



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Legislative Update

Board of Trustees Meeting

August 4, 2016

A Division of the Department of State Treasurer

Legislative Update Overview

- Final State Budget
- Plan-Requested Legislation – SB 865
- Other Plan-Related Legislation

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 HB 1030, 4 th	Senate Budget HB 1030, 6 th	Final State Budget SL 2016-94
Premium Increase					
FY 2016-17	3.43% Jan 1, 2017	0.00% ¹	3.43%	0.00% or 3.43% ²	0.00% or 3.43% ²
General Fund Appropriations					
FY 2016-17	\$70.2 m	\$0 m	\$71.0 m	\$0 m or \$71.0 m ²	\$0 m or \$71.0 m ²

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.

Enacted Budget, HB 1030, SL 2016-94

- Conference Bill ratified on July 1st ; signed by the Governor on July 14th
- Does not immediately 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
 - 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%

Enacted Budget, HB 1030, SL 2016-94

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."

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

- Filed in House and Senate on May 10th
 - 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 members; HB 1121 does not include a provision to increase the cap
- HB 1121 did not receive legislative action
- **SB 865 ratified July 1st, signed by the Governor July 22nd**

SB 865 State Health Plan Admin Changes/Local Govts

- Signed into law as SL 2016-104
- Modified during the legislative process as follows:
 - Revised the provisions regarding the release of claims data by the Plan's third party administrators to clarify the use and disclosure of such information
 - Revised the cap on local government participation to 16,000
 - Allows up to 13,500 local government members to join thru June 30, 2017
 - Allows up to 16,000 to join thru January 31, 2018, but gives preference to local government units that completed the Plan's Notice of Participation and Information Sheet prior to April 1, 2016
 - Clarifies that the definition of Health Benefit Plan in Chapter 58 does not include the State Health Plan
 - Deleted the provision clarifying the Plan's exemption from certain contracting rules

SB 815: Charter School in the State Health Plan

- 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: Ratified on July 1st, signed by the Governor on July 22nd as SL 2016-106