



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Analysis of Incurred Claims Trend and Loss Ratios

Board of Trustees Meeting

January 31, 2014

A Division of the Department of State Treasurer

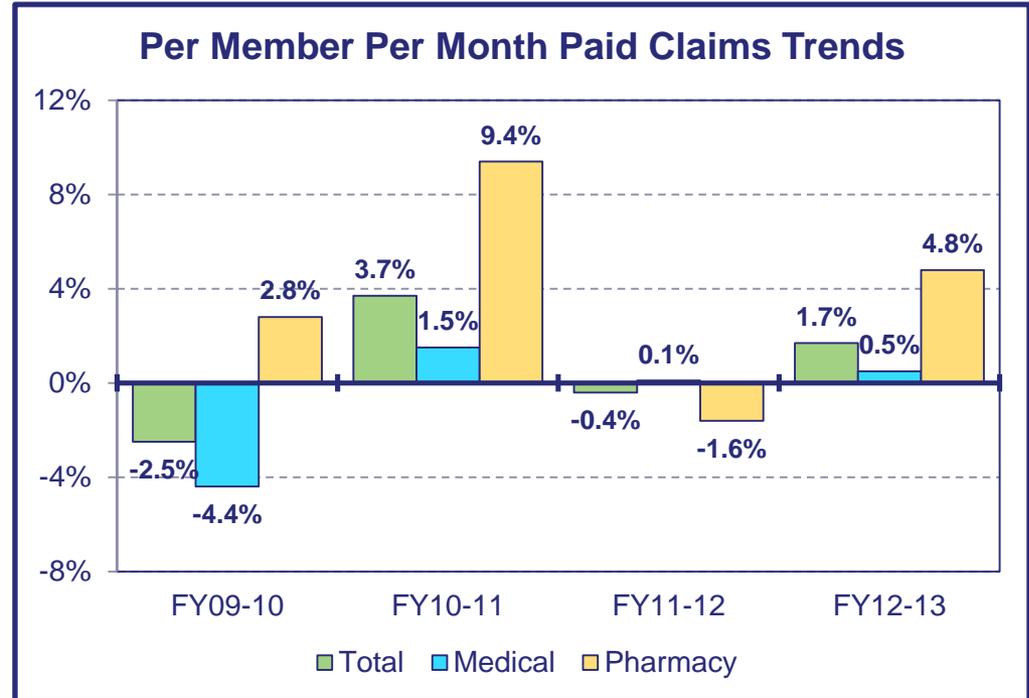
Presentation Overview

- Trends in Incurred Claims Paid through October 31, 2013
 - Plan Paid Claims
 - Per Member Per Month (PMPM)
 - By Service Category
 - PMPM Allowed Charges
- Fiscal Year 2012-13 Loss Ratios
 - By Employee Status
 - Subscribers vs. Dependents
 - By Family Tier
 - By Plan Option

PMPM Annual Claims Trends

FY 2009-10 through FY 2012-13

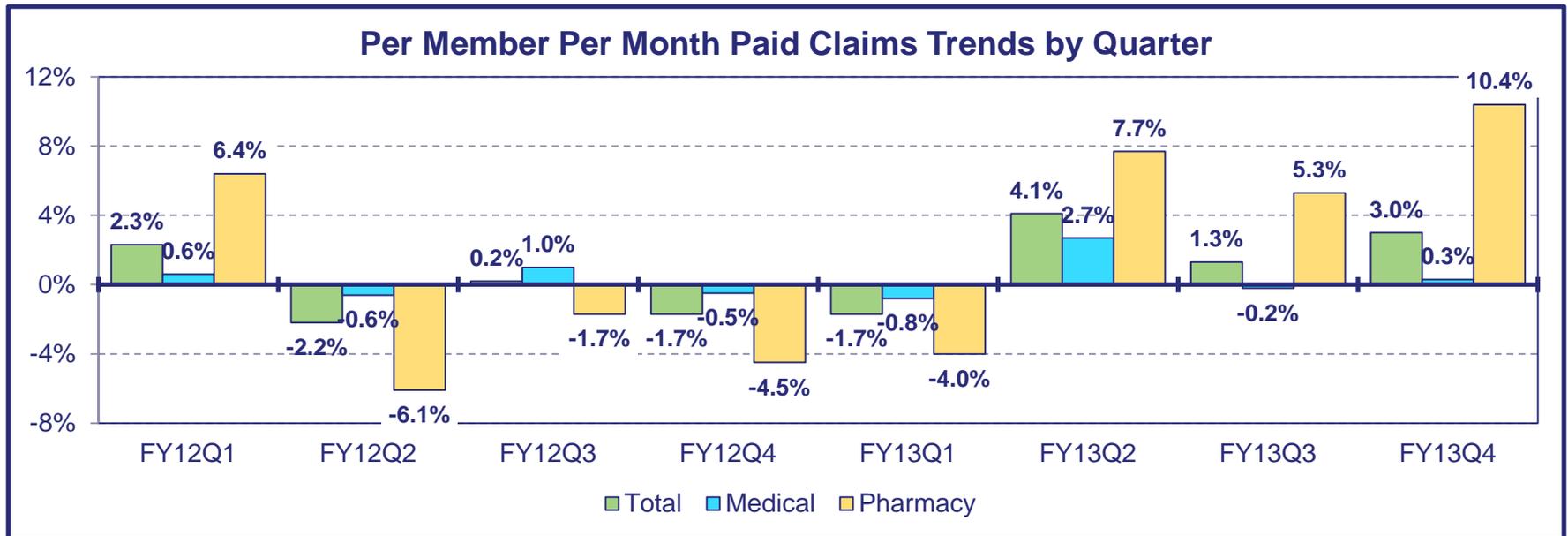
- Using incurred claims data, Segal analyzed trends in claims costs paid through October 31, 2013
- Trends in PMPM claims paid by the Plan (medical and pharmacy combined) have been relatively low for the last four years. The highest year over year growth rate was 3.7% from FY 2009-10 to FY 2010-11
- Trends in PMPM medical claims costs have not exceeded 1.5% annual growth over the last four years
- PMPM pharmacy claims have trended upward in all years except FY 2011-12
- PMPM costs increased 1.7% from FY 2011-12 to FY 2012-13, including 4.8% growth in PMPM pharmacy costs



PMPM Quarterly Claims Trends

FY 2011-12 and FY 2012-13

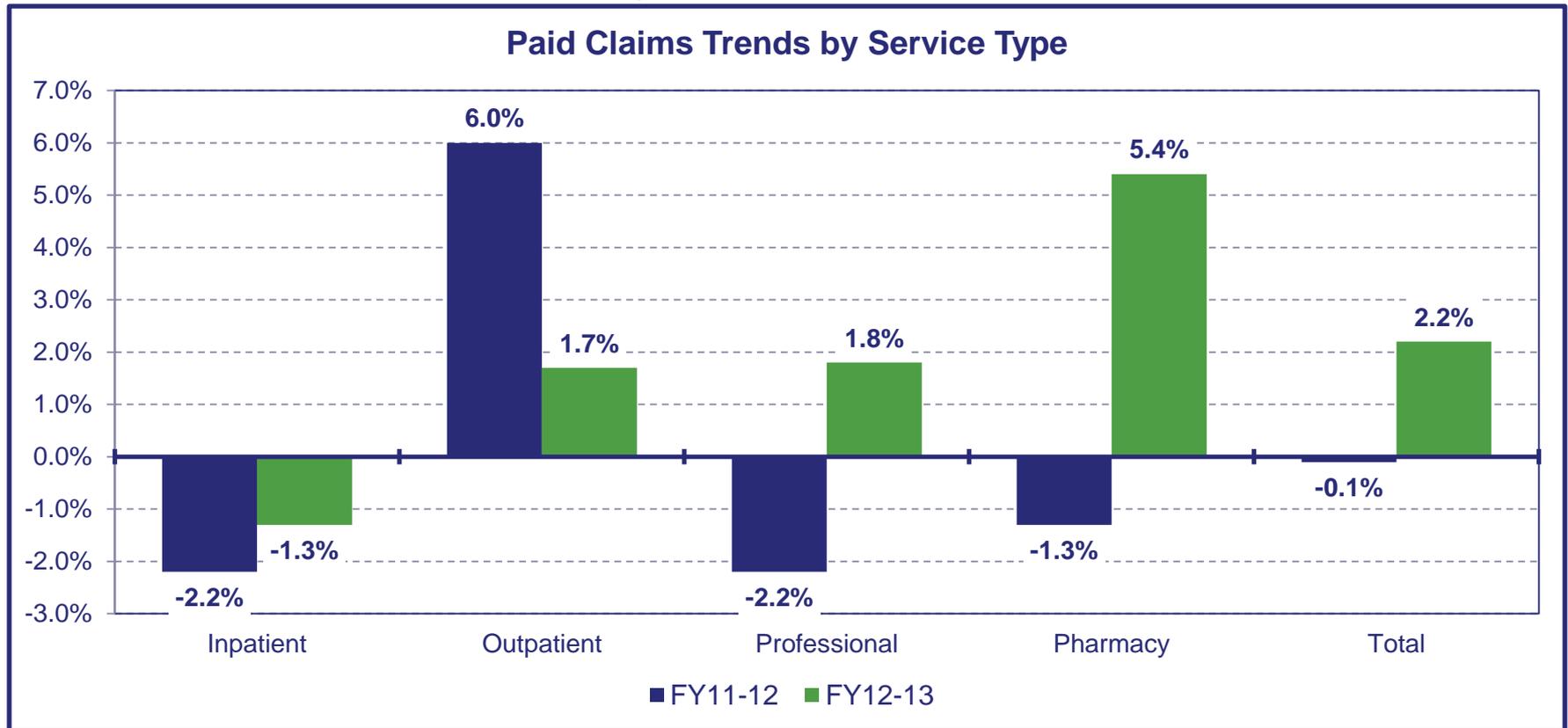
- Quarterly claims trends compare Plan costs in each quarter with costs from the same quarter of the prior year
- Like the annual trends, quarterly PMPM cost trends are relatively modest for medical and pharmacy combined
- Pharmacy costs have been more volatile and began to show substantial trend during the last three quarters of FY 2012-13



Annual Claims Trends by Service Type

FY 2011-12 and FY 2012-13

- Claims trends by category of service show some variation, but again, the overall trend is relatively modest

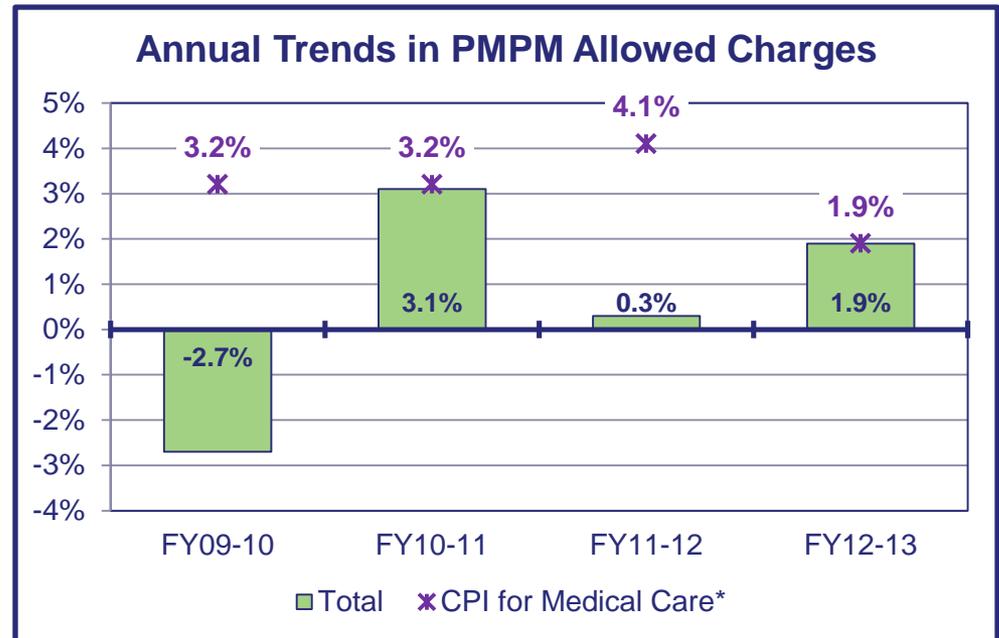


Note: Graph shows changes in total Plan costs and is not adjusted for changes in membership

Annual Trends in PMPM Allowed Charges

FY 2009-10 through FY 2012-13

- Allowed charges reflect the total amount to be paid for claims, including the amounts paid by Medicare, by members, and by the Plan
- Examining PMPM trends in allowed charges controls for cost-shifting and gives a more complete picture of the overall claims experience
- Annual trends in allowed charges are relatively consistent with the paid claims trend
- Trend in allowed charges has been at or below the Consumer Price Index (CPI) for medical care in each of the last four years



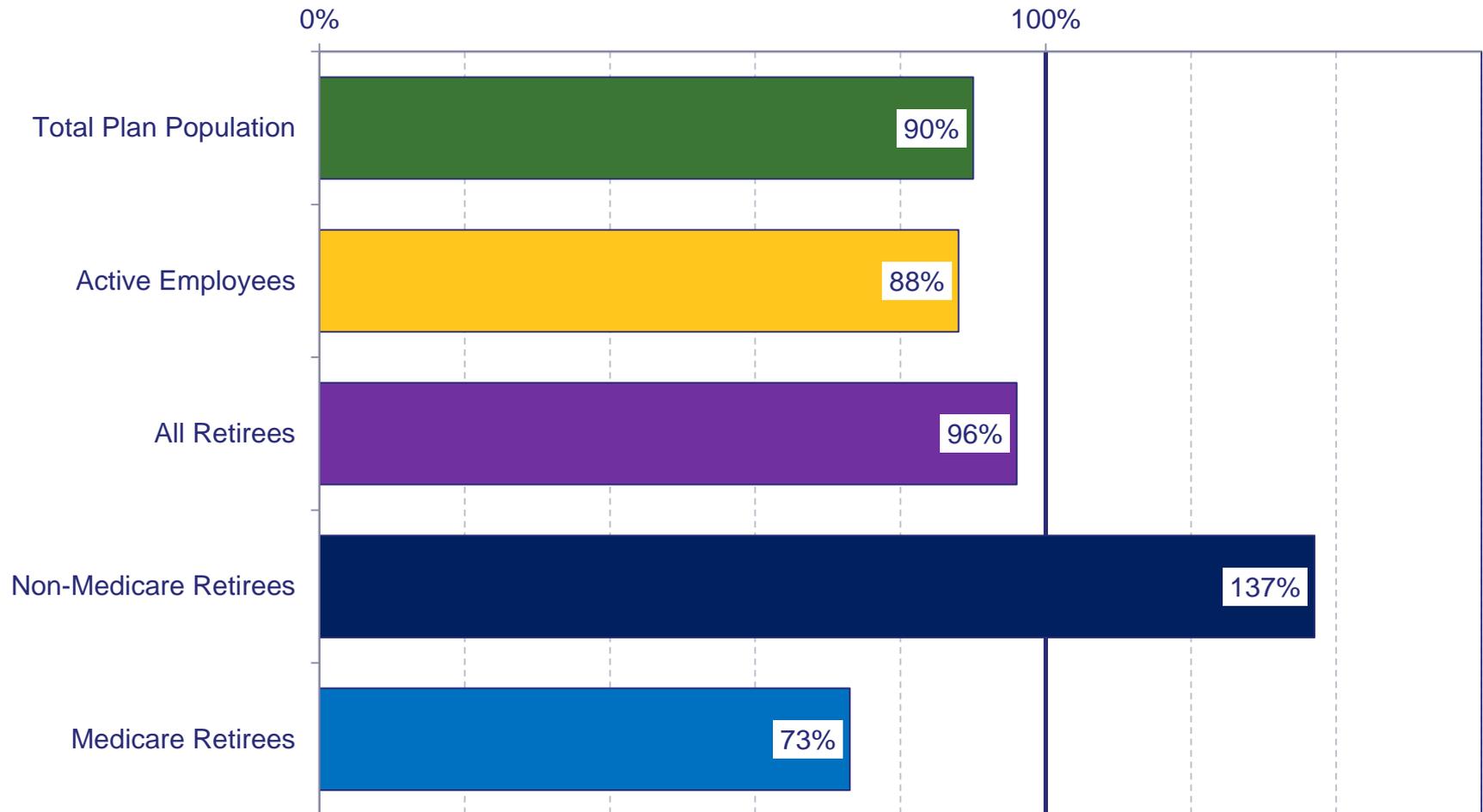
*Source: Bureau of Labor Statistics; CPI Detailed Reports; July 2010-2013

Loss Ratios

- Loss ratios relate member costs to the amount of funding received and are expressed as percentages
- A member subgroup that costs more than the premiums collected on its behalf has a loss ratio $>100\%$
 - For example, a loss ratio of 120% means the group's actual costs exceeded the premiums collected by 20%.
 - For every \$1 in premium collected, the Plan paid \$1.20 in expenses
- A member subgroup that costs less than the premiums collected on its behalf has a loss ratio $<100\%$
 - For example, a loss ratio of 90% means the group's actual costs were equal to 90% of the premiums collected
 - For every \$1 in premium collected, the Plan paid \$0.90 in expenses
- Loss ratios incorporate Plan administrative costs and subsidies received by the Plan, but differences are primarily driven by claims experience in each subgroup

Loss Ratios by Employee Status

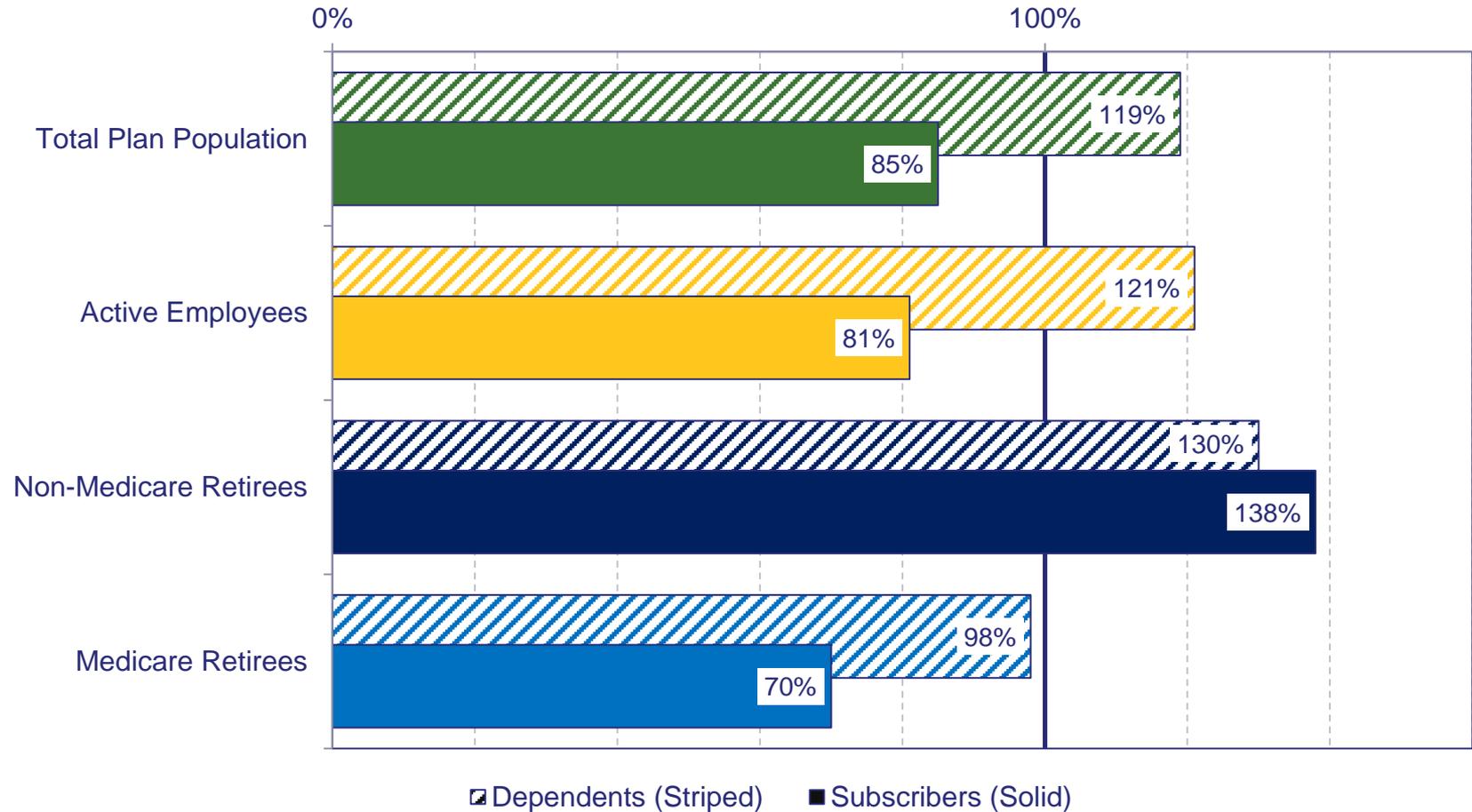
FY 2012-13



Note: Dependents are included within the subscriber's status

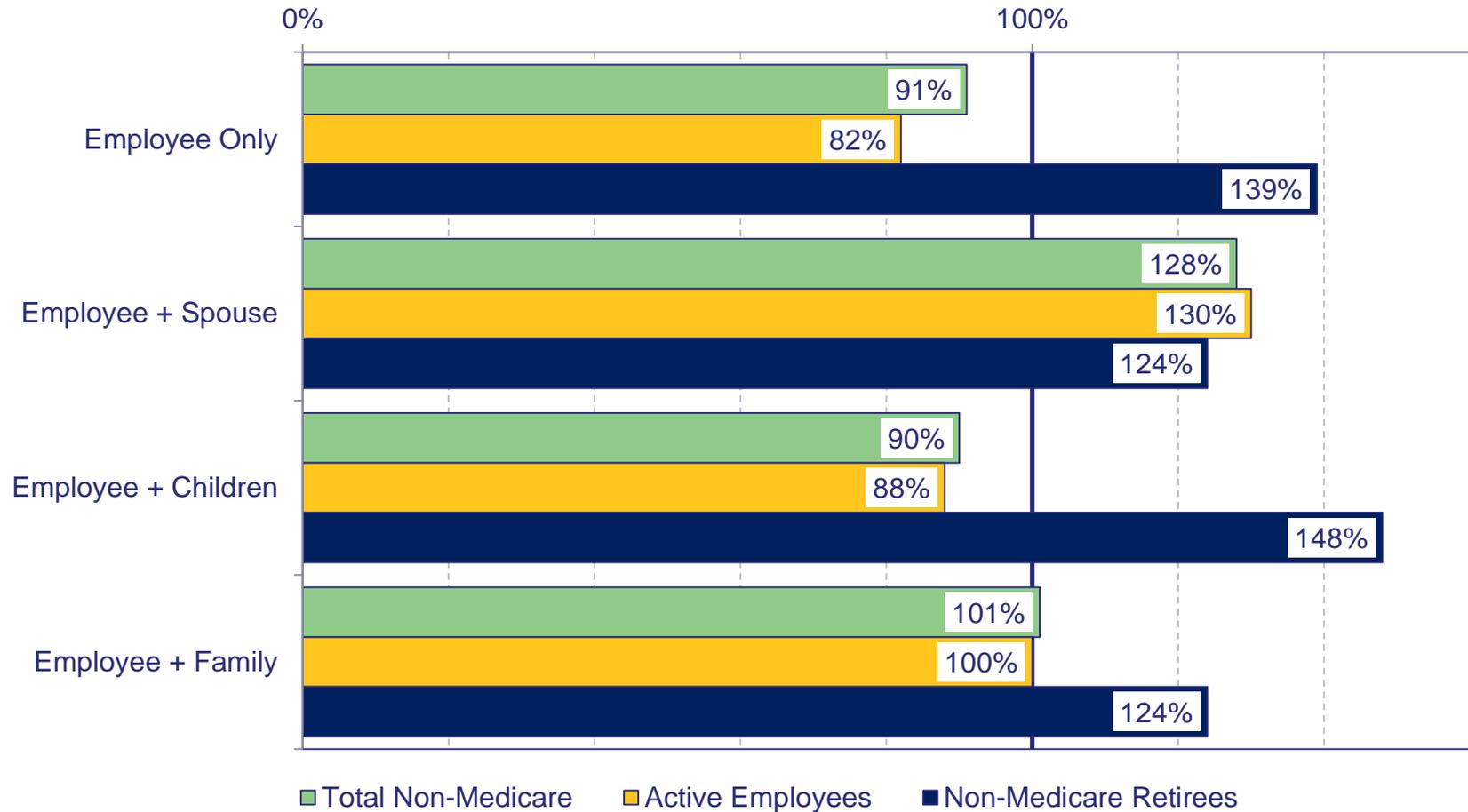
Loss Ratios for Subscribers/Dependents

FY 2012-13



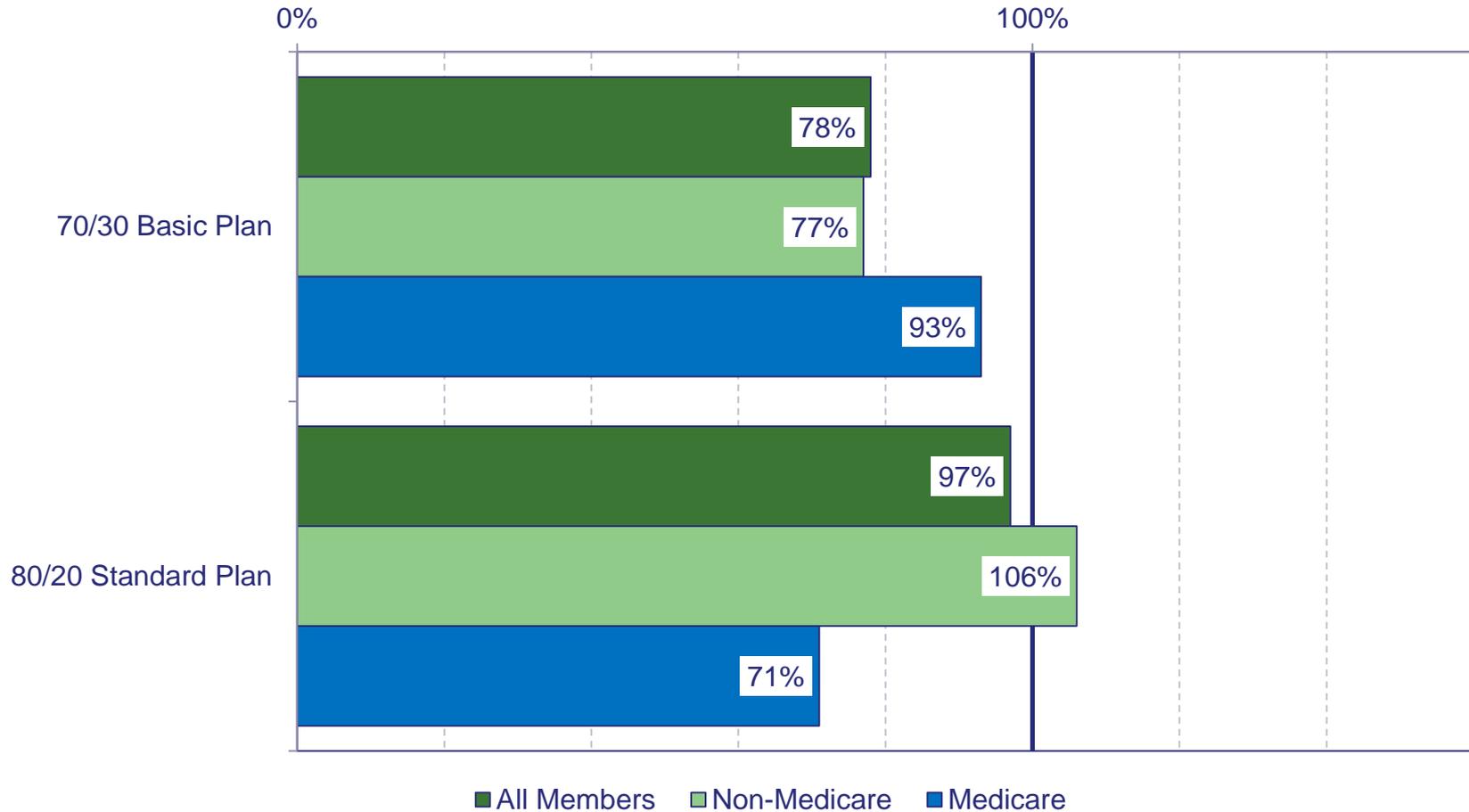
- Dependent costs are subsidized by the premiums collected on behalf of subscribers

Loss Ratios by Family Tier, Non-Medicare Members FY 2012-13



Loss Ratios by Plan Option

FY 2012-13



- With the exception of Medicare retirees, members in the 80/20 Standard Plan had higher loss ratios than members in the 70/30 Basic Plan

Loss Ratio Summary

- Overall, 90% of premiums collected by the Plan in FY 2012-13 were spent in support of claims and Plan administration
- The premiums collected for some member subgroups do not cover the associated costs; notably:
 - Non-Medicare Retirees (137% loss ratio; \$117.1 million loss)
 - Dependents (119%; \$81.4 million loss)
 - Non-Medicare Employee + Spouse Tier (128%; \$39.7 million loss)