



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Rationale and Alignment of Benefit Changes with the Strategic Plan and Legislative Requirements

Board of Trustees Meeting

April 27, 2016

A Division of the Department of State Treasurer

Rationale for Proposed Benefit Changes

Why Are Benefit Changes Being Proposed?

- Comply with legislative mandates
- Achieve objectives of the Strategic Plan

These are not opposing goals.

State Budget Impact on Benefits Decision

2015 Appropriations Act, House Bill 97, SL 2015-241

SECTION 30.26.(a) It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 **have adopted sufficient measures to limit projected employer contribution** increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes.

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 percent (20%) 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.

SECTION 30.26.(c) On and after January 1, 2016, if the State Health Plan for Teachers and State Employees projects a cash reserve of less than the minimum cash reserve required by this section at any time during the remainder of the 2015-2017 fiscal biennium, or the Fiscal Research Division of the General Assembly notifies the Plan that it projects such a deficiency, the Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations within 60 days of that projection or notification on actions the Department plans to take in order to maintain that required minimum cash reserve.

Strategic Direction of Revised Benefit Proposal

- The Board's Strategic Plan and benefit strategy emphasizes three strategic priorities:
 - Improve Members' Health
 - Improve Members' Experience
 - Ensure Financial Stability
- Where possible the revised proposal focuses on these priorities by creating stronger incentives to utilize value-based services and promoting awareness around the actual cost of care and choice of services/providers

Recent Results and Achievements

State Health Plan Achievements

- Increased member choice in plan options, enhanced benefit designs
- Implemented and continue to expand wellness/engagement model
- Low premium growth for members and the State
 - Better results than multiple state and national trends
 - Low and infrequent premium increases
 - 7/1/2012 = 5.3%
 - 1/1/2014 = 3.5%
 - 1/1/2016 = 2.8% employee/dependent premiums, 3.4% employer contribution
- Limited increases in member cost sharing (out-of-pocket costs) since 2011
 - 9/1/2011 – Increases set by NCGA
 - 1/1/2014 – New Tier 5 non-preferred specialty medications tier
 - 1/1/2016 –
 - 70/30 across-the-board increases (no engagement required)
 - CDHP increased out-of-pocket max, but increased HRA contribution too
 - 80/20 Tier 5 pharmacy copay (small amount)
- Significant cash balance to offset future premium growth

Board-Approved Wellness/Engagement Model: Benefit Changes and Program Implementations

	CY 2014	CY 2015	CY 2016	CY 2017
Benefit Changes	<ul style="list-style-type: none"> • New Consumer-Directed Health Plan (CDHP 85/15) offering • Wellness and Engagement Model for Enhanced 80/20 & CDHP 85/15 <ul style="list-style-type: none"> • Premium credits (reduced premiums for completing healthy activities) • Wellness incentives and value-based benefits • ACA preventive services • Added Tier Five for specialty medications • Four new MAPDP products from United and Humana (two premium free options) 	<ul style="list-style-type: none"> • Added Applied Behavioral Analysis (ABA) benefit • New bronze level High Deductible Health Plan (HDHP) for non-permanent full-time employees • Additional ACA preventive services 	<p>Traditional 70/30</p> <ul style="list-style-type: none"> • Cost-sharing increases <p>Enhanced 80/20:</p> <ul style="list-style-type: none"> • Tier 5 copay increase <p>CDHP</p> <ul style="list-style-type: none"> • Increase base Health Reimbursement Account (HRA) contribution • Increase value-based HRA credits • Increase in out-of-pocket (OOP) maximum • Add Rx Debit Card • Health Engagement Program – HRA funds <ul style="list-style-type: none"> • Positive Pursuits (chronic) • Healthy Lifestyles • Increase in Enhanced MA-PDP premiums and cost-sharing 	<ul style="list-style-type: none"> • Add Tobacco Attestation and wellness premium credit to Traditional 70/30

Consider the General Assembly's Perspective

- Added a new richer plan option in 2014 – Consumer-Directed Health Plan (CDHP 85/15) has:
 - \$0 employee/retiree premium if three (relatively simple) healthy activities are completed
 - Lowest dependent premiums of any option
- Reduced premiums for the Enhanced 80/20 Plan by offering a \$10 credit against the employee premium for completion of three (relatively simple) healthy activities
- Extended 100% coverage of preventive services and medications to members in the Enhanced 80/20 Plan, while maintaining grandfather status under ACA
- Added four new Medicare Advantage Prescription Drug Plan (MAPDP) options.
 - \$0 retiree premium for the two base plan options, which are similar in value to the 80/20 Plan, which included a monthly retiree premium for Medicare primary retirees in 2013
- Until 2016, members did not pay for these enhancements with any significant increases in member cost-sharing
- In 2014 and 2016 the General Assembly appropriated more funding for the employer contribution than the forecasts required

Alignment with the Strategic Plan

Alignment with Strategic Plan

Revised proposal aligns with the following strategic priorities and initiatives set out by the Board:

- Improve members' experience
- Ensure financial stability
- Increase and incent utilization of:
 - primary care
 - high quality, lower cost providers
 - high value, lower cost medications
- Address high costs and increasing specialty medications trend

Strategic Alignment: Improve Members' Experience

- Members of the Board and stakeholders:
 - Expressed significant concern about the elimination of the Enhanced 80/20, discussed in January
 - Expressed significant concern about across-the-board cost-sharing increases in the Enhanced 80/20, proposed in February
 - Desire benefit designs aimed at reducing barriers to care, specifically in medications and that retain a copay based structure
- The proposed changes to the Enhanced 80/20 plan design are intended to address these concerns, while offering some benefit enhancements and complying with legislative mandates

Strategic Alignment: Ensure Financial Stability

- The Board of Trustees has a fiduciary responsibility to all the members of the State Health Plan and to manage cost growth for the State
- Managed premium cost growth below national/state benchmarks without reducing benefits until CY 2015
 - Extended periods with no premium increase and on average members are paying less in premium dollars than in CY 2012
 - Extended periods with no benefit reduction or cost sharing increase, and on average members are paying less in out-of-pocket costs than in CY 2012
- The proposed changes to the Enhanced 80/20 plan will help continue these trends for the State while incenting members to engage more to help manage their cost growth and in some cases reduce their expenditures

Strategic Alignment:

Increase and Incent the Utilization of Primary Care

- Effective CY 2014, the Plan provided a premium credit for selection of a primary care physician/practice (PCP) and a copay reduction/HRA credit for utilization of the selected PCP
 - Enhanced 80/20 PCP copay was reduced 50% from \$30 to \$15
- The proposed Enhanced 80/20 plan design creates richer incentives in the Enhanced 80/20 for PCP utilization (reduced copays)

Strategic Alignment:

Steerage to High Quality, Lower Cost Providers

- Effective CY 2014, the Plan provided a copay reduction/HRA credit for utilization of Blue Options Designated (B.O.D) providers for inpatient and specialist services
 - Designated based on meeting certain quality and cost thresholds and on balance provide higher quality care and a lower average reimbursement
 - Enhanced 80/20 inpatient copay reduced 100% from \$233 to \$0
 - Enhanced 80/20 specialist copay was reduced about 15% from \$70 to \$60
 - CDHP 85/15 members receive HRA contributions for using B.O.D providers
- The Board and stakeholders have expressed interest in looking at alternative provider networks that emphasize higher quality providers and use steerage to drive steeper provider discounts
- Some of these arrangements may be more restrictive to members and impact access
- The proposed Enhanced 80/20 plan design creates stronger incentives to utilize Blue Options Designated providers to incent higher quality, lower cost care

Strategic Alignment: Increase and Incent the Utilization of High Value, Lower Cost Medications

- Stakeholders and Board members have indicated that the current cost-sharing on prescription medications can be a barrier to care
- This may result in members with chronic conditions not utilizing key maintenance medications
- The proposed Enhanced 80/20 plan design significantly reduces copays on Tier 1 (generic) and Tier 2 (preferred brand and high cost generic) medications
- Tier 3 drugs would significantly increase in price but these are medications that have multiple alternatives in Tiers 1 and 2

Strategic Alignment:

Address High Costs and Specialty Medications Trend

- The prescription drug benefit in the Traditional 70/30 and Enhanced 80/20 plans has three specialty tiers to attempt to drive members to the lower cost options when appropriate
- Specialty medication is the Plan's largest cost driver and members are currently paying less than 5% of the cost of these medications
- The proposed Enhanced 80/20 plan design significantly increases copays on Tier 5 and Tier 6 drugs while still paying for over 90% of the average specialty drug cost
- This will promote financial transparency and member engagement