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

2019 Plan Design Discussion & Enrollment Strategy

Board of Trustees Meeting

February 8, 2018

Proposed 2019 Plan Design Changes

2019 Proposed Plan Design Strategy

- At the last board meeting, two potential changes for the 80/20 Plan were presented:
  1. Eliminate the Designated Provider Program
  2. Simplify the Out-of-Pocket (OOP)
     - Eliminate separate Medical & Pharmacy OOPs
     - Add one combined Medical/Pharmacy OOP

- There is recognition that either option would need to stay cost neutral.

Three-Year Benefit Strategy

- Since the last board meeting, Staff have had the chance to review the following with the Treasurer:
  - Ongoing cost reductions opportunities on the Blue Cross Roadmap
  - 2017 plan financial results and future projections
  - Feedback from some of our constituent groups
  - Financial impacts of 2018 enrollment elections

- With this information, we have begun to develop the framework for a three-year benefit strategy.

Three-Year Strategy: Move Towards Medicare Based Reimbursement Rates

2019

- **Minimize Changes:**
  - **80/20** – Simplify 80/20 OOP & Refine the Designated Provider Program
  - **70/30** – No changes
  - **HDHP** – Continues to be available to non-permanent employees only

2020

- **Move to two distinct plan design options:**
  - **80/20** – No change
  - **70/30** – Consider phasing out the 70/30 Plan
  - **HDHP** – Open to all members – consider offering Health Savings Account (HSA)

2021

- **Add custom network based on Medicare reimbursement rates:**
  - **80/20** – No changes other than network
  - **HDHP** – No changes other than network

2019 Changes: 80/20 Out of Pocket

Individual In-Network Benefit Design	**70/30 Plan: 2018 & 2019** Grandfathered Permanent Non-Medicare and Medicare Members	**80/20 Plan: 2018** Non-Grandfathered Permanent Non-Medicare Members	**80/20 Plan: 2019** Non-Grandfathered Permanent Non-Medicare Members
Deductible	$1,080	$1,250	$1,250
Coinsurance Percentage	30%	20%	20%
Preventive Coverage	Cost-Sharing Applies	100%	100%
*Medical OOP Max *Pharmacy OOP Max *Medical Coinsurance Max *Overall OOP Max	NA $3,360 $4,388 N/A	$4,350 $2,500 N/A $6,850	NA N/A N/A **$4,890**
PCP Copay	$40	$10 (selected PCP)/$25 (non)	$10 (selected PCP)/$25 (non)
Chiro/Therapies	$72	$52	$52
Specialist Copay	$94	$45 Designated/$85 (non)	$45 Designated/$85 (non)
ER/Inpatient Hospital	$337, then Ded/Coins.	$300, then Ded/Coins.	$300, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	$100	$70	$70
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	 $16 $47 $74 10% up to $100 25% up to $103 25% up to $133	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.

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BOLD = Proposed change from 2018

***Individual Max**
Family Max is 3X Individual Max in 2019 proposal

2019 Proposed Benefit Strategy – Requires Board Vote

- Proposed 2019 Benefit Changes:
  - **Simplify the 80/20 Plan**
    - Replace the separate Pharmacy and Medical Out-of-Pockets on the 80/20 PPO Plan with a single, combined Medical/Pharmacy Out-of Pocket.
      - $4,890 – Individual 80/20 Medical/Pharmacy Out-of-Pocket
      - $14,670 – Family 80/20 Medical/Pharmacy Out-of-Pocket (3X times individual)

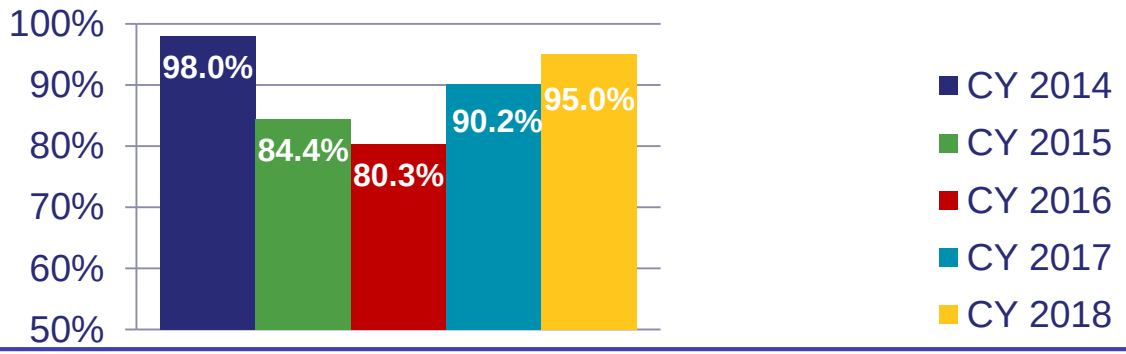
2019 Enrollment Strategy

Open Enrollment Strategy: Plans with Premium Wellness Credits

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 during OE.
- **2017 & 2018 OE** – Members were once again moved to the 70/30 Plan for the start of OE. The only difference between 2017 and 2018 is that there was only one premium credit in 2018, but in both years subscribers had to elect a higher value plan and complete premium credit(s) to reduce their premium.

Premium Credit Completion Rate during OE



Enrollment Strategy Options

Option 1: Leave subscriber in current plan for start of OE.

Pros	Cons
Two steps can be eliminated:1) Plan election and 2) dependent changes if subscriber does not want to change plans or add/drop dependents.	While subscriber is able to skip plan selection and dependent selection screens, subscriber must still go through the enrollment workflow to click the final "save" button.
	Subscriber must go through the full enrollment workflow if subscriber needs to add or drop dependents.
	The premium impact is greater on the 80/20 Plan than it is in the 70/30 Plan: $110/month in 80/20 vs. $85/month in the 70/30 Plan if the member is currently enrolled in the 80/20 and forgets to complete the tobacco attestation or does not hit the final "save" button.

** Have requested Benefitfocus for an enhancement to eliminate the final "save."*

Enrollment Strategy Options

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

Pros	Cons
Messaging is simple: **ALL** subscribers must take action.	Subscribers currently enrolled in the 80/20 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 the 80/20 Plan.	

Have requested Benefitfocus to eliminate the final "save."

2019 Default Enrollment Strategy: Requires Board Vote

- **Option 1: Leave subscriber in current plan for start of OE**
  - If subscriber had no 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 or update dependent coverage, 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, 57% of members elected the 80/20 for 2018)
  - 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 the subscriber wants to change plans or update dependent coverage, the workflow is the same under either scenario.

Appendix

Possible 2019 Benefit Changes: Designated Provider Program

The Designated Provider Incentive Program was introduced in 2014

- Intent was to encourage members to seek out providers that were "designated" as both high quality and low cost
  - **Designated Hospitals** – Member's hospital copay waived
  - **Designated Specialists** – Member's specialist copay reduced
- **Challenges**
  - Designated Hospital list changes every year
  - Specialists are hard for members to identify via the online provider look-up tool
  - **Adoption Rate Low**
    - **Only 30%** of members admitted to a hospital in 2017 chose a designated facility
    - **Only 22%** of members visited a designated specialist so far in 2017

Possible 2019 Benefit Changes: Designated Provider Program

- **How do we fix it?**
  - **Improve tools** to make it easier to find providers.
  - **Educate members** about the program to maximize their benefit.

- **Challenges?**
  - **Costs -** As much as possible, we want this to be cost neutral for the member and the Plan.

80/20 Analysis: 2017 Use of Designated Providers

Hospital Admissions	Copay	Admits*	% of Admits	Total Copays	Avg Copay	Members	
Designated/Critical Access	$0	3,647	29.5%	$0		2,835	30%
Non-Designated	$450	8,729	**70.5%**	$3,928,050		6,585	70%
Total		**12,376**		**$3,928,050**	**$317**	**9,420**	
Proposed 2019 Copay					$300		

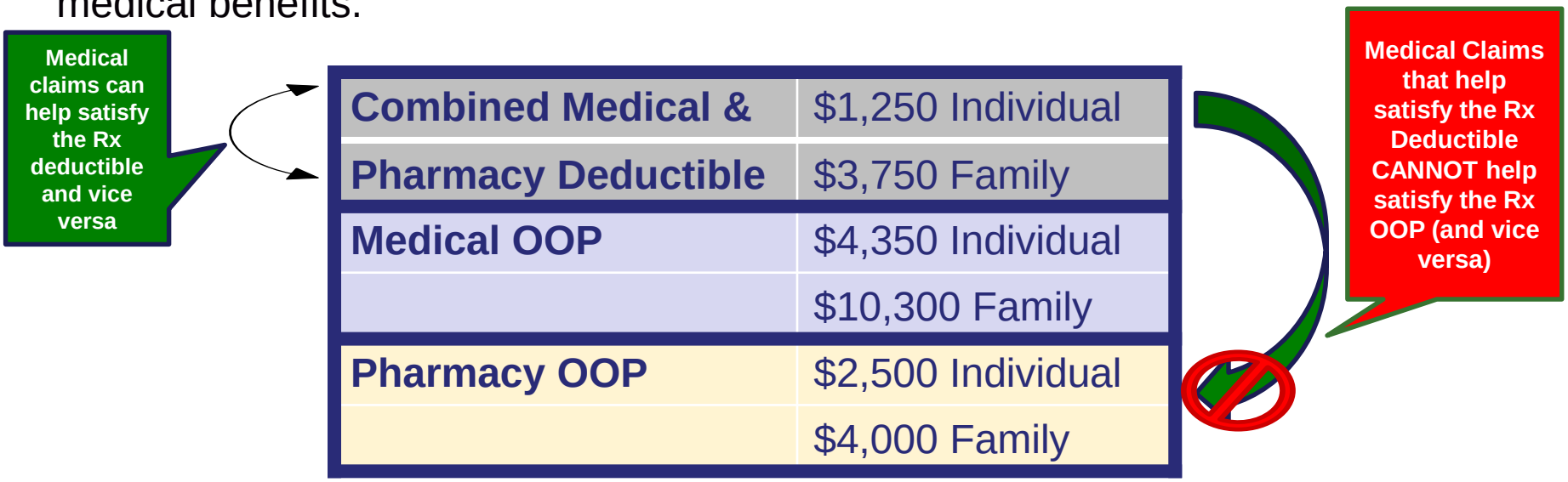
Specialist Visits	Copay	Visits*	% of Visits	Total Copays	Avg Copay	Members	
Designated	$45	88,166	9.2%	$3,967,470		46,661	22%
Non-Designated	$85	870,531	**90.8%**	$73,995,135		167,377	78%
Total		**958,697**		**$77,962,605**	**$81**	**214,038**	
Proposed 2019 Copay				$75 *or* $80			

Conclusion: Proposed 2019 copays for inpatient hospitalizations and specialist visits would be lower than the average 2017 copays. The additional cost to the Plan of the lower member copays could be recovered by adjusting the Out-of-Pocket (OOP) maximum. A higher specialist copay would allow for a lower OOP max; a lower specialist copay would require a higher OOP max.

*Through October 2017

Possible 2019 Benefit Changes: Simplify OOP

- In 2017, the methodology for tracking member cost share maximums on the 80/20 Plan was changed from a coinsurance maximum to an OOP maximum.
- Instead of implementing a combined medical and pharmacy OOP, separate medical and pharmacy OOPs were introduced.
- But the deductible was set up to cross-accumulate between the pharmacy and medical benefits.



If you don't understand this, don't worry, neither does anyone else.

Possible 2019 Benefit Changes: Simplified OOP

How do we fix it?

- **Deductible** - Keep the combined Medical & Pharmacy Deductible
- **OOP** - Move to a combined Medical & Pharmacy OOP

Challenges?

- **Costs** - As much as possible, we want this to be cost neutral for the member and the Plan.

Possible 2019 Benefit Changes: Member Cost Share Options

Both Options 1 and 2 address
- Removal of Designated Provider Program
- Change to Combined Medical and Pharmacy OOP
- Need to remain cost neutral

Individual In-Network	CY 2018	CY 2019: Option 1	CY 2019: Option 2
Deductible	$1,250	$1,250	$1,250
Coinsurance Percent	20%	20%	20%
Preventive Coverage	100%	100%	100%
Medical OOP Max Pharmacy OOP Max Overall OOP Max	$4,350 $2,500 N/A	N/A N/A **$5,480**	N/A N/A **$4,986 (or $5,000)**
PCP Copay	$10 or $25	$10/$25	$10/$25
Chiro/Therapies	$52	$52	$52
Specialist Copay	$45 or $85	**$75**	**$80**
Inpatient Hospital	$0 or $450, then Ded/Coins.	**$300**, then Ded/Coins.	**$300**, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	$70	$70	$70
ER Copay	$300, then Ded/Coins.	$300, then Ded/Coins.	$300, then Ded/Coins.
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.	 $5 $30 Ded/Coins. $100 $250 Ded/Coins.

Potential 2019 Plan Comparison

Individual In-Network Benefit Design	70/30 Plan Grandfathered Permanent Non-Medicare and Medicare Members	80/20 Plan: Option 1 Non-Grandfathered Permanent Non-Medicare Members	80/20 Plan: Option 2 Non-Grandfathered Permanent Non-Medicare Members
Deductible	$1,080	$1,250	$1,250
Coinsurance Percentage	30%	20%	20%
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