

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

The State Employee Benefits Committee met February 26, 2018. The following people were in attendance:

**Committee Members:**

Mike Jackson, OMB, Chair  
Brenda Lakeman, Director, Statewide Benefits Office, DHR designee  
Molly Magarik, Designee of DHSS  
Mike Morton, CGO  
Trinidad Navarro, DOI  
Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts  
Ken Simpler, OST  
Lt. Governor Bethany Hall-Long  
Jeff Taschner, DSEA

**Guests:**

Faith Rentz, Deputy Director, Statewide Benefits Office (SBO), DHR  
Lisa Porter, SBO, DHR  
Andrew Kerber, DOJ  
Joanna Adams, Pensions  
Jennifer Bredemeier, Univ of DE  
Victoria Brennan, CGO  
Rebecca Byrd, The Byrd Group  
Lisa Carmean, City of Milford  
Cherie Dodge-Biron, DHR  
Jacqueline Faulcon, DRSPA  
D. Hugh Ferguson, DRSPA  
Larry Gabbert, Pensioner  
Tim Harris, OMB, PHRST

**Guests (continued):**

Kim Hawkins, City of Dover  
Leighann Hinkle, SBO, DHR  
Anna Keleher, OMB  
Elizabeth Lewis, Hamilton Goodman Partners  
Melissa Marlin, OMB  
Mary Kate McLaughlin, Drinker Biddle  
Norman Moore, DRSPA  
Karol Powers-Case, DRSPA  
Wayne Smith, DHA  
David Taylor, DRSPA  
Jim Testerman, DSEA-R  
Jean Wothers, DRSPA

Katherine Impellizzeri, Aetna  
Carrie Schiavo, Delta Dental  
Judy Grant, Health Advocate  
Peg Eitl, Highmark  
Lisa Mantegna, Highmark  
Jennifer Mossman, Highmark  
Pam Price, Highmark  
Walt Mateja, IBM Watson Health  
Kevin Fyock, Willis Towers Watson  
Chris Giovannello, Willis Towers Watson  
Rebecca Warnken, Willis Towers Watson

**Introductions/Sign In**

Director Jackson called the meeting to order at 2:03 p.m. Introductions were made.

**Approval of Minutes** - handout

The Director entertained a motion to approve the minutes from the February 12<sup>th</sup> SEBC meeting. Insurance Commissioner Navarro made the motion and Ms. Magarik seconded the motion. The motion carried unanimously.

**Director's Report** – Brenda Lakeman, Statewide Benefits Office (SBO)

**Medicare Part D Prescription Plan-90 day Maintenance Network** – A reminder to the SEBC of approval in 2017 of the change to the 90 day maintenance network for the Medicare retirees to a limited network of pharmacies effective March 1, 2018. Express Scripts sent notification to members. A full listing of the Delaware pharmacies are on the SBO website with a full listing of nationwide pharmacies available on the Express Scripts website by March 1<sup>st</sup>. Committee members shared feedback and concerns received from members and independent pharmacies. SBO will forward information to the committee that includes procedures for the smaller independent pharmacies to act upon and why this change is mandatory.

**Health Care Delivery and Cost Advisory Group** – Executive Order 19 was issued by Governor Carney on February 21<sup>st</sup> to form an advisory group to advance the health care benchmark initiative and provide recommendations to the Secretary of DHSS on how to measure health care costs and quality benchmarks who will then issue a report to the Governor. The meetings are open to the public and reports with other information can be viewed on [choosehealthde.com](http://choosehealthde.com) where the public may comment on the process.

## Financials

### **Fund Equity – (F&E) January 2018** – handout - Chris Giovannello, Willis Towers Watson (WTW)

January's report reveals another favorable month. Under Other Revenues, \$11.2M appears for the Federal Reinsurance that covers CY2016 and one month of prospective payment. There is also a Medicare Part D coverage gap discount of \$4.1M. Aetna claims are lower at \$9.9M where Highmark claims range \$38.5M. The F&E ending balance is \$136.5M. WTW expects to be 2% under budget and suggests to allow another month or two to examine the claims experience to understand what has changed for the better, providing a view through two full quarters.

### **Group Health FY19 Planning** - handout - Willis Towers Watson (WTW)

Long term health care cost projections using FY18Q2 experience and FY19 program changes were reviewed. This exhibit shows if holding revenues and premiums flat for FY19, a projected \$35.4M net income deficit will exist for FY19, leaving the surplus at \$4.5M. Projecting ahead to FY20 with an assumed 2% premium increase, the fund is looking at a \$61.8M surplus deficit.

Mr. Jackson brought up the challenge of the shortfall that continues to exist when looking at the range of options along with any premium increase. This will need to be addressed by the fall in order to allow adequate communications. Mr. Taschner brought up adding 2% cost to the members with nothing addressed on the provider's side and the need to obtain the data to verify TPAs are operating in our best interest. Reflecting back in 2015, the Health Fund Task Force was informed the State of Delaware is paying 25 to 30% more than comparable markets. The data is needed to make informed policy decisions, also to determine if employees have a good deal in their benefits combined within the total compensation space. Ms. Magarik discussed the need for transparency but what will be the action taken upon receipt of the data. Lt. Governor Hall Long reminded all of the All Payer Claims Database legislation that is not yet implemented as planned for 2017. Mr. Taschner proposed workshops are needed and data or discussions from DHIN to assist SEBC to make these decisions. Mr. Jackson posed the question of whether the Committee will take action after all information is received and requested of Mr. Taschner what specific data is needed to make a decision. Treasurer Simpler added the need to consider compensation and benefits as total compensation to consider changes.

Further discussion occurred on what could be done without cost shifting such as engagement, transparency tools and tobacco surcharge which are samples to change employee behavior. Questions were asked about the engagement piece and what would be required of members. The requirement was not yet determined and the committee would need to determine the focus of the engagement or behavior change – member health or cost reduction. WTW agreed that options will need to be presented, such as taking the consumerism course, etc., to determine member engagement.

Ms. Nestlerode shared the Chief Justices concerns that included must look at provider side, not just cost shifting due to retention and recruitment. Agree with a look at COE, agreement with strong contract negotiations, work with other entities, states or companies for leverage, interested in discussing the tobacco surcharge and on-site options to provide wellness services and flu shots. Discussion followed on pilot services which may be an option for more intensive sessions with PCPs and then having data available to evaluate. This may be more cost effective than on-site clinics. Mr. Jackson suggested a separate session to consider these various options discussed.

Insurance Commissioner Navarro shared from attending NAIC, some findings with Delaware's cost drivers and aging population shows the largest problem is rising unit cost for care. There are bold solutions such as working with Attorney General's office to address price gauging, stronger rate review authority and other findings will be shared with the committee.

Ms. Warnken reviewed the longer term projections and that if no rate changes are made this year, a 10% rate increase would be required in FY20 to achieve the revenues required to meet expenditures. The appendix includes the rates and the associated employee increase with a 4.8% increase. The lowest increase would be about \$25 per year and the highest about \$150 per year. Discussion followed on leveling out premium increases each year or having a much higher increase in a future year.

Director Jackson shared that after viewing the January Fund & Equity report, the fund itself continues to improve and would like to have a deeper dive for full understanding of claims experience. He would like to pursue the possibility of a premium increase in January 2019 versus July 2018 to allow more time for the committee to make decisions in the fall as this is the last meeting to vote for any plan changes to be effective July 1, 2018.

Treasurer Simpler made a motion for a 4.8% premium increase effective July 1, 2018 based upon WTW's recommendation. This motion was not seconded, therefore not carried. The Treasurer then made a motion for 2% premium increase effective July 1, 2018. This motion was not seconded, therefore not carried. Dialogue continued regarding concern with this being the second plan year with no premium increases.

In order to avoid a funding shortfall in FY20, WTW recommends the State to adopt a combination of new savings initiatives and premium increases as holding premium rates flat in FY19 has a compounding effect in future years. Potential options for immediate consideration include a 2% premium increase effective January 1, 2019 generating \$8.2M additional revenue to change deficit from \$61.8M to \$37.3M. Potential options for FY20 include a 5% premium increase effective July 1, 2019 with SEBC approval of illustrative future savings initiatives totaling \$20M, reducing the deficit from \$61.8M to \$15.3M.

### **Motion**

The Director entertained a motion to maintain the current rates from July 1, 2018 thru December 31, 2018. Ms. Magarik made the motion. Controller General Morton seconded the motion. Treasurer Simpler opposed. The motion carried.

**COE RFP Update** – the proposal timeline was reviewed with updates to reflect recent activity.

### **Public Comments**

Karol Powers-Case shared that as a Medicare retiree she continues to experience issues with the Express Scripts prescription plan and spends hundreds of dollars every three months. Before the Health Fund Task Force met, SEBC was asked to offer another Medicare plan for retirees to choose similar to a Medicare Advantage plan that has prescription included and offers a \$0 or \$1 copays and should have the option to choose our plans. Upon relocating from New Castle County to Sussex County, experienced difficulty locating a doctor that accepts Medicare.

Elizabeth Lewis, here on behalf of Christiana Care, would like to thank SEBC for their support on the 3D Mammography and shared the recent article in the News Journal that explains the benefits of this service and offered to forward to the committee.

### **Other Business**

None

### **Motions**

Director Jackson announced the committee will be moving into Executive Session and return to public session with no other business to address and requested a motion to move into Executive Session. Controller General Morton made the motion and Ms. Magarik seconded the motion. Motion carried unanimously. The Committee entered into Executive Session at 3:38 pm.

The Committee returned to public session where the Director asked for a motion to adjourn the meeting. Mr. Taschner made the motion. Lt. Governor Hall-Long seconded the motion. Motion carried unanimously. Meeting adjourned at 3:54 pm.

Respectfully submitted,

Lisa Porter  
Executive Secretary  
Statewide Benefits Office, DHR