

**Board of Trustees Meeting/Webinar
Minutes
March 2, 2022**

The in-person and Microsoft Teams 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, CPA, at 2:00 p.m. on Wednesday, March 2, 2022.

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

Board Members Absent: Charles Perusse, Russell "Rusty" Duke

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)

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

Public Comment

A State Health Plan member addressed the Board regarding non-coverage of developmental pediatric speech, occupational and physical therapies. She stated that her 4-year-old's pediatrician recommended occupational therapy. She stated that she would like to understand the reason these services are not covered by the Plan.

Board Approval

Minutes – December 15, 2021, Meeting

Board Vote: Motion by Dr. Martin; second by Mr. Fish; roll call vote was taken; unanimous approval by Board to approve the December 15, 2021, meeting minutes.

Operations Updates

Financial Report – as of 12/31/2021 (CY and SFY) incl. COVID Costs

Matthew Rish, Sr. Director, Finance, Planning & Analytics, presented the fiscal and calendar year-to-date financials through December 2021. He began by noting the Non-Operating Cash Transfer of \$103 million, shown throughout the presentation. He explained that the Plan's former Medicare Advantage (MA) contract with UnitedHealthcare (UHC) stipulated that a certain percentage of premium dollars had to go toward medical claims expenditures. In the event claims payments dropped below that percentage, the gain share difference was split equally between UHC and the Plan. A payment of \$103 million was made to the Plan in December 2021, which was immediately transferred to the Retiree Health Benefit Trust Fund (RHBTf).

Chair Folwell added that the book of business was more profitable than UHC forecasted when UHC pricing was presented to the Plan during the Request for Proposal process. Anticipating this could be the case, the Plan included the gain share language in the contract.

Mr. Rish noted that the Non-Operating Cash Transfer of \$290 million on the Calendar Year-to-Date reports was a combination of the UHC gain share (\$103 million) and the June 2021 transfer to the RHBTf (\$187 million).

Overall, the Plan experienced a decrease in revenue and a significant increase in expenses in 2021. Claims payments increased 15% in 2021 compared to 2020 when claims costs were significantly lower. However, Mr. Rish noted that the new Medicare Advantage (MA) contract with Humana resulted in favorable numbers compared to the prior year. The 2021 ending cash balance decreased by \$473.2 million compared to 2020.

The CY financial forecast presentation demonstrated historical numbers beginning in 2021, where operating losses were significant. The Target Stabilization Reserve (TSR), established by the Board a number of years ago, represents 9% of the projected yearly net claims and is roughly equivalent to one month of claims payments. The forecast indicates that the Plan's ending cash balance could drop below the TSR threshold in 2024.

Mr. Rish concluded by stating that, to date, \$352.6 million in expenses were directly related to COVID. He added that the Plan expects to receive COVID-related state and federal reimbursements totaling \$215 million in 2022.

Board Comments and Questions Addressed:

In response to a question regarding an action plan to reverse the trend, Chair Folwell stated that he would still like to decrease costs by \$300 million as he mentioned four years ago. He reiterated that without hospital cost transparency, it's impossible to track the Plan's costs. He also reminded the Board that the \$103 million was a one-time payment.

Enrollment Update

Beth Horner, Director, Customer Experience and Communications, provided a summary of the 2021 membership, noting that the average membership was 742,870. From a historical perspective, the average membership in 2015 was 686,621. Ms. Horner reminded the Board that the Medicare Open Enrollment period is ongoing and will end on March 31, 2022.

Chair Folwell made several points regarding the financial importance of Medicare primary members selecting one of the Plan's Medicare Advantage plan options.

- 30,000 (18%) of the Medicare primary members are in the 70/30 plan
- The annual cost, per member in the 70/30 plan, is approximately \$5,000
- For every 1,000 members in the MA plans, the savings is approximately \$4.7 million
- If all 30,000 eligible members enrolled in one of the MA plans, the overall savings would be approximately \$140 million
- If a portion of the 30,000 members chose either the MA Base or Enhanced plan, the Plan would have the financial flexibility to potentially freeze member premiums and/or lower the cost of dependent premiums
- As health care costs continue to rise, and with 30,000 (18%) of the Medicare primary members still in the 70/30 plan, the State Health Plan isn't in a financial position to consider lowering dependent premiums.

Ms. Horner provided the 2021 Medicare auto-enrollment results for approximately 10,000 non-active members who became Medicare primary. Approximately 65% of the total new enrollments chose one of the Medicare Advantage plans, while 35% ultimately selected the 70/30 PPO Plan. Since 2015, membership in the Medicare Advantage plans increased most years, except for 2016 and 2020.

Board Comments and Questions Addressed:

At the request of Chair Folwell, Dr. Martin, a member of the Forsyth County Commissioners board, will check on the retiree benefit options for that group.

2023 Enrollment Strategy

Open Enrollment (OE) is the yearly check-in point for members to review their benefits and plan options. The 2023 enrollment strategy includes moving all non-Medicare subscribers to the 70/30 PPO Plan at the start of OE as has been done in past years. Members may either stay on this plan or select the 80/20 PPO Plan.

All Medicare subscribers in the 70/30 PPO Plan will be moved to the Medicare Advantage Base Plan, except for those who do not have Medicare Part B. These members are not eligible for the Medicare Advantage plans. Members who are already enrolled in the Medicare Advantage Base and Enhanced plans, at the time of OE, will remain enrolled in those plans.

In 2018 OE, when the Plan last auto-enrolled Medicare Primary members in the Medicare Advantage Base Plan, the net gain was 2%.

Ms. Horner stated that Plan staff is looking for ways in which to conduct special outreach for members aged 80 and older. The Plan is also focusing on the 30,000 Medicare members in the 70/30 PPO Plan to determine why they may have chosen that option.

Board Comments and Questions Addressed:

One board member suggested that changing the Medicare Advantage plan names may help to differentiate the State Health Plan's Medicare Advantage options from the commercials members see on television.

General Updates

Dee Jones, Executive Director, stated that the Public Health Emergency is currently scheduled to expire on 4/15/2022. Federal guidelines require payers to cover 100% of the costs for at-home COVID testing. As a reminder, the Plan also covers the administrative costs for vaccines. Initially, four tests per address were provided but additional sets are now available if needed. The Plan offers free testing, with a limit of 8 per 30 days, through the pharmacy benefit.

Ms. Jones provided a summary of the unanticipated challenges the Plan has faced in the beginning of 2022. Some of the issues related to several employer rate deductions and late payments. The majority of the challenges have centered on the issues created by the transition to the Blue Cross NC (BCNC) FACETS claims payment system. The Plan was one of the last customers to transition to FACETS. These issues have created disruption for everyone involved and resulted in innumerable, unplanned phone meetings. Ms. Jones outlined some of the issues, noting that everything presented at the Board meeting has been discussed with BCNC:

- Claims payment delays
- Retirement Systems claims processing due to coordination of benefit issues (now corrected)
- Provider effective date issues (fix deployed)
- East Carolina University Physicians – providers dropped from the Clear Pricing Project (CPP) provider directory (correction nearly completed)
- Surprise billing claims (132) on hold
- Explanation of Benefits (EOB) issues (correction in process)
- Member portal (BlueConnect) viewing issues (fix deployed)
- Employer portal ID card viewing issues (now corrected)
- Provider portal – CPP providers unable to see fee schedules (fix due 6/30/22)
- Reporting – 11 reports, specific to the Plan, incorrect (now corrected)

Ms. Jones provided general times for future 2022 meetings:

- Mid-July – 2023 rates approval
- Mid-September – Actuarial RFP approval
- Late November/Early December – 2024 planning
- She added that a possible meeting (virtual only) will be called for May to discuss strategy

Board Comments and Questions Addressed:

In response to an inquiry regarding financial remuneration from BCNC, Ms. Jones stated that the current focus is on correcting the problems. She added that the Plan has discussed staffing with BCNC to ensure there are staff on these projects who can support the Plan's efforts.

In response to a follow-up question regarding staffing, Ms. Jones stated that staffing issues, i.e., open positions, have certainly contributed to the problem. However, the Plan has a contract with BCNC that requires a certain level of service.

A board member inquired as to whether the contract includes a non-performance statement or if the contract could be terminated. Ms. Jones stated that performance guarantees are outlined in the contract. She added that terminating the contract would be a major endeavor and would require at least two years to transition to a new vendor, but that all options are on the table.

Per a board member request, the Plan will send monthly progress reports to the board until all the issues are corrected.

Closing Remarks

Dr. Martin expressed his appreciation to the Treasurer and staff for working through the BCNC issues, stating that he appreciates the transparency and candor at the Board meetings.

Mr. Fish mentioned the ongoing supply chain and pricing issues impacting State government.

Mr. Stevenson acknowledged Mr. Fish's comments, stating that the disruption causes ripple effects, which may last for some time.

Ms. Hargett stated that, while looking at the large numbers in the financial reports, it always comes down to the impact on families and individuals. She also acknowledged Treasurer Folwell for his comments on a local podcast.

Adjournment

In honor of lives lost and the people of Ukraine fighting for freedom, Chair Folwell called for a motion to adjourn the meeting.

Board Vote: Motion by Dr. Robie; second by Dr. Dunphy; roll call vote was taken; unanimous approval by Board to adjourn the meeting at 3:25 p.m.

Minutes submitted by: Joel Heimbach, Acting Secretary

Approved by: _____



Dale R. Folwell, CPA, Chair