

To: Members of the NC State Health Plan Board of Trustees

Date: March 21, 2017

Subject: Proposed 2018 Benefit Change Recommendations

Good afternoon Treasurer Folwell, NC State Health Plan Board of Trustees and SHP Staff:

On behalf of the thousands of members of Professional Educators of North Carolina – including teachers, administrators, professional and support staff – thank you for allowing us the opportunity to comment upon the proposed 2018 State Health Plan benefit design changes. As we have noted in the past, these benefits are a critical component of the compensation package offered to our teachers and state employees, and without a strong package of offerings in place, it will be increasingly difficult to recruit and retain quality teachers and state employees. It is in our best interest to ensure that the offerings are as rich and as competitive as possible, providing all members with viable and accessible options that meet their needs.

We appreciate the challenge you have to develop a plan that would meet your obligation to ensure financial stability of the plan for members. It is our hope that you will also aim to have your measures be the least disruptive to member utilization of quality, functional and practical health benefits that are financially accessible to all.

With the proposed increases to premiums on the 70/20, Enhanced 80/20 and the proposed elimination of the 85-15(CDHP) plan our members will continue to have uncertainty and distrust for the State Health Plan. There have been many references to aligning with other states in regards to

I know you have heard this many times and will continue to hear that throughout an eight-year period from 2009, many educators received lackluster raises. Over that time, those same educators have seen a erosion of their health benefits and have taken on additional costs to maintain those benefits. Any increase in costs for our members will be unwelcome and burdensome given that we don't know what is ahead for them in salary increases, if any, this year.

I have a very small sampling of Member questions/concerns:

How is it that an increase in premium, the elimination of a benefit choice and the erosion of Health Assessments considered to be an added value?

Why is North Carolina trying to align themselves with other states in regards to our member health coverage? Do we not want to be cutting edge?

Research reinforces the ills of smoking and yet why is smoking attestation a good thing for active employees but not for retirees?

We are hopeful that the State Health Plan Board of Trustees and staff will find more ways to keep member premiums in check so that members will be able to participate in a plan that encourages health and wellness for them and their families. In that respect, we are very thankful that the proposal does not include a plan to increase family premiums. We know that the choices to be made will set the path for the solvency of the State Health Plan for generations to come and we don't consider that issue lightly. We understand your obligation and hope that you balance that with member interests.

We appreciate the work of the State Health Plan staff, the State Treasurer, the Board of Trustees, and also appreciate stakeholder involvement. Our thanks to you for the opportunity weigh in on this matter.

**NCAE PRESIDENT ELECT MARK JEWELL STATEMENT TO
STATE HEALTH PLAN BOARD**
Mar. 22, 2017

Good afternoon. I'm Mark Jewell, an educator from Guilford County currently serving as the President of the North Carolina Association of Educators. It's my honor and responsibility to represent public school teachers, education support professionals, and other educators across the state.

Thank you for involving stakeholders in the recent discussions around a number of proposed changes to the State Health Plan, including major premium increases, elimination of the Consumer-Driven Health Plan, the elimination of the several wellness credits, and the freezing of family premiums.

We are deeply concerned about the major premium increases that were presented to us last week and the ending of the zero-premium plan for educators and state employees. The proposal presented last week represents more than 200% increases in premiums.

Recruiting and retaining quality teachers and other education professionals is one of NCAE's highest priorities. Teacher attrition is at a historic high levels and North Carolina is in the bottom tiers of states for average teacher pay. Other education personnel make less than \$20,000 a year.

Health benefits are an integral part of the total compensation package offered to educators, so the decisions you make has a significant impact on recruiting and retaining educators. Out-of-pocket costs for health care have increased for our members, while they have seen little in the way of pay raises, especially our most experienced educators.

These proposed increases would significantly impact any raises educators may or may not receive this year.

At a time when we have \$500 million surpluses the last several years, and we have Senate leaders proposing billion dollar tax cuts that benefit corporations and the wealthy, we should NOT put the burden of funding this benefit on the backs of educators and state employees.

We appreciate the State Health Plan must be financially sound, but it also must be financially sustainable for educators. We stand ready to work together with this board and elected leaders to maintain a Plan that improves the health and quality of life for educators in our state.

###

STATE HEALTH PLAN PROPOSALS-2017
Chuck Stone, Director of Operations for SEANC

- I. SEANC's Policy Platform adopted by our Annual Convention requires us to advocate for a Premium Free State Health Plan Option, and we continue to support that objective. I would like to thank the Treasurer and the State Health Plan staff for the Stakeholders meeting last week.
- II. Neither the Treasurer nor state employees are responsible for the mess that has been inherited:
- Promises were made and both the Executive and Legislative branches of state government have an obligation to honor the state motto "To Be Rather Than to Seem" by proposing and providing adequate funding. This is a principle which every citizen should support.
 - State Health Plan Reserves have been raided in the past for emergency relief adding to unfunded promises and this must stop.
 - Benefits have been reduced and slashed costing members more out-of-pocket at the same time that most have failed to receive meaningful pay increases.
- III. SEANC can concur with the following proposals before you today:
- Simplifying the Plan. The wellness premium credits were actually nothing more than premium surcharges which became a "Gotcha Game" with too many members paying more than a \$1,000 per year due to overly complex enrollment procedures. This should be replaced by positive incentives such as the proposal to require lower copays for designating a primary care physician.
 - Stabilizing the Plan by:
 1. Freezing benefits
 2. Freezing dependent premiums to reduce adverse selection and encourage younger members to enroll dependents.

- Honoring, at least in part, the state's promise of a premium free option for retirees.
- Proposal on Elimination of the CDHP: While understanding the desire of some to maintain this option, there is significant research that high deductible plans cost-shift to members and that costs may increase due to deferred treatment. If this option is re-instated in the future, it should include a Health Savings Account which the Plan member owns, rather than a Health Reserve Account owned by the state.

IV. The options presented today appear to offer two alternative medicines, both bitter:

- Elimination of a premium free option for active employees even for the 70/30
- Continuing down the current path of increasing deductibles and copays, which increases member out-of-pocket expenses and is just a different form of premium increase. This is nothing less than death by a thousand cuts.

V. SEANC advocates the following:

(Reply to Board of Trustees member question) In response to the question raised by a member of the Board of Trustees, an informal survey response from 1,500+ members found that 65% favored the premium if it would freeze premium increases and benefits at current levels as opposed to the annual increases and further reduction in benefits. I must say that we were surprised by the response since we had anticipated the exact opposite.

- Initiate immediate action to reduce excessive outpatient hospital reimbursement rates which far exceed the national average and which could have saved the Plan \$1.25-\$1.5 billion dollars in the past 4-5 years.
- Maintain the option for Medicare retirees to elect the PPO 70/30 as a supplement to Traditional Medicare, since those with other retiree health insurance including TriCare for Life, federal civil service or large corporations may be better off in Traditional Medicare.

- Premiums for the PPO 70/30, if needed, should be TEMPORARY, just as the General Assembly implemented a temporary tax on businesses to restore the UnInsurance Trust Fund, and then removed it.
- EQUITY: Since all active Plan members under the current proposal will share the pain of premium increases, it is more essential than ever that all should share equally in pay raises.
- And finally, the North Carolina State Health Plan should become a model for an efficient health plan which benefits both taxpayers and state employees. As I was taught in Insurance Class, the worst life insurance policy is one that doesn't pay when a death occurs. The same is true for health insurance which won't pay for needed medical treatment. Ultimately, the greatest expense to the state is NOT the State Health Plan, but an employee who must forego medical treatment due to large out-of-pocket expenses, and is therefore, unable to work due to health conditions.

Thank you for your attention, your consideration and your service!

NCRGEA

Comments on the proposed premium increase to the 80/20 health plan for 2018

The NCRGEA supports many of the changes being implemented by State Treasurer Folwell:

- His idea of simplifying enrollment to the State Health Plan for retirees by eliminating wellness credits and tobacco attestation simplifies enrollment and the steps needed to enroll.
- His desire to use the State Health Plan's size to leverage better contracts with providers provides an opportunity to reduce health care cost and save the State millions of dollars.
- His desire to eliminate fraud and abuse of the State Health Plan again will provide cost savings to the health plan.

Another priority of the Treasurer is to address the unfunded liability of the State Health Plan, and this too is of great concern to NCRGEA. We understand and support the need to manage the unfunded liability to avoid potential negatively impacting the State's AAA bond rating.

However, the NCRGEA cannot support the proposed \$50 premium on the 80/20 for non-Medicare eligible retirees. The NCRGEA believes the State is obligated to provide an 80/20 health plan or an equivalent plan to retirees' premium free. With the elimination of Consumer Health Directed Plan, the option for a premium free plan has been eliminated.

Accepting the 2018 Proposed Benefit Design Changes does not honor the obligation of the State to provide retirees a premium-free option for an 80/20 health plan and failure to do so could increase future liabilities to the state health plan, should the State be required to reimburse retirees for those premiums paid.

The NCRGEA requests that Board of Trustees not adopt the \$50 premium on the 80/20 plan for non-Medicare retirees and to provide for retirees and 80/20 or an equivalent plan premium free as promised to state retirees.

Remarks to the State Health Plan Board of Trustees --March 22, 2017

Mr. Treasurer and Board Members---

My name is Pam Deardorff. Dr. Lacy Presnell, who is also here today, and I are representing the 10,000 members of the NC Retired School Personnel association. We also have some of our retired members in the audience and I appreciate them being here today. My remarks will focus primarily on proposed changes for retired members, specifically **non-Medicare retirees and the 80/20 Plan.**

First let me thank you, Mr. Treasurer, for meeting with 'stakeholder' groups recently to personally explain the reasons for your proposed changes. We do realize that you and the Board have serious decisions to make regarding the future of the SHP given the increases in medical and pharmaceutical costs. We appreciate your efforts to reduce waste, fraud and abuse, reduce complexity, and address the long-term retire health liability.

NCRSP cannot, however, support the proposed premium increase in the 80/20 Plan.

As noted in the presentation earlier by Mona Moon, retirees would **not be required to pay a premium for the 70/30 plan but would be looking at a premium increase on the 80/20 plan from about \$15/month to \$50/month**— or another way to look at that is an increase from \$180/year currently to \$600/year (\$420 more per year) – or another way to look at it is that would be an increase of more than 3 times the current rate!

Please let me remind you that the average state government retiree receives only about \$21,000/year in retirement income. Cost of Living Adjustments have been few and far between. They have received only two 1% Costs of Living Adjustments in the last eight years and they just keep falling further behind due to the rate of inflation. To add a three- fold monthly increase to retirees for health insurance would cause a true hardship to many retirees, particularly many of the *oldest* retirees who have very low monthly incomes.

Such large premium increases and elimination of the CDHP would no doubt drive many retirees from the 80/20 plan to the 70/30, where they would receive a less

rich plan with higher out-of-pocket costs, which may result in them not keeping doctor's appointments or having necessary medical procedures.

Mr. Treasurer, in various meetings, and even at the beginning of this meeting today, you have stressed that 'gradualism' is important, so we would urge you and the board to move a little slower and evaluate the ramifications of this premium recommendation. We would encourage you to use the 'buying power' of the state health plan and as you have said, 'take advantage of our largeness ' to identify cost savings over the next year, and see what that looks like---- before imposing these costs increases on employees and retirees!

Finally, since we don't know the benefits and premiums for **Medicare eligible** retirees at this time, I do want to take this time to express to the board that our association retirees generally have been very pleased with the Medicare Advantage plans and we would encourage you to continue these as currently offered.

Thank you for your consideration.