North Carolina State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

Administrative Rules Proposed for Adoption

Board of Trustees Meeting

February 25, 2019

State Health Plan Rule Authority

§ 135-48.25. Rules. (State Health Plan for Teachers and State Employees)

The State Treasurer, in consultation with the Board of Trustees, may adopt rules to implement this Article. The State Treasurer shall provide to all employing units, all health benefit representatives, all relevant health care providers affected by a rule, and to any other persons requesting a written description and approved by the State Treasurer written notice and an opportunity to comment not later than 30 days prior to adopting, amending, or rescinding a rule, unless immediate adoption of the rule without notice is necessary in order to fully effectuate the purpose of the rule. Rules of the Board of Trustees shall remain in effect until amended or repealed by the State Treasurer. The State Treasurer shall provide a written description of the rules adopted under this section to all employing units, all health benefit representatives, all relevant health care providers affected by a rule, and to any other persons requesting a written description and approved by the State Treasurer on a timely basis. Rules adopted by the State Treasurer to implement this Article are not subject to Article 2A of Chapter 150B of the General Statutes.

§ 150B-1(d)(7). Policy and scope. (Administrative Procedures Act)

The State Health Plan for Teachers and State Employees is exempt from APA rule-making in administering the provisions of Article 3B of Chapter 135 of the General Statutes.

The State Health Plan General Rule Process

1) **Provide written description (post online) of proposed rule and give notice (electronic) of adoption of rule to:**
   - Board of Trustees;
   - All Employing Units/Health Benefit Representatives;
   - All relevant health care providers, if affected by the rule; and
   - Any other persons requesting a written description.

2) **Provide opportunity to comment on the proposed rule no later than 30 days prior to adopting, amending, or rescinding the rule.**
   - Receive written comments (electronically); and
   - Allow in-person public comment.

3) Consult with board to obtain additional feedback on the proposed rule.

4) Consider feedback and make revisions, if any, to proposed rule.

5) Adopt rule. (No Board Action Necessary)

Administrative Rules Proposed for Adoption

- The following existing policies are proposed to be adopted as rules:
  - **SHP-POL-3004-SHP, Enrollment Exceptions and Appeals Policy and Procedure** is proposed to be adopted as SHP-RULE-3004, Rule on Enrollment Exceptions and Appeals.
  - **SHP-POL-3009-SHP, Policy on Member Terminations and Reinstatements** is proposed to be adopted as SHP-RULE-3009, Rule on Member Terminations and Reinstatements.
  - **SHP-POL-3005-MUL, Policy and Procedure on Arrears** is proposed to be adopted as SHP-RULE-3005-MUL, Rule on Arrears.
- The following new rule is proposed for adoption:
  - **SHP-RULE-3011-MUL, SHP Rule on Retiree Health Benefit Enrollment and Premium Payments.**

Feedback Period

- The State Health Plan will accept public comments on these proposed rules beginning on Tuesday, February 12, 2019, through Thursday, March 14, 2019. Written comments may be emailed to shprulefeedback@nctreasurer.com.
- At the conclusion of the comment period, the Plan will review and consider all feedback received. If the Plan makes substantial changes to the rule language currently proposed, then the Plan will repost notice and solicit additional public comments. If no substantial changes are made, then the proposed effective date of these rules is March 15, 2019.

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2020 Benefits Recommendations and Enrollment Strategy Options

Board of Trustees Meeting

February 25, 2019

Proposed 2020 Benefit Changes

Options for Updating the 70/30 Plan

- At the last Board meeting, Plan staff reviewed the 2019 benefit changes and proposed possible changes for 2020.
  - **Give Up "Grandfather Status" on the 70/30 Plan, providing more flexibility to the Plan to modernize the benefits:**
    - $0 Preventive benefits (ACA Preventive)
    - Combined Medical/Rx Out-of-Pocket, instead of a medical coinsurance max and a separate Rx Out-of-Pocket
    - Giving up "Grandfather Status" also allows the Plan to update the member cost-shares to further differentiate the 70/30 from the 80/20 Plan
    - Update copays & deductible
    - Update the Rx plan design

Stakeholder Feedback

- Since the December Board meeting, Plan staff has met with representatives from various stakeholder groups.
- Feedback included:
  - ✓ In favor of modernizing the 70/30 Plan
  - ✓ Recognized the need to remain cost neutral, or possibly save money that could go towards reducing dependent premiums
  - ✓ Recognized the need to not make member cost-shares so high that members could not afford the services

Options for Updating the 70/30 Plan

Plan Design Features	2019 80/20 Plan	2019 70/30 Plan	2020 Options for 70/30 Plan
Deductible	$1,250 Individual*	$1,080 Individual*	**$1,500**
Medical/Rx Out-of-Pocket	$4,890 Individual*	NA	**$5,900**
Medical Coinsurance Max Rx OOP	NA	$4,388 Individual* $3,360 Individual*	**Replace with combined Med/Rx OOP**
Preventive	$0	$40	**$0**
PCP	$25/$10	$40	**$45/$30**
Specialist Copay	$80	$94	$94
Mid Tier Copays	$52	$72	$72
Hospital & ER Copays	$300 + Ded/Coins	$337 + Ded/Coins	$337 Ded/Coins
Rx- Tier1	$5	$16	$16
Rx -Tier 2	$30	$47	$47
Rx -Tier 3	Ded/coins	$74	**Ded/Coinsurance**
Rx – Tier 4	$100	10% up to $100	**$200**
Rx – Tier 5	$250	25% up to $103	**$350**
Rx – Tier 6	Ded/Coins	25% up to $133	**Ded/Coinsurance**

Adding a true OOP means members will no longer have to pay copays after the maximum is met

$0 ACA preventive and PCP Copay incentive

Ensure the 70/30 Rx plan design is not richer than the 80/20 Plan

**Family maximum is 3X individual maximum & non-network maximums are 2X in-network maximum.*

2020 Proposed Benefit Strategy – Requires Board Vote

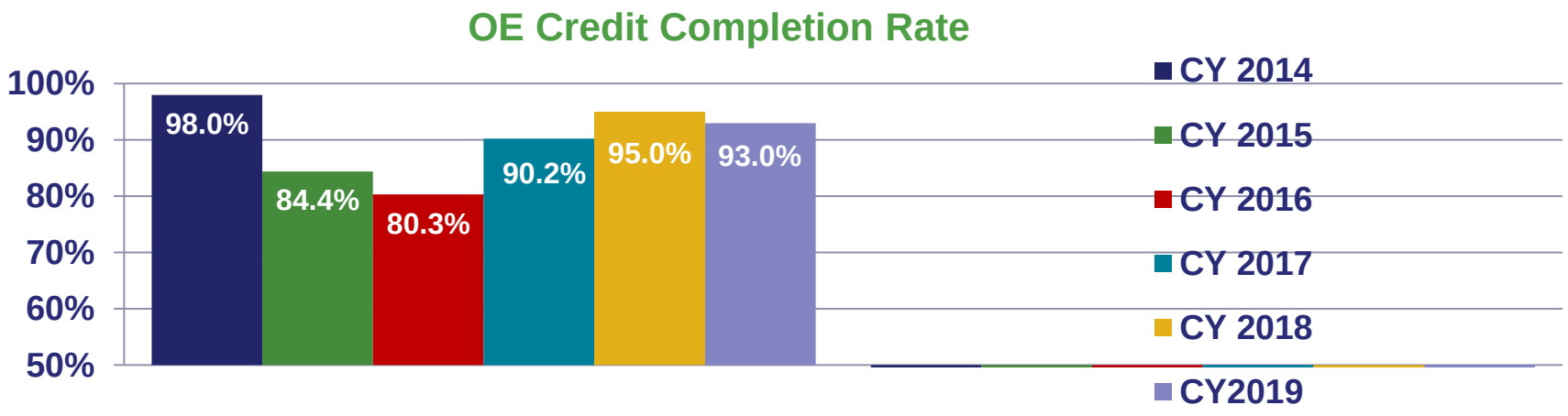
- Proposed 2020 Benefit Changes:
  - **Modernize the 70/30 Plan and Further Differentiate it from the 80/20 Plan**
    - Combined Medical/Rx Out-of-Pocket, instead of a medical coinsurance max and a separate Rx Out-of-Pocket
      - $5,900* – Individual 70/30 Medical/Pharmacy Out-of-Pocket
      - $17,700* – Family 70/30 Medical/Pharmacy Out-of-Pocket (3X individual deductible)
    - Add ACA preventive services
      - $0 copay
    - Increase deductible
      - $1,500* – Individual 70/30 Deductible
      - $4,500* – Family 70/30 Deductible (3X individual deductible)
    - Update Rx member cost shares
      - Tier 3 – Deductible/Coinsurance
      - Tier 4 – $200 copay
      - Tier 5 – $350 copay
      - Tier 6 – Deductible/Coinsurance

** Non-network deductible and OOPs are 2 times the in-network values*

2020 Enrollment Strategy

Default Enrollment Strategies Since Premium Credits Were Introduced

- **2014 Open Enrollment (OE)** – All members were moved to the 70/30 Plan and subscribers had to elect a higher value plan **and** complete healthy activities to earn premium credits.
- **2015 & 2016 OE** – Members remained in their current plan and if they did not want to change plans, only had to complete the premium wellness credits.
- **2017, 2018 & 2019 OE** – Members were moved to 70/30 Plan. The only difference between 2017 and 2018 was the fact that there was only one premium credit in 2018, but in all three years subscribers had to elect a higher value plan and complete premium credit(s) to reduce their premium.



Enrollment Strategy Options (Non-Medicare Primary)

Option 1: Leave subscriber in current plan for start of Open Enrollment

Pros	Cons
If subscriber does not want to change plans or add/drop dependents, or confirm their PCP, then three steps can be eliminated: 1) Plan election 2) Dependent changes 3) PCP update (s)	While subscriber is able to skip plan selection and dependent selection screens, he/she must still continue through the enrollment workflow to click the final “save” button
	If subscriber needs to add or drop dependents, or select a new PCP, then he/she must go through the full enrollment workflow.
	If the subscriber is currently enrolled in the 80/20 Plan and forgets to complete the tobacco attestation or does not hit the final save, the premium impact is greater on the 80/20 than it is in the 70/30 Plan: $110/month in 80/20 vs $85/month in the 70/30 Plan.

Enrollment Strategy Options (Non-Medicare Primary)

Option 2: Default to the 70/30 Plan for the start of Open Enrollment

Pros	Cons
Messaging is simple: All Subscribers must take action	Subscribers currently enrolled in the 80/20 Plan are required to re-elect the 80/20 Plan for the following year which requires two more clicks.
Subscribers who do not take action will have a lower premium than if they started in the 80/20: $85/month for 70/30 vs. $110/month for 80/20	

2020 Default Enrollment Strategy for Non-Medicare Primary Members

Requires Board Vote

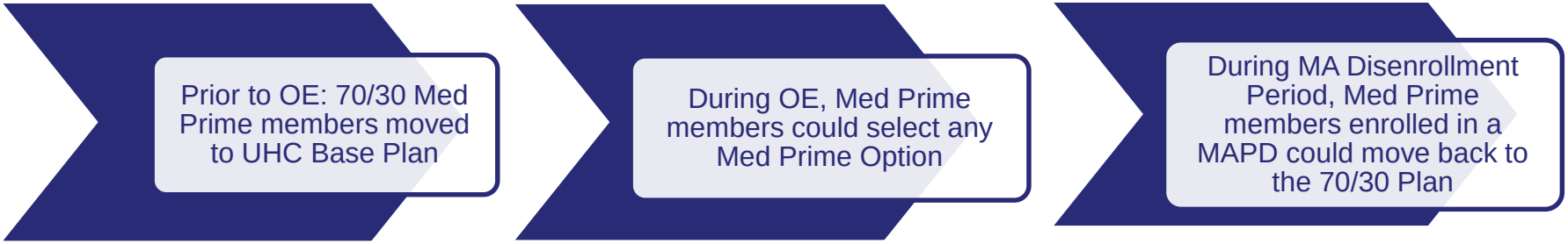
- **Option 1: Leave subscriber in current plan for start of OE**
  - If subscriber had no other changes, then the only requirement would be to complete the tobacco attestation and follow enrollment workflow through to the final save button.
  - If the subscriber wants to change plans, update dependent coverage, or update their PCP(s) the workflow is the same under either scenario.

- **Option 2: Move all subscribers to the 70/30 Plan for the start of OE**

  (As a reminder, 60% of members elected the 80/20 for 2019)
  - If subscriber had no other changes, then the only requirement would be to complete the tobacco attestation and follow the enrollment workflow through to the final save button.
  - If subscriber wants to change plans or update dependent coverage, the workflow is the same under either scenario.

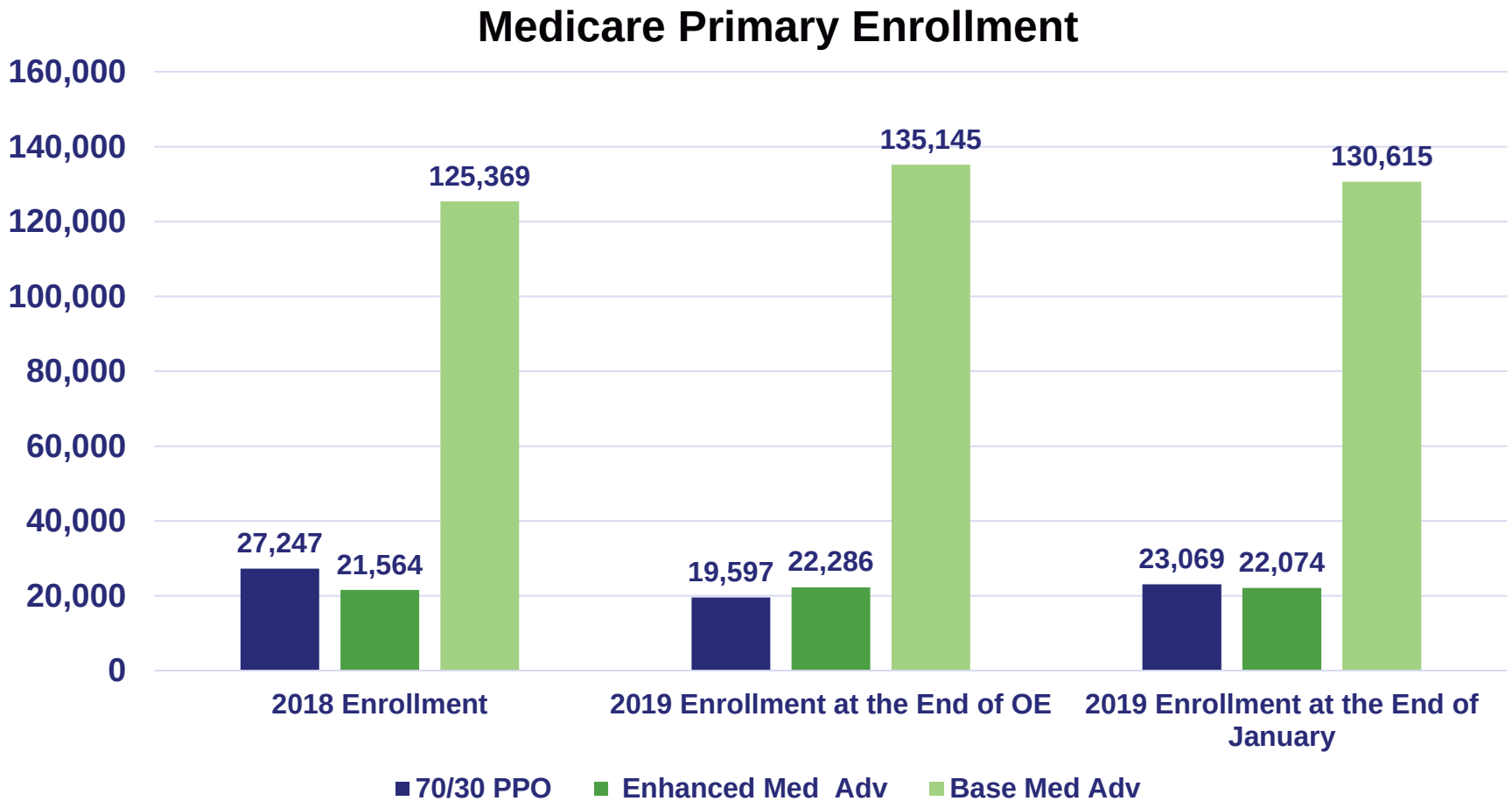
Medicare Primary Enrollment Strategy: 2020

- For the last two years, the Board has approved an enrollment strategy for Medicare primary that moved all Medicare primary members enrolled into the 70/30 Plan into the Base Medicare Advantage Plan for the start of the 2019 Open Enrollment (OE) period.
  - Approximately **25,000** Medicare primary members were defaulted to the UnitedHealthcare Group Medicare Advantage Base Plan
  - To be defaulted into the Medicare Advantage Plan, a Medicare Primary member had to have both Medicare Parts A & B in place with a January 1, 2018, effective date by August 1, 2018.



Medicare Primary Enrollment: Change Since OE

- The Medicare Advantage Enrollment Period does not end until March 31, 2019, which means members can continue to move back to the 70/30 Plan until that time.



2019 Medicare Primary Enrollment Strategy Requires Board Vote

- While the Plan has had some success defaulting Medicare primary members into a Medicare Advantage (MA) Plan during OE, there are two factors outside the Plan's control that will make auto-enrolling these members into an MA Plan more challenging in 2020.
  - Extended Medicare Advantage Enrollment Period
  - Medicare Beneficiary Identifier (MBI) number
- Therefore; Plan staff recommends leaving Medicare primary members in their 2019 benefit plan for the start of OE.

2019 Medicare Primary Enrollment	Maps to this Plan for 2020 Open Enrollment
70/30 PPO Plan	70/30 PPO Plan
Based Medicare Advantage Plan	Base Medicare Advantage Plan
Enhanced Medicare Advantage Plan	Enhanced Medicare Advantage Plan

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Financial Update

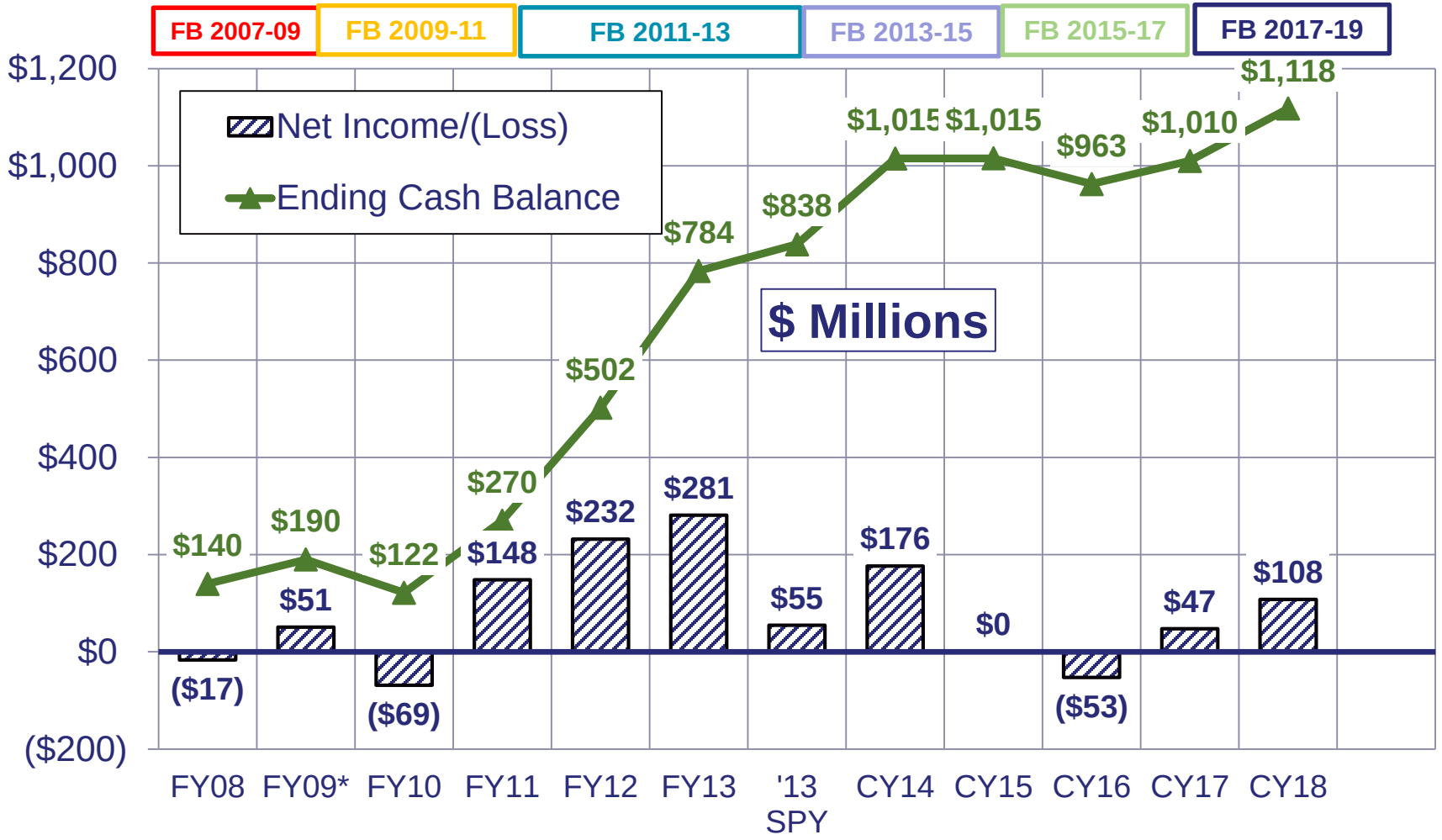
Board of Trustees

February 25, 2019

Financial Results: Actual vs. Budgeted
Calendar Year to Date December 2018

Calendar Year 2018	Actual thru DEC 2018	Authorized Budget (per Segal 5-30-18)	Variance Fav/(Unfav) Budget
Beginning Cash Balance	**$1.010b**	**$1.010b**	**-**
Plan Revenue	**$3.606b**	**$3.579b**	**$27.4m**
Net Claims Payments	$3.150b	$3.141b	($9.0m)
Medicare Advantage Premiums	$215.9m	$226.8m	$10.9m
Net Administrative Expenses	$132.3m	$206.6m	$74.2m
Total Plan Expenses	**$3.499b**	**$3.575b**	**$76.2m**
Net Income/(Loss)	**$107.7m**	**$4.1m**	**$103.6m**
Ending Cash Balance	**$1.118b**	**$1.014b**	**$103.6m**

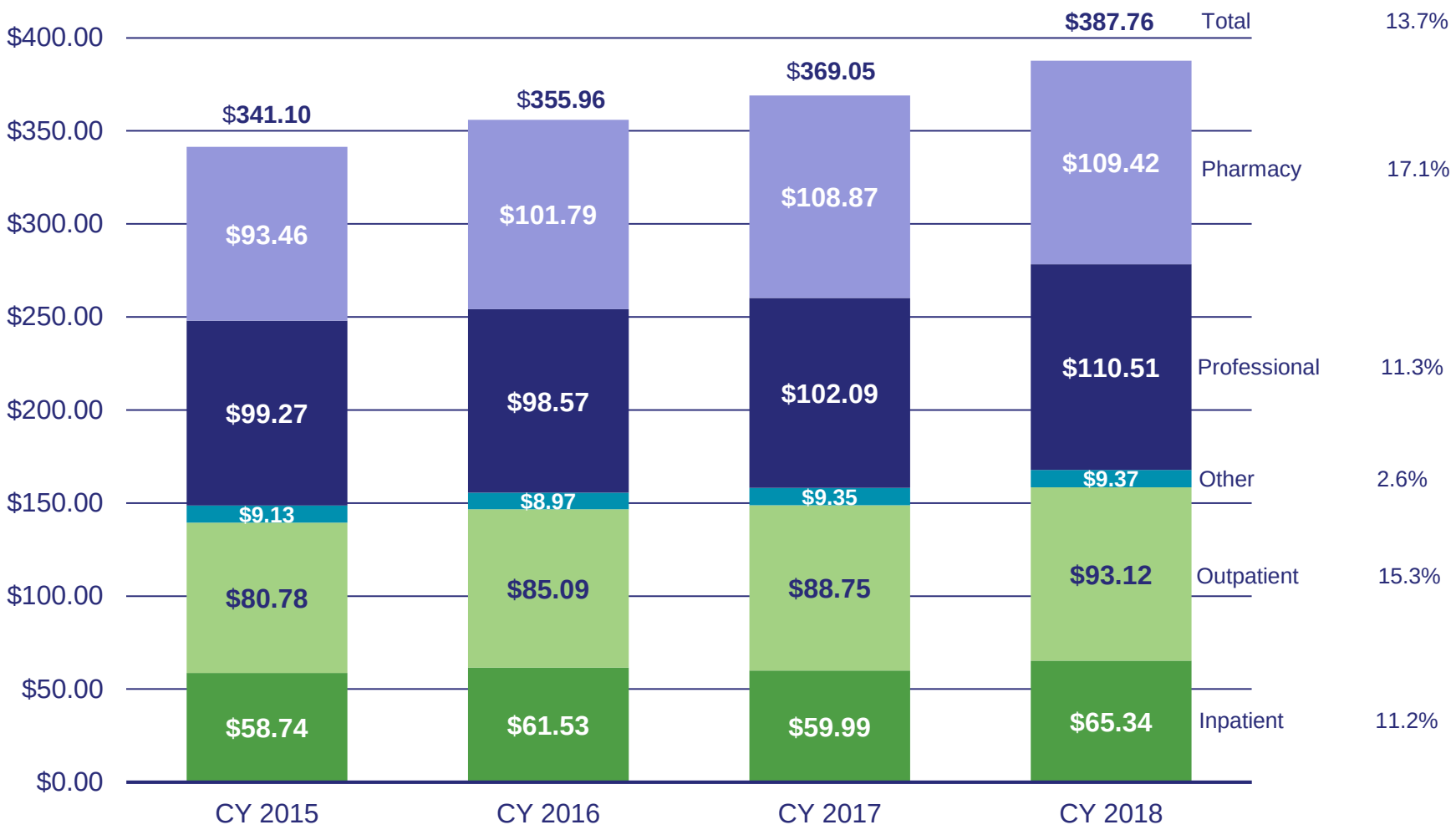
Historical Financial Results by Plan Year
Net Income/(Loss) & Ending Cash Balance



*The Plan received a $250 million general fund appropriation from the State in FY 2009.

SPY = Short Plan Year (Jul-Dec 2013)

Allocation of Claims Expenditures (PMPM)
Medical, Blue Card and Pharmacy Payments

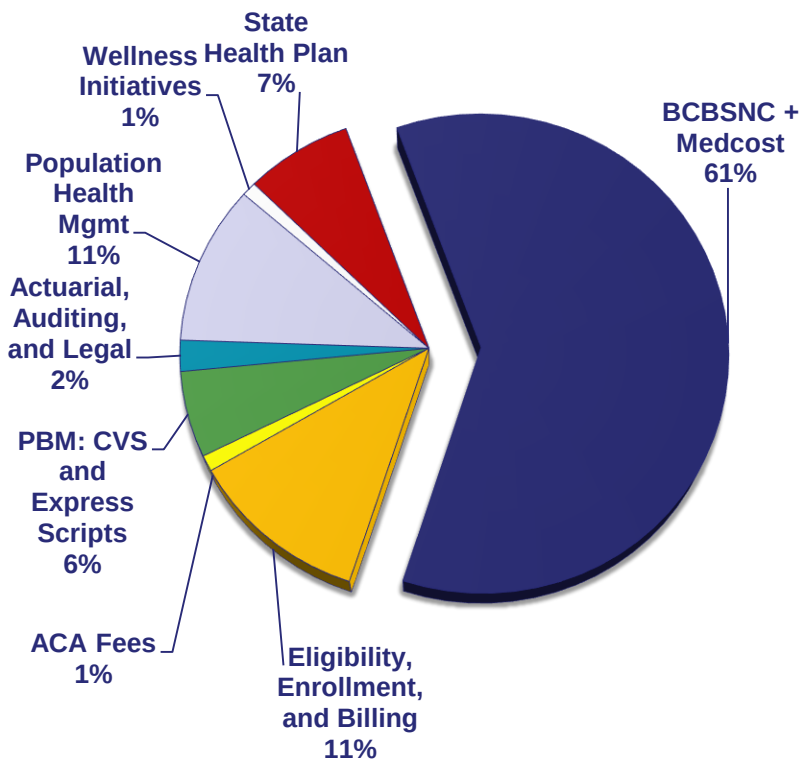


* Pharmacy claims costs do **not** include the impact of rebates

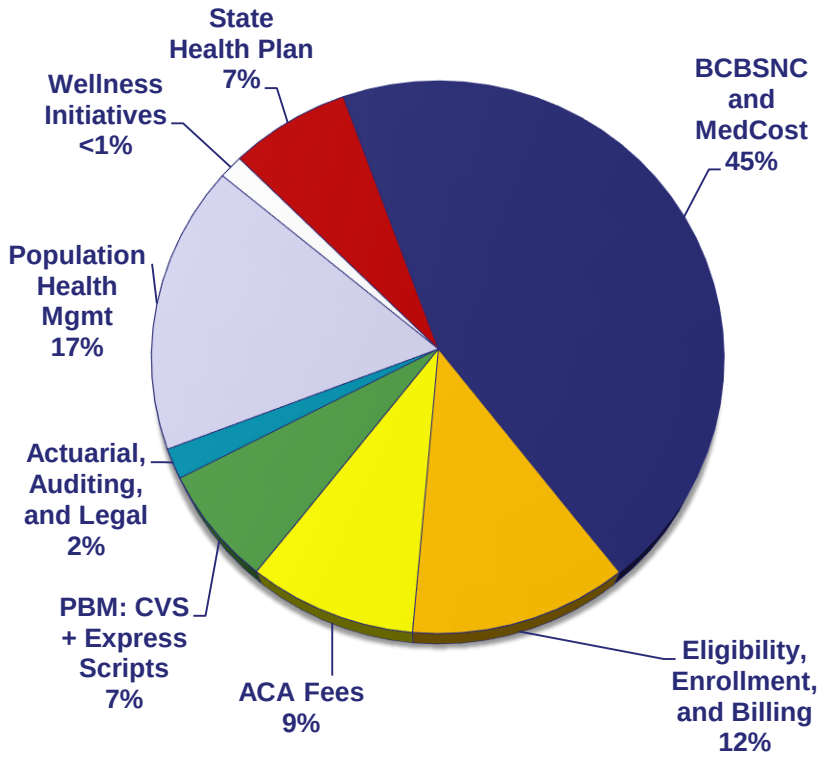
Source: BCBSNC Summary of Billed Charges CY2018

Calendar Year 2018 Administrative Expenses

Calendar Year 2018 ($132.3 Million)



Calendar Year 2017 ($174.5 Million)



Note: The charts show administrative fees that were paid in Total 2018 vs Total 2017 and reflect some inconsistencies in the timing of payments. These data do not reflect admin fee balances being negotiated with BCBS.

Calendar Year 2018 Administrative Expense Detail

Vendor/Expense	Service Provided	2018 Status	CY 2018 Total	% of Total
BCBSNC	Medical Claims Processing	Contract continues/PSPM fee increases/No HRA fee	$80,052,480	60.5%
ActiveHealth Management	Population Health Management	Contract continues thru Sep/PMPM fee decreases significantly	$14,235,763	10.8%
Benefitfocus	Enrollment & Eligibility	Contract continues/same PSPM fee	$13,142,317	9.9%
SHP Salaries and Benefits	General Administration	Continues	$4,140,748	3.1%
iTedium/COBRAGuard	COBRA & Billing	Contract continues/same PSPM fees	$2,152,784	1.6%
DHHS Public Health - Quitline	Tobacco Cessation	Contract continues with some reductions	$1,213,531	0.9%
Health Management Systems, Inc.	Subrogation	Contracted through August with optional extensions	$1,317,735	1.0%
CVS/Caremark	Pharmacy Benefit Management	Contract continues/same PMPM fee	$7,417,302	5.6%
DST Core Services Allocation	General Administration	Continues	$1,564,402	1.2%
Change Healthcare/HTMS	Contractual Staff	Continues with fewer contractual personnel	$1,261,018.00	1.0%
Segal Consulting	Actuarial & Benefit Consulting	Contracted through June; optional 6-month extension	$895,393	0.7%
Express Scripts	Pharmacy Benefit Management	Contract has ended. Final true ups	$223,603	0.2%
Everything Else (<$250,000 each)	Multiple	Several contracts/programs have been eliminated or are reduced or ending	$4,682,834	3.5%
TOTAL			**$132,299,910**	**100.0%**

Admin Fees for CY 2018

	Certified Budget (FY18-19 Biennium)	Authorized Budget (FY19)	Actual Cost
Projection as of	9/27/2017	5/30/2018	12/31/2018
Admin CY 2018	191,749,334	206,576,362	132,299,910

- Certified budget allows for flexibility
  - Changes in administrative costs from vendors
  - Changes in membership (for PMPM administrative costs)
  - Resources for SHP operation
  - Implementation of projects requiring additional administrative expense
- Operating at nearly complete staff capacity in CY 2018

Financial Results: Actual vs. Budgeted
Fiscal Year to Date December 2018

Fiscal Year 2019	Actual thru DEC 2018	Authorized Budget (per Segal 5-30-18)	Variance Fav/(Unfav) Budget
Beginning Cash Balance	**$1.063b**	**$1.025b**	**$37.8m**
Plan Revenue	**$1.830b**	**$1.814b**	**$16.0m**
Net Claims Payments	$1.607b	$1.613b	$6.2m
Medicare Advantage Premiums	$103.2m	$114.1m	$10.8m
Net Administrative Expenses	$64.8m	$97.6m	$32.8m
Total Plan Expenses	**$1.775b**	**$1.825b**	**$49.8m**
Net Income/(Loss)	**$54.9m**	**($10.9m)**	**$65.8m**
Ending Cash Balance	**$1.118b**	**$1.014b**	**$103.6m**