

**State Employee Benefits Committee  
Friday, March 6, 2015 at 2:00 p.m.  
Tatnall Building, Room 112  
Dover, Delaware**

The State Employee Benefits Committee met on March 6, 2015, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Mike Morton, Controller General
Brenda Lakeman, Director, OMB, SBO	Jennifer Mossman, Highmark DE
Faith Rentz, Deputy Director, OMB, SBO	Mike Norris, Aetna
Lisa Porter, OMB, SBO	Casey Oravez, OMB
Tom Adams, DRSPA	Karol Powers-Case, DRSPA
Lloyd Alexander	Lori Reddicord, City of Dover
Ann Alexander	Rebecca Reichardt, OMB
Matthew Aodish, Highmark DE	Kimberly Reinagel-Nietubicz, CGO
Howard Atkinson, Segal	Scott Rider, DOC
Tim Barchak, NEA	Paula Roy, Roy Associates
Michael Begatto, AFSCME	Mark Ryde, DSTA
Alexis Bryan-Dorsey, OMB	Shari Sack, AFLAC
Jack Cairns, DRSPA	Carrie Schiavo, Delta Dental
R. Chyae	Ken Simpler, Treasurer
Tim Constantino, Highmark DE	Henry Smith, DHSS
Tom Cook, Finance	J. Storey, TNJ
David Craik, Pension Office	William Straw, Highmark DE
Jessica Eisenbrey, OMB	Jeff Taschner, DSEA
Wayne Emsley, DRSPA	James Testerman, DSEA-R
Karin Faulhaber, PHRST	Ashley Tucker, AOC
Monica Gonzalez-Gillespie, OMB	Chris Ulrich, Univ of DE
Judy Grant, HMS	Karen Valentine, AFSCME
Darcell Griffith, Univ of Delaware	Jennifer Vaughn, DOI
Kim Hawkins, City of Dover	Valerie Watson, Finance
Andrew Kerber, DOJ	David Wilson, DOC
Geoff Klopp, COAD	Stuart Wohl, Segal
Francis Lally, AFSCME	Debra Yoder, Aetna
George McClure, State Employee	Rebecca Zink, Office of the Treasury
Omar Masood, Office of the Treasury	

**Introductions/Sign In**

Director Visalli called the meeting to order at 2:00 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 20, 2015 SEBC meeting. Controller General Morton made the motion and Mr. Henry Smith seconded the motion. Upon unanimous voice vote the minutes were approved.

## **Director's Report – Brenda Lakeman**

Ms. Lakeman stated that the Employee Consent Campaign is underway. From March 1 through March 31, 2015, employees have the opportunity to consent to receive Open Enrollment materials, notices, and other benefits information online by accessing Employee Self Service and completing two simple steps as outlined in the March 4<sup>th</sup> SBO Communications e-Newsletter.

### **FY15 Group Health Insurance Program Planning - handout**

Ms. Lakeman reviewed the slide presentation and explained that most of the objectives were discussed at the last meeting. The Historical Trend Analysis shows a drop in FY15 Q2 for prescription drugs. Director Visalli reminded the committee that it was decided to draw down the surplus versus raise rates following a 3% trend compared to the national trend of 5%.

Mr. Tim Constantine, President of Highmark explained in detail the trend highlights for PPO/HMO. From CY2013 to CY2014, SOD allowed trends have increased from 3% to 7%. Incurred trends are about 1% higher than allowed because the member cost share has remained static and the value of OPL is declining, resulting in roughly \$2.50 PMPM decrease per year. Incurred trends are 4% and 8.5% in 2013 and 2014 respectively. The major driver of the increase is utilization across all benefit categories. Utilization trend is up from 0% in CY2013 to 3% in CY2014. The largest change in utilization is inpatient, which rose from -1.9% to +3.4%. This is almost entirely due to maternity and newborns. The secondary driver of the higher trend is inpatient cost per admission, which grew 11% in 2014. This increase is driven by the proportion of catastrophic claims (over \$100k).

Mr. Bill Straw of Highmark stated the inpatient costs have increased and Highmark will continue to focus on this area. High cost claims grew by 12% as maternity increased with 134 more births than in 2013. Other state entities are moving to more member cost sharing.

Ms. Lakeman reiterated 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 proposed FY16 Plan rates were reviewed based on \$26.1M General Fund Allocation with the lowest increase of \$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. Medical and Prescription cost saving opportunities were reviewed. The State has an estimated annualized drug spend of \$245M as of the first half of FY2015, with members paying 9.1% of these costs and the plan paying the remainder. There has been no change in prescription copays for ten years. The Committee reviewed two options for prescription copay increases which yield \$2.7M to \$4.7M in savings. Another option is a change to the impotence drug coverage to either decrease the monthly quantity allowed for savings of \$0.9M or eliminate coverage entirely for savings of \$2.7M.

Medical plan and copay change options were reviewed with a reminder the last copay increase was July 1, 2005. Copay changes encourage members to utilize lower cost place of service. Increases to outpatient surgery copays would result in a \$0.5M savings. Copay changes to lab and radiology provide an estimated savings of \$5.2M. The current cost at hospitals versus freestanding sites is 189% higher for lab services and 67% higher for radiology services. The options for lab and radiology services would be effective July 1, 2015 for active and non-Medicare members. Recommendations will be forthcoming for a similar change for Medicare members to be effective January 1, 2016. Changes in the Medical Plan deductibles would yield a \$41.2M savings. 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. Much discussion ensued amongst the Committee members.

<b>Balance Needed (FY16 Deficit):</b>	<b>\$116.3M</b>
<input type="checkbox"/> Implement Premium Increase based on \$26.1M General Fund Allocation	\$56.2M
<b>Remaining Balance Needed after Premium Increase</b>	<b>\$60.1M</b>
Implement One or More Medical/Prescription Plan Changes -	
Prescription Copay Changes:	
<input type="checkbox"/> Option 1:	\$2.6M
<input type="checkbox"/> Option 2:	\$4.7M
Impotence Drug Quantity Level Change:	
<input type="checkbox"/> Option 1:	\$0.9M
<input type="checkbox"/> Option 2:	\$2.7M
<input type="checkbox"/> Outpatient Surgery Copay Change:	\$0.5M
<input type="checkbox"/> Lab and Radiology Copay Change:	\$5.2M
Other Medical Copay Changes -	
<input type="checkbox"/> Doctor's	\$5.6M
<input type="checkbox"/> Hospital	\$2.7M
<input type="checkbox"/> Medical Plan Deductibles	\$41.2M
Medicfill Plan Changes:	
<input type="checkbox"/> Option 1:	\$1.1M
<input type="checkbox"/> Option 2:	\$2.2M
<b>Total of Medical/Prescription Plan Changes:</b>	<b>\$59.8M to \$64.8M</b>

Ms. Lakeman summarized the next steps which included balancing the FY16 Group Health Fund budget as well as approval of FY16 health rates with further consideration of options to close the deficit gap of \$60.1M and to approve the FY16 DelaWELL Strategy. The Committee was asked to review the proposed changes and be ready to discuss options at the next SEBC meeting.

### Public Comment

Mr. Jim Testerman, DSEA – R shared he was one of the people that lobbied for medical benefits in the early 1970's. At that time, the State paid all of the benefits, no copays existed. The SEBC was formed during the Castle administration and the purpose was to look for efficiencies in the area of employee benefits. The only real savings however has been pushing the cost onto State employees and retirees. The Governor's budget only funds about \$28M which at that time had to be planning on huge increases, copays and deductibles. Medical benefits are supposed to be a state provided benefit not an employee provided benefit. This administration has done nothing but work to reduce benefits to employees and retirees since coming in to office. This needs to stop. If increases are to be placed on State employees and retirees, only the premiums should be increased and not any of the other proposals.

Mr. Wayne Emsley, DSRPA provided a presentation to the Committee. The major points in this presentation was Medicare and State Health Plan, Retiree demographics and pension income, results of DRSPA survey on copays and Viagra, DRSPA's Position on \$60.1M savings options to balance budget and a summary. DRSPA's position states:

- Recognize that Title 29, sec.5202 of Delaware code requires health care premium increases for about 4% of Medicare age retirees
- Support increasing copays for lab and radiology provided by hospital systems
- Oppose any increase in prescription copays for pensioners because of disproportionate impact
- Support reducing or eliminating the Erectile Dysfunction support except for non-ED purposes
- Oppose any coinsurance changes from present 100% to 95% or 90% since Medicare participants already subsidize the state program and pay higher premiums than employees

In summarizing this presentation, the Mr. Emsley stated that DRSPA is asking that SEBC leave the copays and premiums as they are.

Ms. Karol Powers-Case, DSRPA commented that she and her spouse each spend close to \$1K in copays a year. Due to her current medical condition, she receives treatments that cost as much as \$10k per treatment and would not be able to continue these treatments if she had to pay 5% or 10% of these costs. She asked SEBC to please think of older people.

Mr. Michael Begatto, AFSCME stated he is also a participant of the plan. He expressed concern on how this will affect the lower end of the pay scale versus those with average salaries and those in a much higher rate. He mentioned there has been a lot of discussion about the fairness of the plans, and about an independent audit being conducted on behalf of the plan and whether that is a charge of the Committee. Mr. Begatto strongly opposed adjustments to the plans due to the impact on members and asked if an AFLAC plan can pick that up. He has heard a lot of reference about House Bill 81 and thinks it was a great success saving over \$500M and stated he is willing again to sit down in that forum and asked the Committee to consider this.

Mr. Tim Barchak, NEA commented that if increasing the generic dispensing rate by 1 point saves the plan \$5.2M, then why increase the copay on generics at all. Some large plans have successfully experimented in waiving the first copay of the generic and had great success in steering usage that way. He asked if the plan considered pharmacists and/or prescriber incentives or a Maximum Allowable Cost (MAC) program that establishes a ceiling price for some brand name drugs. Mr. Barchak also stated that there is quite a large push between labor and business in DC for repeal of the excise tax and a bill to repeal was filed a few weeks ago and is starting to pick up momentum.

Mr. Jeff Taschner, DSEA commented about the process and referenced HB81 as he was the chair of the union coalition that spent over five months meeting with the administration over many hours, looking at many options to come up with the \$500M in savings, both in pension and healthcare. His concern today is that the committee was given these recommendations on February 20 and going to be asked to vote on March 20. Mr. Taschner expressed that he is more concerned about the process and asked the committee members to think about if they have all options and information needed to make decisions that could put over a \$1,000 or more on each and every state employee and retiree.

#### **Other Business**

None.

Director Visalli mentioned that the next SEBC meeting would be on Friday, March 20, 2015 and then asked for a motion to adjourn the meeting. Mr. Klopp made the motion and Controller General Morton seconded. With unanimous voice approval the motion carried. Meeting adjourned 4:28p.m.

Respectfully submitted,

Lisa Porter  
Executive Secretary  
Statewide Benefits Office, OMB