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, August 28, 2014
5:00 – 7:00 p.m.

1. Welcome	Janet Cowell, Chair
2. Conflict of Interest Statement	Janet Cowell, Chair
3. Review of Minutes – August 1, 2014 ***(Requires Board Vote)***	Janet Cowell, Chair
4. Alternative Benefit Option for Newly Eligibles ***(Requires Board Vote)***	Caroline Smart Tracy Stephenson
5. Premium Contribution Rates for Alternative Benefit Option ***(Requires Board Vote)***	Mark Collins
Executive Session (for Board members only) ***Pursuant to: G.S. 143-318.11 and 132-1.2***	Janet Cowell, Chair
A. Eligibility and Enrollment Services Contract ***(Requires Board Vote)***	Lotta Crabtree
B. Third Party Administration Services for Medical Claims Related to Alternative Products ***(Requires Board Vote)***	Lotta Crabtree
6. Wrap-Up	Janet Cowell, Chair

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

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Alternative Benefit Option for Newly Eligibles

Board of Trustees Meeting

August 28, 2014

Presentation Overview

- Legislative Directive
- Proposed Plan Benefit Design
- Proposed Member Services
- Proposed Prescription Drug Formulary
- Board Action on Recommendations

Statutory Requirement to Offer Alternative Benefit

- Section 35.16 of SL 2014-100 (SB 744 Appropriations Act) establishes a new health benefit eligibility category for nonpermanent full-time employees to comply with the Affordable Care Act (ACA)
  - The Affordable Care Act (ACA) and section 4980H of the Internal Revenue Code (the Code) prescribe updated definitions of full-time employees and requirements to determine which employees are required to be offered employer-sponsored health care
  - Employees are determined to be full-time, and thus required to be offered employer-sponsored health care, if they are reasonably expected to work 30 hours per week
- Directs the Treasurer and Board to offer a health benefit coverage option for these "newly eligible" employees that provides minimum essential coverage at no greater than the ACA "Bronze" level and that minimizes the employer contribution in an administratively feasible manner

Proposed Plan Benefit Design

Plan staff proposes offering a High Deductible Health Plan (HDHP) for the "Newly Eligible" employees as follows:

Benefit Design	Individual Coverage	Family Coverage
Deductible	$5,000	$10,000
Out-of-Pocket Maximum	$6,450	$12,900
Coinsurance	50%	50%
ACA Preventive Medical	Covered at 100%	
ACA Preventive Pharmacy	Covered at 100%	
Non-network benefits will be paid at 40%. The non-network deductible and out-of-pocket maximum will be 2 times the in-network amounts.		

Meets ACA minimum value standard
Eligible for a Health Savings Account (HSA), which will allow the employee to make 2015 tax-exempt contributions of up to $3,350 ($6,650 for family coverage) to an account that can be used to pay eligible medical expenses

Proposed Member Services

Plan staff proposes the benefit option also include the following services for Newly Eligible Members:

- Teladoc 24/7 access to consultations over the phone or online (where available) with board certified physicians for common conditions such as allergies, infections, etc. The out-of-pocket cost to the member for this service will be $40.00.
- HealtheReports Online provider search, cost and quality tool
- Personal Care Management Customized health education and one-on-one nurse mentoring and coaching to encourage self-empowerment and self-management. Includes transitional care management.
- Personal Health Suite Online suite of health and wellness tools and information, including Health and Productivity Assessment (HPA), Healthy Living Programs, personal health record/portal and health trackers

Proposed Prescription Drug Formulary

Plan staff proposes adopting the Express Scripts National Preferred Formulary:

- Considered a hybrid between a closed and open formulary where certain therapeutic classes have drug coverage exclusions
- Provides coverage for 99% of drugs including:
  - ACA preventive medications
  - Specialty drugs
- Excludes 66 drugs (out of 4,100) while providing:
  - Sufficient therapeutic representation across drug classes
  - A formulary exception process (only 3.7% of ESI members have pursued a clinical exception)
- Offers drug inflation protection
- Provides a broad retail pharmacy access

Pharmacy Utilization Management

The pharmacy benefit will be subject to Express Scripts Comprehensive Standard Utilization Management Package:

- Pre-defined package with a broad offering that focuses on managing trend through programs targeting inappropriate use and promoting clinically appropriate cost-effective therapies
- Includes prior authorization, step therapy and drug quantity programs for both traditional and specialty drugs
- Express Scripts will be responsible for processing coverage exceptions and pharmacy appeals

Note: The Plan's P&T Committee will not make recommendations regarding the formulary or utilization management programs.

Board Action on Recommendations

Plan staff recommends offering an HSA-eligible high deductible health plan (HDHP) for employees eligible for health benefit coverage under G.S. 135-48.40(e) that includes:

1. The deductible, coinsurance and maximum out-of-pocket amounts outlined on slide 4,
2. The member services outlined on slide 5, and
3. The prescription drug formulary outlined on slide 6

Effective January 1, 2015

Appendix

ACA Requirements

- Eligibility
- Coverage Rules
- Penalties

ACA Requirements – Who is Eligible for Coverage?

- The Affordable Care Act (ACA) and section 4980H of the Internal Revenue Code (the Code) prescribe updated definitions of full-time employees and requirements to determine which employees are required to be offered employer-sponsored health care.
- Employees are determined to be full time, and thus required to be offered employer-sponsored health care, if they are reasonably expected to work 30 hours per week.
  - Employers have flexibility in their measurement and stability periods on determining eligibility.
  - This includes all non-permanent full-time employees. Non-permanent full-time employees are currently not offered coverage through the State Health Plan.
- Employers are penalized for not meeting Employer Responsibility requirements.

ACA Requirements – What are the Coverage Rules?

To avoid Employer Shared Responsibility penalties, full-time employees must have access to a plan that meets the definition of Minimum Essential Coverage:

- At least **Minimum Actuarial Value:** Provides at least a value of 60% of the cost of services (Bronze level on the Exchange)
  - The Plan had Segal design a minimum value high deductible health plan and a slightly more generous Bronze level plan

- **Affordable:** Costs an employee no more than 9.5% of gross taxable wages for self-only coverage
  - An employer contribution *will be needed* for low-wage employees in order to maintain affordability and ensure the avoidance of penalties
  - A decision is needed on the approach to set the employee and employer contributions

ACA Plan Requirements
What are the Penalties for Non-Compliance?

"Sledge Hammer" Penalty	"Tack Hammer" Penalty
If employing units do not offer "minimum essential coverage" to at least 70% of full-time employees (and dependent children under age 26) and if one full-time employee receives subsidized coverage on the Exchange: • Penalty is $2,000 (annualized) times the **total # of full-time employees** (minus first 30 workers)	If employing units do offer coverage to 95% of full-time employees (and their dependent children under 26), but the coverage is either not affordable or not of minimum value and one full-time employee receives federally subsidized coverage in the Exchange • Penalty is $3,000 (annualized) times the # of full-time employees getting a tax credit in an Exchange (subject to a penalty maximum)

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Premium Contribution Rates for Alternative Benefit Option

Board of Trustees Meeting

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Employer & Employee Contributions for Alternative Benefit Option

Proposed Monthly Premium Rates for High Deductible Health Plan (HDHP)

Coverage Tier	Total Premium	Employer Share	Employee Share
Employee Only	$210.00	$117.62	$92.38
Employee and Child(ren)	$379.78	$117.62	$262.16
Employee and Spouse	$586.56	$117.62	$468.94
Employee and Family	$680.56	$117.62	$562.94

Comparison: **Actual Monthly Premium Rates for CDHP ***

Coverage Tier	Total Premium	Employer Share	Employee Share
Employee Only	$448.12	$448.12	$0.00
Employee and Child(ren)	$632.72	$448.12	$184.60
Employee and Spouse	$923.80	$448.12	$475.68
Employee and Family	$954.76	$448.12	$506.64

***assumes all premium credits earned**

Board Action on Recommendation

Plan staff recommends approval of the premium contribution rates outlined on slide 2 for the high deductible health plan (HDHP), effective January 1, 2015.

Note: The HDHP benefit option will be available only to employees eligible for coverage under G.S. 135-48.40(e)

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Contract with Aon Hewitt for Eligibility and Enrollment Services
Request for Approval

Redacted

Board of Trustees Meeting

August 28, 2014

Contract Approval Required by Statute

North Carolina General Statutes §135-48.22 and §135-48.33(a) require that the BOT approve all Plan contracts with a value over $500,000.

The Plan's estimated cost of this contract over three years is expected to exceed redacted.

This contract is exempt from Department of Administration Purchase & Contract rules pursuant to §135-48.34 as a contract for services related to the implementation of benefit plans but is subject to approval by the Attorney General's Office.

Background

- In February of 2012 the State Health Plan issued a request for proposal (RFP) for eligibility and enrollment services for both the Plan and NCFlex benefits.
- Following the competitive bid process, the contract was awarded to Benefitfocus.com, Inc. with a service start date of July 1, 2013.
- Aon Hewitt was the only other qualified bidder to respond to the RFP for eligibility and enrollment services.

Eligibility and Enrollment Service Issues

Under the current contract, the Plan has experienced several service issues including:

- Defects in Electronic Data Interface (EDI) causing enrollment and billing problems
- Failure to provide an enrollment file for the Plan's data warehouse resulting in lack of access to data for the purposes of analytics
- Inability to apply enrollment rules for the Plan's Medicare primary population resulting in members not having coverage or missing cut-off dates for enrollment in Medicare Advantage plans
- Failed performance guarantees including slow average speed to answer and high call abandonment rates
- Excessive telephone wait times during open enrollment

Aon Hewitt

Service Capability

- Provided eligibility and enrollment services since 1984
- Experience with a similarly sized client (600,000 participants)
- Provides health and welfare administration to more than 280 clients representing over 15 million participants and their dependents (source, 2012 technical proposal)
- Experience in supporting Medicare eligibility and enrollment rules
- A robust call center and customer service training program

Eligibility and Enrollment Services

Contract will provide for eligibility and enrollment services including the following:

- Call center customer service for employees and retirees
- An integrated, intuitive web based eligibility and enrollment platform for both Plan and NCFlex benefits
- Support of Plan and NCFlex eligibility and enrollment rules
- Transmission of enrollment data to the Plan, employing units, vendors and partners as necessary to perform Plan operations
- Custom and ad hoc reports on Plan and NCFlex data
- Transition of all eligibility and enrollment services for the Plan and NCFlex no later than July 1, 2015
- Supplemental call center enrollment support to retirees during this fall's open enrollment

Cost – Scenario 1 Confidential

Aon Hewitt Standard Service

Pricing includes a performance guarantee whereby 80% of the calls received during the quarter will be answered in 30 seconds or less. The standard during open enrollment is 70% of calls.

PSPM: Redacted

495,000 subscribers = Redacted

NCFlex reimbursement Redacted

Total Plan Cost = Redacted

Cost – Scenario 2 Confidential

Plan's Expected Service Level

Pricing includes a performance guarantee for the average speed to answer (ASA) of 30 seconds or less for 97% of days in the quarter including open enrollment.

PSPM: Redacted

495,000 subscribers = Redacted

NCFlex reimbursement Redacted

Total Plan Cost = Redacted

Cost – Scenario 3 Confidential

Alternate Approach

Pricing includes a performance guarantee for the average speed to answer (ASA) of 30 seconds or less for 97% of days in the quarter excluding open enrollment.

PSPM: Redacted

495,000 subscribers = Redacted

NCFlex reimbursement Redacted

Total Plan Cost = Redacted

Recommendation

Plan staff recommends approval of a Contract with Aon Hewitt for eligibility and enrollment services beginning no later than July 1, 2015 with call center enrollment support of retirees during this fall's open enrollment, contingent on resolving outstanding contract issues to the satisfaction of the Executive Administrator.

The initial Contract term will be for three years, with two optional one year renewals.

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Contract with MedCost LLC
Third Party Administrative Services – Alternative Products
Request for Approval

Redacted

Board of Trustees Meeting

August 28, 2014

Contract Approval Required by Statute

North Carolina General Statutes §135-48.22 and §135-48.33(a) require that the BOT approve all Plan contracts with a value over $500,000.

The estimated cost of this contract for one year may exceed $500,000.

This contract is exempt from Department of Administration Purchase & Contract rules pursuant to §135-48.34 as a contract for services related to an optional alternative plan.

SL 2014-100 Mandate

Beginning in 2015 the Plan is required to offer a benefit for non-permanent full-time (newly eligible) employees that:

- Meets the requirements of minimum essential coverage under the Affordable Care Act (ACA)
- Is not greater than a bronze-level plan, as defined under the ACA
- Minimizes the required employer contribution in an administratively feasible manner

Opportunity

Although the Plan utilizes Blue Cross Blue Shield of North Carolina (BCBSNC) as its third party administrator for standard products, Plan staff proposes that we take this opportunity to engage a different vendor for services related to this mandate.

This will allow the Plan to:

- Keep this newly eligible group separate from the permanent employee and retiree populations allowing for easier analysis of demographics and claims experience.
- Gain experience with another vendor for third party administrative services which is important as we look for ways to develop and implement alternative payment and network strategies.
- Evaluate utilization of telehealth services for this population.

MedCost LLC

Company Background

- Based in Winston-Salem NC
- Founded in 1983 and jointly owned by Carolinas HealthCare System and Wake Forest Baptist Health
- Providing network solutions since 1984
- Serving over 500,000 lives in the Carolinas
- Over 46,000 practitioners and 1,300 organizations in-network
- All hospitals in North and South Carolina, including Critical Access Hospitals
- URAC (formerly Utilization Review Accreditation Commission) accredited in provider credentialing since 2000

MedCost LLC

Service Capability

- Experienced High Deductible Health Plan (HDHP) administrator
- Access to HealtheReports transparency tool
- Ability to transmit & receive data to integrate with third parties
- Ability to support banking relationship and enrollment vendor of choice
- Ability to support custom reporting needs
- Ability to provide population health management services
- Ability to provide telehealth services through Teledoc

Third Party Administrative Services

Contract will provide for administration of a bronze-level benefit plan for newly eligible employees including the following:

- Claims processing
- Network access in all 100 North Carolina counties
- Network access in Virginia and South Carolina
- Assigned networks for out-of-state employees
- Production and distribution of member identification cards
- Utilization Management (inpatient and outpatient)
- Complex Case Management
- Personal Care Management (disease management)
- Transitional Care Management
- Telehealth Services
- Personal Health Suite

Cost – Confidential and Proprietary

Number of Employees	Administrative Fees (PSPM)	Core Health Management Fees (PSPM)	Network Access Fees (PSPM)	Sub-Total (PSPM)	Total PSPM with Additional Fees:
0-5,000	Redacted	Redacted	Redacted	Redacted	Redacted
5,001-10,000	Redacted	Redacted	Redacted	Redacted	Redacted
10,001-15,000	Redacted	Redacted	Redacted	Redacted	Redacted
>15,000	Redacted	Redacted	Redacted	Redacted	Redacted

Additional Per Subscriber Per Month (PSPM) Fees for Recommended Optional Services:

Teladoc	Redacted
HealtheReports	Redacted
Personal Care Management	Redacted
Personal Health Suite	Redacted
Total:	Redacted

Network Discounts – Confidential and Proprietary

State	Inpatient	Outpatient	Professional	Overall	Professional as % of Medicare
NC	Redacted	Redacted	Redacted	Redacted	Redacted
SC	Redacted	Redacted	Redacted	Redacted	Redacted

Administrative Cost

The Plan does not have a reliable estimate of enrollment; however, the total annual cost of the contract, assuming varying levels of enrollment, is as follows:

Enrollment	Annual Administrative Cost
500 subscribers	redacted
1,500 subscribers	redacted
3,000 subscribers	redacted
6,000 subscribers	redacted

Recommendation

Plan staff recommends approval of a Contract with MedCost LLC for third party administrative services for the alternative benefit option (bronze-level plan) to be offered to newly eligible employees, effective October 1, 2014.

The Contract term will be for one year, with two optional one year renewals and will include a three month implementation period.