

NORTH CAROLINA GENERAL ASSEMBLY



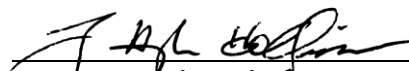
BLUE RIBBON TASK FORCE ON THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

REPORT TO THE 2011 SESSION of the GENERAL ASSEMBLY

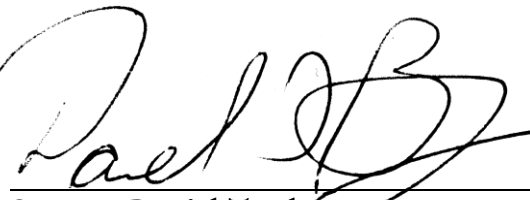
NOVEMBER, 2010

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

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

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

Public Members

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 three times from August 12, 2010 until November 16, 2010. The information below provides an overview of presentations received and issues discussed by the Task Force. Detailed minutes and copies of handouts from each meeting are on file in the Legislative Library or are available for a period of time at the Task Force website: <http://www.ncleg.net/gascripts/DocumentSites/browseDocSite.asp?nID=114>.

August 12, 2010

The Task Force was presented recommendations on changing the governance of the State Health Plan by two separate entities with a relationship to the Plan.

First, Navigant Consulting, a consulting firm to the State Health Plan, presented recommendations regarding the State Health Plan's governance arrangement. Navigant evaluated the Plan's governance and claims processing function under a General Assembly mandated audit. Representatives for Navigant Consulting recommended that the Plan be organizationally located under the Governor, but functionally responsible to an independent board. This independent board should be tasked with the direct authority to manage the Plan's operations. Representatives of Navigant Consulting noted that in most states, an independent board or executive branch agency or department houses the function of a public employer health benefit plan.

The second recommendation was from the State Health Plan's Board of Trustees. Dr. John Hammond, a member of the State Health Plan's current Board of Trustees, presented a recommendation to require that oversight of the Plan's day-to-day operations and appointment of the Plan's Executive Administrator fall under the responsibility of an executive agency with a reporting relationship to the Governor. The Board of Trustees also recommended that the Plan's Board of Trustees be given the responsibility to formulate policies implemented by the Plan, to conduct rule-making, and to make final agency decisions.

The balance of the meeting was devoted to discussion about the information presented to Task Force members regarding State Health Plan governance changes and ways to move forward with developing a Task Force recommendation.

September 21, 2010

At the request of the co-chairs in an effort to guide the Task Force discussion on governance options, Mark Trogdon, staff fiscal analyst, presented a broad overview of issues related to governance of the State Health Plan. Mr. Trogdon mentioned the following three primary areas the Task Force might wish to consider as they discuss governance options: organizational location within an Executive Branch of State

Government; the authority to appoint and remove the Plan's Executive Administrator; and the distribution of powers and duties relative to the Plan.

Mr. Trogdon reviewed the following location options for organizational placement of the State Health Plan: Office of the Governor, Cabinet agency, Council of State agency, or other location. Mr. Trogdon pointed out that Navigant Consulting, Inc. had provided the Task Force an *Assessment of Compatibility of Selected State Departments, Agencies and Entities with the State Health Plan* which recommended placement of the State Health Plan in the Office of the Governor. Mr. Trogdon also reminded the Task Force that during their prior meeting they received a report from the Board of Trustees recommending placement of the State Health Plan in an executive agency, but not specifying whether it should be a Cabinet or Council of State agency.

Next Mr. Trogdon reviewed a list of potential authorities to appoint or remove the Executive Administrator of the State Health Plan. The list of authorities included: the Governor; an appointed Cabinet Secretary or elected Council of State Officer; an appointed governing board; or a shared appointment/removal process.

The third area suggested for consideration by the Task Force was the powers and duties that provide the fundamental authority for operation and oversight. This summary list included the authority to: enhance or reduce benefit options; set co-pay, annual deductible and co-insurance maximum amounts; set premiums and contribution rates; negotiate and enter into contracts; fiduciary responsibility; and other broad elements key to the Plan's mission of providing health benefits to State employees and teachers. Mr. Trogdon pointed out that to operate the Plan on a daily basis, the assignment of those powers and duties must be given directly to an executive administrator, to an agency head that carries out the power and duties or delegates them, or to a governing board or authority that carries out the power and duties or delegates them.

The Task Force asked for a reminder of the State Health Plan's current organizational placement. Mr. Trogdon explained that the State Health Plan is currently placed under the executive branch but operates as an independent entity. The Plan does have a Board of Trustees vested with some powers and duties and limited governing authority. Currently, most of the powers and duties are assigned to the Plan's Executive Administrator.

Upon request, Mr. Trogdon reported that research for prior reports received by the Task Force noted that 25 states place the health plan within an executive agency, 15 states place the health plan within an executive agency with a governing advisory board, there are 8 states where the health plan operates as an independent agency with a governing board, and a couple of states where they were not able to determine placement. It was noted that a decision on organizational placement of North Carolina's State Health Plan is complex because the Plan covers employees of both Cabinet and Council of State agency employees, legislative and judicial branch employees, employees of local school systems, employees of community colleges, and

university employees. Since the Task Force had heard from the Commissioner of Insurance, the Task Force suggested that the Auditor, Commissioner of Labor, and Treasurer be asked to comment on organizational placement of the State Health Plan under their agency.

The balance of the meeting was devoted to Task Force discussion of the organizational location of the State Health Plan within an Executive Branch of State Government; the authority to appoint and remove the Plan's Executive Administrator; and the distribution of powers and duties relative to the Plan.

November 16, 2010

The Task Force was presented a draft report to the 2011 Session of the North Carolina General Assembly. Task Force members discussed changes to the report and approved the amended report.

FINDINGS AND RECOMMENDATIONS

FINDINGS:

During the 2010 Interim, the Blue Ribbon Task Force on the State Health Plan for Teachers and State Employees examined issues related to governance of the State Health Plan. Discussions of the Task Force yielded the observations below.

- Responsibility for broad oversight of the State Health Plan should not primarily reside with the General Assembly.
- Compatibility with the mission of existing State agencies and the range of employees covered by the State Health Plan present challenges in finding a logical organizational fit of the State Health Plan within an existing State agency.
- A strong governing board may be a logical entity to provide oversight of the State Health Plan. Membership of a strong governing board shall include persons with experience in, but not limited to: health benefit financing, managing large group employer-sponsored health benefits plans, care quality, prevention and health promotion, and utilization management. The governing board shall also include representation from employee and retiree groups.
- The operation of the State Health Plan includes the following:
 - Authority to enhance or reduce benefits.
 - Authority to set co-pays, deductibles, and co-insurance maximums.
 - Authority to set premiums.
 - Authority to negotiate and execute contracts.
 - Authority to act as fiduciaries to the Plan.
 - Authority to create rules.
 - Authority to adjudicate members' appeals.
 - Authority to conduct strategic planning.
 - Authority to create and implement medical policy.
- The current appointment and removal process for the Plan's Executive Administrator is unclear.
- The current plan year structure makes it difficult for employees and retirees to focus on their health and not their health care.

The Task Force acknowledges that oversight of the State Health Plan is complex because coverage includes: executive, judicial, and legislative branch employees; local school system employees; community college employees; and university employees. Additionally, similar to most health insurance providers, the State Health Plan must respond to the challenges of an older and less physically active population, increasing health care costs, and compliance with Federal law. The Task Force finds that

governance of the State Health Plan is a serious and substantial undertaking and must be clarified in order to effectively meet current challenges.

RECOMMENDATIONS:

The Task Force recommends that oversight of the State Health Plan be provided by the executive branch and a strong and independent governing board with broad policy making authority and also recommends that appointment and removal of the Executive Administrator be one of the duties of the governing board.

The Task Force recommends putting the State Health Plan's plan year on a calendar year basis.