



**MINUTES FROM THE FINANCIAL SUBCOMMITTEE TO THE STATE EMPLOYEE BENEFITS COMMITTEE
August 22, 2019**

A meeting of the Financial Subcommittee to the State Employee Benefits Committee (the “Committee”) was held Thursday, August 22, 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. Stuart Snyder, Chief of Staff, Dept. 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)
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)

Others in Attendance:

Secretary Sandra Johnson, DHR, Committee Member	Ms. Nina Figueroa, Policy Advisor, SBO, DHR
Mr. Jeff Taschner, DSEA, Committee Member	Mr. Walter Mateja, IBM Watson Health
Deputy Director Leighann Hinkle, SBO, DHR	Ms. Jennifer Mossman, Highmark Delaware
Mr. Chris Giovannello, Willis Towers Watson (“WTW”)	Ms. Paula Roy, DE Chiropractic Network
Ms. Rebecca Warnken, WTW	Ms. Elizabeth Scheneman, ED, Health Care Commission
Ms. Christina Bryan, Delaware Healthcare Association	Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Julie Caynor, Aetna	

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. Steward and seconded by Mr. Snyder to approve the minutes from the June 6, 2019 Financial Subcommittee meeting.

MOTION ADOPTED UNANIMOUSLY.

DIRECTOR’S REPORT – DIRECTOR FAITH RENTZ

Open Enrollment Statistics:

The Open Enrollment Highlights video had an overall participation of 52.2%. Overall Open Enrollment engagement was a record 84.7%, an increase of 3% over 2018. Agency participation in the myBenefitsMentor consumer decision tool came in higher than anticipated at 27.7% overall, with some agencies in the low 40% range.

July 1 Plan Changes

To date the Livongo remote diabetes monitoring program has 978 new enrollments.

The Surgery Plus medical concierge program is live and has 30 open cases as of 8/21, with 2 procedures scheduled. There were 59 first time calls for July. ID cards mailed are expected to increase awareness and enrollment.

STATE OF DELAWARE STATEWIDE BENEFITS OFFICE

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Site of Care Steerage

Changes to Site of Care copays have resulted in calls from retirees regarding access to lower cost lab and imaging services in areas outside of Delaware. SBO is assisting on a case-by-case basis to identify locations that they can utilize for a lower cost.

SBO Updates

The SBO Bulletin has a new format. The first addition was sent mid-August and will be sent monthly thereafter. A SEBC Corner in each edition will highlight the work of the Committee. A new Hidden Treasure giveaway intended to encourage readers to better navigate the SBO website has had a positive response.

SBO has added three new positions. Two training positions, and one IT position to support critical functions around COB administration, Group Health insurance Plan (GHIP) databases and ACA reporting.

Legislative Updates

SB 34 created an opioid impact fund and has a financial impact to the GHIP of approximately \$0.5M. The fund is established to support addiction in Delaware. Cost estimates will be monitored.

HCR 35 created the Interagency Pharmaceutical Purchasing Study Group to review and make recommendations on how to leverage State purchasing power to negotiate a lower cost for prescription drugs. The committee has been formed and will meet monthly beginning in September with recommendations expected in January. SBO is represented on the committee.

HCR 57 establishes a Pharmacy Reimbursement Task Force to study the reimbursement practices of the Pharmacy Benefit Managers. SBO will participate.

SS1 to SB 116 enhances the Primary Care Collaborative and establishes the Office of Value-based Healthcare within the Department of insurance. Dir. Rentz is scheduled to meet with bill sponsors on how SBO can support objectives.

RFP Updates

The Infertility Administration RFP released on August 12, 2019 has 4 confirmed bidders. Subcommittee members who were part of the RFP process may be invited to participate in evaluating the bid responses. Recommendations are expected to be brought before the Committee in December.

The Supplemental Benefits RFP is set to advertise on August 30, 2019.

A RFP for auditing services of the health and prescription plans is planned for 2020.

Contracting Updates:

Contracting has been finalized for Aetna, Express Scripts and Highmark for FY20. There is a preliminary contract in place with SurgeryPlus. SBO continues to work through the contract with The Hartford that is expected to be finalized in September.

In an effort to gain more information and understanding around the cost of services, SBO sent a letter to Highmark and Aetna requesting detailed information on the arrangements in place with hospitals. The request was refused by both Highmark and Aetna citing confidential & proprietary terms of their contracts with providers.

WTW is working on a detailed analysis comparing GHIP claims data to Medicare, and will present findings to the Committee in the coming months.

To better understand how GHIP costs compared to its peers, SBO is participating in a study with the RAND group to compare hospital prices on a national basis. A final report is expected in early 2020.

Highmark will attend the Committee meeting on Monday for a discussion around cost and transparency. The Committee is expected to move into Executive Session for a portion of the presentation. Aetna will present in September.

Members expressed concern that the TPAs will not disclose how the State's money is spent. Members queried whether a requirement for hospitals to file rates with a reporting agency could provide the necessary data to estimate negotiated rates.

Director Rentz suggested a combined subcommittee meeting for September. Members expressed no preference for time of day.

FINANCIALS – MR. CHRIS GIOVANNELLO & MS. REBECCA WARNKEN, WTW

May & June Fund Reports

May had an increase in the amount of rebates paid, including \$9.6M Commercial and \$6.2 Employer Group Waiver Plan (EGWP). The increase in payments and the renegotiated ESI contract are reflected in budget projections. May claims came in \$4.9M below budget.

The direct subsidy payment increased for June and there was a missed performance guarantee payment from Highmark. Overall, June came in \$6.4M below budget for a total of \$29.0M below budget. The Fund Equity Balance is \$164.0M for a favorable year end.

Claims were \$29.1M below budget, bringing the Fund Equity Balance to \$163.8M. The total surplus, net of reserves, is \$80.7M for the end of FY19.

Members discussed the favorable end to FY19 and noted that the GHIP is outperforming the national average.

FY19 Q4 Financial Reporting

There was a 5.5% increase in the total program costs driven by a 1.4% increase in members. The medical spend per member per year went up 3.4% trending favorably to budget. Pharmacy went up 6.7% favorable to budget. Favorable claims experience in Q4 was driven by increases to rebates and improvements to expected EGWP payments. There was \$15.1M net income generated in FY19 that is trending at 4%.

Preventive care visits were well above benchmark across all age groups. High Cost Claimants (members with claims over \$100K) has slowed to a 2% increase in claimants per thousand.

Specialty pharmacy claims increased 3%, and is a result of a 20% increase in utilization, but offset by 2% decrease in allowed cost of prescriptions. Inpatient admissions decreased by 7%, but were offset by an increase in cost per admission.

FY20 GHIP Budget

The budget will be presented for the Committee's consideration on September 26, 2019. The budget as proposed for FY20 is based on 24 months of claims experience.

There is \$164M starting balance with premium contributions expected to be \$832.5M.

Direct subsidy payments are declining, but are more than offset by the increase in coverage gap discounts and Federal Reinsurance payments.

The 2018 Federal reinsurance true-up payment, and \$1.2M in low-income cost sharing payments expected for January 2020 have been excluded for the purpose of the projections, but will be revised when received.

Total projected operating revenues are \$943.0M. Total claims are projected at \$909.0M.

There is a 5% trend assumption for medical and a 10% trend for pharmacy. Premium contributions assume a 1% annual increase in enrollment.

Holding rates flat is expected to result in a \$6.3M loss of net income to bring the Fund Equity balance to \$157.5M.

The claim liability was updated to \$58.5M based on claims experience through Q4. The minimum reserve of \$24.3M did not change.

UPDATED GHIP PROJECTIONS – MS. REBECCA WARNKEN, WTW

The WTW budget of \$837.0M includes all operating expenses (net of rebates and EGWP payments not yet received). It also reflects updated claims experience through June of 2019, GHIP enrollment as of July 2019 plus 1%, all program changes, passed legislation, and copay changes.

The FY21 Preliminary Budget of \$883.4M reflecting the 5% healthcare trend, 1% membership growth and the implementation of Highmark's radiation authorization program.

Historically Q4 has the highest claims. However, for the second straight year the State GHIP has seen a decrease in Q4 medical claims. WTW will continue to monitor the trend.

2019 Open Enrollment increased membership by 1.6% over the FY19 average. FY20 enrollment projections assume a 1% growth during FY20, representing a .5% average increase over July 2019 and a 2.1% over FY19.

The 2019 Open Enrollment saw a migration away from HMO Plans and an increase in all other plans; including a 5% increase in PPO plan, and a 7% increase in the CDH Gold Plan.

EGWP Funding Update

The EGWP program allows for the State to take advantage of Federal subsidy dollars, as well as pharmaceutical manufacturing dollars available previously only to the Medicare Part D Plans. It is collected as a monthly fixed amount with a mid-year adjustment.

The direct subsidy is provided to any plan sponsor of Medicare Part D. A decrease of \$4.00 per member per month is expected for 2020.

Dir. Rentz asked if the trend reflects intent to eliminate the funding entirely. Ms. Warnken responded that she did not believe so as other funding mechanisms, such as the reinsurance adjustments continue to increase. More claims fall into the Medicare Part D gap, and EGWP payments overall have been increasing year to year.

Coverage gap discount payments are the portion of the payment paid by pharmaceutical manufactures for prescriptions that fall in the Medicare Part D gap. The coverage gap discount payments are steady, but lag six months.

The federal reinsurance is a reimbursement by the federal government for claims above a catastrophic threshold based on the true out of pocket cost. As claims continue to rise above the threshold, the federal reinsurance amount will increase. The prospective method for reinsurance pays a fixed amount each month determined at the beginning of the calendar year. Reconciliation occurs at the end of the calendar year based on actual incurred reinsurance amounts. Payments are then adjusted and collected as a true-up. Some payments are incurred during the year in which they are attributable and some payments are happening 13 months after, and large sums paid out in January are attributable to a prior calendar year.

Excise Tax Projection

In July, the House approved legislation to repeal the excise tax, but action from the Senate is pending. The GHIP is not projected to hit the excise tax until to 2023, with 2.5M projected liability with annual increases thereafter.

Long Term Projections

The FY19 GHIP ended with a surplus of \$80.7M. Based on final FY20 projections and no premium rate increase during the fiscal year, FY20 budget is projected to end with a surplus of \$74.7M. To smooth the FY20 surplus over 2 years requires a 1.2% premium increase for FY21.

A 2% annual increase beginning in FY21 would result in a FY21 surplus of \$43.9M. To hold premiums flat would result in a FY21 \$27.1M surplus. No increases in premiums will erode the surplus in FY22 with a projected deficit of \$65.9M.

Sec. Johnson asked for impact to employees and pensioners. Ms. Warnken responded a 2% increase reflects an employee contribution increase of \$0.56 - \$5.46 monthly, and a State subsidy increase of \$13.35 - \$35.73 per employee per month.

WTW will provide an analysis of the FY19 experience when incurred reporting for Q4 becomes available, and continue to monitor the emerging FY20 experience.

OTHER BUSINESS

Members were asked for their time preference for the combined Subcommittee meeting. The FSC unanimously preferred meeting at 10AM. SBO will follow up to confirm changes for September.

ADJOURNMENT

A MOTION was made by Ms. Steward and seconded by Ms. Jones to adjourn the meeting 11:18 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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