



**MINUTES FROM THE TELEPHONIC MEETING OF THE FINANCIAL SUBCOMMITTEE
TO THE STATE EMPLOYEE BENEFITS COMMITTEE
AUGUST 13, 2020**

The Financial Subcommittee to the State Employee Benefits Committee (the "Committee") met on Thursday, August 13, 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.

Subcommittee 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)

Subcommittee Members Not Represented or in Attendance (Telephonically):

Mr. Keith Warren (Appointee of Lt. Governor Hall-Long)
Mr. Stuart Snyder, Chief of Staff, Department of Insurance ("DOI") (Appointee of Commissioner Navarro)

Others in Attendance (Telephonically):

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. Christina Bryan, Delaware Healthcare Association
Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR
Ms. Sandy Hart, IBM Watson Health
Ms. Katherine Impellizzeri, Aetna
Ms. Heather Johnson, Accountant, DHR
Mr. Walter Mateja, IBM Watson Health
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

CALLED TO ORDER

Director Rentz called the meeting to order at 10:00 a.m.

APPROVAL OF MINUTES – DIRECTOR FAITH RENTZ, CHAIR

A MOTION was made by Mr. Costantino and seconded by Treasurer Davis to approve the Minutes from the May 7, 2020 Financial Subcommittee meeting.

MOTION ADOPTED UNANIMOUSLY.

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DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ, CHAIR

SEBC Updates

The Committee met June 8, 2020 and July 27, 2020 to review utilization trends and expenditures related to COVID-19 including a discussion and approval to continue various expanded benefits to support members during the pandemic.

The meeting on July 27 included approval of the FY21 Group Health Insurance Plan (“GHIP”) Budget, including the establishment of a one-year COVID-19 reserve in the amount of \$23.5M (as recommended by the Financial Subcommittee on May 7, 2020), and the addition of behavioral health telehealth benefits through Teledoc for Aetna members; Highmark Delaware members already have similar telehealth services available through Amwell.

Additionally, updates were provided to the Committee on Request for Proposals (“RFPs”) with a contract award date in calendar year 2020: Prescription, Medical and Prescription Plan Audit Services, Vision and the Employee Assistance Program (“EAP”). SBO has also released an RFP for data warehouse and analytic services.

A dental RFP planned for 2020 has been postponed until CY21 to allow current dental vendors to provide relief to plan participants during the pandemic; relief includes extending premium credits, offering incentive programs, and a premium hold through FY22. Delta Dental has extended a 25% reduction in premiums for October & November 2020. Delta Dental and Dominion Dental have agreed to hold premiums flat through FY22.

The State’s vision plan vendor EyeMed has also offered a 2.3% reduction in vision premiums for a 6-month period.

The Committee will meet next on August 17, 2020 to review current financial reporting and to consider a contract award recommendation for EAP services effective January 1, 2021.

Subcommittee Updates

The September Subcommittees will meet in a joint session on September 10, 2020 to discuss the Healthcare Stakeholder Request for Information (“RFI”) scheduled to be advertised in September. The RFI will remain open until late November and assist in developing a Third Party Administrator Health Plan RFP in Q1 of CY21.

2021 SEBC Subcommittee Calendar

Subcommittee meeting dates for the 2021 calendar year have been confirmed and will be distributed with calendaring invites over the next few weeks.

Mr. Costantino asked for clarification regarding the timing of the Prescription RFP. Dir. Rentz responded that responses to Phase two of the RFP were due August 7, 2020, and the Proposal Review Committee will meet October 5 & 6, 2020 to interview finalists. An award recommendation for the Committee’s consideration is expected at the December 2020 meeting for a contract award date of July 1, 2021.

Legislative/Policy Updates

The Primary Care Reform Collaborative and the Delaware Center for Health Innovation each continue to meet monthly. The Stakeholder RFI will attempt to align with the goals and objectives of these Workgroups, as well as with the objectives of the Office of Value Based Health Care.

The Retirement Benefits Study Committee has resumed an internal workgroup that will develop a benchmark survey to evaluate other state and regional employer retiree benefits. Information is expected to be available by late September 2020.

FINANCIALS – CHRIS GIOVANNELLO, WTW

April Fund Equity Report

Other Revenues reflect a \$5.0M Coverage Gap discount payment earned in Q2 and paid in Q4. April reporting begins to reflect the impact of deferred medical care due to COVID-19; total medical claims paid in April were \$67.8M compared to \$83.0M budgeted.

May Fund Equity Report

May was a rebate month; Other Revenues include rebates of \$10.6M in Commercial and \$7.3M in EGWP. There continue to be improvements in rebate guarantees. Other Revenues of \$381.5K largely consist of a missed performance guarantee from Express Scripts. Claims in May were \$20.8M below budget.

June Fund Equity Report

Other Revenues include a \$2.1M Aetna CareVio year-two reconciliation payment. June claims came in \$11.1M below budget to close out the fiscal year \$24.5M below budget. A \$26.0M net income gain increased the Fund Equity Balance to \$189.8M.

FY20 Q4 Financial Reporting – Chris Giovannello, WTW

The Subcommittee compared FY20 to FY19. FY20 experienced a 96% loss ratio with \$30.5M in net income with gross claims coming in at 1.8% above budget primarily a result of increased membership. Gross medical claims were 3.1% below budget. Gross pharmacy claims were 12.1% above budget; however, FY20 pharmacy experience included 27 invoices, compared to 26 invoices in FY19. Adjusting for the additional invoice brings pharmacy claims to 8.0% above budget. Total program costs for FY20 medical were down 2.5% and total pharmacy was up 7%, for a combined 0.3% below FY19. Premium contributions were up 1.5% as a result of increased membership. Total cost PEPY and PMPY is down 2.4% and 1.9% over FY19 respectively as a result of COVID-19.

The actual budget was compared to the budget approved in August 2019. On a total program cost basis, medical came in 8.6% below budget and pharmacy came in 8.0% above budget. PEPY and PMPY were 4.9% below budget primarily as a result of the pandemic.

The Executive Dashboard template is being reconfigured and will be available moving forward.

Medical claims were reviewed by quarter; the impact of the pandemic was noted when comparing Q3 (\$158.1M) to Q4 (\$115.4M).

GHIP Long Term Projection Recast – Rebecca Warnken, WTW

The cost of deferred care is outpacing the cost of COVID-19 related treatment. The long-term impact of COVID-19 on the fund will depend on the effectiveness of government policies to mitigate spread, the level of care deferral that returns, the level of new care deferral that emerges, the cost of a new vaccine/therapies, and the potential of new waves of infection.

The Committee voted July 27, 2020 in favor of adding a one-time increase of \$23.5M to the minimum reserve to be held as a separate line item. The additional reserve will be reviewed quarterly and held until claims have normalized; at such time the Committee will re-evaluate whether to maintain, increase or remove the additional reserve.

In Q4 of FY20 claims were a combined \$47.1M below budget. Claim levels into July have returned closer to budget. More detailed claims reporting is included in the deck as supplemental data.

The Subcommittee reviewed updates to the FY21 budget that reflect COVID-19 related adjustments: July Open Enrollment data, Q4 claims, an estimated 50% care deferral returning in FY21 with lower claim levels expected into FY21 Q1. The FY21 budget has been revised up by \$14.9M.

The FY22 budget was revised to \$951.9M reflecting a 5.1% increase (\$46.2M) over FY21 projected budget and excludes any adjustments related to COVID-19 (including a second wave).

Mr. Costantino queried whether the methodology calculated for a second wave of the pandemic. Ms. Warnken responded that while it does not project for a resurgence, the budget will be monitored closely for any necessary adjustments.

Members reviewed potential premium rate action scenarios for FY22. Holding premium rates flat in FY21 and beyond project a FY22 deficit of \$66.2M. Target smoothing the FY21 surplus over two-years requires an 8.8% increase for FY22 effective July 1, 2021. Targeting a \$0 surplus for FY22 will require a 7.8% increase effective July 1, 2021.

Mr. Costantino queried the trend assumptions used in the modeling. Ms. Warnken reviewed that the medical trend is 5% and the pharmacy trend is 8%. Mr. Giovannello added that the pharmacy trend accounts for gross claims and that the rebates show up in Other Revenue increases.

Three potential premium rate action scenarios were illustrated for long term health care cost projections through FY26; no rate action projects a FY22 deficit of \$66.2M and a FY26 deficit of \$1.16B.

A target smoothing (smoothing over two-years) option requires a 8.8% premium rate increase effective July 1, 2021 and 2% annually thereafter and projects a FY22 surplus \$9.2M and a FY26 deficit of \$591.5M.

A zero-dollar surplus (in FY22) option requires a 7.8% premium rate increase effective July 1, 2021 and 2% annually thereafter, projects a FY22 surplus of \$0.0 and a FY26 deficit of \$639.5M. It was noted that the FY22 projections add the temporary reserve back into the fund for the purpose of the projections.

Members reviewed the projected increase for members and the State as a total of monthly/annual premiums increases for each scenario by plan and by coverage tier.

COVID-19 Utilization – Mr. Chris Giovannello, WTW

The Subcommittee reviewed health care utilization trends related to COVID-19. There was a spike in third party telehealth utilization (Teledoc, Amwell, and Doctor on Demand) at the onset of the pandemic, but utilization has normalized; however, there has been a consistent increase in telehealth visits with Other Providers (e.g. PCPs) that has continued through June. Additionally, Other Providers telehealth utilization reflects an increase in visits in the category of mental health & substance abuse.

Deferral of Care was reflected in emergency room visits and radiology at the onset of the pandemic, but utilization rates returned in May and June.

Preventive visit utilization remained consistent throughout the pandemic for well-baby and well-child visits; however, adult preventive visits/screenings declined at the onset of the pandemic and are normalizing, the deferral of care is no expected to reemerge.

Admission rates for mental health and substance abuse remained consistent with pre-pandemic levels.

Outpatient surgeries reflected a deferral of care at the onset of the pandemic, but utilization is normalizing.

Pharmacy claims spiked in March likely as a result of easing restrictions for early refills but has returned to pre-pandemic levels. Medication for anxiety, depression, and sleep spiked at the onset of the pandemic, but has returned to normal levels.

FY22 Planning – Ms. Jaclyn Iglesias

Data collection on approved GHIP initiatives is ongoing with detailed information expected in September 2020.

Areas of opportunity include initiatives to further promote preferred sites of care, expand telehealth services and steerage to high quality surgeons through SurgeryPlus, and improving engagement with plan participants to address high-prevalence and high-cost illnesses and lifestyle risks.

Mr. Costantino queried whether the estimated savings of the approved initiatives were realized and if they were built into the budget projections. Ms. Iglesias responded that performance relative to expectations will be reviewed in detail in September. Ms. Warnken added that Initial savings projections were built into the budget but will be monitored closely and adjusted.

Mr. Costantino queried whether telehealth visits were replacing in-person visits or whether the data reflected that the increase in visits were in addition to in-person visits. Ms. Iglesias responded that emerging experience could be further evaluated. Ms. Warnken added that data will be more accurate after the pandemic when plan experience normalizes. Dir. Rentz would also like to evaluate the impact of the pandemic on telehealth utilization (short and long-term).

Also planned for further discussion in the months ahead is to evaluate opportunities to leverage complimentary work being done in other departments and working groups that address the goals and objectives of the Committee.

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 Ms. Anderson and seconded by Mr. Costantino to adjourn the meeting at 11:11 a.m.
MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

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