

**Board of Trustees  
State Health Plan for Teachers and State Employees  
Department of State Treasurer  
August 28, 2014**

The meeting of the Board of Trustees of the North Carolina State Health Plan for Teachers and State Employees was called to order at approximately 5:10 p.m. on Thursday, August 28, 2014, at the State Health Plan, 4901 Glenwood Avenue, Suite 300, Raleigh, NC 27612.

**Members Present:**

Tony Gurley (for Art Pope)  
Charles Johnson

**Members Participating via Phone:**

Vice-Chair Genell Moore  
V. Kim Hargett  
Noah Huffstetler  
Bill Medlin  
David Rubin  
Warren Newton (joined late)

**Absent:**

Chair Janet Cowell  
Paul Cunningham

**State Health Plan and Department of State Treasurer Staff:** Mona Moon, Lotta Crabtree, David Boerner, Mark Collins, Thomas Friedman, Beverly Harris, Nidu Menon, Lorraine Munk, Caroline Smart, Tracy Stephenson, Andrew Holton (via phone), Joan Fontes

**Welcome**

Ms. Genell Moore, Vice-Chair, welcomed Board members, State Health Plan and Department of State Treasurer staff and visitors to the meeting.

**Agenda Item - Conflict of Interest Statement**

In compliance with the requirements of Chapter 138A-15(e) of the State Government Ethics Act, Ms. Lotta Crabtree requested that members who have either an actual or perceived conflict of interest identify the conflict and refrain from discussion and voting in those matters as appropriate. Vice-Chair Moore stated that she would recuse herself from the discussion and vote on the Third Party Administrative Services for Medical Claims Related to Alternative Products due to her relationship with the vendor proposed to provide those services. She asked Mr. Huffstetler to lead the discussion for that agenda item.

Mr. Huffstetler stated that he would recuse himself from any discussion related to Benefitfocus due to the fact that a partner in his law firm represents Benefitfocus.

Vice-Chair Moore noted that the minutes from the August 1, 2014, meeting would be presented for a vote at the regular September meeting.

**Agenda Item – Alternative Benefit Options for Newly Eligibles**

*Presented by Caroline Smart, Director of Health Plan Operations, and Tracy Stephenson, Director of Pharmacy Benefits*

Session Law 2014-100 includes a section which calls for the establishment of a new health benefit plan for non-permanent full-time employees to comply with the Affordable Care Act (ACA) and Internal Revenue Code 4980H. Full-time employees expected to work 30 hours a week will be eligible for the new employer sponsored health care plan. The State Treasurer and the State Health Plan board were directed to develop the coverage option for these employees to provide minimum essential coverage at no greater than the bronze level as defined by the ACA.

The proposed individual deductible for the High Deductible Health Plan (HDHP) is \$5,000 and the family deductible is \$10,000. The out-of-pocket maximum for employee only coverage is \$6,450 and \$12,900 for family. The ACA preventive medical and pharmacy services are covered at 100%. Non-network benefits will be paid at 40%.

The HDHP is compatible with a Health Savings Account (HSA) which will allow employees to open an account and make tax deductible contributions to the account up to \$3,350 for the individual and \$6,650 for the family. The HSA funds can be used to pay for eligible medical expenses.

In addition, Plan staff proposed that the following benefits be included: phone or online access to Teladoc physicians for common conditions available 24/7 for \$40 a visit; access to HealthReports, a transparency tool, to review provider costs and quality information; and personal care management with customized health education and coaching. Online health and wellness tools, including healthy living programs and health trackers, will also be offered. Ms. Smart stated that the Plan will conduct educational sessions and provide customer support for newly eligible members.

Ms. Stephenson reviewed the Plan staff recommendation to adopt the national preferred drug formulary offered through Express Scripts, Inc. (ESI) for newly eligible members. The Plan has a custom open formulary for other Plan products. The national preferred drug formulary excludes coverage for 66 out of 4,100 drugs but includes sufficient therapeutic representation across all drug classes. She noted that 61 out of the 66 excluded drugs have coupons available if members want or need to purchase these drugs. The proposed ESI formulary offers drug inflation protection, possibly 40% lower than the marketplace, and provides broad retail pharmacy accessibility.

An ESI pre-defined utilization management package will include prior authorization, step therapy and drug quantity programs for both traditional and specialty drugs. Neither the Plan nor the Plan's Pharmacy and Therapeutics Committee will make decisions on the formulary or utilization management programs for newly eligible members. ESI will assume responsibility for processing coverage exceptions and pharmacy appeals. Ms. Moon stated that the most significant change in the proposed benefit design for newly eligible employees relative to previous discussions is the pharmacy formulary. She noted that the minimum value plan provides the Plan with an opportunity to test a national formulary that has its own utilization management programs.

In response to a question from the board, Ms. Moon stated the eligibility status for non-permanent full-time employees will be determined by the employer. Ms. Crabtree stated that the Plan currently offers health benefits to permanent full-time and part-time employees. The newly eligible members could include temporary, contract or seasonal employees. Substitute teachers could also be included in the group depending on the number of hours they work per week.

Ms. Moon stated that one of the challenges the Plan faces is uncertainty with respect to the number of members who might choose coverage under this new plan and whether adverse selection will become an issue. Many of these eligible members may currently have coverage under one of the ACA plan options or another insurance plan. Current Plan enrollment rules, including coverage under COBRA, will apply to these members if they become ineligible for Plan coverage. As with current members, the employing entity will be responsible for monitoring eligibility.

A board member noted that the state has a large number of contract employees whose salaries, in many cases, are far higher than full-time permanent employees in the same positions. As to whether these contractors would be eligible for coverage under the new plan, Ms. Crabtree stated the Plan is reviewing the eligibility of contractors who meet the IRS code requirement but who may not be defined as employees by the employing unit. Another board member noted that temporary employees also receive higher salaries in many instances to compensate for the lack of a benefit package and may now be eligible for benefits. Ms. Moon stated that the Office of State Human Resources is reviewing this issue and is encouraging state agencies to use the State's temporary employment agency rather than other temporary employee organizations to help ensure compliance.

In response to a question regarding Teladoc services, Ms. Smart stated that the Plan will closely monitor utilization as the Plan does not promote Teladoc as a substitution for primary care providers (PCPs). The board requested that the Plan staff provide periodic quality, cost and usage reports.

Following a motion by Ms. Hargett and seconded by Mr. Medlin, the board unanimously approved the offering of an HSA-eligible high deductible health plan for employees eligible for health benefit coverage under G.S. 135-48.40(e) and the associated deductible, coinsurance and out-of-pocket amounts effective January 1, 2015.

**Agenda Item - Premium Contribution Rates for Alternative Benefit Option**

*Presented by Mark Collins, Financial Analyst*

Mr. Collins provided the proposed monthly premium rates for each coverage tier under the HDHP. At the May 2014 meeting, the Board was shown premium rates that were based on 70/30 plan experience and rates. Plan staff adjusted the rates reviewed in May to assume higher administrative fees than initially calculated. Based on input provided by employing units, adjustments were also made on the proposed employee and employer shares in order to maintain a stable employer contribution for all participants and to reduce the administrative burden of the new benefit. In response to a question by a board member, Ms. Moon stated that the rates are comparable to several plan options under the ACA. Mr. Collins noted that for comparison purposes, the current premium rates for the Consumer-Directed Health Plan (CDHP) were included in the presentation.

A board member asked about the timing of proposed premium changes, as well as a risk assessment report for the HDHP. Mr. Collins and Ms. Moon both reiterated that without knowing the population makeup in this plan, it's very difficult to make any predictions at this point. The Plan will closely monitor membership and financial results for the HDHP and provide information and recommendations for 2016 benefit changes and rate increases for all plan options at the same time. Open Enrollment for the HDHP is expected to occur in October and November. The Plan may have preliminary enrollment information available at the November board meeting.

Following a motion by Dr. Newton and seconded by Ms. Hargett, the board unanimously approved the premium contribution rates for the high deductible health plan effective January 1, 2015.

Following a motion by Mr. Medlin and seconded by Dr. Newton, the board voted unanimously to move into executive session pursuant to G.S. 143-318.11 and G.S. 132-1.2.

### **Executive Session**

#### **Agenda Item - Eligibility and Enrollment Services Contract**

*Presented by Lotta Crabtree, Interim Deputy Executive Administrator and Director of Contracting and Legal Compliance*

Ms. Crabtree reviewed the contract approval process required by the NC General Statutes and the Plan's exemption from GS 143 for this contract. She also provided background information on the current contract issues and presented background information on the Plan's Request for Proposal (RFP) and bid process that took place in 2012 resulting in award of these services to the current vendor. Pricing and customer service questions from board members were addressed.

Following a motion by Ms. Hargett and seconded by Dr. Newton, the board voted unanimously to approve the Eligibility and Enrollment Services (EES) contract with services effective no later than July 1, 2015, contingent on resolution of outstanding issues to the satisfaction of the Executive Administrator. Further discussion will be brought to the BOT regarding services standards for the call center.

#### **Agenda Item – Third Party Administrator Services for Medical Claims Related to Alternative Products**

*Presented by Lotta Crabtree, Interim Deputy Executive Administrator and Director of Contracting and Legal Compliance*

At this point, Vice-Chair Moore recused herself from the discussion and vote and requested that Mr. Huffstetler preside over this agenda item.

Ms. Crabtree reviewed the contract approval process required by the NC General Statutes and the mandates under Session Law 2014-100 to offer a benefit for non-permanent full-time (newly eligible) employees as well as the Plan's exemption from GS 143 for this contract. Questions from the board regarding costs and services were addressed by Plan staff.

Following a motion by Mr. Johnson and seconded by Dr. Newton, the board voted unanimously to approve the Third Party Administrator Services for Medical Claims Related to Alternative Products contract for newly eligible employees effective October 1, 2014.

Following a motion by Dr. Newton and seconded by Mr. Johnson, the board voted unanimously to return to open session.

The meeting was adjourned at 6:55 p.m.

  
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Janet Cowell, Chair