



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



## 2016 Short Session Legislative Agenda

*Board of Trustees Meeting*

April 27, 2016

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*A Division of the Department of State Treasurer*

# Priorities for Short Session

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- 2016 Legislative Session began on April 25
- Bill Filing Deadline is May 10
- State Health Plan Priorities
  - Release Funds Reserved for Increase in Employer Contribution
  - Clarify ACA Reporting Responsibilities
  - Modify Local Government Participation
  - Clarify Contracting Exemption
  - Mandate Contractor Release of Data
  - Authorize Flexibility Regarding the State's Banking Requirements

# Release Funds for Increased Employer Contribution

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## Issue:

- 2015 Appropriations Act, House Bill 97, SL 2015-241 includes funds for an increase in the State's employer contribution for health benefits during FY 2016-17, but the funds are reserved until release by the General Assembly.
- Funds will be made available only if the General Assembly determines that the State Treasurer and the Board of Trustees have adopted sufficient measures to limit projected employer contribution increases during the 2017-2019 fiscal biennium.
- The Plan will have difficulty complying with the legislative requirement to maintain cash reserves equal to 20% of annual costs without an increase in the employer contribution.

## Legislative Request:

- Pending approval of benefit design changes by the Board for calendar year 2017, the Plan is requesting the release of funds in the Reserve for Future Benefits Needs.

# Clarify ACA Reporting Responsibilities for Employers

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## Issue:

- The Affordable Care Act (ACA) requires large employers report to the Internal Revenue Service (IRS) annually regarding the offer of health insurance coverage to full-time employees and retirees (6056) and the coverage provided (6055).
- The ACA reporting requirements are the responsibility of the employer, meaning that each employing unit participating in the Plan is responsible for meeting the requirement.
- In some cases, such as when an employee cannot be linked back to an employer, the Plan is responsible for meeting reporting requirements. In addition, the Plan could be considered the sponsor of retiree coverage and therefore could assume the responsibility for reporting on retirees.

## Legislative Request:

- To avoid continued confusion regarding the responsibilities between the Plan and employing units, the Plan is requesting legislation that places the responsibility for retiree reporting on the Plan, but clarifies that reporting for all other employees and plan participants falls to the employing units.

# Modify Local Government Participation in the Plan

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## Issue:

- Legislation adopted by the General Assembly in 2015 allowed local government units to join the State Health Plan upon meeting certain requirements.
- Total participation by local governments is limited to 10,000 employees – a cap which was recently reached with a total of 80 local governments currently enrolled.
- While local government units may participate in the Plan, current law allows them to determine what portion of the premiums employees will pay. Employee premium contributions that differ from those the Board has approved creates administrative difficulties and potentially frustrates the strategic plan.

## Legislative Request:

- The Plan does not oppose local government participation in the health plan offerings, but cannot be responsible for the risks and administrative burden associated with local flexibility. The Plan is seeking a statutory change to ensure that local governments do not deviate from Board strategies related to plan premiums and benefit design.

# Clarify Plan's Contracting Exemption

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## Issue:

- The Plan has an exemption from Department of Administration, Purchase and Contract (P&C) rules regarding its third-party administrator contracts and the design, adoption, and implementation of the preferred provider contracts, networks, and optional alternative comprehensive health benefit plans, and programs available under those plans.
- The Plan considers most of its contracts to be service contracts and not IT contracts. However, with improvements in technology the contracts contain more and more of an IT component.
- The Plan does not have an exemption from Department of Information Technology (DIT) procurement rules and believes clarification of its exemption is important in reducing risks to the Plan from both a compliance and efficiency standpoint.

## Legislative Request:

- The Plan is requesting a specific exemption from both P&C and DIT.

# Mandate Contractor Release of Data to the Plan

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## Issue:

- To date, the Plan's ability to conduct provider-specific data analyses has been limited due to the inability to link claims data (cost) with provider identification.
- The Plan currently has access to claims data from Blue Cross and Blue Shield of NC (BCBSNC), but that data is delivered with scrambled provider identification – meaning the Plan cannot use the data in any efforts to measure provider performance without going directly to BCBSNC.

## Legislative Request:

- The Plan is requesting authority to require third-party administrators to supply the Plan with data that includes both provider identifiers and cost so that data can be used in a wider range of analytics.
- The legislation would apply to future contracts and the Plan will continue to be obligated to protect proprietary and confidential information provided by vendors.

# Authorize Flexibility Regarding State Banking Requirements

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## Issue:

- The Plan's third-party administrators (TPAs) for medical and pharmacy benefits are required to adhere to the State's banking requirements, which require contractors to establish and manage depository and disbursing accounts in the name of the State Treasurer.
- In many cases, however, potential TPA bidders have reported that these banking and financial requirements are burdensome or cost prohibitive to the point that they have declined to bid.

## Legislative Request:

- The Plan is working with the Office of the State Controller and the Financial Operations Division of the Department of State Treasurer to develop legislation authorizing the State Treasurer and State Controller to approve exceptions to the state's banking requirements to provide flexibility to agencies in certain circumstances while continuing to protect the State's interest.