NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1719

SHORT TITLE: State Employees' Health Plan/Prescription Drugs

SPONSOR(S): Representatives Thomas Wright, Phil Baddour, & Others

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Comprehensive Major Medical Plan.

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts, premium payments for dependents by active and retired teachers and State employees, and premium payments for coverages selected by eligible former teachers and State employees.

BILL SUMMARY: The bill requires the Teachers' and State Employees' Comprehensive Major Medical Plan to reach a resolution of its contract dispute with its pharmacy benefit manager, AdvancePCS, as soon as possible, provided the resolution does not adversely affect members of the Plan's self-insured indemnity program. If the Plan does not reach a satisfactory resolution of the contract dispute by August 1, 2002, the claims processing for outpatient prescription drugs is to be returned to Blue Cross and Blue Shield of North Carolina, the program's contracted claims processor, on that date. Blue Cross & Blue Shield of North Carolina processed the program's outpatient prescription drug claims prior to December 2000. If the processing of outpatient prescription drug claims is returned to Blue Cross & Blue Shield of North Carolina on August 1, 2002, network pharmacies are required to be paid on the same basis that AdvancePCS paid pharmacies for the period July 1, 2001, through March 31, 2002.

EFFECTIVE DATE: When the bill becomes law.

ESTIMATED IMPACT ON STATE: The Plan's consulting actuary, Aon Consulting, estimates that the bill will cost the Plan's self-insured indemnity program an additional $57,140,000 for the 2002-03 fiscal year, $67,849,000 for the 2003-04 fiscal year, and $78,495,000 for the 2004-05 fiscal year. These additional costs for the next two fiscal years are made up of the following components:

	2002-03	2003-04
Increased Payments for Services (AdvancePCS Contract Rates to Actual Rates Paid July 1, 2001, through May, 2002)	$28,728,000	$35,991,000
Inability of Blue Cross & Blue Shield of North Carolina to Adequately Process Prescription Drug Claims (Lost Rebates, Lost Script Returns, Ineffective Utilization Review)	$18,429,000	$23,035,000
Additional Blue Cross & Blue Shield of North Carolina Administrative Cost Including Membership Cards	$ 1,905,000	$ 1,082,000

Loss of Proposed Settlement Offer from AdvancePCS for Contract Overpayments:		
Cash	$ 1,000,000	$ 1,000,000
Increased Manufacturer Rebates	$ 5,641,000	$ 5,242,000
Performance Rx Services for which the Plan will not be Billed (Pharmacy Recommendations to Physicians for Lower Cost Therapeutic Substitutions)	$ 1,437,000	$ 1,499,000
Total Settlement Offer Loss	$ 8,078,000	$ 7,741,000
Total Cost	$57,140,000	$67,849,000

Aon Consulting also states that the Plan would get another $9,120,000 in cash, manufacturer rebates, and unbilled services from AdvancePCS for the 2004-05 fiscal year in the Plan's settlement offer from the firm.

The consulting actuary for the General Assembly's Fiscal Research Division, Hartman & Associates, estimates the additional cost of the bill to be as follows based upon information provided by the Plan and use of Blue Cross & Blue Shield of North Carolina's contracted pharmacy benefit manager:

	2003-03	2003-04
Cost Compared to FY2002 Actual Payments to AdvancePCS		
Payment for Services	$ -0-	$ -0-
Administrative Costs	$ 1,500,000	$ 500,000
Total	$ 1,500,000	$ 500,000
Cost Compared to FY2002 Contract Payments to Advance PCS		
Payment for Services	$29,259,000	$36,236,000
Administrative Costs	$ 1,500,000	$ 500,000
Total	$30,759,000	$36,736,000

Hartman & Associates also states that the Plan still has a valid claim of approximately $25 million to be paid by AdvancePCS for contract overpayments during fiscal year 2001-02.

BACKGROUND INFORMATION: The 1999 Session of the General Assembly, for the first time since October 1991, was forced to increase premiums to the State Employee Health Benefit Plan in order to maintain the benefits of the Plan's self-insured indemnity program. Premiums were increased 30% across-the-board in October 1999, both for employees and retired employees and for enrolled spouses and dependent children of employees and retired employees. The Plan's Executive Administrator reported to the 2000 Session of the General Assembly that the Plan's self-insured indemnity program would have a $50 million deficit for the 2000-01 plan year without a reduction in the program's benefits. The main reason for this reported deficit was a dramatic increase in the program's claim payments for outpatient prescription drugs. Claim payments for outpatient prescription drugs increased from $115 million in 1998-99 to more than $172 million in 1999-2000. Per capita claim payments for prescription drugs increased some 44% for the same periods.

In response to this increase in outpatient prescription drug claims, the 2000 Session of the General Assembly reduced the self-insured indemnity program's allowable charges for outpatient prescription drugs for the 2000-01 fiscal year and authorized the program to hire a pharmacy benefit manager through a third-party contract. A pharmacy benefit manager's duties include implementing drug formularies, implementing dispensing limits, securing manufacturer rebates, generic substitutions, concurrent utilization reviews for compliance with appropriate clinical protocols, cost-effective protocols, and contraindications, and

prospective utilization reviews for drugs requiring prior approval. Retrospective reviews are also made for informational purposes.

In the summer of 2000, the Plan solicited proposals from pharmacy benefit managers from throughout the country. A dozen such firms responded to the solicitation. Five of the firms were selected as finalists to the solicitation: Advance Paradigm, Caremark, Express Scripts, Merck-Medco, and PCS. Advance Paradigm was selected by the Plan as the low bidder although Advance Paradigm bought PCS during the solicitation to form AdvancePCS. The Plan's self-insured indemnity program was to pay AdvancePCS a dispensing fee of $1.50 per prescription beginning in July, 2001, plus 85% of branded drugs' average wholesale price (AWP) and an aggregate of 45% of AWP for generic drugs. AdvancePCS was required to pay pharmacists whatever was necessary for the program to have 97% participation by the State's some 1,800 pharmacies at the time of the bid. The Plan and AdvancePCS entered into a contract beginning December 1, 2000, and expiring November 30, 2003. An extension of the contract was also included through November 30, 2005, at the option of the Plan. A comparison of bids from the finalists for the Plan's pharmacy benefit manager contract reveals:

Comparisons	Advance Paradigm	Express Scripts	Caremark	Merck-Medco	PCS
2001-2002 Retail Pricing					
Dispensing Fees Per Prescription	$1.50	$1.70	$2.25	$2.50	$2.50
Ingredients					
Branded Drug Discounts	15.00%	13.00%	15.00%	14.50%	13.75%
Generic Drug Discounts	55.00%	55.00%	55.00%	52.00%	60.00%
Manufacturer Rebates					
Per Prescription	$1.70	$2.35	$1.50	$1.25	$1.05
Prior Authorizations					
Fees Per Occurrence	$7.00	$20.00	$35.00	$0.00	$30.00
Administrative Costs					
Fees Per Claim	$0.00	$0.19	$0.00	$0.00	$0.16

Beginning in July, 2001, the Plan's self-insured indemnity program actually paid AdvancePCS the equivalent of $2.50 per prescription in dispensing fees and 87% of AWP for branded drugs and an aggregate of 57% of AWP for generic drugs according to the Plan's Executive Administrator, the Plan's claims auditor (Cherry, Bekart & Holland), and the Plan's consulting actuary (Aon Consulting). AdvancePCS and pharmacies have agreed that over 97% of the State's pharmacies were in the pharmacy network for the Plan's self-insured indemnity program. For the period July 2001, through March 2002, the program's actual payments to AdvancePCS have amounted to an estimate of $20 million in excess of what the Plan thought it should have paid. The Plan notified AdvancePCS on May 10, 2002, that it intended to terminate its contract 178 days after May 10th for the contractor's failure to comply with the terms of the Plan's contract. AdvancePCS was also notified that if it failed to remedy its failure to comply with the Plan's contract or failed to begin and maintain a good faith effort to comply with the Plan's contract within 30 days of May 10th, the Plan would cancel its contract for cause within 30 days. Information provided by pharmacists within North Carolina indicates that AdvancePCS notified them that effective on or about May 24, 2002, payments to them would be reduced to the amounts that its bid to the Plan reflected. Some pharmacies have further said that they will no longer accept the program's payment for outpatient prescription drugs based upon being paid the amounts reflected in AdvancePCS' bid to the Plan in the fall of 2000. Members of the program who purchase their prescription drugs from pharmacies that do not accept the program's payments will pay the full amount of a drug's price at

the time of purchase and await reimbursement from the program as opposed to paying a copayment of only $10 to $40 per prescription at the time of purchase at pharmacies accepting the program's payments. Pharmacies that have indicated that they will no longer accept the program's payments have also stated their intent to file claims on behalf of members.

The Plan and AdvancePCS continued discussions on the contract dispute until June 24, 2002, when the Plan announced a proposed settlement with AdvancePCS on the dispute. The financial terms of the Plan's contract with its pharmacy benefit manager have not been a matter of public record since January 4, 2002, when the Governor signed into law Chapter 2001-516 of the Session Laws which was ratified by the General Assembly on December 6, 2001. Consequently, the details of the proposed settlement of the contract dispute have not been made public.

ASSUMPTIONS AND METHODOLOGY: The Comprehensive Major Medical Plan for Teachers and State Employees is divided into two programs. From October, 1982, through June, 1986, the Plan only had a self-funded indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and eligible former employees and their eligible dependents authorized to continue coverage past a termination of employment other than for retirement or disability purposes. A prepaid program of coverage by health maintenance organizations (HMOs) was offered in July, 1986, as an alternative to the Plan's self-insured indemnity program. The benefits of the self-insured indemnity type of program are spelled out in Part 3 of Article 3 of Chapter 135 of the North Carolina General Statutes (i.e., $350 annual deductible, 20% coinsurance up to $1,500 annually, etc. paid by the program's members). HMOs are required to offer benefits that are comparable to those provided by the self-insured indemnity program. Beginning in July, 2000, firefighters, rescue squad workers, and members of the National Guard and their eligible dependents were allowed to voluntarily participate in the Plan on a fully contributory basis, provided they were ineligible for any other type of group health benefits and had been without such benefits for at least six months. Employer-paid non-contributory premiums are only authorized for the indemnity program's coverage for employees and retired employees. All other types of premium in the indemnity program are fully contributory. The Plan's Executive Administrator has set the premium rates for firefighters, rescue squad workers, and members of the National Guard and their families at 20% more than the comparable rates charged for employees, retired employees, and their families. Premiums paid by employers to HMOs are limited to like amounts paid to the indemnity program with employees and retired employees paying any HMO amounts above the indemnity program's non-contributory rates. Both types of coverage continue to be available in the Plan; however none of the HMOs with certificates of authority to transact business in North Carolina have offered to participate in the Plan since September 30, 2001. The Plan's employees and retired employees select the type of program that they wish for themselves and their dependents during the months of August and September of each year for coverage beginning in October. The demographics of the Plan as of December 31, 2001, include:

	Self-Insured Indemnity Program	Alternative HMOs	Plan Total
Number of Participants			
Active Employees	279,398	-0-	279,398
Active Employee Dependents	142,856	-0-	142,856
Retired Employees	112,042	-0-	112,042
Retired Employee Dependents	18,744	-0-	18,7440
Former Employees & Dependents with Continued Coverage	2,859	-0-	2,859
Firefighters, Rescue Squad Workers, National Guard			

Members & Dependents	4	-0-	4
Total Enrollments	555,903	-0-	555,903
Number of Contracts			
Employee Only	304,906	-0-	304,906
Employee & Child(ren)	42,354	-0-	42,354
Employee & Family	46,246	-0-	46,246
Total Contracts	393,506	-0-	393,506
Percentage of Enrollment by Age			
29 & Under	27.8%	-0-%	27.8%
30-44	21.2	-0-	21.2
45-54	21.2	-0-	21.2
55-64	15.1	-0-	15.1
65 & Over	14.7	-0-	14.7
Percentage of Enrollment by Sex			
Male	38.6%	-0-%	38.6%
Female	61.4	-0-	61.4

Assumptions for the Self-Insured Indemnity Program: For the fiscal year beginning July 1, 2001, the self-insured program started its operations with a beginning cash balance of $51.2 million. Receipts for the year are estimated to be $1.233 billion from premium collections, $4 million from investment earnings, $1 million in risk adjustment and administrative fees from HMOs, and a $36 million transfer from State's General Fund from the Governor's Budget Office for a total of $1.274 billion in receipts for the year. Disbursements from the self-insured program are expected to be $1.215 billion in claim payments and $36 million in administration and claims processing expenses for a total of $1.251 billion for the year beginning July 1, 2001. For the fiscal year beginning July 1, 2002, the self-insured indemnity program is expected to have a beginning cash balance of $74 million with a net operating loss of approximately $29 million for the year. For the fiscal year beginning July 1, 2003, the self-insured indemnity program is expected to have a beginning cash balance of only $45 million. The self-insured indemnity program is consequently assumed to be unable to carry out its operations for the 2003-2005 biennium without increases in its current premium rates or a reduction in existing benefits or payments to health care providers or both. This assumption is further predicated upon the fact that the program's cost containment strategies (hospital DRG reimbursements, discounts on hospital outpatient services, pre-admission hospital testing, pre-admission hospital inpatient certification with length-of-stay approval, hospital bill audits, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, Medicare benefit "carve-outs", cost reduction contracts with participating physicians and other providers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection) are maintained and improved where possible. Current non-contributory premium rates are $186.04 monthly for employees whose primary payer of health benefits is Medicare and $244.38 per month for employees whose primary payer of health benefits is not Medicare. Fully contributory premium amounts for employee and child(ren) contracts are $115.78 monthly for children whose primary payer of health benefits is Medicare and $152.32 monthly for other covered children, and $277.68 per month for family contracts whose dependents have Medicare as the primary payer of health benefits and $365.36 per month for other family contract dependents. Claim cost trends are expected to increase 12% annually. Total enrollment in the program is expected to increase about 3% annually over the next two years. The number of enrolled active employees is expected to show a 3% increase annually over the

next two years, whereas the growth in the number of retired employees is assumed to be 7% per year. The program is expected to have an increase in the number of active employee dependents and retiree dependents of 2% per year. Investment earnings are based upon a 5% return on available cash balances. The self-insured indemnity program maintains a claim stabilization reserve for claim cost fluctuations equal to 7.5% of annual claim payments without reserving additional funds for incurred but unreported claims.

Assumptions for the Indemnity Plan's Outpatient Prescription Drug Claims: The Plan's self-insured indemnity program has had the following claims experience for outpatient prescription drugs for the last five years:

Type of Drug	1996-97	1997-98	1998-99	1999-00	2000-01
Brand Drugs					
Number of Prescriptions	2,024,409	2,186,890	2,607,203	3,059,079	4,085,193
% Change	7.9%	8.0%	19.2%	17.3%	33.5%
Total Charges	$98,409,330	$115,927,964	$151,141,686	$208,695,902	$342,446,326
% Change	16.3%	17.8%	30.4%	38.1%	64.1%
Total Allowed Charges	$86,682,862	$101,337,962	$130,642,766	$184,280,875	$299,165,270
% Change	16.5%	16.9%	28.9%	41.1%	62.3%
Allowed Charges Applied to Deductible	$15,264,043	$16,357,937	$19,606,166	$19,298,006	$0
% Change	8.0%	7.2%	19.9%	-1.6%	-100.0%
Allowed Charges Applied to Coinsurance	$12,753,872	$15,109,477	$18,693,645	$38,164,457	$70,396,914
% Change	17.9%	18.5%	23.7%	104.2%	84.5%
Total Paid	$58,664,947	$69,870,548	$91,478,498	$126,253,019	$228,562,506
% Change	18.6%	19.1%	30.9%	38.0%	81.0%
Average Total Charge	$48.61	$53.01	$57.97	$68.22	$83.83
% Change	7.8%	9.0%	9.4%	17.7%	22.9%
Average Allowed Charge	$42.82	$46.34	$50.11	$60.24	$73.23
% Change	8.0%	8.2%	8.1%	20.2%	21.6%
Average Applied to Deduct.	$7.54	$7.48	$7.52	$6.31	$0.00
% Change	10.0%	-0.8%	0.5%	-16.1%	-100.0%
Average Applied to Coinsur.	$6.30	$6.91	$7.17	$12.48	$17.23
% Change	9.3%	9.7%	3.8%	74.0%	38.1%
Average Paid Charge	$28.98	$31.95	$35.09	$41.27	$55.95
% Change	9.9%	10.3%	9.8%	17.6%	35.6%
Average % of Charge Paid	59.6%	60.3%	60.5%	60.5%	66.7%
Brand Drugs with Generics					
Number of Prescriptions	336,173	334,814	306,754	320,154	589,765
% Change	-10.3%	-0.4%	-8.4%	4.4%	84.2%
Total Charges	$12,313,930	$13,539,502	$13,152,741	$16,069,120	$31,043,567
% Change	-3.7%	10.0%	-2.9%	22.2%	93.2%
Total Allowed Charges	$10,295,733	$11,412,600	$10,984,534	$13,877,689	$26,976,974
% Change	-4.3%	10.8%	-3.8%	26.3%	94.4%
Allowed Charges Applied to Deductible	$3,328,113	$3,267,785	$3,220,917	$2,099,732	$0
% Change	-8.1%	-1.8%	-1.4%	-34.8%	-100.0%
Allowed Charges Applied to Coinsurance	$1,264,286	$1,491,598	$1,337,447	$4,099,614	$12,093,766
% Change	-4.0%	18.0%	-10.3%	206.5%	195.0%

Total Paid	$5,703,334	$6,653,217	$6,364,850	$7,625,886	$14,872,791
% Change	-2.0%	16.7%	-4.3%	19.8%	95.0%
Average Total Charge	$36.63	$40.44	$42.88	$50.19	$52.64
% Change	7.4%	10.4%	6.0%	17.1%	4.9%
Average Allowed Charge	$30.63	$34.09	$35.81	$43.35	$45.74
% Change	6.7%	11.3%	5.1%	21.1%	5.5%
Average Applied to Deduct.	$9.90	$9.76	$10.50	$6.56	$0.00
% Change	2.5%	-1.4%	7.6%	-37.5%	-100.0%
Average Applied to Coinsur.	$3.76	$4.46	$4.36	$12.81	$20.51
% Change	7.1%	18.5%	-2.1%	193.7%	60.1%
Average Paid Charge	$16.97	$19.87	$20.75	$23.82	$25.22
% Change	9.3%	17.1%	4.4%	14.8%	5.9%
Average % of Charge Paid	46.3%	49.1%	48.4%	47.5%	47.9%
Generic Drugs					
Number of Prescriptions	1,550,269	1,612,914	1,763,012	1,882,707	2,486,990
% Change	5.0%	4.0%	9.3%	6.8%	32.1%
Total Charges	$24,922,520	$27,740,795	$32,374,714	$40,868,165	$64,655,614
% Change	8.7%	11.3%	16.7%	26.2%	58.2%
Total Allowed Charges	$20,227,151	$22,977,094	$27,129,910	$37,744,073	$46,562,321
% Change	10.1%	13.6%	18.1%	39.1%	23.4%
Allowed Charges Applied to Deductible	$4,774,829	$4,693,580	$5,377,187	$4,648,471	$0
% Change	6.4%	-1.7%	14.6%	-13.6%	-100.0%
Allowed Charges Applied to Coinsurance	$2,792,401	$3,282,494	$3,755,215	$12,077,817	$23,358,460
% Change	10.5%	17.6%	14.4%	221.6%	93.4%
Total Paid	$12,659,921	$15,001,020	$17,880,177	$20,938,996	$23,188,310
% Change	11.5%	18.5%	19.2%	17.1%	10.7%
Average Total Charge	$16.08	$17.20	$18.36	$21.71	$26.00
% Change	3.5%	7.0%	6.8%	18.2%	19.8%
Average Allowed Charge	$13.05	$14.25	$15.39	$20.05	$18.72
% Change	4.9%	9.2%	8.0%	30.3%	-6.6%
Average Applied to Deduct.	$3.08	$2.91	$3.05	$2.47	$0.00
% Change	1.3%	-5.5%	4.8%	-19.0%	-100.0%
Average Applied to Coinsur.	$1.80	$2.04	$2.13	$6.42	$9.39
% Change	5.3%	13.0%	4.7%	201.2%	46.4%
Average Paid Charge	$8.17	$9.30	$10.14	$11.12	$9.32
% Change	6.2%	13.9%	9.0%	9.7%	-16.2%
Average % of Charge Paid	50.8%	54.1%	55.2%	51.2%	35.9%
Compounded Drugs					
Number of Prescriptions	59	62	376	105	0
% Change	-32.2%	5.1%	506.5%	-72.1%	-100.0%
Total Charges	$2,422	$3,116	$14,278	$6,636	$0
% Change	-41.1%	28.7%	358.2%	-53.5%	-100.0%
Total Allowed Charges	$2,383	$2,937	$13,664	$6,546	$0
% Change	-41.1%	23.2%	365.2%	-52.1%	-100.0%
Allowed Charges Applied to Deductible	$46	$118	$1,865	$1,373	$0

% Change	91.7%	156.5%	1480.5%	-26.4%	-100.0%
Allowed Charges Applied to Coinsurance	$1,230	$1,323	$1,790	$347	$0
% Change	-64.7%	7.6%	35.3%	-80.6%	-100.0%
Total Paid	$1,107	$1,496	$9,989	$4,793	$0
% Change	105.0%	35.1%	567.7%	-52.0%	-100.0%
Average Total Charge	$41.05	$50.26	$37.97	$63.20	$0.00
% Change	-13.2%	22.4%	-24.4%	66.4%	-100.0%
Average Allowed Charge	$40.39	$47.37	$36.34	$62.34	0
% Change	-13.2%	17.3%	-23.3%	71.6%	-100.0%
Average Applied to Deduct.	$0.78	$1.90	$4.96	$13.08	0
% Change	182.6%	144.1%	160.6%	163.6%	-100.0%
Average Applied to Coinsur.	$20.85	$21.34	$4.76	$3.30	0
% Change	-47.9%	2.4%	-77.7%	-30.6%	-100.0%
Average Paid Charge	$18.76	$24.13	$26.57	$45.65	0
% Change	202.3%	28.6%	10.1%	71.8%	-100.0%
Average % of Charge Paid	45.7%	48.0%	70.0%	72.2%	0.0%
Total Drugs					
Number of Prescriptions	3,910,910	4,134,680	4,677,345	5,262,045	7,161,948
% Change	4.9%	5.7%	13.1%	12.5%	36.1%
Total Charges	$135,648,202	$157,211,377	$196,683,419	$265,639,823	$438,145,507
% Change	12.7%	15.9%	25.1%	35.1%	64.9%
Total Allowed Charges	$117,208,129	$135,730,593	$168,770,874	$235,909,183	$372,704,565
% Change	13.2%	15.8%	24.3%	39.8%	58.0%
Allowed Charges Applied to Deductible	$23,367,031	$24,319,420	$28,206,135	$26,047,582	$0
% Change	5.1%	4.1%	16.0%	-7.7%	-100.0%
Allowed Charges Applied to Coinsurance	$16,811,789	$19,884,892	$23,788,097	$54,342,235	$105,849,140
% Change	14.6%	18.3%	19.6%	128.4%	94.8%
Total Paid	$77,029,309	$91,526,281	$115,733,514	$154,822,694	$266,623,607
% Change	15.6%	18.8%	26.4%	33.8%	72.2%
Average Total Charge	$34.68	$38.02	$42.05	$50.48	$61.18
% Change	7.4%	9.6%	10.6%	20.1%	21.2%
Average Allowed Charge	$29.97	$32.83	$36.08	$44.83	$52.04
% Change	7.9%	9.5%	9.9%	24.2%	16.1%
Average Applied to Deduct.	$5.97	$5.88	$6.03	$4.95	$0.00
% Change	0.1%	-1.6%	2.5%	-17.9%	-100.0%
Average Applied to Coinsur.	$4.30	$4.81	$5.09	$10.33	$14.78
% Change	9.3%	11.9%	5.7%	103.1%	43.1%
Average Paid Charge	$19.70	$22.14	$24.74	$29.42	$37.23
% Change	10.2%	12.4%	11.8%	18.9%	26.5%
Average % of Charge Paid	56.8%	58.2%	58.8%	58.3%	60.9%
Average Monthly Enrollment	394,443	390,783	406,053	425,658	490,668
Average Annual Per Capita No. of Prescriptions	9.9	10.6	11.5	12.4	14.6

% Change	8.0%	6.7%	8.9%	7.3%	18.1%
Paid	$195	$234	$285	$364	$543
% Change	19.0%	19.9%	21.7%	27.6%	49.4%

For the period July 1, 2001, through June 15, 2002, the Plan's self-insured indemnity program paid its pharmacy benefit manager, AdvancePCS, based on the following amounts:

Periods	7/1/01- 5/31/02	6/19/02	7/1/01- 6/15/02
Network Claims			
No. Rx Paid	7,538,423	348,590	7,887,013
Dispensing Fee	$17,969,217	$512,443.61	$18,481,661
Av. Dispensing Fee	$2.38	$1.47	$2.34
Ingredient Cost	$381,543,094.18	$18,382,930.75	$399,926,024.93
State Tax	$3,039.87	$214.96	$3,254.83
Total Allowed	$399,515,351.43	$18,895,589.32	$418,410,940.75
Copayment	$159,553,107.75	$7,686,998.38	$167,240,106.13
Net Payment	$239,962,243.68	$11,208,590.94	$251,170,834.62
No. Rx Reversed	95,630	3,929	99,559
Dispensing Fee	$234,472.00	$8,047.84	$242,519.84
Av. Dispensing Fee	$2.45	$2.05	$2.44
Ingredient Cost	$5,453,579.81	$239,188.81	$5,692,768.62
State Tax	$24.70	$0.00	$24.70
Total Allowed	$5,688,076.51	$247,236.65	$5,935,313.16
Copayment	$2,312,707.08	$98,942.61	$2,411,649.69
Net Payment	$3,375,369.43	$148,294.04	$3,523,663.47
Net No. Rx Paid	7,442,793	344,661	7,787,454
Dispensing Fee	$17,734,745.38	$504,395.77	$18,239,141.15
Av. Dispensing Fee	$2.38	$1.46	$2.34
Ingredient Cost	$376,089,514.37	$18,143,741.94	$394,233,256.31
State Tax	$3,015.17	$214.96	$3,230.13
Total Allowed	$393,827,274.92	$18,648,352.67	$412,475,627.59
Copayment	$157,240,400.67	$7,588,055.77	$164,828,456.44
Net Payment	$236,586,874.25	$11,060,296.90	$247,647,171.15
Member Claims			
No. Rx Paid	66,762	2,912	69,674
Dispensing Fee	$101,850.46	$3,694.92	$105,545.38
Av. Dispensing Fee	$1.53	$1.27	$1.51
Ingredient Cost	$2,395,293.84	$119,456.15	$2,514,749.99
State Tax	$0.00	$0.00	$0.00
Total Allowed	$2,497,144.30	$123,151.07	$2,620,295.37
Copayment	$1,034,202.47	$56,879.34	$1,091,081.81
Net Payment	$1,462,941.83	$66,271.73	$1,529,213.56
No. Rx Reversed	634	48	682
Dispensing Fee	$776.94	$113.60	$890.54
Av. Dispensing Fee	$1.23	$2.37	$1.31
Ingredient Cost	$29,940.67	$1,332.67	$31,273.34
State Tax	$0.00	$0.00	$0.00
Total Allowed	$30,717.61	$1,446.27	$32,163.88
Copayment	$10,582.73	$655.25	$11,237.98
Net Payment	$20,134.88	$791.02	$20,925.90

Net No. Rx Paid	66,128	2,864	68,992
Dispensing Fee	$101,073.52	$3,581.32	$104,654.84
Av. Dispensing Fee	$1.53	$1.25	$1.52
Ingredient Cost	$2,365,353.17	$118,123.48	$2,483,476.65
State Tax	$0.00	$0.00	$0.00
Total Allowed	$2,466,426.69	$121,704.80	$2,588,131.49
Copayment	$1,023,619.74	$56,224.09	$1,079,843.83
Net Payment	$1,442,806.95	$65,480.71	$1,508,287.66
Mail Order Claims			
No. Rx Paid	5,422	346	5,768
Dispensing Fee	$300.00	$35.00	$335.00
Av. Dispensing Fee	$0.06	$0.10	$0.06
Ingredient Cost	$986,900.93	$64,311.95	$1,051,212.88
State Tax	$0.00	$0.00	$0.00
Total Allowed	$987,200.93	$64,346.95	$1,051,547.88
Copayment	$271,538.67	$17,576.90	$289,115.57
Net Payment	$715,662.26	$46,770.05	$762,432.31
No. Rx Reversed	223	7	230
Dispensing Fee	$105.00	$0.00	$105.00
Av. Dispensing Fee	$0.47	$0.00	$0.46
Ingredient Cost	$70,958.38	$4,141.93	$75,100.31
State Tax	$0.00	$0.00	$0.00
Total Allowed	$71,063.38	$4,141.93	$75,205.31
Copayment	$14,594.98	$482.99	$15,077.97
Net Payment	$56,468.40	$3,658.94	$60,127.34
Net No. Rx Paid	5,199	339	5,538
Dispensing Fee	$195.00	$35.00	$230.00
Av. Dispensing Fee	$0.04	$0.10	$0.04
Ingredient Cost	$915,942.55	$60,170.02	$976,112.57
State Tax	$0.00	$0.00	$0.00
Total Allowed	$916,137.55	$60,205.02	$976,342.57
Copayment	$256,943.69	$17,093.91	$274,037.60
Net Payment	$659,193.86	$43,111.11	$702,304.97
Total Claims			
No. Rx Paid	7,610,607	351,848	7,962,455
Dispensing Fee	$18,071,367.84	$516,173.53	$18,587,541.37
Av. Dispensing Fee	$2.37	$1.47	$2.33
Ingredient Cost	$384,925,288.95	$18,566,698.85	$403,491,987.80
State Tax	$3,039.87	$214.96	$3,254.83
Total Allowed	$402,999,696.66	$19,083,087.34	$422,082,784.00
Copayment	$160,858,848.89	$7,761,454.62	$168,620,303.51
Net Payment	$242,140,847.77	$11,321,632.72	$253,462,480.49
No. Rx Reversed	96,487	3,984	100,471
Dispensing Fee	$235,353.94	$8,161.44	$243,515.38
Av. Dispensing Fee	$2.44	$2.05	$2.42
Ingredient Cost	$5,554,478.86	$244,663.41	$5,799,142.27
State Tax	$24.70	$0.00	$24.70
Total Allowed	$5,789,857.50	$252,824.85	$6,042,682.35
Copayment	$2,337,884.79	$100,080.85	$2,437,965.64
Net Payment	$3,451,972.71	$152,744.00	$3,604,716.71

Net No. Rx Paid	7,514,120	347,864	7,861,984
Dispensing Fee	$17,836,013.90	$508,012.09	$18,344,025.99
Av. Dispensing Fee	$2.37	$1.46	$2.33
Ingredient Cost	$379,370,810.09	$18,322,035.44	$397,692,845.53
State Tax	$3,015.17	$214.96	$3,230.13
Total Allowed	$397,209,839.16	$18,830,262.49	$416,040,101.65
Copayment	$158,520,964.10	$7,661,373.77	$166,182,337.87
Net Payment	$238,688,875.06	$11,168,888.72	$249,857,763.78

SOURCES OF DATA:
-Actuarial Note, Hartman & Associates, House Bill 1719, June 27, 2002, original of which is on file in the General Assembly's Fiscal Research Division.
-Actuarial Note, Aon Consulting, House Bill 1719, June 21, 2002, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS: Blue Cross & Blue Shield of North Carolina says that it would need 5-6 months to begin processing outpatient prescription drug claims again for the Plan's self-insured indemnity program. Such lead time would generally correspond to the advanced notice that the Plan gave AdvancePCS for the termination of its contract with the Plan. Consequently, the earliest that Blue Cross & Blue Shield of North Carolina could be expected to resume its processing of outpatient prescription drug claims for the program would be November-December, 2002.

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PREPARED BY: Sam Byrd

APPROVED BY: James D. Johnson

DATE: July 1, 2002

Signed Copy Located in the NCGA Principal Clerk's Offices