

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

## Legislative Actuarial Note

### HEALTH BENEFITS

**BILL NUMBER:** Senate Bill 148 (First Edition)

**SHORT TITLE:** Sunset Bch/Ocean Isle Bch/State Health Plan.

**SPONSOR(S):** Senator Soles

**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, premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

**BILL SUMMARY:** Bill amends Section 31.26(j) of Session Law 2004-124 (2004 Appropriations Act), as further amended by Section 29.32 of Session Law 2005-276 (2005 Appropriations Act). Proposed legislation permits the Town of Sunset Beach and the Town of Ocean Isle to become employing units under the Teachers' and State Employees' Comprehensive Major Medical Plan (Plan) for the purpose of providing health benefits to their respective employees, retired employees, and their eligible spouses and dependent children. Currently, the Town of Forest City, and the counties of Bladen, Washington, and Rutherford participate as employing units under the Plan.

If either town authorized under the bill elects to participate in the Plan, it must do so by legal resolution of its respective governing board. An irrevocable election is required by a town choosing to enroll its retired employees, and their eligible spouses and dependent children. Each town must also agree to make any premium contributions required by the Plan. All enrolled employees, retired employees, and their family members of either town will be required to participate in disease management, case management, and all other cost containment measures implemented by the Plan. Employees and retired employees authorized for benefit coverage under the Plan will pay the same premium rates as those charged by the Plan for other participating active and retired employees and their dependents.

In addition, an irrevocable election by a town to cover retired employees also requires it to make additional financial contributions to the Local Governmental Employees' Retirement System for the purpose of financing retired employees' health benefits offered under the Plan. If a town does not participate in the Local Governmental Employees' Retirement System, but has another formally established retirement plan, and elects to cover its retired employees, it is required to make premium contributions to the Plan on behalf of its retired employees.

**EFFECTIVE DATE:** July 1, 2007

**ESTIMATED IMPACT ON STATE:** The consulting actuary for the Teachers’ and State Employees Comprehensive Major Medical Plan, Aon Consulting, estimates a negligible financial impact by including the Town of Sunset Beach and the Town of Ocean Isle under the Plan. Aon Consulting estimates an average annual mid-point loss of \$231,280 for the 2007-2009 biennium (\$139,160 for the Town of Sunset Beach and \$92,120 for the Town of Ocean Isle). Comparisons between the Plan’s current demographic data and the submitted demographic data by each town were made for the purposes of estimating impact. However, without historical claims experience data, Aon Consulting notes that adverse selection against the Plan may occur and thereby possibly increase the cost impact.

Hartman & Associates, consulting actuary for the General Assembly’s Fiscal Research Division, estimates that the proposed change allowing the Town of Sunset Beach and the Town of Ocean Isle to participate under the Plan would not have a significant financial impact. The estimate by Hartman & Associates assumes that respective employees and retired employees of each town have a favorable demographic profile as compared to those of the Plan’s current members. This assessment is based on submitted demographic data by each respective town. However, Hartman & Associates noted that if participation by either town’s employees is optional, it is possible for adverse selection against the Plan to occur. Also without historical claims experience data for the groups it is not possible to more precisely estimate any possible impact.

**ASSUMPTIONS AND METHODOLOGY:** : A current census of employees and dependents were provided to each actuary from information provided by the Town of Sunset Beach and the Town of Ocean Isle. The demographic profile of each group was compared to the current membership of the Plan for estimating claims experience. Neither town was capable of providing actual claims experience for the purposes of more accurately predicting any possible cost impacts to the Plan.

**Distribution of Participants -- Sunset Beach**

Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4			0			0			0			0
5-9			0			0			0			0
10-14			0			0			0			0
15-19			0			0			0			0
20-24	2		2		2	2			0			0
25-29	2		2			0			0			0
30-34	3		3	1	3	4			0			0
35-39	7		7	3	8	11			0			0
40-44	3	3	6	2	6	8			0			0
45-49	3		3	3	5	8			0			0
50-54	5	1	6	1	2	3	1		1			0
55-59	2		2	1		1			0			0
60-64		2	2			0			0			0
65-69			0			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	27	6	33	11	26	37	1	0	1	0	0	0

**Distribution of Participants -- Ocean Isle**

Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4			0			0			0			0
5-9			0			0			0			0
10-14			0	2	1	3			0			0
15-19			0	1	2	3			0			0
20-24	1		1			0			0			0
25-29	3		3			0			0			0
30-34	4	1	5			0			0			0
35-39	6		6			0			0			0
40-44		4	4			0			0			0
45-49	4	1	5			0			0			0
50-54	7	2	9	2	1	3			0			0
55-59	2	1	3			0			0			0
60-64	1		1		1	1			0			0
65-69			0			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	28	9	37	5	5	10	0	0	0	0	0	0

**SOURCES OF DATA:**

-Actuarial Note, Hartman & Associates, Senate Bill 148, April 3, 2007, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, Senate Bill 148, April 4, 2007, 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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Fiscal Research Division

**DATE:** April 12, 2007



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