MINUTES FROM THE HEALTH POLICY & PLANNING SUBCOMMITTEE TO THE STATE EMPLOYEE BENEFITS COMMITTEE
MARCH 7, 2019

A meeting of the Health Policy & Planning ("HP&P") 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"), 97 Commerce Way, Dover, Delaware 19904.

<u>Committee Members Represented or in Attendance:</u>
Director Faith Rentz, SBO, Department of Human Resources ("DHR") (Appointee of DHR Sec. Johnson), Chair
State Treasurer Colleen Davis, Office of the State Treasurer ("OST"), Committee Member
Mr. Jeff Taschner, Delaware State Education Association ("DSEA"), Committee Member
Ms. Victoria Brennan, Sr. Legislative Analyst, Office of the Controller General ("OCG") (Appointee for CG Morton)
Ms. Molly Magarik, Deputy Secretary, Department of Health and Social Services ("DHSS") (Appointee of Sec. Walker)
Mr. William Oberle, Delaware State Trooper's Association (Appointee of the DSEA, Jeff Taschner)
Mr. Tanner Polce, Policy Director, Office of the Lt. Governor (Appointee of Lt. Governor Hall-Long)
Ms. Judi Schock, Deputy Principal Assistant, Office of Management & Budget ("OMB") (Appointee OMB Dir. Jackson)
Mr. Stuart Snyder, Chief of Staff, Department of Insurance ("DOI") (Appointee of Commissioner Navarro)

<u>Others in Attendance:</u>
Deputy Director Leighann Hinkle, SBO, DHR
Mr. Chris Giovannello, Willis Towers Watson ("WTW")
Ms. Jaclyn Iglesias, WTW
Ms. Christina Bryan, Delaware Healthcare Association
Ms. Rebecca Byrd, The Byrd Group
Ms. Nina Figueroa, Policy Advisor, SBO, DHR
Ms. Christine Gross, Stand Up for Fertility Delaware
Ms. Marie Hartigan, SBO, DHR
Ms. Katherine Impellizzeri, Aetna
Ms. Kimberly Jarrell, Member of the Public
Mr. Walter Mateja, IBM Watson Health
Ms. Jennifer Mossman, Highmark Delaware
Ms. Samantha Mountz, SBO, DHR
Ms. Paula Roy, Delaware Chiropractic Services
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Susan Steward, Policy Analyst, OST

CALLED TO ORDER
Dir. Rentz called the meeting to order at 1:04 p.m.

APPROVAL OF MINUTES – DIRECTOR RENTZ
A MOTION was made by Mr. Polce and seconded by Ms. Schock to approve the minutes from the February 7, 2019 Health Policy & Planning Subcommittee meeting.
MOTION ADOPTED UNANIMOUSLY.

DIRECTOR'S REPORT – DIRECTOR RENTZ
<u>SEBC Updates</u>
The Committee met February 11, 2019 and approved the copay changes as recommended by the HP&P 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 Subcommittee, effective July 1, 2019. Additionally, the Committee considered premium rate increases, but deferred any action at this time.

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

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Short Term Disability. The changes will clarify how Parental Leave will coordinate with Short Term Disability benefits.

Financial Subcommittee

The Financial Subcommittee met the morning of March 7, 2019 to review the final offer for the pharmacy contract and the revised FY20 Group Health Insurance Plan ("GHIP") projections. They also reviewed updated data on plan utilization and cost reporting. Additionally, the Subcommittee continued the discussion on Health Savings Account ("HSA") planning, including financial impacts and investment options.

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 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.

Diabetes Prevalence Update

Dir. Rentz distributed a follow up report on the Subcommittee's request for additional data on the prevalence of diabetes in the GHIP.

HB 139 DISCUSSION – DIRECTOR RENTZ

The Subcommittee continued the discussion from the February meeting regarding Senate Bill 139 and proposed GHIP infertility coverage. Data is being gathered on actual GHIP claims to analyze costs for infertility procedures, and SBO has identified related procedure and billing codes used during infertility diagnosis and treatment. Once an individual has been approved for infertility benefits, captured billing codes start applying toward lifetime maximums.

Treasurer Davis stated that an expected diagnosis code is given at time of the treatment plan, and a diagnosis of infertility could be recorded even before an individual has officially been diagnosed or started treatment. She suggested bundling services may be helpful in isolating diagnostic services versus treatment services that would be billed toward lifetime maximums. Dir. Rentz stated that a bundled arrangement, or a narrow network of providers is an option to consider.

Ms. Magarik queried if there was a differentiation between routine medical from fertility coverage. Dir. Rentz responded that infertility services are isolated from pre-diagnosis, but agreed that more clarity is needed toward diagnosis codes that may inadvertently consume limited dollars.

The Subcommittee reviewed the pros and cons of setting cost caps and service limits, as well as age limits and restrictions on infertility benefits. They also discussed setting restrictions on Single Embryo Transplants ("SET").

Cost caps and service limits reduce the risk of across the board premium increases that impact all GHIP participants, and establish a ceiling on the financial exposure to both the employee and the State. Limits may impact family planning, and could be viewed as a disincentive for employment and recruitment.

Age limits set in SB 139 were supported by medical evidence to reduce the risk of unsuccessful treatment and high risk pregnancies. However, age limits increase the risk of embryo abandonment and may limit family planning. SET reduces financial risk and health risk to the mother and embryo. It is possible to require a "favorable" prognosis for SET, but a clear definition of favorable would need to be determined.

Cost sharing and plan design options for consideration include a modification to the annual cap on coinsurance. Currently there is a 25% coinsurance on infertility treatment. Additionally, there have been conversations with Aetna and Highmark that could allow the GHIP, as a self-insured plan, more flexibility for treatment protocol.

The cost estimates presented at the September 24, 2018 Committee meeting were criticized as being too high. Dir. Rentz gathered more detail on the assumptions and presented them to the Subcommittee. The estimates were conservative and assumed two to three IVF cycles for each member, at $20K per cycle and an estimated 20% increase in members being treated for infertility. Mr. Oberle asked how many members are currently being treated, and Dir. Rentz responded that there are approximately 125. Ms. Magarik stated that secondary transfers are typically less expensive and it is difficult to estimate the cost per cycle.

Mr. Oberle expressed concerns over the appropriateness of the Committee addressing such a sensitive policy issue, and suggested the General Assembly evaluate further. Dir. Rentz will discuss with the DOJ if GHIP coverage can be legislated.

Dir. Rentz outlined goals for the Subcommittee to finalize by the April meeting. The Subcommittee should plan to develop a range of options for the Committee's consideration, from the current benefit to full adoption of SB 139, including fertility preservation benefits. The Subcommittee should formulate realistic cost estimates based on actual member experience and also consider short-term and long-term implementation options.

HEALTH SAVINGS ACCOUNT PLANNING – MS. JACLYN IGLESIAS, WTW

The Subcommittee continued the discussion on Health Savings Accounts ("HSA"). Proposed plan designs were presented for consideration, as well as options for HSA employer contributions. The proposed plan designs were compared to the current GHIP offering, the CDH Gold Plan, and there was consideration to whether the GHIP would eliminate the CDH Gold plan if offering a HSA plan.

The potential financial impact on the GHIP was presented with cost savings across multiple scenarios and estimated from a 5% to 100% migration to a HSA plan. Cost savings were estimated from $3mm to $59.2mm across all scenarios. The Subcommittee discussed the impact of a high migration to the PPO plan if the CDH Gold plan was eliminated. It was recommended that the GHIP offer only one type of consumer-directed plan.

Mr. Oberle asked if a 5% migration was anticipated, Mr. Giovannello responded that it could be higher depending on how the plan is ultimately structured. Treasurer Davis asked if 5% was estimated using the demographics of the GHIP. Ms. Iglesias responded that millennials are most likely to enroll in a HSA plan and the analysis identified one-third of the GHIP as millennials, adding that new hires are more likely to enroll in HSA type plans.

The Subcommittee considered options for timing and the amount of employer seed contributions to HSA plans. It was recommended that an upfront lump sum deposit be made to mitigate high claims early in the plan year and because it is most advantageous administratively. Alternatives to lump sum deposits were also considered, including fixed per-pay contributions, and periodic payments set quarterly or semi-annually.

The Subcommittee discussed what to do with remaining CDH Gold Plan HRA funds if eliminating that plan, and whether to set a time limit to utilize funds. There are approximately 2,600 employees with remaining HRA funds totaling $6.5mm with an average balance of $2,537, and there are 55 members with more than $10k in remaining HRA funds. Ms. Magarik asked if current CDH Gold Plan members with remaining HRA funds could transfer funds to a HSA. Ms. Iglesias responded that a transfer is prohibited by the IRS.

It was noted that the GHIP could forfeit an estimated $100k in annual HSA seed money for employees terminated during the year. Mr. Taschner asked about claw back opportunities for the State. Ms. Iglesias responded that there are very limited provisions where claw back is allowed. Dir. Rentz said the data analytics for employee turnover are not readily available, but SBO would work to gather the data for consideration.

Options to consider for spending down remaining HRA funds include a Premium Holiday HRA that allows employees to use HRA funds to pay for medical plan premiums in lieu of payroll deductions. This option is more administratively complex. A Limited Purpose HRA allows employees to use those funds toward "permitted Insurance" like dental and vision expenses. This option has potential compliance considerations and communication could be difficult. A Post Deductible HRA allows for medical expenses after HSA plan deductible has been met. This option encourages HSA plan enrollment, but may have moderate cost to the State. A Retirement

HRA option could be used after the employee retires from the State. This option would have little cost to the State near-term, but presents no immediate value to the employee.

The Subcommittee discussed the possibility of offering more than one option. Ms. Iglesias responded that it would likely be more costly and more administratively challenging, but that there was no requirement to choose only one option. Mr. Taschner expressed his preference is to offer a Premium Holiday HRA and one other option. Ms. Iglesias noted a Subcommittee member currently enrolled in the CDH Gold plan expressed preference to not eliminate the CDH Gold Plan, but if the plan were eliminated, to offer a Premium Holiday HRA.

Mr. Taschner asked if the Retirement HRA would apply to separated employees or only when they retired. Ms. Iglesias responded that she would need to research that specifically, noting that she does not see the separated employee option frequently.

Ms. Magarik stated that employee surveys or engagement would be helpful in making some of these decisions. Dir. Rentz stated that SBO can work to outreach for member input.

The Subcommittee discussed if the HRA fund balance options were only for members who transferred to an HSA plan. Ms. Iglesias responded that the State has discretion to who has access to the funding, but cautioned the Subcommittee to consider compliance and non-discrimination.

Members considered the complexity of a successful implementation. Member education would include creating and distributing pre and post enrollment campaigns. Other considerations included the logistics and administrative responsibilities of training Benefit Representatives and Statewide Benefits staff. A successful implementation requires at least 6 months prior to the effective date. It was recommended that the plan leverage an executive sponsor to encourage participation in the plan and to help employees understand the value of the plan.

The Subcommittee discussed the bandwidth and resources of the Statewide Benefits Office to administer the current plans, and manage the increasingly complex communications necessary to successfully implement additional plan choices in a creative and innovative way. The Subcommittee agreed that additional staff are likely needed to support SBO.

The Subcommittee discussed the advantages of a HSA plan and the most likely participants. Tax advantages may be more attractive to higher income earners. A HSA plan is beneficial to those who wish to build a large tax-sheltered account for retirement, and it is also advantageous to members who are close to reaching the next tax bracket.

The Subcommittee deliberated on whether the proposed HSA option was competitive with the CDH Gold Plan, and whether the CDH plan should be eliminated if the HSA plan is implemented. CDH members could be grandfathered in if the plan was eliminated.

Mr. Taschner queried if employees who are vested, versus non-vested have rights to any remaining HRA funds. Ms. Iglesias would follow up.

Treasurer Davis inquired about wellness incentives offered by other states as noted in the appendix. Ms. Iglesias responded that if details are publically available it can be provided.

SUPPLEMENTAL INSURANCE LEGISLATION – DIRECTOR RENTZ

In 2013 legislation was passed to procure accident and critical illness coverage to employees working 30 or more hours a week. The contract was awarded to Aflac for five years, and terminates on June 30, 2020. The legislation requires the Committee to evaluate the contract and use discretion to continue, restructure or terminate the program.

This is an employee pay-all program with no premium cost or administrative fees to the state. Current enrollment in the program is low, with 2.34% of State employees and 1.63% of University of Delaware employees having at least one contract. Dir. Rentz added that enrollment in supplemental insurance could be impacted if the GHIP offers a high-deductible HSA plan.

There is a provision in the legislation that the carrier must maintain a claims loss ratio of not less than 60%, currently the claims loss ratio is approximately 38%. To address this, effective May 1, 2018 Aflac established a Claims Loss Ratio Compliance Fund. If the contract is discontinued, the fund would compensate participants enrolled during the term of the contract within six month of the contract termination.

While the contract expires in June of 2020, the SBO will need approximately one-year in advance to procure services. Therefore, the Subcommittee is being asked to make recommendations on the whether or not to continue, restructure or terminate the program.

Mr. Taschner recommended communicating with the sponsors of the original legislation.

OTHER BUSINESS

Mr. Oberle asked about the implementation date for SurgeryPlus. Dir. Rentz responded that July 1, 2019 remains the target date. She noted that a video is in production to provide a preview of the benefit for Open Enrollment. A plan design and incentive structure will be discussed with the Subcommittee when it is available.

ADJOURNMENT

A MOTION was made by Ms. Brennan and seconded by Ms. Schock to adjourn the meeting at 2:58 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