



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



State Budget Update: Appropriations Act

Board of Trustees Meeting

July 26, 2013

A Division of the Department of State Treasurer

State Budget Update

- Comparison of Governor's, House and Senate Budgets
- Approved Conference Report on Budget Bill
- Four Year Budget Outlook
- Comparison of 3rd Quarter Forecast Updates to Budget
- Next Steps

Budgeting Philosophies

- The Governor, the Senate, and the House took three distinct approaches to funding the State Health Plan in the coming biennium
 - **Governor's Approach:** Fully funded the two-year actuarial projection presented to the Board in February 2013
 - **Senate Approach:** Appropriations for increases in the employer contribution for the State Health Plan based on the Consumer Price Index
 - **House Approach:** Appropriations for increases in the employer contribution for the State Health Plan based on the 3rd quarter updated actuarial projection of the required four year average increase

Proposed Funding for the State Health Plan

	Governor's Budget (Segal 02-01-13)	Senate Budget¹ SB 402, 3rd Edition	House Budget² SB 402, 5th Edition
Premium Increases			
FB 2013-15	4.7% CY	3.6% & 0.8% CY	3.6% CY
General Fund Appropriations			
FY 2013-14	\$44.8 m	\$34.0 m	\$33.0 m
FY 2014-15	\$136.2 m	\$77.0 m	\$101.0 m
Total	\$181.0 m	\$111.0 m	\$134.0 m

1. Proposed increase based on projected CPI
2. Proposed increase based on projected four-year average required premium increase + appropriations required to fund HB 498 and HB 675; includes language requiring Board action to reduce the four-year average premium increase by one percentage point

House Budget Special Provision

Section 35.18 of the House budget includes the following provision:

The Board of Trustees of the State Health Plan for Teachers and State Employees shall adopt new plan changes, beyond those already approved as of June 1, 2013, that are expected to reduce the average annual rate of increase in employer premiums needed over the next four years by at least one percent (1%). The plan changes may include one or more of the following:

- changes to out-of-pocket requirements,
- changes to employee or retiree premiums,
- new plan options,
- changes in the services and products covered,
- changes to the provider network structure,
- changes to provider rates or payment methodology,
- incentives to Plan members to adopt or maintain healthy behaviors,
- incentives to Plan members to control utilization,
- any type of integrated health management program, fraud detection, utilization management, or
- changes in plan administration.

Conference Report Adopted, SB 402

- The Conference Report approved by the House and Senate includes the following appropriations to cover increases in the State's employer contribution for the State Health Plan:
 - \$33.5m for FY 2013-14
 - \$89.0m for FY 2014-15
- The budget also includes reserve funding if HB 498 (Autism) and HB 695 (Pharmacy Audits) are approved by the General Assembly and become law

Proposed Funding for State Health Plan Including Conference Report, SB 402

	Governor's Budget (Segal 02-01-13)	Senate Budget ¹	House Budget ²	Approved Conference Report ³
Premium Increases				
FB 2013-15	4.7% CY	3.6% & 0.8% CY	3.6% CY	3.57% & 2.14% CY
General Fund Appropriations				
FY 2013-14	\$44.8 m	\$34.0 m	\$33.0 m	\$33.5 m
FY 2014-15	\$136.2 m	\$77.0 m	\$101.0m	\$89.0 m
Total	\$181.0 m	\$111.0 m	\$134.0m	\$122.5m

1. Proposed increase based on projected CPI
2. Proposed increase based on projected four-year average required premium increase + appropriations required to fund HB 498 and HB 675;
3. Does not including funding for HB 498 and HB 675, however, monies are reserved for these pending bills

Four Year Budget Outlook

	Board Approved Design 3Q Updated Projection (Segal 05-30-13)	Board Approved Design 3Q Updated Projection - Smoothed (Segal 05-30-13)	Approved Conference Report, SB 402
Premium Increases			
FB 2013-15	0.1% CY	4.5% CY	3.57% & 2.14% CY
FB 2015-17	15.0% CY	4.5% CY	Not Specified
General Fund Appropriations			
FY 2013-14	\$0.6m	\$43.3m	\$33.5m
FY 2014-15	\$1.8m	\$131.5m	\$89.0m

Conference Report Special Provision

Section 35.18. The Board of Trustees of the State Health Plan for Teachers and State Employees shall adopt new plan changes, beyond those already approved as of June 1, 2013, that are expected to reduce the average annual percentage increase in employer premiums needed over the next four years by at least one. The plan changes may include one or more of the following:

- changes to out-of-pocket requirements,
- changes to employee or retiree premiums,
- new plan options,
- changes in the services and products covered,
- changes to the provider network structure,
- changes to provider rates or payment methodology,
- incentives to Plan members to adopt or maintain healthy behaviors, incentives to Plan members to control utilization,
- any type of integrated health management program, fraud detection, utilization management, or
- changes in plan administration.

Comparison of 3rd Quarter Updates:

Baseline Forecast - Board Approved Design - Conference Report (SB 402)

	Baseline Forecast “If nothing had changed” (Segal 5-30-13)	Board Approved Design (Segal 5-30-13)	Board Approved Design Smoothed (Segal 05-30-13)	Conference Report (SB 402) (Segal 7-24-13)
Premium Increases				
FB 2013-15	(1.5%) July 1	0.1% January 1	4.5% January 1	3.57% & 2.14% January 1
FB 2015-17	18.9% July 1	15.0% January 1	4.5% January 1	8.16% January 1

Next Steps

- Approve premium rates effective 2014
- Evaluate new benefit options and changes to the funding stream and determine impact on forecast model
- Consider possible strategies to address Section 35.18 of SB 402 in future board meetings