

# State of Delaware - Quarterly Financial Reporting

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FY20 Q2 Cost Analysis

February 2020

**State of Delaware**

Health Plan Quarterly Financial Reporting

FY20 Q2 Plan Cost Analysis

**Summary plan information**

- FY20 Q2 compared to FY19 Q2:

Summary (total)	FY20 Q2			FY19 Q2			% Change		
	Medical	Rx	Total <sup>1</sup>	Medical	Rx	Total <sup>1</sup>	Medical	Rx	Total
Gross claims	\$295.8	\$140.6	\$436.5	\$278.4	\$130.2	\$408.6	▲ 6.3%	▲ 8.0%	▲ 6.8%
Total program cost (\$M) <sup>1</sup>	\$316.8	\$88.8	\$406.7	\$300.7	\$87.9	\$389.7	▲ 5.3%	▲ 1.1%	▲ 4.4%
Premium contributions (\$M) <sup>2</sup>	\$327.6	\$88.1	\$415.7	\$316.1	\$94.3	\$411.6	▲ 3.6%	▼ 6.6%	▲ 1.0%
Total cost PEPY	\$8,755	\$2,472	\$11,244	\$8,453	\$2,471	\$10,957	▲ 3.6%	▲ 0.0%	▲ 2.6%
Total cost PMPY	\$4,959	\$1,392	\$6,372	\$4,775	\$1,395	\$6,188	▲ 3.9%	▼ 0.2%	▲ 3.0%
Average employees	72,377			71,147			▲ 1.7%		
Average members	127,764			125,970			▲ 1.4%		
Loss ratio	98%			95%					
Net income (\$M)	\$9.0			\$21.9					

<sup>1</sup> Total program cost includes office operational expenses

<sup>2</sup> Includes fees for participating non-State groups

- FY20 Actual compared to Original Budget (approved in August 2019):

Summary (total)	FY20 Q2 Actual			FY20 Q2 Budget			% Change		
	Medical	Rx	Total <sup>1</sup>	Medical	Rx	Total <sup>1</sup>	Medical	Rx	Total
Gross claims	\$295.8	\$140.6	\$436.5	\$304.7	\$139.7	\$444.5	▼ 2.9%	▲ 0.7%	▼ 1.8%
Total program cost (\$M) <sup>2</sup>	\$316.8	\$88.8	\$406.7	\$325.0	\$87.4	\$412.3	▼ 2.5%	▲ 1.6%	▼ 1.4%
Total cost PEPY	\$8,755	\$2,472	\$11,244	\$8,860	\$2,438	\$11,332	▼ 1.2%	▲ 1.4%	▼ 0.8%
Total cost PMPY	\$4,959	\$1,392	\$6,372	\$5,026	\$1,383	\$6,428	▼ 1.3%	▲ 0.6%	▼ 0.9%
Net income (\$M)	\$9.0			(\$5.9)					

**Note: WTW Budget reflects 14 assumed ESI pharmacy invoices, compared to 13 invoices reflected in ESI's paid claim reporting for FY20 Q1 and Q2. Smoothing for this difference, the actual cost per member would be about 2% above the WTW budget.**

<sup>1</sup> Total program cost includes office operational expenses (medical and Rx splits exclude these expenses)

<sup>2</sup> Total program cost excludes fees for participating non-State groups (these fees are included in premium contributions)

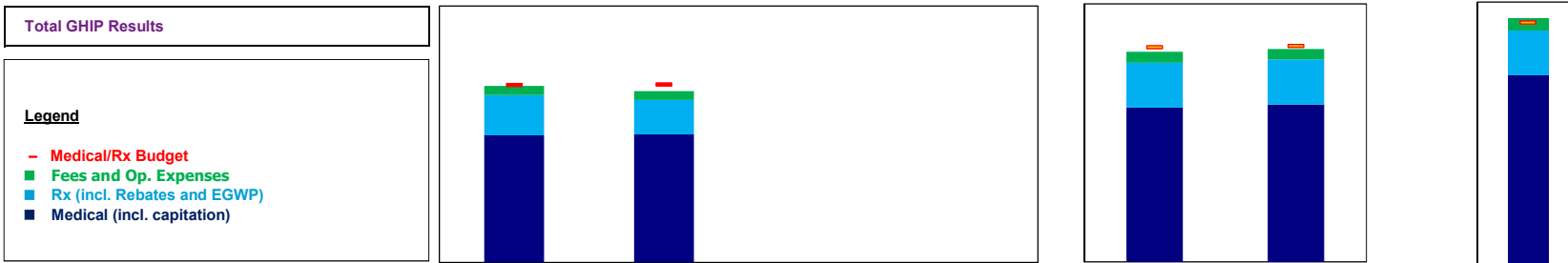
**Plan performance dashboard - key observations for total GHIP population**

- IBM Watson Executive Dashboard for January 2019 - December 2019 (compared to January 2018 - December 2018) details the following trends and cost drivers:
  - Chronic condition prevalence decreased for asthma, diabetes and hypertension; well child, well baby and preventive adult visits remain well above benchmark; screening rates for cholesterol and breast cancer increased from the prior period
  - Increase in portion of GHIP spend attributable to members with >\$100k in medical and Rx payments is on the rise, with a 6% increase in claimants per 1,000 and 10% increase (\$19.1m) in payments attributable to these members
  - The percent of prescription drug allowed amounts attributable to specialty medications increased by 5 percentage points over the prior period to 42% driven by a 27% increase in utilization; unit cost for specialty medications decreased 6%; generic dispensing rate is 2 points below benchmark
  - Inpatient admit frequency decreased 4%, offset by a 7% increase in cost per admit and 6% increase in length of stay

**Additional notes**

- Claims and expenses are reported on a paid basis
- FY20 budget rates were held flat from FY19
- Paid claims and enrollment data based on reports from Aetna, Highmark, and ESI; costs include operating expenses
- Expenses are broken down into two categories:
  - ASO Fees: includes fees for vendor administration, COBRA administration, ACA-related (PCORI), IBM Watson data analytics, EAP, and WTW consulting fees
  - Office Operational Expenses: includes expenses for items such as staff salaries, supplies, etc.
- Rx rebates and EGWP payments are shown based on the period to which offsets are attributable, rather than actual payment received in a given period
- No adjustments made to cost tracking for large claims as the State does not have stop loss insurance
- HRA dollars are assumed to be included in the reported claims
- Participating groups (such as University of DE) are included in the cost tracking, but are assumed to be 100% employee paid; as a result, reported net cost and cost share percentages may be skewed; participating group fees are included in premium contributions

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	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY20 YTD Actual	FY20 YTD WTW Budget <sup>8</sup>	Difference vs. Budget	FY20 Projected <sup>9</sup>
<b>Total Program Cost</b>	<b>\$206,527,703</b>	<b>\$200,171,983</b>			<b>\$406,699,686</b>	<b>\$412,309,722</b>	<b>▼ 1.4%</b>	<b>\$845,700,432</b>
- Paid Claims	195,686,771	189,848,416			385,535,187	392,198,522	▼ 1.7%	888,609,598
- <b>Medical (includes capitation<sup>1</sup>)</b>	148,761,351	149,813,400			298,574,752	304,749,294	▼ 2.0%	648,422,560
- <b>Rx (Including Rebates and EGWP)</b>	46,925,420	40,035,015			86,960,435	87,449,228	▼ 0.6%	156,157,727
- Rx Paid Claims	75,507,949	65,138,068			140,646,017	139,709,197	▲ 0.7%	262,326,221
- EGWP <sup>2</sup>	(10,604,944)	(9,601,456)			(20,206,400)	(19,114,715)	▲ 5.7%	(37,898,626)
- Direct Subsidy	(771,080)	(752,004)			(1,523,084)	(1,655,764)	▼ 8.0%	(2,523,288)
- CGDP	(5,921,576)	(5,959,864)			(11,881,440)	(11,946,856)	▼ 0.5%	(20,909,990)
- Catastrophic Reinsurance <sup>3</sup>	(3,912,288)	(2,889,588)			(6,801,876)	(5,512,094)	▲ 23.4%	(14,465,348)
- Rx Rebates <sup>4</sup>	(17,977,585)	(15,501,597)			(33,479,182)	(33,145,255)	▲ 1.0%	(69,503,781)
- ASO Fees	10,269,920	9,800,001			20,069,922	18,869,233	▲ 6.4%	38,636,211
- Operational Expenses	571,012	523,772			1,094,784	1,241,967	▼ 11.9%	2,483,934
<b>Medical/Rx Premium Contributions<sup>5</sup></b>	<b>\$207,540,932</b>	<b>\$208,148,345</b>			<b>\$415,689,277</b>	<b>\$ 418,202,070</b>	<b>▼ 0.6%</b>	<b>\$830,046,827</b>
- Net Income	(1,013,228)	(7,976,362)			(8,989,590)	(5,892,348)		(15,653,605)
- Total Cost as % of Budget	100%	96%			98%	99%		102%
<b>Current Year Per Capita</b>								
- Total per employee per year <sup>6</sup>	11,448	11,054			11,244	11,332	▼ 0.8%	11,643
- Total % change over prior	2.4%	2.6%			2.6%			-1.47%
- Medical per employee per year	8,744	8,778			8,755	8,860	▼ 1.2%	9,423
- Medical % change over prior	4.5%	3.6%			3.6%			7.74%
- Rx per employee per year	2,664	2,247			2,472	2,438	▲ 1.4%	2,186
- Rx % change over prior	-4.1%	0.0%			0.0%			-27.98%
- Medical per member per year	4,959	4,967			4,959	5,026	▼ 1.3%	5,341
- Rx per member per year	1,500	1,272			1,392	1,383	▲ 0.6%	1,239
- Total per member per year <sup>6</sup>	6,492	6,255			6,372	6,428	▼ 0.9%	6,599
<b>Prior Year Results</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q2 FY19</b>			<b>FY 2019</b>
- Total Program Cost	198,069,057	192,811,944			390,881,001	-	-	135,472,376
- Total Program Cost \$ Change	8,458,646	7,360,039			15,818,685	-	-	710,228,056
- Total per employee per year <sup>6</sup>	11,182	10,796			10,989	-	-	5,071
- Medical per employee per year	8,371	8,536			8,453	-	-	2,466
- Rx per employee per year	2,778	2,228			2,523	-	-	2,571
<b>EE Contributions<sup>7</sup></b>	<b>\$40,928,715</b>	<b>\$41,012,844</b>			<b>\$81,941,560</b>			<b>\$520,977</b>
- Net SoD	166,098,761	159,159,139			325,257,900	-	-	845,179,455
- SoD Subsidy %	80%	80%			80%	-	-	100%
<b>Headcount</b>								
- Enrolled Ees	72,317	72,436			72,377	72,768	▼ 0.5%	72,635
- Enrolled Members	127,519	128,008			127,764	128,282	▼ 0.4%	128,148
- Member/EE Ratio	1.8	1.8			1.8	1.8		1.8

<sup>1</sup> Capitation payments apply to HMO plan only

<sup>2</sup> Direct subsidy and catastrophic reinsurance prospective payments reflect actual payments received during quarter; CGDP estimated based on payment attributable to quarter; projected EGWP PMPM amounts provided by ESI

<sup>3</sup> Includes \$1.2m prospective reinsurance adjustment payment received in August 2019 to align with cash flow timing in Fund

<sup>4</sup> Reflects estimated rebates attributable to FY20; prior quarters to be updated with actual FY20 rebates when received; estimated rebates based on WTW analysis of expected rebates under ESI contract effective July 2019

<sup>5</sup> Premium contributions include fees for participating non-State groups

<sup>6</sup> Total per employee per year (PEPY) and per member per year (PMPY) values include operational expenses; these expenses are excluded from medical and Rx PEPY/PMPY splits

<sup>7</sup> Participating groups are assumed to be 100% EE funded, and Medicare retirees are assumed to be fully subsidized

<sup>8</sup> WTW Budget based on final FY20 Budget approved by SEBC on 8/26/2019

<sup>9</sup> FY20 Projected based on 24 months of claims experience through FY20 Q2; reflects average headcounts through Q2 with 1% assumed enrollment growth during FY20; reflects costs and savings attributable to all GHIP initiatives effective 7/1/19, including impact of passed legislation; 5% medical/8% pharmacy trend; EGWP revenues and prescription drug rebates projected based on the period revenues are attributable

## State of Delaware

### Health Plan Quarterly Financial Reporting

#### FY20 Q2 Reporting Reconciliation (WTW vs DHR Fund Equity Report)

FY20 YTD Reporting Reconciliation	WTW FY20 Q2 Financial Report	DHR December 2019 Fund Equity Report
<b>Total Program Cost</b>	<b>\$406,699,686</b>	<b>\$478,103,121</b>
<b>Paid Claims</b>	385,535,187	456,938,415
Medical Claims	298,574,752	305,006,974
Rx Claims <sup>1</sup>	86,960,435	151,931,440
Rx Paid Claims	140,646,017	151,931,440
EGWP	(20,206,400)	15,589,507
<i>Direct Subsidy</i>	(1,523,084)	1,533,696
<i>CGDP</i>	(11,881,440)	7,264,547
<i>Catastrophic Reinsurance</i> <sup>2</sup>	(6,801,876)	6,791,264
Rx Rebates	(33,479,182)	35,549,470
Total Rx Claim (Offsets)/Revenue <sup>3</sup>	(53,685,582)	51,138,977
<b>Total Fees</b>	21,164,707	21,164,707
ASO Fees	20,069,922	20,069,922
Operational Expenses	1,094,784	1,094,784
<b>Premium Contributions/Operating Revenues<sup>4</sup></b>	<b>\$415,689,277</b>	<b>\$470,424,397</b>
Net Income	8,989,590	(7,678,724)
Total Cost as % of Budget	98%	102%

**Note:** Fund reflects 14 actual ESI pharmacy invoices, compared to 13 invoices reflected in ESI's paid claim reporting for FY20 Q1 and Q2.

<sup>1</sup>WTW Rx claims shown net of EGWP revenue and Rx rebates; DHR Rx claims reflect gross claim dollars excluding additional revenue (EGWP and rebates)

<sup>2</sup>WTW FY20 reinsurance includes \$1.2m prospective reinsurance adjustment payment received in August 2019 to align with cash flow timing in Fund

<sup>3</sup>WTW reflects EGWP revenue and Rx rebates as offsets to Rx claims; DHR reflects these items as additions to operating revenues

<sup>4</sup>DHR premium contributions represent total operating revenues, including premium contributions, Rx revenues (EGWP and rebates), other revenues totaling \$2,918,399, and participating group fees totaling \$3,007,953; WTW premium contributions represent FY20 budget rates and headcounts (net of Rx revenues), including participating group fees

## State of Delaware

### Health Plan Quarterly Financial Reporting

#### Assumptions and Caveats

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##### Claim basis and timing

- 1 All reporting provided on a paid basis within this document.
- 2 FY2020 represents the time period July 1, 2019 through June 30, 2020 for all statuses; note Medicfill plan for Medicare eligible retirees runs on a calendar year basis. Therefore, FY2020 financial results span two plan years for the Medicare eligible population.

##### Enrollment

- 3 Medical and Rx enrollment based on quarterly tiered enrollment data from Highmark and Aetna; Medicare enrollment provided separately for retirees enrolled in medical (Highmark) and Rx (ESI).

##### Benefit costs/fees

- 4 Medical quarterly paid claims from Highmark and Aetna; Rx quarterly paid claims from ESI; EGWP subsidies and Rx rebates (Active, non-Medicare eligible retiree, and Medicare eligible retiree) from DHR
- 5 Administration fees and operational expenses from DHR-provided June 2019 Fund Equity Report; total quarterly fees are assigned to each plan on a contract count basis.
  - a. ASO Fees: includes fees for vendor administration, COBRA administration, ACA-related (PCORI), IBM Watson data analytics, EAP and WTW consulting fees.
  - b. Operational Expenses: includes expenses for items such as staff salaries, supplies, etc.
- 6 Pharmacy drug rebates are shown based on the period to which rebates are attributable; prior quarters to be updated with actual FY20 rebates when received; estimated rebates based on WTW analysis of expected rebates under ESI contract effective July 2019 and actual rebates through FY19 Q4; active/non-Medicare eligible retiree rebates assigned to each plan on a contract count basis; may differ from actual payments received during FY2020 due to payment timing lag.
- 7 EGWP payments based on actual and expected payments attributable to the period July 1, 2019 through June 30, 2020; reflects actual direct subsidy and prospective reinsurance payments received through December 2019 and coverage gap discount payments received through November 2019; remaining payments attributable to FY20 estimated based on projected amounts provided by ESI; may differ from actual payments received during FY2020 due to payment timing lag.
- 8 Prior year costs calculated from WTW's FY20 Q2 Financial Reporting provided in February 2019.
- 9 FY20 Projected based on 24 months of claims experience through FY20 Q2; reflects average headcounts through Q2 with 1% assumed enrollment growth during FY20; reflects costs and savings attributable to all GHIP initiatives effective 7/1/19, including impact of passed legislation; 5% medical/8% pharmacy trend; EGWP revenues and prescription drug rebates projected based on the period revenues are attributable

##### Budget/contributions

- 10 Active and non-Medicare eligible retiree budget rates and contributions reflect rates effective July 1, 2019. Medicare eligible retiree budget rates reflect rates effective January 1, 2019 for FY20 Q1 and Q2, and rates effective January 1, 2020 for FY20 Q3 and Q4. Budget rates include FY20 risk fees for Participating groups (excludes \$2.70 PEPM charge). FY20 budget rates were held flat from FY19.
- 11 Premiums and employee contributions are the product of monthly budget rate/contribution and quarterly average tiered contract counts provided by the medical vendors; assumes 1% enrollment growth during FY20.
- 12 Highmark quarterly reports do not provide enrollment data split by retirement date. All Medicare eligible retirees are assumed to have retired prior to July 1, 2012, and therefore do not contribute towards the cost of premiums. As a result of this conservative assumption, the healthcare program's net cost to the State may be overstated.
- 13 Participating groups are assumed to be 100% employee paid in order to estimate the healthcare program's net cost to the State; actual employee contributions vary and are difficult to capture since each group pays premiums at different times; participating group fees are included in premium contributions.
- 14 While COBRA enrollment and claims are reflected in the expenses, all medical/Rx participants are assumed to pay active contributions since COBRA participants make up less than 0.1% of the total population.
- 15 HRA funding for CDH plans are included in the paid claims reported in this document.

**State of Delaware**

Health Plan Quarterly Financial Reporting

Glossary of Important Health Care Terms

**Terms directly tied to cost tracking**

Terminology	Acronym	Definition
Administrative Services Only	ASO	When an organization funds its own employee benefit plan, such as a health insurance program, and it hires an outside firm to perform specific administrative services. Also referred to as "self-funded". Currently, the GHIP has ASO contracts with Aetna, Highmark and Express Scripts.
Capitation	n/a	Fixed payment amount (per member) to a physician or group of physicians for a defined set of services for a defined set of members. Fixed or "capitated" payment per member provides physician with an incentive for meeting quality and cost efficiency outcomes, since the physician is responsible for any costs incurred above the capitated amount. May be risk adjusted based on the demographics of the member population or changes in the member population. Often used for <i>bundled payments</i> or other <i>value-based payments</i> .
Consumer Driven Health Plan	CDHP	Allows members to use health savings accounts (HSA), health reimbursement accounts ( <i>HRA</i> ), or other similar medical payment products to pay routine health care expenses directly. GHIP currently offers a CDHP with <i>HRA</i> .
Coverage Gap Discount Program	CGDP	One of the funding components of an <i>EGWP</i> . Manufacturers provide discounts on covered Part D brand prescription drugs to Medicare beneficiaries while in the coverage gap.
Employee	EE	A person employed for wages or salary.
Employer Group Waiver Plans	EGWP	A Center for Medicare Service (CMS) approved program for both employers and unions. An employer may contract directly with CMS or go through an approved TPA, such as ESI, to establish the plan. They are usually Self Funded, are integrated with Medicare Part D, and sometimes include a fully insured "wrapper" around the plan to cover non-Medicare Part D prescription drugs. GHIP currently contracts with ESI as the TPA and includes a "wrapper," which is referred to as an enhanced benefit.
Fiscal Year	FY	A year as reckoned for taxing or accounting purposes. GHIP fiscal year runs from July 1st through June 30th.
Health Maintenance Organization	HMO	A form of health insurance combining a range of coverages in a group basis. A group of doctors and other medical professionals offer care through the HMO for a flat monthly rate. However, only visits to professionals within the HMO network are covered by the policy. All visits, prescriptions and other care must be cleared by the HMO in order to be covered. A primary physician within the HMO handles referrals.
Health Reimbursement Account	HRA	Employer-funded account that reimburses employees for out-of-pocket medical expenses. Employees can choose how to use their HRA funds to pay for medical expenses, but the employer can determine what expenses are reimbursable by the HRA (e.g., employers often designate prescription drug expenses as ineligible for reimbursement by an HRA). Funds are owned by the employer and are tax-deductible to the employee. GHIP only offers HRA to employees and non-Medicare eligible retirees who enroll in the CDH Gold plan.
High Cost Claimant	HCC	An insured who incurs claims over a catastrophic claim limit during the plan year. For purposes of cost tracking, this threshold is \$100K.
Per Employee Per Month	PEPM	A monthly cost basis measured on an employee/contract/subscriber level
Per Employee Per Year	PEPY	A yearly cost basis measured on an employee/contract/subscriber level
Per Member Per Month	PMPM	A monthly cost basis measured on a member level
Per Member Per Year	PMPY	A yearly cost basis measured on a member level
Patient-Centered Outcomes Research Trust Fund Fee	PCORI	The Patient-Centered Outcomes Research Trust Fund fee is a fee on plan sponsors of self-insured health plans that helps to fund the Patient-Centered Outcomes Research Institute (PCORI). The institute will assist, through research, patients, clinicians, purchasers and policy-makers, in making informed health decisions by advancing the quality and relevance of evidence-based medicine. The institute will compile and distribute comparative clinical effectiveness research findings. This fee is part of the Affordable Care Act legislation.

## State of Delaware

### Health Plan Quarterly Financial Reporting

#### Glossary of Important Health Care Terms

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#### Terms directly tied to cost tracking

Terminology	Acronym	Definition
Point-of-Service	POS	A type of managed care plan that is a hybrid of HMO and PPO plans. Like an HMO, participants designate an in-network physician to be their primary care provider. But like a PPO, patients may go outside of the provider network for health care services. GHIP only offers this type of plan to Port of Wilmington employees.
Preferred Provider Organization	PPO	A health care organization composed of physicians, hospitals, or other providers which provides health care services at a reduced fee. A PPO is similar to an HMO, but care is paid for as it is received instead of in advance in the form of a scheduled fee. PPOs may also offer more flexibility by allowing for visits to out-of-network professionals at a greater expense to the policy holder. Visits within the network require only the payment of a small fee. There is often a deductible for out-of-network expenses and a higher co-payment.
Transitional Reinsurance Fee	TRF	Fee collected by the transitional reinsurance program to fund reinsurance payments to issuers of non-grandfathered reinsurance-eligible individual market plans, the administrative costs of operating the reinsurance program, and the General Fund of the U.S. Treasury for the 2014, 2015, and 2016 benefit years. This fee is part of the Affordable Care Act legislation, and ends after the 2016 benefit year.
Year to Date	YTD	A period, starting from the beginning of the current year (either the calendar year or fiscal year) and continuing up to the present day. For this financial reporting document, YTD refers to the time period of July 1, 2019 to June 30, 2020