

## RESOLUTION

### RESPONSIBILITY

**WHEREAS**, the North Carolina General Assembly created the North Carolina State Health Plan for Teachers and State Employees (State Health Plan or Plan) to provide eligible employees and retired employees, and certain dependents, with one or more comprehensive group health plans; and

1. The State Health Plan is a government payer and provides health care coverage to more than 727,000 teachers, state employees, current and former lawmakers, state university and community college personnel, retirees and their dependents.
2. The North Carolina General Assembly has vested the State Treasurer, the Executive Director and the Board of Trustees with certain responsibilities to provide and administer these aforementioned health plans to Plan members.
3. The State Treasurer, the Executive Director and the Board of Trustees are required to carry out their responsibilities as fiduciaries to the Plan and its members; and

### PUBLIC FUNDS

**WHEREAS**, the State Health Plan benefits are paid for by member premiums and taxpayer dollars; and

1. The State Health Plan spends over \$3.3 billion annually to provide health care benefits to its members; and

### TRANSPARENCY

**WHEREAS**, the compensation provisions contained in the contractual documents between the Plan's current Third Party Administrator and their network of providers are subject to confidentiality provisions which prevent their explicit disclosure; and

1. The objectives of the Plan will be better served by a complete degree of transparency by which the value, cost and level of responsibility for services will be clearly evident to all stakeholders; and

### FRAUD, WASTE AND ABUSE

**WHEREAS**, numerous studies (perhaps most notably the Institute of Medicine study released in 2012 citing roughly 30%) by reputable professionals have cited a substantial percentage of expenditures for medical care are wasted due to unnecessary services, excessive administrative costs, inefficiently delivered services, prices that are too high, fraud and other problems; and

1. It is our conviction that this serious and pervasive issue can only be effective if addressed by all Plan stakeholders (Plan leadership, Plan members, the provider community, legislators and regulators) playing a concerted role in developing, implementing and supporting solutions; and

### MEDICARE REFERENCE-BASED INITIATIVE

**WHEREAS**, State Treasurer Dale R. Folwell, CPA, announced on October 4, 2018, that starting January 1, 2020, the State Health Plan will launch a new provider reimbursement strategy for North Carolina providers that care for Plan members; and

1. This new reimbursement approach will move the Plan to a reference-based government pricing model based on Medicare (CMS) rates, the aggregate amount of which in this case is 177 percent.
2. Reimbursement rates will change for most providers, becoming consistent across services and geographic areas, decreasing for many providers and systems while increasing for others such as critical access, behavioral health and primary care providers. Implementation of this approach is estimated to generate \$300 million in savings to the Plan and over \$60 million in savings to Plan members.
3. These Plan savings will make it possible to increase the value and affordability of the Plan to employees and dependents by reducing premiums and out of pocket member obligations.
4. The transparency will provide members with increased information about financial obligations when making health care service decisions, thereby making them more involved and informed consumers.
5. This approach is designed to address immediate needs for Plan sustainability, affordability and growth while positioning the Plan to pursue the longer range strategy of pursuing quality and utilizing innovative tools to support members in improving their health.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES THAT:**

Section 1. The Board of Trustees hereby expresses its unified support to the State Treasurer and the Plan in its initiative to move the Plan's medical reimbursement for North Carolina providers who care for Plan members to a referenced-based government pricing model based on a percentage of Medicare rates.

Section 2. The State Treasurer and Executive Director of the North Carolina State Health Plan for Teachers and State Employees are hereby directed to take all action necessary to complete this initiative for the benefit of Plan members.

Section 3. This Resolution shall be included in the minutes of the Board of Trustees for the meeting held on October 22, 2018, in Raleigh, North Carolina.

Section 4. This resolution was voted on and was approved unanimously on October 22, 2018.



*Dale R. Folwell CPA*  
Chair, Dale R. Folwell, CPA

*Dee Jones*  
Executive Director, Dee Jones

*Charles Perusse*  
Ex Officio, Charles Perusse

*Ted Brinn*  
Ted Brinn

*Peter Robie*  
Dr. Pete Robie

*Peter Chauncey*  
Peter Chauncey

*Donald Martin*  
Dr. Donald Martin

*Margaret Way*  
Margaret Way

*Wayne Fish 10-22-18*  
Wayne Fish

*V. Kim Hargett*  
Kim Hargett