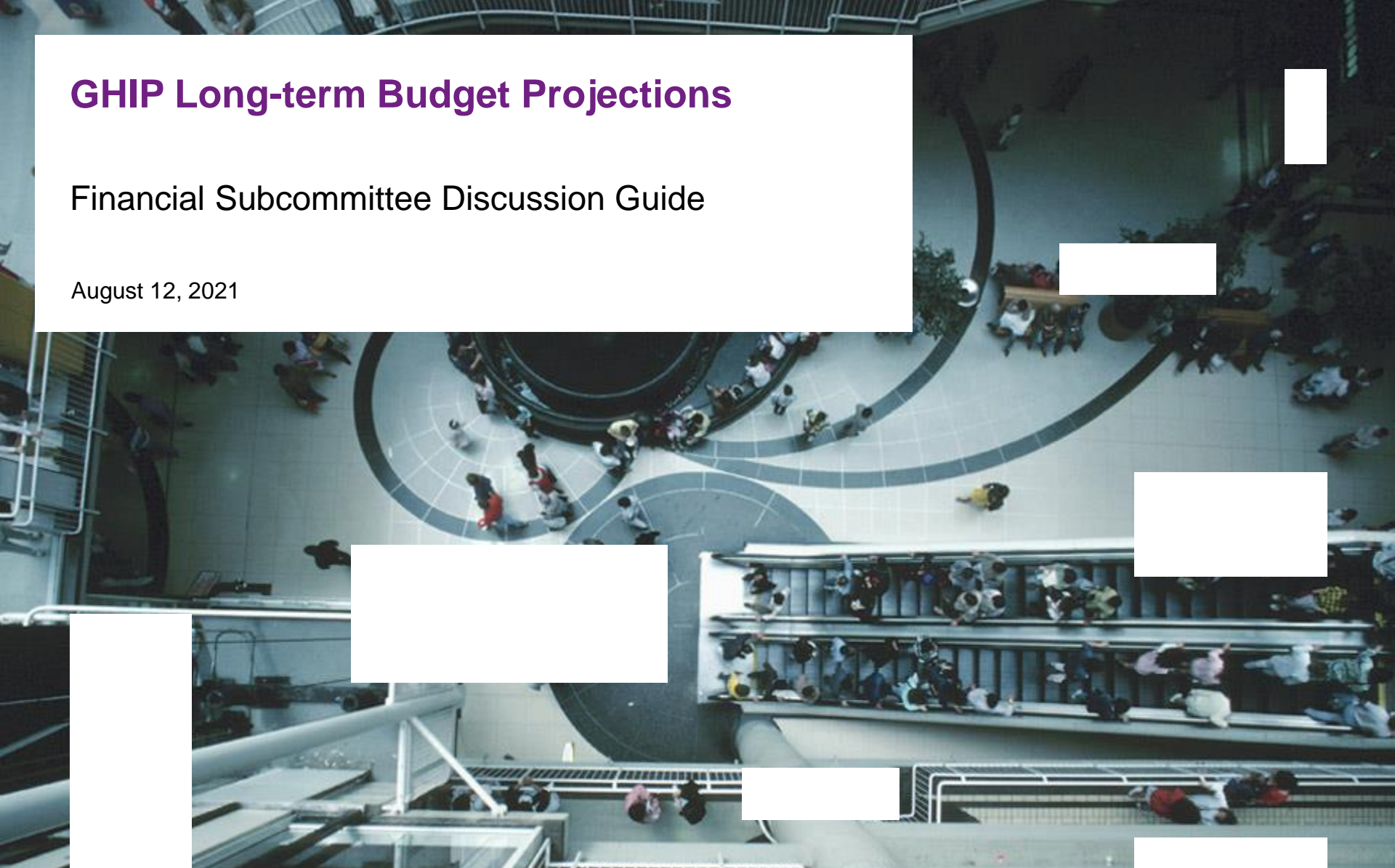


GHIP Long-term Budget Projections

Financial Subcommittee Discussion Guide

August 12, 2021

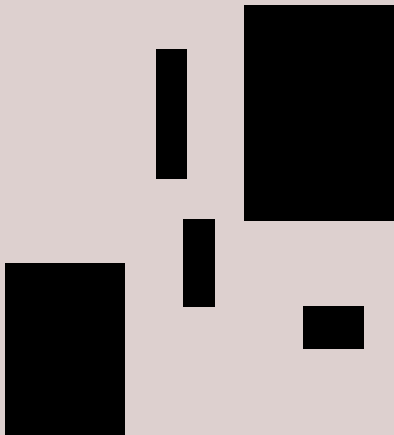


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Today's discussion

- GHIP long term health care cost projections (FY21 Q4 update)
 - Revised projections
 - Premium rate increase scenarios
- June SEBC follow-ups
 - GHIP long term health care cost projections (alternate historical premium increase scenarios)
- Recommended next steps
- Appendix

GHIP long term health care cost projections



GHIP long term health care cost projections (FY21 Q4 update)

Revised projections

- WTW FY21 budget (\$898.1M) at June SEBC meeting projected a \$50.5M surplus at the end of FY21 (after release of \$23.5M COVID-19 reserve)
 - Final FY21 budget of \$876.8M and surplus of \$70.5M, driven by \$23.3M in COVID-19 reimbursements hitting the Fund in June instead of July (FY22) as originally projected
- WTW FY22 budget (\$906.3M) at June SEBC meeting projected a \$12.2M deficit at the end of FY22
 - Revised budget (\$916.9M) projects FY22 deficit of \$8.1M, driven by favorable claims experience in June 2021, and revised assumptions regarding CVS Health rebate payment timing
 - Rebates under new CVS Health contract expected to be paid 60 days after quarter adjudicated; current ESI rebates are paid approx. 5 months after quarter adjudicated
 - Will have downstream positive impact as improved rebates expected to hit Fund sooner in future projection years

Component (\$M)	Description	FY21	FY22
FY21 Q3 (includes impact of COVID-19)		\$898.1	\$906.3
Claims Experience	Claims experience updated to reflect impact of COVID-19 (including pent-up demand due to return of deferred care)	(\$19.7)	(\$2.0)
Enrollment	Expected claims and premium increase due to growth in covered population	(\$2.1)	(\$6.0)
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	\$0.5	\$18.6
FY21 Q4 (includes impact of COVID-19)		\$876.8	\$916.9

GHIP long term health care cost projections (FY21 Q4 update)

No premium increases FY22-FY26 (*includes* \$20m supplemental bill funding in FY22)

GHIP Costs (\$ millions)	FY20 Actual	FY21 Actual	FY22 Projected ¹	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹
Average Enrolled Members	128,531	129,768	130,427	131,731	133,048	134,378	135,722
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$839.4	\$841.8	\$850.2	\$858.7	\$867.3	\$876.0
<i>Hold premium rates flat FY21 and beyond</i>	-	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Revenues ³	\$122.8	\$128.9	\$172.7	\$182.0	\$202.0	\$219.3	\$237.3
Total Operating Revenues	\$953.7	\$968.3	\$1,014.5	\$1,032.2	\$1,060.7	\$1,086.6	\$1,113.3
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,005.7	\$1,089.6	\$1,163.1	\$1,241.7	\$1,325.5	\$1,415.1
% Change Per Member	0.9%	7.4%	7.8%	5.7%	5.7%	5.7%	5.7%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$37.4)	(\$75.1)	(\$130.9)	(\$181.0)	(\$238.9)	(\$301.8)
Balance Forward	\$163.8	\$189.8	\$152.3	\$77.2	(\$53.7)	(\$234.7)	(\$473.7)
Ending Balance	\$189.8	\$152.3	\$77.2	(\$53.7)	(\$234.7)	(\$473.7)	(\$775.4)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.0	\$65.1	\$69.5	\$74.2	\$79.2
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$24.3	\$25.9	\$27.6	\$29.5	\$31.5
- Less COVID-19 Reserve ⁶	-	-	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$70.5	(\$8.1)	(\$144.7)	(\$331.8)	(\$577.4)	(\$886.1)

- FY21 reflects release of COVID-19 reserve and June 2021 Fund balance of \$152.3m (includes \$23.3m in COVID-19 reimbursement, reflected as offset to FY21 operating expenses)
 - Prior projections assumed COVID-19 reimbursement would be received in July (FY22)

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Please refer to Appendix for FY17, FY18, and FY19 actual results (slide 15) and detailed projection footnotes (slide 16)

GHIP long term health care cost projections (FY21 Q4 update)

Premium rate increase scenarios (reflects impact of COVID-19)

- To maintain the long-term stability of the Fund, the Financial Subcommittee recommends smoothing any available surplus over a minimum of two years
- Absent program changes or premium rate increases, the GHIP is on track to fully deplete health fund surplus during FY22, even with after the release of COVID-19 reserve
- Financial Subcommittee will be tasked with recommending the **timing** and **level of rate increase** for FY22 or FY23
- The updated long-term projections are shown without any future rate increases or FY22 program/legislative changes
 - **\$8.1M projected deficit** through end of FY22
 - **\$144.7M projected deficit** through end of FY23 that will need to be addressed through premium rate increases, or other savings initiatives
 - If no other program changes, a 17.0% premium increase will be needed on July 1, 2022 to solve for the projected FY23 deficit of \$144.7M
 - Under this scenario, there would be no surplus available at the end of FY22 to use in lieu of premium increase

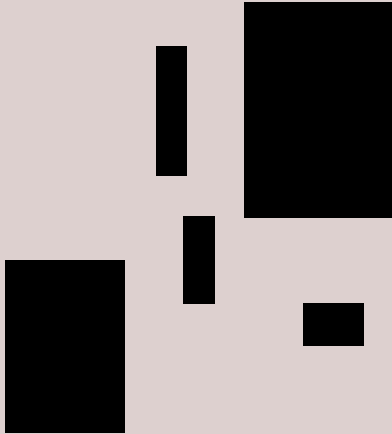
FY23 monthly rates and employee/retiree contributions

Illustrative: 17.0% increase effective 7/1/2022

FY23 reflects employee contribution increases of \$4.73 - \$46.39 per employee per month (\$56.76 - \$556.68 per year) and State subsidy increases of \$113.48 - \$306.17 per employee per month (\$1,361.76 - \$3,674.04 per year) effective 7/1/2022

	Current Rates			FY 2023 with 17.0% Increase (effective 7/1/2022)			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$813.57	\$32.57	\$781.00	\$4.73	\$56.76	\$113.48	\$1,361.76
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,683.26	\$67.30	\$1,615.96	\$9.78	\$117.36	\$234.80	\$2,817.60
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,236.71	\$49.44	\$1,187.27	\$7.18	\$86.16	\$172.51	\$2,070.12
Family	\$1,798.42	\$71.92	\$1,726.50	\$2,104.15	\$84.15	\$2,020.00	\$12.23	\$146.76	\$293.50	\$3,522.00
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$842.03	\$42.10	\$799.93	\$6.12	\$73.44	\$116.23	\$1,394.76
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,745.90	\$87.26	\$1,658.64	\$12.68	\$152.16	\$241.00	\$2,892.00
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,286.49	\$64.30	\$1,222.19	\$9.34	\$112.08	\$177.59	\$2,131.08
Family	\$1,895.74	\$94.78	\$1,800.96	\$2,218.02	\$110.89	\$2,107.13	\$16.11	\$193.32	\$306.17	\$3,674.04
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$849.35	\$55.18	\$794.17	\$8.02	\$96.24	\$115.39	\$1,384.68
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,790.78	\$116.42	\$1,674.36	\$16.92	\$203.04	\$243.28	\$2,919.36
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,299.31	\$84.45	\$1,214.86	\$12.27	\$147.24	\$176.52	\$2,118.24
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,234.49	\$145.22	\$2,089.27	\$21.10	\$253.20	\$303.57	\$3,642.84
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$928.82	\$123.06	\$805.76	\$17.88	\$214.56	\$117.08	\$1,404.96
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,927.39	\$255.36	\$1,672.03	\$37.10	\$445.20	\$242.95	\$2,915.40
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,431.45	\$189.63	\$1,241.82	\$27.55	\$330.60	\$180.44	\$2,165.28
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,409.50	\$319.25	\$2,090.25	\$46.39	\$556.68	\$303.71	\$3,644.52

June SEBC follow-ups



GHIP long term health care cost projections (alternate scenarios)

- As presented at the June SEBC meeting, the premium rate increase needed in July 2022 to solve for the projected FY23 deficit was 18.8%
- The SEBC requested additional modeling scenarios to understand where the Fund would be today had modest rate increases been implemented in prior fiscal years
- The following illustrative historical premium rate increase scenarios have been modeled by Willis Towers Watson on the following slides:
 - One-time 4.8% premium increase effective 7/1/18; rate increase was motioned for vote at 2/26/18 SEBC meeting (motion was not carried)
 - One-time 2.0% premium increase effective 7/1/18; rate increase was motioned for vote at 2/26/18 SEBC meeting (motion was not carried)
 - 2.0% annual premium increases effective 7/1/18 (illustrative scenario)

GHIP long term health care cost projections (alternate scenarios)

4.8% increase effective 7/1/2018; FY22 includes \$20m supplemental bill funding

GHIP Costs (\$ millions)	FY19 Illustrative	FY20 Illustrative	FY21 Illustrative	FY22 Projected ¹	FY23 Projected ¹
Average Enrolled Members	126,360	128,531	129,768	130,427	131,731
GHIP Revenue					
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$830.8	\$839.4	\$841.8	\$850.2
4.8% increase effective 7/1/18	\$39.2	\$39.9	\$40.3	\$40.4	\$40.8
Other Revenues ³	\$98.5	\$122.8	\$128.9	\$172.7	\$182.0
Total Operating Revenues	\$955.2	\$993.6	\$1,008.6	\$1,054.9	\$1,073.0
GHIP Expenses (Claims/Fees)					
Operating Expenses ⁴	\$904.0	\$927.7	\$1,005.7	\$1,089.6	\$1,163.1
% Change Per Member	5.1%	0.9%	7.4%	7.8%	5.7%
Adjusted Net Income (Revenue less Expense)	\$51.1	\$65.9	\$2.9	(\$34.7)	(\$90.1)
Balance Forward	\$151.8	\$203.0	\$268.9	\$271.7	\$237.0
Ending Balance	\$203.0	\$268.9	\$271.7	\$237.0	\$146.9
- Less Claims Liability ⁵	\$58.8	\$57.5	\$57.5	\$61.0	\$65.1
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$24.3	\$24.3	\$25.9
- Less COVID-19 Reserve ⁶	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	\$119.9	\$187.1	\$189.9	\$151.7	\$55.9

- A one-time 4.8% premium increase effective 7/1/18 would have created additional \$119.4m in premium contribution revenue to the Fund in fiscal years 19-21
- Fund would have maintained surplus after reserves through the end of FY23

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

GHIP long term health care cost projections (alternate scenarios)

2.0% increase effective 7/1/2018; FY22 includes \$20m supplemental bill funding

GHIP Costs (\$ millions)	FY19 Illustrative	FY20 Illustrative	FY21 Illustrative	FY22 Projected ¹	FY23 Projected ¹
Average Enrolled Members	126,360	128,531	129,768	130,427	131,731
GHIP Revenue					
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$830.8	\$839.4	\$841.8	\$850.2
2.0% increase effective 7/1/18	\$16.3	\$16.6	\$16.8	\$16.8	\$17.0
Other Revenues ³	\$98.5	\$122.8	\$128.9	\$172.7	\$182.0
Total Operating Revenues	\$932.3	\$970.3	\$985.1	\$1,031.3	\$1,049.2
GHIP Expenses (Claims/Fees)					
Operating Expenses ⁴	\$904.0	\$927.7	\$1,005.7	\$1,089.6	\$1,163.1
% Change Per Member	5.1%	0.9%	7.4%	7.8%	5.7%
Adjusted Net Income (Revenue less Expense)	\$28.2	\$42.6	(\$20.6)	(\$58.2)	(\$113.9)
Balance Forward	\$151.8	\$180.1	\$222.7	\$202.0	\$143.8
Ending Balance	\$180.1	\$222.7	\$202.0	\$143.8	\$29.9
- Less Claims Liability ⁵	\$58.8	\$57.5	\$57.5	\$61.0	\$65.1
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$24.3	\$24.3	\$25.9
- Less COVID-19 Reserve ⁶	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	\$97.0	\$140.9	\$120.2	\$58.5	(\$61.1)

- A one-time 2.0% premium increase effective 7/1/18 would have created additional \$49.7m in premium contribution revenue to the Fund in fiscal years 19-21
- Additional 7.0% increase would be needed to solve for projected FY23 deficit of \$61.1m

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

GHIP long term health care cost projections (alternate scenarios)

2.0% annual increase effective 7/1/2018; FY22 includes \$20m supplemental bill funding

GHIP Costs (\$ millions)	FY19 Illustrative	FY20 Illustrative	FY21 Illustrative	FY22 Projected ¹	FY23 Projected ¹
Average Enrolled Members	126,360	128,531	129,768	130,427	131,731
GHIP Revenue					
Premium Contributions (Increasing with Enrollment) ²	\$817.4	\$830.8	\$839.4	\$841.8	\$850.2
2.0% increase effective 7/1/18	\$16.3	\$33.2	\$50.4	\$67.3	\$85.0
Other Revenues ³	\$98.5	\$122.8	\$128.9	\$172.7	\$182.0
Total Operating Revenues	\$932.3	\$986.9	\$1,018.7	\$1,081.8	\$1,117.2
GHIP Expenses (Claims/Fees)					
Operating Expenses ⁴	\$904.0	\$927.7	\$1,005.7	\$1,089.6	\$1,163.1
% Change Per Member	5.1%	0.9%	7.4%	7.8%	5.7%
Adjusted Net Income (Revenue less Expense)	\$28.2	\$59.2	\$13.0	(\$7.7)	(\$45.9)
Balance Forward	\$151.8	\$180.1	\$239.3	\$252.2	\$244.5
Ending Balance	\$180.1	\$239.3	\$252.2	\$244.5	\$198.6
- Less Claims Liability ⁵	\$58.8	\$57.5	\$57.5	\$61.0	\$65.1
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$24.3	\$24.3	\$25.9
- Less COVID-19 Reserve ⁶	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	\$97.0	\$157.5	\$170.4	\$159.2	\$107.6

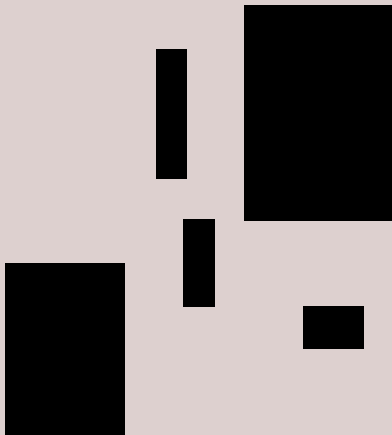
- A 2.0% annual premium increase effective 7/1/18 would have created additional \$99.9m in premium contribution revenue to the Fund in fiscal years 19-21
- Fund would have maintained surplus after reserves through the end of FY23, assuming additional 2% increase in FY22 and FY23

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Recommended next steps

- Continue to monitor impact of COVID-19 on GHIP experience and utilization
- Continue to monitor emerging utilization and cost savings for the GHIP initiatives adopted to date
- Continue to discuss timing and level of future rate action

Appendix



GHIP historical health care fund information

FY17-FY19

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Actual
Average Enrolled Members	123,132	125,488	126,360
GHIP Revenue			
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$817.4
<i>Hold premium rates flat FY21+</i>	-	-	-
Other Revenues ³	\$81.6	\$92.1	\$98.5
Total Operating Revenues	\$880.6	\$903.0	\$915.9
GHIP Expenses (Claims/Fees)			
Operating Expenses ⁴	\$816.8	\$853.9	\$904.0
% Change Per Member		2.6%	5.1%
Excise Tax Liability ⁵			
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	\$11.9
Balance Forward	\$38.9	\$102.7	\$151.8
Ending Balance	\$102.7	\$151.8	\$163.8
- Less Claims Liability ⁶	\$54.0	\$58.9	\$58.8
- Less Minimum Reserve ⁶	\$24.0	\$24.0	\$24.3
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$80.7

GHIP long term health care cost projection footnotes

Note: FY17-FY21 actuals based on final June Fund Equity reports for respective fiscal year; FY22+ projected operating expenses and enrollment based on experience through FY21 Q4 with adjustments due to COVID-19 financial impact; assumed 1% annual enrollment growth; numbers in table may not add up due to rounding

1. Includes approved design changes effective 7/1/2019 including implementation of SurgeryPlus COE (\$0.5m annual savings), site-of-care steerage (\$6.9m), Highmark infusion therapy program (\$2.0m) and implementation of Livongo (\$0.7m); FY21 reflects implementation of Highmark radiation therapy authorization program (\$633k annual savings per Highmark); FY22-FY26 projections based on 5% medical, 8% pharmacy baseline trend; assumes 1% annual growth in GHIP membership; FY22 projection reflects impact of COVID-19; assumes no other program changes in FY22 and beyond.
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY22-FY26
3. Includes Rx rebates, EGWP payments, other revenues based on when revenues will be received; FY22 and beyond includes estimated improvements in Rx rebates based on result of PBM award to CVS Health; rebates assumed to be paid 60 days after the quarter adjudicated; includes fees for participating non-State groups (assumed to increase proportionally with membership and premium growth); FY22 includes projected \$8.4m CY2020 CMS financial reconciliation payment to be received Jan. 2022.
4. FY22 and beyond includes estimated reduction in pharmacy claims as a result of PBM award to CVS Health
5. FY20 Minimum Reserve levels updated with data through June 2019; FY20 Claim Liability updated with lag factors as of Dec 2019 and claims data through December 2019; FY21 reserves assumed to remain at FY20 levels; FY22 claim liability and future years assumed to increase with overall GHIP claims growth; FY22 minimum reserve assumed to remain at FY21 level.
6. One-time COVID-19 reserve as approved by SEBC on July 27th, 2020; released at the end of FY21

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.