

The State of Delaware

Special Medicfill Plan Considerations for 2024

SEBC Meeting

April 24, 2023

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Special Medicfill Rates Effective 1/1/2024

Overview of GHIP projection data sources and methodology

Underlying Data

- Groups: Active employees and pre-65 retirees (Aetna/Highmark/CVS) and post-65 Medicare retirees (Highmark/CVS); includes State and non-Payroll groups including University of Delaware
- Headcount: Employees and dependents enrolled during experience period
- Utilizing data from vendor experience reports (claims, enrollment, rebates, Employer Group Waiver Plan (EGWP) payments) and DHR's monthly health fund report (expenses)
- 24 months of historical claims and enrollment reviewed for experience period (weighted 65% most recent 12-months)

Assumptions & Methodology

- Claims experience is combined for all groups (active, pre-65 retiree, Medicare retiree)
- Claims experience is adjusted to reflect:
 - Plan design, vendor, program, and/or network changes
 - Legislative changes
- Incurred but not reported (IBNR; also referred to as claim liability) factors adjust to an incurred basis, estimating the value of claims *incurred but not reported*
- Health care inflation factors, determined annually from marketplace and WTW survey data, and with approval from SEBC, project past claims into the future
- Offsets for prescription drug rebates and Medicare EGWP income reduce claims cost
- Health care administrative and legislative fees, including applicable ACA fees, are added to projected claims experience
- **Uniform rate action applied to all plans, including Medicfill – individual plan rates may not align with the underlying *actuarial value* of plan options**

Recommended best practice: rate active and retiree plans separately and set plan rates based on actuarial value of benefits

GHIP long term health care cost projections

FY24 Projections by Actives, Pre-65, and Medicare

GHIP Costs (\$ millions) ¹	FY24 Projection			
	Actives	Pre-65	Medicare	Total
Average Enrolled Members	92,543	10,922	29,290	132,756
GHIP Revenues				
Premium Contributions (including 9.4% FY24 increase) ²	\$720.8	\$104.4	\$168.8	\$994.1
Other Revenues ³	\$71.1	\$15.1	\$129.4	\$215.6
Total Operating Revenues	\$791.9	\$119.5	\$298.2	\$1,209.7
GHIP Expenses				
Operating Expenses ⁴	\$815.9	\$149.0	\$273.1	\$1,238.1
Adjusted Net Income	(\$24.0)	(\$29.5)	\$25.1	(\$28.4)

See Appendix for detailed footnotes

- Because the GHIP is a self-funded healthcare program, premium equivalent rates are established to generate the necessary revenues to fund the State's benefit obligations
- Premium revenues are determined and funded in aggregate to offset total projected expenses for the GHIP
- Premium equivalents for the GHIP apply uniform rate action to all plans and populations, including Medicfill
 - Methodology allows non-Medicare plans to share in revenue items specifically attributable to the EGWP plan (e.g., direct subsidy, coverage gap discount and federal reinsurance payments); projected EGWP payments in FY24 are approximately \$70M
- **Premium equivalents/revenues therefore should only be used to measure underlying GHIP performance in aggregate, not by population**
 - Rating groups on their own experience will not impact the overall cost to the GHIP; however, it would ensure that contributions for plan participants (including Medicare retirees receiving less than 100% state share) are based on their group's own experience
 - Changes to rating methodology, including rating groups on their own experience, cannot be implemented before 7/1/2024

2024 Medicfill Rates

- On March 20, 2023, the SEBC voted to increase FY24 rates by 9.4% ***for non-Medicare plans only***
- Historical practice applied uniform rate increase to all plans, including Special Medicfill, with Special Medicfill rates increasing on January 1st after the start of the fiscal year
 - Special Medicfill rates were held flat for calendar year 2023, while non-Medicare rates increased 8.67%
- Based on historical practice, the 9.4% rate increase approved effective 7/1/2023 assumed an increase in Special Medicfill rates by 9.4% effective 1/1/2024
 - Holding Special Medicfill rates flat through 6/30/2024 would increase the FY24 projected deficit by \$7.6M
- **Discuss calendar year 2024 rates for Special Medicfill plan**

Special Medicfill Rx Copays

1/1/2024

Medicfill Rx Coverage

What is retiree cost sharing under Medicfill plan?

Medicfill Rx Plan

Rx Deductible	\$0
Rx Out-of-Pocket Max	N/A

Retail

Generic	\$8 copay
Brand Formulary	\$28 copay
Brand Non-Formulary	\$50 copay

Mail Order

Generic	\$16 copay
Brand Formulary	\$56 copay
Brand Non-Formulary	\$100 copay

2024 Medicfill prescription drug copays

- On March 20, 2023, the SEBC voted to increase Rx copays in FY24 **for non-Medicare plans only**
 - Rx copays previously not increased in years resulting in the State picking up an increased share of pharmacy costs due to Rx unit cost trends
- Approved prescription drug copay changes were based on Governmental Benchmark from WTW's 2022 Financial Benchmark Survey:
 - Generic: \$10 / \$20 (retail / mail)
 - Formulary: \$32 / \$64
 - Non-formulary: \$60 / \$120
- Revised copays represent increases of \$2/\$4 generic, \$4/\$8 brand formulary, and \$10/\$20 brand non-formulary (retail/mail)
- Similarly, Special Medicfill Rx copays have not changed in years and have not kept up with pharmacy trend
 - Increasing Special Medicfill Rx copays to non-Medicare levels would reduce the FY24 deficit by approximately \$0.6M (“Option 1” on the following slide)
 - Additionally, CVS modeled the financial impact of changing member cost sharing for specialty drugs, which do not have a separate cost sharing tier under the current EGWP design (“Options 2-4” on following slide)
- At the April 2023 meeting of the Combined Financial and Health Policy & Planning Subcommittees, discussion took place around increasing Special Medicfill copays to the same levels approved for non-Medicare plans, beginning 1/1/2024
 - Further discussion will take place at the May 2023 meeting of the Combined Subcommittees; feedback from the Subcommittees will be shared with the SEBC with the potential for a vote in May

2024 Medicfill prescription drug copay options

Rx Plan Design	2023 Current	2024 Alternatives			
		Option 1	Option 2	Option 3	Option 4
Network Retail Pharmacy <i>Up to 31-day supply</i>					
Generic	\$8	\$10	\$8	\$8	\$8
Brand Formulary	\$28	\$32	\$28	\$28	\$28
Brand Non-Formulary	\$50	\$60	\$50	\$50	\$50
Participating Retail Pharmacy or Mail-Order Pharmacy <i>Up to 90-day supply</i>					
Generic	\$16	\$20	\$16	\$16	\$16
Brand Formulary	\$56	\$64	\$56	\$56	\$56
Brand Non-Formulary	\$100	\$120	\$100	\$100	\$100
Specialty Drugs <i>Up to 31-day supply</i> <i>Up to 90-day supply</i>	Applicable tier copay* Applicable tier copay*	Applicable tier copay* Applicable tier copay*	5% with \$50 max 5% with \$100 max	5% with \$75 max 5% with \$150 max	5% with \$125 max 5% with \$250 max
Member Impact: Rx utilizers who will pay...					
Less than current	n/a	0 (0%)	78 (0.3%)	71 (0.3%)	72 (0.3%)
About the same as current	n/a	0 (0%)	26,922 (97.3%)	26,828 (96.9%)	26,828 (96.9%)
More than current	n/a	27,678 (100.0%)	678 (2.4%)	779 (2.8%)	778 (2.8%)
Estimated savings to GHIP	n/a	\$0.6M	\$1.0M	\$2.7M	\$3.4M

*Generic, preferred brand or non-preferred brand.

Appendix

Medicare Supplement – Special Medicfill Plan

Rates effective January 1, 2023 – December 31, 2023

	Total Monthly Rate	State Share	Pensioner Pays
Highmark Delaware Medicare Supplement for Pensioners Retired On or Prior to July 1, 2012			
Special Medicfill with Prescription	\$459.38	\$459.38	\$0.00
Special Medicfill without Prescription	\$260.44	\$260.44	\$0.00
Highmark Delaware Medicare Supplement for Pensioners Retired After July 1, 2012			
Special Medicfill with Prescription	\$459.38	\$436.42	\$22.96
Special Medicfill without Prescription	\$260.44	\$247.44	\$13.00

- If you have less than 20 years of service and were first hired on or after July 1, 1991, the State does not pay the full state share but will pay a percentage of the state share of the cost of your coverage as explained in the charts below.

Eligible Pensioners Hired By The State On Or After July 1, 1991 Through December 31, 2006 <i>(The following portion of the State Share will be paid by the State)</i> (Except those receiving a disability pension or receiving an LTD benefit)		
Less than 10 years service	0%	state share paid by state
10 years - less than 15 years service	50%	state share paid by state
15 years - less than 20 years service	75%	state share paid by state
20 years or more service	100%	state share paid by state
Eligible Pensioners Hired By The State On Or After January 1, 2007 <i>(The following portion of the State Share will be paid by the State)</i> (Except those receiving a disability pension or receiving an LTD benefit)		
Less than 15 years service	0%	state share paid by state
15 years - less than 17.5 years service	50%	state share paid by state
17.5 years - less than 20 years service	75%	state share paid by state
20 years or more service	100%	state share paid by state

Medicare Supplement – Special Medicfill Plan

Illustrative rates effective January 1, 2024 – June 30, 2024 (+9.4% over current)

	Total Monthly Rate	State Share	Pensioner Pays
Highmark Delaware Medicare Supplement for Pensioners Retired On or Prior to July 1, 2012			
Special Medicfill with Prescription	\$502.56	\$502.56	\$0.00
Special Medicfill without Prescription	\$284.92	\$284.92	\$0.00
Highmark Delaware Medicare Supplement for Pensioners Retired After July 1, 2012			
Special Medicfill with Prescription	\$502.56	\$477.44	\$25.12
Special Medicfill without Prescription	\$284.92	\$270.68	\$14.24

- If you have less than 20 years of service and were first hired on or after July 1, 1991, the State does not pay the full state share but will pay a percentage of the state share of the cost of your coverage as explained in the charts below.

Eligible Pensioners Hired By The State On Or After July 1, 1991 Through December 31, 2006 <i>(The following portion of the State Share will be paid by the State)</i> (Except those receiving a disability pension or receiving an LTD benefit)		
Less than 10 years service	0%	state share paid by state
10 years - less than 15 years service	50%	state share paid by state
15 years - less than 20 years service	75%	state share paid by state
20 years or more service	100%	state share paid by state
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Less than 15 years service	0%	state share paid by state
15 years - less than 17.5 years service	50%	state share paid by state
17.5 years - less than 20 years service	75%	state share paid by state
20 years or more service	100%	state share paid by state

Medicare Supplement – Special Medicfill Plan

Medicfill Contributions by State Share

Health Plan	State Share %	Number of Med Retirees	Per Retiree Contribution	
			Annual	Monthly
Pensioners Retired After July 1, 2012				
Special Medicfill	100	5,818	\$275.52	\$22.96
Special Medicfill	75	1,035	\$1,584.78	\$132.07
Special Medicfill	50	466	\$2,894.04	\$241.17
Special Medicfill	0	85	\$5,512.56	\$459.38
Special Medicfill	Double State Share*	325	\$275.52	\$22.96
Special Medicfill w/o Rx	100	98	\$156.00	\$13.00
Special Medicfill w/o Rx	75	40	\$898.32	\$74.86
Special Medicfill w/o Rx	50	33	\$1,640.64	\$136.72
Special Medicfill w/o Rx	0	19	\$3,125.28	\$260.44
Special Medicfill w/o Rx	Double State Share*	6	\$156.00	\$13.00
Pensioners Retired On or Prior to July 1, 2012				
Special Medicfill	100	15,581	\$0.00	\$0.00
Special Medicfill	75	311	\$1,378.14	\$114.85
Special Medicfill	50	224	\$2,756.28	\$229.69
Special Medicfill	0	33	\$5,512.56	\$459.38
Special Medicfill w/o Rx	100	440	\$0.00	\$0.00
Special Medicfill w/o Rx	75	3	\$781.32	\$65.11
Special Medicfill w/o Rx	50	21	\$1,562.64	\$130.22
Special Medicfill w/o Rx	0	18	\$3,125.28	\$260.44
Total		24,556		

Data source: February 2023 Office of Pensions reporting.

* Definition of Double State Share, from 29 Del Code 5202(d)(5):

If both spouses are Medicare eligible and 1 or both retired on or after July 1, 2017, only 1 50 percent pensioner only, or \$25 per month premium, whichever is greater, shall apply when separate contracts are required for a Medicare Advantage Plan.

If both spouses are Medicare eligible and both retired after July 1, 2012, and before July 1, 2017, each Medicare eligible pensioner shall be charged \$25 per month premium when separate contracts are required for a Medicare Advantage Plan.

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 February 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 (Medicfill trend 3% medical/8% Rx); assumes 1% annual growth in GHIP membership; assumes Medicfill plan remains in place FY23-FY27 at CY22 premium rates
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), Prudent Rx (\$6.6M savings), increases in hospital outpatient surgery, hospital based high-tech imaging and Rx copays (\$0.8M cumulative savings); reflects cost increases associated with House Bill 303 (\$2.4M annual cost effective 1/1/24) and weight loss medication coverage with utilization management (\$1.8M annual cost effective FY24); excludes impact of the Primary Care law (unknown if it 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.