

**Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
November 19, 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 4:00 p.m. on Thursday, November 19, 2015, at the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

Members Present:

Janet Cowell, Chair
Lee Roberts
V. Kim Hargett
Charles Johnson
Aaron McKethan
Bill Medlin
David Rubin

Participating by Phone:

Warren Newton, MD

Absent:

Paul Cunningham, MD
Genell Moore

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, David Boerner, Mark Collins, Tom Friedman, Beth Horner, Nidu Menon, Lorraine Munk, Adam Root, Caroline Smart, Sandy Wolf, Malinda Peters, 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 – Introduction of New Board Member – Aaron McKethan (Attachment 1)

Chair Cowell introduced Dr. Aaron McKethan, appointed by the President Pro Tempore of the Senate.

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 (Attachment 2)

Presented by Janet Cowell, Chair

Following a motion by Dr. Rubin and seconded by Kim Hargett, the Board unanimously approved the August 27-28, 2015, meeting and October 28, 2015, teleconference minutes.

Agenda Item – Strategic Planning (Attachment 3)

Presented by Mona M. Moon, Executive Administrator, and Tom Friedman, Director of Policy, Planning and Analysis

Strategic Plan Annual Update

Mr. Friedman reviewed the strategic priorities and initiatives, roadmap and metrics and asked Board members to provide feedback on the overall format. He reminded the Board that the strategic roadmap provides a high level description of projects, programs, contract decisions, benefit approvals and a timeline for each strategic priority.

Review Strategic Plan and Process – SHP Phase 1 Discovery Report January 2014 and SHP Strategic Plan Adopted September 2014

The adopted strategic plan includes strategic priorities and initiatives, a roadmap of projects and programs and strategic metrics. The latter will be reviewed in April 2016 when the comprehensive 2015 report is available.

Strategic Plan Status Report Q3 2015

Plan staff meets quarterly to review the roadmap and track successes and areas where improvement(s) should be made or where additional work needs to be done. Mr. Friedman highlighted the Patient Centered Medical Home (PCMH) pilot, which was one of the major achievements in 2015. The Plan's partnership with four practices across the state has provided insight in establishing a potential statewide standard PCMH model. The Wellness Wins pilot, which promotes worksite wellness, has also been a successful program.

The transition of the Eligibility and Enrollment Services (EES) from Aon Hewitt to Benefitfocus presented challenges and negatively impacted new member enrollment. It was noted, however, that the new benefits calculator generated a high level of interest and comments from Plan members during the Annual Enrollment period.

An additional challenge for the Plan is the significant cuts required by the Legislature. The State Budget requires the Plan to maintain a cash reserve of at least 20% of its total annual expenses. The General Assembly funding for an increase in the employer contribution for FY 2016-17 is contingent upon whether the Treasurer and Board adopt sufficient measures to limit employer contribution increases in the 2017-2019 fiscal biennium. This could potentially impact the Plan's financial status and result in significant premium increases for members. The Plan will ask the legislature to clearly define "sufficient" measures.

Ms. Moon expressed appreciation to Board members for their feedback on the status report and stated that the status report is as much a living document as the strategic plan. Mr. Friedman reviewed some of the challenges to success the Plan has faced in improving members' health and experience and ensuring financial stability.

Agenda Item – The Data Diet: Sharing Data with Providers to Enable Population Management (Attachment 4)

Presented by Tom Friedman, Director of Policy, Planning and Analysis, and Rachel Sokol, Senior Consultant with The Advisory Board Company

Mr. Friedman introduced Rachel Sokol, a Senior Consultant with The Advisory Board Company based in Washington, D.C. Ms. Sokol stated that health care companies spent approximately \$101 billion in the past 5 years to capture, analyze and share data information. Much of that information is sent to

providers, many of whom find it difficult to integrate into their practices. The Advisory Board Company collaborates with providers and practices to obtain and use data to improve patient outcomes and establish best practices for care.

In order for providers to make the best use of data, health plans need to determine ways in which to present reports in concise and easy to use manner and demonstrate the value of using all the information provided. This will help to ensure that providers and practices sustain long-term growth and financial stability.

Ms. Sokol stated that things are being done to improve data use in various areas across the country. The state of Tennessee now mandates reporting consistency since many providers work with a lot of different health plans. TennCare dictates the program and report terms which benefits both providers and plans. Health Partners Plan determined that providers weren't reading or making use of the data provided to them and now sends reports to practice administrators demonstrating missed earnings relative to provider opportunities.

Additional examples of data reporting and usage were provided. The successful peer to peer engagement between a plan and providers helped to reduce readmission rates. Medication adherence improved in another area where the plan distributed iPads to members in order for them to interact directly, through Facetime, with their pharmacists. Ms. Sokol stated that providers are beginning to review and revise priorities and developing new initiatives based on plan data. Monthly and quarterly meetings between plans and providers have also been a way to promote data understanding.

Ms. Sokol reviewed other ideas and examples for improving data management including team-based care through provider pods, incentive plans, provider investment in consulting, bonus resources and referral management.

Mr. Friedman stated that a value-based plan design is a long-term investment and strategy and takes time to implement. With the challenge of the General Assembly mandate to save money, the Plan will need to review different options and determine both short and long term strategies. Ms. Sokol stated that most of the examples shared in the presentation took 2-3 years to implement and closer to 5 years to determine the financial benefits.

The market is shifting to providers assuming much more responsibility for practice management and as they improve, the chance for their negotiation leverage increases.

Agenda Item – Adjourn

The meeting was adjourned at 6:00 p.m.

**Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
November 20, 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, November 20, 2015, at the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

Members Present:

Janet Cowell, Chair
Lee Roberts
V. Kim Hargett
Charles Johnson
Aaron McKethan
Bill Medlin
Warren Newton, MD
David Rubin

Absent:

Paul Cunningham, MD
Genell Moore

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, David Boerner, Mark Collins, Tom Friedman, Beth Horner, Nidu Menon, Lorraine Munk, Adam Root, Caroline Smart, Sandy Wolf, Lisa Allnutt, Joan Fontes, Andrew Holton, Schorr Johnson, Fran Lawrence, Marquita Robertson, 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 – Legislative Report (Attachment 1)

Presented by Tom Friedman, Director of Policy, Planning and Analysis

Joint Legislative Program Evaluation Oversight Committee

Mr. Friedman reviewed the Program Evaluation Division (PED) report on the unfunded liability for retiree health benefits. The unfunded liability is approximately \$24.4 billion and the report states that shifting costs to Medicare Advantage (MA) plans could save the state up to \$64 million annually. The Joint Legislative Program Evaluation Oversight Committee (JLPEOC) will meet on November 23, 2015, to review potential legislation that would require all Medicare retirees to be on MA plans.

In response to a question regarding the number of MA options that should be offered by the Plan, Ms. Moon stated that 2 carriers and 4 plan options have worked well for members. Approximately 75% of the Medicare eligible members are in one of the MA plans.

The Joint Legislative Program Evaluation Oversight Committee is considering a study to determine the financial impact that various legislative approaches may have on the unfunded liability. The Plan will update the savings estimate to reflect the results of the 2016 Annual Enrollment.

Local Government Participation in the State Health Plan

The legislature passed a bill allowing local government units to enroll active employees in the Plan. Enrollment is capped at 10,000 total members. There has been resistance to the wellness premium credits by some local governments but groups must comply with all of the Plan's policies and procedures if they want to join the Plan.

In response to a question regarding the risk pool, Ms. Moon stated that, to date, the Plan hasn't experienced a negative financial impact from local governments currently covered under the Plan.

Final State Budget

Mr. Friedman reviewed budget provisions impacting the Plan, including state funding to support a 3.46% increase in the state's employer contribution effective January 1, 2016. One of the main provisions of the budget mandates the Treasurer and Board to make benefit changes to reduce the projected increase in funding for employer contributions. During the 2015-17 biennium, the Plan is directed to maintain at least a 20% cash reserve of its annual costs, including medical and pharmacy claims, administrative costs, fees and premium payments for coverage outside the Plan.

The State will create a new Health Information Exchange (HIE) that will compile data for Medicaid and Plan members. The Plan will begin receiving HIE data beginning January 1, 2018.

The Plan will identify potential issues and budget requirements to present to the General Assembly during the short legislative session which begins April 25, 2016.

Agenda Item – Financial Report, Forecasting and Monitoring (Attachment 2)

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

September 2015 Financial Report

Mr. Collins presented the financial report for the first nine months of CY 2015. The third quarter claims experience was higher than the first and second quarters but was below the authorized budget amount. It appears that October and November claims will be higher than anticipated. Plan revenue and expenses are relatively level for the year. Overall Plan expenses were under budget by approximately \$89 million. The ending cash balance was \$96.5 million higher than projected.

The YTD allocation of total expenditures, compared to CY 2014, demonstrated a slight decrease in the proportion of spending used for medical claims. Other categories are slightly higher than in 2014. In response to a question regarding administrative expenses being higher in 2015, Mr. Collins stated that if the ACA transitional reinsurance fee of \$28 million were deducted, it would bring the percentages close to even.

CY 2015 3rd Quarter Actuarial Forecast Update

Mr. Collins summarized the forecast assumptions maintained in the updated CY 15 budget, as well as the changes and revisions. The comparison of models report demonstrated a higher than anticipated ending cash balance. The projected premium increases in 2018 and 2019 are approximately 3% lower than the authorized budget but approximately 3% higher in 2020 and 2021.

The June 2017 projected ending cash balance exceeds the 9% target stabilization reserve by approximately \$380 million. The forecast update anticipates falling below the 20% legislative reserve floor in May 2017, which is 6 months later than the certified 2015-17 budget projection demonstrated.

Ms. Moon stated that the 20% legislative mandate has required the Plan to focus more on the short term while the Board's focus has been on the long term. This has presented challenges in terms of the funding models and target stabilization reserve.

State Health Plan Trend Analysis

Plan trends for the first three quarters of CY 2015 have been similar to CY 2014 trends and have been fairly close to the trends used in the forecasts. Medical trends have been lower and pharmacy trends higher. The trend assumption for medical claims is 7% and 8.5% for pharmacy costs. The overall paid claims trend is 7.4%. Mr. Collins reviewed the trends in the per member per month claims expense for non-Medicare members prepared by the Plan's actuarial consultant. The report shows that trends accelerated in 2014, particularly pharmacy trends.

In keeping with one of the Strategic Plan priorities to improve members' health, the Plan will continue to analyze the utilization trend and how it compares to the members' health status over time. The spectrum of health, a tool used by ActiveHealth Management, assigns members into one of six health statuses. Mr. Friedman reviewed the spectrum of health for members based on CY 2014 claims. He noted the potential for savings when the Plan is able to slow members' normal progression towards diminishing health statuses.

Agenda Item – Member Experience and Communications (Attachment 3)

Presented by Caroline Smart, Chief Operating Officer, and Beth Horner, Customer Experience Manager

2015 Membership Satisfaction Results

Ms. Horner provided an overview of two member satisfaction surveys conducted in 2015. The health management survey was mailed to a random sampling of members and the annual member satisfaction survey was offered to all members. She noted that the response rate on both surveys was low, despite a gift card incentive for the health management survey.

The cost of monthly premiums remains the top reason for members choosing a particular plan option. Among active members, 2015 satisfaction levels improved in the areas of customer service, prescription drug benefits and communication regarding pharmacy benefits. In response to a question regarding the possibility of conducting regional focus groups, Ms. Smart stated that the Plan did that in 2013 and would consider repeating that in the future. The Plan will also discuss ideas and options to increase the response rate with Buck Consulting.

One board member suggested that postcards are not an effective way to reach members and that sending emails to the workplace might increase the response rate. Ms. Moon responded that the Plan uses email addresses provided by Plan members. She also stated that even though the response rate was low, it was very close to the expected rate provided by Segal. Another suggestion was to use

BEACON as a potential means to survey members. Chair Cowell and Ms. Smart both stated that the Plan would work with the Office of State Human Resources and BEACON (Office of State Controller) in future survey efforts.

A detailed copy of both surveys was provided to the Board and is available on the Plan's website.

2016 Annual Enrollment

Ms. Smart provided an update on member outreach efforts, Health Benefit Representative (HBR) trainings and results of surveys completed by those who attended enrollment meetings. Ms. Hargett noted that members in Union County were very complimentary of the presentations and stated that members found the benefits calculator to be very useful in selecting plan options.

The reimplementation of Benefitfocus took place in 3 phases over a 6-week period. Since the transition of data files from the Aon platform to Benefitfocus couldn't be completed automatically, Plan staff manually loaded member data into the Benefitfocus system. Given numerous challenges during the transition process, the Plan was still able to meet the project target dates prior to Annual Enrollment.

Annual Enrollment took place October 15 to November 18 and presented challenges throughout the process. Ms. Smart credited the employing units for working with the Plan to find solutions. Over the 6-week period during and after Annual Enrollment, ActiveHealth and Benefitfocus fielded more than 205,000 calls from members. The QuitlineNC call volume was also high during that time.

Ms. Horner summarized some of the website statistics, noting that approximately 120,000 members visited the website on the last three days of enrollment. More than 57,000 of those members were new users. Although preliminary enrollment data was shared, the final information will not be available until early February.

Telephone Town Hall Events – Six events were held between September 15 and October 8. The number of members who joined and remained on the calls was very high, with the retiree groups participating on the calls significantly longer than active employees. The percentage of participants who stayed on the call from beginning to end was significantly higher than the industry standard. Plan staff fielded questions from members at various points throughout the calls.

Several Board members and one audience member expressed frustration with the enrollment process and expected that anticipated issues would have been resolved prior to October 15. Ms. Moon and Ms. Smart acknowledged their concerns and stated that the Plan is working with Benefitfocus to correct the issues and that a positive member experience will be a point of focus through the coming year. The role of the HBRs was discussed and it was noted that most of them have other responsibilities.

Chair Cowell stated that the Plan would review the entire process and lessons learned. She noted that it might take a broad contingency of people collaborating to improve the process and experience.

Due to time constraints, the 2016 enrollment presentation ended at this point.

2016 Outreach and Education Strategy

This section was not presented, due to time constraints.

Agenda Item – Benefit Design, Plan Options and Premiums (Attachment 4)

Premium Contribution Rates

EA Action on 2016 Group Premiums

Presented by Mona M. Moon, Executive Administrator

Ms. Moon reviewed the board action taken on the 2016 premium contribution rates at the August 2015 Board meeting, including authorizing the executive administrator to increase the employer contribution based on the final state budget. She stated that the General Assembly sufficiently funded the employer contribution rate by increasing it approximately 3.5%. As such, the executive administrator established monthly employer contribution increases of 3.47% for non-Medicare members and 3.45% for Medicare members.

2015 & 2016 COBRA Rates for HDHP (Requires Board Approval)

Presented by Mark Collins, Financial Analyst

The Board approved premium rates for the High Deductible Health Plan (HDHP) at the August 2014 and 2015 meetings but COBRA rates for the HDHP were never established. Mr. Collins reviewed the recommended monthly HDHP COBRA rates for each coverage tier.

Following a motion by Dr. Newton which was seconded by Dr. Rubin, the Board voted unanimously to approve the recommended HDHP COBRA premium rates for 2015 and 2016.

Prescription Home Delivery Pilot Program

Presented by Sandy Wolf, Director of Pharmacy Benefits

Ms. Wolf reviewed the pilot program's communication plan and stated that enrollment was highest among members who already partially used the Express Scripts, Inc. (ESI) home delivery service. Approximately two-thirds of enrolled members were between the ages of 45-64. The goal of the pilot is to promote medication adherence and to let members know that home delivery exists. There is no extra cost to the Plan or members.

The results of the prescription refills moved to home delivery, as well as the baseline and adherence rates, will be presented at the January Board meeting.

Transition Specialty Medications from Medical to Pharmacy Benefit

Presented by Sandy Wolf, Director of Pharmacy Benefits

Specialty medications under most of the plan options are currently administered under the medical benefit. With specialty pharmacy trends significantly increasing, the Plan is reviewing options to move all specialty medications, with the exception of cancer drugs, from the medical benefit to the pharmacy benefit. This would allow the Plan to control costs and potentially receive additional rebates.

Ms. Wolf reviewed potential cost savings and next steps, including an analysis of impacted members and a recommendation to the Board at a future meeting.

Potential Benefit Changes for CY 2017

Presented by Tom Friedman, Director of Policy, Planning and Analysis

Mr. Friedman presented potential benefit changes for 2017, including Board-approved healthy activities to earn premium credits. He suggested the Board may want to consider modifications to the healthy activities that would improve the members' experience. A summary of the costs associated with the modified healthy activities was also discussed.

One Board member indicated support for members choosing a provider but stated that a strategy needs to be developed regarding provider engagement. Determining the best way to engage providers for 680,000 members presents challenges given the lack of parity in practices around the State. Coordination of and access to care are important in achieving member satisfaction and ultimately, financial savings.

The Plan will provide benefit recommendations to the Board in January and vote on the 2017 benefits in February.

Agenda Item – Contracting and Vendor Partnerships (Attachment 5)

Presented by Sandy Wolf, Director of Pharmacy Benefits

Pharmacy Benefit Manager (PBM) Request for Proposal

Ms. Wolf provided a timeline for the Pharmacy Benefit Manager (PBM) request for proposal. A recommendation will be presented to the Board at the January meeting and the contract will be awarded in March 2016. The effective date of the contract will be January 2017.

Agenda Item – Clinical & Program Operations (Attachment 6)

Pharmacy & Therapeutics Committee – August Meeting

Presented by Sandy Wolf, Director of Pharmacy Benefits, and Adam Root, Clinical Pharmacist P&T

Ms. Wolf presented updates to the Utilization Management programs discussed at the August 2015 Pharmacy & Therapeutics meeting. The committee also discussed new drugs on the market for formulary consideration. Additional topics included tier movement for various generic drugs and the excluded coverage for a sexual dysfunction drug.

Affordable Care Act Employer Reporting Requirements

Presented by Linda Forsberg, Program Manager

Ms. Forsberg presented the Affordable Care Act (ACA) reporting requirements by the IRS and the reporting obligations for plan sponsors. These reports include the number of months members receive plan coverage. After extensive discussions with employing units and outside legal counsel, it was determined that each participating employing entity is responsible for conducting their own employee reporting.

There are currently 300 employing units within the Plan. The university system and BEACON are considered to be a single employing unit. There are different forms and ways used to report the information, depending on the size of the entity and employee status, and no single entity (Plan, Retirement Systems or employing unit) has all the data required to complete the forms.

Ms. Moon added that this has been a complicated issue to understand and has been a massive undertaking for employing units. Since the options and costs came late in the year, the Plan will cover the cost of the 1095 forms, which will be mailed to all members, and the employing units will cover the cost of postage. The Plan will revisit the solution and funding prior to the next reporting period.

Agenda Item – Strategic Planning (Attachment 7)

Presented by Tom Friedman, Director of Policy, Planning and Analysis

Future Planning

Due to time constraints, Mr. Friedman summarized the opportunities to reduce cost growth for members and providers. He noted that provider reimbursement is a long-term strategy and that the best way to manage cost is to keep members healthy. One of the primary challenges is to make dependent coverage more affordable.

The Plan will seek input from the Board at the January meeting when the 2017 benefit design changes are presented.

Board members asked the Plan to request a clear definition of “sufficient” from the General Assembly as it relates to employer contribution funding during the 2016-2017 fiscal year. Ms. Moon noted that there are pros and cons to making that request.

Strategic Plan Annual Update

Due to time constraints, this agenda item was not discussed.

Following a motion by Dr. Newton and seconded by Mr. Johnson, 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

Consultation with Legal Counsel – Contract Issue (Aon Hewitt) (G.S. 143.318.11(a)(3) and G.S. 132-1.2)

Presented by Lotta Crabtree, Deputy Executive Administrator and Legal Counsel

Ms. Crabtree presented information regarding a contract issue with Aon Hewitt to Board members.

Print and Mail Services, RFP #270-2015101601 (Requires Board Approval)

Presented by Beth Horner, Customer Experience Manager

Ms. Horner presented information on the Plan’s recommendation for the Print and Mail Services vendor. Following a motion by Ms. Hargett and a seconded by Dr. Newton, the Board voted unanimously to approve award of the Print and Mail Services contract to RR Donnelly.

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

Agenda Item - Adjourn

The meeting was adjourned at 3:01 p.m.


Janet Cowell, Chair