



**MINUTES FROM THE FINANCIAL SUBCOMMITTEE TO THE STATE EMPLOYEE BENEFITS COMMITTEE
MAY 2, 2019**

A meeting of the Financial Subcommittee to the State Employee Benefits Committee (the “Committee”) was held May 2, 2019 in the Large Conference Room of the Statewide Benefits Office (“SBO”) 97 Commerce Way, Dover, Delaware 19904.

Committee Members Represented or in Attendance:

Director Faith Rentz, SBO, Department of Human Resources (“DHR”) (Appointee of DHR Sec. Johnson), Chair
The Honorable Colleen Davis, State Treasurer, Committee Member
Secretary Saundra Johnson, DHR, Committee Co-Chair
Ms. Judy Anderson, Delaware State Teachers Association (Appointee of the DSEA, Jeff Taschner)
Ms. Molly Magarik, Deputy Secretary, Department of Health and Social Services (“DHSS”) (Appointee of Sec. Walker)
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)
Ms. Ruth Ann Jones, Legislative Analyst, Office of the Controller General (“OCG”) (Appointee for CG Morton)

Committee Members Not Represented or in Attendance:

Mr. Keith Warren, Policy Director, Office of the Lt. Governor (Appointee of Lt. Governor Hall-Long)

Others in Attendance:

Deputy Director Leighann Hinkle, SBO, DHR	Ms. Nina Figueroa, Policy Advisor, SBO, DHR
Mr. Chris Giovannello, Willis Towers Watson (“WTW”)	Ms. Katherine Impellizzeri, Aetna
Ms. Rebecca Warnken, WTW	Mr. Walter Mateja, IBM Watson Health
Mr. Matt Bittle, Delaware State News	Ms. Lisa Mantegna, Highmark Delaware
Ms. Christina Bryan, Delaware Healthcare Association	Ms. Jennifer Mossman, Highmark Delaware
Ms. Cherie Dodge Biron, Controller, DHR	Ms. Martha Sturtevant, Executive Assistant, SBO, DHR

CALLED TO ORDER

Dir. Rentz called the meeting to order at 10:01 a.m.

APPROVAL OF MINUTES – DIRECTOR RENTZ

A MOTION was made by Ms. Schock and seconded by Ms. Anderson to approve the minutes from the March 7, 2019 Health Policy & Planning Subcommittee meeting.

MOTION ADOPTED UNANIMOUSLY.

DIRECTOR’S REPORT – DIRECTOR RENTZ

Health Policy & Planning Subcommittee

The Health Policy & Planning (“HP&P”) Subcommittee will meet the afternoon of May 2, 2019 to finalize potential recommendations to GHIP Infertility benefits. There will also be a continued discussion regarding a potential HSA plan as the Subcommittee begins to prepare finalized recommendations for the Committee’s June meeting.

SEBC Update

The Committee will meet Monday, May 6, 2019 to review Q3 financials and continue the discussion on potential premium rate increases in FY20. The Committee will also review the final recommendations proposed by the HP&P Subcommittee regarding GHIP Infertility benefits.

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FINANCIALS – MR. CHRIS GIOVANELLO, WTW & MS. REBECCA WARNKEN, WTWMarch Fund Report

Revenues were as expected. Claims were \$1.4M above budget and reflect quarterly seasonality. Year to date, the claims variance to budget is 2% below budget. Net income for March is approximately a \$7M deficit compared to an expected deficit of approximately \$6M. The year to date fund equity balance is \$158.4M for a \$75M surplus above claim liability and minimum reserve. The forecasted FY19 surplus is approximately \$60M.

FY19 Q3 Financials

When comparing FY19 Q1 through Q3 with the same period of FY18, overall cost per-member per-year is up 5.2%. Medical is trending favorably at 4% and prescription is trending at 9.6%.

When comparing the FY19 actual budget with the original budget prepared by Willis Towers Watson, the per-member per-year trend is down 3.1%. However, it was noted that the budget reflects 20 invoices paid through Q3, and that actual paid invoices by Express Scripts is currently 19; when normalized, it is 1.7% below budget.

The key observations of the Executive Dashboard include good utilization of well visits across all ages. There continues to be an increase in High Cost Claimants (“HCC”). Specialty pharmacy is driving an increase in pharmacy cost, both in unit cost and increased member utilization. Additionally, screening rates for cholesterol, cervical, breast, and colon cancer are below benchmark.

FY20 Health Plan Premium Discussion

The FY19 budget has been revised down to \$827M, compared to \$829.8M presented last quarter. Operating expenses remain unchanged. There is an increase in other revenues of \$3M, resulting from revised EGWP payments, pharmacy rebates, and an increase in participating group fees. The updated budget projects a FY19 surplus of \$60.1M.

Projected enrollment has been reduced from 2% to 1%, to align with historical growth. This adjustment accounts for a \$1.5M reduction in the FY 19 projected budget, and the FY20 budget has been revised to \$856.2M, down from \$865.3M; primarily driven by a decrease in expected enrollment. The FY20 budget is up 3.5% from FY19.

Three different premium rate increase scenarios were presented. A 2% premium rate increase projects a FY20 surplus of \$52.1M. A 1% premium rate increase projects a FY20 surplus \$43.9M, and a flat increase projects a FY 20 surplus of \$35.6M.

Depending on plan and coverage tier, a 2% increase scenario totals \$.56 to \$5.46 per month in premiums paid by the member. A 1% increase scenario totals \$.28 to \$2.73 per month in premiums paid by the member.

A flat increase satisfies the recommendation to smooth the surplus over two years, but the resulting deficit in FY21 would require premium rate increases of roughly 8%.

Members discussed the per-member per-month cost for the proposed premium rate increases. Members discussed the compounding effects of delaying premium rate increases. Members discussed that a modest premium rate increase would help to maintain fund surplus, account for the projected increase in retiring state employees, and for the increased cost and utilization of specialty pharmacy; while remaining less than the average trend of 5%.

Members discussed that many employees are unclear on the impact of an increase to their premiums, and often equated the increase to a percent of their pay. It was suggested that communications on any proposed increase be clearly communicated with dollar amount as opposed to the percent increase to premiums.

Ms. Jones asked to add the State share amount to the report. Ms. Warnken agreed she would include it in the materials for the May 6 SEBC meeting.

Mr. Snyder noted the end to the State's hiring freeze, and inquired about the impact to the plan growth assumptions. Dir. Rentz responded that she would follow up with the Office of Management and Budget for details.

HEALTH SAVINGS ACCOUNT PLANNING – MR. CHRIS GIOVANNELLO, WTW

Dir. Rentz encouraged the Subcommittee to develop a consensus on several decision points before making recommendations to the Committee at the June 10, 2019 meeting; whether or not to recommend a Health Savings Account ("HSA"). She added that implementation would require approximately twelve months to communicate to employees and to engage the vendor to administer the plan.

Mr. Giovannello recapped the highlights of the Joint Subcommittee meeting in April. There were considerations to the treatment of the CDH Gold Plan and remaining fund balances, as well as member communications for implementing a HSA plan. As a result of questions proposed by the Subcommittees, an Executive Session was convened to discuss the detailed findings from the RFP.

Members reviewed HSA plan design scenarios. Scenario 1 provides a seed deposit of \$1K individual/\$2K family. This scenario aligns with other state plans. The relative benefit value of 89% means the State pays \$.89 cents of every dollar, compared to 96% in the existing CDH Gold Plan, and 88% in the peer group.

The State has flexibility on the amount and timing of seed funding. The most common approach among other plans is to make the full deposit upfront. It is recommended to prorate the deposit for new hires. There is a risk that the GHIP may forfeit up to \$100K in lost seed money based on turnover.

Ms. Shock asked about data available on employee tenure. SBO distributed a handout prepared for the HP&P Subcommittee with statistics on the last three years of employee tenure. Ms. Anderson asked if the three-year aggregate data could be isolated for the most recent year. Ms. Hinkle responded that it was available.

Ms. Magarik expressed concern regarding the potential exposure to the state of losing \$100K, but added it did not discourage her from being in favor of seeding upfront.

The HSA does not save the State money, but rather offers choice and retention opportunity. Per 5% migrating to the HSA Plan, the State would see a \$3M savings. Mr. Snyder asked what plans the migration was expected to come from. Ms. Magarik responded that for modeling purposes the migration comes from all plans, however it is likely that the CDH Gold Plan members are most likely to migrate.

Per State Code the State pays 95% of premium for a consumer directed healthcare plan. Budget rates are set by the relative difference in plan value. It is recommended that the rate is set at the reduction of the actuarial value (CDH rate x 89% / 96%).

Members discussed moving from a 10% liability to a 20% liability. Some members have large HRA fund balances, but it was noted that the HRA funds do not belong to the member. In an HSA plan, the member would retain the funds that the employee can take with them if they leave state government.

The Subcommittee discussed feedback received from SBO survey sent to 1,690 CDH Gold Plan contract holders. There was a higher than expected response rate. Dir. Rentz noted that the responses indicate a fair understanding of the tax advantages, but the feedback was mixed.

Ms. Hinkle added that a similar survey was sent in 2018 to employees across all plans. The results regarding the interest in an HSA plan were 41%-no, 42%-maybe, and 15%-yes.

The next consideration is in regards to potential fiduciary responsibility regarding the investment options. HSA is exempt from ERISA, because it is an IRS Trust account. The Department of Labor states HSA plans, where an employer makes or influences investment choices, will be subject to ERISA, but the State is a government plan.

However, State laws would apply if the State were to influence the investment choices. Any noncompliance with state law would put the State at risk for potential lawsuits from participant's improper oversight, excessive fees, and potential conflict of interest charges. Therefore, it is recommended that the State delegate oversight to the HSA administrator and/or its banking partner. The State should consult with legal counsel if it chooses to exercise oversight over investment options.

The final topic for consideration is the existing CDH Gold Plan. The recommendation is to maintain the CDH Gold Plan as an option, but freeze new enrollment and discontinue seed funding. This provides an opportunity for those with high HRA balances to spend down remaining HRA funds.

Members discussed the administrative challenges of options previously considered, and the recommendations being proposed.

There was a discussion regarding coordinating the SurgeryPlus benefit with a HSA Plan. Dir. Rentz responded that the benefit is currently in design.

Ms. Magarik responded that the recommendations were responsible, and the most administratively feasible. She stated that while Pharmacy expense applies toward the deductible, the pharmacy benefit is capped at a copay after the deductible, and is not a coinsurance; therefore the risk is mitigated. Mr. Snyder responded that he sees value as a recruitment tool, but does not feel a HSA will appeal to current employees.

Dir. Rentz stated that it is helpful to revisit the primary goals of the Committee's strategic framework including sustaining benefits, and offering affordable plan options, when considering the proposed recommendations.

OTHER BUSINESS

No other business was presented.

ADJOURNMENT

A MOTION was made by Ms. Magarik and seconded by Ms. Stewart to adjourn the meeting 11:37 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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