MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE
APRIL 8, 2019

The State Employee Benefits Committee (the "Committee") held a meeting on April 8, 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
Secretary Saundra Johnson, Department of Human Resources ("DHR"), Co-Chair
Secretary Kara Walker, Department of Health and Social Services ("DHSS")
Ms. Victoria Brennan, Sr. Legislative Assistant, Controller General's Office (Designee on behalf of CG Morton)
Ms. Evelyn Nestlerode, Controller, Administrator of the Courts (Designee on behalf of Chief Justice Strine)
Mr. Stuart Snyder, Chief of Staff, Department of Insurance (Designee on behalf of Commissioner Navarro)
Ms. Susan Steward, Office of the State Treasurer (Designee of Treasurer Davis)
Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor (Designee on behalf of Lt. Governor Hall-Long)

Committee Members Not Represented or Not in Attendance:
Mr. Jeff Taschner, Delaware State Education Association ("DSEA")

Others in Attendance:
Senator Colin Bonini
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
Mr. Kevin Fyock, Willis Towers Watson
Ms. Rebecca Warnken, WTW
Dr. Aditi Sen, Johns Hopkins
Ms. Christina Bryan, DE Healthcare Association
Ms. Rebecca Byrd, The Byrd Corp
Mr. Dave Craik, Pension Administrator, Pension Office
Ms. Cherie Dodge Biron, Controller, DHR
Ms. Jacqueline Faulcon, DE Retired School Personnel Assoc.
Ms. Judy Grant, Health Advocate
Ms. Kim Hawkins, City of Dover
Ms. Tina Hession, PHRST, OMB
Ms. Katherine Impellizzeri, Aetna
Deputy Secretary Molly Magarik, DHSS
Ms. Lisa Mantegna, Highmark Delaware
Mr. Walt Mateja, IBM Watson Health
Ms. MaryKate McLaughlin, Drinker Biddle
Ms. Jennifer Mossman, Highmark Delaware
Mr. Mike North, Aetna
Dr. George Schreppler, DE Chiropractic Services Network
Ms. Christine Schultz, Parkowski Guerke & Swayze
Deputy Principal Assistant Judi Schock, OMB
Ms. Susan Steward, Policy Analyst, OST
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Mr. Jim Testerman, DSEA (ret.)
Ms. Elizabeth Lewis Zubaca, Hamilton Goodman Partners

CALLED TO ORDER
Dir. Jackson called the meeting to order at 2:03 p.m. and introductions were made.

APPROVAL OF MINUTES – DIRECTOR MICHAEL JACKSON
A MOTION was made by Sec. Walker and seconded by Ms. Brennan to approve the minutes from the March 11, 2019 State Employee Benefits Committee meeting.
MOTION ADOPTED UNANIMOUSLY

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ

Subcommittee Updates

The Health Policy & Planning Subcommittee ("HP&P") met on April 4, 2019 to continue discussions on GHIP infertility care, final recommendations on the continuation of supplemental insurance benefits (administered by Aflac), as well as a continued discussion of Health Savings Account planning options. The Subcommittee conducted an Executive Session to discuss information provided as part of the Request for Proposal.

The HP&P Subcommittee discussed proposed recommendations regarding changes to GHIP infertility benefits. They were unable to determine any trends or patterns in utilization after reviewing five years of GHIP infertility claim data, and therefore were unable to reliably estimate costs for the full adoption of SB 139.

The recommendations discussed broadly adopting the provisions of SB 139, however maintain the existing cap of $15K for prescription coverage and increase the medical benefit from $10k to $30K effective FY20. The Subcommittee discussed exploring a Request for Proposal to select an infertility administrator to assist the State in designing a best practice benefit, and with negotiating bundled payments for the medical and prescription costs of infertility services. The subcommittee expects to finalize their recommendations at their next meeting on May 2, 2019 and will present recommendations to the Committee on May 6, 2019.

The Financial Subcommittee did not meet April 4th and agenda items were moved to May 2, 2019. They will meet to review the Q3 financials and present the last recast of the FY20 budget to assist the Committee in determining next steps on infertility benefit changes and how to address funding and premium increases for FY20.

Dir. Jackson stated that any increase in benefits must be accompanied by discussions on how those benefits will be funded, and how best to minimize any adverse impact to the overall GHIP. Dir. Rentz added that the Subcommittee is considering a recommendation of a limited cap on the medical benefit in order to confidently estimate the one-year cost of the additional benefits at $2.5mm; approximately half of the cost previously estimated for an unlimited benefit.

SBO Communications and Open Enrollment

An email was sent by the SBO to employees on behalf of the Committee to introduce the SEBC's work and mission, and to announce upcoming Open Enrollment ("OE"). The email sent March 20, 2019 received little feedback.

The myBenefitsMentor consumer decision tool will go live in Employee Self-Service on April 15, 2019, and letters will be mailed the same week to benefit eligible State employees and non-Medicare retirees with details. DTC employees will also have access to myBenefitsMentor this year.

The Committee reviewed Reasonability Results indicating the frequency in which plan options were identified as the lowest cost plan option for eligible members. 57% of State employees are recommended for participation in the CDH Gold Plan, 33% for the Aetna HMO and 10% for the First State Basic PPO Plan. No employees were recommended to select the Comprehensive PPO Plan.

Dir. Jackson queried how many employees were enrolled in the Comprehensive PPO Plan. Dir Rentz responded 60%. Dir. Jackson requested follow up after OE to determine the level of employee engagement. He reminded the Committee that there is language in the Budget Bill that allows for a default plan as a response to low engagement.

Sec. Walker remarked on the results and inquired about the impact to the GHIP if members were enrolled in their recommended plans. Dir. Jackson responded that there would be a nominal impact to the budget in terms of premiums paid, but in terms of claims, would have a positive impact on long term growth.

Postcards will be mailed mid-April, and OE packets are being sent to benefit eligible retirees, participating group employees, and State employees who have not consented to receive their materials online. Additionally, posters and postcards have been delivered to promote preferred sites of care, and to communicate the copay changes effective July 1, 2019.

The SBO continues its work on the implementations of Livongo and SurgeryPlus. The SBO has been working with the Delaware Health Information Network to deliver claims data to SurgeryPlus for the purposes of modeling a plan design and incentive structure. More information on plan design and incentive strategy will be available in the next 30-60 days.

Agency and school district scorecards are currently being generated, and over the next several weeks will be sent to Cabinet Secretaries and Department & District leadership along with an invitation to meet with SBO to discuss the results. The scorecards inform each organization of their employee's adherence to preventive screenings and care, use of preferred sites of care, OE engagement, and how their employee population compares to their peers in prevalence of top chronic conditions. SBO will work with those organizations on the development of custom education, awareness and engagement programs.

Dir. Jackson queried the intent of the report. Dir. Rentz responded that it is helpful to target areas where there can be improvements in employee engagement and health education.

The SBO reached out to the Executive Branch Cabinet Secretaries to request their assistance with sending a template email to their employees highlighting the prevalence of the diabetes. The communication is intended to increase interest and participation with the onsite YMCA diabetes prevention program.

FINANCIALS – MS. REBECCA WARNKEN

February Fund Report

This was a rebate month. There were $9mm collected in commercial rebates and $6mm collected in EGWP rebates and contributing to the positive net income in February. Claims were higher, but remain 2.4% under year-to-date budget; however Ms. Warnken noted Q4 is the highest and most unpredictable. Looking at a $9.6mm net income contributing to a $12.5mm year to date surplus for the GHIP. Additionally, there was an adjustment made to the premium contributions seen last month in January, noting a year-to-date adjustment to the fund report.

Dir. Jackson noted that the budget is running as predicted, and more favorably than trend.

HEALTHCARE COST LANDSCAPE ANALYSIS – DR. ADITI SEN

Johns Hopkins Update

The Healthcare Cost Landscape Analysis is sponsored by a grant from the Arnold Foundation project. The purpose of the analysis is to compare impatient hospital prices using commercial claims data from MarketScan and Medicare cost report data (self-reported by hospitals) in an effort to lower private sector prices. Dr. Sen noted the limitations of the analysis include: small sample sizes, especially at the procedure level, self-reporting data mostly from large employers, and the inability to look at specific providers.

Dr. Sen reviewed the updates to the preliminary analysis previously presented to the Committee in December, and to the combined Subcommittee meeting in January. The revised analysis added a comparison to neighboring states, risk adjusted prices, and an enhanced analysis comparing an impatient "basket" of procedures; a set of 15 different services that make up 37% of spending, and offers a impartial way to compare commercial to Medicare expenses.

When comparing the basket of services, the ratio of private prices between the highest and lowest priced MSA's in Delaware is 1.06, meaning little variation in the state among the private commercially insured population. Delaware remains comparable to the national average, however higher than neighboring states.

Dr. Sen presented the risk adjusted results. Differences in quality and patient characteristics vary across the country and might impact prices. To account for this, the revised analysis adjusted for age, sex, and 17 categories from the Charlson Comorbidity Index. Dr. Sen noted that the risk adjusted analysis resulted in no meaningful changes to the price estimates.

Dir. Jackson inquired about the large variation in Angioplasty prices. Dr. Sen responded that it is not considered statistically significant due to the small sample size for that particular procedure, and that the analysis of the basket of procedures accounts for 64% of the variation in predicted prices.

Mr. Fyock asked for details on the "basket." Dr. Sen responded that they included the 15 most frequent hospital services, removed variation due to volume by weighting it by national frequency to create a weighted average to isolate for difference in price.

Sec. Johnson asked if there had been an analysis of any other states that are similar in size or population to Delaware. Dr. Sen responded that there is an analysis for Connecticut available, but added that although a similar size, they are not comparable due to a smaller concentration of providers.

Ms. Steward asked if a provider density analysis was available. Dr. Sen confirmed and stated that it was possible to overlay hospital concentration.

Ms. Steward asked if the analysis accounted for state subsidized hospitals in neighboring states. Ms. Magarik added that Delaware does not have separate critical access hospitals. Dr. Sen stated that next steps analysis could highlight more specifics in the provider market.

The revised analysis estimates the payments that Medicare FFS program would have made and includes the Medicare beneficiary's cost-sharing amount. Independent Medical Education payments and pass-through amounts were excluded for comparison. As a result, the analysis reflects that private sector prices in Delaware are 2.43 times the Medicare price. Dr. Sen added that when the analysis was run through claims data including add-ons the ratio difference is smaller because the Medicare price is higher.

The inpatient basket of services ratio between commercial prices and Medicare prices nationally is 2.55, and Delaware is lower at 2.43. Comparing the cost of knee replacements nationally is 2.67, and Delaware is lower at 2.60.

Data was presented on hospital margins over time (2011-2015) by hospitals in Delaware. Dr. Sen noted a lot of fluctuation when compared nationally, and stated the reason for the variability could not be identified.

Sec Johnson asked for clarity on formula for hospital margins. Dr. Sen responded the margin included patient care and non-patient care. Sec. Johnson queried if the data could be separated. Dr. Sen responded that patient care and non-patient care margins could be separated, but the makeup of what is reported in each is unavailable. She added that nationally hospital margins are negative, but specific data could be provided.

Dir. Jackson queried if the hospital revenue and expenditure data reported and calculated for the national hospital margin is consistent for each state. Dr. Sen responded that the data reported in the Medicare cost reports is standard.

Sec Walker reflected on the analysis presented and queried how if there is little variation nationally with the adjusted analysis and the spending comparison to Medicare, and asked how Delaware is ranked 3rd highest per capita. Dr. Sen responded that Medicare adjusts for wages and is state specific. The analysis can look at other healthcare services, adding that Delaware could be highest in expenditures and average in terms of private to Medicare.

Sec Johnson stated that she is challenged to understand the conclusion of the numbers presented, and she would like to compare the data pertaining only to patient care. Dr. Sen said the data is available with a breakout specific to patient care, but it was not included in the presentation as prepared.

Ms. Nestlerode inquired if an update was available regarding what other states had done to lower healthcare costs. Dr. Sen responded affirmatively, data was being collected across all states and can be provided. She provided examples of how other states are implementing variations of referenced based pricing for their employees, noting that some are procedure specific, some are tied to Medicare, and some are not.

Dir. Jackson stated that referenced based pricing needs further evaluation as the Committee considers the long-term growth of the GHIP.

GHIP SUPPLEMENTAL HEALTH BENEFITS REVIEW – DIRECTOR RENTZ

The employee pay-all statewide supplemental benefits program began in 2015 as a result of legislation in the 147th General Assembly. The contract was awarded to Aflac to provide accident and critical illness insurance coverage for a contract of 5 years. As a result there was a discontinuation of similar supplemental benefits that were offered through many of the school districts.

There was a review of eligible participants, and it was reported that current enrollment is less than 3%.

The contract sets a mandatory claims loss ratio not less than 60%; however current claims loss ratios are 40% or less. As a result, a compliance fund was established in 2018. Aflac is required to designate sufficient funds to be distributed to qualifying certificate holders at the end of the contract term.

The legislation requires the Committee to evaluate enrollment in order to determine if the contract should be restructured or modified or terminated beyond June 30, 2020. If the plan is continued it would require a Request for Proposal by late summer of 2019 for an effective date of July 1, 2020.

The HP&P subcommittee met in March to consider the contract renewal. At their request the SBO consulted with the original bill sponsor, Representative Carson. He confirmed that he is in favor of extending the benefit at least 3-5 more years.

The HP&P Subcommittee recommends that the Committee continue the supplemental benefit program, and that the SBO be directed to move forward with a RFP to continue administration of the benefit effective July 1, 2020.

Ms. Nestlerode requested to clarify that the only cost to the state is the partial FTE utilized to administer the plan through the SBO. Dir. Rentz confirmed.

Dir. Jackson deferred the Motion until after public comment.

OTHER BUSINESS

No other business was presented.

PUBLIC COMMENT

Ms. Christina Bryan, representing the Delaware Healthcare Association ("DHA"), responded to Dr. Sen's presentation and thanked her for more context. DHA represents hospitals and healthcare delivery systems in Delaware. She added that DHA members have committed to 60% of contracts under value based payments by 2021. Accountable care organizations are a major step in getting to value based payments and all of the adult general acute care hospitals in Delaware participate in Medicare ACO's.

A MOTION was made by Sec. Johnson and seconded by Sec. Walker to direct the Statewide Benefits Office to develop and advertise the Request for Proposal to continue the administration of the supplemental benefits program.
MOTION ADOPTED UNANIMOUSLY

EXECUTIVE SESSION
A MOTION was made by Sec. Johnson and seconded by Sec. Walker to move into Executive Session at 3:07p.m to discuss a Health Care Appeal.
MOTION ADOPTED UNANIMOUSLY

A MOTION was made by Sec. Walker and seconded by Ms. Brennan to adjourn the Executive Session at 3:27 p.m.
MOTION ADOPTED UNANIMOUSLY

CALLED TO ORDER
Dir. Jackson called the meeting back to order at 3:29 p.m.

ADJOURNMENT
A MOTION was made by Ms. Steward and seconded by Dir. Jackson to adjourn the meeting at 3:29 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