



*North Carolina*  
**State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES



## Legislative Update

*Board of Trustees Meeting*

May 22, 2015

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*A Division of the Department of State Treasurer*

# Legislative Update Overview

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- Budget Update
- Key SHP issues
- Summary of SHP-related Legislation
- Next Steps

# SHP Budget Update

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## 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 4<sup>th</sup> quarter preliminary update prepared February 6, 2015, requiring a 3.37% premium increase to fully fund the employer contribution for the coming biennium
- Governor's Recommended Budget (HB 940/SB 713) includes the funding request from the State Health Plan

# SHP Budget Update

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## House Budget (House Bill 97,3<sup>rd</sup> 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 4<sup>th</sup> quarter final update prepared in late April, requiring a 3.43% premium increase to fully fund the employer contribution for the coming 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

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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

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

# Additional Budget Items Related to the State Health Plan

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- 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 HDHP
  - Funding amount was determined based on the actuarial note provided by Segal
- Committee Report for the House Budget displays increases for employer contributions for health benefits differently than 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

# Adding Local Units to the State Health Plan

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- High level of General Assembly interest
- Summary of Legislation:
  - There have been multiple bills introduced that would allow named local units (towns, counties, etc.) to join the State Health Plan
  - SB 479 would allow local units (up to 10,000 new members) to join the State Health Plan
  - Neither approach would allow retirees to join the Plan
- Fiscal Impact FY 2015-16 (from Segal):
  - Combined Local Bills: 3.39M
  - SB 479: Cannot Quantify

# Rehired Retiree Eligibility

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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

# HB 190: State Health Plan Modifications

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- Bill 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
- Status: Passed the House, referred to Senate Committee on Insurance
- Fiscal Impact: None

# HB 195: Allow Biosimilar Substitution

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- Bill Summary:
  - Modifies statute to allow biosimilars to be substituted for biologic (specialty) meds at the pharmacy
  - Requires pharmacists to communicate to provider when a biologic is dispensed which drug was dispensed
- Status: Passed the House and referred to Senate Committee on Health Care
- Fiscal Impact: No Actuarial Note requested

# HB 528: Establish Chiropractor Copay Parity

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- 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 crossover

# SB 136: Charter School in the State Health Plan

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- Bill Summary:
  - Allows active employees (and their dependents) of Pioneer Springs Community School to enroll in the State Health Plan
    - Does not allow retirees to enroll in the Plan
- Status: Referred to Senate Insurance
- Fiscal Impact (from Segal):
  - FY 2015-16: \$43,000

# SB 568: North Carolina Health Care Modernization

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- 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

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## Budget Related

- Develop alternative approach for Senate Budget
- Consider formal request from Board to Senate for an alternative approach
- Advocate for new proposal
- Consider policy changes based on House Budget
- Monitor development of Senate Budget and Conference Committee Process

## Substantive Legislation

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