



*North Carolina*  
**State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES



**Communication and Open Enrollment Update  
High Deductible Health Plan**

*Board of Trustees Meeting*

November 20, 2014

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*A Division of the Department of State Treasurer*

# Statutory Requirement to Offer Alternative Benefit

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- Section 35.16 of SL 2014-100 (SB 744 Appropriations Act) establishes a new health benefit eligibility category for full-time employees not otherwise covered by the Plan to comply with the Affordable Care Act (ACA).
  - The ACA and section 4980H of the Internal Revenue Code (the Code) prescribe updated definitions of full-time employees and requirements to determine which employees are required to be offered employer-sponsored health care.
  - Employees are determined to be full-time, and thus required to be offered employer-sponsored health care, if they are reasonably expected to work 30 hours per week.
- G.S. 135-48.40(e) requires the Treasurer and Board to offer a health benefit coverage option for these “newly eligible” employees that provides minimum essential coverage at no greater than the ACA “Bronze” level and that minimizes the employer contribution in an administratively feasible manner.

# Benefit Development Recap

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- The Plan formed an informal workgroup to build consensus on an administrative approach to providing coverage for newly eligibles
- The workgroup consisted of representatives from:
  - Office of State Human Resources (OSHR)
  - Department of Public Instruction (DPI)
  - University of North Carolina General Administration (UNC-GA)
  - NC Community College System Office
  - Local Education Agencies
    - Charlotte-Mecklenburg Schools
    - Guilford County Schools
    - Orange County Schools
    - Wake County Public School System

The work group's recommendations formed the basis for the billing process and rate structure of the High Deductible Health Plan (HDHP) design presented and approved by the BOT in August 2014.

# HDHP Communications Recap

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The State Health Plan began communicating the new offering to all Non-BEACON employing units.

## **August 20, 2014 – HBR Alert**

- ACA Requirements
- Impacts of new state legislation
- Plan Design
- Proposed rate structure (final rates had not been approved by BOT)
- Administration

## **September 8, 2014 – HBR Alert**

- BOT approved
  - Rates
  - Plan Design
  - Administration
- Proposed Open Enrollment timeframes
- HBR Training Schedule

## **September 23, 2014 – HBR Alert**

- Requested employing units confirm Open Enrollment schedule selected

## **September 30, 2014 – HBR Alert**

- Provided additional Open Enrollment information

# Employing Unit Presentations

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## Conference/Meeting Presentations:

- June 4, Large NC District ACA Work Group, Greensboro, NC (Public Schools)
  - October 5, PANC Conference, Asheville, NC (Public Schools)
  - October 28, NCACCBO Fall Conference, Asheville, NC (Community Colleges)
  - November 6, State School Board Meeting, Raleigh, NC (Public Schools)
  - November 7, Regional PANC Meeting, Mocksville, NC (Public Schools)
  - November 18, Regional PANC Meeting, Williamston, NC (Public Schools)
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- The Plan has attended several meetings in response to questions regarding eligibility, especially regarding retirees. We have also issued an HBR Alert dedicated to this topic.
  - The Alert included a Referenced Guide addressing the most frequently asked questions around HDHP eligibility and specific instructions about processing and reporting retirees who qualify for HDHP coverage.

# Potential Impact of Requirement on Retirees

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- While there is general confusion about who should be offered the HDHP, there has been particular concern about the impact of the legislations on re-hired retirees.
- Section 35.16A of SL 2014-100 (SB 744 Appropriations Act) requires employing units to cover re-hired State retirees as active employees, if they are determined to meet definition of full-time employee.
- G.S. 135-48.41(j) specifies that during the time of their full-time employment, re-hired State retirees are not eligible for retiree health benefit coverage.
- This provision is consistent with prior law requiring employing units to cover re-hired retirees employed in permanent positions on a recurring basis and working 30 or more hours per week for nine or more months in a calendar year.

# Retiree Termination Process

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- If a re-hired retiree meets the eligibility requirements, employing units must offer the retiree coverage.
- While the retiree is not required to enroll in the HDHP, the retiree is no longer eligible for the State Health Plan retiree group coverage under the Retirement Systems as required by state law.
- Therefore, the Plan will terminate the retiree from the State Health Plan retiree group coverage under the Retirement Systems.

**Additional resources and information can be found on the State Health Plan's website under the Health Benefits Representative tab.**

# Retiree Re-enrollment Process

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- Any re-hired retiree who enrolled in the HDHP will be offered COBRA, if the individual is no longer eligible for the HDHP.
- Loss of eligibility is a qualifying life event under the State Health Plan enrollment rules and retirees will have 30 days to re-enroll in their State Health Plan coverage under the Retirement Systems.
- If the retiree fails to re-enroll within the 30 days, they will be unable to come back on the Plan until the next enrollment period.



# Open Enrollment Update-HDHP

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- At the employing units' request, the Plan established three different Open Enrollment periods:
  - **October 1 – 31**
    - Designed to coincide with the traditional Annual Enrollment
    - While 20 employing units signed up for this OE, no eligible employees were loaded
  - **November 1 – 30**
    - Requested by University System, but open to any employing unit
    - To date, 19 employing units have loaded 513 eligible employees into the portal, but no one has enrolled.
  - **November 20 – December 19**
    - Requested by OSHR. It is the last option available to complete enrollment prior to January 1.

# Appendix

# ACA Requirements – Coverage of Full-time Employees

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## Shared Employer Responsibility Provisions

- To avoid tax penalties under section 4980H of the Internal Revenue Code large employers must offer health coverage that is affordable and at least “minimal value” to all full-time employees.
- Employees are considered full-time, and thus required to be offered employer-sponsored health care, if they are reasonably expected to work 30 hours per week.
- The requirement extends health benefit eligibility to non-permanent full-time employees, who traditionally have not been eligible for coverage under the State Health Plan.

# ACA Requirements – Benefit Coverage Rules

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To avoid Employer Shared Responsibility penalties, large employers must offer full-time employees health benefit coverage that meets the definition of Minimum Essential Coverage:

- **Minimum Actuarial Value:** Provides at least a value of 60% of the cost of services (Bronze level on the Exchange)
- **Affordable:** Costs an employee no more than 9.5% of gross taxable wages for employee-only coverage
  - An employer contribution is needed for low-wage employees to maintain affordability and ensure the avoidance of penalties

# ACA Requirements - Penalties for Non-Compliance

## “Sledge Hammer” Penalty

If employing units do not offer “minimum essential coverage” to at least 70% of full-time employees (and dependent children under age 26) and if one full-time employee receives subsidized coverage on the Exchange:

- Penalty is \$2,000 (annualized) times the **total # of full-time employees** (minus first 30 workers)

## “Tack Hammer” Penalty

If employing units do offer coverage to 95% of full-time employees (and their dependent children under 26), but the coverage is either not affordable or not of minimum value and one full-time employee receives federally subsidized coverage in the Exchange

- Penalty is \$3,000 (annualized) times the # of full-time employees getting a tax credit in an Exchange (subject to a penalty maximum)

# High Deductible Health Plan Option (HDHP)

Monthly Contributions: Employer = \$117.62, Employee = \$92.38

Benefit Design	Individual Coverage	Family Coverage
Deductible	\$5,000	\$10,000
Out-of-Pocket Maximum	\$6,450	\$12,900
Coinsurance	50%	50%
ACA Preventive Medical	Covered at 100% in-network	
ACA Preventive Pharmacy	Covered at 100% in-network	

- *Non-network benefits will be paid at 40%.*
- *The non-network deductible and out-of-pocket maximum will be 2 times the in-network amounts.*

Meets ACA minimum value standard

Eligible for a Health Savings Account (HSA), which will allow the employee to make 2015 tax-exempt contributions of up to \$3,350 (\$6,650 for family coverage) to an account that can be used to pay eligible medical expenses

# HDHP Monthly Premium Rates

Coverage Type	Employer Share	Employee Monthly Premium	Dependent Monthly Premium	Total Monthly Employee Premium
Employee-only	\$117.62	\$92.38	N/A	\$92.38
Employee + Child(ren)	\$117.62	\$92.38	\$169.78	\$262.16
Employee + Spouse	\$117.62	\$92.38	\$376.56	\$468.94
Employee + Family	\$117.62	\$92.38	\$470.56	\$562.94