

**State Employee Benefits Committee
Friday, February 20, 2015 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware**

The State Employee Benefits Committee met on February 20, 2015, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Jennifer Mossman, Highmark DE
Brenda Lakeman, SBO	Casey Oravez, OMB
Faith Rentz, SBO	Karol Powers-Case, DRSPA
Howard Atkinson, Segal	Rebecca Reichardt, OMB
Ronald Burrows, DRSPA	Sandy Richards, AFSCME-R
Lisa Carmean, City of Milford	Paula Roy, Roy Associates
Mary Cooke, DOE	Shari Sack, AFLAC
Tom Cook, Finance	Carrie Schiavo, Delta Dental
David Craik, Pension Office	Aaron Schrader, SBO
Jessica Eisenbrey, OMB	Ken Simpler, Treasurer
Wayne Emsley, DRSPA	Henry Smith, DHSS
Karin Faulhaber, PHRST	Everett Toomey, DRSPA
Judy Grant, HMS	Ashley Tucker, AOC
Kim Hawkins, City of Dover	Chris Ulrich, Univ of DE
Andrew Kerber, DOJ	Jennifer Vaughn, DOI
Geoff Klopp, COAD	Karen Weldin Stewart, DOI
Omar Masood, Office of the Treasury	Stuart Wohl, Segal
Mike Morton, Controller General	Rebecca Zink, Office of the Treasury

Introductions/Sign In

Director Visalli called the meeting to order at 2:04 p.m. Anyone who had public comment was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the February 6, 2015 SEBC meeting. Controller General Morton made the motion and Mr. Cook seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman provided a brief update that the Statewide Benefits Office (SBO) is moving along with the AFLAC implementation. Agencies and school districts have signed up for site meetings and AFLAC will be present at the health fairs and employee educational sessions, where communications on open enrollment opportunities for Minnesota Life and of any benefit changes for FY16 will be discussed. The first SBO e-newsletter was sent electronically on February 18th to all state employees and school districts. These e-newsletters are scheduled to be sent out weekly through open enrollment for members to read and attend the upcoming employee educational sessions.

Group Health Financial Reporting

Ms. Oravez reviewed the Fund & Equity reporting and commented that the Affordable Care Act (ACA) payment of a little over \$6M posted in January. The outstanding CY13 Medicare Part D payment of \$8.5M was received. The outstanding CY14 Medicare Part D payment owed as of November 30, 2014 is \$14.5M. The Net Fund Equity balance for January is a negative \$53.8M.

Mr. Atkinson, Segal, reviewed the FY15 Second Quarter Financial Reporting and reminded the Committee that the financial reported looks at the year to date premiums and expenses on an incurred basis as opposed to a cash basis as reported in the Fund & Equity. Through December 31, 2014, the Group Health fund is experiencing a 13.8% deficit with

expenses exceeding premiums by \$43.3M. A review of the Highmark and Aetna plan experience as well as a comparison of the active employees, non-Medicare pensioners and Medicare pensioners was provided to the Committee.

FY16 DelaWELL Health Management Program Strategy - handout

Mr. Schrader recapped the journey of the DelaWELL Health Management Program. For the period of 2013-2014, only 15.7% of eligible employees completed an online Wellness Assessment and 12.7% completed a DelaWELL health screening. There has been roughly \$16M in savings since FY11 through Disease Management Program. In FY14, the program savings were \$6.0M. Preventative screening rates for members, including retirees are low. Total numbers of non-users is 9,134. FY16 Rewards Strategy for employees who complete an online Wellness Assessment and an Annual Physical Exam is to pay \$250 less in out-of-pocket expenses for medical coverage in FY17.

FY16 Group Health Program Planning - handout

Ms. Lakeman reviewed the slide presentation and went through the objectives which included Grandfathered Status review, budget projections, FY16 health care rates and cost savings opportunities for medical and prescription.

The purpose of the Grandfathered Status is to preserve existing coverage and advantage is the plan does not have to comply with certain coverage mandates. Status is determined and measured separately for each plan option (PPO, HMO). Any change (cumulative effect or incremental changes) must be measured relative to the plan in effect March 23, 2010. Every single change must be reviewed as a change affecting one benefit may be sufficient to trigger loss of status for the entire plan option. The triggers that cause loss to this status were presented and the current status of Delaware Plans and their Grandfathered status.

Ms. Lakeman reviewed the Historical Trend Analysis for Medical and Prescription Drug which showed FY13 Q2 and FY14 Q2 were flat and no increase in rates were needed as a surplus existed. FY14 Q4 showed an increase in both medical and prescription drug claims with the increase continuing through FY15 Q2.

The FY15 projected revenue is \$626.5M less the projected expenditures of \$706.8M for a total projected loss of \$80.3M as of June 30, 2015. \$7.5M has been drawn from the budgeted surplus with \$1.5M from the unbudgeted surplus leaving an estimated excess loss of \$71.2M to be absorbed by the reserve of the Health Fund for FY15. The projected year end health fund surplus and reserve is \$0.

The FY2016 revenue projections based on current FY2015 rates is \$626.7M. The expenditure projections are estimated to be \$743.0M, which reflects a trend increase of 5.5% and includes ACA fees, estimated rebates, adjustments for EGWP subsidies and reinsurance reimbursements, and the cost of losing grandfather status. This leaves a total deficit prior to General Fund Allocation of \$116.3M. Additional revenue based on FY2016 General Fund allocation of \$26.1M would bring in \$56.2M leaving a remaining deficit for FY16 of \$60.1M. The Group Health Fund trend over the last ten years for the State has been between 2% and 3% where the national average was between 5% and 8%.

Ms. Lakeman presented the FY16 Plan Rates assuming \$26.1M General Fund Increase with the lowest increase being \$2.14 per employee in the First State Basic Plan to the highest increase of \$20.94 for a family in the Comprehensive PPO Plan.

The State of Delaware has experienced a decrease in the member cost share for prescription drugs year over year since FY08 which is common for plans with flat dollar copays as manufacturers increase the Average Wholesale Price (AWP) of drugs. The State has an estimated annualized drug spend of \$245M in first half of FY2015, with members paying 9.1% of these costs and the plan paying the remainder. Ms. Lakeman referred to a slide to illustrate the reduction in member share year over year. Express Script's Government Advisory Panel (Government Peer) averaged 15.2% member cost share for the first half FY2015.

Changing the copays is an opportunity to incentivize the use of generic prescriptions which becomes additional savings to the plan. There has been no change in prescription copays for ten years. As of the first half of FY2015, for every one percentage point increase in generic dispensing the plan could save approximately 2.3% of total plan cost or \$5.2M.

Ms. Lakeman showed the Committee two options for prescription copay increases which yield \$2.7M to \$4.7M in savings. Another option is a change to the Impotence drug to either decrease quantity for savings of \$0.9M or eliminate coverage entirely for savings of \$2.7M.

Ms. Lakeman presented medical plan and copay change options. The last copay increase was July 1, 2005. Many changes were reviewed and it was explained that the changes as detailed on the separate handout could save \$55.2M if all were approved. There is an additional savings between \$1.1M to \$2.2M with changes to the Medicfill Plan.

With all of these proposed changes, the total savings would range between \$59.8M to \$64.8M as the balance needed is \$60.1M. Ms. Lakeman requested that the Committee review the changes and stated that the Committee could pick and choose any other changes they would like to be modeled.

Director Visalli pointed out that the example in the slide presentation was a starting point and that all options and changes are still being reviewed to determine the best solution to meet the deficit of \$60.1M. It was explained that the more money that was put in by the Joint Finance Committee to support an increase in the State or employer share would result in an increase to the employee contribution. In conclusion, the savings options were reviewed:

Balance Needed (FY16 Deficit):	\$60.1M	
Implement one or more medical/prescription plan changes	Option 1	Option 2
1. Prescription Copay Changes	\$2.6M	\$4.7M
2. Impotence Drug Quantity Level Change	\$0.9M	\$2.7M
3. Outpatient Surgery Copay Change	\$0.5M	\$0.5M
4. Lab and Radiology Copay Change	\$5.2M	\$5.2M
5. Other Medical Copay Changes – Doctors and Hospital	\$8.3M	\$8.3M
6. Medical Plan Deductibles	\$41.2M	\$41.2M
7. Medicfill Plan Changes	\$1.1M	\$2.2M
Total:	\$59.8M	\$64.8M

Ms. Lakeman summarized the next steps which included further consideration of options to close the deficit gap of \$60.1M and balance the FY16 Group Health Fund budget as well as approval of FY16 health rates. All were asked to review materials and be ready to discuss options in the next SEBC meeting.

Public Comment

Mr. Emsley, Executive Director of the Delaware Retired School Personnel Association (DRSPA) read a letter he wrote expressing concern of health care cost increases and the impact this has financially on retirees, stating a specific request to not increase premiums or copays for FY2016 for State Pensioners.

Ms. Powers commented she agreed with Mr. Emsley who stated the average pensioner receives \$24,000, however there are people getting one-third of that amount retired from the state, and to please consider that.

Other Business

None.

Director Visalli mentioned that the next SEBC meeting would be on Friday, March 6, 2015 and then requested a motion to adjourn the meeting. Controller General Morton made the motion and Mr. Smith seconded. With unanimous voice approval the motion carried. Meeting adjourned 4:05p.m.

Respectfully submitted,

Lisa Porter
 Executive Secretary
 Statewide Benefits Office, OMB