

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1166, Sections 4 & 6

SHORT TITLE: Local Flexibility for Public School Job Sharing Personnel

SPONSOR(S): Reps. Bordsen & Nesbitt

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, premium payments for coverages selected by eligible former teachers and State employees and premium payments for coverages selected by firefighters, rescue squad workers, and members of the National Guard.

BILL SUMMARY: The bill provides job-sharing privileges to all public school employees, including partially contributory premiums for coverage by the Teachers' and State Employees' Comprehensive Major Medical Plan. Partially contributory premiums are only authorized at 50% of non-contributory rates paid by public school employers with the remainder of the non-contributory rates paid by job sharing employees. A job sharing job is one in which an employee is employed by a local board of education for 50% of the employee's normal workweek as determined by the board, is one in which the employee is paid on a state salary schedule, and one in which the employee shares the job with another job sharing employee.

EFFECTIVE DATE: January 1, 2004.

ESTIMATED IMPACT ON STATE: Aon Consulting, the consulting actuary for the Teachers' and State Employees' Comprehensive Major Medical Plan, does not expect any additional cost to the Plan for enactment of the bill. Hartman & Associates, the consulting actuary for the General Assembly's Fiscal Research Division, does not expect enactment of the bill to produce a significant financial impact to the Plan.

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 only had a self-funded indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and eligible 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., \$350 annual deductible, 20% coinsurance up to \$1,500 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. Beginning in July 2000, firefighters, rescue squad workers, and members of the National Guard and their eligible dependents were allowed to voluntarily participate in the Plan on a fully contributory basis, provided they were ineligible for any other type of group health benefits and had been without such benefits for at least six months. Employer-paid non-contributory premiums are only authorized for the indemnity program's coverage for employees and retired employees. All other types of premiums in the indemnity program are

fully contributory, except for job-sharing public school teachers who are authorized partially contributory premiums at 50% of non-contributory rates. The Plan's Executive Administrator has set the premium rates for firefighters, rescue squad workers, and members of the National Guard and their families at 20% more than the comparable rates charged for employees, retired employees, and their families. 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; however, none of the HMOs with certificates of authority to transact business in North Carolina have offered to participate in the Plan since September 30, 2001. 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, 2002, include:

	<u>Self-Insured Indemnity Program</u>	<u>Alternative HMOs</u>	<u>Plan Total</u>
<u>Number of Participants</u>			
Active Employees	280,065	-0-	280,065
Active Employee Dependents	137,841	-0-	137,841
Retired Employees	117,225	-0-	117,225
Retired Employee Dependents	18,999	-0-	18,999
Former Employees & Dependents with Continued Coverage	2,535	-0-	2,535
Firefighters, Rescue Squad Workers, National Guard Members & Dependents	7	-0-	7
Total Enrollments	556,672	-0-	556,672
<u>Number of Contracts</u>			
Employee Only	313,439	-0-	313,439
Employee & Child(ren)	40,978	-0-	40,978
Employee & Family	44,710	-0-	44,710
Total Contracts	399,127	-0-	399,127
<u>Percentage of Enrollment by Age</u>			
29 & Under	26.9%	-0-%	26.9%
30-44	20.9	-0-	20.9
45-54	20.9	-0-	20.9
55-64	16.2	-0-	16.2
65 & Over	15.1	-0-	15.1
<u>Percentage of Enrollment by Sex</u>			
Male	38.3%	-0-%	38.3%
Female	61.7	-0-	61.7

Assumptions for the Self-Insured Indemnity Program: For the fiscal year beginning July 1, 2002, the self-insured program started its operations with a beginning cash balance of \$91.6 million. Receipts for the year are estimated to be \$1.371 billion from premium collections and \$7 million from investment earnings for a total of \$1.378 billion in receipts for the year. Disbursements from the self-insured program are expected to be \$1.335 billion in claim payments and \$38 million in administration and claims processing expenses for a total of \$1.373 billion for the year beginning July 1, 2002. For the fiscal year beginning July 1, 2002, the self-insured indemnity program is expected to have a net operating gain of approximately \$5 million for the year. Without reserving an additional \$15 million for implementation of the claims data and privacy requirements of the federal Health Insurance Portability and Accountability Act (HIPPA) that take effect on and after April 14, 2003, the Plan's self-insured indemnity program is expected to have an available beginning cash balance of \$96 million for the fiscal year beginning July 1, 2003. The self-insured indemnity program is nonetheless assumed to be unable to carry out its operations for the 2003-2005 biennium without increases in its current premium rates or a reduction in existing benefits or payments to health care providers or both. This assumption is further predicated upon the fact that the program's cost containment strategies (hospital DRG reimbursements, discounts on hospital outpatient services, pre-admission hospital testing, pre-admission hospital inpatient certification with length-of-stay approval, hospital bill audits, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, Medicare benefit "carve-outs", cost reduction contracts with participating physicians and other providers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection) are maintained and improved where possible. Current non-contributory premium rates are \$186.04 monthly for employees whose primary payer of health benefits is Medicare and \$244.38 per month for employees whose primary payer of health benefits is not Medicare. Fully contributory premium amounts for employee and child(ren) contracts are \$115.78 monthly for children whose primary payer of health benefits is Medicare and \$152.32 monthly for other covered children, and \$277.68 per month for family contracts whose dependents have Medicare as the primary payer of health benefits and \$365.36 per month for other family contract dependents. Claim cost trends are expected to increase 13% annually. Total enrollment in the program is expected to increase less than 1% annually over the next two years. The number of enrolled active employees is expected to show no increase over the next two years, whereas the growth in the number of retired employees is assumed to be 5% per year. The program is expected to have a 2% decrease in the number of active employee dependents per year whereas the number of retiree dependents is expected to increase 2% per year. Investment earnings are based upon a 4.5% 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 Indemnity Plan's Coverage of Job Sharing Employees: Effective January 1, 2003, the 2002 Session of the General Assembly provided for partially contributory premiums to the Plan for public school classroom teachers in job sharing appointments. Job sharing appointments are teachers employed for 50% of a teacher's normal workweek as determined by each employing local board of education. For these job sharing appointments, employing boards pay 50% of the Plan's non-contributory premium amount to the Plan with the job sharing teacher paying the remainder of the non-contributory premium amount. Information provided by the North Carolina Department of Public Instruction indicates that for the 2002-03 school year, the number of full-time personnel employed by local public school boards is:

<u>Personnel</u>	<u>State</u>	<u>Federal</u>	<u>Local</u>	<u>Total</u>
<u>Administrators</u>				
Officials, Administrators, Managers	994	105	403	1,502
Principals	2,128	2	22	2,152
Assistant Principal, Teaching	46		3	49
Assistant Principal, Non-Teaching	1,748	2	662	2,412
Total Administrators	4,916	109	1,090	6,115
<u>Personnel</u>	<u>State</u>	<u>Federal</u>	<u>Local</u>	<u>Total</u>
<u>Teachers</u>				
Elementary Teachers	37,908	2,650	2,632	43,190
Secondary Teachers	23,481	314	2,125	25,920
Other Teachers	12,960	2,198	1,289	16,447
Total Teachers	74,349	5,162	6,046	85,557
<u>Instructional Support</u>				
Guidance	3,161	43	196	3,400
Psychological	560	68	17	645
Librarian, Audiovisual	2,192	3	90	2,285
Consultant, Supervisor	536	91	256	883
Other Professionals	2,426	549	1,288	4,263
Total Instructional Support	8,875	754	1,847	11,476
Total Professionals	88,140	6,025	8,983	103,148
<u>Non-Professionals</u>				
Teacher Assistants	20,845	3,277	3,029	27,151
Technicians	285	54	763	1,102
Clerical, Secretarial	5,636	284	3,561	9,481
Service Workers	10,319	3,515	7,622	21,456
Skilled Crafts	914	26	2,131	3,071
Laborers, Unskilled	374	4	321	699
Total Non-Professionals	38,373	7,160	17,427	62,960
Total	126,513	13,185	26,410	166,108

The Department states that data is not available on the experience of local boards of education with job sharing classroom teachers authorized by the 2002 Session of the General Assembly.

SOURCES OF DATA:

- Actuarial Note, Hartman & Associates, House Bill 1166, April 25, 2003, original of which is on file in the General Assembly's Fiscal Research Division.
- Actuarial Note, Aon Consulting, House Bill 1166, April 25, 2003, 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.

TECHNICAL CONSIDERATIONS: None.

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DATE: April 25, 2003.



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