

Colorado Business Group on Health Forum

NC State Health Plan's Clear Pricing Project
Lessons Learned
September 29, 2021

Agenda

- NC State Health Plan (Plan) Snapshot
 - Challenges
- Clear Pricing Project (CPP)
 - Goal
 - Levers
 - Influences
 - Communications
 - Up Hill Climb
 - Phase I Lessons Learned
 - Phase II and Beyond
- Q & A



The State Health Plan Snapshot

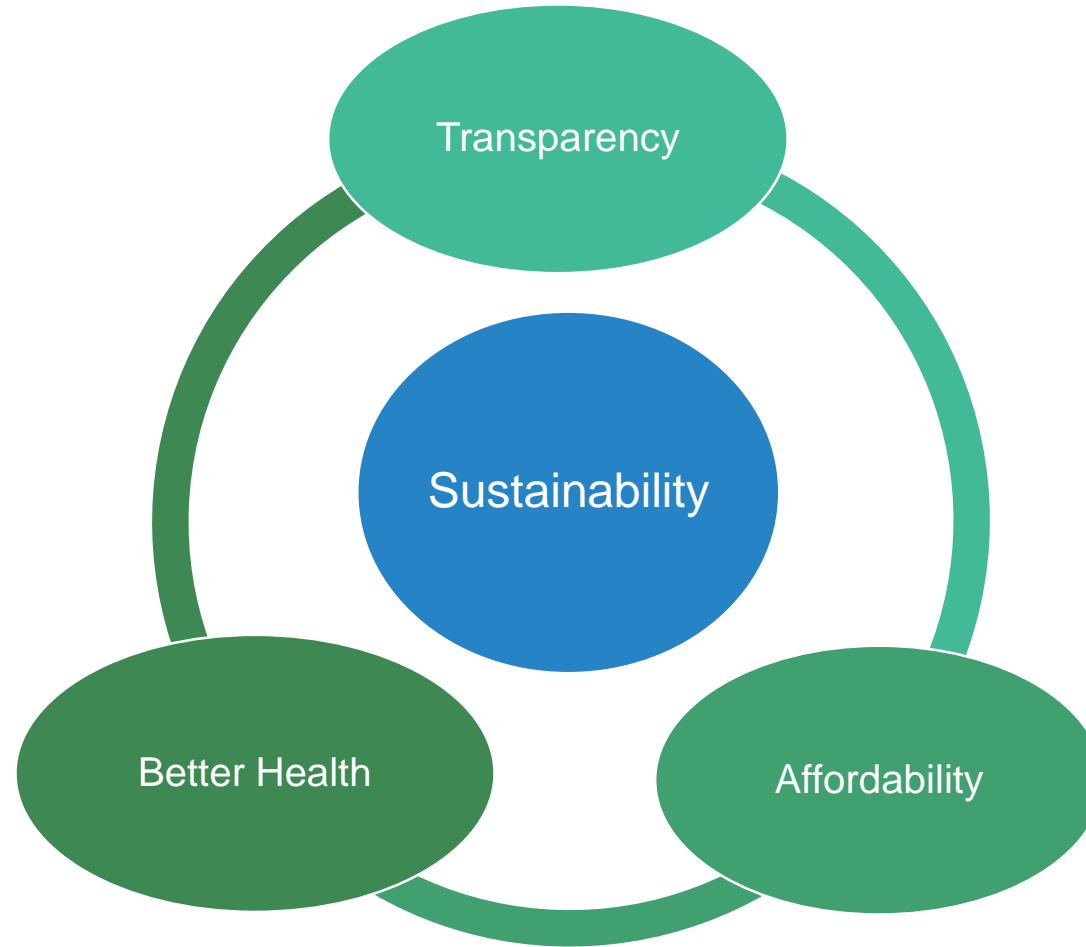
- **745,000+ Members**
 - Active Employees
 - Retirees
 - Dependents
- **400+ Employing Units**
 - Public Schools
 - Universities
 - Community Colleges
 - State Agencies
 - Municipalities
- **2,000 Health Benefit Representatives**
 - Designated worksite HR personnel
 - Administer benefits, approve certain tasks
- **\$4B Program** (at 12/31/20)
 - \$3.824b Plan revenue
 - \$3.326b Net claims payments
 - \$0.220b MA premiums
 - \$0.142b Net admin expenses



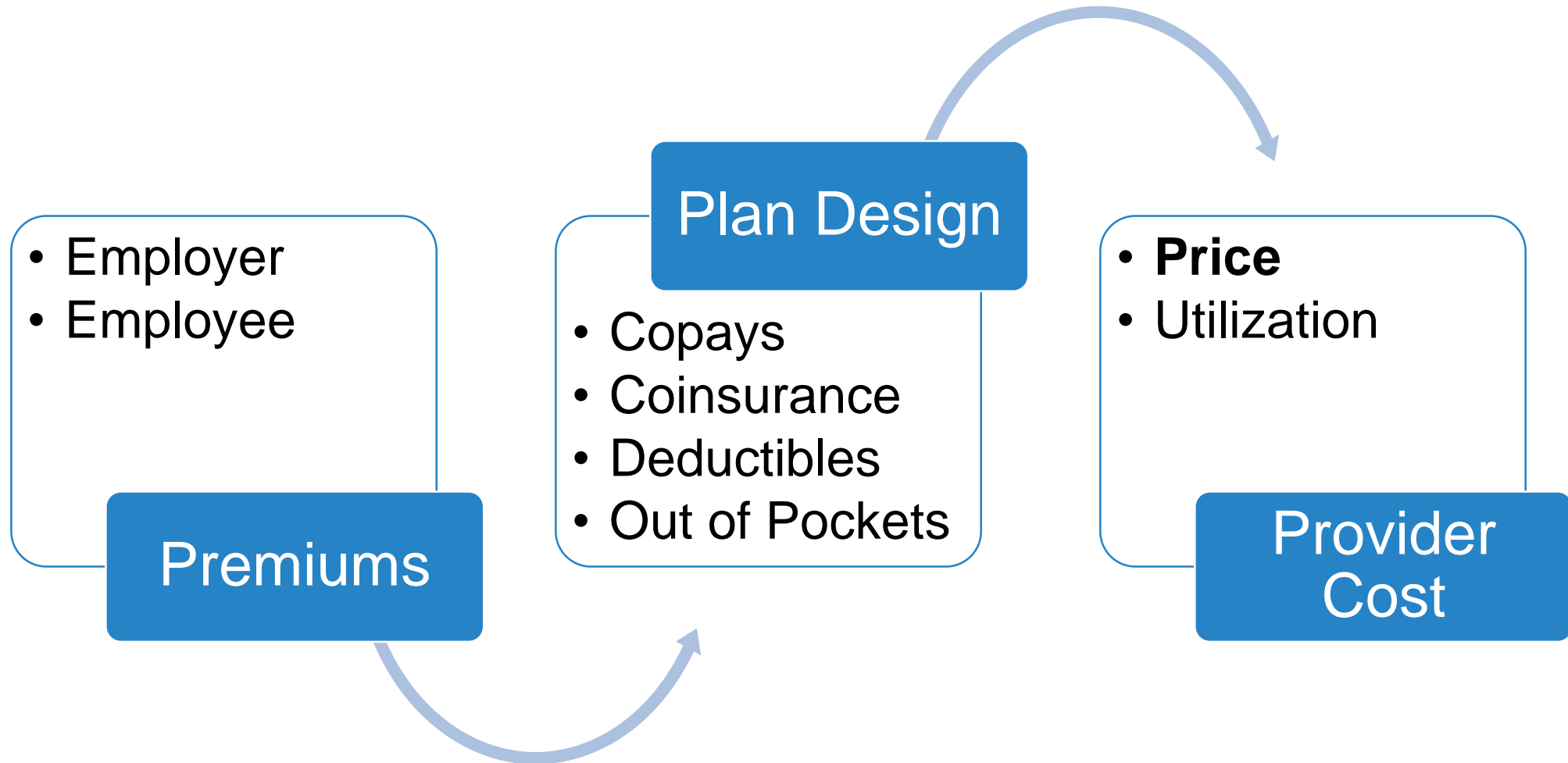
The Plan's Challenges

- Other Post Employment Benefit (OPEB) Liability
 - Funding is “Pay Go”
 - 40 years with no funds set aside for retiree health benefits
 - \$31B OPEB Liability – funded at 8%
 - New hire eligibility for retirement healthcare ended 12/31/20
- Trend vs. Funding
 - Trend has been around **7%** growth (5% Medical and 10+% Pharmacy)
 - 85% of costs occur with 15% of the members
 - Employer funding **was steady**, at **4%** per year, but has recently varied over the biennium
 - Funding on SFY basis, premiums established on CY basis – can create BIG disconnect
- COVID-19 Impact
 - \$72M paid in 2020
 - \$185M estimated for 2021
 - \$96M estimated for 2022
 - Plan allowed COVID treatment cost share waiver to expire on 6/30/21
 - Still covering costs of tests during public health emergency and the administrative cost of vaccines

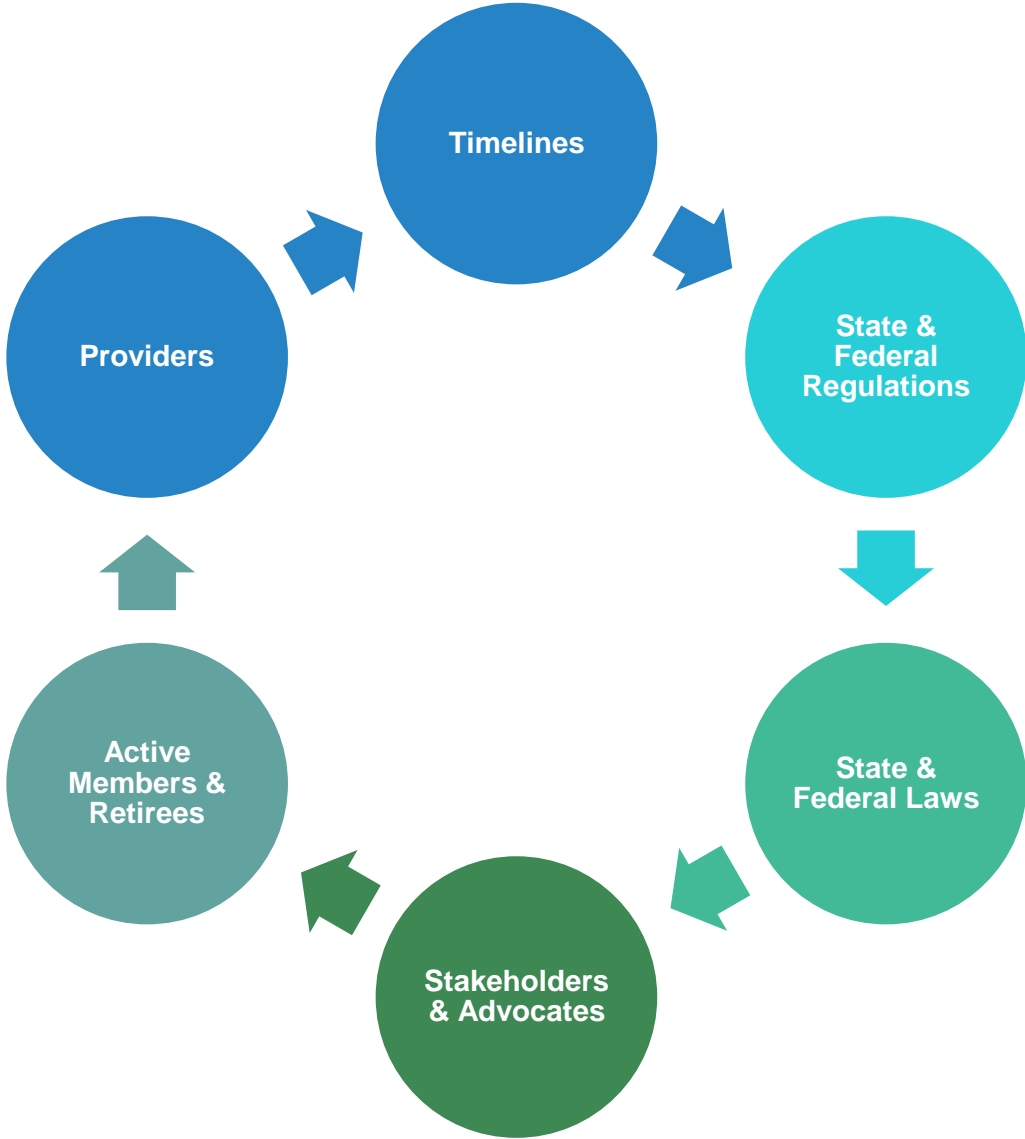
Clear Pricing Project: Goal to Save \$300M



Clear Pricing Project: Understanding the Levers



Clear Pricing Project: Understanding the Influences



Clear Pricing Project: Launch Messaging

- **The Plan is a government payer like Medicare.** *Medicare is the largest health care payer in the country and the Plan is one of the largest in the state.* Medicare also provides a standard reimbursement measurement that is transparent and adjusts for provider differences.
- The main goal of the Clear Pricing Project is to **pay a fair price and develop a transparent network** for our members while preserving and protecting the Plan's financial sustainability.

State Health Plan Launches New Provider Reimbursement Effort

October 5, 2018

State Treasurer Dale R. Folwell, CPA announced today that the State Health Plan (Plan) will launch a new medical reimbursement strategy for North Carolina providers that care for Plan members. This effort is part of a longer term strategy to take advantage of the Plan's "largeness" to keep rising health care costs under control while promoting quality care, transparency and affordability.

For decades, the Plan has used Blue Cross and Blue Shield of North Carolina's (Blue Cross NC) commercial network of providers. Blue Cross NC and medical providers consider fee schedules (what they charge) associated with this network to be "confidential." Subsequently, the fees charged for medical services are not provided to the Plan or its members despite the fact that there are state and federal guidelines that demand transparency.

27,000 Medical Providers Join NC State Health Plan

Agree to No More Dark Money, Secret deals, or Higher Costs

(Raleigh, N.C.) – State Treasurer Dale R. Folwell, CPA, and the State Health Plan (Plan) announced today that the State Health Plan Network has exceeded 27,000 medical providers to join the new North Carolina State Health Plan Network. The new network will launch on January 1, 2020 and will provide healthcare coverage to more than 720,000 teachers and state employees.

"We're pleased that so many medical providers have joined us in opposing secret deals and higher costs for state employees," said Folwell. "We're also honored that so many understand what we are trying to do with the Clear Pricing Project and have decided to join the new network. But we realize that more work needs to be done to complete the network."

The North Carolina State Health Plan Network is the result of the Clear Pricing Project (CPP) announced last year. Under CPP, the Plan will move away from a commercial-based payment model to a reference-based, transparent pricing model tied to Medicare rates. Health care providers will be reimbursed for their services at Medicare rates plus an average of 82 percent. Plan members will save more than \$50 million in out-of-pocket expenses.

Clear Pricing Project: Launch Messaging

- **Reference-based pricing** is intended to provide *transparency in provider rates by indexing fees to a published schedule. The movement to a reference-based pricing model aligns the Plan appropriately as a government instead of a commercial payer.*
- The Plan's overall goal is to offer a quality high quality health benefit to its members and to **generate savings of \$300 million**, making it possible for the Plan to reduce premiums and make the Plan more affordable for state employees and their dependents.
- CPP will result in **savings for Plan members of over \$60 million**. The Plan, with an annual budget of nearly \$4 billion, looks forward to working with health care providers on this strategy that creates a system that is more transparent and predictable than how providers are paid today.

Clear Pricing Project: Uphill Climb for Support

- NO Governor support
- NO Attorney General support
- NO Legislature support
- Legislation (HB 184)
- Hospitals
- Carriers
- Providers
- Members

Clear Pricing Project: Phase I Lessons Learned

- Building the plane while flying it
- Independent providers very supportive
- Transparency is not for everyone (Hospitals and Carriers)
- Held tightly to savings goals; needed a negotiation strategy OR to compete hospitals in larger markets
- More/simpler communication with more stakeholders especially members



Clear Pricing Project: Phase II and Beyond

- Leverage current network of Independent providers – almost 30,000 strong
 - PCPs, Physical Therapists and Behavioral Health Providers
 - CPP Hospitals
- **Plan Design Changes – INCENTING members to pay attention works**
- Continue work with State Employees Association of North Carolina (SEANC)
- Pilot Alternative Payment Model(s)
 - **Bundles**
 - Orthopedics and others
 - Site of Care
 - **Direct Primary Care**
 - **Total Cost of Care → Capitation**
 - Primary Care / Multi Specialty
- Hospitals – Compete in large markets

Discussion and Questions