



**Board of Trustees Meeting
In-Person/Webinar/Recorded
December 14, 2022
Minutes**

The meeting of the North Carolina State Health Plan for Teachers and State Employees (Plan) Board of Trustees was called to order by Chair Dale R. Folwell, CPA, at 9:00 a.m. on Wednesday, December 14, 2022.

Board Members Present: Dale R. Folwell, Kristin Walker, Russell "Rusty" Duke, Wayne Fish, Kim Hargett, Peter Robie, M.D., Mike Stevenson, Cyrus Vernon

Board Members Absent: Cherie Dunphy, M.D.

Welcome

Chair Folwell welcomed the Board and members of the public to the meeting.

Conflict of Interest

No conflicts of interest were noted.

Reading of SEI Statements into Minutes Pursuant to the Ethics Act § 138A-15(c)

No Statements of Economic Interest (SEI) were read into the minutes.

Recognition of New Board Member

Kristin Walker was appointed as the Director of the Office of State Budget and Management (OSBM), effective November 1, 2022. Prior to this appointment, Ms. Walker served as the Chief Deputy Budget Director for OSBM. Before joining OSBM, she was a Fiscal Analyst for the NC General Assembly for more than 10 years. In her role as Director of OSBM, she will serve as an ex officio member of the State Health Plan Board.

Public Comment

A State Health Plan member asked the Board to consider the coverage of In Vitro fertilization (IVF) for those who experience infertility. A letter from the member to the Board was distributed to board members.

Board Approval

Minutes –September 14, 2022, Meetings

Board Vote: Motion Ms. Hargett; second by Mr. Stevenson; roll call vote was taken; unanimous approval by Board to approve the September 14, 2022, meeting minutes.

Operations Updates

2023 Open Enrollment Results

Beth Horner, Director of Customer Experience and Communications, provided a summary on the 2023 Open Enrollment (OE) results. She highlighted the member outreach events that took place prior to and during OE, including Health Benefit Representative (HBR) trainings, webinars hosted by the Plan and Humana, in-person meetings for Medicare members and the telephone town hall meetings, in which 11,000 members participated. The Plan's direct mailing campaign focused more on Medicare members, specifically those enrolled in the Base PPO Plan (70/30), than in previous years.

The Eligibility and Enrollment Support Center handled over 128,000 calls during the OE period and, as in 2021, offered extended hours. The call center's total volume of calls was nearly 10% higher than last year. In addition, approximately 77% of the calls were from active members compared to 54% last year.

Active and Non-Medicare members were moved to the Base PPO Plan (70/30), but could move to the Enhanced PPO Plan (80/20) during OE. Those who failed to take action during OE remained in the Base PPO Plan (70/30) for 2023. Medicare members enrolled in the Base PPO Plan (70/30) were moved to the Humana Group Medicare Advantage Base Plan, but had the opportunity to move back to the Base PPO Plan (70/30) during OE.

The Medicare Advantage OE period runs from January 1 – March 31, 2023. Medicare members enrolled in the Humana Group Medicare Advantage plans will be able to make one change during this period. Medicare members currently in the Base PPO Plan (70/30) will not be able to change plans during this time. Final Medicare enrollment numbers will be provided to the Board after March 31, 2023.

Board Comments and Questions Addressed:

Does the Plan have members who are actively employed and on Medicare? Can members have two plans? Ms. Horner responded that members can be enrolled in only one plan. State Health Plan members who are age 65 and older, and still actively working, are not eligible for the Medicare Advantage plan until they retire.

One board member suggested that adding a third weekend to OE would reduce the number of members not taking action. Dee Jones, Executive Director, stated that adding another weekend or even a week in the past hasn't proven to be either cost-effective or significantly increased the number of enrollments.

In response to a question as to whether the number of members in one of the Medicare Advantage plans has ever exceeded 90%, Ms. Horner responded no.

Ms. Horner also responded to a question regarding members who join a commercial Medicare Advantage plan. Plan staff, through various communication efforts, emphasize the importance of calling the Plan before taking action, listening to the videos on the Plan's website and always looking for the Plan's apple logo on any mailings they receive.

Ms. Horner concluded by recognizing each member on the Customer Experience and Communications team for their efforts before, during and after OE.

Financial Update

Matthew Rish, Sr. Director of Finance, Planning & Analytics, presented the financial results through October 2022. The Fiscal Year (FY) report demonstrated an increase of approximately 6% in Plan revenue compared to 2021. Net claims increased 3.8% through the first 4 months and net administrative expenses decreased. The Plan experienced a net loss of \$111 million.

Mr. Rish noted that the ending cash balance of \$739 million was greater than the \$356 million Target Stabilization Reserve (TSR). The TSR calculation is based on claims expenditures and the amount of cash the Plan requires, in reserves, to pay claims.

The Calendar Year (CY) results through the first 10 months of 2022 were similar in that Plan revenue increased approximately 7%. Claims payments appear to be leveling out since the spike in claims during the worst months of the pandemic. The net income of \$2.2 million improved compared to the \$261 million loss through October 2021.

Mr. Rish emphasized the effort it took to recoup the \$215 million reimbursement for claims related to COVID-19 paid by the Plan in 2020 and 2021. He noted the efforts of Mr. Sam Watts and OSBM staff, both of whom worked closely with the General Assembly to secure the reimbursement. He also commended the efforts of the Department of State Treasurer's Financial Operations Division, who provided assistance in completing the paperwork required to apply for, and receive, the money. Charles Sceiford, the Plan's Health and Benefits Actuary, worked to create realistic projections, based on actual expenditures, and various timelines when the Plan would require reimbursement.

Chair Folwell also recognized the stakeholder groups who worked on the Plan's behalf.

Ms. Jones noted that approximately 18% of the Plan's revenue comes from employee premiums and 82% from legislative funding. She also stated that the TSR of \$360 million is equivalent to approximately one month of the Plan's claims payments.

Mr. Rish presented an update on COVID-19 costs for CY 2020 through November 2022. He noted that in CY21, Pharmacy Benefit Manager (PBM) costs were added due to COVID-19 vaccinations. The Plan has paid approximately \$439 million for testing, treatment and vaccinations.

Mr. Rish presented a chart regarding the history of Other Post-Employment Benefits (OPEB), the State's liability relative to projected future health care expenditures for retirees.

Discount Rate: Requirement of the Governmental Accounting Standards Board (GASB) based on the Bond Buyer 20 Index rate on June 30 of each year

Gross OPEB Liability: Total liability the State reports

Assets: Any funds directly held aside or reserved for future exp

Net OPEB Liability: Difference between Gross OPEB Liability and Assets

Funding Ratio: Assets as a percentage of liability

He noted that when the discount rate decreases, the liability increases and vice versa. As of June 30, 2022, the OPEB liability is \$23.7 billion, and the State is funded at 10.6%.

Chair Folwell added that 5 years ago, North Carolina's unfunded liability was the second highest in the country. He noted that two of his priorities included reducing the OPEB liability and lowering dependent premiums. While dependent premiums have remained the same for the past five years, the Plan hasn't been in a financial position to consider lowering them. Doing so would hopefully attract younger,

healthier people to join the Plan, thereby helping to balance Plan costs. He stated that until the hospitals and providers are willing to adopt reference-based pricing, which would allow the Plan to take advantage of its buying power, the solvency of the Plan will continue to be at risk.

Benefit Changes 2023 and 2024

Caroline Smart, Sr. Director, Plan Integration, stated that coverage for acupuncture and dry needling were benefit changes the Board might want to consider for 2024.

Board Comments and Questions Addressed:

Does the Plan have something in place in the analytics area where the review of claims helps to determine opportunities for potential benefit changes, i.e., high-cost outliers? The Plan can certainly use the data for cost projections and to review the number of members impacted.

A board member mentioned the opioid crisis and reviewing alternative treatment, such as acupuncture, to treat pain. Another member said it would be interesting to see if acupuncture could reduce long-term pharmacy costs. A third member encouraged the Plan to continue reviewing acupuncture coverage.

Other Operations Updates

Blue Cross North Carolina FACETS Status: At the board meeting in September, Ms. Jones informed the board that Plan staff would, most likely, be working to address system issues through the end of the year. However, problems continue to surface, and staff remain diligent in attempting to correct the errors. Even though the Plan appreciates the \$1 million payment earlier in the year, the Plan's costs are inestimably more.

Biennium Funding Strategy: Mr. Sam Watts has been sharing the funding request letter, signed by the board, with members of the General Assembly. Meetings with legislators, Fiscal Research and OSBM, to discuss funding, will continue during the 2023 Long Session.

Ms. Jones announced that she would be leaving the Plan, effective Friday, December 16, to pursue a job in the private sector. She stated that it has been a pleasure serving as the Executive Director for the past 5 years. She thanked the board members, Plan staff and Treasurer Folwell for their support.

Board Comments and Questions Addressed:

Board members thanked Dee for her generosity of time when members had questions, hard work, transparency, the effort to make things better for Plan members and making new board members feel comfortable. Several members noted her approachability and knowledge when questions were asked.

Chair Folwell thanked Ms. Jones for advocating for Plan members and for the work she did on a daily basis. He requested a standing ovation for her service.

Ms. Jones concluded by stating that the next meeting would likely be in February 2023.

Board Vote to Move into Executive Session: Motion by Dr. Robie; second by Ms. Hargett; roll call vote was taken; unanimous approval by Board to move into executive session pursuant to G.S. 143-318.11(a)(1) and Chapter 132 to vote on the RFP Recommendation for the Third-Party Administrator.

Executive Session

Kendall Bourdon, Director, Contracting and Compliance, presented on the Third-Party Administrative Services Request for Proposal #: 270-20220830TPAS (TPA RFP). The presentation provided information on the TPA RFP modernization strategy and process; a summary of the procurement process; a detailed analysis of the proposed contracts of Blue Cross Blue Shield of North Carolina (BCBS), UMR, and Aetna Life Insurance Company (Aetna); and the recommendation of the evaluation committee. Ms. Bourdon then presented all three bidders to the Board for its consideration. After discussion, the Board of Trustees voted to award the TPA services contract to Aetna. The contract will be effective January 1, 2025, through December 31, 2027, with two renewal options available for 2028 and 2029.

Board Vote: Motion by Mr. Fish; second by Judge Duke; roll call vote was taken; unanimous approval by Board to approve the RFP Recommendation for the Third-Party Administrator, pursuant to G.S. 143-318.11(a)(1), G.S. 132-1.2

Return to Open Session

Board Vote: Motion by Dr. Robie; second by Judge Duke; roll call vote was taken; unanimous approval by Board to return to open session.

Adjournment

Chair Folwell called for a motion to adjourn.

Board Vote: Motion by Judge Duke; second by Ms. Hargett; vote was taken; unanimous vote by Board to adjourn.

Chair Folwell adjourned the meeting at 12:32 p.m. in honor of lives lost this year.

Minutes submitted by: Joel Heimbach, Secretary

Approved by: _____


Dale R. Folwell, CPA, Chair