



**MINUTES FROM THE COMBINED MEETING OF THE FINANCIAL and HEALTH POLICY & PLANNING SUBCOMMITTEES  
TO THE STATE EMPLOYEE BENEFITS COMMITTEE  
June 17, 2021**

The Health Policy & Planning (“HP&P”) Subcommittee and the Financial Subcommittee to the State Employee Benefits Committee (the “Committee”) met Thursday, June 17, 2021 in a combined meeting. In accordance with the [Proclamation Authorizing Public Bodies to Meet Electronically](#) and in the interests of protecting the citizens of this State from the public health threat caused by COVID-19, this meeting was conducted via WebEx and without a physical location.

Subcommittee Members Represented or in Attendance:

Dir. Faith Rentz, SBO, Department of Human Resources (“DHR”) (Appointee DHR Sec. Bonner), Chair  
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer  
Ms. Judy Anderson, DSEA, (Appointee Mr. Taschner for DSEA)  
Mr. Steven Costantino, Dir. Health Care Reform, Dept. of Health and Social Services (“DHSS”) (Appointee DHSS Sec. Magarik)  
Ms. Emily Molinaro, OMB (Appointee of OMB Dir. Cade)  
Mr. William Oberle, Delaware State Trooper’s Association (Appointee Mr. Taschner, DSEA)  
Ms. Judi Schock, Deputy Principal Assistant, Office of Management & Budget (“OMB”) (Appointee OMB Dir. Cade)  
Mr. Bert Scoglietti, Deputy Controller General, Office of the Controller General (Appointee CG Jones)  
Mr. Stuart Snyder, Chief of Staff, Department of Insurance (Appointee Commissioner Navarro)  
Ms. Ashley Tucker, Deputy State Court Administrator, Administrative Office of the Courts (Appointee The Hon. Collins Seitz, Chief Justice, Delaware Supreme Court)

Subcommittee Members Not Represented or in Attendance:

Ms. Victoria Brennan, Chief of Fiscal Policy, Office of the Controller General (Appointee CG Jones)  
Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor (Appointee Lt. Governor Hall-Long)

Others in Attendance:

Ms. Leighann Hinkle, Deputy Director, SBO, DHR	Ms. Sandy Hart, IBM Watson Health
Mr. Chris Giovannello, Willis Towers Watson (“WTW”)	Ms. Heather Johnson, Controller II, DHR
Ms. Jaclyn Iglesias, WTW	Mr. Walter Mateja, IBM Watson Health
Ms. Rebecca Warnken, WTW	Mr. Wayne Smith, Delaware Healthcare Association
Ms. Julie Caynor, Aetna	Ms. Martha Sturtevant, Exec. Sec., SBO, DHR - Recorder, State Employee Benefits Committee and Subcommittees
Ms. Alyssa Chandler, Admin Specialist III, SBO, DHR	
Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR	

**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 Treasurer Davis and seconded by Mr. Snyder to approve the Minutes from the Combined Subcommittee meeting on May 6, 2021.

MOTION ADOPTED UNANIMOUSLY.

**STATE OF DELAWARE STATEWIDE BENEFITS OFFICE**

**DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ, CHAIR**

Legislative Updates

Senate Substitute 1 for Senate Bill 120, also known as the primary care reimbursement bill, passed by the Senate on May 20, 2021, and was released from the House Health & Human Development Committee on June 9, 2021.

House Bill 219 was introduced on June 3, 2021, released from the Housing, Economic Development, Banking, Insurance & Commerce Committee on June 9, 2021, and is on the House agenda for June 17, 2021. HB 219 builds off HB 194 that passed in 2019 and allows the Department of Insurance additional oversight over the registration, reporting, and reimbursement practices of Pharmacy Benefit Managers (“PBM”). The bill contains several payment clauses that will restrict the Committee’s ability to negotiate pricing terms in future PBM contracts.

Mr. Costantino queried whether HB 219 would apply to self-insured PBMs. Director Rentz confirmed.

Requests for Proposals:

The Third Party Administrator (“TPA”) Health Plan Administration Request for Proposal (“RFP”) was advertised on April 26, 2021, and bid responses are due June 25, 2021.

The Dental Plan RFP is being drafted and advertisement is targeted for July 2021.

Post Open Enrollment:

The 2021 Open Enrollment for the July 1, 2021 Plan Year has concluded. The new plan year includes the addition of a second vision plan offering and a transition of pharmacy services from Express Scripts to CVS Caremark for the active and non-Medicare populations. Prescription ID cards are in the process of being mailed to members.

**FINANCIALS – MR. CHRIS GIOVANNELLO, WTW**

April Fund Report

April revenues came in higher than expected due to a coverage gap payment received for \$7.15M.

Claims ran \$2.6M above budget for the month and a YTD variance to budget of 1.18% or \$9.38M. The Fund Equity balance is \$154.3M and variance to the budget of \$8.74M.

Ms. Warnken added that the budget was aligned with the pre-COVID baseline, and the variance is not unexpected with the return of deferred care.

**FY22 BUDGET UPDATE & LONG TERM PROJECTIONS – MR. CHRIS GIOVANNELLO, WTW**

The revised budget projection includes a \$1.2M deficit for May claims experience; June claims are expected to be aligned with the budget.

Budget projections have been revised to reflect monthly net income for FY22, rather than on an incurred basis, to better project when the GHIP Fund Equity will reach a deficit during FY22.

The FY22 savings projections attributable to the CVS Caremark PBM contract (\$30.4M) have been revised to reflect savings on a paid basis and assumes a six-month lag on rebate payments. Commercial rebates for FY22 Q1 and Q2 are expected to be received in FY22, and Q3 and Q4 rebates will be received in FY23; likewise, the EGWP (Medicare) assumes a six-month lag on rebates for FY22 (contract is effective January 1, 2022) are not expected to be received until FY23. This shift increases the FY22 operating expenses by \$12.0M.

The FY22 monthly budget and revised long-term projections were presented under three scenarios: Scenario 1 excludes potential COVID-19 reimbursements, Scenario 2 includes the anticipated COVID-19 reimbursement of \$23.3M (assumed to be received in July 2021), and Scenario 3 includes the anticipated COVID-19 reimbursement of \$23.3M as well as a one-time supplemental bill funding of \$20.0M (assumed to be available in July 2021).

Scenario one reflects the Fund Equity balance projections assuming that there were no additional funds received. Under this scenario, the fund goes into a deficit beginning in December 2021, before returning to a surplus in February resulting from expected revenue items before falling into a permanent deficit position in March 2022 and ending FY22 with a projected deficit of \$55.5M.

Scenario two reflects the Fund Equity balance projections assuming a one-time \$23.3M COVID-19 expense reimbursement in July 2021. Under this scenario, the fund goes into a permanent deficit beginning in April 2022 and ending FY22 with a projected deficit of \$32.2M.

Scenario three reflects the Fund Equity balance projections assuming a one-time \$23.3M COVID-19 expense reimbursement and a \$20.0M in supplemental funding available in July 2021. Under this scenario, the fund goes into a permanent deficit beginning in June 2022 and ending FY22 with a projected deficit of \$12.2M.

The Subcommittee reviewed potential premium increases needed on July 1, 2022, that would be required to solve for the FY22 deficit, along with the corresponding FY23 deficit assuming no additional premium increases, for each of the three scenarios.

Under scenario three, a 2.9% rate increase in January 2022 would solve for the projected FY22 deficit; however, a deficit is still projected for FY23. In this example, an additional premium increase of 14.5% would be required in July 2022 to solve the projected FY23 deficit.

If a mid-year rate increase is not possible, an 18.8% rate increase in July 2022 would clear the projected FY22 deficit and clears the FY23 projected deficit ending June 2023 with a Fund Equity balance of \$0.0M. In this scenario there would be an increase of \$5.23 - \$51.30 per employee per month and a State subsidy increase of \$125.50-\$335.87 per employee per month.

Director Rentz stated that OMB and SBO are in discussions regarding how COVID-19 related reimbursement funding would be transferred, one-time supplemental funding for the GHIP is dependent on the passage in the Legislature, and a projected FY22 deficit remains after supplemental funding sources are accounted for.

Director Rentz noted that the examples provided do not account for smoothing the surplus over two-years and she encouraged feedback from members regarding the use of surplus funds and the amount and timing of premium rate action recognizing that rate action will require additional State funding.

Ms. Anderson requested additional forecast modeling with a longer-term projection that includes the proposed premium rate increase scenarios including the 2% each additional year thereafter. Additionally, she requested a scenario where the surplus was smoothed over two years. WTW will follow up.

There was a discussion regarding additional scenarios and considerations. The timing of the legislature will impact projected rate action; the sooner rate action is taken, the more gradual the impact to members. A rate increase is not the only lever; potential policies, healthcare trends, and the costs and savings resulting from upcoming procurements will also impact the fund balance. It is important to consider the timing of communicating rate action.

Treasurer Davis stated that the State's health benefits are a component of employee compensation and the impact on long-term retention should be an added consideration.

The next SEBC meeting is June 29, 2021, at 10:00 a.m.

#### **OTHER BUSINESS**

No new business was presented.

**PUBLIC COMMENT**

No public comment was provided.

**ADJOURNMENT**

A MOTION was made by Mr. Costantino and Seconded by Ms. Anderson to adjourn the meeting at 10:54 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