



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Alternative Benefit Option for Newly Eligibles

Board of Trustees Meeting

August 28, 2014

A Division of the Department of State Treasurer

Presentation Overview

- Legislative Directive
- Proposed Plan Benefit Design
- Proposed Member Services
- Proposed Prescription Drug Formulary
- Board Action on Recommendations

Statutory Requirement to Offer Alternative Benefit

- Section 35.16 of SL 2014-100 (SB 744 Appropriations Act) establishes a new health benefit eligibility category for nonpermanent full-time employees to comply with the Affordable Care Act (ACA)
 - The Affordable Care Act (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
- Directs 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

Proposed Plan Benefit Design

Plan staff proposes offering a High Deductible Health Plan (HDHP) for the “Newly Eligible” employees as follows:

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%	
ACA Preventive Pharmacy	Covered at 100%	

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

Proposed Member Services

Plan staff proposes the benefit option also include the following services for Newly Eligible Members:

- **Teladoc** 24/7 access to consultations over the phone or online (where available) with board certified physicians for common conditions such as allergies, infections, etc. The out-of-pocket cost to the member for this service will be \$40.00.
- **HealthReports** Online provider search, cost and quality tool
- **Personal Care Management** Customized health education and one-on-one nurse mentoring and coaching to encourage self-empowerment and self-management. Includes transitional care management.
- **Personal Health Suite** Online suite of health and wellness tools and information, including Health and Productivity Assessment (HPA), Healthy Living Programs, personal health record/portal and health trackers

Proposed Prescription Drug Formulary

Plan staff proposes adopting the Express Scripts National Preferred Formulary:

- Considered a hybrid between a closed and open formulary where certain therapeutic classes have drug coverage exclusions
- Provides coverage for 99% of drugs including:
 - ACA preventive medications
 - Specialty drugs
- Excludes 66 drugs (out of 4,100) while providing:
 - Sufficient therapeutic representation across drug classes
 - A formulary exception process (only 3.7% of ESI members have pursued a clinical exception)
- Offers drug inflation protection
- Provides a broad retail pharmacy access

Pharmacy Utilization Management

The pharmacy benefit will be subject to Express Scripts Comprehensive Standard Utilization Management Package:

- Pre-defined package with a broad offering that focuses on managing trend through programs targeting inappropriate use and promoting clinically appropriate cost-effective therapies
- Includes prior authorization, step therapy and drug quantity programs for both traditional and specialty drugs
- Express Scripts will be responsible for processing coverage exceptions and pharmacy appeals

Note: The Plan's P&T Committee will not make recommendations regarding the formulary or utilization management programs.

Board Action on Recommendations

Plan staff recommends offering an HSA-eligible high deductible health plan (HDHP) for employees eligible for health benefit coverage under G.S. 135-48.40(e) that includes:

1. The deductible, coinsurance and maximum out-of-pocket amounts outlined on slide 4,
2. The member services outlined on slide 5, and
3. The prescription drug formulary outlined on slide 6

Effective January 1, 2015

Appendix

ACA Requirements

- Eligibility
- Coverage Rules
- Penalties

ACA Requirements – Who is Eligible for Coverage?

- The Affordable Care Act (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.
 - Employers have flexibility in their measurement and stability periods on determining eligibility.
 - This includes all non-permanent full-time employees. Non-permanent full-time employees are currently not offered coverage through the State Health Plan.
- Employers are penalized for not meeting Employer Responsibility requirements.

ACA Requirements – What are the Coverage Rules?

To avoid Employer Shared Responsibility penalties, full-time employees must have access to a plan that meets the definition of Minimum Essential Coverage:

- At least **Minimum Actuarial Value**: Provides at least a value of 60% of the cost of services (Bronze level on the Exchange)
 - The Plan had Segal design a minimum value high deductible health plan and a slightly more generous Bronze level plan
- **Affordable**: Costs an employee no more than 9.5% of gross taxable wages for self-only coverage
 - An employer contribution *will be needed* for low-wage employees in order to maintain affordability and ensure the avoidance of penalties
 - A decision is needed on the approach to set the employee and employer contributions

ACA Plan Requirements

What are the Penalties for Non-Compliance?

“Sledge Hammer” Penalty	“Tack Hammer” Penalty
<p>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:</p> <ul style="list-style-type: none">• Penalty is \$2,000 (annualized) times the total # of full-time employees (minus first 30 workers)	<p>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</p> <ul style="list-style-type: none">• Penalty is \$3,000 (annualized) times the # of full-time employees getting a tax credit in an Exchange (subject to a penalty maximum)