



Dale R. Folwell, CPA
State Treasurer of North Carolina
DALE R. FOLWELL, CPA

Board of Trustees Webinar Minutes July 14, 2020

The meeting, via webinar, of the North Carolina State Health Plan for Teachers and State Employees (Plan) Board of Trustees was called to order, by Chair Dale Folwell, at approximately 1:00 p.m. on Tuesday, July 14, 2020.

Board Members Participating: Dale R. Folwell, Charles Perusse, Ted Brinn, Larry Chewning, Russell Duke, Wayne Fish, Kim Hargett, Lisa Grimes, Donald Martin, Peter Robie,

Welcome

Chair Folwell welcomed the Board and members of the public joining the webinar to the meeting. He reviewed the rules for conducting remote meetings.

- a. Board members shall announce their name when speaking.
- b. All chats, instant messages, texts, or other written communications between members of the public body regarding the transaction of the public business during the remote meeting are deemed a public record.
- c. All votes shall be by roll call.

Conflict of Interest

No conflicts of interest were noted.

Introduction – New Board Member

Chair Folwell welcomed Judge Russell “Rusty” Duke, a Senate appointee, to the Board of Trustees. Judge Duke served as the Senior Resident Superior Court Judge of Pitt County, Resident Superior Court Judge and as a District Court Judge of Pitt, Craven, Carteret and Pamlico counties. He is currently engaged in a broad criminal and civil litigation practice with the firm White and Allen.

He earned his undergraduate degree in history from Wake Forest University and his law degree from Wake Forest University School of Law.

Reading of SEI Statements into Minutes (as applicable)

Statement of Economic Interest (SEI) evaluation letters issued by the State Ethics Commission are included in the Board material. These are being provided for Agency members’ review and for recording in the meeting minutes pursuant to the requirements of the State Government Ethics Act N.C.G.S. 138A-15(c). Members are encouraged to review the evaluations to inform and remind them of the identified actual or potential conflicts of interest. The SEI Evaluation being provided is:

Wilton Russell (Rusty) Duke, Jr. – New board member (**Attachment A**)

Public Comment Period

No requests to address the Board were submitted.

Board Approval

Minutes – June 15, 2020 Meeting

Board Vote: Motion by Dr. Martin; second by Dr. Robie; roll call vote was taken, unanimous approval by Board; Judge Duke abstained from voting as the meeting occurred prior to his appointment to the Board.

Non-Medicare Rates for 2021

Matthew Rish, Sr. Director, Finance, Planning & Analytics, provided information on the 2021 premium rates. He reminded the Board that the State operates on a fiscal year, while the Plan operates on a calendar year. When setting rates, the Plan needs to ensure it doesn't exceed the fiscal year rate cap it's authorized to collect from employing units and the Retirement System. As a result of actions taken by the General Assembly, the premium contribution from employing units and the Retirement System decreased 2%. Chair Folwell emphasized that the decrease was a result of bills passed by the Legislature and not the Plan's recommendation. While this translates into less revenue for the Plan in the coming year, the subscriber premiums will remain the same.

Chair Folwell added that there is a direct line between the amount of money taken from the Plan and funding step increases for teachers.

Mr. Rish reviewed the premiums for the various plan options, noting that the Medicare Advantage Plan rates were included in the presentation, but approved by the Board at the June 15, 2020 meeting.

2021 Premium Rates – Requires Board Vote

Employer/Retirement System Contributions

- ✓ Approve a 2.0% decrease in employer/Retirement Systems contributions for permanent employees and retirees, as allowed by SL 2020-41 (HB 1218) and SL 2020-45 (SB 818) and shown on page 3 of this presentation.

80/20 and 70/30 Plan (Self-funded)

- ✓ Approve the 2021 Employee premium rates for the 80/20 and 70/30 plans, as shown on page 4 of this presentation.

High Deductible Health Plan

- ✓ Approve a 2.0% decrease in the employer premium rate for HDHP as shown on page 5 of this presentation, and approve the 2021 Employee premium.

Other Member Groups (50% and 100% contributory; COBRA; National Guard, Firefighters, etc.)

- ✓ Approve premium rate policies for "other member groups," as described on page 7 of this presentation.



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A Division of the Department of State Treasurer

Board Vote: Motion by Dr. Robie; second by Mr. Chewning; roll call vote was taken, unanimous approval by Board.

Operational Updates

Clear Pricing Project (CPP)

Dee Jones, Executive Director, stated that Phase II of the Clear Pricing Project (CPP) continues to move forward with the Plan targeting primary care, and multi-specialty groups for potential pilot programs. The Plan is reviewing alternative payment models to better serve our members.

COVID-19

The Plan has been working with the Department of Public Safety (DPS) and FastMed to provide COVID-19 testing in the prison systems across the state. To date, 40 out of approximately 2,700 people tested have been positive. Even though many employees have yet to be tested, the percent of positive tests, so far, is low.

Board Comments and Questions Addressed:

Many decisions being made are based on the current COVID-19 testing data, which appears to be questionable. It was noted that the prison data didn't take into account those members who were tested by their provider.

Depending on the decision regarding the opening of public schools, COVID-19 testing might be a requirement. The Plan would cover the cost of member testing.

Open Enrollment

Beth Horner, Director of Customer Experience and Communications, provided an update on Open Enrollment. Communication efforts are primarily focused on mailings, webinars and tele-town hall meetings, rather than in-person meetings.

She noted that all members received a mailer in early July communicating that tobacco users who want to earn the monthly premium credit for 2021 can do so by completing a tobacco cessation counseling session with their provider or at a CVS Minute Clinic. She added that members can do this between July 1, 2020 and November 30, 2020, not just during Open Enrollment.

Technology Readiness

Caroline Smart, Sr. Director of Plan Integration, stated that system testing for the Medicare Advantage plan transition from UnitedHealthcare to Humana is on schedule and going well.

Legislative Update

Andrew Norton, Deputy General Counsel, provided a summary of changes during the legislative short session. He noted that actions taken by the General Assembly in response to COVID-19 would allow flexibility for both members and employing units. Also included in the presentation were additional bills, impacting the Plan, that became law in 2020.

Legislative SHP Budget

Matthew Rish, Sr. Director of Finance, Planning and Analytics, provided an overview of the State Budget impact on the Plan. He shared the expected impact for the current fiscal year is \$159 million (6-month impact), and that the expected 12-month impact is \$318 million. He noted that, despite the \$475 million transfer from the Public Employee Health Benefit Fund to the Retiree Health Benefit Trust Fund, the Plan started the fiscal year with a cash balance of approximately \$1 billion. The projected cash balance at the start of fiscal year 2022 is \$910 million.

Chair Folwell stated that the numbers are disturbing and that the Plan's efforts and hard work, only to have a portion of it transferred, shouldn't go unnoticed. He added that a definitive number of what the General Assembly owes the Plan is required. He acknowledged that with rising health care costs, the Plan has performed well, financially, but noted that reducing dependent premiums remains a goal.

Board Comments and Questions Addressed:

Several Board members expressed concern regarding the use of Plan funds by the General Assembly and encouraged the Plan and State Treasurer to move forward requesting the repayment of funds.

Action Item: Board members were asked to email their comments to Treasurer Folwell. A joint letter from the Board to the General Assembly will be considered.

Following a motion by Mr. Fish and a second by Mr. Brinn, a roll call vote was taken, the Board voted unanimously to move into Executive Session. Note: Dr. Martin exited the meeting and was not present for this part of the meeting.

Executive Session

RFP Recommendation – CPP Phase II Contract

Ted Enarson, Sr. Director of Contracting and Compliance, provided an overview of the proposed Alternative Payment Model (APM) Services contract. He explained that with the value of the contract being over \$500,000, Board approval was required.

Mr. Enarson stated that the Plan didn't have a lot of experience in the APM arena and without that knowledge base, a Request for Proposal (RFP) couldn't adequately be developed. Therefore, a Request for Information (RFI) was sent to known vendors who were asked to provide information to the Plan regarding their capabilities with APMs. The Plan also reached out to two other known vendors separately.

Four vendors were invited to participate in virtual meetings where Plan staff was able to ask questions which provided the Plan with more information. Following those meetings, the Plan determined that two vendors could potentially meet its needs. A Request for Quote (RFQ) was issued to both vendors under the Plan's procurement exemption. The RFQ requested that vendors provide a detailed Scope of Work and pricing. The RFQ was designed as a deliverables-based contract, and not a consulting engagement. One of the vendors took exception to numerous State standard terms and conditions and, as a result, decided not to submit a response.

The Plan received a response from Public Consulting Group (PCG). The Plan thoroughly reviewed and discussed PCG's response to determine if it met the Plan's needs. In the interim, the Plan made significant progress with its bundled payment discussions and, as a result, decided to narrow the RFQ to specifically target Pay for Performance. The Plan then issued the narrower RFQ to PCG. PCG submitted a response, which the Plan reviewed and deemed to be acceptable. However, the Plan determined that it would be in its best interest to seek better pricing from PCG. So, the Plan issued two Best and Final Offers (BAFOs) to PCG. After reviewing the second BAFO, the Plan determined to proceed with recommending award of the contract to PCG.

Board Comments and Questions Addressed:

PCG has provided high-level ideas and a timeline regarding APMs. The Plan has a coalition of five provider groups who have also been asked to provide Plan staff with their ideas in July. This process will be a good starting point for the Plan and PCG to begin planning programs and establish timelines. Mr. Enarson provided a summary of the overall timeline.

PCG provided the Plan with examples of its work on similar projects in North Carolina, several of them being with other state agencies. PCG is keenly aware of NC requirements and has been a good partner with government entities.

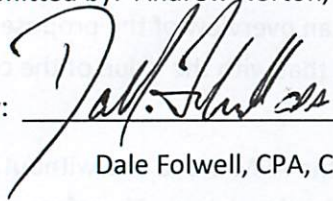
Board Vote: Motion by Dr. Robie; second by Mr. Chewning; roll call vote was taken, unanimous approval by Board.

Board Vote to move into open session: Motion by Mr. Brinn; second by Ms. Grimes; roll call vote was taken, unanimous approval by Board.

The meeting adjourned at 2:45 p.m.

Minutes submitted by: Andrew Norton, Secretary

Approved by: _____



Dale Folwell, CPA, Chair

State Health Plan Board

Reading of SEI Statements into Minutes

In the following packet are Statement of Economic Interest (SEI) evaluation letters issued by the State Ethics Commission. These are being provided for Agency members' review and for recording in the meeting minutes pursuant to the requirements of the State Government Ethics Act N.C.G.S.

§ 138A-15(c). Members are encouraged to review the evaluations to inform and remind them of the identified actual or potential conflicts of interest.

The SEI Evaluations being provided are:

Wilton Russell (Rusty) Duke, Jr. – New board member



STATE ETHICS COMMISSION

POST OFFICE BOX 27685
RALEIGH, NC 27611
PHONE: 919-814-3600

Via Email

June 9, 2020

The Honorable Phil Berger
President Pro Tempore of the Senate
16 West Jones Street, Room 2008
Raleigh, North Carolina 27601

Re: **Evaluation of Statement of Economic Interest Filed**
by the Honorable Wilton Russell (Rusty) Duke, Jr.

Dear Senator Berger:

Our office has received the Honorable **Wilton Russell (Rusty) Duke, Jr.**'s 2020 Statement of Economic Interest as an appointee to the **State Health Plan Board of Trustees (the "Board")**. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act (the "Act").

Compliance with the Act and avoidance of conflicts of interest in the performance of public duties are the responsibilities of every covered person, regardless of this letter's contents. This letter, meanwhile, is not meant to impugn the integrity of the covered person in any way. This letter is required by N.C.G.S. § 138A-28(a) and is designed to educate the covered person as to potential issues that could merit particular attention. Advice on compliance with the Act is available to certain public servants and legislative employees under N.C.G.S. § 138A-13.

We did not find an actual conflict of interest, but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

The State Health Plan insures more than 663,000 state employees, teachers, retirees, current and former lawmakers, state university and community college personnel, state hospital staff and their dependents. The State Health Plan Board of Trustees ("the Board") is statutorily charged with approving the benefits programs, premium rates, co-pays, deductibles, coinsurance maximums, and large contracts for the Plan.

The Board also oversees administrative reviews and appeals and is charged with developing and maintaining a strategic plan.

The Act establishes ethical standards for certain public servants, and prohibits public servants from: (1) using their positions for their financial benefit or for the benefit of their extended family or business, N.C.G.S. § 138A-31; and (2) participating in official actions from which they or certain associated persons might receive a reasonably foreseeable financial benefit, N.C.G.S. § 138A-36(a). The Act also requires public servants to take appropriate steps to remove themselves from proceedings in which their impartiality might reasonably be questioned due to a familial, personal, or financial relationship with a participant in those proceedings. N.C.G.S. § 138A-36(c).

Mr. Duke is an attorney with the law firm of White & Allen, P.A. and owns financial interests in a number of companies, including CVS Health Corporation and Merck & Co. In addition, his spouse owns financial interests in a number of companies, including CVS Health Corporation and GlaxoSmith Kline PLC. Therefore, Mr. Duke has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should the business of White & Allen, P.A. or issues involving any entity in which Mr. Duke or his immediate family own a financial interest, should come before the Board for official action.

In addition to the conflicts standards noted above, the Act prohibits public servants from accepting gifts from (1) a lobbyist or lobbyist principal, (2) a person or entity that is seeking to do business with the public servant's agency, is regulated or controlled by that agency, or has financial interests that might be affected by their official actions, or (3) anyone in return for being influenced in the discharge of their official responsibilities. N.C.G.S. § 138A-32. Exceptions to the gifts restrictions are set out in N.C.G.S. § 138A-32(e).

When this letter cites an actual or potential conflict of interest under N.C.G.S. § 138A-24(e), the conflict must be recorded in the minutes of the applicable board and brought to the membership's attention by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the Act. N.C.G.S. § 138A-15(c).

Finally, the Act mandates that all public servants attend an ethics and lobbying education presentation. N.C.G.S. § 138A-14. Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the Act.

Sincerely,
Mary Roerden, SEI Unit
State Ethics Commission

cc: Wilton Russell (Rusty) Duke, Jr.

Laura Rowe, NC Dept. of State Treasurer, Compliance Officer and Ethics Liaison
Attachment: Ethics Education Guide

State Health Plan Board of Trustees Webinar
7/14/2020
Tracking/Voting

Board Member	Present for Quorum*	Conflict of Interest	6/15/20 Minutes	Non-Med Rates	Exec Session	RFP	Open Session	Adjourn
Motion			Martin	Robie	Fish	Robie	Brinn	N/A
Second			Robie	Chewning	Brinn	Chewning	Grimes	N/A
Brinn, Ted	Y Y Y	No	Yes	Yes	Yes	Yes	Yes	
Chewning, Larry	Y Y Y	No	Yes	Yes	Yes	Yes	Yes	
Duke, Rusty	Y Y Y	No	Abstained	Yes	Yes	Yes	Yes	
Fish, Wayne	Y Y Y	No	Yes	Yes	Yes	Yes	Yes	
Grimes, Lisa	Y Y Y	No	Yes	Yes	Yes	Yes	Yes	
Hargett, Kim	Y Y Y	No	Yes	Yes	Yes	Yes	Yes	
Martin, Donald	Y N N	No	Yes	Yes	No	No	No	
Robie, Pete	Y Y Y	No	Yes	Yes	Yes	Yes	Yes	
Perusse, Charles	Y N N	No	Non-Voting Member					
Folwell, Dale	Y Y Y	No	Votes Only in Event of Tie					
RESULT	Y Y Y	None Noted	Approved	Approved	Approved	Approved	Approved	2:45 pm

*Indicates quorum for Open Session, Executive Session, Return to Open Session