

The State of Delaware

Group Health Insurance Plan

Long-term Projections as of FY20 Q2

March 9, 2020

This document was prepared for the State of Delaware's sole and exclusive use and on the basis agreed by the State. It was not prepared for use by any other party and may not address their needs, concerns or objectives. This document should not be disclosed or distributed to any third party other than as agreed by the State of Delaware and Willis Towers Watson in writing. We do not assume any responsibility, or accept any duty of care or liability to any third party who may obtain a copy of this presentation and any reliance placed by such party on it is entirely at their own risk.

Today's discussion

- Recap of GHIP long term health care cost projections
- FY21 monthly rates and employee/retiree contributions
- Next steps

Objective for today's discussion:

Review and discuss potential FY21 rate action and target implementation date

GHIP long term health care cost projections (FY20 Q2 update)

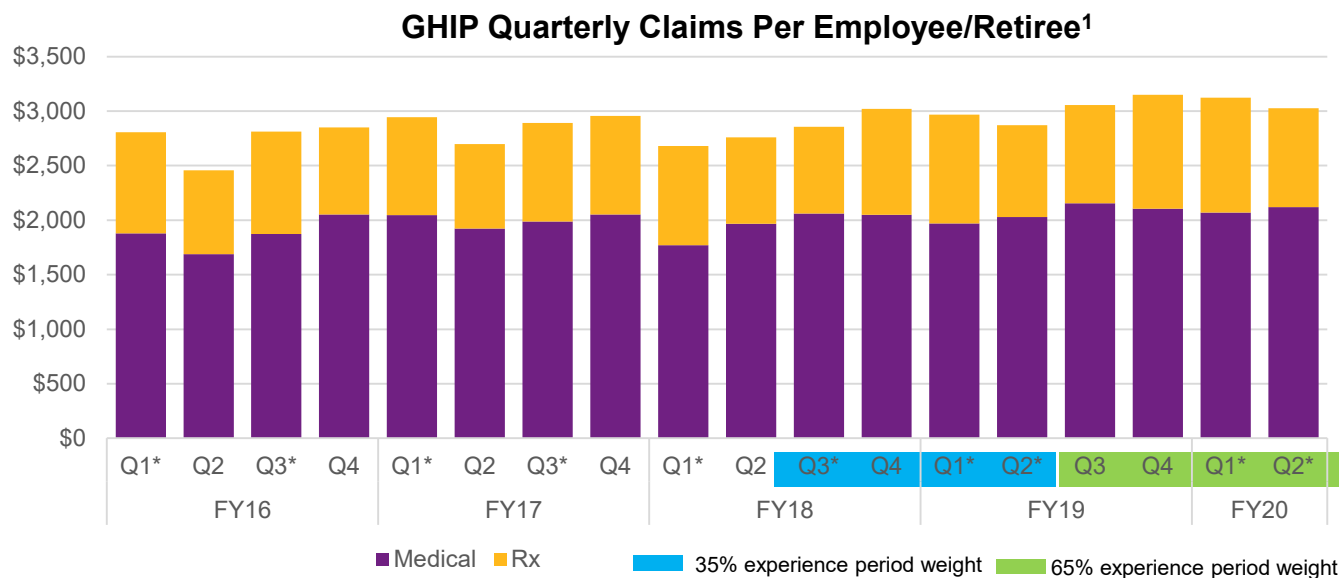
FY20 recast and FY21 projected budget

- Willis Towers Watson (WTW) revised GHIP financial projections based on updated claims experience through December 2019 (FY20 Q2):
 - Recast FY20 budget of \$849.3M is up 1.3% (\$10.5M) from previous FY20 Q1 update of \$838.8M
 - Increase mainly driven by FY20 Q2 claims experience and increased enrollment
 - Increase in other revenues attributed to updated Federal Reinsurance prospective payment amount of \$40.77 per member per month for CY2020
 - FY20 budget includes \$1.2M prospective reinsurance true-up received in August 2019 (excludes \$5.2M CY2018 financial reconciliation payment received in January 2020)
 - Projected FY21 budget of \$903.3M up 2.0% (\$17.5M) from previous FY20 Q1 update of \$885.8M
 - Projected FY21 budget represents a 6.4% increase over FY20 budget recast

Component (\$ millions)	Description	FY20	FY21
FY20 Q1		\$838.8	\$885.8
Claims Experience	Claims experience updated through FY20 Q2	\$8.3	\$17.3
Enrollment	Expected claims and premium increase due to growth in covered population	\$1.0	\$1.0
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees (excludes \$5.2M EGWP financial reconciliation payment received January 2020)	\$1.2	(\$0.8)
FY20 Q2		\$849.3	\$903.3

GHIP long term health care cost projections (FY20 Q2 update)

FY20 recast and FY21 projected budget – claims experience



- On a rolling 12-month basis, gross per employee claims through FY20 Q2 are 5.5% higher than the prior period
 - Medical trend: 4.2%; Rx trend: 8.3%
- Prior trend assumption of 5% composite for medical/Rx is on the more aggressive end of WTW recommended range – WTW recommends increasing pharmacy trend assumption to 8%, more closely aligned with recent GHIP experience and market data

WTW recommended annual trend assumption: 5% medical, 8% pharmacy

¹Based 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

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	1/1/18 - 12/31/19	1/1/18 - 12/31/19	1/1/17 - 12/31/19	
	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)	\$849.3	\$849.6	\$853.7	
	FY21 Aggregate Costs (Projected)	\$903.3	\$904.5	\$907.3	
	FY21 Overall % Change (vs FY20 Recast)	6.4%	6.5%	6.3%	
	FY21 Overall \$ Change (vs FY20 Recast)	\$54.0	\$54.9	\$53.6	
Vary the health care trend	FY21 Medical Trend	5%	5%	5%	
	FY21 Pharmacy Trend	8%	6%	10%	
	FY20 Aggregate Costs (Recast)	\$849.3	\$845.2	\$853.4	
	FY21 Aggregate Costs (Projected)	\$903.3	\$893.9	\$912.9	
	FY21 Overall % Change (vs FY20 Recast)	6.4%	5.8%	7.0%	
	FY21 Overall \$ Change (vs FY20 Recast)	\$54.0	\$48.7	\$59.5	

Note: FY20 recast and FY21 projected aggregate costs based on experience through FY20 Q2 consistent with long-term projection exhibit; assumes 1% membership growth during FY20 and FY21; current assumptions include 35%/65% prior/current experience period weighting; 5% medical, 8% pharmacy trend

GHIP long term health care cost projections

FY21 premium rate action discussion

- To maintain the long-term stability of the Fund, the Financial Subcommittee recommends smoothing any available surplus over minimum of two years
- SEBC initiatives have been successful at mitigating trend through FY19, allowing premium rates to be held flat for GHIP members in FY18-FY20 despite estimated 14% increase in per capita gross claims from FY17 to FY20
- If no program changes are adopted and premium rates are held flat in FY21, GHIP expenses are projected to exceed revenue by \$53.0m in FY21 and **the GHIP is projected to end FY21 with a \$13.8m surplus**, effectively wiping out most of the \$72.3m surplus through December 2019
- A 7/1/2020 rate increase is likely not possible given the amount of time needed to implement a premium increase
- The Financial Subcommittee is tasked with recommending the **timing** (e.g., 10/1/2020, 1/1/2021) and **level of rate increase** for FY21

Reminder: Legislative Constraint

Delaware code establishes the employee cost sharing percentage for each medical plan, and the State premium share cannot be increased without also increasing employee contributions

GHIP long term health care cost projections (FY20 Q2 update)

FY21 premium rate action discussion

- Based on updated financial projections as of FY20 Q2, the GHIP is projected to end FY20 with a \$72.2M surplus
- ESI Year 5 contract renegotiation estimated to generate \$7.8m in savings to offset a portion of the shortfall in FY21
 - After reflecting PBM contract savings, FY21 projected to end with a \$13.8m surplus, but still falls short of surplus target with 2-year smoothing
- Minimal plan changes are anticipated for FY21 as the Subcommittees assess the impact of changes adopted for FY20 and continue to focus on member education around existing initiatives
- Rate increase needed to smooth FY20 surplus over 2 years

GHIP Costs (\$ millions)	FY20 Projected ^{1,6}	FY21 Projected ⁶
Average Enrolled Members	128,147	129,428
GHIP Revenue		
Premium Contributions – No Rate Increase (Increasing with Enrollment) ²	\$834.3	\$842.6
Other Revenues ³	\$117.5	\$123.4
Total Operating Revenues	\$951.8	\$966.0
GHIP Expenses (Claims/Fees)		
Operating Expenses ⁴	\$961.5	\$1,026.8
PBM Contract Renegotiation (Year 5)*		(\$7.8)
Total Operating Expenses	\$961.5	\$1,019.0
Adjusted Net Income (Revenue less Expense)	(\$9.8)	(\$53.0)
Balance Forward	\$163.8	\$154.0
Ending Balance	\$154.0	\$101.1
- Less Claims Liability ⁵	\$57.5	\$61.4
- Less Minimum Reserve ⁵	\$24.3	\$25.9
GHIP Surplus (After Reserves/Deposits)	\$72.2	\$13.8

*Please refer to Appendix detailed projection footnotes. PBM contract renegotiation savings reflected as an expense reduction (see slide 33 for details).

GHIP long term health care cost projections (FY20 Q2 update)

Premium rate increase scenarios

- The following pages show the revised long term projections reflecting claims data through FY20 Q2 under three premium rate increase scenarios:
 - 2.6% premium increase in FY21, 2% annual increase thereafter (\$36.1M projected surplus through end of FY21 – satisfies Financial Subcommittee recommendation to smooth available surplus over two years)
 - Requires premium rates to increase 3.5% effective 10/1/2020 or 5.3% effective 1/1/2021
 - 4.8% premium increase in FY21, 2% annual increase thereafter reduces the FY22 projected deficit to \$0
 - Requires premium rates to increase 5.4% effective 10/1/2020 or 6.3% effective 1/1/2021
 - Hold premium rates flat in FY21 (**\$13.8M projected surplus** through end of FY21)
- A rate increase of 6.9% would be required if no surplus is used in FY21 (in other words, maintaining the \$72.2M 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 FY20 Premium Increase	FY21 Premium Revenue Increase	State Share	Employee Share	General Fund Allocation	Employee Premium Increase (monthly)	Premium Increase as % of Pay (Salary = \$25k)	FY21 Surplus/ (Deficit)	FY22 Surplus/ (Deficit)*
+2.6% eff 7/1/20	\$22.3M	\$20.1M	\$2.2M	\$15.0M	\$0.72 – \$7.09	0.03% – 0.34%	\$36.1M	(\$35.6M)
+3.5% eff. 10/1/20	\$22.3M	\$20.1M	\$2.2M	\$15.0M	\$0.97 – \$9.55	0.05% – 0.46%	\$36.1M	(\$28.1M)
+5.3% eff. 1/1/21	\$22.3M	\$20.1M	\$2.2M	\$15.0M	\$1.48 – \$14.46	0.07% – 0.69%	\$36.1M	(\$13.2M)
+4.8% eff 7/1/20	\$40.0M	\$36.0M	\$4.0M	\$26.9M	\$1.34 – \$13.10	0.06% – 0.63%	\$53.8M	\$0
+5.4% eff. 10/1/20	\$34.3M	\$30.8M	\$3.4M	\$23.0M	\$1.51 – \$14.79	0.07% – 0.71%	\$48.0M	\$0
+6.3% eff. 1/1/21	\$26.6M	\$24.0M	\$2.7M	\$17.9M	\$1.76 – \$17.24	0.08% – 0.83%	\$40.4M	\$0
0%	\$0	\$0	\$0	\$0	\$0	0%	\$13.8M	(\$97.4M)

GHIP long term health care cost projections (FY20 Q2 update)

No premium increases FY21-FY25

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected ^{1,6}	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶	FY24 Projected ⁶	FY25 Projected ⁶
Average Enrolled Members	126,360	128,147	129,428	130,722	132,029	133,349	134,682
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$834.3	\$842.6	\$851.0	\$859.5	\$868.1	\$876.7
<i>Hold premium rates flat FY21 and beyond</i>	-	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$98.5	\$117.5	\$123.4	\$131.4	\$140.0	\$149.0	\$158.7
Total Operating Revenues	\$915.9	\$951.8	\$966.0	\$982.4	\$999.5	\$1,017.1	\$1,035.4
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$904.0	\$961.5	\$1,026.8	\$1,096.1	\$1,170.1	\$1,249.1	\$1,333.4
% Change Per Member	5.1%	4.9%	5.7%	5.7%	5.7%	5.7%	5.7%
PBM Contract Renegotiation (Year 5) ⁷			(\$7.8)	(\$8.3)	(\$8.9)	(\$9.5)	(\$10.1)
Adjusted Net Income (Revenue less Expense)	\$11.9	(\$9.8)	(\$53.0)	(\$105.4)	(\$161.7)	(\$222.5)	(\$287.9)
Balance Forward	\$151.8	\$163.8	\$154.0	\$101.1	(\$4.3)	(\$166.0)	(\$388.5)
Ending Balance	\$163.8	\$154.0	\$101.1	(\$4.3)	(\$166.0)	(\$388.5)	(\$676.4)
- Less Claims Liability ⁵	\$58.8	\$57.5	\$61.4	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5	\$33.6
GHIP Surplus (After Reserves/Deposits)	\$80.7	\$72.2	\$13.8	(\$97.4)	(\$265.4)	(\$494.6)	(\$789.6)

Please refer to Appendix for FY17 and FY18 actual results (slide 23) and detailed projection footnotes (slide 24)

GHIP long term health care cost projections (FY20 Q2 update)

2.6% FY21 premium increase on 7/1/2020, 2% annual premium increase FY22-FY25

Not a likely scenario given inefficient time to implement a rate increase effective 7/1/2020

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected ^{1,6}	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶	FY24 Projected ⁶	FY25 Projected ⁶
Average Enrolled Members	126,360	128,147	129,428	130,722	132,029	133,349	134,682
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$834.3	\$842.6	\$851.0	\$859.5	\$868.1	\$876.7
<i>2.6% Premium Increase FY21, 2% annual increase thereafter</i>	-	-	\$22.3	\$39.5	\$57.1	\$75.0	\$93.3
Other Revenues ³	\$98.5	\$117.5	\$123.4	\$131.4	\$140.0	\$149.0	\$158.7
Total Operating Revenues	\$915.9	\$951.8	\$988.4	\$1,021.9	\$1,056.6	\$1,092.1	\$1,128.7
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$904.0	\$961.5	\$1,026.8	\$1,096.1	\$1,170.1	\$1,249.1	\$1,333.4
% Change Per Member	5.1%	4.9%	5.7%	5.7%	5.7%	5.7%	5.7%
PBM Contract Renegotiation (Year 5) ⁷			(\$7.8)	(\$8.3)	(\$8.9)	(\$9.5)	(\$10.1)
Adjusted Net Income (Revenue less Expense)	\$11.9	(\$9.8)	(\$30.6)	(\$65.9)	(\$104.6)	(\$147.5)	(\$194.6)
Balance Forward	\$151.8	\$163.8	\$154.0	\$123.4	\$57.5	(\$47.1)	(\$194.6)
Ending Balance	\$163.8	\$154.0	\$123.4	\$57.5	(\$47.1)	(\$194.6)	(\$389.1)
- Less Claims Liability ⁵	\$58.8	\$57.5	\$61.4	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5	\$33.6
GHIP Surplus (After Reserves/Deposits)	\$80.7	\$72.2	\$36.1	(\$35.6)	(\$146.5)	(\$300.7)	(\$502.3)

Please refer to Appendix for FY17 and FY18 actual results (slide 23) and detailed projection footnotes (slide 24)

GHIP long term health care cost projections (FY20 Q2 update)

3.5% premium increase 10/1/2020 (+2.6% premium revenue FY21), 2% annual premium increase FY22-FY25

FY21 reflects employee contribution increases of \$0.97 - \$9.55 per employee per month (\$11.64 - \$114.60 per year) and State subsidy increases of \$23.37 - \$63.03 per employee per month (\$280.44 - \$756.36 per year) effective 10/1/2020

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected ^{1,6}	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶	FY24 Projected ⁶	FY25 Projected ⁶
Average Enrolled Members	126,360	128,147	129,428	130,722	132,029	133,349	134,682
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$834.3	\$842.6	\$851.0	\$859.5	\$868.1	\$876.7
3.5% Premium Increase 10/1/2020, 2% annual increase thereafter	-	-	\$22.3	\$47.0	\$64.6	\$82.6	\$101.0
Other Revenues ³	\$98.5	\$117.5	\$123.4	\$131.4	\$140.0	\$149.0	\$158.7
Total Operating Revenues	\$915.9	\$951.8	\$988.4	\$1,029.4	\$1,064.1	\$1,099.7	\$1,136.4
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$904.0	\$961.5	\$1,026.8	\$1,096.1	\$1,170.1	\$1,249.1	\$1,333.4
% Change Per Member	5.1%	4.9%	5.7%	5.7%	5.7%	5.7%	5.7%
PBM Contract Renegotiation (Year 5) ⁷			(\$7.8)	(\$8.3)	(\$8.9)	(\$9.5)	(\$10.1)
Adjusted Net Income (Revenue less Expense)	\$11.9	(\$9.8)	(\$30.6)	(\$58.4)	(\$97.1)	(\$139.9)	(\$186.9)
Balance Forward	\$151.8	\$163.8	\$154.0	\$123.4	\$65.0	(\$32.1)	(\$172.0)
Ending Balance	\$163.8	\$154.0	\$123.4	\$65.0	(\$32.1)	(\$172.0)	(\$358.9)
- Less Claims Liability ⁵	\$58.8	\$57.5	\$61.4	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5	\$33.6
GHIP Surplus (After Reserves/Deposits)	\$80.7	\$72.2	\$36.1	(\$28.1)	(\$131.5)	(\$278.1)	(\$472.1)

Please refer to Appendix for FY17 and FY18 actual results (slide 23) and detailed projection footnotes (slide 24)

FY21 monthly rates and employee/retiree contributions

Illustrative: 3.5% increase effective 10/1/2020 (+2.6% premium revenue FY21)

FY21 reflects employee contribution increases of \$0.97 - \$9.55 per employee per month (\$11.64 - \$114.60 per year) and State subsidy increases of \$23.37 - \$63.03 per employee per month (\$280.44 - \$756.36 per year) effective 10/1/2020

	FY 2020			FY 2021 with 3.5% Increase eff. 10/1/2020			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$719.70	\$28.81	\$690.89	\$0.97	\$11.64	\$23.37	\$280.44
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,489.03	\$59.53	\$1,429.50	\$2.01	\$24.12	\$48.34	\$580.08
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,094.02	\$43.74	\$1,050.28	\$1.48	\$17.76	\$35.52	\$426.24
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,861.36	\$74.44	\$1,786.92	\$2.52	\$30.24	\$60.42	\$725.04
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$744.87	\$37.24	\$707.63	\$1.26	\$15.12	\$23.93	\$287.16
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,544.45	\$77.19	\$1,467.26	\$2.61	\$31.32	\$49.62	\$595.44
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,138.04	\$56.88	\$1,081.16	\$1.92	\$23.04	\$36.56	\$438.72
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,962.09	\$98.10	\$1,863.99	\$3.32	\$39.84	\$63.03	\$756.36
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$751.35	\$48.81	\$702.54	\$1.65	\$19.80	\$23.76	\$285.12
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,584.15	\$102.98	\$1,481.17	\$3.48	\$41.76	\$50.09	\$601.08
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,149.39	\$74.71	\$1,074.68	\$2.53	\$30.36	\$36.34	\$436.08
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,976.66	\$128.46	\$1,848.20	\$4.34	\$52.08	\$62.50	\$750.00
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$821.65	\$108.86	\$712.79	\$3.68	\$44.16	\$24.11	\$289.32
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,705.00	\$225.90	\$1,479.10	\$7.64	\$91.68	\$50.02	\$600.24
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,266.28	\$167.75	\$1,098.53	\$5.67	\$68.04	\$37.15	\$445.80
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,131.48	\$282.41	\$1,849.07	\$9.55	\$114.60	\$62.53	\$750.36

GHIP long term health care cost projections (FY20 Q2 update)

5.3% premium increase 1/1/2021 (+2.6% premium revenue FY21), 2% annual premium increase FY22-FY25

FY21 reflects employee contribution increases of \$1.48 - \$14.46 per employee per month (\$17.76 - \$173.52 per year) and State subsidy increases of \$35.37 - \$95.45 per employee per month (\$424.44 - \$1,145.40 per year) effective 1/1/2021

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected ^{1,6}	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶	FY24 Projected ⁶	FY25 Projected ⁶
Average Enrolled Members	126,360	128,147	129,428	130,722	132,029	133,349	134,682
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$834.3	\$842.6	\$851.0	\$859.5	\$868.1	\$876.7
5.3% Premium Increase 1/1/2021, 2% annual increase thereafter	-	-	\$22.3	\$62.0	\$79.8	\$97.9	\$116.4
Other Revenues ³	\$98.5	\$117.5	\$123.4	\$131.4	\$140.0	\$149.0	\$158.7
Total Operating Revenues	\$915.9	\$951.8	\$988.4	\$1,044.4	\$1,079.3	\$1,115.0	\$1,151.8
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$904.0	\$961.5	\$1,026.8	\$1,096.1	\$1,170.1	\$1,249.1	\$1,333.4
% Change Per Member	5.1%	4.9%	5.7%	5.7%	5.7%	5.7%	5.7%
PBM Contract Renegotiation (Year 5) ⁷			(\$7.8)	(\$8.3)	(\$8.9)	(\$9.5)	(\$10.1)
Adjusted Net Income (Revenue less Expense)	\$11.9	(\$9.8)	(\$30.6)	(\$43.4)	(\$81.9)	(\$124.6)	(\$171.5)
Balance Forward	\$151.8	\$163.8	\$154.0	\$123.4	\$79.9	(\$2.0)	(\$126.6)
Ending Balance	\$163.8	\$154.0	\$123.4	\$79.9	(\$2.0)	(\$126.6)	(\$298.1)
- Less Claims Liability ⁵	\$58.8	\$57.5	\$61.4	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5	\$33.6
GHIP Surplus (After Reserves/Deposits)	\$80.7	\$72.2	\$36.1	(\$13.2)	(\$101.4)	(\$232.7)	(\$411.3)

Please refer to Appendix for FY17 and FY18 actual results (slide 23) and detailed projection footnotes (slide 24)

FY21 monthly rates and employee/retiree contributions

Illustrative: 5.3% increase effective 1/1/2021 (+2.6% premium revenue FY21)

FY21 reflects employee contribution increases of \$1.48 - \$14.46 per employee per month (\$17.76 - \$173.52 per year) and State subsidy increases of \$35.37 - \$95.45 per employee per month (\$424.44 - \$1,145.40 per year) effective 1/1/2021

	FY 2020			FY 2021 with 5.3% Increase eff. 1/1/2021			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$732.21	\$29.32	\$702.89	\$1.48	\$17.76	\$35.37	\$424.44
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,514.93	\$60.57	\$1,454.36	\$3.05	\$36.60	\$73.20	\$878.40
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,113.04	\$44.50	\$1,068.54	\$2.24	\$26.88	\$53.78	\$645.36
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,893.74	\$75.73	\$1,818.01	\$3.81	\$45.72	\$91.51	\$1,098.12
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$757.82	\$37.89	\$719.93	\$1.91	\$22.92	\$36.23	\$434.76
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,571.31	\$78.53	\$1,492.78	\$3.95	\$47.40	\$75.14	\$901.68
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,157.84	\$57.87	\$1,099.97	\$2.91	\$34.92	\$55.37	\$664.44
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,996.21	\$99.80	\$1,896.41	\$5.02	\$60.24	\$95.45	\$1,145.40
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$764.41	\$49.66	\$714.75	\$2.50	\$30.00	\$35.97	\$431.64
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,611.70	\$104.77	\$1,506.93	\$5.27	\$63.24	\$75.85	\$910.20
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,169.38	\$76.01	\$1,093.37	\$3.83	\$45.96	\$55.03	\$660.36
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,011.04	\$130.70	\$1,880.34	\$6.58	\$78.96	\$94.64	\$1,135.68
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$835.93	\$110.75	\$725.18	\$5.57	\$66.84	\$36.50	\$438.00
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,734.65	\$229.83	\$1,504.82	\$11.57	\$138.84	\$75.74	\$908.88
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,288.30	\$170.67	\$1,117.63	\$8.59	\$103.08	\$56.25	\$675.00
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,168.55	\$287.32	\$1,881.23	\$14.46	\$173.52	\$94.69	\$1,136.28

GHIP long term health care cost projections (FY20 Q2 update)

4.8% FY21 premium increase on 7/1/2020, 2% annual premium increase FY22-FY25

Not a likely scenario given inefficient time to implement a rate increase effective 7/1/2020

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected ^{1,6}	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶	FY24 Projected ⁶	FY25 Projected ⁶
Average Enrolled Members	126,360	128,147	129,428	130,722	132,029	133,349	134,682
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$834.3	\$842.6	\$851.0	\$859.5	\$868.1	\$876.7
<i>4.8% Premium Increase FY21, 2% annual increase thereafter</i>	-	-	\$40.0	\$57.4	\$75.2	\$93.3	\$111.8
Other Revenues ³	\$98.5	\$117.5	\$123.4	\$131.4	\$140.0	\$149.0	\$158.7
Total Operating Revenues	\$915.9	\$951.8	\$1,006.1	\$1,039.8	\$1,074.7	\$1,110.4	\$1,147.2
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$904.0	\$961.5	\$1,026.8	\$1,096.1	\$1,170.1	\$1,249.1	\$1,333.4
% Change Per Member	5.1%	4.9%	5.7%	5.7%	5.7%	5.7%	5.7%
PBM Contract Renegotiation (Year 5) ⁷			(\$7.8)	(\$8.3)	(\$8.9)	(\$9.5)	(\$10.1)
Adjusted Net Income (Revenue less Expense)	\$11.9	(\$9.8)	(\$12.9)	(\$48.0)	(\$86.5)	(\$129.2)	(\$176.1)
Balance Forward	\$151.8	\$163.8	\$154.0	\$141.1	\$93.1	\$6.6	(\$122.6)
Ending Balance	\$163.8	\$154.0	\$141.1	\$93.1	\$6.6	(\$122.6)	(\$298.7)
- Less Claims Liability ⁵	\$58.8	\$57.5	\$61.4	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5	\$33.6
GHIP Surplus (After Reserves/Deposits)	\$80.7	\$72.2	\$53.8	\$0.0	(\$92.8)	(\$228.7)	(\$411.9)

Please refer to Appendix for FY17 and FY18 actual results (slide 23) and detailed projection footnotes (slide 24)

GHIP long term health care cost projections (FY20 Q2 update)

5.4% premium increase 10/1/2020 (target \$0 surplus by end of FY22), 2% annual premium increase FY22-FY25

FY21 reflects employee contribution increases of \$1.51 - \$14.79 per employee per month (\$18.12 - \$177.48 per year) and State subsidy increases of \$36.18 - \$97.61 per employee per month (\$434.16 - \$1,171.32 per year) effective 10/1/2020

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected ^{1,6}	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶	FY24 Projected ⁶	FY25 Projected ⁶
Average Enrolled Members	126,360	128,147	129,428	130,722	132,029	133,349	134,682
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$834.3	\$842.6	\$851.0	\$859.5	\$868.1	\$876.7
5.4% Premium Increase 10/1/2020, 2% annual increase thereafter	-	-	\$34.3	\$63.1	\$81.0	\$99.1	\$117.7
Other Revenues ³	\$98.5	\$117.5	\$123.4	\$131.4	\$140.0	\$149.0	\$158.7
Total Operating Revenues	\$915.9	\$951.8	\$1,000.3	\$1,045.5	\$1,080.5	\$1,116.2	\$1,153.1
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$904.0	\$961.5	\$1,026.8	\$1,096.1	\$1,170.1	\$1,249.1	\$1,333.4
% Change Per Member	5.1%	4.9%	5.7%	5.7%	5.7%	5.7%	5.7%
PBM Contract Renegotiation (Year 5) ⁷			(\$7.8)	(\$8.3)	(\$8.9)	(\$9.5)	(\$10.1)
Adjusted Net Income (Revenue less Expense)	\$11.9	(\$9.8)	(\$18.7)	(\$42.3)	(\$80.7)	(\$123.4)	(\$170.2)
Balance Forward	\$151.8	\$163.8	\$154.0	\$135.3	\$93.1	\$12.3	(\$111.0)
Ending Balance	\$163.8	\$154.0	\$135.3	\$93.1	\$12.3	(\$111.0)	(\$281.3)
- Less Claims Liability ⁵	\$58.8	\$57.5	\$61.4	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5	\$33.6
GHIP Surplus (After Reserves/Deposits)	\$80.7	\$72.2	\$48.0	\$0.0	(\$87.1)	(\$217.1)	(\$394.5)

Please refer to Appendix for FY17 and FY18 actual results (slide 23) and detailed projection footnotes (slide 24)

FY21 monthly rates and employee/retiree contributions

Illustrative: 5.4% increase effective 10/1/2020

FY21 reflects employee contribution increases of \$1.51 - \$14.79 per employee per month (\$18.12 - \$177.48 per year) and State subsidy increases of \$36.18 - \$97.61 per employee per month (\$434.16 - \$1,171.32 per year) effective 10/1/2020

	FY 2020			FY 2021 with 5.42% Increase eff. 10/1/2020			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$733.05	\$29.35	\$703.70	\$1.51	\$18.12	\$36.18	\$434.16
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,516.66	\$60.64	\$1,456.02	\$3.12	\$37.44	\$74.86	\$898.32
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,114.31	\$44.55	\$1,069.76	\$2.29	\$27.48	\$55.00	\$660.00
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,895.89	\$75.82	\$1,820.07	\$3.90	\$46.80	\$93.57	\$1,122.84
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$758.69	\$37.93	\$720.76	\$1.95	\$23.40	\$37.06	\$444.72
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,573.10	\$78.62	\$1,494.48	\$4.04	\$48.48	\$76.84	\$922.08
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,159.16	\$57.94	\$1,101.22	\$2.98	\$35.76	\$56.62	\$679.44
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,998.49	\$99.92	\$1,898.57	\$5.14	\$61.68	\$97.61	\$1,171.32
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$765.29	\$49.72	\$715.57	\$2.56	\$30.72	\$36.79	\$441.48
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,613.54	\$104.89	\$1,508.65	\$5.39	\$64.68	\$77.57	\$930.84
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,170.71	\$76.09	\$1,094.62	\$3.91	\$46.92	\$56.28	\$675.36
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,013.33	\$130.85	\$1,882.48	\$6.73	\$80.76	\$96.78	\$1,161.36
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$836.89	\$110.88	\$726.01	\$5.70	\$68.40	\$37.33	\$447.96
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,736.63	\$230.09	\$1,506.54	\$11.83	\$141.96	\$77.46	\$929.52
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,289.77	\$170.86	\$1,118.91	\$8.78	\$105.36	\$57.53	\$690.36
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,171.02	\$287.65	\$1,883.37	\$14.79	\$177.48	\$96.83	\$1,161.96

GHIP long term health care cost projections (FY20 Q2 update)

6.3% premium increase 1/1/2021 (target \$0 surplus by end of FY22), 2% annual premium increase FY22-FY25

FY21 reflects employee contribution increases of \$1.76 - \$17.24 per employee per month (\$21.12 - \$206.88 per year) and State subsidy increases of \$42.19 - \$113.82 per employee per month (\$506.28 - \$1,365.84 per year) effective 1/1/2021

GHIP Costs (\$ millions)	FY19 Actual	FY20 Projected ^{1,6}	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶	FY24 Projected ⁶	FY25 Projected ⁶
Average Enrolled Members	126,360	128,147	129,428	130,722	132,029	133,349	134,682
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$834.3	\$842.6	\$851.0	\$859.5	\$868.1	\$876.7
6.3% Premium Increase 1/1/2021, 2% annual increase thereafter	-	-	\$26.6	\$70.8	\$88.7	\$106.9	\$125.5
Other Revenues ³	\$98.5	\$117.5	\$123.4	\$131.4	\$140.0	\$149.0	\$158.7
Total Operating Revenues	\$915.9	\$951.8	\$992.7	\$1,053.2	\$1,088.2	\$1,124.0	\$1,160.9
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$904.0	\$961.5	\$1,026.8	\$1,096.1	\$1,170.1	\$1,249.1	\$1,333.4
% Change Per Member	5.1%	4.9%	5.7%	5.7%	5.7%	5.7%	5.7%
PBM Contract Renegotiation (Year 5) ⁷			(\$7.8)	(\$8.3)	(\$8.9)	(\$9.5)	(\$10.1)
Adjusted Net Income (Revenue less Expense)	\$11.9	(\$9.8)	(\$26.3)	(\$34.6)	(\$73.0)	(\$115.6)	(\$162.4)
Balance Forward	\$151.8	\$163.8	\$154.0	\$127.7	\$93.1	\$20.1	(\$95.5)
Ending Balance	\$163.8	\$154.0	\$127.7	\$93.1	\$20.1	(\$95.5)	(\$257.8)
- Less Claims Liability ⁵	\$58.8	\$57.5	\$61.4	\$65.5	\$69.9	\$74.6	\$79.6
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5	\$33.6
GHIP Surplus (After Reserves/Deposits)	\$80.7	\$72.2	\$40.4	\$0.0	(\$79.3)	(\$201.6)	(\$371.0)

Please refer to Appendix for FY17 and FY18 actual results (slide 23) and detailed projection footnotes (slide 24)

FY21 monthly rates and employee/retiree contributions

Illustrative: 6.3% increase effective 1/1/2021

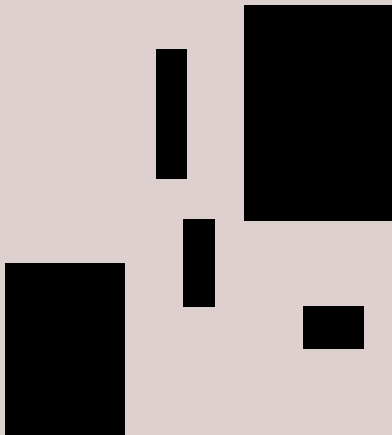
FY21 reflects employee contribution increases of \$1.76 - \$17.24 per employee per month (\$21.12 - \$206.88 per year) and State subsidy increases of \$42.19 - \$113.82 per employee per month (\$506.28 - \$1,365.84 per year) effective 1/1/2021

	FY 2020			FY 2021 with 6.32% Increase eff. 1/1/2021			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$739.31	\$29.60	\$709.71	\$1.76	\$21.12	\$42.19	\$506.28
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,529.60	\$61.16	\$1,468.44	\$3.64	\$43.68	\$87.28	\$1,047.36
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,123.82	\$44.93	\$1,078.89	\$2.67	\$32.04	\$64.13	\$769.56
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,912.08	\$76.47	\$1,835.61	\$4.55	\$54.60	\$109.11	\$1,309.32
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$765.16	\$38.25	\$726.91	\$2.27	\$27.24	\$43.21	\$518.52
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,586.53	\$79.29	\$1,507.24	\$4.71	\$56.52	\$89.60	\$1,075.20
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,169.05	\$58.43	\$1,110.62	\$3.47	\$41.64	\$66.02	\$792.24
Family	\$1,895.74	\$94.78	\$1,800.96	\$2,015.55	\$100.77	\$1,914.78	\$5.99	\$71.88	\$113.82	\$1,365.84
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$771.82	\$50.14	\$721.68	\$2.98	\$35.76	\$42.90	\$514.80
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,627.31	\$105.79	\$1,521.52	\$6.29	\$75.48	\$90.44	\$1,085.28
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,180.70	\$76.74	\$1,103.96	\$4.56	\$54.72	\$65.62	\$787.44
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,030.52	\$131.96	\$1,898.56	\$7.84	\$94.08	\$112.86	\$1,354.32
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$844.03	\$111.83	\$732.20	\$6.65	\$79.80	\$43.52	\$522.24
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,751.45	\$232.05	\$1,519.40	\$13.79	\$165.48	\$90.32	\$1,083.84
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,300.78	\$172.32	\$1,128.46	\$10.24	\$122.88	\$67.08	\$804.96
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,189.55	\$290.10	\$1,899.45	\$17.24	\$206.88	\$112.91	\$1,354.92

Recommended next steps

- Continue to monitor emerging plan experience for the GHIP overall
- Continue to monitor emerging utilization and cost savings for the GHIP initiatives adopted to date
- Continue to discuss FY21 health plan premium increases (no premium rate vote at today's meeting)

Appendix





GHIP goals – approved by SEBC

Tied to the GHIP mission statement

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.***



Original 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 FY2020¹
- GHIP membership enrollment in a consumer-driven or value-based plan exceeding 25% of total population by end of FY2020²

¹ 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).

² 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.

Overview of recent GHIP initiatives and changes (continued)

Site of care steerage – copay changes

*Highlights
copay change*

- The chart below reflects recent copay changes for site-of-care steerage in the PPO and HMO plans
- Unless otherwise noted, copays apply to both plans (PPO and HMO)

Copays by type of service	FY16	FY17	FY18	FY19	FY20
Basic Imaging (X-rays, ultrasounds)					
<ul style="list-style-type: none"> ▪ Freestanding Facility (preferred) ▪ Hospital-based Facility 	<ul style="list-style-type: none"> ▪ \$20 copay ▪ \$20 copay 	<ul style="list-style-type: none"> ▪ \$20 copay ▪ \$20 copay 	<ul style="list-style-type: none"> ▪ \$20 copay ▪ \$20 copay 	<ul style="list-style-type: none"> ▪ \$0 copay ▪ \$35 copay 	<ul style="list-style-type: none"> ▪ \$0 copay ▪ \$50 copay
High Tech Imaging (MRI, CT, PET scan)					
<ul style="list-style-type: none"> ▪ Freestanding Facility (preferred) ▪ Hospital-based Facility 	<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO ▪ \$15 copay 	<ul style="list-style-type: none"> ▪ \$0 copay ▪ \$35 copay 	<ul style="list-style-type: none"> ▪ \$0 copay ▪ \$35 copay 	<ul style="list-style-type: none"> ▪ \$0 copay ▪ \$50 copay 	<ul style="list-style-type: none"> ▪ \$0 copay ▪ \$75 copay
Outpatient Lab					
<ul style="list-style-type: none"> ▪ Preferred Lab ▪ Other Lab 	<ul style="list-style-type: none"> ▪ \$10 copay ▪ \$10 copay 	<ul style="list-style-type: none"> ▪ \$10 copay ▪ \$10 copay 	<ul style="list-style-type: none"> ▪ \$10 copay ▪ \$10 copay 	<ul style="list-style-type: none"> ▪ \$10 copay ▪ \$20 copay 	<ul style="list-style-type: none"> ▪ \$10 copay ▪ \$50 copay
Emergency / Urgent Care					
<ul style="list-style-type: none"> ▪ Urgent Care ▪ Emergency Room 	<ul style="list-style-type: none"> ▪ \$25 HMO / \$30 PPO ▪ \$150 copay 	<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO* ▪ \$150 copay 	<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO ▪ \$150 copay 	<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO ▪ \$150 copay 	<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO ▪ \$200 copay
Telemedicine					
<ul style="list-style-type: none"> • N/A 		<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO 	<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO 	<ul style="list-style-type: none"> ▪ \$15 HMO / \$20 PPO 	<ul style="list-style-type: none"> ▪ \$0 copay

* Change made to match PCP office visit copay.

GHIP historical health care fund information

FY17-FY18

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

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); FY20 includes \$5.2m CY2018 CMS financial reconciliation payment received January 2020.
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. FY20 Minimum Reserve levels updated with data through June 2019; FY20 Claim Liability updated with lag factors as of Dec 2019 and claims data through December 2019; future years assumed to increase with overall GHIP expense growth
6. FY20-FY25 projections based on 5% medical, 8% pharmacy trend; assumes 1% annual growth in GHIP membership.
7. Reflects FY21 plan savings based on ESI year 5 traditional pharmacy BAFO renewal; assumed to increase with trend FY22 and beyond

Health care budget development

Assumption and pricing analysis details



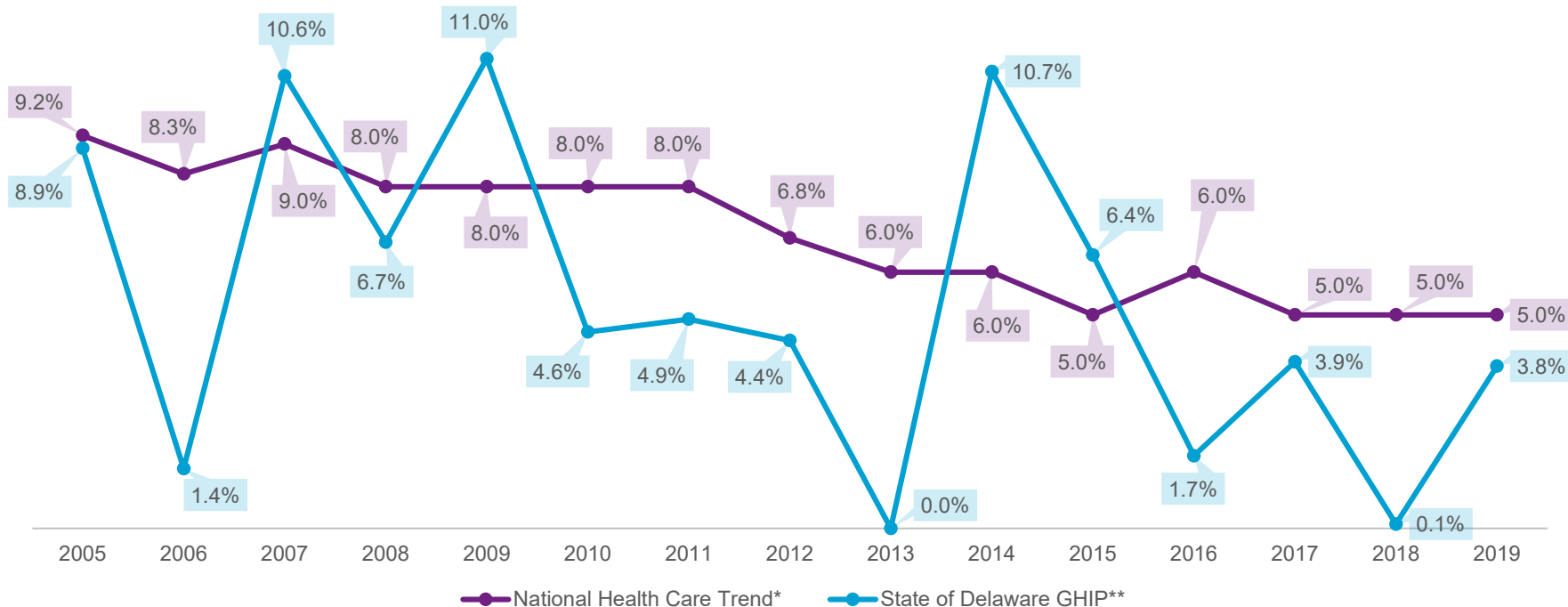
- **Claims experience** provided by vendors (Highmark, Aetna, and ESI) reflect paid claims and enrollment for the most recent available 24 months, or two experience periods (1/1/2018 – 12/31/2019)
- Claims experience adjusted for **claim offsets** from pharmacy rebates and EGWP funding
- **Incurred But 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 Historical Lookback

Actual GHIP increases vs. WTW survey data

Actual GHIP increases vs WTW survey data



*National Benchmark Source: Willis Towers Watson Emerging Trends survey. Based on respondents with at least 1,000 employees and median trends for medical and drug claims for active employees including both employer and employee contributions but excludes employee OOP costs. Public Sector and Education reflects responding employers in Public Sector and Education industry. 2018 benchmark data is projected.

**2007-2015 GHIP Trend data estimated based on Segal's State_of_Delaware_-_Trend_History_thru_Q2_FY16 030416.pdf

2016-19 GHIP trend based on WTW financial reporting for corresponding fiscal year (includes net paid claims and fees)

GHIP Historical Lookback

FY12-FY19 gross claims and revenue per member

Plan Year	Gross Claims ¹		National Average Trend ²	Premium Contributions ³		Members	
	Per Member Per Year	Annual Increase/ (Decrease)		Per Member Per Year	Annual Increase/ (Decrease)	Average	Annual Increase/ (Decrease)
FY12	\$5,009	4%	7%	\$5,088	-1%	115,357	4%
FY13	\$5,056	1%	6%	\$4,979	-2%	117,421	2%
FY14	\$5,488	9%	6%	\$5,120	3%	119,225	2%
FY15	\$5,980	9%	5%	\$5,148	1%	121,167	2%
FY16	\$6,190	4%	6%	\$6,021	17%	122,238	1%
FY17	\$6,331	2%	5%	\$6,512	8%	122,693	0%
FY18	\$6,533	3%	5%	\$6,500	0%	124,754	2%
FY19	\$6,847	5%	5%	\$6,475	0%	126,235	1%

Source: GHIP Fund Equity FY12 – FY19

¹Includes total medical and prescription drug claims for actives, pre-65 retirees and Medicare retirees; excludes claim offsets (e.g., Rx rebates and EGWP revenues).

²National Benchmark Source: Willis Towers Watson Emerging Trends survey. Based on respondents with at least 1,000 employees and median trends for medical and drug claims for active employees including both employer and employee contributions but excludes employee OOP costs.

³Includes State and employee share of health fund premiums for actives and retirees. Excludes other revenue sources and employee out-of-pocket costs.

Overview of recent GHIP initiatives and changes

- The SEBC mission is to provide to GHIP members adequate access to high quality healthcare at an **affordable cost**
- Tactics implemented by the SEBC to-date have been largely focused on improving the efficiency of the GHIP program – to “shrink the pie” or take money out of the system
- A number of initiatives have been implemented since FY16 that have helped maintain GHIP trend below national levels for the past four years, without shifting costs to GHIP members who seek care in the appropriate setting, including¹:
 - Vendor contract negotiations
 - Site of care steerage
 - Clinical management programs
 - Carve-out centers of excellence
 - Other initiatives and changes, such as those required by legislation

¹Details on next page

Overview of recent GHIP initiatives and changes (continued)

	FY17 (Effective 7/1/16)	FY18 (Effective 7/1/17)	FY19 (Effective 7/1/18)	FY20 (Effective 7/1/19)
Vendor Contract Negotiations		<ul style="list-style-type: none"> Medical TPA RFP effective date 		<ul style="list-style-type: none"> Renegotiation of ESI PBM contract
Site of Care Steerage	<ul style="list-style-type: none"> <u>Already in place:</u> Aetna infusion therapy site-of-care steerage Copay changes for urgent care, high-tech imaging* Third-party telemedicine programs added 	(no changes)	<ul style="list-style-type: none"> Copay changes for basic imaging, high-tech imaging, outpatient labs* 	<ul style="list-style-type: none"> Copay changes for basic imaging, high-tech imaging, outpatient labs, emergency room, and telemedicine* Implemented Highmark infusion therapy site-of-care steerage program
Clinical Management Programs	(no changes)	<ul style="list-style-type: none"> Implemented Aetna/Carelink and Highmark CCMU care management programs 	<ul style="list-style-type: none"> Implemented diabetes prevention programs (Retrofit, YMCA) 	<ul style="list-style-type: none"> Implemented Livongo for diabetes management
Other Initiatives and Changes	(no changes)	<ul style="list-style-type: none"> Implemented Aetna Enhanced Clinical Review program for select high tech imaging services 	<ul style="list-style-type: none"> HB203 Diabetes monitoring and prevention 	<ul style="list-style-type: none"> Implemented SurgeryPlus surgeons of excellence program Expanded fertility treatment benefits (effective 8/1/2019)

*See Appendix for details

Overview of recent GHIP initiatives and changes (continued)

	FY20 experience updates
Site of Care Steerage <i>Copay changes</i>	<ul style="list-style-type: none"> ▪ FY20 Q1 experience reflects similar trends previously reported for FY19: <ul style="list-style-type: none"> ▪ Increase in urgent care utilization continues to outpace slight increase in emergency room use ▪ High tech imaging services at hospital based facilities continued to increase, but corresponding increase in freestanding facility utilization suggests higher levels of utilization across the board ▪ However, utilization of hospital-based facilities for basic imaging remained relatively unchanged, while utilization of freestanding facilities continued to increase ▪ Utilization of hospital-based lab facilities continues to decrease, while use of preferred labs continues to increase ▪ Telemedicine utilization continues to increase, but not enough to materially impact savings ▪ Highmark infusion therapy site-of-care steerage program has redirected members to lower cost sites of care, producing an estimated savings of \$700,000 for FY20 YTD; while the program was formally implemented on 7/1/19, providers began redirecting members from July 2018 as a result of Highmark communications and other related initiatives, redirecting 91 unique members and driving \$2.2m in savings since July 2018
Clinical Management Programs <i>Livongo</i>	<ul style="list-style-type: none"> ▪ Following are interim results reported by Livongo for the six months since the diabetes management program was implemented on 7/1/19: <ul style="list-style-type: none"> ▪ 13,978 members identified as candidates for participation in the program ▪ 1,809 members (13% of identified) have enrolled (i.e., completed registration and eligible for program) ▪ 1,395 members (77% of enrolled; 10% of identified) have engaged (i.e., used connected glucometer for at least 1 blood glucose test) ▪ Livongo estimates¹ that engaged members have lowered their A1c level by approximately 0.49 points (from 7.6% to 7.0%); WTW estimates approx. \$400k in FY20 savings based on current engagement

¹ Measurement is based on member self-reported A1c data for the baseline and A1c derived average glucose (ADAG) data to estimate A1c from ongoing blood glucose monitoring. Further details about ADAG model: <http://care.diabetesjournals.org/content/31/8/1473>.

Overview of recent GHIP initiatives and changes (continued)

	FY20 experience updates
Other Initiatives and Changes	
<i>SurgeryPlus</i>	<ul style="list-style-type: none"> ▪ Emerging experience from the first six months of program operations (July – December 2019): <ul style="list-style-type: none"> ▪ 586 members have contacted SurgeryPlus (<1% of eligible population) ▪ There are 286 open cases and 38 completed surgeries ▪ SurgeryPlus reported YTD savings of \$219k; WTW is still in the process of validating estimated FY20 savings with SurgeryPlus
<i>Fertility Benefits</i>	<ul style="list-style-type: none"> ▪ About 90% of the State's utilization of fertility benefits comes from members enrolled in Highmark ▪ Following data is from initial 2 months of incurred experience (8/1/19 – 9/30/19) under Highmark following the fertility benefit changes on 8/1/19: <ul style="list-style-type: none"> ▪ No new utilization from members who previously reached either the dollar or age limits in place prior to 8/1/19 ▪ 51 unique members received infertility treatment; all are using newly covered procedures related to this benefit: <ul style="list-style-type: none"> ▪ 27 were approved for treatment prior to 8/1 and had not yet reached original \$10k medical cap; claims totaled approximately \$109,000 ▪ 24 were newly approved on or after 8/1; claims totaled approximately \$64,000 ▪ Total of 915 members approved for infertility treatment (based on increased dollar and age limits) who could receive additional benefits; includes 100 members previously noted as reaching maximum age or dollar limit ▪ If expenditures continue at this rate, expect minimal increase in overall medical costs ▪ Possibility that new members' cost could increase as they move into more advanced treatments <ul style="list-style-type: none"> ▪ Significantly higher unique new member count for lower cost treatments (AI and IUI) at 10 members compared to only 4 in the existing member group

Overview of recent GHIP initiatives and changes (continued)

Short-term recommendations for FY21

- Due to limited availability of data for emerging FY20 experience, maintain existing programs and benefit designs for FY21
- Continue communicating FY20 site-of-care copay changes to sustain utilization of preferred sites of care over time
- Continue to monitor data and utilization to determine need and timing for further plan design modifications for Livongo, SurgeryPlus and fertility benefits
- Continue communicating availability of Livongo and SurgeryPlus to members
- Changes to these programs and benefit designs could be implemented mid-year if necessary

ESI pharmacy renewal – FY21 (Year 5)

Summary of projected FY21 contract savings (best and final offer)

- ESI provided a traditional and transparent one-year renewal BAFO offers for both the Commercial and EGWP populations on January 21, 2019
- ESI's traditional BAFO offer provides pricing guarantee improvements of 4% for the Commercial population and 5% for EGWP for a combined contract improvement of \$12.2M over the current terms and \$5.1M over the initial offer
- ESI's transparent BAFO offer provides pricing guarantee improvements of 2.1% for the Commercial population and 3.4% for the EGWP population for a combined contract improvement of \$7.4M over the current terms and \$5.4M improvement over the initial offer
 - The transparent offer has higher costs before rebates due to added fees and lower minimum guarantees, but has potential upside for retail pass-through

ESI One Year Renewal Offer - Traditional	Commercial FY20 Initial	EGWP CY21 Initial	Commercial FY20 BAFO	EGWP CY21 BAFO
Savings before rebates ¹	-0.1% (\$0.2M)	-0.1% (\$0.1M)	-0.3% (\$0.5M)	-0.2% (\$0.3M)
Savings after rebates ²	-3.0% (\$4.3M)	-2.1% (\$2.8M)	-4.0% (\$5.6M)	-5.0% (\$6.7M)
Plan cost reduction in FY20 ³	\$4.8M		\$7.8M	
ESI One Year Renewal Offer - Transparent	Commercial FY20 Initial	EGWP CY21 Initial	Commercial FY20 BAFO	EGWP CY21 BAFO
Savings before rebates ¹	+1.4% (+\$2.5M)	+1.4% (+\$2.2M)	+1.2% (+\$2.2M)	+1.2% (+\$1.8M)
Savings after rebates ²	-1.1% (\$1.6M)	-0.4% (\$0.5M)	-2.1% (\$2.9M)	-3.4% (\$4.5M)
Plan cost reduction in FY20 ³	\$1.5M		\$4.6M	

¹Estimated savings for each respective contract period using allowed claims (plan and member cost sharing combined), utilization, and enrollment data for the period 10/1/2018 – 9/30/2019 and composite annual pharmacy trend rate of 6-8% (varying by generic, brand, and specialty drug categories)

²Estimated Rx allowed cost savings per footnote 1 plus estimated increase in rebates based on current drug mix; rebate improvements shown are above any anticipated rebate over-performance (true-up) for current contract

³Estimated reduction in GHIP pharmacy plan cost (net of member cost sharing) for the period 7/1/2020 – 6/30/2021 based on the pricing assumptions outlined in the Appendix