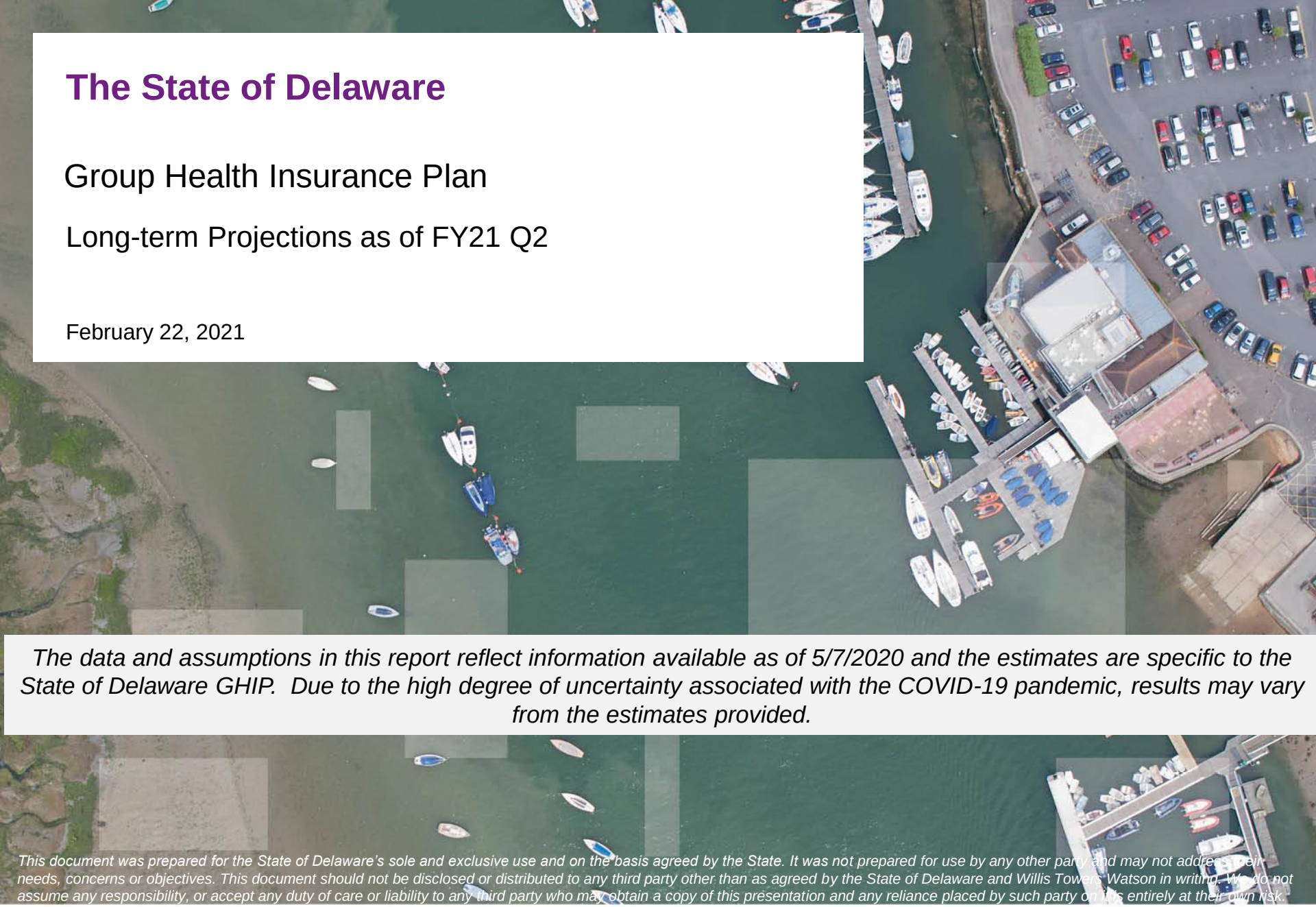


The State of Delaware

Group Health Insurance Plan

Long-term Projections as of FY21 Q2

February 22, 2021

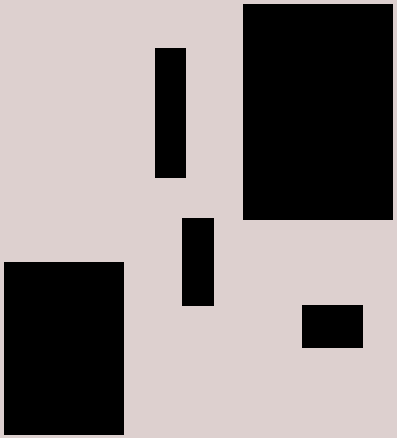
The data and assumptions in this report reflect information available as of 5/7/2020 and the estimates are specific to the State of Delaware GHIP. Due to the high degree of uncertainty associated with the COVID-19 pandemic, results may vary from the estimates provided.

Willis Towers Watson

Today's discussion

- GHIP long term health care cost projections
  - COVID-19 financial impact
  - GHIP long term health care cost projections (FY21 Q2 update)
  - Recommended next steps
- Appendix

GHIP long term health care cost projections



COVID-19 financial impact

Considerations for FY21 and beyond

- Significant reduction in GHIP health care costs during Calendar Year 2020 due to the impact of deferred care, far exceeding the costs related to testing and treatment of COVID-19 cases
- The impact of the COVID-19 pandemic on the GHIP in Calendar Year 2021 and beyond is still unknown and depends on many factors, including:
  - Level of 2020 care deferral that returns in 2021
  - Ongoing vaccination costs once no longer covered by federal government
  - Change in service mix (e.g., sustained shift to virtual care)
  - Downstream impact from missed preventive screenings/immunizations, compounding mental health issues, and additional unknown health needs of COVID-19 ‘survivors’
- 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***
- FY21 Q2 claims ran **$8.3m above budget**, and have nearly offset the favorable claims impact generated in FY21 Q1; January 2021 claims generated slight surplus
- The table below highlights the impact of actual medical and Rx claims relative to budget[1]:

FY21 Q2	October			November			December			FY21 Q2 Total		
	Actual	Budget	Variance	Actual[2]	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Medical	$55.1m	$50.6m	**+$4.5m**	$53.4m	$47.6m	**+$5.8m**	$52.9m	$56.6m	**($3.6m)**	$161.4m	$154.8m	**+$6.6m**
Rx	$23.9m	$23.3m	**+$0.6m**	$35.1m	$35.0m	**+$0.2m**	$24.3m	$23.3m	**+$0.9m**	$83.3m	$81.6m	**+$1.7m**
Total	$79.0m	$73.9m	**+$5.1m**	$88.6m	$82.6m	**+$6.0m**	$77.2m	$79.9m	**($2.7m)**	$244.7m	$236.4m	**+$8.3m**

FY21 Q3	January			February			March			FY21 Q3 Total		
	Actual	Budget	Variance	Actual[2]	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
Medical	$52.1m	$53.1m	**($1.1m)**							$52.1m	$53.1m	**($1.1m)**
Rx	$24.7m	$25.1m	**($0.5m)**							$24.7m	$25.1m	**($0.5m)**
Total	$76.8m	$78.3m	**($1.5m)**							$76.8m	$78.3m	**($1.5m)**

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 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:

YTD COVID-19 Dashboard Summary	Highmark[1]	Aetna[2]
Confirmed Members (#, $)	2,672, $10.7m	5,731, $2.7m
Tested Members (#, $)	15,416, $9.6m	11,046, $1.0m
Pending Charges	$2.8m	n/a
COVID-19 Telemedicine Visits (#, $)	1,493, $142k	1,056, $56k
Non-COVID-19 Telemedicine Visits (#, $)	n/a*	56,793, $4.0m

* Reporting $14.0m in total paid telemedicine claims from 1/1/2020-2/6/2021

- 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 – 2/6/2021; tested and confirmed cases are mutually exclusive; pending claims as of 2/7/2021 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 2/7/2021; 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 Q2 update)

CVS Health pharmacy contract

- On December 14, 2020, the SEBC approved award of pharmacy benefit management to CVS Health
  - Commercial contract is projected to reduce allowed pharmacy claims by $7.6M (3.8%) and increase rebates by $14.3M, yielding $21.9M gross savings for the period 7/1/2021 – 6/30/2022
  - EGWP contract is projected to reduce allowed pharmacy claims by $13.2M (7.8%) and increase rebates by $16.5M, yielding $29.8M gross savings for the period 1/1/2022 – 12/31/2022
- Estimated total reduction of $32.2M in GHIP pharmacy plan cost for FY22 ($18.4M Commercial, $13.8M EGWP)

CVS Health Contract	Commercial FY22 Summary	EGWP CY22 Summary
Rx allowed cost savings (before rebates)[1]	3.8% ($7.6M)	7.8% ($13.2M)
Rx allowed cost savings (incl. rebates) [2]	14.6% ($21.9M)	21.5% ($29.8M)
FY22 plan cost reduction[3]	$18.4M	$13.8M

[1]Estimated savings for each respective contract period using allowed claims (plan and member cost sharing combined), utilization, and enrollment data for the period 4/1/2019 – 3/31/2020 and composite annual pharmacy trend rate of 5-7% (varying by generic, brand, and specialty drug categories)

[2] Estimated 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

[3] Estimated reduction in GHIP pharmacy plan cost (net of member cost sharing) for the period 7/1/2021 – 6/30/2022 based on the pricing assumptions outlined in the Appendix; rebate improvements based on projected rebates above anticipated FY22 over-performance

GHIP long term health care cost projections (FY21 Q2 update)

Revised projections

- Projected FY21 budget of $889.4M is down 2.3% ($21.2M) from FY21 Q1 update of $910.6M based on actual operating expenses through January 2021 and estimated claim levels for February – June 2021
  - FY21 budget excludes $9.5m CY2019 financial reconciliation payment received January 2021
- Projected FY22 budget of $946.6M represents a 6.4% increase ($57.2M) over FY21 projected budget
  - Includes $32.2M in plan savings due to CVS Health pharmacy benefit management contract
  - $160k in additional cost due to Aetna essential health benefit changes (accidental dental coverage)
- The following COVID-19 related adjustments are included in the FY21 and FY22 budgets:
  - 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 **CY21** (+$7.3M in FY21 and +$21.8M in FY22) as additional services and/or downstream impact of foregone care
- Enrollment assumed to increase 1% annually

Component ($M)	Description	FY21	FY22
	FY21 Q1 (*includes* impact of COVID-19)	**$910.6**	**$963.4**
Claims Experience	Claims experience updated to reflect impact of COVID-19 (including pent-up demand due to return of deferred care)	($24.9)	$5.7
Enrollment	Expected claims and premium increase due to growth in covered population	$3.8	$4.0
PBM Savings	CVS Health contract effective 7/1/2021 Commercial, 1/1/2022 EGWP	-	($32.2)
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates not captured in PBM savings and participating group fees (excludes $9.5m CY2019 EGWP financial reconciliation payment received Jan '21)	($0.1)	$5.8
	FY21 Q2 (*includes* impact of COVID-19)	**$889.4**	**$946.6**

GHIP long term health care cost projections (FY21 Q2 update)

Additional legislative and program changes

- The following benefit changes are under consideration and could have a financial impact in FY22:
  - Primary care legislation: approx. $10M cost increase
  - Behavioral health copay change pending outcome of mental health parity analysis: approx. $370k cost increase
  - Bariatric surgery carve-out to SurgeryPlus: $355k-$1.4m estimated cost avoidance

Above cost impacts are not reflected in the GHIP long term health care cost projections shown on slide 10

GHIP long term health care cost projections (FY21 Q2 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 not possible; the Financial Subcommittee will be tasked with recommending the **timing** and **level of rate increase** for FY22
- The updated long-term projections are shown without any future rate increases or FY22 program/legislative changes
  - **$46.5M projected surplus** through end of FY21 (reflects $9.5M CY2019 EGWP financial reconciliation payment received January 2021, and $23.5M COVID-19 reserve)
  - **$31.4M projected deficit** through end of FY22 that will need to be addressed through premium rate increases, or other savings initiatives
  - If no other program changes, target smoothing FY21 surplus ($46.5M) over 2 years requires 6.4% premium increase effective 7/1/21 (7.8% increase required without COVID-19 reserve)
  - If no other program changes, target $0 surplus by end of FY22 requires 3.7% premium increase effective 7/1/21 *Note: this rate action would fall short of recommendation to smooth surplus over 2 years*

GHIP long term health care cost projections (FY21 Q2 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	130,234	131,536	132,851	134,180	135,522	136,877
GHIP Revenue							
Premium Contributions (Increasing with Enrollment)[2]	$830.8	$841.9	$850.3	$858.8	$867.5	$876.1	$884.9
Hold premium rates flat FY21 and beyond	-	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Revenues[3]	$122.8	$139.1	$135.1	$143.9	$153.4	$163.4	$174.0
Total Operating Revenues	**$953.7**	**$981.0**	**$985.4**	**$1,002.7**	**$1,020.9**	**$1,039.5**	**$1,058.9**
GHIP Expenses (Claims/Fees)							
Operating Expenses[4]	$927.7	$1,019.0	$1,081.7	$1,139.8	$1,216.9	$1,299.2	$1,387.0
% Change Per Member	*0.9%*	*8.4%*	*5.1%*	*4.3%*	*5.7%*	*5.7%*	*5.7%*
Adjusted Net Income (Revenue less Expense)	**$26.0**	**($38.0)**	**($96.3)**	**($137.1)**	**($196.0)**	**($259.7)**	**($328.1)**
Balance Forward	$163.8	$189.8	$151.8	$55.4	($81.7)	($277.7)	($537.4)
Ending Balance	$189.8	$151.8	$55.4	($81.7)	($277.7)	($537.4)	($865.5)
- Less Claims Liability[5]	*$57.5*	*$57.5*	*$61.0*	*$64.3*	*$68.6*	*$73.2*	*$78.1*
- Less Minimum Reserve[5]	*$24.3*	*$24.3*	*$25.8*	*$27.2*	*$29.0*	*$31.0*	*$33.1*
- Less COVID-19 Reserve[6]		*$23.5*					
GHIP Surplus (After Reserves/Deposits)	**$108.0**	**$46.5**	**($31.4)**	**($173.2)**	**($375.3)**	**($641.6)**	**($976.7)**

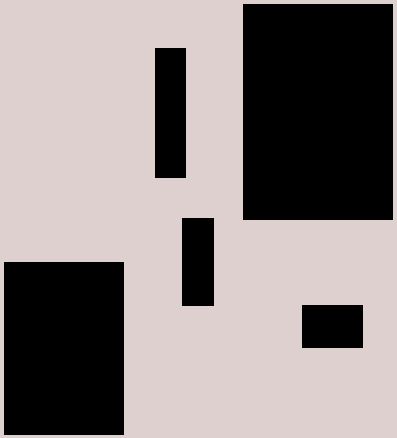
It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with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

Please refer to Appendix for FY17, FY18, and FY19 actual results (slide 13) and detailed projection footnotes (slide 14)

Recommended next steps

- Continue to monitor emerging plan experience for COVID-19 testing and treatment, care deferral by type of care, vaccine administration and overall GHIP experience
- 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
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 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); FY21 includes $9.5m CY2019 CMS financial reconciliation payment received January 2021.
4. FY21 includes estimated reduction in pharmacy claims as a result of best and final ESI FY20 renewal proposal, provided 1/29/2019; FY22 and beyond includes estimated reduction in pharmacy claims as a result of CVS Health contract effective 7/1/2021 Commercial, 1/1/2022 EGWP
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