**MINUTES FROM THE TELEPHONIC MEETING OF THE FINANCIAL SUBCOMMITTEE TO THE STATE EMPLOYEE BENEFITS COMMITTEE NOVEMBER 12, 2020**

The Financial Subcommittee to the State Employee Benefits Committee (the "Committee") met on Thursday, November 12, 2020 via WebEx (with telephonic option) 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 Magarik)
Ms. Ruth Ann Jones, Office of the Controller General (Appointee for CG Morton)
Ms. Judi Schock, Deputy Principal Assistant, Office of Management and Budget ("OMB") (Appointee OMB Dir. Jackson)
Mr. Stuart Snyder, Chief of Staff, Department of Insurance ("DOI") (Appointee of Commissioner Navarro)

*Subcommittee Members Not Represented or in Attendance:*
Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor (Appointee of Lt. Governor Hall-Long)

*Others in Attendance (Telephonically):*
Ms. Leighann Hinkle, Deputy Director, SBO, DHR
Ms. Jaclyn Iglesias, Willis Towers Watson ("WTW")
Mr. Chris Giovannello, WTW
Mr. Dew Rattanasangpunth, WTW
Ms. Rebecca Warnken, WTW
Ms. Julie Caynor, Aetna
Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR
Ms. Sandy Hart, IBM Watson Health
Ms. Heather Johnson, Controller, DHR
Ms. Katherine Impellizzeri, Aetna
Mr. Walter Mateja, IBM Watson Health
Ms. Lisa Mantegna, Highmark of Delaware
Ms. Jennifer Mossman, Highmark of Delaware
Ms. Paula Roy, Roy and Associates
Ms. Martha Sturtevant, Executive Assistant, SBO, DHR
Ms. Megan Williams, Delaware Healthcare Association

**CALLED TO ORDER**
Director Rentz called the meeting to order at 10:00 a.m.

**DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ, CHAIR**
*Statewide Benefits Office Updates*
The State's Disability Insurance Program Administrator, The Hartford, has been working with the SBO to transition to a new administrative platform on November 2, 2020. SBO continues to work closely with the Group Health Insurance Plan ("GHIP") organizations related to access, navigation and troubleshooting. All Short Term Disability ("STD") Program claims received on or after November 2, 2020 will be submitted on the new platform. All STD claims opened prior to this date continue to be accessed through the retiring platform.

SBO continues to work on the transition of Employee Assistance Program ("EAP") services from HealthAdvocate to ComPsych for an effective date of January 1, 2021. Orientation webinars have been scheduled in early December for managers/supervisors and for employees. Registration information has been emailed to organizations and benefit

eligible employees, as well as posted on the SBO website. Direct home mailings, posters and wallet cards will be distributed the week of January 4, 2021.

*RFP Updates:*
The Proposal Review Committee is concluding their work on the Request for Proposal ("RFP") for Pharmacy Benefit Manager services and for Data Analytics/Warehouse services. The contract award recommendations are being prepared for the Committee's consideration at the December 14, 2020 SEBC meeting.

The Health Care Stakeholder Request for Information has received communications from more than a dozen organizations who have indicated their intent to provide a response by the December 1, 2020 deadline.

*SEBC Updates:*
The Committee will meet on November 16, 2020 to review the Q1 financial updates and progress toward the GHIP and SBO Strategic Framework goals. The Committee is also expected to vote on the proposed changes to the GHIP Eligibility and Enrollment Rules. If approved, they will be submitted for publication with the Registrar of Regulations for an effective date of December 1, 2020.

**APPROVAL OF MINUTES – DIRECTOR FAITH RENTZ, CHAIR**
A MOTION was made by Treasurer Davis and seconded by Mr. Snyder to approve the minutes from the September 10, 2020 combined Subcommittee meeting on behalf of the Financial Subcommittee (meeting minutes previously approved by the Health Policy & Planning Subcommittee on October 8, 2020).
MOTION ADOPTED UNANIMOUSLY.

**FINANCIALS**
*August Fund Equity Report– Chris Giovannello, WTW*
In August the fund received $10.9M in Commercial and $7.9M in EGWP rebates attributable to claims from January through March. The March pharmacy spend was higher as a result of relaxed authorization and refill requirements due to the pandemic.

Claims were $3.8M below budget with an overall net income gain of $17.5M. The Fund Equity balance came in at $200.8M.

*September Fund Equity Report – Chris Giovannello, WTW*
Claims were within $300.1K of budget. Deferred care returned to budgeted levels. The fund is $11.2M under budget for the year.

September had a $13.9 net income deficit for a YTD variance to budget of $8.3M.

*Ms. Ruth Ann Jones joined the meeting.*

*FY21 Q1 Financial Reporting – Chris Giovannello, WTW*
Members reviewed financial reporting comparing Q1 of FY20 to Q1 of FY21. Overall gross claims were down 2.2%. Medical costs are up 0.5% driven by an increase in membership. Prescription claims decreased by 7.4% as a result of invoice timing; if adjusted for an equal number of invoices prescription costs would be higher than budget.

The total cost per employee per year and per member per year is down 4.0% and 3.7% respectively, also a result of invoice timing. FY21 actual program costs compared to budget are down 8.8%.

Members reviewed key observations for the GHIP population in FY21 compared to FY20. The COVID-19 pandemic has had a significant impact on utilization. Visits are down for well-baby (-4.6%), well-child (-2.5%) and preventative adult (-15.6%). There were reduced screening rates for cholesterol and cancer. There was an 8.0% reduction in inpatient admits, and a 14.2% reduction in emergency room visits.

Pharmacy claims were not impacted by COVID-19. There was a 2.6% increase in cost and utilization of all prescriptions. Specialty medications had a 21.2% increase in utilization and now makes up 45% of pharmacy spend.

Dir. Rentz queried what the average percent of specialty pharmacy spend is across other plans. Mr. Giovannello responded that specialty pharmacy in the GHIP has historically been around 40% and is in line with other plan sponsors.

On the medical side the extra invoice is reflected in the long-term fund projection but not in the FY21 Q1 financial report.

*GHIP Long-tern Projections as of FY21 Q1– Ms. Rebecca Warnken and Chris Giovannello, WTW*
Members reviewed emerging experience from COVID-19 claims through FY21 Q1.

New claims have risen higher than pre-pandemic levels as deferred care returns. The potential for new waves of infection and the cost and effectiveness of vaccines will affect the impact the GHIP in FY21 and beyond. WTW continues to recommend that the $23.5M one-time reserve be held aside from the fund reserve.

FY20 Q4 claims came in $47.1M below budget, FY21 Q1 claims came in $11.2M below budget, and October claims exceeded budget for the first time since the pandemic began. November invoices received for Highmark and Aetna were higher than budgeted.

Actual YTD GHIP spend attributable to the pandemic is $12.8M and is up $4.2M from September.

Additional utilization patterns related to COVID-19 will be available December 2020.

*Mr. Steven Costantino joined the meeting.*

The projected FY21 budget of $910.6M has been increased from the FY20 Q4 budget of $905.7M and assumes a 50% return of deferred care in FY20 Q4 as well as a 1% enrollment increase during FY21.

Mr. Costantino noted the increase in hospitalization rates and queried the possibility that elective care will be deferred again as positive COVID-19 cases continue to rise. Ms. Warnken responded that hospitals may postpone elective care and the timing of the spend may vary, but the overall annual spend is expected to run higher than they would be in a normal year as a result of the pandemic and has been factored into the revised projections.

The FY22 budget is projected to be $963.4M for a 5.8% increase over FY21.

Members reviewed options for potential rate action. The goal of taking rate action is the long-term stability of the GHIP. The fund has been able to delay any rate action due to the claim levels running favorably during the pandemic.

Holding premium rates flat again in FY21 and beyond is projected to result in a reduced surplus of $15.7M at the end of FY21 and a deficit of $79.0M by the end of FY22. The $23.5M reserve fund is not included in the FY22 deficit and without it the necessary rate increase will be even higher.

Members discussed that further delaying any rate action will increase the necessary rate increase to stabilize the fund and premium rate increases are inevitable.

The 11.1% change per member of GHIP claims projected in FY21 is due to the FY20 baseline reflecting a favorable year due to COVID-19 deferred care and projecting FY21 having anticipated higher than average claims.

To smooth the surplus over two years as recommended by the Financial Subcommittee, a rate increase of 10.2% effective July 1, 2021 is needed and projects a $7.8M surplus through the end of FY22. This model assumes a 2% per year increase each additional year with FY23 and beyond being evaluated for additional rate increases. With this option GHIP members would experience increases between $2.84 to $27.83 per month and the State's contributions will increase from $68.09 to $183.70 per employee per month depending on plan and coverage tier.

While not recommended, a rate increase of 9.3% effective July 1, 2021 would lead to a $0 surplus at the end of FY22. With this option GHIP members would experience increases between $2.59 to $25.38 per month and the State's contributions will increase from $62.08 to $167.49 per employee per month depending on plan and coverage tier.

Emerging experience will continue to be monitored and projections revised monthly and discussions will be ongoing regarding the timing and recommendations for future rate action.

**FY20 NEW PROGRAM OUTCOMES & FY22 PLANNING**

Members reviewed the FY20 GHIP initiatives effective on or after July 1, 2019; there were no new program changes implemented in FY21.

Clinical management programs implemented included Livongo (diabetes management) and SurgeryPlus (bundled rates and high quality providers), and on August 1, 2019 fertility benefits were enhanced, including decreased member cost sharing and increased coverage for medical and pharmacy.

*Site-of-Care Steerage – Ms. Jaclyn Iglesias, WTW*

Site-of-care steerage included changes to the Highmark infusion therapy program, and copay changes for non-preferred imaging and labs (increased), emergency room utilization (increased), and telemedicine (reduced to $0).

Site of service utilization data from FY19 was combined with feedback from Aetna and Highmark to estimate FY20 utilization. The expected utilization was then compared to actual FY20 claims data through Q3 and through Q4 separately to isolate for the reduced claim activity that resulted from the pandemic.

Actual FY20 cost avoidance for ER visits through Q3 were estimated at a savings of $151K; however, Q4 came in $32K over the estimate. Imaging visits and lab visits were on track to meet or exceed estimates through Q3 but fell short of estimated savings in Q4 as a result of pandemic. Cost avoidance for imaging came in at $512K and below the estimated savings of $1.7M. Cost avoidance for labs came in at $431K and below the estimated savings of $2.6M.

Mr. Costantino queried when site-of-care steerage was introduced into the GHIP. Mr. Giovannello responded that high tech imaging was introduced in FY17 with basic imaging and lab being added in FY19. Additional copay changes were implemented in FY20 as well as the reduction of telemedicine to $0 and an increase in ER to $200. Mr. Costantino added that utilizing Q4 data would not accurately estimate future utilization as members were trying to reduce their exposure to COVID-19 by eliminating additional visits.

There has been a sharp increase in telehealth visits. It is likely that the increased utilization will continue after the pandemic.

Recommendations for FY22 include continued communications to GHIP members to promote preferred sites of care and copay differentials, especially $0 telemedicine services, and targeted communications from Highmark and Aetna to their members who utilize non-preferred sites to provide them with preferred locations for future needs. The upcoming Third Party Administrator (TPA) RFP provides an opportunity to evaluate bidder capabilities to improve site-of-care steerage. Further plan changes were not recommended.

*Infusion Therapy – Ms. Jaclyn Iglesias, WTW*

A review of the infusion therapy programs revealed opportunities for additional steerage where clinically appropriate and in order to reduce member exposure to hospital settings.

Actual FY20 utilization of infusion therapy was compared to the estimated cost avoidance included in the final FY20 budget. Actual cost avoidance for FY20 was estimated at $6.4M, compared to $2.0M budgeted; it was noted that the pandemic likely impacted utilization and that the number of plan participants used to calculate the analysis was still being refined.

Targeted communications from Highmark and Aetna to members utilizing infusion therapy is recommended. The upcoming TPA RFP provides an opportunity to evaluate savings on specialty medications dispensed through the medical plan; specialty drugs dispensed in an outpatient setting were among the top 10 types of service by cost for FY19 and FY20 (a cost of $22.8M each year or 3% of the GHIP spend). Further plan changes were not recommended.

Treasurer Davis queried what percent of the spend on infusion therapy is for non-chemotherapy drugs. Ms. Iglesias responded that she will inquire and provide a follow up.

*Maternity and Fertility Benefits – Ms. Jaclyn Iglesias, WTW*

There was not a significant increase in infertility service utilization for FY20 and maternity costs held steady at 6% of the total GHIP spend; however, there are opportunities to improve overall outcomes for the member population.

IBM Watson Health analyzed claims incurred from March 2019 through February 2020. The analysis reviewed the entire maternity experience. Key findings included that maternity costs per completed pregnancy averaged $36K and are 46% higher than the geographically adjusted normative data. The GHIP's rate of high cost cases (defined as greater than $50K over the course of 12 months) are nearly twice the norm, with 94% of high cost cases having at least one identifiable maternity risk factor. The average length of inpatient admissions for maternity decreased by 8.2% over FY19, but the average cost per member per month increased by .4%.

Of all completed pregnancies, the number of high-cost cases were higher than the number of non-high-cost cases for each of the maternal risk factors reported, including preterm or low birth weight, stay in the NICU, prior infertility treatment, preeclampsia, and c-section.

The percent of GHIP members with chronic conditions and lifestyle risk factors continues to far exceed benchmarks for conditions such as obesity, diabetes, hypertension, asthma, coronary artery disease, osteoarthritis and low back pain. Additionally, women with chronic conditions were more likely to need fertility treatment.

Less than 1% of mothers were diagnosed with postpartum depression. This rate is below the normative data which may suggest this condition is under-diagnosed.

Similar cost trends associated with maternity benefits utilization and maternal health outcomes in Delaware were reported in *The Impact of Diabetes in Delaware* report issued by the Division of Public Health, the Division of Medicaid and Medical Assistance, and the Statewide Benefits Office. In their 2017 report, maternal gestational diabetes was diagnosed in 7.8% of births. The report also found that the prevalence of gestational diabetes increases with age: 1% of women aged 13-18 who gave birth in 2017 were diagnosed compared to 22.4% of women aged 40-49.

Recommendations include incentivizing member participation in maternity management programs offered by Highmark and Aetna and encouraging participation in clinical management programs prior to pregnancy to support better management of chronic conditions (e.g. Livongo, EAP, behavioral health benefits, CareVio, and Custom Care Management Unit).

Additional recommendations include targeted outreach by Highmark and Aetna to segments of the GHIP population in which there are known risk factors, as well as leveraging the medical RFP to encourage TPAs to negotiate improved pricing associated with maternity and fertility services (e.g. alternative payment models such as bundled pricing or shared savings arrangements).

Treasurer Davis queried whether there was any data regarding infant mortality and if there were any potential racial disparities. Ms. Iglesias will inquire with IBM Watson for additional data analysis. Dir. Rentz added that pending the outcome of the Data Analytics RFP, SBO has identified the need to focus on social determinants as a top priority under the new data analytics contract, and SBO continues to work closely with other state partners to further align efforts in this area.

*FY22 Planning Opportunities – Ms. Jaclyn Iglesias, WTW*

Members may currently utilize their plan's provider network or SurgeryPlus for bariatric surgery. Carving out bariatric surgery to the SurgeryPlus program is one program change to consider for FY22. Members will have the benefit of high quality surgeons, a consistent experience, streamlined billing, no cost sharing, financial incentives and concierge services that will support members throughout the lengthy coordination process required for bariatric surgery. More detail on recent utilization will be provided at the Combined Subcommittee meeting on December 10, 2020.

Mr. Costantino queried whether carving out a specific procedure entirely could affect network adequacy for that service. Ms. Iglesias responded that contracted providers would benefit from the population being steered toward their practice. She added that there are Delaware bariatric surgeons are already participating with the SurgeryPlus network, but further consideration will include researching network provider reaction in plan designs carving out this service.

Dir. Rentz stated that the number of members seeking bariatric surgery is low, but the cost of the procedure is high. She is hesitant to require members to leave their local area but added that for this procedure SurgeryPlus offers local provider options, making the potential for savings worth consideration.

**OTHER BUSINESS**

No new business.

**PUBLIC COMMENT**

Members of the public were given instructions on how to participate. There were no comments from the public.

**ADJOURNMENT**

A MOTION was made by Mr. Costantino and seconded by Ms. Schock to adjourn the meeting at 11:52 a.m.
MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

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