

State of Delaware

State of Delaware GHIP Financial Discussion

March 6, 2017

Today's discussion

- GHIP FY18 minimum reserve recommendation
- Proposed GHIP FY18 rates and contributions
- FY18 plan design modification considerations
- Proposed changes to Section 19 epilogue

GHIP minimum reserve

Overview and terminology (recap)

- To maintain the stability and financial health of the GHIP, a minimum level of funding is required to be held at any point in time to protect against potential future exposure, including:
 - Claim liability: estimated amount needed to pay outstanding claims if the plan was to be terminated; reflects incurred but not paid (“IBNP”) claim liability
 - Fund reserve: amount needed to protect against adverse claims experience, including any “shock” claims and fluctuations in claim levels for the current population
- The Fund Equity Balance refers to the cumulative funds available to pay claims in the health fund, and varies each month depending on actual revenue (premiums, rebates, etc.) less actual expenditures (claims, fees, etc.)
- Reserve Surplus (or Deficit) refers to the amount that the claim liability and fund reserve are over (or under) funded based on fund equity balance and target reserve levels

GHIP minimum reserve

Recommendation

- Current approach:
 - Utilize Risk Based Capital (RBC) formula with an RBC ratio set at 2.05 (205% RBC) to establish the minimum reserve level
 - Equal to approximately 10% of actual expenses from prior fiscal year
- Recommended approach:
 - Utilize Willis Towers Watson Trend Variability tool to quantify the potential random fluctuation in claim cost given the size and risk profile of the GHIP
 - Set minimum reserve target at the upper bound of the 97% statistical confidence interval for projected expenses for the fiscal year
 - Review methodology and reserve level annually

FY18 Recommended Minimum Reserve*	\$24M
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* Replaces current \$79m target minimum reserve; target to be reviewed and refreshed annually

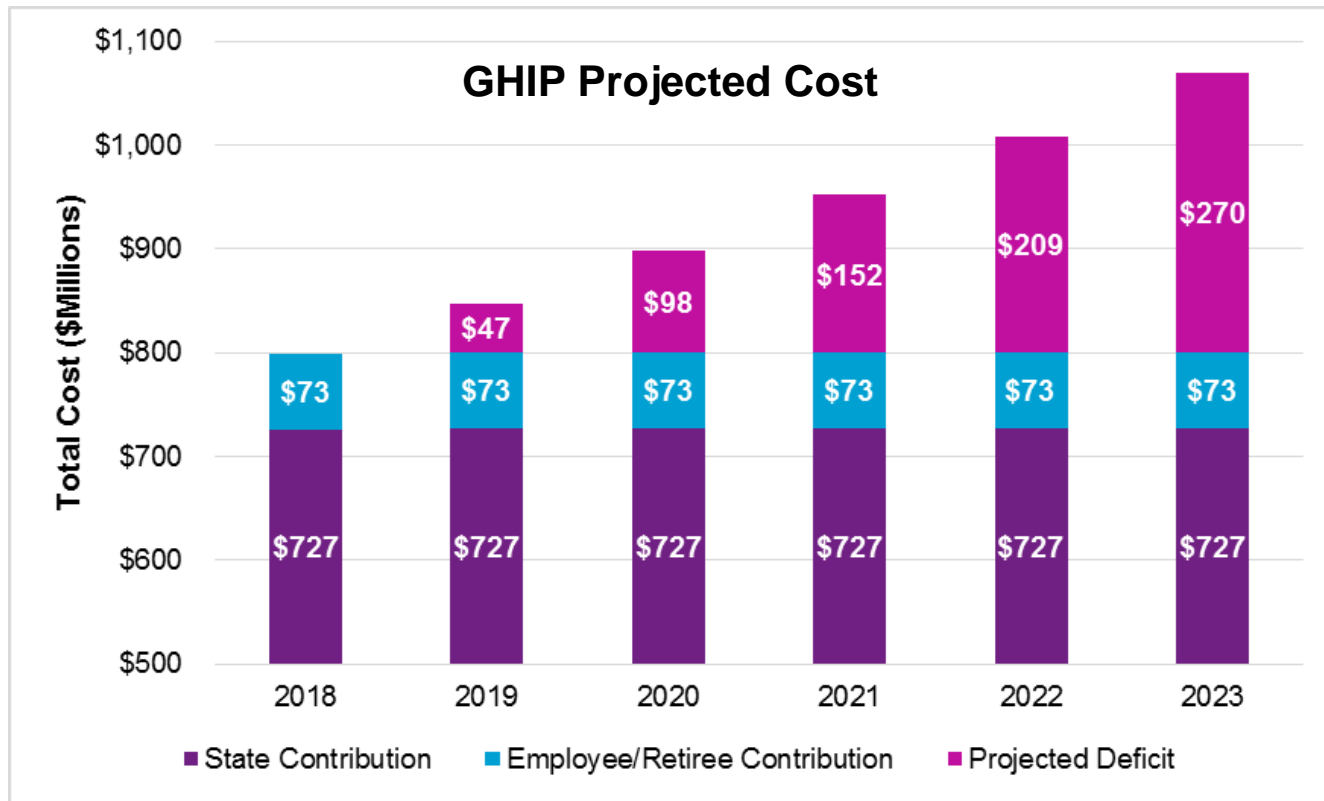
FY18 projected expenditures (recap)

FY18 Projected Expenditures (includes estimated rebates, adjustments for EGWP subsidies/reinsurance, Medical TPA RFP savings, and ESI contract savings)	\$799.3M
FY18 Projected Revenue (based on FY17 rates)	\$804.0M FY2017 revenue (Dec 2016 enrollment) +4.9M Medicfill rates in force full fiscal year \$808.9M
FY18 Projected Group Health Fund Revenue less Expenditures	\$9.6M
Current FY17 Fund Equity Balance as of January 2017	\$70.5M
FY17 Projected Year-End Fund Equity Balance	\$99.6M

FY18 projected revenue does not reflect potential migration from Highmark HMO to the PPO plan, which would generate additional FY18 revenue and potentially increase the fund equity balance

Long term health care cost projections

Long-term cost projections of the Group Health Insurance Plan, at intermediate trend value of 6%, with no increase in state or employee/retiree contributions factored in for 2018 forward (assuming no program changes)



Every 1% of GHIP budget growth (trend) increases the FY18 projected budget by an additional \$8.0M. This would require an additional \$7.3M in State Contributions (\$5.0M from the General Fund), and an additional \$0.7M in employee/pensioner contributions.

Note: FY18 budget projections based on updated claims experience through December 2016 and revised ESI contract savings estimates. FY19 and beyond costs projected assuming 6% annual health care trend and no further program changes.

Goals:

- Addition of at least net 1 VBCD model by end of FY2018
- Reduction of gross GHIP trend by 2% by end of FY2020
- ▲ Enrollment in a CDHP or value-based plan >25% by end of FY2020

FY18 savings opportunities

Identified elements from the GHIP strategic framework (finalized December, 2016)

- Outlined below are selected areas of potential FY18 cost savings from the GHIP strategic framework:
 - While some programs may not necessarily be effective 7/1/2017, savings shown below represent adoption during FY18 but do not capture future opportunities for additional savings beyond FY18 (i.e., trend reduction in FY19 and later). Savings noted are full year figures.

Opportunities Already Decided for FY18

Element	GHIP Goals	Description	FY18 Savings
Reduction of Administrative Fees through Medical TPA RFP ¹	○	The Medical TPA RFP resulted in reduced administrative fees for all plans and elimination of two plan options (Highmark HMO and Highmark CDH Gold)	\$1.5M
Addition of Value-Based Care Models ²	■○▲	Participation in vendor value-based care models, including Aetna (AIM) and Highmark (True Performance) will yield savings through risk sharing arrangements and better management of populations	\$1.6M
Improved Consumerism as a Result of Decision Support ³	▲○	Increasing decision support through education and marketing of health plan options may yield savings by making State employees better health care consumers	\$4.4M
Total Savings			\$7.5M

Additional Opportunities for FY18

Element	GHIP Goals	Description	Member Impact	FY18 Savings
Enhanced Highmark Clinical Management Program ⁴	○	Adoption of enhanced program for clinical management	Improved clinical management	\$3.2M - \$7.4M
Implementation of US Imaging ⁵	○	Adoption of US Imaging high tech radiology utilization management program with Aetna	Increased radiology management	\$0.2M - \$0.9M
Plan Design Modifications	▲○	Savings modeled here assume 7/1/18 implementation of the following design changes: Option 1 Add deductible to the PPO plan only Option 2 Add/increase deductible to the PPO, HMO, CDH Gold, and FSB deductibles	Increasing impact as higher deductibles are added	\$1.5M - \$12.1M
Special Medicfill Plan Modification	○	Elimination of contribution inequity for members who currently pay no monthly premium for the special Medicfill plan. This change would require these pensioners to pay 5% of the special Medicfill plan.	Increased payroll contributions	\$5.6M
Elimination of Double State Share ⁶	○	Employees and retirees who are married would no longer be eligible for reduced contributions. These members would be treated the same as other GHIP members.	Increased payroll contributions	\$3.5M
Total Savings				\$14.0M - \$29.5M

¹ Administrative Fees for FY18 exclude additional fees for value-based care models (AIM and True Performance). Savings reflects migration from Highmark HMO and Highmark CDH to other plan options.

² Savings net of risk sharing payments, Care Link and True Performance program fees.

³ Decision support savings are a high-level estimate, assuming 1% reduction in medical claim costs for Active population—these savings are not explicitly built into FY18 projections

⁴ Savings estimate based on Highmark FY18 plans only. Excludes savings for enhanced clinical management through Aetna AIM. Savings net of administrative fees.

⁵ Savings estimate provided by US Imaging. Range reflects the degree to which current Highmark HMO/CDH enrollees migrate into Aetna plans for FY18 (i.e., 0% - 75% migration into Aetna plans), and assumes 25% of total Aetna-enrolled population uses the US Imaging program.

⁶ Estimated savings would be a reduction to the State General Fund budget and not the GHIP (the GHIP receives the full premium for DSS participants and the employer group's state share contribution to the GHIP is increased by the difference between the total premium and the \$25.00 the employee pays; therefore, there is no savings impact to the GHIP but a savings to the employer group's personnel costs).

FY18 proposed rates and contributions

Active and pre-65 retiree plans

	Proposed FY 2018			% Rate Change
	Rate	Employee/Retiree Contribution	State Subsidy	
First State Basic				
Employee	\$695.36	\$27.84	\$667.52	0.0%
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	0.0%
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	0.0%
Family	\$1,798.42	\$71.92	\$1,726.50	0.0%
Aetna CDH Gold				
Employee	\$719.68	\$35.98	\$683.70	0.0%
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	0.0%
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	0.0%
Family	\$1,895.74	\$94.78	\$1,800.96	0.0%
Aetna HMO				
Employee	\$725.94	\$47.16	\$678.78	0.0%
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	0.0%
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	0.0%
Family	\$1,909.82	\$124.12	\$1,785.70	0.0%
Comprehensive PPO				
Employee	\$793.86	\$105.18	\$688.68	0.0%
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	0.0%
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	0.0%
Family	\$2,059.40	\$272.86	\$1,786.54	0.0%
Port POS				
Employee	\$601.74	\$0.00	\$601.74	0.0%
Employee + Spouse	\$1,490.58	\$0.00	\$1,490.58	0.0%
Employee + Child	\$905.58	\$0.00	\$905.58	0.0%
Family	\$1,505.40	\$0.00	\$1,505.40	0.0%

Section 19 epilogue

Proposed revisions for FY18

- Current language:
 - Employees of the State of Delaware who are enrolled in a health insurance benefit plan must re-enroll in a plan of their choice during the open enrollment period as determined by the State Employee Benefits Committee. Should such employee(s) neglect to re-enroll in the allotted time, said employee(s) and any spouse or dependents shall be automatically re-enrolled in their previous plan as long as verification of employment is provided by the employee and the Office of Management and Budget.
- Proposed revisions:
 1. Eliminate Section 19 in its entirety, or
 2. Support OMB and the General Assembly in making modifications to existing language to allow as determined to be necessary by the State Employee Benefits Committee, a requirement of all State of Delaware employees to actively participate in open enrollment by selecting a health plan or waiving coverage (specific language to be determined based on further research of system capabilities and required programming modifications)

Recommendations for Vote for FY18

- **Approve proposed FY18 rates and contributions – slide 7**
- **Approve FY18 minimum reserve at \$24M**
- **Approve support for proposed revision to Section 19 of Budget epilogue regarding active enrollment**

Next Steps

- **Continue discussion on care management model for Highmark plans**
- **Continue discussion on future modifications to State employee/retiree health plans**