

**Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
December 20, 2016**

The meeting of the Board of Trustees of the North Carolina State Health Plan for Teachers and State Employees was called to order at approximately 3:00 p.m. on Tuesday, December 20, 2016, at the Department of State Treasurer (DST), 3200 Atlantic Avenue, Raleigh, NC 27604.

Members

Janet Cowell, Chair
Neal Alexander
Paul Cunningham, MD
Donald Martin
Aaron McKethan
Warren Newton, MD
Elizabeth Poole
David Rubin

Absent:

Andrew Heath
Margaret Way

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, Caroline Smart, Nidu Menon, Lauren Wides, Mike Santos, Lucy Barreto, Mark Collins, Matthew Grabowski, Beth Horner, Lorraine Munk, Blake Thomas

Welcome

Janet Cowell, Chair, welcomed Board members, staff from the State Health Plan and Department of State Treasurer and visitors to the meeting.

Agenda Item – Conflict of Interest

Presented by Janet Cowell, Chair

In compliance with the requirements of Chapter 138A-15(e) of the State Government Ethics Act, Chair Cowell requested that members who have either an actual or perceived conflict of interest identify the conflict and refrain from discussion and voting in those matters as appropriate. Dr. Rubin recused himself from discussion regarding the Lake lawsuit.

Agenda Item – Review of Minutes (Attachment 1)

Presented by Janet Cowell, Chair

Ms. Crabtree noted several changes to the minutes submitted from Dr. Rubin. Following a motion by Dr. Cunningham and seconded by Dr. Rubin, the Board unanimously approved the December 1-2, 2016, minutes, which included the revisions.

Agenda Item – Clinical and Program Operations (Attachment 2)

Presented by Caroline Smart, Chief Operating Officer

Update on Transition of Specialty Medications to Pharmacy Benefit

Ms. Smart provided an update on the decision by the Board in May to delay the transition of specialty medications from the medical to pharmacy benefit. She stated that the Plan has not been able to resolve the outstanding issues with the Medicare coordination of benefits and emphasized the importance of maintaining accurate Medicare primary information.

The Plan will continue to work with CVS Caremark on the Medicare processes and finalize a rollout recommendation to share with the Board.

Agenda Item – Contracting and Vendor Partnerships (Attachment 3)

Presented by Mike Santos, Interim Director of Healthcare Analytics, and Lotta Crabtree, Deputy Executive Administrator and Plan Legal Counsel

Memorandum of Understanding with Department of Information Technology for Business Services provided by the Government Data Analytics Center (GDAC) – Recommendation for Approval

Mr. Santos provided background information and the context for which the Plan seeks Board approval for the Memorandum of Understanding (MOU) with GDAC, noting that the cost of the contract would be just under \$1.5 million. In response to a question regarding the relationship between GDAC and SAS, Mr. Santos cited the statutes pertaining to the role of GDAC within North Carolina and explained the nature of the partnership between GDAC and SAS, including GDAC's role in managing the broad SAS program and hosted platform across the State of North Carolina.

The Plan's mission is to adopt a comprehensive approach to data analytics to support the strategic and operational priorities. This would allow the Plan to become a leader in healthcare analytics and gain a deeper insight into the members' health and experience.

The process, from identifying issues to achieving the desired outcomes, would require accurate, clean data. The ultimate outcomes could enhance cost savings and member satisfaction and experience. The overall functions of Plan data analysts, GDAC and SAS were provided, as well as a proposed organizational structure for the requested positions within the Plan's Data Analytics section. Provided that the positions and project are approved, the Plan could begin to provide forecasting and predictive modeling in 2017.

A Board member commented that data issues have been discussed for some time and that the information presented appears to be transformational and the direction in which the Plan should move.

A motion to approve the contract was made by Paul Cunningham and seconded by Neal Alexander. The motion passed unanimously.

Agenda Item – Board of Trustees Self-Assessment (Attachment 4)

Presented by Myrna Hellerman and Kendall Smith, Segal Consulting

Ms. Hellerman and Ms. Smith reviewed the self-assessment completed by eight of the 10 Board of Trustee members and the details on opportunities for improvement.

One Board member noted it might be helpful to schedule time to speak with a Plan staff member prior to Board meetings to ask questions or seek clarification on the Board material. A suggestion by Ms. Hellerman was to use the Thursday sessions for strategic planning.

Ms. Moon acknowledged that scheduling orientation sessions for new members has been a challenge. When the Board was established under DST, all members were new and the first few meetings were informational. New members have not had the advantage of an extensive orientation period. She stated that feedback regarding what worked and what didn't work in the orientation would be helpful to Plan staff. She also requested feedback on meeting content during the past year.

A Board member suggested using time in the January meeting each year to outline discussion points for the meetings during the upcoming year. Ms. Moon noted that the Plan created a website for the Board in 2012 but that not many members accessed the information. Another suggestion was to create more direct interaction with Plan vendors. It was also noted that Board members are asked to respond to requests by the General Assembly with little to no direct interaction with legislators.

Ms. Moon stated that the agenda is developed keeping in mind what the Board may want to discuss and what the Plan feels obligated to put before the Board. She noted that Plan staff will document the Board suggestions and request and solicit their feedback prior to or at the January meeting.

The Board found the self-assessment valuable and would like to do an assessment annually.

Agenda Item – State Health Plan Compensation and Recommendations (Attachment 5)

Presented by Josh Wilson and Jon Mason, Mercer

Ms. Kristen Bierline, DST Director of Human Resources, provided background information on the compensation study, noting that it was 8-10 years since a similar study had been done. She noted that around the time of the last study, through legislative action, the Plan's executive administrator was given broader authority to hire and classify/reclassify positions.

Following a question by a Board member, Ms. Bierline stated that compensation studies should ideally be conducted every three years. In response to another question, Ms. Moon stated that she would provide the specific number of "at will" or exempt positions to the Board.

The Plan's classification titles reviewed in the Mercer report were provided to the Board. Following a comment by a Board member that the list of EPA positions was very broad, Ms. Moon stated that some of the existing EPA positions had been converted to SPA classification. She noted that the Plan experienced turnover in the past several years as the job market opened up and staff could find similar jobs in the private sector at a much higher salary.

Mr. Wilson and Mr. Mason reviewed the four phases of the study, as well as the project scope and objectives. Mercer used several sources to conduct a review of the Plan's positions and compensation. The salary structure and slotting methodology was presented to the Board with a chart demonstrating the minimum, midpoint and maximum salaries for each grade label.

Plan staff noted that vacant pharmacy and operations positions have been very difficult from a recruiting and hiring standpoint. Despite national recruitment and discussions with other states with similar positions, the Plan has not been able fill positions.

At this point in the discussion, Mr. Alexander stated that if the Board agreed to move forward, he would be required to act on a decision he didn't feel should be made until the new Treasurer assumed office. He made a motion to table the discussion. Ms. Moon stated that in the spirit of transparency, the study results were presented to the Board for their information, but that Board approval wasn't required.

Dr. Cunningham seconded the motion but stated that he wanted to hear more of the presentation. Chair Cowell stated that if Dr. Cunningham seconded the motion, any further discussion at this meeting would cease. Dr. Cunningham withdrew his second to the motion.

Chair Cowell reiterated that the Plan hasn't conducted a similar study in almost 10 years and that staff wanted to make the Board aware of the work that has been done on the study to date. In response to comments that most State employee salaries are under the market value, the Board was reminded that if Plan resources are lacking, the Board may find it difficult to carry out their fiduciary responsibilities when faced with certain decisions. Chair Cowell stated that a similar study conducted in the Investment Management Division proved to be a big success in that out of 20 vacancies, 19 were filled.

Ms. Moon stated that when she came to the Plan in 2008, the Plan was able to fill positions as needed. Currently, 25% of the Plan's positions are vacant. Although the Plan has managed remarkably well, time spent on the recruiting and hiring process has taken time away from more important business. She noted that it's taken nine months or longer, in some cases, to fill several vacancies.

In response to a question regarding active recruitment, Ms. Moon stated that interviews have been scheduled for the Director of Customer Relations.

With no active motion to table the discussion, Mercer staff continued to review the salary structure and classification slotting tables. They also felt it was important to note that the process for the compensation study, including meetings with management and staff, began six months ago, not recently.

The cost analysis demonstrated that to get current staff and budgeted vacant positions to the minimum salary would cost approximately \$160,000. The total cost for the newly created positions at the minimum salary would be approximately \$833,000.

Chair Cowell stated again that the information was brought to the Board because of the risk in a Division with operational movement. She noted that the presentation has been posted on the Plan's website. One Board member suggested that bringing staff to the minimum salary wasn't a problem but cautioned that not everyone should automatically move to the midpoint.

Another Board member stated that the loss of efficiency that the Plan has experienced in the recruiting and hiring process should give the Board something to think about. Staff taking on extra duties to compensate for vacant positions may think about seeking other employment, perpetuating the recruiting/hiring issues.

Chair Cowell expressed appreciation to the Board for their comments and stated that the Board would move into executive session per G.S. 143-318.11(6), G.S. 126-22(b)(3), G.S. 143-318.11(1), and G.S. 143-318.11(a)(3). Following a motion by Dr. Newton which was seconded by Dr. Martin, the Board voted unanimously to move into executive session.

Agenda Item – Executive Session

Board of Trustees Assessment of Executive Administrator

(G.S. 143-318.11(6) and G.S. 126-22(b)(3))

Presented by Myrna Hellerman and Kendall Smith, Segal Consulting

Lake Lawsuit Update (I. Beverly Lake et al. v. State Health Plan for Teachers and

State Employees, et al.) (G.S. 143-318.11(a)(3))

Presented by Lotta Crabtree, Deputy Executive Administrator and Plan Legal Counsel

Upon a motion by Ms. Poole and seconded by Dr. Newton, the Board voted unanimously to return to open session.

Adjourn

Following a motion by Ms. Poole and seconded by Dr. McKethan, the meeting was adjourned at 6:00 p.m.

 *Dale R. Folwell effective 4/1/17*

Dale R. Folwell, CPA

As Chair of the meeting at which these minutes were approved