Approved 2/19/2016

State Employee Benefits Committee
Friday, February 5, 2016 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on February 5, 2016, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Committee Members:
Ann Visalli, Director, OMB
Tom Cook, Finance
Geoff Klopp, COAD
Mike Morton, CGO
Evelyn Nestlerode, AOC Designee
Ken Simpler, OST
Jennifer Vaughn, DOI Designee

Guests:
Brenda Lakeman, Director, SBO
Faith Rentz, Deputy Director, SBO
Lisa Porter, SBO
Matt Bittle, DE State News
Ron Burrows, DRSPA
Randall Chase, AP
Nancy Cook
David Craik, Pension Office
Jessica Eisenbrey, OMB
Karin Faulhaber, PHRST
Nora Gonzalez, OST
Judy Grant, HMS
Darcell Griffith, Univ of DE
Bryon Hammons, Express Scripts (ESI) via telephone
James Harrison, DSEA-R
Kim Hawkins, City of Dover
Angela Hua, SBO/Truven Health
Kathy Impellizzeri, Aetna
Andrew Kerber, DOJ
Dave Leiter, DHSS
Omar Masood, OST
Gisela McKenzi, Univ of DE
Jennifer Mossman, Highmark
Casey Oravez, OMB, Financial Operations
Karol Powers-Case, DRSPA
Rebecca Reichardt, OMB
Kimberly Reinagel-Nietubicz, CGO
Paula Roy, Roy Assoc/DCSN
Roger Roy, Roy Assoc/Teladoc
Sheri Sack, Aflac
Karen Valentine, AFSCME
Stuart Wohl, Segal Consulting

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 made.

Approval of Minutes - handout
Director Visalli requested a motion to approve the minutes from the January 22, 2016 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
Ms. Lakeman provided a follow-up on the RFPs. The Cost Recovery Program RFP that was re-released has received seven bids. This is for both prescription and medical so the recommendation for award may be to more than one vendor. The consultant draft RFP will be finalized within the next two weeks. This will be released around February 15th to the committee for review and comments prior to posting.

Highmark approached the Statewide Benefits Office (SBO) regarding identity theft protection services that Highmark is offering to their members. SBO did not opt-in initially due to concern about tax implications and imputed income if members were to sign up for this service. The IRS released an announcement on December 30th that identify protection services provided to employees before a data breach occurred is not a taxable item. SBO has opted into the program and services will be offered to employees and covered dependents with Highmark. Highmark will be sending communication to members later in February and enrollment is at no cost.

It was noted that Teladoc offers audio only telemedicine. SBO is having discussions if audio only telemedicine can be covered under legislation and regulations. Committee will be updated on findings.

FY17 Initial Planning Discussion – handout
Ms. Lakeman started with the agenda for the FY17 Planning which is the first discussion after the release of the Governor's recommended budget. A review of the Trend Analysis for both medical and prescription and combined through FY16 Q1 showed a slight up-tick in the prescription costs for the first quarter of FY16. The revenues as of September are $736.8M, expenses projected for FY17 as of FY15 Q4 are $852.7M. The good news is expenses as of FY16 Q1 have gone down to $793.4M due to better claims experience and the prescription RFP savings.

Discussion around what the forecasting engine is and what items have shown volatility in the past took place. Secretary Cook asked for clarification of the gap between the expenses of $793.4M and the revenue of $736.8M and if the difference is made up by the State. Director Visalli stated this gap would decrease with the proposed $33.3M that was recommended and the corresponding increase to employees and retirees. It would not contribute any funds to the claim liability or to the reserve. The Group Health Plan Trend is improving for both Actives and Early Retirees as the annual trend was 7.4% for both medical and prescription from August 2014 through April 2015. Starting in April 2015 through August 2015, the trend decreased to 2.6%. From August 2014 to August 2015 the trend went back up to 5.8%. Discussion occurred around the time period used for trends as a longer time period is helpful but going too far back like five years may be irrelevant as external factors like hospital pricing and new drugs can drive up the trend. The trend was reviewed for Medicare Retirees for same time frame showing a trend of 14.5%, decreased to 4.2% and ending at 11.2%.

The FY17 Group Health Operating Budget Projections were reviewed showing $852.7M projected expenditures minus the $30.9M prescription savings and $28.4M impact of improved claim experience, leaving expenditures at $793.4M. The FY17 revenue projection of $736.8M is based on September 1, 2015 rates for active and non-Medicare retirees and the January 1, 2016 rates for Medicare retirees, leaving a $56.6M FY17 projected group health fund deficit. The claim liability deficit of $24.1M would require an additional $14M of general funds.

The Governor's Recommended Budget was presented by Director Visalli with $33.3M General funds for employer share premium increases. Based on current employee and employer cost share employee monthly contributions will increase from $1.98 for a single individual in the First State Basic Plan to $19.48 for a family in the Comprehensive PPO plan. Another change is to introduce a Health Savings Account (HSA) effective for all new employees hired on or after January 1, 2017 and optional for all current employees beginning July 1, 2017. SEBC can vote to offer the HSA but legislation will be required to mandate it for new employees. Additional changes requiring legislation are to eliminate Double State Share (DSS) and eliminate contribution inequity for pensioners on Special Medicfill Plan. The breakdown for DSS whether actives and/or retirees was requested. It was clarified the $33.3M and changing of the rates is recommended at a minimum. Money freed up from the DSS will go into the General Fund and not the health fund. Money freed up from the Medicfill Plan will contribute back to the Pension Fund. The HSA only has a forecasted savings if mandated for new employees and is based on turnover for a long term savings proposal.

The FY17 Group Health Premium rate increases for actives, non-Medicare and Medicare Retirees based on the $33.3M in general funding were shared. A new CDH plan with HSA for new employees effective January 1, 2017 was presented. Advantages of the HSA were reviewed along with maximums and additional information. Mr. Klopp commented education is needed for clear understanding of the HSA with webinars so members can continuously review. All funds within the HSA go with the member whether switching health plans or employers. Members can only have a Flexible Spending Account (FSA) that is limited to dental and vision if also enrolled in the HSA account. Dependent care (daycare) is a separate FSA. More details to come.

The FY17 Group Health Fund Claim Liability Deficit was reviewed with a recommended target of $45M for the claim liability which may need to be adjusted once more data is received from Highmark and Aetna. Options to rebuild the claim liability account were presented.

Mr. Klopp expressed concern for a family enrolled in the HSA plan with maximum contributions and how it can have a financial impact. He stated the HSA plan is a good idea yet still encouraged the Committee to continually look at the salaries of State employees and make sure deductibles are commensurate with the State's salaries versus the private sector pay scale.

The next steps were reviewed with items listed for the next three SEBC meetings to be provided.

FY17 Planning - Prescription – handout
Ms. Rentz presented the objectives for the Prescription FY17 Planning which included Advanced Utilization Management, Formulary Drugs with Over the Counter Equivalents and Medicare Part D & Part B Coordination.

Advanced Utilization Management applies to active employees and non-Medicare retirees. Some history, definitions of the levels and the programs in place today were covered. As requested at January's SEBC meeting, the number of members and the potential cost or savings is shown under each class for Step Therapy. A number of these show a loss of savings to the plan if adopted, reason being if lower cost drugs are approved for these members, the plan stands to lose rebates having a financial impact to the plan with member disruption. Mr. Hammons of Express Scripts (ESI) defined some of the terms for the committee:

- Prior Authorization – Prescription (Rx) is always stopped at Point of Sale (POS). Physician is contacted to answer additional questions before Rx can be approved.
- Step Therapy – the Rx might be stopped at point of sale if qualifying drugs are not in patients' history that would allow that medication in POS to be paid.

The Unlimited option outlines the member impact and cost or savings to the plan by category. It was recommended that the SEBC may wish to consider the Contraceptive (oral only) under Step Therapy with a savings of $745,807. The 1,833 members would be notified well in advance to work with their physician. Mr. Hammons elaborated this Step Therapy rule is Affordable Care Act (ACA) compliant. It is noted after further reviews and discussions with the ESI team, the Advantage Plus Package is not in the members' or plan's best interest due to the loss of rebates.

There is potential savings of $1.8M if all of the packages up through the Unlimited Option are adopted with no grandfathering, yet need to recognize this impacts over 7,000 members and includes drug categories used for depression and neurological disorders; SBO is not comfortable with these facets. The one option for the committee to consider is the contraception for the Step Therapy as part of the savings package. SBO would need a three month time frame to notify impacted members so SEBC approval is needed before end of March. Ms. Nestlerode requested the list be made available of the generic equivalents to the brand contraceptive drugs. The list would consist of generic alternative or different alternative drugs. Director Visalli reiterated potentially this method could have saved $2.8M yet after a real analysis of the actual plan, results in $1.8M savings. Once more detail is available, will ask the committee to consider options.

The Formulary Drugs with Over the Counter Equivalents only applies to the active employees and non-Medicare retirees. There are 14 medications currently covered under the Commercial plan where an Over the Counter (OTC) equivalent is available. There were 3,529 members that purchased one or more of these medications in FY2015. The list of OTC equivalent medications were shown. Ms. Nestlerod commented that the list of OTC equivalent medications show short term use and what if used on a longer term basis. Mr. Hammons stated they are all listed for short term use as this is the OTC FDA indication and is the key factor. When a drug goes from Rx to OTC status, it may or may not match the FDA labeled indication. It may be used long term but the packaging would not reflect that. A prescription should be obtained for long term use. If the committee is interested in removing these drugs from the formulary for July 1st, the decision would need to be made before the end of March to allow time to identify members with recent prescription history in order to send pre-notification letters 30 days prior to advise these medications will no longer be covered through the State's prescription benefit.

Medicare Part D and Part B Coordination only impacts Medicare Part D - EGWP members only. An overview of the current process was presented. CMS requires plans to issue a subset of medication to Medicare Part B versus Medicare Part D determination. State of DE currently covers these drugs as the primary payor. The list of drug and supplies covered under Medicare Part B were reviewed. At retail, identification of drugs and supplies that meet criteria will be billed to Medicare Part B as primary; then the State of DE enhanced benefit pays the remaining balance after member pays prescription copay. There is no impact to members. ESI will coordinate benefits to CMS on behalf of the State. This has a $650,000 savings to the Plan. The next steps are to approve implementation of Medicare Part B Coordination for Medicare Part D-EGWP plan effective July 1, 2016. Supplemental slides were included at the end for the items discussed.

Public Comment
Mr. Dave Leiter asked the committee to review the hospital rates with Highmark and Aetna as it is out of control and he believes the providers should get our costs down to the Medicaid or Medicare rates or somewhere in between. The State of DE has the highest amount of employees. This was shared at one of the Public Testimony meetings and how the hospitals are graded based on which medication is given; this should be looked into. A change in contraceptives may cause a 26 year set back. Why aren't all of the funds not going back into the health plan if involved with the plan. He thought Medicare and Double State Share with grandfathering was part of terms and conditions of employment. People with the State for twenty five years plus took these low paying jobs in order to get these good benefits such as being grandfathered in the plans. Pay grade 7 has the most employees in the State and are not paid $40,000. Pay grade 1 makes $18,400 and any changes will affect these people. He thought the rate for employees was set according to the 2012 agreement and not sure if this is being changed again.

Mr. Wayne Emsley, DSRPA commented that four of their members met with Ms. Lakeman and Ms. Rentz for over three hours and thanked them for taking the time to meet and their preparation of information to answer their questions.

Ms. Karol Powers-Case quickly asked if the Medicare people are included in the Step Therapy and was informed they are not.

Motions
None

Other Business
None

Director Visalli stated the next SEBC meeting is scheduled for Friday, February 19, 2016. A motion to adjourn the meeting was requested. Controller General Morton made the motion and Mr. Klopp seconded the motion. The meeting was adjourned at 3:59 p.m.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office