



**MINUTES FROM THE MEETING OF THE STATE EMPLOYEE BENEFITS COMMITTEE
February 20, 2023**

The State Employee Benefits Committee (the “Committee”) met at 2:00 p.m. on February 20, 2023.

The meeting was held virtually and in person at 97 Commerce Way, Suite 201, in Dover.

Committee Members in Attendance:

Secretary Claire DeMatteis, Department of Human Resources (“DHR”), SEBC Co-Chair
Director Cerron Cade, Office of Management & Budget (“OMB”), SEBC Co-Chair
Controller General Ruth Ann Jones, Office of the Controller General (“OCG”)
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer “OST”
The Honorable Chief Justice Collins Seitz, Delaware Supreme Court
The Honorable Trinidad Navarro, Insurance Commissioner, Department of Insurance (“DOI”)
The Honorable Bethany Hall-Long, Office of the Lt. Governor
Mr. Shaun O’Brien, Policy Director, American Federation of State, County, and Municipal Employees (“AFSCME”)
Mr. Thomas Brackin, Executive Director, Delaware State Troopers Association (“DSTA”)

Committee Members Not in Attendance:

Secretary Molly Magarik, Department of Health & Social Services (“DHSS”)

Others in Attendance

Director Faith Rentz, SBO, DHR	Ms. Joanna Adams, Pension Administrator, Office of Pensions (“Open”)
Deputy Director Leighann Hinkle, SBO, DHR	Ms. Carla Cassell-Carter, Director of Budget Development and Planning, OMB
Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR	Ms. Andrea Godfrey, Deputy Director of Budget Development and Planning, OMB
Ms. Mary Bradley, SBO, DHR	Ms. Michelle Carpenter, HRIS Manager, PHRST, OMB
Ms. Marie Hartigan, SBO, DHR	Ms. Kathy Nedelka, HRIS Specialist, PHRST, OMB
Ms. Samantha Mountz, SBO, DHR	Mr. Adam Knox, Highmark Delaware
Ms. Dawn Warman, SBO, DHR	Mr. Charles Simons, Highmark Delaware
Ms. Cherie Dodge Biron, Director, Financial & Administrative Services, DHR	Ms. Wendy Beck, Highmark Delaware
Ms. Heather Johnson, DHR	Ms. Lisa Mantegna, Highmark Delaware
Ms. Adria Martinelli, Deputy Attorney General, Department of Justice, SEBC Legal Counsel	Ms. Jeanie Carson, Highmark Delaware
Mr. Chris Giovannello, Willis Towers Watson (“WTW”)	Ms. Charlene Hrivnak, CVS Health
Ms. Jaclyn Iglesias, WTW	Ms. Sara Dunlevy, CVS Health
Mr. Walter Mateja, Merative	Mr. Randall Bryniarski, CVS Health
Ms. Ashley Tucker, Deputy State Court Administrator, AOC	Mr. Jeremy Menard, CVS Health
Mr. Robert Scoglietti, Deputy Controller General, OCG	Ms. Sara Dunlevy, CVS Health
Mr. David Bentz, Deputy Director, DMS, DHSS	Mr. Randy Garcia, CVS Health
Ms. Jeanette Hammon, Sr. Fiscal and Policy Analyst, OMB	Ms. Katherine Impellizzeri, Aetna
Mr. Steven Costantino, Director Health Care Reform, DHSS	Ms. Julie Caynor, Aetna
Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor	Ms. Brooke Nedza, Aetna
Mr. Jeff Taschner, Executive Director, Delaware State Education Association “DSEA”	Ms. Rebecca Byrd, ByrdGomes
Ms. Laura Rowe, DSEA	Ms. Kristina Deakins, City of Dover

STATE OF DELAWARE STATEWIDE BENEFITS OFFICE

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Mr. LeVar Johnson, Novo Nordisk
Mr. Paul Dempsey, Novo Nordisk
Ms. Shauna Sharrar, Novo Nordisk
Ms. Deldra Gregory-Colvin, Colonial SD
Mr. Steven Fackenthall, Red Clay SD
Ms. Julie Greenwood, UDEL
Ms. Gisela McKenzie, UDEL
Mr. Taylor Hawk, DSEA
Ms. Kelly Kline, Newark CS
Mr. David Kohan, Christina SD
Mr. James Meade, DOS
Mr. Nick Mogle, DelDOT
Ms. Lauren Sokola, Christina SD
Ms. Dawn Alexander, Colonial SD
Ms. Cari Lee, Steptoe & Johnson LLP
Ms. Mary Kate McLaughlin, BT Law
Mr. Paul Kiefer, Delaware Public Media
Ms. Teresa Craig, Employee Spouse

Ms. Vanessa Fiorillo, Rx Savings Solutions
Ms. Barbara Philbin, Pensioner
Ms. Adele Jones, Pensioner
Mr. Bob Clarkin, Pensioner
Ms. Joan DelFattore, Pensioner
Ms. Rebecca Scarborough, Pensioner
Mr. Steve LePage, Pensioner
Mr. Tom Pledge, Pensioner
Mr. David Taylor, Pensioner
Ms. Betsy Price, Freelance Writer
Ms. Maureen Keeney
Ms. Amy Mbugua
Ms. Nancy Jones
J Hanby
Ms. Carole Mick, SBO, DHR – Recorder, State
Employee Benefits Committee and
Subcommittee

CALLED TO ORDER – SECRETARY DEMATTEIS, DHR

Secretary DeMatteis called the meeting to order at 2:01 p.m.

APPROVAL OF MINUTES – SECRETARY DEMATTEIS, DHR

A MOTION was made by Director Cade and seconded by Controller General Jones to approve the minutes from the January 23, 2023 meeting of the State Employee Benefits Committee.

ABSTENTIONS – Thomas Brackin, Shaun O’Brien
MOTION ADOPTED UNANIMOUSLY.

Lieutenant Governor Bethany Hall-Long arrived to the meeting.

DIRECTOR’S REPORT – DIRECTOR FAITH RENTZ, SBO

SEBC Updates

SB 29 appointments for the Retiree Healthcare Benefits Advisory Subcommittee (RHBAS) are completed, except the Governor’s appointment for the Sussex County retiree appointee. First meeting for the RHBAS is expected to be in early March and details will be posted on the SEBC webpage and Public Meeting Calendar (PMC).

The SEBC has documented the Public Comment Protocol which is posted on the SEBC webpage and will be referenced in published agendas. This document includes the SEBC’s practice that action items identified on the published meeting agenda related to benefit plans and rates will be voted on at the meeting after it is first discussed, not in the same meeting in which the matter was first brought before the SEBC.

Treasurer Davis arrived to the meeting.

Member attendance and participation is needed over the next several meetings as votes on plan changes and health plan premium rates effective July 1, 2023 must be made no later than the March 20, 2023 meeting. March meetings will be on Monday, March 6, 2023 at 1:00 PM and Monday, March 20, 2023 at 10:00 AM. A review of plan

changes and updated projections will be discussed at today's meeting which was previously discussed with the Health Policy & Planning Subcommittee and the Financial Subcommittee at the February 13, 2023 meetings.

Benefits Modernization Survey

The employee benefits modernization survey closed Friday, February 17, 2023 with an overall GHIP engagement including public education of 20.3% and without public education 31%. A thank you email will be sent to benefit-eligible employees from the SEBC on February 22, 2023 and results will be presented in the Summer. The survey's intention is to gauge interest from the workforce on their total rewards preferences and includes areas such as expanded leave and family friendly benefits, mental health and wellbeing support including diversity, equity, and inclusion in the benefit offerings.

Hinge Health and SurgeryPlus Bariatric Implementation

The Hinge Health program launched on January 1, 2023 and communication have been sent to all Aetna and Highmark non-Medicare members. Hinge Health has reported strong engagement and participation details will be available during CY23 Q2.

Bariatric surgery exclusively through SurgeryPlus will be effective as of July 1, 2023. SurgeryPlus benefits have been available to State active and non-Medicare GHIP members since July 1, 2019 as a voluntary benefit and is not available to GHIP members who have primary coverage under another plan and there is no coordination of benefits. Communications will begin later this month and included in the 2023 Open Enrollment materials. Highmark and Aetna members who have initiated the process for bariatric surgery will be contacted directly through their health plan's care management team to assure that they will not be adversely impacted. The SEBC's approval required the SBO to assure that secondary GHIP members would not be harmed by mandating this benefit through SurgeryPlus and a solution will be implemented which involves additional coordination for GHIP secondary members. SBO is developing an official appeal process that gives members additional levels to the SBO and SEBC as they exist under the health plans which will be available no later than May 1, 2023.

Secretary DeMatteis asked how many employees would be impacted by the move to SurgeryPlus. Director Rentz stated that approximately 200 employees a year receive a bariatric procedure. Director Cade asked how many secondary members would be affected. Director Rentz commented that over the last two years, roughly two dozen employees received a bariatric procedure and were not covered under the Aetna or Highmark plan as primary. SBO will provide coordination of benefits to secondary members seeking a bariatric procedure.

Director Cade asked about information on members currently undergoing the bariatric process and any impact that this may have on them. Director Rentz stated that the bariatric process takes about six months and coordination with plan providers and care management teams will need to occur. Plan members that already have a prior authorization on file will be sent communication from SBO via certified and regular mail to contact their health plan's care management team to discuss the appropriate course of action.

Director Cade asked if there are any concerns associated with members that have a prior authorization for bariatric surgery on meeting qualifications through SurgeryPlus. Director Rentz indicated that there are no concerns with prior authorizations currently on file with Aetna and Highmark and will be transferable to SurgeryPlus.

COVID-19 Update

The COVID-19 national and public health emergencies (PHE) is intended to end on May 11, 2023 and impacts to the GHIP will be reviewed at today's meeting. Additional discussion will need to occur with the SEBC on the continuation of the COVID-19 benefit enhancements and a previous vote by the SEBC approved coverage of enhanced services for no more than 30 days following the end of the COVID-19 PHE.

FINANCIAL UPDATE – MR. CHRIS GIOVANNELLO, WTWDecember 2022 Fund Report

Premium contributions are below budget at around \$74.9M with around a \$1.1M variance. Medicare Part D coverage discount arrived a month early at \$8.3M. Under other revenues we received almost \$862K mostly from a credit memo from CVS. Total other revenues are around \$9M above budget. Claims continue to run high of about \$89M with a variance of \$4.5M. Total claims year to date are approximately \$38.6M overbudget. Net income totaled a deficit of \$6.8M with a surplus variance of \$3.3M compared to budget. The fund equity balance sits at about \$125.7M with a variance deficit of approximately \$35.5M.

Director Cade asked for an explanation on the Medicare Part D coverage gap discount. Mr. Giovannello stated that this is a federal reimbursement from the Employer Group Waiver Plan (EGWP) plan on claims incurred. When plan members reach their deductible, the state gets a reimbursement from the federal government for amounts incurred when the deductible is met until the next coverage limit. There are three types of EGWP reimbursements which include a direct subsidy payment (received quarterly), the federal reinsurance (received monthly), and the true up payment (received annually).

FY23 Q2 Financial Reporting

A comparison of FY23 YTD to FY22 YTD was reviewed and indicated that gross claims are up 15.8%. Total program cost for prescription drugs is up 1.8% due to trend being offset by increased rebates to both commercial and EGWP plans. Medical is up 13.5% with a total increase of 11.1%. Total cost on a per employee per year (PEPY) is up 9.7%. Total premium contributions are up 7.5% which included an 8.67% rate increase for FY23 but was offset by changes in enrollment. Total cost PMPY was 10.3%. Costs are behind budget; however, it is expected to reverse.

Director Cade asked if the large increase in claims is due to COVID-19 and members starting to use services that were not available during the pandemic. Mr. Giovannello stated that the Financial Subcommittee reviewed utilization and unit cost trends which determined that both utilization and unit costs have risen.

Director Cade asked what the demographics of utilization of claims are between active employees, pre-65 retirees, and Medicare retirees. Mr. Giovannello displayed the loss ratio for each group type and commented that active employees and pre-65 retirees pay the same premium but pre-65 retirees have a higher loss ratio because they have different healthcare needs. Medicare retirees have a lower loss ratio because of subsidization for the active employees and non-Medicare retirees.

FY24 GHIP Projections

FY23 Q2 long-term health care cost updated projections estimate the FY23 deficit at \$24.9M and the FY24 deficit at \$138.1M. The end of the PHE will occur during CY23 which will end funding of COVID-19 vaccines and oral antivirals with estimated costs to the GHIP of \$5.3M. There were two EGWP updates to the projections which include the federal reinsurance payment (paid January 2024) which is estimated to increase by \$10M and a reduction in CY23 monthly prospective federal reinsurance per member per year (PMPM) payment.

Treasurer Davis asked if the \$5.3M projected COVID-19 expenses factors any tapering of utilization on vaccines and antivirals. Mr. Giovannello stated that the estimate is based on the midpoint of recent utilization of the vaccine in late 2022 and have not projected any potential reduction through FY24.

Director Cade asked if the projected COVID-19 expenses factored in the benefit enhancements that the GHIP currently occurs to plan participants. Mr. Giovannello stated that no update has been made to projected benefit enhancements and is based on everything that has been voted on and in place today.

Director Cade asked what the expectation was for the 8.67% rate increase for FY23. Mr. Giovannello commented that the goal of the 8.67% rate increase was to solve for a \$0 deficit by the end of FY23, however, due to high claims

experience our estimated deficit for FY23 is \$24.9M. This rate increase did not consider any future time periods beyond FY23.

Treasurer Davis asked if there are any concerns over SB 120. Director Rentz commented that SB 120 is the primary care law and does not apply to the GHIP as it relates to requirements on primary care investments outside an increase on fee-for-service. The GHIP is complying with that portion of an earlier primary care law and after SEBC discussion the SEBC decided to not comply with SB 120 for the first year of the new Highmark and Aetna contracts. There are no cost projections currently added to the GHIP should the SEBC decide to comply with the bill after year one of the healthcare contracts. Mr. Giovannello stated complying with this bill would significantly increase the deficit. Director Rentz stated that there is no requirement to comply with the primary care law and if the SEBC chooses to comply it would be voluntary.

Mr. O'Brien asked what the vacancy rates look like for the state. Secretary DeMatteis commented that the employment vacancy rates range from 20% to 25% and there's over 2,000 vacancies statewide. The hiring rate is 150 to 180 monthly while the retirement rate is 60 to 80 a month.

Director Cade asked if premium contribution projections are based on number of current employees or number of budgeted positions. Mr. Giovannello stated that it is based on the number of current employees by coverage plan and tier and assumes a 1% enrollment growth per year.

Estimated deficits were displayed through FY27 without any potential rate actions. A 16.6% rate increase effective July 1, 2023 is required to solve the FY24 projected deficit of \$138.1M. Smoothing the rate over three-years to solve for a FY26 deficit will require a 9.5% rate increase in FY24, FY25, and FY26. Projected healthcare costs through FY27 with both rate increase scenarios was displayed. Employee contributions were presented for both potential rate increase options.

Director Cade asked if a 16.6% rate increase occurs for FY24 than why would the GHIP have a deficit for FY25. Mr. Giovannello stated that the large rate increase for FY24 is needed to get revenues in line with claim projections and premium rate increases have largely not occurred over the past five years. The surplus to the GHIP will be largely depleted by the end of FY23 and going forward there will be a need to fund the healthcare trend.

Mr. O'Brien asked what the current reserve policy is for the GHIP. Mr. Giovannello stated that there is \$73.4M held for claims liability and the minimum reserve is at \$29.3M for FY24.

Committee members continued to discuss the FY23 rate increase of 8.67% based on the trend assumptions of 5% medical and 8% pharmacy and the FY24 rate increase options to solve for the GHIP deficit. Inflation has impacted healthcare costs and will continue impacting these costs over the next 12 to 24 months. The Financial Subcommittee reviewed cost and utilization trends to determine what factors are driving the GHIP deficit. Increased trend rates may need to occur for the FY24 budget projections.

FLEXIBLE SPENDING ACCOUNT PLAN – DIRECTOR FAITH RENTZ, SBO, DHR

FSA Participant Fund Forfeitures

The federal IRS rules state that plan participants in the State's health and dependent care flexible savings account (FSA) who fail to utilize all funds will forfeit these funds to the State. Fund forfeitures have been used to pay administrative fees on behalf of plan participants and to account for healthcare FSA dollars lost or expended. Administrative fees are estimated around \$275K per plan year which the State has maintained a running balance to sufficiently cover the following year's administrative fees/lost dollars. The fund forfeiture balance will have an approximate balance of \$1.5M by the close of the FY22 plan year on March 31, 2023.

SBO and ASI-Flex discussed IRS permissible options to reduce the fund forfeiture balance and determined that the best option would be to establish a consistent amount to add to the FY24 FSA Health and Dependent Care plan year

maximums as a one-time contribution ranging from \$150 to \$165. The SEBC will be asked to finalize the recommended contribution amount and approve at the March 6, 2023 SEBC meeting.

Mr. O'Brien asked how much variance there is on the estimations so as not to fall short on funding future administrative fees. Director Rentz will follow-up with more detailed information at the next meeting. The current enrollment estimation is 10% above current year enrollment and assumes use of the \$1.1M currently held in the fund forfeiture balance. The fund is expected to increase \$400K at the close of the FY22 plan year on March 31, 2023 and these funds are more than sufficient to cover the estimated \$275K administrative fees.

FY24 PLANNING CONSIDERATIONS – MS. JACLYN IGLESIAS, WTW

The GHIP is facing a deficit starting in FY24 and there was review of some potential savings opportunities to be implemented at the start of the FY24 plan year. The SEBC will need to vote on these planning considerations and the final non-Medicare health plan premium rates by the March 20, 2023 SEBC meeting to include these opportunities for the FY24 Open Enrollment (OE). Planning considerations include PrudentRx, Aetna's Gene-Based Cellular and other Innovative Therapies (CGIT) network, weigh loss medication coverage, copay changes for various services, and COVID-19 benefit enhancements.

PrudentRx Program – Ms. Charlene Hrivnak & Mr. Jeremy Menard, CVS Caremark

CVS Caremark provided the SEBC with an overview and additional information on member experience with the PrudentRx program. The PrudentRx Program has a potential savings to the GHIP of \$6.6M and \$358K to plan participants. PrudentRx has a 92%-member satisfaction score, and members will receive notification 35 days prior to the go-live date. Members will also receive three individual calls to engage in the program. The CVS specialty pharmacy will continue to engage members at each fill and will be able to see their enrollment status in real time. Members new to specialty medications will be engaged right away with the PrudentRx program by either phone call or through the CVS specialty pharmacy.

Mr. O'Brien asked if members must enroll or if they are automatically enrolled. Mr. Menard stated that members will need to work with PrudentRx to enroll in the program. If members chose not to enroll in the program, they will have the opportunity to enroll at any time. The PrudentRx program does not allow for a "grace fill" at a retail pharmacy prior to using the specialty pharmacy.

Commissioner Navarro asked if a specialty medication could be removed from the formulary through the PrudentRx program. Mr. Menard commented that the program does not drive the formulary and that any drug that is deemed a specialty drug in the program is covered.

Secretary DeMatteis asked how many state employees this would impact and would it apply to all active employees, pre-65 retirees, and Medicare retirees. Ms. Hrivnak stated that this is for active employees and pre-65 retirees which will impact approximately 1,651 members.

FY24 Opportunities for Consideration

Aetna's Gene-Based, Cellular, and other Innovative Therapies (GCIT) Network would provide opportunity to mitigate future impact of high-cost therapies and provides a narrow network of high-quality providers. The program is only eligible for Aetna's HMO and CDH Gold plan members. This opportunity is recommended by WTW; however, the HP&P Subcommittee would like further research conducted and did not provide a recommendation.

Weight loss drugs are not covered under today's prescription drug plan and a new class of weight loss drugs have received FDA approval. This drug class has demonstrated effectiveness in achieving weight loss but would impact the cost to the GHIP by adding an additional \$1.8M (without utilization management) to \$2.9M (with utilization management) per plan year. Weight loss drugs are currently covered under Delaware Medicaid and the City of Wilmington employer coverage. This opportunity was not recommended at this time and requires further study.

Committee members did provide support for potential inclusion of weight loss medications with utilization management in the future, however, more research is needed on the effectiveness of weight loss medications and utilization management. Weight loss medications are not considered specialty drugs. Director Rentz commented that traditional Medicare does not provide coverage for prescription drugs and Medicare Part D does not cover anti-obesity medications but will provide confirmation at the next meeting. WTW will provide information from other states who have included weight loss medications to their plans.

Site-of-care steerage copay changes for non-preferred sites-of-care were modeled with incremental increases for emergency room, hospital outpatient surgery, and high-tech imaging. Rx copay changes were modeled with slight increases since Rx copays have not been increased in several years. Potential savings associated proposed Rx copay changes is \$565K and implementing PrudentRx would have a modest impact to the plan savings.

The expiration of the COVID-19 national and PHE will end on May 11, 2023 and estimated costs range from \$2.4M to \$8.3M for COVID-19 vaccines and antivirals. If the SEBC decides to continue to offer the GHIP benefit enhancements and cost sharing waivers provided during the pandemic, a 0.2% increase will need to be added to the 16.6% premium rate increase option.

GHIP STRATEGIC FRAMEWORK – MS. JACLYN IGLESIAS, WTW

This item was not reviewed because of time constraints and will be discussed at a future meeting.

OTHER BUSINESS

No new business was presented.

PUBLIC COMMENT

State employees and one retiree provided comment on the Benefit Modernization Survey and addressed their concerns over the content of the survey's questions and the percentage of participant engagement. Several state employees provided personal stories on the difficulty of losing weight and the high cost of weight loss medications. They shared that weight loss medications should be included in the state's prescription drug plan and requested removal from the Delaware prescription drug exclusion list. Paul Dempsey and LeVar Johnson from Novo Nordisk provided comment on the importance of implementing a comprehensive obesity benefit model that provides medication treatment. The state's top 7 chronic conditions are all obesity related and the state is missing a potential preventative care option. Medicare does not cover anti-obesity medications nationally, however, discussions are occurring to allow for Medicare coverage of weight loss medication in Sussex County, Delaware. Medicaid does cover anti-obesity medications at a tier 1 level. Weight loss medications have decreased body weight by 15% and can provide supporting data from other states that prove the effectiveness of weight loss medications. A state retiree provided comment on the validity of the estimates that WTW provided for the rate increase scenarios from FY23 and FY24.

PRUDENTRX PROGRAM ADOPTION FOR ACTIVE EMPLOYEES AND NON-MEDICARE PENSIONERS

A MOTION was made by Secretary DeMatteis and seconded by Commissioner Navarro to approve the PrudentRx program for active employees and non-Medicare pensioners.

MOTION FOR DISCUSSION.

No Discussion.

ABSTENTIONS – Shaun O'Brien

MOTION ADOPTED UNANIMOUSLY.

EXECUTIVE SESSION

A MOTION to move into Executive Session was made by Secretary DeMatteis and seconded by Commissioner Navarro at 4:55 p.m. MOTION ADOPTED UNANIMOUSLY.

ADJOURNMENT

A MOTION was made by Treasurer Davis and seconded by Director Cade to adjourn the public session at 5:14 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