North Carolina State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

Board of Trustees Bylaws Revision

Board of Trustees Meeting

December 10, 2018

August 2018 Approved Board of Trustees Bylaws Revisions

Article IV. Meetings:

~~**Section 2. Annual Meeting to Review Requests for Changes to Benefits:**~~

~~One meeting per year will be used to review requests made by individuals or groups for changes in benefits under the State Health Plan.~~

Section ~~8~~9~~.~~ Public Comment and Requests for Changes to Benefits:

Time will be reserved at ~~the end of~~ each non-telephonic Board meeting for public comment and requests for changes in benefits under the State Health Plan upon request. Such time may be limited by the Chairperson.

Revision to Bylaws of the Board of Trustees

Current text:

Article V. Operation of the Board:
Section 9. Appearance Before the Board:

Individuals or groups who wish to appear before the Board shall make their request in writing to the Chairperson at least seven (7) days in advance of the next regularly scheduled meeting. The Chairperson, at his or her discretion, may approve the request and allot a reasonable time for presentation. The Chairperson shall limit presentations as necessary to maintain the timely conduct of business by the Board.

Section 10. Appearance Before the Board at Annual Meeting to Review Requests for Changes to Benefits:

Individuals or groups that have submitted a *Request Form for Board of Trustee Consideration of a Change to SHP Benefits* who wish to appear before the Board shall make their request, if not included on the form, in writing to the Chairperson at least two weeks before the annual meeting. The Chairperson, at his or her discretion, may approve the request and allot a reasonable time for presentation. The Chairperson shall limit the time for appearance as necessary to maintain the timely conduct of business by the Board.

Revision to Bylaws of the Board of Trustees

Proposed text with redline:

Article V. Operation of the Board:

~~**Section 9. Appearance Before the Board:**~~

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Reason for revisions:
Duplicative and unnecessary due to August 2018 Approved Board of Trustees Bylaws Revisions.

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Provider Reimbursement Strategy Discussion

Board of Trustees Meeting

December 10, 2018

Provider Reimbursement Strategy Update

- Almost 3,000 providers have confirmed interest in learning more about the Plan's new strategy for provider reimbursement. Among the larger providers include:
  - Duke University Health System
  - Physicians East
  - Wake Med WKCC Systems
  - Wilmington Health Associates
- The Plan has upcoming meetings with:
  - Atrium Health
  - Cone Health
  - Wake Forest Baptist Health
- The next phase will occur over the next several months, which includes providers learning more about their specific rates.
- Communication planning for member outreach is underway and will begin in early 2019.

Provider Contract

- Standard agreement for all Providers
- Specific to the Plan's Provider Network
- Between the Plan and the Provider – the TPA is not a party
- Plan can assign responsibilities under contract to a TPA(s)
  - Example: claims processing, credentialing, medical policies, provider manual
- Fully transparent - contract, including fee schedule, is Public Record
- Notices can be provided electronically

Updated Provisions

- Standard State Terms & Conditions
  - Example: Iran investment/Israel boycott ineligibility, sovereign immunity, conflict of interest prohibition, use of Plan name in advertising prohibition, State Auditor access to records
- Clarification of Plan's right to offset overpayments against future claims payments
- Requirement to refund overpayments to Plan Members within 60 days
- Prohibition on facility fees
- Reasonable efforts to verify identity of Plan Members at visits
- 42 CFR Part 2 (substance abuse records) compliance
- Health Information Exchange (HIE) compliance
- Removed Chapter 58 references – not subject to DOI regulation

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Financial Update

Board of Trustees Meeting

December 10, 2018

Financial Results: Actual vs. Budgeted
Calendar Year to Date October 2018

Calendar Year 2018	Actual thru OCT 2018	Authorized Budget (per Segal 5-30-18)	Variance Fav/(Unfav) Budget
Beginning Cash Balance	**$1.010 b**	**$1.010 b**	**-**
Plan Revenue	**$2.978 b**	**$2.960 b**	**$0.018 b**
Net Claims Payments	$2.634 b	$2.592 b	($0.042) b
Medicare Advantage Premiums	$0.197 b	$0.189 b	($0.008) b
Net Administrative Expenses	$0.112 b	$0.174 b	$0.062 b
Total Plan Expenses	**$2.943 b**	**$2.955 b**	**$0.012 b**
Net Income/(Loss)	**$35.0 m**	**$0.005 m**	**$0.030 m**
Ending Cash Balance	**$1.045 b**	**$1.015 b**	**$0.030 m**

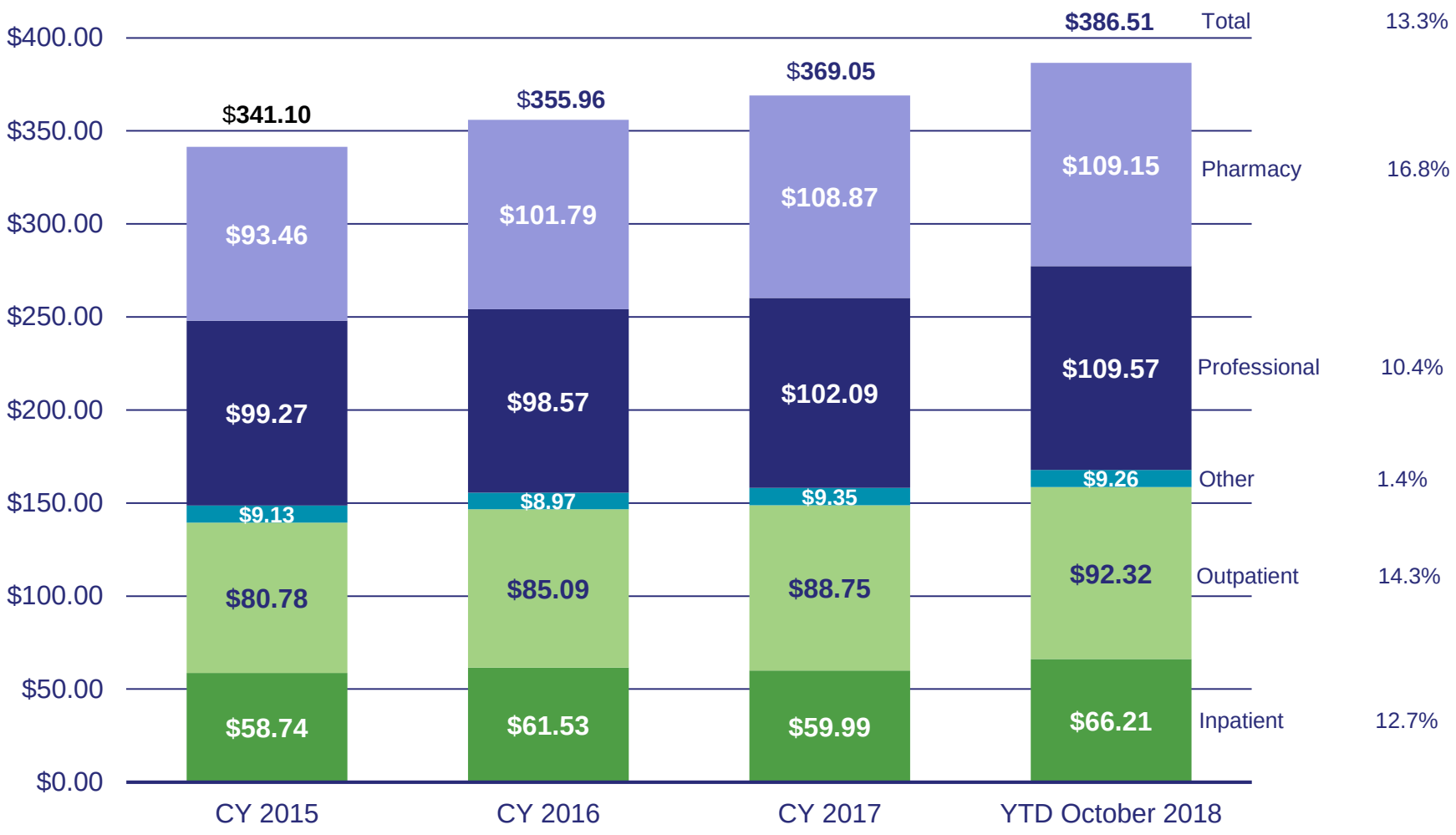
Financial Results Actual vs. Budgeted
Calendar Year to Date October 2018

Per Member Per Month (PMPM) Analysis

Calendar Year 2018	Actual thru OCT 2018	Authorized Budget (per Segal 5-30-18)	Variance Fav/(Unfav) Budget
Plan Revenue	**$410.02**	**$407.96**	**$2.07**
Net Claims Payments	$363.28	$357.29	($5.99)
Medicare Advantage Premiums	$ 27.15	$ 26.00	($1.15)
Net Administrative Expenses	$ 15.47	$ 23.97	$8.50
Total Plan Expenses	**$405.89**	**$407.26**	**$1.36**
Net Income/(Loss)	**$ 4.13**	**$ 0.70**	**$3.43**

Comparing actual results to the budget projection on a PMPM basis helps correct for changes in membership that occurred during the year.

Allocation of Claims Expenditures (PMPM)
Medical, Blue Card and Pharmacy Payments



* Pharmacy claims costs do **not** include the impact of rebates

Source: BCBSNC Summary of Billed Charges

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Process for the Adoption of Plan Rules

Board of Trustees Meeting

December 10, 2018

State Health Plan Rule Authority

§ 135-48.25. Rules. (State Health Plan for Teachers and State Employees)

The State Treasurer, in consultation with the Board of Trustees, may adopt rules to implement this Article. The State Treasurer shall provide to all employing units, all health benefit representatives, all relevant health care providers affected by a rule, and to any other persons requesting a written description and approved by the State Treasurer written notice and an opportunity to comment not later than 30 days prior to adopting, amending, or rescinding a rule, unless immediate adoption of the rule without notice is necessary in order to fully effectuate the purpose of the rule. Rules of the Board of Trustees shall remain in effect until amended or repealed by the State Treasurer. The State Treasurer shall provide a written description of the rules adopted under this section to all employing units, all health benefit representatives, all relevant health care providers affected by a rule, and to any other persons requesting a written description and approved by the State Treasurer on a timely basis. Rules adopted by the State Treasurer to implement this Article are not subject to Article 2A of Chapter 150B of the General Statutes.

§ 150B-1(d)(7). Policy and scope. (Administrative Procedures Act)

The State Health Plan for Teachers and State Employees is exempt from APA rule-making in administering the provisions of Article 3B of Chapter 135 of the General Statutes.

The State Health Plan General Rule Process

1) **Provide written description (post online) of proposed rule and give notice (electronic) of adoption of rule to:**
   - Board of Trustees;
   - All Employing Units/Health Benefit Representatives;
   - All relevant health care providers, if affected by the rule; and
   - Any other persons requesting a written description.

2) **Provide opportunity to comment on the proposed rule no later than 30 days prior to adopting, amending, or rescinding the rule.**
   - Receive written comments (electronically); and
   - Allow in-person public comment.

3) Consult with board to obtain additional feedback on the proposed rule.

4) Consider feedback and make revisions, if any, to proposed rule.

5) Adopt rule. (No Board Action Necessary)

Immediate Rule Process and Legacy Rules

- Rules may be adopted immediately, without notice, if necessary in order to fully effectuate the purpose of the rule.

- Rules of the Board of Trustees shall remain in effect until amended or repealed by the State Treasurer.

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2020 Plan Designs and Benefits

Board of Trustees Meeting

December 10, 2018

Three-Year Strategy: Move towards Medicare Based Reimbursement Rates

In February, Plan staff presented a three-year benefit strategy outlined below:

2019

- **Minimize Changes**
  - **80/20** - Simplify 80/20 OOP & Refine the Designated Provider Program
  - **70/30** – No changes
  - **HDHP** – Continues to be available to non-permanent employees only

2020

- **Move to two distinct plan design options**
  - **80/20** – No change
  - **70/30** – Consider phasing out the 70/30 Plan
  - **HDHP** – Open to all members – consider offering Health Savings Account (HSA)

2021

- **Add custom network based on Medicare reimbursement rates**
  - **80/20** – No changes other than network
  - **HDHP** – No changes other than network

Three-Year Strategy: Move towards Medicare Based Reimbursement Rates

While we are still marching down the same path, we have moved the network piece up a year and are focused on differentiating the 70/30 from the 80/20 plan.

2019

- **Minimize Changes**
  - **80/20** - Simplify 80/20 OOP & Refine the Designated Provider Program
  - **70/30** – No changes
  - **HDHP** – Continues to be available to non-permanent employees only

2020

- **Move to two distinct plan design options with a new provider reimbursement model**
  - **80/20** – No change
  - **70/30 – Modify the plan design to differentiate it from the 80/20 Plan**
  - **HDHP** – Continues to be available to non-permanent employees only

2021

- **Consider replacing the 70/30 with the HDHP**
  - **80/20** – No changes other than network
  - **HDHP** – No changes other than network

Options for Updating the 70/30 Plan

- **Give Up "Grandfather Status" on the 70/30 Plan, which will provide more flexibility to the Plan to modernize the benefits**
  - $0 Preventive benefits (ACA Preventive)
  - Combined Medical/Rx Out-of-Pocket, instead of a medical coinsurance max and a separate Rx Out-of-Pocket

- **Giving up "Grandfather Status" also allows the Plan to update the member cost-shares to further differentiate the 70/30 from the 80/20 Plan**
  - Update copays & deductible
  - Update the Rx plan design

Options for Updating the 70/30 Plan

Plan Design Features	2019 80/20 Plan	2019 70/30 Plan	2020 Options for 70/30 Plan
Deductible	$1,250 Individual*	$1,080 Individual*	$1,500 or $2,000
Medical/Rx Out-of-Pocket	$4,890 Individual*	NA	$5,900 or $7,600
Medical Coinsurance Max Rx OOP	NA	$4,388 Individual* $3,360 Individual*	Replace with combine Med/Rx OOP
Preventive	$0	$40	$0
PCP	$25/$10	$40	$40
Specialist Copay	$80	$94	$94
Mid Tier Copays	$52	$72	$72
Hospital & ER Copays	$300 + Ded/Coins	$337 + Ded/Coins	$337 Ded/Coins
Rx- Tier1	$5	$16	$16 or $20
Rx -Tier 2	$30	$47	$47 or $50
Rx -Tier 3	Ded/coins	$74	Ded/Coins
Rx – Tier 4	$100	10% up to $100	$200
Rx – Tier 5	$250	25% up to $103	$350
Rx – Tier 6	Ded/Coins	25% up to $133	Ded/Coins

Adding a true OOP means members will no longer have to pay copays after the maximum is met

No deductible for colonoscopies!

Could increase or decrease these copays slightly

Ensure the 70/30 Rx plan design is not richer than the 80/20 Plan

* *Family maximum is 3X individual maximum*

Options for Updating the 70/30 Plan – Next Steps

- Before the next Board meeting:
  - **Feedback**– The Plan will be setting up meetings with the constituent groups to gather their feedback on proposed changes
  - **Analysis** – The Plan will continue to analyze the financial impacts of the proposed changes to determine the best options to:
    - Continue to provide a quality health benefit for all Plan members
    - Reduce dependent premiums in an effort to improve the affordability of the Plan
    - Continue to place the Plan on a more sustainable path

North Carolina
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2019 Open Enrollment Results

Board of Trustees Meeting

December 10, 2018

2019 Open Enrollment Results – Year Over Year

- From a technical standpoint, Open Enrollment was very successful.
- Unfortunately, fewer subscribers took action.
  - ✓ Increase in the number of online enrollments
  - ✗ Decrease in the number of telephonic enrollments
  - ✗ Decrease in the number of unique members making elections

	2018	2019	% Change
Online Enrollment	334,506	340,892	+ 2%
Telephonic Enrollment	78,324	69,422	- 11%
Total Enrollments	414,604	410,314	- 1%
Distinct Subscribers	350,778	344,154	- 2%

2019 Open Enrollment Results: Non-Med Prime

What happens to Non-Medicare primary subscribers who did not take action during Open Enrollment?

- **Active Subscribers** are enrolled in the 70/30 Plan
  - They have missed the opportunity to:
    - Elect the 80/20 Plan
    - Drop coverage for themselves
    - Add or drop dependents
    - Complete the tobacco attestation and possibly reduce their premium by $60 per month
- **Non-Medicare Primary Subscribers** in the Retirement System Group were also enrolled in the 70/30 Plan
  - While they are not impacted by the tobacco attestation or the inability to drop coverage, they also missed opportunity to
    - Elect the 80/20 Plan
    - Add dependents

2019 Open Enrollment Results: Active Employees

- As noted on the previous page, Active Employees are the most impacted if they do not complete OE. Fortunately, 94% of our Active Employees completed Open Enrollment.

Entity	Total Employees	Employees that Made Elections	Percent that Made Elections
State Agencies	65,868	62,820	95.4%
Charter Schools	4,955	4,575	92.3%
Community Colleges	15,221	14,872	97.7%
Local Governments	11,071	10,800	97.6%
Public Schools	162,739	153,547	94.4%
Universities	54,384	51,778	95.2%

2019 Open Enrollment Results: Active Employees

- Many individual employing units had 100% participation!

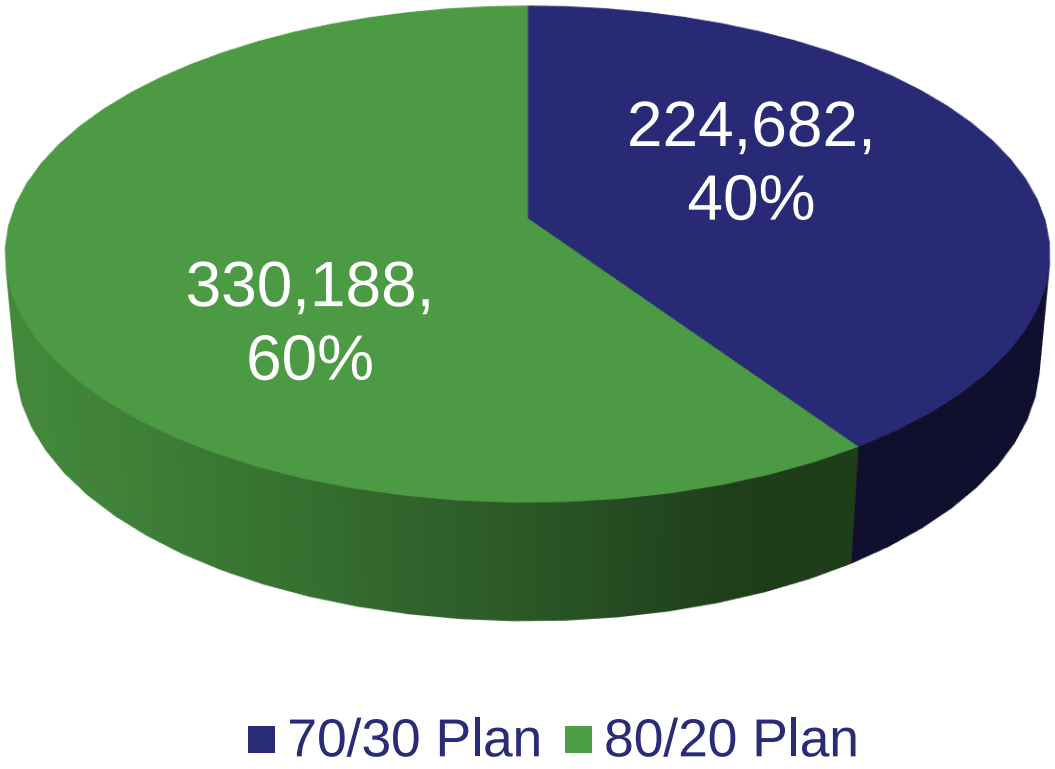
Entity	100% Complete Percentage	Total at 100%	Total Employing Units
Local Governments	60%	76	126
Charter Schools	35%	33	95
Community Colleges	28%	16	58
Public Schools	22%	25	116

2019 Open Enrollment Results: Active Employees

- **There were 12 public schools with over 500 employees that had 100% completion rates!**
  - Alexander County Schools
  - Asheboro City Schools
  - Burke County Schools
  - Edgecombe County Schools
  - Elizabeth City-Pasquotank Public Schools
  - Haywood County Schools
  - Pender County Schools***
  - Person County Schools
  - Macon County Schools
  - McDowell County Schools
  - Rutherford County Schools
  - Wilkes County Schools

****Pender County was declared a disaster county due to Hurricane Florence.*

Open Enrollment Results: Non-Medicare Primary Plan Selections



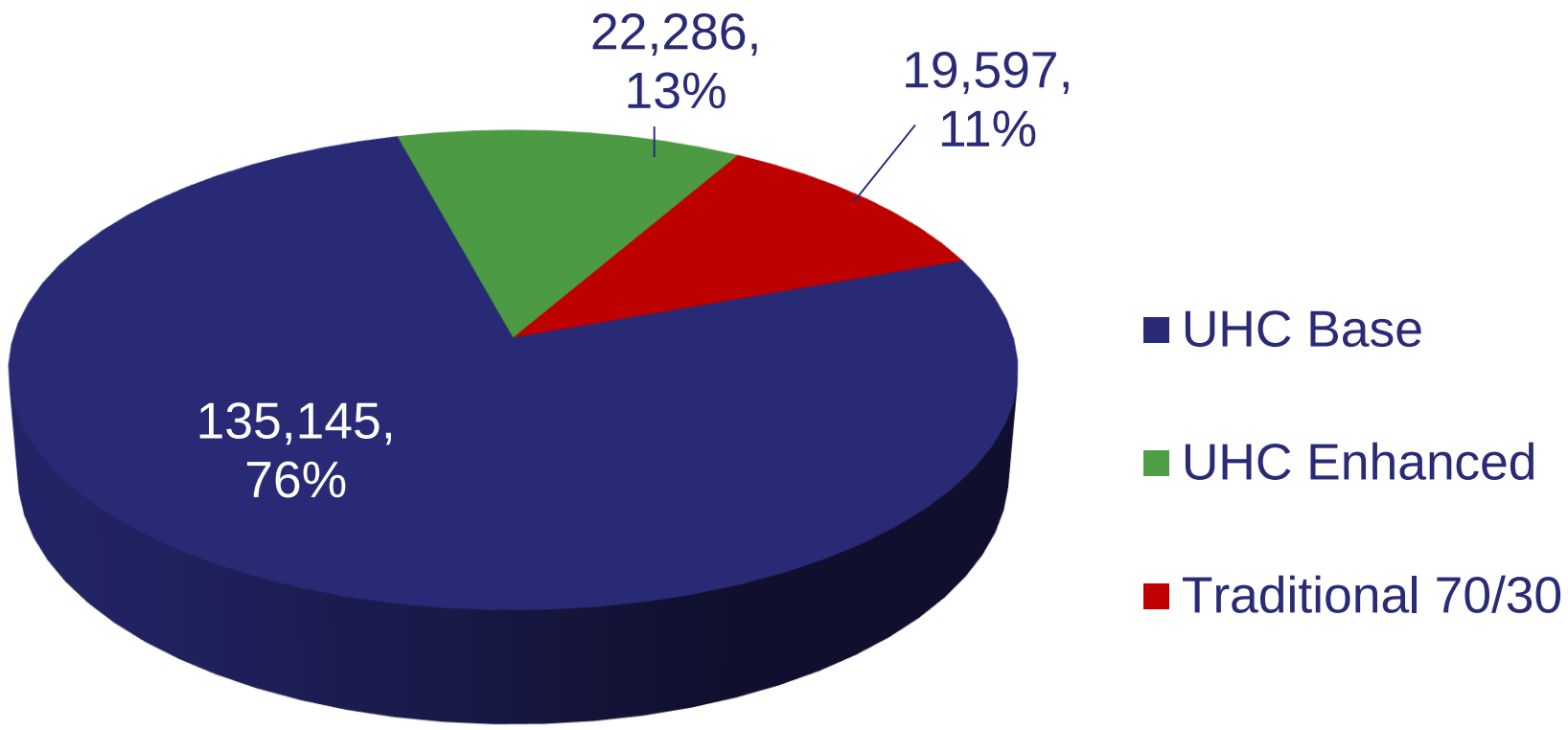
80/20 Subscribers – 214,818 **80/20 Dependents – 115,370**	**70/30 Subscribers – 152,498** **70/30 Dependents – 72,184**

2019 Open Enrollment Results: Medicare Primary

- Medicare Primary members may have a second opportunity to make changes.
- **Medicare Advantage Open Enrollment Period** will run from January 1 – March 31, 2019.
  - Plan members enrolled in a Medicare Advantage Plan will be able to make one change during this period
  - Plan members enrolled in the 70/30 will not be able to change plans

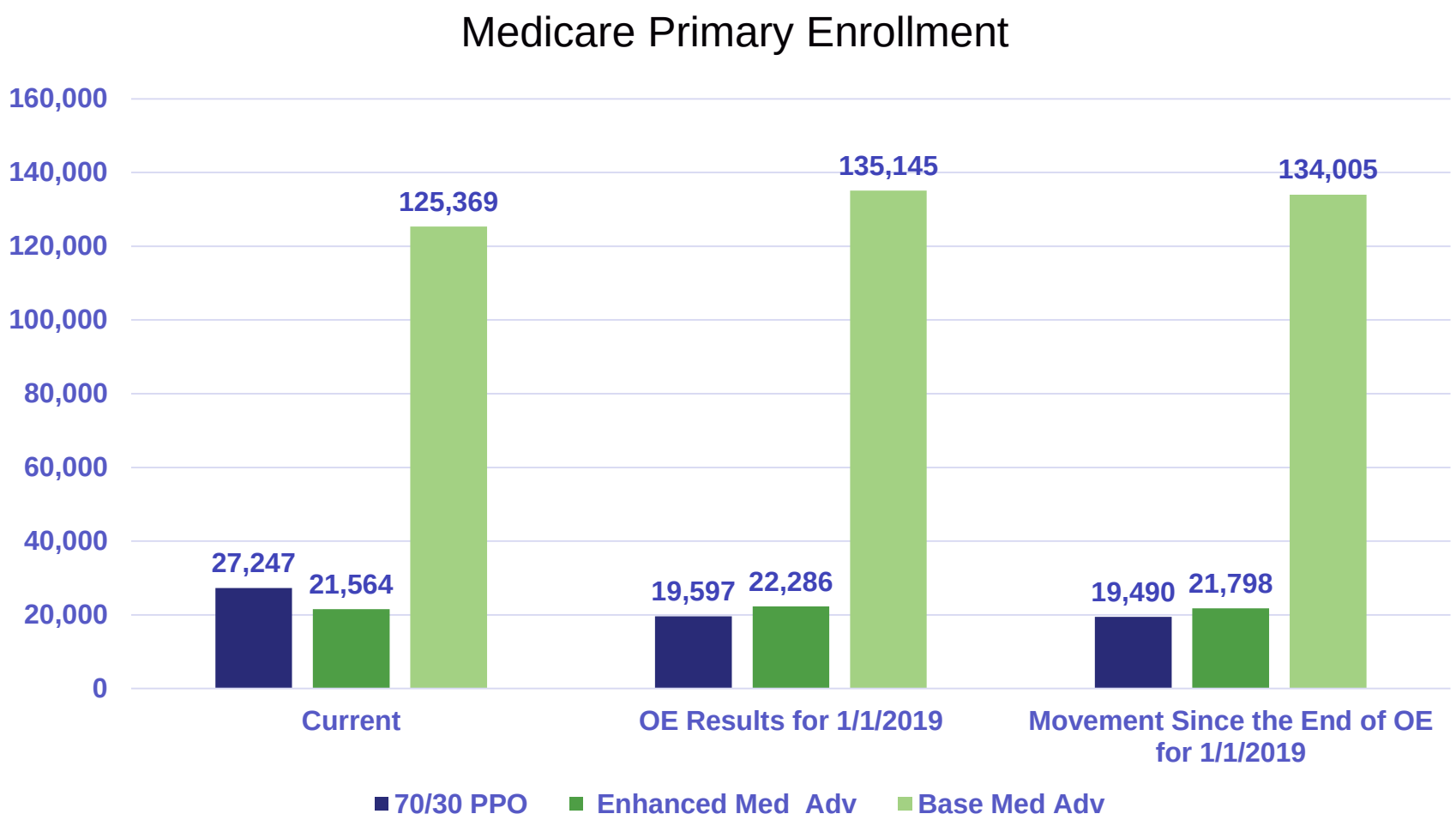
Enrolled as of January 1, 2019	Member May Elect One of These Options		
	Medicare Advantage Base Plan	Medicare Advantage Enhanced Plan	70/30 Plan
70/30 Plan	No	No	NA
MA Base Plan	NA	**Yes**	**Yes**
MA Enhanced Plan	**Yes**	NA	**Yes**

Open Enrollment Results: Medicare Primary Plan Selections



- Counts are based on the last day of Open Enrollment.
- The final enrollment results will not be available until the end of the Medicare Advantage Open Enrollment Period.

Medicare Primary Enrollment: Change Since OE



2019 Open Enrollment – Next Steps

- 2019 ID Cards are currently dropping in the mail
- First 2019 premium invoices generate this week
- OE exceptions are under way
  - To date we have processed about 500 OE exceptions

365	CVS MinuteClinic Exceptions –for members who live more than 25 miles from a MinuteClinic. They will receive a waiver of the MinuteClinic tobacco cessation visit requirement.
120	Took no action during OE – Evenly split between retirees and active subscribers.
15	Completed OE, but did something wrong.