North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Comparative Analysis of State Health Plans

Board of Trustees Meeting

January 27, 2017

A Division of the Department of State Treasurer

Presentation Overview

- Executive Summary
- Selected States for Comparison
- Comparative Analysis Results
- Funding Retiree Health Benefits
- Appendix

Executive Summary

Purpose

- To give the Board insight into how the Plan compares to other states. This is an update to the previous environmental scan last completed in January 2016.

Approach

- The Plan investigated the following factors:
  - Plan richness – member cost sharing (analysis by Segal)
  - Overall benefit value – premium contributions + member cost sharing (analysis by Segal)
  - Healthy lifestyle benefits
  - Number of coverage choices

Key Findings (*related to other state health plans*)

- **Only modest changes in the comparative values of benefit offerings in 2016**
- Comparatively, the Plan provides employees/retirees robust and affordable health benefits. However, the premiums for dependents do not compare favorably
- Healthy lifestyle benefits continue to be used to manage costs and/or incent engagement
  - Most of the comparator states offer some form of incentive-based benefits
- Comparator states continue to offer employees a choice of plans

Selected Comparator States

Comparator States

Based on proximity to NC

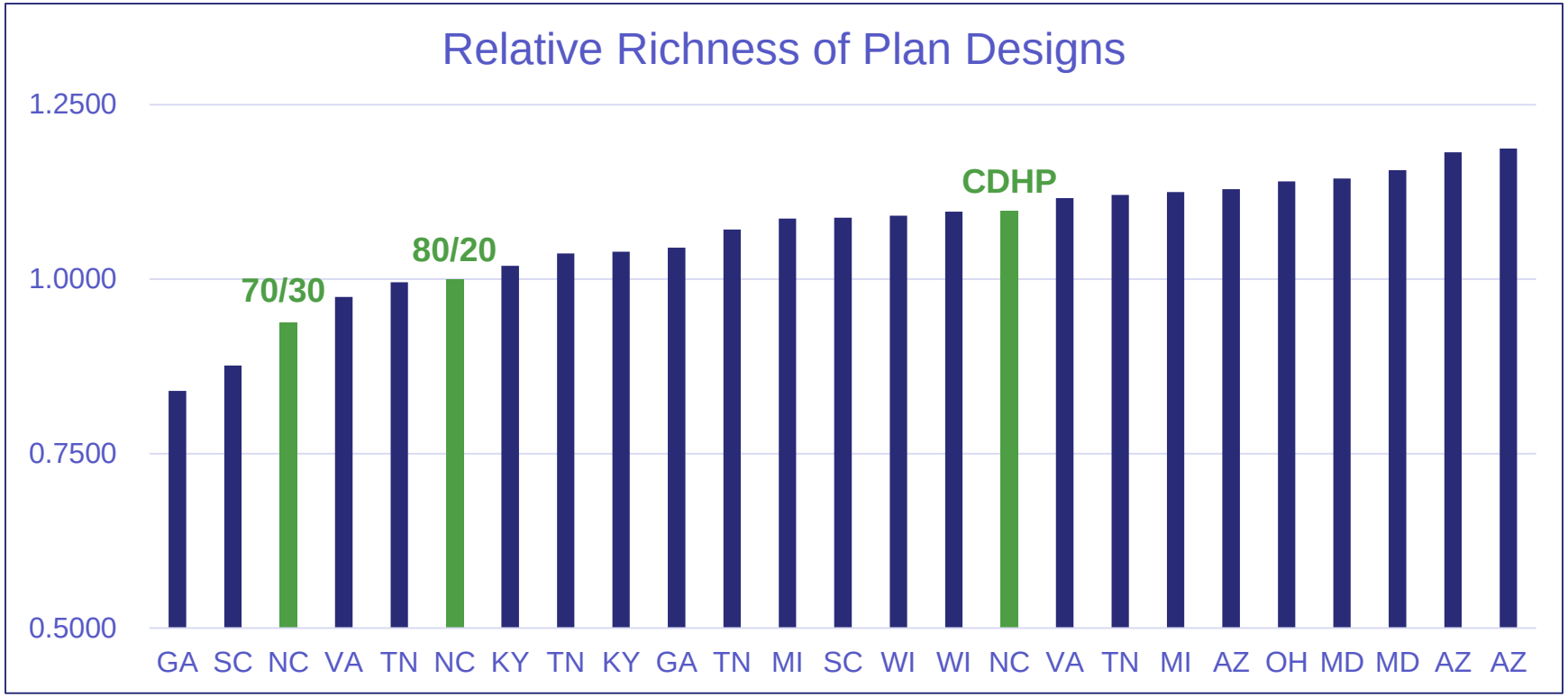
- Georgia
- Kentucky
- Tennessee
- South Carolina
- Virginia

Based on size of state population and other factors

- Arizona
- Maryland
- Michigan
- Ohio
- Wisconsin

Plan Richness
(Considers Member Out-of-Pocket Costs for Services)

Relative Plan Richness Comparison (2017)

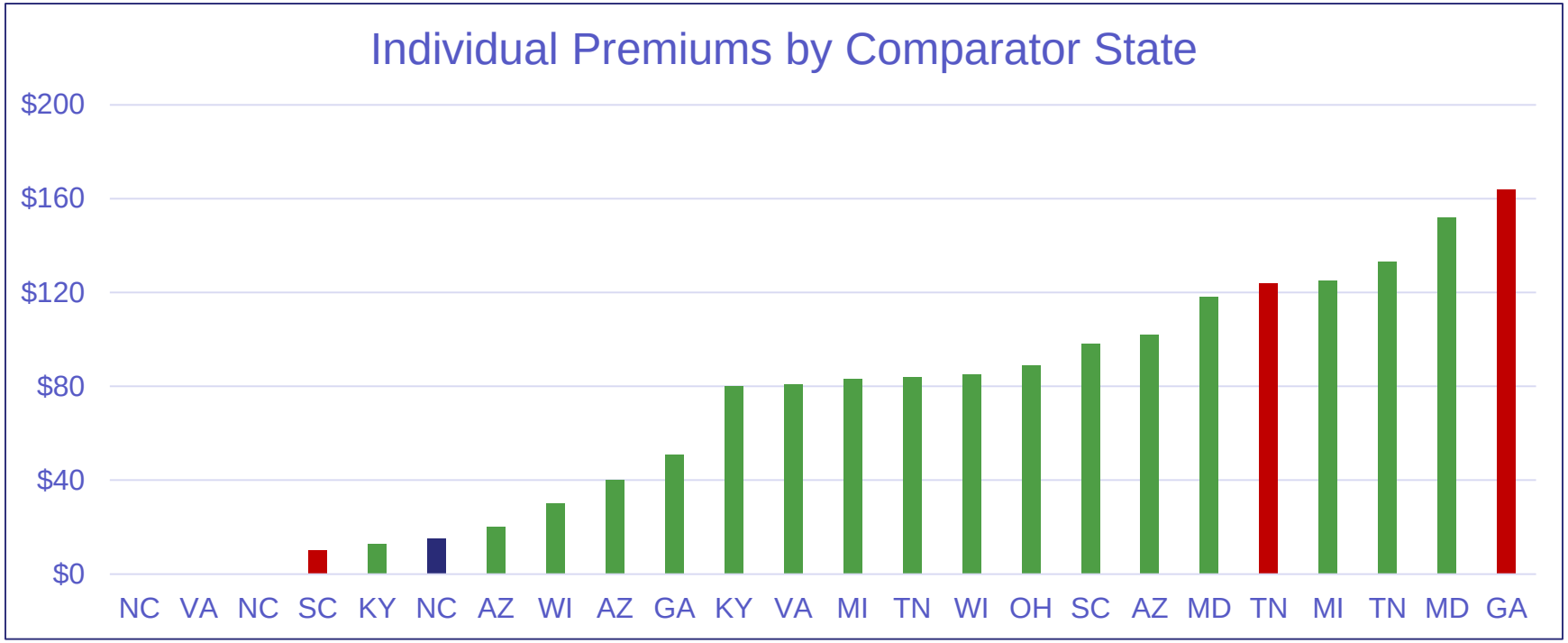


- Excluding the CDHP, the State Health Plan's options are in the lower half of states in terms of relative plan value, which does not include premium contributions where NC was among the lowest
- The premiums for the highest value plans range from $20 - $152 per month

Overall Benefit Value

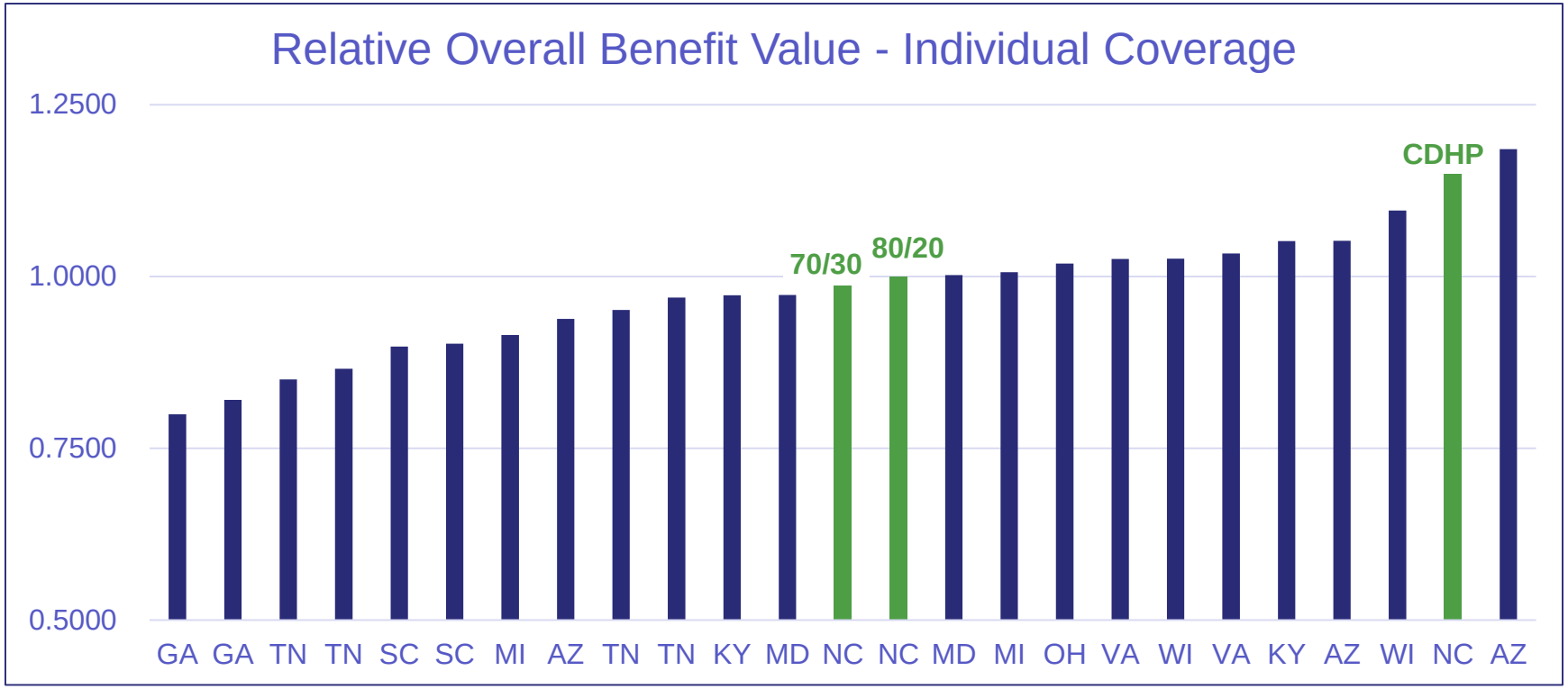
Considers Premium Contributions & Member Cost Sharing)

Individual Premium Comparison



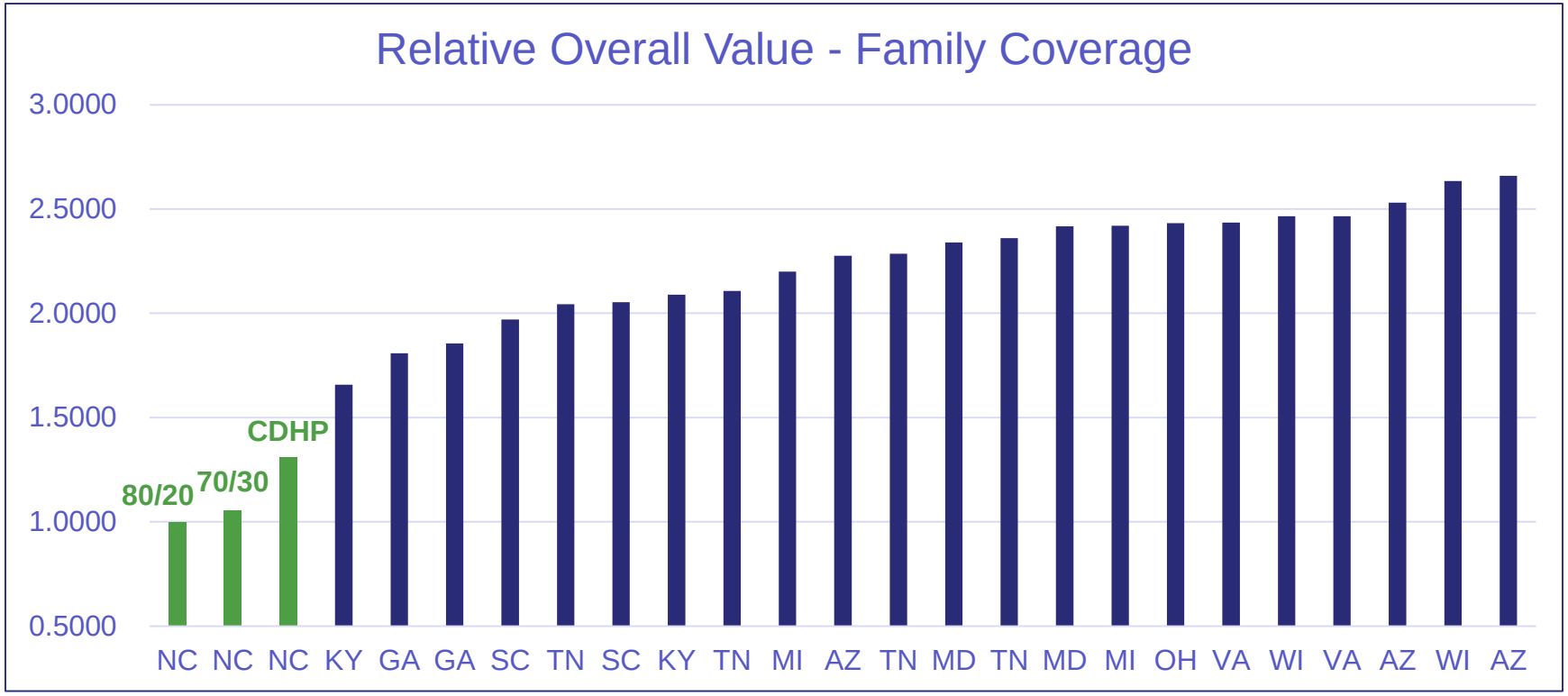
- The chart above shows the individual premiums members in various states pay for coverage
  - **Red** bars are less rich than the Enhanced 80/20 and the **green** bars are richer benefits
- Members in other states may receive richer benefits but pay significantly higher premiums in many cases

Relative Overall Benefit Value – Individual Coverage



- North Carolina's subsidy approach provides members with lower individual premiums; the state subsidy for individual coverage in other states averages about 85% while in NC the minimum is 95%
- In terms of overall value, the CDHP is one of the richest plans available; both the 80/20 and the 70/30 are near the midpoint of comparator plans

Relative Overall Benefit Value – Family Coverage



- Historically, NC has not provided direct subsidies for dependent coverage while the median family subsidy of benchmarked states was 83% of total family premium (no change from previous analysis)
- NC indirectly contributes between 40% and 47% of the cost of family premiums (through the State's employer contribution)

Healthy Lifestyle Benefit Designs

Healthy Lifestyle Benefit Designs (updated 2017)

	NC	GA	SC	KY	TN	VA	AZ	MD	MI	OH	WI
Smoking Credit	**$40 monthly**	**$80 monthly**	**$40 monthly**	**$40 monthly**	No	No	No	No	No	No	No
Health Assessment	**$20 monthly**	**Incentive ($)**	No	**Yes**	**Yes**	**$17 monthly**	**Yes**	**Yes**	No	**$50**	No
PCP	**$20 monthly**	No	No	No	No	No	No	**Yes**	No	No	No
Biometric Screening	**No**	**Incentive ($)**	No	**Yes**	**Yes**	**$17 monthly**	**Yes**	No	No	**$75**	No
Offers Coaching Programs	**Yes**	**Incentive ($)**	No	**Yes**	**Yes**	**Yes**	**Yes**	No	No	**$200**	No

Number of Plan Offerings

Employee Choice by State (2017)

State	Number of Offerings	Number of Consumer-Directed Offerings	Multiple TPA/Carriers	Regional Offerings or Rates
NC	Three	One	No	No
GA	Seven	Four	Yes	Yes
SC	Two	One	No	No
KY	Four	Two	No	No
TN	Four	One	Yes	Yes
VA	Four	Two	Yes	Yes
AZ	Three	One	Yes	No
MD	Five	None	Yes	Yes
MI	Two	None	Yes	Yes
OH	One	None	Yes	No
WI	Four	Two	Yes	Yes

Funding Retiree Health Benefits

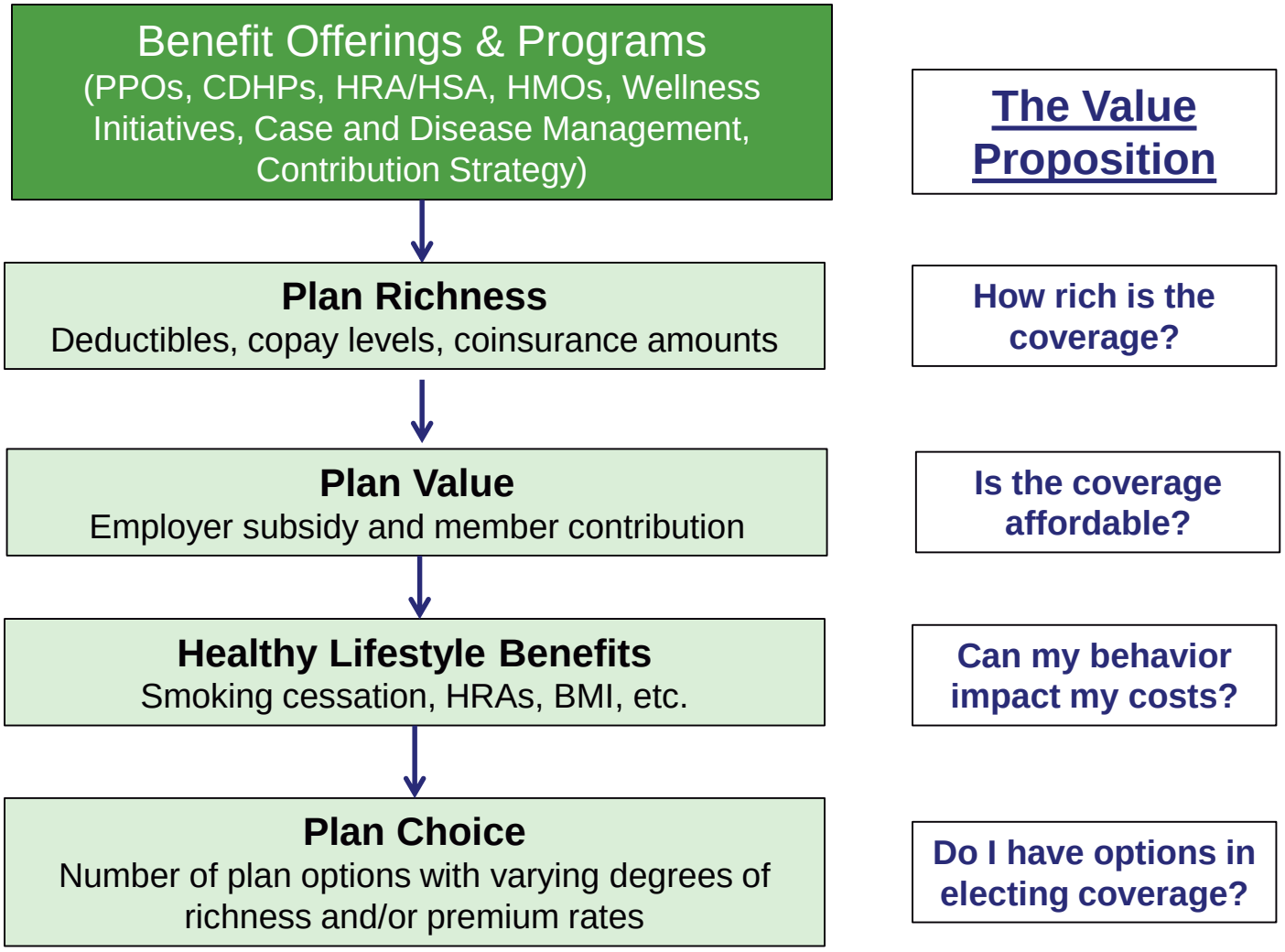
Other Post Employment Benefits for Retiree Health Care Funding by State

	OPEB Funding Ratio*	Pre-Funding Benefits?
Arizona	73%	Yes
Ohio	63%	Yes
Wisconsin	52%	Yes
Kentucky	25%	Yes
Virginia	21%	Yes
Michigan	11%	Yes
South Carolina	7%	No
Georgia	6%	No
North Carolina	5%	No
Maryland	2%	No
Tennessee	0%	No

* Funding Ratios based on financial data from FY 2013

Appendix

Value Proposition to Members and Points of Comparison



Financing Health Benefits

- Each state government finances health coverage for their membership differently
  - Most states provide direct subsidies for dependent coverage
    - Fixed subsidy by tier or dependent
    - Percentage of total premium
  - Some states have collective bargaining that impacts decision making

- **NC's contribution strategy differs from most other states**
  - Significant subsidies for employee and retiree only coverage
  - Employees and retirees pay full premium cost for dependents, but the State's contribution does provide an indirect subsidy

Healthy Lifestyle Benefits Comparison

- State employee health plans continue to incorporate healthy lifestyle benefits into their plan design to address the growing costs of health care and to increase member engagement

- All but two of the comparator states offer wellness incentives, either premium credits, cash, or health reimbursement account (HRA) credit

- There has not been significant change in the number of incentives or dollars associated with each incentive from the previous analysis

Comparing Health Benefits – Plan Richness

How much does the average person pay out-of-pocket when they utilize their benefit?

- Comparing the actuarial value, or plan value, of each state's offerings provides a method to understand the average portion of claims a benefit design would pay for:
  - deductible,
  - coinsurance,
  - out-of-pocket maximums,
  - copays, and
  - out-of-network benefits (some states offer closed network plans)
- As many individuals make their benefit design election based on premium cost, we tended to include the highest and lowest premium offerings available in the comparison states and benchmarked them against the 80/20 plan
- For NC the CDHP and 70/30 plans were included in the analysis

Comparing Health Benefits – Plan Value

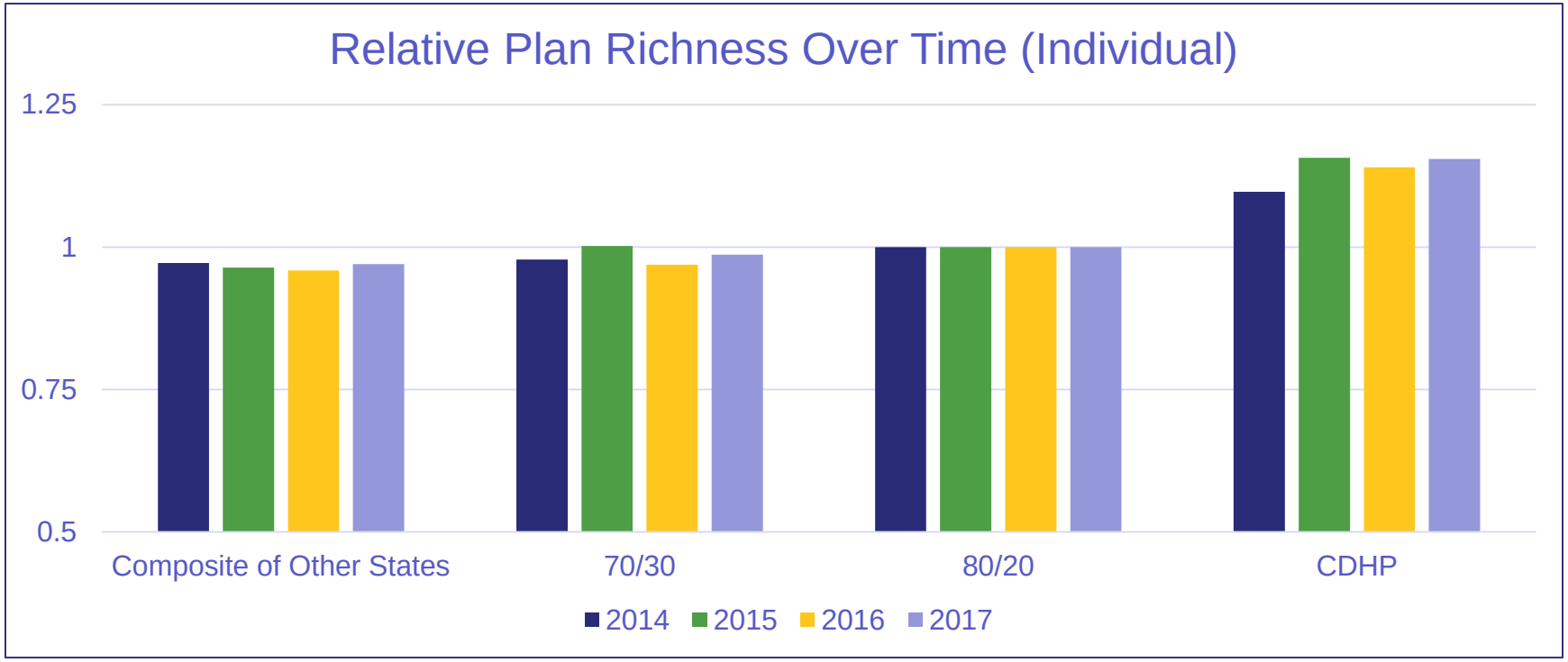
How can employer subsidies and member premiums be incorporated?

- In addition to determining the value of the plan design, which represents the out-of-pocket exposure, the analysis included the individual's premium share to reflect average person's total cost exposure
  - The percentage of premium paid by each state for each plan combined with relative plan value determines the *Relative Overall Benefit Value* of the benefit offering

Caveat:

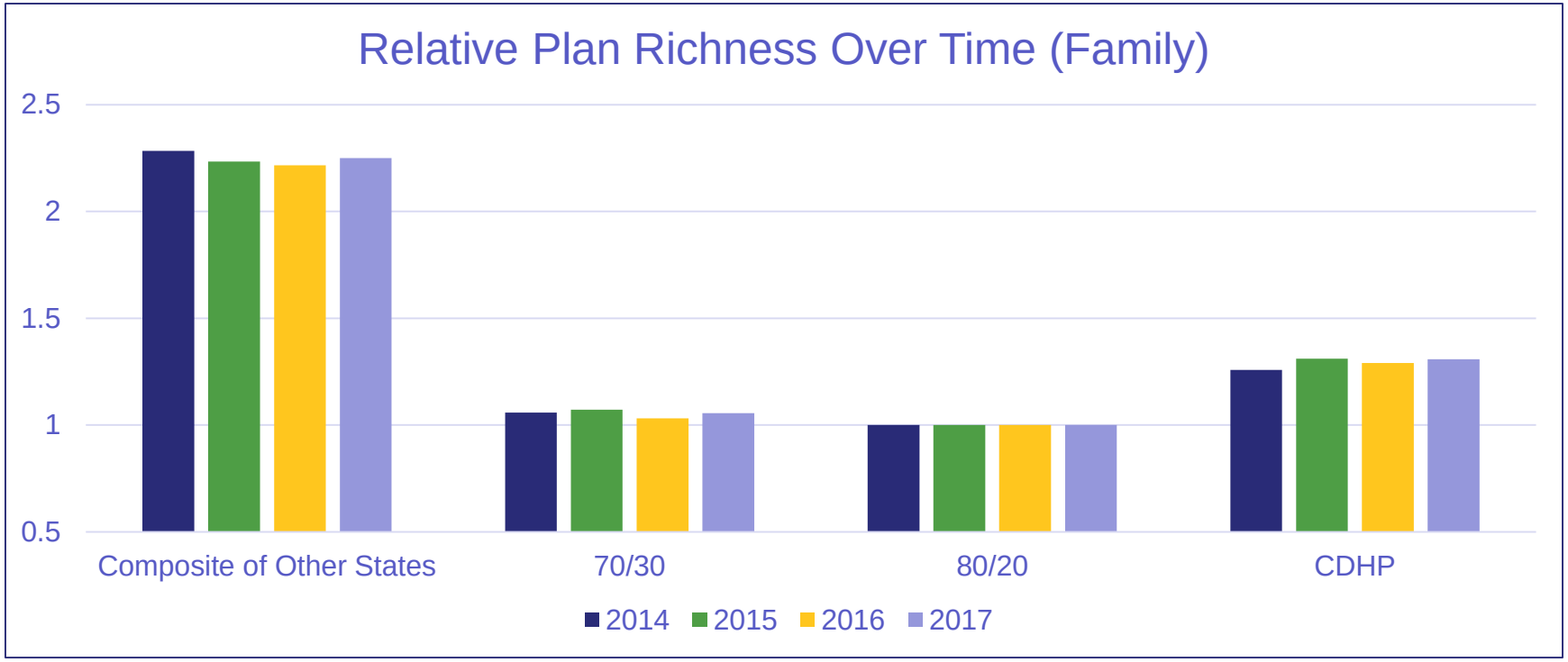
- Plan values are proxies for the anticipated average portion claims that the benefit would cover; the actual experience of low and high utilizers will create varying results

Value Changes Over Time (Individual)



- The composite measure of plan value in the comparator states has changed very little over the past four years
- The CDHP has increased in relative value since 2014, indicating that it has outperformed most plans in comparator states

Value Changes Over Time (Family)



- Again, the composite measure of plan value in the comparator states has changed very little over the past four years
- The CDHP offers the highest value for family coverage among the NC plans, though it lags behind those in comparator states

Out-of-Pocket Comparison

In-network Plan Benefits[1]	NC	GA	KY	SC	TN	VA
Deductible • Single • Family	 $1,080 to 1,500 $3,240 to 4,500	 $1,500 to 3,500 $3,000 to 7,000	 $750 to 1,750 $1,500 to 3,500	 $445 to 3,600 $890 to 7,200	 $500 to 1,500 $1,250 to 3,000	 $300 to 1,750 $600 to 3,500
Co-insurance	70% to 85%	70% to 85%	70% to 80%	80%	80% to 90%	80%
Maximum[2] • Single • Family • Rx	 $3,500 to 4,388 $10,500 to 13,164 Separate/Include	 $4,000 to 6,450 $8,000 to 12,900 Include	 $3,750 to 5,250 $7,500 to 10,500 Separate/Include	 $2,540 to 6,000 $5,080 to 12,000 Include	 $2,500 to 3,600 $5,000 to 9,000 Separate	 $1,500 to 5,000 $3,000 to 10,000 Separate/Include
Office • PCP • SCP	 $10 to ded/coin $45 to ded/coin	 Ded/coin Ded/coin	 $25 to ded/coin $45 to ded/coin	 $12 to ded/coin $12 to ded/coin	 $25 to ded/coin $45 to ded/coin	 $25 to ded/coin $40 to ded/coin
Inpatient Surgery	$337, ded/coin to ded/coin	Ded/coin	Ded/coin	Ded/coin	Ded/coin	$300 to ded/coins
Rx • Tier 1 • Tier 2 • Tier 3	 $5 to ded/coin $30 to ded/coin $74 to ded/coin	 $20 to ded/coin $50 to ded/coin $80 to ded/coin	 $10 to ded/coin $35 to ded/coin $55 to ded/coin	 $9 to ded/coin $38 to ded/coin $63 to ded/coin	 $7 to ded/coins $40 to ded/coins $50 to ded/coins	 $15 to ded/coin $30 to ded/coin $55 to ded/coin

1. Ded/coin = subject to deductible and coinsurance
2. NC uses coinsurance maximums on two plans, most other plans are out-of-pocket maximums

Out-of-Pocket Comparison- *continued*

In-network Plan Benefits[1]	NC	AZ	MD	MI	OH	WI
Deductible • Single • Family	 $1,080 to 1,500 $3,240 to 4,500	 $0 to 1,300 $0 to 2,600	 $0 $0	 $125 to 400 $250 to 800	 $200 $400	 $250 to 1,500 $500 to 3,000
Co-insurance	70% to 85%	90% to 100%	90% to100%	90% to 100%	80%	90%
Maximum[2] • Single • Family • Rx	 $3,500 to 4,388 $10,500 to 13,164 Separate/Include	 N/A to $2,000 N/A to $4,000 Include	 $1,500 to $2,000 $3,000 to $4,000 Separate	 $2,000 $4,000 Include	 $1,500 $3,000 Include	 $1,250 to 2,500 $2,500 to 5,000 Separate/Include
Office • PCP • SCP	 $10 to ded/coin $45 to ded/coin	 $15 to ded/coin $30 to ded/coin	 $15 $30	 $20 $20	 $20 $20	 $15 $25
Inpatient Surgery	$337, ded/coin to ded/coin	$150 to ded/coin	$0 to ded/coin	$0 to ded/coin	Ded/coin	Ded/coin
Rx • Tier 1 • Tier 2 • Tier 3	 $5 to ded/coin $30 to ded/coin $74 to ded/coin	 $10 $20 $40	 $10 $25 $40	 $10 $30 $60	 $10 $25 $50	 $5 Ded/coins to $50 Ded/coins to $150

1. Ded/coin = subject to deductible and coinsurance
2. SHP uses coinsurance maximums on two plans, most other plans are out-of-pocket maximums

Comparative Analysis Methodology

Step one

- Plan staff and Segal discussed relevant states to use in comparative analysis
- Plan staff compiled benefit design components such as deductibles, copays, coinsurance for both individual/family coverage and in-network/out-of-network benefits
  - Premium contributions were also collected

Step two

- Segal ran the data inputs through their rate manual to develop expected costs of the benefit on PMPM basis
  - A rate manual is a tool that actuaries use to assign PMPMs based on underwriting guidelines and projected utilization
  - The expected costs are purely meant to compare benefit design values only and do not reflect expected utilization changes of different plan designs, geographic factors, age, etc.

Comparative Analysis Methodology

Step three

- The resulting PMPM costs were compared to the 80/20 plan to develop relative values
  - Benefit designs with a relative value greater than 1.0 are projected, on average, to pay for more covered services than the 80/20 plan; conversely plan designs with a relative value less than 1.0 are, on average, projected to pay less for covered services than the 80/20 plan
  - Example: Based on benefit design, the State of Arizona's PPO offering's relative value is 1.1819, or projected to be 18.19% more rich than the 80/20

Step four

- Employer share of premium was multiplied by relative value to create effective/adjusted relative value
  - The employer share of premium was calculated; employee share divided by total premium
  - Example: Arizona pays 84.569% of employee only premium; therefore the adjusted relative value is 0.9995 (.84569 x 1.1819)
    - Values may not equal due to rounding

Comparative Analysis Methodology

Step five

- Adjusted Relative Values were re-normalized to compare each plan's adjusted relative value to the Plan's 80/20 adjusted relative value
  - Example:
    - (Arizona PPO's Adjusted Value = 0.9995) divided by (80/20 Adjusted Value = 0.9504 (1.00 Relative Value x 95% Premium Share))
    - Arizona PPO's Adjusted Relative Value = 1.0517

Providing Meaningful Member Choice

- States take unique approaches to designing their health offerings.
- Approaches include:
  - Number of offerings
    - Clearly no consensus on the “right” number of plans
    - Among comparator states, the most common approach includes 4 offerings – KY, TN, VA, and WI
    - Georgia has the largest number of offerings with seven and Ohio has the least with one
  - Multiple vendors
    - Statewide or regional benefit contracts
      - 8 of the 11 comparator states utilize more than one TPA/carrier in their active population with many providing different rates based on the TPA/carrier provider network
        - This remains constant from the previous analysis