

## Unfunded Actuarial Liability for Retiree Health is Large, but State Could Save Up to \$64 Million Annually by Shifting Costs to Medicare Advantage Plans

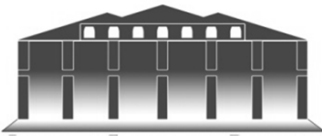
A presentation to the  
Joint Legislative Program Evaluation Oversight Committee

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## Unfunded Liability

- Unfunded liability for the Retiree Health Benefit Fund is \$25.5 billion
- North Carolina ranks 41<sup>st</sup> in unfunded liability per state resident
- Several options exist to reduce unfunded liability but there may be legal implications



## Six Options for Improving Funding

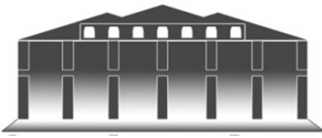
Option	Increase Funding	Reduce Benefit
1. Increase appropriation	✓ (state)	
2. Increase costs borne by federal government	✓ (federal)	
3. Transition to defined contribution model	depends on state's contribution rate	depends on individual circumstances
4. Reduce number of individuals eligible		✓
5. Require active employees to contribute		✓
6. Increase amount retirees pay		✓

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## Lack of Legal Precedent

- No legal precedent exists regarding the State's obligation to maintain certain levels of retiree health benefits
- Lake v. SHP case won't address whether the State can exercise certain options for eligible and not-yet-eligible employees
- State can exercise options for new hires without threat of new lawsuit

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## Ways to Proceed

- General Assembly should direct State Health Plan to shift costs to Medicare Advantage plans, generating up to \$64 million in annual savings
- General Assembly could appoint a joint committee to determine which other options to pursue

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## Legislative Options

- Accept the report
- Refer it to any appropriate committees
- Instruct staff to draft legislation based on the report