MINUTES FROM THE FINANCIAL SUBCOMMITTEE TO THE STATE EMPLOYEE BENEFITS COMMITTEE
MARCH 7, 2019

A meeting of the Financial Subcommittee to the State Employee Benefits Committee (the "Committee") was held March 7, 2019 in the Large Conference Room of the Statewide Benefits Office ("SBO"), located at 97 Commerce Way, Dover, Delaware 19904.

Committee Members Represented or in Attendance:
Director Faith Rentz, SBO, Department of Human Resources ("DHR") (Appointee of DHR Secretary Johnson), Chair
State Treasurer Colleen Davis, Office of the State Treasurer ("OST"), Committee Member
Mr. Jeff Taschner, DSEA, Committee Member
Ms. Judy Anderson, Delaware State Education Association (Appointee of the DSEA, Jeff Taschner)
Mr. Steven Costantino, Department of Health and Social Services ("DHSS") (Appointee of DHSS Sec. Walker)
Ms. Ruth Ann Jones, Legislative Analyst, Office of the Controller General ("OCG") (Appointee for CG Morton)
Ms. Judy Schock, Deputy Principal Assistant, Office of Management & Budget ("OMB") (Appointee of OMB Dir. Jackson)
Mr. Stuart Snyder, Department of Insurance ("DOI") (Appointee of Commissioner Navarro)
Ms. Susan Steward, Policy Analyst, OST (Appointee of Treasurer Davis)

Committee Members Not Represented or in Attendance:
Mr. Keith Warren, Lt. Governor Chief of Staff (Appointee of Lt. Governor Hall-Long)

Others in Attendance:
Deputy Director Leighann Hinkle, SBO, DHR
Mr. Chris Giovannello, Willis Towers Watson ("WTW")
Ms. Jaclyn Iglesias, WTW
Ms. Christina Bryan, Delaware Healthcare Association
Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR
Ms. Katherine Impellizzeri, Aetna
Mr. Walt Mateja, IBM Watson Health
Ms. Jennifer Mossman, Highmark DE
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR

CALLED TO ORDER
Dir. Rentz called the meeting to order at 10:03 a.m.

APPROVAL OF MINUTES – DIRECTOR RENTZ
A MOTION was made by Ms. Steward and seconded by Mr. Costantino to approve the minutes from the February 7, 2019 Financial Subcommittee meeting.
MOTION ADOPTED UNANIMOUSLY.

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ
SEBC Updates
The Committee met February 11, 2019 and approved the copay changes as recommended by the Health Policy and Planning Subcommittee. The copay changes are effective July 1, 2019 for the Comprehensive PPO and HMO plans. The Committee also approved the program changes as recommended by the Health Policy & Planning Subcommittee, effective July 1, 2019. The total annual estimated savings from the approved program changes are $9.6mm for FY20. The estimated annual savings from the final pharmacy contract is $17.1mm. The Committee considered, but deferred any action on the use of surplus funds or premium rate increases.

The Committee will meet March 11, 2019 to consider a vote on necessary revisions to the Disability Insurance Program rules and regulations. To accommodate the use of Parental Leave, which becomes available to employees April 1, 2019, the changes will clarify how Parental Leave will coordinate with Short Term Disability benefits. The Parental Leave Bill requires the use of Parental Leave benefits to run concurrently with Short Term Disability benefits.

Health Policy & Planning Updates

The Health Policy & Planning Subcommittee will meet in the afternoon of March 7, 2019 to continue discussions on GHIP infertility benefits, and to further evaluate offering a Health Savings Account plan. The Subcommittee will also begin to evaluate enrollment in the accident and critical illness supplemental insurance coverage through Aflac, and whether or not to continue, restructure or terminate the program that expires in June 2020.

Johns Hopkins Update

The combined Subcommittee meeting on January 24, 2019 resulted in a request for additional reporting from the Johns Hopkins researchers. The researchers are close to finalizing their conclusions and are expected to deliver an update next week. Updates will be reviewed and disseminated by email, and/or be included on an upcoming meeting agenda if warranted.

FINANCIALS – MR. CHRIS GIOVANNELLO

January Fund Equity Report

Other Revenues include the calendar year 2017 Federal Reinsurance true-up of $1.3mm, closing out claims for 2017, and a $4.6mm Coverage Gap Discount payment. Claims were favorable at about $6mm under budget. Year-to-date, and relative to budget, there is a $16mm surplus in the fund. Net income has increased by $2.8mm for a total of $154.7mm.

Group Health Insurance Plan Long Term Projection Recast

Updates have been made to the FY20 GHIP projections as a result of a claim liability refresh and incorporating the best-and-final pharmacy contract renewal proposal received at the end of January. Claim liability has been reduced from $61.3mm to $58.8mm, and the final pharmacy contracts yield a combined savings of $17.1mm.

The Subcommittee discussed the six month lag on rebate payments and the impact on projections. The forecasted savings are based on current pharmacy usage, but the bulk of the savings are reflective of improved rebates. The lag time has continued to improve.

The Subcommittee reviewed proposed premium increases to account for the projected FY21 deficit projections. The revised budget forecasts a $54.7mm surplus for FY19. Smoothing the surplus over two years results in a FY20 surplus of $24.9mm and suggests a .3% premium rate increase effective July 1, 2019 to solve for FY21.

Revised projections incorporating the recommended 2% premium rate increase yield a FY20 surplus of $41.5mm and would solve for the FY21 deficit. A 2% increase equates to an additional employee contribution of $.56 to $5.46 per month and $13.35 to $35.73 per month to the State. The projected deficit for FY23 with no premium rate increase is $381.3mm.

There was a discussion regarding the assumptions for the cost projections. Mr. Giovannello confirmed projections assume a 2% growth in membership, a 6.5% and 10% trend in medical and pharmacy costs respectively for FY19, and a 5% increase in operating expenses for FY20 and beyond.

Mr. Costantino requested data on historical projections versus actuals. Dir. Rentz responded that the information is available, and added that the Committee has not always adopted the trend projections suggested by the consultants.

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There was a discussion regarding rolling claims liability and how smoothing the surplus in lieu of premium rate increases would impact the ability to pay those claims.

Mr. Taschner confirmed that a premium rate increase could be implemented at any time during the year, and requested that the 1% premium rate option be modeled for the Committee. Dir. Rentz also requested WTW prepare a comparison that would reflect the impact of a later calendar year adoption of rate increases.

GHIP UTILIZATION AND COST REPORTING – MR. CHRIS GIOVANNELO

The Subcommittee reviewed net payments, utilization and trends from incurred claims beginning Q2 of FY16 through Q1 of FY19.

There has been a reduction in emergency room utilization and an increase in urgent care. Additionally, there has been a decrease in primary care utilization for non-emergent and primary care treatable conditions, but not an overall reduction in primary care utilization.

The Subcommittee discussed contributing factors for the diversion from the primary care provider ("PCP"). Access to scheduling with a PCP may be driving the increase in utilization of urgent care. Mr. Snyder asked that data be separated to identify urgent care utilization during nights and weekends.

Mr. Taschner queried the cost difference between urgent care and PCP utilization. Mr. Mateja responded that the average cost of visit of urgent care is approximately $10 higher than using a PCP for non-emergent care. Mr. Costantino responded that urgent care centers report that they are reimbursed at a PCP rate, and he queried whether the facility fee accounted for the difference. Dir. Rentz said Mr. Mateja would follow up.

The Subcommittee discussed the trends in the utilization of high cost imaging. The first year that followed the increase in copay was successful in shifting utilization to preferred facilities, but reverted the second year. This was the impetus for increasing the copay differential more significantly between freestanding and hospital based imaging ($0 and $50 for basic imaging, $0 and $75 for high tech imaging respectively) for FY20.

Members discussed that higher utilization of hospital based imaging could be a result of physician referrals, and the perception of having lesser quality images received from preferred facilities.

A breakdown of high cost claimants ("HCC") that included top clinical conditions as presented, including reoccurring HCC by plan gender and age. HCC increased from 5.7% to 7.2% per 1,000 patients. As a result, the net payments attributable to HCC increased from one-fifth to one-quarter of overall payments. It was noted that 20% of the total GHIP population is responsible for 85% of plan costs.

The Subcommittee reviewed the total net payments for medical and pharmacy per employee per month. The total medical and pharmacy spend is 3% below budget, but the trend is 5.2%.

The total cost of Chemotherapy net payments have doubled. There are high trends noted on hypertension and musculoskeletal claims. Treasurer Davis asked if the analytics included only current employees and dependents. Mr. Giovannello responded that the report also includes retirees.

Mr. Costantino queried primary care spending by provider type, and the percentage of total spend on PCP. Mr. Mateja responded that the data is available.

There was a discussion on how utilization data can be leveraged for health management and prevention education. The Subcommittee also considered the risk profiles of HMO and PPO plans. There are triggers built into logic modeling for both TPA's that allows nurse care managers to outreach to participants or the PCP to address overutilization. WTW has requested additional data from Highmark and Aetna regarding the outcomes of high utilization engagement.

Treasurer Davis queried if HCC older than age 64 years old were included in the report. Mr. Mateja reported that there were a total of 120 HCC older than 64 years old; however, he did not include those older than 64 as they may be cross-enrolled with Medicare.

Treasurer Davis asked about shifting to value based contracts. Dir. Rentz responded that she can provide value based data previously shared with the Committee. Ms. Iglesias responded that both vendors have high value doctors that are not only compensated by fee for service. The Aetna HMO has a value based arrangement centered on health management. Mr. Costantino asked if reporting could be shared that includes the number of participating providers. Dir. Rentz responded that first year data is being analyzed.

There was a conversation regarding how to best assist employees during open enrollment. There are a high number of employees enrolled in a PPO plan that do not need the most robust and expensive plan based on their actual health care usage. A consumer decision tool is available to state employees to help determine the most cost effective plan based on their historical utilization. Most employees are recommended to enroll in the HMO or consumer directed health plan, and less than 5% are recommended to enroll in PPO plan. The data will be refreshed for 2019 Open Enrollment and shared with the Subcommittee when available.

The Subcommittee discussed low plan attrition. Employees are most likely to select a plan based on what health care they might need, rather than health care they have needed. New hires may benefit from a more comprehensive onboarding experience that requires the use of the consumer decision tool. Dir. Rentz agreed that the upfront investment may yield long term savings. Additionally, the Treasurer's office offered to share an interactive calculator that may be helpful in illustrating how pre-tax dollars in a HSA plan would impact take home dollars.

HEALTH SAVINGS ACCOUNT (HSA) – MS. IGLESIAS, WTW

The Committee has delegated to the Subcommittee the task of evaluating a proposal to offer a HSA tax-sheltered health care plan. Preliminary decision points and financials were distributed for review.

A Request for Proposal has been completed and it has been determined that both vendors meet the requirements to administer the plan. A further comparison of both vendors will be provided in the coming months.

Mr. Costantino inquired about information available on HSA plans implemented in other states. Ms. Iglesias responded that WTW would follow up on the best way to share that information, but proprietary details cannot be shared in a public forum.

Proposed HSA plan design scenarios were presented for feedback and compared to the CDH Gold Plan. There is up to a $3mm estimated cost savings to the state based on an anticipated migration of 5%. Offering both the CDH Gold plan with a HSA plan could erode some of the cost savings to the State, but remains a decision point.

A HSA plan provides a tax-sheltered savings account which can be leveraged as an employment attraction and retention benefit targeted toward millennials.

Considerations for the Subcommittee include: the timing and amount of employer contributions, whether to offer the plan as a replacement to the CDH Gold Plan or as an additional plan, investment options and the fiduciary responsibility of the Committee to oversee the investments, and compliance. The Subcommittee was encouraged to forward feedback to Dir. Rentz by March 15, 2019.

OTHER BUSINESS

Dir. Rentz noting that new data would not be available until May, stated that the April Subcommittee meeting may be cancelled.

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ADJOURNMENT
A MOTION was made by Mr. Costantino and seconded by Ms. Anderson to adjourn the meeting at 12:01 p.m.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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Martha Sturtevant, Statewide Benefits Office, Department of Human Resources
Recorder, Statewide Employee Benefits Committee & Subcommittees

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