



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
North Carolina Health Insurance Risk Pool, Inc
d/b/a Inclusive Health
Raleigh, North Carolina 27612

We have compiled the accompanying Statement of Net Assets of North Carolina Health Insurance Risk Pool, Inc. (an IRC Section 501(c)(26) corporation) ("the Company") as of December 31, 2011, the related Statement of Revenues, Expenses and Changes in Fund Net Assets for the month and year to date period then ended and the accompanying Statement of Revenues and Expenses Budget to Actual for the month then ended, which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures and the statements of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statements of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The accompanying supplementary Statement of Revenues and Expenses Budget to Actual have been compiled by us from information that is the representation of management of the Company. We have not audited or reviewed such information and, accordingly, do not express an opinion or any form of assurance on it. The Statement of Revenues and Expenses Budget to Actual are presented for purposes of additional analysis and is not a required part of the basic financial statements.

McGladrey & Pullen, LLP

Raleigh, North Carolina
January 23, 2012

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Net Assets
As of December 31, 2011

	State Risk Pool	Federal Risk Pool	Total
ASSETS			
Current Assets			
Checking/Savings			
Cash-State-BB&T-Operating Acct	\$ 309,714	\$ -	\$ 309,714
Cash-State- BB&T-Master Account	6,113,808	-	6,113,808
Cash-State-BB&T-Money Market Acct	240,653	-	240,653
First Citizens Trust Services-Market Value	34,877,195	-	34,877,195
Cash-Federal-BB&T-Operating Account	-	314,102	314,102
Cash-Federal-BB&T-Master Account	-	2,435,905	2,435,905
Total Checking/Savings	41,541,370	2,750,007	44,291,377
Other Current Assets			
A/R - MedTrak Pharmacy Rebates - State	1,043,900	-	1,043,900
A/R - MedTrak Pharmacy Rebates - Federal	-	203,820	203,820
Due From Federal Risk Pool	17,868	-	17,868
Grant Receivable - Federal Grant #2	232,971	-	232,971
Grant Receivable - Federal Grant #3	2,222,099	-	2,222,099
Prepaid Rent	770	770	1,541
Prepaid expenses	-	110,214	110,214
Prepaid Insurance	4,557	4,557	9,113
Unpaid Billed Balance - Federal	-	8,908	8,908
Unpaid Billed Balance - State	24,412	-	24,412
Allowance for Doubtful Accounts	(2,500)	(2,500)	(5,000)
Total Other Current Assets	3,544,077	325,769	3,869,846
Total Current Assets	45,085,448	3,075,776	48,161,223
Fixed Assets			
Furniture and Equipment	12,623	-	12,623
Accumulated Depreciation	(7,513)	-	(7,513)
Total Fixed Assets	5,110	-	5,110
TOTAL ASSETS	\$ 45,090,558	\$ 3,075,776	\$ 48,166,333
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 52,537	\$ 24,548	\$ 77,085
Due to State Risk Pool	-	17,868	17,868
Claims Payable - State	1,407,011	-	1,407,011
Claims Payable - Federal	-	436,160	436,160
Unprocessed premiums & adjustments - State	13,730	-	13,730
Unprocessed premiums & adjustments - Federal	-	(884)	(884)
Unearned Premiums - State	376,222	-	376,222
Unearned Premiums - Federal	-	3,975	3,975
Pending Premiums - State	(672)	-	(672)
Pending Premiums - Federal	-	-	-
Unearned Revenue - Federal Grant #2	232,971	-	232,971
Unearned Revenue - Federal Grant #3	2,222,099	-	2,222,099
IBNR Reserves - State	5,620,000	-	5,620,000
IBNR Reserves - Federal	-	2,861,000	2,861,000
Loss Adjustment Expense Reserve - State	865,000	-	865,000
Loss Adjustment Expense Reserve - Federal	-	308,000	308,000
Obligated on Federal Subsidy Grant	-	-	-
Escheats Fund Payable	7,801	-	7,801
Payroll Liabilities	4,938	-	4,938
Total Current Liabilities	10,801,638	3,650,667	14,452,305
Total Liabilities	10,801,638	3,650,667	14,452,305
Equity			
Invested in capital assets	5,110	-	5,110
Unrestricted Net Assets	34,283,810	(574,891)	33,708,919
Total Equity	34,288,920	(574,891)	33,714,029
TOTAL LIABILITIES & EQUITY	\$ 45,090,558	\$ 3,075,776	\$ 48,166,333

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses and Changes in Fund Net Assets

	State Risk Pool		Federal Risk Pool		Total	
	One Month Ended December 31, 2011	Six Months Ended December 31, 2011	One Month Ended December 31, 2011	Six Months Ended December 31, 2011	One Month Ended December 31, 2011	Six Months Ended December 31, 2011
Operating Revenue						
Monthly Premiums	\$ 3,619,909	\$ 20,539,990	\$ 865,973	\$ 4,336,497	\$ 4,485,862	\$ 24,876,487
Rebate - Pharmacy	395,623	796,053	88,680.00	153,642.37	484,303	949,695
Grant - Federal CMS # 2 - \$2,081,586	145,859	866,451	-	-	145,959	866,451
Federal Risk Pool Reimbursement	-	-	500,000	4,762,738	500,000	4,762,738
Self-funded Premium Subsidy	(49,243)	(196,975)	-	-	(49,243)	(196,975)
Total Operating Revenue	4,112,248	22,005,519	1,454,653	9,252,877	5,566,901	31,258,396
Operating Expenses						
Plan Expenses						
Medical Claim Costs	1,884,766	12,079,965	980,725	6,268,151	2,865,491	18,348,116
Pharmacy Claims Costs	2,056,845	10,911,924	486,835	2,322,495	2,543,480	13,234,418
Claim Costs - IBNR	937,000	1,637,000	846,000	1,034,000	1,783,000	2,671,000
Change In Loss Adjustment Reserve	79,000	328,000	61,000	176,000	140,000	504,000
Producer Compensation	56,350	399,700	29,150	194,250	85,500	593,950
Stop Loss Expense	91,098	506,871	-	-	91,098	506,871
Total Plan Expenses	5,105,059	25,863,459	2,403,510	9,994,895	7,508,569	35,858,354
Contractual Expenses						
Legal Services	479	7,813	479	6,983	958	14,776
Accounting Services	3,000	27,196	3,000	27,048	6,000	54,244
Audit Services	-	20,808	-	20,808	-	41,616
Admin Services	269,161	1,505,053	109,599	544,638	378,760	2,049,691
Admin Services - Pharmacy	41,055	227,733	14,565	72,883	55,620	300,595
Communication/Outreach	499	24,278	158,246	193,254	158,745	217,532
PBM Procurement	-	394	-	394	-	788
Actuarial Services	1,655	22,676	3,001	11,605	4,656	34,281
Total Contractual Expenses	315,849	1,835,951	268,890	877,571	604,739	2,713,522
Personnel Expenses						
Regular Salaries	10,425	62,550	10,425	62,550	20,850	125,100
Social Security	432	4,015	432	4,015	863	8,031
FUTA/SUTA	-	-	-	-	-	-
Employee Health Insurance	920	4,216	920	4,216	1,841	8,433
Employee Life Insurance	121	837	121	837	243	1,675
HSA Contributions	150	1,936	150	1,936	300	3,872
Workers Comp Insurance	73	436	73	436	145	872
Company Match 401K	625	3,753	626	3,753	1,251	7,506
Transportation Air - Out of State	174	891	174	891	348	1,782
Transportation Ground - In State	63	674	64	674	127	1,348
Lodging	-	973	-	970	-	1,944
Meals	-	333	-	333	-	666
Miscellaneous	-	5	-	5	-	10
BD/Non-Employee Transportation	(10)	633	(10)	633	(20)	1,265
BD/Non-Employee Subsistence	-	200	-	200	-	400
Total Personnel Expenses	12,974	81,453	12,974	81,450	25,948	162,903
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	770	4,623	770	4,623	1,541	9,245
Telephone Service	215	1,285	215	1,285	430	2,569
Cellular Phone Services	-	182	-	182	-	364
Internet Service Provider Charges	-	47	-	47	-	95
Postage, Freight & Delivery	26	634	26	326	52	960
Liability Insurance	746	4,477	746	4,477	1,492	8,954
General Office Supplies	23	907	23	907	46	1,815
Data Processing Supplies	-	-	-	148	-	148
Computer/IT Support Services	10	134	10	134	20	269
Furniture - Office	-	-	-	-	-	-
Equip-Voice Communication	-	-	-	-	-	-
PC Software	-	-	-	-	-	-
Membership Dues & Subscriptions	106	253	106	106	211	359
Bank Service Charges	(1,127)	7,213	1,636	8,424	509	15,636
Miscellaneous, including Property Tax	-	57	-	57	-	114
Total Vendor/Admin Expenses	769	19,811	3,533	20,715	4,301	40,526

See Independent Accountant's Compilation Report

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses and Changes in Fund Net Assets

	State Risk Pool		Federal Risk Pool		Total	
	One Month Ended December 31, 2011	Six Months Ended December 31, 2011	One Month Ended December 31, 2011	Six Months Ended December 31, 2011	One Month Ended December 31, 2011	Six Months Ended December 31, 2011
Other Expenses						
Depreciation Expense	173	1,041	-	-	173	1,041
First Citizens Investment Expense	5,797	35,664	-	-	5,797	35,664
Total Other Expense	5,970	36,705	-	-	5,970	36,705
Total Operating Expenses	5,440,621	27,837,378	2,708,906	10,974,632	8,149,527	38,812,010
Operating Income (Loss)	(1,328,373)	(5,831,860)	(1,254,253)	(1,721,754)	(2,582,626)	(7,553,614)
Non-Operating Revenue						
State Aid - Premium Tax	-	3,132,926	-	-	-	3,132,926
State Aid - SHP Fund	-	722,427	-	-	-	722,427
Interest & Investment Income	19,345	84,408	-	-	19,345	84,408
Total Non-Operating Revenue	19,345	3,939,761	-	-	19,345	3,939,761
Increase (decrease) in Net Assets	(1,309,027)	(1,892,098)	(1,254,253)	(1,721,754)	(2,563,281)	(3,613,853)
Net Assets, beginning of period	\$ 35,597,947	36,181,018	\$ 679,362	1,146,863	36,277,309	37,327,881
Net Assets, end of period	\$ 34,288,920	\$ 34,288,920	\$ (574,891)	\$ (574,891)	\$ 33,714,029	\$ 33,714,029

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses - Budget vs. Actual
State Risk Pool

	One Month Ended December 31, 2011			Six Months Ended December 31, 2011		
	Actual	Budget	Over(Under)	Actual	Budget	Over(Under)
			Budget			Budget
Member Months	8,112	8,345	(233)	45,131	45,440	(309)
Operating Revenue						
Monthly Premiums	\$ 3,619,909	\$ 3,559,668	\$ 60,241	\$ 20,539,990	\$ 19,849,830	\$ 690,160
Rebate - Pharmacy	395,623	385,746	9,877	796,053	727,039	69,014
Grant - Federal CMS # 2 - \$2,081,586	145,959	173,466	(27,507)	866,451	1,040,793	(174,342)
Self-funded Premium Subsidy	(49,243)	-	(49,243)	(196,975)	-	(196,975)
Total Operating Revenue	4,112,248	4,118,880	(6,631)	22,005,519	21,617,662	387,857
Operating Expenses						
Plan Expenses						
Medical Claim Costs	1,884,766	2,693,539	(808,773)	12,079,965	12,772,049	(692,084)
Pharmacy Claims Costs	2,056,845	2,146,011	(89,166)	10,911,924	11,300,930	(389,006)
Claim Costs - IBNR	937,000	696,567	240,433	1,637,000	1,590,638	46,362
Change in Loss Adjustment Reserve	79,000	-	79,000	328,000	-	328,000
Producer Compensation	56,350	89,840	(33,490)	399,700	539,432	(139,732)
Stop Loss Expense	91,098	93,714	(2,617)	506,871	510,291	(3,421)
Total Plan Expenses	5,105,059	5,719,672	(614,613)	25,863,459	26,713,340	(849,881)
Contractual Expenses						
Legal Services	479	3,136	(2,657)	7,813	18,818	(11,005)
Accounting Services	3,000	3,471	(471)	27,196	20,823	6,373
Audit Services	-	-	-	20,808	20,882	(74)
Admin Services	269,161	275,135	(5,974)	1,505,053	1,498,157	6,896
Admin Services - Pharmacy	41,055	41,725	(670)	227,733	227,200	533
Communication/Outreach	499	5,537	(5,038)	24,278	33,223	(8,945)
PBM Procurement	-	478	(478)	394	2,867	(2,473)
Actuarial Services	1,655	3,149	(1,494)	22,676	18,895	3,782
Total Contractual Expenses	315,849	332,631	(16,781)	1,835,951	1,840,865	(4,914)
Personnel Expenses						
Regular Salaries	10,425	10,425	0	62,550	62,550	0
Social Security	432	801	(370)	4,015	4,807	(792)
FUTA/SUTA	-	46	(46)	-	276	(276)
Employee Health Insurance	920	920	-	4,216	4,216	(0)
Employee Life Insurance	121	100	22	837	598	239
HSA Contributions	150	150	-	1,936	2,004	(68)
Workers Comp Insurance	73	32	40	436	194	243
Company Match 401K	625	345	280	3,753	2,072	1,681
Transportation Air - Out of State	174	166	7	891	999	(108)
Transportation Ground - In State	63	238	(174)	674	1,425	(752)
Lodging	-	209	(209)	973	1,253	(279)
Meals	-	48	(48)	333	289	44
Miscellaneous	-	5	(5)	5	30	(25)
BD/Non-Employee Transportation	(10)	58	(68)	633	350	282
BD/Non-Employee Subsistence	-	58	(58)	200	350	(150)
Total Personnel Expenses	12,974	13,603	(629)	81,453	81,413	39
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	770	774	(4)	4,623	4,644	(21)
Telephone Service	215	177	38	1,285	1,061	224
Cellular Phone Services	-	40	(40)	182	240	(58)
Internet Service Provider Charges	-	-	-	47	-	47
Postage, Freight & Delivery	26	113	(86)	634	675	(41)

See Independent Accountant's Compilation Report

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses - Budget vs. Actual
State Risk Pool

	One Month Ended December 31, 2011			Six Months Ended December 31, 2011		
	Actual	Budget	Over(Under)	Actual	Budget	Over(Under)
			Budget			Budget
Liability Insurance	746	746	1	4,477	4,473	3
General Office Supplies	23	146	(122)	907	873	34
Computer/IT Support Services	10	11	(1)	134	64	70
Furniture - Office	-	17	(17)	-	100	(100)
Equip-Voice Communication	-	121	(121)	-	725	(725)
PC Software	-	37	(37)	-	220	(220)
Membership Dues & Subscriptions	106	146	(40)	253	875	(622)
Bank Service Charges	(1,127)	1,175	(2,302)	7,213	7,049	164
Miscellaneous, including Property Tax	-	-	-	57	114	(57)
Total Vendor/Admin Expenses	769	3,500	(2,731)	19,811	21,113	(1,301)
Other Expenses						
Depreciation Expense	173	186	(12)	1,041	1,115	(75)
First Citizens Investment Expense	5,797	5,538	258	35,664	33,230	2,434
Total Other Expenses	5,970	5,724	246	36,705	34,346	2,359
Total Operating Expenses	5,440,621	6,075,129	(634,508)	27,837,378	28,691,077	(853,698)
Operating Income (Loss)	(1,328,373)	(1,956,249)	627,877	(5,831,860)	(7,073,415)	1,241,555
Non-Operating Revenue						
State Aid - Premium Tax	-	-	-	3,132,926	3,132,926	-
State Aid - SHP Fund	-	-	-	722,427	722,427	-
Interest & Investment Income	19,345	39,988	(20,643)	84,408	249,173	(164,765)
Total Non-Operating Revenue	19,345	39,988	(20,643)	3,939,761	4,104,526	(164,765)
Increase (decrease) in Net Assets	\$ (1,309,027)	\$ (1,916,261)	\$ 607,234	\$ (1,892,098)	\$ (2,968,889)	\$ 1,076,790

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses - Budget vs. Actual
Federal Risk Pool

	One Month Ended December 31, 2011			Six Months Ended December 31, 2011		
	Actual	Budget	Over(Under) Budget	Actual	Budget	Over(Under) Budget
Member Months	2,931	2,814	117	14,529	14,034	495
Operating Revenue						
Monthly Premiums	\$ 865,973	\$ 892,038	\$ (26,065)	\$ 4,336,497	\$ 4,488,806	\$ (152,309)
Rebate - Pharmacy	88,680	51,945	36,736	153,642	103,889	49,753
Federal Risk Pool Reimbursement	500,000	1,485,572	(985,572)	4,762,738	7,618,842	(2,856,104)
Total Operating Revenue	1,454,653	2,429,555	(974,902)	9,252,877	12,211,537	(2,958,660)
Operating Expenses						
Plan Expenses						
Medical Claim Costs	980,725	1,400,000	(419,275)	6,268,151	7,500,000	(1,231,849)
Pharmacy Claims Costs	486,635	400,000	86,635	2,322,495	1,800,000	522,495
Claim Costs - IBNR	846,000	282,000	564,000	1,034,000	1,692,000	(658,000)
Change in Loss Adjustment Reserve	61,000	-	61,000	176,000	-	176,000
Producer Compensation	29,150	24,756	4,394	194,250	148,534	45,716
Total Expenses	2,403,510	2,106,756	296,754	9,994,895	11,140,534	(1,145,638)
Contractual Expenses						
Legal Services	479	938	(459)	6,963	5,627	1,335
Accounting Services	3,000	2,713	287	27,048	16,280	10,767
Audit Services	-	2,458	(2,458)	20,808	14,750	6,058
Admin Services	109,599	111,688	(2,089)	544,638	557,009	(12,371)
Admin Services - Pharmacy	14,565	14,070	495	72,863	70,170	2,693
Communication/Outreach	158,246	41,667	116,579	193,254	250,000	(56,746)
PBM Procurement	-	328	(328)	394	1,971	(1,577)
Actuarial Services	3,001	2,209	792	11,605	13,253	(1,648)
Total Contractual Expenses	288,890	176,071	112,818	877,571	929,060	(51,489)
Personnel Expenses						
Regular Salaries	10,425	11,488	(1,063)	62,550	68,927	(6,376)
Social Security	432	800	(368)	4,015	4,797	(782)
FUTA/SUTA	-	46	(46)	-	276	(276)
Employee Health Insurance	920	786	135	4,216	5,005	(788)
Employee Life Insurance	121	100	22	837	598	239
HSA Contributions	150	188	(38)	1,936	1,125	811
Workers Comp Insurance	73	32	40	436	194	243
Company Match 401K	626	689	(64)	3,753	4,136	(383)
Transportation Air - Out of State	174	176	(2)	891	1,056	(165)
Transportation Ground - In State	64	251	(188)	674	1,508	(834)
Lodging	-	268	(268)	970	1,608	(638)
Meals	-	53	(53)	333	316	17
Miscellaneous	-	7	(7)	5	39	(34)
BD/Non-Employee Transportation	(10)	58	(68)	633	346	287
BD/Non-Employee Subsistence	-	58	(58)	200	350	(150)
Total Personnel Expenses	12,974	14,998	(2,024)	81,450	90,280	(8,830)
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	770	774	(4)	4,623	4,644	(21)
Telephone Service	215	177	38	1,285	1,061	224
Cellular Phone Services	-	40	(40)	182	240	(58)
Internet Service Provider Charges	-	-	-	47	-	47
Postage, Freight & Delivery	26	113	(86)	326	675	(349)
Liability Insurance	746	746	1	4,477	4,473	3

See Independent Accountant's Compilation Report

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses - Budget vs. Actual
Federal Risk Pool

	One Month Ended December 31, 2011			Six Months Ended December 31, 2011		
	Actual	Budget	Over(Under) Budget	Actual	Budget	Over(Under) Budget
General Office Supplies	23	137	(114)	907	824	83
Data Processing Supplies	-	-	-	148	-	148
Computer/IT Support Services	10	15	(5)	134	90	44
Furniture - Office	-	17	(17)	-	100	(100)
Equip-Voice Communication	-	121	(121)	-	725	(725)
PC Software	-	53	(53)	-	318	(318)
Membership Dues & Subscriptions	106	64	41	106	385	(280)
Bank Service Charges	1,636	1,364	272	8,424	8,183	241
Miscellaneous, including Property Tax	-	-	-	57	-	57
Total Vendor/Admin Expenses	3,533	3,620	(87)	20,715	21,719	(1,004)
Other Expenses						
Depreciation Expense	-	95	(95)	-	571	(571)
First Citizens Investment Expense	-	-	-	-	-	-
Total Other Expenses	-	95	(95)	-	571	(571)
Total Operating Expenses	2,708,906	2,301,540	407,366	10,974,632	12,182,162	(1,207,531)
Operating Income (Loss)	(1,254,253)	128,015	(1,382,268)	(1,721,754)	29,375	(1,751,129)
Non-Operating Revenue						
Interest and Investment Income	-	-	-	-	-	-
Total Non-Operating Income	-	-	-	-	-	-
Increase (Decrease) in Net Assets	\$ (1,254,253)	\$ 128,015	\$ (1,382,268)	\$ (1,721,754)	\$ 29,375	\$ (1,751,129)

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