



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note – Health Benefits

Short Title: Affordability in Healthcare Act.
Bill Number: House Bill 1175 (First Edition)
Sponsor(s): Rep. Cervania, Rep. Crawford, Rep. Ball, and Rep. Belk

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 1175, V.1 (\$ in thousands)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
State Health Plan Net Loss	-	-	-	-	-
NET STATE IMPACT	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Part XII has a potential actuarial impact on the State Health Plan (Plan).

Part XII modifies requirements for utilization review under Chapter 58 of the General Statutes. These requirements apply to the State Health Plan (Plan) because of the provisions of G.S. 135-48.24(b) and G.S. 135-48.30(a)(7).

Segal Consulting, the consulting actuary for the Plan, estimates that Senate Bill 316 (Third Edition) will have no cost impact on the Plan. Part XII of House Bill 1175 (First Edition) only adds technical adjustments to Part VIII of Senate Bill 316 (Third Edition).

ASSUMPTIONS AND METHODOLOGY

The actuarial analyses used by the consulting actuary are on file with the Fiscal Research Division. Copies of the consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Summary Information and Data about the State Health Plan (Plan)

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan



provided they meet certain requirements. Employees and retired employees of selected local governments and charter schools may also participate in the Plan under certain conditions.

The State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement, with the exception of many Medicare-eligible retirees who are in fully-insured Medicare Advantage plans. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, (3) employees, and (4) retirees who participate in a plan with a non-zero premium or who elect dependent coverage. Benefit and premium changes are typically effective on January 1. The Plan's PPO benefit design includes two alternative benefit levels listed below:

- 1) The Standard PPO Plan that offers higher out-of-pocket requirements in return for lower employee and retiree premiums, and
- 2) The Plus PPO Plan that offers lower out-of-pocket requirements with higher employee and retiree premiums.

Medicare-eligible retirees are offered three alternative plans:

- 1) The Standard PPO Plan as coverage secondary to Medicare for medical services plus a pharmacy benefit plan,
- 2) "Base" Medicare Advantage Prescription Drug Plan (MA-PDP) from Humana, that applies in-network out-of-pocket requirements at out-of-network providers
- 3) "Enhanced" MA-PDP, identical to the "Base" MA-PDP, except with lower co-pays and higher retiree premiums

The following tables provide a summary of the most common monthly premium rates for the Plan in 2026:

Employers pay premiums of \$742 per month plus 2.4% of salary for active employees.

Paid by subscriber (employee/retiree) if fully subsidized

	No Members are Medicare Eligible		All Members are Medicare Eligible		
	Standard PPO Plan	Plus PPO Plan	MA-PDP Base	MA-PDP Enhanced	Standard PPO Plan
Subscriber Only	\$0* to \$80	\$66 to \$160	\$0	\$81	\$0
Subscriber + Children	\$185 to \$230	\$276 to \$370	\$68	\$226	\$185
Subscriber + Spouse	\$575 to \$620	\$746 to \$840	\$68	\$226	\$575
Subscriber + Family	\$575 to \$620	\$746 to \$840	\$136	\$371	\$575

* \$0 premium only applies to retirees



The employer share of premiums for retirees is paid from the Retiree Health Benefit Fund in the amount of \$300 per month. During FY 2026-27, employers contribute 4.93% of active employee payroll into the Fund. Total contributions for the year are projected to be approximately \$1.1 billion.

Financial Condition

Projected Results for CY 2026 and CY 2027 – The following summarizes projected financial results for 2026 and 2027, based on financial experience through December 2025. The projection assumes an annual claims growth trend for medical claims of 6.0%, a trend for pharmacy claims of 9.5%, benefit provisions and member-paid premiums as adopted by the Board for 2026, 0% blended employer premium increases in FY 2026-27, and a \$106 per month premium for the Base MA Plan in CY 2027.

	(\$ millions)	
	Projected CY 2026	Projected CY 2027
Beginning Cash Balance	\$499.2	\$491.1
Total Receipts (mostly premiums)	\$4,749.5	\$4,697.3
Disbursements:		
Net Medical Claim Payment Expenses	\$3,539.7	\$3,667.0
Net Pharmacy Claim Payment Expenses	\$869.5	\$955.6
Medicare Advantage Premiums	\$164.2	\$266.4
Administration and Claims-Processing Expenses	\$184.1	\$183.9
Total	\$4,757.6	\$5,072.8
Net Operating Income (Loss)	(\$8.1)	(\$375.6)

Of the premiums and contributions paid in CY 2026, an estimated \$3.1 billion is derived from General Fund sources and an estimated \$0.2 billion is derived from Highway Fund sources.

Other Post Employment Benefit (OPEB) Liability

As of June 30, 2025, the State and related units of government had a Total OPEB Liability of \$26.2 billion and Plan Fiduciary Net Position (Assets) of \$4.2 billion, for a Net OPEB Liability of \$22.0 billion. Actual contributions for the year ending June 30 were \$1,524 million, less than the actuarially determined contributions of \$1,726 million.

Other Information

Additional assumptions include Medicare benefit “carve-outs,” cost containment strategies including prior approval for certain medical services, utilization of the State Health Plan Network of providers, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, fraud detection, and other authorized actions by the State Treasurer, Executive Administrator, and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Medical claim costs are expected to increase at a rate of 6% annually and pharmacy claim costs are expected to increase at a rate of 9.5% annually according to assumptions adopted by the Board of Trustees. The active population is projected to decrease by 0.3% per year, the pre-Medicare retiree population is projected to decrease by 2.5% per year and the Medicare-eligible retiree population is projected to increase by 3% per year.



Enrollment as of January 1, 2026

					Percent of Total
I. No. of Participants	Standard	Plus	Medicare Advantage	Total	
<u>Actives</u>					
Employees	163,722	124,668	-	288,390	38.3%
Dependents	102,606	73,238	-	175,844	23.4%
Sub-total	266,328	197,906	-	464,234	61.7%
<u>Retired</u>					
Employees	59,696	16,399	155,667	231,762	30.8%
Dependents	9,841	5,061	21,673	36,575	4.9%
Sub-total	69,537	21,460	177,340	268,337	35.7%
<u>Other</u>					
Employees	6,098	6,701	-	12,799	1.7%
Dependents	3,692	3,453	-	7,145	0.9%
Sub-total	9,790	10,154	-	19,944	2.7%
<u>Total</u>					
Employees	229,516	147,768	155,667	532,951	70.8%
Dependents	116,139	81,752	21,673	219,564	29.2%
Grand Total	345,655	229,520	177,340	752,515	100%
Percent of Total	45.9%	30.5%	23.6%	100.0%	
II. Enrollment by Contract	Standard	Plus	MA	Total	
Employee Only	172,641	105,959	133,994	412,594	
Employee Child(ren)	35,051	28,112	252	63,415	
Employee Spouse	6,442	4,731	21,421	32,594	
Employee Family	15,382	8,966		24,348	
Total	229,516	147,768	155,667	532,951	
Percent Enrollment by Contract	Standard	Plus	MA	Total	
Employee Only	75.2%	71.7%	86.1%	77.4%	
Employee Child(ren)	15.3%	19.0%	0.2%	11.9%	
Employee Spouse	2.8%	3.2%	13.8%	6.1%	
Employee Family	6.7%	6.1%	0.0%	4.6%	
Total	100.0%	100.0%	100.0%	100.0%	
III. Enrollment by Sex	Standard	Plus	MA	Total	
Female	206,600	144,401	116,769	467,770	
Male	139,055	85,119	60,571	284,745	
Total	345,655	229,520	177,340	752,515	
Percent Enrollment by Sex	Standard	Plus	MA	Total	
Female	59.8%	62.9%	65.8%	62.2%	
Male	40.2%	37.1%	34.2%	37.8%	
Total	100.0%	100.0%	100.0%	100.0%	



IV. Enrollment by Age	70/30	80/20	MA	Total
25 & Under	88,459	84,009	25	172,493
26 to 45	72,870	74,430	248	147,548
46 to 55	45,542	61,781	767	108,090
56 to 65	47,110	63,380	9,861	120,351
66 & Over	26,428	7,441	171,888	205,757
Total	280,409	291,041	182,789	754,239
Percent Enrollment by Age	70/30	80/20	MA	Total
25 & Under	31.5%	28.9%	0.0%	22.9%
26 to 45	26.0%	25.6%	0.1%	19.6%
46 to 55	16.2%	21.2%	0.4%	14.3%
56 to 65	16.8%	21.8%	5.4%	16.0%
66 & Over	9.4%	2.6%	94.0%	27.3%
Total	100.0%	100.0%	100.0%	100.0%
V. Retiree Enrollment by Category	Employee	Dependents	Total	
Non-Medicare Eligible	41,663	13,802	55,465	
Medicare Eligible in Traditional 70/30	26,291	505	26,796	
Medicare Eligible in Base MA Plan	145,265	18,497	163,762	
Medicare Eligible in Enhanced MA Plan	16,078	2,949	19,027	
Total	229,297	35,753	265,050	
Percent Enrollment by Category (Retiree)	Employee	Dependents	Total	
Non-Medicare Eligible	18.2%	38.6%	20.9%	
Medicare Eligible in Traditional 70/30	11.5%	1.4%	10.1%	
Medicare Eligible in Base MA Plan	63.4%	51.7%	61.8%	
Medicare Eligible in Enhanced MA Plan	7.0%	8.2%	7.2%	
Total	100.0%	100.0%	100.0%	
VI. Enrollment By Major Employer Groups	Employees	Dependents	Total	
State Agencies	61,500	32,371	93,871	
UNC System	55,717	37,396	93,113	
Local Public Schools	154,594	92,645	247,239	
Charter Schools (100 entities)	6,527	4,856	11,383	
Local Community Colleges	15,108	8,894	24,002	
Other				
Local Governments (129 entities)	12,068	6,445	18,513	
COBRA	548	520	1,068	
Retirement System	229,297	35,753	265,050	
Total	535,359	218,880	754,239	
Percent Enrollment by Major Employer Groups	Employees	Dependents	Total	
State Agencies	11.5%	14.8%	12.4%	
UNC System	10.4%	17.1%	12.3%	
Local Public Schools	28.9%	42.3%	32.8%	
Charter Schools	1.2%	2.2%	1.5%	
Local Community Colleges	2.8%	4.1%	3.2%	
Other				
Local Governments	2.3%	2.9%	2.5%	
COBRA	0.1%	0.2%	0.1%	
Retirement System	42.8%	16.3%	35.1%	
Total	100.0%	100.0%	100.0%	



TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Segal Consulting; baseline financial projections updated through Q4 CY2025; dated February 26, 2026. Filename "CY25 Q4 - Baseline.pdf"

-Actuarial Note, Segal Consulting, "Senate DRS45172-MR-110, More Transparency/Efficiency in Utiliz. Rev. " (Revised), March 26, 2025, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State employee health benefit programs and does not address sections that have no projected actuarial impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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Signed copy located in the NCGA Principal Clerk's Offices

