



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Benefit Design Options for Achieving Strategic Priorities

Board of Trustees

November 21, 2014

A Division of the Department of State Treasurer

Objective of Design Discussion

Develop a benefit design strategy for Plan Years 2016 and 2017 that furthers the Plan's mission and contributes to achieving the Board's strategic priorities and initiatives.

- Board feedback in the following areas:
 - Relative Value of Benefit Plan Options
 - Healthy Activities to Earn Premium Credits
 - Plan Design Elements and Incentives
 - Plan Differentiation
 - Other Benefit Design Considerations
 - Next Steps

Mission & Guiding Principles

Our mission is to improve the health and health care of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of North Carolina for improving their health and well-being.

- It is the intent of the Board and Plan leadership team to support the development of benefit offerings that are **affordable** to state employees, retirees and their dependents and the State of North Carolina. Therefore, the Board and Plan leadership team will make every effort to work on behalf of the members and State of North Carolina to develop the competitively priced offerings that **improve the health and well-being of its members**.
- It is the intent of the Board and Plan leadership team to effectively manage premiums that members are required to pay for coverage and for out-of-pocket health care expenses. The Board and Plan leadership team **support the development of programs and benefit offerings that encourage healthy lifestyles** and the appropriate use of incentives and cost sharing as levers in influencing the use of health care services and improving the health of plan members. Ongoing communication and education will be critical.
 - Improve Affordability
 - Improve Members' Health
 - Ensure Access to Quality Care
 - Incent Member Engagement
 - Expand Value-Based Design Elements
 - Promote Health Literacy
 - Provide Member Choice
 - Maintain Financial Stability

Key Strategic Initiatives

- **Assist Members to Effectively Manage High Cost, High Prevalence Chronic Conditions:** Focused programs designed to assist members and their providers to effectively manage a member's chronic condition(s). The targeted chronic conditions include asthma, COPD, cardiovascular diseases & diabetes. This includes a focus on members with multiple and complex chronic conditions
- **Offer Health-Promoting and Value-Based Benefit Designs:** Benefit designs that reduce barriers to care and are directed at sustaining long-term health and managing chronic disease and incent members to seek treatment from high quality, cost effective providers
- **Promote Health Literacy:** Provide access to tools and resources designed to assist members in understanding costs, treatment and provider options to support members in communicating with their provider and engaging in their health care decisions.

Value Comparison of SHP Plan Options

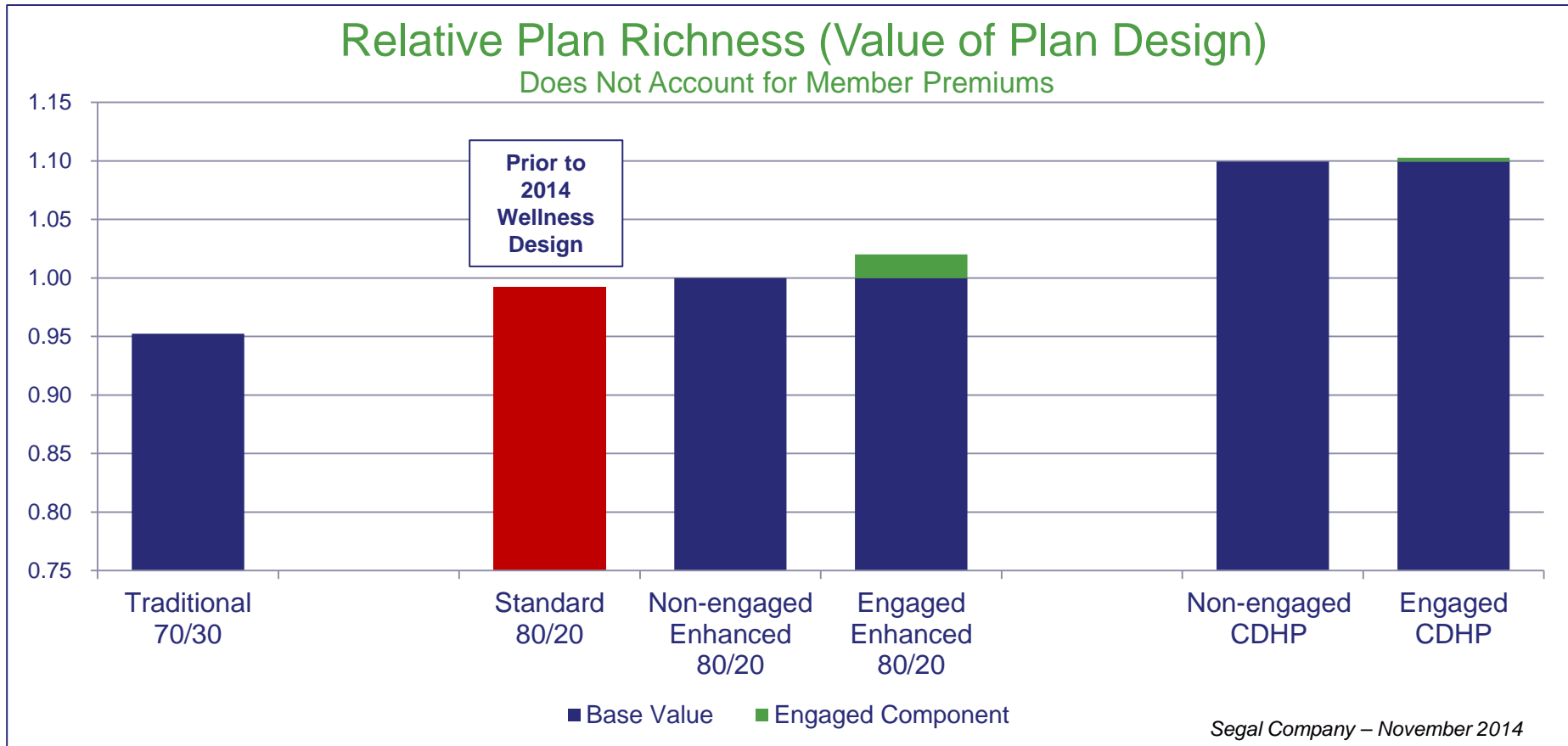
- Using Comparative Analysis of State Health Plans methodology conducted more detailed internal value comparison of current options
- Plan options for active employees and non-Medicare retirees
- Engaged member vs. non-engaged member
 - Engaged member is defined as one who:
 - Completes all healthy activities and earns all premium credits
 - Only uses selected PCP
 - Only uses Blue Options Designated providers
 - Non-engaged member is defined as one who
 - Does not earn any premium credits
 - Never uses Blue Options Designated providers

Value Comparison of SHP Plan Options

Internal value comparison includes current Plan options and former Standard 80/20 PPO option:

- Traditional 70/30 member
- Standard 80/20 member (Option as offered in FY 2012-13, prior to Board-Approved Wellness Design effective for CY 2014)
- Engaged Enhanced 80/20 member
- Non-engaged Enhanced 80/20 member
- Engaged CDHP member
- Non-engaged CDHP member

Engaged Employees/Retirees Earn Richer Plan

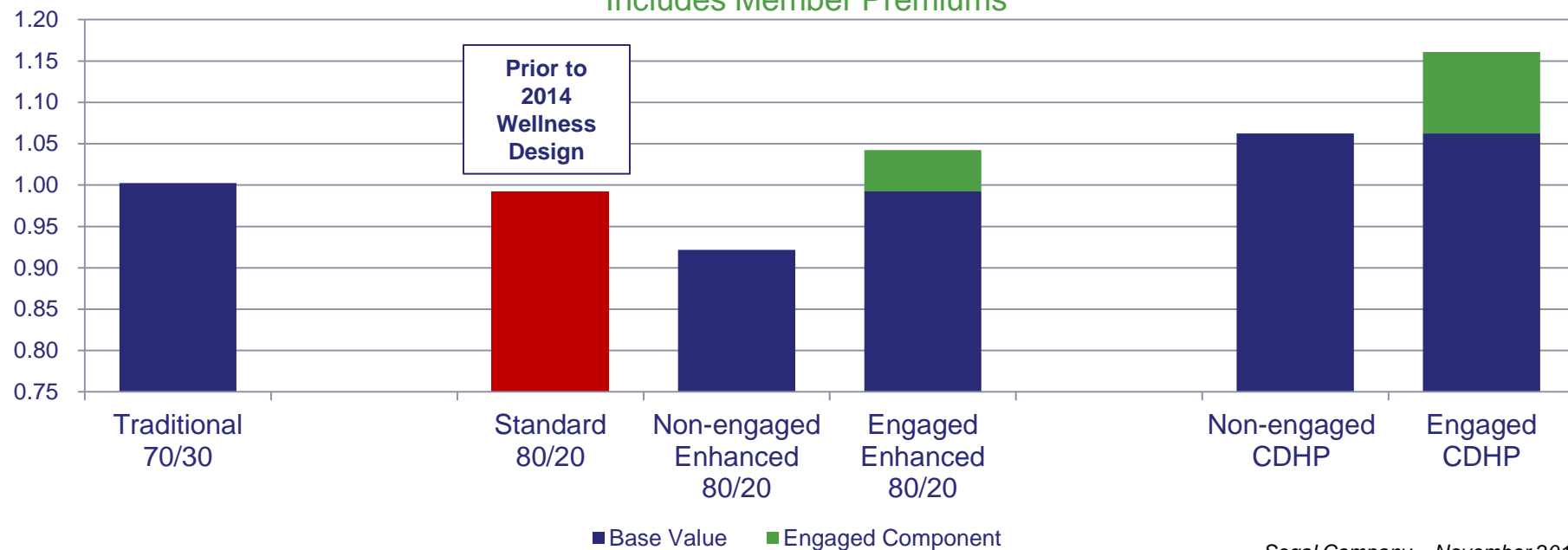


- 16% difference in relative value of richest plan (CDHP) and least rich plan (Traditional 70/30)
- Relative difference in value 70/30 and non-engaged 80/20 is 5%
- Engaged 80/20 and CDHP members earn higher value coverage

Engaged Employees/Retirees Receive the Richest Overall Benefit

Overall Relative Benefit Value - Individual Coverage

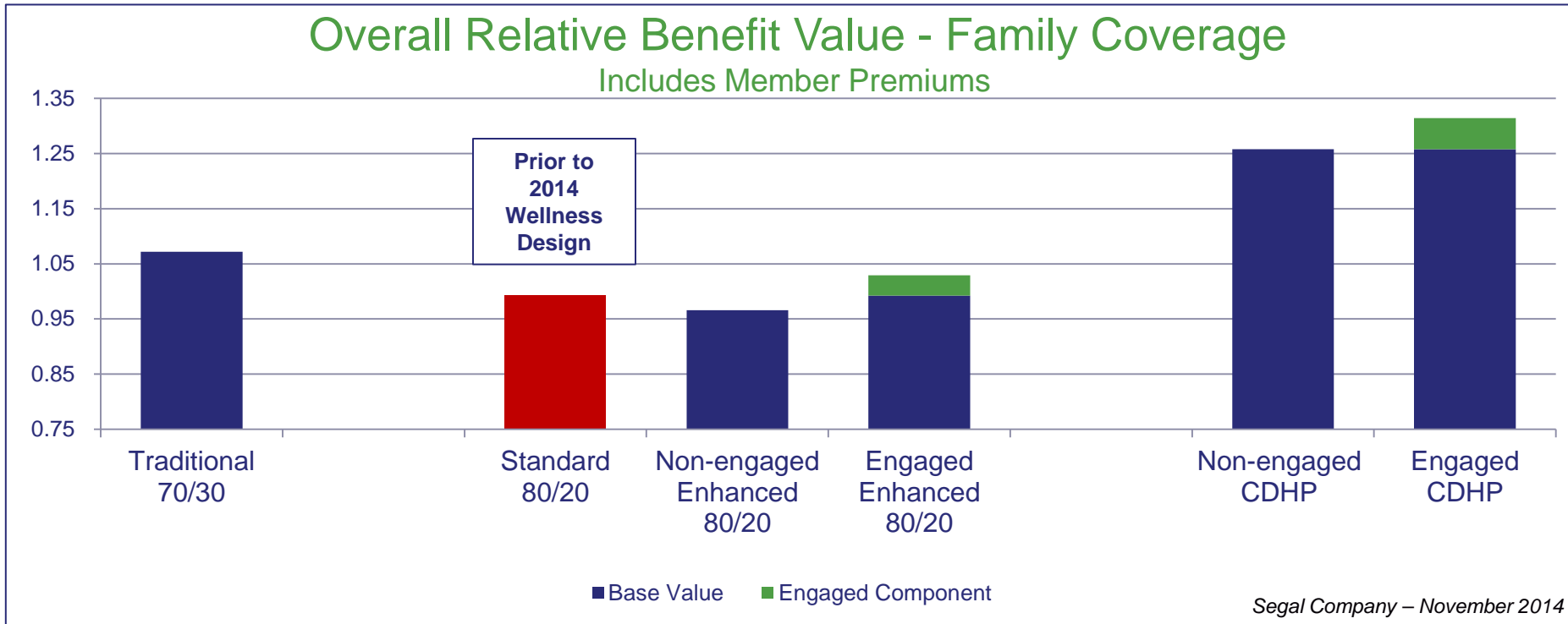
Includes Member Premiums



Segal Company – November 2014

- Current benefit plans offer richer benefit options than the former Standard 80/20 plan
- Members have the opportunity to significantly increase the value of their benefit by completing healthy activities, earning premium credits and using their selected PCP and Blue Options Designated providers
- Taking wellness credits and incentives into account, an engaged CDHP member receives a 26% richer overall benefit than a non-engaged Enhanced 80/20 member
- For members who do not want to engage, the CDHP and Traditional 70/30 plans offer the best value

Engaged Families *May* Receive the Richest Overall Benefit



- Current benefit plans offer richer benefit options than the former Standard 80/20 plan
- Engaged employees/retirees and dependents have the opportunity to significantly increase the value of their benefit
- An engaged CDHP family receives a 36% richer overall benefit than a non-engaged Enhanced 80/20 family
- The Traditional 70/30 plan provides better overall value for families than the Enhanced 80/20 plan regardless of engagement level

Value Comparison Key Takeaways

- 2014 Board Approved Wellness Design has created richer plan designs and added overall value to benefit options available to members
 - Non-engaged members do not receive these benefits
- CDHP offers the richest plan design and overall benefit value by a significant margin and for many members would result in the lowest out-of-pocket costs
- Enhanced 80/20 plan provides less value than the CDHP; however, many members find the copay model more attractive
- Modifying healthy activities, premium credits and wellness incentives to encourage more engagement will increase plan richness and overall benefit value

Value Comparison Discussion Points

- Are members being offered meaningful choice?
- How do the current options address the Strategic Plan and where do they fall short?
- Are there values or value differentials the Plan should target or create?
 - To what degree should benefit value be modified through:
 - **Premiums**
 - Ratio or share of employer vs. employee contributions
 - Premium credits
 - Number and type of healthy activities required to earn
 - To reduce dependent contribution rates
 - **Plan Design**
 - Incentive based reductions in member cost share
 - Other modifications to member cost share
- Is the Traditional 70/30 truly the “low option?”
- Is it important to have a plan option that does not incent engagement?
 - Should that plan be less rich and/or priced differently?

Wellness Design: Healthy Activities & Premium Credits

Goal: Reward members for engagement and establish process to help improve members' health

- Only tied to the 80/20 and CDHP in 2014 & 2015
- Original intent:
 - Add design to 70/30 plan beginning in 2016
 - Wellness premiums and credits to increase over time
 - Healthy activities to evolve and intensify over time
- Can tie other wellness incentives to premium credit activities (e.g., reduced PCP copay for visit to selected PCP)
- Current actuarial forecast assumes adding wellness premiums and credits to the 70/30 plan in CY 2016 at same level planned for 80/20 and CDHP

Wellness Design: Healthy Activities & Premium Credits

Developing a stair-stepped approach to future credits

- Intentional, planned progression of healthy activities and engagement over next few years
- Ideally, Board will approve healthy activities and premium credit amounts for CYs 2016 & 2017
- Allow more time for:
 - Communication campaign
 - Members to engage and complete activities
 - Implementation and administration

Current Healthy Activities & Premium Credits

2014 & 2015 Plan Years Subscriber Credits Earned for the Following:

Smoker Attestation

- Subscriber and, if applicable, their spouse attest to being a non-smoker or participating in a cessation program.

Health Assessment Completion

- Subscriber completes or updates their Health Assessment between Nov. 1, 2013, and Oct. 31, 2014, to receive credit.

Primary Care Provider Selection

- Subscribers who select a Primary Care Provider for themselves and all covered dependents receive credit.

Healthy Activities & Premium Credits under Consideration

2016

- **Tobacco Attestation**
 - Credit for non-tobacco user
 - Credit for **QuitlineNC enrollment**
 - Subscriber Credit/**Spouse Credit**
- **Health Assessment**
 - Subscriber Credit if questions completed and **biometrics self-reported**
- **PCP Selection**
 - Subscriber Credit if selected for subscriber and all enrolled dependents
- **Contact Information**
 - Subscriber Credit if provide or confirm address, phone number and email address

2017

- **Tobacco Attestation**
 - Credit for non-tobacco user
 - Credit for **QuitlineNC enrollment**
 - Subscriber Credit/**Spouse Credit**
- **Health Assessment**
 - Subscriber Credit if questions completed and **biometrics reported by lab or PCP**
- **PCP/PCMH Selection**
 - Credit for PCP selection by subscriber and all enrolled dependents
 - **Consider additional credit if certified PCMH selected**
 - Subscriber Credit/**Consider Spouse Credit**
- **Contact Information**
 - Subscriber Credit if provide or confirm address, phone number and email address
- **Health Literacy**
 - Subscriber Credit for completion of learning module (e.g., choosing a plan option or using transparency tools)
- **Health Engagement Program**
 - Subscriber Credit for engaging with one NC *HealthSmart* resource (e.g. call a coach, digital health coaching, Eat Smart, Move More, Weigh Less) or participation in one wellness/fitness activity or challenge

2018

- **Tobacco Attestation**
 - Credit for non-tobacco user
 - Credit for **QuitlineNC program completion**
 - Subscriber Credit
 - Spouse Credit
- **PCMH Selection**
 - **Replace PCP selection with Credit for selection of certified PCMH** by subscriber and all enrolled dependents
 - Subscriber Credit
 - Consider Spouse Credit
- **Health Literacy**
 - Subscriber Credit for completion of learning module (e.g., understanding care options)
- **Health Engagement Program**
 - **Low risk members:** Subscriber Credit for **preventive screening determined by PCP** & engagement/participation with **two** NC *HealthSmart* resources or wellness/fitness activities or challenges
 - **High risk members:** Subscriber Credit for **primary and secondary preventive screenings determined by PCP** and engagement/participation with **two** NC *HealthSmart* resources or wellness/fitness activities or challenges

Red activities/credits represent change from prior year

Healthy Activities & Premium Credits Key Takeaways

- Need to take strategic approach aimed at helping members become healthier and better consumers of health care
- Build on original philosophy and intent to increase the premium credit amounts and intensity of the activities over time to change behavior
 - Incent members to increase engagement annually to receive higher premium reductions and enhanced benefits
- Multi-year progression to ease members into the approach, give members time to engage, and allow the Plan to accurately/effectively administer the benefit
- To encourage engagement throughout the year and allow sufficient time to complete certain activities, not all healthy activities will need to be completed during Open Enrollment
 - Members will be given several months to earn certain credits prior to the Open Enrollment period

Healthy Activities & Premium Credits Discussion Points

- Thoughts on the healthy activities and timing over multi-year schedule?
- Is the progression appropriate?
- Do these activities support the Strategic Plan?
- Other activities for consideration?

- How many activities can be effectively communicated and understood by members in a year?
- How many activities can be effectively managed and administered by the Plan in a year?

Wellness Design: Incenting Engagement

Plan designs for CYs 2014 and 2015 include enhanced coverage and value-driven components to encourage member engagement and promote wellness:

- Free preventive services (80/20 and CDHP)
- Copay reduction/HRA credit for using the PCP selected at enrollment (80/20 and CDHP)
- Cost share reductions/HRA credits for using high quality/lower cost Blue Options Designated providers (80/20 and CDHP)
- Design elements modestly increased plan costs while providing meaningful increase in the value of member benefits

Wellness Design: Incenting Engagement

Strategies for Building on the Wellness Design

- To further incent and increase engagement and promote a culture of wellness, the CY 2016 and 2017 plan designs should seek to:
 - Engage and reward both low and high risk members
 - Provide a foundation for future enhancements and progression of incentives and engagement

Wellness Design: Incenting Engagement

Potential approaches and options for CYs 2016 and 2017:

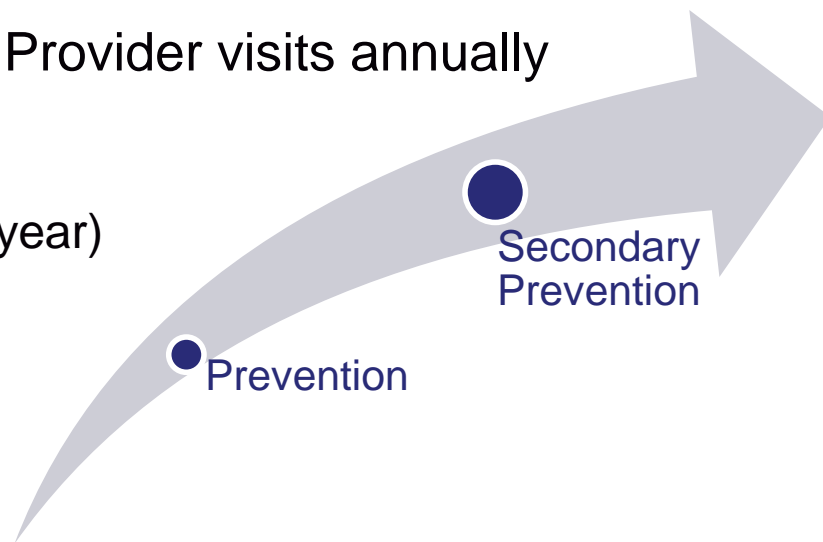
- Add Wellness Design (premium credits, design incentives and enhancements) to Traditional 70/30 plan
- Offer additional or increased cost share reductions/HRA credits
- Offer Value-Based Insurance Design (VBID) plan option
- Incorporate VBID or other value-based design elements in one or more plan options
 - Focus on helping members manage chronic diseases
 - Incent secondary prevention
 - Reduce the costs of maintenance medication for engaged members

Chronic Disease Health Engagement Program under Consideration

- Starting January 1, 2016, incentive disease and case management engagement with
 - Reduced copays or HRA credits for engaging in appropriate health management activities (e.g., PCP visits, testing, counseling/coaching)
 - Reduced pharmacy copays or HRA credits for chronic condition management medications for:
 - Diabetes
 - Cardiovascular disease
 - Asthma/COPD
- This value-based benefit design supports the Plan's strategic initiative to improve member's health by assisting members to effectively manage high cost high prevalence chronic conditions through increased member engagement and improved medication adherence.

Chronic Disease Health Engagement Program under Consideration

- Support chronic disease management of diabetes, asthma, and hypertension by offering the following high value services to members on the Enhanced 80/20 and CDHP with these conditions:
 - 2 additional \$0 copay Primary Care Provider visits annually
 - Members with diabetes
 - \$0 copay for testing of HbA1c (2 per year)
 - \$0 copay for microalbumin testing (1 per year)
 - 2 \$0 copay visits with a Certified Diabetes Educator (CDE)
 - Access to the Diabetes Primary Prevention (DPP) program
 - An evidence-based lifestyle change program for delaying onset and reducing complications related to diabetes



CDHP members would receive HRA credits

Chronic Disease Health Engagement Program under Consideration

Who is Eligible for Reduced Pharmacy Cost Share

- Non-Medicare primary members diagnosed with diabetes, cardiovascular disease, asthma, and COPD enrolled in the Enhanced 80/20 or CDHP

How to Qualify

- Pharmacy copay reduction or HRA credit for members who:
 - Complete Health Assessment with all biometrics within last 12 months
 - Engage with NC HealthSmart by completing one call with a health coach or completing a digital health coaching session within the last 6 months (engagement required twice a year)

Incentive

- Members who qualify for the program will receive the following incentive for a 30-day supply of their chronic disease management medications:
 - Enhanced 80/20 Plan: Tier 1 \$6 copay, Tier 2 \$20 copay (50% reduction)
 - CDHP: \$5 added to HRA

Chronic Disease Health Engagement Program under Consideration

Potential Progression of Engagement

2016	2017	2018
<ul style="list-style-type: none">• Complete Health Assessment and biometric measures• Engage with one NC HealthSmart resource (e.g., Coach once prior to enrollment)• Engage with Health Coach once again within 6 months of enrollment	<ul style="list-style-type: none">• Health Assessment w/ biometrics (once per year)• Call with a health coach or digital health coaching module (2 per year)• Set a health goal with your Health Coach (attested by the coach)• Complete all recommended clinical screenings (i.e., HbA1c twice per year for diabetics, etc.)	<ul style="list-style-type: none">• Health Assessment w/ biometrics (once per year)• Call with a health coach or digital health coaching module (2 per year)• Achieve health goal (attested by the health coach)• Complete all recommended clinical screenings

Health Engagement Program for Healthy/Low Risk Members

Potential Progression of Engagement

2016	2017	2018
<ul style="list-style-type: none">• Complete Health Assessment and biometric measures• Engage with one NC HealthSmart resource (e.g., call a coach, digital health coaching, Eat Smart, Move More, Weigh Less) prior to enrollment	<ul style="list-style-type: none">• Health Assessment w/ biometrics (once per year)• Engage with one NC HealthSmart resource (e.g., call a coach, digital health coaching, Eat Smart, Move More, Weigh Less) or participate in one wellness/fitness activity or challenge prior to enrollment	<ul style="list-style-type: none">• Health Assessment w/ biometrics (once per year)• Complete preventive screening determined by PCP and engage or participate with two NC HealthSmart resources or wellness/fitness activities or challenges

Rewards/cost share reductions to be determined

Wellness Design Key Takeaways

- Need to take strategic approach aimed at engaging and helping members manage their health conditions
- Multi-year progression to ease members into the approach, give members time to engage, and allow the Plan to accurately/effectively administer the benefit
- Need different design elements and incentives for low risk and high risk members

Wellness Design Discussion Points

- Thoughts on approach and progression over multi-year schedule?
- Do these activities support the Strategic Plan?

- How many programs and incentives can be effectively communicated and understood by members in a year?
- How many programs and incentives can be effectively managed and administered by the Plan in a year?

Plan Design Differentiation

Considering the relative value of SHP plan options, should the Board approve plan design changes to modify the relative plan richness or overall benefit value of existing options?

- Option for adjusting the relative value of the Traditional 70/30 and Enhanced 80/20 plans:
 - Increase cost-sharing on Traditional 70/30 to grandfather limits
 - Improve Pharmacy cost-sharing and add additional value based components on the Enhanced 80/20
 - Reduce cost share of Tier 1 medications on the Enhanced 80/20 to be in line with the marketplace
 - Incorporate a coinsurance minimum and maximum cost share on Enhanced 80/20 to promote member consumerism

Option for Plan Design Differentiation

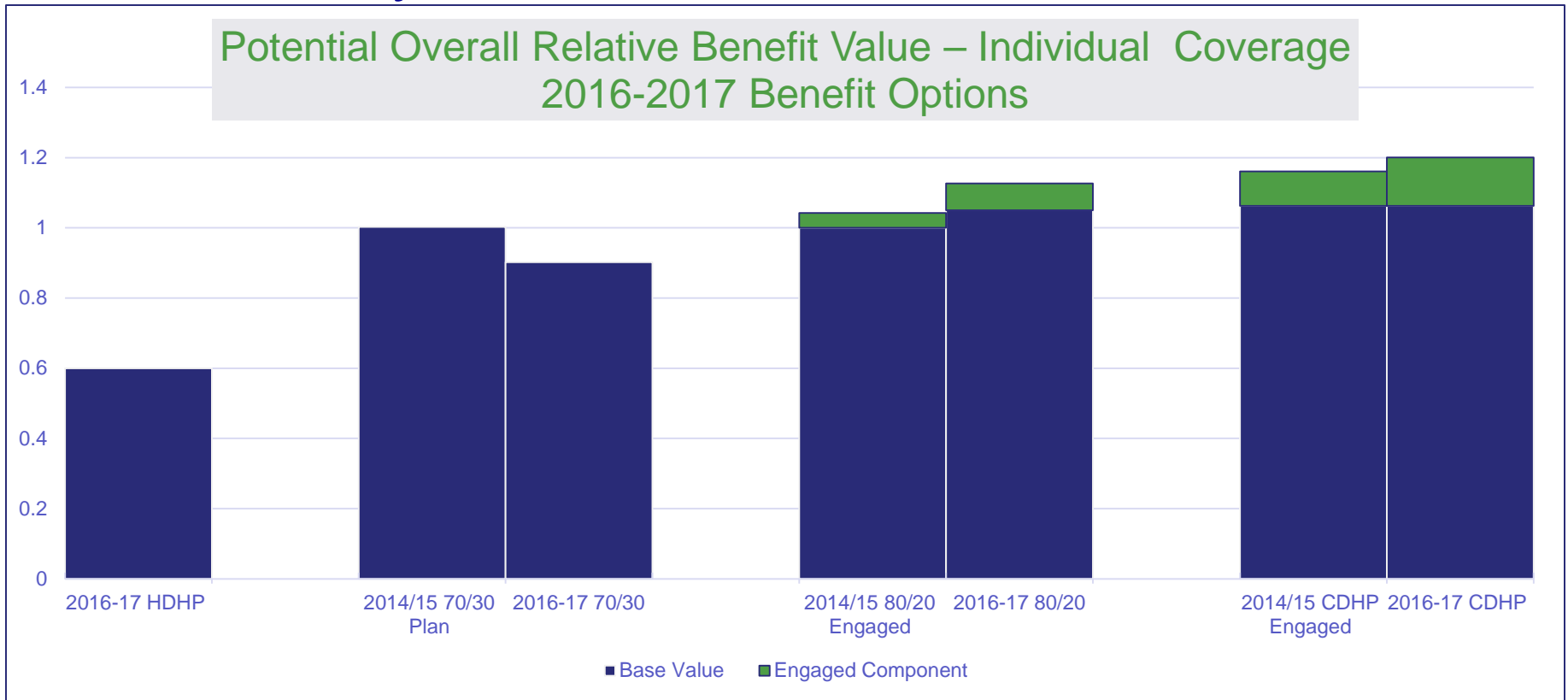
	70/30 Current	70/30 2016 Proposed	80/20 Current	CDHP
Annual Deductible	\$933 Individual \$2,799 Family	\$1,054 Individual \$3,162 Family	\$700 Individual \$2,100 Family	\$1,500 Individual \$4,500 Family
Coinsurance Maximum	\$3,793 Individual \$11,379 Family	\$4,282 Individual \$12,846 Family	\$3,210 Individual \$9,630 Family	N/A
Out-of-Pocket Maximum	N/A	N/A	N/A	\$3,000 Individual \$9,000 Family
Pharmacy Out-of-Pocket Maximum	\$2,500	\$3,294	\$2,500	Included in OOP
Preventive Care	\$35 PCP \$81 Specialist	\$39 PCP \$92 Specialist	\$0	\$0
Office Visits				
PCP	\$35	\$39	\$30 for primary doctor; \$15 if you use PCMH on ID card	15% after deductible; \$15 added to HRA if you use PCMH on ID
Specialist	\$81	\$92	\$70 for specialist; \$60 if you use Blue Options Designated specialist	15% after deductible; \$10 added to HRA if you use Blue Options Designated specialist
Urgent Care	\$87	\$98	\$87	15% after deductible
Chiro/PT/OT	\$64	\$72	\$52	15% after deductible
Emergency Care	\$291, then 30% after deductible	\$329, then 30% after deductible	\$233, then 20% after deductible	15% after deductible
Inpatient Hospital	\$291, then 30% after deductible	\$329, then 30% after deductible	\$233 copay, then 20% after deductible; copay not applied if you use Blue Options Designated hospital	15% after deductible; \$50 added to HRA if you use Blue Options Designated hospital

Option for Plan Design Differentiation

	70/30 Current	70/30 2016 Proposed	80/20 Current	80/20 2016 Proposed	CDHP Current	CDHP 2016 Proposed
Pharmacy Benefit						
Tier 1	\$12	\$15	\$12	\$8	15% after deductible for in network benefits, 35% after deductible out of network	15% after deductible for in network benefits, 35% after deductible out of network
Tier 2	\$40	\$46	\$40	20%, \$25/Min, \$40/Max		
Tier 3	\$64	\$72	\$64	20%, \$40/Min, Max/\$64		
Tier 4	25% up to \$100	25% up to \$100	25% up to \$100	25% up to \$100		
Tier 5	25% up to \$125	25% up to \$132	25% up to \$125	25% up to \$132		
OOP	\$2,500 Rx Only	\$3,294 Rx Only	\$2500 Rx Only	\$2,500 Rx Only	Integrated with Medical	Integrated with Medical
ACA Preventive Medications	No	No	Yes	Yes	Yes	Yes
CDHP Preventive Medications	N/A	N/A	N/A	N/A	Yes	Yes
Grandfather Status	Grandfathered	Grandfathered	Grandfathered	Grandfathered	Non-Grandfathered	Non-Grandfathered

Potential Impact of Plan Differentiation

Illustrative Only



- Can drive additional value-based components on the Enhanced 80/20 and CDHP while creating greater member choice by reducing the Traditional 70/30
- Approach would incent members to engage while allowing them an option to maintain coverage

Other Benefit Design Considerations

- **Modeling Premium Strategies**
 - Salary-based premium schedule – across the board or plan option specific?
 - Reduce dependent premiums – across the board or plan option specific?
- **Retiree Plan Options**
 - Statutory requirement to offer premium free option
 - Medicare Advantage premium rates for 2016 not available until June 2015
 - Options for offering Medicare Supplement (Medigap) Coverage
- **Specialty Pharmacy**
 - Working with BCBSNC regarding options for Medical Specialty
 - Consider modifying member cost share
 - Copay “parity” with Pharmacy benefit vs. Incenting lower cost care settings
- **Maternity coverage for dependents**
- **Telehealth**

Design Planning Discussion Points

How do Design Elements under Consideration Align with the Strategic Plan?

Offer Health-Promoting and Value-Based Benefit Designs

Assist Members to Effectively Manage High Cost Conditions

Maximize Patient-Centered Medical Home Effectiveness

Target Acute Care and Specialists Expense

Target Rx Expense

Promote Health Literacy

Next Steps

- Work with VBID Experts to develop recommended plan design change for consideration
- Input from BOT Strategic Workgroups and Stakeholders
- Financial Projection from Segal
 - What is the premium impact?
 - How will this impact enrollment?