



Dale R. Folwell, CPA
State Treasurer of North Carolina
DALE R. FOLWELL, CPA

**Board of Trustees Meeting/Webinar
Minutes
December 15, 2021**

The Microsoft Teams in-person and virtual 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 at 9:00 a.m. on Wednesday, December 15, 2021.

Board Members Present: Dale R. Folwell, Russell "Rusty" Duke, Cherie Dunphy, M.D., Wayne Fish, Kim Hargett, Donald Martin, Peter Robie, M.D., Mike Stevenson

Board Members Absent: Charles Perusse

Welcome

Chair Folwell welcomed the Board and members of the public to the meeting. He reviewed the rules for conducting remote meetings.

- a. Board members shall announce their name when speaking.
- b. All chats, instant messages, texts, or other written communications between members of the public body regarding the transaction of the public business during the remote meeting are deemed a public record.
- c. All votes shall be by roll call.

Conflict of Interest

No conflicts of interest were noted.

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

Statements of Economic Interest (SEI Statements) for Cherie Dunphy, M.D., and J. Michael Stevenson were read into the minutes.

Resolutions for Departing Board Members

Resolutions for Ted Brinn, Larry Chewing and Lisa Grimes were presented to the Board. Chair Folwell expressed appreciation for their service and contributions as Board members.

Public Comment

Flint Benson, Lobbyist for the State Employees Association of North Carolina (SEANC), expressed his appreciation to Plan staff, Dee Jones, Executive Director, Treasurer Folwell and Sam Watts, Legislative Liaison for the Department of State Treasurer (DST).

Board Approval

Minutes – December 1, 2021, Meeting

Board Vote: Motion by Dr. Robie; second by Ms. Hargett; roll call vote was taken; unanimous approval by Board to approve the December 1, 2021, meeting minutes.

Board of Trustees Bylaws

Dee Jones, Executive Director, introduced Joel Heimbach, Assistant General Counsel and Acting Board Secretary. She stated that Kendall Bourdon, former Assistant General Counsel, was promoted to Director, Contracting and Compliance.

Mr. Heimbach presented revisions to the Bylaws, which were last approved in August 2018.

Board Comments and Questions Addressed:

In response to a question as to whether the Plan has a policy regarding how a policy is developed and/or changed, Mr. Heimbach responded in the affirmative. Ms. Jones followed up by stating that the Plan follows the guidelines established by the DST policy committee.

Board Vote: Motion by Ms. Hargett; second by Dr. Dunphy; roll call vote was taken; unanimous approval by Board to approve the Bylaws of the North Carolina State Health Plan Board of Trustees.

Operations Updates

Open Enrollment Update

Beth Horner, Director, Customer Experience & Communications, presented a summary of the October 11-29, 2021, Open Enrollment (OE). She noted that Medicare members were not required to take action unless they wanted to make changes. Active and non-Medicare members were moved to the 70/30 PPO Plan and were required to take action if they wanted to move to the 80/20 PPO Plan. Approximately 94% of active employees completed OE.

Ms. Horner noted that the Plan made a concerted effort to ensure a seamless enrollment process online by including more drop-down boxes and reducing the number of clicks members had to use.

The Customer Experience and Communications staff, again, focused on educating the Plan's Medicare members, specifically including those enrolled in the 70/30 Plan. Webinars, telephone town hall and in-person meetings were offered to Medicare members. Approximately 5,000 members participated in the webinars and town hall virtual meetings.

Ms. Horner noted that final Medicare enrollment numbers will not be available until April 2022, following the federal Medicare enrollment period, which is January 1 – March 31, 2022.

A summary of the OE call volume and wait times at the Plan's Eligibility and Enrollment Support Center (Benefitfocus) was provided. The average hold time was 6 minutes compared to 29 minutes in 2020. A new virtual hold feature was offered this year and approximately 26,000 members took advantage of this feature.

Ms. Horner noted several post-enrollment items. The exception process is under way, with approximately 175 received to date. New ID cards, effective 1/1/2022, will be issued to all members on the 70/30 and 80/20 plans. The 2022 premium invoices have been generated for employing units.

Board Comments and Questions Addressed:

In response to a question regarding members who claim that they completed the smoking attestation, Ms. Horner stated that the Plan can track whether the member logged into the system.

A board member commented that the OE process was much improved this year and commended Plan staff for the improvements implemented.

Members may continue to visit CVS minute clinics for smoking cessation counseling. However, the Plan also recently partnered with primary care providers to provide this service to make it easier for members.

Chair Folwell stated that, moving forward, the Plan would quantify the cost of Medicare members who remain on the 70/30 Plan on a per member per month basis. He added that the normal appropriation from the General Assembly is not keeping up with increased pharmacy costs. The General Assembly requested a Medicare Advantage (MA) plan approximately 8 years ago and a slight increase in the MA enrollment each year isn't enough. Chair Folwell requested that Humana, the Plan's MA vendor, present a plan of action to promote their MA plans. He expressed appreciation for the outreach efforts by the retiree associations to promote the MA plan options.

Chair Folwell added that one of the primary goals for the Plan is to focus on the cost drivers for members born between 1948 and 1962.

Board Comments and Questions Addressed:

A board member's parents, who are on the Plan's MA plan, received a mailing from Humana that provided the name of a local agent who could provide information about Humana's plan options. This mailing was not related to the State Health Plan. Ms. Horner responded by stating that Humana has a system whereby Plan Medicare members are typically removed from their commercial mailing list. She stated that she would follow up with Humana.

Financial Report

Matthew Rish, Sr. Director, Finance, Planning and Analytics, provided a summary of the Fiscal Year (FY) financials through October 2021.

Key Highlights:

- Revenue down and claims payments considerably higher in 2021 compared to 2020; revenue affected by decreased funding from General Assembly past several years
- Savings in new Medicare Advantage (MA) contract helped to offset operating loss of \$150m; without those savings, loss would have been closer to \$210m
- Plan operates on Calendar Year (CY) but employer rate payments line up with fiscal year
- Unfavorable timing issue with large Administrative Expense invoice payment for December 2020 that was paid in January 2021; therefore, one less payment in CY 2020 and one additional payment in CY 2021
- Cash transfer of \$187m – retiree premiums Plan receives transferred to the Retiree Health Benefit Trust Fund (RHBTf)

Mr. Rish stated that the Plan has received questions regarding the recent approval of employer contribution rates.

Key Highlights:

- Rates are established on a CY basis
- SL 2021-180 (FY State Budget) was approved in mid-November and rates for July to December 2021 had already been set

- Rates for CY 2022 were calculated and revised to meet the budget limit of \$7,019 per member
- January 2022 invoices were sent to employing units in December based on rates the board approved in August after the continuation budget from Office of Budget and Management was received. This results in the Plan being short-funded in January.
- The Plan will recoup the money in the February invoices and then level out to the correct amount in March and going forward

Mr. Rish presented the CY financial forecast.

Key Highlights:

- The Plan will sustain operating losses in the coming years, as revenue has lagged and is struggling to keep up with increased costs due to COVID-19 claims and the rising costs of providing health care services
- The new retiree rate right-sizes the amount the Plan should receive for retirees, preventing the need to transfer funds to the RHBT fund. However, it exposed the fact that the RHBT fund was subsidizing the care for active employees.
- A gainshare payment from the previous MA contract is now going into the RHBT fund
- Funding for the Plan doesn't keep pace and projections show the Plan's cash in the negative in 2025. Catastrophic events, such as a pandemic, and the rapid rise of health care costs require a healthy cash balance. A stable funding source is critical to the sustainability of the Plan.
- The Plan needs to proactively set expectations and request adequate funding, as opposed to waiting to see what is available. Because the Plan had a relatively healthy cash balance in the past and retiree rates provided by the General Assembly subsidized care for active members, the General Assembly was unclear as to what type of funding was needed.

Board Comments and Questions Addressed:

Correction on page 5 of the financial presentation: Ending cash balance of \$615 billion should be \$615 million.

Current Medicare members, as well as retired members under age 65, receive health care benefits for life through the RHBT. As of January 2021, new employees hired by the State will no longer receive health benefits from the Plan when they retire.

The cash balance in CY2020 consistently remained at, or above, \$1 billion, whereas the current balance is slightly above \$600m. The Target Stabilization Reserve (TSR) for CY 2021 is calculated at 9% of the Plan's claims expense, which currently equates to approximately \$341m. The Plan is approaching the TSR far more quickly than in the past.

COVID-19 expenses, to date, are approximately \$180m for 2021, but doesn't include the spend through the Pharmacy benefit. Mr. Rish added that the Plan would include that information at a future meeting.

Between the action of the General Assembly creating a 20% rate increase and the delayed budget approval (6 months late), the Plan was unable to officially communicate accurate numbers to employer groups any earlier.

The impact will be more acute for local government entities covered by the Plan. They will need to rely on local revenue, such as taxes.

For the solvency of the State Health Plan, the approved budget is positive compared to the contingency budget. The cap differential of 5.4% between the 2020/2021 and 2022/2023 budget indicates the General Assembly understood the funding needs for the Plan and responded accordingly.

The inconsistent funding for employing units is detrimental and confusing. The Plan will develop and provide a one-page summary for communication purposes.

2023 Plan Design and Benefit Discussion

Ms. Jones stated that with the Plan's current financial status, planning for 2023 presents challenges. One strategy Plan staff is considering is to reevaluate the 70/30 Plan which, actuarially, is closer to a 75/25 plan. While the 70/30 Plan might stay in place for retirees, the Plan could consider changing the option for active employees.

Board Comments and Questions Addressed:

A proposed resolution from a board member regarding a surcharge for unvaccinated Plan members was discussed. Chair Folwell stated that, although he appreciates the idea, research has indicated that operationalizing a surcharge would be highly complicated. Other suggestions included:

- Requiring vaccination for members who want a higher value plan
- Communication campaign outlining Plan costs to treat COVID

Another board member requested information on the cost of COVID testing, suggesting the total may be far higher than expected.

Another suggestion regarding a reduction in health care costs, in general, was to consider ideas to treat preventable diseases, i.e., weight management for hypertension, heart disease, diabetes, etc. Ms. Jones stated that 80% of the Plan costs derive from 20% of the members. She added that the Plan is considering ideas targeting diabetes. She added that the Blue Cross NC health care support program for Plan members targets the top 5 diseases, although member engagement is low.

A board member added that the self-insured plan offered to State employees is a tremendous benefit for employees. However, the costs surrounding unvaccinated members could prove to be a lot higher than expected.

General Updates

Ms. Jones noted in March 2020, the Board voted to give the Plan authority to institute changes, as needed, related to COVID. That authority is still in place and she added that the Plan will come back to the board at a future date to rescind that action.

During the legislative session, several changes were made relating to the Plan:

- Requiring the Plan, along with the Department of Health and Human Services (DHHS) and the Health Insurance Exchange Authority (HIEA), to further the HIE connection effort
- Changing the Board contract approval authority from \$500,000 to \$3 million
- Giving the Treasurer authority to create a program regarding Fraud, Waste and Abuse, if necessary
- The Plan will issue new ID cards to members that include specific information; this satisfies the federal No Surprises Act and was already planned due to the Blue Cross NC operating system transition.

The next Board meeting will likely be scheduled in late February or early March.

Closing Remarks

This has been another difficult year and board members thanked Plan staff and others for the work that was done during the long legislative session.

The State faces employment shortages and those on the front lines in health care, prisons, etc., are working longer hours and more days in succession before getting a break.

Board Motion to move into Executive Session: Motion by Dr. Robie; second by Mr. Stephenson; roll call vote was taken; unanimous approval by Board.

Executive Session

Kendall Bourdon, Director, Contracting and Compliance, opened the presentation with initial comments before turning the presentation over to Sharon Smith, Manager of Contracting to present information on the Pharmacy Benefit Management Services (“PBM”) Request for Proposal (“RFP”). The presentation provided a summary of the procurement process, a detailed analysis of the two finalists’ proposed contracts, and the recommendation of the evaluation committee. After discussion, the Board of Trustees voted to award the PBM contract to Caremark PCS, L.L.C. based on the competitive cost and ability to provide services that will assist the Plan in meeting strategic goals for improving financial stability, members’ health, and members’ experience. The Contract will be effective January 1, 2023 through December 31, 2025, with two renewal options available for 2026 and 2027.

Board Vote: Motion by Judge Duke; second by Dr, Martin; roll call vote was taken; unanimous vote by the Board to approve the Pharmacy Benefit Management Services Contract award to Caremark PCS, L.L.C., contingent on the Attorney General’s Office review per N.C. Gen. Stat. § 135-48.33(b).

Chair Folwell called for a motion to move into public session.

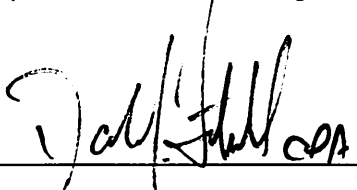
Board Vote: Motion Mr. Fish; second by Dr. Robie; roll call vote was taken; unanimous vote by Board to move into public session.

Adjournment

In honor of State law enforcements officers wounded or killed in the line of duty this past year, Chair Folwell call for a motion to adjourn the meeting.

Board Vote to Adjourn the Meeting: Motion by Dr. Dunphy; second by Mr. Stevenson; roll call vote was taken; unanimous vote by Board to adjourn the meeting at approximately 1:45 p.m.

Minutes submitted by: Joel Heimbach, Acting Secretary

Approved by: 
Dale R. Folwell, CPA, Chair

**Board of Trustees of the State Health Plan
for Teachers and State Employees**

December 15, 2021 Meeting

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

In the following packet are new Statement of Economic Interest (SEI) evaluations issued by the State Ethics Commission. These are being provided for Board 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 updated evaluations to inform and remind them of the identified actual or potential conflicts of interest.

The SEI Evaluations for the following are being provided for review:

- James Michael Stevenson
- Dr. Cherie Dunphy



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

September 17, 2021

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. James Michael Stevenson
Appointee to the State Health Plan Board of Trustees**

Dear Speaker Moore:

Our office has received **Mr. James Michael Stevenson's** 2021 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 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. Stevenson fills the role of an expert in health economics. His spouse is a retired community college employee. Therefore, Mr. Stevenson has the potential for a conflict of interest should exercise appropriate caution in the performance of his public duties should issues involving his spouse's 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: James Michael Stevenson
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

September 17, 2021

The Honorable Phil Berger
President Pro Tempore of the Senate
16 West Jones Street, Room 2008
Raleigh, North Carolina 27601

**Re: Evaluation of Statement of Economic Interest Filed by Dr. Cherie H. Dunphy
Appointee to the State Health Plan Board of Trustees**

Dear Senator Berger:

Our office has received **Dr. Cherie H. Dunphy's** 2021 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 or the likelihood for a conflict of interest.

The State Health Plan insures more than 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).

Dr. Dunphy fills the role of a member appointed by the Senate.

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,

A handwritten signature in cursive script that reads "Mary Roerden".

Mary Roerden, SEI Unit
State Ethics Commission

cc: Dr. Cherie H. Dunphy
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide

**State Health Plan Board of Trustees Meeting/Webinar – Tracking/Voting
December 15, 2021**

Board Member	Present for Quorum	Conflict of Interest	12/1/21 Minutes	Bylaws	Motion for Exec Session	Roll Call for Executive Session	PBM RFP	Motion for Open Session	Motion to Adjourn
Motion			Robie	Hargett	Robie		Duke	Fish	Dunphy
Second			Hargett	Dunphy	Stephenson		Martin	Robie	Stevenson
Duke, Rusty (Judge)	Yes	No	Yes	Yes	Yes	Yes	Motion	Yes	Yes
Dunphy, Cherie (Dr.)	Yes	No	Yes	Second	Yes	Yes	Yes	Yes	Motion
Fish, Wayne	Yes	No	Yes	Yes	Yes	Yes	Yes	Motion	Yes
Hargett, Kim	Yes	No	Second	Motion	Yes	Yes	Yes	Yes	Yes
Martin, Don (Dr.)	Yes	No	Yes	Yes	Yes	Yes	Second	Yes	Yes
Robie, Pete (Dr.)	Yes	No	Motion	Yes	Motion	Yes	Yes	Second	Yes
Stevenson, Mike	Yes	No	Yes	Yes	Second	Yes	Yes	Yes	Second
Perusse, Charles	No	N/A	Non-Voting Member						
Folwell, Dale	Yes	No	Votes Only in Event of Tie						
Result	Quorum	None Noted	Passed	Passed	Passed	Quorum	Passed	Passed	1:45 p.m.