Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
June 2, 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 4:00 p.m. on Thursday, June 2, 2016, at the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

Members
Melissa Waller, Acting Chair
Neal Alexander
Paul Cunningham, MD
Bill Medlin
David Rubin

Participated via Phone
Warren Newton, MD

Absent:
Janet Cowell, Chair
Andrew Heath
Charles Johnson
Aaron McKethan
Elizabeth Poole

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, Caroline Smart, Nidu Menon, Lucy Barreto, Mark Collins, Matthew Grabowski, Roberta Hamby, Beth Horner, Lorraine Munk, Jane Schairer, Fran Lawrence

Welcome

Melissa Waller, Acting Chair, welcomed Board members, staff from the State Health Plan and Department of State Treasurer and visitors to the meeting.

Agenda Item – Conflict of Interest
Presented by Melissa Waller, Chair

In compliance with the requirements of Chapter 138A-15(e) of the State Government Ethics Act, Chair Waller 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 (Attachment 1)
Presented by Melissa Waller, Chair

Following a motion by Dr. Cunningham and seconded by Mr. Alexander, the Board unanimously approved May 12-13, 2016 minutes, as written.

Acting Chair Waller stated that there would be a public comment period following the presentation.

Agenda Item – Benefit Design, Plan Options and Premiums (Attachment 2)
Presented by Caroline Smart, Chief Operating Officer

Medicare Advantage Prescription Drug Plan Options and Open Enrollment Strategy
Ms. Smart provided a summary on the membership by plan option, noting that the total membership is over 700,000. Approximately 75% of the members are in the Traditional 70/30 or Enhanced 80/20 plans.

She stated that the Plan recommends moving to one Medicare Advantage (MA) plan, UnitedHealthcare (UHC), in 2017. By moving to one MA offering, the Plan anticipates a savings of $44.5 million over the next two years and a $7 million savings for members. If approved, the cost for the Enhanced UHC plan will be $64 per month, $2 less than 2016. The premium information for eligible dependents was not available at the time of the meeting and will be presented at the August Board meeting.

In response to a question regarding MA pricing in other markets, Ms. Moon stated that Segal has indicated that the Plan has some of the better rates in the country. She noted that with the uncertainty in the Medicare Advantage market, predicting a path to maintain the benefit level and mitigate risk presents a challenge.

Ms. Smart presented two additional cost saving measures that UHC proposed for the Plan's consideration. Moving to one insulin manufacturer would provide savings, as well as moving certain high cost generics from tier 1 to tier 3.

Pharmacy Formulary and Benefit Design Changes
Ms. Smart provided an overview of the current pharmacy benefit programs associated with Express Scripts, Inc. and changes under the new contract with CVS/Caremark effective in 2017. Plan staff recommendations for each program were presented. Ms. Smart noted that the Plan currently receives monthly Fraud, Waste and Abuse reports but opportunities exist to enhance the monitoring and reporting.

The Plan has considered adopting a closed formulary which would result in savings through additional rebates and discounts. Moving to a closed formulary would exclude certain drugs and create some member disruption. However, alternative generic or brand drugs would be available to replace excluded medications. The Plan will develop an exceptions process for providers who determine the necessity for a patient to remain on an excluded drug.

Communication will be provided to both providers and members regarding the vendor change and the formulary changes. Specific information will be sent to members who are prescribed a drug on the exclusion list. Plan staff will have additional discussions with CVS to determine the best plan to streamline the exception process for providers. The Pharmacy & Therapeutic Committee will continue to advise the Plan regarding tier placement of drugs and exclusions.

Ms. Smart reviewed the current customized programs originally implemented to complement the formulary and copay structures. In response to a question regarding the number of monthly diabetic test strips non-insulin dependent members receive (102), Ms. Moon stated that the Plan would review and research the history of how the Plan reached that number.

The pharmacy programs and formulary for the High Deductible Health Plan (HDHP) were presented. This plan currently has a closed formulary and Plan staff recommended continuing to offer the PBM's standard closed formulary to members in the HDHP.

Agenda Item - Member and Public Comment Period

Mr. Flint Benson, State Employees Association of NC, had requested to speak at the beginning of the meeting. However, he declined, stating that the comments he intended to make were adequately addressed during the presentations.

Agenda Item - Financial Report, Forecasting and Monitoring (Attachment 3)
Presented by Mark Collins, Financial Analyst

Mr. Collins presented the April 2016 financial report, stating that the ending cash balance in April was just under $1 billion. Plan expenses were slightly below the budgeted amount. With timing issues and non-budgeted revenues, Plan revenue on the adjusted variance report was somewhat higher than demonstrated on the Actual vs. Budgeted report.

The per member per month (PMPM) report met Plan expectations and the adjusted PMPM report provided the best representation of the Plan's financial status for the first four months of 2016. The administrative expenses was the one exception where the actual verses budgeted amounts weren't closely aligned.

The allocation of total expenses for 2015 and 2016 was reviewed, with Mr. Collins noting that the HRA payments made by the Plan are the fastest growing area, but still represent less than 1% of Plan expenditures. Pharmacy claims expenses in 2016 are also growing faster than other categories of expenses. The average weekly medical claims cost is approximately $40 million. The average cost in April was $45.9 million. A preliminary preview of May indicates that the weekly medical claims average was high again, but on a PMPM basis, was not as high as budgeted.

Strategic Planning Update
Presented by Tom Friedman, Director of Policy, Planning and Analysis

Mr. Friedman presented an update on the Strategic Plan timeline and stated that he will be scheduling individual meetings with Board members over the next few weeks. A review of the roadmap through 2020 will be included in those discussions.

The Board will be asked to vote on the Strategic Plan revisions at the August 2016 meeting.

Mr. Friedman also presented the workgroups structure and membership. The Plan would like to schedule one or two workgroup meetings or phone calls prior to the August Board meeting.

Agenda Item - Adjourn

Acting Chair Waller reminded the Board that the meeting would begin at 9:00 a.m. on Friday and that they would be asked to vote on the Medicare Advantage options and Open Enrollment strategy and the pharmacy benefit design changes at the beginning of the meeting. She stated that the Board would go into executive session at the end of the meeting. Ms. Moon reviewed attendance at the Friday meeting to ensure that there would be a quorum present for the votes.

Following a motion by Mr. Medlin and seconded by Mr. Alexander, to adjourn the meeting at approximately 5:35 p.m.

Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
June 3, 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 9:00 a.m. on Friday, June 3, 2016, at the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

Members
Melissa Waller, Acting Chair
Andrew Heath
Neal Alexander
Paul Cunningham, MD
Bill Medlin
Warren Newton, MD
David Rubin

Participation via Phone:
Janet Cowell, Chair
Charles Johnson

Absent:
Aaron McKethan
Elizabeth Poole

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, Caroline Smart, Nidu Menon, Mark Collins, Matthew Grabowski, Beth Horner, Lorraine Munk, Greg Moore, Lucy Barreto, Fran Lawrence, Schorr Johnson, Tony Solari

Welcome

Melissa Waller, Acting Chair, welcomed Board members, staff from the State Health Plan and Department of State Treasurer and visitors to the meeting.

Agenda Item – Conflict of Interest
Presented by Melissa Waller, Acting Chair

In compliance with the requirements of Chapter 138A-15(e) of the State Government Ethics Act, Acting Chair Waller 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 – Benefit Design, Plan Options and Premiums (Attachment 1)

Medicare Advantage Prescription Drug Plan Options and Open Enrollment Strategy
Pharmacy Formulary and Benefit Design Changes
Presented by Caroline Smart, Chief Operating Officer

Due to the fact that the Board would not have a quorum later in the morning, Acting Chair Waller stated that the order of the agenda would change to allow items requiring a vote to be presented first.

Following a motion by Dr. Cunningham and seconded by Dr. Newton, the Board members voted unanimously to approve staff recommendations for the Medicare Advantage Prescription Drug Plan Options and Open Enrollment Strategy and the pharmacy formulary and benefit design changes.

Ms. Moon reiterated the specific items approved by the Board:

> CY 2017 Medicare Primary Plan Options and CY 2017 Medicare Advantage Enrollment Strategy on page 14 of the Proposed 2017 Medicare Advantage Prescription Drug Plan Options and Open Enrollment Strategy presentation
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> Traditional 70/30, Enhanced 80/20 and CDHP 85/15 Plan Options on page 36 of the Proposed 2017 Pharmacy Formulary and Benefit Design Changes presentation
>
> High Deductible Health Plan Option on page 37 of the Proposed 2017 Pharmacy Formulary and Benefit Design Changes presentation

Segal Consulting 2017 Formulary Considerations
Presented by Kautook Vy*as, The Segal Company*

Mr. Vyas presented Segal's summary of findings if the Plan were to move to a closed formulary and the 2017 formulary exclusions and clinical rationale. Ms. Smart stated the Plan would fine-tune the exception process and turn-around time for members who are prescribed non-formulary drugs. Dr. Newton reiterated the impact on providers and encouraged the Plan to make the process as seamless as possible for everyone. Ms. Moon stated that Plan will discuss the exception process with CVS and that the provider communication strategy would be presented at the August Board meeting.

Ms. Smart stated that the transition of specialty drugs from the medical benefit to the pharmacy benefit would be addressed at a future meeting and that Segal would be assisting the Plan with the transition.

It was suggested that a pocket guide or a list of the closed formulary generic and excluded drugs included in the member communication material would be helpful to members. Proactive communication to members was stressed by the Board to avoid issues at the point of service.

For visitors who arrived late, Ms. Moon reiterated the board-approved items.

Agenda Item – Initiatives and Directions among State Employee Health Plans (Attachment 2)
Presented by Rick Johnson and David Johnson, The Segal Company

A summary of issues other state health plans are experiencing was presented. As with the Plan, other states are facing funding challenges and health care costs are rising faster than employee compensation. The Affordable Care Act (ACA) excise tax originally scheduled to be effective in 2018, has been delayed

until 2020. A significant amount of planning and coordination will be required for Plans to stay below the excise tax threshold.

The Board discussed the hardship of additional member cost-sharing in order to avoid the excise tax. Several members requested information on the total out-of-pocket costs for employees. Ms. Moon stated that the Plan would provide that analysis at a future meeting.

Most plans are experiencing a significant increase in pharmacy costs, especially with specialty medications. Traditional indemnity plans have been or are being replaced by PPO plans. Approximately 65% of states offer a CDHP or HDHP although the enrollment is relatively low. A summary of what other states are doing to encourage enrollment in those plans was presented.

Six states, including North Carolina, are moving to a wellness plan design to promote health engagement. Many other states are discussing wellness options within their plan designs but have not yet implemented anything.

Information on provider network contracting was presented. Most states contract with carriers to access their networks and discounts. Some states have geographical contracting arrangements by region, county, etc. to obtain better pricing and lower the costs.

The majority of states require employees to pay a percentage of the total premium. NC is one of the few states that doesn't share in the percentage of dependent coverage. In some states, employees pay a flat premium amount across all tiers. A salary-based tier structure has been implemented in a few states. The majority of state plans offer wellness programs that include premium credits and surcharges.

Programs and plan initiatives in each state are motivated by cost savings. Member satisfaction is important but health management and financial stability are equally important.

Due to the fact that several members had to leave and a quorum was required for a vote in executive session, Acting Chair Waller stated that the order of the agenda would change.

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

Agenda Item – Executive Session

Third Party Liability Services Contract
Presented by Lauren Wides, Director of Contracting and Healthcare Compliance and Greg Moore, Quality Program Manager

Pursuant to G.S. 143.318.11 (a)(1)), Ms. Wides presented information on the Third Party Liability Recovery Contract. Following a motion by Dr. Cunningham and seconded by Mr. Medlin, a majority of the Board voted to approve the Plan's recommendation. Dr. Rubin abstained from voting.

Following a motion by Dr. Newton and seconded by Dr. Cunningham, the Board voted unanimously to return to open session.

Agenda Item – Analysis of State Health Plan Utilization and Costs by Region (Attachment 3)
Presented by Tom Friedman, Director of Policy, Planning and Analysis

Mr. Friedman highlighted key points in the presentation and stated that the provider workgroup would delve deeper into the analysis. The analysis looked at spending, utilization and per member annual costs in 16 regions across the state.

Key takeaways indicated that per member per year (PMPY) costs were consistent year to year. PMPY costs are rising throughout the state with the exception of Greenville. In 2014 and 2015, Fayetteville area was one of the higher cost markets in both unit costs and utilization and Greensboro the lowest.

The Plan will review the 2016 data to determine patterns hold or differ from the past two years. Staff will discuss cost reduction opportunities with BCBSNC and look for pilot program opportunities in different regions.

Dr. Newton requested data from BCBSNC regarding the cost and quality metric for the Moses Cone ACO. Ms. Susan Murray acknowledged the request and will provide that information at August Board meeting.

Item – Legislative Update (Attachment 4)
Presented by Matt Grabowski, Health Policy Analyst/Legislative Liaison

Mr. Grabowski provided an update on both the House and Senate budgets and Plan legislation. He noted that the Senate budget had been approved earlier that day. He focused on the sections of each budget pertaining to Plan funding. Language in both budgets has requested the Plan to find additional savings measures.

Ms. Moon stated that the Plan will meet with Segal and CVS to determine potential savings opportunities in order to reduce the projected employer premium increases to 4% or less in both 2018 and 2019. Raising member premiums in those years may be an option the Plan and Board will have to consider.

Staff will continue to monitor the budget bill, as well as Plan-related legislation. Pertinent information, including premium rates will be provided to the Board at the August meeting or before, if necessary.

<u>Lake Lawsuit Update (I. Beverly Lake et al. v. State Health Plan for Teachers and State Employees, et al.)</u>

This item was moved to and discussed in open session.

Marc Bernstein, NC Attorney General's office, provided an update on the Lake lawsuit. He noted two dates of importance: a hearing on class certification September 12, 2016 and a summary judgment on October 31, 2016. Papers will be filed in mid-July regarding the Plan's position not to make this a class action suit.

Acting Chair Waller stated that the next Board meeting is scheduled for August 4 and 5, 2016. Ms. Moon stated that the Plan will review possible meeting dates for 2017 and send them to the Board for their consideration within the next week or two.

Adjourn
There being no quorum to adjourn, the meeting was adjourned at 12:00 p.m.

Melissa Waller, Chair