

## **Exhibit 1: State Health Plan Preferred Provider Network**

### **What is the State Health Plan Preferred Provider Network (PPN)?**

The State Health Plan is building a long-term statewide network of clinicians and partners to improve the health of Plan Members, manufacture access, while helping reduce Member out-of-pocket cost and premium growth. In exchange for supporting Plan initiatives, the Plan commits to driving greater volume to practices to support net patient service revenue NPSR growth, reducing administrative burden to lower costs and providing clinicians more time with their families, and where possible, providing infrastructure support to improve long-term sustainability. While the Plan has members throughout the State; not every region is ready for a three-tier approach so the Plan will always maintain an access tier that mirrors the existing benefit. It is important to note that many services are not currently available in rural settings and most of these Members are traveling for care or not receiving care. These Members will be eligible to utilize PPN and the Plan hopes this will increase utilization and allow all Plan Members the opportunity to save.

### **How does the Preferred Provider Network change the Plan Design?**

The State Health Plan is moving to a three-tier benefit structure for every benefit category outside of deductible and out-of-pocket maximum. The Plan is doing this to create significant carrots for Members to utilize high quality, lower cost providers. A key learning from the Clear Pricing Project was that up to 40% of Members were willing to switch to a provider for cost share savings. The Plan is going to leverage the member cost differential across the entirety of the benefit. What that means is deductible plus coinsurance services can move to a single copayment, services with copay, deductible, and coinsurance will lose the copay, copay only services will see material reductions in the copay. The most significant change is the surgical tier, where in partnership with Lantern, the Plan moved cost sharing to \$0 for outpatient surgeries. These partnerships will largely be exclusive, with exceptions made for key specialties and service lines, and multi-year so that Members and providers can build deep relationships and focus on health improvement.

### **Non-Preferred Tier**

On the opposite side of the spectrum will be the Non-Preferred, High-Cost Tier. These providers will solely exist in larger competitive markets and service lines and highlight those providers who are higher cost and who were not selected or did not engage for PPN. For example, in the Charlotte area the Plan has Lantern surgical options available for \$0. The Plan will move the highest cost non-Lantern providers from \$350 copay then deductible/coinsurance to \$1,000 copay then deductible and coinsurance. This will help the Plan recover the cost difference on behalf of the rest of the membership and serve as a further incentive for Plan Members to use PPN providers. For the initial term, these providers will not be able to move to the preferred

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tier, however, the Plan will remain open to alternative payment models and utilize the access tier to partner with providers to improve health and reduce costs.

### **Access and Out-of-Area Tier**

While the Plan prefers that Members go to certain providers, the Plan recognizes not everyone has that option based on where they live. The Plan must balance the need to incentivize different steerage patterns with the desire to ensure there is always access to care, particularly in rural communities. Similarly, the Plan has Members outside of North Carolina where the Plan does not have the same scale to manage down costs. To ensure access and not punish entities who are not in a position to compete, the Plan will maintain a middle tier that mirrors the existing benefit in both the Plus and Standard PPO Plans. In the most competitive geographies, the Plan will reserve the Access tier for a select number of providers and specialties to ensure there is robust access; there will be three sets of options for Members to choose from with different prices points.