



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Additional 2014 Coverage Changes

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

Statutory Authority

Pursuant to NCGS §135-48.30 the State Treasurer sets benefits subject to the approval of the Board of Trustees.

Additional Coverage Changes for Consideration

Compliance reviews by the Plan's vendors and legal counsel identified two areas of concern:

1. Essential Health Benefits
2. Federal Mental Health Parity

Compliance Review Concerns

- Essential Health Benefits
 - Cranial Bands - \$600 lifetime limit
 - Hearing Aids - \$2,500 per ear, per 3 year period, up to age 22
 - Infertility and Sexual Dysfunction - \$5,000 lifetime limit
- Federal Mental Health Parity Act
 - Prior Authorization required for mental health/substance use disorder visits beyond the 26th visit
 - Limit of 1 psychiatric review per provider per benefit period
 - Limit of 6 preventive counseling benefits per benefit year

Essential Health Benefits

- Essential Health Benefits (EHB) – The Affordable Care Act ensures that health plans offered in the individual and small group markets offer a comprehensive package of items and services.
- There are 10 categories of services that have been established as comprising EHB:
 - 1) ambulatory patient services;
 - 2) emergency services;
 - 3) hospitalization;
 - 4) maternity and newborn care;
 - 5) mental health and substance use disorder services, including behavioral health treatment;
 - 6) prescription drugs;
 - 7) rehabilitative and habilitative services and devices;
 - 8) laboratory services;
 - 9) preventive and wellness services and chronic disease management;
 - 10) pediatric services, including oral and vision care

Essential Health Benefits

- For 2014 and 2015, USDHHS has defined EHB by reference to a “benchmark plan” that each state will select.
- The benchmark plan for North Carolina is the BCBSNC Blue Options PPO Plan.
- Note: Large employer plans (e.g. NC State Health Plan) are not required to cover EHB; however, for any EHB covered by their plan, the large employer cannot impose annual or lifetime dollar limits. However, actuarially equivalent treatment or service limits may be applied.

Essential Health Benefits – Coverage Comparison

Current Coverage

- Cranial Bands – \$600 lifetime limit
- Hearing Aids - \$2,500 limit per ear per 3 year period, up to age 22

- Infertility and Sexual Dysfunction - \$5,000 lifetime limit

Proposed Compliant Coverage

- Cranial Bands – quantity limit of one per lifetime
- Hearing Aids – quantity limit of one hearing aid per hearing impaired ear every 3 years, up to age 22
- Remove combined lifetime dollar limit for Infertility and Sexual Dysfunction:
 - Establish an Infertility lifetime quantity limit of three ovulation induction cycles and associated services
 - Retain \$5,000 limit for sexual dysfunction

Cost of Compliance – Essential Health Benefits

Proposed Compliant Coverage

- Cranial Bands – quantity limit of one per lifetime
- Hearing Aids – quantity limit of one hearing aid per hearing impaired ear every 3 years, up to age 22
- Remove combined lifetime dollar limit for Infertility and Sexual Dysfunction:
 - Establish an Infertility lifetime quantity limit of three ovulation induction cycles and associated services
 - Retain \$5,000 limit for sexual dysfunction

Estimated Annual Cost

\$54,667

\$240,878

\$2,290,950

Total: \$2,586,495

Options – Essential Health Benefits

- Options:
 - Maintain current coverage resulting in non-compliance.
 - Change coverage to meet compliance requirements by eliminating dollar limits on EHB.
 - Eliminate or drop current coverage – this would result in loss of Grandfather status for the 70/30 and 80/20 plans.

Recommendation – Essential Health Benefits

Plan staff recommends the Board of Trustees approve the proposed changes in coverage to meet the EHB benchmarks effective January 2014.

Federal Mental Health Parity Act

- Mental Health Parity Act – Generally requires that the financial requirements and treatment limitations on mental health and substance use disorder benefits cannot be more restrictive than the predominant financial requirements and treatment limitations that apply to substantially all medical and surgical benefits. The Board of Trustees previously approved mental health copays on par with primary care office visits in order to meet parity requirements.
- As a self-funded government benefit, the Plan may opt out of compliance with the Mental Health Parity Act. To date the Plan has always opted out of parity requirements.

Mental Health Parity – Coverage Comparison

Current Coverage

- Prior authorization required for mental health/substance use disorder visits beyond the 26th visit
- Limitation of 1 psychiatric review per provider per benefit period
- Limitation of 6 preventive counseling benefits per benefit year

Compliant Coverage

- Removal of quantity limit
- Removal of quantity limit
- Removal of quantity limit

Cost of Compliance - Mental Health Parity

Compliant Coverage

- Remove all quantity limits for mental health/substance use disorder visits, psychiatric review visits and preventive counseling visits

Estimated Annual Cost

Total: \$1,260,000

Options – Mental Health Parity

- Options
 - Remove quantity limits to meet compliance requirements.
 - Opt out of compliance.

Recommendation – Mental Health Parity

Plan staff recommends the Board of Trustees approve the proposed changes in coverage to meet Federal Mental Health Parity requirements effective January 2014.

Total Financial Impact

The Plan's consulting actuary, The Segal Company, estimates the total annual cost of all proposed coverage changes is \$3,846,495.