

**Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
April 27, 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 1:00 p.m. on Wednesday, April 27, 2016, at the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

Members Present:

Janet Cowell, Chair
Aaron McKethan
Bill Medlin
Elizabeth Poole
David Rubin

Absent:

Andrew Heath
Paul Cunningham, MD
Charles Johnson
Warren Newton, MD
Neal Alexander

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, Caroline Smart, Nidu Menon, Tom Friedman, Lauren Wides, Mike Santos, Mark Collins, Beth Horner, Lorraine Munk, Andrew Holton, Anthony Solari, Schorr Johnson, Brad Young

Welcome

Janet Cowell, Chair, welcomed Board members, staff from the State Health Plan and Department of State Treasurer and visitors to the meeting.

Agenda Item – Introduction of New Board Members

Presented by Janet Cowell, Board of Trustees Chair

Ms. Elizabeth Poole, a teacher from Carbarus County, was appointed by the Governor to replace Ms. Kim Hargett.

Mr. Neal Alexander, Director of the Office of State Human Resources, was appointed by the Governor to replace Ms. Genell Moore.

Agenda Item – Introduction of New Staff

Presented by Janet Cowell, Board of Trustees Chair

Mr. Matt Grabowski, Health Policy Analyst/Legislative Liaison, will report to Mr. Tom Friedman. He will also collaborate with staff in the Department's Legislative Services area.

Review of Minutes (Attachment 1)

Presented by Janet Cowell, Board of Trustees Chair

Due to the fact that the Board didn't have a quorum of voting members present at the meeting, this item was deferred until the May 12-13 Board meeting.

Agenda Item – Strategic Planning (Attachment 2)

2015 Scorecard Results

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

Mr. Friedman provided an executive summary, noting that the Plan fell below the established threshold for two specific metrics. He stated that Plan staff will propose some changes to the strategic initiatives and roadmap at a future Board meeting.

The 2015 scorecard results demonstrated that the percent of members with diabetes meeting clinical care standards of care fell approximately 3% below the benchmark. Mr. Friedman stated that the Plan will work with providers to improve in that area. The overall customer satisfaction score was also slightly below the established threshold. On a positive note, the per member per month (PMPM) claims expenditures were actually 2% lower than projected.

Following a question by a Board member, Ms. Smart stated that the Plan conducted a survey to measure customer satisfaction. Ms. Moon added that an upcoming orientation session for new Board members will include a more in-depth discussion regarding the survey questions, measurement methodology and results.

Next steps regarding the scorecard will include determining how the State budget will impact the strategic plan goals and identifying areas of focus to achieve established goals.

Updating the Plan for 2016-2020

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

Mr. Friedman provided a summary of revisions within the strategic plan. He noted that one of the areas on which the Plan will focus is to identify high utilizers and assist members to seek more appropriate sites of service. Staff will also develop a scorecard to track pharmacy expenses by evaluating prescribers and pharmacies.

The status and progress on projects and programs included in the strategic roadmap were presented. Following a question regarding the tracking and management of opioid drugs, Mr. Friedman stated that the General Assembly has an interest in step therapy programs and has recognized the Plan is on track in this area. The Plan's pharmacy benefit management contract also addresses utilization management programs.

Ms. Moon stated that the strategic plan is a document to which the Plan often refers in presentations to the Board. It is also a guide to measure and track progress in current programs and to develop new programs that fit within the strategic plan. She noted that Plan staff will continue strategic plan discussions with the Board, either in workgroups or regular meetings, over the next few months. The goal is to have a revised document for approval at the August meeting.

Provider Reimbursement Strategies

Presented by Mona Moon, Executive Administrator

Ms. Moon reviewed the spectrum of potential payment methodologies presented at prior Board meetings which range from fee for service (FFS) payments to methods that are more performance based. Some providers in North Carolina have adopted alternative payment arrangements in certain areas. The Plan would need to tailor payment models based on provider readiness. Effective data and analytics would be required to monitor performance.

Next steps and recommendations from the January 2014 Board presentation were reviewed again. It was noted that a statewide strategy is most likely not possible in the short term. Plan staff reiterated the recommendation to work with the current and future Third Party Administrators (TPA) and other vendors to identify opportunities to incent quality of care and pay for outcomes, while keeping in line with the strategic plan.

The presentation included a list of reimbursement savings initiatives that Blue Cross and Blue Shield of North Carolina (BCBSNC) either currently has in place or planned for the future. Several current initiatives have already generated savings. Reimbursement or policy initiatives will require quality and access components to ensure success. Reimbursement alone will not result in long term cost management.

Ms. Moon reviewed the considerations and decision points related to reimbursement strategies. She stated that with the TPA Request for Proposal (RFP) development under way, the Plan needs clear strategic direction from the Board. If the focus should be on reducing FFS reimbursements, the Board should reassess the strategic initiative to pursue alternative payment methods.

One Board member suggested that Plan staff consider looking into some of the programs that the Center for Medicaid and Medicare Services (CMS) has implemented in this arena. Another member asked for the total amount of projected savings for the BCBSNC reimbursement savings initiatives.

Ms. Moon concluded by stating that there are various approaches to provider reimbursement strategies and not all of them may work.

Agenda Item – 2016 Short Session Legislative Agenda (Attachment 3)

Presented by Matt Grabowski, Health Policy Analyst/Legislative Liaison

Mr. Grabowski began by stating that the Governor's budget had been released that morning and did not include the employer contribution to the Plan. Without sufficient time to thoroughly review the budget prior to the Board meeting, he stated that Plan staff would need some time to determine next steps. A Board member asked if the omission of employer contributions from the budget would mean higher copays and cost sharing for Plan members. Ms. Moon stated that staff would work with the General Assembly and Office of the State Budget and Management regarding Plan funding in hopes of avoiding that result.

Mr. Grabowski provided a summary of Plan priorities for the Short Session. The primary focus is to secure the release of funds reserved for an increase in the State's employer contribution during FY2016-17. Other legislative priorities include clarifying Affordable Care Act (ACA) reporting responsibilities for employers, modifying local government participation in the Plan, clarifying the Plan's contracting exemption, mandating contractor release of data to the Plan and authorizing flexibility regarding the State banking requirements.

Mr. Grabowski noted the Plan's concern that some local government entities covered by the Plan are deviating somewhat from the Plan design. The Plan has a Memorandum of Understanding (MOU) with each entity and will follow up to ensure that all groups are complying with the benefit structure.

While the Board did not have to approve the legislative agenda, Ms. Moon asked members to provide any comments or concerns to her.

Agenda Item – Benefit Design, Plan Options and Premiums (Attachment 4)

Presented by Mona Moon, Executive Administrator, Tom Friedman, Director of Policy, Planning and Analysis, and Caroline Smart, Chief Operating Officer

State Health Plan Myths vs. Facts

Over the past several months, various comments and statements have been made about the benefit options and impact on members. The Plan wanted to go on record to provide the facts and clarify any misunderstandings.

Rationale and Alignment of Benefit Changes with the Strategic Plan and Legislative Requirements

The reason for the proposed benefit changes are to comply with legislative mandates and achieve objectives of the strategic plan. Given the projected premium increases that will be required to maintain the current level of benefits, continuing to maintain the status quo is not an option. The legislative mandate for the Plan to adopt sufficient measures to limit the projected employer contribution has certainly added a different element to the discussion, but the Board has also been concerned with longer term picture.

The strategic plan and the benefit strategy emphasize strategic priorities which are to improve members' health and experience and to ensure financial stability. A summary of the Plan's achievements and Board-approved benefit design changes in those areas was presented. Ms. Moon provided a list of enhancements and changes from the General Assembly's perspective. While legislators have asked the Board and Plan to do more, she noted that the General Assembly has funded more in the past years than the forecast projected the Plan would require.

Examples were provided where the revised benefit changes demonstrate alignment with the strategic plan while attempting to meet the legislative mandate.

Proposed Benefit Design Changes for 2017

A summary of the Board actions at the meeting on February 5 were presented. Mr. Friedman noted that the items in red could no longer be implemented for CY 2017.

Following discussions with Board members and the Plan's stakeholders during March and April, revisions were made to the proposed benefit design. Mr. Friedman discussed proposed changes in the Enhanced 80/20 and Traditional 70/30 plans, noting the differences from what the Plan proposed at the February 5 Board meeting.

The proposal for the 80/20 plan has been modified to include value-based elements. Copays would be reduced for visits to Blue Options Designated (B.O.D.) providers and prescription copays would be less in several of the tiers. In response to a question regarding access issues for B.O.D. providers across the state, Ms. Smart acknowledged that access would be an issue in a few areas, especially for hospital care.

Mr. Friedman presented the impact of the revised benefit changes on the actuarial forecast. He noted that if the General Assembly doesn't release the funds for the employer contribution, the Plan will

discuss the impact on the forecast and outlook for calendar years 2018 and 2019 with the Board. Most likely, a double-digit premium increase would be required, which the Plan wants to avoid.

Mr. John Sparrow, Office of State Budget and Management, read a statement from Director Heath who was unable to attend the meeting. The statement noted that since the Plan didn't meet the sufficient measures requirement, the \$71 million, held in reserve, was allocated elsewhere.

Benefit Planning for 2018 and Beyond

Mr. Friedman provided an overview of the benefit progression strategy. Premium credits established in 2014 to incent healthy behavior presented administrative challenges as well as enrollment issues for members. The Plan is considering moving away from three premium credits to one in 2018, and keeping the tobacco attestation.

Member engagement incentive options could include a Health Reimbursement Account (HRA) on the Enhanced 80/20 Plan. Value-based benefit design enhancements could be expanded to address chronic conditions such as depression and obesity.

Future benefit changes could include a base premium for all active employees. Approximately one-third of current active employees pay no premium for health coverage and 42% pay only employee premiums for the 80/20 plan and/or wellness premiums. A more balanced approach would spread a portion of future costs over the entire population and the negative impact of dependent premiums and less healthy members.

A provider network strategy would steer members to better value providers. The Plan will identify opportunities and the impact of narrow networks. Procedure based incentives could also be considered.

A Board member asked if the Plan considered a premium structure based on salary. Ms. Moon stated that while it is not impossible to consider, it would certainly present operational challenges. She stated that Plan staff will refresh the salary distribution data and discuss this option at a future board meeting.

Update of Transition of Specialty Medications from Medical to Pharmacy Benefit

Ms. Smart reviewed the information presented and approved by the Board at the February meeting. With the transition to a new pharmacy benefit manager, Plan staff proposed delaying the transition of specialty medications from the medical to pharmacy benefit.

The Board will be asked to vote on the proposed delay at the May Board meeting.

Agenda Item – Member and Public Comment Period

Ms. Marea Sanos, Yadkin County Schools, distributed a packet of information to the Board (a copy is attached). She expressed appreciation for the deductible reduction on the revised benefit changes but stated that the salaries of most school employees makes it difficult to pay that much out of pocket. She asked the Board to carefully look at the benefit plan and think about all of the state employees whose pay grades are not adequate to pay this much for medical care.

Mr. Chuck Stone, State Employees Association of North Carolina (SEANC), questioned the actuarial analysis statement that the three plan options are closest to Gold as defined by the ACA. He also questioned why the data used in the analysis wasn't more recent and why Medicare retiree data was excluded. He reiterated SEANC's prior suggestion that reimbursement rates be linked to a percentage of

Medicare rates. He urged the Board and Plan to explore other options rather than continue to take money out of employee pockets, especially since State employees have not received a raise in several years.

Mr. Dante Strobino, UE Local 150, North Carolina Public Service Workers Union, stated that his group would like the Board to consider linking employee income/salary to the out-of-pocket cost for members. He asked the Plan and Board to consider keeping those costs low so members can afford to seek care for the services they need. He also stated that the state should move to a single payer system.

Ms. Marge Foreman, North Carolina Association of Educators (NCAE) read a written statement from Mr. Rodney Ellis, NCAE President (a copy is attached). Ms. Foreman also expressed appreciation to Plan staff for meeting with key stakeholder groups prior to the Board meeting.

Ms. Christine Weason, American Cancer Society, Cancer Action Network, stated that she wanted to learn more about the State Health Plan and cancer treatment coverage. She asked the Board to consider the cost of cancer treatment, especially the coinsurance for drugs.

A letter from the Carol Vandengergh, Professional Educators of North Carolina (PENC), was also distributed to Board members (a copy is attached).

Ms. Moon stated that material provided to the Board during the public comment periods would be sent to Dr. Cunningham, Dr. Newton, Charles Johnson and Neal Alexander, who were unable to attend the meeting. She also requested that Board members let her know, prior to the May meeting, if they have concerns about the revised 2017 proposed benefit changes and if a vote on another plan design was needed. She added that the Plan would ask Segal to provide other actuarial models if that was required.

One Board member requested that a copy of the statement read by Mr. Sparrow on behalf of Director Heath be provided to the Board. Ms. Moon stated that she would make that request.

Agenda Item – Adjourn

The meeting was adjourned at 4:04 p.m.


Janet Cowell, Chair