



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note – Health Benefits

Short Title: Diagnostic Imaging Parity.
Bill Number: House Bill 560 (First Edition)
Sponsor(s): Rep. Belk, Rep. Carney, Rep. White, and Rep. Lambeth

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 560, V.1 (\$ in thousands)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
State Impact					
State Health Plan Net Loss	-	-	-	-	-
NET STATE IMPACT	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

House Bill 560 (First Edition) defines terms related to breast cancer and cervical cancer screenings and requires cost sharing parity for breast cancer screenings.

The Segal Company, the consulting actuary for the Plan, estimates that the bill will have no cost impact on the State Health Plan (Plan) because it believes the Plan’s current design aligns with the provisions of the bill.

Hartman & Associates, the consulting actuary for the General Assembly, estimates that the bill will increase Plan expenditures by approximately \$900,000 per year.

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 2023:

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

	Employee Share	Employee/Retiree Share	
		Complete Tobacco Attestation	Do Not Complete Attestation
70/30 Plan	\$585	\$25 *	\$85 *
80/20 Plan	\$585	\$50	\$110

* \$0 for Non-Medicare Retirees

Medicare Retirees (if Fully Subsidized)

Medicare Advantage Plans

	Employer Share	Employee/Retiree Share
MA-PDP Base Plan	\$472	\$0
MA-PDP Enhanced Plan	\$472	\$73

Alternate Plan

	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	\$472	\$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 2022-23, employers contribute 6.89% of active employee payroll into the Fund. Total contributions for the year are projected to be approximately \$1.4 billion.

Financial Condition

Projected Results for CY 2023 and CY 2024 – The following summarizes projected financial results for 2023 and 2024, based on financial experience through December 2022. The projection assumes a 6.5% annual claims growth trend for medical claims, a 10.0% trend for pharmacy claims, a 7.0% trend for pharmacy rebates, benefit provisions and member-paid premiums as adopted by the Board for 2023, and 4% employer premium increases in FY 2023-24.

	(\$ millions)	
	Projected CY 2023	Projected CY 2024
Beginning Cash Balance	\$849.1	\$679.0
Receipts:		
Net Premium Collections	\$3,945.1	\$4,261.1
Medicare Subsidies	\$11.0	\$9.8
Investment Earnings	\$6.3	\$5.3
Total	\$3,962.4	\$4,276.2
Disbursements:		
Net Medical Claim Payment Expenses	\$2,973.0	\$3,200.8
Net Pharmacy Claim Payment Expenses	\$998.3	\$1,046.8
Medicare Advantage Premiums	\$18.1	\$18.7
Administration and Claims-Processing Expenses	\$143.0	\$148.8
Total	\$4,132.4	\$4,415.1
Net Operating Income (Loss)	(\$170.0)	(\$138.9)

Of the premiums paid in CY 2023, an estimated \$2.7 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, 2022, the State and related units of government had a Total OPEB Liability of \$26.6 billion and Plan Fiduciary Net Position (Assets) of \$2.8 billion, for a Net OPEB Liability of \$23.7 billion. Actual contributions for the year ending June 30 were \$1,197 million, far less than the actuarially determined contributions of \$2,084 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.

Both actuaries used data provided by the Plan on claims paid in 2022 for cervical and breast cancer screening.

Enrollment as of January 1, 2023

I. No. of Participants	70/30	80/20	Medicare Advantage	Total	Percent of Total
<u>Actives</u>					
Employees	118,294	173,997	-	292,291	39.2%
Dependents	<u>85,540</u>	<u>91,139</u>	<u>-</u>	<u>176,679</u>	<u>23.7%</u>
Sub-total	203,834	265,136	-	468,970	62.9%
<u>Retired</u>					
Employees	48,559	17,689	157,649	223,897	30.1%
Dependents	<u>8,946</u>	<u>4,865</u>	<u>19,354</u>	<u>33,165</u>	<u>4.5%</u>
Sub-total	57,505	22,554	177,003	257,062	34.5%
<u>Other</u>					
Employees	4,512	7,708	-	12,220	1.6%
Dependents	<u>3,186</u>	<u>3,636</u>	<u>-</u>	<u>6,822</u>	<u>0.9%</u>
Sub-total	7,698	11,344	-	19,042	2.6%
<u>Total</u>					
Employees	171,365	199,394	157,649	528,408	70.9%
Dependents	<u>97,672</u>	<u>99,640</u>	<u>19,354</u>	<u>216,666</u>	<u>29.1%</u>
Grand Total	269,037	299,034	177,003	745,074	100%
Percent of Total	36.1%	40.1%	23.8%	100.0%	
II. Enrollment by Contract					
	70/30	80/20	MA	Total	
Employee Only	124,099	149,663	138,295	412,057	
Employee Child(ren)	29,534	32,793	254	62,581	
Employee Spouse	5,055	5,514	19,100	29,669	
Employee Family	12,677	11,424		24,101	
Total	171,365	199,394	157,649	528,408	
Percent Enrollment by Contract					
	70/30	80/20	MA	Total	
Employee Only	72.4%	75.1%	87.7%	78.0%	
Employee Child(ren)	17.2%	16.4%	0.2%	11.8%	
Employee Spouse	2.9%	2.8%	12.1%	5.6%	
Employee Family	7.4%	5.7%	0.0%	4.6%	
Total	100.0%	100.0%	100.0%	100.0%	
III. Enrollment by Sex					
	70/30	80/20	MA	Total	
Female	157,965	189,487	116,892	464,344	
Male	111,072	109,547	60,111	280,730	
Total	269,037	299,034	177,003	745,074	
Percent Enrollment by Sex					
	70/30	80/20	MA	Total	
Female	58.7%	63.4%	66.0%	62.3%	
Male	41.3%	36.6%	34.0%	37.7%	
Total	100.0%	100.0%	100.0%	100.0%	

IV. Enrollment by Age	70/30	80/20	MA	Total
25 & Under	84,371	86,893	18	171,282
26 to 45	68,727	78,996	266	147,989
46 to 55	45,183	63,015	913	109,111
56 to 65	46,944	63,217	11,375	121,536
66 & Over	23,812	6,913	164,431	195,156
Total	269,037	299,034	177,003	745,074

Percent Enrollment by Age	70/30	80/20	MA	Total
25 & Under	31.4%	29.1%	0.0%	23.0%
26 to 45	25.5%	26.4%	0.2%	19.9%
46 to 55	16.8%	21.1%	0.5%	14.6%
56 to 65	17.4%	21.1%	6.4%	16.3%
66 & Over	8.9%	2.3%	92.9%	26.2%
Total	100.0%	100.0%	100.0%	100.0%

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	42,382	13,326	55,708
Medicare Eligible in Traditional 70/30	23,866	485	24,351
Medicare Eligible in Base MA Plan	142,106	16,500	158,606
Medicare Eligible in Enhanced MA Plan	15,543	2,854	18,397
Total	223,897	33,165	257,062

Percent Enrollment by Category (Retiree)	Employee	Dependents	Total
Non-Medicare Eligible	18.9%	40.2%	21.7%
Medicare Eligible in Traditional 70/30	10.7%	1.5%	9.5%
Medicare Eligible in Base MA Plan	63.5%	49.8%	61.7%
Medicare Eligible in Enhanced MA Plan	6.9%	8.6%	7.2%
Total	100.0%	100.0%	100.0%

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
State Agencies	60,059	31,852	91,911
UNC System	53,975	36,676	90,651
Local Public Schools	157,408	94,694	252,102
Charter Schools (98 entities)	5,960	4,422	10,382
Local Community Colleges	14,889	9,035	23,924
Other			
Local Governments (128 entities)	11,340	6,046	17,386
COBRA	880	776	1,656
Retirement System	223,897	33,165	257,062
Total	528,408	216,666	745,074

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
State Agencies	11.4%	14.7%	12.3%
UNC System	10.2%	16.9%	12.2%
Local Public Schools	29.8%	43.7%	33.8%
Charter Schools	1.1%	2.0%	1.4%
Local Community Colleges	2.8%	4.2%	3.2%
Other			
Local Governments	2.1%	2.8%	2.3%
COBRA	0.2%	0.4%	0.2%
Retirement System	42.4%	15.3%	34.5%
Total	100.0%	100.0%	100.0%

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

The Segal Company; baseline financial projections updated through Q4 CY2022; dated February 24, 2023. Filename "CY22 Q4- Baseline.pdf"

-Actuarial Note, Hartman & Associates, "House Bill 560: Diagnostic Imaging Parity", April 21, 2023, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, The Segal Company, House Bill 560, "Diagnostic Imaging Parity", April 21, 2023, 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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April 22, 2023



Signed copy located in the NCGA Principal Clerk's Offices