



**Board of Trustees Meeting
In-Person/Webinar/Recorded
February 22, 2023
Minutes**

The meeting of the North Carolina State Health Plan for Teachers and State Employees (Plan) Board of Trustees was called to order by Chair Dale R. Folwell, CPA, at 1:00 p.m. on Wednesday, February 22, 2023.

Board Members Present: Dale R. Folwell, Kristin Walker, Russell “Rusty” Duke, Cherie Dunphy, M.D., Wayne Fish, Kim Hargett, Peter Robie, M.D., Mike Stevenson, Cyrus Vernon (via webinar)

Welcome

Chair Folwell welcomed the Board and members of the public to the meeting.

Conflict of Interest

No conflicts of interest were noted.

Reading of SEI Statements into Minutes Pursuant to the Ethics Act § 138A-15(c)

No Statements of Economic Interest (SEI) were read into the minutes.

Recognition of Interim Executive Administrator

Chair Folwell introduced Mr. Sam Watts as the Interim Executive Administrator for the State Health Plan. He noted that Mr. Watts will continue as the Department of State Treasurer’s legislative liaison, at least through the Long Session.

Board Approval

Minutes – December 14, 2022, Meeting

Board Vote: Motion by Dr. Robie; second by Dr. Dunphy; roll call vote was taken; unanimous vote by Board to approve the December 14, 2022, meeting minutes.

Third-Party Administrator (TPA) Transition Update

Mr. Watts introduced Jim Bostian, Aetna President, North Carolina Market, who began by expressing gratitude to the Board of Trustees for selecting Aetna as the TPA, beginning in 2025. He stated that Aetna is committed to a smooth transition, with the goal of delivering on service and cost control. As a native North Carolinian and with 35 years in health care, Mr. Bostian added that he understands the challenges in taking on this responsibility. Aetna health benefits, an arm of CVS Health, has approximately 10,000 employees in North Carolina, with approximately 600 assigned to the TPA transition.

Aetna is committed to enhancing the provider network and is ready to act on any provider who is interested in joining the network. Mr. Bostian stated that their role is to administer the Plan as directed

by the Plan and Board of Trustees. He noted the importance of engaging with the Board and Plan vendors and stated that Aetna staff held its first townhall meeting with the North Carolina Association of Educators (NCAE) on February 15, 2023.

Board Comments and Questions Addressed:

Will Plan members be allowed to cross State lines for care? Mr. Bostian answered yes, stating that Aetna would absolutely have network access for members.

As a public school state educator and member of NCAE, Ms. Hargett thanked Aetna for conducting the townhall meeting with NCAE.

Chair Folwell stated that there is no room for error in the transition and implementation process.

Report: Hospital Executive Compensation

Mr. Frank Lester, Deputy Treasurer, Communications and Government Affairs, provided a summary of the Plan's report on Hospital Executive Compensation. He recognized Ms. Julie Havlek, primary editor of the report, and Dan Way, former reporter and current Department of State Treasurer (DST) Communications Manager, who also contributed to the writing and editing of the report.

This report is part of a series on health care in North Carolina, which began soon after Treasurer Folwell was elected. Realizing the Plan's upward trajectory of health care expenditures, he invited executives from the state's largest hospitals to a meeting, where he asked them how they were prepared to help the Plan save \$200 million. After he was told the hospitals have to charge Plan members more to subsidize the losses they incur, the idea to create a series of reports was explored.

Mr. Lester stated that salaries and outside compensation for hospital executives is well hidden but most of them doubled their pay in just five years. The nine largest non-profit hospital systems in North Carolina paid \$38.7 million to 11 former or current Chief Executive Officers (CEOs) in 2019. He noted that evidence suggests that CEO pay is not meaningfully tied to patient quality of care or safety. Instead, CEOs and top hospital executives are incentivized to cut costs and boost revenue.

The report suggested that lawmakers, hospital board members and local leaders should hold hospital executives accountable by increasing quality metrics for CEOs and reforming existing laws to increase transparency.

Board Comments and Questions Addressed:

Are salaries for hospital executives approved by a board of trustees and if so, have board members been contacted for comments? If not, the suggestion was made to do so. Mr. Lester stated that board members were not contacted and added that CEO contracts are unavailable to the public.

Another board member, who listened to the press conference on the compensation report, stated that it was excellent and requested a copy of Mr. Lester's comments. He stated that his comments and additional information can be found in the [report](#) on the Plan's website and invited board members to contact him if they have further comments and/or questions.

Chair Folwell thanked Beth Horner, Director of Customer Experience and Communications, other Plan staff and researchers from Johns Hopkins University Bloomberg School of Public Health, Rice University's Baker Institute for Public Policy and Southern California's Sol Price School of Public Policy for their contributions to this report and others in the series. He added that none of the external researchers and/or reviewers requested compensation for their assistance.

Operations Updates

Blue Cross NC FACETS Status

Mr. Watts stated that problems with the FACETS system continue to be ongoing, including enrollment delays, provider payments, manual errors on top of automated errors and timely claims payments. Plan staff continue to uncover issues daily.

Expiration of COVID-19 Emergency Order

The national emergency and public health emergency declarations, related to the COVID-19 pandemic, will end on May 11, 2023. At that point, the Plan will begin paying for administrative and vaccine fees. The Plan will continue to cover vaccines at 100%. Member cost for testing will be dependent on where the member is tested.

The Office of State Budget and Management (OSBM) appropriated \$215 million from federal COVID-19 funds to the Plan; however, the Plan has spent over \$435 million on COVID-19 related treatment, testing and vaccinations.

Board Comments and Questions Addressed:

In response to a question regarding remaining COVID-19 federal funds, Mr. Watts stated that he hopes the Plan can recoup the remaining \$185 million. He added that appropriated funds not spent are returned to OSBM, who can then redirect the funds where needed.

For agencies that may still require testing, will the changes under the expired emergency order be communicated to agencies and members? Who will incur the cost of the test itself? The Plan will clearly communicate the changes to agencies and members.

Biennium Funding Strategy

Mr. Watts reported that productive conversations have occurred with various legislators regarding funding requirements for the Plan. He added that legislators aren't interested in cutting member benefits. He also stated that Plan staff have done everything possible to save \$100 million over the past 4 years from major contract negotiations to office supplies. Chair Folwell added that hospitals could find savings if they would consider looking at fraud, waste and abuse.

Communication Strategy

The Plan will continue to educate key stakeholders to answer questions and help them understand the TPA transition to Aetna. The communication strategy also includes keeping members informed of the transition process.

Comprehensive Benefit Study

Mr. Watts stated that the Plan will complete a comprehensive benefit study over the coming months.

Other Information

Mr. Watts stated that approximately 100 retirees in Western North Carolina, who are enrolled in the Plan's Medicare Advantage plan, may be negatively impacted by a decision made by Vanderbilt University Medical Center in Tennessee. Vanderbilt has terminated its contract with Humana, effective April 1, 2023, and members who receive care at Vanderbilt will be considered out of network. Humana, at the Plan's request, called members who were recently served by Vanderbilt to explain the situation.

The dispute is a result of Vanderbilt demanding an increase in pricing that is well above Medicare allowed amounts. While contract disputes between insurance companies and hospitals are somewhat common, this is a highly unusual approach for a hospital system to take. Chair Folwell's request to meet with the Vanderbilt CEO has, so far, gone unanswered.

The Plan anticipates further discussions between Humana and Vanderbilt and will continue to monitor the situation.

Update since the Board Meeting: On March 14, 2023, Mr. Watts notified the board that Humana would be reaching a resolution with Vanderbilt. Plan retirees in the Humana Medicare Advantage Group Medicare PPO plan will remain in network.

Enrollment Discussion

Ms. Horner stated that Medicare members are in the middle of the Medicare Open Enrollment period, which ends March 31, 2023. Consequently, the Plan's Medicare enrollment numbers are shifting daily. She reminded the Board that the Plan's Medicare members were enrolled in the Humana Group Medicare Advantage Base Plan at the beginning of Open Enrollment (OE). They could remain in that Plan or move to the Humana Group Medicare Advantage Enhanced plan or the PPO Base Plan (70/30). Despite numerous educational sessions provided to Medicare and pre-65 members throughout the year, a certain percentage continue to choose the PPO Base Plan (70/30).

Ms. Horner stated that the Plan saves \$4,700 (actual dollars) per member per year for each Medicare Advantage member. There are several reasons why members choose the Base PPO Plan (70/30) over one of the Humana Medicare Advantage plans. Some are enrolled in other group health plans, individual plans or the military insurance plan (Tricare). Some have medical reasons. Ms. Horner added that since the Plan isn't able to determine the number of members on Tricare or who are in these other situations, staff will continue to focus on members in the PPO Base Plan (70/30) to increase movement to the Humana MA plan options.

Chair Folwell commended Plan staff for their efforts in enrolling at least 80% of eligible Medicare members in one of the Medicare Advantage plan options. It was also noted that if all eligible Medicare members enrolled in the Humana Group Medicare Advantage Plan, the Plan would save approximately \$120 million each year.

State Fiscal Year-End (SFYE) & Calendar Year-to-Date (CYTD) Financials through December

Matthew Rish, Sr. Director, Financial, Planning and Analytics, provided a summary on the 2022 Fiscal Year (FY) financial results. Pharmacy expenses continued to trend upward, with overall expenses somewhat favorable to the August 2021 projections. Plan revenue and the ending cash balance were both higher than projected.

The 2022 FY financial results, through December, compared to the same time period in 2021, showed an increase in Plan revenue. The net loss in 2021 was \$72.2 million compared to \$1 million in 2022. Medical and pharmacy claims were both better than projected and the ending cash balance was approximately \$155 million higher than in 2021.

Plan revenue on the Calendar Year (CY) report, compared to the August 2021 projections, was nearly even, with total expenses approximately \$203 million less than projected. The ending cash balance in 2022 was higher than projected due, in part, to the COVID-19 reimbursement of \$215 million.

Total Plan expenses at the end of CY 2022 were slightly less compared to the CY 2021 report and the net income in 2022 was approximately \$295 million higher than in 2021. The ending cash balance was also higher in 2022.

Mr. Rish provided a report on COVID-19 costs, by period, for testing, treatment and vaccinations. Related claims, through December 2022, totaled approximately \$445.5 million.

Board Comments and Questions Addressed:

At this point, is there any cause for concern from a financial perspective? Mr. Rish stated that the rising pharmacy trend over several quarters is alarming. He noted that the Plan continues to receive pharmacy rebates which helps.

Does the Plan expect to receive additional COVID-19 reimbursements? While the \$215 million was a one-time payment, the Plan hopes to recoup all or part of the \$400+ million COVID-19-related expenses, so far.

With the upward trajectory of pharmacy costs, would the Plan consider inviting CVS to a future board meeting to address potential cost-saving measures? Mr. Rish stated that CVS would be presenting their quarterly report to the Plan in March. Mr. Watts added that the Plan would discuss inviting CVS staff to address the board at the July 27 meeting.

Public Comment

No requests to address the Board were submitted.

Executive Session

Board Vote to Move into Executive Session: Motion by Ms. Hargett; second by Dr. Dunphy; roll call vote was taken; unanimous approval by Board to move into executive session pursuant to 143-318.11(a)(1) and (a)(3) and Chapter 132 to consult with legal counsel regarding the matter of *Blue Cross and Blue Shield of North Carolina v. State Health Plan*.

The Board met in executive session with Plan Interim Executive Administrator Sam Watts, Department General Counsel Ben Garner, Assistant General Counsel Joel Heimbach, and Assistant General Counsel Aaron Vodicka. Mr. Garner, Mr. Vodicka, and Mr. Heimbach discussed with the Board the contested case titled *Blue Cross and Blue Shield of North Carolina v. State Health Plan* in the Office of Administrative Hearings and the petition for judicial review in Orange County Superior Court titled *Blue Cross and Blue Shield of North Carolina v. State Health Plan*. The Board voted to move out of executive session and return to open session.

Return to Open Session

Board Vote: Motion by Judge Duke; second by Mr. Stevenson; roll call vote was taken; unanimous approval by Board to return to open session.

Adjournment

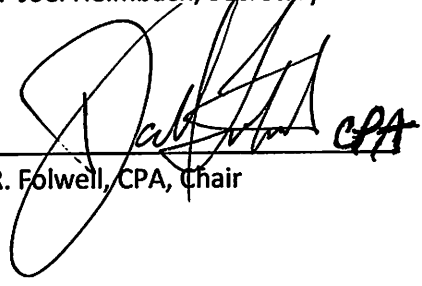
Chair Folwell called for a motion to adjourn.

Board Vote: Motion by Dr. Robie; second by Mr. Fish; vote was taken; unanimous vote by Board to adjourn.

Chair Folwell adjourned the meeting at 3:40 p.m.

Minutes submitted by: Joel Heimbach, Secretary

Approved by: _____



Dale R. Folwell, CPA, Chair