MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE
NOVEMBER 18, 2019

The State Employee Benefits Committee (the "Committee") held a meeting on November 18, 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
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer ("OST")
The Honorable Trinidad Navarro, Insurance Commissioner Department of Insurance ("DOI")
Secretary Kara Walker, Department of Health and Social Services ("DHSS")
Controller General Mike Morton, Office of the Controller General ("CGO")
Mr. Jeffrey Taschner, Executive Director, Delaware State Education Association ("DSEA")
Ms. Ashley Tucker, Staff Attorney, Administrative Office of the Courts (Designee OBO Chief Justice Collins Seitz)
Mr. Keith Warren, Chief of Staff, Office of the Lieutenant Governor (Designee OBO Lieutenant Governor Hall-Long)

Others in Attendance:
Director Faith Rentz, Statewide Benefits Office ("SBO"), DHR
Deputy Director Leighann Hinkle, SBO, DHR
Deputy Attorney General, Andrew Kerber, Dept. of Justice, SEBC Legal Counsel
Mr. Kevin Fyock, Willis Towers Watson ("WTW")
Mr. Chris Giovannello, WTW
Ms. Jaclyn Iglesias, WTW
Ms. Victoria Brennan, Sr. Legislative Analyst, CGO
Ms. Christina Bryan, Delaware Healthcare Association
Ms. Rebecca Byrd, The Byrd Group
Ms. Michelle Carpenter, PHRST
Ms. Julie Caynor, Aetna
Mr. David Craik, Pension Administrator, Pension Office
Ms. Cherie Dodge Biron, Controller, DHR
Ms. Jaqueline Faulcon, Retired State Employees Assoc.
Ms. Judy Grant, Health Advocate
Ms. Tina Hession, PHRST
Ms. Katherine Impellizzeri, Aetna
Ms. Heather Johnson, Accountant, DHR
Ms. Molly Magarik, Deputy Secretary, DHSS
Ms. Lisa Mantegna, Highmark Delaware
Ms. Mary Kate McLaughlin, Drinker Biddle
Ms. Danielle Millman, Administrative Accountant, DHR
Ms. Jennifer Mossman, Highmark Delaware
Mr. Anthony Onugu, United Medical
Mr. Robert Rodriquez, IBM Watson Health
Mr. Aaron Schrader, HR Manager, SBO, DHR
Dr. George Schreppler, DE Chiropractic Services Network
Ms. Judi Schock, Deputy Principal Assistant, OMB
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Emily Thomas, Fiscal & Policy Analyst, OMB
Mr. Jabari Wells, Accountant, DHR

CALL 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 CG Morton and seconded by Secretary Johnson to approve the minutes from the October 21, 2019 State Employee Benefits Committee meeting.
MOTION ADOPTED UNANIMOUSLY

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ

Subcommittee Updates

The Financial Subcommittee and the Health Policy & Planning ("HP&P") Subcommittee each met in November. Discussions regarding primary care access will continue in the HP&P Subcommittee, all other topics are on the agenda for discussion.

Treasurer Davis Arrived

FSA Open Enrollment

The Flexible Spending Open Enrollment ended November 15, 2019. The final numbers for Healthcare enrollment are down 12% over the previous calendar year. Dependent Care FSA Enrollment is also down by 23%. The is likely a result of the Short Plan Year.

SBO Communications

November communications emphasize Diabetes Awareness Month, including promoting resources and benefits available for diabetes and pre-diabetes management. Hospital quality & safety was also highlighted via newsletters, posters, and a revamped webpage that includes safety tips and resources to evaluate hospital provider quality.

Surgery Plus Updates

SurgeryPlus has 219 open cases, with 13 completed procedures as of October 31, 2019.

Request for Proposal Update

The Proposal Review Committee will meet on November 19, 2019 to evaluate bid responses for supplemental benefits and interview remaining bidders. The incumbent vendor, AFLAC did not to bid on a new contract. Effective July 1, 2020 the State will have a new vendor. Recommendations are expected to be ready for the Committee's review at the December meeting.

FINANCIALS – MR. CHRIS GIOVANNELLO, WTW

September Fund Report

Total premium contributions were lower than budget as a result of a missed collection. The October Fund Report will reflect two collections to even out the variance.

As expected, and as a result of using a 5% composite trend assumption, claims came in slightly under budget while pharmacy claims exceeded budget.

There was a drop in net income of $4.26M, bringing the Fund Equity Balance in line with budget.

Director Jackson asked for clarification about the drop in premium contributions. Mr. Giovannello responded that $1.1M of the $2.0M variance due to a late Pension Office premium payment that will be collected and reflected in October.

FY20 Q1 Financial Reporting

The cost analysis presented to the Committee compares FY19 Q1 with FY20 Q1 on a paid-basis compared to budget.

A deeper dive into cost drivers will be presented in December when incurred reporting becomes available.

Medical program costs overall are up 6.6%, pharmacy is down 2.9%, driven by a 2.1% increase in employees and a 1.4% increase in members over the prior period. The decrease in pharmacy is driven by other revenues such as improved rebates and improved EGWP (Medicare) collections. When isolating for pharmacy claims there is a $5.0M increase.

On a Per Member Per Year ("PMPY") basis, medical costs are up 5.2%, pharmacy is down 4.2% over the prior Q1. When looking at FY20 actual budget, there is a decrease overall relative to budget, including a 1.3% drop in total program costs, and a 0.6% drop in both Per Employee Per Year ("PEPY") and PMPY. This is a result of a 6-month lag in medical claims reported and the coverage gap discount payment as compared to claims incurred in Q1.

There will be ongoing analysis of emerging trends, but overall the plan is on budget.

Dir. Jackson stated that trends are as expected, but the premium contribution growth rate remains at 1%, well under the 4% trend assumption. He cautioned the Committee that a long-term structural solution is necessary. Mr. Giovannello responded that the 1% assumption on growth rate is tied exclusively to increased membership.

Quality metrics reflect decreases in chronic conditions, including the prevalence for asthma, diabetes and hypertension as well as favorable trends in preventive visits.

There has been a decline in High Cost Claimants ("HCC"). Specialty drugs continue to be a driver in pharmacy spend, as a result of a 23% increase in utilization. There has been an 8% decrease in the number of admits offset by an increase in the cost and length of stay.

GHIP LONG TERM PROJECTION RECAST – MR. CHRIS GIOVANNELLO, WTW

Members reviewed a recast of the FY20 budget and a revised projection for FY21 based on updated claims experience in FY20 Q1.

The updated FY20 budget is $838.8M that aligns with the budget projection made in FY19 Q4. Revenues, rebates and the prospective reinsurance adjustment have all been updated. All program changes and passed legislation are also included.

On a rolling 12-month basis, claims are trending 5.1% higher than the prior period. Typically, medical claims are lowest in Q1, and pharmacy claims are highest in Q4.

FY21 projections increased by 5.6% over the FY20 recast based on an increase in claims experience offset by a drop in enrollment and increased other revenues. Current forecasting uses a 5% trend based on GHIP claims data. Claims have stabilized over the last three years. Alternate budget scenarios were calculated using 5.5% and 8% trend assumptions.

The fund is expected to end the year with a $71.2M surplus, that includes a $1M increase in FY20 claim liability based on experience through FY20 Q1.

The Committee reviewed premium increase scenarios for FY21 and beyond.

Based on a 2% premium rate increase effective July 1, 2020, FY21 would end with a surplus of $35.6M and FY22 would end with a deficit of $28.6M. Forecasted to FY25, this scenario projects a deficit of $440.8M. A 2% increase equates to a $11.3M General Fund allocation.

A 1% increase effective July 1, 2020 the FY21 surplus would drop to $27.2M and end FY22 with a deficit of $54.2M. Forecasted to FY25, this scenario projects a deficit of $575.7M. A 1% increase equates to a General Fund allocation of $5.6M.

No premium rate increase would drop the FY21 surplus to $18.8M and end FY22 with a deficit of $79.7M. Forecasted to FY25, this scenario projects a deficit of $707.3M.

Secretary Johnson queried the average percent that employers subsidize healthcare. Mr. Fyock responded that it was difficult to make a direct comparison without normalizing data.

In December there will be a full-year review of FY19 financials and utilization data, including a review of Q4 incurred reporting and an analysis of HCCs.

Data through FY20 Q2 will be presented in February. A vote on FY21 rate increases is expected as early as February. Dir. Rentz added that SBO is working to evaluate program savings.

Dir. Jackson cautioned the Committee to be mindful of the larger budget structure, and considerations outside of healthcare; however, the Committee must begin discussions about how the GHIP will solve for the projected deficits beyond FY22.

STRATEGIC FRAMEWORK – MS. JACLYN IGLESIAS, WTW

Recommendations were made for updates to the goals within the Strategic Framework approved by the Committee in December 2016. The Committee has had a turnover in membership, and revisiting goals insures that the framework is representative of the collective group and aligns with key priorities. The Framework is comprised of mission, goals, strategies and tactics. A discussion on strategies and tactics will be tabled for a later date.

The prior goal of adding a value-based care delivery model by the end of FY18 is complete but remains an ongoing focus for the Committee. New goals were proposed; utilize the Alternative Payment Model ("APM") framework, to embed at least one net new measurable modification within the GHIP offerings by end of FY23; and a 5% reduction in diabetic related costs PMPM by the end of FY21.

Sec. Walker suggested that the first goal be measured by a percent in Category 4 of the APM. She added that setting a specific number would be a helpful metric, and that a reduction of 5% may be too low. She would also like to see metrics on other chronic conditions.

Treasurer Davis queried what the diabetic cost PMPM is currently. Ms. Warnken will follow up on prevalence and cost.

Sec Johnson asked what could be done to reduce PMPM spend on chronic conditions. Mr. Fyock replied that multiple strategies can be employed to reduce costs, including some programs recently adopted.

Sec. Johnson would like to see goals for modernizing the architecture of the GHIP to offer new products to engage the younger population. Mr. Fyock agreed, adding that consumerism and engagement will be part of the strategy and tactics.

A prior goal to exceed 25% of the GHIP in a consumer-driven or value-based plan by FY20 has been completed but remains a priority of the Committee. The suggested update for this goal is to focus on the utilization of specific consumerism and engagement tools with a focus on the changing demographic.

Sec. Johnson would like increased engagement across all members and reduced overall costs. Mr. Fyock agreed that engagement, cost management and consumerism should be a focus at the point of engagement and the point of care.

Dir. Jackson would like to promote employee engagement by supporting them through the process to ensure they understand the plan offerings they have available. Sec. Walker added that employees want a person that they can sit down with to help walk them through the process.

Finally, the prior goal to reduce the GHIP medical and prescription drug trend by 2% by the end of FY20 is being monitored through the end of FY20 and is ongoing. The proposed update to this goal is to reduce the cost of care for

GHIP participants by lowering select components of spend by 3% through the end of FY23. Some potential components could include the costs of outpatient facilities, inpatient facilities, and pharmaceuticals.

Sec. Walker would like the goal to focus on the total cost of care, potentially using the healthcare spending benchmark as the goal. Mr. Fyock responded that maybe there is an opportunity to use specific components as tactics.

There was a discussion regarding the need to set goals to align Delaware's hospital costs with comparable markets. Members would also like to see goals to improve vendor transparency.

Feedback will be incorporated and presented for further discussion and potential vote at the December 16, 2019 meeting. An outline of potential strategies and tactics including feedback from the Committee will also be presented.

Sec. Walker requested that the Committee revisit workplace wellness strategies and potentially pilot programs that align with the goals of the framework.

OPIOID MANAGEMENT PROGRAM – DIRECTOR RENTZ

The contract negotiated with Express Scripts ("ESI") includes a Pharmacy Management Fund of $5 per covered life for specific permitted uses. The use of the funding is limited to clinical program fees, custom communications, IT projects, and data extracts.

The funding cannot be used to offset or reduce administrative fees or the prescription claim expenses of our members. There are 18 months remaining in the current contract and there is a significant fund balance that will expire. One permitted option for the fund is to enroll in ESI's new Opioid Management program.

It is estimated that 17K GHIP members are prescribed an opioid in any given plan year. Of members who are prescribed an opioid, 26% are at risk for long-term opioid abuse, and 26% of those are at risk for addiction. Opioid addiction is attributable for 64% of medically related absenteeism in the workplace.

Currently the GHIP is enrolled in ESI's Fraud, Waste and Abuse program that identifies outliers in the GHIP population that may be at risk for abusing medications, including opioids. However, the data is analyzed after prescriptions have been filled to flag individuals and providers for outreach.

The Opioid Management program targets outreach to the member filling the prescription as well as the physician who prescribed the medication at the point of sale. Members will receive a letter in the mail after filling the prescription. Physicians are alerted to potentially hazardous drug combinations, and potential misuse.

Additionally, there would be limitations on first time fills, as well as tighter quantity limits. Members would receive bags to safely dispose of unused medications and may also receive soft referrals for other GHIP benefits available to them related to addiction.

The Subcommittee had concerns regarding the cost of the program. If implemented in March 2020 the remaining fund allowance would sustain the benefit at no additional cost to the GHIP through the remainder of the contract (June 2021 for the commercial population and December 31, 2021 for the Medicare Part D population).

This provides the opportunity to pilot the success of the program. SBO will research programs that support opioid management, and work to expand the permitted use of future pharmacy management funds. The Subcommittee agreed the Opioid Management program would be an appropriate use of the fund allowance and recommended that it be presented for a vote.

The Committee discussed the narrow limitations of the fund allowance. They would like to see a broader use for any future fund allowance, including behavioral health services.

The program requires 90 days to implement.

A MOTION was made by Sec. Johnson and seconded by Sec. Walker to approve the use of the Pharmacy Management Fund allowance to implement the Opioid Management program.
MOTION ADOPTED UNANIMOUSLY

OTHER BUSINESS
No new business.

PUBLIC COMMENT
No public comment.

EXECUTIVE SESSION
A MOTION was made by CG Morton and seconded by Treasurer Davis to move into Executive Session at 3:38 p.m. to discuss a disability insurance appeal.
MOTION ADOPTED UNANIMOUSLY

CALL TO ORDER
Dir. Jackson called the public meeting back to order at 3:57 p.m.

ADJOURNMENT
A MOTION was made by CG Morton and seconded by Secretary Johnson to adjourn the meeting at 3:58 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