

**Board of Trustees Webinar
June 8, 2022 (initial session)
Reconvened June 28, 2022
Minutes**

The Microsoft Teams virtual meeting of the North Carolina State Health Plan for Teachers and State Employees (Plan) Board of Trustees was called to order by Chair Dale R. Folwell, CPA, at 8:00 a.m. on Wednesday, June 8, 2022.

Board Members Present: Dale R. Folwell, Charles Perusse, Russell "Rusty" Duke, Cherie Dunphy, M.D., Kim Hargett, Donald Martin, Peter Robie, M.D., Mike Stevenson

Board Members Absent: Wayne Fish

Welcome

Chair Folwell welcomed the Board and members of the public to the meeting. He reviewed the rules for conducting remote meetings.

- a. Board members shall announce their name when speaking.
- b. All chats, instant messages, texts, or other written communications between members of the public body regarding the transaction of the public business during the remote meeting are deemed a public record.
- c. All votes shall be by roll call.

Conflict of Interest

No conflicts of interest were noted.

Reading of SEI Statements into Minutes Pursuant to the Ethics Act § 138A-15(c)

No Statements of Economic Interest (SEI) were read into the minutes.

Public Comment

Two State Health Plan members addressed the Board regarding Continuous Glucose Monitoring (CGM) and insulin pump supply coverage for members with diabetes.

Board Approval

Minutes – March 2, 2022, Meeting

Board Vote: Motion by Dr. Martin; second by Ms. Hargett; roll call vote was taken; unanimous approval by Board to approve March 2, 2022, meeting minutes.

Operations Updates

Financial Updates

Matthew Rish, Sr. Director, Finance, Planning & Analytics, presented the fiscal and calendar year-to-date financials through April 2022, comparing them to April 2021. He noted the cash balance movement over the last two years relative to cash transfers and revenue decline. With the passing of the new State budget in mid-November 2021, Plan revenue improved. For the Fiscal Year, net claims payments increased by approximately \$357 million, with \$309 million attributed to medical claims.

Net administrative expenses were favorable, compared to the prior year, driven largely by the new Blue Cross NC contract that went into effect January 1, 2022. Total Plan expenses were \$266M greater than the prior year, largely due to higher claims. The Plan had a net income through April 2022, compared to a net loss in 2021.

The Plan received \$215M for COVID-19 reimbursement in April 2022, which had a favorable impact on the ending cash balance. The non-operating cash transfer received in December 2021, was the gain share payment from UnitedHealthcare for the Medicare Advantage contract that was in place for 2020. It was immediately transferred to the Retiree Health Benefit Trust Fund (RHBTf).

Mr. Rish presented the Calendar Year-to-Date report. He noted that the Target Stabilization Reserve (TSR) will be a regular line item on future reports since the decline in the Plan's ending cash balance is now getting much closer to the TSR. Plan revenue increased by \$152 million due to the General Assembly contributions and net claims grew by \$88 million compared to the prior year. Medical claims increased by \$98M and pharmacy claims decreased by approximately \$10M. Total Plan expenses increased by \$111 million, and the ending cash balance remained nearly even compared to April 2021.

Mr. Rish stated that, although the Plan has \$1B in cash, the quarterly financial projections demonstrate income losses beginning in 2022, with a negative cash balance in 2024.

Operations Updates

Dee Jones, Executive Director, stated that the Plan recently had the opportunity to work with Humana, the Plan's Medicare Advantage (MA) vendor, to provide three member-friendly benefit enhancements to Plan members enrolled in the Humana MA Plans. These changes impact approximately 1,100 members and saves them approximately \$1.5M. Ms. Jones stated that the information would be sent to board members and that it would also be shared with the public via a press release following the meeting.

| Benefit | Current Cost Share | Proposed 2023 Cost Share |
|------------------------------------------|--------------------------------------|--------------------------|
| Lab services at Urgent Care Facility | \$40 copay Base; \$10 copay Enhanced | \$0 Copay |
| Dialysis Services at Outpatient Facility | 20% Coinsurance on Base; Enhanced | \$0 Copay |
| Dialysis Services at Dialysis Center | 20% Coinsurance on Base; Enhanced | \$0 Copay |

Funding Strategy

Mr. Sam Watts, Legislative Liaison for the Department of State Treasurer, provided a summary of the funding strategy for the Plan over the next five years. One of the major challenges is the need for an additional \$5.6B over what has been projected by the Fiscal Research Division and Office of State Budget and Management. The Plan's current funding level of 4% leaves a funding gap with trend at 7%.

While recent contract negotiations with Humana and Blue Cross NC have provided substantial savings for the Plan, the additional \$5.6B needed requires more funding from the General Assembly or provider price concessions.

Mr. Watts stated that he had made 14 different offers to hospital liaisons and lobbyists to discuss price concessions with hospitals. Only one accepted the offer and that was UNC Healthcare although no agreement was reached.

Board Comments and Questions Addressed:

One member encouraged the Treasurer and Plan staff to continue pushing the hospital association regarding provider concessions.

Question: Can some of the money in the RHBTf be used by the General Assembly to help close the funding gap? Mr. Watts responded that that money goes toward the unfunded liability and the \$2B is protected. He added that the unfunded liability is growing faster than ever before.

Question: Why are Medicare eligible members given the option to choose the Base PPO Plan (70/30) if it costs the Plan more money? Mr. Watts stated that the Plan is waiting on the outcome of the Lake lawsuit before a decision is made regarding plan options for those members.

Chair Folwell stated that the Plan has a very large number of retirees who have not yet turned 65. These members, plus the Medicare eligible members who have chosen the Base 70/30 Plan rather than the Humana MA plan, are costing the Plan a lot of money. He added that if the Medicare eligible members in the Base 70/30 Plan chose the Humana MA plan, it would make a significant dent in Plan costs.

Several additional questions regarding the Lake lawsuit were asked and Joel Heimbach, Assistant General Counsel for the Plan, discussed the status of the Lake case and suggested that the board discuss the lawsuit in executive session at the September Board meeting.

At the request of Judge Duke, Ms. Jones stated that a copy of the most relevant Lake lawsuit documents would be sent to him following the meeting.

The Board then lost a quorum at 9:10 am and recessed the meeting until such time that a quorum could be obtained.

**Board of Trustees Meeting
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The board reconvened the meeting on July 28, 2022, at 3:00 pm.

Operations Updates, cont.

Ms. Jones stated that the COVID public health emergency was extended on April 15, 2022 and is currently set to expire on July 15, 2022. There has been no word regarding further extensions.

The next Board of Trustees meeting is scheduled on July 13, 2022, from 3 to 5 p.m. The Plan will present rates for the 2023 Calendar Year, based on the budget that was passed in November 2021.

Blue Cross NC Facets Implementation Issues – Summary (see Exhibit 1, Full Report)

Ms. Jones provided a summary regarding the implementation issues the Plan has experienced with the Blue Cross NC Facets claims processing system. She noted that a reference document was discussed with Blue Cross NC (BCNC) and sent to board members prior to the meeting.

Facets is the BCNC claims processing system. This system replaces the Power MHS system (legacy system) that has been in place since the 1970s. In early 2016, BCNC transferred 400,000 customers to Facets and ran into numerous over-billing and dropped coverage issues. These concerns were widely reported in the local media. At that time, BCNC decided to wait and convert the Plan, with 685,000 members, at a later date.

As a result of these issues, BCNC was fined by the Department of Insurance in September of 2016. BCNC signed a settlement agreement for \$3.6 million in civil penalties because of the significant over-billing and dropped coverages mentioned previously. This fine is in addition to \$11.3 million in premium refunds and \$8.3 million in late interest payments on claims made to health care providers.

The Plan intentionally waited until the most recent contract was to be implemented before committing to transitioning to Facets. Plan staff worked with BCNC staff from the late February 2020 award date until the January 1, 2022, Go Live date to prepare for the transition. Unfortunately, the transition did not go well. Plan staff is still – in June - materially involved in solving major conversion issues with the BCNC team every week.

It has become clear, after waiting six years for the system to stabilize, almost two years of implementation and now five plus months of troubleshooting, that BCNC did not adequately anticipate the impact of more than 10 years of customization on the Power MHS system (legacy system). Plan staff was told the customizations did not convert as anticipated.

Facets Issues Outlined

1. Resources – lack of Plan experience and expertise
2. Timeliness of Claims Payments – system configuration issues
3. Prompt Pay Penalties and Performance Guarantees – significant fluctuation has led to reimbursements to the Plan
4. Enrollment Challenges – multiple challenge areas
5. Primary Care Providers (PCPs) – numerous issues discovered with PCPs

6. Medicare Data Audits – quarterly audits with CMS ensure the Plan has the most current Medicare information for members. Medicare data impacts both premiums and claims.
7. Portal Issues – various issues and now mostly resolved
8. Open Enrollment Testing – not ready 6/20/22 as promised but was back on track within a day or two

Ms. Jones concluded by stating that the Plan remains hopeful that these issues will be resolved soon. She then turned the meeting over to Blue Cross NC staff, who were present to answer questions from the board members and staff. They included Roy Watson, Vice-President, State Segment, Tasha Fletcher, Vice-President, Operations, and Sandi Murray, Director, State Health Plan Operations.

Roy Watson, Vice President, State Segment, Blue Cross NC – Comments

Mr. Watson began by apologizing for the time and effort spent by Plan staff to help resolve the issues outlined by Ms. Jones. He stated that Blue Cross NC has enjoyed the 40-year relationship with the Plan and its members.

Mr. Watson noted that the Plan was one of the last customers to migrate to the Facets system, stating that many lessons were learned during the migration of other Blue Cross NC customers which began in 2016. A positive outcome was that Plan members weren't affected by some of the problems associated with ID cards, an issue that was corrected prior to the Plan's migration. With the Plan's unique customization issues, he acknowledged that Blue Cross NC wasn't adequately prepared.

He stated that Blue Cross NC is committed, at the highest level, to resolving the outstanding issues. Dr. Tunde Sotunde, CEO of Blue Cross NC, receives weekly updates and is very engaged as to what is needed to resolve the issues. Mr. Watson also noted that Blue Cross NC has made organizational changes, moving back to a dedicated State Health Plan team. He expressed confidence that all issues would be resolved, hopefully by the end of the year.

Chair Folwell stated that the Plan has incurred expenses in the migration to the Facets system. Most are attributed system enhancements required to link the data between Blue Cross NC and other Plan vendors. The cost, to date, is approximately \$1.2M and growing. Mr. Watson committed to provide some level of reimbursement to the Plan for the costs incurred.

Ms. Jones requested that additional questions should be emailed to her or Lorraine Munk. The questions will then be sent to Blue Cross NC for official, written responses. (see *Exhibit 2 – Q&A*)

Ms. Jones also stated that the Plan will have a Request for Proposal (RFP) for a third-party administrator (TPA) ready for release in late August or early September 2022, with an award in December 2022. She noted that Blue Cross NC is aware of this action, as are other major insurance carriers. She acknowledged that the timeline is very accelerated, noting that the RFP process has been streamlined. More time will be allotted to the implementation process rather than the front-end work.

Adjournment

Board Vote: Motion by Ms. Hargett; second by Dr. Robie; roll call vote was taken; unanimous approval by Board to adjourn the meeting at 3:40 p.m.

Minutes submitted by: Joel Heimbach, Secretary

Approved by: _____

 CPA
Dale R. Folwell, CPA, Chair

Blue Cross NC Facets Implementation Issues

June 28, 2022

Introduction

Facets is the Blue Cross NC (Blue Cross NC) claims processing system. This system replaces the Power MHS system (legacy system) that has been in place since the 1970s. In early 2016, BCNC transferred 400,000 customers to Facets and ran into numerous over-billing and dropped coverage issues. These concerns were widely reported in the local media. At that time, BCNC decided to wait and convert the NC State Health Plan (Plan), with 685,000 members, at a later date. ¹

As a result of these issues, BCNC was fined by the Department of Insurance in September of 2016. BCNC signed a settlement agreement for \$3.6 million in civil penalties because of the significant over-billing and dropped coverages mentioned previously. This fine is in addition to \$11.3 million in premium refunds and \$8.3 million in late interest payments on claims made to health care providers. ²

The Plan intentionally waited until the most recent contract was to be implemented before committing to transitioning to Facets. Plan staff worked with BCNC staff from the late February 2020 award date until the January 1, 2022, Go Live date to prepare for the transition. Unfortunately, the transition did not go well. Plan staff is still – in June - materially involved in solving major conversion issues with the BCNC team every week.

It has become clear, after waiting six years for the system to stabilize, almost two years of implementation and now five plus months of troubleshooting, that BCNC did not adequately anticipate the impact of more than 10 years of customization on the Power MHS system (legacy system). Plan staff was told the customizations did not convert as anticipated.

Facets Issues Outlined ³

1. Resources – lack of Plan experience and expertise

BCNC reorganized 5-6 years ago moving away from a centralized, dedicated team for the Plan. The negative impact of this transition was immediate as key players left because of the changes. Over time, additional people left taking their Plan expertise with them. Unfortunately, the BCNC membership team has struggled to manage Plan enrollment ever since.

Blue Cross NC Facets Implementation Issues

June 28, 2022

The Plan's eligibility rules and premium structures are complex and take time to fully understand; the lack of bench strength at BCNC has created a void that is not easy to fill. What we have determined over the last six months is that BCNC staff is unable to triage and resolve issues without assistance from Plan staff and Benefitfocus.

Fortunately, BCNC has now determined that dedicated resources are required to effectively manage Plan activity and they are working toward a new organizational structure to include additional, dedicated staff.

2. *Timeliness of Claims Payments – system configuration issues*

On the Go Live date, January 1, 2022, simple claims processed correctly. Unfortunately, most claims are not simple.

- a. Infusion Claims – held > 8,200 claims until mid-February
- b. Allergy Shots – held > 6,800 claims until mid-February
- c. Retirement Systems (Medicare Prime) – held > 80,000 claims until mid-February until the Medicare data could be updated correctly
- d. Copays – Multiple issues related to taking the correct copay for certain services remain unresolved
- e. Claims “stuck” with other non-operations teams causing them to be released way outside their targeted 30-day turnaround time (resulted in prompt pay penalties)
- f. Overall claims payments delays – the Monthly Payment History table below shows the monthly payment history for 2022 vs. 2021. While we are finally close to a reasonable year to date amount, it is clear there has been significant fluctuation to date 2022.

Monthly Payment History

| Month | 2022 | 2021 | \$ Diff | % Diff |
|--------------------------|------------------------|------------------------|-----------------------|------------|
| January | \$220,374,297 | \$249,175,763 | (\$28,801,466) | -12% |
| February | \$170,958,628 | \$206,969,976 | (\$36,011,348) | -17% |
| March | \$181,007,544 | \$220,573,630 | (\$39,566,086) | -18% |
| April | \$227,888,714 | \$222,704,889 | \$5,183,825 | 2% |
| May | \$340,224,223 | \$284,056,746 | \$56,167,477 | 20% |
| Total May to Date | \$1,140,456,406 | \$1,183,481,004 | (\$43,024,598) | -4% |

Source: BCNC FP104 report at 05.31.22

Blue Cross NC Facets Implementation Issues

June 28, 2022

3. *Prompt Pay Penalties and Performance Guarantees – significant fluctuation has led to reimbursements to the Plan*

- a. The Plan is subject to Prompt Payment laws, and thus requires the TPA to abide by those requirements. These laws mandate efficiency and timeliness of Claims Payments. BCNC is required by contract to make provider payments in accordance with NC G.S. 58-3-225 (e) or pay an interest penalty of 18% APR beginning on the date following the day on which the claim should have been paid. BCNC self-reports claims payment timeliness and provides the Plan with detailed reports for validation
- b. **As of May 31, 2022 - BCNC has paid \$2.6M (0.23% of claims payments) in prompt pay penalties**
- c. **For context, during the entire calendar year 2021, BCNC paid \$2.3M (0.09% of claims payments) in prompt pay penalties**
- d. **Performance Guarantee Payments for Q1 2022 (\$600k) were double the payments for Q1 2021 (\$300k)**

4. *Enrollment Challenges – multiple challenge areas*

The implementation of new enrollment files between Benefitfocus and BCNC was, while not a complete failure, a huge disappointment. Multiple scenarios that passed all testing scripts, failed in production. Since early January 2022, the Plan, BCNC and Benefitfocus have met at least 2 hours per day, Monday thru Thursday, to resolve individual enrollment issues, triage root causes and determine required fixes. Unfortunately, new issues are still being uncovered and fixes are taking time to fully implement.

5. *Primary Care Providers (PCPs) – numerous issues discovered with PCPs*

- a. Retro-terminated 354 Primary Care Providers (PCP) in error
- b. Q1 - Mailed > 3,000 of letters to members stating PCP was terminated in error
- c. Q2 - Mailed another 3,500 letters out in error advising members that their PCP had terminated
- d. PCP Maintenance – multiple issues maintaining accurate PCP data

Blue Cross NC Facets Implementation Issues

June 28, 2022

6. *Medicare Data Audits – quarterly audits with CMS ensure the Plan has the most current Medicare information for members. Medicare data impacts both premiums and claims.*
 - a. Initial Facets audit, conducted in December 2021, uncovered the fact that BCNC did not have their Facets Medicare processes outlined appropriately therefore the audit was not finalized
 - b. Second Facets audit, conducted in March, showed little improvement
 - c. Third Facets audit is not yet completed
7. *Portal Issues – various issues and now mostly resolved*
 - a. Blue Connect – member portal
 - i. Display issues (member ID cards, claims etc.)
 - ii. Split contracts not initially supported
 - b. Employer Portal – Multiple display issues
 - c. Provider portal (Blue E) not fully able to support CPP providers
8. *Open Enrollment Testing – not ready 6/20/22 as promised but was back on track within a day or two*

¹ Retrieved June 10, 2022 from <https://www.fiercehealthcare.com/payer/no-end-sight-for-bcbs-north-carolina-technology-woes>; By Evan Sweeney, February 8, 2016.

² Retrieved June 10, 2022 from <https://www.bluecrossnc.com/provider-news/department-insurance-voluntary-settlement-agreement-signed>. Published September 15, 2016.

³ Weekly Facets issues logs dated from 03/11/2022 to current.

State Health Plan Board of Trustees

Questions for Blue Cross NC

June 28, 2022

1. Judge Duke

- a. How long have the problems/issues been going on? The concerns were realized in mid-January
- b. What has been done to correct these problems/issues? We have done several things to help correct the problems including but not limited to dedicated technical resources to help research, identify root cause and provide fixes. The solutions are delivered via system code deployments and delivery of additional features based upon State Health Plan requirements. We've also updated our operating model which will provide an additional level of structure and accountability to the functions that impact how we administer the Plan's business.
- c. How long do you anticipate the problems/issues continuing? In our experience, customers usually return to a steady operating state prior to the groups next renewal cycle.

2. Kim Hargett

- a. It seems there has been significant State Health Plan staff involvement in solving the Facet problems/issues – what is the possibility of getting some form of compensation returned to the Plan? Compensation has been provided to the Plan in the form of performance guarantee penalty payments due to Blue Cross NC not meeting metrics established by the Plan. Through the first quarter of 2022, the Plan has received over \$500,000 in performance guarantee payments.
- b. Do Prompt Payment penalties go to SHP or to providers? The State Health Plan pays interest as a part of the payment to the provider when there are delays in claim processing. The State Health Plan is reimbursed for any interest paid on those claims by Blue Cross NC.
- c. It is good that Blue Cross NC is creating a dedicated Plan organization, albeit a bit late. Is it possible to have member services staff that has a regional specialization? For

example, East, West, Triangle, Triad, Charlotte areas? The Plan has dedicated customer service professionals already assigned to help Plan members with any issue that may arise regarding their coverage. They are not currently broken up by region as service questions are not usually region specific but are universal in nature and could apply to any region of the State.

3. Dr. Martin

a. Has Blue Cross NC lost business due to the Facets issues/problems? Blue Cross NC has lost some members due to some of the concerns related to migration.

4. Dr. Robie

a. Regarding late payment penalties, where does the money come from to pay these penalties? Blue Cross NC is a fully taxed entity and are required by the State of NC to have dollars in reserve. Those reserves help us to continue to serve our customers when concerns and problems arise such as a pandemic or other issues. It allows our members to be protected from catastrophic issues that may occur.

b. It seems Plan staff has had to been overly involved in identifying and solving the Facets problems/issues – how much longer do you anticipate this unanticipated level of involvement? Our goal is to be at a steady operating state as soon as possible. We have seen with other migrations and anticipate prior to the next renewal cycle we will be operating at a steady state.

5. State Treasurer

a. The Plan was at or toward the end of the implementation cycle with the Blue Cross NC book of business which should have minimized the risk of so many problems/issues; why has this not been realized? Blue Cross NC learned many lessons from previous customer migrations and implemented functionality that prevented the Plan from experiencing similar issues faced by other customers. Some of the issues being experienced by the Plan are unique to the Plan's structure. Although Blue Cross NC planned and prepared for the unique Plan related items, not all of them were anticipated in advance.

b. Why have so few providers called the Treasurer about late payments? We do not know

why providers have not called the Treasurer regarding late payments.

c. Could the Plan have chosen to not transition to Facets? Blue Cross NC made the decision to change to a different operating system platform to administer all commercial lines of business. As such, the Plan needed to migrate from our legacy platform to Facets.

d. Was Blue Cross NC aware of the amount of money that the Plan had paid for its other vendors to update their systems relative to the Facets transition (likely between \$1.0M to \$1.5M)? Blue Cross NC was not aware of the amount of money the Plan has paid to update their systems relative to the Facets transition.

e. Will Blue Cross NC consider reimbursing the Plan for incurred costs? Blue Cross will consider some level of reimbursement to the Plan. We will confirm an amount and provide to the Plan.

6. Staff – Charles Sceiford

a. You responded that issues around the transition to FACETS are generally resolved after 12 months. Would the Plan's large membership create additional difficulty that would extend that time beyond 12 months? If yes, how much additional time would you anticipate? No, it should not. We anticipate that the Facets migration concerns the Plan is experiencing should not extend beyond the 12 months.

b. Have other groups in their 2nd half of the 12-month FACETS transition period had a large amount of "Incurred But Not Reported" claims that were eventually found? No, they have not.