



**MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE**  
**June 29, 2021**

The State Employee Benefits Committee (the “Committee”) met at 10:00 a.m. on June 29, 2021. In accordance with the [Proclamation Authorizing Public Bodies to Meet Electronically](#) and in the interests of protecting the citizens of this State from the public health threat caused by COVID-19, this meeting was conducted via WebEx, without a physical location.

*Committee Members Represented or in Attendance:*

Secretary Amy Bonner, Department of Human Resources (“DHR”), Co-Chair  
Director Cerron Cade, Office of Management & Budget (“OMB”), Co-Chair  
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer (“OST”)   
Controller General Ruth Ann Jones, Office of the Controller General (“OCG”)   
Secretary Molly Magarik, Department of Health & Social Services (“DHSS”)   
The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance   
Mr. Jeff Taschner, Executive Director, Delaware State Education Association (“DSEA”) (Appointee of the Governor)   
Ms. Ashley Tucker, Deputy State Court Administrator, Administrative Office of the Courts (Designee OBO The Honorable Collins Seitz, Chief Justice, Delaware Supreme Court)   
Mr. Keith Warren, Chief of Staff, Office of the Lieutenant Governor (Designee OBO The Honorable Bethany Hall-Long)

*Others in Attendance*

Dir. Faith Rentz, Statewide Benefits Office (“SBO”), DHR	Mr. Jamie Johnstone, Deputy Principal Assistant, Office of the Secretary of Finance (“Finance”)
Deputy Director Leighann Hinkle, SBO, DHR	Mr. Daniel Madrid, Chief Operating Officer, OST
Deputy Attorney General Lynn Kelly, Dept. of Justice, SEBC Legal Counsel	Ms. Lisa Mantegna, Highmark Delaware
Mr. Chris Giovannello, Willis Towers Watson (“WTW”)	Mr. Walt Mateja, IBM Watson Health
Ms. Jaclyn Iglesias, WTW	Mr. Sean McNeeley, Director of Bond Finance, Finance
Ms. Rebecca Warnken, WTW	Ms. Emily Molinaro, Fiscal and Policy Analyst, OMB
Ms. Joanna Adams, Pensioner Administrator, Office of Pensions (“OPen”)	Ms. Katherine Nedelka, HRIS Specialist, PHRST, OMB
Ms. Wendy Beck, Highmark Delaware	Mr. Michael North, Aetna
Ms. Rebecca Byrd, ByrdGomes	Ms. Paula Roy, Roy & Associates
Mr. Steven Costantino, Dir. Healthcare Reform, DHSS	Mr. Aaron Schrader, HR Manager, SBO, DHR
Ms. Cynthia Diaz, PHRST, OMB	Ms. Judi Schock, Deputy Principal Asst., OMB
Ms. Cherie Dodge Biron, Deputy Principal Asst, DHR	Mr. Robert Scoglietti, Deputy Controller General, OCG
Ms. Julie Greenwood, HR Specialist, Univ. of DE	Mr. Wayne Smith, Delaware Healthcare Association
Ms. Sandy Hart, IBM Watson Health	Ms. Courtney Stewart, Deputy Director, OMB
Ms. Katherine Impellizzeri, Aetna	Ms. Martha Sturtevant, Exec. Sec., SBO, DHR – Recorder
Ms. Heather Johnson, Controller, DHR	Mr. Daniel Susi, XXXX
	Ms. Shea Sweeney, Highmark Delaware

**CALLED TO ORDER**

Director Faith Rentz called the meeting to order at 10:02 a.m.

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**STATE OF DELAWARE STATEWIDE BENEFITS OFFICE**

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## **APPROVAL OF MINUTES – DIRECTOR FAITH RENTZ**

A MOTION was made by Mr. Taschner and seconded by Treasurer Davis to approve the minutes from the May 10, 2021, meeting of the State Employee Benefits Committee.

MOTION ADOPTED UNANIMOUSLY

## **DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ**

### Legislative Updates

Senate Substitute 1 for Senate Bill 120, also known as the primary care reimbursement bill, was passed in the Senate on May 20, 2021, and is on the June 29, 2021 agenda for the House of Representatives.

HB 219 builds upon HB 194 passed in 2019 to allow the Department of Insurance additional oversight over the registration, reporting, and reimbursement practices of Pharmacy Benefit Managers (“PBM”). The bill contains several payment clauses that will restrict the Committee’s ability to negotiate pricing terms in future PBM contracts. HB 219 received unanimous House approval and is on the June 29, 2021 agenda for the Senate.

Commissioner Navarro stated that HB 219 was not intended to restrict the Committee’s ability to negotiate best pharmacy pricing. He added that a representative of the Committee will be included in the development of the regulations.

Jeff Taschner stated that he agreed with the regulatory intent but requested a future discussion to unpack how, and to what extent, HB 219 will restrict pricing negotiations.

Secretary Magarik expressed concern that reimbursing retail pharmacies less than the cost would impact pharmacy participation and therefore creating an access issue for members.

Director Rentz stated that an updated utilization analysis based on the PBM contract terms in place on July 1, 2021, is in progress and more details regarding the potential financial and access implications to the State Group Health Insurance Plan (“GHIP”) is forthcoming. The additional costs of the proposed reimbursement requirements based upon NADAC (national average drug acquisition cost) will largely be passed directly to the GHIP under the current contract terms.

### Requests for Proposals:

Bid responses were due June 25, 2021, for the Third-Party Administrator (“TPA”) Health Plan Administration Request for Proposal (“RFP”) advertised on April 26, 2021. SBO and WTW will be evaluating the bid responses over the next two months and the Proposal Review Committee (“PRC”) will participate in vendor interviews in late August.

The Dental Plan RFP is being drafted and advertisement is targeted for August for a contract effective date of July 1, 2022.

Director Rentz encouraged the Committee’s participation in the RFP process.

### Subcommittees Updates

The Subcommittees met in a combined meeting on June 17, 2021, to discuss the FY22 GHIP budget. Several additional modeling requests by members are incorporated into the presentation before the Committee today.

## **FINANCIALS – MR. CHRIS GIOVANNELLO, WTW**

### April Fund Report

April revenues came in higher than expected due to a coverage gap payment received for \$7.15M.

Claims ran \$2.6M above budget for the month and a YTD variance to the budget of 1.18% or \$9.4M.

The Fund Equity balance is \$154.3M and a variance to the budget of \$8.7M.

#### May Fund Report

The report has been updated to reflect rebates and revenue items on a cash basis.

May revenues include \$471K in Other Revenues from a missed performance guarantee from Express Scripts.

Claims ran \$1.2M above budget in May bringing the YTD variance to the budget to \$10.6M above budget.

The Fund Equity balance is \$148.6M and the variance to the budget is a deficit of \$13.8M, driven largely by claims experience.

#### **FY22 BUDGET UPDATE & LONG TERM PROJECTIONS – MR. CHRIS GIOVANNELLO, WTW**

Budget projections have been revised to reflect monthly net income for FY22, rather than on an incurred basis, to better project when the GHIP Fund Equity will reach a deficit during FY22.

The revised budget projection includes a \$1.2M deficit for May claims experience; June claims are expected to be aligned with the budget estimate.

The FY22 savings projections attributable to the CVS Caremark PBM contract (\$30.4M) have been revised to reflect savings on a paid basis and assumes a six-month lag on rebate payments. Commercial rebates for FY22 Q1 and Q2 are expected to be received in FY22, and Q3 and Q4 rebates will be received in FY23; likewise, the EGWP (Medicare) assumes a six-month lag on rebates for FY22 (contract is effective January 1, 2022) are not expected to be received until FY23. This shift increases the FY22 operating expenses by \$12.0M.

The FY22 monthly budget and revised long-term projections were presented under three scenarios: Scenario 1 excludes potential COVID-19 reimbursements, Scenario 2 includes the anticipated COVID-19 reimbursement of \$23.3M (assumed to be received in July 2021), and Scenario 3 includes the anticipated COVID-19 reimbursement of \$23.3M as well as a one-time supplemental bill funding of \$20.0M (assumed to be available in July 2021).

Scenario one reflects the Fund Equity balance projections assuming that there were no additional funds received and a release of the COVID-19 Reserve in December. Under this scenario, the fund goes into a deficit beginning in December 2021, before returning to a surplus in February resulting from expected revenue items before falling into a permanent deficit position in March 2022 and ending FY22 with a projected deficit of \$55.5M.

Scenario two reflects the Fund Equity balance projections assuming a one-time \$23.3M COVID-19 expense reimbursement in July 2021 and a release of the COVID-19 Reserve in December. Under this scenario, the fund goes into a permanent deficit beginning in April 2022 and ending FY22 with a projected deficit of \$32.2M.

Scenario three reflects the Fund Equity balance projections assuming a one-time \$23.3M COVID-19 expense reimbursement and a \$20.0M in supplemental funding available in July 2021 and a release of the COVID-19 Reserve in December. Under this scenario, the fund goes into a permanent deficit beginning in June 2022 and ending FY22 with a projected deficit of \$12.2M.

Secretary Magarik queried whether the fluctuation in claims experience related to the pandemic had resolved. Mr. Giovannello responded that additional claims attributable to the return of care have largely resolved and are not included in the projections beyond FY22.

There was a review of potential premium increases needed on July 1, 2022, that would be required to solve for the FY22 deficit, along with the corresponding FY23 deficit assuming no additional premium increases, for each of the three scenarios.

Director Cade queried how the reserves would be applied under the scenarios presented and whether they be released all at once or smoothed over two years. Mr. Giovannello responded that the scenarios presented reflect the minimum reserve and claim liability without consideration to budget smoothing and are intended to illustrate the rate action needed to solve the 2022 and 2023 budget deficits.

Under scenario three, a 2.9% rate increase in January 2022 would solve for the projected FY22 deficit; however, a deficit is still projected for FY23. In this example, an additional premium increase of 14.5% would be required in July 2022 to solve the projected FY23 deficit.

Under scenario three, a 9.0% rate increase in January 2022 would solve for the projected FY22 deficit; however, a deficit is still projected for FY23. In this example, an additional premium increase of 5.4% would be required in July 2022 to solve the projected FY23 deficit. A 2% annual rate increase beginning in July 2023 and thereafter projects an FY24 deficit of \$68.1M and an FY25 deficit of \$182.2M.

Under scenario three, a 5.7% rate increase in January 2022 would solve for the projected FY22 deficit; however, a deficit is still projected for FY23. In this example, an additional premium increase of 11.7% would be required in July 2022 to solve the projected FY23 deficit.

Under scenario three, a 10.0% rate increase in January 2022 would solve for the projected FY22 deficit; however, a deficit is still projected for FY23. In this example, an additional premium increase of 6.3% would be required in July 2022 to solve the projected FY23 deficit.

If a mid-year rate increase is not possible, under scenario three an 18.8% rate increase in July 2022 would clear the projected FY22 deficit and clears the FY23 projected deficit ending June 2023 with a Fund Equity balance of \$0.0M. A 2% annual rate increase beginning in July 2023 and thereafter projects an FY24 deficit of \$30.2M and an FY25 deficit of \$105.5M.

The scenarios presented are illustrative to reflect the necessary rate action required to solve for the budget deficit exclusive of any other levers.

Sec Magarik queried what categories of spending were driving the increase in trend. Mr. Giovannello responded that specialty pharmacy is an area of higher trend and that the ongoing utilization of telehealth, reduction in elective surgeries, and inpatient stays will continue to be monitored as care returns.

Mr. Taschner requested an illustrative budget projection assuming there had been a 2% annual rate increase beginning in FY18 and he queried how the Medical TPA RFP was anticipated to impact budget projections. Director Rentz replied that the requested modeling can be provided and that the impact of the new TPA contracts will remain unknown until after the TPA recommendation in December 2021 and after potential statutory changes.

Mr. Taschner requested additional long-term budget projections utilizing the illustrative examples as presented and more detail regarding the increase to members by plan and coverage tier. Additional long-term projections will be provided.

In Scenario three, using an 18.8% rate increase effective July 1, 2022, there would be an increase of \$5.23 - \$51.30 per employee per month (\$62.76 – \$615.60 per year) and a State subsidy increase of \$125.50-\$338.58 per employee per month (\$1506.00 - \$4,062.96 per year).

Sec Magarik added that there is no one solution. She requested the Committee to consider other levers to lower the projected deficit including ways to reduce costs trends where possible.

**DENTAL REQUEST FOR PROPOSAL – MS. JACYLN IGLESIAS, WTW**

There was a review of the State’s current dental benefits and the upcoming Dental RFP.

Regular dental care can mitigate periodontal disease which is linked to systemic chronic conditions including diabetes, heart diseases, high blood pressure, and stroke.

Dental trends include direct-to-consumer orthodontics that averts the need for in-office monitoring and adjustments and virtual dentistry that increases access to care for underserved populations including mobile hygienists who perform preventive screenings and take radiographs to be forwarded to an off-site dentist for additional review and diagnosis.

Dentists as a provider group are the second leading prescriber of opioids. Dental carriers are taking various approaches to monitor and potentially curb opioid prescribing practices.

Dental PPO (“DPPO”) plans make up 85% of participation and offer a choice of providers in-network or out-of-network for a higher out-of-pocket cost. Dental HMO (“DHMO”) is the second most popular plan type.

Across all industries, 11% of employers offer voluntary (employee-pay-all) dental benefits.

State employees, employees of some participating groups, and pensioners (both non-Medicare and Medicare), along with their eligible dependents are eligible for the State’s dental plan offerings. The State offers a DHMO administered by Dominion National and a DPPO administered by Delta Dental. The dental benefit is voluntary.

The State’s dental program participation is consistent and has had a slight uptick in participation: primarily in Delta Dental. There were 39,217 subscribers (employees and pensioners) enrolled in a dental plan in FY21.

The State’s contracts with both dental carriers will expire on June 30, 2022.

The dental RFP will evaluate several key elements of the State’s dental plan offerings, including the optimal mix of dental plans offered to participants that may include alternatives (e.g., a second DPPO option with reduced coverage for a lower premium), the impact on plan participants in terms of premium cost and potential provider disruption will be important considerations, opportunities to offer enhanced plan provisions without significant increases to plan premiums, clinical integration and focus on broader health topics (e.g., opioid prescription drug management), enhanced benefits for certain conditions (e.g., diabetes), and adoption of industry innovation (e.g., technology engagement solutions and virtual dentistry).

The Assignment of Benefits (“AOB”) provision was adopted on September 1, 2018. The provision allows non-participating providers to receive payment for covered services as if they were a covered provider if a signed attestation from a State plan participant is submitted with any claims for covered services. The attestation is the plan participant’s confirmation that, by using a non-participating provider, they agree to forego certain rights and protections that would have been available had the same covered services been provided by a participating dentist (e.g., the right to not be balance billed).

The provision may encourage participating providers to drop from Delta Dental’s network. The dental RFP will explore potential future implications of retaining this provision on the State’s contract with a dental carrier on plan premiums.

Members residing in Sussex County have expressed difficulty in locating participating DPPO and DHMO dental providers. The dental RFP will evaluate dental insurance administrator networks, and favorable consideration will be given to those with robust networks in Sussex County or those who are willing to guarantee their performance in recruiting additional providers in Sussex County into the network.

The dental RFP will seek proposals that address concerns from retired plan participants that the \$1,500 annual benefit maximum and coverage for certain procedures (e.g., dental implants) is too low relative to the amount retirees are paying in monthly premiums.

SBO will be surveying in August 2021, to collect additional feedback from plan participants and others who may be interested in this benefit. The survey findings will be shared with the PRC for consideration in the development of recommendations to the Committee.

The dental RFP will be published to State's Bid Solicitation Directory in August 2021 with proposals due from interested bidders by late August 2021. Finalists interviewed will be conducted by the PRC in November 2021 and recommendations are expected to be presented to the Committee in December 2021 for a contract effective date of July 1, 2022.

*Treasurer Davis left the meeting.*

#### **OTHER BUSINESS**

No new business was presented.

#### **PUBLIC COMMENT**

Mr. Madrid queried how premium increases correlate to employee salaries as part of total employee compensation including anticipated pay increases and how they compare with neighboring states. Director Rentz responded that data regarding pay grades and salary levels could be collected for further evaluation and discussion at the Committee's request.

#### **EXECUTIVE SESSION**

A MOTION was made by Secretary Magarik and seconded by Secretary Bonner to move into Executive Session at 11:25 a.m.

MOTION ADOPTED (1 Abstention – Ms. Tucker)

#### **ADJOURNMENT**

A MOTION was made by Mr. Taschner and seconded by Commissioner Navarro to adjourn the meeting at 11:38 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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Martha Sturtevant, Executive Secretary, Statewide Benefits Office, Department of Human Resources  
Recorder, State Employee Benefits Committee, and Subcommittees