

# The State of Delaware

## Health Savings Account (HSA) Plan Recommendations

June 10, 2019

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# Today's discussion

- HSA plan recommendation to the SEBC
  - HSA plan within context of GHIP Strategic Framework
  - HSA plan design
  - CDH Gold plan options
  
- Next steps

## PRC recommended tasks from HSA Administrator RFP

- PRC recommended the following to the SEBC and the Health Policy & Planning and Financial Subcommittees:

1. Evaluate the overall GHIP plan offerings available and goals associated with adding an HSA plan to the GHIP offerings (**SEBC**)
2. Develop the proposed plan design (including the amount of and schedule for employer funding of the HSA) and premium rates (**HP&P – design; Financial – premium rates**)
3. Evaluate the current plan offerings and in particular, the feasibility of continuing the existing CDH Gold plan, including how members' account balances would be managed if a proposal included discontinuation of this plan (**HP&P**)
4. Fully understand the fiduciary responsibilities, if any, by the State for the investment accounts along with any fees to members and how the investment funds are structured (**Financial**)
5. Determine the intensity of focus needed to communicate and educate members about a HSA plan (**HP&P**)
6. Re-evaluate how closely aligned each vendor is to the above considerations to determine which vendor may be the best fit to administer a HSA plan (**HP&P**)
7. Propose whether or not to offer a HSA plan and the effective date, including all of the above considerations as part of a proposal that will include a recommendation on which of the two TPAs is best suited to administer the HSA plan (**HP&P**)

Note: "Owner" of the final decision about each the above topics is denoted in parentheses at the end of each topic.

Task (PRC recommendation #)	Owner
Evaluate GHIP plan offerings and goals of offering HSA plan (1)	SEBC

## Why offer an HSA plan?

- Provides medical plan option that allows employees to save for future medical expenses, encouraging overall financial wellness
  - HSA is a portable savings vehicle that is owned by the employee
  - Unused funds at end of year carry over into next year (i.e., no “use-it-or-lose-it” rule) and are always the employee’s to keep
  - Employee retains access to HSA funds even if they terminate employment or drop medical coverage under the GHIP
  
- Tool for attracting and retaining talent from younger generations
  - Employees enrolling in HSA plans tend to be younger and healthier than those electing other types of plans
  - Millennials are the generation most likely to be enrolled in an HSA plan
  - Millennials are more likely to engage in consumerism behaviors targeted by HSA plans when seeking medical care, and are more interested in the tax-advantages and investment features of these plans than other generations<sup>1</sup>

<sup>1</sup> Source: EBRI 2017 Consumer Engagement in Health Care Survey.



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# HSA plan – demographic considerations

- Employees enrolling in HSA plans tend to be younger and healthier than those electing other types of plans; millennials are the generation most likely to be enrolled in an HSA plan
  - Millennials are more likely to engage in consumerism behaviors targeted by HSA plans when seeking medical care, and are more interested in the tax-advantages and investment features of these plans than other generations<sup>1</sup>
  - HSAs are important employer tools for attracting and retaining young talent
- Approximately 1/3 of GHIP enrollees are millennials<sup>2</sup> who are lower paid, more likely to waive/enroll in single coverage, and more likely to elect plans with low contributions (FSB, CDH) than other State employees

Demographics by Age Band			
Age Band	Average Salary	% Single Coverage	% Waive Coverage
< 26	\$36,724	51.2%	37.1%
26 - 29	\$41,879	65.9%	7.5%
30 - 39	\$51,402	32.0%	8.6%
40 - 49	\$59,423	19.1%	10.2%
50 - 59	\$55,108	29.2%	9.5%
60 - 69	\$54,766	40.7%	8.6%
70 and over	\$51,889	43.1%	12.5%

Plan Election by Age Band					
Age Band	CDH	PPO	FSB	HMO	Total Enrolled
< 26	9.0%	47.8%	19.2%	24.0%	<b>676</b>
26 - 29	7.1%	50.9%	14.6%	27.4%	<b>2,250</b>
30 - 39	5.4%	60.5%	7.2%	26.9%	<b>7,277</b>
40 - 49	4.5%	61.7%	4.7%	29.1%	<b>8,269</b>
50 - 59	4.8%	62.0%	4.7%	28.5%	<b>8,467</b>
60 - 69	3.9%	68.5%	4.2%	23.3%	<b>3,839</b>
70 and over	2.4%	79.9%	2.1%	15.5%	<b>329</b>

**GHIP Millennials (10,203 enrolled, 33% of total)**

Indicates millennial population based on EBRI survey

- Offering a HSA plan will be more attractive to GHIP millennials than other State employees, allowing them to build HSA balances and save for retirement during lean utilization years

1 Source: EBRI 2017 Consumer Engagement in Health Care Survey.

2 EBRI 2017 Consumer Engagement in Health Care Survey defines millennial generation as the demographic cohort with birth years ranging from 1977 to 2000.

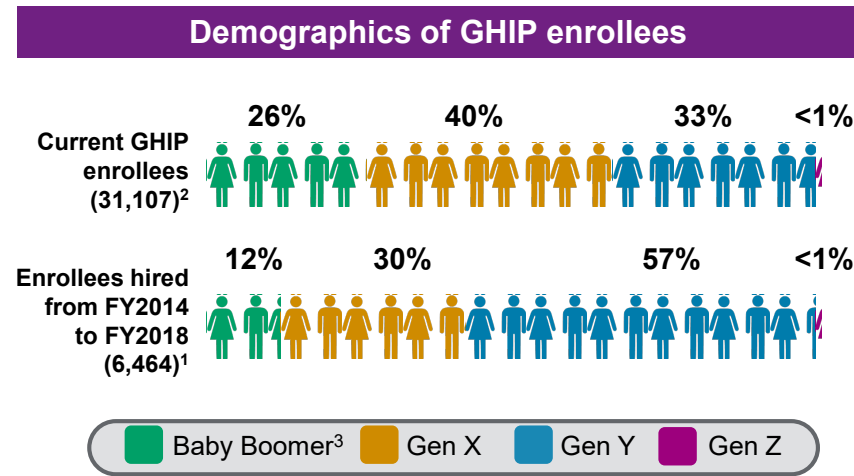
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# Current GHIP offerings

## New hire enrollment patterns

- The below exhibit summarizes the distribution of plan elections made by new hires or rehired employees, at time of hire/rehire eligibility date
- New hires/rehires were more likely to waive coverage or elect First State Basic and CDH Gold options compared to the current GHIP State eligible population overall
  - In more recent years, new hires are increasingly likely to elect the lowest cost plan (FSB) or waive coverage; fewer new employees elected HMO and the CDH Gold options, though proportion in CDH Gold remains higher than GHIP overall
  - While millennials (Gen Y) are approximately 33% of current GHIP-enrolled employees<sup>2</sup>, they make up 57% of GHIP enrollees hired from FY2014 to FY2018<sup>1</sup>

Hire Year	% Original Election by Plan <sup>1</sup>				
	PPO	HMO	CDH	FSB	Waive
CY 2014	37.8%	26.8%	7.6%	5.4%	22.3%
CY 2015	36.0%	28.2%	7.5%	6.1%	22.3%
CY 2016	32.6%	25.6%	8.4%	10.9%	22.5%
CY 2017	34.1%	20.8%	6.9%	13.9%	24.3%
CY 2018	32.7%	14.4%	5.1%	17.3%	30.4%
<b>Overall GHIP<sup>2</sup> (current election)</b>	<b>55.2%</b>	<b>24.6%</b>	<b>4.5%</b>	<b>5.6%</b>	<b>10.1%</b>



<sup>1</sup> Based on all full-time benefits eligible employees of the State hired or rehired between 2014 and 2018 per 'PHRST\_Hires\_Rehires\_ConHires\_FY15-18\_medical\_election\_6.20.2018' provided to WTW by OMB on June 20, 2018. HMO and CDH include enrollees in both Aetna and Highmark plan options when both vendors were offered for these plans.

<sup>2</sup> Based on all full-time benefits eligible employees of the State per 'Ben Elig Ees April2018 wEarnings thru 041518' report provided to WTW by OMB on May 14, 2018. Includes 31,107 active State employees enrolled in GHIP. Excludes participating groups (waiver data not available).

<sup>3</sup> Current GHIP enrollees includes 117 employees who are members of the Silent Generation (1928 – 1945) (2 of which were hired from FY2014 to FY2018).

Task (PRC recommendation #)	Owner
Evaluate GHIP plan offerings and goals of offering HSA plan (1)	SEBC

# GHIP strategic framework

## Mission statement and goals

- Implementing an HSA plan was not originally included as a tactic within the GHIP strategic framework
- However, the addition of an HSA plan would align with one of the strategic framework goals, which the GHIP is currently achieving

### 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>

### FY19 status – Meeting goal ✓

- Enrollment in consumer-driven plan (CDH Gold): 6%
- Enrollment in value-based plan (Aetna HMO): 25%

Approved by the SEBC in December 2016.

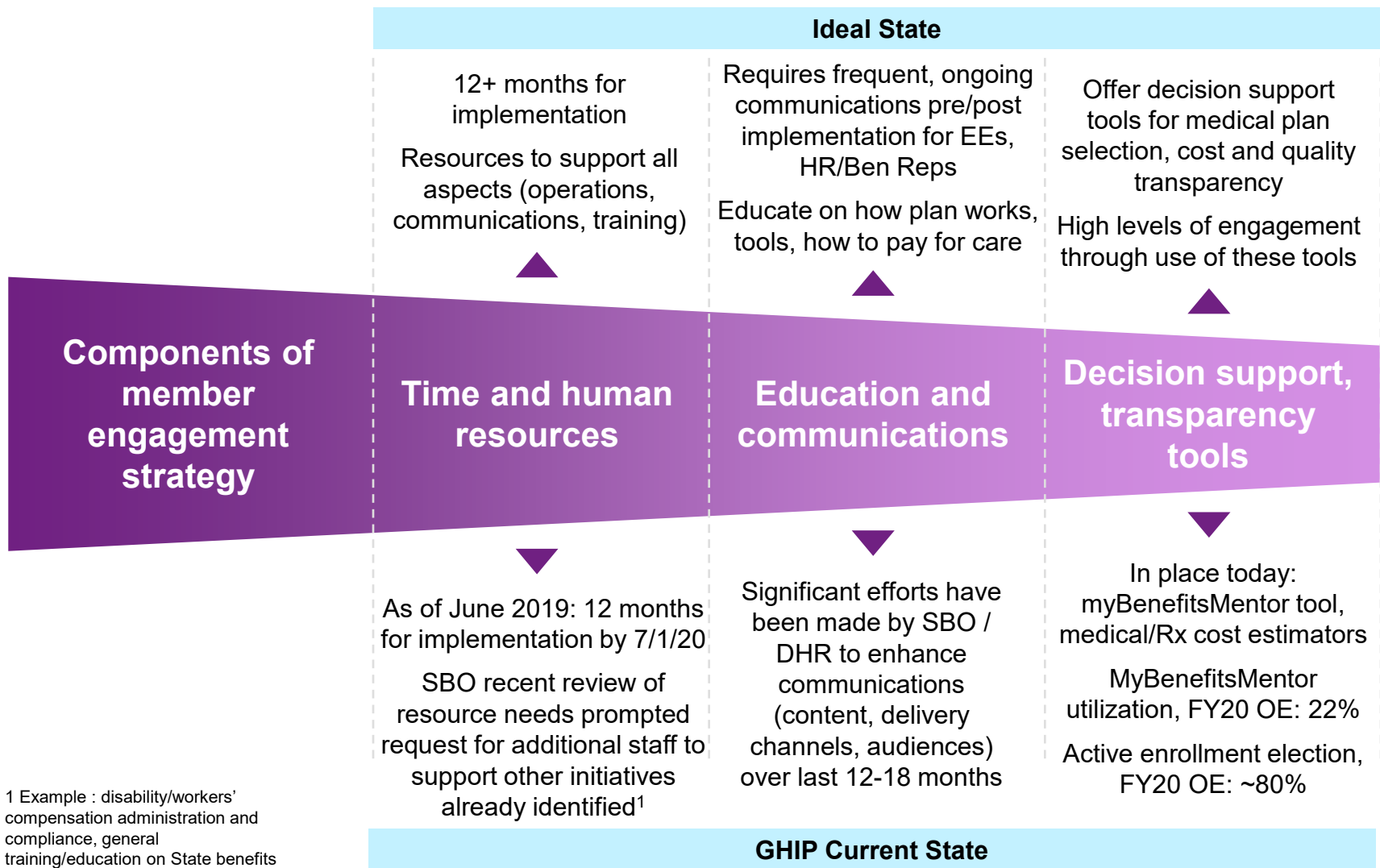
<sup>1</sup> Gross trend is inclusive of total increase to GHIP medical plan costs (both “employer” and “employee”) and will be measured from a baseline average trend of 6% (based on a blend of the State’s actual experience and Willis Towers Watson market data).

<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.

# HSA plan success factors

## Considerations for the GHIP

Task (PRC recommendation #)	Owner
Evaluate GHIP plan offerings and goals of offering HSA plan (1)	SEBC



<sup>1</sup> Example : disability/workers' compensation administration and compliance, general training/education on State benefits



Task (PRC recommendation #)	Owner
Develop HSA plan design (2)	Health P&P

# HSA plan design – proposed option

Plan Design (In-network)	Proposed HSA Plan Design (“Scenario 1”)	Proposed HSA Plan Design “Scenario 2”
Deductible (Ind./Fam.)	\$2,000 / \$4,000	\$1,500 / \$3,000
Account Funding (Ind./Fam.)	\$1,000 / \$2,000	\$1,000 / \$2,000
Coinsurance	80%	90%
Out-of-Pocket Max (Ind./Fam.)	\$4,500 / \$9,000	\$4,500 / \$9,000
PCP Office Visit	80%	90%
Specialist Office Visit	80%	90%
Emergency Room	80%	90%
Inpatient Care	80%	90%
<b>Prescription Drug<sup>1</sup></b>		
Out-of-Pocket Max (Ind./Fam.)	Combined with medical	Combined with medical
▪ Retail	\$8 / \$28 / \$50 after deductible	\$8 / \$28 / \$50 after deductible
▪ Mail Order	\$16 / \$56 / \$100 after deductible	\$16 / \$56 / \$100 after deductible
<b>Relative Benefit Value (RBV)<sup>2</sup></b>	<b>0.89</b>	<b>0.93</b>

## WTW recommends following approach for the State:

- Recommend HSA plan design “Scenario 1”
- HSA plan design and RBV is meaningfully different from CDH Gold plan
- Fairly well aligned to State employers benchmark design, with slightly richer HSA account funding

## HP&P feedback following 5/2/19 meeting

Scenario 1 60% (3 out of 5 responses)	Scenario 2 40% (2 out of 5 responses)
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CDH Gold w/HRA	State Employers Peer Benchmark HDHP+HSA <sup>3</sup>
\$1,500 / \$3,000	\$2,100 / \$4,200
\$1,250 / \$2,500	\$700 / \$1,400 <sup>3</sup>
90%	80%
\$4,500 / \$9,000	\$4,500 / \$9,000
90%	80%
90%	80%
90%	80%
90%	80%
\$2,100 / \$4,200	Combined with medical
\$8 / \$28 / \$50	85% / 80% / 75% after deductible
\$16 / \$56 / \$100	85% / 80% / 75% after deductible
<b>0.96</b>	<b>0.88</b>

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

2 RBV estimate includes Health Savings Account seed.

Task (PRC recommendation #)	Owner
Evaluate current plan offerings and feasibility of continuing CDH Gold plan (3)	Health P&P

# Impact of HSA plan on other GHIP offerings

## CDH Gold plan

- Several options for the future of the CDH Gold plan in the event that an HSA plan is implemented have been reviewed with both Subcommittees
- SBO has conducted a survey of CDH Gold plan participants to gauge what they value about the plan

***WTW recommends the following approach for the State, if an HSA plan is implemented:***

- Retain the CDH Gold plan as an option under the GHIP, but freeze the plan to new enrollees and discontinue any future funding of the HRA once the HSA plan is rolled out
- For any CDH Gold enrollee who drops coverage or changes their medical plan enrollment after the CDH Gold is frozen, prohibit re-enrollment in the CDH Gold plan

HP&P feedback following 5/2/19 meeting	
Freeze plan 80% (4 out of 5 responses)	No freeze 20% (1 out of 5 responses)

- Recommended approach limits potential member dissatisfaction (particularly for those with large HRA fund balances) by continuing to offer CDH Gold plan
- Produces additional administrative work for SBO to maintain CDH Gold plan alongside HSA plan, but will ensure enrollment in consumer directed plan is steered toward HSA plan over time

## Next steps

- SEBC to consider voting on HSA plan recommendations at the July 22 SEBC meeting