

# SEBC Retiree Healthcare Benefits Advisory Subcommittee (RHBAS)

June 5, 2023

# SEBC Updates and Review of May 22, 2023 Meeting

- On March 20, 2023, the SEBC voted to increase FY24 GHIP health plan rates by 9.4% ***for non-Medicare plans only*** effective July 1, 2023.
- On May 22, 2023, the SEBC voted to increase the Special Medicfill rates by 5.0% effective January 1, 2024

\*Rate tables located in the appendix

# SEBC Updates and Review of May 22, 2023 Meeting

- On March 6, 2023, the SEBC adopted several changes to the GHIP ***non-Medicare plans Prescription coverage*** effective July 1, 2023
  - Increased prescription copays
  - Implemented PrudentRx program to manage specialty drug costs from members and the Group Health Insurance Plan
- On May 22, 2023, the SEBC voted to increase the Special Medicfill Medicare Prescription Copays effective January 1, 2024 (as previously approved for the non-Medicare plans effective 7/1/2023)

# State Group Health Plan non-Medicare and Medicare Part D Prescription Copays

Copays effective January 1, 2024 reflect SEBC changes voted at the May 22, 2023 SEBC Meeting

Rx Plan Design	2023 Current	Effective January 1, 2024
<b>Network Retail Pharmacy Up to 31-day supply</b>		
Generic	\$8	\$10
Brand Formulary	\$28	\$32
Brand Non-Formulary	\$50	\$60
<b>Participating Retail Pharmacy or Mail-Order Pharmacy Up to 90-day supply</b>		
Generic	\$16	\$20
Brand Formulary	\$56	\$64
Brand Non-Formulary	\$100	\$120

# Update on RISE DELAWARE Litigation

- Superior Court – issued a “Final Order” on May 22, 2023
  - Ruled that case was not properly transferred to Chancery Court and therefore Superior Court retained jurisdiction to decide the attorneys’ fees
  - Denied RISE DELAWARE’s request for attorneys’ fees
- Chancery Court Case
  - Parties have agreed to stay the fee petition in Chancery Court, pending resolution of the case in the Supreme Court
- Supreme Court Appeal
  - Appeal was accepted and briefing schedule set
  - State’s brief was filed on May 25
  - RISE DELAWARE’s response was due no later than June 24; however State has agreed to an extension until July 6

# OPEB Modeling Impacts Discussed at May 19, 2023 RHBAS Meeting\*

- The following slides outline the modeling discussed at the last RHBAS meeting:

# Options to Reduce OPEB Liability

## • Funding Options

Option	Option Description	Other Considerations	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	▪ Taxpayers
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%		▪ \$10.4B	▪ 59.8%	▪ Taxpayers including current State employees and DE resident State retirees
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%		▪ \$10.5B	▪ 93.2%	▪ Taxpayers including current State employees and DE resident State retirees
3% additional funding (not previously modeled)	Assumes 3% of prior fiscal year state budget (\$143.1M based on \$4.7B budget for FY22); projected to grow at 3.6%		▪ \$10.5B	▪ 101.7%	▪ Taxpayers including current State employees and DE resident State retirees

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# Options to Reduce OPEB Liability

## • Eligibility Changes

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	Taxpayers
Reduce Spousal State Share Subsidy to 50%	Applies only to future non-Medicare and Medicare retirees	<ul style="list-style-type: none"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$1.8B Model B: \$1.1B Model C: \$2.7B	Model A: 18.9% Model B: 18.5% Model C: 19.5%	Varies by model - current & future employees; future retirees
Increase the Graduated State Share based on Years of Service	Adjust State Share eligibility schedule to 20 years = 50%, 25 years = 75% and 30 years = 100%	<ul style="list-style-type: none"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$3.8B Model B: \$3.0B Model C: \$4.6B	Model A: 20.2% Model B: 19.7% Model C: 20.8%	Varies by model - current & future employees; future retirees
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	<ul style="list-style-type: none"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$1.6B Model B: \$1.2B Model C: \$1.5B	Model A: 18.7% Model B: 18.5% Model C: 18.7%	Varies by model – current & former employees; future retirees
Increase minimum required age	Future retirees only State Police to age 55, All Other employees to age 60	<ul style="list-style-type: none"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$2.5B Model B: \$2.3B Model C: \$2.5B	Model A: 19.3% Model B: 19.2% Model C: 19.3%	Varies by model – current & former employees; future retirees

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron



# Options to Reduce OPEB Liability

## • Benefit Changes

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	▪ Taxpayers
Move to HRA/Individual Marketplace, with 2% annual indexing of HRA	\$4,900 annual HRA for each eligible member and 2% annual indexing	<ul style="list-style-type: none"> <li>▪ Model A: Hire date on/after 1/1/2015</li> <li>▪ Model B: Hire date on/after 1/1/2025</li> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	Model A: \$10.9B Model B: \$10.0B Model C: \$13.1B	Model A: 27.2% Model B: 26.0% Model C: 30.4%	Varies by model - current & future employees; future retirees
Move to HRA/Individual Marketplace, with 4% annual indexing of HRA	\$4,900 annual HRA for each eligible member and 4% annual indexing	<ul style="list-style-type: none"> <li>▪ Model A: Hire date on/after 1/1/2015</li> <li>▪ Model B: Hire date on/after 1/1/2025</li> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	Model A: <b>(\$0.6B)</b> Model B: \$0.0B Model C: <b>(\$0.6B)</b>	Model A: 17.4% Model B: 17.8% Model C: 17.4%	Varies by model - current & future employees; future retirees

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# RHBAS Work Plan for Remaining Meetings

- June 5 - Modeling single actions
- June 26 – Discussion of actions to be modeled in combination
- July 10 - Modeling combinations/ start discussing recommendations
- July 20 - Recommendation discussion/additional public comment time
- August 10 - Recommendation vote
- August 24 - Draft report presented/additional public comment time
- September ? - Report discussion
- September ? - Approve report

**\*This schedule is an outline and is subject to change**

# Appendix

# GHIP Premium Rating Methodology

- The State of Delaware Group Health Insurance Plan (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 Medicare Part D prescription plan (e.g., direct subsidy, coverage gap discount and federal reinsurance payments); projected Part D plan 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, is an administrative and policy decision made by the State Employee Benefits Committee (SEBC). Any changes in the methodology cannot be implemented before FY25 (July 1, 2025)

# State Group Health Plan Medicare Supplement – Special Medicfill Plan Premiums

Health Plan	State Share %	# of Med Retirees	Monthly Retiree Contribution			Monthly State Share		
			Current	Effective 1/1/2024	Difference	Current	Effective 1/1/2024	Difference
<b>Pensioners Retired After July 1, 2012</b>								
Special Medicfill	100	5818	\$22.96	\$24.11	\$1.15	\$436.42	\$458.24	\$21.82
Special Medicfill	75	1035	\$132.07	\$138.67	\$6.60	\$327.32	\$343.68	\$16.37
Special Medicfill	50	466	\$241.17	\$253.23	\$12.06	\$218.21	\$229.12	\$10.91
Special Medicfill	0	85	\$459.38	\$482.35	\$22.97	\$0.00	\$0.00	\$0.00
Special Medicfill	Double State Share*	325	\$22.96	\$24.11	\$1.15	\$436.42	\$458.24	\$21.82
Special Medicfill w/o Rx	100	98	\$13.00	\$13.65	\$0.65	\$247.44	\$259.81	\$12.37
Special Medicfill w/o Rx	75	40	\$74.86	\$78.60	\$3.74	\$185.58	\$194.86	\$9.28
Special Medicfill w/o Rx	50	33	\$136.72	\$143.56	\$6.84	\$123.72	\$129.91	\$6.19
Special Medicfill w/o Rx	0	19	\$260.44	\$273.46	\$13.02	\$0.00	\$0.00	\$0.00
Special Medicfill w/o Rx	Double State Share*	6	\$13.00	\$13.65	\$0.65	\$247.44	\$259.81	\$12.37
<b>Pensioners Retired On or Prior to July 1, 2012</b>								
Special Medicfill	100	15581	\$0.00	\$0.00	\$0.00	\$459.38	\$482.35	\$22.97
Special Medicfill	75	311	\$114.85	\$120.59	\$5.74	\$344.54	\$361.76	\$17.23
Special Medicfill	50	224	\$229.69	\$241.17	\$11.48	\$229.69	\$241.17	\$11.48
Special Medicfill	0	33	\$459.38	\$482.35	\$22.97	\$0.00	\$0.00	\$0.00
Special Medicfill w/o Rx	100	440	\$0.00	\$0.00	\$0.00	\$260.44	\$273.46	\$13.02
Special Medicfill w/o Rx	75	3	\$65.11	\$68.37	\$3.26	\$195.33	\$205.10	\$9.77
Special Medicfill w/o Rx	50	21	\$130.22	\$136.73	\$6.51	\$130.22	\$136.73	\$6.51
Special Medicfill w/o Rx	0	18	\$260.44	\$273.46	\$13.02	\$0.00	\$0.00	\$0.00
<b>Total</b>		<b>24556</b>	<b>\$3,317,486</b>	<b>\$3,483,360</b>	<b>\$165,874</b>	<b>\$63,556,438</b>	<b>\$66,734,259</b>	<b>\$3,177,822</b>

- 65% of Medicfill participants pay \$0 contribution; pensioners retired after 7/1/12 and paying 5% will see an increase of \$1.15 per month; pensioners receiving less than 100% state share will see an increase ranging from \$3.26 to \$22.97 per month

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.*

# State Group Health Plan non-Medicare Plan Premiums

- 9.4% increase 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
<b>First State Basic</b>										
Employee	\$755.64	\$30.22	\$725.42	\$826.68	\$33.06	\$793.62	\$2.84	\$34.08	\$68.20	\$818.40
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,710.38	\$68.42	\$1,641.96	\$5.88	\$70.56	\$141.08	\$1,692.96
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,256.64	\$50.26	\$1,206.38	\$4.32	\$51.84	\$103.66	\$1,243.92
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,138.06	\$85.54	\$2,052.52	\$7.36	\$88.32	\$176.36	\$2,116.32
<b>CDH Gold</b>										
Employee	\$782.08	\$39.10	\$742.98	\$855.60	\$42.78	\$812.82	\$3.68	\$44.16	\$69.84	\$838.08
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,774.04	\$88.70	\$1,685.34	\$7.62	\$91.44	\$144.82	\$1,737.84
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,307.22	\$65.36	\$1,241.86	\$5.62	\$67.44	\$106.70	\$1,280.40
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,253.76	\$112.68	\$2,141.08	\$9.68	\$116.16	\$183.98	\$2,207.76
<b>Aetna HMO</b>										
Employee	\$788.88	\$51.28	\$737.60	\$863.04	\$56.10	\$806.94	\$4.82	\$57.84	\$69.34	\$832.08
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,819.64	\$118.28	\$1,701.36	\$10.16	\$121.92	\$146.20	\$1,754.40
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,320.24	\$85.82	\$1,234.42	\$7.38	\$88.56	\$106.06	\$1,272.72
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,270.50	\$147.58	\$2,122.92	\$12.68	\$152.16	\$182.42	\$2,189.04
<b>Comprehensive PPO</b>										
Employee	\$862.68	\$114.30	\$748.38	\$943.78	\$125.04	\$818.74	\$10.74	\$128.88	\$70.36	\$844.32
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$1,958.44	\$259.50	\$1,698.94	\$22.30	\$267.60	\$145.98	\$1,751.76
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,454.52	\$192.72	\$1,261.80	\$16.56	\$198.72	\$108.42	\$1,301.04
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,448.32	\$324.40	\$2,123.92	\$27.88	\$334.56	\$182.50	\$2,190.00

FY24 reflects employee contribution increases of \$2.84 - \$27.88 per employee per month (\$34.08 - \$334.56 per year) and State subsidy increases of \$68.20 - \$183.98 per employee per month (\$818.40 - \$2,207.76 per year) effective 7/1/2023

# Other Employment Costs

Contributions paid based on the employee's pay assuming \$50,000 annual salary

Type of Contribution	FY23 Employer Rate	State of Delaware Pays	Employee Pays
Pension Contribution	11.15%	\$5,575	\$1,320 or \$2,200
Disability Insurance Program	0.90%	\$450	\$0
Post Retirement Increase	1.00%	\$500	\$0
<b>OPEB (Prefund Health)</b>	<b>0.36%</b>	<b>\$180</b>	<b>\$0</b>
<b>Retiree Health (PayGo)</b>	<b>9.21%</b>	<b>\$4,605</b>	<b>Based on elections</b>
Medicare, FICA, WC, UI	9.31%	\$4,655	\$3,732
<b>Total OEC's</b>	<b>31.93%</b>	<b>\$15,965</b>	<b>\$5,052 or \$5,932</b>