



*Dale R. Folwell, CPA*  
State Treasurer of North Carolina  
DALE R. FOLWELL, CPA

Board of Trustees Meeting  
October 22, 2018  
Minutes

The meeting of the North Carolina State Health Plan (Plan) Board of Trustees was called to order at approximately 10:00 a.m. on October 22, 2018.

**Board Members Present**

Dale R. Folwell, Chair, Charles Perusse, Ted Brinn, Peter Chauncey, Wayne Fish, Kim Hargett, Donald Martin, Peter Robie, Margaret Way

**Welcome**

Following the Pledge of Allegiance, Chair Folwell requested a moment of silence for the Columbus County state trooper who was killed in the line of duty on October 17.

Chair Folwell welcomed Wayne Fish, who joined the Board on August 29, 2018. He noted that Mr. Fish could provide more, by way of introduction, at the December Board meeting.

**Conflict of Interest**

No conflicts of interest were noted.

**Board Approval**

Approval of Minutes – August 30, 2018 Meeting

**Board Vote:** Motion by Dr. Martin; Second by Mr. Chauncey; Unanimous approval by Board

**Public Comment**

Ms. Shelley Bunting, Ms. Deborah Thomson, Ms. Alexis Thonen, Mr. Connor Thonen-Fleck, Mr. Max Kadel and Ms. Jeanne Duwve shared their personal testimonies as a transgender person or parents of a transgender child. Mr. Noah Lewis, Executive Director of Transcend Legal and Ames Simmons, Policy Director of Equality North Carolina, also addressed the Board. Each person who spoke asked the board to consider removing the exclusion for medically necessary transition-related benefits in 2019 for State Health Plan members.

Testimonies from various Plan members, a letter from Equality NC, signed by various NC organizations and a letter from the Charlotte Transgender Healthcare Group, also signed by various people and NC organizations, were distributed to the Board members.

Steve Lawler, President of NC Healthcare Association and Roxie Wells, MD, President and Associate Chief Medical Officer for Cape Fear Valley Health, addressed the Board regarding the Plan's Provider Reimbursement Strategy (PRS). Mr. Lawler stated that the PRS would impact more than just members of the Plan, especially in the rural areas of North Carolina. He noted that the Medicare shared savings approach has benefited the Plan. He urged the Board and Plan to work with providers and hospital systems.

Dr. Roxie Wells stated that she oversees the operations of two hospitals in a rural area of NC, adding that the PRS would have a negative impact on the quality of care, as well as access to care. She also stated her concern that the hospitals she manages, as well as others, will not be able to stay in existence.

Chair Folwell responded that the State budget didn't fund the Plan adequately to stay on a sustainable path, a problem that had to be solved. He noted that the unfunded liability for NC is the second highest in the country. He added that not knowing the current provider reimbursement rates puts the Plan in jeopardy of overpaying medical claims (*Office of the State Auditor: Performance Audit, State Health Plan Risk Assessment, September 2011*).

**Board Comments:** Dr. Robie stated that, as a physician, he understands the physical and emotional concerns for patients and families. He also understands the high costs associated with treatment.

### **Recognition of Departing Board Member**

Chair Folwell read a resolution acknowledging Elizabeth Poole's service and contributions to the Board.

### **Operations Updates**

#### **Health Information Exchange**

Dee Jones, Executive Director, stated that S.L. 2018-84 enabled the Plan to have a seat on the Health Information Exchange (HIE) Advisory Board. This was important as the HIE impacts all of the Plan's providers. Ms. Jones, as the board delegate, is supported by Andrew Norton and Matthew Rish.

Various data connection requirement dates for providers were adjusted during the 2018 Legislative Short Session. Approximately 78% of hospitals, facilities and providers accepting Medicaid funds were connected as of June 1, 2018.

S.L. 2015-241 directed the payer not to pay claims for any provider not connected to the HIE while being mindful of 'prompt pay' requirements. As the payer of the Plan's medical claims, Blue Cross Blue Shield of NC (BCBSNC) will act accordingly on behalf of the Plan.

The Plan, responding to concerns from the behavioral health community, suggested to the Beacon Health Options work group that they try to build a coalition to centralize an Electronic Health Record (EHR)/HIE connection.

### **Provider Reimbursement Strategy Resolution**

In May of 2018, Treasurer Folwell directed BCBSNC to decrease the provider reimbursement rates by 15% in an effort to achieve \$300 million in savings to the Plan. Following extensive research, Plan staff developed a reference-based pricing strategy based on Medicare reimbursement rates. Plan and Department of State Treasurer staff met with provider and stakeholder groups in August and September to present preliminary information and solicit feedback.

The development of the strategy focused on quality care, transparency, and affordability for the Plan its members, paying as a government rather than a commercial payer and standardizing rates for common provider groupings. Provider reimbursement rates currently range from below Medicare to over 1000% of Medicare rates. This strategy will narrow the reimbursement gap and brings rates to an average of 177%.

Ms. Jones reviewed the timeline for communicating information to providers and members, beginning in January, 2019. Providers will receive contracts and fee schedules in February and have until the end of June to execute them. Plan and BCBSNC staff will meet with healthcare systems around the state in late November and early December to address concerns and provide more detailed information.

Contracts and fee schedules will be completed by the end of 2018 and sent to providers in February, 2019. Contracts will be executed by June 30, 2019 and operationalization will begin in July. Providers who choose not to participate will receive termination notices effective December 31, 2018. New contracts will be effective January 1, 2020.

The Plan will implement a robust communication plan for members in the first quarter of 2019. Plan staff will also be available to meet with providers after they receive their contracts to address questions.

Chair Folwell read the Provider Reimbursement Strategy Resolution after which Mr. Fish suggested two changes.

**Board Comments:** In the Fraud, Waste and Abuse section, Dr. Robie noted that “inefficiently delivered services” in health systems are unintentional, in his view. Electronic Medical Records for all providers would promote efficiency and savings. He also voiced concern that any increases for hospital systems would not end up with the providers.

**Board Vote:** Motion by Mr. Fish; second by Dr. Martin; unanimous approval by Board.

**Additional Discussion:** Ms. Hargett voiced support for the focus on transparency, as that has been missing in the past. She agreed, for the most part, that there is no malicious intent on the part of providers. Mr. Chauncey stated that he believes this approach is better than 'one size fits all.' He also encouraged Plan staff and the Board to consider other worthwhile pursuits beyond the PRS, such as value-based delivery systems, innovation and quality and maintenance and improvement. Ms. Jones responded that in the near future, the Plan's data team would be able to review utilization and develop quality measures based on the data.

#### **Financial Update – CYTD 1/1/2018 – 8/31/2018**

Matthew Rish, Sr. Director, Finance, Planning & Analytics presented the financial report through August 31, 2018. He stated that the Plan revenue and net income continued to exceed the authorized budgeted amount and total expenditures were under budget. He noted that the numbers on the last page of the presentation were based on billed charges and that administrative fees were not included.

#### **Open Enrollment Update**

Beth Horner, Director of Customer Experience & Communications, presented information on the 2019 Open Enrollment (OE). She stated that the outreach events and telephone town hall meetings have been well attended. She noted that approximately 121,000 subscribers have not yet taken action to enroll for 2019. The Plan is working with members affected by Hurricane Florence to process OE and qualifying life events (QLEs).

Chair Folwell noted that the Plan processed 180,000 QLEs in 2017. He commended Plan staff for the work they do to keep up with these changes.

Following a motion by Ms. Hargett and a second by Mr. Chauncey, the Board unanimously approved moving into executive session, pursuant to G.S. 143-318.11 and Chapter 132.

#### **Executive Session**

##### **RFP Recommendation – Pharmacy Benefit Manager Auditing Services**

Sharon Smith, Manager, Contracts, provided background information on the Plan's procurement for the Pharmacy Benefit Manager Auditing Services. After a brief discussion, Ms. Smith requested BOT approval to award and execute the core component of the contract to PillarRx Consulting, LLC (formerly TRICAST) and the Retiree Drug Subsidy component to Part D Advisors, Inc. The service period for both contracts begins January 1, 2019 through December 31, 2020.

**Board Vote:** Motion by Ms. Hargett; second by Dr. Robie; unanimous approval by Board

**Consultation with Legal Counsel**

Andrew Norton, Deputy General Counsel, discussed the Plan’s current compliance status with, and potential legal concerns regarding, the Affordable Care Act’s Section 1557 requirements and related regulations as they pertain to Plan benefits.

**Return to Open Session**

**Next Board Meeting**

The next Board of Trustees meeting will be held at the Department of State Treasurer on Monday, December 10, 10:00 a.m. to 1:00 p.m. A phone meeting may be scheduled if the Plan requires approval for one or more contracts prior to December 10.

**Board Comments:** Ms. Hargett voiced appreciation for the public comments made by Equality NC and Plan members. Several members expressed support for the Provider Reimbursement strategy.

Chair Folwell stated that the results of the Medicare Advantage savings would be provided at the December Board meeting.

In honor of the Columbus County fallen state trooper, Chair Folwell adjourned the meeting at approximately 1:05 p.m.

Minutes submitted by: Andrew Norton, Secretary

Approved by: \_\_\_\_\_



Dale R. Folwell, Chair