



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

The State Employee Benefits Committee (the “Committee”) held a meeting on March 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
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer (“OST”)
The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance (“DOI”)
Controller General Michael Morton, Controller General’s Office (“CGO”)
Secretary Kara Walker, Department of Health and Social Services (“DHSS”)
Ms. Evelyn Nestlerode, Controller, Administrator of the Courts (Designee on behalf of Chief Justice Strine)
Mr. Tanner Polce, Policy Director, Office of the Lt. Governor (Designee on behalf of Lt. Governor Hall-Long)
Mr. Jeff Taschner, Delaware State Education Association (“DSEA”)

Committee Members Not Represented or Not in Attendance:

Secretary Sandra Johnson, Department of Human Resources (“DHR”), Co-Chair

Others in Attendance:

Director Faith Rentz, Statewide Benefits Office (“SBO”), DHR	Ms. Katherine Impellizzeri, Aetna
Deputy Director Leighann Hinkle, SBO, DHR	Ms. Heather Johnson, Accountant, DHR
Deputy Attorney General Mary Paige Bailey, Department of Justice, SEBC Legal Counsel	Ms. Lisa Mantegna, Highmark Delaware
Deputy Secretary Molly Magarik, DHSS	Mr. Walt Mateja, IBM Watson Health
Deputy Principal Assistant Judi Schock, OMB	Ms. Jennifer Mossman, Highmark Delaware
Mr. Chris Giovannello, WTW	Mr. Bill Oberle, DSTA
Ms. Rebecca Warnken, WTW	Ms. Pam Price, Highmark Delaware
Ms. Victoria Brennan, Sr. Legislative Assistant, CGO	Mr. Robert Rodriguez, IBM Watson Health
Ms. Christina Bryan, DE Healthcare Association	Ms. Paula Roy, DE Chiropractic Services Network
Ms. Rebecca Byrd, The Byrd Corp	Ms. Carrie Schiavo, Delta Dental
Mr. Dave Craik, Pension Administrator, Pension Office	Dr. George Schreppler, DE Chiropractic Services Network
Ms. Cherie Dodge Biron, Controller, DHR	Ms. Christine Schultz, Parkowski Guerke & Swayze
Ms. Jacqueline Falcon, DE Retired School Personnel Assoc.	Ms. Susan Steward, Policy Analyst, OST
Ms. Nina Figueroa, Policy Advisor, SBO, DHR	Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Judy Grant, Health Advocate	Mr. Jim Testerman, DSEA (ret.)
Ms. Tina Hession, PHRST, OMB	Ms. Emily Thomas, Fiscal & Policy Analyst, OMB

CALLED TO ORDER

Dir. Jackson called the meeting to order at 2:01 p.m. and introductions were made.

APPROVAL OF MINUTES – DIRECTOR MICHAEL JACKSON

The meeting minutes from February 11, 2019 were presented for approval. Insurance Commissioner Navarro requested that the minutes be revised to reflect that he voted No to the MOTION to increase the emergency room copay from \$150 to \$200.

STATE OF DELAWARE STATEWIDE BENEFITS OFFICE

A MOTION was made by CG Morton and seconded by Sec. Walker to approve the minutes from the February 11, 2019 SEBC meeting with the requested revision.

MOTION ADOPTED UNANIMOUSLY

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ

Financial Subcommittee

Both Subcommittees met March 7, 2019. The Financial Subcommittee reviewed updates to the Group Health Insurance Plan (“GHIP”) recast. They also reviewed updated data through Q2 on plan utilization and cost reporting. The Subcommittee also discussed Health Savings Account (“HSA”) planning, including financial impacts and investment options.

Health Policy & Planning Subcommittee

The Health Policy & Planning Subcommittee (“HP&P”) met to continue discussions on GHIP infertility care and benefits, as well as HSA planning options.

The Subcommittee also reviewed the Supplemental Insurance legislation passed in 2014 that resulted in a contract award to Aflac. The SEBC is required to evaluate enrollment toward the end of the contract in order to determine if there will be a continuation of benefits beyond June 30, 2020. The HP&P subcommittee is expected to formulate recommendations by the May Committee meeting.

Johns Hopkins Update

The Johns Hopkins Cost Landscape follow-ups are expected within the week. Updates will be reviewed and either distributed electronically to the Committee, and/or included on an upcoming agenda if warranted.

Dental Rates

The final revised Delta Dental and Dominion National dental rates were presented. Rates will be effective July 1, 2019. The awarded contracts negotiated a year-four rate cap. The cap for Delta was 7.5%, but SBO was able to negotiate down to a 4.97% increase. The Dominion Dental rate cap was the final negotiated rate of 4.5%.

Vision Rates

Vision rates will remain flat through year-four. There is a five-year potential increase and a negotiated rate cap for the fifth-year.

Delaware Healthcare Association

A letter and supporting data was sent by the Delaware Healthcare Association and disseminated to Committee members. The letter was written to address their position on hospital affordability and value.

SBO Communications and Open Enrollment

Dir. Rentz provided an outline of SBO/SEBC communications related to Open Enrollment, including the promotion of the Diabetes Prevention Program. She presented a draft email that she would like to send on behalf of the Committee to State employees the week of March 18 and requested feedback no later than March 15.

Dir. Jackson expressed his commitment to engaging his employees in actively choosing their healthcare plan, rather than allowing a default selection. He complimented Mr. Taschner and Sec. Walker on their successful efforts to encourage their employees as well.

FINANCIALS – MR. CHRIS GIOVANNELLO

January Fund Report

Other Revenues reflect the calendar year 2017 Federal Reinsurance true-up payment in the amount of \$1.3mm. Claims were \$16mm below budget, and still trending at 5%. The net income has increased by \$2.8mm for a total fund balance of \$154.7mm.

GHIP Recast

Updates have been made to the FY20 GHIP projections as a result of receiving a best-and-final pharmacy contract renewal proposal and a claim liability refresh.

Prior FY20 pharmacy savings were based on the initial offer and have increased from \$14.5mm to \$17.1mm as a result of the negotiations; savings of \$11.1mm Commercial and \$6.0mm EGWP. The current Commercial contract terminates on June 30, 2019, and the current EGWP contract terminates on December 31, 2019. The submitted offers extended each contract by one-year.

Updated claims incurred to date, but not yet paid were reduced from \$61.3mm to \$58.8mm.

Based on the revised projections, the GHIP is projected to end FY19 with surplus of \$54.7mm.

The committee was presented with options to consider to solve for the FY21 deficit projections. A premium increase of 2% would result in a FY20 surplus of \$41.5mm. Smoothing the surplus over two years, in lieu of premium increases, results in a necessary .3% rate increase effective July 1, 2019. A 1% increase effective July 1, 2019 results in a projected FY20 surplus of \$33.2mm, and a 1% increase effective October 1, 2019 results in a projected FY20 surplus of \$31.1mm.

A 2% increase over both fiscal years would solve for the FY21 deficit. A rate increase of 2% increases employee contributions by \$.56 to \$5.46 per month. A premium rate increase of 1% effective July 1, 2019 increases employee contributions by \$.28 to \$2.73 per month, and results in a FY21 deficit of \$17.6mm. A premium rate increase of 1% effective October 1, 2019 increases employee contribution by \$.28 to \$2.73 per month, and results in a FY21 deficit of \$19.7mm. No premium rate increase yields a FY21 deficit of \$51.3mm and a FY23 deficit of \$381.3mm.

Dir. Jackson stated that he and CG Morton will discuss the budget impact of the GHIP and the timing and when the Committee would consider premium increases with the legislature. The projections continue to improve, but the margins are not significant enough to solve for projected deficits. He added that maybe there was another alternative to premium increases. He proposed that the Committee would need to make a decision by June.

Mr. Taschner expressed that reasonable and regular premium increases that are communicated effectively to the employees and the State are preferable to irregular large rate increases. He also queried the assumption of a 2% growth in the plan population. Dir. Jackson agreed that 2% growth is not consistent each year, and there are times when it is lower. However, he added, there is equal risk on the revenue side if the plan doesn't grow by 2%.

Dir. Jackson stated that rate increases do not need to take effect on July 1, and that employees should have the opportunity to make changes after Open Enrollment if necessary.

Ms. Nestlerode asked when the results of the compensation study would be available, noting that it would be helpful in considering the options. Dir. Jackson responded that Sec. Johnson would follow up with the Committee.

Treasurer Davis asked if potential cost savings could be considered as one package, and queried whether Executive Session might be an option. Dir. Jackson responded that the Committee added two Subcommittees to fully vet proposals in a public discussion so everyone can participate in the process. He suggested she ask Dir. Rentz for specific data she is looking for.

Treasurer Davis stated that Delaware has higher fee structures than surrounding states, and asked if there were negotiations to also address high cost procedures and value based contracts. Dir. Rentz responded that there are components of value based contracting in the current arrangements with Highmark and Aetna, and added that she will support the Committee if there is interest in designing a plan that is entirely value based contracting. Sec Walker stated that the aim has been shifted to risk based population level metrics that are built into the contracts, and that there was additional opportunity to leverage value based contracting for State Employees. Dir. Jackson said he would be able to provide more information to Treasurer Davis on contract discussions outside of the Committee.

REVISIONS TO DISABILITY RULES & REGULATIONS FOR PARENTAL LEAVE (HB3)

Delaware’s Parental Leave Bill (HB 3 as amended by HA 4) was signed by Governor Carney on June 30, 2018. The bill amends Title 29 and Title 14 of the Delaware Code and is effective April 1, 2019. Parental Leave is up to 12 weeks, and must be used concurrently with a required Short Term Disability (“STD”) filing upon birth or adoption of a child under six years of age.

The addition of Parental Leave benefits requires modifications to the DIP Rules and Regulations. The DIP Rules and Regulations are administered by the SEBC in accordance with Title 29 Chapter 52A. Currently, the DIP has no provision for an employee who is out on parental leave. STD benefits are available upon the birth of a child and after completing a 30 day calendar elimination period. STD provides 75% of regular pre-disability earnings. The changes allow for an employee who has applied for STD to supplement the elimination period, and the 25% of regular pre-disability earnings, with the required parental leave.

Dir. Rentz led the Committee through the proposed revisions to the Disability Insurance Program (“DIP”) Rules & Regulations to address use of Parental Leave.

OTHER BUSINESS

No other business was presented.

PUBLIC COMMENT

No public comment.

Dir. Jackson called for a vote to approve and publish the revised DIP Rules and Regulations.

A MOTION was made by Sec Walker and seconded by Treasurer Davis to approve the proposed revisions outlined in the DIP Rules & Regulations Effective April 1, 2019, to ensure compliance with Parental Leave of the DIP.

MOTION ADOPTED UNANIMOUSLY

ADJOURNMENT

A MOTION was made by Mr. Polce and seconded by CG Morton to adjourn the meeting at 3:06 p.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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