MINUTES FROM THE COMBINED MEETING OF THE FINANCIAL and HEALTH POLICY & PLANNING SUBCOMMITTEES TO THE STATE EMPLOYEE BENEFITS COMMITTEE
FEBRUARY 13, 2020

The Health Policy & Planning ("HP&P") Subcommittee and the Financial Subcommittee to the State Employee Benefits Committee (the "Committee") met in a combined session on Thursday, February 13, 2020 in the Large Conference Room of the Statewide Benefits Office ("SBO"), 97 Commerce Way, Dover, Delaware

Committee Members Represented or in Attendance:
Director Faith Rentz, SBO, Department of Human Resources ("DHR") (Appointee of DHR Sec. Johnson), Chair
Ms. Judy Anderson, DSEA, (Appointee of the DSEA, Jeff Taschner)
Mr. Steve Costantino, Dept. of Health and Social Services (Appointee of Sec. Walker)
Ms. Emily Molinaro, OMB (Appointee OMB Dir. Jackson)
Mr. Tanner Polce, Policy Director, Office of the Lt. Governor (Appointee of Lt. Governor Hall-Long)
Ms. Judi Schock, Deputy Principal Assistant, Office of Management & Budget (Appointee OMB Dir. Jackson)
Mr. Stuart Snyder, Chief of Staff, Department of Insurance (Appointee of Commissioner Navarro)

Subcommittee Members Not Represented or in Attendance:
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer ("OST")
Ms. Victoria Brennan, Sr. Legislative Analyst, Office of the Controller General (Appointee for CG Morton)
Ms. Ruth Ann Jones (Appointee for CG Morton)
Ms. Molly Magarik, Deputy Secretary, Dept. of Health and Social Services (Appointee of Sec. Walker)
Mr. William Oberle, Delaware State Trooper's Association (Appointee of the DSEA, Jeff Taschner)
Mr. Keith Warren (Appointee of Lt. Governor Hall-Long)

Others in Attendance:
Ms. Leighann Hinkle, Deputy Director, SBO, DHR
Ms. Jaclyn Iglesias, Willis Towers Watson ("WTW")
Mr. Chris Giovannello, WTW
Ms. Rebecca Warnken, WTW
Ms. Cherie Biron-Dodge, Controller, DHR
Ms. Rebecca Byrd, ByrdGomes Group
Ms. Julie Caynor, Aetna
Ms. Nina Figueroa, SBO, DHR
Ms. Lisa Mantegna, Highmark Delaware
Mr. Walter Mateja, IBM Watson Health
Ms. Jennifer Mossman, Highmark Delaware
Ms. Suzanne Raab-Long, DE Healthcare Assoc.
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Mr. Drew Wilson, Morris James

CALL TO ORDER
Director Rentz called the meeting to order at 10:03 a.m.

APPROVAL OF MINUTES –DIRECTOR FAITH RENTZ, CHAIR
A MOTION was made by Mr. Polce and seconded by Ms. Schock to approve the Minutes from the November 7, 2019 Health Policy and Planning Subcommittee meeting.
MOTION ADOPTED UNANIMOUSLY.

A MOTION was made by Mr. Polce and seconded by Ms. Schock to approve the Minutes from the December 5, 2019 Health Policy and Planning Subcommittee meeting.
MOTION ADOPTED UNANIMOUSLY.

A MOTION was made by Ms. Schock and seconded by Mr. Polce to approve the Minutes from the January 9, 2020 Health Policy and Planning Subcommittee meeting.
MOTION ADOPTED UNANIMOUSLY.

A MOTION was made by Ms. Molinaro and seconded by Mr. Costantino to approve the Minutes from November 7, 2019 meeting of the Financial Subcommittee.
MOTION ADOPTED UNANIMOUSLY.

A MOTION was made by Ms. Anderson and seconded by Ms. Molinaro to approve the Minutes from the December 5, 2019 meeting of the Financial Subcommittee.
MOTION ADOPTED UNANIMOUSLY.

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ, CHAIR

SEBC Updates

The SEBC met on January 13, 2020 to continue discussions on the Group Health Insurance Plan ("GHIP") and the SBO Strategic framework. Additionally, the Committee voted to move forward with the development and advertising of a Request for Information to assess Delaware provider and stakeholder readiness regarding value-based contract arrangements, services and programming. The 2020 Open Enrollment strategy was also reviewed.

The Committee will meet on February 17, 2020 to review the financial experience through December 31, 2020, updates on recent plan design and GHIP programs implemented during FY20, and additional modeling scenarios on premium rate action. The Committee is also expected to finalize revisions to the GHIP Strategic Framework.

FY21 Dental & Vision Premium Rates

The Dental and Vision contracts are entering the fifth and final year. Premium rates have been negotiated and finalized for an effective date of July 1, 2020. There is a 2.5% increase for the Dominion HMO Plan, a 3.1% increase in the Delta PPO Plan, and a 2.3% increase in the EyeMed vision rates.

Subcommittee Updates

The Financial Subcommittee did not meet in January. The Health Policy & Planning Subcommittee met on January 9, 2020 to hear from American Well and Cerner related to alternative primary care options.

Legislative/Policy Updates

SBO continues to monitor several bills being considered by the Legislature and is participating on four legislative task forces.

- HB 263 proposes to implement a copay cap of $100/month on insulin medications and requires that insulin be available on the lowest tier formulary.

- HB 268 requires coverage on the lowest tier formulary for EpiPens.

- HB 286 prohibits inadvertent balanced billing where out-of-network services are performed in an in-network setting.

- HCR 35 sponsored by Representative Siegfried assembled a Pharmacy Purchasing Workgroup. A report has been finalized for submission to the General Assembly and administration. Rep Siegfried has introduced HB 287 to form a Purchasing Collaborative, for Pharmacy Benefit Manager ("PBM") services and drug purchasing, that incorporates transparency requirements for purchasing contracts after July 14, 2021.

- HCR 57 sponsored by Rep Bennett initiated a pharmacy reimbursement taskforce. The deadline for report to General Assembly and administration was extended until March 31, 2020 and the group continues to meet to review the best practices in other states, and the Department of Insurance's Development of Regulations as it relates to HB 194. Consideration is being given to a possible amendment to HB 216 that would remove the requirement that pharmacies not be reimbursed less than the PBM reimbursement.

FINANCIALS – CHRIS GIOVANNELLO, and REBECCA WARNKEN, WTW

November Fund Report

November was a high revenue month including Commercial ($10.8M) and EGWP rebates ($7.2M) and Coverage Gap discount payments ($4.2M) for the EGWP program. The paid amounts are based on what was incurred during Q2 of the calendar year or Q4 of the fiscal year. Rebates continue to come in higher than projected even when accounting for the lag. Revenue was offset by a high claim month ($73.1M) compared to budget ($66.0M). The variance to budget was the highest in FY20, and $10.5M or 3% higher than budget on claims. November had a net income of $16.4M bringing the Fund Equity balance to $169.0M.

December Fund Report

Claims were $2.0M above budget for the month of December, and $12.5M or 2.8% over budget for the year. The Fund Equity balance is $156.0M or $13.5M below budgeted balance through December.

A row has been added to the report for SurgeryPlus and reflects the first claim paid.

FY20 Q2 Financial Reporting

The Subcommittee reviewed updated financials through Q2. On a total program cost basis, medical is up 5.3%, pharmacy is up 1.1% and premium contributions are up 1%. Total cost Per Member Per Year ("PMPY") is up 3%.

Pharmacy claims are going up, but rebates and EGWP payments continue to outperform, driving down the net trend. A 5% composite trend has been built in and is applied to the gross claims, with net trend now being under 5%. When negotiating contracts, WTW utilizes the total net cost (cost of drugs and total of rebates).

Dir. Rentz noted the 6-month lag and queried whether the prescription program costs include the actual contracted rebates and other revenues. Ms. Warnken responded that figures for Q1 are actual and the figures for Q2 are estimated based on emerging data for Q1. She added that the EGWP payments have been going up and more money has been collected back from the government.

WTW budget reflects 14 assumed ESI pharmacy invoices, compared to 13 invoices reflected in ESI's paid claims reporting for FY20 through Q2. Smoothing for the difference, the actual cost per member would be about 2% above WTW budget.

Positive trends continue in chronic condition prevalence including asthma, diabetes and hypertension. Well child/baby and preventative adult visits exceed benchmarks across all age groups. Screening rates have also improved for cholesterol and breast cancer.

High Cost Claimants ("HCC") increased in frequency of claimants by 6% over the prior period and translating to a 10% increase in payments. The increase is primarily driven by an increase in specialty pharmaceuticals which is at 42% of allowable spend attributable to specialty and a 27% increase in utilization.

In-patient admission declined 4% over the prior period but is offset by a 7% increase in cost-per-admit and a 6% increase in length of stay.

GHIP Long-term Projection Recast

The Subcommittees reviewed a 15-year history of total program costs compared to national Trend. The GHIP trend fluctuates but comes in favorable to the national average.

Gross claims have increased PMPY. Premium rates have been held flat except for a 17% increase in 2016 and an 8% increase in 2017.

Membership has increased 1% per year. Gross claims for FY20 are 7% (higher than the 5% trend).

The Subcommittee reviewed the highlights to the FY20 emerging experience resulting from GHIP initiatives.

Site of care steerage continues to promote an increase in urgent care utilization.

There has been an overall increase in high-tech imaging services; however basic-imaging is shifting away from hospital-based to free-standing facilities.

Hospital-based lab services continue to decrease, while usage of preferred labs continues to increase. Telemedicine utilization has also increased.

Highmark Infusion Therapy steerage has been effective in redirecting members to preferred sites of care where appropriate and when quality will not be impacted; the savings is estimated at $700K.

Livongo has reported interim results since its July 1, 2019 implementation. They have identified 14K members as candidates for participation and have enrolled 13%. Livongo estimates $400K in FY20 savings.

SurgeryPlus reported a YTD savings of $219K for the first 6-months of the program compared to the estimate of $500K annually. WTW is working to validate the estimate.

Data reported from Highmark on the first two months of experience related to the enhanced fertility coverage experience reflects a minimal increase in overall costs.

Mr. Costantino queried whether the anticipated savings from GHIP initiatives were realized. Ms. Iglesias responded that the interim data has been encouraging but more than one quarter of data is needed.

It is recommended that the GHIP maintain programs in place today with the potential for mid-year changes if needed, and to continue to monitor the emerging experience with a focus on communication and education for Plan members.

Ms. Anderson queried whether member feedback was available on the use of SurgeryPlus. Anecdotal feedback reflects that members are satisfied with the program. Dir. Rentz added that contact to SBO has been regarding a need for more local providers and SurgeryPlus is undergoing conversations with local providers.

FY21 GHIP Premium Rates

The FY20 budget recast increased to $845.7M, representing a 0.8% increase over the previous FY20 Q1 update, driven primarily by an increase in claims experience and enrollment. The FY21 budget increased to $899.5M, representing a 1.5% increase over the previous FY20 Q1 update.

Trend experience for a rolling 12 month period reflects that claims are 5.5% higher than the prior period: medical 4.2% and pharmacy 8.3%. The FY20 trend assumption uses a 5% composite. It is recommended to maintain trend assumption for medical and increase pharmacy to 8%, translating to a 5.7% composite trend and aligned with national trend.

Rates have been held flat despite a 14% increase in per capita gross claims; therefore, holding rates with no increase will erode the surplus and GHIP expenses are projected to exceed revenues by $53.0M in FY21.

Delaware Code dictates the percentage of cost share between member contributions and state share; therefore, it is not possible to increase the state share without also increasing the members contribution. This prevents any increase in FY20.

Mr. Costantino queried the timeline required for implementing a rate increase. Dir. Rentz responded that 60-90 days would be the minimum. She added that a significant increase could result in a re-opening of Open Enrollment for members who wanted to make a change as a result of a mid-year premium increase.

The Subcommittee reviewed long-term health cost projections based on updated financial projections. As of FY20 Q2, the GHIP is projected to end FY20 with a $72.2M surplus. After including PBM contract savings, the FY21 budget is projected to end with a $13.8 surplus.

There was a review of long-term projections for several premium rate scenarios that varied from 0% to 5.3% and each with proposed implementation dates of October 1, 2020 or January 1, 2021.

Members discussed that the scenarios modeled all projected deficits in FY22. Ms. Warnken responded that the scenarios are a minimum and meet the requirement to smooth the surplus over two years.

Mr. Costantino requested additional modeling to correct for the deficit in FY22. Ms. Warnken will provide additional options but noted that health care experience could be higher or lower over time.

The Subcommittee discussed framing messaging of premium rate increases in dollars rather than percentages. Dir. Rentz added that messaging should also include the amount paid by the State.

ESI provided a best and final offer for a traditional and a transparent one-year renewal for both the EGWP and Commercial populations. The traditional offer provides a combined contract improvement of $12.2M over the current terms and $5.1 over the initial offer. The transparent offer provides a combined contract improvement of $7.4 over the current terms and $5.4M over the initial offer.

The Subcommittees discussed the higher cost of transparency over a traditional contract arrangement. Legislation may impact the Committees ability to negotiate future contracts as PBMs are not receptive to providing information they believe may impact their competitiveness in the marketplace. To help the administration and legislature understand the impact, SBO requested both financial models.

When deciding between a traditional and transparent arrangement, plan sponsors must consider the potential tradeoffs. In one arrangement there may be a PMPY administrative fee and a lower minimum guarantee, and to the extent that utilization varies, there is upside potential to exceed the estimated base savings.

The Subcommittees reviewed the cost implications for the State and General Fund, employees/pensioners, and the GHIP surplus levels in FY21 and FY22 under the premium rate increase scenarios.

A vote by the Committee as early as May would allow sufficient time for a premium rate increase in October.

The Subcommittee requested incorporating additional rate scenarios for the Committees review, including the FY21 increase required to get to zero surplus in FY22 (implementation dates of 10/1 and 1/1). Additional recommendations and comments will also be incorporated for the Committees review.

PRIMARY CARE COLLABORATIVE UPDATE – DIR. RENTZ

Primary Care Collaborative
The Primary Care Collaborative ("PCC") met February 10, 2020 where Johns Hopkins researchers and SBO were presenters. Both presentations were shared with the Subcommittees.

Johns Hopkins presented on hospital pricing and hospital profit margins. SBO was asked to present on the work of the Committee around payment reform, care coordination and primary care.

The PCC expressed concerns over the accuracy of the data presented by John Hopkins as it pertains to Medicare cost reports. The total hospital spend was the area of focus and specific to outpatient facilities for high-tech radiology and inpatient maternity; 72% of the $500M in GHIP medical spend in FY19 occurred in a hospital setting.

The PCC has established a primary care spend target of 12% (the GHIP is less than 4%) and expressed concerns that the GHIP was not considering the utilization and spend across different demographics within the population.

SEBC has been asked to share the results of the site of care steerage initiatives implemented in FY19 and recommendations to reallocate the existing healthcare spend with an increased spend on primary care.

OTHER BUSINESS
No new business.

PUBLIC COMMENT
Notes

ADJOURNMENT
A MOTION was made by Mr. Polce and seconded by Ms. Molinaro to adjourn the meeting at 11:45 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