



# Employer Rate Information

# Employer Contribution Rate Considerations

## Executive Summary

The delayed budget from the 2021 long session has created several challenges:

- The continuation budget, based on a rate that was already well below State Health Plan (Plan) trend, provided inadequate funding for July – December 2021
- The enacted budget sought to rectify not only the previous trend shortfall but also to provide an adequate rate for the biennium in the first year
- The Plan set the employer rates per the enacted budget
- Given the timing of the budget passage in mid November, it was not possible to invoice employing units for the January premium \$647.86 per member per month (PMPM) since those invoices begin production the first week of December thus creating an employer premium shortfall of \$115.50 (PMPM)
- The February premium invoices, which begin to produce the first week of January, will make up the premium shortfall by including a retro premium adjustment of \$115.50 for the January enrollment and the \$647.86 premium for February enrollment
- The March premium invoices, which begin production on February 1, will be the consistent employer premium for the rest of the 2022 Plan year
- The 2023 employer premiums will be \$584.96 PMPM

Please find details on the attached slides.

# Employer Contribution Rate Considerations

## Claims Costs:

- The State Health Plan (Plan) health care cost trend has been increasing at rates that are unsustainable and despite the Department's best efforts to work with providers to lower their rates, rate increases continue to rise. (See HB 184 from 2019, which explicitly attempted and effectively succeeded at blocking the Plan from lowering costs).
- Medical and Pharmacy Claims comprise > 90% of State Health Plan Expenses and have increased 6.7% in 2019 and 4.3% in 2020. The Plan expects the increase in 2021 to be elevated due to the delayed procedures and missing routine examinations in 2020.

## Contribution Shortfall:

- In summer 2019, the NCGA passed a one-time General Fund budget machination that resulted in FY 2020 premiums increasing less than 4.0% with the expectation that this decrease would be made up in FY 2021.
- In spring 2020, the NCGA passed legislation reducing FY 2021 premiums to a slight increase of 0.3%, which is down from the 5.4% increase detailed in S.L. 2019-209.
- The NCGA made up for these deficits by increasing rates in FY 2022 on top of the expected "normal" growth in costs with a total increase of 11.0%.

## FY to CY Conversion:

- In 2014, the Plan transitioned its "plan year" from matching the state's fiscal year (FY) to a calendar year (CY) basis. This was necessary in order to align open enrollments better with Medicare and Affordable Care Act (ACA), etc. Unfortunately, the decreases in the contributions from 2020 to 2021 reduces the flexibility of the plan to smooth out increases.
- The FY v. CY issue also impacts the total rate changes discussed above and is why the new rates seem out of line, which is not the case. Plan premiums are paid a month in advance, and the charges must match the budget caps on a FY basis, not a CY basis. Once the Plan sets CY employer rates, they cannot be changed, even if there is a budget change, until the next CY.

# Employer Contribution Rate Considerations

Legislation	Fiscal Year End	FYE Annual Non-Medicare Contribution	Calendar Year	Monthly Non-Medicare Contribution Rate	\$ Change	% Change
SL 2017-57	2018	5,867	2018	498.68		
SL 2017-57	2019	6,104	2019	518.64	19.96	4.0%
SL 2019-209	2020	6,309	2020	532.36	13.72	2.6%
SL 2020-45	2021	6,326	2021	521.96	-10.40	-2.0%
SL 2021-180	2022	7,019*	2022	647.86	125.90	24.1%
SL 2021-180	2023	7,397*	2023	584.96	-62.90	-9.7%
					Total % Change	19.1%
					Over 5 years	
					4% Avg. Change	

\*SL 2021-180 changed rates from Non-Medicare and Medicare to Active and Retiree.

## CY 2022 Rates

- In August 2021, the State Health Plan Board of Trustees approved Employer rates following OSBM Continuing Budget Guidance Letter.
  - \$532.36
- In November 2021, the governor signed SL 2021-180 modifying the rate limit for Employers.
  - \$647.86
  - The State Health Plan Board of Trustees adopted the current rates in December 2021.
- The lateness of the budget prevented the updated rates from being programmed into necessary systems for the December payroll (paying for January coverage) and therefore defaulted to what was adopted in August (\$532.36).
- The employer rates being paid for 2022 coverage will have to change three months in a row until stable in March.
  - \$ 532.36 per person in December for January,
  - \$ 763.36 in January for February, and
  - \$ 647.86 for the following months of 2022.

# Employer Contribution Rates Demonstration

## Fiscal Year 2021-22

PAY PERIOD	COVERAGE PERIOD	Actives		Difference
		Projected	Actual	
Jun 21	Jul 21	521.96	521.96	
Jul 21	Aug 21	521.96	521.96	
Aug 21	Sep 21	521.96	521.96	
Sep 21	Oct 21	521.96	521.96	
Oct 21	Nov 21	521.96	521.96	
Nov 21	Dec 21	521.96	521.96	
Dec 21	Jan 22	647.86	532.36	-115.50
Jan 22	Feb 22	647.86	763.36	115.50
Feb 22	Mar 22	647.86	647.86	
Mar 22	Apr 22	647.86	647.86	
Apr 22	May 22	647.86	647.86	
May 22	Jun 22	647.86	647.86	

FY 2022 Total \$7,018.92 \$7,018.92

SL 2021-180 Limit: \$7,019.00

Retro Payment TO SHP  
in January: \$115.50



Already in Place

Approved in August, too late to change with new budget

Calculated in order to meet the SL 2021-180 Limit

## Fiscal Year 2022-23

PAY PERIOD	COVERAGE PERIOD	Actives Projected
Jun 22	Jul 22	647.86
Jul 22	Aug 22	647.86
Aug 22	Sep 22	647.86
Sep 22	Oct 22	647.86
Oct 22	Nov 22	647.86
Nov 22	Dec 22	647.86
Dec 22	Jan 23	584.96
Jan 23	Feb 23	584.96
Feb 23	Mar 23	584.96
Mar 23	Apr 23	584.96
Apr 23	May 23	584.96
May 23	Jun 23	584.96

FY 2023 Total \$7,396.92

SL 2021-180 Limit: \$7,397.00