

Financial Report

Board of Trustees Meeting

April 25, 2024



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

FY 2023-25 Biennium Overview

- FY 2023-25 State Budget funded the State Health Plan (Plan) by \$240 million less than requested.
- The Plan's funding request did not anticipate the full impact of the explosive growth in spending related to GLP-1 weight-loss medications.
- The board's recent actions to exclude coverage for these medications significantly improved projections but did not fully resolve the funding shortfall.
- A recent, unexpected increase in Medicare Advantage premiums has added additional budget pressure.

FY 2023-25 Biennium Projections

<i>(\$s in millions)</i>	FY 2023-24 Projection	Change from Prior Year	% Change from Prior Year
Premiums & Subsidies	\$4,159.7	\$121.9	3.0%
Investment Earnings	\$19.9	\$2.3	13.3%
Total Revenue	\$4,179.6	\$124.2	3.1%
Net Medical Claims	\$3,108.5	\$114.5	3.8%
Net Pharmacy Claims	\$1,004.7	\$12.1	1.2%
Medicare Advantage Payments	\$15.4	\$0.2	1.4%
Administrative Expenses	\$135.2	\$8.3	6.6%
Total Expenses	\$4,263.8	\$135.2	3.3%
Plan Income/(Loss)	(\$84.2)	(\$11.0)	15.0%

Ending Cash Balance = \$658.1M
\$274.1M above TSR

TSR= Target Stabilization Reserve

FY 2023-25 Biennium Projections

<i>(\$s in millions)</i>	FY 2024-25 Projection	Change from Prior Year	% Change from Prior Year
Premiums & Subsidies	\$4,318.1	\$158.4	3.8%
Investment Earnings	\$8.0	(\$11.9)	-59.8%
Total Revenue	\$4,326.1	\$146.5	3.5%
Net Medical Claims	\$3,367.6	\$259.1	8.3%
Net Pharmacy Claims	\$991.1	(\$13.6)	-1.4%
Medicare Advantage Payments	\$46.8	\$31.4	203.9%
Administrative Expenses	\$168.0	\$32.8	24.3%
Total Expenses	\$4,573.5	\$309.7	7.3%
Plan Income/(Loss)	(\$247.4)	(\$163.2)	193.8%

Ending Cash Balance = \$410.6M
\$15.0M above TSR

TSR= Target Stabilization Reserve

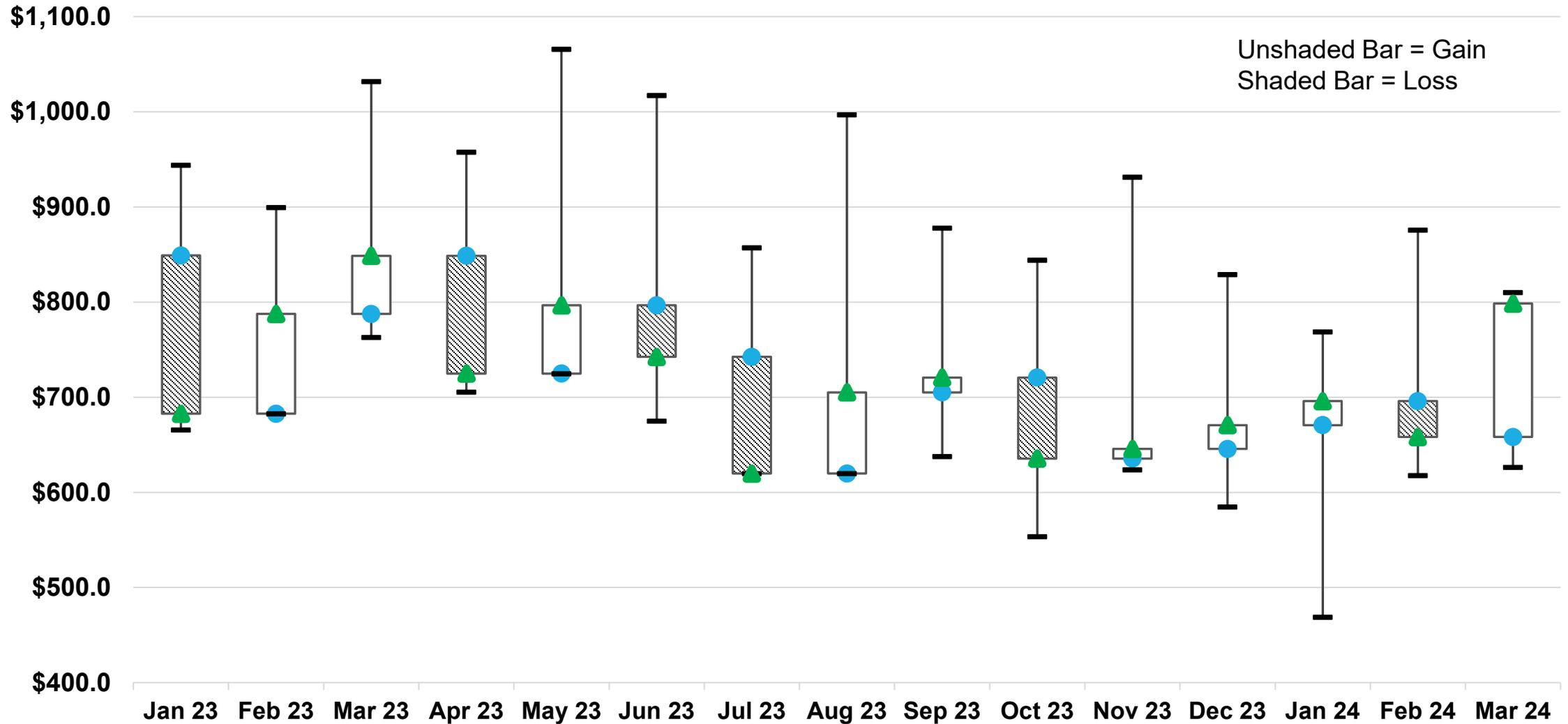
Target Stabilization Reserve

- The Target Stabilization Reserve (TSR) is the minimum acceptable cash reserve at year end.
- The reserve amount represents an estimate of “incurred but not paid” claims.
- If the Plan’s cash balance is below the TSR benchmark, the Plan may be unable to pay for services already provided to its members.
- Maintaining cash balance above TSR is necessary to manage variations in cash flow.
- In a single month, on average, the Plan’s cash reserves fluctuate by \$275M.
- In the last year, the difference between the highest daily cash balance and the lowest daily cash balance was nearly \$600M.

TSR = 9% of Calendar Year Claims

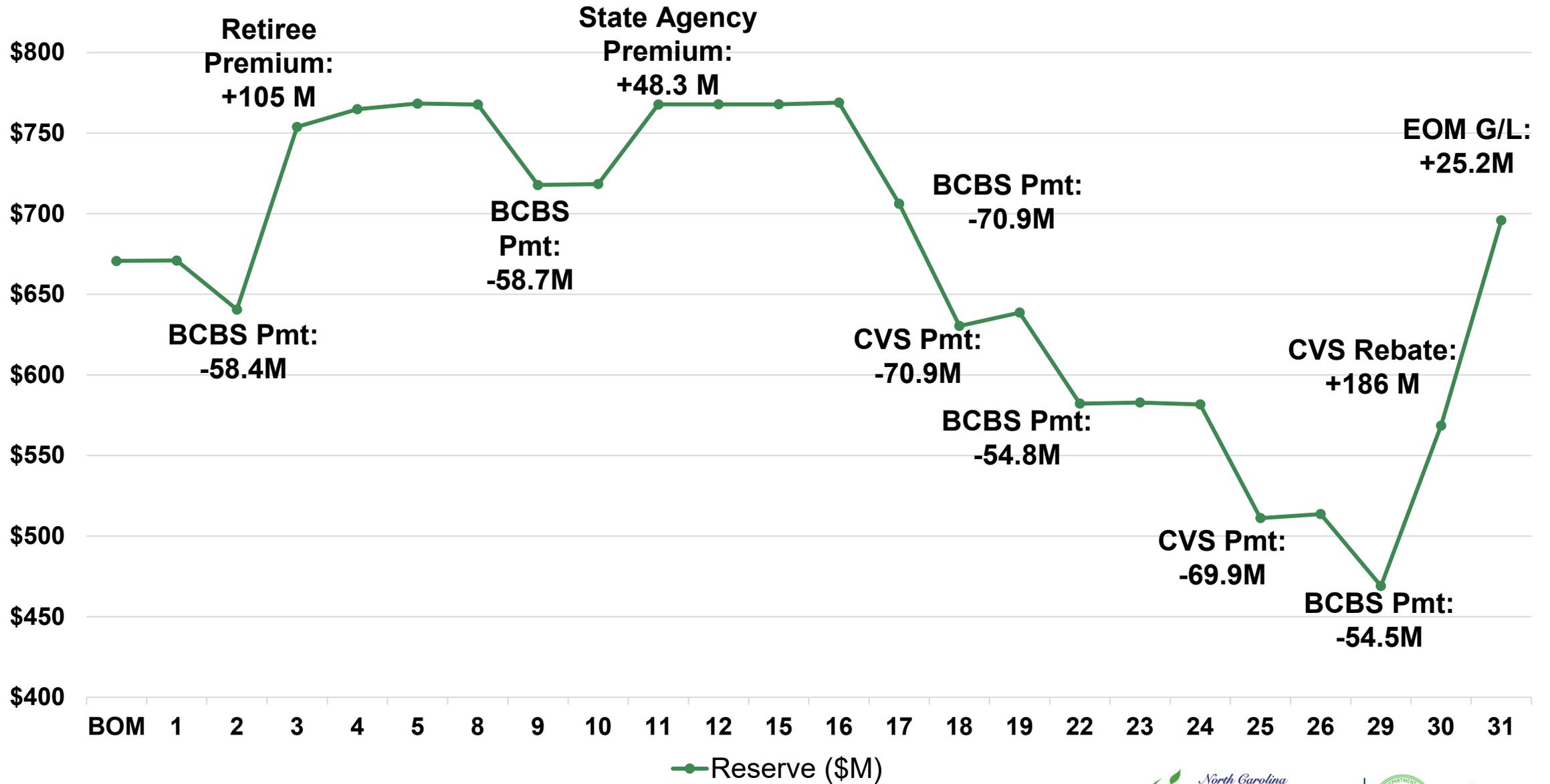
Calendar Year	TSR
2023	\$363.9M
2024	\$384.0M
2025	\$395.6M

Monthly Variation in Cash



● BOM — Max — Min ▲ EOM
Beginning of Month End of Month

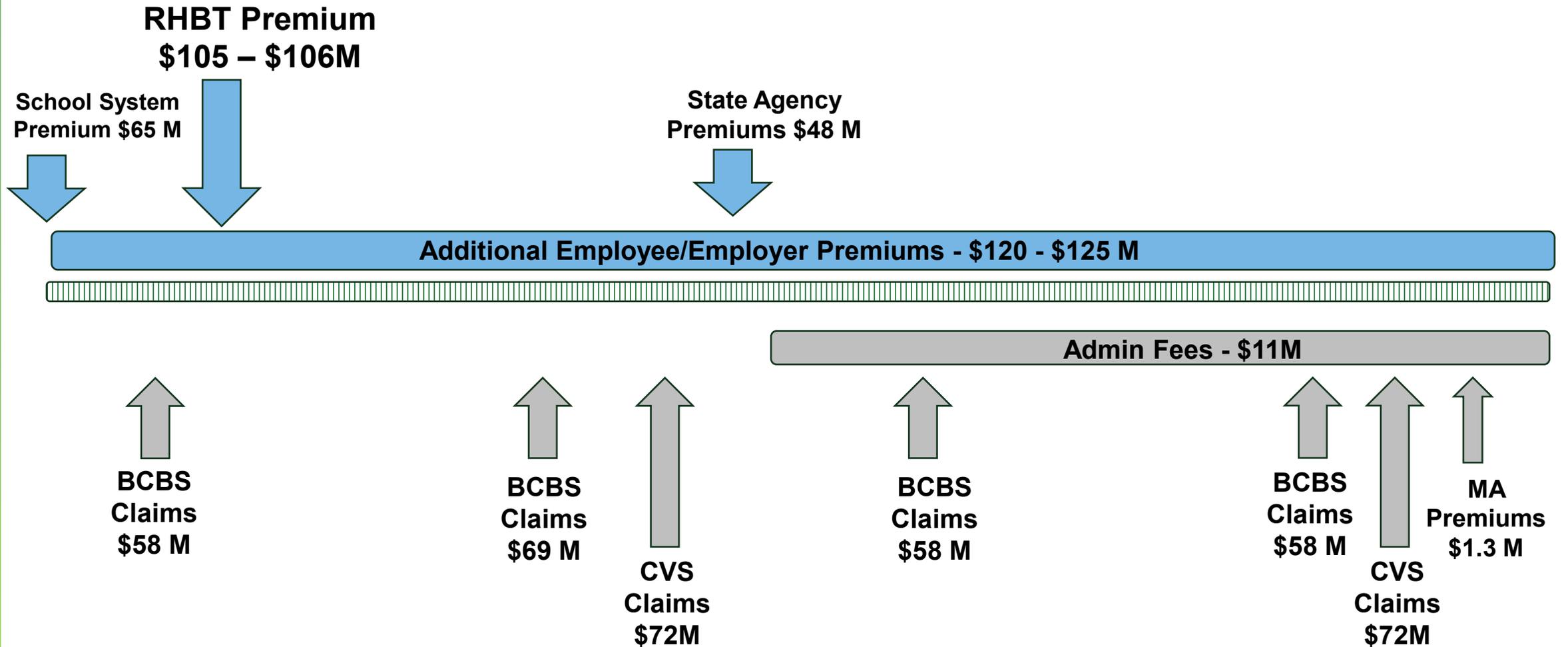
End Of Day Cash: January 2024



BOM= Beginning of Month
EOM=End of Month

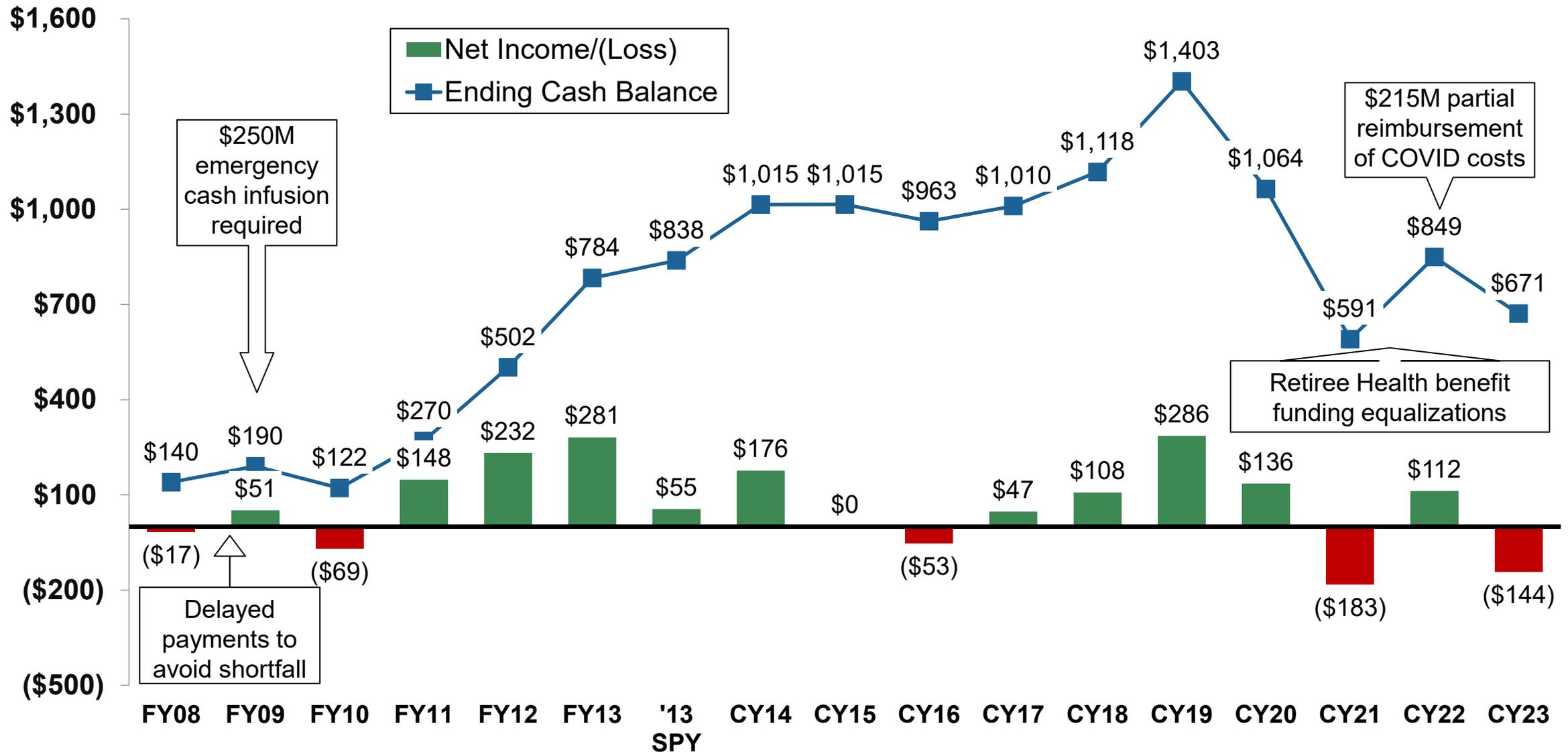
Typical Month

Notes: Rx Rebates - \$185 – 195M per quarter (30 – 40 days after end of quarter)



Expense Notes:
 BCBS paid every Monday ~1 Month per quarter has 5 Mondays.

Historical Financial Results by Plan Year

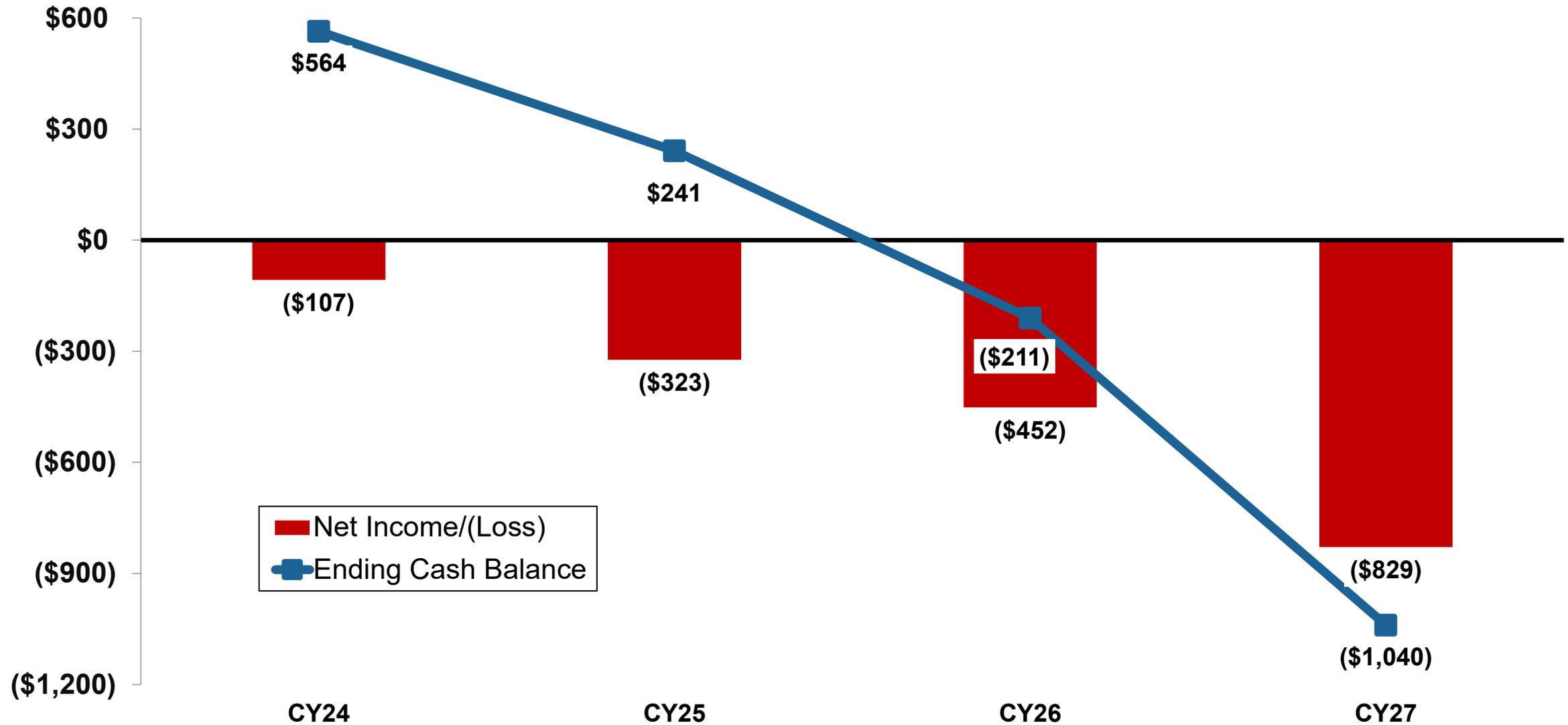


SPY=Short Plan Year Due to Conversion to Calendar Year Basis to Fiscal Year Basis

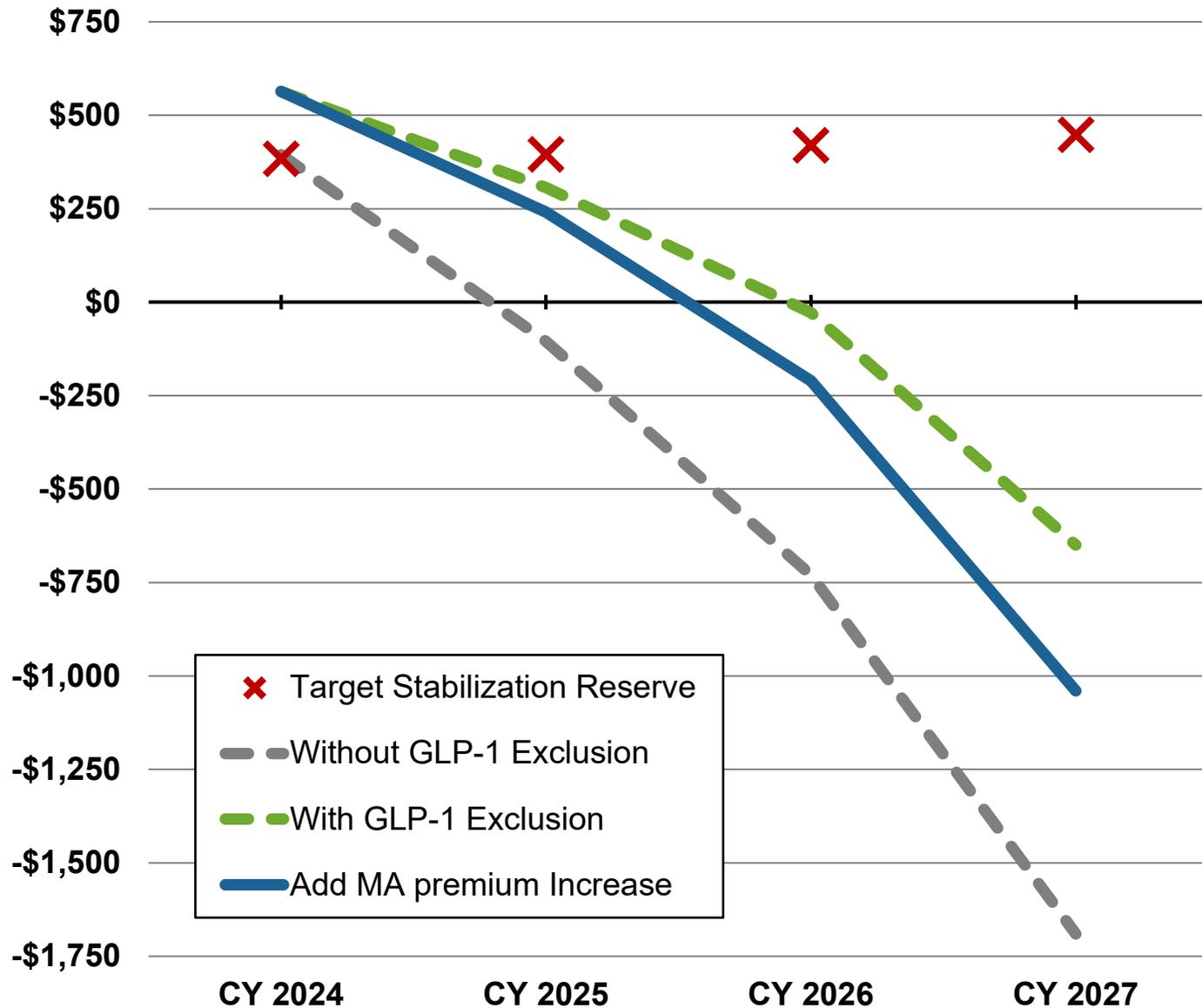
Financial Projections

- Financial projections updated quarterly to incorporate:
 - Actual financial results
 - Enrollment data
 - Claims experience
 - Policy changes
 - Other changes in anticipated costs or revenues
- Between projections, Plan staff monitor revenue and expenditure to identify any deviations from expectations.

Projected Financial Results by Plan Year

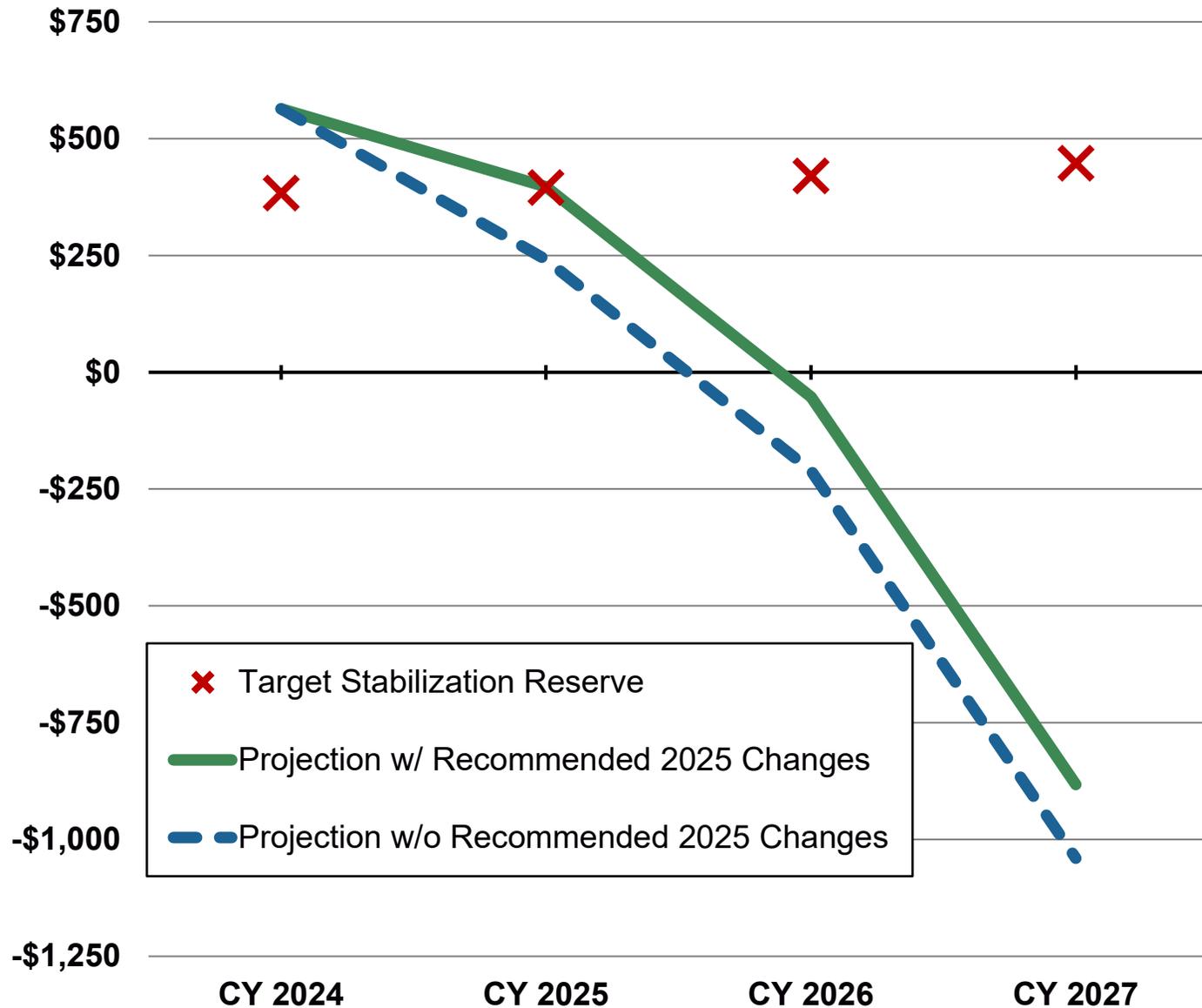


Impact of Recent Actions on Projection



- Without the Board's recent actions, the Plan's projected cash balance would have fallen below target by the end of CY 2024.
- The Board's actions improved projections, resulting in a need for \$89M in additional revenue in CY 2025.
- A larger than expected increase in Medicare Advantage premiums increased that need by \$66M.
 - **2025 Additional Funding Requirement: \$155M**

Impact of 2025 Recommendations on Projections



- Staff recommended changes for 2025:
 - Increase Retirement System contribution.
 - Increase premiums for dependents and contributory retirees who elect Medicare Advantage plans.
- Brings projected cash balance at end of CY 2025 to just above TSR.
- Only increases funding for CY 2025.

Future Planning

Request increase in employer contribution rates from General Assembly during FY 2025-2027 biennium.

Request additional reimbursements for COVID-related costs.

Medicare Advantage procurement.

Seek medical cost savings from provider network in collaboration with TPA.

Seek pharmacy cost savings.

Benefit design and cost-sharing review.