

Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
March 22, 2017

The meeting of the Board of Trustees of the North Carolina State Health Plan for Teachers and State Employees was called to order at 1:00 p.m. on Wednesday, March 22, 2017, at the Department of State Treasurer (DST), 3200 Atlantic Avenue, Raleigh, NC 27604.

Members

Dale R. Folwell, Chair
Charles Perusse
Neal Alexander – via phone
Paul Cunningham, MD
Donald Martin
Aaron McKethan
Warren Newton, MD
Elizabeth Poole
David Rubin
Margaret Way

Welcome

Chair Folwell welcomed Board members and visitors to the meeting.

Conflict of Interest

Presented by Dale R. Folwell, Chair

In compliance with the requirements of Chapter 138A-15(e) of the State Government Ethics Act, Chair Folwell 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. No conflicts of interest were noted.

Introduction of New Staff

Presented by Mona M. Moon, Executive Administrator

Ms. Moon introduced new State Health Plan staff including Ira Protas, Director of Pharmacy Benefits, Ted Enarson, Director of Health Plan Operations, David Cozart, Director of Policy, Planning and Analysis, and Randy Tompson, Financial Analyst.

For Board Approval

Minutes – January 26, 2017

Presented by Dale R. Folwell, Chair

Following a motion by Dr. Newton and seconded by Ms. Poole, the Board unanimously approved the January 27, 2017, minutes, as written.

Remarks by Treasurer Folwell

Treasurer Folwell thanked everyone for their patience in setting up the meeting. He said that getting the benefits right took some extra time. He contemplated how the Plan got here and stated that his administration didn't do it. They discovered it, and it needs to be fixed. He further stated that no one on the Board was there to hurt anyone but to do the best thing for the employees and the State and that it is all about asking the right questions.

One of the Plan's guiding principles is financial sustainability but the Plan's reserve projection dips below \$0 in the year 2020. He asked what would have happened if everyone had chosen the Plan that was best for them last year. The Plan would have paid out an additional \$250 million in claims. It matters which plan members choose and it shouldn't. The Plan has a loss ratio of 1:15, meaning that the Plan pays out \$1.15 for every \$1 it takes in and there is a \$42 million unfunded liability.

The Consumer-Directed Health Plan's richness puts the Plan at risk. The wellness premium credits are burdensome. No one hired in January was able to enroll without assistance and he presented a stack of letters from an employing unit regarding employees that couldn't enroll. His theme is to reduce complexity, build value, and bring consistency to the State and members.

2018 Proposed Benefit Design Changes

Presented by Mona M. Moon, Executive Administrator

Ms. Moon provided an overview of the presentation, as well as the focus and priorities for 2018. She noted that the Medicare retiree benefit information would be presented in the summer after the renewal rates become available from UnitedHealthcare pending the receipt of information from the Centers for Medicare and Medicaid Services (CMS).

In order to reduce complexity and promote long-term financial stability, one of the proposed benefit changes for 2018 is to eliminate the Consumer-Directed Health Plan (CDHP). Approximately, 6.5% of eligible subscribers are enrolled in the CDHP. Even though this plan option has the highest actuarial value, many members still prefer the copay-based plans.

The proposed changes also include reducing the wellness premium credits from three to one, retaining the tobacco attestation. The monthly tobacco premium and corresponding credit would increase from \$40 to \$60 and would apply to all plan options for active employees. Retirees in the 70/30 plan would not be required to complete the attestation or pay a premium.

The proposal for consideration by the Board also included increasing the base premium on the 80/20 to \$50 and adding a base premium of \$25 to the 70/30 plan options in 2018. Non-Medicare retirees will not be required to complete the tobacco attestation or pay a premium for the 70/30 plan.

In response to a question regarding cost-sharing, Chair Folwell stated that his plan is to freeze family premiums over the next four years and not increase the copays and deductibles. His goal is to attract younger, healthier members into the Plan and make it more affordable. In response to another question as to how the Plan compares with other state plans regarding total out-of-pocket costs for members, Ms. Moon stated that North Carolina is near the middle based on a comparative analysis conducted by Plan staff and Segal.

Ms. Moon reviewed the current premium and credit structure compared to the proposed premium rates and credits for 2018. Active employees will no longer have the option to earn their premiums down to \$0 in either the 80/20 or 70/30 plans.

Dependent premiums for state employee/retiree only coverage is highly subsidized by the state. However, employee/retiree subscribers are responsible for the total cost of covering their dependents. As a result, dependent enrollment is low. In response to a question regarding the amount of time it will take to level the premium costs, Chair Folwell stated that while he couldn't provide a timeline, he's assembling an in-house team to determine additional cost control measures moving forward. He added that leveraging the buying power based on the Plan's membership size is also an area on which he wants to focus.

Ms. Moon added that the state employer contribution covers what the Plan pays out in claims. She also noted that the State's subsidy for employee/retiree only coverage is very high compared to other states.

The Board was also asked to consider a proposal to phase out the Stork Rewards program by the end of 2017. The program has not demonstrated a consistent or significant return on investment over the past five years in which it has been offered to members. The incentive component of the program has not shown an impact on adverse newborn outcomes, which was already low among Plan members.

Ms. Moon presented the financial impact of the proposed base premiums and premium increases over the next four years. Assuming a 6.96% premium increase, the projected year-end cash balance would be retained through CY 2021. The employee/retiree increase from 2017 to 2018 would be significant but would level out over the four-year period. Both Chair Folwell and Ms. Moon stated they anticipated a growth in dependent enrollment in the future.

One Board member stated that many people in the health care industry indicate that a consumer-directed health plan will dominate the market in the future and that the element of wellness will make a difference cost-wise. While short-term savings may be necessary, the need to review a long-term strategy to bend the cost-curve is also important. A request was made for the Board to review a long-term strategy for savings at a future Board meeting. Chair Folwell responded that this should be a topic of discussion at every meeting.

Capitalizing on the Plan's buying power, expanding the data department in-house, and educating members in understanding their bills and the costs of the care they receive will be areas of focus in the immediate future.

A Board member expressed concern about eliminating a plan that encouraged behavioral changes and promoted member engagement. Another member stated that non-Medicare retirees are the most expensive group to cover and that that no Medicare subsidy exists for that group of members. A request was made to address the chronic diseases that cost the Plan the most at a future meeting, as well. Another member stated that the Plan shouldn't abandon the wellness component, but should expand the educational component in order to keep employees engaged and healthy.

In response to a question regarding the proposed rates for employee/child, employee/spouse and employee family, Ms. Moon stated that the Plan would provide the full premium rate tables and information later in the summer following approval of the employer contribution rates by the General Assembly. Mr. Mark Collins will revise the premium chart and the information will be shared with the Board.

Open Enrollment Strategy for 2018 Benefit Year
Presented by Caroline Smart, Chief Operating Officer

Ms. Smart provided a review of the 2017 Open Enrollment default strategy and outcomes. Due to the success of last year's approach, the recommendation was made to repeat the strategy for 2018 and move all non-Medicare primary subscribers to the 70/30 plan. Members could elect to stay in that plan or select the 80/20 plan option.

There was also a recommendation to default the Medicare primary members currently in the 70/30 plan to the Medicare Advantage (MA) Base plan for the start of the 2018 Open Enrollment. During Open Enrollment, they would have the option of electing any of the available Medicare Primary options. The only restraint is that Medicare Primary members within the same contract (i.e., family members) must enroll in the same option. However, the recommended enrollment strategy could change when the MA renewal pricing becomes available in late May.

There was also some discussion about enhancing the overall enrollment workflow now that the tobacco attestation will be the only premium wellness activity. Plan staff will work with Benefitfocus to determine the best options.

Member and Public Comment

Mr. Bill Medlin, Professional Educators of North Carolina, addressed the Board. His comments are attached.

Mr. Mark Jewell, North Carolina Association of Educators, addressed the Board. His comments are attached.

Dr. Kelly Ellington, an OB-GYN practitioner and Plan member, addressed the Board and voiced her support for keeping the CDHP option. She stated that, as a medical provider, she can't imagine not emphasizing and keeping the wellness component of plan options. Specifically, her focus for addressing the Board was to request a benefit change for coverage of 3-D mammograms. She stated that studies have shown significantly improved outcomes for women who elect to have 3-D screening. She added that early detection is so important in treating breast cancer and that 3-D screenings detect more cancers than traditional mammograms.

Chair Folwell noted that the cost of the wellness component for just one of the Plan's contracted vendors is approximately \$25 million per year.

Mr. Chuck Stone, State Employees Association of North Carolina, addressed the Board. His comments are attached.

Mr. Richard Rogers, North Carolina Retired Government Employees Association, addressed the Board. His comments are attached.

Ms. Pam Deardorff, Retired School Personnel, addressed the Board. Her comments are attached.

Ms. Moon stated that many plans cover 3-D mammography and that Blue Cross and Blue Shield of North Carolina (BCBSNC) has been evaluating coverage for some time as part of its medical policies. Other providers, members and stakeholders have approached the Plan requesting coverage for this screening.

The Plan will continue discussions with BCBSNC and report the outcome of any decisions made to the Board.

Board Action

Presented by Dale R. Folwell, Chair

2018 Proposed Benefit Changes and Open Enrollment Strategy

Following a motion by Dr. Cunningham and seconded by Mr. Alexander, five members voted in the affirmative to approve the 2018 benefit design changes. Ms. Poole, Dr. Rubin and Ms. Way voted in the negative.

Dr. Rubin stated that he would have preferred a vote on each of the five benefit design changes.

Following a motion by Dr. Martin and seconded by Dr. Rubin, the Board voted unanimously to approve the 2018 Open Enrollment strategy.


Information Only

2016 Calendar Year-End Financial Report

There were no questions or discussion regarding the year-end financial report.

Adjourn

Following a motion by Dr. Cunningham, seconded by Dr. Martin, the Board voted unanimously to adjourn at 3:17 p.m.



Dale R. Folwell, Chair