



**MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE  
FEBRUARY 17, 2020**

The State Employee Benefits Committee (the “Committee”) held a meeting on February 17, 2020 in Room 112 of the Tatnall Building located at 150 Martin Luther King Jr. Blvd. Dover, Delaware 19901.

Committee Members Represented or in Attendance:

Secretary Sandra Johnson, Department of Human Resources (“DHR”), Co-Chair  
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer  
The Honorable Bethany Hall-Long, Lieutenant Governor, Office of the Lt. Governor  
The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance  
Mr. Steve Costantino, Dir. Of Health Care Reform, Dept. of Health and Social Services (Designee OBO Secretary Kara Walker)  
Mr. Jeff Taschner, Executive Director, Delaware State Education Association (Appointee of the Governor)  
Ms. Ashley Tucker, Staff Attorney, Administrative Office of the Courts (Designee OBO Chief Justice Collins Seitz)

Committee Members Not Represented or in Attendance:

Director Michael Jackson, Office of Management & Budget (“OMB”), Co-Chair  
Controller General Mike Morton, Office of the Controller General

Others in Attendance:

Director Faith Rentz, Statewide Benefits Office (“SBO”), DHR	Ms. Heather Johnson, Sr. Fiscal Admin. Officer, DHR
Deputy Director Leighann Hinkle, SBO, DHR	Mr. Russ Larson, ByrdGomes Group
Deputy Attorney General, MaryPage Bailey, Dept. of Justice	Ms. Lisa Mantegna, Highmark Delaware
Mr. Kevin Fyock, Willis Towers Watson (“WTW”)	Mr. Walt Mateja, IBM Watson Health
Mr. Chris Giovannello, WTW	Ms. Sharon Miller, Administrative Assist. SBO, DHR
Ms. Jaclyn Iglesias, WTW	Ms. Emily Molinaro, Fiscal & Policy Analyst, OMB
Ms. Rebecca Warnken, WTW	Ms. Jennifer Mossman, Highmark Delaware
Ms. Joanna Adams, Administrator, Office of Pensions	Ms. Kathy Nerlinger, University of DE
Ms. Jennifer Bredemeier, University of Delaware	Mr. Tanner Polce, Policy Director, Office of Lt. Gov.
Ms. Christina Bryan, Delaware Healthcare Association	Ms. Pam Price, Highmark Delaware
Ms. Cherie Dodge Biron, Controller, DHR	Dr. George Schreppler, DE Chiropractic Services Network
Ms. Jaqueline Faulcon, Retired State Employees Assoc.	Ms. Judi Schock, Deputy Principal Assistant, OMB
Mr. Kevin Goodwin, Member of the Public	Mr. Stuart Snyder, Chief of Staff, DOI
Ms. Judy Grant, Health Advocate	Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Katherine Impellizzeri, Aetna	Mr. Jim Testerman, DSEA (Ret.)

**CALLED TO ORDER**

Secretary Johnson called the meeting to order at 2:02 p.m. and introductions were made.

**APPROVAL OF MINUTES – SECRETARY JOHNSON**

A MOTION was made by Treasurer Davis and seconded by Lt. Gov. Hall-Long to approve the minutes from the January 13, 2020 meeting of the State Employee Benefits Committee.

MOTION ADOPTED UNANIMOUSLY

**STATE OF DELAWARE STATEWIDE BENEFITS OFFICE**

**DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ**Subcommittee Updates

The Subcommittee met in a combined meeting on February 13, 2020 to review the financial experience through FY20 Q2. The Subcommittees requested additional modeling scenarios for the Committee's consideration.

Legislative/Policy Updates

SBO continues to monitor several bills being considered by the Legislature and is participating on four legislative task forces.

- HB 263 proposes to implement a copay cap of \$100/month on insulin medications and requires that insulin be available on the lowest tier formulary. SBO supports the bill.
- HB 268 requires coverage on the lowest tier formulary for EpiPens. SBO supports the bill.
- HB 286 prohibits inadvertent out-of-network services that could be performed in an in-network setting. SBO supports the bill.
- HCR 35 sponsored by Representative Siegfried assembled a Pharmacy Purchasing Workgroup. A report has been finalized for submission to the General Assembly and administration. Rep Siegfried has introduced HB 287 that forms a Purchasing Collaborative and incorporates transparency requirements for PBM/pharmacy purchasing contracts after July 14, 2021.

Insurance Commissioner Navarro asked Dir. Rentz to clarify the position of the SEBC on HB 287. Dir. Rentz responded that the SEBC is largely in support of the Bill as it relates to forming a Purchasing Collaborative. She added that the transparency requirements could impact PBMs bidding on State business. The effective date was intentionally delayed allowing the SEBC to release the RFP for PBM services later this year and to enter into a contract ahead of that effective date.

- HCR 57 sponsored by Rep Bennett initiated a pharmacy reimbursement taskforce. The deadline for report to General Assembly and administration was extended until March 31, 2020 and the group continues to meet to review the best practices in other states, and the Department of Insurance's Development of Regulations as it relates to HB 194. Consideration is being given to a possible amendment to HB 216 that would remove the requirement that pharmacies not be reimbursed less than the PBM reimbursement.

OPEB Workgroup

The Post-employment Benefits Workgroup will provide an update to DEFAC in March. The group is expected to continue to meet to discuss potential changes to the Medicare retiree healthcare benefits and changes in eligibility to reduce the unfunded liability of retiree healthcare benefits.

Primary Care Collaborative

The Primary Care Collaborative ("PCC") met February 10, 2020 where Johns Hopkins researchers and SBO were presenters. SEBC has been asked to make recommendations at the March meeting on options to reallocate existing healthcare spend to increase spend on primary care.

FY21 Dental & Vision Premium Rates

The Dental and Vision contracts are entering the fifth and final year. Premium rates have been negotiated and finalized for an effective date of July 1, 2020. There is a 2.5% increase for the Dominion HMO Plan, a 3.1% increase in the Delta PPO Plan, and a 2.3% increase in the EyeMed vision rates.

The Executive Session items were tabled until March 9, 2020.

Dir. Rentz noted the additional materials included in the Committee's handouts, including a brief from the National Alliance of Healthcare Purchaser Coalitions related to hospital payment strategies and setting price/quality expectations. The piece provides action steps for employers including recommendations from the RAND 2.0 Study. Delaware is participating in the RAND 3.0 Study; results are expected in Q2 of CY20.

## **FINANCIALS**

### December Fund Report- Mr. Chris Giovannello

Claims were \$2.0M above budget for the month of December, and \$12.5M over budget for the year.

A row has been added to the report for SurgeryPlus and reflects the first claim paid.

The Fund Equity balance is \$156.0M or \$13.5M below budgeted balance through December.

There was a discussion regarding the variance in the Medicare Coverage Gap discount payment. Mr. Giovannello confirmed that there is a six-month lag in the payment compared to incurred expenses. It was noted that the major cost driver is pharmaceuticals.

### FY20 Q2 Financial Reporting

The Committee reviewed experience in FY20 through Q2. A row has been added to the executive summary to look at trend on a gross claims basis in addition to the net trend. Gross claims on the medical are up 6.3%, and pharmacy is up 8% for a total of 6.8% trend year-over-year. Gross claims can be compared to the total program costs that includes claims, fees, rebates, and EGWP revenues; total program cost trend is 5.3% for medical and 1.1% for pharmacy for a total trend of 4.4%. Premium contributions are up 1% in aggregate.

The Committee compared FY20 YTD experience to FY20 budget YTD. Actual experience includes 13 pharmacy invoices paid to ESI, while the budget includes 14 as a result of timing differences. Pharmacy claims paid are \$140.6M, compared to \$139.7M budgeted. On a per member per year ("PMPY") basis relative to budget the fund is 1% below budget; however, if smoothed for the pharmacy invoice it would be approximately 2% above budget on PMPY basis.

Favorable trends continue in the prevalence of asthma, diabetes and hypertension. Well child/baby and preventative adult visits exceed benchmarks.

High Cost Claimants ("HCC") increased 6% in frequency of claimants over the prior period translating to a 10% increase in payments driven by specialty spend (42% of allowable pharmacy spend attributable to specialty with a 27% increase in utilization).

Sec. Johnson queried what was contributing to favorable trends in chronic disease. Mr. Giovannello replied that more data will be available in the incurred reporting, adding that while the trend is in the right direction it is still higher than benchmark. Ms. Warnken responded that the care management programs and initiatives adopted to date may have a small impact but could be attributable to the changing population.

In-patient admission declined 4% over the prior period but is offset by a 7% increase in cost-per-admit and a 6% increase in length of stay.

Mr. Taschner queried about increasing the threshold that defines High Cost Claimants (\$100K in net medical/pharmacy payments). Ms. Warnken responded that it is still appropriate, but higher thresholds including \$200K and \$500K are also reported.

FY21 GHIP Rates

There was a continued discussion on recent Group Health Insurance Program (“GHIP”) initiatives, a refresh of long-term healthcare projections based on the data through FY20 Q2, and initial modeling and timing for potential premium rate increases.

The GHIP program has a 5-6% net trend (factoring in rebates and EGWP revenues) and is consistent with benchmark. Gross claims average 5%. Membership growth has averaged 1% annually.

A review of premium rates reflect that rates have been held flat except for a 17% increase in 2016 and an 8% increase in 2017. It is a goal of the Financial Subcommittee to avoid significant impacts to members by smoothing the surplus over multiple years.

It is a goal of the SEBC to reduce overall costs. The Committee has been successful in improving the efficiency of the GHIP through vendor contract negotiations, site of care steerage, clinical management programs, carve-out centers of excellence, and other initiatives.

A review of the experience for FY20 GHIP initiatives does not indicate a need to change trends assumptions. Livongo estimates engaged members have lowered their A1C from 7.6% to 7.0% for an estimated \$400K in FY20 savings. SurgeryPlus reported a YTD savings of \$219K; WTW is validating the estimate. Enhanced fertility coverage experience reflects a minimal increase in overall costs.

Livongo reported interim results since its July 1, 2019 implementation. They identified 14K members as candidates for participation, and reportedly have enrolled 13%.

Sec. Johnson queried whether the 14K members identified by Livongo include the total population attributable to the \$104.0M spend on diabetes. Mr. Fyock confirmed, adding that the decrease is more significant than it sounds.

It is recommended that the GHIP maintain programs in place today and continue to monitor the emerging experience with a focus on communication and education.

The FY20 budget recast increased to \$845.7M, representing a 0.8% increase over the previous FY20 Q1 update, driven primarily by an increase in claims experience and enrollment. The FY20 budget includes a \$1.2M prospective reinsurance true-up received in August 2019 and a \$5.2M CY2018 EGWP financial reconciliation payment received January 2020.

The FY21 budget increased to \$899.5M, representing a 1.5% increase over the previous FY20 Q1 update.

Trend experience for a rolling 12 months period reflects that claims are 5.5% higher than the prior period: medical 4.2% and pharmacy 8.3%. The FY20 trend assumption was a 5% composite. It is recommended to maintain trend assumption for medical and increase pharmacy to 8% to more closely align with recent GHIP experience and market data for a 5.7% composite trend.

Sec. Johnson queried whether the pharmacy data was available on the consortium referred to in HB 287. Ms. Warnken responded that she would follow up, but added data is likely still emerging. Mr. Fyock cautioned against a retroactive analysis and encouraged the Committee to focus on prospective trends.

Based on updated financial projections as of FY20 Q2, the GHIP is projected to end FY20 with a \$72.2M surplus.

The ESI year-five contract renegotiation is estimated to generate \$7.8M in savings, reducing the surplus to \$13.8M in FY21.

Delaware code establishes the employee cost sharing percentage for each medical plan, stating the State premium share cannot be increased without also increasing employee contributions. This prevents any increase in FY20.

ESI provided a best and final offer for a traditional and a transparent one-year renewal for both the EGWP and Commercial populations in January 2020. The traditional offer provides a combined contract improvement of \$12.2M over the current terms and \$5.1 over the initial offer. The transparent offer provides a combined contract improvement of \$7.4 over the current terms and \$5.4M over the initial offer.

The transparent offer has higher costs before rebates due to added fees and a lower minimum guarantee, but has potential upside for retail pass-through.

The Committee reviewed long-term projections for several premium rate increase scenarios. Premium increases varied from 3.5% to 6.3% depending on implementation date and whether the budget was balanced through FY21 or FY22.

Sec. Johnson clarified that the projections include the projected savings from all programs. Ms. Warnken confirmed.

Mr. Taschner noted that the scenarios do not include copay increases.

Members compared the scenarios required to balance the budget through FY21 and FY22. The premium increase ranges from \$0.97 - \$9.55 or \$1.76 - \$17.24 per employee monthly depending on plan type, and the State share ranges from \$20.1M to \$36.0M.

Mr. Taschner requested the long-term healthcare cost projections for the remaining 5 scenarios. Ms. Warnken will follow up.

Claims experience through Q3 will be available for the May 2020 meeting in time to allow the Joint Finance Committee the opportunity to discuss adding additional GHIP funding in FY21.

#### **GHIP STRATEGIC FRAMEWORK UPDATES & REVISIONS – JACLYN IGLESIAS, WTW**

The Committee reviewed the requested changes to the revised goals, strategies and tactics of the overall GHIP Strategic Framework.

- Goal 1 was updated to increase the GHIP spend in Category 3 to 40% and Category 4 to 10% by the end of FY23 as defined using the Alternative Payment Model.

Members discussed that the target is ambitious and should be revisited in 12 months.

- Goal 2 was updated to reduce the GHIP diabetic cost per member per month by 8% by the end of FY23.
- Goal 3 limits the total cost of care inflation for GHIP participants at a level commensurate with the Healthcare Spending Benchmark (currently 3.8% for 2019) by the end of FY23 by focusing on (but not limited to) outpatient and inpatient facility costs, and pharmaceutical costs.

The strategy was updated to include continued monitoring of the GHIP claims experience to identify areas of unnecessary spending.

Tactics were updated to include monitoring of SurgeryPlus utilization and continued engagement through additional member education and review of incentives.

- Goal 4 strives to increase the number of unique users utilizing a specific point-of-enrollment and/or point-of-care engagement platform/consumerism tool by at least 5% annually.

The Strategy was updated to include a focus on employee education.

Tactics were updated to including a focus on engaging new employees.

Sec. Johnson supports a focus on new hires. Dir. Rentz added that SBO is working with PHRST and OMB to develop a platform for new hires beginning in July 2021 that will support consumer decision tools and benefit enrollments.

A MOTION was made by Mr. Taschner and seconded by Mr. Costantino to approve the changes to the SEBC Strategic Framework as presented.

MOTION ADOPTED UNANIMOUSLY

**OTHER BUSINESS**

Mr. Taschner announced that his term will be ending after the March meeting.

**PUBLIC COMMENT**

No public comment.

**ADJOURNMENT**

A MOTION was made by Treasurer Davis seconded by Lt. Gov. Hall-Long to adjourn the meeting at 3:25 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