



FY23 Q2 Long-term Projections

The State of Delaware –
SEBC Meeting

February 20, 2022

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FY23 Q2 long-term projections

GHIP long term health care cost projections

FY23 Q2 update

- The GHIP long-term projections have been updated based on experience through January 2023
- In addition to updated experience through January, the long-term projections now reflect the following updates from last quarter:
 - Removal of Public Health Emergency funding of ingredient cost for COVID-19 vaccines and COVID-19 oral antivirals (+\$5.3M in FY24 expense)
 - Updated EGWP revenue projections, including:
 - Increased CY22 federal reinsurance true-up payment (to be paid January 2024) based on actual CY22 utilization (projected payment \$13.5M)
 - Reduction in 2023 monthly prospective federal reinsurance PMPM payment
- The table below reconciles the FY23 Q2 projected deficits relative to the FY23 Q1 projections presented to the SEBC in November:

Component (\$M)	Description	FY23	FY24
FY23 Q1 Projected Surplus/(Deficit)		(\$26.2)	(\$143.5)
Change in balance forward	Reflects change in starting fund balance due to prior year updates, including change in reserves	\$0.0	\$1.3
Contributions	Reflects increase in premium revenue based on changes in headcount	(\$1.1)	(\$1.1)
Reserves	Change in reserves from prior estimates	\$0.0	(\$0.1)
Experience	Updated claims and enrollment through FY23 Q2 (claims updated through January)	(\$0.6)	\$4.1
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	\$3.0	\$6.5
End of Public Health Emergency	Estimated financial impact of federal government no longer covering ingredient cost for COVID-19 vaccinations and oral antivirals due to end of Public Health Emergency	\$0.0	(\$5.3)
FY23 Q2 Projected Surplus/(Deficit)		(\$24.9)	(\$138.1)

GHIP long term health care cost projections

FY23 Q2 update – Hold premium rates flat FY24+

GHIP Costs (\$ millions) ¹	FY22	FY23	FY24	FY25	FY26	FY27
	Actual	Projected	Projected	Projected	Projected	Projected
Average Enrolled Members	130,141	131,442	132,756	134,084	135,425	136,779
GHIP Revenues						
Premium Contributions ²	\$839.7	\$906.2	\$915.3	\$924.4	\$933.6	\$942.9
<i>Hold premium rates flat FY24+</i>			\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$194.7	\$182.2	\$216.2	\$222.7	\$239.7	\$259.6
Total Operating Revenues	\$1,034.4	\$1,088.4	\$1,131.5	\$1,147.1	\$1,173.3	\$1,202.5
GHIP Expenses						
Operating Expenses ⁴	\$1,029.6	\$1,173.3	\$1,239.2	\$1,308.1	\$1,396.4	\$1,491.2
<i>% Change Per Member</i>	2.1%	12.8%	4.6%	4.5%	5.7%	5.7%
Adjusted Net Income	\$4.8	(\$84.9)	(\$107.7)	(\$161.0)	(\$223.1)	(\$288.7)
Balance Forward	\$152.3	\$157.2	\$72.3	(\$35.4)	(\$196.4)	(\$419.5)
Ending Balance	\$157.2	\$72.3	(\$35.4)	(\$196.4)	(\$419.5)	(\$708.2)
- Less Claims Liability ⁵	\$61.0	\$69.5	\$73.4	\$77.5	\$82.7	\$88.3
- Less Minimum Reserve ⁵	\$24.3	\$27.7	\$29.3	\$30.9	\$33.0	\$35.2
GHIP Surplus (After Reserves/Deposits)	\$71.9	(\$24.9)	(\$138.1)	(\$304.8)	(\$535.2)	(\$831.7)

- Projections reflect all items voted on by SEBC as of January 23rd, 2023 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)
- Every 1% increase in healthcare trend (medical + Rx) will increase FY24 claims by \$11.3M

GHIP long term health care cost projections (FY23 Q2 update)

Premium rate increase scenarios

- Projected **\$138.1M** 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
 - Unfavorable claims experience in FY23 Q1 and Q2, partly driven by downstream COVID-19 impacts
- Absent any additional program changes, a **16.6% rate increase effective 7/1/2023** is required to solve for the **\$138.1M projected FY24 deficit**
 - Loss of available surplus to offset premium increases by end of FY23 results in larger rate action needed to solve for FY24 deficit
 - If solving FY24 deficit with one-time rate action, future rate actions needed to solve for deficits in FY25 and beyond likely to be more closely tied to health care trend
- Smoothing the rate increase over three years to solve for FY26 deficit requires approximate 9.5% 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***

GHIP long term health care cost projections

FY23 Q2 update – 16.6% rate increase FY24

GHIP Costs (\$ millions) ¹	FY22	FY23	FY24	FY25	FY26	FY27
	Actual	Projected	Projected	Projected	Projected	Projected
Average Enrolled Members	130,141	131,442	132,756	134,084	135,425	136,779
GHIP Revenues						
Premium Contributions ²	\$839.7	\$906.2	\$915.3	\$1,077.8	\$1,088.6	\$1,099.5
16.6% rate increase FY24			\$138.5			
Other Revenues ³	\$194.7	\$182.2	\$216.2	\$222.7	\$239.7	\$259.6
Total Operating Revenues	\$1,034.4	\$1,088.4	\$1,270.0	\$1,300.5	\$1,328.3	\$1,359.1
GHIP Expenses						
Operating Expenses ⁴	\$1,029.6	\$1,173.3	\$1,239.2	\$1,308.1	\$1,396.4	\$1,491.2
% Change Per Member	2.1%	12.8%	4.6%	4.5%	5.7%	5.7%
Adjusted Net Income	\$4.8	(\$84.9)	\$30.8	(\$7.6)	(\$68.1)	(\$132.1)
Balance Forward	\$152.3	\$157.2	\$72.3	\$103.1	\$95.5	\$27.4
Ending Balance	\$157.2	\$72.3	\$103.1	\$95.5	\$27.4	(\$104.7)
- Less Claims Liability ⁵	\$61.0	\$69.5	\$73.4	\$77.5	\$82.7	\$88.3
- Less Minimum Reserve ⁵	\$24.3	\$27.7	\$29.3	\$30.9	\$33.0	\$35.2
GHIP Surplus (After Reserves/Deposits)	\$71.9	(\$24.9)	\$0.4	(\$12.9)	(\$88.3)	(\$228.2)

- Projections reflect all items voted on by SEBC as of January 23rd, 2023 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)
- Every 1% increase in healthcare trend (medical + Rx) will increase FY24 claims by \$11.3M

GHIP long term health care cost projections

FY23 Q2 update – 9.5% rate increase FY24-FY26 (3-year smoothing method)

GHIP Costs (\$ millions) ¹	FY22	FY23	FY24	FY25	FY26	FY27
	Actual	Projected	Projected	Projected	Projected	Projected
Average Enrolled Members	130,141	131,442	132,756	134,084	135,425	136,779
GHIP Revenues						
Premium Contributions ²	\$839.7	\$906.2	\$915.3	\$924.4	\$933.6	\$1,238.0
9.5% rate increase FY24-FY26			\$79.0	\$174.9	\$281.8	
Other Revenues ³	\$194.7	\$182.2	\$216.2	\$222.7	\$239.7	\$259.6
Total Operating Revenues	\$1,034.4	\$1,088.4	\$1,210.5	\$1,322.0	\$1,455.1	\$1,496.6
GHIP Expenses						
Operating Expenses ⁴	\$1,029.6	\$1,173.3	\$1,239.2	\$1,308.1	\$1,396.4	\$1,491.2
% Change Per Member	2.1%	12.8%	4.6%	4.5%	5.7%	5.7%
Adjusted Net Income	\$4.8	(\$84.9)	(\$28.7)	\$13.9	\$58.7	\$5.4
Balance Forward	\$152.3	\$157.2	\$72.3	\$43.6	\$57.5	\$116.2
Ending Balance	\$157.2	\$72.3	\$43.6	\$57.5	\$116.2	\$121.6
- Less Claims Liability ⁵	\$61.0	\$69.5	\$73.4	\$77.5	\$82.7	\$88.3
- Less Minimum Reserve ⁵	\$24.3	\$27.7	\$29.3	\$30.9	\$33.0	\$35.2
GHIP Surplus (After Reserves/Deposits)	\$71.9	(\$24.9)	(\$59.1)	(\$50.9)	\$0.5	(\$1.9)

- Projections reflect all items voted on by SEBC as of January 23rd, 2023 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)
- Every 1% increase in healthcare trend (medical + Rx) will increase FY24 claims by \$11.3M

FY24 monthly rates and employee/retiree contributions

Illustrative: 16.6% increase effective 7/1/2023

- FY24 reflects employee contribution increases of \$5.02 - \$49.22 per employee per month (\$60.24 - \$590.64 per year) and State subsidy increases of \$120.42 - \$324.87 per employee per month (\$1,445.04 - \$3,898.44 per year) effective 7/1/2023

	FY 2023			FY 2024 with Increase			\$ 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	\$881.08	\$35.24	\$845.84	\$5.02	\$60.24	\$120.42	\$1,445.04
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,822.96	\$72.92	\$1,750.04	\$10.38	\$124.56	\$249.16	\$2,989.92
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,339.34	\$53.58	\$1,285.76	\$7.64	\$91.68	\$183.04	\$2,196.48
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,278.76	\$91.16	\$2,187.60	\$12.98	\$155.76	\$311.44	\$3,737.28
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$911.92	\$45.60	\$866.32	\$6.50	\$78.00	\$123.34	\$1,480.08
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,890.80	\$94.54	\$1,796.26	\$13.46	\$161.52	\$255.74	\$3,068.88
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,393.26	\$69.66	\$1,323.60	\$9.92	\$119.04	\$188.44	\$2,261.28
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,402.08	\$120.11	\$2,281.97	\$17.11	\$205.32	\$324.87	\$3,898.44
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$919.84	\$59.80	\$860.04	\$8.52	\$102.24	\$122.44	\$1,469.28
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,939.38	\$126.08	\$1,813.30	\$17.96	\$215.52	\$258.14	\$3,097.68
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,407.14	\$91.46	\$1,315.68	\$13.02	\$156.24	\$187.32	\$2,247.84
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,419.92	\$157.30	\$2,262.62	\$22.40	\$268.80	\$322.12	\$3,865.44
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$1,005.88	\$133.28	\$872.60	\$18.98	\$227.76	\$124.22	\$1,490.64
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$2,087.34	\$276.58	\$1,810.76	\$39.38	\$472.56	\$257.80	\$3,093.60
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,550.24	\$205.40	\$1,344.84	\$29.24	\$350.88	\$191.46	\$2,297.52
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,609.44	\$345.74	\$2,263.70	\$49.22	\$590.64	\$322.28	\$3,867.36

FY24 monthly rates and employee/retiree contributions

Illustrative: 9.5% increase effective 7/1/2023

- FY24 reflects employee contribution increases of \$2.88 - \$28.18 per employee per month (\$34.56 - \$338.16 per year) and State subsidy increases of \$68.92 - \$185.92 per employee per month (\$827.04 - \$2,231.04 per year) effective 7/1/2023

	FY 2023			FY 2024 with Increase			\$ 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	\$827.44	\$33.10	\$794.34	\$2.88	\$34.56	\$68.92	\$827.04
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,711.94	\$68.48	\$1,643.46	\$5.94	\$71.28	\$142.58	\$1,710.96
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,257.78	\$50.31	\$1,207.47	\$4.37	\$52.44	\$104.75	\$1,257.00
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,140.00	\$85.62	\$2,054.38	\$7.44	\$89.28	\$178.22	\$2,138.64
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$856.38	\$42.82	\$813.56	\$3.72	\$44.64	\$70.58	\$846.96
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,775.66	\$88.78	\$1,686.88	\$7.70	\$92.40	\$146.36	\$1,756.32
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,308.42	\$65.42	\$1,243.00	\$5.68	\$68.16	\$107.84	\$1,294.08
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,255.82	\$112.80	\$2,143.02	\$9.80	\$117.60	\$185.92	\$2,231.04
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$863.82	\$56.16	\$807.66	\$4.88	\$58.56	\$70.06	\$840.72
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,821.30	\$118.40	\$1,702.90	\$10.28	\$123.36	\$147.74	\$1,772.88
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,321.46	\$85.90	\$1,235.56	\$7.46	\$89.52	\$107.20	\$1,286.40
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,272.56	\$147.72	\$2,124.84	\$12.82	\$153.84	\$184.34	\$2,212.08
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$944.64	\$125.16	\$819.48	\$10.86	\$130.32	\$71.10	\$853.20
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$1,960.24	\$259.74	\$1,700.50	\$22.54	\$270.48	\$147.54	\$1,770.48
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,455.86	\$192.91	\$1,262.95	\$16.75	\$201.00	\$109.57	\$1,314.84
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,450.54	\$324.70	\$2,125.84	\$28.18	\$338.16	\$184.42	\$2,213.04

Appendix

GHIP historical health care fund information

FY17-FY21 actual

GHIP Costs (\$ millions) ¹	FY17	FY18	FY19	FY20	FY21
	Actual	Actual	Actual	Actual	Actual
Average Enrolled Members	123,132	125,488	126,360	128,531	129,768
GHIP Revenues					
Premium Contributions ²	\$799.0	\$810.9	\$817.4	\$830.8	\$839.4
<i>Hold premium rates flat FY23+</i>	-	-	-	-	
Other Revenues ³	\$81.6	\$92.1	\$98.5	\$122.8	\$128.9
Total Operating Revenues	\$880.6	\$903.0	\$915.9	\$953.7	\$968.3
GHIP Expenses					
Operating Expenses ⁴	\$816.8	\$853.9	\$904.0	\$927.7	\$1,005.7
<i>% Change Per Member</i>		2.6%	5.1%	0.9%	7.4%
Adjusted Net Income	\$63.8	\$49.1	\$11.9	\$26.0	(\$37.4)
Balance Forward	\$38.9	\$102.7	\$151.8	\$163.8	\$189.8
Ending Balance	\$102.7	\$151.8	\$163.8	\$189.8	\$152.3
- Less Claims Liability ⁵	\$54.0	\$58.9	\$58.8	\$57.5	\$57.5
- Less Minimum Reserve ⁵	\$24.0	\$24.0	\$24.3	\$24.3	\$24.3
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$80.7	\$108.0	\$70.5

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 December 2022 (claims experience updated based on OMB weekly claims analysis through January 2023); 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.