

# The State of Delaware

## Group Health Insurance Plan

### Long-term Projections as of FY20 Q1

November 18, 2019

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# Today's discussion

- FY20 recast and FY21 projected budget
- Long term projections including premium increase scenarios for FY21 and beyond
- Next steps

# GHIP long term health care cost projections (FY20 Q1 update)

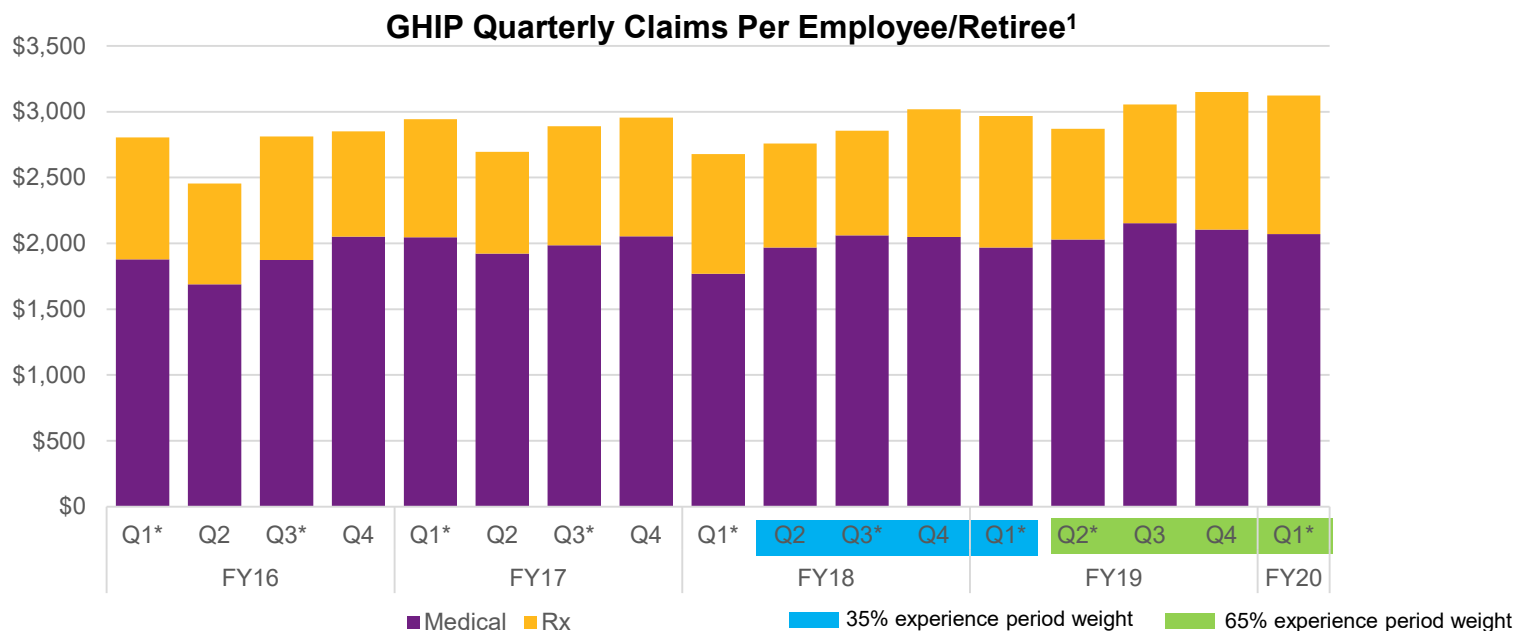
## FY20 recast and FY21 projected budget

- Recast FY20 budget of \$838.8M is the same as previous FY19 Q4 update and reflects the following key assumptions:
  - Updated claims experience through September 2019
  - Updated rebates and EGWP revenue payments through September 2019
    - \$10.6m Commercial and \$6.9m EGWP rebate payment received in August 2019
    - \$1.2m prospective reinsurance adjustment payment received in August 2019
  - 1% assumed membership growth during FY20
  - FY20 program changes and passed legislation
    - Implementation of SurgeryPlus site-of-care steerage (\$500k savings), Highmark infusion therapy steerage program (\$2.0M savings), Livongo diabetes prevention services (\$720k savings) and select copay changes (\$6.9M savings)
    - HB 386 (\$100k cost), SB 227 (\$2.1m cost), SB 225 (\$175k cost), and SB 34 (\$500k cost)
- FY21 projected budget of \$885.8M reflects 5% annual health care trend, 1% membership growth and implementation of Highmark radiation therapy authorization program<sup>1</sup>

<sup>1</sup>Highmark estimates \$633k annual savings

# GHIP long term health care cost projections (FY20 Q1 update)

## FY20 recast and FY21 projected budget – claims experience



- On a rolling 12-month basis, gross per employee claims through FY20 Q1 are 5.1% higher than the prior period
  - Medical trend: 3.9%; Rx trend: 8.0%
- Based on historical GHIP seasonality, medical claims typically the lowest during Q1 and increase throughout the year
- Pharmacy claims vary based on number of quarterly invoices but typically highest in Q4

<sup>1</sup>Based on combined active, pre-65 retiree, and post-65 Medicare retiree gross medical and pharmacy claims provided by Highmark, Aetna, and ESI; does not include offsets from drug rebates and EGWP payments

\*Denotes quarter with seven ESI invoices

# GHIP long term health care cost projections (FY20 Q1 update)

## FY20 recast and FY21 projected budget

- Willis Towers Watson (WTW) revised GHIP financial projections based on updated claims experience through September 2019 (FY20 Q1):
  - Recast FY20 budget of \$838.8M is the same as previous FY19 Q4 update
    - Increase due to FY20 Q1 claims experience offset by drop in enrollment and increased other revenues
    - FY20 EGWP payments include \$1.2M prospective reinsurance true-up received in August
  - Projected FY21 budget of \$885.8M is up 0.3% from previous FY19 Q4 update of \$883.4M
    - Projected FY21 budget represents a 5.6% increase over FY20 budget recast

Component (\$ millions)	Description	FY20	FY21
<b>FY19 Q4</b>		<b>\$838.8</b>	<b>\$883.4</b>
Claims Experience	Claims experience updated through FY20 Q1	\$4.8	\$4.9
Assumed Enrollment	Expected claims and premium increase/(decrease) due to change in covered population	(\$1.9)	(\$2.0)
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	(\$2.9)	(\$0.5)
<b>FY20 Q1</b>		<b>\$838.8</b>	<b>\$885.8</b>

+5.6%  
over FY20

# Health care budget projections

## FY20 recast and FY21 projection – sensitivity analysis

- FY20 and FY21 projected costs are shown below under a range of reasonable assumptions, including varying weighting for the two experience periods and varying the health care trend factors

		Key Assumption (in \$ million)			
		Current	Alt A	Alt B	
Vary the experience period	Experience Period	10/1/17 – 9/30/19	10/1/17 – 9/30/19	10/1/16 – 9/30/19	
	Experience Weighting (Prior Period / Current Period)	35% / 65% (2 years, emphasizes recent)	50% / 50% (2 years, equally weighted)	10% / 30% / 60% (3 years, emphasizes recent)	
	FY20 Aggregate Costs (Recast)	\$838.8	\$841.2	\$842.9	
	FY21 Aggregate Costs (Projected)	\$885.8	\$888.8	\$889.9	
	FY21 Overall % Change (vs FY20 Recast)	5.6%	5.7%	5.6%	
	FY21 Overall \$ Change (vs FY20 Recast)	\$47.0	\$47.6	\$47.0	
Vary the health care trend	Key Assumption (in \$ million)				
	FY21 Medical Trend	5%	5.50%	6%	
	FY21 Pharmacy Trend	5%	8%	9%	
	FY20 Aggregate Costs (Recast)	\$838.8	\$845.1	\$848.7	
	FY21 Aggregate Costs (Projected)	\$885.8	\$899.8	\$908.1	
	FY21 Overall % Change (vs FY20 Recast)	5.60%	6.47%	7.00%	
	FY21 Overall \$ Change (vs FY20 Recast)	\$47.0	\$54.7	\$59.4	

Note: FY20 recast and FY21 projected aggregate costs based on experience through FY20 Q1 consistent with long-term projection exhibit; assumes 1% membership growth during FY20 and FY21; current assumptions include 35%/65% prior/current experience period weighting; 7.4% composite health care cost trend used for experience prior to FY19; 5% composite health care cost trend used for experience after FY19

# GHIP long term health care cost projections (FY20 Q1 update)

## Premium rate increase scenarios

- Based on updated financial projections as of FY20 Q1, the GHIP is projected to end FY20 with a \$71.2M surplus
  - Includes \$1m increase in FY20 claim liability to \$59.5m based on experience through FY20 Q1
- The following pages show the revised long term projections reflecting claims data through FY20 Q1 under three premium rate increase scenarios:
  - 2.0% increase effective 7/1/2020 (\$35.6M projected surplus through end of FY21) – this scenario would satisfy Financial Subcommittee recommendation to smooth available GHIP surplus over two years
  - 1.0% increase effective 7/1/2020 (\$27.2M projected surplus through end of FY21)
  - Hold premium rates flat effective 7/1/2020 (\$18.8M projected surplus through end of FY21)
- A rate increase of 6.3% would be required if no surplus is used in FY21 (in other words, maintaining the \$71.2M projected FY20 year-end surplus)
- The following table shows the cost implications for the State and General Fund, employees/pensioners, and GHIP projected surplus levels in FY21 and FY22 under the three premium rate increase scenarios described above:

Proposed 7/1/2020 Premium Increase	Premium Revenue Increase	State Share	Employee Share	General Fund Allocation	Employee Premium Increase (annual)	Premium Increase as % of Pay (Salary = \$25k)	FY21 Surplus/ (Deficit)	FY22 Surplus/ (Deficit)
+2.0%	\$16.8M	\$15.3M	\$1.5M	\$11.3M	\$6.72 – \$65.52	0.03% - 0.26%	\$35.6M	(\$28.6M)
+1.0%	\$8.4M	\$7.6M	\$0.7M	\$5.6M	\$3.36 – \$32.76	0.01% - 0.13%	\$27.2M	(\$54.2M)
0%	\$0	\$0	\$0	\$0	\$0	0%	\$18.8M	(\$79.7M)

# GHIP long term health care cost projections (FY20 Q1 update<sup>1</sup>)

## 2% annual premium increase FY21-FY25

FY21 reflects employee contribution increases of \$0.56 – \$5.46 per month (\$6.72 – \$65.52 per year) and State subsidy increases of \$13.35 – \$36.01 per employee per month (\$160.20 – \$432.12 per year) effective 7/1/2020

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected <sup>1</sup>	FY21 Projected <sup>7</sup>	FY22 Projected <sup>7</sup>	FY23 Projected <sup>7</sup>	FY24 Projected <sup>7</sup>	FY25 Projected <sup>7</sup>
Average Enrolled Members	126,360	127,996	129,276	130,569	131,875	133,194	134,526
<b>GHIP Revenue</b>							
Premium Contributions (Increasing with Enrollment) <sup>2</sup>	\$817.4	\$830.0	\$838.3	\$846.7	\$855.2	\$863.7	\$872.3
2.0% Premium Increase FY21 and beyond	-	-	\$16.8	\$34.2	\$52.3	\$71.2	\$90.8
Other Revenues <sup>3</sup>	\$98.5	\$113.5	\$122.6	\$129.7	\$137.4	\$145.6	\$154.2
<b>Total Operating Revenues</b>	<b>\$915.9</b>	<b>\$943.5</b>	<b>\$977.7</b>	<b>\$1,010.6</b>	<b>\$1,044.9</b>	<b>\$1,080.5</b>	<b>\$1,117.3</b>
<b>GHIP Expenses (Claims/Fees)</b>							
Operating Expenses <sup>4</sup>	\$904.0	\$952.2	\$1,008.4	\$1,069.4	\$1,134.1	\$1,202.7	\$1,275.5
% Change Per Member	5.1%	4.0%	4.8%	5.0%	5.0%	5.0%	5.0%
Excise Tax Liability <sup>5</sup>					\$2.5	\$7.6	\$14.3
<b>Adjusted Net Income (Revenue less Expense)</b>	<b>\$11.9</b>	<b>(\$8.8)</b>	<b>(\$30.7)</b>	<b>(\$58.8)</b>	<b>(\$91.7)</b>	<b>(\$129.8)</b>	<b>(\$172.5)</b>
Balance Forward	\$151.8	\$163.8	\$155.0	\$124.3	\$65.5	(\$26.2)	(\$156.0)
Ending Balance	\$163.8	\$155.0	\$124.3	\$65.5	(\$26.2)	(\$156.0)	(\$328.5)
- Less Claims Liability <sup>6</sup>	\$58.8	\$59.5	\$63.0	\$66.8	\$70.8	\$75.1	\$79.6
- Less Minimum Reserve <sup>6</sup>	\$24.3	\$24.3	\$25.7	\$27.3	\$29.0	\$30.8	\$32.7
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>\$80.7</b>	<b>\$71.2</b>	<b>\$35.6</b>	<b>(\$28.6)</b>	<b>(\$126.0)</b>	<b>(\$261.9)</b>	<b>(\$440.8)</b>

Please refer to Appendix for FY17 and FY18 actual results (slide 14) and detailed projection footnotes (slide 15)



# FY20 monthly rates and employee/retiree contributions

Illustrative: 2.0% increase effective 7/1/2020

*FY21 reflects employee contribution increases of \$0.56 – \$5.46 per month (\$6.72 – \$65.52 per year) and State subsidy increases of \$13.35 – \$36.01 per employee per month (\$160.20 – \$432.12 per year) effective 7/1/2020*

	FY 2020			FY 2021 with 2.0% Increase			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
<b>First State Basic</b>										
Employee	\$695.36	\$27.84	\$667.52	\$709.27	\$28.40	\$680.87	\$0.56	\$6.72	\$13.35	\$160.20
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,467.45	\$58.67	\$1,408.78	\$1.15	\$13.80	\$27.62	\$331.44
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,078.16	\$43.11	\$1,035.05	\$0.85	\$10.20	\$20.29	\$243.48
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,834.39	\$73.36	\$1,761.03	\$1.44	\$17.28	\$34.53	\$414.36
<b>CDH Gold</b>										
Employee	\$719.68	\$35.98	\$683.70	\$734.07	\$36.70	\$697.37	\$0.72	\$8.64	\$13.67	\$164.04
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,522.06	\$76.07	\$1,445.99	\$1.49	\$17.88	\$28.35	\$340.20
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,121.55	\$56.06	\$1,065.49	\$1.10	\$13.20	\$20.89	\$250.68
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,933.65	\$96.68	\$1,836.97	\$1.90	\$22.80	\$36.01	\$432.12
<b>Aetna HMO</b>										
Employee	\$725.94	\$47.16	\$678.78	\$740.46	\$48.10	\$692.36	\$0.94	\$11.28	\$13.58	\$162.96
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,561.19	\$101.49	\$1,459.70	\$1.99	\$23.88	\$28.62	\$343.44
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,132.73	\$73.62	\$1,059.11	\$1.44	\$17.28	\$20.77	\$249.24
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,948.02	\$126.60	\$1,821.42	\$2.48	\$29.76	\$35.72	\$428.64
<b>Comprehensive PPO</b>										
Employee	\$793.86	\$105.18	\$688.68	\$809.74	\$107.28	\$702.46	\$2.10	\$25.20	\$13.78	\$165.36
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,680.29	\$222.63	\$1,457.66	\$4.37	\$52.44	\$28.58	\$342.96
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,247.93	\$165.32	\$1,082.61	\$3.24	\$38.88	\$21.23	\$254.76
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,100.59	\$278.32	\$1,822.27	\$5.46	\$65.52	\$35.73	\$428.76

# GHIP long term health care cost projections (FY20 Q1 update<sup>1</sup>)

## 1% annual premium increase FY21-FY25

FY21 reflects employee contribution increases of \$0.28 – \$2.73 per month (\$3.36 – \$32.76 per year) and State subsidy increases of \$6.68 – \$18.01 per employee per month (\$80.04 – \$216.12 per year) effective 7/1/2020

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected <sup>1</sup>	FY21 Projected <sup>7</sup>	FY22 Projected <sup>7</sup>	FY23 Projected <sup>7</sup>	FY24 Projected <sup>7</sup>	FY25 Projected <sup>7</sup>
Average Enrolled Members	126,360	127,996	129,276	130,569	131,875	133,194	134,526
<b>GHIP Revenue</b>							
Premium Contributions (Increasing with Enrollment) <sup>2</sup>	\$817.4	\$830.0	\$838.3	\$846.7	\$855.2	\$863.7	\$872.3
<i>1.0% Premium Increase FY21 and beyond</i>	-	-	\$8.4	\$17.0	\$25.9	\$35.1	\$44.5
Other Revenues <sup>3</sup>	\$98.5	\$113.5	\$122.6	\$129.7	\$137.3	\$145.4	\$154.0
<b>Total Operating Revenues</b>	<b>\$915.9</b>	<b>\$943.5</b>	<b>\$969.3</b>	<b>\$993.4</b>	<b>\$1,018.4</b>	<b>\$1,044.2</b>	<b>\$1,070.8</b>
<b>GHIP Expenses (Claims/Fees)</b>							
Operating Expenses <sup>4</sup>	\$904.0	\$952.2	\$1,008.4	\$1,069.4	\$1,134.1	\$1,202.7	\$1,275.5
% Change Per Member	5.1%	4.0%	4.8%	5.0%	5.0%	5.0%	5.0%
Excise Tax Liability <sup>5</sup>					\$2.5	\$7.6	\$14.3
<b>Adjusted Net Income (Revenue less Expense)</b>	<b>\$11.9</b>	<b>(\$8.8)</b>	<b>(\$39.1)</b>	<b>(\$76.0)</b>	<b>(\$118.2)</b>	<b>(\$166.1)</b>	<b>(\$219.0)</b>
Balance Forward	\$151.8	\$163.8	\$155.0	\$115.9	\$39.9	(\$78.3)	(\$244.4)
Ending Balance	\$163.8	\$155.0	\$115.9	\$39.9	(\$78.3)	(\$244.4)	(\$463.4)
- Less Claims Liability <sup>6</sup>	\$58.8	\$59.5	\$63.0	\$66.8	\$70.8	\$75.1	\$79.6
- Less Minimum Reserve <sup>6</sup>	\$24.3	\$24.3	\$25.7	\$27.3	\$29.0	\$30.8	\$32.7
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>\$80.7</b>	<b>\$71.2</b>	<b>\$27.2</b>	<b>(\$54.2)</b>	<b>(\$178.1)</b>	<b>(\$350.3)</b>	<b>(\$575.7)</b>

Please refer to Appendix for FY17 and FY18 actual results (slide 14) and detailed projection footnotes (slide 15)

# FY20 monthly rates and employee/retiree contributions

Illustrative: 1.0% increase effective 7/1/2020

*FY21 reflects employee contribution increases of \$0.28 – \$2.73 per month (\$3.36 – \$32.76 per year) and State subsidy increases of \$6.67 – \$18.01 per employee per month (\$80.04 – \$216.12 per year) effective 7/1/2020*

	FY 2020			FY 2021 with 1.0% Increase			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
<b>First State Basic</b>										
Employee	\$695.36	\$27.84	\$667.52	\$702.31	\$28.12	\$674.19	\$0.28	\$3.36	\$6.67	\$80.04
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,453.07	\$58.10	\$1,394.97	\$0.58	\$6.96	\$13.81	\$165.72
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,067.59	\$42.68	\$1,024.91	\$0.42	\$5.04	\$10.15	\$121.80
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,816.40	\$72.64	\$1,743.76	\$0.72	\$8.64	\$17.26	\$207.12
<b>CDH Gold</b>										
Employee	\$719.68	\$35.98	\$683.70	\$726.88	\$36.34	\$690.54	\$0.36	\$4.32	\$6.84	\$82.08
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,507.14	\$75.33	\$1,431.81	\$0.75	\$9.00	\$14.17	\$170.04
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,110.56	\$55.51	\$1,055.05	\$0.55	\$6.60	\$10.45	\$125.40
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,914.70	\$95.73	\$1,818.97	\$0.95	\$11.40	\$18.01	\$216.12
<b>Aetna HMO</b>										
Employee	\$725.94	\$47.16	\$678.78	\$733.20	\$47.63	\$685.57	\$0.47	\$5.64	\$6.79	\$81.48
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,545.89	\$100.50	\$1,445.39	\$1.00	\$12.00	\$14.31	\$171.72
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,121.63	\$72.90	\$1,048.73	\$0.72	\$8.64	\$10.39	\$124.68
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,928.92	\$125.36	\$1,803.56	\$1.24	\$14.88	\$17.86	\$214.32
<b>Comprehensive PPO</b>										
Employee	\$793.86	\$105.18	\$688.68	\$801.80	\$106.23	\$695.57	\$1.05	\$12.60	\$6.89	\$82.68
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,663.81	\$220.44	\$1,443.37	\$2.18	\$26.16	\$14.29	\$171.48
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,235.69	\$163.70	\$1,071.99	\$1.62	\$19.44	\$10.61	\$127.32
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,079.99	\$275.59	\$1,804.40	\$2.73	\$32.76	\$17.86	\$214.32

# GHIP long term health care cost projections (FY20 Q1 update<sup>1</sup>)

No premium increases FY21-FY25

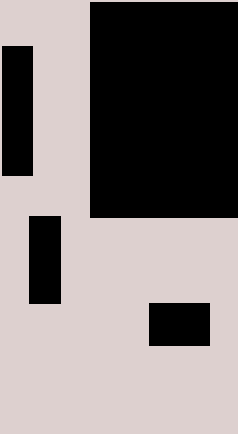
GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected <sup>1</sup>	FY21 Projected <sup>7</sup>	FY22 Projected <sup>7</sup>	FY23 Projected <sup>7</sup>	FY24 Projected <sup>7</sup>	FY25 Projected <sup>7</sup>
Average Enrolled Members	126,360	127,996	129,276	130,569	131,875	133,194	134,526
<b>GHIP Revenue</b>							
Premium Contributions (Increasing with Enrollment) <sup>2</sup>	\$817.4	\$830.0	\$838.3	\$846.7	\$855.2	\$863.7	\$872.3
<i>Hold premium rates flat FY21 and beyond</i>	-	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues <sup>3</sup>	\$98.5	\$113.5	\$122.6	\$129.6	\$137.2	\$145.2	\$153.7
<b>Total Operating Revenues</b>	<b>\$915.9</b>	<b>\$943.5</b>	<b>\$960.9</b>	<b>\$976.3</b>	<b>\$992.4</b>	<b>\$1,008.9</b>	<b>\$1,026.0</b>
<b>GHIP Expenses (Claims/Fees)</b>							
Operating Expenses <sup>4</sup>	\$904.0	\$952.2	\$1,008.4	\$1,069.4	\$1,134.1	\$1,202.7	\$1,275.5
% Change Per Member	5.1%	4.0%	4.8%	5.0%	5.0%	5.0%	5.0%
Excise Tax Liability <sup>5</sup>					\$2.5	\$7.6	\$14.3
<b>Adjusted Net Income (Revenue less Expense)</b>	<b>\$11.9</b>	<b>(\$8.8)</b>	<b>(\$47.5)</b>	<b>(\$93.1)</b>	<b>(\$144.2)</b>	<b>(\$201.4)</b>	<b>(\$263.8)</b>
Balance Forward	\$151.8	\$163.8	\$155.0	\$107.5	\$14.4	(\$129.8)	(\$331.2)
Ending Balance	\$163.8	\$155.0	\$107.5	\$14.4	(\$129.8)	(\$331.2)	(\$595.0)
- Less Claims Liability <sup>6</sup>	\$58.8	\$59.5	\$63.0	\$66.8	\$70.8	\$75.1	\$79.6
- Less Minimum Reserve <sup>6</sup>	\$24.3	\$24.3	\$25.7	\$27.3	\$29.0	\$30.8	\$32.7
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>\$80.7</b>	<b>\$71.2</b>	<b>\$18.8</b>	<b>(\$79.7)</b>	<b>(\$229.6)</b>	<b>(\$437.1)</b>	<b>(\$707.3)</b>

Please refer to Appendix for FY17 and FY18 actual results (slide 14) and detailed projection footnotes (slide 15)

## Next steps

- Deeper dive discussion of full year FY19 financials and utilization/plan performance, including review of Q4 Incurred reporting and high cost claimant analytic, planned for December 16, 2019 SEBC meeting
- Continue to monitor emerging plan experience – data through FY20 Q2 to be presented at February 17, 2020 SEBC meeting
  - SEBC vote on FY21 rate increase targeted for February 17, 2020 SEBC meeting

# Appendix



# GHIP historical health care fund information

## FY17-FY18

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual
Average Enrolled Members	123,132	125,488
<b>GHIP Revenue</b>		
Premium Contributions (Increasing with Enrollment) <sup>2</sup>	\$799.0	\$810.9
<i>Hold premium rates flat FY21+</i>	-	-
Other Revenues <sup>3</sup>	\$81.6	\$92.1
<b>Total Operating Revenues</b>	<b>\$880.6</b>	<b>\$903.0</b>
<b>GHIP Expenses (Claims/Fees)</b>		
Operating Expenses <sup>4</sup>	\$816.8	\$853.9
<i>% Change Per Member</i>		2.6%
Excise Tax Liability <sup>5</sup>		
<b>Adjusted Net Income (Revenue less Expense)</b>	<b>\$63.8</b>	<b>\$49.1</b>
Balance Forward	\$38.9	\$102.7
Ending Balance	\$102.7	\$151.8
- Less Claims Liability <sup>6</sup>	\$54.0	\$58.9
- Less Minimum Reserve <sup>6</sup>	\$24.0	\$24.0
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>\$24.7</b>	<b>\$68.9</b>

# GHIP long term health care cost projection footnotes

**Note: FY17, FY18, and FY19 actual based on final June 2017, June 2018, and June 2019 Fund Equity reports; projected operating expenses and enrollment based on experience through FY20 Q1; assumed 1% annual enrollment growth; numbers in table may not add up due to rounding**

1. Includes approved design changes effective 7/1/2019 including implementation of SurgeryPlus COE (\$0.5m annual savings), site-of-care steerage (\$6.9m), Highmark infusion therapy program (\$2.0m) and implementation of Livongo (\$0.7m), as well as cost impact of passed legislation (\$2.875m cost increase)
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY20-FY25.
3. Includes Rx rebates, EGWP payments, other revenues; FY20 and beyond includes estimated improvements in Rx rebates based on best and final ESI FY20 renewal proposal, provided 1/29/2019; includes fees for participating non-State groups (assumed to increase proportionally with membership and premium growth).
4. FY20 and beyond includes estimated reduction in pharmacy claims as a result of best and final ESI FY20 renewal proposal, provided 1/29/2019. FY21 reflects implementation of Highmark radiation therapy authorization program (\$633k annual savings per Highmark). Assumes no other program changes in FY21 and beyond.
5. 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually
6. FY20 Minimum Reserve levels updated with data through June 2019; FY20 Claim Liability updated with lag factors as of Dec 2018 and claims data through September 2019; future years assumed to increase with overall GHIP expense growth
7. FY21-FY25 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes 1% annual growth in GHIP membership.



# Health care budget development

## Assumption and pricing analysis details



- **Claims experience** provided by vendors (Highmark, Aetna, and ESI) reflect paid claims and enrollment for the most recent available 24 months, or two experience periods (4/1/2017 – 3/31/2019)
- Claims experience adjusted for **claim offsets** from pharmacy rebates and EGWP funding
- **Incurred But Not Reported (IBNR)** adjustments convert paid claims to an incurred basis based on the lag between when a claim is incurred and when it is paid
- **Exposure** adjustments convert claims experience into a *per adult* equivalent claims cost
- **Inflation and trend** adjustments increase the claims costs to reflect expected year-over-year increases to the cost of services
- **Plan Design** adjustments applied to the claims costs to reflect any plan design changes or movement across plans, and are based on the relative difference in *actuarial value* of the plans
- **Vendor adjustments** reflect results from medical TPA RFP and other adopted vendor initiatives
- **Self-insured fixed costs** are added to the adjusted claims cost to develop the **total budget**; this includes administrative service fees and operational expenses

WTW projected total budget is based on a best estimate of projected GHIP expenses (claims, fees, etc.) and does not assume any surplus offset or deficit recoup based on current Fund balance

# GHIP long term health care cost projections (FY19 Q4 update)

## Headcount projections

- In May 2019, Financial Subcommittee recommended 1% annual membership growth assumption for FY20 – FY23 based on historical enrollment patterns
- July 2019 enrollment increased by 1.6% over FY19 average
  - Aetna HMO enrollment decreased slightly and enrollment increased for all other plan options
- Enrollment assumed to increase by 1% during FY20, representing a 0.5% average increase over July 2019 and 2.1% increase over FY19

Plan	FY19 Average (Vendor Reported)	July 2019 (Vendor Reported)	FY20 Projected
First State Basic	2,770	2,904	2,918
CDH Gold	2,595	2,847	2,861
HMO	10,966	10,533	10,586
Comp PPO	28,260	28,993	29,138
Medicfill	26,704	27,130	27,265
<b>Total Enrolled</b>	<b>71,295</b>	<b>72,407</b>	<b>72,768</b>
<b>Estimated Members</b>	<b>158,274</b>	<b>160,743</b>	<b>161,545</b>
<b>Increase over FY19</b>		<b>1.6%</b>	<b>2.1%</b>

# GHIP long term health care cost projections (FY19 Q4 update)

## EGWP funding update

### EGWP Payments

	CY 2018		CY 2019		CY 2020	
Average Members	25,694		26,608		26,875	
Rx plan cost	\$4,538		\$4,801		\$4,990	
EGWP funding component	PMPM	\$	PMPM	\$	PMPM	\$
Direct subsidy	\$161	\$4.1M	\$125	\$3.3M	\$77	\$2.1M
Coverage gap	\$555	\$14.3M	\$748	\$19.9M	\$842	\$22.6M
Reinsurance/LICS	\$557	\$14.3M	\$647	\$17.2M	\$697	\$18.7M
<b>Total funding</b>	<b>\$1,273</b>	<b>\$32.7M</b>	<b>\$1,520</b>	<b>\$40.4M</b>	<b>\$1,616</b>	<b>\$43.4M</b>

- Overall GHIP EGWP payments have been increasing since program inception, but varies by component
  - Direct subsidy funding is determined based on annual national bid amount set by CMS and has been decreasing in recent years; in July 2019, CMS announced a \$3.69 PMPM reduction in the national bid amount for 2020 driving a reduction in the projected GHIP direct subsidy payments
  - Coverage gap discount payments have been increasing over time as the Medicare Part D donut hole continues to close
  - Reinsurance payments also continue to increase as more claimants exceed the reinsurance threshold over time
  - In 2017, CMS moved to a prospective payment method for reinsurance, with a fixed amount paid each month and reconciliation occurring at the end of the calendar year based on actual incurred reinsurance – prospective payment amounts are adjusted periodically by ESI based on emerging claims experience, impacting the cash flow timing but not the total reinsurance attributable to plan year

Source: Membership and paid claim data as of June 2019 assuming 1% annual membership growth and 5% health care trend for 2020; EGWP funding reflects actual direct subsidy payments through June 2019 and coverage gap payments through Dec 2018; reinsurance funding projected based on estimates from ESI (CY2018 pending final true up in January 2020)