NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note – Health Benefits

Short Title: 2025 Appropriations Act.
Bill Number: Senate Bill 257 (Fourth Edition)
Sponsor(s):

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 257, V.4 ($ in thousands)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
State Impact					
State Health Plan Net Loss	$20,900 to $72,100	$23,300 to $77,500	$24,600 to $81,800	$26,000 to $86,000	$27,000 to $91,000
NET STATE IMPACT	**$20,900 to $72,100**	**$23,300 to $77,500**	**$24,600 to $81,800**	**$26,000 to $86,000**	**$27,000 to $91,000**

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

Sections 5.10 and 5.11 have potential actuarial impacts on the State Health Plan (Plan).

Section 5.10: Defines terms related to breast cancer and cervical cancer screenings and requires that cost-sharing for diagnostic or supplemental breast cancer screenings be no less favorable than cost-sharing for low-dose mammography. It also states that insurers will not be required to reimburse out-of-network providers at a higher rate than in-network providers for breast cancer screening and that out-of-network providers shall accept that amount as payment in full. Finally, it applies both existing breast and cervical cancer screening requirements for private insurers and the new screening requirements in this section to the State Health Plan (Plan).

Segal Consulting, the consulting actuary for the Plan, estimates that this section will increase Plan expenditures by the following amounts:

FY 2025-26: $3.6 million
FY 2026-27: $5.0 million
FY 2027-28: $5.3 million

These figures were trended forward at 6% in the table at the top of this note.

Aon, the consulting actuary for the General Assembly, estimates that this section will increase Plan expenditures by approximately $1.1 million per year. This estimate reflects clarification from the

Plan staff that the Plan currently treats mammograms as preventive every year, rather than every two years, at the ages required by this section.

Section 5.11: Modifies requirements and limitations placed on health insurance utilization review programs. These requirements and limitations apply to the State Health Plan (Plan) because of requirements in G.S. 135-48.24(b) and G.S. 135-48.30(a)(7) that the Plan implement substantially equivalent procedures.

The revisions to the following subsections of G.S. 58-50-61 are of particular note for potential impact on the Plan:

(d2) – Administration of Program. This subsection mandates that all noncertifications made in the utilization review process are to be performed by a medical doctor who is of the same specialty as the healthcare provider in the review request and who has experience treating patients with the relevant condition or disease for which the healthcare service utilization review is requested.

(d3) - Consultation Prior to Issuing Noncertifications. This subsection outlines requirements and timelines to be followed in the event that an insurer or its utilization review organization questions the medical necessity of a healthcare service.

(f) - Timelines for Prospective and Concurrent Utilization Reviews Based Upon Type of Healthcare Service. This subsection establishes the timeline for completion of prospective and concurrent utilization review and adds definitions pertaining to specific healthcare services.

(f1) - Utilization Review Requests for Additional Information. This subsection outlines the process and timelines that apply when an insurer or utilization review organization requests additional information to process a claim subject to utilization review.

(j1) - Requirements Applicable to Appeals Reviews. This subsection outlines requirements for doctors performing review of appeals in the utilization review process.

(m1) - Changes to Utilization Review. This subsection establishes the process for insurers to implement changes to their utilization review process.

(n1) - Utilization Review Statistics. This subsection outlines the reporting insurers using utilization review are required to provide.

(n2) - Utilization Review Determination Validity. This subsection establishes the timeline that a utilization review determination is valid for healthcare services provided in an approved course of treatment, including the treatment of chronic or long-term conditions.

(p) - Continuity of Care. This subsection outlines the requirements and circumstances for covered individuals to be exempt from utilization review requirements for specified periods.

(q) – Exemptions. This subsection outlines the requirements for healthcare services to be exempt from utilization review requests by insurers or utilization review organizations. Utilization

reviews are proposed to be exempt if, within the most recent 12-month period, the insurer or its URO has issued certifications, or would have issued certifications, for not less than eighty percent (80%) of the utilization review requests submitted by the provider for that healthcare service.

(r) - Deemed Approval. This subsection states that an insurer or utilization review organization's failure to comply with the timelines established in this legislation will result in automatic approval of the healthcare service under review.

Segal Consulting, the consulting actuary for the Plan, estimates that this section will increase Plan expenditures by the following amounts:

	FY 2025-26	FY 2026-27	FY 2027-28
G.S. 58-50-61(d2) if (q) were not in the bill	$2.2 to $3.3 million	$2.2 to $3.3 million	$2.2 to $3.3 million
G.S. 58-50-61(d2) with (q) in the bill	$0.3 to $0.5 million	$0.3 to $0.5 million	$0.3 to $0.5 million
G.S. 58-50-61(q)	$17 to $68 million	$18 to $72 million	$19 to $76 million
Total	$17.3 to $68.5 million	$18.3 to $72.5 million	$19.3 to $76.5 million

For the other subsections of the revised statutes, Segal Consulting either estimates no material financial impact on the Plan or states that they are unable to provide an estimated impact.

Aon, the consulting actuary for the General Assembly, estimates that this section will increase Plan expenditures by at least $42 million per year, with potential additional costs from increased utilization.

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 2025:

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	$452	$25 *	$85 *
80/20 Plan	$675	$452	$50	$110

* $0 for Non-Medicare Retirees

Medicare Retirees (if Fully Subsidized)

Medicare Advantage Plans

	Employer Share	Employee/Retiree Share
MA-PDP Base Plan	$534	$0
MA-PDP Enhanced Plan	$534	$67

Alternate Plan	Employer Share	Employee/Retiree Share
Traditional 70/30 Plan	$452	$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	$37	$100	$155
Employee/Retiree + Spouse	$565	$650	$37	$100	$425
Employee/Retiree + Family	$573	$670	$74	$200	$444

The employer share of premiums for retirees is paid from the Retiree Health Benefit Fund. During FY 2024-25, employers contribute 6.99% 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 2025 and CY 2026 – The following summarizes projected financial results for 2025 and 2026, based on financial experience through September 2024. The projection assumes an annual claims growth trend for medical claims of 6.0%, a trend for pharmacy claims of 9.5%, a 7.0% trend for pharmacy rebates, benefit provisions and member-paid premiums as adopted by the Board for 2025, 4% blended employer premium increases in FY 2025-26, and a $126 per month premium for the Base MA Plan in CY 2026.

	($ millions) Projected CY 2025	Projected CY 2026
Beginning Cash Balance	$655.6	$477.3
Receipts:		
Net Premium Collections	$4,469.1	$4,635.8
Medicare Subsidies	$8.7	$8.1
Investment Earnings	$18.1	$6.5
Total	$4,495.9	$4,650.4
Disbursements:		

Net Medical Claim Payment Expenses	$3,369.6	$3,546.0
Net Pharmacy Claim Payment Expenses	$1,012.5	$1,095.0
Medicare Advantage Premiums	$90.8	$312.1
Administration and Claims-Processing Expenses	$201.3	$181.6
Total	$4,674.2	$5,134.6
Net Operating Income (Loss)	($178.3)	($484.2)

Of the premiums paid in CY 2025, an estimated $3.0 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, 2024, the State and related units of government had a Total OPEB Liability of $37.7 billion and Plan Fiduciary Net Position (Assets) of $3.7 billion, for a Net OPEB Liability of $34.0 billion. Actual contributions for the year ending June 30 were $1,484 million, far less than the actuarially determined contributions of $2,653 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% annually and pharmacy claim costs are expected to increase at a rate of 9.5% 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.

Segal Consulting used Plan claims data for cervical and breast cancer screenings from the years 2022 to 2024. Aon used claims data provided by the Plan on claims paid in 2022 for cervical and breast cancer screening.

Enrollment as of January 1, 2025

I.	No. of Participants	70/30	80/20	Medicare Advantage	Total	Percent of Total
	Actives					
	Employees	123,991	169,455	-	293,446	38.9%
	Dependents	89,072	87,090	-	176,162	23.4%
	Sub-total	213,063	256,545	-	469,608	62.3%
	Retired					
	Employees	50,382	17,572	161,343	229,297	30.4%
	Dependents	9,092	5,215	21,446	35,753	4.7%
	Sub-total	59,474	22,787	182,789	265,050	35.1%
	Other					
	Employees	4,713	7,903	-	12,616	1.7%
	Dependents	3,159	3,806	-	6,965	0.9%
	Sub-total	7,872	11,709	-	19,581	2.6%
	Total					
	Employees	179,086	194,930	161,343	535,359	71.0%
	Dependents	101,323	96,111	21,446	218,880	29.0%
	Grand Total	**280,409**	**291,041**	**182,789**	**754,239**	**100%**
	Percent of Total	**37.2%**	**38.6%**	**24.2%**	**100.0%**	

II.	Enrollment by Contract	70/30	80/20	MA	Total
	Employee Only	129,678	146,227	139,897	415,802
	Employee Child(ren)	30,621	32,378	263	63,262
	Employee Spouse	5,475	5,498	21,183	32,156
	Employee Family	13,312	10,827		24,139
	Total	**179,086**	**194,930**	**161,343**	**535,359**

	Percent Enrollment by Contract	70/30	80/20	MA	Total
	Employee Only	72.4%	75.0%	86.7%	77.7%
	Employee Child(ren)	17.1%	16.6%	0.2%	11.8%
	Employee Spouse	3.1%	2.8%	13.1%	6.0%
	Employee Family	7.4%	5.6%	0.0%	4.5%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

III.	Enrollment by Sex	70/30	80/20	MA	Total
	Female	165,216	183,977	120,446	469,639
	Male	115,193	107,064	62,343	284,600
	Total	**280,409**	**291,041**	**182,789**	**754,239**

	Percent Enrollment by Sex	70/30	80/20	MA	Total
	Female	58.9%	63.2%	65.9%	62.3%
	Male	41.1%	36.8%	34.1%	37.7%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

IV.	Enrollment by Age	70/30	80/20	MA	Total
	25 & Under	88,459	84,009	25	172,493
	26 to 45	72,870	74,430	248	147,548
	46 to 55	45,542	61,781	767	108,090
	56 to 65	47,110	63,380	9,861	120,351
	66 & Over	26,428	7,441	171,888	205,757
	Total	**280,409**	**291,041**	**182,789**	**754,239**

	Percent Enrollment by Age	70/30	80/20	MA	Total
	25 & Under	31.5%	28.9%	0.0%	22.9%
	26 to 45	26.0%	25.6%	0.1%	19.6%
	46 to 55	16.2%	21.2%	0.4%	14.3%
	56 to 65	16.8%	21.8%	5.4%	16.0%
	66 & Over	9.4%	2.6%	94.0%	27.3%
	Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

V.	Retiree Enrollment by Category	Employee	Dependents	Total
	Non-Medicare Eligible	41,663	13,802	55,465
	Medicare Eligible in Traditional 70/30	26,291	505	26,796
	Medicare Eligible in Base MA Plan	145,265	18,497	163,762
	Medicare Eligible in Enhanced MA Plan	16,078	2,949	19,027
	Total	**229,297**	**35,753**	**265,050**

	Percent Enrollment by Category (Retiree)	Employee	Dependents	Total
	Non-Medicare Eligible	18.2%	38.6%	20.9%
	Medicare Eligible in Traditional 70/30	11.5%	1.4%	10.1%
	Medicare Eligible in Base MA Plan	63.4%	51.7%	61.8%
	Medicare Eligible in Enhanced MA Plan	7.0%	8.2%	7.2%
	Total	**100.0%**	**100.0%**	**100.0%**

VI.	Enrollment By Major Employer Groups	Employees	Dependents	Total
	State Agencies	61,500	32,371	93,871
	UNC System	55,717	37,396	93,113
	Local Public Schools	154,594	92,645	247,239
	Charter Schools (100 entities)	6,527	4,856	11,383
	Local Community Colleges	15,108	8,894	24,002
	Other			
	Local Goverments (129 entities)	12,068	6,445	18,513
	COBRA	548	520	1,068
	Retirement System	229,297	35,753	265,050
	Total	**535,359**	**218,880**	**754,239**

	Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
	State Agencies	11.5%	14.8%	12.4%
	UNC System	10.4%	17.1%	12.3%
	Local Public Schools	28.9%	42.3%	32.8%
	Charter Schools	1.2%	2.2%	1.5%
	Local Community Colleges	2.8%	4.1%	3.2%
	Other			
	Local Goverments	2.3%	2.9%	2.5%
	COBRA	0.1%	0.2%	0.1%
	Retirement System	42.8%	16.3%	35.1%
	Total	**100.0%**	**100.0%**	**100.0%**

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Segal Consulting; baseline financial projections updated through Q3 CY2024; dated December 13, 2024. Filename "CY24 Q3 - Baseline.pdf"

-Actuarial Note, Aon, "Fiscal Impact House Bill 297: Breast Cancer Prevention Imaging Parity", March 17, 2025, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Segal Consulting, House Bill DRH40155-MR-16A, "Breast Cancer Prevention Imaging Parity", March 14, 2025, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon, "Fiscal Impact House Bill 434", March 31, 2025, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Segal Consulting, House Bill 434, "The CARE FIRST Act", April 4, 2025, 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

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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Signed copy located in the NCGA Principal Clerk's Offices