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

A meeting of the Financial Subcommittee to the State Employee Benefits Committee (the "Committee") was held Thursday, November 7, 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
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer
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. Judi Schock, Deputy Principal Assistant, 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:
Mr. Chris Giovannello, Willis Towers Watson ("WTW")
Ms. Rebecca Warnken, WTW
Ms. Cherie Byron-Dodge, Controller, DHR
Ms. Katherine Impellizzeri, Aetna
Mr. Walter Mateja, IBM Watson Health
Ms. Jennifer Mossman, Highmark Delaware
Ms. Paula Roy, Roy Associates
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Elizabeth Zubaca, Hamilton Goodman Partners

CALL TO ORDER
Dir. Rentz called the meeting to order at 10:06 a.m.

APPROVAL OF MINUTES – DIRECTOR RENTZ
A MOTION was made by Treasurer Davis and seconded by Ms. Anderson to approve the minutes from the September 19, 2019 Joint Subcommittee meeting.
MOTION ADOPTED UNANIMOUSLY.

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ
Committee & Subcommittee Updates
The Health Policy & Planning ("HP&P") Subcommittee met October 10, 2019 to discuss improving access to primary care, review the results of the primary care employee survey, and a proposal for an opioid management program.

The HP&P will meet again November 7, 2019. The Subcommittee will continue discussions regarding an opioid management program and potential recommendation to the Committee. R-Health has been invited to present on their experience and outcomes of the primary care model they implemented in New Jersey.

The SEBC will meet November 18, 2019 to discuss updated financials and consider updates to the GHIP ("Group Health Insurance Plan") Strategic Framework. Tentatively the Committee will also consider approving a recommendation to implement an opioid management program.

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

August Fund Report

The Federal Reinsurance payment came in at $2.18M, compared to $887K budgeted. This was expected as a result of the annual reconciliation of the prospective payment against actual plan performance. The prospective payment has been increased for remainder of the year.

August was a rebate month. There were $10.6M in Commercial rebates and $6.9M in EGWP rebates attributable to incurred claims from January through March of 2019.

$2.3M in Other Revenues consisted primarily of a CareLink performance guarantee payment. An August Net Income of $16.8M brings the Fund Equity Balance to $161.6M.

Medical claims were under budget and pharmacy claims ran high for the second consecutive month. Total claims for August came in $688K over budget.

Mr. Costantino asked for clarification on the CareLink payment. Dir. Rentz responded that the details were previously discussed in Executive Session, but that the payment is tied to a risk-sharing arrangement with CareLink. Dir. Rentz will follow up with Mr. Costantino after the meeting with more clarification.

September Fund Report

Claims have stabilized relative to budget. Medical claims came in slightly under budget while pharmacy claims exceeded budget, for a year end variance of $2.7M above budget.

There was a drop in net income of $4.26M, bringing the Fund Equity Balance to $159.5M.

FY20 Q1 Financial Reporting

The cost analysis presented to the Committee compares FY19 Q1 with FY20 Q1 on a paid-basis compared to budget.

Medical program costs overall are up 6.6%, pharmacy is down 2.9%, driven by increased revenues and a 1.4% increase in members over the prior period. Consistent with the increase in enrollment, total program costs are up 4.2% and premium contributions are up 1.4%. Medical costs are up 5.2%, and pharmacy costs are down 4.2% over FY19 Q1.

The decrease in pharmacy is driven by Other Revenues that include improved rebates and EGWP (Medicare) collections; however, when isolating for pharmacy claims there is a $5.0M increase relative to Q1 FY19.

When looking at FY20 actual budget, there is a 0.6% drop in both Per Employee Per Year (“PEPY”) and PMPY relative to budget. A 6-month lag in reported medical claims and the coverage gap discount payment make the comparison more favorable to budget.

Quality metrics reflect decreases in chronic conditions, including the prevalence for asthma, diabetes and hypertension as well as favorable trends in preventive adult and well child visits.

The growth of High Cost Claimants (“HCC”) has stabilized but it is still increasing.

Specialty drugs are 40% of total pharmacy spend, as a result of a 23% increase in utilization. Cost of medications are down.

There has been an 8% decrease in the number of inpatient admissions offset by an increase in the cost and length of stay.

Mr. Costantino asked for clarification on the compliance metric for screening rates related to chronic condition prevalence. He queried whether the data could be separated into controlled and uncontrolled populations. Mr. Mateja responded that the compliance data is available. Ms. Warnken added that compliance metrics can be expanded in the Dashboard and that full incurred reporting will be available in December.

GHIP LONG TERM PROJECTION RECAST – MS. REBECCA WARNKEN, WTW

Members reviewed a recast of the FY20 budget and a revised projection for FY21 based on updated claims experience in FY20 Q1.

The updated FY20 budget is set at $838.8M aligning with the FY19 Q4 projection. Revenues, rebates and the prospective reinsurance adjustments have been favorable.

The FY21 budget is set at $885.8M and includes the implementation of Highmark radiation therapy authorization program.

The updated report uses 24 months of reporting. All FY20 program changes and passed legislation are incorporated.

On a rolling 12-month basis, claims are trending 5.1% higher than the prior period. Pharmacy trends are running higher than medical, but in line with national trend. Historically, medical claims are lowest in Q1, and pharmacy claims are highest in Q4. This seasonality has been incorporated into the projection.

FY21 projections increased by 5.6% over the FY20 recast as a result of an increase in claims experience offset by a drop in anticipated enrollment and higher than expected rebates and EGWP payments. Forecasting utilizes GHIP claims data to project a 5% trend. Alternate budget scenarios were calculated using 5.5% and 8% trend assumptions.

Data on the effectiveness of care management programs and the emergent plan experience through FY20 Q2 will be presented in February. A vote on FY21 rate increases is expected as early as February. A full year of data will also be provided on the savings from the prior year changes to site of care steerage.

The fund is expected to end the year with a $72.2M surplus. A rate increase of 6.2% would be required if no surplus is used in FY21.

The Committee reviewed premium increase scenarios for FY21 and beyond.

A 2% premium rate increase effective July 1, 2020, would smooth the surplus over two years, ending FY21 with a surplus of $36.7M and FY22 with a deficit of $27.4M. Forecasted to FY25, this scenario projects a deficit of $439.5M. A 2% increase equates to a $11.3M General Fund allocation.

A 1% increase effective July 1, 2020 would not meet the Subcommittee's recommendation to smooth the budget over two years. The FY21 surplus would drop to $28.3M and end FY22 with a deficit of $53.0M. Forecasted to FY25, this scenario projects a deficit of $574.4M. A 1% increase equates to a General Fund allocation of $5.6M.

No premium rate increase would drop the FY21 surplus to $19.9M, ending FY22 with a deficit of $78.5M. Forecasted to FY25, this scenario projects a deficit of $706.0M.

Premium rate increases are annual and not a one-time adjustment.

In December there will be a full-year review of Q4 incurred reporting, utilization data and plan performance, and an analysis of High Cost Claimants.

There was a discussion regarding SurgeryPlus. The latest reporting available indicated there were 175 open cases with 6 completed procedures. Data is refreshed the fifteenth of every month. Open cases include surgeries being

considered, but not yet recommended, and members who inquired but did not utilize the program. There may be a slight suppression of claim levels as a result of the bundled payment arrangement as no claims were paid in Q1. Treasurer Davis requested that Q2 reporting include the rate of consultation that does not result in surgery.

GHIP members enrolled in a non-Medicare plan are eligible to utilize SurgeryPlus. Members contact SurgeryPlus directly to open a case. Members do not receive direct outreach, but SBO Customer Service are permitted to make a soft transfer. Ongoing member communications will promote SurgeryPlus.

The Subcommittee provided feedback on the IBM FY19 Q4 dashboard. Mr. Costantino would like the reporting to show paid amounts for different service categories/conditions as a percentage of total spend.

POLICY & CONTRACTING UPDATES – DIRECTOR FAITH RENTZ

Dir. Rentz provided updates to the subcommittee regarding two legislative workgroups that she is participating in on behalf of the SEBC co-chairs; one to discuss opportunities to leverage pharmacy purchasing across the State payers; and, one to discuss the reimbursement practices for Pharmacy Benefit Managers (“PBMs”). Both workgroups are in the process of completing final recommendations due to the administration and legislature by the end of the calendar year.

Delaware Medicaid and State Employee Health have been asked to present transparency language to be considered as part of the PBM contract negotiations for the next contract or renewal year.

Negotiations have begun for the fifth and final-year contract with Express Scripts for both the Commercial and Medicare Part-D EGWP plans. An initial response on a financial proposal and a formal response related to transparency language is expected in December. It is expected that their response as it pertains to transparency language will refer to the audit rights of the contract.

There was a discussion regarding transparency, net costs and how transparency impacts the State as a stakeholder. Through audit rights the State can hire a third-party auditor to look at the rebates passed from the drug manufacturer to the PBM, but the State is not able to publicly disclose details under the terms of the contract.

There was a discussion regarding the GHIP generic prescription utilization. Medicare Part-D members are not required to fill generic prescriptions.

Terms for the year-five PBM contact are expected to be finalized in January for consideration with the FY21 budget. A Request for Proposal (“RFP”) will be released in August of 2020 for a new contract effective July of 2021.

The Subcommittee queried carving-in (State contracts directly with the vendor) versus carving-out (State contracts directly with PBM) to administer pharmacy benefits. A recent Third-Party Administrator submitted a bid to carve-in but is was not a competitive bid.

ESI was asked to bid both a spread arrangement as well as a pass-through arrangement in their final proposal. This provides an opportunity to evaluate on a one-year basis. The same request will likely be made in the RFP.

OTHER BUSINESS

No new business.

PUBLIC COMMENT

No public comment.

ADJOURNMENT

A MOTION was made by Ms. Anderson and seconded by Mr. Snyder to adjourn the meeting 11:15 a.m.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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