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Documents Submitted by the Public to the State Employee Benefits Committee

Public Comment
By
Mackenzie Nicholson

Mackenzie Nicholson
I'd like to bring up a concern of my own, and many employees I have been working with, as well as new hires with the state. I would love to see an option for Domestic Partnership with our health benefits offers. Many new employees that come into the state from other companies surrounding us (such as Wawa, many local businesses, comcast, etc…just to name a few) are shocked to find out that the person they have been with for 10+ years cannot be on their health insurance because the state benefits does not accept domestic partnerships.

I'd like to be the voice on behalf of this group of state employees. Many families, individuals, and companies are becoming more progressive, and with that comes accepting that many couples do not believe in marriage. Recognition of domestic partnerships would be a phenomenal addition to see in our wonderful benefits package.

Public Comment
By
Susanne
Laws

Susanne Laws
Good morning – I've been informed that my dentist, Dr. Daniel Fay, DMD in Dover, DE, will no longer be participating with Delta or Dominion. These plans have a very limited list of participants in Delaware, and most participating providers have no openings for new patients. I know because I spent my first few months as a state employee trying to get into a participating dentist's office.

I'd like to request that you contract with dental plans who have a large number of participants in Delaware. But selfishly, since I'd like to keep my excellent dentist, please contract with any/all of these:

Dental insurance plans we are in network with:

- GEHA/Connection Dental
- Met Life
- Cigna United Concordia
- Sun Life/DHA
- Careington

Networks we participate in:

- United Concordia
- Connection Dental
- Careington

Public Comment
By
Wendy
Johnson

Wendy Johnson

I'm concerned about SB 21 and how it will affect Delaware retirees. I'll be honest, I don't understand all of it, but I do understand enough to see that it could be VERY detrimental to those of us who rely on our pension income for survival. The fact that Elon Musk's lawyers wrote this bill and Delaware's Governor has said "we have to make this work for Elon" scares me to death.

What can be done to make sure this bill doesn't pass? What can we, as Delaware pensioners do to protect ourselves?

Public Comment
By
Bob Clarkin

Bob Clarkin

The information provided below recommends that the FY26 Medicare Retiree rate action should be reduced no less than 0.6% lower than the Active Employee/ Pre-65 Retiree rate action.

1. Per Part I. below, as of 12/20/24 the FY25 27% Medicare retiree rate increase will result in a $26.6 million surplus. In addition, setting the rate increases for FY26 through FY28 at 0.0% will result in a $68.0 million surplus in FY26, a $98.0 million surplus in FY27, and a $105.2 million surplus in FY28.

2. Per Part II below, the 2/21/25 All GHIP Groups Combined Three Year Smoothing rate scenario including the University of Delaware, as compared to excluding the University, results in a rate action reduction of 0.6% (4.1% - 3.5% = 0.6%).

3. Per Part III below, the 3/7/25 updated All GHIP Groups Combined Three Year Smoothing rate scenario excluding the University of Delaware results in a 4.2% rate action.

4. Per Part IV below, a significant number of University of Delaware retirees will continue to be included in the GHIP Medicare retiree population.

5. Per Part V below, due to Medicare retiree plans operating at a surplus, during FY24 the Medicare retiree rate action of 5% was lower than the active/pre-65 rate of 9.4%.

6. As per Part V below, since FY23 Medicare retirees have experienced an effective 33.3% increase in premium costs.

7. As per Part VI below, since 1/1/24 Medicare retiree prescription co-pays, on average, have risen by 19.8%.

8. **Therefore, as a significant number of University of Delaware retirees will continue to be included in the GHIP Medicare retiree population, coupled with the fact that the FY25 27% rate action will result in significant future surpluses through FY28, the 3/7/25 updated All GHIP Groups Combined Three Year Smoothing rate scenario (excluding the University of Delaware) of 4.2% should be reduced no less than 0.6% for Medicare retirees.**

Part I. Long-Term Projection - Medicare Retirees Only (WTW, November 2024 Fund Report and Financial Update, December 20, 2024)

As per the chart below, Long-Term Projection of Rate Scenarios for Medicare Retirees Only as of the 12/20/24 SEBC meeting indicate that the FY25 27% rate increase will result in a $26.6 million surplus. In addition, setting the rate increases for FY26 through FY28 at 0.0% will result in a $68.0 million surplus in FY26, a $98.0 million surplus in FY27, and a $105.2 million surplus in FY28. If these projections of extraordinary surpluses are accurate, there is no reason to raise Medicare retiree rates during the next three years. In fact, a strong argument can be made to lower the rates.

Medicare Retirees	FY25 Projected	FY26 Projected	FY27 Projected	FY28 Projected
Rate Increase	27.0%	0.0%	0.0%	0.0%
GHIP Revenues				
Premium Contributions	$192.4	$221.2	$223.4	$225.6
Other Revenues	$154.4	$171.3	$184.6	$194.0
Total Operating Expenses	**$346.8**	**$392.5**	**$408.0**	**$419.6**
GHIP Expenses				
Claims	$302.1	$332.4	$364.6	$398.4
Expenses	$11.3	$11.7	$12.2	$12.6
Total Operating Expenses	**$313.4**	**$344.1**	**$376.7**	**$411.0**
Adjusted Net Income	**$33.4**	**$48.3**	**$31.3**	**$8.6**
Balance Forward	$0.1	$33.5	$81.8	$113.1
Ending Fund Cash Balance	$33.5	$81.6	$113.1	$121.7
Less Claims Liability	$0.0	$0.0	$0.0	$0.0
Less Minimum Reserve	$6.9	$13.8	$15.1	$16.4
GHIP Surplus (After Reserves/ Deposits)	**$26.6**	**$68.0**	**$98.0**	**$105.2**

* **Please Note:** The Long-Term Projection - All GHIP Groups Combined calls for a 4.1% rate increase during FY26, FY27, and FY28 (includes University of Delaware). These actions result in an FY28 GHIP Surplus (After Reserves/Deposits) of $0.0.

II. Long-Term Projection - Medicare Retirees Only (WTW, December 2024 & January 2025 Fund Report and Financial Update, February 21, 2025)

Long-Term Projection - All GHIP Groups Combined (Current Methodology - Three Year Smoothing) calls for a 3.5% rate increase during FY26, FY27, and FY28 (includes University of Delaware). These actions result in an FY28 GHIP Surplus (After Reserves/ Deposits) of $0.0.

Long-Term Projection - All GHIP Groups Combined (Excluding University of Delaware - Three Year Smoothing) calls for a 4.1% rate increase during FY26, FY27, and FY28 (excludes University of Delaware). These actions result in an FY28 GHIP Surplus (After Reserves/Deposits) of $0.0.

Please Note: Including the University of Delaware as part of the All GHIP Groups Combined results in a reduction in the rate action of 0.6% (4.1 - 3.5 = 0.6).

III. Updated Rate Scenarios (WTW, March 7, 2025)

Long-Term Projection - All GHIP Groups Combined (Excluding University of Delaware - Three Year Smoothing) calls for a 4.2% rate increase during FY26, FY27, and FY28 (excludes University of Delaware). These actions result in an FY28 GHIP Surplus (After Reserves/Deposits) of $0.0. This presentation, for the first time, includes a FY29 rate increase of 15.0% resulting in an FY29 GHIP Surplus (After Revenues/Deposits) of $0.0.

IV. Implications for Medicare Retirees as the University of Delaware Leaves the GHIP

On Feb. 28, the University announced that it will begin managing health insurance coverage for employees and retirees directly, effective July 1, 2025. Below, is a summary of the affect this action will have on the GHIP Medicare retiree population as per Frequently Asked Questions posted on the University's HR website:

"**Active Employees** **Those who are active and pension-eligible will transition out of the state's GHIP to the University of Delaware plan 7/1/25: once they retire, they will return to the state's pension-eligible GHIP benefits.** Those who are active with 403b as the primary retirement plan, will remain on university plans. Upon retirement, they will remain on University-managed benefits."

"**Retirees** **For retirees in the State Pension Plan. They are not impacted by these changes. They will remain on the State's GHIP plans."**

Which University of Delaware employees participate in the Delaware State Employee Pension Plan?

Benefits eligible Faculty and Exempt Staff participate in the TIAA 403(b) retirement plan and **Nonexempt staff and hourly employees participate in the Delaware State Employee Pension Plan.**

In FY23 (most recent data available), the University of Delaware contributed $6,514,886 to the State Pension Trust Fund as determined by a 12.05% OEC rate times the covered (pension eligible) payroll of active University employees. This equates to a covered payroll of $54,065,444. That would cover quite a few active University employees who participate in the Delaware State Employee Pension Plan. All of these employees will be moving back to the GHIP into Pre-65 and Medicare plans upon retirement. Additionally, University retirees currently in the GHIP will remain in the GHIP.

Publicly facing data necessary to determine how many University retirees currently participate in pre-65 and Medicare GHIP plans is not available. However, based on Long-Term Projection Reports from the 2/21/25 SEBC meeting, excluding the University will reduce the total of Average Enrolled GHIP Membership by 12,455 (9.2%).

V. Medicfill/RX Premium Rate and Premium Increases

Since FY23, the Medicfill/RX Premium Rate has increased by 33.5%. Since FY23, the Pre-65 retiree premium rates have increased by 50.9% Since FY23, the Medicfill/RX Premium has increased by 33.3%. Please keep in mind that retirees are on a fixed income. During the same period, total pension increases ranged from 0.0% to 3.0% to 5.0% depending on retirement date.

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	3-Yr Effective % Increase 2023-25
Active	7.68%	0.0%	0.0%	0.0%	0.0%	0.0%	8.67%	**9.4%**	27.0%	50.9%
Pre-65	7.68%	0.0%	0.0%	0.0%	0.0%	0.0%	8.67%	**9.4%**	27.0%	50.9%
Medicare	7.68%	0.0%	0.0%	0.0%	0.0%	0.0%	0% *	**5.0%**	27.0%	33.5%
Medicfill/ Rx Premium	$459.38	$459.38	$459.38	$459.38	$459.38	$459.38	$459.38	**$482.34**	$612.40	33.3%

* FY23 Medicare rate set at 0.0% anticipating move to Medicare Advantage.

VI. Prescription Copay Increases

Prescription copay increases effective 7/1/23 for active and pre-65 populations. Prescription copay increases effective 1/1/24 for Medicare eligible population. During FY23 through FY25 pension increases ranged from 0.0% to 3.0% to 5.0% depending on retirement date. Please keep in mind that retirees are on a fixed income.

Up to a 31-Day Supply	CY 2023	CY 2024	% Increase
Generic Drugs	$8	$10	25.0%
Preferred Brand Name	$28	$32	14.3%
Non-Preferred Brand Name	$50	$60	20.0%
Average Increase			19.8%
Up to a 90-Day Supply	**CY 2023**	**CY 2024**	**% Increase**
Generic Drugs	$16	$20	25.0%
Preferred Brand Name	$56	$64	14.3%
Non-Preferred Brand Name	$100	$120	20.0%
Average Increase			19.8%

Public Comment
By
Thomas
Pledgie

Thomas Pledgie
Dear Members of the SEBC:

I noticed in this morning's edition of the DSN the following article:

Milford to switch employee health care plan in FY26

By Brian Trompeter

Daily State News

MILFORD — The city of Milford will be opting out of the state's health care coverage for employees during fiscal 2026 and switching to a different provider.

According to a March 1 memo from city manager Mark Whitfield to the mayor and Milford City Council, city officials filed a letter Feb. 28 with the State Benefits Office indicating the city's withdrawal from the state's health care plan. The deadline for such a withdrawal was March 1.

The city withdrew "mainly due to the escalation in premiums that we saw this past year and the anticipation that the premiums were going to increase this coming year," Mr. Whitfield told the City Council March 10.

The new rate for the state's health care plan will not be known until after March 25, but an actuarial study done for the state estimated costs would rise about 4.1%, the city manager's memo read.

Milford officials on Feb. 25 received an estimate from Delaware Valley Health Trust for Aetna health care coverage that would be virtually identical to that of the Highmark preferred-provider organization (PPO) now used by most of the city's employees, but at a cost of about 5% less.

Based on that information, the city withdrew from the state's plan and has begun discussions to join Delaware Valley Health Trust, which already counts as members Kent County, the city of Newark and town of Middletown, Mr. Whitfield wrote.

The city will receive a proposal from Delaware Valley Health Trust as part of the budget process this spring, he told the council.

According to the city manager, officials in Rehoboth Beach, Lewes and Ocean View, as well as with the University of Delaware, also are considering withdrawing from the state's health care plan, he added.

My questions are:

1. Is this true? If yes, why was it not discussed at the Mar 7, 2025 SEBC Meeting?
2. Which other organizations are planning on withdrawing?
3. In the past, the WTW consultants and the former chair of the SEBC stated in public that a 'larger' participation group would result in lower pricing. Does WTW still support this position?

Thank you for your help.

Public Comment By Christina Bryan, Delaware Healthcare Association

Christina Bryan
Vice President of
External Affairs

March 21, 2025

Chair Brian Maxwell, OMB Director
State Employee Benefits Committee

RE: DHA State Employee Benefits Committee (SEBC) Public Comment

On behalf of Delaware's hospitals and health systems, thank you for the opportunity to offer public comment.

Last year, this committee voted to increase rates by 27%. As the committee considers further rate increases to keep up with rising costs within the state health plan, DHA would like to take the opportunity to:

1. Encourage SEBC members to look at the data that reflects the drivers of rising costs in Delaware's state health plan – primarily pharmaceutical costs – when looking for solutions;
2. Share additional information about rising healthcare costs nationally and some of the additional challenges we face in Delaware that contribute to costs; and,
3. Request that the SEBC consider collaborative approaches involving all sectors of the healthcare system to work on solutions that address not only healthcare affordability but also improve healthcare outcomes.

1. Drivers of Healthcare Costs for the State Plan

As has been the case since the start of FY24, SEBC consultants have consistently pointed out that the state health plan's rising cost trends have been driven by increasing costs on the pharmaceutical side, in large part due to increasing utilization of GLP-1 drugs.

- The SEBC's most recent key trends report from November 2024 states that the plan's year over year allowed amount increase of 11.3% was "driven by a 21.2% increase in allowed amount for prescription drugs". At the same time, inpatient medical costs increased only 2.1%.
- The state health plan paid over $12 million more in GLP-1 utilization for weight loss in FY24 than expected and utilization of these medications is expected to increase 148% in FY25 according to SEBC consultants.
- Trend assumptions for pharmaceutical claims for FY25 are projected to reflect an increase of 29% for the active employee and pre-65 retiree population.

In addition, like the rest of our state, the state health plan population is not as healthy as the rest of the nation, contributing to higher healthcare costs. During the January 2023 SEBC meeting, a

presentation by SEBC consultants on "Cost and Utilization Analysis" (slide 5) showed that the prevalence of most leading conditions for the Group Health Insurance Plan (GHIP) to be "significantly above" the MarketScan State Government benchmarks. For example, Delaware's state plan has 53.9% more cases of depression, 47.8% more cases of anxiety, and 41.8% more cases of osteoarthritis than other states. In fact, out of more than a dozen prevalent conditions, there was only one condition that Delaware had lower rates of than the rest of the nation.

The state plan experience is not unlike the rest of the state where we face higher rates of chronic disease and conditions than the rest of the nation that contribute to higher costs to care for these conditions in Delaware. We are the 6th oldest state in the nation. Delaware also has the 8th highest rates of adult obesity, the 9th highest rates of diabetes, and the 15th highest rates of cancer prevalence in the nation. It costs significantly more to care for those with these conditions.

Finally, as the SEBC consultants have pointed out in past meetings, Delaware's health plan is much richer than national benchmarks. As of January 2023, the GHIP plan design was at 96% in terms of actuarial value, compared to the public sector benchmark of 91%. SEBC consultants at the time also highlighted that "the State has richer plans than the overall database (employees pay less in out-of-pocket expenses at the point of care)" and "the State also subsidizes its plans at a higher rate than the benchmark averages."

We would ask that the SEBC continue to review the data that shows what is contributing to the costs of the state plan when considering future solutions to address health plan costs.

2. Rising Healthcare Costs Nationally

While we are focused on rising healthcare costs in Delaware, it's important to keep in mind that this is not happening in a vacuum. National experts are projecting that health care costs will increase nationally as much as 9% in 2025. These cost estimates are driven by a number of factors. PwC and Willis Towers Watson have published reports identifying the drivers of these increases to be: inflationary pressure, pharmaceutical/prescription drug spending, and behavioral health utilization. Other healthcare cost drivers cited by national experts include: cancer costs and severity, workforce shortages, and an aging population. We encourage you to review the attached presentation DHA shared with the DEFAC Health Care Spending Benchmark Subcommittee in November 2024 for additional information on this issue.

3. **Working Collaboratively to Address Healthcare Costs and Outcomes**

Healthcare costs are rising and hospitals are working hard to address affordability, access, and quality – something very important to us since Delaware is currently ranked #2 best in the nation for hospital quality.

For example, our hospitals are investing significantly in primary care and behavioral health – and losing more than $70 million annually as these are not profitable service lines due to inadequate insurance reimbursement -- to help keep people healthier and prevent costly hospital visits.

Our hospital members are also participating in value based care arrangements that focus on improving health outcomes. Most recently, it was announced that ChristianaCare's Delaware Medicaid Partners Accountable Care Organization (ACO) has reduced health care spending by $6.2 million in 2023 while improving care for nearly 30,000 Medicaid beneficiaries in Delaware. Additionally, Nemours Children's Health and the State of Delaware recently announced the first-ever pediatric global revenue budget model that aligns the financial incentives that pay for healthcare with Nemours' aim to keep children healthy.

We are committed to doing our part, but we can't do it alone. We encourage the SEBC and state partners to work with stakeholders from all sectors of the healthcare system on collaborative approaches that would address healthcare affordability and improve health outcomes.

Hospitals do not currently have a seat at the SEBC, so we felt it important to share this perspective with you.

Thank you for the opportunity to share DHA's comments.

Sincerely,

Christina Bryan
Vice President, External Affairs

1280 South Governors Avenue, Dover DE 19904 | Phone: 302-674-2853

Healthcare Spending Benchmark

November 18, 2024

Discussion Points

- Concerns with Current Benchmark & Statutory Authority Allowing Reconsideration of Benchmark Calculation
- Relationship of Benchmark to HB 350
- Proposal to Revise Benchmark Methodology

Current Benchmark Methodology is Confusing and Arbitrary

- Executive Order 19: Benchmark = Potential Gross State Product
  - "PGSP is a measure of the output of the economy. By using PGSP growth as the benchmark, the State is establishing a goal that health care spending should not grow faster than a **forecast** of economic growth." [DHSS]
  - The numbers were established years ago and as shown below do not reflect actual inflation:

Benchmark History [DEFAC]
Forecasted PGSP vs Actual PGSP

	CY22	CY23	CY24	CY25
Benchmark (Forecasted PGSP)	3.0%	3.1%	3.0%	4.2%
Actual Inflation (Actual GSP)	7.7%	5.0%	3.4%	

Current Benchmark Methodology is Confusing and Arbitrary

Current Methodology	Current Approved CY 2025
Expected Growth in National Labor Force Productivity	1.5%
+ Expected Growth in Delaware's Civilian Labor Force	.3%
+ Expected Growth in National Inflation	3%
= Nominal PGSP Growth	4.8%
- Expected Population Growth in Delaware	.6%
= PGSP Growth / Spending Benchmark	**4.2%**

- No reflection of healthcare costs/trends
- Current method is based on PROJECTED Gross State Product
  - Actual Gross State Product has consistently exceeded benchmark
  - PGSP doesn't change in any year while healthcare costs go up & down year to year
    - Likelihood of meeting benchmark for multiple years is small
- Benchmark does not adjust to reflect legislative mandated services or benefit design changes that add covered services and related costs.
- Benchmark does not incorporate growth in services to underserved areas

Statutory Charge of the Subcommittee

HB 350 as signed states:

"Section 6. The Delaware Economic and Financial Advisory Council (DEFAC) Health Care Spending Benchmark Subcommittee (Subcommittee) shall review the spending benchmark methodology, as authorized by § 9903(k) of Title 16, and **consider incorporating healthcare and macroeconomic trends into the benchmark methodology.** The Subcommittee shall submit any recommendations to DEFAC by December 31, 2024."

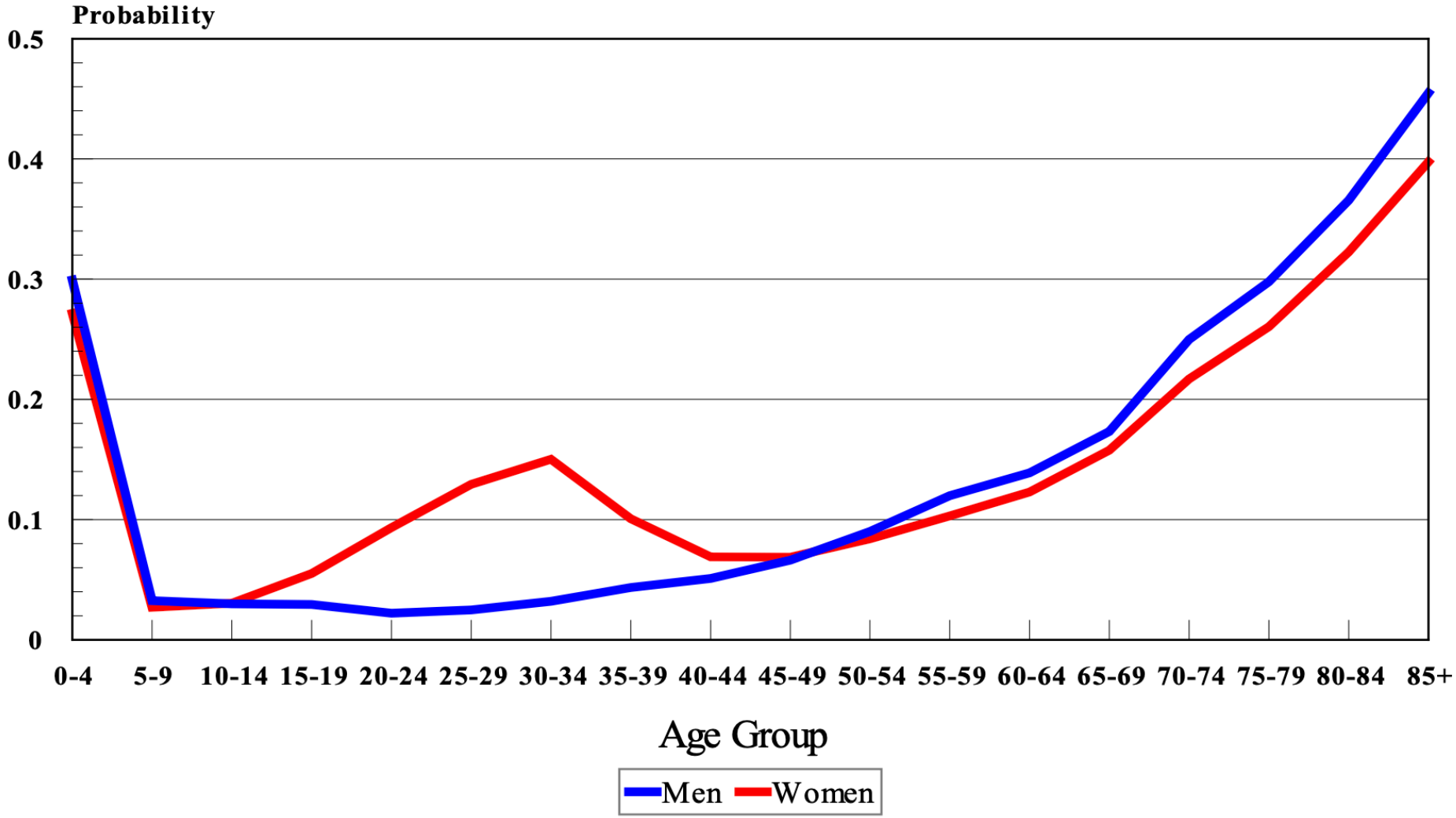
Delaware's Benchmark should be better aligned with National Health Care Cost Trends & Key Drivers

- National experts are projecting that **health care costs will increase as much as 9% in 2025.**
  - Yet Delaware's health care spending benchmark is set at 4.2%.
- These cost estimates are driven by a number of factors. PwC and WTW both site the following drivers:
  - Inflationary pressure
  - Pharmaceutical/prescription drug spending
  - Behavioral health utilization
- Other factors include: cancer costs and severity, workforce shortages, and an aging population

Delaware's Benchmark Does Not Account for Key Delaware Cost Drivers – AGING POPULATION

1. **Aging & Growing population**
   - We're the **5th oldest population** in the nation and our aging population is increasing
     - Delaware was one of only 3 states whose 65 and older population increased by more than 50% between 2012 and 2022: Alaska (63%), Idaho (55%), and Delaware (51%).
     - Total state population is projected to increase by 9 percent, from 2020 to 2040. The 85 and up population would more than double. The 65 and up population would increase by more than 41 percent.
     - Delaware is projected to grow 2.8% from 2024 to 2029, compared to the overall US growth rate of 1.9%. Delaware's 65+ population is projected to grow 14.7% vs. 13.5% for the US.
   - According to CMS data, **health care spending for someone 65 and older is almost 2.5 times the spending per working-age person**.
   - In addition, the aging have a much higher utilization of hospital services…

Delaware Hospitalization by Age and Gender 2017



Delaware's Benchmark Does Not Account for Key Delaware Cost Drivers – SICKER POPULATION

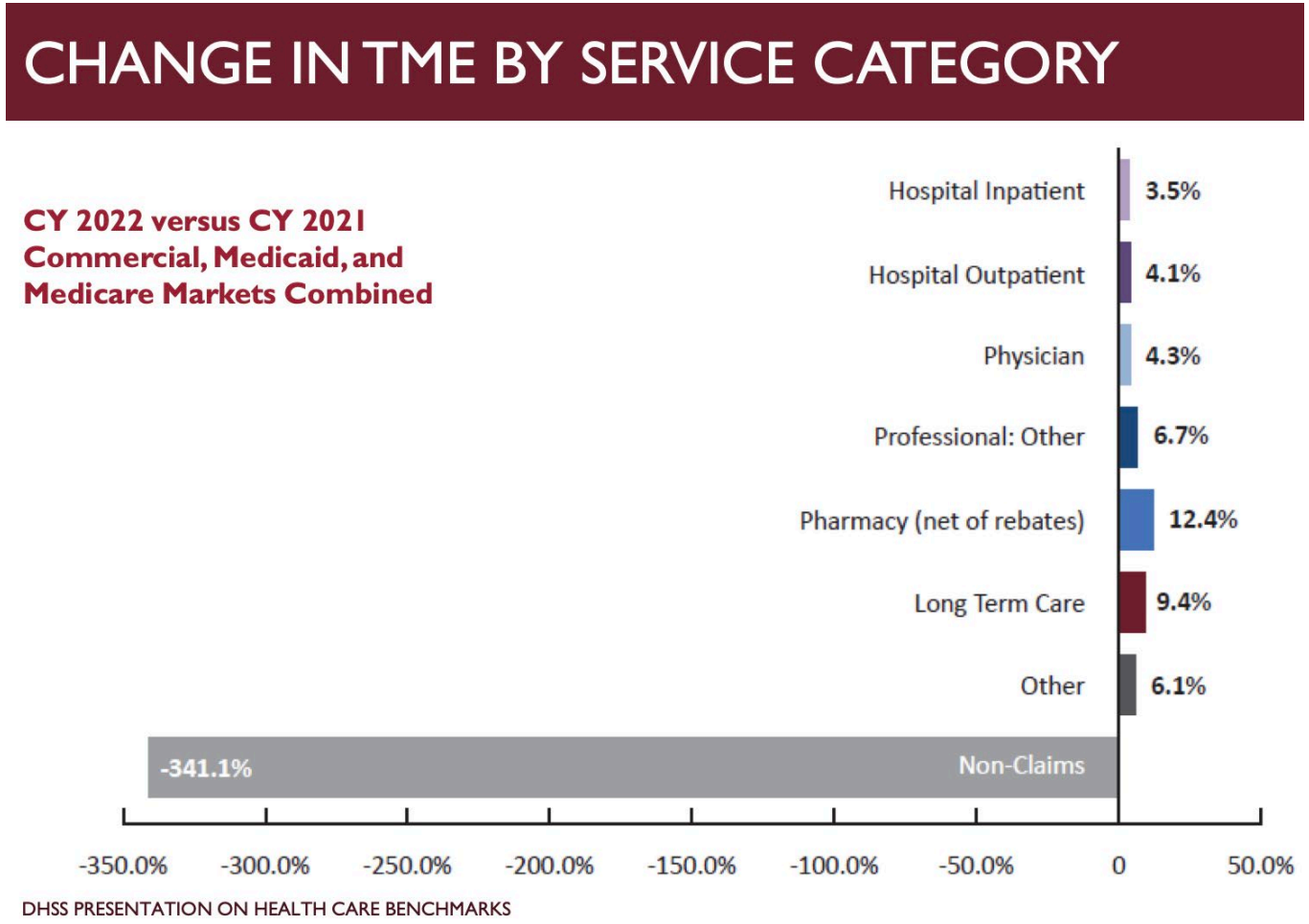
2. Sicker population

- We have **higher rates of chronic conditions** than other states that contribute to higher costs
  - We rank the **9th highest in the nation for diabetes** prevalence
    - People with diagnosed diabetes have medical expenditures **2.6 times higher** than would be expected without diabetes.
  - We rank the **8th highest in the nation for adult obesity**
    - Medical costs are 30% to 40% higher for obese individuals than normal weight individuals
  - We have higher rates of **cardiovascular disease** than the US value.
  - We have higher rates of cancer than the US value. Delaware ranks 15th among the states for highest all-site cancer incidence.

Delaware's Benchmark Does Not Account for Key Delaware Cost Drivers – PHARMACY

3. Other health care sectors, including pharmacy, are growing at faster rates in Delaware and across the nation

- The growth in **pharmacy expenditures (12.4%) in DE is far faster than hospital or any other sector's growth.**
- In addition, the hospital growth category does not separate out pharmaceutical costs that the hospitals incur as part of the care they provide. Therefore, pharmaceutical growth impacts hospital expenditure growth.



Relationship of Benchmark to HB 350

The following question was posed during the October 24th Health Care Benchmark Subcommittee meting:

Considerations

a) Is the spending benchmark a goal of how much Delaware is aiming to have spending change from year-to-year.

b) Is the spending benchmark intended to be a predictor of growth in healthcare spending?

Inclusion of healthcare trends would move from the original intention (a) toward a new intention (b).

The Benchmark *was* a goal, *now* it is a measure with consequences ONLY for hospitals (HB 350)

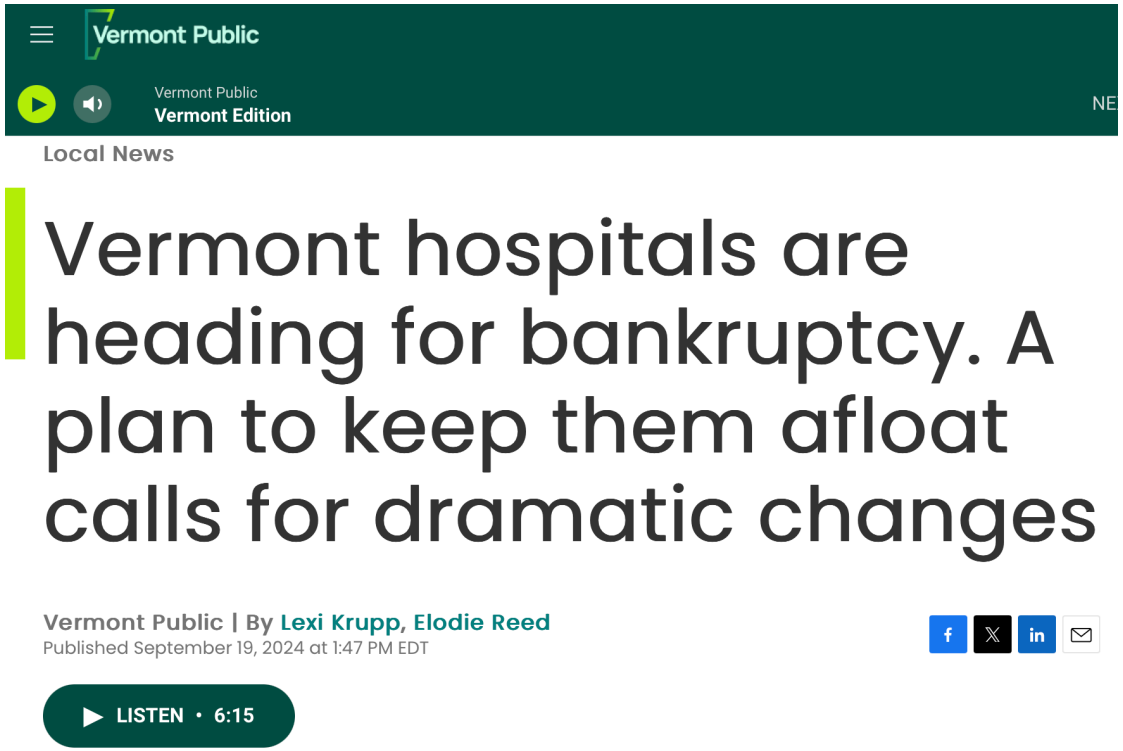
- Even though the health care spending **benchmark measures ALL health care spending** across all sectors (pharmacy, long term care, physicians, etc.), **hospitals are the ONLY sector to be held accountable to the benchmark** as a result of House Bill 350 passed and signed into law in 2024.
- The language of the law states:
  - "(a) Beginning in 2026, **if the Board determines that a hospital's actual annual cost growth has exceeded the spending benchmark**, the Board shall send the hospital notice of that finding and may require the hospital to submit a performance improvement plan within 45 days."
  - (e) If the Board and a hospital cannot agree on a modified budget, **the Board may impose a modified budget** and shall issue a written decision enumerating the reasons why the Board's modified budget will satisfy the factors under subsection (c) of this section.

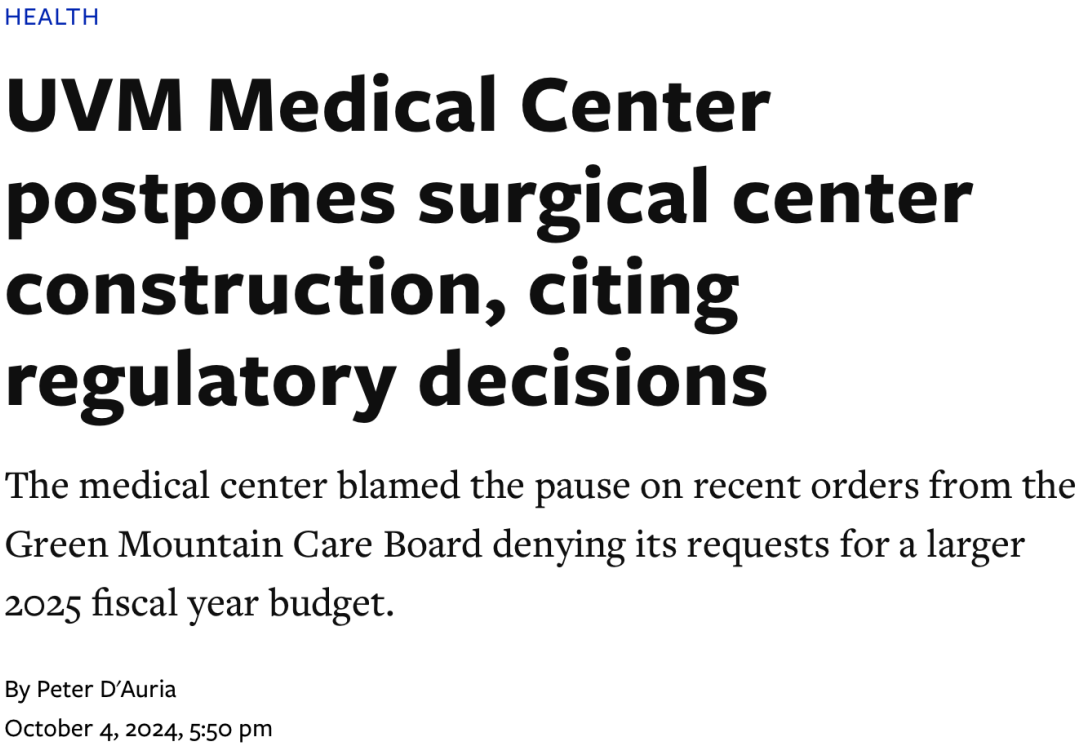
The Benchmark *was* a goal, *now* it is a measure with consequences ONLY for hospitals (HB 350)

HB 350 has changed the benchmark to a measure of hospital growth

- Meeting the benchmark exempts hospitals from PIP and Budget Review Process
- Not meeting benchmark subjects hospital to risk of PIP and Budget Review Process
- It is highly unlikely hospitals will meet the current arbitrary benchmark
- No methodology has been established on how hospitals will be measured against the benchmark.
- This places hospitals and their ability to adequately serve their patients and communities at risk…

Actions of Cost Review Board: Vermont Headlines

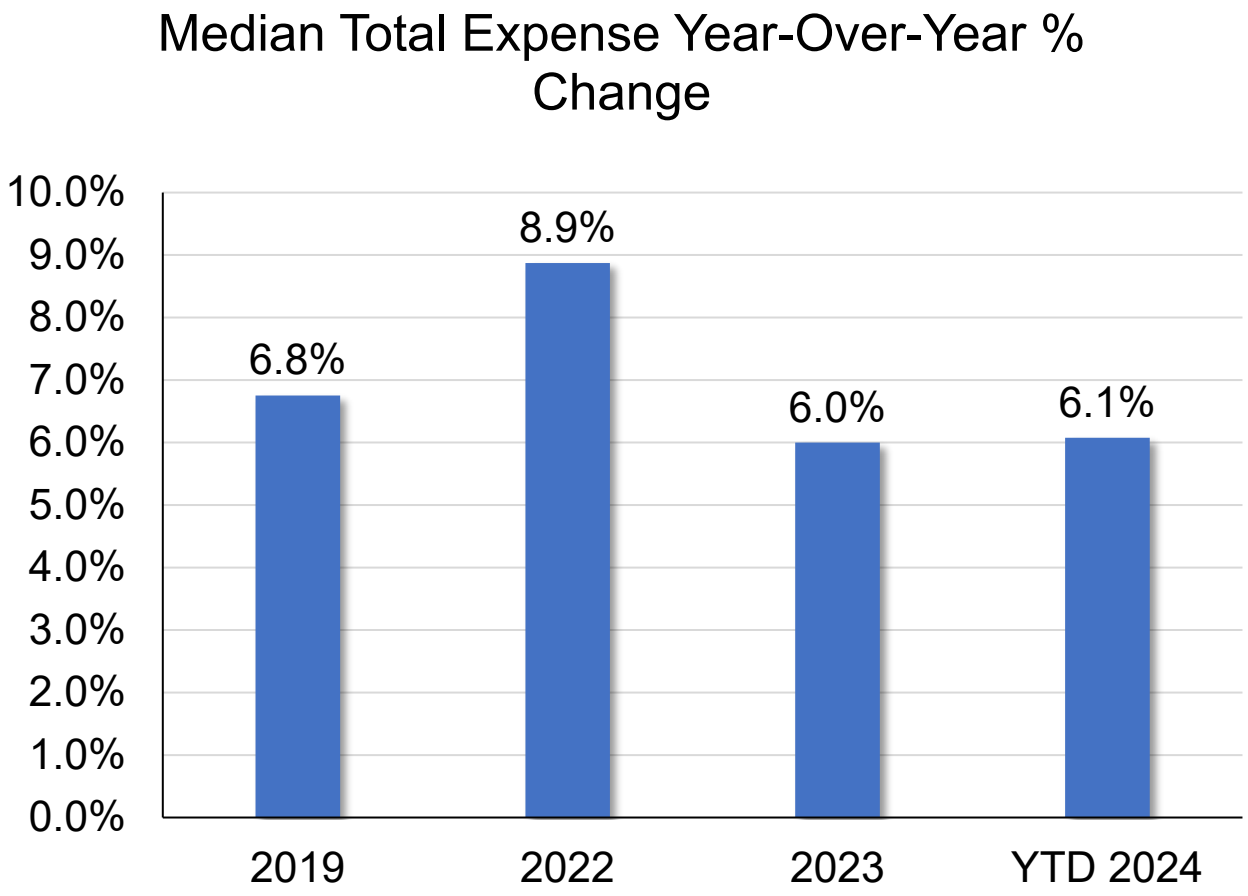




Hospital care can be expensive, but they incur significant expenses and many factors that cannot be “cut”

- Over **26,000 direct hospital jobs** in the state (compare that to 4,267 pharmaceutical jobs and 1,308 insurance jobs in Delaware)
- Open 24/7 a day 365 days per year
- Take all patients including those unable to pay
- **Lose over $68.2M** annually in supporting ambulatory primary care in the state
- Provide nearly **$1B in Community Benefit** spending annually

Expenses are Growing that are Beyond Hospital Control

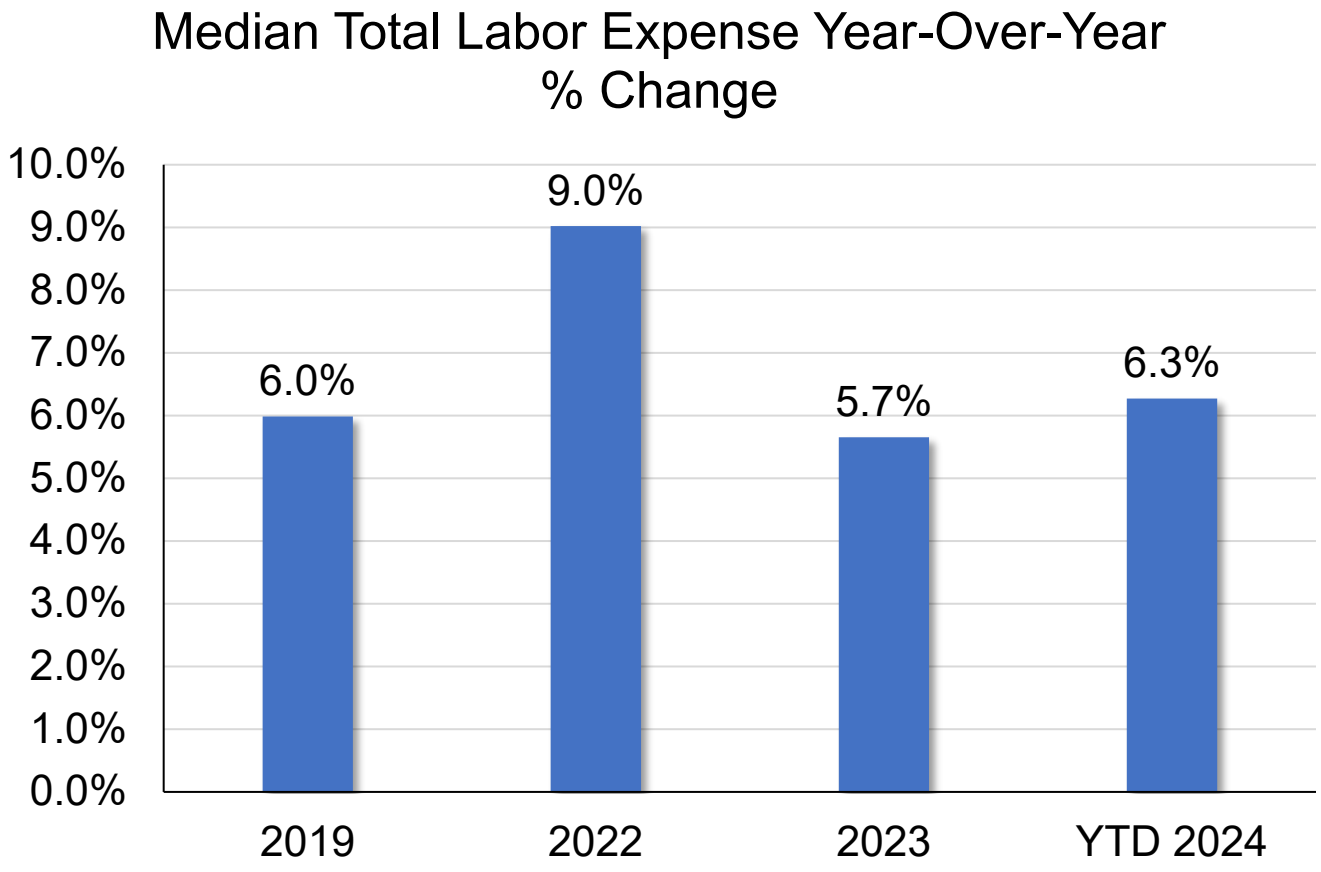


Data is reflective of northeast health systems

TOTAL Expense has Grown by 7% Annually Over the Last Three Years

- Total expense (labor and non-labor expenses) for health systems continues to outpace growth in inflation with an average of 7% yearly growth over the last three years.
- While the growth has slowed in the last two years, this only represents a reduction in the *rate of growth*, not a reduction in expense, which is compounded to substantial increases in expense in 2022.

Expenses are Growing that are Beyond Hospital Control - LABOR

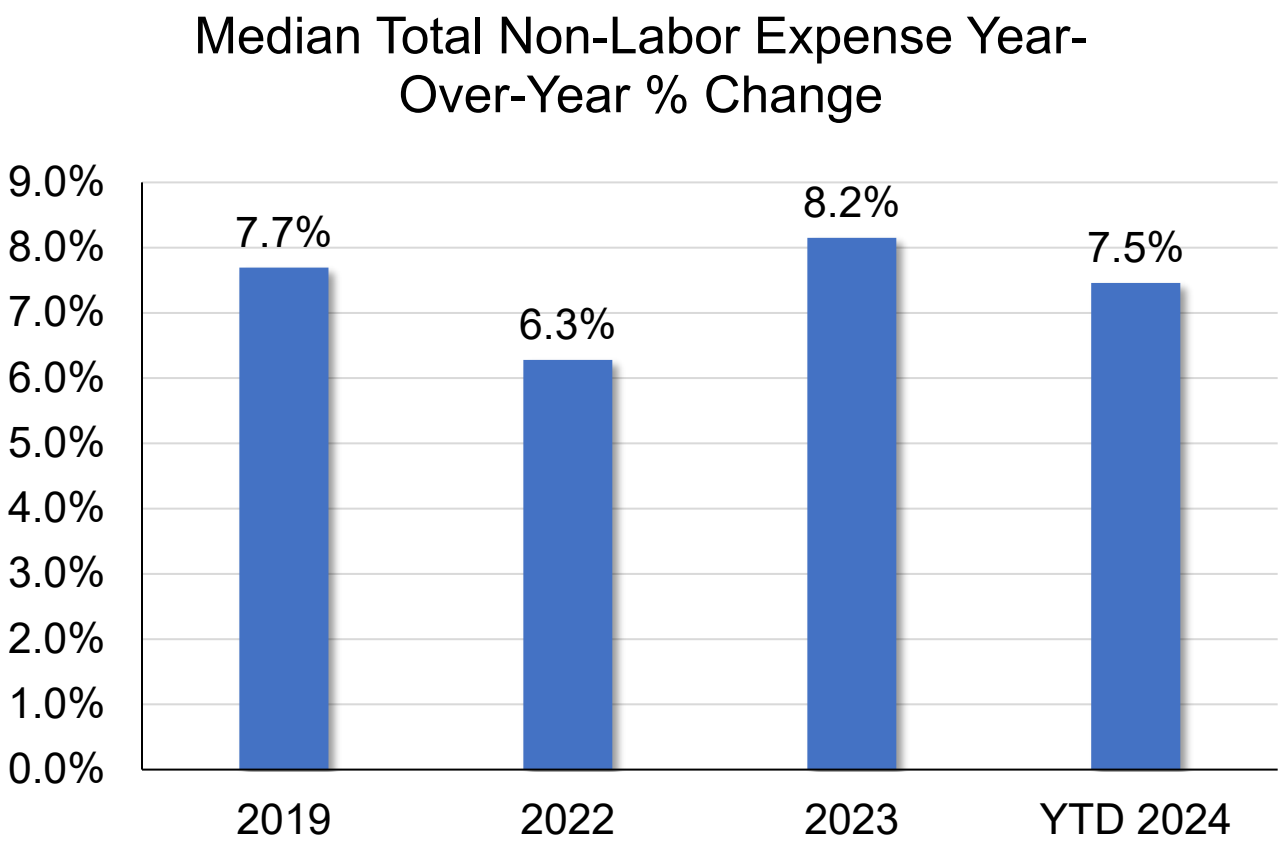


Data is reflective of northeast health systems

LABOR Expense has Grown by 7% Annually Over the Last Three Years

- Labor expense continues to grow as health systems increase employment to cover the demand alongside increases in wage rate to remain competitive in the marketplace.
- Average wage rates for health systems in the Northeast have continued to grow at an average of 3.5% over the last three years.
- Organizations experienced a spike in growth in 2022 as contract labor rates and utilization reach all-time highs, and while growth has slowed from 2022, total wage rate continues to rise.
- Average wage rates in the Northeast are around $2 higher per hour than the nation.

Expenses are Growing that are Beyond Hospital Control – NON-LABOR (Supplies, drug expenses, etc.)



Data is reflective of northeast health systems

NON-LABOR Expense has Grown by 7.3% Annually Over the Last Three Years

- Health systems have faced significant growth in non-labor goods and supplies over the last three years averaging 7.3%
  - As a subset of non-labor expenses, supplies have grown by 7.7% annually in the last three years.
  - Drug expense has grown substantially on a long-term basis, with the last three years as no exception, growing 9.7% annually

Though there are many opportunities for improvement and collaboration on efforts that will reduce costs in the long run

Strengthening the healthcare workforce

Ensuring healthcare access, quality, and affordability

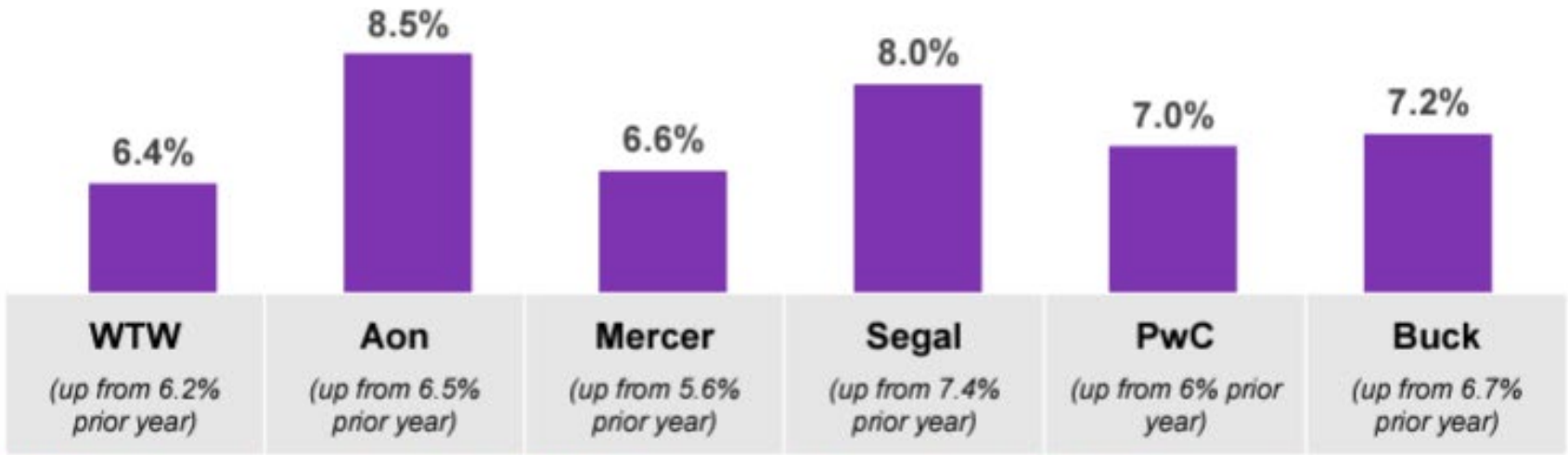
Advancing health equity

Recommended Methodology Changes

Source: Delaware SEBC Presentation

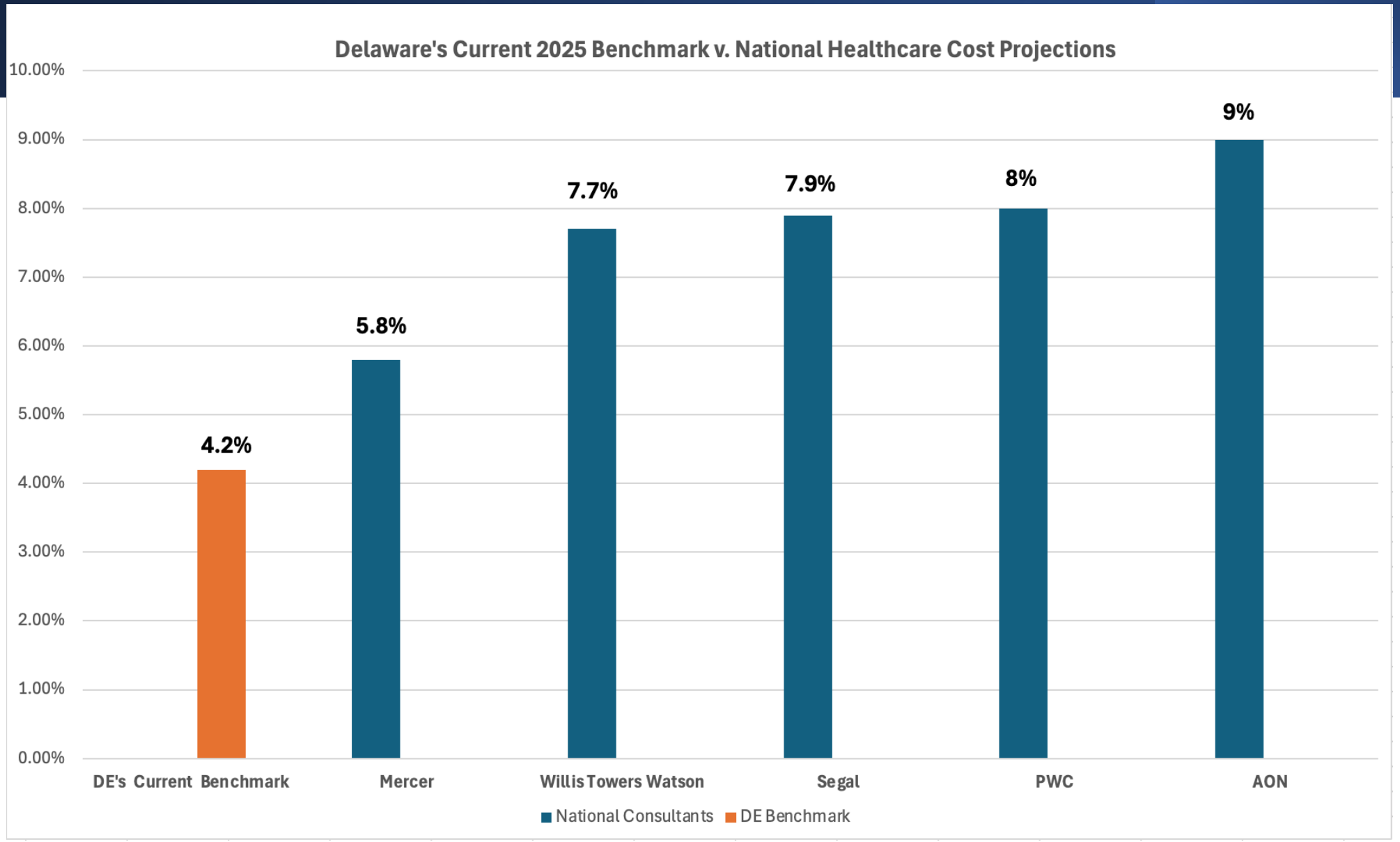
Trend outlook — Other sources for consideration

- WTW's 2023 Best Practices in Health Care Survey indicates a 6.5% expected trend for 2024 healthcare costs
- Similar to WTW, other consulting firms' trend forecasts project higher trend than last year
- Note that trend projections in these surveys are backward looking based on trend assumptions chosen for 2024 pricing projections and do not consider the prospective factors outlined in this document



WTW: https://www.wtwco.com/en-us/insights/2023/11/employers-remain-focused-on-controlling-healthcare-costs
Aon: https://aon.mediaroom.com/2023-08-22-Aon-U-S-Employer-Health-Care-Costs-Projected-to-Increase-8-5-Percent-Next-Year
Mercer: https://www.mercer.com/en-us/insights/us-health-news/health-benefit-cost-expected-to-rise-54-in-2024-mercer-survey/
Segal: https://www.segalco.com/consulting-insights/2024-health-plan-cost-trend-survey
PWC: https://www.pwc.com/us/en/industries/health-industries/library/assets/pwc-behind-the-numbers-2024.pdf
Buck: https://buck.com/press/buck-survey-shows-medical-costs-for-employer-sponsored-plans-in-2023-2024-have-yet-to-fully-adjust-for-inflation/

DHA OPTION #1



Averaging the national consultants' projections for 2025 yields a national health care cost growth of **7.68%**

Current Methodology | DHA OPTION #2

Components	CY 2025	National inflation should be replaced by Healthcare Inflation measured by average projected NHE personal healthcare for the average of 2023 and 2024
Expected growth in national labor force productivity	1.5%	1.5%
+ Expected growth in Delaware's civilian labor force	0.3%	.3%
+ Expected national inflation *(Average of 2023-2024)*	3.0%	7.15% (average of 9% and 5.3%)
– Expected population growth in Delaware	0.6%	-.6%
= PGSP growth	4.2%	**8.35%**