

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 434

SHORT TITLE: National Guard Health Benefits

SPONSOR(S): Sen. Jim Forrester

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

FUNDS AFFECTED: Fully Contributory Premium Payments for Coverages Selected by Eligible Members of the National Guard and Their Dependents.

BILL SUMMARY: The bill allows actively serving members of the North Carolina Army and Air National Guard and their eligible spouses and dependent children the opportunity to voluntarily participate in the benefits of the Teachers' and State Employees' Comprehensive Major Medical Plan's indemnity program and health maintenance organizations (HMOs). Former active members of the National Guard who have completed at least twenty years of Guard service but have not reached the minimum age to begin receipt of a uniformed service retirement benefit are also allowed the opportunity to participate in the Plan's benefits along with their eligible dependents. Participation in the Plan's benefits for actively serving members of the Guard and eligible former members of the Guard is contingent upon them and their dependents being ineligible for any other type of comprehensive group health insurance or other comprehensive group health benefits. Comprehensive group health benefits include Medicare benefits, benefits of the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), Uniformed Service Hospital benefits, and any other health benefits for the uniformed services. Consequently, retired members of the North Carolina National Guard drawing a state or federal Guard pension and their families and survivors are not included in the bill since they are eligible for health benefits through Uniformed Service Hospitals and CHAMPUS. Federal and North Carolina pensions for retired National Guard members begin at age 60 with 20 years of military service.

Premiums for all members of the National Guard who elect to participate in the Plan's benefits will be fully contributory for themselves and their dependents. These premiums will be established separate and apart from the Plan's premiums for teachers, state employees, retired teachers and state employees, and their dependents to reflect separate claims experiences. Premiums for National Guard members and their dependents will also include factors for incurred but unreported claims, the effects of adverse selection from voluntary participation, and any other actuarial measures needed to protect the financial integrity of the Plan.

EFFECTIVE DATE: July 1, 1998.

ESTIMATED IMPACT ON STATE: The consulting actuary for the Plan, Aon Consulting, and the consulting actuary of the General Assembly's Fiscal Research Division, Dilts, Umstead & Dunn, both estimate that the Plan will

incur some administrative expense for implementing and monitoring the payment of the benefits provided by the bill. However, such expenses are expected to be negligible and to be recovered by premiums paid by members of the National Guard electing to purchase the benefits for themselves and their dependents. The actual claim costs for the benefits provided by the bill will also be paid by those electing to purchase the benefits through fully contributory premiums.

Consequently, no additional claim costs are expected to be borne by the Plan through employer-provided funds except for cases of extreme anti-selection.

ASSUMPTIONS AND METHODOLOGY: The Comprehensive Major Medical Plan for Teachers and State Employees is divided into two programs. From October, 1982, through June, 1986, the Plan had only a self-funded indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and eligible former employees and their eligible dependents authorized to continue coverage past a termination of employment other than for retirement or disability purposes. A prepaid program of coverage by health maintenance organizations (HMOs) was offered in July, 1986, as an alternative to the Plan's self-insured indemnity program. The benefits of the self-insured indemnity type of program are spelled out in Part 3 of Article 3 of Chapter 135 of the North Carolina General Statutes (i.e., \$250 annual deductible, 20% coinsurance up to \$1,000 annually, etc. paid by the program's members). HMOs are required to offer benefits that are comparable to those provided by the self-insured indemnity program. Employer-paid non-contributory premiums are only authorized for the indemnity program's coverage for employees and most retired employees. All other types of premium in the indemnity program are fully contributory. Premiums paid by employers to HMOs are limited to like amounts paid to the indemnity program with employees and retired employees paying any HMO amounts above the indemnity program's non-contributory rates. Both types of coverage continue to be available in the Plan with twelve HMOs currently covering about 25% of the Plan's total population in about 85 of the State's 100 counties. The Plan's employees and retired employees select the type of program that they wish for themselves and their dependents during the months of August and September of each year for coverage beginning in October. The demographics of the Plan as of December 31, 1996, include:

	<u>Self-Insured Indemnity Program</u>	<u>Alternative HMOs</u>	<u>Plan Total</u>
<u>Number of Participants</u>			
Active Employees	186,400	70,400	256,800
Active Employee Dependents	104,700	51,800	156,500
Retired Employees	84,400	5,400	89,800
Retired Employee Dependents	14,400	1,200	15,600
Former Employees & Dependents with Continued Coverage	2,700	800	3,500
Total Enrollments	392,600	129,600	522,200

<u>Number of Contracts</u>			
Employee Only	206,300	51,800	258,100
Employee & Child(ren)	29,900	14,500	44,400
Employee & Family	36,600	10,100	46,700
Total Contracts	272,800	76,400	349,200

Percentage of
Enrollment by Age

29 & Under	27.3%	44.7%	31.6%
30-44	21.6	28.0	23.2
45-54	20.0	17.8	19.5
55-64	13.8	7.1	12.1
65 & Over	17.3	2.4	13.6

Percentage of Enrollment by Sex

Male	39.8%	40.0%	39.8%
Female	60.2	60.0	60.2

Asssumptions for National Guard Enrollments: The North Carolina National Guard has some 12,000 actively serving members. Some of the characteristics of this population includes:

<u>Age</u>	<u>Number of Guard Members</u>	<u>Percent of Total</u>
19 & Under	940	7.8%
20-29	4,230	35.2
30-39	3,560	29.7
40-49	2,470	20.6
50-59	800	6.7
Total	12,000	100.0%
Percent Male		89.7%
Percent Female		10.3%

These actively serving members of the Guard are located in 150 units throughout North Carolina with 75 counties having at least one unit. The largest unit has over 1,000 members and the smallest unit has some 30 members. According to Guard requirements, these actively serving members are to undergo physical fitness examinations at least once a year and comprehensive medical examinations every 2 to 4 years depending upon age.

A 1996 study by the Employee Benefit Research Institute (EBRI) in Washington, D.C. on uninsured health benefit populations in the nation and each state provides a basis for estimating the number of uninsured Guard members who could benefit from Senate Bill 434. The Institute is a private, nonprofit, nonpartisan organization that has existed since 1978 to provide public policy research and education on economic security and employee benefits. EBRI's 1996 analysis was done on the basis of the U. S. Bureau of the Census's March, 1996, Current Population Survey (CPS). The Institute's estimates for North Carolina's population under age 65 indicates that some 2,000 actively serving Guard members and their families could be expected to be without health benefit coverage and be eligible for health care benefits under Senate Bill 434.

SOURCES OF DATA:

-Actuarial Note, Dilts, Umstead & Dunn, Senate Bill 434, April 8, 1997, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, Senate Bill 434, April 14, 1997, 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: The proposed G. S. 135-40.1(13b) on page 4 of the bill needs to be amended by adding a sentence after the word "market." on the first line to read: "Comprehensive group health insurance and other benefit coverage includes Medicare benefits, Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) benefits, and other Uniformed Service health benefits."

FISCAL RESEARCH DIVISION

733-4910

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DATE: April 15, 1997.



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