



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Legislative Update

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Legislative Update Overview

- State Budget Update
- Key SHP Issues
- Summary of SHP-related Legislation
- Next Steps

State Budget Update – Employer Contribution

| | Board Approved Plan Design (Feb 2015) | Governor's Recommended Budget | House Budget Proposal ¹ | Senate Budget Proposal | Final State Budget |
|-----------------------------|--|-------------------------------------|--|------------------------------|-----------------------|
| Premium Increase | | | | | |
| FY 2016-17 | 3.37% Jan 1, 2016 | 3.37% | 3.75% | 0.00% | TBD |
| General Fund Appropriations | | | | | |
| FY 2015-16 | \$34.0 m | \$34.0 m | \$38.2 m | 0.00% ³ | TBD |
| FY 2016-17 | \$101.8 m | \$101.8 m | \$109.2 m ² | TBD | TBD |

1. House proposal includes funding for HB 56, Rehired Retiree Eligibility
2. House funding for FY 2016-17 is contingent upon adoption of changes to reduce the required FB 17-19 increase
3. Senate requires Plan to maintain reserve of 20% of total expenses

SHP Budget Update

Governor's Recommended Budget

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an actuarial forecast to the Office of State Budget and Management for consideration by the Governor
 - Forecast reflected premium increase based on CY 2014 4th quarter *preliminary* update prepared February 6, 2015, requiring a 3.37% premium increase to fully fund the employer contribution for the upcoming biennium
- Governor's Recommended Budget (HB 940/SB 713) includes the funding request from the State Health Plan

SHP Budget Update

Updated Actuarial Forecast Released Post Governor's Budget

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an updated actuarial forecast to the Fiscal Research Division for consideration during the budget process
 - Forecast reflected premium increase based on the final version of the CY 2015 1st quarter update prepared in May, requiring a 3.93% premium increase to fully fund the employer contribution for the coming biennium

SHP Budget Update

House Budget (House Bill 97, 3rd Edition)

- Based on the Board-approved benefit design changes for Calendar Years 2016 and 2017, the Plan submitted an actuarial forecast to the Fiscal Research Division for consideration by the House Appropriations Chairs
 - Forecast reflected premium increase based on CY 2014 4th quarter final update prepared in late April, requiring a 3.43% premium increase to fully fund the employer contribution for the upcoming biennium
- House's Budget currently includes the funding request from the State Health Plan as well as funding for HB 56, which relates to coverage for rehired retirees
- House's Budget also fully funds the Plan's administrative budget request, which includes additional funds for contractual costs related to changes in membership, inflation and service levels and to support new positions for data and analytics

SHP Budget Update

- House Budget also includes a special provision mandating benefit changes to reduce the employer contribution for the 2017-19 biennium as a condition to fully fund the required employer contribution effective for CY 2017:
- **SECTION 30.26.** It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 have adopted sufficient measures to limit projected employer contribution increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes.

SHP Budget Update

Senate Budget (House Bill 97,7th Edition)

- Senate's Budget currently includes no increase to the employer contribution for CY 2016
- Senate's Budget fully funds the Plan's administrative budget request, which includes additional funds for contractual costs related to changes in membership, inflation and service levels and to support new positions for data and analytics

SHP Budget Update

- Senate Budget also includes a special provision requiring the Plan to retain reserves at 20% of total expenses; current approach is 9% of total claims:

SECTION 30.31(a)

- During the 2015 -2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least twenty percent (20%) 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.

SECTION 30.31(b)

- On and after January 1, 2016, if the State Health Plan for Teachers and State Employees projects a cash reserve of less than the minimum cash reserve required by this section at any time during the remainder of the 2015-2017 fiscal biennium, or the Fiscal Research Division of the General Assembly notifies the Plan that it projects such a deficiency, the Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations within 60 days of that projection or notification on actions the Department plans to take in order to maintain that required minimum cash reserve.

Additional Budget Items Related to the State Health Plan

- Committee Report displays increases for employer contributions for health benefits differently than in previous years by decoupling funding for actives and retirees:
 - Funding for increased contributions associated with active employees is included under each state agency
 - Funding for increased contributions required for retiree coverage is included under each state agency in a single line reflecting all increases related to pension benefits
- House Budget includes the language used in HB 56 to allow rehired retirees to enroll in plan options available to permanent full-time employees instead of the High Deductible Health Plan (HDHP)
 - Funding amount was determined based on the actuarial note provided by Segal

Additional Budget Items Related to the State Health Plan

Senate Budget includes the following provisions related to the State Health Plan:

SECTION 30.25

- Language used in SB 6 to allow rehired retirees to enroll in plan options available to permanent full-time employees instead of the High Deductible Health Plan (HDHP)

SECTION 30.32(a-b)

- Language eliminating retiree health coverage eligibility for employees hired on or after January 1, 2016

SECTION 30.32(c-d)

- Language providing the authority to offer premium dollars for retirees to purchase coverage on an Exchange

Enacted Legislation

S.L. 2015-100 State Health Plan Modifications

- House Bill 190 Summary:
 - Allows retirees and their dependents to disenroll from the Plan without a qualifying event
 - Modifies the time period around cancellation of coverage
 - Provides Reduction In Force (RIF) retirees who are not eligible for non-contributory coverage access to the same benefit as RIF'd active employees
 - Clarifies language around Disability Income Plan beneficiaries eligibility
 - Requires HDHP participants to have the same enrollment period as full-time, permanent employees
- Fiscal Impact: None

S.L. 2015-112: Local Governments in State Health Plan

- Summary House Bill 154:
 - Allows local governmental units (up to 10,000 total members) to join the State Health Plan
 - There are currently about 3,500 members currently enrolled from local units on the State Health Plan
 - Units with more than 1,000 covered lives are ineligible
 - Current and future retirees are ineligible to join the Plan
 - Includes Pioneer Springs Charter School
- Fiscal Impact FY 2015-16 (from Segal):
 - Combined Local Bills: 3.39M, however, Segal cannot quantify because specific units aren't named and units are not required to provide data

Pending Legislation

Rehired Retiree Eligibility

Two bills: HB 56 and SB 6

- Summary of the issue:
 - Currently, all non-permanent full-time employees are eligible for the High Deductible Health Plan (HDHP)
 - This impacts retirees who return to work as non-permanent full-time employees because during their employment they are not eligible for coverage under the retiree group
 - Both bills modify the eligibility statutes to make rehired retirees eligible for the same options as permanent full-time employees
 - Traditional 70/30, Enhanced 80/20 & CDHP
 - HB 56: Would use funds from the Retiree Health Benefit Trust (RHBT) to reimburse employing units for premiums paid on behalf of rehired retirees
 - SB 6: Would require employing units to pay for the coverage

House version is included in House Budget and Senate version is included in Senate budget

HB 528: Establish Chiropractor Copay Parity

- Bill initially included the State Health Plan which had support
- Bill Summary:
 - Requires the plans to cover chiropractic care at the PCP copay level
 - Removes covered limits on visits to chiropractor
- **SHP was removed from the bill on the House Floor**
- Status: Passed the House and referred to Senate Committee on Rules
- Fiscal Impact: Had the Plan been included, Plan costs would have increased by \$3.0m - \$3.6m in the coming biennium
 - SHP remains included in the Senate version but that bill did not cross over

SB 568: North Carolina Health Care Modernization

- Bill Summary:
 - Requires SHP and Medicaid to move to a capitated primary care model in CY 2016
 - Creates a Joint Oversight Committee on Primary Care and Medical Benefits that would review SHP purchasing of primary care with the goal of reforming and reviewing the effectiveness and performance of the State Health Plan
- Status: Referred to Senate Insurance
- Fiscal Impact (from Segal):
 - No Actuarial Note requested

Next Steps

Budget Related

- Monitor development of final State budget and conference committee process

Substantive Legislation

- Track SHP-related legislation, provisions, and appointments
- Determine and communicate Plan's position on SHP related legislation