



Teachers' and State Employees' Comprehensive Major Medical Plan

4509 Creedmoor Road, Suite 201, Raleigh, NC 27612-3813

www.statehealthplan.state.nc.us

FOR IMMEDIATE RELEASE
February 28, 2006

Contact: Linda McCrudden
Director of Communications
919.785.3799

North Carolina State Health Plan Rolls Out New PPO Plan for October 1

State Health Plan Projects Significant Cost Savings for Taxpayers and Members

Raleigh, N.C. – The North Carolina State Health Plan announced today that a new Preferred Provider Organization (PPO) will be available as a choice for state employees, teachers and other eligible members effective October 1, 2006.

"We estimate that the PPO will save the taxpayers of North Carolina more than \$30 million dollars in the first full year of the plan, in addition to significant health care savings for state employees and their families," said Executive Administrator George C. Stokes.

PPO plans contract with various physicians, hospitals and other providers to form medical care networks. For the State Health Plan, PPO members will receive services at reduced premiums and out-of-pocket costs when they use in-network providers. They may also use out-of-network providers at a reduced benefit. Physician referrals are not required. Members decide when to visit a specialist and whether to select a provider from in-network or out-of-network.

Other features of the State Health Plan's new PPO include:

- Network availability in all 100 North Carolina counties
- No deductibles or co-insurance for physician visits
- Reduced premiums for dependent coverage
- A new Employee-Spouse tier, in addition to existing tiers

The Plan's Board of Trustees approved a PPO contract with Blue Cross and Blue Shield of North Carolina to provide the physician and hospital network to the State Health Plan. The PPO will enable the State Health Plan to deliver on its promise of improved affordability and choice for members.

"We're pleased to have this opportunity to build on our work with the State Health Plan," said Bob Greczyn, President and CEO of Blue Cross and Blue Shield of North Carolina. "The PPO is one of our most popular products and will offer state employees, teachers and retirees a wide choice of doctors and hospitals across the state."



The PPO will be offered along with the current Comprehensive Major Medical plan (indemnity plan) during the 2006 open enrollment. While it is unknown exactly how many members will select this new option, State Health Plan officials are projecting approximately \$460,000 in taxpayer savings per year for every 1% shift of employees from the indemnity plan to the PPO. "Based on benefit design and cost savings, we hope to see 80% of our members move to the more affordable PPO this first year," Stokes said.

In a 2005 survey of North and South Carolina employers conducted by Aon Consulting, 86% of the employers reported that some form of PPO product was the most popular plan option for their employees -- due to flexibility and cost efficiencies. Only 1% of employers reported that the more expensive indemnity plans, like the current State Health Plan, were the most popular plan choice.

Over the next few weeks, the State Health Plan will provide more details to members about information meetings and the open enrollment period. A Benefits Calculator is under development and, when available, will enable members to compare the indemnity plan and the PPO and calculate their own cost savings.

Visit the State Health Plan Web site at www.statehealthplan.state.nc.us and click on "New PPO" for more information.

About NCSHP:

The North Carolina State Health Plan covers approximately 590,000 teachers, state employees, retirees, current and former lawmakers, state university and community college personnel, state hospital staff and their dependents. A breakdown of that total includes: More than 340,000 active employees; 144,000 dependents and non-Medicare retirees; and more than 93,000 retirees and their dependents, with one or more members covered primarily by Medicare. Dependents include spouses and unmarried children under age 19 (or under age 26 if full-time students). The State Health Plan is self-insured and exempt from ERISA as a government-sponsored plan. Visit the Web site at www.statehealthplan.state.nc.us to find out more about the PPO and NC HealthSmart, a healthy living initiative available to members at no additional cost.

About BCBSNC:

Blue Cross and Blue Shield of North Carolina is a leader in delivering innovative health care products, services and information to more than 3.3 million members, including approximately 638,000 served on behalf of other Blue Plans. For 72 years, the company has served its customers by offering health insurance at a competitive price and has served the people of North Carolina through support of community organizations, programs and events that promote good health. Blue Cross and Blue Shield of North Carolina is an independent licensee of the Blue Cross and Blue Shield Association. Access BCBSNC online at www.bcbsnc.com.

###