



**MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE  
AUGUST 16, 2021**

The State Employee Benefits Committee (the “Committee”) met at 2:00 p.m. on August 16, 2021. The meeting was held at 97 Commerce Way, Suite 201, in Dover; however, in the interests of protecting the citizens of this State from the public health threat caused by COVID-19, this meeting was presented via WebEx and participants were encouraged to attend virtually.

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”)  
Secretary Molly Magarik, Department of Health & Social Services (“DHSS”)  
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)  
Mr. Robert Scoglietti, Deputy Controller General (Designee OBO Controller General Ruth Ann Jones)

Committee Members Represented or in Attendance:

The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance

Others in Attendance

Deputy Director Leighann Hinkle, Statewide Benefits Office (“SBO”), DHR  
Deputy Attorney General Andrew Kerber, Dept. of Justice, SEBC Legal Counsel  
Mr. Chris Giovannello, Willis Towers Watson (“WTW”)  
Ms. Jaclyn Iglesias, WTW  
Ms. Joanna Adams, Pensioner Administrator, Office of Pensions (“OPen”)  
Ms. Judy Anderson, DSEA  
Ms. Christina Bryan, Delaware Healthcare Association  
Ms. Rebecca Byrd, ByrdGomes  
Ms. Michelle Carpenter, PHRST, OMB  
Mr. Steven Costantino, Dir. Healthcare Reform, DHSS  
Ms. Valeria Coverdale, Legislative Fellow, Hamilton Goodman LLC  
Ms. Nina Figueroa, Health Policy Advisor, DHR, SBO  
Ms. Jacqueline Faulcon, READAA  
Ms. Julie Greenwood, HR Specialist, Univ. of DE  
Ms. Sandy Hart, IBM Watson Health  
Jeanette Hammon, Sr. Fiscal & Policy Analyst, OMB  
Mr. Edwin Hernandez-Vargas, Community Outreach Director, Office of the Lt. Gov  
Ms. Katherine Impellizzeri, Aetna  
Ms. Heather Johnson, Controller, DHR  
Mr. Jamie Johnstone, Deputy Principal Assistant, Office of the Secretary of Finance (“Finance”)  
Mr. Adam Knox, Highmark Delaware  
Mr. Daniel Madrid, Chief Operating Officer, OST  
Ms. Lisa Mantegna, Highmark Delaware  
Mr. Walt Mateja, IBM Watson Health  
Ms. Katherine Nedelka, HRIS Specialist, PHRST, OMB  
Mr. Michael North, Aetna  
Ms. Pam Price, Highmark Delaware  
Ms. Carrie Schiavo, Delta Dental  
Ms. Judi Schock, Deputy Principal Asst., OMB  
Mr. Charles Simons, Highmark Delaware  
Ms. Courtney Stewart, Deputy Director, OMB  
Ms. Martha Sturtevant, Exec. Sec., SBO, DHR – Recorder

**CALLED TO ORDER**

Secretary Bonner called the meeting to order at 2:00 p.m.

**STATE OF DELAWARE STATEWIDE BENEFITS OFFICE**

Secretary Bonner announced that under SB 94, the meeting would be conducted virtually with an in-person option, but in the interests of protecting citizens from the public health threat of COVID-19, the decision to meet in-person may change. Representing the Committee, she was attending in person at the designated anchor location. Due to the concern for public health, all other members attended virtually, and no members of the public attended in person.

**APPROVAL OF MINUTES – SECRETARY AMY BONNER**

A MOTION was made by Secretary Magarik and seconded by Mr. Taschner to approve the minutes from the June 29, 2021, meeting of the State Employee Benefits Committee.

MOTION ADOPTED UNANIMOUSLY

**DIRECTOR'S REPORT – DEPUTY DIRECTOR LEIGHANN HINKLE**

The Subcommittees met in a combined meeting on August 12, 2021, to review updated financials and the proposed budget, and to review SBO's new quarterly report highlighting the primary care landscape in Delaware.

Participation in the 2021 Open Enrollment ("OE") online training course was 82.8% compared to 71.4% in 2020.

Like results from 2019 and 2020, the 2021 Active Participation rate was 85.8% and was required for all benefit-eligible employees; to meet the definition of Active Participation, employees were asked to access Benefits Enrollment through Employee Self-Service and either make edits to their benefits or select, "I Confirm My Selections" and click, "Submit."

June and July subscriber counts were presented to highlight enrollment changes across all benefit plans. The plan year beginning July 1, 2021, reflects an increase in Highmark enrollment of 7.5%, a decrease in Aetna enrollment of 2.5%, an increase in Delta enrollment of 2.6%, and a decrease in Dominion enrollment of 5.6%.

Enrollment decreased for the Aetna CDH plan across all tiers. Enrollment increased across all tiers in the Aetna HMO plan, and the Highmark PPO and First State Basic plans.

Increases were seen across all other benefit programs, including the Accident and Critical Illness Insurance benefit through Securian which increased more than 50%.

The new High vision plan through EyeMed that began July 1, 2021, had 7,084 subscribers. There is a total of 129,689 members as of July 1, 2021, an increase of 79 members.

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

May Fund Report

The May Fund Report includes \$10.7M in Commercial rebates and \$8.0M in EGWP rebates.

The report has been updated to reflect rebates and EGWP revenue items on a cash-paid basis rather than on an accrued basis.

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

Claims ran \$1.2M above the \$91.4M budget bringing the YTD variance to the budget to \$10.6M above budget.

The May Fund Equity balance was \$148.6M and the variance to the budget reflected a deficit of \$13.8M, driven by higher claims experience.

June Fund Report

Revenues were in line with the budget.

The June report reflects favorable Claim data that includes a \$23.3M reimbursement credit that was expected to be posted in July; without the reimbursement, claims would have been in line with budget.

The June Fund Equity balance is \$152.3M and variance to budget reflects a deficit of \$10.1M.

There was a discussion regarding the \$23.3M COVID-19 reimbursement received by the Coronavirus Relief Funds was a one-time credit or if other credits were forthcoming. Mr. Giovannello responded that the reimbursement reflects expenses validated through March and confirmed that an additional true-up is expected through the last fiscal year, but he could not say if they would continue past June 2021. There is potential for the GHIP to receive additional reimbursement through the American Rescue Plan Act (“ARPA”).

#### **FY21 Q4 FINANCIAL REPORTING – MR. CHRIS GIOVANNELLO, WTW**

A YTD comparison of FY21 compared to FY20 reflected double-digit increases in FY21 medical claims resulting from deferred care in FY20.

Comparing FY21 Actual to Budget (approved in Aug 2020) reflects that the GHIP is tracking within 1% of the budget.

There was an increase in well care and preventative visits resulting from the return of care: up 18.3% for well-child and up 14.5% for adult preventative.

There was a year over a year reduction in ER visits: down 7.3%. The reduction may be related to steerage initiatives, avoidance related to the risk of COVID-19, or the utilization of telemedicine.

Secretary Magarik queried how to separate the data to determine whether the reductions are related to the pandemic or steerage. Mr. Giovannello responded that additional utilization analysis is forthcoming.

#### **FY22 GHIP BUDGET – MR. CHRIS GIOVANNELLO, WTW**

The FY22 budget of \$897.7M begins with a starting balance of \$152.3M. Premium contributions reflect a decreased headcount and therefore operating expenses have also been revised down. The budget reflects a net income loss of \$57.8M and a surplus of \$9.2M after the release of the \$23.5M COVID-19 reserve and approved supplemental funding. A monthly budget was also presented and reflects the timing of rebates.

Revenues have been updated to reflect increased rebates resulting from improved payment timing from the new Pharmacy Benefit Manager contract (CVS rebates will post within 60 days after the close of the adjudicated quarter versus ES’s rebates that were posted after 150 days). The improved timing also results in one additional rebate each for both the EGWP and the commercial plan.

The \$20.0M in Other Revenues reflects the approved supplemental funding expected to be received in July. To date, the funding has not been received. Other Expenses reflect actual payments received in FY21.

It is probable that the pandemic will have an impact on health care costs; however, due to the high degree of uncertainty associated with COVID-19, the analysis to develop the health care cost estimates for the GHIP did not explicitly reflect adjustments related to the impact of COVID-19 and results may vary from the estimates provided.

A MOTION was made by Treasurer Davis and seconded by Sec. Magarik to accept the FY22 budget as presented.  
MOTION ADOPTED UNANIMOUSLY

#### **FY21 Q4 UPDATE AND REVISED BUDGET PROJECTIONS – MR. CHRIS GIOVANNELLO, WTW**

In June WTW projected a \$50.5M surplus at the end of FY21. The final FY21 budget ended with a surplus of \$70.5M, driven by the \$23.3M in COVID-19 reimbursements hitting the Fund in June instead of July (FY22).

In June WTW projected a \$12.2M deficit at the end of FY22. The revised FY22 budget projects a \$9.3M surplus, driven by revised assumptions regarding CVS Health rebate payment timing and revised enrollment.

FY23 has been revised to end with a deficit of \$127.3M; this assumes a 5% medical trend and an 8% prescription trend and no premium rate increases. The percent change per member is 7.8% in FY22 resulting from the \$23.3M in COVID-19 reimbursement but returns to a long-term trend assumption of 5.7% expense growth per year in FY23.

Absent program changes or premium rate increases, the GHIP is projected to fully deplete the health fund surplus with a projected deficit of \$127.3M through the end of FY23. Assuming no other program changes, a 15% premium rate increase would be needed on July 1, 2022, to fully fund the FY23 deficit.

Alternate scenarios to solve for the FY23 (assuming no other program changes) include 1.) a 7.4% increase on January 1, 2022, and a second increase of 7.4% on January 1, 2023, or, 2.) a 5.9% increase on January 1, 2022, and a 5.9% increase on July 1, 2022. The earlier the premium increase is implemented the lower the required increase percentage.

There was a discussion regarding the overall cost of health care including a report from Johns Hopkins that proposed that medical costs in Delaware are higher than comparable markets, and the upcoming Medical Request for Proposal that may provide an opportunity to redesign models of care with a focus on value. Secretary Bonner responded that the Committee would continue to explore cost savings options.

Director Cade stated that small incremental increases will not solve the FY23 deficit but should be considered as part of a long-term solution.

A 15% rate increase effective July 1, 2022, equals a \$4.18 - \$40.93 per employee per month increase (\$50.16 - \$491.16 per year) and a State subsidy increase of \$100.12 - \$270.14 per employee per month (\$1,201.44 - \$3,241.68 per year) depending on plan and coverage tier.

*Mr. Keith Warren joined the meeting.*

The Committee requested additional modeling scenarios to understand where the Fund would be today had modest rate increases been implemented in prior fiscal years, and what have employees saved by not having a rate increase.

On February 26, 2018, there was a motion for a one-time increase of 4.8% effective July 1, 2018, and a motion for a one-time increase of 2.0% effective July 1, 2018; neither motion carried. If approved, the 4.8% increase would have created an additional \$119.4M in premium contribution revenue to the Fund in FY19 through FY21; the Fund would have maintained a \$55.9M surplus after the reserves through the end of FY23. If approved the 2.0% increase would have created an additional \$49.7M in premium contribution revenue to the Fund in FY19 through FY21, and an additional 7.0% increase would be needed to solve for the projected FY23 deficit of \$61.1M.

For illustrative purposes, if a 2.0% annual increase were effective July 1, 2018, and each year after, this compounding effect would have created an additional \$99.9M in premium contribution revenue to the Fund in Fiscal Years 2019 through 2021 and the Fund would have maintained a \$107.6M surplus after reserves through the end of FY23, assuming an additional 2% increase in FY22 and FY23.

#### **OTHER BUSINESS**

No new business was presented.

#### **PUBLIC COMMENT**

No public comment provided.

**ADJOURNMENT**

A MOTION was made by Treasurer Davis and seconded by Director Cade to adjourn the meeting at 2:51 p.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