



**MINUTES FROM THE FINANCIAL SUBCOMMITTEE TO THE STATE EMPLOYEE BENEFITS COMMITTEE
JUNE 6, 2019**

A meeting of the Financial Subcommittee to the State Employee Benefits Committee (the "Committee") was held Thursday, June 6, 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, Dept. of Human Resources ("DHR") (Appointee of DHR Sec. Johnson), Chair
- Ms. Susan Steward, Policy Analyst, Office of the State Treasurer (Appointee of Treasurer Davis)
- Ms. Judy Anderson, Delaware State Teachers Assoc. (Appointee of the DSEA, Jeff Taschner)
- Mr. Steve Costantino, Dir. of Health Care Reform, Dept. of Health and Social Services ("DHSS") (Appointee of Sec. Walker)
- Ms. Emily Thomas, Fiscal & Policy Analyst, Office of Management & Budget ("OMB") (Appointee OMB Dir. Jackson)
- Mr. Stuart Snyder, Chief of Staff, Dept. of Insurance ("DOI") (Appointee of Commissioner Navarro)

Committee Members Not Represented or in Attendance:

- Mr. Keith Warren, Policy Director, Office of the Lt. Governor (Appointee of Lt. Governor Hall-Long)
- Ms. Ruth Ann Jones, Legislative Analyst, Office of the Controller General ("OCG") (Appointee for CG Morton)

Others in Attendance:

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| Deputy Director Leighann Hinkle, SBO, DHR | Ms. Katherine Impellizzeri, Aetna |
| Mr. Chris Giovannello, Willis Towers Watson ("WTW") | Mr. Walter Mateja, IBM Watson Health |
| Ms. Jaclyn Iglesias, WTW | 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 |
| Ms. Nina Figueroa, Policy Advisor, SBO, DHR | Ms. Judi Schock, Deputy Principal Assistant, OMB |

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 Mr. Snyder and seconded by Ms. Anderson to approve the minutes from the May 2, 2019 Financial Subcommittee meeting.
MOTION ADOPTED UNANIMOUSLY.

DIRECTOR’S REPORT – DIRECTOR RENTZ

SEBC Update

The Committee will meet June 10, 2019 and is expected to vote on several proposals, including the contract award recommendation of the Proposal Review Committee ("PRC") for the renewal of the Flexible Spending, Pre-tax Commuter, and Consolidated Omnibus Budget Reconciliation Act ("COBRA") Request for Proposal. The effective date for the contract as proposed will be January 1, 2020.

Subsequent to today’s Subcommittee meetings, the Committee is also expected to consider whether to increase health care premiums in FY20, and is expected to vote on the recommendations to enhance Group Health Insurance Program ("GHIP") infertility benefits. Dir. Jackson will provide the Committee with an update from the Joint Finance Committee regarding the availability of funding for both proposals.

STATE OF DELAWARE STATEWIDE BENEFITS OFFICE

The Committee will also consider final recommendations from today's meetings, on the plan design and incentive proposal for SurgeryPlus.

Finally, the Committee is expected to discuss, but not vote on, the recommendations, adoption and implementation of a Health Savings Account ("HSA") plan.

Updates/Handouts

Dir. Rentz distributed follow up materials to the Subcommittee, including a Q2 Site of Service Steerage Report, and a report on emergency room and urgent care utilization.

The Express Scripts contact 1-year renewal is complete. In the fall the Subcommittee will consider whether to extend the contract for a fifth and final contract year.

The Highmark amendment is expected to be finalized within the week. Additionally, Aetna amendments are expected to be completed by the end of June. SBO remains in ongoing discussions with all three vendors regarding Value Based Contracting, monitoring network access and utilization, performance guarantees and metrics for preventative care, diabetes prevention and management programs, program enhancements, and monitoring of mental health/behavioral health benefits.

Mr. Costantino asked about the timeline to advertise the RFP in the event that the Express Scripts contract is extended for a fifth year. Dir. Rentz estimated that the RFP would be advertised in the August/September 2020 timeframe with the goal of completing the RFP by year-end 2020.

Dir. Rentz distributed a list of proposed focus items for the Subcommittees' consideration and discussion in the second half of 2019, including Referenced Based Pricing and Disability Insurance Program and Group Health Plan Rules & Regulations.

FINANCIALS – MR. CHRIS GIOVANELLO, WTW & MS. JACLYN IGLESIAS, WTW

April Fund Report

April revenues were in line with budget. There was a Q2 Coverage Gap Discount of \$4.2M received. Claims came in \$5M below budget, bringing the year-to-date total to 2.43% below budget, and trending 5% budget for the year. There was a \$2.9M net income bringing the balance of the fund to \$161.3M, and the year-to-date variance to budget of \$20.6M.

FY20 Health Plan Premium Discussion

Based on FY19 Q3 projections, the projected surplus is \$60.1M. A 2% increase provides \$16.5M in premium revenue and projects a FY20 surplus of \$52.1M and a FY21 surplus of \$16.3M. No premium rate increase projects a FY20 surplus of \$35.6M and a FY21 deficit of \$33.7M, which would require a FY21 premium increase of 6.2% to smooth the deficit over 2 years.

Referencing favorable claims, Ms. Anderson asked about adjustments to the projections. Mr. Giovannello responded the recommendations are not adjusted monthly.

Mr. Costantino inquired how a premium increase was built into the budget forecasting. Mr. Giovannello responded that the increase is projected for each year. Ms. Steward clarified that a vote for a rate increase was a one-time increase. Mr. Giovannello responded that the vote is for a one-time FY20 increase.

Ms. Anderson asked for clarification on the expectation of the Committee to act on premium rate increases at Monday's meeting. Dir. Rentz responded that the recommendation of the Subcommittee will be presented and Dir. Jackson will update the Committee on the availability of funding.

The Subcommittee has previously recommended smoothing the surplus over two years when recommending a premium rate increase to the Committee. However, holding premium rates flat in FY20 will support the two year smoothing recommendation.

Mr. Costantino asked to clarify that smoothing was not built into the projections. Mr. Giovannello confirmed that smoothing was not built into the projections.

Members discussed that any potential rate increase should be communicated with dollar amounts rather than percentages.

Ms. Anderson asked if the projected cost saving initiatives were included in the budget projections. Mr. Giovannello confirmed that the projected savings from all approved program changes are included in budget projections. He added that SurgeryPlus savings projections have been recently revised due to their expansion of services, but not yet included in budget projections.

Dir. Rentz recommended saving final feedback until the end of today's presentations.

HEALTH SAVINGS ACCOUNT PLANNING – MS. JACLYN IGLESIAS, WTW

The PRC recommended the Subcommittees evaluate the overall GHIP plan offerings and consider a Health Savings Account ("HSA") plan. Final recommendations will be presented to the Committee on Monday, June 10, 2019.

Additional dialogue is expected at the Committee meeting regarding how a HSA plan fits into the broader strategic framework of the GHIP, as well as additional considerations regarding other Committee priorities, and the need for additional SBO support.

Mr. Costantino asked if the viability of a HSA plan is contingent upon a certain number of participants. Ms. Iglesias responded that a HSA can be administrated by existing GHIP providers as part of the overall portfolio, and therefore there is not a minimum threshold for participation.

Members reviewed the outline of different plan design scenarios. SBO surveyed the Health Policy & Planning Subcommittee Members on the proposed plan design scenarios. Responses were received by three out of five Subcommittee members in favor of Scenario 1, and two out of five preferred Scenario 2.

Prescription coverage in a HSA plan differs from the CDH Gold Plan in that prescription cost sharing applies only after the deductible has been met.

Mr. Snyder queried if it was an IRS rule that requires prescription drug expenses in a HSA plan to first meet the deductible. Ms. Iglesias confirmed.

WTW recommends and Subcommittee respondents surveyed were unanimous in their recommendation that seed funding be deposited as an upfront lump sum, and prorated by quarter for new hires.

Members reviewed the potential financial impact of offering a HSA. Offering a HSA does not create meaningful savings for the State, but rather adds choice for members. Per every 5% of member migration from all plans to the HSA plan, there would be \$2.9M in total savings for the State and \$1.9M to the General Fund under scenario 1 and less under scenarios 2 and 3.

Per Delaware Code, the State is required to pay 95% of the premium for a consumer-directed health care plan. WTW recommends setting the HSA budget rate based on the plan design value relative to CDH Gold, and setting the employee contributions equal to 5% of the budget rate. The Relative Benefit Value of Scenario 1 is 0.89 compared to the CDH Gold Plan with a Relative Benefit Value of 0.96, including seed amount.

If the Committee votes to offer a HSA plan, WTW recommends retaining the CDH Gold Plan for existing enrollees, but discontinuing future HRA funding. Subcommittee respondents agreed 4 to 1 to freeze the existing CDH Gold Plan.

WTW recommends that the State delegate oversight of HSA investment options to the administrator and/or banking partner. Subcommittee respondents were in unanimously in favor of this recommendation.

Members reviewed a calendar example for member education and communications. The timeline proposed for plan implementation is a minimum of 12 months.

Mr. Costantino asked if the HSA option would be integrated into myBenefitsMentor. Dir. Rentz confirmed.

Administratively, PHRST is able to implement HSA contributions via payroll deductions with an effective date not earlier than July 1, 2020. There are participating groups with varying payroll systems that would prevent employees from making pre-tax payroll deductions. Employees without payroll deductions could still realize the pre-tax benefit by initially making HSA contributions on a post-tax basis and then making an adjustment on their personal tax filing.

The Department of Justice drafted epilogue language that would allow the SBO the opportunity to review and determine whether there are satisfactory mechanisms in place at each participating group for providing pre-tax contributions to a HSA.

Mr. Costantino asked if a HSA was similar to deferred compensation. Dir. Rentz responded that deferred compensation differs from a HSA, because is not available to participating organizations. She added that while administratively similar to deferred compensation, SBO lacks the infrastructure to help participating groups manage pre-tax contributions.

Ms. Steward queried the timing of the projected realized savings. Mr. Giovannello responded, FY21.

Members were encouraged to connect with their respective SEBC member to share final feedback and recommendations on the recommendation and implementation of a HSA.

Members discussed the challenges of a HSA, and the differences between the CDH Gold Plan. Effective member education regarding the upfront prescription costs is a primary concern, and communications should include the pros and cons of the HSA plan.

Members discussed different HSA migration scenarios and percentages, as well as the potential migration of existing CDH Gold Plan members. Mr. Costantino added that a recent study of the marketplace shows that employees are not choosing the lowest cost health care plan, because members worry about what may happen.

Mr. Costantino asked to clarify that reimbursement rates would remain the contractual prices with GHIP providers. Ms. Iglesias confirmed that the current network and contracted rates would apply.

SURGERYPLUS IMPLEMENTATION – MS. JACLYN IGLESIAS, WTW

A Center of Excellence (“COE”) is a medical facility and/or professional that has been identified as delivering high quality services and superior outcomes for specific procedures or conditions. Plan design steering to encourage use of COEs is optional.

COEs are available through Highmark and Aetna for a limited scope of services. Some travel provisions are provided and members pay out-of-pocket expenses according to their plan. The scope of services varies between vendors, as well as the COE credentialing criteria.

A RFP was issued in March 2018 to evaluate third-party administrators of COE services to reduce the total cost of care, increase participant choice of providers who deliver a high quality of care, minimize disruption to members going outside of their plan, and to incentivize providers who deliver higher quality care at a lower cost. The PRC recommended SurgeryPlus in October 2018, and the Health Policy & Planning Subcommittee was asked to evaluate and recommend a plan design.

SurgeryPlus includes an increase in the breadth of procedures currently available.

Mr. Costantino queried if the bundled payments and risk arrangement with SurgeryPlus was proprietary. Ms. Iglesias confirmed.

Members discussed that the SurgeryPlus network is primarily outside of Delaware (Philadelphia, New Jersey and Baltimore/Greater DC areas). Dir. Rentz added that once the plan design has been accepted, SurgeryPlus is committed to adding to expand their Delaware network.

SurgeryPlus has a robust Physician and Facility credentialing process, including evaluating for board certifications, procedure volume requirements, and medical malpractice review.

SurgeryPlus participants will have their member out-of-pocket expenses waived. Additionally, travel concierge benefits are robust with SurgeryPlus, including per diem and companion travel.

Mr. Costantino inquired whether the bundled arrangement for post-acute care was provided as a 30 or 90 day bundle, or if it was variable. Ms. Iglesias responded that she would confirm.

The proposed member engagement strategy offers members an incentive of \$500 to \$4K, variable based on the procedure. Additionally, tax reporting would be administered by SurgeryPlus.

Ms. Anderson asked to confirm that participation in the program is voluntary. Dir. Rentz confirmed.

Members discussed the additional compliance considerations of integrating SurgeryPlus benefits with a HSA plan. Ms. Iglesias added that SurgeryPlus has clients who offer HSA plans. Ms. Steward requested an example to help understand how the two would work together.

Mr. Costantino asked if data was available for historical GHIP utilization of the services provided under the SurgeryPlus benefit. Dir. Rentz responded that data was available.

Ms. Anderson requested data on the trend of utilization and adoption of SurgeryPlus. Ms. Iglesias responded that word of mouth is the most effective catalyst to increased participation.

Mr. Snyder queried whether increased utilization of SurgeryPlus, which primarily resides outside of the Delaware network, would have the unintended consequence of raising the cost of local GHIP procedures. Ms. Iglesias responded that the small volume of procedures acquired by SurgeryPlus has not been shown to correlate to increased costs.

Member communications are posted on the SBO website, and SBO will work with SurgeryPlus to provide all benefit eligible employees with an ID card and welcome letter.

Members who chose to participate in the program will be assigned a Care Advocate to guide them through process. If the member has a surgeon in mind, the Advocate will work to evaluate and approve, or make an alternate recommendation. Support will be provided for travel arrangements, transfer of medical records, scheduling consults, testing, surgical procedure and follow-up.

Mr. Costantino inquired about whether rehabilitation services were included in the surgery bundle. Dir. Rentz responded that she will confirm.

Eligibility files are being established so that SurgeryPlus may proactively outreach to members who have been identified as possible candidates based on GHIP claims data.

Previous financial projections estimated a savings of \$0.5M. After an evaluation of the tiered incentive design, and comparing the expanded list of procedures with 24 months of GHIP claim data, the estimated year-one net savings has been revised to \$2.7M based on a 10% average first-year utilization.

Ms. Anderson asked how coordination of care would be managed for members after the bundled period. Ms. Iglesias responded that the SurgeryPlus Care Advocate is responsible for insuring medical records are transferred back.

Recommendation – Premium Rate Increases

Members discussed how quickly any realized savings from approved program changes could be evaluated and substantiated. Dir. Rentz responded that SBO would work to provide a schedule and framework for updating members, but stated that SBO would want to see at least 6 months of claims data.

Members discussed the compounding effect of delaying premium rate increases.

There was a consensus of the Subcommittee to re-evaluate a potential rate increase after Q4 FY19, and any rate increase be communicated with dollar amounts rather than percentages.

Recommendation – SurgeryPlus

The Subcommittee was in favor of adopting the SurgeryPlus plan design as proposed, in conjunction with a strong member communication, ongoing monitoring of utilization, regular evaluation of realized savings against projections, and an ongoing effort to identify eligible providers in the Delaware network.

OTHER BUSINESS

Next meeting is scheduled on August 1, 2019.

ADJOURNMENT

A MOTION was made by Mr. Snyder and seconded by Mr. Costantino to adjourn the meeting 11:57 a.m.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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