MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE
FEBRUARY 11, 2019

The State Employee Benefits Committee (the "Committee") held a meeting on February 11, 2019 in Room 112 of the Tatnall Building located at 150 Martin Luther King Jr. Blvd. Dover, Delaware 19901.

Committee Members Represented or in Attendance:
Director Michael Jackson, Office of Management & Budget ("OMB"), Co-Chair
Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor (Designee on behalf of Lt. Governor Hall-Long)
Ms. Susan Steward, Policy Analyst, Office of the State Treasurer ("OST") (Designee on behalf of Treasurer Davis)
The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance ("DOI")
Secretary Kara Walker, Department of Health and Social Services ("DHSS")
Controller General Michael Morton, Controller General's Office ("CGO")
Ms. Evelyn Nestlerode, Controller, Administrator of the Courts (Designee on behalf of Chief Justice Strine)
Ms. Judy Anderson, Delaware State Education Association ("DSEA") (Designee of Jeff Taschner, DSEA, Appointee of the Governor)

Committee Members Not Represented or Not in Attendance:
Secretary Saundra Johnson, Department of Human Resources ("DHR"), Co-Chair

Others in Attendance:
Director Faith Rentz, Statewide Benefits Office ("SBO"), DHR
Deputy Director Leighann Hinkle, SBO, DHR
Deputy Attorney General Andrew Kerber, Department of Justice, SEBC Legal Counsel
Deputy Secretary Molly Magarik
Deputy Principal Assistant Judi Schock, OMB
Mr. Kevin Fyock, Willis Towers Watson ("WTW")
Mr. Chris Giovannello, WTW
Ms. Judy Grant, Health Advocate
Ms. Jaclyn Iglesias, WTW
Ms. Rebecca Warnken, WTW
Ms. Jennifer Bredemeier, University of Delaware
Ms. Christina Bryan, DE Healthcare Association
Mr. Bob Byrd, The Byrd Corp
Ms. Julie Craynor, Aetna
Mr. Dave Craik, Pension Administrator, Pension Office
Ms. Cherie Dodge Biron, Controller, DHR
Ms. Nina Figueroa, Policy Advisor, SBO, DHR
Ms. Kim Hawkins, City of Dover
Ms. Katherine Impellizzeri, Aetna
Ms. Lisa Mantegna, Highmark Delaware
Mr. Walt Mateja, IBM Watson Health
Ms. Lynette Maxwell, Help Desk Supervisor, PHRST, OMB
Ms. Jennifer Mossman, Highmark Delaware
Mr. James Nutter, Parkowski Guerke & Swayze
Mr. Anthony Onugu, United Medical ACO
Ms. Carrie Schiavo, Delta Dental
Dr. George Schreppler, DE Chiropractic Services Network
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Mr. David Taylor, DE Retired School Personnel Assoc.
Mr. Jim Testerman, DSEA (ret.)
Ms. Emily Thomas, Fiscal & Policy Analyst, OMB

CALLED TO ORDER
Dir. Jackson called the meeting to order at 1:59 p.m. and introductions were made.

APPROVAL OF MINUTES – DIRECTOR MICHAEL JACKSON
A MOTION was made by CG Morton and seconded by Commissioner Navarro to approve the minutes from the January 14, 2019 SEBC meeting.
MOTION ADOPTED UNANIMOUSLY

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ

Newly Designed Website

Statewide Benefits launched a new website on February 1st. This includes a new website address, but visitors using the old URL will be redirected. Dir. Rentz thanked the staff of SBO, DHR and OMB IT for their efforts over the last 8 months. All SBO and SEBC communications have been updated to reflect the new web addresses.

2019 IRS 1095-C Forms

1095-C forms are being finalized and will be mailed this week to employees who have not consented to receive the annual notice online. Employees who have consented to receive their 1095-C online received an email last week to notify them that these forms are available for review in the Employee Self Service.

Parental Leave

The Department of Human Resources is finalizing the Parental Leave Policy for the Executive Branch organizations, with School Districts and Higher Education organizations preparing separate Parental Leave Policies for their employees. The Parental Leave policy requires modifications to the Disability Insurance Program ("DIP") Rules & Regulations ("R&R"). Drafts of the revised DIP R&R will be available for Committee review by March 1, 2019. A Committee vote is expected on March 11, 2019 in order to be published by the effective date of April 1, 2019.

Subcommittee Updates

The Johns Hopkins researchers are working to provide a risk adjusted analysis requested by the Committee and additional analysis on referenced based pricing requested by the Joint Subcommittees. They will be scheduled to present their analysis to the Committee upon completion. Dir. Rentz added that the Delaware Healthcare Association and the hospitals responded publically at the Subcommittee meeting, and a letter was delivered to the Committee members from DHA at the end of January. A copy of that letter is included in the meeting materials.

The Health Policy and Planning Subcommittee met on February 7, 2019, and discussed best practices to the Group Health Insurance Program ("GHIP") infertility benefits as it pertains to the consideration of SB 139. Additionally, the Subcommittee began a discussion on offering a Health Savings Account ("HSA"), and is expected to make a full recommendation to the Committee in June. The Proposal Review Committee has concluded that both Aetna and Highmark are able to administer an HSA plan. CG Morton clarified if a vote on HSA was expected in June in concurrence with the recommendation by the Subcommittee. Ms. Rentz responded yes, and that a HSA plan would require 12 months to implement subsequent to approval by the Committee.

FINANCIALS – MR. CHRIS GIOVANNELLO and MS. REBECCA WARNKEN, WTW

December Fund Report

The December Fund Equity report reflects an increase of $8.7mm in net income as a result of an increase in participants and favorable claims experience in Q1 & Q2. Other Revenues of $714k resulted from missed performance guarantees paid by Aetna and Highmark. Claim expenses are 2.2% below budget, or $10mm. The fund balance is $156.6mm, up from the projection of $148mm.

FY19 Qtr. 2 Financials

FY19 (Q1 and Q2) expenses per member per year are up 1.8% when compared to FY18 (Q1 and Q2). Mr. Giovannello noted that this is a result of unusually favorable pharmacy claims in FY18. FY19 overall cost of the plan per member per year is up 5.8%. The budget is down 4.7% as a result of a lag on Express Script claims. The Fund Equity Report reflects 13 invoice payments through December, but a final invoice is expected in January for $10mm. This results in the report reflecting 12% below budget for Pharmacy costs, however when the January invoice is paid, the budget will reflect 2.6% are below budget. Dir. Jackson cautioned the Committee that while

the report reflects an improvement to the overall budget, the medical side is growing at 6%, and there is not an improvement in overall medical spend.
There has been a 7% improvement in adult preventive visits. There is an 11% increase in high cost claimants (members with claims over $100K). Specialty drugs make up 38% of total allowed pharmacy costs and there continues to be an increase in utilization and cost. Screening rates all remain below benchmark, but it was noted that this number includes the Medicare population. The screening rates improve when looking at active employees.

Dir. Jackson asked about data pertaining to high cost claimants, specifically if they could be broken down into unavoidable and chronic diagnosis. Ms. Warnken responded that WTW will provide more information on member engagement and case management that will be reported annually after receiving Q4 data. It will focus on managing avoidable claims. Dir. Jackson added that the improvement to wellness visits reflects the focus on outreach to participants.

It was noted that the Employer Group Waiver Plan ("EGWP") pharmacy revenues and rebates are reflected by WTW as offsets to claims, while the Fund Equity Report reflects them as additional revenues. The $10mm discrepancy in the report is a result of aligning payments and revenues with the period of time to which they are attributed.

FY20 Express Scripts Prescription Contract Renewal
WTW was engaged to support the evaluation and negotiation of pharmacy contracts. The current Express Scripts ("ESI") contract expires on Jun 30, 2019, and the current EGWP contract expires on December 31, 2019. WTW is recommending a one-year extension on the current contracts, based on the initial offer, including a reduction in allowed costs and improved rebates. As proposed, the preliminary renewal is expected to yield a savings of $14.5mm in FY20 over the current contract, and has been included in the revised projections. A best and final offer has been received and may potentially yield additional savings.

Dir. Jackson asked for additional detail on the contract negotiations. Ms. Warnken responded that additional details could be provided in an Executive Session. Dir. Jackson queried the likelihood of the realized savings. Ms. Warnken responded that the contract guarantees a percentage off of the average wholesale price, and there is also a guaranteed level of rebates. She clarified that the estimated savings is based on the current mix of drugs being utilized, and the bulk of savings is guaranteed.

GHIP Recast
The FY19 recast and FY20 revised budget projections incorporate FY19 Q2 data and preliminary pharmacy savings. As a result, the FY19 budget projection is down $3.2mm. The projected FY20 Operating Expenses are down $18mm. This is a result of favorable claims, higher enrollment, re-contracting and updated EGWP projections, and brings the revised budget to $868mm. Dir. Jackson expressed uncertainty in regards to the projection.

It is the recommendation of the Financial Subcommittee to spread the surplus over two years. Based on the revised projections incorporating data from Q2, GHIP is projected to end FY19 with a $52mm surplus, up from $48.1mm as of Q1. This revision would require a premium increase of .8%, down from 3.2%, to smooth the fund over two years.

Ms. Anderson asked for member enrollment data for previous years. Ms. Warnken responded that WTW would make the data available.

A 2% increase with the revised FY 19 projection including proposed program changes, yields a FY20 projected surplus of $36.1mm. A 2% rate increase to plan members would range from $.56 to $5.46 per employee, per month, and an increase to the State of $13.35 to $35.73 per employee, per month.

With the revised FY 19 projection including proposed program changes, adoption of a .8% rate increase yields a FY20 projected surplus of $26.1mm. A .8% rate increase to plan members would range from $.22 to $2.18 per employee, per month, and an increase to the State of $5.34 to $14.30 per employee, per month.

Dir. Jackson noted the revised projections, and acknowledged that there was consensus among the Committee to smooth any necessary premium increases over time, but cautioned the Committee on making decisions based on forecasting alone. He added that no forecast is completely accurate and premium increases do not solve for long term projections without design changes.

Dir. Jackson queried if the Subcommittees had revised any of the recommendations as a result of the revision to the projections. Dir Rentz stated that the recommendations remained the same.

Ms. Warnken reviewed the final Financial Subcommittee recommendations: no changes to the claim liability or reserve methodology, spread the FY19 surplus over 2 years, and revisiting the methodology annually. Sec. Walker asked if there was consideration given to smoothing the surplus over a period of time longer than two years. Ms. Warnken responded that Subcommittee reviewed a three-year scenario that resulted in 1% higher, and 3-years would still be under national trend.

FY20 PLANNING –MS. JACLYN IGLESIAS, and MR. CHRIS GIOVANNELLO, WTW

Plan Design

The Health Policy and Planning Subcommittee ("HP&P") recommendations are expected to yield an annual savings of $9.6mm in claims cost avoidance. The Subcommittee recommended GHIP changes for FY20: site-of-care steerage copay changes for the Highmark Delaware Comp PPO and Aetna HMO plans, infusion therapy site of care for the Highmark Delaware plans and Diabetes Management solutions through Livongo.

The recommendations include an increase in copay for both basic and high tech in-network hospital based imaging services, $35 to $50 and $50 to $75 respectively. Members who utilize freestanding preferred facilities would remain at a $0 copay.

Additionally, it is being recommended that there be an increase in copay for in-network, non-preferred labs from $20 to $50. Copay for preferred labs remain unchanged at $10.

Further, it is being recommended that there be an increase in copay for non-emergent (not admitted), emergency room care, from $150 to $200. Urgent care copays to in-network providers remains unchanged. There are 120 to 140 visits per 1,000 non-emergent visits to emergency rooms. Ms. Nestlerode expressed the concerns of Chief Justice Strine concerning the increase to copays for non-emergent emergency room care. His concern pertains to emergencies that will not result in an admittance, and where urgent care facilities may not have the specialty to respond appropriately. Therefore, he does not support an increase in copay with the definition of non-emergent being non-admission to the hospital.

The Subcommittee recommends reducing the copay for telemedicine to $0 so as to incentivize usage and expand access to care.

The Subcommittee recommends implementing Highmark's infusion therapy site-of-care steerage program, which is already in place with Aetna, that has a savings potential of $2mm. Members who qualify for care would be shifted to non-hospital locations, which reduces patient exposure to hospital-acquired illnesses, significantly reduced cost of drug administration, enhanced privacy and comfort, reduced travel time and associated expenses. There is an appeal process in place for members or providers who wish to continue the patient in their current site of care. Ms. Iglesias confirmed that infusion therapy does not pertain to chemotherapy.

The Subcommittee recommends implementing the Diabetes management program, Livongo, which has a savings potential of $720k. Livongo is a health management program to assist members with type 1 and 2 diabetes. The program provides remote monitoring, unlimited testing supplies and 24/7/365 personalized real-time outreach and coaching across both Medicare and non-Medicare members.

The sum total savings potential for the GHIP as a result of the aforementioned program changes is estimated at $9.6mm.

Premium Rates

Ms. Warnken summarized the proposed FY20 program changes and premium increase scenarios, and presented a model to demonstrate the financial impact to members. Without adoption of the proposed program changes, premiums would need to increase an additional 1.2%, and therefore, with premium increases and proposed program changes, members could pay less over all in FY20 if utilizing preferred in-network services.

Dir. Jackson stated that it is beneficial to the member to utilize preferred services, but long-term, it is of greater impact to the GHIP to encourage member utilization of preferred benefits. Ms. Anderson expressed that the graphic example will be helpful in communicating changes to members. Dir. Rentz noted communications during Open Enrollment would focus on member savings for using preferred benefits.

OTHER BUSINESS

Ms. Steward expressed on behalf of Treasurer Davis, her concerns regarding limited access to preferred site-of-care benefits in some areas of the state, and ways to increase access to care to all members. Dir. Rentz stated that the Committee and Subcommittees have discussed the challenge of limited access to certain types of services in certain areas of the state, and that SBO is working to encourage independent providers to locate to those areas. Dir. Rentz added that there are a number of proposals before the Delaware Health Resources Board going through a Certificate of Need process that could open up more facilities in the future. Sec Walker added that frequent urgent care utilization may mean missed opportunities for chronic disease management and vaccinations.

PUBLIC COMMENT

No public comment.

Dir. Jackson noted that a vote on premium increases would be postponed, but called for a vote on program changes as recommended by the HP&P Subcommittee.

A MOTION was made by CG Morton and seconded by Sec. Walker to approve the recommendations of the Health Policy and Planning Subcommittee with the exclusion of the increase in copay for emergency room care.
MOTION ADOPTED UNANIMOUSLY

A MOTION was made by CG Morton and seconded by Sec. Walker to approve the recommendation of the Health Policy and Planning Subcommittee to increase the copay for emergency room care from $150 to $200 under the Highmark Delaware Comp PPO plan and Aetna HMO plan.
MOTION PASSED with 2 No – Ms. Nestlerode, Committee designee of Chief Justice Strine and Insurance Commissioner Trinidad Navarro

ADJOURNMENT
A MOTION was made by CG Morton and seconded by Sec Walker to adjourn the meeting at 3:19 p.m.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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Martha Sturtevant, Statewide Benefits Office, Department of Human Resources
Recorder, Statewide Employee Benefits Committee