



*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  
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## **Financial Update** *Board of Trustees*

February 28, 2020

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*A Division of the Department of State Treasurer*

# Financial Results: Actual vs. Budgeted

## Fiscal Year to Date December 2019

Fiscal Year 2019	Actual thru DEC 2019	Authorized Budget (per Segal 6-17-19)	Variance Fav/(Unfav) Budget
<b>Beginning Cash Balance</b>	<b>\$1.297b</b>	<b>\$1.261b</b>	<b>\$35.4m</b>
<b>Plan Revenue</b>	<b>\$1.909b</b>	<b>\$1.881b</b>	<b>\$27.9m</b>
Net Claims Payments	\$1.651b	\$1.713b	\$62.4m
Medicare Advantage Premiums	\$84.6m	\$87.7m	\$3.1m
Net Administrative Expenses	\$67.3m	\$91.9m	\$24.5m
<b>Total Plan Expenses</b>	<b>\$1.803b</b>	<b>\$1.893b</b>	<b>\$90.1m</b>
<b>Net Income/(Loss)</b>	<b>\$106.5m</b>	<b>(\$11.4m)</b>	<b>\$117.9m</b>
<b>Ending Cash Balance</b>	<b>\$1.403b</b>	<b>\$1.250b</b>	<b>\$153.3m</b>

# Financial Results: Actual vs. Prior Year

## Fiscal Year to Date December 2019

Fiscal Year 2019	Actual thru DEC 2019	Actual thru December 2018	Variance Fav/(Unfav) Budget
<b>Beginning Cash Balance</b>	<b>\$1.297b</b>	<b>\$1.063b</b>	<b>\$ 233.9m</b>
<b>Plan Revenue</b>	<b>\$1.909b</b>	<b>\$1.830b</b>	<b>\$79.5m</b>
Net Claims Payments	\$1.651b	\$1.607b	(\$44.0)m
Medicare Advantage Premiums	\$84.6m	\$103.2m	\$18.6m
Net Administrative Expenses	\$67.3m	\$64.8m	(\$2.5)m
<b>Total Plan Expenses</b>	<b>\$1.803b</b>	<b>\$1.775b</b>	<b>(\$27.9)m</b>
<b>Net Income/(Loss)</b>	<b>\$106.5m</b>	<b>\$54.9</b>	<b>\$51.6m</b>
<b>Ending Cash Balance</b>	<b>\$1.403b</b>	<b>\$1.118b</b>	<b>\$285.5m</b>

# Financial Results: Actual vs. Budgeted

## Calendar Year to Date December 2019

Calendar Year 2019	Actual thru DEC 2019	Authorized Budget (per Segal 6-17-19)	Variance Fav/(Unfav) Budget
<b>Beginning Cash Balance</b>	<b>\$1.118b</b>	<b>\$1.118b</b>	<b>\$ 0m</b>
<b>Plan Revenue</b>	<b>\$3.740b</b>	<b>\$3.698b</b>	<b>\$41.9m</b>
Net Claims Payments	\$3.151b	\$3.251b	\$99.9m
Medicare Advantage Premiums	\$169.6m	\$174.8m	\$5.2m
Net Administrative Expenses	\$133.4m	\$232.5m	\$99.1m
<b>Total Plan Expenses</b>	<b>\$3.455b</b>	<b>\$3.659b</b>	<b>\$204.1m</b>
<b>Net Income/(Loss)</b>	<b>\$285.5m</b>	<b>\$39.5m</b>	<b>\$246.0m</b>
<b>Ending Cash Balance</b>	<b>\$1.403b</b>	<b>\$1.157b</b>	<b>\$246.0m</b>

# Financial Results: Actual vs. Prior Year

## Calendar Year to Date December 2019

Calendar Year 2019	Actual thru DEC 2019	Actual thru December 2018	Variance Fav/(Unfav) Budget
<b>Beginning Cash Balance</b>	<b>\$1.118b</b>	<b>\$1.010b</b>	<b>\$107.7m</b>
<b>Plan Revenue</b>	<b>\$3.740b</b>	<b>\$3.606b</b>	<b>\$133.8m</b>
Net Claims Payments	\$3.151b	\$3.150b	(\$1.3)m
Medicare Advantage Premiums	\$169.6m	\$215.9m	\$46.3m
Net Administrative Expenses	\$133.4m	\$132.3m	(\$1.1)m
<b>Total Plan Expenses</b>	<b>\$3.455b</b>	<b>\$3.499b</b>	<b>\$44.0m</b>
<b>Net Income/(Loss)</b>	<b>\$285.5m</b>	<b>\$107.7m</b>	<b>\$177.8m</b>
<b>Ending Cash Balance</b>	<b>\$1.403b</b>	<b>\$1.118b</b>	<b>\$285.5m</b>



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## **2021 Benefits**

*Board of Trustees Meeting*

February 28, 2020

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# Three-Year Strategy: Move Towards Medicare-Based Reimbursement Rates

The Plan has taken the first step to move the network towards Medicare-based reimbursements. In 2021, the Plan needs to further invest with providers who agreed to join the network and look at other ways to reduce costs.

2019

- **Minimize Changes**

- **80/20** – Simplify 80/20 OOP & refine the Designated Provider Program
- **70/30** – No changes
- **HDHP** – Continues to be available to non-permanent employees only



2020

- **Move to two distinct plan design options with a new provider reimbursement model**

- **80/20** – No change
- **70/30** – **Modify the plan design to differentiate it from the 80/20 Plan**
- **HDHP** – Continues to be available to non-permanent employees only



2021

- **Add incentives for CPP providers, introduce pain management alternatives & continue to focus on high-cost members with chronic conditions**

- PCP copay waiver
- Specialist and Mid-Tier provider copay reductions
- Evaluate further cost-reductions for diabetic medications
- Regain Mental Health Parity by removing dollar maximum on ABA therapy

# CPP Provider Incentives: Waived & Reduced Copays

- Reward CPP providers by reimbursing a higher percentage of the copay.

Copay	70/30	80/20
PCP Copay	<b>\$0 for CPP PCP on ID Card</b> \$30 for non-CPP PCP on ID card \$45 for any other PCP	<b>\$0 for CPP PCP on ID Card</b> \$10 for non-CPP PCP on ID card \$25 for any other PCP
Specialist Copay	<b>\$47 for CPP Specialist</b> \$94 for other Specialists	<b>\$40 for CPP Specialist</b> \$80 for other Specialists
Speech, Occupational, Chiro and Physical Therapy Copay	<b>\$36 for CPP Providers</b> \$72 for other Providers	<b>\$26 for CPP Providers</b> \$52 for other Providers

*Reducing the copay will also provide the Plan with the opportunity to promote therapies as an alternative to opioids for pain management.*

# Medications for Diabetics

- Plan staff recommend offering **preferred insulin at \$0 copay** on the 80/20 and 70/30 PPO Plans and at \$0 cost on the HDHP. It is currently covered as a Tier 2 Medication.

Rx Tier	80/20	70/30	HDHP
Tier 1 – Generics ≤ \$150	\$5	\$16	Ded/Coins
Tier 2 – Preferred Brands & High Cost Generics	\$30	\$47	Ded/Coins
Tier 3 - Non-Preferred	Ded/Coins	Ded/Coins	Ded/Coins
Tier 4 – Low Cost Generic Specialty	\$100	\$200	Ded/Coins
Tier 5 – Preferred Specialty	\$250	\$350	Ded/Coins
Tier 6 - Non-Preferred Specialty	Ded/Coins	Ded/Coins	Ded/Coins
Preventive Medications	\$0	\$0	\$0
Preferred Diabetic Supplies	\$5	\$10	Coins
<b>Preferred Insulin</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Cost is for a 30-Day Supply*

# ABA Therapy

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- In 2015, the Plan introduced a new benefit for dependent children with autism: coverage for **Applied Behavior Analysis (ABA) Therapy**.
- The benefit was rolled out with a maximum of \$36,000 per benefit year.
  - **Impact Analysis:** While the Plan had assumptions about the cost of adding this benefit to the Plan, until it was rolled out and actual claims experienced it was impossible to know exact cost impact.
  - **Mental Health Parity:** By adding a dollar limit to this benefit, the Plan no longer meets Mental Health Parity requirements and must request a Mental Health Parity waiver on an annual basis.

*Based on current utilization and costs, Plan staff believe the best course of action at this time is to remove the annual benefit maximum for ABA Therapy, which will allow the Plan to be in full compliance with Mental Health Parity requirements.*

# Board Vote

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## ✓ **CPP Provider Copay Incentives:**

- Approve CPP waived and reduced copays as outlined on slide 3.

## ✓ **\$0 Copay for Preferred Insulin:**

- Approve \$0 copay for preferred insulins as outlined on slide 4.

## ✓ **Removal of ABA Therapy Dollar Maximum:**

- Approve the removal of the \$36,000 annual benefit maximum on ABA Therapy as outlined on slide 5.

# Other 2021 Changes

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- In addition to the benefits reviewed today, the Plan is continuing to evaluate other 2021 benefit changes:
  - **Medicare Advantage:** The Plan cannot begin to review or finalize the Medicare Advantage Prescription Drug Plan (MAPDP) offering until after the new contract is awarded.
  - **Additional benefit changes and pilots:**
    - Evaluating various pilot program opportunities.
    - Exploring other CPP steerage opportunities.
- The 2021 Open Enrollment mapping strategy must be finalized by the end of March 2020, but cannot be considered until after the award of the MAPDP contract.

# Appendix

2020 Plan Options						
PLAN DESIGN FEATURES	80/20 PLAN		70/30 PLAN		HDHP	
	IN-NETWORK	OUT-OF- NETWORK	IN-NETWORK	OUT-OF- NETWORK	IN-NETWORK	OUT-OF- NETWORK
Annual Deductible	\$1,250 Individual	\$2,500 Individual	\$1,500 Individual	\$3,000 Individual	\$5,000 Individual	\$10,000 Individual
	\$3,750 Family	\$7,500 Family	\$4,500 Family	\$9,000 Family	\$15,000 Family	\$30,000 Family
Coinsurance	20% of eligible expenses after deductible is met	40% of eligible expenses after deductible is met	30% of eligible expenses after deductible is met	50% of eligible expenses after deductible is met	50% of eligible expenses after deductible is met	60% of eligible expenses after deductible is met
Out-of-Pocket Maximum	\$4,890 Individual	\$9,780 Individual	\$5,900 Individual	\$11,800 Individual	\$6,450 Individual	\$12,900 Individual
	\$14,670 Family	\$29,340 Family	\$16,300 Family	\$32,600 Family	\$12,900 Family	\$25,800 Family
Affordable Care Act (ACA) Preventive Services	\$0 (covered at 100%)	Dependent on service	\$0 (covered at 100%)	Dependent on service	\$0 (covered at 100%)	Dependent on service
Office Visits	\$25 for PCP; \$10 if you use PCP on ID card; \$80 Specialist	40% after deductible is met	\$45 for PCP; \$30 if you use PCP on ID card; \$94 Specialist	50% after deductible is met	50% of eligible expenses after deductible is met	60% of eligible expenses after deductible is met
Speech, Occupational and Physical Therapy	\$52	40% after deductible is met	\$72	50% after the deductible is met	50% of eligible expenses after deductible is met	60% of eligible expenses after deductible is met
Urgent Care	\$70	40% after deductible is met	\$100	50% after deductible is met	50% of eligible expenses after deductible is met	60% of eligible expenses after deductible is met
Emergency Room	\$300 copay, then 20% after deductible is met		\$337 copay, then 30% after deductible is met		50% of eligible expenses after deductible is met	
Inpatient Hospital	\$300 copay, then 20% after deductible is met	40% after deductible is met	\$337 copay, then 30% after deductible is met	50% after deductible is met	50% of eligible expenses after deductible is met	60% of eligible expenses after deductible is met

Pharmacy Benefits			
	80/20 PLAN	70/30 PLAN	HDHP
Tier 1	\$5 copay per 30 day supply	\$16 copay per 30 day supply	50% after deductible is met
Tier 2	\$30 copay per 30 day supply	\$47 copay per 30 day supply	50% after deductible is met
Tier 3	20% after deductible is met	30% after deductible is met	50% after deductible is met
Tier 4	\$100 copay per 30 day supply	\$200 copay per 30 day supply	50% after deductible is met
Tier 5	\$250 copay per 30 day supply	\$350 copay per 30 day supply	50% after deductible is met
Tier 6	20% after deductible is met	30% after deductible is met	50% after deductible is met
ACA Preventive Meds	\$0	\$0	\$0
Preferred Diabetic Supplies	\$5 copay per 30 day supply	\$10 copay per 30 day supply	50% after deductible is met



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## 2020 Open Enrollment Results

*Board of Trustees Meeting*

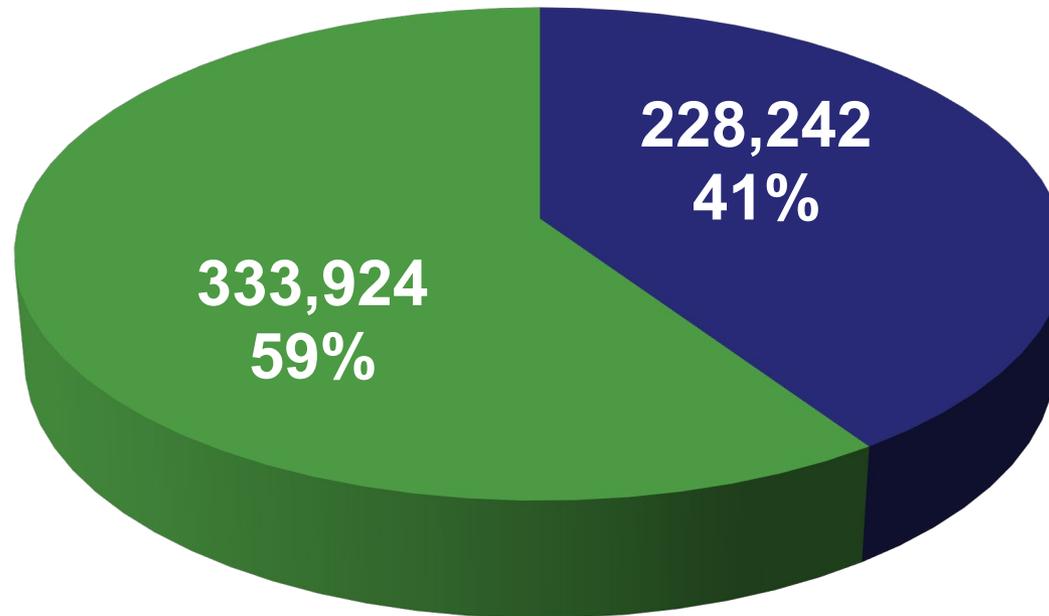
February 28, 2020

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# Membership Update: Non-Medicare Members

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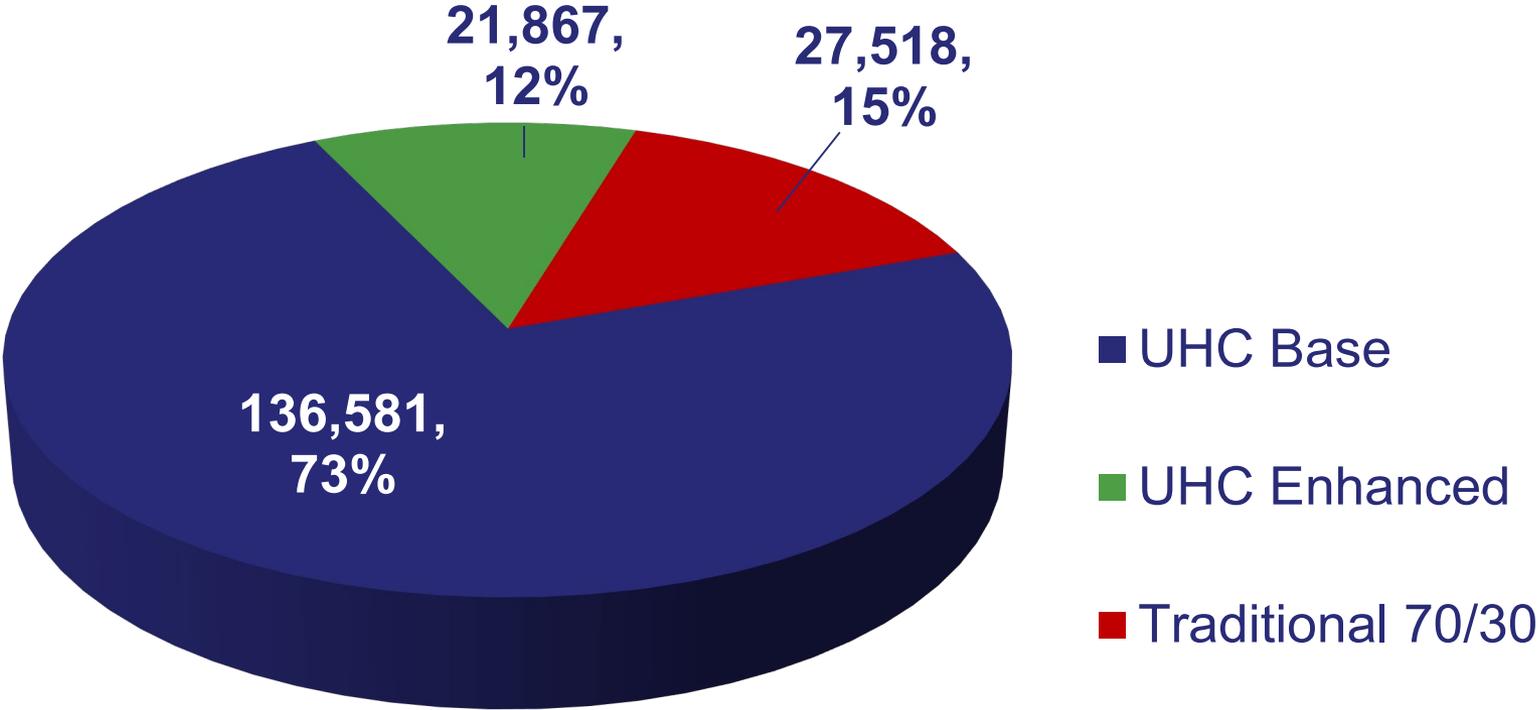


■ 70/30 Plan ■ 80/20 Plan

**80/20 Subscribers – 224,730**  
**80/20 Dependents – 109,194**  
**Total – 333,924**

**70/30 Subscribers – 138,217**  
**70/30 Dependents – 90,025**  
**Total – 228,242**

# Membership Update: Medicare Members



**185,966 Medicare Members**

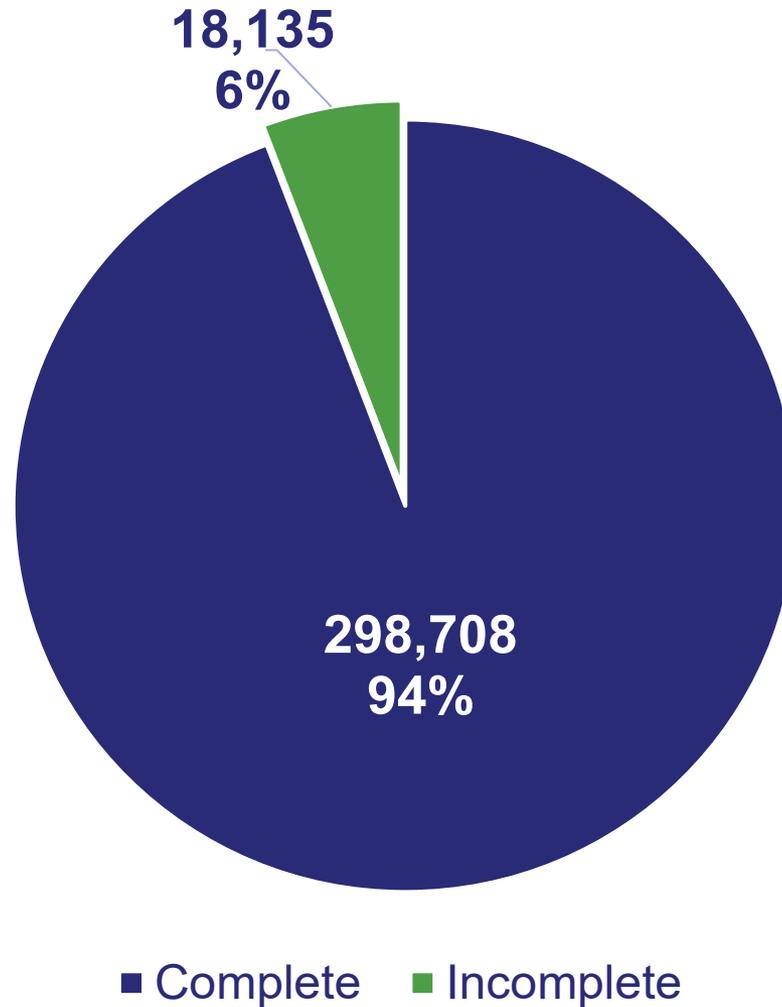
# Medicare Advantage Open Enrollment Period

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- The Medicare Advantage Open Enrollment period continues until March 31, 2020.
  - Plan members enrolled in a Medicare Advantage Plan are able to make one change during this period.
  - Plan members enrolled in the 70/30 Plan are not be able to change plans.

# Tobacco Attestation Completion Rate (Active Members)

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# Open Enrollment Exceptions

- To date, Plan staff have already processed approximately 2,300 Open Enrollment exceptions.

	Total	Approved
OE MinuteClinic Waiver Requests <i>(More than 25 miles from MinuteClinic)</i>	1,406	1,270 or 85%
OE Premium Credit Exception <i>(Reinstatement of premium credit)</i>	267	234 or 89%
OE General <i>(Took no action during OE)</i>	652	243 or 37%
<b>Total Open Enrollment Exceptions</b>	<b>2,325</b>	<b>1,747 or 75%</b>