



FY23 Q1 Long-term Projections

The State of Delaware –
SEBC Meeting

November 21, 2022

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FY23 Q1 update

- The GHIP long-term projections have been updated based on experience through October 2022
- In addition to updated experience through October, the long-term projections now reflect the following updates from last quarter:
 - On October 24th, 2022, the SEBC approved the extension of the Special Medicfill with and without Prescription plans for up to 12 months in accordance with Delaware Code
 - Further, the SEBC approved the Medicare Special Medicfill with and without Prescription plan rates effective 1/1/2023, maintaining the rates in effect during calendar year 2022
 - Updated long-term projections now reflect the Special Medicfill plan remaining in effect at the current rates beginning 1/1/2023 through the remainder of the projection period (replacing Group MA effective 1/1/2023)
- The table below reconciles the FY23 Q1 projected deficits relative to the FY22 Q4 projections presented to the SEBC in August:

Component (\$M)	Description	FY23	FY24
FY22 Q4 Projected Surplus/(Deficit)		(\$1.6)	(\$113.5)
Change in balance forward	Reflects change in starting fund balance due to prior year updates, including change in reserves	\$0.0	(\$19.5)
Special Medicfill	Reflects increase in medical claims payable by the GHIP for Special Medicfill participants (previously \$0 effective 1/1/23 under Group MA)	(\$38.9)	(\$74.1)
Special Medicfill	Reflects increase in premium revenue based on current Special Medicfill premium rates	\$41.4	\$83.5
Reserves	Change in reserves from prior estimates	(\$5.1)	(\$7.4)
Experience	Updated claims and enrollment through FY23 Q1 (claims updated through October)	(\$22.2)	(\$14.3)
Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	\$0.2	\$1.9
FY23 Q1 Projected Surplus/(Deficit)		(\$26.2)	(\$143.5)

Note: numbers in table may not add up due to rounding

GHIP long term health care cost projections

FY23 Q1 update

GHIP Costs (\$ millions)	FY21 Actual	FY22 Actual	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹	FY27 Projected ¹
Average Enrolled Members	129,768	130,141	131,442	132,756	134,084	135,425	136,779
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$839.4	\$839.7	\$907.3	\$916.4	\$925.5	\$934.8	\$944.1
<i>Hold premium rates flat FY24+</i>							
Other Revenues ³	\$128.9	\$194.7	\$179.2	\$209.7	\$221.3	\$238.7	\$258.3
Total Operating Revenues	\$968.3	\$1,034.4	\$1,086.5	\$1,126.1	\$1,146.8	\$1,173.5	\$1,202.4
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$1,005.7	\$1,029.6	\$1,172.7	\$1,238.0	\$1,314.2	\$1,402.9	\$1,498.1
% Change Per Member	7.4%	2.1%	12.8%	4.5%	5.1%	5.7%	5.7%
Adjusted Net Income (Revenue less Expense)	(\$37.4)	\$4.8	(\$86.2)	(\$111.9)	(\$167.4)	(\$229.4)	(\$295.7)
Balance Forward	\$189.8	\$152.3	\$157.2	\$71.0	(\$40.9)	(\$208.3)	(\$437.7)
Ending Balance	\$152.3	\$157.2	\$71.0	(\$40.9)	(\$208.3)	(\$437.7)	(\$733.4)
- Less Claims Liability ⁵	\$57.5	\$61.0	\$69.5	\$73.4	\$77.9	\$83.2	\$88.8
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$27.7	\$29.2	\$31.0	\$33.1	\$35.3
GHIP Surplus (After Reserves/Deposits)	\$70.5	\$71.9	(\$26.2)	(\$143.5)	(\$317.2)	(\$554.0)	(\$857.5)

Note: for detailed projection footnotes, see Appendix slide 11

- Projections reflect all items voted on by SEBC as of October 24th, 2022 SEBC meeting and assume no additional program or legislative changes impacting GHIP spend
- Excludes potential impact of Senate Bill 120 (unknown if bill will impact GHIP)

GHIP long term health care cost projections (FY23 Q1 update)

Premium rate increase scenarios

- Projected \$143.5M FY24 deficit driven by:
 - GHIP surplus fully depleted by end of FY23
 - Health care trend (5% medical, 8% pharmacy)
 - Economic environment (i.e., inflation) may warrant an increase to trend assumptions
 - Reduction in anticipated revenues (EGWP revenues, rebates) based on recent GHIP experience
 - Unfavorable claims experience in FY23 Q1, partly driven by downstream COVID-19 impacts
- Absent any additional program changes, a **17.2% rate increase effective 7/1/2023** is required to solve for the **\$143.5M projected FY24 deficit**
 - Loss of available surplus to offset premium increases by end of FY23 results in larger rate actions needed to solve for future deficits
- Smoothing the rate increase over three years to solve for FY26 deficit requires approximate 9.8% annual rate increases per year in FY24, FY25 and FY26
- ***Impact of Delaware legislative activity and upward pressures on health care trend may drive projected deficits higher absent additional program changes***

FY24 monthly rates and employee/retiree contributions

Illustrative: 17.2% increase effective 7/1/2023

- FY24 reflects employee contribution increases of \$5.20 - \$51.00 per employee per month (\$62.40 - \$612.00 per year) and State subsidy increases of \$124.78 - \$336.62 per employee per month (\$1,497.36 - \$4,039.44 per year) effective 7/1/2023

	FY23 Rates			FY24 with 17.2% Increase (effective 7/1/2023)			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$755.64	\$30.22	\$725.42	\$885.62	\$35.42	\$850.20	\$5.20	\$62.40	\$124.78	\$1,497.36
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,832.34	\$73.31	\$1,759.03	\$10.77	\$129.24	\$258.15	\$3,097.80
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,346.24	\$53.84	\$1,292.40	\$7.90	\$94.80	\$189.68	\$2,276.16
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,290.50	\$91.64	\$2,198.86	\$13.46	\$161.52	\$322.70	\$3,872.40
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$916.60	\$45.84	\$870.76	\$6.74	\$80.88	\$127.78	\$1,533.36
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,900.52	\$95.04	\$1,805.48	\$13.96	\$167.52	\$264.96	\$3,179.52
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,400.42	\$70.02	\$1,330.40	\$10.28	\$123.36	\$195.24	\$2,342.88
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,414.44	\$120.72	\$2,293.72	\$17.72	\$212.64	\$336.62	\$4,039.44
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$924.58	\$60.11	\$864.47	\$8.83	\$105.96	\$126.87	\$1,522.44
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,949.36	\$126.72	\$1,822.64	\$18.60	\$223.20	\$267.48	\$3,209.76
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,414.38	\$91.94	\$1,322.44	\$13.50	\$162.00	\$194.08	\$2,328.96
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,432.38	\$158.11	\$2,274.27	\$23.21	\$278.52	\$333.77	\$4,005.24
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$1,011.06	\$133.96	\$877.10	\$19.66	\$235.92	\$128.72	\$1,544.64
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$2,098.08	\$278.00	\$1,820.08	\$40.80	\$489.60	\$267.12	\$3,205.44
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,558.22	\$206.46	\$1,351.76	\$30.30	\$363.60	\$198.38	\$2,380.56
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,622.88	\$347.52	\$2,275.36	\$51.00	\$612.00	\$333.94	\$4,007.28

FY24 monthly rates and employee/retiree contributions

Illustrative: 9.8% increase effective 7/1/2023

- FY24 reflects employee contribution increases of \$2.96 - \$29.06 per employee per month (\$35.52 - \$348.72 per year) and State subsidy increases of \$71.10 - \$191.80 per employee per month (\$853.20 - \$2,301.60 per year) effective 7/1/2023

	FY23 Rates			FY24 with 9.8% Increase (effective 7/1/2023)			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$755.64	\$30.22	\$725.42	\$829.70	\$33.18	\$796.52	\$2.96	\$35.52	\$71.10	\$853.20
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,716.64	\$68.68	\$1,647.96	\$6.14	\$73.68	\$147.08	\$1,764.96
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,261.24	\$50.44	\$1,210.80	\$4.50	\$54.00	\$108.08	\$1,296.96
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,145.88	\$85.84	\$2,060.04	\$7.66	\$91.92	\$183.88	\$2,206.56
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$858.72	\$42.94	\$815.78	\$3.84	\$46.08	\$72.80	\$873.60
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,780.52	\$89.04	\$1,691.48	\$7.96	\$95.52	\$150.96	\$1,811.52
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,312.00	\$65.60	\$1,246.40	\$5.86	\$70.32	\$111.24	\$1,334.88
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,262.00	\$113.10	\$2,148.90	\$10.10	\$121.20	\$191.80	\$2,301.60
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$866.20	\$56.32	\$809.88	\$5.04	\$60.48	\$72.28	\$867.36
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,826.28	\$118.72	\$1,707.56	\$10.60	\$127.20	\$152.40	\$1,828.80
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,325.08	\$86.14	\$1,238.94	\$7.70	\$92.40	\$110.58	\$1,326.96
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,278.80	\$148.12	\$2,130.68	\$13.22	\$158.64	\$190.18	\$2,282.16
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$947.22	\$125.51	\$821.71	\$11.21	\$134.52	\$73.33	\$879.96
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$1,965.60	\$260.46	\$1,705.14	\$23.26	\$279.12	\$152.18	\$1,826.16
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,459.84	\$193.42	\$1,266.42	\$17.26	\$207.12	\$113.04	\$1,356.48
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,457.26	\$325.58	\$2,131.68	\$29.06	\$348.72	\$190.26	\$2,283.12

Appendix

GHIP historical health care fund information

FY17-FY22 actual

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual
Average Enrolled Members	123,132	125,488	126,360	128,531	129,768	130,141
GHIP Revenue						
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$817.4	\$830.8	\$839.4	\$839.7
<i>Hold premium rates flat FY21+</i>	-	-	-	-	-	-
Other Revenues ³	\$81.6	\$92.1	\$98.5	\$122.8	\$128.9	\$194.7
Total Operating Revenues	\$880.6	\$903.0	\$915.9	\$953.7	\$968.3	\$1,034.4
GHIP Expenses (Claims/Fees)						
Operating Expenses ⁴	\$816.8	\$853.9	\$904.0	\$927.7	\$1,005.7	\$1,029.6
% Change Per Member		2.6%	5.1%	0.9%	7.4%	2.1%
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	\$11.9	\$26.0	(\$37.4)	\$4.8
Balance Forward	\$38.9	\$102.7	\$151.8	\$163.8	\$189.8	\$152.3
Ending Balance	\$102.7	\$151.8	\$163.8	\$189.8	\$152.3	\$157.2
- Less Claims Liability ⁶	\$54.0	\$58.9	\$58.8	\$57.5	\$57.5	\$61.0
- Less Minimum Reserve ⁶	\$24.0	\$24.0	\$24.3	\$24.3	\$24.3	\$24.3
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$80.7	\$108.0	\$70.5	\$71.9

GHIP long term health care cost projection footnotes

Note: FY17-FY22 actuals based on final June Fund Equity reports for respective fiscal year; FY23+ projected operating expenses and enrollment based on experience through September 2022 (claims experience updated based on OMB weekly claims analysis through October 2022); assumed 1% annual enrollment growth; numbers in table may not add up due to rounding

1. FY23-FY27 projections based on 5% medical, 8% pharmacy baseline trend; assumes 1% annual growth in GHIP membership; assumes Medicfill plan remains in place FY23-FY27 at CY22 premium rates; assumes no other program or legislative changes in FY23 and beyond
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY23-FY27
3. Includes Rx rebates, EGWP payments, other revenues based on when revenues will be received; FY23 and beyond includes estimated improvements in Rx rebates based on result of PBM award to CVS Health; rebates assumed to be paid 60 days after the quarter adjudicated; includes fees for participating non-State groups (assumed to increase proportionally with membership and premium growth)
4. FY23 and beyond includes estimated reduction in pharmacy claims as a result of PBM award to CVS Health; reflects FY24 savings initiatives voted on by SEBC as of most recent SEBC meeting, including Hinge Health (\$4M savings), bariatric surgery carve-out to SurgeryPlus (\$1M savings), CVS Transform Diabetes Care and Drug Savings Review (\$1.5M savings); reflects cost increases associated with House Bill 303 (\$2.4M annual cost effective 1/1/24); projections currently exclude impact of Senate Bill 120 (unknown if bill will impact GHIP)
5. Minimum Reserve and Claim Liability updated for FY23; reserves in future years assumed to increase with overall GHIP claims growth

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.