



*North Carolina*  
**State Health Plan**  
FOR TEACHERS AND STATE EMPLOYEES



## Legislative Update

*Board of Trustees Meeting*

June 3, 2016

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*A Division of the Department of State Treasurer*

# Legislative Update Overview

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- Budget Update
- Plan-Requested Legislation
- Other Plan-Related Legislation
- Next Steps

# Governor's Budget HB 1140 & SB 885, 1<sup>st</sup> Editions

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- The Governor released his FY 2016-17 Recommended Budget Adjustments on April 27<sup>th</sup>
  - Introduced as HB 1140 and SB 885 on May 23, 2016
- Reallocates \$71 million held in reserve for the employer share of CY 2017 premium increases due to inaction by the State Health Plan Board
- Section 6.13(a) of HB 1140 and SB 885 appropriates funds in the Medicaid Contingency Reserve established in Section 12H.38(a) of SL 2015-241 to a statewide reserve for various purposes, including:
  - \$71 million for the State Health Plan if the General Assembly deems that the Plan has met the requirements of Section 30.26 of SL 2015-241
- Section 25.6(c) sets the FY 2016-17 maximum annual employer contribution for health plan coverage at the same amounts as allowed for FY 2015-16

# House Budget HB 1030, 4<sup>th</sup> Edition

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- House budget passed May 19<sup>th</sup>
- Eliminates the General Fund *Reserve for Future Benefits Needs*, redirecting the \$71 million state agency budgets to pay for increased employer contributions to the State Health Plan in FY 2016-17.
- Section 30.20 sets the FY 2016-17 maximum annual employer contributions for health plan coverage and reflects a 3.43% increase over the FY 2015-16 amounts.
- Section 36.24 replaces the 2015 special provision with a new one that:
  - Finds the Treasurer and Board adopted sufficient measures for CY 2017 to limit projected increases in the employer contribution
  - Directs the Treasurer and Board to adopt additional measures for CYs 2018 and 2019 to limit increases in FB 2017-19
  - Eliminates language requiring maintenance of 20% cash reserve (Section 30.26(b) of SL 2015-241)

# House Budget HB 1030, 4<sup>th</sup> Edition

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## State Health Plan Cost Controlling Measures

**SECTION 36.24.(a)** The General Assembly finds that the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees (Board of Trustees) have adopted sufficient measures for the 2017 calendar year to limit projected employer contribution increases. **The State Treasurer and the Board of Trustees shall adopt additional measures applicable to the 2018 and 2019 calendar years to limit projected employer contribution increases during the 2017-2019 fiscal biennium.**

**SECTION 36.24.(b)** Section 30.26 of S.L. 2015-241 is repealed.

# Senate Budget, HB 1030, 6<sup>th</sup> Edition

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- Senate budget passed June 3<sup>rd</sup>
- Does not release funds held in the *Reserve for Future Benefits Needs* to pay for increased employer contributions to the State Health Plan in FY 2016-17
- Section 36.20 sets the FY 2016-17 maximum annual employer contribution for health plan coverage at the same amounts as allowed for FY 2015-16
  - But also authorizes a 3.43% increase in the FY 2016-17 employer contribution if the Director of the Budget (i.e. the Governor or OSBM or other designee) reallocates the *Reserve for Future Benefits Needs* as provided in Section 36.24.
- Section 36.24
  - Directs the Treasurer and Board to adopt measures for CYs 2017, 2018 and/or 2019 to limit increases in the employer contribution.
  - Authorizes the Director of the Budget to release the *Reserve for Future Benefits Needs* if measures adopted by the Plan are sufficient to reduce the projected increase in employer contributions to 4% or less for CYs 2018 and 2019, assuming the release of *Reserve* funds
  - Modifies 2015 special provision (Section 30.26(b) of SL 2015-241) to reduce the required cash reserve threshold from 20% of annual costs to 12% (Section 30.26(b) of SL 2015-241)

# Senate Budget, HB 1030, 6<sup>th</sup> Edition

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## State Health Plan Cost-Controlling Measures and Reallocation of Reserve for Future Benefit Needs

**SECTION 36.24.(a)** The State Treasurer and the Board of Trustees shall adopt measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected employer contribution increases.

**SECTION 36.24.(b)** If the Director of the Budget determines that the additional cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in subsection (a) of this section are sufficient to reduce the projected employer premium increases to four percent (4%) or less in both the 2018 and 2019 plan years, then the Director of the Budget is authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency budgets. The projected employer premium increases should be calculated assuming the Reserve for Future Benefit Needs is reallocated.

**SECTION 36.24.(c)** SECTION 36.24.(c) Section 30.26(b) of S.L. 2015-241 reads as rewritten: "SECTION 30.26.(b) **During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least ~~twenty~~ twelve percent (20%) (12%) of its annual costs.** For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S. 135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan."

# State Health Plan Budget Update

## Funding for Increase in the Employer Contribution for Health Plan Coverage

	April 2015 Forecast	Governor's Recommended Budget	House Budget Proposal	Senate Budget Proposal	Final State Budget
<b>Premium Increase</b>					
FY 2016-17	3.43% Jan 1, 2017	0.00% <sup>1</sup>	3.43%	0.00% or 3.43% <sup>2</sup>	TBD
<b>General Fund Appropriations</b>					
FY 2016-17	\$70.2 m	\$0 m	\$71.0 m	\$0 m or \$71.0 m <sup>2</sup>	TBD

1. Governor's proposed budget would require a decrease in the employer contribution due to the Plan's move to calendar year impacting when premiums are adjusted. Based on the recommended annual funding level, the Plan would need to reduce the employer contribution by 3.35% for CY 2017.
2. If the Director of the Budget determines that additional cost-controlling measures adopted by the Treasurer and Board are sufficient to reduce the projected employer premium increases to 4%, then the Director is authorized to reallocate funds for FY 2016-17.



# HB 1121/SB 865 State Health Plan Admin Changes/Local Govts

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- Filed in House and Senate on May 10<sup>th</sup>
  - HB 1121 and SB 865 include provisions that address the following State Health Plan issues:
    - Mandate contractor release of data to the Plan;
    - Seek to clarify Plan's exemption from certain contracting rules;
    - Modify local government participation in the Plan; and
    - Clarify ACA reporting responsibilities for State employers;
  - SB 865 increases the cap on local government participation in the Plan to 20,000 individuals; HB 1121 does not include this provision
  - HB 1121 referred to House Committee on State Personnel
  - SB 865 referred to Senate Committee on Insurance

# HB 1121/SB 865 State Health Plan Admin Changes/Local Govts

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- The language requested by the Plan to require local governments to follow the premium structure approved by the Board with respect to employee premiums was not included in either the House or Senate versions of the bill
  - As drafted, local governments retain authority to charge lower premiums
    - The bills do prohibit local governments from charging more
  - The Plan is engaging sponsors to revise the language in this section to address Plan concerns and honor the Board's premium strategy

# HB 1027/SB 808: Study Unfunded Liability of Retiree Health Benefit

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- Bill Summary:
  - Establishes a Joint Legislative Committee to study options aimed at reducing the long-term, unfunded liability of the Retiree Health Benefit Fund
    - Treasurer, Executive Administrator, and Board of Trustees member would serve on an *Ex Officio* basis
  - Options such as increased appropriations from the General Assembly, auto-enrollment into Medicare Advantage Plans, increasing retiree premiums and cost-share, etc.
- Status: *Passed by the House on May 24<sup>th</sup>* ; Senate referred to Committee on Pensions & Retirement and Aging
- Fiscal Impact: None, due to study bill

# SB 815: Charter School in the State Health Plan

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- Bill Summary:
  - Allows active employees (and their dependents) of Longleaf School of the Arts to enroll in the State Health Plan
    - Does not allow retirees to enroll in the Plan
- Status: Referred to Senate Insurance Committee
- Fiscal Impact: TBD

# Next Steps

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## Budget Related

- Continue to monitor the budget bill as it moves through the legislative process, with an emphasis on the availability of funds for an increase in the employer premium contribution for 2017

## Substantive Legislation

- Track Plan-related legislation and work to move Plan-supported bills through the committee processes
- Determine and communicate Plan's position on any additional legislation of interest