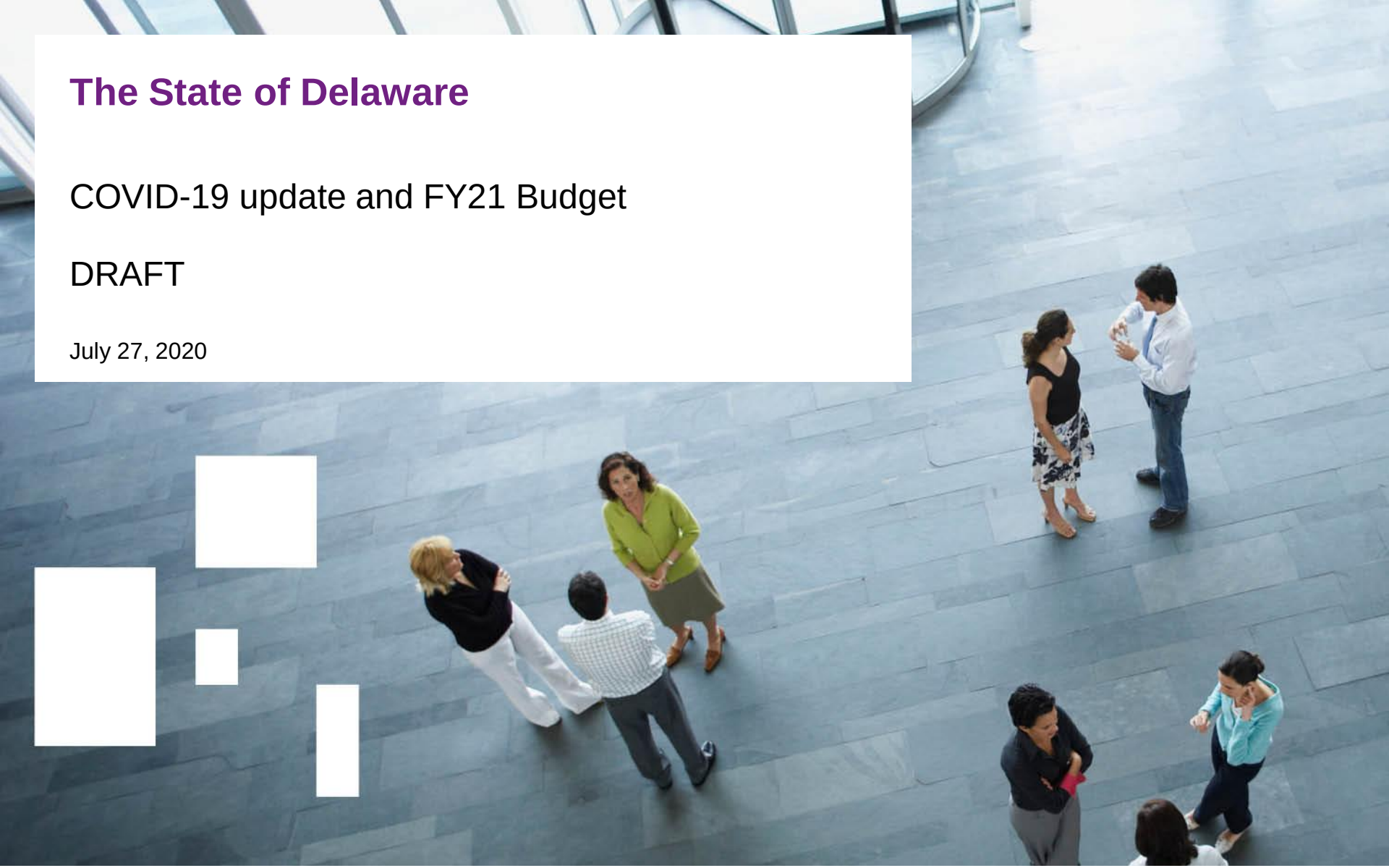
The State of Delaware

COVID-19 update and FY21 Budget

DRAFT

July 27, 2020



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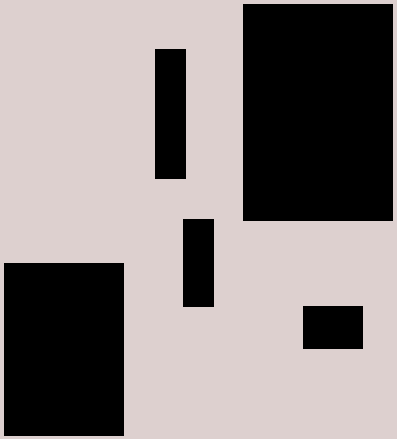
Willis Towers Watson

Today's discussion

- COVID-19 financial impact
  - Impact of deferred care
  - Cost of COVID-19 testing and treatment
  - Impact on FY21 and beyond
  - Impact on minimum reserve
- Next steps
- FY21 Budget

COVID-19 financial impact



COVID-19 financial impact

Impact of deferred care

- Through March, FY20 GHIP medical and pharmacy claims were $22.6m (3.4%) above budget
- Beginning in late March, deferred care due to the COVID-19 pandemic began to significantly impact the state of the Fund
  - FY20 Q4 claims were a combined ***$47.1m below budget***, compared to FY20 Q3 claims, which were ***$10.1m above budget***
  - The Fund ended the year with a $26.0m net income gain, increasing the Fund Equity Balance to $189.8m
- The table below highlights the impact of actual medical/Rx claims relative to budget since the onset of COVID-19[1]:

FY20 Q3	January			February			March			FY20 Q3 Total		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Medical	$59.1m	$60.3m	**($1.2m)**	$51.7m	$48.2m	**+$3.4m**	$51.1m	$48.2m	**+$2.9m**	$161.8m	$156.8m	**+$5.0m**
Rx	$22.2m	$21.5m	**+$0.6m**	$22.3m	$21.5m	**+$0.7m**	$25.3m	$21.5m	**+$3.7m**	$69.7m	$64.6m	**+$5.1m**
Total	$81.2m	$81.9m	**($0.6m)**	$73.9m	$69.8m	**+$4.1m**	$76.4m	$69.8m	**+$6.6m**	$231.5m	$221.4m	**+$10.1m**

FY20 Q4	April			May			June			FY20 Q4 Total		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Medical	$44.3m	$61.2m	**($16.9m)**	$32.7m	$54.5m	**($21.7m)**	$38.5m	$51.4m	**($12.9m)**	$115.6m	$167.0m	**($51.5m)**
Rx	$23.6m	$21.8m	**+$1.7m**	$22.7m	$21.8m	**+$0.9m**	$34.5m	$32.8m	**+$1.7m**	$80.8m	$76.4m	**+$4.3m**
Total	$67.9m	$83.0m	**($15.1m)**	$55.5m	$76.3m	**($20.8m)**	$73.0m	$84.1m	**($11.1m)**	$196.3m	$243.5m	**($47.1m)**

1 Final figures have been rounded to the nearest $0.1m; numbers in table may not add up due to rounding.

COVID-19 financial impact

Cost of COVID-19 testing and treatment

- Aetna and Highmark have been tracking weekly COVID-19 related plan expenses; the tables below highlight GHIP COVID-19 expenses based on the most recent weekly dashboards for each vendor:

Highmark YTD COVID-19 Dashboard Summary[1]	
Confirmed Member Count	358
Tested Member Count	2.689
Non-Test Paid Claims	$3.1m
Test Paid Claims	$1.8m
Pending Charges	$1m
Telemedicine Visits (COVID-19)	219
Telemedicine Paid Claims (COVID-19)	$20k

Aetna YTD COVID-19 Dashboard Summary[2]	
# of Claims (Non-Tests)	825
# of Claims (Tests)	2,160
Non-Test Paid Claims	$582k
Test Paid Claims	$210k
Telemedicine Visits (COVID-19)	250
Telemedicine Paid Claims (COVID-19)	$16k
Telemedicine Visits (Non-COVID-19)	19,359
Telemedicine Paid Claims (Non-COVID-19)	$1.5m

- COVID-19 testing, treatment and provider billing is still evolving; the information included in these dashboards is believed to be accurate based on all known information as of the production date; however, it is subject to change

1 Covers claims incurred and processed 1/1/2020 – 7/18/2020; tested and confirmed cases are mutually exclusive; pending claims as of 7/20/2020 and represent claims that have been received but not yet adjudicated (claims may be paid or denied and are subject to the member's benefit and contract provisions in force at the time); confirmed cases are identified by the CDC guidelines; test paid claims encompass ONLY the members who have been tested but have NOT been confirmed as positive via a claim; telemedicine claims include American Well as well as other providers

2 Covers claims from 3/1/2020 to 7/19/2020; test and non-test cases based on diagnosis and procedure code definitions used for COVID-19 identification; telemedicine claims include Teladoc as well as community based providers performing telemedicine services

COVID-19 considerations

Impact on FY21 and beyond

- The cost of deferred care continues to significantly outpace the costs related to testing and treatment of COVID-19 cases
- The impact of the COVID-19 pandemic on the GHIP in FY21 and beyond is still unknown and depends on many factors, including:
  - Effectiveness of policies to mitigate spread and timing of easement of social distancing measures
  - Level of FY20 care deferral that returns in FY21
  - Level of new care deferral that emerges in FY21
  - Cost of new vaccine or therapeutic agents
  - Potential for new waves of COVID infection

Consider impact on GHIP long term cost projections, trend assumptions, minimum reserve, rate action planning, and other factors

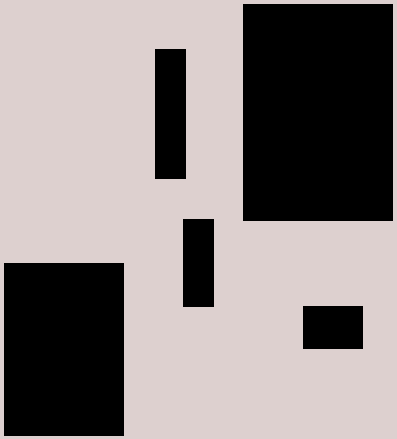
COVID-19 considerations

Impact on minimum reserve

- During March 6, 2017 meeting, SEBC approved a motion to set minimum reserve based on upper bound of 97% confidence interval of Willis Towers Watson health care trend variability tool, set annually based on final fiscal year budget
  - Current minimum reserve is $24.3m, to be updated based on experience through FY20 Q4
- This methodology does not contemplate fluctuation in cost due to systemic events such as the COVID-19 pandemic
- The SEBC may consider holding additional minimum reserve, beginning in FY21, to provide additional protection for the GHIP against potential adverse claims impact resulting from factors directly and indirectly related to COVID-19
  - This would mitigate the risk that future rate actions (no earlier than 7/1/2021) are insufficient to maintain the solvency of the Fund under adverse scenarios
- Consider reviewing reserve levels more frequently (e.g., quarterly) until the pandemic has subsided and claim levels are more stable

FY20 Q4 claims were a combined $47m below budget; WTW recommends holding at least 50% of this amount, or $23.5m, as additional minimum reserve beginning in FY21

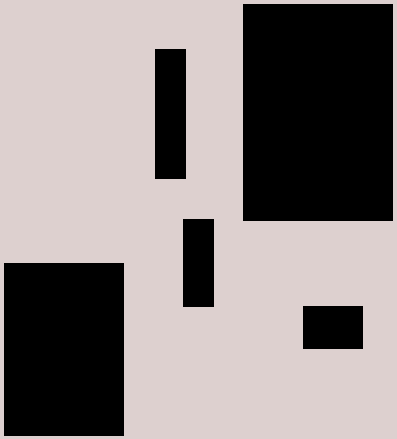
Next steps



Next steps

- Continue to monitor emerging plan experience for COVID-19 testing and treatment, care deferral by type of care, and GHIP overall
- Continue to monitor emerging utilization and cost savings for the GHIP initiatives adopted to date
- Continue to discuss timing and level of future rate action
- SEBC to vote on recommendation to establish a one-time COVID reserve for FY21 in the amount of $23.5M

FY21 Budget



FY21 Budget

Key assumptions

- Based on claims experience for the period 4/1/2018 - 3/31/2020 (weighted 35% earlier / 65% later)
- Headcounts reflect FY21 open enrollment elections with 1% assumed growth in FY21
- 5% medical and 8% Rx trend
- EGWP revenues and prescription drug rebates based on the period revenues are attributable
- CY20 EGWP revenue reflect actual revenues received through June 2020; CY20 and CY21 projected PMPM payments provided by ESI
- FY21 projected claims reflect incremental savings for the new ESI contracts
- Claim liability assumed to remain at FY20 level
- Assumes half of FY20 Q4 deferred care savings ($23.5m) are held as additional minimum reserve in FY21 and beyond
- Other Expenses, including office expenses, EAP, data warehouse, consultant fees and COBRA fees expected to remain at FY20 levels
- Monthly invoice schedule provided by DHR

It is probable that the COVID-19 pandemic will have an impact on health care costs. In performing this analysis to develop the FY21 budget for GHIP, we have not explicitly reflected adjustments due to the impact of COVID-19. Due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Next steps

- SBO/WTW will continue to monitor the impact of COVID-19 on FY21 baseline budget
- SBO/WTW will provide quarterly updates to long-term projections reflecting impact of COVID-19 on FY21 projected surplus
- Continue to monitor and inform SEBC on need for potential FY22 premium increase or plan design changes based on emerging FY21 experience
- SEBC to vote on FY21 baseline budget as presented