

# The State of Delaware

## Options to Reduce OPEB Liability

RHBAS Meeting

April 26, 2023

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# Options to reduce OPEB liability

# Options to reduce OPEB liability

- Today's goal:
  - Review options to reduce OPEB liability previously discussed with RHBAS and/or requested for further evaluation by RHBAS members
  - Identify options for further exploration (including OPEB liability impact)
  - Eliminate options to exclude from further evaluation

# Options to reduce OPEB liability

- Options reviewed at 4/17/2023 RHBAS meeting:
  - Funding options:
    - 1% additional funding
    - 2% additional funding
    - 3% additional funding
  - Eligibility options
    - Reduce Spousal State Share Subsidy to 50%
    - Increase the Graduated State Share based on Years of Service
    - Eliminate Future Vested Retirees from eligibility for healthcare
    - Increase minimum required age
  - Benefit changes
    - Move to HRA/Individual Marketplace
    - Move to Highmark Group Medicare Advantage (MA)

# Options to reduce OPEB liability

- Options requested by RHBAS members:
  - Codify the 1% State contribution
  - Change the premium structure for all retirees to pay a minimum of 5% per month (\$22.96 per month).
  - No health insurance for future term vested employees
  - Eligibility for State share has been changed for those hired after 1/1/1991 and 1/1/2012 (for those hired after 1/1/2007). Add a new eligibility for the State share based on age for those hired after 1/1/2014. For example, age 62 for the State employees plan and age 55 for the New State police plan, if you retire prior to that age you have to pay 100% of the cost

# Options to reduce OPEB liability

- Additional options for consideration:
  - Grandfather/no change for current retirees, future retirees move to Highmark Group MA
  - Grandfather/no change for current retirees, future retirees move to HRA/Individual Marketplace
  - Other grandfathering options?
  - Maintain Medicfill with plan design changes (i.e., increased member cost sharing)
  - Maintain Medicfill with increased retiree contribution share
  - Offer both Group MA (that closely mirrors Medicfill) and HRA/Individual Marketplace
  - Rate groups on their own experience
  - Target plan design and contribution changes for pre-65 retirees
  - Offer Group MA side-by-side with Medicfill – with higher contributions for Medicfill
  - Offer active/early retiree plans on a “coordinated with Medicare” basis
  - Offer HRA for pre-65 retirees to take advantage of Inflation Reduction Act enhanced premium tax credits
- Other options for consideration???



# Next steps

- Discuss options for further evaluation, and/or eliminate options to exclude from further evaluation
- Once list of options is narrowed down, additional analyses will commence including the OPEB liability impacts of each option or potential combination of options

# Appendix

# Options to reduce OPEB liability

**OPEB liability reduction key (as of 7/1/2022)**

\$ = <\$1B reduction

\$\$ = \$1B - \$2B reduction

\$\$\$ = >\$2B reduction

Presented to RHBAS on  
4/17/2023

Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction <sup>1</sup>	2052 Approx. Funded Ratio <sup>1</sup>	Impacted Cohorts
Baseline	Do nothing		▪ N/A	▪ N/A	▪ N/A
Funding Options					
1% additional funding	Assumes 1% of prior fiscal year state budget (\$47.7M based on \$4.7B budget for FY22); projected to grow at 3.6%		▪ \$	▪ 60%	▪ Taxpayers
2% additional funding (not previously modeled)	Assumes 2% of prior fiscal year state budget (\$95.4M based on \$4.7B budget for FY22); projected to grow at 3.6%		▪ \$	▪ 93%	▪ Taxpayers
3% additional funding (not previously modeled)	Assumes 2% of prior fiscal year state budget (\$143.1M based on \$4.7B budget for FY22); projected to grow at 3.6%		▪ \$\$\$	▪ 101%	▪ Taxpayers

<sup>1</sup> Estimated; modeling provided by Cheiron

# Options to reduce OPEB liability

## OPEB liability reduction key (as of 7/1/2022)

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Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction <sup>1</sup>	2052 Approx. Funded Ratio <sup>1</sup>	Impacted Cohorts
Baseline	Do nothing		▪ N/A	▪ N/A	▪ N/A
Eligibility changes					
Reduce Spousal State Share Subsidy to 50%	Future retirees only		▪ \$	▪ 19%	▪ Actives ▪ Future new hires
Increase the Graduated State Share based on Years of Service	State Share eligibility schedule for those hired since 1/1/2012 to 20 years = 50%, 25 years = 75% and 30 years = 100%		▪ \$	▪ 20%	▪ Actives ▪ Future new hires
Eliminate Future Vested Retirees from eligibility for healthcare	Anyone who terms employment with State and is entitled to a future pension benefit will not have access to health coverage		▪ \$	▪ 18%	▪ Actives ▪ Future new hires
Increase minimum required age	Future retirees only State Police age 55, All Other age 60		▪ \$	▪ 21%	▪ Actives ▪ Future new hires

<sup>1</sup> Estimated; modeling provided by Cheiron

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4/17/2023

Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction <sup>1</sup>	2052 Approx. Funded Ratio <sup>1</sup>	Impacted Cohorts
Baseline	Do nothing		▪ N/A	▪ N/A	▪ N/A
Benefit changes					
Move to HRA/Individual Marketplace, with indexing of HRA	\$5,100 annual HRA for each eligible member and 2% annual indexing	▪ \$5,100 with 2% indexing previously modeled for RBSC; consider alternative HRA amount and indexing options	▪ \$\$\$	▪ 35%	▪ Actives ▪ Future new hires ▪ Retirees
Move to Highmark Group Medicare Advantage (MA)	Move to previously approved Highmark Group MA (\$0 premium medical); maintain current Employer Group Waiver Plan (EGWP) for Rx coverage	▪ Potential need to rebid coverage and/or obtain updated quote	▪ \$\$\$	▪ 25%	▪ Actives ▪ Future new hires ▪ Retirees

<sup>1</sup> Estimated; modeling provided by Cheiron