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

STATE TREASURER OF NORTH CAROLINA
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2019 Benefits and TPA Contract Implementation

Board of Trustees Meeting

November 28, 2017

Possible 2019 Benefit Changes

Possible 2019 Benefit Changes

- Building on the strategy that was introduced for the 2018 benefits, we continue to look for ways to reduce complexity and add value.

- The 80/20 PPO Plan has two features that are not only difficult for our members to understand, but are also challenging to administer:

  - **Designated Provider Program**

  - **Multiple Out-of-Pockets (OOP)**

Possible 2019 Benefit Changes: Designated Provider Program

Background

- The Designated Provider Incentive Program was introduced in 2014
  - Intent was to encourage members to seek out providers that were "designated" as both high quality and lower cost
  - Designated Hospitals – Member's hospital copay waived
  - Designated Specialists – Member's specialist copay reduced

Challenges

- Designated Hospital list changes each year
- Specialists are hard to identify via the online provider look-up tool
- Adoption Rate Low
  - Only 30% of members admitted to a hospital in 2017 chose a designated facility
  - Only 22% of members visited a designated specialist so far in 2017

Possible 2019 Benefit Changes: Designated Provider Program

- **What are our options to fix the program?**
  - Discontinue program - The least disruptive way to “fix it” is to end it

- **What are the challenges?**
  - Should be cost neutral for the member and the Plan

80/20 Analysis: 2017 Use of Designated Providers

Hospital Admissions	Copay	Admits*	% of Admits	Total Copays	Avg Copay	Members	
Designated/Critical Access	$0	3,647	29.5%	$0		2,835	30%
Non-Designated	$450	8,729	70.5%	$3,928,050		6,585	70%
Total		**12,376**		**$3,928,050**	**$317**	**9,420**	
Proposed 2019 Copay					$300		

Specialist Visits	Copay	Visits*	% of Visits	Total Copays	Avg Copay	Members	
Designated	$45	88,166	9.2%	$3,967,470		46,661	22%
Non-Designated	$85	870,531	90.8%	$73,995,135		167,377	78%
Total		**958,697**		**$77,962,605**	**$81**	**214,038**	
Proposed 2019 Copay				$75 or $80			

Conclusion: Proposed 2019 copays for inpatient hospitalizations and specialist visits would be lower than the average 2017 copays. The additional cost to the Plan of the lower member copays could be recovered by adjusting the Out-of-Pocket (OOP) maximum. A higher specialist copay would allow for a lower OOP max; a lower specialist copay would require a higher OOP max.

*Through October 2017

Possible 2019 Benefit Changes: Simplify OOP

- In 2017, the methodology for tracking member cost share maximums on the 80/20 Plan was changed from a coinsurance maximum to an out-of-pocket (OOP) maximum.
- Instead of implementing a combined medical and pharmacy OOP, a separate medical and pharmacy OOP was introduced.
- The deductible was set up to cross accumulate between the pharmacy and medical benefits.

Medical claims can help satisfy the Rx deductible and vice versa

Combined Medical &	$1,250 Individual
Pharmacy Deductible	$3,750 Family
Medical OOP	$4,350 Individual
	$10,300 Family
Pharmacy OOP	$2,500 Individual
	$4,000 Family

But Medical claims that help satisfy the Rx Deductible CANNOT help satisfy the Rx OOP (and vice versa)

Possible 2019 Benefit Changes: Simplified OOP

How do we fix it?

- **Deductible** - Keep the combined Medical & Pharmacy Deductible
- **OOP** - Move to a combined Medical & Pharmacy OOP

Challenges?

- **Costs** - As much as possible we want this to be cost neutral for the member and the Plan

Possible 2019 Benefit Changes: Member Cost Share Options

Options 1 and 2 address:
- Removal of Designated Provider Program
- Change to Combined Medical and Pharmacy OOP
- Need to remain cost neutral

Individual In-Network	CY 2018	CY 2019: Option 1	CY 2019: Option 2
Deductible	$1,250	$1,250	$1,250
Coinsurance Percent	20%	20%	20%
Preventive Coverage	100%	100%	100%
Medical OOP Max Pharmacy OOP Max Overall OOP Max	$4,350 $2,500 N/A	N/A N/A **$5,480**	N/A N/A **$4,986 (or $5,000)**
PCP Copay	$10 or $25	$10/$25	$10/$25
Chiro/Therapies	$52	$52	$52
Specialist Copay	$45 or $85	**$75**	**$80**
Inpatient Hospital	$0 or $450, then Ded/Coins.	**$300**, then Ded/Coins.	**$300**, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	$70	$70	$70
ER Copay	$300, then Ded/Coins.	$300, then Ded/Coins.	$300, then Ded/Coins.
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.

Potential 2019 Plan Comparison

Individual In-Network Benefit Design	70/30 Plan Grandfathered Permanent Non-Medicare and Medicare Members	80/20 Plan: Option 1 Non-Grandfathered Permanent Non-Medicare Members	80/20 Plan: Option 2 Non-Grandfathered Permanent Non-Medicare Members
Deductible	$1,080	$1,250	$1,250
Coinsurance Percentage	30%	20%	20%
Preventive Coverage	Cost-Sharing Applies	100%	100%
Pharmacy OOP Max Medical Coinsurance Max Overall OOP Max	$3,360 $4,388 N/A	N/A N/A **$5,480**	N/A N/A **$4,986 (or $5,000)**
PCP Copay	$40	$10 (selected PCP)/$25 (non)	$10 (selected PCP)/$25 (non)
Chiro/Therapies	$72	$52	$52
Specialist Copay	$94	**$75**	**$80**
ER/Inpatient Hospital	$337, then Ded/Coins.	**$300**, then Ded/Coins.	$300, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	$100	$70	$70
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	 $16 $47 $74 10% up to $100 25% up to $103 25% up to $133	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.

Possible 2019 Benefit Changes: Next Steps

Next Steps

- Solicit Board feedback
- Solicit constituent feedback
- Run any new scenarios
- As needed, collect additional feedback
- Bring it back to the Board in early 2018 for a vote
- Implement and communicate any changes

TPA Contract Implementation Update

2019 TPA Contract Implementation Update

- Currently under way or scheduled to begin:
  - 2019 Benefits
  - Program evaluation
    - Population Health Management
    - Medical Management
  - Vendor Integration
  - ID Card Improvements
  - Secure Member portals
    - BCBSNC – Blue Connect
    - Benefitfocus – eEnroll

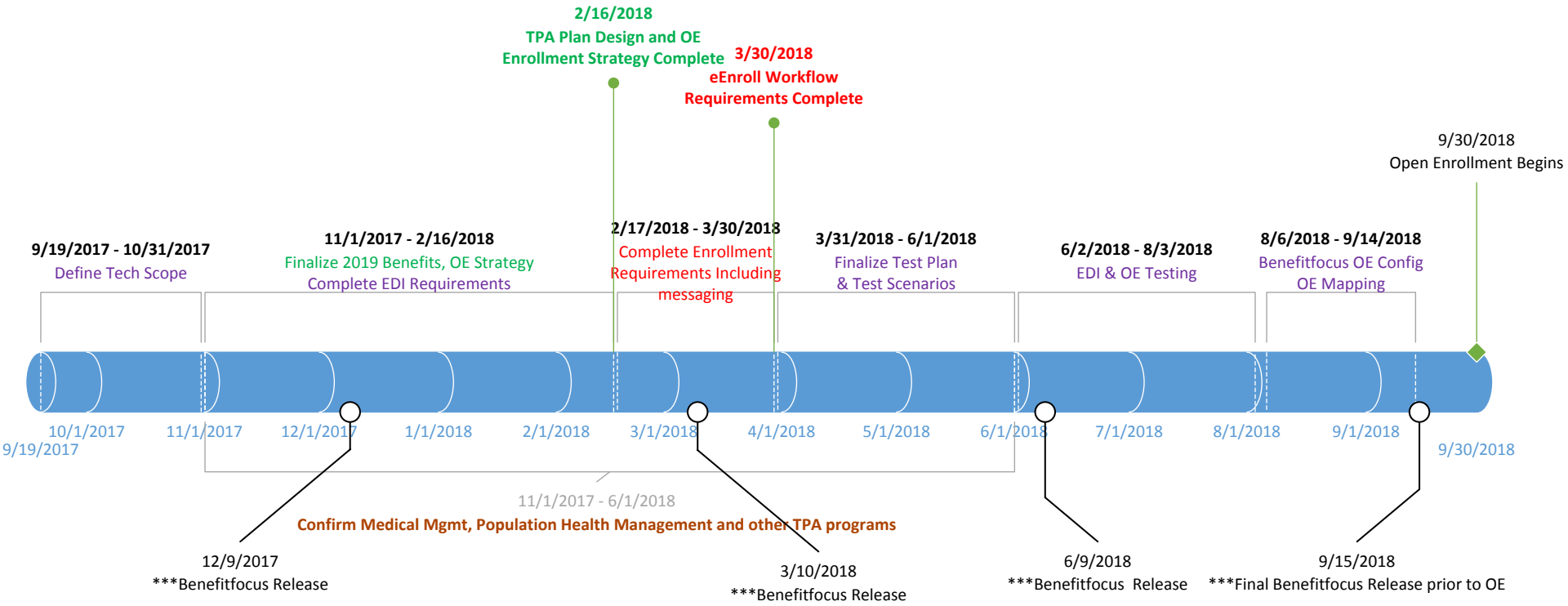
TPA Contract: Vendor Infrastructure Changes

Requirement	Vendors Impacted	Customer Impacted	Complexity, Savings or Compliance	Implementation Costs
Move HDHP Administration to BCBSNC	• BCBSNC • Benefitfocus • CVS • iTEDIUM	**Members and HBRs**	• Reduces enrollment and premium billing complexity by consolidating all group premium billing under BCBSNC • Saves $120k/year	TBD – Awaiting estimates from Benefitfocus
Add leave of absence and workers comp direct billing functionality	• BCBSNC • Benefitfocus • Itedium	**Members and HBRs**	• Reduces complexity for HBRs because the Plan will assume premium collection for members on LOA • Ensures employing units are in compliance with statutory requirements around eligibility and premium for members who are not actively at work. We believe many EUs carry members who are no longer eligible for coverage. • No additional ongoing cost to Plan	TBD – Awaiting estimates from Benefitfocus

TPA Contract: Vendor Infrastructure Changes

Requirement	Vendors Impacted	Customer Impacted	Complexity, Savings or Compliance	Implementation Costs
Group Transfer Functionality	• BCBSNC • Benefitfocus • CVS	**Members and HBRs**	• Reduces enrollment complexity for members. Currently when members move from one employing unit to another they must re-enroll in Plan benefits. With this process improvement, coverage and documents would be transferred and members would have 30 days from their hire date to make changes. Not enrolling within 30 days of hiring is our number one exception outside of Open Enrollment. • No additional ongoing cost to the Plan	TBD – Awaiting estimates from Benefitfocus
New Medicare ID number (Not a TPA Contract requirement, but a new Federal requirement that we are implementing in conjunction with other changes	• BCBSNC • Benefitfocus • CVS • iTEDIUM • UHC	**Medicare Primary Members and Vendors**	• The conversion is complex and the impact to members will be complex and confusing • May impact our ability to auto-enroll new Medicare members into Medicare Advantage • There is no savings or ongoing cost to Plan	TBD – Awaiting estimates from Benefitfocus

TPA Implementation Timeline



- Integration Team and Vendor Technical Teams
- Plan Senior Leadership & OST**Requires Board Vote
- Customer Experience, Plan Integration, OST
- Plan Senior Leadership Group & OST*Requires amendment

*** Each vendor and payroll group will have their own deployment schedule that will have to be worked into the timeline