



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



## Update on Potential Benefit Option for Newly Eligibles

*Board of Trustees Meeting*

August 1, 2014

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*A Division of the Department of State Treasurer*

# Presentation Overview

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- Planning for Statutory Change
- Employer Workgroup
- Workgroup Recommendations for Administration
- Implementation Status
- Appendix

# Planning for a Change to the Eligibility Statutes

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- Legislation to create a new eligibility category for nonpermanent full-time employees to comply with the Affordable Care Act (ACA) is pending in the General Assembly
- Given the interest in establishing a lower cost alternative health benefit plan for nonpermanent full-time employees, the Plan expects legislation to be enacted that:
  - 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

# Workgroup Formed

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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 consists 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

# Workgroup Recommendations: Rate Structure

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Three options for administering the assignment of the employer and employee share of the monthly premium were discussed:

1. **Pay Bands** – Member enrolled by the HBR into one of four pay bands, each with predetermined employer and employee premium amounts – income based approach for employee premium
2. **Single Rate with Employer and Employee Shares Defined** – All employees charged the same premium rate; the employer share is also fixed – same approach used to assign premiums for CDHP, 80/20 and 70/30 plan options for permanent full-time employees
3. **Single Total Premium Rate** – Each employing unit determines what rate to charge the employee – allows employing units to minimize employer contribution

*Workgroup determined that Option 2, Single Rate with Employer and Employee Shares Defined, is the most administratively feasible rate structure*

# Workgroup Recommendations: Employee Premium Billing

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Two options for billing and collection of employee premiums were discussed:

1. **Direct Billing** – Member receives a monthly bill for the employee share of the premium which must be remitted on time to avoid termination
2. **Group Billing** – Employing unit receives a monthly bill for the total premium (employer and employee shares combined) and is responsible for collecting the employee's share of the premium; late or retroactive terminations for delinquent employee accounts will not be accepted

*Workgroup determined that Option 1, Direct Billing for the employee share, is the most administratively feasible billing methodology*

- By direct billing the member, instead of utilizing payroll deduction, the employing units do not have to establish a premium collection process for payroll periods for which the member does not receive a paycheck
- The Plan may be able to offer a choice of billing options at the group level – billing for all employees in a group must be the same

# Workgroup Comments: Minimum Value Plan

The Plan did not request a recommendation, but did solicit feedback on providing a “minimum value plan” for newly eligibles

Benefit Design	Individual Coverage	Family Coverage
Individual Deductible	\$5000	\$10,000
Out of Pocket Maximum	\$6,450	\$12,900
Coinsurance	50%	50%
Preventive Medical	Covered at 100%	
Preventive Pharmacy	Covered at 100%	

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

*Workgroup is supportive of the offering and thinks other employees might be interested in the option as well*

# Implementation Status

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## Enrollment and Billing Functionality In-progress

- Online Enrollment
- Group Billing
- Member Direct Billing
- Data Transfers

## Next Steps

- Await Legislative Action
- Board Approval of Benefit Design and Premium Rates
- Benefits Build
- Testing
- Communications Plan
- Annual Enrollment



# Appendix

# ACA Requirements – Who is Eligible for Coverage?

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- 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?

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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

# Potential Alternate Plan Designs Compared to Traditional 70/30

Plan Design Components	Traditional 70/30 Plan	Minimum Creditable Coverage (MCC)	Bronze Level Plan
		(60% Actuarial Value)	(66% Actuarial Value)
<b>Deductible</b>	\$933	\$5,000	\$1,400
<b>Health Saving Account Compatible</b>	No	Yes	Yes
<b>Coinsurance</b>	70%	50%	50%
<b>Medical Coinsurance Maximum</b>	\$3,793	N/A	N/A
<b>Out-of-Pocket Maximum</b>	N/A	\$6,450	\$6,450
<b>Medical Copays</b>			
<b>Preventive Care</b>	\$35 or \$81	\$0	\$0
<b>Primary Care Provider</b>	\$35	Deductible, then coinsurance	Deductible, then coinsurance
<b>Specialist Visit</b>	\$81	Deductible, then coinsurance	Deductible, then coinsurance
<b>Inpatient Hospital</b>	\$291	Deductible, then coinsurance	Deductible, then coinsurance
<b>Emergency Room Services</b>	\$291	Deductible, then coinsurance	Deductible, then coinsurance
<b>Pharmacy Copays</b>			
<b>Generic</b>	\$12	Deductible, then coinsurance	Deductible, then coinsurance
<b>Preferred Brand Drugs</b>	\$40	Deductible, then coinsurance	Deductible, then coinsurance
<b>Non-Preferred Brand Drugs</b>	\$64	Deductible, then coinsurance	Deductible, then coinsurance
<b>Specialty High-Cost Drugs</b>	75% coinsurance	Deductible, then coinsurance	Deductible, then coinsurance
<b>Out-of-Pocket Maximum</b>	\$2,500	Included in total Out-of-Pocket	Included in total Out-of-Pocket

# Setting Employee and Employer Contributions

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Statutory language will likely provide guidance on the premium contribution structure; the Plan is exploring three options:

- Option 1 – Pay Bands
- Option 2 – Single Rate with Employer & Employee Shares Defined
- Option 3 – Single Total Premium Rate

*Note: Regardless of the option selected for determining the employee contribution, the employee will be responsible for the full premium cost of dependent coverage*

# Option 1 – Pay Bands

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Establish several (2-5) pay bands with employee contributions equal to 9.5% of the minimum salary level of each pay band; employer pays the remaining amount

- Pros: Administratively feasible approach to minimizing employer contribution
- Cons: Fairness issue – employees at the lower end of the pay bands contribute a higher percentage of their salary for health benefit coverage than employees at the upper end of the pay bands; HBRs may have trouble determining correct salary band for each employee

## Option 2 – Single Rate with Employer & Employee Shares Defined

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Establish one employee contribution rate equal to 9.5% of the federal poverty level (approximately \$90 per month); employer pays the remaining amount (approximately \$110 to \$160 per month)

- Pros: Simplified premium structure and administration; consistent with premium structure for CDHP, 80/20 and 70/30 plan
- Cons: Higher employer contribution

# Option 3 – Single Total Premium Rate

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Plan bills employing unit for total premium amount; employing unit determines employee contribution equal to 9.5% of salary, not to exceed total premium amount; employer pays the remaining amount

- Pros: Minimizes employer contribution
- Cons: Administratively difficult; the Plan **cannot** assist employing units with the determination, billing or collection of the employee premium