



**MINUTES FROM THE COMBINED MEETING OF THE FINANCIAL and HEALTH POLICY & PLANNING SUBCOMMITTEES
TO THE STATE EMPLOYEE BENEFITS COMMITTEE
AUGUST 12, 2021**

The Health Policy & Planning (“HP&P”) Subcommittee and the Financial Subcommittee to the State Employee Benefits Committee (the “Committee”) met Thursday, August 12, 2021 in a combined meeting. The meeting was held at 97 Commerce Way, Suite 201, in Dover; however, in the interests of protecting the citizens of this State from the public health threat caused by COVID-19, this meeting was presented via WebEx and participants were encouraged to attend virtually.

Subcommittee Members Represented or in Attendance:

Ms. Leighann Hinkle, Deputy Director, Statewide Benefits Office (“SBO”), Department of Human Resources (“DHR”) OBO Director Faith Rentz, SBO, DHR (Appointee DHR Secretary Bonner), Chair
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer
Ms. Judy Anderson, Delaware State Education Association, (Appointee Mr. Taschner for DSEA)
Ms. Jeanette Hammon, Senior Fiscal & Policy Analyst, Office of Management & Budget (“OMB”) (Appointee of OMB Director Cade)
Mr. William Oberle, Delaware State Trooper’s Association (Appointee Mr. Taschner, DSEA)
Ms. Judi Schock, Deputy Principal Assistant, OMB (Appointee OMB Director 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:

Mr. Steven Costantino, Director Health Care Reform, Dept. of Health and Social Services (“DHSS”) (Appointee DHSS Secretary Magarik)
Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor (Appointee Lt. Governor Hall-Long)

Others in Attendance:

Mr. Chris Giovannello, Willis Towers Watson (“WTW”)	Ms. Sandy Hart, IBM Watson Health
Ms. Jaclyn Iglesias, WTW	Ms. Katherine Impellizzeri, Aetna
Ms. Wendy Beck, Highmark Delaware	Ms. Heather Johnson, Controller II, DHR
Ms. Rebecca Byrd, ByrdGomes	Mr. Walter Mateja, IBM Watson Health
Ms. Christina Bryan, Delaware Healthcare Association	Ms. Paula Roy, Roy & Associates
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

Deputy Director Hinkle called the meeting to order at 10:03 a.m.

APPROVAL OF MINUTES – DEPUTY DIRECTOR LEIGHANN HINKLE, ACTING CHAIR

A MOTION was made by Mr. Scoglietti and seconded by Ms. Schock to approve the Minutes from the Combined Subcommittee meeting on June 17, 2021.

MOTION ADOPTED UNANIMOUSLY.

STATE OF DELAWARE STATEWIDE BENEFITS OFFICE

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DIRECTOR'S REPORT – DEPUTY DIRECTOR LEIGHANN HINKLE, ACTING CHAIR

New Primary Care Report

The Subcommittees reviewed a new quarterly report highlighting the primary care landscape in Delaware; the report is current as of June 30, 2021.

The report reflects the number of primary care physicians ("PCPs") in Delaware by county, by vendor, and by physician type. The totals do not include unique PCP counts; some PCPs with office locations in multiple counties are included county totals. Highmark has a total of 1,172 PCPs, 517 Nurse Practitioners ("NP") and 350 Pediatricians while Aetna has 912 PCPs, 729 Physician Assistants/NPs and 191 Pediatricians.

The report captures the number of terminated PCPs and the reason for the termination, and the number of new primary care physicians by county. While the data is meant to be inclusive of all FY21, the reporting by Highmark and Aetna was not finalized with all data elements until June 2021. Highmark had 10 PCPs terminate while Aetna had 47.

The report also includes the number of GHIP members with PCP visits in FY21 Q1 compared to FY21 Q2 for both preventive visits and other visits; the total number of patients and visits are not mutually exclusive. The same patient can see their PCP more than once during the quarter. There were more patients who had a visit in FY21 Q1 vs Q2 and well as more total visits.

SBO plans to add telemedicine utilization to the report.

Additionally, the Third Party Administrator Request for Proposal included questions about the Vendor's primary care network.

Mr. Oberle queried whether the report would account for employees who have a PCP out-of-state. Deputy Director Hinkle responded that data would be captured in the total but not reflected in the corresponding breakout by county. Ms. Anderson requested that the clarification be footnoted.

The Committee is expected to meet again on September 13, 2021, to review new CVS Health programs and services for the commercial population. An update on the CVS implementation will also be provided.

FINANCIALS – MR. CHRIS GIOVANNELLO, WTW

May Fund Report

The May Fund Report includes \$10.7M in Commercial rebates and \$8.0M in EGWP rebates. The report has been updated to reflect rebates and EGWP revenue items on a cash-paid basis rather than on an accrued basis.

May revenues include \$471K in Other Revenues from a missed performance guarantee from Express Scripts.

Claims ran \$1.2M above the \$91.4M budget bringing the YTD variance to the budget to \$10.6M above budget.

The May Fund Equity balance was \$148.6M and the variance to the budget reflected a deficit of \$13.8M, driven by higher claims experience.

June Fund Report

Revenues were in line with the budget.

The June report reflects favorable claim data that includes a \$23.3M reimbursement credit that was expected to be posted in July; without the reimbursement, claims would have been in line with budget.

The June Fund Equity balance is \$152.3M and variance to budget reflects a deficit of \$10.1M.

Ms. Anderson queried whether the July Fund report would reflect the release of the \$23.5M COVID-19 Reserve. Mr. Giovannello responded that the reserve is released in the long-term projections, but it is not reflected in the Fund report. He added that the June fund report will be updated and reissued.

Ms. Anderson queried whether additional federal reimbursements related to COVID-19 claim expenses were expected. Mr. Giovannello responded that the reimbursements received were for claims paid through March, but further information was unavailable on the timing or amount of additional funds and therefore are not included in budget projections. Deputy Director Hinkle added that eligible claims are being reported to OMB and more information is expected to be available in September.

There was a discussion regarding how to quantify the financial impact of new variants and the long-term health implications of COVID-19. Mr. Giovannello responded that the long-term impact remains largely unknown but the FY22 budget was prepared to assume no additional COVID-19 experience; however, a deeper analysis would be prepared for a later discussion.

FY21 Q4 FINANCIAL REPORTING – MR. CHRIS GIOVANNELLO, WTW

A YTD comparison of FY21 compared to FY20 reflected double-digit increases in FY21 medical claims resulting from deferred care in FY20.

Comparing FY21 Actual to Budget (approved in August 2020) reflects that the GHIP is tracking within 1% of the budget.

Ms. Anderson noted the increase in prescriptions claims. She queried when the savings from the new Pharmacy Benefit Manager (“PBM”) contract would be reflected in the financials. Mr. Giovannello confirmed that the Commercial population effective date was July 1, 2021, and the EGWP population begins January 1, 2022.

There was a year over a year reduction in ER visits: down 7.3%. There was a discussion that the reduction may be related to steerage initiatives, avoidance related to the risk of COVID-19, or the utilization of telemedicine but additional analysis is forthcoming.

FY22 GHIP BUDGET – MR. CHRIS GIOVANNELLO, WTW

The FY22 budget of \$915.0M reflects begins with a starting balance of \$152.3M. Premium contributions reflect a decreased headcount and therefore operating expenses have also been revised down. The FY22 budget a net income loss of \$75.1M and a GHIP deficit of \$8.0M after reserves. A monthly budget was also presented and reflects the timing of rebates.

Revenues have been updated to reflect increased rebates resulting from improved payment timing from the new Pharmacy Benefit Manager contract (CVS Health rebates will post within 60 days after the close of the adjudicated quarter versus ESI’s rebates that were posted after 150 days). The improved timing also results in one additional rebate each for both the EGWP and the commercial plan.

The \$20.0M in Other Revenues reflects the approved supplemental funding expected to be received in July. To date, the funding has not been received. Other Expenses reflect actual payments received in FY21.

It is probable that the pandemic will have an impact on health care costs; however, due to the high degree of uncertainty associated with COVID-19, the analysis to develop the health care cost estimates for the GHIP did not explicitly reflect adjustments related to the impact of COVID-19 and results may vary from the estimates provided.

FY21 Q4 UPDATE AND REVISED BUDGET PROJECTIONS – MR. CHRIS GIOVANNELLO, WTW

In June WTW projected a \$50.5M surplus at the end of FY21. The final FY21 budget ended with a surplus of \$70.5M, driven by the \$23.3M in COVID-19 reimbursements hitting the Fund in June instead of July (FY22).

The FY22 budget of \$906.3M presented in June projected a \$12.2M deficit at the end of FY22. The revised budget (\$916.9M) projects an FY22 deficit of \$8.1M (after the release of the COVID-19 reserve), driven by favorable claims experience in June 2021, and revised assumptions regarding CVS Health rebate payment timing.

The FY23 projected budget deficit has come down to \$144.7M after reserves; this assumes a 5% medical trend and an 8% prescription trend and no premium rate increases. The percent change per member is 7.8% in FY22 resulting from the \$23.3M in COVID-19 reimbursement but returns to a long-term trend assumption of 5.7% expense growth per year in FY23.

Absent program changes or premium rate increases, the GHIP is projected to fully deplete the health fund surplus with a projected deficit of \$144.7M through the end of FY23. Assuming no other program changes, a 17% premium rate increase would be needed on July 1, 2022, to fully fund the FY23 deficit.

Mr. Oberle stated that he does not discount the need for potential rate action but added that he wants to balance increases with reducing the overall cost of health care. Mr. Giovannello responded that there are opportunities for savings but cautioned that program changes alone will not solve the deficit in the short-term. Treasurer Davis added that she would like to see a high-deductible Health Savings Account option but agrees the timeline for realized savings is long-term.

Treasurer Davis queried the Subcommittees for feedback related to the option of implementing two smaller rate increases. The Subcommittees had no comment.

There is a future opportunity for savings in the upcoming Third-Party Administrator Request for Proposal and potential steerage changes.

A 17% rate increase effective July 1, 2022, equals a \$4.73 - \$46.39 per employee per month increase (\$56.76 - \$556.68 per year) and a State subsidy increase of \$113.48 - \$306.17 per employee per month (\$1,361.76 - \$3,674.04 per year) depending on plan and coverage tier.

Additional modeling scenarios were requested to understand where the Fund would be today had modest rate increases been implemented in prior fiscal years, and what have employees saved by not having a rate increase.

On February 26, 2018, there was a motion for a one-time increase of 4.8% effective July 1, 2018, and a motion for a one-time increase of 2.0% effective July 1, 2018; neither motion carried. If approved, the 4.8% increase would have created an additional \$119.4M in premium contribution revenue to the Fund in FY19 through FY21; the Fund would have maintained a \$55.9M surplus after the reserves through the end of FY23. If approved the 2.0% increase would have created an additional \$49.7M in premium contribution revenue to the Fund in FY19 through FY21, and an additional 7.0% increase would be needed to solve for the projected FY23 deficit of \$61.1M.

For illustrative purposes, if a 2.0% annual increase were effective July 1, 2018, and each year after, this compounding effect would have created an additional \$99.9M in premium contribution revenue to the Fund in FY19 through FY21 and the Fund would have maintained a \$107.6M surplus after reserves through the end of FY23, assuming an additional 2% increase in FY22 and FY23.

Ms. Anderson requested additional modeling that illustrates the impact of a smaller increase on January 1, 2022, with another on July 1, 2022. Mr. Giovannello responded that he would have this available for the Committee meeting on August 16, 2021.

Ms. Anderson requested a cost savings refresh on all savings initiatives. Mr. Giovannello responded that he will provide a refresh but that it may not be available by the next Committee meeting.

OTHER BUSINESS

Ms. Anderson expressed concerns regarding the CVS Health transition. Deputy Director Hinkle responded that SBO had received several calls and the Customer Service Team is working to resolve issues primarily related to the need for prior authorizations. Ms. Anderson queried whether authorizations had been transferred directly from Express Scripts to CVS Health. Deputy Director Hinkle responded that file feeds were sent to CVS Health and members who were prescribed medication that required prior authorization were mailed disruption letters that alerted them that member action was required before the July 1, 2021 transition date. Additional concerns should be forward to SBO.

Mr. Scoglietti clarified that the Committee will be asked to vote on the FY22 budget on August 16, 2021, but not potential rate action. Deputy Director Hinkle confirmed.

PUBLIC COMMENT

No public comment was provided.

ADJOURNMENT

A MOTION was made by Mr. Scoglietti and seconded by Ms. Anderson to adjourn the meeting at 11:28 a.m.
MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

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