



Board of Trustees Meeting Minutes
August 27, 2019

The meeting of the NC State Health Plan for Teachers and State Employees (Plan) Board of Trustees was called to order at approximately 2:00 p.m. on August 27, 2019.

Board Members Present/Participating via Phone

Dale R. Folwell, Chair, Charles Perusse, Ted Brinn, Larry Chewning, Wayne Fish, Kim Hargett, Donald Martin, Peter Robie, Margaret Way

Absent:

Lisa Grimes

Welcome

Chair Folwell welcomed Board members and visitors to the meeting.

Conflict of Interest

No conflicts of interest were noted.

Reading of SEI Statements into Minutes

Chair Folwell read the Statement of Economic Interest on the Conflict of Interest for the Board and stated that letters to Board members would be included with the approved August 27, 2019 minutes and posted on the State Health Plan website. (**Attachment A**)

Recognition of Departing Board Member

Chair Folwell read a resolution acknowledging Mr. Peter Chauncey's service and contributions to the Board.

Introduction of New Board Member

Chair Folwell introduced Larry Chewning who was appointed by the Speaker of the House. Mr. Chewning graduated from Wake Forest University and received a Master of Health Administration from the Duke University Fuqua School of Business. He served as Chief Executive Officer for five different hospitals from 1987-2017 and is currently a part-time consultant for various health care corporations.

Public Comment Period

Mr. Richard Rogers, North Carolina Retired Governmental Employees Association, stated that a premium increase presents a hardship for many retirees who are on a fixed income. He further commented that the Health Insurance Provider fee (HIP), associated with the Affordable Care Act (ACA), shouldn't be passed on to Medicare Advantage (MA) members. He added that the cost of the MA plans

through UnitedHealthcare is less than half of the employer contribution allocated for each retiree's healthcare. He asked the Board to take his comments into consideration when the rates were presented for a vote.

Note: Information on the HIP fee and the effect on Medicare Primary premiums was presented and discussed later in the meeting.

Ms. Jean Ranc stated that after meeting with Treasurer Folwell in July, she learned a great deal about the Clear Pricing Project and is dedicated to do her part in pushing the project forward. She also suggested that the Plan could save time and money preparing for Open Enrollment if they let members remain in the same plan option rather than ask them to take action during Open Enrollment.

Board Approval

Approval of Minutes – July 24, 2019 Teleconference

Board Vote: Motion by Dr. Robie; second by Ms. Hargett; unanimous approval by Board.

2020 Rates

Matt Rish reviewed the proposed premium rates for 2020, noting that the rates were based on an assumed 4% employer increase in 2020 appropriations without the approval of the State budget. He added that if the employer funding changed in the approved budget and premium rates had to be revised, the Plan would schedule a teleconference with the Board to vote on revised rates.

Mr. Rish stated that the increase in the Medicare Advantage premium rates included the \$24 Health Insurance Provider (HIP) fee. This fee was intended to help fund federal and state-run Marketplaces (Exchanges) under the Affordable Care Act (ACA). In the past, the fee was added to Plan Medicare premium rates in 2014, 2015, 2016, 2018 and suspended in 2017 and 2019.

Board Comments and Questions Addressed: Many Medicare retirees are on a fixed income and an increase to premiums presents a hardship for members. Chair Folwell stated that the Department of State Treasurer has been actively involved in lobbying against the HIP fee and that it's unclear as to where the funds are allocated. He added that the General Assembly was made aware that the fee would result in increased Medicare Advantage premiums. Mr. Rish stated that the calculation provided by UnitedHealthcare, which is a pass-through from the federal government, was applied to Plan membership to determine the premium rates. It was noted that the HIP fee will never decrease but could increase or be suspended for any given year.

Follow-up: Plan will define the HIP fee in Open Enrollment (OE) literature so that members understand this is a federal fee and not one imposed by the Plan or the State.

Dee Jones, Executive Director, stated that the Plan has been erroneously paying a North Carolina fee for several years which has now been eliminated.

2020 Premium Rates – Requires Board Vote

Employer/Retirement System Contributions

- ✓ Conditionally approve a 4% increase in employer/Retirement Systems contributions for permanent employees and retirees, as assumed from the expected FY 2020 State Budget and shown on page 3 of this presentation.

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

- ✓ Approve the 2020 Employee premium rates for the 80/20 and 70/30 plans, as shown on page 4 of this presentation.

High Deductible Health Plan

- ✓ Conditionally approve a 4% increase in the employer premium rate for HDHP as shown on page 5 of this presentation, and approve the 2020 Employee premium.

Medicare Advantage Plan

- ✓ Conditionally approve a 4% increase in the employer premium rate for HDHP as shown on page 6 of this presentation, and approve the 2020 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.



8

A Division of the Department of State Treasurer

Board Vote: Motion by Mr. Fish; second by Mr. Brinn; unanimous approval by Board.

Operations Updates

Open Enrollment Update

Beth Horner stated that the Plan's Open Enrollment (OE) period will be held November 2-19, 2019, which is two weeks shorter than in the past. She added that the challenge at the local level is to ensure that all employing entities are informed and prepared. Benefitfocus, who provides call center support during OE, will extend their hours during the OE period, which will even include Sunday hours.

Financial Update – SFY 18/19 and CYTD 2019

Matt Rish reviewed the financial results for both the fiscal and calendar year to date. Plan expenses were well under budget in the June report and net claims were favorable due to pharmacy rebates. However, the Plan continues to see an increase in pharmacy claims.

Board Comments and Questions Addressed: The State Auditor's office performs both financial and performance audits on the State Health Plan. The Financial Operations Division under the Department of State Treasurer works with the State Auditor on the Comprehensive Annual Financial Report (CAFR) which includes Plan information. The Plan contracts with third-party vendors to audit claims payments. On average, the Plan pays approximately \$34 million a week in medical claims.

Executive Director Updates

Ms. Jones provided an update on the Clear Pricing Project (CPP), noting that as of July 1, 2019, approximately 28,000 providers had joined the NC State Health Plan Network (NCSHPN). However, the State's largest hospital systems, members of the North Carolina Healthcare Association, refused to partner with the Plan on its effort to achieve transparency and reduce costs. In response to member

concerns regarding potential out-of-network provider costs, Plan staff and Blue Cross Blue Shield of NC (Blue Cross NC) developed a hybrid network using both the NCSHPN and Blue Options. Providers in the current NCSHPN were given the chance to revert back to Blue Options, which some did, due to a higher reimbursement rate and the desire to reduce the administrative burden. More than 25,000 remained in the NCSHPN.

The Plan continues to receive positive feedback and support for the CPP and is renewing the commitment to accelerate the efforts with alternative payment models in 2020 with independent providers. A Request for Information (RFI) was issued to assist the Plan in the design, development and implementation of alternative payment models. Responses will be reviewed by Plan staff in September and October.

Follow-up: A summary of the Other Post Employment Benefits (OPEB) calculation for the year ending 6/30/19 will be provided to the Board at a future meeting.

The proposed 2021 benefit design will be provided to the Board at a future meeting.

Establish an Advisory Committee in November and December.

Closing Comments: There will be a short window of time for agencies to complete Open Enrollment and for payroll entities to update information. The Plan is working with each of its vendors to meet different implementation deadlines.

The suggestion was made for the new Advisory Committee to collaborate with hospitals in promoting pricing transparency.

In developing the plan design for 2021, it would be nice to have a plan option for members who want to be engaged in their health care.

Chair Folwell stated that without the CPP, the Plan won't see the savings it anticipated and the liability will continue to grow. He noted that there were 178,000 Qualifying Life Events (QLEs) last year and 17.6 million healthcare claims.

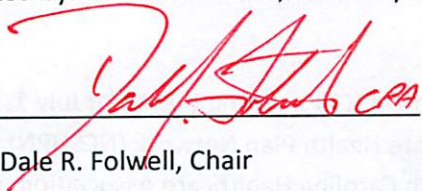
Next Board Meeting

The next Board meeting will be scheduled in early December.

Adjournment

In honor of State Highway Patrol Trooper Christopher L. Wooten, who is paralyzed from an accident in the line of duty, a motion to adjourn was made by Mr. Chewning and seconded by Mr. Brinn. The Board voted unanimously to adjourn at 3:40 p.m.

Minutes submitted by: Andrew Norton, Secretary

Approved by: 
 Dale R. Folwell, Chair

State Health Plan Board Meeting – August 27, 2019

3. 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. 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:

- Chris Marie Farr – Treasurer Folwell's designee
- Lawrence "Larry" Chewning – New board member



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

June 18, 2019

The Honorable Dale R. Folwell
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604

Re: Evaluation of Statement of Economic Interest by Ms. Chris Marie Farr, Chief of Staff and Chief Deputy Treasurer to Serve on the State Health Plan Board of Trustees

Dear Treasurer Folwell:

Our office has received **Ms. Chris Marie Farr's** 2018 Statement of Economic Interest and 2019 No-Change Form to serve as your designee on the **State Health Plan Board of Trustees ("the Board")**. We have reviewed them 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).

Ms. Farr will serve as your designee on the Board. Because she is a state employee who is insured by the State Health Plan, she has the potential for a conflict of interest. Accordingly, Ms. Farr should exercise appropriate caution in the performance of her public duties should issues involving her benefits 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: Chris Marie Farr
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

August 16, 2019

The Honorable Tim Moore
Speaker of the House of Representatives
16 West Jones Street, Room 2304
Raleigh, North Carolina 27601-1096

**Re: Evaluation of Statement of Economic Interest Filed by Mr. Lawrence "Larry" Chewning
Appointee to the State Health Plan Board of Trustees**

Dear Speaker Moore:

Our office has received **Mr. Lawrence "Larry" Chewning's** 2019 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 over 720,000 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. Chewning fills the role on the Board of an expert in health economics. He is a retired chief executive officer of UNC Nash Health Care which participates in the State Health Plan. Mr. Chewning also serves as a board member for the Neighbor Clinic. In addition, Mr. Chewning received income from Rex Hospital and has worked as an independent contractor for the North Carolina Healthcare Association and for the healthcare finance company, Wellingham Financial. Therefore, Mr. Chewning has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should issues involving any of these entities come before the Board for official action.

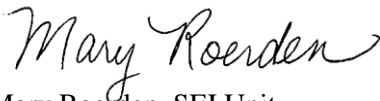
In addition to the conflicts standards noted above, the Act prohibits public servants from accepting gifts from (1) a lobbyist or lobbyist principal, (2) a person or entity that is seeking to do business with the public servant's agency, is regulated or controlled by that agency, or has financial interests 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).

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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: Lawrence "Larry" Chewning
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide