

Changes to plan options, benefit designs, healthy activities, premiums & credits referenced in this presentation are for discussion only and subject to approval by the Board of Trustees.



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



2018 Benefit Development: Strategy and Potential Benefit Changes

Board of Trustees Meeting

December 2, 2016

A Division of the Department of State Treasurer

Presentation Overview

- Guiding Mission and Principles
- Financial Goal and Directive Regarding Future Premium Increases
- Benefit Design Changes Under Consideration
- Other Options for 2018 Benefit Changes
- Timeline & Board Discussion

State Health Plan Mission and Guiding Principles

Mission

Our mission is to improve the health and health care of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of North Carolina for improving their health and well-being.

Elements of the Strategic Plan & Guiding Principles

- Ensure Access to Quality Care
- Expand Value-Based Design Elements
- Improve Affordability
- Improve Members' Health
- Incent Member Engagement
- Maintain Financial Stability
- Promote Health Literacy
- Provide Member Choice

Financial Goal and Directive

Consideration of Benefit Changes for CY 2018

GOAL:

To ensure the projected increase in the Employer Contribution for calendar years 2018 and 2019 does not exceed 4%.

- Complies with Section 36.25 of SL 2016-94, the 2016 Appropriations Act
- CY 2016 3rd quarter baseline actuarial forecast (assumes no benefit changes) projects premium increases of **3.14%** for both 2018 and 2019

Section 36.25, SL 2016-94, 2016 Appropriations Act:

SECTION 36.24.(a) The State Treasurer and the Board of Trustees shall adopt measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected employer contribution increases.

SECTION 36.24.(b) If the Director of the Budget determines that the additional cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in subsection (a) of this section are sufficient to **reduce the projected employer premium increases to four percent (4%) or less in both the 2018 and 2019 plan years**, then the Director of the Budget is authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency budgets. The projected employer premium increases should be calculated assuming the Reserve for Future Benefit Needs is reallocated.

SECTION 36.24.(c) SECTION 36.24.(c) Section 30.26(b) of S.L. 2015-241 reads as rewritten:
"SECTION 30.26.(b) **During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least ~~twenty~~ twelve percent (20%) (12%) of its annual costs.** For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S.135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan."

Benefit Design Changes Under Consideration

Summary of Benefit Design Changes Under Consideration

Consumer-Directed Health Plan (CDHP 85/15)	Enhanced 80/20 Plan	Traditional 70/30 Plan
<ul style="list-style-type: none"> • Reduce the number of healthy activities required to earn premium credits from three to one – maintain Tobacco Attestation and include e-cigarettes • Consider value-based pharmacy tier to ensure the affordability of certain diabetic medications • Consider incenting the use of <i>Blue Distinction Centers</i> in addition to Blue Options Designated providers 	<ul style="list-style-type: none"> • Reduce the number of healthy activities required to earn premium credits from three to one – maintain Tobacco Attestation and include e-cigarettes • Consider value-based pharmacy tier to ensure the affordability of certain diabetic medications • Consider incenting the use of <i>Blue Distinction Centers</i> in addition to Blue Options Designated providers • Offer the <i>Positive Pursuits</i> component of the Health Engagement Program on the 80/20 Plan – currently only available on the CDHP <ul style="list-style-type: none"> • Incentives to be paid via Health Reimbursement Account (HRA) 	<ul style="list-style-type: none"> • Maintain Tobacco Attestation as the single healthy activity required to earn premium credit and include e-cigarettes

Rationale for Potential CDHP Benefit Changes

Proposed Change	Rationale	Strategic Plan Elements Addressed
<p>Reduce the number of healthy activities required to earn premium credits from three to one</p>	<ul style="list-style-type: none"> • The current strategy of using three wellness premium credits on the CDHP 85/15 and Enhanced 80/20 plan can be difficult to administer and burdensome for members. • Transitioning to a single wellness credit would still allow for member engagement, while simplifying the Open Enrollment process. Selection of Primary Care Providers and completion of a Health Assessment could be incented in other ways. • Retaining the tobacco attestation addresses the burden of tobacco users on the Plan; medical literature indicates that tobacco users are noticeably sicker and more expensive to insure than non-users. • In May 2016, the FDA finalized a rule extending its authority to regulate tobacco products to include e-cigarettes. As such, the Plan's tobacco attestation should also include the use of e-cigarettes. 	<ul style="list-style-type: none"> • Improve Member Enrollment Experience • Expand Value-Based Design Elements
<p>Create a value-based pharmacy tier to ensure the affordability of certain diabetic medications</p>	<ul style="list-style-type: none"> • Diabetes is a challenging condition to manage successfully; the care regimen can be complex, but patients who adhere to clinical guidelines are much healthier and less costly than those who do not. • Prescription drug adherence is particularly important for diabetics. Members and the Plan would benefit from improved adherence to maintenance medications and disease management. 	<ul style="list-style-type: none"> • Improve Members' Health • Ensure Access to Quality Care • Expand Value-Based Design Elements

Rationale for Potential CDHP Benefit Changes

Proposed Change	Rationale	Strategic Plan Elements Addressed
<p>Incent use of high value providers by maintaining incentives associated with BCBSNC Blue Options Designated providers and create incentives to use <i>Blue Distinction Centers</i></p>	<ul style="list-style-type: none"> • Blue Options Designated hospitals and specialists meet certain quality and cost criteria established by BCBSNC. • The Plan has been incenting use of “better value” providers since 2014 through lower copays on the 80/20 Plan and enhanced HRA contributions on the CDHP. • <i>Blue Distinction Centers</i> are nationally designated treatment facilities recognized for providing expertise in delivering specialty care for certain procedures - including cardiac care, orthopedic surgeries, complex cancers, and organ transplants. 	<ul style="list-style-type: none"> • Expand Value-Based Design Elements • Ensure Access to Quality Care • Promote Health Literacy

Rationale for Potential Enhanced 80/20 Benefit Changes

Proposed Change	Rationale	Strategic Plan Elements Addressed
<p>Reduce the number of healthy activities required to earn premium credits from three to one</p>	<ul style="list-style-type: none"> • The current strategy of using three wellness premium credits on the Enhanced 80/20 and CDHP 85/15 plans can be difficult to administer and burdensome for members • Transitioning to a single wellness credit would still allow for member engagement, while greatly simplifying the Open Enrollment process. Selection of Primary Care Providers and completion of a Health Assessment could be incented in other ways. • Retaining the tobacco attestation addresses the burden of tobacco users on the Plan; medical literature indicates that tobacco users are noticeably sicker and more expensive to insure than non-users. • In May 2016, the FDA finalized a rule extending its authority to regulate tobacco products to include e-cigarettes. As such the Plan’s tobacco attestation should also include the use of e-cigarettes. 	<ul style="list-style-type: none"> • Improve Member Enrollment Experience • Expand Value-Based Design Elements
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Rationale for Potential Enhanced 80/20 Benefit Changes

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<p>Incent use of high value providers by maintaining incentives associated with BCBSNC Blue Options Designated providers and create incentives to use <i>Blue Distinction Centers</i></p>	<ul style="list-style-type: none"> • Blue Options Designated hospitals and specialists meet certain quality and cost criteria established by BCBSNC. • The Plan has been incenting use of “better value” providers since 2014 through lower copays on the 80/20 Plan and enhanced HRA contributions on the CDHP. • <i>Blue Distinction Centers</i> are nationally designated treatment facilities recognized for providing expertise in delivering specialty care for certain procedures - including cardiac care, orthopedic surgeries, complex cancers, and organ transplants. 	<ul style="list-style-type: none"> • Expand Value-Based Design Elements • Incent Member Engagement • Ensure Access to Quality Care • Promote Health Literacy
<p>Offer the <i>Positive Pursuits</i> component of the Health Engagement Program</p>	<ul style="list-style-type: none"> • The Health Engagement Program was designed to encourage CDHP 85/15 members to play more active roles in managing their overall health. • The <i>Positive Pursuits</i> component targets members with specific chronic conditions (diabetes, COPD, asthma, hypertension, hyperlipidemia, chronic heart failure, and coronary artery disease) and allows them to earn HRA funds when they obtain clinically recommended care appropriate to their condition(s) • Expanding <i>Positive Pursuits</i> to the 80/20 plan could increase member compliance for chronic conditions resulting in better health and lower costs. 	<ul style="list-style-type: none"> • Improve Members’ Health • Incent Member Engagement • Expand Value-Based Design Elements • Promote Health Literacy

Rationale for Potential Traditional 70/30 Changes

Proposed Change	Rationale	Strategic Plan Elements Addressed
<p>Maintain tobacco attestation healthy activity and premium credit</p>	<ul style="list-style-type: none"> • The Tobacco Attestation was established on the 70/30 in 2016. • Consistent with the Plan’s strategy to improve members’ health through incentives, promotes consistency across plans by requiring some level of engagement in all benefit options, and expands and reinforces the philosophy that ongoing engagement across all plan options is necessary to achieve the Plan’s strategic priorities. • In May 2016, the FDA finalized a rule extending its authority to regulate tobacco products to include e-cigarettes. As such the Plan’s tobacco attestation should also include the use of e-cigarettes. 	<ul style="list-style-type: none"> • Expand Value-Based Design Elements • Promote Health Literacy • Incent Member Engagement

Healthy Activities & Wellness Premium Credits

Tobacco Attestation

- All three benefit plans for active employees would offer a single wellness premium credit – *the Tobacco Attestation*
- Value of the credit needs to be determined, but the schedule would be designed to allow members to earn down/reduce monthly premiums to approximately current levels

CY 2017 Monthly Wellness Premium Credits

Healthy Activity	CDHP 85/15	Enhanced 80/20	Traditional 70/30
Non-Tobacco User or QuitlineNC Enrollment	\$40	\$40	\$40
Primary Care Provider Selection	\$20	\$25	N/A
Health Assessment Completion	\$20	\$25	N/A
Total Credits Available	\$80	\$90	\$40
Net Monthly Employee Premium <i>(assumes all credits earned)</i>	\$0	\$15.04	\$0

Member and Financial Impacts

Status Quo Scenario

- If the three current healthy activities are maintained, the baseline forecast assumes the value of the credits will increase from \$80 to \$120 on the CDHP 85/15, from \$90 to \$130 the Enhanced 80/20 plan, and from \$40 to \$60 on the Traditional 70/30 plan.
 - Result: 2018 & 2019 required premium increase = 3.14%

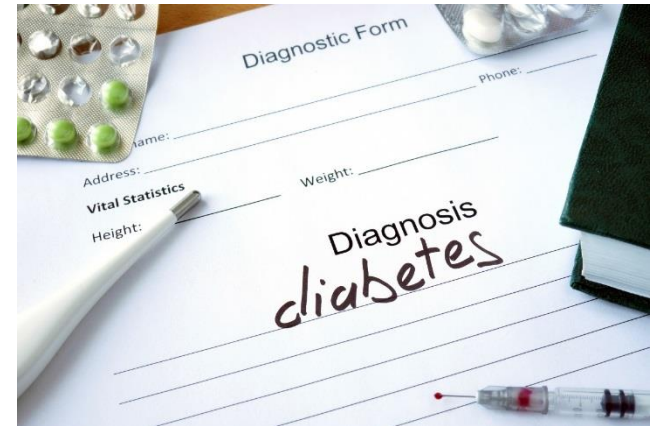
Tobacco Attestation Only Scenario

- Segal modeled a single credit for Tobacco Attestation, assuming the value of the credit would be \$100 per month for the CDHP and 70/30 plans, and \$110 per month for the 80/20 plan
 - Premium for CDHP and 70/30 would be reduced to \$0
 - Premium for 80/20 would be reduced to approximately \$15
- Under this scenario, enrollment in each plan is expected to remain relatively stable, but some movement from the Traditional 70/30 plan to the higher value Enhanced 80/20 and CDHP 85/15 plans is anticipated
 - Result: 2018 & 2019 required premium increase = 3.69%

Value-Based Diabetic Pharmacy Tier

Diabetes Among State Health Plan Members

- Diabetes remains one of the most prevalent chronic conditions that faces Plan members.
- In 2015, the Plan identified:
 - 41,883 or 7.8% of active and non-Medicare Plan members had a diagnosis of diabetes.
 - 29,083 or 19% of Medicare members had a diagnosis of diabetes.
- Not only does the condition have an impact on the overall health of our members, but it has a huge financial impact.
 - The Plan's active and non-Medicare members with diabetes incurred \$399 million in allowed claims in 2015.



Source: Coordination of Diabetes Programs Bi-Annual Report to the Legislature

Helping Members Manage their Condition

- The Plan currently offers a variety of tools and resources to members managing diabetes.
 - Online Resource Center
 - Health Coaching
 - Disease and Case Management
- The next step in removing barriers to members managing this condition is through medication adherence.



Value Based Pharmacy Benefits for Diabetics

Earlier this year, the Board approved adding a “Diabetic Tier” as a value based element to the Enhanced 80/20 and Traditional 70/30 formularies for 2017. Included in this tier are generic diabetic supplies.

- Enhanced 80/20 Preferred Diabetic Tier equals the generic tier
- Traditional 70/30 Preferred Diabetic Tier is \$10 (generic tier is \$16)

Drugs	Traditional 70/30 Plan	Enhanced 80/20 Plan	Consumer-Directed Health Plan
Tier 1 (Generic)	\$16	\$5	Ded/Coinsurance CDHP Maintenance Medications, which includes preferred insulin, are Deductible Exempt
Tier 2 (Preferred Brand & High-cost Generic) Includes Preferred Insulin	\$47	\$30	
Tier 3 (Non-preferred Brand)	\$74	Deductible/Coinsurance	
Tier 4 (Low-cost/Generic Specialty)	10% up to \$100	\$100	
Tier 5 (Preferred Specialty)	25% up to \$103	\$250	
Tier 6 (Non-preferred Specialty)	25% up to \$133	Deductible/Coinsurance	
Preferred Diabetic Supplies* (e.g. Test Strips, Lancets, Syringes, Needles)	\$10	\$5	

**Non-preferred Diabetic Supplies will be priced at Tier 3*

Value Based Pharmacy Benefits for Diabetics

- While the Board has previously taken steps to reduce the member cost share for insulin, cost barriers remain for some members which may negatively impact adherence.
- As a next step in value based benefit design, Plan staff is exploring expanding the diabetic tier concept or possibly creating a new tier for **cost preferred** insulin.
- Plan staff will also consider reducing member coinsurance on the CDHP 85/15 plan since many maintenance medications are already deductible exempt.
- The annual cost of further reducing the member cost-share for insulin in these two plan designs is expected to be in the \$10 million - \$15 million range.

Blue Distinction Centers

Blue Distinction Centers (BDC)

- Blue Cross Blue Shield companies recognize select doctors and hospitals as Blue Distinction® for safe, effective care provided to patients.
- Blue Distinction Specialty Care focuses on hospitals and outpatient centers that excel in delivering safe, effective treatment for specialty procedures, such as knee and hip replacements, cardiac care, bariatric (weight loss) surgery and transplants.
- Providers must meet a specific set of rigorous standards to receive the designation.
- Blue Distinction Centers (BDC) meet overall quality measures for patient safety and outcomes, developed with input from the medical community.
- Blue Distinction Centers+ (BDC+) also meet cost measures that address consumers' need for affordable healthcare.

Source: <https://www.bcbs.com/about-us/capabilities-initiatives/blue-distinction>

Using BDCs to Improve Quality of Care

- Today the Plan only covers bariatric surgery when performed at a BDC.
- Surgeries performed at non-BDCs are not covered and prior approval will not be granted for non-BDC facilities.
- As a next step in encouraging members to seek treatment for specific conditions or procedures at higher quality facilities, Plan staff is exploring offering incentives (e.g. reduced cost-sharing, HRA funds, travel reimbursement) for members to seek care at BDCs.
- Initial focus will be a particular specialty.

Health Engagement Program on 80/20 Plan

Health Engagement Program

- Rewards members in the Consumer-Directed Health Plan (CDHP 85/15) for taking an active role in managing their health or chronic conditions by offering additional Health Reimbursement Account (HRA) funds for members who engage in healthy activities. The program began April 1, 2016.

Overall Goal:

- Defray the cost of necessary medical care for CDHP 85/15 members.
- Incent members to consider CDHP 85/15 as a plan option.
- Support positive health actions and outcomes that reduce long-term medical and pharmacy spend.

Healthy Lifestyles Objective:

- Encourage the adoption of healthy behaviors by rewarding behavior change and the maintenance of healthy habits.

Positive Pursuits Objective:

- Incent adherence to medically necessary care for members with a chronic disease diagnosis.

Health Engagement Program: 2016 & 2017

Healthy Lifestyles

- For all CDHP 85/15 members
- **Intent:** Promote healthy behaviors
- **Activities:**
 - Engage with a Lifestyle Coach
 - Track Physical Activity (5,000 steps/46 days minimum per quarter)
 - Track Nutrition (46 days per quarter)
- **Incentive Award:**
 - Max incentive award/year: \$125*

**Max incentive for 2016: \$100*

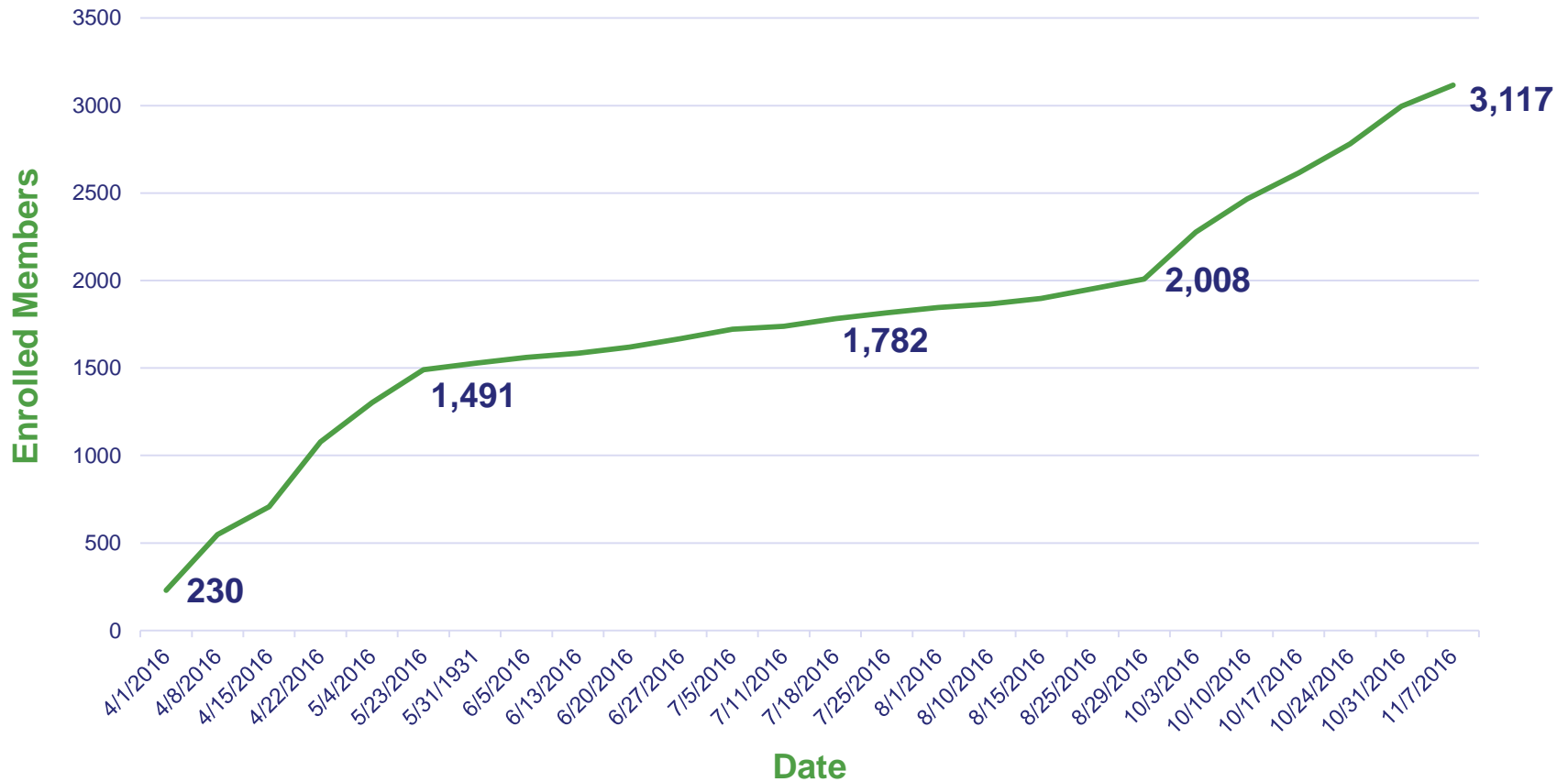
Positive Pursuits

- For CDHP 85/15 members with diabetes, COPD, asthma, hypertension, hyperlipidemia, CHF, or coronary artery disease
- **Intent:** Promote high value, necessary medical care; defray cost of managing a chronic condition.
- **Activities:**
 - Engage with a Nurse Coach
 - Engage with a PCP
 - Obtain disease-specific labs, medications, and education
- **Incentive Award:**
 - \$490 for multiple conditions (DM/CAD/Hyperlipidemia/CHF)

Healthy Lifestyles: Enrollment

- Healthy Lifestyles has seen steady growth since the program launched in April.

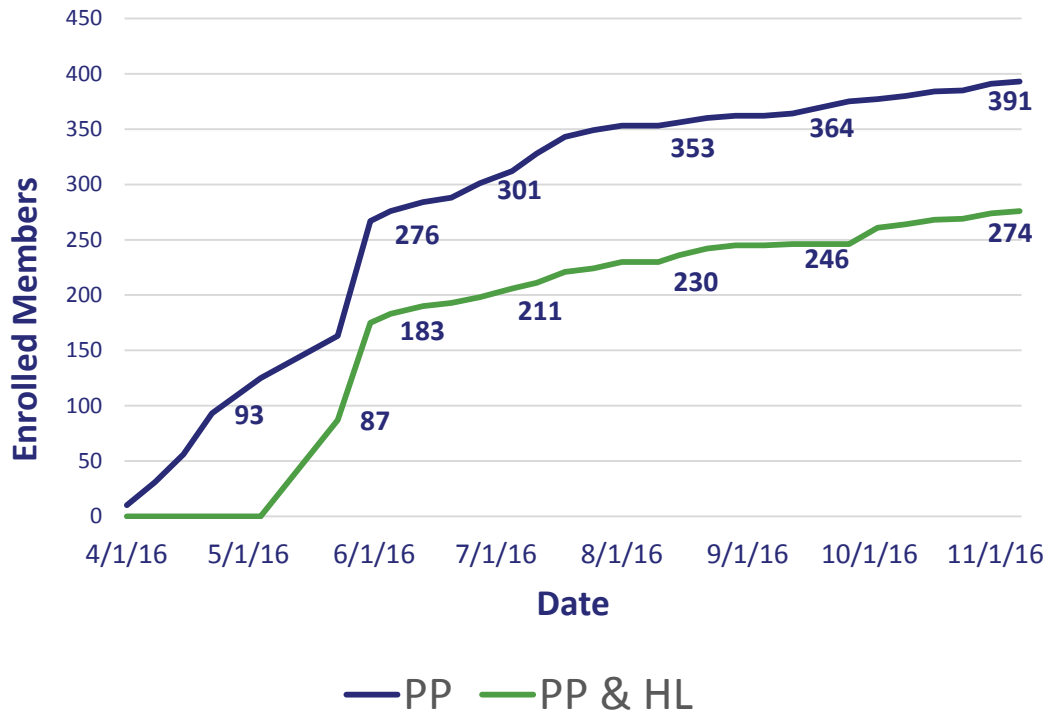
Healthy Lifestyles Enrollment



Positive Pursuits: Enrollment

- Positive Pursuits has also seen steady growth since the program launched in April.

Positive Pursuits Enrollment



Condition	CDHP Members with Condition	Enrolled Members
Diabetes	643	51 (7.93%)
Hyperlipidemia	2,483	196 (7.89%)
CAD	181	13 (7.18%)
Hypertension	2,122	176 (8.29%)
CHF	35	1 (2.86%)
Asthma	555	52 (9.37%)
COPD	63	2 (3.17%)

Health Engagement Program Expansion

Consider expanding *Positive Pursuits*, as currently implemented, to the Enhanced 80/20 Plan while delaying expansion of *Healthy Lifestyles*.

- The Plan is in the process of procuring a vendor for population health management with services under a new contract starting January 1, 2018.
 - Adding requirements to the program may make implementation challenging.
- Both program components, *Healthy Lifestyles* and *Positive Pursuits*, are built on a foundation of scientific evidence. However, achieving clinical “standards of care” for people with chronic conditions has a more immediate outcome, while the impact of *Healthy Lifestyles* may be more long term.
- Allows more time to learn from experience with the *Healthy Lifestyles* component on the CDHP 85/15 plan before rolling the program out to the Enhanced 80/20 Plan, which has over 50% of the Plan’s membership.

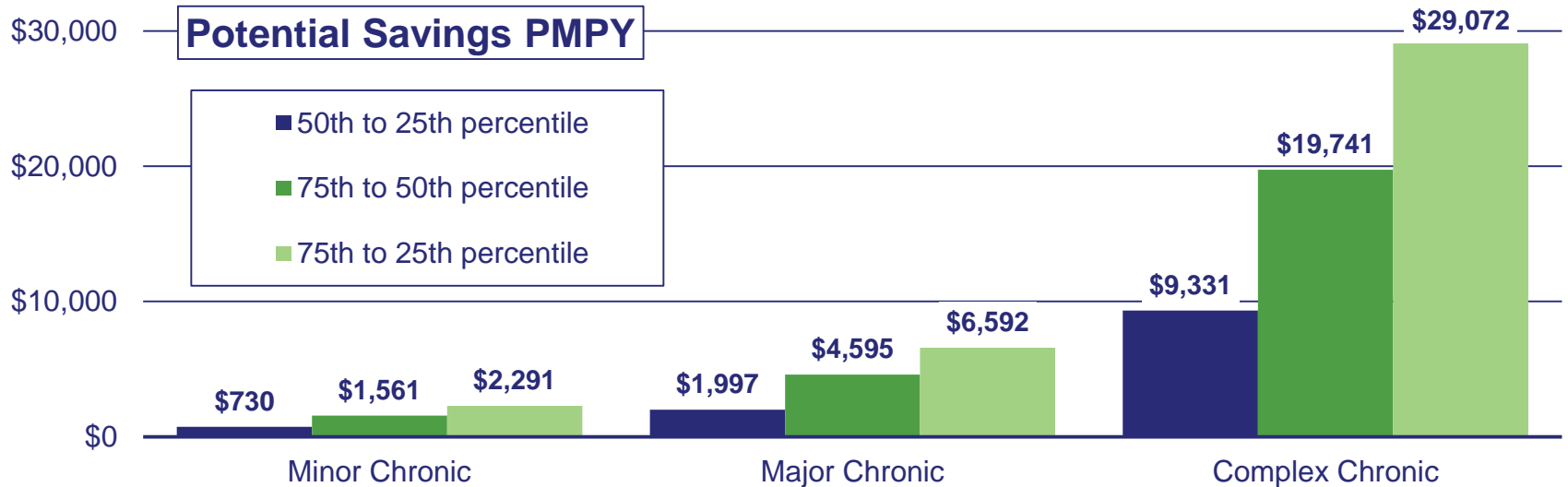
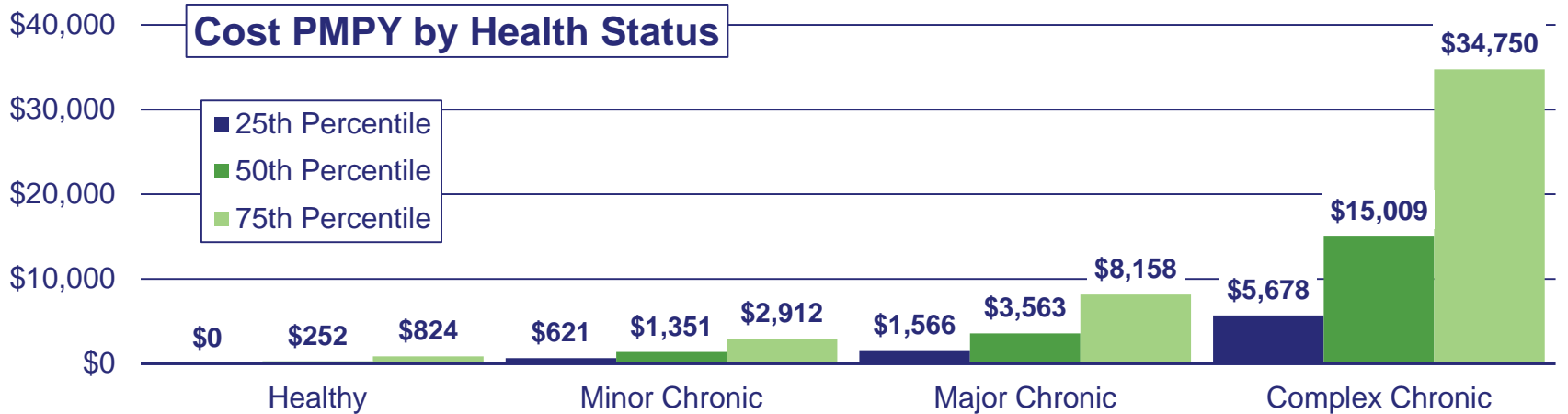
Why Expand Positive Pursuits to 80/20 Membership?

- In 2016, 53.3% (291,093) of the non-Medicare membership enrolled in the Enhanced 80/20 Plan.
- Analysis of membership profiles for CDHP 85/15 and Enhanced 80/20 plans indicate that members with chronic health conditions are choosing the 80/20 Plan while the healthier members are preferentially enrolling in CDHP.
- The risk score for 80/20 members is 1.52 compared to 0.89 for CDHP.
- The prevalence by condition is shown below:

	Enhanced 80/20 Plan	CDHP
Population	291,093	29,516
Asthma	4.3%(12,448)	1.8%(555)
CAD	1.5%(4,403)	0.6%(181)
COPD	0.4%(1,194)	0.2%(63)
CHF	0.4%(1,282)	0.1%(35)
Diabetes	7.9%(22,851)	2.1%(643)
Hypertension	22.9%(66,749)	7.1% (2,122)
Hyperlipidemia	17.3%(50,499)	8.4%(2,483)

Source: ActiveHealth Management, Includes subscribers and dependents

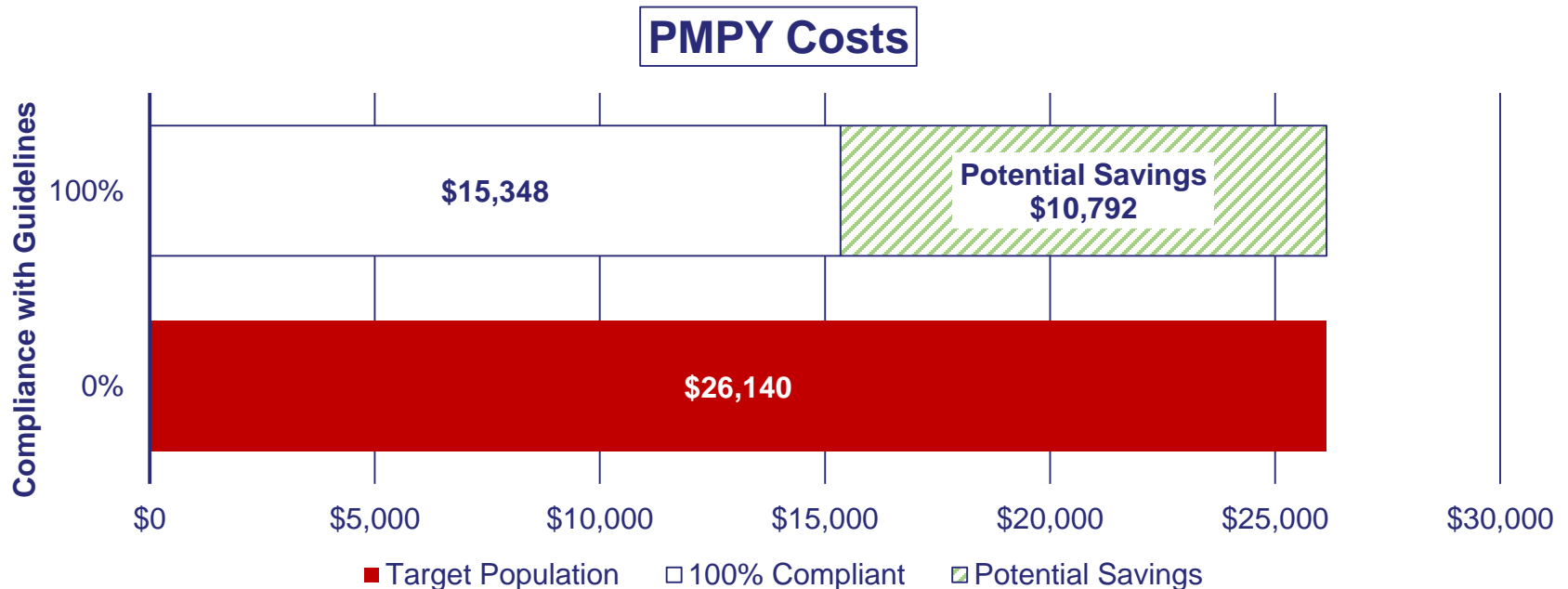
Cost & Savings from Management of Chronic Conditions



Source: ActiveHealth Management

Savings from Adherence to Clinical Standards of Care

- Appropriate management of a chronic condition includes “*adherence*” to clinical guidelines of care for that condition.
- As an example, according to the ActiveHealth analysis, a Plan member who is a 100% adherent diabetic saves the Plan nearly \$10,800 per year relative to a diabetic member who is less than 100% adherent.



Source: ActiveHealth Management

Guiding Principles for Expansion

- Incented activities should stay the same, as they are based on clinical standards of care.
- Incentives should be sufficient to encourage participation in the program and motivate members.
 - However, HRA incentives in the Enhanced 80/20 Plan will be lower than they are in the CDHP 85/15 due to the 80/20 copay structure that already reduces member costs for high-value routine care
- Emphasis should be placed on incenting high-value behaviors that are not currently being done by many members.
 - 80% to 90% of members in the 80/20 Plan with chronic conditions had two or more PCP visits in CY 2015; therefore, PCP visits were left out of list of incented activities.

Estimated Out-of-Pocket Costs for Members with Chronic Diseases in CDHP 85/15

Disease/ Condition	Routine Standards of Care							Annual Member Costs (Based on 2017 Plan Design)							Total Annual Member Cost for Routine Care**
	PCP Visits (incl. labs)	Endocrinologist visits	Cardiologist Visits	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	PCP Visits* (incl. labs)	Endocrinologist visits*	Cardiologist Visits*	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	
Diabetes	2	1		1	3 per month	1 per month	2 per month	\$350	\$140		\$140	\$351	\$72	\$1,800	\$2,853
COPD	2					1 per month	2 per month	\$250					\$72	\$1,800	\$2,122
Asthma	2					1 per month	1 per month	\$250					\$72	\$900	\$1,222
High Blood Pressure	2					1 per month	1 per month	\$275					\$72	\$900	\$1,247
High Cholesterol	2					1 per month		\$275					\$72		\$347
CHF	2					1 per month		\$300					\$72		\$372
CAD	2		1			2 per month	1 per month	\$300		\$140			\$144	\$900	\$1,484

*Assumes the use of selected PCPs and Blue Options designated specialists (where available)

**Does not include use of HRA funds for care

Current CDHP HRA Incentives: Positive Pursuits

Disease/ Condition	2 Calls with a Health Coach*	2 Visits with a Primary Care Physician*	Labs: 2 Hemoglobin A1c tests*	Labs: Lipid Panel	Labs: Urine Micro Albumin	Labs: Urinalysis	Labs: Complete Blood Count	Labs: Metabolic Panel	Activity: Monitoring Blood Pressure	Activity: Diabetes Education	Activity: Spirometry or Oximetry	Activity: Asthma Action Plan	Activity: Aspirin Therapy, if appropriate	Activity: Peak Flow Meter Assessment	Activity: Take appropriate medications	Potential Funds Deposited into HRA	
Incentive	\$25 per call	\$25 per visit	\$30 per lab						\$30 per activity							Total	
Diabetes	XX	XX	XX	X	X					X							\$250
COPD	XX	XX									X						\$130
Asthma	XX	XX									X	X		X	X		\$220
High Blood Pressure	XX	XX				X			X								\$160
High Cholesterol	XX	XX		X													\$130
CHF	XX	XX					X	X	X						X		\$220
CAD	XX	XX		X			X						X				\$190

A participating member with every listed condition can earn a maximum incentive of \$700 in a 12 month period.

*Activities must be completed six months apart

Out-of-Pocket Costs for Members with Chronic Diseases in Enhanced 80/20 Plan

Disease/ Condition	Routine Standards of Care							Annual Member Costs (Based on 2017 Plan Design)							Total Annual Member Cost for Routine Care
	PCP Visits (incl. labs)	Endocrinologist visits	Cardiologist Visits	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	PCP Visits* (incl. labs)	Endocrinologist visits*	Cardiologist Visits*	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	
Diabetes	2	1		1	3 per month	1 per month	2 per month	\$20	\$45		\$85	\$180	\$60	\$720	\$1,110
COPD	2					1 per month	2 per month	\$20					\$60	\$720	\$800
Asthma	2					1 per month	1 per month	\$20					\$60	\$360	\$440
High Blood Pressure	2					1 per month	1 per month	\$20					\$60	\$360	\$440
High Cholesterol	2					1 per month		\$20					\$60		\$80
CHF	2					1 per month		\$20					\$60		\$80
CAD	2		1			2 per month	1 per month	\$20		\$45			\$120	\$360	\$545

*Assumes the use of selected PCPs and Blue Options designated specialists (where available)

Possible 80/20 HRA Incentives: Positive Pursuits



Disease/ Condition	2 Calls with a Health Coach*	2 Visits with a Primary Care Physician	Labs: 2 Hemoglobin A1c tests*	Labs: Lipid Panel	Labs: Urine Micro Albumin	Labs: Urinalysis	Labs: Complete Blood Count	Labs: Metabolic Panel	Activity: Monitoring Blood Pressure	Activity: Diabetes Education	Activity: Spirometry or Oximetry	Activity: Asthma Action Plan	Activity: Aspirin Therapy, if appropriate	Activity: Peak Flow Meter Assessment	Activity: Take appropriate medications	Potential Funds Deposited into HRA
Incentive	\$25 per call	None	\$15 per lab test						\$15 per activity						Total	
Diabetes	XX	-	XX	X	X					X						\$125
COPD	XX	-									X					\$65
Asthma	XX	-									X	X		X	X	\$110
High Blood Pressure	XX	-				X			X							\$80
High Cholesterol	XX	-		X												\$65
CHF	XX	-					X	X	X						X	\$110
CAD	XX	-		X			X						X			\$95

*Activities must be completed six months apart

Annual Member Out-of-Pocket Costs and Potential HRA Incentive Dollars in CDHP 85/15 and Enhanced 80/20

Disease/Condition	Per Member Per Year Plan Cost *	Annual Member Costs in 80/20	Potential HRA Incentive Dollars for 80/20	Annual Member Costs in CDHP	Potential HRA Incentive Dollars for CDHP
Diabetes	\$9,530	\$1,110	\$125	\$2,853	\$250
COPD	\$16,737	\$800	\$65	\$2,122	\$130
Asthma	\$6,133	\$440	\$110	\$1,222	\$220
High Blood Pressure	\$7922	\$440	\$80	\$1,247	\$160
High Cholesterol	N/A	\$80	\$65	\$347	\$130
CHF	\$44,179	\$80	\$110	\$372	\$220
CAD	\$18,877	\$545	\$95	\$1,484	\$190

*Source: Using the Dashboard to Monitor the Health Profile of the Population, NC SHP, Segal Consulting, Jan- Dec 2015

Other Options for Expansion of HEP

- Plan staff presented a different approach at the August Board meeting:
 - Expand both components of the program, *Healthy Lifestyles and Positive Pursuits*, to the Enhanced 80/20 Plan
 - Move to an outcomes-based approach for incentives
 - Incenting achievement of a goal, e.g. weight, HBA1c or BP
 - Add new chronic conditions
 - Include obesity and chronic depression to the list of chronic conditions
 - Utilize multiple modes of incentives to engage members
 - Utilize a combination of incentive options, including HRA funds, gift cards, vouchers
- Ultimately, Plan staff still want to move in this direction, but take a more incremental approach to the expansion.

Next Steps

- Continue discussion of appropriate amount of HRA incentives for clinically recommended standards of care
 - What level is required to incent members to engage?
 - What's the appropriate amount relative to incentives offered in CDHP?
- In developing the final staff recommendation, we will consider developing the value-based diabetic pharmacy tier

Other Options for 2018 Benefit Changes

1. Add Employee Base Premiums for All Plan Options
2. Freeze Dependent Premiums
3. Modify Member Cost-Sharing on the Traditional 70/30 Plan

Premium Strategy

Establish an Employee Base Premium on All Plans

- Changes to the various benefit plans over the past several years have focused entirely on cost sharing – with the effect of concentrating costs among those who require health care services
- Board members have expressed a desire to spread risk across the Plan population by establishing base premiums for employees on all the plan options
- Segal modeled scenarios based on two general approaches:
 1. **Premiums linked to plan value**
 - This approach would allow for differential pricing of the benefit options
 - This approach more closely mimics pricing in the larger health care insurance market – higher value plans (i.e. lower cost sharing requirements) are more costly (i.e. higher premiums)
 - As shown on the next slide, the increase in 2018 and 2019 premium rates is driven largely by the variance in premiums between the higher-value plans (80/20 and CDHP) and the lower-value plan (70/30) and how that changes plan selection or enrollment.
 2. **Equivalent premiums on all plans**
 - This approach would assign the same premiums to each plan, regardless of plan generosity
 - Accordingly, this approach would spread risk across our member population by requiring an equivalent contribution from every employee, regardless of whether he/she utilizes services

Establish Employee Base Premium on All Plans

Forecast Scenarios

1. Premiums linked to Plan Value

	CDHP	Enhanced 80/20*	Traditional 70/30	2018 & 2019 Premium Increase
Base Premium	\$20	\$20	\$5	3.46%
	\$30	\$30	\$5	2.64%
	\$20	\$20	\$10	3.59%
	\$25	\$25	\$10	3.09%

2. Equivalent Premiums Across All Plans

	CDHP	Enhanced 80/20*	Traditional 70/30	2018 & 2019 Premium Increase
Base Premium	\$15	\$15	\$15	4.47%

Baseline Forecast: 2018 & 2019 Premium Increase = 3.14%

** Forecast Scenarios assume the base premium amounts for the 80/20 Plan will be further reduced by \$10 if all premium credits are earned.*

Freeze Dependent Premiums for CYs 2018 to 2021

- The Plan's contribution strategy is different from most other states – employee-only coverage is highly subsidized, while dependent coverage is not
- Freezing dependent premiums would, over time, improve the affordability of Plan benefits for spouses, children, and families across the three benefit plans
- According to Segal, freezing dependent premiums at the current level would increase the required premium increases in 2018 and 2019 as follows:

	2018 & 2019 Premium Increase
Baseline Forecast	3.14%
Baseline w/ no increases to Dependent Premiums	3.67%

Coverage Tier	Subscribers	%	Total Monthly Contributions							
			Employer Contributions		EE Premiums		Dependent Premiums		Total Premiums	
			\$	%	\$	%	\$	%	\$	%
EE Only	413,510	80.1%	\$177,088,248	79.6%	\$5,347,694	80.2%	\$0	0.0%	\$182,435,942	68.5%
EE + Child(ren)	58,335	11.3%	\$26,595,289	12.0%	\$768,587	11.5%	\$14,258,361	38.3%	\$41,622,236	15.6%
EE + Spouse	21,771	4.2%	\$8,465,560	3.8%	\$255,959	3.8%	\$8,941,088	24.0%	\$17,662,607	6.6%
EE + Family	22,791	4.4%	\$10,273,647	4.6%	\$299,856	4.5%	\$14,045,242	37.7%	\$24,618,745	9.2%
TOTAL	516,407	100.0%	\$222,422,743	100.0%	\$6,672,096	100.0%	\$37,244,691	100.0%	\$266,339,530	100.0%
			83.5%		2.5%		14.0%		100.0%	

EE = Employee/Retiree

Traditional 70/30 Plan Cost Sharing

Traditional 70/30 Plan

- In 2016 and 2017 member cost-sharing for the Traditional 70/30 Plan was increased to the limits that allowed it to remain a grandfathered plan under ACA
 - The cost-sharing increases served several purposes
 - Provided greater differentiation between the 70/30 and 80/20 plans
 - Incented members to consider other plan options (CDHP 85/15, Enhanced 80/20, or Medicare Advantage)
 - Met the Legislature's financial goals
- For 2017, the Enhanced 80/20 Plan has been redesigned to focus on value-based routine care
- With the Enhanced 80/20 redesign, some of the benefits are better in the Traditional 70/30, most notably several of the drug tiers in the pharmacy benefit (see table at right)
- To re-align the pharmacy benefit, the Traditional 70/30 Plan would lose grandfather status
- Once grandfather status is forfeited, the 70/30 Plan would have to provide 100% coverage of preventive care

2017 Pharmacy Copays

Drug Tier	Enhanced 80/20	Traditional 70/30	Aligned
Tier 1	\$5	\$16	☑
Tier 2	\$30	\$47	☑
Tier 3	Ded/coins	\$74	☒
Tier 4	\$100	10% up to \$100	☑
Tier 5	\$250	25% up to \$103	☒
Tier 6	Ded/coins	25% up to \$133	☒

Options for Traditional 70/30 Plan

- **Option 1:** Maintain the 2017 benefit for 2018
 - Issue: Breaks the momentum of 2016 and 2017 changes
- **Option 2:** Move cost-sharing to grandfather limits in 2018
 - Issue: The benefits will remain out of alignment with the Enhanced 80/20 Plan
- **Option 3:** Alter the Traditional 70/30 Plan to re-align with the Enhanced 80/20 Plan
 - Issue: Requires some significant changes to the benefit; grandfather status is lost

Traditional 70/30: 2018 Plan Design Options

	70/30 Option 1: Keep CY17 Design In-Network Grandfathered	70/30 Option 2: CY 2018 In-Network Grandfathered	70/30 Option 3: CY 2018 In-Network <i>Non-Grandfathered</i>	CY 2017 Enhanced 80/20 In-Network Non-Grandfathered
Annual Deductible	\$1,080 Individual \$3,240 Family	\$1,138 Individual \$3,414 Family	\$1,400 Individual \$4,200 Family	\$1,250 Individual \$3,750 Family
Coinsurance	30% of eligible expenses after deductible	30% of eligible expenses after deductible	30% of eligible expenses after deductible	20% of eligible expenses after deductible
Medical Coinsurance Max	\$4,388 Individual \$13,164 Family	\$4,625 Individual \$13,875 Family	N/A	N/A
Medical Out-of-Pocket Max	N/A	N/A	N/A	\$4,350 Individual \$10,300 Family
Pharmacy Max	\$3,360 Individual \$10,080 Family	\$3,558 Individual \$10,674 Family	N/A	\$2,500 Individual \$4,000 Family
Total Out-of-Pocket Max <i>(Includes Deductible)</i>	N/A	N/A	\$7,150 Individual \$14,300 Family	\$6,850 Individual \$14,300 Family
ACA Preventive Services	Cost-Sharing Applies (\$40 for Primary Care \$94 for Specialists)	Cost-Sharing Applies (\$42 for Primary Care \$99 for Specialists)	Covered at 100%	Covered at 100%
<u>Office Visits</u>				
PCP Copay	\$40	\$42	\$42	\$10 or \$25
Specialist Copay	\$94	\$99	\$99	\$45 or \$85
Therapy Services Copay	\$72	\$78	\$78	\$52

Traditional 70/30: 2018 Plan Design Options (Con't.)

	70/30 Option 1: Keep CY17 Design In-Network Grandfathered	70/30 Option 2: CY 2018 In-Network Grandfathered	70/30 Option 3: CY 2018 In-Network <i>Non-Grandfathered</i>	CY 2017 Enhanced 80/20 In-Network Non-Grandfathered
Urgent Care	\$100	\$106	\$106	\$70
Emergency Room (<i>Copay waived w/ admission or observation stay</i>)	\$337, then 30% after deductible	\$355 , then 30% after deductible	\$355 , then 30% after deductible	\$300, then 20% after deductible
Outpatient Hospital	30% after deductible	30% after deductible	30% after deductible	20% after deductible
Inpatient Hospital	\$337, then 30% after deductible	\$355 , then 30% after deductible	\$500 , then 30% after deductible	\$0 or \$450, then 20% after deductible
Drugs				
Tier 1 (Generic)	\$16	\$16	\$16	\$5
Tier 2 (Preferred Brand & High-cost Generic)	\$47	\$49	\$49	\$30
Tier 3 (Non-preferred Brand)	\$74	\$77	Deductible/Coins.	Deductible/Coins.
Tier 4 (Low-cost/Generic Specialty)	10% up to \$100	10% up to \$103	\$103	\$100
Tier 5 (Preferred Specialty)	25% up to \$103	25% up to \$107	\$275	\$250
Tier 6 (Non-preferred Specialty)	25% up to \$133	25% up to \$142	Deductible/Coins.	Deductible/Coins.

Traditional 70/30 Plan Cost Sharing Forecast Scenarios

Cost Sharing Option	2018 & 2019 Premium Increases
Maintain the 2017 cost sharing level for 2018	3.14%
Move cost-sharing to grandfather limits in 2018	2.97%
Alter the Traditional 70/30 Plan to re-align with the Enhanced 80/20 Plan	3.01%

Timeline to Develop 2018 Benefit Designs

- To allow sufficient time to implement any changes, Board approval is needed by February 2017
- Regularly Scheduled Board Meeting: January 26-27, 2017

Board Discussion