Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
May 22, 2015

The meeting of the Board of Trustees of the North Carolina State Health Plan for Teachers and State Employees was called to order at approximately 9:00 a.m. on Friday, May 22, 2015, at the State Health Plan, 4901 Glenwood Avenue, Suite 300, Raleigh, NC 27612.

Members Present:
Janet Cowell, Chair
John Sparrow for Lee Roberts
Paul Cunningham, MD
V. Kim Hargett
Noah Huffstetler
Charles Johnson
Bill Medlin
Genell Moore
Warren Newton, MD
David Rubin

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, Glenda Adams, David Boerner, Mark Collins, Tom Friedman, Beth Horner, Dana Jones, Nidu Menon, Lorraine Munk, Caroline Smart, Andrew Holton, Marni Schribman, Tony Solari

Welcome
Janet Cowell, Chair, welcomed Board members and staff from the State Health Plan and Department of State Treasurer to the meeting.

Agenda Item – Conflict of Interest Statement
In compliance with the requirements of Chapter 138A-15(e) of the State Government Ethics Act, Chair Cowell requested that members who have either an actual or perceived conflict of interest identify the conflict and refrain from discussion and voting in those matters as appropriate. No conflicts were noted.

Agenda Item – Review of Minutes – January 22, 23 and February 11, 2015 (Attachment 1)
Presented by Janet Cowell, Chair

Ms. Moore noted that her name was omitted from the February 11, 2015 minutes. Following a motion by Mr. Medlin and seconded by Ms. Moore, the Board unanimously approved the January 22, 23 and February 11, 2015, minutes, with the correction.

Agenda Item – Executive Administrator Report (Attachment 2)
Presented by Mona Moon, Executive Administrator

Introduction of New Staff
Ms. Moon introduced Ms. Dana Jones, Director of Contracting & Health Care Compliance and HIPAA Security & Privacy Officer. Ms. Jones has been in private practice for the past 17 years and will be responsible for the procurement, monitoring, oversight and compliance of all Plan contracts.

Organizational Update

Caroline Smart was promoted to Chief Operating Officer which will further the Plan's responsiveness to the Board and Plan stakeholders. The Plan is also reviewing the data and analytics area, which is currently understaffed. With assistance from the UNC School of Government, the Plan will determine new positions that will best serve the Department, Board and staff.

The Plan currently has 15 vacant positions, including replacements for the Director of Health Plan Operations, Director of Pharmacy Benefits, Clinical Pharmacist and Paralegal. The positions and hiring process may be reviewed by the General Assembly but the Executive Administrator has some degree of authority statutorily in the hiring process and to establish exempt positions.

With the recent turnover in staff and amount of work and talent needed, Chair Cowell invited the Board to provide names of people suited for open positions. She also welcomed ideas as to how the staffing structure might best support the plan design and strategic plan.

Agenda Item - Financial Report, Forecasting and Monitoring (Attachment 3)

Presented by Mark Collins, Financial Analyst, and Tom Friedman, Director of Policy, Planning and Analysis

March 2015 Financial Report

Plan Revenue through March 2015 was $13.6 million more than the authorized budget and net income was $25.5 million over the budgeted amount. Administrative expenses were approximately $13.5 million below the authorized budget. The adjusted variance report demonstrated similar results. The per member per month (PMPM) and adjusted PMPM reports demonstrated similar results. Mr. Collins noted that PMPM administrative expenses on past financial reports were typically in the $18-20 range and in March, it was $30.54 due to the Affordable Care Act (ACA) fee. He also stated that the Health Reimbursement Account (HRA) payments were a small fraction of total expenses.

The allocation of total expenditures charts demonstrated that pharmacy claims are taking up a larger share of the total. Following a question by a board member, Mr. Collins stated that specialty drugs are a significant driver in the pharmacy increase. One Board member noted that a fully staffed pharmacy department would be key in keeping up with data analysis of pharmacy claims allocation and trends. Another member emphasized the importance of making the General Assembly aware of the increase in pharmacy expenses in order to ensure funding for the Plan in the budget.

Ms. Moon acknowledged the Board's comments and the Plan's concern with increasing pharmacy expenses. She stated that in keeping in line with the strategic plan, the Plan would meet with Blue Cross and Blue Shield of North Carolina (BCBSNC) in early June to discuss both the medical and pharmacy trends.

CY 2015 1st Quarter Actuarial Forecast Update

Mr. Collins presented the updated forecast which included updated membership numbers and claims experience and changes in anticipated costs or revenues. Comparing the updated forecast to the Authorized Budget for Calendar Year 2015, Mr. Collins reported that revenues and expenses are now expected to be a little higher than anticipated in the budget, but the numbers in the updated forecast are very similar to the budget and the net income is nearly identical. However, the updated forecast does suggest a larger premium increase for 2016 and 2017 – 3.93%, up from 3.43% in the Authorized Budget – due to an increase in projections of future claims costs.

Mr. Collins noted that projections of medical claims costs have been stable through several quarterly updates, while pharmacy projections continue to rise. Projections of the cash balance as of December 31, 2015, have been relatively consistent unlike previous years when each quarterly forecast update projected higher and higher cash balances. Mr. Collins said this suggests that overall claims trends are running fairly close to forecasted trends, which again differs from previous years when Plan trends were consistently below forecasted trends.

In summary, the projected cash balance is expected to be somewhat higher at the end of the fiscal biennium than projected in the budget, but due to expectations for higher long term claims expenses, the cash balance will be spent down more quickly, requiring somewhat larger premium increases in 2016 and 2017.

Implication of Forecast Update on Long Range Planning

Mr. Collins reviewed the Board approved 2014 plan designs and new initiatives for 2016 which are anticipated to save approximately $172 million in expenditures and possibly $158 million in employer contributions over the next four years. The latter amount includes $127 million in General Fund appropriations. With medical and pharmacy trends apparently stabilizing at higher levels, the 14.7% premium increase in 2018 and 2019 seems more likely. In response to a question from a Board member, Mr. Friedman stated that in reviewing PMPM benchmarks against the industry standard, the Plan is doing well compared to the Marketplace Exchange but reiterated that the Plan would review trends with BCBSNC, and also Segal, within the next few weeks. It was noted that several very high cost drugs, which could impact a high percentage of Plan members, will be released shortly.

Without a premium increase in 2015, the Plan has still been able to maintain a significant cash balance and anticipates a 3-4% premium increase in 2016 and again in 2017. However, with projected increases in medical and pharmacy claims using up the cash reserves, a significant premium increase in each year of the next State Fiscal Biennium may be required.

The House Budget states that funds from the General Assembly for fiscal year 2016-17 for employer contributions will be made available only if it is determined that sufficient measures have been adopted by the Treasurer and Board to limit projected employer contributions for fiscal biennium 2017-19. Mr. Friedman shared the Plan's concern with the lack of clarity in the language and how to determine specific cost saving measures that will be "sufficient." He also noted that a 1% reduction in projected employer contributions in calendar years 2018 and 2019 would require $105 million in benefit reductions, cost-shifting or other modifications. Mr. Vanderweide, Fiscal Research, stated that he would be willing to work with the Treasurer and Plan staff to more clearly define the language, especially the definition of "sufficient."

Board members agreed that premium increases in the 14-15% range would have a very negative impact on many state employees. One member noted that several of the potential cost-saving measures would undercut Board-approved incentives and it would be very difficult to explain to members. Ms. Moon acknowledged the Board's comments and stated that the Plan's approach was for work groups to convene prior to the August Board meeting to further discuss benefit options and cost-saving ideas. The Plan will also work with the Senate before their budget is released in June.

One board member requested data from the Plan regarding the annual amount members pay out of pocket and to readdress the pharmacy benefit design.

Mr. Friedman and Mr. Collins presented potential cost-saving measures relative to Plan vendors, additional wellness incentives, eligibility and premium structure and benefit redesign. Some of the items discussed would require further legal review and statutory revisions.

Prior to the August Board meeting, Plan staff will schedule Board work group meetings, review the financial impact of changes with Segal and consider benefit modifications for 2016 through 2018. Chair Cowell also suggested that Plan staff meet with other vendors, stakeholder groups, provider groups and members of the legislature to apprise them of the forecast implications.

Agenda Item – Legislative Update (Attachment 4)
Presented by Thomas Friedman, Director of Policy, Planning and Analysis

In the interest of time, Mr. Friedman began on page 7 of the presentation, summarizing budget items related to the Plan and reviewing next steps.

Agenda Item – Benefit Design, Plan Options and Premiums (Attachment 5)
Presented by Thomas Friedman, Director of Policy, Planning and Analysis, and Dr. Nidu Menon, Director of Integrated Health Management

Membership Report
Membership increased in the Medicare Advantage (MA) and Consumer-Directed Health Care (CDHP) plans. Approximately 40% of the Plan's 690,000 members are in the Enhanced 80/20 plan. In answer to a question by a Board member, Mr. Friedman stated that the membership increase in the second year of the CDHP was slower compared to the CDHP growth rate in other states. The High Deductible Health Plan (HDHP) has 262 members.

The Plan will continue to share membership information with the board.

Health Engagement Program Development
The Plan is proposing two health engagement programs for CDHP members in 2016. One would be open to all members, 18 years or older, and one would target members 18 and older with one or more chronic conditions identified by the Plan as high prevalence and/or high cost. A marketing campaign would be developed based on the number of members enrolled in the CDHP. Members with chronic conditions would receive additional targeted communication material.

Members with chronic conditions would be able to earn additional Health Reimbursement Account (HRA) incentive funds by completing certain activities. Dr. Menon provided specific information on the program requirements by condition and the dollar amount of the incentives. She noted that the final recommended plan design would depend on an actuarial review.

The program for all CDHP members would focus on rewarding members who are already participating in healthy activities or who wish to do so. Members in this program would also be able to earn additional HRA funds by completing specific activities over a 13-week period of time. The specific tracking mechanism, incentive amounts and the process for operationalizing this program are still being reviewed and discussed, both internally and with external potential vendors.

In response to a question by a Board member, Dr. Menon stated that the Plan is discussing ways in which to share health assessment information with providers. Another Board member stated that members may not be aware of the importance of sharing their health assessment with their primary provider and suggested including that in communication material.

Ms. Moon stated that the health engagement programs would include an evaluation component.

Agenda Item – Member Experience and Communications (Attachment 6)
Presented by Caroline Smart, Chief Operating Officer, and Beth Horner, Customer Experience Manager

CDHP Pharmacy Debit Card
The Plan discussed the use of a pharmacy debit card for CDHP members with Plan stakeholders and Board members and will move forward, working with BCBSNC, with implementation scheduled for January 1, 2016.

2016 Annual Enrollment Rules
Actives and Non-Medicare Retirees – The Plan recommends a passive enrollment where members stay in their current plan unless they wish to select a different option. However, in order to receive premium credits, subscribers will be required to complete healthy activities. Ms. Smart presented staff recommendations on each of the activities which include the tobacco attestation, health assessment completion , PCP selection, and the new Patient Centered Medical Home (PCMH) learning module.

Medicare Retirees – The Plan recommends a passive enrollment for existing Medicare Primary Retirees, dependents and surviving dependents who have already make a Medicare Primary election. The Plan recommends that new Medicare Primary retirees, dependents and surviving dependents continue to be auto-enrolled into one of the MA plans. Ms. Smart stated that the Plan is still in the process of discussing renewal pricing with the vendors and may recommend changing the enrollment strategy at a later date.

In response to a question about members having issues with not confirming their enrollment on the last web page during enrollment for 2015, Ms. Smart stated that the Aon Hewitt platform saves information as it is entered. A final confirmation will not be required to complete the enrollment process. Upon logging into the enrollment system, members will also be notified if they are required to complete the health assessment.

Following a motion by Dr. Cunningham and seconded by Dr. Newton, the Board voted unanimously to approve the enrollment recommendations for active, non-Medicare retirees and Medicare retirees.

Communications Update
Communications and Marketing Services Request for Proposals – To assist with the strategic plan initiative of creating a comprehensive communications and marketing campaign, the Plan developed a Request for Proposal (RFP) for communications and marketing services. Ms. Horner outlined the minimum requirements and scope of work. She stated that a recommendation would be presented to the Board during the Executive Session.

State Health Plan Website Redesign – With the transition to Aon Hewitt, the Plan's website will be redesigned to make the enrollment process more user friendly and feature new tools and videos for members. The anticipated launch date is June 15, 2015.

Preview of Health Benefits Cost Estimator – The Plan is moving forward with the implementation of the health benefits cost estimator tool.

Annual Enrollment Update – Ms. Horner provided member outreach information which will occur in three phases. A survey sent to HBRs provided useful feedback to the Plan and indicated what worked well during the last enrollment period. HBR trainings are scheduled for July 2015.

Through Segal, the Plan will offer seven tele town hall meetings in September. The meetings will allow the Plan an opportunity to reach a large segment of the membership in one phone call. After it was noted by a Board member that two of the calls occur on Jewish holidays, Ms. Horner stated that the meetings would be rescheduled.

The Plan will still accept requests for active group enrollment meetings.

Agenda Item – Contracting and Vendor Partnerships (Attachment 7)
Presented by Lotta Crabtree, Deputy Executive Administrator, and Caroline Smart, Chief Operating Officer

Contract with HTMS
Ms. Crabtree provided background information on the procurement of the Plan's project management services vendor, Healthcare Technology Management Services, LLC (HTMS). The Plan would like to continue to engage HTMS for additional services under a new contract, effective June 1, 2015, through May 31, 2017. The positions and responsibilities of the requested resources were presented to the Board. Following a question from a Board member, Ms. Moon stated that the services were outsourced in order to secure subject matter experts with experience in the implementation of multiple contracts. At the time, the Plan anticipated the services being more time-limited. However, due to issues with the current eligibility and enrollment vendor and the subsequent transition to Aon Hewitt, the Plan determined the need to extend HTMS services.

Following a motion by Dr. Cunningham and seconded by Dr. Newton, the Board voted unanimously to approve the contract with HTMS for health plan project management and benefit implementation support.

Aon Hewitt Eligibility and Enrollment Services (EES) Contract
Implementation Update – Ms. Smart updated the Board on the timeline and activities regarding the eligibility and enrollment services implementation. Basic enrollment and file transactions have passed the testing phase while other testing is ongoing. Ms. Smart reviewed known issues, workarounds or fixes and targeted resolution dates.

Communications to members and employing units continues and the Plan will provide status updates to the Board.

Call Center Service Leads – Ms. Smart presented the three primary service level agreements and adjusted target rates used by the Plan to measure vendor performance relative to member phone calls. Aon can listen to taped calls to measure the accuracy of the information provided by the call center. Weekly service reports, the member satisfaction survey, direct member inquiries and exception requests will all be used to monitor the service levels and adjust rates, if necessary.

Agenda Item, Strategic Plan Scorecard – Measuring Success (Attachment 8)
Presented by Thomas Friedman, Director of Policy, Planning and Analysis

Mr. Friedman reviewed the approved metrics and provided a summary of the proposed methodology to measure success. He noted that actual member experience in 2012-2014 was used as a benchmark to establish percentage levels on the sample score cards. On page 14 of the presentation, corrections on the percentages paid by members on the member cost sharing line were noted and will be amended.

Mr. Friedman reviewed the next steps and asked the Board members for feedback:

- Use a target number rather than a range for ease in measuring success
- Review the quality of asthma care for Plan members – determine the percentage of children with asthma taking steroids or other medications
- Improve benchmarks by reviewing best practices around the country

Mr. Huffstetler stated that his tenure on the Board expires on June 30, 2015, and that this was his last meeting. He expressed his pleasure at being able to serve on the Board for the past two years.

Ms. Moon announced that Ms. Munk would be sending potential 2016 meeting dates to Board members in the near future. She also noted that the Board strategic work groups would follow up on the strategic plan and status report. The report card will be shared with the work groups and the Board will be asked to provide feedback to Plan staff.

Following a motion by Ms. Moore and seconded by Mr. Medlin, the board voted unanimously to move into executive session pursuant to G.S. 143-318.11 and G.S. 132-1.2.

Agenda Item – Executive Session

Lake Lawsuit
Presented by Lotta Crabtree, Deputy Executive Administrator

Ms. Crabtree provided settlement information from the Plaintiffs to the Board.

Communications and Market Services RFP Recommendation
Presented by Beth Horner, Customer Experience Manager

Ms. Horner discussed the RFP process and provided the scope of work built around the comprehensive communications and marketing campaign. The vendor recommendation was presented to the Board. Following a motion by Mr. Medlin and seconded by Ms. Hargett, the Board voted unanimously to approve the vendor recommendation.

Following a motion by Dr. Newton and seconded by Dr. Rubin, the Board voted unanimously to move into open session.

Agenda Item - Adjourn

Following a recommendation by Dr. Newton and seconded by Dr. Cunningham, the board voted unanimously to adjourn at 2:40 p.m.

Janet Cowell, Chair