



*North Carolina*  
**State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES



## Salary-Based Benefit Options

*Board of Trustees*

August 5, 2016

---

*A Division of the Department of State Treasurer*

# Presentation Overview

---

- Salary-Based Benefit Options
- Other State Approaches to Salary-Based Benefits
- Challenges to Approach

# Salary-Based Benefits Options

---

- While there are a variety of different ways to administer salary-based premiums, they are all variations on these three themes:
  1. Salary band-based benefits (Premiums and/or Cost Sharing)
  2. Salary-based benefits reimbursements through a Health Reimbursement Account (HRA)
  3. Percent of Salary-Based Premiums
- All three options rely on varying levels of synchronization between the enrollment system and payroll systems. While the Plan controls the configuration of the enrollment system, each Employing Unit controls their payroll setup. (Only BEACON agencies have one unified payroll system.)

# Prevalence of Salary-Based Health Plan Offerings

---

- PWC's 2016 Health and Wellbeing Touchstone Survey
  - 19% of responding employers offered salary-based contributions
    - Up from 14% in 2014
  - Employers who have adopted this strategy have an average of 4 salary tiers
- Mercer's 2015 National Survey of Employer-Sponsored Health Plans
  - 14% of responding employers offered salary-based contributions
  - Only 5% of government employers offer salary-based contributions (lowest of all industry groups)
- Only limited specifics on private sector employers that have salary-based plan designs
- No national survey data available on employers offering salary-based plan designs

# States Sponsoring Salary-Based Benefit Plans

|               | Salary-Based Contributions | Salary-Based Plan Design Features |
|---------------|----------------------------|-----------------------------------|
| Illinois      | ✓                          | ✓                                 |
| New Jersey    | ✓                          |                                   |
| Rhode Island  | ✓                          |                                   |
| West Virginia | ✓                          | ✓                                 |

# State of West Virginia Salary-Based Benefits

## Monthly Contributions for Employee Only Coverage (7/1/16 - 6/30/17)

| Annual Salary         | Health Plan Plan A | Health Plan Plan B | Health Plan PPO | PEIA Plan A | PEIA Plan B | PEIA Plan C* | PEIA Plan D |
|-----------------------|--------------------|--------------------|-----------------|-------------|-------------|--------------|-------------|
| \$0 - \$20,000        | \$98               | \$47               | \$59            | \$63        | \$44        | \$85         | \$53        |
| \$20,001 - \$30,000   | \$115              | \$52               | \$64            | \$80        | \$50        | \$85         | \$67        |
| \$30,001 - \$36,000   | \$122              | \$55               | \$67            | \$87        | \$53        | \$85         | \$74        |
| \$36,001 - \$42,000   | \$128              | \$57               | \$69            | \$93        | \$55        | \$85         | \$78        |
| \$42,001 - \$50,000   | \$143              | \$63               | \$75            | \$108       | \$61        | \$85         | \$92        |
| \$50,001 - \$62,500   | \$166              | \$73               | \$85            | \$131       | \$71        | \$85         | \$111       |
| \$62,501 - \$75,000   | \$180              | \$80               | \$92            | \$145       | \$78        | \$85         | \$123       |
| \$75,001 - \$100,000  | \$209              | \$92               | \$104           | \$174       | \$90        | \$85         | \$148       |
| \$100,001 - \$125,000 | \$252              | \$130              | \$142           | \$217       | \$127       | \$85         | \$184       |
| \$125,001 +           | \$282              | \$152              | \$164           | \$247       | \$150       | \$85         | \$211       |

\* Contributions for PEIA Plan C are not salary-based

## Annual Deductibles and Out-of-Pocket Maximums for Employee Only Coverage (7/1/16 - 6/30/17)

| Annual Salary         | Annual Deductible |             |              |             | Out-of-Pocket Maximum |             |              |             |
|-----------------------|-------------------|-------------|--------------|-------------|-----------------------|-------------|--------------|-------------|
|                       | PEIA Plan A       | PEIA Plan B | PEIA Plan C* | PEIA Plan D | PEIA Plan A           | PEIA Plan B | PEIA Plan C* | PEIA Plan D |
| \$0 - \$20,000        | \$125             | \$525       | \$1,300      | \$125       | \$800                 | \$2,000     | \$2,500      | \$800       |
| \$20,001 - \$30,000   | \$175             | \$525       | \$1,300      | \$175       | \$1,100               | \$2,000     | \$2,500      | \$1,100     |
| \$30,001 - \$36,000   | \$225             | \$525       | \$1,300      | \$225       | \$1,250               | \$2,000     | \$2,500      | \$1,250     |
| \$36,001 - \$42,000   | \$250             | \$525       | \$1,300      | \$250       | \$1,500               | \$2,000     | \$2,500      | \$1,500     |
| \$42,001 - \$50,000   | \$275             | \$1,025     | \$1,300      | \$275       | \$1,750               | \$2,000     | \$2,500      | \$1,750     |
| \$50,001 - \$62,500   | \$400             | \$1,025     | \$1,300      | \$400       | \$1,800               | \$2,000     | \$2,500      | \$1,800     |
| \$62,501 - \$75,000   | \$425             | \$1,025     | \$1,300      | \$425       | \$1,850               | \$2,000     | \$2,500      | \$1,850     |
| \$75,001 - \$100,000  | \$450             | \$1,025     | \$1,300      | \$450       | \$1,900               | \$2,000     | \$2,500      | \$1,900     |
| \$100,001 - \$125,000 | \$525             | \$1,025     | \$1,300      | \$525       | \$2,000               | \$2,000     | \$2,500      | \$2,000     |
| \$125,001 +           | \$625             | \$1,025     | \$1,300      | \$625       | \$2,250               | \$2,000     | \$2,500      | \$2,250     |

\* Deductibles and Out-of-Pocket Maximums for PEIA Plan C are not salary-based

# State of Illinois Salary-Based Benefits

**Amounts Shown for 7/1/16 - 6/30/17**

| Annual Salary        | Monthly Payroll Deduction<br>Employee Only Coverage |                             |
|----------------------|---|-----------------------------|
|                      | Managed Care<br>Plans                               | Quality Care<br>Health Plan |
| \$30,200 and below   | \$68  | \$93                        |
| \$30,201 - \$45,600  | \$86  | \$111                       |
| \$45,601 - \$50,700  | \$103   | \$127                       |
| \$60,701 - \$75,900  | \$119   | \$144                       |
| \$75,901 - \$100,000 | \$137   | \$162                       |
| \$100,000 and above  | \$186   | \$211                       |

| Annual Salary       | Annual Deductible* |         |
|---------------------|--------------------|---------|
|                     | Individual         | Family  |
| \$60,700 of less    | \$375              | \$937   |
| \$60,700 - \$75,900 | \$475              | \$1,187 |
| \$75,901 and above  | \$525              | \$1,312 |

\* Quality Care Health Plan

# State of New Jersey Salary-Based Benefits

## Percent Paid by Employee for Plan Years after 7/1/14

| Salary                | Single | Member/Spouse/<br>Partner or<br>Parent/Child | Family |
|-----------------------|--------|--|--------|
| Less than \$20,000    | 4.50%  | 3.50%  | 3.00%  |
| \$20,000 - \$24,999   | 5.50%  | 3.50%  | 3.00%  |
| \$25,000 - \$29,999   | 7.50%  | 4.50%  | 4.00%  |
| \$30,000 - \$34,999   | 10.00% | 6.00%  | 5.00%  |
| \$35,000 - \$39,999   | 11.00% | 7.00%  | 6.00%  |
| \$40,000 - \$44,999   | 12.00% | 8.00%  | 7.00%  |
| \$45,000 - \$49,999   | 14.00% | 10.00%                                       | 9.00%  |
| \$50,000 - \$54,999   | 20.00% | 15.00%                                       | 12.00% |
| \$55,000 - \$59,999   | 23.00% | 17.00%                                       | 14.00% |
| \$60,000 - \$64,999   | 27.00% | 21.00%                                       | 17.00% |
| \$65,000 - \$69,999   | 29.00% | 23.00%                                       | 19.00% |
| \$70,000 - \$74,999   | 32.00% | 26.00%                                       | 22.00% |
| \$75,000 - \$79,999   | 33.00% | 27.00%                                       | 23.00% |
| \$80,000 - \$84,999   | 34.00% | 28.00%                                       | 24.00% |
| \$85,000 - \$89,999   | 34.00% | 30.00%                                       | 26.00% |
| \$90,000 - \$94,999   | 34.00% | 30.00%                                       | 28.00% |
| \$95,000 - \$99,999   | 35.00% | 30.00%                                       | 29.00% |
| \$100,000 - \$109,999 | 35.00% | 35.00%                                       | 32.00% |
| \$110,000 and over    | 35.00% | 35.00%                                       | 35.00% |



# State of Rhode Island Salary-Based Benefits

## Biweekly Contributions for Choice Plus HSA Plan (1/1/16 - 12/31/16)

| Coverage Tier | Salary                         | Percentage | Medical  | Dental  | Vision | Total    |
|---------------|--------------------------------|------------|----------|---------|--------|----------|
| Individual    | Less than \$95,481             | 20%        | \$53.64  | \$3.14  | \$0.44 | \$57.22  |
|               | \$95,481 and above             | 25%        | \$67.05  | \$3.93  | \$0.55 | \$71.53  |
| Family        | Less than \$49,670             | 15%        | \$112.77 | \$6.59  | \$0.91 | \$120.27 |
|               | \$49,670 to less than \$95,481 | 20%        | \$150.36 | \$8.79  | \$1.21 | \$160.36 |
|               | \$95,481 and above             | 25%        | \$187.96 | \$10.99 | \$1.51 | \$200.46 |

# Salary-Based Premium Options: Salary Band-Based Premium

---

## Salary Band-Based Premium Option

- This option would be a joint responsibility between the Plan and the Employing Units to administer.
  - **eEnroll** – The enrollment system could be configured to display the appropriate employee premium, as long as the Employing Unit inputs and maintains the correct salary in eEnroll.
  - **Premium Invoice** – The Employing Units' invoices would include both the employer and employee share of the premium and the invoice detail would be available to assist the Employing Unit with reconciliation
  - **Employing Units** – The heavy lifting is on the Employing Units to maintain employee salaries in eEnroll. This is not a current requirement and a validation process would be needed to ensure consistency between the Plan's enrollment system and the Employing Unit's payroll system.

# Salary-Based Premium – Salary Band Requirements

---

- While the enrollment system can support salary-based premium enrollment, the new requirements fall primarily on the Employing Units.
- **Salary Information** – One of the primary keys to success for offering a salary-based premium is maintaining accurate salary information and not all Employing Units maintain salary information in the Benefitfocus platform.
  - **Manual Groups** – The vast majority of the over 300 Employing Units maintain all their eEnroll activities manually. These groups would have to add the maintenance of employee salary information in eEnroll to their duties. This would impact the majority of the Employing Units (close to 300).
  - **File Groups** – These Employing Units (approximately 50 groups) send files from their payroll systems to populate eEnroll. These are the groups that currently send salary information straight from their payroll systems.

# Salary-Based Premium – Salary Band Requirements

- **Rate Structure** – Our current rate structure is fairly complex. We differentiate rates by plan design, Medicare status, premium wellness credits and number of dependents. Each rate band would double the number of rate scenarios. This not only impacts our vendors, who currently require six weeks for setup and testing, but also all the Employing Units that must update and maintain their payroll systems and if applicable, their payroll files.
  - An example of one of the 22 current rate structures which would have to be duplicated by band is below:

| <b>Monthly Premium Rates for Non-Medicare Retirees on the Enhanced 80/20 Plan</b> |                      |   |          |                                     |          |                                     |          |                                     |          |
|---|----------------------|---|----------|-------------------------------------|----------|-------------------------------------|----------|-------------------------------------|----------|
| <b>January 1, 2016 - December 31, 2016</b>  |                      |   |          |                                     |          |                                     |          |                                     |          |
| <b>Employer Share:</b>  |                      | \$463.68                                    |          |                                     |          |                                     |          |                                     |          |
|   |                      | <b>Participation in Wellness Activities</b> |          |                                     |          |                                     |          |                                     |          |
| <b>Wellness Activities</b>  |                      | <b>All 3</b>                                |          | <b>Two Activities Completed</b>     |          | <b>One Activity Completed</b>       |          | <b>None</b>                         |          |
| <b>Tobacco Attestation</b>  |                      | <input checked="" type="checkbox"/>         |          | <input checked="" type="checkbox"/> |          | <input checked="" type="checkbox"/> |          |                                     |          |
| <b>PCP + Learning Module</b>  |                      | <input checked="" type="checkbox"/>         |          | <input checked="" type="checkbox"/> |          | <input checked="" type="checkbox"/> |          |                                     |          |
| <b>HA Completion</b>  |                      | <input checked="" type="checkbox"/>         |          | <input checked="" type="checkbox"/> |          | <input checked="" type="checkbox"/> |          | <input checked="" type="checkbox"/> |          |
| <b>Non-Medicare for Retiree and Dependent(s)</b>                                  |                      |   |          |                                     |          |                                     |          |                                     |          |
|   | Retiree Only         | \$14.20                                     | \$39.20  | \$39.20                             | \$54.20  | \$64.20                             | \$79.20  | \$79.20                             | \$104.20 |
|   | Retiree + Child(ren) | \$294.72                                    | \$319.72 | \$319.72                            | \$334.72 | \$344.72                            | \$359.72 | \$359.72                            | \$384.72 |
|   | Retiree + Spouse     | \$660.52                                    | \$685.52 | \$685.52                            | \$700.52 | \$710.52                            | \$725.52 | \$725.52                            | \$750.52 |
|   | Retiree + Family     | \$699.42                                    | \$724.42 | \$724.42                            | \$739.42 | \$749.42                            | \$764.42 | \$764.42                            | \$789.42 |
| <b>Medicare Primary for One or More Dependent(s)</b>                              |                      |   |          |                                     |          |                                     |          |                                     |          |
| <i>Medicare Advantage Base Plan for Medicare Primary Dependents</i>               |                      |   |          |                                     |          |                                     |          |                                     |          |
|   | Retiree + Child(ren) | \$146.20                                    | \$171.20 | \$171.20                            | \$186.20 | \$196.20                            | \$211.20 | \$211.20                            | \$236.20 |
|   | Retiree + Spouse     | \$146.20                                    | \$171.20 | \$171.20                            | \$186.20 | \$196.20                            | \$211.20 | \$211.20                            | \$236.20 |
|   | Retiree + Family     | \$278.20                                    | \$303.20 | \$303.20                            | \$318.20 | \$328.20                            | \$343.20 | \$343.20                            | \$368.20 |
| <i>Medicare Advantage Enhanced Plan for Medicare Primary Dependents</i>           |                      |   |          |                                     |          |                                     |          |                                     |          |
|   | Retiree + Child(ren) | \$212.20                                    | \$237.20 | \$237.20                            | \$252.20 | \$262.20                            | \$277.20 | \$277.20                            | \$302.20 |
|   | Retiree + Spouse     | \$212.20                                    | \$237.20 | \$237.20                            | \$252.20 | \$262.20                            | \$277.20 | \$277.20                            | \$302.20 |
|   | Retiree + Family     | \$410.20                                    | \$435.20 | \$435.20                            | \$450.20 | \$460.20                            | \$475.20 | \$475.20                            | \$500.20 |
| <i>Traditional 70/30 Plan for Medicare Primary Dependents</i>                     |                      |   |          |                                     |          |                                     |          |                                     |          |
|   | Retiree + Child(ren) | \$164.26                                    | \$189.26 | \$189.26                            | \$204.26 | \$214.26                            | \$229.26 | \$229.26                            | \$254.26 |
|   | Retiree + Spouse     | \$408.76                                    | \$433.76 | \$433.76                            | \$448.76 | \$458.76                            | \$473.76 | \$473.76                            | \$498.76 |
|   | Retiree + Family     | \$444.12                                    | \$469.12 | \$469.12                            | \$484.12 | \$494.12                            | \$509.12 | \$509.12                            | \$534.12 |

# Salary-Based Premium – Salary Band Requirements

---

- **Salary Bands** (con't.)

- **In-year salary changes** – In-year salary changes present another challenge. If members' salaries increase or decrease throughout the year, would we move them to the new tier and adjust their premium? (Which means the Employing Units must adjust payroll.)
  - **Annual salary increases** – The Plan is on a calendar year. Annual salary increases are not. Would we adjust mid-year?
  - **Bonuses** – What if a one time bonus pushed a member into another tier? Would we adjust mid-year?
  - **Promotions, salary adjustments** – Would we adjust mid-year?
  - **Part-time to full-time status or vice-versa** – We would need to adjust.
  - **Salary increase amount** – In any of these scenarios, a very small salary adjustment could push a member into the next tier. Depending on the salary bands, the premium increase could be larger than the salary increase that pushed the member to the higher band.

# Salary-Based Premium – Salary Band Requirements

---

- **Salary Bands** (con't.)
  - **In-Year Salary Changes** – Because in-year salary changes are such a complicating factor, Benefitfocus has developed two options.
    1. **In-Year Adjustments Allowed** – If this option is elected, the Benefitfocus platform will automatically adjust the members' monthly premium to the appropriate band. The effective date of the premium change would be the first of the month of the salary change that resulted in a premium band change.
      - BCBSNC would adjust the Employing Unit premium invoice
      - Employing Units would have to adjust their payroll deductions to coincide with the premium change
    2. **In-Year Adjustments Not Allowed** – If this option is elected, once the member's enrollment is approved for the benefit year, it cannot be changed for any reason, including a salary correction.

# Salary-Based Premium Options: Premium Reimbursements Through A Health Reimbursement Account (HRA)

---

## Premium Reimbursement Through HRA Option

- While there are a variety of ways this can be administered, it does not change the amount that is deducted from the employees' paychecks. Instead, members receive contributions into their HRA to offset their premiums.
- Considerations for this methodology include:
  - **Salary Information** – As with the salary band approach, Employing Units would have to maintain accurate salary information in eEnroll in order for the Plan to determine who qualifies for a reimbursement, and depending on the methodology for reimbursement, what amount to reimburse the employee. All the in-year salary change issues described in the previous slides would apply here as well.
  - **System Development** – There is currently no integration between the enrollment system and the HRA system to support this type of reimbursement. Because these systems are maintained by different vendors, it would be a vendor integration project that would have to be developed from the ground up. The TPA contract, which includes the HRA functionality, is going out to bid next year, so we would not want to start this work until that contract is awarded.
  - **HRA Reimbursements** – HRA accounts are traditionally used to offset out-of-pocket expenses. If the intent is to directly reimburse the members for premiums and not allow the funds to be available to off-set medical out-of-pocket expenses, additional HRA system development may be required.

# Salary-Based Premium Options: Percent of Salary-Based Premium

---

## Percent of Salary-Based Premium

- This option would fall solely on the Employing Units to administer.
- **eEnroll** – The enrollment system would confirm which plan the member had elected, which dependents were enrolled, and the total employer/employee premium, but not the employee's share of the premium
- **Premium Invoice** – Similar to the enrollment system, the Employing Unit's invoice would have a total amount due per employee, but would not provide the specific employee share. There would be no invoice detail reports available to the Employing Units to assist with premium billing reconciliation.
- **Employing Units** – Would have to determine the appropriate amount to deduct from the employees' paychecks based on each employee's elections. Groups without payroll connectivity to eEnroll would have to calculate each employee's payroll entry manually. Payroll groups would have to build new payroll deduction logic to support this methodology.



# Summary

---

- There are multiple options of salary-based benefits to consider; however, they all have significant administrative difficulty for both the Plan and our partners
- Implementing any form of salary-based benefits would likely require a total redesign of the current benefit program, resulting in:
  - Reduction in number of plans
  - Communication strategy change
  - Staff resource model change
- This approach would necessarily address the need to provide high quality benefits to all employees