



The State of Delaware

Group Health Insurance Plan

Long-term Projections as of FY21 Q1

November 16, 2020

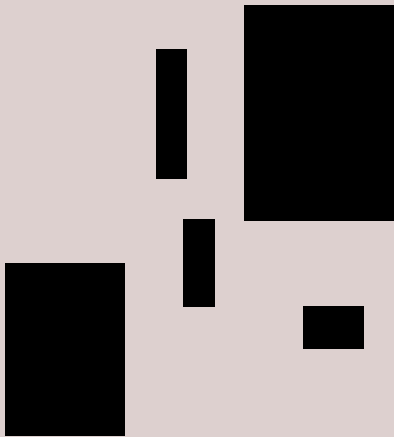
The data and assumptions in this report reflect information available as of 5/7/2020 and the estimates are specific to the State of Delaware GHIP. Due to the high degree of uncertainty associated with the COVID-19 pandemic, results may vary from the estimates provided.

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Today's discussion

- GHIP long term health care cost projections
 - COVID-19 considerations
 - GHIP long term health care cost projections (FY21 Q1 update)
 - Illustrative FY22 monthly rates and employee/retiree contributions
 - Recommended next steps
- Appendix

GHIP long term health care cost projections



COVID-19 financial impact

Considerations for 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 easing 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
- On July 27th, 2020, the SEBC approved decision to hold a one-time COVID-19 reserve of \$23.5M in FY21; continue to monitor

Continue to evaluate COVID-19 impact on GHIP long term cost projections, trend assumptions, minimum reserve, rate action planning, and other factors

COVID-19 financial impact update

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**; FY21 Q1 claims were an additional **\$11.2m below budget**
- October claims exceeded budget, representing the first month with medical claims over budget since the pandemic began
- The table below highlights the impact of actual medical and Rx claims relative to budget since the onset of COVID-19¹:

FY21 Q1	July			August			September			FY21 Q1 Total		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Medical	\$54.3m	\$62.0m	(\$7.7m)	\$45.3m	\$49.6m	(\$4.3m)	\$58.5m	\$58.9m	(\$0.5m)	\$158.0m	\$170.5m	(\$12.5m)
Rx	\$23.4m	\$22.8m	+\$0.6m	\$23.2m	\$22.8m	+\$0.4m	\$23.0m	\$22.8m	+\$0.2m	\$69.6m	\$68.3m	+\$1.3m
Total	\$77.7m	\$84.8m	(\$7.1m)	\$68.5m	\$72.4m	(\$3.9m)	\$81.4m	\$81.7m	(\$0.3m)	\$227.6m	\$238.8m	(\$11.2m)

FY21 Q2	October			November			December			FY21 Q2 Total		
	Actual ²	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Medical	\$55.1m	\$50.6m	+\$4.5m							\$55.1m	\$50.6m	+\$4.5m
Rx	\$23.9m	\$23.3m	+\$0.6m							\$23.9m	\$23.3m	+\$0.6m
Total	\$79.0m	\$73.9m	+\$5.1m							\$79.0m	\$73.9m	+\$5.1m

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 October Fund Equity Report

COVID-19 financial impact update

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	812
Tested Member Count	10,024
Non-Test Paid Claims	\$4.9m
Test Paid Claims	\$6.0m
Pending Charges	\$1.2m
Telemedicine Visits (COVID-19)	495
Telemedicine Paid Claims (COVID-19)	\$47k

Aetna YTD COVID-19 Dashboard Summary ²	
# of Claims (Non-Tests)	2,127
# of Claims (Tests)	5,902
Non-Test Paid Claims	\$1.4m
Test Paid Claims	\$543k
Telemedicine Visits (COVID-19)	597
Telemedicine Paid Claims (COVID-19)	\$28k
Telemedicine Visits (Non-COVID-19)	40,494
Telemedicine Paid Claims (Non-COVID-19)	\$2.7m

- 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 – 10/31/2020; tested and confirmed cases are mutually exclusive; pending claims as of 11/2/2020 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 11/1/2020; 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

GHIP long term health care cost projections (FY21 Q1 update)

FY21 and FY22 projected budget

- Projected FY21 budget of \$910.6M is up 0.5% (\$4.9M) from FY20 Q4 update of \$905.7M
 - The following COVID-19 related adjustments are included in the FY21 Q1 budget:
 - FY20 Q4 and FY21 Q1 experience excluded from budget projection; claim levels not indicative of future experience due to volume of deferred care
 - 50% of care deferred in FY20 Q4 and FY21 Q1 estimated to return during FY21 (+\$29.1M)
 - Enrollment assumed to increase 1% during FY21
- Projected FY22 budget of \$963.4M represents a 5.8% increase (\$52.8M) over FY21 projected budget and excludes any explicit adjustments due to COVID-19

Component (\$M)	Description	FY21	FY22
FY20 Q4 (includes COVID-19 adjustments)		\$905.7	\$951.9
Claims Experience	Claims experience updated to reflect impact of COVID-19 (including pent-up demand due to return of deferred care)	\$4.6	\$13.7
Enrollment	Expected claims and premium decrease due to growth in covered population	(\$2.6)	(\$2.8)
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	\$2.9	\$0.6
FY21 Q1 (includes COVID-19 adjustments)		\$910.6	\$963.4

GHIP long term health care cost projections (FY21 Q1 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
- 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
- The long term projections are shown under the following scenarios:
 - Hold premium rates flat in FY21 and beyond (**\$15.7M projected surplus** through end of FY21, **\$79.0M projected deficit** through end of FY22)
 - Target smoothing FY21 surplus (\$15.7M) over 2 years: 10.2% increase for FY22 effective 7/1/2021 (\$7.8m projected surplus through end of FY22)
 - Target \$0 surplus by end of FY22: 9.3% 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 (FY21 Q1 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	129,698	130,995	132,305	133,628	134,964	136,314
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$841.8	\$850.2	\$858.8	\$867.4	\$876.1	\$884.9
<i>Hold premium rates flat FY21 and beyond</i>	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$122.8	\$129.5	\$140.9	\$150.5	\$160.9	\$172.1	\$183.9
Total Operating Revenues	\$953.7	\$971.3	\$991.1	\$1,009.3	\$1,028.3	\$1,048.2	\$1,068.8
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,040.1	\$1,104.3	\$1,183.2	\$1,267.8	\$1,358.4	\$1,455.5
% Change Per Member	0.9%	11.1%	5.1%	6.1%	6.1%	6.1%	6.1%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$68.8)	(\$113.2)	(\$173.9)	(\$239.5)	(\$310.2)	(\$386.7)
Balance Forward	\$163.8	\$189.8	\$121.0	\$7.8	(\$166.1)	(\$405.6)	(\$715.8)
Ending Balance	\$189.8	\$121.0	\$7.8	(\$166.1)	(\$405.6)	(\$715.8)	(\$1,102.5)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.0	\$65.4	\$70.1	\$75.1	\$80.5
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.8	\$27.6	\$29.6	\$31.7	\$34.0
- Less COVID-19 Reserve ⁶		\$23.5					
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$15.7	(\$79.0)	(\$259.1)	(\$505.3)	(\$822.6)	(\$1,217.0)

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 15) and detailed projection footnotes (slide 16)

GHIP long term health care cost projections (FY21 Q1 update)

10.2% 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	129,698	130,995	132,305	133,628	134,964	136,314
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$841.8	\$850.2	\$858.8	\$867.4	\$876.1	\$884.9
<i>10.2% premium increase FY22, 2% annual thereafter</i>	-	\$0.0	\$86.8	\$104.9	\$123.3	\$142.0	\$161.1
Other Revenues ³	\$122.8	\$129.5	\$140.9	\$151.2	\$162.2	\$174.2	\$186.9
Total Operating Revenues	\$953.7	\$971.3	\$1,077.9	\$1,114.9	\$1,152.9	\$1,192.3	\$1,232.9
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,040.1	\$1,104.3	\$1,183.2	\$1,267.8	\$1,358.4	\$1,455.5
% Change Per Member	0.9%	11.1%	5.1%	6.1%	6.1%	6.1%	6.1%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$68.8)	(\$26.4)	(\$68.3)	(\$114.9)	(\$166.1)	(\$222.6)
Balance Forward	\$163.8	\$189.8	\$121.0	\$94.6	\$26.3	(\$88.7)	(\$254.8)
Ending Balance	\$189.8	\$121.0	\$94.6	\$26.3	(\$88.7)	(\$254.8)	(\$477.3)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.0	\$65.4	\$70.1	\$75.1	\$80.5
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.8	\$27.6	\$29.6	\$31.7	\$34.0
- Less COVID-19 Reserve ⁶		\$23.5					
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$15.7	\$7.8	(\$66.7)	(\$188.4)	(\$361.6)	(\$591.8)

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.

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Illustrative FY22 monthly rates and employee/retiree contributions

Illustrative: 10.2% increase effective 7/1/2021

FY22 reflects employee contribution increases of \$2.84 - \$27.83 per employee per month (\$34.08 - \$333.96 per year) and State subsidy increases of \$68.09 - \$183.70 per employee per month (\$817.08 - \$2,204.40 per year) effective 7/1/2021

	FY 2021			FY 2022 with 10.2% 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	\$766.29	\$30.68	\$735.61	\$2.84	\$34.08	\$68.09	\$817.08
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,585.43	\$63.39	\$1,522.04	\$5.87	\$70.44	\$140.88	\$1,690.56
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,164.84	\$46.57	\$1,118.27	\$4.31	\$51.72	\$103.51	\$1,242.12
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,981.86	\$79.26	\$1,902.60	\$7.34	\$88.08	\$176.10	\$2,113.20
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$793.09	\$39.65	\$753.44	\$3.67	\$44.04	\$69.74	\$836.88
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,644.43	\$82.19	\$1,562.24	\$7.61	\$91.32	\$144.60	\$1,735.20
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,211.72	\$60.57	\$1,151.15	\$5.61	\$67.32	\$106.55	\$1,278.60
Family	\$1,895.74	\$94.78	\$1,800.96	\$2,089.11	\$104.45	\$1,984.66	\$9.67	\$116.04	\$183.70	\$2,204.40
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$799.99	\$51.97	\$748.02	\$4.81	\$57.72	\$69.24	\$830.88
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,686.70	\$109.65	\$1,577.05	\$10.15	\$121.80	\$145.97	\$1,751.64
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,223.79	\$79.54	\$1,144.25	\$7.36	\$88.32	\$105.91	\$1,270.92
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,104.62	\$136.78	\$1,967.84	\$12.66	\$151.92	\$182.14	\$2,185.68
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$874.83	\$115.91	\$758.92	\$10.73	\$128.76	\$70.24	\$842.88
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,815.37	\$240.52	\$1,574.85	\$22.26	\$267.12	\$145.77	\$1,749.24
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,348.25	\$178.61	\$1,169.64	\$16.53	\$198.36	\$108.26	\$1,299.12
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,269.46	\$300.69	\$1,968.77	\$27.83	\$333.96	\$182.23	\$2,186.76

GHIP long term health care cost projections (FY21 Q1 update)

9.3% 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	129,698	130,995	132,305	133,628	134,964	136,314
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$841.8	\$850.2	\$858.8	\$867.4	\$876.1	\$884.9
<i>9.3% premium increase FY22, 2% annual thereafter</i>	-	\$0.0	\$79.0	\$97.0	\$115.3	\$134.0	\$153.0
Other Revenues ³	\$122.8	\$129.5	\$140.9	\$151.1	\$162.1	\$174.0	\$186.6
Total Operating Revenues	\$953.7	\$971.3	\$1,070.1	\$1,106.9	\$1,144.8	\$1,184.1	\$1,224.5
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,040.1	\$1,104.3	\$1,183.2	\$1,267.8	\$1,358.4	\$1,455.5
% Change Per Member	0.9%	11.1%	5.1%	6.1%	6.1%	6.1%	6.1%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$68.8)	(\$34.2)	(\$76.3)	(\$123.0)	(\$174.3)	(\$231.0)
Balance Forward	\$163.8	\$189.8	\$121.0	\$86.8	\$10.5	(\$112.5)	(\$286.8)
Ending Balance	\$189.8	\$121.0	\$86.8	\$10.5	(\$112.5)	(\$286.8)	(\$517.7)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.0	\$65.4	\$70.1	\$75.1	\$80.5
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$25.8	\$27.6	\$29.6	\$31.7	\$34.0
- Less COVID-19 Reserve ⁶		\$23.5					
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$15.7	\$0.0	(\$82.5)	(\$212.2)	(\$393.6)	(\$632.2)

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 15) and detailed projection footnotes (slide 16)

Illustrative FY22 monthly rates and employee/retiree contributions

Illustrative: 9.3% increase effective 7/1/2021

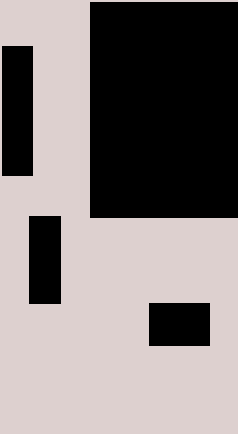
FY22 reflects employee contribution increases of \$2.59 - \$25.38 per employee per month (\$31.08 - \$304.56 per year) and State subsidy increases of \$62.08 - \$167.49 per employee per month (\$744.96 - \$2,009.88 per year) effective 7/1/2021

	FY 2021			FY 2022 with 9.3% 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	\$760.03	\$30.43	\$729.60	\$2.59	\$31.08	\$62.08	\$744.96
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,572.48	\$62.87	\$1,509.61	\$5.35	\$64.20	\$128.45	\$1,541.40
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,155.32	\$46.19	\$1,109.13	\$3.93	\$47.16	\$94.37	\$1,132.44
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,965.67	\$78.61	\$1,887.06	\$6.69	\$80.28	\$160.56	\$1,926.72
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$786.61	\$39.33	\$747.28	\$3.35	\$40.20	\$63.58	\$762.96
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,631.00	\$81.52	\$1,549.48	\$6.94	\$83.28	\$131.84	\$1,582.08
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,201.82	\$60.07	\$1,141.75	\$5.11	\$61.32	\$97.15	\$1,165.80
Family	\$1,895.74	\$94.78	\$1,800.96	\$2,072.04	\$103.59	\$1,968.45	\$8.81	\$105.72	\$167.49	\$2,009.88
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$793.45	\$51.55	\$741.90	\$4.39	\$52.68	\$63.12	\$757.44
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,672.92	\$108.75	\$1,564.17	\$9.25	\$111.00	\$133.09	\$1,597.08
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,213.80	\$78.89	\$1,134.91	\$6.71	\$80.52	\$96.57	\$1,158.84
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,087.43	\$135.66	\$1,951.77	\$11.54	\$138.48	\$166.07	\$1,992.84
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$867.69	\$114.96	\$752.73	\$9.78	\$117.36	\$64.05	\$768.60
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,800.54	\$238.56	\$1,561.98	\$20.30	\$243.60	\$132.90	\$1,594.80
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,337.24	\$177.15	\$1,160.09	\$15.07	\$180.84	\$98.71	\$1,184.52
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,250.92	\$298.24	\$1,952.68	\$25.38	\$304.56	\$166.14	\$1,993.68

Recommended next steps

- Continue to monitor emerging plan experience for COVID-19 testing and treatment, care deferral by type of care, and GHIP overall
- Deep dive into FY21 utilization, including the impact of pent-up demand on FY21 claim levels, to be presented with FY21 Q2 quarterly financial update
- 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

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
<i>Hold premium rates flat FY21+</i>	-	-	-
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
<i>% Change Per Member</i>		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 FY21 Q1 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); FY21 reflects implementation of Highmark radiation therapy authorization program (\$633k annual savings per Highmark); 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; assumes no other program changes in FY21 and beyond.
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.
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. 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