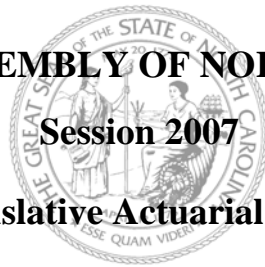


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: House Bill 508 (Third Edition)

SHORT TITLE: State Health Plan/Local Gov. Particip.

SPONSOR(S):

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Comprehensive Major Medical Plan.

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts, premium payments for dependents by active and retired teachers and State employees, premium payments for coverages selected by eligible former teachers and State employees, premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY: HB 508 (3rd edition) amends Section 31.26(j) of Session Law 2004-124 (2004 Appropriations Act), as further amended by Section 29.32 of Session Law 2005-276 (2005 Appropriations Act). Proposed legislation permits the Towns of Biltmore Forest, Black Creek, Black Mountain, Blowing Rock, Ocean Isle Beach, Sunset Beach, and Tabor City, plus Mitchell County, to become an employing unit under the Teachers' and State Employees' Comprehensive Major Medical Plan (Plan) for the purpose of providing health benefits to the County's employees, retired employees, and their eligible spouses and dependent children. Currently, the Towns of Forest City and Lake Lure, and the counties of Beaufort, Bladen, Washington, and Rutherford participate as local government based employing units under the Plan.

If a local government elects to participate as an employer under the Plan, it must do so by legal resolution of its governing board. An irrevocable election is required by the local government if it enrolls its retired employees, and their eligible spouses and dependent children. The local government must also agree to make any premium contributions required by the Plan. All enrolled employees, retired employees, and their family members of a participating local government will be required to participate in disease management, case management, and all other cost containment measures implemented by the Plan. Employees and retired employees authorized for benefit coverage under the Plan will pay the same premium rates as those charged by the Plan for other participating active and retired employees and their dependents.

In addition, an irrevocable election by a local government to cover retired employees also requires it to make additional financial contributions to the Local Governmental Employees' Retirement System for the purpose of financing retired employee employees' health benefits offered under the Plan. If a local government does not participate in the Local Governmental Employees' Retirement System, but has another formally established retirement plan, and elects to cover its retired employees, it is required to make premium contributions to the Plan on behalf of its retired employees.

EFFECTIVE DATE: July 1, 2007

ESTIMATED IMPACT ON STATE: The consulting actuary for the Teachers’ and State Employees Comprehensive Major Medical Plan, Aon Consulting, estimates a negligible financial impact to the Plan as a result any specific entity named in the legislation being included under the Plan. Aon Consulting estimates an average annual mid-point loss of \$862,535 for the 2007-2009 biennium. Comparisons between the Plan’s current demographic data and the submitted demographic data by each respective local government were made for the purposes of estimating impact. Aon Consulting’s opinion indicates the specific named local governments may be slightly less costly, the same cost, or slightly more costlier than the Plan’s current membership based on the specific demographic data provided by each respective local government entity. However, without historical claims experience data, Aon Consulting notes that adverse selection against the Plan may occur and thereby possibly increase the cost impact.

Hartman & Associates, consulting actuary for the General Assembly’s Fiscal Research Division, estimates that the proposed change allowing the specific named local government entities named in the proposed legislation to participate under the Plan would not have a significant financial impact. The estimate by Hartman & Associates assumes that respective employees and retired employees of each local government entity have a similar demographic profile as compared to those of the Plan’s current members. This assessment is based on submitted demographic data by each respective local government entity. However, Hartman & Associates noted that if participation by any of the respective local government employees is optional, it is possible for adverse selection against the Plan to occur. Also without historical claims experience data for the group it is not possible to more precisely estimate any possible impact.

ASSUMPTIONS AND METHODOLOGY: A current census of employees and dependents were provided to each actuary from information provided by each local government. The demographic profile of the local government groups was compared to the current membership of the Plan for estimating claims experience.

Total Participants by Local Government

	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees			Grand Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	
Biltmore Forest	21	4	25	3	6	9	0	0	0	0	0	0	34
Black Creek	6	4	10	1	0	1	0	0	0	0	0	0	11
Black Mountain	60	22	82	11	14	25	9	0	9	0	3	3	119
Blowing Rock	49	14	63	7	16	23	3	1	4	0	0	0	90
Ocean Isle	28	9	37	5	5	10	0	0	0	0	0	0	47
Tabor City	21	4	25	1	4	5	0	0	0	0	0	0	30
Sunset Beach	27	6	33	11	26	37	1	0	1	0	0	0	71
<u>Mitchell County</u>	<u>33</u>	<u>71</u>	<u>104</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>108</u>
Total	245	134	379	39	71	110	13	5	18	0	3	3	510

Distribution of Participants -- Biltmore Forest, Black Creek, Black Mountain, Blowing Rock, Ocean Isle, Sunset Beach, Tabor City & Mitchell County

Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4	0	0	0	4	7	11	0	0	0	0	0	0
5-9	0	0	0	6	14	20	0	0	0	0	1	1
10-14	0	0	0	6	8	14	0	0	0	0	1	1
15-19	2	0	2	6	6	12	0	0	0	0	0	0
20-24	13	4	17	0	2	2	0	0	0	0	0	0
25-29	24	12	36	0	1	1	0	0	0	0	0	0
30-34	31	12	43	1	5	6	0	0	0	0	0	0
35-39	43	10	53	3	9	12	0	0	0	0	0	0
40-44	36	23	59	2	7	9	2	0	2	0	0	0
45-49	39	20	59	3	7	10	2	0	2	0	0	0
50-54	31	17	48	5	3	8	3	1	4	0	0	0
55-59	18	22	40	2	1	3	6	1	7	0	1	1
60-64	6	13	19	1	1	2	0	3	3	0	0	0
65-69	2	0	2	0	0	0	0	0	0	0	0	0
70-74	0	1	1	0	0	0	0	0	0	0	0	0
75-79	0	0	0	0	0	0	0	0	0	0	0	0
>79	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	245	134	379	39	71	110	13	5	18	0	3	3

SOURCES OF DATA:

-Actuarial Note, Hartman & Associates, House Bill 1181, April 26, 2007, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Hartman & Associates, Proposed Committee Substitute for HB 503, April 3, 2007, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Hartman & Associates, House Bill 508, April 3, 2007, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Hartman & Associates, Senate Bill 148 Proposed Committee Substitute, April 3, 2007, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Hartman & Associates, Senate Bill 1192, April 4, 2007, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, House Bill 1181, April 25, 2007, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, Proposed Committee Substitute for House Bill 503 (H503-CSLN-12 [v.1], April 13, 2007, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, House Bill 508, April 4, 2007, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, Senate Bill 148-CSLN-8, April 4, 2007, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, Senate Bill 1192, April 4, 2007, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS: None

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DATE: August 1, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices