



**MINUTES FROM THE TELEPHONIC MEETING OF THE FINANCIAL SUBCOMMITTEE
TO THE STATE EMPLOYEE BENEFITS COMMITTEE
MAY 7, 2020**

The Financial Subcommittee to the State Employee Benefits Committee (the "Committee") met on Thursday, May 7, 2020 via WebEx and without a physical location in accordance with the Governor's [Proclamation Authorizing Public Bodies to Meet Electronically](#). Attendees participated using the information provided via the Delaware Public Meeting Calendar.

Committee Members Represented or in Attendance (Telephonically):

Director Faith Rentz, SBO, Department of Human Resources ("DHR") (Appointee of Sec. Johnson), Chair
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer
Ms. Judy Anderson, Delaware State Education Association ("DSEA"), (Appointee of Jeff Taschner, DSEA)
Mr. Steve Costantino, Department of Health and Social Services (Appointee of Secretary Walker)
Ms. Ruth Ann Jones, Legislative Analyst, Office of the Controller General (Appointee for Controller General Morton)
Ms. Emily Molinaro, Office of Management and Budget ("OMB") (Appointee OMB Director Jackson)
Mr. Stuart Snyder, Chief of Staff, Department of Insurance ("DOI") (Appointee of Commissioner Navarro)

Subcommittee Members Not Represented or in Attendance (Telephonically):

Mr. Keith Warren (Appointee of Lt. Governor Hall-Long)

Others in Attendance (Telephonically):

Ms. Leighann Hinkle, Deputy Director, SBO, DHR
Mr. Kevin Fyock, Willis Towers Watson ("WTW")
Ms. Jaclyn Iglesias, WTW
Mr. Chris Giovannello, WTW
Ms. Rebecca Warnken, WTW
Ms. Cherie Biron-Dodge, Controller, DHR
Ms. Christina Bryan, Delaware Healthcare Association
Ms. Julie Caynor, Aetna
Ms. Katherine Impellizzeri, Aetna
Ms. Heather Johnson, Accountant, DHR
Ms. Lisa Mantegna, Highmark Delaware
Mr. Walter Mateja, IBM Watson Health
Ms. Evelyn Nestlerode, Deputy State Court Administrator, Administrative Office of the Courts ("AOC")
Ms. Paula Roy, Roy and Associates
Ms. Judi Schock, Deputy Principal Assistant, OMB
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Ashley Tucker, Staff Attorney, AOC
7 Unidentified Callers

CALLED TO ORDER

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

STATE OF DELAWARE STATEWIDE BENEFITS OFFICE

97 Commerce Way, Suite 201, Dover DE 19904 (D620E)

Phone: 1-800-489-8933 • Fax: (302) 739-8339 • Email: benefits@state.de.us • Website: de.gov/statewidebenefits

APPROVAL OF MINUTES –DIRECTOR FAITH RENTZ, CHAIR

A MOTION was made by Mr. Costantino and seconded by Ms. Anderson to approve the Minutes from the February 13, 2020 Combined Subcommittee meeting.

MOTION ADOPTED UNANIMOUSLY.

Meeting minutes will be posted publicly after secondary approval by the Health Policy & Planning Subcommittee.

DIRECTOR’S REPORT – DIRECTOR FAITH RENTZ, CHAIR

SEBC Updates

The Subcommittees did not meet in March or April. The Committee met March 9, 2020 but did not meet in April. The May Committee meeting will be cancelled.

Legislative/Policy Updates

The General Assembly is not convening currently due to the COVID-19 pandemic.

The Primary Care Collaborative (“PCC”) met on April 6, 2020 and May 6, 2020. Freedman Healthcare presented at each meeting regarding their work with DOI’s Office of Value Based Healthcare Delivery on the establishment of a Technical Subcommittee of the PCC. A vote was taken on the makeup and composition of this subcommittee which will include a representative from a large employer; the Statewide Benefits Office is being considered for this position. This member will support the Technical Subcommittee with necessary metrics to evaluate primary care spend, utilization, and effectiveness as well as provide policy expertise.

The PCC voted on the final annual report as required per SB 227. PCC agenda and materials are posted at <https://dhss.delaware.gov/dhss/dhcc/collab.html>.

Mr. Costantino added that when the PCC considered the makeup of the subcommittee, they collectively were in favor of technical expertise over policy expertise.

Request for Proposal Updates:

The March 2020 interviews for the Employee Assistance Program (“EAP”) Request for Proposal (“RFP”) were postponed until July. The contract with Health Advocate has been extended through December 31, 2020. A contract award is expected no later than September with an effective date of January 1, 2020.

The due dates for Medical and Prescription Audit Services were moved to April 15, 2020. Six bid responses were received. A contract award is expected no later than September 2020 with an effective date of October 1, 2020. The awarded vendor(s) will begin services immediately for the FY19 & FY20 plan years.

The Vision Insurance RFP was advertised on April 20, 2020 with bid response due May 15, 2020. A contract award is expected no later than October 2020 for a contract effective date of July 1, 2021.

The Dental Insurance RFP is scheduled for advertisement on August 17, 2020. A contract award is expected no later than January 2021 for a contract effective date of July 1, 2021.

The RFP for the Pharmacy Benefits/Pharmacy Benefit Manager Administration contract will consist of two-phases. Phase 1 contains minimum requirements and is scheduled for advertisement on June 1, 2020. In early July, bidders who meet the requirements of Phase I will be invited to submit a response to the financial portion of the RFP (Phase II). A contract award is expected in December 2020 for a contract effective date of July 1, 2021.

The Health Data Analytics RFP is scheduled to be advertised on July 27, 2020 for a contract award date no later than January 2021 and a contract effective date of July 1, 2021.

Advertisement of the Health Care Stakeholder Request for Information will be postponed due to the COVID-19 epidemic.

Contract Updates:

One-year contract renewals are being negotiated and prepared for an effective date of July 1, 2020 for Highmark Delaware, Aetna, Dominion Dental, Delta Dental, Express Scripts, and EyeMed. Willis Towers Watson's contract is being extended an additional two years (through 6/30/22) with no change in rates.

The contracts are being finalized with Securian for the Group Universal Life insurance program and Accident and Critical Illness insurance benefits for an effective date of July 1, 2020.

Open Enrollment

Open Enrollment ("OE") runs from May 4 to May 20, 2020. All benefit eligible employees and retirees were notified by mail including those employees who have previously consented to receive their information electronically. OE provides eligible employees the opportunity to enroll in health, dental and/or vision plans, flexible spending accounts, accident & critical illness insurance and group universal life insurance.

Active participation in OE as of Wednesday, May 6, 2020 is at 23% for state employees.

COVID-19 Update

SBO launched a new COVID-19 resources page that highlights available resources for state employees and outlines all modifications to state benefits made to date.

Notable changes to benefits as a result of the COVID-19 pandemic include removing cost sharing for telehealth services, and copays for COVID-19 related treatment. EAP programs have been extended until June 30, 2020 for all State employees.

FINANCIALS – CHRIS GIOVANNELLO, WTW

January Fund Report

Premium contributions were lower than expected as a result of a missed journal entry for pensioners which is reconciled in the February Fund Report.

The \$6.3M Federal Reinsurance amount includes a \$5.2M Federal Insurance true-up payment attributable to CY18. Revenue also included a \$5.9M coverage gap discount payment.

Emerging claims came in below budget, and 2% over budget YTD. Net income is down \$3.6M, bringing the Fund Equity balance to \$152.5M.

Mr. Costantino queried whether claims data reflected date of service or date of paid claims. Mr. Giovannello confirmed that it reflects the date claims were paid by the fund.

February Fund Report

Premium contributions were higher than budget after posting the missed payment in January.

February was a rebate month with \$11.2M in commercial rebates and \$7.1 in EGWP rebates.

Claims were \$4.1M over budget or 2%.

March Fund Report

March revenue was in line with budget, and claims exceeded budget by \$6.5M.

Prescription claims were higher than budget but are expected to smooth over the next few months and likely resulted from pre-filled maintenance medications in response to the COVID-19 pandemic.

Through the end of March there is a \$14.2M variance in the budget year to date, bringing the Fund Equity balance to \$157.6M.

There was a discussion that the April fund report will begin to reflect the impact of the pandemic.

Ms. Anderson queried the dates of service tied to the payments made to SurgeryPlus. Dir. Rentz responded that the payment is made after SurgeryPlus has collected and paid for each bundled procedure and payments are not tied to individual dates of service.

FY20 Q3 Financials

The analysis reflects data that is pre-COVID-19.

Comparing FY19 Q3 to FY20 Q3 there is a 5.3% increase in total program costs and is in line with historical trend assumptions; pharmacy increased 9.0% and medical is up 4.3%.

Holding premium rates flat in FY20 will lead to a deficit for the year, the fund is currently 4% over last year and 2% higher than expected driven by an increase in pharmacy spend.

Chronic illnesses were consistent with trend; however, there were larger increases in osteoarthritis and depression.

There was an 8% increase in the number of High Cost Claimants (“HCC”), but the average payment per HCC decreased.

Specialty pharmacy accounts for 42% of total pharmacy spend.

There continues to be a decrease in hospital admissions, but the length of stay has increased.

Long Term Projections Recast

The FY20 Q3 budget recast includes experience data through March 2020 and does not make assumptions for the impact of COVID-19. The budget of \$849.2M is up 0.2% from \$847.6M in FYQ2. The increase is a result of higher claims experience; however, this increase is offset by the increase in prescription rebates. Enrollment was flat. The budget projection for FY21 is down slightly from \$903.3M to \$902.5M representing a 6.3% increase over the FY20 budget recast; of that increase, 1% is attributable to membership growth for a 5.3% increase on a per capita basis.

On a rolling 12-month basis, gross per employee claims through FY20 Q3 are 5.1% higher than the prior period: medical trend is 3%, and prescription trend is 10%. The 5% composite trend assumptions were updated at the February 17, 2020 Committee meeting to 5% for medical and 8% for pharmacy.

A surplus of \$14.7M is projected through FY21. Without rate action in FY21 there is a projected deficit of \$95.6M through the end of FY22; these projections do not account for the impact of COVID-19. The Financial Subcommittee will need to consider the timing and level of a rate increase.

To meet the requirement set by the Financial Subcommittee to smooth the surplus over a minimum of two years, a 2.5% rate increase effective July 1, 2020 had previously been recommended. A rate increase for FY21 is unlikely; therefore, a July 1, 2021 rate increase of 12.1% would be required to erase the projected FY22 deficit.

COVID-19 Cost Reporting

There was a review of considerations made to the potential impact of COVID-19 on the Group Health Insurance Plan (“GHIP”), including underlying conditions and age demographics of the plan.

There was a review and discussion of the potential impact of deferred care. Substantial decreases in the short-term are projected in most types of care. The volume of care returning to the system will vary by type of care.

Mr. Costantino asked if the projections accounted for the increase in telehealth. Ms. Warnken responded that modeling accounts for double the utilization of telehealth.

There was a review of a range of assumptions for estimating deferred care based on the severity of infection rates. Recent estimates indicate lower than anticipated infection rates.

Through March 2020, pharmacy claims were 3.4% above budget. The Delaware stay-at-home order was implemented March 24, 2020.

April medical claims are projected to be \$14.5M below budget and pharmacy claims are projected to be \$1.7M above budget.

Deferred care savings is expected to outpace COVID-19 expenses. It is unlikely that claims will return to budgeted levels during the remainder of the year.

Considerations for the FY21 impact of COVID-19 on the GHIP will include the effectiveness of policies to mitigate spread and timing of easing social distancing measures, costs of new vaccines and therapies, potential new waves of infection, the level of deferred care that returns, as well as the minimum reserve policy and rate action.

There was a review of the minimum reserve methodology. The reserve is set annually based on the final fiscal year budget. The estimated confidence intervals reflect the potential for random fluctuations in claims given the size and risk profile of the GHIP and represent the probability that the budget estimate will fall between an upper and lower bound of a health care claims distribution; the minimum reserve did not account for a systemic event.

At the set 97% confidence interval, the upper bound is \$24.3M higher than the projected budget. It was recommended that the Committee consider increasing the minimum reserve level during FY21 by \$25.0M and set aside Q4 savings through FY21.

Ms. Anderson is in favor of the increase to the reserve and queried if the increased savings would be held in a separate account or added to the existing reserve account. Ms. Warnken responded that either is an option.

Mr. Costantino shared that Medicare is also increasing minimum reserves.

Treasurer Davis noted that her office has also planned to have more cash on hand through FY21.

Long term projections anticipate a drop in operating expenses but an increase in FY21 before returning to status quo. No additional membership growth was included in the assumptions; job losses resulting from the pandemic could increase membership and will be monitored. The revised projection includes holding the additional minimum reserve through FY21 to offset potential cost increases due to COVID-19.

Accounting for the potential impact of COVID-19, there is a projected FY21 deficit of \$8.1M and a FY22 deficit of \$91.7M. A 10.8% rate increase effective July 1, 2021 is estimated to eliminate the projected deficit.

Dir. Rentz queried the impact to a July 1, 2021 rate increase if the additional \$25.0M held in reserve is needed and not returned to the fund in FY22. Ms. Warnken responded that the projections account for returning the FY22 minimum reserves to status quo or the deficit would increase by \$25.0M.

The Subcommittee discussed next steps. Dir. Rentz will present feedback from the Financial Subcommittee regarding the additional reserve at next scheduled Committee meeting on June 8, 2020.

Lab & Imaging Costs

The Site of Care Steerage report was updated with claims experience through December 2019.

There was a review of utilization. There continue to be increases in urgent care utilization, while emergency room utilization remains flat. Primary care utilization remains down for non-emergent and treatable conditions.

Copay increases for high-tech imaging were implemented in FY20. A review of utilization from January 2017 through December 2019 indicates that utilization has not shifted to freestanding facilities relative to hospitals.

Copay increases for basic imaging were implemented in FY20. A review of 2019 utilization by site of service and categories reflects a positive trend with a 0.1% increase in outpatient hospital imaging, compared to a 9.4% increase in freestanding facilities.

Copay increases for lab services were implemented in FY20. A review of utilization by site of service and categories reflects a positive trend with a 6% reduction in utilization of outpatient hospital labs and a 15% increase in preferred labs.

Dir. Rentz noted that Committee and Subcommittee members inquired how steerage efforts may or may not impact allowable charges on the facility side. As a result, SBO is reviewing reporting at a facility level to determine costs for labs and imaging, as well as reviewing geographical areas where freestanding facilities are not located.

The Financial Subcommittee is not expected to meet in June, as new updates to the financials will not be available. Subcommittee members are encouraged to share their reactions, and feedback with Dir. Rentz.

OTHER BUSINESS

No new business.

PUBLIC COMMENT

Members of the public were given instructions on how to participate. There was no public comment.

ADJOURNMENT

A MOTION was made by Mr. Costantino and seconded by Mr. Snyder to adjourn the meeting at 11:37 a.m.
MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

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