

**Board of Trustees
State Health Plan for Teachers and State Employees
Department of State Treasurer
February 11, 2015**

The meeting of the Board of Trustees of the North Carolina State Health Plan for Teachers and State Employees was called to order at approximately 2:00 p.m. on Wednesday, February 11, 2015, at the State Health Plan, 4901 Glenwood Avenue, Suite 300, Raleigh, NC 27612.

Members Present:

Janet Cowell, Chair
Lee Roberts
V. Kim Hargett
Noah Huffstetler
Charles Johnson
Genell Moore
Bill Medlin
David Rubin

Absent:

Paul Cunningham
Warren Newton, MD

State Health Plan and Department of State Treasurer Staff: Mona Moon, Lotta Crabtree, Glenda Adams, David Boerner, Mark Collins, Tom Friedman, Beth Horner, Nidu Menon, Lorraine Munk, Caroline Smart, Andrew Holton, Tony Solari

Welcome

Janet Cowell, Chair, welcomed oard members and State Health Plan and Department of State Treasurer staff to the meeting.

Agenda Item – Conflict of Interest Statement

In compliance with the requirements of Chapter 138A-15(e) of the State Government Ethics Act, Chair Cowell requested that members who have either an actual or perceived conflict of interest identify the conflict and refrain from discussion and voting in those matters as appropriate. Mr. Huffstetler recused himself from discussions and decisions pertaining to Novant Health.

Ms. Moon provided information on the data breach at Anthem Blue Cross and Blue Shield and the potential effect on State Health Plan members. She stated that specific details were not yet available and emphasized that it was too early to determine if, and to what extent, Plan members were impacted. The stolen data included personal information such as eligibility status, addresses, Social Security numbers and email addresses. Blue Cross Blue Shield is continuing to monitor the impact and the Plan's website has links to BCBSNC and Anthem which can provide members with updated information. Fraudulent credit monitoring services may be offered and people are advised not to open emails pertaining to these services.

The Plan will share more information as it becomes available and Ms. Moon will email the website links to Board members.

Agenda Item – Financial Report, Forecasting and Monitoring (Attachment 1)

Presented by Mark Collins, Financial Analyst

2014 Calendar Year Financial Report

The Plan ended the calendar year with a cash balance of \$1.015 billion. Plan revenue was \$47 million above the certified budget amount and expenses were approximately \$105 million less than projected. Mr. Collins reviewed the historical financial results and stated that the Plan expects that claims expenses will increase over the next biennium and the cash balance will be spent down.

Administrative expenses in CY 2014 compared to the last full plan year demonstrated that the biggest difference is the percent paid to BCBSNC. This shift reflects new contracts in place and changes in operating procedures.

CY 2014 4th Quarter Actuarial Forecast Update

The forecast comparison chart in 2014 reflects a slight decrease in medical expenses and an increase in pharmacy expenses. Mr. Collins briefly reviewed the changes and revisions in the 4th quarter update and stated that the new forecast assumes less savings generated by the new discount guarantees in the Express Scripts, Inc. (ESI) contract, based on most recent results. The projections extended to 2021 whereas the last forecast only went to 2019.

The 4th quarter forecast projects lower medical claims and higher pharmacy claims costs than the certified budget. The cash balance projected for the end of June 2015 is higher than the certified budget projection and easily exceeds the 9% target stabilization reserve amount.

Agenda Item – Benefit Design, Plan Options and Premiums (Attachment 2)

Presented by Mona Moon, Executive Administrator, and Mark Collins, Financial Analyst

Proposed 2016 and 2017 Benefit Design Changes

Ms. Moon expressed appreciation to the Board and members of the Plan's stakeholder groups for their participation in the benefit design process over the past two months. She noted that the strategic plan approved by the Board was very helpful in guiding the discussions.

Based on the Board's discussion at the January meeting, the Plan revised the benefit design proposal for calendar years 2016 through 2019. The change in member cost share provides some stability and aligns with the state's budgeting process.

Consumer-Directed Health Plan members will continue to have the opportunity to earn down their premiums to \$0 with healthy activities. The HRA contribution will be increased by \$100. Specific health engagement program opportunities will be discussed with the Board at a future meeting. Members, with the exception of retirees, in the 70/30 Plan will have a \$40 premium with the opportunity to earn it down to \$0 with a tobacco attestation credit.

In 2018 and 2019, active members in the 70/30 Plan will be able to earn an increased premium down to approximately \$20 by completing the tobacco attestation. Changes to the member cost share in the CDHP and 80/20 plans will be determined at a later date.

Mr. Collins reviewed the impact of the proposed changes on the actuarial forecast. Premiums decreased slightly in 2016-17 and increased in 2018-19 and 2020-21. Slight adjustments were made to the General Fund requirements.

Wellness premium credits can be earned down to \$0 in the CDHP through 2017 and are projected to increase slightly in the 80/20 plan in 2016 and 2017. The net employee premium with all wellness credits in the 70/30 Plan for active employees can also be earned down to \$0 in 2016 and 2017.

Ms. Moon noted that the Plan would provide tier information to the Board, relative to the projected 3.37% premium increase in 2016-17, at a later date. She also advised the Board that outstanding eligibility data will impact the forecast.

Ms. Moon reviewed items which will require Board approval in 2016 and 2017. She noted that the Plan doesn't have the Medicare Advantage rates and will also need the approved state budget in order to determine the defined contribution rates for all plan options. Other changes may be required in 2017 based on the Plan's actual experience and financial performance.

Prior to the Board's vote on the 2016-17 benefit design, members of the public were invited to address the board.

Mr. Chuck Stone, State Employees Association of North Carolina (SEANC), acknowledged Plan staff for the proposed revision to the 70/30 Plan. However, he noted SEANC'S concerns regarding the unaffordability of the health benefit for many members, especially dependent coverage. He noted SEANC opposes premium and surcharge increases. He stated that overpayments to hospitals should be addressed before increasing member cost sharing.

Mr. Mark Jewell, North Carolina Association of Educators (NCAE), thanked the Board and staff for including stakeholders in the benefit design process. He also thanked Board member Kim Hargett for working with NCAE to clarify answers to member concerns.

NCAE supports allowing members to earn the premium to \$0 in the 70/30 Plan and also would like to encourage the Plan to pursue providing a prescription drug card for members in the CDHP. He noted the importance of marketing strategies in effectively communicating and educating members. He also stated that the current salary schedule for teachers affords little opportunity for increases in premiums and out-of-pocket expenses.

Several Board members expressed appreciation to Plan staff for adjustments to the benefit design and echoed their support for a prescription benefit card for CDHP members. The Board also agreed on the importance of member communication and education.

Following a motion by Ms. Hargett and seconded by Mr. Huffstetler, the Board unanimously voted to approve the revised proposal for 2016 and 2017 benefit design changes (alternative 2). In response to a question from a Board member, Ms. Moon stated that Dr. Newton and Dr. Cunningham voiced approval of the revised proposal via phone during workgroup sessions.

Agenda Item – Member Experience and Communications (Attachment 3)
Presented by Caroline Smart, Director of Health Plan Operations

Communicating the 2016 Benefit Options

Over the next several months the Plan will communicate the benefit options to members and stakeholder groups. Rate information will be on hold until the State budget is approved. Plan staff will focus more on basic marketing and advertising strategies to engage members in helping them choose the plan that best fits their needs.

The Plan's website will be redesigned to coincide with the Aon Hewitt enrollment implementation date. Board members suggested other ways to reach members including "tele-town hall" meetings, television and radio messages, procurement of computers for members who don't have them, etc. Plan staff will consider the feasibility and implementation of these suggestions.

The Plan is also working with Aon Hewitt on the development of an online benefit estimator tool. Members would have to be trained on how to use the tool in order for it to be of any value. In response to a question from a Board member regarding whether the tool could allow members to access previous claims information, Ms. Smart stated that the Plan was working with BCBSNC to determine the feasibility of that feature. Board members also noted the importance of a transparency tool in helping members understand the cost of medical care.

Agenda Item – Contracting and Vendor Partnerships (Attachment 4)

Presented by Lotta Crabtree, Deputy Executive Administrator, and Nidu Menon, Director of Integrated Health Management

Mr. Huffstetler recused himself from the discussion, noting that his law firm represents Novant Health.

Ms. Crabtree noted that Plan contracts valued at more than \$500,000 require Board approval. The pilot project with several practices as Patient Centered Medical Homes (PCMH) would each serve as a model to coordinate care, improve the health of members and bend the cost curve. Only the contract with Novant Medical Group is anticipated to exceed \$500,000 and requires Board approval. Ms. Crabtree noted that the cost of the PCMH pilot is covered by the per member per month (PMPM) paid to ActiveHealth Management.

In response to a question as to how practices were chosen, Dr. Menon stated that several variables including location, infrastructure and the interest of the practice and provider in working with the Plan were considered.

Following a motion by Dr. Rubin and seconded by Mr. Johnson, the board voted unanimously to approve the contract with Novant Medical Group for participation in the PCMH pilot.

Agenda Item – Wrap-Up

Presented by Janet Cowell, Chair

The next Board meeting is scheduled for May 21 and 22, 2015. Several Board workgroup meetings may be scheduled prior to the next Board meeting.

The meeting was adjourned at 4:00 p.m.



Janet Cowell, Chair