MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE
SEPTEMBER 23, 2019

The State Employee Benefits Committee (the "Committee") held a meeting on September 23, 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
Mr. Jeffrey Taschner, Delaware State Education Association ("DSEA")
Secretary Kara Walker, Department of Health and Social Services ("DHSS")
Controller General Mike Morton, Office of the Controller General ("CGO")
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer ("OST")
Ms. Ashley Tucker, Staff Attorney, Administrative Office of the Courts (Designee OBO Chief Justice Strine)
Mr. Tanner Polce, Office of the Lieutenant Governor (Designee OBO Lieutenant Governor Hall-Long)

Committee Members Represented or in Attendance:
Insurance Commissioner Trinidad Navarro, Department of Insurance ("DOI")

Others in Attendance:
State 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. Chris Giovannello, WTW
Ms. Jaclyn Iglesias, WTW
Ms. Rebecca Warnken, WTW
Ms. Judy Anderson, Delaware State Education Assoc.
Ms. Victoria Brennan, Sr. Legislative Analyst, CGO
Ms. Sascha Brown, Aetna
Mr. Steve Costantino, Dir. Health Care Reform, DHSS
Ms. Cherie Dodge Biron, Controller, DHR
Ms. Jaqueline Faulcon, Retired State Employees Assoc.
Ms. Nina Figueroa, Policy Analyst, SBO, DHR
Ms. Judy Grant, Health Advocate
Ms. Kimberly Hawkins, City of Dover
Ms. Katherine Impellizzeri, Aetna
Ms. Molly Magarik, Deputy Secretary, DHSS
Ms. Lisa Mantegna, Highmark Delaware
Mr. Walt Mateja, IMB Watson Health
Mr. Chris Morris, Aetna
Ms. Jennifer Mossman, Highmark Delaware
Mr. Mike North, Aetna
Mr. Bill Oberle, Delaware State Troopers Assoc.
Mr. Robert Rodriquez, IBM Watson Health
Ms. Carrie Schiavo, Delta Dental
Dr. George Schreppler, DE Chiropractic Services Network
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Emily Thomas, Fiscal & Policy Analyst, OMB
Mr. Peter Trusz, Aetna
Ms. Lizzie Zubaca, Hamilton Goodman Partners

CALLED TO ORDER
Director Jackson called the meeting to order at 2:00 p.m. and introductions were made.

APPROVAL OF MINUTES – DIRECTOR JACKSON
A MOTION was made by Secretary Walker and seconded by Secretary Johnson to approve the minutes from the August 26, 2019 State Employee Benefits Committee meeting.
MOTION ADOPTED UNANIMOUSLY

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ

Contracting Updates

SBO has completed the health plan and prescription plan audits of operations and compliance with the contract terms for FY17 and FY18. There were no significant findings. SBO will work with Highmark and Aetna to incorporate several recommendations into the Summary Plan Documents to better clarify coverage. The prescription audit included an audit of manufacturer rebates paid to the plan with no significant findings; however, several recommendations were suggested to improve transparency in pricing. SBO will consider all recommendations during upcoming contract negotiations.

Healthcare Association Article

Members received a copy of the Healthcare Association's article in the News Journal regarding the efforts underway to address primary care access in Delaware.

Legislative Updates:

HCR 35: The Interagency Pharmaceuticals Purchasing Study Group has held two meetings. The group will make recommendations on how best to leverage the bulk purchasing power of the State to negotiate lower prices.

HCR 57: The Pharmacy Reimbursement Task Force will study reimbursement practices of Pharmacy Benefit Managers ("PBM"). They will meet for the first time on September 24, 2019.

SS 1 to SB 116: The Primary Care Collaborative and the new Office of Value Based Health Care. They met September 17, 2019 and will continue to meet monthly. SBO was in attendance and will continue to provide updates.

EO 32: The Retirement Benefits Study Committee will meet for the first time on September 26, 2019 to review practices, policy and options with regards to the State's obligations to its current and future retirees.

Combined Subcommittee Meeting

There was a combined Subcommittee meeting on September 19, 2019. The Subcommittees reviewed the July Fund Report and had further discussion on health care contracting. The Subcommittees discussed the challenges of Reference Based Pricing, and the Alternative Payment Model framework. Additionally, there was an Executive Session to discuss items excluded from public record.

SurgeryPlus

During the month of August, SurgeryPlus opened 73 new cases, and completed 1 procedure.

FINANCIALS – MR. CHRIS GIOVANNELLO, WTW

July Fund Reports

Premium contributions were in line with budget. Other Revenues in the July Fund Report include a Direct Subsidy and Federal Reinsurance Payment; $260K, and $773K respectively. These amounts will increase for the remainder of 2019 and are built into the budget.

The variance in the Coverage Gap Discount Payment is a result of timing. Payment is for claims incurred Q1 of 2019, while the budget is adjusted for anticipated claims in Q3 of 2019.

Claims ran $2M above budget in July, primarily in pharmacy expenses. Commercial pharmacy claims were $1.4M above budget, and EGWP claims were $0.96M above budget. Pharmacy claims for the quarter are higher compared to 2018.

The variance in Program Fees is a result of extra ESI invoices received in July that were not received in June. Consultant fees also had extra payments received in June, but there are no consultant fees in July.

There was an overall net income loss of $19.0M compared to $13.5M expected for a variance to budget of $5.4M, bringing the Fund Equity balance to $144.8M. The reduction in surplus is as expected during FY20, in part as a result of no rate increase.

SECURIAN LIFE INSURANCE RENEWAL – MS. JACLYN IGLESIAS, WTW

Members were presented a brief background of the State's contract with Securian Universal Life. In late 2002 the State discontinued term insurance in favor of Group Universal Life ("GUL"). Securian's rates were less than the incumbent, and the State used the excess amount to fund premiums for employees who become disabled while actively employed (Waiver of Premium). The fund was exhausted in 2013, and in 2014 the State began to fund premiums for disabled individuals through active employee contributions.

A 2015 RFP retained Securian with a 3-year rate guarantee, with caps for two additional years based on loss ratios. The current Life and AD&D rate guarantees expire on June 30, 2020.

Beginning July 1, 2015, the State contract includes as Insured Waiver of Premium. Prior to July 2015, the State's GUL contract included two non-standard provisions: a non-insured Waiver of Premium benefit, and an option to port coverage ("Grandfathered Port GUL"). Employees hired before July 2015 maintained 50% of their State coverage and converted the remaining 50% to Securian's individual rates based on age.

Employees hired after July 2015 converted 100% to Securian's individual rates based on age, so that they maintained coverage, but are re-rated in a higher rate structure with Securian. A loss ratio of 126% in the population that ported their coverage to Securian prompted restructuring. As a result, rate increases went into effect July, 2018.

The State engaged WTW to evaluate Securian's renewal for an effective date of July 1, 2020.

Securian's incurred loss ratio is 94.2%, with 100% credibility across four populations: Active Group GUL, Grandfathered Port GUL, Active Dependent Term Life, and Grandfathered Dependent Port GUL. The AD&D was rated separately because of limited data and low credibility.

The aggregate premium suggests a 10.5% rate increase. However, it is likely that the addition of an Insured Waiver of Premium provision had an overstated negative impact on the State's loss ratio. Securian initially presented a 3 year renewal with no increase to rates. There is no guarantee that the experience will improve, and that at the State would not be subject to a higher rate increase at the end of three years.

Out of concern for smoothing the impact of a potential premium rate increase, a 5-year guaranteed renewal with a 5% increase was negotiated. There will be no increase to the Active GUL participants, and a 5% increase will be applied to the remaining 3 populations.

Additional plan design and enrollment options were included in the renewal offer. There is an increase in the Active Employee Life Coverage, from up to 6x base annual earnings, up to $350K, to up to the current industry standard of up to 8x base annual earnings, up to $500K.

Additionally, there is the option to add a third tier option for Spouse Life Coverage of $30K. There was discussion of changing the maximum for Spouse Life Coverage to $100K, but WTW noted that it is above industry standard, and would require additional administrative restructuring to implement.

There are no potential changes to Child Life Coverage.

Two enrollment options have been proposed. Members as late entrants can newly enroll, or enroll in a one-time special enrollment. A late entrance carries a higher risk, as someone can elect up to 3x base annual earnings, up to

$200K, without evidence for insurability. A second option would allow for an annual enrollment for active employees who have not been previously denied coverage can increase coverage by 1 level, up to the guaranteed issue amount of 3x base annual earnings, or $200K, without evidence of insurability.

The recommendations of SBO and WTW is to renew the contract with Securian Financial (a.k.a Minnesota Life), based on a 5-year rate guarantee option to allow a longer rate guarantee, and smoothing of potential increases with the option of potentially including late entrance enrollment. No changes recommended to the current plan designs; however, include the annual enrollment option.

Mr. Taschner asked for the current GUL enrollment. Director Rentz responded that there are 14,178 active enrollments and 6,444 ported contracts.

A MOTION was made by Secretary Johnson and seconded by Secretary Walker to adopt the recommendations as proposed to renew the Securian Financial contract for 5 years, and implement an annual enrollment opportunity for new and existing employees not previously declined.
MOTION ADOPTED UNANIMOUSLY

VALUE BASED CONTRACTING – MR. CHRIS MORRIS, AETNA
Aetna is collaborating with providers and healthcare systems during contract renewals to move from a fee-for-service to a fee-for value, a.k.a. Value-based Contract ("VBC"), reimbursement model. Nationally, Aetna has 1,600 VBCs in place with 7M members, and runs 60% of medical spend through VBCs.

Aetna assists providers in moving up the risk scale from Pay-for-Performance to Joint Venture reimbursement models. They do this by providing data and quality metrics, and by meeting regularly to identify areas for improvement. As they move up in risk, the percentage of reimbursement tied to quality metrics increases. The greater the risk, the greater the upside for providers who are meeting targets.

The first step into VBCs is the Pay-for-Performance ("PFP") model, where payments shift from a Fee-for-Service to incentives for meeting quality goals. The next step is a Patient Centered Medical Home ("PCMH"), a primary care model that provides incentives for enhanced care coordination. Both of these models are up-side only for providers.

Sec. Johnson asked who controls how a provider is categorized and therefore reimbursed. Mr. Morris responded that providers qualify for reimbursement models based on the size of the practice and claims utilization. Additional payments can earned by meeting quality metrics.

The next step up in risk is the Bundled Payment ("BP") model. This specialty care model provides reimbursement for the resolution of a specific condition or episode of care over a 90 day period. Providers agree on target metrics, such as the removal of duplicative services. If they exceed the target they receive a higher reimbursement, and if they do not, they have to pay it back. This reimbursement model is for specific conditions (e.g. knee and hip replacements).

Sec. Walker asked if there was an opportunity for shared savings in the BP model, and if there were downsides for providers. Mr. Morris responded that in addition to the care coordination fee, there is an opportunity for shared savings if quality metrics are met. The model does have risk for providers who do not meet targets, because the payments are prospective. Although risks are capped, providers could pay a penalty for poor performance.

The next step up in risk is the Accountable Care Organization Attribution ("ACOA") model. The ACOA model is a health system reimbursement model. The ACOA is limited in Delaware. Incentives are provided for quality and total cost of care improvements, with risks for poor performance.

In addition to the aforementioned reimbursement models, Aetna offers reimbursement with health plan products: a ACO product with a population health model, and a Joint Venture payer-provider partnership. Mr. Morris stated that both are limited is the marketplace and unlikely for Delaware.
In Delaware, Aetna runs more than 70% of medical spend through VBCs. There are 83,810 members, and 2,191 plan sponsors that represent 53% of total Delaware membership. There are 2,898 providers in Aetna VBC arrangements that represent 71% of the total Aetna Network of Providers in Delaware. Additionally, Aetna developed the Alternative Innovative Model, supported by Carelink, for State Group Health Insurance Plan Aetna HMO members.

Sec. Walker asked for the category breakdown of VBCs in Delaware. Mr. Morris responded that there is a small percent of VBCs in BP models with the majority across PFP, PCMH and ACOA models.

Aetna posts provider performance data daily and monthly to a secure site. Provider data is available on medical claims, pharmacy claims, enrollment, and laboratory test results. They meet with providers quarterly in person, and monthly on the phone, as well as provide internal reconciliations that identify areas for improvement.

Members reviewed Aetna's health system VBCs in Pennsylvania and Delaware.

Sec. Johnson asked about improving the transparency of pricing. Mr. Morris responded that Aetna member tools offer generic cost estimates, but there is room for improvement to provide specific pricing across providers.

PUBLIC COMMENT
Mrs. Jacqueline Faulcon wished to announce the passing of her husband Clarence Faulcon, and offer her appreciation of the quality of health care he received.

Senator Bonini requested an update on the Financial Wellness initiatives. Dir. Jackson responded that it is still being reviewed at the Subcommittee level.

OTHER BUSINESS
No new business presented.

EXECUTIVE SESSION
A MOTION was made by CG Morton and seconded by Secretary Johnson to move into Executive Session at 3:19 p.m. for a presentation by Aetna on Value Based Contracting.
MOTION ADOPTED UNANIMOUSLY

CALLED TO ORDER
Director Rentz called the meeting back to order at 4:26 p.m.

ADJOURNMENT
A MOTION was made by Secretary Johnson and seconded by Secretary Walker adjourn the meeting at 4:28 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