

**Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
March 22, 2013**

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, March 22, 2013, at the State Health Plan, 4901 Glenwood Avenue, Raleigh, NC 27612.

Members Present:

Chair Janet Cowell
Art Pope (Executive Session only)
Paul Cunningham, MD
V. Kim Hargett
Noah Huffstetler
Vice-Chair Genell Moore
Warren Newton
David Rubin
Michele Shaw

Members Absent:

Bill Medlin

State Health Plan Staff: Mona Moon, Glenda Adams, Mark Collins, Lotta Crabtree, Thomas Friedman, Beth Horner, Sally Morton, Lorraine Munk, Caroline Smart, Tracy Stephenson

Department of State Treasurer Staff: Joan Fontes, Andrew Holton, Granger Roseberry, Heather Strickland

Guests: Ginger Austin, Suzanne Beasley, Johnny Davison, Pam Deardorff, Carol Durrell, Larry Earle, Keith Hamilton, Wadida Murib-Holmes, Patrice Ivory Johnson, Charla Katz, Jack Kenley, Lacey Presnell, Ed Regan, Jonathan Rubens, Bill Stockard, Chuck Stone, John Thompson, Michelle Tietz, Kim Turk, David Vanderweide, Bob Walt

Welcome

Treasurer Janet Cowell, Chair, welcomed Board members, State Health Plan and Department of State Treasurer staff and guests 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 read the "Conflict of Interest Statement" requesting members who have either an actual or perceived conflict of interest to identify the conflict and refrain from discussion and voting in those matters as appropriate. No disclosures were made and no conflicts were noted.

Executive Session

Following a motion by Ms. Moore and seconded by Ms. Hargett, the Board voted unanimously to move into executive session pursuant to G.S. 143-318.11(6).

The Board discussed the qualifications of Mona Moon for the position of Executive Administrator for the Plan.

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

Agenda Item – Review of Minutes – January 24-25, February 4, 2013 (Attachment 1)

Presented by Janet Cowell, Chair

Dr. Newton noted that the minutes did not reflect his request for additional information on biosimilars during the January pharmacy presentation. Plan staff will provide the requested information at a future meeting. Upon the recommendation of Chair Cowell, Dr. Cunningham made a motion to approve the January and February minutes, and Ms. Moore seconded the motion. The vote was unanimous to approve the January and February minutes.

Agenda Item – Lake Lawsuit Update

Presented by Lotta Crabtree, Interim Deputy Executive Administrator and Director of Contracting and Legal Compliance

The Plaintiff's attorney filed a response to the Plan's motion to dismiss the case. Argument on the motion to dismiss is set for April 24, 2013 in Gaston Co. Staff from the Attorney General's office will be invited to the May Board meeting to provide an update.

Agenda Item - Integrated Health Management (IHM) Update (Attachment 2)

Presented by Lotta Crabtree, Interim Deputy Executive Administrator and Director of Contracting and Legal Compliance

Pilot Projects

More than fifty percent of the Plan's membership has at least one chronic condition, with the top three being hypertension, diabetes and mental health. In keeping with the IHM mission statement of offering high quality, cost effective management tools and resources to empower and support members in achieving healthy lives, the Plan has initiated pilot programs to provide incentives and increase engagement.

Ms. Crabtree provided information and year one results on the current pilot programs at Brown Creek Correctional Institution, Charlotte Mecklenburg Schools and the Department of Health and Human Services (DHHS). The results support the fact that incentives, such as reducing copays, work to engage members in their health and wellness. The Plan will review the utilization data at the end of the second year of the Charlotte Mecklenburg and DHHS pilots and present the results to the Board. The Plan will also review data from Brown Creek correctional to look for increased use of NC HealthSmart resources at six and twelve months post-pilot.

Cardiovascular Health Improvement Summit

A cardiovascular summit, including participants from local cardiovascular prevention agencies and Plan vendors, was held on March 5, 2013. The goals of the summit included sharing efforts regarding heart disease and stroke prevention and establishing a work group to evaluate Plan-sponsored resources. The summit supported the Board's mission to serve as a model to the State and to work collaboratively with employing units by sharing ideas and fostering relationships.

The Plan is in the process of recruiting a Director of Integrated Health Management to replace Anne Rogers.

Agenda Item – Pharmacy Report (Attachment 3)

Presented by Sally Morton, PharmD

Pharmacy & Therapeutics Committee Meeting Summary

Dr. Morton provided a summary of the Pharmacy and Therapeutics (P&T) Committee meeting held on February 12, 2013. The diabetes medication step therapy program, shared with the Board in the fall of 2012, will begin May 1, 2013. The pharmacy benefit language changes, also approved by the Board in January 2013, were shared with the P&T committee.

At the Board's request, Dr. Morton will provide a list of P&T committee members to the Board, as well as a copy of the prescription drug formulary policy. Dr. Morton stated that the conflict of interest statement is read at each meeting and if providers are speaking on behalf of drug companies, they are asked to share that information. The drug additions to the preferred drug list will be shared with members via the Plan's website and Member Focus.

At the request of Dr. Newton, the Plan will present proposed strategies to manage specialty drugs, including biologics, at a future meeting.

Recommendation: Diabetic Test Strips Pharmacy Coverage

Dr. Morton reviewed the current pharmacy and medical benefit coverage of diabetic test strips. She presented proposed changes that would follow the American Diabetes Association recommendations for testing, be more member-friendly and also result in minimal increased costs to the Plan. The changes would include 1) removing the accumulator "refill too soon" edit under the pharmacy benefit which looks back at claims for six months to avoid stockpiling; and, 2) increasing the quantity limits for both non-insulin and insulin dependent members with diabetes by one box each for a 30 day supply (non-insulin would increase to 102 strips/30 days and insulin users would increase to 204 strips/30 days).

The Plan would evaluate the changes after six months to determine if member complaints about the benefit decrease. The Plan also requested Segal to perform a financial analysis and incorporate the data into the financial projections.

Upon a motion by Ms. Hargett and seconded by Ms. Shaw, the Board voted unanimously to approve the proposed quantity limit change for diabetic test strips. The target implementation is July 1, 2013.

Dr. Newton pointed out that the Plan is already addressing the leading contributor to diabetic morbidity by imposing a surcharge on smokers.

Agenda Item – Financial Update (Attachment 4)

Presented by Mark Collins, Financial Analyst

FY 2012-13 Year to Date Results through January

Plan revenue was approximately \$6 million more than the budgeted amount of \$1.712 billion and expenses were \$92.1 million less than the \$1.63 billion projected. The ending cash balance of \$583.0 million was \$98 million more than projected. There were only minimal changes included in the adjusted variance report.

The Per Member Per Month (PMPM) analysis demonstrated that claims payments were approximately 5% less than the budgeted amount of \$328.60 and administrative expenses were 15% below the budgeted amount of \$23.35. Net income on the adjusted PMPM report was \$21.04 above the budgeted amount. Claims payments for the current fiscal year were very close to the numbers for the same time period last year.

Mr. Collins presented information on the PMPM expenditure trend and the allocation of claims expenditures. Pharmacy and professional expenses make up approximately 58% of the Plan's total expenditures. The Plan will present a trend analysis of claims utilization at a future meeting.

2nd Quarter Forecast Update

The Plan's baseline forecast is updated at the end of each fiscal year and at least once per quarter. Actual financial results, current cash balance, membership data and claims experience, as well as anticipated costs are taken into account when updating the forecast.

A trend assumption of 8.5% was used in the 2nd quarter forecast. Behavioral health and dental benefit enhancements, approved by the Board at the November 2012 meeting, were included in the forecast. Anticipated claims expenses based on actual experience through December 2012 and an increase in projected pharmacy rebate amounts were included in the revisions to the forecast, as well.

Mr. Collins provided a comparison of the FY 2013 authorized budget and Segal's revised forecast. Medical claims projections for FY 2013 have decreased over time while pharmacy expenses have remained stable. The projected FY 2013 ending cash balance in the original certified budget was \$170 million whereas the projected cash balance is now approximately \$700 million.

The projected cash balance for June 30, 2013 exceeds the target reserve amount by \$506.2 million and equates to approximately 12 weeks of projected operating expenses in FY 2013-14. Based on the revised forecast, the required premium increase for the upcoming biennia, assuming no benefit changes, resulted in a lower premium increase than previously expected in 2013-15 (0.6% decrease vs. 1.1% increase) and higher than previously expected in the 2015-17 biennium (17.6% increase vs. 15.4% increase).

Board Approved Plan Design – Updated Projection

The Board-approved benefit design, including wellness programs and incentives, Medicare Advantage (MA) and a Consumer Directed Health Plan (CDHP), is expected to save the Plan approximately \$350 million and lower the annual premium increases over the next four years. A premium free plan for active employees will continue to be offered through calendar year 2015.

Effective January 2014, the Plan will convert to a calendar year, offer an MA plan for retirees, a CDHP for active and non-Medicare retirees and implement Board-approved wellness initiatives. The Target Stabilization Reserve will increase from 7.5% to 9% by December 2015. With the calendar year change, premium increases will shift to January 1 of each year.

A comparison of Board-approved design projections for the initial and updated projections as well as the baseline forecast relating to premium, employer contribution and general fund increases for 2013-2017 was discussed. Projected savings for the state are expected to be approximately \$165 million, including \$132 million in General Fund appropriations, when comparing the Board-approved design to the baseline forecast. Employees and retirees are expected to save at least \$34 million in premium contributions, depending on employee response to the wellness initiatives and premium incentives. Plan expenses based on the Board-approved design are expected to be \$638 million less than the base line forecast, including \$600 million in claims costs and \$38 million in administrative expenses.

At the request of the Board, the Plan will ask Segal to develop a forecast through 2019 in mid-year 2014. Segal will also evaluate the migration trend to determine the effect of the CDHP. The assumption for enrollment in the CDHP is 6% for active employees and non-Medicare retirees over the next biennium and is expected to increase to more than 10% by 2017.

Implementation Update (Attachment 5)

Presented by Caroline Smart, Director of Health Plan Operations

Communications – 1/1/14 Plan Changes

The 2013 timeline for the implementation and transition of services was presented. Enrollment periods are scheduled for May and October. Health Benefit Representative (HBR) training on the new benefit options will begin July 8 and end August 2. Plan staff and trained temporary assistants will conduct approximately 90 training sessions in 53 counties. Retiree outreach begins in late August and the enrollment tour, including member outreach and education regarding the new benefit options, is scheduled for September and October. In addition to state enrollment tours, the Plan will also use videos, Facebook, webinars and tele-town hall and video conferences to reach members. The member associations will also play a critical role in reaching members through newsletters, annual conventions and association meetings.

Segal will assist with the development of enrollment and outreach material and the Plan's new vendors will also be involved in the educational and enrollment phases. Board members also suggested the use of smartphones and emails to promote information. Reaching cognitively impaired members is also included in the outreach plan.

The plan will meet with vendors during the week of March 25 to discuss the MA marketing plan and develop an educational plan for members. Details, including rates and visuals, will be presented at the May board meeting.

Board member suggestions for enrollment process included the addition of a box to indicate the way in which members learned about enrollment information and a "save the date" postcard to alert members about the upcoming mailings and enrollment dates.

Legislative Update (Attachment 6)

Presented by Tom Friedman, Health Policy Analyst and Legislative Liaison

As a result of the Board-approved benefit plan, the Governor's budget includes \$181 million for the Plan which matches the approved benefit design changes based on a 4.7% premium increase.

Mr. Friedman discussed the House and Senate bills that may directly and indirectly impact the Plan. Senate bill 248, which addresses the right to choose hearing aid specialists, prompted a question from the Board regarding state limitations. Mr. Friedman will research the answer and provide a response to the Board.

Senate Bill 336, Collaboration among State Diabetes Programs, was filed on March 14. Mr. Friedman will review the bill and determine the impact, if any, to the Plan.

An update regarding legislative bills will be sent to Board members following the filing deadline and will also be provided at the May Board meeting.

The Board requested a future discussion and financial analysis regarding the potential expansion of Medicaid. The Plan will ask Segal to analyze the potential financial impact to the Plan.

Strategic Planning

Presented by Strategic Planning Workgroup

The Strategic Planning Workgroup held a conference call on March 14 and met on March 22, preceding the full Board meeting. Operating principles were discussed, as well as the housing and use of Plan data.

The workgroup decided to meet one hour prior to each scheduled Board meeting. The use of an outside facilitator will be discussed at the next workgroup meeting and a recommendation will be brought before the full Board. The external environment component of the strategic plan will be added to the May Board meeting agenda.

Dr. Newton commented that by addressing cost, quality and member experience, the Board will have addressed the strategic plan.

The mission statement, including the revisions from the January Board meeting, will be emailed to Board members.

Board Discussion and Wrap-Up


Presented by Janet Cowell, Board Chair

May Teleconference – Medical Claims Audit and Third Party Liability Recovery Services RFP

The Plan may need to schedule a teleconference prior to the May Board meeting to present a vendor recommendation for the Medical Claims Audit and Third Party Liability Recovery Services. Ms. Munk will email potential dates and times to the Board.

Upon a recommendation by Ms. Hargett and seconded by Ms. Moore, the Board voted unanimously to adjourn the meeting.

The meeting was adjourned at approximately 2:50 p.m.



Janet Cowell, Chair