

**State Employee Benefits Committee
Tatnall Building, Room 112
Dover, Delaware 19904**

The State Employee Benefits Committee met on September 26, 2016 with the following Committee members and guests:

Committee Members:

Brian Maxwell, Director, Office of Management and Budget
Geoff Klopp, COAD
Mike Morton, Controller General
Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts
Ken Simpler, Treasurer
Valerie Watson, Designee of Secretary of Finance
Karen Weldin Stewart, Insurance Commissioner

Guests:

Brenda Lakeman, Director, SBO
Faith Rentz, Deputy Director, SBO
Lisa Porter, SBO
Jennifer Bredemeier, Univ of DE
Alexis Bryan-Dorsey, OMB
Karin Faulhaber, PHRST
James Harrison, DSEA-R
Chris Hudson, Univ of DE
Andrew Kerber, DOJ

Guests (continued):

Russ Larson, The Byrd Group
Melissa Marlin, OMB
Omar Masood, OST
Casey Oravez, OMB, Financial Ops
Kimberly Reinagel-Nietubicz, CGO
Lori Ann Rhoads, Medical Society of DE
Paula Roy, Roy Assoc/DCSN
Jennifer Vaughn, DOI
Bob Williams, NNI

Mike North, Aetna
Pam Price, Aetna
Wendy Beck, Highmark
Jennifer Mossman, Highmark
Walt Mateja, Truven Consulting
James DiGuseppe, Willis Towers Watson
Kevin Fyock, Willis Towers Watson
Jaclyn Iglesias, Willis Towers Watson
Rebecca Warnken, Willis Towers Watson

Introductions/Sign In

Director Maxwell called the meeting to order at 2:04 p.m. Anyone who had public comment was invited to sign up 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 Maxwell requested a motion to approve the minutes from the August 22nd SEBC meeting. Controller General Morton made the motion and Ms. Watson seconded the motion. With unanimous voice vote, motion carried.

Director's Report – Brenda Lakeman

SEBC Meeting Dates: The remaining 2016 SEBC Meetings were reviewed with a change noted to December's meeting from December 12th to now December 5th. The SEBC Meeting calendar for 2016 and 2017 are included in meeting packets with copies available for members of the public. All meeting dates are posted on the SEBC website.

Consumerism Online Course: Active employees received an email this morning from the Governor about this online course due to release Wednesday, September 28th – Being a Wise Healthcare Consumer – What's In It For Me? Emails are being sent from Cabinet members and SBO requests that SEBC members send out emails to their groups of employees. Reminders will be sent from the DE Learning Center (DLC) or Schoology depending on employee status, Executive Branch or schools. Target is to have all benefit eligible employees complete course by December 26th. Kudos to SBO's Caryn Shetzler, the new Training Educator and Aaron Schrader, Benefits Manager, for driving this initiative and also meeting across the state with agencies and educational groups.

Health Insurance RFP: Bid responses were due by 1pm today and bids were received from Aetna, Cigna, Highmark Delaware and United Healthcare. Humana declined to bid; it is not yet known what plans/products these organization have submitted bids for. More information to come with a recommendation to SEBC at the November 14th meeting.

Cost Recovery & Program Integrity Review: Highmark and Aetna draft reports have been received and reviewed with CTI. Meetings are being arranged with both vendors to develop action plans. ESI draft report is due the end of October.

EGWP/Special Medicfill Annual Open Enrollment: Will be held October 10th through October 21st. Eligible and enrolled Medicare pensioners received information from the Office of Pensions the week of September 19th. Starting today, ESI will send Medicare Part D EGWP Annual Notice of Change, formulary and Benefits Overview to members.

FSA Open Enrollment: To be held November 1st through November 18th. Postcards due to drop around October 16th and targeted communications to those already enrolled is in progress.

Metformin Step Therapy for Active & Non-Medicare Commercial Plan: Metformin is a mainstay of oral diabetes therapy that does have some side effects, mainly GI distress, that can affect many people. As a result several extended-release versions of Metformin are available commercially, all with generic equivalents available. Unfortunately there is a great disparity in price between the different versions. Costs and utilization for the State of Delaware commercial plan January 1, 2016 to present:

Metformin XL (generic for Glucophage XL) – 1,721 net Rxs at a plan cost of \$5.81/Rx to the State

Metformin XL (generic for Fortamet) – 443 Rxs at a plan cost of \$1,339.28/Rx to the State

Metformin XL (generic for Glumetza) – 60 Rxs at a plan cost of \$6,333.89/Rx to the State

These extended-release versions of metformin are NOT interchangeable with each other as the release mechanism differs slightly. The disparity in costs between Fortamet/Glumetza generics vs. the Glucophage XL generic are shown. ESI has a Metformin step therapy rule available for enrollment. Effective September 1, 2016 the rule was updated to require that the patient first try the inexpensive version of metformin extended-release. Price to the State for the rule would be \$0.01 PMPM so about \$11,600 annually based on a commercial population of 96,665. Recommended implementation of the rule without grandfathering with pre-note letters.

Financials

August 2016 Fund & Equity Report/Monthly Statement - handout – Casey Oravez

Budget shows an ending balance of \$31.2M. A net loss appeared for this month as anticipated with 5 weeks in the month of August. The YTD budget is in the new format showing July and August with \$2.1M over budget mostly due to claims coming in lower. A glossary of terms to accompany the Fund & Equity report was provided in the packets.

FY2016 Cost Analysis – Paid Data through Q4 - Ms. Warnken noted this analysis was moved to a paid basis for claims and other expenses to be in alignment with the Fund & Equity report. The overall medical and prescription drug (Rx) results, summary plan information and key medical and Rx costs drivers were presented. HRA dollars are assumed to be included in the reported claims. The aggregated population shows a 4.1% change from prior year for medical per employee per year is shown and a 1.7% change for Rx. It is noted to add and separate out the Medicare population. The HCC summary shown on Slide 8 with a suggestion to add a column with total claims to show if HCC was a one-time event, why did it end, how much was paid in the 1Q, 2Q, etc. The assumptions and caveats were reviewed and the glossary of terms followed.

Express Scripts 2017 National Preferred Formulary (NPF) Updates – handout – Faith Rentz

The National Preferred Formulary management was adopted by SEBC two years ago with on-going management where ESI has a therapeutic committee that reviews drugs. Analysis conducted by ESI showed for FY2015, a savings of \$5.2M tied to 74 drugs excluded and a 5.1% member impact. For FY2016, there was a \$6.3M savings to the State tied to 87 formulary exclusions and 4.1% member impact. These savings were for active & non-Medicare members. It is noted that there was very little noise from the impacted members. The 2017 formulary updates shows 85 total exclusions, an impact of 0.06% due to new exclusions (33 patients) and 0.02% as a result of drugs moving from preferred to non-preferred (13 patients). Five new exclusions for 2017 with 1 Authorized Brand, 1 Generic Brand and 3 Specialty Products that were reviewed. Additionally eleven drugs will move from non-preferred to preferred status on January 1, 2017 for a positive impact for 23 patients for SOD. ESI will notify patients/members with communications to providers. It is

noted that SOD does not have authority to change the formulary. It was asked if ESI could anticipate the savings for FY2017 for SEBC and it was stated that any savings would be based on past experience and would not necessarily be aligned with the realized savings.

Strategic Framework Development Discussion – handout – Willis Tower Watson (WTW)

Kevin Fyock stated the discussion points. The project timeline was revisited along with the primary inputs. Market perspectives were displayed using a heat map showing a deeper dive into what is happening in Delaware where the health care costs in Delaware are 6% higher in the Philadelphia/Wilmington areas and 10% higher than national average. GHIP costs are expected to be 9% higher than the national average based on the geographical footprint for active population. GHIP comprises 10% of the total population for Delaware. The GHIP relative risk scores by employee status show GHIP participants are much less healthy than the national average and these high risk scores may suggest participants do not engage in managing their own health. The State pays significantly more monthly per patient than the national average for 3 of the top 5 most costly conditions: cancer (\$560 more), heart (\$260 more) and trauma-related (\$344 more). The State pays slightly less than the national average for the remaining conditions: arthritis (\$16 less) and mental disorders (\$95 less). Examples of how employers are taking new directions in healthcare were reviewed. The GHIP has aligned nicely with the national trend in some years but has experienced significant volatility in other years. WTW will continue to work with the GHIP in the trends arena.

Information from a recent survey on the excise tax was provided. Noted the excise tax is delayed from 2018 to 2020. A 2016 survey conducted by WTW revealed 61% of respondents plan to make moderate changes and 42% responded the two year delay will have small influence on health care strategy as most are targeting a reduced cost trend.

Majority of organizations are leveraging technology to facilitate communication and engagement. Ms. Lakeman announced that SBO is working with Truven on a benefit piece to give members a look at their claims per year to help decide better coverage. Blackboard notifications or developing an app for State employees to use are other opportunities. Telemedicine is rapidly becoming a core offering and expect in 2018, high performance networks being offered in place of higher cost facilities. Treasurer Simpler asked if the plan is for the TPA's to implement these strategies and Mr. Fyock responded these could be a possibility for near term engagement.

Ms. Jaclyn Iglesias continued on with the summary of the stakeholder discussions and the key themes reviewed which included shared accountability for participants and for the State, financial stewardship of the GHIP through increased transparency and ongoing education, healthcare provider cost management by leveraging innovation and traditional techniques and high quality healthcare with a focus on access to care and patients.

The Mission Statement was revisited where much dialog occurred and agreement among the committee that accountability is on all parties. The GHIP goals tied to the mission statement were reviewed. Framework for the health care marketplace and proposed GHP strategies and tactics were presented with the goals of:

- addition of at least one value-based care delivery (VBCD) model by end of FY2018
- reduction of gross GHIP medical and Rx trend by 2% by end of FY2020
- GHIP membership enrollment in a consumer-driven or value-based plan exceeding 25% of total population by the end of FY2020

Mr. Fyock stated these goals are attainable but will require work and are purposely left broad with target of being done between the 2016 to 2018 time frame. Each tactic could lead to different paths. Plans to incorporate Metric Based Pricing (MBP) would be covered in the RFP and it was noted the TPA's will have input with the providers to steer members to a facility. Tactics will be prioritized and placed into a timeline for review and discussion at the next SEBC.

Director Maxwell asked the committee to review these strategies and tactics and to forward comments to SBO two weeks prior to the next SEBC meeting scheduled for October 24th.

Public Comments

Ms. Paula Roy expressed support in hearing accountability stated in the mission statement. She asked if the value based model is being considered and the timeline as Medicare is already in progress with this area. The State of Delaware is small, with a limited number of providers which creates a shortage. Representing DCNS, along with the suggestion to steer patients to lower cost care, that members should be encouraged to use chiropractic care versus opioid medication prior to surgery.

Other Business

Director Maxwell announced that OMB/HRM will be performing a total compensation study. An evaluation will be done to determine if able to utilize any existing open contracts for vendors or if there will be a need to go through the RFP process. The time frame for this study along with more information to be provided at a future SEBC meeting.

Motions

None

The Director then requested a motion to adjourn the meeting. Ms. Watson made the motion and Ms. Nestlerode seconded the motion. Meeting was adjourned at 4:50 pm.

Respectfully submitted,

Lisa Porter
Statewide Benefits Office