North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

State Health Plan Myths vs. Facts

Board of Trustees Meeting

April 27, 2016

A Division of the Department of State Treasurer

Myth vs. Fact #1:
Myth: The Plan Offers Bronze or Catastrophic Coverage

Fact:

- In 2013 the Plan's actuarial firm, the Segal Company, conducted a minimum value certification and concluded that all three "plans are closest to Gold as defined by the Affordable Care Act" for CY 2014.
- The table below highlights the actual percentage of claims paid by the Plan for actives, COBRA, and non-Medicare retirees in CY 2014 and CY 2015 and the ACA medal level associated with that level of plan payment
  - Medicare retirees in the Traditional 70/30 were excluded because Medicare is the primary payer

Plan Name	CY 2014	CY 2015
Traditional 70/30	77% (Silver)	80% (Gold)
Enhanced 80/20	83% (Gold)	84% (Gold)
CDHP	91% (Platinum)	89% (Gold)

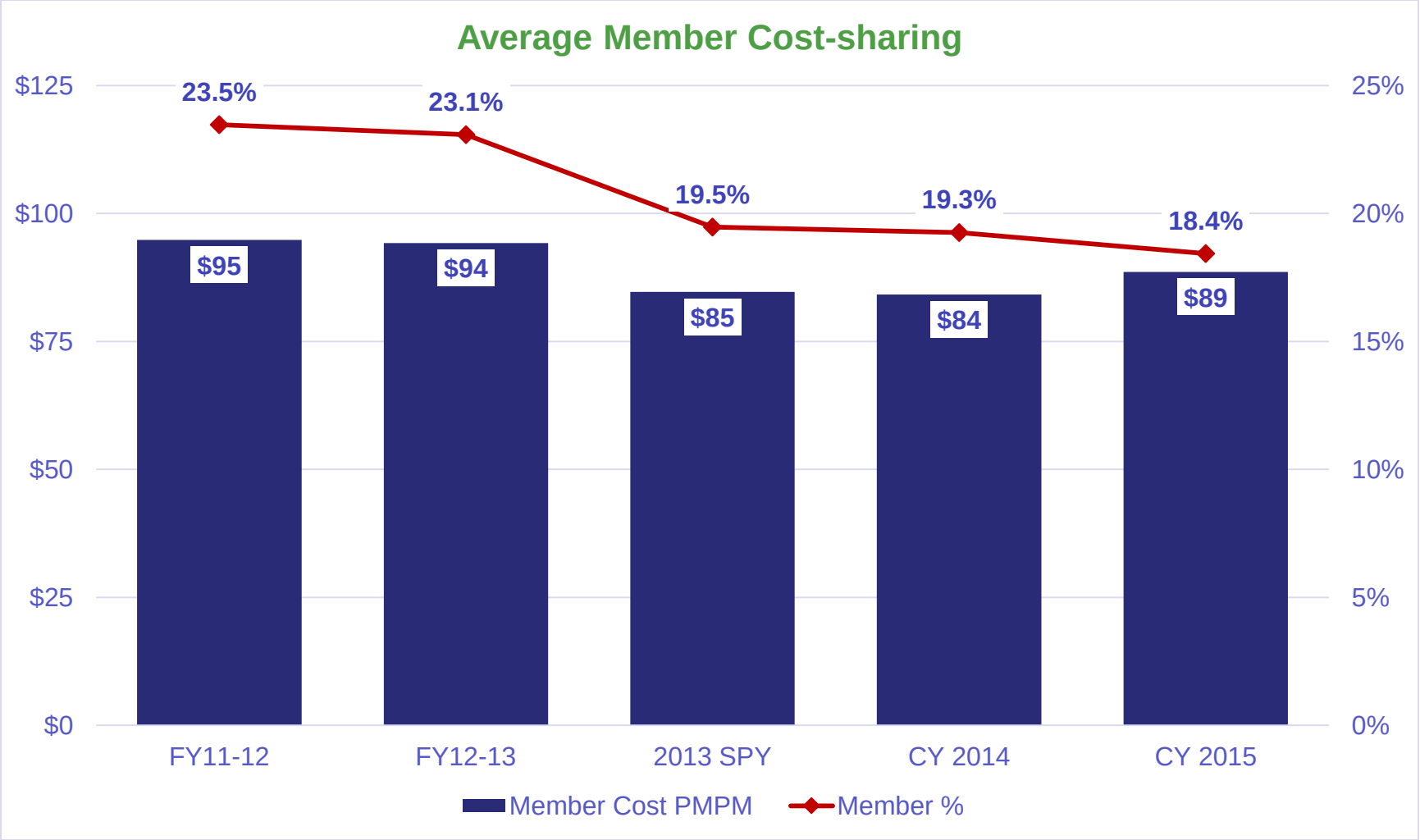
Myth vs. Fact #2:
Myth: Plan Members' Out-of-Pocket Costs Rise Every Year

Fact:

- Other than the creation of new pharmacy tier for non-preferred specialty medications in 2013, prior to CY 2016 there have been no increases in member cost-sharing since the Plan was moved to the Department of State Treasurer with the new Board of Trustees and governance structure in 2012
  - There have been decreases in member cost-sharing in the Enhanced 80/20
    - 100% coverage of ACA preventive services
    - Reduced copays for behavioral health services
  - The CDHP which offers the lowest out-of-pocket exposure of the three plan offerings was established in 2014
- Because the Traditional 70/30 and Enhanced 80/20 plans are copay based plans and copays have been held constant, the percentage of total out-of-pocket cost members paid has actually gone down since FY 11-12
- On average, member out-of-pocket cost on per member per month basis has decreased since FY 11-12

Myth vs. Fact #2:
Myth: Plan Members Out-of-Pocket Costs Rise Every Year

Fact:



Myth vs. Fact #3:

Myth: Wellness Premiums are Punitive and Adversely Impact the Membership

Fact:

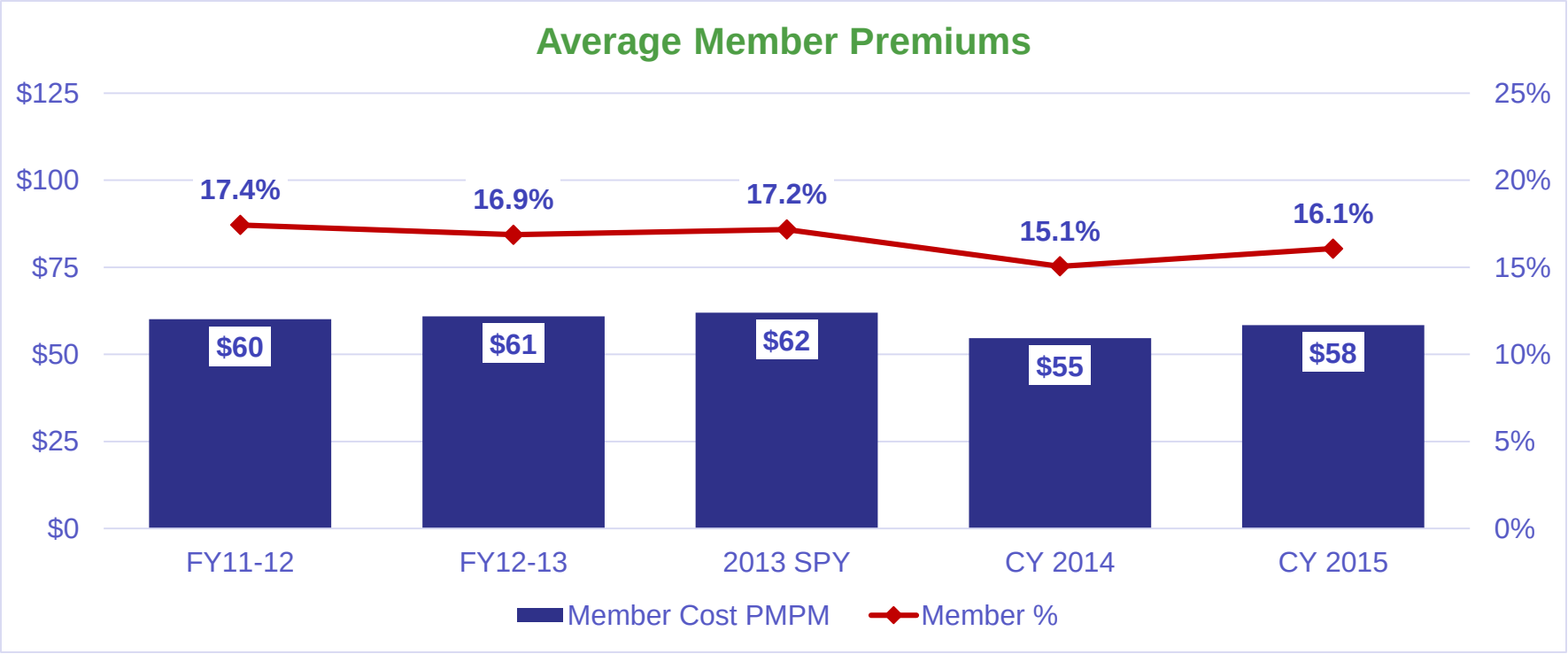
- The 80/20 Wellness Premiums Credits *reduced* member premiums by an estimated $19.0 million in CY 2014 and by an estimated $12.5 million in CY 2015.
- The average monthly premium *reduction* associated with the Wellness Premium Credit structure was $8.31 in 2014 ($100 annual savings) and $5.22 in 2015 ($63 annual savings).
  - Initial analyses for CY 2016 indicate that members may be paying slightly more (less than $1 per month or about $10 per year) due to the Wellness Premium structure.

Myth vs. Fact #3:

Myth: Wellness Premiums are Punitive and Adversely Impact the Membership

Fact:

- Wellness Premium Credits have successfully reduced premium cost growth for a large percentage of the membership
  - The average member paid monthly premium is lower than FY 11-12
    - Members are also paying a smaller share of the total premium/contribution cost



Myth vs. Fact #4:
Myth: Provider Rates Paid by the Plan are High

Fact:

- The Plan competitively bid the third party administrative services contract in 2012 with services effective 7/1/2013
- Blue Cross and Blue Shield of NC won the contract and on a statewide basis offered the best provider reimbursement rates in the market
- The Plan could pay lower provider reimbursement rates but that would shrink the network of available providers
- By contracting with CVS/Caremark the Plan is projected to save between $300m - $500m over the initial term of the contract
  - Savings range is contingent on the Plan's formulary choice.
  - A closed formulary would generate the highest savings

Myth vs. Fact #5:

Myth: The Prison System Negotiated Lower Rates than the Plan Pays

Fact:

- The Department of Public Safety (DPS) operates its own hospital and health care facilities for inmates and uses other facilities only when necessary.
- The General Assembly established provider reimbursement rates for inmate medical services that occur outside DPS facilities:
  - SECTION 16C.4.(a) of SL 2013-360, as amended provides, "The Department of Public Safety shall reimburse those providers and facilities providing approved inmate medical services outside the correctional facility *the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service*. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision."
- The Plan currently pays less than these rates and using the DPS reimbursement methodology would dramatically *increase* costs
  - Under the current TPA contract, the Plan's aggregate discounts range from 46% to 50% of charges.
  - In CY 2013 the Plan paid about 165% of Medicaid rates