



**MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE
August 22, 2022**

The State Employee Benefits Committee (the “Committee”) met at 2:00 p.m. on August 22, 2022. 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”), SEBC Co-Chair
Secretary Claire DeMatteis, Department of Human Resources (“DHR”), SEBC Co-Chair
The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance (“DOI”)
Mr. Steven Costantino, Dir. Healthcare Reform, Department of Health & Social Services (“DHSS”)
(Designee of Secretary Molly Magarik, DHSS)
Mr. Jeff Taschner, Executive Director, Delaware State Education Association (“DSEA”)
The Honorable Bethany Hall-Long, Lieutenant Governor, Office of the Lt. Governor
Controller General Ruth Ann Jones, Office of the Controller General (“OCG”)
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer (“OST”)
Ms. Ashley Tucker, Deputy State Court Administrator, Admin Office of the Courts, Designee of The Honorable Chief Justice Collins Seitz, Delaware Supreme Court

Others in Attendance

Director Faith Rentz, Statewide Benefits Office (“SBO”), DHR	Ms. Sara Dunlevy, CVS Health
Deputy Director Leighann Hinkle, SBO, DHR	Ms. Kristin Dwyer, Director of Legislative and Political Strategy, DSEA
Ms. Marie Hartigan, SBO, DHR	Mr. Rick Geisenberger, Secretary of Finance
Ms. Nina Figueroa, SBO, DHR	Ms. Julie Greenwood, University of Delaware
Ms. Samantha Mountz, SBO, DHR	Ms. Jeanette Hammon, Sr. Fiscal and Policy Analyst, Office of Management & Budget (“OMB”)
Mr. Aaron Schrader, SBO, DHR	Ms. Sandy Hart, Merative
Ms. Dawn Warman, SBO, DHR	Ms. Taylor Hawk, Office of the Lt. Governor
Ms. Adria Martinelli, Deputy Attorney General, Department of Justice, SEBC Legal Counsel	Mr. Edwin Hernandez-Vargas, Community Relations & Outreach Director, Office of the Lt. Governor
Ms. Gabby Costagliola, Willis Towers Watson (“WTW”)	Ms. Katherine Impellizzeri, Aetna
Ms. Chris Giovannello, WTW	Mr. Arthur Jenkins, DOL
Ms. Jaclyn Iglesias, WTW	Ms. Heather Johnson, Controller, DHR
Ms. Rebecca Warnken, WTW	Mr. Adam Knox, Highmark Delaware
Ms. Joanna Adams, Pension Administrator, Office of Pensions (“OPen”)	Ms. Lisa Mantegna, Highmark Delaware
Ms. Judy Anderson, DSEA	Mr. Walter Mateja, Merative
Ms. Wendy Beck, Highmark Delaware	Ms. Evelyn Nestlerode, Deputy State Court Administrator
Ms. Christina Bryan, Delaware Healthcare Association	Ms. Brooke Nedza, Aetna
Mr. Joe Brzeczek, Fusion Benefits	Mr. Michael North, Aetna
Ms. Michelle Carpenter, OMB	Ms. Naomi Poole, Director, Human Resources at City of Dover Delaware
Ms. Cherie Dodge Biron, Director of Financial & Administrative Services, DHR	Mr. Matt Rosen, Senior Policy Advisor, Office of the

STATE OF DELAWARE STATEWIDE BENEFITS OFFICE

State Treasurer
Ms. Paula Roy, Roy Associates
Ms. Carrie Schiavo, Delta Dental
Ms. Judi Schock, Deputy Principal Assistant, OMB
Mr. Robert Scoglietti, Deputy Controller General, Office of
the Controller General (“OCG”)
Mr. Edward Sidel, Pensioner Spouse
Mr. Charles Simons, Highmark Delaware
Mr. Stephen Smyk, Pensioner

Ms. Cheryl Truitt, Pensioner
Ms. Denise Tuck, Pensioner
Ms. Joi Vanderhei, Pension Office
Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor
Ms. Pamela Waters, Pensioner
Mr. Kevin Wilson, Pensioner
Mr. Ronald Wolskee, Pensioner
Ms. Linda Barnett, Pensioner
Ms. Carole Mick, SBO, DHR – Recorder

CALL TO ORDER – SECRETARY DEMATTEIS, DHR

Secretary DeMatteis called the meeting to order at 2:01 p.m after Director Rentz confirmed a quorum was present.

APPROVAL OF MINUTES – SECRETARY DEMATTEIS, DHR

A MOTION was made by Mr. Taschner and seconded by Controller General Jones, to approve the minutes from the July 25, 2022, meeting of the State Employee Benefits Committee.

MOTION APPROVED

Mr. Costantino is abstaining from approval of the minutes.

DIRECTOR’S REPORT – DIRECTOR FAITH RENTZ, DHR, SBO

The combined Subcommittees met on August 18th, 2022 to review the financials that will be presented today. The benefits modernization project will begin in September and will survey State employees about their current benefits and gauge their interest in future benefits. Employees will receive the survey in November and recommendations to be presented to the full Committee in early 2023.

Secretary DeMatteis asked for clarification that the survey is for active State employees. Ms. Rentz confirmed that is correct.

MEDICARE ADVANTAGE IMPLEMENTATION UPDATES - DIRECTOR FAITH RENTZ, DHR, SBO

Ms. Rentz provided an update on the recent work for Medicare Advantage (MA) implementation effective January 1st, 2023. Medicare pensioners will transition from the Medicfill plan to the Medicare Advantage plan administered by Highmark Blue Cross Blue Shield (BCBS) Delaware. This plan includes the Part D prescription drug coverage through SilverScript. This plan is specially designed for State of Delaware pensioners and is not the same Medicare Advantage plan that is marketed by Highmark Delaware and available to individuals. This plan was specifically developed to mirror the Medicfill plan that is offered to pensioners today. The new plan adds the SilverSneakers® fitness program membership that helps manage a pensioner health and wellness; and home meal service after a hospital discharge.

Ms. Rentz reviewed a few key points to clarify the move to the MA Plan. Members never lose Medicare coverage and will continue to pay their Medicare Part B premium. Highmark will be administering the Medicare Part A and Part B benefits on behalf of the Centers for Medicare and Medicaid Services (CMS). The new plan will require prior authorizations for some services. There will be no underwriting requirements for pre-existing conditions and includes preventive care and chronic condition support. Members can use participating and non-participating providers if those providers are eligible to receive and accept Medicare payment. Highmark has been building their network for two years and continues to recruit providers to their Freedom Blue PPO network. Members may opt-out of the Medicare Advantage plan and purchase coverage in the individual marketplace. Enrollment in the State plan is permitted annually during open enrollment in October for the subsequent January plan year.

The SBO and Office of Pensions is making a large effort to communicate to the pensioner population the similarities of the plan design and \$0 out of pocket costs.

Several examples of services provided under the new plan were reviewed and guidance on locating additional information on the SBO's MA Plan webpage was provided. There will be further detailed plan documents shared with the pensioners in September.

Ms. Rentz walked through the information and resources that have been provided and continuously updated for the eligible Medicare Advantage population.

Director Cade highlighted a few items that have been previously mentioned with members of the General Assembly and plan participants. An op-ed was submitted to the News Journal by Representative Kowalko prior to approaching SBO with questions. The op-ed contained some misinformation and concerns. All decisions made regarding the Medicare Advantage plan were made collectively with representation from the Committee. Director Cade looks forward to answering any follow up questions from the Committee or plan participants. It is notable that this new Medicare Advantage plan is beneficial for retirees and provides a high level of care and increased communication to retirees.

Mr. Taschner responded by stating that the resources that are provided to the State retirees need to be considered and ensure that we are fully taking advantage of what Highmark is offering. Mr. Taschner suggested SBO employ individuals to be trained experts on the MA plan and assist in navigating the system and changes. It is incumbent upon the SEBC to provide retirees with this resource and it is part of the SEBC's fiduciary responsibility to ensure that they are getting the full benefits of this plan.

Director Cade responded that resources have been identified to help members navigate the system. Additional improvements can be considered to address concerns. Ms. Rentz responded that the Co-Chairs were quick to act in providing support by creating a dozen temporary positions to assist with this work. These individuals will be working closely with the Pension Office.

Mr. Taschner responded that as this change moves forward, it is the SEBC's responsibility to plan members and the greater public that members are getting what they should get in terms of benefits, and everybody is getting the benefit of the contract with Highmark.

Commissioner Navarro responded to Ms. Rentz's earlier comment that members could choose to opt-out of the group Medicare Advantage plan and enroll in a different Medicare Advantage plan that is not sponsored by the State. Members should be proceeding with caution as those plans can be very expensive, confusing, and may not be what members expect. Director Cade responded that some members did think that the plan that the State was offering was the public market Medicare Advantage plan, however, this is an employer sponsored plan.

FINANCIALS – MR. CHRIS GIOVANNELLO, WTW

FY22 Qtr 4 Financial Reporting

The FY22 report compares the data from FY21 with gross claims up 3.3% from FY21. Total program costs had an increase of 0.4% driven by improvements to the new pharmacy program. Premium contributions had an increase of 0.1%. Total cost PEPY was down 0.5% and total cost PMPY was up 0.2% for the year.

Total program costs came in 3.2% under budget. Net income came with a deficit of \$52.6M compared to the budgeted deficit of \$77.8M. The loss ratio was 108% for active plan members, 135% for non-Medicare retirees, and 84% for Medicare retirees.

Key observations for FY22 showed a slight drop in screening rates for colon cancer, breast cancer, cervical cancer, and cholesterol. Osteoarthritis rates increased 2%. Inpatient hospital admittance decreased 5% with an increase of 2.6% in length of stay. There was a 5.1% increase in cost per admit and a 5.6% increase in ER visits. Prescriptions showed a 6.8% increase in cost and 0.5% increase in utilization. Specialty medications contribute to 52% of pharmacy spend with an 8.1% decrease in utilization which is countered by a 22.1% increase in cost.

Mr. Costantino asked about the admissions and length of stay, does this data include DRGs? Mr. Giovannello responded, that would be a follow up for the WTW team.

Fiscal Year 2023 Budget

Mr. Giovannello reviewed the FY23 budget. A vote will be requested at the September meeting from the SEBC members. The balance forward for FY23 is \$157M with premium contributions projected to be \$866M, which does reflect a reduction in premium contributions and the second 6 months of the fiscal year where the Medicfill plan will be moving to the \$0 group MA plan premiums. Other revenues show a slight reduction in EGWP rebates from previous projections for FY23. Total other revenues are projected to be around \$179M. Total operating revenues are projected to be slightly over \$1B.

Claim expenses are projected around \$1B and total other expenses are estimated around \$42M. No updates to the trend assumption; WTW is still using 5.5% for medical trend and 8% for pharmacy trend. Total operating expenses are estimated to be over \$1.1B with a net deficit of \$66M. The fund equity balance is projected to drop to \$90M before reserves, and after factoring in the reserves, the GHIP is projected to have a deficit of \$1.6M.

Mr. Taschner asked for confirmation that the expenditures for FY23 are based on an assumption of a 6.9% increase in the cost? Mr. Giovannello clarified that this is based an increase of 5.5% for medical claims and 8% for pharmacy claims plus increases in other expenses.

Fiscal Year 2023 Long-Term Projections

The GHIP long-term projections have been updated based on experience through June 2022 and align with the FY23 budget. It was previously projected that for FY22 there was a \$61.9 million surplus. The final FY22 ending balance is \$71.9M which includes an additional \$3.2M in COVID-19 reimbursement funds, \$3.3M in favorable claims experience, and \$3.5M in additional EGWP revenue payments. The FY23 starting balance is \$8.8M. \$10M is carried forward from FY22. FY23 is projected to have a deficit of \$10.7M for higher claims and \$9.6M less in revenues and ending the year in a deficit of \$1.6M. FY24 starts with a \$79.1M deficit and closes with an estimated deficit of \$113.5M.

Secretary DeMatteis added, the SEBC voted to raise premiums for active State employees to cover the GHIP deficit. The SEBC also voted to reduce the monthly premiums for pensioners who are charged a portion of their premium (i.e., those who retired prior to July 1, 2012 and have less than 20 years of State experience).

Mr. Giovannello added that the zero-dollar premium flows into the operating expenses as well for six months of 2023. Looking at 2024 there is a reduction in premium contributions from \$866M to \$833M. Other revenues will continue to rise from FY23 to FY24. In total, there is a total \$113.5M deficit after reserves in FY24.

Secretary DeMatteis added that the SEBC had a healthy discussion when voting to raise the premiums for active State employees. Pensioners and their spouses who retired before July 1, 2012 do not pay a monthly premium and retirees who retired after July 1, 2012 and have 20 years of experience with the State pay a very small portion of the premium. Those who retired with less than 20 years of experience will see the reduction in premiums per month starting in January 2023.

The premium contributions in FY23 are \$866M, which includes the 8.67% rate increase for FY23. Moving to FY24, premiums reduce to \$833M and that is taking out the Medicfill premium. The larger impact can be seen in

FY24 and FY25. Operating expenses for FY24 are only 2% higher than FY23. The GHIP has been coming in at budget and below trend projections.

The projected \$113.5M FY24 deficit is driven by GHIP surplus being fully depleted by end of FY23, health care trend (5.5% medical, 8% pharmacy), lost Medicfill subsidy triggered by the move to a group MA plan, and reduction in anticipated revenues based on recent GHIP experience.

Secretary DeMatteis clarified that rate action would be just for active State employees and non-Medicare pensioners. Mr. Giovannello stated that the fund will lose the Medicfill subsidy which in-turn requires a rate increase on active State employees and non-Medicare pensioners to cover the lost subsidy. Ms. Rentz added that there is a premium for the MA plan that is primarily to cover the cost of the Part D drug coverage.

Favorable experience projected for FY23 include operating expenses at 2.4% and other revenues projected at \$28.8M but is offset by a \$33M reduction in premium revenue due to the reduced Medicfill subsidy. A 14.3% rate increase effective July 1, 2023 is needed to solve for the \$113.5M FY24 deficit. To smooth this rate action would require a 9.8% rate increase over FY24, FY25, and FY26 to solve for a FY26 deficit.

Mr. Giovannello reviewed the impact to premiums with a 14.3% rate increase (\$4.32 – \$42.40 PEPM) with State subsidy increases of \$103.75 - \$279.86 PEPM and a 9.8% increase (\$2.96 – \$29.06 PEPM) with State subsidy increases of \$71.10 - \$191.80 PEPM for an effective date of July 1, 2023.

OTHER BUSINESS

No new business was presented.

PUBLIC COMMENT

Ms. Denise Tuck, an education pensioner that retired in 2005 commented that until recently, she had no knowledge that the SEBC existed. She noted concerns about the transparency of coverage and machine-readable file requirements. Additionally, she raised concerns around Highmark's provider search function on their website, particularly their liability statement around Highmark's inability to attest to the accuracy of the provider information included.

Pamela Waters, a pensioner who retired in 2007 brought forward concerns around her providers participation in the new Highmark MA network. Ms. Waters expressed frustration around losing her current providers. She also has concerns that her investment in the State's retirement program is not matched by the SEBC's fiscal responsibility in providing a retiree benefits program. There is no information currently available on the new plan that the State is going to offer to retirees and that is holding up her decision on whether to enroll.

Cheryl Truitt, an education retiree that retired in 2015 brought forward a concern if a retiree were to opt out of the State of Delaware retiree health coverage, what happens to the portion of premiums that have been already invested. Retiree shared a personal experience around denials, prior authorizations, and appeals.

ADJOURNMENT

A MOTION was made by Mr. Costantino and seconded by Secretary DeMatteis to adjourn the public session at 3:36 p.m. MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

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