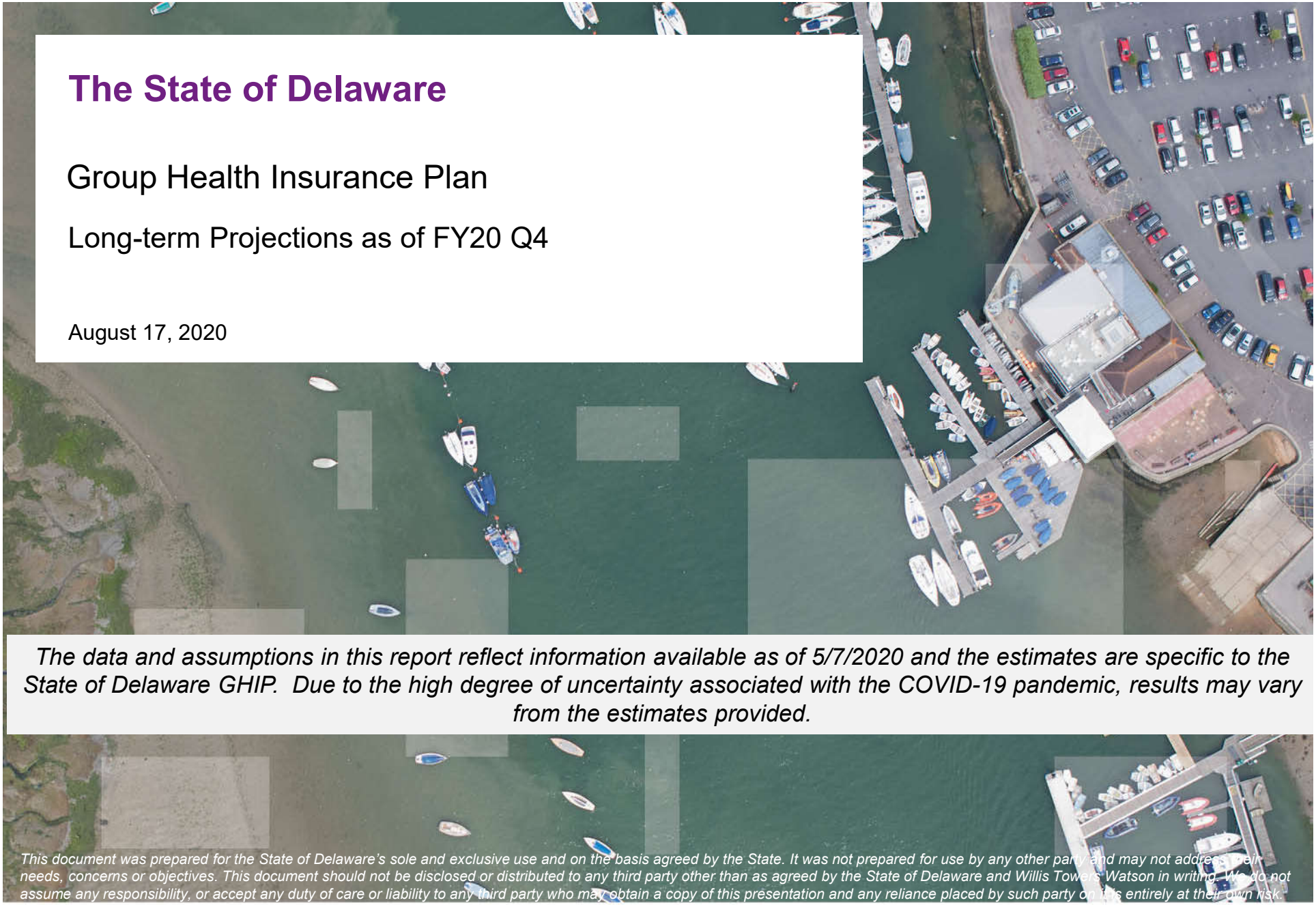


The State of Delaware

Group Health Insurance Plan

Long-term Projections as of FY20 Q4

August 17, 2020

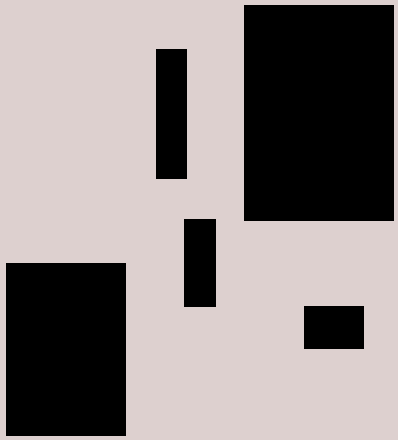
The data and assumptions in this report reflect information available as of 5/7/2020 and the estimates are specific to the State of Delaware GHIP. Due to the high degree of uncertainty associated with the COVID-19 pandemic, results may vary from the estimates provided.

Willis Towers Watson

Today's discussion

- GHIP long term health care cost projections
  - COVID-19 considerations
  - GHIP long term health care cost projections (FY20 Q4 update)
  - Illustrative FY22 monthly rates and employee/retiree contributions
  - Recommended next steps
- FY22 planning
- Appendix

GHIP long term health care cost projections



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
- The budget projections shown in this document reflect the latest information available regarding impact of COVID-19 to date and potential outlook for Delaware and the GHIP, but may not contemplate all of the above factors

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 (recap from July 27th, 2020 SEBC meeting)

- 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 discussed 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
- SEBC may consider reviewing reserve levels more frequently (e.g., quarterly) until the pandemic has subsided and claim levels are more stable

On July 27th, 2020, the SEBC approved decision to hold a one-time COVID-19 reserve of $23.5M in FY21

COVID-19 considerations

Impact of deferred care

- 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***
- Claim levels have returned closer to budget in July, with medical claims expected to land $7.7m below July budget
- The table below highlights the impact of actual medical/Rx claims relative to budget since the onset of COVID-19[1]:

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)**

FY21 Q1	July			August			September			FY21 Q1 Total		
	Actual[2]	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Medical	$54.3m	$62.0m	**($7.7m)**									
Rx	$23.4m	$22.8m	**+$0.6m**									
Total	$77.7m	$84.8m	**($7.1m)**									

1 Final figures have been rounded to the nearest $0.1m; numbers in table may not add up due to rounding.
2 Based on weekly claims analysis provided by DHR; may differ from final claims to be reflected in July Fund Equity Report

GHIP long term health care cost projections (FY20 Q4 update)

FY21 and FY22 projected budget

- Projected FY21 budget of $905.7M is up 1.7% ($14.9M) from FY20 Q3 update of $890.8M
  - FY20 Q3 update of FY21 budget ($890.8M) did not reflect adjustments due to COVID-19
  - FY20 Q4 update of FY21 budget ($905.7M) reflects the following COVID-19 related adjustments:
    - FY20 Q4 experience excluded from budget projection; Q4 claim levels not indicative of future experience
    - 50% of care deferred in FY20 Q4 estimated to return during FY21 (+$23.5M) partially offset by anticipated “tail” on the lower claim levels due to care deferral into FY21 Q1
  - Enrollment reflects open enrollment results as of July 2020
- Projected FY22 budget of $951.9M represents a 5.1% increase ($46.2M) over FY21 projected budget and excludes any explicit adjustments due to COVID-19

Component ($M)	Description	FY21	FY22
	FY20 Q3 (excludes impact of COVID-19)	**$890.8**	**$955.5**
Claims Experience	Claims experience updated to reflect impact of COVID-19 (including pent-up demand due to return of deferred care)	$15.2	($2.9)
Enrollment	Expected claims and premium increase due to growth in covered population	$4.4	$4.8
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	($4.7)	($5.5)
	FY20 Q4 (includes COVID-19 adjustments)	**$905.7**	**$951.9**

GHIP long term health care cost projections (FY20 Q4 update)

Premium rate increase scenarios (reflects impact of COVID-19)

- To maintain the long-term stability of the Fund, the Financial Subcommittee recommends smoothing any available surplus over a minimum of two years
- A rate increase at any time during FY21 is likely not possible; the Financial Subcommittee will be tasked with recommending the **timing** (e.g., 7/1/2021) and **level of rate increase** for FY22 for SEBC approval
- The following pages show the revised long term projections updated to reflect the impact of COVID-19, including the one-time COVID-19 reserve of $23.5m for FY21, as approved during the July 27th SEBC meeting
- The long term projections are shown under the following scenarios:
  - Hold premium rates flat in FY21 and beyond (**$18.5M projected surplus** through end of FY21, **$66.2M projected deficit** through end of FY22)
  - Target smoothing FY21 surplus ($18.5M) over 2 years: 8.8% increase for FY22 effective 7/1/2021 ($9.2m projected surplus through end of FY22)
  - Target $0 deficit by end of FY22: 7.8% increase for FY22 effective 7/1/2021 ($0m projected deficit through end of FY22)
    - *Note: this rate action would fall short of recommendation to smooth surplus over 2 years*

GHIP long term health care cost projections (FY20 Q4 update)

No premium increases FY21-FY26

GHIP Costs ($ millions)	FY20 Actual	FY21 Projected[1]	FY22 Projected[1]	FY23 Projected[1]	FY24 Projected[1]	FY25 Projected[1]	FY26 Projected[1]
Average Enrolled Members	128,531	130,074	131,375	132,689	134,016	135,356	136,710
GHIP Revenue							
Premium Contributions (Increasing with Enrollment)[2]	$830.8	$839.7	$848.1	$856.6	$865.2	$873.9	$882.6
Hold premium rates flat FY21 and beyond	-	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Revenues[3]	$122.8	$132.4	$141.5	$151.2	$161.7	$172.8	$184.8
Total Operating Revenues	**$953.7**	**$972.1**	**$989.6**	**$1,007.8**	**$1,026.9**	**$1,046.7**	**$1,067.4**
GHIP Expenses (Claims/Fees)							
Operating Expenses[4]	$927.7	$1,045.9	$1,101.8	$1,180.5	$1,264.9	$1,355.3	$1,452.2
% Change Per Member	*0.9%*	*11.4%*	*4.3%*	*6.1%*	*6.1%*	*6.1%*	*6.1%*
PBM Contract Renegotiation (Year 5)[6]		($7.8)	($8.4)	($9.0)	($9.6)	($10.3)	($11.0)
Adjusted Net Income (Revenue less Expense)	**$26.0**	**($66.0)**	**($103.8)**	**($163.7)**	**($228.4)**	**($298.3)**	**($373.8)**
Balance Forward	$163.8	$189.8	$123.8	$20.0	($143.7)	($372.1)	($670.4)
Ending Balance	$189.8	$123.8	$20.0	($143.7)	($372.1)	($670.4)	($1,044.2)
- Less Claims Liability[5]	*$57.5*	*$57.5*	*$60.6*	*$64.9*	*$69.5*	*$74.5*	*$79.8*
- Less Minimum Reserve[5]	*$24.3*	*$24.3*	*$25.6*	*$27.4*	*$29.4*	*$31.5*	*$33.8*
- Less COVID-19 Reserve[7]		*$23.5*	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	**$108.0**	**$18.5**	**($66.2)**	**($236.0)**	**($471.0)**	**($776.4)**	**($1,157.8)**

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Please refer to Appendix for FY17, FY18, and FY19 actual results (slide 19) and detailed projection footnotes (slide 20)

GHIP long term health care cost projections (FY20 Q4 update)

8.8% premium increase effective 7/1/2021, 2% annual increase thereafter

GHIP Costs ($ millions)	FY20 Actual	FY21 Projected[1]	FY22 Projected[1]	FY23 Projected[1]	FY24 Projected[1]	FY25 Projected[1]	FY26 Projected[1]
Average Enrolled Members	128,531	130,074	131,375	132,689	134,016	135,356	136,710
GHIP Revenue							
Premium Contributions (Increasing with Enrollment)[2]	$830.8	$839.7	$848.1	$856.6	$865.2	$873.9	$882.6
8.8% premium increase FY22, 2% annual thereafter	-	$0.0	$74.9	$92.8	$111.0	$129.6	$148.5
Other Revenues[3]	$122.8	$132.4	$142.1	$152.3	$163.5	$175.4	$188.2
Total Operating Revenues	**$953.7**	**$972.1**	**$1,065.1**	**$1,101.7**	**$1,139.7**	**$1,178.9**	**$1,219.3**
GHIP Expenses (Claims/Fees)							
Operating Expenses[4]	$927.7	$1,045.9	$1,101.8	$1,180.5	$1,264.9	$1,355.3	$1,452.2
% Change Per Member	*0.9%*	*11.4%*	*4.3%*	*6.1%*	*6.1%*	*6.1%*	*6.1%*
PBM Contract Renegotiation (Year 5)[6]		($7.8)	($8.4)	($9.0)	($9.6)	($10.3)	($11.0)
Adjusted Net Income (Revenue less Expense)	**$26.0**	**($66.0)**	**($28.3)**	**($69.8)**	**($115.6)**	**($166.1)**	**($221.9)**
Balance Forward	$163.8	$189.8	$123.8	$95.4	$25.6	($90.0)	($256.1)
Ending Balance	$189.8	$123.8	$95.4	$25.6	($90.0)	($256.1)	($477.9)
- Less Claims Liability[5]	*$57.5*	*$57.5*	*$60.6*	*$64.9*	*$69.5*	*$74.5*	*$79.8*
- Less Minimum Reserve[5]	*$24.3*	*$24.3*	*$25.6*	*$27.4*	*$29.4*	*$31.5*	*$33.8*
- Less COVID-19 Reserve[7]		*$23.5*	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	**$108.0**	**$18.5**	**$9.2**	**($66.7)**	**($188.9)**	**($362.1)**	**($591.5)**

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Please refer to Appendix for FY17, FY18, and FY19 actual results (slide 19) and detailed projection footnotes (slide 20)

Illustrative FY22 monthly rates and employee/retiree contributions

Illustrative: 8.8% increase effective 7/1/2021

FY22 reflects employee contribution increases of $2.45 - $24.01 per employee per month ($29.40 - $288.12 per year) and State subsidy increases of $58.74 - $158.49 per employee per month ($704.88 - $1,901.88 per year) effective 7/1/2021

	FY 2021			FY 2022 with 8.8% Increase			$ 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	$756.55	$30.29	$726.26	$2.45	$29.40	$58.74	$704.88
Employee + Spouse	$1,438.68	$57.52	$1,381.16	$1,565.28	$62.58	$1,502.70	$5.06	$60.72	$121.54	$1,458.48
Employee + Child	$1,057.02	$42.26	$1,014.76	$1,150.04	$45.98	$1,104.06	$3.72	$44.64	$89.30	$1,071.60
Family	$1,798.42	$71.92	$1,726.50	$1,956.68	$78.25	$1,878.43	$6.33	$75.96	$151.93	$1,823.16
CDH Gold										
Employee	$719.68	$35.98	$683.70	$783.01	$39.15	$743.86	$3.17	$38.04	$60.16	$721.92
Employee + Spouse	$1,492.22	$74.58	$1,417.64	$1,623.54	$81.14	$1,542.40	$6.56	$78.72	$124.76	$1,497.12
Employee + Child	$1,099.56	$54.96	$1,044.60	$1,196.32	$59.80	$1,136.52	$4.84	$58.08	$91.92	$1,103.04
Family	$1,895.74	$94.78	$1,800.96	$2,062.57	$103.12	$1,959.45	$8.34	$100.08	$158.49	$1,901.88
Aetna HMO										
Employee	$725.94	$47.16	$678.78	$789.82	$51.31	$738.51	$4.15	$49.80	$59.73	$716.76
Employee + Spouse	$1,530.58	$99.50	$1,431.08	$1,665.27	$108.26	$1,557.01	$8.76	$105.12	$125.93	$1,511.16
Employee + Child	$1,110.52	$72.18	$1,038.34	$1,208.25	$78.53	$1,129.72	$6.35	$76.20	$91.38	$1,096.56
Family	$1,909.82	$124.12	$1,785.70	$2,077.88	$135.04	$1,942.84	$10.92	$131.04	$157.14	$1,885.68
Comprehensive PPO										
Employee	$793.86	$105.18	$688.68	$863.72	$114.44	$749.28	$9.26	$111.12	$60.60	$727.20
Employee + Spouse	$1,647.34	$218.26	$1,429.08	$1,792.31	$237.47	$1,554.84	$19.21	$230.52	$125.76	$1,509.12
Employee + Child	$1,223.46	$162.08	$1,061.38	$1,331.12	$176.34	$1,154.78	$14.26	$171.12	$93.40	$1,120.80
Family	$2,059.40	$272.86	$1,786.54	$2,240.63	$296.87	$1,943.76	$24.01	$288.12	$157.22	$1,886.64

GHIP long term health care cost projections (FY20 Q4 update)

7.8% premium increase effective 7/1/2021, 2% annual increase thereafter

GHIP Costs ($ millions)	FY20 Actual	FY21 Projected[1]	FY22 Projected[1]	FY23 Projected[1]	FY24 Projected[1]	FY25 Projected[1]	FY26 Projected[1]
Average Enrolled Members	128,531	130,074	131,375	132,689	134,016	135,356	136,710
GHIP Revenue							
Premium Contributions (Increasing with Enrollment)[2]	$830.8	$839.7	$848.1	$856.6	$865.2	$873.9	$882.6
7.8% premium increase FY22, 2% annual thereafter	-	$0.0	$65.8	$83.6	$101.7	$120.2	$139.1
Other Revenues[3]	$122.8	$132.4	$142.0	$152.2	$163.2	$175.0	$187.7
Total Operating Revenues	**$953.7**	**$972.1**	**$1,055.9**	**$1,092.4**	**$1,130.1**	**$1,169.1**	**$1,209.4**
GHIP Expenses (Claims/Fees)							
Operating Expenses[4]	$927.7	$1,045.9	$1,101.8	$1,180.5	$1,264.9	$1,355.3	$1,452.2
% Change Per Member	*0.9%*	*11.4%*	*4.3%*	*6.1%*	*6.1%*	*6.1%*	*6.1%*
PBM Contract Renegotiation (Year 5)[6]		($7.8)	($8.4)	($9.0)	($9.6)	($10.3)	($11.0)
Adjusted Net Income (Revenue less Expense)	**$26.0**	**($66.0)**	**($37.5)**	**($79.1)**	**($125.2)**	**($175.9)**	**($231.8)**
Balance Forward	$163.8	$189.8	$123.8	$86.2	$7.1	($118.1)	($294.0)
Ending Balance	$189.8	$123.8	$86.2	$7.1	($118.1)	($294.0)	($525.9)
- Less Claims Liability[5]	*$57.5*	*$57.5*	*$60.6*	*$64.9*	*$69.5*	*$74.5*	*$79.8*
- Less Minimum Reserve[5]	*$24.3*	*$24.3*	*$25.6*	*$27.4*	*$29.4*	*$31.5*	*$33.8*
- Less COVID-19 Reserve[7]		*$23.5*	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	**$108.0**	**$18.5**	**$0.0**	**($85.2)**	**($217.0)**	**($400.0)**	**($639.5)**

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Please refer to Appendix for FY17, FY18, and FY19 actual results (slide 19) and detailed projection footnotes (slide 20)

Illustrative FY22 monthly rates and employee/retiree contributions

Illustrative: 7.8% increase effective 7/1/2021

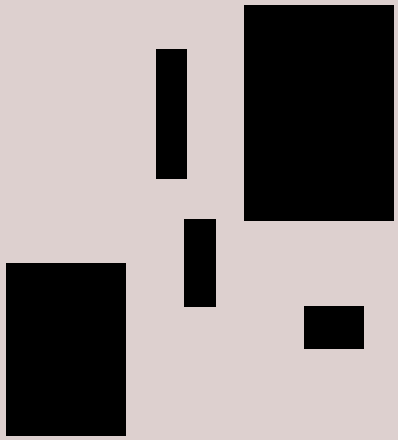
FY21 reflects employee contribution increases of $2.17 - $21.28 per employee per month ($26.04 - $255.36 per year) and State subsidy increases of $52.07 - $140.48 per employee per month ($624.84 - $1,685.76 per year) effective 7/1/2021

	FY 2021			FY 2022 with 7.8% Increase			$ 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	$749.60	$30.01	$719.59	$2.17	$26.04	$52.07	$624.84
Employee + Spouse	$1,438.68	$57.52	$1,381.16	$1,550.90	$62.01	$1,488.89	$4.49	$53.88	$107.73	$1,292.76
Employee + Child	$1,057.02	$42.26	$1,014.76	$1,139.47	$45.56	$1,093.91	$3.30	$39.60	$79.15	$949.80
Family	$1,798.42	$71.92	$1,726.50	$1,938.70	$77.53	$1,861.17	$5.61	$67.32	$134.67	$1,616.04
CDH Gold										
Employee	$719.68	$35.98	$683.70	$775.82	$38.79	$737.03	$2.81	$33.72	$53.33	$639.96
Employee + Spouse	$1,492.22	$74.58	$1,417.64	$1,608.61	$80.40	$1,528.21	$5.82	$69.84	$110.57	$1,326.84
Employee + Child	$1,099.56	$54.96	$1,044.60	$1,185.33	$59.25	$1,126.08	$4.29	$51.48	$81.48	$977.76
Family	$1,895.74	$94.78	$1,800.96	$2,043.61	$102.17	$1,941.44	$7.39	$88.68	$140.48	$1,685.76
Aetna HMO										
Employee	$725.94	$47.16	$678.78	$782.56	$50.84	$731.72	$3.68	$44.16	$52.94	$635.28
Employee + Spouse	$1,530.58	$99.50	$1,431.08	$1,649.97	$107.26	$1,542.71	$7.76	$93.12	$111.63	$1,339.56
Employee + Child	$1,110.52	$72.18	$1,038.34	$1,197.14	$77.81	$1,119.33	$5.63	$67.56	$80.99	$971.88
Family	$1,909.82	$124.12	$1,785.70	$2,058.79	$133.80	$1,924.99	$9.68	$116.16	$139.29	$1,671.48
Comprehensive PPO										
Employee	$793.86	$105.18	$688.68	$855.78	$113.38	$742.40	$8.20	$98.40	$53.72	$644.64
Employee + Spouse	$1,647.34	$218.26	$1,429.08	$1,775.83	$235.28	$1,540.55	$17.02	$204.24	$111.47	$1,337.64
Employee + Child	$1,223.46	$162.08	$1,061.38	$1,318.89	$174.72	$1,144.17	$12.64	$151.68	$82.79	$993.48
Family	$2,059.40	$272.86	$1,786.54	$2,220.03	$294.14	$1,925.89	$21.28	$255.36	$139.35	$1,672.20

Recommended 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

FY22 Planning



FY22 planning

- As a starting point for FY22 planning, the performance of existing GHIP initiatives will be evaluated to identify trend mitigation opportunities heading into the next plan year
- Data collection on existing GHIP initiatives is currently taking place and will be analyzed and presented to the SEBC and its subcommittees beginning next month
- New initiatives that are identified and evaluated will also be included for consideration as well
- Following slides outline areas of existing opportunity that will be considered in upcoming discussions with the SEBC and the subcommittees

Areas of opportunity for FY22 planning

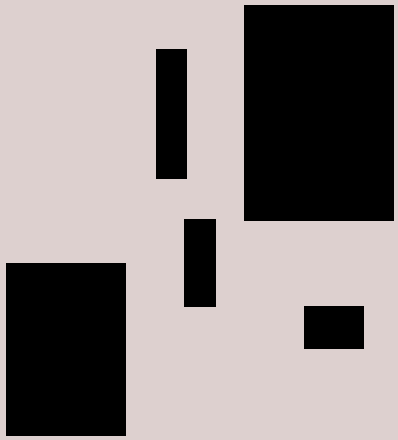
Includes, but not limited to, the topics below

- Impact of prior changes to medical plan designs
  - Copay changes to encourage utilization of preferred sites of care – labs, radiology centers, urgent care, telemedicine
  - Enhancements to infertility coverage
  - Steerage to high quality surgeons of excellence through SurgeryPlus
- Facility cost increases for procedures and treatments addressing conditions such as maternity/fertility, musculoskeletal, cardiovascular and cancer
- Engagement of plan participants in health management programs to address chronic illnesses and lifestyle risks
  - Livongo for diabetes management
  - High cost claimants (>$100k/year) with nurse care advocates in the CareVio and CCMU programs
  - Incentives for enhancing engagement in these programs
- Expansion of telehealth services into primary care and behavioral health
- Value-based contracting efforts of the medical TPAs

Recommended next steps

- Begin discussion of data on utilization and outcomes of existing GHIP initiatives starting at the September SEBC and subcommittee meetings
- Identify opportunities to leverage complementary work being conducted by other State of Delaware departments, committees, workgroups, etc.
  - Examples: Office of Value-based Health Care, DCHI Payment Workgroup, Primary Care Reform Collaborative, Retirement Benefits Study Group

Appendix



GHIP historical health care fund information

FY17-FY19

GHIP Costs ($ millions)	FY17 Actual	FY18 Actual	FY19 Actual
Average Enrolled Members	123,132	125,488	126,360
GHIP Revenue			
Premium Contributions (Increasing with Enrollment)[2]	$799.0	$810.9	$817.4
Hold premium rates flat FY21+)	-	-	-
Other Revenues[3]	$81.6	$92.1	$98.5
Total Operating Revenues	**$880.6**	**$903.0**	**$915.9**
GHIP Expenses (Claims/Fees)			
Operating Expenses[4]	$816.8	$853.9	$904.0
% Change Per Member		*2.6%*	*5.1%*
Excise Tax Liability[5]			
Adjusted Net Income (Revenue less Expense)	**$63.8**	**$49.1**	**$11.9**
Balance Forward	$38.9	$102.7	$151.8
Ending Balance	$102.7	$151.8	$163.8
- Less Claims Liability[6]	*$54.0*	*$58.9*	*$58.8*
- Less Minimum Reserve[6]	*$24.0*	*$24.0*	*$24.3*
GHIP Surplus (After Reserves/Deposits)	**$24.7**	**$68.9**	**$80.7**

GHIP long term health care cost projection footnotes

Note: FY17, FY18, FY19 and FY20 actual based on final June 2017, June 2018, June 2019 and June 2020 Fund Equity reports; FY21+ projected operating expenses and enrollment based on experience through FY20 Q4 with adjustments to FY21 due to COVID-19 financial impact; 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); FY21-FY26 projections based on 5% medical, 8% pharmacy baseline trend; assumes 1% annual growth in GHIP membership; FY21 projection reflects impact of COVID-19.
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY21-FY26
3. Includes Rx rebates, EGWP payments, other revenues; FY21 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. FY21 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; FY21 reserves assumed to remain at FY20 levels; future years assumed to increase with overall GHIP expense growth.
6. Reflects FY21 plan savings based on ESI year 5 traditional pharmacy BAFO renewal; assumed to increase with trend FY22 and beyond
7. One-time COVID-19 reserve as approved by SEBC on July 27th, 2020

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Health care budget development

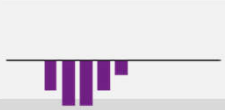
Assumption and pricing analysis details

- **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

COVID-19 considerations

- Naturally, both the volume of deferred care and the likelihood it returns will vary based upon the type of care; the table below offers insights as to the types of care for which demand is building and the possibility of its return to the system:

Type of Care	Reduction in Utilization	Illustrative Utilization Curve	Pent-up Demand	Comments
Pharmacy	None►		◄None	Most maintenance prescriptions are still being filled, although more are transitioning to mail order. Fewer office visits could reduce new prescriptions
Office Visits/ Dental Care	High►		◄Low	Only highly urgent care is being delivered; most preventive care will resume but lost volume will not be recovered
Acute Emergency Care	Low►		◄None	Those with less serious emergencies are avoiding care now; these cases will have resolved when current restrictions are lifted
Accidents	High►		◄None	Less travel means fewer accidents. There is no reason to believe that there will be an increase in accidents to make up for this
Non-Urgent Procedures	High►		◄High	Many non-urgent procedures are very important to patient health and will be performed later. Some in queue will have resolved and will not be performed
Cancer Care	Moderate►		◄Moderate	Most care will eventually be delivered. Delay could mean some patients will no longer be candidates for intensive interventions
Transplants	High►		◄Low	Many transplants have been deferred. Cadaver organ supply is lower with decreased movement. Some on waiting lists will have died
Cardiac care	Moderate►		◄Unknown	Hospitals are seeing fewer heart attacks and strokes; it is unclear what the long-term consequences will be