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## Recommendations

### **Recommendation 1. The General Assembly should eliminate the employee insurance committee system and create a single committee charged with selection and oversight of all pre- and post-tax supplemental insurance benefits offered to state employees.**

The General Assembly should repeal the state law authorizing employee insurance committees and create a single employee insurance selection committee that is responsible for both post-tax supplemental insurance products and the pre-tax NCFlex program.<sup>20</sup>

A similar recommendation was made by the Office of State Budget and Management in the North Carolina Government Efficiency and Reform (NC GEAR) final report in March 2015, which recommended consolidation of employee insurance committees to leverage the buying power of all state government.<sup>21</sup>

This committee should be known as the State Employee Insurance Selection Committee and should consist of five members: the Office of State Human Resources (OSHR) director, Office of State Budget and Management director, the University of North Carolina System president, the State Treasurer, and the State Controller, or their designees.<sup>22</sup> The recommended governance structure should include representation of the State Treasurer because of the importance of coordinating supplemental benefits with other employee benefits administered by the Department of State Treasurer including the State Health Plan and the Teachers' and State Employees' Retirement System. The committee should include the State Controller because of the importance of enrollment and payroll systems in administering supplemental insurance offerings.

The responsibility for administering supplemental benefits and staffing of the State Employee Insurance Selection Committee should reside with OSHR, which currently administers the NCFlex program but would now have administrative responsibility for all supplemental insurance plans.

The State Employee Insurance Selection Committee should be charged with several responsibilities for the selection and oversight of employee supplemental insurance:

- requesting proposals from vendors to provide supplemental insurance coverage to state employees within detailed specifications;
- competitively bidding products at least every five years in order to obtain competitive pricing;
- reviewing all supplemental insurance benefits and selecting supplemental insurance products the committee determines to be in the best interest of the State and state employees;

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<sup>20</sup> Currently, NCFlex is directly administered by the Office of State Human Resources (OSHR) and does not operate with an oversight committee, though OSHR does consult with a benefits working group regarding NCFlex. When competitively bidding supplemental insurance products, OSHR convenes a committee made up of agency and university benefits representatives to select vendors.

<sup>21</sup> NC GEAR (2015, March). *Report to the Joint Legislative Commission on Government Operations*. Raleigh, NC: General Assembly.

<sup>22</sup> House Bill 940, the 2015 Governor's Budget, proposed the creation of an Employee Insurance Selection Committee, which would be made up of the Office of State Human Resources director, Office of State Budget and Management director, and the University of North Carolina System president. This Program Evaluation Division recommendation includes two additional committee members: the State Treasurer and State Controller.

- overseeing all supplemental insurance contracts, including but not limited to ensuring terms and conditions of the contracts are met;
- coordinating education and communication regarding supplemental insurance benefit design and enrollment;
- receiving input from agency and university health benefit representatives on how to improve supplemental insurance offerings and administration; and
- surveying a representative sample of state employees at least every five years to receive input on supplemental insurance product design, vendor performance, and state administration of supplemental insurance.

**Recommendation 2. The General Assembly should direct the newly-created State Employee Insurance Selection Committee to oversee the transition to a centralized system of supplemental insurance benefits by establishing processes for terminating payroll deduction for insurance products not associated with a valid contract and phasing out products with valid contracts when the contracts expire.**

In order to determine which products are associated with a valid contract, the General Assembly should require each agency and university to submit copies of all current employee insurance committee contracts to the State Employee Insurance Selection Committee and the Attorney General's Office. The Attorney General's Office should review those contracts and create a list of all valid, active contracts including each contract's earliest end date. Working in coordination with the Office of the State Controller, the State Employee Insurance Selection Committee should ensure payroll deduction is terminated for all insurance products without a valid contract within 12 months of the Attorney General's Office making that determination. For those insurance products with valid contracts, oversight of the contracts should be transferred to the State Employee Insurance Selection Committee. Once the contracts expire, payroll deduction should be terminated for those products as well. At that time, employees can elect any of the competitively bid products through the State Employee Insurance Selection Committee.

The committee should establish a process for agencies and universities to identify and notify employees with existing payroll deductions for employee insurance committee-selected products in order to give them time to prepare for the transition. This process should ensure employees receive written notification at least six months prior to the termination of deductions so employees have time to make alternative arrangements. Such arrangements could include employees purchasing insurance offered through the State Employee Insurance Selection Committee, purchasing supplemental insurance on the open market, or exercising portability provisions that allow employees to continue to buy the insurance directly from the current vendor.