



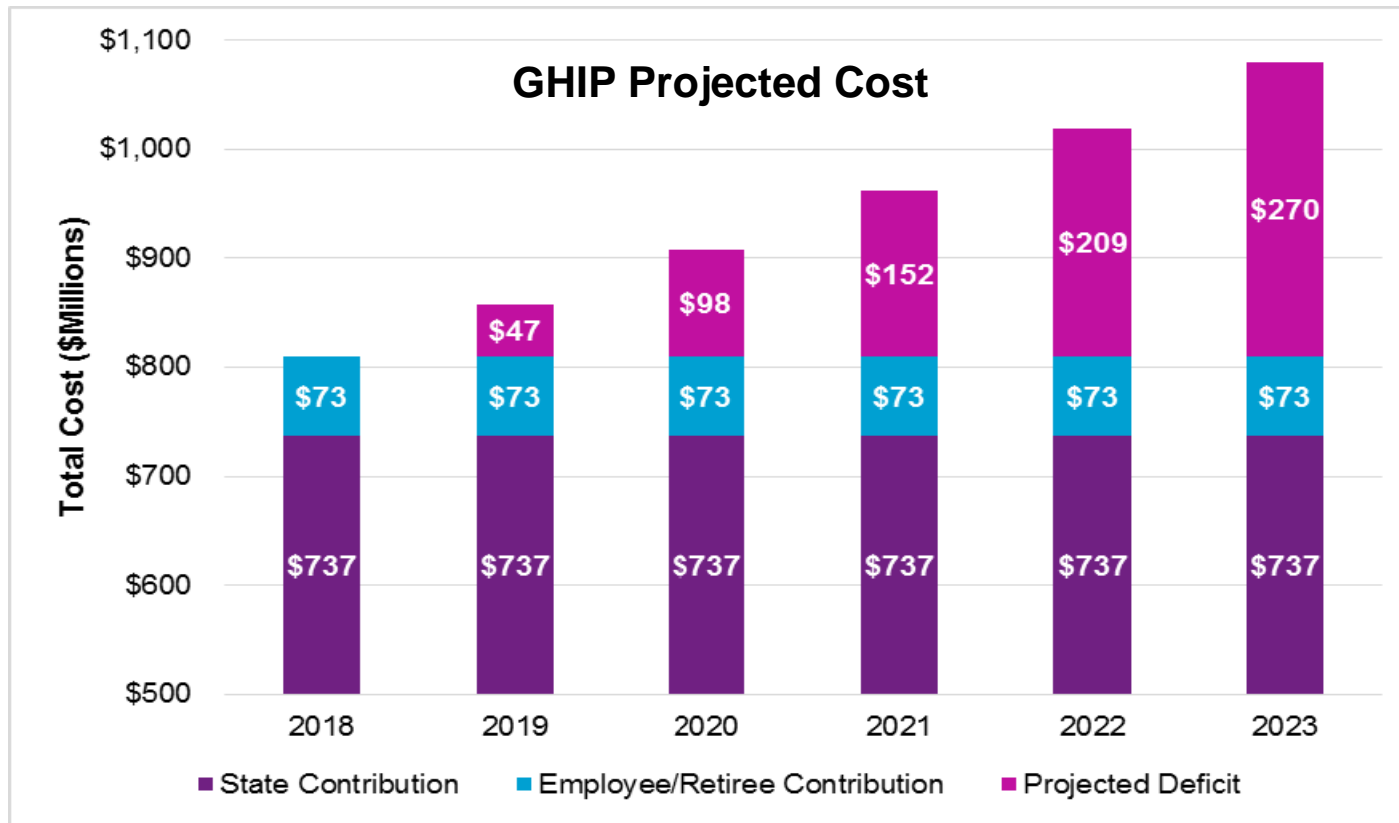
## The State of Delaware

Long Term Plan for the State's  
Group Health Insurance Program

March 24, 2017

## 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)



Note: FY18 budget projections assume no change to FY17 rates, and enrollment as of December 2016.  
FY19 and beyond costs projected assuming 6% annual health care trend and no further program changes.

# Achieving the long term vision

## Implementing changes in the GHIP

- The following pages outline a potential path forward for a phased roll-out of key changes to the GHIP to be completed by the beginning of FY2020:
  - Introduction of HSA plan and redesign of existing plan offerings for active employees/non Medicare-eligible pensioners to:
    - Provide meaningful choices among plan options
    - Encourage informed health care consumerism
    - Promote shared responsibility for impact of members' health care decisions
  - Plan changes to include not only changes to deductibles and copayments/coinsurance, but also broader utilization of COEs and other value-based care delivery models embedded into medical TPA networks, and potential network tiering which may include utilization of a narrow or third tier network
  - Additional member cost sharing through plan design and employee payroll contributions / pensioner premiums
  - Change in the basis of the State's benefits plan year from a fiscal year (i.e., begins July 1) to a calendar year (i.e., begins January 1)
- Some changes will require legislative action
- Changes contemplated within this plan link back to GHIP strategic framework

## Implementing GHIP changes

### Changing the State's benefits plan year from fiscal to calendar

- Additional requirements of the State to support a plan year change from fiscal year (7/1/19) to calendar year (1/1/19):
  - Notify medical plan vendors of intent to shorten FY19 plan year to 6 months (7/1/18 – 12/31/18), and renegotiate benefit contracts as needed
  - Conduct two Open Enrollment (OE) events in 2018 (one in the spring, one in the fall) to accommodate enrollment changes for the shortened FY19 plan year as well as the CY19 plan year effective 1/1/19
  - Adjust timing of GHIP budget development process to account for plan year differences and the need to move budgeting timeline to a calendar year basis
- To maximize the success of rolling-out a HDHP with HSA, the State should consider a 1/1/19 effective date for this type of plan
- Shifting the benefits plan year to a calendar year basis for all other benefits would provide a more integrated, seamless experience for all benefits to be in the same cycle

# Implementing GHIP changes

## Key changes for consideration effective 1/1/2018

Lever	Current State (effective the beginning of FY18, 7/1/17)	Interim State (completed by middle of FY18, 1/1/18)	FY18 State Savings/(Cost) <sup>1</sup>
Plan Options	<ul style="list-style-type: none"> <li>4 main plan options for active employees / pre-65 pensioners: HMO with ACO ("AIM"), CDHP/HRA, PPO, First State Basic (FSB)</li> <li>2 other plan options: POS, Medicfill</li> </ul>	<ul style="list-style-type: none"> <li>No changes to number or type of plan options available</li> <li>Notify medical plan vendors of intent to shorten FY19 plan year to 6 months (7/1/18 – 12/31/18)</li> <li><i>Begin implementation of a HDHP/HSA</i> (for 1/1/19 launch)</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
Plan Design	<ul style="list-style-type: none"> <li>Low member cost sharing through plan design across most plans</li> <li>No incentives for engaging in healthy behaviors or for making informed health care choices</li> <li>Some utilization management programs, such as for high cost imaging services</li> </ul>	<ul style="list-style-type: none"> <li><i>Increase member cost sharing through plan design</i>, including adding/increasing deductible by \$250 single / \$500 family for HMO, CDHP/HRA, and PPO</li> <li><i>Offer incentives for engagement</i> in healthy behaviors and making informed health care choices</li> <li>In addition to guaranteed HRA seed, <i>State provides additional incentive HRA seed</i> for members who engage in wellness/health management and/or preventive care</li> <li><i>Evaluate Centers of Excellence</i> opportunities for managing specific clinical conditions at best-in-class facilities</li> </ul>	<ul style="list-style-type: none"> <li>\$7M<sup>2</sup></li> </ul>
Payroll Contributions	<ul style="list-style-type: none"> <li>Employee/Pensioner premium cost sharing is capped (threshold varies by plan)</li> <li>Certain Medicfill pensioners are not paying any premiums</li> <li>"Double State Share" further reduces the amount of premium cost sharing for married State employees/retirees</li> <li>No surcharge penalties for tobacco users</li> </ul>	<ul style="list-style-type: none"> <li><i>Adopt incremental approach to adjusting medical plan price tags for employees/pensioners</i> so that member cost sharing moves towards market norms, is based on the actuarial value of the plans and is aligned with the State's enrollment goals</li> <li><i>Increase overall employee cost sharing target</i> for actives/pre-65 retirees to 15%</li> <li><i>Eliminate contribution inequities</i> for the Medicfill plan and "Double State Share"</li> </ul> <p><b>Note: All of the above changes require legislative action</b></p>	<ul style="list-style-type: none"> <li>\$16M (includes approx. \$4.5M for elimination of Medicfill contribution inequities and "Double State Share")</li> </ul>

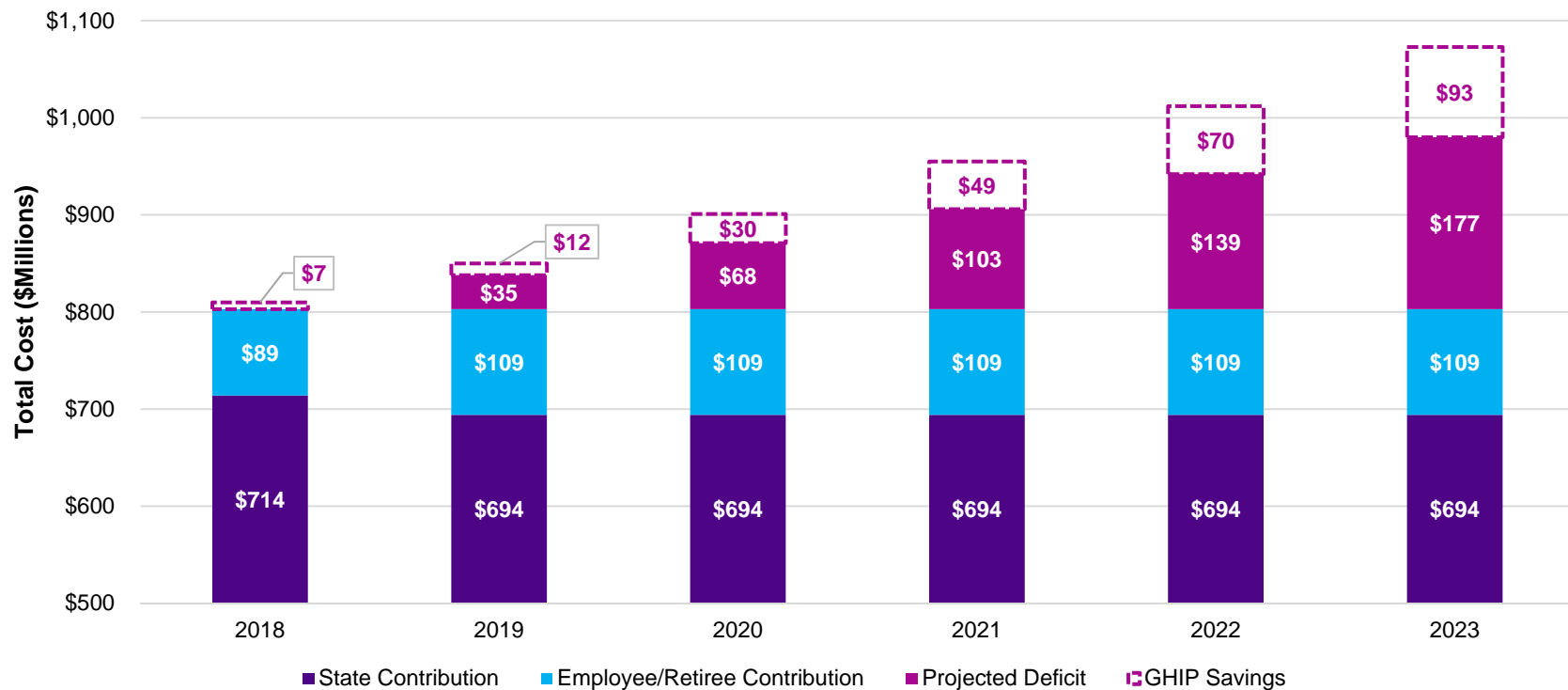
<sup>1</sup> Reflects 6 months of State savings through end of FY18 (1/1/2018 – 6/30/2018).

<sup>2</sup> Savings from financial incentives and Centers of Excellence will depend on program design and member participation. Savings may be minimal in the initial year, but increase over time.

# Long term health care cost projections

Interim changes implemented 1/1/2018

## GHIP Projected Cost



Note: FY18 budget projections assume no change to FY17 rates for the first 6 months of fiscal year (7/1/2017 – 12/31/2017) and enrollment as of December 2016. FY18-FY23 costs projected based on program changes outlined for the Interim State effective 1/1/18, with 5% annual health care trend in FY19 dropping to 4% in FY20 and beyond. Excludes potential savings from implementing new incentive program.

# Implementing GHIP changes

## Key changes for consideration effective 7/1/2018

Lever	Interim State (completed by beginning of FY19, 7/1/18)	FY19 State Savings/(Cost) <sup>1</sup>
Plan Options	<ul style="list-style-type: none"> <li>▪ <i>Renegotiate benefit plan contracts</i> as needed to account for plan year change for active and non-Medicare populations effective 1/1/19</li> <li>▪ <i>Continue implementation of a HDHP/HSA</i> (for 1/1/19 launch)</li> <li>▪ Conduct Open Enrollment for FY19 (for “short” plan year 7/1/18-12/31/18 to accommodate CY plan year starting 1/1/19)</li> <li>▪ <i>Open Enrollment is “active enrollment” for all (requires legislative action)</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
Plan Design	<ul style="list-style-type: none"> <li>▪ <i>Determine changes to plan designs, incentives</i> for CY19 (1/1/19 – 12/31/19)</li> <li>▪ Explore and implement other medical TPA <i>programs that support utilization management</i>, such as tiered pricing for lab services, where available</li> </ul>	<ul style="list-style-type: none"> <li>▪ TBD<sup>2</sup></li> </ul>
Payroll Contributions	<ul style="list-style-type: none"> <li>▪ <i>Continue incremental approach to adjusting medical plan price tags for employees/pensioners.</i> State subsidy per employee remains the same regardless of plan enrollment election (pricing equity)</li> <li>▪ <i>Increase overall employee cost sharing target</i> for actives/pre-65 retirees to 20%</li> </ul> <p><b>Note: All of the above changes require legislative action</b></p>	<ul style="list-style-type: none"> <li>▪ \$33M (includes approx. \$9M for elimination of Medicfill contribution inequities and “double State share”)</li> </ul>

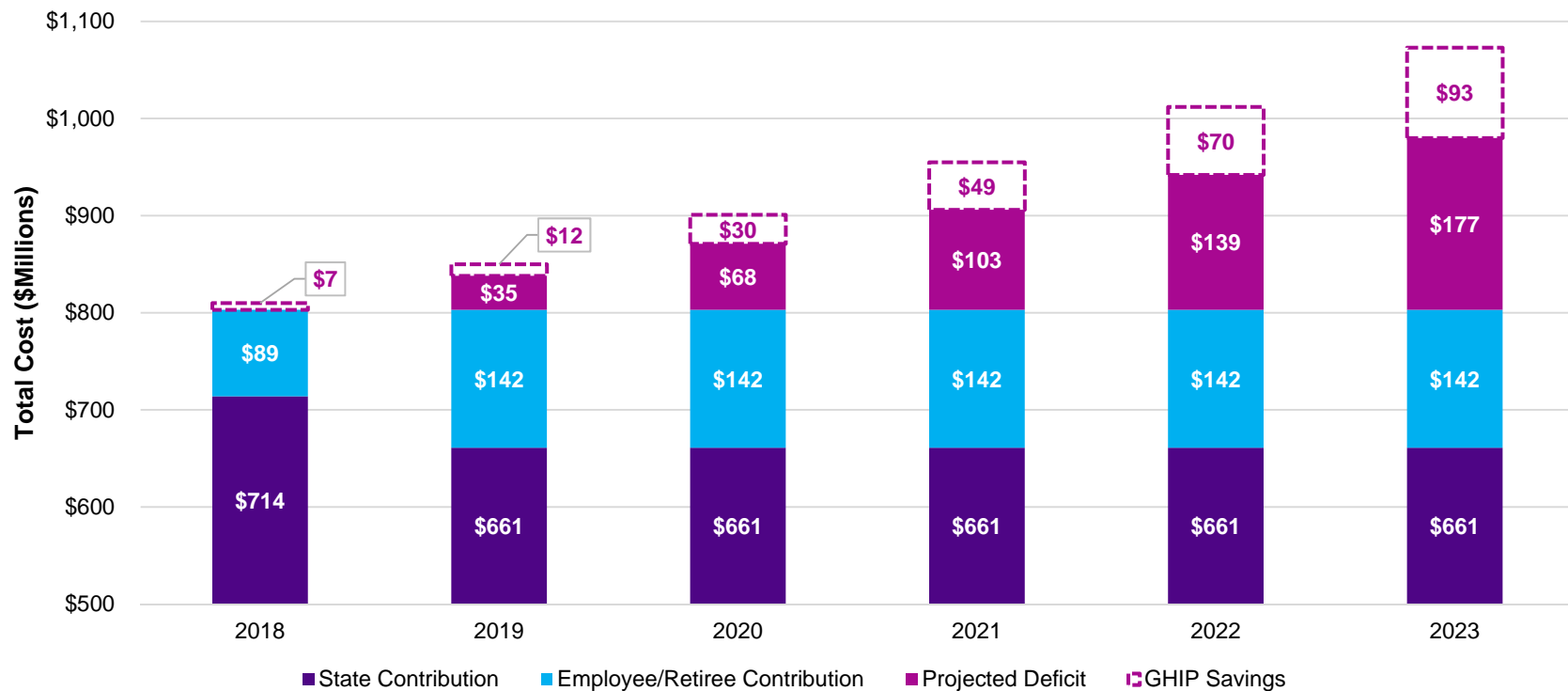
<sup>1</sup> Reflects full 12 months of State savings through end of FY19 (7/1/2018 – 6/30/2019). Savings shown are incremental to the savings resulting from 1/1/18 GHIP changes.

<sup>2</sup> Savings from financial incentives will depend on program design and member participation. Savings may be minimal in the initial year, but increase over time.

# Long term health care cost projections

Cumulative changes implemented 1/1/2018 and 7/1/2018

## GHIP Projected Cost



Note: FY18 budget projections assume no change to FY17 rates for the first 6 months of fiscal year (7/1/2017 – 12/31/2017) and enrollment as of December 2016. FY19-FY23 costs projected based on cumulative program changes outlined for the Interim State effective 1/1/2018 and 7/1/2018, with 5% annual health care trend in FY19 dropping to 4% in FY20 and beyond. Excludes potential savings from implementing new incentive program.

# Implementing GHIP changes

## Key changes for consideration effective 1/1/2019

Lever	Interim State (completed by middle of FY19, 1/1/19)	FY19 State Savings/(Cost) <sup>1</sup>
Plan Options	<ul style="list-style-type: none"> <li>Finish implementation of a HDHP/HSA (for 1/1/19 launch)<sup>2</sup></li> <li>Conduct Open Enrollment (“active” enrolment for all) for first calendar year, plan year (1/1/19 - 12/31/19) for medical<sup>2</sup></li> <li>Open Enrollment is “active enrollment” for all (requires legislative action)</li> </ul>	<ul style="list-style-type: none"> <li>\$5M</li> </ul>
Plan Design	<ul style="list-style-type: none"> <li>Consider additional plan design changes to increase member cost sharing and encourage broader utilization value-based care delivery models (e.g., COEs, primary care medical homes). Consider potential for network tiering which may include utilization of a narrow or third tier network</li> <li>In addition to HRA seed, HSA seed and activity-based incentive for HSA is rolled out. Increase incentive amounts</li> </ul>	<ul style="list-style-type: none"> <li>TBD<sup>3</sup></li> </ul>
Payroll Contributions	<ul style="list-style-type: none"> <li>Continue incremental approach to adjusting medical plan price tags for employees/pensioners. State subsidy per employee remains the same regardless of plan enrollment election (pricing equity)</li> <li>Retain overall employee cost sharing target for actives/pre-65 retirees of 20%</li> <li>Implement surcharges for tobacco use</li> </ul> <p><b>Note: All of the above changes require legislative action</b></p>	<ul style="list-style-type: none"> <li>\$1M<sup>4</sup></li> </ul>

<sup>1</sup> Reflects 6 months of State savings through end of FY19 (1/1/2019 – 7/1/2019). Savings shown are incremental to the savings resulting from 1/1/2018 and 7/1/18 GHIP changes.

<sup>2</sup> Illustrative plan design highlights provided in Appendix . Assumes 1/1/19 HDHP/HSA implementation. Earlier implementation may result in additional savings, depending on actual migration to HDHP/HSA. Assumes 15% of FSB, CDH, HMO and PPO enrollees migrate to the HSA plan.

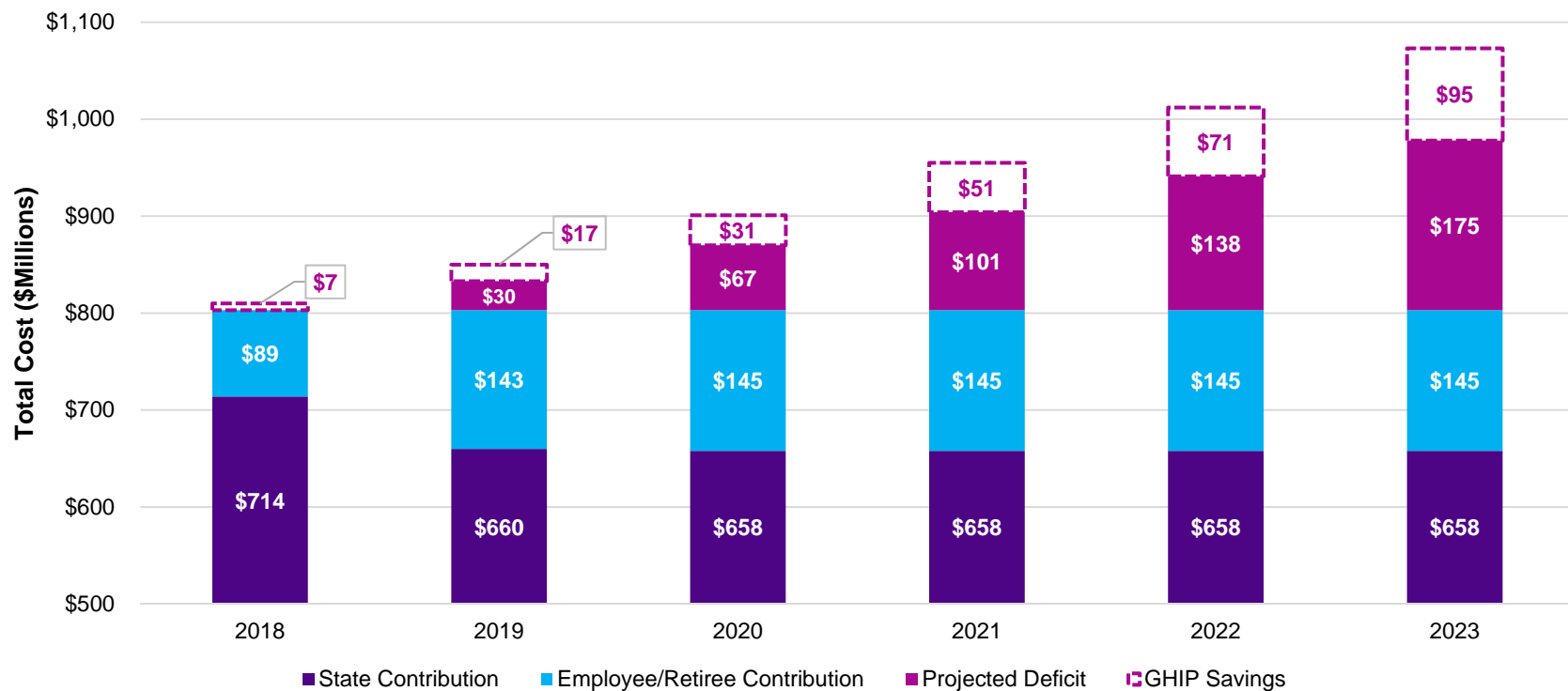
<sup>3</sup> Savings from financial incentives will depend on program design and member participation. Savings may be minimal in the initial year, but increase over time.

<sup>4</sup> Tobacco surcharge savings assume \$50/month employee surcharge and 10% of employees identifying as tobacco users.

# Long term health care cost projections

Cumulative changes implemented 1/1/2018, 7/1/2018 and 1/1/2019

## GHIP Projected Cost



Note: FY18 budget projections assume no change to FY17 rates for the first 6 months of fiscal year (7/1/2017 – 12/31/2017) and enrollment as of December 2016. FY19-FY23 costs projected based on cumulative program changes outlined for 1/1/2018, 7/1/2018, and 1/1/2019, with 5% annual health care trend in FY19 dropping to 4% in FY20 and beyond. Assumes 15% of FSB, CDH, HMO and PPO enrollees migrate to the HSA plan. Excludes potential savings from implementing new incentive program.

# Implementing GHIP changes

Timeline – FY17 Q3 – Q4 (1/1/17 – 6/30/17)

	Fiscal Year 2017					
	Calendar Year 2017					
	Jan	Feb	Mar	Apr	May	Jun
<b>Changes to Plan Options</b>						
Conduct Open Enrollment for FY18 (7/1/17 – 6/30/18)						
<b>Changes to Plan Designs</b>						
SEBC approved motion to leave FY17 plan designs unchanged through the first half of FY18 (7/1/17 – 12/31/17)						
Determine (1) changes to plan designs and (2) incentives to drive engagement (via plan design, HRA seed) for the second half of FY18 (1/1/18 – 6/30/18)						
<b>Changes to Payroll Contributions</b>						
SEBC approved motion to leave FY17 medical plan price tags unchanged through the first half of FY18 (7/1/17 – 12/31/17)						
Determine medical plan price tags for employees/pensioners for the second half of FY18 (1/1/18 – 6/30/18) <sup>1</sup>						

 Activity period

<sup>1</sup> Including elimination of inequities in Medicfill contributions and double State share.

# Implementing GHIP changes

## Timeline – FY18 Q1 – Q2 (7/1/17 – 12/31/17)

	Fiscal Year 2018					
	Calendar Year 2017					
	Jul	Aug	Sep	Oct	Nov	Dec
<b>Changes to Plan Options</b>						
Notify medical plan vendors of intent to shorten FY19 plan year to 6 months (7/1/18 – 12/31/18) <sup>1</sup>						
<b>Changes to Plan Designs</b>						
Determine (1) changes to plan designs and (2) incentives to drive engagement (via plan design, HRA seed) for the second half of FY18 (1/1/18 – 6/30/18)						
SEBC approves final medical plan designs for second half of FY18 (1/1/18 – 6/30/18)						
Implement changes to plan designs, incentives for second half of FY18 (1/1/18 – 6/30/18)						
Determine changes to plan designs and incentives (plan design, HRA seed) for “short” plan year FY19 (7/1/18 – 12/31/18) <sup>1</sup>						
SEBC approves final medical plan designs for “short” plan year FY19 (7/1/18 – 12/31/18) <sup>1</sup>						
<b>Changes to Payroll Contributions</b>						
Determine medical plan price tags for employees/pensioners for the second half of FY18 (1/1/18 – 6/30/18) <sup>1</sup>						
SEBC approves final health plan premium rates for the second half of FY18 (1/1/18 – 6/30/18) <sup>1</sup>						
Determine medical plan price tags for employees/pensioners for “short” plan year FY19 (7/1/18 – 12/31/18) <sup>1</sup>						

 Activity period

<sup>1</sup> Also applies to dental, vision and supplemental benefits.

<sup>3</sup> Also includes Medicare population for all other benefit plans..

# Implementing GHIP changes

## Timeline – FY18 Q3 – Q4 (1/1/18 – 6/30/18)

	Fiscal Year 2018					
	Calendar Year 2018					
	Jan	Feb	Mar	Apr	May	Jun
<b>Changes to Plan Options</b>						
Renegotiate benefit plan contracts as needed to account for plan year change for active and non-Medicare populations <sup>1,2</sup>						
Begin implementation of a HDHP/HSA (for 1/1/19 launch) <sup>3</sup>						
Conduct Open Enrollment for FY19 (“active” enrollment for all, for “short” plan year – 7/1/18-12/31/18 – to accommodate CY plan year starting 1/1/19)						
<b>Changes to Plan Designs</b>						
Implement changes to plan designs, incentives for “short” plan year FY19 (7/1/18 – 12/31/18) <sup>1</sup>						
Determine changes to plan designs, incentives for CY19 (1/1/19 – 12/31/19) <sup>1</sup>						
Explore availability of other utilization management programs						
SEBC approves final medical plan designs for CY19 (1/1/19 – 12/31/19) <sup>1</sup>						
<b>Changes to Payroll Contributions</b>						
Determine medical plan price tags for employees/pensioners for “short” plan year FY19 (7/1/18 – 12/31/18) <sup>1</sup>						
SEBC approves final health plan premium rates for “short” plan year FY19 (7/1/18 – 12/31/18) <sup>1</sup>						
Determine medical plan price tags for employees/pensioners for CY19 (1/1/19 – 12/31/19) <sup>1</sup>						

 Activity period

# Implementing GHIP changes

Timeline – FY19 Q1 – Q2 (7/1/18 – 12/31/18)

	Fiscal Year 2019					
	Calendar Year 2018					
	Jul	Aug	Sep	Oct	Nov	Dec
<b>Changes to Plan Options</b>						
Finish implementation of a HDHP/HSA (for 1/1/19 launch) <sup>1</sup>						
Conduct Open Enrollment (“active” enrollment for all) for first calendar year, plan year (1/1/19 – 12/31/19) <sup>2</sup>						
<b>Changes to Plan Designs</b>						
Implement changes to plan designs, incentives for CY19 (1/1/19 – 12/31/19) <sup>2</sup>						
<b>Changes to Payroll Contributions</b>						
Determine medical plan price tags for employees/pensioners for CY19 (1/1/19 – 12/31/19)						
Determine tobacco surcharge amount for CY19 (1/1/19 – 12/31/19)						
SEBC approves final health plan premium rates for CY19 (1/1/19 – 12/31/19) <sup>2</sup>						

 Activity period

<sup>1</sup> Task should begin as soon as possible, but no later than January 2018.

<sup>2</sup> Also applies to dental, vision and supplemental benefits.

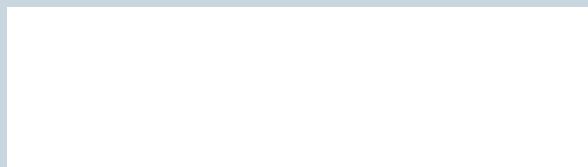
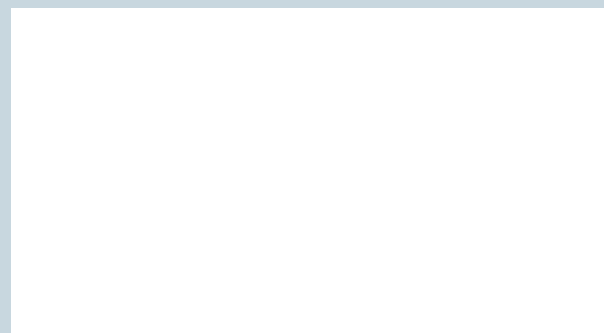
## Implementing GHIP changes

### Additional considerations

#### ***Recommended actions for the State to support a successful implementation of these changes:***

- Enact legislative changes necessary to modify plan offerings to align with GHIP strategic framework, to allow an “active enrollment,” to remove the set cost sharing for all health plan premiums and eliminate “Double State Share”
- Continue to introduce decision support through education and marketing of health plan options to employees/retirees
- Continue efforts to educate plan participants on the tools and technology available through each vendor and plan, and encourage utilization of those resources
- Require employees/non Medicare-eligible pensioners to make an enrollment election during Open Enrollment (i.e., “active enrollment”) or they will be automatically enrolled by default into a health plan as determined by the SEBC

## Appendix



# GHIP mission statement and goals

## Mission Statement:

Offer State of Delaware employees, retirees and their dependents **adequate access** to **high quality healthcare that produces good outcomes...**

at an **affordable cost...**

promotes **healthy lifestyles**, and helps them be **engaged consumers**.

## Goals:

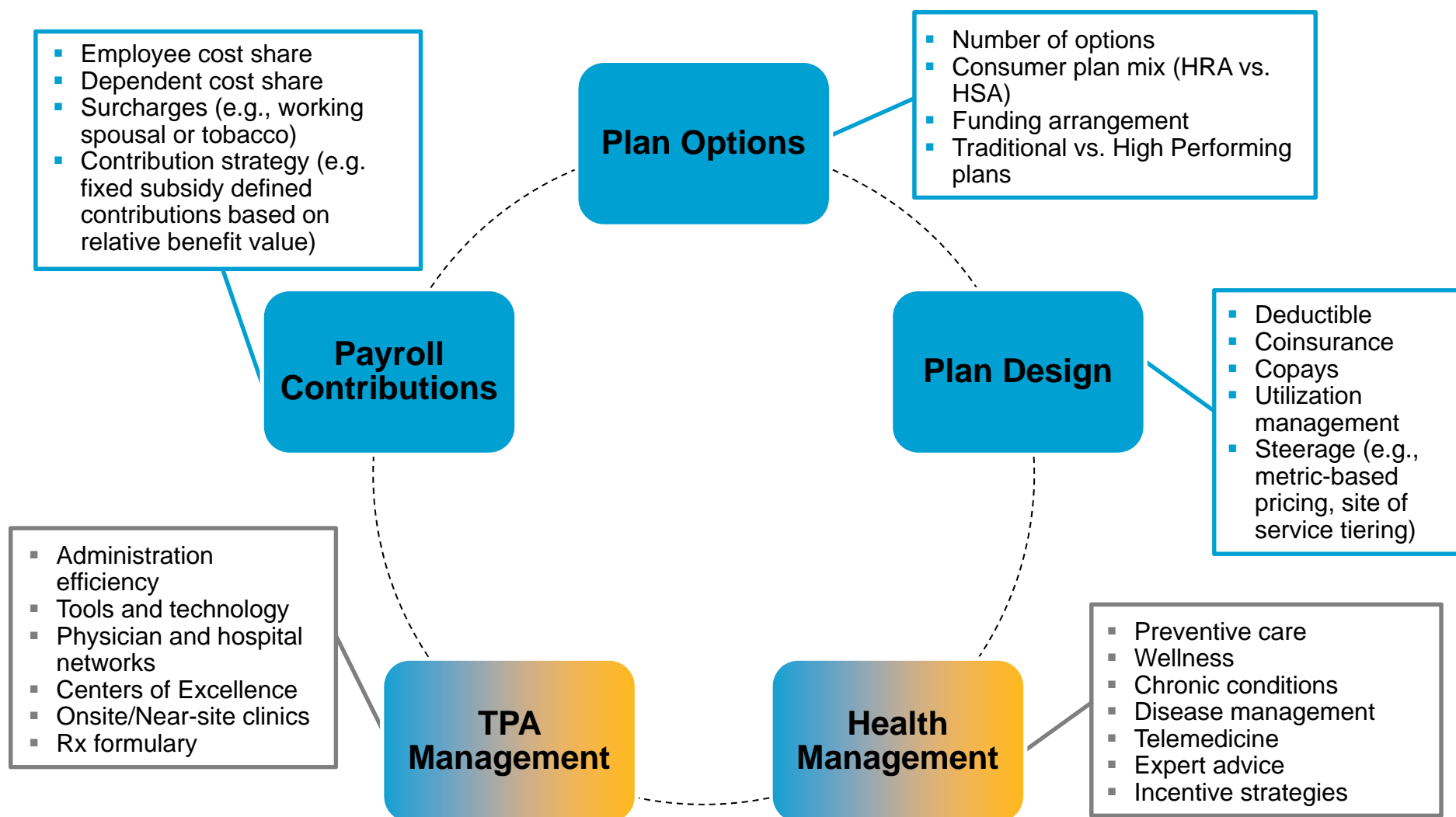
- Addition of at least net 1 value-based care delivery (VBCD) model by end of FY2018
- Reduction of gross GHIP medical and prescription drug trend by 2% by end of FY2020<sup>1</sup>
- GHIP membership enrollment in a consumer-driven or value-based plan exceeding 25% of total population by end of FY2020<sup>2</sup>

<sup>1</sup> Gross trend is inclusive of total increase to GHIP medical plan costs (both “employer” and “employee”) and will be measured from a baseline average trend of 6% (based on a blend of the State’s actual experience and Willis Towers Watson market data).

<sup>2</sup> Note: To drive enrollment at this level, the State will need to make plan design and employee contribution changes that may require changes to the Delaware Code.

# GHIP influencing levers

Tools for affecting change and controlling health care costs



# Confines of the GHIP strategic development process

## Tactics requiring legislative changes

Potential tactic to address strategy	Illustrative example(s)	Requires legislative change?
Traditional plan design changes	Increase deductible by \$100	No
Non-traditional plan design changes	Implement reference-based pricing Add a third coverage tier for a narrow network	No
Adding a new medical plan	Adding CDHP/HSA or adding a PPO option that has a narrow network	No*
Removing a plan option specified by the Delaware Code	Removing the First State Basic plan	Yes**
Freezing enrollment in a medical plan	1. Freeze to new entrants 2. Freeze to new hires	Yes
Adding a vendor	Wellness vendor or engagement vendor	No
Adjustments in employee cost share	Increasing the payroll contribution for an employee from 12% to 15%	Yes
Adjustments in dependent cost share	Increasing the dependent cost sharing by 10%	Yes
Addition of surcharges	1. Add a tobacco and/or spousal surcharge 2. Wellness “dis-incentive” for non-participation	Yes
Addition of an incentive program	Paying an employee \$100 to get their biometric screening from their PCP	No
Implement a medical or Rx utilization management programs	1. Implement high cost radiology management program 2. Discontinue coverage of certain high cost specialty drugs and/or compound drugs	No

\*Procurement would be involved in reviewing any amendments to vendor contracts for the new plan(s). Additionally, cost share would have to fit within one of the existing plans to avoid legislative change.

\*\*May require legal input regarding Delaware Code.

## Medical/Rx program designs – *Illustrative*

### Proposed future state

Plan Design (In-network)	Aetna HMO	Aetna CDH Gold	HDHP/HSA
Deductible (Ind./Fam.)	\$250 / \$500	\$1,800 / \$3,500	\$2,000 / \$4,000
Account Funding (Ind./Fam.)	n/a	\$1,000 / \$2,000	\$1,000 / \$2,000
Coinsurance	100%	90%	80%
Out-of-Pocket Max (Ind./Fam.)	\$4,500 / \$9,000	\$4,500 / \$9,000	\$4,500 / \$9,000
PCP Office Visit	\$15 copay	90%	80%
Specialist Office Visit	\$25 copay	90%	80%
Emergency Room	\$150 copay <sup>2</sup>	90%	80%
Inpatient Care	\$100 copay/day <sup>3</sup>	90%	80%
<b>Prescription Drug<sup>2</sup></b>			
Out-of-Pocket Max (Ind./Fam.)	\$2,100 / \$4,200	\$2,100 / \$4,200	Combined with medical
▪ Retail	\$8/\$28/\$50	\$8/\$28/\$50	\$8/\$28/\$50 after deductible
▪ Mail Order	\$16/\$56/\$100	\$16/\$56/\$100	\$16/\$56/\$100 after deductible
<b>Relative Benefit Value (RBV)<sup>3</sup></b>	<b>0.95</b>	<b>0.92</b>	<b>0.88</b>

1. Enrollment based on July 2016 census provided by the State of Delaware

2. Waived if admitted

1. Enrollment based on July 2016 census provided by the State of Delaware

2. Retail 30 day supply; mail order 90 day supply

3. RBV estimate includes HRA seed (seed dollars are \$1,250 Individual/\$2,500 Family)

3. \$200 maximum per admission

4. Retail 30 day supply; mail order 90 day supply

3. \$200 maximum per admission

4. Retail 30 day supply; mail order 90 day supply