time employees instead of the High Deductible Health Plan (HDHP)
 - Funding amount was determined based on the actuarial note provided by Segal

Additional Budget Items Related to the State Health Plan

Senate Budget includes the following provisions related to the State Health Plan:

SECTION 30.25

- Language used in SB 6 to allow rehired retirees to enroll in plan options available to permanent full-time employees instead of the High Deductible Health Plan (HDHP)

SECTION 30.32(a-b)

- Language eliminating retiree health coverage eligibility for employees hired on or after January 1, 2016

SECTION 30.32(c-d)

- Language providing the authority to offer premium dollars for retirees to purchase coverage on an Exchange

Enacted Legislation

S.L. 2015-100 State Health Plan Modifications

- House Bill 190 Summary:
 - Allows retirees and their dependents to disenroll from the Plan without a qualifying event
 - Modifies the time period around cancellation of coverage
 - Provides Reduction In Force (RIF) retirees who are not eligible for non-contributory coverage access to the same benefit as RIF'd active employees
 - Clarifies language around Disability Income Plan beneficiaries eligibility
 - Requires HDHP participants to have the same enrollment period as full-time, permanent employees
- Fiscal Impact: None

S.L. 2015-112: Local Governments in State Health Plan

- Summary House Bill 154:
 - Allows local governmental units (up to 10,000 total members) to join the State Health Plan
 - There are currently about 3,500 members currently enrolled from local units on the State Health Plan
 - Units with more than 1,000 covered lives are ineligible
 - Current and future retirees are ineligible to join the Plan
 - Includes Pioneer Springs Charter School
- Fiscal Impact FY 2015-16 (from Segal):
 - Combined Local Bills: 3.39M, however, Segal cannot quantify because specific units aren't named and units are not required to provide data

Pending Legislation

Rehired Retiree Eligibility

Two bills: HB 56 and SB 6

- Summary of the issue:
 - Currently, all non-permanent full-time employees are eligible for the High Deductible Health Plan (HDHP)
 - This impacts retirees who return to work as non-permanent full-time employees because during their employment they are not eligible for coverage under the retiree group
 - Both bills modify the eligibility statutes to make rehired retirees eligible for the same options as permanent full-time employees
 - Traditional 70/30, Enhanced 80/20 & CDHP
 - HB 56: Would use funds from the Retiree Health Benefit Trust (RHBT) to reimburse employing units for premiums paid on behalf of rehired retirees
 - SB 6: Would require employing units to pay for the coverage

House version is included in House Budget and Senate version is included in Senate budget

HB 528: Establish Chiropractor Copay Parity

- Bill initially included the State Health Plan which had support
- Bill Summary:
 - Requires the plans to cover chiropractic care at the PCP copay level
 - Removes covered limits on visits to chiropractor
- **SHP was removed from the bill on the House Floor**
- Status: Passed the House and referred to Senate Committee on Rules
- Fiscal Impact: Had the Plan been included, Plan costs would have increased by \$3.0m - \$3.6m in the coming biennium
 - SHP remains included in the Senate version but that bill did not cross over

SB 568: North Carolina Health Care Modernization

- Bill Summary:
 - Requires SHP and Medicaid to move to a capitated primary care model in CY 2016
 - Creates a Joint Oversight Committee on Primary Care and Medical Benefits that would review SHP purchasing of primary care with the goal of reforming and reviewing the effectiveness and performance of the State Health Plan
- Status: Referred to Senate Insurance
- Fiscal Impact (from Segal):
 - No Actuarial Note requested

Next Steps

Budget Related

- Monitor development of final State budget and conference committee process

Substantive Legislation

- Track SHP-related legislation, provisions, and appointments
- Determine and communicate Plan's position on SHP related legislation



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Local Governmental Unit Participation in State Health Plan

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Local Governmental Units - Overview

- Review of Legislation
- Requirements for Local Governmental Unit Participation
- Tracking Impact on State Health Plan

S.L. 2015-112: Adding Local Units to the State Health Plan

- Summary of Legislation (HB 154):
 - Allows local governmental units (up to 10,000 total members) to join the State Health Plan
 - There are currently about 3,500 members enrolled from local units on the State Health Plan
 - Units with more than 1,000 covered lives are ineligible
 - Current and future retirees are ineligible to join the Plan
 - The Plan must allow participation if the local governmental unit meets administrative and legal requirements
- Fiscal Impact FY 2015-16 (from Segal):
 - Combined Local Bills: \$3.39M, however, Segal cannot quantify for HB 154 because specific units are not named and units are not required to provide data

Requirements for Local Governmental Units to Join

- Per State law to enroll members into the Plan local governmental units must:
 - Pass a valid resolution expressing intent to join the Plan
 - Enter into a Memorandum of Understanding with the Plan
 - Provide at least 90 days' notice to the Plan prior to entry and complete all other requirements at least 60 days prior to entry
- The local governmental unit and its employees must meet the federal requirements to participate in a governmental plan and the Plan may refuse participation to persons who would jeopardize the Plan's qualification as a governmental plan under federal law
- The local governmental unit determines the eligibility of its employees and employees' dependents and what portion of the premiums employees will pay to the local governmental unit
- Premiums and plan options must be the same as those offered to State employees and dependents on a fully contributory basis
- The local governmental unit must pay all premiums for all covered individuals directly to the Plan or the Plan's designee

The Plan has developed a policy and procedure for local governments to follow to meet the statutory mandate and facilitate participation

Tracking Impact of Local Governmental Units

- There is no actuarial note for HB 154
- The Plan has tracked the impact participating local units have historically had on the Plan's claims experience
- The experience of the current units are relatively neutral
- The Plan will track the new local units and provide updates regarding their financial impact on the Plan
 - Approximately 30 local units have reached out to the Plan
 - The size of the units ranges from 5 members to approximately 300



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Joint Legislative Program Evaluation Oversight Committee Summary of Retiree Health Report

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Program Evaluation Division Retiree Health Report

- Program Evaluation Division and Oversight Committee
- Overview of Study Process
- PED Report Findings
- Committee Actions

Overview of Program Evaluation Division Work

- The Program Evaluation Division (PED) is a central, non-partisan unit of the Legislative Services Commission of the North Carolina General Assembly that assists the General Assembly in fulfilling its responsibility to oversee government functions.
- The mission of the Program Evaluation Division is to evaluate whether public services are delivered in an effective and efficient manner and in accordance with the law.
- The Joint Legislative Program Evaluation Oversight Committee was created in 2007 to oversee formal evaluation of state agency programs by PED.

Overview of Program Evaluation Division Work

- The PED work plan is developed by the Joint Legislative Program Evaluation Oversight Committee and the Division Director, with input from staff.
 - Requests for program evaluations must come from a member of the General Assembly.
- The Division Director reviews requests in light of staff capacity and the current work plan and makes recommendations to the Oversight Committee as to alterations of the 2015–17 work plan.
 - Any project required by state law automatically amends the work plan.
- The 2013-15 work plan included a study on the funding status of the Retiree Health Benefit Fund.

Overview of the Study Process

- PED developed research questions, studied state policy, and investigated other state programs.
- PED interviewed State Health Plan and Department of State Treasurer staff members to learn about the Plan and the costs of and funding for retiree benefits.
- The Department was asked to provide technical and substantive feedback on a draft report of PED's findings.
- PED presented their findings to the Oversight Committee in July with a follow-up in late August.
- Mona Moon provided responses on behalf of the Plan to legislative inquiries.

PED Report Findings

- North Carolina's unfunded actuarial liability for the Retiree Health Benefit Fund is \$25.5 billion.
- Key factors include:
 - Pay-as-you-go model
 - 100% non-contributory coverage availability
 - Benefits are available to all retirees with requisite service requirements
- North Carolina is not a strong performer on any of the measures used to compare the funded status of other states. Findings included in Fiscal Year 2012–13:
 - NC ranked 41st in unfunded liability per state resident for retiree health benefits
 - NC was one of 38 states with a funded ratio of 10% or less for its retiree health benefits
 - NC was one of 26 states that paid less than 50% of its annual required contribution

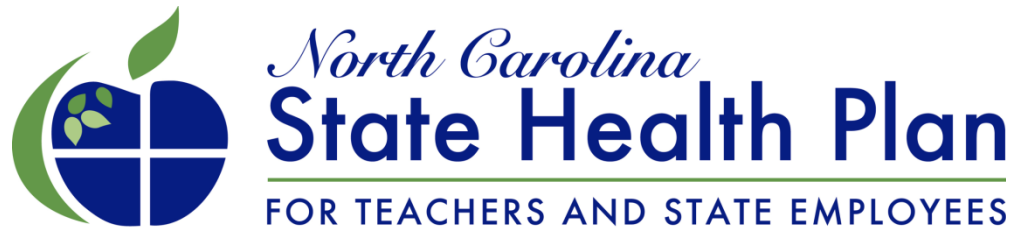
PED Report Findings Continued

- The General Assembly *could* consider the following options to reduce the unfunded liability of the Retiree Health Benefit Fund:
 - Increase the appropriation to the fund
 - Shift more costs to the federal government
 - Transition to a defined contribution model
 - Reduce the number of individuals eligible for the benefit
 - Require active employees to contribute to the fund
 - Increase the amount retirees pay for the benefit by increasing premiums and out-of-pocket costs
- To address the unfunded liability, the General Assembly *should*:
 - Direct the State Treasurer and State Health Plan Board of Trustees to shift costs to the federal government by requiring eligible retirees to be on Medicare Advantage plans, generating an estimated savings of up to \$64 million annually
 - Appoint a joint committee to determine which of the report's other options to pursue in light of the financial and legal implications of the report

Joint Legislative Program Evaluation Oversight Committee

Response/Action

- Oversight Committee delayed voting on the report until its next meeting
 - Meeting scheduled for Wednesday, August 26th was cancelled
 - Plan staff will continue to monitor the Oversight Committee's activity



Actuarial Valuation of Retired Employees' Health Benefits Other Postemployment Benefits as of December 31, 2014

Based on report prepared by
The Segal Company
for the

Committee on Actuarial Valuation of Retired
Employees' Health Benefits

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Presentation Overview

- Background
- Committee on Actuarial Valuation of Retired Employees' Health Benefits
- Valuation Process
- Results
- Other Postemployment Benefits Exposure Draft

Background

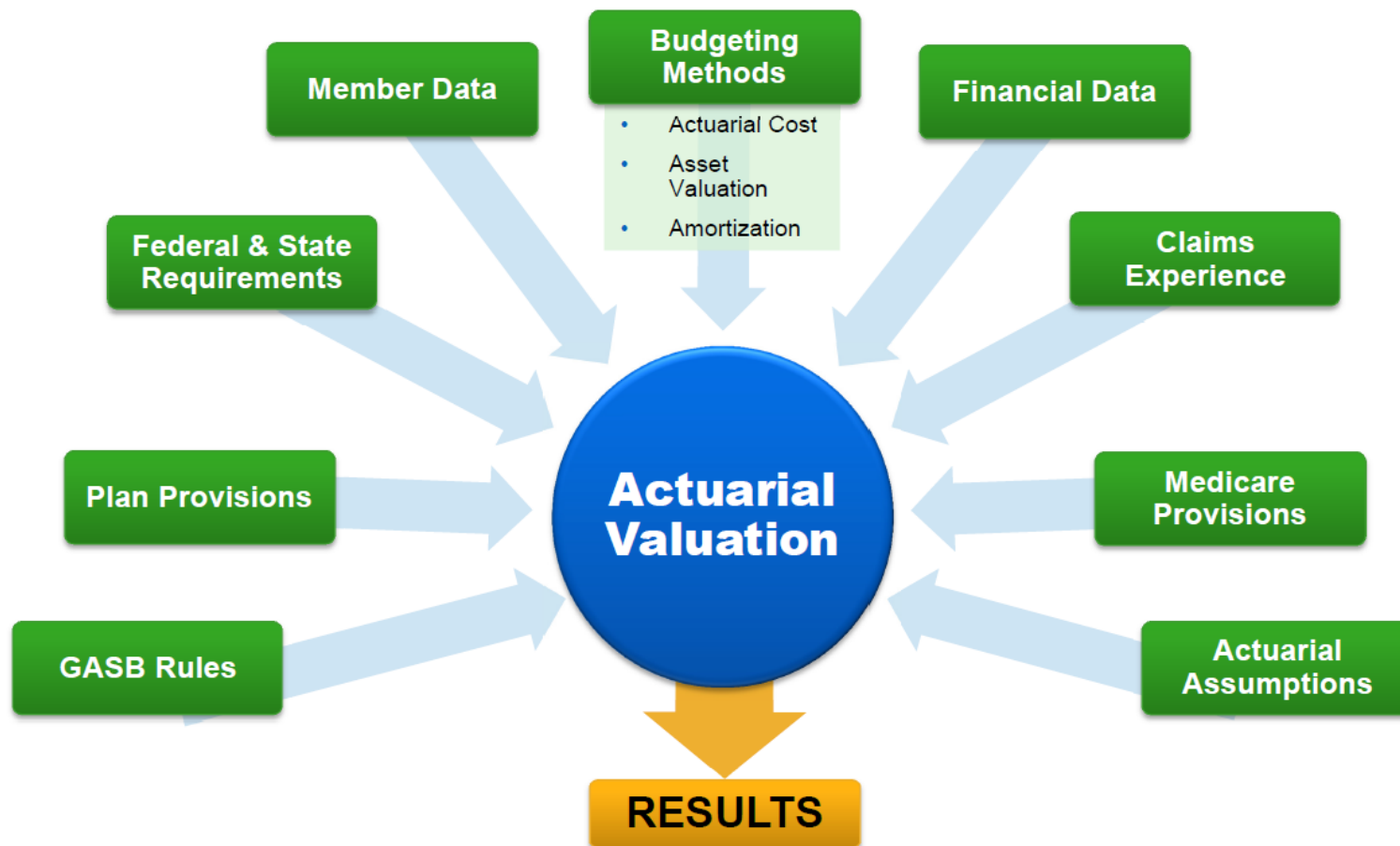
- The Governmental Accounting Standards Board (GASB) sets accounting standards for public and governmental entities to provide uniformity in financial reporting
- GASB statements 43 and 45 require governmental entities to disclose information on liabilities associated with Other Postemployment Benefits (OPEB), notably retiree health benefits
- Objective: To report in today's dollars the State's liability associated with retiree health benefits

Committee on Actuarial Valuation of Retired Employees' Health Benefits

- Established to conduct the annual OPEB valuation
- Committee consists of:
 - State Budget Officer (as Chair)
 - State Controller
 - State Treasurer
 - Executive Administrator of the State Health Plan
- Committee's responsibilities:
 - Select actuary (can choose the Plan's actuary or Retirement's actuary)
 - Collect data
 - Review actuarial assumptions to be used in the valuation
 - Report results

Valuation Process

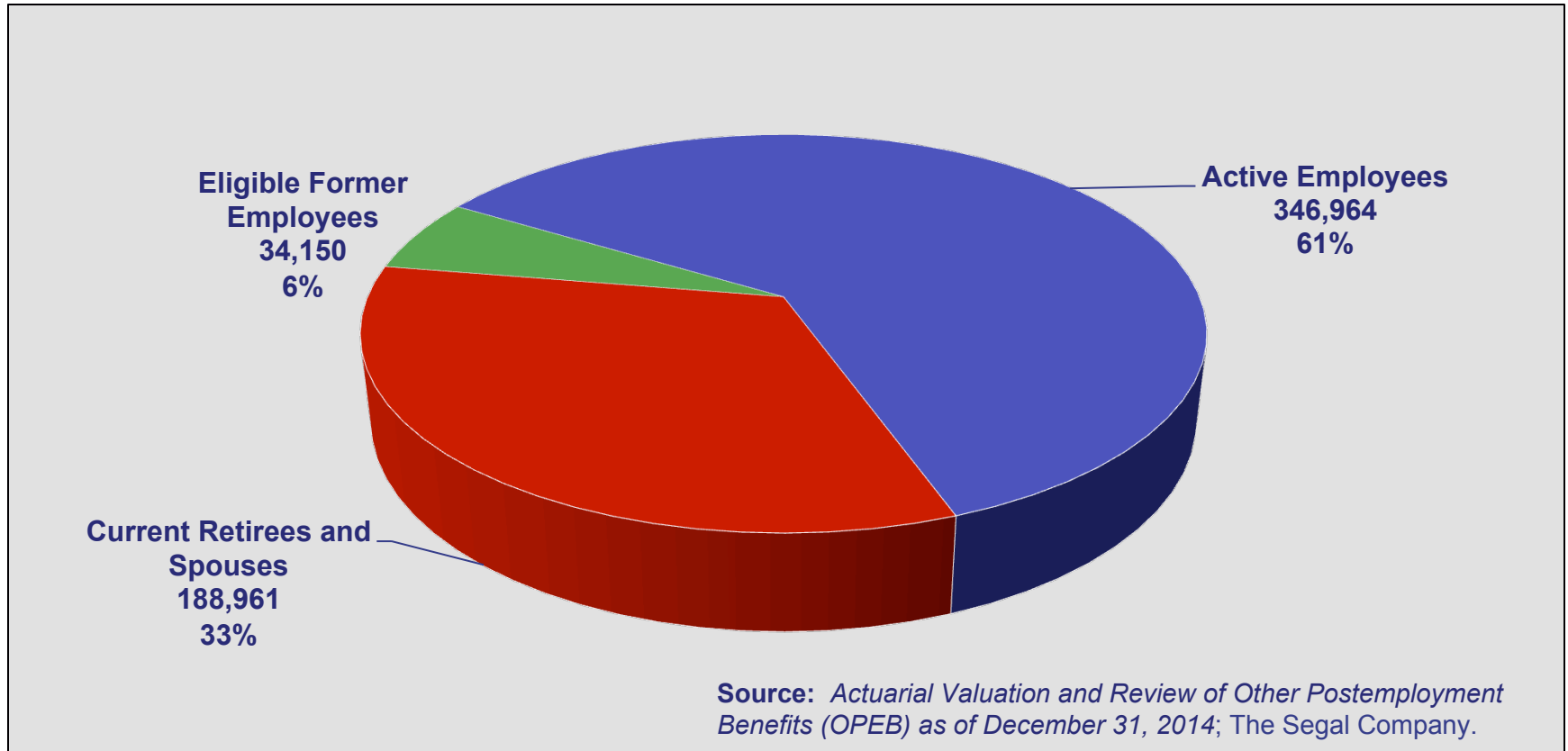
OPEB VALUATION BASICS



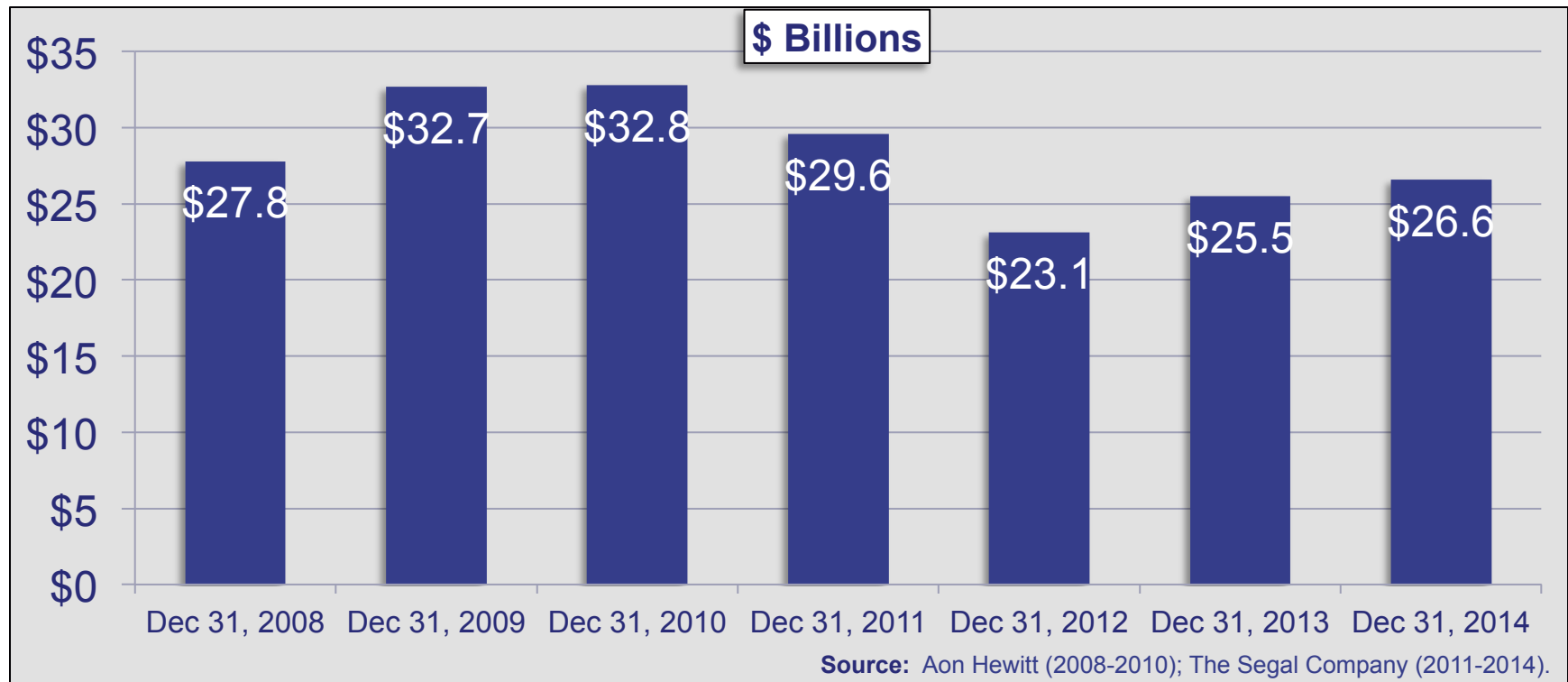
★ Segal Consulting

Valuation Census

- As of December 31, 2014, there were 570,075 employees and retirees eligible for retiree health benefits



Results: Unfunded Actuarial Accrued Liability (UAAL)



- UAAL increased \$1.1 billion from December 31, 2013 to December 31, 2014
- 2014 UAAL was \$0.54 billion less than projected last year due to:
 - **Assumption changes** (e.g., per capita health care costs, long-term trends) **decreased** UAAL by \$1.01 billion
 - **Actuarial experience** (e.g., demographics, investment performance, contributions) **increased** UAAL by \$0.47 billion

Results: Annual Required Contribution (ARC)

- ARC = Amortization of unfunded liability + normal costs
 - If the State were to amortize the UAAL over a 30-year period, the annual payment would be \$983 million
 - Liability associated with future benefits earned in the current (valuation) year is the “normal cost.” Normal cost for 2014 UAAL is \$1.243 billion

	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Amortization of Unfunded Liability	\$1.0 b	\$1.2 b	\$1.2 b	\$1.1 b	\$0.8 b	\$0.9 b	\$1.0 b
Normal Cost	\$1.7 b	\$1.8 b	1.7 b	\$1.4 b	\$1.2 b	\$1.3 b	\$1.2 b
ARC	\$2.7 b	\$3.0 b	\$2.9 b	\$2.5 b	\$2.0 b	\$2.2 b	\$2.2 b
As % of Payroll	17.5%	19.9%	19.3%	16.7%	13.5%	14.8%	14.2%

Key Takeaways

December 31, 2014 Valuation

- Although the unfunded liability is \$1.1 billion higher than the previous year:
 - It remains below the 2008 through 2011 valuations
 - It is more than \$500 million less than anticipated last year
- The ARC is basically unchanged from last year
 - The percent of payroll necessary to pay the ARC decreased from 14.75% in Fiscal Year 2013-14 to 14.21% in Fiscal Year 2014-15
- OPEB liabilities are currently noted on the State's Comprehensive Annual Financial Report (CAFR)
 - Future OPEB reporting will likely require liabilities to be listed as a balance sheet item and greater standardization of the assumptions used to calculate the liabilities

North Carolina State Health Plan

Actuarial Valuation and Review of Other
Postemployment Benefits (OPEB) as of
December 31, 2014 In accordance with GASB
Statements No. 43 and No. 45





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August 26, 2015

*Committee on Actuarial Valuation
of Retired Employees' Health Benefits (OPEB)
State of North Carolina
4901 Glenwood Avenue Suite 300
Raleigh, North Carolina 27612*

Dear Committee members:

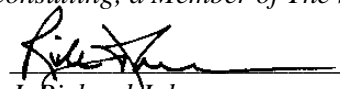
We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2014 under Governmental Accounting Standards Board Statements 43 and 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2015, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. This report was based on the census data provided by the Teachers' and State Employees' Retirement System (TSERS), the financial information prepared by the Department of State Treasurer, and the terms of the Plan. The actuarial calculations were completed under the supervision of K. Eric Fredén, FSA, MAAA, FCA, Vice President & Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibit III.

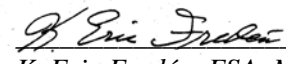
Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:



J. Richard Johnson
Senior Vice President



K. Eric Fredén, FSA, MAAA, FCA
Vice President & Actuary

SECTION 1

EXECUTIVE SUMMARY

Important Information About Actuarial Valuations	1
Purpose	3
Highlights of the Valuation	3
Summary of Valuation Results	4
Actuarial Certification	5

SECTION 2

VALUATION RESULTS

CHART 1	Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet.....	6
CHART 2	Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)	7
CHART 3	Determination of Annual Required Contribution (ARC) – Payable During Fiscal Year	8
CHART 4	Required Supplementary Information – Schedule of Employer Contributions GASB 43	10
CHART 5	Required Supplementary Information – Schedule of Funding Progress	11
CHART 6	Required Supplementary Information – Net OPEB Obligation (NOO).....	12
CHART 7	Net Contributions In Relation to the ARC	13

SECTION 3

VALUATION DETAILS

EXHIBIT A	Summary of Participant Data....	14
EXHIBIT B	Members in Active Service as of December 31, 2014 By Age and Service	15
EXHIBIT C	Cash Flow Projections	16
EXHIBIT D	ARC and NOO Projection	17
EXHIBIT E	Financial Information	18
EXHIBIT F	Statement of Changes in Plan Net Assets.....	19
EXHIBIT G	Detailed Actuarial Gain and Loss Analysis	20

SECTION 4

SUPPORTING INFORMATION

EXHIBIT I	Summary of Required Supplementary Information	21
EXHIBIT II	Actuarial Assumptions and Actuarial Cost Method.....	22
EXHIBIT III	Summary of Plan	30
EXHIBIT IV	Definitions of Terms.....	38
EXHIBIT V	Accounting Requirements	41
EXHIBIT VI	GASB 43/45 Concepts.....	43

SECTION 1: Executive Summary for North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

IMPORTANT INFORMATION ABOUT ACTUARIAL VALUATIONS

An actuarial valuation is a budgeting tool with respect to defining future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may require the award of a Social Security disability pension as a condition for receiving a disability pension from the plan and subsequent health benefits. If so, changes in the Social Security law or administration may change the plan’s costs without any change in the terms of the plan itself. It is important for the Committee to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. For most plans, it is not possible or desirable to take a snapshot of the actual work force on the valuation date. In any event, the actuarial valuation is based on a future work force that is presumed to be the same as the active population included in the valuation, but in fact, employment varies from year to year, sometimes quite considerably. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a “perfect” result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** Part of the cost of a plan will be paid from existing assets – the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the auditor. Some plans include assets, such as private equity holdings, real estate, or hedge funds, that are not subject to valuation by reference to transactions in the marketplace. A snapshot as of a single date may not be an appropriate value for determining a single year’s contribution requirement, especially in volatile markets. Plan sponsors often use an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan’s benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan’s assets or, if there are no assets, a rate of return on high quality fixed income investments. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results and will have no impact on the actual cost of the plan. In addition, the actuarial

SECTION 1: Executive Summary for North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Given the above, the user of Segal's actuarial valuation (or other actuarial calculations) needs to keep the following in mind:

- The actuarial valuation is prepared for use by the State for financial reporting purposes. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial snapshot is a measurement at a specific date – it is not a prediction of a plan's future financial condition.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in employment levels and variation in claims, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Committee should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Committee upon delivery and review. The Committee should notify Segal immediately of any questions or concerns about the final content.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

SECTION 1: Executive Summary for North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

PURPOSE

This report presents the results of our actuarial valuation of the State of North Carolina (the “Employer”) OPEB plan as of December 31, 2014. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes.

HIGHLIGHTS OF THE VALUATION

- The **unfunded actuarial accrued liability (UAAL)** as of December 31, 2014 is \$26,614,525,733, an increase of \$1,085,113,560, from the prior valuation UAAL of \$25,529,412,173. Net unfunded plan obligations had been expected to increase to \$27,153,024,980, due to normal plan operations. The difference between actual and expected unfunded actuarial accrued liabilities was the net effect of several factors:
 - An **actuarial experience loss** increased the UAAL by \$472,822,980. This was the net result of gains and losses due to fund investment performance, demographic changes and actual 2014 contributions and benefit payments that were different from expected. We have taken these actuarial gains and losses into account in reviewing our assumptions for the current valuation.
 - **Valuation assumption changes** decreased the AAL by \$1,011,322,227. This was a net result of updating the valuation-year per capita health costs and future trend on such costs.
- As of December 31, 2014, the ratio of assets to the AAL (the funded ratio) is 3.43%.
- The **Net OPEB Obligation (NOO)** increased to \$15,836,661,161 for the year ending June 30, 2015. The NOO generally increases if the contributions in relation to the ARC are less than the ARC. The contributions in relation to the ARC during the year ending June 30, 2015 were \$780,254,606 compared to the ARC of \$2,223,032,389. Contributions in relation to the ARC totaled 35.10% of the ARC in the year ending June 30, 2015. Chart 6 shows the detailed derivation of the NOO as of June 30, 2015.
- The **Annual Required Contribution (ARC)** decreased to \$2,223,032,389 for the year ending June 30, 2015. The ARC was \$2,223,900,337 for the last year. As a percentage of payroll, the ARC decreased from 14.75% last year to 14.21% this year.
- The **Annual OPEB Cost (AOC)** increased to \$2,302,617,504 for the year ending June 30, 2015. The AOC was \$2,295,163,705 last year.

SECTION 1: Executive Summary for North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

The key valuation results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	December 31, 2014	December 31, 2013
Actuarial Accrued Liability (AAL)	\$27,559,480,734	\$26,420,167,735
Actuarial Value of Assets	944,955,001	890,755,562
Unfunded Actuarial Accrued Liability	26,614,525,733	25,529,412,173
Funded Ratio	3.43%	3.37%
Market Value of Assets	\$944,955,001	\$890,755,562
Annual Required Contribution (ARC) for Fiscal Year Ending:	June 30, 2015	June 30, 2014
Normal cost (beginning of year)	\$1,239,887,380	\$1,280,839,603
Amortization of the unfunded actuarial accrued liability	<u>983,145,009</u>	<u>943,060,734</u>
Total Annual Required Contribution	\$2,223,032,389	\$2,223,900,337
Covered payroll	\$15,642,889,820	\$15,080,626,734
ARC as a percentage of pay	14.21%	14.75%
Total Participants	570,075	571,854
Annual OPEB Cost (AOC) for Fiscal Year Ending:	June 30, 2015	June 30, 2014
Annual Required Contributions	\$2,223,032,389	\$2,223,900,337
Interest on Net OPEB Obligations	608,357,676	544,745,285
ARC Adjustments	<u>-528,772,561</u>	<u>-473,481,917</u>
Total Annual OPEB Cost	\$2,302,617,504	\$2,295,163,705
AOC as a percent of pay	14.72%	15.22%

August 26, 2015

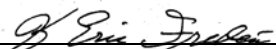
ACTUARIAL CERTIFICATION

This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of North Carolina State Health Plan's other postemployment benefit programs as of December 31, 2014, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the Employer and reliance on participant, premium, claims and expense data provided by the Employer or from vendors employed by the Employer. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of my knowledge, this report is complete and accurate and in my opinion presents the information necessary to comply with GASB Statements 43 and 45 with respect to the benefit obligations addressed. I am a member of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.



K. Eric Fredén, FSA, MAAA, FCA
Vice President & Actuary

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

	Actuarial Present Value of Total Projected Benefits (APB)	
	December 31, 2014	December 31, 2013
Participant Category		
Current retirees, beneficiaries, and dependents	\$10,447,612,154	\$9,810,405,584
Current active members	30,936,646,701	32,406,097,969
Terminated members entitled but not yet eligible	<u>2,531,522,377</u>	<u>2,425,418,463</u>
Total	\$43,915,781,232	\$44,641,922,016
	December 31, 2014	December 31, 2013
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	\$944,955,001	\$890,755,562
2. Present value of future normal costs	16,356,300,498	18,221,754,281
3. Unfunded actuarial accrued liability	<u>26,614,525,733</u>	<u>25,529,412,173</u>
4. Present value of current and future assets	\$43,915,781,232	\$44,641,922,016
Liabilities		
5. Actuarial Present Value of total Projected Benefits	\$43,915,781,232	\$44,641,922,016

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion covered by retiree contributions, the portion

covered by accumulated plan assets, and reconciles the unfunded actuarial liability from last year to this year.

CHART 2

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	December 31, 2014	December 31, 2013
Participant Category		
Current retirees, beneficiaries, and dependents	\$10,447,612,154	\$9,810,405,584
Current active members	14,580,346,203	14,184,343,688
Terminated members entitled but not yet eligible	<u>2,531,522,377</u>	<u>2,425,418,463</u>
Total	\$27,559,480,734	\$26,420,167,735
Effect of Retiree Contributions		
Actuarial accrued liability before reduction for retiree contributions	\$33,199,083,469	\$30,210,097,630
Less projected retiree contributions	<u>5,639,602,735</u>	<u>3,789,929,895</u>
Net employer actuarial accrued liability	27,559,480,734	26,420,167,735
Actuarial value of assets	<u>944,955,001</u>	<u>890,755,562</u>
Unfunded actuarial accrued liability	\$26,614,525,733	\$25,529,412,173
Development of Unfunded Actuarial Accrued Liability		
1. Unfunded actuarial accrued liability as of December 31, 2013		\$25,529,412,173
2. Employer normal cost at beginning of year		1,280,839,603
3. Total employer contributions at beginning of year		-764,184,649
4. Interest		<u>\$1,106,957,853</u>
5. Expected unfunded actuarial accrued liability		\$27,153,024,980
6. Change due to the combined effect of experience loss and updated assumptions		<u>-538,499,247</u>
7. Unfunded actuarial accrued liability as of December 31, 2014		\$26,614,525,733

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes *as if* the plan were being funded through contributions to a trust fund. The GASB standards cannot require the contributions actually be made to a trust fund. The ARC is simply a device used to measure annual plan costs on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. The resulting sum is assumed to be contributed in the middle of the fiscal year.

The amortization payment is based on a 30-year amortization of the Unfunded Actuarial Accrued Liability on a increasing payment basis at 3.50%.

CHART 3

Determination of Annual Required Contribution (ARC) – Payable During Fiscal Year

Cost Element	Fiscal Year Beginning July 1, 2014 and Ending June 30, 2015		Fiscal Year Beginning July 1, 2013 and Ending June 30, 2014	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	\$1,239,887,380	7.93%	\$1,280,839,603	8.49%
2. Amortization of the unfunded actuarial accrued liability (30 years)	<u>983,145,009</u>	6.28%	943,060,734	6.25%
3. Total Annual Required Contribution (ARC)	<u>\$2,223,032,389</u>	<u>14.21%</u>	<u>\$2,223,900,337</u>	<u>14.75%</u>
4. Total Compensation	\$15,642,889,820		\$15,080,626,734	

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

The Annual OPEB Cost (AOC) adjusts the ARC for timing differences between the ARC and contributions in relation to the ARC. The AOC is the cost of OPEB actually booked as an expense for the Fiscal Year under GASB 45.

CHART 3 (continued)

Determination of Annual OPEB Cost (AOC) – Payable During Fiscal Year

Cost Element	Fiscal Year Beginning July 1, 2014 and Ending June 30, 2015		Fiscal Year Beginning July 1, 2013 and Ending June 30, 2014	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Annual Required Contribution	\$2,223,032,389	14.21%	\$2,223,900,337	14.75%
2. Interest on Beginning of Year Net OPEB Obligation (NOO)	608,357,676	3.89%	544,745,285	3.61%
3. ARC adjustment	<u>-528,772,561</u>	<u>-3.38%</u>	<u>-473,481,917</u>	<u>-3.14%</u>
4. Annual OPEB Cost	<u>\$2,302,617,504</u>	<u>14.72%</u>	<u>\$2,295,163,705</u>	<u>15.22%</u>

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the

schedule of employer contributions compares actual contributions to the AOC.

CHART 4

**Required Supplementary Information – Schedule of Employer Contributions
GASB 43**

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	\$3,018,959,000	\$677,827,218	22.45%
2011	2,910,615,707	868,263,454	29.83%
2012	2,480,159,722	852,358,729	34.37%
2013	2,021,026,309	844,452,283	41.78%
2014	2,223,900,337	798,401,569	35.90%
2015	2,223,032,389	780,254,606	35.10%

**Required Supplementary Information – Schedule of Employer Contributions
GASB 45**

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2010	\$3,049,870,032	\$677,827,218	22.22%
2011	2,954,027,031	868,263,454	29.39%
2012	2,535,167,544	852,358,729	33.62%
2013	2,085,390,268	844,452,283	40.49%
2014	2,295,163,705	798,401,569	34.79%
2015	2,302,617,504	780,254,606	33.89%

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 5

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
12/31/2005	139,174,878	23,925,138,742	23,785,963,864	0.58%	12,359,975,359	192.44%
12/31/2007	296,500,252	28,890,229,747	28,593,729,495	1.03%	14,810,270,168	193.07%
12/31/2008	434,768,521	28,288,439,376	27,853,670,855	1.54%	15,295,559,646	182.10%
12/31/2009	556,303,039	33,321,783,854	32,765,480,815	1.67%	15,131,145,834	216.54%
12/31/2010	655,445,062	33,494,640,678	32,839,195,616	1.96%	15,098,336,130	217.50%
12/31/2011	729,094,584	30,339,346,481	29,610,251,897	2.40%	14,851,954,027	199.37%
12/30/2012	765,827,946	23,883,106,962	23,117,279,016	3.21%	14,957,178,663	154.56%
12/30/2013	890,755,562	26,420,167,735	25,529,412,173	3.37%	15,080,626,734	169.29%
12/31/2014	944,955,001	27,559,480,734	26,614,525,733	3.43%	15,642,889,820	170.14%

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

The Net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

CHART 6

Required Supplementary Information – Net OPEB Obligation (NOO)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) – (e) (f)	NOO as of Fiscal Year (g)
12/31/2010	06/30/2011	\$2,910,615,707	\$331,841,094	-\$288,429,771	\$2,954,027,031	\$868,263,454	\$2,085,763,576	\$9,893,789,327
12/31/2011	06/30/2012	2,480,159,722	420,486,046	-365,478,224	2,535,167,544	852,358,729	1,682,808,815	11,576,598,142
12/30/2012	06/30/2013	2,021,026,309	492,005,421	-427,641,462	2,085,390,268	844,452,283	1,240,937,985	12,817,536,127
12/30/2013	06/30/2014	2,223,900,337	544,745,285	-473,481,917	2,295,163,705	798,401,569	1,496,762,136	14,314,298,263
12/31/2014	06/30/2015	2,223,032,389	608,357,676	-528,772,561	2,302,617,504	780,254,606	1,522,362,898	15,836,661,161

SECTION 2: Valuation Results for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Employer contribution in relation to the ARC consist of benefits paid directly to or on behalf of a retiree or beneficiary, premiums paid to an insurer, or assets irrevocably transferred to OPEB trust.

CHART 7

Net Contribution In Relation to the ARC

Transaction	06/30/2015	Source of information	06/30/2014	Source of information
Claims paid net of refunds	\$827,710,141	SAS claims database	\$840,259,194	SAS claims database
Administrative load	51,234,982	Segal FYE 2015 Q4 financial updates	43,866,132	Segal FYE 2014 Q4 financial updates
Retiree/Dependent premiums	<u>-104,097,687</u>	Enrollment & retiree contribution rates	<u>-104,030,070</u>	Enrollment & retiree contribution rates
Net benefits paid	774,847,436	Sum of above	780,095,256	Sum of above
Employer contribution to trust	833,841,961	Retiree health reserve statement 06/30/2015	813,956,238	Retiree health reserve statement 06/30/2014
Transfer to SHP from trust	-828,434,791	Retiree health reserve statement 06/30/2015	-795,649,925	Retiree health reserve statement 06/30/2014
Net contribution in relation to the ARC	780,254,606	P. 16 Exh D Col [e]	798,401,569	P. 16 Exh D Col [e]

**SECTION 3: Supplemental Valuation Details for the North Carolina State Health Plan December 31, 2014
Measurement Under GASB 43 and 45**

This exhibit summarizes the participant data used for the current and prior valuations.

**EXHIBIT A
Summary of Participant Data**

	December 31, 2014	December 31, 2013
Retirees		
Number of retirees	186,718	182,146
Average age of retirees	69.7	69.3
Number of spouses	12,251	12,690
Average age of spouses	67.0	68.4
Surviving Spouses		
Number	2,243	2,359
Average age	81.7	80.6
Inactive Vesteds		
Number of inactive vested	34,150	31,610
Average age of inactive vested	48.1	48.0
Average expected retirement age	63.1	63.0
Active Participants		
Number	346,964	343,049
Average age	44.9	44.8
Average years of service	10.0	9.9
Average expected retirement age	59.0	59.0

**SECTION 3: Supplemental Valuation Details for the North Carolina State Health Plan December 31, 2014
Measurement Under GASB 43 and 45**

EXHIBIT B

Members in Active Service as of December 31, 2014 By Age and Service

Age	Service									
	Total	0-4	5-9	10-14	15-19	20-24	25 – 29	30 – 34	35 – 39	40 & Over
Under 25	11,698	11,680	18	--	--	--	--	--	--	--
25 - 29	32,809	27,171	5,601	37	--	--	--	--	--	--
30 - 34	37,505	16,783	15,713	4,936	73	--	--	--	--	--
35 - 39	40,597	14,449	10,543	11,684	3,890	31	--	--	--	--
40 - 44	48,304	13,946	10,569	9,548	10,943	3,234	64	--	--	--
45 - 49	49,477	12,091	10,210	9,001	7,637	7,671	2,820	47	--	--
50 - 54	48,575	10,215	9,144	8,835	7,610	5,497	6,045	1,196	33	--
55 - 59	42,967	7,977	7,649	7,776	7,196	5,433	4,497	1,859	530	50
60 - 64	25,573	4,938	4,888	4,616	4,021	3,267	2,130	1,003	561	149
65 - 69	7,262	1,709	1,492	1,404	961	659	451	289	166	131
70 & over	2,197	590	415	395	268	188	118	73	50	100
Total	346,964	121,549	76,242	58,232	42,599	25,980	16,125	4,467	1,340	430

**SECTION 3: Supplemental Valuation Details for the North Carolina State Health Plan December 31, 2014
Measurement Under GASB 43 and 45**

EXHIBIT C

Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go (“paygo”) cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending December 31	Projected Number of Retirees*			Projected Benefit Payments			Projected Retiree Contributions	Projected Net Fund Payment**	Contribution Ratio***
	Current	Future	Total	Current	Future	Total			
2015	201,212	17,011	218,223	\$892,481,129	\$68,841,049	\$961,322,178	\$91,045,682	\$870,276,496	9.47%
2016	195,632	31,183	226,815	888,421,691	187,088,350	1,075,510,041	138,611,177	936,898,864	12.89%
2017	189,956	44,841	234,797	857,763,512	307,553,246	1,165,316,758	156,201,638	1,009,115,120	13.40%
2018	184,196	58,384	242,580	821,723,277	425,913,070	1,247,636,347	192,141,206	1,055,495,141	15.40%
2019	178,360	71,794	250,154	794,126,539	545,216,885	1,339,343,424	213,354,570	1,125,988,854	15.93%
2020	172,440	86,148	258,588	765,773,451	663,741,043	1,429,514,494	237,787,604	1,191,726,890	16.63%
2021	166,445	99,595	266,040	747,651,026	786,575,303	1,534,226,329	263,842,771	1,270,383,558	17.20%
2022	160,382	112,512	272,894	729,720,274	909,452,311	1,639,172,585	287,013,636	1,352,158,949	17.51%
2023	154,252	124,722	278,974	713,759,702	1,031,185,191	1,744,944,893	309,914,045	1,435,030,848	17.76%
2024	148,058	136,473	284,531	699,426,228	1,154,736,376	1,854,162,604	333,139,778	1,521,022,826	17.97%

* Includes spouses of retirees.

** Total projected benefit payments less projected retiree contributions.

*** Ratio of projected retiree contributions to projected benefit payments.

**SECTION 3: Supplemental Valuation Details for the North Carolina State Health Plan December 31, 2014
Measurement Under GASB 43 and 45**

**EXHIBIT D
ARC and NOO Projection**

The following charts project the ARC and NOO through June 30, 2025 assuming a stable active population and that State contributions to the trust fund follow the current percent of pay methodology through the 2015 fiscal year and remain at 5.3% of pay thereafter. These contributions are expected to exceed transfers to the SHP by amounts similar to recent experience.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Normal Cost (c)	Unfunded AAL (b) - (a)	30-Year Amortization (d)	Annual Required Contribution (c) + (d)
12/31/2015	\$972,713,711	\$29,134,763,811	\$1,232,981,839	\$28,162,050,100	\$1,040,310,817	\$2,273,292,656
12/31/2016	1,000,457,639	30,701,774,030	1,239,146,748	29,701,316,392	1,097,171,570	2,336,318,318
12/31/2017	1,028,075,749	32,268,074,218	1,251,538,216	31,239,998,469	1,154,010,742	2,405,548,958
12/31/2018	1,056,113,482	33,866,504,928	1,270,311,289	32,810,391,446	1,212,021,320	2,482,332,609
12/31/2019	1,084,089,328	35,480,463,753	1,295,717,515	34,396,374,425	1,270,607,795	2,566,325,310
12/31/2020	1,112,108,675	37,122,381,384	1,328,110,453	36,010,272,709	1,330,225,466	2,658,335,919
12/31/2021	1,139,910,001	38,787,539,421	1,367,953,766	37,647,629,420	1,390,709,696	2,758,663,462
12/31/2022	1,167,427,038	40,481,508,293	1,415,832,148	39,314,081,255	1,452,268,704	2,868,100,852
12/31/2023	1,194,633,530	42,212,769,451	1,472,465,434	41,018,135,921	1,515,216,767	2,987,682,201
12/31/2024	1,221,459,860	43,988,849,115	1,538,726,378	42,767,389,255	1,579,834,476	3,118,560,854
Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Projected Contribution Amount (e)	NOO as of Fiscal Year (f)
06/30/2016	\$2,273,292,656	\$673,058,099	\$(585,008,899)	\$2,361,341,856	\$909,486,753	\$17,288,516,264
06/30/2017	2,336,318,318	734,761,941	(638,640,668)	2,432,439,591	979,112,533	18,741,843,323
06/30/2018	2,405,548,958	796,528,341	(692,326,811)	2,509,750,488	1,038,624,365	20,212,969,447
06/30/2019	2,482,332,609	859,051,201	(746,670,455)	2,594,713,355	1,097,282,405	21,710,400,397
06/30/2020	2,566,325,310	922,692,017	(801,985,803)	2,687,031,524	1,165,627,194	23,231,804,727
06/30/2021	2,658,335,919	987,351,701	(858,186,733)	2,787,500,886	1,238,061,473	24,781,244,141
06/30/2022	2,758,663,462	1,053,202,876	(915,423,282)	2,896,443,056	1,318,522,721	26,359,164,476
06/30/2023	2,868,100,852	1,120,264,490	(973,711,922)	3,014,653,420	1,401,100,167	27,972,717,729
06/30/2024	2,987,682,201	1,188,840,503	(1,033,316,848)	3,143,205,856	1,485,794,791	29,630,128,794
06/30/2025	3,118,560,854	1,259,280,474	(1,094,541,888)	3,283,299,440	1,574,443,765	31,338,984,469

**SECTION 3: Supplemental Valuation Details for the North Carolina State Health Plan December 31, 2014
Measurement Under GASB 43 and 45**

EXHIBIT E

Financial Information

Employers may accumulate assets to pay for future OPEB. In order to be treated as plan assets, the funds must be set aside in a trust fund or equivalent arrangement that has the following characteristics:

a. Employer contributions are irrevocable

b. Plan assets are dedicated to OPEB only

c. Plan assets are legally protected from the creditors of the employer and the plan administrator.

North Carolina State Health Plan has an arrangement that meets those requirements.

Statement of Plan Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Assets		
Cash equivalents	\$128,428,929	\$121,158,277
Investments	834,439,272	785,721,085
Investment income accrued	48,253	\$45,801
Contributions receivable	<u>55,139,480</u>	<u>49,722,073</u>
Total assets	\$1,018,055,934	\$956,647,236
Liabilities		
Less accounts payable:	<u>-73,100,933</u>	<u>-65,891,674</u>
Net assets held in trust for other postemployment benefits	\$944,955,001	\$890,755,562

**SECTION 3: Supplemental Valuation Details for the North Carolina State Health Plan December 31, 2014
Measurement Under GASB 43 and 45**

EXHIBIT F

Statement of Changes in Plan Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Additions		
Employer contributions*	\$833,841,961	\$808,140,588
Interest credited	<u>49,219,451</u>	<u>86,129,281</u>
Total additions:	\$883,061,412	\$894,269,869
Deductions		
Benefit Payments	-\$828,434,791	-\$768,864,551
Expenses	<u>427,182</u>	<u>477,702</u>
Total deductions	-\$828,861,973	-\$769,342,253
Net increase	\$54,199,439	\$124,927,616
Net assets held in trust for other postemployment benefits		
Beginning of year	\$890,755,562	\$765,827,946
End of year	\$944,955,001	\$890,755,562

* Employer contributions include both implicit and explicit subsidies for the retirees' cost of OPEB. These are the contributions in relation to the ARC.

**SECTION 3: Supplemental Valuation Details for the North Carolina State Health Plan December 31, 2014
Measurement Under GASB 43 and 45**

EXHIBIT G

Detailed Actuarial Gain and Loss Analysis

If all actuarial assumptions had been exactly realized the ARC would have been expected to be \$2,283,876,867 this year. The actual ARC for this year is \$2,223,032,389, a difference of \$-60,844,478. The following chart identified the sources of this difference.

The experience loss for fiscal year 2015 can be broken down further into a \$60 million loss on new active employees, a \$46 million loss on show-up retirees, and a \$20 million loss on retiree experience, offset by a \$20 million gain on experience of actives and inactive vesteds.

Actuarial Gain and Loss

	FY2015	FY2014
Expected ARC	\$2,283,876,867	\$2,072,150,167
Experience gain or loss	106,700,067	-55,795,356
Assumption changes	<u>-167,544,545</u>	<u>207,545,526</u>
Total changes	<u>-\$60,844,478</u>	<u>\$151,750,170</u>
Actual ARC	<u>\$2,223,032,389</u>	<u>\$2,223,900,337</u>

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	December 31, 2014	
Actuarial cost method	Projected Unit Credit. Service from hire date to full eligibility was used to allocate costs. Full eligibility in this context refers to the date when an employee retires, according to the valuation assumptions.	
Amortization method	30-Year Amortization Open	
Remaining amortization period	30 years as of December 31, 2014	
Asset valuation method	Market Value	
Actuarial assumptions:		
Investment rate of return	4.25%	
Inflation rate	3.50%	
Projected salary increases	Vary by group and years of service	
Medical cost trend rate	7.00% graded to 5.00% over 8 years	
Drug cost trend rate	9.50% graded to 5.00% over 9 years	
Plan membership:	December 31, 2014	December 31, 2013
Current retirees, beneficiaries, and dependents	201,212	197,195
Current active participants	346,964	343,049
Terminated participants entitled but not yet eligible	<u>34,150</u>	<u>31,610</u>
Total	582,326	571,854

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data:	Detailed census data, premium data and/or claim experience, and summary plan descriptions for OPEB were provided by the State.
Actuarial Cost Method:	Projected Unit Credit. Service from hire date to full eligibility was used to allocate costs. Full eligibility in this context refers to the date when an employee retires, according to the valuation assumptions.
Asset Valuation Method:	Market Value
Measurement Date:	December 31, 2014
Discount Rate:	4.25%- The discount rate is a long-term estimate of short-term rates of return that the State's treasury will earn on working capital. The State's financial staff provided input into the selection of this rate. This rate is consistent with the assumed 3.5% inflation assumption.
Mortality Rates:	<p>RP-2000 Non-Annuitant and Annuitant Mortality Tables, with the following adjustments:</p> <p>Male teachers (healthy): one-year set back Female teachers (healthy): no adjustment Male general employees (healthy): one-year set forward Female general employees (healthy): one-year set forward Male law-enforcement officer (healthy): no adjustment Female law-enforcement officer (healthy): no adjustment Male beneficiaries: one-year set forward Female beneficiaries: two-year set forward Male retirees (disabled): six-year set back Female retirees (disabled): one-year set forward</p> <p>All mortality rates for employees and healthy annuitants are projected from December 31, 2003 using Scale AA. No mortality improvements are projected for disabled retirees.</p>

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Termination before retirement:

General Employees:

Age	Rate					
	Mortality		Disability		Turnover*	
	Male	Female	Male	Female	Male	Female
25	0.0004	0.0002	0.0002	0.0002	0.0650	0.0900
30	0.0005	0.0003	0.0004	0.0004	0.0650	0.0800
35	0.0008	0.0005	0.0010	0.0010	0.0500	0.0600
40	0.0011	0.0008	0.0030	0.0018	0.0400	0.0400
45	0.0016	0.0012	0.0050	0.0032	0.0350	0.0400
50	0.0023	0.0018	0.0084	0.0050	0.0350	0.0400
55	0.0033	0.0028	0.0144	0.0088	0.0350	0.0400
60	0.0054	0.0043	0.0240	0.0138	0.0000	0.0000
65	0.0081	0.0062	0.0000	0.0000	0.0000	0.0000
69	0.0099	0.0076	0.0000	0.0000	0.0000	0.0000

Teachers:

Age	Rate					
	Mortality		Disability		Turnover*	
	Male	Female	Male	Female	Male	Female
25	0.0004	0.0002	0.0001	0.0002	0.0600	0.0700
30	0.0004	0.0003	0.0001	0.0003	0.0550	0.0600
35	0.0007	0.0005	0.0003	0.0006	0.0400	0.0450
40	0.0010	0.0007	0.0007	0.0010	0.0350	0.0300
45	0.0014	0.0011	0.0014	0.0018	0.0350	0.0300
50	0.0020	0.0017	0.0023	0.0032	0.0350	0.0300
55	0.0028	0.0025	0.0047	0.0055	0.0350	0.0300
60	0.0044	0.0039	0.0077	0.0102	0.0000	0.0000
65	0.0070	0.0058	0.0000	0.0000	0.0000	0.0000
69	0.0091	0.0073	0.0000	0.0000	0.0000	0.0000

* Higher rates are used during the first five years of service.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Law Enforcement Officers:

	Rate			
	Mortality		Disability	Turnover*
	Male	Female		
25	0.0004	0.0002	0.0033	0.0400
30	0.0004	0.0003	0.0043	0.0350
35	0.0008	0.0005	0.0060	0.0300
40	0.0011	0.0007	0.0079	0.0300
45	0.0015	0.0011	0.0110	0.0300
50	0.0021	0.0017	0.0176	0.0300
55	0.0030	0.0025	0.0307	0.0300
60	0.0049	0.0039	0.0601	0.0000
65	0.0076	0.0058	0.0000	0.0000
69	0.0095	0.0073	0.0000	0.0000

* Higher rates are used during the first five years of service.

Actives' Retirement Rates:

Age	General Employees		Teachers		Law Enforcement Officers
	Rate		Rate		Rate
	Male	Female	Male	Female	Male Female
50	0.3500	0.3500	0.3000	0.3000	0.5000
55	0.2000	0.2250	0.3000	0.2750	0.5000
60	0.2250	0.2500	0.3000	0.2750	0.5000
65	0.3500	0.3500	0.3500	0.5000	0.4000
70	0.2750	0.2500	0.2500	0.2750	0.3000
75	1.0000	1.0000	1.0000	1.0000	1.0000

*Special rates are used for early service retirement.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Inactive Vested Retirement Rates: Age 55 with 20 or more years of service; age 63 with 5 or more years of service, but less than 20 years of service.

Actives and terminated vested who do not have plan code are assumed to be enrolled in plans based on enrollment assumptions.

Missing date of birth or invalid date of birth are assumed an average value of the group. Invalid gender codes are replaced with the default of male.

Missing Participant Data: Any other missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

Participation and Coverage Election: 100% of employees eligible to retire and receive subsidized postretirement welfare coverage were assumed to elect medical and prescription drug coverage. All participants are assumed to be enrolled in plans based on enrollment assumptions.

Dependents: Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be four years older than their wives. 10% of future retirees who elect to continue their health coverage at retirement were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Cost Development:

*Medical and Prescription
Drug*

Per capita claims costs were based on actual paid claim experience for the periods January 1, 2014 through December 31, 2014. Claims were separated by Medicare and Non-Medicare participants, then adjusted as follows:

- paid claims were multiplied by a factor to yield an estimate of incurred claims,
- total claims were divided by the number of adult members to yield a per capita claim,
- the per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and the per capita claim was adjusted for the effect of any plan changes

Actuarial factors were then applied to the per capita claims to estimate individual retiree and spouse costs by age and by gender.

Medicare Advantage plans were valued by actuarially adjusting the insured premium rates by age and gender.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Administrative Expenses

Administrative expenses were based on a projection furnished by Segal for the period January 1, 2015 through December 31, 2015.

Per Capita Health Costs:

2015 medical and prescription drug claims costs, excluding assumed expenses, are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Non-Medicare

Medical Basic					Medical and Rx CDHP			
Age	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$3,301	\$4,246	\$2,053	\$3,411	\$4,417	\$5,680	\$2,746	\$4,563
45	3,926	4,925	2,435	3,676	5,252	6,589	3,258	4,918
50	4,659	5,307	3,255	4,261	6,234	7,101	4,354	5,701
55	5,533	5,713	4,355	4,933	7,403	7,644	5,827	6,599
60	6,572	6,158	5,830	5,721	8,792	8,239	7,800	7,654
65	7,805	6,634	7,805	6,634	10,442	8,876	10,442	8,876
70	9,046	7,149	9,046	7,149	12,102	9,565	12,102	9,565
75	9,748	7,695	9,748	7,695	13,042	10,296	13,042	10,296
80	10,497	8,296	10,497	8,296	14,044	11,100	14,044	11,100

Medical Enhanced					Prescription Drug			
Age	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$4,109	\$5,285	\$2,555	\$4,245	\$987	\$1,269	\$613	\$1,019
45	4,887	6,130	3,031	4,576	1,173	1,472	728	1,099
50	5,800	6,606	4,051	5,304	1,393	1,586	973	1,274
55	6,888	7,111	5,421	6,140	1,654	1,707	1,302	1,474
60	8,180	7,665	7,257	7,121	1,964	1,840	1,742	1,710
65	9,715	8,258	9,715	8,258	2,333	1,983	2,333	1,983
70	11,260	8,899	11,260	8,899	2,703	2,137	2,703	2,137
75	12,134	9,579	12,134	9,579	2,913	2,300	2,913	2,300
80	13,067	10,327	13,067	10,327	3,137	2,479	3,137	2,479

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Medicare – Non Medicare Advantage

Medical Basic					Prescription Drug			
Age	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$363	\$466	\$226	\$375	\$987	\$1,269	\$613	\$1,019
45	431	541	268	404	1,173	1,472	728	1,099
50	512	583	358	468	1,393	1,586	973	1,274
55	608	628	479	542	1,654	1,707	1,302	1,474
60	722	677	641	629	1,964	1,840	1,742	1,710
65	858	729	858	729	2,333	1,983	2,333	1,983
70	994	785	994	785	2,703	2,137	2,703	2,137
75	1,071	846	1,071	846	2,913	2,300	2,913	2,300
80	1,153	912	1,153	912	3,137	2,479	3,137	2,479

Medicare – Medicare Advantage

Medicare Advantage (Base)				
Age	Retiree		Spouse	
	Male	Female	Male	Female
40	\$597	\$767	\$371	\$616
45	709	890	440	664
50	842	959	588	770
55	1,000	1,032	787	891
60	1,188	1,113	1,054	1,034
65	1,410	1,199	1,410	1,199
70	1,635	1,292	1,635	1,292
75	1,762	1,391	1,762	1,391
80	1,897	1,499	1,897	1,499

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Health Care Cost Trend Rates:

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year’s cost to yield the next year’s projected cost.

Year Ending December 31,	Rate (%)			
	Medical Non-Medicare	Medical Medicare	Prescription Drug	Admin.
2015	7.00%	6.50%	9.50%	5.19%
2016	6.75%	6.25%	9.00%	3.00%
2017	6.50%	6.00%	8.50%	3.00%
2018	6.25%	5.75%	8.00%	3.00%
2019	6.00%	5.50%	7.50%	3.00%
2020	5.75%	5.25%	7.00%	3.00%
2021	5.50%	5.00%	6.50%	3.00%
2022	5.25%	5.00%	6.00%	3.00%
2023	5.00%	5.00%	5.50%	3.00%
2024 & later	5.00%	5.00%	5.00%	3.00%

The trend rate assumptions were developed using Segal’s internal guidelines, which are established each year using data sources such as the 2015 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

**Medicare Part D Subsidy
Assumption:**

GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the North Carolina State Health Plan may be eligible to receive for plan years beginning in 2006.

Retiree Contribution Increase Rate:

Retiree contributions for medical and prescription drugs was assumed to increase at the same trend rate as medical and prescription drug cost.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Administrative Expenses: An administrative expense load of \$323 per participant increasing at 5.19% for 2015 and 3.0% per year thereafter was added to projected incurred claims cost in developing the benefit obligations.

Plan Design: Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

Annual Maximum Benefits: There are no annual maximum benefits assumed.

Lifetime Maximum Benefits: There are no lifetime maximum benefits assumed.

Plan Enrollment Assumptions:

Non-Medicare

Plan	2015	2016	2017	2018	2019	2020	2021
Basic	38.9%	35.9%	33.4%	30.4%	27.9%	24.9%	22.4%
Enhanced	59.6%	61.6%	63.6%	65.6%	67.6%	69.6%	71.6%
CDHP	1.5%	2.5%	3.0%	4.0%	4.5%	5.5%	6.0%

Medicare

Plan	2015	2016	2017	2018	2019	2020	2021
Basic	27.9%	25.4%	24.9%	22.4%	21.9%	19.4%	18.9%
MA Base	44.4%	45.9%	46.1%	47.6%	47.9%	49.4%	49.6%
MA Enhanced	27.7%	28.7%	29.0%	30.0%	30.2%	31.2%	31.5%

**Assumption Changes
since Prior Valuation:**

Medical and prescription drug claims cost were changed based on most recent experience.

Medical and prescription drug trend rates were changed to current schedule.

Enrollment assumptions were updated to model expected migrations among plan options over the next few years.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:	<p>Participants in the North Carolina State Health Plan for Teachers and State Employees who retire from the State, the University of North Carolina System, community colleges, local school systems, and certain other component units are eligible to continue to participate in the State Health Plan in retirement if they meet certain criteria. Former employees who are eligible to receive medical benefits are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement system (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (UEORP), and a small number of local governments. General retirement requirements are as follows:</p> <p>Law Enforcement Officer:</p> <ul style="list-style-type: none">➤ age 50 and 15 years of service;➤ age 55 and 5 years of service; or➤ any age with 30 or more years of service. <p>All Others:</p> <ul style="list-style-type: none">➤ age 50 and 20 years of service;➤ age 60 and 5 years of service; or➤ any age with 30 or more years of service.
Benefit Types:	Basic, Enhanced and CDHP are offered to non-Medicare participants, and Basic, MA and MA+ are offered to Medicare eligible participants.
Duration of Coverage:	Lifetime for retirees and dependents
Dependent Benefits:	Same as retirees

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Retiree Contributions:

Monthly contributions, effective January 1, 2015, are shown below.

For Retirees hired prior to October 1, 2006 (February 1, 2007 for legislators):

	Non-Medicare			Medicare		
	Basic	Enhanced	CDHP	Basic	MA	MA+
Retiree	\$0.00	\$63.56*	\$40.00*	\$0.00	\$0.00	\$33.00
Spouse	528.52	628.54	475.68	383.72	114.50	147.50

* Reduced by Wellness incentive credits for those who participate.

For Retirees hired after October 1, 2006 (February 1, 2007 for legislators), contributions are defined as a percentage of the total premium costs based on the following service based schedule:

Years of Service at Retirement	Retiree Contribution Percentage
5 – 9.99	100%
10 – 19.99	50%
20 or more	0%

100% of the total premium costs are shown below:

	Non-Medicare			Medicare		
	Basic	Enhanced	CDHP	Basic	MA	MA+
Retiree	\$448.11	\$511.67*	\$488.11*	\$348.25	\$114.50	\$147.50
Spouse	528.52	628.54	475.68	383.72	114.50	147.50

* Reduced by Wellness incentive credits for those who participate.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Benefit Descriptions:

PPO Basic	In-Network	Out-Of-Network
Medical		
<i>Annual Deductible</i>	\$933/\$2,799	\$1,866/\$5,598
<i>Coinsurance</i>	70%	50%
<i>Coinsurance Maximum</i>	\$3,793/\$11,379	\$7,586/\$22,758
<i>Lifetime Maximum</i>	Unlimited	Unlimited
<i>Office Visit copay</i>		
<i>Primary Care</i>	\$35	Ded. & coins.
<i>Specialist</i>	\$81	Ded. & coins.
<i>Urgent Care</i>	\$87	\$87
<i>Inpatient Hospitalization</i>	\$291 + ded. & coins.	Same as in-network
<i>Outpatient Hospitalization</i>	ded. & coins.	ded. & coins.
<i>Emergency Room</i>	\$291 + ded. & coins.	Same as in-network
<i>Chiropractic</i>	\$64	Ded. & coins.
<i>Physical, Occupational or Speech Therapy</i>	\$64	Ded. & coins.
<i>Mental Health, Chemical Dependency</i>	\$35	coins.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Prescription Drugs (<i>up to 30 day supply</i>)	
<i>Tier 1</i>	\$12
<i>Tier 2</i>	\$40
<i>Tier 3</i>	\$64
<i>Tier 4 (Preferred Specialty)</i>	25% coins., \$100 max.
<i>Tier 5 (Non-Preferred Specialty)</i>	25% coins., \$125 max.
<i>Brand drug with a generic equivalent</i>	Tier 1 copay plus the difference in the cost to the Plan between the generic and brand name drug, not to exceed \$100 per 30-day supply of the brand name medication.
<i>Preferred diabetic testing supplies</i>	\$10
<i>Non-Preferred diabetic testing supplies</i>	\$25
<i>Out-of-Pocket Maximum</i>	\$2500

Coverage becomes secondary when former employees become eligible for Medicare.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

PPO Enhanced	In-Network	Out-Of-Network
Medical		
<i>Annual Deductible</i>	\$700/\$2,100	\$1,400/\$4,200
<i>Coinsurance</i>	80%	60%
<i>Coinsurance Maximum</i>	\$3,210/\$9,630	\$6,420/\$19,260
<i>Lifetime Maximum</i>	Unlimited	Unlimited
<i>Office Visit copay</i>		
<i>Primary Care</i>	\$30	Ded. & coins.
<i>Specialist</i>	\$70	Ded. & coins.
<i>Urgent Care</i>	\$87	\$87
<i>Inpatient Hospitalization</i>	\$233 + ded. & coins.	Same as in-network
<i>Outpatient Hospitalization</i>	ded. & coins.	ded. & coins.
<i>Emergency Room</i>	\$233 + ded. & coins.	Same as in-network
<i>Chiropractic</i>	\$52	Ded. & coins.
<i>Physical, Occupational or Speech Therapy</i>	\$52	Ded. & coins.
<i>Mental Health, Chemical Dependency</i>	\$30	coins.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Prescription Drugs (<i>up to 30 day supply</i>)	
<i>Tier 1</i>	\$12
<i>Tier 2</i>	\$40
<i>Tier 3</i>	\$64
<i>Tier 4 (Preferred Specialty)</i>	25% coins., \$100 max.
<i>Tier 5 (Non-Specialty)</i>	25% coins., \$125 max
<i>Brand drug with a generic equivalent</i>	Tier 1 copay plus the difference in the cost to the Plan between the generic and brand name drug, not to exceed \$100 per 30-day supply of the brand name medication.
<i>Preferred diabetic testing supplies</i>	\$10
<i>Non-Preferred testing supplies</i>	\$25
<i>Out-of-Pocket Maximum</i>	\$2500

Coverage becomes secondary when former employees become eligible for Medicare.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

CDHP	In-Network	Out-Of-Network
Medical & Prescription Drug		
<i>Annual Deductible</i>	\$1,500/4,500	\$3,000/9,000
<i>Coinsurance</i>	85%	65%
<i>Lifetime Maximum</i>	Unlimited	Unlimited
<i>HRA</i>	\$500/\$1,500	\$500/\$1,500

MA	MA-PDP Basic	Humana MA-PDP Enhanced	UHC MA-PDP Enhanced
Medical			
<i>Annual Deductible</i>	\$0	\$0	\$0
<i>Coinsurance</i>	80%	80%	80%
<i>Coinsurance Maximum</i>	\$4,000	\$2,600	\$2,600
<i>Lifetime Maximum</i>	Unlimited	Unlimited	Unlimited
<i>Office Visit copay</i>			
<i>Primary Care</i>	\$20	\$10	\$10
<i>Specialist</i>	\$40	\$30	\$35
<i>Preventive Care</i>	\$0	\$0	\$0
<i>Emergency Room</i>	\$65	\$50	\$50

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Prescription Drugs			
<i>Retail (up to 31 day supply)</i>			
<i>Tier 1</i>	\$10	\$7	\$5
<i>Tier 2</i>	\$40	\$35	\$30
<i>Tier 3</i>	\$64	\$50	\$40
<i>Tier 4</i>	25% coins., \$100 max.	25% coins., \$95 max.	25% coins., \$95 max.
<i>Out-of-Pocket Maximum</i>	\$2,500	\$2,500	\$2,500
<i>Mail Order (up to 90 day supply)</i>			
<i>Tier 1</i>	\$24	\$14	\$10
<i>Tier 2</i>	\$80	\$70	\$60
<i>Tier 3</i>	\$128	\$100	\$80
<i>Tier 4</i>	25% coins., \$300 max.	25% coins., \$190 max.	25% coins., \$200 max.
<i>Out-of-Pocket Maximum</i>	\$2,500	\$2,500	\$2,500

Plan Changes: None.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

EXHIBIT IV

Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Actuarial Present Value of Total Projected Benefits (APB):

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Retirees:

The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

Net OPEB Obligation (NOO):

The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions. There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibits IV and VI of Section

SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

4 contain a definition of terms as well as more information about GASB 43/45 concepts.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

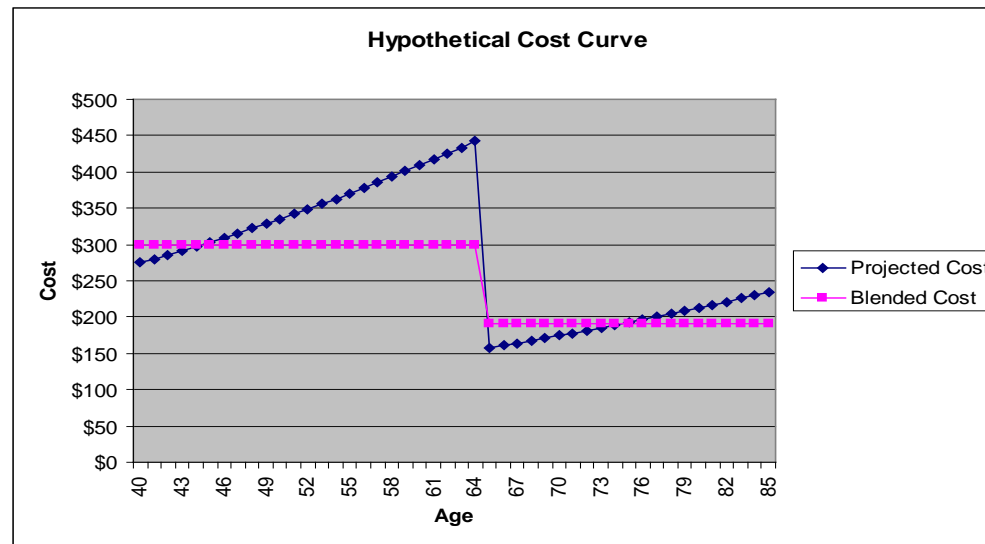
SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

EXHIBIT VI

GASB 43/45 Concepts

The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit

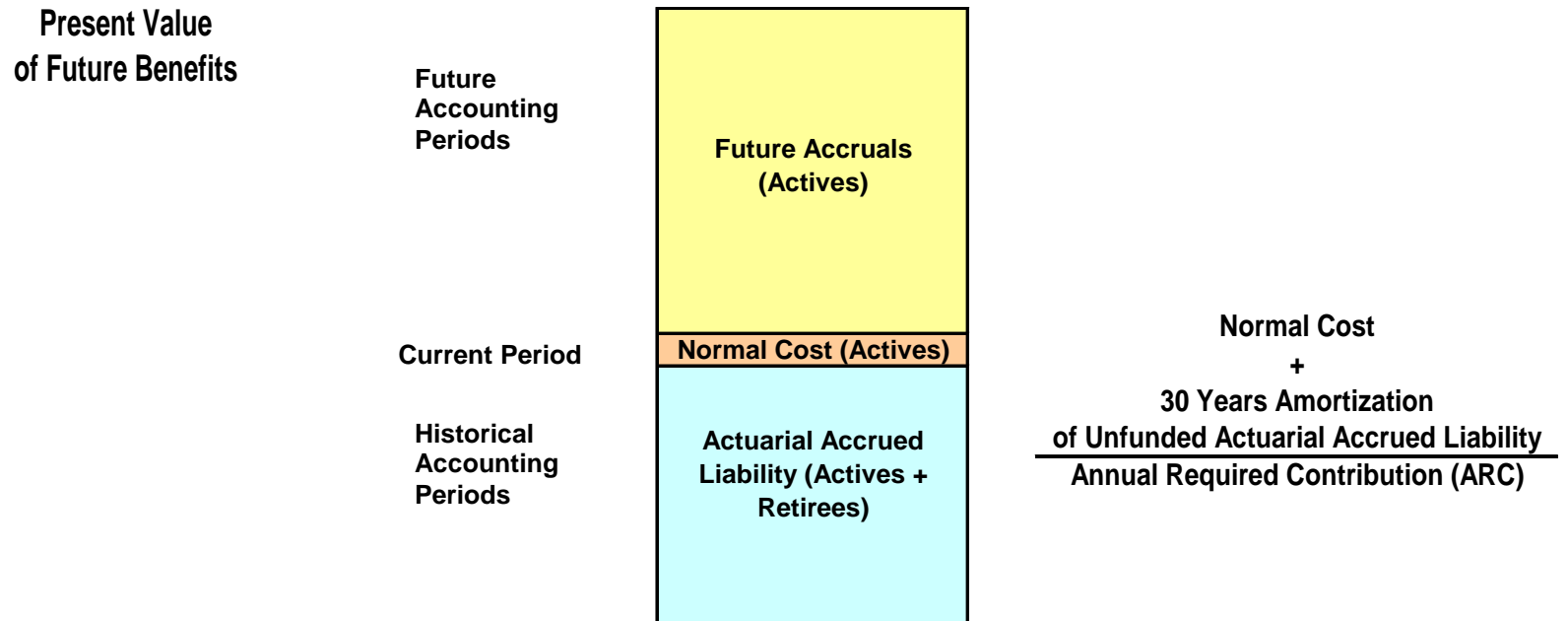
subsidy for these retirees. The accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.



SECTION 4: Supporting Information for the North Carolina State Health Plan December 31, 2014 Measurement Under GASB 43 and 45

This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods. The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

GASB 43/45 Measurement Elements Using Actuarial Cost Methods



$$\begin{aligned} \text{Net OPEB Obligation} &= \text{ARC}_1 + \text{ARC}_2 + \text{ARC}_3 + \dots \\ &\quad - \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \dots \end{aligned}$$



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2014-15 State Fiscal Year Financial Report

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted

Fiscal Year 2014-15

Fiscal Year 2014-15	Actual thru June 2015	Authorized Budget (per Segal 9-9-14)	Variance Over/(Under) Budget
Beginning Cash Balance	\$958.6 m	\$958.6 m	\$0.0 m
Plan Revenue	\$3.063 b	\$2.980 b	\$83.2 m
Net Claims Payments	\$2.667 b	\$2.585 b	\$81.9 m
Medicare Advantage Premiums	\$162.4 m	\$163.3 m	(\$0.9 m)
Net Administrative Expenses	\$168.4 m	\$224.0 m	(\$55.6 m)
Total Plan Expenses	\$2.998 b	\$2.972 b	\$25.5 m
Net Income/(Loss)	\$65.5 m	\$7.8 m	\$57.7 m
Ending Cash Balance	\$1.024 b	\$966.4 m	\$57.7 m

Adjusted Variance Report

Fiscal Year 2014-15

Fiscal Year 2014-15	Actual thru June 2015, As Adjusted	Authorized Budget (per Segal 9-9-14)	Variance Over/(Under) Budget
Plan Revenue *	\$3.040 b	\$2.980 b	\$60.0 m
Net Claims Payments ^	\$2.645 b	\$2.585 b	\$59.9 m
Medicare Advantage Premiums	\$162.4 m	\$163.3 m	(\$0.9 m)
Net Administrative Expenses †	\$174.1 m	\$224.0 m	(\$49.9 m)
Total Plan Expenses	\$2.981 b	\$2.972 b	\$9.1 m
Net Income/(Loss)	\$58.7 m	\$7.8 m	\$50.9 m

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

^ Adjusted to include pharmacy rebates not received by the end of June.

† Adjusted to include a portion of an ACA fee payment that was budgeted for January but will not be paid until November.

Financial Results Actual v. Budgeted

Fiscal Year 2014-15

Per Member Per Month (PMPM) Analysis

Fiscal Year 2014-15	Actual thru June 2015	Authorized Budget (per Segal 9-9-14)	Variance Over/(Under) Budget
Plan Revenue	\$374.51	\$367.01	\$7.50
Net Claims Payments	\$326.59	\$318.09	\$8.50
Medicare Advantage Premiums	\$19.89	\$20.09	(\$0.20)
Net Administrative Expenses	\$20.62	\$27.56	(\$6.94)
Total Plan Expenses	\$367.10	\$365.74	\$1.36
Net Income/(Loss)	\$7.41	\$1.27	\$6.14

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 2014-15

Per Member Per Month (PMPM) Analysis

Fiscal Year 2014-15	Actual thru June 2015, as Adjusted	Authorized Budget (per Segal 9-9-14)	Variance Over/(Under) Budget
Plan Revenue *	\$371.68	\$367.01	\$4.67
Net Claims Payments ^	\$323.90	\$318.09	\$5.81
Medicare Advantage Premiums	\$19.89	\$20.09	(\$0.20)
Net Administrative Expenses †	\$21.31	\$27.56	(\$6.25)
Total Plan Expenses	\$365.10	\$365.74	(\$0.64)
Net Income/(Loss)	\$6.58	\$1.27	\$5.31

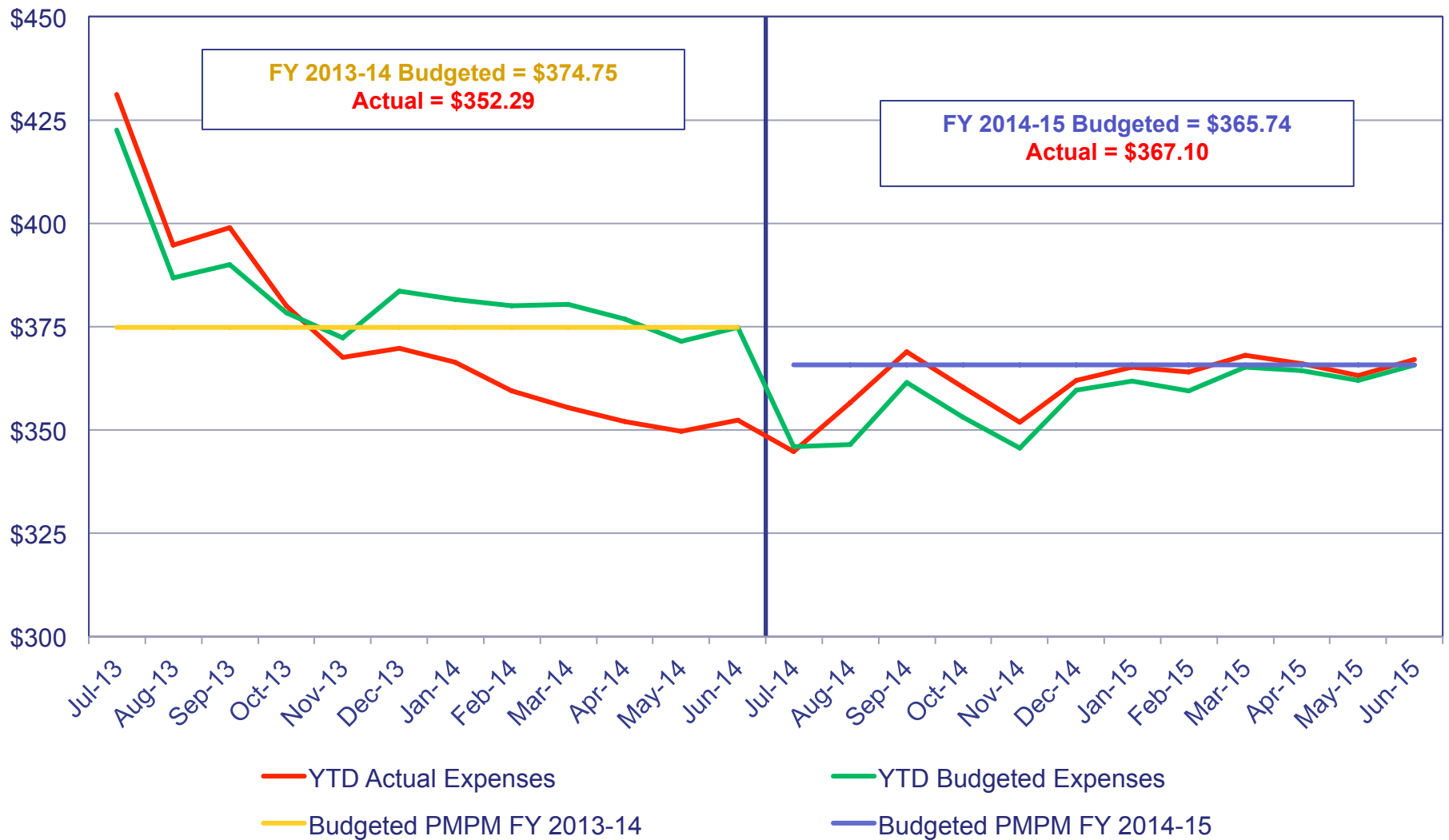
* Adjusted for timing issues and to exclude non-budgeted revenues.

^ Adjusted to include pharmacy rebates not received by the end of June.

† Adjusted to include a portion of an ACA fee payment that was budgeted for January but will not be paid until November.

Fiscal Year 2014-15 Expenditure Trend

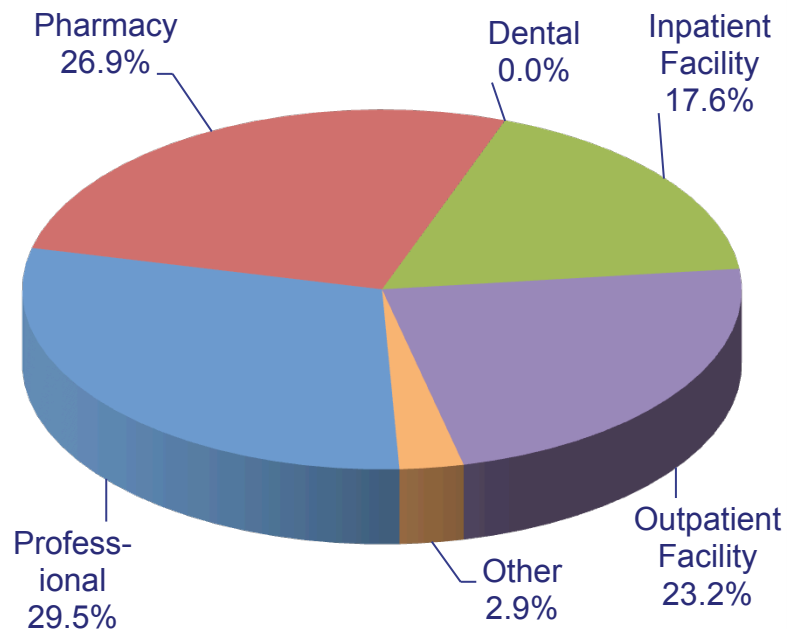
Per Member Per Month



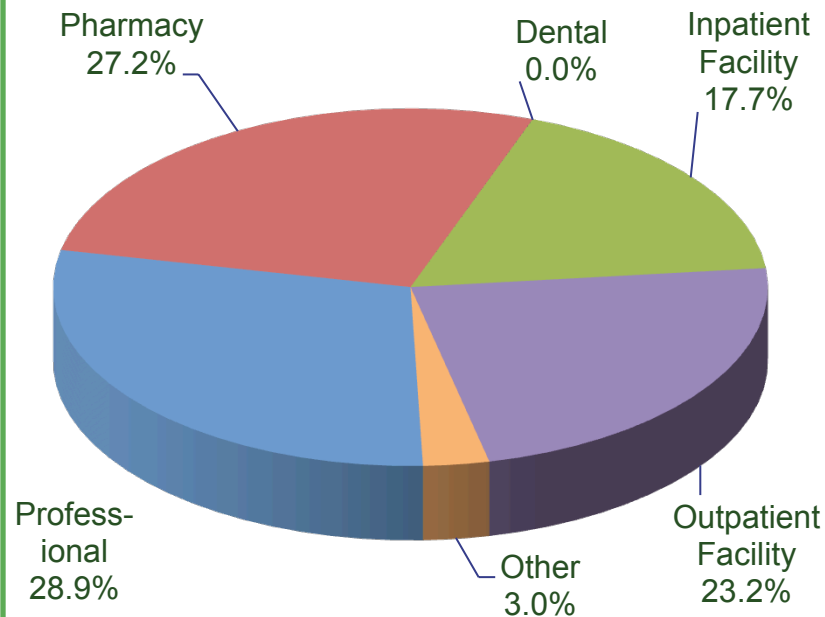
Allocation of Claims Expenditures

Medical, Blue Card and Pharmacy Payments

Fiscal Year 2014-15



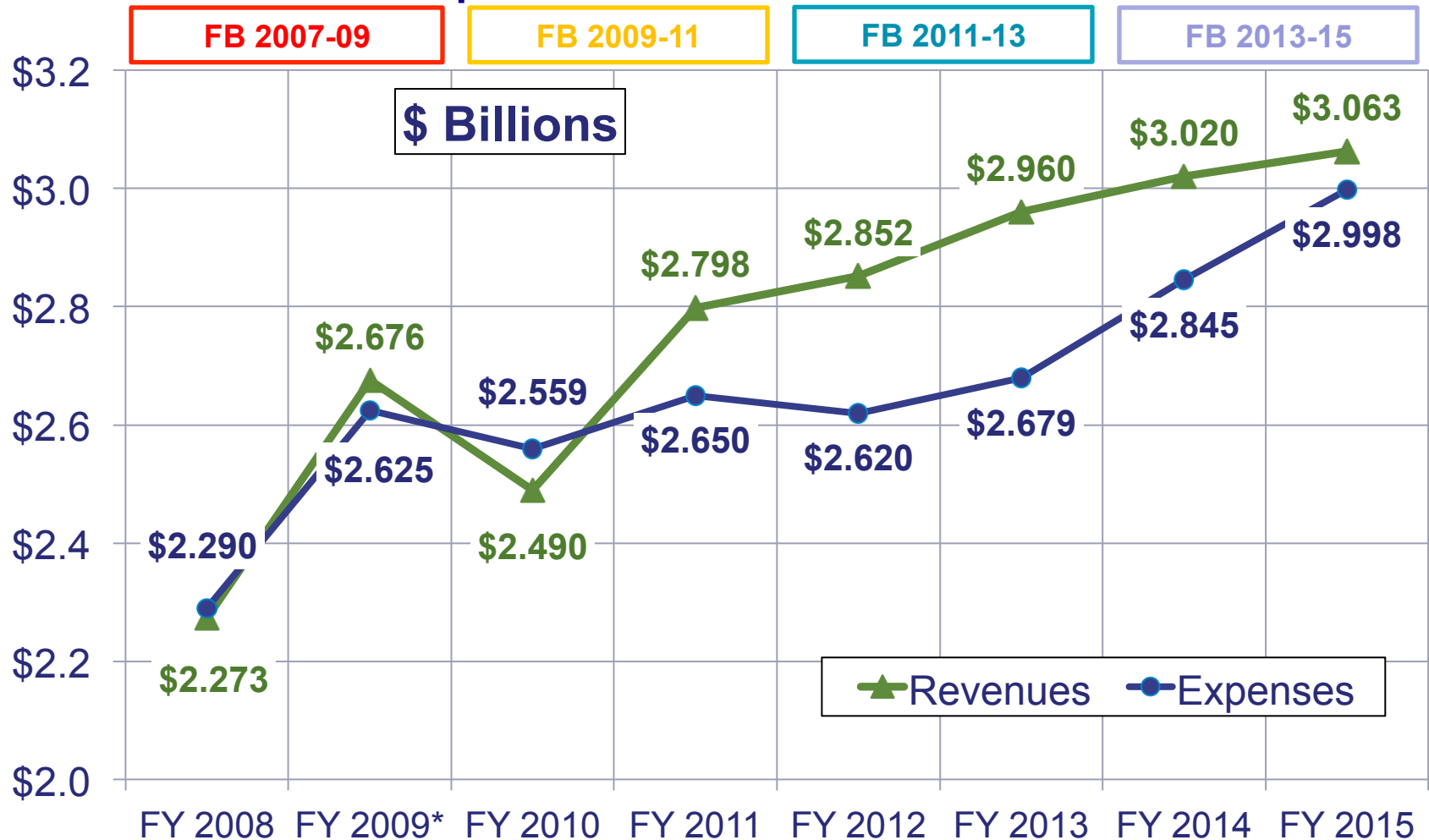
Fiscal Year 2013-14



Source: BCBSNC Summary of Billed Charges

Recent Historical Financial Results

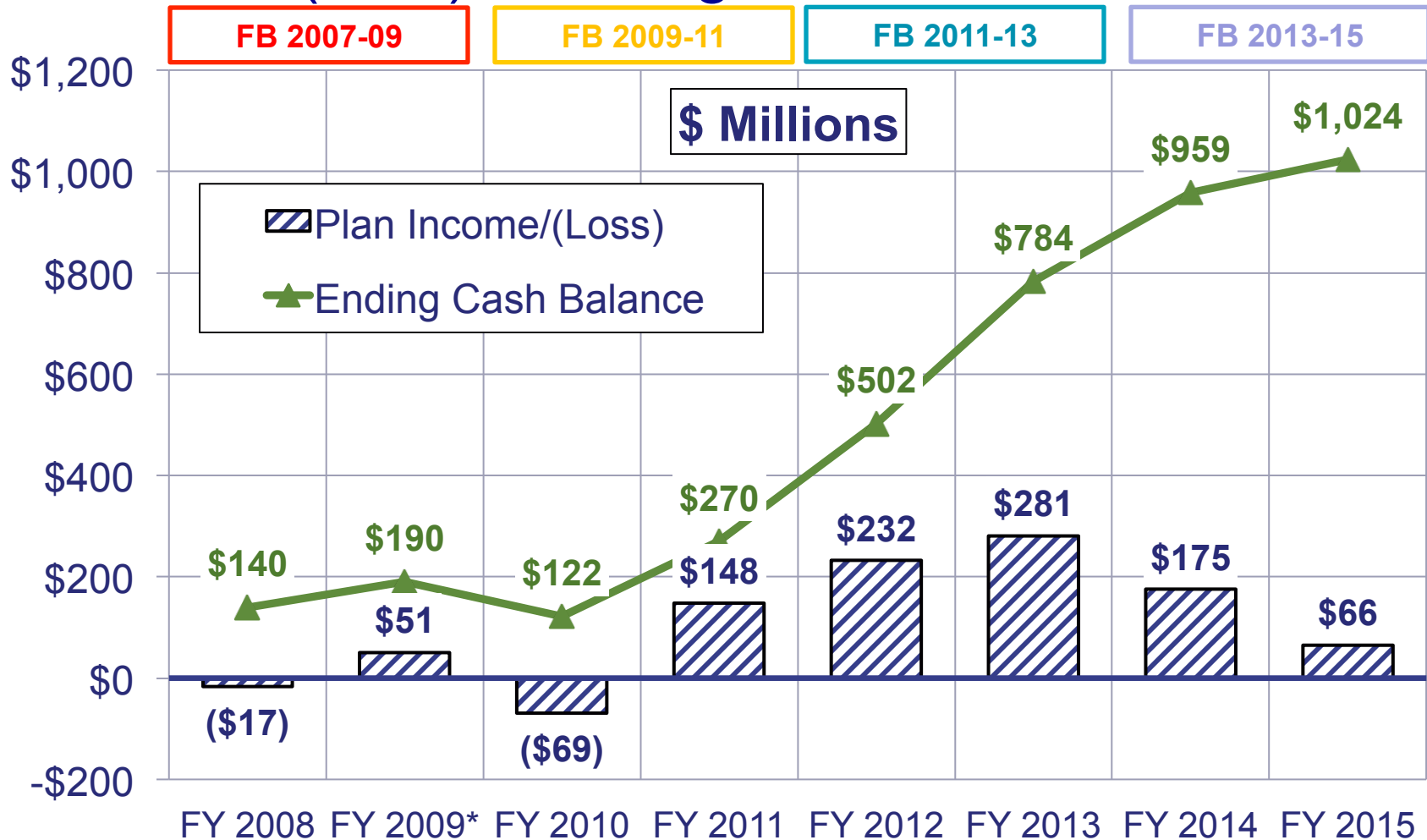
Revenues and Expenses



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

Recent Historical Financial Results

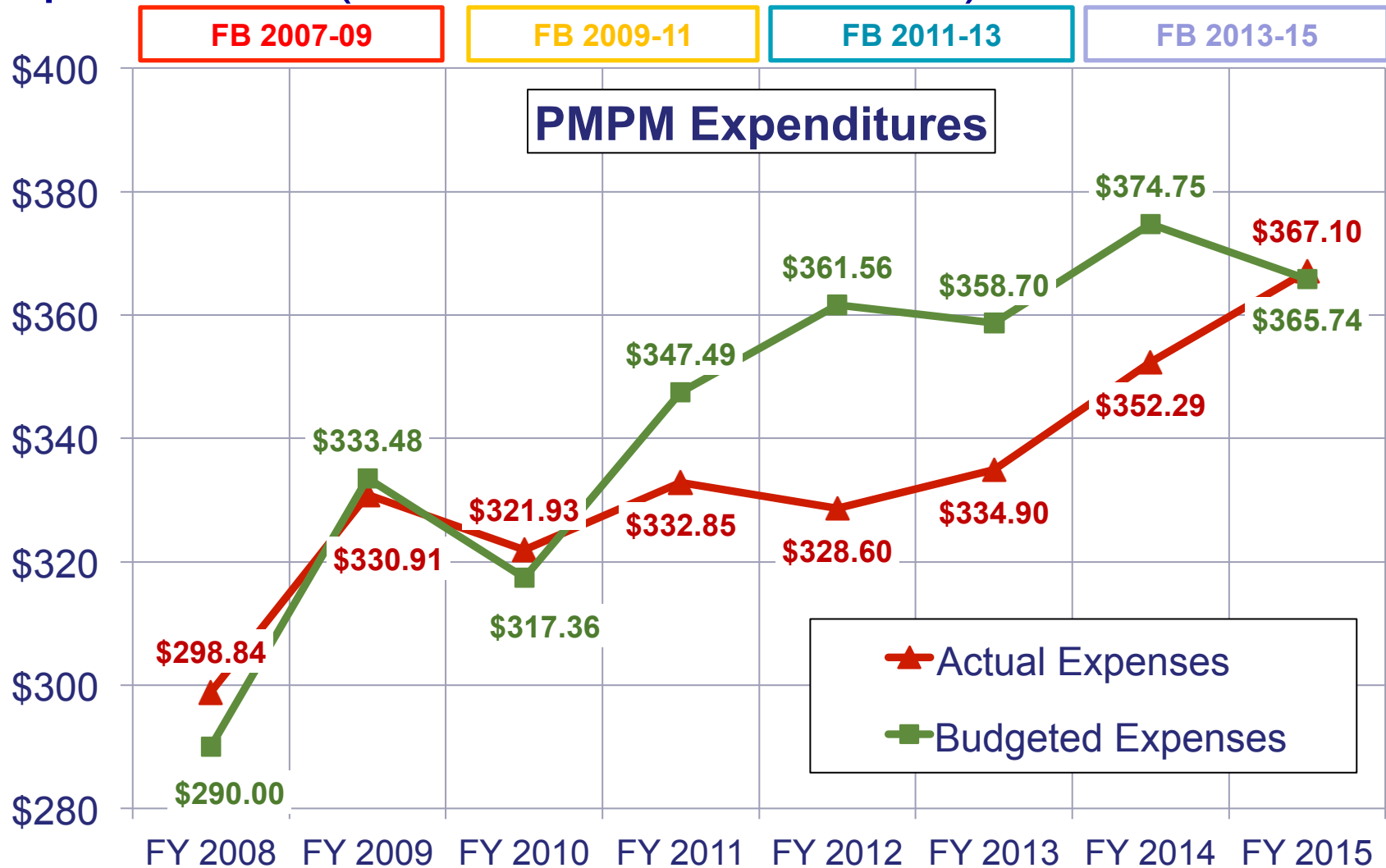
Net Income/(Loss) & Ending Cash Balance



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

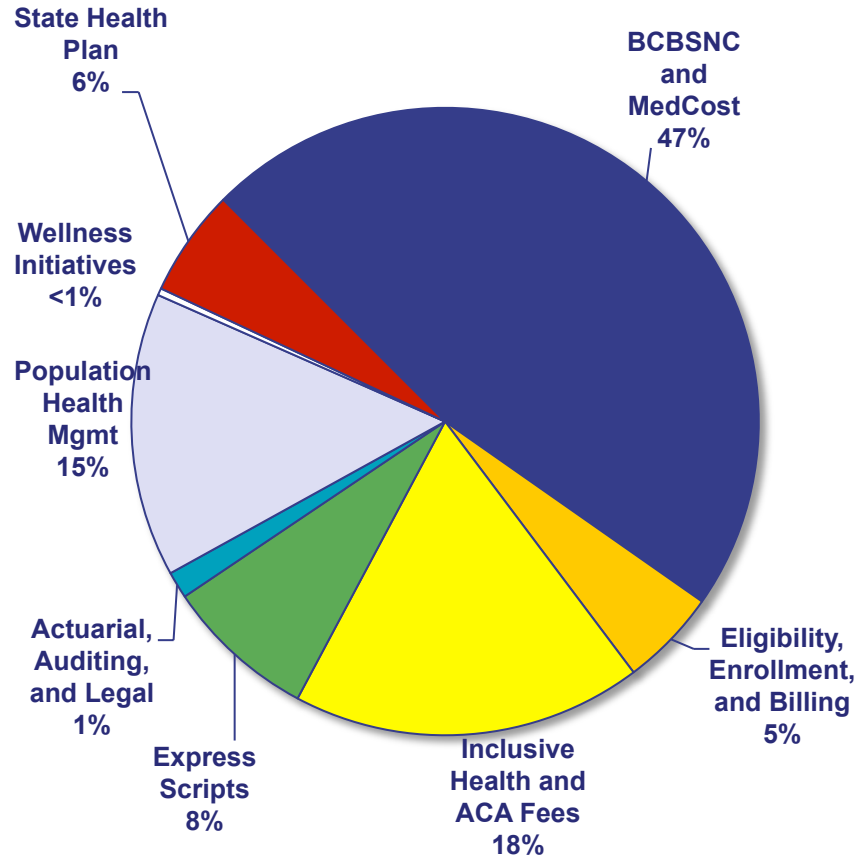
Recent Historical Financial Results

Expenditures (Claims + Administrative) PMPM

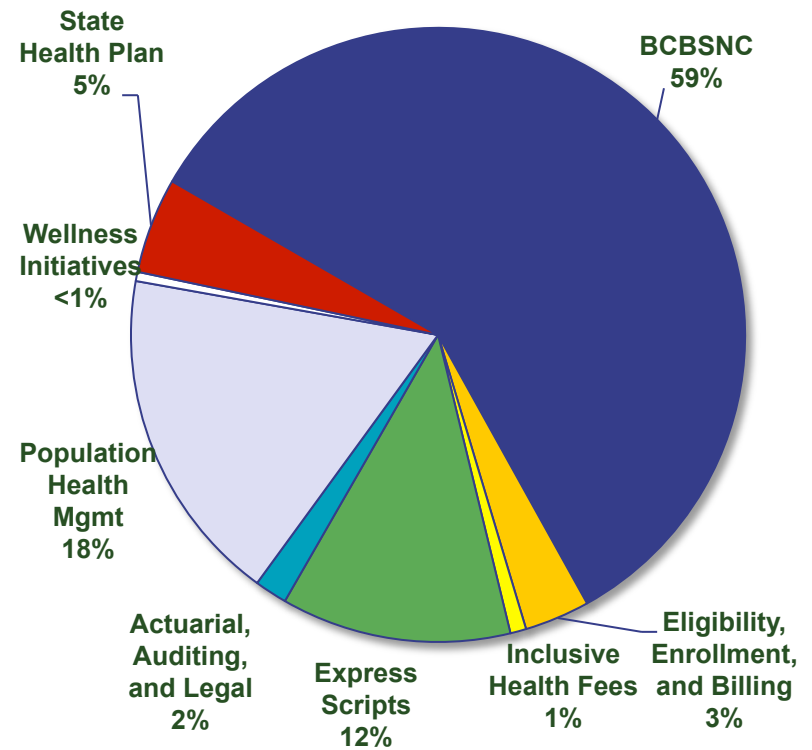


Fiscal Year 2014-15 Administrative Expenses

FY 2014-15
(\$168.4 Million)



FY 2013-14
(\$148.1 Million)



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 2015
Fiscal Year 2014- 2015

	A	B	C	D	E	F	G	H
	Actual June 2015	Authorized Budget June 2015	Monthly Variance Over/(Under) Authorized Budget	Actual Year to Date FY 2014-15	Authorized Budget Year to Date FY 2014-15	Year to Date Variance Over/(Under) Authorized Budget	Annual Authorized Budget FY 2014-15	Year to Date Variance Over/(Under) Annual Auth. Budget
Plan Revenue:								
Member Premiums	\$ 240,663,920	\$ 244,301,148	\$ (3,637,228)	\$ 2,987,502,673	\$ 2,937,906,736	\$ 49,595,937	\$ 2,937,906,736	\$ 49,595,937
Premium Refunds/Retroactive Disenrollments	(5,343,00)	(122,995)	117,652	(11,359)	(1,478,664)	1,467,305	(1,478,664)	1,467,305
Medicare Part D (RDS) Subsidy	2,027,732	518,358	1,509,374	19,590,771	6,276,386	13,314,385	6,276,386	13,314,385
Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	50,283,823	33,414,689	16,869,134	33,414,689	16,869,134
Medicare Advantage (MA) Subsidy	63,929	-	63,929	833,262	-	833,262	-	833,262
Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(1,949)	-	(1,949)	-	(1,949)
Net Premium & Other Contributions	242,750,238	244,696,511	(1,946,273)	3,058,197,221	2,976,119,147	82,078,074	2,976,119,147	82,078,074
Investment Earnings	511,343	327,311	184,032	5,065,735	3,933,340	1,132,395	3,933,340	1,132,395
Miscellaneous Revenue	-	-	-	-	-	-	-	-
Other Revenue	511,343	327,311	184,032	5,065,735	3,933,340	1,132,395	3,933,340	1,132,395
Total Plan Revenue (excludes internal transfers)	243,261,581	245,023,822	(1,762,241)	3,063,262,956	2,980,052,487	83,210,469	2,980,052,487	83,210,469
Plan Expenses:								
Medical Claim Payments	192,496,785	202,900,858	(10,404,073)	2,021,369,178	1,995,716,227	25,652,951	1,995,716,227	25,652,951
Medical Claim Refunds/Recoveries	(2,026,657)	(2,045,266)	18,609	(24,839,428)	(23,520,519)	(1,318,909)	(23,520,519)	(1,318,909)
Net Medical Claims	190,470,128	200,855,592	(10,385,464)	1,996,529,750	1,972,195,708	24,334,042	1,972,195,708	24,334,042
Pharmacy Claim Payments	56,876,966	54,429,294	2,447,672	725,607,106	686,943,428	38,663,678	686,943,428	38,663,678
Pharmacy Claim Rebates	-	(10,000,000)	10,000,000	(51,114,709)	(74,166,940)	23,052,231	(74,166,940)	23,052,231
Pharmacy Claim Refunds/Recoveries	(56,426)	-	(56,426)	(4,137,813)	-	(4,137,813)	-	(4,137,813)
Net Pharmacy Claims	56,820,540	44,429,294	12,391,246	670,354,584	612,776,488	57,578,096	612,776,488	57,578,096
Net Claim Payments	247,290,668	245,284,886	2,005,782	2,666,884,334	2,584,972,196	81,912,138	2,584,972,196	81,912,138
Medicare Advantage Premium Payments	14,151,943	14,065,998	85,945	162,400,394	163,281,044	(880,650)	163,281,044	(880,650)
Net Administrative Expenses	14,796,209	15,800,168	(1,003,959)	168,416,645	223,971,245	(55,554,600)	223,971,245	(55,554,600)
Total Plan Expenses (excludes internal transfers)	276,238,820	275,151,052	1,087,768	2,997,701,373	2,972,224,485	25,476,888	2,972,224,485	25,476,888
Plan Income/(Loss)	(32,977,239)	(30,127,230)	(2,850,009)	65,561,583	7,828,002	57,733,581	7,828,002	57,733,581
Cash Availability:								
Beginning Cash Balance/(Deficit)	1,057,096,862	996,513,272	60,583,590	958,558,040	958,558,040	-	958,558,040	-
Ending Cash Balance/(Deficit)	1,024,119,623	966,386,042	57,733,581	1,024,119,623	966,386,042	57,733,581	966,386,042	57,733,581
Target Stabilization Reserve @ 6/30/15	232,647,498	232,647,498	-	232,647,498	232,647,498	-	232,647,498	-
Cash Balance Over/(Under) Reserve Target	\$ 791,472,125	\$ 733,738,544	\$ 57,733,581	\$ 791,472,125	\$ 733,738,544	\$ 57,733,581	\$ 733,738,544	\$ 57,733,581

Comments:

- Premium receivables totaled \$54,302.64 as of June 30, 2015.
- The average weekly medical claims cost net of claims refunds was \$38,094,025.60 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$28,438,483.00 per cycle.
- The target stabilization reserve is 9% of the projected net claims for Fiscal Year 2014-15.
- Minor differences compared to other reports are due to rounding.

Actual vs Authorized Budget (i.e. **Revised Budget** per Segal 9-9-14 Projections)
June 2015 - Fiscal 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 June 2015
Fiscal Year 2014-2015

	A	B	C	D	E	F	G
	Current Year Actual June 2015	Prior Year Actual June 2014	Current Year to Date Actual FY 2014-15 thru June	Prior Year to Date Actual FY 2013-14 thru June	Current Year Authorized Annual Budget FY 2014-15	Prior Year Annual Budget FY 2013-14	Prior Year Actual Results FY 2013-14
1 Plan Revenue:							
2							
3 Member Premiums	\$ 240,663,920	\$ 239,533,989	\$ 2,987,502,673	\$ 2,941,097,678	\$ 2,937,906,736	\$ 2,902,567,015	\$ 2,941,097,678
4 Premium Refunds/Retroactive Disenrollments	(5,343)	(30)	(11,359)	(299,923)	(1,478,664)	(1,466,766)	(299,923)
5 Medicare Part D (RDS) Subsidy	2,027,732	1,282,754	19,590,771	11,583,652	6,276,386	6,218,762	11,583,652
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	50,283,823	63,780,569	33,414,689	50,346,402	63,780,569
7 Medicare Advantage (MA) Subsidy	63,929	111,598	833,262	417,565	-	-	417,565
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	(1,949)	-	-	-	-
9 Net Premium & Other Contributions	242,750,238	240,928,311	3,058,197,221	3,016,579,541	2,976,119,147	2,957,665,413	3,016,579,541
10							
11 Investment Earnings	511,343	369,223	5,065,735	3,861,263	3,933,340	2,868,131	3,861,263
12 Miscellaneous Revenue	-	-	-	54,972	-	-	54,972
13 Other Revenue	511,343	369,223	5,065,735	3,916,235	3,933,340	2,868,131	3,916,235
14							
15 Total Plan Revenue (excludes internal transfers)	243,261,581	241,297,534	3,063,262,956	3,020,495,776	2,980,052,487	2,960,533,544	3,020,495,776
16							
17 Plan Expenses:							
18							
19 Medical Claim Payments	192,496,785	185,033,694	2,021,369,178	1,989,574,333	1,995,716,227	2,107,493,114	1,989,574,333
20 Medical Claim Refunds/Recoveries	(2,026,657)	(1,276,891)	(24,839,428)	(22,450,766)	(23,520,519)	(24,643,884)	(22,450,766)
21 Net Medical Claims	190,470,128	183,756,803	1,996,529,750	1,967,123,567	1,972,195,708	2,082,849,230	1,967,123,567
22							
23 Pharmacy Claim Payments	56,876,966	50,170,813	725,607,106	743,680,114	686,943,428	699,653,578	743,680,114
24 Pharmacy Claim Rebates	-	-	(51,114,709)	(91,653,105)	(74,166,940)	(52,353,361)	(91,653,105)
25 Pharmacy Claim Refunds/Recoveries	(56,426)	93,603	(4,137,813)	(398,652)	-	-	(398,652)
26 Net Pharmacy Claims	56,820,540	50,264,416	670,354,584	651,628,357	612,776,488	647,300,217	651,628,357
27							
28 Net Claim Payments	247,290,668	234,021,219	2,666,884,334	2,618,751,924	2,584,972,196	2,730,149,447	2,618,751,924
29							
30 Medicare Advantage Premium Payments	14,151,943	12,382,444	162,400,394	78,538,847	163,281,044	86,864,744	78,538,847
31							
32 Net Administrative Expenses	14,796,209	13,001,226	168,416,645	148,134,913	223,971,245	182,446,628	148,134,913
33							
34 Total Plan Expenses (excludes internal transfers)	276,238,820	259,404,889	2,997,701,373	2,845,425,684	2,972,224,485	2,999,460,819	2,845,425,684
35							
36 Plan Income/(Loss)	(32,977,239)	(18,107,355)	65,561,583	175,070,092	7,828,002	(38,927,275)	175,070,092
37							
38 Cash Availability:							
39							
40 Beginning Cash Balance/(Deficit)	1,057,096,862	976,665,395	958,558,040	783,487,948	958,558,040	755,749,494	783,487,948
41 Ending Cash Balance/(Deficit)	1,024,119,623	958,558,040	1,024,119,623	958,558,040	966,386,042	716,822,219	958,558,040
42							
43 Target Stabilization Reserve @ 6/30/15	232,647,498	239,446,206	232,647,498	239,446,206	232,647,498	239,446,206	229,269,716
44							
45 Cash Balance Over/(Under) Reserve Target	\$ 791,472,125	\$ 719,111,834	\$ 791,472,125	\$ 719,111,834	\$ 733,738,544	\$ 477,376,013	\$ 729,288,324

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 June 2015
Fiscal Year 2014-2015

	A	B	C	D	E	F
	Actual Year to Date Fiscal Year thru June	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Authorized Budget Fiscal Year to Date thru June	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
Plan Revenue:						
Member Premiums (Notes 1 and 2)	\$ 2,987,502,673	\$ (5,442,332)	\$ 2,982,060,341	\$ 2,937,906,736	\$ 44,153,605	1.50%
Premium Refunds/Retroactive Disenrollments	(11,359)		(11,359)	(1,478,664)	1,467,305	-99.23%
Medicare Part D (RDS) Subsidy	19,590,771		19,590,771	6,276,386	13,314,385	212.13%
Medicare PDP (EGWP + Wrap) Subsidy (Note 3)	50,283,823	(16,868,693)	33,415,130	33,414,689	441	0.00%
Medicare Advantage (MA) Subsidy (Note 4)	833,262	(833,262)	-	-	-	
Federal Early Retiree Reinsurance Program (ERRP) (Note 5)	(1,949)	1,949	-	-	-	
Net Premium & Other Contributions	3,058,197,221	(23,142,338)	3,035,054,883	2,976,119,147	58,935,736	1.98%
Other Revenue	5,065,735		5,065,735	3,933,340	1,132,395	28.79%
Total Plan Revenue (excludes internal transfers)	3,063,262,956	(23,142,338)	3,040,120,618	2,980,052,487	60,068,131	2.02%
Plan Expenses:						
Net Medical Claims	1,996,529,750		1,996,529,750	1,972,195,708	24,334,042	1.23%
Net Pharmacy Claims (Note 6)	670,354,584	(21,973,123)	648,381,461	612,776,488	35,604,973	5.81%
Net Claim Payments	2,666,884,334	(21,973,123)	2,644,911,211	2,584,972,196	59,939,015	2.32%
Medicare Advantage Premiums	162,400,394		162,400,394	163,281,044	(880,650)	-0.54%
Net Administrative Expenses (Note 7)	168,416,645	5,642,732	174,059,377	223,971,245	(49,911,869)	-22.28%
Total Plan Expenses (excludes internal transfers)	2,997,701,373	(16,330,392)	2,981,370,982	2,972,224,485	9,146,497	0.31%
Plan Income/(Loss)	65,561,583	(6,811,946)	58,749,637	7,828,002	50,921,635	650.51%
Cash Availability:						
Beginning Cash Balance/(Deficit)	958,558,040		958,558,040	958,558,040	-	0.00%
Ending Cash Balance/(Deficit)	1,024,119,623	(6,811,946)	1,017,307,677	966,386,042	50,921,635	5.27%
Target Stabilization Reserve @ 6/30/15	232,647,498		232,647,498	232,647,498	-	0.00%
Cash Balance Over/(Under) Reserve Target	\$ 791,472,125	\$ (6,811,946)	\$ 784,660,179	\$ 733,738,544	\$ 50,921,635	6.94%

Adjustment Notes:

- Member premiums adjusted to include \$16.0 million in prepaid July 2014 premiums received in June 2014.
- Member premiums adjusted to exclude \$21.4 million in prepaid July 2015 premiums received in June 2015.
- EGWP subsidy adjusted to exclude the the unbudgeted portion of the Catastrophic Subsidy received in January 2015.
- Medicare Advantage low income premium subsidies were not budgeted and therefore are excluded.
- ERRP revenues adjusted to exclude an unbudgeted repayment of ERRP funds resulting from an audit finding.
- Net pharmacy claims adjusted to assume receipt of rebates that were budgeted but were not received before the end of the fiscal year.
- Administrative expenses adjusted to include a second payment for the ACA Transitional Reinsurance program of \$5.6 million that was budgeted for January but will not be paid until November 2015.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

June 2015 Financial Report

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Financial Results: Actual vs. Budgeted

Calendar Year to Date June 2015

Calendar Year 2015	Actual thru June 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	\$1.536 b	\$1.531 b	\$5.0 m
Net Claims Payments	\$1.344 b	\$1.345 b	(\$1.1 m)
Medicare Advantage Premiums	\$85.4 m	\$86.8 m	(\$1.4 m)
Net Administrative Expenses	\$97.4 m	\$123.7 m	(\$26.3 m)
Total Plan Expenses	\$1.527 b	\$1.556 b	(\$28.8 m)
Net Income/(Loss)	\$9.3 m	(\$24.5 m)	\$33.8 m
Ending Cash Balance	\$1.024 b	\$990.3 m	\$33.8 m

Adjusted Variance Report

Calendar Year to Date June 2015

Calendar Year 2015	Actual thru June 2015, As Adjusted	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue *	\$1.540 b	\$1.531 b	\$9.4 m
Net Claims Payments ^	\$1.322 b	\$1.345 b	(\$22.6 m)
Medicare Advantage Premiums	\$85.4 m	\$86.8 m	(\$1.4 m)
Net Administrative Expenses	\$97.4 m	\$123.7 m	(\$26.3 m)
Total Plan Expenses	\$1.505 b	\$1.556 b	(\$50.3 m)
Net Income/(Loss)	\$35.2 m	(\$24.5 m)	\$59.7 m

* Adjusted for timing issues.

^ Adjusted to include pharmacy rebates not received by the end of June.

Financial Results Actual vs. Budgeted

Calendar Year to Date June 2015

Per Member Per Month (PMPM) Analysis

Calendar Year 2015	Actual thru June 2015	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue	\$373.57	\$372.56	\$1.01
Net Claims Payments	\$327.62	\$327.91	(\$0.29)
Medicare Advantage Premiums	\$20.83	\$21.17	(\$0.34)
Net Administrative Expenses	\$23.74	\$30.15	(\$6.41)
Total Plan Expenses	\$372.19	\$379.23	(\$7.04)
Net Income/(Loss)	\$1.38	(\$6.67)	\$8.05

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 June 2015

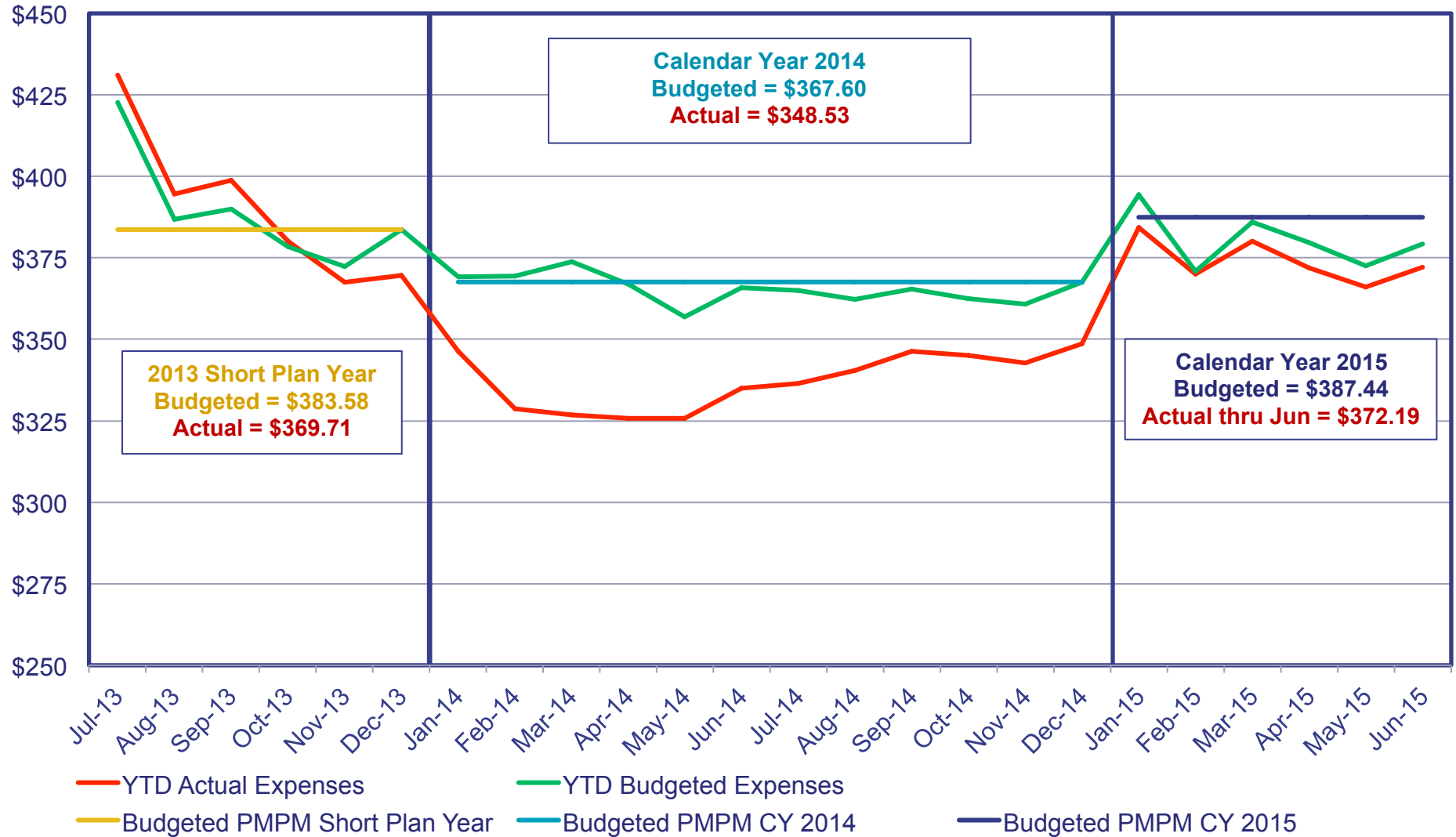
Per Member Per Month (PMPM) Analysis

Calendar Year 2015	Actual thru June 2015, as Adjusted	Authorized Budget (per Segal 4-28-15)	Variance Over/(Under) Budget
Plan Revenue *	\$374.64	\$372.56	\$2.08
Net Claims Payments ^	\$322.36	\$327.91	(\$5.55)
Medicare Advantage Premiums	\$20.83	\$21.17	(\$0.34)
Net Administrative Expenses	\$23.74	\$30.15	(\$6.41)
Total Plan Expenses	\$366.93	\$379.23	(\$12.30)
Net Income/(Loss)	\$7.71	(\$6.67)	\$14.38

* Adjusted for timing issues.

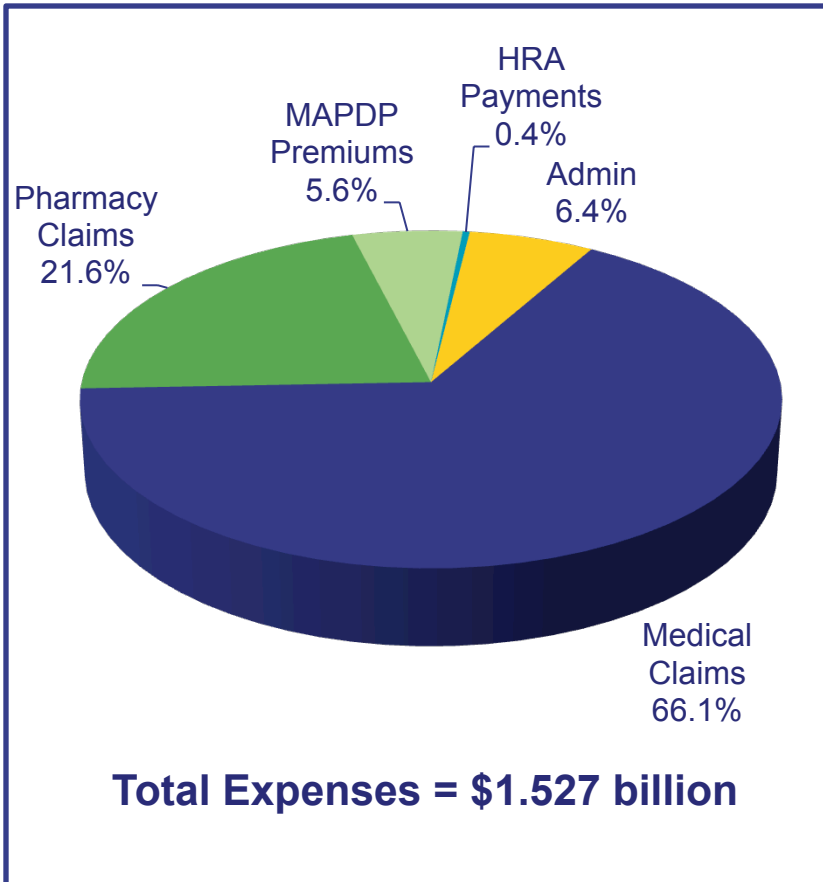
^ Adjusted to include pharmacy rebates not yet received by the end of June.

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

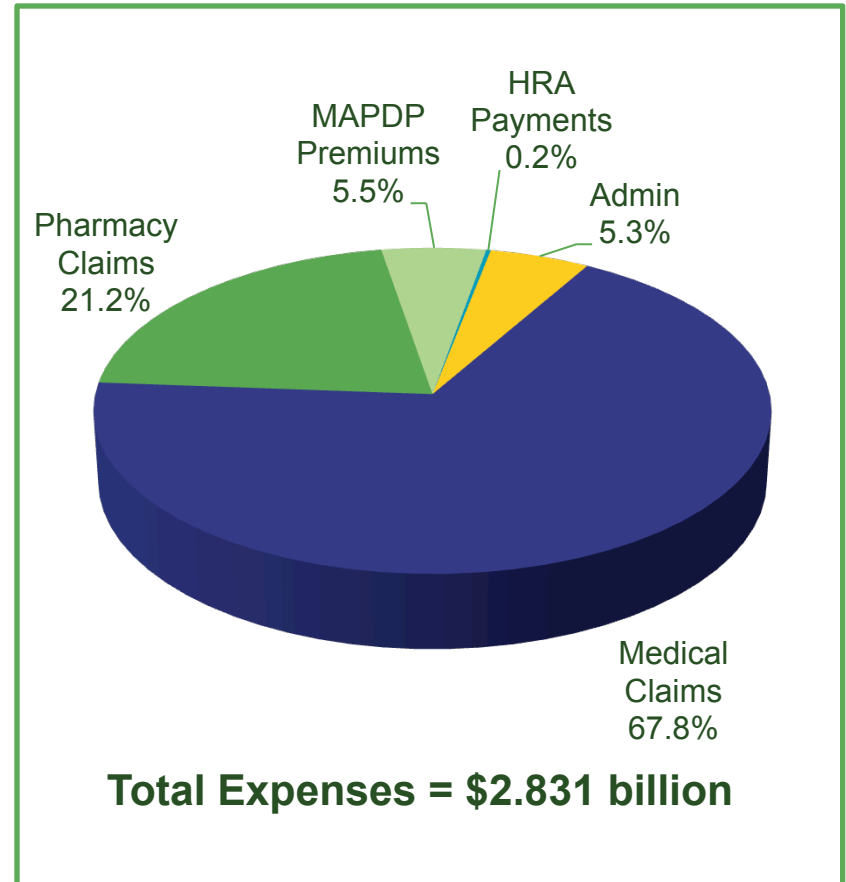


Allocation of Total Expenditures

Calendar Year To Date: June 2015



Calendar Year 2014

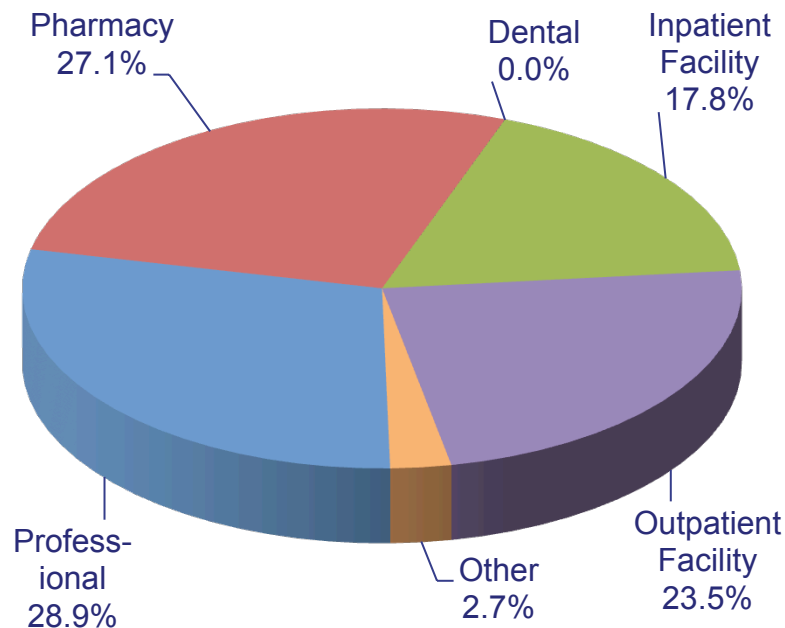


Sources: BCBSNC Net Disbursements reports; Financial Status Reports

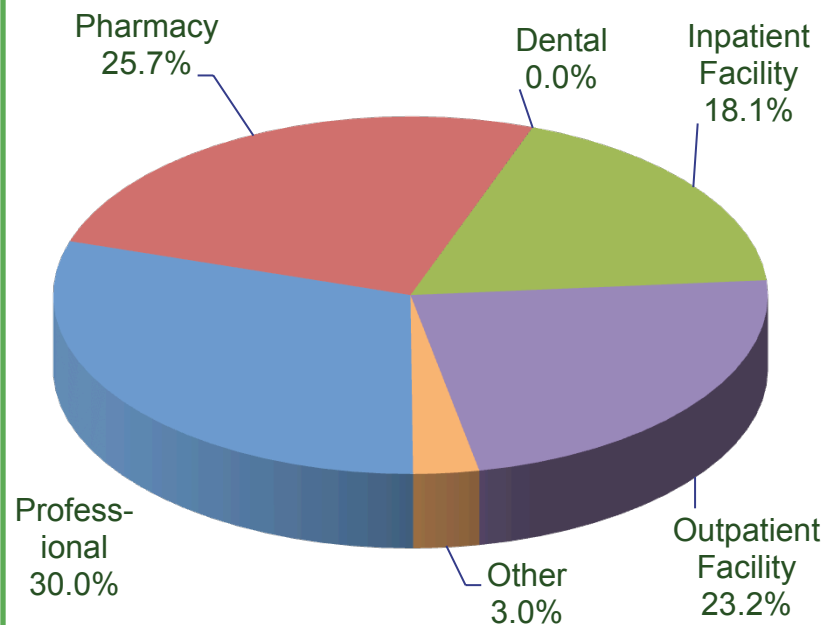
Allocation of Claims Expenditures

Medical, Blue Card and Pharmacy Payments

Calendar Year to Date: June 2015



Calendar Year 2014



Source: BCBSNC Summary of Billed Charges

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 2015
 Calendar Year 2015

	A	B	C	D	E	F	G	H
	Actual June 2015	Authorized Budget June 2015	Monthly Variance Over/(Under) Authorized Budget	Actual 2015 Calendar Year To Date	Authorized Budget 2015 Calendar Year to Date	Calendar Year to Date Variance Over/(Under) Auth. Budget	Calendar Year Authorized Budget (Jan-Dec 2015)	Calendar Year to Date Variance Over/(Under) Annual Auth. Budget
Plan Revenue:								
Member Premiums	\$ 240,663,920	\$ 248,725,865	\$ (8,061,945)	\$ 1,473,430,210	\$ 1,473,283,803	\$ 146,407	\$ 2,963,937,832	\$ (1,490,507,622)
Premium Refunds/Retroactive Disenrollments	(5,343)	(124,754)	119,411	(5,343)	(738,991)	733,648	(1,486,657)	1,481,314
Medicare Part D (RDS) Subsidy	2,027,732	1,172,770	854,962	10,913,907	7,564,875	3,349,032	14,587,080	(3,673,173)
Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	48,603,406	48,602,498	908	48,602,498	908
Medicare Advantage (MA) Subsidy	63,929	69,116	(5,187)	529,054	413,081	115,973	828,983	(299,929)
Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	-	-
Net Premium & Other Contributions	242,750,238	249,842,997	(7,092,759)	1,533,471,234	1,529,125,266	4,345,968	3,026,469,736	(1,492,998,502)
Investment Earnings	511,343	335,420	175,923	2,723,741	2,025,516	698,225	3,871,779	(1,148,038)
Miscellaneous Revenue	-	-	-	-	-	-	-	-
Other Revenue	511,343	335,420	175,923	2,723,741	2,025,516	698,225	3,871,779	(1,148,038)
Total Plan Revenue (excludes internal transfers)	243,261,581	250,178,417	(6,916,836)	1,536,194,975	1,531,150,782	5,044,193	3,030,341,515	(1,494,146,540)
Plan Expenses:								
Medical Claim Payments	192,496,785	210,076,908	(17,580,123)	1,027,947,147	1,060,819,661	(32,872,514)	2,128,799,496	(1,100,852,349)
Medical Claim Refunds/Recoveries	(2,026,657)	(2,104,805)	78,148	(13,724,076)	(12,030,765)	(1,693,311)	(25,072,202)	11,348,126
Net Medical Claims	190,470,128	207,972,103	(17,501,975)	1,014,223,071	1,048,788,896	(34,565,825)	2,103,727,294	(1,089,504,223)
Pharmacy Claim Payments	56,876,966	54,319,916	2,557,050	345,345,551	329,934,398	15,411,153	718,955,282	(373,609,731)
Pharmacy Claim Rebates	-	(10,000,000)	10,000,000	(11,815,970)	(33,566,797)	21,750,827	(57,020,841)	45,204,871
Pharmacy Claim Refunds/Recoveries	(56,426)	-	(56,426)	(3,668,157)	-	(3,668,157)	-	(3,668,157)
Net Pharmacy Claims	56,820,540	44,319,916	12,500,624	329,861,424	296,367,601	33,493,823	661,934,441	(332,073,017)
Net Claim Payments	247,290,668	252,292,019	(5,001,351)	1,344,084,495	1,345,156,497	(1,072,002)	2,765,661,735	(1,421,577,240)
Medicare Advantage Premium Payments	14,151,943	14,499,935	(347,992)	85,441,291	86,819,536	(1,378,245)	174,072,089	(88,630,798)
Net Administrative Expenses	14,796,209	15,898,604	(1,102,395)	97,396,912	123,683,898	(26,286,986)	239,864,700	(142,467,788)
Total Plan Expenses (excludes internal transfers)	276,238,820	282,690,558	(6,451,738)	1,526,922,698	1,555,659,931	(28,737,233)	3,179,598,524	(1,652,675,826)
Plan Income/(Loss)	(32,977,239)	(32,512,141)	(465,098)	9,272,277	(24,509,149)	33,781,426	(149,257,009)	158,529,286
Cash Availability:								
Beginning Cash Balance/(Deficit)	1,057,096,862	1,022,850,338	34,246,524	1,014,847,346	1,014,847,346	-	1,014,847,346	-
Ending Cash Balance/(Deficit)	1,024,119,623	990,338,197	33,781,426	1,024,119,623	990,338,197	33,781,426	865,590,337	158,529,286
Target Stabilization Reserve @ 12/31/15	248,909,557	248,909,557	-	248,909,557	248,909,557	-	248,909,557	-
Cash Balance Over/(Under) Reserve Target	\$ 775,210,066	\$ 741,428,640	\$ 33,781,426	\$ 775,210,066	\$ 741,428,640	\$ 33,781,426	\$ 616,680,780	\$ 158,529,286

Comments:

- Premium receivables totaled \$54,302.64 as of June 30, 2015.
- The average weekly medical claims cost net of claims refunds was \$38,094,025.60 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$28,438,483.00 per cycle.
- The target stabilization reserve is 9% of the projected net claims for Calendar Year 2015.
- Minor differences compared to other reports are due to rounding.

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

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 2015
Fiscal Year 2014- 2015

	A	B	C	D	E	F	G	H
	Actual June 2015	Authorized Budget June 2015	Monthly Variance Over/(Under) Authorized Budget	Actual Year to Date FY 2014-15	Authorized Budget Year to Date FY 2014-15	Year to Date Variance Over/(Under) Authorized Budget	Annual Authorized Budget FY 2014-15	Year to Date Variance Over/(Under) Annual Auth. Budget
Plan Revenue:								
Member Premiums	\$ 240,663,920	\$ 244,301,148	\$ (3,637,228)	\$ 2,987,502,673	\$ 2,937,906,736	\$ 49,595,937	\$ 2,937,906,736	\$ 49,595,937
Premium Refunds/Retroactive Disenrollments	(5,343,00)	(122,995)	117,652	(11,359)	(1,478,664)	1,467,305	(1,478,664)	1,467,305
Medicare Part D (RDS) Subsidy	2,027,732	518,358	1,509,374	19,590,771	6,276,386	13,314,385	6,276,386	13,314,385
Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	50,283,823	33,414,689	16,869,134	33,414,689	16,869,134
Medicare Advantage (MA) Subsidy	63,929	-	63,929	833,262	-	833,262	-	833,262
Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	(1,949)	-	(1,949)	-	(1,949)
Net Premium & Other Contributions	242,750,238	244,696,511	(1,946,273)	3,058,197,221	2,976,119,147	82,078,074	2,976,119,147	82,078,074
Investment Earnings	511,343	327,311	184,032	5,065,735	3,933,340	1,132,395	3,933,340	1,132,395
Miscellaneous Revenue	-	-	-	-	-	-	-	-
Other Revenue	511,343	327,311	184,032	5,065,735	3,933,340	1,132,395	3,933,340	1,132,395
Total Plan Revenue (excludes internal transfers)	243,261,581	245,023,822	(1,762,241)	3,063,262,956	2,980,052,487	83,210,469	2,980,052,487	83,210,469
Plan Expenses:								
Medical Claim Payments	192,496,785	202,900,858	(10,404,073)	2,021,369,178	1,995,716,227	25,652,951	1,995,716,227	25,652,951
Medical Claim Refunds/Recoveries	(2,026,657)	(2,045,266)	18,609	(24,839,428)	(23,520,519)	(1,318,909)	(23,520,519)	(1,318,909)
Net Medical Claims	190,470,128	200,855,592	(10,385,464)	1,996,529,750	1,972,195,708	24,334,042	1,972,195,708	24,334,042
Pharmacy Claim Payments	56,876,966	54,429,294	2,447,672	725,607,106	686,943,428	38,663,678	686,943,428	38,663,678
Pharmacy Claim Rebates	-	(10,000,000)	10,000,000	(51,114,709)	(74,166,940)	23,052,231	(74,166,940)	23,052,231
Pharmacy Claim Refunds/Recoveries	(56,426)	-	(56,426)	(4,137,813)	-	(4,137,813)	-	(4,137,813)
Net Pharmacy Claims	56,820,540	44,429,294	12,391,246	670,354,584	612,776,488	57,578,096	612,776,488	57,578,096
Net Claim Payments	247,290,668	245,284,886	2,005,782	2,666,884,334	2,584,972,196	81,912,138	2,584,972,196	81,912,138
Medicare Advantage Premium Payments	14,151,943	14,065,998	85,945	162,400,394	163,281,044	(880,650)	163,281,044	(880,650)
Net Administrative Expenses	14,796,209	15,800,168	(1,003,959)	168,416,645	223,971,245	(55,554,600)	223,971,245	(55,554,600)
Total Plan Expenses (excludes internal transfers)	276,238,820	275,151,052	1,087,768	2,997,701,373	2,972,224,485	25,476,888	2,972,224,485	25,476,888
Plan Income/(Loss)	(32,977,239)	(30,127,230)	(2,850,009)	65,561,583	7,828,002	57,733,581	7,828,002	57,733,581
Cash Availability:								
Beginning Cash Balance/(Deficit)	1,057,096,862	996,513,272	60,583,590	958,558,040	958,558,040	-	958,558,040	-
Ending Cash Balance/(Deficit)	1,024,119,623	966,386,042	57,733,581	1,024,119,623	966,386,042	57,733,581	966,386,042	57,733,581
Target Stabilization Reserve @ 6/30/15	232,647,498	232,647,498	-	232,647,498	232,647,498	-	232,647,498	-
Cash Balance Over/(Under) Reserve Target	\$ 791,472,125	\$ 733,738,544	\$ 57,733,581	\$ 791,472,125	\$ 733,738,544	\$ 57,733,581	\$ 733,738,544	\$ 57,733,581

Comments:

- Premium receivables totaled \$54,302.64 as of June 30, 2015.
- The average weekly medical claims cost net of claims refunds was \$38,094,025.60 for the five scheduled weekly claim cycles.
- Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging \$28,438,483.00 per cycle.
- The target stabilization reserve is 9% of the projected net claims for Fiscal Year 2014-15.
- Minor differences compared to other reports are due to rounding.

Actual vs Authorized Budget (i.e. **Revised Budget** per Segal 9-9-14 Projections)
June 2015 - Fiscal 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 June 2015
Calendar Year 2015

	A	B	C	D	E	F	G
	Current Year Actual June 2015	Prior Year Actual June 2014	Current Year to Date Actual CY 2015 thru June	Prior Year to Date Actual CY 2014 thru June	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	\$ 240,663,920	\$ 239,533,989	\$ 1,473,430,210	\$ 1,438,519,678	\$ 2,963,937,832	\$ 2,921,878,532	\$ 2,952,592,141
4 Premium Refunds/Retroactive Disenrollments	(5,343)	(30)	(5,343)	(22,385)	(1,486,657)	(1,489,408)	(28,401)
5 Medicare Part D (RDS) Subsidy	2,027,732	1,282,754	10,913,907	12,907,540	14,587,080	6,344,076	21,584,404
6 Medicare PDP (EGWP + Wrap) Subsidy	-	-	48,603,406	26,697,984	48,602,498	31,047,005	28,378,401
7 Medicare Advantage (MA) Subsidy	63,929	111,598	529,054	417,565	828,983	-	721,773
8 Federal Early Retiree Reinsurance Program (ERRP)	-	-	-	-	-	-	(1,949)
9 Net Premium & Other Contributions	242,750,238	240,928,311	1,533,471,234	1,478,520,382	3,026,469,736	2,957,780,205	3,003,246,369
10							
11 Investment Earnings	511,343	369,223	2,723,741	2,075,148	3,871,779	2,892,005	4,417,142
12 Miscellaneous Revenue	-	-	-	-	-	-	-
13 Other Revenue	511,343	369,223	2,723,741	2,075,148	3,871,779	2,892,005	4,417,142
14							
15 Total Plan Revenue (excludes internal transfers)	243,261,581	241,297,534	1,536,194,975	1,480,595,530	3,030,341,515	2,960,672,210	3,007,663,511
16							
17 Plan Expenses:							
18							
19 Medical Claim Payments	192,496,785	185,033,694	1,027,947,147	956,416,933	2,128,799,496	2,062,826,346	1,949,838,964
20 Medical Claim Refunds/Recoveries	(2,026,657)	(1,276,891)	(13,724,076)	(11,616,388)	(25,072,202)	(25,469,051)	(22,731,740)
21 Net Medical Claims	190,470,128	183,756,803	1,014,223,071	944,800,545	2,103,727,294	2,037,357,295	1,927,107,224
22							
23 Pharmacy Claim Payments	56,876,966	50,170,813	345,345,551	317,864,645	718,955,282	599,541,594	698,126,200
24 Pharmacy Claim Rebates	-	-	(11,815,970)	(59,464,464)	(57,020,841)	(54,794,623)	(98,763,203)
25 Pharmacy Claim Refunds/Recoveries	(56,426)	93,603	(3,668,157)	158,878	-	-	(310,778)
26 Net Pharmacy Claims	56,820,540	50,264,416	329,861,424	258,559,059	661,934,441	544,746,971	599,052,219
27							
28 Net Claim Payments	247,290,668	234,021,219	1,344,084,495	1,203,359,604	2,765,661,735	2,582,104,266	2,526,159,443
29							
30 Medicare Advantage Premium Payments	14,151,943	12,382,444	85,441,291	78,538,847	174,072,089	174,162,733	155,497,950
31							
32 Net Administrative Expenses	14,796,209	13,001,226	97,396,912	78,586,176	239,864,700	179,815,010	149,605,909
33							
34 Total Plan Expenses (excludes internal transfers)	276,238,820	259,404,889	1,526,922,698	1,360,484,627	3,179,598,524	2,936,082,009	2,831,263,302
35							
36 Plan Income/(Loss)	(32,977,239)	(18,107,355)	9,272,277	120,110,903	(149,257,009)	24,590,201	176,400,209
37							
38 Cash Availability:							
39							
40 Beginning Cash Balance/(Deficit)	1,057,096,862	976,665,395	1,014,847,346	838,447,137	1,014,847,346	694,975,133	838,447,137
41 Ending Cash Balance/(Deficit)	1,024,119,623	958,558,040	1,024,119,623	958,558,040	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	227,354,350
44							
45 Cash Balance Over/(Under) Reserve Target	\$ 775,210,066	\$ 724,275,345	\$ 775,210,066	\$ 724,275,345	\$ 616,680,780	\$ 485,282,639	\$ 787,492,996

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)

Current Year Actual vs. Prior Year Actual

For the Month Ended June 2015

Fiscal Year 2014-2015

	A	B	C	D	E	F	G
	Current Year Actual June 2015	Prior Year Actual June 2014	Current Year to Date Actual FY 2014-15 thru June	Prior Year to Date Actual FY 2013-14 thru June	Current Year Authorized Annual Budget FY 2014-15	Prior Year Annual Budget FY 2013-14	Prior Year Actual Results FY 2013-14
Plan Revenue:							
Member Premiums	\$ 240,663,920	\$ 239,533,989	\$ 2,987,502,673	\$ 2,941,097,678	\$ 2,937,906,736	\$ 2,902,567,015	\$ 2,941,097,678
Premium Refunds/Retroactive Disenrollments	(5,343)	(30)	(11,359)	(299,923)	(1,478,664)	(1,466,766)	(299,923)
Medicare Part D (RDS) Subsidy	2,027,732	1,282,754	19,590,771	11,583,652	6,276,386	6,218,762	11,583,652
Medicare PDP (EGWP + Wrap) Subsidy	-	-	50,283,823	63,780,569	33,414,689	50,346,402	63,780,569
Medicare Advantage (MA) Subsidy	63,929	111,598	833,262	417,565	-	-	417,565
Federal Early Retiree Reinsurance Program (ERRP)	-	-	(1,949)	-	-	-	-
Net Premium & Other Contributions	242,750,238	240,928,311	3,058,197,221	3,016,579,541	2,976,119,147	2,957,665,413	3,016,579,541
Investment Earnings	511,343	369,223	5,065,735	3,861,263	3,933,340	2,868,131	3,861,263
Miscellaneous Revenue	-	-	-	54,972	-	-	54,972
Other Revenue	511,343	369,223	5,065,735	3,916,235	3,933,340	2,868,131	3,916,235
Total Plan Revenue (excludes internal transfers)	243,261,581	241,297,534	3,063,262,956	3,020,495,776	2,980,052,487	2,960,533,544	3,020,495,776
Plan Expenses:							
Medical Claim Payments	192,496,785	185,033,694	2,021,369,178	1,989,574,333	1,995,716,227	2,107,493,114	1,989,574,333
Medical Claim Refunds/Recoveries	(2,026,657)	(1,276,891)	(24,839,428)	(22,450,766)	(23,520,519)	(24,643,884)	(22,450,766)
Net Medical Claims	190,470,128	183,756,803	1,996,529,750	1,967,123,567	1,972,195,708	2,082,849,230	1,967,123,567
Pharmacy Claim Payments	56,876,966	50,170,813	725,607,106	743,680,114	686,943,428	699,653,578	743,680,114
Pharmacy Claim Rebates	-	-	(51,114,709)	(91,653,105)	(74,166,940)	(52,353,361)	(91,653,105)
Pharmacy Claim Refunds/Recoveries	(56,426)	93,603	(4,137,813)	(398,652)	-	-	(398,652)
Net Pharmacy Claims	56,820,540	50,264,416	670,354,584	651,628,357	612,776,488	647,300,217	651,628,357
Net Claim Payments	247,290,668	234,021,219	2,666,884,334	2,618,751,924	2,584,972,196	2,730,149,447	2,618,751,924
Medicare Advantage Premium Payments	14,151,943	12,382,444	162,400,394	78,538,847	163,281,044	86,864,744	78,538,847
Net Administrative Expenses	14,796,209	13,001,226	168,416,645	148,134,913	223,971,245	182,446,628	148,134,913
Total Plan Expenses (excludes internal transfers)	276,238,820	259,404,889	2,997,701,373	2,845,425,684	2,972,224,485	2,999,460,819	2,845,425,684
Plan Income/(Loss)	(32,977,239)	(18,107,355)	65,561,583	175,070,092	7,828,002	(38,927,275)	175,070,092
Cash Availability:							
Beginning Cash Balance/(Deficit)	1,057,096,862	976,665,395	958,558,040	783,487,948	958,558,040	755,749,494	783,487,948
Ending Cash Balance/(Deficit)	1,024,119,623	958,558,040	1,024,119,623	958,558,040	966,386,042	716,822,219	958,558,040
Target Stabilization Reserve @ 6/30/15	232,647,498	239,446,206	232,647,498	239,446,206	232,647,498	239,446,206	229,269,716
Cash Balance Over/(Under) Reserve Target	\$ 791,472,125	\$ 719,111,834	\$ 791,472,125	\$ 719,111,834	\$ 733,738,544	\$ 477,376,013	\$ 729,288,324

Comments:

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

Consolidated Current Year v Prior Year
June 2015 - Fiscal 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 June 2015
 Calendar Year 2015

	A	B	C	D	E	F
	Actual Year to Date Calendar Year thru June	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Authorized Budget Calendar Year to Date thru June	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)	\$ 1,473,430,210	\$ 4,365,920	\$ 1,477,796,130	\$ 1,473,283,803	\$ 4,512,327	0.31%
4 Premium Refunds/Retroactive Disenrollments	(5,343)		(5,343)	(738,991)	733,648	-99.28%
5 Medicare Part D (RDS) Subsidy	10,913,907		10,913,907	7,564,875	3,349,032	44.27%
6 Medicare PDP (EGWP + Wrap) Subsidy	48,603,406		48,603,406	48,602,498	908	0.00%
7 Medicare Advantage (MA) Subsidy	529,054		529,054	413,081	115,973	28.08%
8 Federal Early Retiree Reinsurance Program (ERRP)	-		-	-	-	
9 Net Premium & Other Contributions	1,533,471,234	4,365,920	1,537,837,154	1,529,125,266	8,711,888	0.57%
10						
11 Other Revenue	2,723,741		2,723,741	2,025,516	698,225	34.47%
12						
13 Total Plan Revenue (excludes internal transfers)	1,536,194,975	4,365,920	1,540,560,895	1,531,150,782	9,410,113	0.61%
14						
15 Plan Expenses:						
16						
17 Net Medical Claims	1,014,223,071		1,014,223,071	1,048,788,896	(34,565,825)	-3.30%
18 Net Pharmacy Claims (Note 3)	329,861,424	(21,578,295)	308,283,129	296,367,601	11,915,528	4.02%
19 Net Claim Payments	1,344,084,495	(21,578,295)	1,322,506,200	1,345,156,497	(22,650,297)	-1.68%
20						
21 Medicare Advantage Premiums	85,441,291		85,441,291	86,819,536	(1,378,245)	-1.59%
22						
23 Net Administrative Expenses	97,396,912		97,396,912	123,683,898	(26,286,986)	-21.25%
24						
25 Total Plan Expenses (excludes internal transfers)	1,526,922,698	(21,578,295)	1,505,344,403	1,555,659,931	(50,315,528)	-3.23%
26						
27 Plan Income/(Loss)	9,272,277	25,944,215	35,216,492	(24,509,149)	59,725,641	-243.69%
28						
29 Cash Availability:						
30						
31 Beginning Cash Balance/(Deficit)	1,014,847,346		1,014,847,346	1,014,847,346	-	0.00%
32 Ending Cash Balance/(Deficit)	1,024,119,623	25,944,215	1,050,063,838	990,338,197	59,725,641	6.03%
33						
34 Target Stabilization Reserve @ 12/31/2015	248,909,557		248,909,557	248,909,557	-	0.00%
35						
36 Cash Balance Over/(Under) Reserve Target	\$ 775,210,066	\$ 25,944,215	\$ 801,154,281	\$ 741,428,640	\$ 59,725,641	8.06%

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 \$21.4 million in prepaid July premiums received in June.
3. Net pharmacy claims adjusted to assume receipt of rebates that were budgeted but were not received before the end of the fiscal 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 June 2015
Fiscal Year 2014-2015

	A	B	C	D	E	F
	Actual Year to Date Fiscal Year thru June	Adjustments for Timing, Unusual & Onetime Events	Adjusted Actual Year to Date	Authorized Budget Fiscal Year to Date thru June	Year to Date Adjusted Variance Over/(Under) Budget	Adjusted Variance as Percentage of Budget
Plan Revenue:						
Member Premiums (Notes 1 and 2)	\$ 2,987,502,673	\$ (5,442,332)	\$ 2,982,060,341	\$ 2,937,906,736	\$ 44,153,605	1.50%
Premium Refunds/Retroactive Disenrollments	(11,359)		(11,359)	(1,478,664)	1,467,305	-99.23%
Medicare Part D (RDS) Subsidy	19,590,771		19,590,771	6,276,386	13,314,385	212.13%
Medicare PDP (EGWP + Wrap) Subsidy (Note 3)	50,283,823	(16,868,693)	33,415,130	33,414,689	441	0.00%
Medicare Advantage (MA) Subsidy (Note 4)	833,262	(833,262)	-	-	-	
Federal Early Retiree Reinsurance Program (ERRP) (Note 5)	(1,949)	1,949	-	-	-	
Net Premium & Other Contributions	3,058,197,221	(23,142,338)	3,035,054,883	2,976,119,147	58,935,736	1.98%
Other Revenue	5,065,735		5,065,735	3,933,340	1,132,395	28.79%
Total Plan Revenue (excludes internal transfers)	3,063,262,956	(23,142,338)	3,040,120,618	2,980,052,487	60,068,131	2.02%
Plan Expenses:						
Net Medical Claims	1,996,529,750		1,996,529,750	1,972,195,708	24,334,042	1.23%
Net Pharmacy Claims (Note 6)	670,354,584	(21,973,123)	648,381,461	612,776,488	35,604,973	5.81%
Net Claim Payments	2,666,884,334	(21,973,123)	2,644,911,211	2,584,972,196	59,939,015	2.32%
Medicare Advantage Premiums	162,400,394		162,400,394	163,281,044	(880,650)	-0.54%
Net Administrative Expenses (Note 7)	168,416,645	5,642,732	174,059,377	223,971,245	(49,911,869)	-22.28%
Total Plan Expenses (excludes internal transfers)	2,997,701,373	(16,330,392)	2,981,370,982	2,972,224,485	9,146,497	0.31%
Plan Income/(Loss)	65,561,583	(6,811,946)	58,749,637	7,828,002	50,921,635	650.51%
Cash Availability:						
Beginning Cash Balance/(Deficit)	958,558,040		958,558,040	958,558,040	-	0.00%
Ending Cash Balance/(Deficit)	1,024,119,623	(6,811,946)	1,017,307,677	966,386,042	50,921,635	5.27%
Target Stabilization Reserve @ 6/30/15	232,647,498		232,647,498	232,647,498	-	0.00%
Cash Balance Over/(Under) Reserve Target	\$ 791,472,125	\$ (6,811,946)	\$ 784,660,179	\$ 733,738,544	\$ 50,921,635	6.94%

Adjustment Notes:

1. Member premiums adjusted to include \$16.0 million in prepaid July 2014 premiums received in June 2014.
2. Member premiums adjusted to exclude \$21.4 million in prepaid July 2015 premiums received in June 2015.
3. EGWP subsidy adjusted to exclude the the unbudgeted portion of the Catastrophic Subsidy received in January 2015.
4. Medicare Advantage low income premium subsidies were not budgeted and therefore are excluded.
5. ERRP revenues adjusted to exclude an unbudgeted repayment of ERRP funds resulting from an audit finding.
6. Net pharmacy claims adjusted to assume receipt of rebates that were budgeted but were not received before the end of the fiscal year.
7. Administrative expenses adjusted to include a second payment for the ACA Transitional Reinsurance program of \$5.6 million that was budgeted for January but will not be paid until November 2015.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



CY 2015 2nd Quarter Actuarial Forecast Update

Board of Trustees Meeting

August 28, 2015

Forecast prepared by The Segal Company
Final version dated 8-20-15

A Division of the Department of State Treasurer

Presentation Overview

- Forecast Update Schedule
- Updated Assumptions: Authorized CY 2015 Budget vs. CY 2015 2nd Quarter Projection
- Authorized Budget vs. Forecast for CY 2015
- Summary Graphs
- Future Outlook

Actuarial Forecast Update Schedule

- The Plan's actuarial consultant updates the forecast quarterly and at the end of each calendar year and fiscal year
- Updates take into account more recent information:
 - Actual financial results and cash balance
 - Membership data, including the impact of enrollment changes
 - Claims experience
 - Changes in anticipated costs or revenues

Forecast Assumptions **Maintained** in the Update

Authorized CY15 Budget vs. CY15 2nd Quarter Update

- Membership trends
 - 1% annual decrease in actives
 - 1% annual increase in retirees
- Trend assumptions
 - 7% medical trend
 - 8.5% pharmacy trend
- New benefit design effective January 1, 2016
 - Increase in wellness premiums and credits
 - Increased cost-sharing in Traditional 70/30 Plan
 - Enhancements to Consumer-Directed Health Plan (CDHP)
 - *Status Quo* in Enhanced 80/20 Plan, except Tier 5 pharmacy copay
- Increased administrative budget for 2015-17 Fiscal Biennium
 - 3% annual increases in administrative costs after Fiscal Year 2016-17
- Target Stabilization Reserve (TSR) equals 9% of projected claims costs in each year
- Cash balance set to equal TSR as of December 31, 2017, and every two years thereafter

Forecast Assumptions **Changed/Revised** in the Update

Authorized CY15 Budget vs. CY15 2nd Quarter Update

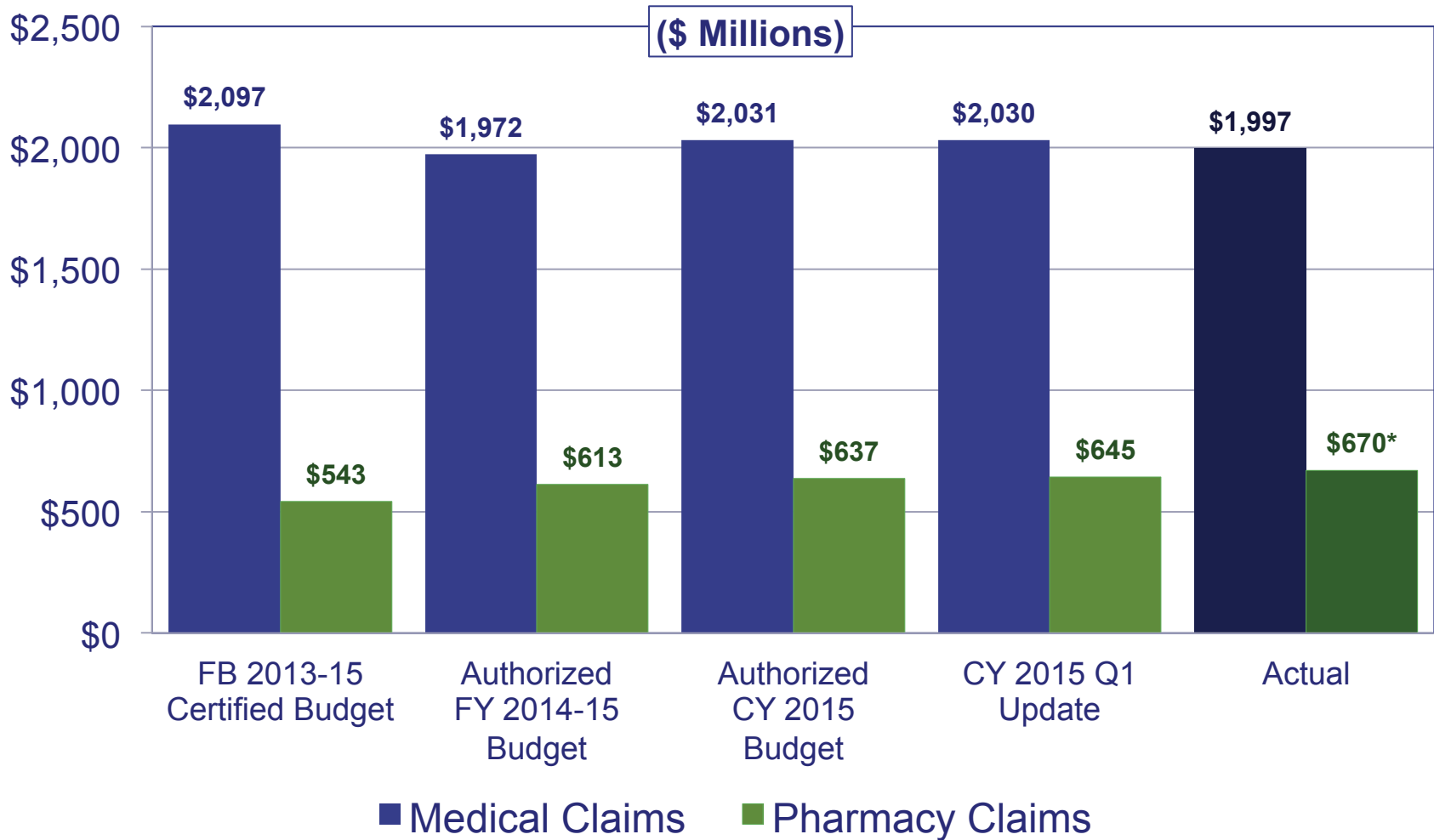
- Membership based on actual March 2015 enrollment data, with adjustments for known changes through May 2015 (instead of December 2014 base)
- Anticipated claims expenditures based on actual experience through June 2015 (instead of through December 2014)
- Cash balance begins from actual total as of June 30, 2015 (rather than December 31, 2014)
- The impact of member migration in future years was adjusted to reflect more recent cost differentials among plan options
- Medicare Advantage (MA) premium costs reflect negotiations with carriers for 2016 rates; forecast assumes members pay full buy-up cost for Enhanced plans and full MA rates for dependents
- Includes projected impact of additional local governments joining the Plan, as authorized in HB 154 (S.L. 2015-112)
- Includes actual 2014 rebate true-up payments received in July and August 2015 (total of \$42.9 million)
- Assumes rebates for first and second quarters of CY 2015 will be received in October 2015; other rebates will be received as scheduled

Comparison of Models

Authorized CY15 Budget vs. CY15 2nd Quarter Update

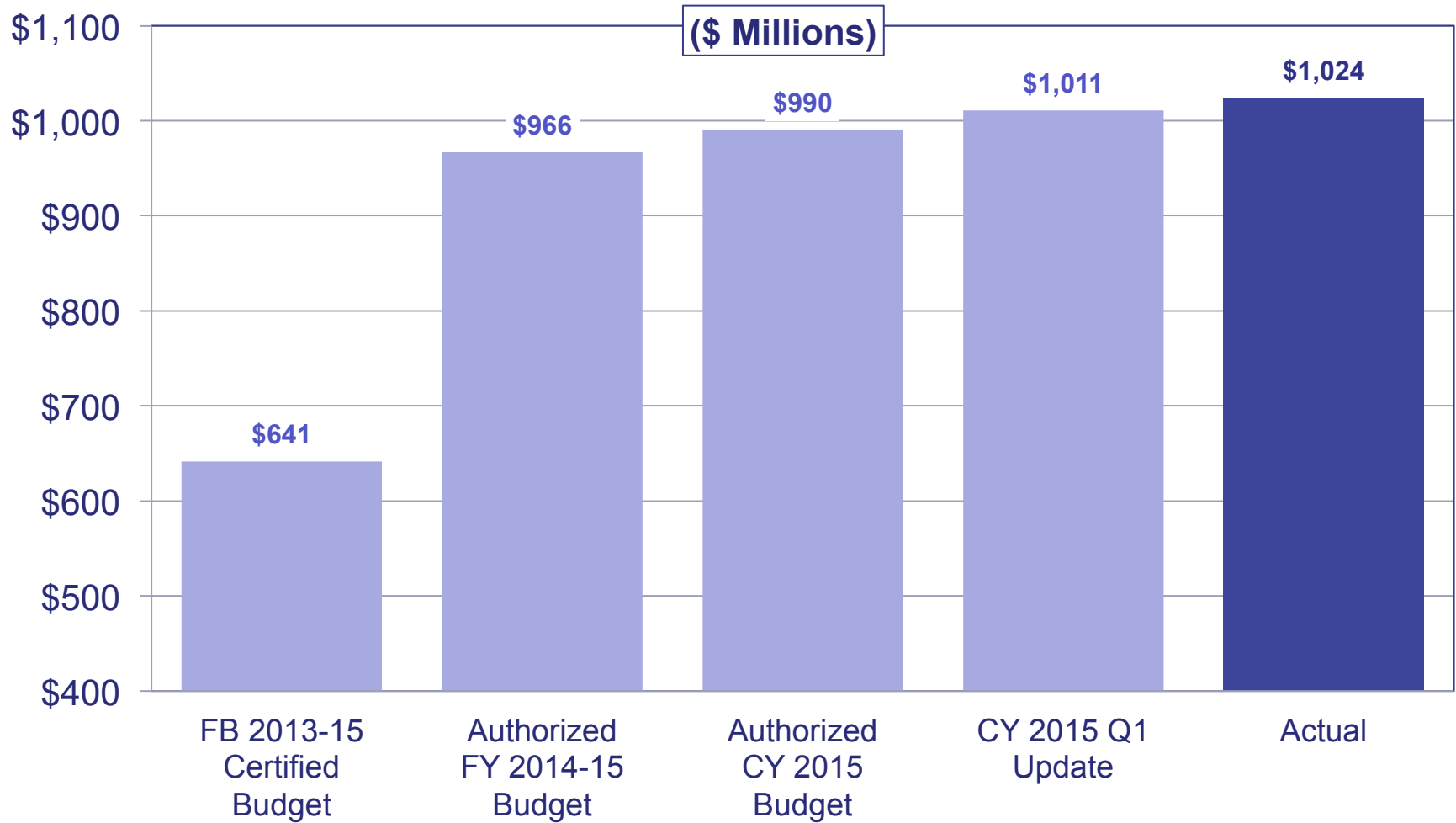
Calendar Year 2015	CY 2015 2 nd Quarter Update (per Segal 8-20-15)	Authorized CY 2015 Budget (per Segal 4-28-15)	Difference: Increase/ (Decrease) From Budget
Beginning Cash Balance	\$1.015 b	\$1.015 b	\$0.0 m
Plan Revenue	\$3.037 b	\$3.030 b	\$6.3 m
Net Claims Payments	\$2.725 b	\$2.766 b	(\$40.3 m)
Medicare Advantage Premiums	\$166.5 m	\$174.1 m	(\$7.6 m)
Net Admin. Expenses	\$213.6 m	\$239.9 m	(\$26.3 m)
Total Plan Expenses	\$3.105 b	\$3.179 b	(\$74.2 m)
Net Income/(Loss)	(\$68.7 m)	(\$149.2 m)	\$80.5 m
Ending Cash Balance	\$946.1 m	\$865.6 m	\$80.5 m
2016 & 2017 Premium Increases	2.83%	3.43%	(0.60%)
2018 & 2019 Premium Increases	16.12%	15.21%	0.91%
2020 & 2021 Premium Increases	4.31%	4.34%	(0.03%)

Forecast Comparisons: Fiscal Year 2014-15 Claims

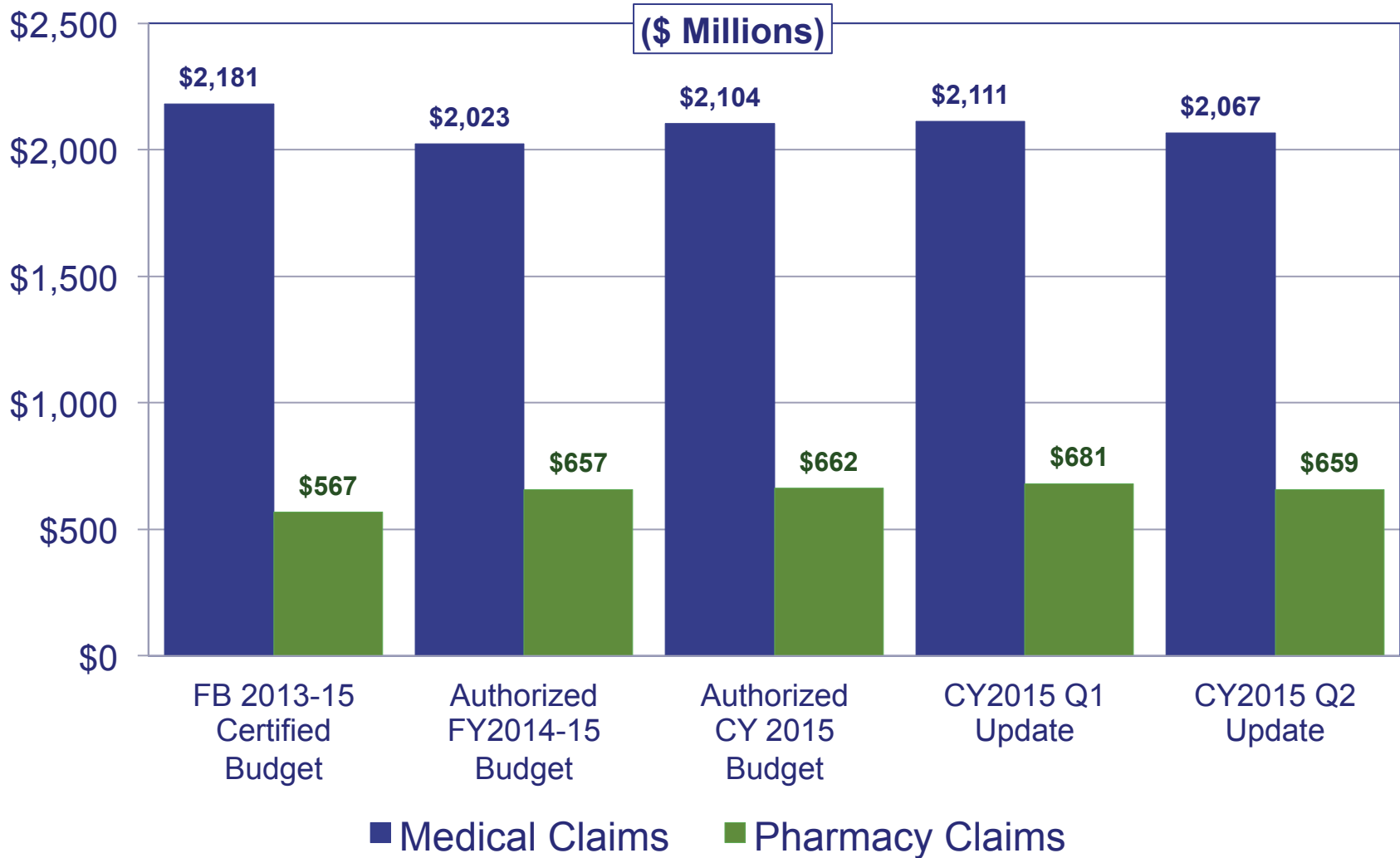


*Approximately \$22 million in anticipated pharmacy rebates was not received by the end of the FY.

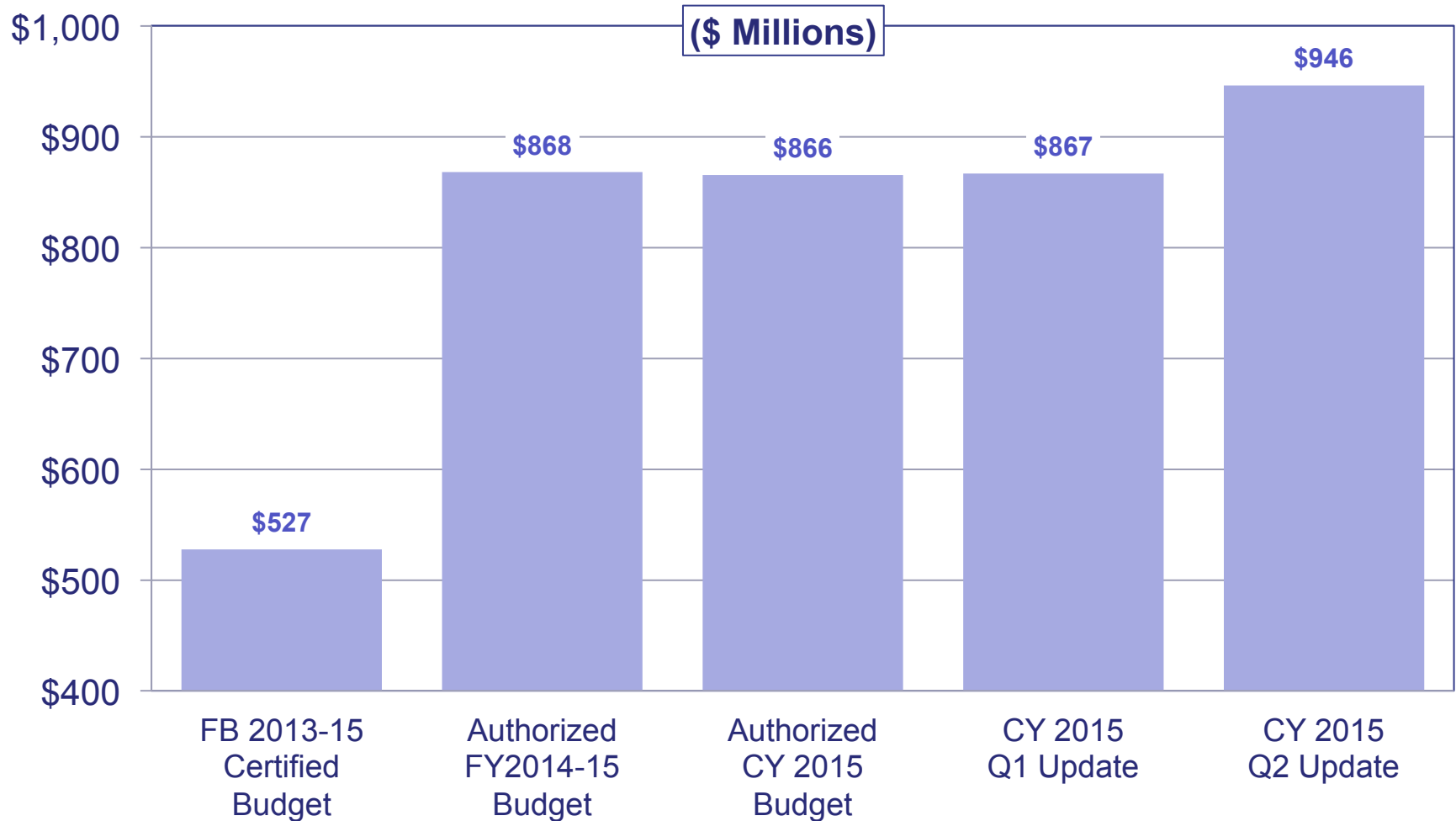
Forecast Comparisons: Ending Cash Balance June 30, 2015



Forecast Comparisons: Calendar Year 2015 Claims



Forecast Comparisons: Ending Cash Balance December 31, 2015



Summary/Future Outlook

- Relative to the Authorized CY 2015 Budget, the CY 2015 2nd Quarter Update projects **lower** medical claims costs, **higher** pharmacy rebates in 2015, and **higher** long-term pharmacy claims costs
- The **\$946.1 million** cash balance projected for December 31, 2015:
 - Is \$80.5 million **higher** than the Authorized CY 2015 Budget projection
 - **Exceeds** the 9.0% target stabilization reserve amount by \$700.9 million
 - Equates to **14.6 weeks** of projected CY 2016 operating expenses
- The CY 2015 2nd Quarter Update projects the need for **2.83%** premium increases for January 2016 and 2017. This is **lower** than the Authorized CY 2015 Budget (3.43%).

Certified Budget

(Segal 8-19-13)

North Carolina State Health Plan
Financial Projections - Mar 2013
Trends - 8.5% Medical & Pharmacy
Board Approved Wellness Incentives - Active 70/30 Unchanged thru 2015 only, Retirees 70/30 Unchanged
With MA & PDP
Incentives start at \$15/\$15/\$20 and increase to \$25/\$25/\$40 in Calendar 2016, \$10 Standard Premium Credit
Certified Budget

	2011 - 2013 Biennium		2013 - 2015 Biennium				2015 - 2017 Biennium				Projection Calendar 2017 Jul-Dec
	Actual FY 2012	Projection FY 2013	Projection Short Plan Year Jul-Dec 2013	Projection Calendar 2014 Jan-June	Projection Calendar 2014 July-Dec	Projection Calendar 2015 Jan-Jun	Projection Calendar 2015 Jul-Dec	Projection Calendar 2016 Jan-June	Projection Calendar 2016 July-Dec	Projection Calendar 2017 Jan-Jun	
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,761,603	1,442,578,008	1,490,952,575	1,487,864,429	1,516,588,534	1,513,510,299	1,634,808,643	1,631,357,328	1,761,956,879	1,758,528,795
EGWP/PDP Spouse Premium Reduction		(1,244,665)	(2,498,637)	(14,615,034)	(14,887,927)	(14,761,184)	(14,834,807)	(14,908,796)	(14,983,155)	(15,057,884)	(15,132,986)
MA Spouse Premium Reduction				(5,898,039)	(5,927,456)	(5,957,019)	(5,988,730)	(6,016,589)	(6,046,598)	(6,076,755)	(6,107,063)
MA Buy-up Premium				10,940,679	10,995,548	15,140,644	15,216,158	19,774,355	19,872,981	24,884,033	25,008,144
Health care Reform ERRP	42,163,391	(558,219)	-	-	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(714,727)	(721,289)	(745,476)	(743,932)	(758,294)	(756,755)	(817,303)	(815,079)	(880,978)	(879,264)
Premium Incentive			-	(15,363,911)	(15,332,089)	(14,296,813)	(14,287,662)	18,347,595	18,311,123	18,164,492	18,129,151
CDHP Premium Reduction			-	(3,528,927)	(3,521,618)	(4,751,766)	(4,747,728)	(5,957,822)	(5,945,979)	(7,139,050)	(7,125,180)
Medicare Part D	57,583,602	36,936,224	2,784,744	3,434,018	2,910,058	3,588,549	3,041,010	3,750,033	3,177,856	3,918,785	3,320,859
EGWP+Wrap											
Direct Subsidy	-	25,008,159	25,151,533	-	-	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	7,195,769	17,999,102	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	13,047,904	-	-	-	-	-	-
Total	-	25,008,159	32,347,302	17,999,102	13,047,904	-	-	-	-	-	-
Appropriations from State Reserve											
Investment Earnings	3,015,815	3,063,553	1,448,002	1,420,130	1,471,875	1,364,138	1,187,237	977,122	864,507	734,935	644,071
Total Plan Income	2,852,680,163	2,958,251,928	1,475,938,129	1,484,595,416	1,476,076,762	1,496,153,788	1,492,341,023	1,649,755,238	1,645,792,386	1,780,504,456	1,776,386,545
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,882,649,142	997,508,625	1,111,574,513	1,036,956,734	1,201,076,486	1,130,686,863	1,298,249,706	1,217,598,950	1,400,256,154	1,312,797,082
Claim Refunds	(22,634,615)	(23,855,443)	(12,080,684)	(12,583,200)	(12,885,851)	(13,596,192)	(14,362,157)	(14,789,230)	(15,257,502)	(15,736,111)	(16,451,838)
Dental & MHSA Enhancement			1,695,794	3,370,442	3,144,191	3,641,824	3,428,393	3,936,466	3,861,922	4,245,763	3,980,576
Medicare Advantage Claims Reduction				(51,495,701)	(60,190,041)	(65,631,913)	(65,959,257)	(71,922,732)	(72,281,451)	(78,816,526)	(79,209,628)
Calendar Year Adjustments			44,524,878	(4,226,258)	14,039,329	(14,419,571)	18,822,423	(17,792,129)	20,205,328	(19,304,460)	21,922,781
Preventative at 100% in Standard Plan				9,805,123	13,733,526	15,553,431	15,012,324	16,765,870	16,153,784	18,067,218	17,400,803
Premium Incentive				(7,995,527)	(11,972,541)	(11,462,987)	(11,446,086)	(12,527,363)	(12,502,373)	(16,984,282)	(19,945,259)
CDHP Claims Reduction				(2,705,932)	(4,051,876)	(5,771,199)	(5,782,600)	(8,941,127)	(8,923,291)	(12,953,021)	(12,927,728)
Limited Network Savings				310,434	484,845	390,200	389,624	602,750	601,547	576,589	575,483
PCP Copay Waiver				4,407,787	6,800,242	(367,417)	(366,875)	(4,088,355)	(4,078,203)	(17,078,970)	(17,045,620)
Mental Health Enhancements				451,938	808,120	704,185	862,915	765,427	717,877	830,633	778,752
Net Medical Claims	1,826,775,490	1,859,093,698	1,031,938,612	1,050,910,619	986,446,678	1,110,116,847	1,070,905,478	1,190,261,283	1,145,926,587	1,280,102,988	1,211,875,383
Medicare Advantage Premiums			-	86,864,745	87,297,988	108,861,089	109,404,040	133,102,486	133,766,343	159,805,493	160,602,532
Pharmacy Claims Payment	721,163,013	749,090,373	426,782,431	389,095,527	461,133,212	420,430,469	498,290,216	492,888,065	499,857,994	532,671,371	540,226,350
Rebates	(93,130,160)	(72,024,902)	(22,208,556)	(32,807,518)	(23,014,123)	(26,428,528)	(23,850,891)	(27,281,378)	(24,724,242)	(28,163,286)	(25,623,274)
Calendar Year Adjustments			6,211,534	(9,511,046)	11,406,548	(10,470,311)	12,325,781	(12,201,284)	12,627,650	(13,188,116)	13,647,580
Net Pharmacy Claims	628,032,853	677,065,471	410,785,408	346,976,963	449,525,637	383,531,630	486,765,106	453,405,403	487,761,402	491,321,968	528,250,635
MA-PDP Claims Reduction				(114,577,245)	(139,255,710)	(151,846,028)	(152,603,370)	(166,400,470)	(167,230,403)	(182,349,955)	(183,256,437)
EGWP+Wrap Reduction in Rebates		808,689	1,635,695	827,018	-	-	-	-	-	-	-
EGWP+Wrap Claim Increase		222,762	462,707	-	-	-	-	-	-	-	-
Expand Coverage of Diabetic Test Strips		-	591,768	686,454	813,546	741,737	879,099	869,568	881,895	939,755	953,084
HB 675 - Pharmacy Audit Changes				100,000	104,817	95,383	113,047	111,821	113,403	120,847	122,581
Specialty Pharmacy Tier				(188,553)	(265,758)	(258,101)	(305,869)	(321,725)	(326,275)	(370,373)	(375,627)
Total Pharmacy Claims	628,032,853	678,096,922	413,475,579	233,624,638	310,922,331	232,264,620	334,947,983	287,664,597	321,199,692	309,662,242	345,691,217
Total Claims	2,454,808,343	2,537,190,620	1,445,414,191	1,371,600,002	1,384,666,997	1,451,242,555	1,515,157,501	1,611,028,367	1,600,892,923	1,729,570,723	1,718,169,132
Administrative Costs	165,480,561	164,605,404	85,504,284	91,148,330	88,666,681	88,484,867	91,324,774	91,141,320	93,688,951	93,504,688	96,122,447
ACA Reinsurance Fee				-	-	34,632,846	-	21,039,454	-	14,201,632	-
Extra EGWP+Wrap Administration		2,893,881	5,794,014	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,704,749,905	1,536,712,490	1,462,748,331	1,473,333,678	1,574,360,269	1,606,482,275	1,723,209,141	1,694,581,874	1,837,277,042	1,814,291,579
Plan Income (Loss)	232,391,259	253,502,023	(60,774,360)	21,847,084	2,743,114	(78,208,481)	(114,141,252)	(73,453,903)	(48,789,488)	(56,772,586)	(37,905,034)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	755,749,494	694,975,134	716,822,218	719,565,332	641,358,851	527,217,599	453,763,696	404,974,207	348,201,621
Ending Cash Balance (Deficit)	502,247,471	755,749,494	694,975,134	716,822,218	719,565,332	641,358,851	527,217,599	453,763,696	404,974,207	348,201,621	310,296,587
Target Stabilization Reserve	184,110,626	202,975,250	219,485,780	239,446,206	234,282,695	255,231,860	266,976,005	281,356,728	289,072,916	299,741,728	310,296,587
	7.5%	8.0%	8.0%	8.5%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Premium Increase:	7.1% Increase	7.1% Increase		1.1% Increase		1.1% Increase		1.1% Increase		1.1% Increase	
	5.3%	5.3%		3.57%		2.14%		8.22%		8.22%	

CY 2014 Q2 Update

Authorized

FY14-15 Budget

(Segal 9-9-14)

North Carolina State Health Plan
Financial Projections - Jun 2014
Trends - 7.0% Medical & 8.5% Pharmacy
Board Approved Wellness Incentives - Active 70/30 Unchanged thru 2015 only, Retirees 70/30 Unchanged
With MA & PDP, With Essential Health Benefits & MH Parity
Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2010-2011 Biennium		2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Projection FY 2014	Projection FY2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019
PLAN INCOME:										
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,366,140	2,941,097,678	2,957,330,894	2,997,476,025	3,091,148,757	3,347,339,381	3,792,050,539
Additional Contribution/(Credit)				-	-	(18,389,215)	(5,299,800)	7,624,855	15,349,640	23,072,825
Medicare Advantage Subsidy	-	45,298,812	42,163,391	(558,219)	417,565	-	-	-	-	-
Health care Reform ERRP	-	-	-	-	-	-	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(487,819)	(299,923)	(1,478,665)	(1,498,738)	(1,545,574)	(1,673,670)	(1,896,025)
Premium Change due to Movement						(1,034,938)	746,221	2,159,915	922,847	1,241,073
Medicare Part D	74,357,704	66,276,535	57,583,602	38,056,016	11,583,652	6,276,386	6,487,102	6,779,021	7,084,077	7,402,861
EGWP+Wrap										
Direct Subsidy	-	-	-	24,435,483	25,216,663	202,329	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	38,563,909	1,478,088	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	31,734,272	-	-	-	-
Total	-	-	-	24,435,483	63,780,571	33,414,689	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,916,235	3,933,340	3,456,019	2,406,449	1,221,707	870,198
Total Plan Income	2,490,457,950	2,797,969,020	2,852,680,163	2,960,048,314	3,020,495,778	2,980,052,493	3,001,366,829	3,108,573,423	3,370,243,983	3,822,741,471
PLAN EXPENSE:										
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	1,989,574,333	1,981,132,627	2,104,367,930	2,236,473,423	2,378,323,219	2,527,382,130
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,615)	(23,467,914)	(22,450,766)	(23,520,519)	(25,159,105)	(26,558,401)	(28,433,075)	(30,024,340)
Claims Adjustment for Changes						12,149,156	26,519,120	35,022,403	617,098	(27,583,637)
Cost of Autism						2,001,993	4,500,445	5,100,042	5,350,084	5,639,177
Cost of Add Towns						432,449	924,000	989,000	1,022,182	1,089,662
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,967,123,567	1,972,195,706	2,111,152,391	2,251,026,467	2,356,879,507	2,476,502,992
Medicare Advantage Premiums					78,538,847	163,281,043	175,164,083	188,218,563	202,231,947	217,364,453
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	743,281,462	686,597,084	769,269,941	798,947,229	861,298,346	928,570,652
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(91,653,105)	(74,166,940)	(51,914,121)	(53,570,874)	(55,279,945)	(57,057,201)
Claims Adjustment for Changes						-	-	-	-	-
Additional ACA Preventive Medicine						346,345	984,278	1,321,029	1,414,030	1,473,850
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	651,628,357	612,776,489	718,340,098	746,697,384	807,432,432	872,987,301
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,697,290,771	2,748,253,238	3,004,656,572	3,185,942,415	3,366,543,886	3,566,854,745
Administrative Costs	164,649,780	165,902,094	165,480,561	161,401,639	148,134,913	189,951,548	195,650,094	200,734,833	205,969,298	211,358,434
ACA Reinsurance Fee						34,019,697	20,569,718	13,884,560	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,558,874,969	2,649,596,838	2,620,288,904	2,678,807,839	2,845,425,684	2,972,224,483	3,220,876,384	3,400,561,808	3,572,513,183	3,778,213,179
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	281,240,475	175,070,094	7,828,010	(219,509,556)	(291,988,384)	(202,269,200)	44,528,292
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	966,386,050	746,876,494	454,888,110	252,618,909
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	966,386,050	746,876,494	454,888,110	252,618,909	297,147,201
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	201,392,496	222,593,914	232,647,498	254,654,324	269,795,147	284,788,074	301,454,126
	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Premium Increase:	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
	8.9%	8.9%	5.3%	5.3%	3.57%	0.00%	3.53%	3.53%	13.71%	13.71%

CY 2014 Q4 Update

Authorized

CY 2015 Budget

(Segal 9-9-14)

North Carolina State Health Plan

Financial Projections - Dec 2014

Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2016 and 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active on 70/30 Plan Starting 2018

With January 2015 Enrollment Updated

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2012 - 2013 Biennium		Actual Short Plan Year Jul-Dec 2013	Actual Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
	Actual FY 2012	Actual FY 2013									
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,973,313,265	3,084,373,299	3,178,159,722	3,847,867,428	4,187,357,312	4,353,552,988	4,528,742,933
Additional Contribution/(Credit)	-	-	-	-	(11,254,466)	(1,037,235)	(813,056)	29,088,878	28,051,841	26,091,252	25,140,208
Medicare Advantage Subsidy	-	-	-	721,773	828,983	883,581	879,710	915,037	931,831	988,212	985,692
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(1,486,657)	(1,542,187)	(1,589,089)	(1,823,934)	(2,093,679)	(2,176,778)	(2,263,371)
Premium Change due to Movement	-	-	-	-	1,879,031	4,736,903	8,772,830	14,038,650	14,790,952	16,833,806	17,727,090
Medicare Part D	57,583,802	38,056,016	(1,323,888)	21,584,404	14,587,080	14,298,634	14,514,516	14,063,476	14,200,558	13,588,971	13,626,486
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,202,822	216,170	-	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,602,498	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,602,498	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	3,871,780	3,014,101	1,815,911	890,582	1,054,034	1,559,559	1,603,266
Total Plan Income	2,852,880,163	2,960,048,314	1,539,900,247	3,007,663,512	3,030,341,513	3,104,707,096	3,199,740,563	3,705,018,118	4,244,292,849	4,410,417,812	4,583,562,303
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,111,340,121	2,238,782,943	2,382,053,957	2,589,959,390	2,707,819,875	2,887,321,150	3,074,284,772
Claim Refunds	(22,634,815)	(23,487,914)	(10,834,378)	(22,731,740)	(25,072,201)	(26,782,489)	(28,316,855)	(30,183,794)	(32,350,749)	(34,273,593)	(36,755,927)
Claims Adjustment for Changes	-	-	-	-	12,563,278	(34,775,189)	(48,204,121)	(20,881,815)	(41,590,816)	(53,892,088)	(44,591,981)
Cost of Autism	-	-	-	-	4,000,000	5,000,000	5,200,000	5,500,000	5,800,000	5,500,000	5,800,000
Cost of Add Towns	-	-	-	-	896,100	956,521	996,977	1,055,452	1,052,889	1,047,896	1,045,532
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,103,727,297	2,183,201,786	2,311,729,958	2,546,639,233	2,640,731,199	2,805,703,368	2,999,782,415
Medicare Advantage Premiums	-	-	-	155,497,950	174,072,089	193,223,905	208,833,714	231,478,810	250,300,181	277,319,722	299,998,296
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	718,263,283	767,803,395	827,727,508	892,381,574	962,143,775	1,037,984,755	1,119,319,325
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(98,763,203)	(57,020,841)	(50,441,480)	(51,470,131)	(52,183,288)	(53,239,165)	(53,941,763)	(55,015,158)
Claims Adjustment for Changes	-	-	-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine	-	-	-	-	692,000	1,276,000	1,366,000	1,462,000	1,511,325	1,462,000	1,511,591
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	661,934,443	718,637,915	777,623,376	841,660,288	910,415,935	985,504,992	1,065,815,759
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,681,857,393	2,939,733,829	3,095,063,806	3,298,187,049	3,818,778,329	3,801,447,315	4,068,528,081	4,365,594,471
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	208,008,311	226,154,277	234,485,996	240,602,620	246,921,261	253,427,967	260,129,003
ACA Reinsurance Fee	-	-	-	-	33,856,390	23,606,015	14,429,245	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,179,598,530	3,344,913,898	3,547,082,290	3,859,380,949	4,048,368,576	4,321,956,048	4,625,723,474
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	(149,257,017)	(240,206,802)	(347,341,727)	(154,362,831)	195,924,273	88,461,764	(42,161,171)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	865,590,329	625,383,527	278,041,800	123,678,969	319,603,242	408,065,006
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	865,590,329	625,383,527	278,041,800	123,678,969	319,603,242	408,065,006	365,903,836
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	248,909,557	261,165,573	278,041,800	304,856,957	319,603,242	341,208,752	365,903,836
	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Premium Increase:	7/1 Increase	7/1 Increase		1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
	5.3%	5.3%		3.57%	0.00%	3.43%	3.43%	15.21%	15.21%	4.34%	4.34%

Final Q4 Update

CY 2015

Q1 Update

Page 1 (CY)

(Segal 5-14-15)

North Carolina State Health Plan Financial Projections - Mar 2015

Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2016 and 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active on 70/30 Plan Starting 2018
With March 2015 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2012 - 2013 Biennium		Actual Short Plan Year Jul- Dec 2013	Actual Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
	Actual FY 2012	Actual FY 2013									
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,983,580,339	3,099,319,091	3,208,868,439	3,666,157,555	4,188,978,109	4,371,109,270	4,561,561,364
Additional Contribution/(Credit)	-	-	-	-	(8,408,617)	(1,009,207)	(786,530)	29,069,329	28,053,975	26,066,405	25,147,101
Medicare Advantage Subsidy	-	-	-	721,773	958,017	865,285	881,481	916,966	933,860	970,437	987,960
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(1,122,113)	(1,549,680)	(1,604,434)	(1,833,079)	(2,094,489)	(2,185,555)	(2,280,781)
Premium Change due to Movement	-	-	-	-	1,351,700	6,078,505	8,881,746	22,062,895	27,043,263	32,739,747	38,367,818
Medicare Part D	57,583,602	38,056,016	(1,323,888)	21,584,404	14,329,561	12,825,874	13,075,320	12,630,645	12,816,638	12,224,303	12,329,139
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,202,822	216,170	56	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,802,865	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,802,921	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	4,188,398	2,986,638	1,790,108	942,150	1,111,450	1,543,419	1,588,162
Total Plan Income	2,852,880,163	2,960,048,314	1,539,900,247	3,007,863,512	3,043,482,305	3,119,516,527	3,231,106,129	3,729,946,491	4,256,842,807	4,442,466,026	4,635,700,791
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,130,042,184	2,285,239,688	2,409,660,789	2,620,955,586	2,739,402,020	2,921,951,842	3,106,548,653
Claim Refunds	(22,834,615)	(23,487,914)	(10,834,378)	(22,731,740)	(25,643,812)	(27,079,502)	(28,644,927)	(30,555,252)	(32,727,927)	(34,684,538)	(37,148,878)
Claims Adjustment for Changes	-	-	-	-	2,961,798	(53,706,028)	(82,533,403)	(78,179,662)	(63,581,060)	(75,701,260)	(67,674,141)
Cost of Autism	-	-	-	-	2,999,456	5,000,000	5,200,000	5,500,000	5,800,000	5,500,000	5,800,000
Cost of Add Towns	-	-	-	-	679,300	956,521	996,993	1,055,503	1,052,974	1,048,016	1,045,685
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,111,038,926	2,190,410,678	2,304,679,452	2,518,776,175	2,649,945,977	2,818,114,059	3,008,571,319
Medicare Advantage Premiums	-	-	-	155,497,950	173,520,859	193,613,916	209,280,923	231,983,719	250,852,480	277,966,597	300,703,143
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	740,074,079	789,085,505	850,678,570	917,157,800	988,891,892	1,066,879,388	1,150,519,966
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(98,763,203)	(59,969,191)	(50,102,183)	(51,127,149)	(51,837,739)	(52,890,061)	(53,590,371)	(54,660,441)
Claims Adjustment for Changes	-	-	-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine	-	-	-	-	518,906	1,278,000	1,366,000	1,462,000	1,522,939	1,637,794	1,749,271
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	680,623,794	740,239,341	800,917,422	866,781,861	937,524,770	1,014,926,811	1,097,608,796
Total Claims	2,454,808,343	2,517,406,200	1,415,392,320	2,681,857,393	2,965,183,579	3,124,263,935	3,314,857,796	3,617,541,755	3,838,323,227	4,111,007,467	4,408,883,258
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	220,789,282	220,154,228	234,469,803	240,614,327	246,941,340	253,456,913	260,167,335
ACA Reinsurance Fee	-	-	-	-	5,642,732	23,672,083	14,415,152	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,191,615,593	3,374,090,245	3,563,742,751	3,858,156,082	4,085,264,567	4,364,464,380	4,667,050,564
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	(148,133,288)	(254,573,718)	(332,636,622)	(128,209,591)	171,578,240	78,033,645	(31,349,802)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	866,714,059	612,140,340	279,503,719	151,294,128	322,872,367	400,906,013
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	866,714,059	612,140,340	279,503,719	151,294,128	322,872,367	400,906,013	369,556,210
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	251,249,645	293,758,502	279,503,719	304,700,223	322,872,367	344,973,678	369,556,210
	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
	7/1 Increase	7/1 Increase		1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
Premium Increase:	5.3%	5.3%		3.57%	0.00%	3.93%	3.93%	14.67%	14.67%	4.72%	4.72%

North Carolina State Health Plan
Financial Projections - Mar 2015
Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2016 and 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active on 70/30 Plan Starting 2018
With March 2015 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2010-2011 Biennium		2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium		2020 - 2021 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Projection FY2015	Projection FY2016	Projection FY2017	Projection FY2018	Projection FY2019	Projection FY2020	Projection FY2021
PLAN INCOME:												
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,368,140	2,941,097,678	3,002,231,118	3,048,561,080	3,154,111,585	3,437,886,734	3,927,780,508	4,280,078,735	4,486,367,538
Additional Contribution/(Credit)				-	-	(2,807,109)	(6,100,497)	(897,833)	14,175,318	28,559,870	27,071,968	25,620,018
Medicare Advantage Subsidy					417,565	845,560	847,066	874,293	898,241	926,356	951,130	980,159
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(487,819)	(299,923)	(380,418)	(1,523,281)	(1,577,056)	(1,718,843)	(1,963,880)	(2,140,038)	(2,233,184)
Premium Change due to Movement					-	450,567	3,940,172	7,480,058	15,472,348	24,553,317	29,891,637	34,553,871
Medicare Part D	74,357,704	66,276,535	57,583,602	38,056,016	11,583,652	16,194,879	13,092,622	12,848,448	12,973,055	12,811,677	12,856,157	12,154,031
EGWP+Wrap												
Direct Subsidy	-	-	-	24,435,483	25,216,863	202,385	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	38,563,909	1,478,088	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	48,802,965	-	-	-	-	-	-
Total	-	-	-	24,435,483	63,780,571	50,283,438	-	-	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,916,235	4,662,914	3,506,077	2,433,771	1,243,188	906,971	1,359,942	1,650,124
Total Plan Income	2,490,457,950	2,797,969,020	2,852,680,163	2,960,048,314	3,020,495,778	3,071,478,998	3,060,323,240	3,175,273,266	3,480,730,040	3,993,354,817	4,349,867,531	4,539,092,557
PLAN EXPENSE:												
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	1,989,574,333	2,051,779,925	2,194,841,843	2,336,895,411	2,490,031,077	2,651,463,586	2,884,640,457	3,012,554,240
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,815)	(23,467,914)	(22,450,766)	(23,567,017)	(26,223,020)	(27,747,734)	(29,749,291)	(31,496,922)	(33,783,296)	(35,763,316)
Claims Adjustment for Changes					-	1,021,073	(24,523,964)	(67,941,193)	(79,900,167)	(71,147,803)	(69,702,105)	(71,666,192)
Cost of Autism						1,000,793	4,501,050	5,100,040	5,350,080	5,650,074	5,849,806	5,650,066
Cost of Add Towns						216,853	924,000	989,000	1,022,267	1,089,844	1,014,927	1,082,208
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,967,123,567	2,030,451,628	2,149,519,910	2,247,095,524	2,386,753,966	2,555,558,779	2,787,819,789	2,911,857,005
Medicare Advantage Premiums					78,538,847	163,064,076	183,982,030	201,417,957	220,594,059	241,394,631	264,375,814	289,308,591
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	743,281,462	720,437,921	788,982,854	819,477,088	883,491,374	952,563,682	1,027,963,548	1,108,179,089
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(91,653,105)	(75,981,693)	(49,760,405)	(50,538,588)	(51,564,036)	(52,277,908)	(53,329,462)	(54,032,033)
Claims Adjustment for Changes					-	173,137	984,378	1,321,028	1,414,029	1,476,952	1,580,669	1,694,023
Additional ACA Preventive Medicine												
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	651,628,357	644,629,365	740,206,827	770,259,528	833,341,367	901,762,726	976,214,755	1,055,841,079
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,697,290,771	2,838,145,089	3,073,708,766	3,218,773,009	3,440,689,392	3,698,716,136	4,028,410,358	4,257,004,675
Administrative Costs	164,649,780	165,902,004	165,480,561	161,401,639	148,134,913	181,271,826	220,861,106	231,442,088	237,496,925	243,731,274	250,151,098	256,762,576
ACA Reinsurance Fee					-	-	23,396,794	14,460,333	5,872,840	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,558,874,969	2,649,598,838	2,620,288,904	2,678,807,839	2,845,425,684	3,019,416,895	3,317,966,866	3,484,675,430	3,684,059,156	3,942,447,410	4,278,561,456	4,513,767,251
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	281,240,475	175,070,094	52,062,104	(257,643,426)	(289,402,165)	(203,329,116)	50,907,407	71,306,075	25,325,306
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	1,010,620,144	752,976,718	463,574,553	260,245,437	311,152,844	382,458,918
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	1,010,620,144	752,976,718	463,574,553	260,245,437	311,152,844	382,458,918	407,784,224
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	201,392,496	222,593,914	240,757,289	260,075,406	271,561,955	289,808,580	311,158,935	338,763,109	357,092,828
	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Premium Increase:	7/1 Increase	7/1 Increase	7/1 Increase	7/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
	8.9%	8.9%	5.3%	5.3%	3.57%	0.00%	3.93%	3.93%	14.67%	14.67%	4.72%	4.72%

CY 2015

Q2 Update

Page 1 (CY)

(Segal 8-20-15)

North Carolina State Health Plan Financial Projections - Jun 2015

Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2016 and 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active on 70/30 Plan Starting 2018

With March 2015 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2012 - 2013 Biennium		Actual Short Plan Year Jul- Dec 2013	Actual Calendar 2014	Projection Calendar 2015	Projection Calendar 2016	Projection Calendar 2017	Projection Calendar 2018	Projection Calendar 2019	Projection Calendar 2020	Projection Calendar 2021
	Actual FY 2012	Actual FY 2013									
PLAN INCOME:											
Net Contribution Income	2,750,368,851	2,895,366,140	1,502,578,000	2,952,592,141	2,969,222,633	3,085,160,545	3,162,449,442	3,669,650,968	4,237,098,746	4,402,348,538	4,576,209,187
Wellness Surcharge/(Credit)	-	-	-	-	(5,579,400)	(968,252)	(748,213)	13,667,705	14,240,499	15,262,563	15,827,065
Medicare Advantage Subsidy	-	-	-	721,773	946,437	866,821	883,058	918,683	935,591	972,280	989,879
Health care Reform ERRP	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-	-
Retro Disenrollments	(451,496)	(487,819)	(277,538)	(28,401)	(753,239)	(1,542,580)	(1,581,225)	(1,834,825)	(2,118,549)	(2,201,174)	(2,288,105)
Premium Change due to Movement	-	-	-	-	1,290,050	(9,825,119)	(8,498,627)	3,318,149	7,005,443	10,992,978	12,642,374
Medicare Part D	57,583,602	38,056,016	(1,323,888)	21,584,404	18,259,815	14,177,803	14,476,584	13,968,257	14,199,870	13,526,773	13,672,026
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	24,435,483	25,202,822	216,170	441	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	11,879,765	28,162,232	-	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	24,435,483	37,082,587	28,378,402	48,603,406	-	-	-	-	-	-
Investment Earnings	3,015,815	3,236,713	1,841,087	4,417,142	4,704,531	3,262,132	1,906,708	899,235	1,066,139	1,560,055	1,603,606
Total Plan Income	2,852,880,163	2,960,048,314	1,539,900,247	3,007,663,512	3,036,664,232	3,091,131,360	3,168,887,727	3,700,588,172	4,272,427,739	4,442,462,012	4,618,656,033
PLAN EXPENSE:											
Medical Claims Payment	1,849,410,105	1,858,096,405	1,033,157,400	1,949,838,964	2,091,695,828	2,248,177,501	2,391,472,401	2,601,156,819	2,718,666,411	2,899,821,730	3,082,959,373
Claim Refunds	(22,834,615)	(23,487,914)	(10,834,378)	(22,731,740)	(26,552,076)	(26,876,079)	(28,428,782)	(30,324,486)	(32,480,285)	(34,421,873)	(36,866,910)
Adjustment for Changes	-	-	-	-	1,687,469	(54,399,465)	(83,863,553)	(80,916,743)	(69,628,152)	(83,716,694)	(77,949,765)
Cost of Add Locals	-	-	-	-	-	7,482,840	7,976,416	8,503,282	8,482,861	8,442,872	8,424,051
Net Medical Claims	1,826,775,490	1,834,628,491	1,022,323,022	1,927,107,224	2,066,831,221	2,174,384,797	2,287,156,482	2,498,420,673	2,625,040,835	2,790,128,036	2,976,566,750
Medicare Advantage Premiums	-	-	-	155,497,950	168,432,668	190,928,383	207,663,919	231,607,844	251,851,659	280,568,061	305,023,745
Pharmacy Claims Payment	721,163,013	752,419,650	425,257,939	697,815,422	747,682,663	802,051,996	864,669,485	932,231,424	1,005,133,318	1,084,389,407	1,169,389,293
Rebates	(93,130,160)	(69,641,941)	(32,188,641)	(98,763,203)	(89,462,256)	(50,098,631)	(51,122,325)	(51,830,700)	(52,881,526)	(53,579,327)	(54,647,657)
Claims Adjustment for Changes	-	-	-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine	-	-	-	-	345,776	1,278,000	1,366,000	1,462,000	1,522,931	1,637,763	1,746,194
Net Pharmacy Claims	628,032,853	682,777,709	393,069,298	599,052,219	658,566,182	753,229,366	814,913,160	881,862,724	953,774,723	1,032,447,843	1,116,490,830
Total Claims	2,454,808,343	2,517,408,200	1,415,392,320	2,681,657,393	2,891,830,071	3,118,540,546	3,309,733,561	3,611,891,241	3,830,667,218	4,103,141,640	4,398,081,325
Administrative Costs	165,480,561	161,401,639	69,548,737	149,605,909	207,934,251	226,154,235	234,469,159	240,612,364	246,937,966	253,452,064	260,160,933
ACA Reinsurance Fee	-	-	-	-	5,642,732	23,664,475	14,405,357	-	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,620,288,904	2,678,807,839	1,484,941,057	2,831,263,302	3,105,407,055	3,368,359,266	3,558,608,077	3,852,503,595	4,077,605,184	4,356,564,005	4,656,242,258
Plan Income (Loss)	232,391,259	281,240,475	54,959,190	176,400,210	(68,712,822)	(277,227,908)	(389,720,350)	(151,915,423)	194,822,555	85,868,008	(39,586,226)
Beginning Cash Balance (Deficit)	269,856,212	502,247,471	783,487,946	838,447,136	1,014,847,346	946,134,524	668,906,618	279,186,268	127,270,845	322,093,400	407,961,408
Ending Cash Balance (Deficit)	502,247,471	783,487,946	838,447,136	1,014,847,346	946,134,524	668,906,618	279,186,268	127,270,845	322,093,400	407,961,408	368,375,182
Target Stabilization Reserve	184,110,626	201,392,496	113,231,386	214,723,553	245,285,766	263,485,275	279,186,268	304,225,506	322,093,400	344,031,649	368,375,182
	7.5%	8.0%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Premium Increase:	7/1 Increase	7/1 Increase		1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase	1/1 Increase
Premium Increase:	5.3%	5.3%		0.00%	0.00%	2.83%	2.83%	16.12%	16.12%	4.31%	4.31%
Premium Increase:	5.3%	5.3%		0.00%	0.00%	2.83%	2.83%	16.12%	16.12%	4.31%	4.31%

CY 2015

Q2 Update

Page 2 (FY)

(Segal 8-20-15)

North Carolina State Health Plan Financial Projections - Jun 2015

Trends - 7.0% Medical & 8.5% Pharmacy

No Wellness, No 100% Preventive, Increased Cost Sharing, Smoker Surcharge (\$40 for 2016 and 2017 and \$60 for 2018 and 2019) and \$20 Premium for Active on 70/30 Plan Starting 2018
With March 2015 Enrollment

Incentives start at \$15/\$15/\$20 and increase \$10/\$10/\$20 every 2-years, \$10 Standard Premium Credit

	2010-2011 Biennium		2012 - 2013 Biennium		2014 - 2015 Biennium		2016 - 2017 Biennium		2018 - 2019 Biennium		2020 - 2021 Biennium	
	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY 2015	Projection FY 2016	Projection FY 2017	Projection FY 2018	Projection FY 2019	Projection FY 2020	Projection FY 2021
PLAN INCOME:												
Net Contribution Income	2,413,877,944	2,684,814,172	2,750,368,851	2,895,366,140	2,941,097,678	2,987,502,673	3,039,847,885	3,123,807,985	3,416,259,823	3,953,586,621	4,319,746,648	4,489,302,699
Wellness Surcharge/(Credit)	-	-	-	-	-	-	(6,059,893)	(858,197)	6,474,381	13,954,321	14,752,061	15,544,987
Medicare Advantage Subsidy	-	-	-	-	417,565	833,262	848,545	875,853	899,869	928,068	952,914	982,029
Health care Reform ERRP	-	45,298,812	42,163,391	(558,219)	-	(1,949)	-	-	-	-	-	-
Retro Disenrollments	(1,310,146)	(1,281,584)	(451,496)	(487,819)	(299,923)	(11,359)	(1,519,924)	(1,561,904)	(1,708,130)	(1,976,793)	(2,159,873)	(2,244,651)
Premium Change due to Movement	-	-	-	-	-	-	(3,596,115)	(9,158,790)	(2,574,649)	5,167,202	9,005,017	11,820,721
Medicare Part D	74,357,704	66,276,535	57,583,602	38,056,016	11,583,652	19,590,771	14,457,206	14,230,850	14,333,822	13,977,434	13,988,152	13,481,389
EGWP+Wrap	-	-	-	-	-	-	-	-	-	-	-	-
Direct Subsidy	-	-	-	24,435,483	25,216,663	202,770	-	-	-	-	-	-
Coverage Gap Subsidy	-	-	-	-	38,563,909	1,478,088	-	-	-	-	-	-
Catastrophic Subsidy	-	-	-	-	-	48,602,965	-	-	-	-	-	-
Total	-	-	-	24,435,483	63,780,571	50,283,823	-	-	-	-	-	-
Investment Earnings	3,532,448	2,861,085	3,015,815	3,236,713	3,916,235	5,065,735	3,767,868	2,646,994	1,263,591	839,092	1,353,303	1,674,048
Total Plan Income	2,490,457,950	2,797,989,020	2,852,680,163	2,960,048,314	3,020,495,778	3,063,262,956	3,047,745,573	3,129,982,771	3,434,948,707	3,989,475,944	4,357,638,221	4,530,561,222
PLAN EXPENSE:												
Medical Claims Payment	1,829,432,245	1,852,549,690	1,849,410,105	1,858,096,405	1,989,574,333	2,021,369,178	2,178,449,449	2,319,076,194	2,471,229,778	2,631,415,335	2,862,799,493	2,989,707,882
Claim Refunds	(31,916,831)	(24,723,681)	(22,634,615)	(23,467,914)	(22,450,766)	(24,839,428)	(25,781,279)	(27,538,585)	(29,524,691)	(31,258,850)	(33,527,532)	(35,492,222)
Adjustment for Changes	-	-	-	-	-	-	(25,091,822)	(68,941,459)	(81,807,628)	(75,378,009)	(76,805,891)	(80,778,465)
Cost of Add Locals	-	-	-	-	-	-	3,681,718	7,725,604	8,235,548	8,779,912	8,176,325	8,718,301
Net Medical Claims	1,797,515,414	1,827,826,009	1,826,775,490	1,834,628,491	1,967,123,567	1,996,529,750	2,131,278,066	2,230,321,753	2,368,133,007	2,533,558,389	2,760,642,396	2,882,155,475
Medicare Advantage Premiums	-	-	-	-	78,538,847	162,400,394	176,217,096	199,274,333	219,606,100	241,704,572	266,174,143	292,765,485
Pharmacy Claims Payment	N/A	N/A	721,163,013	752,419,650	743,281,462	721,469,293	801,972,479	832,959,448	898,016,897	968,213,916	1,044,840,766	1,126,360,411
Rebates	N/A	N/A	(93,130,160)	(69,641,941)	(91,653,105)	(51,114,709)	(104,118,977)	(50,534,232)	(51,558,326)	(52,269,924)	(53,319,911)	(54,019,906)
Claims Adjustment for Changes	-	-	-	-	-	-	-	-	-	-	-	-
Additional ACA Preventive Medicine	-	-	-	-	-	-	984,386	1,321,028	1,414,029	1,476,948	1,580,852	1,693,972
Net Pharmacy Claims	596,709,775	655,868,735	628,032,853	682,777,709	651,628,357	670,354,584	696,837,888	783,746,244	847,872,600	917,420,940	993,101,508	1,074,034,477
Total Claims	2,394,225,189	2,483,694,744	2,454,808,343	2,517,406,200	2,697,290,771	2,829,284,728	3,006,333,050	3,213,342,331	3,435,611,707	3,692,683,901	4,019,918,047	4,248,955,438
Administrative Costs	164,649,780	165,902,094	165,480,561	161,401,639	148,134,913	168,416,645	220,861,106	231,442,088	237,495,630	243,728,615	250,147,001	256,756,966
ACA Reinsurance Fee	-	-	-	-	-	-	23,391,088	14,452,627	5,868,849	-	-	-
Extra EGWP+Wrap Administration	-	-	-	-	-	-	-	-	-	-	-	-
Total Plan Expense	2,558,874,969	2,649,596,838	2,620,288,904	2,678,807,839	2,845,425,684	2,997,701,373	3,250,585,244	3,458,237,045	3,678,976,186	3,936,412,518	4,270,065,048	4,505,712,404
Plan Income (Loss)	(68,417,019)	148,372,182	232,391,259	281,240,475	175,070,094	65,561,583	(202,839,671)	(329,254,274)	(244,027,479)	50,063,429	87,573,173	24,848,818
Beginning Cash Balance (Deficit)	189,901,049	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	1,024,119,623	821,279,952	492,025,679	247,998,199	298,061,628	385,634,801
Ending Cash Balance (Deficit)	121,484,030	269,856,212	502,247,471	783,487,946	958,558,040	1,024,119,623	821,279,952	492,025,679	247,998,199	298,061,628	385,634,801	410,483,619
Target Stabilization Reserve	179,566,889	186,277,106	184,110,626	201,392,496	222,593,914	240,019,590	254,710,436	271,266,120	289,440,505	310,588,140	337,836,951	356,057,096
	7.5%	8.0%	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Premium Increase:	8.9%	8.9%	5.3%	5.3%	0.00%	0.00%	2.83%	2.83%	16.12%	16.12%	4.31%	4.31%
Premium Increase:	8.9%	8.9%	5.3%	5.3%	0.00%	0.00%	2.83%	2.83%	16.12%	16.12%	4.31%	4.31%



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Delay Tobacco Attestation Requirement for Traditional 70/30 Plan

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Presentation Overview

- Review Board Approved Changes to Traditional 70/30 Plan for 2016
- Need to Delay Tobacco Attestation Requirement
- Recommendation

Summary of Approved Benefit Design Changes for 2016 and 2017 & Anticipated Progression in 2018 and 2019

Traditional 70/30 Plan

Approved Changes for Calendar Years 2016 & 2017

Active Employees Only

- Establish a \$40 wellness premium with the opportunity to earn it down to \$0
- Establish healthy activity to earn premium credit:
 - Tobacco attestation

Active Employees and Retirees

- Increase member cost share:
 - copays, deductible, coinsurance max, and pharmacy out-of-pocket max

Anticipated Progression* for Calendar Years 2018 & 2019

Active Employees Only

- Increase premium approximately \$40 with the opportunity to earn it down to approximately \$20
- Continue tobacco attestation to earn premium credit

Active Employees and Retirees

- Increase member cost share to keep pace with medical inflation:
 - copays, deductible, coinsurance max, and pharmacy out-of-pocket max
 - Maintain Grandfather status under the Affordable Care Act (ACA)

** Will require Board approval at a later date*

Summary of Approved Cost Sharing Changes for 2016

Traditional 70/30 Plan

Medical	Current	2016
Annual Deductible	\$933 Individual \$2,799 Family	\$1,054 Individual \$3,162 Family
Coinsurance Maximum	\$3,793 Individual \$11,379 Family	\$4,282 Individual \$12,846 Family
Out-of-Pocket (OOP) Maximum	N/A	N/A
Pharmacy Out-of-Pocket Maximum	\$2,500	\$3,294
Preventive Care	\$35 PCP \$81 Specialist	\$39 PCP \$92 Specialist
PCP Visit	\$35	\$39
Specialist Visit	\$81	\$92
Urgent Care	\$87	\$98
Chiro/PT/OT	\$64	\$72
Emergency Care	\$291, then 30% after deductible	\$329, then 30% after deductible
Inpatient Hospital	\$291, then 30% after deductible	\$329, then 30% after deductible

Rx	Current	2016
Pharmacy Benefits		
Tier 1	\$12	\$15
Tier 2	\$40	\$46
Tier 3	\$64	\$72
Tier 4	25% up to \$100	25% up to \$100
Tier 5	25% up to \$125	25% up to \$132
OOP	\$2,500 Rx Only	\$3,294 Rx Only
ACA Preventive Medications	No	No
CDHP Preventive Medications	N/A	N/A
Grandfather Status	Grandfathered	Grandfathered

Wellness Premium Credits – Traditional 70/30 Plan

Active Employee Coverage Only – As Previously Approved

Wellness Design	2014	2015	2016	2017
Estimated Employee Premium	\$0.00	\$0.00	\$40.00	\$40.00
Monthly Earnable Premium Credits	2014	2015	2016	2017
Healthy Activity #1: Non-Tobacco User or QuitlineNC Enrollment	\$0	\$0	\$40	\$40
Total Available Monthly Premium Credits	\$0	\$0	\$40	\$40
Net Employee Premium With All Credits	\$0.00	\$0.00	\$0.00	\$0.00

Note: The wellness premium and tobacco attestation credit do not apply to retirees enrolled in the Traditional 70/30 plan

Delay Tobacco Attestation Requirement

- Transitioning the Eligibility and Enrollment Services (EES) contract necessitates reconsideration of the timing of the tobacco attestation requirement for the Traditional 70/30 plan.
- The Plan's agency partners, including the Office of State Controller/ BEACON, UNC System and local education agencies must reconfigure payroll and related systems to accommodate the new premium and credit.
- Given the need to focus time and resources on the EES transition, a delay in the effective date of the tobacco attestation requirement is warranted.
- The delay will not have a significant impact on the actuarial forecast or required premium increase for calendar year 2016.

Wellness Premium Credits – Traditional 70/30 Plan

Active Employee Coverage Only – Revised Proposal

Wellness Design	2014	2015	2016	2017
Estimated Employee Premium	\$0.00	\$0.00	\$0.00	\$40.00
Monthly Earnable Premium Credits	2014	2015	2016	2017
Healthy Activity #1: Non-Tobacco User or QuitlineNC Enrollment	\$0	\$0	\$0	\$40
Total Available Monthly Premium Credits	\$0	\$0	\$0	\$40
Net Employee Premium With All Credits	\$0.00	\$0.00	\$0.00	\$0.00

Note: The wellness premium and tobacco attestation credit do not apply to retirees enrolled in the Traditional 70/30 plan

Recommendation

Plan staff recommends delaying the creation of the \$40 wellness premium and corresponding tobacco attestation credit on the Traditional 70/30 Plan until January 1, 2017.

Note: Previously approved increases to member cost sharing including copays, deductible, coinsurance maximums and pharmacy out-of-pocket maximums will remain unchanged and become effective January 1, 2016.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Proposed Premium Contribution Rates for 2016

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Presentation Overview

- Background:
 - State and National Premium Increases
 - 2014 and 2015 Rate Structure for Permanent Employees and Retirees
- Traditional Approach to Premium Increases
- Operational Implications and Member Communications
- Rates for Self-funded Plans (CDHP, Enhanced 80/20, and Traditional 70/30)
- Rates for Medicare Advantage-Prescription Drug Programs (MA)
- Rates for Member Groups Not Eligible for Full Employer Share (100% contributory, 50% contributory, etc.)
- Rates for Non-permanent Employees (HDHP)
- Staff Recommendations
- Impact of Proposal and State Budget Process
 - Potential Scenarios
- Board Discussion (**Requires a Board Vote**)

State and National Trends in Premium Increases

- North Carolina Employer Trends (data from CAI)
 - 2015 trends
 - Individual – 4.9% (higher for renewals)
 - Family – 4.4% (higher for renewals)
 - Trend from 2008 to 2015 = 37% (or about 5% annually)
- 2015 North Carolina Exchange
 - BCBSNC – over 30%
- National trends in projected 2015 and 2016 premium increases (data from The Segal Company):
 - 7.8% for medical PPOs
 - 8.5% to 11.5% in pharmacy

2014 and 2015 Premium Rate Structure

Permanent Employees and Retirees

Employee/Retiree Premiums

Active Employees and Non-Medicare Retirees

		Participation in Wellness Activities							
Wellness Activities		All Three	Two Activities Completed			One Activity Completed			None
Smoking Attestation		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			
PCP Selection		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
HA Completion		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	
Health Plan	Employer Share	Employee/Retiree Share							
	\$448.12	\$13.56	\$28.56	\$28.56	\$33.56	\$43.56	\$48.56	\$48.56	\$63.56
	\$448.12	\$0.00	\$10.00	\$10.00	\$20.00	\$20.00	\$30.00	\$30.00	\$40.00

Alternate Plan

Traditional 70/30 Plan

Employer Share	Employee/Retiree Share
\$448.12	\$0.00

Medicare Retirees

Medicare Advantage Plans

MA-PDP Base Plan

MA-PDP Enhanced Plan

Alternate Plan

Traditional 70/30 Plan

\$348.24	\$0.00
\$348.24	\$33.00
\$348.24	\$0.00

Total Employee/Retiree Contribution =

**Employee/Retiree Share
of the Employee/Retiree Premium**

+

Dependent Premium

Red lettering indicates a new offering from the State Health Plan.

Dependent Premiums

Dependent Group

Employee/Retiree + Child(ren)

Employee/Retiree + Spouse

Employee/Retiree + Family

All Dependents are Non-Medicare		
Non-Medicare Plan		
Enhanced 80/20	CDHP	Traditional 70/30
\$272.80	\$184.60	\$205.12
\$628.54	\$475.68	\$528.52
\$666.38	\$506.64	\$562.94

One or More Medicare Dependents		
Medicare Plan		
MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
\$114.50	\$147.50	\$145.94
\$114.50	\$147.50	\$383.72
\$229.00	\$295.00	\$418.10

Traditional Approach to Premium Increases

- The State budget bill sets the maximum total employer contribution for each fiscal year of the biennium
- Historically, percentage increases in the State's employer contribution and employee/retiree/dependent premiums have been the same and are typically based on the actuarial forecast
- Because the State budget for the 2015-17 fiscal biennium has not been finalized and the amount of the employer contribution is in controversy, the Plan needs to consider a departure from this approach

Operational Implications and Member Communication

- The Plan needs to finalize premium contribution rates for 2016 to allow time for:
 - Member communications
 - Printing/mailing materials
 - Updating the eligibility and enrollment, and billing systems
- Waiting any longer will jeopardize the Plan's ability to effectively administer and communicate the CY 2016 benefit design options and premiums and puts the Plan's financial stability at risk
- Staff proposes the Board approve increases to member premium rates without a commitment from the General Assembly to increase employer contributions

Proposed Rates for Self-Funded Plans: CDHP, Enhanced 80/20, and Traditional 70/30

- **Proposed rates reflect a 2.83% increase to:**
 - Base employee premiums:
 - Enhanced 80/20 Plan (\$23.56 in CY 2015)
 - All dependent tiers:
 - CDHP
 - Enhanced 80/20 Plan
 - Traditional 70/30 Plan (Medicare and non-Medicare dependent rates)
- **Proposed percentage increase:**
 - Maintains the existing coverage tiers and rate structure
 - Will be combined with the Board approved wellness premium/credit structure for the CDHP and Enhanced 80/20 Plan
 - Is consistent with the CY 2015 Q2 forecast update and the traditional approach for determining member premium increases

Proposed Rates for Medicare Advantage Plans: Base and Enhanced

- Proposed rates will:
 - Maintain the \$0 retiree premium for MA Base plans
 - Increase the buy-up cost for MA Enhanced plans to reflect rates negotiated with carriers
 - Increase dependent premiums to cover the full cost of MA coverage
 - Increase the per member per month administrative fee for dependent coverage from \$2.50 to \$4.00

Proposed 2016 Medicare Advantage Rates

Coverage Tier	Base Plans			Enhanced Plans		
	2015	2016	% Chg	2015	2016	% Chg
Retiree Only	\$0	\$0	--	\$33.00	\$66.00	100.0%
Retiree + Spouse	\$114.50	\$132.00	15.3%	\$180.50	\$264.00	46.3%
Retiree + Children	\$114.50	\$132.00	15.3%	\$180.50	\$264.00	46.3%
Retiree + Family	\$229.00	\$264.00	15.3%	\$328.00	\$462.00	40.9%

- The proposed rates result in large increases for dependent coverage and coverage in the MA Enhanced plans
 - However, the increases are necessary to provide financial stability for our MA partners, and the premium strategy furthers the sustainability of MA as a long-term option
- Even with the increases, Medicare retirees maintain a high-quality, premium-free option for individual coverage and high-quality, less expensive options for spousal coverage

Proposed 2016 Premium Rates: Permanent Employees and Retirees

Employee/Retiree Premiums										
Active Employees and Non-Medicare Retirees										
Wellness Plans	Participation in Wellness Activities									
	Wellness Activities	All Three	Two Activities Completed			One Activity Completed			None	
	Tobacco Attestation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	PCP + Learning Module	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	HA Completion	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Employer Share*		Employee/Retiree Share								
Enhanced 80/20 Plan		\$448.12	\$14.20	\$39.20	\$39.20	\$54.20	\$64.20	\$79.20	\$79.20	\$104.20
Consumer-Directed Health Plan		\$448.12	\$0.00	\$20.00	\$20.00	\$40.00	\$40.00	\$60.00	\$60.00	\$80.00
Alternate Plan		Employer Share*	Employee/Retiree							
Traditional 70/30 Plan		\$448.12	\$0.00							
Medicare Retirees										
Medicare Advantage Plans		Employer Share*	Retiree Share							
MA-PDP Base Plan		\$348.24	\$0.00							
MA-PDP Enhanced Plan		\$348.24	\$66.00							
Traditional 70/30 Plan		\$348.24	\$0.00							
Total Employee/Retiree Contribution =										
Employee/Retiree Share of the Employee/Retiree Premium										
+										
Dependent Premium										

Total Employee/Retiree Contribution =

**Employee/Retiree Share
of the Employee/Retiree Premium**

+

Dependent Premium

Dependent Premiums						
Dependent Group	All Dependents are Non-Medicare			One or More Medicare Dependents		
	Non-Medicare Plan			Medicare Plan		
	Enhanced 80/20	CDHP	Traditional 70/30	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
	Employee/Retiree + Child(ren)	\$280.52	\$189.82	\$210.92	\$132.00	\$198.00
Employee/Retiree + Spouse	\$646.32	\$489.14	\$543.46	\$132.00	\$198.00	\$394.56
Employee/Retiree + Family	\$685.22	\$520.96	\$578.86	\$264.00	\$396.00	\$429.92

*The 2014 and 2015 Employer Contribution is shown. An increase in the employer share could be approved at a later date if the final State Budget provides for an increase in the 2016 contribution.

Consumer-Directed Health Plan Subscribers

Proposed 2016 Employee/Retiree Premium Rates

Wellness Activities	Participation in Wellness Activities							
	All 3	Two Activities Completed			One Activity Completed			None
Tobacco Attestation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			
PCP + Learning Module	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
HA Completion	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	

Non-Medicare for Employee/Retiree and Dependent(s)

Employee/Retiree Only	\$0.00	\$20.00	\$20.00	\$40.00	\$40.00	\$60.00	\$60.00	\$80.00
Employee/Retiree + Child(ren)	\$189.82	\$209.82	\$209.82	\$229.82	\$229.82	\$249.82	\$249.82	\$269.82
Employee/Retiree + Spouse	\$489.14	\$509.14	\$509.14	\$529.14	\$529.14	\$549.14	\$549.14	\$569.14
Employee/Retiree + Family	\$520.96	\$540.96	\$540.96	\$560.96	\$560.96	\$580.96	\$580.96	\$600.96

Medicare Primary for One or More Dependent(s)

Medicare Advantage Base Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$132.00	\$152.00	\$152.00	\$172.00	\$172.00	\$192.00	\$192.00	\$212.00
Employee/Retiree + Spouse	\$132.00	\$152.00	\$152.00	\$172.00	\$172.00	\$192.00	\$192.00	\$212.00
Employee/Retiree + Family	\$264.00	\$284.00	\$284.00	\$304.00	\$304.00	\$324.00	\$324.00	\$344.00

Medicare Advantage Enhanced Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$198.00	\$218.00	\$218.00	\$238.00	\$238.00	\$258.00	\$258.00	\$278.00
Employee/Retiree + Spouse	\$198.00	\$218.00	\$218.00	\$238.00	\$238.00	\$258.00	\$258.00	\$278.00
Employee/Retiree + Family	\$396.00	\$416.00	\$416.00	\$436.00	\$436.00	\$456.00	\$456.00	\$476.00

Traditional 70/30 Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$150.06	\$170.06	\$170.06	\$190.06	\$190.06	\$210.06	\$210.06	\$230.06
Employee/Retiree + Spouse	\$394.56	\$414.56	\$414.56	\$434.56	\$434.56	\$454.56	\$454.56	\$474.56
Employee/Retiree + Family	\$429.92	\$449.92	\$449.92	\$469.92	\$469.92	\$489.92	\$489.92	\$509.92

Enhanced 80/20 Plan Subscribers

Proposed 2016 Employee/Retiree Premium Rates

Wellness Activities	Participation in Wellness Activities							
	All 3	Two Activities Completed			One Activity Completed			None
Tobacco Attestation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			
PCP + Learning Module	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
HA Completion	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	

Non-Medicare for Employee/Retiree and Dependent(s)

Employee/Retiree Only	\$14.20	\$39.20	\$39.20	\$54.20	\$64.20	\$79.20	\$79.20	\$104.20
Employee/Retiree + Child(ren)	\$294.72	\$319.72	\$319.72	\$334.72	\$344.72	\$359.72	\$359.72	\$384.72
Employee/Retiree + Spouse	\$660.52	\$685.52	\$685.52	\$700.52	\$710.52	\$725.52	\$725.52	\$750.52
Employee/Retiree + Family	\$699.42	\$724.42	\$724.42	\$739.42	\$749.42	\$764.42	\$764.42	\$789.42

Medicare Primary for One or More Dependent(s)

Medicare Advantage Base Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$146.20	\$171.20	\$171.20	\$186.20	\$196.20	\$211.20	\$211.20	\$236.20
Employee/Retiree + Spouse	\$146.20	\$171.20	\$171.20	\$186.20	\$196.20	\$211.20	\$211.20	\$236.20
Employee/Retiree + Family	\$278.20	\$303.20	\$303.20	\$318.20	\$328.20	\$343.20	\$343.20	\$368.20

Medicare Advantage Enhanced Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$212.20	\$237.20	\$237.20	\$252.20	\$262.20	\$277.20	\$277.20	\$302.20
Employee/Retiree + Spouse	\$212.20	\$237.20	\$237.20	\$252.20	\$262.20	\$277.20	\$277.20	\$302.20
Employee/Retiree + Family	\$410.20	\$435.20	\$435.20	\$450.20	\$460.20	\$475.20	\$475.20	\$500.20

Traditional 70/30 Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$164.26	\$189.26	\$189.26	\$204.26	\$214.26	\$229.26	\$229.26	\$254.26
Employee/Retiree + Spouse	\$408.76	\$433.76	\$433.76	\$448.76	\$458.76	\$473.76	\$473.76	\$498.76
Employee/Retiree + Family	\$444.12	\$469.12	\$469.12	\$484.12	\$494.12	\$509.12	\$509.12	\$534.12

Traditional 70/30 Plan Subscribers (*Non-Medicare*)

Proposed 2016 Employee/Retiree Premium Rates

Non-Medicare for Employee/Retiree and Dependent(s)

Employee/Retiree Only	\$0.00
Employee/Retiree + Child(ren)	\$210.92
Employee/Retiree + Spouse	\$543.46
Employee/Retiree + Family	\$578.86

Medicare Primary for One or More Dependent(s)

Medicare Advantage Base Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$132.00
Employee/Retiree + Spouse	\$132.00
Employee/Retiree + Family	\$264.00

Medicare Advantage Enhanced Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$198.00
Employee/Retiree + Spouse	\$198.00
Employee/Retiree + Family	\$396.00

Traditional 70/30 Plan for Medicare Primary Dependents

Employee/Retiree + Child(ren)	\$150.06
Employee/Retiree + Spouse	\$394.56
Employee/Retiree + Family	\$429.92

Medicare Primary Subscribers

Proposed 2016 Premium Rates

	Medicare Plan		
	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
Medicare Primary for Retiree and One or More Dependent(s)			
Retiree Only	\$0.00	\$66.00	\$0.00
Retiree + Child(ren)	\$132.00	\$264.00	\$150.06
Retiree + Spouse	\$132.00	\$264.00	\$394.56
Retiree + Family	\$264.00	\$462.00	\$429.92
Dependent(s) are Non-Medicare			
<i>Enhanced 80/20 Plan for Dependents</i>			
Retiree + Child(ren)	\$280.52	\$346.52	\$280.52
Retiree + Spouse	\$646.32	\$712.32	\$646.32
Retiree + Family	\$685.22	\$751.22	\$685.22
<i>Consumer-Directed Health Plan for Dependents</i>			
Retiree + Child(ren)	\$189.82	\$255.82	\$189.82
Retiree + Spouse	\$489.14	\$555.14	\$489.14
Retiree + Family	\$520.96	\$586.96	\$520.96
<i>Traditional 70/30 Plan for Dependents</i>			
Retiree + Child(ren)	\$210.92	\$276.92	\$210.92
Retiree + Spouse	\$543.46	\$609.46	\$543.46
Retiree + Family	\$578.86	\$644.86	\$578.86

Calculation of Rates for Other Member Groups

- Traditionally, rates for other member groups are determined after there is a commitment for a specific employer contribution. With the State budget still in progress, staff proposes using the CY 2015 employer contribution to build rates for these groups.

Proposed Rates:

- **100% contributory subscribers pay:** the rates shown in the charts + \$448.12 for non-Medicare members or \$348.24 for Medicare primary members (the CY 2015 employer contributions)
- **50% contributory subscribers pay:** the rates shown in the charts + \$224.06 for non-Medicare members or \$174.12 for Medicare primary members (50% of the CY 2015 employer contributions)
- **COBRA subscribers pay:** the 100% contributory rates
Exceptions: COBRA, 100% contributory, and 50% contributory members in an MA plan may not pay more than the premiums associated with the MA plans (plus the additional Plan administrative fee)
- **National Guard, firefighters, and emergency medical personnel pay:**
 - The base premium rates
 - \$24.20 employee premium on the Enhanced 80/20 Plan
 - Dependent rates as shown on page 9
 - + \$448.12 (the CY 2015 employer contribution for active employees)
 - + an additional 20% rate factor to protect against adverse selection (See §135-48.58 NC General Statutes)
 - The wellness premium structure would then overlay these rates

2015 Premium Rate Structure

Non-Permanent Employees/High Deductible Health Plan



HIGH DEDUCTIBLE HEALTH PLAN*

MONTHLY PREMIUM RATES

January 1, 2015 - December 31, 2015

Coverage Type	Employer Share	Employee Monthly Premium	Dependent Monthly Premium	Total Monthly Employee Premium
Employee-only	\$117.62	\$92.38	N/A	\$92.38
Employee + Child(ren)	\$117.62	\$92.38	\$169.78	\$262.16
Employee + Spouse	\$117.62	\$92.38	\$376.56	\$468.94
Employee + Family	\$117.62	\$92.38	\$470.56	\$562.94

*The HDHP benefit option will be available only to employees eligible for coverage under G.S. §135 48.40(e)

Proposed Rates for High Deductible Health Plan

- Proposed rates reflect a 2.83% increase in the *total premiums* for the HDHP
- To stay within the ACA affordability safe harbor, the employee share of the employee only premium may not exceed \$93.16 per month (9.5% of the federal poverty level); this is a 0.84% increase over the 2015 employee premium of \$92.38
- This requires an increase to the employer contribution from \$117.62 to \$122.78 (a 4.4% increase)
- Proposed approach:
 - Uses the same percentage increase as other self-funded plans (2.83%)
 - Maintains the existing coverage tiers and rate structure
 - Acknowledges the limited experience with the HDHP and does not adjust the rate structure to reflect the experience to date
 - Continues to meet the objective to limit the employer contribution for non-permanent employees

High Deductible Health Plan Subscribers

Proposed 2016 Rates

Coverage Tier	Total Monthly Premium	Employer Contrib.	Employee Monthly Premium	Dependent Monthly Premium	Employee Monthly Amount
Employee Only	\$215.94	\$122.78	\$93.16	N/A	\$93.16
Employee + Child(ren)	\$390.52	\$122.78	\$93.16	\$174.58	\$267.74
Employee + Spouse	\$603.16	\$122.78	\$93.16	\$387.22	\$480.38
Employee + Family	\$699.82	\$122.78	\$93.16	\$483.88	\$577.04

Increases from 2015 rates

Coverage Tier	Total Monthly Premium	Employer Contrib.	Employee Monthly Premium	Dependent Monthly Premium	Employee Monthly Amount
Employee Only	2.8%	4.4%	0.8%	--	0.8%
Employee + Child(ren)	2.8%	4.4%	0.8%	2.8%	2.1%
Employee + Spouse	2.8%	4.4%	0.8%	2.8%	2.4%
Employee + Family	2.8%	4.4%	0.8%	2.8%	2.5%

2016 Premium Contribution Rate Recommendations

Staff Recommendations:

1. Approve 2.83% member premium rate increases on the self-funded benefit options administered by BCBSNC for January 1, 2016, as shown on pages 9-13 of the presentation.
2. Approve increases in member Medicare Advantage rates to reflect 2016 MA renewal rates, as shown on pages 8, 9, and 13 of the presentation.
3. Approve increases in the “other member groups,” as described on page 14 of the presentation.
4. Approve a 2.83% increase in the total monthly premium rate for HDHP, with increases for employers and employees as shown on page 17 of the presentation.
5. Authorize the Executive Administrator to alter group billing rates effective January 1, 2016 to reflect any increase in the maximum employer contribution enacted by the General Assembly for fiscal year 2015-16 when it becomes law, except rates for “other member groups” will remain the same as described on page 14 of the presentation.

Impact of Proposal and State Budget Process

- House and the Senate budgets include provisions that address the Plan's financial future, but take different approaches
 - Based on actuarial projections, to alter the current financial course (i.e. reduce projected premium increases for the 2017-19 fiscal biennium), the Plan would need to begin to reduce costs and/or increase premiums paid by members in the current biennium
 - 2016 benefits have been set by the Board
 - Provider payment strategies are attractive long-term solutions, but major changes (and results) are still several years off
 - Member premiums offer the best short-term opportunity, under the Plan's control, to impact CY 2016 finances
- The proposed contribution rates move forward on premiums for CY 2016 and help address operational implications associated with a continued delay while the General Assembly deliberates the employer contribution and budget special provisions

Impact of Proposal and State Budget Process

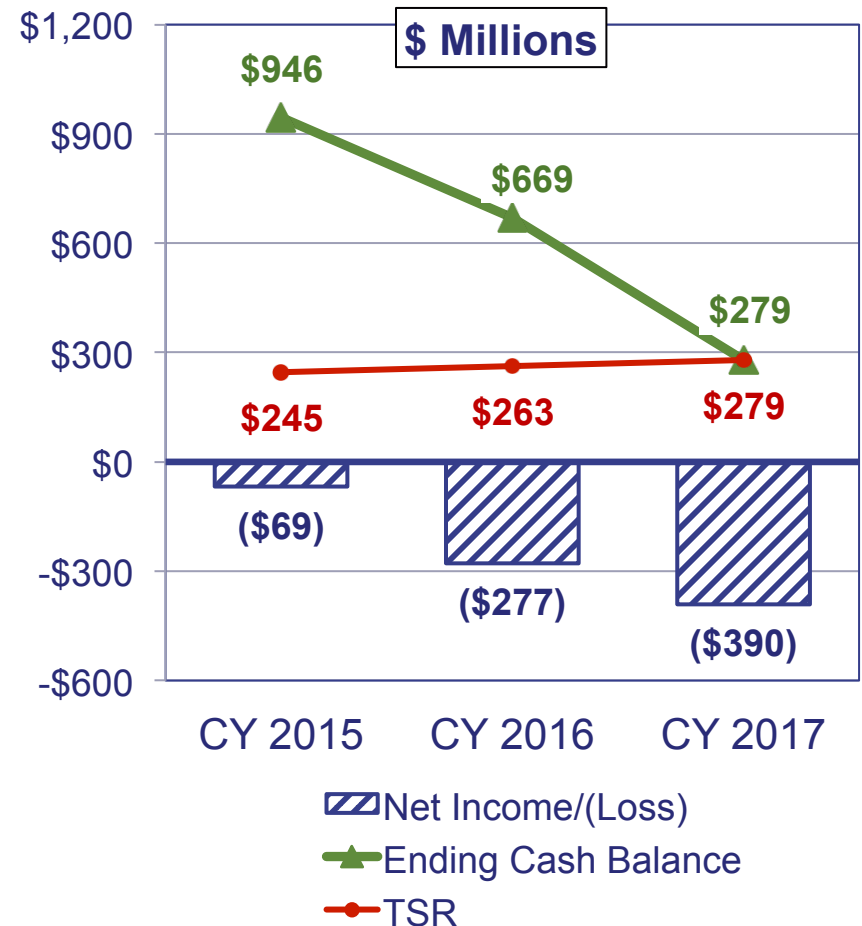
- While the proposed increases in member premium rates are consistent with the actuarial forecast, the revenue impact will be minimal compared to the required increase associated with the State's employer share
- If the General Assembly does not fully fund required increases in employer contributions for CYs 2016 and 2017, the Plan will need to evaluate options for CY 2017
- Degree and extent of benefit changes and/or premium increases required for CY 2017 to ensure financial stability (i.e. meet the Target Stabilization Reserve, TSR) will depend on the amount of any increase in the employer contribution approved by the General Assembly

Implications of Proposal and State Budget Process

With Traditional Funding Approach *(House Budget)*

The traditional funding model based on actuarial forecast (2.83% increase in employer contribution), absent any reductions in the coming biennium, would have the following impacts on the Plan:

- **Grandfather Status**
Maintained for Enhanced 80/20 and Traditional 70/30 Plans
- **CY 2017 Required Employee and Employer Premium Increase**
2.83%
- **Additional revenue/savings needed to meet December 31, 2017 TSR**
\$0

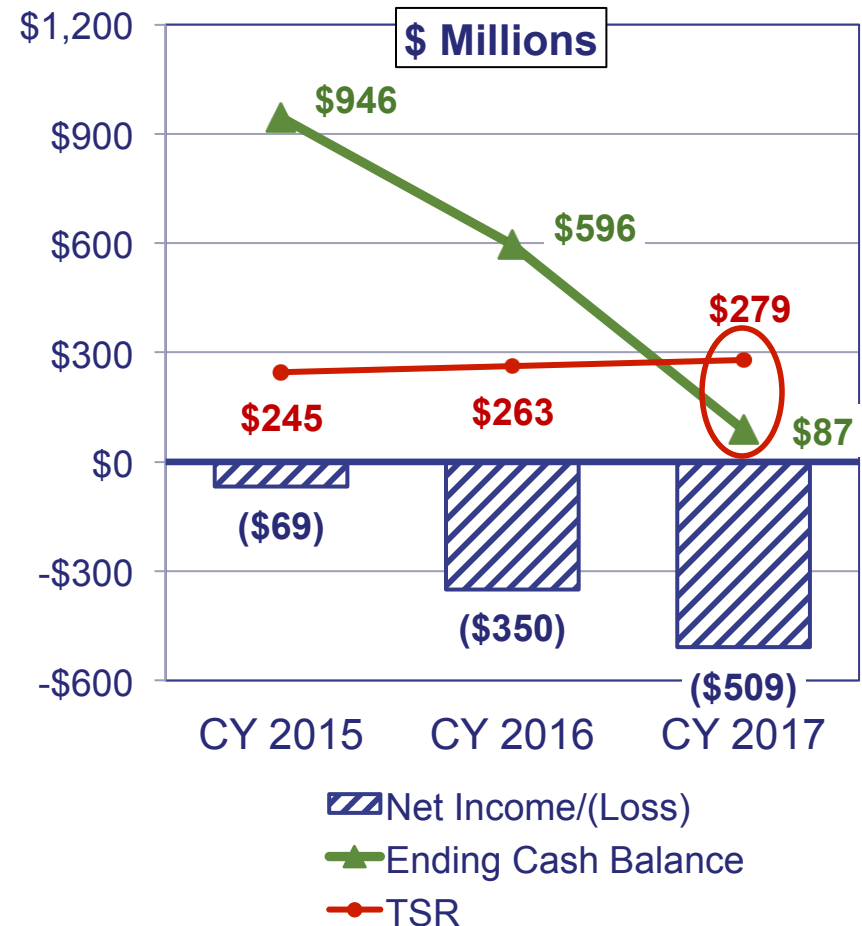


Implications of Proposal and State Budget Process

With No Increases in Employer Contribution *(Senate Budget)*

A 0% increase to the employer contribution would have the following impacts on the Plan:

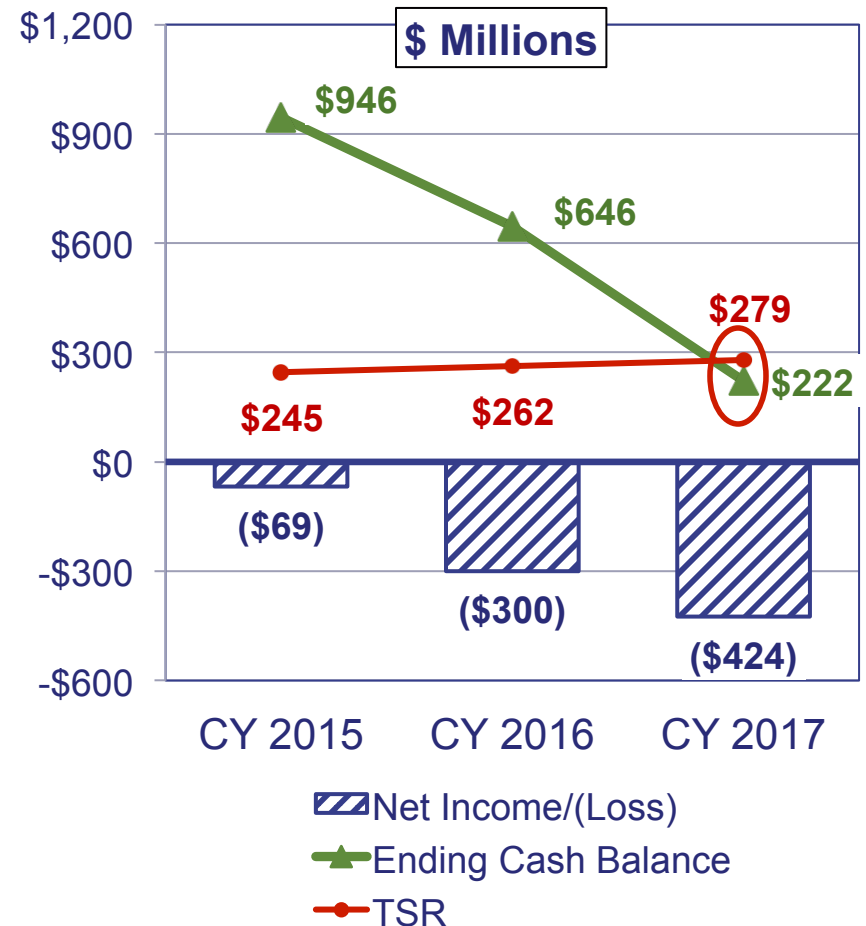
- **Grandfather status**
Loss of status for the Enhanced 80/20 in 2016 (minimum financial impact)
- **CY 2017 Required Employee and Employer Premium Increase**
7.68%
- **Additional revenue/savings needed to meet December 31, 2017 TSR**
\$192 million
(assumes employee premiums increase 7.68% in 2017)



Implications of Proposal and State Budget Process With 2% Annual Increases in Employer Contribution

A 2% annual increase to the employer contribution would have the following impacts on the Plan

- **Grandfather status**
Loss of status for the Enhanced 80/20 in 2016 (minimum financial impact)
- **CY 2017 Required Employee and Employer Premium Increase**
4.22%
- **Additional revenue/savings needed to meet December 31, 2017 TSR**
\$57 million
(assumes employee premiums increase 4.22% in 2017)



Implications of Proposal and State Budget Process

Comparison of Potential Scenarios

If the General Assembly follows the traditional funding model or provides for some increase in the employer contribution for CY 2016, required premium increases will be smaller in CY 2017 than without an increase in the employer contribution

	Employer Contributions		
	Traditional Funding Approach	2% Annual Increases	No Increases
CY 2016			
Increase in Employer Contribution	2.83%	2%	0%
CY 2017			
Required Premium Increases	2.83%	4.22%	7.68%
Assumed Increase in Employer Contribution	2.83%	2%	0%
Assumed Employee and Dependent Increase	2.83%	4.22%	7.68%%
Benefit Reductions Needed to Meet 12/31/17 TSR	\$0	\$56.7M	\$192.1M

Board Discussion and Vote



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Proposed Benefit Change: Out-of-Network Independent Labs

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Presentation Overview

- Background – Out-of-network lab payments
- Blue Cross Blue Shield of North Carolina's (BCBSNC) new fee schedule for out-of-network labs
- BCBSNC's new payment policy for out-of-network labs
- Member Experience and Impact
- Recommendation

Out-of-Network Independent Labs: Background

- Historically, the State Health Plan (Plan) has followed BCBSNC's policy of paying out-of-network (OON) independent labs that were ordered by an in-network provider during an office visit, as in-network. Additionally, those out-of-network lab claims were paid at 100% of billed charges.

Example: Traditional Processing of OON Independent Lab		
	In-Network	Out of Network
Lab Test Charge	\$300.00	\$300.00
BCBSNC Allowed Amount	\$30.00	\$300.00
Member Responsibility	0% coinsurance, \$0.00	0% coinsurance, \$0.00
Member pays	\$0.00	\$0.00
Plan pays	\$30.00	\$300.00
Additional amount that the independent lab may bill the member	\$0.00	\$0.00

What are independent laboratories, and what services do they provide?

Independent laboratories (also known as independent laboratory facilities or reference laboratories) perform laboratory tests. These tests may include anything from simple blood analyses to drug screenings.

Out-of-Network Independent Labs: Fee Schedule

- On July 15, 2015, BCBSNC implemented an out-of-network labs fee schedule. The fee schedule applies to all BCBSNC commercial business in the individual and group markets, as well as the State Health Plan (Plan), the Federal Employee Program, and BlueCard®. The use of out-of-network fee schedules or other forms of price caps for out-of-network fees is a widely adopted industry practice.
- This change will result in meaningful savings to the Plan. Based on the Plan's out-of-network lab claims incurred in 2014, BCBSNC estimates a savings of \$13,418,181 per year to the Plan.
- This change could also result in increased cost share for the member if the provider chooses to balance bill the member the amount above the fee schedule.

Example: Processing of OON Independent Lab with Fee Schedules Applied		
	In-Network	Out of Network
Lab Test Charge	\$300.00	\$300.00
BCBSNC Allowed	\$30.00	\$30.00
Member Responsibility	0% coinsurance, \$0.00	0% coinsurance, \$0.00
Member pays	\$0.00	\$0.00
Plan pays	\$30.00	\$30.00
Additional amount that the reference lab may bill the member	\$0.00	\$270.00

Out-of-Network Independent Labs: Pay at OON Coinsurance

- Effective January 1, 2016, BCBSNC will make additional changes that will bring out-of-network independent lab claims processing more in line with industry payment policies.
- These claims will no longer be paid at the in-network coinsurance. Instead they will be paid at the appropriate out-of-network coinsurance.

Example: Processing of OON Independent Lab at the OON Coinsurance with Fee Schedules Applied		
	In-Network	Out of Network
Lab Test Charge	\$300.00	\$300.00
BCBSNC Allowed	\$30.00	\$30.00
Member Responsibility	0% coinsurance, \$0.00	40% (coinsurance after deductible)
Member pays	\$0.00	\$12.00
Plan pays	\$30.00	\$18.00
Additional amount that the reference lab may bill the member	\$0.00	\$270.00

Out-of-Network Independent Labs: OON Coinsurance

How Can Members Avoid Increased OON expenses?

- **Talk to Their Provider**– In-network providers are required by their BCBSNC provider agreement to refer BCBSNC members to other in-network providers, including labs. If they don't use an in-network lab to pick up lab samples collected at their office, members have the option of asking their provider for an order to have the lab test analysis performed at a participating lab.
- **Use Online Tools** – Members can check BCBSNC's online provider search tool to find in-network independent labs.
- **Call Customer Service** – Members can also call the phone number on their ID cards for assistance in locating an in-network independent lab.

Out-of-Network Independent Labs: OON Coinsurance

What if...

- **A member's provider sends the samples to an out-of-network lab, and the member didn't even know about it?**

Members should contact their provider to discuss their concerns. Members may also contact BCBSNC Customer Service via the toll-free number listed on their ID card to let BCBSNC know an in-network provider is using an out-of-network lab for their BCBSNC patients. BCBSNC will follow up with the provider to ensure they understand the terms of their provider participation agreement with BCBSNC.

- **A member has been using an out-of-network lab for chronic condition testing for years and does not want to switch?**

Members can continue to use any provider or lab they wish, but should be aware of the additional financial responsibility on their part associated with using an out-of-network lab.

Out-of-Network Independent Labs: OON Coinsurance

How will this change be communicated?

- **Providers:** BCBSNC has begun an extensive communication campaign with providers.
- **Members:** If the benefit change is approved, in addition to updating the benefit book, the benefit change will be highlighted in communication materials to members and will be featured as a health plan literacy item with HBRs and members.

Out-of-Network Independent Labs Recommendation

In order to fully participate in BCBSNC's new out-of-network independent lab payment policy and bring Plan coverage of out-of-network labs more in line with the industry standard, a benefit change is required.

Plan staff recommends that out-of-network lab services be paid at out-of-network cost share, effective January 1, 2016.

Encouraging members to use high quality, in-network providers is a goal of the Plan's ongoing health literacy campaign and in line with the strategic priority of ensuring a financially stable health plan.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Health Engagement Program

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

2016 Health Engagement Program

- Board Approved Health Engagement Program for 2016
 - *For All Members (≥ 18 yrs.) in the Consumer-Directed Health Plan (CDHP)*
 - *For Members with select Chronic Conditions in the CDHP*
- Incent health engagement, healthy behaviors, and high value medical care
- Program to be delivered by the Plan's Population Health Management Vendor, ActiveHealth Management (AHM), and incentives delivered in coordination with Third Party Administrator, Blue Cross and Blue Shield of NC (BCBSNC)

Health Engagement Program:

Healthy Lifestyles All Members Component

- Available to all CDHP members, 18 years and older
 - Members can enroll online anytime during the calendar year; activities are incented only after enrollment
 - Members encouraged to complete Health Assessment at enrollment
 - Enrolled members stay enrolled for the Plan benefit year
 - Members must complete activities within a calendar quarter to earn incentive
- Incented activities include:
 - Engagement with Lifestyle Coach
 - Tracking physical activity and/or nutrition
 - Activities tracked on Personal Health Portal, through a free app, or with a wearable device

Note: The Plan is exploring another option for physical activity and nutrition engagement through BCBSNC that, if feasible, will be brought to the Board for approval at a later date.

Healthy Lifestyles All Members Tracking Activities

- **Lifestyle Coach:** Can have as many calls as needed, third call triggers incentive.
- **Physical Activity:** Track 30 minutes of activity (any kind of physical activity) or 5,000 steps a day for minimum of 46 days over a 13 week period (50% tracking required to earn incentive).
 - This allows members to track activity intermittently, rather than continuously, allowing flexibility for the member
- **Nutrition:** Track daily intake (calories) for a minimum of 46 days over a 13 week period (50% tracking required to earn incentive)
 - Unlike physical activity, a minimum or maximum has not been assigned for caloric intake
 - *Year 1 goal is to raise awareness and mindfulness of one's daily intake*

Personal Health Portal Apps and Devices

App/Device Name	Physical Activity Tracker	Nutrition Tracker
Fitbit Ultra	√	√
Fitbit One	√	√
Fitbit Zip	√	
Fitbit Flex	√	
Fitbit Force	√	√
Fitbit Surge	√	√
Fitbit Charge	√	√
Fitbit Charge HR	√	√
Withings Pulse	√	
UP and UP24 by Jawbone	√	
iHealth Activity and Sleep	√	
Misfit Shine	√	
RunKeeper	√	
MapMyFitness	√	
MyFitnessPal	√	√
Garmin FR60	√	
Garmin FR70	√	
Garmin Forerunner	√	√
Garmin Forerunner 10, 15, 50, 101, 201, 205, 210, 220, 301, 305, 405, 410, 610, 910XT, 920XT,	√	√
Garmin Edge 200, 500, 510, 800, 810, Fenix 2	√	
Garmin vivofit, vivoki	√	
Garmin vivosmart	√	√

Health Lifestyles All Members Incentives

Healthy Lifestyles Component for All Members	Participation in Lifestyle Coaching (3rd call is incentivized) Earn up to 1 per CY	Participation in Tracking Exercise AND/OR Nutrition Earn up to 1 per Quarter Total of 4 per CY	Potential Total Incentive Funds Earned Per CY
Incentive Amount	\$25	\$25	
Total Incentive Funds Available per Calendar Year (CY)	\$25	\$100	\$125

Health Engagement Program: Chronic Condition Component

- Available to all CDHP members, 18 years and older
- Program is designed for members with high prevalence high cost chronic conditions (e.g. Diabetes, Asthma)
 - Members enroll by calling AHM at 800-817-7044
 - Members enroll on a rolling calendar year
 - Members must complete HA to enroll
- Diagnosis of one or more of following conditions:
 - Diabetes
 - Hypertension
 - COPD
 - Asthma
 - Coronary Artery Disease
 - Hyperlipidemia
 - Congestive Heart Failure

Chronic Condition Component Activities

- Incented activities include:
 - 2 Nurse Coach calls (initial call and follow up at or after 6 months)
 - 2 Primary Care Provider visits (initial and follow up at or after 6 months)
 - Complete the clinically recommended lab work for their condition(s)
 - Complete recommended treatments and education for their condition(s)
- Completion of activities validated through claims or through calls with Nurse Coach
- Weekly data file on completion to BCBSNC and Health Equity
- As members complete each activity their incentive will be processed

Requirements by Chronic Condition

	Education & Treatments by Health Status						
Activity	Diabetes	COPD	Asthma	HTN	Hyperlipidemia	CHF	CAD
	Every enrolled member must complete.						
Health Assessment*	If member has not completed at time of enrollment, Nurse Coach will require completion.						
Nurse Coach Calls							
1 st Call with Nurse Coach	X	X	X	X	X	X	X
2 nd Call with Nurse Coach, > 160 days after 1 st	X	X	X	X	X	X	X
Primary Care Provider (PCP) Visits							
1 st PCP Visit	X	X	X	X	X	X	X
2 nd PCP Visit; > 160 days after 1 st visit	X	X	X	X	X	X	X
Labs							
1 st HbA1c	X						
2 nd HbA1c, > 160 days after 1 st	X						
Lipid Panel	X				X		X
Urinalysis				X			
Urine Microalbumin	X						
CBC						X	X
Metabolic Panel						X	
Education/Treatments							
DSME	X						
Spirometry/Oximetry		X	X				
Asthma Action Plan			X				
Asthma Controller Meds			X				
Peak Flow Assessment			X				
Monitoring Blood Pressure				X		X	
ACE/ARB Medications						X	
ASA Therapy							X
Diet Modification*	X			X	X		
Weight Management*	X			X	X		
Physical Activity*	X	X		X	X	X	X
* These activities are part of the Health Coach call and are not incentivized separately under the Chronic Condition component of the Health Engagement Program. Tracking nutrition, physical activity and engaging with lifestyle coach are incentivized under the all member program.							

Chronic Condition Component Incentive Amounts

Incentive Amounts for Chronic Condition Program						
Disease/Condition	2 HC Calls ¹ (\$25 x2)	2 Primary Care Visits (\$25 x 2)*	Labs	Education/ Treatment	Potential 'Earned Incentive'	Estimated Cost of Incentivized Services (includes Medications)
Incentive Amount per item	\$25	\$25	\$30	\$30		
Diabetes	\$50	\$50	\$120	\$30	\$250	\$1,399
COPD	\$50	\$50	\$0	\$30	\$130	\$1,383
Asthma	\$50	\$50	\$0	\$120	\$220	\$865
HTN	\$50	\$50	\$30	\$30	\$160	\$830
Hyperlipidemia	\$50	\$50	\$30	\$0	\$130	\$317
CHF	\$50	\$50	\$60	\$60	\$220	\$303
CAD	\$50	\$50	\$60	\$30	\$190	\$918
Multiple Comorbidities: Asthma + COPD	\$50	\$50	\$0	\$120	\$220	\$1,962
Multiple Comorbidities: DM +CAD+ Hyperlipidemia+CHF	\$50	\$50	\$180	\$120	\$400	\$2,183
Multiple Comorbidities DM + HTN+ Hyperlipidemia	\$50	\$50	\$150	\$60	\$310	\$2,053
*Members who go to their selected PCP will also receive an additional \$25 in their HRA in 2016.						

Preparing for Program Implementation

- Business requirements defined and agreed upon
- Process includes delivery of services, capture of information on completion of activities, validation by multiple sources (health coaches, claims), transfer of information to incentives manager
- Build of technology in progress
- Target Implementation January 1, 2016
- May delay implementation to April 1, 2016, depending on progress of eligibility and enrollment vendor implementation
- May require enhancements post implementation
- Communication to members on program and opportunities

Health Engagement Program Recommendations

1. Plan staff recommends approval of the healthy lifestyle program component for all CDHP members, including the requirements, activities and amounts and frequency of incentives as outlined on slides 2 through 6.
2. Plan staff recommends approval of the chronic conditions component for eligible CDHP members, including the requirements, activities and amounts and frequency of incentives as outlined on slides 7 through 10.
3. Program will be effective on or after January 1, 2016, as determined by the Executive Administrator to be administratively feasible.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Diabetes Primary Prevention Program

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Diabetes Among State Health Plan Members

- **101,418 or 15.2%** of Plan members (all members) with diabetes account for approximately 32% of the Plan's total annual incurred claims, with \$760 million in medical and an additional \$94 million pharmacy claims.
(Segal dashboard, Sept 2013-August 2014)
- The Plan incurred, on behalf of the non-Medicare members who had a diagnosis of diabetes, **\$8,383** on average in 2013-14, which was 209% of the group's average Per Member Per Year (PMPY) medical costs.
- Among NC adults 9.5% have been told by a healthcare provider that they are pre-diabetic (BRFSS 2013). Majority of individuals (25% of North Carolina adults) with prediabetes are unaware of their condition.
- Stemming the progression of pre-diabetes to the diabetic state will save millions in potential health care costs and afford a better quality of life for members.

Self-Management Programs as a Covered Benefit

- Establishment of evidence-based chronic disease self-management programs as covered, paid employee benefits is a strategy recognized by the U.S. Centers for Disease Control and Prevention, National Council on Aging and the U.S. Administration on Aging for creating financial sustainability to ensure the long-term viability of these important community resources.
- Evidence-based chronic disease self-management programs are those that have been investigated within clinical and community settings with sound evidence on their efficacy as well as return on investment.
- Eight state health plans (**Colorado, Kentucky, Oregon, Washington, Maine, Ohio, Louisiana and New Hampshire**) offer Diabetes Prevention Programs as a covered benefit; with Pennsylvania getting ready to roll the program out in 2015.

What is Diabetes Primary Prevention Program?

- CDC-led *National Diabetes Primary Prevention Program* is an evidence-based lifestyle change program for preventing type 2 diabetes.
- Based on results from the US and UK multi-center, multi-year, double blind randomized Diabetes Primary Prevention clinical trial
 - *Losing a modest amount of weight (7%) through diet and exercise can prevent or delay onset of diabetes; lifestyle intervention group reduced risk by 58%; people on metformin also reduced risk but not as much as the lifestyle intervention group*
- Diabetes Primary Prevention Program: Participants work with a lifestyle coach to receive a 1-year lifestyle change program that includes 16 core sessions (1/week) followed by 6 post core sessions (1/month).

Diabetes Continuum of Care [North Carolina]

- Estimated 7,466,000 adults in North Carolina
- 3,682,000 (49%) are at risk for diabetes
 - *Behavioral intervention: Eat Smart Move More Weigh Less*
- 630,000 are aware they have prediabetes and another 1,900,000 may have prediabetes (35%) but not know it
 - *Behavioral intervention: Diabetes Primary Prevention*
- 750,000 are aware they have diabetes and an additional 280,000 may have diabetes (14%) but not know it
 - *Behavioral intervention: Diabetes Self-Management Education, Chronic Disease Self-Management Education*

Diabetes Primary Prevention Program

- Integrated Health Management (IHM) section of the Plan preparing to offer Diabetes Primary Prevention Program (DPP) for all Plan members with a diagnosis of pre-diabetes, starting March 2016, with the intent to delay or prevent onset of diabetes
 - Identified as “at risk” through paper screening followed by a blood test to confirm diagnosis
- Plan covers ESMMWL for members interested in weight management, and Diabetes Self-Management Education (DSME) for people with a diagnosis of diabetes

With coverage of DPP the Plan will have preventive care programs available to individuals across the full spectrum of risk

Diabetes Primary Prevention Program

- Program will be delivered through a contract with the *NC Agricultural Foundation, NC State University*, who will subcontract with:
 - NC Division of Public Health (NC DPH) and
 - NC Public Health Association (NCPHA)
- Plan currently holds contract with NC Agricultural Foundation to deliver onsite and online Eat Smart Move More Weigh Less Program to Plan members

NC State University/Agricultural Foundation

- Overall contract administrator and real-time, online DPP provider
- Build and sustain registration/enrollment website
- Maintain a HIPAA compliant server to house all member registration and eligibility file
- Offer real-time, online version of DPP
- Notify the NC Public Health Foundation of real-time, online DPP registrations
- Invoice the State Health Plan per member that enrolls in online and onsite program
- Conduct analysis of online programs and compile a summary of outcomes for the State Health Plan
- Develop an aggregate report from member outcomes from programs to provide to the State Health Plan at end of contract term

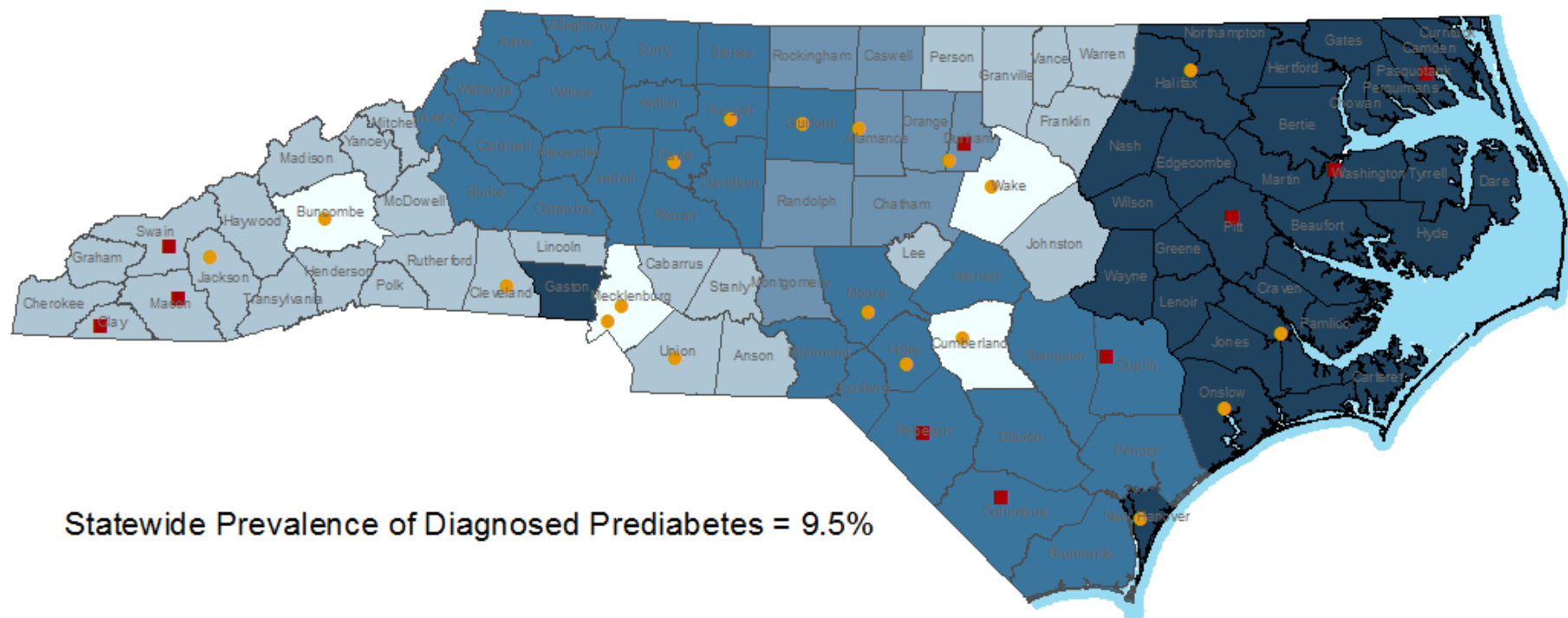
NC Public Health Foundation

- Subcontractor responsible for collecting member registrations and processing payments for vendor organizations
- Maintain PayPal account and collect all registration fee payments from State Health Plan members enrolling in a diabetes prevention program
- Invoice NC Agricultural Foundation for each member enrolled in an in-person, onsite program on a schedule to be determined
- Distribute payments to providers of in-person, onsite programs on a schedule to be determined

NC Division of Public Health

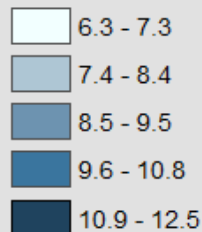
- In-kind partner and responsible for in-person, onsite DPP programs
- Maintain and grow DPP network
- Maintain and process in-person, onsite DPP registrations for members
- Share member information with providers for in-person, onsite programs
- Notify the NC Public Health Foundation of the number of in-person, onsite DPP registrations
- Conduct data analysis for in-person, onsite programs and compile a summary of outcomes for the State Health Plan

Diabetes Prevention Program Sites and Prevalence of Diagnosed Prediabetes, NC



Statewide Prevalence of Diagnosed Prediabetes = 9.5%

Diagnosed Prediabetes Prevalence (%), 2013



Diabetes Prevention Programs

CDC Recognition Status

- Pending CDC recognition
- Trained but not yet applied for CDC recognition

Data Source: North Carolina State Center for Health Statistics, Behavioral Risk Factor Surveillance System (BRFSS), September 2014. Accessed April 8, 2015.
Centers for Disease Control and Prevention, National Diabetes Prevention Program Registry for Recognized Programs, North Carolina https://nccd.cdc.gov/DDT_DP/State.aspx?STATE=NC
NC Division of Public Health, Chronic Disease and Injury Section, Community and Clinical Connections for Prevention and Health Branch, Training Data on Diabetes Prevention Programs.

**Community & Clinical
CONNECTIONS
for Prevention & Health
Branch**
NORTH CAROLINA
DIVISION OF PUBLIC HEALTH

Posted: August 20, 2015

Diabetes Primary Prevention Program Budget and Costs

- Initial budget for the period of ***October 2015 to March 31, 2018***
- Assumes total enrollment of 750 Plan members over years 1 and 2
 - 30% (225) will enroll in-person, on site programs and 70% (525) will enroll in online classes.
- Startup costs (HIPAA server, graphic design and supplies) of \$50,000
- Plan will pay \$410 per participant for real time online classes and \$415 per participant for onsite classes
- Members will pay \$25
- Plan will pay first installment of fees at registration and second upon completion of the 9th session
- Total budget: **\$394,487.50**

Communication and Engagement Strategy

- Pre-diabetes awareness campaign among Plan members, (active, pre-Medicare retirees and non-Medicare Advantage retirees), in partnership with the NC DPH to include the CDC recommended paper based screening test
 - Recommend anyone with a paper based score of 9 or more to visit their PCP and have recommended confirmatory blood test (FBG 100-125mg/dl, HBA1c 5.7-6.4)
- People with a diagnosis of prediabetes encouraged to participate in the DPP; people at risk encouraged to participate in ESMMWL and those already with diabetes encouraged to utilize the DSME benefits from the health plan.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Member Experience and Communications Update

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

2016 Membership Satisfaction Survey

Membership Satisfaction Survey Under Way

- The Annual Membership Satisfaction Survey opened up in July and will end Aug. 31.
- Postcards were sent to members inviting them to participate.
- To date, 4,804 people have completed the survey.

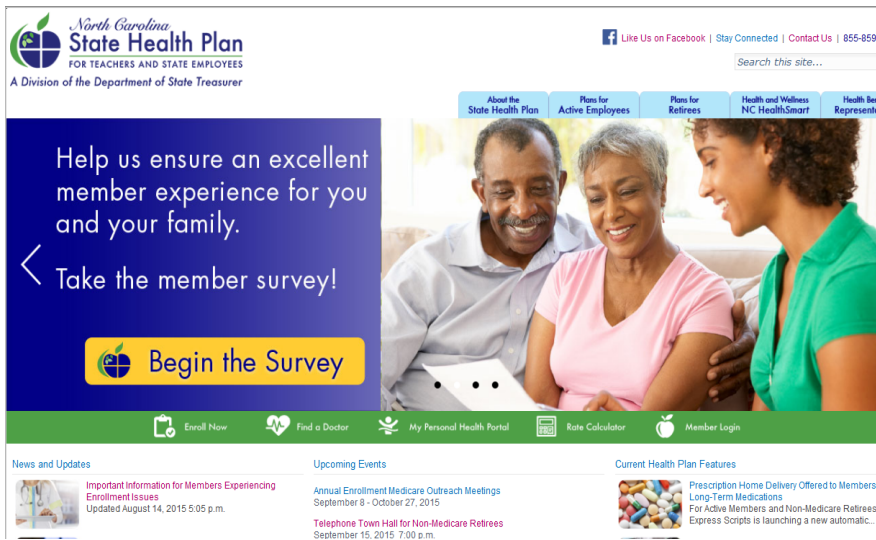
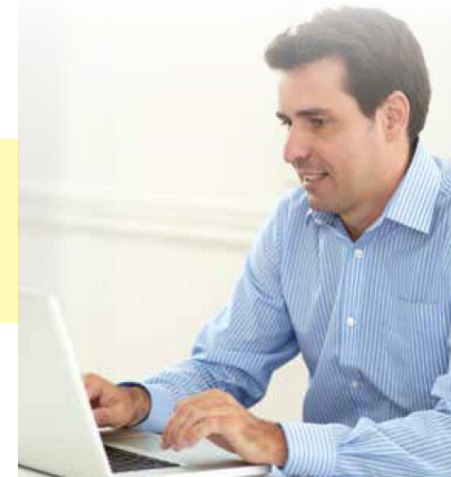
Let us know how we're doing

Your opinion matters – and so does your satisfaction with the North Carolina State Health Plan. That's why we're asking you to let us know about your experience with the Plan. As an active or retired member, both you and your covered spouse (if applicable) are welcome to participate in our quick, online survey.

Taking the survey is fast and easy:

- ✓ Go to www.shpnc.org by August 31, 2015
- ✓ Click on the survey link
- ✓ Take the survey

Thank you in advance for your valuable feedback. It helps us learn what's working well and what might need improvement to ensure an excellent member experience for you and your family.



SURVEY

Rx Home Delivery Pilot Program Communications

Rx Home Delivery Pilot

- **Rx Home Delivery Pilot:** Express Scripts (ESI) has developed a Rx Home Delivery (Mail Order) pilot for its entire book of business. The program begins in August 2015 and will run for one year.
- **Who Qualifies:** Members with established long-term medications.
- **Goal:** Increase Rx home delivery by removing some of the standard, initial home delivery set-up requirements that may discourage a member from utilizing the service.
- **Member Identified:** This month (August), ESI has identified qualifying members and has mailed them a letter announcing the program.
- **Member Enrolls:** Members will have 30 days to enroll in the program which they can do by calling ESI or via ESI's secure member web portal.

Program Promotion

- ESI mailing to members
- Plan e-newsletters
- Facebook
- Website



Skip the trip to the pharmacy with automatic home delivery.

It's easy.

One simple step

And all your long-term medicine will be delivered automatically

Two ways to get started

Just go to Express-Scripts/signup or give us a call at 866.776.0057

Three-month supply

FREE standard shipping straight to your door

Sign up before August cutoff date to enroll

Convenience delivered

Get any long-term medicines you take now, or in the future, delivered automatically.

Here are just a few of the benefits:

- Your medicine delivered straight to your door
- Three-month supplies of your long-term medicines¹
- Free standard delivery²

Sign up by <Insert Date> and you'll be set now and in the future.

It's easy to get started:

Visit [Express-Scripts/signup](https://www.express-scripts.com/signup) or call 866.776.0057.

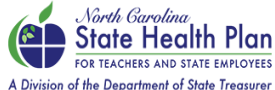
¹ Supply dependent on specific medication and prescription.

² Cost of standard shipping is included as part of your prescription benefit plan.



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Member Login
My Personal Health Portal
Rate Calculator
Find a Doctor
Contact Us

Prescription Home Delivery Offered to Members with Long-Term Medications

For Active Members and Non-Medicare Retirees



Express Scripts, the State Health Plan's pharmacy benefits manager, is launching a new automatic home delivery pilot program designed to help members with established long-term medications.

The new automatic home delivery program will provide members the convenience of having their long term medications delivered right to their home without a trip to the pharmacy. Benefits include:

- A three-month supply so you won't worry about running out
- Free standard delivery of your long-term medications

Members will receive a mailing on how to get enrolled in the program. If you're interested in this program, please watch your mailbox for details.

If you do not receive a postcard by the end of August and believe you should qualify for the new program, please call Express Scripts Customer Service at 866-776-0057 to enroll.

Enroll Now Find a Doctor My Personal Health Portal Rate Calculator Member Login

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Accessibility | Online Security | Privacy Notice | Member Focus | Careers | Contact Us | SHP Contracted Vendors | NC Gov

Communications and Marketing Services Contract

- As a reminder, the purpose of securing a firm was to provide services to assist with strategic initiatives regarding communication and marketing campaigns of health plan benefits to our members.
- Since the award of the Communications and Marketing Services contract to Buck Consulting, Inc. in May:
 - Execution of Contract completed
 - Kickoff meeting held to provide background and set expectations for services
 - Buck is currently in the discovery phase of their implementation which includes information gathering and analysis
 - Buck has also been utilized to assist the Plan and DST with messaging and strategy regarding the transition of enrollment vendors

2016 Annual Enrollment Communications

Annual Enrollment Communications Strategy



Member Outreach-Actives & Non-Medicare Retirees

Videos

Direct Mail

Member Outreach – Phase I	Overview of 2016 Changes: The Importance of Wellness
Teaser Postcard Teaser Video Tri-fold Postcard Healthy Activities Reminder Postcard	<ul style="list-style-type: none">Promote Annual Enrollment earlyHow wellness plays a part in 2016 changesIntroduce Wellness Premium Credit changes
Member Outreach – Phase II	Review 2016 Options and Resource Tools
Fresh Look at the CDHP Online Learning Modules Videos Decision Guide	<ul style="list-style-type: none">Enrollment EventsPlan details for each optionHow to choose and how to enrollPromote informational sessions
Member Outreach – Phase III	Make a Decision That is Right for Your Family
Invite to Telephone Town Halls Videos Enrollment Guide Reminder Postcard	<ul style="list-style-type: none">Enrollment EventsEnrollment has started, take action nowOption overviewReference website and enrollment kit

Collateral no longer being produced

Member Outreach-*Medicare Retirees*

Videos

Direct Mail

Member Outreach – Phase I	Overview of 2016 Changes: The Importance of Wellness
Teaser Postcard Tri-fold Postcard	<ul style="list-style-type: none">• Promote Annual Enrollment early• How wellness plays a part in 2016 changes
Member Outreach – Phase II	Review 2016 Options and Resource Tools
Outreach Meeting Invitation Booklet Decision Guide	<ul style="list-style-type: none">• Enrollment Events• Plan details for each option• How to choose and how to enroll• Promote informational sessions
Member Outreach – Phase III	Make a Decision That is Right for Your Family
Invite to Telephone Town Halls Enrollment Guide Reminder Postcard	<ul style="list-style-type: none">• Enrollment Events• Enrollment has started, take action now• Option overview• Reference website and enrollment kit

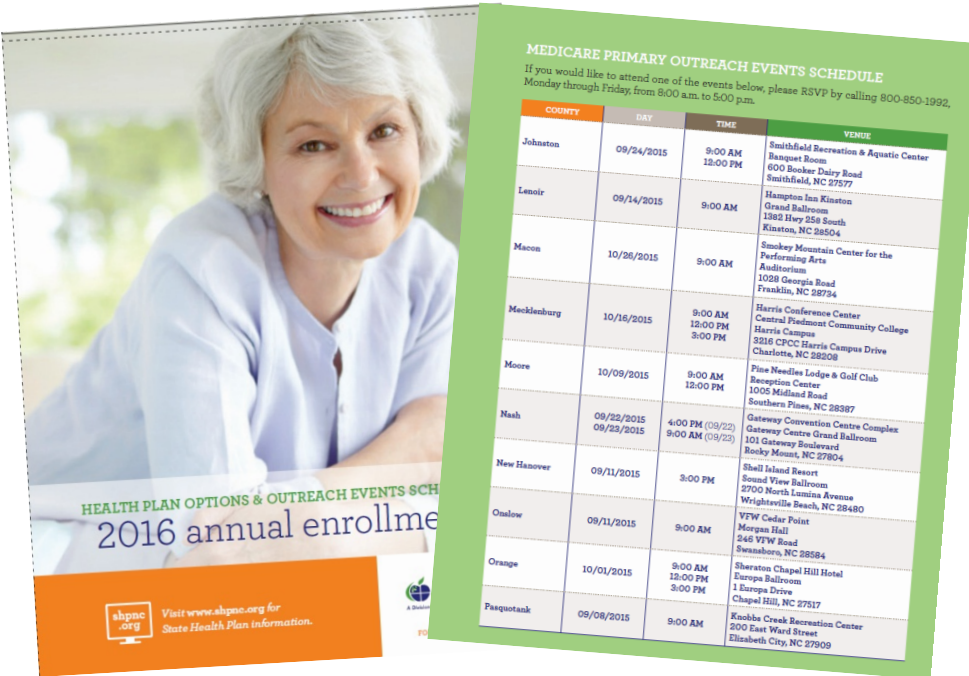
Collateral no longer being produced

Additional mailing

Member Outreach-Medicare Retirees

Educational Meetings

- Medicare Outreach meetings will be held in Sept. and Oct.
- Presentations by Plan staff, Humana, UHC, BCBSNC
- SilverSneakers will be onsite for each meeting
- Schedule includes 81 meetings in 45 counties
- To date, 364 members have RSVP'd to attend a meeting



The collage includes a photograph of a smiling woman with short white hair and a light blue shirt. Below the photo is a banner that reads "HEALTH PLAN OPTIONS & OUTREACH EVENTS SCHEDULE 2016 annual enrollment". To the right of the photo is a green-bordered table titled "MEDICARE PRIMARY OUTREACH EVENTS SCHEDULE". Below the title, it says: "If you would like to attend one of the events below, please RSVP by calling 800-850-1992, Monday through Friday, from 8:00 a.m. to 5:00 p.m."

COUNTY	DAY	TIME	VENUE
Johnston	09/24/2015	9:00 AM 12:00 PM	Smithfield Recreation & Aquatics Center Banquet Room 5000 Booker Dairy Road Smithfield, NC 27577
Lenoir	09/14/2015	9:00 AM	Hampton Inn Kinston Grand Ballroom 1362 Hwy 25E South Kinston, NC 28504
Macon	10/26/2015	9:00 AM	Smokely Mountain Center for the Performing Arts Auditorium 1028 Georgia Road Franklin, NC 28734
Mecklenburg	10/16/2015	9:00 AM 12:00 PM 3:00 PM	Harris Conference Center Central Piedmont Community College Harris Campus 5325 CPCC Harris Campus Drive Charlotte, NC 28209
Moore	10/09/2015	9:00 AM 12:00 PM	Pine Needles Lodge & Golf Club Reception Center 1005 Mallard Road Southern Pines, NC 28387
Nash	09/22/2015 09/23/2015	4:00 PM (09/22) 9:00 AM (09/23)	Gateway Convention Centre Complex Gateway Centre Grand Ballroom Rocky Mount, NC 27804
New Hanover	09/11/2015	3:00 PM	Shell Island Resort Sound View Ballroom 2700 North Lantana Avenue Wrightsville Beach, NC 28480
Onslow	09/11/2015	9:00 AM	VFW Cedar Point Morgan Hall 246 VFW Road Swanboro, NC 28584
Orange	10/01/2015	9:00 AM 12:00 PM 3:00 PM	Sheraton Chapel Hill Hotel Europa Ballroom 1 Europa Drive Chapel Hill, NC 27517
Pasquotank	09/08/2015	9:00 AM	Kaibab Creek Recreation Center 200 East Ward Street Elizabeth City, NC 27909

Telephone Town Hall Meetings

Educational
Meetings

- Events are being promoted via website, all printed mailings and social media
- Registration is not required and all members (with a valid phone number) will receive an outbound call the day before the scheduled event.

Event Date/Time	Population	Members Registered
September 15; 7-8pm	Medicare Retirees	99
September 16; 7-8pm	Non-Medicare Retirees	387
September 17; 7-8pm	Non-Medicare Retirees	40
September 22; 7-8pm	Actives	132
September 24; 7-8pm	Actives	35
October 7; 2-3pm	Medicare Retirees	95
		Total = 788

Vendor Transition Communications

Health Benefit Representative (HBR) Announcements

- The Plan has been communicating with HBRs all year regarding the eligibility and enrollment vendor transition.
- HBR Alerts (email blasts) were sent regularly to inform HBRs and employing units of all the impacts related to the transition since June 1, 2015.
- Messaging to members regarding access to care and who to call has been posted to the Plan's website as well as social media.



A screenshot of a Facebook post from the North Carolina State Health Plan. The post is titled "The State Health Plan's top priority is to ensure that our members have access to care—which includes medical coverage and prescription medication." It includes a link to the Plan's website and a photo of a group of people. The post has 73 people reached and 0 post clicks. The post is published by beth.homer@ncntreasurer.com on August 14 at 5:13pm. The post also includes a photo of a group of people and a link to the Plan's website.