Statewide Benefits Office
Benefits Made Easy

MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE
OCTOBER 11, 2021

The State Employee Benefits Committee (the "Committee") met at 2:00 p.m. on October 11, 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:
Director Cerron Cade, Office of Management & Budget ("OMB"), Co-Chair
Acting Secretary Jessilene Corbett, Department of Human Resources ("DHR"), Acting Co-Chair
The Honorable Bethany Hall-Long, Lieutenant Governor, Office of the Lieutenant Governor
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer ("OST")
Ms. Ruth Ann Jones, Controller General, Office of the Controller General ("OCG")
Secretary Molly Magarik, Department of Health & Social Services ("DHSS")
The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance ("DOI")
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 ("AOC") (Designee OBO The Honorable Collins Seitz, Chief Justice, Delaware Supreme Court

Others in Attendance
Secretary Rick Geisenberger, Dept. of Finance ("DOF")
Director Faith Rentz, Statewide Benefits Office ("SBO"), DHR
Deputy Director Leighann Hinkle, SBO, DHR
Deputy Attorney General Adria Martinelli, Dept. of Justice, SEBC Legal Counsel
Mr. Chris Giovannello, Willis Towers Watson ("WTW")
Mr. Marc Gustein, WTW
Ms. Jaclyn Iglesias, WTW
Ms. Jen Manieri, WTW
Ms. Kaitlin Primavera, WTW
Ms. Rebecca Warnken, WTW
Ms. Joanna Adams, Pension Administrator, Office of Pensions ("OPen")
Ms. Judy Anderson, DSEA
Ms. Wendy Beck, Highmark Delaware
Ms. Christina Bryan, Delaware Healthcare Association
Ms. Rebecca Byrd, ByrdGomes
Mr. Randall Bryniarski, CVS Health
Ms. Martha Bush, CS DMAB, DOI
Ms. Michelle Carpenter, PHRST, OMB
Ms. Julie Caynor, Aetna
Ms. Alyssa Chandler, Administrative Specialist SBO, DHR
Mr. Steven Costantino, Dir. Healthcare Reform, DHSS
Ms. Valeria Coverdale, Government Relations Fellow, Hamilton Goodman LLC
Ms. Nina Figueroa, Health Policy Advisor, DHR, SBO
Ms. Jacqueline Faulcon, READAA
Ms. Sandy Hart, IBM Watson Health
Ms. Jeanette Hammon, Sr. Fiscal & Policy Analyst, OMB
Ms. Khrishna Hawkins, Labor Relations & Employment Practices Specialist, DHR
Ms. Charlene Hrivnak, CVS Health
Ms. Heather Johnson, Controller, DHR
Mr. Jamie Johnstone, Deputy Principal Assistant, DOF
Mr. Adam Knox, Highmark Delaware
Ms. Lisa Mantegna, Highmark Delaware
Mr. Walt Mateja, IBM Watson Health
Mr. Sean McNeeley, Dir. Of Bond Finance, DOF
Ms. Katherine Nedelka, HRIS Specialist, PHRST, OMB
Ms. Evelyn Nestlerode, AOC
Mr. Michael North, Aetna
Ms. Paula Roy, Roy Associates
Ms. Carrie Schiavo, Delta Dental
Ms. Judi Schock, Deputy Principal Asst., OMB
Mr. Aaron Schrader, HR Manager, SBO, DHR
Mr. Robert Scoglietti, Deputy Controller General, OCG
Mr. Charles Simons, Highmark Delaware
Ms. Martha Sturtevant, Exec. Sec., SBO, DHR – Recorder
Ms. Cindy Walsh, Humana
Mr. Keith Warren, Chief of Staff, Office of the Lt. Gov

CALLED TO ORDER
Director Rentz called the meeting to order at 2:00 p.m.

Deputy Attorney General Andrew Kerber has retired. Adria Martinelli will support the Committee moving forward.

APPROVAL OF MINUTES – DIRECTOR FAITH RENTZ, SBO
A MOTION was made by Mr. Taschner and seconded by Director Cade to approve the minutes from the August 16, 2021, meeting of the State Employee Benefits Committee.
MOTION ADOPTED UNANIMOUSLY

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ, SBO
Annual Medicare Open Enrollment and CVS Caremark/SilverScript Transition
The State of Delaware Special Medicfill Open Enrollment runs from October 4, 2021, to October 15, 2021. During this annual Open Enrollment, benefit-eligible State of Delaware Medicare pensioners may make changes, enroll, or disenroll in the Special Medicfill benefit (supplemental Medicare coverage) available with or without Medicare Part D prescription coverage.

> *Lt. Gov Hall-Long joined the meeting.*
> *Commissioner Navarro joined the meeting.*

CVS Caremark will replace Express Scripts as the prescription coverage benefits administrator for participants enrolling in the SilverScript prescription coverage option effective January 1, 2022. Participants will receive communications from CVS Caremark regarding the transition.

American Rescue Plan Act COBRA Subsidy
As part of the American Rescue Plan Act ("ARPA"), the Group Health Insurance Plan ("GHIP") was required to provide a COBRA subsidy to benefit-eligible COBRA participants between April 1 and September 30, 2021. There has been a total of 30 GHIP participants utilizing the subsidy, with a cumulative subsidy amount of $159,292.96 (utilization data updated through August 31, 2021). SBO is working with OST to request a full reimbursement and it will be included in the state's Q3 IRS 941 reporting. The timeframe for reimbursement is unknown, but it is expected before December 31, 2021.

Legislative Update
Governor Carney signed SS 1 to SB 120 on October 1, 2021, to further strengthen primary care. SBO has a seat on the Primary Care Collaborative. The Health Care Commission will work with the Collaborative to implement the provisions of the bill.

Request for Proposal Updates:
The Health Third Party Administrative ("TPA") services Request for Proposal ("RFP") interviews with the bidders were conducted on October 4, 2021. The Proposal Review Committee ("PRC") will continue to meet to bring an award recommendation to the November 8, 2021 Committee meeting for a contract effective date of July 1, 2022.

Bids for the Dental Plan Administration RFP are due October 15, 2021. An award recommendation is expected for the December 13, 2021 Committee meeting for a contract effective date of July 1, 2022. SBO also opened a dental participant survey to solicit feedback from employees and retirees related to the dental plan offerings. The survey results will be analyzed and reviewed with the PRC as part of this bid evaluation.

Other FY22 SBO Projects:
SBO is working with WTW to conduct an operational assessment of the administration of the Disability Insurance Program. Recommendations are expected by Q2 FY22.

SBO is undergoing a HIPAA Assessment to assess compliance. The assessment will be completed by Q2 FY22.

An RFP for Consulting and Actuarial services is scheduled to be released in late December 2021. An award recommendation is expected in the Spring of 2022.

OTHER POST-EMPLOYMENT BENEFITS LIABILITY – SECRETARY RICK GEISENBERGER, DEPARTMENT OF FINANCE

Secretary of Finance, Rick Geisenberger is chairing the Retiree Benefits Study Committee ("RBSC") convened in response to Governor Carney's Executive Order 51 (replaced EO 34), signed on July 10, 2019, to study the state's multibillion-dollar unfunded retiree healthcare liability referred to as Other Post-Employment Benefits ("OPEB").

The RBSC is studying fair and transparent options to reduce the unfunded liability while considering the ease of administration, the impacts to the labor markets, the fiscal costs of insufficiently addressing the growing liability (i.e., loss of the state's AAA bond rating). Preliminary recommendations are due to the Governor, the General Assembly, and DEFAC on November 1, 2021, with final updates due by March 31, 2023. The implementation of any changes is likely to occur over several legislative sessions.

The OPEB liability is a present value calculation of future retiree healthcare benefits. The actuarial calculation considers the number of currently eligible Medicare and Pre-Medicare enrollees plus their spouses and dependents and the number of enrolled active employees and their spouses and dependents, with estimates on how many are likely to become eligible for the plan. The calculation also includes inflation assumptions of medical and pharmacy expenses and the 20-year Bond Index discount rate.

The state currently has a AAA bond rating. Rating agencies are increasingly concerned about the relative size of Delaware's unfunded liability. Per capita, Delaware's liability is 26 times higher than the median AAA-rated state, the percent of personal income is 14 times higher, and 8 of 14 AAA-rated states have no retiree healthcare, none for new hires, or charge retirees 100% of the blended active premium.

The unfunded liability is currently $8.7B, which is likely to exceed $10.0B by the conclusion of the FY21 audit. Unlike the pension fund, there are no employee contributions toward liability. The OPEB Trust is valued at $0.4B underfunded by 0.36% of payroll.

Retiree benefits are funded on a "pay-go" basis (current taxpayers pay retiree healthcare costs annually as they occur). The door opener expense for all long-term liabilities (debt service, pension fund, and retiree healthcare) is approximately $200M or 9.33% of payroll and growing by $12-20 million dollars annually.

Assuming that there are no changes in healthcare plan design, plan eligibility, or state funding, over the next 30 years the unfunded liability is projected to grow from $8.7B to $40.0B.

Relative to the state's own-source governmental revenue, Delaware ranks 41st among the highest fixed costs to fund its liabilities and ranks last among AAA-rated states. Delaware's adjusted net OPEB liability relative to personal income ranks 48th.

OPEB actuarial valuations include an Annual Required Contribution (ARC), indicating the amount the state needs to fund to set money aside to fund future benefits for current employees during their active years of service and to amortize any unfunded liabilities for both current and future employees. It is not legally binding, but if the state does not make the contribution it shows up as a net liability under GASB accounting standards.

The cost of OPEB pay-go benefits is projected to grow 3x faster than national inflation and the state's underlying revenue base; however, funds set aside for OPEB can earn a long-term investment return that would offset this cost growth.

Reducing the OPEB liability will limit the erosion of core services, maintain capacity for salaries, ensure long-term benefit security, and improve public confidence. If costs become unsustainable, services, benefits, and salary increases can be impaired. Ideally, OPEB funding should be linked to the period of current employment. Moreover, a higher credit rating lowers borrowing costs.

Assuming no modifications to the funding ratio and benefit structures, the Actuarially Defined Contribution ("ADC") (current taxpayers pre-fund future benefits when the benefit is earned) becomes unsustainable over time. Increasing at the current discount rate of 2.2% over the next 30 years, the ADC grows to $2.5B. If the actuarial deficit were to be funded, the ADC would grow at a 7% discount rate over 30 years to <$1.0B. The recommended solution is a combination of increased funding and benefit changes.

There was a review of possible solutions under evaluation. The current methodology is funding the OPEB Trust Fund at 0.36% of payroll. One option being considered is enhanced funding (a Benchmark Appropriation carveout), which would increase funding from $8.0M to approximately $50.0M annually and grow to an estimated $100.0M over 30 years.

Benefit reform options under consideration include:

- Creating a Health Reimbursement Account ("HRA") to replace the Medicfill coverage; retirees would have the opportunity to purchase individual coverage comparable to the value of subsidy received by the state currently plus a 2% annual increase. An HRA allows members to roll over unused balances that can be used for expenses not covered in the current plan.

- Reduce the spousal subsidy from 100% to 50% for future retirees with no impact to current spouses of retirees which would align with public sector benchmarks.

- Change the current eligibility for the state share for those hired after January 1, 2007: from 50% at 15 years to 20 years, from 75% at 17.5 years to 25 years, and from 100% at 20 years to 30 years.

- Eliminate future terminated vested benefits so that participants would not have access to any state health benefits. Employees already terminated could still come back and have access to healthcare.

- Set a minimum age to be eligible for healthcare benefits to age 60 for state employees; public safety would begin earlier.

- A combination of the above.

- Offer retirees a Group Medicare Advantage option.

A 2050 projection that utilizes current funding and benefit reform with a 2.2% discount rate was compared to enhanced funding with benefit reform and higher discount rates. Enhanced funding alone has a limited impact.

A combination of benefit modifications and enhanced funding significantly reduces the OPEB net liability and makes a meaningful impact on the funding ratio. Once the funding ratio nears 60% and no longer depletes the assets, the actuaries begin to assume the value of what the funds are earning in the stock and bond markets.

Among other states, Delaware offers one of the most generous Medicare pensioner plans.

Director Cade queried the recommended timeline for adopting benefit changes. Secretary Geisenberger responded that he would like to see design eligibility changes approved in the next legislative session with effective dates as soon as feasible after having time to educate retirees. He recommended addressing funding and benefit changes concurrently.

Mr. Taschner expressed concern with eliminating Medicfill because of the impact to the Health Fund caused by removing a portion of the population from GHIP. He recommended a thorough review by the Financial and the Health Policy and Planning Subcommittees. Director Rentz will work with WTW for a long-term projection of the proposed changes. Mr. Taschner volunteered to discuss further.

TRANSFORM DIABETES CARE – MS. JACLYN IGLESIAS, WTW

The Livongo diabetes care management program provides members with access to certified diabetes educators who will coach diabetic members on ways to self-manage their condition. Livongo also provides a connected meter that uses wireless technology to transmit blood glucose test results to Livongo coaches, who will contact members with abnormal glucose levels.

The annual cost of Livongo for the Medicfill population is $625K. There is no Return on Investment (“ROI”) for Livongo; however, the realized ROI is 1.5:1 based on current enrollment.

Medicfill plan participants currently have access to the Livongo diabetes care management program but will lose access on December 31, 2021, when the state’s Pharmacy Benefits Manager (“PBM”) contract with Express Scripts terminates.

CVS Caremark is the new PBM for the Medicfill plan effective January 1, 2022. The diabetes care management program offered by CVS Caremark is called Transform Diabetes Care (ngTDC).

ngTDC uses a different connected meter for members at high risk of abnormal glucose values; all other enrolled participants will be offered another meter available from the CVS formulary.

Lower-risk members will be required to change their glucose meter; however, there are additional enhancements from the Livongo program including free testing supplies and the opportunity to connect to the CVS mobile app to synch readings, send results to external providers, access diabetes coaching, nutrition counseling, and the opportunity for in-person support from CVS pharmacists and clinicians at CVS MinuteClinics and HealthHUBs where available.

The estimated annual cost of ngTDC for the Medicfill population is $115K more than the cost of Livongo; however, ngTDC offers a 2:1 guaranteed ROI.

To avoid a gap in diabetes care management for Medicfill plan participants, CVS required notification of intent to implement by October 1, 2021, for an effective date of January 1, 2022; therefore, SBO obtained conditional approval from the SEBC co-chairs to begin implementation.

The recommendation is for the Committee to adopt the ngTDC program for the Medicfill population. Continuing to offer diabetes care management to the Medicfill population maintains the Committee’s commitment to supporting a key tenet of the GHIP Strategic Framework; however, if the Committee elects not to act, CVS has agreed to terminate the implementation process at no cost to the State and with no impact to members.

Livongo has an enrollment that is lower than expected (15%) but once enrolled, those that activate the meter (95%), have a decrease in A1c of greater than 1% at the 6-month milestone (target of 0.9% decrease).

A MOTION was made by Secretary Magarik and seconded by Treasurer Davis to approve the recommendation to implement the ngTDC Transform Diabetes program for Medicare Pensioners for an effective date of January 1, 2022.
MOTION ADOPTED UNANIMOUSLY

FINANCIALS – MR. CHRIS GIOVANNELLO, WTW

July Fund Report

Approved supplemental funding for $20.0M was not received in July as previously reported, but it is reflected in the July Fund Report in Other Revenues under July Budget. The request has been submitted to OMB and CGO for approval, but the timing of the transfer is unknown.

Medical claims were favorable to budget in July. Total claims were $12.4M under budget resulting from the invoice timing of prescription claims.

August Fund Report

Medicare/EGWP rebates are performing as expected notwithstanding the volume of claims received in August that resulted in rebates that reflect higher than the budgeted amount.

FY22 continues with favorable claims experience through August. Medical and prescription claims are $4.2M and $2.1M below the budgeted amount respectively. The YTD variance for Commercial prescription claims is $8.5M below the budgeted amount because of the transition from Express Scripts to CVS Caremark. EGWP prescription claims are on budget for the year.

The $18.3M projected YTD claims surplus is offset by the $20.0M in approved supplemental funding not received, bringing the YTD Fund Equity balance to $1M below the budgeted amount.

Mr. Taschner queried how the supplemental funding impacts the surplus once received. Mr. Giovannello responded that the funding is built into the long-term projections but not reflected on the Fund Report.

Mr. Taschner requested an update on potential COVID reimbursements for March through June 2021, which may be forthcoming. Director Cade responded the amount and timing of additional reimbursements from the American Rescue Plan COVID-19 relief fund were unknown.

FY23 PLANNING – WTW

In the interest of time, the FY23 planning discussion was tabled for November.

OTHER BUSINESS

No new business was presented.

PUBLIC COMMENT

No public comment provided.

EXECUTIVE SESSION

A MOTION was made by Lt. Governor Hall-Long and seconded by Treasurer Davis to move into Executive Session at 03:32 p.m.
MOTION ADOPTED UNANIMOUSLY

ADJOURNMENT

A MOTION was made by Mr. Taschner and seconded by Secretary Magarik to adjourn the meeting at 5:10 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