



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Lowest Cost Plan/Optimized Enrollment Analysis

Board of Trustees Meeting

December 1, 2016

A Division of the Department of State Treasurer

Analysis of Lowest Cost Plan Option

- Conducted by The Segal Company to determine which plan design would have resulted in the lowest cost for each member in Calendar Year 2015 (i.e., optimal enrollment)
- Analyzed CY 2015 incurred claims
 - Active Employees, Non-Medicare Retirees, and COBRA Members
 - Members continuously enrolled during CY 2015
 - Total of 358,500 subscribers in the analysis, including subscribers from all coverage tiers (employee/retiree only, employee/retiree and family, etc.)
- Results determined two ways:
 1. **With** member contributions/premiums
 2. **Without** member contributions/premiums

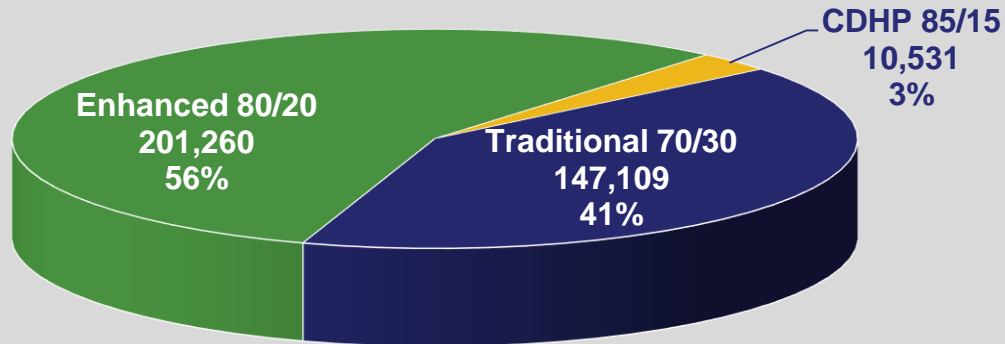
Analysis of Lowest Cost Plan Option

Initial Summary Points

- Absent employee premiums (looking solely at member cost sharing for services received/delivered), the CDHP (58%) and Enhanced 80/20 (42%) were the better plan options for members
 - No member would have fared better in the Traditional 70/30
 - Not surprising given benefit designs and consistent with CY 2014 results
 - Consistent with the comparative analysis Segal conducted looking at the relative and actuarial values of the plan offerings
- With premiums factored in (looking at **the total cost of coverage** for members), the CDHP was the best option for the highest proportion of members (69%) with the Traditional 70/30 being the second-best choice (20%)
 - Only 11% of members were better off in the Enhanced 80/20
 - Excluding Medicare primary members, more than half of Plan members were in the Enhanced 80/20 Plan in CY 2015

CY 2015 High Level Results of Analysis

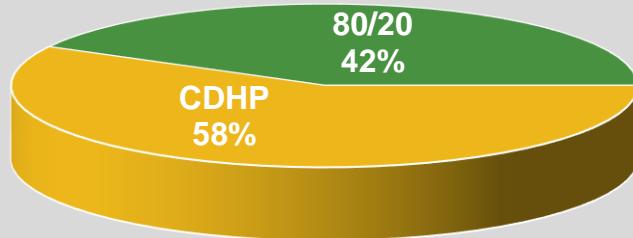
Actual CY 2015 Continuous 12-Month Subscribers



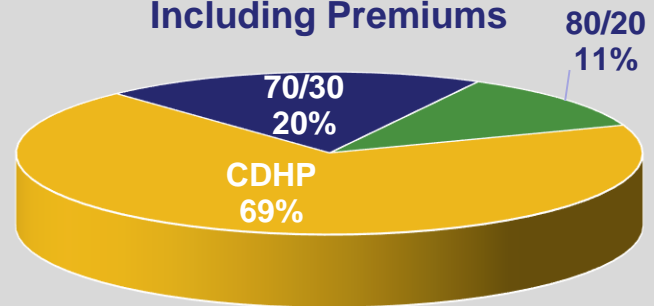
Active & Non-Medicare Members

Optimal Enrollment* Based on Actual CY 2015 Claims

Excluding Premiums



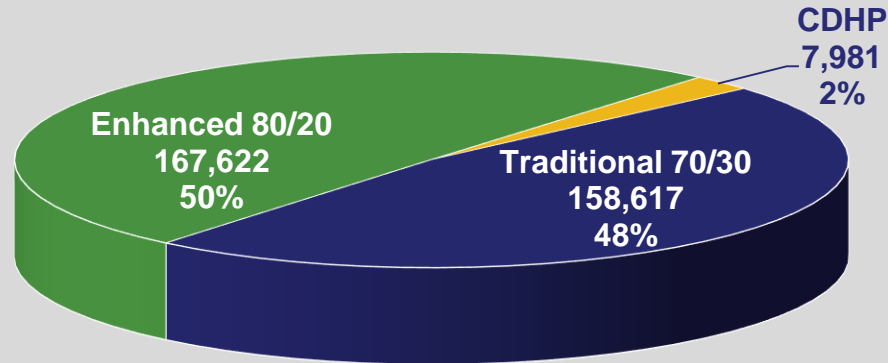
Including Premiums



* Resulting in lowest member cost

CY 2014 High Level Results of Analysis

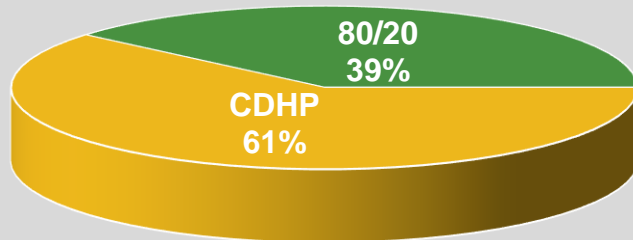
Actual CY 2014 Continuous 12-Month Subscribers



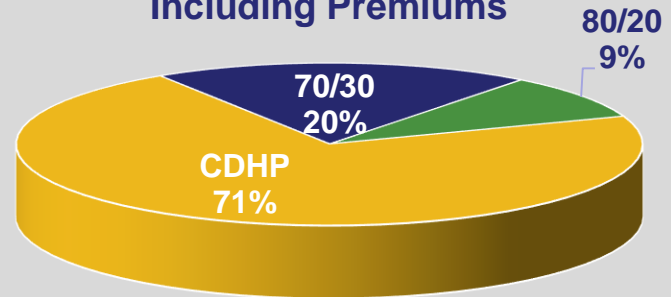
Active & Non-Medicare Members

Optimal Enrollment* Based on Actual CY 2014 Claims

Excluding Premiums



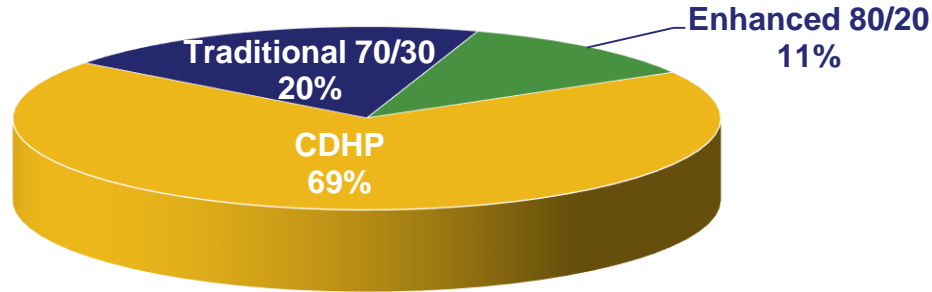
Including Premiums



* Resulting in lowest cost

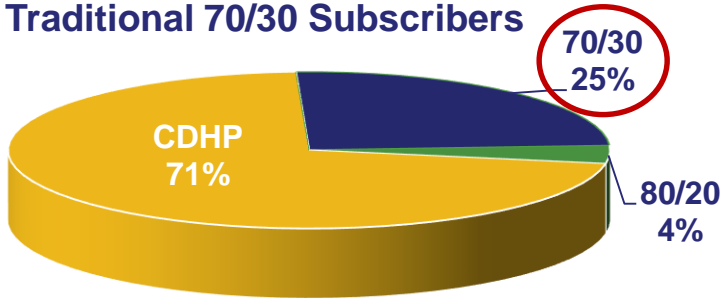
CY 2015 Lowest Cost Option by Selected Plan

Optimal Enrollment Resulting in Lowest Cost to Members including Premiums



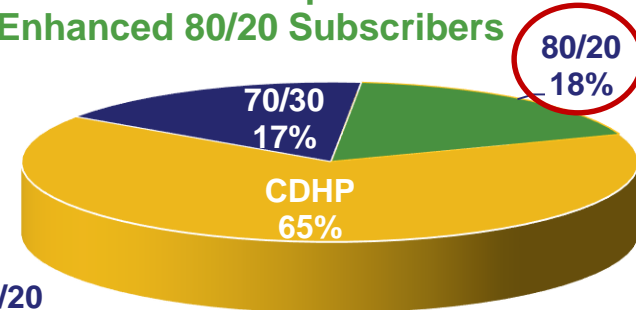
(n = 358,900)

Lowest Cost Option for Traditional 70/30 Subscribers



(n = 147,109)

Lowest Cost Option for Enhanced 80/20 Subscribers



(n = 201,260)

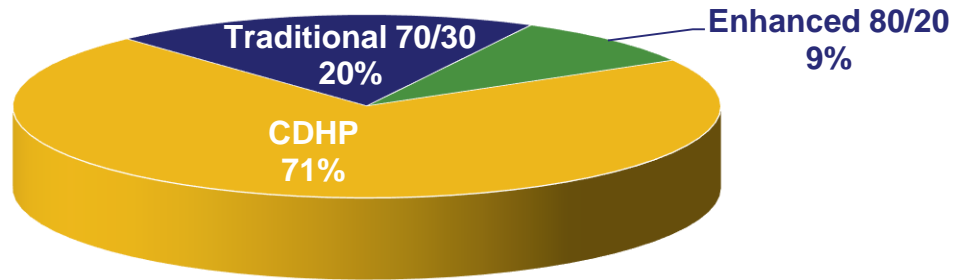
Lowest Cost Option for CDHP Subscribers



(n = 10,531)

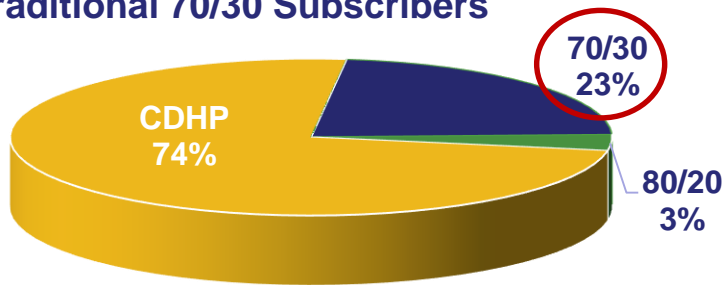
CY 2014 Lowest Cost Option by Selected Plan

Optimal Enrollment Resulting in Lowest Cost to Members including Premiums



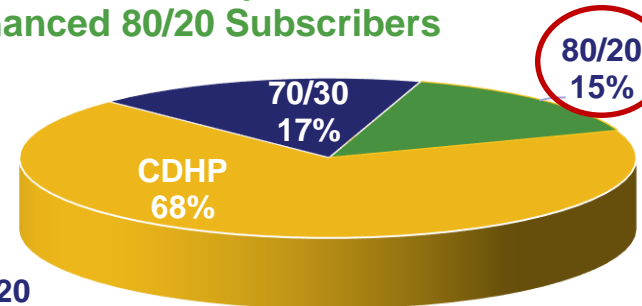
(n = 334,220)

Lowest Cost Option for Traditional 70/30 Subscribers



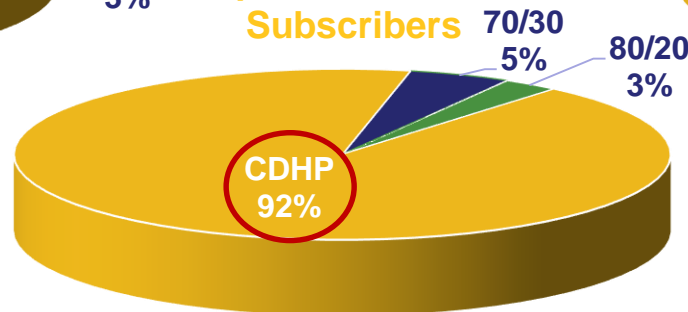
(n = 158,617)

Lowest Cost Option for Enhanced 80/20 Subscribers



(n = 167,622)

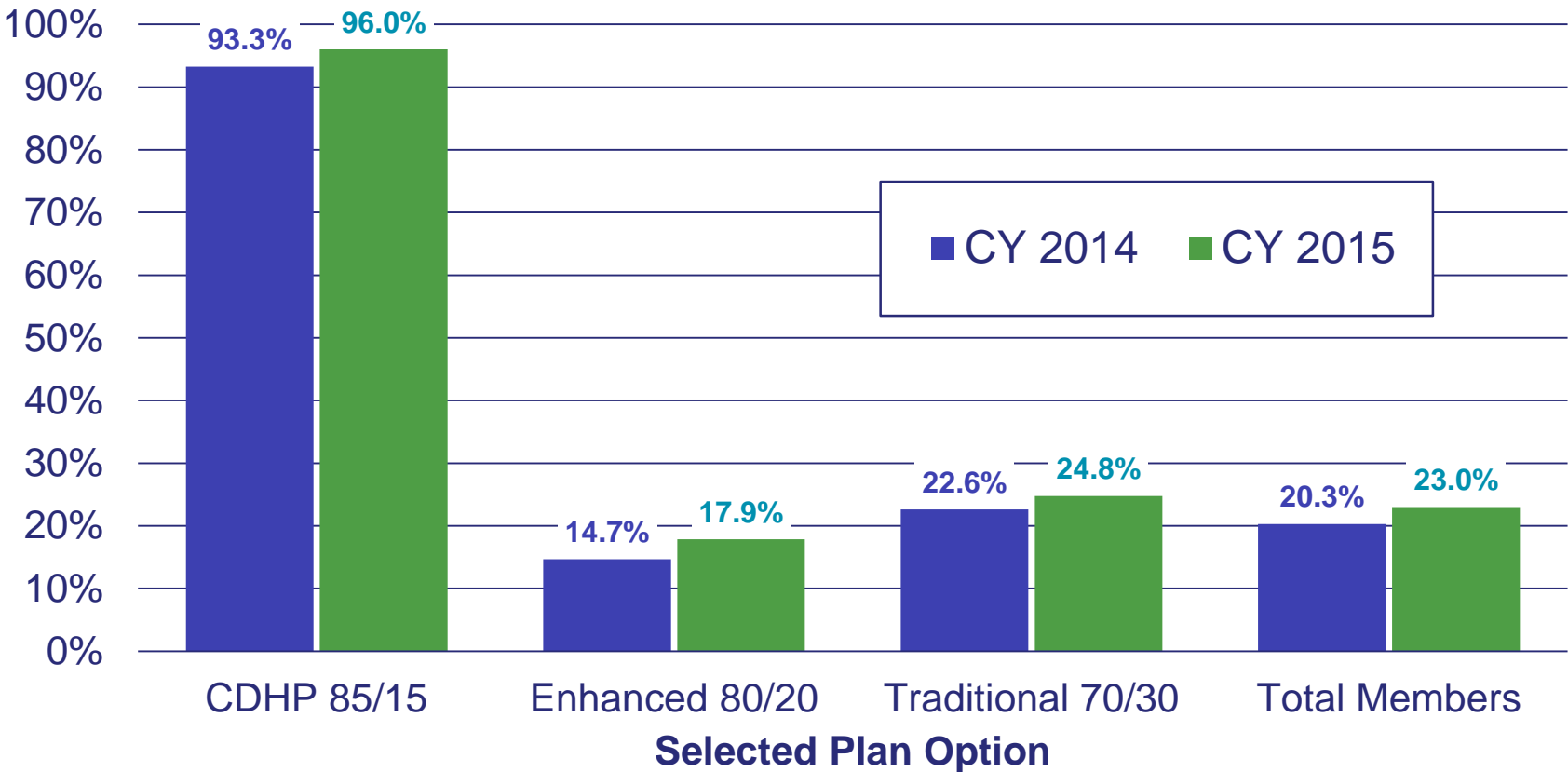
Lowest Cost Option for CDHP Subscribers



(n = 7,981)

Comparison: CY 2014 vs. CY 2015

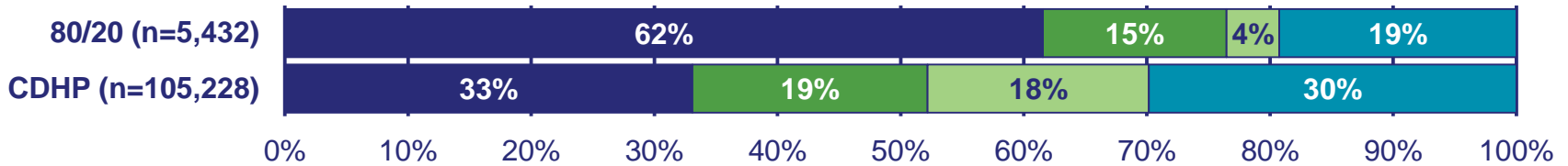
Percentage of Members Selecting Lowest Cost Plan



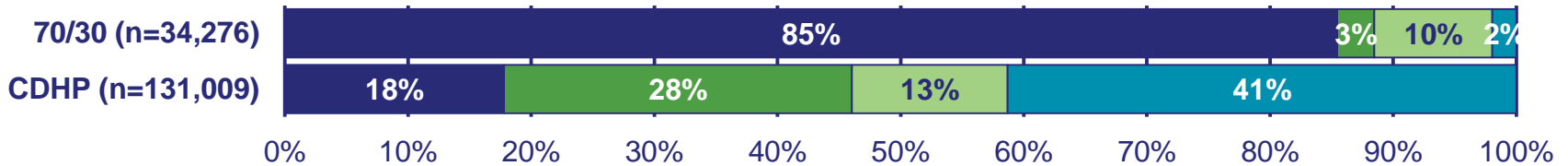
- Although less than one-quarter of members selected the lowest cost plan option in CY 2015, there was improvement in all plans from CY 2014

CY 2015 Member Savings in Lowest Cost Option

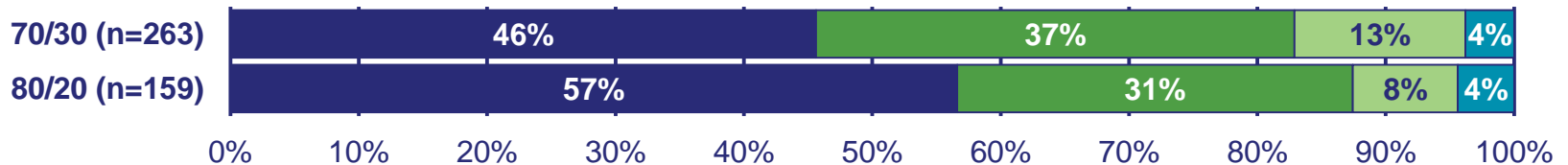
**Members in Traditional 70/30 Plan
Potential Savings in Other Plans**



**Members in Enhanced 80/20 Plan
Potential Savings in Other Plans**



**Members in Consumer-Directed Health Plan
Potential Savings in Other Plans**



Key Takeaways from Analysis

- Members enrolled in the CDHP 85/15 did the best job of anticipating their health care expenses
- Members were least successful at appropriately valuing the Enhanced 80/20 Plan; 18% of Enhanced 80/20 Plan members were in the lowest-cost option
- 71% of members in the Traditional 70/30 Plan and 65% of members in the Enhanced 80/20 Plan would have been in the lowest cost plan if they had instead selected the CDHP 85/15
 - Of those who would have saved money in the CDHP 85/15, 30% of members in the 70/30 Plan and 41% of members in the 80/20 Plan could have saved more than \$1,000
- If all members had selected the lowest cost plan option (and did not change their utilization patterns), the Plan would have spent nearly \$270 million more in CY 2015

Key Takeaways from Analysis (con't)

- The CDHP was the lowest-cost option for 88% of the subscribers who carried dependents on the plan
- Low cost members (under \$1,000 in allowed charges) and high cost members (over \$10,000 in allowed charges) fare the best in the CDHP
 - Due to variations in service mix, the advantages of a particular plan option are less clear in the middle ranges of paid claims (more than \$1,000 but less than \$10,000) but the CDHP sometimes results in higher member cost share in this range
- The pharmacy benefit, which was the same in CY 2015 for the Traditional 70/30 and Enhanced 80/20 plans, is driving a significant portion of the value and results between these two plans
 - The two plans have since been further differentiated (effective January 1, 2016)
 - In CY 2017, the two plans will have different specialty and non-preferred drug benefits