



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



2017 Legislative Agenda

Board of Trustees Meeting

January 27, 2017

A Division of the Department of State Treasurer

Priorities for Long Session

- 2017 Legislative Session began on January 11
- Bill Filing Deadline is March 15
- State Health Plan legislative requests:
 - Fund required increase to employer contribution based on benefit design approved by the Board
 - Expand authority to terminate coverage to include false statements or false representations of eligibility and/or enrollment information
 - Clarify retiree premium contributions under the one-half contributory eligibility category
 - Eliminate automatic enrollment of newborns
 - Allow for the set-aside of excess cash reserve funds to offset unfunded liability for retiree health benefits (OPEB-Other Post Employment Benefits)
 - Provide limited liability in civil cases to Board members for actions related to their service

Fully Fund Employer Contribution

- Current baseline forecast (based on results through September 30, 2016) projects a required premium increase of 3.15% for CY 2018 and CY 2019
 - Funding the increases would require additional state funds of \$80 million to \$85 million in FY 2018 and another \$85 to \$90 million in FY 2019
 - Approximately \$65 million to \$70 million annually in additional General Fund appropriations
- The actuarial forecast and the resulting required premium increase are subject to change based on:
 - Final claims experience and other financial results for CY 2016 (Q4 update)
 - Board-approved benefit designs and premium strategy (i.e., wellness premiums and credits) for 2018
- The Plan will seek full funding of the employer premium increase based on Board-approved benefit designs and plan offerings for 2018

Expand Authority to Terminate Coverage

Issue:

- Statute currently allows the Plan to terminate coverage for individuals who are determined to have submitted false information related to claims for reimbursement of medical services.
- The potential for fraud and abuse also extends to include declarations made regarding eligibility and enrollment.

Legislative Request:

- Amend the statute to allow for the termination of coverage in cases when a member knowingly and willfully enrolls ineligible individuals or otherwise provides false information during the enrollment process.

Clarify One-Half Contributory Coverage Premiums

Issue:

- Statute provides that for members with 10 but less than 20 years of retirement service credit, the State will pay 50% of the Plan's total employer premiums and that individuals will pay the balance of the total premium not paid by the State.
- The statute needs to be clarified to avoid members misinterpreting "total premium" as *the amount paid by* the State Health Plan to a carrier for coverage rather than *the amount paid to* the State Health Plan, which is the sum of the employer contribution established by the General Assembly plus the employee contribution. This is an issue particularly with the Medicare Advantage premiums.

Legislative Request:

- Clarify the statute so that the member's contribution is up to the total premium.

Eliminate Automatic Enrollment of Newborns

Issue:

- Statute currently directs the Plan to automatically enroll newborns who are born to a parent already having family coverage through the Plan.
- This requirement is difficult to administer and can result in retroactive enrollments if the Plan is not promptly notified of the additional dependent.

Legislative Request:

- Amend the statute to require that parents with newborns take action to enroll those children within 30 days of birth.
- This change would bring the policy into alignment with those for other “qualifying events” – circumstances which allow members to make modifications to their coverage under the Plan during the benefit year.

Allow Set-Aside for Unfunded OPEB Liability

Issue:

- The Plan sets premium rates to ensure adequate cash reserves are available to pay claims and other expenses for the plan year.
- From FY 2011 to FY 2014, the Plan's cash balance increased significantly as a result of lower than anticipated claims and administrative costs.
- For the 2015-17 fiscal biennium, the General Assembly also directed the Plan to retain a higher reserve balance than the traditional target.
- The State's unfunded liability for retiree health benefits continues to grow and no long-term funding plan has been established.

Legislative Request:

- Authorize the Treasurer to set aside a portion of any excess cash reserves to offset the unfunded liability. This action would be a step towards funding the State's OPEB liability.

Provide Limited Civil Immunity to Board Members

Issue:

- Members of the Plan's Board of Trustees provide essential guidance to the Plan in their roles as fiduciary and policy-making authorities. However, these individuals could be held personally accountable for certain decisions rendered by the Board.

Legislative Request:

- Provide statutory protection that would limit the personal civil liability of Board members who act in good faith and within the scope of their official duties to amounts available through insurance or other liability coverage.