



*North Carolina*  
**State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES



## **2018 Benefit Development: Premium Strategy**

*Board of Trustees*

August 5, 2016

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*A Division of the Department of State Treasurer*

# Presentation Overview

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- Wellness Premiums & Credits
- Base Premiums
- Board Discussion

# Wellness Premiums & Credits

# Future of Wellness Premium Credits

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- Consider reducing the number of wellness activities and premium credits to one: **Tobacco Attestation**
  - Also expand attestation to include E-cigarettes in CY 2018
    - Previously, the FDA regulated cigarettes, cigarette tobacco, roll-your-own tobacco and smokeless tobacco, but in 2016, the FDA finalized a rule – Deeming Tobacco Products To Be Subject to the Federal Food, Drug, and Cosmetic Act – which extends the FDA's authority to include the regulation of electronic nicotine.
    - In North Carolina e-cigarettes are included in the definition of a tobacco product and are regulated.
    - The Plan's Tobacco Attestation should reflect the inclusion of e-cigarettes as regulated tobacco products.
- Credits eliminated: Primary Care Provider Selection and Health Risk Assessment
  - There is potential to address these activities through the Health Engagement Program

# CY 2018 Potential Healthy Activities & Premium Credits

Healthy Activity	CDHP 85/15	Enhanced 80/20	Traditional 70/30
<b>Non-Tobacco User or QuitlineNC Enrollment</b> <i>(applies to subscriber only, attestation regarding spousal tobacco use not required)</i>	\$100	\$100	\$100
<b>Primary Care Provider Selection</b>	N/A	N/A	N/A
<b>Health Assessment Completion</b>	N/A	N/A	N/A
<b>Total Credits Available</b>	<b>\$100</b>	<b>\$100</b>	<b>\$100</b>

- Traditionally, the monthly premium credit for the tobacco attestation has increased by \$20 each biennium
  - Will need to consider a revised approach if the Plan moves to one credit to ensure the total credits available continue to increase over time
- Currently, members in the Enhanced 80/20 who do not earn any premium credits pay an additional \$80 per month on top of the \$24.20 base premium; however, members who complete all three activities earn credits totaling \$90 per month and pay \$14.20

# Base Premiums

# Why Implement a Base Premium on all Plans?

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- Board members have expressed concern about further reducing benefits to offset cost growth and meet legislative mandates
  - Concern for cost increases being solely borne by sickest members
- Base premiums would add a fixed amount of premium to individual coverage in all plans
- Base premiums would spread cost growth among all members
  - Currently, about one-third of active employees pay no premium
    - Separately, 42% in the Enhanced 80/20 only pay the individual premium; which can be earned to \$14.20 per month
  - Premiums are pre-tax deductions versus many members paying out-of-pocket at the time of service
  - Premiums on individual coverage could partially offset growth of dependent premiums
- Provides additional options for structuring incentives, such as alternative network arrangements
- A premium free option would remain for retirees

# Why Implement a Base Premium on all Plans? Continued

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- This approach would have several benefits:
  - It would allow for future plan adjustments based on premium, in lieu of or in combination with to adjustments to cost sharing;
  - It could further engage membership in plan selection;
  - It could have the effect of spreading risk more effectively – since the costs would be borne by both healthy and sick members

# CDHP 85/15 Monthly Premium Comparison (CY 2016)

Plan	Total Premium	Employer Share	Employee Share	% of Premium Paid by Employer	Relative Value to Enhanced 80/20
<b>Virginia PPO</b>					
Employee-Only	\$634.00	\$543.00	\$91.00	86%	1.09
Family Coverage	\$1,690.00	\$1,427.00	\$263.00	89%	
<b>NC CDHP 85/15</b>					
Employee-Only	\$463.68	\$463.68	\$0.00	100%	1.08
Family Coverage	\$984.64	\$463.68	\$520.96	47%	
<b>Tennessee PPO</b>					
Employee-Only	\$658.30	\$539.80	\$118.50	82%	1.08
Family Coverage	\$1,711.60	\$1,403.51	\$308.09	82%	

# Enhanced 80/20 Monthly Premium Comparison (CY 2016)

Plan	Total Premium	Employer Share	Employee Share	% of Premium Paid by Employer	Relative Value to Enhanced 80/20
<b>Kentucky CDHP</b>					
Employee-Only	\$663.68	\$650.70	\$12.98	98%	1.01
Family Coverage	\$1,591.52	\$1,291.54	\$299.98	81%	
<b>NC Enhanced 80/20</b>					
Employee-Only	\$477.88	\$463.68	\$14.20	97%	1.00
Family Coverage	\$1,163.10	\$463.68	\$699.42	40%	
<b>Virginia HDHP</b>					
Employee-Only	\$465.00	\$465.00	\$0.00	100%	0.96
Family Coverage	\$1,265.00	\$1,265.00	\$0.00	100%	

Comparable plans to Enhanced 80/20 are Consumer Directed products.

# Traditional 70/30 Monthly Premium Comparison (CY 2016)

Plan	Total Premium	Employer Share	Employee Share	% of Premium Paid by Employer	Relative Value to Enhanced 80/20
<b>Georgia HMO</b>					
Employee-Only	\$616.59	\$445.91	\$170.68	72%	0.95
Family Coverage	\$1,726.46	\$1,173.75	\$552.71	68%	
<b>NC Traditional 70/30</b>					
Employee-Only	\$463.68	\$463.68	\$0.00	100%	0.92
Family Coverage	\$1,042.54	\$463.68	\$578.86	44%	
<b>South Carolina CDHP</b>					
Employee-Only	\$369.80	\$360.10	\$9.70	97%	0.86
Family Coverage	\$1,006.04	\$893.04	\$113.00	89%	

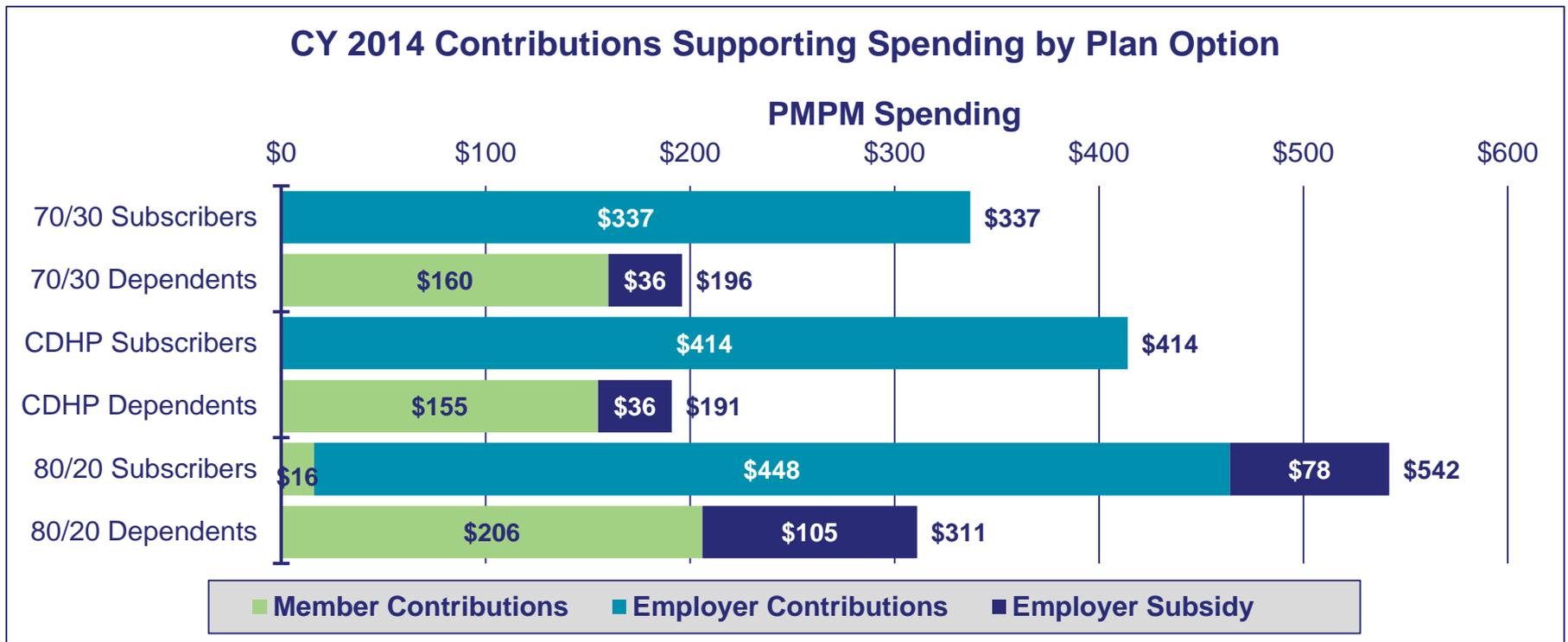
# Base Premium Impact on Dependent Premiums

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- Currently when the Board votes on premium increases it only impacts individual coverage on the Enhanced 80/20 and dependent coverage in all plans
  - Premium growth for individual coverage under the Enhanced 80/20 has typically been less than a dollar while the increase is much higher for dependent coverage
- Most states provide a higher subsidy for dependent coverage and in general, require some employee only premium level
- Options to offset increases to dependent coverage:
  - Additional funding from General Assembly (low Board control)
  - Reduce benefits
  - Add base premium for individual coverage

# Premium Structure Subsidizes Dependent Coverage

- In 2014, the State (employer) contributed/paid \$448 per month for each active employee and non-Medicare retiree
  - In the Traditional 70/30 Plan and CDHP, average costs/spending for subscribers was less than the employer contribution
  - The difference between cost and contributions was used to subsidize Enhanced 80/20 subscribers and dependent premiums



# Increase Base Premiums for Individual Coverage

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- Establishing/increasing base employee/retiree premiums could leave more of the employer contribution to subsidize dependent premium costs
- Segal modelled two base premium scenarios:
  - Scenario 1: Add base premiums to allow for a 20% reduce to the dependent contribution
  - Scenario 2: Price the plan options based on actuarial value
- Segal assumed the following in their modeling:
  - A 5% increase in dependent membership is assumed as a result of the reduced dependent premiums
  - The model is revenue neutral for the State – *i.e.*, the employer contributions would be equivalent to current forecasts

# Monthly Base Premium Scenarios

## Scenario 1: Add base premiums to allow for a 20% reduction to the dependent contribution

- **Monthly Base Premium Increase Amount:**
  - \$27 per subscriber
- **Reduction in Monthly Dependent Contribution:** 20%
- **Strength:** Significant reduction in dependent premiums
- **Weakness:** Doesn't clearly drive toward value-based plans

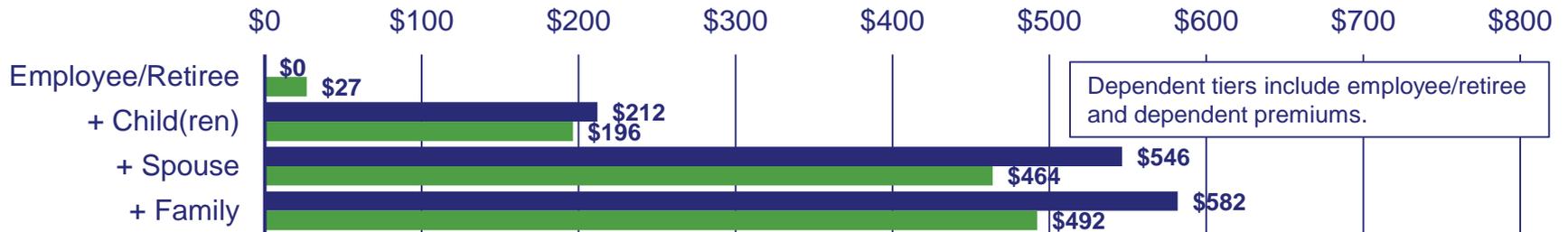
## Scenario 2: Price the plan options based on actuarial value

- **Monthly Base Premium Amount:**
  - Traditional 70/30: \$10
  - Enhanced 80/20: \$30
  - CDHP 85/15: \$63
- **Reduction in Monthly Dependent Contribution:** 9.6%
- **Strength:** Prices plans on value
- **Weakness:** May drive people away from value-based plans

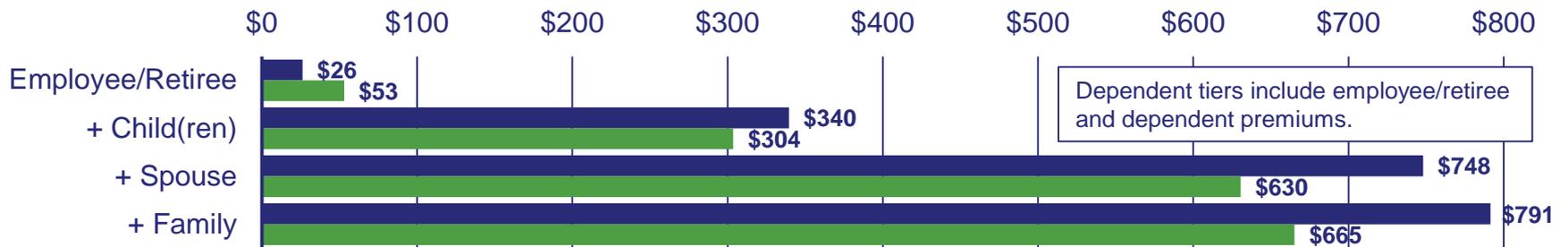
# Scenario 1: Estimated Monthly Member Paid Premiums: CY 2018

## Equivalent Employee/Retiree Premium Increases

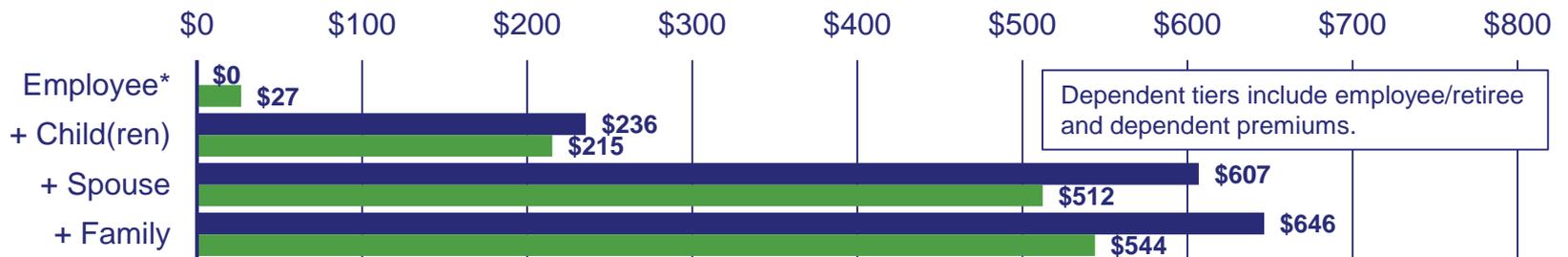
### CDHP 85/15



### Enhanced 80/20



### Traditional 70/30



\*70/30 retiree coverage would continue to be premium-free.

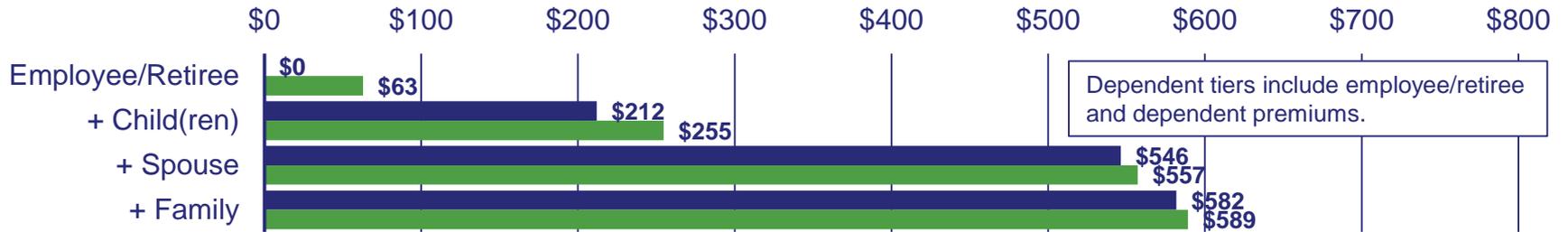
■ Current Structure ■ Scenario 1

Note: Figures assume premium increases of 3.43% in 2017 and 5% in 2018.

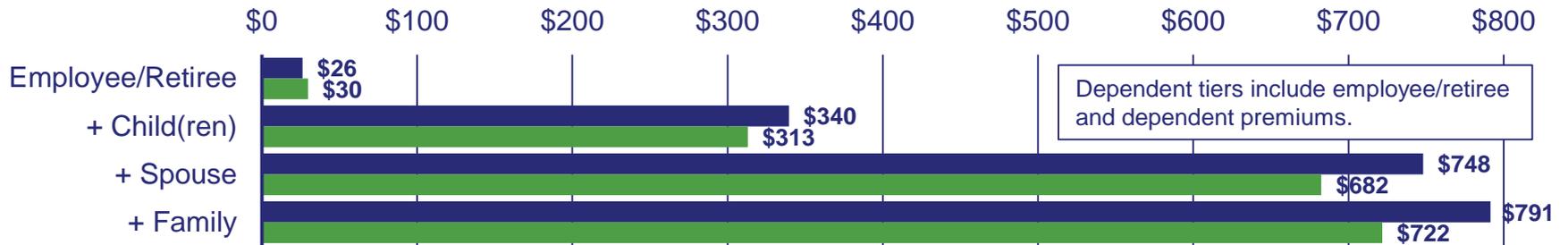
# Scenario 2: Estimated Monthly Member Paid Premiums: CY 2018

## Employee/Retiree Premiums Based on Option Value

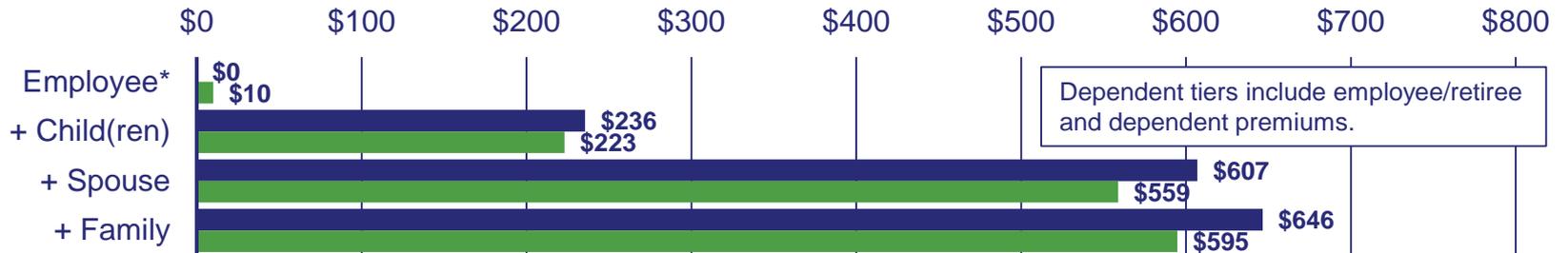
### CDHP 85/15



### Enhanced 80/20



### Traditional 70/30



\*70/30 retiree coverage would continue to be premium-free.

■ Current Structure ■ Scenario 2

Note: Figures assume premium increases of 3.43% in 2017 and 5% in 2018.

# Questions to Board

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- Should the Plan pursue a base premium strategy on all plans?
- Is there a dollar cap the Plan should pursue?
- Should the plans be priced based on actuarial value – CDHP highest and Traditional 70/30 the lowest?
- Should the goal be to mitigate dependent premium growth?
- Is there an alternative approach to consider?
- Is the Board in favor of moving to only the Tobacco Attestation?
  - Is the proposed amount reasonable?