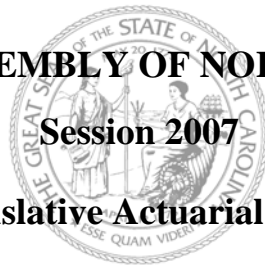


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: House Bill 1181 (First Edition)

SHORT TITLE: State Health plan/County Participation

SPONSOR(S): Representative Frye

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: Bill 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 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 Town of Forest City, and the counties of Bladen, Washington, and Rutherford participate as local government based employing units under the Plan.

If the County 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 County if it enrolls its retired employees, and their eligible spouses and dependent children. The County must also agree to make any premium contributions required by the Plan. All enrolled employees, retired employees, and their family members of the County 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 the County 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 employees' health benefits offered under the Plan. If the County 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 if the Mitchell County is included under the Plan. Aon Consulting estimates an average annual mid-point loss of \$317,520 for the 2007-2009 biennium. Comparisons between the Plan's current demographic data and the submitted demographic data by the County were made for the purposes of estimating impact. Aon Consulting's opinion indicates the County group may be slightly costlier group than the Plan's current membership based on the demographic data provided. 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 Mitchell County 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 the County have a similar demographic profile as compared to those of the Plan's current members. This assessment is based on submitted demographic data by the County. However, Hartman & Associates noted that if participation by the County's 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 the Mitchell County. The demographic profile of the County's covered group was compared to the current membership of the Plan for estimating claims experience. The County was not capable of providing actual claims experience for the purposes of more accurately predicting any possible cost impacts to the Plan.

Distribution of Participants -- 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			0
5-9			0			0			0			0
10-14			0			0			0			0
15-19			0			0			0			0
20-24	1	1	2			0			0			0
25-29	4	6	10			0			0			0
30-34	3	7	10			0			0			0
35-39	5	7	12			0			0			0
40-44	6	7	13			0			0			0
45-49	4	13	17			0			0			0
50-54	3	7	10			0			0			0
55-59	7	14	21			0		1	1			0
60-64		9	9			0		3	3			0
65-69			0			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	33	71	104	0	0	0	0	4	4	0	0	0

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, 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.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Mark Trogdon

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: April 30, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices