



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Potential Benefit Option for Newly Eligibles

Board of Trustees Meeting

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A Division of the Department of State Treasurer

Presentation Overview

- Summary of ACA Requirements
- Potential Enrollees
- Options for Compliance
- Potential Plan Designs
- Potential Premiums
- Decision Points

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)

Potential Enrollees

- In December, Plan staff solicited a survey from the Office of State Human Resources, Department of Public Instruction, the University of North Carolina (UNC) system, and the Community College system to determine the number of potentially eligible employees.
 - Based on the number hours worked, approximately 24,000 people could become eligible under the 2015 rule; however, several entities indicated that they will be changing HR policies to potentially reduce the number of newly eligible employees.
 - The IRS has also issued newer guidance for schools and universities on determining eligibility

Options for Compliance

- Under current State law, effective January 1, 2015 non-permanent full-time employees (newly eligibles) will be eligible to enroll in the benefit plan options currently offered by the State Health Plan.
 - Employing units and newly eligible employees will be subject to the same employer and employee contributions as apply to the CDHP, Enhanced 80/20 and Traditional 70/30 plans.
- All employing units have expressed interest in creating a lower cost option to offer these employees that would include an employee premium.
- Plan staff has been exploring options to offer an alternate health benefit plan to newly eligibles if legislation is enacted by the General Assembly.

Options for Compliance

- The UNC system has expressed interest in creating their own plan because their potential newly eligibles are significantly younger than the average of other employing units and it would reduce the cost to the UNC system.
 - This would, in turn increase the cost for the remainder of the employing units covered through the Plan's option.
- Segal has priced benefit options with and without UNC's participation and two levels of benefit.
 - A minimum value plan and a slightly enhanced Bronze Plan.
 - Both offerings would provide significant savings to employing units when compared to the current SHP offerings.
 - Savings are reduced by both offering a more generous benefit and by excluding UNC.

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)
Deductible	\$933	\$5,000	\$1,400
Health Saving Account Compatible	No	Yes	Yes
Coinsurance	70%	50%	50%
Medical Coinsurance Maximum	\$3,793	N/A	N/A
Out-of-Pocket Maximum	N/A	\$6,450	\$6,450
Medical Copays			
Preventive Care	\$35 or \$81	\$0	\$0
Primary Care Provider	\$35	Deductible, then coinsurance	Deductible, then coinsurance
Specialist Visit	\$81	Deductible, then coinsurance	Deductible, then coinsurance
Inpatient Hospital	\$291	Deductible, then coinsurance	Deductible, then coinsurance
Emergency Room Services	\$291	Deductible, then coinsurance	Deductible, then coinsurance
Pharmacy Copays			
Generic	\$12	Deductible, then coinsurance	Deductible, then coinsurance
Preferred Brand Drugs	\$40	Deductible, then coinsurance	Deductible, then coinsurance
Non-Preferred Brand Drugs	\$64	Deductible, then coinsurance	Deductible, then coinsurance
Specialty High-Cost Drugs	75% coinsurance	Deductible, then coinsurance	Deductible, then coinsurance
Out-of-Pocket Maximum	\$2,500	Included in total Out-of-Pocket	Included in total Out-of-Pocket

Sample Premium Sharing (MCC Plan): Employee/Employer Contributions in Four Pay Bands

	Employee Share	Including UNC Employer Share	Excluding UNC Employer Share			
Non-Permanent Employees in Pay Band 1				Pay Band 1		
Employee Only	\$90.00	\$111.00	\$133.00	Pay Unit	to	
Employee + Child(ren)	\$263.00	\$111.00	\$133.00	Hourly	up to	\$10.00/hour
Employee + Spouse ¹	\$467.00/\$507.00	\$111.00	\$133.00	Monthly	up to	\$1,300.00/month
Employee + Family	\$564.00	\$111.00	\$133.00	Annual	up to	\$15,600.00/year
Non-Permanent Employees in Pay Band 2				Pay Band 2		
Employee Only	\$124.00	\$77.00	\$99.00	Pay Unit	from	to
Employee + Child(ren)	\$297.00	\$77.00	\$99.00	Hourly	\$10.01	\$13.00/hour
Employee + Spouse ¹	\$501.00/\$541.00	\$77.00	\$99.00	Monthly	\$1,300.01	\$1,690.00/month
Employee + Family	\$598.00	\$77.00	\$99.00	Annual	\$15,600.01	\$20,280.00/year
Non-Permanent Employees in Pay Band 3				Pay Band 3		
Employee Only	\$161.00	\$40.00	\$62.00	Pay Unit	from	to
Employee + Child(ren)	\$334.00	\$40.00	\$62.00	Hourly	\$13.01	\$16.25/hour
Employee + Spouse ¹	\$538.00/\$578.00	\$40.00	\$62.00	Monthly	\$1,690.01	\$2,113.00/month
Employee + Family	\$635.00	\$40.00	\$62.00	Annual	\$20,280.01	\$25,350.00/year
Non-Permanent Employees in Pay Band 4				Pay Band 4		
Employee Only	\$201.00	\$0.00	\$22.00	Pay Unit	from	
Employee + Child(ren)	\$374.00	\$0.00	\$22.00	Hourly	\$16.26/hour	or more
Employee + Spouse ¹	\$578.00/\$618.00	\$0.00	\$22.00	Monthly	\$2,113.01/month	or more
Employee + Family	\$675.00	\$0.00	\$22.00	Annual	\$25,350.01/year	or more

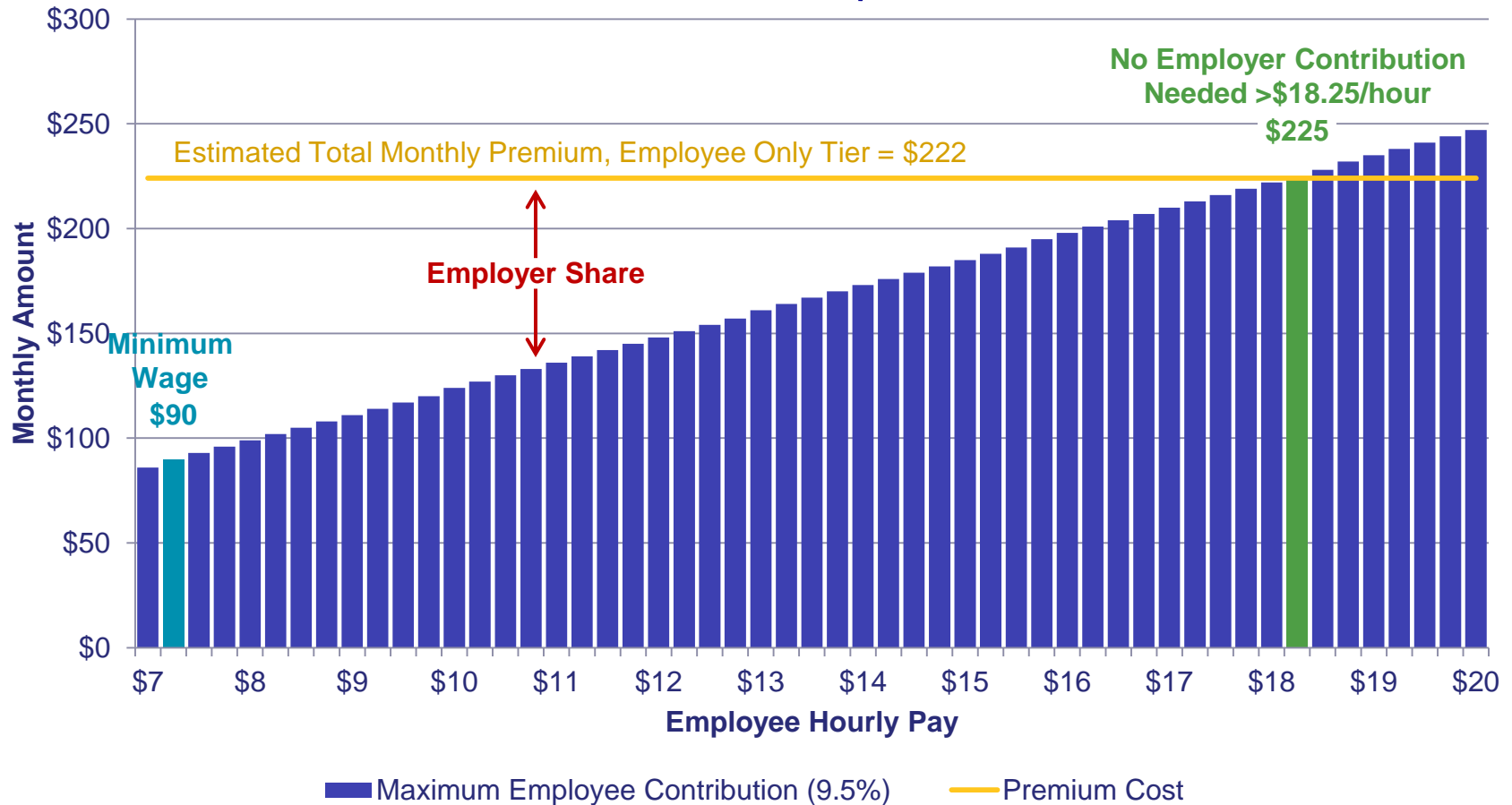
1. Segal has estimated that the total premium in the employee + spouse tier would be disproportionately higher due to selection

Sample Premium Sharing (Bronze Plan): Employee/Employer Contributions in Four Pay Bands

Pay Band	Employee Share	Including UNC Employer Share	Excluding UNC Employer Share	Pay Bands		
Non-Permanent Employees in Pay Band 1				Pay Band 1		
Employee Only	\$90.00	\$132.00	\$156.00	Pay Unit	to	
Employee + Child(ren)	\$280.00	\$132.00	\$156.00	Hourly	up to	\$10.00/hour
Employee + Spouse ¹	\$505.00/\$549.00	\$132.00	\$156.00	Monthly	up to	\$1,300.00/month
Employee + Family	\$611.00	\$132.00	\$156.00	Annual	up to	\$15,600.00/year
Non-Permanent Employees in Pay Band 2				Pay Band 2		
Employee Only	\$124.00	\$98.00	\$122.00	Pay Unit	from	to
Employee + Child(ren)	\$314.00	\$98.00	\$122.00	Hourly	\$10.01	\$14.00/hour
Employee + Spouse ¹	\$539.00/\$583.00	\$98.00	\$122.00	Monthly	\$1,300.01	\$1,820.00/month
Employee + Family	\$645.00	\$98.00	\$122.00	Annual	\$15,600.01	\$21,840.00/year
Non-Permanent Employees in Pay Band 3				Pay Band 3		
Employee Only	\$173.00	\$49.00	\$73.00	Pay Unit	from	to
Employee + Child(ren)	\$363.00	\$49.00	\$73.00	Hourly	\$14.01	\$18.00/hour
Employee + Spouse ¹	\$588.00/\$633.00	\$49.00	\$73.00	Monthly	\$1,820.01	\$2,340.00/month
Employee + Family	\$694.00	\$49.00	\$73.00	Annual	\$21,840.01	\$28,470.00/year
Non-Permanent Employees in Pay Band 4				Pay Band 4		
Employee Only	\$222.00	\$0.00	\$24.00	Pay Unit	from	
Employee + Child(ren)	\$412.00	\$0.00	\$24.00	Hourly	\$18.01/hour	or more
Employee + Spouse ¹	\$637.00/\$681.00	\$0.00	\$24.00	Monthly	\$2,340.01/month	or more
Employee + Family	\$743.00	\$0.00	\$24.00	Annual	\$28,470.01/year	or more

1. Segal has estimated that the total premium in the employee + spouse tier would be disproportionately higher due to selection

Affordability: Employee and Employer Shares (Bronze Plan with UNC included)



- A minimum wage (\$7.25/hour) employee working 30 hours/week could be required to contribute \$90/month

- A 30-hour per week employee making over \$18.25/hour could pay the entire \$222 projected monthly premium with 9.5% of pay

Decision Points:

What Plan to Offer and Who is Included?

- The General Assembly determines eligibility for State Health Plan benefits and has provided some indication that they would like to offer newly eligible employees something different than the current Plan offerings.
- OSHR is working with legislative staff on statutory language to allow the Plan to provide these employees a different, more affordable benefit offering.
 - The Plan provided input regarding the statutory change and is monitoring the process to ensure that we can administer what is enacted.
 - The authorizing language will likely be included in the budget.
- The UNC system has expressed interest in offering their own plan due to their more favorable risk pool.
 - Allowing individual employing units to opt out of SHP coverage may have adverse implications to other employees and the Plan's authority.

Decision Point:

Setting Employee and Employer Contributions

Statutory language will likely provide guidance on the premium contribution structure

- Considered options include:
 - **Option 1:** Set employee contribution at 9.5% of expected income; employer pays the remaining amount
 - Pros: Minimizes employer contribution
 - Cons: Administratively difficult
 - **Option 2:** Set employee contribution at 9.5% of lowest-paid employee (approx. \$90/month); employer pays the remaining amount
 - Pros: Establishes a set employer contribution (approx. \$134/month); simplifies administration
 - Cons: Higher employer costs
 - **Option 3:** Set several (2-5) pay bands with employee contributions equal to 9.5% of lowest-paid employee within each pay band; employer pays the remaining amount
 - Pros: Reduces administrative burden and employer contribution
 - Cons: Fairness issues for pay rates just above or just below a cut point for a higher employee share