North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Proposed 2017 Benefit Design Changes

Board of Trustees Meeting

January 26, 2016

A Division of the Department of State Treasurer

Presentation Overview

- Results of Current Board Strategy (CY 2014 – CY 2016)
- Strategies to Meet Legislative Mandates
- Proposed Benefit Design Changes
- Implications on Retirees
  - Non-Medicare Retirees
  - Medicare Retirees
- Discussion

Results of Current Board Strategy

State Health Plan Board of Trustees Achievements

- Implementation of wellness/engagement model
- Low premium growth for members and state
  - Better results than multiple state and national trends
- Significant cash balance to offset future premium growth
- Increased member choice in plan options/offerings
- Retain broad view of the health care landscape in NC and nationally

Board-Approved Engagement Model: Financial Results and Developments

	CY 2014	CY 2015	CY 2016	CY 2017
Premium rate increase- Employer	3.57%	0.00%	3.45%	*3.47%*
Premium rate increase- Employee	3.57%	0.00%	2.83%	*3.47%*
Cash Balance- Beginning	$838.5M	$1.015B	*$1.00B*	*$772.4M*
Cash Balance- Ending	$1.015B	$1.00B	*$772.4M*	*$472.9M*
Other Key Developments & Legislation	• Move to CY benefit year • 9% TSR • Implement Strategic Plan	NCGA enacted: • "Sufficient" Measures • 20% Total Reserve	TBD	TBD

Projected in italics

Board-Approved Engagement Model: Benefit Changes and Program Implementations

	CY 2014	CY 2015	CY 2016	CY 2017

Benefit Changes	• Engagement Model
	• Consumer-Directed Health Plan (CDHP)
	• Wellness Premium Credits
	• Wellness incentives and value-based benefits in CDHP and Enhanced 80/20
	• Added Tier Five for Specialty Medications
	• MA-PDP products from United and Humana
		• Added Applied Behavioral Analysis (ABA) Benefit
		• HDHP for Newly Eligible Members non-permanent full-time employees
		• Additional ACA Preventive Services
			Traditional 70/30
			• Cost-sharing increases
			Enhanced 80/20:
			• Tier 5 copay increase
			CDHP
			• Increase in base HRA contribution
			• Increase value-based HRA credits
			• Increase in OOP maximum
			• Add Rx Debit Card
			• Wellness Premium Credits doubled
			• Health Engagement Program
			  • Chronic
			  • Healthy
			• Increase in Enhanced MA-PDP premiums and cost-sharing
				• Add Tobacco Attestation to Traditional 70/30

Current Approach Relative to the Strategic Plan: Strengths and Challenges

Strategic Priorities	Strengths	Remaining Challenges
Improve Members' Health	• Provides members the opportunity for richer benefits through engagement • Incentives/programs for members with chronic conditions • Case and Disease Management rates in line • PCP/PCMH model growth	• Significant members remain in 70/30 plan • Members still not engaging in Case and Disease Management • Low growth in Blue Options Designated provider utilization
Improve Members' Experience	• Increased member choice • Meaningful growth in transparency tools	• Enrollment vendor and platform challenges • Member resistance • Confusion re: premium credits and enrollment process
Ensure Financial Stability	• Low to no premium growth • Employer contribution increased more than forecast requirement • Significant excess cash reserves	• How to spend down cash balance without significant subsequent premium increase • Member out of pocket service costs is high compared to other states

CY 2018 and CY 2019 Under Current Strategy

- In CY 2018, the Board had planned to incent members to select engagement-based plans (CDHP and Enhanced 80/20) by:
  - Adding $20 base premium for Traditional 70/30
  - Additional increases in member cost-sharing to grandfathered limits
  - Providing premium credit for PCMH selection
  - Providing premium credit for provider reported biometrics
- The existing strategy involved increasing premium rates and the level of effort around premium credits each biennium
- The Board asked plan staff to identify opportunities to increase value-based benefits where possible
- Staff has recommended other approaches previously

Strategies to Meet Legislative Mandates

State Budget Impact on Planning Future Benefits

2015 Appropriations Act, House Bill 97, SL 2015-241

- SECTION 30.26.(a) 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.

- 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 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.

Financial Challenge - Defining "Sufficient Measures"

- While the General Assembly (GA) has not defined an amount that would constitute "sufficient measures," we have modeled the following scenarios:

2018 and 2019 Increases to Employer Contribution	Cumulative Savings Needed by end of 2019
7.4%*	$459 million
8.0%	$402 million
* 7.4% increases would represent a 50% reduction in the increases estimated in the Certified Budget projection (14.88%; 10-13-2015 Segal estimates)	

- The projected savings requirements are lower than previous estimates due to favorable experience and re-assessing projected savings needs

- If the GA determines the Plan has not taken "sufficient measures" to reduce growth in employer contribution for 2018 and 2019, member-paid premiums are projected to increase by ***37%*** to maintain the 20% legislative reserve requirement through June 30, 2017

Options for Consideration

1) Enhance current strategic direction with additional or stronger incentives to encourage engagement approach

   - Move to 2 plan options with required engagement component/significant premium for the higher valued plan
   - Offering a choice between a higher valued plan (e.g. CDHP) that requires engagement for participation and a lower valued plan (e.g. Traditional 70/30)

2) Request or recommend legislation to remove Spousal Coverage

3) Add a base premium for each active subscriber regardless of plan selection

4) Increase member cost share

Enhanced Engagement Model

- As we discussed in the state comparison presentation, other states are requiring engagement for members to be eligible for richer benefits at more favorable premiums
- The Enhanced Engagement Model also:
  - Provides significant opportunities to partner with members on improving their health
  - Provides meaningful opportunity to ensure financial stability by requiring engagement to stay in rich benefit
- Sample Engagement Criteria:
  - At enrollment:
    - Complete Health Assessment
    - Select PCP Selection
    - Participation agreement for CY 2018:
      - Participate in Case and Disease Management (if identified)

High Value Plan Engagement Criteria

	CY 2018	CY 2019	CY 2020
Engagement	• PCP Selection • Health Assessment • Agree to enroll in Case and Disease Management if identified	• PCP Selection • Health Assessment • Agree to enroll/continue in Case and Disease Management if identified • Agree to get/complete age appropriate preventive screenings	• PCP Selection • Health Assessment • Agree to enroll/continue in Case and Disease Management if identified • Agree to get/complete age appropriate preventive screenings
Participation During the Year	• Participate in Case and Disease Management if identified	• Participate/continue Case and Disease Management if identified • Complete preventive screenings	• Participate/continue Case and Disease Management if identified • Complete preventive screenings

Enhanced Engagement Model Concept Outline

	Low Plan (70/30)	High Plan (CDHP)
Premium Strategy	Base individual premium TBD (higher than CDHP)	Base individual premium TBD
Tobacco Cessation Program/Non-Tobacco User	Premium Credit	Premium Credit
Enhanced Engagement Component	No	• Health Assessment • PCP Selection • Agree to annual engagement steps
Provider Network (broad, narrow, tiered)	TBD	TBD
Preventive Coverage	100%	100%
Benefit Design	High Deductible, High Copay or HSA-eligible	CDHP, HRA Plan, Value-Based Copays
Plan Value	Bronze	Low Gold
Incentives for Health Engagement	None	HRA Credits

Enhance Current Strategy through Engagement

- The long-term Board strategy is to further differentiate the benefit offerings and incent engagement
  - Add a premium to the Traditional 70/30 in CY 2018
  - Increase Traditional 70/30 cost-sharing biannually
  - Increase intensity and financial incentives around premium credits
- This approach would retain and enhance those priorities

Strategic Initiatives	Improve Members' Health	Improve Members' Experience	Ensure Financial Stability
Strengths	• Stronger consequences for non-engagement • Long-term approach to healthier members	• Less options but more significant choice • Retains some familiar pieces	• Significant, growing long-term savings • **Savings: $180M for CYs 2018 & 2019**
Challenges	• Members in low plan have potential barriers to care	• Enrollment • Communications	• Must enforce engagement requirements

Pursue Legislation to Remove Spousal Eligibility

- In large part due to the traditional Plan funding model, the spouses covered by the Plan are among the highest utilizers of care
  - There is no direct subsidy for spouses, so many spouses who can achieve more affordable coverage elsewhere elect to do so
- The Affordable Care Act provides the opportunity for people to receive significant premium subsidies on the Exchange if they are not eligible for employer-sponsored coverage
- For families whose incomes fall below 300% of the Federal Poverty Level (FPL), there would be a significant opportunity for lower premiums on the Exchange (see handout)

Strategic Initiatives	Improve Members' Health	Improve Members' Experience	Ensure Financial Stability
Strengths	• Reduces the need for benefit reductions	• Small benefit to enrollment process	• Significant, growing long-term savings • **Savings: $100M to $125M annually**
Challenges	• Inconsistent with mission to improve health and care of employees, retirees ***and*** their dependents.	• Enrollment in Exchange • Communications • Optics	• Older and/or higher income members may pay more

Increase Member Premiums

- The Board could retain the current benefit offerings/premium credit structure but would need to implement substantial member premiums to achieve the legislative mandates
  - If the Board implemented base premiums in CY 2017, premiums would need to average between $36-$42 per subscriber per month and would still require annual increases
  - If the Board waits until CY 2018, the base premium increase would need to average between $56-$62 per subscriber per month and would still require annual increases
- Premium increases are the most certain way to achieve legislative mandates – guaranteed revenue

Strategic Initiatives	Improve Members' Health	Improve Members' Experience	Ensure Financial Stability
Strengths	• Reduces the need for benefit reductions • Could retain incentives in engagement plan	• Easier to understand than more nuanced approaches	• Significant, growing long-term savings • **Savings: up to $450M**
Challenges	• Members may buy down or reduce utilization of valued/medically necessary services	• Communications • Optics	• Does not bend cost curve driven by health status

Broad Increases in Member Cost-Sharing

- The Board could retain the current benefit premium structure but would need to implement substantial increases in member cost-sharing to achieve the legislative mandates
  - Would result in lower value benefit offerings
  - Would create significant barriers to care
  - Does not improve the long-term health of members

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 • **Savings: contingent upon level of increase in cost sharing**
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

Staff Proposal

Staff Proposal

- Stay the course with the Strategic Plan and enhance the engagement model by moving to two-plan approach
  - Allows engaged members to retain richer benefits and lower premiums
    - 74% of members of Enhanced 80/20 and CDHP earn all credits
  - Assists members in improving their long-term health, which will help manage costs in a strategic manner
  - Members who refuse to engage would either pay significant premiums or move to lower valued plan
- Use CY 2017 as a bridge to mitigate some of the bigger changes from a financial and plan election perspective
  - Add base premium for active subscribers to mitigate larger premiums later
  - Increase cost-sharing on Traditional 70/30 and Enhanced 80/20 to steer toward CDHP
  - Increase Deductible and OOP Max on CDHP
  - Maintain same healthy activities as CY 2016 to earn premium credits
  - **CY 2017 savings/revenue from bridge approach = $140.3M**
    - Premium related revenue = $46.9m
    - Benefit related savings = 93.4M

Financial Impact of Staff Proposal

Projected Premium Increases and Reductions in State Contributions

	2018	2019	2020	2021
Premium Increases				
Baseline Model (Segal 11/24/15)	12.17%	12.17%	7.33%	7.33%
Staff Proposal Model (Segal 1/20/16)	8.93%	8.93%	5.84%	5.84%
Reductions in Employer Contributions/Staff Proposal	**$86.3 m**	**$190.2 m**	**$250.3 m**	**$317.2 m**

Rationale for Proposal

Rationale

- The two-plan engagement model is consistent with and enhances all areas of the Strategic Plan
  - The approach is a natural progression of the current Board-approved strategy while providing members with an opportunity to retain richer benefits by continuing engagement with the Plan

Sufficient measures

- The proposed reductions in benefits and larger premium increases are a function of the General Assembly's requirement and the lack of specificity around sufficient measures

Enhanced Engagement Model Concept Outline

	Low Plan (70/30)	High Plan (CDHP)
Premium Strategy	Base individual premium TBD (higher than CDHP)	Base individual premium TBD
Tobacco Cessation Program/Non-Tobacco User	Premium Credit	Premium Credit
Enhanced Engagement Component	No	• Health Assessment • PCP Selection • Agree to annual engagement steps
Provider Network (broad, narrow, tiered)	TBD	TBD
Preventive Coverage	100%	100%
Benefit Design	High Deductible, High Copay or HSA-eligible	CDHP, HRA Plan, Value-Based Copays
Plan Value	Bronze	Low Gold
Incentives for Health Engagement	None	HRA Credits

2017 Healthy Activities to Reduce Premiums

In February 2015, the Board approved the following Healthy Activities to earn premium credits for the 2017 benefit year:

Previously Approved for CY 2017

Healthy Activity	CDHP	Enhanced 80/20	Traditional 70/30
Non-Tobacco User or QuitlineNC Enrollment	$40	$40	$40
***Patient-Centered Medical Home* Selection**	$20	$25	N/A
Health Assessment Completion *with Provider-Reported Biometrics*	$20	$25	N/A
Total Credits Available	$80	$90	$40

2017 Healthy Activities to Reduce Premiums

To address concerns about members' enrollment experience and to recognize the lack of sufficient PCMH providers throughout North Carolina, staff proposes maintaining the 2016 healthy activities to earn premium credits for 2017:

Revised Proposal for CY 2017

Healthy Activity	CDHP	Enhanced 80/20	Traditional 70/30
Non-Tobacco User or QuitlineNC Enrollment *(applies to subscriber only, attestation regarding spousal tobacco use not required)*	$40	$40	$40
Primary Care Provider Selection *(applies to subscriber and enrolled dependents)*	$20	$25	N/A
Health Assessment Completion *(applies to subscriber only)*	$20	$25	N/A
Total Credits Available	$80	$90	$40

Proposed Premium Strategy (Illustrative)

Plan Option	CY 2016 Premium (EE Only)	CY 2017 Premium (EE Only)	CY 2018 Premium (EE Only)	CY 2019 Premium (EE Only)
Enhanced 80/20	$14.20 ($24.20 Base)	$35.00 ($45.00 Base) Loss of Grandfather status	Not Offered	Not Offered
Traditional 70/30 (Low Plan)	**$0.00**	$20.00	$35.00	$50.00
CDHP (High Plan)	**$0.00**	**$10.00**	**$15.00**	**$20.00**

1. *Assumes all credits earned*
2. *Lowest premium in **BOLD***

Proposed Benefit Progression – CDHP (High Plan)

	CY 2016 CDHP Non-Grandfathered	CY 2017 CDHP Non-Grandfathered	CY 2018 CDHP Non-Grandfathered
Deductible HRA	$1,500 $600	**$1,750** $600	**$2,000** **$700**
Coinsurance Percentage	15%	15%	15%
Medical Coinsurance Rx Max OOP Max	N/A N/A $3,500	N/A N/A **$3,750**	N/A N/A **$4,250**
PCP	Ded/Coins. + $25 HRA credit if selected PCP	Ded/Coins. + $25 HRA credit if selected PCP	Ded/Coins. + $25 HRA credit if selected PCP
SCP	Ded/Coins. + $20 HRA credit if B.O.D	Ded/Coins. + $20 HRA credit if B.O.D	Ded/Coins. + $20 HRA credit if B.O.D
Inpatient B.O.D Non-B.O.D	Ded/Coins. + $200 HRA Credit Ded/Coins.	Ded/Coins. + $200 HRA Credit Ded/Coins.	Ded/Doins. + $200 HRA Credit Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	Ded/Coins.	Ded/Coins.	Ded/Coins.
ER Copay	Ded/Coins.	Ded/Coins.	Ded/Coins.
Drugs	Ded/Coins. CDHP Maintenance Medications are deductible exempt	Ded/Coins. CDHP Maintenance medications are deductible exempt	Ded/Coins. CDHP Maintenance medications are deductible exempt

Proposed Benefit Progression – Traditional 70/30 (Low Plan)

	CY 2016 Traditional 70/30 Grandfathered	CY 2017 Traditional 70/30 Grandfathered	CY 2018 Traditional 70/30 Non-Grandfathered
Deductible	$1,054	**$1,080**	**$4,500**
Coinsurance Percentage	30%	30%	30%
Preventive Coverage	Cost-Sharing Applies	Cost-Sharing Applies	**100%**
Medical Coinsurance Rx Max OOP Max	$4,282 $3,294 N/A	**$4,388** **$3,360** N/A	**N/A** **N/A** **$6,850**
PCP	$39	**$40**	**$65**
SCP	$92	**$94**	**$115**
Inpatient Hospital	$329, then Ded/Coins.	**$337, then Ded/Coins.**	**$500, then Ded/Coins.**
Outpatient Hospital	Ded/Coins.	Ded/Coins.	**$250, then Ded/Coins.**
Urgent Care	$98	**$100**	**$125, then Ded/Coins.**
ER Copay	$329, then Ded/Coins.	**$337, then Ded/Coins.**	**$500, then Ded/Coins.**
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	 $15 $46 $72 25% up to $100 25% up to $132 N/A	 **$16** **$47** **$74** **10% up to $100** **25% up to $103** **25% up to $133**	 **$20** **$50** **Ded/Coins.** **10% up to $150** **25% up to $200** **Ded/Coins.**

Proposed Benefit Progression – Enhanced 80/20

	CY 2016 Enhanced 80/20 Grandfathered	CY 2017 Enhanced 80/20 Non-Grandfathered	CY 2018 Enhanced 80/20 Non-Grandfathered
Deductible	$700	**$840**	**Not offered**
Coinsurance Percentage	20%	20%	**Not offered**
Medical Coinsurance Rx Max OOP Max	$3,210 $2,500 N/A	**$3,850** **$3,000** N/A	**Not offered**
Selected PCP PCP	$15 $30	$15 **$36**	**Not offered**
B.O.D SCP Non-B.O.D SCP	$60 $70	$60 **$84**	**Not offered**
Inpatient B.O.D Non-B.O.D	 $0, then Ded/Coins. $233, then Ded/Coins.	 $0, then Ded/Coins. **$280, then Ded/Coins.**	**Not offered**
Outpatient Hospital	Ded/Coins.	Ded/Coins.	**Not offered**
Urgent Care	$87	**$95**	**Not offered**
ER Copay	$233, then Ded/Coins.	**$280, then Ded/Coins.**	**Not offered**
Drugs **Tier 1** **Tier 2** **Tier 3** **Tier 4** **Tier 5** **Tier 6**	 $12 $40 $64 25% up to $100 25% up to $132 N/A	 **$14** **$45** **$70** **10% up to $100** **25% up to $103** **25% up to $133**	**Not offered**

B.O.D = Blue Options Designated

Proposed Changes to Pharmacy Tiers

- In CY 2017 and beyond generic/lower cost versions of specialty medications will be entering the market
  - There will be two to three drugs entering in CY 2016

- Beginning in CY 2017, the staff proposes incenting members to utilize these lower cost medications by adding a new Tier Four which would incorporate these lower cost drugs
  - The current Tier Four would shift to Tier Five
  - The current Tier Five would shift to Tier Six

Proposed Changes to Pharmacy Tiers

Traditional 70/30 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1	$15	Tier 1	**$16**
Tier 2	$46	Tier 2	**$47**
Tier 3	$72	Tier 3	**$74**
Tier 4 (Preferred Specialty)	25% up to $100	**Tier 4 (Low cost/Generic Specialty)**	**10% up to $100**
Tier 5 (NP Specialty)	25% up to $132	**Tier 5 (Preferred Specialty)**	**25% up to $103**
Tier 6	N/A	**Tier 6 (NP Specialty)**	**25% up to $133**

Enhanced 80/20 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1	$12	Tier 1	**$14**
Tier 2	$40	Tier 2	**$45**
Tier 3	$64	Tier 3	**$70**
Tier 4 (Preferred Specialty)	25% up to $100	**Tier 4 (Low cost/Generic Specialty)**	**10% up to $100**
Tier 5 (NP Specialty)	25% up to $132	**Tier 5 (Preferred Specialty)**	**25% up to $103**
Tier 6	N/A	**Tier 6 (NP Specialty)**	**25% up to $133**

CY 2017 Comparison of Proposed Benefit Options

	CDHP Non-Grandfathered	Enhanced 80/20 Non-Grandfathered	Traditional 70/30 Grandfathered
Deductible HRA	**$1,750** $600	**$840** N/A	**$1,080** N/A
Coinsurance Percentage	15%	20%	30%
Preventive Coverage	100%	100%	Cost-Sharing Applies
Medical Coinsurance Rx Max OOP Max	N/A N/A **$3,750**	**$3,850** **$3,000** N/A	**$4,388** **$3,360** N/A
Selected PCP PCP	Ded/Coins. + $25 HRA credit Ded/Coins.	$15 **$36**	**$40** **$40**
B.O.D SCP Non-B.O.D SCP	Ded/Coins. + $20 HRA credit Ded/Coins.	$60 **$84**	**$94** **$94**
Inpatient B.O.D Non-B.O.D	Ded/Coins. + $200 HRA Credit Ded/Coins.	$0, then Ded/Coins. **$280, then Ded/Coins.**	**$337, then Ded/Coins.** **$337, then Ded/Coins.**
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	Ded/Coins.	**$95**	**$100**
ER Copay	Ded/Coins.	**$280, then Ded/Coins.**	**$337, then Ded/Coins.**
Drugs **Tier 1** **Tier 2** **Tier 3** **Tier 4** **Tier 5** **Tier 6**	Ded/Coins. CDHP Maintenance medications are deductible exempt	 **$14** **$45** **$70** **10% up to $100** **25% up to $103** **25% up to $133**	 **$16** **$47** **$74** **10% up to $100** **25% up to $103** **25% up to $133**

CY 2018 Comparison of Proposed Benefit Options

	CDHP Non-Grandfathered	Traditional 70/30 Non-Grandfathered
Deductible HRA	**$2,000** **$700**	**$4,500** N/A
Coinsurance Percentage	15%	30%
Preventive Coverage	100%	**100%**
Medical Coinsurance Rx Max OOP Max	N/A N/A **$4,250**	**N/A** **N/A** **$6,850**
PCP	Ded/coins. + $25 HRA credit if selected PCP	**$65**
SCP	Ded/coins. + $20 HRA credit if B.O.D	**$115**
Inpatient B.O.D Non-B.O.D	Ded/Coins. + $200 HRA Credit Ded/Coins.	**$500, then Ded/Coins.** **$500, then Ded/Coins.**
Outpatient Hospital	Ded/Coins.	**$250, then Ded/Coins.**
Urgent Care	Ded/Coins.	**$125, then Ded/Coins.**
ER Copay	Ded/Coins.	**$500, then Ded/Coins.**
Drugs **Tier 1** **Tier 2** **Tier 3** **Tier 4** **Tier 5** **Tier 6**	Ded/Coins. CDHP Maintenance medications are deductible exempt	**$20** **$50** **Ded/Coins.** **10% up to $150** **25% up to $200** **Ded/Coins.**

Plan Options for Retirees

Base Premium Strategy for Retirees

- If the Board elects a strategy that is driven by adding a base premium, there would be different implications for retirees
  - G.S. 135-48.40(a) requires the Plan to offer a “noncontributory” or premium free plan to retirees
- **Non-Medicare Retirees:** The Traditional 70/30 would remain a premium free option for individual coverage
- **Medicare Retirees:** The Traditional 70/30 would remain a premium free option for individual coverage

Proposed Premium Strategy for Non-Medicare Retirees

Plan Option	CY 2016 Premium (EE Only)	CY 2017 Premium (EE Only)	CY 2018 Premium (EE Only)	CY 2019 Premium (EE Only)
Enhanced 80/20	$14.20 ($24.20 Base)	$35.00 ($45.00 Base) Loss of Grandfather status	Not Offered	Not Offered
Traditional 70/30 (Low Plan)	**$0.00**	**$0.00**	**$0.00**	**$0.00**
CDHP (High Plan)	**$0.00**	$15.00	$15.00	$20.00

- Pre-65 retirees would retain a premium free option in the Low plan
  - This would go against the enhancement model strategy

1. *Assumes all credits earned*
2. *Lowest premium in **BOLD***

Proposed Premium Strategy for Medicare Retirees

Plan Option	CY 2016 Premium (EE Only)	CY 2017 Premium (EE Only)	CY 2018 Premium (EE Only)	CY 2019 Premium (EE Only)
Base Medicare Advantage	**$0.00**	**$0.00**	**$0.00**	**$0.00**
Traditional 70/30 (Low Plan)	**$0.00**	**$0.00**	**$0.00**	**$0.00**
Medicare Advantage Buy-up	$66.00	TBD	TBD	TBD

- Medicare retirees would retain the Low plan as a premium free option
  - This would go against the enhancement model strategy, however, the Medicare Advantage plans are attractive options

1. *Lowest premium in **BOLD***

Proposed Benefit Progression – Traditional 70/30 (Low Plan)

	CY 2016 Traditional 70/30 Grandfathered	CY 2017 Traditional 70/30 Grandfathered	CY 2018 Traditional 70/30 Non-Grandfathered
Deductible	$1,054	**$1,080**	**$4,500**
Coinsurance Percentage	30%	30%	30%
Preventive Coverage	Cost-Sharing Applies	Cost-Sharing Applies	**100%**
Medical Coinsurance Rx Max OOP Max	$4,282 $3,294 N/A	**$4,388** **$3,360** N/A	**N/A** **N/A** **$6,850**
PCP	$39	**$40**	**$65**
SCP	$92	**$94**	**$115**
Inpatient Hospital	$329, then Ded/Coins.	**$337, then Ded/Coins.**	**$500, then Ded/Coins.**
Outpatient Hospital	Ded/Coins.	Ded/Coins.	**$250, then Ded/Coins.**
Urgent Care	$98	**$100**	**$125, then Ded/Coins.**
ER Copay	$329, then Ded/Coins.	**$337, then Ded/Coins.**	**$500, then Ded/Coins.**
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	 $15 $46 $72 25% up to $100 25% up to $132 N/A	 **$16** **$47** **$74** **10% up to $100** **25% up to $103** **25% up to $133**	 **$20** **$50** **Ded/Coins.** **10% up to $150** **25% up to $200** **Ded/Coins.**

Discussion and Next Steps

Other Efforts to Constrain Costs

- The Plan is evaluating proposals for a new PBM contract that could potentially generate savings in CY 2017; those opportunities will be discussed at future meetings
- The Plan is pursuing pilot opportunities with multiple partners to determine how narrowing of networks might impact long-term costs
  - The pilots will not be available statewide
- The Plan continues to partner with BCBSNC on initiatives to shift to alternative payment models that incent quality and move away from pure Fee-For-Service

Discussion Items

- Which approach feels best to the Board?
- Should the Plan pursue removal of spousal coverage?
- Would a savings strategy purely based in premiums that allows members to retain the current benefits be a better approach?

Next Steps

- Refine CY 2017 bridge strategy and approach for CY 2018 and CY 2019 approach based on Board feedback
- Determine total savings and reduction to employer contribution
- Board vote in February
- Communications strategy
- Vendor implementations
- Communicate changes
- Finalize engagement criteria and coordinate with states utilizing this approach
- Communicate changes