Changes to plan options, benefit designs, healthy activities, premiums & credits referenced in this presentation are for discussion only and subject to approval by the Board of Trustees.

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2018 Benefit Planning

Board of Trustees Meeting

January 27, 2017

Presentation Overview

- Mission and Strategic Priorities
- Financial Goal and Legislative Directive Regarding Premium Increases for CY 2018 and CY 2019
- 2018 Premium Strategy
- 2018 Benefit Design Strategy
- Board Discussion

State Health Plan Strategic Plan

Mission

Our mission is to improve the health and health care of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of North Carolina for improving their health and well-being.

Strategic Priorities

1. Improve Members' Experience
2. Improve Members' Health
3. Ensure a Financially Stable State Health Plan

Financial Goal

Ensure the projected increase to the Employer Contribution associated with any Board approved changes to the current premium strategy and benefit designs for calendar years 2018 and 2019 does not exceed 4%.

- Complies with Section 36.25 of SL 2016-94, the 2016 Appropriations Act
- CY 2016 3rd quarter baseline actuarial forecast projects premium increases of **3.15%** for both 2018 and 2019
  - *Baseline forecast*: maintains wellness premiums & credits and assumes increases in the wellness premiums and corresponding credits, but no changes in benefit design or member cost sharing

Section 36.25, SL 2016-94, 2016 Appropriations Act:

SECTION 36.24.(a) The State Treasurer and the Board of Trustees shall adopt measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected employer contribution increases.

SECTION 36.24.(b) If the Director of the Budget determines that the additional cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in subsection (a) of this section are sufficient to **reduce the projected employer premium increases to four percent (4%) or less in both the 2018 and 2019 plan years,** then the Director of the Budget is authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency budgets. The projected employer premium increases should be calculated assuming the Reserve for Future Benefit Needs is reallocated.

SECTION 36.24.(c) SECTION 36.24.(c) Section 30.26(b) of S.L. 2015-241 reads as rewritten: "SECTION 30.26.(b) **During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least ~~twenty~~ twelve percent ~~(20%)~~ (12%) of its annual costs.** For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S.135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan."

Implications of the 2016 Appropriations Act

- The special provision in Section 36.24(b) *suggests* the General Assembly will accept increases in the employer contribution of up to 4% for CY 2018 and CY 2019
  - The 2016 budget language *does not* require the Plan to request increases of 4% or less
  - Nor does it prohibit the General Assembly from appropriating funds for an increase greater than or less than 4%
  - Funding 4% increases would require additional state funds of $90 to $95 million in FY 2018 and another $110 to $115 million in FY 2019
    - Approximately $70 to $75 million in FY 2018 and $85 to $90 million in FY 2019 in additional General Fund appropriations

2018 Premium Strategy

1. Wellness Premiums & Credits
2. Subscriber Base Premiums
3. Dependent Premiums

Wellness Premiums & Credits

2017 Subscriber Premium Rate Structure

Subscriber premiums a combination of the base premium and the wellness premiums.

Active Employees			
	Enhanced 80/20	Traditional 70/30	CDHP 85/15
Base Premium	**$25.04**	**$0**	**$0**
Tobacco Wellness Premium	**$40**	**$40**	**$40**
PCP Wellness Premium	**$20**	**$0**	**$20**
Health Assessment Wellness Premium	**$20**	**$0**	**$20**
Total Subscriber Premium	**$105.04**	**$40**	**$80**

2017 Subscriber Premium Credits

Subscribers can reduce their premiums by earning premium credits through the completion of certain healthy activities (i.e. tobacco attestation, select a PCP, complete health assessment).

Active Employees			
	Enhanced 80/20	Traditional 70/30	CDHP 85/15
Total Subscriber Premium	**$105.04**	**$40**	**$80**
Tobacco Premium Credit	**($40)**	**($40)**	**($40)**
PCP Premium Credit	**($25)**	**n/a**	**($20)**
Health Assessment Premium Credit	**($25)**	**n/a**	**($20)**
Total Subscriber Premium	**$15.04**	**$0**	**$0**

The base premium for the Enhanced 80/20 plan is $25.04. By completing all the healthy activities, Members in the Enhanced 80/20 can reduce their premium below the base because the credits for the PCP and Health Assessment are more than the wellness premiums for those activities.

Wellness Premiums & Credits: Options for Consideration

Maintain Existing Wellness Premium & Credit Structure

- Wellness premiums & corresponding credits increase
- Tobacco attestation: $40 to $60
- PCP Selection: $20 to $30
- Health Assessment: $20 to $30
- CY 2018 & CY 2019 required premium increases = 3.15%

Reduce the Wellness Premium and Credits from 3 to 1

- Retain tobacco attestation
- Include e-cigarettes
- Wellness premium of $60 (80/20 plan earns $10 credit): CY 2018 & CY 2019 premium increases = 3.75%
- Wellness premium of $100 (80/20 plan earns $10 credit): CY 2018 & CY 2019 premium increases = 3.69%

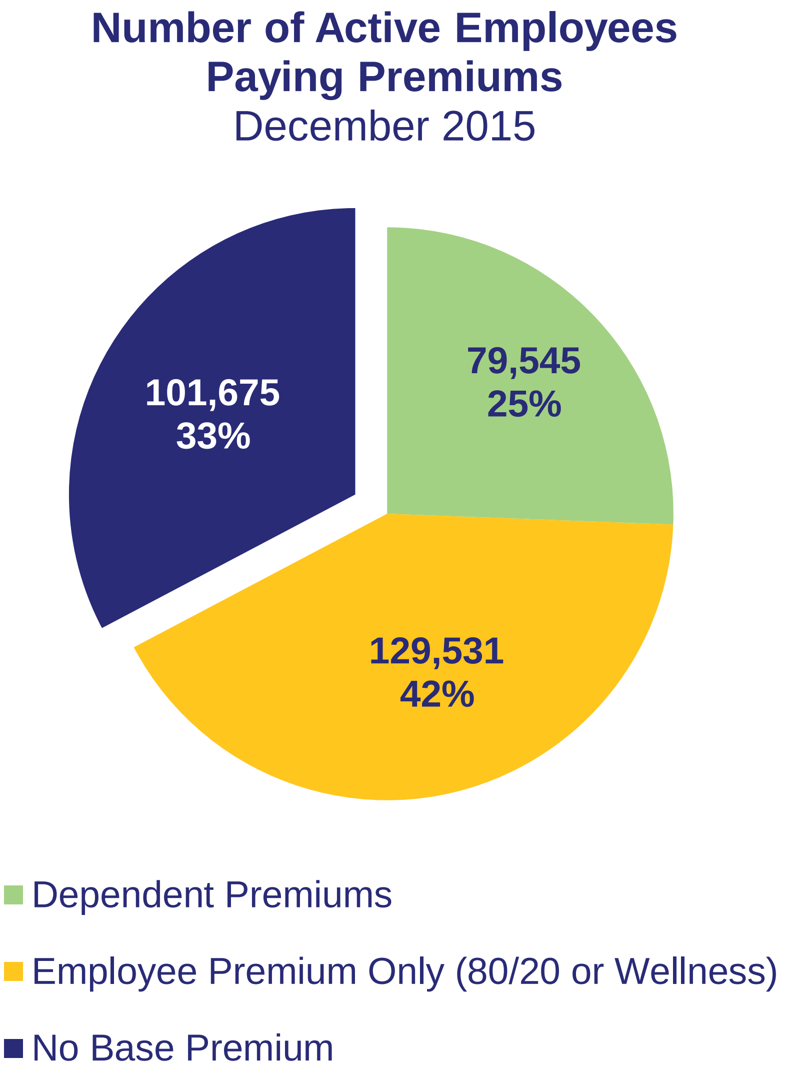
Eliminate Wellness Premium & Credit Structure

- Remove all wellness premiums from all the plan offerings
- Premium credits not available
- Employees on Enhanced 80/20 plan would pay base premium of approximately $25
- CY 2018 & CY 2019 required premium increase = 4.89%

Subscriber Base Premiums

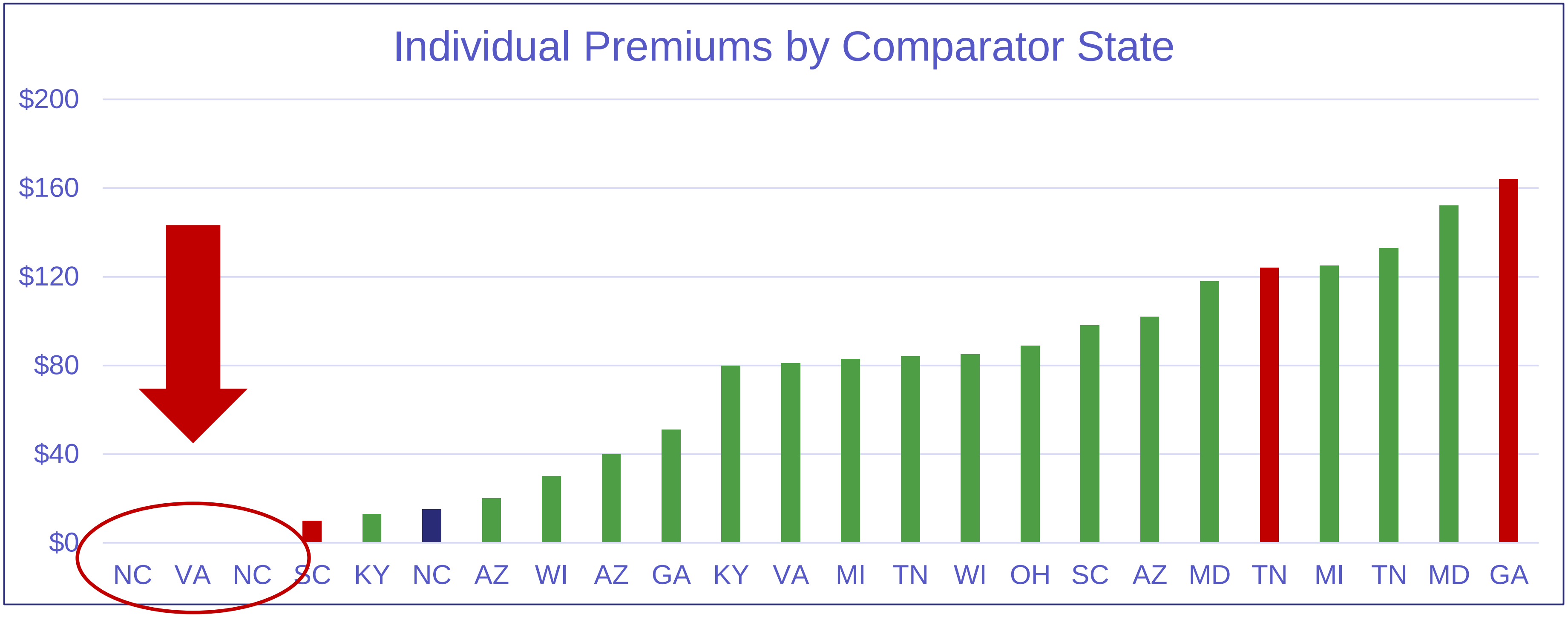
Current Employee Premium Structure

- Almost one-third of active employees pay no premium for their coverage
- Another 42% pay only employee premiums for the Enhanced 80/20 Plan and/or Wellness Premiums
- Just over one-quarter of active employees pay dependent premiums
  - *These employees are impacted the most by large across-the-board increases to existing premiums*



Employee Premium Structure Relative to Comparator States

The *Comparative Analysis of State Health Plans* shows that only one other comparator state (Virginia) has a $0 employee premium offering



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

Rationale for Adding Employee Premiums

- Employee premiums spread the impact of cost reductions/required savings over the entire population of active employees

- Other options include increased member cost-sharing or increases to the existing member-paid premiums, but those do not impact members equally
  - Increasing cost-sharing disproportionately impacts members who need/use more services
  - Increasing the existing member-paid premiums disproportionately impacts members who carry dependents on the plans

- Over the long term, a balanced approach is needed to spread a portion of cost increases over the entire population of employees
  - The addition of employee premiums to all plans will minimize the negative impact on dependent premiums and the Plan's less healthy members

Subscriber Base Premiums & Strategic Plan

Strategic Initiatives	Improve Members' Health	Improve Members' Experience	Ensure Financial Stability
Strengths	• Reduces the need for benefit reductions • Compatible with and can facilitate incentives	• Easier to understand than more nuanced approaches	• Significant, growing long-term savings
Challenges	• Members may buy down benefits or reduce utilization of valued/medically necessary services	• Communications • Optics	• Does not bend cost curve driven by health status

Establish Employee Base Premium on All Plans

- Changes to the various benefit plans over the past several years have focused entirely on cost sharing – with the effect of concentrating costs among those who require health care services
- Board members have expressed a desire to spread risk across the Plan population by establishing base premiums for employees on all the plan options
- Segal modeled scenarios based on two general approaches:

1. **Premiums linked to plan value**
   - This approach would allow for differential pricing of the benefit options
   - This approach more closely mimics pricing in the larger health care insurance market – higher value plans (i.e. lower cost sharing requirements) are more costly (i.e. higher premiums)
   - As shown on the next slide, the increase in 2018 and 2019 premium rates is driven largely by the variance in premiums between the higher-value plans (80/20 and CDHP) and the lower-value plan (70/30) and how that changes plan selection or enrollment.

2. **Equivalent premiums on all plans**
   - This approach would assign the same premiums to each plan, regardless of plan generosity
   - Accordingly, this approach would spread risk across our member population by requiring an equivalent contribution from every employee, regardless of whether he/she utilizes services

Employee Base Premiums: Options for Consideration

1. Premiums Linked to Plan Value

Under Current Wellness Premium & Credit Structure

	CDHP	Enhanced 80/20*	Traditional 70/30	2018 & 2019 Premium Increase
Base Premium	$20	$20	$5	**3.46%**
	$30	$30	$5	**2.64%**
	$20	$20	$10	**3.59%**
	$25	$25	$10	**3.09%**

With Tobacco Attestation Premium & Credit Only

	CDHP	Enhanced 80/20	Traditional 70/30	2018 & 2019 Premium Increase
Base Premium	$25	$15	$5	**4.00%**
	$25	$25	$5	**3.95%**

** Assumes 80/20 base premium reduced by $10 if all premium credits are earned.*

Employee Base Premiums: Options for Consideration

2. Equivalent Premiums Across All Plans

	CDHP	Enhanced 80/20	Traditional 70/30	2018 & 2019 Premium Increase
Base Premium	$15	$15	$15	**4.47%**

Dependent Premiums

Estimated 2016 Monthly Premium Collections by Tier

Coverage Tier	Subscribers	%	Total Monthly Contributions: Employer Contributions	Col %	EE Premiums	Col %	Dependent Premiums	Col %	Total Premiums	Col %
EE Only	413,510	80.1%	$177,088,248	79.6%	$5,347,694	80.2%	$0	0.0%	$182,435,942	68.5%
EE + Child(ren)	58,335	11.3%	$26,595,289	12.0%	$768,587	11.5%	$14,258,361	38.3%	$41,622,236	15.6%
EE + Spouse	21,771	4.2%	$8,465,560	3.8%	$255,959	3.8%	$8,941,088	24.0%	$17,662,607	6.6%
EE + Family	22,791	4.4%	$10,273,647	4.6%	$299,856	4.5%	$14,045,242	37.7%	$24,618,745	9.2%
TOTAL	**516,407**	**100.0%**	**$222,422,743**	**100.0%**	**$6,672,096**	**100.0%**	**$37,244,691**	**100.0%**	**$266,339,530**	**100.0%**
			83.5%		2.5%		14.0%		100.0%	

Coverage Tier	Subscribers	Total Monthly Contributions: ER Contributions	Row %	EE Premiums	Row %	Dependent Premiums	Row %	Total Premiums	Row %
EE Only	413,510	$177,088,248	97.1%	$5,347,694	2.9%	$0	0.0%	$182,435,942	100.0%
EE + Child(ren)	58,335	$26,595,289	63.9%	$768,587	1.8%	$14,258,361	34.3%	$41,622,236	100.0%
EE + Spouse	21,771	$8,465,560	47.9%	$255,959	1.4%	$8,941,088	50.6%	$17,662,607	100.0%
EE + Family	22,791	$10,273,647	41.7%	$299,856	1.2%	$14,045,242	57.1%	$24,618,745	100.0%
TOTAL	**516,407**	**$222,422,743**	**83.5%**	**$6,672,096**	**2.5%**	**$37,244,691**	**14.0%**	**$266,339,530**	**100.0%**

Sources: MEM001-2016-1031 (BCBSNC membership report); Humana and United Medicare Advantage invoices (prepared by COBRAGuard)

EE = Employee/Retiree

Contribution Strategy

- North Carolina's contribution strategy is different from most other states – employee-only coverage is highly subsidized by the state, while dependent coverage is not:
  - Employees/retirees responsible for paying the full premium cost of dependent coverage
- Freezing dependent premiums would, over time, improve the affordability of Plan benefits for spouses, children, and families across the three benefit plans

2017 Premium Rates: Permanent Employees & Retirees

Employee/Retiree Premiums

Active Employees and Non-Medicare Retirees

		Participation in Wellness Activities							
Wellness Activities		All Three	Two Activities Completed			One Activity Completed			None
Tobacco Attestation		☑	☑	☑		☑			
PCP Selection		☑	☑		☑		☑		
HA Completion		☑		☑	☑			☑	
Wellness Plans	Employer Share	Employee/Retiree Share							
Enhanced 80/20 Plan	$479.48	$15.04	$40.04	$40.04	$55.04	$65.04	$80.04	$80.04	$105.04
Consumer-Directed Health Plan	$479.48	$0.00	$20.00	$20.00	$40.00	$40.00	$60.00	$60.00	$80.00

		Completed Tobacco Attestation	
	Employer Share	Yes	No
Traditional 70/30 Plan		Employee/Retiree Share	
Active Employees	$479.48	$0.00	$40.00
Non-Medicare Retirees	$479.48	*-Not required-*	$0.00

Medicare Retirees

	Employer Share	Retiree Share
Medicare Advantage Plans		
MA-PDP Base Plan	$372.56	$0.00
MA-PDP Enhanced Plan	$372.56	$64.00
Traditional 70/30 Plan	$372.56	$0.00

Total Employee/Retiree Contribution =

Employee/Retiree Share of the Employee/Retiree Premium

+

Dependent Premium

Dependent Premiums

	All Dependents are Non-Medicare			One or More Medicare Dependents		
	Non-Medicare Plan			Medicare Plan		
Dependent Group	Enhanced 80/20	CDHP	Traditional 70/30	MA-PDP Base	MA-PDP Enhanced	Traditional 70/30
Employee/Retiree + Child(ren)	$290.14	$196.32	$218.14	$124.80	$188.80	$155.20
Employee/Retiree + Spouse	$668.48	$505.90	$562.10	$124.80	$188.80	$408.08
Employee/Retiree + Family	$708.72	$538.82	$598.70	$249.60	$377.60	$444.66

Dependent Premiums: Options for Consideration

	2018 & 2019 Premium Increase
Freeze Family Premiums at Current Rates	**3.33%**
Freeze Dependent Premiums at Current Rates	**3.67%**

Loss Ratios

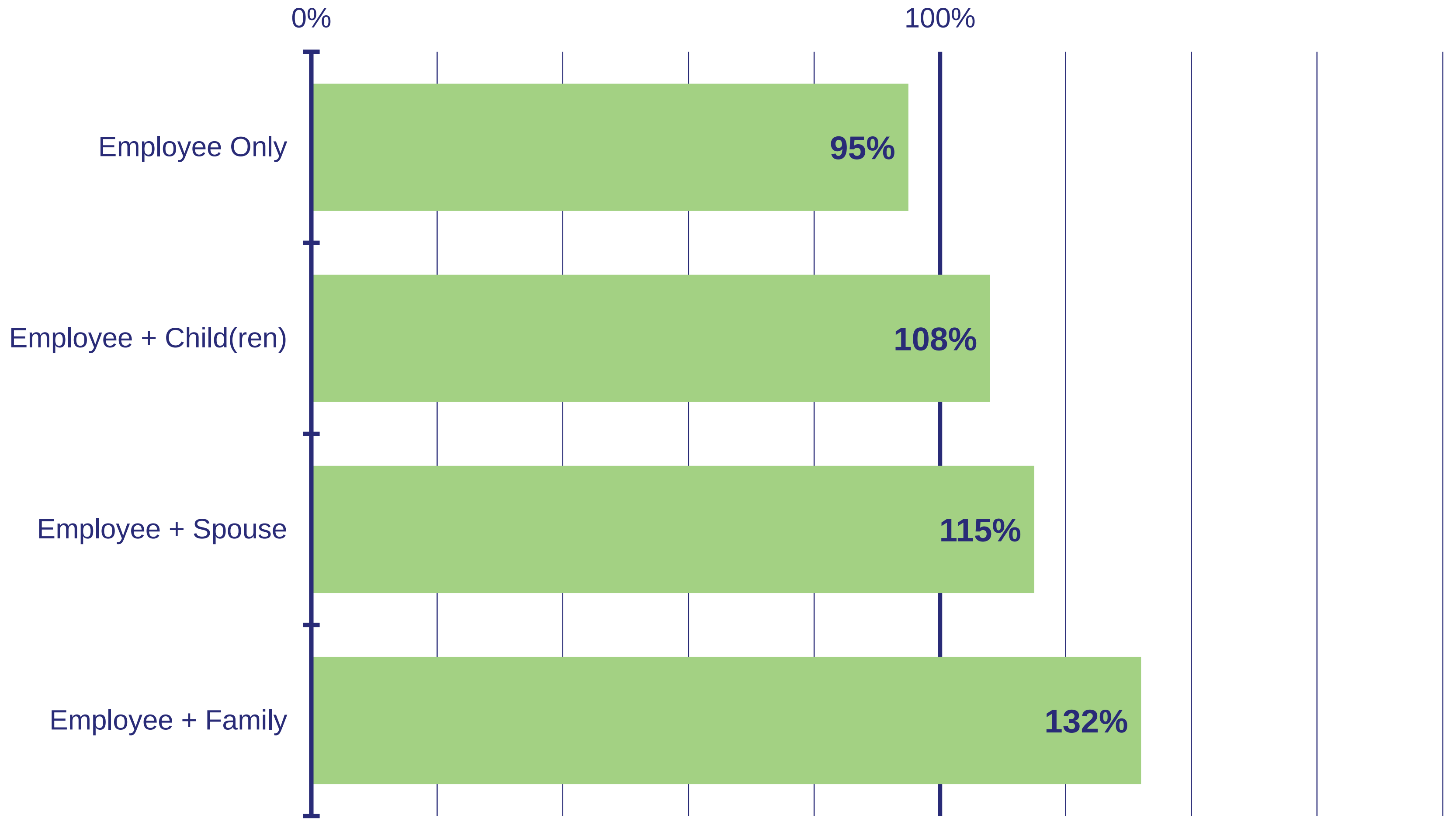
- Loss ratios relate member costs to the amount of funding received and are expressed as percentages

- A member subgroup that costs more than the premiums collected on its behalf has a loss ratio >100%
  - For example, a loss ratio of 120% means the group's actual costs exceeded the premiums collected by 20%.
    - For every $1 in premium collected, the Plan paid $1.20 in expenses

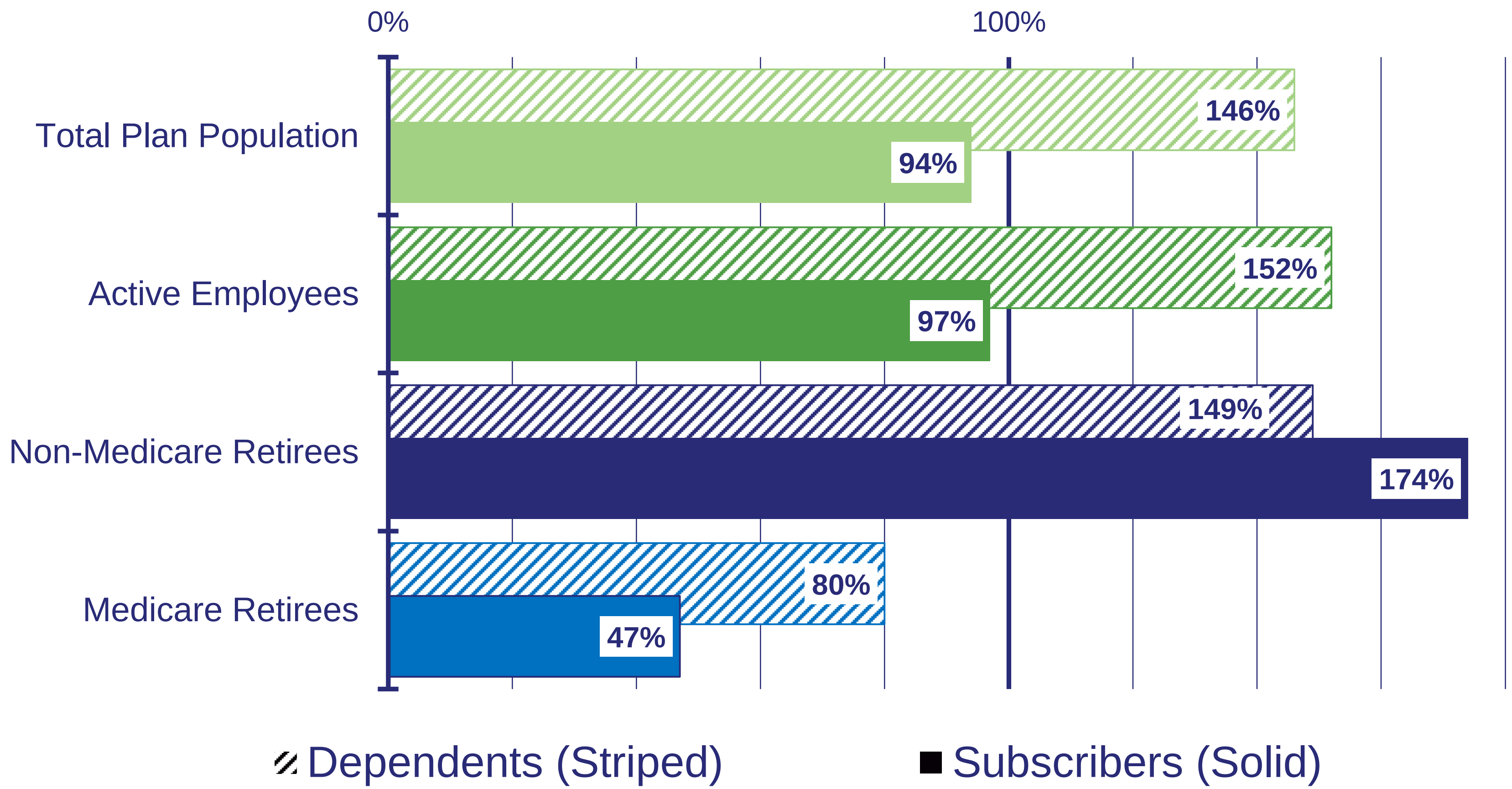
- A member subgroup that costs less than the premiums collected on its behalf has a loss ratio <100%
  - For example, a loss ratio of 90% means the group's actual costs were equal to 90% of the premiums collected
    - For every $1 in premium collected, the Plan paid $0.90 in expenses

- Loss ratios incorporate Plan administrative costs and subsidies received by the Plan, but differences are primarily driven by claims experience in each subgroup

CY 2015 Loss Ratios by Tier, Non-Medicare Members



CY 2015 Loss Ratios for Subscribers and Dependents



Dependent costs are subsidized by the employer contributions made on behalf of subscribers

2018 Benefit Changes

1. Stork Rewards Program
2. Traditional 70/30 Plan Cost Sharing
3. Health Engagement Program on Enhanced 80/20 Plan
4. Value-Based Diabetic Pharmacy Tier

Stork Rewards Program

Overview

- December Meeting Review
- Clarifications
    - Engagement in Maternity Coaching/Stork Rewards Incentive Program
    - Adverse Newborn Outcomes
- Program and Projected Costs
- Return on Investment
- Future Considerations & Next Step

December Meeting Review

- The Plan recommended that the *Stork Rewards Incentive* component of the Plan's *Maternity Coaching* program be phased out in 2017.
  - Enrollment to receive the incentive would cease after March 31, 2017.

- In PY4, the program cost the Plan $1,038,450 and is projected to increase to 1,659,878 in PY5.

- The Program has not shown any <u>*consistent or significant*</u> Return on Investment (ROI) over the 5 years it has been offered to members.

- The incentive component, by itself, has not shown any impact on adverse newborn outcomes (pre-term births, low birth weight babies, and/or Neonatal Intensive Care Unit (ICU) admissions). There has been a very small but significant change over time in antenatal outcomes. There has been a significant increase in engagement of members in the incentive program.

Clarification: Engagement

- All pregnant subscribers and dependents in all three plans can participate in maternity coaching.
- All pregnant women who enroll in first trimester, or week 20 of gestation, for moderate/high risk pregnancies, are eligible for the Stork Rewards incentive program.
- The reduction in members earning stork rewards in PY4 is due to eligibility criteria becoming more stringent.

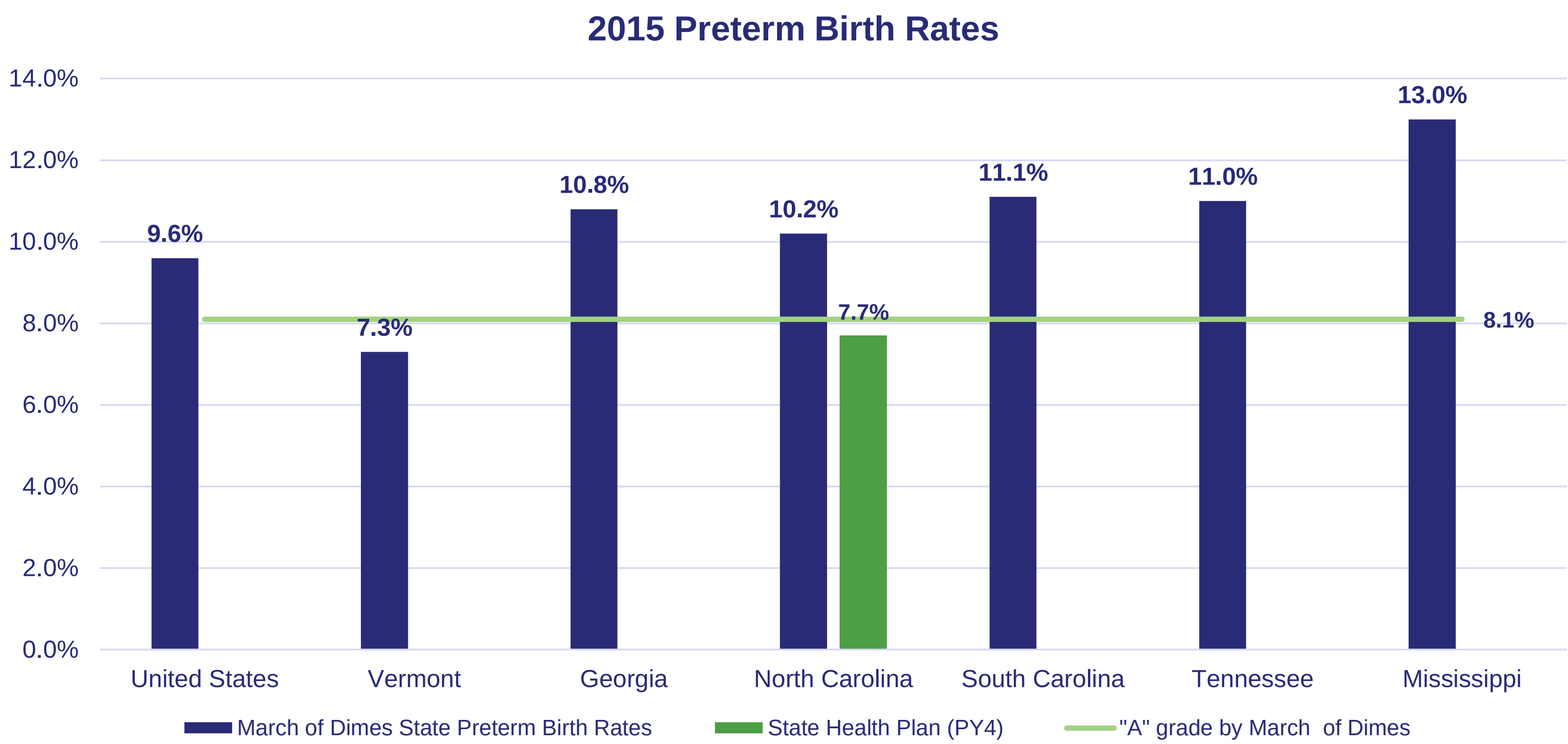
	Baseline	Program Year (PY) 1	PY2	PY3	PY4
Deliveries	6,374	6,200	6,093	6,025	5,985
Engaged with a Maternity Coach	881	2,623	2,886	2,580*	2,268*
Eligible for and received the Stork Rewards Incentive	N/A	1,975	1,663	1,669*	1,116*

*Incentive enrollment eligibility amended in Q3 2014

ActiveHealth Management. (2016).

Clarification: Adverse Newborn Outcome, Preterm Births

- The adverse newborn outcome rate among Plan members is already low.
- 97% of pregnant Plan members are already engaged with their Ob/Gyn when they first interact with their maternity coach.



Stork Rewards Program Costs Per Program Year

Costs	PY1	PY2	PY3	PY4	2017
Incentives	$353,874	$394,149	$707,007	$738,450	$1,359,878*
Maternity Coaches *(Included in PMPM administrative fee as part of ActiveHealth Management contract)*	$300,000	$300,000	$300,000	$300,000	$300,000
TOTAL	**$653,874**	**$694,149**	**$1,007,007**	**$1,038,450**	**$1,659,878***

Potential Incentive for Stork Rewards in 2017 : 70/30 : $338 hospital copay not applied
80/20: $450 hospital copay not applied
CDHP: $250 HRA funds provided

*Projected cost based on PY4 participation.

BCBSNC. (2014 & 2016). Stork Rewards Waivers.

Return on Investment (ROI)

Savings Summary	PY1	PY2	PY3	PY4
Savings from Avoided Adverse Events	($617,379)	$952,886	$1,464,173	$371,017
ROI	No Savings	>1:1	>1:1	<1:1

ActiveHealth Management (2016).

- **ROI** uses aggregated avoided adverse outcomes to calculate savings (antenatal complications and adverse newborn outcomes)
- **ROI Numerator:** Savings from improved outcomes (using State-specific outcomes improved and cost per outcome) measured from the Plan's cost of the avoided events.
- **ROI Denominator:** Cost of the incentives paid plus nurse staffing and any other costs related to the administration of Stork Rewards (Maternity Incentive Program).
- Additional details of calculation shown in Appendix

Program Change for Consideration

- Continue to offer maternity coaching without the Stork Rewards incentive in 2018, but phase out the Stork Rewards incentive during the 2017 benefit year.
- Discontinue enrollment into the Stork Rewards incentive program after March 31, 2017.
  - This would allow for all participants to deliver by December 31, 2017, including late deliveries.

Stork Rewards Appendix

1. Antenatal Hospitalizations
2. Adverse Newborn Outcomes
3. Source of Savings
   - Avoidance of Antenatal Complications
   - Avoidance of Adverse Newborn Outcomes

Antenatal Hospitalizations

	MEASUREMENT YEAR				
Metric **(per 100 deliveries)**	**Baseline**	**PY1**	**PY2**	**PY3**	**PY4**
Antenatal Complications, duplicates allowed (#)	3.95 (252)	3.73 (231)	3.32 (202)	2.82 (170)	3.17 (190)
Hyperemesis (#)	*0.19 (12)*	*0.06 (4)*	*0.23 (14)*	*0.10 (6)*	*0.15 (9)*
Diabetes (#)	*0.08 (5)*	*0.06 (4)*	*0.05 (3)*	*0.07 (4)*	*0.05 (3)*
Hypertension, Eclampsia, Pre-eclampsia (#)	*0.62 (40)*	*0.63 (39)*	*0.51 (31)*	*0.32 (19)*	*0.53 (32)*
Early or Threatened Labor (#)	*3.06 (195)*	*2.97 (184)*	*2.53 (154)*	*2.34 (141)*	*2.44 (146)*

ActiveHealth Management. (2016).

Adverse Newborn Outcomes

	MEASUREMENT YEAR				
Metric	**Baseline**	**PY1**	**PY2**	**PY3**	**PY4**
Total Newborns	6,336	6,000	5,942	5,844	5,635
Total Low Birth Weight (LBW) /Preterm Birth (%)	476 (7.5%)	482 (8.0%)	397 (6.7%)	385 (6.6%)	416 (7.4%)
LBW Newborns (%)	215 (3.4%)	253 (4.2%)	204 (3.4%)	139 (2.4%)	136 (2.4%)
Pre-term Newborns (%)	438 (6.9%)	443 (7.4%)	362 (6.1%)	350 (6.0%)	398 (7.1%)

ActiveHealth Management. (2016).

Source of Savings: Avoidance of Antenatal Complications

	MEASUREMENT YEAR				
Metric	**Baseline**	**PY1**	**PY2**	**PY3**	**PY4**
Antenatal Complications, duplicates allowed (#)	252	231	202	170	190
Expected Antenatal Complications		245	240	238	236
Avoided Antenatal Complications		14	38	68	46
Cost of Antenatal Complication Admission	$6,003	$6,368	$6,539	$6,042	$6,461
Savings from Avoided Complications		**$86,947**	**$251,295**	**$409,334**	**$298,302**
Significance		**0.54**	**.064**	**.001**	**.02**

ActiveHealth Management. (2016).

Source of Savings: Avoidance of Adverse Newborn Outcomes

	MEASUREMENT YEAR				
Metric	**Baseline**	**PY1**	**PY2**	**PY3**	**PY4**
Total Newborns	6,336	6,000	5,942	5,844	5,635
Total Low Birth Weight (LBW) /Preterm Birth Rate (#)	8.10 (476)	8.69 (482)	7.21 (397)	7.17 (385)	8.04 (416)
Expected Unique Pre-term + LBW Newborns		449	446	435	419
Avoided Pre-term + LBW Newborns		-33	49	50	3
Weighted Incremental Cost per Admission		$21,403	$14,220	$21,064	$21,619
Savings from Avoided Pre-term + LBW Newborns		**-$704,326**	**$701,591**	**$1,054,839**	**$72,715**
Significance		**0.27**	**0.08**	**0.07**	**0.92**

ActiveHealth Management. (2016).

Traditional 70/30 Plan Cost Sharing

Traditional 70/30 Plan

- In 2016 and 2017 member cost-sharing for the Traditional 70/30 Plan was increased to the limits that allowed it to remain a grandfathered plan under ACA
  - The cost-sharing increases served several purposes
    1. Provided greater differentiation between the 70/30 and 80/20 plans
    2. Incented members to consider other plan options (CDHP 85/15, Enhanced 80/20, or Medicare Advantage)
    3. Met the Legislature's financial goals

- For 2017, the Enhanced 80/20 Plan has been redesigned to focus on value-based routine care

- With the Enhanced 80/20 redesign, some of the benefits are better in the Traditional 70/30, most notably several of the drug tiers in the pharmacy benefit (see table at right)

- To re-align the pharmacy benefit, the Traditional 70/30 Plan would lose grandfather status

- Once grandfather status is forfeited, the 70/30 Plan would have to provide 100% coverage of preventive care

2017 Pharmacy Copays

Drug Tier	Enhanced 80/20	Traditional 70/30	Aligned
Tier 1	$5	$16	☑
Tier 2	$30	$47	☑
Tier 3	Ded/coins	$74	☒
Tier 4	$100	10% up to $100	☑
Tier 5	$250	25% up to $103	☒
Tier 6	Ded/coins	25% up to $133	☒

Traditional 70/30 Plan: Options for Consideration

- **Option 1:** Maintain the 2017 benefit for 2018
  - Issue: Breaks the momentum of 2016 and 2017 changes

- **Option 2:** Move cost-sharing to grandfather limits in 2018
  - Issue: The benefits will remain out of alignment with the Enhanced 80/20 Plan

- **Option 3:** Alter the Traditional 70/30 Plan to re-align with the Enhanced 80/20 Plan
  - Issue: Requires some significant changes to the benefit; grandfather status is lost

Traditional 70/30: 2018 Plan Design Options

	70/30 Option 1: Keep CY17 Design In-Network Grandfathered	**70/30 Option 2:** CY 2018 In-Network Grandfathered	**70/30 Option 3:** CY 2018 In-Network *Non-Grandfathered*	CY 2017 **Enhanced 80/20** In-Network Non-Grandfathered
Annual Deductible	$1,080 Individual $3,240 Family	**$1,138 Individual $3,414 Family**	**$1,400 Individual $4,200 Family**	$1,250 Individual $3,750 Family
Coinsurance	30% of eligible expenses after deductible	30% of eligible expenses after deductible	30% of eligible expenses after deductible	20% of eligible expenses after deductible
Medical Coinsurance Max	$4,388 Individual $13,164 Family	**$4,625 Individual $13,875 Family**	N/A	N/A
Medical Out-of-Pocket Max	N/A	N/A	N/A	$4,350 Individual $10,300 Family
Pharmacy Max	$3,360 Individual $10,080 Family	**$3,558 Individual $10,674 Family**	N/A	$2,500 Individual $4,000 Family
Total Out-of-Pocket Max *(Includes Deductible)*	N/A	N/A	$7,150 Individual $14,300 Family	$6,850 Individual $14,300 Family
ACA Preventive Services	Cost-Sharing Applies ($40 for Primary Care $94 for Specialists)	Cost-Sharing Applies (**$42** for Primary Care **$99** for Specialists)	**Covered at 100%**	Covered at 100%
Office Visits PCP Copay Specialist Copay Therapy Services Copay	 $40 $94 $72	 **$42** **$99** **$78**	 **$42** **$99** **$78**	 $10 or $25 $45 or $85 $52

Traditional 70/30: 2018 Plan Design Options

	70/30 Option 1: Keep CY17 Design In-Network Grandfathered	**70/30 Option 2:** CY 2018 In-Network Grandfathered	**70/30 Option 3:** CY 2018 In-Network *Non-Grandfathered*	CY 2017 **Enhanced 80/20** In-Network Non-Grandfathered
Urgent Care	$100	**$106**	**$106**	$70
Emergency Room *(Copay waived w/ admission or observation stay)*	$337, then 30% after deductible	**$355**, then 30% after deductible	**$355**, then 30% after deductible	$300, then 20% after deductible
Outpatient Hospital	30% after deductible	30% after deductible	30% after deductible	20% after deductible
Inpatient Hospital	$337, then 30% after deductible	**$355**, then 30% after deductible	**$500**, then 30% after deductible	$0 or $450, then 20% after deductible
Drugs				
Tier 1 (Generic)	$16	$16	$16	$5
Tier 2 (Preferred Brand & High-cost Generic)	$47	**$49**	**$49**	$30
Tier 3 (Non-preferred Brand)	$74	**$77**	**Deductible/Coins.**	Deductible/Coins.
Tier 4 (Low-cost/Generic Specialty)	10% up to $100	**10% up to $103**	**$103**	$100
Tier 5 (Preferred Specialty)	25% up to $103	**25% up to $107**	**$275**	$250
Tier 6 (Non-preferred Specialty)	25% up to $133	**25% up to $142**	**Deductible/Coins.**	Deductible/Coins.

Traditional 70/30 Plan Cost Sharing: Options for Consideration

Cost Sharing Option	2018 & 2019 Premium Increases
Option 1: Maintain the 2017 cost sharing level for 2018	**3.14%**
Option 2: Move cost-sharing to grandfather limits in 2018	**2.97%**
Option 3: Alter the Traditional 70/30 Plan to re-align with the Enhanced 80/20 Plan	**3.01%**

Increases in Member Cost-Sharing & Strategic Plan

Strategic Initiatives	Improve Members' Health	Improve Members' Experience	Ensure Financial Stability
Strengths	• None	• Easier to understand than more nuanced approaches	• Significant, growing long-term savings
Challenges	• Members may buy down or utilize less service • Limited unless strong steerage is implemented	• Communications • Optics	• Does not bend cost curve driven by health status

Health Engagement Program on 80/20 Plan

Health Engagement Program

- Rewards members in the Consumer-Directed Health Plan (CDHP 85/15) for taking an active role in managing their health or chronic conditions by offering additional Health Reimbursement Account (HRA) funds for members who engage in healthy activities. The program began April 1, 2016.

Overall Goal:

- Defray the cost of necessary medical care for CDHP 85/15 members.
- Incent members to consider CDHP 85/15 as a plan option.
- Support positive health actions and outcomes that reduce long-term medical and pharmacy spend.

Healthy Lifestyles Objective:

- Encourage the adoption of healthy behaviors by rewarding behavior change and the maintenance of healthy habits.

Positive Pursuits Objective:

- Incent adherence to medically necessary care for members with a chronic disease diagnosis.

Health Engagement Program: 2016 & 2017

Healthy Lifestyles

- For all CDHP 85/15 members
- **Intent:** Promote healthy behaviors
- **Activities:**
  - Engage with a Lifestyle Coach
  - Track Physical Activity (5,000 steps/46 days minimum per quarter)
  - Track Nutrition (46 days per quarter)
- **Incentive Award:**
  - Max incentive award/year: $125*

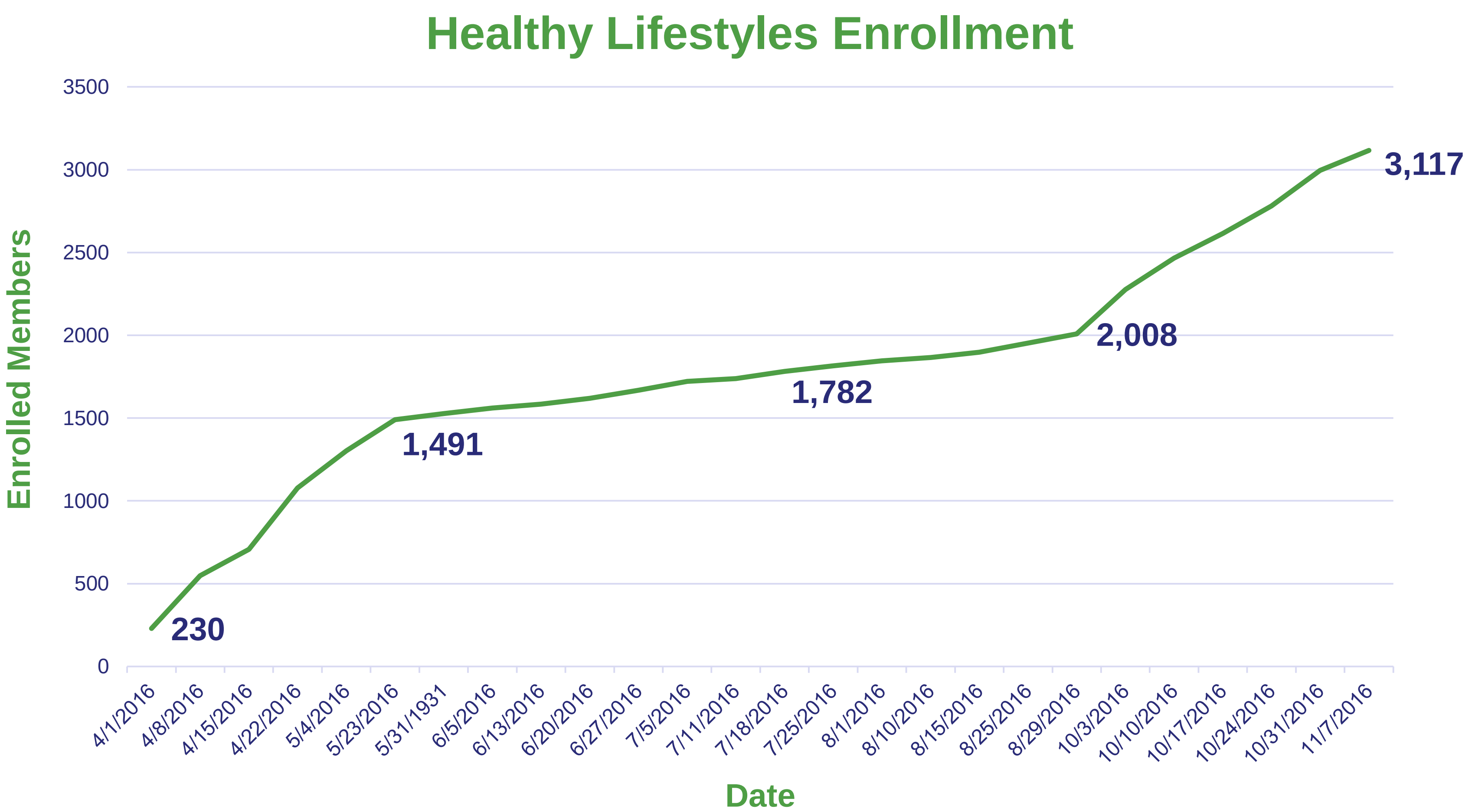
**Max incentive for 2016: $100*

Positive Pursuits

- For CDHP 85/15 members with diabetes, COPD, asthma, hypertension, hyperlipidemia, CHF, or coronary artery disease
- **Intent**: Promote high value, necessary medical care; defray cost of managing a chronic condition.
- **Activities:**
  - Engage with a Nurse Coach
  - Engage with a PCP
  - Obtain disease-specific labs, medications, and education
- **Incentive Award:**
  - $490 for multiple conditions (DM/CAD/Hyperlipidemia/CHF)

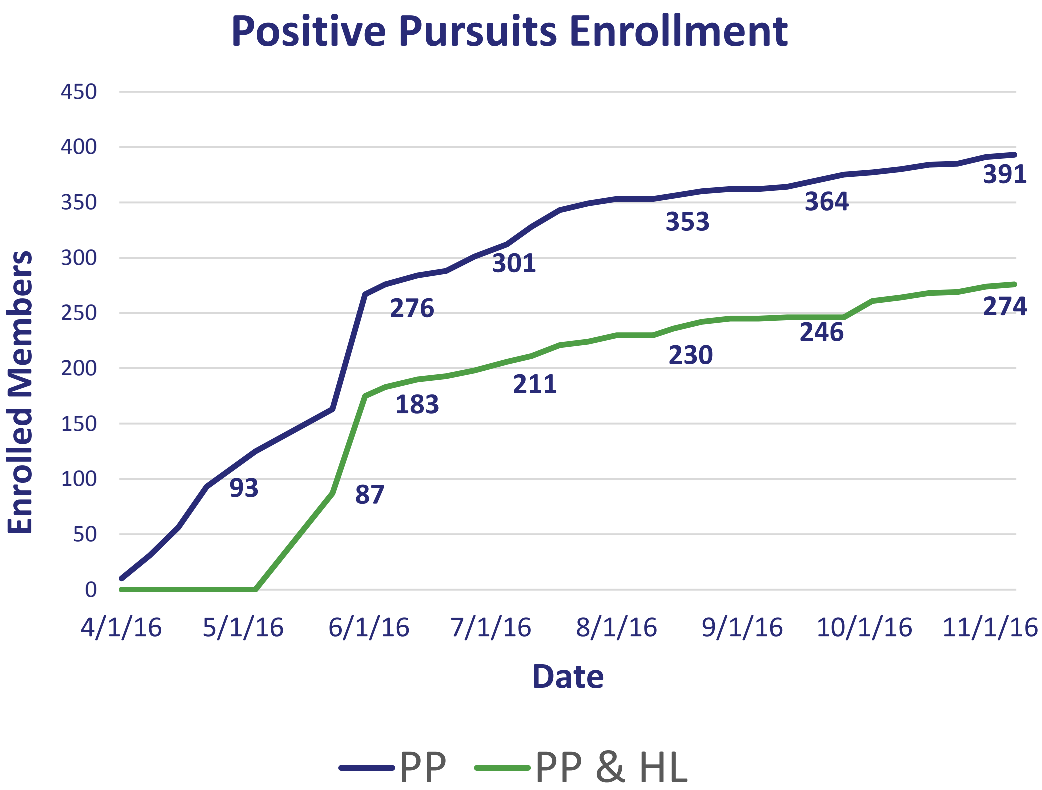
Healthy Lifestyles: Enrollment

- Healthy Lifestyles has seen steady growth since the program launched in April.



Positive Pursuits: Enrollment

- Positive Pursuits has also seen steady growth since the program launched in April.



Condition	CDHP Members with Condition	Enrolled Members
Diabetes	643	51 (7.93%)
Hyperlipidemia	2,483	196 (7.89%)
CAD	181	13 (7.18%)
Hypertension	2,122	176 (8.29%)
CHF	35	1 (2.86%)
Asthma	555	52 (9.37%)
COPD	63	2 (3.17%)

Health Engagement Program Expansion

Consider expanding *Positive Pursuits*, as currently implemented, to the Enhanced 80/20 Plan while delaying expansion of *Healthy Lifestyles*.

- The Plan is in the process of procuring a vendor for population health management with services under a new contract starting January 1, 2018.
  - Adding requirements to the program may make implementation challenging.
- Both program components, *Healthy Lifestyles* and *Positive Pursuits,* are built on a foundation of scientific evidence. However, achieving clinical “standards of care” for people with chronic conditions has a more immediate outcome, while the impact of *Healthy Lifestyles* may be more long term.
- Allows more time to learn from experience with the *Healthy Lifestyles* component on the CDHP 85/15 plan before rolling the program out to the Enhanced 80/20 Plan, which has over 50% of the Plan’s membership.

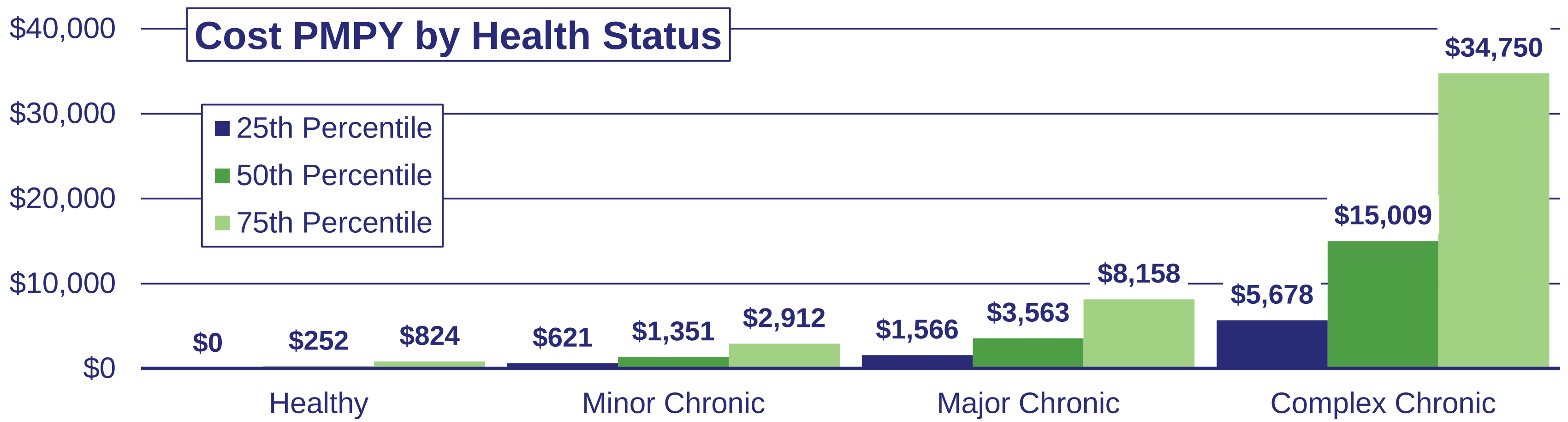
Why Expand Positive Pursuits to 80/20 Membership?

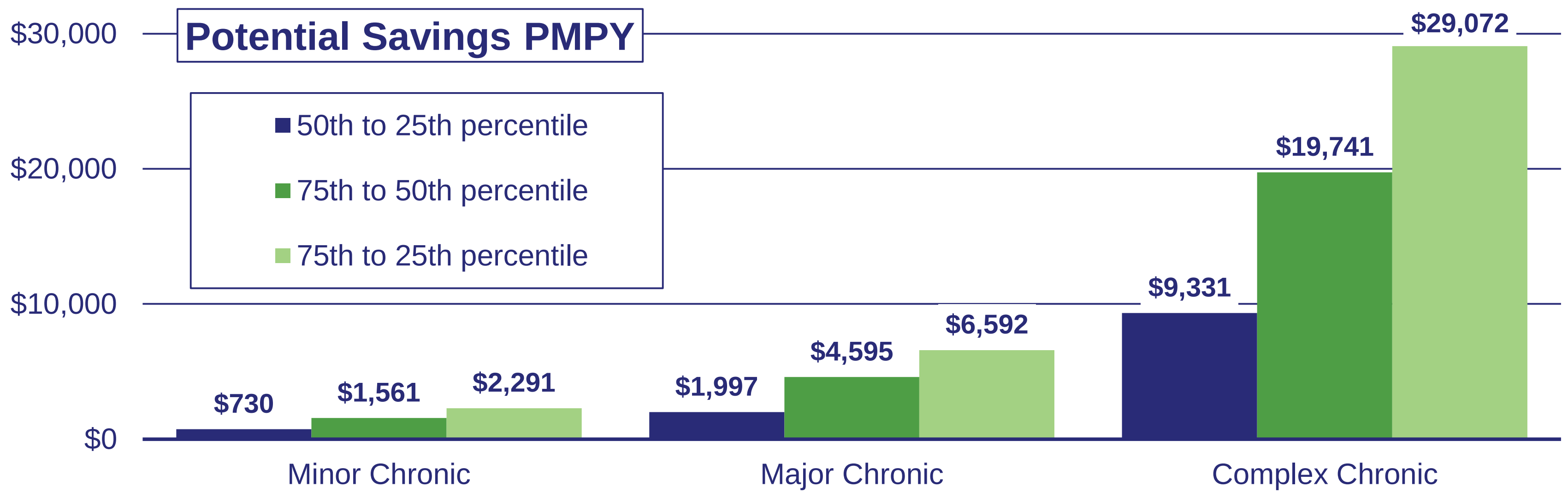
- In 2016, 53.3% (291,093) of the non-Medicare membership enrolled in the Enhanced 80/20 Plan.
- Analysis of membership profiles for CDHP 85/15 and Enhanced 80/20 plans indicate that members with chronic health conditions are choosing the 80/20 Plan while the healthier members are preferentially enrolling in CDHP.
- The risk score for 80/20 members is 1.52 compared to 0.89 for CDHP.
- The prevalence by condition is shown below:

	Enhanced 80/20 Plan	CDHP
Population	291,093	29,516
Asthma	4.3%(12,448)	1.8%(555)
CAD	1.5%(4,403)	0.6%(181)
COPD	0.4%(1,194)	0.2%(63)
CHF	0.4%(1,282)	0.1%(35)
Diabetes	7.9%(22,851)	2.1%(643)
Hypertension	22.9%(66,749)	7.1% (2,122)
Hyperlipidemia	17.3%(50,499)	8.4%(2,483)

Source: ActiveHealth Management, Includes subscribers and dependents

Cost & Savings from Management of Chronic Conditions

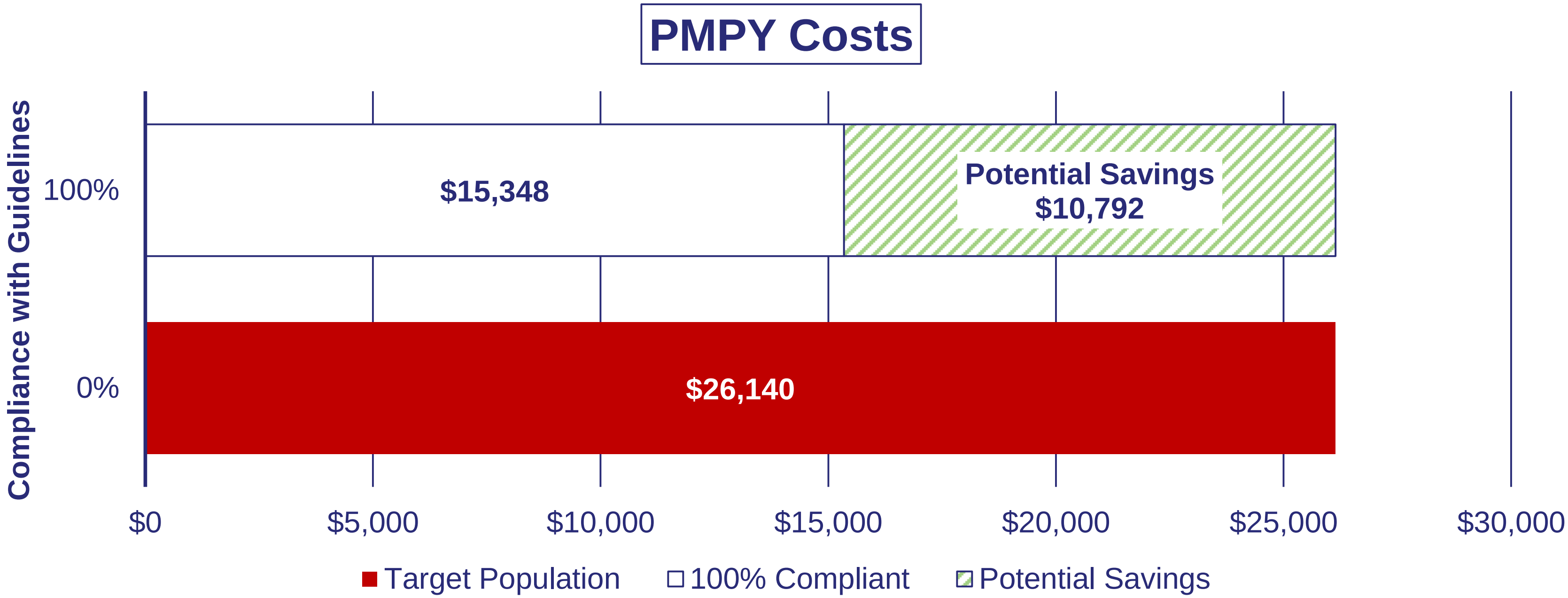




Source: ActiveHealth Management

Savings from Adherence to Clinical Standards of Care

- Appropriate management of a chronic condition includes "*adherence*" to clinical guidelines of care for that condition.
- As an example, according to the ActiveHealth analysis, a Plan member who is a 100% adherent diabetic saves the Plan nearly $10,800 per year relative to a diabetic member who is less than 100% adherent.



Source: ActiveHealth Management

Guiding Principles for Expansion

- Incented activities should stay the same, as they are based on clinical standards of care.
- Incentives should be sufficient to encourage participation in the program and motivate members.
  - However, HRA incentives in the Enhanced 80/20 Plan will be lower than they are in the CDHP 85/15 due to the 80/20 copay structure that already reduces member costs for high-value routine care
- Emphasis should be placed on incenting high-value behaviors that are not currently being done by many members.
  - 80% to 90% of members in the 80/20 Plan with chronic conditions had two or more PCP visits in CY 2015; therefore, PCP visits were left out of list of incented activities.

Estimated Out-of-Pocket Costs for Members with Chronic Diseases in CDHP 85/15

Disease/ Condition	Routine Standards of Care							Annual Member Costs (Based on 2017 Plan Design)							
	PCP Visits (incl. labs)	Endocrinologist visits	Cardiologist Visits	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	PCP Visits* (incl. labs)	Endocrinologist visits*	Cardiologist Visits*	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	Total Annual Member Cost for Routine Care**
Diabetes	2	1		1	3 per month	1 per month	2 per month	$350	$140		$140	$351	$72	$1,800	**$2,853**
COPD	2					1 per month	2 per month	$250					$72	$1,800	**$2,122**
Asthma	2					1 per month	1 per month	$250					$72	$900	**$1,222**
High Blood Pressure	2					1 per month	1 per month	$275					$72	$900	**$1,247**
High Cholesterol	2					1 per month		$275					$72		**$347**
CHF	2					1 per month		$300					$72		**$372**
CAD	2		1			2 per month	1 per month	$300		$140			$144	$900	**$1,484**

*Assumes the use of selected PCPs and Blue Options designated specialists (where available)

**Does not include use of HRA funds for care

Current CDHP HRA Incentives: Positive Pursuits

Disease/ Condition	2 Calls with a Health Coach*	2 Visits with a Primary Care Physician*	Labs: 2 Hemoglobin A1c tests*	Labs: Lipid Panel	Labs: Urine Micro Albumin	Labs: Urinalysis	Labs: Complete Blood Count	Labs: Metabolic Panel	Activity: Monitoring Blood Pressure	Activity: Diabetes Education	Activity: Spirometry or Oximetry	Activity: Asthma Action Plan	Activity: Aspirin Therapy, if appropriate	Activity: Peak Flow Meter Assessment	Activity: Take appropriate medications	Potential Funds Deposited into HRA
Incentive	**$25 per call**	**$25 per visit**	**$30 per lab**						**$30 per activity**							**Total**
Diabetes	XX	XX	XX	X	X					X						**$250**
COPD	XX	XX									X					**$130**
Asthma	XX	XX									X	X		X	X	**$220**
High Blood Pressure	XX	XX				X			X							**$160**
High Cholesterol	XX	XX		X												**$130**
CHF	XX	XX					X	X	X						X	**$220**
CAD	XX	XX		X			X						X			**$190**

A participating member with every listed condition can earn a maximum incentive of $700 in a 12 month period.

*Activities must be completed six months apart

Out-of-Pocket Costs for Members with Chronic Diseases in Enhanced 80/20 Plan

	Routine Standards of Care							Annual Member Costs (Based on 2017 Plan Design)							
Disease/ Condition	PCP Visits (incl. labs)	Endocrinologist visits	Cardiologist Visits	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	PCP Visits* (incl. labs)	Endocrinologist visits*	Cardiologist Visits*	Ophthalmologist Visits	Diabetic Testing Supplies	Tier 1 Maintenance Medications	Tier 2 Maintenance Medications	Total Annual Member Cost for Routine Care
Diabetes	2	1		1	3 per month	1 per month	2 per month	$20	$45		$85	$180	$60	$720	**$1,110**
COPD	2					1 per month	2 per month	$20					$60	$720	**$800**
Asthma	2					1 per month	1 per month	$20					$60	$360	**$440**
High Blood Pressure	2					1 per month	1 per month	$20					$60	$360	**$440**
High Cholesterol	2					1 per month		$20					$60		**$80**
CHF	2					1 per month		$20					$60		**$80**
CAD	2		1			2 per month	1 per month	$20		$45			$120	$360	**$545**

*Assumes the use of selected PCPs and Blue Options designated specialists (where available)

Possible 80/20 HRA Incentives: Positive Pursuits

Disease/ Condition	2 Calls with a Health Coach*	2 Visits with a Primary Care Physician	Labs: 2 Hemoglobin A1c tests*	Labs: Lipid Panel	Labs: Urine Micro Albumin	Labs: Urinalysis	Labs: Complete Blood Count	Labs: Metabolic Panel	Activity: Monitoring Blood Pressure	Activity: Diabetes Education	Activity: Spirometry or Oximetry	Activity: Asthma Action Plan	Activity: Aspirin Therapy, if appropriate	Activity: Peak Flow Meter Assessment	Activity: Take appropriate medications	Potential Funds Deposited into HRA
Incentive	**$25 per call**	**None**	**$15 per lab test**						**$15 per activity**							**Total**
Diabetes	XX	-	XX	X	X					X						**$125**
COPD	XX	-									X					**$65**
Asthma	XX	-									X	X		X	X	**$110**
High Blood Pressure	XX	-				X			X							**$80**
High Cholesterol	XX	-		X												**$65**
CHF	XX	-					X	X	X						X	**$110**
CAD	XX	-		X			X						X			**$95**

*Activities must be completed six months apart

Annual Member Out-of-Pocket Costs and Potential HRA Incentive Dollars in CDHP 85/15 and Enhanced 80/20

Disease/ Condition	Per Member Per Year Plan Cost *	Annual Member Costs in 80/20	Potential HRA Incentive Dollars for 80/20	Annual Member Costs in CDHP	Potential HRA Incentive Dollars for CDHP
Diabetes	$9,530	$1,110	$125	$2,853	$250
COPD	$16,737	$800	$65	$2,122	$130
Asthma	$6,133	$440	$110	$1,222	$220
High Blood Pressure	$7922	$440	$80	$1,247	$160
High Cholesterol	N/A	$80	$65	$347	$130
CHF	$44,179	$80	$110	$372	$220
CAD	$18,877	$545	$95	$1,484	$190

*Source: Using the Dashboard to Monitor the Health Profile of the Population, NC SHP, Segal Consulting, Jan- Dec 2015

Other Options for Expansion of HEP

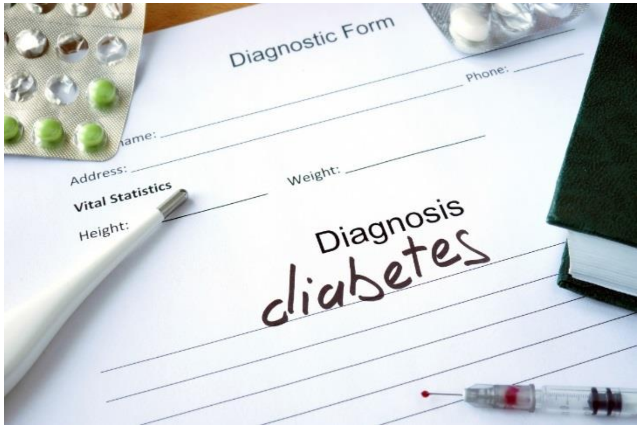
- Plan staff presented a different approach at the August Board meeting:
  - Expand both components of the program, *Healthy Lifestyles* and *Positive Pursuits,* to the Enhanced 80/20 Plan
  - Move to an outcomes-based approach for incentives
    - Incenting achievement of a goal, e.g. weight, HBA1c or BP
  - Add new chronic conditions
    - Include obesity and chronic depression to the list of chronic conditions
  - Utilize multiple modes of incentives to engage members
    - Utilize a combination of incentive options, including HRA funds, gift cards, vouchers

- Ultimately, Plan staff still want to move in this direction, but take a more incremental approach to the expansion.

Value-Based Diabetic Pharmacy Tier

Diabetes Among State Health Plan Members

- Diabetes remains one of the most prevalent chronic conditions that faces Plan members.
- In 2015, the Plan identified:
  - 41,883 or 7.8% of active and non-Medicare Plan members had a diagnosis of diabetes.
  - 29,083 or 19% of Medicare members had a diagnosis of diabetes.
- Not only does the condition have an impact on the overall health of our members, but it has a huge financial impact.
  - The Plan's active and non-Medicare members with diabetes incurred $399 million in allowed claims in 2015.



Source: Coordination of Diabetes Programs Bi-Annual Report to the Legislature

Helping Members Manage their Condition

- The Plan currently offers a variety of tools and resources to members managing diabetes.
  - Online Resource Center
  - Health Coaching
  - Disease and Case Management
- The next step in removing barriers to members managing this condition is through medication adherence.

Value Based Pharmacy Benefits for Diabetics

Earlier this year, the Board approved adding a “Diabetic Tier” as a value based element to the Enhanced 80/20 and Traditional 70/30 formularies for 2017. Included in this tier are generic diabetic supplies.

- Enhanced 80/20 Preferred Diabetic Tier equals the generic tier
- Traditional 70/30 Preferred Diabetic Tier is $10 (generic tier is $16)

Drugs	Traditional 70/30 Plan	Enhanced 80/20 Plan	Consumer-Directed Health Plan
Tier 1 (Generic)	**$16**	**$5**	Ded/Coinsurance CDHP Maintenance Medications, which includes preferred insulin, are Deductible Exempt
Tier 2 (Preferred Brand & High-cost Generic) **Includes Preferred Insulin**	**$47**	**$30**	
Tier 3 (Non-preferred Brand)	**$74**	**Deductible/Coinsurance**	
Tier 4 (Low-cost/Generic Specialty)	**10% up to $100**	**$100**	
Tier 5 (Preferred Specialty)	**25% up to $103**	**$250**	
Tier 6 (Non-preferred Specialty)	**25% up to $133**	**Deductible/Coinsurance**	
Preferred Diabetic Supplies* (e.g. Test Strips, Lancets, Syringes, Needles)	**$10**	**$5**	

**Non-preferred Diabetic Supplies will be priced at Tier 3*

Value Based Pharmacy Benefits for Diabetics

- While the Board has previously taken steps to reduce the member cost share for insulin, cost barriers remain for some members which may negatively impact adherence.
- As a next step in value based benefit design, Plan staff is exploring expanding the diabetic tier concept or possibly creating a new tier for ***cost preferred*** insulin.
- Plan staff will also consider reducing member coinsurance on the CDHP 85/15 plan since many maintenance medications are already deductible exempt.
- The annual cost of further reducing the member cost-share for insulin in these two plan designs is expected to be in the $10 million - $15 million range.

Timeline to Finalize 2018 Benefit Designs

To allow sufficient time to implement any changes, Board approval is needed by February 2017

Board Discussion