Board of Trustees Meeting/Webinar
Minutes
December 1, 2021

The Microsoft Teams virtual 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 at 3:00 p.m. on Wednesday, December 1, 2021.

Board Members Present: Dale R. Folwell, Wayne Fish, Kim Hargett, Donald Martin, Peter Robie, Mike Stevenson

Board Members Absent: Russell “Rusty” Duke, Cherie Dunphy, Charles Perusse

Welcome
Chair Folwell welcomed the Board and members of the public to the meeting. He reviewed the rules for conducting remote meetings.

a. Board members shall announce their name when speaking.

b. All chats, instant messages, texts, or other written communications between members of the public body regarding the transaction of the public business during the remote meeting are deemed a public record.

c. All votes shall be by roll call.

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 Statements) were read into the minutes.

Board Approval
Minutes – August 25, 2021 Meeting

Board Vote: Motion by Dr. Robie; second by Dr. Martin; roll call vote was taken; unanimous approval by Board to approve the August 25, 2021, meeting minutes. Mr. Stevenson joined the meeting late and did not vote.

Operational Updates
2022 Rates
Chair Folwell began the discussion by assuring the Board and visitors who joined the meeting that the Plan is not increasing member, spousal or family premiums in 2022.

Dee Jones, Executive Director, stated that the Plan was not able to establish final rates at the August meeting since the budget had not yet been signed. Finalizing the rates has been somewhat challenging but she added that the final budget was very favorable from the Plan’s perspective.
Matthew Rish, Sr. Director of Finance, Planning & Analytics, provided background information discussed at the August 2021 Board of Trustees meeting. At that time, employer rates were approved with a +/-10% window pending budget approval. He noted that rates for several groups were outside 10% and would require board approval. The active employer rate would increase 15.0%, and the Retirement Systems contributions for retirees would increase 17.6%. The High Deductible Health Plan (HDHP) amount would increase 15.0%.

S.L. 2021-180 (approved budget) changed the rate structure from active, Medicare primary and non-Medicare rates to active and retiree rates. This structure is straightforward for most Membership groups but does present operational challenges for less than 5% of the Plan’s population.

Three primary Plan budget objectives were achieved: a rate increase slightly over 4%, which the General Assembly had not appropriated in the past few years; a recoupment of revenue lost from previous budget bills; and a recoupment of expended COVID funds. Mr. Rish reiterated that employee/member rates did not change from what the board approved in August and that the purpose of the current meeting was to discuss employer rates.

The Medicare Advantage (MA) rates the Plan has negotiated and established over the past few years have been very successful. In 2018, the monthly member rate was $124 and is now $0. Over time, what the Plan received in premiums from the Retirement Systems, remained fairly constant, but expenses decreased. Therefore, the single retiree rate structure recognized and addressed the financial impact.

The budget allotted $50 million to the Unfunded Liability Solvency Reserve, the majority of which will go into the Retiree Health Benefit Trust fund. In addition, $215 million was allocated to reimburse the Plan for COVID costs already expended.

Mr. Rish noted that the Plan was asking the Board to approve monthly rates given that the budget is based on a fiscal year and the Plan is on a calendar year. This presents a slight challenge in terms of establishing rates.

Chair Folwell acknowledged and thanked Mr. Sam Watts, Legislative Liaison for the Department of State Treasurer, for working with the Plan and General Assembly to achieve the accomplishments outlined in the presentation.

**Board Comments and Questions Addressed:**

In response to a question as to whether Local Education Agencies (LEAs) would be caught off guard with a 15% rate increase, it was noted that school systems should be adequately funded. In addition, the Plan will communicate the information to Health Benefit Representatives (HBRs) following the Board meeting. The Plan has also conveyed projected rate information and the potential financial impact to the Department of Public Instruction (DPI).

The various employing units affected by the increase include the public schools, state agencies, community colleges, the University system and some local governments and charter schools.

A Board member noted that at the August 2021 board meeting, Plan staff projected the employer rate increase would be approximately 7.9%. With this mid-fiscal year correction, the increase is nearly twice that amount and it’s difficult to imagine that employers will be adequately prepared for that.

Plan staff responded that appropriate funds should be transferred to employing units. In addition, State entities may have reserves available.
Given the late passage of the budget, Ms. Jones provided additional context to questions regarding the employer rate increase. The premium billing for January premiums will be sent to employing units within the next few days and will not include the 15% increase. Essentially, they will be underbilled. The February bills, sent in early January, will reflect the 15% increase for both January and February, resulting in overbilling. The March billing will be accurate and the amount going forward.

Chair Folwell requested a motion to approve the 2022 revised employer premium rates.

**2022 Revised Employer Premium Rates – Requires Board Vote**

- Approve Active Employer Rate of **$647.86** per month (a 15.0% increase)
- Approve Retirement Systems contributions for Retirees of **$380.92** per month (a 17.6% decrease)
- Approve HDHP Employer amount of **$177.07** per month (a 15.0% increase)

**Board Vote:** Motion by Mr. Fish; second by Dr. Martin; roll call vote was taken; unanimous approval by Board to approve the revised 2022 premium rates.

Following the vote, Dr. Robie offered a suggestion, stating that it could ultimately provide a cost-saving option for the Plan. Many private employers are adding a monthly premium surcharge for employees who are not vaccinated against COVID-19, to cover the cost of treatment if they contract the virus. He noted that the current thinking is that unvaccinated people who contract COVID-19 are more apt to require hospitalization. A current statistic indicates that approximately 95% of hospitalized patients with COVID-19 are unvaccinated. If the Plan could add a surcharge to unvaccinated members, the additional revenue would help to cover the cost of care and achieve savings for the Plan.

Chair Folwell stated that as more COVID-19 data and statistics are released, people will begin to see the depth of the illness, itself, as well as the long-term financial impact.

Dr. Robie requested that Plan staff consider adding this to a future board agenda for discussion.

**Adjournment**

**Board Vote:** Motion by Dr. Robie; second by Ms. Hargett; roll call vote was taken; unanimous approval by Board to adjourn the meeting at approximately 3:30 p.m.

Minutes submitted by: Kendall Bourdon, Secretary

Approved by: Dale R. Folwell, CPA, Chair