

**Board of Trustees  
State Health Plan for Teachers and State Employees  
Department of State Treasurer  
January 26, 2016**

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 6:00 p.m. on Tuesday, January 26, 2016, at the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

**Members Present:**

V. Kim Hargett  
Charles Johnson  
Bill Medlin  
David Rubin

**Participating by Phone:**

Janet Cowell, Chair  
Lee Roberts  
Paul Cunningham, MD  
Aaron McKethan  
Warren Newton, MD

**State Health Plan and Department of State Treasurer Staff:** Mona Moon, Lotta Crabtree, Lucy Barreto, Mark Collins, Tom Friedman, Beth Horner, Julie McManus, Lorraine Munk, Nidu Menon, Caroline Smart, Lauren Wides, Sandy Wolf, Fran Lawrence

**Welcome**

Janet Cowell, Chair, welcomed Board members and staff from the State Health Plan and Department of State Treasurer 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, Chair Cowell 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. No conflicts were noted.

**Agenda Item – Review of Minutes, November 19 and 20, 2015**

Following a motion by Mr. Medlin and seconded by Dr. Cunningham, the Board voted unanimously to approve the minutes.

**Agenda Item – Introduction of New Staff**

Ms. Moon introduced Ms. Lauren Wides, Director of Contracting and Healthcare Compliance. She also introduced Ms. Julie McManus, Operations Program Manager.

## **Agenda Item – Benefit Design, Plan Options and Premiums (Attachment 1)**

### Comparative Analysis of State Health Plans

*Presented by Tom Friedman, Director of Policy, Planning and Analysis*

Ms. Moon began by reminding the Board of the meeting on February 5, 2016, to vote on 2017 benefit changes. She stated that Plan staff and Board member, Ms. Hargett, met with key stakeholder groups on Thursday, January 21, to provide them with a preview of the 2017 proposed benefit changes. She noted that Plan staff would schedule additional meetings with stakeholders prior to the Board meeting on February 5 to solicit feedback and answer questions.

Mr. Friedman provided a comparative analysis of state health plans, using the Enhanced 80/20 Plan option as a benchmark. He noted that in terms of relative value, the Consumer-Directed Health Plan (CDHP) is the richest option the Plan offers. While the Plan has held relatively constant, benefit options in other states have eroded.

A summary of innovative plan design solutions other states have implemented was presented. Several states require member engagement in healthy activities in order to pay less for the richer benefit plans. Plans are looking to incent healthy behavior and offer choices based upon how much they want to engage. The NC legislative mandate to reduce the employer contribution limits the Plan's flexibility to improve all benefits.

### Proposed 2017 Benefit Design Changes

*Presented by Tom Friedman, Director of Policy, Planning and Analysis*

Mr. Friedman reviewed the benefit design changes approved by the Board for calendar year 2016, as well as the strategic priorities in the Board approved strategic plan. He presented some of the challenges the Plan has faced in developing benefit changes for 2017. He reiterated that the General Assembly's (GA) mandate to develop sufficient measures to limit the employer contribution increase remains undefined and that the Plan modeled several scenarios to determine potential savings and premium increases. If the GA determines that sufficient measures haven't been taken, the projected premium increase in 2018 and 2019 is 37%.

Mr. Friedman presented several benefit options for the Board to consider: move to two plan options (eliminate the 80/20 plan); request legislation to eliminate spousal coverage; add a base premium for subscribers in each plan selection; increase the member cost share. The two-plan option would include a higher value, lower cost plan that would require member engagement and a lower value, higher cost plan that would not require engagement. A summary of the engagement criteria for the high value plan for calendar years 2018-2020 was presented.

Several Board members expressed concern and opposition regarding the elimination of the 80/20 plan and spousal coverage. They also conveyed the importance of enhancing member education since many members still don't seem to understand the Consumer-Directed Health Plan (CDHP). Ms. Moon recognized the importance of member education, comparing it to the elimination of the Comprehensive Major Medical Plan in 2006. At that time, many members voiced opposition to the three PPO plans. She emphasized that the Plan wants to provide benefit options that are good for the member, while maintaining fiduciary responsibility.

One Board member suggested that the Plan review provider reimbursement rates as a cost-saving measure rather than increase premiums and out-of-pocket increases for members. In answer to a question regarding additional pharmacy savings, Mr. Friedman stated that the new Pharmacy Benefit Manager (PBM) contract might address potential savings but that Plan staff couldn't provide any details while in the procurement process. In answer to a question, Ms. Moon stated that due to timing, the Board would be asked to vote on 2017 benefit changes prior to the approval of the PBM contract. She noted that this is frequently the case since new information often comes to light following a vote.

Mr. Friedman summarized the staff proposal for 2017 benefit changes, the financial impact for calendar years 2018-2021 and the proposal rationale. He also reviewed an outline of the enhanced engagement model if the Board were to approve moving to two plan options, as well as the Board approved 2017 premium credits for healthy activities.

If the Board approves a base premium strategy, the Traditional 70/30 Plan would remain as a premium free option for individual coverage for both non-Medicare and Medicare retirees. Mr. Friedman reviewed the premium strategy for non-Medicare retirees, stating that it would deviate a bit from the strategy for the enhanced model for active employees.

The Plan is considering other cost-saving measures including the evaluation of proposals for a new PBM contract, pilot opportunities with various groups and alternative payment models. Mr. Friedman reviewed the next steps and noted the emphasis on communication strategies. Ms. Moon asked the Board to review the CY2017 and CY2018 Comparison of Proposed Benefit Options outlined in the presentation and provide feedback to Plan staff.

Board members reiterated the importance of focusing on education and communication strategies, particularly regarding the CDHP if that's the option we want members to choose. Ms. Moon stated that in keeping with the strategic plan, the Plan's goal is to improve member engagement and accountability while maintaining the overall benefit structure.

**Proposed Open Enrollment Strategy for 2017 Benefit Year**  
*Presented by Caroline Smart, Chief Operating Officer*

Ms. Smart stated that Plan staff met with various groups over the past few weeks to discuss enrollment issues and ideas to improve the process. Based on the past three years, Plan staff is proposing a strategy that would require members to take action and elect their plan and complete all three premium credits during the Open Enrollment period.

The Plan acknowledged the issues with technical improvements and have plans in place to correct the problems. Plan staff is working with Benefitfocus regarding member experience system enhancements. The Plan has also established a committee composed of key stakeholder leaders to discuss ways in which to improve the overall enrollment process. Regular meetings and communication with Health Benefit Representatives (HBRs) have provided valuable feedback to Plan staff.

**Transition Specialty Medications from Medical to Pharmacy Benefit**  
*Presented by Sandy Wolf, Director of Pharmacy Benefits*

Ms. Wolf provided a brief summary of the Plan's goal, rationale and projected savings to transition specialty drugs, excluding oncology drugs, from the medical benefit to the pharmacy benefit. The transition would occur in three phases. Examples of impacted drugs were included in the presentation and Ms. Wolf stated that the full list could be made available to Board members upon request.

The Plan is proposing June 1, 2016, to implement the communication plan for prescribers and members for Phase 1. Approximately 3,000 members will be impacted by the change. A more definitive timeline will be presented to the Board at the May meeting for Phase 2 and Phase 3.

In response to a question regarding the strategy for including oncology drugs at some point, Ms. Crabtree stated that legislative action would be required for that to occur.

#### Coverage for Clinical Trials

*Presented by Lotta Crabtree, Deputy Executive Administrator and Legal Counsel*

Ms. Crabtree provided a summary of coverage for approved clinical trials under the Affordable Care Act (ACA). She also reviewed the Plan's current coverage under the 70/30 and 80/20 options, which includes participation for approved members in Phases II, III and IV. The annual cost of expanding coverage to include Phase I would be approximately \$1 million.

Ms. Crabtree stated that Plan staff recommends Board approval for expanded coverage of approved trials consistent with ACA requirements for the 70/30 and 80/20 grandfathered plans. She noted that the Plan will come back to the Board for a vote at the February 5, 2016, meeting. The effective date, if approved, could be implemented for CY 2016.

#### **Member and Public Comment Period**

State Employees Association of North Carolina (SEANC): Mr. Chuck Stone urged the Board to reject the elimination of the 80/20 plan. He noted that there is no subsidy for dependent coverage and that members are paying more for health care but haven't received pay raises for several years. An inferior 70/30 plan option would make it difficult to recruit and retain new employees. He reiterated SEANC's position that the Plan could save at least \$250 million by reimbursing providers using Medicare rates. He encouraged the Board to honor their bylaws by operating in the interest of the members and beneficiaries.

North Carolina Association of Educators (NCAE): Ms. Marge Foreman stated that public school teachers and employees get very few pay raises. The out-of-pocket proposed changes will cause a financial burden for the lowest paid employees. Public employees are service employees who are not paid like private sector employees. Through no fault of the Plan, there wasn't time to educate members about the CDHP. She asked the Board to keep the 80/20 plan and asked Plan staff to consider scheduling meetings to get member input. NCAE stands ready to support.

In response to a question from Ms. Pam Deardorff, North Carolina Retired School Personnel, Ms. Moon stated that the current contracts for the Medicare Advantage Plans are in place until 2017 but the renewal of those plans won't be known until mid-year 2016. She stated that the elimination of a plan would impact spouses of Medicare Advantage members at some point.

Ms. Moon asked Board members for their initial feedback to the proposed 2017 benefit changes. The following feedback was provided:

- Elimination of the 80/20 plan is not a good idea
- Develop a communication and education strategy to promote the CDHP
- Adequate education might offer a more comfortable transition with time
- Elimination of spousal coverage shouldn't be considered at this time

- Provide members with adequate time (maybe 2 years) to learn the value of the CDHP before eliminating the 80/20 plan
- Review reimbursement rates to determine potential savings; if nothing can be done in this area, develop explanation for members

Ms. Moon stated that Plan staff will modify the proposal for the high value plan to retain elements of the 80/20 plan prior to the meeting on February 5. The Plan will also work with Segal to determine the financial impact of delaying the elimination of the 80/20 plan. Plan staff will also arrange for the Board to discuss, in greater detail, payment methodologies and reimbursement rates with Plan vendors.

In response to a question regarding the implications of not being ready to vote on February 5, Ms. Moon stated that it would be very hard to implement any changes if the date was extended. She also reminded the Board of the Plan's obligation to the General Assembly and stated that the window of opportunity for savings in 2017 would soon close.

Ms. Moon stated that Plan staff would meet with key stakeholder groups prior to February 5 and send revised material to the Board based on those discussions.

#### **Agenda Item – Adjourn**

Following a motion by Dr. Cunningham and seconded by Mr. Johnson, the Board voted unanimously to adjourn the meeting at 9:15 p.m.



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Janet Cowell, Chair