

# Living **power**

For all who have made a living **I** and now wish to make a life

## Legislation Introduced to Change The State Health Plan

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### IN THIS ISSUE:

*“Opt-Out” for ORBIT  
Statements* 4

*Cowell Advises State  
Leaders* 5

*LGERS Will Need  
More Money* 6

*Inclusive Health* 7

*Grass Roots: An  
Essential Part of  
Advocacy* 8

*Medicare Saving  
Program Available* 9

*Pay Dues Online* 10

The long term financial stability of the State Health Plan is a major concern of the General Assembly this year. In the midst of the worst financial crisis since the Depression, legislators are trying to adjust state funding and member benefits to get the Plan back on a sound footing.

In June, 2008, members of the General Assembly learned for the first time that the actual expenditures for the State Health Plan would exceed projections in the second year (2008-09) of the biennium by as much as \$300 million. The House and Senate were unable to reach a consensus on short-term measures to offset these forecast cost overruns before the 2008 Session ended in July. Since then, the staff of the State Health Plan has been exploring options to restore the Plan’s fiscal balance.

Senate Bill 287 was introduced on February 25 by Sen. Tony Rand. The bill both addresses the short-term funding needs of the Plan and proposes significant changes to member benefits. Senator Rand has stated the need to have this legislation

passed by early April in order for a new benefit structure to be in place by the beginning of the next fiscal year (July 1). The Senate Select Committee on Employee Hospital and Medical Benefits gave the bill a favorable report on March 10. The main provisions of Senate Bill 287 are presented below.

### State Appropriations

■ The bill provides an appropriation of \$250 million for the current fiscal year. These funds will be used to cover claims payments through June 30.

■ Appropriations for the 2009-11 biennium include \$123.5 million in 2009-10 and \$235.3 million in 2010-11 to cover projected increases in Plan costs.

### PPO Structure and Coverage Changes

■ Effective 7/1/09, the PPO Plus Plan (90/10) is eliminated. Members have the choice of enrollment in the PPO Standard (80/20) or the PPO Basic (70/30) Plans.

*(Continued on next page)*



- Effective 1/1/10, routine eye exams will no longer be a covered benefit under either of the two remaining PPO Plans.

### Prescription Drug Co-Payments

	<u>Current</u>	<u>7/1/09</u>
Generic Drugs	\$10	\$10
Preferred Brands w/o Generic Equivalent	\$30	\$35
Non Preferred Drugs	\$50	\$55
Preferred Drugs w/ Generic Equivalent	\$30	\$10 + Cost to Plan

Below is an example of the proposed co-payments for preferred branded drugs that have generic equivalents that would work. A member using a preferred drug with a generic equivalent would pay \$10 plus the difference between the Plan's cost for the generic version and the name brand. If the Plan pays \$20 for the generic and \$60 for the branded drug, the charge to the member would be \$50 (the generic co-payment of \$10 plus the \$40 difference).

### Other Prescription Drug Changes

- The State Health Plan shall provide coverage of non-acute self-administered specialty drugs through a specialty pharmacy vendor under contract with the Plan. The co-payment for such specialty drugs will be 25% of the Plan's cost, not to exceed \$100 for a 30-day prescription.

- The Plan may exclude coverage of drugs that have therapeutic over-the-counter equivalents.

- The Plan shall implement a Maintenance Medication Retail Pharmacy Network initiative. The Plan may establish a network of local pharmacies that voluntarily choose to participate in the network. After a member has had two refills of a covered maintenance drug, the Plan may require the member to obtain maintenance refills through a pharmacy in the Network or by mail order. Members who use maintenance drugs and who choose not to participate in the Network would be required to pay 50% of the pharmacy allowable charges of the drug. Members who participate in the Network would be charged only two and one-half times the monthly co-payment when filling a 90-day maintenance drug prescription.

- Effective 7/1/09, the prescription period is reduced from 34 days to 30 days.

### Increases in Dependent/Spouse Monthly Premiums

- Effective 7/1/09, the monthly premium for dependent, family and spouse coverage will increase by 7.8%.

- Effective 7/1/10, monthly premiums will increase again by 7.8%.

### Wellness Initiatives

- The Plan must develop a Comprehensive Wellness Initiative that includes a

## In-Network Deductible and Co-Payment Changes

	<u>PPO Standard</u>		<u>PPO Basic</u>	
	<i>Current</i>	<i>7/1/09</i>	<i>Current</i>	<i>7/1/09</i>
Member Annual Deductible	\$300	\$600	\$600	\$800
Annual Co-Insurance Maximum (out-of-pocket annual limit)	\$1,750	\$2,750	\$2,500	\$3,250
Urgent Care Co-Payment	\$50	\$75	\$75	\$75
Primary Care Co-Payment	\$20	\$25	\$25	\$30
Specialist Co-Payment	\$40	\$60	\$50	\$70
In-Patient Co-Payment	\$100	\$200	\$200	\$250

focus on smoking cessation and weight management.

■ Effective July 1, 2010, all members of the Plan who do not have Medicare as their primary coverage will be enrolled in the PPO Basic (70/30) option unless they can attest that they or any qualifying dependent does not smoke or use tobacco products. The Plan must develop a means to verify that a member does not smoke or use tobacco products. Members who do not smoke or who can show evidence of enrollment in a smoking cessation program will have the option of remaining in the PPO Basic Plan or enrolling in the PPO Standard (80/20) Plan.

■ Effective July 1, 2011, all members

who do not have Medicare as their primary coverage will be enrolled in the PPO Basic Plan (70/30) unless they can attest that their weight and height is within the range determined by the Plan using evidence based healthy weight guidelines. Members also can comply if their health care provider can certify that the individual has a medical condition preventing the attainment of the specified weight range and that the member is actively participating in a Plan-approved weight management program.

■ By October 1, 2009, the Executive Administrator of the Plan must inform members of the healthy lifestyle initiatives, the requirements

*Living Power* is published to provide current information for NCRGEA's membership. Newsletters are printed bimonthly and mailed to all members of NCRGEA. Your comments are welcome.

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for compliance, and the consequences of non-compliance.

*[Please Note: For more information on the weight guidelines, go the State Health Plan web page, [www.shpnc.org](http://www.shpnc.org), and see the February 20 Report to the Oversight Committee, specifically the BMI (Body Mass Index) Chart.]*

## Association Concerns

We understand the severity of the financial problems faced by the State Health Plan. However, we believe that the proposed solution should not put a disproportionate financial burden upon employees and retirees. We have met with Senator Rand and expressed our main concerns that are summarized below.

### ■ **Maximum Annual Co-Insurance:**

The bill raises the annual amount that a member might pay out-of-pocket by \$1,000 in the PPO Standard Plan, from the current \$1,750 to \$2,750. This significant increase will be a burden on lower income retirees who suffer from chronic health problems.

■ **Annual Deductible:** The annual amount is doubled in the PPO Standard Plan to \$600 and by \$200 (to \$800) in the PPO Basic Plan. Again, we see an increase of this magnitude will be especially burdensome since it is not likely that the General Assembly will provide a COLA for state retirees this year.

■ **Elimination of the PPO Plus (90/10) Plan:** We would favor an increase in the premium paid by the members as an alternative to elimination of the PPO Plus Plan. The elimination of the Plan would only save the state roughly \$5.0 million annually. The PPO Plus option has only a 2-year history and the higher than expected loss ratio (150.7%) may be more the result of an inaccurate setting of the member premium.

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## Opt-Out for ORBIT Deposit Notification Statements from Retirement System

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In the last issue of *Living Power*, we included the Pension Check Schedule from the North Carolina Retirement System. It included a footnote informing retirees that effective April 2009, direct deposit notification statements will only be available through the ORBIT system. These statements are created when there is a change in your deductions and will no longer be mailed.

According to information we received from the Retirement System after we went to press, you may opt-out of electronic statements should this change in process present a hardship for you because you do not have access to a computer or the internet. To opt-out, contact Member Services at 1-877-733-4191 (tollfree) or 919-733-4191 (Raleigh area).

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## Cowell Advises State Leaders to Plan for Significantly Increased Contributions to the Public Pension Plan

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RALEIGH — On February 19, 2009, State Treasurer Janet Cowell advised state and local government leaders to prepare for increased contributions starting in July 2009 to the public pension fund.

The state will have to allocate an additional \$359 million from the general fund over the next two budget years (\$29 million in FY 2009-2010 and \$329 million in 2010-2011).

“I understand this news comes at a time when families, local and state governments, and the private sector are tightening their belts as a result of the global recession,” Cowell said. “However, it is important for budget writers to take these costs into consideration as they craft their respective budgets.”

“Employer contributions are a required cost and a contractual obligation to the 535,000 active public employees – including law enforcement officers, firefighters and teachers – covered by the plan,” Cowell said.

Funding the retirement system is a shared responsibility among employees, employers and investment earnings.

Investment earnings have accounted for the lion’s share, 77 percent, of pension funding in recent years.

The earnings were high enough in recent years to allow the General Assembly

to significantly reduce its annual contribution below the normal rate of 6.26 percent of payroll. This is the state’s match to the employee contribution of 6 percent, which is automatically deducted from their monthly paycheck.

The savings gained from the lower contribution rate have allowed the state to use the money for other public purposes such as education and health care.

But in 2008 the fund had a negative return on investment of 19.7 percent. The loss of assets during the past year now requires the General Assembly to increase its contribution back to the normal contribution amount, roughly \$686 million, in the second year of the biennium.

To help weather the storm, Treasurer Cowell pledged last month to review every relationship in the state’s investment portfolio; hire an outside auditor to review business and investment practices; and hold true to established principles of conservative, prudent, long-term investing.

“I am doing my part to navigate the markets so that we get the best return on every dollar invested,” Cowell said

### About the Retirement Plan:

The North Carolina Retirement Systems, the formal name for the pension fund, is now the ninth largest public pension fund in the country. It provides retirement benefits and savings for more than 820,000 North Carolinians, including teachers, state employees, firefighters, police officers and other public workers.

For more information, go to [www.nctreasurer.com](http://www.nctreasurer.com)

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## Local Governmental Employees' Retirement System Will Need More Money

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Preliminary figures provided by the state retirement systems actuary for the year ended December 31, 2008 indicate that local governments will have to significantly increase contributions to the Local Governmental Employees' Retirement System (LGERS). The 2008 numbers for the local system follow a similar report covering the Teachers' and State Employees' Retirement System (TSERS) that was released in mid-February.

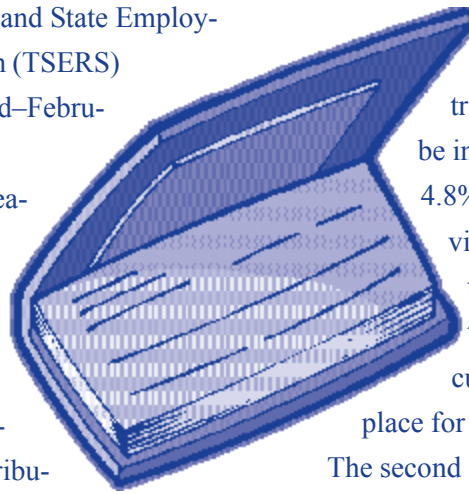
On February 19, Treasurer Janet Cowell advised state and local government leaders that the public pension funds would require increased employer contributions. *(See the related story on the specific condition of TSERS on page 5.)*

Staff of the Retirement Systems Division presented the preliminary data for the LGERS at a meeting with representatives of the NC Retired Governmental Employees' Association, the Professional Firefighters' and Paramedics of N.C., the North Carolina Chapter of the American Public Works Association, and representatives of municipal and county government employer organizations. Although final audited figures will not be available until September, the preliminary report shows

that local governments will be required to boost contributions to LGERS to at least 6.0% of payroll by July 1, 2010.

The presentation by Retirement Systems Division staff included two alternative approaches to restoring the financial condition of LGERS. The first scenario was built around the concept of maintaining a fixed local government contribution rate over a twelve year period. This scenario did not assume Cost-Of-Living Adjustments (COLAs) in setting the rate or the use of any undistributed gains to cover COLAs. Even so, the normal employer contribution rate would have to be increased from the current 4.8% to 9.76% in 2010 to provide a reasonable probability that the rate could be maintained for 12 years. The current 4.8% rate has been in place for 13 years.

The second scenario assumed a more flexible approach to setting the normal employer contribution rate for the local government pension fund. In this model, the LGERS rate would be set at 5.96% of payroll effective July 1, 2010 and subject to change annually. The Board of Trustees of the Local Governmental Employees Retirement System would review the most recent LGERS audit at the regular October meeting of the Board. The employer contribution rate would be set accordingly. Undistributed gains would be used to fund COLAs or to maintain a reserve. Given the severity of the economic downturn in



2008, the LGERS rate likely would have to be increased incrementally over the next four years (2011 through 2014).

The consensus among the organizations that participated in the meeting was that the second approach would be preferable for the foreseeable future. Annual reassessment of the contribution rate would avoid or mitigate future increases of the magnitude facing the local pension fund in 2010.

The need for significant increases in employer contributions for both the state and local government pension funds during the next several years can be attributed to the investment losses suffered by the retirement systems in this recession. Historically, investment gains account for nearly 80% of our Retirement Systems assets.

However, there are other factors that have helped set the stage for the coming rate increase. In the case of the Teachers' and State Employees' Retirement System, the employer contribution rate has not been sufficient to maintain the system over the long term for at least the past six years. Our Association and our partner organizations representing active teachers and state employees have raised this issue repeatedly over the past several years.

In contrast, the LGERS has maintained a constant contribution rate for 13 years. However, there has been concerns raised for the past three years by our Association and other groups representing local government employees that the rate needed to be raised due to changes in the retirement benefit formula that were approved in 2003.

- Ed Regan

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## Inclusive Health

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We have all encountered individuals who are not eligible for Medicare and do not have any other health insurance. Inclusive Health, also known as the North Carolina Health Insurance Risk Pool (NCHIRP), provides affordable, individual health insurance coverage for North Carolinians who do not have access to an employer health plan and face higher premiums due to a pre-existing medical condition. It will also offer coverage to individuals who are federally defined HIPAA eligible or qualify due to loss of employment due to the effects of international trade under the Trade Adjustment Assistance Act. A person may qualify for coverage from Inclusive Health if you:

- a) are a North Carolina resident and a legal resident of the United States;
- b) do not have access to group coverage as an employee or as a dependent of an employee; and
- c) do not qualify for any government program such as Medicare, Medicaid, or SCHIP and meet certain criteria.

There are three plan options available to choose from -- Plan A, B, or C. Premiums vary based on age, gender, smoking status, and choice of plan options. For more information, you may visit [www.inclusivehealth.org](http://www.inclusivehealth.org) or call Inclusive Health directly at 866-665-2117.

*Information for this article was provided by the Seniors' Health Insurance Information Program (SHIIP).*

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## The “Grass Roots”: An Essential Part of Advocacy

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Organizations such as the N.C. Retired Governmental Employees’ Association (NCRGEA) have a tremendous potential lobbying asset in a large, widely dispersed, and knowledgeable membership that can serve as the foundation for a “grass roots” advocacy network. Simply defined, a grass roots lobbying system is one where members advance the statewide legislative goals of the organization by conveying to their elected representatives in the General Assembly why these goals are important to them as individuals and constituents.

Effective development and utilization of a grass roots lobbying network involves a number of key elements, including identification of resources, choice of techniques, and proper timing of lobbying campaigns. The NCRGEA is well positioned to use a grass roots approach to advocacy. Our organization currently has nearly 53,000 members. And we have members in literally every state legislative district. However, an effective grass roots system requires more than sheer numbers of people.

One great advantage we have over many other membership organizations: Our members understand how the North Carolina government system works. You all come from careers spent at every level and in every branch of government in the state. Our members include retired educators, state agency employees, state and lo-

cal law enforcement officers, city firefighters, judges, county human services personnel, former legislators, N.C. National Guard members, etc. Moreover, many of our members carry a strong interest in public affairs into retirement. They are involved in community and civic activities and many have close personal ties to their state legislators.

During the past several years, we have attempted to better utilize the considerable knowledge and talents of our members to enhance the advocacy efforts of our Raleigh staff. Members now can receive the latest information during the legislative session on General Assembly activities affecting retirement benefits through a weekly Legislative Report. This report is available on the NCRGEA toll free telephone HotLine (1-800-356-1190) and by e-mail that is sent to interested members every Friday afternoon during the legislative session. The weekly Legislative Report tracks key legislation and, when necessary, alerts our members to contact their legislators to share our views on these important bills.

Contemporary technology gives us almost instantaneous access to legislators when they are in Raleigh. All members of the General Assembly now have e-mail addresses, and electronic mailings have replaced the mass letter writing and phone calling campaigns that were used in the past by advocacy organizations.

Such ready access via the internet has to be used judiciously. Bombarding legislators on every bill with mass form e-mails

from members usually is ineffective and may be counterproductive. We try to limit our general calls for action to the bills that are of the greatest importance to the vast majority of our members. Furthermore, we think that it is far more effective for members to explain in their own words to legislators why we support, oppose, or seek changes to specific pieces of legislation. We have found that a polite, concise, and personal approach to advocacy by members has more of an impact than lobbying campaigns where an organization attempts to tightly script the message that members convey to the General Assembly.

A grass roots system obviously works well for membership organizations like our Association that have large, motivated memberships. However, the system also needs to have the ability to use a more selective and personal approach when necessary.

Our Association began building a list of key advocates three years ago by inviting members who attended our district meetings to share information about their personal contact and working relationships with members of the General Assembly. We asked these members if they were willing to contact their legislators when necessary to reinforce our more general grass roots campaigns. This part of our system still is a work in progress. We invite all members who are interested in this “key members” component of the Association’s advocacy effort to call our office or send an e-mail ([info@ncrgea.com](mailto:info@ncrgea.com)) to let us know of your interest.

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## Medicare Savings Programs and Extra Help Available for Low-Income Beneficiaries

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Do you ever wonder how you will pay your medical expenses? Do you need more money for things like prescription drugs, electricity bills or food? If you answered “yes” to either of these questions and you are a Medicare beneficiary, there may be help.

Medicare Savings Programs can assist low-income Medicare beneficiaries with out-of-pocket expenses associated with Medicare. “This assistance is available to many North Carolinians who aren’t even aware of it,” said Insurance Commissioner Wayne Goodwin. “SHIP can help people with Medicare understand what they are qualified to receive.”

However, the application for these programs must be made through your local Department of Social Services (DSS) office in the county in which you reside.

Those who qualify often have their Medicare Part B premium paid - a total savings of \$1,156.80 a year! Individuals who qualify by having the least amount of income, receive the highest level of benefits. Many Medicare beneficiaries are surprised to learn that a couple drawing as much as \$1,575 per month or an individual drawing \$1,170 per month in income may be eligible to receive some financial assistance.

To qualify for these programs a Medi

*(continued on next page)*

## **Medicare Savings Programs and Extra Help Available**

*(from page 9)*

care beneficiary must meet certain income and resource/asset level requirements. Income includes monthly earnings, Social Security and Veterans' benefits, disability payments, cash contributions, retirements and pensions, etc. Resources and assets include the value of items that the person owns, such as cash, stocks, bonds, retirement accounts, cash value of a life insurance policy, the value of a second car, boats and any real property that is not the primary residence and does not produce income. Resources do not include appliances and other household furnishings, clothing or other personal items like jewelry. Assets excluded from the evaluation process are: \$4,000 in cash for individuals and \$6,000 for couples, a home, all property attached to the home, personal belongings, one vehicle and irrevocable burial contracts and plots.

Applicants must apply for these programs through their local Department of Social Services. Then a social worker will evaluate your income, resources and assets to determine if you qualify. The income and resource limits increase on April 1 of each year. Even if you have applied for assistance and did not qualify, you may apply again as your income and resources/assets may now fit into the specified range. The number for your county's Department of Social Services can be found in your local telephone book or through the SHIIP office at 1-800-443-9354.

Individuals who qualify for these programs are automatically qualified to receive what is called *Extra Help* with their Medicare Part D plans at the 100 percent level. This means they will pay a reduced co-pay of \$2.40 for generic drugs and \$6 for name-brand drugs, as well as, lower monthly premiums. This Extra Help is also referred to as the Low Income Subsidy (LIS) program.

People with Medicare who have higher incomes can still file an application for Extra Help with their Part D plans, but the application must be filed with the Social Security Administration. The income and asset limits for Extra Help with a Part D plan are \$1,300 per month with assets up to \$11,990 if you are single, and \$1,750 per month with assets up to \$23,970 if you are married. The SHIIP office can assist you with applying online for the Extra Help program through the Social Security Administration Web site at [www.socialsecurity.gov](http://www.socialsecurity.gov). Medicare beneficiaries may also apply online themselves or contact the Social Security Administration at 1-800-772-1213.

SHIIP has volunteers in all 100 counties who offer one-on-one counseling and provide free, unbiased information about Medicare, Medicare supplements, Medicare Part D, Medicare Advantage and health plan options and long-term care insurance through its toll free number. To contact SHIIP, call 1-800-443-9354 or visit [www.ncshiip.com](http://www.ncshiip.com). Online Yearly Dues Payment Now an Option

We have finally caved into members'

to be used judiciously. Bombarding legislators on every bill with mass form e-mails from members usually is ineffective and may be counterproductive. We try to limit our general calls for action to the bills that are of the greatest importance to the vast majority of our members. Furthermore, we think that it is far more effective for members to explain in their own words to legislators why we support, oppose, or seek changes to specific pieces of legislation. We have found that a polite, concise, and personal approach to advocacy by members has more of an impact than lobbying campaigns where an organization attempts to tightly script the message which members convey to the General Assembly.

## **Online Yearly Dues Payment Now an Option**

We have finally caved into members' requests for the opportunity to pay yearly NCRGEA membership dues by credit card as well as the ability to join online.

To renew your membership, please go to [www.ncrgea.com](http://www.ncrgea.com) and click "Renew Online" under the "Members Only" tab on the left hand side of the website. You also have the option of paying one-time lifetime dues by clicking the amount that is comparable to your age bracket.

If you have a friend who is not a member of NCRGEA, we would love to have him or her join the Association. Tell he or she to check out our website to see all the benefits of membership, and should he or she decide to join, the option to join online is also on the website.

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## **Firefighters Break \$250,000 Donation Mark With Use of Special Debit Card**

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*Money goes to the NC State Firemen's Association in support of state's firefighters*

RALEIGH, NC (3/13/09) — Local Government Federal Credit Union (LGFCU) is proud to report that a specially structured Visa Check Card exclusive to all North Carolina firefighters and their families has resulted in a total of \$254,316 being donated to the NC State Firemen's Association (NCSFA).

In 2003, LGFCU introduced the card—bright red and complete with a firefighter's helmet—that supports NCSFA programs by donating 50 percent of the merchant's transaction fee from every purchase to the organization. Instead of fees coming out of the pockets of firefighters and their families, store merchants already pay the fees to process the debit card transactions. LGFCU simply takes 50 percent of the fee and directs it to the NCSFA. There are currently more than 4,000 cards in circulation.

"We are so pleased that our partnership with the NCSFA is generating about \$20,000 per quarter for them," said LGFCU President Maurice Smith. "This money is used in direct support of our state's firefighters, who put their lives on the line everyday protecting property and the public's safety. As this benefits them, it in turn benefits all North Carolina communities."



*North Carolina*  
**Retired  
 Governmental  
 Employees'**  
*Association*

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## **NCRGEA District Meetings Announced**

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Monday, April 6, 2009 Henderson  
 Vance-Granville Community College,  
 Franklin, Granville, Vance and  
 Warren counties

Tuesday, April 7, 2009  
 Ramada Inn Burlington  
 Alamance, Caswell and Chatham  
 counties

Wednesday, April 8, 2009  
 Durham Marriott Convention Center  
 Durham, Orange and Person counties

Tuesday May 5 - Wed. May 6, 2009  
 Prestonwood Country Club  
 Wake County

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## **Important Phone Numbers to Remember**

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NCRGEA .....	1-800-356-1190
MetLife Dental .....	1-888-466-9073
NC Retirement System .....	1-877-733-4191
CIGNA (Medicare Administrator) .....	1-800-633-4227
Seniors' Health Insurance Information Program .	1-800-443-9354
Medical Review of North Carolina .....	1-800-722-0468
NC State Health Plan .....	1-919-881-2300
Blue Cross/Blue Shield .....	1-888-234-2416
(State Health Plan Administrator)	
Social Security Administration .....	1-800-772-1213
State Employees' Credit Union .....	1-888-732-8562
Local Government Federal Credit Union .....	1-800-344-4846