



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note – Health Benefits

Short Title: Greater Access to Fertility Medication.
Bill Number: Senate Bill 877 (First Edition)
Sponsor(s): Sen. Natalie S. Murdock and Sen. Mary Wills Bode

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 877, 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 | 300 | 600 | 600 | 600 | 600 |
| NET STATE IMPACT | 300 | 600 | 600 | 600 | 600 |

The State Health Plan’s Net Loss is projected to increase by the amount shown above, decreasing the cash reserves of the Plan. Any deterioration in Plan financials does not directly translate to an increase in State appropriations in the short-run, but is likely to increase appropriations in the long-run. Roughly 58% of premiums paid to the Plan are derived from the General Fund.

ACTUARIAL IMPACT SUMMARY

Section 2 has a potential actuarial impact on the State Health Plan (Plan).

Section 2: Requires the Plan to remove any limitations on ovulation induction cycles for services offered in-network and requires that any limitations on coverage for ovulation medication be no different than the limitations on other prescription medications, effective January 1, 2025. The Plan currently has a combined in- and out-of-network lifetime limit of 3 ovulation induction cycles and associated services without insemination.

Segal Consulting, the consulting actuary for the Plan, estimates that this section will increase claims costs by \$0.3 million in FY 2024-25 and \$0.6 million in FY 2025-26 and FY 2026-27. Hartman & Associates, the consulting actuary for the General Assembly, estimates that this section will increase the Plan’s claims costs by \$0.5 to \$0.9 million in 2025.

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 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 medical and pharmacy claims for fertility treatment since 2022.

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% | |
| <hr/> | | | | | |
| 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 | |
| <hr/> | | | | | |
| 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% | |
| <hr/> | | | | | |
| 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 | |
| <hr/> | | | | | |
| 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, "Senate Bill 877: Greater Access to Fertility Medication", May 22, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Segal Consulting, "Senate Bill DRS35359-MRAP-132A; Greater Access to Fertility Medication", May 17, 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

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Signed copy located in the NCGA Principal Clerk's Offices