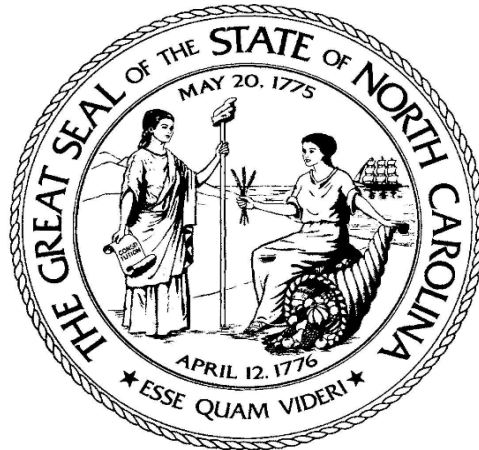


NORTH CAROLINA GENERAL ASSEMBLY



BLUE RIBBON TASK FORCE ON THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

REPORT TO THE
2010 SESSION
of the
2009 GENERAL ASSEMBLY

APRIL, 2010

TRANSMITTAL LETTER

The Blue Ribbon Task Force on the State Health Plan for Teachers and State Employees was established by S.L. 2009-16, Part Seven, as amended by S.L. 2009-571. The Task Force respectfully submits the following report.

Representative Lindsey Hugh Holliman
Co-Chair

Senator Daniel T. Blue, Jr.
Co-Chair

TASK FORCE MEMBERSHIP

Blue Ribbon Task Force on the State Health Plan for Teachers and State Employees

Co-Chairs

| | |
|---------------------------------------|--------------------|
| Rep. Lindsey Hugh Holliman (Co-Chair) | House Appointment |
| Sen. Daniel T. Blue, Jr. (Co-Chair) | Senate Appointment |

Legislative Members

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|------------------------|--------------------|
| Rep. R. Van Braxton | House Appointment |
| Rep. Dale R. Folwell | House Appointment |
| Sen. Thomas M. Apodaca | Senate Appointment |
| Sen. Linda Dew Garrou | Senate Appointment |

Ex Officio Members

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|----------------------------|------------|
| Hon. George Wayne Goodwin | Ex Officio |
| Mr. Andrew M. Perkins, Jr. | Ex Officio |

Public Members

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| Ms. Gale Brown Adcock, RN | Governor's Appointment |
| Mr. Allen Feezor | House Appointment |
| Dr. William C. Harrison | Senate Appointment |
| Dr. Dan A. Myers, MD | Senate Appointment |
| Ms. Sharnese Ransome | Senate Appointment |
| Ms. Victoria Leigh Simmons | House Appointment |
| Mr. Charles Stone | House Appointment |

TASK FORCE PROCEEDINGS

The Blue Ribbon Task Force on the State Health Plan for Teachers and State Employees met six times from November 11, 2009 until April 22, 2010. The Task Force heard from the individuals listed below during the specified meeting dates. Detailed minutes and copies of handouts from each meeting are on file in the Legislative Library.

November 18, 2009

- Gann Watson, staff attorney, presented to the Task Force a summary of Session Law 2009-16 (SB 287), which made significant changes to the laws governing the operation of the State Health Plan for Teachers and State Employees (State Health Plan). Ms. Watson's presentation covered the key components of the enacted legislation including additional funding appropriated to the State Health Plan, annual premium increases authorized over the 2009-11 biennium, benefit changes affecting out-of-pocket requirements for Plan members, the establishment of a Comprehensive Wellness Initiative, a directive for an operational audit of the State Health Plan's medical and drug claims processing vendors, and the authorizing language for the Blue Ribbon Task Force on the State Health Plan.
- Mark Trogdon, staff fiscal analyst, made a presentation to the Task Force entitled "Overview of the State Health Plan." Mr. Trogdon's presentation covered the State Health Plan's statutory authorization and creation, its size based on enrollment, total claims, and total revenues, benefit design, funding basis, administrative structure, Plan member eligibility guidelines, enrollment demographics, etc. His presentation also provided a financial summary of the State Health Plan including the financial impact of Session Law 2009-16, a historical summary of the State Health Plan's claims growth over time, and the State Health Plan's per capita medical costs by age bands and the percent of Plan members in each of those bands.

December 2, 2009

- Theresa Matula, staff legislative analyst, presented a document listing priorities developed from input provided by Task Force members during the November 18, 2009 meeting.
- Dr. Jack Walker, Executive Administrator, State Health Plan, presented an overview of the State Health Plan and the Comprehensive Wellness Initiative. The presentation included demographic data on Plan membership, statistics concerning the rationale for choosing tobacco use and body mass index (BMI) as targets for the Wellness Initiative, and information on the Comprehensive Wellness Initiative. Comprehensive Wellness Initiative information covered the following topics: employee privacy, employee benefits and support, and desired outcomes for the State Health Plan.

January 21, 2010

- Ann Rogers, Director of Integrated Health Management, State Health Plan, provided information on tobacco use testing for Plan members. Her presentation included information on the development of the Request for Proposal for a vendor to administer off-site tobacco use testing to members and to verify members' enrollment in smoking cessation programs. Ms. Rogers also reviewed the testing process, explained how members' attestation to tobacco use status will drive initial State Health Plan qualifications, and reviewed member consequences for falsifying tobacco use status.
- Dr. Jack Walker, Executive Administrator, State Health Plan, reviewed the financial requirements for the State Health Plan for the next five years. He presented information on current and projected State Health Plan revenues, member cost-sharing, projected annual increases in health costs and utilization, and State Health Plan efforts to detect and prevent fraudulent claims. Dr. Walker's presentation emphasized the importance of improving the health status of active Plan members through behavior management, case management, and disease management, in order to achieve savings and lower the cost trend.
- Lacey Barnes, Deputy Executive Administrator, State Health Plan, provided follow-up information on select inquiries by Task Force Members which included the reduction in cost savings if individual members, rather than entire family units, are moved to the 70/30 State Health Plan; and reasons Plan members are electing to terminate dependent coverage under the State Health Plan.
- Carol Durrell, Director of Product Development, State Health Plan, provided an outline, timeline, and costs for planned actuarial studies to be performed by Aon Consulting in 2010 to address Task Force requests, responses to questions from the Legislative Oversight Committee and constituents, and State Health Plan requirements. Ms. Durrell discussed the Cost Comparison study of State Health Plan benefit options in Georgia, Virginia and Tennessee (which should be available in mid February) and the study concerning Other Post-Employment Benefits like retiree benefits.

February 25, 2010

- Carol Durrell, Director of Product Development, State Health Plan, presented details of our State Health Plan in comparison to the state health plans of Georgia, Virginia, and Tennessee. Ms. Durrell highlighted differences and similarities in state health plan benefits, premium costs, subsidization of dependent care premiums, and other aspects of operations.
- Ann Rogers, Director of Integrated Health Management, State Health Plan, discussed the extension of a nutritional visit benefit to all Plan members (previously available only to Plan members with diabetes). She noted that for provision of this benefit the State Health Plan has contracted for participation in the Eat Smart, Move More, Weigh Less program.
- Dr. Derek Prentice, Consulting Medical Director, State Health Plan, discussed a range of issues related to medications prescribed to members participating in State Health Plan weight loss programs.

March 25, 2010

- Chris Schoffner, Managing Partner, White Bear Group, an employee benefit consulting firm, discussed methods of changing member behavior to create savings for the State Health Plan. Mr. Schoffner presented information on the success of the Ashville Project. In the Ashville Project, diabetic employees received support and guidance from counselors, physicians, and pharmacists all working together, and employees received preventive care without any out-of-pocket costs. Mr. Schoffner recommended the following main steps:
 1. Identify employees with needs via Health Fairs.
 2. Engage beyond the chronically ill; remove barriers to treatment.
 3. Educate through face to face coaching.
 4. Communicate at all steps to allow all to get information.
- Mark Ruby, Vice President for Business Development, BioSignia, a healthcare risk assessment company located in Research Triangle Park., presented information on BioSignia's "Know Your Number" product. BioSignia uses data analysis of large populations and individual test results to help participants better understand their personal health risks. According to Mr. Ruby, the State Health Plan could save \$124 million over five years by screening 300,000 Plan members twice a year for five years.
- Victoria Simmons, Task Force member, provided copies of pay slips for several Guilford County School employees and discussed the importance of the "promise" of affordable health care from the State to its employees. The Task Force discussed the "promise" of health care at no cost and whether employees would be willing to pay a member contribution based on a percentage of their salaries.
- Representative Folwell, Task Force member, advocated the use of a calendar year, rather than State's fiscal year, for the State Health Plan. He cited broad support for the change among various State employee organizations and the use of a calendar year by 24 other states. Although there would be a one-time cost of \$25 millions and a six month moratorium on rate increases, Rep. Folwell requested that the Task Force endorse the idea in order to facilitate health insurance planning by families with non-State Health Plan options.

April 22, 2010

- Jack Walker, Executive Administrator, State Health Plan, presented information concerning the impact on the State Health Plan of the following federal health reform Acts: Patient Protection and Affordable Care Act (HR 3590), and the Health Care and Education Affordability Act of 2010 (HR 4872).
- The Task Force received a draft report to be presented to the 2010 General Assembly, the Governor, and the Committee on Employee Hospital and Medical Benefits. The Task Force approved the report.

FINDINGS AND RECOMMENDATIONS

FINDINGS:

The Blue Ribbon Task Force on the State Health Plan for Teachers and State Employees met six times prior to the convening of the 2010 short session. During these meetings Task Force members received an overview of the State Health Plan, the State Health Plan's Comprehensive Wellness Initiative, and information on issues that will impact the State Health Plan in the future. Members were also apprised of the study issues identified in the legislation creating the Task Force and prioritized the study of these issues. The Task Force explored a number of concerns regarding the State Health Plan and found there is a good bit of information that, although not immediately available, will be forthcoming during the tenure of the Task Force and following adjournment of the 2010 short session. In the coming months, the Task Force anticipates receiving the following reports: Consumer Directed Health Care, Medicare Products and Strategy, Dependent Subsidy including Salary Based Premium Structure, and an Audit of the State Health Plan.

RECOMMENDATION:

The Blue Ribbon Task Force on the State Health Plan for Teachers and State Employees recommends that the General Assembly continue addressing State Health Plan issues during the 2010 Session and that the Task Force resume its work after adjournment of the 2010 Session and develop a report to the 2011 General Assembly.