



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note – Health Benefits

Short Title: Access to Transcranial Magnetic Stimulation.
Bill Number: House Bill 939 (First Edition)
Sponsor(s): Rep. Sasser, Rep. Potts, and Rep. Crutchfield

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 939, V.1 (\$ in thousands)

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>
State Impact					
State Health Plan Net Loss	-	-	-	-	-
NET STATE IMPACT	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

House Bill 939 (First Edition) defines transcranial magnetic stimulation (TMS) and mandates that health benefit plans that cover TMS must cover TMS when performed by any properly licensed healthcare provider or facility. This requirement is then also applied to the State Health Plan (Plan). The bill provides that an insurer may not penalize a provider or facility that properly submits a claim for these procedures based on the medical specialty of the provider or facility. The Plan’s current coverage policies already meet this mandate. Furthermore, recent Plan claims data for TMS includes several non-physician providers that were paid at a similar rate as a physician.

Segal Consulting, the consulting actuary for the Plan, and Hartman & Associates, the consulting actuary for the General Assembly, both estimate that the bill will have no financial impact on the Plan.

ASSUMPTIONS AND METHODOLOGY

The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective 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, and (3) employees and 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 70/30 Plan that offers higher out-of-pocket requirements in return for lower employee and retiree premiums, and
- 2) The 80/20 Plan that offers lower out-of-pocket requirements with higher employee and retiree premiums.

Medicare-eligible retirees are offered three alternative plans:

- 1) The 70/30 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 2024:

Active Employees and Non-Medicare Retirees (if Fully Subsidized)

	Employer Share		Employee/Retiree Share	
	Active	Retiree	Complete Tobacco Attestation	Do Not Complete Attestation
70/30 Plan	\$675	\$449	\$25 *	\$85 *
80/20 Plan	\$675	\$449	\$50	\$110

* \$0 for Non-Medicare Retirees

Medicare Retirees (if Fully Subsidized)

Medicare Advantage Plans

	Employer Share	Employee/Retiree Share
MA-PDP Base Plan	\$449	\$0
MA-PDP Enhanced Plan	\$449	\$73

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$449	\$0

Dependents (paid by employee/retiree in addition to premiums above)

	All Dependents are Non-Medicare		One or More Medicare Dependents		
	70/30 Plan	80/20 Plan	MA-PDP Base	MA-PDP Enhanced	70/30 Plan
Employee/Retiree + Children	\$193	\$255	\$4	\$73	\$155
Employee/Retiree + Spouse	\$565	\$650	\$4	\$73	\$425
Employee/Retiree + Family	\$573	\$670	\$8	\$146	\$444

The employer share of premiums for retirees is paid from the Retiree Health Benefit Fund. During FY 2023-24, employers contribute 7.14% of active employee payroll into the Fund. Total contributions for the year are projected to be approximately \$1.5 billion.

Financial Condition

Projected Results for CY 2024 and CY 2025 – The following summarizes projected financial results for 2024 and 2025, based on financial experience through December 2023. The projection assumes an annual claims growth trend for medical claims of 6.5% in 2024 and 6.0% in 2025, a trend for pharmacy claims of 10.0% in 2024 and 9.5% in 2025, a 7.0% trend for pharmacy rebates, benefit provisions and member-paid premiums as adopted by the Board for 2024, 4% blended employer premium increases in FY 2024-25, and a \$24 per month premium for the Base MA Plan.

	(\$ millions)	
	Projected CY 2024	Projected CY 2025
Beginning Cash Balance	\$670.9	\$564.0
Receipts:		
Net Premium Collections	\$4,294.0	\$4,322.5
Medicare Subsidies	\$10.4	\$9.4
Investment Earnings	\$9.3	\$6.2
Total	\$4,313.7	\$4,338.1
Disbursements:		
Net Medical Claim Payment Expenses	\$3,280.5	\$3,384.4
Net Pharmacy Claim Payment Expenses	\$986.1	\$1,010.8
Medicare Advantage Premiums	\$15.6	\$72.7
Administration and Claims-Processing Expenses	\$138.4	\$175.2
Total	\$4,420.6	\$4,643.0
Net Operating Income (Loss)	(\$106.9)	(\$304.9)

Of the premiums paid in CY 2024, an estimated \$2.9 billion is derived from General Fund sources and an estimated \$0.1 billion is derived from Highway Fund sources.

Other Post Employment Benefit (OPEB) Liability

As of June 30, 2023, the State and related units of government had a Total OPEB Liability of \$29.9 billion and Plan Fiduciary Net Position (Assets) of \$3.2 billion, for a Net OPEB Liability of \$26.6 billion. Actual contributions for the year ending June 30 were \$1,367 million, far less than the actuarially determined contributions of \$2,240 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 6.5% annually in the short-term and pharmacy claim costs are expected to increase at a rate of 10.0% 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, 2024

I. No. of Participants	70/30	80/20	Medicare Advantage	Total	Percent of Total
<u>Actives</u>					
Employees	124,259	170,266	-	294,525	39.1%
Dependents	<u>89,365</u>	<u>87,743</u>	<u>-</u>	<u>177,108</u>	<u>23.5%</u>
Sub-total	213,624	258,009	-	471,633	62.6%
<u>Retired</u>					
Employees	56,427	18,039	152,727	227,193	30.2%
Dependents	<u>9,143</u>	<u>4,950</u>	<u>20,684</u>	<u>34,777</u>	<u>4.6%</u>
Sub-total	65,570	22,989	173,411	261,970	34.8%
<u>Other</u>					
Employees	4,723	7,674	-	12,397	1.6%
Dependents	<u>3,185</u>	<u>3,703</u>	<u>-</u>	<u>6,888</u>	<u>0.9%</u>
Sub-total	7,908	11,377	-	19,285	2.6%
<u>Total</u>					
Employees	185,409	195,979	152,727	534,115	70.9%
Dependents	<u>101,693</u>	<u>96,396</u>	<u>20,684</u>	<u>218,773</u>	<u>29.1%</u>
Grand Total	287,102	292,375	173,411	752,888	100%
Percent of Total	38.1%	38.8%	23.0%	100.0%	
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II. Enrollment by Contract	70/30	80/20	MA	Total	
Employee Only	136,062	147,194	132,043	415,299	
Employee Child(ren)	30,631	32,542	251	63,424	
Employee Spouse	5,375	5,515	20,433	31,323	
Employee Family	<u>13,341</u>	<u>10,728</u>		<u>24,069</u>	
Total	185,409	195,979	152,727	534,115	
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Percent Enrollment by Contract	70/30	80/20	MA	Total	
Employee Only	73.4%	75.1%	86.5%	77.8%	
Employee Child(ren)	16.5%	16.6%	0.2%	11.9%	
Employee Spouse	2.9%	2.8%	13.4%	5.9%	
Employee Family	<u>7.2%</u>	<u>5.5%</u>	<u>0.0%</u>	<u>4.5%</u>	
Total	100.0%	100.0%	100.0%	100.0%	
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III. Enrollment by Sex	70/30	80/20	MA	Total	
Female	169,792	185,314	113,998	469,104	
Male	<u>117,310</u>	<u>107,061</u>	<u>59,413</u>	<u>283,784</u>	
Total	287,102	292,375	173,411	752,888	
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Percent Enrollment by Sex	70/30	80/20	MA	Total	
Female	59.1%	63.4%	65.7%	62.3%	
Male	<u>40.9%</u>	<u>36.6%</u>	<u>34.3%</u>	<u>37.7%</u>	
Total	100.0%	100.0%	100.0%	100.0%	

IV. Enrollment by Age	70/30	80/20	MA	Total
25 & Under	88,717	84,752	21	173,490
26 to 45	72,141	75,679	226	148,046
46 to 55	46,596	61,950	736	109,282
56 to 65	48,008	62,851	9,685	120,544
66 & Over	31,640	7,143	162,743	201,526
Total	287,102	292,375	173,411	752,888
Percent Enrollment by Age	70/30	80/20	MA	Total
25 & Under	30.9%	29.0%	0.0%	23.0%
26 to 45	25.1%	25.9%	0.1%	19.7%
46 to 55	16.2%	21.2%	0.4%	14.5%
56 to 65	16.7%	21.5%	5.6%	16.0%
66 & Over	11.0%	2.4%	93.8%	26.8%
Total	100.0%	100.0%	100.0%	100.0%
V. Retiree Enrollment by Category		Employee	Dependents	Total
Non-Medicare Eligible		42,145	13,478	55,623
Medicare Eligible in Traditional 70/30		32,321	615	32,936
Medicare Eligible in Base MA Plan		137,043	17,811	154,854
Medicare Eligible in Enhanced MA Plan		15,684	2,873	18,557
Total		227,193	34,777	261,970
Percent Enrollment by Category (Retiree)		Employee	Dependents	Total
Non-Medicare Eligible		18.6%	38.8%	21.2%
Medicare Eligible in Traditional 70/30		14.2%	1.8%	12.6%
Medicare Eligible in Base MA Plan		60.3%	51.2%	59.1%
Medicare Eligible in Enhanced MA Plan		6.9%	8.3%	7.1%
Total		100.0%	100.0%	100.0%
VI. Enrollment By Major Employer Groups		Employees	Dependents	Total
State Agencies		60,215	31,960	92,175
UNC System		55,713	37,249	92,962
Local Public Schools		157,366	94,280	251,646
Charter Schools (99 entities)		6,251	4,704	10,955
Local Community Colleges		14,980	8,915	23,895
Other				
Local Governments (128 entities)		11,712	6,288	18,000
COBRA		685	600	1,285
Retirement System		227,193	34,777	261,970
Total		534,115	218,773	752,888
Percent Enrollment by Major Employer Groups		Employees	Dependents	Total
State Agencies		11.3%	14.6%	12.2%
UNC System		10.4%	17.0%	12.3%
Local Public Schools		29.5%	43.1%	33.4%
Charter Schools		1.2%	2.2%	1.5%
Local Community Colleges		2.8%	4.1%	3.2%
Other				
Local Governments		2.2%	2.9%	2.4%
COBRA		0.1%	0.3%	0.2%
Retirement System		42.5%	15.9%	34.8%
Total		100.0%	100.0%	100.0%

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Segal Consulting; baseline financial projections updated through Q4 CY2023; dated April 11, 2024. Filename "CY23 Q4- Baseline.pdf"

-Actuarial Note, Hartman & Associates, "House Bill 939: Access to Transcranial Magnetic Stimulation", May 18, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Segal Consulting, House Bill 939, "Fair Reimbursement of Transcranial Magnetic Stimulation", May 16, 2024, 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