

State Health Plan Annual Report

Key Facts About the State Health Plan



North Carolina
State Health Plan

FOR TEACHERS AND STATE EMPLOYEES

A Division of the Department of State Treasurer



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

2024

Overview

The State Health Plan for Teachers and State Employees (Plan) provides health benefits to nearly 740,000 teachers, state employees, retirees, and their dependents.

Under the leadership of Treasurer Dale R. Folwell, CPA, the Plan has embraced a wide-ranging mission that includes, in part, improving the health and health care of North Carolina teachers, state employees, retirees, and their dependents in a financially sustainable manner, and serving as a model for the people of our state.

Active members are valued public employees who teach, protect and otherwise serve. The taxpayers of North Carolina invest in them by offering eligible employees full medical and pharmacy benefits through the State Health Plan. Employing agencies contribute over \$500 each month to permanent employees' health benefits.

The Plan is working hard to protect the sustainability of this important benefit, while providing members an excellent customer experience along with convenient and affordable access to health care.

Governance

The State Treasurer, Executive Director and Board of Trustees are fiduciaries for the Plan. The Plan is governed by a 10-member Board of Trustees, which is tasked with making decisions regarding the Plan, such as approving large contracts, benefit programs and premium rates, copays and deductibles. The North Carolina General Assembly determines member eligibility rules and provides state funding for the Plan.

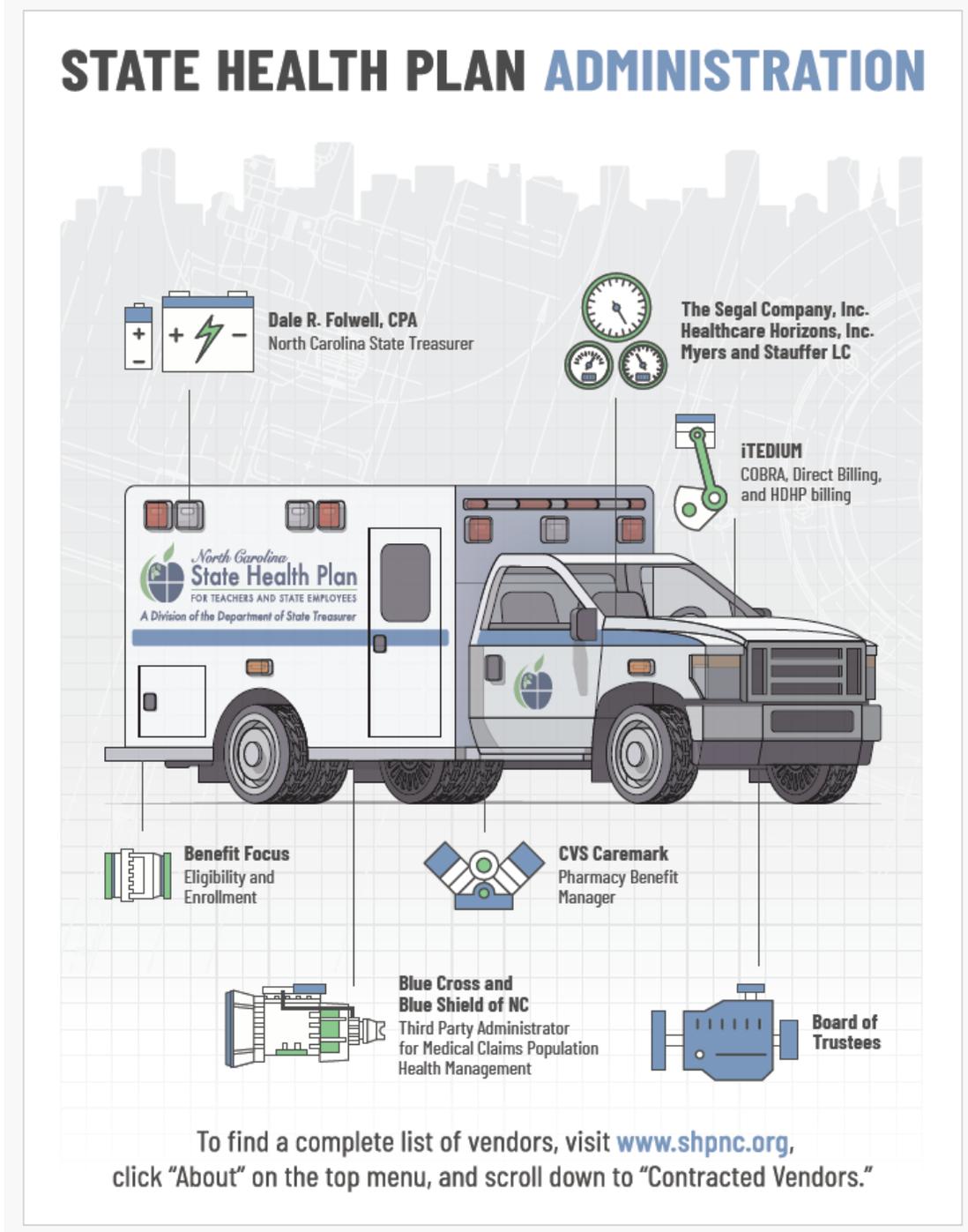
The Board of Trustees is composed of an employee of a state department, agency or institution; a teacher employed by a North Carolina public school system; a retired employee of a state department, agency or institution; and a retired teacher from a North Carolina public school system. The board also includes individual experts with relevant skills in areas such as actuarial sciences and health economics, health benefits and administration, health law and policy, and the practice of medicine. The State Treasurer is an ex-officio member of the board and serves as its chair, but only votes in the event of a tie. The Director of State Budget serves as an ex-officio nonvoting member.

Two members are appointed by the Governor, two members are appointed by the State Treasurer, two members are appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives and two members are appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.

Additional information regarding board members is available on the Plan's [website](#).

State Health Plan Administrative Services Providers

The State Health Plan contracts with various vendors to administer the operations and benefits of the Plan. Below are the main administrative partners that perform the work carried out for our membership.



Membership Statistics

The Plan’s membership categories include active employees, Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) participants, Medicare-eligible retiree members and non-Medicare retiree members. These statistics are from the membership report from December 2023.

As of 2021, the average age of self-insured Plan members is 37.3, and Plan members are 60.8% female and 39.2% male. There were 43,081 self-insured members over age 65, nearly 540,260 self-insured members under age 65, and 158,155 fully insured Medicare Advantage members.

North Carolina’s population is 10.9 million as of July 1, 2023. State Health Plan membership is 746,385 or 6.8% of North Carolina’s total membership.

Total Membership

Active	483,493
COBRA	1,591
Direct Bill*	108
Sponsored Dependents	3,087
Retirees	258,279
Medicare Retirees	195,622
Non-Medicare Retirees	53,818
Total	746,558

Membership by Entity

State agencies	89,933
Charter Schools	10,705
COBRA Participants	1,591
Community Colleges	23,805
Direct Bill*	108
Sponsored Dependents	3,087
Municipalities	17,800
Public Schools	247,418
Retirees	258,279
University System	92,263
Other	1,569
Total	746,588

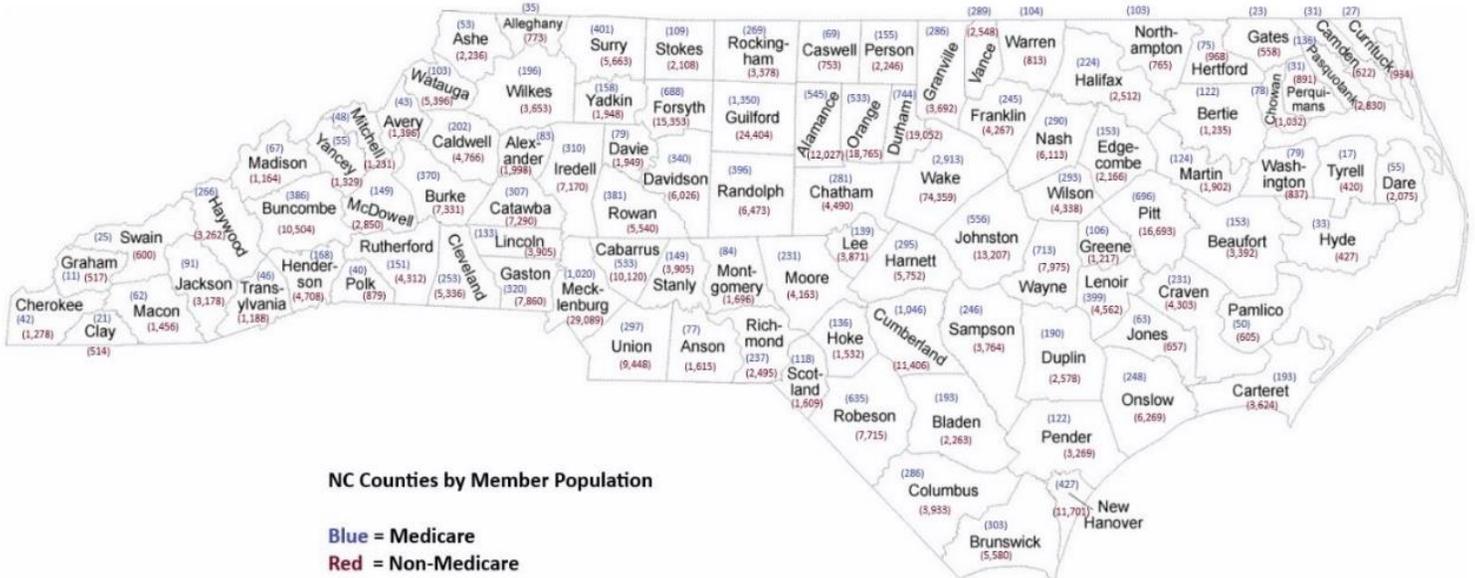
**Members who do not have premiums automatically deducted from paychecks or pension checks are billed directly for benefits. This includes groups designated by the General Assembly to receive State Health Plan benefits.*

As of December 2023, the membership by plan option breakdown was as follows:

Medicare Membership by Plan

Base PPO Plan (70/30)	30,717
Enhanced PPO Plan (80/20)	6,690
Humana Medicare Advantage Base Plan	156,356
Humana Medicare Advantage Enhanced Plan	18,283
Total	212,046

State Health Plan Members by County



Full data table in Appendix.

2022 Health Care Data

Top 10 Hospitals Used by Members ranked by Amount Paid

Hospital Name	Plan Paid Amount \$	Claim Count
UNC Hospitals	\$137,589,143	57,605
Duke University Hospital	\$112,279,845	39,613
Vidant Medical Center	\$70,454,747	12,842
Rex Hospital	\$68,900,958	15,071
Carolinas Medical Center	\$50,708,833	10,190
North Carolina Baptist Hospital	\$45,742,138	39,384
WakeMed Raleigh Campus	\$43,822,517	15,066
Moses H. Cone Memorial Hospital	\$43,280,056	16,875
Mission Hospital	\$42,271,809	10,435
New Hanover Regional Med Center	\$37,888,299	16,346
Totals	\$652,983,344	233,427

10 Most Used Medications Utilized

Drug Name	Therapeutic Class	Total Rxs	Total Utilizers	Total Gross Cost
Atorvastatin Calcium	Antihyperlipidemics	161,675	45,277	\$3,856,504
Amlodipine Besylate	Calcium Channel Blockers	146,392	39,147	\$1,102,189
Lisinopril	Antihypertensives	123,850	33,028	\$ 849,910
Rosuvastatin Calcium	Antihyperlipidemics	101,237	28,762	\$3,395,154
Hydrochlorothiazide	Diuretics	98,323	27,900	\$525,485
Losartan Potassium	Antihypertensives	99,197	25,861	\$1,906,876
Escitalopram Oxalate	Antidepressants	111,509	28,573	\$2,653,660
Omeprazole	Ulcer Drugs	101,147	31,430	\$ 2,057,554
Bupropin Hydrochloride E	Antidepressants	102,376	25,396	\$4,942,443
Levothyroxine Sodium	Thyroid Agents	85,938	20,694	\$1,400,865
	Totals	1,131,644	306,068	\$22,690,640

Plan Options

The Plan currently offers two Preferred Provider Organization (PPO) plans for active and non-Medicare members. They are the Enhanced PPO Plan (80/20) and the Base PPO Plan (70/30). These plans offer freedom of choice among in-network providers and lower out-of-pocket costs with an emphasis on preventive health.

- The Enhanced PPO Plan (80/20) has higher premiums in exchange for lower copays, coinsurance and deductibles. This plan includes the ability to lower monthly premiums for non-tobacco users and for tobacco users who agree to enroll in tobacco cessation counseling.
- The Base PPO Plan (70/30) has lower premiums in exchange for higher copays, coinsurance and deductibles. This plan also includes the ability to lower monthly premiums for non-tobacco users and for tobacco users who agree to enroll in tobacco cessation counseling.

Both plans are administered by Blue Cross and Blue Shield of North Carolina (Blue Cross NC), the Plan's Third-Party Administrator, but health care claims are paid by the state – not by Blue Cross NC.

Likewise, CVS Caremark is the Plan's Pharmacy Benefit Manager. They manage prescription drug benefits on behalf of the state, but pharmacy claims are paid by the state.

For Medicare members, the Plan offers three health plan options. They include:

- The Humana Group Medicare Advantage (PPO) Base Plan. This plan is customized to combine Medicare Parts A and B along with Medicare Part D (prescription coverage) into one plan with additional benefits, services and discount offers. These include access to the SilverSneakers® Fitness Program, a nurse help line and disease and case management services.
- The Humana Group Medicare Advantage (PPO) Enhanced Plan. This plan is also customized to combine Medicare Parts A and B along with Medicare Part D (prescription coverage) into one plan, and offers lower out-of-pocket expenses. It also offers additional benefits, services and discounts, including access to the SilverSneakers® Fitness Program, a nurse help line and disease and case management services.
- The Base PPO Plan (70/30), administered by Blue Cross NC.

The Plan also offers a High Deductible Health Plan for full-time non-permanent employees working at least 30 hours per week and deemed eligible by their employing agency. This plan is administered by Blue Cross NC.

State Health Plan Funding

The Plan is self-insured and exempt from the Employee Retirement Income Security Act (ERISA) as a government-sponsored plan.

In terms of its general funding structure, the Plan is 100% receipt-supported, primarily through the collection of premiums paid by employing units (including state agencies, school systems, universities and community colleges) and members. The North Carolina General Assembly does not appropriate funds directly to the Plan. Instead, it provides funds to state agencies, universities, community colleges, local school systems and the retirement system to pay an “employer contribution” and monthly premium on behalf of employees and retirees.

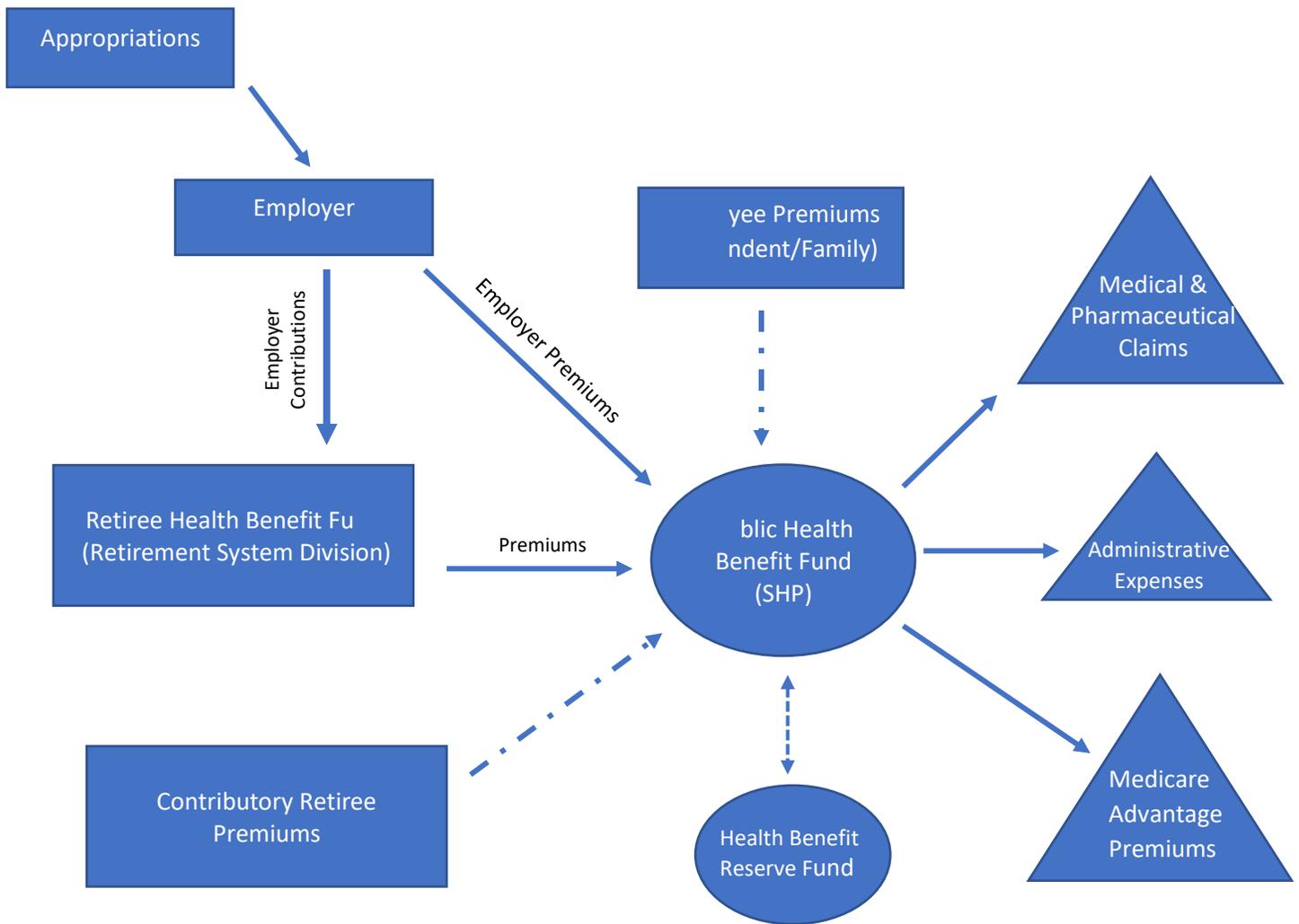
It is important to note that, through agency budgets, the state legislature funds most of the employer costs for active employees and qualifying retirees. The employer contributions cover nearly all of the premium costs for employee and retiree coverage. However, the state does not provide a direct subsidy for dependents, meaning employees and retirees who cover dependents pay 100% of the dependent premiums.

In calendar year 2022, employer contributions made up approximately 84.4% of premium collections, while employee premiums made up 15.6%. Premium collections, along with a relatively small amount of federal subsidy income and interest earnings, pay all Plan expenses. The plan spent a total of \$4.13 billion in fiscal year 2022-23.

Premium rates are established for each state fiscal biennium based on a forecast prepared by the Plan’s actuary. The forecast model produces a projected premium that is required to cover the plan’s expenses during the upcoming forecast period or fiscal biennium, and that premium is typically applied to all rates across the board.

Future premium rates are impacted by the Plan’s actual financial performance. If claims experience is less (i.e. better) than projected, the plan’s cash reserves increase over the year and the required premium in the next year will be lower than originally projected. Conversely, if expenses are higher than projected, the plan will spend down or use reserves to cover the increased cost, and the required premium in the next year will be higher than originally projected.

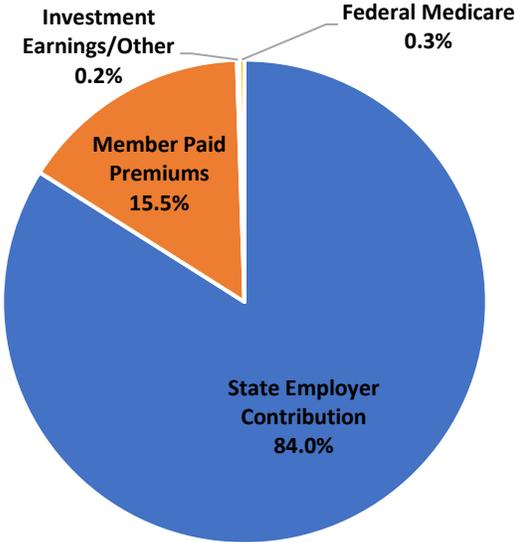
State Health Plan Funding



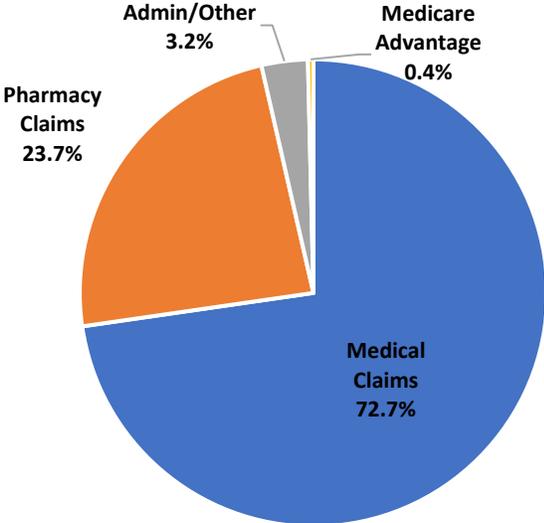
Financial Statistics

Calendar Year 2022 Sources of Plan Revenues

Per Financial Status Report (FSR)



Calendar Year 2022 Plan Cost Structure



State Health Plan Financial Summary

Per Financial Statistical Report

	FY 2019-20 (Millions)	FY 2020-21 (Millions)	FY 2021-22 (Millions)	FY 2022-23 (Millions)
Premium Contributions	\$3,766,138	\$ 3,759,918	\$3,869,666	\$4,037,841
Other Receipts	\$27,958	\$6,270	\$104,440	\$17,560
Total Revenues	\$3,794,096	\$3,766,188	\$3,974,106	\$4,055,400
Medical Claims	\$2,442,361	\$2,719,116	\$2,873,936	\$2,994,005
Pharmacy Claims	\$787,542	\$870,931	\$899,472	\$992,564
Premiums for Fully Insured Plans	\$213,378	\$96,712	\$13,549	\$15,195
Total Claims	\$3,443,282	\$3,686,759	\$3,786,957	\$4,001,764
Administrative Expenses	\$139,901	\$158,944	\$145,988	\$128,879
Total Expenditures	\$3,583,182	\$3,845,702	\$3,932,945	\$4,130,642
Plan Income/ (Loss)	\$210,914	\$(79,515)	\$41,161	\$(75,242)

OPEB Overview

Other Post-Employment Benefits (other than pension)

OPEB: Retiree Health coverage for current and future retirees

OPEB Liability = estimated current value of the current and future health care costs of current and future retirees. Liability as of June 30, 2023, is \$29.8B.

Retiree Health Benefits Trust Fund (RHBTf) was created to offset OPEB Liability and pay for the cost of health care for retirees. The RHBTf is funded by a % of salary of employers as stated in the Appropriations Legislation (SL 2023-134: FY 2023: 7.14%; FY 2024 6.99%).

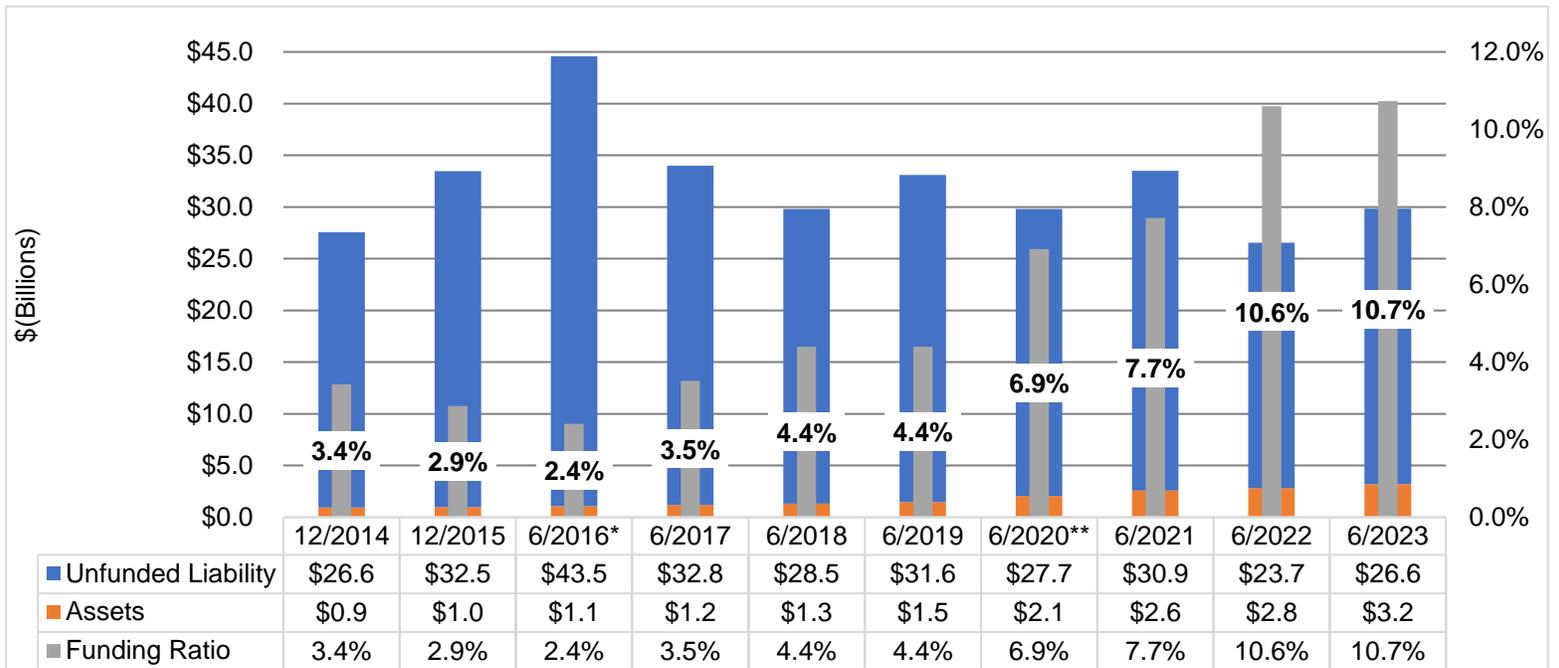
The RHBTf pays for retiree health coverage based on premiums approved by the State Health Plan Board of Trustees to stay within the FY limits set in Appropriations Legislation.

RHBTf as of 6/30/23: \$3.2B

OPEB is 10.7% funded with \$26.6B Unfunded Liability.

	June 30, 2023	June 30, 2023
Total OPEB Liability (TOL)	\$29,850,087,265	\$26,557,120,814
Plan Fiduciary Net Position (Assets)	\$3,202,661,014	\$2,810,269,038
Net OPEB Liability (NOL)	\$26,647,426,251	\$23,746,851,776
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	10.73%	10.58%
	June 30, 2023	June 30, 2023
Service Cost at Beginning of Year	\$1,279,519,056	\$2,131,390,625
Covered Payroll	\$19,839,303,000	\$19,034,634,000
	June 30, 2023	June 30, 2023
Actuarially Determined Contribution for Fiscal Year Ending	\$2,240,057,000	\$2,084,130,000
Actual Contribution for Fiscal Year Ending	\$1,366,927,988	\$1,197,278,490
Benefit Payment	\$1,120,623,054	\$1,044,121,158

Retiree Health Benefit Fund-Liability



** 2016 Implemented GASB 74 changes

Brief History of State Health Plan

July 1971 – Legislation is passed directing the Teachers’ and State Employees’ Retirement System Board to establish health benefits for active employees and appropriating employer contributions of up to \$10 per month starting July 1, 1972.

1982 – The State Health Plan becomes self-funded and Electronic Data Systems wins the contract for Plan services.

October 1982 – The State of North Carolina creates a Comprehensive Major Medical Plan for employees, retirees and certain dependents, under a Board of Trustees within the Office of State Budget and Management.

July 1983 – Legislation is passed removing the Board from the Office of State Budget and Management and giving the Board additional independent authority.

July 1985 – Legislation is passed creating an Executive Administrator position for the Plan, which is appointed by the Commissioner of Insurance upon advice of the Committee on Employee Hospital and Medical Benefits and subject to confirmation by the General Assembly.

August 1987 – Legislation is passed removing General Assembly confirmation of the Executive Administrator and directing the Committee to review programs, rather than recommend them.

October 2000 – State Health Plan membership surpasses 500,000.

April 2005 – State Health Plan partners with Medco (now Express Scripts) to provide pharmacy services.

2006 – State Health Plan membership surpasses 600,000.

May 2011 – The State Health Plan’s governance is restructured by the General Assembly, transferring the State Health Plan to the Department of State Treasurer.

December 2011 – Plan’s new Board of Trustees is established.

January 2012 – The State Health Plan staff officially transfer to the Department of State Treasurer.

January 2014 – The State Health Plan introduced several new and enhanced health plan features and options for all members. For active employees and non-Medicare retirees, the Enhanced 80/20 Plan was introduced as well as the Consumer-Directed Health Plan. In addition, the Plan offered new Group Medicare Advantage (PPO) Plan options for Medicare-eligible retirees, with coverage provided through Humana and UnitedHealthcare.

2020 – Clear Pricing Project (CPP) developed to secure the Plan’s financial future and to promote quality, accessible health care. The goal was to ensure that members have this valuable benefit for years to come, while bringing transparency to health care expenses and addressing the rising health costs that members and their families face every day.

January 2021 – Humana Medicare Advantage Plan offered at \$0 premium for member subscribers.

December 2022 – CVS Caremark contract renewed as pharmacy benefits manager.

December 2022 – The Third-Party Administrative (TPA) Services Contract was awarded to Aetna. The administrative contract, awarded by the Plan Board of Trustees, oversees health care spending of more than \$17.5 billion over five years. The new contract reflects a partnership that focuses on transparency and lower costs, with the potential administrative cost savings over the course of the contract equaling \$140 million. The three-year initial service period for the contract begins Jan. 1, 2025, and continues through Dec. 31, 2027, with the option to renew for two, one-year terms.

Appendix

NORTH CAROLINA COUNTIES BY STATE HEALTH PLAN MEMBER POPULATION

County	Non-Medicare	Medicare
Alamance	12,027	545
Alexander	1,998	83
Alleghany	773	35
Anson	1,615	77
Ashe	2,236	53
Avery	1,396	43
Beaufort	3,392	153
Bertie	1,235	122
Bladen	2,263	193
Brunswick	5,580	303
Buncombe	10,504	386
Burke	7,331	370
Cabarrus	10,120	533
Caldwell	4,766	202
Camden	622	31
Carteret	3,624	193
Caswell	753	69
Catawba	7,290	307
Chatham	4,490	281
Cherokee	1,278	42
Chowan	1,032	78
Clay	514	21
Cleveland	5,336	253
Columbus	3,933	286
Craven	4,303	231
Cumberland	11,406	1,046
Currituck	934	27
Dare	2,075	55
Davidson	6,026	340
Davie	1,949	79
Duplin	2,578	190
Durham	19,052	744
Edgecombe	2,166	153
Forsyth	15,353	688
Franklin	4,267	245
Gaston	7,860	320
Gates	558	23
Graham	517	11
Granville	3,692	286
Greene	1,217	106
Guilford	24,404	1,350
Halifax	2,512	224

Harnett	5,752	295
Haywood	3,262	266
Henderson	4,708	168
Hertford	968	75
Hoke	1,532	136
Hyde	427	33
Iredell	7,170	310
Jackson	3,178	91
Johnston	13,207	556
Jones	657	63
Lee	3,871	139
Lenoir	4,562	399
Lincoln	3,905	133
McDowell	2,850	149
Macon	1,456	61
Madison	1,164	67
Martin	1,902	124
Mecklenburg	29,089	1,020
Mitchell	1,231	48
Montgomery	1,696	84
Moore	4,163	231
Nash	6,113	290
New Hanover	11,701	427
Northampton	765	103
Onslow	6,269	248
Orange	18,765	533
Pamlico	605	50
Pasquotank	2,830	136
Pender	3,269	122
Perquimans	891	31
Person	2,246	155
Pitt	16,693	696
Polk	879	40
Randolph	6,473	396
Richmond	2,495	237
Robeson	7,715	635
Rockingham	3,378	269
Rowan	5,540	381
Rutherford	4,312	151
Sampson	3,764	246
Scotland	1,609	118
Stanly	3,905	149
Stokes	2,108	109
Surry	5,663	401
Swain	600	25
Transylvania	1,188	46
Tyrrell	420	17
Union	9,448	297

Vance	2,548	289
Wake	74,359	2,913
Warren	813	104
Washington	837	79
Watauga	5,396	103
Wayne	7,975	713
Wilkes	3,653	196
Wilson	4,338	293
Yadkin	1,948	158
Yancey	1,329	55