



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



## **Finalize Biennium Planning**

### ***Board of Trustees Meeting***

February 4, 2013

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*A Division of the Department of State Treasurer*

# Presentation Overview

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- Board Timeline and Approved Changes as of Jan 25, 2013
- Benefit Design Decisions Needed
- Modified Forecast Scenarios for Consideration

## Appendix

- Review of Wellness Initiatives From Previous Meetings

# Timeline of Board Action

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**May, 2012** – Initial discussions about plan design

**July-September, 2012** – Continued discussions and scenario modeling

**November, 2012** – Board reviewed detailed options, including estimates of costs and premium adjustments. Board consensus about wellness initiatives to be incorporated into the benefit design beginning 2014

**January, 2013** – Board reviewed a more detailed plan design and financial analysis. Voted for five plan design components but decided to postpone a vote regarding the wellness initiatives until the following week.

# Timeline of Board Action (cont'd)

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**February, 2013** – Board must establish the final plan design

- (1) To allow for the state budget process
- (2) To allow for the successful implementation of the new design by vendors
- (3) To establish effective communications with members about the upcoming changes

# Summary of Benefit Changes through Jan 25, 2013

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- Benefit Enhancements (July 1, 2013)
  - Remove Certain Exclusions for Dental Services
    - Coverage for restoration of teeth associated with accidental injuries, congenital deformity, and diseases due to tumor or infection
  - Reduce Behavioral Health Office Visit Copay to Comply with Federal Mental Health Parity
    - Basic 70/30 Plan = changed from \$64 to \$35
    - Standard 80/20 Plan = changed from \$52 to \$30
- Change Benefit Year from Fiscal Year to Calendar Year (Jan 1, 2014)
  - Alignment of the health benefit with other programs (NCFlex, Medicare)
  - Facilitate annual enrollment process
- Offer Medicare Advantage with Prescription Drug Plan (MA-PDP) Option for Medicare-eligible members (Jan 1, 2014)
  - Fully insured product
  - Reduce medical and pharmacy costs
  - Enhanced benefits relative to current coverage
  - Premium reduction for eligible spouses and dependents

# Summary of Benefit Changes through Jan 25, 2013

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- Offer Consumer Directed Health Plan (CDHP) Option for actives, non-Medicare retirees and dependents (Jan 1, 2014)
  - Engage members in shopping for health care services
  - Health Reimbursement Account (HRA) to offset a portion of the higher deductible
  - Preventive benefits covered at 100% without impacting HRA balance
  - Lower premiums for families (10% less than Basic 70/30 Plan dependent rates)
  - Reduce utilization of health services and cost increases without shifting cost to members
  - Higher utilization of disease and case management programs
  - Opportunities for members to create savings vehicle for future health expenses
- Increase Target Stabilization Reserve (TSR) from 7.5% of net claims to 9.0% by the end of CY 2015
  - More closely align reserve target with year end unpaid claims liability
  - Ability to address adverse claims experience and manage variations in cash flow
  - Potential mechanism for stabilizing premium increases

# CY 2014 Benefit Plan Options

## Based on BOT Approved Plan Changes to Date

### Availability of Benefit Plan Offerings by Subscriber Status

Calendar Year 2014 Plan Offerings	Current  Basic 70/30 Plan	Current  Standard 80/20 Plan	New Consumer Directed Health Plan CDHP	New  Medicare Advantage with Prescription Drug Plan MA-PDP		Number of Options
Subscriber Status	"Traditional"	"Traditional"		Base	Buy-Up	
Active Employees	Yes	Yes	Yes	No	No	3
Non-Medicare Retirees	Yes	Yes	Yes	No	No	3
Medicare Primary Retirees	Yes	???	No	Yes	Yes	3
Employee/Retiree Premium?	No	Yes	No	No	Yes	
Employee/Retiree Wellness Premium Surcharge?	n/a	n/a	n/a	n/a	n/a	

Drug Coverage	
Current  Pharmacy Benefit Plan	Current  Medicare Part D Prescription Drug Plan
"Traditional"	"EGWP + Wrap"
Yes	No
Yes	No
Yes	No
Applies to 70/30, 80/20 and CHDP Plans	

\* Availability of current Standard 80/20 Plan for Medicare primary retirees is unclear based on Board action to date. Plan staff recommends offering all subscriber groups no more than 3 benefit plan options.

*Note: Calendar year 2014 benefit plan offerings are subject to change pending additional action by the Board of Trustees*

# Benefit Design Decisions Needed

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## Structure for Wellness Initiatives

Whether to:

- a. Maintain or Modify Current 70/30 & 80/20 Plan Options
  - i. Retirees
  - ii. Actives
- b. Cover Preventive Benefits at 100%
- c. Add Wellness Premium Surcharges & Credits for Healthy Action Steps
- d. Offer Other Wellness Enhancements or Incentives
  - i. Primary Care Physician (PCP) Visits
  - ii. Use of Tiered or Limited Networks



# *Modified Wellness Design Scenario for Consideration*

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## Components

- Maintain Basic 70/30 Plan
- Enhance Standard 80/20 Plan to include Wellness Design
- Enhance new CDHP to include Wellness Design

# *Modified Wellness Design Scenario for Consideration*

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## Basic 70/30 Plan

- Continue offering current (“Traditional”) 70/30 PPO option on a premium free basis to Retirees
  - Ensures compliance with G.S. 135-48.40(a), which provides “noncontributory” coverage for eligible Retirees
- Continue offering current (“Traditional”) 70/30 PPO option on a premium free basis to Active Employees through CY 2015
  - Apply subscriber wellness premium surcharge starting in CY 2016 at the same levels in effect for the Standard 80/20 and CDHP Plan options

### Notes:

- The Basic 70/30 Plan will be the default option for Actives and Non-Medicare Retirees in CY 2014
- The Base MA-PDP Plan will be the default option for Medicare Retirees in CY 2014

# *Modified Wellness Design Scenario for Consideration*

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## Standard 80/20 Plan, effective Jan 1, 2014

- Enhance benefits under the 80/20 PPO option by providing 100% coverage for preventive services
- Establish \$40 per month subscriber wellness premium surcharge (anticipated to increase to \$80 per month in CY 2016)
  - Smoker surcharge = \$20 per month (increase by \$20 per month CY 2016)
  - Wellness surcharge = \$20 per month (increase by \$20 per month CY 2016)
- Allow subscribers to reduce the wellness premium surcharge by completing specified healthy activities
  - Non-smoker/Cessation Program = \$20 per month (increase by \$20 per month CY 2016)
  - Select PCP at Enrollment = \$10 per month (increase by \$10 per month or add new activity in CY 2016)
  - Complete Health Assessment prior to or at Enrollment = \$10 per month (increase by \$10 per month or add new activity in CY 2016)

*Note: Changes to Healthy Activities, Premium Surcharges & Credits subject to approval by the Board of Trustees*

# Modified Wellness Design Scenario for Consideration

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## Standard 80/20 Plan (continued)

- Offer Other Incentives and Rewards
- Tiered Network Specialty and Inpatient Visits
  - Waive Inpatient Copay for Members using a Blue Select hospital
    - Standard 80/20 Plan = from \$233 to \$0 with waiver
  - Reduce Specialist Copay by \$10 for Members using a Blue Select provider
    - Standard 80/20 Plan = from \$70 to \$60 with reduction
- PCP Office Visits
  - Reduce PCP Copay by \$15 when Members who selected a PCP during annual enrollment visit the PCP listed on their ID Card
    - Standard 80/20 Plan = from \$30 to \$15 with reduction
    - Can change PCP during the benefit year but *must* select a PCP during enrollment to be eligible for reduction
      - *Members who select a PCP for the first time after annual enrollment do not qualify for the reduction*
- Consider Increased Premium Credits for Standard 80/20 Plan
  - Reduces base employee/retiree premium

# Wellness Premium Surcharges With Increased 80/20 Premium Credit

**Add or Modify Healthy Activities Every Two Years to Create a Process of Population Health Improvement**

Modified Wellness Scenario Modeling	2014	2015	2016	2017
Monthly Wellness Premium Surcharge	\$40	\$40	\$80	\$80
Monthly Earnable Premium Credits	2014	2015	2016	2017
Healthy Activity #1: Non-Smoker or Participation in Cessation Program	\$20	\$20	\$40	\$40
Healthy Activity #2: PCP Selection	\$15	\$15	\$15	\$15
Healthy Activity #3: HA Completion	\$15	\$15	\$15	\$15
Healthy Activity #4: TBD			\$10	\$10
Healthy Activity #5: TBD			\$10	\$10
<b>Total Available Monthly Premium Credits</b>	<b>\$50</b>	<b>\$50</b>	<b>\$90</b>	<b>\$90</b>
<b>Net Wellness Premium With All Credits</b>	<b>(\$10)</b>	<b>(\$10)</b>	<b>(\$10)</b>	<b>(\$10)</b>

*The excess earned premium credit will be used to reduce the employee/retiree premium for the 80/20 Plan. The current monthly premium is \$22.76 for Actives & Non-Medicare Retirees.*

# *Modified Wellness Design Scenario for Consideration*

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## Consumer Directed Health Plan, effective Jan 1, 2014

- Includes 100% coverage for preventive services
- Establish \$40 per month subscriber wellness premium surcharge (anticipated to increase to \$80 per month in CY 2016)
  - Smoker surcharge = \$20 per month (increase by \$20 per month CY 2016)
  - Wellness premium = \$20 per month (increase by \$20 per month CY 2016)
- Allow subscribers to reduce the wellness premium surcharge by completing specified healthy activities
  - Non-smoker/Cessation Program = \$20 per month (increase by \$20 per month CY 2016)
  - Select PCP at Enrollment = \$10 per month (increase by \$10 per month or add new activity in CY 2016)
  - Complete Health Assessment prior to or at Enrollment = \$10 per month (increase by \$10 per month or add new activity in CY 2016)

*Note: Changes to Healthy Activities, Premium Surcharges & Credits subject to approval by the Board of Trustees*

# *Modified Wellness Design Scenario for Consideration*

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## Consumer Directed Health Plan (continued)

- Consider Other Incentives and Rewards
- CDHP services are subject to deductible and coinsurance only
  - Need alternative incentives to copay reductions and waivers since CDHP option does not have copays
- May Increase Health Reimbursement Account (HRA) Funding for:
  - Blue Select Tiered Network Specialty and Inpatient Visits
  - Visits to PCP Selected During Enrollment

*Note: The Plan is exploring options to provide members the opportunity to earn additional HRA funds, but implementation is contingent upon administrative feasibility*

# Wellness Premium Surcharges Consumer Directed Health Plan

**Add or Modify Healthy Activities Every Two Years to Create a Process of Population Health Improvement**

Modified Wellness Scenario Modeling	2014	2015	2016	2017
Monthly Wellness Premium Surcharge	\$40	\$40	\$80	\$80
Monthly Earnable Premium Credits	2014	2015	2016	2017
Healthy Activity #1: Non-Smoker or Participation in Cessation Program	\$20	\$20	\$40	\$40
Healthy Activity #2: PCP Selection	\$10	\$10	\$10	\$10
Healthy Activity #3: HA Completion	\$10	\$10	\$10	\$10
Healthy Activity #4: TBD			\$10	\$10
Healthy Activity #5: TBD			\$10	\$10
<b>Total Available Monthly Premium Credits</b>	<b>\$40</b>	<b>\$40</b>	<b>\$80</b>	<b>\$80</b>
<b>Net Wellness Premium With All Credits</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Note: Changes to Healthy Activities, Premium Surcharges & Credits subject to approval by the Board of Trustees*



# Summary of Wellness Enhancements

## 80/20 and CDHP Plans

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1. 100% coverage for preventative services
2. Ability to earn premium credits to reduce wellness premium surcharge for three healthy action steps:
  - a. Non-smoker or Participation in Cessation Program
  - b. Select Primary Care Physician
  - c. Completion of Health Assessment
3. Reduced out-of-pocket expenses when members use their chosen primary care practice
4. Reduced out-of-pocket expenses when members use a medical provider that is part of the Blue Select network

# CY 2014 Benefit Plan Options *Under Consideration* Based on Modified Scenario

## Availability of Benefit Plan Offerings by Subscriber Status

							Drug Coverage	
Modified Calendar Year 2014 Plan Offerings for Consideration	Current Basic 70/30 Plan	New Buy-Up 80/20 Plan	New Consumer Directed Health Plan CDHP	New Medicare Advantage with Prescription Drug Plan MA-PDP		Number of Options	Current Pharmacy Benefit Plan	Current Medicare Part D Prescription Drug Plan
Subscriber Status	"Traditional"	"Wellness"	"Wellness"	Base	Buy-Up		"Traditional"	"EGWP + Wrap"
Active Employees	Yes	Yes	Yes	No	No	3	Yes	No
Non-Medicare Retirees	Yes	Yes	Yes	No	No	3	Yes	No
Medicare Primary Retirees	Yes	No	No	Yes	Yes	3	Yes	No
Employee/Retiree Premium?	No	Yes	No	No	Yes			
Employee/Retiree Wellness Premium Surcharge?	No	Yes	Yes	No	No			

Applies to 70/30,  
80/20 and CHDP  
Plans

*Note: Final calendar year 2014 benefit plan offerings are subject to change pending final approval by the Board of Trustees and funding by the NC General Assembly*

# CY 2016 *Anticipated* Benefit Plan Options Based on Modified Scenario

## Availability of Benefit Plan Offerings by Subscriber Status

							Drug Coverage	
Anticipated Calendar Year 2016 Plan Offerings for Based on Modified Proposal	New Base 70/30 Plan	New Buy-Up 80/20 Plan	New Consumer Directed Health Plan CDHP	New Medicare Advantage with Prescription Drug Plan MA-PDP		Number of Options	Current Pharmacy Benefit Plan	Current Medicare Part D Prescription Drug Plan
Subscriber Status	"Wellness"	"Wellness"	"Wellness"	Base	Buy-Up		"Traditional"	"EGWP + Wrap"
Active Employees	Yes	Yes	Yes	No	No	3	Yes	No
Non-Medicare Retirees	Yes	Yes	Yes	No	No	3	Yes	No
Medicare Primary Retirees	Yes	No	No	Yes	Yes	3	Yes	No
Employee/Retiree Premium?	No	Yes	No	No	Yes		Applies to 70/30, 80/20 and CHDP Plans	
Employee/Retiree Wellness Premium Surcharge?	Yes	Yes	Yes	No	No			

*Note: Potential calendar year 2016 benefit plan offerings provided for information only and are subject to change*

# Forecast Modeling: *Modified Scenarios for Consideration*

	Date	Premium Increases		General Fund Requirements		
		Biennium		Fiscal Year		Total
		2013-15	2015-17	2013-14	2014-15	
1 <b>Baseline Forecast Sept 18, 2012</b> 8.5% trend, EGWP Reflected in Governor Perdue's Recommended Budget <i>Does not include: ACA Transitional Reinsurance Fee or Dental &amp; Behavioral Health Benefit Changes</i>	July 1st	1.9%	15.1%	\$39.4 m	\$75.6 m	\$115.0 m
2 <b>BOT Approved Changes Jan 25, 2013</b> <i>Includes: ACA Transitional Reinsurance Fee, Dental &amp; Behavioral Health Benefit Changes, Convert to Calendar Year, Offer MA-PDP &amp; CDHP Benefit Plans &amp; Increase Target Stabilization Reserve to 9%</i>	Jan 1st	3.8%	12.8%	\$36.0 m	\$108.9 m	\$144.9 m
3 <b>Initial Wellness Design Scenario</b> <b>70/30 Premium Free for Retirees</b> <i>Monthly Premium Surcharge/Credits = \$80, Increases Annually</i>	Jan 1st	3.5%	11.0%	\$33.7 m	\$102.0 m	\$135.7 m
4 <b>Initial Wellness Design Scenario</b> <b>70/30 Premium Free for Retirees &amp; Actives</b> <i>Monthly Premium Surcharge/Credits = \$80, Increases Annually</i>	Jan 1st	4.1%	11.5%	\$38.5 m	\$116.7 m	\$155.2 m
5 <b>Modified Wellness Design Scenario:</b> <b>70/30 Premium Free for Retirees &amp; Actives</b> <i>Monthly Premium Surcharge/Credits = \$40, Increases Every 2 Years, 70/30 Premium Free for Actives thru CY 2015</i>	Jan 1st	4.2%	10.8%	\$39.5 m	\$119.7 m	\$159.2 m
6 <b>Modified Wellness Design Scenario:</b> <b>70/30 Premium Free for Retirees &amp; Actives</b> <i>Monthly Premium Surcharge/Credits = \$40, Increases Every 2 Years, 70/30 Premium Free for Actives thru CY 2015</i> <i>Increase 80/20 Premium Credit</i>	Jan 1st	4.7%	10.4%	\$44.8 m	\$136.2 m	\$181.0 m

From  
1/25  
Meeting

New  
Modeling  
2/4  
Meeting

# Benefit Design Decisions Needed

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## Structure for Wellness Initiatives

Whether to:

- a. Maintain or Modify Current 70/30 & 80/20 Plan Options
  - i. Retirees
  - ii. Actives
- b. Cover Preventive Benefits at 100%
- c. Add Wellness Premium Surcharges & Credits for Healthy Action Steps
- d. Offer Other Wellness Enhancements or Incentives
  - i. Primary Care Physician (PCP) Visits
  - ii. Use of Tiered or Limited Networks

# Appendix

## Review of Wellness Initiatives From Previous Meetings

# Initial Wellness Design Scenario

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Encourage use of preventive services by providing 100% coverage for preventive services

- No copays, deductibles or coinsurance will apply to preventative services
- Will result in increased claims cost to the Plan associated with elimination of member cost sharing for preventive services

# Initial Wellness Design Scenario

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Establish a subscriber “wellness premium surcharge” (\$80) for Basic 70/30, Standard 80/20 & CDHP Plans to encourage engagement in wellness programs and healthy activities

➤ **Subscriber premium credits earned for completing healthy activities**

- **Apply Smoker Surcharge** = \$40 per month CY 2014
  - Increases \$10 per month each year
- **Apply Wellness Surcharge** = \$40 per month CY 2014
  - \$20 Primary Care Physician (PCP) Selection
  - \$20 Health Assessment (HA) Completion
  - Increase total Wellness Premium by \$10 per month each year or add additional healthy activities
- **Subscriber Premium Credits:** Opportunity to earn up to \$80 in CY 2014
  - Earnable premium credits also increase each year



# Evolution of Wellness Premium Surcharges

**Healthy Activities Will Evolve or Increase Year to Year to Create a Process of Population Health Improvement**

<b>Segal Wellness Scenario Modeling</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Monthly Wellness Premium Surcharge</b>	<b>\$80</b>	<b>\$100</b>	<b>\$120</b>	<b>\$140</b>
<b>Monthly Earnable Premium Credits</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Healthy Activity #1: Non-Smoker or Participation in Cessation Program	\$40	\$50	\$60	\$70
Healthy Activity #2: PCP Selection	\$20	\$25	\$30	\$35
Healthy Activity #3: HA Completion	\$20	\$25	\$30	\$35
<b>Total Available Monthly Premium Credits</b>	<b>\$80</b>	<b>\$100</b>	<b>\$120</b>	<b>\$140</b>
<b>Net Wellness Premium With All Credits</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Note: May add new healthy activities each year in lieu of increasing credits for existing activities*

# Initial Wellness Design Scenario

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Tiered and limited networks offer fewer, but higher quality/lower cost providers

- Passive or voluntary alternative to broader main network
- Incent selection of higher quality and better value providers in main network

## Tiered Network Rewards

- Inpatient Copay Waiver: Members using Blue Select hospital
  - Basic 70/30 Plan = from \$291 to \$0 with waiver
  - Standard 80/20 Plan = from \$233 to \$0 with waiver
- Specialist Copay Reduction: Members using Blue Select provider will receive a \$10 copay reduction
  - Basic 70/30 Plan = from \$81 to \$71 with reduction
  - Standard 80/20 Plan = from \$70 to \$60 with reduction

# Initial Wellness Design Scenario

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## Patient Centered Medical Homes (PCMH)

- Improve care coordination to improve patient outcomes
- Increase engagement in disease and case management services
- Incent members, particularly those at higher-risk, to select a primary care physician (PCP) or medical home
- Offer copay reduction for utilizing PCP/PCMH to reduce the financial barriers

## PCP Copay Reduction

- Members selecting PCP during annual enrollment receive a \$15 copay reduction when they visit the PCP listed on their ID Card
  - Basic 70/30 Plan = from \$35 to \$20 with reduction
  - Standard 80/20 Plan = from \$30 to \$15 with reduction
- Can change PCP during the Plan year but *must* select a PCP during enrollment to be eligible for reduction