North Carolina State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

Board of Trustees' Meeting
Department of State Treasurer
Thursday, January 24, 2013 -3:00 p.m. to 6:00 p.m.

AGENDA

1.	Welcome	Janet Cowell, Chair
2.	Conflict of Interest Statement	Janet Cowell, Chair
3.	Biennium Planning *(2.5 hours)*	Lacey Barnes
	A. Recap of Previous Meetings	Mona Moon
	B. Proposed Benefit Design Offerings	Caroline Smart
	C. Updated Forecast and Scenario Modeling	Mona Moon

Executive Session *(for Board members only)* *(20 minutes)*
Pursuant to: G.S. 143-318.11(a)(3)

1.	Lake Lawsuit Update	Lotta Crabtree

Dinner

Board of Trustees' Meeting
Department of State Treasurer
Friday, January 25, 2013 - 9:00 a.m. to 3:00 p.m.

AGENDA

1. Welcome — Janet Cowell, Chair

2. Conflict of Interest Statement — Janet Cowell, Chair

3. Review of Minutes — Janet Cowell, Chair
   A. November 19, 2012
   B. December 19, 2012 Teleconference

4. Pharmacy Benefit Language Revisions *(20 minutes)* — Tracy Stephenson
   (Requires Board Vote)

5. Chief Financial Officer Update *(5 minutes)* — Mona Moon
   A. Introduction of Policy Planning & Analytics Staff
      Mark Collins – Financial Analyst
      Tom Friedman – Healthcare Policy Analyst

6. Financial Update *(25 minutes)* — Mona Moon
   A. FY 2012-13 Year to Date Results through December

7. Proposed Legislative Changes *(15 minutes)* — Lotta Crabtree

Break – 15 minutes

8. Recommendation – Truven Healthcare Analytics Agreement (30 minutes) — Lacey Barnes
   (Requires Board Vote)

9. Integrated Health Management Report (30 minutes) — Anne Rogers
   A. Pilot Projects:
      a. Brown Creek Correctional Institution Project
      b. Charlotte Mecklenburg Schools
      c. Department of Health and Human Services
   B. Cardiovascular Health Improvement Summit
   C. Ongoing Member Outreach Efforts

Lunch – 45 minutes

10. Finalize Biennium Plan (1 hr. 45 min) — Janet Cowell, Chair
    (Requires Board Vote)

Executive Session *(for Board members only)*

1. Population Health Management Update (20 minutes) — Lacey Barnes
   . *Pursuant to: G.S. 143-318.11(a)(1) and G.S. 132-1.2*

2. Update on Executive Administrator Search (10 minutes) — Janet Cowell, Chair
   Pursuant to: G.S. 143-318.11(a)(6)

Adjourn — Janet Cowell, Chair

Next Board Meeting: March 21-22

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Biennium Planning

Board of Trustees Meeting

January 24, 2013

A Division of the Department of State Treasurer

Presentation Overview

- Biennium Planning Discussions from Previous Meetings
- Proposed Benefit Design Offerings
  - New Design Features & Products
  - Design Options: Actives & Non-Medicare Retirees
  - Design Options: Medicare Primary Retirees
- Updated Forecast Scenario Modeling
  - Premium Increases
  - State Funding Requirements
  - Monthly Member Premiums
- Decision Points for Friday Meeting

Biennium Planning: Previous Meetings

Biennium Planning Discussions from Previous Meetings

September Meeting: Initial Scenario Modeling

November Meeting: Benefit Design Considerations

Baseline Financial Forecast

September Modeling:

- Reduced trend assumption from 9.5% to 8.5%
- Incorporated Express Scripts Medicare Prescription Drug Plan (PDP) for Medicare primary retirees
  - Employer Group Waiver Plan Plus Wrap (EGWP +) to replace Retiree Drug Subsidy (RDS) program

Additional Changes:

- Remove Certain Exclusions for Dental Services
  - Coverage for accidental injuries, congenital deformity, and diseases due to tumor or infection
- Primary Care Copay for Behavioral Health Services
- Affordable Care Act (ACA) Transitional Reinsurance Fee

ACA Transitional Reinsurance Program Fees

- Supplemental payments to insurers with high risk pools in individual and group markets
- Funding: Plan Sponsors will pay per member per month (PMPM) fee for their active and non-Medicare primary covered lives

Three year program with declining PMPM fee, effective 2014 calendar year (CY)

Year	Targeted Federal Assistance	PMPM *(estimated)*	Projected Cost
CY 2014	$10 billion	$5.25	$33.5 million
CY 2015	$6 billion	$3.15	$20.0 million
CY 2016	$4 billion	$2.10	$13.2 million

September Scenario Modeling

Change Benefit Year

Convert from Fiscal Year to Calendar Year

Impact on Cash Flow and Reserves

Why Convert to Calendar Year

- Alignment of the health benefit with other programs
  - Flexible Spending Accounts
  - Medicare
- Facilitate annual enrollment process
  - Communication and timing of benefit changes & rate increases

Mechanics of Conversion

Convert plan benefit year from Fiscal Year to Calendar Year, effective January 1, 2014

- Modify benefit period and member cost sharing requirements during conversion
- Operate a 6-month "short plan year" or benefit period from July 1st to Dec 31st of 2013
  - Deductibles & out of pocket maximums = ½ of annual amounts
  - Increased claims costs associated with reduced cost sharing
- Operate on Calendar Year after conversion
  - Move scheduled premium increases from July 1st to Jan 1st

Forego premium increase July 1, 2013

Balance to Target Stabilization Reserve at end of Calendar Year

September Scenario Modeling

Medicare Advantage

Offer Fully Insured Medical Only Plan

Spousal/Dependent Premium Reduction

Combine with Prescription Drug Plan (PDP)

Medicare Retiree Plan Types

Medicare Carve Out

- Coordination of Benefits (COB)
- Medicare Pays First
- Plan's PPO Benefit Design (e.g. cost-sharing) Applies to Remaining Balance

Medicare Advantage

- Replaces Traditional Medicare Parts A & B: Hospitalization and Physician & Outpatient Services
- May include Prescription Drug Coverage (Part D)
- PPO or HMO Plans with Enhanced Benefits
- Reduced Cost Sharing; Preventive; Disease & Case Management; Fitness Memberships

Medicare Advantage Plan

Offer fully insured Medicare Advantage (MA) medical only plan, effective January 1, 2014

- Medicare-eligible members
- Reduced medical claims cost
  - Fully insured premium estimated to be less than cost of current self insured carve out option
- Premium reduction for eligible spouses/dependents
- Enhanced benefits relative to current coverage
- Contracts with Humana and United Health Care
  - Considering standard plan and buy-up options

Combine with Prescription Drug Benefit

Consider integrating pharmacy benefits within the Medicare Advantage plan (MA-PDP)

- Improved experience for members
  - Less confusion than with split medical and pharmacy benefit
- Integrated medical and pharmacy management by MA vendors
- Additional savings potential for Plan and members
  - Reduced pharmacy claims cost
  - Fully insured premium is estimated to be less than cost of self insured PDP (EGWP Plus Wrap plan)
  - Premium reduction for eligible spouses/dependents
- Mitigates some cash flow impacts of self insured PDP

Combine with Prescription Drug Benefit

Other Considerations – MA-PDP

- May lessen flexibility
  - Formulary management
  - Utilization management programs
- Potential differences in benefit design and cost sharing
  - Coverage for specialty drugs
- Choice = MA-EGWP + or MA-PDP
  - Disruption/confusion by moving to MA-PDP soon after implementing MA-EGWP +
  - Members will need to renew all existing prior authorizations

September Scenario Modeling

Enhance Benefits

Preventive Services

100% Coverage for PPO Options

Enhance Benefits

Enhance PPO plan options by providing 100% coverage for preventive services, effective January 1, 2014

- No copays, deductibles or coinsurance
- Increased claims cost
  - Associated with elimination of member cost sharing for preventive services
- Determine applicable preventive services

Initial proposal applied enhanced preventive benefit to Standard 80/20 Plan

Revised modeling applies coverage to Basic 70/30 Plan

September Scenario Modeling

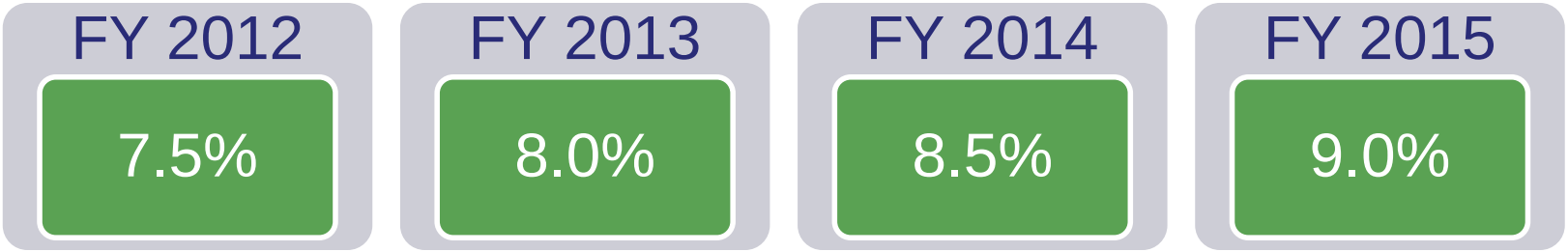
Increase Reserves

Target Stabilization Reserve from 7.5% to 9.0%

Balance at End of Calendar Year

Increase Reserves

Increase Target Stabilization Reserve (TSR) from 7.5% of net claims to 9.0% by 2015



- More closely align reserve target with year end unpaid claims liability (IBNR, Incurred But Not Reported)
- Additional cushion
  - Address adverse claims experience
  - Manage variations in cash flow
- Stabilize premium increases

Analysis of TSR vs. IBNR

Year-ending Cash Balance, TSR and IBNR Claims Liability

A		B	C	D	E	F	G	H	I
		Actual Cash Balance as of June 30th	Actual Paid Claims Fiscal Year	Target Stabilization Reserve, 7.5% of Actual Paid Claims	IBNR Claims Liability as of June 30th	IBNR as % of Actual Paid Claims	Cash Balance Over/(Under) TSR	Cash Balance Over/(Under) IBNR	TSR Over/(Under) IBNR
FY 2007-08	*	$139,744,496	$2,155,977,023	$161,698,277	$263,242,208	12.21%	**($21,953,781)**	**($123,497,712)**	**($101,543,932)**
FY 2008-09		$189,901,048	$2,459,579,317	$184,468,449	$258,150,386	10.50%	**$5,432,599**	**($68,249,338)**	**($73,681,937)**
FY 2009-10		$121,484,030	$2,394,225,189	$179,566,889	$253,329,263	10.58%	**($58,082,859)**	**($131,845,233)**	**($73,762,374)**
FY 2010-11	^	$269,856,217	$2,483,694,744	$186,277,106	$224,217,105	9.03%	**$83,579,111**	**$45,639,112**	**($37,939,999)**
FY 2011-12		$502,247,475	$2,454,808,343	$184,110,626	$244,059,588	9.94%	**$318,136,849**	**$258,187,887**	**($59,948,962)**
				FY 08 to 12 average		**10.40%**	**$65,422,384**	**($3,953,057)**	**($69,375,441)**

* *Held $62.8 million in FY 2007-08 medical and pharmacy claims for payment in FY 2008-09.*

^ *First year Blue Card IBNR calculated separately, approximately $10 million*

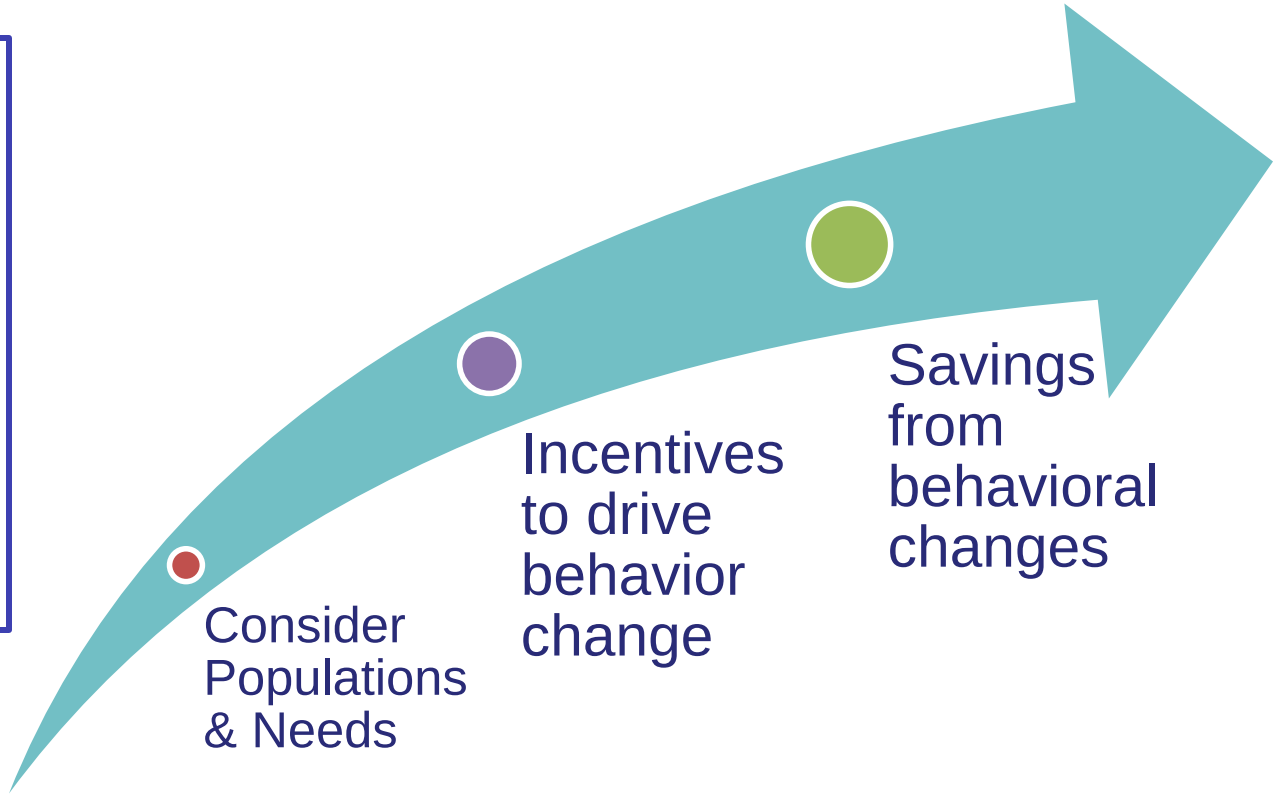
- The traditional TSR benchmark of 7.5% of paid claims underestimates the IBNR year-end claims liability
- Based on recent experience, the TSR benchmark should be increased
  - TSR of 9% - 10% needed for adequate IBNR reserve

Benefit Design Considerations

Adapted From SEGAL

In November the Board reviewed design elements to promote healthy lifestyles

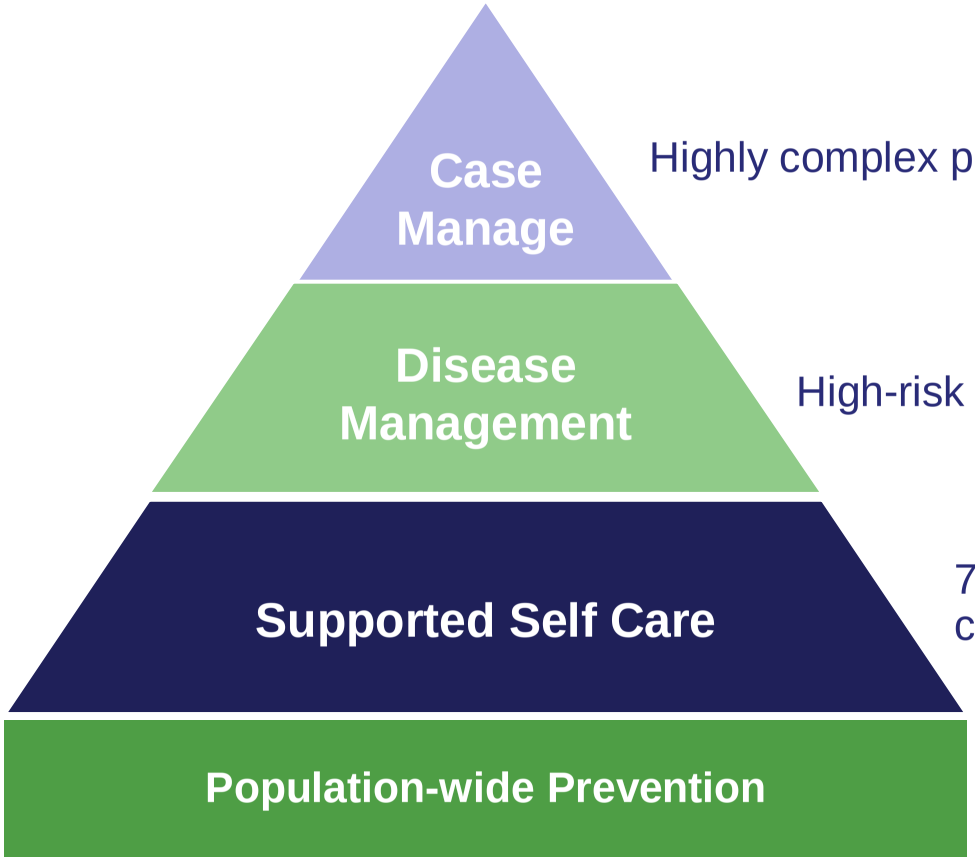
How can benefit design elements be used to lower trend and slow the increases in future funding requirements?



Different Populations-Different Needs

Four key groups must be addressed in any design:

SEGAL



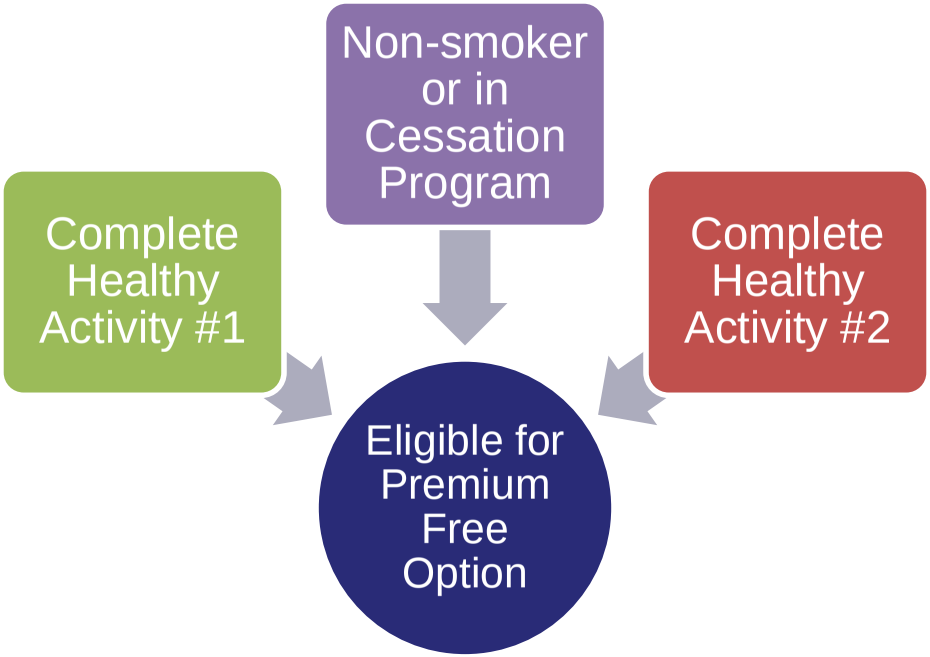
Programs need to be structured to support the wide range of population needs.

Incenting Healthy Behaviors

Establish “wellness premium” to encourage engagement in wellness programs and healthy activities

- Subscriber premium credits earned for completing healthy activities

Reward engagement and healthy activities with reduced premium



Premium free plan can be achieved through premium credits

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

Tiered or Limited Provider Networks

Tiered and limited networks offer fewer, but more strictly managed high quality providers

- Passive or voluntary alternative to broader main network
- Members receive reduced or waived copayments for using selected providers
  - Incent selection of higher quality and better value providers

- Implementation Options:
  - Selected providers in main network
    - BCBSNC's Blue Select Network
    - Hospitals and/or specialists
  - Procedure-based distinctive provider network
    - Bariatric surgery, heart bypass surgery, knee and hip replacement
    - BCBSNC's Blue Distinction Centers

Patient Centered Medical Homes (PCMH)

Improve care coordination to improve patient outcomes

Increase engagement in disease and case management services

- Incent high-risk members to select a primary care physician (PCP) or medical home
- Offer premium credit for PCP selection
- Offer copay reduction for utilizing PCP/PCMH
  - Reduce financial barrier

Consumer Directed Health Plan (CDHP)

Engage members in shopping for health care services

- Member responsible for all costs up to deductible & pays a fixed percentage of costs (coinsurance) after that up to a specified out of pocket maximum
  - Combine with health savings account (HSA) or health reimbursement account (HRA) to offset higher deductible
  - No copays to promote “consumer” awareness regarding costs
- Preventive benefits covered at 100% without impacting account balance

Consumer Directed Health Plan (CDHP)

Design promotes smarter health care purchasing decisions by members

- Reduce utilization of health services (and cost increases) without shifting cost to members
- Higher utilization of disease and case management programs
- Offer CDHP as a third option along with the Basic (70/30) and Standard (80/20) plans
  - Apply “wellness premium” and credits for healthy activities
  - Consider increased account funding
    - PCP/PCMH use
    - Tiered or limited network use

Proposed Benefit Design Offerings

New Plan Design Features & Products: Premium Credits

Premium Credit Requirements – All Non-Medicare Primary Plan Designs

- **Smoker Surcharge** - Subscriber Surcharge must be paid if either the subscriber or the spouse does not attest to being a non-smoker or to being a smoker in a smoking cessation program.
- **PCP Selection** - PCP Selection premium must be paid unless all family members select a PCP during annual enrollment. While a member can change a PCP at any time or select a PCP for the first time after annual enrollment, a valid PCP must be selected for each family member during annual enrollment to qualify for the premium credit.
- **Health Assessment (HA)** – HA premium must be paid if the subscriber does not complete an HA between July 1, 2013 and the end of annual enrollment. Health Assessments taken prior to July 1, 2013 may not count towards the HA premium reduction.

New Plan Design Features & Products: CDHP

High Deductible Health Plan with a Health Reimbursement Account (HRA)
(Not Available for Medicare Primary Retirees)

- **High Annual Deductibles –** There are no copays on this plan
  - **$1500 Individual Deductible**
  - **$4500 Family Deductible**
- **Preventive services -** Covered at 100%
- **Plan Funded HRA –** Provides coverage to offset high deductible
  - **$500 funded for Employee**
  - **$1500 funded for Employee + 1**
  - **$2000 funded for Employee + Family**
- **Additional HRA Funds**
  - Members who visit their PCP or access the Blue Select network may have an opportunity to earn additional HRA funds

Plan Designs Features and Products: Copay Waivers & Reductions

Additional PCP Incentive for Base and Buy-Up Plans

- **PCP Copay Reduction -** In addition to receiving a premium credit, members who elect a PCP during annual enrollment, will receive a $15 copay reduction when they visit the PCP listed on their ID Card. The copay reduction will also apply if the member visits another provider within the practice. The copay reduction will not apply if the member sees a provider outside the practice or if the member elects a PCP for the first time after annual enrollment.

***Blue Select Rewards –**

- **Special Copay Reduction –** Members who utilize a Blue Select provider will receive a $10 copay reduction.
- **Copay Waiver –** Members who utilize a Blue Select hospital will have their inpatient hospital copay waived.

*We are unable to incorporate BCBSNC's Blue distinction centers into the incentive based plan design at this time. We will revisit this option in the future.

Plan Design Options for Actives/Non-Medicare Eligible Retirees

Employees and Non-Medicare Eligible Retirees can earn premium credits on all Plan Design Options

	Base Plan 70/30	Buy-Up Plan 80/20	Consumer Driven Health Plan 85/15
	Premium Credits		
Wellness Incentives Premium Reductions	Smoker Surcharge $40	Smoker Surcharge $40	Smoker Surcharge $40
	PCP Election Each family member must elect a PCP $20	PCP Election Each family member must elect a PCP $25	PCP Election Each family member must elect a PCP $20
	Health Assessment (HA) Subscriber must complete HA $20	Health Assessment (HA) Subscriber must complete HA $25	Health Assessment (HA) Subscriber must complete HA $20

While a member can select or change a PCP after annual enrollment, only members who select a PCP during annual enrollment can earn the premium credit and PCP copay reduction.

Both the Base and the Buy-Up plan designs are copay based plans.

The CDHP is a deductible and coinsurance plan design with a Health Reimbursement Account (HRA) layered on top to offset the Member's deductible.

There are additional copays on the Base and Buy-Up Plans not shown here.

The CDHP is always deductible/coinsurance based.

Plan Design Options - Active Employees and Non-Medicare Primary Retirees			
	Base Plan 70/30	Buy-Up Plan 80/20	Consumer Driven Health Plan 85/15
	Out-Of-Pocket Costs		
PCP Office Visit	**$35 Co-Pay** *$15 PCP co-pay reduction for members who visit the PCP listed on their card*	**$30** Co-Pay *$15 PCP co-pay reduction for members who visit the PCP listed on their card*	**Deductible/15% Coinsurance** *Members have opportunity to earn additional HRA funds when they visit the PCP listed on their card*
Specialist Visit	**$81 Co-Pay** Co-pay Reduced by $10 when a Blue Select Provider is utilized	**$70 Co-Pay** Co-pay Reduced by $10 when a Blue Select Provider is utilized	**Deductible/15% Coinsurance** *Members have opportunity to earn additional HRA funds when they utilize a Blue Select Provider*
Inpatient Hospital Confinement	**$291 Co-Pay/Annual Deductible/30% Coinsurance** Co-Pay waived when confinement is in a Blue Select Hospital	**$233 Co-Pay/Annual Deductible/20% Coinsurance** Co-Pay waived when confinement is in a Blue Select Hospital	**Deductible/15% Coinsurance** *Members have opportunity to earn additional HRA funds when they utilize a Blue Select Provider*
Annual Deductibles	**$933** Individual **$2799** Family	**$700** Individual **$2100** Family	**$1500** Individual **$4500** Family (HRA Account balances may offset a percentage of deductible)
Coinsurance or Out-of-Pocket Maximums	**$3,793** Individual Coins Max **$11,379** Family Coins Max	**$3,210** Individual Coins Max **$9,630** Family Coins Max	**$3,000** Individual OOP Max **$9,000** Family OOP Max

Plan Design Options for Actives/Non-Medicare Eligible Retirees

While all three plan designs offer 100% coverage for preventive services, the CDHP Plan also covers a portion of the deductible(s) via the HRA Account.

Plan Design Options - Active Employees and Non-Medicare Primary Retirees			
	Base Plan 70/30	Buy-Up Plan 80/20	Consumer Driven Health Plan 85/15
First Dollar Coverage			
HRA Account Contributions	NA	NA	**$500** Employee Only Account **$1000** Employee + 1 Account **$1500** Employee + Family Account (Additional incentive HRA funds may be earned)
Preventive Services	**100%** Coverage for all Preventive Services performed by a Network Provider in a non-hospital setting	**100%** Coverage for all Preventive Services performed by a Network Provider in a non-hospital	**100%** Coverage For All Preventive Services provided by a Network Provider in a non-hospital setting

Plan Designs Features and Products: Medicare Primary Retirees

Medicare Advantage - While we will not be able to finalize the specific details of the Medicare Advantage Plan Designs until the rates are available from CMS later this spring, each vendor will provide a Base and Buy-Up Option.

- **Base Plan** will be modeled after the current 80/20 PPO which means the overall out-of-pockets for the Medicare Advantage Plan and the 80/20 PPO, which is a Medicare "Secondary" plan, should be the same.
- **Buy-Up Plan** will offer lower copays and deductibles.

Traditional Plan Option - Retirees electing to opt-out of Medicare Advantage will have the option of electing the current 70/30 PPO Plan on the BCBSNC platform. As a reminder, the 70/30 PPO plan provides secondary coverage for traditional Medicare and is offered at no cost to the Retiree (zero employee premium).

Important: The Medicare Advantage Plans on the following pages are not finalized.

Plan Designs Features and Products: Medicare Primary Retirees

Plan Design Options - Medicare Primary Retirees			
	Traditional Plan (BCBSNC) 70%	Base Medicare Advantage 80%	Buy-Up Medicare Advantage 100%
	Out-Of-Pockets		
PCP Office Visit	**$35 Co-Pay**	**$20** Co-Pay	**$10 Co-Pay**
Specialist Visit	**$81 Co-Pay**	**$40 Co-Pay**	**$35 Co-Pay**
Urgent Care	**$87 Co-pay**	**$50 Co-Pay**	**$35 Co-Pay**
Emergency Room	**$291 Co-Pay/Annual Deductible/30% Coinsurance**	**$65 Co-Pay**	**$50 Co-Pay**
Inpatient Hospital Confinement	**$291 Co-Pay/Annual Deductible/30% Coinsurance**	**$160/day (Days 1 -10) Zero after**	**$150/day (Days 1 -10) Zero after**
Skilled Nursing Facility	**Annual Deductible/30% Coinsurance (Maximum of 100 days per benefit period)**	**$0 per day, days 1 - 20 $50 per day, days 21 - 100**	**$0 per day, days 1 - 20 $50 per day, days 21 - 100**
Annual Deductibles	**$933** Individual **$2799** Family	**$0**	**$0**

Plan Designs Features and Products: Medicare Primary Retirees

Plan Design Options - Medicare Primary Retirees			
	Traditional Plan (BCBSNC) 70%	Base Medicare Advantage 80%	Buy-Up Medicare Advantage 100%
	Out-Of-Pockets		
Outpatient Hospital Services	**Annual Deductible/30% Coinsurance**	**$125 Co-Pay**	**$50 Co-Pay**
Outpatient Surgery	**Annual Deductible/30% Coinsurance**	**$250 Co-Pay**	**$100 Co-Pay**
Outpatient Lab & X-ray	**Annual Deductible/30% Coinsurance**	**$40 Co-Pay**	**$25 Co-Pay**
MRI, CT & Pet Scans	**Annual Deductible/30% Coinsurance**	**$100 Co-Pay**	**$50 Co-Pay**
Physical, Speech, Occupational Therapy	**$64 Co-Pay**	**$20 Co-Pay**	**$10 Co-Pay**
Chiropractic Visits	**$64 Co-Pay**	**$20 Co-Pay**	**$10 Co-Pay**
Preventive Services	**$35 Co-Pay**	**Covered 100%**	**Covered 100%**
Coinsurance or Out-of-Pocket Maximums	**$3,793** Individual Coins Max **$11,379** Family Coins Max	**$4,000** Individual OOP Max (There is no family maximum)	**$2,600** Individual OOP Max (There is no family maximum)

Plan Designs Features and Products: Medicare Primary Retirees

Plan Design Options - Medicare Primary Retirees			
	Traditional Plan (BCBSNC) 70%	Base Medicare Advantage 80%	Buy-Up Medicare Advantage 100%
	Out-Of-Pockets		
Additional Services			
Fitness	**Not covered**	**Silver Sneakers**	**Silver Sneakers**
Routine Eye Exam	**Not covered**	**$40 Co-Pay**	**$35 Co-Pay**
Routine Hearing Exams	**Not covered**	**$40 Co-Pay**	**$35 Co-Pay**
Routine Dental Services	**Not covered**	**$40 Co-Pay**	**$35 Co-Pay**
Part B Drugs			
Immunosuppressive, Oral Chemotherapy, Anti-nausea, Inhalation Solutions, Hemophilia Clotting Factors, Antigens, OP Injectable Medications Administered in a Physician's	**$35 office copay**	**20% Coinsurance**	**TBD**
Part D - Retail Drugs			
Generic	$12	$10	$5
Preferred Brand	$40	$40	$30
Non-Preferred Brand	$64	$64	$40
Specialty Drugs	25% ($100 Max)	25% ($100 Max)	25% ($95 Max)
Maintenance Drugs (Up to 90 Day Supply)			
Generic	$36	$24	$10
Preferred Brand	$120	$80	$60
Non-Preferred Brand	$192	$128	$80
Specialty Drugs	25% ($300 Max)	25% ($300 Max)	25% ($190Max)

Plan Design Options: Retirees

The Plan has an obligation to offer a "noncontributory" or "premium-free" plan to retirees

Noncontributory Coverage – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions Of G.S. 135-48.43:

(1) Retired teachers, State employees, members of the General Assembly, and retired law enforcement officers who retired under the Law Enforcement Officers' Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1,1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For Employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.

(2) Surviving spouses of:

a. Deceased retired employees, provided the death of the former plan member occurred prior to October 1, 1986; and

b. Deceased teachers, State employees, and members of the General Assembly who are receiving a survivor's alternate benefit under any of the State-supported retirement programs, provided the death of the former plan member occurred prior to October 1, 1986.

Noncontributory Offer Scenarios

- **Early Retirees** (Non-Medicare Primary)
  - In addition to the incentive plan designs, offer the current premium-free Traditional 70/30 PPO Plan
- **Medicare Primary Retirees**
  - Allow the Base Medicare Advantage plan to serve as the premium-free plan
  - In addition to the premium-free Base Medicare Advantage plan, offer the Traditional 70/30 PPO plan as a Medicare Advantage alternative

Updated Forecast Scenario Modeling

Review Initial Scenarios

Modeling Wellness Initiatives

Updated Summary of Initial Forecast Scenarios

		Premium Increases			General Fund Requirements				
		Date	Biennium		Fiscal Year		Total		
			2013-15	2015-17	2013-14	2014-15			
1	**1Q Baseline Update** 8.5% trend, EGWP	July 1st	1.1%	15.4%	$20.3 m	$40.6 m	$60.9 m		
2	**Add ACA Transitional Reinsurance Fee**	July 1st	1.6%	14.9%	$29.8 m	$59.9 m	$89.7 m		
3	**Modify Dental & Behavioral Health** Effective July 1, 2013	July 1st	1.7%	14.8%	$32.6 m	$65.5 m	$98.1 m		
								Dec 2015 cash	**# weeks expenses**
4	**Convert to Calendar Year** Forego July 1, 2013 increase								
	Balance Reserve End of FY	Jan 1st	3.2%	19.0%	$30.6 m	$92.4 m	$123.0 m	$77.7 m	1.1
	Balance Reserve End of CY	Jan 1st	5.1%	12.7%	$48.2 m	$146.5 m	$194.7 m	$242.5 m	3.4
5	**Offer Medicare Advantage Plan** Effective Jan 1, 2014								
	Balance Reserve End of CY	Jan 1st	4.2%	13.1%	$40.1 m	$121.7 m	$161.8 m	$238.8 m	3.4
6	**100% Preventive Benefits** Applies to 70/30 & 80/20 Effective Jan 1, 2014								
	Balance Reserve End of CY	Jan 1st	5.3%	12.7%	$50.6 m	$154.0 m	$204.6 m	$242.8 m	3.4
7	**Increase Stabilization Reserve** From 7.5% of claims to 9.0% by 2015								
	Balance Reserve End of CY	Jan 1st	5.9%	12.0%	$55.8 m	$169.9 m	$225.7 m	$291.3 m	4.1

Modeling Wellness Initiatives

Board "Consensus" Scenario

- Offer CDHP Option
- Apply Smoker Surcharge = $40
- Apply Wellness Premium = $40 ($20 PCP Selection & $20 Health Assessment)
- Subscriber Premium Credits: Opportunity to earn up to $80
- PCP Copay Reduction: Members selecting PCP during annual enrollment receive a $15 copay reduction when they visit the PCP listed on their ID Card
- Tiered Network Rewards:
  - Inpatient Copay Waiver for Members using Blue Select hospital
  - Specialist Copay Reduction: Members using Blue Select provider will receive a $10 copay reduction

Board Consensus Scenario

Compared to Updated Initial Scenario Design

		Premium Increases		General Fund Requirements		
	Date	Biennium		Fiscal Year		Total
		2013-15	2015-16	2013-14	2014-15	
1	**Design Scenario Before Wellness Initiatives**	Jan 1st	5.9%	12.0%	$55.8 m	$169.9 m	$225.7 m
2	**Board Consensus Wellness Initiatives**	Jan 1st	4.2%	10.0%	$40.2 m	$121.9 m	$162.1 m

Summary of Financial Impact	**2014**	**2015**	**2016**	**2017**	**Total**
CDHP Plan Option	$4.2 m	$11.1 m	$21.1 m	$34.5 m	$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	$52.9 m	$81.2 m	$121.8 m	$167.9 m	$423.8 m
PCP Copay Reduction	($17.6) m	$1.6 m	$22.6 m	$45.2 m	$51.8 m
Tiered Network Rewards	$3.6 m	$4.2 m	$4.7 m	$5.3 m	$17.8 m
Total	**$43.1 m**	**$98.1 m**	**$170.2 m**	**$252.9 m**	**$564.3 m**

Additional Modeling Scenarios

Variations of Board Consensus Scenario

- MA-PDP in lieu of MA-EGWP +
- Maintain Current Premium Free 70/30 Plan Option
  - No Smoker Surcharge or Wellness Premium
  - No Preventive Benefit Enhancement
    - Retiree Only Version
    - Actives & Retirees Version
- Increase Premium Credits for 80/20 Plan Option
  - PCP Selection from $20 to $25
  - HA Completion from $20 to $25
    - Reduces base employee/retiree premium

Variation of Board Consensus Scenario

MA-PDP in lieu of MA-EGWP +

		Premium Increases			General Fund Requirements	
		Date	Biennium		Fiscal Year	Total
			2013-15	2015-16	2013-14 2014-15	
1	**Board Consensus Wellness Initiatives**	Jan 1st	4.2%	10.0%	$40.2 m	$121.9 m $162.1 m
2	**With MA-PDP**	Jan 1st	3.4%	10.7%	$32.7 m	$99.0 m $131.7 m

Summary of Financial Impact	**2014**	**2015**	**2016**	**2017**	**Total**
Impact of Switching from MA-EGWP+ to MA-PDP					
Revenue Impact	($76.4) m	($116.8) m	($121.8) m	($126.8) m	($441.8) m
Expenditure Impact	($110.6) m	($139.8) m	($141.3) m	($142.7) m	($534.4) m
Net Impact	**$34.2 m**	**$23.0 m**	**$19.4 m**	**$15.9 m**	**$92.5 m**

Variation of Board Consensus Scenario

Maintain Current Premium Free 70/30 Plan Option for Retirees

		Premium Increases			General Fund Requirements		
		Date	Biennium		Fiscal Year		Total
			2013-15	2015-16	2013-14	2014-15	
1	**Board Consensus Wellness Initiatives**	Jan 1st	4.2%	10.0%	$40.2 m	$121.9 m	$162.1 m
2	**70/30 Premium Free for Retirees**	Jan 1st	4.3%	10.2%	$41.2 m	$124.8 m	$166.0 m

Summary of Financial Impact	**2014**	**2015**	**2016**	**2017**	**Total**
Board Consensus Wellness Initiatives					
CDHP Plan Option	$4.2 m	$11.1 m	$21.1 m	$34.5 m	$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	$52.9 m	$81.2 m	$121.8 m	$167.9 m	$423.8 m
PCP Copay Reduction	($17.6) m	$1.6 m	$22.6 m	$45.2 m	$51.8 m
Tiered Network Rewards	$3.6 m	$4.2 m	$4.7 m	$5.3 m	$17.8 m
Total	**$43.1 m**	**$98.1 m**	**$170.2 m**	**$252.9 m**	**$564.3 m**
70/30 Premium Free for Retirees					
CDHP Plan Option	$4.2 m	$10.9 m	$20.7 m	$33.9 m	$69.7 m
Smoker Surcharge/Wellness Premiums & Credits	$46.7 m	$71.7 m	$108.1 m	$149.3 m	$375.8 m
PCP Copay Reduction	($15.6) m	$1.4 m	$19.6 m	$38.7 m	$44.1 m
Tiered Network Rewards	$3.2 m	$3.7 m	$4.1 m	$4.5 m	$15.5 m
Total	**$38.5 m**	**$87.7 m**	**$152.5 m**	**$226.4 m**	**$505.1 m**
Net Impact	**($4.6) m**	**($10.4) m**	**($17.7) m**	**($26.5) m**	**($59.2) m**

Variation of Board Consensus Scenario

Maintain Current Premium Free 70/30 Plan Option for All

	Premium Increases			General Fund Requirements		
	Date	Biennium		Fiscal Year		Total
		2013-15	2015-16	2013-14	2014-15	
Board Consensus Wellness Initiatives	Jan 1st	4.2%	10.0%	$40.2 m	$121.9 m	$162.1 m
70/30 Premium Free for Actives & Retirees	Jan 1st	4.8%	10.8%	$45.9 m	$139.6 m	$185.5 m

Summary of Financial Impact	**2014**	**2015**	**2016**	**2017**	**Total**
Board Consensus Wellness Initiatives					
CDHP Plan Option	$4.2 m	$11.1 m	$21.1 m	$34.5 m	$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	$52.9 m	$81.2 m	$121.8 m	$167.9 m	$423.8 m
PCP Copay Reduction	($17.6) m	$1.6 m	$22.6 m	$45.2 m	$51.8 m
Tiered Network Rewards	$3.6 m	$4.2 m	$4.7 m	$5.3 m	$17.8 m
Total	**$43.1 m**	**$98.1 m**	**$170.2 m**	**$252.9 m**	**$564.3 m**
70/30 Premium Free for Actives & Retirees					
CDHP Plan Option	$4.3 m	$9.7 m	$18.0 m	$29.4 m	$61.4 m
Smoker Surcharge/Wellness Premiums & Credits	$14.8 m	$26.0 m	$44.8 m	$66.4 m	$152.0 m
PCP Copay Reduction	($11.9) m	$1.1 m	$16.1 m	$33.3 m	$38.6 m
Tiered Network Rewards	$2.2 m	$2.5 m	$2.7 m	$3.0 m	$10.3 m
Total	**$9.4 m**	**$39.3 m**	**$81.6 m**	**$132.1 m**	**$262.3 m**
Net Impact	**($33.7) m**	**($58.8) m**	**($88.6) m**	**($120.8) m**	**($302.0) m**

Variation of Board Consensus Scenario

Increase Premium Credits 80/20 Plan Option

		Premium Increases			General Fund Requirements		
		Date	Biennium		Fiscal Year		Total
			2013-15	2015-16	2013-14	2014-15	
1	**Board Consensus Wellness Initiatives**	Jan 1st	4.2%	10.0%	$40.2 m	$121.9 m	$162.1 m
2	**With 80/20 Premium Credit**	Jan 1st	4.8%	9.7%	$45.3 m	$137.5 m	$182.8 m

Summary of Financial Impact	**2014**	**2015**	**2016**	**2017**	**Total**
Board Consensus Wellness Initiatives					
CDHP Plan Option	$4.2 m	$11.1 m	$21.1 m	$34.5 m	$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	$52.9 m	$81.2 m	$121.8 m	$167.9 m	$423.8 m
PCP Copay Reduction	($17.6) m	$1.6 m	$22.6 m	$45.2 m	$51.8 m
Tiered Network Rewards	$3.6 m	$4.2 m	$4.7 m	$5.3 m	$17.8 m
Total	**$43.1 m**	**$98.1 m**	**$170.2 m**	**$252.9 m**	**$564.3 m**
With 80/20 Premium Credit					
CDHP Plan Option	$4.2 m	$11.1 m	$21.1 m	$34.5 m	$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	$28.5 m	$58.4 m	$100.7 m	$148.4 m	$336.0 m
PCP Copay Reduction	($17.6) m	$1.6 m	$22.6 m	$45.2 m	$51.8 m
Tiered Network Rewards	$3.6 m	$4.2 m	$4.7 m	$5.3 m	$10.3 m
Total	**$18.7 m**	**$75.3 m**	**$149.1 m**	**$233.4 m**	**$469.0 m**
Net Impact	**($24.4) m**	**($22.8) m**	**($21.1) m**	**($19.5) m**	**($95.3) m**

Summary All Modeling Scenarios

		Premium Increases			General Fund Requirements		
		Date	Biennium		Fiscal Year		Total
			2013-15	2015-16	2013-14	2014-15	
1	**Design Scenario Before Wellness Initiatives**	Jan 1st	5.9%	12.0%	$55.8 m	$169.9 m	$225.7 m
	with MA-PDP	Jan 1st	5.1%	12.7%	$0.5 m	$1.5 m	$2.0 m
2	**Board Consensus Wellness Initiatives**	Jan 1st	4.2%	10.0%	$40.2 m	$121.9 m	$162.1 m
	with MA-PDP	Jan 1st	3.4%	10.7%	$32.7 m	$99.0 m	$131.7 m
	with 80/20 Premium Credit	Jan 1st	4.8%	9.7%	$45.3 m	$137.5 m	$182.8 m
	with Both	Jan 1st	4.0%	10.4%	$37.9 m	$114.7 m	$152.6 m
3	**70/30 Premium Free for Retirees**	Jan 1st	4.3%	10.2%	$41.2 m	$124.8 m	$166.0 m
	with MA-PDP	Jan 1st	3.5%	11.0%	$33.7 m	$102.0 m	$135.7 m
	with 80/20 Premium Credit	Jan 1st	4.8%	9.9%	$45.8 m	$139.2 m	$185.0 m
	with Both	Jan 1st	4.0%	10.6%	$38.4 m	$116.4 m	$154.8 m
4	**70/30 Premium Free for Actives & Retirees**	Jan 1st	4.8%	10.8%	$45.9 m	$139.6 m	$185.5 m
	with MA-PDP	Jan 1st	4.1%	11.5%	$38.5 m	$116.7 m	$155.2 m
	with 80/20 Premium Credit	Jan 1st	5.4%	10.5%	$51.3 m	$156.1 m	$207.4 m
	with Both	Jan 1st	4.6%	11.2%	$43.9 m	$133.3 m	$177.2 m

Decision Points

Finalize Plan Design for Legislative Funding Proposal

Benefit Design Decisions Needed

1. Convert to Calendar Year Jan 1, 2014
2. Increase Target Stabilization Reserve
   a. Percentage
   b. Time Period for Increase
3. Offer Medicare Advantage
   a. MA Only
   b. MA-PDP
4. Offer CDHP

Still to be Determined: Final Benefit Designs for Medicare Advantage and Consumer Directed Health Plan Options

Benefit Design Decisions Needed

5. Structure for Wellness Initiatives
   a. Add Smoker Surcharge Wellness Premiums & Credits
      i. Amount for each plan option
   b. Modify or Maintain Current 70/30 Plan Option
      i. Retirees
      ii. Actives
      iii. Cover Preventive Benefits at 100%
   c. Offer Copay Reductions
      i. PCP Visits
      ii. Tiered Networks

Sample Monthly Premium Rates

Board Consensus Scenario

Premium Increase **4.2%**

	Actives				
	Basic Plan 70/30				
Non-Medicare for both Employee & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Employee	80.00	0.00	0.00	80.00	0.00
Employee+Child(ren)	80.00	0.00	206.44	286.44	206.44
Employee+Spouse	80.00	0.00	531.92	611.92	531.92
Employee+Family	80.00	0.00	566.54	646.54	566.54
	Standard Plan 80/20				
Non-Medicare for both Employee & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Employee	103.72	23.72	0.00	103.72	23.72
Employee+Child(ren)	103.72	23.72	274.55	378.27	298.27
Employee+Spouse	103.72	23.72	632.57	736.29	656.29
Employee+Family	103.72	23.72	670.65	774.38	694.37
	CDHP				
Non-Medicare for both Employee & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Employee	80.00	0.00	0.00	80.00	0.00
Employee+Child(ren)	80.00	0.00	185.80	265.80	185.80
Employee+Spouse	80.00	0.00	478.73	558.73	478.73
Employee+Family	80.00	0.00	509.89	589.89	509.89

Sample Monthly Premium Rates

Variation on Board Scenario

Premium Increase **4.8%**

Maintain Current Premium Free 70/30 Plan Option for Retirees
Increase Premium Credits 80/20 Plan Option

	Actives				
	Basic Plan 70/30				
Non-Medicare for both Employee & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Employee	80.00	0.00	0.00	80.00	0.00
Employee+Child(ren)	80.00	0.00	207.61	287.61	207.61
Employee+Spouse	80.00	0.00	534.94	614.94	534.94
Employee+Family	80.00	0.00	569.76	649.76	569.76
	Standard Plan 80/20				
Non-Medicare for both Employee & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Employee	103.86	13.86	0.00	103.86	13.86
Employee+Child(ren)	103.86	13.86	276.11	379.96	289.96
Employee+Spouse	103.86	13.86	636.16	740.01	650.01
Employee+Family	103.86	13.86	674.46	778.32	688.32
	CDHP				
Non-Medicare for both Employee & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Employee	80.00	0.00	0.00	80.00	0.00
Employee+Child(ren)	80.00	0.00	186.85	266.85	186.85
Employee+Spouse	80.00	0.00	481.44	561.44	481.44
Employee+Family	80.00	0.00	512.78	592.78	512.78

Sample Monthly Premium Rates

Board Consensus Scenario

Premium Increase **4.2%**

	Non-Medicare Retirees				
	Basic Plan 70/30				
Non-Medicare for both Retiree & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Retiree	80.00	0.00	0.00	80.00	0.00
Retiree+Child(ren)	80.00	0.00	206.44	286.44	206.44
Retiree+Spouse	80.00	0.00	531.92	611.92	531.92
Retiree+Family	80.00	0.00	566.54	646.54	566.54
	Standard Plan 80/20				
Non-Medicare for both Retiree & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Retiree	103.72	23.72	0.00	103.72	23.72
Retiree+Child(ren)	103.72	23.72	274.55	378.27	298.27
Retiree+Spouse	103.72	23.72	632.57	736.29	656.29
Retiree+Family	103.72	23.72	670.65	774.38	694.37
	CDHP				
Non-Medicare for both Retiree & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Retiree	80.00	0.00	0.00	80.00	0.00
Retiree+Child(ren)	80.00	0.00	185.80	265.80	185.80
Retiree+Spouse	80.00	0.00	478.73	558.73	478.73
Retiree+Family	80.00	0.00	509.89	589.89	509.89

Sample Monthly Premium Rates

Variation on Board Scenario

Premium Increase **4.8%**

Maintain Current Premium Free 70/30 Plan Option for Retirees

Increase Premium Credits 80/20 Plan Option

	Non-Medicare Retirees				
	Basic Plan 70/30				
Non-Medicare for both Retiree & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Retiree	0.00	0.00	0.00	0.00	0.00
Retiree+Child(ren)	0.00	0.00	207.61	207.61	207.61
Retiree+Spouse	0.00	0.00	534.94	534.94	534.94
Retiree+Family	0.00	0.00	569.76	569.76	569.76
	Standard Plan 80/20				
Non-Medicare for both Retiree & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Retiree	103.86	13.86	0.00	103.86	13.86
Retiree+Child(ren)	103.86	13.86	276.11	379.96	289.96
Retiree+Spouse	103.86	13.86	636.16	740.01	650.01
Retiree+Family	103.86	13.86	674.46	778.32	688.32
	CDHP				
Non-Medicare for both Retiree & Dependents	Employee Monthly Premium		Dependent Monthly Premium	Total Monthly Premium	
	High	Low		High	Low
Retiree	80.00	0.00	0.00	80.00	0.00
Retiree+Child(ren)	80.00	0.00	186.85	266.85	186.85
Retiree+Spouse	80.00	0.00	481.44	561.44	481.44
Retiree+Family	80.00	0.00	512.78	592.78	512.78

Strategic Planning Discussion
1/25/13

DRAFT

1. Approval of Mission Statement

   Our mission is to improve health and healthcare of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of the State of North Carolina for improving their health and wellbeing.

2. Draft Operating Principles

   a. With Respect to Plan Members
      i. Outreach and education will lead to patient satisfaction and better use of the plan. A key of our strategy will be to emphasize communication as much as possible.
      ii. We are at the limit of what we can manage by increasing copays. Restricting utilization has gone too far and it's beginning to alter health behavior.
      iii. Chronic diseases and combinations of chronic diseases will drive the growth of expense over the next number of years and we need to deal with this core driver of cost and patient experience.
      iv. Lack of coordination of care with multiple sites of care and overly intense emergency room, hospitalization and subspecialty care is a key cost driver.

   b. How We Will Do Business
      i. Transparency to plan members and doctors has to be an element.
      ii. Education and engagement of our population of employees will be the key to our future.
      iii. We must continue to focus on the longer term – the 4-8 year period and not just the short term (the next biennium).
      iv. We must put in place interventions that have an impact on the longer term bottom line.
      v. We will guide but not force patient choices through benefit structure, copays and others.
      vi. We are stewards of the availability and appropriateness of the health care services available to our members across the state.
      vii. On behalf of our members, and working with our providers, the SHP will take responsibility for improving the patient experience, quality and cost effectiveness of care it makes possible.

3. Environmental Scan/External – Key Issues and implications for SHP time should be spend on discussion of implications for our SHP strategic plan:
    a. ACA implementation in NC—key issue and implications
        i. Medicaid Expansion; implications for SHP
        ii. ACO spread
        iii. Health insurance exchange
    b. Health care consolidation and implications for members
    c. Multipayer and Beacon projects—intent, current status and design; SHP data participation in multipayer projects
    d. Health information exchange—current status
    e. Relationship with existing partners, including CCNC, BCBS, and Active Health
    f. New partners—Insurance Commissioner, other organizations

4. Environmental Scan/Internal—
    a. Quality of Care (Hedis results compared to other BCBS commercial contracts, Medicaid, plus other measures)
    b. Patient experience
        i. Geographic dispersion for primary, specialty care and hospitals
        ii. Ability to get in same day (or whatever patient experience numbers are)
        iii. Copays, coinsurance compared to benchmarks, over time
    c. Cost of care
        i. Where total (plan plus patients) dollars go (hospital (IP/OP), pharm, primary care, specialty care, ED, urgent care, dme, etc)
        ii. Trends, comparison to benchmarks and other insurance plans
        iii. "SHP fiscal cliff"—projected cost increases in biennium 2 and 3

5. Additional Policy Options
    a. In December, we asked for further study of several modest steps to promote prevention and better coordination of care through support of wellness services, reduced fees for Patient Centered Medical Homes ("PCMH"), for clients identifying a PCMH and for chronic disease meds.
    b. To address the SHP fiscal cliff we need to consider bolder steps
        i. Support PCMH with care management and data
            1. Recommend SHP data be combined with Medicaid and Medicare data and made available to
            2. Use care management system (*e.g.,* CCNC)
            3. Consider payment reform
        ii. Payment reform
            1. Explore payment structure, and alter payment structure across physicians, hospitals and other providers. How much money is there here?
            2. Stop incenting volume; rather, incent patient experience, quality and cost effectiveness
            3. Combined strategy: incent PCMH care management and explore aggressive implementation of value based purchasing for major procedures.

4. Consider absolute cap on expenditures (like NY Medicaid)

iii. Delivery system reform
    1. Explore aggressive consumer based health care, with protection for primary care and prevention.
    2. Self-management incentives
    3. What changes do we want to create in the delivery system over the next 4-6 years?

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2013 Pharmacy Benefit Language Revisions

Tracy Stephenson and Sally Morton, PharmD

January 25, 2013

2013 Pharmacy Benefit Language Revisions

- ✓Re-name Prescription Benefit Tiers *(Traditional Pharmacy Benefit)*
- ✓Specialty Pharmacy Benefit Language
- ✓Benefit Exclusion for all Medical Foods

Current and Proposed Pharmacy Benefit Tiers

Tiers	Current	Proposed
Tier 1	Generics	Lower-cost medications, which would include mostly generic drugs.
Tier 2	Preferred Brand	Preferred brand medications, including some high cost generic drugs and compound drugs.
Tier 3	Non-Preferred Brand	All other non-preferred brand drugs for which alternatives are available in lower tiers.
Brand name drug with a generic equivalent	Generic copay + the difference between the Plan's cost of the brand name drug and the Plan's cost of the generic drug not to exceed $100 per a 30-day supply of the brand medication.	Tier 1 copay + the difference between the Plan's cost of the brand name drug and the Plan's cost of the generic drug not to exceed $100 per a 30-day supply of the brand medication.
Tier 4	All Specialty Medications	Preferred Specialty medications which may include some Biosimilar specialty medications.
Tier 5	n/a	Non-preferred Specialty medications which may include some Biosimilar specialty medications.

Rationale for Benefit Tier Changes

- Many generics are introduced to the market now with marketing exclusivity for 6 months for one manufacturer which usually results in a costly generic when first released.
- Allows the Plan to place high cost generic medications in a higher copay tier when other less costly, higher value generic medications are available.
- Provides cost differential in generic tiers to incentivize medications with higher therapeutic value.
- Allows the Plan to have multiple specialty pharmacy copay tiers to differentiate member cost share for preferred and non-preferred specialty medications when Biosimilars become available.
- *The Plan, with guidance from the Plan's Pharmacy and Therapeutics committee, will classify drugs into the appropriate tiers based on safety, therapeutic value, clinical effectiveness, and cost-effectiveness of the medication.*

Current and Proposed Specialty Definition

Current Specialty Definition	Proposed Specialty Definition
Specialty medications are covered biotech medications and other medications designated and classified by the Plan as specialty medications that are significantly more expensive than alternative drugs or therapies.	Specialty and biosimilar medications are covered biotech medications and other medications designated and classified by the Plan as specialty medications that are significantly more expensive than alternative drugs or therapies.
Medications classified by the State Health Plan as specialty medications meet all of the following conditions: • Have unique uses for the treatment of complex diseases • Require special dosing or administration • Require special handling • Are typically prescribed by a specialist provider • Exceed $400 cost to the Plan per prescription	Medications classified by the Plan as specialty or biosimilar medications shall meet the following guidelines: • Have unique uses for the treatment of complex diseases • Require special dosing or administration. • Require special handling. • Are typically prescribed by a specialist provider. • Exceed four hundred dollars ($400.00) cost to the Plan per prescription.
The current copay is 25% up to $100 for a 30 day supply.	When biosimilars become available the Plan may impose a higher specialty copay for non-preferred specialty medications. The maximum copay for the non-preferred specialty medications could be set higher than the preferred per 30-day supply.

What is a Biosimilar?

- Biologic definition- a drug produced from proteins, living organisms or complex large molecule drugs.
- Biosimilar definition- generic or follow on product to a biologic that produces the same clinical results and no clinically meaningful differences to the reference product.
- Biosimilars are still specialty medications and will remain extremely expensive. They should be placed in the Plan's specialty copay tier; however, they may be more cost effective and may need to be incentivized with a lower member cost share.
- The first Biosimilars are expected on the market in 2014.

What are Medical Foods?

- Medical foods are a diverse and expanding group of products that are intended for the specific dietary management of a disease or condition for which distinct nutritional requirements have been established.

- Medical foods were regulated as drugs until 1972 when they were reclassified as foods. These “foods” may be used as part of the treatment of a condition that requires ongoing medical supervision.

- A product that is marketed as a medical food does not require any FDA review or approval prior to marketing. The FDA does not have existing regulation nor clear guidance on what products should be considered medical foods or on the requirements needed to ensure that these foods do what they suggest they do and are safe for their intended use.

- Most of these formulas are available on an over-the-counter (OTC) basis. However, other products in this category have come onto the market as prescription products due to the inclusion of a prescription product with unproven labeled uses.

Current Coverage of Medical Foods

- The Plan currently covers prescription federal legend medical foods based on our benefit language that states that all federal legend drugs are covered except if specifically excluded.
- This creates confusion as to why some medical foods are covered and others are not.
- All over-the-counter medical foods are excluded from coverage.

Current and Proposed Medical Foods Benefit Language

Current Benefit Booklet Language	Proposed Benefit Booklet Language
What is not covered: For over-the-counter and non-federal legend vitamins and medical foods. For food supplements or replacements, nutritional or dietary supplements, formulas, or special foods of any kind.	What is not covered: For over-the-counter and non-federal legend vitamins. For food supplements or replacements, nutritional or dietary supplements, formulas, special foods, or **medical foods** of any kind.

- With the lack of regulatory requirements for prescription medical foods, and the lack of FDA oversight it is expected that there will be strong growth in the medical foods market.
- Clarification of the current inconsistent benefit language now with the Plan covering some FDA legend prescription medical foods but not covering other non-federal legend medical foods.

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

December 2012 Financial Report

Board of Trustees Meeting

January 25, 2013

A Division of the Department of State Treasurer

Financial Results: Actual v. Budgeted
Year to Date December 2012

Fiscal Year 2012-2013	Actual thru Dec 2012	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Beginning Cash Balance	$502.2 m	$502.2 m	$0.0 m
Plan Revenue	$1.497 b	$1.467 b	$29.8 m
Net Claims Payments	$1.239 b	$1.281 b	($41.5 m)
Net Administrative Expenses	$79.9 m	$91.9 m	($12.0 m)
Total Plan Expenses	$1.319 b	$1.372 b	($53.5 m)
Net Income/(Loss)	$177.7 m	$94.4 m	$83.3 m
Ending Cash Balance	$679.9 m	$596.6 m	$83.3 m

Adjusted Variance Report
Year to Date December 2012

Fiscal Year 2012-2013	Actual thru Dec 2012, As Adjusted	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Beginning Cash Balance	$502.2 m	$502.2 m	$0.0 m
Plan Revenue *	$1.474 b	$1.467 b	$7.2 m
Net Claims Payments ^	$1.233 b	$1.281 b	($47.9 m)
Net Administrative Expenses	$79.9 m	$91.9 m	($12.0 m)
Total Plan Expenses	$1.313 b	$1.372 b	($59.9 m)
Net Income/(Loss)	$161.5 m	$94.4 m	$67.1 m
Ending Cash Balance	$663.7 m	$596.6 m	$67.1 m

* Adjusted member premiums for prepayment and timing issues. Adjusted Medicare Part D Subsidy revenues to remove impact of unbudgeted prior year reconciliation payment ($482,857). Adjusted ERRP revenues to remove impact of unbudgeted reimbursement to CMS for FY 2012 overpayment ($558,219).

^ Decreased medical claims to remove impact of final December 2012 claims cycle budgeted to be paid in January ($35.4 million). Increased pharmacy claims to assume payment of third invoice budgeted in December 2012, but actually paid in January 2013 ($29 million).

Financial Results Actual v. Budgeted
Year to Date December 2012

Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru Dec 2012	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue	$374.72	$368.81	$5.91
Net Claims Payments	$311.00	$322.54	($11.54)
Net Administrative Expenses	$20.05	$23.15	($3.10)
Total Plan Expenses	$331.05	$345.69	($14.64)
Net Income/(Loss)	$43.67	$23.12	$20.55

Comparing actual results to the budget projection on a PMPM basis helps correct for changes in membership that occurred during the year.

Adjusted Variance Report
Year to Date December 2012

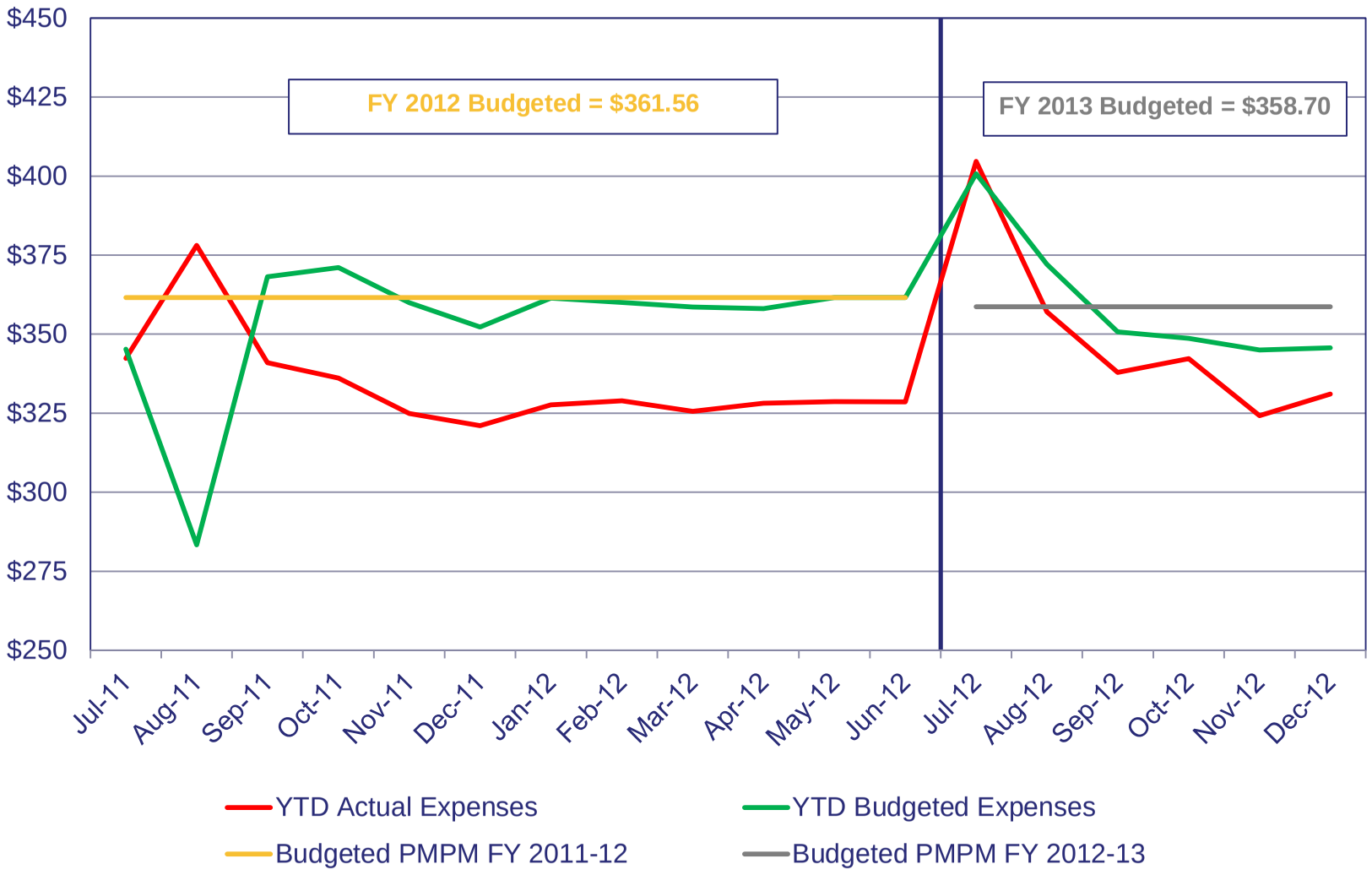
Per Member Per Month (PMPM) Analysis

Fiscal Year 2012-2013	Actual thru Dec 2012, as Adjusted	Authorized Budget (per Segal 9-18-12)	Variance Over/(Under) Budget
Plan Revenue *	$369.07	$368.81	$0.26
Net Claims Payments ^	$309.40	$322.54	($13.14)
Net Administrative Expenses	$20.05	$23.15	($3.10)
Total Plan Expenses	$329.45	$345.69	($16.24)
Net Income/(Loss)	$39.62	$23.12	$16.50

* Adjusted member premiums for prepayment and timing issues. Adjusted Medicare Part D Subsidy revenues to remove impact of unbudgeted prior year reconciliation payment ($482,857). Adjusted ERRP revenues to remove impact of unbudgeted reimbursement to CMS for FY 2012 overpayment ($558,219).

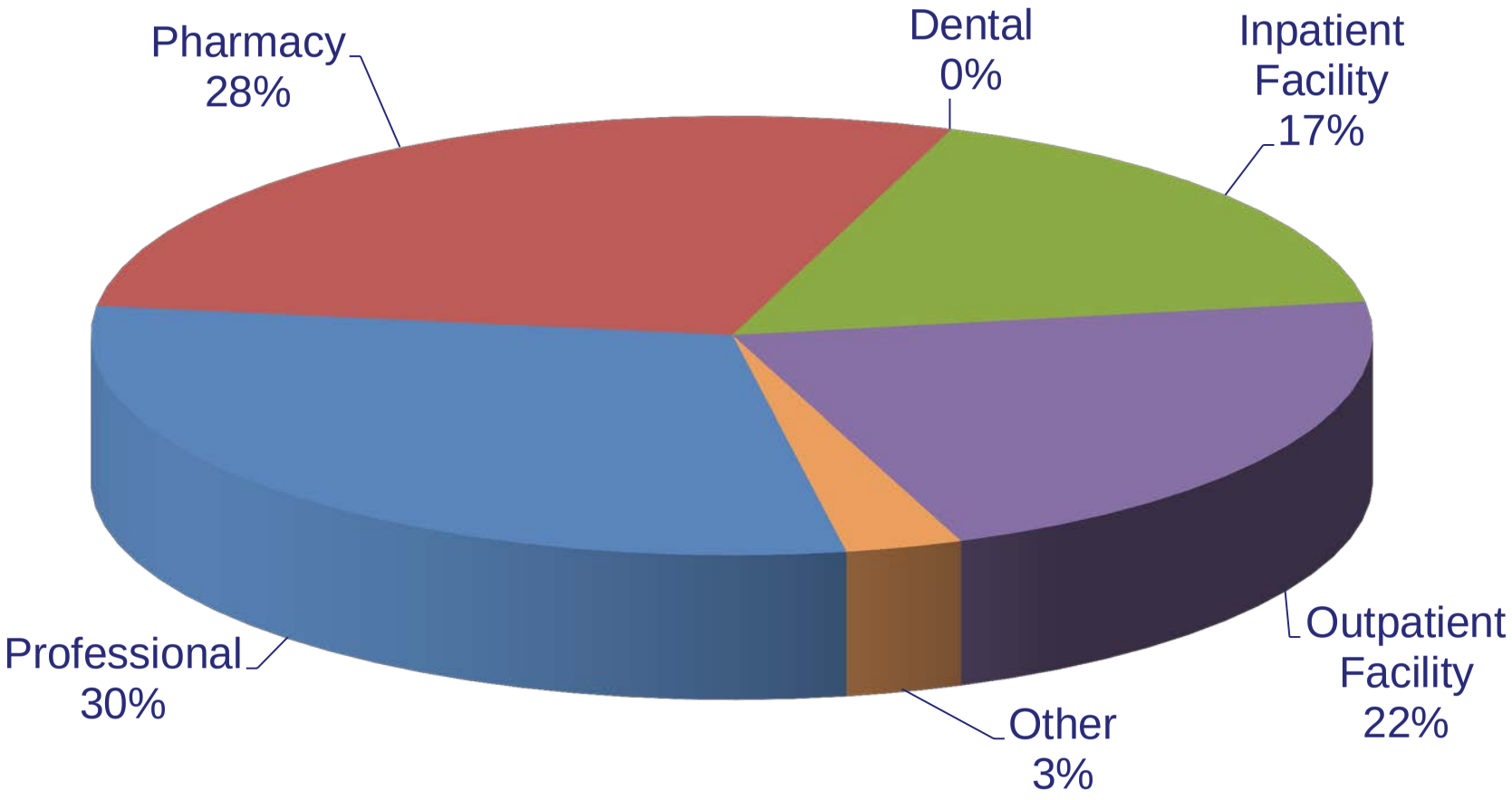
^ Decreased medical claims to remove impact of final December 2012 claims cycle budgeted to be paid in January ($35.4 million). Increased pharmacy claims to assume payment of third invoice budgeted in December 2012, but actually paid in January 2013 ($29 million).

Year to Date Expenditure Trend
Per Member Per Month



Allocation of Claims Expenditures

Includes Medical, Blue Card & Pharmacy Payments



Source: BCBSNC Summary of Billed Charges, year to date through December 2012

North Carolina State Health Plan for Teachers and State Employees

Summary of Operations (Cash Basis)

Consolidated Report, Actual vs. Authorized Budget

For the Month Ended December 2012

Fiscal Year 2012- 2013

		A	B	C	D	E	F	G	H
		Actual December 2012	Authorized Budget December 2012	Monthly Variance Over/(Under) Authorized Budget	Actual Year to Date FY 2012-13	Authorized Budget Year to Date FY 2012-13	Year to Date Variance Over/(Under) Authorized Budget	Authorized Annual Budget FY 2012-13	Year to Date Variance Over/(Under) Annual Authorized Budget
1	**Plan Revenue:**								
2									
3	Member Premiums	$ 272,493,980	$ 239,582,402	$ 32,911,578	$ 1,470,468,048	$ 1,438,785,126	$ 31,682,922	$ 2,872,808,844	$ (1,402,340,796)
4	Premium Refunds/Retroactive Disenrollments	(19,079)	(119,791)	100,712	(244,462)	(719,392)	474,930	(1,437,243)	1,192,781
5	Medicare Part D (RDS) Subsidy	5,042,821	5,603,666	(560,845)	25,570,898	26,125,447	(554,549)	39,519,892	(13,948,994)
6	Medicare PDP (EGWP + Wrap) Subsidy		-	-	-	-	-	19,759,856	(19,759,856)
7	Federal Early Retiree Reinsurance Program (ERRP)		-	-	(558,219)	-	(558,219)	-	(558,219)
8	**Net Premium & Other Contributions**	**277,517,722**	**245,066,277**	**32,451,445**	**1,495,236,265**	**1,464,191,181**	**31,045,084**	**2,930,651,349**	**(1,435,415,084)**
9									
10	Investment Earnings	268,390	488,812	(220,422)	1,403,080	2,694,030	(1,290,950)	5,658,262	(4,255,182)
11	Miscellaneous Revenue	-	-	-	8,159	-	8,159	-	8,159
12	**Other Revenue**	**268,390**	**488,812**	**(220,422)**	**1,411,239**	**2,694,030**	**(1,282,791)**	**5,658,262**	**(4,247,023)**
13									
14	**Total Plan Revenue (excludes internal transfers)**	**277,786,112**	**245,555,089**	**32,231,023**	**1,496,647,504**	**1,466,885,211**	**29,762,293**	**2,936,309,611**	**(1,439,662,107)**
15									
16	**Plan Expenses:**								
17									
18	Medical Claim Payments	176,886,869	134,021,896	42,864,973	919,071,986	932,009,715	(12,937,729)	2,003,583,417	(1,084,511,431)
19	Medical Claim Refunds/Recoveries	(1,330,645)	(2,445,414)	1,114,769	(12,293,069)	(15,159,545)	2,866,476	(31,216,928)	18,923,859
20	**Net Medical Claims**	**175,556,224**	**131,576,482**	**43,979,742**	**906,778,917**	**916,850,170**	**(10,071,253)**	**1,972,366,489**	**(1,065,587,572)**
21									
22	Pharmacy Claim Payments	55,266,783	84,431,031	(29,164,248)	358,901,155	388,898,120	(29,996,965)	743,853,418	(384,952,263)
23	Pharmacy Claim Rebates	-	-	-	(26,192,033)	(25,198,618)	(993,415)	(53,173,873)	26,981,840
24	Pharmacy Claim Refunds/Recoveries	(405,607)	-	(405,607)	(455,482)	-	(455,482)	-	(455,482)
25	**Net Pharmacy Claims**	**54,861,176**	**84,431,031**	**(29,569,855)**	**332,253,640**	**363,699,502**	**(31,445,862)**	**690,679,545**	**(358,425,905)**
26									
27	**Net Claim Payments**	**230,417,400**	**216,007,513**	**14,409,887**	**1,239,032,557**	**1,280,549,672**	**(41,517,115)**	**2,663,046,034**	**(1,424,013,477)**
28									
29	**Net Administrative Expenses**	**13,505,079**	**15,303,019**	**(1,797,940)**	**79,894,819**	**91,900,557**	**(12,005,738)**	**189,387,392**	**(109,492,573)**
30									
31	**Total Plan Expenses (excludes internal transfers)**	**243,922,479**	**231,310,532**	**12,611,947**	**1,318,927,376**	**1,372,450,229**	**(53,522,853)**	**2,852,433,426**	**(1,533,506,050)**
32									
33	**Plan Income/(Loss)**	**33,863,633**	**14,244,557**	**19,619,076**	**177,720,128**	**94,434,982**	**83,285,146**	**83,876,185**	**93,843,943**
34									
35	**Cash Availability:**								
36									
37	Beginning Cash Balance/(Deficit)	646,103,966	582,437,900	63,666,066	502,247,471	502,247,475	(4)	502,247,475	(4)
38	**Ending Cash Balance/(Deficit)**	**679,967,599**	**596,682,457**	**83,285,142**	**679,967,599**	**596,682,457**	**83,285,142**	**586,123,660**	**93,843,939**
39									
40	Target Stabilization Reserve @ 6/30/13	199,728,453	199,728,453	-	199,728,453	199,728,453	-	199,728,453	-
41									
42	**Cash Balance Over/(Under) Reserve Target**	**$ 480,239,146**	**$ 396,954,004**	**$ 83,285,142**	**$ 480,239,146**	**$ 396,954,004**	**$ 83,285,142**	**$ 386,395,207**	**$ 93,843,939**

Comments:

a. Premium receivables totaled $ 405,653.85 as of December 31, 2012.

b. The average weekly medical claims cost net of claims refunds was $35,111,244.80 for the five scheduled weekly claim cycles (Note: Due to the holidays the Plan actually paid claims four times instead of five).

c. Total pharmacy claims, before rebates and refunds, included two bi-weekly invoice cycles averaging $27,633,391.50 per cycle.

d. The target stabilization reserve is 7.5% of the projected net claims for Fiscal Year 2012-13.

e. Minor differences compared to other reports are due to rounding.

North Carolina State Health Plan for Teachers and State Employees
Summary of Operations (Cash Basis)
Current Year Actual vs. Prior Year Actual
For the Month Ended December 2012
Fiscal Year 2012-2013

		A	B	C	D	E	F	G
		Current Year Actual December 2012	Prior Year Actual December 2011	Current Year to Date Actual FY 2012-13 thru December	Prior Year to Date Actual FY 2011-12 thru December	Current Year Authorized Annual Budget FY 2012-13	Prior Year Annual Budget FY 2011-12	Prior Year Actual Results FY 2011-12
1	**Plan Revenue:**							
2								
3	Member Premiums	$ 272,493,980	$ 245,359,783	$ 1,470,468,048	$ 1,380,150,332	$ 2,872,808,844	$ 2,772,587,259	$ 2,750,368,851
4	Premium Refunds/Retroactive Disenrollments	(19,079)	(33,398)	(244,462)	(210,457)	(1,437,243)	(2,672,292)	(451,496)
5	Medicare Part D (RDS) Subsidy	5,042,821	8,354,286	25,570,898	22,452,415	39,519,892	60,058,789	57,583,602
6	Medicare PDP (EGWP + Wrap) Subsidy	-	-	-	-	19,759,856	-	-
7	Federal Early Retiree Reinsurance Program (ERRP)	-	-	(558,219)	42,163,391	-	25,583,136	42,163,391
8	**Net Premium & Other Contributions**	**277,517,722**	**253,680,671**	**1,495,236,265**	**1,444,555,681**	**2,930,651,349**	**2,855,556,892**	**2,849,664,348**
9								
10	Investment Earnings	268,390	263,544	1,403,080	1,602,905	5,658,262	2,245,712	3,015,819
11	Miscellaneous Revenue	-	-	8,159	-	-	-	-
12	**Other Revenue**	**268,390**	**263,544**	**1,411,239**	**1,602,905**	**5,658,262**	**2,245,712**	**3,015,819**
13								
14	**Total Plan Revenue (excludes internal transfers)**	**277,786,112**	**253,944,215**	**1,496,647,504**	**1,446,158,586**	**2,936,309,611**	**2,857,802,604**	**2,852,680,167**
15								
16	**Plan Expenses:**							
17								
18	Medical Claim Payments	176,886,869	138,254,166	919,071,986	896,937,725	2,003,583,417	2,078,924,788	1,849,410,105
19	Medical Claim Refunds/Recoveries	(1,330,645)	(2,591,589)	(12,293,069)	(14,628,268)	(31,216,928)	(33,175,196)	(22,634,615)
20	**Net Medical Claims**	**175,556,224**	**135,662,577**	**906,778,917**	**882,309,457**	**1,972,366,489**	**2,045,749,592**	**1,826,775,490**
21								
22	Pharmacy Claim Payments	55,266,783	52,087,731	358,901,155	357,966,958	743,853,418	706,459,465	721,644,990
23	Pharmacy Claim Rebates	-	-	(26,192,033)	(46,064,681)	(53,173,873)	(66,582,530)	(93,130,160)
24	Pharmacy Claim Refunds/Recoveries	(405,607)	(4,473)	(455,482)	(52,551)	-	-	(481,977)
25	**Net Pharmacy Claims**	**54,861,176**	**52,083,258**	**332,253,640**	**311,849,726**	**690,679,545**	**639,876,935**	**628,032,853**
26								
27	**Net Claim Payments**	**230,417,400**	**187,745,835**	**1,239,032,557**	**1,194,159,183**	**2,663,046,034**	**2,685,626,527**	**2,454,808,343**
28								
29	**Net Administrative Expenses**	**13,505,079**	**13,045,063**	**79,894,819**	**84,200,706**	**189,387,392**	**180,464,149**	**165,480,561**
30								
31	**Total Plan Expenses (excludes internal transfers)**	**243,922,479**	**200,790,898**	**1,318,927,376**	**1,278,359,889**	**2,852,433,426**	**2,866,090,676**	**2,620,288,904**
32								
33	**Plan Income/(Loss)**	**33,863,633**	**53,153,317**	**177,720,128**	**167,798,697**	**83,876,185**	**(8,288,072)**	**232,391,263**
34								
35	**Cash Availability:**							
36								
37	Beginning Cash Balance/(Deficit)	646,103,966	384,501,592	502,247,471	269,856,212	502,247,475	226,838,352	269,856,212
38	**Ending Cash Balance/(Deficit)**	**679,967,599**	**437,654,909**	**679,967,599**	**437,654,909**	**586,123,660**	**218,550,280**	**502,247,475**
39								
40	Target Stabilization Reserve @ 6/30/13	199,728,453	201,421,989	199,728,453	201,421,989	199,728,453	201,421,989	201,421,989
41								
42	**Cash Balance Over/(Under) Reserve Target**	**$ 480,239,146**	**$ 236,232,920**	**$ 480,239,146**	**$ 236,232,920**	**$ 386,395,207**	**$ 17,128,291**	**$ 300,825,486**

Comments:
a. Minor differences compared to other reports are due to rounding

North Carolina State Health Plan for Teachers and State Employees
Summary of Operations (Cash Basis, as adjusted)

		A	B	C	D	E	F
	Consolidated Report, Actual vs. Budgeted **For the Month Ended December 2012** **Fiscal Year 2012-13**	**Actual Year to Date FY 2012-13 thru December**	**Adjustments for Timing, Unusual & Onetime Events**	***Adjusted Actual Year to Date***	**Authorized Budget Year to Date FY 2012-13 thru December**	***Year to Date Adjusted Variance Over/(Under) Budget***	**Adjusted Variance as Percentage of Budget**
1	**Plan Revenue:**						
2							
3	Member Premiums **(Note 1)**	$ 1,470,468,048	$ (22,650,749)	$ 1,447,817,299	$ 1,438,785,126	$ 9,032,173	0.63%
4	Premium Refunds/Retroactive Disenrollments	(244,462)		(244,462)	(719,392)	474,930	-66.02%
5	Medicare Part D (RDS) Subsidy **(Note 2)**	25,570,898	(482,857)	25,088,041	26,125,447	(1,037,406)	-3.97%
6	Medicare PDP (EGWP + Wrap) Subsidy	-		-	-	-	
7	Federal Early Retiree Reinsurance Program (ERRP) **(Note 3)**	(558,219)	558,219	-	-	-	
8	**Net Premium & Other Contributions**	**1,495,236,265**	**(22,575,387)**	**1,472,660,878**	**1,464,191,181**	**8,469,697**	**0.58%**
9							
10	**Other Revenue**	**1,411,239**		**1,411,239**	**2,694,030**	**(1,282,791)**	**-47.62%**
11							
12	**Total Plan Revenue (excludes internal transfers)**	**1,496,647,504**	**(22,575,387)**	**1,474,072,117**	**1,466,885,211**	**7,186,906**	**0.49%**
13							
14	**Plan Expenses:**						
15							
16	Net Medical Claims **(Note 4)**	906,778,917	(35,377,374)	871,401,543	916,850,170	(45,448,627)	-4.96%
17	Net Pharmacy Claims **(Note 5)**	332,253,640	29,012,834	361,266,474	363,699,502	(2,433,028)	-0.67%
18	**Net Claim Payments**	**1,239,032,557**	**(6,364,540)**	**1,232,668,017**	**1,280,549,672**	**(47,881,655)**	**-3.74%**
19							
20	**Net Administrative Expenses**	**79,894,819**		**79,894,819**	**91,900,557**	**(12,005,738)**	**-13.06%**
21							
22	**Total Plan Expenses (excludes internal transfers)**	**1,318,927,376**	**(6,364,540)**	**1,312,562,836**	**1,372,450,229**	**(59,887,393)**	**-4.36%**
23							
24	**Plan Income/(Loss)**	**177,720,128**	**(16,210,847)**	**161,509,281**	**94,434,982**	**67,074,299**	**71.03%**
25							
26	**Cash Availability:**						
27							
28	Beginning Cash Balance/(Deficit)	502,247,471		502,247,471	502,247,475	(4)	0.00%
29	**Ending Cash Balance/(Deficit)**	**679,967,599**	**(16,210,847)**	**663,756,752**	**596,682,457**	**67,074,295**	**11.24%**
30							
31	Target Stabilization Reserve @ 6/30/13	199,728,453		199,728,453	199,728,453	-	
32							
33	**Cash Balance Over/(Under) Reserve Target**	**$ 480,239,146**	**$ (16,210,847)**	**$ 464,028,299**	**$ 396,954,004**	**$ 67,074,295**	**16.90%**

Adjustment Notes:

1. Member premiums adjusted for timing issues.
2. Medicare Part D Subsidy revenues increased to remove impact of unbudgeted prior year reconciliation receipt ($482,857).
3. Revenues adjusted to remove impact of unbudgeted reimbursement to CMS for FY 2012 ERRP overpayment ($558,219).
4. Medical claims decreased to remove impact of final December 2012 weekly claims cycle budgeted to be paid in January 2013 ($35.4 million).
5. Pharmacy claims increased to assume payment of 3rd claims invoice budgeted in December 2012, but actually paid in January 2013 ($29 million).

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Healthcare Data Reporting and Analytics
Truven Healthcare Analytics Solution

Lacey Barnes

January 25, 2013

Data Reporting and Analytics

- SL 2008-107, Section 10.9.(e) and SL 2009-451, Section 10.10.(f) stipulates that DHHS "shall ensure that the solution developed in the Reporting and Analytics Project [for the State's Medicaid Management Information System] supports the capability, in its initial implementation, to interface with the North Carolina Teachers and State Employees Health Plan. The costs for this capability shall be negotiated prior to the award of the Reporting and Analytics contract."

- On Nov. 23, 2009, DHHS published REQUEST FOR PROPOSAL NO. 30-DHHS-1408-10, which included an optional services component for the State Health Plan.

- DHHS awarded the contract for these services to Thomson Reuters, now known as Truven Healthcare Analytics in July 2010.

Development Phase

- Development of the solution was authorized and paid for by DHHS with State Health Plan staff participating in the customization of the solution to accommodate Plan data.
- The solution contains 3 years of medical and pharmacy claims and eligibility data.
- While DHHS funded the development of the solution for the Plan in keeping with their interpretation of the session law language, they will not fund the ongoing utilization of the Truven solution going forward.

Request for Board Approval

- The Plan seeks to utilize the Truven solution through the DHHS Office of Medicaid Management Information Systems' contract. (See the attached Presentation)

Contract Year	Fees*
Year 1:	**$223,800.00**
Year 2:	**$235,000.00**
Year 3:	**$246,750.00**
Optional Year 4:	**$254,132.27**
Optional Year5:	**$261,777.08**
TOTAL:	**$ 1,221,459.35**

- The solution offers the Plan immediate access to industry recognized reporting and analytics solutions, including dashboards and industry benchmarks.

- The contract was procured through the competitive bid process and represents a good value for the Plan. The Plan will create a Memorandum of Understanding (MOU) with DHHS to memorialize the terms of our agreement.

- The Plan will continue to work with the Department of State Treasurer's IT department and the Office of State Controller to recreate a SAS supported raw claims data repository for analysis by the actuaries and others.

TRUVEN HEALTH ANALYTICS

NORTH CAROLINA STATE HEALTH PLAN

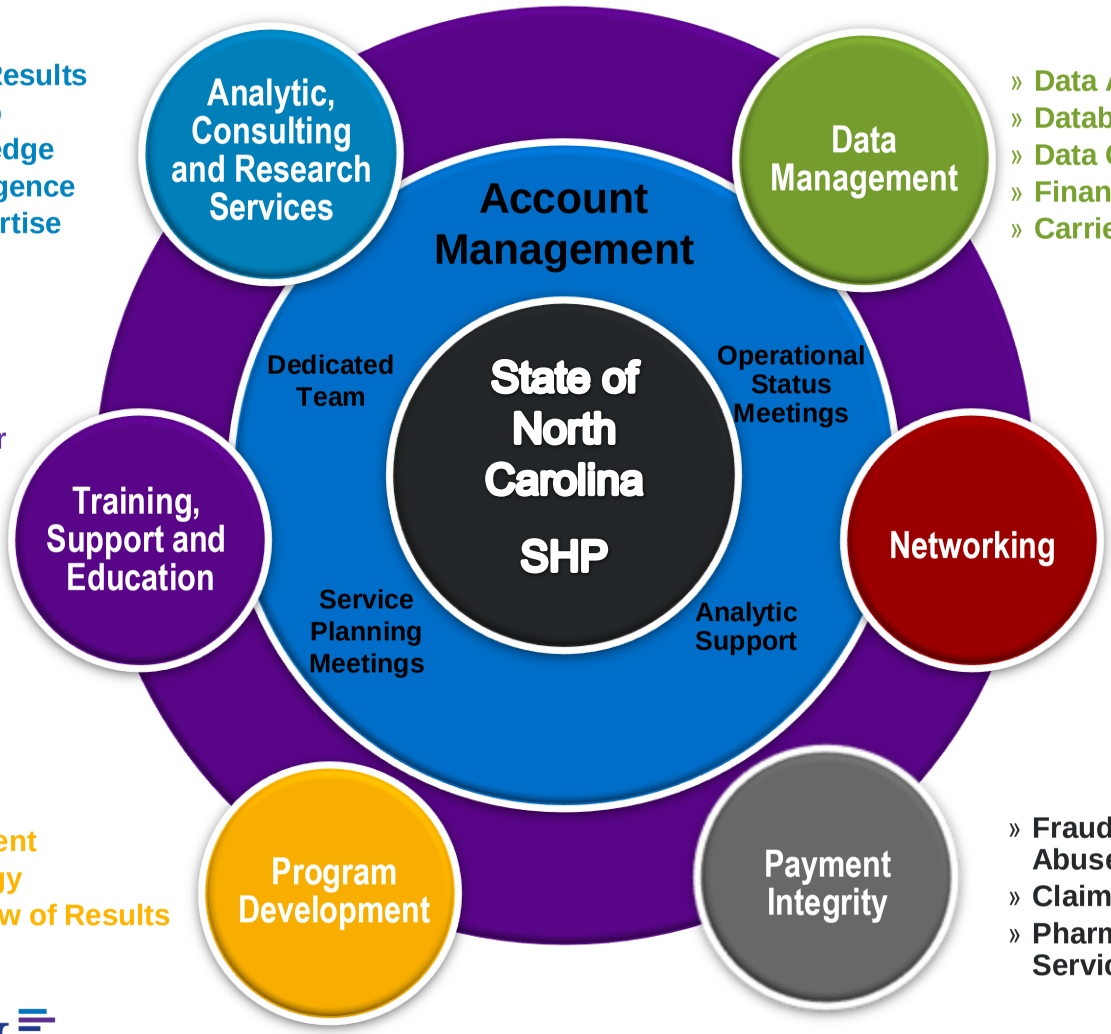
Service Package Overview

December 2012

OBJECTIVE

- We are proud to partner with State of North Carolina to provide vital information to support your daily and strategic initiatives. Our goal is to continually provide you with thought leadership and solutions to identify and validate your healthcare programs and to activate your employees to better health and more efficient use of your healthcare dollars.

COMPREHENSIVE RESOURCES



- Proactive Analytic Results
- Thought Leadership
- Marketplace Knowledge
- Cross Market Intelligence
- Subject Matter Expertise

- Data Acquisition
- Database Updates
- Data Quality Summary
- Financial Reconciliation
- Carrier Meetings

- Public Employer User Group
- Webinars
- Advanced Training
- Knowledge Library

- Client-to-Client Networking
- Public Employer Forum
- Client Conference
- Client Advisory Board

- Baseline Assessment
- Information Strategy
- Consultative Review of Results

- Fraud, Waste and Abuse Algorithms
- Claims Audit
- Pharmacy Benefit Services

TRUVEN HEALTH ANALYTICS

ADVANTAGE SUITE SOLUTIONS

- **Ad Hoc Report Writer** - provides powerful analytic capabilities across various topics (cost, utilization, benefit planning, finance, care management, fraud, provider profiling, etc.) and allows complete flexibility for ad hoc reporting on a full detailed database.
- **NetEffect Management Report Set** – Web-based interactive reporting tool that gives benefit managers rapid access to integrated summary-level information for managing healthcare benefit programs
- **User Licenses –** 10 User Licenses for State of North Carolina to access the database
- **MarketScan Benchmarks** – embedded benchmarks for accurate comparison of an employer's healthcare experience to the experience of similar populations
- **Medical Cost Grouper (MEG)** - groups professional, facility, and prescription drug claims into a clinically homogenous unit (episode) for analysis. MEG can be used to evaluate a particular patient's complete course of care, including cost, utilization, and process, for a single illness or condition
- **Truven Health Analytics Solution Center** - provides one-stop access to Truven Health Analytics decision support applications and content, such as thought leadership articles, market-specific newsletters, and targeted news content.
- **SSAE 16 certified** – improves the cost, quality and value of health benefit programs

DATA WAREHOUSE SERVICES

- **Monthly Database Updates** – Update BCBS NC, Medco, and eligibility files on a monthly basis. Monthly updates provide timely and accurate reporting to improve the cost, quality, and value of health benefit programs
- **Active Data** - Rolling 36 months of paid claims data available in the database at all times
- **Monthly Data Quality Summary Reports** – details quality of data warehouse (including financial and eligibility reconciliations); critical to the success of internal audits
- **Data Receipts Reports** – enforces vendor performance guarantees
- **Database Enhancements** – updates to valid values of database fields are included prospectively
- **Additional Data Sources** – ability to integrate additional data sources such as Health Risk Assessments, Disease Management participation and Biometrics to your Advantage Suite database

NETWORKING OPPORTUNITIES

- **Annual Advantage Client Conference - 2 Free Registrations**
  - Presentations by leading-edge clients and external national leaders on topics such as competitive benefit plan design, vendor negotiations and cost cutting strategies
  - Numerous concurrent/breakout sessions highlighting client success stories and Advantage Awards
  - Networking opportunities with hundreds of healthcare employers from all markets
- **Participation in Industry Workgroups**
  - Public Employer Forum – Quarterly teleconference meeting among state employer clients. The meeting provides an opportunity for the public sector benefit managers to share experiences, successes, analytic approaches, and lessons learned with their peers.
  - Public Employer User Group Meetings – monthly WebEx training sessions conducted by Truven Health Analytics consultants. The training focuses on advanced analytic topics and system capabilities

ACCOUNT MANAGEMENT AND ANALYTIC SERVICES

- **Focused Account Team** – monthly status calls, annual service planning meetings, analytic and user support, unlimited telephone support during business hours
- **Ad Hoc Analyses and Proactive Reporting –**
  - **Delivered periodically throughout the year. Current examples include:**
    - Disability Determination of Medicare Enrollment Analysis
    - Type 2 Diabetes Analysis
    - Controlled Substance Abuse Overview
    - Specialty Pharmacy Analysis
- **Advantage Suite Training**
  - One 2-Day New User Advantage Suite training in Raleigh, NC during first year of contract
  - Additional New User training is offered at our training facility in Ann Arbor, MI, for an additional fee
  - WebEx Advantage Suite Training – One hour training sessions given by your Account Team Analyst to address specific Advantage Suite applications and topics of interest
  - E-Learning Training sessions – Advantage Suite hands-on, simulated learning in a "sandbox" environment

ACCOUNT MANAGEMENT AND ANALYTIC SERVICES (cont'd)

- **Client Webinars** – client education sessions that address hot topics in employee benefits such as advancing consumerism, navigating healthcare reform, and price transparency
- **Access to Subject Matter Experts –** Advice and consulting services from our Practice Leadership group to address specific topics such as Value Based Design, Healthcare Reform, and ERRP

FEES FOR ONGOING SERVICES

Contract Year	Fees*
Year 1:	$ 223,800.00
Year 2:	$ 235,000.00
Year 3:	$ 246,750.00
Optional Year 4:	$ 254,132.27
Optional Year 5:	$ 261,777.08
TOTAL:	$ 1,221,459.35

- Fees are based on:
  - Monthly Updates
  - BCBS NC, ESI/Medco and Eligibility data feeds
  - 10 Advantage Suite User Licenses
  - 10 NetEffect Management Report Set Licenses
  - Access to 36 months of on-line data (on a rolling paid date basis)

ADDITIONAL OPTIONAL SERVICES

Additional Optional Services	
Diagnostic Cost Groups (DCGs)	The DCGs are a patient classification system that helps evaluate and forecast healthcare utilization and costs (predictive modeling).
Audit & Compliance Solutions	Comprehensive suite of audit capabilities utilizing 100% claims review to identify errors associated with both administration/pricing and plan design under nearly any health and welfare benefit line. Requires separate statement of work.
Consulting Retainer Bank	A pre-paid bank of consulting time for additional ad hoc needs (e.g., training, analytics, data management).
Employee Activation Solutions	A suite of tools that includes Informed Enrollment, Personal Health Insights, Personalized Messaging, Treatment Cost Calculator, and Health Education Library designed to help employees evolve from being passive participants to active, educated healthcare consumers. Requires separate statement of work.

ADDITIONAL SERVICES AND FEES

Additional Services	Fees	Frequency
Diagnostic Cost Groups (DCGs)	$55,700 /year	Annual Update
20 Consulting Retainer Days	$21,600 /year	Annually
12 Months of Additional Data in the Database	$20,500 /year	Monthly Update
Additional User IDs	$3,000/year	Annually
Additional Training per User in Ann Arbor Facility	$2,500 per user, plus travel	One Time per Training
Treatment Cost Calculator - Implementation	$125,000	One time
Treatment Cost Calculator - Ongoing	$175,000 /year	Annually

NEW DATA FEED FEES

	Implementation Fees*		Update Fees
Data Feed	Truven Health Standard Format	Truven Health Non-standard Format	(Per Update) Monthly Update Schedule
Medical	$9,000	$16,000	$500
Prescription Drug	$9,000	$16,000	$500
Eligibility	$17,000	$22,500	$500
Capitation	$9,000	$16,000	$500
Behavioral Health	$9,000	$16,000	$500
Dental	$9,000	$16,000	$500
Vision	$9,000	$16,000	$500
On-site Clinic	$15,000	$20,000	$750
Disease Management	$15,000	$20,000	$750
Health Risk Assessment	$20,000	$25,000	$1,000 annual $750 quarterly
Biometrics	$15,000	$20,000	$750

*Pricing for 'standard formats' applies to vendors who frequently send data to Truven Health for multiple customers using a consistent layout. This allows Truven Health to develop cost-effective shelled programs which can then be customized to load data to each customer's data warehouse.

TRUVEN HEALTH ANALYTICS

INTEGRATION OF MEDICARE ADVANTAGE PLANS

- State of North Carolina is introducing two new Medicare Advantage Plans in 2014
- Medical coverage will be provided by the following vendors:
  - Humana
  - UHC
- Prescription drug coverage will either be provided by the medical vendors or it will be covered by ESI
- We assume the enrollment data for these plans will be managed by Benefits Focus

INTEGRATION OF MEDICARE ADVANTAGE PLANS

- Our recommended approach for integration of the Medicare Advantage Plans is as follows:
  - Integrate new data sources to cover Humana and UHC medical claims
  - Implement Benefit Focus Eligibility for all employees/retirees, replacing the current eligibility received from BCBS NC
    - The Benefit Focus datafeed may provide more value due to the availability of additional custom fields
    - It is more cost effective to implement one new eligibility vendor for entire population compared to two eligibility feeds from Humana and UHC
    - Ongoing fees related to eligibility would remain unchanged as Truven Health will continue handling just one eligibility feed on an ongoing basis
  - Integration of drug claims for these plans depends on how drug coverage is handled:
    - Integrate new data sources for Humana and UHC drug claims if the drug coverage is carved in, or
    - Collect drug claims through the current ESI datafeed at no additional charge

INTEGRATION OF MEDICARE ADVANTAGE PLANS

	One-time Implementation Fees	2013 Ongoing Fees	2014 Ongoing Fees	2015 Ongoing Fees
Humana Medical Claims	$9,000	N/A	$6,300	$6,615
UHC Medical Claims	$9,000	N/A	$6,300	$6,615
Benefit Focus Eligibility	$22,500	N/A	N/A	N/A
Total Less 5% Implementation Fee Discount	$38,475			
These following fees are only applicable if drug claims are managed by the medial vendors:				
Humana Drug Claims	$9,000	N/A	$6,300	$6,615
UHC Drug Claims	$9,000	N/A	$6,300	$6,615
Total Less 5% Implementation Fee Discount	$17,100			

- Truven Health will discount the applicable implementation fees for this project by 5% as part of the initial 3-year contract
- Ongoing fees reflect annual amounts plus the annual escalator used in the proposed base fees; however, any ongoing fees would be in effect after the implementation is complete and the data is present in the database. As a result, 2013 ongoing fees would likely not apply

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Integrated Health Management Presentation to the Board of Trustees

Anne B. Rogers

January 25, 2013

NCHEALTH Smart
An initiative of the State Health Plan

stork rewards

A Division of the Department of State Treasurer

Brown Creek Correctional Institutional Pilot

August 2011-2012

Brown Creek Correctional Institution (BCCI) employees were educated about NC HealthSmart (NCHS) resources using a variety of communications strategies including presentations, posters, videos, and printed materials. The Campaign had seven defined goals that the Plan evaluated using baseline and follow-up surveys, leader interviews, focus groups and utilization data. The outcomes for each goal are highlighted below.

MEMBER AWARENESS OF NC HEALTH*SMART* RESOURCES INCREASED.

- The number of employees who reported awareness of NCHS resources increased by 85.4%.
- As of May 2012, employees reported awareness of QuitlineNC (93%), maternity coaching and Stork Rewards (89%), Eat Smart Move More Weigh Less (76%) and online Personal Health Portal (70%). Prior to the Campaign, less than 34% were aware of any of these resources.
- There was a 22.4% increase in the number of employees who reported they were likely to use a NCHS resource within the next 6 months.

HEALTH LITERACY, SELF-ADVOCACY AND WISE-CONSUMERISM OF HEALTH AND WELLNESS SERVICES IMPROVED.

- At the completion of the Campaign, more employees reported their desire to improve their health and wellness, primarily through physical activity and weight management.
- The number of employees with health and wellness goals increased by 13.9%.
- As of May 2012, the majority of employees (73%) reported engagement in efforts to improve their health and wellness and being confident that their health would improve over the next 12 months.

Brown Creek Correctional Institutional Pilot

August 2011-2012

UTILIZATION OF PREVENTION AND WELLNESS BENEFITS WAS IMPACTED MINIMALLY.

- Less than 4% of BCCI employees used NCHS resources from November 2011 through August 2012 even though the percentage reflects a slight increase from the period between January 2011 and October 2011.
- The most common resources used were the BMI and blood pressure trackers and the Personal Health Assessment.
- Employees reported being more likely to use health and wellness resources if they perceived the need (21%); had more time (18%); or were allowed to use services while on work time (12%).

EMPLOYEES WERE NOT CONNECTED WITH LOCAL HEALTH AND WELLNESS RESOURCES.

- There were changes in key leadership positions during the Campaign resulting in the inability to address this goal.
- During the focus groups, employees expressed their interest in discounts to local resources, such as gym memberships and therapeutic massages.
- Employees stated that they did not perceive having time in their work day to get involved with worksite wellness activities; however, they indicated a willingness to participate if the administration supported the activities and encouraged employee participation.

Brown Creek Correctional Institutional Pilot

August 2011-2012

ESTABLISHED A HEALTH EDUCATION AND RESOURCE AWARENESS CAMPAIGN THAT CAN BE REPLICATED AT OTHER ORGANIZATIONS.

- Due to the positive feedback received from the surveys, leader interviews, and employee focus groups, the Plan intends to create a NCHS promotional toolkit of posters and motivational materials that can be displayed at other agencies and correctional facilities throughout the state.
- Overall, the leaders at DOC and BCCI stated that the amount of time spent on the Campaign was reasonable and that the health topics promoted were appropriate for their employees.
- The Plan will consider member suggestions as the toolkit is developed and implemented.

MORALE AMONG EMPLOYEES WAS IMPACTED.

- Employees stated that the Campaign was “a step in the right direction” and resulted in their feeling more appreciated and valued by their employer.
- Employees also expressed appreciation to the Plan for conducting focus groups to obtain their feedback about the Campaign.

AVENUES FOR PROGRAM SUSTAINABILITY WERE IDENTIFIED.

- Information gained from the leader interviews and employee focus groups provided insight on how the Plan might continue to promote NC Health*Smart* at BCCI. One idea was to include Plan-specific and NCHS information in new employee orientations.

TOOL KIT RESOURCE

- The Plan will develop a toolkit to replicate the Campaign within other correctional facilities and employer groups.

Charlotte Mecklenburg Schools Pilot

Jan. 2012-March 2014

- Year 1 participants: 1,847 members (1,123 Subscribers)
- 8 out of 20 screening events completed
  - *Now offering Saturday screenings*
  - *Approximately 300 Subscribers screened to date*
- Copay reduction period for Year 2
  - April 1, 2013- March 31, 2014
- Bi-weekly district-wide Member communications

DHHS Expansion Pilot

Dec. 2010-May 2014

- Year 1 participants: 803 members (511 Subscribers)
- Worksite screening events completed October 2012
  - *405 Subscribers screened*
- Copay reduction period for Year 2
  - December 1, 2012- November 30, 2013
- Finalizing Year 2 health screening and participation results

Cardiovascular Health Improvement Summit

March 5, 2013

North Carolina Statistics:

- "Stroke Belt" with 3 times the national average of stroke-related deaths
- 7th highest stroke mortality rate in the nation
- 2nd leading cause of death is heart disease

State Health Plan Statistics (non-Medicare primary members)

- 2% with coronary artery disease
- 24% with hypertension
- 32% overweight or obese

Summit Goals:

- Share federal, state, public and private efforts around heart disease and stroke prevention
- Establish work group to evaluate existing SHP-sponsored resources
- Develop strategy consistent with NC Cardiovascular Plan

Cardiovascular Health Improvement Summit

Approximately 50 Participants:

- NC Division of Public Health (Community Transformation Grant, QuitlineNC, Eat Smart Move More Weigh Less)
- Justus-Warren Task Force on Heart Disease and Stroke Prevention
- Community Care of NC
- NC Prevention Partners
- NC Stroke Collaborative
- NC Stroke Regional Coordinators
- NC Stroke Advisory Council
- National Forum for Heart Disease and Stroke Prevention
- ActiveHealth Management
- BCBSNC
- Value Options
- Express Scripts

Cardiovascular Health Improvement Summit

Agenda

Time	Agenda Item	Presenter
8:30 am – 8:45 am	Welcome	Lacey Barnes, SHP Interim Executive Administrator
8:45 am – 9:05 am	Guest Speaker	Peg O'Connell
9:05 am – 9:25 am	National & State Initiatives	Anita Holmes, NC Heart Disease & Stroke Prevention Program
9:25 am – 9:40 am	Break	
9:40 am – 10:15 am	Community Transformation Grant (CTG) Activities	Dr. Ruth Petersen, Section Chief NC Div. Public Health, Dr. Samuel Cykert, NC AHEC
10:15 am – 10:35 am	NC Stroke Care	Paige Bennett, Susanne Schmal, Sylvia Coleman, NC Heart Disease & Stroke Prevention Program
10:35 am – 10:50 am	Break	
10:50 am – 11:10 am	CCNC Cardiovascular Disease Initiatives	Denise Levis, Jennifer Cockerham, Dr. Tom Wroth
11:10 am – 11:25 am	NC Quitline	Sally Maleck, Joyce Swetlick
11:25 am – 11:40	Eat Smart, Move More, Weigh Less	Cathy Thomas, Carolyn Dunn
11:40 am – 12:00 pm	Prevention Partners	Melva Okun, Whitney Davis
12:00 pm – 1:00 pm	Open Discussion for Opportunities to Collaborate	

Ongoing Member Outreach Efforts

- Health Promotion and Wellness Team will conduct member outreach to increase awareness of and participation in NC Health*Smart* programs and services.

- Train the Trainer Initiative: Prior to October 2012, Team offered individual employers onsite presentations/webinars for members and train-the-trainer sessions for interested employees

- To increase employer uptake, the Plan included an article in the October 2012 Health Benefit Representative e-newsletter that promoted the availability of Plan staff to conduct NC Health*Smart* presentations.

Ongoing NCHS Member Outreach Efforts

Prior to HBR Article

Presentation Date(s)	Employer Group	Employer Type	Organization/Setting/Location	Total # of Attendees
7/10-11/2012	Com College	Member	TPCB - Tobacco Free Com College Webinar	35
8/15/2012	Com College	Member	Coastal CC	7
9/10/2012	School	Train the Trainer	Wilkes County	10
9/21/2012	School	Train the Trainer	Gates County	3
10/1/2012	Agency	Member	DST	8
TOTAL:				**63**

After HBR Article

Presentation Date(s)	Employer Group	Employer Type	Organization/Setting/Location	Total # of Attendees
11/5/2012	School	Member	NCAEE	3
11/6/2012	School	Member	Lee County Schools	18
11/6/2012	Agency	Train the Trainer	NCPP & OSP	13
11/14/2012	Com College	Member	Caldwell Community College	10
11/26/2012	Agency	Member	DHHS DIRM	21
11/30/2012	Agency	Member	Dept of Revenue	16
12/11/2012	Agency	Member	NC DSS	12
12/14/2012	Agency	Member	Dept of Revenue	19
12/17/2012	Com College	Member	Central Carolinas Community College	89
1/4/2013	Com College	Member	Roanoke-Cabarrus Com College	8
TOTAL:				**209**

Ongoing NCHS Member Outreach Efforts

Future Presentations Scheduled

Presentation Date(s)	Employer Group	Employer Type	Organization/Setting/Location	Total # of Attendees
TBD	Agency	Member	Dept of Revenue-12 satellite offices	210 expected
2/11/13	Com College	Member	Central Carolinas Com College	100 expected
TOTAL:				**310 expected**