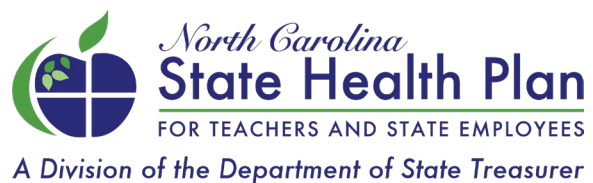




State Health Plan Update

Tom Friedman, Executive Administrator



Overview

Drivers of Our Current Financial Challenge

Levers to Drive Down Cost (*short-term*)

- Clear Pricing Project
- Medicare Advantage
- Plan Design
- Formulary
- Member Premiums

Process and Timeline to Final Decision

Salary Based Premiums (Vote required)



Challenges Inherited: How We Got into a Financial Challenge

- Deploying funds into the Retiree Health Benefit Trust Fund.
- Medical and Pharmacy trend have exceeded growth in employer contributions and employee premiums.
- Unchanged premiums and benefits.
- The employer contribution, while growing, hasn't fully offset the difference between trend and lack of changes to premiums and benefit changes.
- Unintended consequences of the Clear Pricing Project (CPP).
- Lack of population health focus.
- **We have a \$500M shortfall in 2026 and an additional \$800M shortfall in 2027.**

The Health Care Cost Balloon

The health care cost balloon is pushing costs.
We need to shrink the cost balloon vs. push air around.

We need to tackle not just our short-term needs
but address our overall cost.

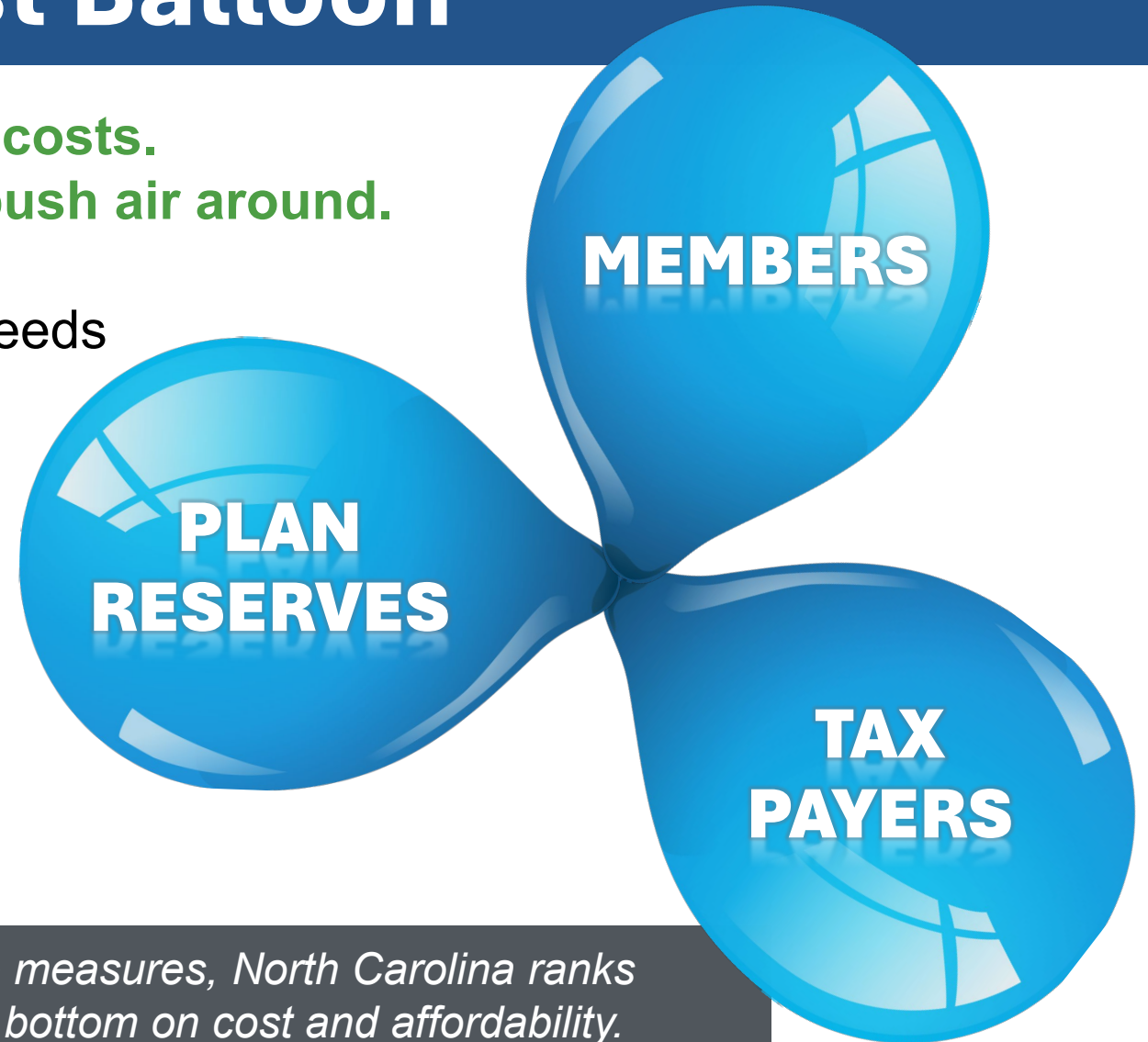
COST COMPONENTS:

UNIT PRICE

VOLUME

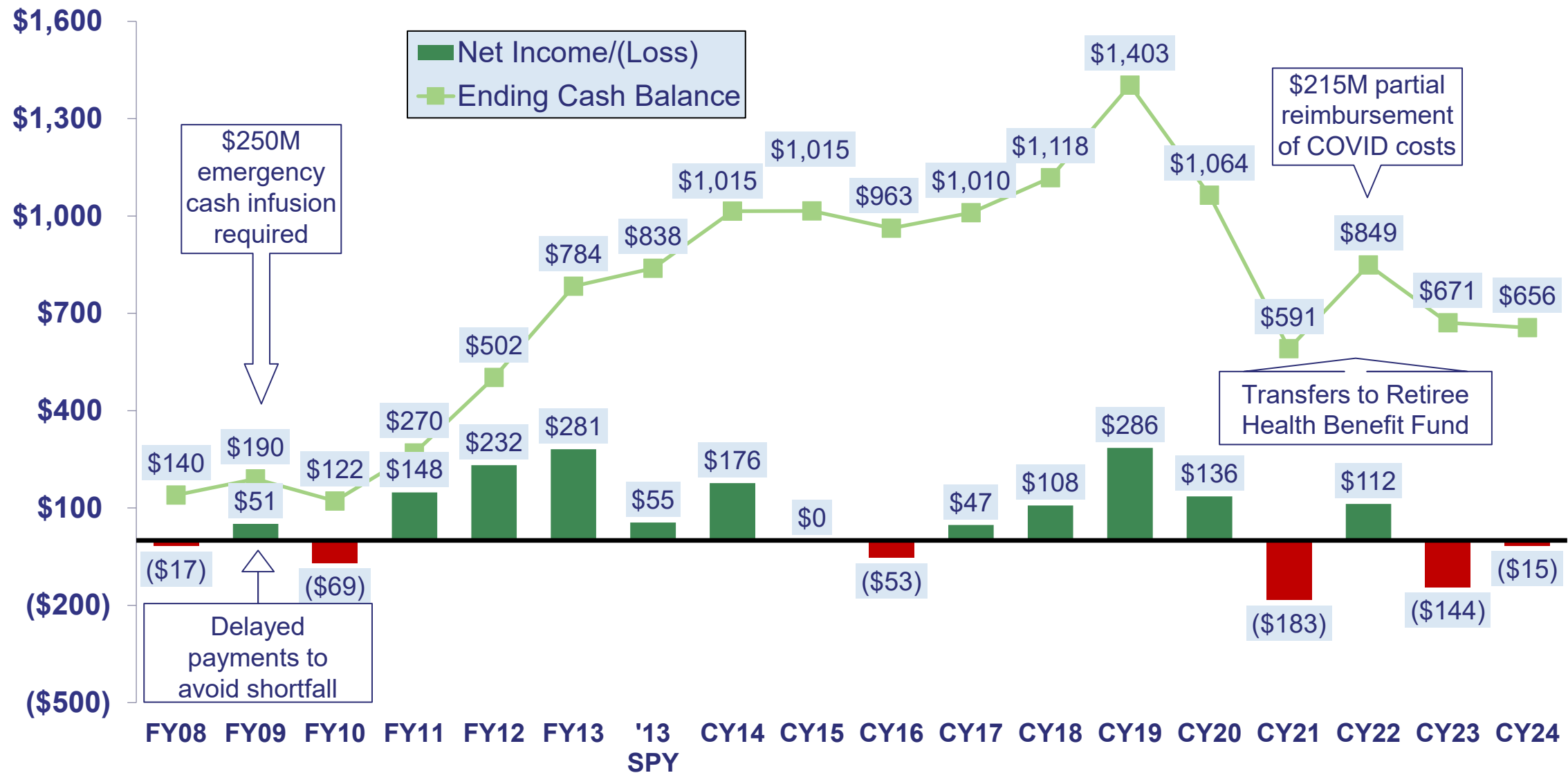
SERVICE MIX

MEMBER ACUITY



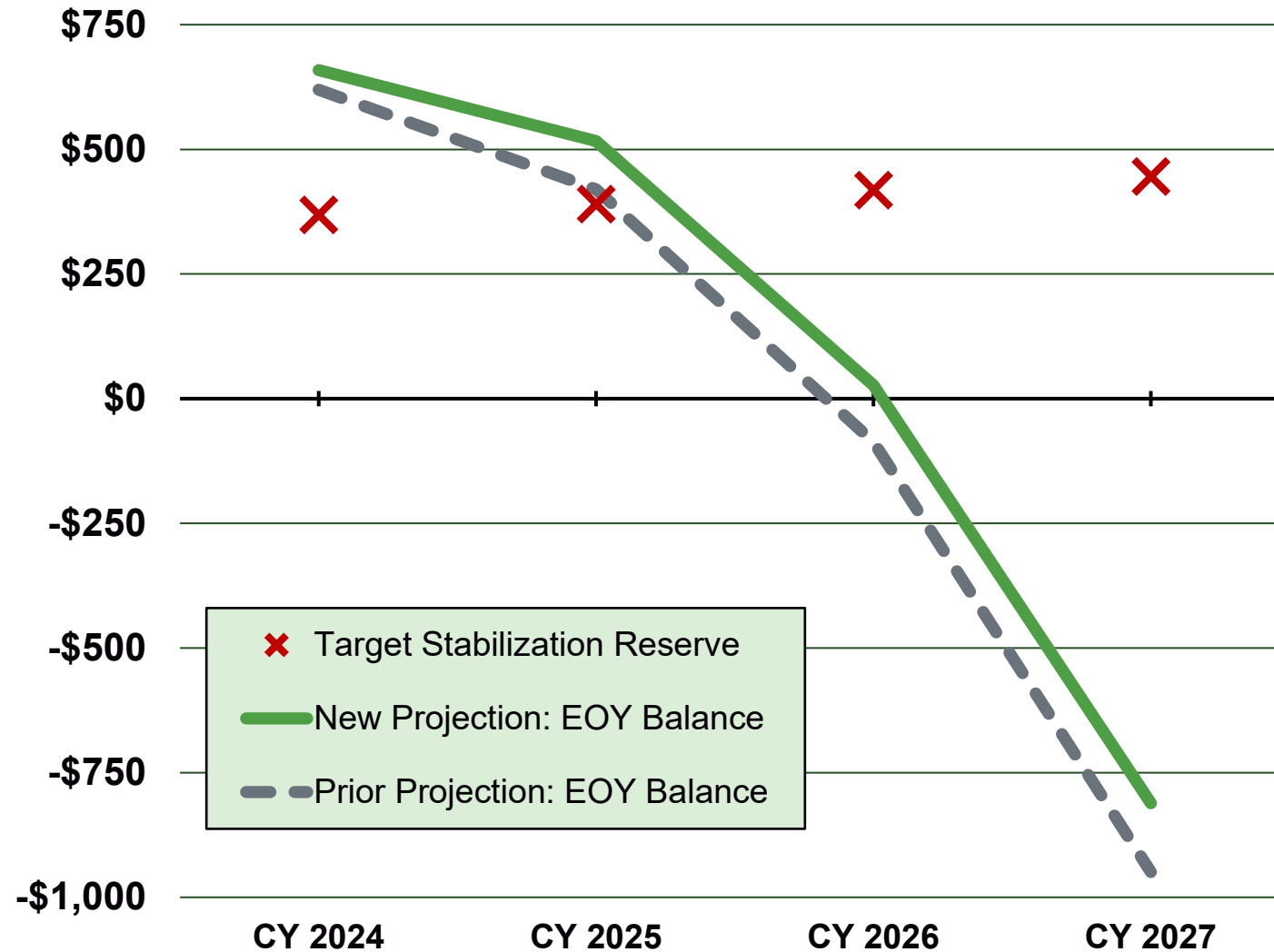
By multiple measures, North Carolina ranks toward the bottom on cost and affordability.

Historical Financial Results by Plan Year



SPY=Short Plan Year Due to Conversion to Calendar Year Basis to Fiscal Year Basis

Financial Projection Update



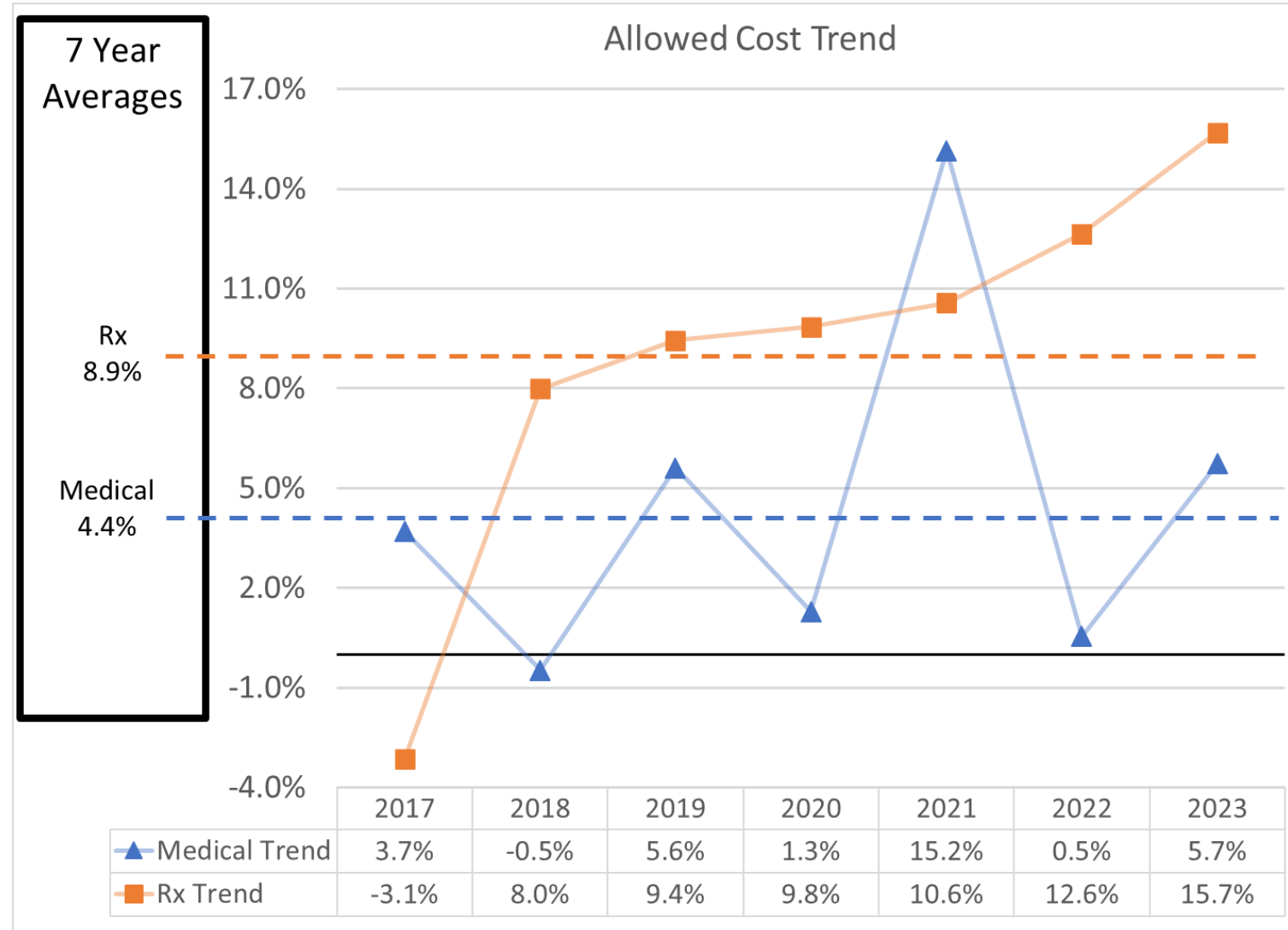
- Projection improved due to:
 - Larger than expected rebate payment in Q3
 - Reduction in expected medical and net pharmacy claims
- Cash balance now expected to exceed TSR by \$125 million at end of 2025.
- Changes are required to prevent cash balance from falling below TSR in mid-2026.

Medical and Pharmacy Trend

Plan Portion + Member Portion = Allowed Costs

Post-COVID Medical Trend was significantly high at 15.2%.

Pharmacy trends have increased each year up to 15.7% in 2023 (GLP-1).




Lack of Population Health Strategy

COMPONENTS OF COST





 *North Carolina*
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer

Go Forward Strategy

State Health Plan Strategy

2025



LONG-TERM / ONGOING

ADDRESS THE FISCAL CLIFF

- Premiums
- Plan Design
- Formulary

ENSURE THE CLIFF WON'T COME BACK

- Price/Quality Transparency
- Be the partner of choice to improve price and access
- Bring back population health
- Support screenings

EMPOWER LONG-TERM HEALTH

- Member-friendly structures to improve health and reduce chronic disease
- Quality first network
- Strengthen rural health access (especially specialty care)

Empower Long-Term Health

Risk Group	Members	Members
Non-Utilizers	43,722	8.0%
Healthy	98,039	18.0%
Minor Acute	46,532	8.5%
Major Acute	24,974	4.6%
Single Chronic	104,782	19.2%
Chronic w/ Comorbidities	220,062	40.3%
Malignancies	6,026	1.1%
Catastrophic	1,272	0.2%
Total	545,410	100.0%

Improve Health

- Over 350k members who need more support
- Ability to reduce cost by \$15k per person in some cases
- We need a portfolio of solutions to get there

Promote Access

- Ensure Plan members have access to specialty care and screenings
- Significant number of members do not have specialists in their county



Addressing the Financial Cliff

Action Items for 2025 and 2026

ELIMINATE

Tobacco Credit for all
members (Effective 1/1/2026)

INVEST

in Population Health
infrastructure

LAUNCH

provider pilots focused on
access, quality, and cost
for members and the Plan

PARTNER

to build out a
rural health strategy
to enhance access

Clear Pricing Project (CPP) Evolution

The Clear Pricing Project taught the Plan a lot about contract direction, and those learnings are the framework going forward.



Members benefited from lower out-of-pocket costs and better access and was easy to understand.

Providers received financial sustainability and predictability and there were certainly high-quality providers in the network. **HOWEVER**, the incentive was designed around volume.

CPP Will Evolve Into Preferred Providers

Focus remains on patient steerage, improving financials, but adding quality and access specificity.

CURRENT STRUCTURE

Anyone eligible who will take 160% of Medicare

Reduced member cost share

PREFERRED PROVIDERS

Focus on PCP, Behavioral Health, and multi-disciplinary specialty

Enhanced data access for decision making

Plan Design Summary Changes

Plan staff is finalizing the changes that will be presented to the board, these **WILL INCLUDE** changes to:

DEDUCTIBLE

OUT-OF-POCKET MAX

COPAYS

SPECIALTY PHARMACY



2026 Benefits Decision Timeline

CY 2026 PLAN DEADLINES	
February 2025	Finalize Enrollment Strategy for 2026 (Vote on Salary Band Option)
March 2025	Stakeholder Feedback and Deep Dive Scenarios Based on Discussion Today
May 2025	Finalize Benefit Designs for 2026
August 2025	Finalize Premiums for 2026
October 2025	Open Enrollment for 2026 will be held Oct. 13-31, 2025.



Questions

 *North Carolina*
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES
A Division of the Department of State Treasurer