

North Carolina State Health Plan

for Teachers and State Employees

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Potential Implications of Delayed Approval of State Health Plan Benefit Changes for 2011-13 Biennium April 14, 2011

Implementation Plan if Legislation Becomes Law by 4/11/11

Benefit change implementation and annual enrollment requires a 90 day window. While we have been able to compress the timeframe for some activities and move a few non-member facing items after July 1, there are certain key deliverables on the critical path leading up to the effective date that must kick off starting April 11 to ensure access to care for the members and appropriate funding for the Plan.

- **4/11/11 - Enrollment Packets**
 - Files sent to vendor to initiate the printing and mailing of enrollment packets (bulk mail)
- **4/11/11 – 4/20/11 Group Set-Up**
 - Final rates sent to BCBSNC to enable the completion of the group set
 - BCBSNC prepares benefit packages for benefit configuration
- **4/20/11 – 6/27/11 - Benefits Configuration**
 - BCBSNC configures and audits benefits for a 7/1 claims release
- **5/2/11 – 5/31/11 - 30 Day Open Enrollment Period – (Affordable Care Act mandates a 30 day enrollment period for dependents to age 26)**
 - Members Elect benefits
 - Enrollment files are compiled for transfer to BCBSNC
- **6/1/11 – 6/20/11 - New Premiums Billed**
 - Files containing enrollment elections sent to agencies
 - New elections loaded into agency payroll systems
 - New employee deductions taken from July payroll
- **6/10/11 – 6/27/11 - ID Cards Issued**
 - Enrollment files feed to BCBSNC (because of file size limitations, files are sent over multiple days)
 - Enrollment reconciled
 - Enrollment files sent to ID Card Vendor (ID card vendor volume constraints dictate the cards go out in batches of 25,000)

Implementation Plan if Legislation Becomes Law by 4/15/11

If the **only** change is the enrollment window, we can shorten the enrollment period and still make the 7/1 deadline; other changes to the benefits or premium would jeopardize a July 1 effective date. This plan would require two annual enrollment periods. The first enrollment period would be a two week window that should be utilized by all members to make their 2011-2012 plan elections, and a second 30 day enrollment period which will only allow members to add their dependent children to age 26 to the plan already elected.

- **4/15/11 - Enrollment Packets**
 - Files sent to vendor to initiate the printing and mailing of enrollment packets – (Packets will now be mailed first class)
- **4/15/11 – 4/25/22 Group Set-Up**
 - BCBSNC notified of new dates and enrollment set-up is reworked and retested
 - Final rates sent to BCBSNC to enable the completion of the group set
 - BCBSNC prepares benefit packages for benefit configuration
- **4/25/11 – 7/1/11 - Benefits Configuration**
 - BCBSNC configures and audits benefits for a 7/1 claims release
- **5/16/11 – 5/31/11 - 16 Day Open Enrollment Period** – Plan members will have two weeks to complete annual enrollment. They will have the opportunity to add their dependents to age 26 at this time.
 - Members Elect benefits
 - Enrollment files are compiled for transfer to BCBSNC
- **7/1/11 – 7/31/11 – NEW ACTIVITY- Second Open Enrollment Period for adding dependent children to age 26.**
 - Members who did not have an opportunity to enroll their dependents during the annual enrollment period may now add their dependents to age 26 without penalty

All other dates remain the same.

If benefit changes do not become law by April 15, 2011, the Plan cannot guarantee implementation of all changes by July 1, 2011. There may also be financial impacts and federal health care reform compliance issues.

Implementation Plan if Legislation Becomes Law by 4/21/11

Benefit change implementation and annual enrollment requires a 90 day window. The Plan has been laying the groundwork in the core administrative systems for implementing the provisions of SB 265; therefore, while we have some re-work, we are able to use much of the work that has been completed to date to avoid a full 30 day implementation delay.

- **4/21/11 - Enrollment Packets**
 - Files sent to vendor to initiate the printing and mailing of enrollment packets -
 - Vendor will work Friday (Good Friday) and Saturday so that the packets can begin dropping in the mail by April 29.
 - State Health Plan Web-Site will be updated with enrollment packet information so that members will have online access to all enrollments materials and may enroll prior to receiving a benefit packet in the mail
- **4/21/11 – 05/09/11 Group Set-Up**
 - Final rates sent to BCBSNC to enable the completion of the group set
 - BCBSNC prepares benefit packages for benefit configuration
- **05/09/11 – 07/08/11 - Benefits Configuration**
 - BCBSNC configures and audits benefits for a 7/11/11 claims release
- **5/9/11 – 06/07/11 - 30 Day Open Enrollment Period – (Affordable Care Act mandates a 30 day enrollment period for dependents to age 26)**
 - Members Elect benefits
 - Enrollment files are compiled for transfer to BCBSNC
- **6/13/11 – 6/27/11 - New Premiums Billed for *some* groups**
 - Files containing enrollment elections sent to agencies
 - New elections loaded into agency payroll systems but because of the delay in the annual enrollment window, not all agencies will receive the new election information in time for their July payroll run
- **6/13/11 – 07/01/11 - ID Cards Issued**
 - Enrollment files feed to BCBSNC (because of file size limitations, files are sent over multiple days)
 - Enrollment reconciled
 - Enrollment files sent to ID Card Vendor (ID card vendor volume constraints dictate the cards go out in batches of 25,000)

This implementation plan assumes the legislation is virtually identical to Senate Bill 265 as Ratified, with the exception of elimination of the 70/30 Basic Plan premium for active employees. Any other changes could result in extensive delays to the timeline. The Plan will need specific details to develop an implementation plan and timeframe.

Financial Risks Associated with Delaying Implementation of Legislation past April 15, 2011

- Potential cash flow impacts
 - To ensure timely receipt of premium contributions, State agencies and institutions and local school systems should receive invoices for July premiums by June 15th. Enrollment delays will result in billing delays, which will delay the receipt of premium revenues by the Plan.
 - Employing agencies may also have difficulty reconciling the new premium invoices to match updated enrollment records, resulting in additional delays in remitting payment to the Plan.
 - Delayed receipt of premium revenues will adversely affect the Plan's cash flow in the short term.
 - The Plan will first rely on its cash reserves to pay claims and administrative expenses during the months of July and August should premium billings be delayed.
 - If the Plan's cash reserves are insufficient to pay expenses, the Plan will temporarily hold claims until sufficient cash is accumulated.

- Issues associated with implementing changes retroactively
 - The Plan would need to hold claims until enrollment, payroll, and claims processing system changes can be completed. Depending on the length of delay, the Plan may be subject to paying interest charges.
 - Lost revenue from late implementation of new copays
 - Because pharmacy claims are processed at the point of sale, copays cannot be changed retroactively. The Plan may lose substantial pharmacy savings if implementation of the new copays is delayed past July 1.
 - Although the Plan can implement the new office visit copays retroactively, health care providers may not be able to collect the additional copay due after the member has received services.

- Higher premium rates or increased member cost-sharing to meet the Plan's projected funding needs for the biennium
 - The delay may require an increase in premium rates and/or member cost sharing for a later effective date to generate additional funds to offset costs associated with the lapsed months from July 1 forward. For example, given a 90 day implementation period for benefit changes and annual enrollment, if a bill becomes law by June 1, the changes could not be put in place until September 1.

Risks Associated with Violating Provisions of the Patient Protection and Accountability Act (PPACA)*

- Potential Costs Due to Loss of Grandfather Status:
 - The Plan may not be able to maintain Grandfather Status if all benefit changes are not implemented by July 1. Grandfather Status could be lost due to changes in either the premium structure or member cost-sharing required due to delayed implementation.
 - The Plan will need a legal opinion to determine if it can maintain Grandfather Status if premium increases become effective later than July 1, 2011.
 - If Grandfather Status is lost, the Plan will be required to cover preventive benefits with no member cost sharing, adding an additional \$87.7 million to the Plan's projected funding needs for the biennium. The additional costs will need to be made up through further benefit reductions, increased State appropriations, and/or higher employee and dependent premiums.

- May reduce Early Retirement Reinsurance Program (ERRP) reimbursement.
 - Since ERRP funds are limited, if claims are held and payments are not made, the Plan may need to delay ERRP submissions and thus, reduce ERRP reimbursement to the Plan.

- Under the PPACA, penalties may be imposed if the Plan is not in compliance by July 1, 2011. The potential penalty is \$100 per person affected per day for each infraction.
 - Penalties may be imposed if new dependents eligible under PPACA are not enrolled by July 31, 2011 at the latest.
 - Although the law allows due diligence, any changes implemented retroactively beyond 30 days are at higher risk for penalties.
 - The Plan is also at risk of failure to comply with notice requirements

*These are potential risks. The Plan will seek advice from its consultants and legal council to confirm the actual impact once legislation becomes law.