State of Delaware - Quarterly Financial Reporting

FY20 Q4 Cost Analysis

August 2020

Willis Towers Watson

State of Delaware
Health Plan Quarterly Financial Reporting
FY20 Q4 Plan Cost Analysis

Summary plan information

- FY20 compared to FY19:

Summary (total)	FY20			FY19			% Change		
	Medical	Rx	Total[2]	Medical	Rx	Total[2]	Medical	Rx	Total
Gross claims[1]	$560.5	$302.7	$863.2	$578.3	$269.9	$848.2	▼ 3.1%	▲ 12.1%	▲ 1.8%
Total program cost ($M)[2]	$608.6	$193.5	$805.1	$624.5	$180.8	$807.7	▼ 2.5%	▲ 7.0%	▼ 0.3%
Premium contributions ($M)[3]	$658.3	$177.3	$835.6	$631.9	$188.5	$822.9	▲ 4.2%	▼ 6.0%	▲ 1.5%
Total cost PEPY	$8,352	$2,652	$11,040	$8,746	$2,532	$11,313	▼ 4.5%	▲ 4.7%	▼ 2.4%
Total cost PMPY	$4,740	$1,512	$6,264	$4,939	$1,430	$6,388	▼ 4.0%	▲ 5.7%	▼ 1.9%
Average employees	72,907			71,388			▲ 2.1%		
Average members	128,531			126,435			▲ 1.7%		
Loss ratio	96%			98%					
Net income ($M)	$30.5			$15.1					

[1] Gross claims include paid medical and pharmacy claims as reported by Aetna, Highmark, and ESI

[2] Total program cost includes gross claims, pharmacy rebate and EGWP payment offsets, ASO fees, and office operational expenses

[3] Includes fees for participating non-State groups

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

Summary (total)	FY20 Actual			FY20 Budget			% Change		
	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
Total program cost ($M)[1]	$608.6	$193.5	$805.1	$665.6	$179.2	$844.8	▼ 8.6%	▲ 8.0%	▼ 4.7%
Total cost PEPY	$8,352	$2,652	$11,040	$9,117	$2,458	$11,609	▼ 8.4%	▲ 7.9%	▼ 4.9%
Total cost PMPY	$4,740	$1,512	$6,264	$5,172	$1,394	$6,585	▼ 8.3%	▲ 8.4%	▼ 4.9%
Net income ($M)	$30.5			($6.3)					

1 Total program cost includes office operational expenses (medical and Rx splits exclude these expenses) and excludes fees for participating non-State groups (these fees are included in premiums)

Plan performance dashboard - key observations for total GHIP population - no update for FY20 Q4

- Due to several upgrades and changes within IBM Watson Health database, the dashboard template used to produce the quarterly dashboards is no longer supported; IBM is developing a customized dashboard to reflect GHIP experience in future quarters

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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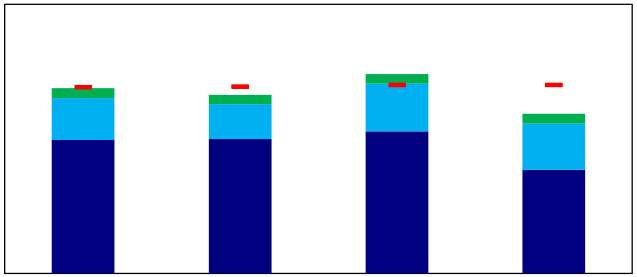
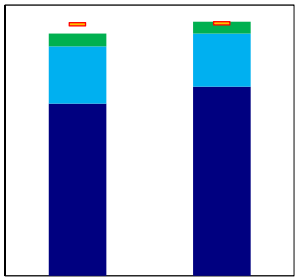
Total GHIP Results

Legend

- Medical/Rx Budget
- Fees and Op. Expenses
- Rx (incl. Rebates and EGWP)
- Medical (incl. capitation)





	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY20 YTD Actual	FY20 YTD WTW Budget[8]	Difference vs. Budget
Total Program Cost	**$206,234,228**	**$198,979,991**	**$222,144,469**	**$177,691,741**	**$805,050,429**	**$844,783,170**	▼ 4.7%
- Paid Claims	195,615,533	188,656,216	211,495,365	166,671,674	762,438,788	804,798,797	▼ 5.3%
- Medical (includes capitation[1])	148,761,351	149,813,400	158,141,759	115,441,135	572,157,645	628,575,075	▼ 9.0%
- Rx (Including Rebates and EGWP)	46,631,945	38,842,816	53,353,607	51,230,539	190,058,907	176,223,722	▲ 7.9%
- *Rx Paid Claims*	75,507,949	65,184,395	81,400,192	80,593,066	302,685,601	280,775,757	▲ 7.8%
- *EGWP*[2]	(10,604,944)	(8,459,182)	(7,531,769)	(9,746,712)	(36,342,607)	(37,939,499)	▼ 4.2%
- Direct Subsidy	(771,080)	(549,007)	(514,102)	(526,429)	(2,360,618)	(2,649,577)	▼ 10.9%
- CGDP	(5,921,576)	(5,020,586)	(3,757,954)	(5,926,227)	(20,626,343)	(20,996,179)	▼ 1.8%
- Catastrophic Reinsurance[3]	(3,912,288)	(2,889,588)	(3,259,714)	(3,294,056)	(13,355,646)	(14,293,743)	▼ 6.6%
- *Rx Rebates*[4]	(18,271,060)	(17,882,397)	(20,514,816)	(19,615,815)	(76,284,088)	(66,612,537)	▲ 14.5%
- ASO Fees	10,269,920	9,800,002	9,949,877	9,841,641	39,861,440	37,500,439	▲ 6.3%
- Operational Expenses	571,012	523,772	699,227	1,178,426	2,972,437	2,483,934	▲ 19.7%
Medical/Rx Premium Contributions[5]	**$207,540,932**	**$208,148,345**	**$209,871,435**	**$210,009,073**	**$835,569,785**	**$ 838,489,949**	▼ 0.3%
- Net Income	1,084,467	7,929,829	(13,837,897)	35,342,958	30,519,356	(6,293,222)	
- Total Cost as % of Budget	99%	96%	106%	85%	96%	101%	
Current Year Per Capita							
- Total per employee per year[6]	11,412	10,956	12,120	9,684	11,040	11,609	▼ 4.9%
- Total % change over prior	2.1%	1.5%	3.5%	-17.9%	-2.9%		
- Medical per employee per year	8,748	8,748	9,132	6,780	8,352	9,117	▼ 8.4%
- Medical % change over prior	4.5%	2.5%	0.1%	-24.0%	-4.4%		
- Rx per employee per year	2,640	2,208	3,012	2,880	2,652	2,458	▲ 7.9%
- Rx % change over prior	-5.0%	-0.9%	18.0%	1.4%	2.0%		
- Medical per member per year	4,956	4,956	5,184	3,852	4,740	5,172	▼ 8.3%
- Rx per member per year	1,500	1,248	1,704	1,632	1,512	1,394	▲ 8.4%
- Total per member per year[6]	6,468	6,204	6,876	5,496	6,264	6,585	▼ 4.9%
Prior Year Results	**Q1 FY19**	**Q2 FY19**	**Q3 FY19**	**Q4 FY19**	**FY19**		
- Total Program Cost	198,069,057	192,811,944	209,847,345	212,058,723	812,787,068	-	-
- Total Program Cost $ Change	8,165,171	6,168,047	12,297,125	-34,366,982	(7,736,639)	-	-
- Total per employee per year[6]	11,182	10,796	11,710	11,797	11,371	-	-
- Medical per employee per year	8,371	8,536	9,121	8,919	8,737	-	-
- Rx per employee per year	2,778	2,228	2,553	2,839	2,600	-	-
EE Contributions[7]	**$40,928,715**	**$41,012,844**	**$41,124,630**	**$41,159,592**	**$41,056,446**	-	
- Net SoD	165,305,513	157,967,146	181,019,839	136,532,148	160,206,162	-	-
- SoD Subsidy %	80%	79%	81%	77%	79%	-	-
Headcount							
- Enrolled Ees	72,317	72,629	73,287	73,392	72,907	72,768	▲ 0.2%
- Enrolled Members	127,519	128,201	129,128	129,277	128,531	128,282	▲ 0.2%
- Member/EE Ratio	1.8	1.8	1.8	1.8	1.8	1.8	

[1] Capitation payments apply to HMO plan only
[2] Direct subsidy and catastrophic reinsrance prospective payments reflect actual payments received during quarter; CGDP estimated based on payment attributable to quarter; projected EGWP PMPM amounts provided by ESI
[3] Includes $1.2m prospective reinsurance adjustment payment received in August 2019 to align with cash flow timing in Fund
[4] 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
[5] Premium contributions include fees for participating non-State groups
[6] 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
[7] Participating groups are assumed to be 100% EE funded, and Medicare retirees are assumed to be fully subsidized
[8] WTW Budget based on final FY20 Budget approved by SEBC on 8/26/2019

State of Delaware
Health Plan Quarterly Financial Reporting
FY20 Q4 Reporting Reconciliation (WTW vs DHR Fund Equity Report)

FY20 YTD Reporting Reconciliation	WTW FY20 Q4 Financial Report	DHR June 2020 Fund Equity Report
Total Program Cost	**$805,050,429**	**$927,651,527**
Paid Claims	762,216,552	884,817,650
Medical Claims	572,157,645	582,415,762
Rx Claims[1]	190,058,907	302,401,889
Rx Paid Claims	302,685,601	302,401,889
EGWP	(36,342,607)	(39,353,437)
Direct Subsidy	(2,360,618)	(2,588,449)
CGDP	(20,626,343)	(18,206,709)
Catastrophic Reinsurance[2]	(13,355,646)	(18,558,279)
Rx Rebates	(76,284,088)	(71,702,927)
Total Rx Claim (Offsets)/Revenue[3]	(112,626,695)	(111,056,364)
Total Fees	42,833,877	42,833,877
ASO Fees	39,861,440	39,861,440
Operational Expenses	2,972,437	2,972,437
Premium Contributions/Operating Revenues[4]	**$835,569,785**	**$953,657,962**
Net Income	30,519,356	26,006,434
Total Cost as % of Budget	96%	97%

[1]WTW Rx claims shown net of EGWP revenue and Rx rebates; DHR Rx claims reflect gross claim dollars excluding additional revenue (EGWP and rebates)

[2]WTW FY20 reinsurance includes $1.2m prospective reinsurance adjustment payment received in August 2019 to align with cash flow timing in Fund

[3]WTW reflects EGWP revenue and Rx rebates as offsets to Rx claims; DHR reflects these items as additions to operating revenues

[4]DHR premium contributions represent total operating revenues, including premium contributions, Rx revenues (EGWP and rebates), other revenues totaling $5,740,406, and participating group fees totaling $6,021,789; 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

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 2020 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 received through FY20 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, prospective reinsurance and coverage gap discount payments received through June 2020; 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 FY19 Financial Reporting.

Budget/contributions

9 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.
10 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.
11 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.
12 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.
13 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.
14 HRA funding for CDH plans are included in the paid claims reported in this document.

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 *bundled payments* or other *value-based payments*.
Consumer Driven Health Plan	CDHP	Allows members to use health savings accounts (HSA), health reimbursement accounts *(HRA)*, or other similar medical payment products to pay routine health care expenses directly. GHIP currently offers a CDHP with *HRA*.
Coverage Gap Discount Program	CGDP	One of the funding components of an *EGWP*. 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.

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