



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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North Carolina Should Centralize Management of State Employee Supplemental Insurance Benefits

Summary

In addition to offering standard benefits such as health insurance, North Carolina offers state employees the option of purchasing supplemental insurance plans, such as dental and life insurance. Currently, supplemental insurance is provided through two separate mechanisms: the NCFlex program, which is administered through the Office of State Human Resources and uniformly available to all eligible state employees, and employee insurance committees, which are housed within individual agencies and universities.

Employee insurance committees are ineffective and have failed to manage the selection of supplemental insurance products. Employee insurance committees are entrusted with selecting insurance products that best meet the needs of employees, but the majority of committees established at state agencies and universities either no longer exist or meet infrequently. In addition, many committees do not have contracts with vendors and could not demonstrate product offerings were competitively bid, putting employees at risk of overpaying for insurance products.

The separation of employee insurance committees and NCFlex results in overlapping and duplicative supplemental insurance offerings and makes product comparison and selection challenging for state employees. For example, some state employees were unaware they were simultaneously enrolled in two separate dental insurance plans, one administered by NCFlex and one through an employee insurance committee.

Weak oversight and management of supplemental insurance elections and payroll deductions by agencies and universities presents risks to employees and the State. Many agencies and universities do not have internal processes to ensure the accuracy of supplemental insurance payroll deductions, which can result in incorrect amounts being deducted from employees' pay. In one instance, weak oversight and controls resulted in employees paying insurance premiums for several years after an employee insurance committee had cancelled the employees' policies.

The General Assembly should centralize supplemental insurance benefits by creating a single committee that would oversee all supplemental insurance offerings, including the NCFlex program. Centralized management of all supplemental insurance products would improve oversight and administration, eliminate duplication of administrative functions, and create a more simplified and consistent supplemental insurance system. This single committee could manage all supplemental insurance procurement, using competitive bidding and large volume group purchasing to ensure state employees receive the best value.