North Carolina State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

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May 17, 2016

SENT VIA ELECTRONIC MAIL

Senator Phil Berger, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina Senate
Room 2007, Legislative Building
Raleigh, NC 27601

Speaker Tim Moore, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina House of Representatives
Room 2304, Legislative Building
Raleigh, NC 27601

Re: Budget Special Provision on Reserve for Future Benefits Needs/State Health Plan Cash Reserve

Dear Senator Berger and Speaker Moore:

Pursuant to Section 30.26.(c) of Session Law (SL) 2015-241, the 2015 Appropriations Act, the State Health Plan (Plan) is required to report to the Joint Legislative Commission on Governmental Operations (Commission) within 60 days of projecting that cash reserves will fall below the minimum 20 percent of annual costs as required under Section 30.26 (b) of SL 2015-241.

The Plan met this requirement when it submitted a report to the Commission on April 6, 2016. The report noted that the Plan would update the Commission following a May 13, 2016, meeting of the State Health Plan Board of Trustees (Board) to consider further benefit changes.

State Health Plan Board of Trustees Actions

As described in the April 6, 2016, letter to the Commission, the Board approved the following benefit and contracting changes for 2017 at its February and March 2016 meetings:

1. Maintained the same healthy activities (i.e., tobacco attestation, select a primary care physician and complete a health assessment) to earn premium credits as the previous year,
2. Added a new low-cost generic specialty medications tier and increased cost-sharing on select pharmacy tiers for the Traditional 70/30 and Enhanced 80/20 PPO plans, and
3. Awarded the Pharmacy Benefit Management (PBM) services contract, which is expected to save $300 million to $500 million over the next three years, to CVS/Caremark with services effective January 1, 2017.

At the May 13, 2016, meeting, the Board approved additional changes to the Traditional 70/30 and Enhanced 80/20 plans that will further reduce the increases in employer contributions needed to support the Plan in CY 2018 and CY 2019. Specifically, the Board approved:

1. Member cost-sharing increases for the Traditional 70/30 Plan that will move the deductible, coinsurance and pharmacy out-of-pocket maximums, and most copayments, to the limits that allow it to remain a "grandfathered" plan under the federal Patient Protection and Affordable Care Act (ACA), and
2. A new design for the Enhanced 80/20 Plan that decreases member cost-sharing for some high-value services, while increasing cost-sharing in other areas.

The detailed plan designs approved by the Board for the Traditional 70/30 and Enhanced 80/20 plans can be found on pages 5-7 and 46-51 of the enclosed presentation.

Financial Projections

The Plan indicated in its April 6, 2016, letter to the Commission that it intended to propose a benefit model to the Board that, along with the new PBM contract savings, limits increases in the CY 2018 and CY 2019 employer contributions to 5 to 8 percent with the release of the $71 million currently held in the *Reserve for Future Benefit Needs*.

According to the Plan's consulting actuary, the additional changes, along with an initial estimate of the savings anticipated from the 2017 Medicare Advantage renewal process and continued use of an open pharmacy formulary, bring the required premium increases to 6.48 percent if the full $71 million is released. A 6.48 percent increase would represent a decrease in the required CY 2018 and CY 2019 employer contribution increases of more than 8 percentage points from the Certified Budget projection of 14.83 percent.

In addition, the Plan would expect to be able to maintain a cash reserve equal to at least 20 percent of its projected FY 2016-17 expenses, as required in the 2015 Appropriations Act, with careful monitoring of its administrative budget over the next 14 months. As shown in the table below, if the State does not provide an increase in the 2017 employer contribution, required CY 2018 and CY 2019 increases are projected at 9.97 percent instead of 6.48 percent.

Table One: Forecast Scenarios for the 2017 Benefit Design Approved by the Board

	With Recommended Benefit Changes		With Recommended Benefit Changes & Increased Contributions	
	ER	EE	ER	EE
CY 2017 Projected Increase	0.0%	0.00%	3.43%	3.43%
Max Amount Short of 20% Reserve (1st Month short)	$52.7 M (May 2017)		$8.3 M (May 2017) *End FY above threshold*	
CY 2018 Projected Increase	9.97%	9.97%	6.48%	6.48%
CY 2019 Projected Increase	9.97%	9.97%	6.48%	6.48%
CY 2020 Projected Increase	7.70%	7.70%	9.90%	9.90%
CY 2021 Projected Increase	7.70%	7.70%	9.90%	9.90%
ER = employer contribution, EE = employee premium				

Next Steps

The Plan's consulting actuary is currently in the process of updating the forecast to consider the Plan's actual experience during the first three months of 2016. The forecasts will be shared with the Fiscal Research Division when they are complete.

In addition to the benefit changes that have been approved, Plan staff will continue to work with the Board to identify additional savings opportunities through the Medicare Advantage renewal process and evaluation and customization of the pharmacy formulary under the new PBM contract for 2017. The Plan also anticipates administrative savings of at least $20 million for FY 2016-17 due to last fall's eligibility and enrollment services vendor change.

The State Health Plan appreciates the ongoing commitment from the General Assembly and looks forward to continuing to work together to provide an affordable health benefit to teachers, state employees, retirees and their dependents.

Please contact Thomas Friedman at Thomas.Friedman@nctreasurer.com or 919-602-7178 if you have questions or need additional information.

Sincerely,

Mona M. Moon
Executive Administrator

Enclosure

North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

2017 Benefit Design Changes

Board of Trustees Meeting

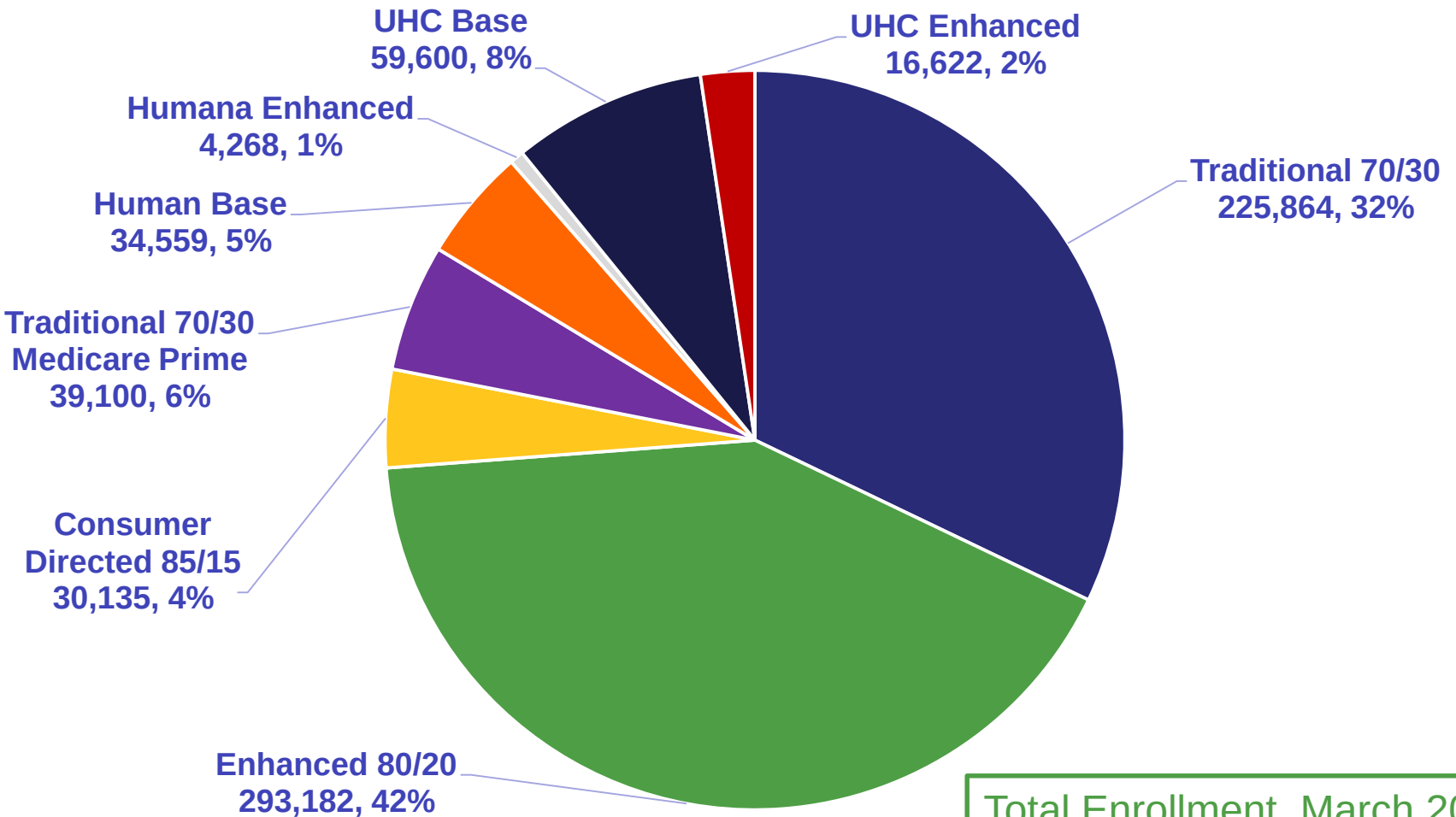
May 13, 2016

Presentation Overview

- Membership by Plan Option
- Recommended Benefit Design Changes for 2017
- Impact on Actuarial Forecast
- Actuarial Value of Recommended Plan Options
- Member Cost Sharing Scenarios
- Lowest Cost Plan/Optimized Enrollment Analysis

- Appendix
  1. State Budget Special Provisions
  2. February 5, 2016 Board Actions
  3. Comprehensive Plan Comparison
  4. Blue Options Designated Providers
  5. Summary of Options Considered

Membership by Plan Option



Total Enrollment, March 2016
703,330

Recommended Benefit Design Changes for 2017

Recommended Benefit Design – CDHP 85/15 *(no change)*

	Current CY 2016 Non-Grandfathered	Recommended CY 2017 Non-Grandfathered
Base Premium	N/A	N/A
Deductible HRA	$1,500 $600	$1,500 $600
Coinsurance Percentage	15%	15%
ACA Preventive Services	Covered at 100%	Covered at 100%
Medical Coinsurance Max Pharmacy Max	N/A N/A	N/A N/A
Out of Pocket Max *(Includes Deductible)*	$3,500	$3,500
Selected PCP Non-selected PCP	Ded/Coins. +$25 HRA credit Ded/Coins.	Ded/Coins. + $25 HRA credit Ded/Coins.
B.O.D. Specialist. Non-B.O.D. Specialist	Ded/Coins. + $20 HRA credit Ded/Coins.	Ded/Coins. + $20 HRA credit Ded/Coins.
Inpatient Hospital B.O.D Non-B.O.D.	Ded/Coins. + $200 HRA Credit Ded/Coins.	Ded/Coins. + $200 HRA Credit Ded/Coins.
Outpatient Hospital	Deductible/Coinsurance	Deductible/Coinsurance
Urgent Care	Deductible/Coinsurance	Deductible/Coinsurance
ER Copay	Deductible/Coinsurance	Deductible/Coinsurance
Drugs	Ded/Coins. CDHP Maintenance Medications are deductible exempt	Ded/Coins. CDHP Maintenance Medications are deductible exempt

B.O.D = Blue Options Designated Provider

Recommended Benefit Design – Enhanced 80/20 Plan

	Current CY 2016 Grandfathered	Recommended CY 2017 Alternate Value Based Design **Non-Grandfathered**
Base Premium	$24.20	$24.20
Deductible	$700	**$1,250**
Coinsurance Percentage	20%	20%
ACA Preventive Coverage	Covered at 100%	Covered at 100%
Medical Coinsurance Max Pharmacy Max	$3,210 $2,500	N/A
Combined Out-of-Pocket Max *(Includes Deductible)* Medical Out-of-Pocket Max Pharmacy Out-of-Pocket Max	N/A	N/A **$4,350** $2,500
Selected PCP Non-selected PCP	$15 $30	**$10** **$25**
B.O.D. Specialist. Non-B.O.D. Specialist	$60 $70	**$45** **$85**
Inpatient Hospital B.O.D Non-B.O.D.	 $0, then Ded/Coins. $233, then Ded/Coins.	 $0, then Ded/Coins. **$450, then Ded/Coins.**
Outpatient Hospital	Deductible/Coinsurance	Deductible/Coinsurance
Urgent Care	$87	**$70**
ER *(Copay waived w/ admission or observation stay)*	$233, then Ded/Coins.	**$300, then Ded/Coins.**
Drugs Tier 1 (Generic) Tier 2 (Preferred Brand & High-cost Generic) Tier 3 (Non-preferred Brand) Tier 4 (Low-cost/Generic Specialty) Tier 5 (Preferred Specialty) Tier 6 (Non-preferred Specialty)	 $12 $40 $64 N/A 25% up to $100 25% up to $132	 **$5** **$30** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**

B.O.D = Blue Options Designated Provider

Recommended Benefit Design – Traditional 70/30 Plan

	Current CY 2016 Grandfathered	Recommended CY 2017 Grandfathered
Base Premium	N/A	N/A
Deductible	$1,054	**$1,080**
Coinsurance Percentage	30%	30%
ACA Preventive Services	Cost-Sharing Applies	Cost-Sharing Applies
Medical Coinsurance Max Pharmacy Max Out of Pocket Max	$4,282 $3,294 N/A	**$4,388** **$3,360** N/A
PCP Copay	$39	**$40**
Specialist Copay	$92	**$94**
Inpatient Hospital	$329, then Ded/Coins.	**$337, then Ded/Coins.**
Outpatient Hospital	Deductible/Coinsurance	Deductible/Coinsurance
Urgent Care	$98	**$100**
ER *(Copay waived w/ admission or observation stay)*	$329, then Ded/Coins.	**$337, then Ded/Coins.**
Drugs Tier 1 (Generic) Tier 2 (Preferred Brand & High-cost Generic) Tier 3 (Non-preferred Brand) Tier 4 (Low-cost/Generic Specialty) Tier 5 (Preferred Specialty) Tier 6 (Non-preferred Specialty)	 $15 $46 $72 N/A 25% up to $100 25% up to $132	***Approved 2-5-16*** **$16** **$47** **$74** **10% up to $100** **25% up to $103** **25% up to $133**

Impact on Actuarial Forecast

Baseline Forecast

	Baseline Forecast (assumes no additional changes)		New PBM Contract * Open Formulary (current arrangement)		New PBM Contract * Closed Formulary	
	ER	EE	ER	EE	ER	EE
CY 2017 Projected Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Max Amount Short of 20% Reserve (1st Month short)	$115.6 M (March 2017)		$83.1 M (April 2017)		$72.0 M (May 2017)	
CY 2018 Projected Increase	15.21%	15.21%	12.71%	12.71%	11.91%	11.91%
CY 2019 Projected Increase	15.21%	15.21%	12.71%	12.71%	11.91%	11.91%
CY 2020 Projected Increase	4.82%	4.82%	6.02%	6.02%	6.45%	6.45%
CY 2021 Projected Increase	4.82%	4.82%	6.02%	6.02%	6.45%	6.45%

ER = employer contribution, EE = employee premium

*Assumes 100% of the projected savings for discount guarantees and 50% of the projected savings for pharmacy rebates; savings begin to accrue one month after 1/1/2017 start of contract

Forecast Scenarios: Open Formulary & Benefit Changes

	New PBM Contract * Open Formulary (current arrangement)		With Recommended Benefit Changes		With Recommended Benefit Changes & Increased Contributions	
	ER	EE	ER	EE	ER	EE
CY 2017 Projected Increase	0.00%	0.00%	0.0%	0.00%	3.43%	3.43%
Max Amount Short of 20% Reserve (1st Month short)	$83.1 M (April 2017)		$52.7 M (May 2017)		$8.3 M (May 2017) *End FY above threshold*	
CY 2018 Projected Increase	12.71%	12.71%	9.97%	9.97%	6.48%	6.48%
CY 2019 Projected Increase	12.71%	12.71%	9.97%	9.97%	6.48%	6.48%
CY 2020 Projected Increase	6.02%	6.02%	7.70%	7.70%	9.90%	9.90%
CY 2021 Projected Increase	6.02%	6.02%	7.70%	7.70%	9.90%	9.90%

ER = employer contribution, EE = employee premium

*Assumes 100% of the projected savings for discount guarantees and 50% of the projected savings for pharmacy rebates; savings begin to accrue one month after 1/1/2017 start of contract

Reserve for Future Benefits Needs with Open Formulary

	New PBM Contract * Open Formulary (current arrangement)		Without Release of Reserve Funds		With Release of Reserve Funds	
	ER	EE	ER	EE	ER	EE
CY 2017 Projected Increase	0.00%	0.00%	(3.35%)	0.00%	3.43%	3.43%
Max Amount Short of 20% Reserve (1st Month short)	$83.1 M (April 2017)		$127.1 M (March 2017)		$35.6 M (May 2017)	
CY 2018 Projected Increase	12.71%	12.71%	15.74%	15.74%	9.19%	9.19%
CY 2019 Projected Increase	12.71%	12.71%	15.74%	15.74%	9.19%	9.19%
CY 2020 Projected Increase	6.02%	6.02%	4.33%	4.33%	8.12%	8.12%
CY 2021 Projected Increase	6.02%	6.02%	4.33%	4.33%	8.12%	8.12%

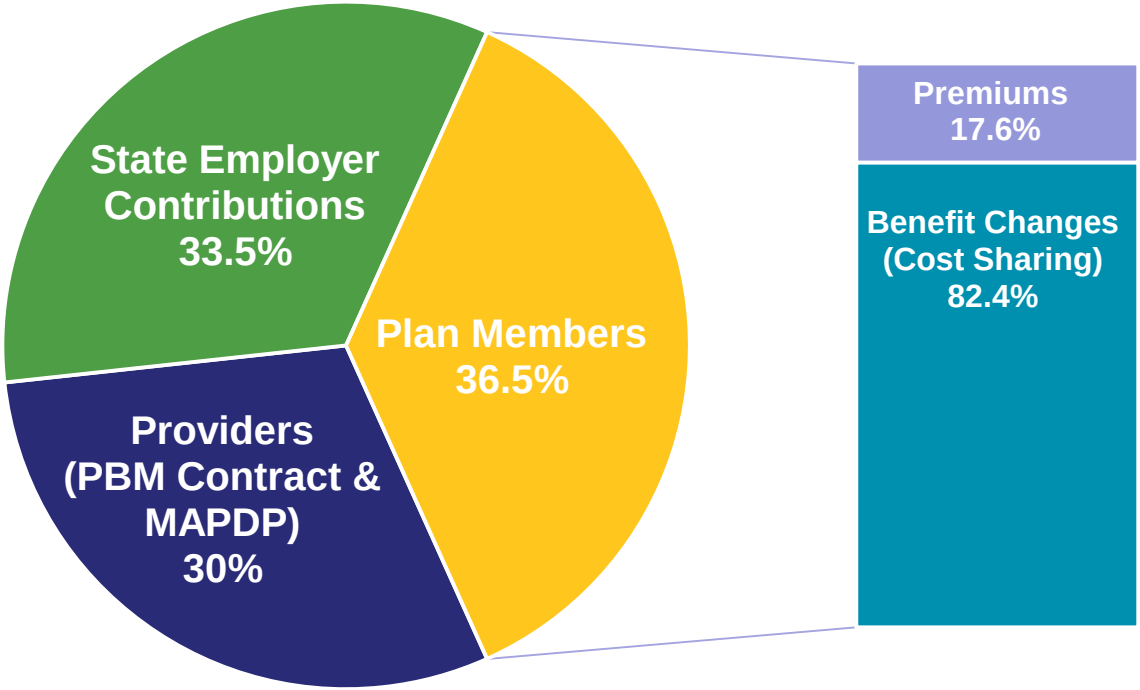
ER = employer contribution, EE = employee premium

*Assumes 100% of the projected savings for discount guarantees and 50% of the projected savings for pharmacy rebates; savings begin to accrue one month after 1/1/2017 start of contract

Contributions to Reduction in Projected Premium Increase

Baseline Forecast 15.21% → Contributing Measurers → Revised Forecast with Changes 6.48%

Allocation of 8.73% Point Reduction for CYs 2018 and 2019



Open formulary impact shown. Closed formulary would have a greater provider impact.

Actuarial Values

Plan Share of Total Costs/Actuarial Values

Active Employee and Non-Medicare Retiree Plan Options	CY 2014 Actual Plan Share	CY 2015 Actual Plan Share	CY 2016 Actuarial Values	CY 2017 Actuarial Values **Staff Recommendation**
CDHP 85/15	91%	89%	Engaged 86.3% Non 85.5%	Engaged 86.3% Non 85.5%
Enhanced 80/20	83%	84%	Engaged 82.5% Non 81.4%	Engaged 82.2% Non 78.7%
Traditional 70/30	77%	79%*	75.0%	74.7%

**Reflects a revision from the cost-sharing reported at the April 27th Board meeting.*

ACA Public Exchange Metal Category	Average Plan Cost Share
Bronze	60%
Silver	70%
Gold	80%
Platinum	90%

Member Cost Sharing Scenarios: Active Employees

Member Scenarios – Meet Holly

A State Health Plan member with two children covered on her plan trying to decide which plan is right for her and her family.

- As an active employee, she has three plan options:
  - Consumer-Directed Health Plan
  - Enhanced 80/20 Plan
  - Traditional 70/30 Plan
- A typical year of medical and pharmacy services for Holly and her children might include the following:
  - 3 Preventive Care Visits with PCP
  - 2 Additional Primary Care Visits
  - 1 Specialist Visit
  - 2 Urgent Care Visits
  - 1 Monthly Maintenance Prescription (Tier 1, ACA Preventive Medication)
  - 1 Tier 1 Prescription

Photo credit: Thinkstock Images

Holly's Projected Health Care Costs for 2017

Annual Member Costs	Traditional 70/30 Plan	Enhanced 80/20 Plan	CDHP 85/15
If Holly's "Engaged"*			
Premium Payments	$2,618	$3,662	$2,356
Out-of-Pocket Costs	$702	$210	$0**
Engaged Member Total	**$3,320**	**$3,872**	**$2,356**
If Holly's "Non-Engaged"*			
Premium Payments	$3,098	$4,742	$3,316
Out-of-Pocket Costs	$702	$280	$0**
Non-Engaged Member Total	**$3,800**	**$5,022**	**$3,316**

Holly's lowest-cost option

- The CDHP has lower dependent premiums, and Holly's projected 2017 out-of-pocket costs are less than the initial CDHP starting balance of $1,800. The CDHP is Holly's best option.
- A willingness to engage in healthy activities and to use selected PCPs and Blue Options Designated providers reduces member out-of-pocket costs in the CDHP and Enhanced 80/20.

*An "engaged member" has completed all wellness activities to receive premium credits and uses their selected PCP and Blue Options Designated providers. A "non-engaged member" has earned no premium credits and does not use a selected PCP or Blue Options Designated providers.

**Holly's HRA will cover all of her out-of-pocket expenses, and Holly could have an estimated $1,200 in her HRA to use in 2018 if she is engaged or approximately $930 if she is not.

Member Scenario Cost Detail – Active Employee Holly

		Traditional 70/30				Enhanced 80/20				Consumer-Directed Health Plan 85/15			
		Non-Engaged		Engaged		Non-Engaged		Engaged		Non-Engaged		Engaged	
Medical Services	#	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total
Preventive Visits with PCP	3	$40	$120	$40	$120	$0	$0	$0	$0	$0	$0	$0	$0
Primary Care Visits	2	$40	$80	$40	$80	$25	$50	$10	$20	$150	$300	$150	$300
Specialist Visit	1	$94	$94	$94	$94	$85	$85	$45	$45	$210	$210	$210	$210
Urgent Care Visit	2	$100	$200	$100	$200	$70	$140	$70	$140	$160	$320	$160	$320
Drugs													
ACA Preventive Drugs (Tier 1)	12	$16	$192	$16	$192	$0	$0	$0	$0	$0	$0	$0	$0
Tier 1 Prescription	1	$16	$16	$16	$16	$5	$5	$5	$5	$40	$40	$40	$40
Total (before considering HRA)			**$702**		**$702**		**$280**		**$210**		**$870**		**$870**
HRA Funds Provided by SHP													
Starting Balance											$1,800		$1,800
HRA Incentive Dollars													
Identified PCP											$0		$125
Blue Options Designated Specialist											$0		$20
Blue Options Designated Hospital											$0		$0
Healthy Lifestyles Program											$0		$125
Total HRA Dollars to Use											**$1,800**		**$2,070**
Member Cost-sharing with HRA			$702		$702		$280		$210		$0		$0
HRA Balance for Use in 2018			--		--		--		--		$930		$1,200
Annual Premium			$3,098		$2,618		$4,742		$3,662		$3,316		$2,356
Total Member Cost			**$3,800**		**$3,320**		**$5,022**		**$3,872**		**$3,316**		**$2,356**

Red numbers in the Unit Copay/Cost column indicate a copayment amount.
Green numbers in the Unit Copay/Cost column indicate estimated actual allowed cost for a service that could be subject to copay (in 70/30 and 80/20), deductible, and/or coinsurance.

Member Scenarios – Meet Pete

A State Health Plan member with employee-only coverage who visits doctors regularly and is trying to decide which plan is right for him.

- As an active employee, he has three plan options:
  - Consumer-Directed Health Plan
  - Enhanced 80/20 Plan
  - Traditional 70/30 Plan

- A year of medical and pharmacy services for Pete might include:
  - 1 Preventive Care Visit with PCP
  - 3 Additional Primary Care Visits
  - 2 Specialist Visits
  - 2 Chiropractor Visits
  - 1 Urgent Care Visit
  - 4 Tier 1 Prescriptions
  - 2 Tier 2 Prescriptions

Photo credit: Thinkstock Images

Pete's Projected Health Care Costs for 2017

Annual Member Costs	Traditional 70/30 Plan	Enhanced 80/20 Plan	CDHP 85/15
If Pete is "Engaged"*			
Premium Payments	$0	$180	$0
Out-of-Pocket Costs	$750	$374	$638
Engaged Member Total	**$750**	**$554**	**$638**
If Pete is "Non-Engaged"*			
Premium Payments	$480	$1,260	$960
Out-of-Pocket Costs	$750	$499	$903
Non-Engaged Member Total	**$1,230**	**$1,759**	**$1,863**

Pete's lowest-cost option

- Because he uses a relatively large number of services that are subject to copays in the 70/30 and 80/20 plans, Pete does best in the Enhanced 80/20 Plan if he is engaged, or the Traditional 70/30 if he is non-engaged.
- The year of services described for Pete would bring him to the $1,500 deductible in the CDHP, so one major health event would likely make the CDHP a lower-cost option for him due to the lower coinsurance and the combined medical and pharmacy out-of-pocket maximum.

*An "engaged member" has completed all wellness activities to receive premium credits and uses their selected PCP and Blue Options Designated providers. A "non-engaged member" has earned no premium credits and does not use a selected PCP or Blue Options Designated providers.

Member Scenario Cost Detail – Active Employee Pete

		Traditional 70/30				Enhanced 80/20				Consumer-Directed Health Plan 85/15*			
		Non-Engaged		Engaged		Non-Engaged		Engaged		Non-Engaged		Engaged	
Medical Services	#	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total
Preventive Visits with PCP	1	$40	$40	$40	$40	$0	$0	$0	$0	$0	$0	$0	$0
Primary Care Visits	3	$40	$120	$40	$120	$25	$75	$10	$30	$150	$450	$150	$450
Specialist Visits	2	$94	$188	$94	$188	$85	$170	$45	$90	$210	$420	$210	$420
Mid-Level Office Visits	2	$72	$144	$72	$144	$52	$104	$52	$104	$85	$170	$85	$170
Urgent Care Visit	1	$100	$100	$100	$100	$70	$70	$70	$70	$160	$143	$160	$143
Drugs													
Tier 1 Prescriptions	4	$16	$64	$16	$64	$5	$20	$5	$20	$40	$160	$40	$160
Tier 2 Prescriptions	2	$47	$94	$47	$94	$30	$60	$30	$60	$80	$160	$80	$160
Total (before considering HRA)			**$750**		**$750**		**$499**		**$374**		**$1,503**		**$1,503**
HRA Funds Provided by SHP													
Starting Balance											$600		$600
HRA Incentive Dollars													
Identified PCP											$0		$100
Blue Options Designated Specialist											$0		$40
Blue Designated Options Hospital											$0		$0
Healthy Lifestyles Program											$0		$125
Total HRA Dollars to Use											**$600**		**$865**
Member Cost-sharing with HRA			$750		$750		$499		$374		$903		$638
HRA Balance for Use in 2018			--		--		--		--		$0		$0
Annual Premium			$480		$0		$1,260		$180		$960		$0
Total Member Cost			**$1,230**		**$750**		**$1,759**		**$554**		**$1,863**		**$638**

Red numbers in the Unit Copay/Cost column indicate a copayment amount. Green numbers in the Unit Copay/Cost column indicate estimated actual allowed cost for a service that could be subject to copay (in 70/30 and 80/20), deductible, and/or coinsurance.

*CDHP costs by service depend on the timing of services. The numbers in the chart assume Pete's urgent care visit is the final service of the year, and is therefore subject in part to the 15% CDHP coinsurance.

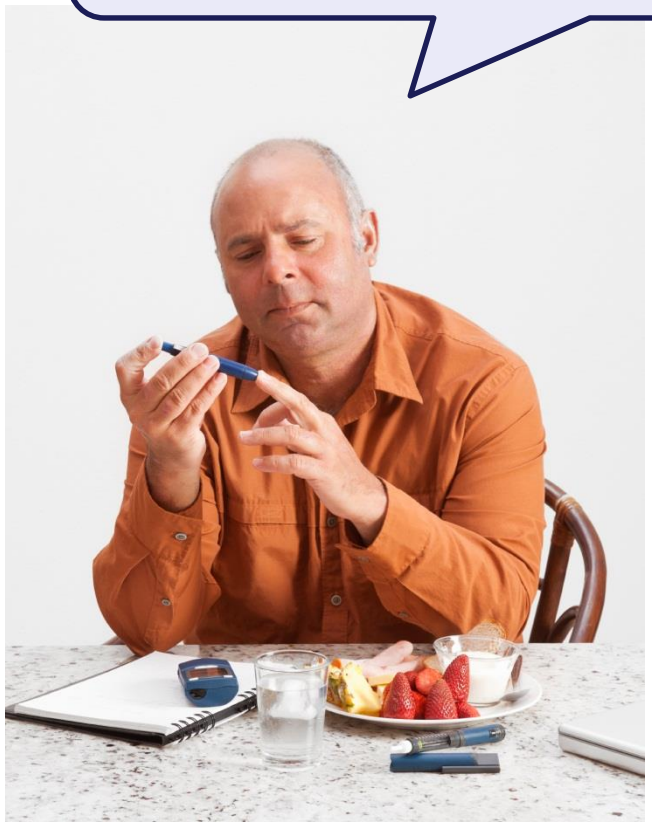
Member Scenarios – Meet Bentley

A State Health Plan member with employee-only coverage who has been diagnosed with diabetes and is trying to decide which plan is right for his chronic condition.

- As an active employee, he has three plan options:
  - Consumer-Directed Health Plan
  - Enhanced 80/20 Plan
  - Traditional 70/30 Plan

- A year of medical and pharmacy services for Bentley might include:
  - 1 Preventive Care Visit with PCP
  - 4 Additional Primary Care Visits
  - 3 Specialist Visits
  - 1 Inpatient Hospitalization
  - 2 Monthly Maintenance Prescriptions (Tier 1)*
  - 1 Monthly Maintenance Prescription (Tier 2)*
  - 1 Tier 1 Prescription

"I was recently diagnosed with diabetes, so I'm trying to determine how much I will have to pay under each plan option."



* Maintenance Prescriptions assumed to be on CDHP Preventive Medications List

Bentley's Projected Health Care Costs for 2017

Annual Member Costs	Traditional 70/30 Plan	Enhanced 80/20 Plan	CDHP 85/15
If Bentley is "Engaged"*			
Premium Payments	$0	$180	$0
Out-of-Pocket Costs	$6,038	$4,060	$2,170
Engaged Member Total	**$6,038**	**$4,240**	**$2,170**
If Bentley is "Non-Engaged"*			
Premium Payments	$480	$1,260	$960
Out-of-Pocket Costs	$7,153	$4,835	$2,900
Non-Engaged Member Total	**$7,633**	**$6,095**	**$3,860**

Bentley's lowest-cost option

- Because he is a high utilizer, Bentley is likely to reach the CDHP out-of-pocket maximum of $3,500.
- Engaging with a health coach to manage his condition and using Blue Options Designated providers and his selected PCP could earn more than $700 in additional HRA incentive funds, reducing Bentley's true out-of-pocket costs. (Using Blue Options Designated providers reduces member out-of-pocket costs in all the plan options.)
- Although there are fewer healthy activities to complete when enrolling in the Traditional 70/30 Plan, it would be a poor option for Bentley because of the high out-of-pocket costs.

*An "engaged member" has completed all wellness activities to receive premium credits and uses their selected PCP and Blue Options Designated providers. A "non-engaged member" has earned no premium credits and does not use a selected PCP or Blue Options Designated providers.

Member Scenario Cost Detail – Active Employee Bentley

		Traditional 70/30				Enhanced 80/20*				Consumer-Directed Health Plan 85/15*			
		Non-Engaged		Engaged		Non-Engaged		Engaged		Non-Engaged		Engaged	
Medical Services	#	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total
Preventive Visits with PCP	1	$40	$40	$40	$40	$0	$0	$0	$0	$0	$0	$0	$0
Primary Care Visits	4	$40	$160	$40	$160	$25	$100	$10	$40	$150	$300	$150	$323
Specialist Visit	3	$94	$282	$94	$282	$85	$255	$45	$135	$210	$210	$210	$273
Inpatient Hospital Admission	1	$20,000	$5,707	$12,000	$4,592	$20,000	$3,995	$12,000	$3,400	$20,000	$2,854	$12,000	$2,608
Drugs													
Maintenance Drugs (Tier 1)	24	$16	$384	$16	$384	$5	$120	$5	$120	$40	$48	$40	$132
Tier 1 Prescription	1	$16	$16	$16	$16	$5	$5	$5	$5	$40	$40	$40	$40
Maintenance Drugs (Tier 2)	12	$47	$564	$47	$564	$30	$360	$30	$360	$80	$48	$80	$125
Total (before considering HRA)			**$7,153**		**$6,038**		**$4,835**		**$4,060**		**$3,500**		**$3,500**
HRA Funds Provided by SHP													
Starting Balance											$600		$600
HRA Incentive Dollars													
Identified PCP											$0		$125
Blue Options Specialist											$0		$60
Blue Options Hospital											$0		$200
Health Engagement Programs											$0		$345
Total HRA Dollars to Use											**$600**		**$1,330**
Member Cost-sharing with HRA			$7,153		$6,038		$4,835		$4,060		$2,900		$2,170
HRA Balance for Use in 2018			--		--		--		--		$0		$0
Annual Premium			$480		$0		$1,260		$180		$960		$0
Total Member Cost			**$7,633**		**$6,038**		**$6,095**		**$4,240**		**$3,860**		**$2,170**

Red numbers in the Unit Copay/Cost column indicate a copayment amount. Green numbers in the Unit Copay/Cost column indicate estimated actual allowed cost for a service that could be subject to copay (in 70/30 and 80/20), deductible, and/or coinsurance.

*Enhanced 80/20 and CDHP costs by service depend on the timing of services. The numbers in the chart assume a specific ordering of services until the deductible and out-of-pocket maximums are reached.

Member Scenarios – Meet Maxine

A State Health Plan member with employee-only coverage who is on an expensive monthly specialty medication and is trying to decide which plan is right for her.

- As an active employee, she has three plan options:
  - Consumer-Directed Health Plan
  - Enhanced 80/20 Plan
  - Traditional 70/30 Plan

- A year of medical and pharmacy services for Maxine might include:
  - 1 Preventive Care Visit with PCP
  - 3 Additional Primary Care Visits
  - 6 Diagnostic Laboratory Tests as part of her PCP visits
  - 1 Monthly Tier 1 Prescription
  - 1 Monthly Tier 5 (Specialty) Prescription

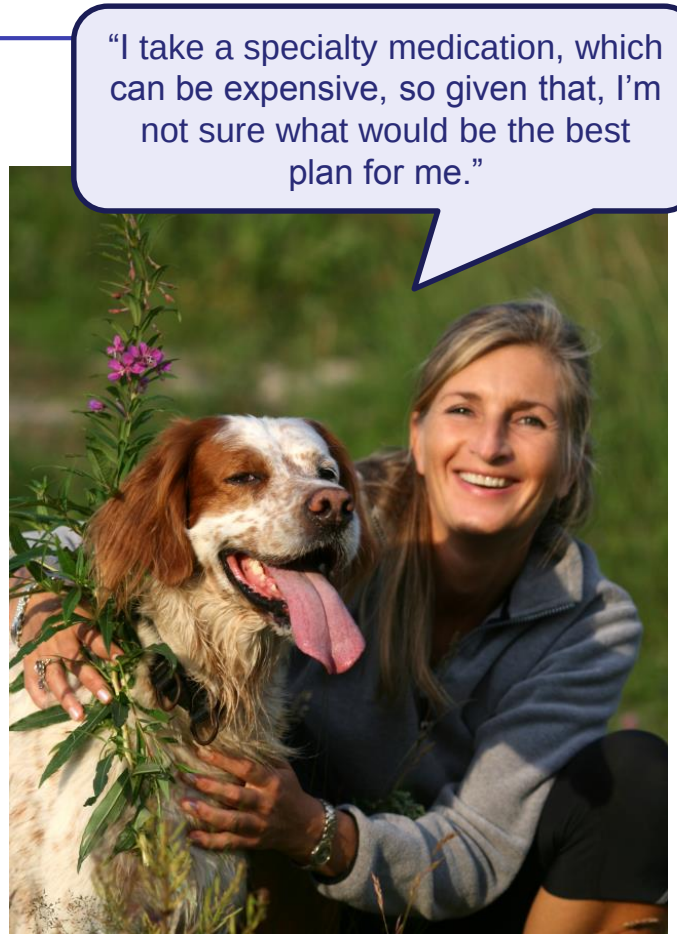


Photo credit: Thinkstock Images

Maxine's Projected Health Care Costs for 2017

Annual Member Costs	Traditional 70/30 Plan	Enhanced 80/20 Plan	CDHP 85/15
If Maxine is "Engaged"*			
Premium Payments	$0	$180	$0
Out-of-Pocket Costs	$1,588	$2,530	$2,675
Engaged Member Total	**$1,588**	**$2,710**	**$2,675**
If Maxine is "Non-Engaged"*			
Premium Payments	$480	$1,260	$960
Out-of-Pocket Costs	$1,588	$2,575	$2,900
Non-Engaged Member Total	**$2,068**	**$3,835**	**$3,860**

Maxine's lowest-cost option

- Because she takes an expensive specialty medication that has a lower copay in the Traditional 70/30 Plan, Maxine does best in that plan.
- On the Enhanced 80/20 Plan, Maxine hits her pharmacy out-of-pocket maximum of $2,500, but she still has higher cost-sharing in that plan than in the Traditional 70/30 Plan.
- On the CDHP, Maxine would quickly reach her deductible and would hit her out-of-pocket maximum before finishing the year because of the high cost of the specialty drug she takes.

*An "engaged member" has completed all wellness activities to receive premium credits and uses their selected PCP and Blue Options Designated providers. A "non-engaged member" has earned no premium credits and does not use a selected PCP or Blue Options Designated providers.

Member Scenario Cost Detail – Active Employee Maxine

		Traditional 70/30				Enhanced 80/20*				Consumer-Directed Health Plan 85/15*			
		Non-Engaged		Engaged		Non-Engaged		Engaged		Non-Engaged		Engaged	
Medical Services	#	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total	Unit Copay/ Cost	Mbr Total
Preventive Visits with PCP	1	$40	$40	$40	$40	$0	$0	$0	$0	$0	$0	$0	$0
Primary Care Visits	3	$40	$120	$40	$120	$25	$75	$10	$30	$150	$173	$150	$173
Diagnostic Labs	6	$0	$0	$0	$0	$0	$0	$0	$0	$25	$58	$25	$58
Drugs													
Tier 1 Prescriptions	12	$16	$192	$16	$192	$5	$50	$5	$50	$40	$64	$40	$64
Tier 5 Prescriptions	12	$103	$1,236	$103	$1,236	$250	$2,450	$250	$2,450	$2,700	$3,205	$2,700	$3,205
Total (before considering HRA)			**$1,588**		**$1,588**		**$2,575**		**$2,530**		**$3,500**		**$3,500**
HRA Funds Provided by SHP													
Starting Balance											$600		$600
HRA Incentive Dollars													
Identified PCP											$0		$100
Blue Options Designated Specialist											$0		$0
Blue Designated Options Hospital											$0		$0
Healthy Lifestyles Program											$0		$125
Total HRA Dollars to Use											**$600**		**$825**
Member Cost-sharing with HRA			$1,588		$1,588		$2,575		$2,530		$2,900		$2,675
HRA Balance for Use in 2018			--		--		--		--		$0		$0
Annual Premium			$480		$0		$1,260		$180		$960		$0
Total Member Cost			**$2,068**		**$1,588**		**$3,835**		**$2,710**		**$3,860**		**$2,675**

Red numbers in the Unit Copay/Cost column indicate a copayment amount. Green numbers in the Unit Copay/Cost column indicate estimated actual allowed cost for a service that could be subject to copay (in 70/30 and 80/20), deductible, and/or coinsurance.

*Enhanced 80/20 and CDHP costs by service depend on the timing of services. The numbers in the chart assume a specific ordering of services until the deductible and out-of-pocket maximums are reached.

Lowest Cost Plan/Optimized Enrollment Analysis

Analysis of Lowest Cost Plan Option

- Conducted by The Segal Company to determine which plan design would have resulted in the lowest cost for each member in Calendar Year 2014 (i.e. optimal enrollment)

- Analyzed CY 2014 incurred claims paid through January 2016
  - Active Employees, Non-Medicare Retirees, and COBRA Members
  - Members continuously enrolled during CY 2014
  - Total of 334,220 subscribers in the analysis, including subscribers from all coverage tiers (employee/retiree only, employee/retiree and family, etc.)

- Results determined two ways:
  1. With member contributions/premiums
  2. Without member contributions/premiums

Analysis of Lowest Cost Plan Option

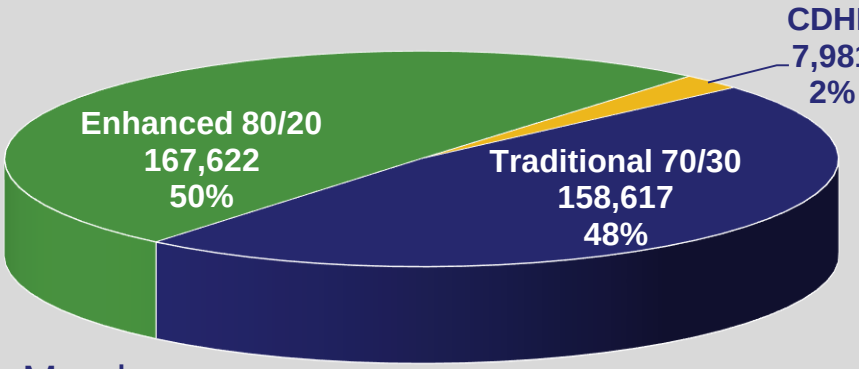
Initial Summary Points

- Absent employee premiums (looking solely at member cost sharing for services received/delivered), the CDHP (61%) and Enhanced 80/20 (39%) were the better plan options for members
  - No member would have fared better in the Traditional 70/30
  - Not surprising given benefit designs
  - Consistent with the comparative analysis Segal conducted looking at the relative and actuarial values of the plan offerings

- With premiums factored in (looking at the full cost of coverage for members), the CDHP was the best option for the highest proportion of members (71%) with the Traditional 70/30 being the second best choice (20%)
  - Only 9% of members were better off in the Enhanced 80/20

High Level Results of Analysis

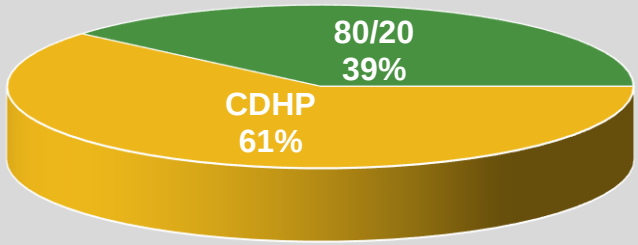
Actual CY 2014 Continuous 12-Month Subscribers



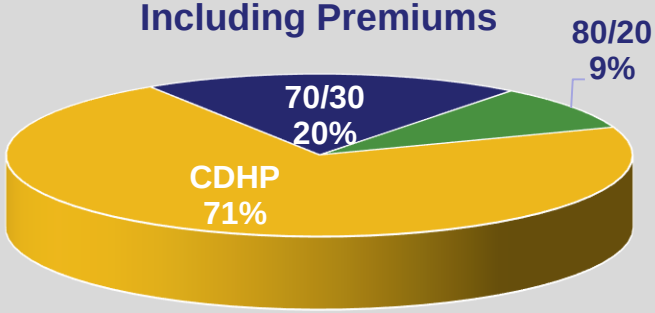
Active & Non-Medicare Members

Optimal Enrollment* Based on Actual CY 2014 Claims

Excluding Premiums



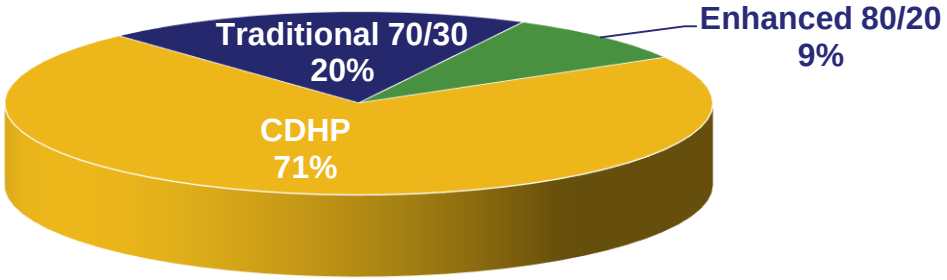
Including Premiums



* Resulting in lowest cost

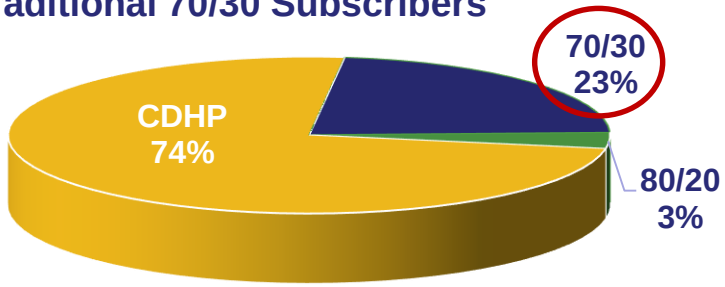
Lowest Cost Option by Selected Plan

Optimal Enrollment Resulting in Lowest Cost to Members including Premiums



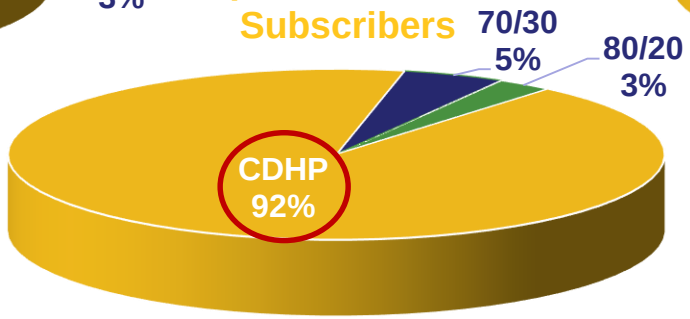
(n = 334,220)

Lowest Cost Option for Traditional 70/30 Subscribers



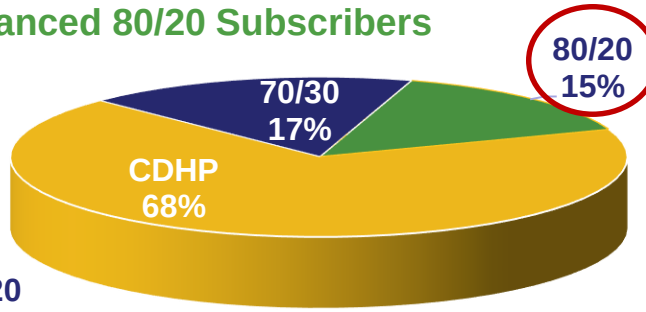
(n = 158,617)

Lowest Cost Option for CDHP Subscribers



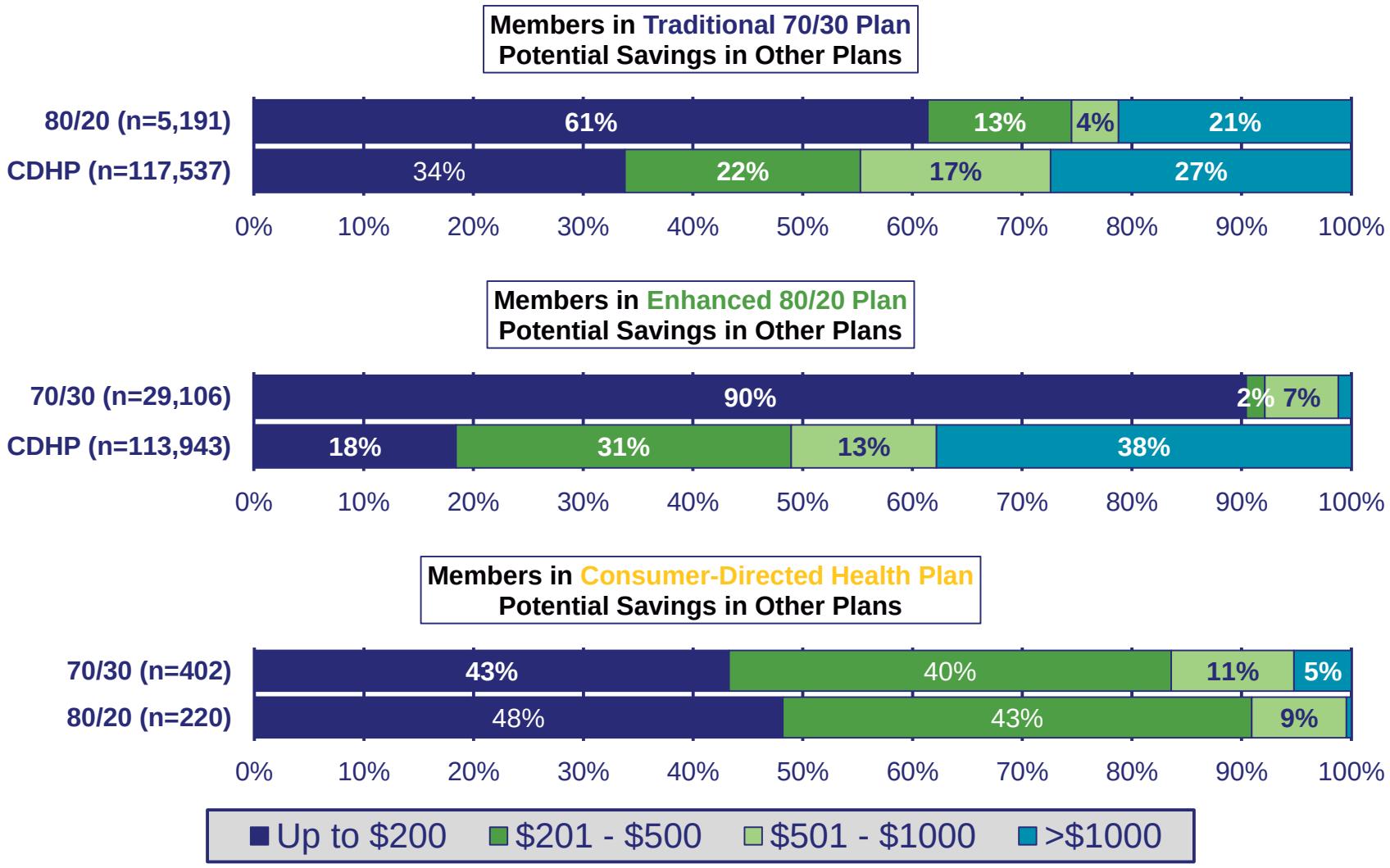
(n = 7,981)

Lowest Cost Option for Enhanced 80/20 Subscribers



(n = 167,622)

Potential Savings in Lowest Cost Option



Key Takeaways from Analysis

- Members enrolled in the CDHP did the best job of anticipating their health care needs/expenses and selecting a plan
  - Members were least successful at appropriately valuing the Enhanced 80/20 Plan; just 15% of Enhanced 80/20 Plan members were in the lowest-cost option
- 74% of members in the Traditional 70/30 Plan and 68% of members in the Enhanced 80/20 Plan would have spent less had they been in the CDHP
  - Of those who could have saved money in the CDHP, 27% of members in the 70/30 Plan and 38% of members in the 80/20 Plan could have saved more than $1,000
- The CDHP was the lowest-cost option for 89% of the subscribers who carried dependents on the Plan
- Low cost members (under $1,000 in paid claims) and high cost members (over $10,000 in paid claims) fare the best in the CDHP
  - Due to variations in service mix, the advantages of a particular plan option are less clear in the middle ranges of paid claims (more than $1,000 but less than $10,000) but the CDHP sometimes results in higher member cost share in this range
- The pharmacy benefit, which was the same in CY 2014 for the Traditional 70/30 and Enhanced 80/20 plans, is driving a significant portion of the value and results between these two plans
  - The two plans have since been further differentiated (effective January 1, 2016)

Appendix

1. State Budget Special Provisions
2. February 5, 2016 Board Actions
3. Comprehensive Plan Comparison
4. Blue Options Designated Providers
5. Summary of Options Considered: Enhanced 80/20 Plan

State Budget Special Provisions

2015 Appropriations Act, House Bill 97, SL 2015-241

SECTION 30.26.(a) It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 **have adopted sufficient measures to limit projected employer contribution** increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes.

SECTION 30.26.(b) During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall **maintain a cash reserve of at least twenty percent (20%) of its annual costs**. For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S. 135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan.

SECTION 30.26.(c) On and after January 1, 2016, if the State Health Plan for Teachers and State Employees projects a cash reserve of less than the minimum cash reserve required by this section at any time during the remainder of the 2015-2017 fiscal biennium, or the Fiscal Research Division of the General Assembly notifies the Plan that it projects such a deficiency, the Department of State Treasurer shall report to the Joint Legislative Commission on Governmental Operations within 60 days of that projection or notification on actions the Department plans to take in order to maintain that required minimum cash reserve.

February 5, 2016 Board Actions

Summary February 5th Board Actions – CY 2017

Approved Items

1. Maintain same healthy activities to earn premium credits as previous year
   - Apply tobacco attestation credit to Subscribers only
   - PCP selection instead of PCMH
   - Complete HA which includes biometric questions instead of seeking provider reported biometrics
2. Add low-cost generic specialty medications tier
   - Reflects some increases in cost sharing on pharmacy tiers in Traditional 70/30 and Enhanced 80/20

Delayed Items (until May 1st)

1. Increases in cost sharing on Traditional 70/30 and Enhanced 80/20 options
2. Modify base premium strategy
   - Increase base premium for Enhanced 80/20 to $35 (currently $24.20)
   - Establish base premium on other options:
     - $10 CDHP
     - $15 Traditional 70/30

Items in red can no longer be implemented for CY 2017

CY 2017 Healthy Activities & Premium Credits

Healthy Activity	CDHP 85/15	Enhanced 80/20	Traditional 70/30
Non-Tobacco User or QuitlineNC Enrollment *(applies to subscriber only, attestation regarding spousal tobacco use not required)*	$40	$40	$40
Primary Care Provider Selection *(applies to subscriber and enrolled dependents)*	$20	$25	N/A
Health Assessment Completion *(applies to subscriber only)*	$20	$25	N/A
Total Credits Available	**$80**	**$90**	**$40**

Board Approved Feb 5, 2016

Changes to Pharmacy Tiers

- In CY 2017 and beyond, generic/lower cost versions of specialty medications will be entering the market
  - There will be two to three drugs entering in CY 2016

- Beginning in CY 2017, Plan staff recommends incenting members to utilize these lower cost medications by adding a new Tier Four which would incorporate these lower cost drugs
  - The current Tier Four would shift to Tier Five
  - The current Tier Five would shift to Tier Six

Board Approved Feb 5, 2016

Changes to Pharmacy Tiers

Traditional 70/30 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1 Tier 2 Tier 3 Tier 4 (Preferred Specialty) Tier 5 (Non-preferred Specialty) Tier 6	$15 $46 $72 25% up to $100 25% up to $132 N/A	Tier 1 Tier 2 Tier 3 **Tier 4 (Low-cost/Generic Specialty)** **Tier 5 (Preferred Specialty)** **Tier 6 (Non-preferred Specialty)**	**$16** **$47** **$74** **10% up to $100** **25% up to $103** **25% up to $133**

Enhanced 80/20 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1 Tier 2 Tier 3 Tier 4 (Preferred Specialty) Tier 5 (Non-preferred Specialty) Tier 6	$12 $40 $64 25% up to $100 25% up to $132 N/A	Tier 1 Tier 2 Tier 3 **Tier 4 (Low-cost/Generic Specialty)** **Tier 5 (Preferred Specialty)** **Tier 6 (Non-preferred Specialty)**	**$14** **$45** **$70** **10% up to $100** **25% up to $103** **25% up to $133**

Board Approved Feb 5, 2016

Comprehensive Plan Comparison: Recommended Benefit Options for 2017

Determining Deductibles

There are four coverage tiers:

- Employee Only
- Employee and Child
- Employee and Spouse
- Employee and Family

In-Network

Traditionally the annual deductible for family has been three times the individual deductible (e.g. $700 x 3 = $2,100). For the subscriber plus one (employee spouse or employee child) the deductibles accumulate individually for each and once met for that individual, Plan cost sharing begins.

Out-of-Network (OON)

The annual OON deductible is two times the amount for in-network. For example, if the in-network individual deductible is $700, the OON deductible is $1,400 ($700 x 2) and for family it is $4,200 ($2,100 x 2).

Out-of-Pocket Maximums – Grandfathered Plans

Grandfathered Plans

Traditionally, the grandfathered plans have had a coinsurance maximum, meaning the Plan pays 20% of eligible expenses after the deductible is met up to a maximum amount, at which point the Plan pays 100% of eligible expenses. However, the deductible did not apply toward the coinsurance maximum and even if the coinsurance maximum was met, a member was still responsible for any copays under the Plan.

In-Network

The copay based plans have had a medical coinsurance maximum and a pharmacy out-of-pocket maximum. The annual in-network coinsurance maximum for family has been three times the amount of the individual coinsurance maximum; (e.g. $3,210 x 3 = $9,630). The pharmacy out-of-pocket maximum was the same regardless of whether in network or OON.

Out-of-Network (OON)

The annual OON coinsurance amount is two times the amount for in network. For example, if the in-network medical coinsurance amount is $3,210 for an individual, the OON coinsurance amount is $6,420 and for family it is $19,260 ($9,630 x 2).

Out-of-Pocket Maximums – Non-Grandfathered Plans

Non-Grandfathered Plans

Under the Affordable Care Act (ACA), non-grandfathered plans have a true out-of-pocket (OOP) maximum meaning that the deductible, as well as any copays, apply toward meeting the out-of-pocket maximum. In addition, there is a cap on the in-network out-of-pocket maximum. For 2017, the OOP maximum for an individual is $7,150 and for family it is $14,300.

There is no cap on OOP maximums for out-of-network services.

If the Plan applies its traditional method for determining the out-of-pocket maximums to the Enhanced 80/20 Plan and it loses grandfather status, it would exceed the cap. The new approach would be to apply the traditional method up to any applicable cap.

- For example, if the Enhanced 80/20 Plan loses grandfather status, the 2017 OOP max for a family will be $14,300, not $20,5500 ($6,850 x 3).

Recommended Benefit Design – CDHP 85/15 *(no change)*

	Current CY 2016 In-Network Non-Grandfathered	Current CY 2016 Out-of-Network Non-Grandfathered	Recommended CY 2017 In-Network Non-Grandfathered	Recommended CY 2017 Out-of-Network Non-Grandfathered
HRA Starting Balance	$600 Employee $1,200 Employee + 1 $1,800 Employee + 2 or more	$600 Employee $1,200 Employee + 1 $1,800 Employee + 2 or more	$600 Employee $1,200 Employee + 1 $1,800 Employee + 2 or more	$600 Employee $1,200 Employee + 1 $1,800 Employee + 2 or more
Annual Deductible	$1,500 Individual $4,500 Family	$3,000 Individual $9,000 Family	$1,500 Individual $4,500 Family	$3,000 Individual $9,000 Family
Coinsurance	15% of eligible expenses after deductible	35% of eligible expenses after deductible and the difference between the allowed amount and the charge	15% of eligible expenses after deductible	35% of eligible expenses after deductible and the difference between the allowed amount and the charge
Coinsurance Maximum	N/A	N/A	N/A	N/A
Out-of-Pocket Maximum (Combined Medical and Pharmacy) *Includes Deductible*	$3,500 Individual $10,500 Family	$7,000 Individual $21,000 Family	$3,500 Individual $10,500 Family	$7,000 Individual $21,000 Family
ACA Preventive Services	Covered at 100%	65% after deductible	Covered at 100%	65% after deductible
<u>Office Visits</u> Selected PCP Non-selected PCP	15% after deductible+$25 HRA credit 15% after deductible+$20 HRA credit if a B.O.D provider	35% after deductible	15% after deductible+$25 HRA credit 15% after deductible+$20 HRA credit if a B.O.D provider	35% after deductible

B.O.D = Blue Options Designated Provider

Recommended Benefit Design – CDHP 85/15 *(no change)*

	Current CY 2016 In-Network Non-Grandfathered	Current CY 2016 Out-of-Network Non-Grandfathered	Recommended CY 2017 In-Network Non-Grandfathered	Recommended CY 2017 Out-of-Network Non-Grandfathered
Office Visits B.O.D. Specialist. Non-B.O.D. Specialist	15% after deductible+$20 HRA credit (for B.O.D.specialists. 15% after deductible	35% after deductible	15% after deductible+$20 HRA credit (for B.O.D.specialists. 15% after deductible	35% after deductible
Urgent Care	15% after deductible	15% after deductible	15% after deductible	15% after deductible
Emergency Room	15% after deductible	15% after deductible	15% after deductible	15% after deductible
Outpatient Hospital	15% after deductible	35% after deductible	15% after deductible	35% after deductible
Inpatient Hospital B.O.D Non-B.O.D.	15% after deductible. + $200 HRA Credit for B.O.D. Hospitals 15% after deductible	35% after deductible	15% after deductible. + $200 HRA Credit for B.O.D. Hospitals 15% after deductible	35% after deductible
Therapy Services (Chiro/PT/OT)	15% after deductible	35% after deductible	15% after deductible	35% after deductible
Drugs	15% after deductible CDHP Maintenance Medications are deductible exempt	35% after deductible CDHP Maintenance Medications are deductible exempt	15% after deductible CDHP Maintenance Medications are deductible exempt	35% after deductible CDHP Maintenance Medications are deductible exempt

B.O.D = Blue Options Designated Provider

Recommended Benefit Design – Enhanced 80/20 Plan

	Current CY 2016 In-Network Grandfathered	Current CY 2016 Out-of-Network Grandfathered	Recommended Value Based Design CY 2017 In-Network Non-Grandfather	Recommended Value Based Design CY 2017 Out-of-Network Non-Grandfather
Annual Deductible	$700 Individual $2,100 Family	$1,400 Individual $4,200 Family	**$1,250 Individual $3,750 Family**	**$2,500 Individual $7,500 Family**
Coinsurance	20% eligible expenses after deductible	40% of eligible expenses after deductible and the difference between the allowed amount and the charge	20% eligible expenses after deductible	40% of eligible expenses after deductible and the difference between the allowed amount and the charge
Medical Coinsurance Max	$3,210 Individual/ $9,630 Family	$6,420 Individual/ $19,260 Family	N/A	N/A
Medical Out-of-Pocket Max	N/A	N/A	**$4,350 Individual $13,050 Family**	**$8,700 Individual $26,100 Family**
Pharmacy Out-of-Pocket Max	$2,500	$2,500	$2,500	$2,500
Total Out-of-Pocket Max *(Includes Deductible)*	N/A	N/A	**$6,850 Individual $14,300 Family**	N/A
ACA Preventive Services	Covered at 100%	Dependent on Service	Covered at 100%	Dependent on Service
Office Visits Selected PCP Non-selected PCP	$15 $30	40% after deductible	**$10 $25**	40% after deductible
Office Visits B.O.D. Specialist. Non-B.O.D. Specialist	$60 $70	40% after deductible	**$45 $85**	40% after deductible

B.O.D = Blue Options Designated Provider

Recommended Benefit Design – Enhanced 80/20 Plan

	Current CY 2016 In-Network Grandfathered	Current CY 2016 Out-of-Network Grandfathered	Recommended Value Based Design CY 2017 In-Network Non-Grandfather	Recommended Value Based Design CY 2017 Out-of-Network Non-Grandfather
Urgent Care	$87	$87	**$70**	**$70**
Emergency Room *(Copay waived w/ admission or observation stay)*	$233, then 20% after deductible	$233, then 20% after deductible	**$300, then 20% after deductible**	**$300, then 20% after deductible**
Outpatient Hospital	20% after deductible	40% after deductible	20% after deductible	40% after deductible
Inpatient Hospital B.O.D Non-B.O.D.	$0, then 20% after deductible $233, then 20% after deductible	$233, then 40% after deductible	$0, then 20% after deductible **$450, then 20% after deductible**	**$450, then 40% after deductible**
Therapy Services (Chiro/PT/OT)	$52	40% after deductible	$52	40% after deductible
Drugs Tier 1 (Generic) Tier 2 (Preferred Brand & High-cost Generic) Tier 3 (Non-preferred Brand) Tier 4 (Low-cost/Generic Specialty) Tier 5 (Preferred Specialty) Tier 6 (Non-preferred Specialty)	 $12 $40 $64 N/A 25% up to $100 25% up to $132	 $12 $40 $64 N/A 25% up to $100 25% up to $132	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**

Recommended Benefit Design – Traditional 70/30 Plan

	Current CY 2016 In-Network Grandfathered	Current CY 2016 Out-of-Network Grandfathered	Recommended CY 2017 In-Network Grandfathered	Recommended CY 2017 Out-of-Network Grandfathered
Annual Deductible	$1,054 Individual $3,162 Family	$2,108 Individual $6,324 Family	**$1,080 Individual** **$3,240 Family**	**$2,160 Individual** **$4,320 Family**
Coinsurance	30% of eligible expenses after deductible	50% of eligible expenses after deductible and the difference between the allowed amount and the charge	30% of eligible expenses after deductible	50% of eligible expenses after deductible and the difference between the allowed amount and the charge
Medical Coinsurance Max Pharmacy Max Out-of-Pocket Max *(Includes Deductible)*	$4,282 Individual/$12,845 Family $3,294 N/A	$8,564 Individual/ $25,692 Family $3,294 N/A	**$4,388 Individual/** **$13,164 Family** **$3,360 Individual/** **$10,080 Family** N/A	**$8,776 Individual/** **$26,328 Family** **$3,360 Individual/** **$10,080 Family** N/A
ACA Preventive Services	Cost-Sharing Applies ($39 for Primary Care/$92 for Specialists)	Only certain services are covered	Cost-Sharing Applies **($40 for Primary Care $94 for Specialists)**	Only certain services are covered
Office Visits PCP Copay	$39	50% after deductible	**$40**	50% after deductible
Office Visits Specialist Copay	$92	50% after deductible	**$94**	50% after deductible

Recommended Benefit Design – Traditional 70/30 Plan

	Current CY 2016 In-Network Grandfathered	Current CY 2016 Out-of-Network Grandfathered	Recommended CY 2017 In-Network Grandfathered	Recommended CY 2017 Out-of-Network Grandfathered
Urgent Care	$98	$98	**$100**	**$100**
ER *(Copay waived w/ admission or observation stay)*	$329, then 30% deductible	$329, then 30% deductible	**$337, then 30% deductible**	**$337, then 30% deductible**
Outpatient Hospital	30% after deductible	50% after deductible	30% after deductible	50% after deductible
Inpatient Hospital	$329, then 30% deductible	$329, then 50% deductible	**$337, then deductible/30% coinsurance**	**$337, then deductible/50% coinsurance**
Therapy Services (Chiro/PT/OT)	$72 Copay	deductible/ coinsurance	$72 Copay	50% after deductible
Drugs			***Approved 2-5-16***	
Tier 1 (Generic)	$15	$15	**$16**	**$16**
Tier 2 (Preferred Brand & High-cost Generic)	$46	$46	**$47**	**$47**
Tier 3 (Non-preferred Brand)	$72	$72	**$74**	**$74**
Tier 4 (Low-cost/Generic Specialty)	N/A	N/A	**10% up to $100**	**10% up to $100**
Tier 5 (Preferred Specialty)	25% up to $100	25% up to $100	**25% up to $103**	**25% up to $103**
Tier 6 (Non-preferred Specialty)	25% up to $132	25% up to $132	**25% up to $133**	**25% up to $133**

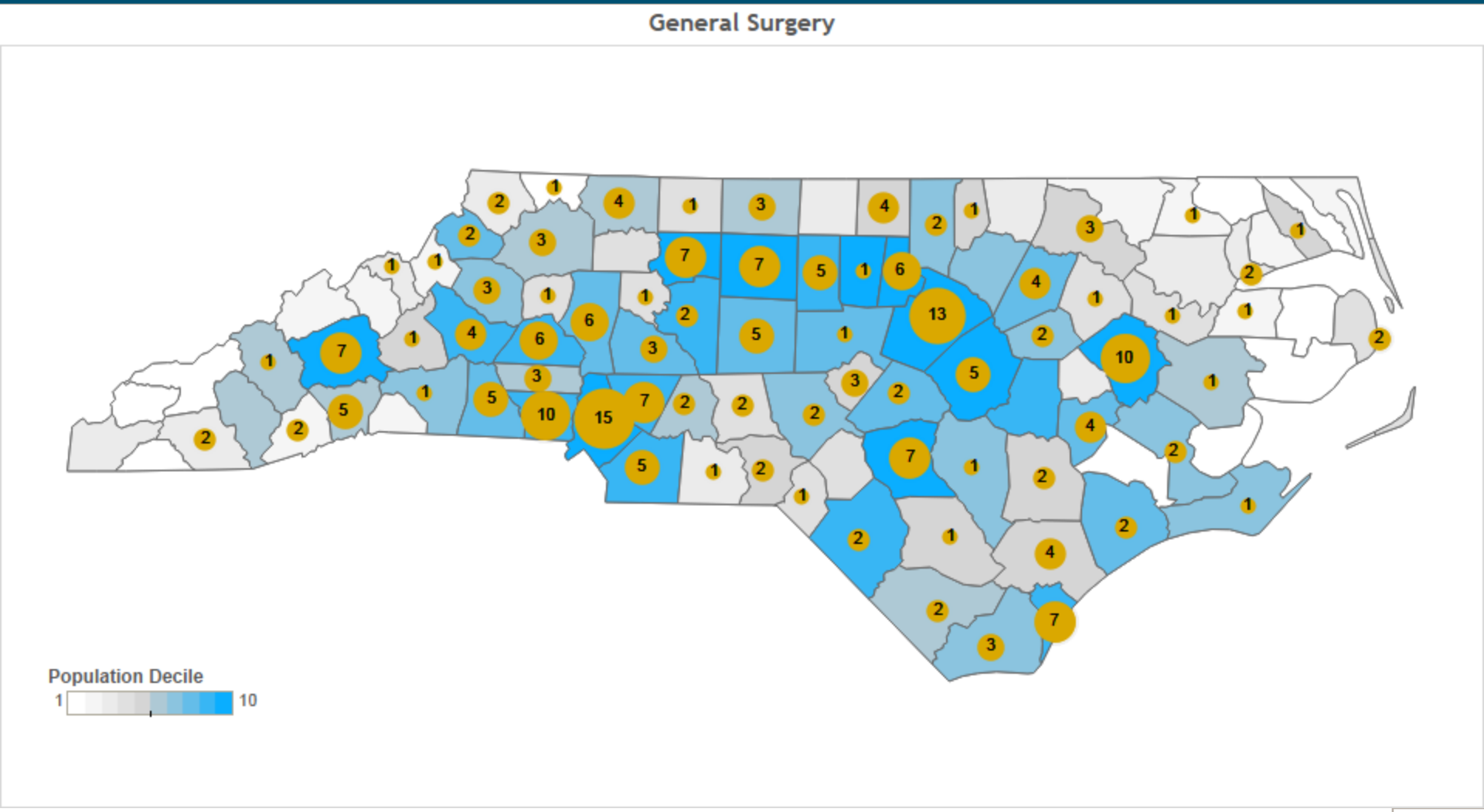
Blue Options Designated Providers

What Is a Blue Options Designated Provider?

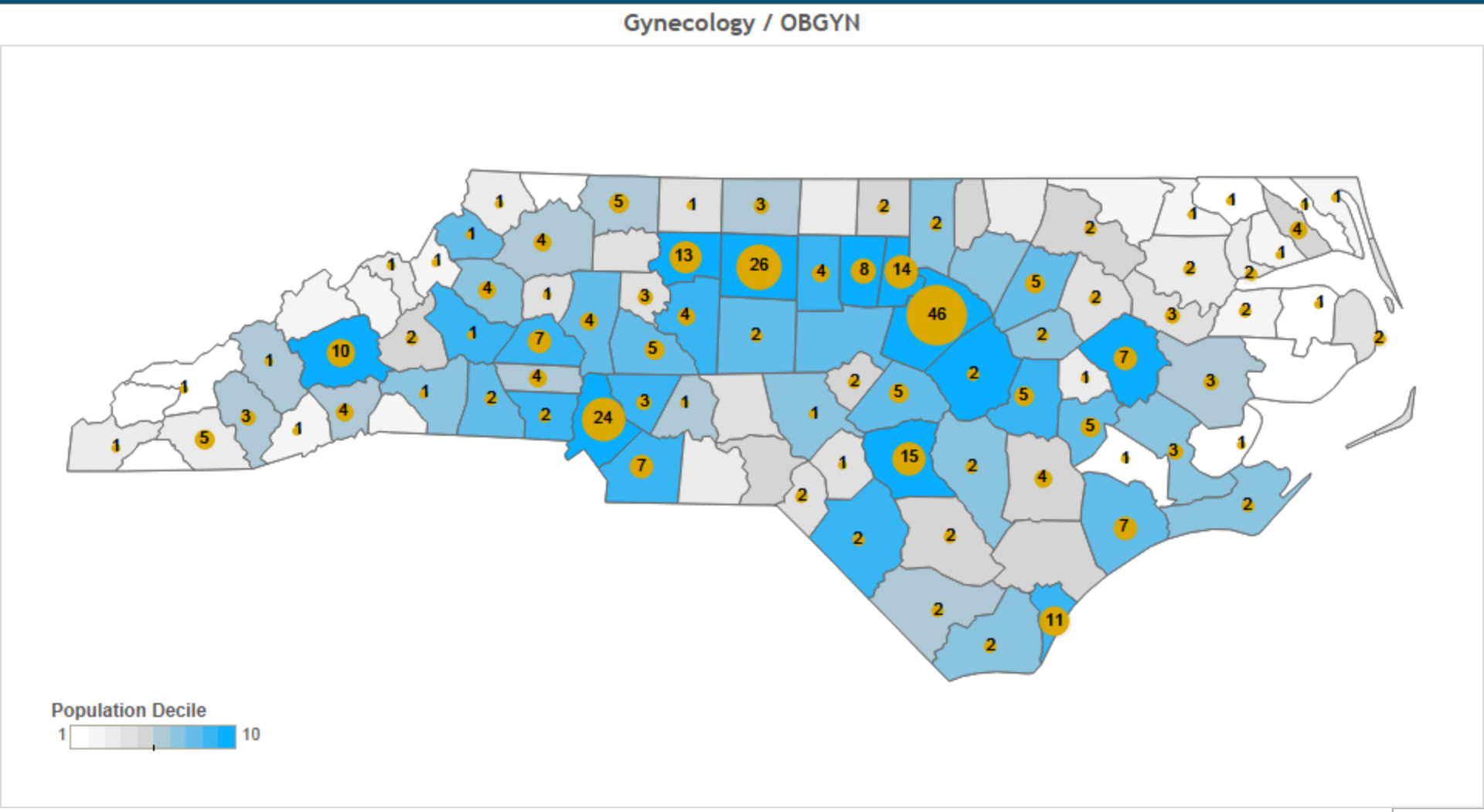
- Blue Options Designated providers meet BCBSNC criteria for:
  - Delivering quality health outcomes
  - Cost effectiveness
  - Accessibility by members

- The Blue Options Designated provider network includes hospitals and certain types of specialists:
  - General Surgery
  - Ob-Gyn
  - Gastroenterology
  - Orthopedics
  - Cardiology
  - Neurology
  - Endocrinology

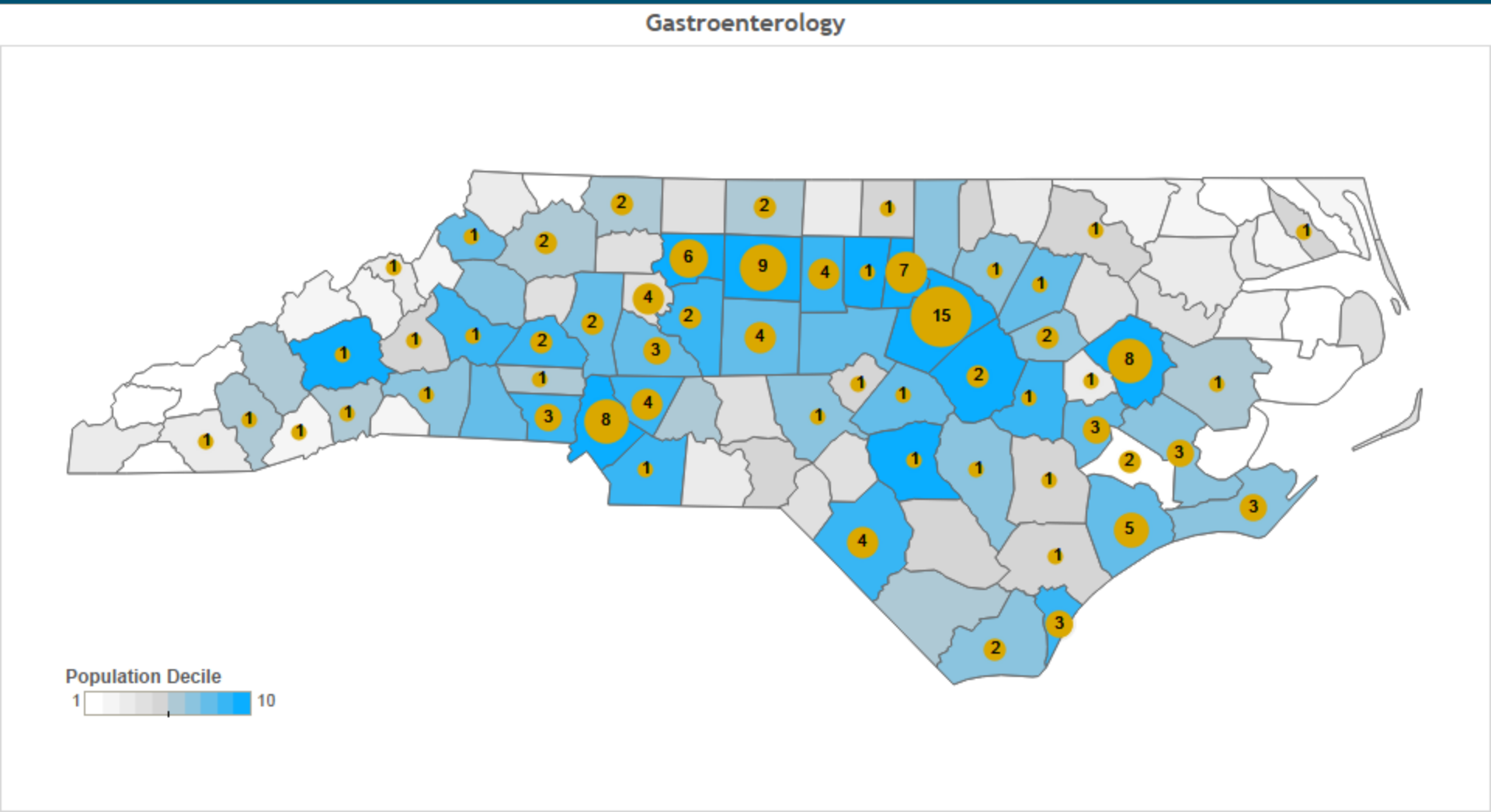
Designated Providers: General Surgery



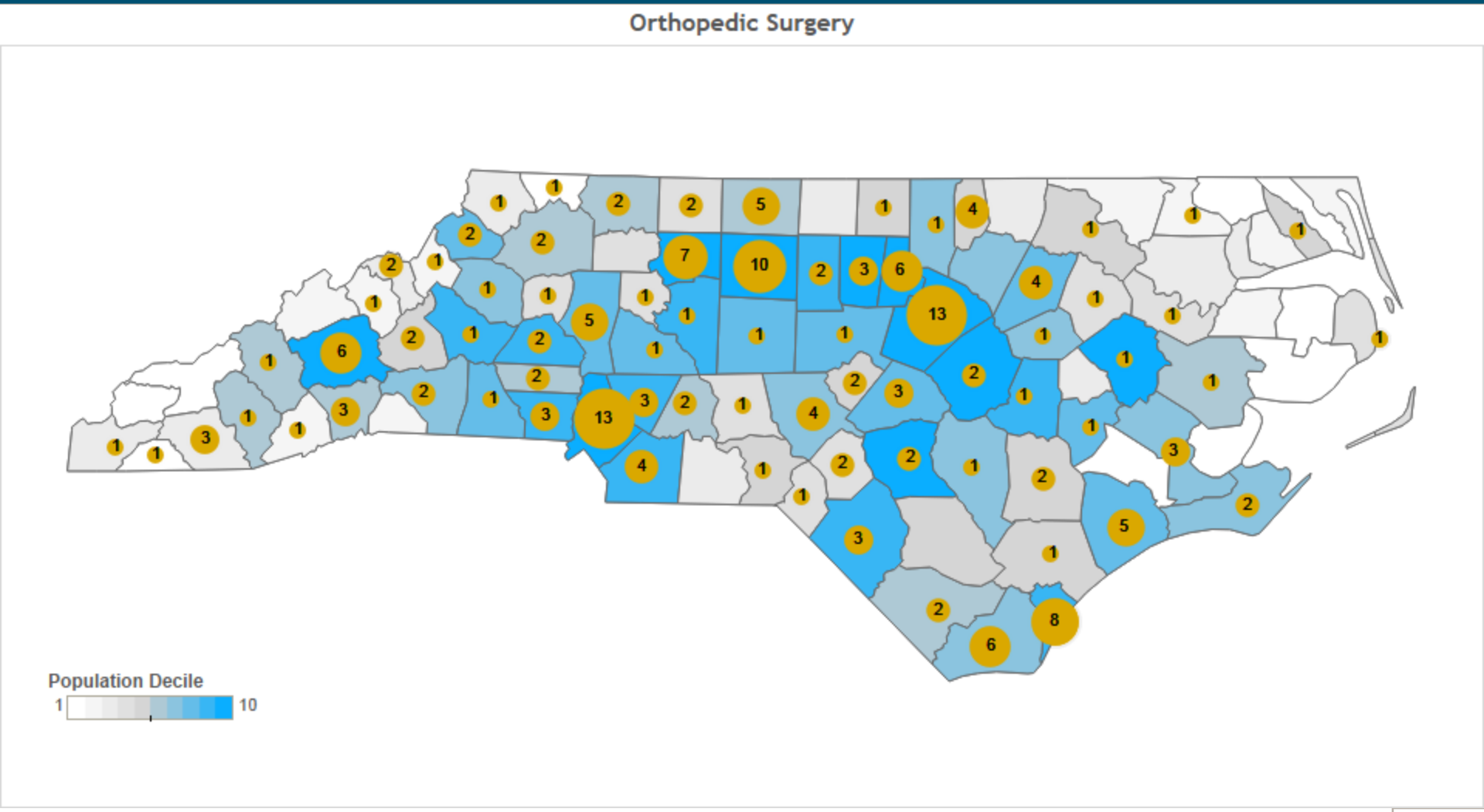
Designated Providers: Gynecology/OBGYN



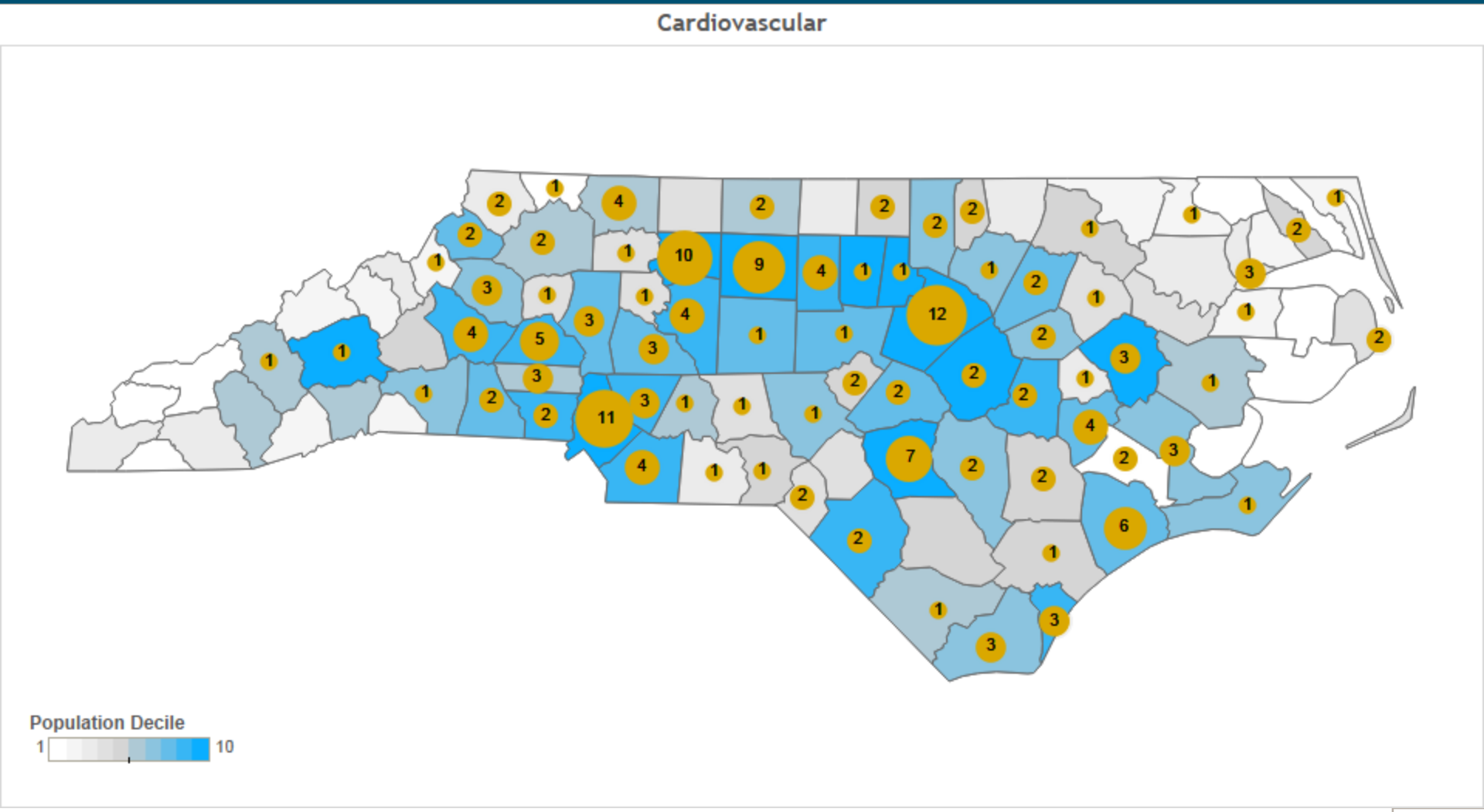
Designated Providers: Gastroenterology



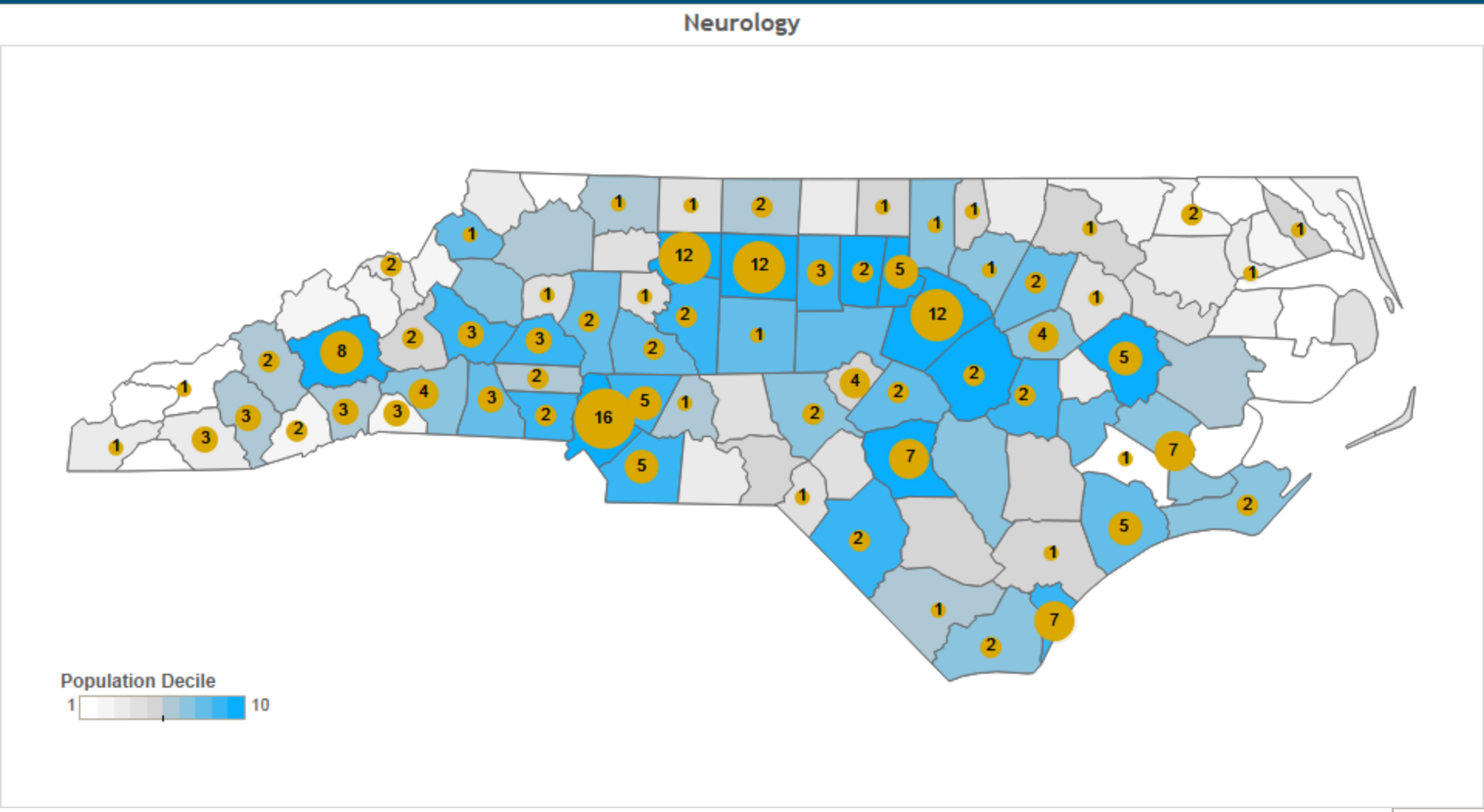
Designated Providers: Orthopedic Surgery



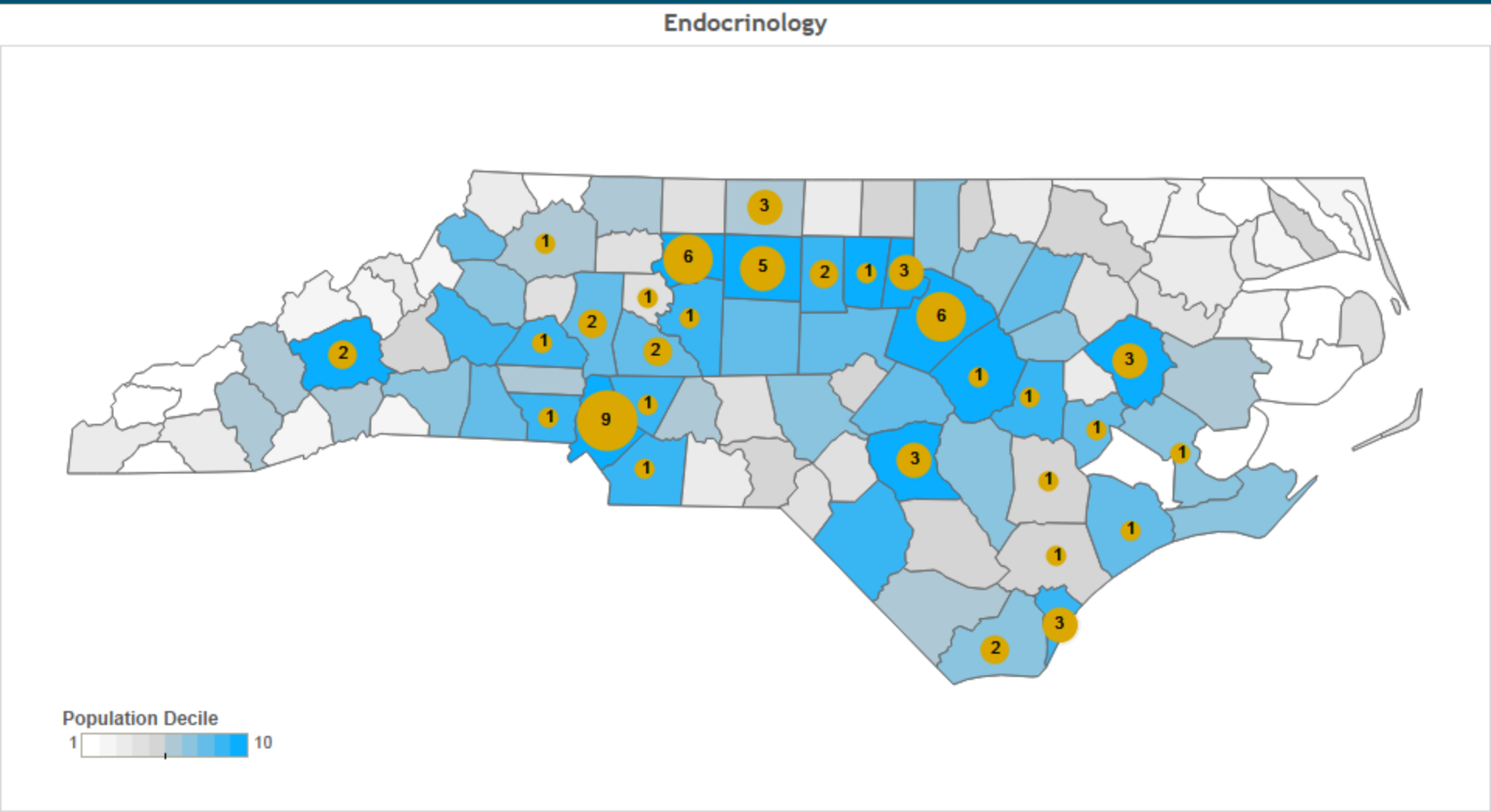
Designated Providers: Cardiovascular



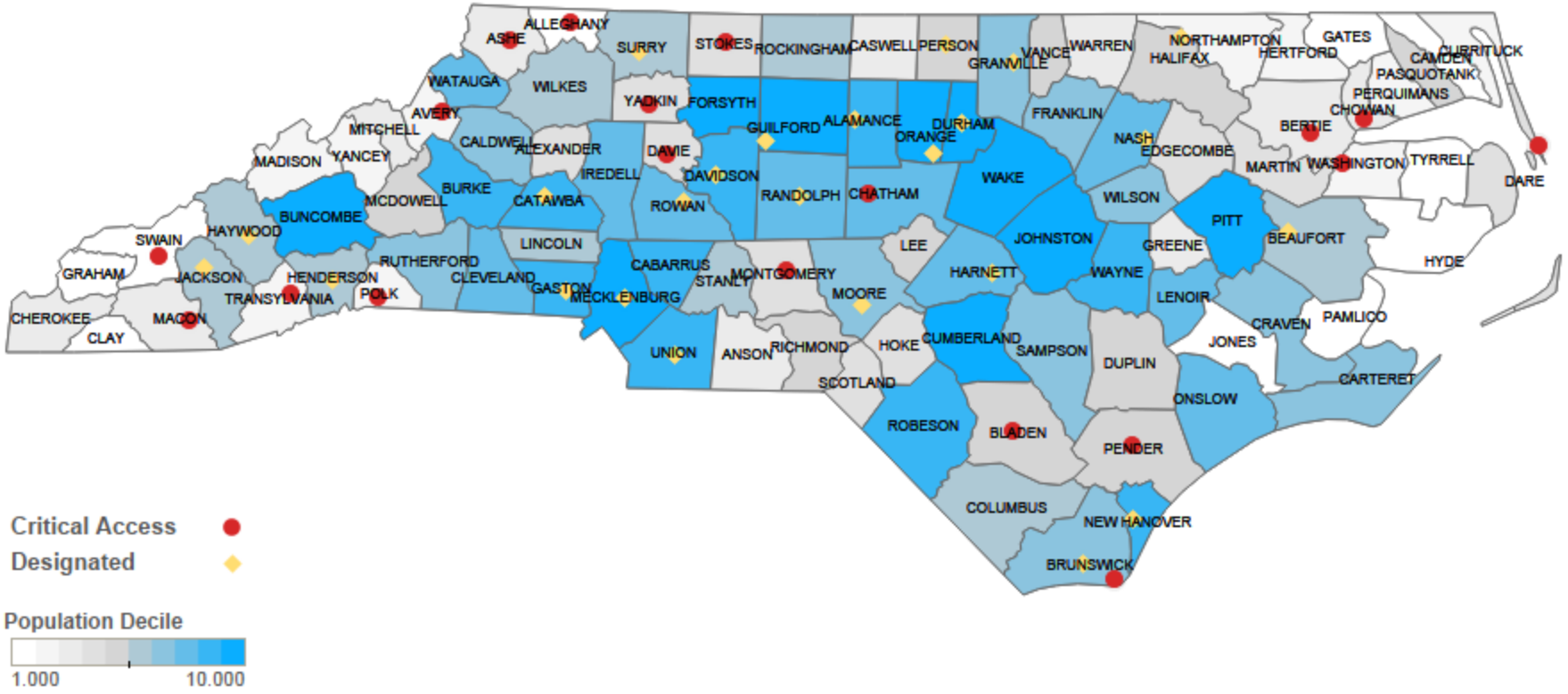
Designated Providers: Neurology



Designated Providers: Endocrinology



2016 Designated Hospitals



BlueOptions 2016 **State Health Plan** Designated Facility Listing

Designated for Cost & Quality

ALAMANCE REGIONAL MEDICAL CENTER
BETSY JOHNSON REGIONAL HOSPITAL
CAROLINAS MEDICAL CENTER
CAROLINAS MEDICAL CENTER-MERCY
CAROLINAS MEDICAL CENTER-UNIVERSITY
CAROMONT REGIONAL MEDICAL CENTER
CATAWBA VALLEY MEDICAL CENTER
CENTRAL HARNETT HOSPITAL
CMC UNION
D.L.P. PERSON MEMORIAL HOSPITAL, LLC
FIRSTHEALTH MOORE REGIONAL
GRANVILLE MEDICAL CENTER
HALIFAX REGIONAL MEDICAL CENTER
HARRIS REGIONAL HOSPITAL
HAYWOOD REGIONAL MEDICAL HOSPITAL
HIGH POINT REGIONAL HOSPITAL
HUGH CHATHAM MEMORIAL HOSPITAL
LEXINGTON MEMORIAL HOSPITAL
MARG R. PARDEE MEMORIAL HOSPITAL
NASH GENERAL HOSPITAL
NEW HANOVER REGIONAL MEDICAL CENTER
NORTH CAROLINA SPECIALTY HOSPITAL
NORTHERN HOSPITAL OF SURRY COUNTY
NOVANT HEALTH BRUNSWICK MEDICAL CENTER
NOVANT HEALTH ROWAN MEDICAL CENTER
RANDOLPH HOSPITAL
UNC HOSPITALS
VIDANT BEAUFORT HOSPITAL

Designated for Critical Access

ALLEGHANY COUNTY MEMORIAL HOSPITAL
ANGEL MEDICAL CENTER
ASHE MEMORIAL HOSPITAL
BLADEN COUNTY HOSPITAL
BLUE RIDGE REGIONAL HOSPITAL
CHARLES A. CANNON, JR. MEMORIAL HOSPITAL
CHATHAM HOSPITAL
DOSHER MEMORIAL HOSPITAL
FIRSTHEALTH MONTGOMERY MEM HOSP
HIGHLANDS CASHIERS HOSPITAL
MURPHY MEDICAL CENTER, INC.
PENDER MEMORIAL HOSPITAL
PIONEER COMMUNITY HOSPITAL OF STOKE
ST LUKES HOSPITAL
SWAIN COUNTY HOSPITAL
THE OUTER BANKS HOSPITAL, INC.
TRANSYLVANIA COMMUNITY HOSPITAL
VIDANT BERTIE HOSPITAL
VIDANT CHOWAN HOSPITAL
WASHINGTON COUNTY HOSPITAL

If you select one of these hospitals and are enrolled in the following plans you will receive:

- The Enhanced 80/20 Plan: Your Inpatient Admission Co- Pay will not be applied
- The Consumer-Directed Health Plan: You will receive $200 added to your HRA

These are **NOT** the only in-network hospitals. To find a complete list of in-network hospitals, visit www.shpnc.org and select - Find a Doctor.

Summary of Options Considered for Enhanced 80/20 Plan

2017 Benefit Design Options Considered – Enhanced 80/20 Plan

B.O.D = Blue Options Designated Provider	No Additional Action Grandfathered	Alternate Across the Board Increases in Cost Sharing Grandfathered	April 27, 2016 Proposed Value Based Design Non-Grandfathered	Alternate Value Based Design Non-Grandfathered
Base Premium	$24.20	$24.20	$24.20	$24.20
Deductible	$700	**$810**	**$1,250**	**$1,250**
Coinsurance Percentage	20%	20%	20%	20%
ACA Preventive Coverage	Covered at 100%	Covered at 100%	Covered at 100%	Covered at 100%
Medical Coinsurance Max Pharmacy Max	$3,210 $2,500	**$3,713** **$3,360**	N/A	N/A
Combined Out-of-Pocket Max Medical Out-of-Pocket Max Pharmacy Out-of-Pocket Max	*(Includes Deductible)* N/A	N/A	**$6,400**	**$4,350** $2,500
Selected PCP Non-selected PCP	$15 $30	$15 **$33**	**$10** **$25**	**$10** **$25**
B.O.D. Specialist. Non-B.O.D. Specialist	$60 $70	$60 **$81**	**$45** **$85**	**$45** **$85**
Inpatient Hospital B.O.D Non-B.O.D.	 $0, then Ded/Coins. $233, then Ded/Coins.	 $0, then Ded/Coins. **$270, then Ded/Coins.**	 $0, then Ded/Coins. **$450, then Ded/Coins.**	 $0, then Ded/Coins. **$450, then Ded/Coins.**
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	$87	**$100**	**$70**	**$70**
ER *(Copay waived w/ admission or observation stay)*	$233, then Ded/Coins.	**$270, then Ded/Coins.**	**$300, then Ded/Coins.**	**$300, then Ded/Coins.**
Drugs Tier 1 (Generic) Tier 2 (Preferred Brand & High-cost Generic) Tier 3 (Non-preferred Brand) Tier 4 (Low-cost/Generic Specialty) Tier 5 (Preferred Specialty) Tier 6 (Non-preferred Specialty)	*Approved 2-5-16* $14 $45 $70 10% up to $100 25% up to $103 25% up to $133	 **$16** **$47** **$74** 10% up to $100 25% up to $103 25% up to $133	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**	 **$5** **$30** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**

Alternate Value Based Design with Modifications – Enhanced 80/20 Plan

B.O.D = Blue Options Designated Provider	**Alternate Value Based Design Non-Grandfathered**	**Modified Option #1 Alternate Value Based Design Non-Grandfathered**	**Modified Option #2 Alternate Value Based Design Non-Grandfathered**
Base Premium (increase)	$24.20	**$25.96 ($1.76)**	**$28.76 ($4.56)**
Deductible	**$1,250**	**$1,250**	**$1,250**
Coinsurance Percentage	20%	20%	20%
ACA Preventive Coverage	Covered at 100%	Covered at 100%	Covered at 100%
Combined Out-of-Pocket Max Medical Out-of-Pocket Max *(Includes Deductible)* Pharmacy Out-of-Pocket Max	N/A **$4,350** $2,500	N/A **$4,028** $2,500	N/A **$3,639** $2,500
Selected PCP Non-selected PCP	**$10** **$25**	**$10** **$25**	**$10** **$25**
B.O.D. Specialist. Non-B.O.D. Specialist	**$45** **$85**	**$45** **$85**	**$45** **$85**
Inpatient Hospital B.O.D Non-B.O.D.	 $0, then Ded/Coins. **$450, then Ded/Coins.**	 $0, then Ded/Coins. **$450, then Ded/Coins.**	 $0, then Ded/Coins. **$450, then Ded/Coins.**
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	**$70**	**$70**	**$70**
ER *(Copay waived w/ admission or observation stay)*	**$300, then Ded/Coins.**	**$300, then Ded/Coins.**	**$300, then Ded/Coins.**
Drugs Tier 1 (Generic) Tier 2 (Preferred Brand & High-cost Generic) Tier 3 (Non-preferred Brand) Tier 4 (Low-cost/Generic Specialty) Tier 5 (Preferred Specialty) Tier 6 (Non-preferred Specialty)	 **$5** **$30** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**

April 27, 2016 Proposal with Modifications – Enhanced 80/20

B.O.D = Blue Options Designated Provider	**April 27, 2016 Proposed Value Based Design Non-Grandfathered**	**Modified Option #1 April 27, 2016 Proposed Value Based Design Non-Grandfathered**	**Modified Option #2 April 27, 2016 Proposed Value Based Design Non-Grandfathered**
Base Premium (increase)	$24.20	**$25.96 ($1.76)**	**$28.76 ($4.56)**
Deductible	**$1,250**	**$1,250**	**$1,250**
Coinsurance Percentage	20%	20%	20%
ACA Preventive Coverage	Covered at 100%	Covered at 100%	Covered at 100%
Medical Coinsurance Max Pharmacy Max Out-of-Pocket Max *(Includes Deductible)*	N/A N/A **$6,400**	N/A N/A **$6,000**	N/A N/A **$5,500**
Selected PCP Non-selected PCP	**$10** **$25**	**$10** **$25**	**$10** **$25**
B.O.D. Specialist. Non-B.O.D. Specialist	**$45** **$85**	**$45** **$85**	**$45** **$85**
Inpatient Hospital B.O.D Non-B.O.D.	$0, then Ded/Coins. **$450, then Ded/Coins.**	$0, then Ded/Coins. **$450, then Ded/Coins.**	$0, then Ded/Coins. **$450, then Ded/Coins.**
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	**$70**	**$70**	**$70**
ER *(Copay waived w/ admission or observation stay)*	**$300, then Ded/Coins.**	**$300, then Ded/Coins.**	**$300, then Ded/Coins.**
Drugs Tier 1 (Generic) Tier 2 (Preferred Brand & High-cost Generic) Tier 3 (Non-preferred Brand) Tier 4 (Low-cost/Generic Specialty) Tier 5 (Preferred Specialty) Tier 6 (Non-preferred Specialty)	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**	 **$5** **$25** **Deductible/Coinsurance** **$100** **$250** **Deductible/Coinsurance**

Caveat Regarding Base Premium Modifications

- The increases in the Enhanced 80/20 Plan base premium referenced on the previous pages are relative to the current base premium rate in effect for CY 2016.
- If the General Assembly allocates funds for FY 2016-17 to increase the employer contribution by 3.43% then Plan staff will likely recommend a 3.43% across the board premium increase that would further impact the Enhanced 80/20 base premium as well as all of the dependent tiers.

Forecast Scenarios: Open Formulary* & Design Options

	No Additional Action Grandfathered		Alternate Across the Board Increases in Cost Sharing Grandfathered		April 27, 2016 Proposed Value Based Design Non-Grandfathered		Alternate Value Based Design Non-Grandfathered	
	ER	EE	ER	EE	ER	EE	ER	EE
CY 2017 Projected Increase	0.00%	0.00%	0.0%	0.00%	0.0%	0.00%	0.0%	0.00%
Max Amount Short of 20% Reserve (1st Month short)	$83.1 M (April 2017)		$52.5 M (May 2017)		$49.9 M (May 2017)		$52.7 M (May 2017)	
CY 2018 Projected Increase	12.71%	12.71%	10.22%	10.22%	9.63%	9.63%	9.97%	9.97%
CY 2019 Projected Increase	12.71%	12.71%	10.22%	10.22%	9.63%	9.63%	9.97%	9.97%
CY 2020 Projected Increase	6.02%	6.02%	7.53%	7.53%	7.91%	7.91%	7.70%	7.70%
CY 2021 Projected Increase	6.02%	6.02%	7.53%	7.53%	7.91%	7.91%	7.70%	7.70%

ER = employer contribution, EE = employee premium

* Assumes 100% of the projected savings for discount guarantees and 50% of the projected savings for pharmacy rebates; savings begin to accrue one month after 1/1/2017 start of contract