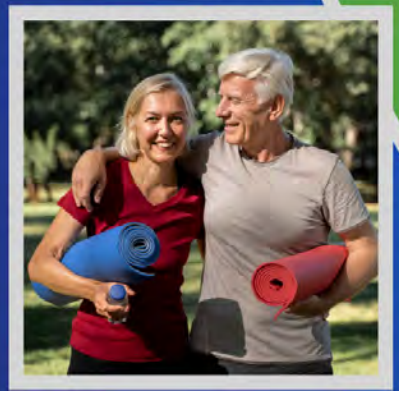

State Health Plan

Board of Trustees Work Session

November 15, 2024

An employee benefit program serving those that teach, protect, serve or who have served the state of North Carolina.

STABLE. INNOVATIVE. PERSONAL.

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

Dale R. Folwell, CPA
State Treasurer of North Carolina
Dale R. Folwell, CPA

Strategic Initiatives Work Session

- Today our objective is to set a strategic course and discuss how we will address our budget gap. This will be used to update our strategic plan.
- No votes are planned today, but we want your feedback and advice.
- Today will have a quick pace, but we want to be thorough, so we'll answer questions after presentations and before discussions.
- It's an entire day, but we need to focus on three big topics:
  - Provider network(s)
  - Benefits and employee premiums
  - Legislative request for employer premiums and salary-related contributions
- We will touch on the initiatives we have discussed during the past three board meetings in this presentation, but we are generally comfortable that we have received a sense of the Board's views on those topics.

Twelve Questions

1. Who are we?
2. How are we structured?
3. How are we funded?
4. Who do we serve?
5. How do we engage with members?
6. How do members pay for benefits?
7. How much do members pay for benefits?
8. How do we compare with peers?
9. What is our biggest challenge?
10. What can we do to address our financial challenges?
11. What strategic initiatives have we discussed prior to today?
12. What do we need from you today?

#1 Who are we?

STABLE. INNOVATIVE. PERSONAL.

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FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA

North Carolina State Health Plan

FOR TEACHERS AND STATE EMPLOYEES

A Division of the Department of State Treasurer

The North Carolina State Health Plan is a self-insured, government-sponsored health benefit plan responsible for providing medical and pharmacy benefits to state employees, teachers, retirees and their dependents.

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.


We aspire to be financially STABLE with predictable growth and
consistent benefits coverage; to be INNOVATIVE in all our
activities, a leader among our peers, exemplifying best practices and
ideas; and to be PERSONAL in meeting members where they
are by talking with them in terms relevant to their experience.

#2 How are we structured?

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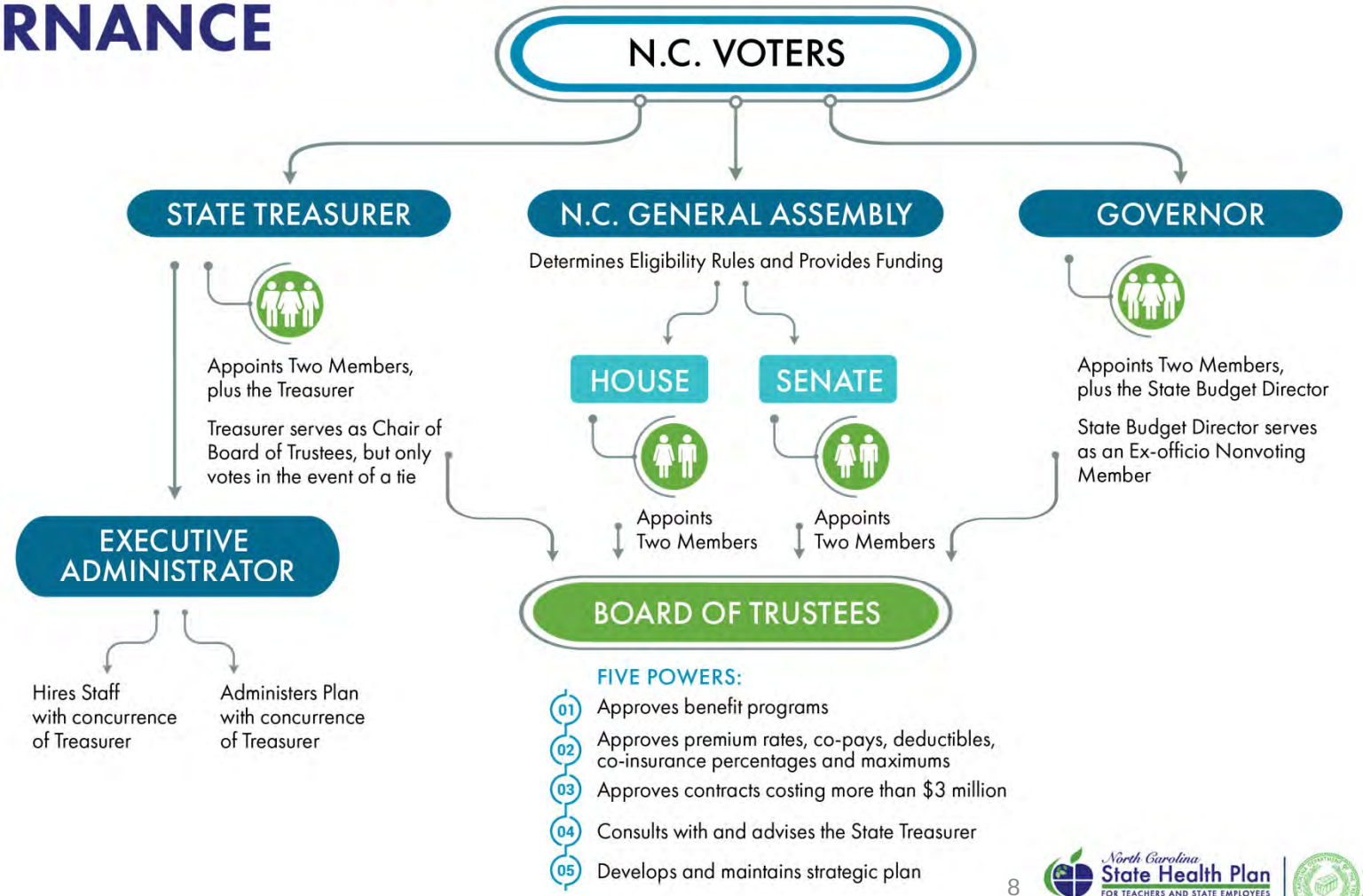
A Division of the Department of State Treasurer

Dale R. Folwell, CPA
State Treasurer of North Carolina

North Carolina STATE HEALTH PLAN
GOVERNANCE



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A Division of the Department of State Treasurer

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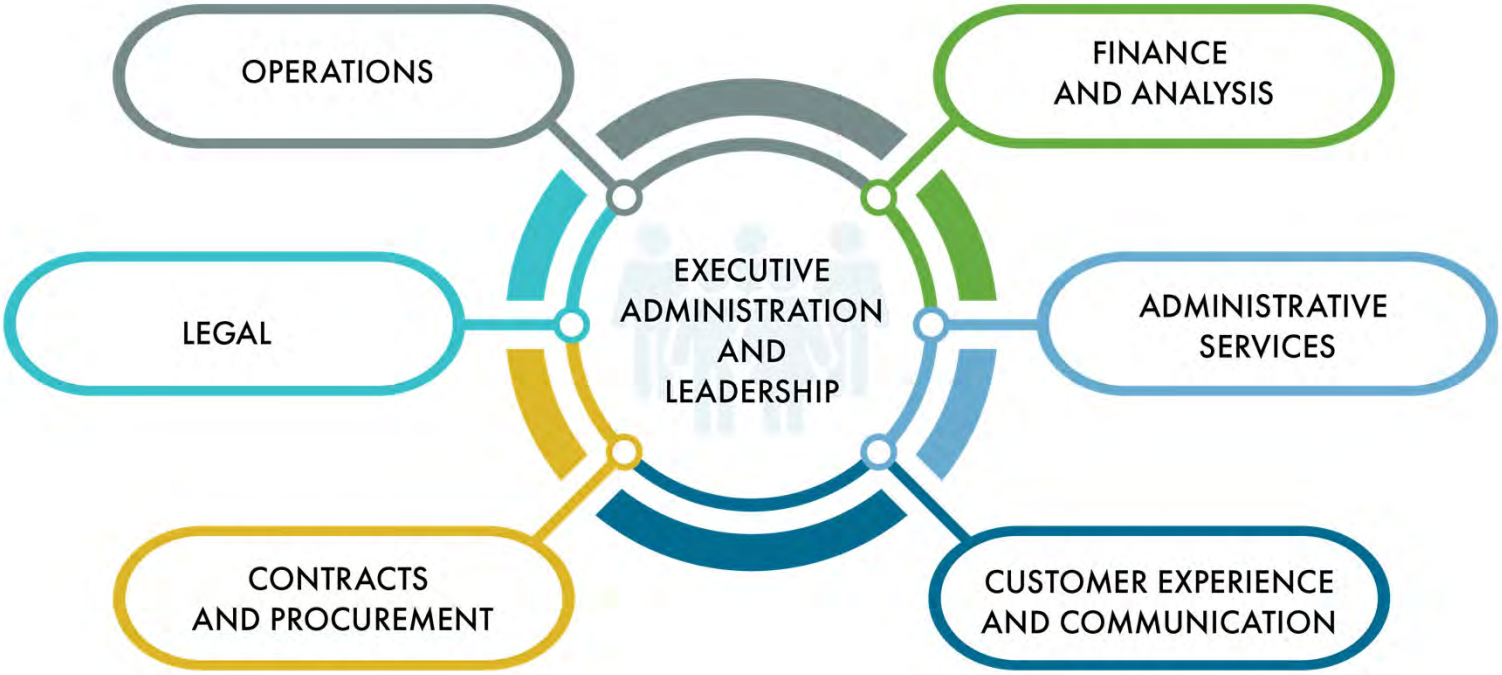
State Treasurer of North Carolina

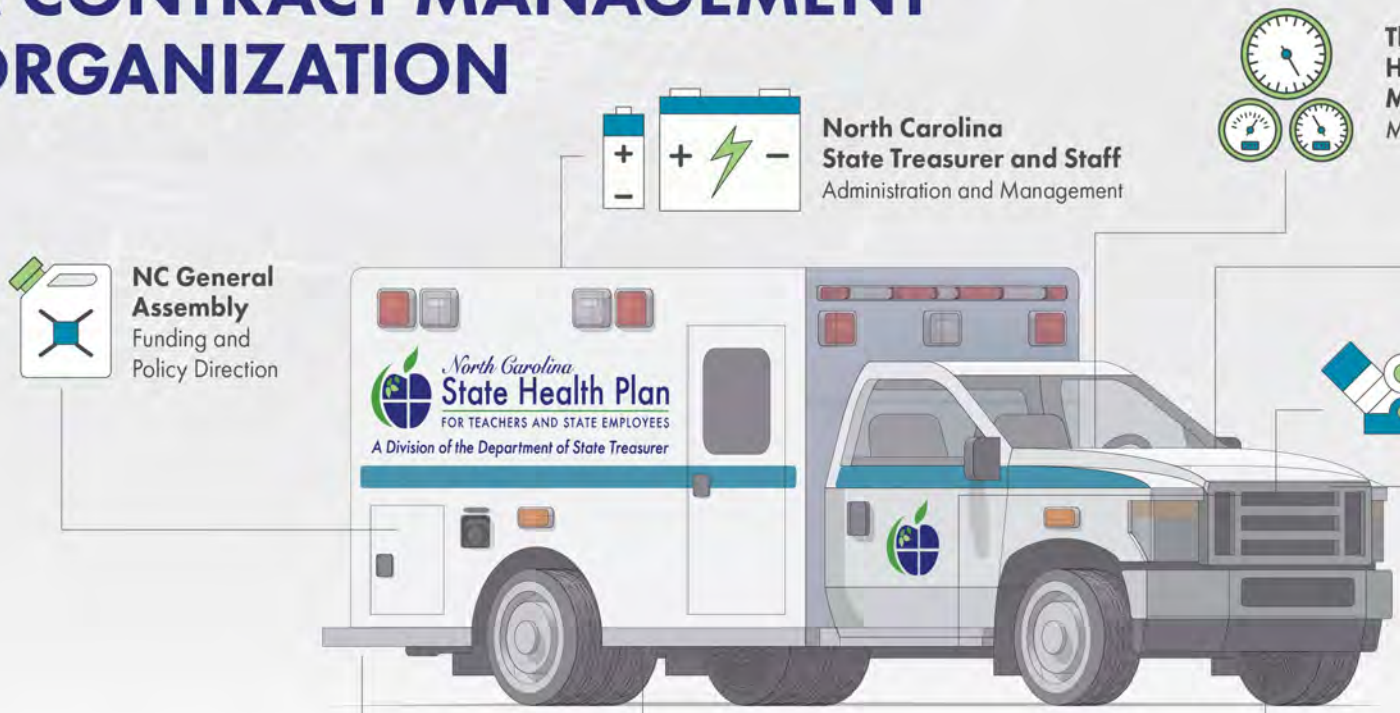
North Carolina STATE HEALTH PLAN
STAFF TEAMS



Approx 36 Staff Members in the Division,
and 10-15 Departmental employees directly support the State Health Plan.

STATE HEALTH PLAN

A CONTRACT MANAGEMENT ORGANIZATION



North Carolina State Treasurer and Staff
Administration and Management

The Segal Company, Inc.
Healthcare Horizons, Inc.
Myers and Stauffer LC
Monitoring, Auditing and Advising

NC General Assembly
Funding and Policy Direction

NPC, Inc.
Printing and Mailing Services

CVS Caremark
Pharmacy Benefit Manager

iTedium
COBRA, Direct, HDHP, and Group Premium Billing of Members and Employees

Benefitfocus
Eligibility and Enrollment of Members

Aetna
Third Party Administrator for Medical Benefits

Board of Trustees
Policy and Benefits

#3 How are we funded?

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FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

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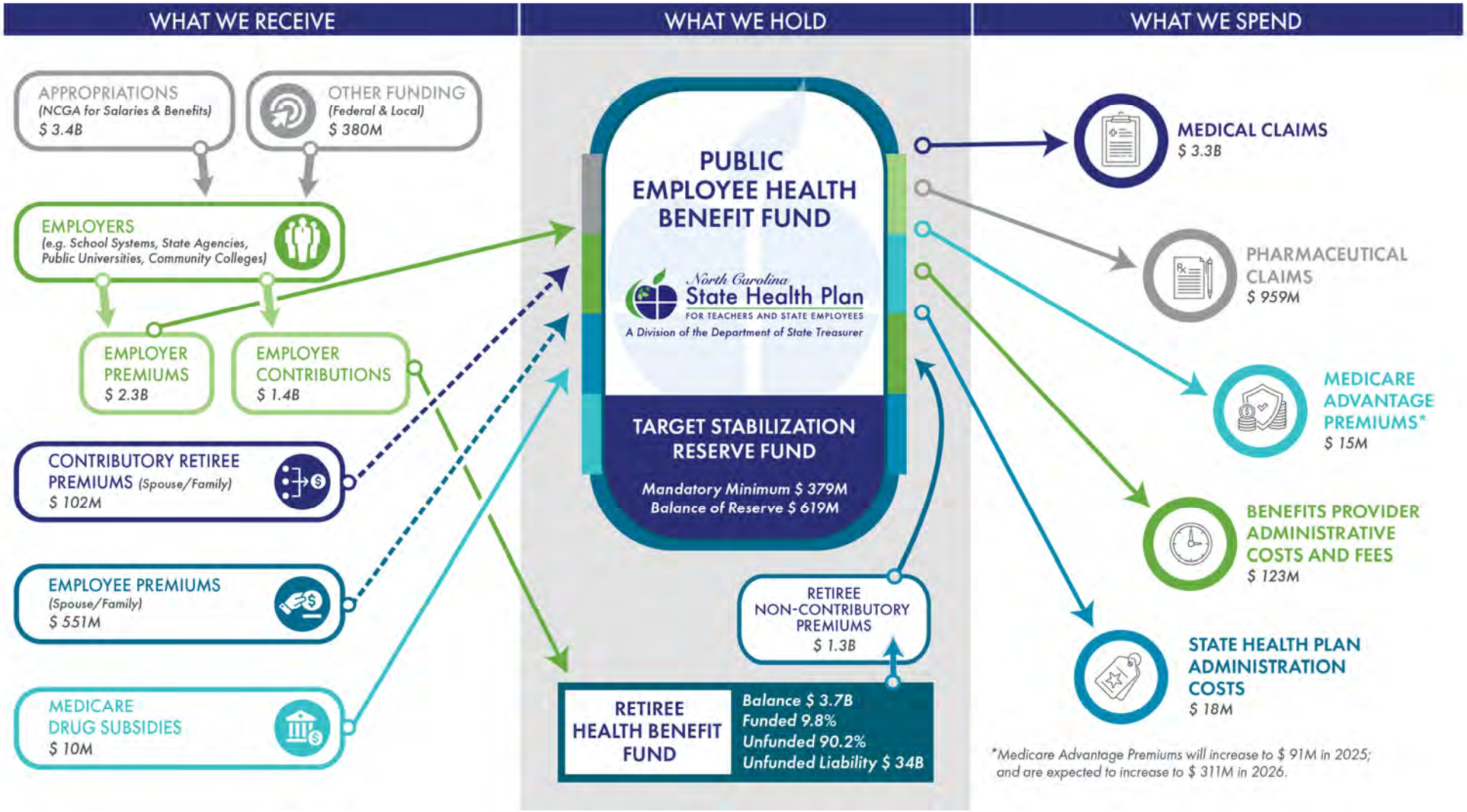
STATE HEALTH PLAN FUNDING FLOW



TOTAL PLAN REVENUE $ 4.4B

EMPLOYER PREMIUMS
$ 2.3B
52%

INVESTMENT GAINS
$ 28M
<1%

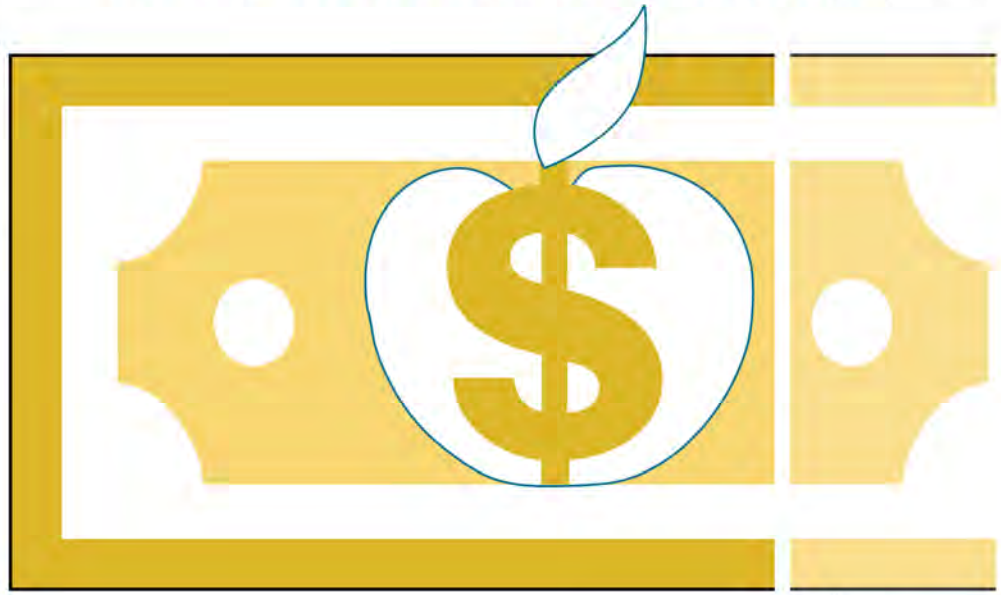
MEDICARE DRUG SUBSIDIES
$ 10M
<1%

EMPLOYER CONTRIBUTIONS
$ 1.4B
32%
($ 1.3B transfered from RHBF to PEHBF)

EMPLOYEE PREMIUMS
$ 551M
13%

RETIREE CONTRIBUTORY PREMIUMS
$ 102M
2%

TOTAL PLAN EXPENDITURES $ 4.4B



MEDICAL CLAIMS
-$ 3.3B
75%

STATE HEALTH PLAN ADMINISTRATION COSTS
-$ 18M
<1%

PHARMACEUTICAL CLAIMS
-$ 959M
22%

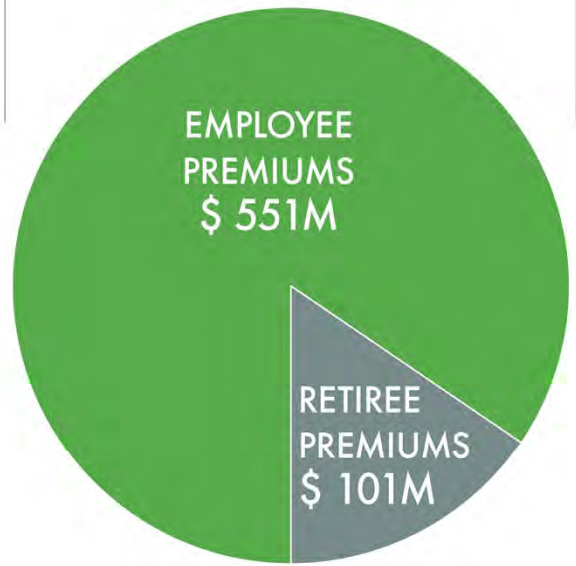
MEDICARE ADVANTAGE PREMIUMS*
-$ 15M
<1%

BENEFITS ADMINISTRATIVE COSTS AND FEES
-$ 123M
3%

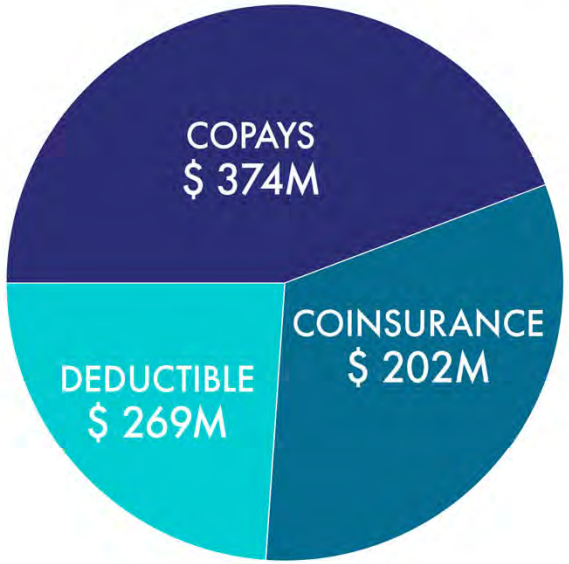
**Medicare Advantage Premiums will increase to $ 91M in 2025; and are expected to increase to $ 311M in 2026.*

Member Expenditures on Premiums and Cost Shares

Flows through the State Health Plan



Does not flow through the State Health Plan



$ 652M + $ 845M

= $1.5B MEMBER EXPENDITURES

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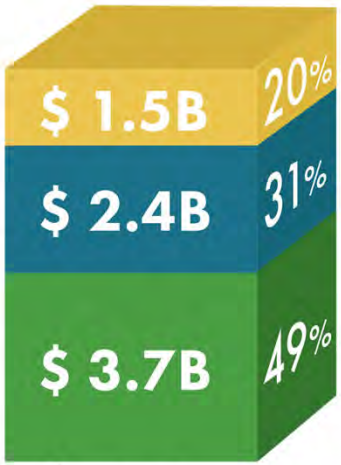
State Treasurer of North Carolina

TOTAL EXPENDITURES on
Health Care for STATE HEALTH PLAN Members



Member Expenditures

Medicare Expenditures that Do Not Flow Through SHP*

Taxpayer Expenditures that Flow Through SHP**

Total Expenditures for SHP Members **$ 7.6B**

HEALTH CARE COSTS for North Carolina are **$ 112.6 billion per year.**

STATE HEALTH PLAN Members account for approximately **7%** of that total.

* Estimated
** or 14% of the State Budget

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#4 Who do we serve?

STABLE. INNOVATIVE. PERSONAL.

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State Treasurer of North Carolina

2023 North Carolina STATE HEALTH PLAN
BY MEMBERSHIP

MEMBER COUNT = 743,583

NORTH CAROLINA	OUT OF STATE	OUT OF U.S.A.
716,537	26,960	86

≅ 8% of healthcare coverage in North Carolina

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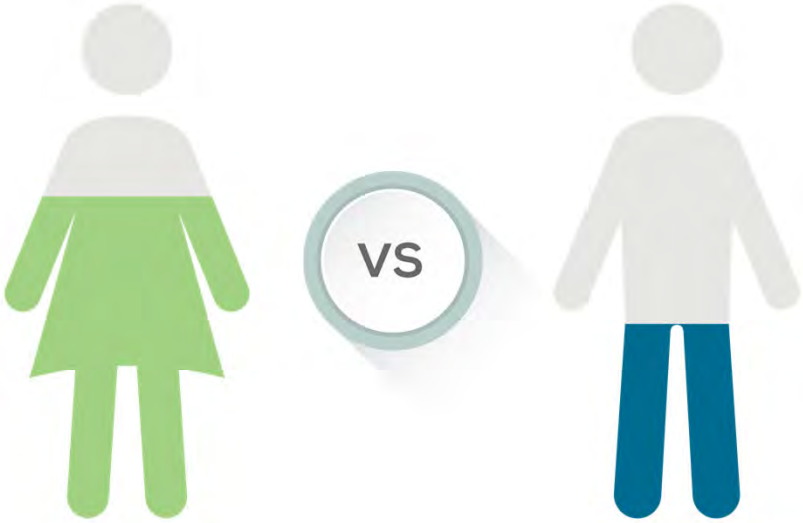
2023 North Carolina STATE HEALTH PLAN
BY GENDER

62%

WOMEN

463,372



38%

MEN

280,211

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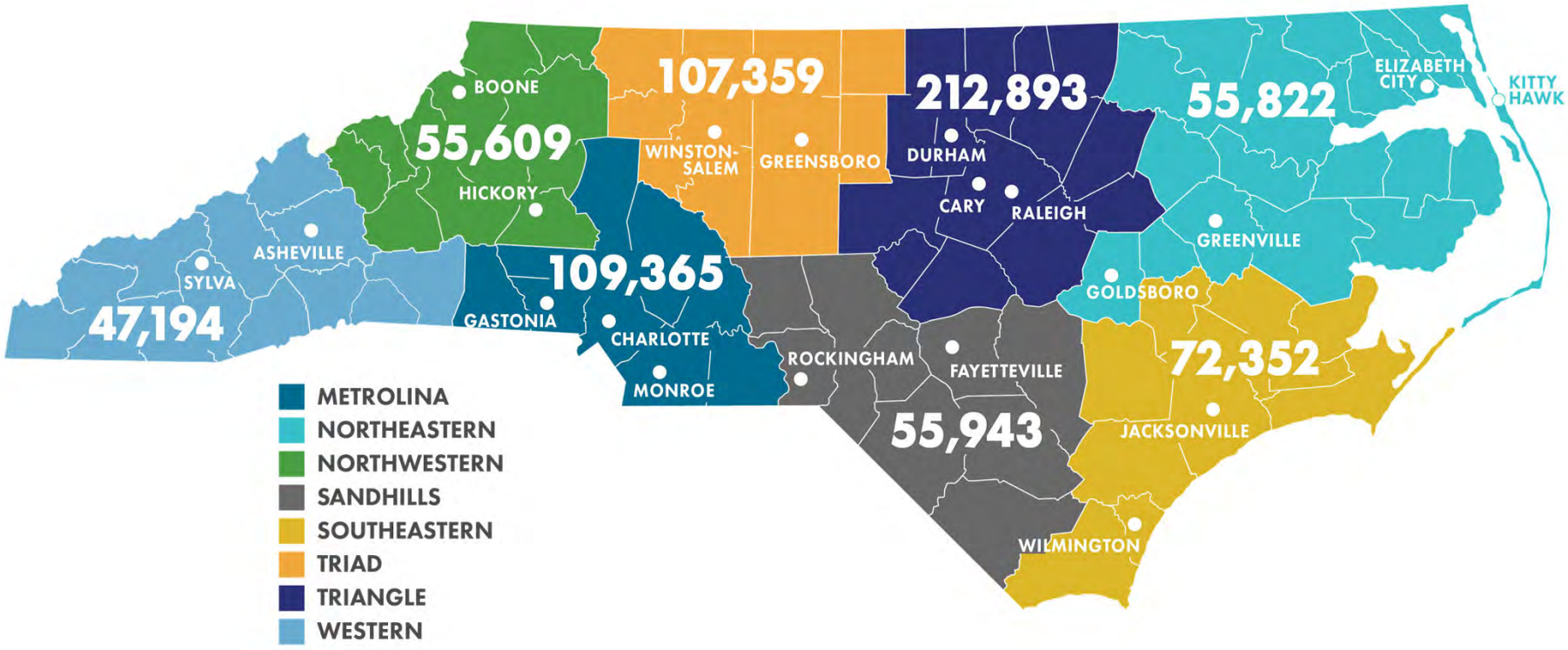
2023 North Carolina STATE HEALTH PLAN

BY REGIONS



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FOR TEACHERS AND STATE EMPLOYEES
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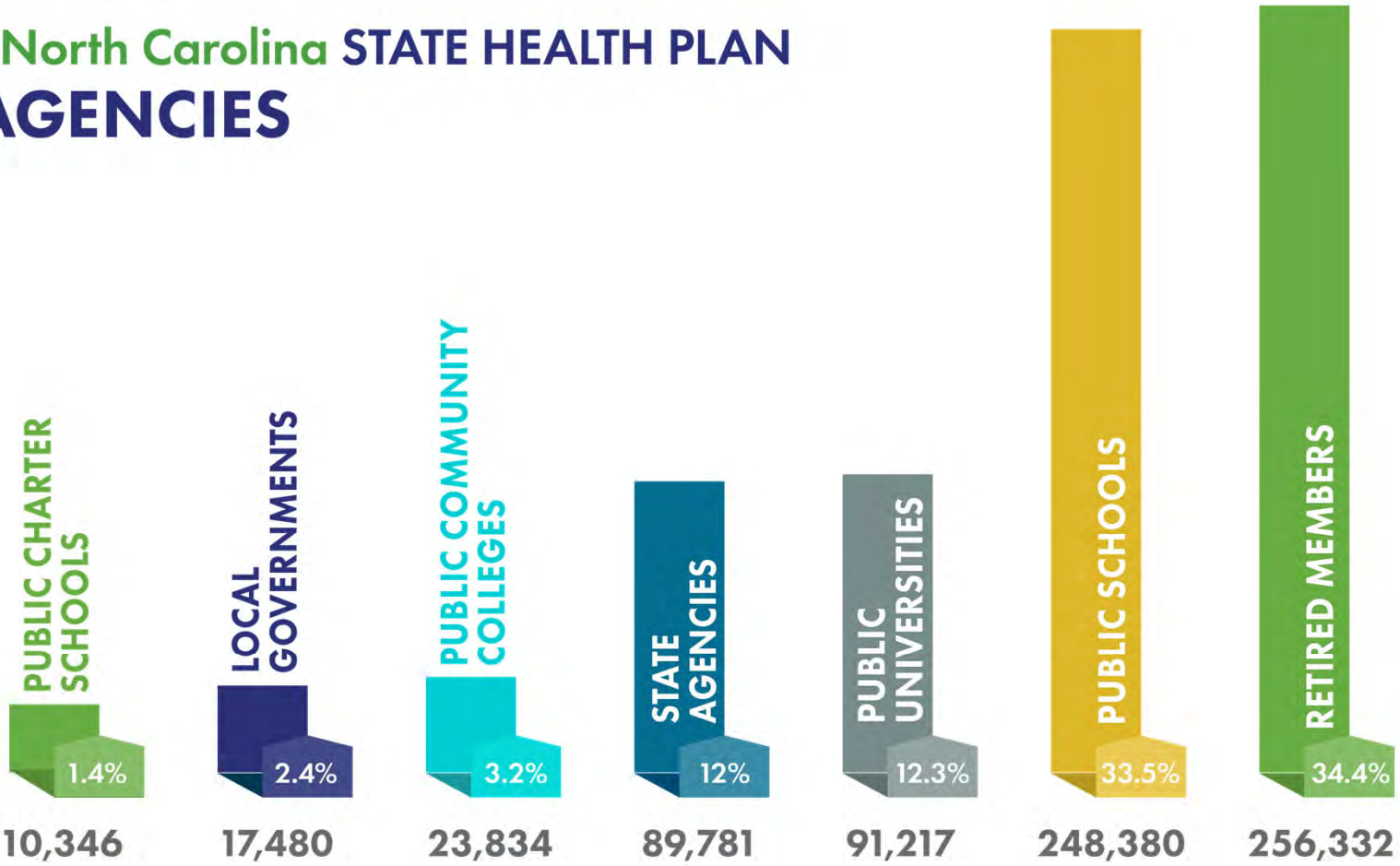
2023 North Carolina STATE HEALTH PLAN
BY AGENCIES



An additional **6,213** members totaling 0.8% are on other health plans to include Direct Bill, COBRA, Other Agencies, and Sponsored Dependents.

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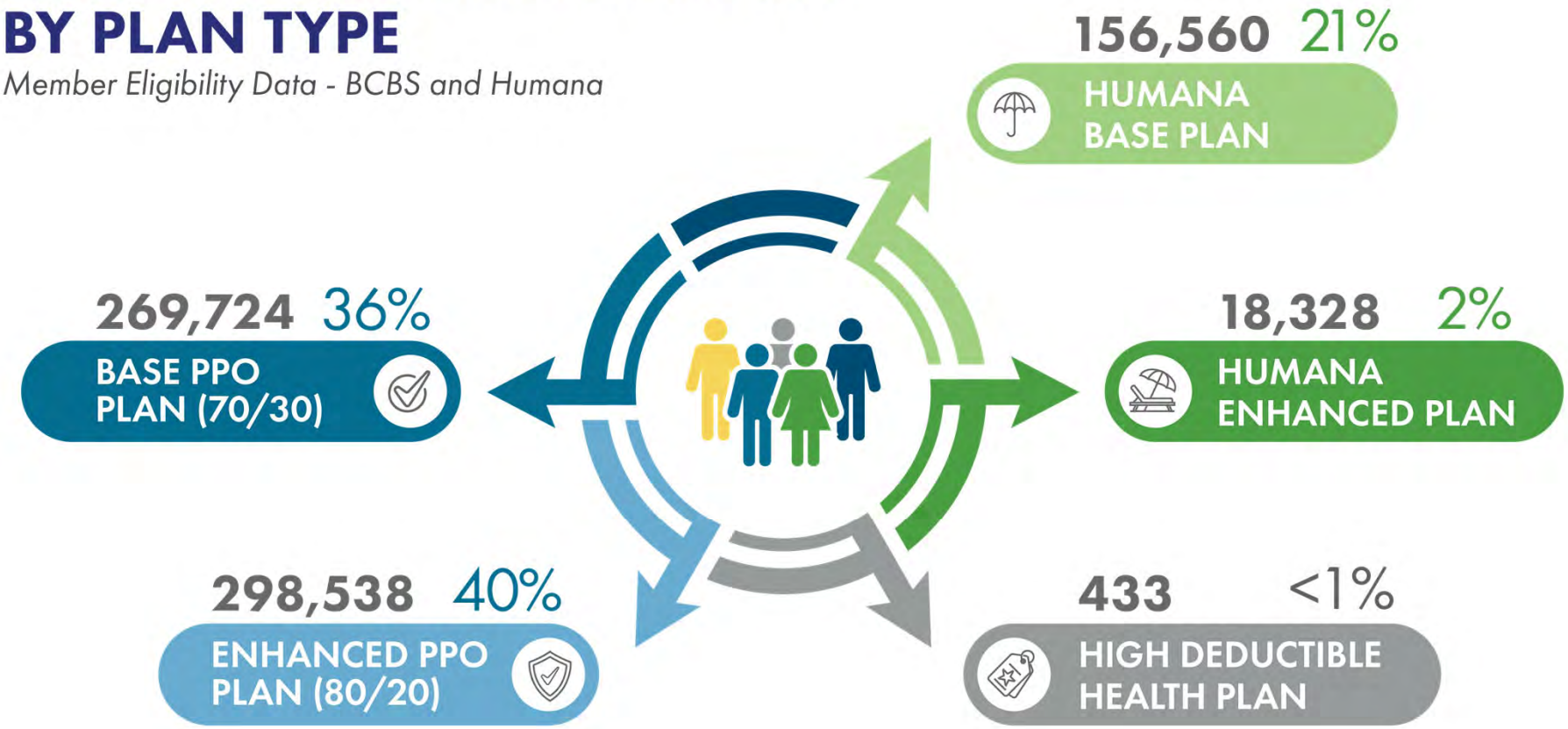
2023 North Carolina STATE HEALTH PLAN

BY PLAN TYPE

Member Eligibility Data - BCBS and Humana



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#5 How do we engage with Members?

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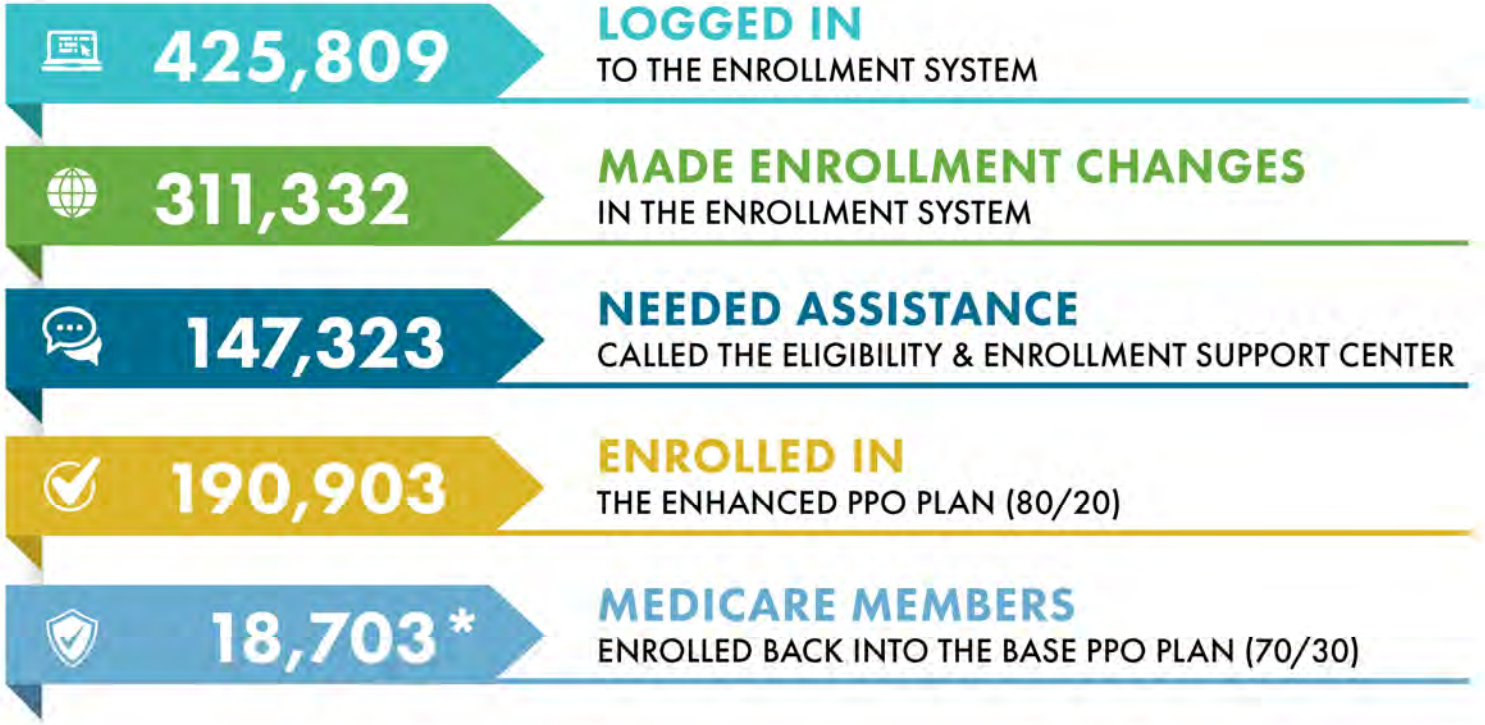
ENROLLMENT ACTIVITY

2025 OPEN ENROLLMENT

MEMBER ACTIONS



*This number will continue to fluctuate during the Medicare Open Enrollment period, 1st quarter of 2025.

TPA Engagement Services

Secure Member Portal/App

- 210,256 registered users (48%)
- 17,938 users (July 2024)
- Discount Program Engagement
  - 6,010 registrations in 2023 (2024: 4223 registrations YTD)
    - 4% (21,376) of members have registered since 2020

Aetna Offers:

✓ Secure Member Portal
✓ Secure App
✓ Disease/Case Management and Lifestyle Coaching

Health Care Support Program

- Members with certain chronic conditions are eligible for the Health Care Support Program which includes disease and case management services.

Year	Outreached	Engaged
2021	14,330	6,448
2022	17,480	6,601
2023	21,554	8,465
2024 (through 8.31.2024)	15,564	6,067

Outreached: number of eligible members who received an email or phone call about program. Engaged: number of members who engaged with a nurse.

Eat Smart | Move More Weigh Less® Online

Eat Smart, Move More, Weigh Less is an online weight management program that uses strategies proven to work for weight loss and maintenance.

Each lesson informs, empowers and motivates participants to live mindfully as they make choices about eating and physical activity.

EAT SMART, MOVE MORE, WEIGH LESS

	TOTAL	2023 JAN - DEC	2024* JAN - JUN
Total Number of Participants Enrolled	**2,825**	632	2,193
Completion % (10 or more classes out of 15)**		51%	46%

*Counts reflect classes that ran January 2024 - June 2024, as these classes have completed the full 15 sessions.

EAT SMART, MOVE MORE, WEIGH LESS 2

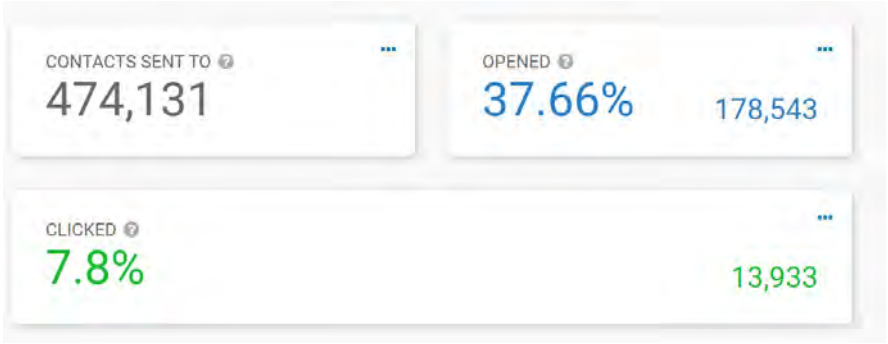
	TOTAL	2023 JAN - DEC	2024* JAN - JUN
Total Number of Participants Enrolled	**231**	35	196
Completion % (9 or more classes out of 12)**		41%	56%

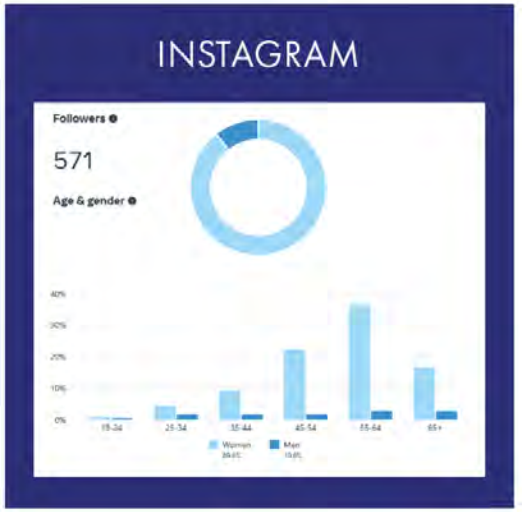
*Counts reflect classes that ran January 2024 - June 2024, as these classes have completed the full 12 sessions.

**Completion rates are based upon participants who attended at least one class.

Plan Communication Outreach

- Monthly, digital newsletter sent to members with email addresses.
  - 37% of the recipients opened the email
  - 7.8% of them clicked on a link located within the body of the email.





October 2024 Report

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

Dale R. Folwell, CPA
State Treasurer of North Carolina

#6 How do members pay for benefits?

STABLE. INNOVATIVE. PERSONAL.

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FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA

How do Employees/Members Pay for Benefits?

MONTHLY PREMIUMS	**$ 652M**

The amount a subscriber pays for coverage, including any dependents covered.

DEDUCTIBLE	**$ 269M**

The specified dollar amount for certain covered services that the member must incur each benefit period before benefits are payable for the remaining covered services. The deductible does not include premiums, charges in excess of the allowed amount, amounts exceeding any maximum and expenses for non-covered services.

COPAYS	**$ 374M**

The fixed-dollar amount that is due and payable by the member at the time a covered service is provided.

COINSURANCE	**$ 202M**

The member's share of the cost of a covered service, after the deductible has been met.

OUT-OF-POCKET LIMIT

TOTAL

$ 1.5B

The maximum amount that is payable by the member in a benefit period before the Plan pays 100% of covered services. It includes deductible, coinsurance and copayment, but excludes premiums.

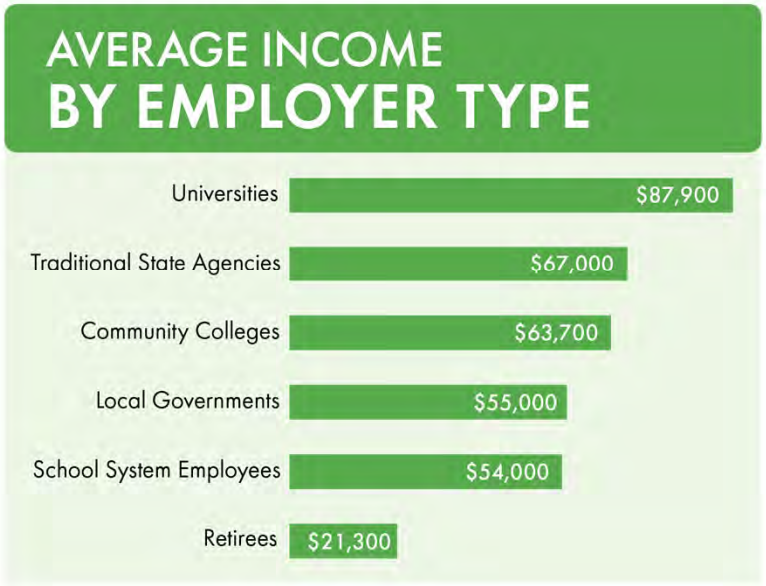
Income Statistics

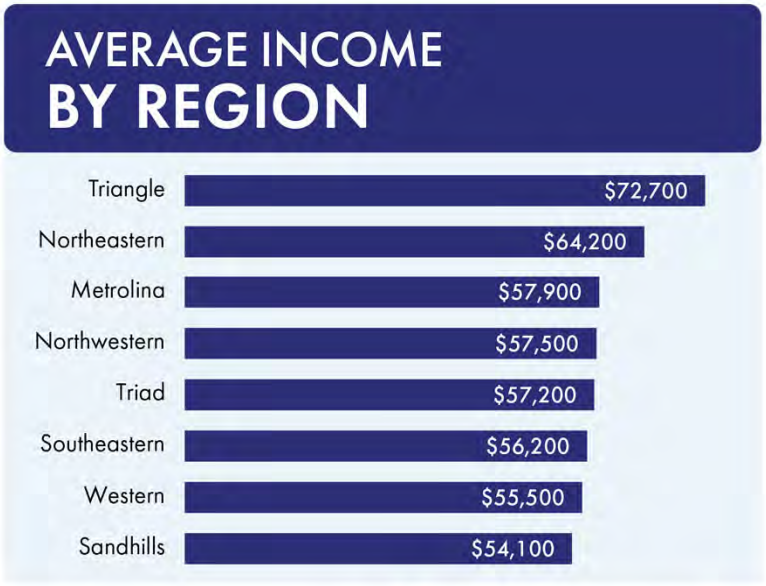
AVERAGE INCOME
$ 60,200

AVERAGE COST
$ 1,995

MINIMUM COST
$ 300
<1%

MAXIMUM COST
$ 41,960
70%





North Carolina State Health Plan FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer
DALE R. FOLWELL, CPA

FRANK

CASE STUDY 1

EMPLOYEE ~ AVERY COUNTY SCHOOLS
MALE ~ 57 YEARS OLD
80/20 ENHANCED PPO PLAN
SALARY $31,100

MEMBER RESPONSIBILITY	~ $5,370 OR 17% OF MEMBER SALARY
STATE HEALTH PLAN PAID	~ $11,697 OR 38% OF MEMBER SALARY

CASE STUDY 2

EMPLOYEE ~ DEPT. OF CORRECTIONS
FEMALE ~ 31 YEARS OLD
80/20 ENHANCED PPO PLAN
SALARY $51,300

MEMBER RESPONSIBILITY	~ $2,325 OR 5% OF MEMBER SALARY
STATE HEALTH PLAN PAID	~ $7,767 OR 15% OF MEMBER SALARY

NIA

MIKE

CASE STUDY 3

RETIREE
MALE ~ 73 YEARS OLD
70/30 BASE PPO PLAN
PENSION $8,200

MEMBER RESPONSIBILITY ~ $5,539 OR 67 % OF MEMBER PENSION
STATE HEALTH PLAN PAID ~ $1,468 OR 18% OF MEMBER PENSION

CASE STUDY 4

EMPLOYEE ~ CRAVEN COUNTY SCHOOLS
FEMALE ~ 39 YEARS OLD
70/30 BASE PPO PLAN
SALARY $67,300

MEMBER RESPONSIBILITY ~ $19,211 OR 29% OF MEMBER SALARY
STATE HEALTH PLAN PAID ~ $348,780 OR 517% OF MEMBER SALARY
(in network & out of network costs)

MAGGIE

#7 How much do members pay for benefits?

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FOR TEACHERS AND STATE EMPLOYEES
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Dale R. Folwell, CPA
State Treasurer of North Carolina

2025 STATE HEALTH PLAN COMPARISON

Active and Non-Medicare Subscribers

PLAN DESIGN FEATURES	Enhanced PPO Plan (80/20)		Base PPO Plan (70/30)	
	IN-NETWORK	OUT-OF-NETWORK	IN-NETWORK	OUT-OF-NETWORK
Annual Deductible	$1,250 Individual $3,750 Family	$2,500 Individual $7,500 Family	$1,500 Individual $4,500 Family	$3,000 Individual $9,000 Family
Coinsurance	20% of eligible expenses after deductible is met	40% of eligible expenses after deductible is met and the difference between the allowed amount and the charge	30% of eligible expenses after deductible is met	50% of eligible expenses after deductible is met and the difference between the allowed amount and the charge
Out-of-Pocket Maximum (Combined Medical and Pharmacy)	$4,890 Individual $14,670 Family	$9,780 Individual $29,340 Family	$5,900 Individual $16,300 Family	$11,800 Individual $32,600 Family
Preventive Services	$0 (covered by the Plan at 100%)	N/A	$0 (covered by the Plan at 100%)	N/A
Office Visits	$0 for CPP PCP on ID card; $10 for non-CPP PCP on ID card; $25 for any other PCP	40% after deductible is met	$0 for CPP PCP on ID card; $30 for non-CPP PCP on ID card; $45 for any other PCP	50% after deductible is met
Teladoc	$25		$45	
Specialist Visits	$40 for CPP Specialist; $80 for other Specialists	40% after deductible is met	$47 for CPP Specialist; $94 for other Specialists	50% after deductible is met
Speech, Occupational, Chiropractic and Physical Therapy	$26 for CPP Provider; $52 for other Providers	40% after deductible is met	$36 for CPP Provider; $72 for other Providers	50% after deductible is met
Urgent Care	$70		$100	

PCP: Primary Care Provider, CPP: Clear Pricing Project

To find a CPP Provider, visit **www.shpnc.org** and click Find a Doctor.

PLAN DESIGN FEATURES	Enhanced PPO Plan (80/20)		Base PPO Plan (70/30)	
	IN-NETWORK	OUT-OF-NETWORK	IN-NETWORK	OUT-OF-NETWORK
Emergency Room (Copay waived with admission or observation stay)	$300 copay, then 20% after deductible is met		$337 copay, then 30% after deductible is met	
Inpatient Hospital	$300 copay, then 20% after deductible is met	$300 copay, then 40% after deductible is met	$337 copay, then 30% after deductible is met	$337 copay, then 50% after deductible is met
PHARMACY BENEFITS				
Tier 1 (Generic)	$5 copay per 30-day supply		$16 copay per 30-day supply	
Tier 2 (Preferred Brand and High-Cost Generic) *Includes Preferred Continuous Glucose Meters and supplies*	$30 copay per 30-day supply		$47 copay per 30-day supply	
Tier 3 (Non-preferred Brand)	Deductible/coinsurance		Deductible/coinsurance	
Tier 4 (Low-Cost Generic Specialty)	$100 copay per 30-day supply		$200 copay per 30-day supply	
Tier 5 (Preferred Specialty)	$250 copay per 30-day supply		$350 copay per 30-day supply	
Tier 6 (Non-preferred Specialty)	Deductible/coinsurance		Deductible/coinsurance	
Preferred Blood Glucose Meters (BGM) and Supplies*	$5 copay per 30-day supply		$10 copay per 30-day supply	
Preferred and Non-Preferred Insulin	$0 copay per 30-day supply		$0 copay per 30-day supply	
Preventive Medications	$0 (covered by the Plan at 100%)		$0 (covered by the Plan at 100%)	

*This does not include Continuous Glucose Monitoring Systems or associated supplies. These are considered a Tier 2 member copay.

#8 How do we compare with peers?

STABLE. INNOVATIVE. PERSONAL.

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

Dale R. Folwell, CPA
State Treasurer of North Carolina

EMPLOYEE COSTS PEER COMPARISON

North Carolina STATE HEALTH PLAN

Our **TOTAL COSTS** are average relative to our peers, but the rapid consolidation of health care providers in N.C. has led to steep increases that exceed the capacity and planned growth in Legislative funding.

GRAND TOTAL PROGRAM COSTS for Employees & Employers

Employee Premium

Employee Premium as Share of Total Cost

INDIVIDUALS

Total Employee Costs

Total Employer Costs

Employer Subsidy Percentage

FAMILIES

Total Employee Costs

Total Employer Costs

Employer Subsidy Percentage*

*Statute forbids using employer funds to subsidize family premiums.

BENEFIT COSTS PEER COMPARISON

North Carolina STATE HEALTH PLAN

Individual Deductible

Coinsurance

Individual Out-of-Pocket Maximum

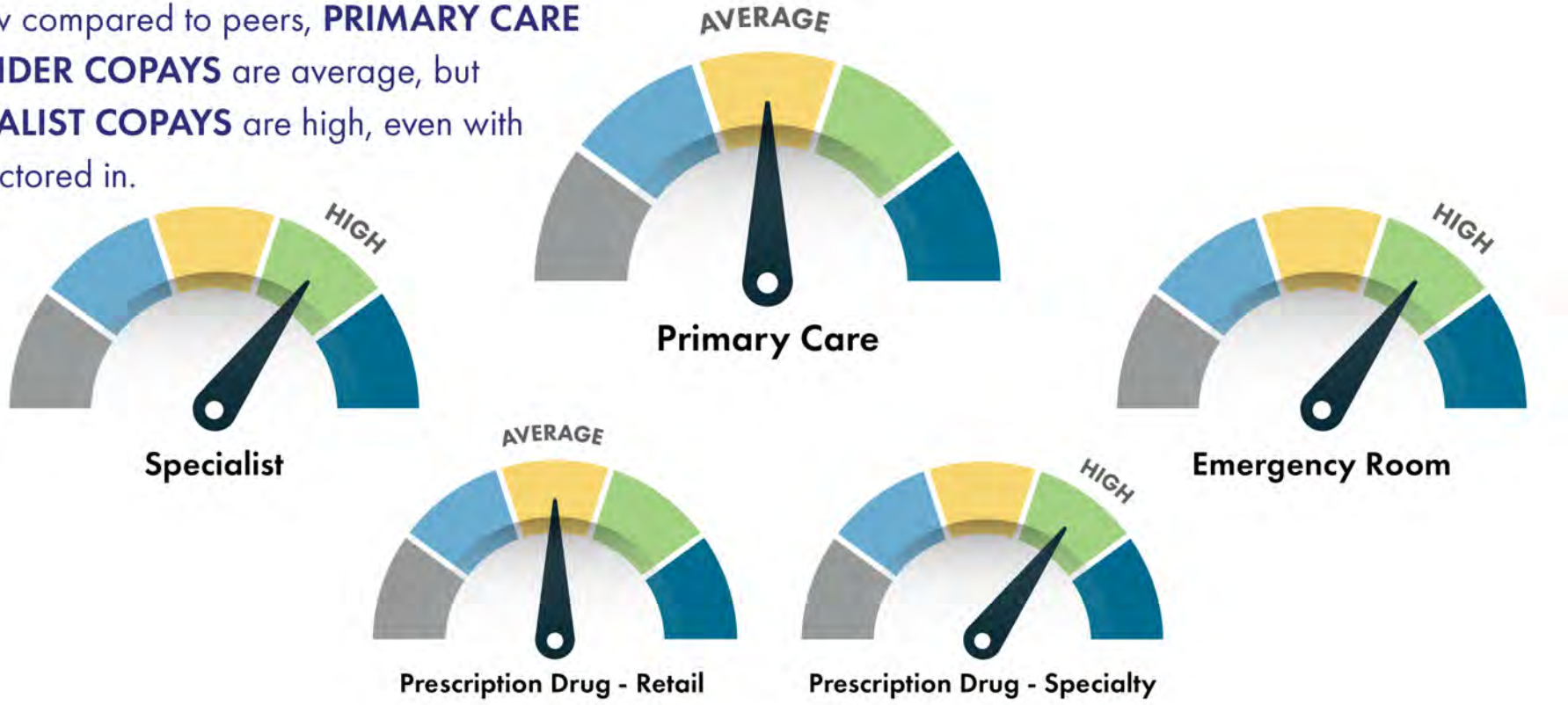
Family Deductible

Family Out-of-Pocket Maximum

COPAY COSTS PEER COMPARISON

North Carolina STATE HEALTH PLAN

CLEAR PRICING PROJECT (CPP) COPAYS are low compared to peers, **PRIMARY CARE PROVIDER COPAYS** are average, but **SPECIALIST COPAYS** are high, even with CPP factored in.



CONTRIBUTION RATIOS

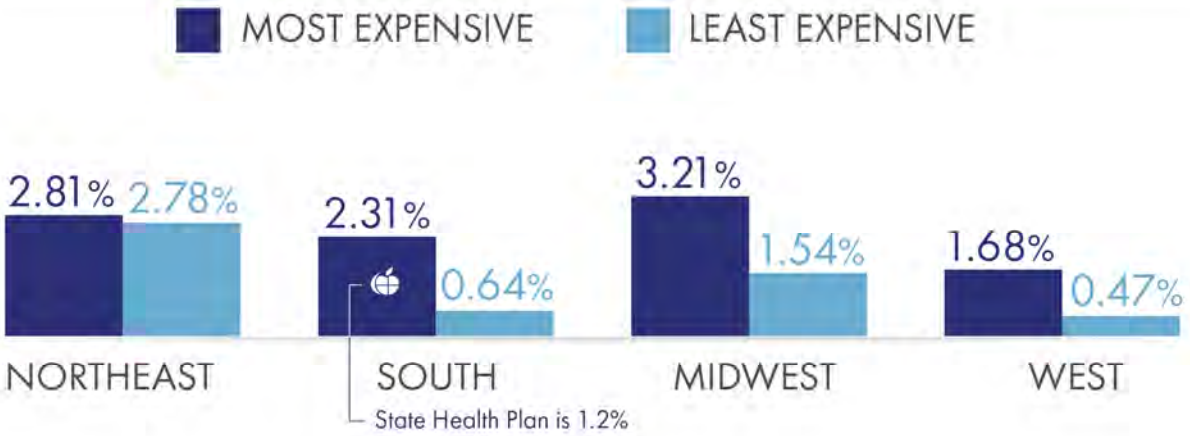
by Plan Type and Region

Source: Segal, 2024

For most state health plans, premium levels vary by plan types as well as coverage tier. However seven state plans also vary contributions based on an employee's salary level so that coverage is more affordable for lower-wage earners.

Region	State Employee Salaries (2022)
Midwest	$56,100
Northeast	$65,800
South	$54,700 (NC $56,220)
West	$60,600

VARIATION IN THE MEDIAN EMPLOYEE-ONLY CONTRIBUTION AS A PERCENTAGE OF AVERAGE STATE SALARY*



*Salary only reflects employees and, consequently, does not account for dual-income households.

#9 What is our biggest challenge?

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FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

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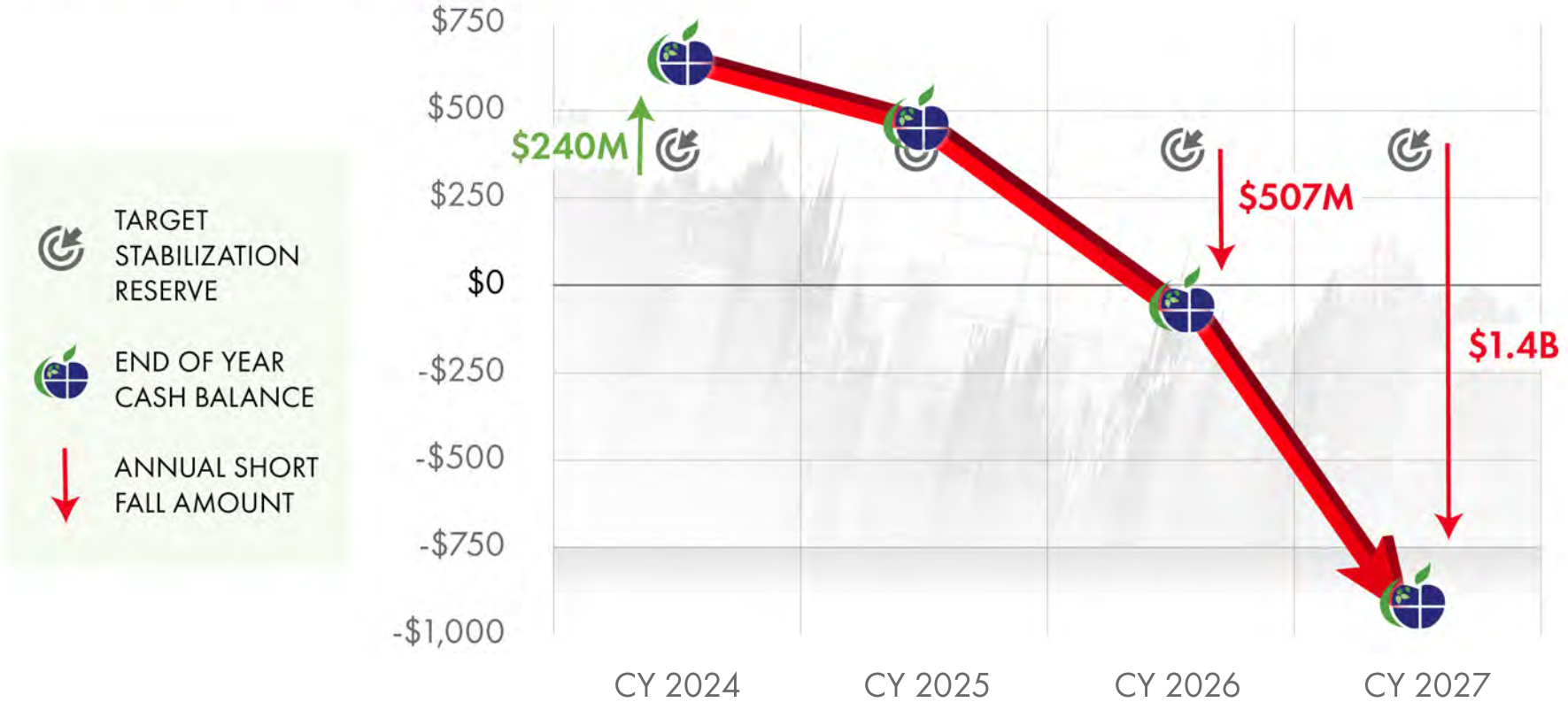
State Treasurer of North Carolina

STATE HEALTH PLAN

FINANCIAL PROJECTION



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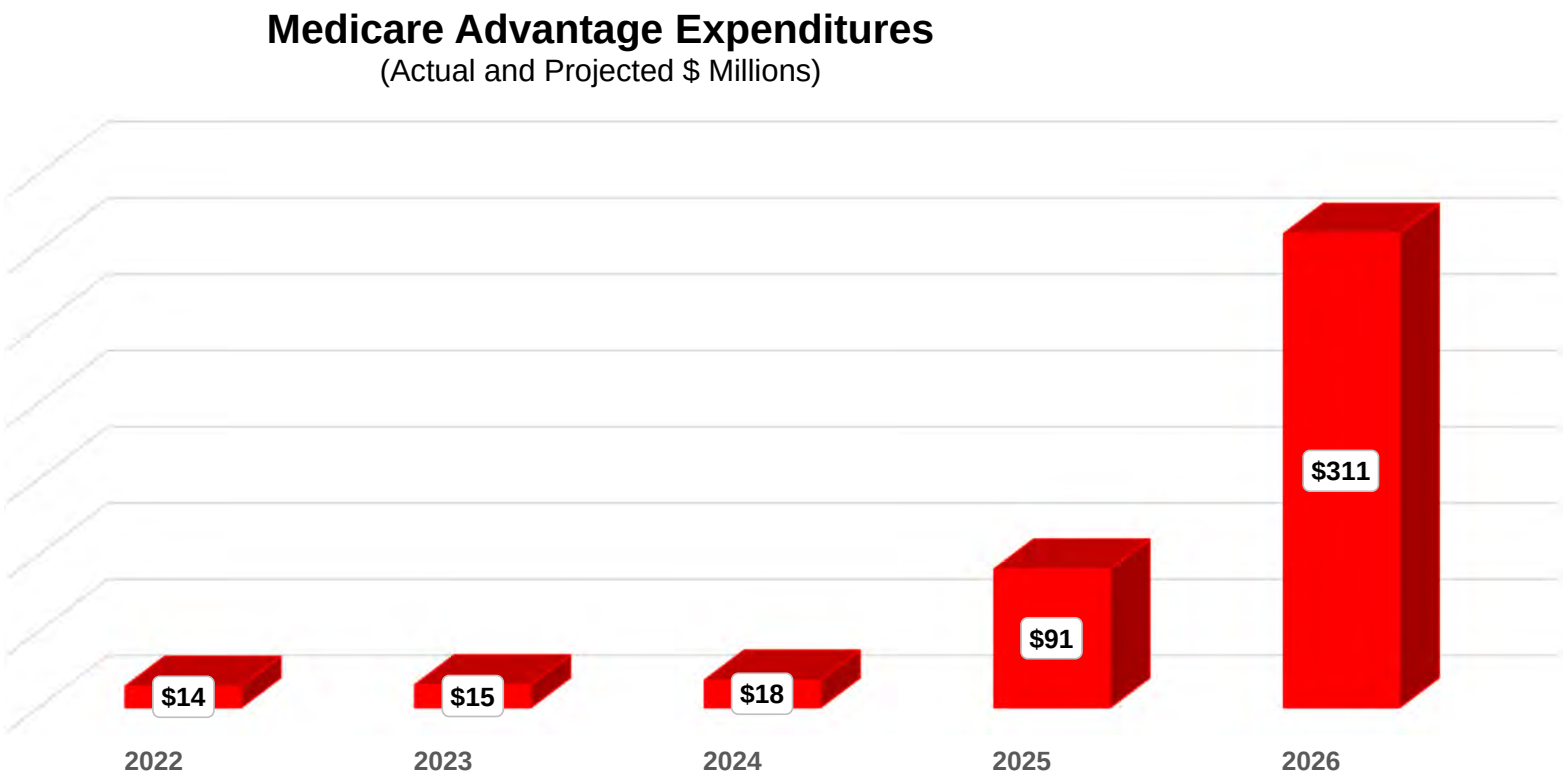
Medicare Advantage Costs are Increasing Dramatically



#10 What can we do to address our financial challenge?

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Potential Levers for Closing the Budget Gap

Taxpayers	• Employer contributions • Federal subsidies
Providers & Vendors	• Rates and Fees • Service Efficiency
Employees & Retirees	• Premiums • Benefit Design

What Does the Lake Supreme Court Decision Allow?

- **What does the Supreme Court's ruling allow us to change for Medicare eligible retirees?**
  - Must offer a plan that is at least "substantively equivalent" to the "vested" plan for each retiree.
  - Doesn't dictate type of plan or specific benefits.
  - The State Health Plan has kept the Base PPO Plan (70/30) as premium free for all eligible retirees during the Lake litigation in an abundance of caution, even though the Medicare Advantage Plans offer a better value to the eligible members and are significantly cheaper for the Plan.
  - With the clarity now provided in the Court's opinion, the Plan could offer the Medicare Advantage plan as the sole premium free option.
  - We could create exceptions for Medicare-eligible retirees who are ineligible for Medicare Advantage plans.
- **For 2025 this would have saved $4,200 per affected member or at least $75 million.**

#11 What other initiatives have we already discussed prior to today?

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Population Risk Report – Discussed October 2024

- Improve oversight mechanisms for medical and prescription drug costs.
- Explore a range of options related to chronic conditions ranging from communication strategies to disease management programs.
- Promote screenings for early detection of Cancer; review cancer care strategies available through Aetna.
- Replace the tobacco premium credit and promote cessation programs and respiratory cancer screenings.
- Promote access to mental health services and refine steerage to incentivize use of high-quality providers.
- Favor use of biosimilar medications over the original biologics when this can be done safely and responsibly.
- Promote regular usage of primary care hold providers accountable for high quality care.

Specialty Pharmacy Options – Discussed July 2024

- Consider innovative plan design changes
- Consider formulary design changes
- Implement robust utilization management (UM) programs
- Consider pharmacy oversight and reporting

Prior Authorization (PA) – Discussed October 2024

Analyze the following recommendations:

- Request full de-identified, aggregated reporting on PA determinations
- Prohibit retroactive denials when care is preauthorized unless materially misrepresented
- Require that PAs should remain valid for at least one year
- Require that PAs should remain valid for the length of treatment for chronic conditions
- Require new health plans or administrators to honor existing PA for at least 90 days
- Remove $500 penalty for failure to receive PA
- Remove PA for home-based services and inpatient hospice. Aetna does not require PA for these services.
- Remove PA for in-network dialysis
- Consider a gold-card approach qualified providers who adhere to evidence-based guidelines.
- Enhance monitoring of PAs to drive efficiencies that may reduce redundancy in the process.
- Reduce the PA requirement for MRIs

#12 What do we need from you today?

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We're clear on:

- ✓ Seeking reimbursement for over $316 million in unreimbursed COVID-related costs.
- ✓ Reopening the Employer Group Waiver Plan (EGWP) for Medicare retirees.
- ✓ Revising enrollment strategy to maximize Retiree Drug Subsidies (RDS).
- ✓ Replacing the tobacco premium credit with more effective tobacco cessation programs and cancer screenings for respiratory conditions.
- ✓ Requesting funding for new obesity management program.

We need advice on:

- Pursuing different network strategy
- Adjusting member premiums
- Adjusting benefits
- Adjusting retiree plan options per Lake decision.
- Requesting legislative funding above current planned increase.

THANK YOU

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Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

Appendix

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

Dale R. Folwell, CPA
State Treasurer of North Carolina

State Health Plan Fiduciary Responsibility

- The Treasurer, Executive Director, and Board of Trustees are designated as fiduciaries for the Plan.
- The powers and duties of the Treasurer are set forth in statute at NCGS 135-48.30(a) and include setting benefits, premium rates, copays, deductibles, and coinsurance percentages and maximums subject to approval of the Board of Trustees.
- The Board of Trustees' powers and duties are set forth at NCGS 135-48.22 and include approving large contracts, approving premium rates, copays and deductibles proposed by the Treasurer, consulting with and advising the Treasurer, and developing and maintaining a strategic plan.
- The General Assembly determines member eligibility rules and provides state funding for the Plan.

STATE HEALTH PLAN

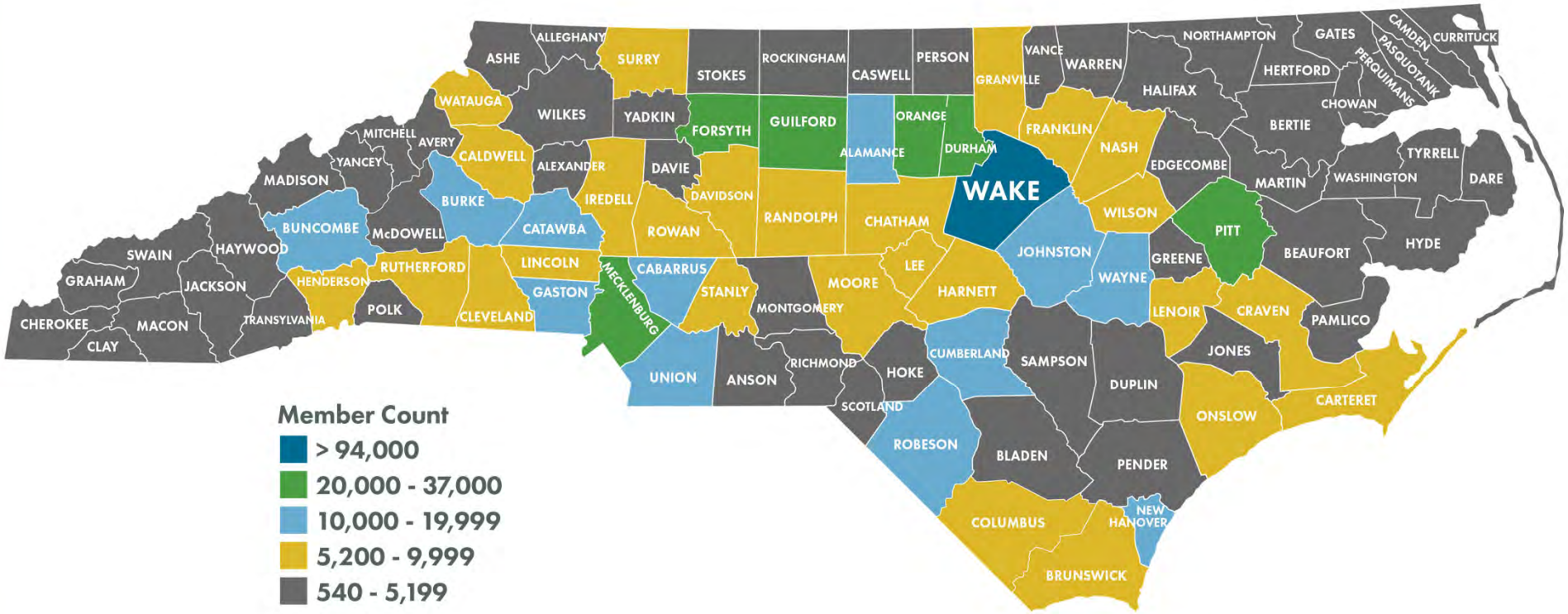
A CONTRACT MANAGEMENT ORGANIZATION

Policy decisions are made and implemented through the contract negotiation process.

These processes require:

- No spread pricing
- Broad pharmacy networks
- Aggressive monitoring

2023 North Carolina STATE HEALTH PLAN
WHERE ARE OUR MEMBERS?



North Carolina State Health Plan
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NC Medical Debt Program

- The figures in the table below represent the number of Plan members who could be eligible for these policies based on a number of broad assumptions. As a result, **the estimates provided here may substantially overstate the number of members eligible for these policies**.

Maximum Number of Plan Members Potentially Eligible for Medical Debt Mitigation Policies	
Medical Debt Mitigation Policy	Eligible Active Count
Hospital Discounts	98,657
Debt Relief	144,935
Medical Debt Mitigation Policy	Eligible Retiree Count
Hospital Discounts	218,780
Debt Relief	227,507
Total Potentially Eligible SHP Members	372,442

NC Medical Debt Program

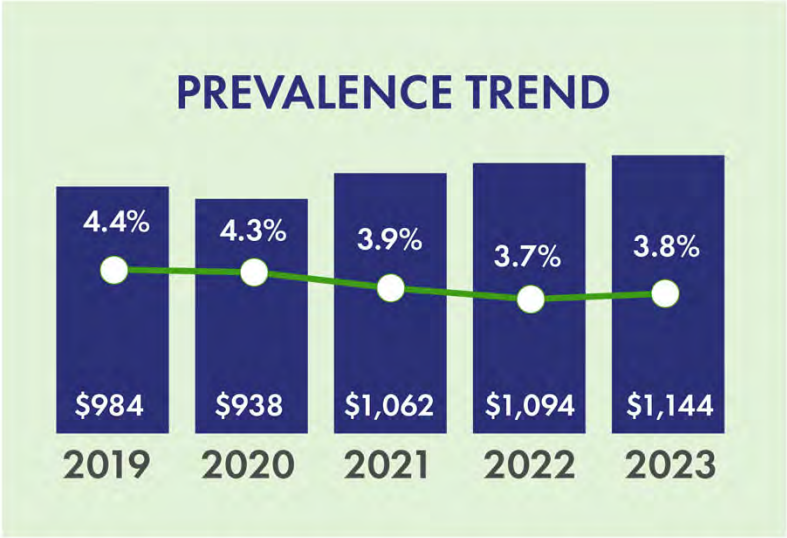
- The Department of Health and Human Services' Medical Debt Relief Incentive Program aims to address excessive medical debt and prevent its future accumulation.
- To date, all 99 of North Carolina's acute care hospitals have elected to participate in this program. The two primary policies that may affect State Health Plan members are the following:
  - **Uncollectible debt relief:** Any NC resident with outstanding medical debt more than 2 years old (i.e., not paid in full, and without established payment plan) meeting at least one of the eligibility criteria below will receive debt relief for all such debts incurred since January 1, 2014.
  - **Eligibility Criteria 1:** NC residents with incomes less than 350% of the Federal Poverty Level (FPL).
  - **Eligibility Criteria 2:** NC residents with total medical debt in excess of 5% of annual income.
- **Discounts on inpatient & outpatient hospital services:** Any NC resident with income less than 300% of FPL will be eligible to receive discounts ranging from 50% to 100% on inpatient & outpatient hospital services. The amount of the discount varies based on patient income.
- FPL varies based on household size.
  - For CY 2024, FPL for a single-person household is $15,060.
  - 300% of FPL for a single-person household is $45,180, and 350% of FPL for a single-person household is $52,710.
  - Based on salary and retirement benefit information from the Public Records Data Set maintained by the NC Retirement Systems Division, 33% of actively employed TSERS members and 92% of current TSERS benefit recipients fall below 300% of FPL; 46% of active TSERS members and 96% of TSERS retirees fall below 350% of FPL.

2023 Tobacco, Asthma, COPD, and Respiratory Cancer Reporting

OBSERVATIONS

The Plan rewards members for abstaining from tobacco use by reducing monthly premiums by $60 for completing a tobacco attestation.

However, if a member attests to being a tobacco user, they may still be eligible for the credit if they undergo at least one tobacco cessation session within 90 days of enrollment.



5,658 members attested to being tobacco users and had tobacco-related medical claims, costing **$1,712 PMPM**.

16,227 members attested to not being tobacco users but had tobacco-related medical claims, costing **$1,490 PMPM**. This is much closer to the costs of identified tobacco users, suggesting that they did not fill out the attestation correctly.

65,756 members attested to being tobacco users but did not have tobacco-related medical claims, costing **$716 PMPM**. This is much closer to non-users, suggesting they may not be tobacco users and could have filled out the attestation incorrectly.

514,103 members attested to not being tobacco users and had no tobacco-related medical claims, costing **$762 PMPM**.

Reserve Adequacy

- The Target Stabilization Reserve (TSR) is an estimate of the minimum amount the Plan need to manage typical variations in cash flow.
- Additional reserves could:
  - Support long-term financial planning ensuring stable and reliable benefits without sudden changes.
  - Help manage the inherent unpredictability of healthcare costs.
  - Provide cushion due to uncertainty in forecast during times of transition.

- New TPA Transition
- Unpredictable MA Premiums
- Pharmacy Benefit Volatility

} Forecast Uncertainty

Projection vs. Budget: Calendar Year 2025

($s in millions)	CY 2025 Projection	CY 2025 Budget	Difference
Premiums & Subsidies	$4,484.6	$4,489.0	($4.4)
Investment Earnings	$16.6	$20.1	($3.5)
Total Revenue	**$4,501.2**	**$4,509.1**	**($7.9)**
Net Medical Claims	$3,375.7	$3,377.5	($1.8)
Net Pharmacy Claims	$1,033.0	$1,009.5	$23.5
Medicare Advantage Payments	$90.6	$91.0	($0.4)
Administrative Expenses	$201.3	$197.1	$4.2
Total Expenses	**$4,700.6**	**$4,675.0**	**($25.6)**
Plan Income/(Loss)	**($199.4)**	**($165.9)**	**($33.5)**
Ending Cash Balance	**$420.0**	**$425.1**	**($5.1)**

Budget has been adjusted for increased administrative expenses under new TPA.

OPEB Overview

- OPEB - **O**ther **P**ost-**E**mployment **B**enefits (other than Pension payments)
- OPEB Liability is a calculation of present value of current and future RETIREE health costs. Claims incurred by Active members are not included in Liability.
  - Membership includes:
    - Current retirees and dependents
    - Active employees from eligible units hired PRIOR to 1/1/2021
    - Terminated employees with vesting (5 years of service)
- Costs include Medical claims, Pharmacy claims, Medicare Advantage Premiums, Administrative fees (attributed to retirees).
  - Claims and premiums are assumed to increase every year.
- Liability is offset by member contributions for coverage and assets in the Retiree Health Benefit Trust Fund (RHBTF).

OPEB Terminology

- Total OPEB Liability (TOL) – Present Value of future claims costs less member contributions.
- Fiduciary Net Position (FNP) – Assets dedicated to pay Retiree Health Costs (Retiree Health Benefit Trust Fund).
- Net OPEB Liability (NOL) – a.k.a. “Unfunded Liability”; Amount of Total Liability in excess of Fiduciary Net Position.
- Funding Ratio – The ratio of Assets to Total OPEB Liability.

Year	2023 OPEB	2024 OPEB	Change
TOL	$29.8 B	$37.7 B	($7.9) B
FNP (RHBTF)	$3.2 B	$3.7 B	+ $0.5 B
NOL (Unfunded)	$26.6 B	$34.0 B	($7.4) B
Ratio	10.7%	9.8%	(0.9%)

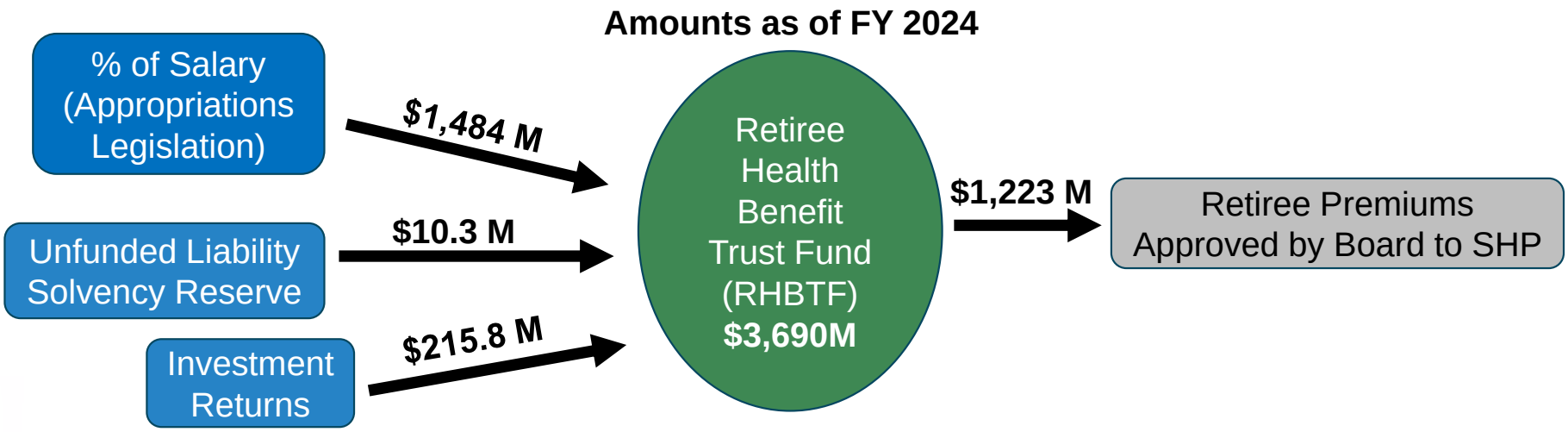
OPEB 2024 Liability Changes

6/30/2023 Unfunded Liability	$26.6 B	
MA Premium	(8.8) B	Expected increase as seen in marketplace
GLP–1 Change	+ 1.4 B	Removed coverage 4/1/2024
Discount Rate	+ 1.7 B	From 3.65% → 3.93%
Other Assumption Changes	(1.7) B	Passage of Time, Trends, Plan Election
6/30/2024 Unfunded Liability	**$34.0 B**	

MA Base Premium Assumptions		
Year	**2023 OPEB**	**2024 OPEB**
2025	$0	$33
2026	$57	$114
2027	5.00% Trend	$159
2028+	5.00% Trend	6.17% → 5.00% trend

- Discount Rate is prescribed by Government Accounting Standards Board (GASB) Rule 74 as the 20 Year Government Obligation Bond.
  - If RHBTF has consistent source of funding, it's possible to use a higher discount rate (decreasing liability).

Retiree Health Benefit Trust Fund Overview



- RHBTF is defined by GS 135-7(f) to be responsible for retiree health.
- RHBTF is funded by a % of salary (6.99% for FY 25) from SL 2023-134.
  - If money is available in Unfunded Liability Solvency Reserve, it is transferred to RHBTF.
- The Board of Trustees approves of Retiree Premiums to be paid to the Public Employee Health Benefits Fund (guided by Appropriation Legislation).
- Appropriation Legislation sets % of Salary and Retiree Premium ceiling such that income is slightly higher than expense (Pay as You Go).

NADAC-Plus Model: Estimated Cost Impact

The table below shows the estimated cost of a NADAC-Plus model of pharmacy reimbursement (for generic drugs only) and its cost impact in 2023.

Dispensing Fee	NADAC-Plus: Estimated Cost*	Cost Impact to SHP
10	$222.7M	+$57.4M
13	$241.3M	+$76.0M
16	$259.8M	+$94.5M

*Actual 2023 Generic Drug Costs: **$165.3M**