



NEWS RELEASE

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IMMEDIATE RELEASE

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SEANC Blasts Legislative Oversight Following State Health Plan Audit

RALEIGH— The State Employees Association of North Carolina stands by its position that legislators are at fault for inadequate oversight and failed projections that resulted in the State Health Plan's financial troubles. As chairmen of the legislative committee that oversees the plan, Sen. Tony Rand (D-Cumberland) and Rep. Hugh Holliman (D-Davidson)--the only two individuals with full access to the administrative contract with Blue Cross and Blue Shield of North Carolina--bear full responsibility for the health plan shortfall.

"It's easy to blame a former plan administrator, but Senator Rand and Representative Holliman dropped the ball," said SEANC Executive Director Dana Cope. "They shouldn't have been surprised by a major shortfall if they were truly watching over the health plan on behalf of its 667,000 members and state taxpayers."

Today's performance audit¹ of the plan states "the State Health Plan lacked BCBSNC cost data on which to base the PPO administrative expense projection" and "as a result, the actuary did not have the data needed to produce accurate projections." The audit also shows no attorney or contract professional reviewed the BCBSNC contract and that the cost-plus-a-percentage-of-cost type of contract is "not in the best interest of the State."

SEANC calls on the legislature to immediately move oversight of the plan to the executive branch to ensure proper oversight and accountability. SEANC has been calling for oversight of the State Health Plan to move from the legislative branch to the executive branch for years. A performance audit² released last year by State Auditor Les Merritt said oversight of the plan was "inadequate and ineffective." This year's report reiterates the 2008 audit's recommendation that oversight move to the executive branch to "ensure proper operational and financial oversight," noting 35 states operate their health plans under an executive agency.

A 2003 audit³ by State Auditor Ralph Campbell found the health plan did not effectively monitor contracts, noting BCBSNC's overpayment recovery rate was 0.3 percent of total claims, while the national average is 5 percent. To date, BCBSNC officials claim their self-audited overpayment recoveries are nominal or non-existent, but no evidence has been provided to substantiate their claims or verify their efforts in improving their recovery rates.

¹ <http://www.ncauditor.net/EPSSWeb/Reports/Performance/PER-2008-7247B.pdf>

² <http://www.ncauditor.net/EPSSWeb/Reports/Performance/PER-2008-7247.pdf>

³ Office of the State Auditor, North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan for the Year Ended June 30, 2002. Released May 21, 2003. (pdf attached)

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