

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** House Bill 772

**SHORT TITLE:** State Health Plan Modifications

**SPONSOR(S):** Representative Ruth Easterling,  
Representative Arlie Culp

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees'  
Comprehensive Major Medical Plan

**FUNDS AFFECTED:** State General Fund, State Highway Fund, Other  
State Employer Receipts, Premium Payments for Dependents by Active  
and Retired Teachers and State Employees

**BILL SUMMARY:** Enhances the benefits under the indemnity program  
of the Teachers' and State Employees' Comprehensive Major Medical  
Plan and subsidizes dependent premiums for the Plan's indemnity  
program and HMOs as follows:

Wellness: (a) Covers routine diagnostic examinations at 100% of  
allowable charges up to \$300 per member per year without  
application of the Plan's \$250 annual deductible and 20%  
coinsurance up to \$1,000 annually paid by beneficiaries.

Lifetime Maximum Benefits: Increases the program's \$1,000,000  
lifetime maximum benefit to \$2,000,000.

Outpatient Prescription Drugs: All drugs covered at 100% of  
average wholesale price (AWP), or a negotiated lower preferred  
provider price, without application of the Plan's \$250 annual  
deductible and 20% coinsurance up to \$1,000 annually paid by Plan  
members; beneficiaries would, however, pay a \$5 copayment for each  
generic prescription, a \$10 copayment for each branded  
prescription without a generic equivalent, and a \$15 copayment for  
each prescription of all other branded drugs.

Multiple Surgical Procedures: Whenever multiple procedures are  
performed through the same incision, Plan coverage would be  
increased from the procedure with the higher usual, customary, and  
reasonable (UCR) allowance to the procedure with the higher UCR  
allowance plus 50% of the procedure with the lower UCR allowance,  
which is the same coverage allowed by the Plan for multiple  
procedures through separate incisions during the same surgical  
session.

Office Visit Copayments: Eliminates the current \$10 office visit copayment required of all beneficiaries only for those who are Medicare-eligible.

Maternity Benefits: Provides maternity benefits for eligible dependent children of employees.

Oral Dental Surgery: Coverage provided by the Plan when necessitated by medical treatments for other conditions.

Hospital Inpatient Admission Certification: Hospitals contracting with the Plan for per case reimbursements based upon diagnostic related groupings (DRGs) required to obtain pre-admission inpatient certification and length-of-stay approval rather than the patient or the patient's admitting physician.

Plan Year: Changes the Plan's plan year by redefining fiscal year to mean January through December rather than the current July through June definition. For the period July through December, 1995, the indemnity program's annual deductible would be reduced from \$250 to \$125 and the 20% coinsurance limit reduced from \$1,000 to \$500. Beginning January 1, 1996, the deductible would be reset at \$250 and the coinsurance limit would again be \$1,000.

Unemployed Employees from Budget Reduction: State agency employees losing their jobs due to reductions in force from State budget cuts could maintain non-contributory coverage under the Plan for up to 12 months following notification of job loss. Fully contributory premiums without any limitation would be available after the initial period for priority reemployment.

Employer Premium Subsidy for Dependent Coverage: Provides \$50 monthly employer subsidy for each parent and child(ren) contract and each family contract, which would reduce premiums paid by employees and retirees by a like amount.

**EFFECTIVE DATE:** July 1, 1995.

**ESTIMATED IMPACT ON STATE:** Based upon information supplied by the Teachers' and State Employees' Comprehensive Major Medical Plan and its claims processor, the consulting actuary for the Plan, Alexander & Alexander Consulting Group, Inc., and the consulting actuary of the General Assembly's Fiscal Research Division, Dilts, Umstead & Dunn, estimate the additional cost to the Plan for benefit enhancements for the 1995-96 fiscal year to be \$31,281,000 and \$33,675,000 respectively. The higher estimate from the Fiscal Research Division's consulting actuary is from a large increase in utilization of wellness benefits, which would, in effect, become first dollar coverage. However, for the 1996-97 fiscal year, both

consulting actuaries estimate the additional cost from benefit enhancements to be between \$42 million and \$43 million. For outlying years, using claim cost trend increases of 10% annually adopted by both consulting actuaries, additional costs to the Plan from the bill are estimated to be \$47,109,000 for fiscal year 1997-98, \$51,820,000 for fiscal year 1998-99, and \$57,002,000 for fiscal year 1999-2000. No additional General or Highway Fund appropriations would be required for the bill until the 1997-99 biennium, because of accumulated reserves in the Plan's indemnity program based upon current premiums and anticipated claim costs. As for the cost of employer subsidies for dependent premiums, the Plan's consulting actuary estimates a total increase in premium costs to the State of \$146,252,000 for the 1995-97 biennium. The consulting actuary for the General Assembly's Fiscal Research Division estimates the same increase in the State's premium cost for the 1995-97 biennium to be \$145,800,000. Additional General and Highway Fund costs for an additional \$146 million in employer premium costs for the 1995-97 biennium and beyond are expected to be:

	(\$ Million)				
Employer Funds	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>
General Fund	\$56.484	\$58.053	\$60.407	\$63.545	\$67.467
Highway Fund	4.853	4.988	5.190	5.459	5.796
Other Employer Funds	10.663	10.959	11.403	11.996	12.737
<b>Total Employer Funds</b>	<b>\$72.000</b>	<b>\$74.000</b>	<b>\$77.000</b>	<b>\$81.000</b>	<b>\$86.000</b>

In total, the bill would cost the Plan and additional employer premiums paid by the State an additional \$104,475,000 in fiscal year 1995-96 and an estimated \$116,550,000 in fiscal year 1996-97.

**ASSUMPTIONS AND METHODOLOGY:** The Comprehensive Major Medical Plan for Teachers and State Employees is divided into two programs. From October, 1982 through June, 1986, the Plan had only a self-insured indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and former employees and their eligible dependents authorized to continue coverage past a termination of employment other than for retirement or disability purposes. A prepaid program of coverage by health maintenance organizations (HMOs) was offered in July, 1986, as an alternative to the Plan's self-insured indemnity program. The benefits of the self-insured indemnity type of program are spelled out in Part 3 of Article 3 of Chapter 135 of the North Carolina General Statutes (i.e., \$250 annual deductible, 20% coinsurance up to \$1,000 annually, etc. paid by the program's members). HMOs are required to offer

benefits that are comparable to those provided by the self-insured indemnity program. Employer-paid non-contributory premiums are only authorized for the indemnity program's coverage for employees and retired employees. All other types of premium in the indemnity program are fully contributory. Premiums paid by employers to HMOs are limited to like amounts paid to the indemnity program with employees and retired employees paying any HMO amounts above the indemnity program's non-contributory rates. both types of coverage continue to be available in the Plan with seven HMOs currently covering about 16% of the Plan's total population in about 70 of the State's 100 counties. The Plan's employees and retired employees select the type of program that they wish for themselves and their dependents during the months of August and September of each year for coverage beginning in October. The demographics of the Plan as of December 31, 1994, include:

	<u>Self-Insured Indemnity Program</u>	<u>Alternative HMOs</u>	<u>Plan Total</u>
<u>Number of Participants</u>			
Active Employees	203,200	43,700	246,900
Active Employee Dependents	117,500	33,600	151,100
Retired Employees	78,500	3,300	81,800
Retired Employee Dependents	14,000	800	14,800
Former Employees & Dependents with Continued Coverage	2,600	400	3,000
Total Enrollments	415,800	81,800	497,600
<u>Number of Contracts</u>			
Employee Only	211,800	30,700	242,500
Employee & Child(ren)	32,800	10,200	43,500
Employee & Family	39,100	6,400	45,500
Total Contracts	283,700	47,300	331,000
<u>Percentage of Enrollment by Age</u>			
0-29	29.1%	43.8%	31.5%
30-44	23.8	29.3	24.7
45-54	18.8	17.1	18.5
55-64	12.8	7.0	11.9
65+	15.5	2.8	13.4
<u>Percentage of Enrollment by Sex</u>			
Male	40.0%	40.3%	40.1%
Female	60.0	59.7	59.9

Assumptions for the Self-Insured Indemnity Program: For the fiscal year beginning July, 1994, the self-insured program started its operations with a beginning cash balance of \$287.1 million. Receipts for the year are estimated to be \$597 million from premium collections, \$20 million from investment earnings, and \$6 million in risk selection and administrative fees from HMOs, for a total of \$623 million in receipts for the year. Disbursements from the self-insured program are expected to be \$545 million in claim payments and \$18 million in administration and claims processing for a total of \$563 million for the year beginning July, 1994. For the fiscal year beginning July, 1995, the self-insured indemnity program is anticipated to have an operating cash balance of over \$347 million with a net operating gain of \$60 million for the 1994-95 fiscal year. For the next few years, the self-insured indemnity program is assumed to be able to carry out its operations without any increases in its current premium rates or a reduction in existing benefits until the 1997-98 or 1998-99 fiscal years. This assumption is predicated upon the fact that the program's cost containment strategies (hospital DRG reimbursements, pre-admission hospital testing, pre-admission hospital inpatient certification with length-of-stay approval, hospital bill audits, required second surgical opinions, mental health case management, coordination of benefits with other payers, Medicare benefit "carve-outs", cost reduction contracts with participating physicians and other providers, and fraud detection) are maintained and improved where possible. Current non-contributory premiums rates are \$110.08 monthly for employees whose primary payer of health benefits is Medicare and \$144.60 per month for employees whose primary payer of health benefits is not Medicare. Fully contributory premium amounts for employee and child(ren) contracts are \$68.50 monthly for children whose primary payer of health benefits is Medicare and \$90.12 monthly for other covered children, and \$164.30 per month for family contracts whose dependents have Medicare as the primary payer of health benefits and \$216.18 per month for other family contract dependents. Claim cost trends are expected to increase about 10% annually. Total enrollment in the program is expected to increase about one-half of one percent (0.5%) annually. Growth in the number of enrolled active employees is expected to be a little less than 1% annually, whereas the growth in the number of retired employees is assumed to be a little more than 4% per year. The program is expected to lose about 2% of its number of active employee dependents each year, whereas the number of enrolled retiree dependents is assumed to show no appreciable change from year to year. Investment earnings are based upon a 6% monthly return on available cash balances. The self-insured indemnity program maintains a claim stabilization reserve for claim cost fluctuations equal to 7.5% of annual claim payments without reserving additional funds for incurred but unreported claims.

Assumptions for the Bill's Impact on the Plan's Self-Insured Indemnity Program: The Executive Administrator and claims processor, Blue Cross and Blue Shield of North Carolina, for the Teachers' and State

Employees' Comprehensive Major Medical Plan provided the following data upon which actuarial notes have been prepared. This data included the amount of allowable charges for wellness benefits subjected to the indemnity program's deductible and coinsurance for 1992-93 (\$3,992,836) and 1993-94 (\$4,314,747). Other data included three members of the indemnity program that have already reached their current \$1,000,000 lifetime maximum benefit as of December 31, 1994, with another dozen members with lifetime maximum benefits exceeding \$750,000, and another forty-six members having exceeded \$500,000 in lifetime benefits. As for outpatient prescription drug coverage by the indemnity program, data provided include 3,151,360 prescriptions processed for 1993-94, of which 407,143 were branded drugs with generic equivalents. The indemnity program's average percentage reimbursement during the same year for branded drugs was 64.7% of allowed charges, 61.5% for generic drugs, and 51.3% for branded drugs with generic equivalents. For the period July 1, 1993 through March 31, 1995, the Plan has denied charges in the amount \$2,904,052 for multiple surgical procedures not in compliance with the Plan's requirements. The Plan's claims processor has denied the following number of cases in which maternity benefits were requested for dependent children: 1,149 for just 9 months of 1994-95, 1,278 for 1993-94, 900 for 1992-93, and 964 for 1991-92. Birth rate statistics for unmarried females age 10-24 in North Carolina would indicate an exposure of over 1,400 maternity cases by dependent children in the Plan's indemnity program. Maternity costs to the Plan for 1993-94 average \$5,890 for normal deliveries and \$10,407 for caesarean deliveries. Although the Plan currently has some 89,000 dependent contracts in both the indemnity program and HMOs from almost 329,000 employees and retired employees for a 27% dependent participation rate, the Plan has had a dependent participation rate exceeding 41%. To again approach such a higher dependent participation rate could add as many as 30,000 new dependent contracts through employer premium subsidies.

**SOURCES OF DATA:**

- o Actuarial Note, Dilts, Umstead & Dunn, House Bill 772, May 5, 1995, original of which is one file in the General Assembly's Fiscal Research Division.
- o Actuarial Note, Alexander & Alexander Consulting Group, Inc., House Bill 772, May 5, 1995, original of which is on file with the Comprehensive Major Medical Plan for Teachers' and State Employees' and the General Assembly's Fiscal Research Division.
- o Cost, claim denial and demographic data provided by the Teachers' and State Employees' Comprehensive Major Medical Plan and its claims processor, Blue Cross and Blue Shield of North Carolina.

o North Carolina Reported Pregnancies, 1992-93, State Center for Health and Environmental Statistics, North Carolina Department of Environment, Health and Natural Resources.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION**

733-4910

**PREPARED BY:** Sam Byrd

**APPROVED BY:** Tom L. Covington TomC

**DATE:** May 5, 1995

-----  
**UPDATE**

<Font=9>

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** House Committee Substitute for House Bill 772

**SHORT TITLE:** State Health Plan Modifications

**SPONSOR(S):** Representative Ruth Easterling,  
Representative Arlie Culp

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees'  
Comprehensive Major Medical Plan

**FUNDS AFFECTED:** State General Fund, State Highway Fund, Other State  
Employer Receipts, Premium Payments for Dependents by Active and  
Retired Teachers and State Employees

**BILL SUMMARY:** Enhances the benefits under the indemnity program of the  
Teachers' and State Employees' Comprehensive Major Medical Plan and  
subsidizes dependent premiums for the Plan's indemnity program and  
HMOs as follows:

Wellness: (a) Covers routine diagnostic examinations at 100% of  
allowable charges up to \$300 per member per year without  
application of the Plan's \$250 annual deductible and 20%  
coinsurance up to \$1,000 annually paid by beneficiaries.

Lifetime Maximum Benefits: Increases the program's \$1,000,000 lifetime  
maximum benefit to \$2,000,000.

Outpatient Prescription Drugs: All drugs covered at 100% of average  
wholesale price (AWP), or a negotiated lower preferred provider  
price, without application of the Plan's \$250 annual deductible and  
20% coinsurance up to \$1,000 annually paid by Plan members;  
beneficiaries would, however, pay a \$5 copayment for each generic  
prescription, a \$10 copayment for each branded prescription without

a generic equivalent, and a \$15 copayment for each prescription of all other branded drugs.

Oral Dental Surgery: Coverage provided by the Plan when necessitated by medical treatments for other conditions.

Hospital Inpatient Admission Certification: Plan members failing to get pre-certification of an inpatient admission not subjected to a financial penalty if the admission would have been approved had pre-certification been requested before the admission..



Plan Year: Changes the Plan's plan year by redefining fiscal year to mean January through December rather than the current July through June definition. For the period July through December, 1995, the indemnity program's annual deductible would be reduced from \$250 to \$125 and the 20% coinsurance limit reduced from \$1,000 to \$500. Beginning January 1, 1996, the deductible would be reset at \$250 and the coinsurance limit would again be \$1,000.

Unemployed Employees from Budget Reduction: State agency employees losing their jobs due to reductions in force from State budget cuts could maintain non-contributory coverage under the Plan for up to 12 months following notification of job loss. Fully contributory premiums without any limitation would be available after the initial period for priority reemployment.

Employer Premium Subsidy for Dependent Coverage: Provides \$20 monthly employer subsidy for each parent and child(ren) contract and each family contract in 1995-96 and a \$25 monthly employer subsidy in 1996-97, which would reduce premiums paid by employees and retirees by a like amount.

**EFFECTIVE DATE:** July 1, 1995.

**ESTIMATED IMPACT ON STATE:** Based upon information supplied by the Teachers' and State Employees' Comprehensive Major Medical Plan and its claims processor, the consulting actuary for the Plan, Alexander & Alexander Consulting Group, Inc., and the consulting actuary of the General Assembly's Fiscal Research Division, Dilts, Umstead & Dunn, estimate the additional cost to the Plan for benefit enhancements for the 1995-96 fiscal year to be \$20,360,000 and \$23,375,000 respectively. For the 1996-97 fiscal year, the Plan's consulting actuary estimates the additional cost to the Plan's indemnity program from benefit enhancements to be \$26,809,000, whereas the consulting actuary for the General Assembly's Fiscal Research Division estimates the same cost to be \$30,550,000. The higher estimate from the Fiscal Research Division's consulting actuary is from a large increase in utilization of wellness benefits, which would, in effect, become first dollar coverage. For outlying years, using the more conservative and cautious estimate of the consulting actuary of the General Assembly's Fiscal Research Division and claim cost trend increases of 10% annually adopted by both consulting actuaries, additional costs to the Plan from the bill's benefit enhancements are estimated to be \$33,605,000 for fiscal year 1997-98, \$36,966,000 for fiscal year 1998-99, and \$40,663,000 for fiscal year 1999-2000. No additional General or Highway Fund appropriations would be required for the bill **until the 1997-99 biennium**, because of accumulated reserves in the Plan's indemnity program based upon current premiums and anticipated claim costs.

As for the cost of employer subsidies for dependent premiums, the Plan's consulting actuary estimates a total increase in premium costs to the State of \$55,688,000 for the 1995-97 biennium. The consulting actuary for the General Assembly's Fiscal Research Division estimates the same increase in the State's premium cost for the 1995-97 biennium to be \$58,400,000. Additional General and Highway Fund costs for an additional \$57 million in employer premium costs for the 1995-97 biennium and beyond are expected to be:

(\$ Million)

Employer Funds	1995-96	1996-97	1997-98	1998-99	1999-2000
General Fund	\$19.200	\$26.400	\$28.000	\$29.600	\$31.200
Highway Fund	1.680	2.310	2.450	2.590	2.730
Other Employer Funds	3.120	4.290	4.550	4.810	5.070
<b>Total Employer Funds</b>	<b>\$24.000</b>	<b>\$33.000</b>	<b>\$35.000</b>	<b>\$37.000</b>	<b>\$39.000</b>

In total, the bill would cost the Plan and additional employer premiums paid by the State an additional \$47,375,000 in fiscal year 1995-96 and an estimated \$63,550,000 in fiscal year 1996-97.

**ASSUMPTIONS AND METHODOLOGY:** The Comprehensive Major Medical Plan for Teachers and State Employees is divided into two programs. From October, 1982 through June, 1986, the Plan had only a self-insured indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and former employees and their eligible dependents authorized to continue coverage past a termination of employment other than for retirement or disability purposes. A prepaid program of coverage by health maintenance organizations (HMOs) was offered in July, 1986, as an alternative to the Plan's self-insured indemnity program. The benefits of the self-insured indemnity type of program are spelled out in Part 3 of Article 3 of Chapter 135 of the North Carolina General Statutes (i.e., \$250 annual deductible, 20% coinsurance up to \$1,000 annually, etc. paid by the program's members). HMOs are required to offer benefits that are comparable to those provided by the self-insured indemnity program. Employer-paid non-contributory premiums are only authorized for the indemnity program's coverage for employees and retired employees. All other types of premium in the indemnity program are fully contributory. Premiums paid by employers to HMOs are limited to like amounts paid to the indemnity program with employees and retired employees paying any HMO amounts above the indemnity program's non-contributory rates. Both types of coverage continue to be available in the Plan with seven HMOs currently covering about 16% of the Plan's total

population in about 70 of the State's 100 counties. The Plan's employees and retired employees select the type of program that they wish for themselves and their dependents during the months of August and September of each year for coverage beginning in October. The demographics of the Plan as of December 31, 1994, include:

	<u>Self-Insured Indemnity Program</u>	<u>Alternative HMOs</u>	<u>Plan Total</u>
<u>Number of Participants</u>			
Active Employees	203,200	43,700	246,900
Active Employee Dependents	117,500	33,600	151,100
Retired Employees	78,500	3,300	81,800
Retired Employee Dependents	14,000	800	14,800
Former Employees & Dependents with Continued Coverage	2,600	400	3,000
Total Enrollments	415,800	81,800	497,600
<u>Number of Contracts</u>			
Employee Only	211,800	30,700	242,500
Employee & Child(ren)	32,800	10,200	43,500
Employee & Family	39,100	6,400	45,500
Total Contracts	283,700	47,300	331,000
<u>Percentage of Enrollment by Age</u>			
0-29	29.1%	43.8%	31.5%
30-44	23.8	29.3	24.7
45-54	18.8	17.1	18.5
55-64	12.8	7.0	11.9
65+	15.5	2.8	13.4
<u>Percentage of Enrollment by Sex</u>			
Male	40.0%	40.3%	40.1%
Female	60.0	59.7	59.9

Assumptions for the Self-Insured Indemnity Program: For the fiscal year beginning July, 1994, the self-insured program started its operations with a beginning cash balance of \$287.1 million. Receipts for the year are estimated to be \$597 million from premium collections, \$20 million from investment earnings, and \$6 million in risk selection and administrative fees from HMOs, for a total of \$623 million in receipts for the year. Disbursements from the self-insured program are expected to be \$545 million in claim payments and \$18 million in administration and claims processing for a total of \$563 million for the year beginning July, 1994. For the fiscal year beginning July, 1995, the self-insured indemnity program is anticipated to have an operating cash balance of over \$347 million with a net operating gain of \$60 million for the 1994-95 fiscal year. For the next few years,

the self-insured indemnity program is assumed to be able to carry out its operations without any increases in its current premium rates or a reduction in existing benefits until the 1997-98 or 1998-99 fiscal years. This assumption is predicated upon the fact that the program's cost containment strategies (hospital DRG reimbursements, pre-admission hospital testing, pre-admission hospital inpatient certification with length-of-stay approval, hospital bill audits, required second surgical opinions, mental health case management, coordination of benefits with other payers, Medicare benefit "carve-outs", cost reduction contracts with participating physicians and other providers, and fraud detection) are maintained and improved where possible. Current non-contributory premiums rates are \$110.08 monthly for employees whose primary payer of health benefits is Medicare and \$144.60 per month for employees whose primary payer of health benefits is not Medicare. Fully contributory premium amounts for employee and child(ren) contracts are \$68.50 monthly for children whose primary payer of health benefits is Medicare and \$90.12 monthly for other covered children, and \$164.30 per month for family contracts whose dependents have Medicare as the primary payer of health benefits and \$216.18 per month for other family contract dependents. Claim cost trends are expected to increase about 10% annually. Total enrollment in the program is expected to increase about one-half of one percent (0.5%) annually. Growth in the number of enrolled active employees is expected to be a little less than 1% annually, whereas the growth in the number of retired employees is assumed to be a little more than 4% per year. The program is expected to lose about 2% of its number of active employee dependents each year, whereas the number of enrolled retiree dependents is assumed to show no appreciable change from year to year. Investment earnings are based upon a 6% monthly return on available cash balances. The self-insured indemnity program maintains a claim stabilization reserve for claim cost fluctuations equal to 7.5% of annual claim payments without reserving additional funds for incurred but unreported claims.

Assumptions for the Bill's Impact on the Plan's Self-Insured Indemnity Program: The Executive Administrator and claims processor, Blue Cross and Blue Shield of North Carolina, for the Teachers' and State Employees' Comprehensive Major Medical Plan provided the following data upon which actuarial notes have been prepared. This data included the amount of allowable charges for wellness benefits subjected to the indemnity program's deductible and coinsurance for 1992-93 (\$3,992,836) and 1993-94 (\$4,314,747). Other data included three members of the indemnity program that have already reached their current \$1,000,000 lifetime maximum benefit as of December 31, 1994, with another dozen members with lifetime maximum benefits exceeding \$750,000, and another forty-six members having exceeded \$500,000 in lifetime benefits. As for outpatient prescription drug coverage by the indemnity program, data provided include 3,151,360 prescriptions processed for 1993-94, of which 407,143 were branded drugs with generic equivalents. The indemnity program's average percentage reimbursement during the same year for branded drugs was 64.7% of allowed charges, 61.5% for generic

drugs, and 51.3% for branded drugs with generic equivalents. Although the Plan currently has some 89,000 dependent contracts in both the indemnity program and HMOs from almost 329,000 employees and retired employees for a 27% dependent participation rate, the Plan has had a dependent participation rate exceeding 41%. To again approach such a higher dependent participation rate with a \$20-\$25 monthly employer premium subsidy could add as many as 24,000 new dependent contracts to the Plan.

**SOURCES OF DATA:**

- o Actuarial Note, Dilts, Umstead & Dunn, House Committee Substitute for House Bill 772, May 19, 1995, original of which is one file in the General Assembly's Fiscal Research Division.
  
- o Actuarial Note, Alexander & Alexander Consulting Group, Inc., House Bill 772, May 22, 1995, original of which is on file with the Comprehensive Major Medical Plan for Teachers' and State Employees' and the General Assembly's Fiscal Research Division.
  
- o Cost, claim denial and demographic data provided by the Teachers' and State Employees' Comprehensive Major Medical Plan and its claims processor, Blue Cross and Blue Shield of North Carolina.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION**

733-4910

**PREPARED BY:** Sam Byrd

**APPROVED BY:** Tom L. Covington **TomC**

**DATE:** May 25, 1995



**Signed Copy Located in the NCGA Principal Clerk's Offices**