

**Board of Trustees  
State Health Plan for Teachers and State Employees  
Department of State Treasurer  
June 2, 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 9:00 a.m. on Friday, June 2, 2017, at the Department of State Treasurer (DST), 3200 Atlantic Avenue, Raleigh, NC 27604.

**Members**

Dale R. Folwell, Chair  
Paul Cunningham, MD  
Donald Martin  
Warren Newton, MD  
Elizabeth Poole  
David Rubin

**Via Phone**

Aaron McKethan  
Margaret Way

**Absent**

Charles Perusse  
Neal Alexander

**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. Dr. Rubin and Ms. Way recused themselves from the Lake lawsuit discussion.

**For Board Approval**

Minutes – March 22, 2017

*Presented by Dale R. Folwell, Chair*

Following a motion by Dr. Cunningham and seconded by Dr. Newton, the Board unanimously approved the March 22, 2017, minutes, as written.

## Consultative and Oversight Items

### April 2017 Financial Report

*Presented by Mark Collins, Financial Analyst*

Mr. Collins provided highlights of the April financial report, stating that the cash balance of \$915 million was approximately \$33 million over the authorized budget amount. He noted that the Plan's cash balance was slightly higher than \$1 billion in January 2016. The \$100 million loss in the 16-month period was slightly lower than expected.

In response to a question from a Board member, Mr. Collins stated that the Plan generally sees more spending during the second part of the plan year. July and August tend to be higher months for utilization, which is built into the forecast.

Plan revenue was very close to projections and total expenses were slightly less than the budgeted amount. Administrative costs were approximately 13-14% less than projected.

Chair Folwell stated that preserving the Plan would be highly dependent upon how well costs for the non-Medicare retiree group are managed. Due to the large size of this population, the ability for the Plan to subsidize family premiums remains optimistic.

### CY 2017 1<sup>st</sup> Quarter Forecast Update

*Presented by Mark Collins, Financial Analyst*

Mr. Collins provided the 1<sup>st</sup> quarter forecast assumptions and authorized budget for calendar year (CY) 2017. He also reviewed the Board-approved benefit design changes for 2018, which will include a base premium on both the 80/20 and 70/30 plans. The 1<sup>st</sup> quarter update compared to the authorized budget demonstrated an increase in the ending cash balance of \$24.6 million. **Note: On page 5 of the presentation, the 2018-2021 premium increase percentages under the 1<sup>st</sup> Quarter Update and the Authorized Budget should be reversed. The corrected version will be posted on the Plan's website following the meeting.**

In response to several questions regarding Plan membership, Mr. Collins stated that fewer people are retiring early and the Medicare-eligible members are increasing every month. As for whether the decrease in the number of early retirees is due to members dying or choosing to work longer, Chair Folwell stated that a deeper analysis of that age group would be provided at a future meeting.

Mr. Collins pointed out that in prior years there have been significant improvements from one forecast to the next. Due to changes in the forecast, such as a lower medical trend estimate, higher pharmacy rebate estimates, and lower administrative costs, actual experience has been closer to the forecasted amounts in more recent years. Barring any changes to the overall plan design or provider reimbursements, the forecast no longer has as much opportunity for significant improvements.

In response to a question regarding how the spend-down of cash in the second year of the biennium worked in the past, Mr. Collins stated that the Plan determined what the required premium increase would need to be in order to hit the targeted cash reserve amount by the end of the second year using any available excess cash on hand. He noted that neither the current House nor Senate budget for Fiscal Years 2018 and 2019 has established a cash balance amount the Plan needs to maintain.

Chair Folwell stated that at least 10 minutes of future meetings should be used to address updates and the potential impact of the Affordable Care Act (ACA).

#### Legislative Update

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

Ms. Crabtree reviewed current Plan bills in the House and Senate and other legislation that could impact the Plan. She noted that one change in Senate Bill (SB) 218 and House Bill (SB) 299 provides access for Plan staff to pertinent records when conducting audits or investigations related to fraud of Plan benefits.

Among other items, SB 257/House Substitute eliminates retiree medical benefits for new hires after July 1, 2018. The bill also gives the Treasurer authority to appoint and remove the Plan's Executive Administrator and Deputy Executive Administrator, as well as designate certain Plan staff positions as exempt from the Human Resources Act and employ those staff members.

In addition, SB 257 increases the maximum annual employer contribution for Plan coverage by 4% beginning July 1, 2017, and an additional 4% beginning on July 1, 2018. In response to a question regarding the 4% increase vs. the requested 7%, Chair Folwell expressed his disappointment. He stated there would be a financial impact in several areas, including a reduction in the reserves.

#### Dependent Eligibility Verification Audit

*Presented by Caroline Smart, Chief Operating Officer*

One important aspect of the audit is connecting the verification documentation to the member records in order to maintain the information. Ms. Smart reviewed the purpose and scope of the audit, as well as the timeline. To date, 31,000 documents have been uploaded. Approximately 187,500 unverified dependents remain.

The Plan will continue to provide communication to Health Benefit Representatives (HBRs) regarding their role in the audit process. Staff will also post frequent updates to the Plan's webpage and Facebook.

Chair Folwell stated that he has daily discussions with the Benefitfocus president and calls the customer service number three or four times each day to determine the wait time. He further commented that with member verification data stored electronically, the documents are "living" which should simplify future audits. Ms. Smart added that strategy discussions to streamline the process will also take place prior to future audits.

Several Board members shared their experience regarding the audit process and expressed their hope that the process would be more user-friendly in the future.

Dr. McKethan requested an offline discussion with Plan staff to gain a better understanding of the Open Enrollment process and how it could be simplified, given that the Plan doesn't have single-sign-on capabilities. Ms. Smart responded that the issue may be too many, rather than a lack of, single-sign-ons. Several groups direct members to their sites first, where they single-sign-on to the Plan's enrollment portal, eEnroll. This means the Plan cannot control the member experience prior to single-sign-on for enrollment.

In response to a question regarding members who fail to respond to the audit, Ms. Smart stated that dependents would be terminated and then reinstated once documentation was received. However, she added that the Plan would like to prevent that by the increased communication to HBRs and members. Chair Folwell added that the appeal process should be member-friendly and that it can't be successful without highly qualified, competent Human Resource directors and HBRs.

## **Informational Items**

### **Contracting Update**

*Provided by Caroline Smart, Chief Operating Officer*

**2018 Population Health Management Services:** Ms. Smart provided a brief update on the Population Health Management (PHM) services for 2018. Disease management services will reduce the number of diseases on which to focus to seven (7). One Board member questioned the Plan's strategy in limiting the number of diseases managed, given the financial outlook and, potentially, a more unhealthy and costly population.

Ms. Smart stated that PHM services were included in the Third Party Administrator (TPA) Request for Proposal (RFP) and that the current strategy is a bridge between now and 2018. She acknowledged that a lot of work will be involved in the interim to provide services for members and keep the Plan financially stable. Chair Folwell added that often a hospitalized member can have up to 3 or 4 case managers, which is repetitive and needs to be addressed.

**Third Party Administrative Services:** The TPA RFP was issued in April and vendor responses are due on July 10, 2017. Ms. Smart reviewed the core components, stating that PHM services were added as an extra component of the RFP.

In response to a Board question regarding their participation in the evaluation process, as in past years, Chair Folwell stated that stakeholder and Board member participation will be determined at the appropriate time.

Several Board members expressed their support for alternative payment models as a core component of the RFP and stated that part of the bid evaluation will include an evaluation of each vendor's alternative payment model proposal(s).

### **Open Enrollment Communications Update**

*Presented by Beth Horner, Customer Experience Manager*

Ms. Horner stated that her team is focusing on HBR training and a robust communication plan for Open Enrollment. Staff will also continue the Medicare outreach meetings, which are always well attended. The educational effort includes telephone town hall meetings, webinars, direct mail and videos.

Chair Folwell stated that extending the call center hours had just been approved. He added that going from three (3) to two (2) benefit plans would hopefully simplify the Open Enrollment process.

**Pharmacy & Therapeutics Committee Summary – March and May 2017 Meetings**

*Presented by Ira Protas, Director of Pharmacy Benefits*

Dr. Protas provided a summary of the two Pharmacy & Therapeutics (P&T) meetings. The committee evaluated proposed formulary changes, including the addition of several new drugs and tier changes for current drugs.

A list of the Plan's approved utilization management criteria for numerous drugs was included in the Board presentation.

Chair Folwell recognized Mona Moon's service in various capacities at the Plan over the past nine (9) years. He added that as the Plan moves forward, her contributions will be felt in many future decisions.

**Member and Public Comments**

Mr. Richard Rogers, North Carolina Retired Government Employees Association, stated that he found the information regarding the Dependent Eligibility Verification Audit very helpful. He offered to assist Plan staff with communication efforts, if needed. He also offered assistance, wherever needed, to ensure passage of the solvency fund bill.

Ms. Pam Deardorff, Retired School Personnel, echoed Mr. Rogers' comments and added that retirees don't have the benefit of HBRs to assist them with the dependent eligibility audit.

Prior to calling for a motion to move into executive session, Chair Folwell stated that in addition to the Lake lawsuit, the Board would also discuss a personnel matter.

Following a motion by Dr. Cunningham and a second by Ms. Poole, the Board voted unanimously to move into executive session, pursuant to G.S. 143-318.11 and G.S. 132-1.2.

**Executive Session**

**Personnel Matter**

Chair Folwell provided his recommendation and compensation for the Plan's Executive Administrator position. Following a motion by Ms. Poole and seconded by Dr. Newton, the Board approved the appointment of and compensation for Dee Jones as the Executive Administrator.

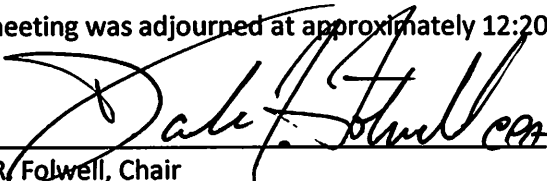
**Lake Lawsuit Update (I. Beverly Lake et al. v. State Health Plan for Teachers and State Employees, et al.)**

Mr. Hayes provided an update to the Board regarding the Lake lawsuit.

Following a motion by Dr. Newton and a second by Dr. Martin, the Board voted unanimously to return to open session.

**Adjourn**

The meeting was adjourned at approximately 12:20 p.m.

  
Dale R. Folwell, Chair