

**State Employee Benefits Financial Subcommittee
Statewide Benefits Office, 97 Commerce Way, Ste 201
Dover, Delaware 19904**

The State Employee Benefits Policy & Planning Subcommittee met October 25, 2018. The following people were in attendance:

Committee Members:

Emily Thomas, Designee OMB
Saundra Johnson, SEBC Co-Chair, DHR
Ruth Jones, Designee of CGO
Stuart Snyder, Designee of DOI
Ken Simpler, SEBC Member, OST
Steven Costantino, Designee of DHSS
Judy Anderson, Designee of DSEA
Faith Rentz, Subcommittee Chair, Designee of DHR
Jeff Taschner, SEBC Member, DSEA

Guests:

Leighann Hinkle, SBO, DHR
Cherie Dodge-Biron, DHR
Andrew Kerber, DOJ
Katherine Impellizzeri, Aetna
Jennifer Mossman, Highmark
Walt Mateja, IBM Watson Health
Kevin Fyock, Willis Towers Watson
Jaclyn Iglesias, Willis Towers Watson
Rebecca Warnken, Willis Towers Watson
Chris Giovannello, Willis Towers Watson
Debbie Hamilton, Hamilton Goodman

Introductions/Sign In

Director Rentz called the first meeting of the SEBC Financial Subcommittee to order at 1:00pm. Introductions were made and a brief description of the purpose and intent of the contents of the Subcommittee materials binder was given.

Committee Business Rules

Deputy Attorney General Kerber reviewed the Freedom of Information Act as it applies to public bodies, reviewing the public meeting process and requirements with the Subcommittee. A brief overview of the purpose and rationale of the SEBC subcommittees was given including the number of present members required to constitute a quorum for the purpose of the subcommittee taking action to approve meeting minutes and recommendations to the State Employee Benefits Committee (SEBC). The subcommittee is an advisory committee. Director Rentz asked the subcommittee if there would be any interest in recommending a revision to the subcommittee Resolution to allow for designees to attend on behalf of members to constitute a quorum. There was no interest expressed from the subcommittee.

Overview of GHIP Planning Discussions with SEBC – handout – Willis Towers Watson

Rebecca Warnken, WTW provided a review and history of the Group Health Financials including a six year look back of changes compared to national trend in claims and revenue per member per year (PMPY). Actual cost increases in the GHIP compared to WTW national survey data was reviewed and indicated that while both trend lines demonstrate an average 6% growth for the time period shown, there is significant volatility in the GHIP costs. Members asked if WTW could provide similar data on a regional level. The information is available; however, will be very similar to what is seen when benchmarked against the national data. Steven Costantino requested a chart of the experience shown on slide 4, net of prescription rebates and Secretary Johnson asked to incorporate into the analysis, demographic and utilization patterns. Discussion occurred around the SEBC's rate action history and perceived practice of planning and budgeting one year at a time, taking no action in some years and taking more drastic actions in years where expenses outpaced revenue or increased well above the projected trend. Past attempts have been made to understand the root causes of unexpected increases in expenses without taking away many conclusions. Chris Giovannello, WTW suggested an opportunity to consider the impact of moderate premium increases even during periods when experience runs below trend to avoid drastic increases to re-align expenses with revenue.

Ms. Warnken provided a detailed review of the long term cost projection slide 7 which includes assumptions on trend approved by the SEBC after consideration of a narrow range of recommendations presented by WTW. Details on the current methodology and trends for medical and prescription was explained. A question for the subcommittee is to determine if the current 5% combined trend is appropriate moving forward. A brief explanation of the claim liability, minimum reserve and surplus were given with the intention of a deeper discussion later. Questions were asked around best practice for reserving including self-insured public sector plans and it was stated that the methodologies vary depending upon the philosophical rationale of the decision makers. It will be necessary for the subcommittee to decide what targets and goals should be set for

trend, reserve and projected growth and should reflect anticipated changes as a result of policy decisions made on programs, incentives and plan design. Treasurer Simpler commented on the recent three years of low utilization and the need for preparation now to prepare for changes in the trend that could occur in tandem with changes in the economy making the impact of decisions more difficult for employees. It is important to remain aware that healthcare trend in general continues to outpace State revenue trend.

A brief review of the timing for the availability of claims data and sources was provided to assist the subcommittee in understanding the lag that exists in being able to report on data on a paid or incurred basis.

Quarterly Financial Reporting Format

Reference to the SEBC Quarterly reporting and Monthly Fund Report was made along with discussion on some of the enhancements in the reporting to reflect budget versus actual, year over year changes and the addition of targeted utilization metrics. Dialogue occurred on the pros and cons of using incurred versus paid data in the various reporting. Members requested more thinking around how to deliberately establish baseline metrics and track changes related to policy and plan changes including how those changes are impacting and to what extent, the overall GHIP trend. It will be important to share with the Health Policy & Planning subcommittee, the impact of the changes approved by the SEBC to determine what is working and what other changes can be done to obtain the desired outcomes. Treasurer Simpler expressed concern over understanding what financial reports will help the subcommittees to accomplish their mission. Ms. Warnken suggested some consideration be given to what additional details the subcommittee would want to solve for. The subcommittee's mission should include looking at the data in more detail than the SEBC and informing the Health Policy & Planning subcommittee and SEBC on what areas pose the greatest challenges and opportunities for the overall GHIP.

A more in depth walk through of the reporting will be provided in the future. Some discussion occurred around the amounts paid to the third party administrators. Other takeaways for future discussion will include pricing equity and other drivers of participant costs. There is a need for more transparency around the actual cost of services and utilization for participants to help employees when making plan choice decisions.

Trend Methodology

A brief review of the trend methodology was given including the various components that make up trend and the sources of data used. The next meeting on November 7, 2018 will include a deeper discussion on reserve, claim liability and surplus methodology and more discussion and suggestions on how to use the reporting and data available to determine priorities for plan and programming changes that can support the GHIP strategic mission and framework.

Ms. Warnken explained the intent that decisions for the FY20 plan year must be made by the SEBC in February with recommendations from the subcommittee being completed in December. Topics for discussion by the subcommittee through the December meetings were provided.

Other Business

Potential dates and times for the 2019 subcommittee meetings will be distributed for comment.

Public Comment

None

Director Rentz asked for a motion to adjourn the meeting. Secretary Johnson made the motion and it was seconded by the Judy Anderson. The motion carried unanimously. Meeting adjourned at 3:07 p.m.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office, DHR